# Global Equity

| Equities | 1 Mth | 3 Mth | 6 Mth | YTD | 1 Yr | 3 Yrs |
|---|---|---|---|---|---|---|
| MSCI AC World | 0.2 | 7.3 | 10.5 | 0.2 | 17.5 | 31.9 |
| MSCI World | -0.1 | 7.9 | 10.5 | -0.1 | 16.7 | 33.8 |
| MSCI Emerging Markets | 2.8 | 2.2 | 10.2 | 2.8 | 24.5 | 16.3 |
| MSCI USA | -0.5 | 9.2 | 11.3 | -0.5 | 19.2 | 49.6 |
| MSCI Canada | 1.5 | 9.7 | 14.7 | 1.5 | 31.9 | 16.7 |
| MSCI Europe | -0.7 | 6.4 | 8.2 | -0.7 | 8.0 | 7.9 |
| MSCI Japan | 0.7 | 3.1 | 10.5 | 0.7 | 14.4 | 29.4 |
| MSCI Australia | 1.7 | 8.8 | 10.8 | 1.7 | 27.5 | 23.8 |
| MSCI AC Asia Ex-Japan | 3.5 | 2.3 | 9.8 | 3.5 | 20.2 | 24.7 |
| MSCI Latin America | 4.9 | -1.6 | 12.0 | 4.9 | 46.8 | 4.8 |
| MSCI EMEA | -0.5 | 5.6 | 9.5 | -0.5 | 27.3 | 3.0 |

Returns in percentage and in Singapore dollars. Source: Bloomberg, data as at 31 January 2017.

The MSCI AC World Index rose in January with the emerging markets (EM) outperforming developed markets (DM). In the developed markets, Japan, Australia, Canada outperformed while US and Europe underperformed. For the EM, Latin America (LATAM) outperformed while Eastern Europe, the Middle East, Africa (EMEA) underperformed.

Sector performance was mixed for the first month of the year. The materials sector performed ahead of the pack while consumer discretionary, industrials, and information technology also outperformed. The energy sector was the laggard for the month. Consumer staples, real estate, healthcare, telecommunication services and utilities underperformed.

The US market fell into the red as investors priced in future uncertainties from Trump's executive order on an immigration ban which led to confusion and widespread protests at American airports. The Purchasing Managers' Index (PMI) rose to 56.0 in January from 54.5 the previous month. Retail sales increased for a third straight month in January 2016 from improving labour participation rates as employers added the most workers in four months.

European equities underperformed the global index as car exporters declined from a strengthening euro and investors turned cautious from political risks with impending elections. Eurozone manufacturing PMI moved higher in line with forecasts to 55.2, while the German IFO business confidence index fell to 109.8, cooling from a high in the previous month. The Eurozone consumer price index (CPI) saw a 1.8% year-on-year increase in January.

The Japan index underperformed the broader index and the rest of Asia with data providing a mixed economic picture. Industrial production rose and improving export numbers have aided a modest recovery even as household spending fell and wage growth remains tepid.

Eastern Europe, Middle East and Africa (EMEA) reversed gains from December into negative territory in the start of 2017. Within EM, performance was better for Latin America than Asia with Brazil rallying after the nation's central bank cut interest rates more than expected, leading to improved outlook expectations. In Asia ex-Japan, performance was positive with the exception of Indonesia. The top performer was Singapore as the city state revealed better than forecasted number for GDP growth in the fourth quarter of 2016, while the Korea market saw its technology sector rallying with rising semiconductor prices.

# Global Equity

## Outlook and Strategy

Across regions, we have increased our regional exposure in Developed Markets (DM) and decreased Emerging Markets (EM). This is largely due to our expectations of a stronger US dollar which should see capital outflows from the latter. Trump's rhetoric on global trade protectionism will also be an overhang on the EM region.

Within DM, we remain overweight on the US which we expect earnings growth to pick up again with improving economic conditions. Meanwhile, the tightening labour force will result in higher wage inflation but the higher disposable income along with lower gasoline prices will support the retail sector, which remains a larger part of the economy. We retain the view that the economy remains on a strong recovery trajectory, and the US remains attractive for selective value plays.

We hold an underweight position in Europe despite the potential for further economic recovery. A weaker euro has helped to lift confidence and boost economic activities. The region also has significant operating leverage to an upturn in economic activity with profit margins currently at trough levels. However, we are cautious against the backdrop of increasing geopolitical risks in the region.

Concerns in Japan continue to linger. Economic data remains mixed but we believe that the Bank of Japan (BoJ) will remain accommodative, which would help to support the market. Despite disappointments on policy and the anaemic economic backdrop, there are some positive developments in corporate governance and corporate performance. A weaker Yen also should be beneficial to the exporters and corporate earnings and hence we have retained our overweight position in Japan.

We maintain EM as underweight but see selective value plays within the region. Challenges are expected to persist due to domestic imbalances and the build-up of excess credit in the period following the Global Financial Crisis. The slowdown in China continues to weigh heavily on the demand and prices of resources. The abrupt shift in the resources sector has dampened investments and growth in much of the developing world. We believe that EM still presents good multi-year opportunities from a structural and macro standpoint but face challenges from a cyclical standpoint. Growth is falling short of expectations and corporate earnings could face further downward pressures unless productivity levels can continue to rise. There are interesting bottom-up opportunities and stock selection is increasingly critical.

All statistics quoted in the write-up are sourced from Bloomberg as at 31 January 2017 unless otherwise stated..



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