Global Equity

Equities	1 Mth	3 Mth	6 Mth	YTD	1 Yr	3 Yrs
MSCI AC World	2.0	5.4	10.7	2.2	22.1	29.3
MSCI World	2.0	5.3	11.0	1.9	21.4	30.8
MSCI Emerging Markets	2.2	6.4	8.5	5.1	29.2	16.1
MSCI USA	3.1	5.5	13.0	2.6	24.6	48.4
MSCI Canada	-2.6	1.0	9.6	-1.2	25.5	9.8
MSCI Europe	0.4	6.1	6.4	-0.2	11.9	1.9
MSCI Japan	0.6	3.5	9.2	1.4	20.1	31.6
MSCI Australia	3.3	8.4	15.3	5.1	34.2	19.9
MSCI AC Asia Ex-Japan	2.5	5.0	7.4	6.1	26.1	24.7
MSCI Latin America	2.7	9.9	12.7	7.8	47.2	6.5
MSCI EMEA	-0.7	7.0	10.2	-1.2	25.4	-2.0

Returns in percentage and in Singapore dollars. Source: Bloomberg, data as at 28 February 2017.

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

Sector performance was mixed for the month. Healthcare stocks surged as the best performer, showing resiliency in the face of scepticism over Trump's proposed replacement to the Affordable Care Act. Consumer staples, real estate, information technology and utilities also outperformed. The energy sector was the worst performer for the month. Consumer discretionary, financials, materials and telecommunication services underperformed.

Canadian stocks tumbled into the red, as fears of protectionism and US border tax proposals erased gains made from earlier in the year. US equities outperformed the global index in an extended rally, spurred by signs that growth in the global economy began to pick up. The Purchasing Managers' Index (PMI) rose to 57.7 in February from 56.0 the previous month. Retail sales advanced more than forecasted while consumer spending rose more than estimated.

European equities underperformed the global index over looming concerns over the implementation of Brexit and the upcoming French presidential elections. Eurozone manufacturing PMI moved higher to 55.4, the highest level since 2011 while the German IFO business confidence index rose to 111, both indicating accelerating expansion. The Eurozone consumer price index (CPI) saw a 2.0 % year-on-year increase for the month.

Japan underperformed the broader index and the rest of Asia after posting a wider than forecasted trade deficit owing to declining auto exports. The prospect of rising protectionism continues to cloud the outlook even as the country began new talks on trade and investment with the US following Trump's withdrawal from the Trans-Pacific Partnership.

Eastern Europe, Middle East and Africa (EMEA) markets continued to slide downward for the second month in 2017. Within EM, performance was better for Latin America than Asia despite risks of Brazil failing to execute on its economic reforms. Meanwhile within Asia ex-Japan, India outperformed as growth concerns from demonetisation receded while Indonesia saw the sixth consecutive month of outflows as foreign investors sold their holdings in equities.

Global Equity

Outlook and Strategy

Across regions, we have neutralised our regional exposure in Developed Markets (DM) against the Emerging Markets (EM). This is largely due to our expectations of a range bound US dollar which should ease investor concerns regarding capital outflow from the latter region. Trump's rhetoric on global trade protectionism could continue to be an overhang on the EM region although the rhetoric more recently seems to have resided.

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 weak Yen also should be beneficial to the exporters and corporate earnings and hence we have retained our neutral position in Japan.

We have upgraded EM to neutral as we are starting to 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.

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