



Asian Macro & Market Outlook

SMAM monthly comments & views

December 2015



SMAM

Sumitomo Mitsui Asset Management

Executive summary

◆ Asian Economy

The Chinese economy shows an increasing sign toward stabilization in the short term led by a modest rise in investments for infrastructure projects and order improvements by the construction sector. However, a sagging economic growth is highly likely to continue in the first half of 2016. The current pace of infrastructure investment, nearly 20% YoY, may not be sustainable from a perspective of constraint in financial resource. Therefore, we foresee the economic growth would stagnate to +5% dragged by investments in the medium term.

In Asian region, the central banks maintain monetary easing amid economic slowdown as China's downturn and each country's political or economic issues have hit Asian economies. An expectation for rate hike in U.S. emerged again, however the paces of currency depreciation vary by country. We raised real GDP growth forecasts in several Asian countries considering upwardly-revised China's GDP growth estimate and expectation for effective use of "Off-budget".

◆ Asian Stock Markets

We expect mild upside for the market given gradual recovery of the global macro economy, accommodative monetary policy and relatively low valuation.

- ✓ Macro economies in most of Asian countries remain weak and likely to show gradual recovery towards next year. Especially the outlook for Chinese economy remains quite unclear. Risks for cash outflow and weaker currency continue.
- ✓ The recovery of corporate earnings is delayed.
- ✓ Concerns continue for tighter liquidity conditions across Asia due to US rate hike.
- ✓ These are key concerns for Asian markets and these will create volatility in the near term.
- ✓ However accommodative monetary policy and relatively low valuation will support the market. Market will go up in line with slow recovery of corporate earnings.

Outlook for Asian Economy

SMAM Economic Outlook Summary

- For China's real GDP estimate in 2016, we have slightly upgraded to +6.6%.
- We have marginally raised Hong Kong's and Philippines' real GDP growth forecasts for 2015 and India's real GDP growth forecast for 2016.
- For Australia, Indonesia, Malaysia, Singapore, Korea and Thailand, we have raised the real GDP growth projections for both 2015 and 2016.
- Nevertheless, we have revised down Taiwan's GDP estimate for 2015 to +0.7%.

Real GDP Growth Forecasts (%YoY)

Country	2013 (A)**	2014 (A)	2015 (F)**			2016 (F)		
			SMAM	Previous Oct 16th	Consensus	SMAM	Previous Oct 16th	Consensus
Australia	2.1	2.7	2.3	2.2	2.3	2.5	2.4	2.6
China	7.7	7.4	7.0	7.0	6.9	6.6	6.5	6.5
Hong Kong	2.9	2.3	2.4	2.3	2.2	2.0	2.0	2.2
India*	5.1	7.3	7.6	7.6	7.5	8.0	7.9	7.8
Indonesia	5.8	5.0	4.7	4.6	4.7	4.7	4.4	4.9
Malaysia	4.7	6.0	5.0	4.8	4.8	4.5	4.0	4.6
Philippines	7.2	6.1	5.7	5.6	5.6	5.9	5.9	5.9
Singapore	3.9	2.9	2.0	1.8	1.8	1.8	1.5	2.2
S. Korea	3.0	3.3	2.5	2.3	2.5	2.4	2.0	2.9
Taiwan	2.2	3.7	0.7	1.2	1.0	1.0	1.0	2.3
Thailand	2.9	0.9	2.8	2.6	2.6	2.7	2.4	3.2

(Source) SMAM

Consensus Forecasts (Consensus Economics Inc.) as of 16 November 2015 & SMAM Forecasts as of 2 December

* India is for fiscal year starting April. **F: Forecast, A: Actual

Outlook for Economy in China

SMAM Economic Outlook for China

China's Yearly GDP Growth & Relevant Indicators

	2013	2014	2015E (previous)		2016E (previous)	
Real GDP, %YoY	7.7	7.3	7.0	7.0	6.6	6.5
Consumption Expenditure, %YoY	7.4	7.5	7.9	7.9	7.3	7.2
Gross Fixed Capital Investment, %YoY	8.9	7.1	6.6	6.6	6.5	6.4
Net Exports, contrib.	-0.2	0.1	-0.2	-0.2	-0.2	-0.2
Nominal GDP, %YoY	9.5	8.2	7.0	7.0	7.6	7.5
GDP Deflator, %YoY	1.7	0.8	0.0	0.0	1.0	1.0
Ind. Production, %YoY	9.7	8.3	5.9	6.4	5.8	6.1
CPI, %YoY	2.6	2.0	1.5	1.6	2.5	2.5
Base Loan Rate, %	6.00	5.60	4.35	4.60	4.10	4.60

Notes: SMAM estimates as of 16 November 2015. For Net Exports, % point contribution to GDP growth
Source: National Bureau of Statistics of China, CEIC, SMAM

China's Quarterly GDP Growth and Components

	2014		2015E				2016E			
	3Q	4Q	1Q	2Q	3Q	4QE	1QE	2QE	3QE	4QE
Real GDP, %YoY	7.2	7.2	7.0	7.0	6.9	7.0	6.6	6.5	6.7	6.6
previous	-	-	-	7.0	6.9	7.0	6.4	6.5	6.7	6.6
SMAM's Original Real GDP Forecast, %YoY*	6.6	6.8	6.1	6.5	5.9	5.9	5.8	5.5	5.9	5.9
previous	6.6	6.9	6.3	6.3	5.9	5.9	5.5	5.4	5.6	5.6
Consumption Expenditure, %YoY	6.0	8.8	6.9	9.1	8.4	7.8	7.3	6.8	6.5	8.3
previous	-	-	-	9.1	8.4	7.8	7.2	6.8	6.5	8.3
cont. to GDP, %	2.7	4.3	4.5	3.9	3.7	3.8	4.8	3.0	2.9	4.1
previous	-	-	-	3.9	3.7	3.8	4.7	3.0	2.9	4.1
Gross Fixed Capital Investment, %YoY	3.7	9.5	3.5	6.6	8.0	7.1	6.2	6.6	7.1	6.0
previous	-	-	-	6.6	8.0	7.1	5.9	6.6	7.1	6.0
cont. to GDP, %	1.9	4.5	1.2	3.6	4.0	3.5	2.1	3.6	3.6	2.9
previous	-	-	-	3.6	4.0	3.5	2.0	3.6	3.6	2.9
Net Exports	12.3	7.9	5.7	-1.1	-4.5	-4.0	-2.0	0.0	3.0	2.0
cont. to GDP, %	2.6	-1.6	1.3	-0.6	-0.9	-0.3	-0.2	-0.1	0.2	-0.5
previous	-	-	-	-0.6	-0.9	-0.3	-0.2	-0.1	0.2	-0.5
CPI, %	2.0	1.5	1.2	1.4	1.7	1.6	2.3	2.6	2.5	2.5
previous	-	-	-	1.4	1.7	2.3	2.5	2.7	2.5	2.2
Base Loan Rate										
1yr, period end	6.00	5.60	5.35	4.85	4.60	4.35	4.10	4.10	4.10	4.10
previous	-	-	-	4.85	4.60	4.60	4.60	4.60	4.60	4.60

Notes: SMAM estimates as of 16 November 2015. Consumption Expenditure and Gross Fixed Capital Investment are SMAM estimates

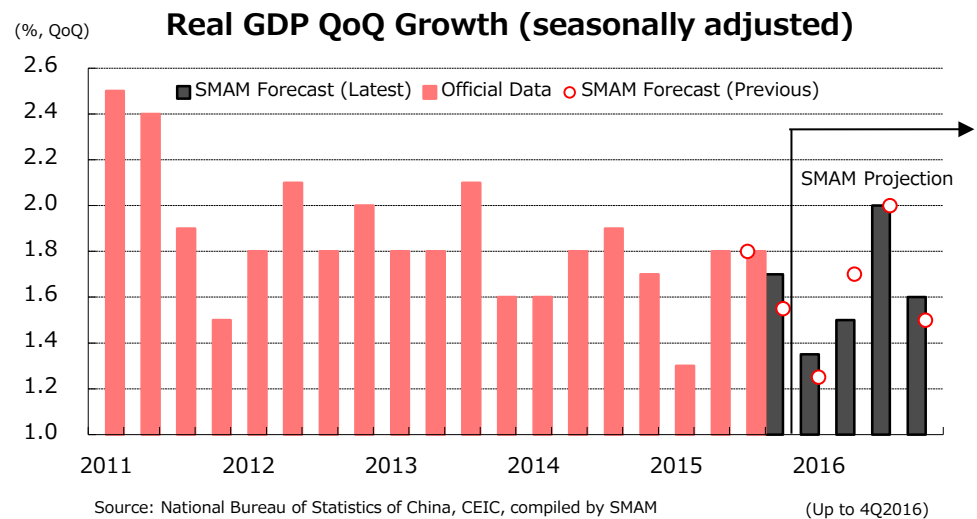
* SMAM's Original Real GDP Forecast, %YoY is originally calculated by SMAM to find out "real" Chinese economic growth using data of Industrial Production and Retail Sales

Source: National Bureau of Statistics of China, CEIC, SMAM

SMAM Economic Outlook for China

- We have raised the real GDP forecasts for 2016 to +6.6% YoY and the SMAM original GDP forecast for 2016 to +5.8% on improved indicators relating to infrastructure and real estate sector.
- Increasing new starts of infrastructure projects and fiscal expenditure are expected to mitigate downside risk of demands for construction in this year-end and early 2016. We have upgraded Jan-Mar 2016 GDP growth forecast as a recovery in infrastructure would contribute to production in the manufacturing sector.
- Furthermore, we revised up the SMAM original GDP growth forecast in the second half of 2016. An expansion of newly-acquired land area gave a confidence on a scenario that property investment would finish correction phase after mid-2016.

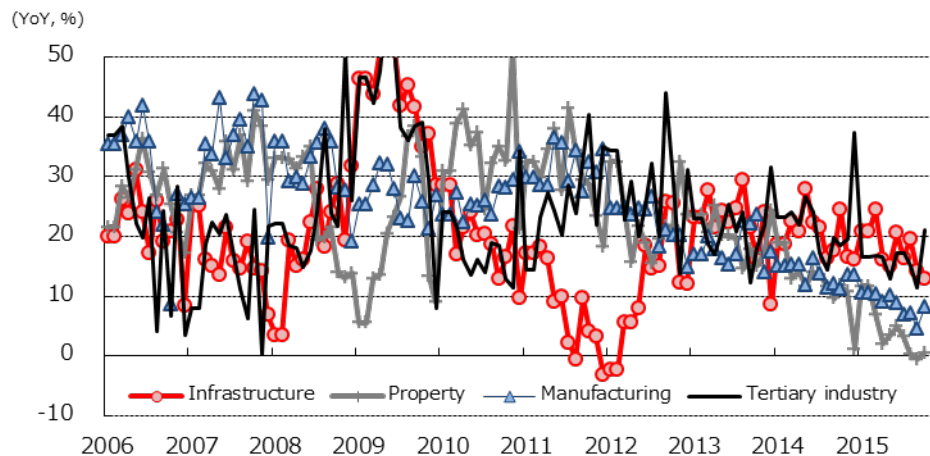
Note: Economy outlook is as of 16 November 2015



China: Activity growth

- October Fixed Asset Investment (FAI) bounced back to +9.5% YoY after sinking in September (+6.8% YoY). Tertiary sector (+21.0% YoY) such as IT and consumer service businesses and manufacturing sector (+8.3% YoY) lifted up the FAI.
- Unexpectedly, infrastructure investment decreased to +12.9% YoY from +14.1% in September. Yet, new starts of infrastructure investments accelerated to +15.8% YoY in October as a result of monetary easing.
- Industrial Production (IP) continued to slow to +5.6% YoY from +5.9% YoY in Jul-Sep.

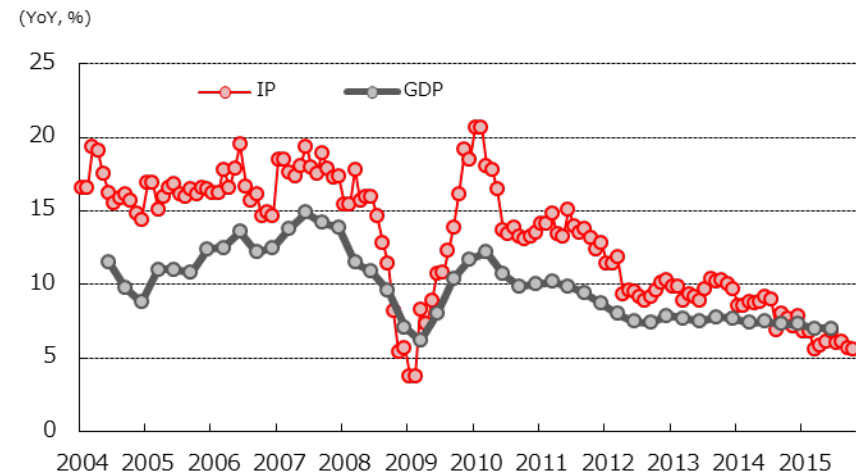
Investments by sectors



Source: National Bureau of Statistics of China, CEIC, compiled by SMAM

Up to October 2015

Industrial Production and GDP



Source: National Bureau of Statistics of China, CEIC, compiled by SMAM

Up to October 2015

China: November PMI

- November official manufacturing PMI came in at 49.6, lower than the market estimate of 49.8 on a decline in new orders. Imports index, in particular, continued to fall to 46.7 in November driven by sluggish domestic demands for investment due to deflationary pressure on commodity prices.
- Moreover, deteriorating employment conditions also weighed on the employment PMI index. November employment PMI fell to 47.6 from 47.8 in October as November non-manufacturing sector's employment sank to 48.4 from 49.6 in October. A possibility of downside risk for domestic demands still remains if monetary and financial supports are insufficient.
- However, Caixin final PMI has shown improvements for the second consecutive month. November Caixin PMI gained to 48.6 from 47.2 in September.

Official Manufacturing PMI

	Manufacturing PMI	New Orders	New Export Orders	Output	Stocks of Finished Goods	Stocks of Major Inputs	Purchases of Inputs	Input Prices	Imports	Backlogs of Orders	Employment	Supplier delivery time	Production & Business Activities Expectation	Non-Manufacturing PMI
Nov 14	50.3	50.9	48.4	52.5	47.2	47.7	50.5	44.7	47.3	43.9	48.2	50.3	52.2	53.9
Dec 14	50.1	50.4	49.1	52.2	47.8	47.5	50.1	43.2	47.8	43.8	48.1	49.9	48.7	54.1
Jan 15	49.8	50.2	48.4	51.7	48.0	47.3	49.6	41.9	46.4	44.0	47.9	50.2	47.4	53.7
Feb 15	49.9	50.4	48.5	51.4	47.0	48.2	49.4	43.9	47.5	43.8	47.8	49.9	54.0	53.9
Mar 15	50.1	50.2	48.3	52.1	48.6	48.0	49.7	45.0	48.1	44.1	48.4	50.1	61.3	53.7
Apr 15	50.1	50.2	48.1	52.6	48.0	48.2	50.1	47.8	47.8	43.8	48.0	50.4	59.5	53.4
May 15	50.2	50.6	48.9	52.9	47.5	48.2	51.0	49.4	47.6	44.7	48.2	50.9	56.8	53.2
Jun 15	50.2	50.1	48.2	52.9	47.7	48.7	50.9	47.3	48.0	44.6	48.1	50.3	52.2	53.8
Jul 15	50.0	49.9	47.9	52.4	47.4	48.4	50.3	44.7	47.8	44.0	48.0	50.4	52.9	53.9
Aug 15	49.7	49.7	47.7	51.7	47.2	48.3	49.4	44.9	47.2	44.6	47.9	50.6	54.1	53.4
Sep 15	49.8	50.2	47.9	52.3	46.8	47.5	48.6	45.8	48.1	43.8	47.9	50.8	53.9	53.4
Oct 15	49.8	50.3	47.4	52.2	47.2	47.2	48.8	44.4	47.5	44.4	47.8	50.6	52.5	53.1
Nov 15	49.6	49.8	46.4	51.9	46.7	47.1	48.3	41.1	46.7	43.0	47.6	50.6	48.3	53.6

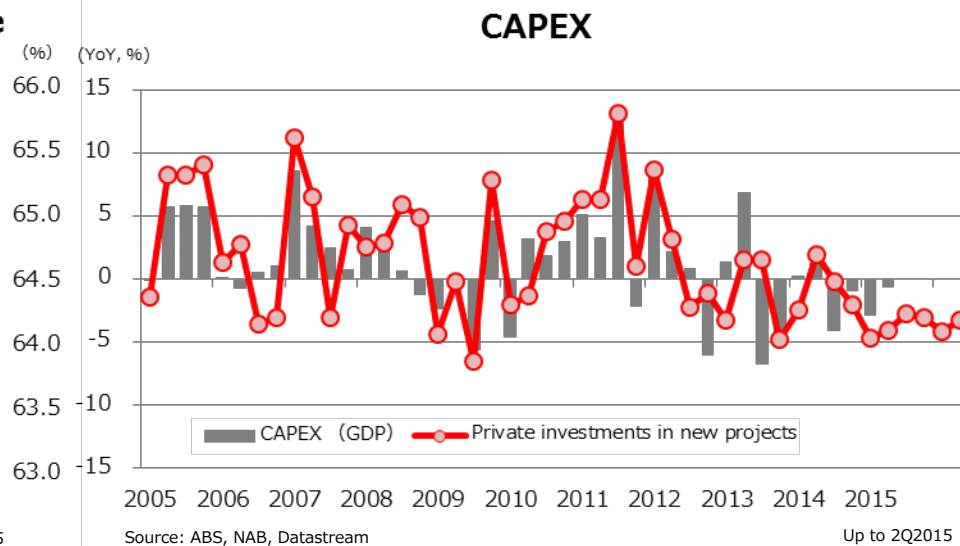
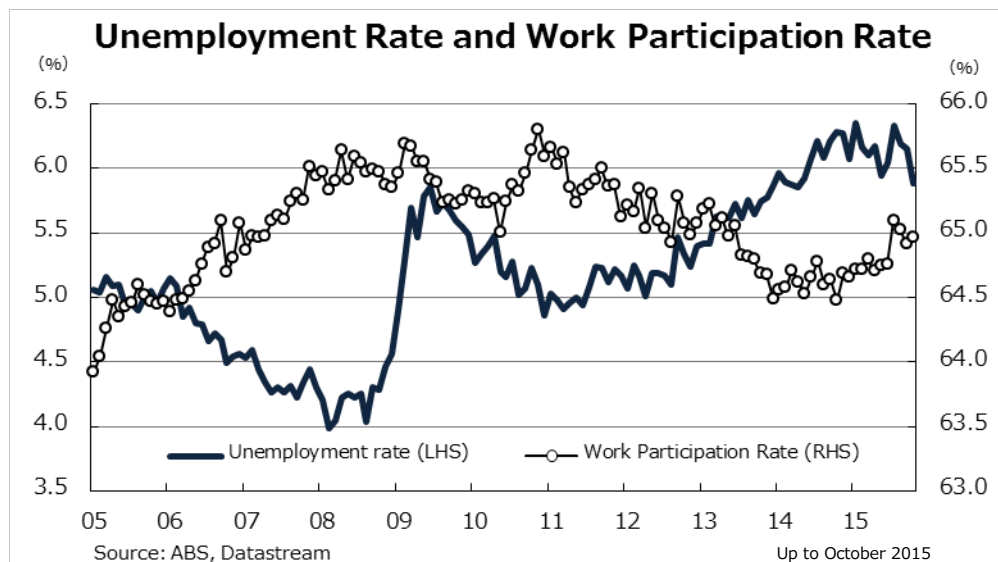
Source: National Bureau of Statistics of China, CEIC, compiled by SMAM

Up to November 2015

Outlook for Economies in Asia

Australia

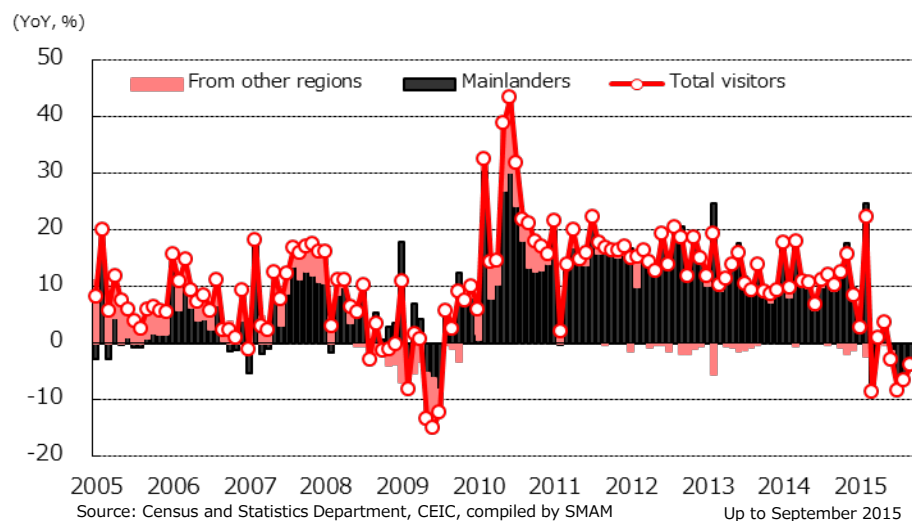
- Jul-Sep real GDP growth was released at +0.9% QoQ, beating the market estimate of +0.8% QoQ. Net exports and private investment lifted up the economy while capital expenditure and public investment sank.
- We marginally revised up the GDP growth forecasts for 2015 and 2016 to +2.3% and +2.5% respectively. We maintain our view the GDP growth is on a path of a gradual recovery at just under cruising speed until mid-2016. Later in 2016, the economic growth would accelerate slightly after bottoming out of capex and lower unemployment rate.
- We stay with our expectation that RBA holds policy rate until end-2016. The current business condition is firmer than RBA's forecast. We expect effects of the fiscal policy by RBA are limited while the central bank is gaining confidence for the economy.



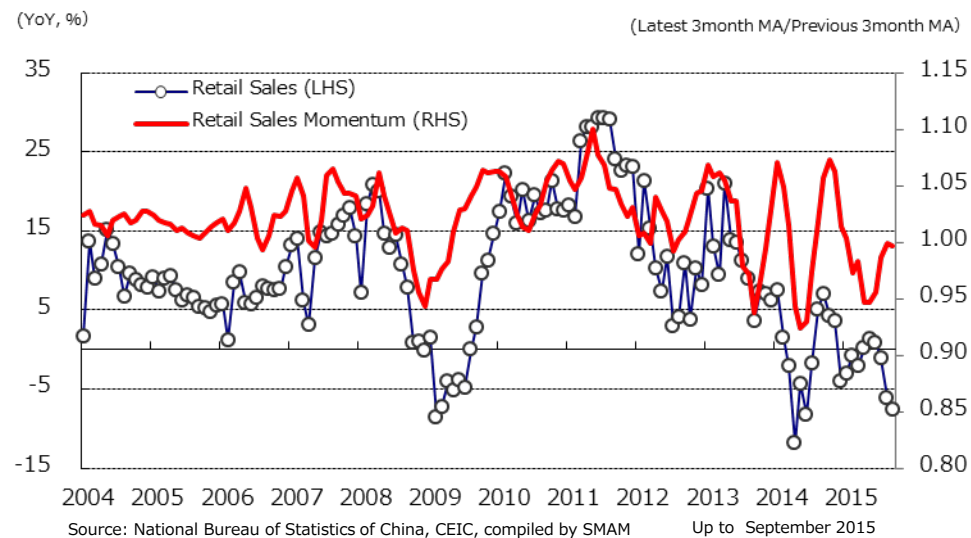
Hong Kong

- We slightly raised our forecast for the GDP growth in 2015 to +2.4% from +2.3% reflecting higher-than-expected Jul-Sep GDP real growth. However, we maintain the GDP forecast in 2016 at +2.0%, lower than market consensus on a cautious stance on shrinking global trading volume, declining amount of external lending by the financial sector and a decline of tourists from mainland.
- Current momentum peaked out and turned to decline with less improvement in monthly indicators such as exports and imports with the preceding three months on a seasonally adjusted basis. The negative growth of tourist numbers from mainland has weighed on internal consumption.

Number of Visitors to Hong Kong

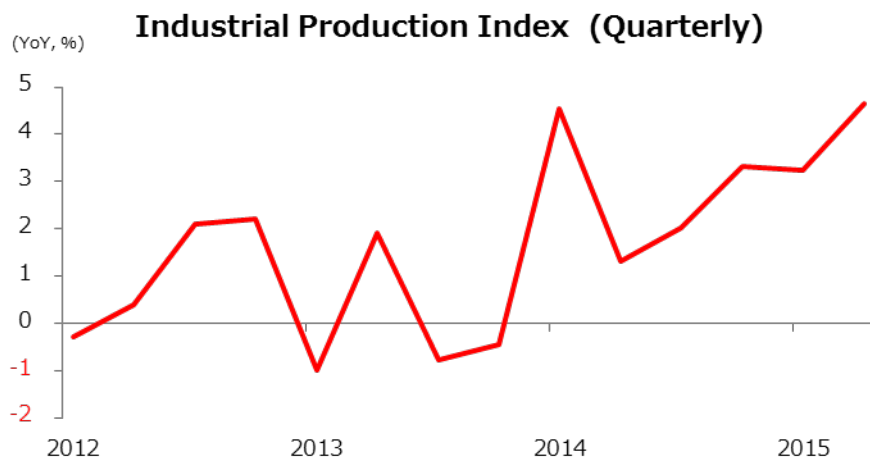


Retail Sales Value Index: Seasonally Adjusted



India

- India, which is less vulnerable to global economic cycle, started a positive trend toward economic recovery led by domestic demands on the back of low inflation environment. Toward 2016-2017, we expect the GDP growth to accelerate.
- Quarterly Industrial Production (IP) growth rose to +4.6% YoY in Jul-Sep, accelerating from +3.3% in Apr-Jun despite disappointing September IP, which decreased to +3.6% YoY from +6.3% YoY in August. The uptick of the production sector suggests the Jul-Sep GDP growth would accelerate.
- October CPI inflation accelerated to +5.0% YoY from +4.4% YoY in September mainly due to the base effect. Inflation was in line with the Reserve Bank of India's outlook. The decline of vegetables price in October was due to a fall of onion prices.



CPI Inflation

	CPI Inflation	Food & Beverages	Vegetables	Pulses	CPI Inflation	Food & Beverages	Vegetables	Pulses
	YoY	Weight	Weight	Weight	MoM	Weight	Weight	Weight
Jun-14	6.8	3.4	0.3	0.1	0.78	0.59	0.37	0.01
Jul-14	7.4	4.1	1.0	0.1	2.14	1.69	1.32	0.02
Aug-14	7.0	4.1	0.9	0.2	0.92	0.73	0.53	0.03
Sep-14	5.6	3.0	0.1	0.2	-0.17	-0.30	-0.31	0.02
Oct-14	4.6	2.1	-0.8	0.2	0.00	-0.15	-0.27	0.01
Jun-15	5.4	2.7	0.4	0.5	1.15	0.87	0.41	0.14
Jul-15	3.7	1.3	-0.6	0.5	0.49	0.34	0.29	0.03
Aug-15	3.7	1.4	-0.5	0.6	0.97	0.78	0.61	0.09
Sep-15	4.4	2.1	0.0	0.7	0.48	0.33	0.22	0.11
Oct-15	5.0	2.6	0.2	1.0	0.56	0.33	-0.08	0.29

Source: CEIC, SMAM

Up to September 2015

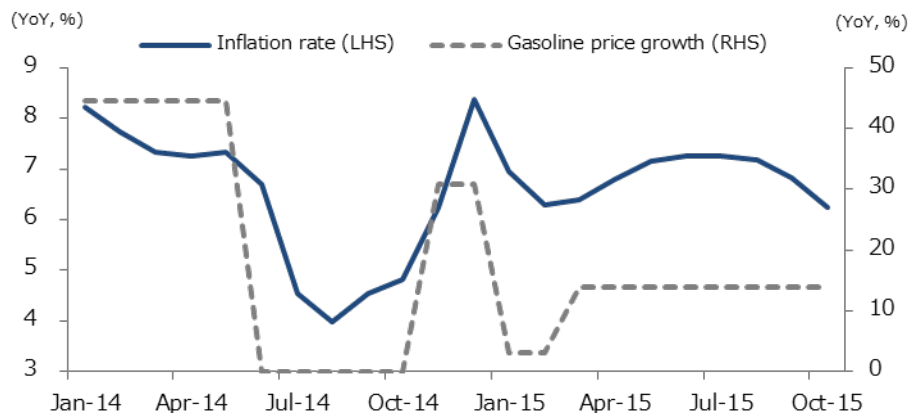
Source: CEIC, SMAM

Up to October 2015

Indonesia

- Indonesia's fiscal deficit widened to 2.2% of GDP as of 22 October, higher than the budget at 1.9%. But the government would avoid rapid cut in fiscal expenditure for 4Q2015 despite of concerns over expanding fiscal deficit under lower revenue growth.
- In Indonesia, the premium gasoline price of octane 88 is a key for inflation expectation. We expect CPI inflation will start to slow in November 2015 on the back of the year-earlier high base due to a cut of fuel subsidy, which pushed up the gasoline price.
- Bank Indonesia (BI) decided to deliver a 50bp reserve requirement ratio cut to 7.50% from the beginning of December 2015. BI kept policy rate unchanged at 7.50% due to looming uncertainties for possible effects by US rate hike. After the next FOMC meeting on 15-16 Dec, BI would move to a rate cut if IDR is under the stable environment.

Inflation and Gasoline Price



Note: 88 RON gasoline is "Premium" gasoline in Indonesia. Subsidy for gasoline was removed on 1 Jan 2015. In Nov 2014, the subsidized fuel price was raised by 31%.

Source: CEIC, SMAM
Up to October 2015

Malaysia

- We have raised GDP growth forecasts for 2016 to +4.5% YoY from +4.0% YoY, but still lower than +5.0% YoY of the GDP in 2015.
- Jul-Sep GDP growth marginally slowed down to +4.7% YoY from +4.9% YoY in the previous quarter. One main cause was weak domestic private consumption decreasing to +2.2ppt in Jul-Sep from +3.3ppt in Apr-Jun. However, on seasonally adjusted basis, private consumption turned to a positive growth. This rise implies the influence of GST, which was introduced in April, is lowering.
- The Malaysian government expects the GDP for 2016 would shift down to +4.0-5.0% amid declining oil prices. Yearly public investment growth was set at only 6.0% YoY as the revenue growth would be low due to commodity price fall. However, the government seems to take advantage of state owned enterprises' public investment (so called "Off-budget"), which is out of strict fiscal discipline, to avoid economic slowdown.

Budget Plan for FY2016

(%)

	2014	2015		2016
		Initial Budget	Mid-year Adjustment	
GDP Growth	6.0	5.0-6.0	4.5-5.5	4.0-5.0
Inflation Rate (CPI)	3.2	4.0-5.0	2.0-2.5	2.0-3.0
Current Account	4.3	4.1	2.0	0.9

Source: CEIC, SMAM

Public Investment Allocation for 2016

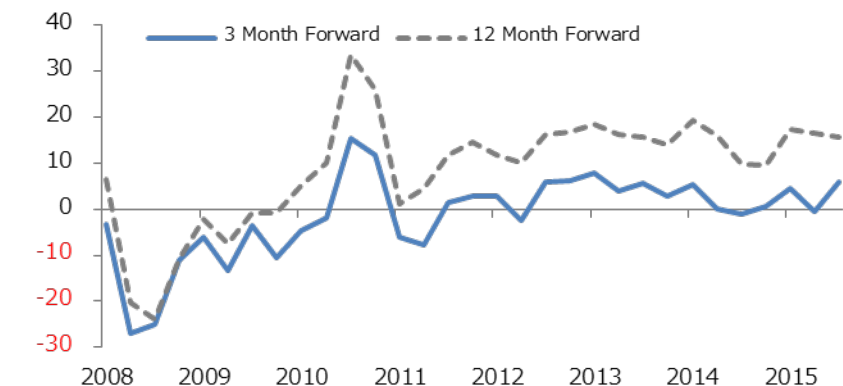
	MYR 1bn	Share (%)	(against GDP) (%)
Total	169.41	100.0	13.7
Government	60.01	35.4	4.8
Off-budget	109.4	64.6	8.8

Source: CEIC, SMAM

Philippines

- Jul-Sep GDP growth came in at +6.0% YoY, lower than market consensus of +6.3% YoY but slightly higher than SMAM's forecast of +5.9%. Robust domestic demands supported the quarterly growth rate, adding contribution of +8.0ppt, while inventory investment was weak. We maintain the view that Philippine's GDP forecast in 2016 will be at +5.9% YoY accelerating from 2015 led by domestic demands.
- Consumer sentiment shows improvements according to the consumer survey. October CPI inflation remains at a low level of +0.4% YoY contributed by low inflation in electricity tariff, gasoline and agricultural products. Bangko Sentral ng Pilipinas (BSP) cut the inflation forecast for 2016 to +2.3% from +2.6%, within the target range of +2.0-4.0%.
- We expect BSP to maintain the policy rate until the end of 2016. BSP insisted to continue the neutral stance for the current rate despite the low inflation. We foresee that BSP does not need to raise the rate with decline of inflationary pressure.

(Good-Bad, ppt) **Consumer Expectations Survey**



Source: CEIC, SMAM

Up to September 2015

CPI Inflation

		Jul-15	Aug-15	Sep-15	Oct-15
CPI	YoY	0.8	0.6	0.4	0.4
Food	YoY	0.6	0.5	0.3	0.3
Rice	YoY	0.0	-0.1	-0.2	-0.3
Fuels & Lubricants	YoY	-0.2	-0.2	-0.2	-0.2
Electricity	YoY	-0.3	-0.3	-0.4	-0.4
Education	YoY	0.1	0.1	0.1	0.1
Core CPI	YoY	1.9	1.6	1.4	1.5

Source: CEIC, SMAM

Up to October 2015

Singapore

- Singapore economy is sensitive to economies in other Asian countries. We raised the Singapore's GDP growth forecasts for 2015 and 2016 to +2.0% YoY and +1.8% YoY respectively, as we revised the GDP forecasts in surrounding countries upward. Additionally, the current economy itself is firm. However, Singapore GDP correlated well with Chinese economy in the last five years. Thus, we maintain the view the Singapore's GDP rate in 2016 would slow down following China.
- On the back of strong service sector, the final Jul-Sep GDP growth was revised up to +1.9% QoQ (annualized rate) from +0.1% QoQ (advance estimate), showing a recovery from -2.6% QoQ in the previous quarter.



Note: Historical data on an annual basis. The latest real GDP is as of 3Q2015 (before the final was released).
Source: CEIC, SMAM

Up to September 2015



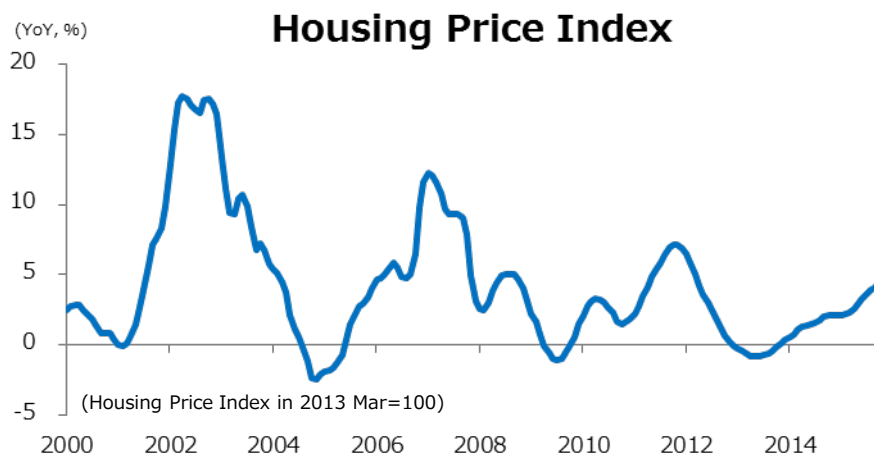
Note: Historical data on an annual basis. The latest real GDP is as of 3Q2015.

Source: CEIC, SMAM

Up to 2015

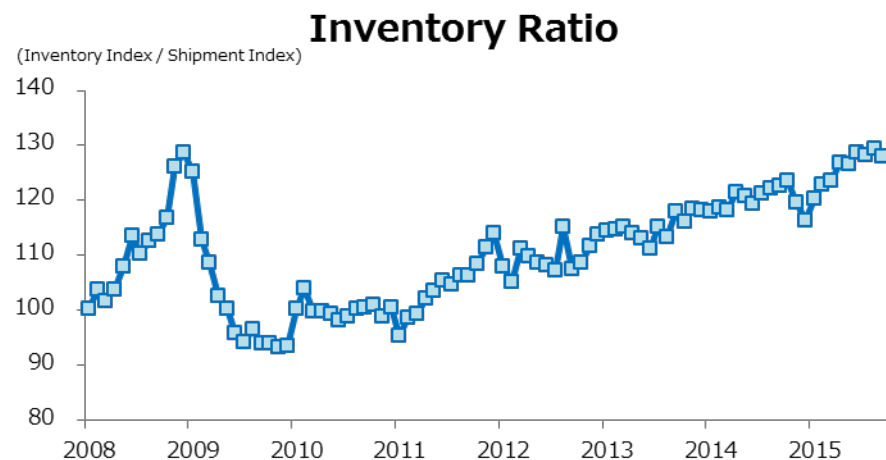
South Korea

- Seasonally adjusted Jul-Sep GDP growth accelerated to +1.2% QoQ led by a strong rebound of private consumption after sagging Apr-Jun GDP (+0.3% QoQ) due to MERS infection. Therefore, we revised Korea's GDP growth forecasts for 2015 and 2016 upward to +2.5% YoY and +2.4% YoY respectively. A gradual increase in housing price would also lift up consumer sentiment whereas GDP growth for 2016 would be weak on high inventory ratio, which is close to a level after global financial crisis.
- October seasonally adjusted IP came in at -1.4% MoM, lower than +2.2% MoM in September on the stagnation in Chemical and Automobile productions.
- November exports improved to -4.7% YoY from -15.9% in October contributed by shipbuilding in particular, while exports remain volatile. Exports to China also recovered to -6.8% YoY from -8.0% YoY in October, but it extended loss on a seasonally adjusted basis to -2.1% MoM in November from -1.0% MoM in October. We should still pay a careful attention to the downside risk of Chinese economy.



Source: CEIC, SMAM

Up to October 2015



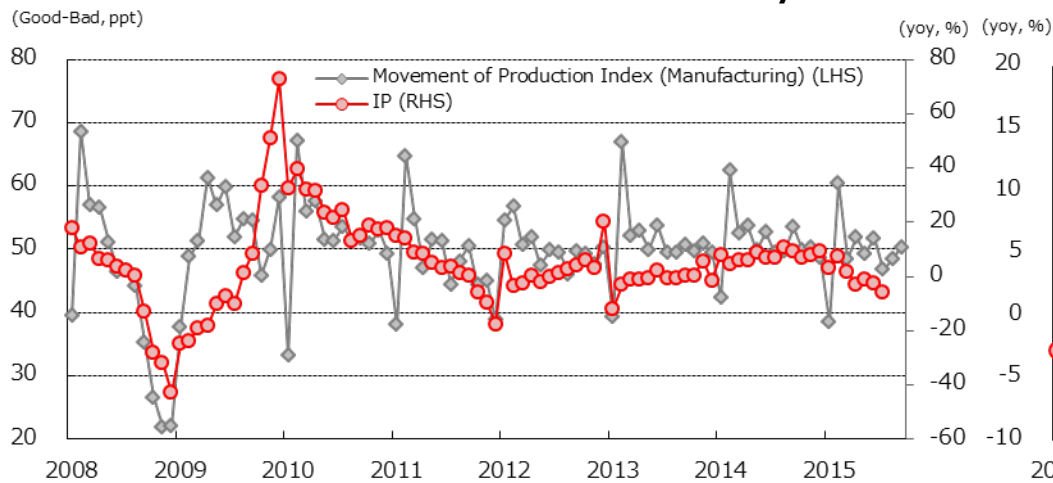
Source: CEIC, SMAM

Up to September 2015

Taiwan

- We have cut the GDP growth forecast for 2015 to +0.7% YoY as lower-than-projected GDP in Jul-Sep came in at -1.0% YoY. In the first half of 2016, we forecast a marginally positive growth, just over 0%, while the growth in the second half would improve to +1.0-2.0% YoY. This scenario is based on a mild recovery in Chinese economy after the mid-2016.
- Exports show signs of rebound on QoQ basis and remain stable on YoY basis. Nevertheless, the pace of recovery in production, which is at the inventory adjustment phase, is slower than that in exports as shown by October IP falling 6.2% YoY. Seasonally-adjusted retail sales are also weak to expand a loss.

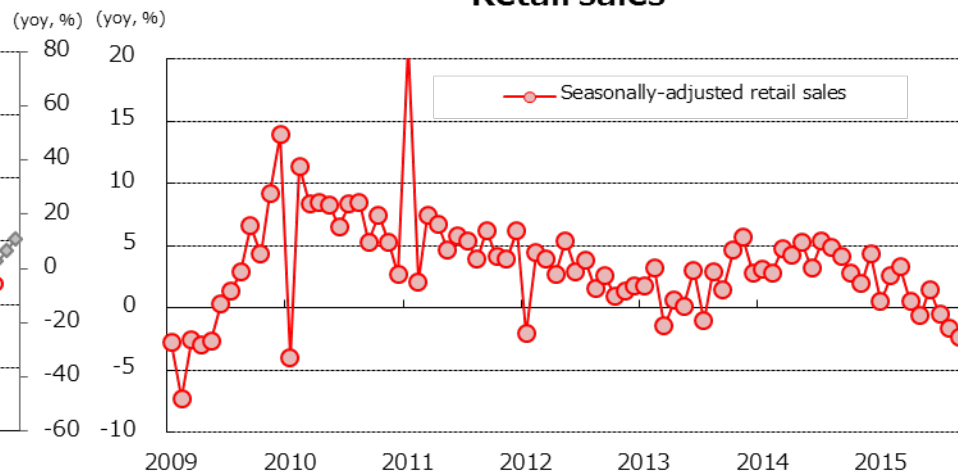
Industrial Production and Inventory



Source: Ministry of Economic Affairs, CEIC, SMAM

Up to October 2015

Retail sales

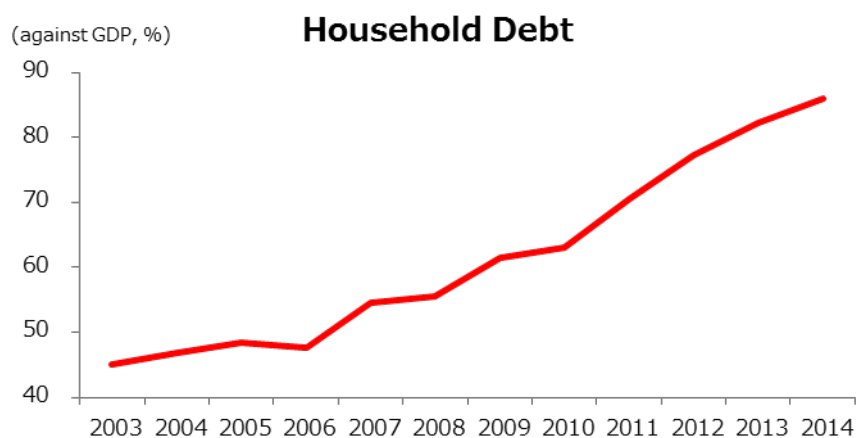


Source: Ministry of Economic Affairs, CEIC, SMAM

Up to September 2015

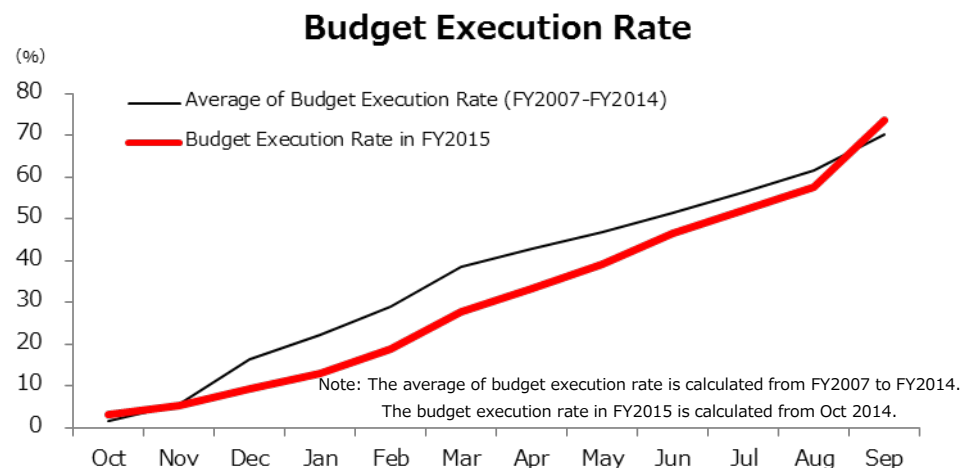
Thailand

- Regarding GDP growth forecast in 2015, we upgraded to +2.8% YoY on stronger-than-expected Jul-Sep GDP growth (+2.9% YoY). The rise in 3Q2015 GDP was led by weak imports facing strong headwinds amid sluggish domestic demands. We expect Oct-Dec GDP growth would soften with a modest pickup in import.
- For economic recovery, an upturn in private investment would be necessary. However, the private sector is expected not to be fully recovered on weak private consumption amid high household debt and anxieties about investment plan under the military government.
- We expect a positive sign of fiscal policy led by Deputy PM Somkid to speed up disbursements of public investment. In fact, the year-to-date disbursement rate of public investment jumped to 73.7% in September from 57.7% in August.



Source: CEIC, SMAM

Up to 2014 year end



Source: CEIC, SMAM

Up to September 2015

Outlook for Asian Stock Markets

Stock Market Performance - Global

Indices as of 30 Nov 2015	Px Last	Mtd	Qtd	Ytd	3m	1yr	2yr	3yr
S&P 500 INDEX	2,080.41	0.1%	8.4%	1.0%	5.5%	0.6%	15.2%	46.9%
DOW JONES INDUS. AVG	17,719.92	0.3%	8.8%	-0.6%	7.2%	-0.6%	10.2%	36.0%
NASDAQ COMPOSITE INDEX	5,108.67	1.1%	10.6%	7.9%	7.0%	6.6%	25.8%	69.7%
STOXX Europe 50 € Pr	3,287.98	2.2%	10.5%	9.5%	5.7%	6.9%	13.3%	28.8%
NIKKEI 225	19,747.47	3.5%	13.6%	13.2%	4.5%	13.1%	26.1%	109.1%
TOPIX	1,580.25	1.4%	12.0%	12.3%	2.8%	12.0%	25.6%	102.2%
BRAZIL BOVESPA INDEX	45,120.36	-1.6%	0.1%	-9.8%	-3.2%	-17.5%	-14.0%	-21.5%
RUSSIAN RTS INDEX \$	847.10	0.2%	7.3%	7.1%	1.6%	-13.1%	-39.6%	-41.0%
BSE SENSEX 30 INDEX	26,145.67	-1.9%	0.0%	-4.9%	-0.5%	-8.9%	25.7%	35.2%
HANG SENG INDEX	21,996.42	-2.8%	5.5%	-6.8%	1.5%	-8.3%	-7.9%	-0.2%
HANG SENG CHINA AFF.CRP	4,050.08	-2.3%	3.8%	-6.9%	0.2%	-10.7%	-13.5%	-7.7%
HANG SENG CHINA ENT INDX	9,790.64	-5.8%	4.1%	-18.3%	0.5%	-12.2%	-14.4%	-7.8%
CSI 300 INDEX	3,566.41	0.9%	11.3%	0.9%	5.9%	27.0%	46.2%	66.7%
TAIWAN TAIEX INDEX	8,320.61	-2.7%	1.7%	-10.6%	1.8%	-9.4%	-1.0%	9.8%
KOSPI INDEX	1,991.97	-1.8%	1.5%	4.0%	2.6%	0.6%	-2.6%	3.1%
STRAITS TIMES INDEX	2,855.94	-4.7%	2.3%	-15.1%	-2.2%	-14.8%	-10.1%	-7.0%
FTSE Bursa Malaysia KLCI	1,672.16	0.4%	3.2%	-5.1%	3.7%	-8.2%	-7.8%	3.8%
STOCK EXCH OF THAI INDEX	1,359.70	-2.5%	0.8%	-9.2%	-1.6%	-14.7%	-0.8%	2.7%
JAKARTA COMPOSITE INDEX	4,446.46	-0.2%	5.3%	-14.9%	-1.4%	-13.7%	4.5%	4.0%
PSEi - PHILIPPINE SE IDX	6,927.07	-2.9%	0.5%	-4.2%	-2.4%	-5.0%	11.6%	22.8%
HO CHI MINH STOCK INDEX	573.20	-5.6%	1.9%	5.1%	1.5%	1.2%	12.9%	51.7%
S&P/ASX 200 INDEX	5,166.52	-1.4%	2.9%	-4.5%	-0.8%	-2.8%	-2.9%	14.7%
NZX 50 INDEX	6,100.15	1.9%	9.1%	9.6%	7.8%	12.5%	27.2%	50.6%
MSCI World Free Local	425.54	0.5%	8.3%	2.5%	4.3%	1.6%	12.6%	41.8%
MSCI All Country Asia Ex Japan	626.15	-2.8%	3.4%	-7.4%	1.8%	-9.0%	-3.9%	3.3%
MSCI EM Latin America Local	61,015.09	-2.7%	0.0%	-8.6%	-3.4%	-14.0%	-14.0%	-14.9%
MSCI Emerging Markets Europe M	461.98	-3.3%	1.0%	-2.6%	-2.5%	-6.5%	-2.4%	6.5%

Note: All data are as of 30 November 2015

Compiled by SMAM based on Bloomberg

Outlook for Global Markets

- ▣ We expect mild upside for the market given gradual recovery of the global macro economy, accommodative monetary policy and relatively low valuation.

Outlook for Asia Pacific Region

- ▣ Macro economies in most of Asian countries remain weak and likely to show gradual recovery towards next year. Especially the outlook for Chinese economy remains quite unclear. Risks for cash outflow and weaker currency continue.
- ▣ The recovery of corporate earnings is delayed.
- ▣ Concerns continue for tighter liquidity conditions across Asia due to US rate hike.
- ▣ These are key concerns for Asian markets and these will create volatility in the near term.
- ▣ However accommodative monetary policy and relatively low valuation will support the market. Market will go up in line with slow recovery of corporate earnings.

Note: As of 27 November 2015

Source: SMAM

Investment Outlook: Macro & Stock Market – Asia Pacific by Market

	Outlook, Reason for OW/UW	1.Macro Trend					2.Stock Market	
		Politics	Macro	Interest rate / Inflation / Liquidity	External Account	Currency	Earnings Momentum	Valuation
Hong Kong	- Uncertainty from China is slightly eased. - Relatively stable in terms of currency and corporate fundamentals.	Stable More focus on Economy side.	X The pace of recovery is slower than expected. ○ Tightening policy for property is behind us.	Int. rate remain super low. / Inflation will be moderate.	Trade deficit narrows, CA surplus stays at this level.	Stable	xRevision is gradually weakening.	○attractive
China	- Tough challenge towards New Normal. - Strong Policy support can be expected. - Outlook for corporate earnings is still weak.	Stable, but becomes less clear.	X Weaker than expected although Hard landing should be avoided. Structural rebalancing is the key challenge.	○More accommodative monetary policy is expected. / Int. rate will come down / Inflation will not be a key concern.	Surplus- but it is declining	Downward bias.	xRevision is gradually weakening.	○attractive
Taiwan	- Slower economic growth but new product cycle in IT is supportive. - Attractive valuation with high dividend yield.	Stable, Presidential election in 2016 will not a big surprise.	x The pace of economic recovery is slower than expected. Some support by new product cycle in IT.	First rate cut for last 6 years. Int. rate will be stable. / Inflation will be stable. / Liquidity is improving.	Surplus will expand	Stable	xRevision is gradually weakening.	○attractive
Korea	- Still in the transition. Structural re-rating will not happen soon. - Weaker KRW supports exporters.	Stable, but implementation of structural reform is delayed.	X Growth outlook is weakening due to subdued export environment in China.	○ Easing bias continues / Inflation will be stable / Liquidity is improving.	Surplus will expand	Downward bias in the near term.	xRevision is weakening.	Attractive. However there is a reason for the discount.
Singapore	- Stable Mkt and policy headwind is easing.	The landslide victory of PAP should create political stability.	X Economic recovery is slower than expected. Tight policy for properties will be finished soon	Int. rate will be stable. / Inflation will be stable. / M2 growth rate is bottomed out.	Surplus will continue.	Downward pressure is eased, upward bias in the longer term.	xRevision is weakening.	○attractive on PBR, fair on PER
Malaysia	- Mounting uncertainty in both Politics and economy. - Investor's sentiment is improving.	X Political turmoil is increasing	X Slow economic growth is likely to continue.	Policy Rate will be flat. / Inflation will mildly pick up. / M2 growth rate is bottomed out.	Surplus will be narrowed, weak oil price is a big risk.	xDownward pressure is eased, but downward bias will continue in long term.	xRevision is very weak.	Fair (Rich on PER, but fair on PBR)
Thailand	- Subdued economy will continue. - Increased social unrest after Bangkok Bombing.	Unclear under military government. Strong leadership of deputy prime minister Somkid.	X Slow economic growth is likely to continue.	○Rate cut is expected in 2Q16 for further depreciation of THB. / Inflation will be stable. Liquidity is improving.	Surplus will continue.	xDownward pressure is eased, but downward bias will continue in long term. BOT is seeking further depreciation.	xRevision is very weak.	Fair
Indonesia	- Increasing headwinds for Macro economy and corporate earnings. - Policy initiative becomes less clear. - Investor's sentiment is improving.	Honeymoon period of President Jokowi is behind us.	X Underlying economy is weaker than expected due to delay of FAI and weaker export.	○Rate cut is possible due to stabilizing market.	X CA deficit will continue at current level.	xDownward pressure is eased, but downward bias will continue in long term.	xRevision is very weak.	Fair (Rich on PER, but fair on PBR)
Philippines	- Still the bright spot. - Sustainability is the key.	Stable. Presidential election in 2016.	○ Steady growth	Wait and See stance on monetary policy / Int. rate will be stable. / Inflation is stabilized by low oil price	Trade deficit will shrink. Current a/c surplus will expand.	Downward pressure is eased, but downward bias will continue in long term.	xRevision is weak.	xMildly Expensive (Rich on PER, but fair on PBR)
India	- Overall macro fundamentals will improve given its strong policy supports. - Relatively safe but it is a consensus OW Mkt.	Potential of economic reform continues	○ Growth rate will accelerate driven by domestic consumption.	○Rate cut started and further room for rate cut / Inflationary pressure peaked out.	X Trade / CA deficit will remain at same level.	Downward Bias.	x Revision remains weak	Fair
Australia	Expect mild up-trend market, backed by improving domestic consumption and corporate earnings.	Stable	Mild recovery	Int. rate will be stable. / Inflation stays lower than the target range.	Deficit, but it is improving	Downward bias	Revision is weak especially for Mining industry.	
Vietnam	Steady upside can be expected supported by solid economic growth.	Confrontation between Vietnam & CH is a key concern	solid recovery	Lower interest rate environment / Benign Inflation	Trade / CA surplus will be narrowed.	Gradual depreciation	Improving	Within FV range.

Market Focus (i): Korea – Underweight continued

【Summary】

As the global economy is restoring stability, the downside of a slowdown in corporate earnings would be limited. However, structural issue is expected to weigh on the market in the medium- to long-term.

- ▣ The weakening KRW supports exporting companies and the sharp depreciation of the JPY seems to end.
- ▣ Competitive pressures on the Korean companies with Japanese and Chinese peers continue.
- ▣ Corporate earnings are expected to be weak and market expectation still seems too high.
- ▣ Valuation is very attractive.
- ▣ However, weak corporate governance and investor-unfriendly activities by big chaebols are likely to continue.
- ▣ We have positive outlook for consumer discretionary (Hotel and environment-related goods) and consumer staples (Cigarette and CVS) and negative outlook for financials, telecommunication services, utilities, automobiles, capital goods and materials.

Note: Compiled by SMAM as of 27 November 2015

Market Focus (ii): Taiwan – Overweight continued

【Summary】

We maintain a view that a recovery of the global economy is weak. We take a careful stance to select stocks with a growth driver.

- ❑ Slower growth mainly from export side. Especially, China is a key concern.
- ❑ However, the worst seems to be over for IT related production thanks to the new product cycle (for iPhone6S/Plus).
- ❑ Relatively immune from US rate hike.
- ❑ Attractive valuation with high dividend yield.
- ❑ There will be no surprise in the Presidential election in 2016. Tsai Ing-Wen of the Democratic Progressive Party will win the election. There are some chances to address domestic issues by the new government.
- ❑ We have positive outlook for IT, consumer discretionary and telecommunication services and negative outlook for energy, materials, consumer staples and financials.

Note: Compiled by SMAM as of 27 November 2015

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