



Asian Macro & Market Outlook

SMAM monthly comments & views

February 2017



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Executive summary

◆ Outlook for Chinese and Asian Economies

In the Central Economic Work Conference, China's top leaders expressed their stance to focus on the economic stabilization and to maintain supply reform through the slightly tightened monetary policy and the proactive fiscal policy, while they also expressed concern over housing bubble. We can see the data does not indicate a higher concentration of investment in coastal area according to November Fixed Asset Investment (FAI) with higher growths in eastern and central regions. December Producer Price Index (PPI) continued to accelerate, which means that demand-supply is well-managed. Prior to events that put China's national prestige such as Communist Party's 100th anniversary in 2021 and Beijing Winter Games Olympics in 2022, we think the Chinese Communist Party would give full consideration to the social stabilization.

In Asia, we maintain our view that economic momentum is moving up in general. A rally in commodity markets can be positive for the Indonesian and Malaysian economies. Thailand seems to be able to avoid a serious economic slowdown, which caused by a lower consumer sentiment. Korea is expected to ease downward pressure on the economy with a rate cut. We foresee the GDP in ASEAN5 to grow from +4.9% in 2016 to +5.1% in 2017 and +5.2% in 2018 on a YoY basis. The GDP in NIES4 would rise to +2.2% YoY in 2018 after a short drop to +1.9% YoY in 2017 from +2.1% YoY in 2016.

◆ Outlook for Asia-Pacific Stock Markets

We expect Asian equity markets to go up mildly in line with corporate earnings growth. The macro economy seems to be stabilized, which has been priced in especially for the near term.

- ✓ Overall market conditions including currency and bond yield seem to be stabilized, which should be positive for Asian equity markets.
- ✓ Although detailed policy of US President Donald Trump is still not clear, his accommodative stance of fiscal stimulus can be a trigger of increasing US bond yields, which are negative for emerging currency.
- ✓ Market volatility is likely to increase based on news flow and a risk appetite for emerging markets should be diminished in the near term.

Note: Economy and Stock markets comments are as of 25 and 26 January 2017 respectively.

Outlook for Economy in China

SMAM Economic Outlook for China

China Forecast Table

| China | YoY[%] | | | | YoY[%] | | | | | | | | | | | | Market Consensus | | |
|--|--------|------|------|------|---------|---------|---------|---------|---------|---------|---------|---------|---------|---------|---------|---------|------------------|------|------|
| | 2015 | 2016 | 2017 | 2018 | 2015 | | | | 2016 | | | | 2017 | | | | 2016 | 2017 | 2018 |
| | | | | | Jan-Mar | Apr-Jun | Jul-Sep | Oct-Dec | Jan-Mar | Apr-Jun | Jul-Sep | Oct-Dec | Jan-Mar | Apr-Jun | Jul-Sep | Oct-Dec | | | |
| Real GDP | 6.9 | 6.7 | 6.5 | 6.5 | 7.0 | 7.0 | 6.9 | 6.8 | 6.7 | 6.7 | 6.7 | 6.8 | 6.7 | 6.5 | 6.5 | 6.4 | 6.7 | 6.4 | 6.1 |
| <i>Previous</i> | 6.9 | 6.7 | 6.5 | 6.5 | 7.0 | 7.0 | 6.9 | 6.8 | 6.7 | 6.7 | 6.7 | 6.7 | 6.7 | 6.6 | 6.5 | 6.4 | 6.7 | 6.4 | #N/A |
| Real GDP qqar on seasonally adjusted basis | 6.9 | 6.7 | 6.5 | 6.5 | 8.2 | 7.0 | 7.4 | 6.1 | 5.3 | 7.6 | 7.2 | 6.8 | 5.1 | 7.1 | 6.8 | 6.6 | - | - | - |
| <i>Previous</i> | 6.9 | 6.7 | 6.5 | 6.5 | 6.3 | 7.2 | 7.0 | 6.3 | 4.7 | 7.6 | 7.2 | 6.3 | 5.6 | 7.1 | 7.0 | 6.1 | - | - | - |
| Compiled Growth Tracker | 6.0 | 5.5 | 5.2 | 5.2 | 6.3 | 6.3 | 5.8 | 5.7 | 5.6 | 5.5 | 5.4 | 5.4 | 5.3 | 5.2 | 5.2 | 5.2 | - | - | - |
| <i>Previous</i> | 6.0 | 5.5 | 5.2 | 5.2 | 6.3 | 6.3 | 5.8 | 5.7 | 5.6 | 5.5 | 5.4 | 5.4 | 5.3 | 5.2 | 5.2 | 5.2 | - | - | - |
| Real GDP Consumption | 8.1 | 8.4 | 7.8 | 7.7 | - | - | - | - | - | - | - | - | - | - | - | - | - | - | - |
| <i>Previous</i> | 9.1 | 8.9 | 8.4 | 8.3 | - | - | - | - | - | - | - | - | - | - | - | - | - | - | - |
| Real GDP Investment | 6.5 | 6.3 | 5.8 | 5.6 | - | - | - | - | - | - | - | - | - | - | - | - | - | - | - |
| <i>Previous</i> | 5.3 | 5.0 | 4.7 | 4.6 | - | - | - | - | - | - | - | - | - | - | - | - | - | - | - |
| Real GDP Net export (contribution) | ▲0.1 | ▲0.5 | ▲0.2 | ▲0.1 | - | - | - | - | - | - | - | - | - | - | - | - | - | - | - |
| <i>Previous</i> | ▲0.2 | ▲0.2 | ▲0.0 | ▲0.0 | - | - | - | - | - | - | - | - | - | - | - | - | - | - | - |
| Nominal GDP | 6.4 | 8.1 | 8.9 | 8.5 | 6.7 | 7.2 | 6.0 | 6.1 | 7.1 | 7.3 | 7.8 | 9.9 | 9.9 | 8.8 | 8.4 | 8.4 | - | - | - |
| <i>Previous</i> | 6.4 | 7.5 | 7.3 | 7.6 | 6.7 | 7.2 | 6.0 | 6.1 | 7.1 | 7.3 | 7.8 | 7.8 | 7.7 | 7.3 | 7.5 | 7.5 | - | - | - |
| GDP deflator | 0.0 | 1.2 | 2.4 | 2.0 | ▲0.3 | 0.1 | ▲0.9 | 1.2 | 0.4 | 0.6 | 1.0 | 2.4 | 3.2 | 2.3 | 1.9 | 2.0 | - | - | - |
| <i>Previous</i> | ▲0.4 | 0.8 | 1.0 | 1.1 | ▲0.3 | 0.1 | ▲0.2 | ▲0.6 | 0.4 | 0.6 | 1.0 | 1.1 | 1.0 | 0.9 | 1.0 | 1.1 | - | - | - |
| Industrial production | 6.1 | 6.0 | 5.9 | 5.7 | 6.4 | 6.3 | 5.9 | 5.9 | 5.8 | 6.1 | 6.1 | 6.1 | 6.0 | 5.9 | 5.9 | 5.8 | 5.9 | 5.8 | 5.4 |
| <i>Previous</i> | 6.1 | 6.0 | 5.9 | 5.7 | 6.4 | 6.3 | 5.9 | 5.9 | 5.8 | 6.1 | 6.1 | 6.1 | 5.8 | 5.6 | 5.6 | 5.5 | 5.9 | 5.8 | #N/A |
| CPI inflation | 1.4 | 2.0 | 2.0 | 2.1 | 1.2 | 1.4 | 1.7 | 1.5 | 2.1 | 2.1 | 1.7 | 2.0 | 2.1 | 1.9 | 2.0 | 2.1 | 2.0 | 2.2 | 2.2 |
| <i>Previous</i> | 1.4 | 2.0 | 2.0 | 2.1 | 1.2 | 1.4 | 1.7 | 1.5 | 2.1 | 2.1 | 1.7 | 2.0 | 2.1 | 1.9 | 2.0 | 2.1 | 2.0 | 2.1 | #N/A |
| Base lending interest rate | 4.35 | 4.35 | 4.35 | 4.35 | 5.35 | 4.85 | 4.60 | 4.35 | 4.35 | 4.35 | 4.35 | 4.35 | 4.35 | 4.35 | 4.35 | 4.35 | 4.35 | 4.35 | 4.35 |
| <i>Previous</i> | 4.35 | 4.35 | 4.35 | 4.4 | 5.35 | 4.85 | 4.60 | 4.35 | 4.35 | 4.35 | 4.35 | 4.35 | 4.35 | 4.35 | 4.35 | 4.35 | 4.35 | 4.35 | #N/A |

Historical Record of amendment (GDP)

| Date of amendment | YoY[%] | | | | YoY[%] | | | | | | | | | | | | | | |
|-----------------------------|--------|------|------|------|---------|---------|---------|---------|---------|---------|---------|---------|---------|---------|---------|---------|--|--|--|
| | 2015 | 2016 | 2017 | 2018 | 2015 | | | | 2016 | | | | 2017 | | | | | | |
| | | | | | Jan-Mar | Apr-Jun | Jul-Sep | Oct-Dec | Jan-Mar | Apr-Jun | Jul-Sep | Oct-Dec | Jan-Mar | Apr-Jun | Jul-Sep | Oct-Dec | | | |
| 17.01.23 Latest | 6.9 | 6.7 | 6.5 | 6.5 | 7.0 | 7.0 | 6.9 | 6.8 | 6.7 | 6.7 | 6.7 | 6.8 | 6.7 | 6.5 | 6.5 | 6.4 | | | |
| 16.12.15 last month meeting | 6.9 | 6.7 | 6.5 | 6.5 | 7.0 | 7.0 | 6.9 | 6.8 | 6.7 | 6.7 | 6.7 | 6.7 | 6.6 | 6.5 | 6.5 | 6.4 | | | |

Note: Arrows illustrate the direction of the change from last time prediction
Source: CEIC, compiled by SMAM Economic Research Department, Previous= Last month meeting's projection
As of 24 January 2017

SMAM Economic Outlook for China

China December economic performance

| | consensus | actual | Nov | Oct | Sep | Aug | Jul | Jun | May | Apr | May | Feb | Jan |
|---|-----------|---------|---------|---------|---------|---------|---------|---------|---------|---------|---------|---------|---------|
| real GDP(quarterly) | 6.7 | 6.8 | | | 6.7 | | | 6.7 | | | 6.7 | | |
| mfg PMI | 51.5 | 51.4 | 51.7 | 51.2 | 50.4 | 50.4 | 49.9 | 50.0 | 50.1 | 50.1 | 50.2 | 49.0 | 49.4 |
| Caixin mfg PMI | 50.9 | 51.9 | 50.9 | 51.2 | 50.1 | 50 | 50.6 | 48.6 | 49.2 | 49.4 | 49.7 | 48.0 | 48.4 |
| steel PMI | NA | 47.6 | 51 | 50.7 | 49.5 | 50.1 | 50.2 | 45.1 | 50.9 | 57.3 | 49.7 | 49.0 | 46.7 |
| industrial production | 6.1 | 6.0 | 6.2 | 6.1 | 6.1 | 6.3 | 6.0 | 6.2 | 6.0 | 6.0 | 6.8 | 5.4 | 5.4 |
| fixed asset investment (ytd) | 8.3 | 8.1 | 8.3 | 8.3 | 8.2 | 8.1 | 8.1 | 9.0 | 9.6 | 10.5 | 10.7 | 10.2 | 10.2 |
| fixed asset investment(quarterly) | NA | 8.0 | | | 7.1 | | | 8.1 | | | 10.6 | | |
| SOE fixed asset investment(quarterly) | NA | 14.4 | | | 17.6 | | | 23.6 | | | 22.4 | | |
| private fixed asset investment(quarterly) | NA | 5.0 | | | 1.9 | | | 1.5 | | | 6.0 | | |
| property investment | NA | 11.1 | 5.7 | 13.5 | 7.8 | 6.2 | 1.4 | 3.3 | 6.6 | 9.7 | 9.7 | 3.0 | 3.0 |
| floor space sold | NA | 9.7 | 7.7 | 26.0 | 35.3 | 19.1 | 16.7 | 14.2 | 22.0 | 45.9 | 40.3 | 30.4 | 30.4 |
| 70 cities housing price (mmar) | NA | 1.8 | 6.3 | 15.4 | 31.9 | 23.4 | 13.6 | 14.3 | 14.9 | 18.9 | 16.9 | 8.7 | 7.0 |
| retail sales | 10.7 | 10.9 | 10.8 | 10.0 | 10.7 | 10.6 | 10.2 | 10.6 | 10.0 | 10.1 | 10.5 | 10.2 | 10.2 |
| retail sales (real basis) | NA | 9.2 | 9.2 | 8.8 | 9.6 | 10.2 | 9.8 | 10.3 | 9.7 | 9.3 | 9.7 | 9.6 | 9.6 |
| auto sales units (th) | NA | 3,057.3 | 2,938.7 | 2,649.9 | 2,564 | 2,071 | 1,852 | 2,071 | 2,092 | 2,122 | 2,440 | 1,581 | 2,501 |
| auto sales units (%) | NA | 9.8 | 17.1 | 19.3 | 26.6 | 24.4 | 23.2 | 14.6 | 9.9 | 6.4 | 8.9 | -0.8 | 7.8 |
| exports (RMB) | -0.1 | 0.6 | 5.9 | -3.2 | -5.6 | 5.9 | 2.9 | 1.3 | 1.2 | 4.1 | 18.7 | -20.6 | -6.6 |
| imports (RMB) | 4.2 | 10.8 | 13.0 | 3.2 | 2.2 | 10.8 | -5.7 | -2.3 | 5.1 | -5.7 | -1.7 | -8.0 | -14.4 |
| international reserves (USDbn) | 3,010.0 | 3,010.5 | 3,051.6 | 3,120.7 | 3,166.4 | 3,185.2 | 3,201.1 | 3,205.2 | 3,191.7 | 3,219.7 | 3,212.6 | 3,202.3 | 3,230.9 |
| CPI | 2.2 | 2.1 | 2.3 | 2.1 | 1.9 | 1.3 | 1.8 | 1.9 | 2.0 | 2.3 | 2.3 | 2.3 | 1.8 |
| PPI | 4.6 | 5.5 | 3.3 | 1.2 | 0.1 | -0.8 | -1.7 | -2.6 | -2.8 | -3.4 | -4.3 | -4.9 | -5.3 |
| M2 | 11.4 | 11.3 | 11.4 | 11.6 | 11.5 | 11.4 | 10.2 | 11.8 | 11.8 | 12.8 | 13.4 | 13.3 | 14.0 |
| new loans (RMB bn) | 676.8 | 1,040.0 | 794.6 | 651.3 | 1,220.0 | 948.7 | 463.6 | 1,380.0 | 985.5 | 555.6 | 1,370.0 | 726.6 | 2,510.0 |
| social aggregate financing (RMB bn) | 1,300.0 | 1,630.0 | 1,740.0 | 896.3 | 1,720.0 | 1,469.7 | 487.9 | 1,629.3 | 659.9 | 751.0 | 2,336.0 | 824.5 | 3,425.3 |

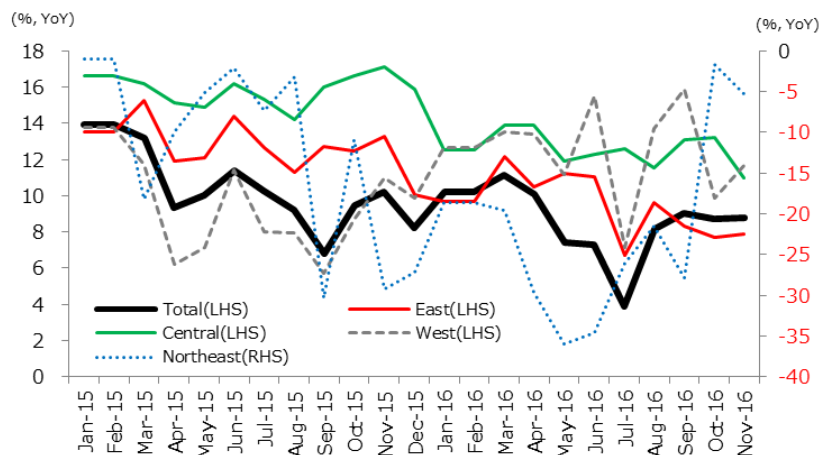
Note: Italic letters present numbers for January and February compared with the corresponding period of the previous year.
Source: CEIC, compiled by SMAM
As of 24 January 2017

SMAM Economic Outlook for China

Current Economic Situation in China

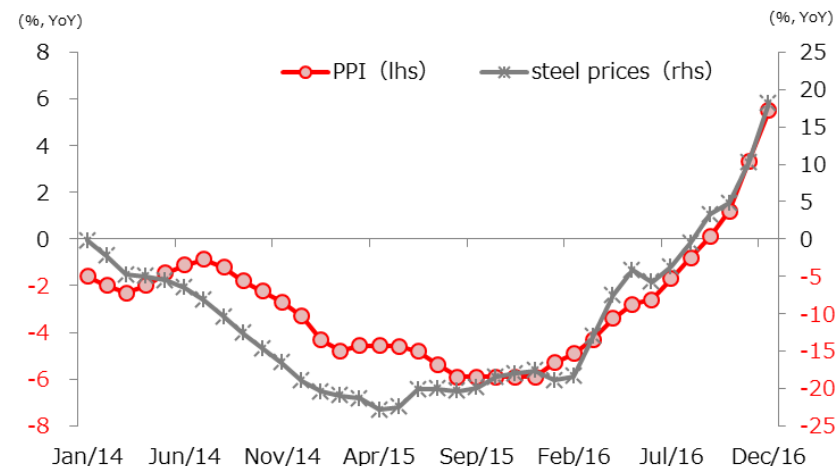
- China faces both a private investment recovery in inland areas and breakout of deflation
 - ✓ Looking at the Fixed Asset Investment (FAI) growth in November by areas, the growth in inland is higher than that in coastal areas.
 - ✓ As Producer Price Index (PPI) kept a further acceleration in December, we see the end of deflation in China.
 - ✓ Demand for raw materials is growing due to demand control through infrastructure investment. Along with restrictive policy on raw material supply, the government has successfully been controlling supply and demand in raw materials.
 - ✓ We think that further infrastructure investments through the New-type Urbanization policy would bring economic stability and end of deflation.

Fixed Asset Investment Growth (by areas)



Source: CEIC, compiled by SMAM
Up to November 2016

PPI and Steel Prices



Source: CEIC, compiled by SMAM
Up to December 2016

SMAM Economic Outlook for China

Outlook: China's economy is stabilizing on a recovery of the private investment in inland areas and slowing deflationary pressure

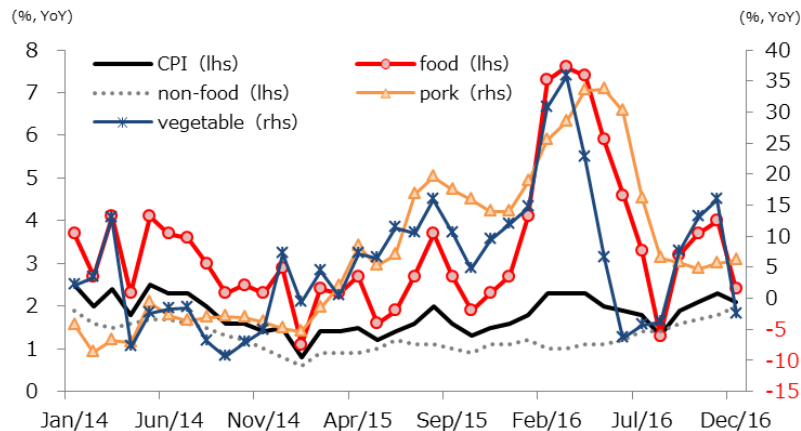
- ▣ Looking at December PPI, inflation accelerated led by infrastructure investment, which indicates that demand and supply of materials has been well managed.
- ▣ Regarding FAI, the private sector is on a pickup trend and this would affect the economy positively. By areas, FAI in inland regions are higher than that in coastal regions.
- ▣ The government continues tax cut on small cars, while planning to halve the rate of tax reduction from 10% to 7.5% in 2017.
- ▣ China's currency renminbi (RMB) would be swayed by US dollar. Rising US dollar tends to cause a fall of RMB but further capital outflow seems to stop.

Outlook: The economy is expected to be stable until 2018, but capital outflow caused by US dollar appreciation and trade policies with new US administration would be risk factors

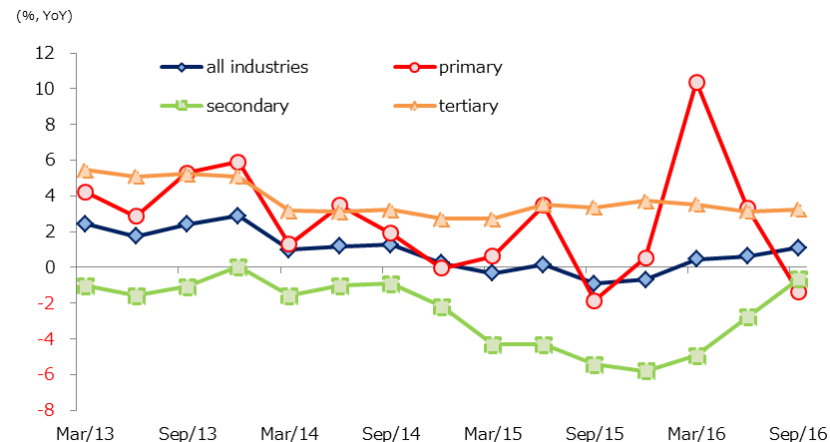
- ▣ Our main scenario is the economy to be stabilized (2016: +6.7% YoY, 2017: +6.5% YoY, 2018: +6.5% YoY).
- ▣ We also stay with our GDP deflator forecasts (2016: +0.8% YoY, 2017: +1.0% YoY, 2018: +1.1% YoY).
- ▣ We do not see interest rate rises in China to avoid returning to deflation while expectation for rate hike grows.
- ▣ In the plenum of the Communist Party of China in fall 2017, Wang Qishan is seen to become a new Premier and may change the policy guidance suddenly after 2018. Yet, we see he would take priority to the economic stabilization in order to dispel social instability.
- ▣ Prior to events that put China's national prestige such as Communist Party's 100th anniversary in 2021 and Beijing Winter Games Olympics in 2022, we think the Chinese government would give full consideration to the social stabilization.

SMAM Economic Outlook for China

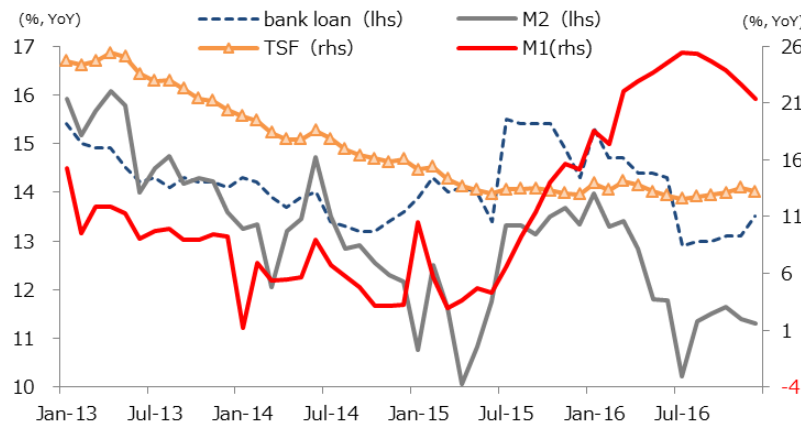
CPI



GDP Deflator by Industries



Money Data (Stock Basis)



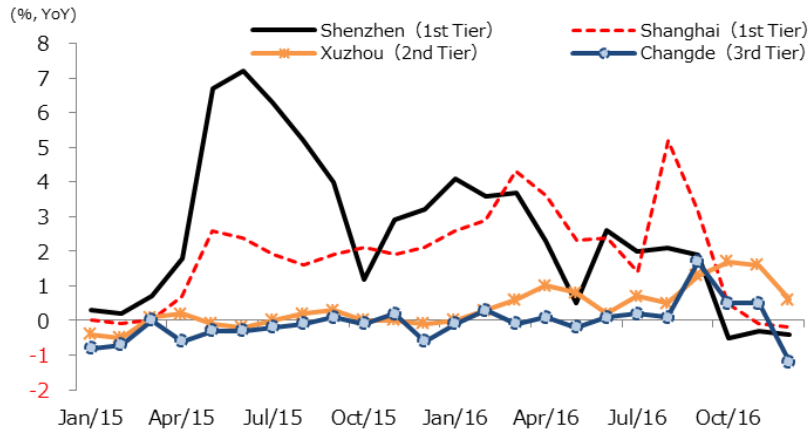
Total Social Finance

| | Total | New lending | Entrusted loan | Trust loan | Bankers' acceptance | Corporate bonds | Others |
|------|--------|-------------|----------------|------------|---------------------|-----------------|--------|
| 2012 | 15,763 | 8,204 | 1,284 | 1,285 | 1,050 | 2,255 | 1,686 |
| 2013 | 17,317 | 8,892 | 2,547 | 1,840 | 776 | 1,811 | 1,451 |
| 2014 | 16,413 | 9,781 | 2,507 | 518 | -128 | 2,382 | 1,354 |
| 2015 | 15,406 | 11,269 | 1,591 | 43 | -1,057 | 2,939 | 620 |
| 2016 | 17,710 | 12,440 | 2,190 | 859 | -1,950 | 3,000 | 1,171 |
| Jul | 488 | 455 | 177 | 21 | -512 | 219 | 128 |
| Aug | 1,470 | 797 | 143 | 74 | -38 | 331 | 163 |
| Sep | 1,720 | 1,267 | 143 | 106 | -224 | 291 | 137 |
| Oct | 896 | 601 | 73 | 53 | -180 | 244 | 106 |
| Nov | 1,740 | 846 | 199 | 163 | 117 | 287 | 128 |
| Dec | 1,630 | 997 | 406 | 164 | 162 | -105 | 6 |

Note: new lending excludes interbank transactions.
Source: CEIC, compiled by SMAM
Up to December 2016

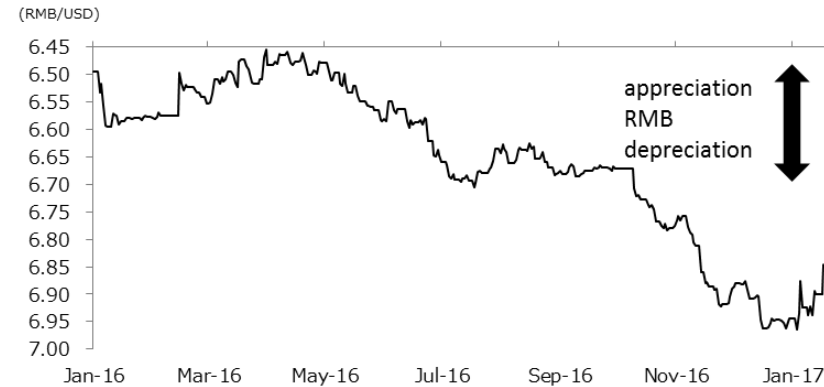
SMAM Economic Outlook for China

New Housing Prices



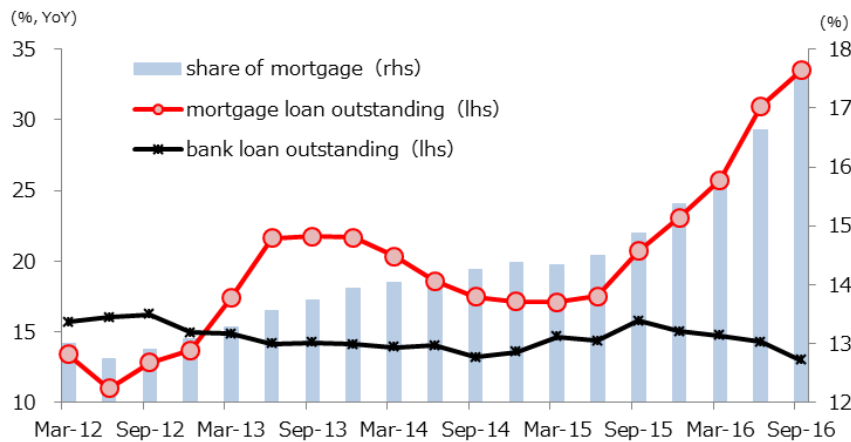
Source: CEIC, compiled by SMAM
Up to December 2016

RMB against USD



Source: CEIC, compiled by SMAM
Up to 21 January 2017

Bank Lending & Mortgage Loan



Source: CEIC, compiled by SMAM
Up to September 2016

Outlook for Asia-Pacific Economy

SMAM Economic Outlook for Asia and Oceania

| Real GDP | YoY[%] | | | | YoY[%] | | | | | | | | | | | | Market Consensus | | |
|-------------|--------|------|------|------|---------|---------|---------|---------|---------|---------|---------|---------|---------|---------|---------|---------|------------------|------|------|
| | 2015 | 2016 | 2017 | 2018 | 2015 | | | | 2016 | | | | 2017 | | | | 2016 | 2017 | 2018 |
| | | | | | Jan-Mar | Apr-Jun | Jul-Sep | Oct-Dec | Jan-Mar | Apr-Jun | Jul-Sep | Oct-Dec | Jan-Mar | Apr-Jun | Jul-Sep | Oct-Dec | | | |
| India | 7.6 | 7.2 | 8.0 | 8.1 | 6.7 | 7.5 | 7.6 | 7.2 | 7.9 | 7.1 | 7.3 | 7.4 | 7.5 | 8.0 | 7.6 | 8.2 | 6.8 | 7.5 | 7.7 |
| Previous | 7.6 | 7.2 | 8.0 | 8.1 | 6.7 | 7.5 | 7.6 | 7.2 | 7.9 | 7.1 | 7.3 | 7.4 | 7.5 | 8.0 | 7.6 | 8.2 | 7.0 | 7.5 | 7.7 |
| NIEs4 | 2.1 | 2.1 | 1.9 | 2.2 | 2.8 | 1.9 | 1.9 | 2.0 | 1.9 | 2.5 | 2.2 | 1.9 | 1.8 | 1.8 | 1.8 | 2.3 | 2.1 | 2.1 | 2.2 |
| Previous | 2.1 | 2.1 | 1.9 | 2.2 | 2.8 | 1.9 | 1.9 | 2.0 | 1.8 | 2.5 | 2.2 | 1.9 | 1.8 | 1.8 | 1.8 | 2.3 | 2.1 | 2.1 | 2.3 |
| Korea | 2.6 | 2.6 | 2.3 | 2.5 | 2.4 | 2.2 | 2.8 | 3.1 | 2.8 | 3.3 | 2.6 | 2.0 | 2.1 | 2.0 | 2.2 | 2.8 | 2.7 | 2.5 | 2.5 |
| Previous | 2.6 | 2.6 | 2.3 | 2.5 | 2.4 | 2.2 | 2.8 | 3.1 | 2.8 | 3.3 | 2.6 | 2.0 | 2.1 | 2.0 | 2.2 | 2.8 | 2.7 | 2.5 | 2.6 |
| Taiwan | 0.6 | 1.3 | 1.7 | 2.0 | 4.0 | 0.6 | ▲0.8 | ▲0.9 | ▲0.2 | 1.1 | 2.0 | 2.3 | 1.5 | 1.9 | 1.4 | 1.9 | 1.2 | 1.7 | 1.9 |
| Previous | 0.6 | 1.3 | 1.7 | 2.0 | 4.0 | 0.6 | ▲0.8 | ▲0.9 | ▲0.2 | 1.1 | 2.0 | 2.3 | 1.5 | 1.9 | 1.4 | 1.9 | 1.2 | 1.7 | 2.0 |
| Singapore | 2.0 | 1.8 | 1.8 | 2.0 | 2.7 | 1.7 | 1.8 | 1.8 | 2.1 | 2.1 | 1.2 | 1.8 | 2.0 | 1.8 | 1.5 | 2.0 | 1.8 | 1.5 | 2.0 |
| Previous | 2.0 | 1.7 | 1.8 | 2.0 | 2.7 | 1.7 | 1.8 | 1.8 | 2.0 | 2.1 | 1.2 | 1.8 | 2.0 | 1.8 | 1.5 | 2.0 | 1.8 | 1.5 | 2.0 |
| Hongkong | 2.4 | 1.2 | 0.9 | 1.2 | 2.4 | 2.9 | 2.2 | 1.9 | 0.8 | 1.7 | 1.9 | 0.4 | 0.8 | 0.8 | 0.7 | 1.2 | 1.5 | 1.6 | 1.9 |
| Previous | 2.4 | 1.2 | 0.9 | 1.2 | 2.4 | 2.9 | 2.2 | 1.9 | 0.8 | 1.7 | 1.9 | 0.4 | 0.8 | 0.8 | 0.7 | 1.2 | 1.4 | 1.6 | 2.0 |
| ASEAN5 | 4.8 | 4.9 | 5.1 | 5.2 | 4.7 | 4.7 | 4.8 | 4.9 | 4.8 | 5.0 | 5.0 | 4.9 | 4.8 | 5.0 | 5.1 | 5.4 | 4.8 | 4.9 | 5.0 |
| Previous | 4.8 | 4.9 | 5.1 | 5.2 | 4.7 | 4.7 | 4.8 | 4.9 | 4.8 | 5.0 | 5.0 | 4.9 | 4.8 | 5.0 | 5.1 | 5.4 | 4.8 | 4.9 | 5.2 |
| ASEAN4 | 4.6 | 4.8 | 5.0 | 5.1 | 4.5 | 4.5 | 4.6 | 4.7 | 4.7 | 4.9 | 4.8 | 4.7 | 4.8 | 4.9 | 5.0 | 5.2 | 4.7 | 4.8 | 5.0 |
| Previous | 4.6 | 4.8 | 5.0 | 5.1 | 4.5 | 4.5 | 4.6 | 4.7 | 4.7 | 4.9 | 4.8 | 4.7 | 4.8 | 4.9 | 5.0 | 5.2 | 4.7 | 4.8 | 5.0 |
| Indonesia | 4.8 | 5.1 | 5.4 | 5.5 | 4.7 | 4.7 | 4.7 | 5.0 | 4.9 | 5.2 | 5.0 | 5.2 | 5.2 | 5.3 | 5.5 | 5.5 | 5.0 | 5.2 | 5.5 |
| Previous | 4.8 | 5.1 | 5.4 | 5.5 | 4.7 | 4.7 | 4.7 | 5.0 | 4.9 | 5.2 | 5.0 | 5.2 | 5.2 | 5.3 | 5.5 | 5.5 | 5.0 | 5.2 | 5.5 |
| Thailand | 2.8 | 3.1 | 2.9 | 3.1 | 3.0 | 2.7 | 2.9 | 2.8 | 3.2 | 3.5 | 3.2 | 2.5 | 2.6 | 2.8 | 3.0 | 3.4 | 3.2 | 3.1 | 3.2 |
| Previous | 2.8 | 3.1 | 2.9 | 3.1 | 3.0 | 2.7 | 2.9 | 2.8 | 3.2 | 3.5 | 3.2 | 2.5 | 2.6 | 2.8 | 3.0 | 3.4 | 3.1 | 3.1 | 3.4 |
| Malaysia | 5.0 | 4.1 | 4.4 | 4.6 | 5.7 | 4.9 | 4.7 | 4.5 | 4.2 | 4.0 | 4.3 | 4.1 | 4.2 | 4.5 | 4.5 | 4.5 | 4.1 | 4.2 | 4.4 |
| Previous | 5.0 | 4.1 | 4.4 | 4.6 | 5.7 | 4.9 | 4.7 | 4.5 | 4.2 | 4.0 | 4.3 | 4.1 | 4.2 | 4.5 | 4.5 | 4.5 | 4.1 | 4.2 | 4.5 |
| Philippines | 5.9 | 7.0 | 7.0 | 7.0 | 5.0 | 5.9 | 6.2 | 6.5 | 6.8 | 7.0 | 7.1 | 6.9 | 6.9 | 7.0 | 6.9 | 7.1 | 6.8 | 6.3 | 6.2 |
| Previous | 5.9 | 7.0 | 7.0 | 7.0 | 5.0 | 5.9 | 6.2 | 6.5 | 6.8 | 7.0 | 7.1 | 6.9 | 6.9 | 7.0 | 6.9 | 7.1 | 6.7 | 6.3 | 6.5 |
| Vietnam | 6.7 | 6.2 | 6.5 | 6.6 | 6.1 | 6.5 | 6.8 | 7.0 | 5.5 | 5.8 | 6.4 | 6.8 | 5.7 | 6.1 | 6.8 | 7.0 | 6.1 | 6.5 | 6.4 |
| Previous | 6.7 | 6.2 | 6.5 | 6.6 | 6.1 | 6.5 | 6.8 | 7.0 | 5.5 | 5.8 | 6.4 | 6.8 | 5.7 | 6.1 | 6.8 | 7.0 | 6.1 | 6.5 | 6.6 |
| Australia | 2.4 | 2.4 | 2.3 | 2.8 | 2.3 | 2.1 | 2.7 | 2.9 | 2.5 | 3.1 | 1.8 | 2.1 | 1.7 | 1.7 | 2.9 | 2.7 | 2.4 | 2.6 | 2.7 |
| Previous | 2.4 | 2.4 | 2.3 | #N/A | 2.3 | 2.1 | 2.7 | 2.9 | 2.5 | 3.1 | 1.8 | 2.1 | 1.7 | 1.7 | 2.9 | 2.7 | 2.9 | 2.7 | 2.7 |

Source: CEIC, compiled by SMAM
 Note: Economic Research Department, Previous= Last month meeting's projection.
 Arrows illustrate the direction of the change from last time prediction.
 As of 24 January 2017

SMAM Economic Outlook for Asia and Oceania

| CPI inflation | | YoY[%] | | | | YoY[%] | | | | | | | | | | | | Market Consensus | | |
|---------------|-----------|--------|------|------|------|---------|---------|---------|---------|---------|---------|---------|---------|---------|---------|---------|---------|------------------|------|------|
| | | 2015 | 2016 | 2017 | 2018 | 2015 | | | | 2016 | | | | 2017 | | | | 2016 | 2017 | 2018 |
| | | | | | | Jan-Mar | Apr-Jun | Jul-Sep | Oct-Dec | Jan-Mar | Apr-Jun | Jul-Sep | Oct-Dec | Jan-Mar | Apr-Jun | Jul-Sep | Oct-Dec | | | |
| India | | 4.9 | 4.9 | 5.0 | 5.5 | 5.3 | 5.1 | 3.9 | 5.3 | 5.3 | 5.7 | 5.1 | 3.7 | 4.3 | 4.4 | 4.9 | 5.4 | 4.9 | 5.0 | 5.1 |
| | Previous | 4.9 | 4.8 | 5.0 | 5.5 | 5.3 | 5.1 | 3.9 | 5.3 | 5.3 | 5.7 | 5.1 | 4.0 | 4.3 | 4.4 | 4.9 | 5.6 | 5.0 | 5.1 | 5.0 |
| NIEs4 | Korea | 0.7 | 1.0 | 1.7 | 1.7 | 0.6 | 0.5 | 0.7 | 1.1 | 1.0 | 0.9 | 0.8 | 1.5 | 1.8 | 1.7 | 1.6 | 1.6 | 1.0 | 1.6 | 1.7 |
| | Previous | 0.7 | 1.0 | 1.7 | 1.7 | 0.6 | 0.5 | 0.7 | 1.1 | 1.0 | 0.9 | 0.8 | 1.2 | 1.8 | 1.7 | 1.6 | 1.6 | 0.9 | 1.6 | 1.9 |
| | Taiwan | ▲0.3 | 1.4 | 1.2 | 1.2 | ▲0.6 | ▲0.7 | ▲0.3 | 0.3 | 1.7 | 1.3 | 0.7 | 1.8 | 0.9 | 1.3 | 1.3 | 1.2 | 1.4 | 1.2 | 1.3 |
| | Previous | ▲0.3 | 1.4 | 1.2 | 1.2 | ▲0.6 | ▲0.7 | ▲0.3 | 0.3 | 1.7 | 1.3 | 0.7 | 1.9 | 0.9 | 1.3 | 1.3 | 1.2 | 1.1 | 1.2 | 1.2 |
| Singapore | | ▲0.5 | ▲0.5 | 0.5 | 0.8 | ▲0.3 | ▲0.4 | ▲0.6 | ▲0.7 | ▲0.8 | ▲0.9 | ▲0.4 | 0.0 | 0.2 | 0.3 | 0.6 | 0.8 | ▲0.6 | 0.8 | 1.2 |
| | Previous | ▲0.5 | ▲0.5 | 0.5 | 0.8 | ▲0.3 | ▲0.4 | ▲0.6 | ▲0.7 | ▲0.8 | ▲0.9 | ▲0.4 | 0.0 | 0.2 | 0.3 | 0.6 | 0.6 | ▲0.6 | 0.8 | 1.2 |
| Hongkong | | 3.0 | 2.6 | 1.5 | 1.6 | 4.3 | 2.9 | 2.5 | 2.3 | 2.8 | 2.8 | 3.1 | 2.0 | 1.8 | 1.7 | 1.4 | 1.2 | 2.5 | 2.1 | 2.1 |
| Previous | | 3.0 | 2.6 | 1.5 | 1.6 | 4.3 | 2.9 | 2.5 | 2.3 | 2.8 | 2.8 | 3.1 | 2.0 | 1.8 | 1.7 | 1.4 | 1.5 | 2.5 | 2.0 | 2.5 |
| ASEAN5 | Indonesia | 6.4 | 3.5 | 4.1 | 4.2 | 6.5 | 7.1 | 7.1 | 4.8 | 4.3 | 3.5 | 3.0 | 3.3 | 3.6 | 4.3 | 4.2 | 4.3 | 3.5 | 4.2 | 4.4 |
| | Previous | 6.4 | 3.6 | 4.1 | 4.2 | 6.5 | 7.1 | 7.1 | 4.8 | 4.3 | 3.5 | 3.0 | 3.6 | 4.3 | 4.2 | 4.3 | 4.3 | 3.6 | 4.2 | 4.4 |
| | Thailand | ▲0.9 | 0.2 | 1.1 | 1.2 | ▲0.5 | ▲1.1 | ▲1.1 | ▲0.9 | ▲0.5 | 0.3 | 0.4 | 0.7 | 1.1 | 1.2 | 1.1 | 1.1 | 0.2 | 1.6 | 1.9 |
| | Previous | ▲0.9 | 0.2 | 1.1 | 1.2 | ▲0.5 | ▲1.1 | ▲1.1 | ▲0.9 | ▲0.5 | 0.3 | 0.4 | 0.6 | 1.1 | 1.2 | 1.1 | 1.1 | 0.2 | 1.7 | 2.0 |
| | Malaysia | 2.1 | 2.1 | 2.6 | 2.6 | 0.7 | 2.2 | 3.0 | 2.6 | 3.4 | 1.9 | 1.3 | 1.8 | 2.8 | 2.7 | 2.5 | 2.4 | 2.1 | 2.6 | 2.6 |
| Previous | 2.1 | 2.1 | 2.6 | 2.6 | 0.7 | 2.2 | 3.0 | 2.6 | 3.4 | 1.9 | 1.3 | 2.0 | 2.8 | 2.7 | 2.5 | 2.6 | 2.1 | 2.6 | 2.5 | |
| Philippines | 1.4 | 1.8 | 2.9 | 3.1 | 2.4 | 1.7 | 0.6 | 1.0 | 1.1 | 1.5 | 2.0 | 2.5 | 2.7 | 2.8 | 3.1 | 3.1 | 1.7 | 3.1 | 3.2 | |
| Previous | 1.4 | 1.8 | 2.9 | 3.1 | 2.4 | 1.7 | 0.6 | 1.0 | 1.1 | 1.5 | 2.0 | 2.5 | 2.7 | 2.8 | 3.1 | 3.1 | 1.7 | 2.9 | 3.0 | |
| Vietnam | 0.9 | 2.7 | 4.3 | 2.8 | 0.7 | 1.0 | 0.5 | 0.3 | 1.3 | 2.2 | 2.8 | 4.5 | 5.9 | 4.5 | 4.1 | 2.6 | 2.7 | 4.1 | 4.4 | |
| Previous | 0.9 | 2.7 | 4.3 | 2.8 | 0.7 | 1.0 | 0.5 | 0.3 | 1.3 | 2.2 | 2.8 | 4.5 | 5.9 | 4.5 | 4.1 | 2.6 | 2.6 | 4.1 | 4.8 | |
| Australia | | 1.5 | 1.2 | 2.0 | 2.0 | 1.3 | 1.5 | 1.5 | 1.7 | 1.3 | 1.0 | 1.3 | 1.4 | 1.9 | 1.9 | 2.1 | 2.1 | 1.3 | 2.1 | 2.2 |
| Previous | | 1.5 | 1.2 | 2.0 | 2.0 | 1.3 | 1.5 | 1.5 | 1.7 | 1.3 | 1.0 | 1.3 | 1.4 | 1.9 | 1.9 | 2.1 | 2.1 | 1.3 | 2.0 | 2.2 |

| Policy Rate | | Annual rate[%] | | | | Annual rate[%] | | | | | | | | | | | | Market Consensus | | |
|-------------|-----------|----------------|-------|-------|-------|----------------|---------|---------|---------|---------|---------|---------|---------|---------|---------|---------|---------|------------------|-------|-------|
| | | 2015 | 2016 | 2017 | 2018 | 2015 | | | | 2016 | | | | 2017 | | | | 2016 | 2017 | 2018 |
| | | | | | | Jan-Mar | Apr-Jun | Jul-Sep | Oct-Dec | Jan-Mar | Apr-Jun | Jul-Sep | Oct-Dec | Jan-Mar | Apr-Jun | Jul-Sep | Oct-Dec | | | |
| India | | 6.75 | 6.25 | 6.25 | 6.25 | 7.50 | 7.25 | 6.75 | 6.75 | 6.75 | 6.50 | 6.50 | 6.25 | 6.25 | 6.25 | 6.25 | 6.25 | 6.25 | 6.00 | - |
| Previous | | 6.75 | 6.25 | 6.25 | 6.25 | 7.50 | 7.25 | 6.75 | 6.75 | 6.75 | 6.50 | 6.50 | 6.25 | 6.25 | 6.25 | 6.25 | 6.25 | 6.25 | 6.00 | #N/A |
| NIEs4 | Korea | 1.50 | 1.25 | 1.25 | 1.25 | 1.75 | 1.50 | 1.50 | 1.50 | 1.50 | 1.25 | 1.25 | 1.25 | 1.25 | 1.25 | 1.25 | 1.25 | 1.25 | 1.25 | 1.25 |
| | Previous | 1.50 | 1.00 | 1.00 | 1.00 | 1.75 | 1.50 | 1.50 | 1.50 | 1.50 | 1.25 | 1.25 | 1.00 | 1.00 | 1.00 | 1.00 | 1.00 | 1.00 | 1.00 | #N/A |
| | Taiwan | 1.625 | 1.375 | 1.375 | 1.375 | 1.875 | 1.875 | 1.750 | 1.625 | 1.500 | 1.375 | 1.375 | 1.375 | 1.375 | 1.375 | 1.375 | 1.375 | 1.375 | 1.375 | 1.375 |
| | Previous | 1.625 | 1.375 | 1.375 | 1.375 | 1.875 | 1.875 | 1.750 | 1.625 | 1.500 | 1.375 | 1.375 | 1.375 | 1.375 | 1.375 | 1.375 | 1.375 | 1.375 | 1.375 | #N/A |
| Singapore | #N/A | #N/A | #N/A | #N/A | #N/A | #N/A | #N/A | #N/A | #N/A | #N/A | #N/A | #N/A | #N/A | #N/A | #N/A | #N/A | #N/A | #N/A | #N/A | #N/A |
| Previous | #N/A | #N/A | #N/A | #N/A | #N/A | #N/A | #N/A | #N/A | #N/A | #N/A | #N/A | #N/A | #N/A | #N/A | #N/A | #N/A | #N/A | #N/A | #N/A | #N/A |
| Hongkong | 0.75 | #N/A | #N/A | #N/A | 0.50 | 0.50 | 0.50 | 0.75 | 0.75 | #N/A | #N/A | #N/A | #N/A | #N/A | #N/A | #N/A | #N/A | #N/A | #N/A | |
| Previous | 0.75 | #N/A | #N/A | #N/A | 0.50 | 0.50 | 0.50 | 0.75 | 0.75 | #N/A | #N/A | #N/A | #N/A | #N/A | #N/A | #N/A | #N/A | #N/A | #N/A | |
| ASEAN5 | Indonesia | 7.50 | 4.75 | 4.75 | 4.75 | 7.50 | 7.50 | 7.50 | 7.50 | 6.75 | 6.75 | 5.00 | 4.75 | 4.75 | 4.75 | 4.75 | 4.75 | 4.75 | 4.75 | 4.75 |
| | Previous | 7.50 | 4.75 | 4.50 | 4.50 | 7.50 | 7.50 | 7.50 | 7.50 | 6.75 | 6.75 | 5.00 | 4.75 | 4.50 | 4.50 | 4.50 | 4.50 | 4.50 | 4.50 | #N/A |
| | Thailand | 1.50 | 1.50 | 1.50 | 1.50 | 1.75 | 1.50 | 1.50 | 1.50 | 1.50 | 1.50 | 1.50 | 1.50 | 1.50 | 1.50 | 1.50 | 1.50 | 1.50 | 1.50 | 1.50 |
| | Previous | 1.50 | 1.50 | 1.25 | 1.25 | 1.75 | 1.50 | 1.50 | 1.50 | 1.50 | 1.50 | 1.50 | 1.50 | 1.25 | 1.25 | 1.25 | 1.25 | 1.50 | 1.50 | #N/A |
| | Malaysia | 3.25 | 3.00 | 3.00 | 3.00 | 3.25 | 3.25 | 3.25 | 3.25 | 3.25 | 3.25 | 3.00 | 3.00 | 3.00 | 3.00 | 3.00 | 3.00 | 3.00 | 3.00 | 3.00 |
| Previous | 3.25 | 3.00 | 2.75 | 2.75 | 3.25 | 3.25 | 3.25 | 3.25 | 3.25 | 3.25 | 3.00 | 3.00 | 2.75 | 2.75 | 2.75 | 2.75 | 3.00 | 3.00 | #N/A | |
| Philippines | 4.00 | 3.00 | 3.25 | 3.25 | 4.00 | 4.00 | 4.00 | 4.00 | 4.00 | 4.00 | 3.00 | 3.00 | 3.00 | 3.00 | 3.00 | 3.25 | 3.25 | 3.00 | 3.50 | |
| Previous | 4.00 | 3.00 | 3.25 | 3.25 | 4.00 | 4.00 | 4.00 | 4.00 | 4.00 | 4.00 | 3.00 | 3.00 | 3.00 | 3.00 | 3.00 | 3.25 | 3.25 | 3.00 | #N/A | |
| Vietnam | 6.50 | 6.50 | 6.50 | 6.50 | 6.50 | 6.50 | 6.50 | 6.50 | 6.50 | 6.50 | 6.50 | 6.50 | 6.50 | 6.50 | 6.50 | 6.50 | 6.50 | - | - | |
| Previous | #N/A | #N/A | #N/A | 6.50 | #N/A | #N/A | #N/A | #N/A | #N/A | #N/A | #N/A | #N/A | #N/A | #N/A | #N/A | #N/A | #N/A | #N/A | #N/A | #N/A |
| Australia | | 2.00 | 1.50 | 1.50 | 1.50 | 2.25 | 2.00 | 2.00 | 2.00 | 2.00 | 1.75 | 1.50 | 1.50 | 1.50 | 1.50 | 1.50 | 1.50 | 1.50 | 1.50 | |
| Previous | | 2.00 | 1.50 | 1.50 | 1.50 | 2.25 | 2.00 | 2.00 | 2.00 | 2.00 | 1.75 | 1.50 | 1.50 | 1.50 | 1.50 | 1.50 | 1.50 | 1.50 | 1.50 | |

Source: CEIC, compiled by SMAM

Note: Economic Research Department, Previous= Last month meeting's projection. Indonesia has changed policy rate from BI rate (6.50%) to 7days reserve repo (5.25%) on 19 Aug.

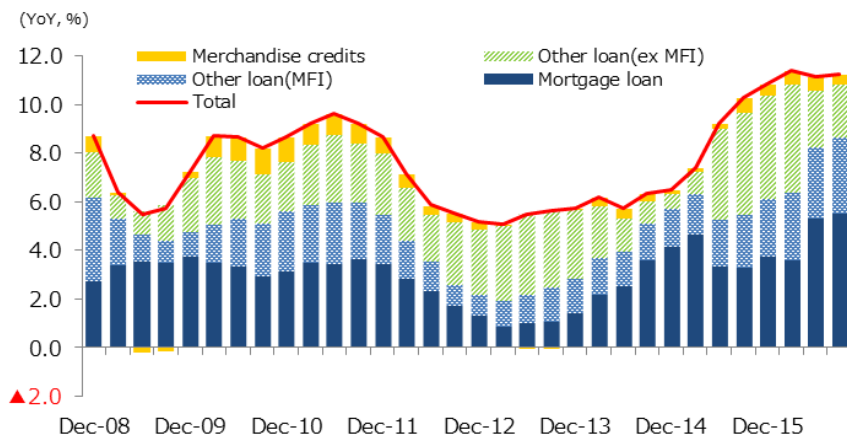
Arrows illustrate the direction of the change from last time prediction.

As of 24 January 2017

South Korea

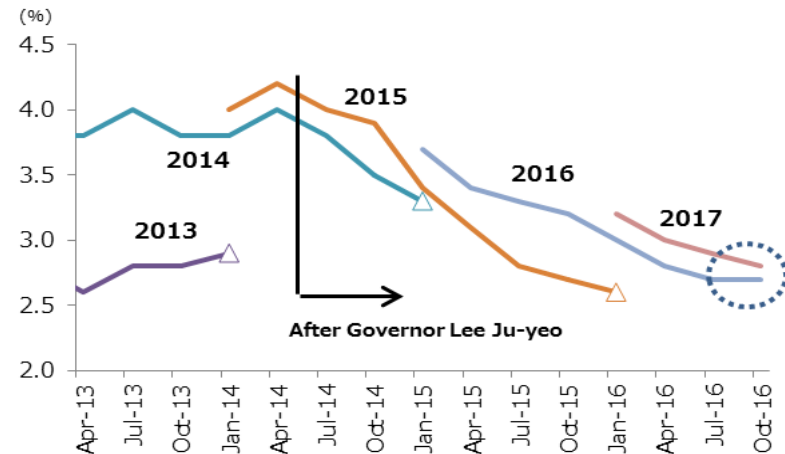
- A declining disposable income with mounting household debt is negative for private consumption. Auto inventory level still remains at high, thus automakers would need adjustment of production. The Bank of Korea (BoK) downgraded the GDP growth for 2017 due to a drop in consumer sentiment caused by serious political turmoil, which might put downward pressure on business activity.
- The government announced a new budget plan with accelerating budget execution to underpin the economy. Due to tightened restriction on housing-related borrowing, the household debt showed a sign of slowing. We see the BoK would cut its policy rate to support the economy in the first half of 2017. Later, the economic growth would rebound thanks to an economic upturn in US.

Household Debt



Source: CEIC, compiled by SMAM
Up to September 2016

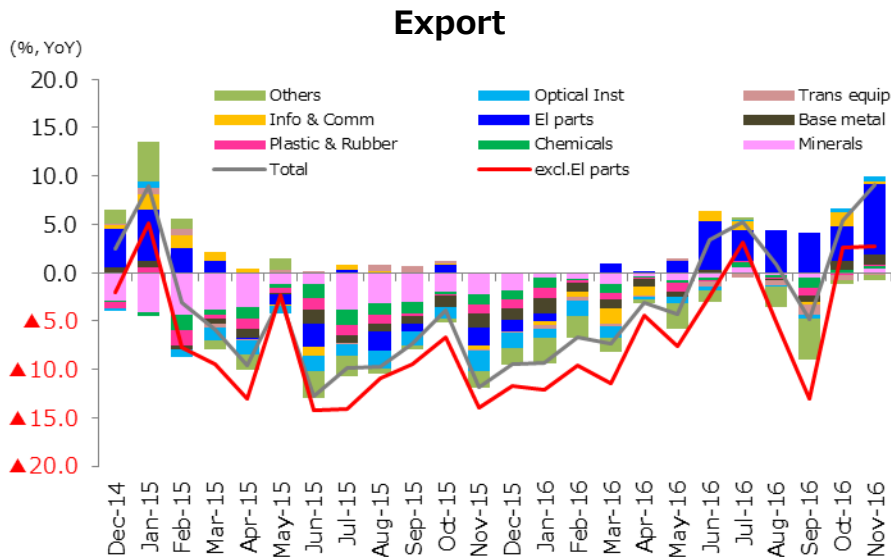
Korea GDP projection by BoK



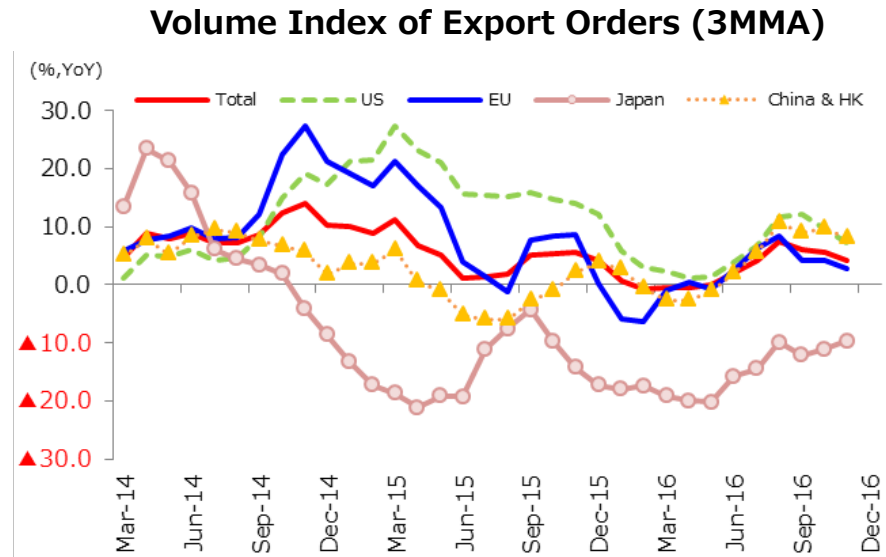
Note: △=Actual number
Source: BoK, compiled by SMAM
Up to October 2016

Taiwan

- Taiwan, with the contribution ratio of exports to GDP is approx. 64%, is likely to be affected by the global economic conditions. Although demands for iPhone 7 seem to peak out in 3Q 2016, we expect demands for Android smartphone parts to be firm. Recent exports are strong thanks to rush demands ahead of the Lunar New Year and would benefit from US economic recovery after the second half of this year.
- So far, slow growth in domestic demand would continue as the Democratic Progressive Party seems to keep a cautious stance on short-term economic stimulus measures.



Source: CEIC, compiled by SMAM
Up to November 2016

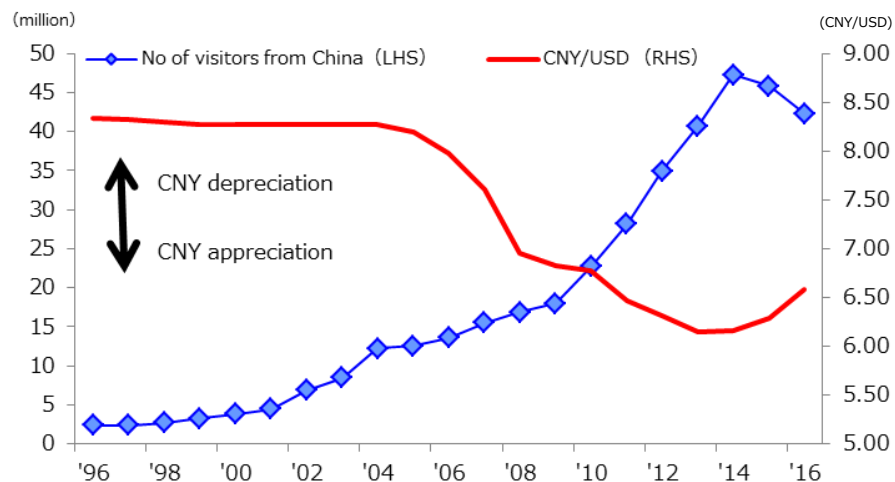


Source: CEIC, compiled by SMAM
Up to November 2016

Hong Kong

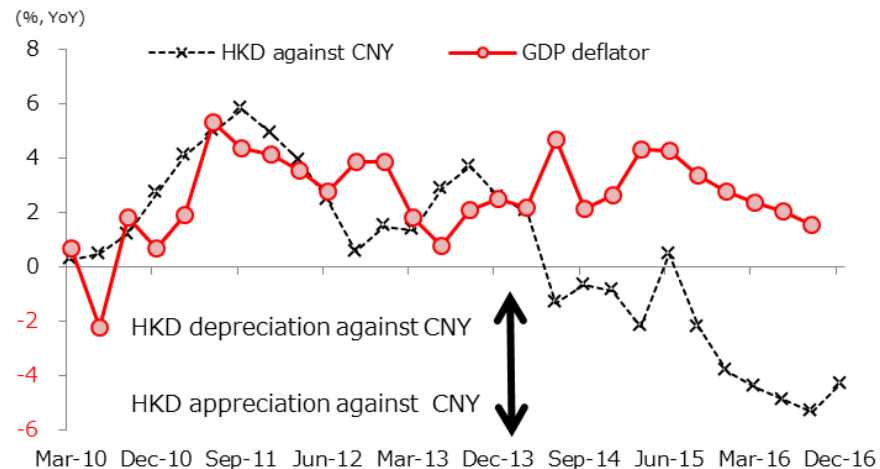
- Capital inflow from mainland China lifted up the property market in Hong Kong. The government takes measures such as introduction of property stamp duty to cool down the hot market, however, it achieved a further rise in November. Amid the Chinese economy has stabilized and expectation for gradual growth in the US economy in 2018 increases, the economy in Hong Kong is also deemed to improve moderately.
- The Chinese Yuan Renminbi (CNY), which continues downward trend against the US dollar behind US currency appreciation. This currency movement would affect negatively on asset prices in Hong Kong as the depreciating CNY and appreciating HK dollar tend to cause deflationary pressure through import prices.

Visitors to HK from China & CNY/USD



Note: Visitors number is annualized for 2016. CNY for 2016 is average from 1Q16 to 3Q16.
 Source: CEIC, compiled by SMAM
 Up to September 2016

GDP Deflator & HKD/CNY



Source: CEIC, compiled by SMAM
 Up to December 2016

Philippines

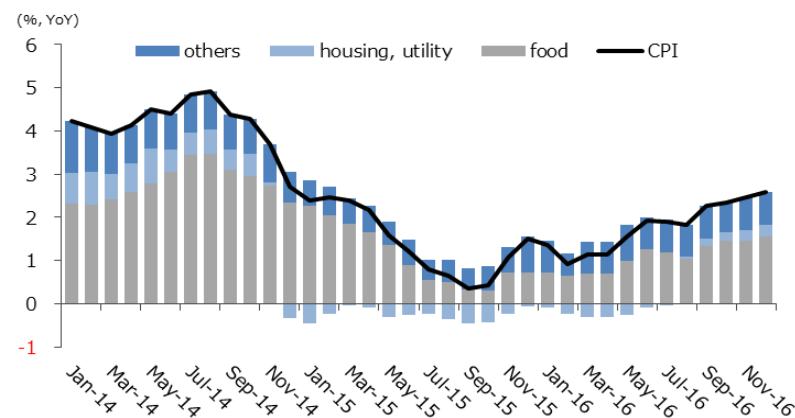
- The economy is less vulnerable to global economic cycle as the contribution ratio of exports to its GDP is only around 20%, lower than in other countries.
- The economic rebound is expected led by domestic demands. Consumer spending has been expanding in the second half of 2016 on the back of low inflation as well as the growing middle class even after general election.
- Bangko Sentral ng Pilipinas (BSP) has shifted in its monetary operations to an interest rate corridor since 7 June. Its range is quite narrow, as the upper and lower band is at 3.5% and 2.5% respectively. If the GDP growth for 2017 is higher than the government's forecast (+6.5-7.5%), a rate hike may occur.

Real GDP by Expenditures

| | real GDP | private consumption | government consumption | gross fixed capital formation | inventory (contribution) | exports | imports |
|------|----------------|---------------------|------------------------|-------------------------------|--------------------------|---------|---------|
| | (% , YoY, ppt) | | | | | | |
| 1Q15 | 5.0 | 6.1 | 0.2 | 8.8 | 0.8 | 10.6 | 12.2 |
| 2Q15 | 5.9 | 6.4 | 2.4 | 12.7 | 1.4 | 5.1 | 12.6 |
| 3Q15 | 6.2 | 6.1 | 15.7 | 13.9 | 0.2 | 9.8 | 16.2 |
| 4Q15 | 6.5 | 6.5 | 15.8 | 24.2 | -1.9 | 10.9 | 14.9 |
| 1Q16 | 6.8 | 7.0 | 11.8 | 28.2 | -0.2 | 7.3 | 19.0 |
| 2Q16 | 7.0 | 7.4 | 13.5 | 24.6 | 0.1 | 10.0 | 23.2 |
| 3Q16 | 7.1 | 7.3 | 3.1 | 23.5 | -0.7 | 8.8 | 14.2 |

Source: CEIC, compiled by SMAM
Up to 3Q 2016

CPI



Source: CEIC, compiled by SMAM
Up to December 2016

Thailand

- Thanks to Deputy Premier Somkid Jatusripitak exercising strong leadership, public investment maintains high growth from September and is expected to keep accelerating in the second half of 2016.
- Thai Crown Prince Maha Vajiralongkorn has become the country's new king, succeeding his father King Bhumibol Adulyadej. We expect that a drop in consumer sentiment would stop around after January 21 on the 100 day after the former King has passed away. From these perspectives, we stay with our view that a downward pressure on the Thai economy in 2017 would be limited.
- Due to a request by the new King to amend the country's constitution, a general election would have to be delayed until 2018. However, the delay of restoration of democracy is not likely to affect the economy.

Auto Production & Sales Units

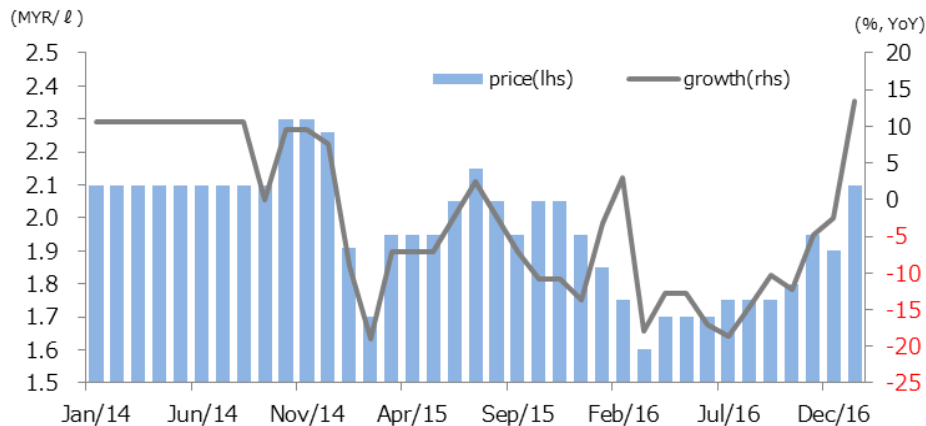
| | Production units | | | | | | Sales units | | | | | | | | | |
|--------|------------------|---------|------------|---------|------------|---------|-------------|---------|------------|---------|------------|---------|------------|---------|------------|---------|
| | Total | | Passenger | | Commercial | | Total | | Domestic | | Passenger | | Commrcial | | Exports | |
| | (th units) | YoY (%) | (th units) | YoY (%) | (th units) | YoY (%) | (th units) | YoY (%) | (th units) | YoY (%) | (th units) | YoY (%) | (th units) | YoY (%) | (th units) | YoY (%) |
| Jan-16 | 147.4 | -11.4 | 57.1 | -13.3 | 90.3 | -10.2 | 145.5 | -4.4 | 51.8 | -13.2 | 16.4 | -30.0 | 35.4 | -2.4 | 93.7 | 1.4 |
| Feb-16 | 166.0 | -6.9 | 60.2 | -15.8 | 105.8 | -0.9 | 161.8 | -6.0 | 57.1 | -10.7 | 17.8 | -29.9 | 39.3 | 1.9 | 104.7 | -3.2 |
| Mar-16 | 192.3 | 8.5 | 70.7 | 0.5 | 121.6 | 13.7 | 182.0 | -9.8 | 72.6 | -2.0 | 23.8 | -21.2 | 48.9 | 11.2 | 109.3 | -14.3 |
| Apr-16 | 137.9 | 11.8 | 57.3 | 7.3 | 80.6 | 15.3 | 135.5 | -0.5 | 55.0 | 1.7 | 20.7 | -11.9 | 34.3 | 12.1 | 80.5 | -2.0 |
| May-16 | 167.9 | 25.1 | 68.5 | 6.4 | 99.4 | 42.4 | 165.6 | 13.5 | 66.0 | 16.0 | 25.1 | 8.3 | 41.0 | 21.2 | 99.5 | 11.9 |
| Jun-16 | 179.4 | 19.0 | 81.1 | 22.1 | 98.3 | 16.5 | 173.1 | 26.2 | 66.0 | 9.5 | 25.5 | 19.6 | 40.6 | 4.0 | 107.0 | 39.4 |
| Jul-16 | 153.3 | -7.1 | 69.3 | 8.0 | 84.0 | -16.7 | 159.8 | -2.1 | 60.6 | -0.4 | 24.4 | 9.6 | 36.3 | -6.1 | 99.2 | -3.1 |
| Aug-16 | 155.6 | -1.8 | 71.2 | 12.3 | 84.4 | -11.2 | 157.8 | -3.8 | 63.6 | 2.6 | 24.8 | 8.7 | 38.9 | -0.9 | 94.2 | -7.6 |
| Sep-16 | 172.4 | 1.0 | 78.4 | 23.1 | 94.0 | -12.2 | 176.2 | -5.7 | 63.6 | 2.9 | 25.6 | 13.6 | 38.0 | -3.3 | 112.6 | -9.9 |
| Oct-16 | 160.4 | -2.7 | 66.5 | 11.7 | 93.9 | -10.9 | 163.8 | -8.5 | 60.6 | -10.7 | 23.1 | -4.8 | 37.5 | -14.0 | 103.2 | -7.2 |
| Nov-16 | 169.9 | 4.3 | 68.7 | 12.2 | 101.1 | -0.5 | 163.2 | -8.3 | 64.8 | -15.3 | 23.3 | -9.4 | 41.5 | -18.2 | 98.5 | -3.1 |
| Dec-16 | NAI | NA | NA | NA | NA | NA | NA | NA | NAI | NA | NAI | NA | NA | NA | 86.1 | -0.6 |

Source: CEIC, compiled by SMAM
Up to December 2016

Malaysia

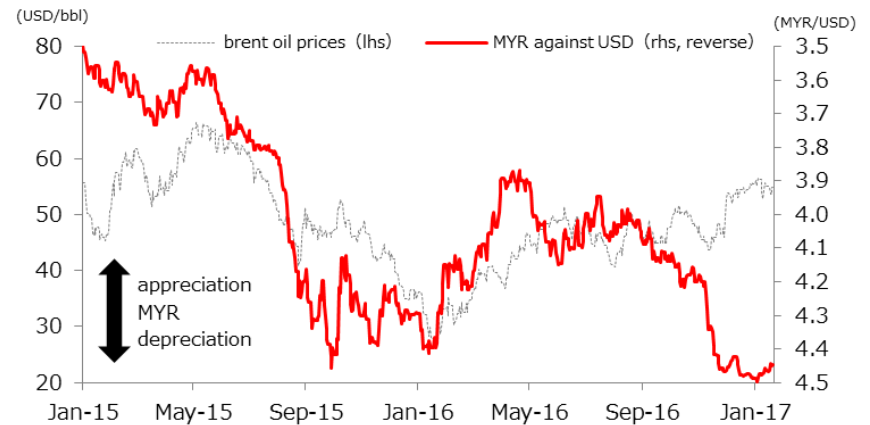
- Looking at the government side, cheaper oil prices cause dwindling tax revenues, which leads to limited growth of expenditures. Accordingly, the government, under restriction of on-budget expenditure, would try to achieve public investment growth by the use of off-budget facility such as state owned enterprises.
- Malaysian Prime Minister Najib Razak announced the 2017 budget with a suggestion of the possible early dissolution of the parliament and general election. In 2017, all available economic measures such as rate cut or fiscal expansion would be exploited. If the Malaysia Ringgit moves stably, we think that Bank Negara Malaysia (BNM) would implement an addition rate cut in Jan-Mar or Apr-Jun 2017. A commodities rebound is positive for the macro economy.

Gasoline Price (RON95)



Source: CEIC, compiled by SMAM
Up to January 2017

MYR and Oil Price

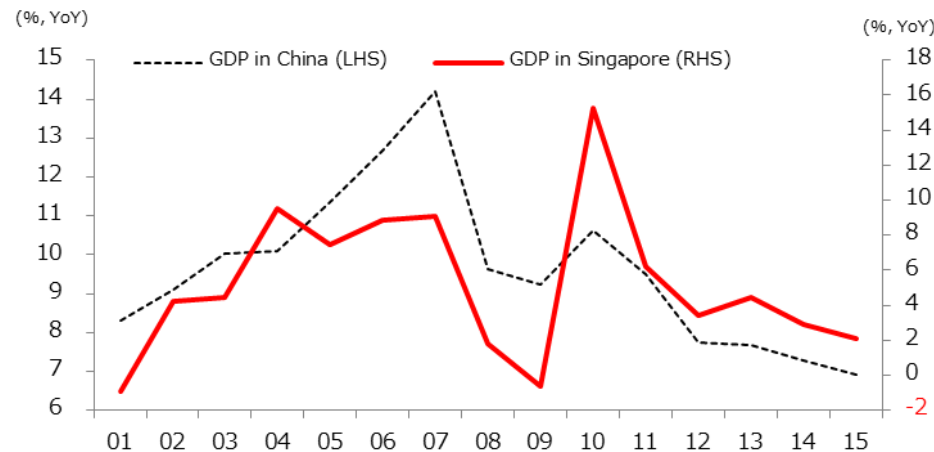


Source: CEIC, compiled by SMAM
As of 21 January 2017

Singapore

- The Singapore's businesses are sensitive to the global economy. However, we take a careful attention to biomedical manufacturing production, which is quite volatile, as upside and downside risk factors.
- Main upside risk is stronger-than-expected rebounds in US and Chinese economies, which lead to favorable environment for Singapore's exports. An increase in biomedical production is also the positive factor.
- On the other hand, further economic downturns in China and Malaysia would have negative impacts on exports in Singapore. Movement towards protectionism initiated by US President Donald Trump would result in stagnation of exports.

GDP growth in China and Singapore



Source: CEIC, compiled by SMAM
Up to 2015

Indonesia

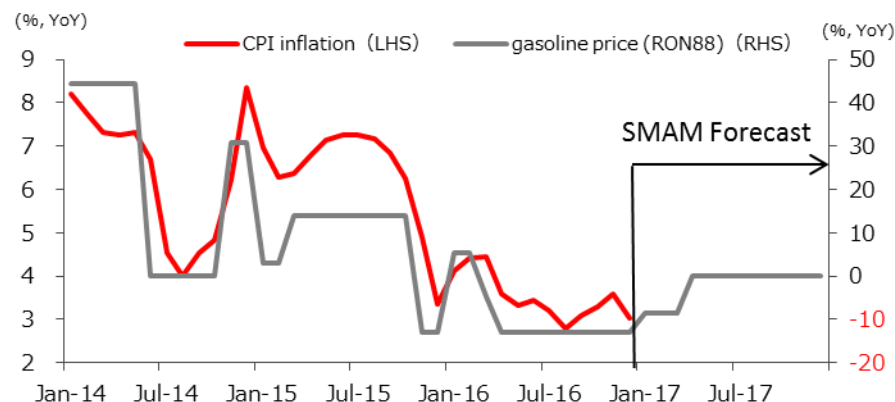
- Lower than expected Jul-Sep GDP came in at +5.0% YoY. As for 2017, we maintain our view of the real GDP forecasts at +5.4% YoY.
- The inflation rate remains within the target range since November last year. The government's additional gasoline price cut on last April has been a supportive factor for boosting private consumption through curbing inflation.
- The President Joko Widodo appointed Sri Mulyani as the country's new Finance Minister in a cabinet reshuffle. This would show how keen the government is to implement tax amnesty.

GDP Growth and Contributions

| | (YoY, ppt) | | | | |
|-------------------------------|------------|------|------|------|------|
| | 3Q15 | 4Q15 | 1Q16 | 2Q16 | 3Q16 |
| real GDP | 4.7 | 5.0 | 4.9 | 5.2 | 5.0 |
| domestic demands | 5.6 | 3.8 | 4.6 | 4.8 | 3.9 |
| external demands | 1.1 | 0.4 | 0.0 | 0.1 | -0.6 |
| private consumption | 2.7 | 2.7 | 2.7 | 2.7 | 2.7 |
| government consumption | 0.6 | 0.9 | 0.2 | 0.5 | -0.2 |
| gross fixed capital formation | 1.5 | 2.3 | 1.8 | 1.6 | 1.3 |
| inventory | 0.8 | -2.1 | -0.1 | -0.0 | 0.1 |
| exports | -0.1 | -1.6 | -0.9 | -0.5 | -1.3 |
| imports | -1.3 | -1.9 | -0.9 | -0.6 | -0.8 |

Source: CEIC, compiled by SMAM
Up to 3Q 2016

Gasoline Price & CPI

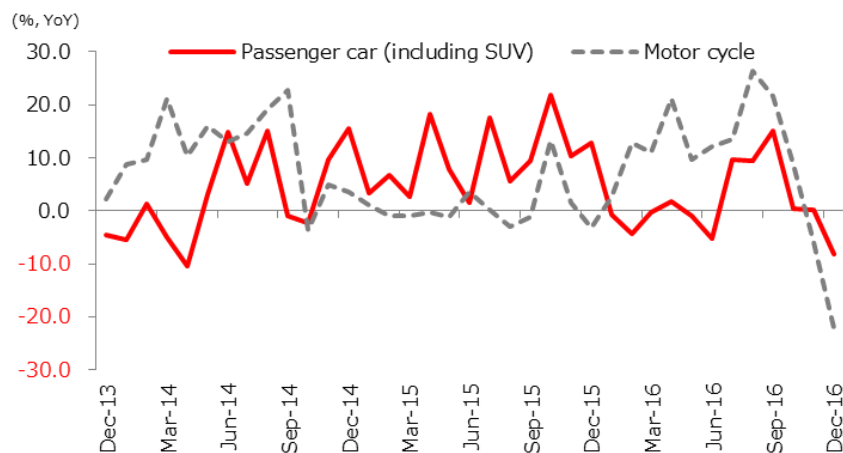


Source: CEIC, compiled by SMAM
Up to December 2016

India

- We foresee the Oct-Dec real GDP growth to slow down on weak private consumption due to confusion by India's banknotes ban and introduction of new series of currency notes instead. Auto sales in December dropped dramatically affected by sluggish sales of motorcycle.
- As this cash chaos seems to settle down in a few months, we see an economic upturn on the rebound effects. In addition, companies are seen to have a proactive stance on financing activities as exploiting this low cost opportunity benefitting from declining long-term yields. Accordingly, we assume that the private investment, which is currently weak, would show a recovery after the second half of FY2017/18. The Reserve Bank of India (RBI) emphasizes mid- and long-term inflation outlook. CPI growth would slow down on base effects, however we foresee the RBI would maintain the current policy rate.

Motor Vehicle Sales Growth

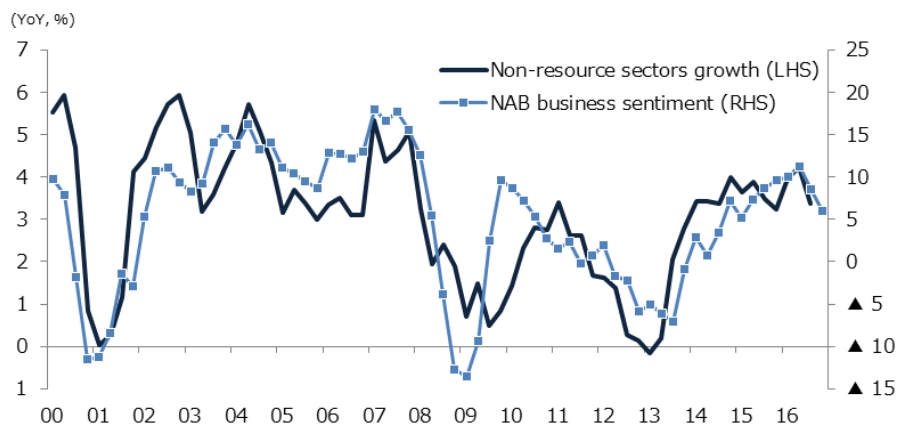


Source: CEIC, compiled by SMAM
As of December 2016

Australia

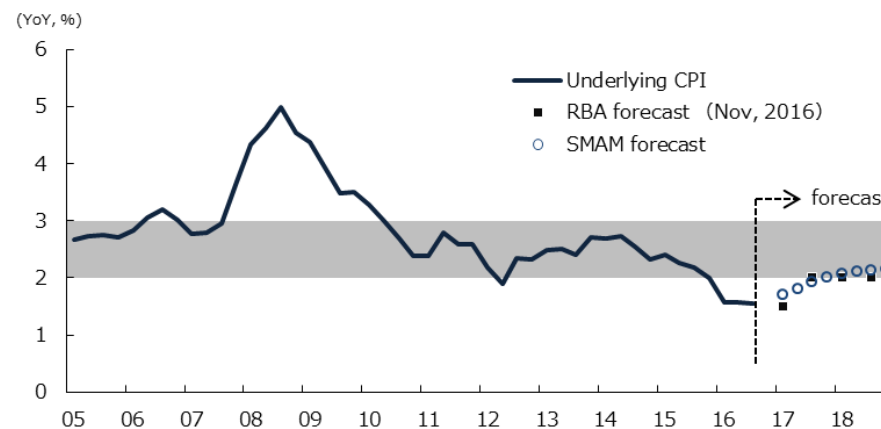
- We stay with our view that GDP growth rate would remain stable at +2.3% in 2017 and at +2.8% in 2018. As mining investment would continue to shrink over the coming quarters, we see the economy to grow at modest pace. Non-mining sector growth is expected to be resilient under low interest rate and weaker currency, although the positive effect of monetary easing has peaked.
- We believe that the Reserve Bank of Australia (RBA) would keep its policy rate unchanged until the end of 2018. Stable growth and pick-up in inflation rate to the target range would allow RBA to keep a current neutral stance.
- As for the fiscal policy, the latest budget plan shows that fiscal tightening will be eased gradually until the middle of 2017.

Growth in Non-resource sectors



Note: Non-resource sector = household consumption, government consumption, residential investment, non-mining investment, service net export
 Source: ABS, Datastream, compiled by SMAM
 Up to 4Q 2016

Inflation



Note: RBA's inflation target is to keep CPI within 2-3% on average over the cycle. We assume that oil price would remain around \$50 (WTI) throughout the period
 Source: RBA, ABS, Datastream, compiled by SMAM
 As of 24 January 2017

Outlook for Asia-Pacific Stock Markets

Stock Market Performance - Global

| Indices as of 31 Jan 2016 | Px Last | Mtd | Qtd | Ytd | 3m | 1yr | 2yr | 3yr |
|--------------------------------|-----------|--------|--------|--------|--------|--------|--------|--------|
| S&P 500 INDEX | 1,940.24 | -5.1% | -5.1% | -5.1% | -6.7% | -2.7% | 8.8% | 29.5% |
| DOW JONES INDUS. AVG | 16,466.30 | -5.5% | -5.5% | -5.5% | -6.8% | -4.1% | 4.9% | 18.8% |
| NASDAQ COMPOSITE INDEX | 4,613.95 | -7.9% | -7.9% | -7.9% | -8.7% | -0.5% | 12.4% | 46.8% |
| STOXX Europe 50 € Pr | 2,902.41 | -6.4% | -6.4% | -6.4% | -9.8% | -9.2% | 1.7% | 9.9% |
| NIKKEI 225 | 17,518.30 | -8.0% | -8.0% | -8.0% | -8.2% | -0.9% | 17.5% | 57.3% |
| TOPIX | 1,432.07 | -7.4% | -7.4% | -7.4% | -8.1% | 1.2% | 17.3% | 52.3% |
| BRAZIL BOVESPA INDEX | 40,405.99 | -6.8% | -6.8% | -6.8% | -11.9% | -13.9% | -15.2% | -32.4% |
| RUSSIAN RTS INDEX \$ | 745.30 | -1.6% | -1.6% | -1.6% | -11.9% | 1.1% | -42.7% | -54.1% |
| BSE SENSEX 30 INDEX | 24,870.69 | -4.8% | -4.8% | -4.8% | -6.7% | -14.8% | 21.2% | 25.0% |
| HANG SENG INDEX | 19,683.11 | -10.2% | -10.2% | -10.2% | -13.1% | -19.7% | -10.7% | -17.1% |
| HANG SENG CHINA AFF.CRP | 3,472.35 | -14.3% | -14.3% | -14.3% | -16.3% | -22.5% | -17.7% | -26.1% |
| HANG SENG CHINA ENT INDX | 8,241.36 | -14.7% | -14.7% | -14.7% | -20.7% | -29.7% | -16.1% | -32.1% |
| CSI 300 INDEX | 2,946.09 | -21.0% | -21.0% | -21.0% | -16.6% | -14.2% | 33.8% | 9.6% |
| TAIWAN TAIEX INDEX | 8,145.21 | -2.3% | -2.3% | -2.3% | -4.8% | -13.0% | -3.8% | 3.8% |
| KOSPI INDEX | 1,912.06 | -2.5% | -2.5% | -2.5% | -5.8% | -1.9% | -1.5% | -2.5% |
| STRAITS TIMES INDEX | 2,629.11 | -8.8% | -8.8% | -8.8% | -12.3% | -22.5% | -13.2% | -19.9% |
| FTSE Bursa Malaysia KLCI | 1,667.80 | -1.5% | -1.5% | -1.5% | 0.1% | -6.4% | -7.6% | 2.5% |
| STOCK EXCH OF THAI INDEX | 1,300.98 | 1.0% | 1.0% | 1.0% | -6.7% | -17.7% | 2.1% | -11.8% |
| JAKARTA COMPOSITE INDEX | 4,615.16 | 0.5% | 0.5% | 0.5% | 3.6% | -12.7% | 4.4% | 3.6% |
| PSEi - PHILIPPINE SE IDX | 6,687.62 | -3.8% | -3.8% | -3.8% | -6.3% | -13.0% | 10.7% | 7.1% |
| HO CHI MINH STOCK INDEX | 545.25 | -5.8% | -5.8% | -5.8% | -10.2% | -5.4% | -2.0% | 13.6% |
| S&P/ASX 200 INDEX | 5,005.52 | -5.5% | -5.5% | -5.5% | -4.5% | -10.4% | -3.6% | 2.6% |
| NZX 50 INDEX | 6,170.22 | -2.4% | -2.4% | -2.4% | 3.1% | 7.4% | 26.6% | 45.1% |
| MSCI World Free Local | 393.09 | -5.5% | -5.5% | -5.5% | -7.2% | -4.8% | 5.4% | 22.3% |
| MSCI All Country Asia Ex Japan | 580.86 | -6.8% | -6.8% | -6.8% | -9.8% | -16.2% | -6.1% | -8.7% |
| MSCI EM Latin America Local | 58,087.60 | -2.0% | -2.0% | -2.0% | -7.4% | -8.5% | -10.0% | -23.3% |
| MSCI Emerging Markets Europe M | 437.85 | -2.4% | -2.4% | -2.4% | -8.4% | -11.4% | -3.8% | -5.2% |

Note: All data are as of 31st January 2017

Source: Bloomberg, compiled by SMAM

Investment Outlook: Asia-Pacific Stock Markets

Summery

- ▣ We expect Asian equity markets to go up mildly in line with corporate earnings growth. The macro economy seems to be stabilized, which has been priced in especially for the near term.

Key Points

- ▣ Overall market conditions including currency and bond yield seem to be stabilized, which should be positive for Asian equity markets.
- ▣ Although detailed policy of US President Donald Trump is still not clear, his accommodative stance of fiscal stimulus can be a trigger of increasing US bond yields, which are negative for emerging currency.
- ▣ Market volatility is likely to increase based on news flow and a risk appetite for emerging markets should be diminished in the near term.

Note: As of 26 January 2017

Source: SMAM

Investment Outlook: Asia-Pacific Macro & Stock Markets

| | 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 | <ul style="list-style-type: none"> - China economy seems to be stabilized - Tightening policy for property continues. - Attractive DY. Room to pick up high quality names. - SZ-HK Stock connect has not been a big driver | Stable. More focus on Economy side. | <ul style="list-style-type: none"> xThe pace of recovery is slower than expected. xTightening policy for property continues. | Potential pressure for HIBOR if financial Mkt become shaky by some external events. / Deflationary pressure by rising USD and weakening RMB. | CA surplus will expand towards 2017. | Stable / Relatively strong against other Asian currencies | ○Both ER and momentum are strong | Fair on PER, attractive on PBR |
| China | <ul style="list-style-type: none"> - Gradual slowdown is underway but was stabilized in 2H16 underpinned by PPI and private sector investments. - Stability is a top priority for government prior to change of leadership at CCP (China Communist Party). - Property Mkt, NPL and capital outflows are potential concerns in medium to long term. | Stable, but becomes less clear towards 19th Party Congress. | Stabilized by strong policy support. Gradual slowdown is expected. Structural rebalancing is a key challenge. | xmonetary policy should be less dovish in 2017. / Int. rate will stay sideways / PPI has turned positive. | Surplus- but it is declining The degree of capital outflow remains a big concern. | Gradual depreciation will continue, but it is well managed. Since beginning of 2017, CNY is stabilized against US\$. | ○Both ER and momentum are improving. Positive PPI is supportive for corporate earnings. | ○Attractive in the long term, but it has come back to above average since 2010 Valuation discount is narrowed. |
| Taiwan | <ul style="list-style-type: none"> - Export recovery is underway. - Inventory correction on IT is progressed. - Stable Mkt. Relatively safe when Mkt become volatile. | Cross strait risk is increasing under DPP president. | The pace of economic recovery is slow, but it has started improving. | Central Bank will hold policy rate. / Inflation will be stable. / Liquidity is improving. | Surplus will expand due to weak domestic consumption | Stable / Likely to be appreciated if Mkt turns Risk-on mode. | ○ER is improving and momentum is solid. | ○Relatively attractive among in Asia / Fair on PER, attractive on PBR |
| Korea | <ul style="list-style-type: none"> - Structural re-rating will not happen soon. - Relatively immune from rising US bond yields. Weak KRW will support export. - Economy is weak due to political turmoil but will recover from 2H helped by export recovery. | Less stable by President Park's scandal. | Economic momentum to gain in 1Q/17 thanks to a faster execution of fiscal expenditure. | BOK will hold policy rate. /Inflation will be stable / Liquidity is improving. | Surplus will remain high | Downward bias in the near term. BOK prefers gradual depreciation of KRW. | ○ER came back to positive and momentum is solid. | PE has already come back to above historical average. Attractive on PBR. |
| Singapore | <ul style="list-style-type: none"> - Stable Mkt. Relatively safe when Mkt become volatile. - We expect economic growth will pick up gradually supported by US economy. - Attractive valuation. | The landslide victory of PAP should create political stability. | GDP growth is expected to recover gradually thanks to US economy. | Int. rate will be stable. / Inflation will remain low. / MAS shifted to a zero rate of appreciation of the S\$NEER policy band. | High level of Trade & CA Surplus will continue. | MAS will maintain neutral bias. | xER and momentum remain very weak. | Fair on PER, attractive on PBR |
| Malaysia | <ul style="list-style-type: none"> - Mounting uncertainty in both Politics and economy. - Investor's sentiment is improving due to recovery of crude oil price. - MYR depreciation is key concern. | x1MDB continues to be a risk factor. Political turmoil is still there. | GDP growth is expected to bottom out in 2017 by off-budget disbursement. | BNM will hold policy rate / Inflation will mildly pick up. / M2 growth rate is bottomed out. | CA Surplus will continue. | xDepreciation pressure by US treasury yield hike. | xER and momentum remain very weak. | Fair (expensive on PER, but fair on PBR) |
| Thailand | <ul style="list-style-type: none"> - Economy is expected to bottom out. - MKT is stable even under uncertainty of consumption by the king's death. | Military gov should continue at least until 2017. The king passed away. | Economy is expected to bottom out supported by fiscal stimulus. Downside risk due to worsening consumer sentiment. | BOT will hold policy rate. / Inflation will be stable. M2 growth rate should remain low. | Surplus will continue. | BOT welcomes if THB depreciates against US\$. | xER is still weak. | Rich on PER, fair on PBR, |
| Indonesia | <ul style="list-style-type: none"> - Solid economic growth supported by public investment. - IDR is vulnerable to rising US bond yield. - Election of Jakarta governor is a potential political risk. | Stable under ruling parties with majority. New FM, Sri Mulyani will support macro recovery. | ○Economy is expected to recover supported by lower gasoline price and public investment. | BI will hold policy rate. / Lower inflation due to lower gasoline price. | CA deficit will continue to increase but Tax amnesty law could help finance of C/A deficit. | IDR continues to have downward pressure as US bond yield increases. | xER and momentum remain weak. | Fair (Expensive on PER, but fair on PBR) |
| Philippines | <ul style="list-style-type: none"> - Still the bright spot. / Sustainability is the key. - Foreign investors are concerned about Duterte's political stance. | President Duterte has become a wild card. | ○Steady growth. Less impact by global economy. | xPossible rate hike in 2017 / Int. rate will be stable. / some pressure for inflation. | Trade deficit will shrink. Current a/c surplus will expand. | PHP continues to have downward pressure as US bond yield increases. | ER is weakening again but momentum is still solid. | Expensive on PER, fair on PBR |
| India | <ul style="list-style-type: none"> - Solid macro economy. Inflation is stabilized. - Consensus OW Mkt. Negative impact can be expected when EM money outflow continues. - Relatively immune from the situation of global economy. | Potential of economic reform continues BJP is gaining momentum. | ○High Growth rate will continue driven by domestic consumption. | RBI will hold policy rate. / Inflationary pressure peaked out. | xTrade / CA deficit will gradually increase. | INR continues to have downward pressure as US bond yield increases. | xBoth ER and momentum are weak. | Fair (Expensive on PER, but fair on PBR) |
| Australia | Expect mild up-trend market, backed by improving domestic consumption and corporate earnings. | Stable | Mild recovery | Current interest rate will be maintained / Benign Inflation | Deficit, but it is improving | sideway | ER is weak but it is improving. | Expensive on PER, fair on PBR |
| Vietnam | Steady upside can be expected supported by solid economic growth. | Step Down of PM Dung is negative for reform | solid recovery | Current interest rate will be maintained / mild pick up of Inflation | Trade / CA surplus will be maintained. | side way | Improving | Within FV range. |

Market Focus (i): Singapore – Neutral continued

【Summary】

The Singapore economy would maintain a declining trend but share prices are expected to keep rising moderately considering a possible shift in capital flow trend from emerging to developed countries.

- ▣ We stay with our view that Asian equity markets would rise moderately on their relatively attractive valuation comparing with that in US and European markets. In terms of the economic fundamentals in Singapore, we did not see any big change including its slowing economic trend and on-going restriction on the property sector.
- ▣ Recently, the valuation discount in Asian stock markets is narrowing due to rising long-term US bond yields. However, we deem that the Singapore stock market would increase its relative attractiveness among Asian markets.
- ▣ Singapore, which is included in the developed-market index, may enjoy further capital inflow.
- ▣ As for the banking sector, concerns over the asset quality relating to China or commodity projects still remain despite stronger fundamentals than that in other intra-ASEAN countries. We maintain a bullish stance as higher bond yields in US would be positive.
- ▣ Concerned about the real estate sector since the commercial properties may face increased supply and residential real estate may experience declining asset prices due to rising interest rates.

Market Focus (ii): Vietnam – Overweight continued

【Summary】

Due to the stable macro condition in Vietnam, we keep our view that the stock market would grow moderately.

- Current economic indicators are slightly corrected, but the economic growth in 2016 achieved +6.2% YoY. We believe the economy in 2017 would continue to expand at a moderate pace.
- Vietnamese Dong (VND) is relatively firm amid appreciating US dollar after the US presidential election in 2016.
- In the mid- and long-term, we maintain our view of healthy movement of the stock market.
- The Vietnam Stock Index on January 23 ended in 687.15 points with +3.35% on a MTD basis. It rallied from the beginning of December and heading to the last year' high (692.17 points as of the end of September)
- November CPI continued to grow by 4.74%. Increasing concerns over inflation.
- Foreign investors are buying slightly more stocks in value terms, while selling in terms of number of shares.

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