

# Asia Macro & Market 2Q 2018 Outlook

SMAM comments & views

19 April 2018



SMAM

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# Our Macro and Market Outlook

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## Macro Outlook

- China: We expect economic growth to decelerate in 2Q18 and stabilize afterwards. We expect development of IT sectors to support economic development.
- NIES 4: We see economic growth to slow in 2018, in line with expected slower growth in China.
- ASEAN 5: We expect economic growth to accelerate in 2018 driven by domestic demand.
- India: We maintain our view of economic recovery in 2018 led by investment.

## Market Outlook

- China: Positive on China equity market which we expected to see solid profit growth in 2018. New China themes coupled with emphasis on high quality growth are cause for long-term optimism.
- NIES 4: Hong Kong and Singapore will benefit from steady global economic growth and a stable currency with earnings growth. Korea and Taiwan will get some impact from trade friction.
- ASEAN 5: We see strong domestic consumption which is expected to drive markets. Local currencies are poised to further appreciate. Upcoming elections in 2018/2019 is a risk factor for some, but improves market sentiment in others.
- India: Solid fundamentals and strong trust for the current administration are drivers for Indian equities, fixed income, and currency. Indian corporates are placing greater emphasis on ESG, a long-term positive. Continued neutral stance by the RBI is a relief for the equity market.

(Note) Macro Outlook is as of January 19<sup>th</sup>, 2018 and Market Outlook are as of April 12<sup>th</sup>, 2018 and subject to updated thereafter without notice.

# Topic to Watch: Elections in ASIA: 2018 and 2019

## Our comments:

We believe that elections in Asia from 2018 to 2019 should cause consumer sentiment to improve.

In Malaysia, the expected victory of Barisan Nasional (current government) should be a positive catalyst for financial markets. In Indonesia, presidential election and general election will be held simultaneously, in April 2019, for the first time. In Thailand, incumbent PM Prayuth is expected to continue as PM after the general election in Nov 2018. In India, we expect BJP (current government) to win again at the general election in 2019.

Elections in Asia

countries, areas	expected timing	kinds
South Korea	Jun-2018	local elections
Taiwan	24/Nov/18	local elections
Philippines	May/2019	mid elections
Thailand	Nov/2018	general election
Malaysia	Feb-May 2018	general election
Indonesia	Jun/2018	local elections
Indonesia	Apr/2019	president election, general election
India	2018-2019	local assembly elections
India	Apr-May 2019	general election

Source: Countries/regions' government websites

India State Legislative Assembly Elections

	expiration of assembly	expected/actual timing	seat at Lok Sabha	seat at Rajya Sabha	remarks
Karnataka	28/May/2018	Apr-May 2018	28	12	BJP: opposition
Mizoram	15/Dec/2018	Oct-Nov 2018	1	1	BJP: no seat
Chhattisgath	5/Jan/2019	Dec18-Jan19	11	5	BJP: ruling
Madhya Pradesh	7/Jan/2019	Dec18-Jan19	29	11	BJP: ruling
Rajasthan	20/Jan/2019	Dec18-Jan19	25	10	BJP: ruling
Sikkim	27/May/2019	Apr-May 2019	1	1	BJP: no seat
Arunachal Pradesh	1/Jan/2019	Apr-May 2019	2	1	BJP: ruling
Telangana	8/Jan/2019	May-Jun 2019	17	7	BJP: opposition
Odisha	11/Jan/2019	May-Jun 2019	21	10	BJP: opposition
Andra Pradesh	18/Jan/2019	May-Jun 2019	25	11	BJP: ruling
Haryana	2/Nov/2019	Sep-Oct 2019	10	5	BJP: ruling
Maharashtra	9/Nov/2019	Sep-Oct 2019	47	19	BJP: ruling

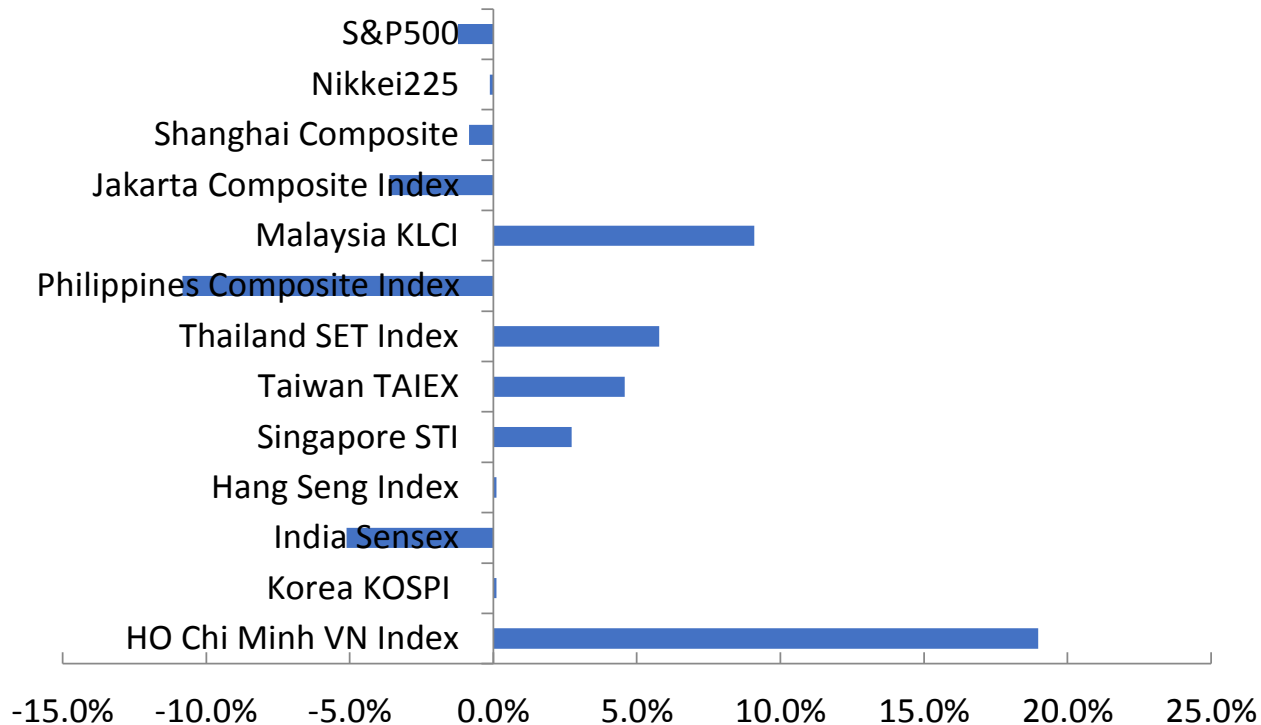
(Note) Lok Sabha quorum: 545, Rajya Sabha quorum: 250

(source) Publicly available information and data compiled by SMAM.

# Asia Equity Market Performance Review

- Market performance was mixed in 1Q 2018.
- Within ASEAN , Singapore, Malaysia, Thailand, Vietnam posted positive performance.
- Also, Korea and Taiwan were up.

Country Performance in USD in 1Q 2018

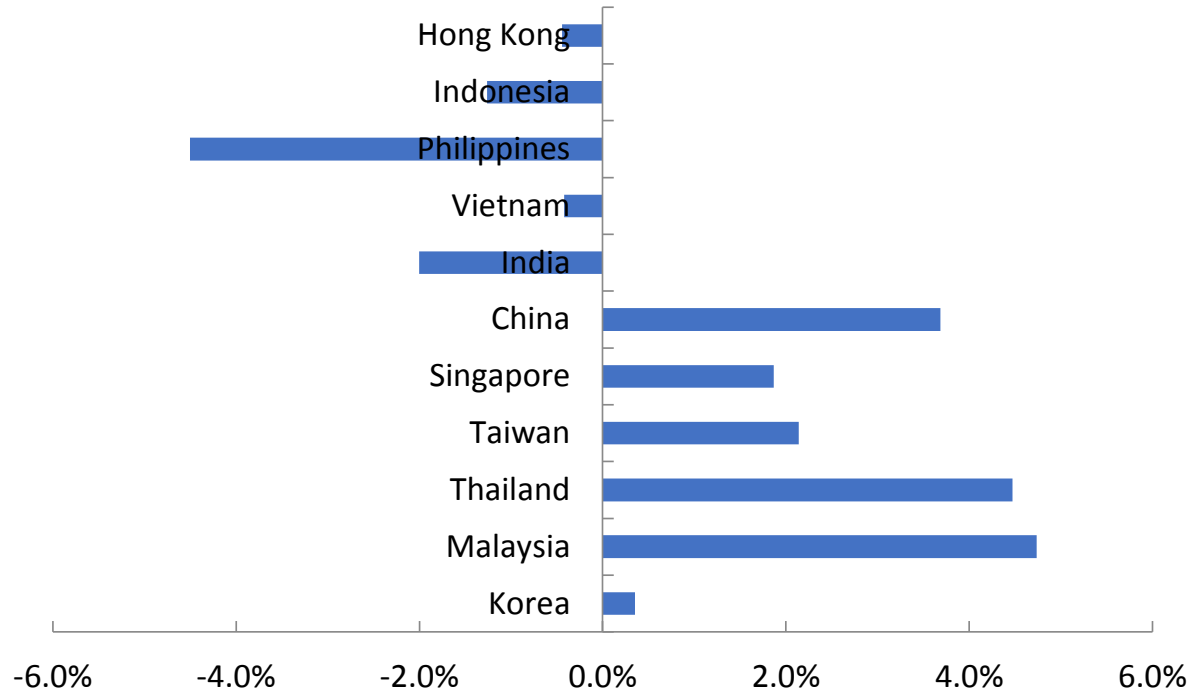


Source: Bloomberg

# Asian Currency Performance

- Singapore dollar/Malaysian ringgit/Thai baht edged up in 1Q 2018.
- Philippines peso/Indonesian rupiah lost momentum due to sell-off by foreign investors.
- Korean won and Taiwan dollar appreciated.

## Currency Performance in USD in 1Q 2018



Source: Bloomberg

# Macro Outlook

		Comment	GDP			CPI			Policy Rate						
			2017	2018	2019	2017	2018	2019	2017	2018	2019	2018			
												1Q	2Q	3Q	4Q
China		We expect China economic growth to decelerate very gradually caused by continuous downside pressure to raw material sectors. However, Development of IT sectors can be a positive factor to economic growth. We believe that the government should maintain prudent and neutral monetary policy and aggressive fiscal policy in 2018 following National People Congress in March 2018. The economy can avoid deflation through a mixture of supply side reforms and infrastructure investment.	6.9	6.7	6.6	1.6	2.0	2.2	4.35	4.35	4.35	4.35	4.35	4.35	4.35
India		We believe that the economy has entered a recovery phase after turmoil caused by introduction of GST. GDP growth should accelerate in 2018/19. We expect Modi administration to prefer aggressive fiscal policy to fiscal consolidation at fiscal budget for 2018/19, because general election is expected to be held in Apr-May 2019. We expect RBI (Central Bank) to hold its policy interest rate, although the Bank may show some hawkish stance in 2H18.	6.6	7.4	7.7	3.7	4.9	4.6	6.00	6.00	6.00	6.00	6.00	6.00	
N I E S 4	Korea	We expect economic momentum to begin to wane in 2018 following expected slowing economic growth in China. We expect no change in monetary policies until the end of 2018.	3.1	2.8	2.8	1.9	2.0	2.0	1.50	1.50	1.50	1.50	1.50	1.50	
	Taiwan		2.9	2.6	2.4	0.6	1.4	1.2	1.375	1.375	1.375	1.375	1.375	1.375	
	Singapore		3.6	3.2	2.9	0.6	0.9	0.7							
	Hong Kong		3.8	3.3	3.1	1.5	2.3	2.5							
A S E A N 5	Indonesia	We expect economic growth to accelerate in 2018 led by domestic demands, despite of slowing China economy. We believe that some elections in ASEAN should cause consumer sentiment to improve. General election will be held on 9 May 2018 in Malaysia. Local elections will be held in Jun 2018 in Indonesia. General election will be held in Nov 2018 in Thailand. Mid election will be held in May 2018 in the Philippines. We expect twice rate hikes in 2018 in the Philippines but no rate hikes in other ASEAN economies.	5.1	5.4	5.5	3.8	3.8	4.1	4.25	4.25	4.25	4.25	4.25	4.25	
	Thailand		3.9	4.0	4.0	0.7	0.9	0.9	1.50	1.50	1.50	1.50	1.50	1.50	
	Malaysia		5.9	6.0	5.9	3.8	2.7	2.4	3.00	3.25	3.25	3.25	3.25	3.25	
	Philippines		6.7	6.9	7.1	3.2	4.6	3.8	3.00	3.25	3.50	3.00	3.25	3.25	3.50
	Vietnam		6.8	7.2	7.1	3.5	3.0	3.5	6.25	6.25	6.25	6.25	6.25	6.25	6.25

(Note) As of January 19<sup>th</sup>, 2018 and subject to updates thereafter without notice. Figures in   are actual figures. Other figures are forecasts. YoY growth rate.

(Source) Bloomberg, forecasts are by SMAM.

# Currencies & Interest Rate Outlook

Weak USD leads to strong local currencies for 2018					
	Exchange Rate		Exchange Rate Outlook	Monetary Policy	Interest Rate Outlook
	2017	2018F			
China	6.507	6.250	There is some room for DXY to depreciate and this should cause appreciation of the CNY. An upgrade in economic structure should cause the pace of capital outflow to ease.	Neutral	We expect the PBOC to maintain its neutral stance as the economy is stable, and keep base lending/deposit interest rates unchanged in 2018.
Korea	1,068	1,050	KRW has some room to appreciate assuming easing geopolitical tensions on the Korean peninsula.	Neutral	We expect the BOK to keep its policy interest rate unchanged in 2018.
India	63.87	65.00	Twin deficits should cause a negative factor for INR in risk-off phase.	Neutral	We expect the RBI to keep its policy interest rate unchanged in 2018.
Singapore	1.336	1.250	The expected appreciation of the MYR along with stabilization of the IDR should cause the SGD to appreciate against USD.	Neutral (flat of S\$ NEER)	We expect the MAS to maintain its current policy stance in 2018.
Malaysia	4.047	3.810	We believe the MYR is still undervalued. The expected victory of BN at General Election in May 2018.	Neutral	We expect the BNM to maintain its policy interest rate in 2018.
Thailand	32.57	30.50	The THB should still face appreciation pressure under C/A surplus. We expect BOT to intervene in FX markets to sell THB.	Neutral	We expect the BOT to keep its policy interest rate unchanged in 2018.
Indonesia	13,555	13,300	We believe Bank Indonesia will prefer to keep the IDR stable. Twin deficits should cause a negative factor for IDR in risk-off phase.	Neutral	We expect BI to keep its policy interest rate unchanged in 2018.
Philippines	49.85	52.00	Twin deficits should cause a negative factor for PHP in risk-off phase.	Tightening	Given inflationary pressure caused by the output gap, we expect BSP to raise its policy interest rate in 2Q18 and 4Q18.
Australia	0.7809	0.7750	We expect AUD to hover around 0.75-0.80.	Neutral	We expect the RBA to maintain its policy interest rate unchanged in 2018.

(Note) Exchange rates (actual and forecast) are as of April 12<sup>th</sup>, 2018 and subject to updated thereafter without notice. (Source) Bloomberg, forecasts are by SMAM.

# Equity Markets Outlook

**We maintain an overall positive view for Asia, for which we expect solid earnings.** A benign overall environment (currency, economic fundamentals) is positive for the market going forward. Rates hike are expected in some countries, but their impact will be limited. We expect to see some volatility in the markets in the near term due to external factors (US/China trade friction)

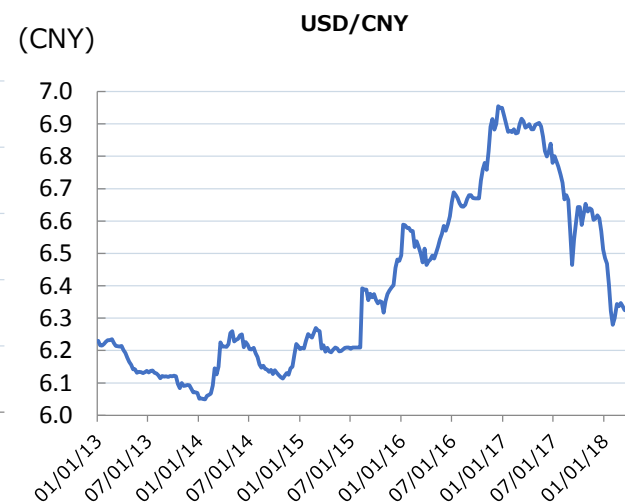
	OW	N	UW	Comment
China	○			Excessive earnings growth for new China themes, including e-commerce, online gaming, healthcare, education, environmental protection and financial services. Structural reforms can be a difficult task but contribute to operating efficiency enhancement. Valuation remains reasonable for LT investment.
Hong Kong		○		Earnings growth outlook is improving. The Hong Kong stock market is expected to enjoy strong southbound flow, which provide liquidity and a catalyst for positive market sentiment
Korea		○		Korea is still dependent on large tech companies. There are signals of better capital management. Geopolitical uncertainties in the Korean peninsula will be easing during 2Q. Round table talks is expected to contribute to a more stable investment environment.
Taiwan			○	IT sector still leads the overall economy. However, weak demand for smartphones and IT shipment should have some impact on the Taiwan IT sector in the near future. Valuation is relatively attractive.
Singapore		○		Singapore is a beneficiary of rising oil price and interest rate. Earnings growth is recovering while valuation remains attractive. Steady upside in the market is expected in 2Q.
Malaysia		○		Commodity prices are on an upward trend, a positive for corporate earnings growth and the Malaysian equity market. Pre-election rally has already started towards general election to be held on 9th May.
Thailand	○			Economy is expected to bottom out, with export and domestic consumption leading recovery. We expect the Thai market will steadily move upward in 2018, supported by appreciation of the baht and improving earnings momentum.
Indonesia		○		Steady economic growth is expected due to positive domestic consumption and FAI. However, a weakened rupiah caused by foreign sell-off will put some downward pressure in 2Q.
Philippines		○		Economic growth is solid on strong domestic consumption, however, corporate earnings slower than expected. The recent weak peso causes downward pressure on the market in the short term.
Vietnam	○			Vietnam market is expected to continue its upward trend as deregulation for foreign ownership and IPO boost demand from international investors. FDI inflow supports balance of payment, which benefits investors' return on investment.
Australia			○	Economy is expanding supported by stable monetary policy. Commodity sector is recovering as China economy steadily expands.
India			○	Solid economic growth with Modi's high approval rate as well as fiscal spending for regional elections in 2018 and general election in 2019 will support Indian equity. In the short term, banking regulation will be tightened up after the fraud by national bank, which will put some pressure in the near term, but positive for the long term.

(Note) As of April 13<sup>th</sup>, 2018 and subject to updates thereafter without notice.



# Asia equities – China “New China” just started to emerge

- New China themes such as e-commerce, online gaming, healthcare, education, financial services, high-end manufacturing are major beneficiaries in China’s economic restructuring. Policy directives such as “Made in China 2025” and “China AI 2030” are expected to lend support for leading companies in the New China space to build global competitiveness.
- A new balancing between Growth and Quality highlights the importance of sustainable development. Corporates focus more on operating efficiency relative to top line growth. New areas of focus such as environmental protection require traditional industries to improve operating efficiency which drives industry consolidation.
- Stable growth in consumption remains an ongoing theme. Sectors such as F&B (liquor), healthcare, retail, construction, electronics and chemicals are beneficiaries of ongoing developments.
- Recent trade friction is expected to cause limited headwind for global markets.



Note: Data period for all 3 charts are from 31 December 2012 to 31 March 2018. % shows price difference of data period.

Source: FactSet

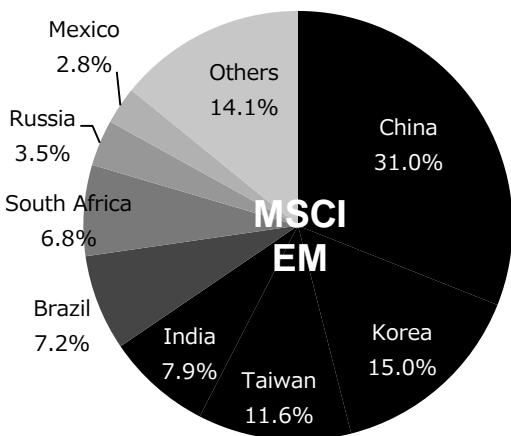
# Asia equities – China Inclusion of A-shares in MSCI

Jun-17	-MSCI announced to partially include 222 large-cap A-share in the MSCI EM Index -This involves a two-step process that begins in June 2018
Oct-17	-Launched MSCI China A inclusion indexes (MSCI China A Inclusion Index + MSCI China A Inclusion RMB Index)
Mar-18	-Launched MSCI China A Indexes covering only stocks accessible through Stock Connect -Launched 12 new A-Share related China indexes in anticipation for the China A inclusion process
Jun-18	-Initiate inclusion of A-shares with an inclusion factor of 2.5%
Sep-18	-Increase the inclusion factor to 5%

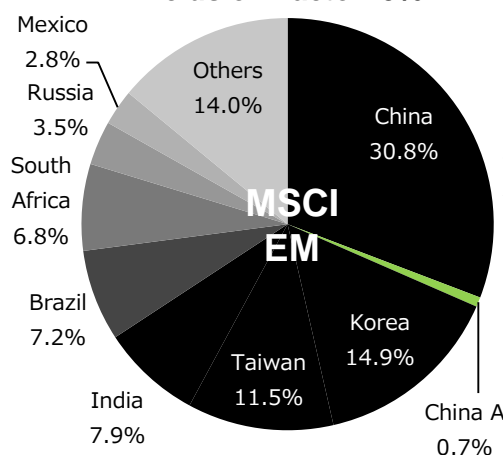
Source: MSCI

## Potential MSCI index inclusion roadmap of China A-shares

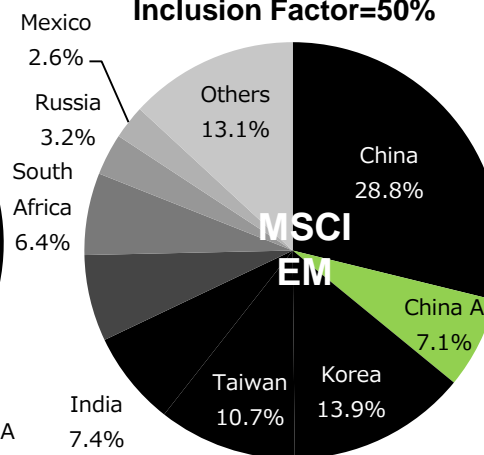
**Current status: No A-Shares**



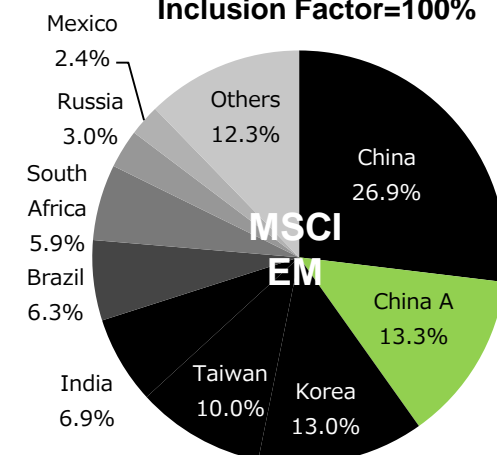
**After 2018 inclusions:  
Inclusion Factor=5%**



**Potential additional steps:  
Inclusion Factor=50%**



**Potential full inclusion:  
Inclusion Factor=100%**

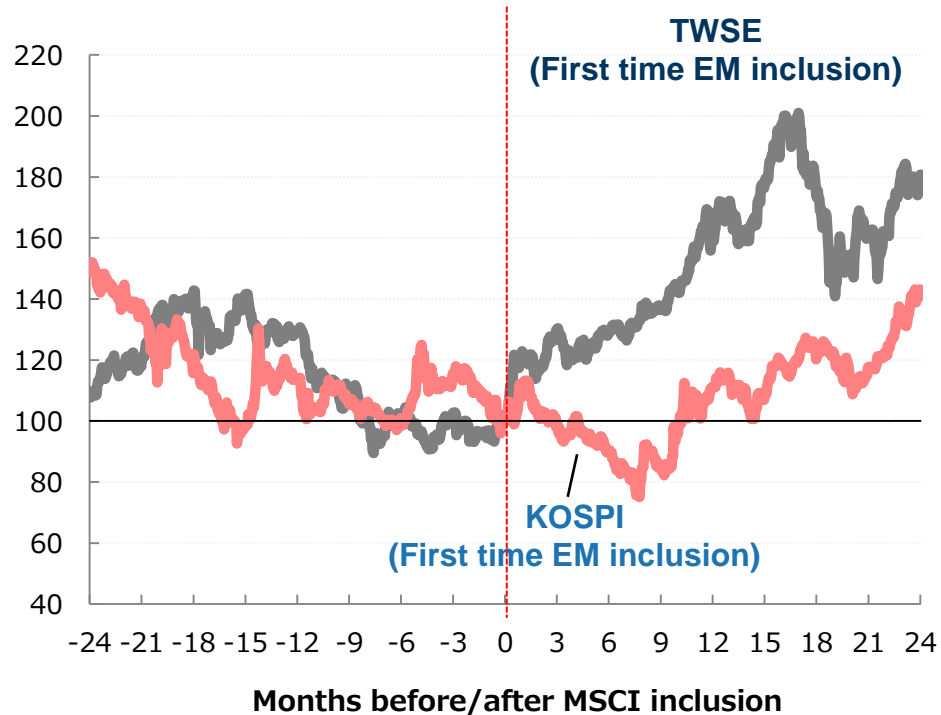


Source: FactSet, MSCI

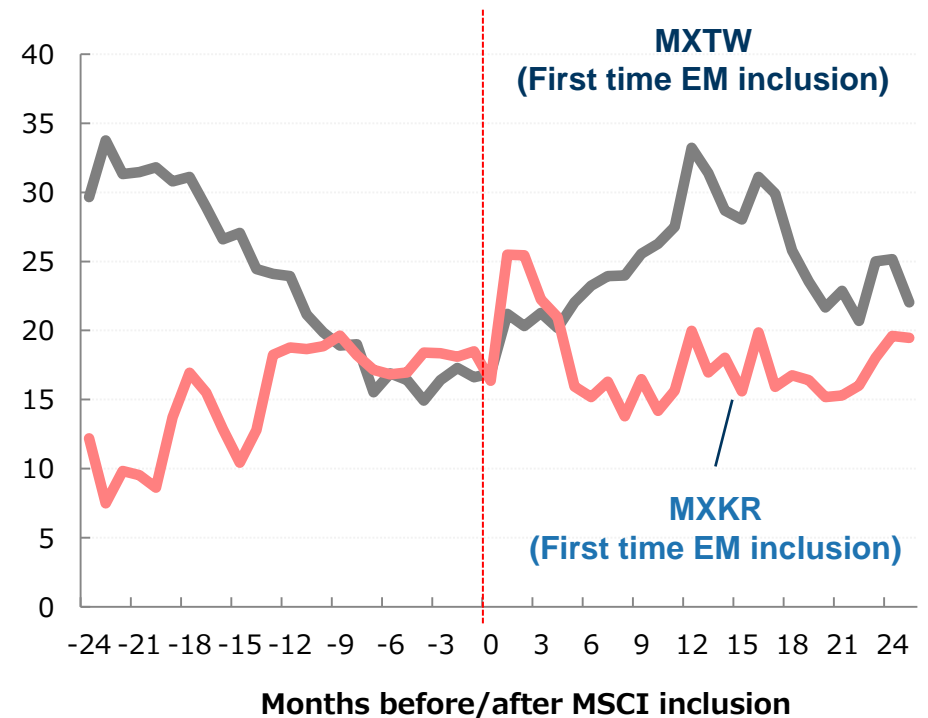
# Asia equities – China Inclusion of A-shares in MSCI

- Inclusion of A-shares in MSCI is expected to drive up Shanghai and Shenzhen markets.
- Both Taiwan and Korean equities rallied over 24 months after they became included in the MSCI Emerging Market Index.

Rebased price index (event dates = 100)



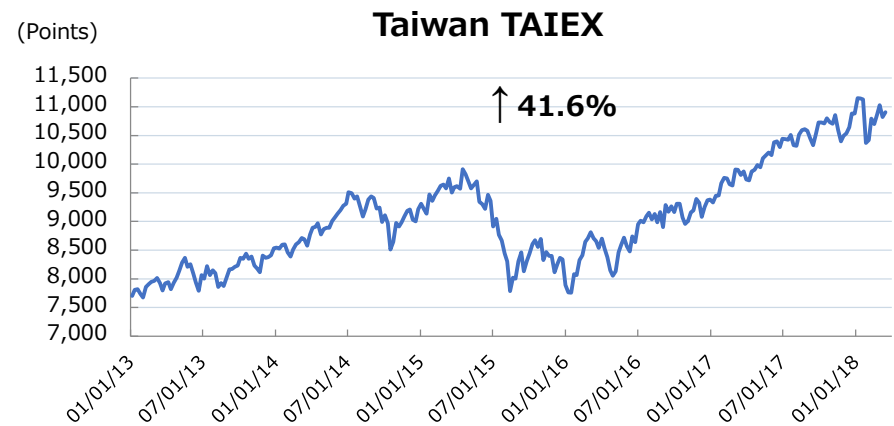
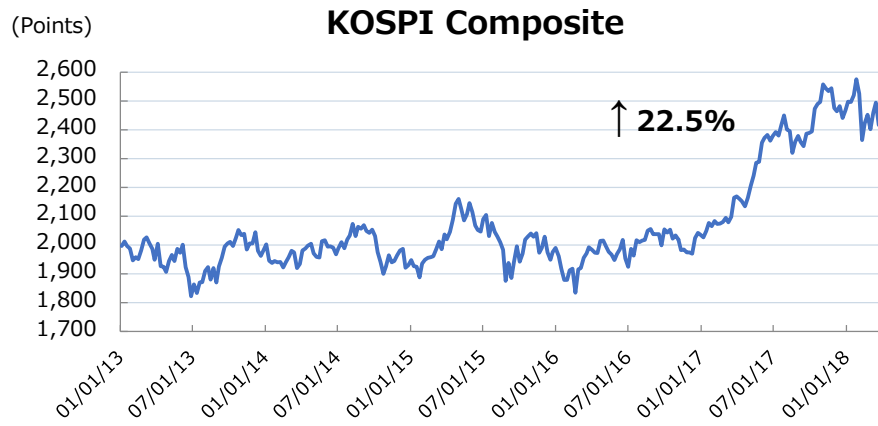
f-12m P/E (X)



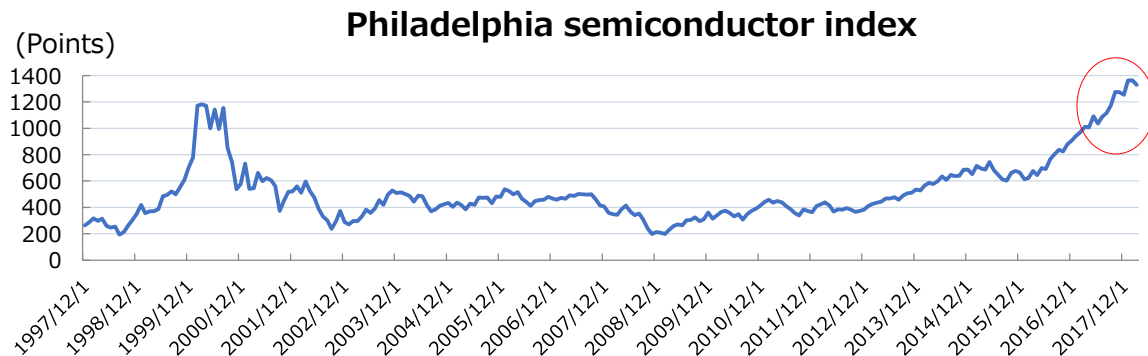
Source: FactSet, Datastream

# Asia equities – NIES 4 Tech sector still dominates the market

- **Korea** The technology sector has a heavy weighting in the Korean equities market. Strong earnings of large cap stocks have huge impact on the market as a whole and this situation will continue for the time being. Geopolitical concern is likely to ease.
- **Taiwan** The technology sector still represents around half of total market capitalization of the Taiwan equity market, and this sector is the main industry to determine the weighting of Taiwan. Concern of weak smartphone demand keeps Taiwan in underweight position.



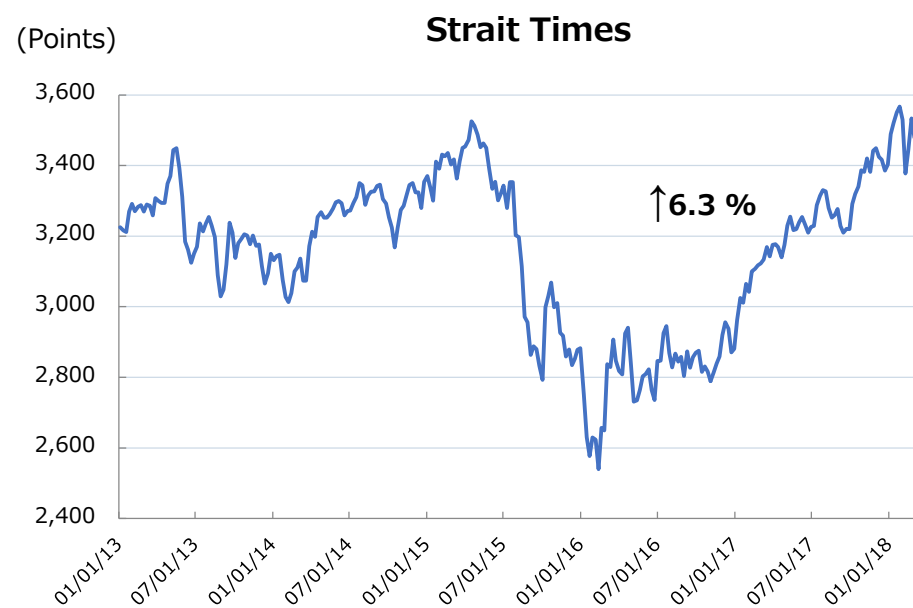
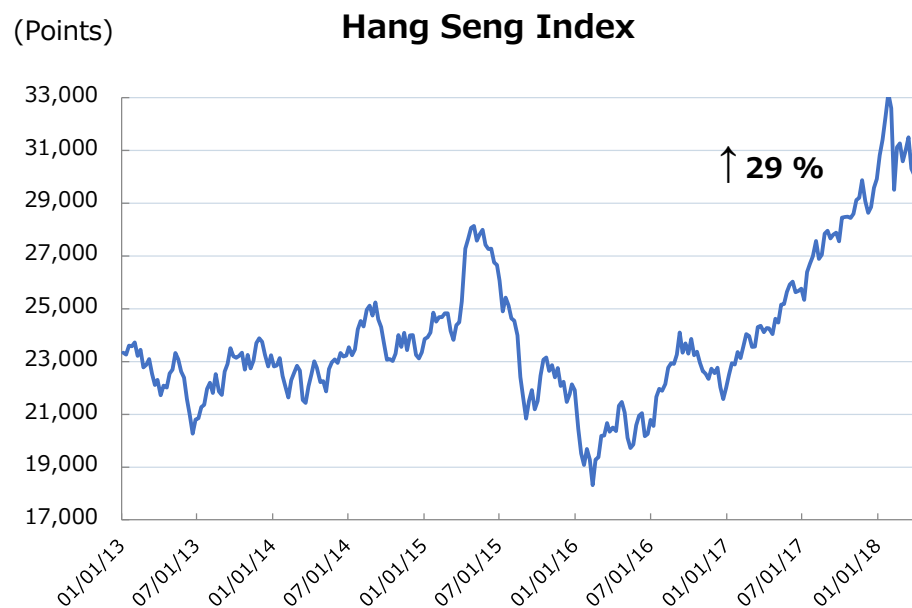
Note: Data period for both charts are from 31 December 2012 to 31 March 2018. % shows price difference of data period Source: FactSet



Note: Data period is from Dec 1997 to Mar 2018. Source: Bloomberg

## Asia equities – NIES 4 Positive economic growth ahead

- **Hong Kong** The Hong Kong economy is backed by China and growing at a steady pace. Property prices are stretched, but is expected to continue to grow in 2018. The HKEX's Stock Connect is attracting new money from mainland China helped by the growing Chinese yuan. New listings with the more flexible dual share structure will drive demand from Chinese and global investors.
- **Singapore** Singapore's economic growth is recovering as are corporate earnings, lending support to the steady growth in the equities market. Global economic growth drives Singapore's exports. Also, pick up of residential market is positive for the economy and equity market. Furthermore, Singapore is a haven destination for investors in the event of global market shocks.

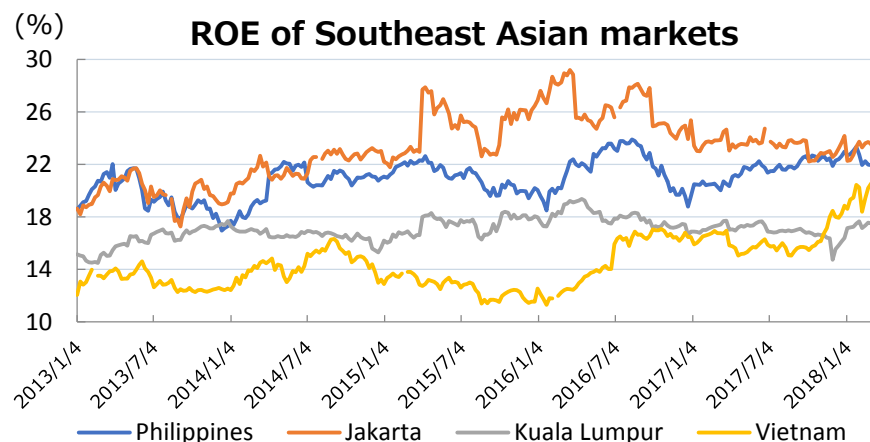
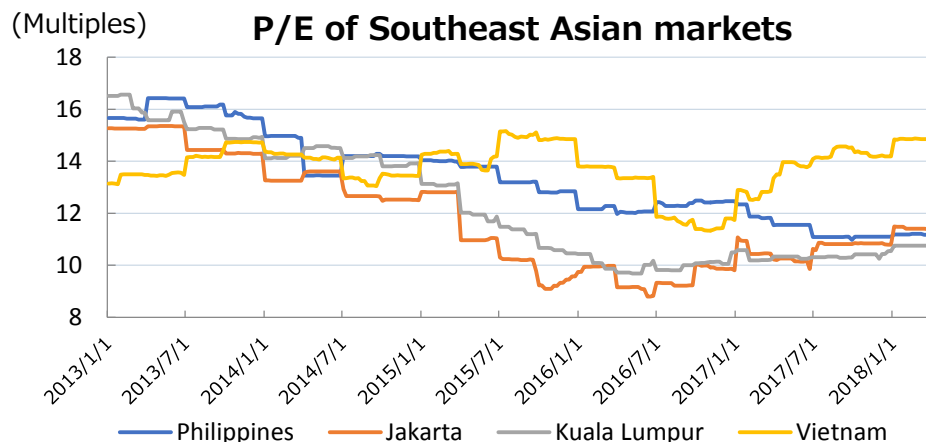


Note: Data period for both charts are from 31 December 2012 to 31 March 2018. % shows price difference of data period

Source: FactSet

# Asia equities – ASEAN 5 optimism is there

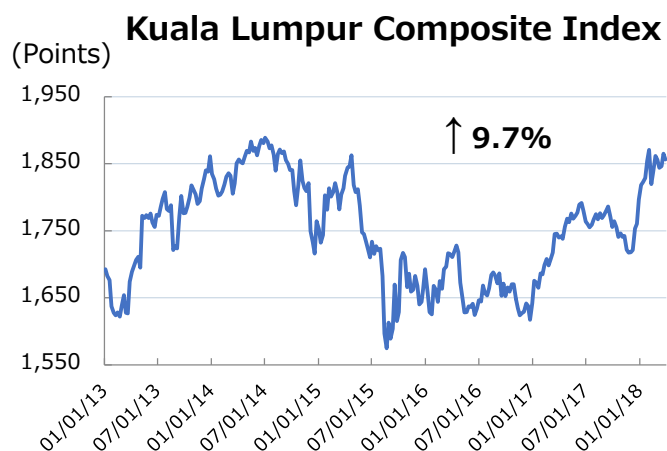
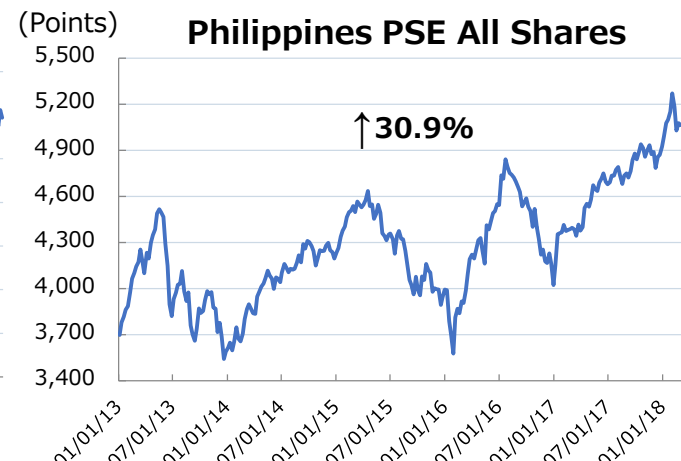
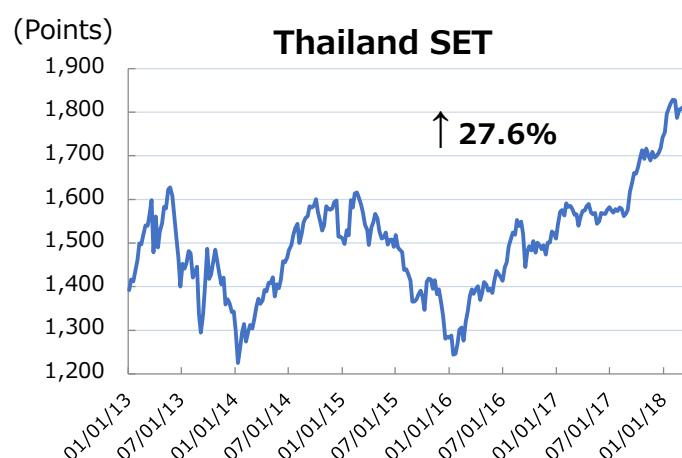
- **Thailand** The Thai economy is expected to grow with strong external demand, which supports a strong baht, and domestic consumption growth. We expect equity market will react positively to these factors.
- **Malaysia** Market is gradually pricing in the positive factor of the upcoming General Election, though more market upside is expected. Malaysian ringgit is also appreciating in response to the General Election.
- **Indonesia** Improving domestic consumption, fixed asset investment, along with infrastructure development initiatives led by the current administration are expected to boost GDP growth and the equities market for 2018. The selloff by foreign investors due to the weak rupiah is expected to end and the market is expected to bottom out.
- **Philippines** Favorable demographics, rising FDI inflow and infrastructure development are leading to robust growth in the Philippines economy and the equities market. Tax reform will also have positive impact on equity market. Short term selloff due to the weak peso will bottom out.
- **Vietnam** Deregulation in foreign ownership of domestic firms, strong export growth, and continuing FDI, are expected to continue to generate interest in Vietnamese equities. More FPI is expected in Vietnam. Potential inclusion in MSCI EM Index is a catalyst for the Vietnamese market.



Note: Data period is from Dec 2012 to March 2018 for both charts. Source: Bloomberg

# Asia equities – ASEAN 5 optimism is there

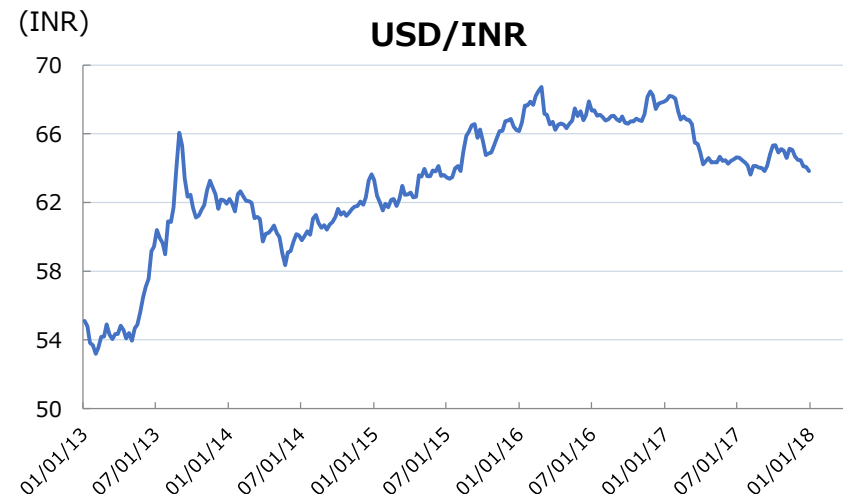
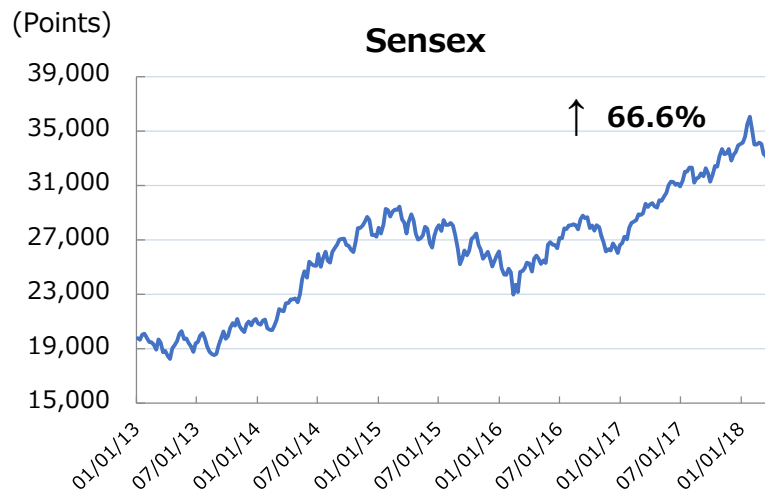
- **Valuation:** Malaysia, Thailand, Indonesia and Vietnam markets are on an upward trend, PER valuation is fair, while PBR is attractive in Thailand and Indonesia.
- **Profitability:** ASEAN companies are becoming more profitable and is expected to drive markets to a higher level, while ROE is on an recovering trend.



Note: Data period for all 5 charts are from 31 December 2012 to 31 March 2018. % shows price difference of data period Source: Bloomberg

# Asia equities – India Corporate governance scrutinized after bank fraud

- Favorable demographics and a growing middle class remain cause for optimism, as is strong government support for infrastructure development. Solid economic growth is expected in 2018 and going forward.
- The government will exceed its targeted spending deficit. Meanwhile, to win votes in the regional election, local governments will be spending more. RBI is expected to hold its policy interest rate unchanged until end of 2019 given recently easing inflation pressure.
- Corporate earnings are expected to grow as the economy expands. Programs such as Digital India as well as infrastructure development will support growth in India for the next decade.
- Recent high profile bank fraud has highlighted the importance of corporate governance, which is expected to become an area of focus. This may put some pressure on the Indian market in the short term, but is healthy for long-term development.
- General Election in 2019 will be a key chance for the Modi's administration to strengthen India as a whole.

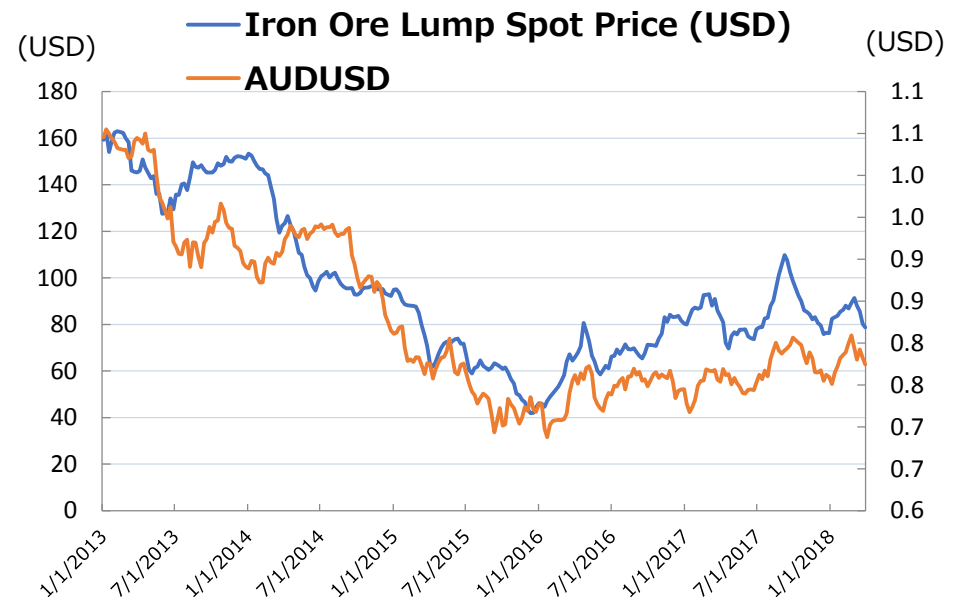


Note: Data period for both charts are from 31 December 2012 to 31 March 2018. % shows price difference of data period Source: Factset



# Asia equities – Australia valuation is fair

- Domestic consumption related companies in the ASX 200 (excluding mining sector) are expected to see earnings growth of around 5%, in line with nominal GDP growth in 2018.
- Commodity prices are recovering, driven by a steady Chinese economy. This will support companies with exposure to the mining sector.
- Increase in household and government spending is expected to support overall economy in 2018. We think downside risk of equity market is limited, as is upside on valuation. We expect the market to move in a narrow range.



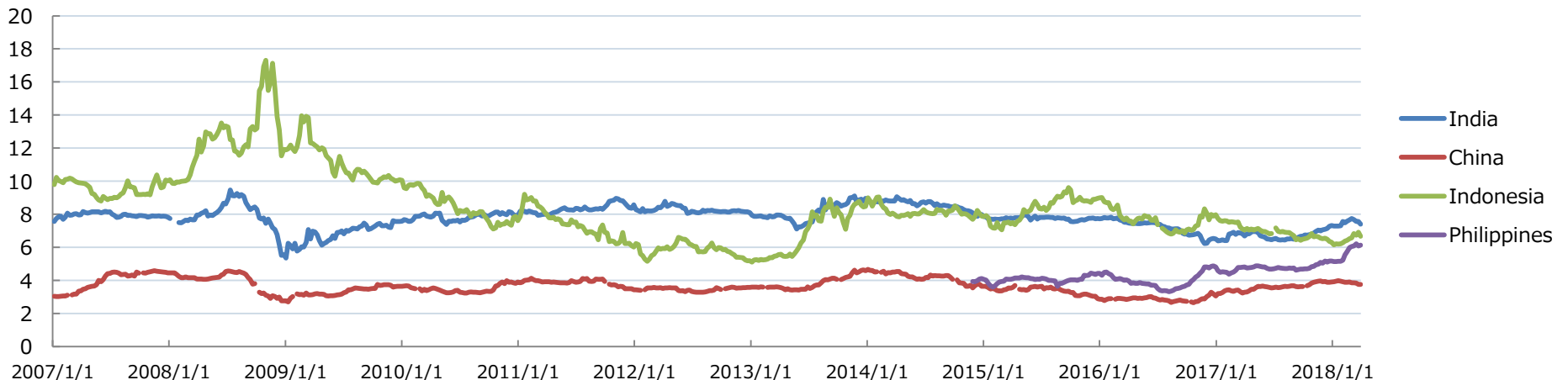
Note: Data period for both charts are from 31 December 2012 to 31 March 2018. % shows price difference of data period

Source: Bloomberg

# Government bond yields

- **India** The central bank shaved 2 percentage points off the repo rate in the past two years to stimulate the economy. A hike in oil prices from the recent escalation in the Syria crisis is expected to contribute to inflation, while fiscal deficit is also expected to exceed the full-year target; such factors present may push up government bond yield.
- **Indonesia** The recent upgrade by Moody's in April 2018 and S&P and Fitch in 2017 is expected to drive foreign demand for Indonesian sovereign bonds. Bank Indonesia will keep policy rate unchanged in 2018 to drive domestic consumption up as well as economic growth. Indonesian 10 year government bond yield is expected to hover around the current range.
- **Philippines** Economic indicators are strong and GDP growth is among the highest in the region. Rate hike will depend on the inflation upward risk after tax reform. Government bond yield is expected to move upward from the current level.
- **China** China's economy has been robust. Also, CNY has room for further appreciation despite having performed strongly in the past year. We expect the PBOC to maintain its neutral stance and keep base lending rate unchanged. Government bond yield will be moving in a narrow range around the 4% level.

## 10 year government bond yield



Note: Data period is from Dec 2007 to Mar 2018

Source: Bloomberg

# Asia: PMI

- Solid economic momentum in China was a positive factor for many other Asian economies.
- In India, turmoil with the introduction of GST appears to have no lasting impact.

ASIA Manufacturing PMI		May-17	Jun-17	Jul-17	Aug-17	Sep-17	Oct-17	Nov-17	Dec-17	Jan-18	Feb-18	<b>Mar-18</b>
China	NBS	51.2	51.7	51.4	51.7	52.4	51.6	51.8	51.6	51.3	50.3	<b>51.5</b>
	Caixin	49.6	50.4	51.1	51.6	51.0	51.0	50.8	51.5	51.5	51.6	<b>51.0</b>
Korea	Nikkei	49.2	50.1	49.1	49.9	50.6	50.2	51.2	49.9	50.7	50.3	<b>49.1</b>
Taiwan	Nikkei	53.1	53.3	53.6	54.3	54.2	53.6	56.3	56.6	56.9	56.0	<b>55.3</b>
ASEAN	Nikkei	50.5	50.0	49.3	50.5	50.3	50.5	50.8	49.9	50.2	50.7	<b>50.1</b>
Indonesia	Nikkei	50.6	49.5	48.6	50.7	50.4	50.1	50.4	49.3	49.9	51.4	<b>50.7</b>
Thailand	Nikkei	49.7	50.4	49.6	49.5	50.3	49.8	50.0	50.4	50.6	50.9	<b>49.1</b>
Malaysia	Nikkei	48.7	46.9	48.3	50.4	49.9	48.6	52.0	49.9	50.5	49.9	<b>49.5</b>
Philippines	Nikkei	54.3	53.9	52.8	50.6	50.8	53.7	54.8	54.2	51.7	50.8	<b>51.5</b>
Vietnam	Nikkei	51.6	52.5	51.7	51.8	53.3	51.6	51.4	52.5	53.4	53.5	<b>51.6</b>
India	Nikkei	51.6	50.9	47.9	51.2	51.2	50.3	52.6	54.7	52.4	52.1	<b>51.0</b>

Source: Bloomberg

# Asia: International Reserves & Currency

- Central banks of ASEAN countries and India seems to have taken aggressive intervention to sell their currencies.
- In China, international reserves turned to the capital inflow in March 2018.

## Asia International reserve

Bil USD

Erea	Quartely				Monthly													Rate of change			
	2017			2018	2017												2018			2017	2018
	2Q	3Q	4Q	1Q	Apr	May	Jun	Jul	Aug	Sep	Oct	Nov	Dec	Jan	Feb	Mar	YTD	YTD			
China	3,056.8	3,108.5	3,139.9	3,142.8	3,029.5	3,053.6	3,056.8	3,080.7	3,091.5	3,108.5	3,109.2	3,119.3	3,139.9	3,161.5	3,134.5	3,142.8	4.3%	0.1%			
Hong Kong	408.0	419.3	431.4	440.3	400.1	402.7	408.0	413.3	413.8	419.3	419.2	422.1	431.4	441.5	443.4	440.3	11.7%	2.1%			
Korea	380.6	384.7	389.3	396.8	376.6	378.5	380.6	383.8	384.8	384.7	384.5	387.3	389.3	395.8	394.8	396.8	4.9%	1.9%			
Taiwan	441.9	447.2	451.5	457.2	438.4	440.3	441.9	444.5	446.4	447.2	447.8	450.5	451.5	455.7	456.7	457.2	4.0%	1.3%			
Philippines	81.3	81.0	81.6	80.1	82.0	82.2	81.3	81.1	81.7	81.0	80.4	80.3	81.6	81.2	80.4	80.1	1.1%	-1.8%			
Thailand	185.6	199.3	202.6	215.6	184.5	184.1	185.6	190.4	196.9	199.3	200.5	203.1	202.6	214.7	212.7	215.6	17.9%	6.4%			
Malaysia	98.9	101.2	102.4	107.8	96.1	98.0	98.9	99.4	100.5	101.2	101.5	101.9	102.4	103.6	103.7	107.8	8.4%	5.2%			
Singapore	266.3	275.4	279.9	287.0	260.7	264.6	266.3	269.7	273.1	275.4	276.0	279.6	279.9	282.4	282.8	287.0	13.5%	2.5%			
Indonesia	123.1	129.4	130.2	126.0	123.2	125.0	123.1	127.8	128.8	129.4	126.5	126.0	130.2	132.0	128.1	126.0	11.9%	-3.2%			
India	386.5	400.2	409.4	424.4	373.3	380.1	386.5	393.7	397.8	400.2	399.2	401.9	409.4	422.4	421.0	424.4	14.1%	3.7%			
DXY (MoM,QoQ)	-4.7%	-2.7%	-1.0%	-2.3%	-1.3%	-2.1%	-1.3%	-2.9%	-0.2%	0.4%	1.6%	-1.6%	-1.0%	-3.2%	1.7%	-0.7%					
EUR (MoM,QOQ)	7.3%	3.4%	1.6%	2.7%	2.3%	3.2%	1.6%	3.6%	0.6%	-0.8%	-1.4%	2.2%	0.8%	3.4%	-1.8%	1.1%					
GBP (MoM,QoQ)	3.8%	2.9%	0.9%	3.7%	3.2%	-0.5%	1.0%	1.5%	-2.2%	3.6%	-0.9%	1.8%	-0.1%	5.0%	-3.0%	1.9%					
JPY (MoM,QoQ)	-0.9%	-0.1%	-0.2%	6.0%	-0.1%	0.6%	-1.4%	1.9%	0.3%	-2.2%	-1.0%	1.0%	-0.1%	3.2%	2.4%	0.4%					

Source: CEIC, Bloomberg

# Asia: External balance

- Fundamentals of Balance of Payment in Asia have improved more than other regions.

Asia Current Account & Foreign Direct Investment to Nominal GDP

Area		CY 1996			CY 2016		
		A) CA to GDP	B) FDI to GDP	A)+B)	A) CA to GDP	B) FDI to GDP	A)+B)
		[%]	[%]		[%]	[%]	
Asia	China	0.8	4.4		1.8	▲0.4	
	Korea	▲4.0	▲0.4		7.0	▲1.3	
	Taiwan	3.7	▲0.7		13.7	▲1.6	
	Indonesia	▲2.8	2.0		▲1.8	1.7	
	Thailand	▲8.0	0.8		11.8	▲2.5	
	Malaysia	▲4.1	4.7		2.3	1.2	
	Philippines	▲4.3	1.5		▲0.4	1.9	
	India	▲1.5	0.5		▲0.5	1.8	
Other EM	Turkey	▲1.3	0.3		▲3.8	1.2	
	South Africa	▲1.2	▲0.2		▲3.2	▲0.4	
	Brazil	▲2.7	1.4		▲1.3	3.6	
	Mexico	▲0.6	2.3		▲2.2	2.7	

Source : CEIC

External Debt & International Reserve

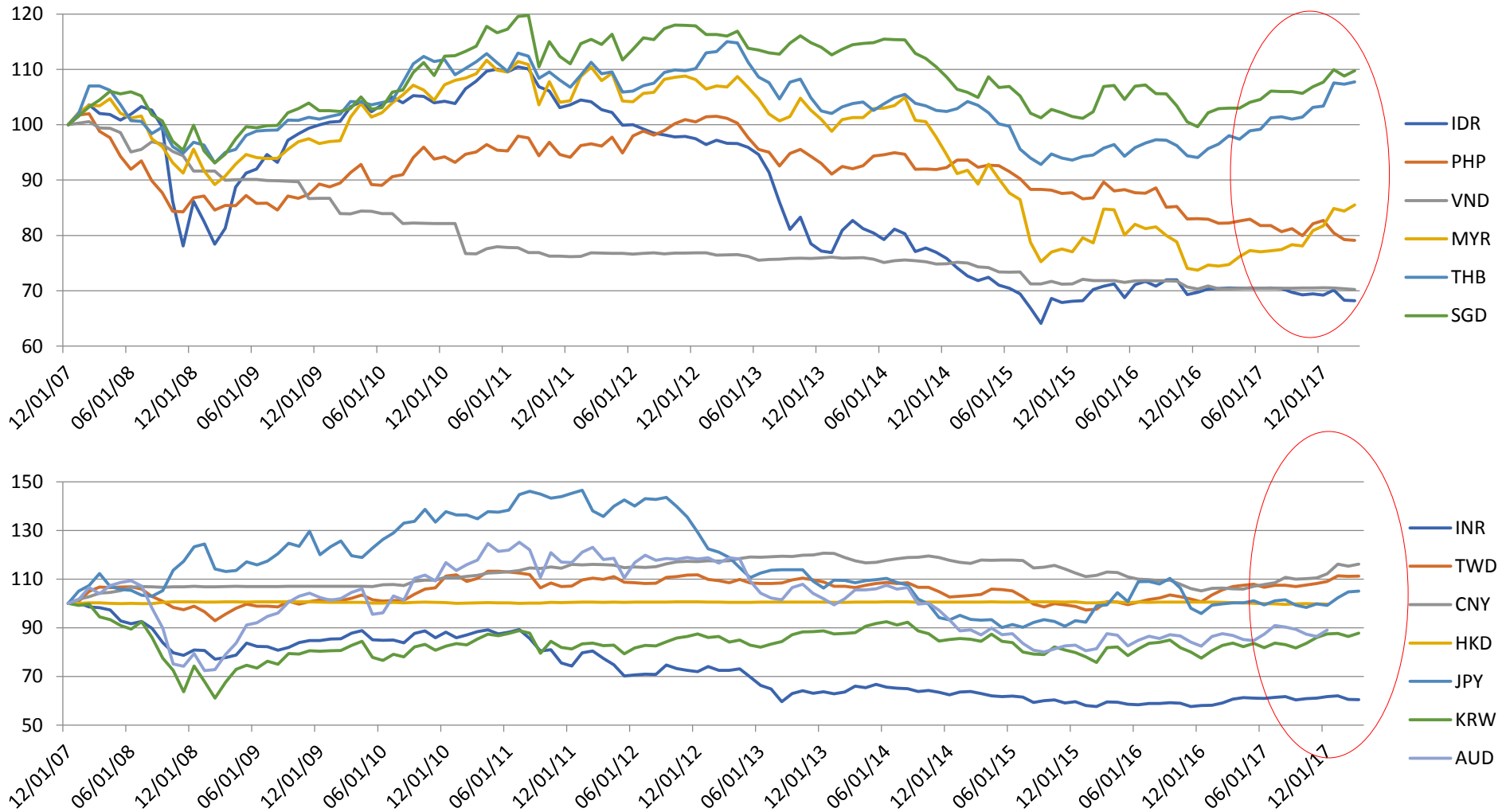
Area		CY 1996			CY 2016		
		Debt to Reserve ratio			Debt to Reserve ratio		
		%	Debt Bil USD	Reserve Bil USD	%	Debt Bil USD	Reserve Bil USD
Asia	China	13	14	105	27	801	3011
	Korea	211	70	33	29	105	362
	Indonesia	181	32	18	38	42	111
	Thailand	128	48	37	32	53	164
	Malaysia	42	11	26	90	82	91
	Philippines	80	8	10	20	15	72
	Vietnam	218	4	2	39	14	36
	India	34	7	20	25	84	337
Other EM	Turkey	104	17	16	108	98	91
	South Africa	1152	11	1	75	30	40
	Brazil	62	36	58	16	57	357
	Mexico	156	30	19	32	54	169
	Poland	15	3	18	47	52	110
	Russia	108	12	11	15	45	308

Note : Debt = Short term external debt, Reserve = Foreign exchange reserve

Source : CEIC

# 10-year exchange rate (against USD)

➤ Many Asian currencies had entered an appreciation cycle in 2017.



Note: Data period of both major ASEAN currencies and other major currencies are from Dec 2007 to Mar 2018.

Source: FactSet

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