

Weekly Market Recap

Asia Pacific | 21 May 2018

Week in review

			Survey	Actual	Prior
CN	Industrial Output y/y	Apr	6.4%	7.0%	6.0%
CN	Retail Sales y/y	Apr	10.0%	9.4%	10.1%
JP	GDP q/q (annualized)	Q1	0.5%	-0.6%	0.6%
JP	CPI y/y	Apr	0.7%	0.6%	1.1%

Week ahead

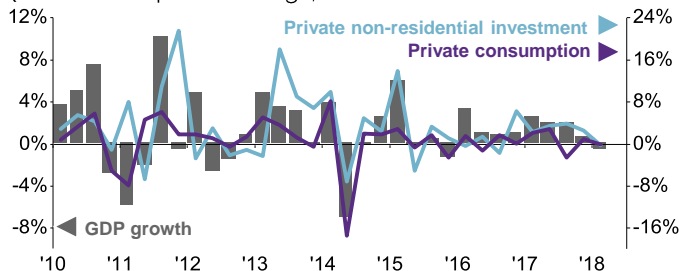
- 20/5 - **JP** - Trade Balance
- 23/5 - **U.S.** - FOMC minutes
- 23/5 - **UK** - Inflation
- 24/5 - **UK** - Retail Sales
- 25/5 - **U.S.** - Durable Orders

Thought of the week

Japan's 1Q18 gross domestic product contracted at an annualized rate of 0.6%. Business spending fell while private consumption was flat. A fall in smartphone demand and higher vegetable prices arising from bad weather were key factors for the pullback. As these are expected to be temporary, Japan's economic growth should rebound and remain stable at around 1% for the rest of 2018. With domestic demand supported by rising wages, improving corporate profitability and healthy exports amid broad global growth, Japan's economy remains fundamentally sound. Examining valuations, the current price-to-earnings ratio of the TOPIX (14.8) is still below its 10-year average (19.7) and pre-2008 levels (19.5), allowing scope for appreciation. However, risks still remain. Leading indicators show signs of slowing down, continued U.S.-China trade tensions may dampen business sentiment further and recent strength in commodity prices may hurt real wages. Thus, active selection within the Japanese equity space is key in generating returns.

Chart of the week

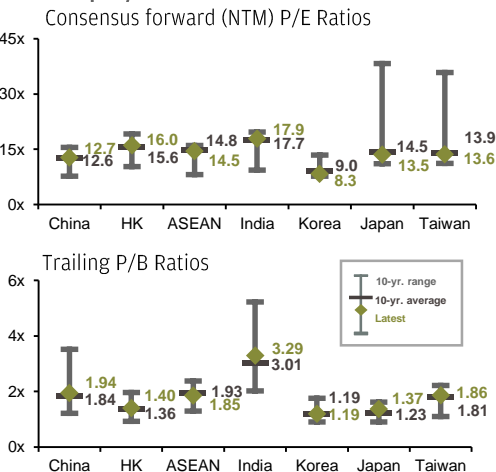
Japan's 1Q18 GDP contracts as business investments fall
Quarter-over-quarter change, annualized



EQUITIES (Indices: 14 to 18 May)

	% w/w	% m/m	% YTD
MSCI AC Asia Pac ex JP U\$	-1.1	-0.5	-0.5
MSCI AC Asia Pac ex JP	-0.7	1.0	1.1
MSCI US	-0.5	0.2	1.7
MSCI Europe U\$	-0.8	-1.6	-0.6
MSCI EM U\$	-2.3	-3.3	-1.8
MSCI World U\$	-0.5	-0.1	0.8
Countries			
Hong Kong Hang Seng	-0.2	2.5	3.8
Taiwan SE Weighted	-0.3	-0.2	1.8
Korea SE Composite	-0.7	-0.8	-0.3
Japan Topix	1.1	3.7	-0.1
MSCI Japan U\$	0.0	0.5	1.6
Shanghai SE A Share	1.0	3.3	-3.4
MSCI China U\$	0.0	3.4	4.7
Singapore Straits Times	-1.1	-0.8	3.7
KLCI Composite	0.4	-1.3	3.2
Bangkok SET	-0.7	-1.0	0.0
Philippine SE Composite	-1.0	-1.6	-10.4
Jakarta SE Composite	-2.9	-8.5	-9.0
MSCI ASEAN U\$	-2.3	-5.4	-2.5
India BSE100	-2.1	-0.3	-1.2
ASX All Ordinaries	-0.4	3.9	0.4

Asian equity markets valuations



GOVT 10-YEAR YIELDS	18/5/2018	Change (bps)		
		w/w	m/m	YTD
Indonesia	7.33	22	73	87
US	3.06	9	19	65
Singapore	2.61	6	24	61
India	7.84	9	32	49
UK	1.52	7	11	33
Thailand	2.64	10	24	31
Australia	2.93	14	19	29
Korea	2.75	-4	11	27
Germany	0.60	3	7	17
Japan	0.06	1	2	1
China	3.74	3	23	-19

CURRENCIES		18/5/2018	Change (%) (per USD)*		
			w/w	m/m	YTD
China	USD/CNY	6.3751	-0.6	-1.4	2.1
Malaysia	USD/MYR	3.9720	-0.5	-2.1	1.9
Japan	USD/JPY	110.69	-1.2	-3.1	1.8
Thailand	USD/THB	32.21	-1.1	-3.0	1.2
UK	GBP/USD	1.3475	-0.6	-5.3	-0.4
Taiwan	USD/TWD	29.91	-0.5	-1.8	-0.5
Singapore	USD/SGD	1.3433	-0.6	-2.5	-0.5
Korea	USD/KRW	1078	-0.8	-0.8	-0.7
Euro	EUR/USD	1.1770	-1.5	-4.9	-2.0
Swiss	USD/CHF	0.9987	0.1	-3.2	-2.4
Canada	USD/CAD	1.2871	-0.7	-2.1	-2.6
New Zealand	NZD/USD	0.6915	-0.7	-5.8	-2.8
Australia	AUD/USD	0.7518	-0.4	-3.5	-3.9
Indonesia	USD/IDR	14,150	-1.4	-2.7	-4.1
Philippines	USD/PHP	52.34	-0.3	-0.5	-4.6
India	USD/INR	68.03	-1.1	-3.5	-6.2

COMMODITIES	18/5/2018	w/w	m/m	YTD
Crude Oil (WTI, \$/bbl)	71.24	0.8	4.1	17.8
Nat. Gas (HH, \$/mm BTU)	2.76	0.4	-3.2	-25.2
Silver (\$/troy oz)	16.39	-2.2	-3.3	-2.8
Gold (\$/troy oz)	1,288	-2.7	-4.7	-0.2
DJ/UBS Commodity Index	90.41	0.4	0.0	2.5
Copper (\$/ton)	6,784	-1.2	-2.2	-5.2

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Source: Factset, Japanese Cabinet Office, J.P. Morgan Asset Management. Data most recently available as of 18/5/2018.

All returns in local currency unless stated otherwise.

* Currencies' return are based on foreign currencies per U.S. dollar. An appreciation of the foreign currency against the U.S. dollar would be positive and a depreciation of the foreign currency against the U.S. dollar would be negative.

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