



Asian Stock Market Outlook

SMAM monthly comments & views

August 2015



Sumitomo Mitsui Asset Management

Executive summary

◆ Asian Economy

Chinese economy still remain on a declining trend, while the government has embarked on full-fledged economic stimulus package since May. SMAM expects a temporary upturn in China's economy and gradual economic recoveries in other Asian regions contributed by China in the late 2015.

- ✓ We forecast a stagnating trend in China's GDP growth until 2017 after a short-lived recovery in the late 2015 led by government stimulus packages including accommodative monetary policy.
- ✓ We cut Singapore's real GDP growth forecasts to +2.4% for 2015 and to +2.9% for 2016.
- ✓ For Hong Kong and Taiwan, we cut real GDP growth forecasts for 2015 and for 2016 but maintained Australia, China, India, Indonesia, Malaysia, Philippines, South Korea and Thailand's real GDP forecasts.

◆ Asian Stock Markets

We maintain our positive stance about Asian market after recent market correction. Ample global liquidity and increasing policy support will be the driver for re-rating of the valuation. Stabilizing corporate earnings outlook should also help the market in the medium term.

- ✓ Underlying economic conditions in Asia will improve gradually. Solid recovery of US and stabilizing China economy should be supportive.
- ✓ Revision of Corporate earning is still weak but it will be stabilized as macro economy improves.
- ✓ Valuation has already come back to historical average level. It can rise further given the ample liquidity in all over the world.
- ✓ Change of US monetary policy will not significantly impact to Asian equity market as long as long bond yields remain stable.
- ✓ Some external factors including Russia, Greece, crude oil price and geopolitical turmoil in the Middle East together with China will create volatility in the market in the near term.

Outlook for Asian Economy

SMAM Economic Outlook Summary

- We cut Hong Kong's real GDP growth forecast to +2.5% for 2016.
- For Singapore, we cut to +2.4% for 2015 and to +2.9% for 2016.
- We cut Taiwan's real GDP growth forecasts to +3.1% for 2015 and to +3.4% for 2016.
- For the rest of countries listed below, we maintained real GDP growth forecasts for 2015 and 2016.

Real GDP Growth Forecasts (%YoY)

Country	2013 (A)	2014 (A)	2015 (F)			2016 (F)		
			SMAM	Previous Jun 15th	Consensus	SMAM	Previous Jun 15th	Consensus
Australia	2.1	2.7	2.3	2.3	2.5	2.7	2.7	2.8
China	7.7	7.4	7.0	7.0	6.9	6.8	6.8	6.7
Hong Kong	2.9	2.3	2.2	2.2	2.4	2.5	2.7	2.7
India (*)	5.1	7.3	7.8	7.8	7.6	8.1	8.1	8.0
Indonesia	5.8	5.0**	4.9	4.9	5.0	5.5	5.5	5.6
Malaysia	4.7	6.0**	4.8	4.8	4.8	5.0	5.0	5.1
Philippines	7.2	6.1**	6.1	6.1	6.2	6.6	6.6	6.3
Singapore	3.9	2.9	2.4	2.7	2.7	2.9	3.3	3.1
S. Korea	3.0	3.3**	2.5	2.5	3.0	3.2	3.2	3.4
Taiwan	2.2	3.7	3.1	3.5	3.5	3.4	3.6	3.6
Thailand	2.9	0.9**	3.0	3.0	3.5	3.4	3.4	4.0

(Source) SMAM

Consensus Forecasts (Consensus Economics Inc.) as of June 2015 & SMAM Forecasts as of 16 July 2015

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

** India, Indonesia, Malaysia, Philippines, Singapore, South Korea and Thailand for 2014(F) are actual.

Outlook for Economy in China

SMAM Economic Outlook for China

China's Yearly GDP Growth & Relevant Indicators

	2013	2014 (previous)		2015E (previous)		2016E (previous)	
Real GDP, %YoY	7.7	7.4	7.4	7.0	7.0	6.8	6.8
Consumption Expenditure, %YoY	7.3	7.3	7.3	7.4	7.3	7.3	7.3
Gross Fixed Capital Investment, %YoY	8.9	7.5	7.5	6.2	6.1	6.4	6.4
Net Exports, contrib.	-0.2	0.1	0.1	0.4	0.4	0.2	0.2
Nominal GDP, %YoY	9.5	8.2	8.2	7.0	7.3	8.4	9.0
GDP Deflator, %YoY	1.7	0.8	0.8	0.0	0.3	1.6	2.2
Ind. Production, %YoY	9.7	8.3	8.3	6.7	6.7	7.0	7.0
CPI, %YoY	2.6	2.0	2.0	1.6	1.6	2.7	2.7
Base Loan Rate, %	6.0	5.60	5.60	4.60	4.85	4.60	4.85

Notes: SMAM estimates as of 16 July 2015. For Net Exports, % point contribution to GDP growth

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

China's Quarterly GDP Growth and Components

	2014		2015E				2016E			
	3Q	4Q	1QE	2QE	3QE	4QE	1QE	2QE	3QE	4QE
Real GDP, %YoY	7.3	7.3	7.0	7.0	7.0	7.1	7.1	7.0	6.7	6.6
previous	-	-	-	6.8	7.0	7.1	7.1	7.0	6.7	6.6
Consumption Expenditure, %YoY	6.3	7.9	6.8	7.8	7.0	7.8	7.3	7.2	7.0	7.5
previous	-	-	-	7.2	7.0	7.8	7.3	7.2	7.0	7.5
cont. to GDP, %	2.8	3.8	4.5	3.4	3.1	3.8	4.8	3.1	3.1	3.7
previous	-	-	-	3.1	3.1	3.7	4.7	3.1	3.1	3.7
Gross Fixed Capital Investment, %YoY	3.9	9.9	3.5	6.1	6.3	7.4	7.9	6.5	5.9	5.9
previous	-	-	-	6.1	6.3	7.2	7.9	6.5	5.9	5.9
cont. to GDP, %	2.0	4.8	1.2	3.4	3.2	3.6	2.7	3.6	2.9	2.9
previous	-	-	-	3.5	3.6	3.6	2.7	3.6	3.0	3.0
Net Exports										
cont. to GDP, %	2.7	-1.5	1.3	0.4	0.5	-0.4	-0.3	0.3	0.6	0.0
previous	-	-	-	0.4	0.5	-0.4	-0.3	0.3	0.6	0.0
CPI, %	2.0	1.5	1.2	1.4	1.4	2.3	2.7	2.6	2.7	2.8
previous	-	-	-	1.3	1.5	2.3	2.7	2.6	2.7	2.8
Base Loan Rate										
1yr, period end	6.00	5.60	5.35	4.85	4.60	4.60	4.60	4.60	4.60	4.60
previous	-	-	-	5.10	4.85	4.85	4.85	4.85	4.85	4.85

Notes: SMAM estimates as of 16 July 2015. Consumption Expenditure and GFCI(Gross Fixed Capital Investment) are SMAM estimates

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

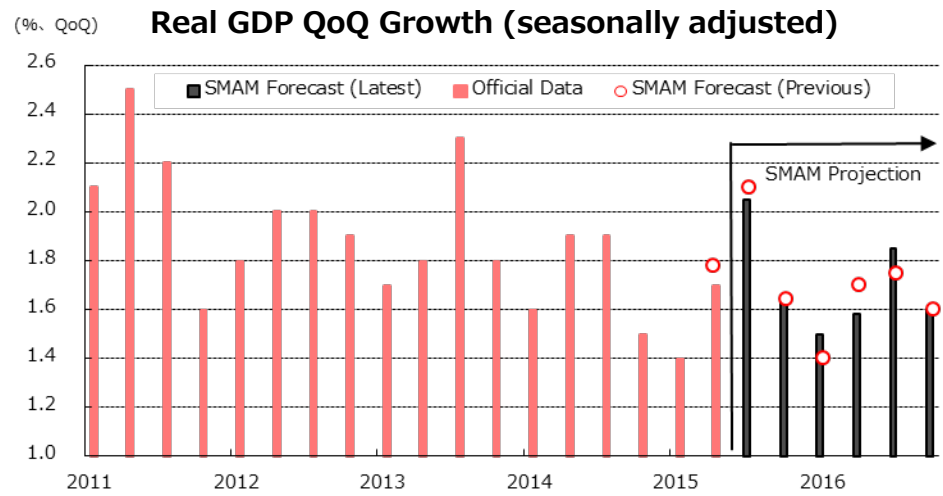
Chinese Economy Outlook

- We maintained real GDP forecast at +7.0% for 2015 and +6.8% for 2016. On the GDP component for 2015, we revised Consumption Expenditures upward from +7.3% to +7.4% and Gross Capital Investment from +6.1% to +6.2%, and maintained Net Exports both in 2015 and 2016.
- June economic data such as Fixed Asset Investment and Property Investment showed signs of bottoming out. We expect a short-lived recovery in property sector as early as the Oct-Dec period.
- Affected by the rate cut implemented in Jun 27, we estimate additional rate cut by 25bp in policy rate and 50bp in RRR in the Jul-Sep period.

Note: Economy outlook is as of 16 July 2015



Source: National Bureau of Statistics of China, CEIC, compiled by SMAM-BFG (Up to Oct-Dec 2016)

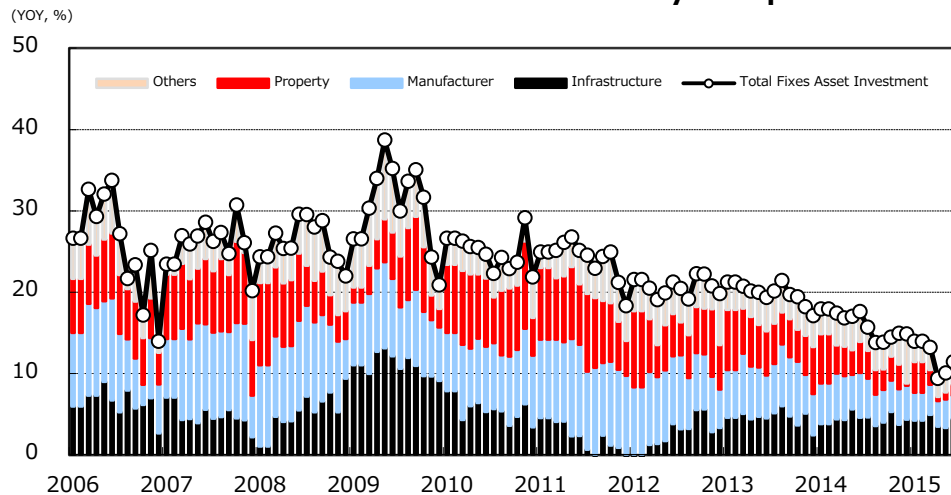


Source: National Bureau of Statistics of China, CEIC, compiled by SMAM-BFG (Up to Oct-Dec 2016)

China: Fixed Asset Investment

- Fixed Asset Investment (FAI) showed a slight recovery with +11.4% YoY in June from +10.0% YoY in May. Total FAI remains weak, however, robust Public Investment was buoyed by the government spending through economic stimulus package.
- June Infrastructure rose to +20.5% YoY headed by Road Transport (+23.9%) and Water Conservancy, Environment and Public Facilities (24.7%). Property also rebounded in June whereas Manufacturing continues to decline.

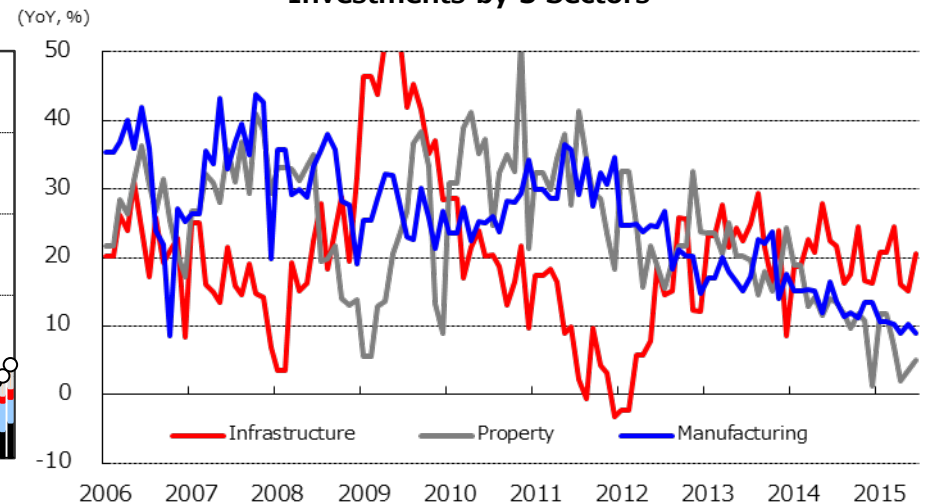
FAI Growth and Contribution by Components



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

Up to June 2015

Investments by 3 Sectors

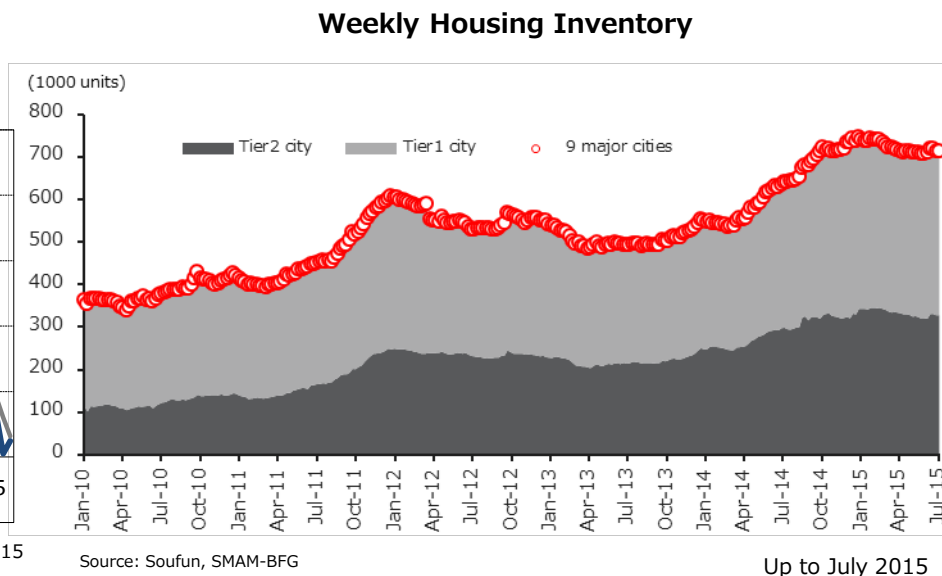


Source: National Bureau of Statistics of China, CEIC, SMAM

Up to June 2015

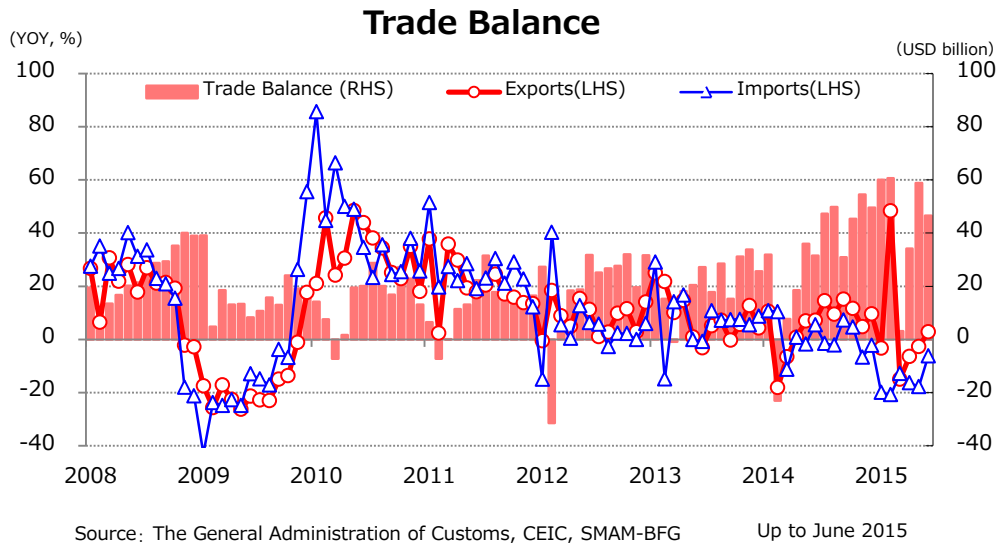
China: Property Investment

- Property Investment growth still remains at a low level. We foresee it would take some time for a solid recovery in Property Investment as early as Oct-Dec period on heavy inventory putting downward pressure on the property market.
- However, Chinese property market shows signs of recovery. National Bureau of Statistics announced that July New Home Prices rose for the third consecutive month and 30 major cities' Transaction Volume surged 50% YoY. The monetary easing policies by the government have positive impacts on property sector.



China: Exports growth has been improving in recent months

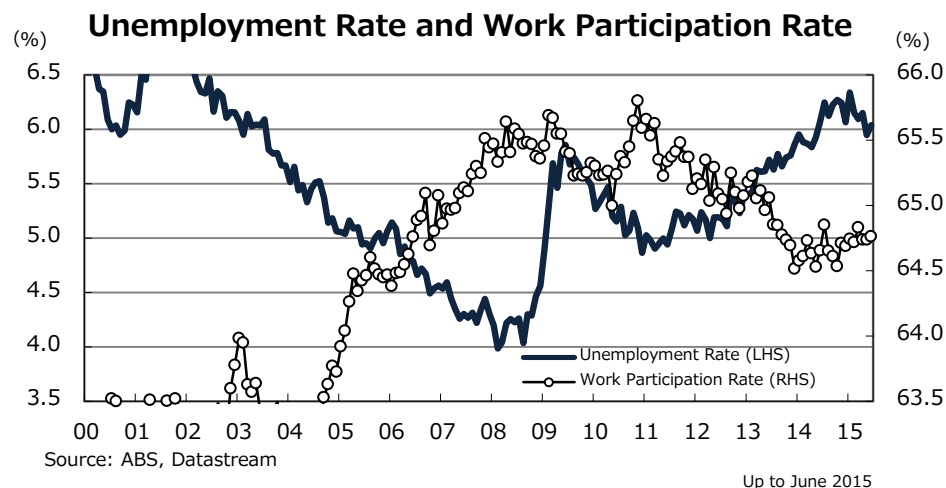
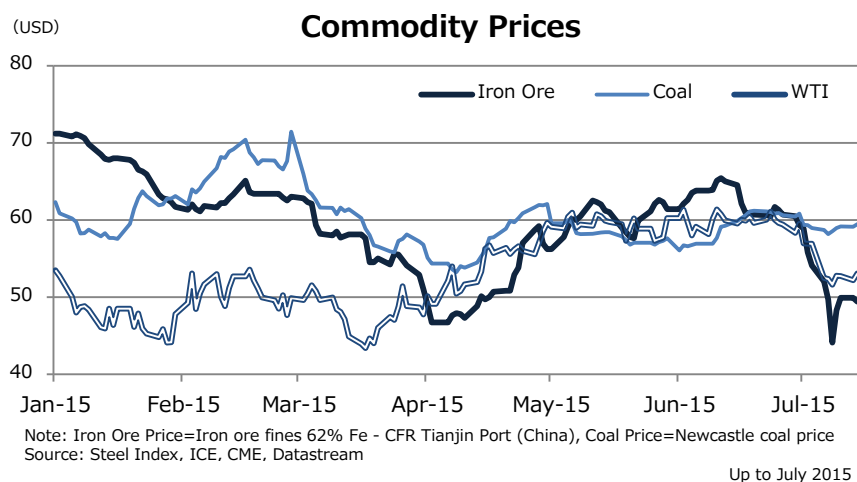
- June Export slightly gained to +2.8% YoY, higher than market consensus of +1.0% YoY. June Imports growth signaled a modest rebound to -6.1% YoY despite weak domestic demand. Momentum improved comparing with the beginning of 2015 on the back of economic stimulus package. We maintain an outlook that Chinese economy bottomed up in May-June period and would turn toward a slow recovery.
- Exports to the US and Asia (excluding Japan) in June showed relatively solid growths with +12.0% YoY and +8.6% YoY respectively. For Japan and Europe, Exports continued to improve to -6.0% YoY and -3.4% YoY respectively.



Outlook for Economies in Asia

Australia

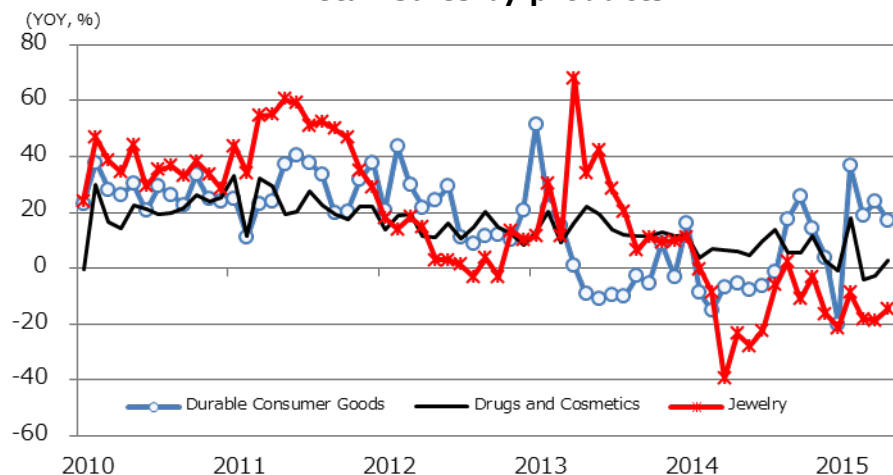
- We maintained real GDP growth forecasts at +2.3% and +2.7% for 2015 and 2016. A sharp fall in Iron Ore price (Export goods) has been offset by falls in AUD/USD and WTI (Import goods).
- Consumption is likely to grow at a slower pace led by wealth effect with job growth and real wages gain due to subdued inflation. May Retail Sales was slightly up to +4.7% YoY from +4.1% YoY in April.
- The number of employed persons in June increased by 7,300 to 11,768,600 whereas Unemployment rate rose to 6.0%. We foresee the Unemployment rate in 2015 remains stable by seesaw of an increase in employment and growing labor population.
- We expect RBA keeps the current rate on hold until the end of 2016 although a possibility of an additional 25bp rate cut remains based on RBA's economy outlook and Taylor rule.



Hong Kong

- We cut real GDP growth forecasts to +2.5% for 2016 from +2.7% and maintained real GDP growth forecasts at 2.2% for 2015. June PMI rose slightly to +49.2 YoY from +47.6 YoY in May, however a sharp drop in China orders has continued.
- The tour industry remains weak as consumption expenditures per tourist continued to stagnate. May Retail Sales slid to -0.1% YoY, especially Jewelry Sales remained weak. However, as the number of visitors from mainland in May recovered to +5.0% YoY, Drugs & Cosmetics and Jewelry Sales showed a slight recovery.
- Bank loans lending to borrowers in Hong Kong region decelerated to +6.0% YOY in May from +13.1% YoY at the end of 2014.

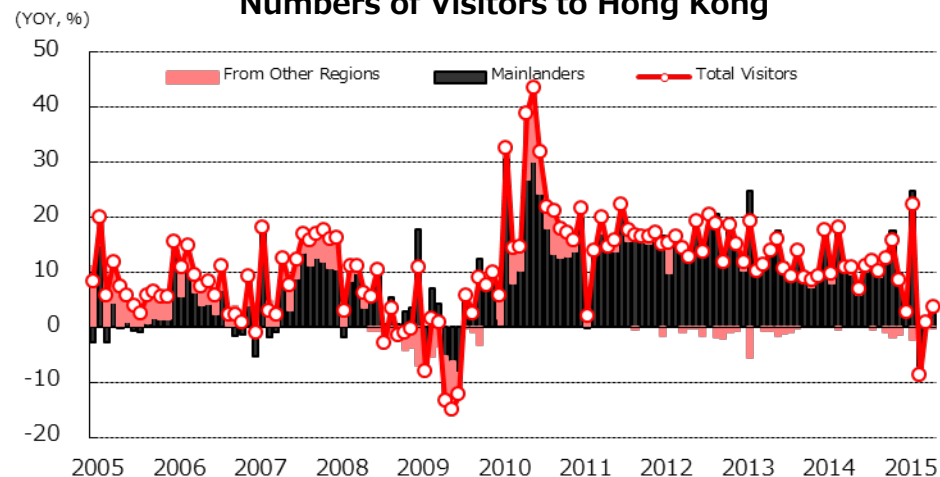
Retail Sales by products



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

Up to May 2015

Numbers of Visitors to Hong Kong



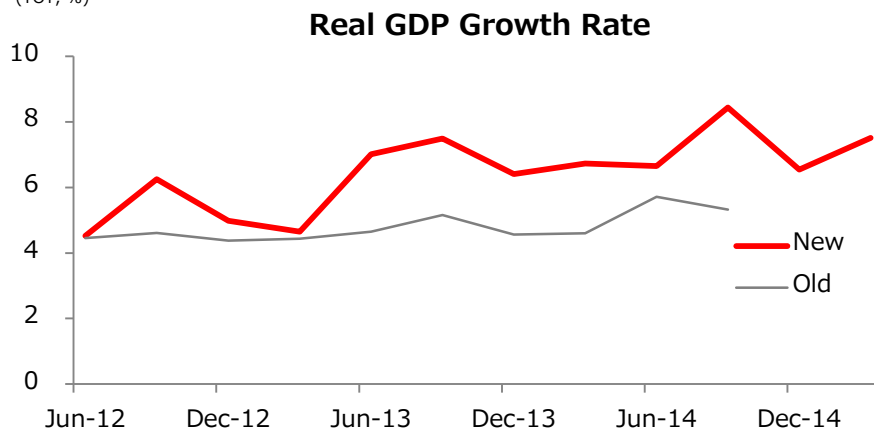
Source: Census and Statistics Department, CEIC, SMAM

Up to May 2015

India

- We maintain GDP forecast at +7.8% for 2015 supported on solid domestic demand and policy supports. We have raised May-Jul GDP growth rate to +7.4% whereas we cut Oct-Dec GDP growth to +7.4%, slightly lower than the advance estimate of +7.8%.
- The real GDP growth was revised upward due to new calculation method for the annual growth rate, shifting from GDP on factor cost basis to GDP on market price basis.
- Rainfall between June 1 and July 8 exceeded 4% of the long-term average. We focus on farm products prices, which induce food inflation.
- We forecast the RBI will maintain the current policy rate until the end of 2015. In August, RBI kept policy rate unchanged at 7.25% despite stronger-than-expected June CPI at +5.4%. A drop in farm products prices by higher amount of rainfall would be a key for the additional policy rate cut.

(YOY, %)

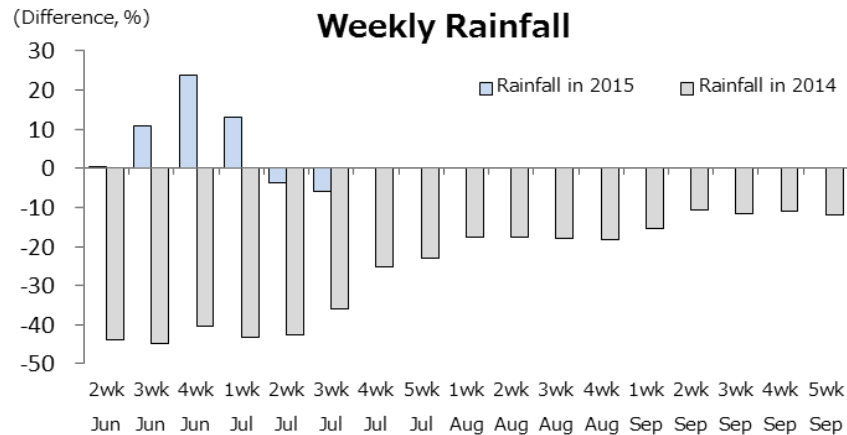


Note: New is calculated on market price basis in 2011-12 and old is calculated on factor cost basis in 2004-05.

Source: CEIC, SMAM

Up to March 2015

(Difference, %)



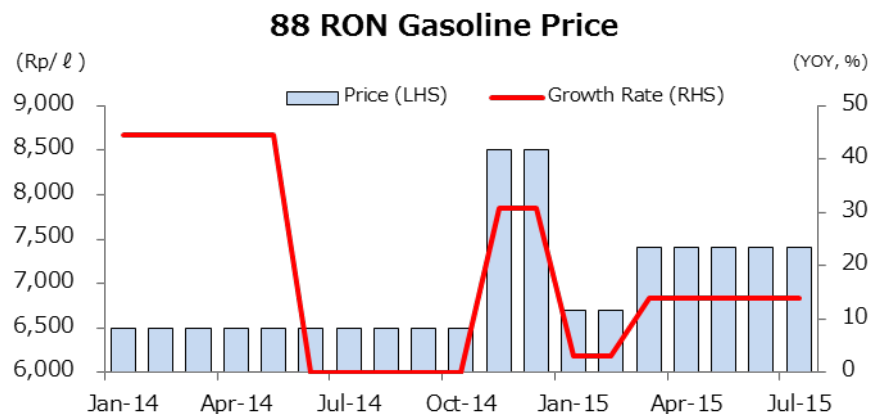
Note: Cumulative rainfall from June 1. Difference with the Long-term average, the average of rainfall during past 50 years (1951-2000).

Source: CEIC, SMAM

Up to July 2015

Indonesia

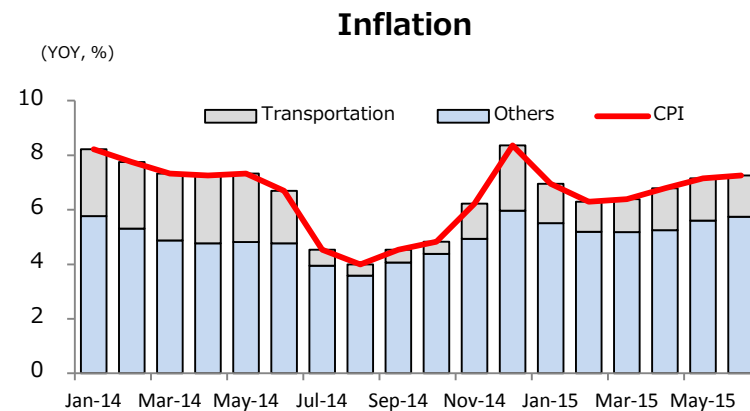
- We cut the real GDP forecasts at +4.6% for 2015 from +4.9% and +5.2% for 2016 from +5.5% as Apr-Jun Imports and Investment shrank.
- Although low crude oil price is generally a tailwind on the economy for Indonesia, a net oil importer, the low commodity prices put downward pressure on the export goods prices.
- July CPI ended in +7.3% YoY, higher than market expectation of +7.1% YoY on higher food cost led by Ramadan and transportation cost due to 1 week holiday. The increased gasoline price has put upward pressure on the inflation rate since the end of 2014. Bank Indonesia kept the benchmark policy rate unchanged at +7.5 in the MPC on July 14 based on the outlook that inflation range would move between +3.0-5.0%.



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

Source: CEIC, SMAM

Up to July 2015

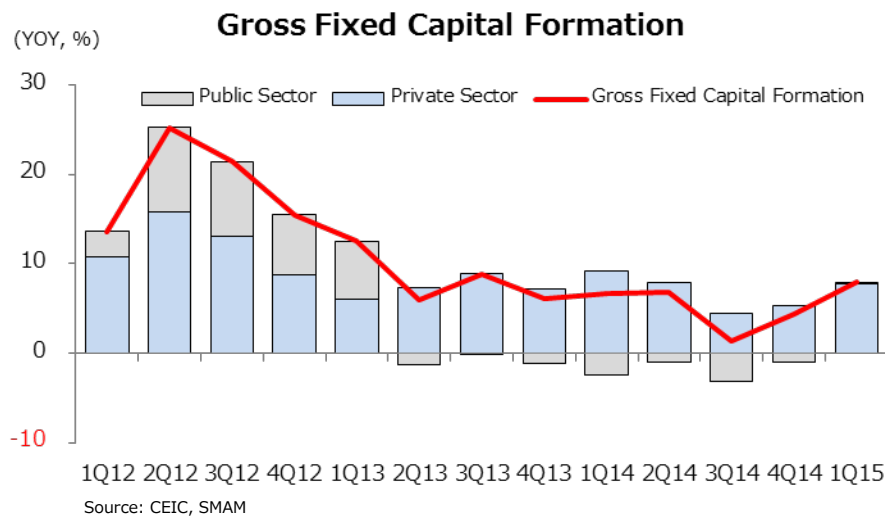


Source: CEIC, SMAM

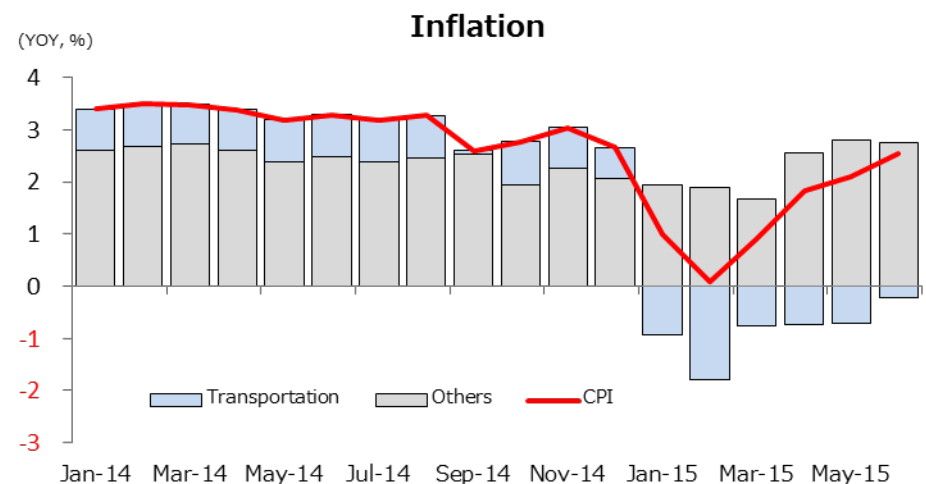
Up to July 2015

Malaysia

- We slightly raised the real GDP forecasts for 2Q 2015 to +4.5% and cut the rate for 4Q 2015 to 4.6%, but maintained the yearly GDP forecasts for 2015 and 2016. A slowdown in Chinese economy and oil price fall have weighed on Export putting downturn pressure on government income and economy.
- Lowering effective exchange rate can lead to an improvement in Export especially for secondary and tertiary products.
- Bank Negara Malaysia (BNM) unchanged the inflation forecast for 2015 at +2.0-3.0%. However, we foresee that Goods and Services Tax (GST), an additional tax system implemented in Apr 2015, affected domestic demand negatively and has slowed the pace of economic growth.



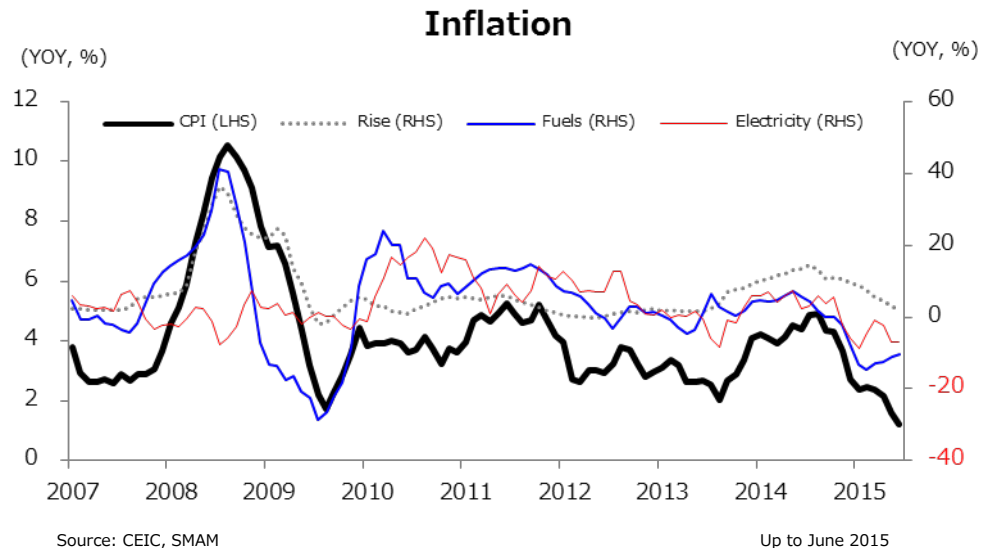
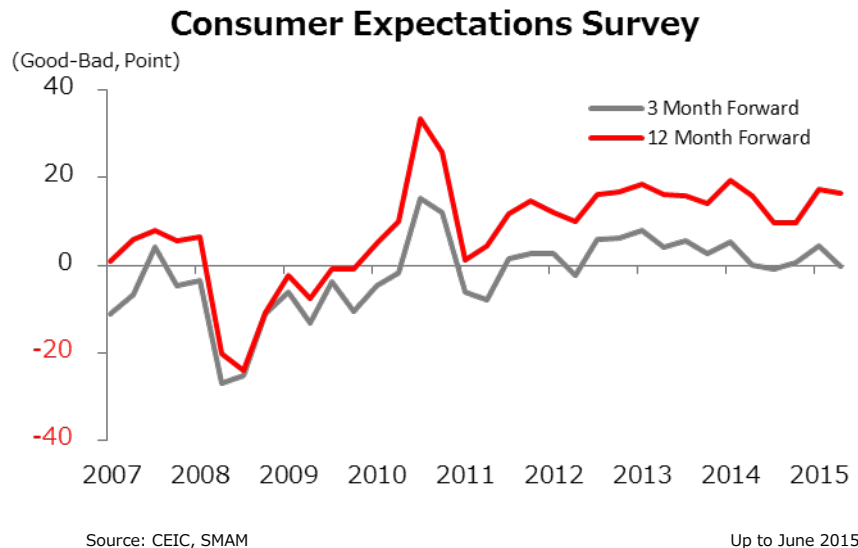
Up to March 2015



Up to June 2015

Philippines

- We have maintained the real GDP forecasts at +6.1% for 2015 and +6.6% for 2016.
- The economy is expected to accelerate in 2015 led by solid domestic demand. The Philippines' economy is less vulnerable to global economic cycle as the Exports to GDP is 20%, lower than other Asian countries. As the population of middle income class increases, the Consumption-led domestic demand is expected to expand under subdued inflation environment.
- Headline inflation fell in May to +1.6% YoY from +2.2% YoY in the previous month on lower food costs and energy prices. Core inflation decelerated to +2.2% YoY from +2.5% YoY in April. Bangko Sentral ng Pilipinas (BSP) kept policy rates unchanged as expected and we also expect the rates will be held steady by the end of the year.



Singapore

- We have cut real GDP forecast to +2.4% for 2015 and +2.9% for 2016, reflecting weak Asian economy. The Singapore's economy is vulnerable to global economic cycle as the Exports to GDP is extremely high at 130%. The high Export sensitive economy is dragged by slowdown in Chinese economy. Additionally, Malaysia, an important trade partner, should soften the economy of Singapore in 2015.
- Weaker-than-expected Apr-Jun advance GDP rate came in at -4.6% QoQ with a drop from +4.2% QoQ in Jan-Mar 2015. On QoQ basis, Manufacturing continued to look weak with the annualized sequential growth dropping to -14.0%. Biomedical Manufacturing fluctuating widely could be a catalyst/risk for IPI.

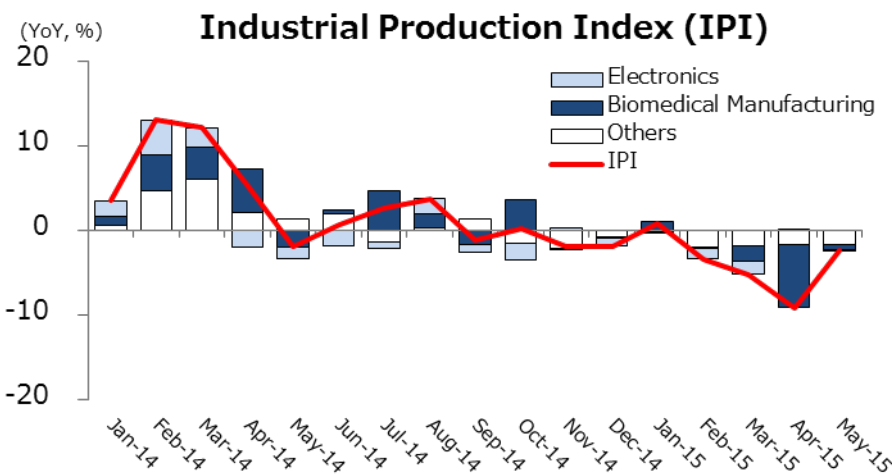
Q2 GDP Growth

	(YOY, %)				
	2Q14	3Q14	4Q14	1Q15	2Q15
Overall GDP	2.3	2.8	2.1	2.8	1.7
Manufacturing	1.3	1.7	-1.3	-2.7	-4.0
Construction	3.0	1.1	0.7	2.1	2.7
Service-producing	2.6	3.3	3.1	4.2	3.0

	(QoQ, %)				
	2Q14	3Q14	4Q14	1Q15	2Q15
Overall GDP	-0.5	2.6	4.9	4.2	-4.6
Manufacturing	-9.3	0.9	-2.5	0.4	-14.0
Construction	-3.0	0.7	2.2	8.3	-0.2
Service-producing	1.9	3.2	7.8	3.8	-2.6

Source: CEIC, SMAM

Up to June 2015

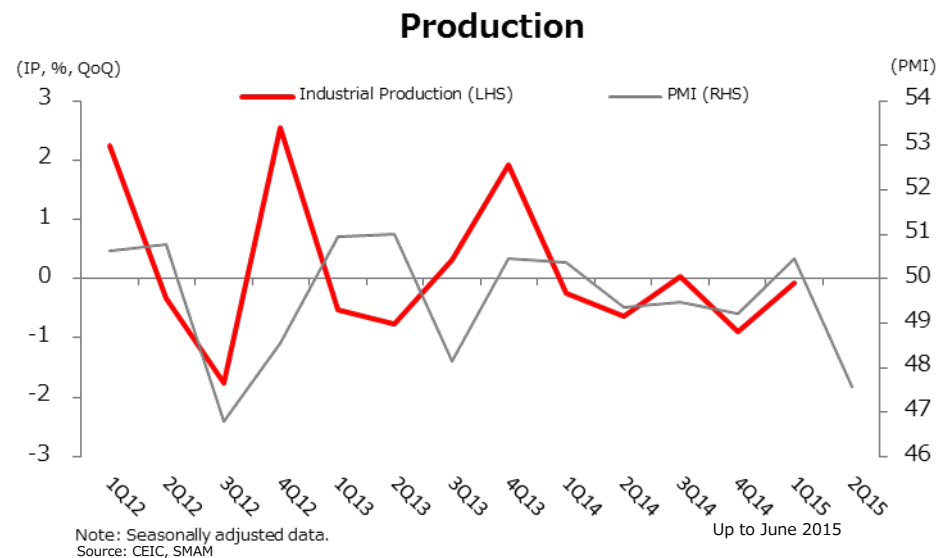
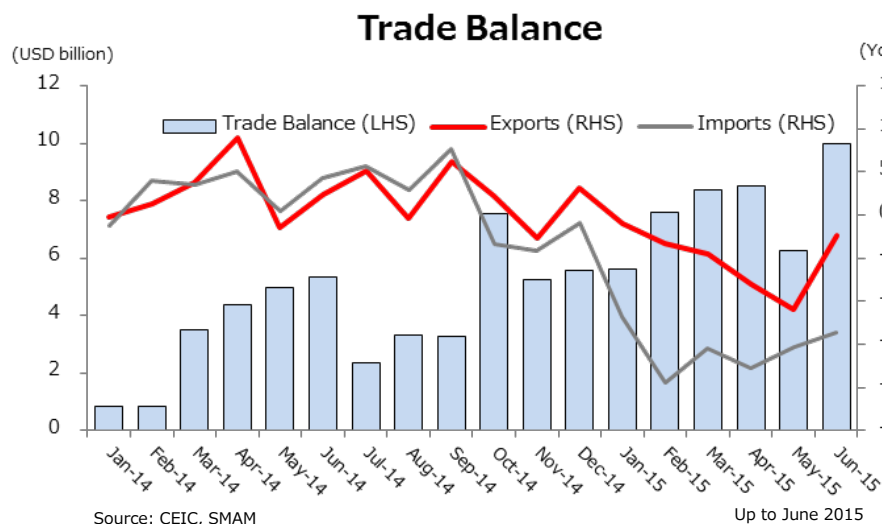


Source: CEIC, SMAM

Up to June 2015

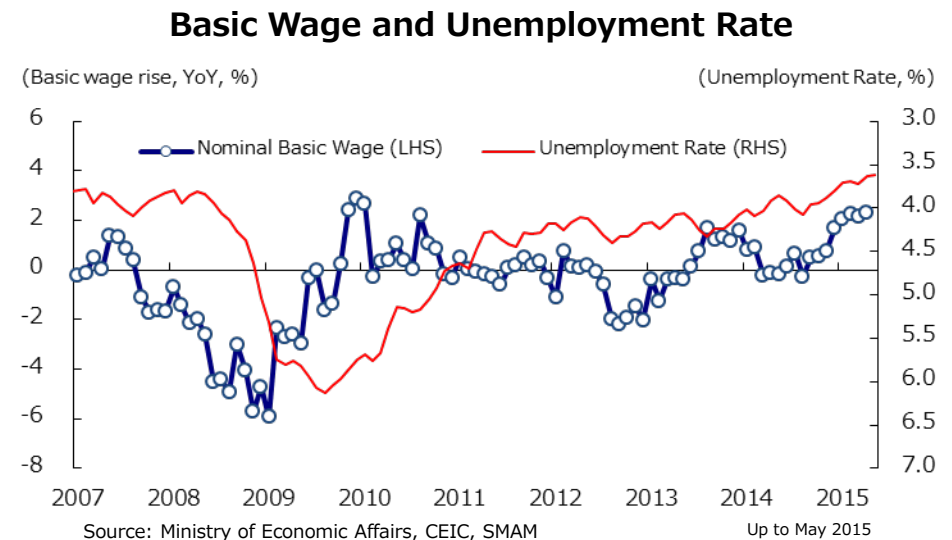
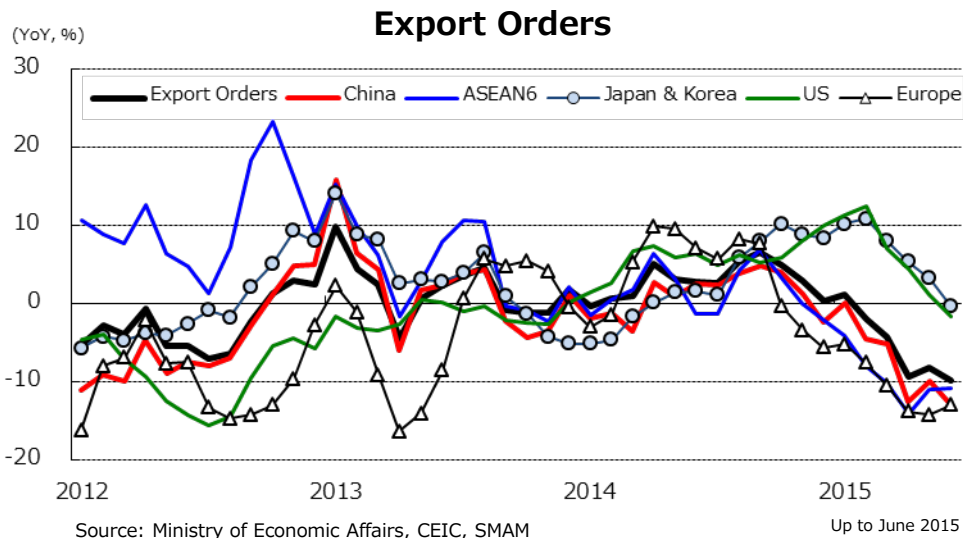
South Korea

- Apr-Jun real GDP was released at +2.2%, slightly weaker than market consensus of +2.3% on weak private consumption caused by the MERS outbreak and deteriorating China's economy.
- We have maintained +2.5% growth forecast in 2015. A loss in the economic downturn is expected to be made up by the government's new stimulus measures including a supplementary budget. Therefore, we foresee the policy rates will be kept unchanged by the end of the year.
- July Exports at -3.3% YoY was better than expected -6.8% YoY, however recorded the 7th straight monthly decline. Especially, Export for China continued to decline to -6.4% YoY whereas Export for US rose to +1.8% YoY. July Imports ended in at -15.3% YoY, largely in line with expectations of -15.7% YoY. July Trade Balance surplus reached 7.76 bn USD, shrinking from 9.98 bn USD in June.



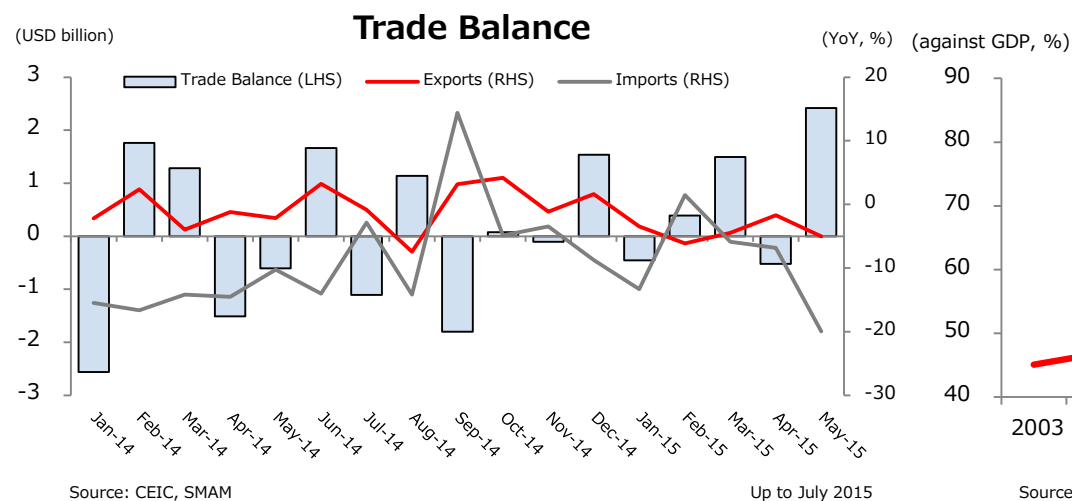
Taiwan

- We have cut GDP forecast for 2015 to +3.1% from +3.5% and GDP for 2016 to +3.4% from +3.6%. Softening global growth as well as deteriorating Export Orders from China and other regions weighed on Taiwan's economy. However, we expect a mild economic recovery in the second half of the year on the back of accelerated economic growth in US and Europe, and China's economic stimulus package. Additionally, upturn in shipment and demands expansion for iPhones can accelerate the growth rate for 2016.
- June Exports showed a steep decline of -13.9% YoY, worsening from -3.8% YoY in May. Exports to China, ASEAN and Europe stagnated. June Trade Balance surplus also narrowed to 2.2 bn USD as Imports dropped 16.1% YoY.
- Nominal Basic Wage and Unemployment Rate remain relatively stable.

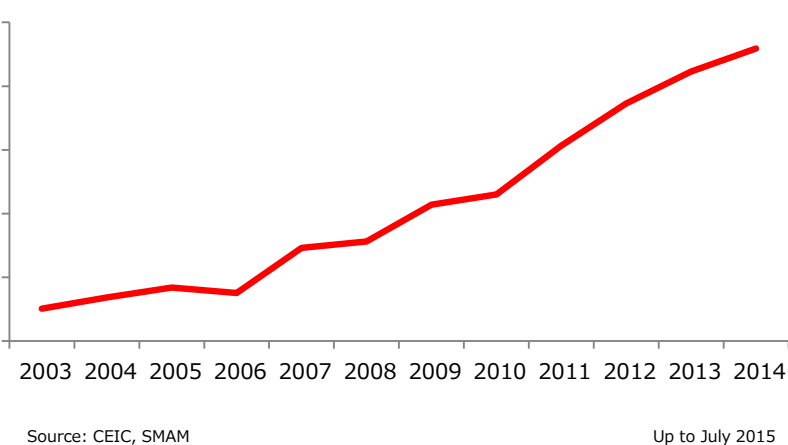


Thailand

- We maintain real GDP forecast at +3.0% for 2015 and at +3.4% for 2016. Less vulnerable to US rate hike. However, slowing Chinese and other Asian economies drag down Exports.
- July Headline Inflation came in at -1.05% YoY, slightly lower than expectation of -1.00%. Deflation continued for the seventh straight month in July. Weak consumption is likely to continue on high household debts and low incomes in the agriculture sector. Regional economy has stagnated since rice-collateralized loans were abolished. The possible driver for inflation would be a pickup in food prices, which would be caused by drought.
- Bank of Thailand's Monetary Policy Committee (MPC) decided to keep the current policy rate on hold at 1.50%. Bank of Thailand stated that the economy recovered gradually in the second quarter and have foreseen that the recovery maintains during the rest of the year.



Household Debt



Outlook for Asian Stock Markets

Stock Market Performance - Global

	Indices as of 31 Jul 2015	Px Last	Mtd	Qtd	Ytd	3m	1yr	2yr	3yr
1	S&P 500 INDEX	2,103.84	2.0%	2.0%	2.2%	0.9%	9.0%	24.8%	52.5%
2	DOW JONES INDUS. AVG	17,689.86	0.4%	0.4%	-0.7%	-0.8%	6.8%	14.1%	36.0%
3	NASDAQ COMPOSITE INDEX	5,128.28	2.8%	2.8%	8.3%	3.8%	17.4%	41.4%	74.5%
4	STOXX Europe 50 € Pr	3,432.44	4.5%	4.5%	14.3%	-0.2%	15.2%	27.2%	38.5%
5	NIKKEI 225	20,585.24	1.7%	1.7%	18.0%	5.5%	31.8%	50.6%	136.7%
6	TOPIX	1,659.52	1.8%	1.8%	17.9%	4.2%	28.7%	46.6%	125.4%
7	BRAZIL BOVESPA INDEX	50,864.77	-4.2%	-4.2%	1.7%	-9.5%	-8.9%	5.5%	-9.3%
8	RUSSIAN RTS INDEX \$	858.82	-8.6%	-8.6%	8.6%	-16.6%	-29.6%	-34.6%	-37.6%
9	BSE SENSEX 30 INDEX	28,114.56	1.2%	1.2%	2.2%	4.1%	8.6%	45.3%	63.1%
10	HANG SENG INDEX	24,636.28	-6.1%	-6.1%	4.4%	-12.4%	-0.5%	12.6%	24.4%
11	HANG SENG CHINA AFF.CRP	4,421.12	-9.3%	-9.3%	1.6%	-20.4%	-6.3%	8.3%	14.9%
12	HANG SENG CHINA ENT INDX	11,131.68	-14.2%	-14.2%	-7.1%	-22.9%	0.0%	15.3%	15.1%
13	CSI 300 INDEX	3,816.70	-14.7%	-14.7%	8.0%	-19.6%	62.4%	74.0%	63.6%
14	TAIWAN TAIEX INDEX	8,665.34	-7.1%	-7.1%	-6.9%	-11.8%	-7.0%	6.9%	19.2%
15	KOSPI INDEX	2,030.16	-2.1%	-2.1%	6.0%	-4.6%	-2.2%	6.1%	7.9%
16	STRAITS TIMES INDEX	3,202.50	-3.5%	-3.5%	-4.8%	-8.2%	-5.1%	-0.6%	5.5%
17	FTSE Bursa Malaysia KLCI	1,723.14	1.0%	1.0%	-2.2%	-5.2%	-7.9%	-2.8%	5.6%
18	STOCK EXCH OF THAI INDEX	1,440.12	-4.3%	-4.3%	-3.8%	-5.7%	-4.1%	1.2%	20.1%
19	JAKARTA COMPOSITE INDEX	4,802.53	-2.2%	-2.2%	-8.1%	-5.6%	-5.6%	4.2%	15.9%
20	PSEi - PHILIPPINE SE IDX	7,550.00	-0.2%	-0.2%	4.4%	-2.1%	10.0%	13.7%	42.2%
21	HO CHI MINH STOCK INDEX	621.06	4.7%	4.7%	13.8%	10.4%	4.2%	26.3%	49.8%
22	S&P/ASX 200 INDEX	5,699.16	4.4%	4.4%	5.3%	-1.6%	1.2%	12.8%	33.5%
23	NZX 50 INDEX	5,920.96	3.4%	3.4%	6.3%	2.2%	14.6%	30.5%	67.0%
24	MSCI World Free Local	438.15	2.4%	2.4%	5.5%	0.2%	9.9%	24.3%	52.5%
25	MSCI All Country Asia Ex Japan	672.33	-5.2%	-5.2%	-0.6%	-10.7%	-3.0%	10.5%	18.1%
26	MSCI EM Latin America Local	67,040.12	-2.5%	-2.5%	0.4%	-5.8%	-7.7%	0.8%	-5.2%
27	MSCI Emerging Markets Europe M	490.20	-1.9%	-1.9%	3.3%	-5.9%	0.9%	11.8%	18.1%

Note: All data are as of 31 July 2015

Compiled by SMAM based on Bloomberg

Outlook for Global Markets

- ▣ We maintain our positive stance about Asian market after recent market correction. Ample global liquidity and increasing policy support will be the driver for re-rating of the valuation. Stabilizing corporate earnings outlook should also help the market in the medium term.

Outlook for Asia Pacific Region

- ▣ Underlying economic conditions in Asia will improve gradually. Solid recovery of US and stabilizing China economy should be supportive.
- ▣ Revision of Corporate earning is still weak but it will be stabilized as macro economy improves.
- ▣ Valuation has already come back to historical average level. It can rise further given the ample liquidity in all over the world.
- ▣ Change of US monetary policy will not significantly impact to Asian equity market as long as long bond yields remain stable.
- ▣ Some external factors including Russia, Greece, crude oil price and geopolitical turmoil in the Middle East together with China will create volatility in the market in the near term.

Note: As of 30 July 2015

Source: SMAM

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

	Outlook, Reason for OW/UW	1.Macro Trend				2.Stock Market		
		Politics	Macro	Interest rate / Inflation / Liquidity	External Account	Currency	Earnings Momentum	Valuation
Hong Kong	- Big beneficiary for China's policy supports, although underlying economy is still subdued. - Value has emerged after a sharp sell-off.	Stable More focus on Economy side.	Slow recovery is expected. ○ Tightening policy for property is behind us.	Int. rate remain super low. Gradual approach for the rate hike in the US / Inflation will be moderate.	Trade deficit narrows, CA surplus stays at this level.	Stable	Revision is still weak but seems to be bottomed out.	Fair
China	- Safe Heaven from Global Risk rather than epicenter in the medium term. - Strong Policy support can be expected. - Value has emerged after a sharp sell-off.	Stable	Hard landing risk diminished. Economic growth will lose momentum gradually. Structural rebalancing should be the key challenge.	○ More accommodative monetary policy is expected. / Int. rate will come down / Inflation will not be a key concern.	Surplus- Stable	Stable (Downward pressure in the near term)	Revision is still weak but seems to be bottomed out.	Recovered to historical average level.
Taiwan	- Underlying fundamentals remains solid - IT started to lose momentum in the near term. - Relatively safe to US rate hike.	Stable, but uncertainty will increase before presidential election in 2016.	○ Mildly recover driven by export and domestic demand. Stable revision of GDP forecast.	Int. rate will be stable. / Inflation will be stable. / Liquidity is improving.	Surplus will expand	Stable	Earnings Revision seems to be peaked out	Fair
Korea	- Still in the transition. Structural re-rating will not happen although good inflow from overseas investors will support it in the near term.	Stable. But current government is not strong enough to implement structural reform.	X Growth outlook is weakening due to subdued export environment in China.	○ Easing bias continues / Inflation will be stable / Liquidity is improving.	Surplus will expand	Downward bias in the near term.	<u>Earnings revision is weakening again.</u> ↓	Mixed. PER : not cheap PBR: still cheap However there is a reason for the discount.
Singapore	- Stable Mkt and policy headwind is easing.	Stable General Election by Jan 2017.	The pace of economic recovery is slow Tight policy for Properties will be finished soon	Int. rate will be stable. / Inflation will be stable. / M2 growth rate is bottomed out.	Surplus will continue.	Downward bias in the near term. / upward bias in the longer term.	Earnings revision is still weak.	Relatively cheap
Malaysia	<u>- Loosing defensiveness. Underlying macro fundamentals are weakening and political turmoil is increasing.</u>	X Political turmoil is increasing ↓	X Stable economic growth can be expected, but concern for smaller fiscal spending due to lower oil related income	Policy Rate will be flat. / Inflation will mildly pick up. / M2 growth rate is bottomed out.	Surplus will be narrowed, weak oil price is a big risk.	Downward bias in the near term. / upward bias in the longer term.	xRevision is very weak.	Fair
Thailand	- Slower recovery will continue. - Less support from Valuation side while headwinds to Corporate Earnings continue.	Unclear The timing of general election is delayed.	X Slow economic growth is likely to continue.	○ Accommodative monetary policy continues / Inflation will be stable. Liquidity is improving.	Surplus will expand	Downward bias in the near term. / upward bias in the longer term.	xRevision is very weak.	Not cheap
Indonesia	- Macro headwinds continue to increase and outlook for corporate earnings become tougher. - Policy initiative becomes less clear.	Honeymoon period of President Jokowi is behind us.	Underlying economy is weaker than expected due to delay of FAI and weaker export.	Surprising rate cut by easing inflationary pressure. It should be positive in the near term but potential risk is increasing.	CA deficit will continue but it will be narrowed. Tailwind by low crude oil price can be expected.	Pressure of depreciation remains.	xRevision is very weak.	Fair (Rich on PER, but fair on PBR)
Philippines	- Still the bright spot. - Sustainability is the key.	Stable. Presidential election in 2016.	○ Steady growth	Wait and See stance on monetary policy / Int. rate will be stable. / Inflation is stabilized by low oil price	Trade deficit will shrink. Current a/c surplus will expand.	Downward Bias.	Revision is weakening, but it is relatively stable.	xMildly Expensive
India	- Overall macro fundamentals will improve given its strong policy supports. - Consensus OW Mkt, but it becomes less clouded.	+Potential of economic reform after the land slide victory of BJP.	○ Growth rate will accelerate driven by domestic consumption.	○Rate cut started and further room for rate cut / Inflationary pressure peaked out.	Trade / CA deficit will remain at same level.	Downward Bias.	x Revision remains weak	Fair
Australia	Expect mild up-trend market, backed by improving domestic consumption and corporate earnings.	Stable	Mild recovery	Int. rate will be stable./Inflation stays lower than the target range.	Deficit, but it is improving	Downward bias	Revision is weak especially for Mining industry.	
Vietnam	Steady upside can be expected supported by solid economic growth.	Confrontation between Vietnam & CH is a key concern	solid recovery	Lower interest rate environment / Benign Inflation	Trade / CA surplus will be narrowed.	Gradual depreciation	Improving	Within FV range.

Market Focus (i): Thailand – Underweight continued

- SMAM maintained Underweight as economic recovery is slower than expected and support from valuation side is less likely, while headwinds to corporate earnings continue.
- MSCI Thailand (local) fell -4.8% MTD as of July 24, underperforming Asia ex Japan of -3.4% in the same period. Energy sector dropped sharply on a decline of crude oil price and Industrial and Financial sectors remained sluggish. However, Telecommunication Services sector showed firm movements on positive outlook for potential in data revenue growth.
- Continuing accommodative monetary policy and stable inflation are supportive to the market, however, in corporate earnings, downward revision is very likely for 2015. The economic recovery would be slow affected by diminished demands from China and rural areas .
- The nomination of Gen Prayuth as new PM is some relief for political stability, however the credit to the military government by coup is declining in the capital markets.

Market Focus (ii): Taiwan – Overweight continued

- Macro economy in Taiwan seems to be resilient underpinned by solid export orders and domestic demands. In addition, relatively safe against US rate hike. Earnings revision, however, seems to have peaked out.
- MSCI Taiwan (local) retracted -4.5% MTD as of July 24, underperforming Asia ex Japan (-3.4%) in the same period. Underperformers included Information Technology companies on a decline in smartphones sales. In contrast, Transportation sector gained on expectations for lower crude oil price.
- Positive Outlook includes Information Technology and Consumption Discretionary, while Negative Outlook includes Industrials, Materials, Consumption Staples and Financials. In Technology sector, a market focus would be on components companies who are gaining market share among value players. Additionally, Chinese smartphone market started showing signs of life. Demands from Mainland individual tourists and domestic consumers are supportive to Consumer Discretionary sector.
- Politics remain stable but uncertainty will increase before the presidential election in 2016.

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