



Asian Macro & Market Outlook

SMAM monthly comments & views

August 2016



Sumitomo Mitsui Asset Management

Executive summary

◆ Chinese and Asian Economies

The policy stance in China has shifted to pro-growth from supply-side reform as shown by June investment growth of SOEs. We consider the government needs to move toward economic stimulus due to serious flood damage, which would cause slowdown in economic activity in July and rising inflation. According to the historical pattern of business cycles, we expect the economy in Oct-Dec to accelerate led by the reconstruction demand after a decline in Jul-Sep and downside risk to reduce in the second half of the year thanks to the stronger pro-growth policy stance and reconstruction demands.

Many Asian countries form economic bloc through export and import trade, centering around China. Thus, we see negative impacts by European economic slowdown stemming from Brexit to be quite limited if the Chinese economy stabilizes. For a positive factor on the Asian economies, they have further room for monetary easing as hope for US rate hike was receded. Combination of monetary easing and proactive financial measures would be effective at absorbing the downward pressure from the subdued trade.

◆ Asian Stock Markets

We revised down our outlook for Asian equity market for coming 3 to 6 months given its limited support from valuation side under subdued recovery of corporate earnings.

- ✓ Macro economy in most of Asian countries will show some recovery in 2016, but the momentum is not so strong.
- ✓ Although Chinese economy will continue to slow down gradually, policy support is expected to avoid hard landing.
- ✓ The recovery of corporate earnings will be moderate towards 2016 as overall global economy stabilizes.
- ✓ Liquidity condition is improving thanks to the delay of US rate hike.
- ✓ Overall market environment has been stabilized, however it seems to be priced in given 12 months forward PER has already reached to upper end after Lehman crisis.

Outlook for Economy in China

SMAM Economic Outlook for China

China Forecast Table

China	YoY[%]			YoY[%]												Market Consensus		
	2015	2016	2017	2015				2016				2017				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				
Real GDP	6.9	6.6	6.3	7.0	7.0	6.9	6.8	6.7	6.7	6.5	6.6	6.4	6.3	6.2	6.9	6.5	6.3	
<i>Previous</i>	<u>6.9</u>	<u>6.6</u>	<u>6.3</u>	<u>7.0</u>	<u>7.0</u>	<u>6.9</u>	<u>6.8</u>	<u>6.7</u>	<u>6.6</u> ↑	<u>6.5</u>	<u>6.4</u> ↑	<u>6.3</u> ↑	<u>6.3</u>	<u>6.2</u>	<u>6.9</u>	<u>6.5</u>	<u>6.3</u>	
Real GDP qqr on seasonally adjusted basis	6.9	6.6	6.3	6.3	7.2	7.4	5.9	4.9	7.2	6.4	6.7	5.1	7.1	6.1	-	-	-	
<i>Previous</i>	<u>6.9</u>	<u>6.6</u>	<u>6.3</u>	<u>5.8</u> ↑	<u>7.6</u> ↓	<u>7.4</u>	<u>6.3</u> ↓	<u>4.6</u> ↑	<u>7.3</u> ↓	<u>6.8</u> ↓	<u>5.8</u> ↑	<u>5.1</u>	<u>7.2</u> ↓	<u>6.7</u> ↓	-	-	-	
Compiled Growth Tracker	6.0	5.5	5.1	6.3	6.3	5.8	5.7	5.6	5.5	5.3	5.4	5.2	5.1	5.0	-	-	-	
<i>Previous</i>	<u>6.0</u>	<u>5.5</u>	<u>5.1</u>	<u>6.3</u>	<u>6.3</u>	<u>5.8</u>	<u>5.7</u>	<u>5.6</u>	<u>5.6</u> ↓	<u>5.4</u> ↓	<u>5.3</u> ↑	<u>5.1</u> ↑	<u>5.1</u>	<u>5.1</u> ↓	-	-	-	
Real GDP Consumption	9.1	8.9	8.7	-	-	-	-	-	-	-	-	-	-	-	-	-	-	
<i>Previous</i>	<u>9.1</u>	<u>8.3</u> ↑	<u>8.2</u> ↑	-	-	-	-	-	-	-	-	-	-	-	-	-	-	
Real GDP Investment	5.3	4.9	4.4	-	-	-	-	-	-	-	-	-	-	-	-	-	-	
<i>Previous</i>	<u>5.3</u>	<u>4.9</u>	<u>4.4</u>	-	-	-	-	-	-	-	-	-	-	-	-	-	-	
Real GDP Net export (contribution)	▲0.2	▲0.3	▲0.3	-	-	-	-	-	-	-	-	-	-	-	-	-	-	
<i>Previous</i>	<u>▲0.2</u>	<u>▲0.0</u>	<u>▲0.1</u>	-	-	-	-	-	-	-	-	-	-	-	-	-	-	
Nominal GDP	6.4	7.1	5.9	6.6	7.0	6.2	6.0	7.2	8.4	8.0	7.6	6.9	6.3	5.7	-	-	-	
<i>Previous</i>	<u>6.4</u>	<u>6.8</u> ↑	<u>5.9</u>	<u>6.6</u>	<u>7.0</u>	<u>6.2</u>	<u>6.0</u>	<u>7.2</u>	<u>7.0</u> ↑	<u>6.8</u> ↑	<u>6.4</u> ↑	<u>6.2</u> ↑	<u>5.8</u> ↑	<u>5.7</u>	-	-	-	
GDP deflator	▲0.4	1.4	▲0.1	▲0.4	▲0.0	▲0.7	▲0.6	0.5	0.6	0.6	0.3	▲0.1	▲0.5	▲0.5	-	-	-	
<i>Previous</i>	<u>▲0.4</u>	<u>0.3</u> ↑	<u>▲0.4</u> ↑	<u>▲0.4</u>	<u>▲0.0</u>	<u>▲0.7</u>	<u>▲0.2</u> ↑	<u>0.5</u>	<u>0.4</u> ↑	<u>0.3</u> ↑	<u>0.0</u> ↑	<u>▲0.1</u>	<u>▲0.5</u>	<u>▲0.5</u>	-	-	-	
Industrial production	6.1	5.6	5.1	6.4	6.3	5.9	5.9	5.8	6.1	5.4	5.6	5.5	5.2	5.1	-	-	-	
<i>Previous</i>	<u>6.1</u>	<u>5.5</u> ↑	<u>5.2</u> ↓	<u>6.4</u>	<u>6.3</u>	<u>5.9</u>	<u>5.9</u>	<u>5.8</u>	<u>5.8</u> ↑	<u>5.5</u> ↓	<u>5.4</u> ↑	<u>5.3</u> ↑	<u>5.2</u>	<u>5.1</u>	-	-	-	
CPI inflation	1.4	2.1	1.2	1.2	1.4	1.7	1.5	2.1	2.1	2.2	1.9	1.6	1.3	0.9	1.4	2.0	2.0	
<i>Previous</i>	<u>1.4</u>	<u>2.2</u> ↓	<u>1.1</u> ↑	<u>1.2</u>	<u>1.4</u>	<u>1.7</u>	<u>1.5</u>	<u>2.1</u>	<u>2.1</u>	<u>2.0</u> ↑	<u>2.0</u> ↓	<u>1.6</u>	<u>0.9</u> ↑	<u>1.1</u> ↓	<u>1.4</u>	<u>2.0</u>	<u>2.0</u>	
Base lending interest rate	4.35	4.35	4.10	5.35	4.85	4.60	4.35	4.35	4.35	4.35	4.35	4.35	4.10	4.10	4.35	4.10	3.85	
<i>Previous</i>	<u>4.35</u>	<u>4.35</u>	<u>4.10</u>	<u>5.35</u>	<u>4.85</u>	<u>4.60</u>	<u>4.35</u>	<u>4.35</u>	<u>4.35</u>	<u>4.35</u>	<u>4.35</u>	<u>4.35</u>	<u>4.10</u>	<u>4.10</u>	<u>4.35</u>	<u>4.10</u>	<u>4.10</u> ↓	

Historical Record of amendment (GDP)

Date of amendment	YoY[%]			YoY[%]											
	2015	2016	2017	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	
16.07.15 Latest	6.9	6.6	6.3	7.0	7.0	6.9	6.8	6.7	6.7 ↑	6.5	6.6 ↑	6.4 ↑	6.3	6.2 ↑	
16.06.16 last month meeting	6.9	6.6	6.3	7.0	7.0	6.9	6.8	6.7	6.6	6.5	6.4	6.3	6.3	6.1	

Source: CEIC, compiled by SMAM Economic Research Department, Previous= Last month meeting's projection
 Note: Arrows illustrate the direction of the change from last time prediction
 As of 22 July 2016

SMAM Economic Outlook for China

China June economic performance

(%, YoY)

	Consensus	Actual	May	Apr	Mar	Feb	Jan	Dec	Nov	Oct
real GDP	6.6	6.7			6.7			6.8		
mfg PMI	50.0	50.0	50.1	50.1	50.2	49.0	49.4	49.7	49.6	49.8
Caixin mfgPMI	49.2	48.6	49.2	49.4	49.7	48.0	48.4	48.2	48.6	48.3
steel PMI	NA	45.1	50.9	57.3	49.7	49.0	46.7	40.6	37.0	42.2
industrial production	5.9	6.2	6.0	6.0	6.8	5.4	5.4	5.9	6.2	5.6
fixed asset investment(ytd)	9.4	9.0	9.6	10.5	10.7	10.2	10.2	10.0	10.2	10.2
property investment	NA	3.3	6.6	9.7	9.7	3.0	3.0	-1.9	-5.1	-2.4
housing sold area	NA	14.2	22.0	45.9	40.3	30.4	30.4	1.4	7.8	5.9
100cities housing prices(mmar)	NA	17.0	22.4	18.9	25.4	7.4	5.1	9.3	5.7	-2.4
retails sales	9.9	10.6	10.0	10.1	10.5	10.2	10.2	11.1	11.2	11.0
retail sales (real)	NA	10.3	9.7	9.3	9.7	9.6	9.6	10.7	11.0	11.0
auto sales units (th)	NA	2,071	2,092	2,122	2,440	1,581	2,501	2,786	2,509	2,222
auto sales units(yoy)	NA	14.6	9.9	6.4	8.9	-0.8	7.8	15.6	20.0	11.8
exports (RMB terms)	0.3	1.3	1.2	4.1	18.7	-20.6	-6.6	2.3	-3.7	-3.6
imports (RMB terms)	-1.2	-2.3	5.1	-5.7	-1.7	-8.0	-14.4	-4.0	-5.6	-16.0
international reserves (USDbn)	3,200.0	3,205.2	3,191.7	3,219.7	3,212.6	3,202.3	3,230.9	3,330.4	3,438.3	3,525.5
CPI	2.2	1.9	2.0	2.3	2.3	2.3	1.8	1.6	1.5	1.3
PPI	-3.2	-2.6	-2.8	-3.4	-4.3	-4.9	-5.3	-5.9	-5.9	-5.9
M2	12.5	11.8	11.8	12.8	13.4	13.3	14.0	13.34	13.7	13.5
new loan (RMB bn)	750.0	1,380.0	985.5	555.6	1,370.0	726.6	2,510.0	597.8	708.9	513.6
total social financing (RMB bn)	1,000.0	1,630.0	659.9	751.0	2,336.0	824.5	3,425.3	1,815.1	1,022.4	530.3

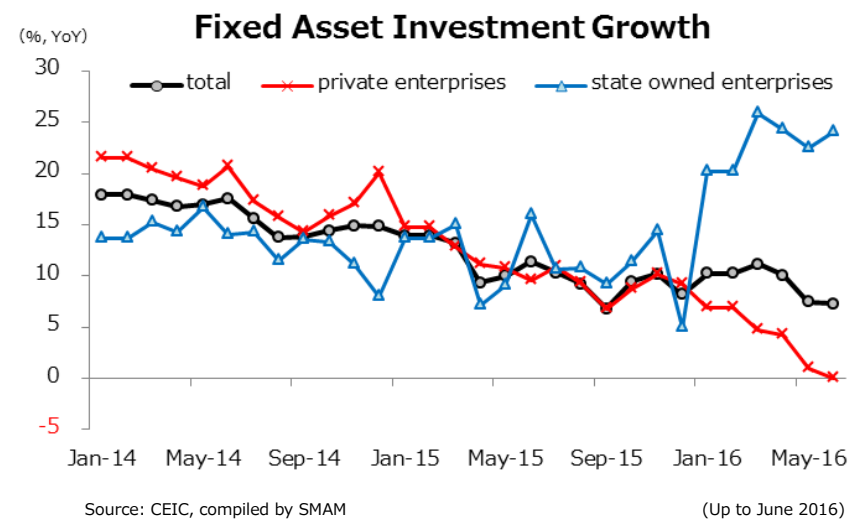
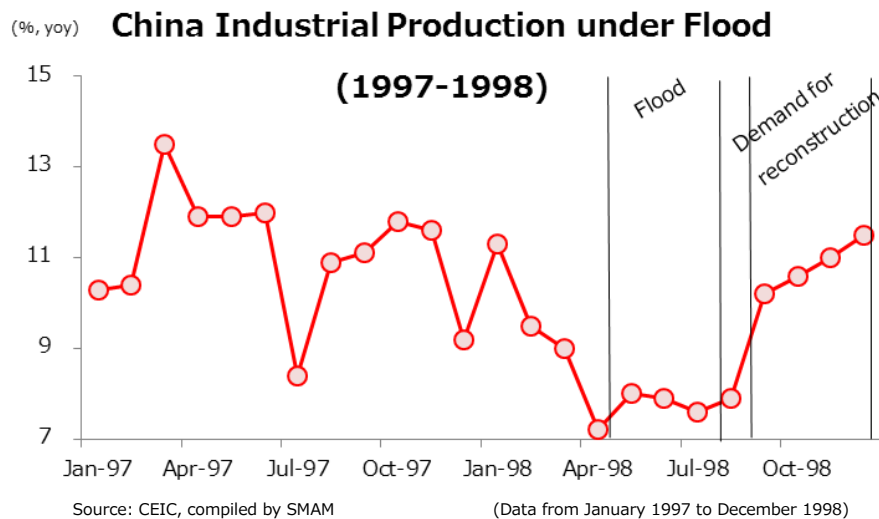
Note: Italic letters present numbers for January and February.
Source: CEIC, compiled by SMAM

Up to June 2016

SMAM Economic Outlook for China

Current Economic Situation in China

- Many provinces have suffered from damage caused by massive floods in Yangtze River since late June.
 - ✓ Policy stance should inevitably shift to pro-growth from supply-side reforms. The difference of opinions among CPC members seemed to arise but settled down after the floods.
- Some statistics for June suggested a shift to pro-growth.
 - ✓ Investment growth of SOEs accelerated in June, although that of private enterprises continued to decelerate.
 - ✓ Money statistics showed positive performance in June.
- PBOC senior official has insisted more aggressive fiscal policy due to liquidity trap.
 - ✓ Fiscal policy should play an important role in 2H16.



SMAM Economic Outlook for China

Outlook for 2016

- ▣ We maintained the real GDP forecast at +6.6% YoY for 2016 and +6.3% YoY for 2017 despite BREXIT as the policy stance has shifted to pro-growth from supply-side reforms.
- ▣ While July economic indicators would sink, the economic slowdown seems to be avoidable in Q4 of 2016 thanks to reconstruction demands for road repair etc.
- ▣ We believe CPI inflation to accelerate in Jul-Sep 16 due to higher food inflation but to calm down in Oct-Dec 16.
- ▣ In our view, PBOC would maintain its policy interest rates at current levels until the end of 2016.
- ▣ As for the currency, we foresee that PBOC is aiming at gradual depreciation of RMB against USD. The end of G20 meeting in September and October can be a trigger for the weakening Yuan.

Note: Economy outlook is as of 22 July 2016

China: Highlights of Chinese economy

- July official NBS manufacturing PMI came in at 49.9, just below the market consensus of 50.0. The PMI, which is under 50.0, was the first time since February 2016. The reasons for the decline were 1) effects by massive floods, 2) deterioration in private investment, and 3) cutbacks in output in the raw material sector.
- According to the National Bureau of Statistics, the sub-index for sectors with high energy consumption lost 0.5 to 47.7. We consider the momentum of the manufacturing sector dropped from June. Yet, the momentum for new business was positive as the sub-index for high-tech manufacturing was up to 53.2 in July from 51.3 in June. Some economists estimated output increase as a result of extreme summer heat, however, bad weather including typhoon prevented it from rising.

China Manufacturing PMI (official)

(Neutral=50)

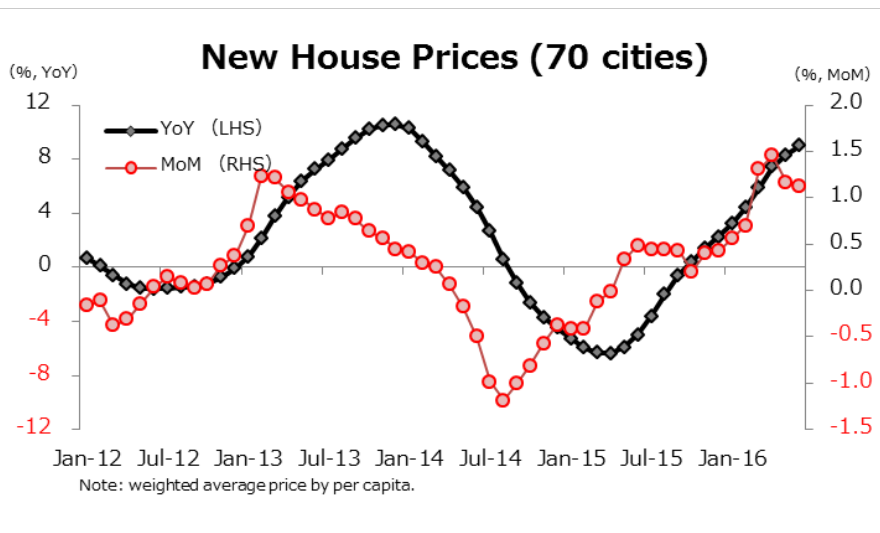
	Manufacturing PMI	New Orders	Production	Employment	Delivery Times	Raw Materials Inventory	New Exports Orders	Finished Goods Inventory	Imports	Backlogs of Work	Purchase Volume	Input Prices
Jun/15	50.2	50.1	52.9	48.1	50.3	48.7	48.2	47.7	48.0	44.6	50.9	47.3
Jul/15	50.0	49.9	52.4	48.0	50.4	48.4	47.9	47.4	47.8	44.0	50.3	44.7
Aug/15	49.7	49.7	51.7	47.9	50.6	48.3	47.7	47.2	47.2	44.6	49.4	44.9
Sep/15	49.8	50.2	52.3	47.9	50.8	47.5	47.9	46.8	48.1	43.8	48.6	45.8
Oct/15	49.8	50.3	52.2	47.8	50.6	47.2	47.4	47.2	47.5	44.4	48.8	44.4
Nov/15	49.6	49.8	51.9	47.6	50.6	47.1	46.4	46.7	46.7	43.0	48.3	41.1
Dec/15	49.7	50.2	52.2	47.4	50.7	47.6	47.5	46.1	47.6	43.6	50.3	42.4
Jan/16	49.4	49.5	51.4	47.8	50.5	46.8	46.9	44.6	46.4	43.4	49.0	45.1
Feb/16	49.0	48.6	50.2	47.6	49.8	48.0	47.4	46.4	45.8	43.9	47.9	50.2
Mar/16	50.2	51.4	52.3	48.1	51.3	48.2	50.2	46.0	50.1	45.7	52.6	55.3
Apr/16	50.1	51.0	52.2	47.8	50.1	47.4	50.1	45.5	49.5	44.8	51.0	57.6
May/16	50.1	50.7	52.3	48.2	50.4	47.6	50.0	46.8	49.6	45.1	51.2	55.3
Jun/16	50.0	50.5	52.5	47.9	50.7	47.0	49.6	46.5	49.1	45.0	50.5	51.3
Jul/16	49.9	50.4	52.1	48.2	50.5	47.3	49.0	46.8	49.3	45.5	50.5	54.6

Source: CEIC, compiled by SMAM

Up to July 2016

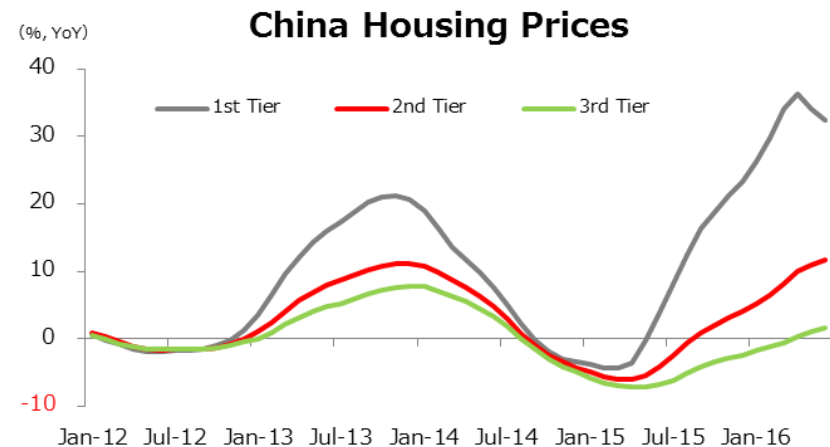
China: Highlights of Chinese economy

- The escalating housing prices began to move toward cool-down. In June, the number of cities, which posed a rise in the average prices of new homes, declined to 55 out of 70 cities, from 60 cities in May (except for low-income housing). The number of cities, which faced a fall, climbed to 10 cities from 4 cities in May. On a MoM basis, a weighted average price index of new houses in 70 cities sagged to +1.12% in June from +1.17% in May.
- June property investment growth deteriorated to +3.5% YoY from 6.6% YoY in May. We think uptick in real estate indicators peaked out and housing boom has moved to settle down whereas a rally in the housing market has supported China's overall economy.
- Shenzhen showed a further growth in average new housing price to +2.6% YoY in June from +0.5% YoY in May. If other large cities faced accelerating housing prices again, we need to take a cautious stance.



Source: CEIC, compiled by SMAM

Up to June 2016



Note: The Chinese government categorises 70 cities into 3 groups as 1st Tier (Beijing, Shanghai, Guangzhou and Shenzhen), 2nd Tier (31 cities including capital of provinces) and 3rd Tier (other 35 cities).

Source: CEIC, compiled by SMAM

Up to June 2016

Outlook for Asian Economy

SMAM Economic Outlook for Asia

Forecast Table

Real GDP	YoY[%]			YoY[%]									Market Consensus				
	2015	2016	2017	2015				2016				2017			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			
India	7.6	7.7	8.0	6.7	7.5	7.6	7.2	7.9	7.7	7.8	7.8	7.7	7.8	7.8	7.6	7.6	7.6
<i>Previous</i>	7.6	7.7	7.8	6.7	7.5	7.6	7.2	7.9	7.7	7.8	7.8	7.6	7.7	7.8	7.6	7.6	7.7
NIEs4	2.1	1.8	1.7	2.8	1.9	1.9	2.0	1.8	2.1	1.5	2.0	1.7	1.6	1.7	2.1	1.9	2.3
<i>Previous</i>	2.1	1.9	1.8	2.8	1.9	1.9	2.0	1.7	2.0	1.9	1.9	1.8	1.7	1.9	2.1	2.1	2.5
Korea	2.6	2.5	2.4	2.4	2.2	2.8	3.1	2.8	2.9	2.0	2.4	2.3	2.2	2.5	2.6	2.5	2.6
<i>Previous</i>	2.6	2.5	2.4	2.4	2.2	2.8	3.1	2.8	2.9	2.3	2.4	2.3	2.2	2.5	2.6	2.6	2.8
Taiwan	0.6	0.7	0.7	4.0	0.6	▲0.8	▲0.9	▲0.7	0.8	1.2	1.5	0.9	0.8	0.6	0.6	1.1	1.9
<i>Previous</i>	0.6	0.8	0.9	4.0	0.6	▲0.8	▲0.9	▲0.7	0.8	1.2	1.5	0.9	0.8	0.6	0.6	1.1	1.9
Singapore	2.0	1.8	1.4	2.7	1.7	1.8	1.8	2.1	2.2	1.2	1.8	1.5	1.4	1.4	2.0	1.6	1.9
<i>Previous</i>	2.0	1.7	1.6	2.7	1.7	1.8	1.8	1.8	1.6	1.8	1.8	1.6	1.6	1.6	2.0	1.7	2.1
Hongkong	2.4	0.7	0.5	2.4	2.9	2.2	1.9	0.8	0.6	0.3	1.1	0.6	0.6	0.5	2.4	1.1	1.6
<i>Previous</i>	2.4	0.8	0.7	2.4	2.9	2.2	1.9	0.8	0.6	0.7	1.1	0.8	0.8	0.7	2.4	1.3	1.8
ASEAN4	4.6	4.7	4.9	4.6	4.5	4.5	4.7	4.7	4.7	4.6	4.8	4.8	4.8	4.9	4.6	4.6	4.7
<i>Previous</i>	4.6	4.7	4.8	4.6	4.5	4.5	4.7	4.7	4.7	4.7	4.8	4.8	4.7	4.8	4.6	4.6	4.8
Indonesia	4.8	5.1	5.4	4.7	4.7	4.7	5.0	4.9	5.0	5.3	5.3	5.4	5.4	5.3	4.8	5.0	5.2
<i>Previous</i>	4.8	5.1	5.3	4.7	4.7	4.7	5.0	4.9	5.1	5.3	5.3	5.4	5.3	5.3	4.8	5.0	5.3
Thailand	2.8	2.9	3.0	3.0	2.7	2.9	2.8	3.2	2.7	2.7	2.8	2.9	2.9	3.1	2.8	3.0	3.1
<i>Previous</i>	2.8	2.9	3.0	3.0	2.7	2.9	2.8	3.2	2.7	2.7	2.8	2.9	2.9	3.1	2.8	3.0	3.2
Malaysia	5.0	4.2	4.4	5.7	4.9	4.7	4.5	4.2	4.2	3.9	4.5	4.4	4.5	4.6	5.0	4.1	4.2
<i>Previous</i>	5.0	4.3	4.5	5.7	4.9	4.7	4.5	4.2	4.1	4.4	4.6	4.6	4.5	4.5	5.0	4.2	4.4
Philippines	5.9	6.5	6.3	5.0	5.9	6.2	6.5	6.9	6.9	6.0	6.3	5.9	6.1	6.5	5.9	6.1	5.8
<i>Previous</i>	5.9	6.5	5.9	5.0	5.9	6.2	6.5	6.9	6.9	6.3	6.1	6.0	5.7	6.1	5.9	6.1	5.9
Australia	2.5	2.9	2.5	2.3	2.1	2.7	2.9	3.1	3.2	2.7	2.5	2.1	2.4	2.6	2.5	2.9	2.8
<i>Previous</i>	2.5	2.9	2.6	2.3	2.1	2.7	2.9	3.1	3.2	2.7	2.5	2.1	2.5	2.7	2.5	2.9	2.9

Source: CEIC, compiled by SMAM Economic Research Department, Previous= Last month meeting's projection
 Note: Arrows illustrate the direction of the change from last time prediction
 As of 22 July 2016

SMAM Economic Outlook for Asia

CPI inflation		YoY[%]			YoY[%]												Market Consensus		
		2015	2016	2017	2015				2016				2017				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				
India		4.9	5.6	5.6	5.3	5.1	3.9	5.3	5.3	5.7	5.8	5.4	5.5	5.4	5.6	4.9	5.2	5.1	
Previous		4.9	5.6	5.6	5.3	5.1	3.9	5.3	5.3	5.7	5.8	5.4	5.5	5.4	5.6	4.9	5.1	5.1	
NIEs4	Korea	0.7	1.2	1.6	0.6	0.5	0.7	1.1	1.0	0.9	1.3	1.6	1.6	1.6	1.6	0.7	1.1	1.7	
	Previous	0.7	1.2	1.6	0.6	0.5	0.7	1.1	1.0	0.9	1.3	1.6	1.6	1.6	0.7	1.1	1.8		
	Taiwan	▲0.3	1.1	1.1	▲0.6	▲0.7	▲0.3	0.3	1.7	1.3	0.7	0.9	0.9	1.3	1.3	▲0.3	1.1	1.1	
	Previous	▲0.3	1.1	1.1	▲0.6	▲0.7	▲0.3	0.3	1.7	1.3	0.7	0.9	0.9	1.3	1.3	▲0.3	1.1	1.2	
Singapore	▲0.5	▲0.1	0.7	▲0.3	▲0.4	▲0.6	▲0.7	▲0.8	▲0.3	0.1	0.5	0.7	0.7	0.6	▲0.5	▲0.5	0.9		
	Previous	▲0.5	▲0.1	0.7	▲0.3	▲0.4	▲0.6	▲0.7	▲0.8	▲0.3	0.1	0.5	0.7	0.7	▲0.5	▲0.3	1.0		
Hongkong		3.0	2.5	1.7	4.3	2.9	2.5	2.3	2.8	2.8	2.5	2.1	1.7	1.7	1.7	3.0	2.5	2.1	
Previous		3.0	2.5	1.7	4.3	2.9	2.5	2.3	2.8	2.8	2.5	2.1	1.7	1.7	1.7	3.0	2.4	2.0	
ASEAN4	Indonesia	6.4	4.1	4.4	6.5	7.1	7.1	4.8	4.3	3.5	3.8	4.2	4.1	4.6	4.3	6.4	3.9	4.7	
	Previous	6.4	4.1	4.4	6.5	7.1	7.1	4.8	4.3	3.9	3.8	4.2	4.1	4.6	4.3	6.4	4.1	4.7	
	Thailand	▲0.9	0.3	1.2	▲0.5	▲1.1	▲1.1	▲0.9	▲0.5	0.3	0.6	1.2	1.6	1.2	1.0	▲0.9	0.5	1.9	
	Previous	▲0.9	0.3	1.2	▲0.5	▲1.1	▲1.1	▲0.9	▲0.5	0.3	0.6	1.2	1.6	1.2	1.0	▲0.9	0.5	1.9	
Malaysia	2.1	2.7	2.4	0.7	2.2	3.0	2.6	3.4	2.7	2.1	2.0	2.6	2.6	2.3	2.1	2.3	2.6		
	Previous	2.1	2.7	2.4	0.7	2.2	3.0	2.6	3.4	2.7	2.1	2.0	2.6	2.6	2.3	2.1	2.4		
Philippines	1.4	1.8	2.7	2.4	1.7	0.6	1.0	1.1	1.5	2.2	2.2	2.4	2.8	2.8	1.4	1.9	2.8		
	Previous	1.4	1.8	2.7	2.4	1.7	0.6	1.0	1.1	1.7	2.2	2.2	2.4	2.8	1.4	1.9	2.9		
Australia		1.5	1.4	2.1	1.3	1.5	1.5	1.7	1.3	1.0	1.5	1.7	2.0	2.1	2.2	1.5	1.3	2.1	
Previous		1.5	1.5	2.1	1.3	1.5	1.5	1.7	1.3	1.3	1.5	1.7	2.0	2.1	2.2	1.5	1.3	2.1	

Policy Rate		Annual rate[%]			Annual rate[%]												Market Consensus		
		2015	2016	2017	2015				2016				2017				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				
India		6.75	6.25	5.75	7.50	7.25	6.75	6.75	6.75	6.50	6.50	6.25	6.50	6.00	5.75	6.75	6.25	6.25	
Previous		6.75	6.50	6.50	7.50	7.25	6.75	6.75	6.75	6.50	6.50	6.50	6.50	6.50	6.5	6.75	6.25	6.25	
NIEs4	Korea	1.50	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	1.50	1.25	1.25	
	Previous	1.50	1.00	1.00	1.75	1.50	1.50	1.50	1.50	1.25	1.25	1.00	1.00	1.00	1.50	1.50	1.50		
	Taiwan	1.625	1.125	1.125	1.875	1.875	1.750	1.625	1.500	1.38	1.250	1.125	1.125	1.125	1.125	1.63	1.38	1.38	
	Previous	1.625	1.375	1.375	1.875	1.875	1.750	1.625	1.500	1.375	1.375	1.125	1.125	1.125	1.375	1.63	1.38	1.38	
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	
	###	###	###	###	###	###	###	###	###	###	###	###	###	###	###	###	###	###	
Hongkong		0.75	#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	
Previous		0.75	#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	
ASEAN4	Indonesia	7.50	5.00	5.00	7.50	7.50	7.50	7.50	6.75	6.75	5.00	5.00	5.00	5.00	5.00	7.50	#N/A	#N/A	
	Previous	7.50	5.50	5.50	7.50	7.50	7.50	7.50	6.75	6.75	5.50	5.50	5.50	5.50	5.5	7.50	#N/A	#N/A	
	Thailand	1.50	1.25	1.25	1.75	1.50	1.50	1.50	1.50	1.50	1.25	1.25	1.25	1.25	1.25	1.50	1.50	1.50	
	Previous	1.50	1.25	1.25	1.75	1.50	1.50	1.50	1.50	1.50	1.50	1.25	1.25	1.25	1.3	1.50	1.50	1.50	
Malaysia	3.25	2.75	2.75	3.25	3.25	3.25	3.25	3.25	3.25	3.25	3.00	2.75	2.75	2.75	3.25	3.25	3.25		
	Previous	3.25	3.25	3.25	3.25	3.25	3.25	3.25	3.25	3.25	3.25	3.25	3.25	3.25	3.25	3.25	3.25		
Philippines	4.00	3.00	3.00	4.00	4.00	4.00	4.00	4.00	3.00	3.00	3.00	3.00	3.00	3.00	4.00	#N/A	#N/A		
	Previous	4.00	3.00	3.00	4.00	4.00	4.00	4.00	4.00	3.00	3.00	3.00	3.00	3.00	4.00	#N/A	#N/A		
Australia		2.00	1.75	1.75	2.25	2.00	2.00	2.00	2.00	1.75	1.75	1.75	1.75	1.75	1.75	2.00	1.50	1.50	
Previous		2.00	1.75	1.75	2.25	2.00	2.00	2.00	2.00	1.75	1.75	1.75	1.75	1.75	1.75	2.00	1.50	1.50	

Source: CEIC, compiled by SMAM Economic Research Department, Previous= Last month meeting's projection
 Note: Arrows illustrate the direction of the change from last time prediction
 As of 22 July 2016

Australia

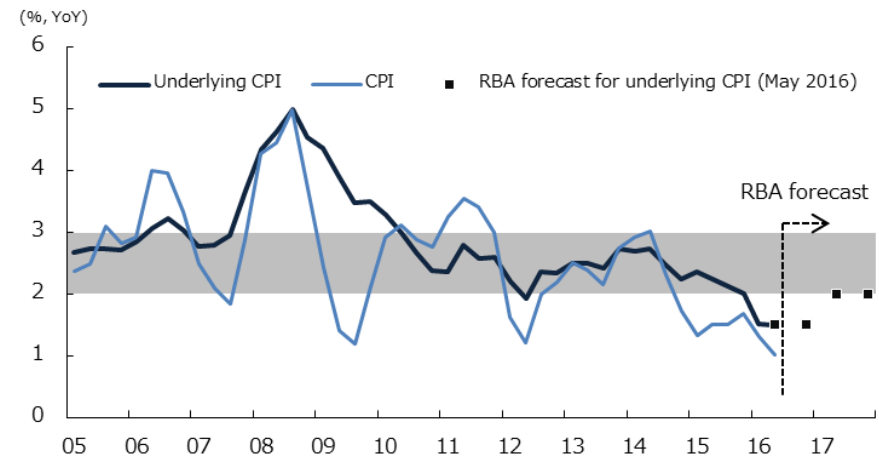
- We maintain our scenario of the GDP to be on a path of a moderate recovery below the potential growth rate until the second half. Later, we expect the economy to be underpinned by improvements in exports of resources and employment and to accelerate slightly after the first half of 2017 on correction in capex, which would be coming to an end.
- The unemployment rate would maintain a moderate declining trend led by the service sector, whereas June unemployment rate inched up to +5.8% from +5.7% in the previous month. In June, the labor market gained 7,900 jobs compared to May's number. Reflecting a significant increase in the number of full-time jobs, we see anxiety over the decelerated trend has been eased in terms of quality and quantity.
- Consumer Price Inflation (CPI) would continue to be flat or rise marginally towards the second half of 2017 as effectiveness of falling oil prices weakened and wage decline almost stopped. Although CPI for Apr-Jun came in at +1.0% YoY (Q1: +1.3% YoY), a recovery in housing price could be the main driver of the price rise.

Labour Market Condition



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

CPI Inflation

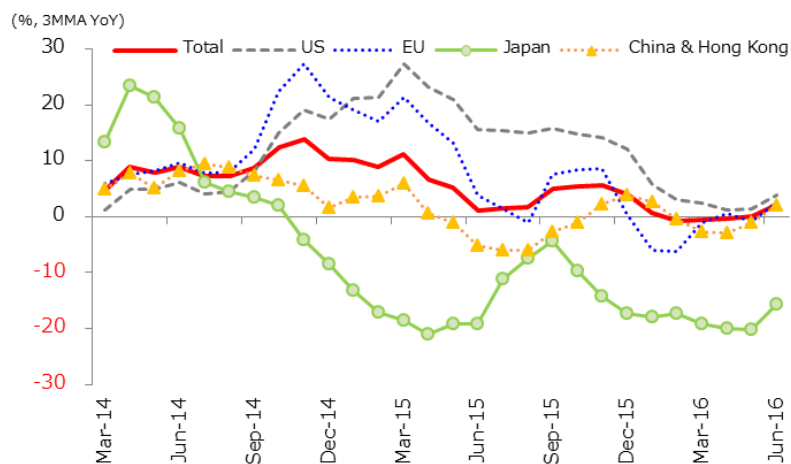


Note: An inflation target of RBA is +2.0-3.0% YoY. Core CPI is the average of trimmed mean and weighted median.
 Source: ABS, Datastream
 Up to Q2 2016

Taiwan

- Apr-Jun GDP growth was reported at +0.0% QoQ, down from +0.8% QoQ in Q1. Yet, on a YoY basis, Apr-Jun GDP posted the first increase at +0.7% after three quarters of contraction.
- More specifically, the slowdown in private consumption and government spending were notable. The former one is due to backlash of the government's economic stimulus measures such as subsidization for energy efficient home appliances and cell-phones.
- As the Democratic Progressive Party adopts cautious approach for short-term economic stimulus measures, we foresee the weak domestic demands to continue until 2H16. However, export orders rebounded toward June led by electronic products. Since consumer demands for smartphones seem to be firm, we see a mild business pickup till 2H16.

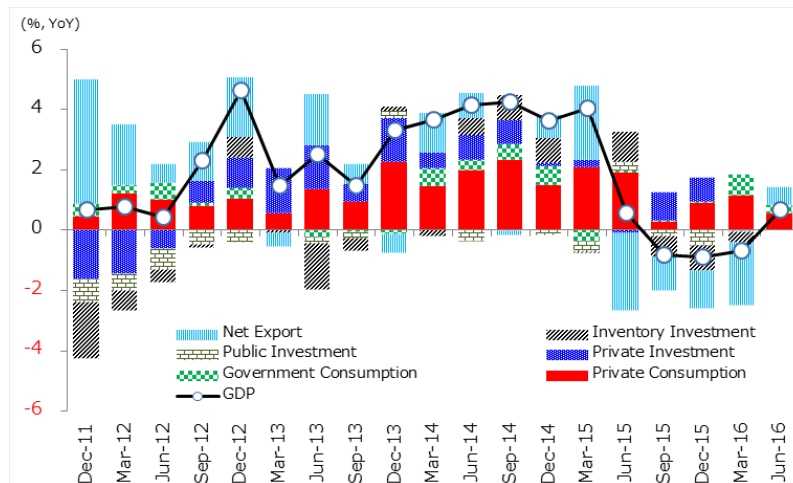
Taiwan Volume Index of Export Orders



Source: CEIC, compiled by SMAM

Up to June 2016

Breakdown of GDP Growth



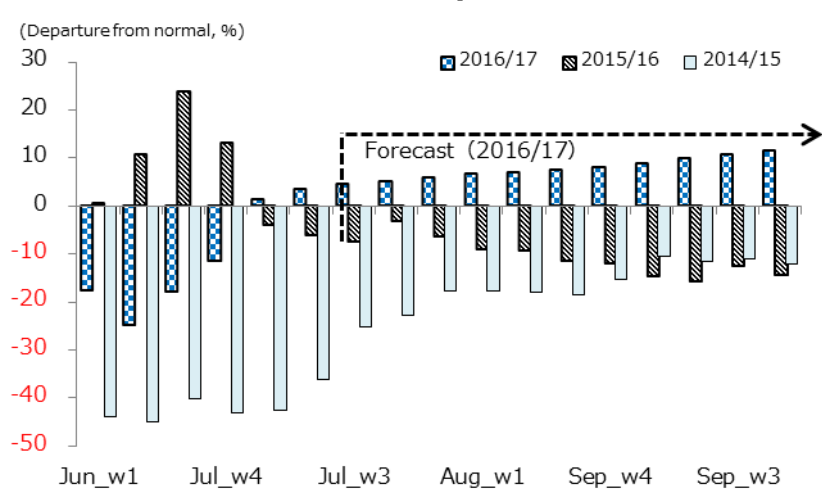
Source: CEIC, compiled by SMAM

Up to June 2016

India

- We revised up the GDP growth forecast to +8.0% YoY for 2017 from +7.8% YoY.
- Summer crops in India could enjoy rain in July as Skymet, the weather research company, expected. The Meteorological Department (IMD) reported cumulative rainfall during 1 June to 27 July as 416.9mm at almost same as the long-period average of 415.3mm. The weekly rainfall amounts in these two weeks were below the weekly average, but on a single month basis, July rainfall recorded at +7.5% compared to the normal year, which was in line with the projection by IMD (July: +8%).
- If abundant rainfall continues, the inflation would be curbed toward the end of year and ended in +2-6% inflation target in the Reserve Bank of India (RBI). Considering 1) stable inflation, 2) receded expectation for US rate hike, and 3) mounting monetary easing bias by the central bank chief, Raghuram Rajan's exit, we foresee the RBI to lower the repo rate by 25bp for three times during Oct-Dec 16 and Jul-Sep 17.

India Weekly rainfall



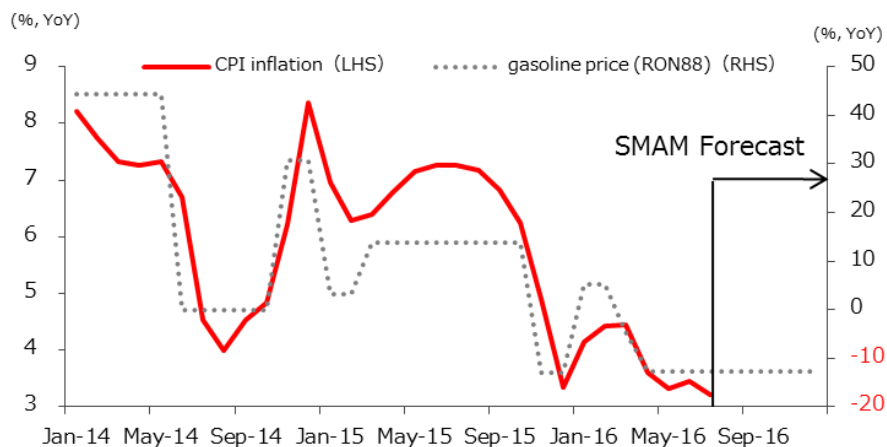
Note: Note: Cumulative basis from 1 Jun. Long term average during 1951-2000.
Source: CEIC, SMAM

Up to 13 July 2016

Indonesia

- We left the GDP forecast for 2016 unchanged, but raised that for 2017 on positive view for domestic demands. Lower gasoline price controlled by the government would contribute to hold down inflation and to boost the domestic demands.
- Lower-than-expected July CPI came in at +3.2% YoY, down from +3.5% YoY in June. The government remains at the same price of 88 octance gasoline after cutting in January and April. Accordingly, we see the inflation to stabilize at a low level under cheaper gasoline price. Also, August is generally less likely to face inflation accelerating after Ramadan and Idul Fitri finished.
- We think Bank Indonesia (BI) has ample room for rate cut as BI deputy governor Perry Warjiyo cited there was still room to loosen monetary policy to support the economy. Nikkei Manufacturing PMI declined to 48.4 in July. If PMI for August does not recover, there will be pressure to rate cut more.

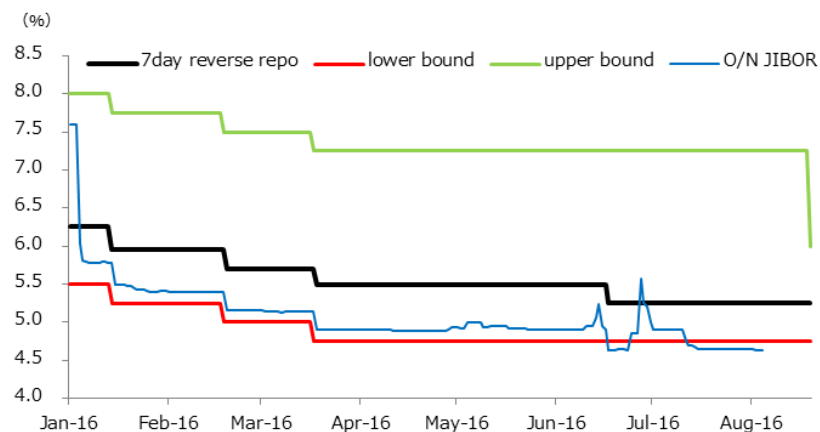
Gasoline Price & CPI Inflation



Source: CEIC, SMAM

Up to July 2016

New Policy Rate



Note: New policy rate will be applied from August 19.

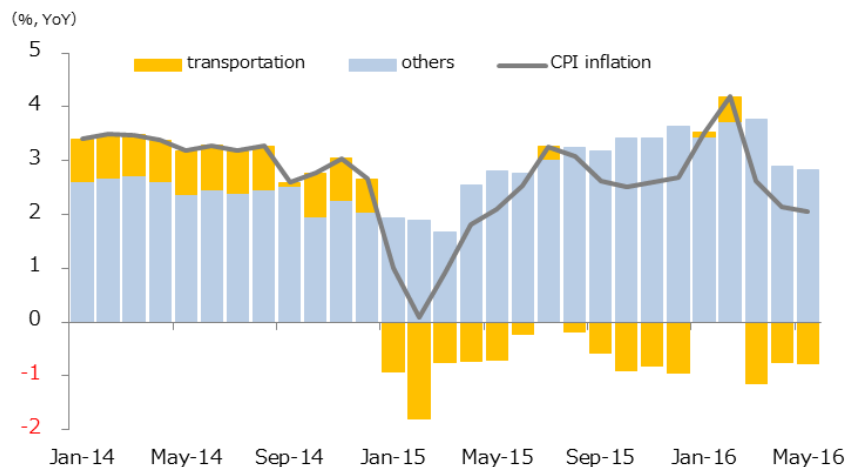
Source: CEIC, SMAM

Up to August 2016

Malaysia

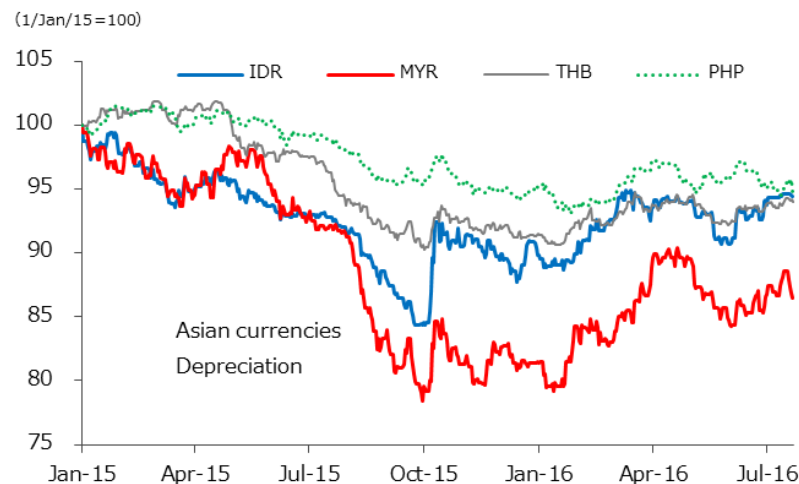
- We slightly cut our economic outlook for 2016 to +4.2% YoY and for 2017 to +4.4% YoY on concerns over effects by Brexit.
- Unexpectedly, Bank Negara Malaysia (BNM) cut policy rate by 25bp to 3.00% at the Monetary Policy Committee in July. According to Bloomberg survey, 17 of 18 economists expected BNM to leave rates unchanged. The BNM's statement suggests that a downside risk still remains on growing uncertainty over impacts by the global economy such as the EU referendum in the UK. Lowering inflation outlook to 2.0-3.0% from 2.5-3.5% is another reason for the rate cut.
- As diminished US rate hike view, Asian currencies including Malaysia Ringgit (MYR) are expected to be stable against USD. Under this environment, additional monetary easing is likely to be implemented.

CPI Inflation



Note: The Malaysian government applied new float system for petrol prices on Dec 2014. Annual inflation rates have been pushed up 1.1 points by GST from April 2015 calculated by the government.
Source: CEIC, SMAM Up to May 2016

Asian Currencies (against USD)



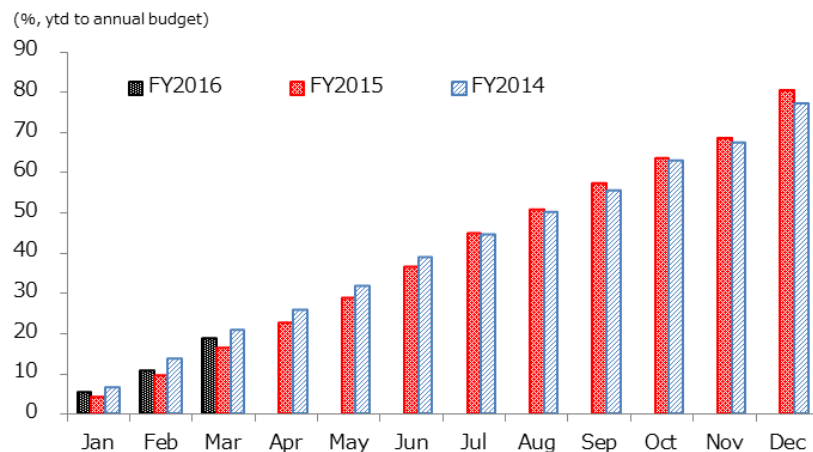
Source: CEIC, SMAM

Up to 22 July 2016

Philippines

- We revised up our GDP growth outlook for 2017 to +6.3% YoY from +5.9% YoY on expectation for further investment development. Also, we will watch the President Rodrigo Duterte's action, if the new President shall ask China to develop infrastructure projects in exchange for concession of territory problems.
- CPI inflation should accelerate gradually due to an increase in electricity charge. We foresee Bangko Sentral ng Pilipinas (BSP) to hold its policy interest rate until end of 2017.

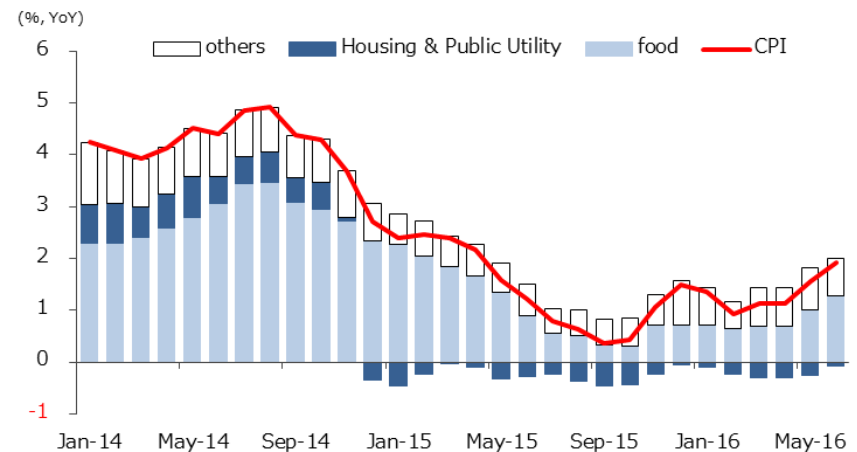
Public Investment Disbursement Rate



Source: CEIC, SMAM

Up to March 2016

CPI Inflation



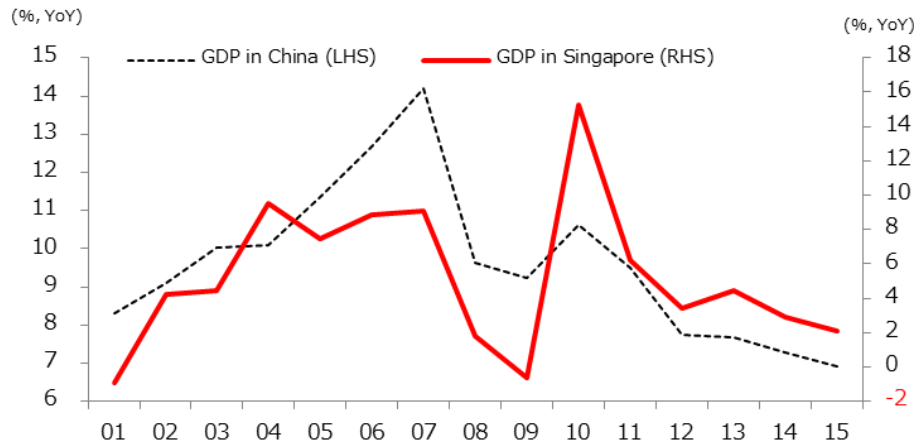
Source: CEIC, SMAM

Up to June 2016

Singapore

- Singapore economy is sensitive to other Asian economies, particularly to China. In accordance with China's continuing economic stagnation, we expect that Singapore would face a further slowdown toward 2017. Yet, we marginally revised up the GDP for 2016 to +1.8% YoY from +1.7% YoY.
- Furthermore, the weak economy in Malaysia, an important trading partner for Singapore, may drag down the exports. Looking at Industrial Production (IP), biomedical output remains volatile. Thus, we take a careful attention to the IP numbers as upside and downside risks.

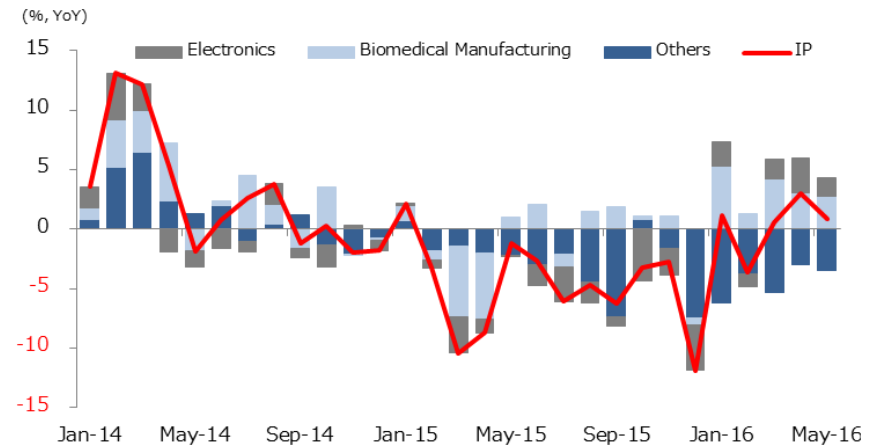
GDP growth in China and Singapore



Source: CEIC, SMAM

Up to March 2016

Industrial Production Index



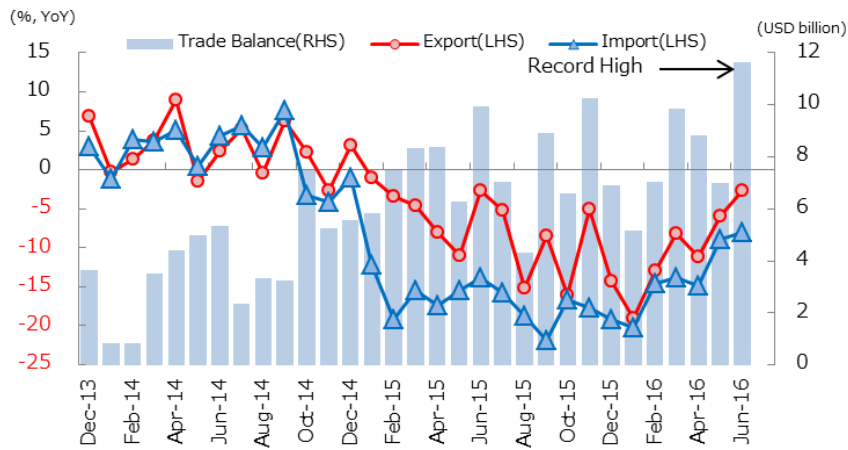
Source: CEIC, SMAM

Up to May 2016

South Korea

- Stronger-than-estimated real GDP for Apr-Jun came in at +3.2% YoY, rising from +2.8% YoY. On a QoQ basis, it also improved to +0.7% QoQ from +0.5% QoQ, just above the consensus (+0.6% QoQ). The uptick was due to an acceleration of private consumption thanks to an extension of the tax cut for car purchases until June and discounts on home appliances.
- However, we think the private consumption growth to be weakened as contents of the supplemental budget for FY2016 do not include car tax deduction and benefits for energy-efficient appliances. Furthermore, capex seems to be difficult to maintain the current upward trend after 2H16 refereeing to the low operating rate.
- We consider exports to rebound toward Oct-Dec after a dip in Jul-Sep due to weak China's economic momentum by floods. Nevertheless, toward 2017, exports would turn to drop reflecting losing momentum of trading partners.

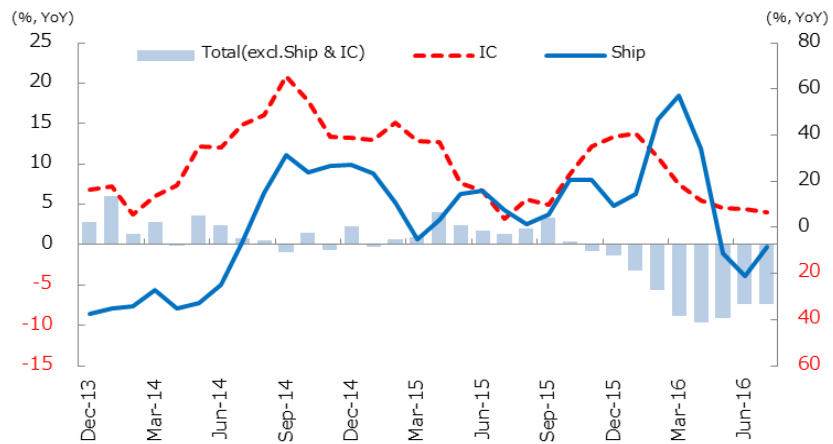
Trade Balance



Source: CEIC, SMAM

Up to June 2016

Export (3M total)



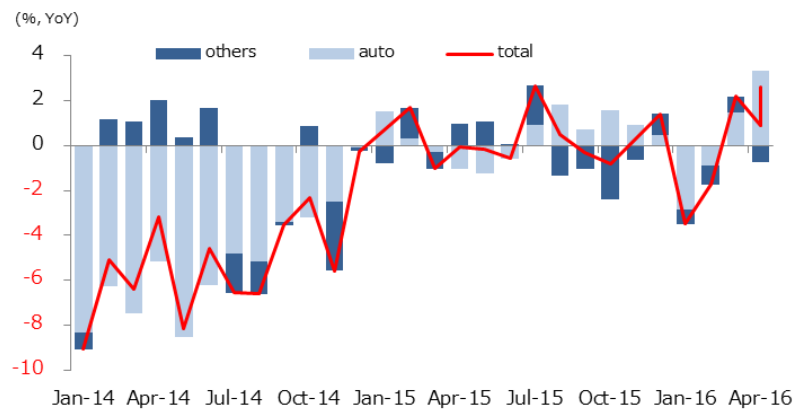
Source: CEIC, Datastream, SMAM

Up to June 2016

Thailand

- In July, the Bank of Thailand (BOT) left the policy rate unchanged at 1.50% as expected. The decision was unanimous with six members' approval. In the statement, the Monetary Policy Committee (MPC) said the economy is recovering, but also showed concern over downside risks due to the global economy. Reflecting weak Nikkei Manufacturing PMI (July: 49.3, June: 49.4), we expect BOT would cut rate in September.
- We expect the economic growth to decelerate in 2H16 hit by severe drought and weak auto sales. Yet, public investment and tourism can support domestic demands.

Industrial Production Growth



Source: CEIC, SMAM

Up to May 2016

Public Investment Growth

(%, YoY)

Q1 15	123.2
Q2 15	32.4
Q3 15	2.1
Q4 15	65.1
Q1 16	23.8
Q2 16	31.7
Apr-16	10.8
May-16	50.8
Jun-16	31.9

Source: Ministry of Finance, CEIC, SMAM

Up to June 2016

Outlook for Asian Stock Markets

Stock Market Performance - Global

Indices as of 31 Jul 2016	Px Last	Mtd	Qtd	Ytd	3m	1yr	2yr	3yr
S&P 500 INDEX	2,173.60	3.6%	3.6%	6.3%	5.2%	3.3%	12.6%	28.9%
DOW JONES INDUS. AVG	18,432.24	2.8%	2.8%	5.8%	3.7%	4.2%	11.3%	18.9%
NASDAQ COMPOSITE INDEX	5,162.13	6.6%	6.6%	3.1%	8.1%	0.7%	18.1%	42.3%
STOXX Europe 50 € Pr	2,877.62	2.3%	2.3%	-7.2%	0.7%	-16.2%	-3.4%	6.6%
NIKKEI 225	16,569.27	6.4%	6.4%	-12.9%	-0.6%	-19.5%	6.1%	21.2%
TOPIX	1,322.74	6.2%	6.2%	-14.5%	-1.3%	-20.3%	2.6%	16.9%
BRAZIL BOVESPA INDEX	57,308.21	11.2%	11.2%	32.2%	6.3%	12.7%	2.6%	18.8%
RUSSIAN RTS INDEX \$	927.57	-0.3%	-0.3%	22.5%	-2.5%	8.0%	-23.9%	-29.4%
BSE SENSEX 30 INDEX	28,051.86	3.9%	3.9%	7.4%	9.5%	-0.2%	8.3%	45.0%
HANG SENG INDEX	21,891.37	5.3%	5.3%	-0.1%	3.9%	-11.1%	-11.6%	0.0%
HANG SENG CHINA AFF.CRP	3,713.94	2.5%	2.5%	-8.3%	-0.9%	-16.0%	-21.3%	-9.0%
HANG SENG CHINA ENT INDX	8,958.97	2.8%	2.8%	-7.3%	0.2%	-19.5%	-19.5%	-7.2%
CSI 300 INDEX	3,203.93	1.6%	1.6%	-14.1%	1.5%	-16.1%	36.3%	46.1%
TAIWAN TAIEX INDEX	8,984.41	3.7%	3.7%	7.8%	7.2%	3.7%	-3.6%	10.8%
KOSPI INDEX	2,016.19	2.3%	2.3%	2.8%	1.1%	-0.7%	-2.9%	5.3%
STRAITS TIMES INDEX	2,868.69	1.0%	1.0%	-0.5%	1.1%	-10.4%	-15.0%	-11.0%
FTSE Bursa Malaysia KLCI	1,653.26	0.0%	0.0%	-2.3%	-1.2%	-4.1%	-11.7%	-6.7%
STOCK EXCH OF THAI INDEX	1,524.07	5.5%	5.5%	18.3%	8.5%	5.8%	1.4%	7.1%
JAKARTA COMPOSITE INDEX	5,215.99	4.0%	4.0%	13.6%	7.8%	8.6%	2.5%	13.1%
PSEI - PHILIPPINE SE IDX	7,963.11	2.1%	2.1%	14.5%	11.2%	5.5%	16.0%	19.9%
HO CHI MINH STOCK INDEX	652.23	3.2%	3.2%	12.6%	9.0%	5.0%	9.4%	32.6%
S&P/ASX 200 INDEX	5,562.36	6.3%	6.3%	5.0%	5.9%	-2.4%	-1.3%	10.1%
NZX 50 INDEX	7,348.13	6.5%	6.5%	16.2%	7.7%	24.1%	42.2%	61.9%
MSCI World Free Local	424.42	4.0%	4.0%	2.0%	4.0%	-3.1%	6.5%	20.4%
MSCI All Country Asia Ex Japan	645.79	3.9%	3.9%	3.6%	4.7%	-3.9%	-6.8%	6.1%
MSCI EM Latin America Local	71,205.98	6.4%	6.4%	20.1%	3.9%	6.2%	-2.0%	7.0%
MSCI Emerging Markets Europe M	481.23	3.1%	3.1%	7.3%	-0.7%	-1.8%	-0.9%	9.7%

Note: All data are as of 31 July 2016

Compiled by SMAM based on Bloomberg

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

Outlook for Global Markets

- ▣ We revised down our outlook for Asian equity market for coming 3 to 6 months given its limited support from valuation side under subdued recovery of corporate earnings.

Outlook for Asia Pacific Region

- ▣ Macro economy in most of Asian countries will show some recovery in 2016, but the momentum is not so strong.
- ▣ Although Chinese economy will continue to slow down gradually, policy support is expected to avoid hard landing.
- ▣ The recovery of corporate earnings will be moderate towards 2016 as overall global economy stabilizes.
- ▣ Liquidity condition is improving thanks to the delay of US rate hike
- ▣ Overall market environment has been stabilized, however it seems to be priced in given 12 months forward PER has already reached to upper end after Lehman crisis.

Note: As of 27 July 2016

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	- China economy seems to be stabilized. - Pressure for Asset price is eased but underlying economy is weak. Relatively big impact by Brexit. - Attractive valuation with good corporate fundamentals.	Stable More focus on Economy side.	X The pace of recovery is slower than expected. O Tightening policy for property is behind us.	Potential pressure for HIBOR if financial Mkt become shaky by Brexit. / Inflation will be moderate.	CA surplus continues but it is narrowing.	Stable, pressure for weaker HKD is eased.	x Revision is weak, but momentum is improving.	Fair on PER, attractive on PBR
China	- Tough challenge towards New Normal. - We expect gradual slowdown of macro economy. More Policy support to avoid hard landing. - Relatively limited impact by Brexit. - Booming property Mkt is a potential concern.	Stable, but becomes less clear.	Gradual slowdown is expected, however hard landing should be avoided. Structural rebalancing is a key challenge.	X Excessive accommodative monetary policy should be adjusted. / Int. rate will stay sideways / Inflationary pressure is eased.	Surplus- but it is declining The degree of capital outflow is eased but it remains a big concern.	x Revision is weak, but momentum is improving.	O very attractive in the long term, but <u>it has come back to above average since 2010.</u>	
Taiwan	- Export orders are bottomed out, but the pace of economic recovery should be slow. Some negative impact by Brexit. - Inventory correction on IT is progressed. - Attractive valuation with high Dividend Yield.	Cross strait risk is increasing under DPP president.	x The pace of economic recovery is slower than expected.	First rate cut for last 6 years. O Further rate cut is expected. ↑ / Inflation will be stable. / Liquidity is improving.	Surplus will expand	Stable / Likely to be appreciated if Mkt turns Risk-on mode.	O Revision has turned positive. ↑	O attractive
Korea	- Still in the transition. Structural re-rating will not happen soon. - High level of inventories and slow adjustments - Some negative impact by Brexit but Strong JPY is supportive.	Less stable as President Park's party loses majority	X Growth outlook is weakening due to subdued export environment in China.	O Unexpected rate cut and easing bias continues / Inflation will be stable / Liquidity is improving.	Surplus will remain high	Downward bias in the near term. BOK raised concerns for too much weakening of KRW.	O Revision has turned positive.	PE has already come back to above historical average. Attractive on PBR.
Singapore	- Stable Mkt and policy headwind is easing. - Weak economy will continue due to slowdown of Chinese economy. Relatively big impact by Brexit. - Attractive valuation.	The landslide victory of PAP should create political stability.	x Slower economic growth is expected due to slowdown of Chinese economy.	O The MAS surprised by easing policy / SIBOR rate is stabilized ; Inflation is stable. / M2 growth rate is weakening.	High level of Trade & CA Surplus will continue.	Downward pressure due to easing policy by MAS / Likely to be appreciated if Mkt turns Risk-on mode.	x Revision is weak.	Fair on PER, attractive on PBR
Malaysia	- Mounting uncertainty in both politics and economy. - Investor's sentiment is improving, however Brexit has become a big concern.	x 1MDB has become a risk factor again. Political turmoil is still there.	x GDP growth is expected to slow in 2016. However the government can brake downward pressure by off-budget disbursement.	Unexpected rate cut in July. O Additional rate cut is expected in 4Q16 given MYR stabilization. ↑ / Inflation will mildly pick up. / M2 growth rate is bottomed out.	Surplus will be narrowed due to lower crude oil price. CPO stock to export ratio is increasing.	Stabilizing under little concern for US rate hike.	x Revision is weak.	Fair (Rich on PER, but fair on PBR)
Thailand	- Economy is expected to bottom out. - Investor's sentiment is improving. - Some negative impact by Brexit but weaker currency and accommodative monetary policy is supportive.	Military gov should continue at least until 2017. Strong leadership of deputy prime minister Somkid.	Fiscal stimulus supports the economy, but sluggish auto industry and drought should be drugs.	O Rate cut is expected in 3Q16 under weak economy. / Inflation will be stable. M2 growth rate should remain low.	Surplus will continue.	Stabilizing under little concern for US rate hike.	x Revision is weak, but momentum is improving.	Rich on PER, fair on PBR,
Indonesia	- Solid economic growth supported by public investment. - IDR is stabilizing given little concern for US rate hike. - Limited impact by Brexit. Investor's sentiment is improving supported by tax amnesty law.	Political situation is stabilized as Golkar joins ruling coalition	O Economy is expected to recover supported by lower gasoline price and public investment.	O Additional rate cut is possible in 3Q16 given IDR stabilization. ↑ / Lower inflation due to lower gasoline price.	CA deficit will continue to maintain at current level. ↑	Stabilizing under little concern for US rate hike.	x Revision is weak, but momentum is improving.	Fair (Rich on PER, but fair on PBR)
Philippines	- Still the bright spot. Limited impact by Brexit. - Sustainability is key.	Stable. Realistic economic policy by Duterte.	O Steady growth. Less impact by global economy.	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.	Stabilizing under little concern for US rate hike.	Revision is almost flat.	Rich on PER, fair on PBR
India	- Solid macro economy. Inflation is stabilized. - Relatively immune to the situation of global macro but it is a consensus OW Mkt. Limited impact by Brexit. - Investor's sentiment is improving supported by GST.	Potential of economic reform continues BJP is gaining momentum.	O High Growth rate will continue driven by domestic consumption.	O Wait and see stance for further rate cut / Inflationary pressure peaked out.	X Trade / CA deficit will gradually increase.	Stabilizing under little concern for US rate hike. Currency risk continues.	x Revision is weak, but momentum is improving.	Fair (Rich on PER, but fair on PBR)
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	
Vietnam	Steady upside can be expected supported by solid economic growth.	Step Down of PM Dung is negative for reform	solid recovery	Lower interest rate environment / Benign Inflation	Trade / CA surplus will be narrowed.	Gradual depreciation	Improving	Within FV range.

Market Focus (i): Philippines – Overweight continued

【Summary】

We maintain bullish stance on stable fundamentals led by domestic demands. Concerns over inflation are easing amid slump in oil prices. After powerful President Rodrigo Duterte was newly elected, the progress of PPP, which tends to be delayed, would draw attention.

- ▣ The macro economy seems to show a possible declining trend, however, remains firm so far supported by relatively low export dependence and stably expanded Oversea Filipino Worker (OFW) remittance.
- ▣ Under benign inflationary environment due to oil price fall, the monetary tightening has already finished.
- ▣ From a historical perspective, the stronger USD is relatively positive to Philippines' equity market.
- ▣ We keep a wait-and-see attitude on the ability of the new President. However, his leadership such as ability for action would be strong judging from his past experience as the former mayor of Davao City.
- ▣ Selective stock selection focused on those that benefit significantly from a recovery in the domestic economy.

Market Focus (ii): Taiwan – Overweight continued

【Summary】

Amid continuing moderate recovery in the global economy, we take a stance for selecting stocks that hold a growth driver, carefully.

- Despite a slower than expected recovery of IT related products, inventory correction is expected to be progressed. Weak sales for iPhone have been factored into the Taiwan's market. We would hold stocks which are expected to expand the orders from Apple.
- In 2016 Presidential election, Democratic Progressive Party (DPP) led by a chairwoman Tsai Ing-wen won as expected and secured a majority in the legislature for the first time in history. Whereas big concerns over cross-strait relations still remain, the policy implementation is foreseen to be improved.
- As for the financial sector, we continue to take cautious stance especially for insurance firms on worries over severe investment environment.

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