

Volatility in China A-Shares Expected to Persist

China's A-share market slid almost 4.0% last week amid fears over tighter liquidity in the domestic financial markets. Speculation that the People's Bank of China (PBOC) would cut back on monetary stimulus following signs of a pick-up in growth, added to market jitters. While there has yet to be an official statement from the central bank, the PBOC has reportedly said in a briefing to local media that future policy operations, while observing the need to continue supporting growth, would also pay attention to macroeconomic risks, especially an over expansion of corporate leverage.

The surge in total social financing in March has raised concerns that the economy is continuing to rely on debt for growth. China's economy grew 6.7% in the first quarter, with growth underpinned by a notable acceleration in industrial production and fixed asset investment (FAI), and a continued rebound in property prices. There are concerns that the emphasis placed on monetary and fiscal policy loosening to stabilise GDP growth at the desired level of between 6.5-7.0%, has distracted from the reform agenda that is key to longer term economic sustainability.

This said, we expect China's quest for economic reforms to continue, albeit at an uneven pace. Economic challenges remain, as the government seeks to balance the effects of growth and reform. From an investment standpoint, we believe that the next three to five years will see an emergence of 'winners', i.e. leading companies that are highly efficient, from the traditional industries that are undergoing painful consolidation amid this economic transition.

Overall, we expect volatility in the Chinese market to stay elevated. In spite of that, valuations have improved after the recent market correction and this provides us the opportunity to invest in select quality Chinese corporates that stand to benefit from China's economic restructuring theme in the longer run, at more reasonable valuations.

	Value	% w/w Change
Equities		
Dow Jones Indus. Avg	18,003.8	+0.6
S&P 500 Index	2,091.6	+0.5
MSCI AC Asia Pacific	133.1	+0.6
S&P/ASX 200 Index	5,236.4	+1.5
Hang Seng Index	21,467.0	+0.7
Ho Chi Minh Stock Index	592.5	+2.2
Jakarta Composite Index	4,914.7	+1.9
FTSE Bursa Malaysia KLCI	1,718.0	-0.6
KOSPI Index	2,015.5	+0.0
Karachi 100 Index	33,739.5	-0.1
S&P Bse Sensex Index ¹	25,838.1	+0.8
Shanghai Se Composite	2,959.2	-3.9
Stock Exch Of Thai Index ²	1,410.8	+1.8
Straits Times Index	2,940.4	+0.6
Taiwan TAIEX Index	8,535.8	-1.9
TOPIX Index (Tokyo)	1,407.5	+3.4
Bonds / Currencies		
US 10YR Treasuries	1.8878	+14bps
EUR/USD	1.1222	-0.5
USD/JPY	111.79	+2.8
GBP/USD	1.4403	+1.4
Commodities		
Gold (Spot)	1,232.5	-0.1
Crude Oil (WTI)	43.7	+8.3
RJ/CRB Commodity Index	179.7	+3.5

Source: Bloomberg (last trading price for week ended 22 April)



Disclaimer

This publication is for information only. Any opinion or view presented by Fullerton Fund Management Company Ltd ("Fullerton") [UEN: 200312672W] is subject to change without notice. Past performance or any prediction projection, or forecast is not necessarily indicative of future performance. Information herein may contain projections or other forward looking statements regarding future events or future financial performance of countries, markets or companies and investors must assess the relevance, accuracy and adequacy of the information, and perform independent investigations as deemed necessary. Please note that the securities mentioned herein should not be considered a recommendation to purchase or sell any particular security. This publication prepared without regard to the specific investment objectives, financial situation or needs of any investor. Although the information was compiled from sources believed to be reliable, no liability for any error or omission is accepted by Fullerton or its affiliates or any of their directors or employees for any loss whatsoever arising directly or indirectly from any use of this publication. Investments are subject to risks, including possible loss of principal amount invested.

For additional information on Fullerton and its funds, please contact:

Fullerton Fund Management Company Ltd
60B Orchard Road #06-18 Tower 2
The Atrium@Orchard Singapore 238891

T +65 6828 6100 fullertonfund.com
F +65 6828 6484 info@fullerton.com.sg