Global Monthly Outlook

April 2020 (covering March 2020)

Index	March (%)	YTD (%)
MSCI World	USD -13.2	-20.9
S&P 500	USD -12.4	-19.6
MSCI Europe	EUR -14.3	-22.5
MSCI Asia Pac ex Japan	USD -14.0	-20.7
Hong Kong Hang Seng	HKD -9.5	-15.9
Hang Seng China Enterprises (H-shares)	HKD -6.9	-14.1
Topix	JPY-6.0	-17.5

Source: Thomson Reuters Datastream, total returns in local currency unless otherwise stated. Data as of March 31, 2020. YTD refers to year-to-date.

Global Outlook

The global equity market rout continued through March as the human and economic cost of the Covid-19 pandemic mounts. Against this backdrop, central banks around the world have taken aggressive action to support local markets and the global economy as a whole as world-wide recessionary fears grow higher. Amid a surge in demand for perceived 'safe haven' assets, investors have had to weigh up the positive influence of central bank easing policies against an expected surge in borrowing from unprecedented levels of fiscal stimulus, sparking volatility in government bonds over the period.

United States

- The longest-ever bull market in US history ended abruptly in March with markets close to breaking under the weight of the coronavirus. The S&P 500 recorded its biggest quarterly decline since 2008 with the Dow Jones Industrial Average having its worst showing since 1987.
- We would expect deep contraction in US economic growth for the next couple of quarters, followed by an economic recovery driven by pent-up demand.

Europe (including UK)

- European and UK equities fell sharply over the month as widespread lockdowns fuel sell-off across European equity markets. Against this backdrop, investors fled stocks in search of 'safer' assets and all sectors of the broad equity market returned negatively, with financials and energy faring worst.
- We expect to see a lot of messy economic data points over the next few months. We would suggest taking some of the coming months' data with a pinch of salt and instead focus on the longer-term drivers in Europe.

Asia Pacific (ex Hong Kong ex China ex Japan)

- Asian equity markets were generally weak over the month as investor sentiment was negative across asset classes amid the widening spread of Covid-19. However, losses were pared with central banks introducing notable monetary and fiscal stimulus to counter the ensuing economic slowdown.
- We believe market volatility will remain heightened in the near term as there is high uncertainty regarding the scale and duration of COVID-19 outbreak; but given governments' strong containment measures and easing policies, the situation will gradually stabilize and improve, leading to a gradual recovery.

Hong Kong and Mainland China (H-shares)

- Chinese equities finished lower in March. It however maintained its outperformance against global peers as majority of businesses restored normal operations and its economy is on the path to recovery. Hong Kong equities declined performed roughly in-line with the region.
- We believe Chinese equities will continue to outperform as it is ahead of the curve in virus containment and business resumption. In Hong Kong, the government have announced relief measures to combat growth headwinds, which should help support growth expectations.

Japan

- Japan's equity market ended the month lower on acceptance that the coronavirus outbreak will tip the economy into recession. Japanese equities saw some recovery over the second half of the month as stimulus packages were announced both domestically and globally.
- Japanese corporate have been continuing to buy Japanese equity. This fact underpins our long-term constructive view that shareholders' engagements are rising, and corporate governance is making strides as a result. We believe that corporate governance reform continues to progress leading improvements in capital efficiency and profitability in Japan.

Fixed Income

- The impact of the measures taken by governments across the world to fight the Covid-19 pandemic was the main driver of market returns in the month. By end of March, most countries across the world had introduced some form of lockdown on their populations. The prospect of an abrupt stop to a significant amount of global economic activity drove risk assets to fall sharply.
- The recovery from this sharp downward shock is dependent on how well the spread of the virus is contained, how quickly countries will be able to ease up social distancing and implement impactful, growth-oriented policies.

Emerging Markets

- Emerging equity markets fell sharply in anticipation of a global recession as the spread of Covid-19 intensified. Sharp falls led by Latin America as impact of collapse of oil price and lockdowns deepens. India was one of the weakest performing equity markets in Asia along with Indonesia and the Philippines.
- We believe that valuations in emerging equity markets are relatively attractive, trading at a discount to their peers in the developed world, with selective long-term stock picking opportunities remaining.

From the perspective of Hong Kong pension investing. All data are sourced from Invesco dated April 23, 2020, unless otherwise stated.

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