

# Monthly Market Review

Asia Pacific | January 2019

## Global economy:

- The Federal Reserve (Fed) raised policy rates by 25bps as expected. The latest forecasts suggest the Fed is still expecting respectable economic growth in 2019 of 2.3% and policy rates could be raised twice. This was a slightly more conservative view relative to September's forecasts. Meanwhile, the U.S. government entered a shutdown at the end of December over the funding of the border wall. (GTMA P. 27)
- China's National Bureau of Statistics Purchasing Managers' Index fell to 49.4 in December, below 50 for the first time since July 2016. Meanwhile, leaders of the Central Economic Work Conference, a key economic policy discussion forum, have pledged to cut taxes and fees, as well as increase the issuance of special-purpose local government bonds. Overall, the tone of the forum was for more economic stimulus to support growth. (GTMA P. 6, 8)

## Equities:

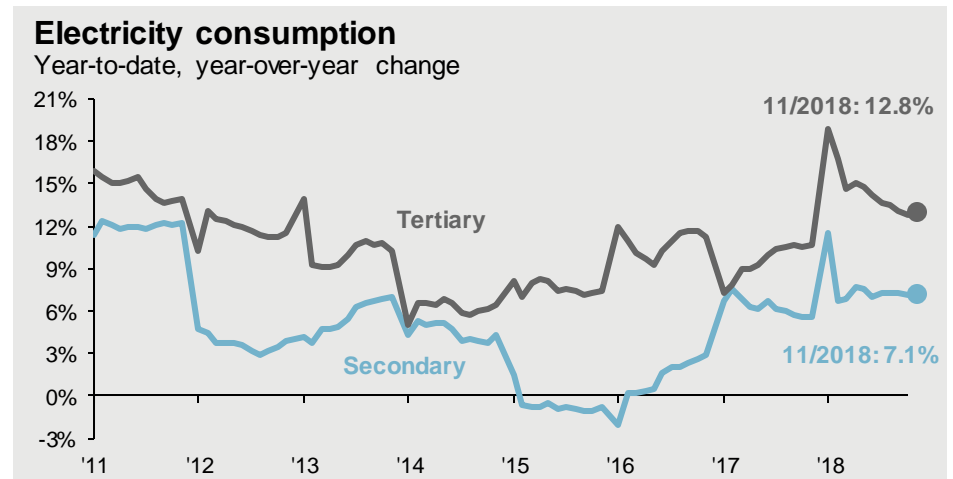
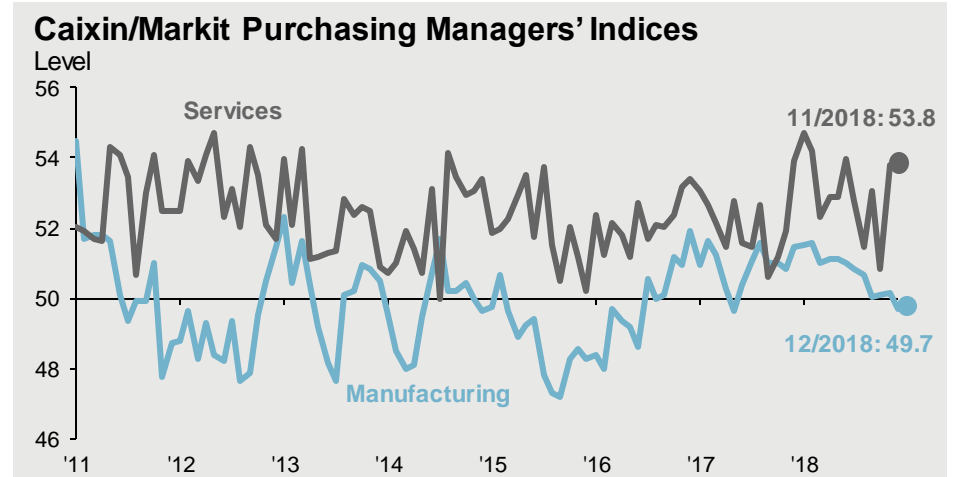
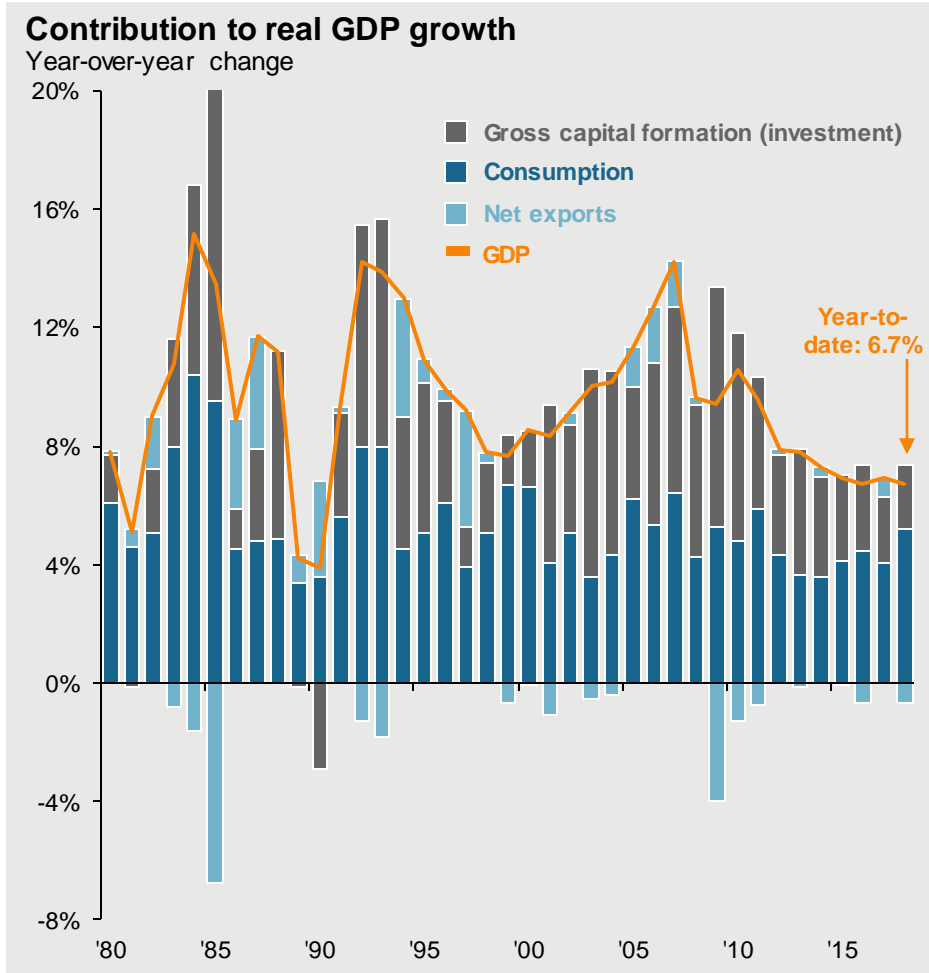
- U.S. equities continued to suffer heightened volatility in December. The S&P 500 was down over 9% in the month on the back of more cautious market sentiment and reduced liquidity. However, this also allowed for valuation to de-rate significantly to more attractive levels, with price to forward operating earnings at 14.3 times, 11% below its 25-year average. (GTMA P. 31, 34)
- In contrast to the challenging environment in the U.S., selected Asian equities showed greater resilience at the end of the year. India, Indonesia and the Philippines delivered positive returns in local currencies in December. While other Asian markets weakened, their losses were relatively small compared with the U.S. This reflects the sharp corrections seen across Asia earlier in the year, offering more buffer against tough market conditions. (GTMA P. 31, 39, 40)

## Fixed income:

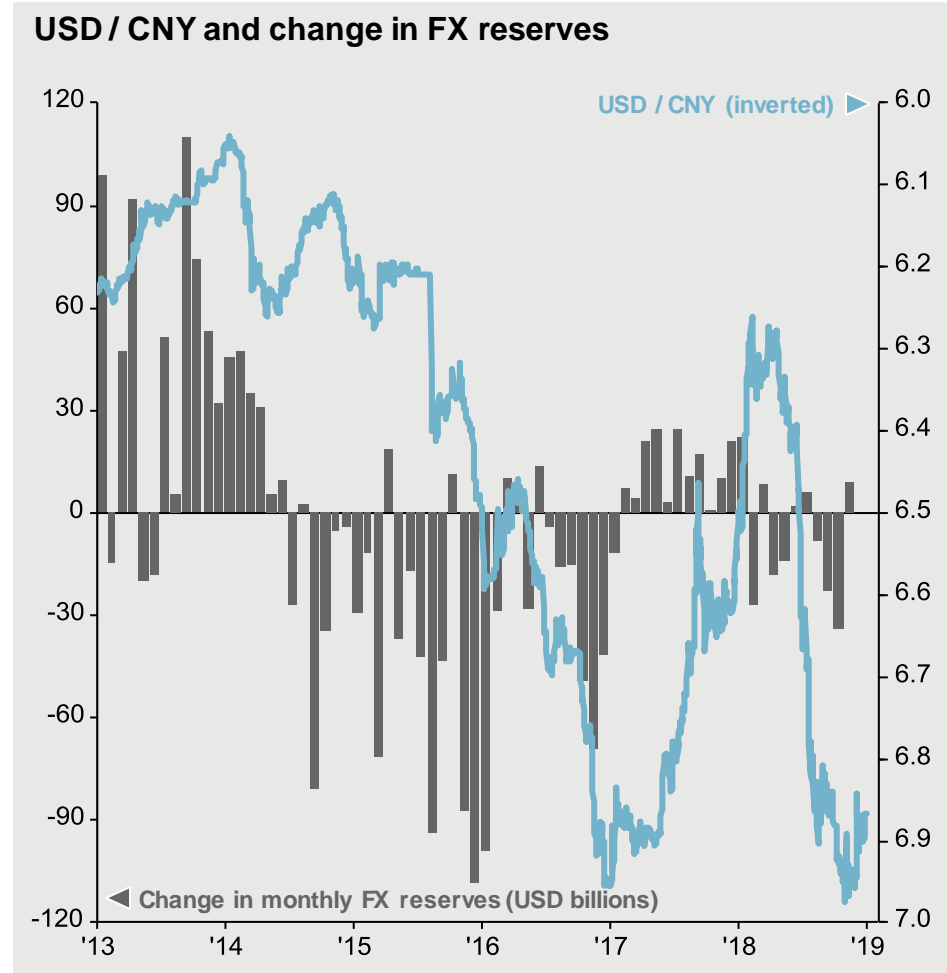
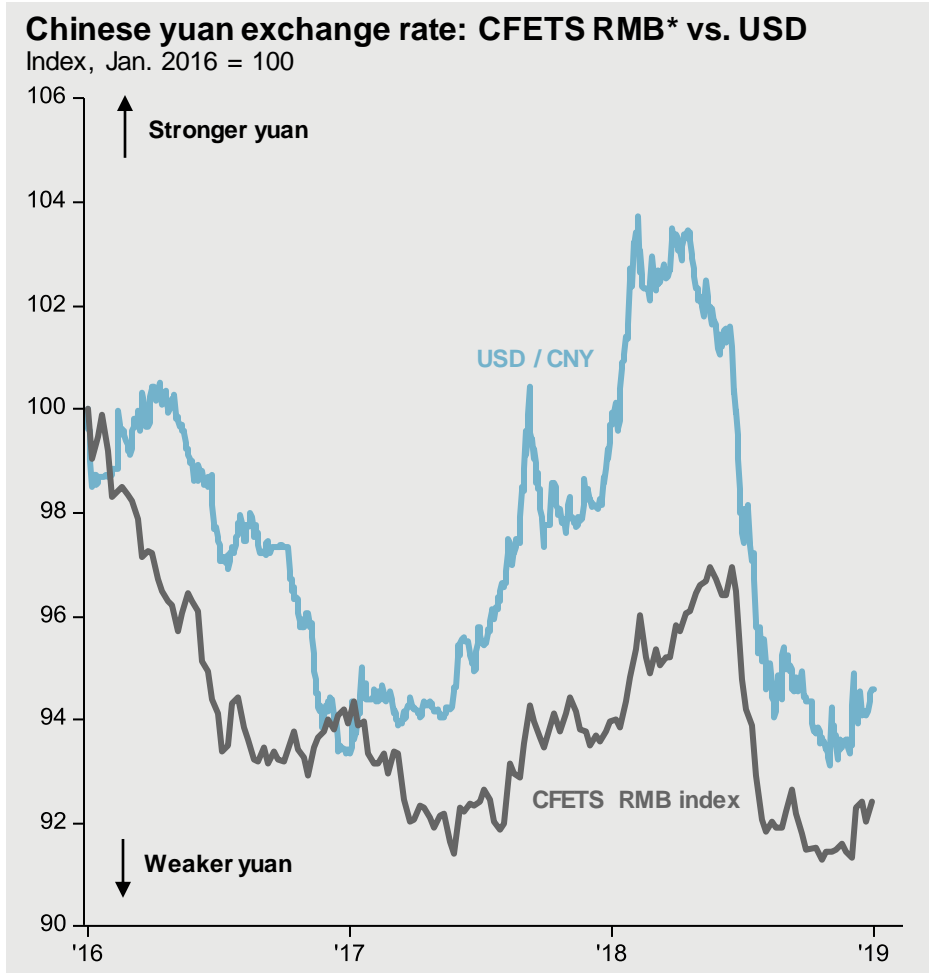
- The 10-year U.S. Treasury yield fell sharply in December due to equity market volatility and tempered expectations on Fed rate hikes in 2019. It fell below 3%, to under 2.7%, the lowest level since late January 2018. The 2-year yield also fell below 2.5% for the first time since June. The spread between 2- and 10-year yields has widened to 20bps. (GTMA P. 44, 48)
- Lower risk-free rates helped high grade corporate credit deliver positive returns in December despite a marginal widening of the credit spread (14bps). Concerns over corporate leverage hit high yield debt more, with 100bps of credit spread widening. Emerging market USD sovereign bonds and Asian corporate credit have enjoyed credit tightening as investors feel less concerned about EM debt stress with a more relaxed attitude on policy tightening by the Fed. (GTMA P. 46, 47)

## Other assets:

- The USD index lost 0.9% in the month as risk aversion pushed the Japanese yen stronger. The euro also gained against the U.S. dollar in the month as investors increasingly anticipate the end of the U.S. rate hiking cycle. Meanwhile, the Chinese yuan continues to strengthen away from 7 Chinese yuan to 1 U.S. dollar, along with the softening of the U.S. dollar. (GTMA P. 11, 57)
- Brent crude continued its decline in December, falling below USD 55pb, despite the Organization of the Petroleum Exporting Countries and Russia being willing to cut production by 1.2mn barrels per day. Lower yields have boosted gold, with the price of gold up 4.8% in the month to USD1,281/oz. (GTMA P. 60, 61)



Source: J.P. Morgan Asset Management; (Left) CEIC, National Bureau of Statistics of China; (Top right) Caixin/Markit, J.P. Morgan Economic Research; (Bottom right) CEIC, China Electricity Council.  
 Guide to the Markets – Asia. Data reflect most recently available as of 2/1/19.



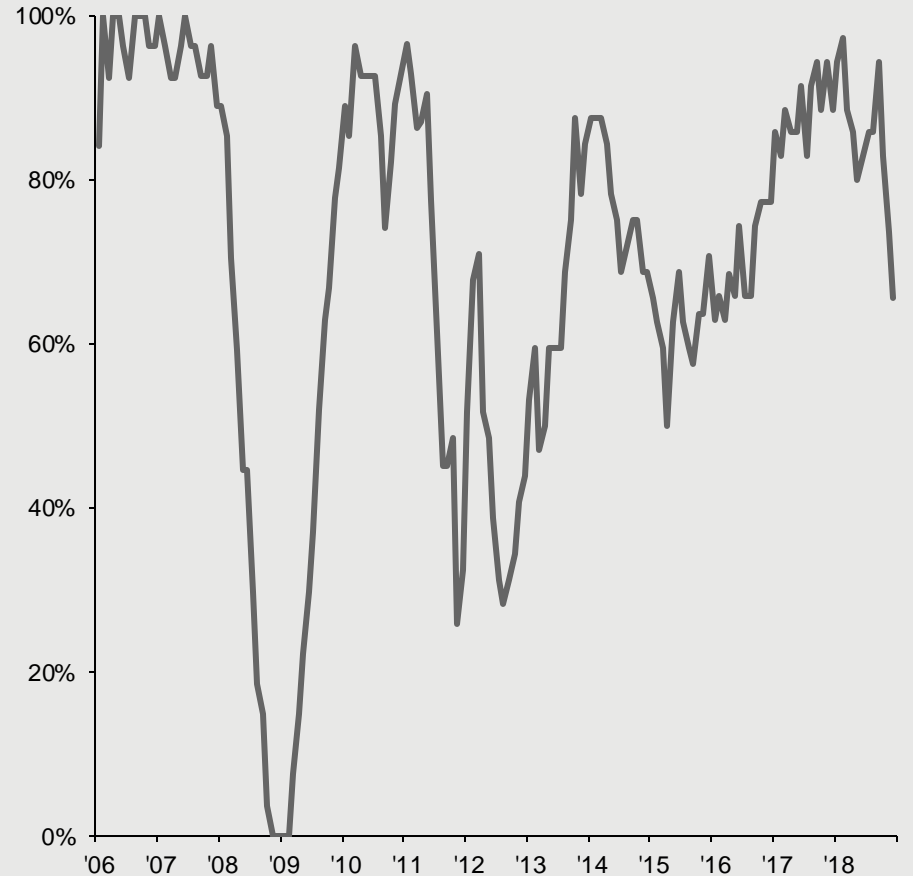
Source: FactSet, J.P. Morgan Asset Management; (Left) China Foreign Exchange Trade Center, J.P. Morgan Economic Research; (Right) People's Bank of China.  
 \*CFETS RMB index is the China Foreign Exchange Trade System basket of 24 currencies traded against the Chinese renminbi. Past performance is not a reliable indicator of current and future results.  
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**Developed and emerging market manufacturing PMI\***



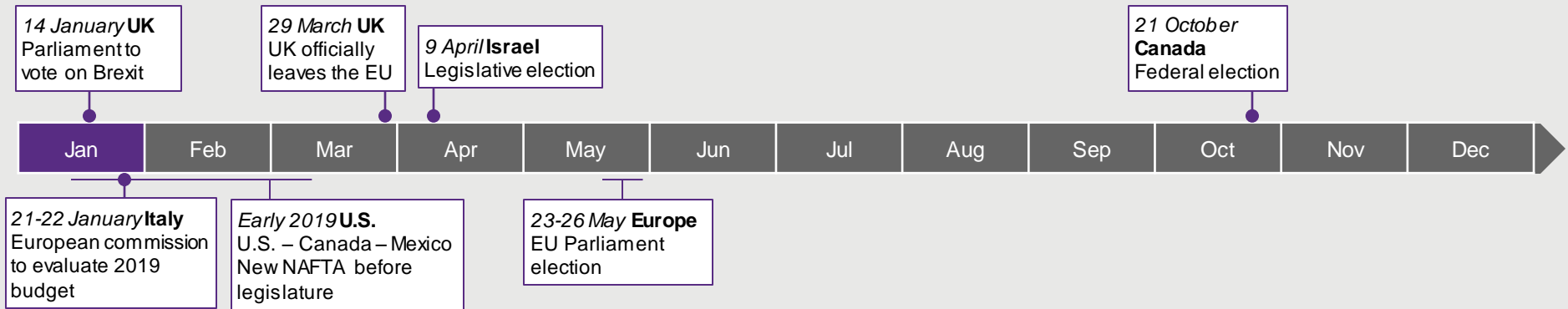
**Global manufacturing activity**

% of markets in expansionary territory\*\*

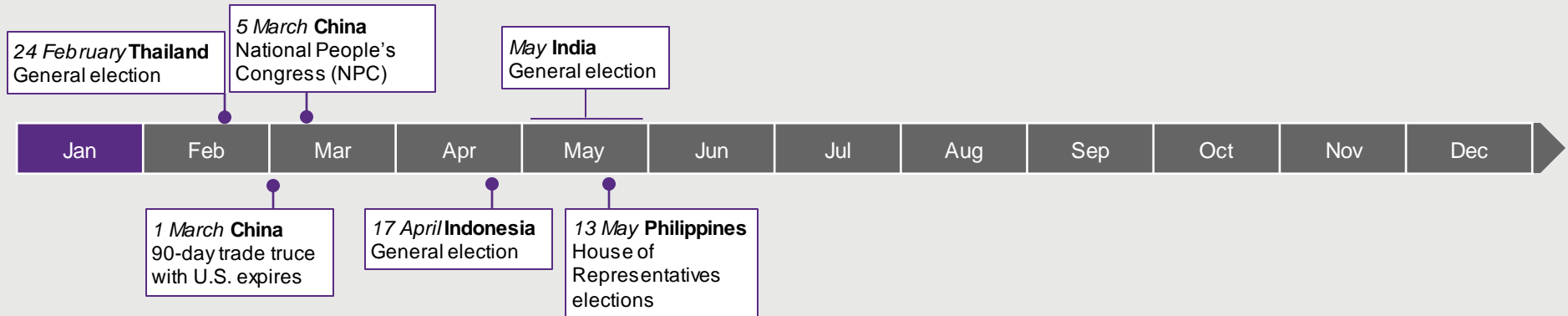


Source: Australian Industry Group, J.P. Morgan Economic Research, Markit, J.P. Morgan Asset Management. PMIs are relative to 50, which indicates contraction (below 50) or expansion (above 50) of the sector. \*Developed market includes Australia, Canada, Denmark, Euro area, Japan, New Zealand, Norway, Sweden, Switzerland, UK and U.S. Emerging market includes Brazil, Chile, China, Colombia, Croatia, Czech Republic, Hong Kong SAR, Hungary, India, Indonesia, Israel, Korea, Malaysia, Mexico, Philippines, Poland, Romania, Russia, Saudi Arabia, Singapore, South Africa, Taiwan, Thailand, Turkey and Vietnam. \*\*% of countries available with a manufacturing PMI above 50. *Guide to the Markets – Asia*. Data reflect most recently available as of 31/12/18.

**Developed markets political timeline**



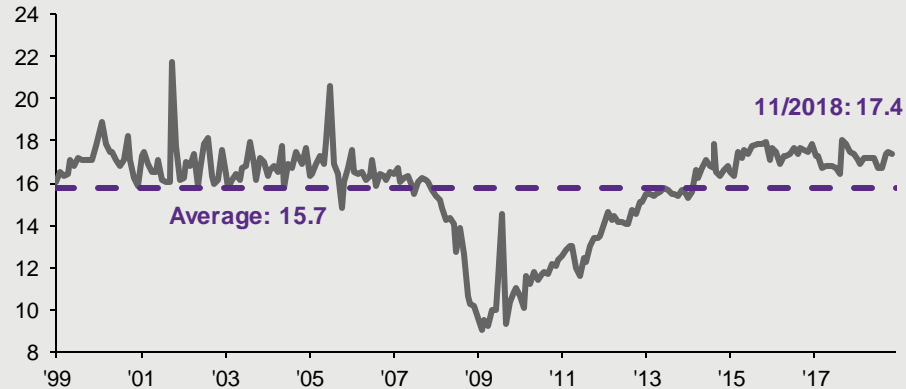
**Emerging markets political timeline**



Source: Bloomberg Finance L.P., J.P. Morgan Asset Management.  
 Guide to the Markets - Asia. Data reflect most recently available as of 31/12/18.

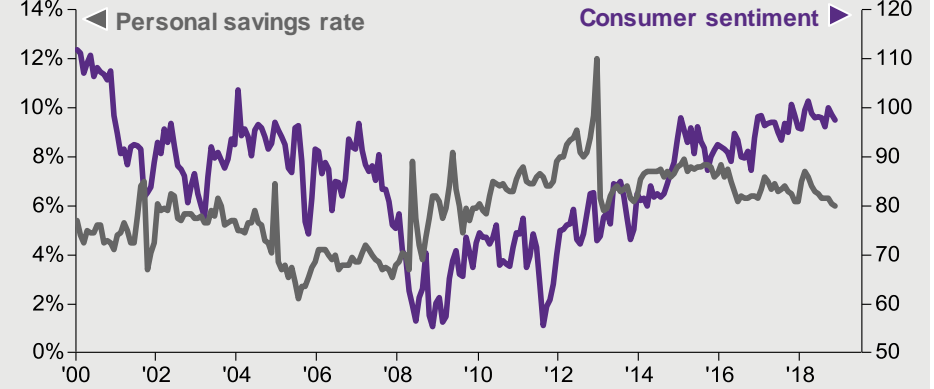
## Light vehicle sales

Millions, seasonally adjusted annualized rate



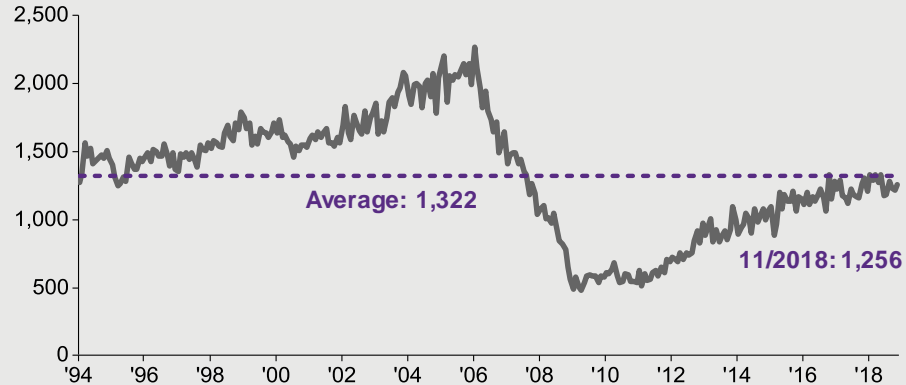
## Savings and sentiment

Savings rate



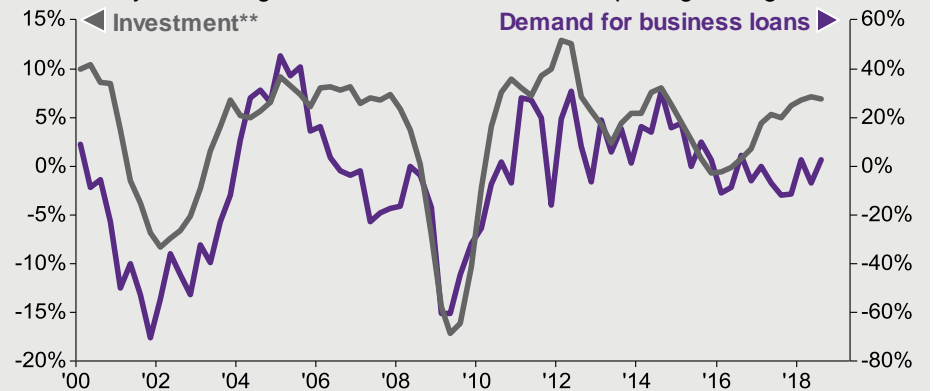
## Housing starts

Thousands, seasonally adjusted annualized rate



## Investment and demand for credit

Year-over-year change



Source: J.P. Morgan Asset Management; (Top left) U.S. Bureau of Economic Analysis; (Top right, bottom left and right) FactSet; (Bottom left and right) U.S. Census Bureau. \*Net percent of participants in the Senior Loan Officer Survey. \*\*Private investment in non-residential fixed assets in real terms. *Guide to the Markets - Asia*. Data reflect most recently available as of 31/12/18.

## U.S. business cycle indicators

	<i>Recent recessions</i>																
	1990	2001	2007	2017			2018										
	Jul	Apr	Dec	Oct	Nov	Dec	Jan	Feb	Mar	Apr	May	Jun	Jul	Aug	Sep	Oct	Nov
Real consumer spending SAAR (y/y)	2.6%	2.7%	1.2%	2.6%	2.8%	2.7%	2.5%	2.4%	2.2%	2.5%	2.6%	2.7%	3.0%	3.1%	2.7%	3.0%	2.8%
Light vehicle sales SAAR (mil.)	13.8	16.5	15.7	17.9	17.5	17.3	17.1	16.9	17.2	17.2	17.2	17.2	16.7	16.7	17.4	17.5	17.4
Housing starts SAAR (mil.)	1.17	1.65	1.04	1.27	1.30	1.21	1.33	1.29	1.33	1.28	1.33	1.18	1.18	1.28	1.24	1.22	1.26
ISM Mfg.	46.6	42.7	49.0	58.5	58.2	59.3	59.1	60.8	59.3	57.3	58.7	60.2	58.1	61.3	59.8	57.7	59.3
ISM Non-mfg.		48.2	53.2	59.8	57.3	56.0	59.9	59.5	58.8	56.8	58.6	59.1	55.7	58.5	61.6	60.3	60.7
Durable goods orders (y/y)		-11.9%	5.8%	1.3%	8.4%	10.5%	5.6%	11.3%	11.2%	8.5%	9.5%	3.1%	10.0%	12.1%	7.1%	6.8%	5.3%
Change in nonfarm payrolls (000s)	-36	-279	104	271	216	175	176	324	155	175	268	208	165	286	119	237	155
Avg. hourly earnings (y/y)	4.1%	4.0%	3.8%	2.2%	2.3%	2.4%	2.4%	2.5%	2.6%	2.6%	2.7%	2.8%	2.8%	2.9%	2.8%	3.2%	3.2%
S&P 500 net margin (%)		8.4%	9.7%	9.8%	9.6%	9.7%	9.7%	9.8%	9.8%	9.8%	10.0%	10.0%	10.1%	10.3%	10.4%	10.4%	10.7%
Monetary policy gauge (%)*	1.5%	0.3%	0.5%	-1.2%	-1.2%	-1.1%	-1.0%	-1.0%	-1.3%	-1.0%	-1.1%	-1.0%	-0.9%	-0.8%	-0.8%	-0.4%	-0.4%
Yield curve spread (bps)**	45	105	99	78	64	51	58	62	47	46	43	33	29	24	24	28	21
High yield credit spread (bps)***	718	779	597	408	411	404	372	389	410	387	403	406	383	387	365	418	464

Source: BEA, BLS, Department of Labor, FactSet, Institute for Supply Management, Standard & Poor's, U.S. Census Bureau, J.P. Morgan Asset Management. SAAR stands for seasonally adjusted annualized rate. \*Monetary policy gauge is the spread between the effective federal funds rate deflated by core Personal Consumption Expenditure price index and the Laubach Williams 2-sided estimate of the natural rate of interest. \*\*Yield curve spread is the spread between the 2-year and 10-year U.S. Treasury yields. \*\*\*High yield credit spread is the J.P. Morgan Domestic High Yield index spread-to-worst. Heatmap colors are based on each indicator's deviation from its average value during the start of the last 3 recessions (6/90 – 8/90, 3/01 – 5/01 and 11/07 – 1/08) using data where available. The exception to this is the yield curve spread, which is scored around 0. Colors closer to green denote early or mid-cycle behavior while colors closer to red denote late cycle or recessionary behavior.

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# Global and Asia equity market returns

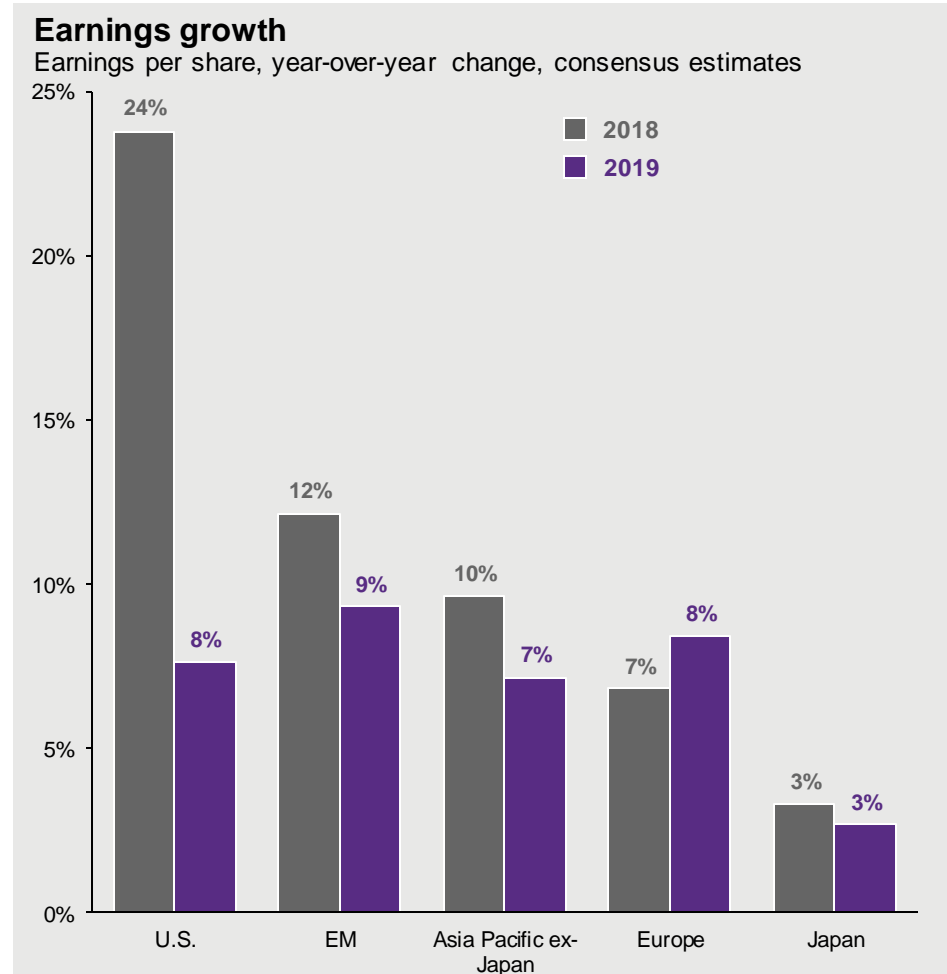
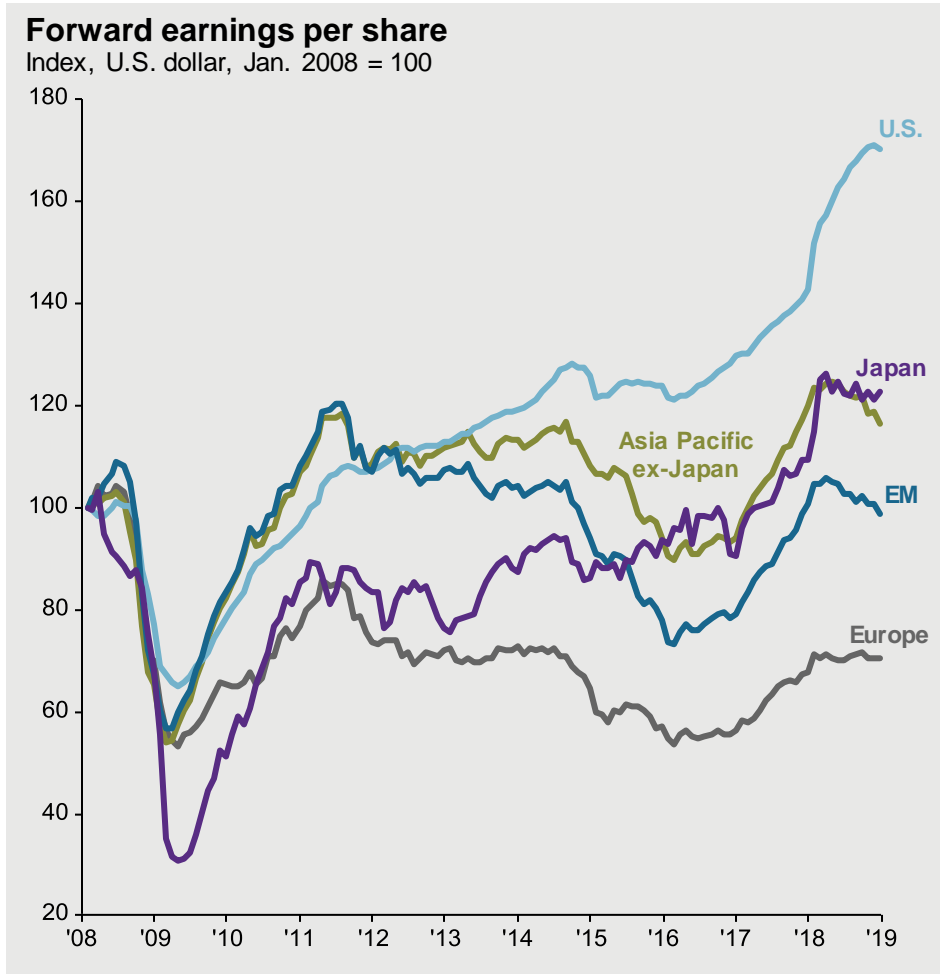
Equities

	2008	2009	2010	2011	2012	2013	2014	2015	2016	2017	2018	4Q '18	10-yrs ('09 - '18)	
													Ann. Ret.	Ann. Vol.
Japan	-29.1%	India	ASEAN	U.S.	India	U.S.	China A	Japan	Taiwan	China	U.S.	India	U.S.	China A
		102.8%	32.4%	2.1%	26.0%	32.4%	52.1%	9.9%	19.6%	54.3%	-4.4%	2.5%	13.1%	26.9%
U.S.	-37.0%	China A	Korea	ASEAN	China	Japan	India	China A	U.S.	Korea	India	ASEAN	Taiwan	India
		98.5%	27.2%	-6.1%	23.1%	27.3%	23.9%	2.4%	12.0%	47.8%	-7.3%	-3.4%	12.2%	25.7%
Taiwan	-45.9%	Taiwan	Taiwan	Europe	ASEAN	Europe	U.S.	U.S.	Korea	India	Taiwan	APAC ex- JP	ASEAN	Korea
		80.2%	22.7%	-10.5%	22.8%	26.0%	13.7%	1.4%	9.2%	38.8%	-8.2%	-8.8%	10.9%	23.7%
Europe	-46.1%	ASEAN	India	Korea	APAC ex- JP	Taiwan	Taiwan	Europe	APAC ex- JP	APAC ex- JP	ASEAN	China	India	China
		75.0%	20.9%	-11.8%	22.6%	9.8%	10.1%	-2.3%	7.1%	37.3%	-8.4%	-10.7%	10.7%	21.3%
ASEAN	-47.6%	APAC ex- JP	APAC ex- JP	Japan	Korea	Korea	China	India	ASEAN	China A	Japan	China A	APAC ex- JP	Taiwan
		73.7%	18.4%	-14.2%	21.5%	4.2%	8.3%	-6.1%	6.2%	32.6%	-12.6%	-12.2%	10.2%	19.3%
China	-50.8%	Korea	Japan	APAC ex- JP	Europe	China	ASEAN	Korea	Japan	ASEAN	APAC ex- JP	Europe	Korea	APAC ex- JP
		72.1%	15.6%	-15.4%	19.9%	4.0%	6.4%	-6.3%	2.7%	30.1%	-13.7%	-12.7%	10.1%	18.5%
APAC ex- JP	-51.6%	China	U.S.	China	Taiwan	APAC ex- JP	APAC ex- JP	China	China	Taiwan	Europe	Korea	China	Europe
		62.6%	15.1%	-18.2%	17.7%	3.7%	3.1%	-7.6%	1.1%	28.5%	-14.3%	-12.8%	8.5%	18.1%
Korea	-55.1%	Europe	China	Taiwan	U.S.	China A	Japan	APAC ex- JP	Europe	Europe	China	U.S.	China A	ASEAN
		36.8%	4.8%	-20.2%	16.0%	-2.6%	-3.7%	-9.1%	0.2%	26.2%	-18.7%	-13.5%	7.1%	17.3%
China A	-63.2%	U.S.	Europe	China A	China A	India	Europe	Taiwan	India	Japan	Korea	Taiwan	Europe	Japan
		26.5%	4.5%	-20.5%	10.9%	-3.8%	-5.7%	-11.0%	-1.4%	24.4%	-20.5%	-13.7%	6.8%	14.2%
India	-64.6%	Japan	China A	India	Japan	ASEAN	Korea	ASEAN	China A	U.S.	China A	Japan	Japan	U.S.
		6.4%	-8.4%	-37.2%	8.4%	-4.5%	-10.7%	-18.4%	-15.2%	21.8%	-27.6%	-14.2%	5.6%	13.6%

Source: FactSet, MSCI, Standard & Poor's, J.P. Morgan Asset Management.

Returns are total returns based on MSCI indices, except the U.S., which is the S&P 500 and China A, which are based on the CSI 300 index in U.S. dollar terms. China return is based on the MSCI China index. 10-yr total (gross) return data is used to calculate annualized returns (Ann. Ret.) and annualized volatility (Ann. Vol.) and reflect the period 31/12/08 – 31/12/18. Past performance is not a reliable indicator of current and future results.  
*Guide to the Markets – Asia*. Data reflect most recently available as of 31/12/18.

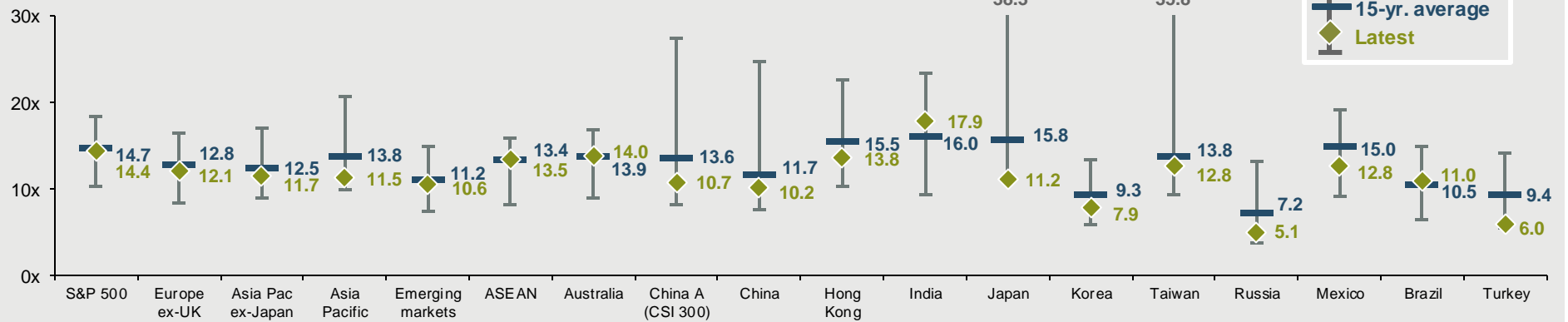




Source: FactSet, J.P. Morgan Asset Management. (Left) MSCI, Standard & Poor's; (Right) IBES. Asia Pacific ex-Japan, EM, Europe, Japan and U.S. equity indices used are the MSCI Asia Pacific ex-Japan, MSCI Emerging Markets, MSCI Europe, MSCI Japan and S&P 500, respectively. Consensus estimates used are calendar year estimates from IBES. Past performance is not a reliable indicator of current and future results. *Guide to the Markets – Asia*. Data reflect most recently available as of 31/12/18.

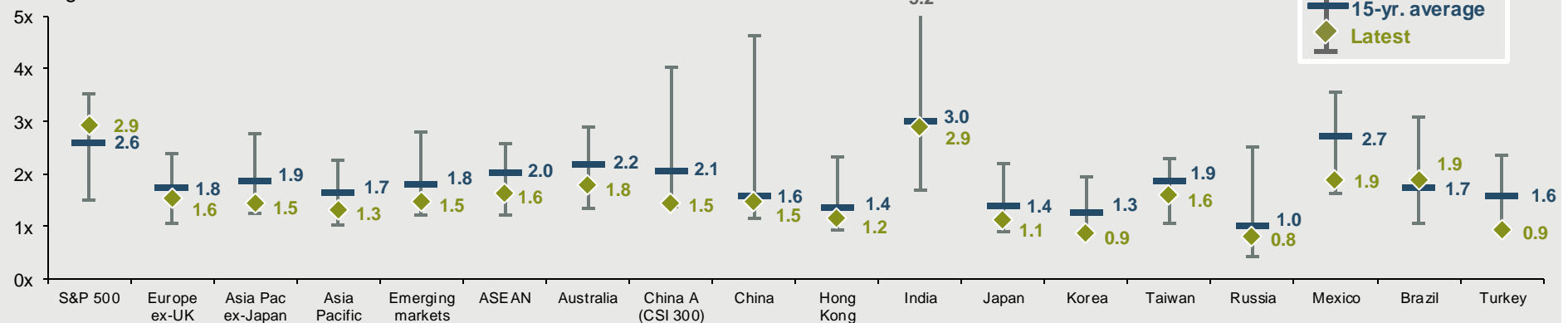
## Equity market valuations – Price to earnings

Forward P/E ratios



## Equity market valuations – Price to book

Trailing P/B ratios



Source: Bloomberg Finance L.P., China Securities Index, FactSet, MSCI, Standard & Poor's, J.P. Morgan Asset Management.

Price-to-earnings (P/E) and price-to-book (P/B) ratios are in local currency terms. China A valuations based on the CSI 300 Index and use 10 years of data due to availability. China valuation is based on the MSCI China. 15-year range for P/E and P/B ratios are cut off to maintain a more reasonable scale for some indexes.

Past performance is not a reliable indicator of current and future results.

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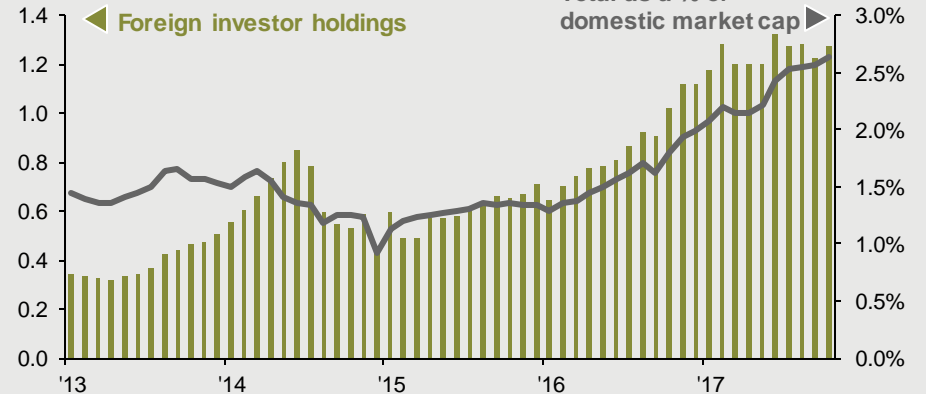
## Corporate earnings

Next 12-month consensus earnings per share, USD, Jan. 2013 = 100



## Foreign investors' holdings of onshore Chinese equities

RMB trillions



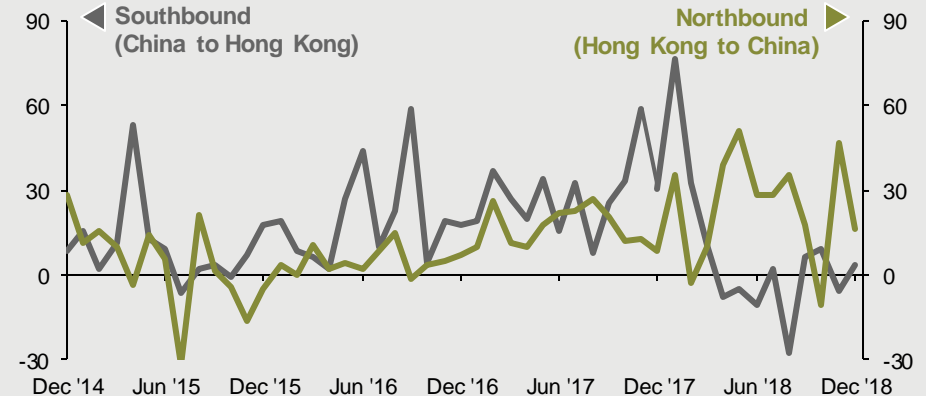
## Valuation of major indices

12-month forward P/E ratio



## Stock Connect monthly net flows

HKD billions



Source: J.P. Morgan Asset Management; (Top and bottom left) FactSet, MSCI; (Bottom left) Bloomberg Finance L.P.; (Top right) CEIC, People's Bank of China (Bottom right) CEIC, Hong Kong Exchanges and Clearing Limited. The CSI 300 represents onshore Chinese A-share large cap equities. MSCI China represents primarily offshore listed Chinese equities and the onshore equities included in MSCI benchmarks. Past performance is not a reliable indicator of current and future results. *Guide to the Markets - Asia*. Data reflect most recently available as of 31/12/18.

## Global bond opportunities

Sector	YTM	Duration* (years)	Correl. to MSCI AC World**	Correl. to 10-year UST
Asia HY	8.9%	4.3	0.66	-0.22
U.S. HY	8.0%	4.0	0.73	-0.27
Local EMD	7.2%	4.5	0.69	0.03
USD EMD	7.1%	6.7	0.60	0.18
USD Asian	5.6%	5.1	0.57	0.20
Europe HY	5.2%	3.8	0.77	-0.29
U.S. IG	4.2%	7.1	0.34	0.46
U.S. Treasury	2.6%	6.1	-0.27	0.99
Cash	2.4%	0.2	-0.08	-0.01
DM Gov't	1.6%	8.0	0.28	0.57

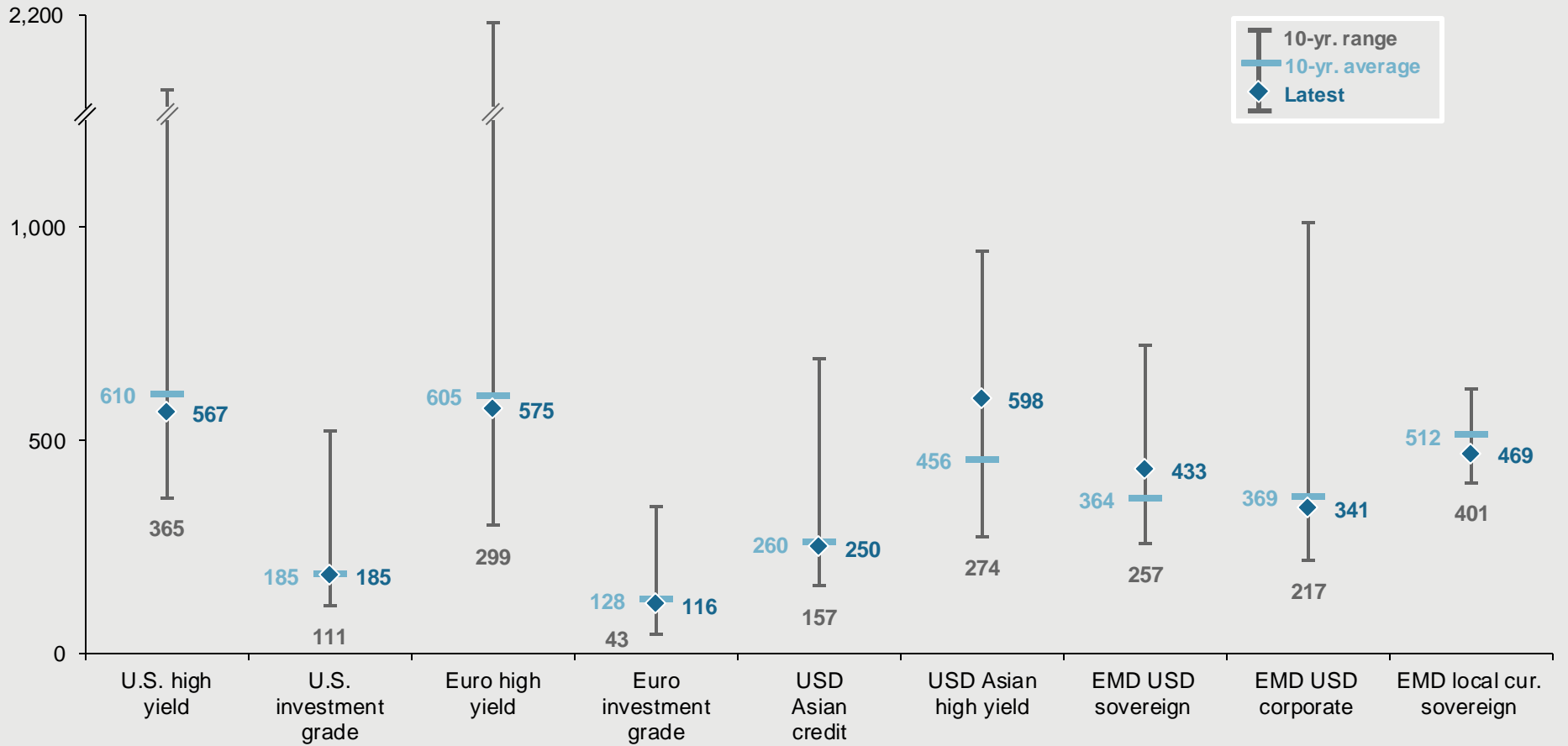
## Fixed income sector returns

2013	2014	2015	2016	2017	2018	4Q '18	5-yrs Ann. Ret.
Europe HY 14.9%	USD Asian 8.3%	Asia HY 5.8%	U.S. HY 17.1%	Europe HY 21.0%	Cash 1.8%	Local EMD 2.8%	Asia HY 5.0%
U.S. HY 7.4%	U.S. IG 7.5%	USD Asian 2.8%	Local EMD 11.4%	Local EMD 15.4%	U.S. Treas 0.9%	U.S. Treas 2.6%	USD Asian 4.3%
Asia HY 4.3%	Asia HY 5.5%	USD EMD 1.2%	Asia HY 11.4%	USD EMD 9.3%	DM Gov't -0.7%	DM Gov't 2.0%	USD EMD 4.2%
Cash 0.0%	USD EMD 5.5%	U.S. Treas 0.8%	USD EMD 10.2%	U.S. HY 7.5%	USD Asian -0.8%	USD Asian 0.7%	U.S. HY 3.8%
USD Asian -1.4%	U.S. Treas 5.1%	Cash 0.0%	U.S. IG 6.1%	DM Gov't 6.8%	U.S. HY -2.1%	Cash 0.6%	U.S. IG 3.3%
U.S. IG -1.5%	U.S. HY 2.5%	U.S. IG -0.7%	USD Asian 5.8%	U.S. IG 6.4%	U.S. IG -2.5%	U.S. IG -0.2%	U.S. Treas 2.0%
U.S. Treas -2.7%	DM Gov't 0.7%	DM Gov't -2.6%	Europe HY 3.4%	Asia HY 6.2%	Asia HY -3.2%	Asia HY -1.0%	DM Gov't 1.1%
DM Gov't -4.5%	Cash 0.0%	U.S. HY -4.5%	DM Gov't 1.6%	USD Asian 5.8%	USD EMD -4.6%	USD EMD -1.2%	Cash 0.6%
Local EMD -5.5%	Europe HY -6.0%	Europe HY -7.6%	U.S. Treas 1.0%	U.S. Treas 2.3%	Local EMD -6.7%	U.S. HY -4.5%	Europe HY -0.1%
USD EMD -6.6%	Local EMD -6.1%	Local EMD -18.0%	Cash 0.3%	Cash 0.8%	Europe HY -8.2%	Europe HY -5.2%	Local EMD -1.6%

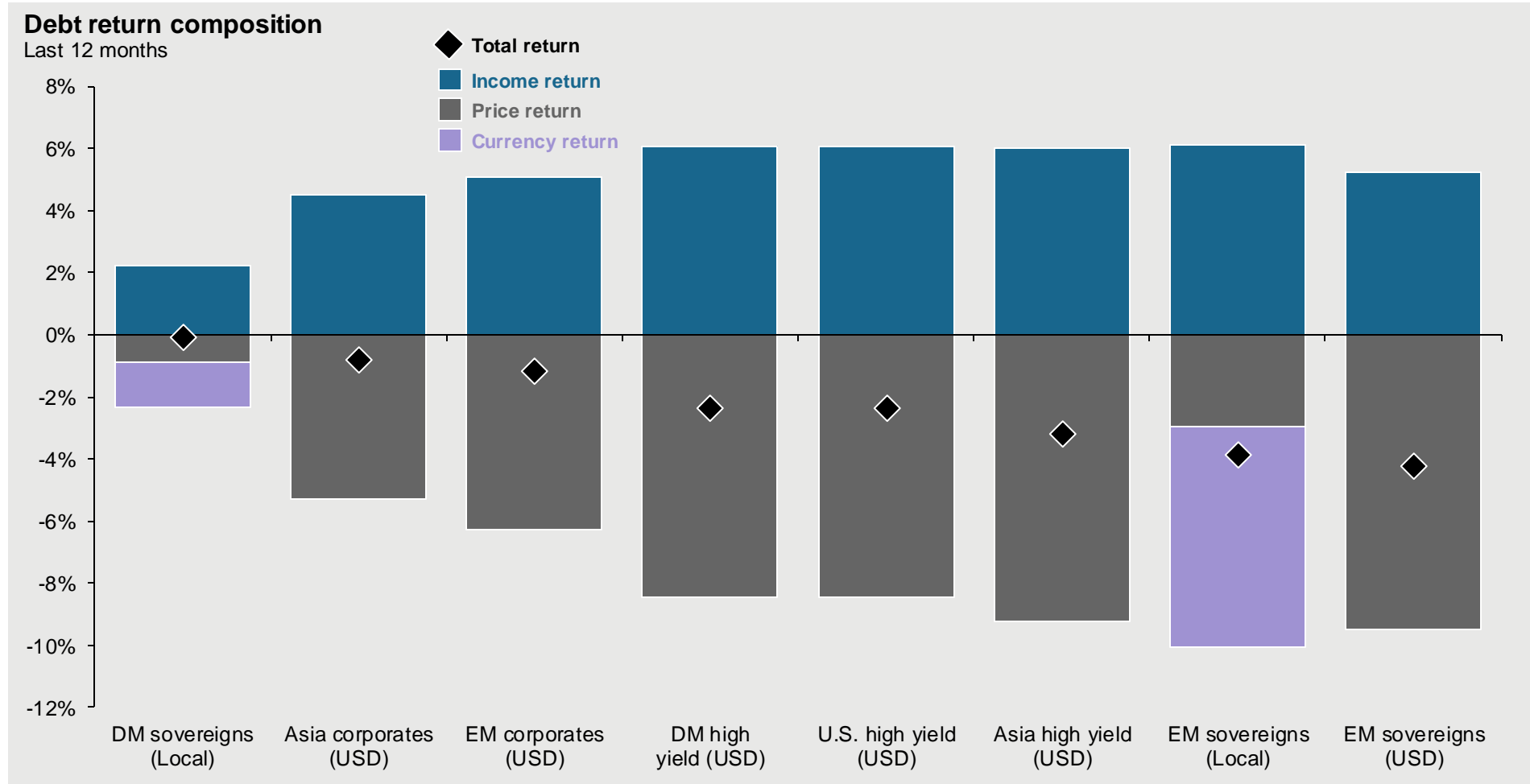
Source: Bloomberg Finance L.P., FactSet, J.P. Morgan Economic Research, J.P. Morgan Asset Management. Based on Bloomberg Barclays U.S. Aggregate Credit – Corporate High Yield Index (U.S. Corporate HY), Bloomberg Barclays U.S. Aggregate Credit – Corporate Investment Grade Index (U.S. Corporate IG), J.P. Morgan Government Bond Index – EM Global (GBI-EM) (Local EMD), J.P. Morgan Emerging Market Bond Index Global (EMBIG) (USD EMD), J.P. Morgan Asia Credit Index (JACI) (USD Asian Bond), Bloomberg Barclays Pan European High Yield (Europe HY), J.P. Morgan Government Bond Index – Global Traded (DM Government Bond), J.P. Morgan Asia Credit Non-investment Grade Corporate Index (Asia Corporate HY), Bloomberg Barclays Global U.S. Treasury – Bills (3-5 years) (U.S. Treasury) and Bloomberg Barclays U.S. Treasury – Bills (1-3 months) (Cash). 5-year data is used to calculate annualized returns (Ann. Ret.). Returns are in U.S. dollar and reflect the period from 31/12/13 – 31/12/18. \*Duration is a measure of the sensitivity of the price (the value of the principal) of a fixed-income investment to a change in interest rates and is expressed as number of years. Rising interest rates mean falling bond prices, while declining interest rates mean rising bond prices. \*\*Correlation to the MSCI AC World Index is a measure over 10 years of data. Positive yield does not imply positive return. Past performance is not a reliable indicator of current and future results. Guide to the Markets – Asia. Data reflect most recently available as of 31/12/18.

## Spread to worst across fixed income sub-sectors

Basis points



Source: BofA/Merrill Lynch, iBoxx, J.P. Morgan Economic Research, J.P. Morgan Asset Management. Based on J.P. Morgan Domestic High Yield Index (U.S. High Yield), J.P. Morgan U.S. Liquid Index (JULI) (U.S. Investment Grade), BofA/Merrill Lynch Euro Non-Financial High Yield Constrained Index (Euro High Yield), iBoxx EUR corporates (Euro Investment Grade), J.P. Morgan Asia Credit Index (JACI) (USD Asian Credit), J.P. Morgan Asia Credit High Yield Index (USD Asian High Yield), J.P. Morgan EMBI Global (EMD USD Sovereign), J.P. Morgan Corporate Emerging Markets Bond Index - CEMBI (EMD USD Corporate), J.P. Morgan GB-EM (EMD Local Cur. Sovereign). Positive yield does not imply positive return. Past performance is not a reliable indicator of current and future results. Guide to the Markets - Asia. Data reflect most recently available as of 31/12/18.



Source: J.P. Morgan Economic Research, J.P. Morgan Asset Management.  
 Based on J.P. Morgan Developed Market HY Index (DM USD high yield), J.P. Morgan Domestic High Yield Index (U.S. USD high yield), J.P. Morgan EMBIG (EM USD sovereigns), J.P. Morgan CEMBI (EM USD corporates), J.P. Morgan Asia Credit High Yield Index (Asian USD high yield), J.P. Morgan GBI-EM (EM local cur. sovereigns), J.P. Morgan Asia Credit Corporates Index (Asian USD corporates), J.P. Morgan GBI-DM (DM local cur. sovereigns). Past performance is not a reliable indicator of current and future results.  
 Guide to the Markets – Asia. Data reflect most recently available as of 31/12/18.

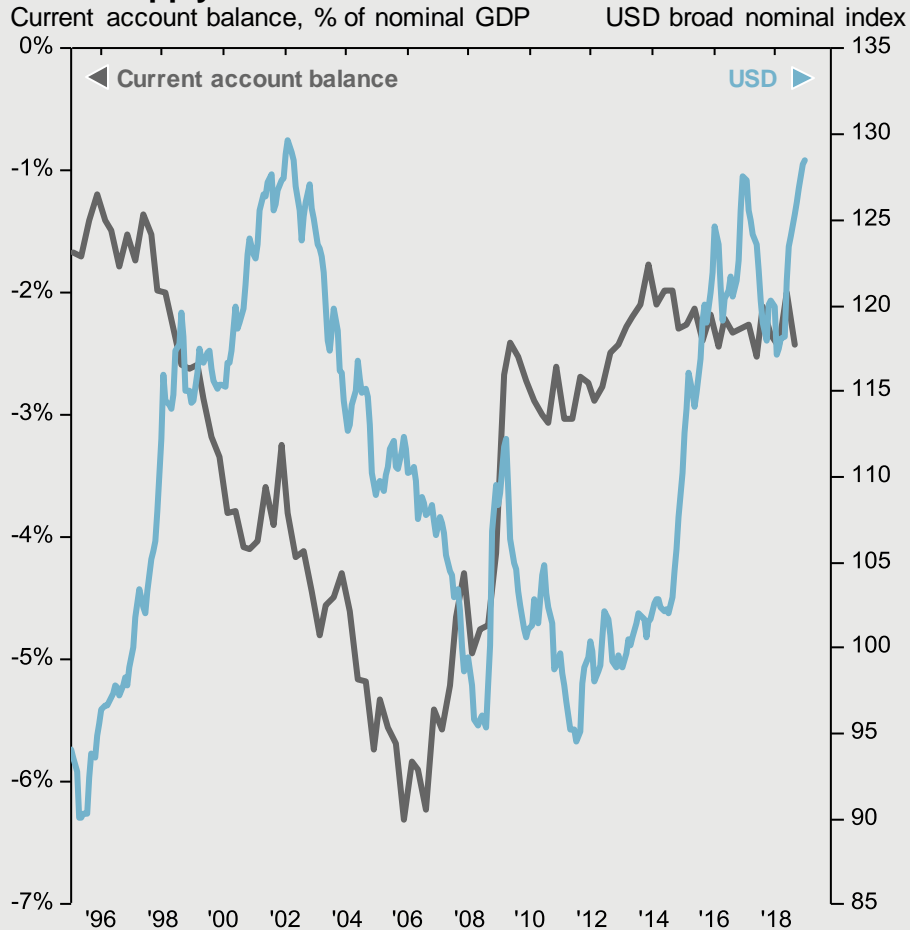
2008	2009	2010	2011	2012	2013	2014	2015	2016	2017	2018	4Q '18	10-yrs ('09 - '18)	
												Ann. Ret.	Ann. Vol.
Global Bonds 4.8%	EM ex-Asia 91.3%	U.S. REITs 28.5%	U.S. REITs 8.7%	APAC ex-JP 22.6%	DM Equities 27.4%	U.S. REITs 30.4%	Asian Bonds 2.8%	EM ex-Asia 27.1%	APAC ex-JP 37.3%	Cash 1.8%	Global Bonds 1.2%	U.S. REITs 12.2%	EM ex-Asia 23.1%
Cash 1.8%	APAC ex-JP 73.7%	APAC ex-JP 18.4%	EMD 8.5%	Global Corp HY 18.9%	Global Corp HY 8.4%	Asian Bonds 8.3%	U.S. REITs 2.5%	Global Corp HY 14.0%	DM Equities 23.1%	Asian Bonds -0.8%	Asian Bonds 0.7%	Global Corp HY 11.1%	U.S. REITs 21.0%
Asian Bonds -9.8%	Global Corp HY 63.9%	EM ex-Asia 16.6%	Global Bonds 5.6%	EMD 18.5%	Diversified 5.6%	EMD 5.5%	EMD 1.2%	EMD 10.2%	EM ex-Asia 20.3%	Global Bonds -1.2%	Cash 0.6%	DM Equities 10.3%	APAC ex-JP 18.5%
EMD -10.9%	Diversified 41.0%	Global Corp HY 13.8%	Asian Bonds 4.1%	U.S. REITs 17.8%	APAC ex-JP 3.7%	DM Equities 5.5%	Cash 0.0%	U.S. REITs 8.6%	Diversified 17.0%	Global Corp HY -3.5%	EMD -1.2%	APAC ex-JP 10.2%	DM Equities 14.4%
Global Corp HY -27.9%	DM Equities 30.8%	Diversified 13.1%	Global Corp HY 2.6%	EM ex-Asia 17.0%	U.S. REITs 2.5%	Diversified 4.1%	DM Equities -0.3%	Diversified 8.3%	Global Corp HY 10.3%	U.S. REITs -4.6%	EM ex-Asia -1.9%	Diversified 8.6%	Diversified 10.1%
Diversified -27.9%	U.S. REITs 28.6%	DM Equities 12.3%	Cash 0.1%	DM Equities 16.5%	Cash 0.0%	APAC ex-JP 3.1%	Global Bonds -3.2%	DM Equities 8.2%	EMD 9.3%	EMD -4.6%	Global Corp HY -4.2%	EMD 7.8%	Global Corp HY 8.8%
U.S. REITs -38.0%	Asian Bonds 28.3%	EMD 12.0%	Diversified -2.4%	Diversified 15.9%	Asian Bonds -1.4%	Global Bonds 0.6%	Diversified -3.2%	APAC ex-JP 7.1%	Global Bonds 7.4%	Diversified -5.9%	Diversified -5.2%	Asian Bonds 7.5%	EMD 6.8%
DM Equities -40.3%	EMD 28.2%	Asian Bonds 10.6%	DM Equities -5.0%	Asian Bonds 14.3%	Global Bonds -2.6%	Global Corp HY 0.2%	Global Corp HY -4.9%	Asian Bonds 5.8%	Asian Bonds 5.8%	EM ex-Asia -6.9%	U.S. REITs -6.7%	EM ex-Asia 5.0%	Global Bonds 5.1%
APAC ex-JP -51.6%	Global Bonds 6.9%	Global Bonds 5.5%	APAC ex-JP -15.4%	Global Bonds 4.3%	EMD -6.6%	Cash 0.0%	APAC ex-JP -9.1%	Global Bonds 2.1%	U.S. REITs 5.1%	DM Equities -8.2%	APAC ex-JP -8.8%	Global Bonds 2.5%	Asian Bonds 4.7%
EM ex-Asia -57.2%	Cash 0.1%	Cash 0.1%	EM ex-Asia -21.2%	Cash 0.1%	EM ex-Asia -8.5%	EM ex-Asia -20.2%	EM ex-Asia -22.7%	Cash 0.3%	Cash 0.8%	APAC ex-JP -13.7%	DM Equities -13.3%	Cash 0.3%	Cash 0.2%

Other asset classes

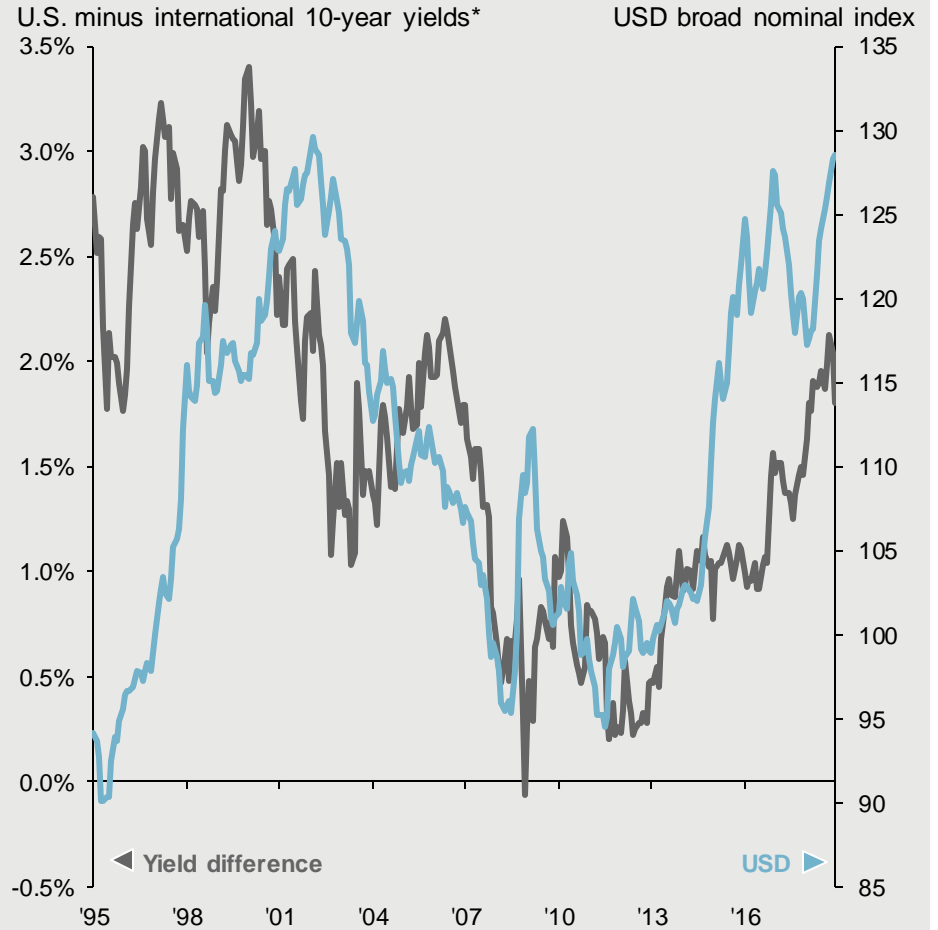
Source: Bloomberg Finance L.P., Dow Jones, FactSet, J.P. Morgan Economic Research, MSCI, J.P. Morgan Asset Management. The "Diversified" portfolio assumes the following weights: 20% in the MSCI The World Index (*DM Equities*), 20% in the MSCI AC Asia Pacific ex-Japan (*APAC ex-JP*), 5% in the average of the MSCI EM Latin America and MSCI EM EMEA Indices (*EM ex-Asia*), 10% in the J.P. Morgan EMBIG Index (*EMD*), 10% in the Bloomberg Barclays Aggregate (*Global Bonds*), 10% in the Bloomberg Barclays Global Corporate High Yield Index (*Global Corporate High Yield*), 15% in J.P. Morgan Asia Credit Index (*Asian Bonds*), 5% in MSCI U.S. REITs Index (*U.S. REITs*) and 5% in Bloomberg Barclays U.S. Treasury – Bills (1-3 months) (*Cash*). Diversified portfolio assumes annual rebalancing. All data represent total return in U.S. dollar terms for the stated period. 10-year total return data is used to calculate annualized returns (Ann. Ret.) and 10-year price return data is used to calculate annualized volatility (Ann. Vol.) and reflects the period 31/12/08 – 31/12/18. Please see disclosure page at end for index definitions. Past performance is not a reliable indicator of current and future results.

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**Dollar supply**



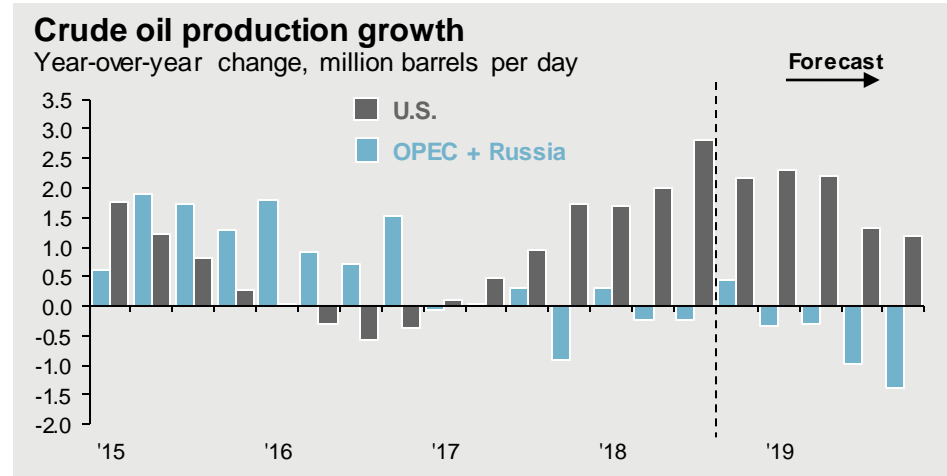
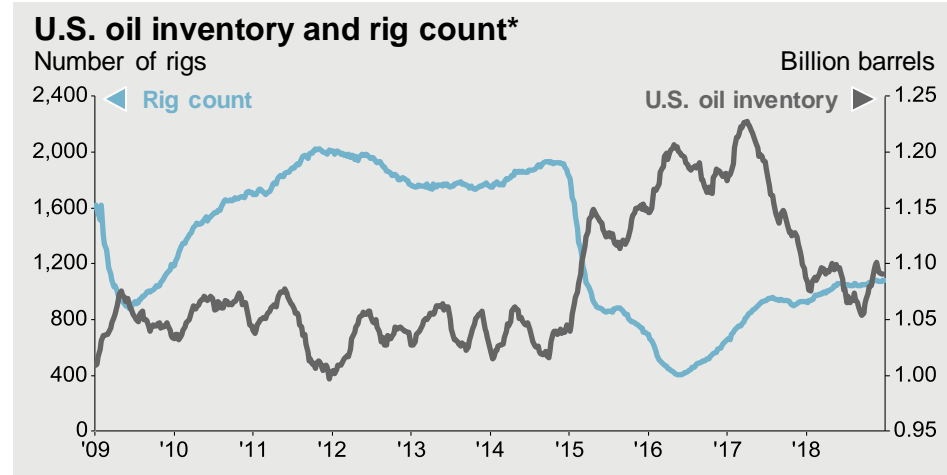
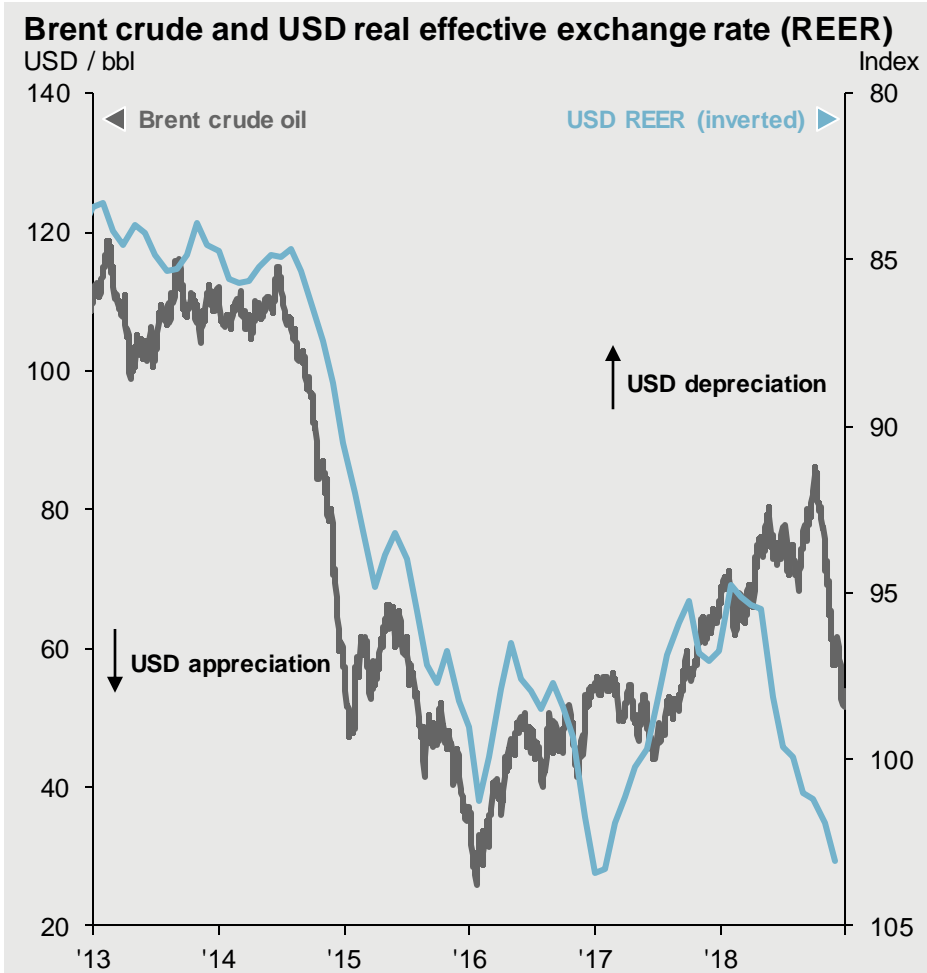
**Dollar demand**



Source: FactSet, Federal Reserve, J.P. Morgan Asset Management; (Left) U.S. Bureau of Economic Analysis; (Right) BIS, Federal Reserve, Tullett Prebon.  
 \*Interest rate differential is the difference between the 10-year U.S. Treasury yield and a basket of the 10-year yields of each of the markets included in the Federal Reserve's Broad Nominal Trade-Weighted Index (except Chile, Saudi Arabia and Venezuela due to data limitations), weighted by each market's share of total global debt securities outstanding. Europe is defined as the 19 countries in the euro area.  
 Past performance is not a reliable indicator of current and future results.  
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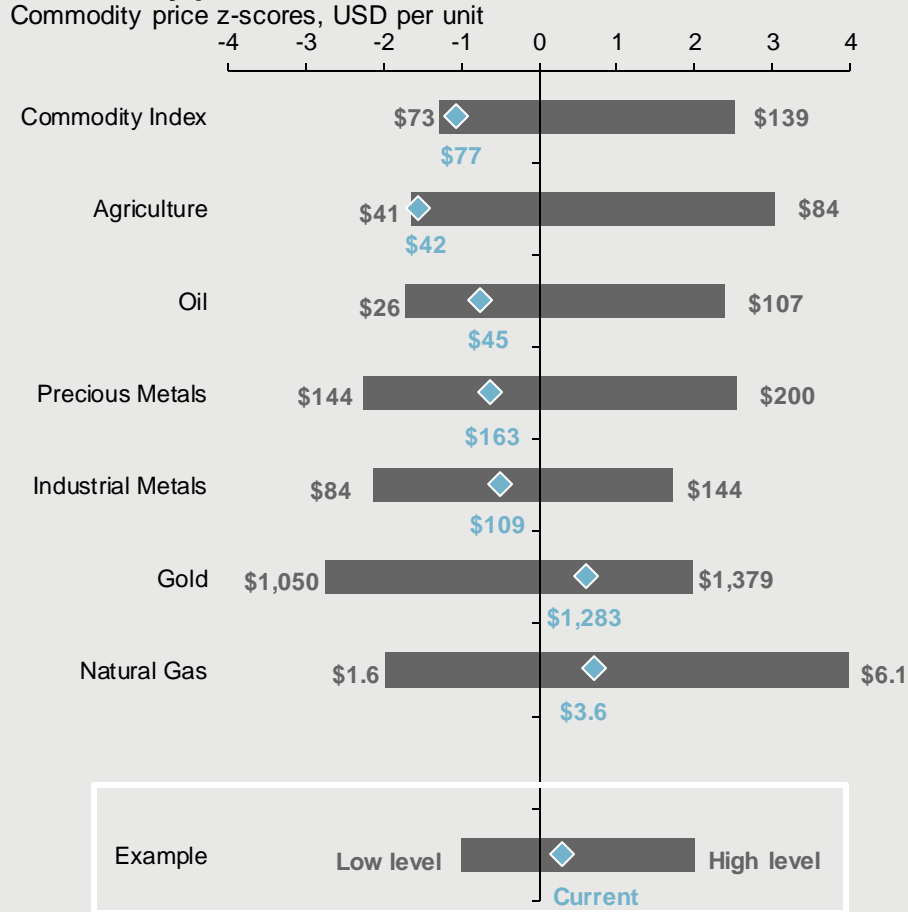


Other asset classes



Source: FactSet, J.P. Morgan Asset Management; (Top right) Baker Hughes, U.S. Department of Energy; (Bottom right) U.S. Energy Information Administration.  
 \*Weekly U.S. crude oil and petroleum ending inventory includes strategic petroleum reserve, and active rig count represents both natural gas and oil rigs. Past performance is not a reliable indicator of current and future results.  
 Guide to the Markets - Asia. Data reflect most recently available as of 31/12/18.

## Commodity prices



## Returns

2013	2014	2015	2016	2017	2018	2014 - 2018	
						Ann. Ret.	Ann. Vol.
Energy (E) 13.8%	Euro M&M (FI) 8.6%	Energy (FI) -7.3%	Gold (E) 62.9%	M&M (E) 37.5%	Euro M&M (FI) -0.9%	EM M&M (FI) 5.2%	Gold (E) 36.4%
US M&M (FI) 7.5%	Energy (FI) 2.1%	EM M&M (FI) -10.9%	M&M (E) 57.8%	Agri. (E) 20.3%	US M&M (FI) -3.5%	Euro M&M (FI) 2.7%	M&M (E) 23.4%
Agri. (E) 5.1%	Agri. (E) -0.2%	Agri. (E) -13.7%	US M&M (FI) 45.5%	EM M&M (FI) 14.7%	Energy (FI) -3.7%	US M&M (FI) 2.4%	Energy (E) 19.5%
Euro M&M (FI) 1.1%	EM M&M (FI) -0.8%	Euro M&M (FI) -16.1%	EM M&M (FI) 32.4%	US M&M (FI) 9.9%	EM M&M (FI) -4.1%	Energy (FI) 2.0%	Comdty. 14.1%
Energy (FI) -1.0%	US M&M (FI) -4.4%	Energy (E) -20.6%	Energy (E) 29.2%	Gold (E) 9.4%	Agri. (E) -8.9%	Agri. (E) 1.8%	US M&M (FI) 13.3%
EM M&M (FI) -3.5%	Energy (E) -15.1%	US M&M (FI) -23.7%	Euro M&M (FI) 21.9%	Energy (E) 9.1%	Comdty. -11.2%	Gold (E) -0.9%	Agri. (E) 11.8%
M&M (E) -7.3%	Gold (E) -16.4%	Comdty. -24.7%	Agri. (E) 15.7%	Energy (FI) 9.0%	Energy (E) -11.4%	M&M (E) -2.8%	EM M&M (FI) 10.9%
Comdty. -9.5%	Comdty. -17.0%	Gold (E) -26.3%	Comdty. 11.8%	Euro M&M (FI) 3.9%	Gold (E) -13.0%	Energy (E) -3.4%	Euro M&M (FI) 8.4%
Gold (E) -52.0%	M&M (E) -19.0%	M&M (E) -40.1%	Energy (FI) 11.1%	Comdty. 1.7%	M&M (E) -17.8%	Comdty. -8.8%	Energy (FI) 5.4%

Source: Bloomberg Finance L.P., FactSet, J.P. Morgan Asset Management; (Left) CME; (Right) Barclays, J.P. Morgan Economic Research, MSCI. Commodities are represented by the appropriate Bloomberg Commodity sub-index priced in U.S. dollars. Crude oil shown is West Texas Instrument (WTI) crude. Other commodity prices are represented by futures contracts. Z-scores are calculated using daily prices over the past five years. Based on Bloomberg Commodity Index (Comdty.); MSCI ACWI Select – Energy Producers IMI, Metals & Mining Producers ex Gold & Silver IMI, Gold Miners IMI, Agriculture Producers IMI (Energy (E), M&M (E), Gold (E), Agri. (E)); Bloomberg Barclays Global Aggregate Credit – Corporate Energy Index (Energy (FI)); Bloomberg Barclays U.S. Aggregate Credit – Corporate High Yield Metals & Mining Index (U.S. M&M (FI)); Bloomberg Barclays Euro Aggregate Credit – Corporate Metals & Mining Index (Euro M&M (FI)); J.P. Morgan Emerging Market Corporate Credit – Corporate Metals & Mining Index (EM M&M (FI)). Five-year total return data is used to calculate annualized returns (Ann. Ret.) and 5-year price return data is used to calculate annualized volatility (Ann. Vol.) and reflects the period 31/12/13 – 31/12/18. Past performance is not a reliable indicator of current and future results. Guide to the Markets – Asia. Data reflect most recently available as of 31/12/18.

Other asset classes

# Monthly Market Review

Asia Pacific | January 2019

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