

ASEAN X Macro

US-China Trade War: Disruption & Diversion

Focus on US-China Trade War: Disruption & Diversion

The US-China trade war threatens to disrupt global trade and supply chains, and divert trade and investment to third countries unencumbered by tariffs, including ASEAN. We track recent trade patterns for such shifts. We find evidence of front-loading, disruption and diversion.

The trade war appears to be hurting China imports from the US more than China exports to the US, so far. China's exports to US are still strong but China's imports from the US are plunging. China's exports may collapse in early 2019. Chinese firms are frontloading and shipping their exports before the hike in US tariffs to 25% (from 10%) starting 1 Jan 2019. The divergence in container freight rates between the Shanghai-LA route and Shanghai-Rotterdam route is one telltale sign. China's PMI new export orders have also fallen to below 50, suggesting that the recent export momentum cannot be sustained.

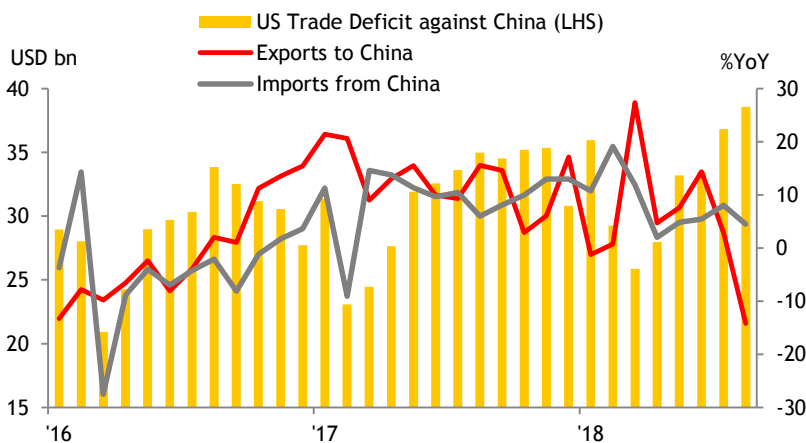
The US-China trade war is disrupting the electronics supply chain, which is centered on China and many of the Northeast Asian economies. PMIs are coming off for Korea, Taiwan and Singapore, key electronic producers in the supply chain. Electronics exports around the region are also slowing. For ASEAN (excl. Spore), the electronics-related data is somewhat mixed, with softer exports but tentative signs of higher orders and investment.

Some of ASEAN's exports in products targeted by US-China tariffs are performing strongly, including Indonesia's and Malaysia's mineral products. There are also visible signs of greater FDI into ASEAN, particularly Vietnam, Thailand and Malaysia, as firms adopt a more flexible production network outside China to circumvent the tariffs. FDI into manufacturing for these countries has picked up significantly in the past two quarters.

Focus Chart: US Trade Deficit Against China Widens to a Record High

US exports to China plunged by 14% in August to the lowest level in 2 years, widening the monthly bilateral trade deficit to a historical high. Some of the largest US export items to China were hit by tariffs including soybeans (-95% in Aug), petroleum products (-83%) and road vehicles (-46%). This will add to Trump's frustration in his effort to curb the US-China bilateral trade deficit.

US Trade Deficit Against China Widening as Exports to China Plunging



Source: CEIC, US Census Bureau

Sadiq Currimbhoy
Regional Head, Research & Economics

Economics

Suhaimi Ilias, Chief Economist
Chua Hak Bin, Regional Thematic Macroeconomist
Dr Zamros Dzulkafli, Economist
Lee Ju Ye, Economist

Strategy

Willie Chan, Regional Strategist

Foreign Exchange

Saktiandi Supaat, Head, FX Research,
Malayan Banking Berhad

Fixed Income

Winson Phoon, Head, Fixed Income Research

Country Heads of Research & Strategists

Indonesia

Isnaputra Iskandar

Malaysia

Wong Chew Hann

Philippines

Minda Olonan

Singapore | Regional SMIDs

Neel Sinha

Thailand

Maria Lapiz

Vietnam

Le Hong Lien

Best Trade Ideas update

	Additions	Deletions
Thailand	PTTGC	ADVANC
Vietnam	VHM	HPG

Full details on page 4.

Macro Views

ASEAN-6 Key Macroeconomic Indicators

chuahb@maybank-ke.com.sg, (65) 6231 5830

	Real GDP growth (%)					Headline Inflation (% average)					Policy Rate (% year-end)				
	2015	2016	2017	2018F	2019F	2015	2016	2017	2018F	2019F	2015	2016	2017	2018F	2019F
Global	3.5	3.2	3.7	3.9	3.6	2.8	2.8	3.0	3.5	3.4	-				
US	2.9	1.5	2.3	2.8	2.5	0.1	1.3	2.1	2.5	2.4	0.375	0.625	1.375	2.375	3.125
Indonesia	4.9	5.0	5.1	5.2	5.3	6.4	3.5	3.8	3.2	3.5	6.25	4.75	4.25	6.00	6.50
Malaysia	5.0	4.2	5.9	4.8	4.8	2.1	2.1	3.7	1.3	2.3	3.25	3.00	3.00	3.25	3.25
Philippines	6.1	6.9	6.7	6.3	6.5	1.4	1.8	2.9	5.5	4.8	4.00	3.00*	3.00	5.00	5.50
Singapore	1.9	2.0	3.6	3.4	2.2	-0.5	-0.5	0.6	0.6	1.2	1.19	0.97	1.50	1.85	2.20
Thailand	3.0	3.3	3.9	4.5	3.8	-0.9	0.2	0.7	1.3	1.9	1.50	1.50	1.50	1.75	2.00
Vietnam	6.7	6.2	6.8	6.9	6.5	0.6	2.6	3.5	3.6	3.3	6.50	6.50	6.25	6.25	6.25

	Exports of Goods & Services (%)					Gross Fixed Capital Formation (%)					Private Consumption (%)				
	2015	2016	2017	2018F	2019F	2015	2016	2017	2018F	2019F	2015	2016	2017	2018F	2019F
Indonesia	(2.1)	(1.6)	9.1	4.7	5.6	5.0	4.5	6.2	7.2	7.2	5.0	5.0	4.9	5.0	5.0
Malaysia	0.3	1.1	9.6	3.8	3.5	3.6	2.7	6.2	0.3	2.0	6.0	6.0	7.0	7.6	6.3
Philippines	8.5	10.7	19.2	9.8	9.5	16.9	25.2	10.3	15.1	11.5	6.3	7.0	5.8	5.3	5.6
Singapore	4.7	1.1	4.1	3.2	2.6	2.2	(0.6)	(1.8)	2.3	3.0	4.9	1.7	3.1	3.3	2.4
Thailand	1.6	2.8	5.5	6.0	4.6	4.3	2.8	0.9	4.4	4.2	2.3	3.0	3.2	4.0	4.2
Vietnam	12.6	13.9	16.7	14.0	11.5	9.4	9.9	8.9	7.5	8.1	9.3	7.3	7.4	7.2	7.0

Source: CEIC, Maybank Kim Eng

Fixed Income

winsonphoon@maybank-ke.com.sg, (65) 6231 5831

Recommendation	Investment Thesis	Recent data/updated thoughts
Long 20y IndoGB: Entered 8.73% (average cost), Target 7.80%, Stop 9.50%	With the IndoGB curve steeper and the BI showing determination to get ahead of the curve including measures to balance demand for USD e.g. imposing import taxes on consumer items and delaying infrastructure project, buy on weakness. Funding risk still manageable. Link to report: Indonesia: Trade Idea Update	Bank Indonesia may raise the 7-day reverse repo rate by 25bps again on 23 October to stay "ahead of the curve". Fiscal risk still manageable. Pressure on current account deficit remains, but trade balance swung to a surplus in September. Stay long 20y IndoGB, currently at 50% of planned exposure.

USD vs. Major & Regional Currencies Forecast

saktiandi@maybank.com.sg, (65) 6320 1379

	Current (as of 17 Oct)	4Q2018	1Q2019	2Q2019	3Q2019	4Q2019	1Q2020
DXY (Dollar Index)	95.1	94.2	93.5	92.7	91.6	90.6	89.9
Japanese Yen	113	112	111	111	110	110	109
Euro	1.15	1.18	1.19	1.20	1.22	1.24	1.25
Pounds Sterling	1.31	1.32	1.30	1.34	1.35	1.36	1.35
Australian Dollar	0.71	0.71	0.69	0.68	0.70	0.72	0.74
Renminbi	6.93	6.95	7.00	7.05	7.00	6.95	6.90
Indian Rupee	73.6	73.5	74.5	74.0	73.5	72.0	71.0
HK Dollar	7.84	7.85	7.80	7.80	7.80	7.80	7.80
Taiwan Dollar	30.9	30.6	30.5	30.4	30.2	30.0	30.0
Korean Won	1,127	1,110	1,100	1,090	1,080	1,090	1,060
Singapore Dollar	1.38	1.37	1.37	1.36	1.36	1.36	1.35
Malaysian Ringgit	4.15	4.12	4.10	4.08	4.08	4.06	4.05
Indonesian Rupiah	15,150	15,250	15,300	15,200	15,100	15,100	15,000
Thai Baht	32.52	32.80	33.00	32.60	32.60	32.50	32.50
Philippines Peso	53.89	53.50	54.00	53.90	53.70	53.50	53.30
Vietnamese Dong	23,343	23,200	23,100	23,100	23,000	23,000	22,800

Source: Bloomberg, Maybank FX Research

Investment Strategy

williechan@kimeng.com.hk, (852) 2268 0631

Recommendation	Theme	Recent data/updated thoughts
Long US, short Asia x Japan	US: negative real rates + growth. AxJ: Trade War, Cyclical Slowdown	Upbeat corporate earnings and economic data are also reasons why US continues to outperform Asia.
Long ASEAN, short China	Valuation of ASEAN to China at new lows. China easing may not kick-start growth; ASEAN could benefit from trade diversion in a US-China Trade War	ASEAN continues to outperform China even though Asian markets are under pressure. There are reports of more companies looking to shift business from China to ASEAN, including Apple manufacturers.
Hedge trade: Short EuroYen; Expect FX vol to rise	Hedge against risk asset downside: Europe looks more leveraged and set to raise rates very slowly See: Capital flows and FX Vol ; Long Singapore, Short Hong Kong	DM FX Vol remains muted. We continue to believe there could be higher DM FX Vol in 4Q given diverging growth globally, diverging real rates and political tensions.
Underweight China	Easing is Fine-Tuning; Property risk is bigger than past cycles; Defaults positive in long-term, not so short term. Valuations are not attractive yet	Poor property and auto sales show that the two major drivers of economic growth have stalled. New clause of banning property pre-sales in Zhongshan's new land plot sales adds pressure to the sector.
Long Singapore, Short Hong Kong	Relative Value favours Singapore over Hong Kong; Ability to drive growth via FX favours Singapore	Singapore MAS continues to tighten its policy by steepening the slope for the S\$NEER band. HK property prices have started to come under pressure, we believe the impact on HK will be larger than SG.
Long Indonesia, Short the Philippines	Of the "twin deficit" countries, relative valuation favours Indonesia where RoICs are higher. Policy in Indonesia appears to be getting ahead of the curve	Indonesia's trade balance improved to USD227mn in September from -USD944mn in August after the government increased efforts to reduce imports.
Underweight Thailand	Expensive Market with Anemic Growth	Except for the energy sector, we see earnings weakness across different sectors. HoR Maria worries the declining tourist spending data will give pressure to Thailand's current account surplus.
Overweight Vietnam	Structurally positive on growth potential, particularly infrastructure spend.	Vietnam State Securities Commission is considering relaxing the foreign ownership cap from the current 49%. This will help to raise Vietnam's market status.
Short Hong Kong property	Interest rates to rise, USD stronger and China growth weaker	Policy address shows that the government will increase property supply by co-development of brownfield sites and big scale reclamation of Lantau. Property sales continue to slow.
Overweight Regional Utilities	Relative Valuations attractive + Defensive	We are concerned about capex plans next year given the earnings downgrades we are seeing.
Long consumer staples, Short consumer discretionary	Valuations favour Staples and Cyclical momentum. Implies more defensive strategy.	Luxury goods companies are concerned Chinese consumers have become more cautious in spending. China auto sales also posted biggest drop in 7 years (-12% YoY). We continue to prefer Staples over Discretionary sector.

Equity Best Ideas

Indonesia

isnaputra.iskandar@maybank-ke.co.id, (62) 21 8066 8680

Recommendation	Investment Thesis	Recent data/updated thoughts
BUY BBRI BBRI IJ, 4 Oct 2018	BBRI has the widest geographical coverage through its high-margin micro-lending business, which should allow it to grow faster than the industry's average, while keeping good loan quality. High ROEs reflect its market positioning. Its extensive infrastructure would also be useful in accessing the underserved market.	Liquidity remains sufficient in BBRI despite Bank Indonesia's recent move to raise the 7DRRR by another 25bps to 5.75%, making a total 150bp increase YTD. Recent natural disasters in the country should have minimal impact on BBRI's earnings and loan quality.
BUY UNTR UNTR IJ, 9 Aug 2018	We are positive due to 1) strong demand for equipment, especially for big type, 2) expanding contract mining business amid strong coal prices, 3) diversification into non-coal business and 4) a beneficiary of weak IDR.	We expect Komatsu volume in Sep to recovery post-price negotiations. 9M18 earnings will likely remain strong and surprise the market on the upside.
BUY PWON PWON IJ 25 Jul 2018	PWON, a leading property developer and mall landlord with focus on Jakarta and Surabaya, owns and operates 631k sqm of retail space (2nd largest retail landlord in Indonesia), 85k sqm of office space and 1,251 hotel rooms. This provides a solid recurring income business (57% of 2018-20 top line).	Despite rising interest rates, 9M18 presales down only 5% YoY. With its strong rental revenue growth, PWON's ROE remains the highest in the sector.

Malaysia

wchewh@maybank-ib.com, (603) 2297 8686

Recommendation	Investment Thesis	Recent data/updated thoughts
BUY GENT MK GENT MK, 30 Aug 2018	Provides exposure to GITP under GENM and direct licensing & management fees from GENM. Also an excellent proxy to GENS potentially winning a Japanese IR license in 2019/2020. We forecast 16% 3-year earnings CAGR. Current valuation is at a steep 40% discount to its SOP/sh or nearly double the 20-year average discount to SOP/sh of 22%. We continue to prefer it as a cheaper proxy to GENM and GENS.	Share price eased 5% over the last two weeks on fears of a casino tax hike at GENM. That said, we gather that the market is imputing an 8-10ppt casino tax hike. If anything, a 2-3ppt casino tax hike is more likely.
BUY AMMB MK AMM MK, 22 Aug 2018	Issues faced by its SME division in 2017 (dispute with Alliance Bank) have been resolved, paving the way for renewed focus and growth in this division, which is expected to push up margins for the group. Cost efficiency drives in FY3/18 (including a MSS) should contribute to cost savings from FY19E onwards, providing support to overall earnings growth.	1QFY19 core net profit was in-line. Positives included (i) faster loan growth of 9% annualized, (ii) stable QoQ NIM, (iii) operating efficiencies from the recent MSS and (iv) ongoing credit recoveries. On the flip side, NOII contracted YoY and QoQ due to weak capital markets.
BUY INARI MK INARI MK, 7 Sep 2018	We are positive on Inari's aggressive floor space expansion to 1.68m sq ft (+68%) by mid-2019, mainly driven by new and existing client's requirement to cater for new components outsourcing. Further component wins will diversify Inari's exposure to Broadcom as well as the smartphone segment, adding appeal to Inari as a competitive regional multi-expertise outsourced test and assembly house. We project 21% 3-year earnings CAGR.	The new Samsung Note 9 smartphone reaffirms volume for Inari's IR LED which powers the iris recognition feature. It also features face recognition which paves the way for the VSCCEL component that Inari aims to supply. Alongside newsflow on 5G deployment which should benefit Inari's RF, these factors will anchor forward growth.

Philippines

minda_olonan@maybank-atrke.com, (63) 2 849 8840

Recommendation	Investment Thesis	Recent data/updated thoughts
BUY Ayala Land ALI, 30 Aug 2018	Diversified property developer dominant in residential, office, retail, and hotel segments. Largest private land bank in the country at around 10K hectares. Large scale estates capture domestic demand arising from robust economy and government's infrastructure rollout.	Middle-income brand, Avida, launches the first phase of its second three-tower project in Mandaluyong, comprising 1,020 resi. units priced at PHP210k to PHP210k/sqm. This should support residential sales growth.
BUY ICTSI ICT PM, 17 Aug 2018	ICT's diversified portfolio (31 port terminals in 18 countries) makes it more defensive against the impact of potential trade war. Most countries where ICT operates mainly import goods for consumption. Strong 48% EPS recovery in 2019 is expected on better contributions from new port terminals in Australia, Colombia and Papua New Guinea.	Starting expansion of Berths 7 to 10 of Manila International Container Terminal, increasing TEU capacity to 3.25m from 3m.
BUY Metrobank MBT PM, 15 Oct 2018	Second largest bank in terms of asset size. Niche in Filipino-Chinese community enables MBT to grow high-yielding middle-market loans. High CASA ratio of 62% and new capital of PHP60b put MBT in a better position to manage funding costs, hence, maximize NIM improvement in an environment of rising rates.	TP cut to PHP90 due to 3-9% cuts in 2018-19E EPS on conservative assumption of zero trading income and higher LT deposit costs. Still better positioned to capture NIM upside and 18% loan growth. Our top pick in the banking sector.
SELL Meralco MER PM, 25 Jul 2018	Meralco is facing significant regulatory risks: 1) lower distribution rates for the 5th regulatory period in 2019; (2) potential clawbacks of over-recoveries; (3) petition to change existing rate-setting mechanism that could yield lower returns; and, (4) uncertainty of participation in the retail electricity market. MER's 19x 2019 PE is 2SD above 5-year mean and fully reflects prospects of better than expected power sales.	9M18 sales growth was at 5%, implying 2% growth in 3Q18. Rate cuts in the next regulatory cycle remain a key risk. SELL on strength.

Singapore

neelsinha@maybank-ke.com.sg, (65) 6231 5838

Recommendation	Investment Thesis	Recent data/updated thoughts
BUY SATS SATS SP, 20 Jul 2018	Beneficiary of Singapore visitor arrivals recovery and burgeoning regional air travel catalysed by proliferation of LCCs, a growing middle class and improving airport infrastructure in Asian secondary and tertiary cities. Key medium term growth catalysts are a ramp-up of ground handling operations of its JV with AirAsia and new concessions for cargo handling in Mumbai & Dammam.	Singapore visitor arrivals upped 7.6% YoY in 1H18 (+11.2% in June) while IATA latest monthly release indicates global int'l revenue passenger kilometres (RPK) grew 6.8% year-to-May (8.6% for Asia Pacific).
BUY ST Eng STE SP; 8 Aug 2018	We are positive on secular growth in aerospace airframe maintenance and rising PTF (passenger to freighter conversion) from growing airline fleets and e-commerce driven air cargo growth. STE is also one of the few companies in the region poised to benefit from increasing investment by countries in SMART City solutions.	IATA indicates global freight-tonne kilometres (FTK) grew 5.3% year-to-May (7.1% for Asia-Pac). On 31 Aug, STE announced an add-on of cUSD350m to an earlier contract with Jet Airways for MRO services for its Boeing 737NG fleet; the new contract value stands at USD700m.
BUY AREIT AREIT SP, 1 Oct 2018	Our pick for earnings stability and best in class within industrial REITs. Sector demand-supply dynamics are improving and AREIT is our best proxy to recovering industrial property fundamentals given its concentrated business parks and high-specs portfolio (56% of AUM). Low 35.7% gearing supports acquisition growth prospects in Australia and Europe.	AREIT has acquired a 2nd UK portfolio comprising 26 logistics properties for GBP257.5m. The properties all except for one, are sited on freehold land in established industrial areas and concentrated in West Midlands, the UK's largest distribution and logistics hub. Its WALE of 9.1 years will extend AREIT's portfolio WALE from 4.3 to 4.5 years. The deal is marginally DPU-accretive at 0.14%, while its high-quality tenancies should strengthen AREIT's overall portfolio profile.

Thailand

Maria.L@maybank-ke.co.th, (66) 2257 0250

Recommendation	Investment Thesis	Recent data/updated thoughts
new BUY PTTGC PTTGC TB, 17 Oct 2018	PTTGC remains attractive at 6.4x 2019E EV/EBITDA vs regional average of 7.5x. We believe PTTGC provides good exposure to sustained high crude oil price, with an earnings sensitivity of 1.6% for every USD1/bbl move in oil price. PTTGC's chemical portfolio is also well diversified. In the next 6 months, we believe PTTGC stands to benefit from strong MMA and AN outlook. Ethylene cycle remains in healthy stage as supply additions are well spread out. HDPE spreads have started to improve. Lower competitiveness of the US cargoes in light of China's 25% tariff should also provide opportunity for PTTGC to increase market share.	ADVANC's share price was flat in Sep, trading in narrow range, 1.5%. ST, we don't see any catalyst; new initiatives rolled out to nurture ecosystem, enhance ARPU failed to excite the market. We replace ADVANC with PTTGC. Operational hiccups of two new startup PX capacity and seasonal demand for PTA led to PX spread on a tear. With over 1.3m tpa PX, the strong spread can swing PTTGC's 4Q.
BUY DTAC DTAC TB, 17 Oct 2018	Visibility of its earnings growth after the end of the concession era will support share price. The increase in network expense, mainly rental costs, would be offset by lower regulatory costs and lower fixed-cost charges as concession assets disappear from the balance sheet. Now having 22K equity-owned towers (25K by YE) on 2.1GHz, 4K base stations for 2.3GHz (7K by YE), an additional 10MHz spectrum plus rented assets from CAT and roaming with AIS and the 90-day remedy on 850MHz, DTAC can manage the transition well while keeping its balance sheet light and ready to invest in the next leg of technology upgrade - hello 5G!	For the month of Sep, DTAC share price has been range bound THB43-47 (c.10% band) but we see re-rating potential in the short term. So it stays as our Top Pick. DTAC will bid for 5*2MHz on 900MHz in the 28 Oct auction, whose base price is set at THB38b. In exchange, its remedy period has been extended to 15 Dec from 24 Oct. Transitioning from concession to licensing era will now be easy. DTAC is the only bidder in the auction, so is likely to win. The 900MHz will give DTAC comprehensive portfolio of low and high band spectrums.
BUY STEC STEC TB, 19 Sep 2018	STEC has an orderbook of over THB120b and this can support +20% YoY growth in revenues for the next three years, underwriting strong earnings growth as well. High net cash balance gives it advantage in negotiating price for construction materials, subcontractors and even in leasing of heavy equipment. With strong bidding pipeline we see potential for extended years of growth in excess of 20%. A chronic underperformer in 2016/2017 we think the recent share price performance to be sustainable.	STEC has risen 13% in the past month but we keep it as Top pick as the market buzz moves earnings and we also expect bids for the TB220b hi-speed train to EEC be called.

Vietnam

lien.le@maybank-kimeng.com.vn, (84 28) 44 555 888 x 8181

Recommendation	Investment Thesis	Recent data/updated thoughts
<p>*new*</p> <p>BUY Vinhomes</p> <p>VHM VN, 14 Oct 2018</p>	<p>Economies of scale allow Vinhomes to extract favourable pricing from contractors, command premium ASPs and attract the best sales agencies in the market. Vietnam has low modern housing penetration and young demographics. Its property upcycle is currently driven by strong economic growth and contained inflation. Housing affordability remains reasonable. Robust income growth continues to surpass capital-value growth, especially in the highest quintile - Vinhomes' target market.</p>	<p>We replace HPG from our top picks with VHM. HPG has outperformed the index in past months and some of the positives have been priced in.</p> <p>VinCity is gaining traction in Hanoi market. In the introductory event for VinCity Gia Lam held in late Sept, interest was particularly high. Along with the pick-up in sales and pricing growth of the Hanoi market as a whole, we believe the Hanoi portion of the VinCity product line will continue gaining traction towards year-end.</p>
<p>BUY Mobile World</p> <p>MWG VN, 14 Aug 2018</p>	<p>Vietnam's largest retailer is constantly evolving, expanding to remote areas and understanding local dynamics in ways that competitors are unable to replicate. A customer oriented culture upheld among c.40,000 employees is also difficult to replicate. The market underappreciates its newest efforts and progress in grocery retailing.</p>	<p>Bach Hoa Xanh (BHX) added about 30 new stores since end-Jul. There are now 12 BHX stores outside HCMC.</p>
<p>BUY PNJ</p> <p>PNJ VN, 20 Jul 2018</p>	<p>Stronger-than-expected SSSG, lower welfare payments, and slightly higher profit margins during 5MFY18, fortified No.1 market share for jewellery retail, rapid store expansion and improved profit margin, all of which seem underappreciated by the market.</p>	<p>Since early July lows of 75k, the stock has rebounded nearly 40%. Our optimism remains and our target price of VND141.9k exceeds its Mar VND139k high.</p>

Regional SMIDs

neelsinha@maybank-ke.com.sg, (65) 6231 5838

Recommendation	Investment Thesis	Recent data/updated thoughts
<p>BUY Bekasi Fajar</p> <p>BEST IJ, 18 Sep 2018</p>	<p>High manufacturing utilisation and rapid e-commerce growth are driving demand for industrial land due to planned capacity expansion and investments in logistics and warehousing. Land supply in Greater Jakarta is limited. BEST's landbank in Cikarang is in a prime location and it's still by far amongst the top options for companies looking to expand in the area.</p>	<p>IDR weakness and volatility may delay foreign investments. Recent tightening of import-control measures by the Ministry of Finance may also impact investment decisions.</p>
<p>BUY Ramayana</p> <p>RALS IJ; 21 Aug 2018</p>	<p>Store facelift & transformation programme are on track and bearing fruit. Rationalisation of its direct-purchase fashion brands has improved merchandise selection and helped capture demand from mass markets rising incomes. Moreover closure of two loss-making supermarket operations YTD in addition to the 16 closures in 2017 has driven a turnaround in the division's EBIT.</p>	<p>9M18 SSSG was solid at 11% YoY, driven by both fashion business strength and supermarket recovery from low base. RALS has closed 18 loss-making supermarkets since 2017.</p>
<p>BUY Japfa</p> <p>JAP SP, 31 Jul 2018</p>	<p>Japfa stands to benefit from consumption trends in its operations concentrated in highly populous and emerging economies in Asia (Indonesia, China, India, Vietnam, Myanmar) where per capita protein consumption is still very low and holds multi-year growth potential.</p>	<p>Indonesia DOC/Broiler prices climbed further in July by 4.3%/6.2% MoM to two year high levels with improvement in consumer confidence driving up staples demand. Meanwhile Vietnam pork price at VND50K/kg+, is back to the pre-China import ban levels with the supply side adjusting to the new norm market demand.</p>
<p>BUY Mobile World</p> <p>MWG VN, 14 Aug 2018</p>	<p>Vietnam's largest retailer is constantly evolving, expanding to remote areas and understanding local dynamics in ways that competitors are unable to replicate. A customer oriented culture upheld among c.40,000 employees is also difficult to replicate. The market underappreciates its newest efforts and progress in grocery retailing.</p>	<p>Bach Hoa Xanh (BHX) added ~20 new stores since end-Jul. There are now 8 BHX stores outside of HCMC. On the other hand, the Gioi Di Dong/Dien May Xanh total store-count declined by about 30, possibly due to restructuring.</p>

Focus Piece: US-China Trade War: Disruption & Diversion

chuahb@maybank-ke.com.sg, (65) 6231 5830
leejuye@maybank-ke.com.sg, (65) 6231 5844

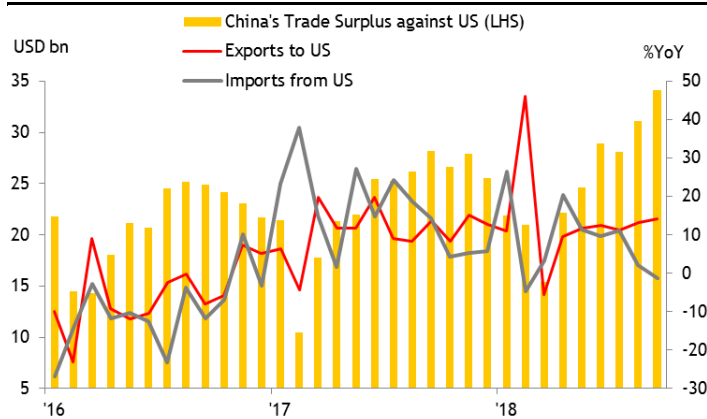
The US-China trade war threatens to disrupt global trade and supply chains, and divert trade and investment to third countries unencumbered by these tariffs, including ASEAN. We examine recent trade and investment data to uncover whether the escalating US-China trade war is already impacting and distorting trade. We find evidence of front-loading, disruption and diversion.

Trade Disruption

The US-China trade war appears to be hurting China’s imports from the US more so than China exports to the US, so far. China’s exports to US are surging at a pace above 10% in the past four months from May to Sep (see Fig 1). China imports from the US are, in contrast, collapsing.

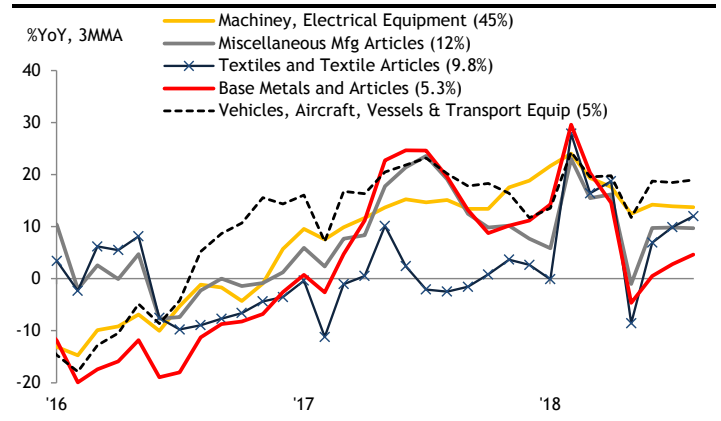
China’s bilateral trade surplus against the US has risen to a record high of US\$34bn in Sep, and will add to Trump’s frustration in his effort to curb the US-China bilateral trade deficit. Chinese firms are frontloading and shipping their exports out before the escalation of the US tariffs to 25% (from current 10%) on 1 Jan 2019. The divergence in container freight rates - rates are rising for the China-US route since July to a 4-year high, while remaining stagnant for the China-Europe route (no change in tariff rates) - is one telltale sign of the frontloading (see Fig 3).

Figure 1: China Exports to US Surging at Above +10% From May to Sep



Source: CEIC, China General Administration of Customs

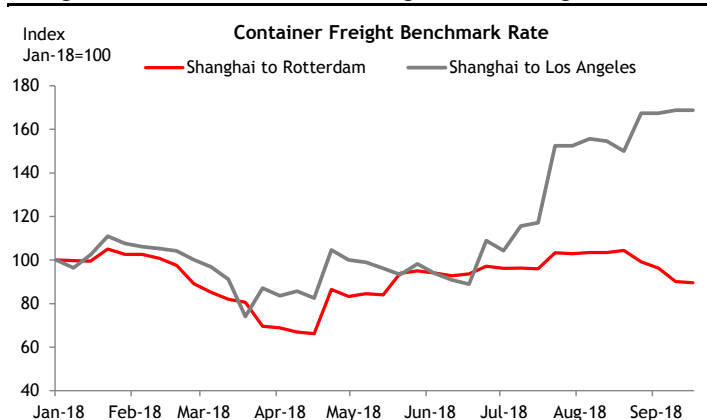
Figure 2: China’s Major Exports to US are Accelerating as Firms Frontload



Note: Last datapoint as of Aug-18. Numbers in brackets refer to each category’s share of China’s exports to US in 8M18.

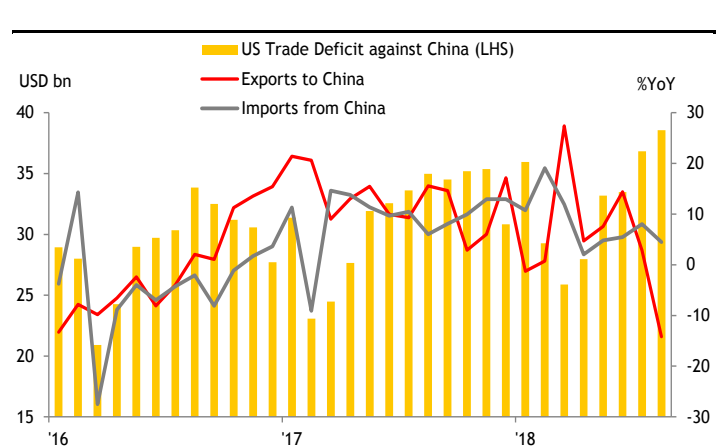
Source: CEIC, China General Administration of Customs

Figure 3: Divergence in Container Freight Rates from Shanghai to Rotterdam versus Shanghai to Los Angeles



Source: Bloomberg

Figure 4: US Exports to China Plunged by 14% in Aug 2018



Source: CEIC, US Census Bureau

Based on US data, US exports to China plunged by 14% in August to the lowest level in 2 years (see Fig 4). Some of the largest US export items to China, including soybeans (-95%), petroleum products (-83%) and road vehicles (-46%), are leading the decline (see Table 1).

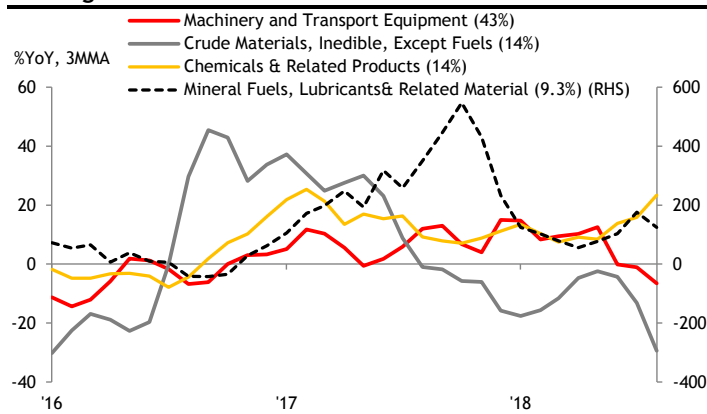
US exports of petroleum & petroleum products (-83%) to China, in particular, declined for the first time after two years of rapid growth since Washington lifted a 40-year ban in January 2016 to allow exports of crude oil. China became the largest importer of US crude oil earlier this year, with US oil exports to China jumping by more than twelvefold to \$4.4bn in 2017 from just \$361mn in 2016. China has granted temporary exclusion of US crude oil from its list of retaliatory tariffs on \$60bn of US imports, but escalating tensions likely mean that US-China oil flows have likely peaked¹. US petroleum products (but not crude) have been subjected to 25% tariff rates since August² (as part of China’s retaliation).

Table 1: US Exports to China Starting to Collapse, Weighed Down by Top Export Items Hit with Retaliatory Tariffs

	% of total	%YoY				
		2017	1Q18	2Q18	Jul-18	Aug-18
US Exports to China	2017	2017	1Q18	2Q18	Jul-18	Aug-18
Total Exports	100	12.4	8.9	8.9	2.8	-14.2
Other Transport Equipment (Aircraft)	12.6	11.4	59.6	-5.3	-25.1	-24.3
Road Vehicles	9.9	16.9	-9.2	-17.1	-28.5	-45.5
Oil Seeds and Oleaginous Fruits (Soybeans)	9.5	-14.2	-26.8	-14.0	-55.6	-94.5
Electrical Machinery, Apparatus & Appliances	8.3	5.8	10.8	10.5	12.6	17.8
Professional Instruments	4.9	7.6	11.9	16.5	32.3	32.4
Petroleum, Petroleum Products	4.4	320	100	112	420	-83.3
US Imports from China	2017	2017	1Q18	2Q18	Jul-18	Aug-18
Total Imports	100	9.3	13.6	4.2	8.0	4.5
Telecomm, Sound Record & Reproduce Equipment	19.1	16.8	14.8	-2.3	-5.1	1.1
Office Machinery & Automatic Data Processing	14.4	12.3	17.7	8.7	7.9	-2.2
Miscellaneous Manufactured Articles	11.1	7.8	12.9	0.9	9.8	1.3
Electrical Machinery, Apparatus & Appliance	9.3	6.2	16.6	11.9	21.0	13.6
Apparel & Clothing Accessories	6.1	-2.5	2.4	-3.5	3.5	-2.6
Furniture and Parts Thereof	4.8	10.8	10.5	2.2	10.9	4.9

Source: US Census Bureau, CEIC

Figure 5: US Exports of Crude Materials and Machinery to China Leading the Decline



Source: CEIC, US Census Bureau

Figure 6: China - Consumer Price Index Spiked in Sep-18, Fastest Rise Aside from the Lunar New Year in Feb-18



Source: CEIC

¹ S&P Global Platts, “Analysis: Chinese refiners get a breather as crude oil excluded from the tariff list”, 19 Sep 2018.

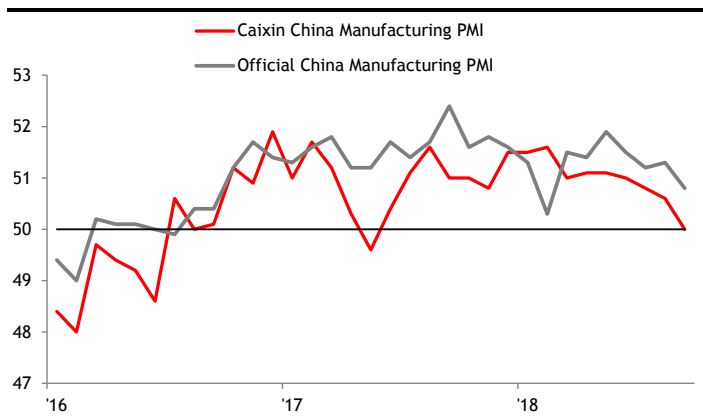
² Refined fuels including propane, kerosene, diesel and lubricants are among products that were hit with 25% tax starting 23 Aug.

Chinese consumers are starting to see higher prices, as CPI edged up to +2.5% in September, the fastest pace excluding the spike during the Lunar New Year in February (see Fig 6). While the surge in September was also due to bad weather hitting supply, tariffs have prompted automakers and consumer firms to raise prices. For instance, BMW and Daimler hiked prices of US-made SUVs by 4% to 7%. Prices of soybeans (which are processed to make cooking oil) have also risen for six straight months through September as China switched to purchasing from more expensive South American soy³.

Recent China PMI data suggests that Chinese companies, particularly small and medium enterprises, are starting to feel the negative impact from the trade war. Both the official PMI and Caixin PMI have been weakening with the Caixin PMI (which assigns a higher weight to small & medium size companies) falling to the 50 threshold in September (see Fig 7).

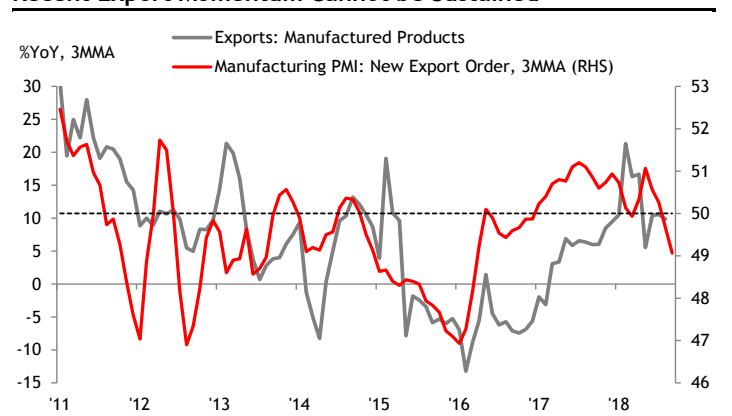
China’s exports may collapse in early 2019, when US tariff rates jump to 25% (from 10%) on 1 Jan. China’s new export orders PMI has slid below 50 since June, suggesting that the recent export momentum cannot be sustained (see Fig 8).

Figure 7: China - Both Caixin and Official PMI Sliding Down



Source: Bloomberg, CEIC, National Bureau of Statistics

Figure 8: China - New Export Orders Falling, Suggest that Recent Export Momentum Cannot be Sustained



Source: Bloomberg, CEIC, National Bureau of Statistics

The US-China trade war is also disrupting the electronics supply chain, which is centered on China and many of the Northeast Asian economies. The PMI is coming off for Korea, Taiwan and Singapore, key electronic producers in the supply chain (see Table 2). Korea’s exports of semiconductors (21% of total exports) are still posting double-digit growth but are slowing from the highs seen last year, while other electronics exports such as computers and fiber are also weakening (see Fig 9). Taiwan’s electronic exports are starting to contract while Singapore’s electronic exports have been contracting since the beginning of the year (see Figures 10 & 11). Malaysia and Thailand are also seeing a halt in the double-digit acceleration of electronics exports (see Fig 12).

³ Nikkei Asian Review, “Trade war begins to squeeze Chinese wallets”, 17 Oct 2018. October 19, 2018

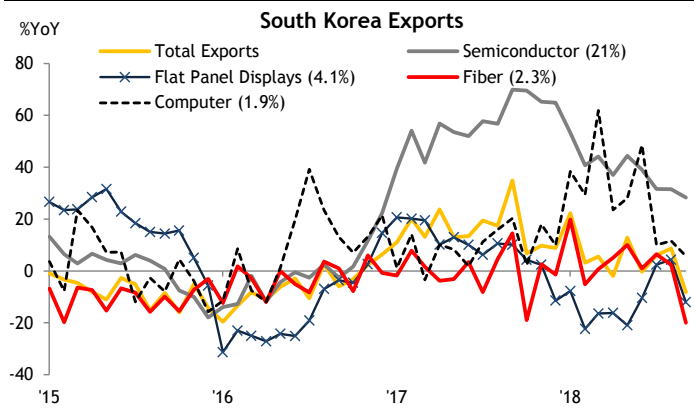
Table 2: Market Purchasing Managers' Index Around the Region Slowing

	3Q17			4Q17			1Q18			2Q18			3Q18		
	Jul	Aug	Sep	Oct	Nov	Dec	Jan	Feb	Mar	Apr	May	Jun	Jul	Aug	Sep
China	51.1	51.6	51.0	51.0	50.8	51.5	51.5	51.6	51.0	51.1	51.1	51.0	50.8	50.6	50.0
India	47.9	51.2	51.2	50.3	52.6	54.7	52.4	52.1	51.0	51.6	51.2	53.1	52.3	51.7	52.2
Korea	49.1	49.9	50.6	50.2	51.2	49.9	50.7	50.3	49.1	48.4	48.9	49.8	48.3	49.9	51.3
Taiwan	53.6	54.3	54.2	53.6	56.3	56.6	56.9	56.0	55.3	54.8	53.4	54.5	53.1	53.0	50.8
Indonesia	48.6	50.7	50.4	50.1	50.4	49.3	49.9	51.4	50.7	51.6	51.7	50.3	50.5	51.9	50.7
Malaysia	48.3	50.4	49.9	48.6	52.0	49.9	50.5	49.9	49.5	48.6	47.6	49.5	49.7	51.2	51.5
Philippines	52.8	50.6	50.8	53.7	54.8	54.2	51.7	50.8	51.5	52.7	53.7	52.9	50.9	51.9	52.0
Singapore	51.0	51.8	52.0	52.6	52.9	52.8	53.1	52.7	53.0	52.9	52.7	52.5	52.3	52.6	52.4
Thailand	49.6	49.5	50.3	49.8	50.0	50.4	50.6	50.9	49.1	49.5	51.1	50.2	50.1	49.9	50.0
Vietnam	51.7	51.8	53.3	51.6	51.4	52.5	53.4	53.5	51.6	52.7	53.9	55.7	54.9	53.7	51.5

Note: Pink to red indicates contraction (<50). White to green indicates expansion (>50). Singapore's PMI number refers to SIPMM's numbers

Source: CEIC, SIPMM, Maybank Kim Eng

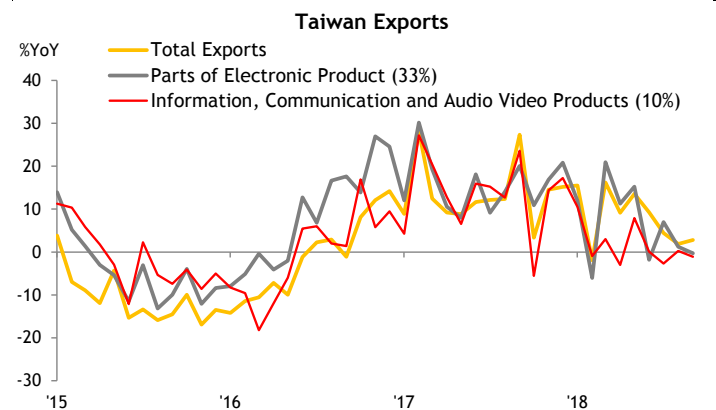
Figure 9: South Korea - Exports Weakening as Electronics Start to Slow



Note: Numbers in brackets refer to share of total exports in 9M18.

Source: CEIC

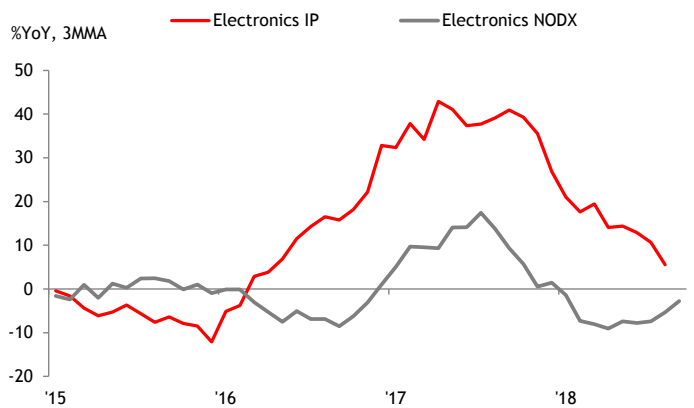
Figure 10: Taiwan - Electronics Exports Contracted in Sep



Note: Numbers in brackets refer to share of total exports in 9M18.

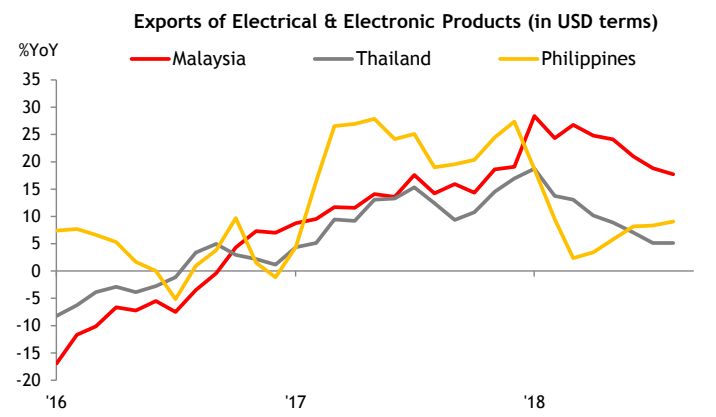
Source: CEIC

Figure 11: Singapore - Electronics Production Softening, While Exports Have Been Contracting Since Start of the Year



Source: CEIC

Figure 12: Electronics Exports Easing in Malaysia & Thailand

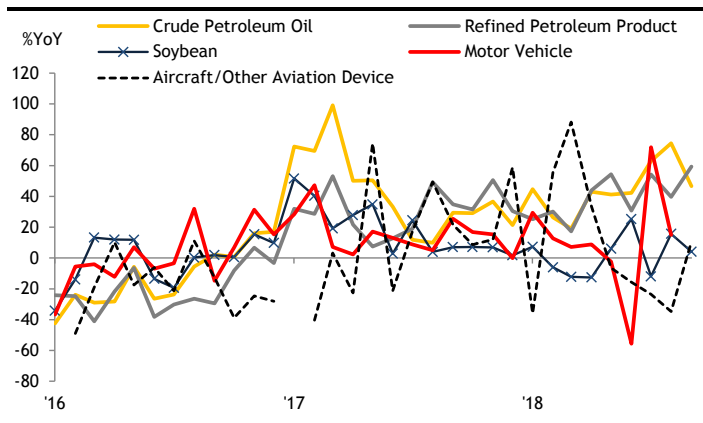


Source: CEIC

Trade Diversion

China’s imports from non-US countries are still rising strongly, in contrast to the plunging imports from the US (see Table 4). The US-China trade war will likely further increase this dramatic trade diversion. China’s car imports from Germany and Japan jumped in July, following the cut in auto import tariffs to 15% from 25% starting 1 July (see Fig 14). Tariffs on US-built auto imports were raised to 40% starting 6 July in retaliation of US’ tariffs, causing US vehicles imports to decline.

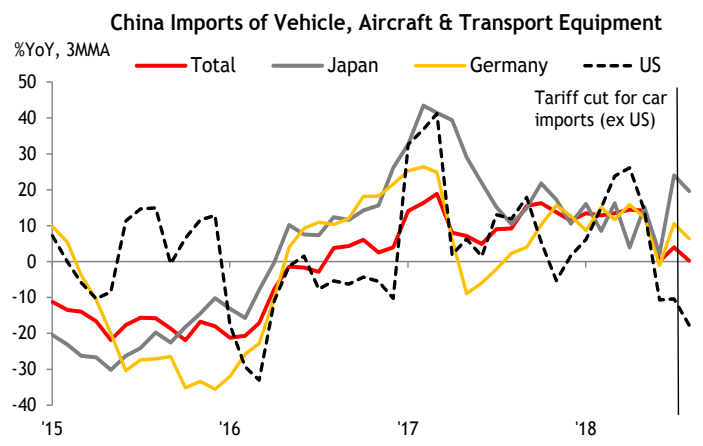
Figure 13: China’s Imports of Tariff-Hit Items Still Rising



Note: Crude petroleum oil was temporarily excluded from China’s retaliatory tariffs on US imports.

Source: CEIC, General Administration of Customs

Figure 14: China Imports of Vehicles from Germany & Japan Surged in July Following Tax Cut, But Plunged for US Imports



Source: CEIC

Imports from non-US countries, especially Korea, Brazil and Russia are strengthening following the imposition on tariffs on US (see Figures 15 & 16). In particular, Korea may also be benefitting from China’s lowering of import levies on more than 1,400 products starting 1 July (including household goods, home appliances and apparel) for 5 Asian countries - Korea, India, Bangladesh, Laos and Sri Lanka. China’s imports from Korea jumped by +31% in July (vs. +26% in 2Q), the second fastest monthly pace since 2012.

Table 3: Trade Diversion - China’s Top Source of Imports for Selected Products, 2016

Cars (\$44bn)			Soybeans (\$34bn)			Planes, Helicopters, Spacecraft (\$20.4bn)		
	Country	% of imports		Country	% of imports		Country	% of imports
1	Germany	27%	1	Brazil	46%	1	United States	62%
2	United States	27%	2	United States	41%	2	France	17%
3	Japan	17%	3	Argentina	9.5%	3	Germany	16%
4	United Kingdom	14%	4	Uruguay	2.0%	4	Brazil	1.8%
5	Slovakia	3.5%	5	Canada	1.8%	5	Canda	1.7%

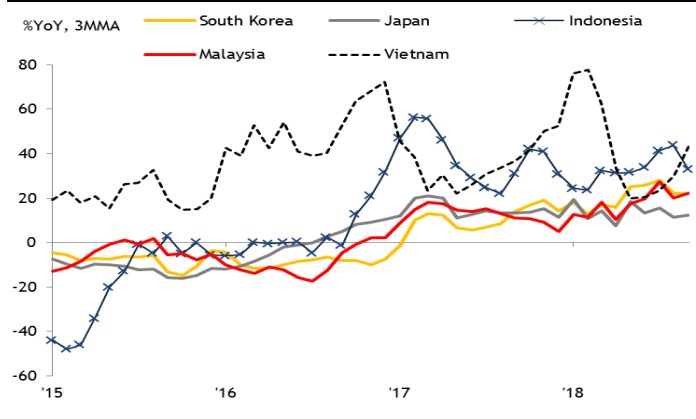
Source: Observatory of Economic Complexity, Maybank Kim Eng

Table 4: Examples of Products that Contributed to Surge in Imports from Selected Countries in 3Q18

Rank by Imports	Imports by Country	% of total imports (2017)	%YoY (3Q18)	Largest contributor to imports growth in Jul/Aug
1	Korea	9.6	+22	Electrical machinery & equipment, mineral products
7	Brazil	3.2	+29	Vegetable products, mineral products
8	Malaysia	2.9	+21	Mineral products, electrical machinery & equipment
9	Vietnam	2.7	+44	Electrical machinery & equipment
11	Russia	2.2	+56	Mineral products, base metal & article of base metal
15	Indonesia	1.5	+31	Mineral products, chemicals or allied industry products
	EU	13.3	+13	Vehicles, aircraft & transport equipment, machinery & mechanical appliances

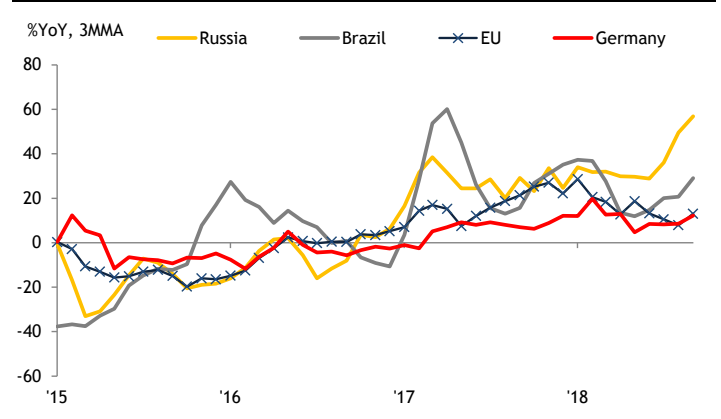
Source: CEIC, China General Administration of Customs

Figure 15: China Imports from Asian Countries Picking Up



Source: CEIC

Figure 16: China Imports from Russia, Brazil and EU Rising



Source: CEIC

China’s imports from Brazil surged by +29% in 3Q (vs. +15% in 2Q) lifted by the switch to soybean imports from Brazil instead of US. China had already been heavily purchasing soybeans from Brazil even before the tariffs hit, on concerns that supplies will tighten and result in higher prices⁴.

Russia, a major exporter of oil & gas products to China, is also benefitting from the trade disruption. Russia is one of the largest exporters to China for crude oil (#1), LNG (#7) and refined petroleum products (#3) (see Table 5). The diversion of oil imports from the US has boosted Russia’s exports of mineral products to China (see Table 4). China also tripled its purchase of soybeans from Russia after canceling shipments from the US⁵. China’s imports from Russia surged by +56% in 3Q, accelerating further from the +29% in 2Q.

Table 5: China’s Top Source of Imports for Oil & Gas Products, 2017

Crude Petroleum Oil (\$161bn)			Liquified Natural Gas (\$14.7bn)			Refined Petroleum Products (\$14.5bn)		
	Country	% of total imports		Country	% of total imports		Country	% of total imports
1	Russia	14.6%	1	Australia	42.1%	1	South Korea	31.5%
2	Saudi Arabia	12.7%	2	Qatar	22.6%	2	Singapore	25.0%
3	Angola	12.1%	3	Malaysia	9.9%	3	Russia	5.6%
4	Iraq	8.5%	4	Indonesia	8.1%	4	Malaysia	4.9%
5	Oman	7.5%	5	PNG	6.1%	5	Japan	4.2%
6	Iran	7.4%	6	United States	4.4%	6	UAE	3.2%
7	Brazil	5.4%	7	Russia	1.2%	7	United States	3.2%
...			8	Nigeria	1.0%	8	Taiwan	2.9%
14	United States	2.0%	9	Oman	0.7%	9	Indonesia	2.5%
15	Malaysia	1.6%	10	Singapore	0.7%	10	India	1.9%

Source: CEIC, China General Administration of Customs

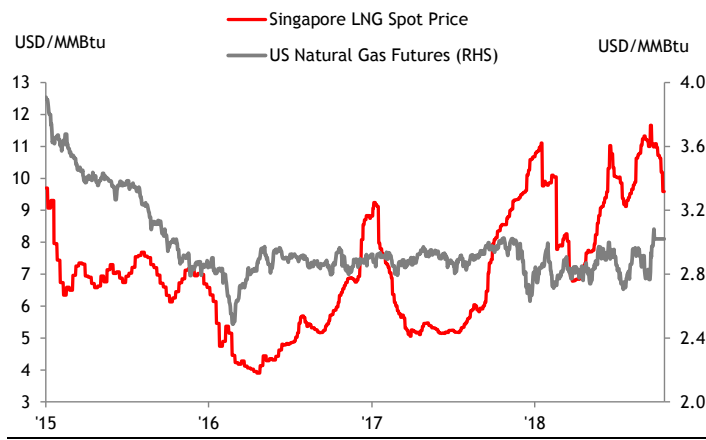
Trade diversion may be starting to benefit some ASEAN countries. China’s imports of mineral products from Indonesia and Malaysia are starting to accelerate and will likely firm further as China reduces its dependence on US for oil and gas imports. While oil has been temporarily excluded from China’s list of tariffs, LNG was included despite China’s growing need for the product. This is driven by the shift from coal to cleaner natural gas for power generation. China will likely import more LNG from top sources such as Australia and Qatar, and ASEAN gas exporters such as Malaysia and Indonesia (see Table 5).

Commodity prices have been impacted by the trade war, with prices of alternative sources for China’s imports rising. Asia LNG prices were trading near 4-year highs at US\$11.3/MMBtu in the first week of Sep 2018, while US LNG prices have been moving sideways (see Fig 17). US soybean futures prices plunged to a

⁴ Reuters, “China’s August soy imports jump as buying from Brazil continues”, 8 Sep 2018.
⁵ Bloomberg, “China Buys Record Amount of Russian Soy as It Shuns U.S. Growers”, 17 May 2018.

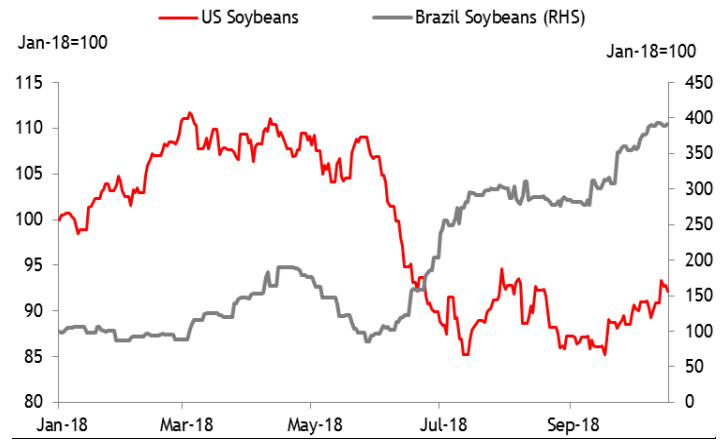
10-year low in July, while prices of Brazil soybean prices have been climbing steadily since June (see Fig 18).

Figure 17: Asia LNG Prices Reached 4-Year Highs While US Natural Gas Prices Moving Sideways



Source: Bloomberg

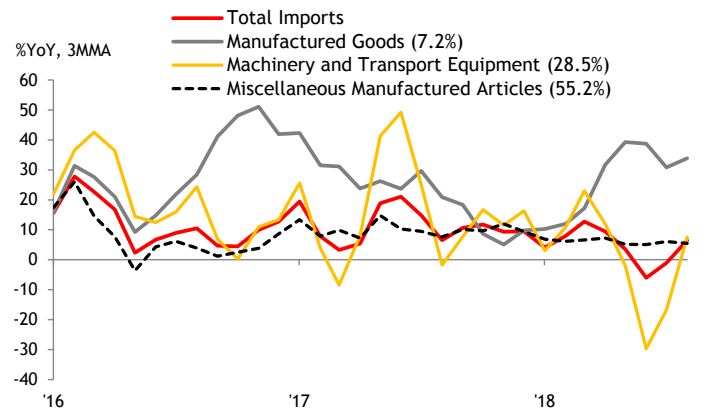
Figure 18: US Soybean Prices Plunged in June While Prices of Brazil Soybean Prices Climbing



Source: Bloomberg

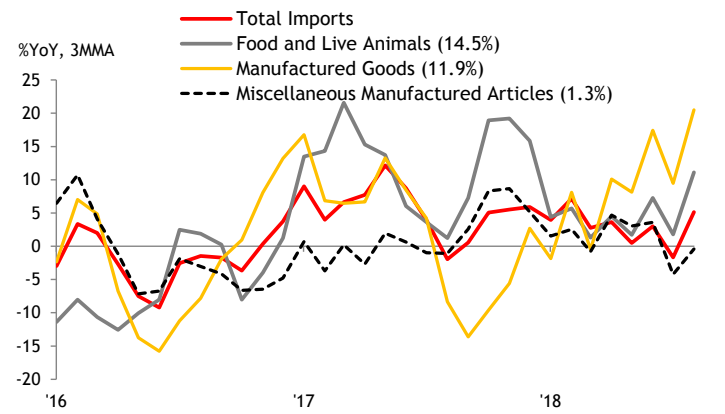
US imports from ASEAN-6 are also picking up pace in Jul/Aug (+11.1% vs. +8.3% in 2Q), with improvements seen for Indonesia and Vietnam (see Table 8 in Appendix for details). In particular, US imports from Vietnam reached the highest level in record in August at US\$4.9bn, driven by a +40% surge in machinery and transport equipment (see Fig 19). Vietnam, as a manufacturing powerhouse and ASEAN’s largest exporter to US, is expected to benefit the most from the trade diversion. Similarly, imports from Indonesia have been driven by manufactured goods and also food & live animals (see Fig 20).

Figure 19: US Imports from Vietnam - Manufactured Goods and Machinery & Transport Equipment Boosting Imports



Source: CEIC

Figure 20: US Imports from Indonesia - Manufactured Goods and Food & Live Animals Seeing Faster Growth

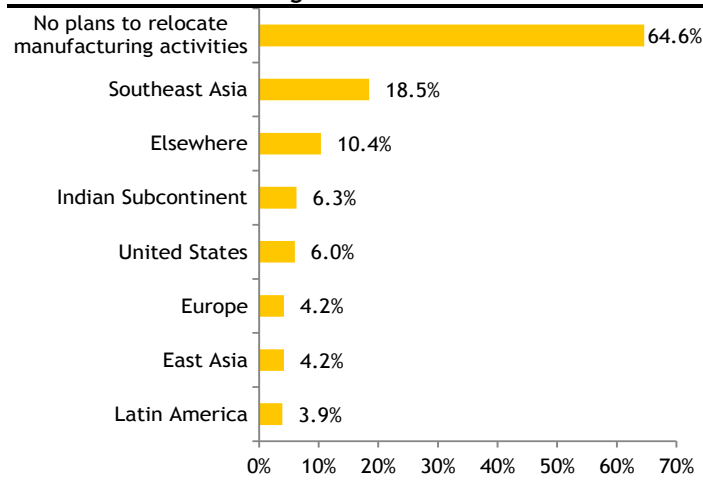


Source: CEIC

Investment Diversion

The US-China trade war may be attracting more firms to set up in ASEAN to circumvent the tariffs. A recent American Chamber of Commerce survey showed that 18.5% of around 420 US firms in China indicated plans to relocate their manufacturing facilities in ASEAN to avoid tariffs (see Fig 21). Sectors such as consumer products, industrial, technology & telecom hardware, automotive and chemicals have indicated interest in Southeast Asia (see Table 6).

Figure 21: Almost a Fifth of US Firms in China Surveyed Plans to Relocate Manufacturing Facilities to ASEAN



Note: Indian subcontinent refers to India, Bangladesh, Pakistan, Sri Lanka.
Source: AmCham China & AmCham Shanghai

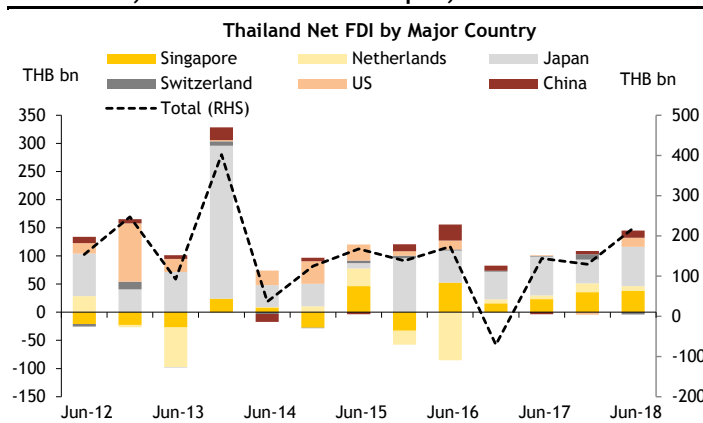
Table 6: Survey of Relocation of China-based Manufacturing by Industry

Sector	Region	Share of respondents (check all that apply)
Consumer products	Southeast Asia	33.3%
Other industrial	Southeast Asia	33.3%
Retail & distribution	Elsewhere	30.8%
Aerospace	Indian Subcontinent	27.3%
Technology & telecom hardware	Southeast Asia	26.7%
Automotive	Southeast Asia	25.0%
Chemicals	Southeast Asia	23.1%

Source: AmCham China & AmCham Shanghai

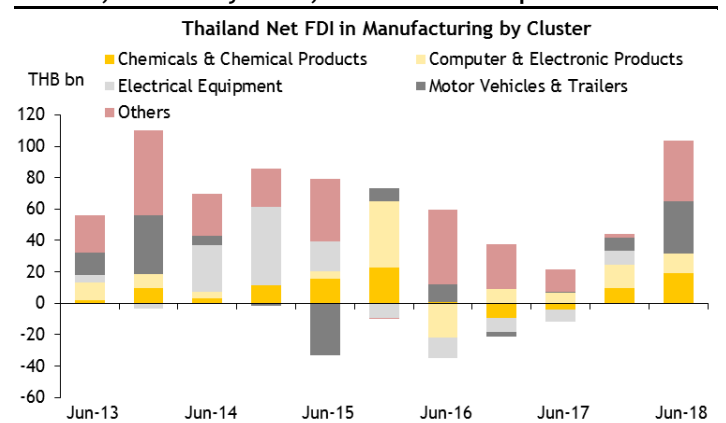
We see some early signs of foreign investment diverting to ASEAN. In Thailand, net FDI in the first half of 2018 has already reached Bt219bn (US\$6.9bn), around 80% of the full year amount of Bt273bn for 2017 (see Fig 22). While Japan (Bt70bn) continued to be the largest investor in the first half of 2018, FDI from China (Bt13bn) and the US (Bt16bn) increased significantly to reach 2-year highs. In particular, net FDI into manufacturing rebounded strongly in the first half of 2018, the largest amount recorded since 2H13 (see Fig 23). This was boosted by investment into motor vehicles, chemicals and computer & electronic products. Thailand's purchasing order expectations for the next 3 months has also been climbing, with foreign orders rising to a 4-year high (see Fig 24).

Figure 22: Thailand - Net FDI in First Half of 2018 Strongest Since 2H13, With Increases from Japan, US & China



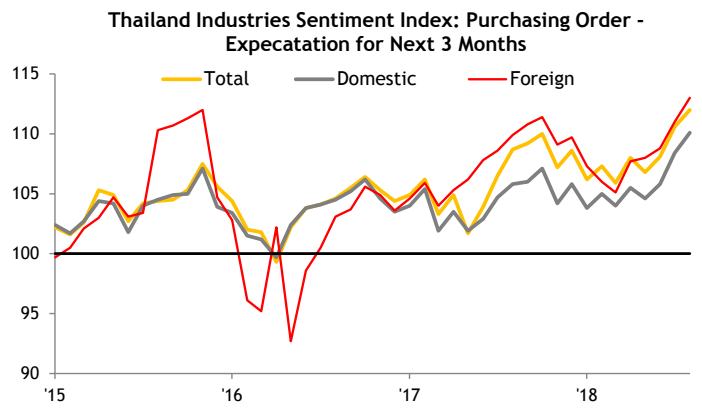
Source: Bank of Thailand, CEIC

Figure 23: Thailand - Net FDI in Manufacturing Rose Strongly in 1H18, Boosted by Autos, Chemicals & Computer/Electronics



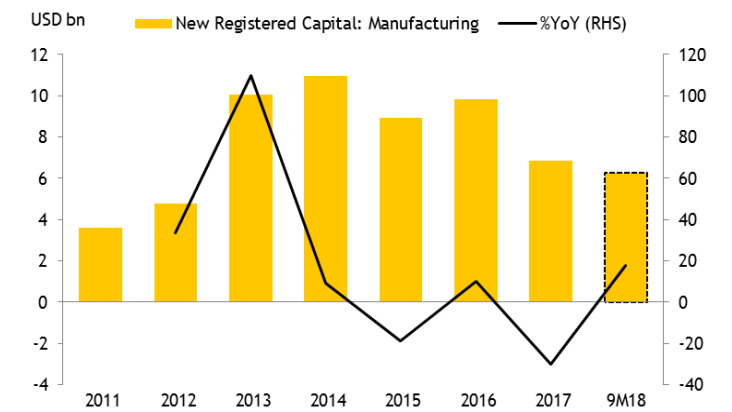
Source: Bank of Thailand, CEIC

Figure 24: Thailand - Purchasing Order Expectations for the Next 3 Months Climbing Higher



Source: CEIC, Federation of Thai Industries

Figure 25: Vietnam - Registered FDI for Manufacturing Sector Surged by +18% in First Nine Months of 2018

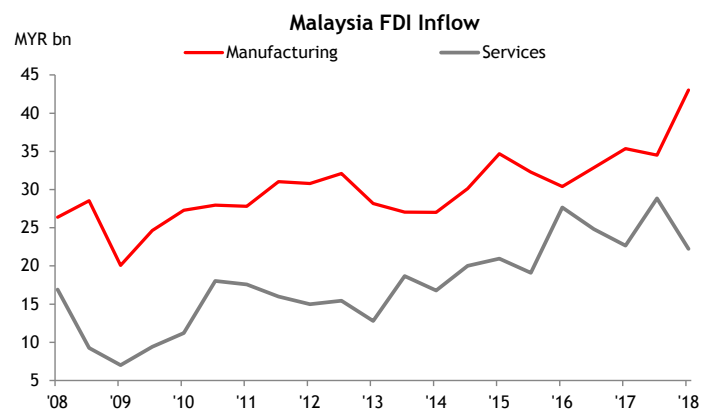


Source: Foreign Investment Agency, CEIC

Vietnam's FDI in manufacturing is seeing a surge. Newly registered FDI in manufacturing surged by +18% in the first nine months of 2018, driven by major projects such as the US\$1.2bn polypropylene production project by South Korea's Hyosung Corporation and the \$0.5bn additional capital by LG Innotek Hai Phong Project⁶ (see Fig 25). Vietnam has also been cited frequently as a potential production base for factories that want to relocate to ASEAN (see Table 7).

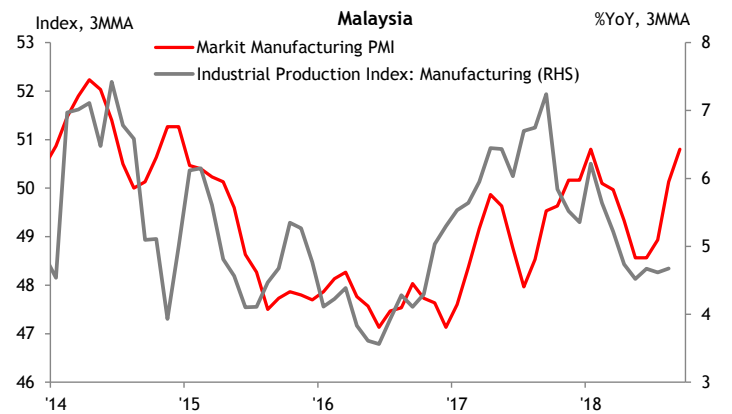
Malaysia's FDI inflow in manufacturing hit a record high in the first half of 2018. FDI inflow into manufacturing jumped by +22% in 1H18 from a year ago to RM43bn (or US\$10.9bn), the largest amount ever recorded on a half-yearly basis (see Fig 26). The Markit manufacturing PMI is also strengthening in Malaysia, while declining in most countries, with the index rising to above the 50 level since August (see Fig 27).

Figure 26: Malaysia - FDI Inflows into Manufacturing Hit a Record High in First Half of 2018



Source: CEIC

Figure 27: Malaysia - Manufacturing PMI Rising Steadily in 3Q18

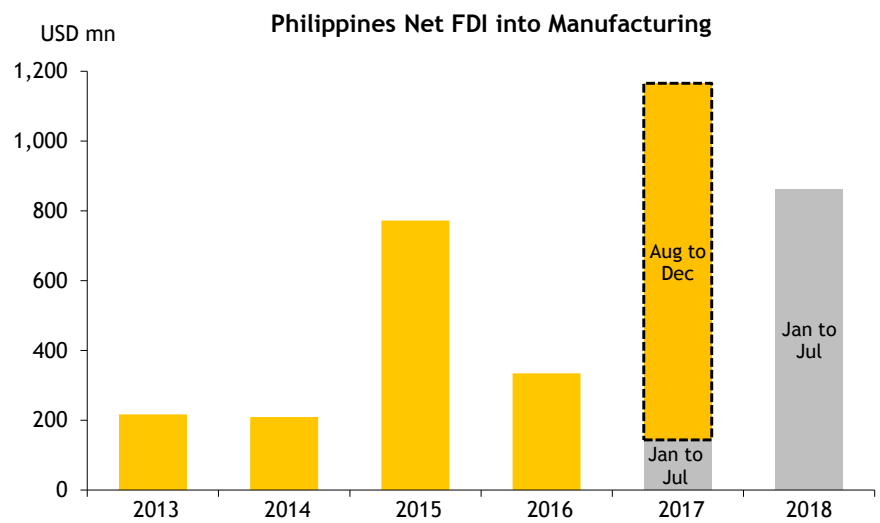


Source: Markit, CEIC

The Philippines is also seeing healthy net FDI into the manufacturing sector, extending the recovery in 2017. FDI in manufacturing sector for the first seven months of 2018 reached US\$861mn, tracking at close to 75% of the \$1.2bn that came in last year (see Fig 28).

⁶ Hanoi Times, "Foreign investors flock to Vietnam's processing and manufacturing sector", 1 Jul 2018.

Figure 28: Net FDI into Philippines Manufacturing Sector Still Robust in First Seven Months of 2018



Source: CEIC, BSP

Table 7: Examples of Firms that Have Plans to Relocate or Increase Production Facilities to ASEAN

Company	Sector	Note	Beneficiary country
Lee Kee Holdings	Nonferrous metals exporter	Hardest hit due to US steel and aluminium tariffs and plans to move production line to Southeast Asia	
Kayamatics	Internet of Things devices	Has two Chinese factories but plans to set up production lines in Kuala Lumpur and Penang in Malaysia	Malaysia
Delta Electronics	Supplies power components to Apple	Made a US\$2.1bn offer in July to purchase a Thai affiliate in order to expand production	Thailand
Merry Electronics	Makes headphones for firms like Bose	Intends to move some of its production to Thailand from southern China	Thailand
New Kinpo Group	Produces electronics products such as computer hardware and facial massagers	Already produces in Thailand and the Philippines; has indicated growing interest in its services since trade war	Thailand/Philippines
Harley Davidson	Motorcycles	Shifted part of its processes to Thailand	Thailand
Man Wah Holdings	Furniture maker	Purchased a sofa manufacturing and export firm in Vietnam for US\$68mn	Vietnam
Phu Thai Corp	Furniture maker	Planning a 30% increase in exports in 2018 and 2019, and will invest about \$10mn to expand its production lines.	Vietnam
Hung Hing Printing Group	Printing	Expanding to Hanoi, Vietnam with a new printing and packaging facility	Vietnam
Panasonic	Electronics	Closed its US plant in early 2017 and switched to consignment production and exports from Malaysia	Malaysia
Steven Madden	Produces shoes and accessories	Announced that it has been shifting production of handbags to Cambodia from China, with 15% of its handbags sourced from Cambodia this year	Cambodia
Tapestry	Produces luxury goods	Boosted its production base in Vietnam, and reducing its production in China to less than 5%	Vietnam

Source: Compiled by Maybank Kim Eng

Exporters can find ways to avoid tariffs, by re-routing goods via other countries and possibly, code misclassification. Rerouting of goods through third countries is a common practice as supply chains take time to be re-established. Previous examples of firms rerouting their products include China's exports of honey to US, which came under US antidumping duties in 2001. Based on anecdotal evidence, Chinese firms circumvented the rules by shipping unlabeled barrels of honey to Thailand and Vietnam, from where the products were labeled with these countries as origins and shipped to US⁷. Plywood and steel shipments are also suspected to be rerouted through Vietnam⁸. The US International Trade Commission had previously found that crystalline silicon photovoltaic cells made in China (which were subject to antidumping taxes from 2012) were shipped through Taiwan to US.

⁷ Nikkei Asian Review, "Chinese producers expected to beat US tariffs by rerouting goods", 18 Sep 2018.

⁸ Wall Street Journal, "US Accuses Chinese Firms of Rerouting Goods to Disguise Their Origin", 10 Apr 2018.

This has resulted in governments taking steps to prevent rerouting. In March 2018, the US government hiked tariffs on steel products from Vietnam that originated from China. Vietnam also passed a regulation that supplements new regulations related to the origin of exported and imported goods.

Code misclassification may also potentially be a method for exporters to avoid tariffs. While there is insufficient data to back up this trend, an indication that it is growing is the surge of the number of US Customs rulings on questionable export classifications that originate from China. In July, the number tripled to 146 from six months ago. The US Commerce Department's investigations of possible dumping cases have also risen by +60% last year⁹.

Appendix

Table 8: AxJ Exports in USD Terms (Total, to China and to US), %YoY

Total Exports	Jan-18	Feb-18	Mar-18	Apr-18	May-18	Jun-18	Jul-18	Aug-18	Sep-18	1Q18	2Q18	3Q18 or Jul/Aug 18
Indonesia	8.6	12.0	6.2	9.6	13.1	11.3	19.7	4.5	1.7	8.8	11.3	8.3
Malaysia	32.8	11.0	15.9	28.6	13.0	15.5	15.9	4.4		19.6	18.8	10.0
Philippines	-4.0	-5.5	-6.8	-4.9	-1.8	2.8	0.3	3.1		-5.5	-1.3	1.7
Singapore	18.0	6.0	5.8	16.9	14.6	10.8	14.0	12.8	9.6	9.7	14.1	13.4
Thailand	17.6	10.5	7.0	12.4	11.4	8.2	8.3	6.7		11.3	10.6	7.4
Vietnam	40.2	8.6	22.3	4.5	11.3	11.3	14.8	18.5	9.5	24.0	9.1	14.3
ASEAN-6	21.2	8.3	9.7	13.7	12.1	10.8	13.4	9.6		12.9	12.2	11.4
China	10.6	43.5	-3.0	12.0	12.0	10.5	11.4	9.1	14.5	13.7	11.5	11.7
Hong Kong	17.2	0.9	7.0	7.1	15.0	2.7	9.4	12.7		8.8	8.1	11.1
India	13.6	5.3	-0.5	4.3	21.1	18.7	16.4	19.3	-2.2	5.5	14.6	10.2
Korea	22.3	3.1	5.5	-1.9	12.8	-0.3	6.1	8.7	-8.2	9.9	3.1	1.7
Taiwan	15.5	-1.9	16.2	9.1	13.6	9.2	4.4	1.9	2.8	10.3	10.7	3.0
Asia ex-Japan	15.4	18.5	3.5	9.6	13.0	8.9	10.9	9.6		11.8	10.5	10.3
China Imports by Source	Jan-18	Feb-18	Mar-18	Apr-18	May-18	Jun-18	Jul-18	Aug-18	Sep-18	1Q18	2Q18	3Q18
Indonesia	34.8	23.9	38.6	31.2	25.2	44.9	53.8	32.4	12.6	32.7	33.5	30.5
Malaysia	37.7	3.9	13.1	14.1	24.7	19.9	37.5	2.6	26.3	17.9	19.6	21.1
Philippines	38.9	4.5	23.6	6.0	12.0	6.7	23.2	9.0	3.4	22.1	8.3	11.1
Singapore	31.3	-11.7	0.4	14.2	19.7	-4.3	18.9	-15.6	-7.7	6.2	9.5	-2.9
Thailand	28.6	-8.9	7.8	14.5	14.3	9.3	19.1	7.1	4.1	9.3	12.6	9.6
Vietnam	116.4	63.7	7.9	28.5	23.1	9.7	37.7	42.7	50.3	58.1	19.9	44.2
ASEAN-6	48.9	11.7	13.2	18.4	20.6	13.7	31.8	13.0	19.2	24.0	17.5	20.7
Hong Kong	7.8	-46.1	13.4	-0.2	28.7	12.4	17.5	-5.3	-23.4	-6.4	13.7	-6.9
India	22.9	-9.1	13.5	17.6	14.4	33.8	31.6	22.4	6.7	9.1	21.4	19.5
Korea	28.6	3.7	19.1	24.6	31.8	20.6	31.4	15.2	19.5	17.2	25.6	21.6
Taiwan	41.6	-1.1	30.0	31.4	31.6	13.3	25.2	14.3	9.4	23.6	24.9	15.8
Asia ex-Japan/China	39.1	4.4	19.2	23.3	26.7	16.1	29.7	13.9	15.7	20.9	22.0	19.3
US Imports by Source	Jan-18	Feb-18	Mar-18	Apr-18	May-18	Jun-18	Jul-18	Aug-18	Sep-18	1Q18	2Q18	Jul/Aug 18
Indonesia	6.0	8.6	-6.2	8.6	-0.9	1.3	-5.4	19.5		2.4	2.8	6.4
Malaysia	2.2	17.1	-0.2	21.6	11.3	-4.9	9.2	10.5		5.9	8.6	9.9
Philippines	20.0	15.2	3.4	2.7	-4.1	5.4	13.4	-7.6		12.1	1.1	2.2
Singapore	47.7	40.9	28.7	46.2	44.8	74.6	53.5	24.9		37.7	55.5	39.3
Thailand	11.2	1.1	1.3	16.5	5.5	-3.5	5.0	-2.0		4.5	5.6	1.5
Vietnam	0.4	11.1	26.9	-9.8	-6.5	-1.7	5.2	16.0		11.7	-6.0	10.7
ASEAN-6	9.2	13.6	9.6	11.4	6.4	7.3	11.2	11.0		10.7	8.3	11.1
Hong Kong	-13.1	-1.8	-34.7	22.6	-21.5	-8.2	-25.1	11.1		-19.8	-3.0	-9.0
India	16.8	14.0	4.9	28.3	12.9	4.3	9.5	19.4		11.6	14.8	14.5
Korea	-5.0	2.1	-1.8	-4.5	11.7	-0.2	3.6	7.3		-1.8	2.2	5.5
Taiwan	11.8	12.3	3.4	3.8	4.0	3.7	7.5	4.5		9.0	3.8	6.0
Asia ex-Japan/China	6.9	10.8	4.3	9.4	7.5	4.5	8.2	10.6		7.2	7.1	9.4
China	10.8	19.1	11.9	2.0	4.8	5.5	8.0	4.5		13.6	4.2	6.2

Note: Total exports refer to data from individual countries, while China's imports by source are from China's General Administration of Customs and US' imports by source are from US Census Bureau for consistency.

Source: CEIC, China General Administration of Customs, US Census Bureau

⁹ Wall Street Journal, "The US-China Trade Battle Spawns a New Era of Tariff Dodges", 8 Oct 2018.

Stocks mentioned in this report

Name	Bblg Code	Mkt Cap (USDm)	3mth		Price Rating	PE (x)		PB (x)		DY (%)		EV/EBITDA (x)		RoE (%)		Analyst Name	
			ADTV (USDm)			TP	FY18e	FY19e	FY18e	FY19e	FY18e	FY19e	FY18e	FY19e			
AMMB Holdings	AMM MK	2,883	1.9	4.0	Buy	4.7	9.7	9.1	0.7	0.7	3.9	4.4	na	na	na	na	Desmond Ch'ng
Ascendas REIT	AREIT SP	5,725	20.0	2.6	Buy	3.1	15.6	14.9	1.2	1.1	6.1	6.7	19.6	18.0	7.7	7.6	Su Tye Chua
Ayala Land	ALI PM	11,042	7.5	40.6	Buy	54.5	20.0	16.9	3.2	2.8	1.5	1.8	13.8	11.9	16.9	17.8	Romel Libo-on
Bank Rakyat Indonesia	BBRI IJ	24,883	23.0	3,090	Buy	3,500	11.8	10.4	2.0	1.8	3.4	3.9	na	na	na	na	Rahmi Marina
Bekasi Fajar	BEST IJ	106	0.1	165	Buy	250	3.2	3.4	0.4	0.3	6.1	6.2	3.3	3.5	12.1	10.5	Aurellia Setiabudi
Genting Bhd	GENT MK	6,884	9.4	7.3	Buy	11.6	11.3	9.5	0.8	0.7	2.4	2.8	5.9	5.1	7.1	8.0	Samuel Yin Shao Yang
Inari Amertron	INRI MK	1,689	5.9	2.3	Buy	2.6	26.8	22.2	7.1	6.7	3.0	3.8	19.2	15.4	25.7	31.0	Ivan Yap
Int'l Container Terminal Svcs	ICT PM	3,586	2.1	95.0	Buy	114.0	27.7	18.7	1.7	1.7	2.8	2.8	9.5	8.6	20.1	24.7	Katherine Tan
Japfa Ltd	JAP SP	856	0.8	0.7	Buy	0.9	9.8	8.3	1.6	1.4	1.5	1.5	5.9	5.2	14.4	17.8	Neel Sinha
Manila Electric Co.	MER PM	7,397	1.6	352.6	Sell	295.0	19.4	18.6	5.4	5.3	5.1	5.1	10.8	10.3	27.7	28.8	Kayzer Llanda
Metropolitan Bank & Trust Co.	MBT PM	5,000	4.1	67.0	Buy	90.0	11.1	10.1	0.9	0.9	1.5	1.5	na	na	9.4	8.8	Katherine Tan
Mobile World Investment Corp	MWG VN	1,728	3.0	126,500	Buy	176,500	15.5	12.4	4.9	3.7	1.2	1.2	9.3	7.6	36.7	33.7	Trung THAI Quang
Pakuwon Jati	PWON IJ	1,538	1.0	484	Buy	730	10.5	10.5	1.9	1.7	1.4	1.4	1.6	1.4	19.6	16.9	Aurellia Setiabudi
Phu Nhuan Jewellery	PNJ VN	719	2.3	104,000	Buy	141,900	19.8	15.0	4.8	4.2	2.9	3.9	14.1	10.4	30.0	35.5	LE Hong Lien
PTT Global Chemical	PTTGC TB	10,536	48.7	77.0	Buy	103.0	8.0	7.6	1.2	1.1	5.4	5.6	5.9	5.6	15.2	14.5	Maria Lapiz
Ramayana Lestari	RALS IJ	574	0.4	1,260	Buy	1,600	17.8	16.0	2.4	2.2	2.6	2.9	7.3	6.1	13.8	14.3	Janni Asman
SATS	SATS SP	3,909	5.7	4.9	Buy	5.9	24.2	20.0	3.5	3.2	3.5	4.0	18.3	16.2	16.2	16.2	Neel Sinha
Sino-Thai Engrg & Construction	STEC TB	1,141	11.3	24.5	Buy	34.0	27.6	21.9	3.5	3.2	1.6	1.8	15.5	12.8	15.0	15.1	Maria Lapiz
ST Engineering	STE SP	7,759	9.8	3.5	Buy	4.4	19.1	15.0	4.2	4.0	4.7	5.7	12.6	10.5	24.9	30.6	Neel Sinha
Total Access Communication	DTAC TB	3,211	9.4	44.8	Buy	63.0	27.3	13.6	3.4	2.9	2.5	5.0	4.7	4.6	12.8	22.8	Maria Lapiz
United Tractors	UNTR IJ	7,819	8.7	31,925	Buy	46,700	13.1	12.8	2.3	2.1	3.1	3.2	6.2	5.9	19.0	17.5	Isnaputra Iskandar
Vinhomes JSC	VHM VN	10,749	2.7	75,600	Buy	109,000	13.4	10.5	5.1	3.5	0.0	0.0	10.3	6.8	56.1	39.3	Trung THAI Quang

Share price as at Oct 18, 2018 closing.

Source: Maybank Kim Eng, Bloomberg

Appendix: Summary Tables

Table 9: Indonesia - Key Macroeconomic Indicators

	2014	2015	2016	2017	2018E	2019E
Real GDP (%)	5.0	4.9	5.0	5.1	5.2	5.3
Private Consumption (%)	5.1	5.0	5.0	4.9	5.0	5.0
Government Consumption (%)	1.2	5.3	(0.1)	2.1	5.7	0.8
Gross Fixed Capital Formation (%)	4.4	5.0	4.5	6.2	7.2	7.2
Exports of Goods & Services (%)	1.1	(2.1)	(1.6)	9.1	4.7	5.6
Imports of Goods & Services (%)	2.1	(6.2)	(2.4)	8.1	8.5	5.0
Current Account Balance (% of GDP)	(3.1)	(2.0)	(1.8)	(1.7)	(2.7)	(2.5)
Fiscal Balance (% of GDP)	(2.2)	(2.8)	(2.5)	(2.5)	(2.2)	(2.0)
Inflation Rate (% average)	6.4	6.4	3.5	3.8	3.2	3.5
Unemployment Rate (%)	5.9	6.2	5.6	5.5	5.3	5.1
Exchange Rate (per USD, end-period)	12,440	13,795	13,436	13,548	15,250	15,100
Benchmark Interest Rate (% p.a., end-period)	5.86	6.25	4.75	4.25	6.00	6.50

Source: CEIC, Maybank Kim Eng

Table 10: Malaysia - Key Macroeconomic Indicators

	2014	2015	2016	2017	2018E	2019E
Real GDP (%)	6.0	5.0	4.2	5.9	4.8	4.8
Private Consumption (%)	7.0	6.0	6.0	7.0	7.6	6.3
Government Consumption (%)	4.4	4.4	0.9	5.4	1.9	2.7
Gross Fixed Capital Formation (%)	4.8	3.6	2.7	6.2	0.3	2.0
Exports of Goods & Services (%)	5.0	0.3	1.1	9.6	3.8	3.5
Imports of Goods & Services (%)	4.0	0.8	1.1	11.0	2.0	2.5
Current Account Balance (% of GDP)	4.4	3.0	2.4	3.0	3.2	3.4
Fiscal Balance (% of GDP)	(3.4)	(3.2)	(3.1)	(3.0)	(3.5)	(3.5)
Inflation Rate (% average)	3.1	2.1	2.1	3.7	1.3	2.3
Unemployment Rate (%)	2.9	3.2	3.5	3.4	3.3	3.4
Exchange Rate (per USD, end-period)	3.50	4.29	4.49	4.05	4.12	4.06
Benchmark Interest Rate (% p.a., end-period)	3.25	3.25	3.00	3.00	3.25	3.25

*Forecast for 2018 is the midpoint for the range of 2.5% to 3.0%.

Source: CEIC, Maybank Kim Eng

Table 11: Philippines - Key Macroeconomic Indicators

	2014	2015	2016	2017	2018E	2019E
Real GDP (%)	6.1	6.1	6.9	6.7	6.3	6.5
Private Consumption (%)	5.6	6.3	7.0	5.8	5.3	5.6
Government Consumption (%)	3.3	7.6	8.4	7.3	10.5	9.2
Gross Fixed Capital Formation (%)	7.2	16.9	25.2	10.3	15.1	11.5
Exports of Goods & Services (%)	12.6	8.5	10.7	19.2	9.8	9.5
Imports of Goods & Services (%)	9.9	14.6	18.5	17.6	13.7	10.6
Current Account Balance (% of GDP)	3.8	2.5	(0.4)	(0.8)	(1.3)	(1.3)
Fiscal Balance (% of GDP)	(0.6)	(0.9)	(2.4)	(2.8)	(3.0)	(3.0)
Inflation Rate (% average)	4.1	1.4	1.8	2.9	5.5	4.8
Unemployment Rate (%)	6.8	6.3	5.5	5.0	5.0	5.0
Exchange Rate (per USD, end-period)	44.6	47.2	49.8	49.9	53.5	53.5
Benchmark Interest Rate (% p.a., end-period)	4.00	4.00	3.00*	3.00	5.00	5.50

*BSP started used new policy interest rate in Jun 2016.

Source: CEIC, Maybank Kim Eng

Table 12: Singapore - Key Macroeconomic Indicators

	2014	2015	2016	2017	2018E	2019E
Real GDP (%)	3.6	1.9	2.0	3.6	3.4	2.2
Private Consumption (%)	3.4	4.9	1.7	3.1	3.3	2.4
Government Consumption (%)	0.2	7.8	3.5	4.1	4.3	3.5
Gross Fixed Capital Formation (%)	5.5	2.2	(0.6)	(1.8)	2.3	3.0
Exports of Goods & Services (%)	3.4	4.7	1.1	4.1	3.2	2.6
Imports of Goods & Services (%)	2.9	4.1	0.1	5.2	2.9	2.4
Current Account Balance (% of GDP)	19.7	18.1	19.1	18.8	18.0	18.0
Fiscal Balance (% of GDP)	0.1	(1.0)	1.2	0.4	0.6	0.7
Inflation Rate (%)	1.0	(0.5)	(0.5)	0.6	0.6	1.2
Unemployment Rate (%)	1.9	1.9	2.2	2.2	2.1	2.0
Exchange Rate (per USD, end-period)	1.33	1.42	1.45	1.34	1.37	1.36
3M SIBOR (% p.a., end-period)	0.46	1.19	0.97	1.50	1.85	2.20

Source: CEIC, Maybank Kim Eng

Table 13: Thailand - Key Macroeconomic Indicators

	2014	2015	2016	2017	2018E	2019E
Real GDP (%)	1.0	3.0	3.3	3.9	4.5	3.8
Private Consumption (%)	0.8	2.3	3.0	3.2	4.0	4.2
Government Consumption (%)	2.8	2.5	2.2	0.5	2.7	3.5
Gross Fixed Capital Formation (%)	(2.2)	4.3	2.8	0.9	4.4	4.2
Exports of Goods & Services (%)	0.3	1.6	2.8	5.5	6.0	4.6
Imports of Goods & Services (%)	(5.3)	0.0	(1.0)	6.8	6.4	3.6
Current Account Balance (% of GDP)	3.8	8.1	11.9	10.8	10.2	10.0
Fiscal Balance (% of GDP)	(2.9)	(2.9)	(2.8)	(3.5)	(3.4)	(3.2)
Inflation Rate (%)	1.9	(0.9)	0.2	0.7	1.3	1.9
Unemployment Rate (%)	0.8	0.9	1.0	1.2	1.0	0.9
Exchange Rate (per USD, end-period)	32.91	36.03	35.84	32.57	32.80	32.50
Benchmark Interest Rate (% p.a., end-period)	2.00	1.50	1.50	1.50	1.75	2.00

Source: CEIC, Maybank Kim Eng

Table 14: Vietnam - Key Macroeconomic Indicators

	2014	2015	2016	2017	2018E	2019E
Real GDP (%)	6.0	6.7	6.2	6.8	6.9	6.5
Private Consumption (%)	6.1	9.3	7.3	7.4	7.2	7.0
Government Consumption (%)	7.0	7.0	7.5	7.3	7.0	7.0
Gross Fixed Capital Formation (%)	9.3	9.4	9.9	8.9	7.5	8.1
Exports of Goods & Services (%)	11.6	12.6	13.9	16.7	14.0	11.5
Imports of Goods & Services (%)	12.8	18.1	15.3	17.5	13.5	11.8
Current Account Balance (% of GDP)	5.0	0.3	4.4	2.9	4.1	3.2
*Fiscal Balance (% of GDP)	(4.7)	(4.3)	(3.6)	(3.5)	(3.4)	(3.4)
Inflation Rate (%)	4.1	0.6	2.6	3.5	3.6	3.3
Unemployment Rate (%)	2.1	2.3	2.3	2.2	2.3	2.3
Exchange Rate (per USD, end-period)	21,388	22,485	22,761	22,698	23,200	23,000
Benchmark Interest Rate (% p.a., end-period)	6.50	6.50	6.50	6.25	6.25	6.25

Source: CEIC, Maybank Kim Eng

Performance and Valuation Summary

Equity performance by Country (in local currency terms)

Name	Index level	FX rate	--- Absolute performance (local currency) ---							YTD
			-1w	-1m	-3m	-6m	-1y	MTD	QTD	
MSCI All Country World	494		(1)	(4)	(4)	(4)	(0)	(6)	(6)	(4)
MSCI Emerging Market	971		(1)	(4)	(9)	(17)	(14)	(7)	(7)	(16)
MSCI Asia Pac (inc JP)	153		(3)	(5)	(7)	(11)	(8)	(7)	(7)	(12)
MSCI Asia Pac x JP	481		(2)	(7)	(10)	(15)	(13)	(9)	(9)	(16)
MSCI Asia x JP	594		(2)	(7)	(11)	(17)	(14)	(9)	(9)	(17)
MSCI Far East x JP	560		(3)	(7)	(11)	(17)	(14)	(10)	(10)	(17)
MSCI ASEAN	749		(0)	(3)	(2)	(14)	(7)	(5)	(5)	(12)
MSCI Emerging Asia	485		(2)	(7)	(11)	(17)	(15)	(10)	(10)	(17)
MSCI EM Latin America	2,697		0	9	3	(11)	(8)	5	5	(5)
MSCI EMMEA	239		1	(0)	(9)	(16)	(13)	(5)	(5)	(19)
MSCI Frontie	520		(1)	(3)	(8)	(21)	(15)	(4)	(4)	(18)
MSCI Asia x JP Small Cap	952		(2)	(10)	(13)	(21)	(16)	(9)	(9)	(21)
China - Shanghai Composite	2,486	6.9	(9)	(6)	(11)	(19)	(26)	(12)	(12)	(25)
China - H-shares	10,137	7.8	(3)	(3)	(4)	(15)	(12)	(8)	(8)	(13)
Hong Kong - HSI	25,455	7.8	(3)	(5)	(10)	(15)	(11)	(8)	(8)	(15)
Taiwan - TAIEX	9,954	31.0	(5)	(8)	(8)	(8)	(7)	(10)	(10)	(6)
Korea - KOSPI	2,148	1,135	(4)	(7)	(7)	(12)	(14)	(8)	(8)	(13)
Singapore - STI	3,070	1.4	(2)	(2)	(5)	(12)	(8)	(6)	(6)	(10)
Malaysia - KLCI	1,738	4.2	0	(4)	0	(8)	(1)	(3)	(3)	(3)
Thailand - SET	1,683	32.6	(2)	(2)	3	(4)	(2)	(4)	(4)	(4)
Indonesia - JCI	5,845	15,193	0	0	(0)	(7)	(2)	(2)	(2)	(8)
Philippines - PSEi	7,141	54.0	2	(4)	(3)	(8)	(16)	(2)	(2)	(17)
India - Sensex	34,780	73.6	0	(7)	(5)	1	7	(4)	(4)	2
Vietnam - Ho Chi Minh	963	23,347	(3)	(2)	5	(16)	16	(5)	(5)	(2)
Australia ASX 200	5,942	1.4	(2)	(4)	(4)	2	1	(4)	(4)	(2)
New Zealand - NZX50	8,911	1.5	(2)	(4)	(1)	7	10	(5)	(5)	6
Japan - Nikkei 225	22,658	112.5	(4)	(2)	(0)	4	6	(6)	(6)	(0)
Japan - TOPIX	1,705	112.5	(3)	(1)	(2)	(1)	(1)	(6)	(6)	(6)
S&P 500	2,769	1.0	(1)	(4)	(1)	2	8	(5)	(5)	4
Russell 2000	1,561	1.0	(1)	(8)	(7)	(1)	4	(8)	(8)	2
FTSE 100	7,027	1.3	(2)	(4)	(8)	(3)	(7)	(6)	(6)	(9)
Euro Stoxx	3,212	1.1	(2)	(4)	(7)	(8)	(11)	(6)	(6)	(8)

Source: Maybank Kim Eng, Factset, MSCI, data as of 18 October 2018

Equity performance by Country (in USD terms)

Name	Index level	FX rate	--- Absolute performance (USD) ---							
			-1w	-1m	-3m	-6m	-1y	MTD	QTD	YTD
MSCI All Country World	494		(1)	(4)	(4)	(4)	(0)	(6)	(6)	(4)
MSCI Emerging Market	971		(1)	(4)	(9)	(17)	(14)	(7)	(7)	(16)
MSCI Asia Pac (inc JP)	153		(3)	(5)	(7)	(11)	(8)	(7)	(7)	(12)
MSCI Asia Pac x JP	481		(2)	(7)	(10)	(15)	(13)	(9)	(9)	(16)
MSCI Asia x JP	594		(2)	(7)	(11)	(17)	(14)	(9)	(9)	(17)
MSCI Far East x JP	560		(3)	(7)	(11)	(17)	(14)	(10)	(10)	(17)
MSCI ASEAN	749		(0)	(3)	(2)	(14)	(7)	(5)	(5)	(12)
MSCI Emerging Asia	485		(2)	(7)	(11)	(17)	(15)	(10)	(10)	(17)
MSCI EM Latin America	2,697		0	9	3	(11)	(8)	5	5	(5)
MSCI EMMEA	239		1	(0)	(9)	(16)	(13)	(5)	(5)	(19)
MSCI Frontie	520		(1)	(3)	(8)	(21)	(15)	(4)	(4)	(18)
MSCI Asia x JP Small Cap	952		(2)	(10)	(13)	(21)	(16)	(9)	(9)	(21)
China - Shanghai Composite	2,486	6.9	(9)	(7)	(14)	(27)	(30)	(13)	(13)	(29)
China - H-shares	10,137	7.8	(3)	(3)	(4)	(15)	(13)	(8)	(8)	(14)
Hong Kong - HSI	25,455	7.8	(3)	(5)	(10)	(15)	(12)	(9)	(9)	(15)
Taiwan - TAIEX	9,954	31.0	(5)	(9)	(9)	(13)	(10)	(11)	(11)	(10)
Korea - KOSPI	2,148	1,135	(4)	(7)	(7)	(18)	(14)	(10)	(10)	(18)
Singapore - STI	3,070	1.4	(2)	(3)	(7)	(17)	(9)	(6)	(6)	(13)
Malaysia - KLCI	1,738	4.2	0	(4)	(3)	(14)	1	(4)	(4)	(6)
Thailand - SET	1,683	32.6	(1)	(2)	6	(8)	(1)	(5)	(5)	(4)
Indonesia - JCI	5,845	15,193	0	(2)	(6)	(16)	(13)	(4)	(4)	(18)
Philippines - PSEi	7,141	54.0	2	(3)	(4)	(11)	(20)	(2)	(2)	(23)
India - Sensex	34,780	73.6	1	(9)	(11)	(10)	(6)	(5)	(5)	(11)
Vietnam - Ho Chi Minh	963	23,347	(3)	(3)	3	(19)	13	(5)	(5)	(5)
Australia ASX 200	5,942	1.4	(1)	(5)	(8)	(7)	(8)	(6)	(6)	(11)
New Zealand - NZX50	8,911	1.5	(0)	(4)	(4)	(4)	1	(6)	(6)	(2)
Japan - Nikkei 225	22,658	112.5	(3)	(2)	0	(1)	6	(5)	(5)	(0)
Japan - TOPIX	1,705	112.5	(3)	(2)	(2)	(6)	(1)	(5)	(5)	(6)
S&P 500	2,769	1.0	(1)	(4)	(1)	2	8	(5)	(5)	4
Russell 2000	1,561	1.0	(1)	(8)	(7)	(1)	4	(8)	(8)	2
FTSE 100	7,027	1.3	(3)	(4)	(8)	(11)	(7)	(6)	(6)	(12)
Euro Stoxx	3,212	1.1	(2)	(6)	(9)	(14)	(13)	(7)	(7)	(12)

Source: Maybank Kim Eng, Factset, MSCI, data as of 18 October 2018

Equity performance by Country - relative performance

Name	Index level	FX rate	--- Relative performance to MSCI Asia x Japan ---							
			-1w	-1m	-3m	-6m	-1y	MTD	QTD	YTD
MSCI All Country World	494		1	3	7	13	14	4	4	13
MSCI Emerging Market	971		1	3	2	0	0	2	2	0
MSCI Asia Pac (inc JP)	153		(0)	2	4	5	6	2	2	5
MSCI Asia Pac x JP	481		0	0	1	2	1	1	1	1
MSCI Asia x JP	594									
MSCI Far East x JP	560		(0)	0	0	(0)	(0)	(0)	(0)	0
MSCI ASEAN	749		2	4	8	3	7	4	4	4
MSCI Emerging Asia	485		(0)	(0)	(0)	(1)	(1)	(0)	(0)	(1)
MSCI EM Latin America	2,697		3	16	14	6	6	14	14	12
MSCI EMMEA	239		4	7	2	0	1	4	4	(3)
MSCI Frontie	520		1	4	3	(4)	(1)	6	6	(2)
MSCI Asia x JP Small Cap	952		(0)	(3)	(2)	(4)	(2)	0	0	(4)
China - Shanghai Composite	2,486	6.9	(7)	(0)	(4)	(10)	(16)	(3)	(3)	(13)
China - H-shares	10,137	7.8	(1)	4	7	2	1	1	1	3
Hong Kong - HSI	25,455	7.8	(0)	2	1	2	2	1	1	2
Taiwan - TAIEX	9,954	31.0	(3)	(2)	2	4	4	(2)	(2)	7
Korea - KOSPI	2,148	1,135	(1)	(0)	3	(1)	0	(1)	(1)	(1)
Singapore - STI	3,070	1.4	1	4	5	0	5	3	3	4
Malaysia - KLCI	1,738	4.2	2	3	8	3	15	6	6	11
Thailand - SET	1,683	32.6	1	5	16	9	13	4	4	13
Indonesia - JCI	5,845	15,193	3	5	5	1	1	5	5	(1)
Philippines - PSEi	7,141	54.0	5	4	7	6	(6)	8	8	(6)
India - Sensex	34,780	73.6	3	(2)	(1)	7	8	4	4	5
Vietnam - Ho Chi Minh	963	23,347	(1)	4	14	(2)	27	4	4	12
Australia ASX 200	5,942	1.4	1	2	3	10	6	4	4	6
New Zealand - NZX50	8,911	1.5	2	3	7	12	15	4	4	15
Japan - Nikkei 225	22,658	112.5	(1)	5	11	16	20	4	4	16
Japan - TOPIX	1,705	112.5	(1)	5	9	11	13	4	4	11
S&P 500	2,769	1.0	2	3	9	19	22	4	4	20
Russell 2000	1,561	1.0	1	(1)	3	16	18	1	1	18
FTSE 100	7,027	1.3	(0)	3	2	6	7	3	3	5
Euro Stoxx	3,212	1.1	0	1	2	3	1	3	3	4

Source: Maybank Kim Eng, Factset, MSCI, data as of 18 October 2018

Equity performance by MSCI Asia x Japan Sector

Name	Index	--- Absolute performance ---							
		-1w	-1m	-3m	-6m	-1y	MTD	QTD	YTD
MSCI Asia ex Japan	594	(2)	(7)	(11)	(17)	(14)	(9)	(9)	(17)
Energy	681	(1)	(4)	3	(1)	8	(8)	(8)	3
Materials	324	(4)	(8)	(7)	(17)	(14)	(11)	(11)	(18)
Industrials	138	(3)	(6)	(5)	(15)	(16)	(9)	(9)	(16)
Capital goods	129	(4)	(6)	(3)	(13)	(16)	(9)	(9)	(14)
Transportation	175	(2)	(5)	(7)	(18)	(16)	(8)	(8)	(19)
Consumer discretionary	399	(3)	(11)	(20)	(29)	(27)	(12)	(12)	(31)
Automobiles & Components	599	(5)	(14)	(18)	(30)	(34)	(14)	(14)	(37)
Retailing	175	(2)	(10)	(28)	(34)	(32)	(12)	(12)	(33)
Consumer staples	448	(1)	(5)	(11)	(14)	(4)	(8)	(8)	(13)
Food/staples retail	151	(3)	(3)	(7)	(13)	4	(5)	(5)	(8)
Food/beverage/tobacco	361	0	(3)	(9)	(11)	(2)	(6)	(6)	(10)
Health care	813	(3)	(9)	(14)	(18)	(2)	(11)	(11)	(11)
Financials	332	(3)	(4)	(6)	(15)	(9)	(8)	(8)	(14)
Banks	269	(3)	(4)	(6)	(15)	(8)	(7)	(7)	(12)
Diversified financials	447	(4)	(7)	(12)	(22)	(24)	(9)	(9)	(24)
Insurance	342	(2)	(2)	(5)	(10)	(5)	(9)	(9)	(13)
Real estate	194	(3)	(10)	(12)	(19)	(19)	(9)	(9)	(20)
Technology	482	(2)	(9)	(16)	(20)	(18)	(12)	(12)	(19)
Software services	2692	(1)	(11)	(23)	(22)	(18)	(13)	(13)	(22)
Tech hardware	226	(3)	(7)	(12)	(19)	(24)	(9)	(9)	(21)
Semiconductors/equipment	470	(3)	(10)	(6)	(15)	(11)	(12)	(12)	(10)
Telecoms	121	(1)	(1)	2	(5)	(11)	(2)	(2)	(12)
Utilities	214	(1)	(6)	(8)	(7)	(5)	(5)	(5)	(5)

Source: Maybank Kim Eng, Factset, MSCI, data as of 18 October 2018

Equity performance by MSCI Asia x Japan Sector - relative performance

Name	Index	--- Relative performance MSCI Asia x Japan ---							
		-1w	-1m	-3m	-6m	-1y	MTD	QTD	YTD
MSCI Asia ex Japan	594								
Energy	681	2	3	14	16	22	1	1	20
Materials	324	(2)	(1)	4	(1)	0	(1)	(1)	(1)
Industrials	138	(1)	1	6	2	(2)	1	1	1
Capital goods	129	(1)	1	8	4	(2)	1	1	3
Transportation	175	0	2	4	(1)	(2)	2	2	(2)
Consumer discretionary	399	(0)	(4)	(10)	(12)	(13)	(3)	(3)	(14)
Automobiles & Components	599	(3)	(7)	(7)	(13)	(20)	(5)	(5)	(20)
Retailing	175	1	(3)	(17)	(17)	(18)	(3)	(3)	(16)
Consumer staples	448	1	2	(0)	3	10	2	2	4
Food/staples retail	151	(0)	4	4	3	18	4	4	8
Food/beverage/tobacco	361	2	4	2	6	11	3	3	6
Health care	813	(1)	(2)	(3)	(1)	12	(1)	(1)	6
Financials	332	(0)	3	5	2	5	2	2	3
Banks	269	(0)	3	5	2	6	3	3	4
Diversified financials	447	(2)	(0)	(1)	(6)	(10)	0	0	(7)
Insurance	342	0	5	6	7	9	0	0	3
Real estate	194	(1)	(3)	(1)	(2)	(5)	0	0	(3)
Technology	482	0	(2)	(6)	(3)	(4)	(2)	(2)	(3)
Software services	2692	2	(4)	(12)	(5)	(4)	(4)	(4)	(6)
Tech hardware	226	(1)	0	(1)	(2)	(10)	0	0	(4)
Semiconductors/equipment	470	(1)	(3)	5	2	3	(2)	(2)	7
Telecoms	121	1	6	13	12	3	7	7	5
Utilities	214	1	1	3	10	9	4	4	12

Source: Maybank Kim Eng, Factset, MSCI, data as of 18 Oct 2018

MSCI Country valuation

	PE (x)			EPS growth YoY (%)			RoE(%)			PB (x)			DY (%)		
	2017	2018F	2019F	2017	2018F	2019F	2017	2018F	2019F	2017	2018F	2019F	2017	2018F	2019F
Asia-ex-Japan	15.1	11.8	10.6	22	11	11	12	12	12	1.8	1.4	1.3	2.4	2.9	3.2
China	15.8	11.3	9.8	32	12	16	13	13	14	2.1	1.5	1.3	1.9	2.6	2.9
Hong Kong	16.9	13.9	12.8	1	3	9	8	8	8	1.4	1.1	1.1	3.1	3.4	3.7
Taiwan	15.0	12.9	12.3	12	7	5	13	13	13	1.9	1.7	1.6	3.8	4.4	4.9
Korea	10.2	7.9	7.4	43	15	6	11	12	12	1.2	0.9	0.9	1.8	2.5	2.7
Singapore	15.6	12.1	11.3	7	15	7	9	10	10	1.4	1.2	1.1	4.0	4.5	4.7
Malaysia	19.0	16.6	15.5	(1)	9	7	9	10	10	1.8	1.7	1.6	3.0	3.2	3.4
Thailand	17.1	14.7	14.1	13	7	4	13	13	13	2.3	2.0	1.8	2.7	3.0	3.2
Indonesia	19.3	15.1	13.5	15	9	12	16	16	16	3.1	2.4	2.2	2.3	2.8	3.1
Philippines	20.8	16.3	14.4	8	8	14	12	12	12	2.5	2.0	1.8	1.5	1.8	1.9
India	22.3	20.1	16.7	9	11	20	14	14	15	3.2	2.8	2.5	1.4	1.5	1.7
Japan	14.8	13.0	12.5	27	9	4	10	10	10	1.4	1.3	1.2	2.0	2.2	2.4
US	21.8	17.0	15.4	13	33	10	14	19	20	3.3	3.2	3.0	1.9	2.0	2.1
Europe	15.7	13.6	12.3	51	7	11	11	9	10	1.7	1.5	1.4	3.0	3.6	3.9

Source: Maybank Kim Eng, Factset, MSCI, Bloomberg data as of 18 Oct 2018

MSCI Asia-ex-Japan Sector valuation

	PE (x)			EPS growth YoY (%)			RoE(%)			PB (x)			DY (%)		
	2017	2018F	2019F	2017	2018F	2019F	2017	2018F	2019F	2017	2018F	2019F	2017	2018F	2019F
Asia-ex-Japan	15.1	11.8	10.6	22	11	11	12	12	12	1.8	1.4	1.3	2.4	2.9	3.2
Energy	12.9	11.2	10.2	66	24	9	10	12	12	1.3	1.3	1.2	3.3	3.8	4.0
Materials	13.6	9.9	9.4	35	19	5	10	11	11	1.4	1.1	1.1	2.9	4.0	3.9
Industrials	14.8	11.6	10.3	22	3	13	8	9	9	1.2	1.0	1.0	2.4	2.7	2.8
Capital goods	14.3	10.5	9.4	16	10	12	8	9	9	1.1	0.9	0.9	2.1	2.6	2.8
Transportation	16.4	16.7	14.2	48	(20)	18	10	8	9	1.6	1.3	1.3	3.4	2.9	3.0
Consumer discretionary	21.1	14.3	11.9	2	17	20	10	10	11	2.0	1.5	1.3	1.6	2.3	2.5
Automobiles & Components	15.1	10.0	8.3	(16)	13	20	9	9	10	1.3	0.9	0.8	1.7	2.6	2.9
Retailing	48.2	23.6	17.6	40	37	35	6	7	9	2.7	1.7	1.6	0.4	0.7	0.7
Consumer staples	25.0	22.5	20.6	12	(2)	9	14	13	13	3.5	3.0	2.8	2.0	2.1	2.3
Food/staples retail	18.9	25.5	23.3	63	(22)	10	17	11	12	3.1	2.9	2.7	2.6	1.7	1.9
Food/beverage/tobacco	23.2	19.7	18.3	9	0	7	12	12	12	2.9	2.5	2.3	2.1	2.4	2.7
Health care	36.7	30.2	24.4	8	14	24	12	12	14	4.6	3.7	3.3	0.6	0.8	0.9
Financials	11.5	9.3	8.4	19	8	11	12	12	12	1.3	1.1	1.0	3.0	3.7	4.0
Banks	10.2	8.3	7.5	16	9	10	12	12	12	1.2	1.0	0.9	3.4	4.1	4.5
Diversified financials	14.6	11.8	10.5	22	(0)	13	11	10	11	1.6	1.2	1.1	2.7	3.5	3.9
Insurance	15.0	12.5	10.9	28	8	14	12	13	13	1.8	1.6	1.4	2.0	2.6	2.9
Real estate	13.0	8.8	8.0	(8)	10	10	7	8	8	0.9	0.7	0.7	3.1	4.8	5.3
Technology	16.9	12.5	11.5	50	14	9	18	18	17	3.1	2.2	2.0	1.5	2.1	2.3
Software services	35.3	36.1	25.2	20.6	41	12	23	22	20	20	7.8	5.0	4.1	0.3	0.5
Tech hardware	9.5	7.7	7.4	60	11	4	16	16	15	1.5	1.2	1.1	2.6	3.6	3.8
Semiconductors/equipment	13.6	10.2	9.7	41	21	6	21	21	20	2.8	2.2	1.9	2.7	3.5	4.1
Telecoms	15.6	16.3	15.3	2	(0)	7	11	10	10	1.7	1.6	1.5	5.5	3.9	4.1
Utilities	16.9	14.7	12.6	(21)	11	16	8	8	9	1.4	1.2	1.2	4.1	3.4	3.8

Source: Maybank Kim Eng, Factset, MSCI, Bloomberg data as of 18 Oct 2018

Asia USD Credit

	Last	Change (bps/%)			
		1W	1M	3M	YTD
UST Yield & JACI Spread					
UST 2y	2.87	3	8	28	99
UST 5y	3.03	2	8	29	82
UST 10y	3.18	3	12	34	77
JACI Composite	259	0	0	(4)	37
JACI Sovereign	177	(4)	(2)	1	27
JACI IG	185	(1)	1	0	27
JACI HY	529	3	0	(12)	92
5y CDS - EM Asia					
China	66	0	10	1	16
Indonesia	146	(2)	11	30	61
Korea	40	0	1	(6)	(12)
Malaysia	104	(2)	7	10	45
Philippines	90	1	11	12	23
Thailand	43	0	2	(5)	(2)
FX - strengthen/ (weaken) against USD					
CNY	6.938	(0.7%)	(1.1%)	(2.4%)	(6.6%)
IDR	15195	0.3%	(2.3%)	(5.2%)	(12.1%)
KRW	1135	0.8%	(1.0%)	(0.2%)	(6.3%)
MYR	4.157	0.0%	(0.3%)	(2.3%)	(2.7%)
PHP	53.92	0.5%	0.3%	(0.6%)	(8.2%)
SGD	1.378	0.2%	(0.5%)	(0.4%)	(3.1%)
THB	32.55	0.7%	0.1%	2.7%	0.1%
SGD Credit - Markit iBoxx Total Return					
Sub-sovereign TR	112.7	0.2%	(0.4%)	(0.3%)	(1.2%)
Corporate IG TR	124.5	0.0%	(0.2%)	0.4%	0.1%
Corporate HY TR	133.7	(0.0%)	(0.3%)	0.7%	(2.0%)
Financials TR	126.5	(0.0%)	(0.2%)	0.5%	0.1%

Source: Maybank Kim Eng, Bloomberg as of 18 Oct 2018

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Malaysia

Maybank Investment Bank Berhad
(A Participating Organisation of
Bursa Malaysia Securities Berhad)
33rd Floor, Menara Maybank,
100 Jalan Tun Perak,
50050 Kuala Lumpur
Tel: (603) 2059 1888;
Fax: (603) 2078 4194

Stockbroking Business:
Level 8, Tower C, Dataran Maybank,
No.1, Jalan Maarof
59000 Kuala Lumpur
Tel: (603) 2297 8888
Fax: (603) 2282 5136

Philippines

Maybank ATR Kim Eng Securities Inc.
17/F, Tower One & Exchange Plaza
Ayala Triangle, Ayala Avenue
Makati City, Philippines 1200

Tel: (63) 2 849 8888
Fax: (63) 2 848 5738

South Asia Sales Trading

Kevin Foy
Regional Head Sales Trading
kevinfoy@maybank-ke.com.sg
Tel: (65) 6636-3620
US Toll Free: 1-866-406-7447

Indonesia

Hariato Liong
hariato.liong@maybank-ke.co.id
Tel: (62) 21 2557 1177

New York

James Lynch
jlynch@maybank-keusa.com
Tel: (212) 688 8886

Philippines

Keith Roy
keith_roy@maybank-atrke.com
Tel: (63) 2 848-5288

Singapore

Maybank Kim Eng Securities Pte Ltd
Maybank Kim Eng Research Pte Ltd
50 North Canal Road
Singapore 059304

Tel: (65) 6336 9090

Hong Kong

Kim Eng Securities (HK) Ltd
28/F, Lee Garden Three,
1 Sunning Road, Causeway Bay,
Hong Kong

Tel: (852) 2268 0800
Fax: (852) 2877 0104

Thailand

Maybank Kim Eng Securities
(Thailand) Public Company Limited
999/9 The Offices at Central World,
20th - 21st Floor,
Rama 1 Road Pathumwan,
Bangkok 10330, Thailand

Tel: (66) 2 658 6817 (sales)
Tel: (66) 2 658 6801 (research)

North Asia Sales Trading

Andrew Lee
andrewlee@kimeng.com.hk
Tel: (852) 2268 0283
US Toll Free: 1 877 837 7635

London

Mark Howe
mhowe@maybank-ke.co.uk
Tel: (44) 207-332-0221

India

Sanjay Makhija
sanjaymakhija@maybank-ke.co.in
Tel: (91)-22-6623-2629

London

Maybank Kim Eng Securities
(London) Ltd
PNB House
77 Queen Victoria Street
London EC4V 4AY, UK

Tel: (44) 20 7332 0221
Fax: (44) 20 7332 0302

Indonesia

PT Maybank Kim Eng Securities
Sentral Senayan III, 22nd Floor
Jl. Asia Afrika No. 8
Gelora Bung Karno, Senayan
Jakarta 10270, Indonesia

Tel: (62) 21 2557 1188
Fax: (62) 21 2557 1189

Vietnam

Maybank Kim Eng Securities Limited
4A-15+16 Floor Vincom Center Dong
Khoi, 72 Le Thanh Ton St. District 1
Ho Chi Minh City, Vietnam

Tel : (84) 844 555 888
Fax : (84) 8 38 271 030

New York

Maybank Kim Eng Securities USA
Inc
400 Park Avenue, 11th Floor
New York, New York 10022,
U.S.A.

Tel: (212) 688 8886
Fax: (212) 688 3500

India

Kim Eng Securities India Pvt Ltd
2nd Floor, The International,
16, Maharishi Karve Road,
Churchgate Station,
Mumbai City - 400 020, India

Tel: (91) 22 6623 2600
Fax: (91) 22 6623 2604

Saudi Arabia

In association with
Anfaal Capital
Villa 47, Tujjar Jeddah
Prince Mohammed bin Abdulaziz
Street P.O. Box 126575
Jeddah 21352

Tel: (966) 2 6068686
Fax: (966) 26068787