



The Strategist

A Spike in the Year End Punch Bowl

Still underweight materials. We wonder if markets are too pessimistic on materials. For example, the AUD is amongst the worst performing currencies within developed markets and there are sizable short positions. Copper's 14-day RSI on the LME is 17. MSCI Asia x Japan Materials has been one of the worst performing indices over the past six months. Valuation for the materials sector is also not expensive. Yes, consensus earnings continue to be revised down. But we remain negative on the sector given economic growth concerns and the risk of a USD spike.

Economic growth expectations still low. Yield curves in developed markets have been flattening. The US 10-yr minus 2-yr yield curve has broken below 1.4%. Also, many yield curves in Asia flattened in recent months, particularly in China and Indonesia. In China, 10y-1y narrowed to 60bps from over 128bps three months ago. There has at best been only mild steepening in India, Vietnam and Thailand, though a greater steepening in the Philippines.

Risk heading into year-end is a USD spike. The DXY is at the 99 level again and the Fed is expected to raise rates in December even as the ECB and BoJ may ease further. US 2-yr bonds (at over 90bps, the highest since Apr 2010) provide increasingly improving carry over German 2-yr (at *minus* 40bps) and Japanese 2-yr (at *minus* 2bps). The DXY net long position is around 40k contracts now vs a high of around 80k contracts in March. We think a risk to year end is this positive carry resulting in a DXY spike.

Impact of strong USD given external borrowing. Using BIS data, historically, when total international claims on Asia decline in a sustained manner for more than two quarters, Asia ex Japan equities reached trough valuations. 2Q15 data showed a bounce but given the volatility and USD strength recently, we think 3Q was another quarter where there was arguably an effective rise in the USD cost of capital. Should the USD spike in 4Q15, that could signal further withdrawal of cross-border funds and, consequently, greater pressure on equity markets.

So we still reckon a strong USD attracts capital from EMs. We wonder if the upcoming RMB into SDR decision has any bearing on whether other countries will invest in RMB given falling global FX reserves. Instead, a strong USD puts more pressure on the RMB and a weaker RMB could trigger another round of weaker Asian FX. This poses more downside risk for Asian equity markets.

With central banks everywhere fixated on money supply and interest rates, we still think it's the FX markets that are creating the volatility.

Market expected to stay range bound. We maintain our range-bound but downward bias view on the market. We still favour the alternative energy, telco and machinery sectors ([Bounce without earnings recovery](#), October 20, 2015).

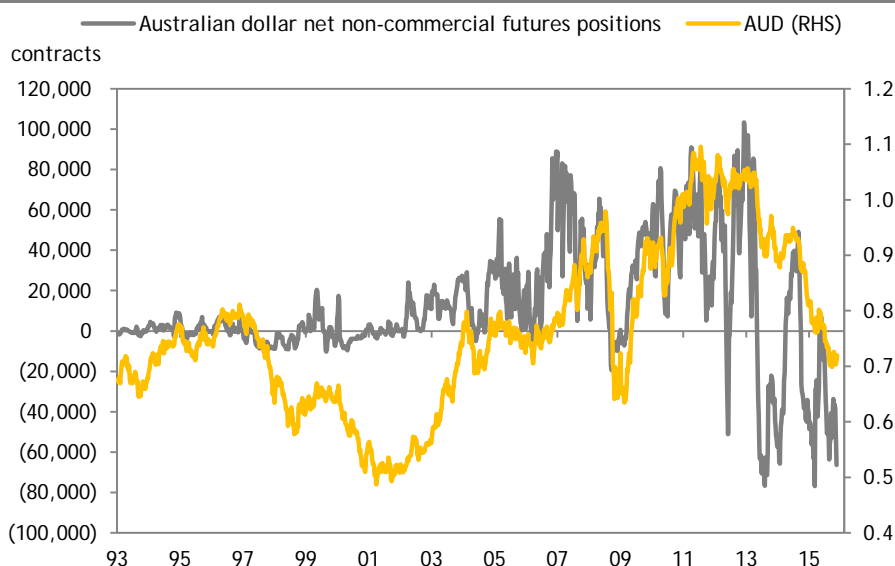
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That End of Year Spike Risk

MSCI Asia x Japan Materials index was one of the worst performing indices in the past six months and the AUD is also amongst the worst performing currencies within the developed markets. The size of AUD net short has also hit 66k contracts. So is it time to long materials?

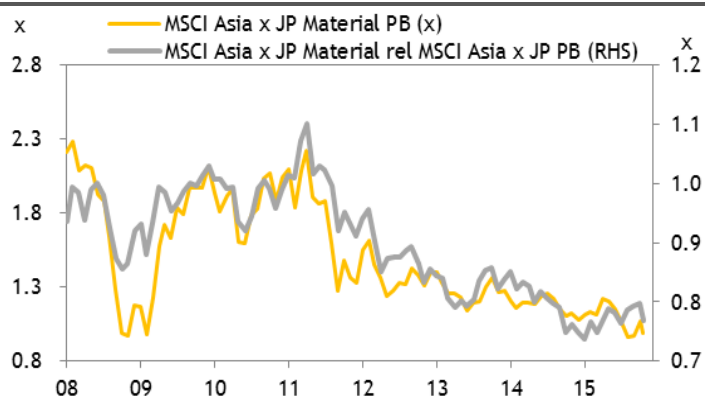
Figure 1: AUD net non-commercial futures positions



Source: Bloomberg, Maybank Kim Eng Research

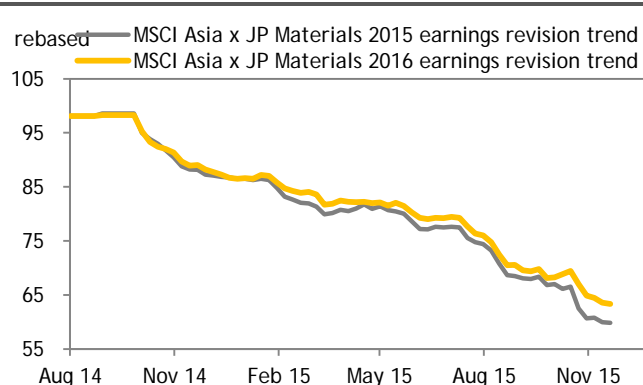
The left-hand chart shows that even though the valuation for the materials sector is not expensive relative to its history, the right-hand chart shows the market continues to revise down earnings. So we would not be surprised to see further downside for the materials sector as we haven't seen any catalyst for the sector yet. Economic growth expectations remain low. And the risk is a USD spike.

Figure 2: Asia x JP Material & relative to MSCI Asia x JP, PB



Source: MSCI, Bloomberg, Maybank Kim Eng

Figure 3: MSCI Asia x Japan Material earnings revision

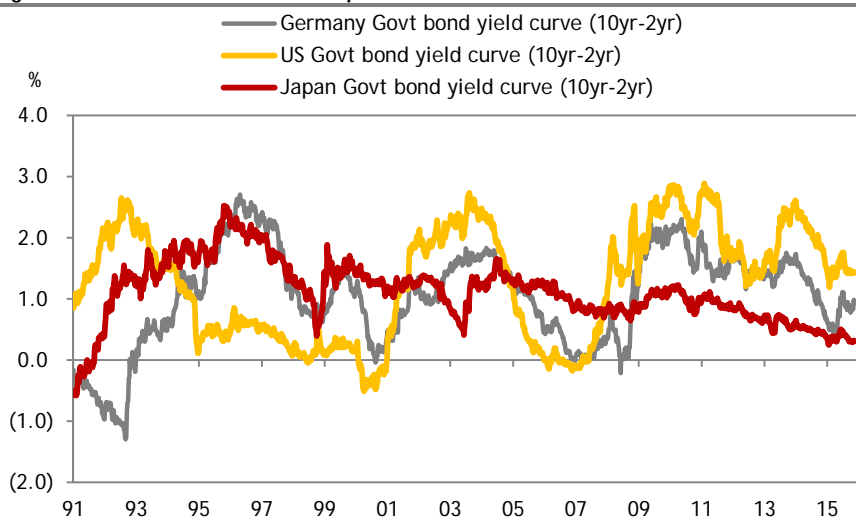


Source: MSCI, Bloomberg, Maybank Kim Eng

Economic growth expectations remain low

The following chart shows that the yield curves in developed markets have been flattening. The US 10-yr minus 2-yr yield curves have flattened further recently.

Figure 4: Yield curves of developed markets



Source: Bloomberg, Maybank Kim Eng Research

The following table shows that many of the Asia’s 10-yr minus 1-yr yield curves have flattened, except the Philippines, India, Vietnam and Thailand. China in particular saw the spread between 10year and 1year more than halve.

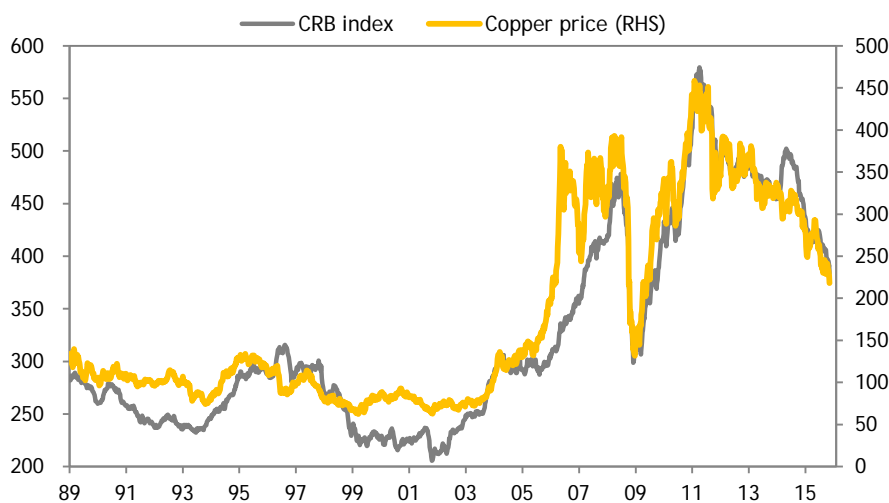
Figure 5: Yield curves between 23 Aug and 23 Nov 2015

	23-Nov-15	23-Aug-15	Difference
	(%)	(%)	(bps)
China	0.60	1.28	(68)
Hong Kong*	1.15	1.20	(5)
Korea	0.66	0.69	(4)
Taiwan*	0.73	0.66	7
Singapore*	1.31	1.60	(29)
Malaysia*	0.68	0.84	(16)
Indonesia	0.95	1.68	(73)
Thailand	1.33	1.19	15
Philippines	2.54	1.60	95
India	0.46	0.32	14
Vietnam	1.95	1.75	20

Source: Bloomberg, Maybank Kim Eng *Hong Kong, Taiwan and Singapore are 10-yr-2yr yield curves, Malaysia is 10yr-3yr yield curve

Commodity prices including copper have been weakening.

Figure 6: Commodity and copper prices



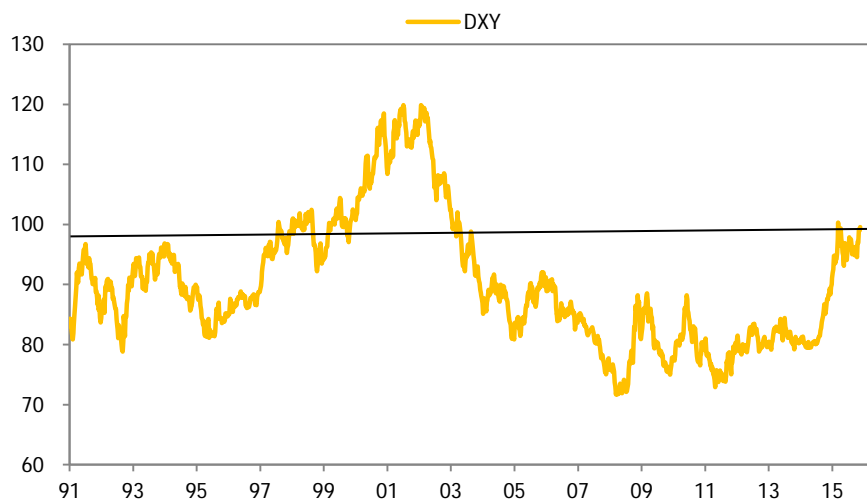
Source: Bloomberg, Maybank Kim Eng Research

All of the above illustrations indicate economic growth expectations remain weak and may be weakening.

Key risk heading into year-end is a USD spike

The DXY has returned to the 99 level again and we think the key risk heading into year-end is a USD spike.

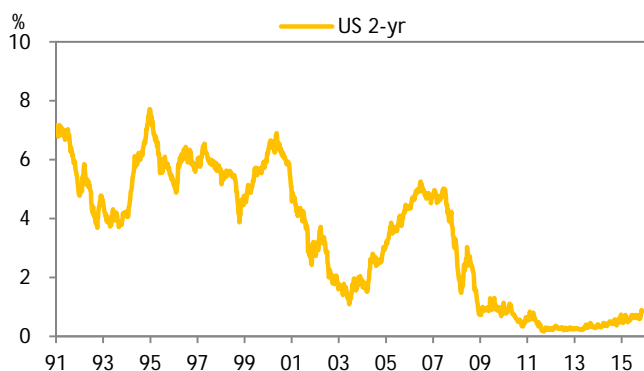
Figure 7: DXY could shoot over the 100 level at year-end



Source: Bloomberg, Maybank Kim Eng Research

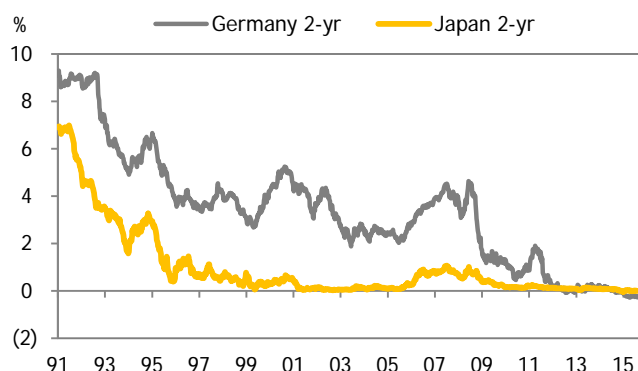
Currently, the US 2-yr bond yield is over 90bps but the German 2-yr bond is -40bps and the JGB 2-yr is at -2bps. The US 2year rise has been particularly sharp and is at the highest level since early 2010.

Figure 8: US 2-yr bond yield



Source: Bloomberg, Maybank Kim Eng Research

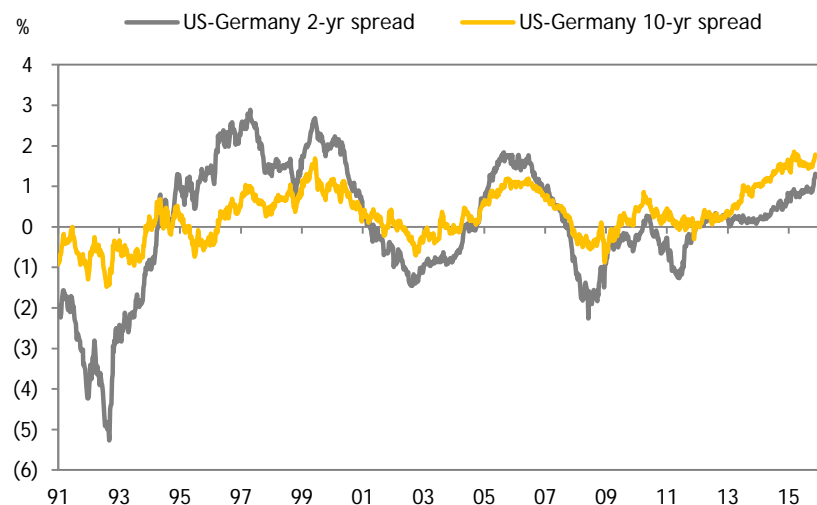
Figure 9: Germany and Japan 2 yr bond yields



Source: Bloomberg, Maybank Kim Eng Research

The following chart shows the 2-yr spread and 10-yr spread between the US and Germany have continued to widen since mid-October. It indicates returns are more attractive in the US than Germany with a rising carry. As such, this widening spread could be the catalyst for the stronger USD against the Euro. Similarly, Japanese 2year has been pretty much at 0% for some time and therefore a higher 2year yield in the US indicates the improving carry.

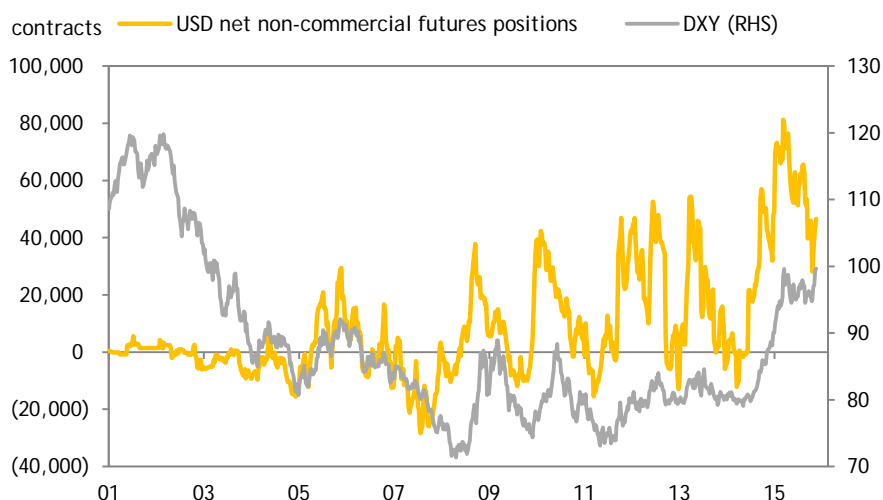
Figure 10: 2-yr spread and 10-yr spread between US and Germany



Source: Bloomberg, Maybank Kim Eng Research

Perhaps unsurprisingly, the USD's net long positions in the futures market picked up again after mid-October. Right now the size of DXY net long is around 40k contracts. Last time the DXY traded at around the 99 level in March, the size of DXY net long was around 80k contracts. Therefore, the DXY still has upside potential compared with the last peak positions.

Figure 11: USD net non-commercial futures positions



Source: Bloomberg, Maybank Kim Eng Research

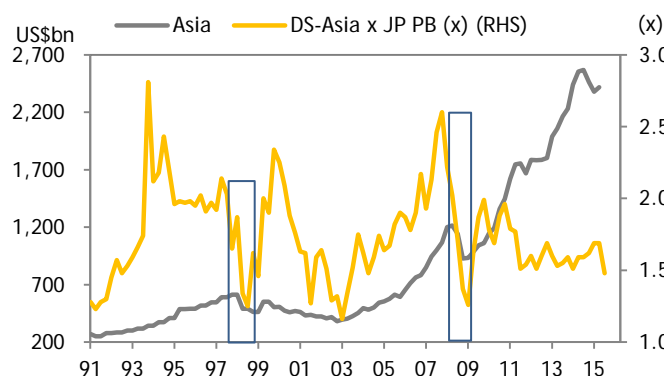
Impact of strong USD to return

In previous notes, we highlighted that BIS lending to Asia has been very strong. Slowing growth, falling returns on capital, and a stronger US economy and USD could attract capital away from Asia and EMs.

The left-hand chart shows that when international claims decline in a sustained manner for more than two quarters, Asia ex Japan equities in the past reached trough valuations. It happened in 1997 and 2008, when the MSCI Asia x Japan PB reached 1.2x.

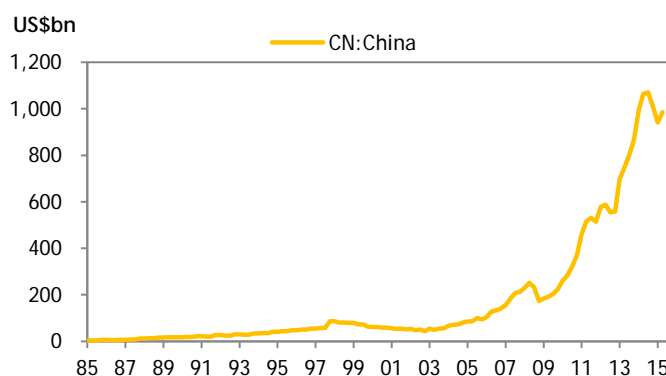
The right-hand chart shows that international claims on China dropped a bit since December last year but have started to pick up a bit again recently. Indeed, 2Q15 data showed a bounce for the whole region, but since then, given volatility and USD strength, the likelihood is that further withdrawal of cross-border funds could have occurred. Effectively, there is a higher USD cost of capital. That we think translates into greater pressure on Asian equity markets.

Figure 12: Int'l claims in Asia vs DS-Asia x Japan PB



Source: BIS, Bloomberg, Maybank Kim Eng

Figure 13: Int'l claims on China



Source: BIS, Maybank Kim Eng

It is very likely that the RMB will be included in the SDR basket after the IMF meeting on 30 Nov 2015 but the actual implementation date will be the end of Sep 2016. According to the IMF, the size of the SDR is around USD280b as of Sep 2015. Therefore, even assuming the RMB accounts for

10% weighting in the SDR basket, this will be around USD28b of inflows only.

Also there isn't a 1:1 relationship between SDR membership and sovereign wealth funds' reserve assets. Therefore, the SDR decision by itself has little bearing on whether other countries will invest in RMB and will not lead to RMB appreciation.

Also, with many EM countries seeing declining FX reserves, it is unclear how much flow we could see going into the RMB.

Instead, we could see the PBoC reduce FX intervention after the SDR inclusion, so the RMB may get weaker. As argued in the past, the RMB real effective exchange rate is very elevated. And given weak economic activity, China is increasing money supply. With more RMB and less USD, the pressure on the RMB is to weaken.

In sum, we still reckon a strong USD could attract capital from EMs and this puts more pressure on the RMB. A weaker RMB could be the catalyst for another round of weaker Asian FX.

This poses more downside for Asian equity markets and a return to yield investing. Essentially, with central banks everywhere fixated on money supply and interest rates, we still think it's the FX markets that are creating the volatility.

Maintain range-bound view but favour alternative energy, telcos and machinery

We maintain our range-bound but downward bias view on the market. We still favour the alternative energy, telco and machinery sectors. ([Bounce without earnings recovery](#), October 20, 2015).

Performance and valuation summary

Figure 14: Equity performance by country (in local currency terms)

Name	Index level	FX rate	--- Absolute performance (local currency) ---							
			-1w	-1m	-3m	-6m	-1y	MTD	QTD	YTD
MSCI All Country World	409		2	(1)	3	(7)	(4)	(1)	7	(2)
MSCI Emerging Market	841		3	(3)	4	(19)	(16)	(1)	6	(12)
MSCI Asia Pac (inc JP)	134		3	(1)	2	(12)	(4)	(0)	8	(3)
MSCI Asia Pac x JP	419		4	(3)	3	(17)	(12)	(1)	7	(10)
MSCI Asia x JP	514		3	(4)	4	(18)	(9)	(1)	6	(9)
MSCI Far East x JP	483		3	(3)	5	(19)	(9)	(1)	8	(9)
MSCI Emerging Asia	416		3	(4)	5	(19)	(9)	(1)	6	(9)
MSCI EM Latin America	2,065		4	1	1	(21)	(34)	3	9	(24)
MSCI EMEA	239		5	(4)	1	(19)	(23)	(1)	4	(12)
MSCI Frontie	522		(1)	(0)	(3)	(11)	(18)	(2)	2	(15)
MSCI Asia x JP Small Cap	971		3	(2)	6	(18)	(7)	(1)	5	(5)
China - Shanghai Composite	3,610	6.4	0	6	3	(22)	45	7	18	12
China - H-shares	10,229	7.8	3	(5)	0	(29)	(2)	(2)	9	(15)
Hong Kong - HSI	22,666	7.8	3	(2)	1	(19)	(3)	0	9	(4)
Taiwan - TAIEX	8,486	32.6	2	(2)	9	(12)	(7)	(1)	4	(9)
Korea - KOSPI	2,004	1,158.4	3	(2)	7	(7)	2	(1)	2	5
Singapore - STI	2,903	1.4	(0)	(5)	(2)	(16)	(13)	(3)	4	(14)
Malaysia - KLCI	1,671	4.3	1	(2)	6	(7)	(8)	0	3	(5)
Thailand - SET	1,394	35.9	0	(2)	2	(9)	(12)	(0)	3	(7)
Indonesia - JCI	4,541	13,723.0	2	(2)	5	(15)	(11)	2	8	(13)
Philippines - PSEi	6,996	47.2	3	(3)	(4)	(10)	(4)	(2)	1	(3)
India - Sensex	25,819	66.5	0	(6)	(6)	(8)	(9)	(3)	(1)	(6)
Vietnam - Ho Chi Minh	600	22,487.5	(2)	(0)	8	7	2	(1)	7	10
Australia ASX 200	5,276	1.4	5	(1)	1	(7)	(1)	1	5	(2)
New Zealand - NZX50	6,078	1.5	2	2	6	5	11	2	9	9
Japan - Nikkei 225	19,880	123.0	3	6	2	(2)	15	4	14	14
Japan - TOPIX	1,603	123.0	2	4	2	(3)	14	3	14	14
S&P 500	2,087	1.0	2	1	6	(2)	1	0	9	1
Russell 2000	1,180	1.0	2	1	2	(6)	1	2	7	(2)
FTSE 100	6,305	0.7	3	(2)	2	(10)	(7)	(1)	4	(4)
Euro Stoxx	3,445	0.9	2	1	6	(6)	8	1	11	9

Source: Maybank Kim Eng, Factset, MSCI, data as of 23 November 2015

Figure 15: 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	409		2	(1)	3	(7)	(4)	(1)	7	(2)
MSCI Emerging Market	841		3	(3)	4	(19)	(16)	(1)	6	(12)
MSCI Asia Pac (inc JP)	134		3	(1)	2	(12)	(4)	(0)	8	(3)
MSCI Asia Pac x JP	419		4	(3)	3	(17)	(12)	(1)	7	(10)
MSCI Asia x JP	514		3	(4)	4	(18)	(9)	(1)	6	(9)
MSCI Far East x JP	483		3	(3)	5	(19)	(9)	(1)	8	(9)
MSCI Emerging Asia	416		3	(4)	5	(19)	(9)	(1)	6	(9)
MSCI EM Latin America	2,065		4	1	1	(21)	(34)	3	9	(24)
MSCI EMMEA	239		5	(4)	1	(19)	(23)	(1)	4	(12)
MSCI Frontie	522		(1)	(0)	(3)	(11)	(18)	(2)	2	(15)
MSCI Asia x JP Small Cap	971		3	(2)	6	(18)	(7)	(1)	5	(5)
China - Shanghai Composite	3,610	6.4	(0)	5	3	(25)	39	6	18	8
China - H-shares	10,229	7.8	3	(5)	0	(29)	(2)	(2)	9	(15)
Hong Kong - HSI	22,666	7.8	3	(2)	1	(19)	(3)	0	9	(4)
Taiwan - TAIEX	8,486	32.6	3	(3)	9	(18)	(11)	(1)	5	(12)
Korea - KOSPI	2,004	1,158.4	4	(5)	10	(12)	(2)	(3)	4	(1)
Singapore - STI	2,903	1.4	(0)	(7)	(3)	(21)	(21)	(4)	4	(20)
Malaysia - KLCI	1,671	4.3	3	(4)	3	(22)	(28)	0	5	(23)
Thailand - SET	1,394	35.9	1	(2)	1	(15)	(19)	(1)	5	(15)
Indonesia - JCI	4,541	13,723.0	2	(3)	6	(18)	(21)	2	15	(22)
Philippines - PSEI	6,996	47.2	3	(5)	(5)	(15)	(8)	(3)	0	(8)
India - Sensex	25,819	66.5	(0)	(8)	(6)	(12)	(15)	(5)	(3)	(11)
Vietnam - Ho Chi Minh	600	22,487.5	(2)	(1)	8	4	(3)	(2)	7	5
Australia ASX 200	5,276	1.4	7	(2)	(1)	(14)	(18)	2	8	(14)
New Zealand - NZX50	6,078	1.5	2	(2)	3	(6)	(9)	(2)	11	(9)
Japan - Nikkei 225	19,880	123.0	3	4	2	(3)	10	2	11	11
Japan - TOPIX	1,603	123.0	2	2	1	(4)	9	1	11	11
S&P 500	2,087	1.0	2	1	6	(2)	1	0	9	1
Russell 2000	1,180	1.0	2	1	2	(6)	1	2	7	(2)
FTSE 100	6,305	0.7	2	(4)	(2)	(12)	(10)	(3)	4	(7)
Euro Stoxx	3,445	0.9	2	(3)	(0)	(10)	(8)	(3)	6	(4)

Source: Maybank Kim Eng, Factset, MSCI, data as of 23 November 2015

Figure 16: 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	409		(1)	3	(1)	11	5	1	1	7
MSCI Emerging Market	841		1	0	(0)	(1)	(7)	1	(0)	(3)
MSCI Asia Pac (inc JP)	134		0	3	(2)	6	5	1	2	6
MSCI Asia Pac x JP	419		1	0	(1)	1	(2)	1	0	(2)
MSCI Asia x JP	514									
MSCI Far East x JP	483		0	0	1	(1)	1	0	1	0
MSCI Emerging Asia	416		0	0	1	(0)	0	0	(0)	(0)
MSCI EM Latin America	2,065		2	4	(3)	(3)	(25)	4	3	(15)
MSCI EMEA	239		2	(1)	(3)	(0)	(14)	0	(2)	(3)
MSCI Frontie	522		(4)	4	(7)	7	(9)	(0)	(5)	(6)
MSCI Asia x JP Small Cap	971		0	2	2	(0)	3	1	(1)	4
China - Shanghai Composite	3,610	6.4	(3)	9	(1)	(7)	48	7	11	17
China - H-shares	10,229	7.8	(0)	(1)	(4)	(11)	7	(0)	2	(6)
Hong Kong - HSI	22,666	7.8	0	2	(3)	(1)	6	2	2	5
Taiwan - TAIEX	8,486	32.6	0	1	5	0	(2)	0	(2)	(3)
Korea - KOSPI	2,004	1,158.4	2	(1)	6	6	7	(1)	(2)	8
Singapore - STI	2,903	1.4	(3)	(3)	(7)	(2)	(11)	(3)	(2)	(11)
Malaysia - KLCI	1,671	4.3	0	(0)	(1)	(4)	(19)	2	(1)	(14)
Thailand - SET	1,394	35.9	(2)	1	(3)	3	(10)	1	(2)	(6)
Indonesia - JCI	4,541	13,723.0	(0)	1	2	0	(12)	3	8	(13)
Philippines - PSEi	6,996	47.2	0	(1)	(9)	3	1	(1)	(6)	1
India - Sensex	25,819	66.5	(3)	(5)	(11)	7	(6)	(3)	(9)	(2)
Vietnam - Ho Chi Minh	600	22,487.5	(4)	3	4	22	6	(0)	0	13
Australia ASX 200	5,276	1.4	4	2	(5)	4	(8)	3	1	(5)
New Zealand - NZX50	6,078	1.5	(0)	2	(1)	12	0	(1)	4	(0)
Japan - Nikkei 225	19,880	123.0	(0)	8	(2)	15	19	4	5	20
Japan - TOPIX	1,603	123.0	(1)	6	(3)	14	19	2	4	20
S&P 500	2,087	1.0	(1)	4	2	16	10	2	2	10
Russell 2000	1,180	1.0	(1)	5	(2)	12	10	3	1	7
FTSE 100	6,305	0.7	(1)	0	(6)	6	(1)	(1)	(2)	2
Euro Stoxx	3,445	0.9	(1)	0	(4)	8	1	(2)	(1)	5

Source: Maybank Kim Eng, Factset, MSCI, data as of 23 November 2015

Figure 17: Equity performance by MSCI Asia ex Japan sector

Name	Index	--- Absolute performance ---						QTD	YTD
		-1w	-1m	-3m	-6m	-1y	MTD		
MSCI Asia ex Japan	514	3	(4)	4	(18)	(9)	(1)	6	(9)
Energy	451	3	(6)	(0)	(26)	(24)	(3)	9	(19)
Materials	253	3	(6)	5	(21)	(14)	(3)	5	(11)
Industrials	156	3	(6)	2	(18)	(8)	(3)	3	(6)
Capital goods	144	4	(6)	2	(19)	(9)	(3)	2	(6)
Transportation	196	2	(4)	2	(18)	(6)	(1)	4	(10)
Consumer discretionary	436	1	(2)	7	(16)	(18)	(1)	7	(14)
Automobiles & Components	732	1	0	16	(11)	(11)	1	9	(11)
Retailing	245	3	(5)	1	(24)	(17)	(5)	0	(13)
Consumer staples	417	3	(3)	2	(12)	(4)	(1)	4	(1)
Food/staples retail	116	2	(3)	(1)	(8)	(0)	(2)	0	2
Food/beverage/tobacco	337	2	(6)	0	(15)	(14)	(2)	3	(11)
Health care	767	1	(4)	2	(12)	1	(4)	3	5
Financials	292	2	(4)	3	(22)	(7)	(1)	8	(10)
Banks	226	2	(6)	(2)	(23)	(13)	(2)	5	(16)
Diversified financials	541	2	(0)	6	(29)	(2)	1	12	(5)
Insurance	303	2	(1)	11	(17)	13	2	13	3
Real estate	175	3	(4)	4	(20)	(8)	(1)	7	(9)
Technology	335	4	(1)	12	(14)	(6)	(1)	9	(6)
Software services	1,856	3	(0)	8	(5)	4	1	8	13
Tech hardware	166	4	(1)	16	(15)	(6)	(4)	10	(9)
Semiconductors/equipment	302	4	(1)	10	(21)	(16)	2	9	(17)
Telecoms	136	2	(4)	(6)	(17)	(12)	(2)	1	(9)
Utilities	212	3	(6)	3	(13)	(12)	(3)	2	(10)

Source: Maybank Kim Eng, Factset, MSCI, data as of 23 November 2015

Figure 18: Equity performance by MSCI Asia ex Japan sector - relative performance

Name	Index	--- Relative performance MSCI Asia ex Japan ---							YTD
		-1w	-1m	-3m	-6m	-1y	MTD	QTD	
MSCI Asia ex Japan	514								
Energy	451	0	(2)	(4)	(7)	(15)	(1)	2	(10)
Materials	253	1	(3)	1	(3)	(4)	(1)	(1)	(3)
Industrials	156	1	(2)	(2)	(0)	2	(1)	(4)	3
Capital goods	144	1	(3)	(2)	(1)	1	(2)	(4)	3
Transportation	196	(0)	(0)	(2)	1	3	0	(3)	(1)
Consumer discretionary	436	(1)	1	3	3	(8)	0	1	(5)
Automobiles & Components	732	(2)	4	12	7	(2)	3	3	(2)
Retailing	245	1	(1)	(3)	(5)	(8)	(4)	(6)	(4)
Consumer staples	417	(0)	0	(2)	6	5	0	(3)	8
Food/staples retail	116	(1)	1	(5)	10	9	(0)	(6)	11
Food/beverage/tobacco	337	(1)	(2)	(4)	4	(5)	(1)	(3)	(2)
Health care	767	(1)	(1)	(2)	6	10	(2)	(4)	14
Financials	292	(0)	(1)	(2)	(4)	3	1	1	(2)
Banks	226	(1)	(3)	(6)	(5)	(4)	(1)	(1)	(7)
Diversified financials	541	(1)	4	2	(11)	7	3	6	4
Insurance	303	(1)	2	7	2	22	3	7	12
Real estate	175	1	0	0	(2)	2	1	0	0
Technology	335	1	3	8	4	3	1	3	3
Software services	1,856	0	3	4	13	13	3	2	22
Tech hardware	166	1	2	12	3	3	(2)	4	(0)
Semiconductors/equipment	302	2	3	6	(3)	(7)	4	2	(8)
Telecoms	136	(1)	(0)	(10)	2	(2)	(1)	(5)	0
Utilities	212	0	(3)	(1)	5	(3)	(1)	(4)	(1)

Source: Maybank Kim Eng, Factset, MSCI, data as of 23 November 2015

Figure 19: MSCI country valuation

	PE (x)			EPS growth YoY (%)			ROE(%)			PB (x)			DY (%)		
	2014F	2015F	2016F	2014F	2015F	2016F	2014F	2015F	2016F	2014F	2015F	2016F	2014F	2015F	2016F
Asia-ex-Japan	13.5	12.6	11.6	8	2	8	12	11	11	1.6	1.3	1.2	2.6	2.8	3.0
China	10.9	10.2	9.6	6	3	7	14	13	12	1.5	1.3	1.2	3.0	3.1	3.2
Hong Kong	14.0	15.9	14.6	32	(21)	9	10	7	8	1.4	1.2	1.1	3.4	3.0	3.3
Taiwan	14.6	12.5	12.1	28	4	4	13	13	12	1.9	1.6	1.5	2.9	4.0	4.2
Korea	12.3	11.2	10.2	(8)	13	9	9	9	9	1.1	1.0	0.9	1.4	1.7	1.9
Singapore	13.9	12.7	12.0	15	(5.5)	6.1	10	9	9	1.4	1.1	1.1	3.5	4.2	4.3
Malaysia	17.3	16.3	14.8	4	2	10	12	10	11	2.0	1.7	1.6	3.0	3.1	3.4
Thailand	18.3	15.5	12.9	(23)	5	20	12	12	13	2.2	1.9	1.7	2.8	3.2	3.5
Indonesia	17.3	15.9	14.3	11	(4)	11	20	17	17	3.5	2.7	2.4	2.2	2.5	2.6
Philippines	22.7	19.0	17.0	23	11	11	14	14	14	3.3	2.6	2.4	2.0	2.0	2.1
India	21.4	19.8	16.9	9	7	17	15	15	16	3.2	3.0	2.7	1.4	1.6	1.8
Japan	17.2	16.2	14.7	20	14	11	9	8	9	1.5	1.3	1.3	1.7	1.9	2.0
US (S&P 500)	18.3	17.7	16.2	6	5	9	14	15	15	2.8	2.7	2.6	2.0	2.1	2.2
Europe (Euro Stoxx)	21.5	15.8	14.6	-7	29	8	8	8	9	1.5	1.6	1.5	3.4	3.2	3.4

Source: Maybank Kim Eng, Factset, MSCI, Bloomberg data as of 23 November 2015

Figure 20: MSCI Asia ex-Japan sector valuation

	PE (x)			EPS growth YoY (%)			ROE (%)			PB (x)			DY (%)		
	2014	2015F	2016F	2014	2015F	2016F	2014	2015F	2016F	2014	2015F	2016F	2014	2015F	2016F
Asia-ex-Japan	13.5	12.6	11.6	8	2	8	12	11	11	1.6	1.3	1.2	2.6	2.8	3.0
Energy	12.6	13.7	11.8	(22)	(23)	16	9	7	7	1.1	0.9	0.9	3.1	3.1	3.1
Materials	19.0	15.9	13.2	(13)	22	20	6	6	7	1.1	1.0	1.0	2.5	2.8	2.8
Industrials	20.5	19.8	13.6	14	(10)	45	7	7	9	1.4	1.3	1.2	2.8	2.2	2.4
Capital goods	18.7	19.3	12.9	15	(20)	50	7	6	9	1.3	1.2	1.1	3.0	2.2	2.3
Transportation	25.2	27.9	21.1	15.9	11	19	33	6	7	9	1.6	1.5	1.4	2.1	2.5
Consumer discretionary	11.1	12.0	12.2	10.9	(5)	(7)	12	14	12	12	1.7	1.5	1.3	2.3	2.4
Automobiles & Components	8.3	8.7	9.2	8.2	(5)	(5)	13	15	13	13	1.3	1.2	1.0	1.7	2.0
Retailing	18.0	15.7	14.5	(2)	15	8	8	9	9	1.5	1.4	1.3	1.8	1.8	2.1
Consumer staples	25.3	26.5	24.1	21.5	5	18	12	12	13	13	3.2	3.0	2.8	1.8	1.7
Food/staples retail	25.3	26.8	21.1	21.7	(11)	54	(3)	9	12	11	2.3	2.6	2.5	1.7	1.8
Food/beverage/tobacco	22.5	23.1	21.2	18.7	6	11	13	12	11	12	2.6	2.3	2.2	2.1	2.0
Health care	29.3	30.1	23.9	29	24	26	14	15	16	4.2	4.5	3.8	0.8	0.7	0.9
Financials	11.0	9.7	9.2	14	8	5	11	11	10	1.3	1.0	1.0	3.1	3.5	3.7
Banks	8.8	7.7	7.4	9	4	4	14	13	12	1.2	1.0	0.9	3.9	4.4	4.5
Diversified financials	15.3	15.9	11.8	12.2	51	46	(3)	12	14	12	2.0	1.6	1.5	2.3	3.3
Insurance	17.1	14.2	13.5	41	24	5	12	12	12	2.0	1.7	1.6	1.3	1.7	1.8
Real estate	13.2	12.3	11.1	8	(4)	11	7	6	6	0.9	0.7	0.7	3.3	3.4	3.7
Technology	14.3	13.4	12.6	7	(2)	6	16	14	13	2.3	1.8	1.7	1.8	2.3	2.5
Software services	29.3	32.0	29.3	24.0	28	14	22	25	23	23	7.9	6.7	5.5	0.8	0.9
Tech hardware	10.8	10.8	10.6	10.0	37	(6)	6	13	11	11	1.4	1.2	1.1	2.1	2.7
Semiconductors/equipment	13.2	13.7	11.2	11.3	48	(0)	(1)	21	18	16	2.8	2.0	1.8	2.2	3.3
Telecoms	18.8	15.6	14.6	0	9	7	12	12	12	2.3	1.9	1.8	3.2	3.7	3.9
Utilities	9.4	9.9	11.7	100	(8)	(16)	16	14	11	1.6	1.3	1.3	2.8	3.2	3.4

Source: Maybank Kim Eng, Factset, MSCI, Bloomberg data as of 23 November 2015

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