

Asia-Pacific
+852-2533-3565

**Europe,
Middle East & Africa**
+44-207-176-1234

The Americas
+1 877 863 1306



Dissecting APAC Markets during Volatile Times with Portfolio Analytics

David Ma, Investment Specialist, Investment Management, S&P Global Market Intelligence

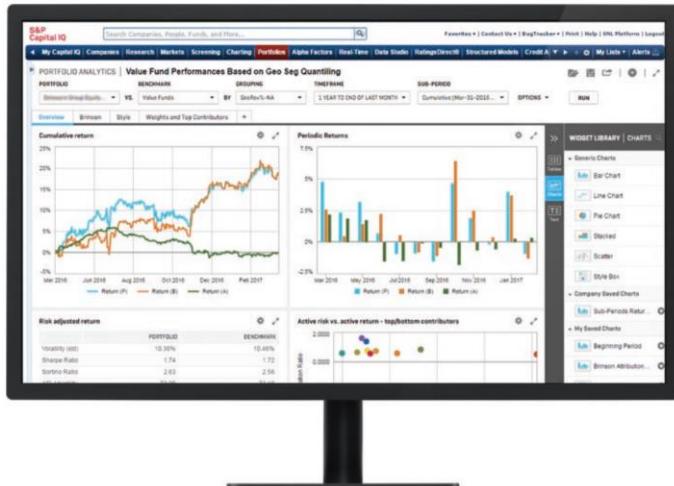
April 2020

In the first article of our application series, 'AFL Style Analysis during Periods of Duress', we utilized the Alpha Factor Library (AFL) tool to understand the style performance and regime analysis of the APAC equity markets under stress conditions such as financial and health crises.

To help us gain further insight into market impacts across Asia-Pacific, we will now use the Portfolio Analytics (PA) tool on the S&P Capital IQ platform to conduct analysis on country and sector performance, as well as valuation analysis and analyst revisions.

Dissecting APAC Markets during Volatile Times with Portfolio Analytics (PA)

Figure 1: S&P Global Market Intelligence Portfolio Analytics tool



Source: S&P Global Market Intelligence. For illustrative purposes only.

We divided the APAC markets into two broad groups:

- APAC Developed Markets (APAC DM) which includes: Australia, Hong Kong, Japan, New Zealand, Singapore and South Korea.
- APAC Emerging Markets (APAC EM) which includes: China, India, Indonesia, Malaysia, Philippines, Taiwan and Thailand.

We assessed the above two markets as of 27 March 2020 in the following categories:

1. Market and sector performance
2. Valuation levels
3. Sell-side earnings revisions

Market Performance

By leveraging an extensive library of performance layouts and configuring the multi-portfolio settings for analysis, we were able to compare the Month-To-Date (MTD) and 1 week return metrics across the different APAC markets in detail.

Dissecting APAC Markets during Volatile Times with Portfolio Analytics (PA)

Figure 2: Portfolio Analytics - Metrics Configuration

Edit Multi-Port Bar Chart Widget Settings

NAME APAC DM Indices - MTD Performance

METRICS	return
OVERRIDES	Return Recent Data Items
OPTIONS	Return Standard Deviation Recent Data Items
	Return Portfolio Analytics > Performance Metrics
	Return Covariance Portfolio Analytics > MPT Risk Statistics
	Return Mean Absolute Deviation Portfolio Analytics > MPT Risk Statistics
	Return Standard Deviation Portfolio Analytics > MPT Risk Statistics
	Return Variance Portfolio Analytics > MPT Risk Statistics
	Return L/S Portfolio Analytics > Long/Short
	Contribution to Realized Return Multi-Factor Attribution > Realized Risk Attribution
ADD TO	<input checked="" type="checkbox"/> PORTFOLIO <input type="checkbox"/> BENCHMARK <input type="checkbox"/> ACTIVE

SELECTED METRICS + FORMULA [BETA]

Return (MTD)
Return

Return (1 Week)
Return

TIME FRAME 1 Week 2004 AGGREGATION TYPE Predefined

PERIOD Reporting Period

EXC Since Inception

N 1 Day

1 Week 1 Month 2 Months 3 Months 6 Months 9 Months

LINKING TYPE Predefined

CROSS SECTIONAL TRANSFORM None Coverage Annualized

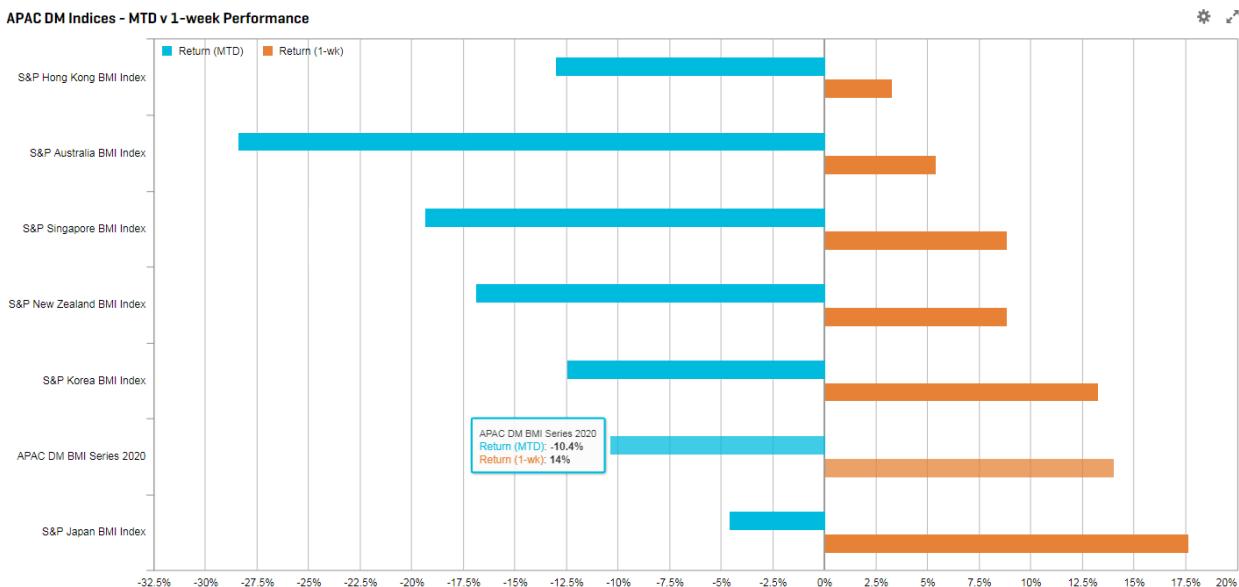
CANCEL SAVE

Source: S&P Global Market Intelligence. For illustrative purposes only.

When we compare the APAC DM MTD vs 1-week performance, we observe that many markets have started to reverse their declines from the first two-weeks in the month, as the APAC DM recorded a weekly gain of 14% return vs -10.4% MTD.

We also saw that the magnitudes of rally were different across various markets. For example, Japan recorded +17.6% in the most recent week, whereas Hong Kong edged up 3.3% in weekly return.

Chart 1: Month-to-date vs 1-week market performance across the APAC Developed Markets



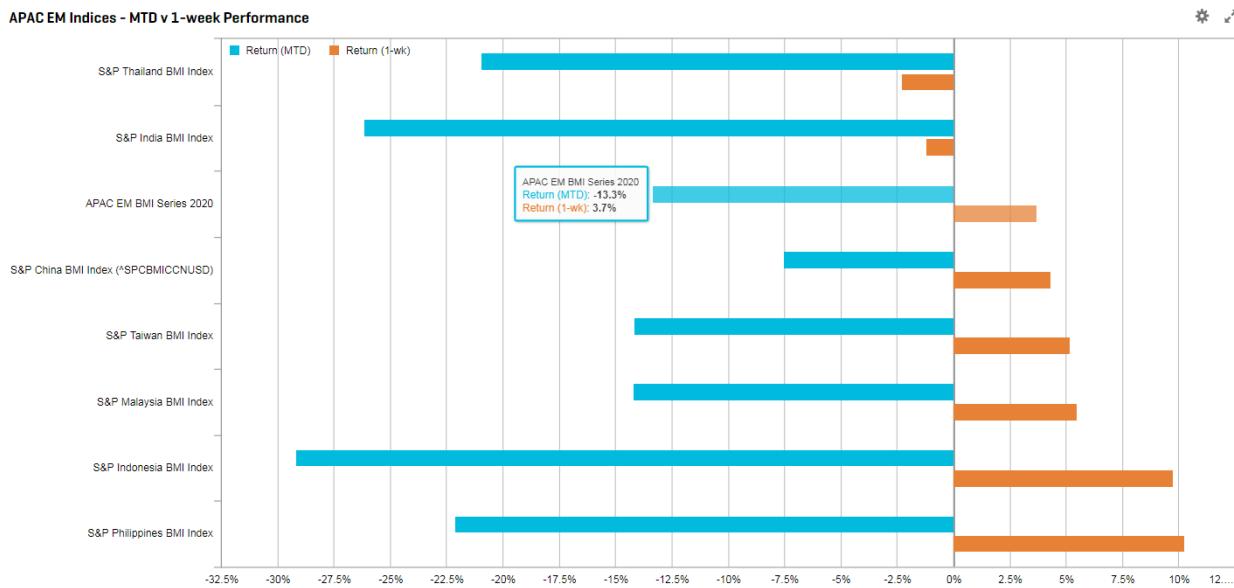
Source: S&P Global Market Intelligence as of 27 March, 2020.

Dissecting APAC Markets during Volatile Times with Portfolio Analytics (PA)

Interestingly for the same period, the APAC EM universe declined -13.3% as compared to the drop of -10.4% for APAC DM. China held up the best with a -7.5% decline MTD.

Some markets have not come out from their losing streaks in the past week (Thailand and India recorded weekly declines of -2.3% and -1.2% respectively), whereas other markets started to emerge from their week-long declines with the Philippines being the best weekly performer with a 10.2% gain.

Chart 2: Month-to-date vs 1-week market performance across the APAC Emerging Markets

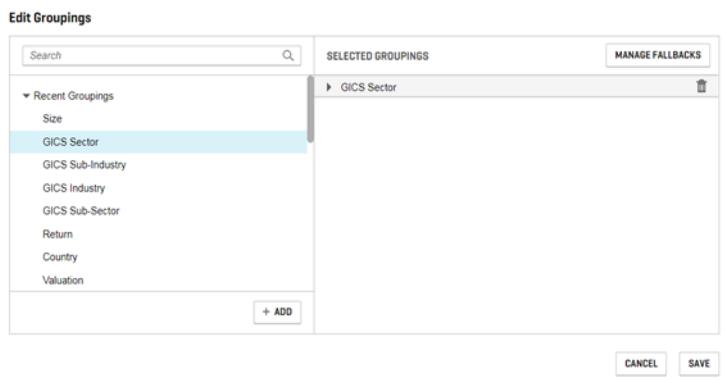


Source: S&P Global Market Intelligence as of 27 March, 2020.

Sector Performance

Utilizing the grouping function in Portfolio Analytics, we were able to compare the return metrics across the different GICS sectors for the APAC markets.

Figure 3: Portfolio Analytics - Grouping Feature



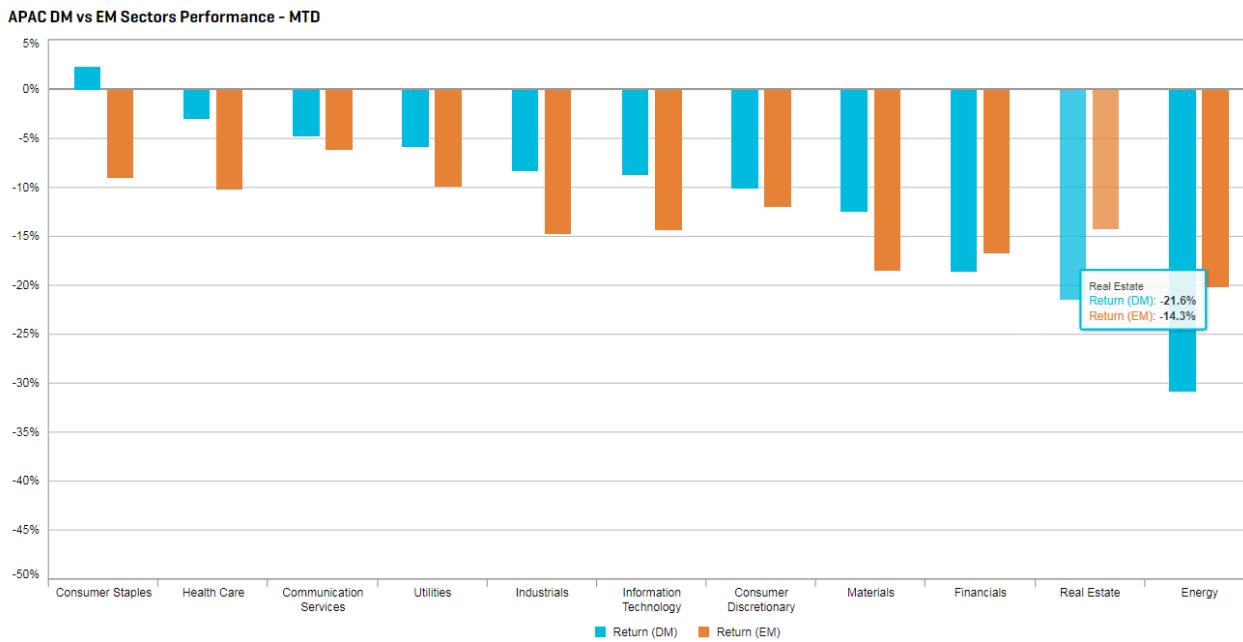
Source: S&P Global Market Intelligence. For illustrative purposes only.

Copyright © 2020 by S&P Global Market Intelligence, a division of S&P Global Inc. All rights reserved

Dissecting APAC Markets during Volatile Times with Portfolio Analytics (PA)

Most sectors in both the APAC DM and APAC EM have declined over the month but one observation which stood out is that sectors which have declined the most (energy, real estate and financials), have performed worse in the APAC DM than in the APAC EM. This suggests that the constituents of these sectors have very different economic dynamics across their universes. In APAC EM, industrials, IT, health care and consumer staples performed much worse (with MTD losses of -14.8%, -14.3%, -10.2% and -9% respectively).

Chart 3: Month-to-date sectors performances between APAC Developed Markets vs APAC Emerging Markets



Source: S&P Global Market Intelligence as of 27 March, 2020.

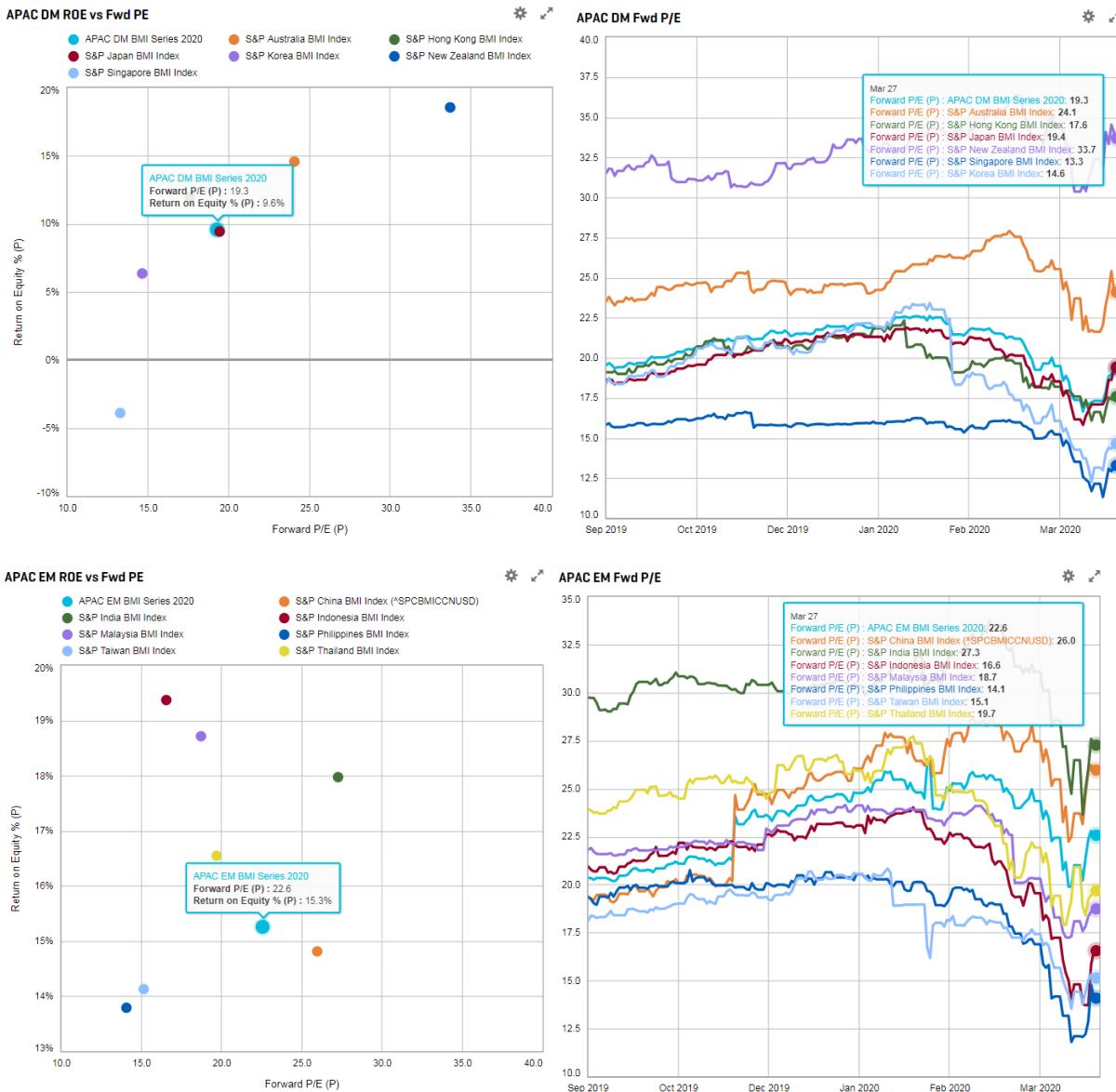
Valuations

Looking at a scatterplot of Return on Equity (ROE) and 1-Year Forward Price-to-Earnings (Fwd PE) ratios as of 27 March 2020, the APAC EM seems to be a bit more expensive with a higher ROE number (Fwd P/E 22.6x and ROE of 15.3%) vs the APAC DM (Fwd P/E 19.3x and ROE of 9.6%).

Valuations from certain APAC EM's have rolled off from higher points from beginning of March 2020 to the 27 March 2020. India, Indonesia and the Philippines' Fwd P/Es have come down -13%, -15% and -19% MTD respectively, compared to some of the APAC DM's, as Australia, Korea and Singapore declined -5%, -8% and -11% respectively.

Dissecting APAC Markets during Volatile Times with Portfolio Analytics (PA)

Figures 4-7: ROE vs 1Yr Fwd P/E for APAC Developed and APAC Emerging Markets; and 1Yr Fwd P/E Valuation for APAC Developed and APAC Emerging Markets



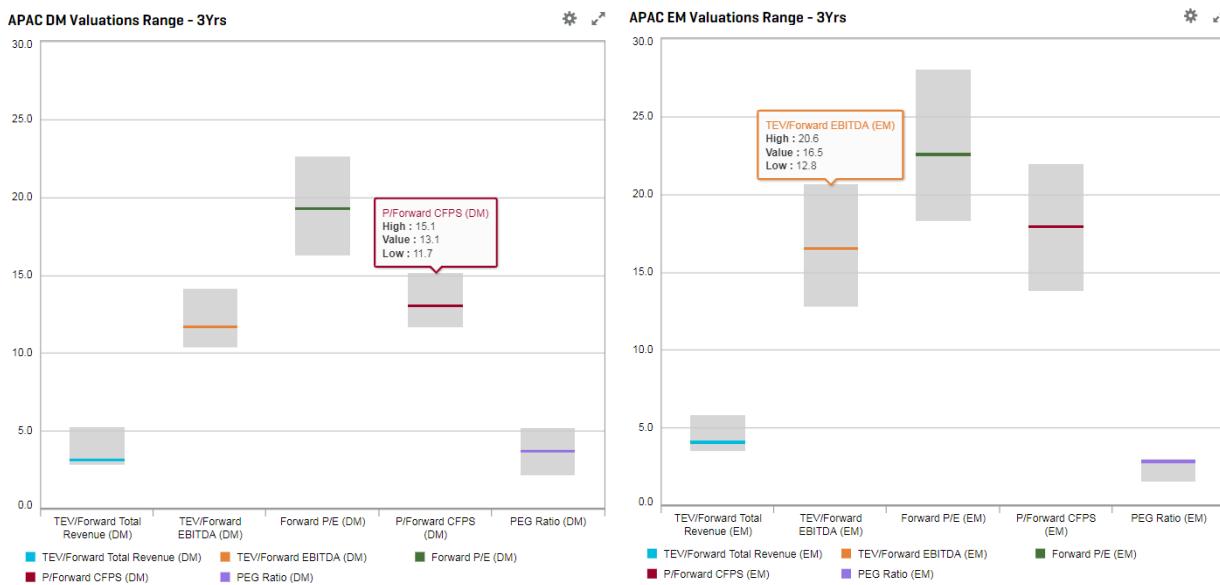
Source: S&P Global Market Intelligence as of 27 March, 2020.

If we compare five other forward valuation multiples in both the APAC DM and the APAC EM (Enterprise Value-to-Sales (EV/Sales), Enterprise Value-to- its Earnings Before Interest, Taxes, Depreciation & Amortization (EV/EBITDA), Price-to-Earnings (P/E), Price-to-Cash Flow (P/CFPS), and Price/Earnings-to-Growth (PEG) Ratio), we observed that the range of the APAC EM multiples were generally wider, and currently closer to their 3 years' mean values than the APAC DM multiples.

This potentially indicates that the APAC EM universe was able to restore to its average values quicker than its APAC DM peers.

Dissecting APAC Markets during Volatile Times with Portfolio Analytics (PA)

Figures 8 and 9: 3-Year historical valuations ranges for APAC Developed and APAC Emerging Markets



Source: S&P Global Market Intelligence as of 27 March, 2020.

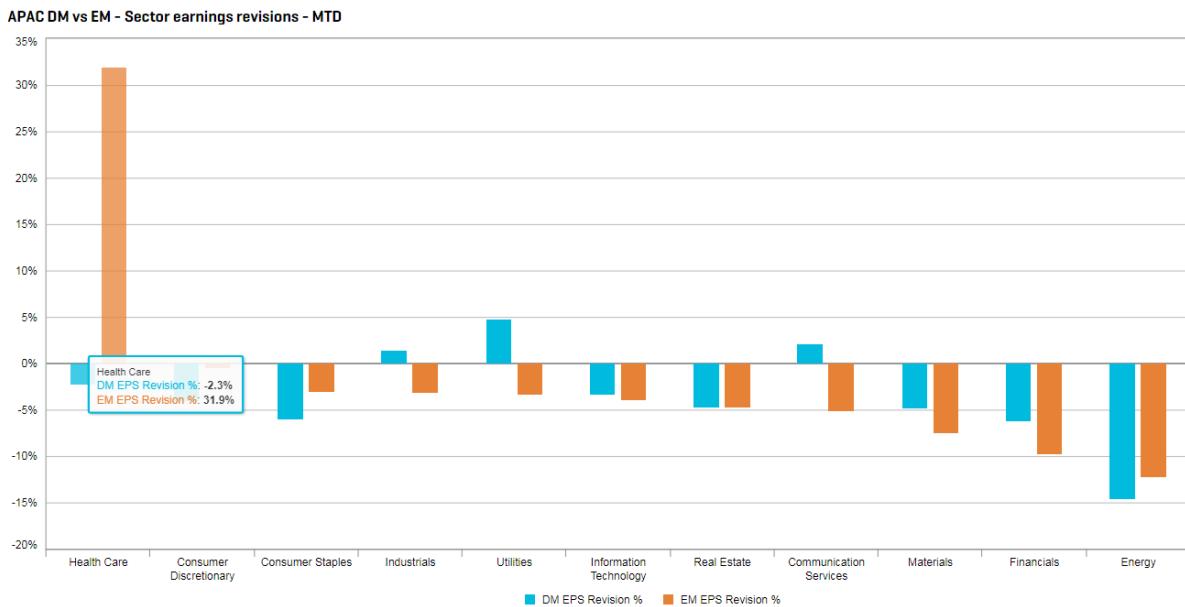
Earnings revisions

Nearly all sector earnings were revised down for the APAC DM with the energy sector suffering the largest downward revision of almost -15% within the month of March. Most other sectors have been revised down between the range of -1% to -6%, with the few exceptions of industrials, communication services and utilities which went up +1%, +2% and +5% respectively.

The APAC EM downward revisions have exceeded the APAC DM for sectors such as financials, materials and utilities but, healthcare stood out as sell-sides revised up EPS forecasts 32% since start of March.

Dissecting APAC Markets during Volatile Times with Portfolio Analytics (PA)

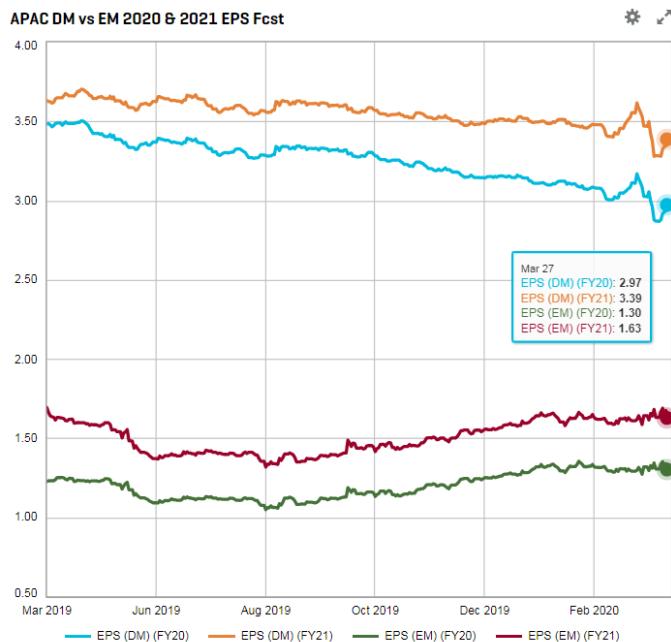
Chart 4: Sector earnings revisions in March for APAC Developed and APAC Emerging Markets



Source: S&P Global Market Intelligence as of 27 March, 2020.

There seems to be a diverging trend in the analyst EPS forecasts across both the APAC DM and the APAC EM. If we look from March 2019, we can see that the EPS estimates for the APAC DM were downward trending before going through the large swing of the recent correction. On the other hand, EPS estimates for the APAC EM seemed to be flat between May and August 2019, but started to trend up at end of Q3 2019. The fluctuations of earnings revisions also seemed to be less volatile for the APAC EM during the recent market correction.

Chart 5: EPS consensus forecasts for APAC Developed and APAC Emerging Markets



Source: S&P Global Market Intelligence as of 27 March, 2020.

Copyright © 2020 by S&P Global Market Intelligence, a division of S&P Global Inc. All rights reserved

Summary

Portfolio Analytics provides greater insight into your portfolio monitoring process by leveraging comprehensive fundamental and industry leading data from S&P Global Market Intelligence.

Using Portfolio Analytics, analysts are equipped with a web-based tool to quickly:

- Understand individual market performance within a region
- Compare sector performance between markets
- Analyze current market valuations vs historical bands
- Keep track of sell-side earnings revisions and sentiments

As markets move, these portfolio metrics can be refreshed daily so that you can analyze your portfolio with the latest market changes. With the hundreds of style factors supplied by the Alpha Factor Library, you can also widen your investment lens by incorporating factor-based style aggregation and attribution.

Copyright © 2020 by S&P Global Market Intelligence, a division of S&P Global Inc. All rights reserved.

These materials have been prepared solely for information purposes based upon information generally available to the public and from sources believed to be reliable. No content (including index data, ratings, credit-related analyses and data, research, model, software or other application or output therefrom) or any part thereof (Content) may be modified, reverse engineered, reproduced or distributed in any form by any means, or stored in a database or retrieval system, without the prior written permission of S&P Global Market Intelligence or its affiliates (collectively, S&P Global). The Content shall not be used for any unlawful or unauthorized purposes. S&P Global and any third-party providers, (collectively S&P Global Parties) do not guarantee the accuracy, completeness, timeliness or availability of the Content. S&P Global Parties are not responsible for any errors or omissions, regardless of the cause, for the results obtained from the use of the Content. THE CONTENT IS PROVIDED ON "AS IS" BASIS. S&P GLOBAL PARTIES DISCLAIM ANY AND ALL EXPRESS OR IMPLIED WARRANTIES, INCLUDING, BUT NOT LIMITED TO, ANY WARRANTIES OF MERCHANTABILITY OR FITNESS FOR A PARTICULAR PURPOSE OR USE, FREEDOM FROM BUGS, SOFTWARE ERRORS OR DEFECTS, THAT THE CONTENT'S FUNCTIONING WILL BE UNINTERRUPTED OR THAT THE CONTENT WILL OPERATE WITH ANY SOFTWARE OR HARDWARE CONFIGURATION. In no event shall S&P Global Parties be liable to any party for any direct, indirect, incidental, exemplary, compensatory, punitive, special or consequential damages, costs, expenses, legal fees, or losses (including, without limitation, lost income or lost profits and opportunity costs or losses caused by negligence) in connection with any use of the Content even if advised of the possibility of such damages.

S&P Global Market Intelligence's opinions, quotes and credit-related and other analyses are statements of opinion as of the date they are expressed and not statements of fact or recommendations to purchase, hold, or sell any securities or to make any investment decisions, and do not address the suitability of any security. S&P Global Market Intelligence may provide index data. Direct investment in an index is not possible. Exposure to an asset class represented by an index is available through investable instruments based on that index. S&P Global Market Intelligence assumes no obligation to update the Content following publication in any form or format. The Content should not be relied on and is not a substitute for the skill, judgment and experience of the user, its management, employees, advisors and/or clients when making investment and other business decisions. S&P Global keeps certain activities of its divisions separate from each other in order to preserve the independence and objectivity of their respective activities. As a result, certain divisions of S&P Global may have information that is not available to other S&P Global divisions. S&P Global has established policies and procedures to maintain the confidentiality of certain non-public information received in connection with each analytical process.

S&P Global may receive compensation for its ratings and certain analyses, normally from issuers or underwriters of securities or from obligors. S&P Global reserves the right to disseminate its opinions and analyses. S&P Global's public ratings and analyses are made available on its Web sites, www.standardandpoors.com (free of charge) and www.ratingsdirect.com (subscription), and may be distributed through other means, including via S&P Global publications and third-party redistributors. Additional information about our ratings fees is available at www.standardandpoors.com/usratingsfees.