

**BIZ INSIGHT****Silver linings for Asian markets despite Trump's behaviour**

## SPECIAL TO THE NATION

ASIAN MARKETS took a big hit when Donald Trump was elected president of the United States on November 8, 2016.

Since his swearing-in last month, Trump's heinous behaviour has included an executive order withdrawing from the Trans-Pacific Partnership, calling China a currency manipulator, and considering import tariffs part of his "America first" policies. Hence the MSCI ex-Japan ended the year gaining only 5 per cent, while it had risen by as much as 15 per cent between January and

October 2016. That being said, Trump's promise to utilise fiscal measures to fuel the domestic economy was a positive sign for the US, but his plan to take a more cautious stance on trade was a turn-off for exporting regions such as Asia. However, as much as investors are fretful about what's coming next, there are many factors to keep them attracted to Asia, including the outlook for banks, technology, and equities.

Despite Trump's election triumph, the fundamental outlook for Asian equities remains tolerable. Asian equities have been outpacing the rest of the world for the past two years.

Furthermore, commodity prices should continue to be rather constant, and business margins should prosper from marginally higher inflation and an improved calibration of supply and demand.

Notably, regional banks are looking to benefit, where the biggest short-term impact looks to be deflation. Besides, markets have adjusted swiftly since the anticipation of higher inflation emerged. Correspondingly, this is a positive for the banking sector including many financial institutions, where investors can take advantage of Trump's policies. There are still positive

aspects in the technology sector amid Trump's unfavourable comments. For instance, it's delusional to think that Trump would slap an extreme broad-based US tariff on Chinese goods. First, it would make the cost of technology and other goods for US consumers too high, and second, it would be hard to implement given the complex supply chains nowadays.

Nonetheless, it is not bad that Trump is intending to stop the US from pretending it is a global policeman. As well, reduced US economic presence in Asia could provide more opportunities for the likes of India and China to pur-

sue their ambitions. In addition, construction companies are the first in line to gain from the substantial infrastructure plans regarding South China Sea's expansion.

Last, if Trump's fiscal policies work, it will be beneficial for global growth, combined with a reflationary environment and higher interest rates. Consequently, investors will probably want to digest more risks when the time comes.

Hypothetically speaking, equities with low price-to-earnings and price-to-book ratios mingled with robust fundamentals should rally. These opportu-

nities are lavish in economies such as South Korea, Taiwan and mainland China. In conclusion, the potential negative effect of Trump's election is much more limited than most investors expect.

Therefore, even with his presidency providing nothing but political risk and uncertainty, it is believed that Asia still offers growth and value.

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