

High Correlation between the U.S. and Asian Equity Markets (9 July 2018)

Mr. Henry Chan, Chief Investment Officer at BEA Union Investment, shares his views on the significance of the U.S. market to Asia, and the investment outlook for the U.S. stock market.

The U.S. and Asian equity markets have shown a strong correlation over the last 30 years. In general, when U.S. equities appreciated in value, Asian equities tended to follow. When U.S. equities have fallen, Asian markets were only able to buck the trend about a quarter of the time. Those periods were normally associated with some exceptional bull run specific to Asia or emerging markets, such as during the emerging-market surge of 1992-93, or at the time of the Chinese bull market in 2015.

Investment outlook for the U.S. market:

Factors that support the U.S. market:

- Earnings now exceed expectations and growth remains positive
- Global inflation is low
- Monetary policy is set to stay accommodative

Accordingly, these factors also support our long-held positive stance on Asia.

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