



Philequity Corner (August 8, 2016)
By Wilson Sy

It's Hip to be in TIP

In last week's article, we noted how the Chinese "ghost month" has historically been a weak month for stocks (see *Who's Afraid of Ghosts*, August 1, 2016). Whether you believed the article or not, last August 3 which was the start of the "ghost month", the PSE index indeed tumbled sharply. Unwittingly, PLDT released disappointing earnings for 2Q16 and Aboitiz Equity Ventures announced a placement of its treasury shares which pulled the index down 149 points or - 1.86 percent for that day. However, despite that sharp one-day pullback, the Philippine stock market recovered strongly.

We are not alone

It is not only the Philippines that is performing well. The ASEAN-3 or the so-called TIP markets which includes Thailand, Indonesia and the Philippines continue to perform strongly on the back of heavy inflows into emerging markets this year.

Note that emerging markets bottomed out in January, together with EM currencies, commodities and most risk assets, as the US dollar pulled back on a dovish Fed. Since then, funds have been flowing back into emerging Asian markets and TIP has caught a big chunk of this emerging market inflow.

EM inflows surge in 2016

The stabilization of commodity prices and improvement about China's outlook have increased the risk appetite of investors searching for better yields as rates in mature economies fall to ever low levels. This has encouraged investors to look at emerging markets.

According to ETF.com, the top three emerging market ETFs (EEM, IEMG and VWO) with total assets under management of \$83.2 billion have seen inflows of \$ 9.8 billion year-to date compared to outflows of \$4.2 billion in 2015. In July alone, these three ETFs amassed a total of \$5.8 billion in inflows.

Exchange Traded Fund	Symbol	AUM (\$m)	Inflows in \$m		
			2015	2016 YTD	Jul-16
iShares MSCI Emerging Markets ETF	EEM	27,990.0	(5,969.3)	4,486.7	4,019.4
iShares Core MSCI Emerging Markets ETF	IEMG	14,820.0	4,934.5	3,650.2	1,257.3
Vanguard FTSE Emerging Markets ETF	VWO	40,410.0	(3,128.7)	1,710.2	528.3
		83,220.0	(4,163.5)	9,847.1	5,805.0

Source: *ETF.com, Wealth Securities Research*

TIP ETFs gaining from surging inflows

Meanwhile, a trio of country-focused ETFs that invests in the TIP markets have gained significantly from these surging inflows. The favorable growth outlook in these economies have boosted the demand of securities from these markets.

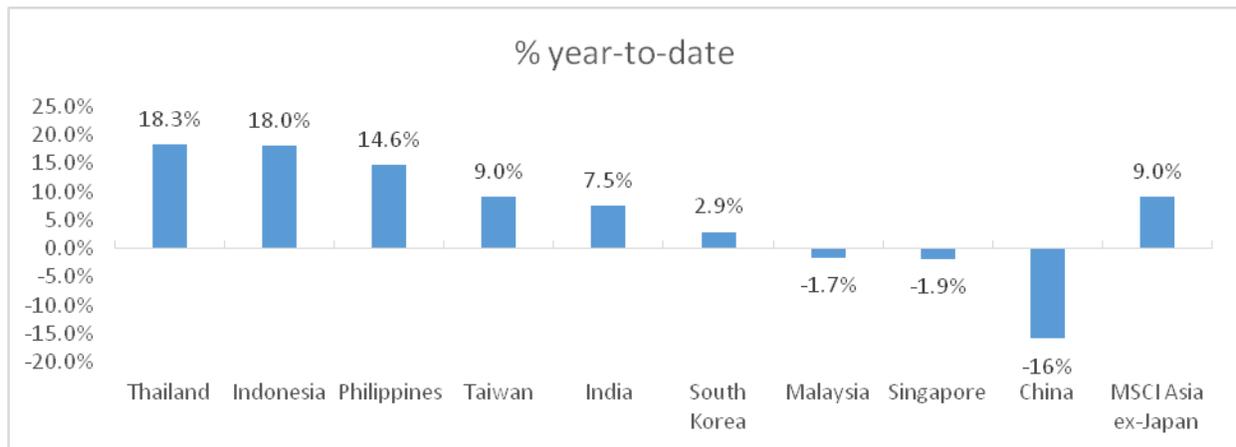
Together these trio of TIP ETFs have assets under management amounting to \$1.47 billion. Inflows year-to-date of \$558 million have already surpassed last year's outflow of \$441 million. The inflow for July alone amounted to \$188 million.

Exchange Traded Fund	Symbol	AUM (\$m)	Inflows in \$m		
			2015	2016 YTD	Jul-16
iShares MSCI Thailand Capped ETF	THD	419.6	(176.7)	144.3	56.7
iShares MSCI Indonesia ETF	EIDO	706.1	(184.7)	335.4	113.5
iShares MSCI Philippines ETF	EPHE	345.6	(79.7)	77.8	17.5
		1,471.3	(441.0)	557.5	187.7

Source: *ETF.com, Wealth Securities Research*

ASEAN-3 outperforms in Asia

Aided by the solid inflows into its ETFs, the ASEAN-3 have clearly led Asian emerging markets year-to-date and continue to be strong.



The Thailand stock market is up 18.3 percent year-to-date. Adjusted for the Thai baht appreciation this year, the Thailand market would have returned 21.5 percent year-to-date in dollar terms.



Source: *Stockcharts.com*

The Indonesian market is up 18.0 percent year-to-date. The significant recovery in the Indonesian rupiah, however, would bring dollar-adjusted returns to 24 percent year-to-date.



Source: Stockcharts.com

Meanwhile, the Philippine stock market is up 14.6 percent year-to-date in both local currency and dollar-adjusted terms. The peso has been the most stable Asian currency the past year and is barely changed from its end-2015 exchange rate against the US dollar (see *Not Too Hot, Not Too Cold*, June 20, 2016).



Philequity's Annual Shareholders' Meeting and Market Outlook

Philequity will be holding its annual shareholders' meeting on August 13, 2016 (Saturday), 9:00AM at the Meralco Theater. We will also be presenting our market outlook and strategy. Our book *Opportunity of a Lifetime* which is already on its 3rd printing (1st and 2nd printing are sold out) will be available for purchase during the event. We hope readers will use this book, its glossary and its various investment tenets as reference and guide for their future trades. Readers who wish to attend are advised to please register ahead of time at events@philequity.net. Priority will be given to Philequity investors and non-shareholders will be accepted on a limited basis.

Philequity Management is the fund manager of the leading mutual funds in the Philippines. Visit www.philequity.net to learn more about Philequity's managed funds or to view previous articles. For inquiries or to send feedback, please call (02) 689-8080 or email ask@philequity.net.