

0306 | 2019

ASIA CHART OF THE WEEK

Asia: Where the (quality) yield is

Asia remains a key destination for yield hungry investors. From equity offerings to government bonds, global investors are able to pick from different income producing instruments that come with different risk and total return characteristics.

From an equities perspective, the 2.8% Asia ex Japan (MSCI AC Asia ex Japan Index) regional yield is a healthy 33% higher than US equities (MSCI USA Index) while 7.7% higher than the global average (MSCI All Countries World Index). From a local currency government bond perspective, the Asian ex Japan regional average yield of 3.8% is 41% higher than the US 10 Year yield and over 100% higher than the global average (FTSE World Government Bond Index).

Diving deeper, investors are able gather competitive dividend yield across Asia ex Japan with REIT and Financials heavy Singapore paying investors 4.5% per annum. In the local currency space, government bond yields in Indonesia and India present very attractive yield levels supported by resilient local currencies and well managed inflation.

The bottom line

While yield levels are important, the underlying fundamentals are arguably more significant. Post the Asian Financial Crisis of 1997, Asian corporates and governments have kept up with the fiscal discipline. And because of that prudence, even as the global growth environment appear uncertain, Asian assets are in demand; well positioned to weather external shocks while providing very feasible investment options for global (and local) investors.

Chart 1 : The Asia ex Japan Yield Premium (%)

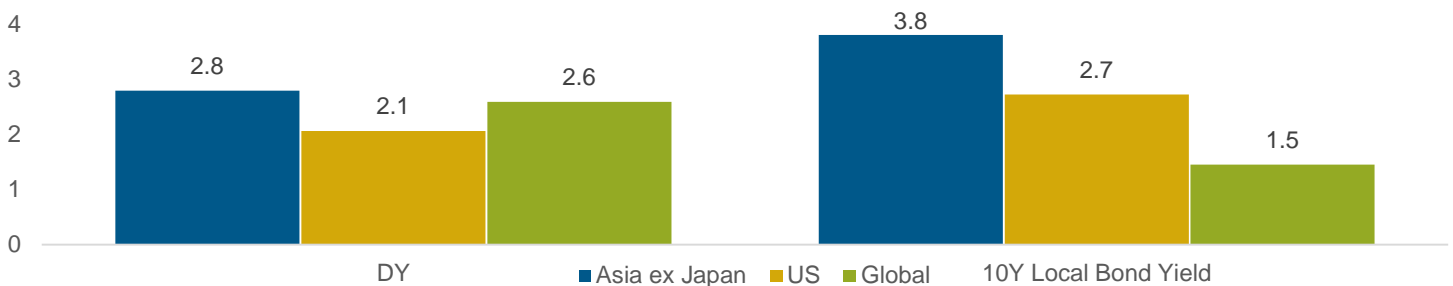


Chart 2 : Dividend Yields across Asia (%)

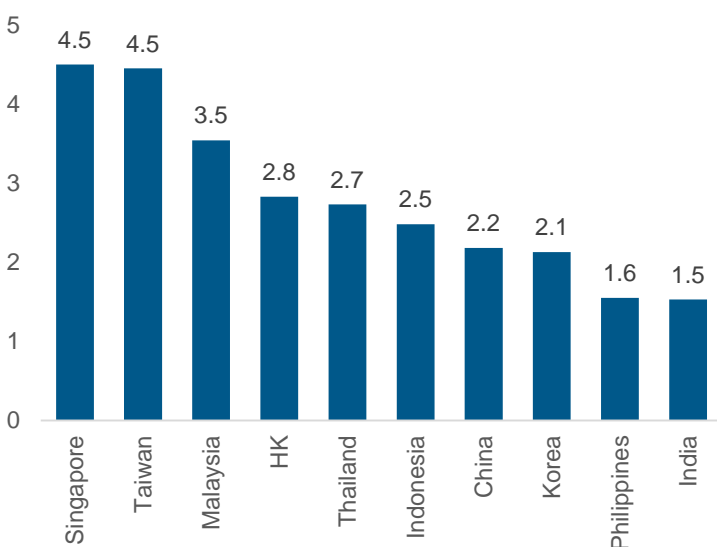
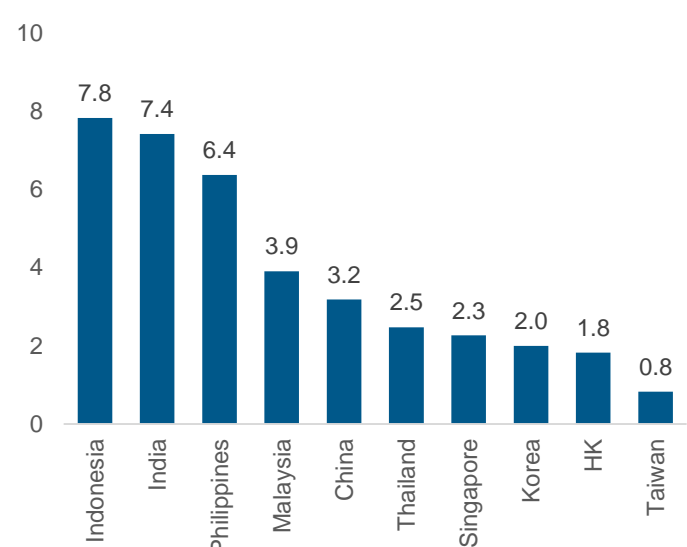


Chart 3 : 10 Year Local Currency Bond Yields across Asia (%)



Source: Legg Mason, Bloomberg, MSCI, FTSE, AsianBondsOnline, 6 March 2019. Data as of 28 February 2018, unless stated otherwise. Returns in local currency. Past performance is no guarantee of future results. Please note that an investor cannot invest directly in an index. Unmanaged index returns do not reflect any fees, expenses or sales charges.

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