



News

The View From Asia

Conditions in Asia are considerably different to those in the US



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US markets churned in July 2022 as tugs towards 'entrenched inflation' (FED chair Powell's latest description) and labour tightness confronted potential recession. The minutiae of yield curve inversions and neutral rates are very different to conditions to consider in Asia. China is in a recession and, for the first time, the CCP acknowledges it cannot do much about it. South Korea, hooked to the global trade wagon, is in slowdown, while Taiwan is facing similar circumstances as well as being buffeted by rising geopolitical concerns.

India is so far a standout in South Asia, where we face a meltdown – financially and literally (ignore the pun – mercury levels are higher than London). A strong US\$ and elevated commodity prices combined with slowing global growth are taking their toll. This sounds gloomy yet markets reflect a lot of these developments.

We did not have much activity in the fund during the month. As outlined previously, China and Hong Kong are two geographies where risks abound, which we believe is now consensus. Most of our exposure is in businesses which should benefit from normalizing COVID restrictions ('when' is a big question). They generate cash flows in rationally competitive industries and should, in our opinion, generate top-line growth even in a slowing GDP environment.

Geopolitical tensions remain elevated and China seems more in the cross hairs after Nancy Pelosi, Speaker of the US House of Representatives, visited Taipei. There is little change in our outlook. Conditions for economic growth are a challenge now but asset values are encouraging. Even though conditions in Asia seem so different from the US, it is ultimately what the Fed decides and how inflation

pans out that will continue to have a significant bearing on Asian markets.

Samir Mehta manages the JOHCM Asia ex-Japan Fund. Find out more [here](#).

Sources for all data: JOHCM/MSCI Barra/Bloomberg (unless otherwise stated).

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