

In the fifth and final part of the special Exchange-Traded Fund (ETF) series, investors will be informed on the investment opportunities and market outlook for ETFs in the upcoming months.

## DBS Vickers: ETF opportunities in 2016

### Look out for Korea, China, and ASEAN

Many of us are keen to invest in overseas markets but do not know where or how to begin, as there are simply too many markets and stocks to choose from. Investing in exchange-traded funds (ETFs) may be answer to access international markets efficiently and in a lower risk manner.

DBS Vickers, which has been awarded the Best ETF Broker in Singapore by The Asset Triple A Awards in 2015, shares its views on the ETF opportunities in 2016.

#### How do global investors benefit from ETF investing?

The access to world markets have been made more efficient through the use of ETFs, which offer diversified exposure. Amidst heightened macroeconomic uncertainties and price volatility, and with different segments reacting to macroeconomic factors differently, investing in ETFs reduces concentration risks.

#### What is the overall market outlook in 2016?

Investors have to assess global fundamentals, China impact and the Federal Reserve (Fed) policy. The economic fundamentals remain strong across the developed world. Emerging markets, on the other hand, are suffering from the headwinds of lower commodity prices while others are directly affected by China's slowdown. Having said this, we believe China's short-term cyclical risks have been overblown because the economy is still growing by leaps and bounds, compared to other countries.

Also, with the US market returning to stability, it is a matter of time before the Fed raises interest rates.

#### Which are DBS Vickers' top-picked markets in 2016?

We believe many Asia markets are near bottom as current valuations are below their long-term average

values. Investors may want to look at ETFs with exposure to Korea, China and ASEAN.

#### Exchange-Traded Funds

<b>China</b>	DB X-TRACKERS FTSE CHINA 50 (HD8) DB X-TRACKERS MSCI CHINA (LG9)
<b>Korea</b>	DB X-TRACKERS MSCI KOREA (IH2)
<b>ASEAN</b>	CIMB FTSE ASEAN 40 (M62)

#### 'Buy' call for Korea and China

China's growth rate of 6 or 7 per cent is still phenomenal. For this rate to sustain, reforms and structural change are required. This is where the real risks and opportunities lie for investors. We believe the 'A' share market has bottomed in the third quarter. The potential inclusion of China 'A' shares in the global MSCI Emerging Markets benchmark may also act as a market catalyst.

In a slowing global growth environment, Korea stands out as its domestic demand has been resilient. The country's interest rate cuts and stimulus packages are working, while the economic re-structuring to nurture new industries is shaping up well.

#### Reversal trend for ASEAN

Given that the ASEAN region is down by 21 per cent in USD terms this year, there is a strong case for reversal in 2016, once the USD strengthening trend has peaked. Investing in ASEAN is a longer term structural theme, driven by favourable demographics and domestic demand story.

#### World events that impact the markets

There are so many world events that impact the investment markets. What exactly should we be concerned with? DBS Vickers helps to cut through the clutter.

#### Our View of the World



#### What Not to Worry About

- A 1929 depression
- China hard landing
- Global trade wars

#### What to Worry About Now

- Crisis of confidence/trust
- Growth and rebalancing of the economy/market
- Deflation
- World trade slowdown

#### What Not to Worry About Just Yet

- Geopolitical risks-social unrest, protests, strikes, insurgencies
- Stagflation
- Debt concerns and financial fragility
- Rising interest rate as global central banks loosening ends
- Environmental impact