

Asia Fund Manager Survey

The best and worst of Asia

Dwindling growth as rates march upwards

An overwhelming consensus has rebuffed hard landing concerns but the outlook for the global economy is still tepid at best, with net 50% of Global FMS participants bracing for a weaker economy in the next 12 months. The Asia FMS has also mellowed down with net 15% expecting a stronger economy in the next 12 months, down from 39% in August, as investors take stock of higher rates, stronger dollar and flare-ups in oil prices. The silver lining is that stagflation is not being projected either, as net 23% of investors expect price rises in Asia to subside in the next 12 months – a lowest decile reading.

Fading return expectations

The economic glumness has rubbed off on return expectations for APAC ex-Japan equities, as they sink to one-year lows with zero votes in favor of double-digit returns in the next 12 months. The FMS no longer finds the regional equities as exceptionally undervalued. Nor does the earnings profile come across as enticing – only net 13% expect profits in APAC ex-Japan to pick up in the next 12 months versus 35% in August, with net 18% deeming the consensus estimates as too high.

Fatigued and frustrated

Last October, the inaugural edition of the survey professed a lot of hope on China. A year on, chronic weakness in economic activity and a sustained lack of concerted easing has caused fatigue and frustration to take over instead. The FMS finds hardly any takers for investment/consumption among Chinese households, with two-thirds saying excess cash will stay stashed in savings accounts. Yet, despite [near-panic sentiment \(see note\)](#), only a fourth already have (2%) or look forward to build risk gradually (23%), while the rest play a wait-and-watch game (38%) or look for opportunities elsewhere (17%).

The apathy is apparent across time horizons – 35% of participants think a re-test of the October-2022 lows in the China equity markets is a possibility, while a super majority (73%) believe a structural de-rating process is underway. Unsurprisingly, China allocation dropped 15ppt to the steepest net underweight position in a year.

The resurgence of Japan

We bring Japan under the purview of this publication given the revamped interest in the second largest economy in the region. Be it recency bias or a regime change in action, Japan, cited by net 55% of investors, is unequivocally the favorite market in the region, with a tilt towards banks and away from defensive sectors (telecom | pharma | staples | utilities). Net 53% of investors expect the island nation to grow stronger in the next 12 months with three-fourths expecting an end to NIRP/YCC by the first half of 2024. Forex intervention could be knocking on the doors, according to the FMS, with 52% expecting policymakers to act if the USDJPY trades above 150. [Continued on page 2...](#)

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Refer to important disclosures on page 13 to 15.

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FMS: Fund Manager Survey
NIRP: Negative interest rate policy
YCC: Yield curve control

Notes to readers

A total of 295 panellists with \$736bn AUM participated in the survey. 259 participants with \$664bn AUM responded to the global FMS questions and 165 participants with \$334bn AUM responded to the regional FMS questions.

Survey period: 6th – 12th October 2023

How to join the FMS panel

Investors/clients are encouraged to sign up to participate in the Survey. This can be done by contacting [Michael Hartnett](#) or your BofA sales representative.

Participants in the survey receive the full set of results for the months in which they participate.

However, investors are divided in their views on the impact of higher-for-longer US rates on Japan equities, with 60% saying they will be immune and 30% expecting negative repercussions.

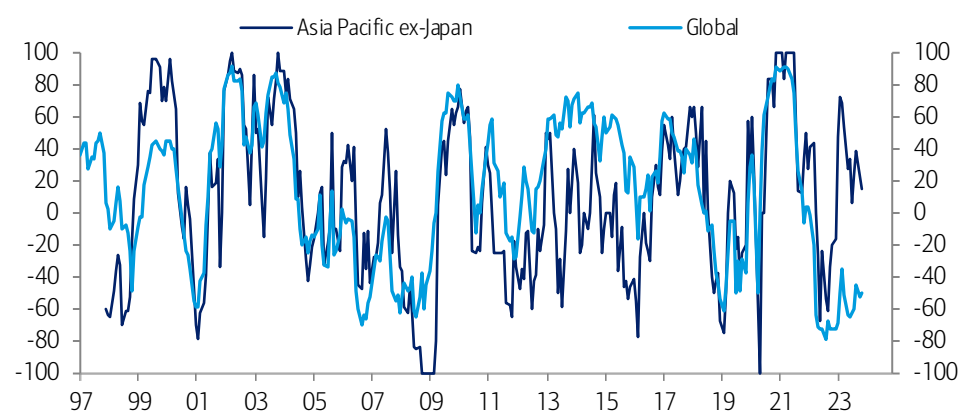
Asset Allocation: Keeping distance from rate sensitives

The FMS continues to nurture a positive stance on the semiconductor cycle, with net 52% expecting it to gather strength in the next 12 months. Accordingly, semis (cited by net 32% of investors) are perched at the top of the investor pecking order, not just in the region, but within China too. On the other hand, bond proxies (utilities: net 22% underweight | real estate: net 18% underweight) and materials (20%) are out of favor.

Among markets, the FMS confesses a likening towards India (net 28% overweight), apart from Japan, while Thailand (net 8% underweight) remains unloved.

Exhibit 1: Net % FMS investors expecting a stronger Asia Pacific ex-Japan economy

The pessimism of the Global FMS has rubbed off on the AsiaFMS as it mellows down, with net 15% expecting a stronger economy in the next 12 months versus 23% in September and 39% in August

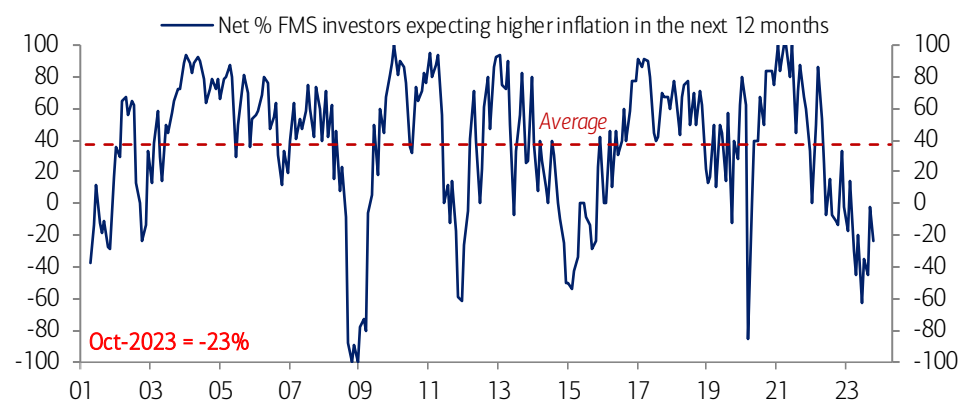


Source: BofA Global & Asia Fund Manager Survey

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Exhibit 2: Net % FMS investors expecting higher inflation in Asia Pacific ex-Japan

Net 23% of investors expect lower inflation in APAC ex-Japan in the next 12 months – a lowest decile reading

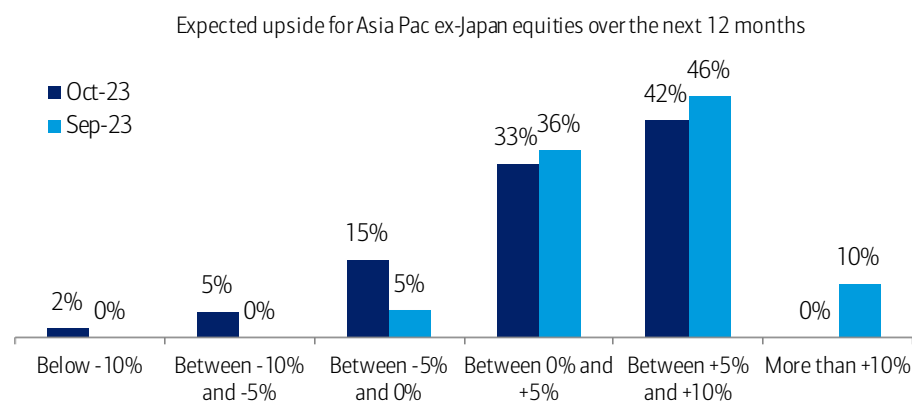


Source: BofA Asia Fund Manager Survey

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Exhibit 3: FMS view of Asia Pac ex-Japan equities over the next 12 months

Return expectations for APAC ex-Japan equities over the course of the next 12 months sink to one-year lows, with no takers for double-digit returns

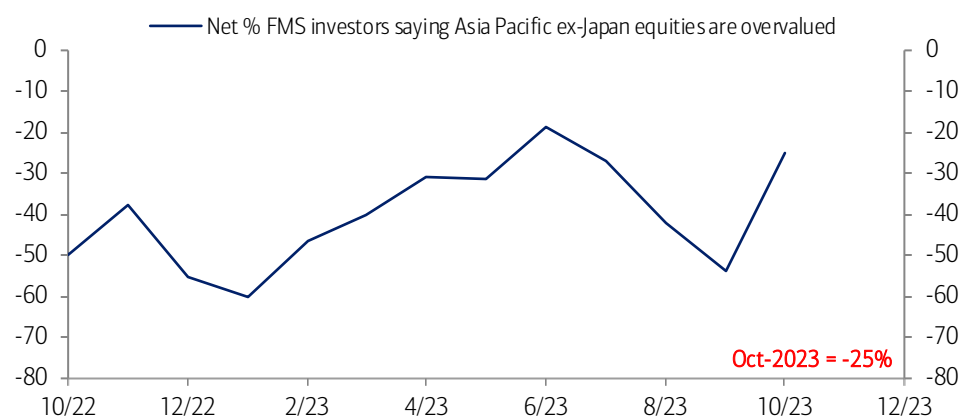


Source: BofA Asia Fund Manager Survey

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Exhibit 4: Net % FMS investors saying Asia Pacific ex-Japan equities are overvalued

The FMS no longer finds the regional equities as exceptionally undervalued

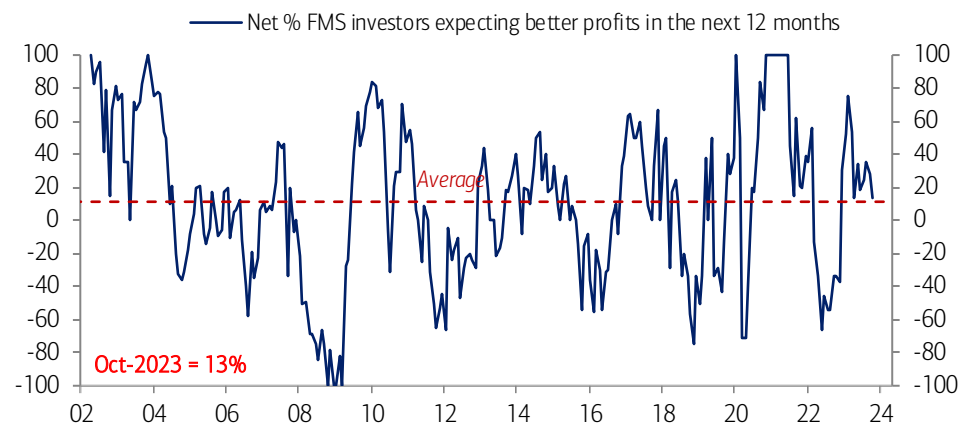


Source: BofA Asia Fund Manager Survey

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Exhibit 5: Net % FMS investors expecting better corporate profits in Asia Pacific ex-Japan

The FMS view of the outlook for Asia Pacific ex-Japan earnings is not enticing – only net 13% of investors expect profits in the region to pick up in the next 12 months versus 28% in September and 35% in August

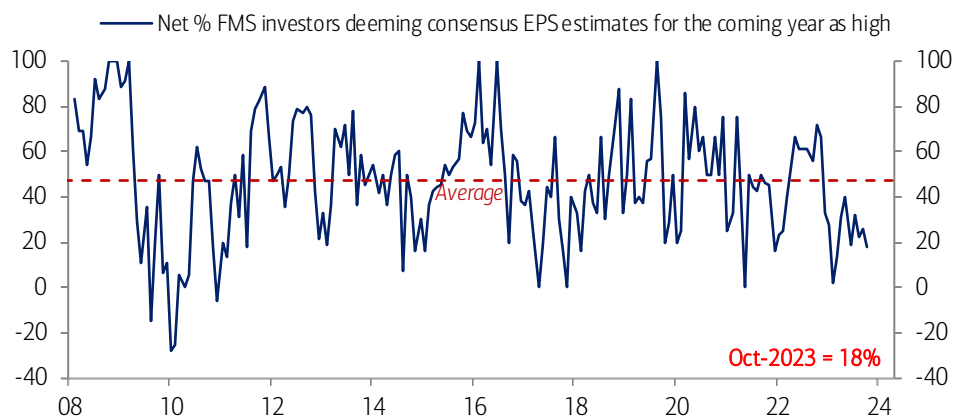


Source: BofA Asia Fund Manager Survey

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Exhibit 6: Net % FMS investors deeming consensus Asia Pacific ex-Japan EPS estimates as high

Net 18% of investors deem the consensus Asia Pacific ex-Japan EPS growth estimates as too high

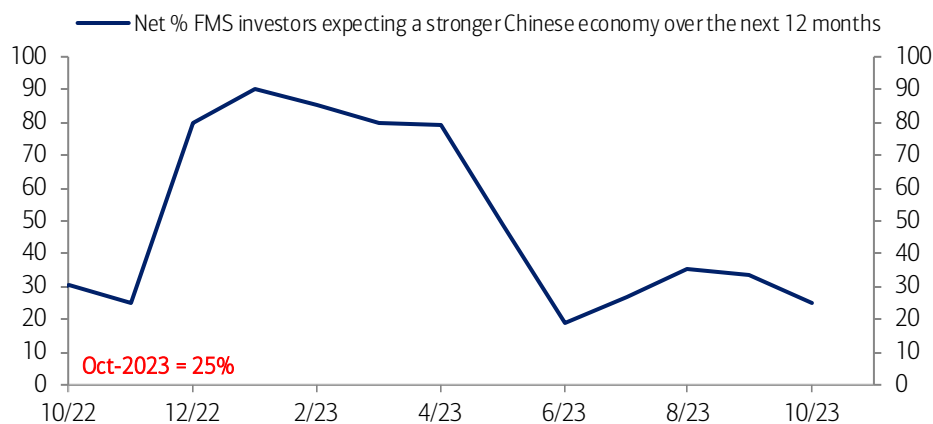


Source: BofA Asia Fund Manager Survey

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Exhibit 7: Net % FMS investors expecting a stronger Chinese economy

Fatigue and frustration takes over as only net 25% of investors expect the Chinese economy to strengthen over the next 12 months, versus 33% in September



Source: BofA Asia Fund Manager Survey

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Exhibit 8: FMS view of monetary policy in China

The FMS sees overwhelming demand for monetary policy easing in China over the next 12 months, but a concerted action has been lacking so far



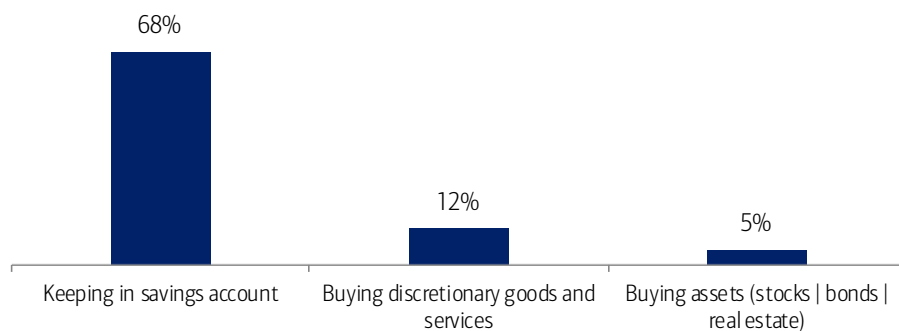
Source: BofA Asia Fund Manager Survey

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Exhibit 9: What Chinese households will prioritize with the excess savings built up during COVID-19

The FMS anticipates Chinese households to keep cash stashed in savings accounts

FMS opinion on what Chinese households will prioritize with the excess savings built up during the COVID-19 period



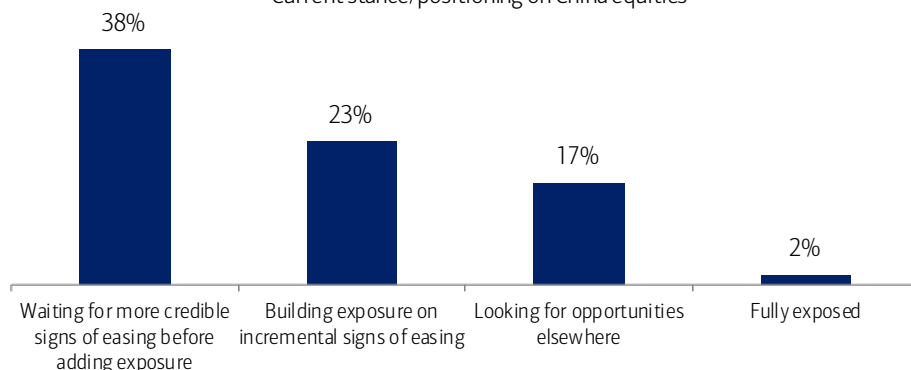
Source: BofA Asia Fund Manager Survey. Notes: Votes for 'Don't know' (15%) are not shown above.

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Exhibit 10: FMS current stance/positioning on China equities

Despite near-panic sentiment, only a fourth already have (2%) or look to build risk gradually (23%) in China

Current stance/positioning on China equities



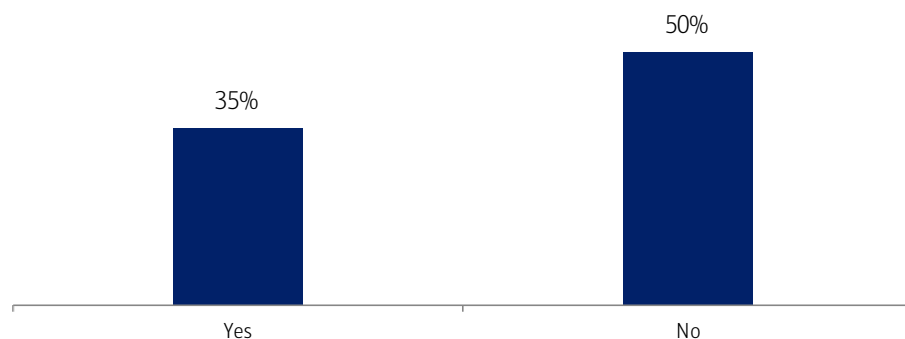
Source: BofA Asia Fund Manager Survey. Notes: Votes for 'Don't know' (20%) are not shown above.

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Exhibit 11: Will the China equity market retest the lows of October 2022?

35% of participants think a re-test of the October-2022 lows in the China equity markets is a possibility

Will the China equity market retest the October-2022 lows?



Source: BofA Asia Fund Manager Survey. Notes: Votes for 'Don't know' (15%) are not shown above.

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Exhibit 12: FMS view on the potential for structural de-rating of the China equity market

A super majority (73%) believe a structural de-rating process of the China equity market is underway

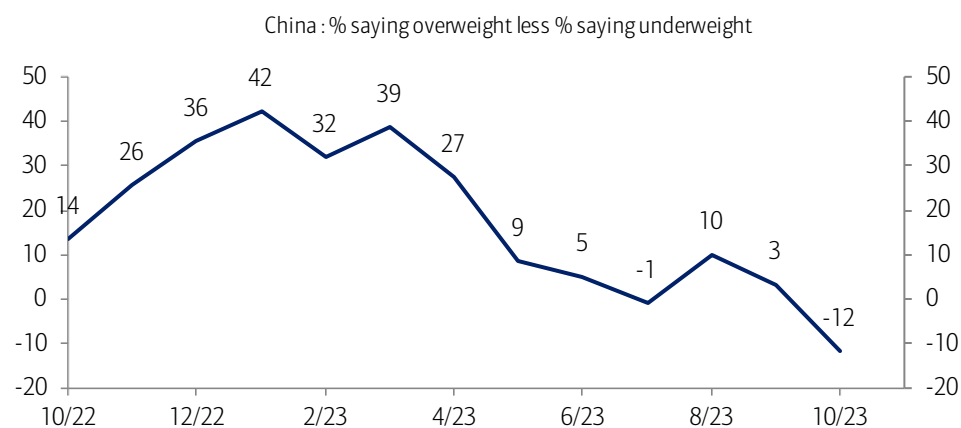


Source: BofA Asia Fund Manager Survey

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Exhibit 13: Net % FMS investors overweight on China

China allocation dropped 15ppt to the steepest net underweight position in a year

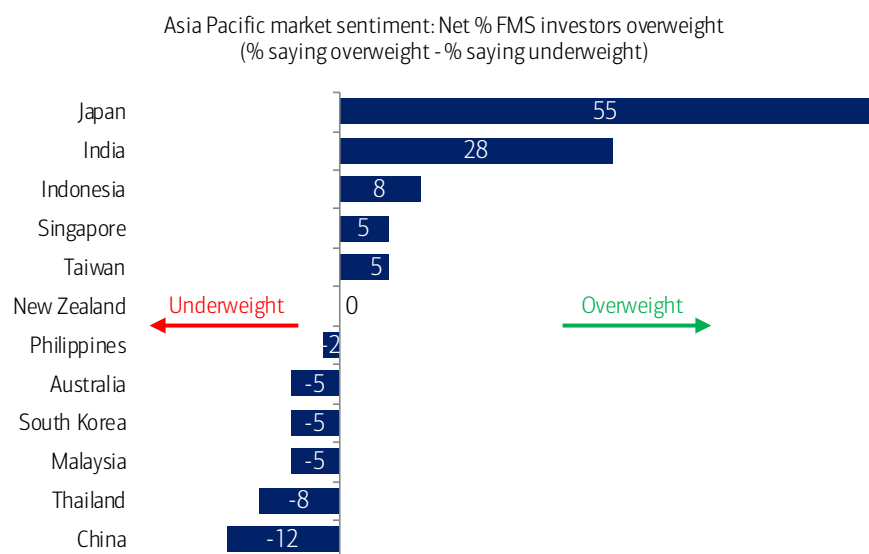


Source: BofA Asia Fund Manager Survey

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Exhibit 14: Asia Pacific market sentiment: Net % FMS investors overweight

Japan (net 55% overweight) is unequivocally the favorite market in the region, followed by India (28%), while China (net 12% underweight) sits at the bottom of the preference stack

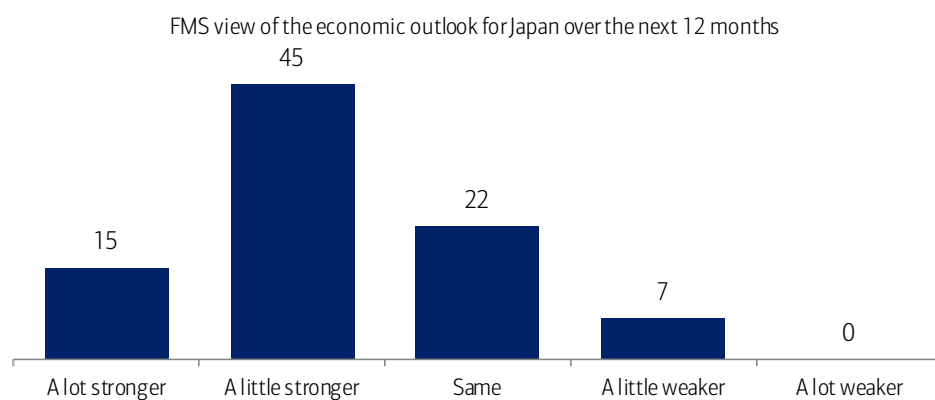


Source: BofA Asia Fund Manager Survey

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Exhibit 15: Net % FMS investors expecting a stronger Japanese economy

Net 53% of investors expect the island nation to grow stronger in the next 12 months

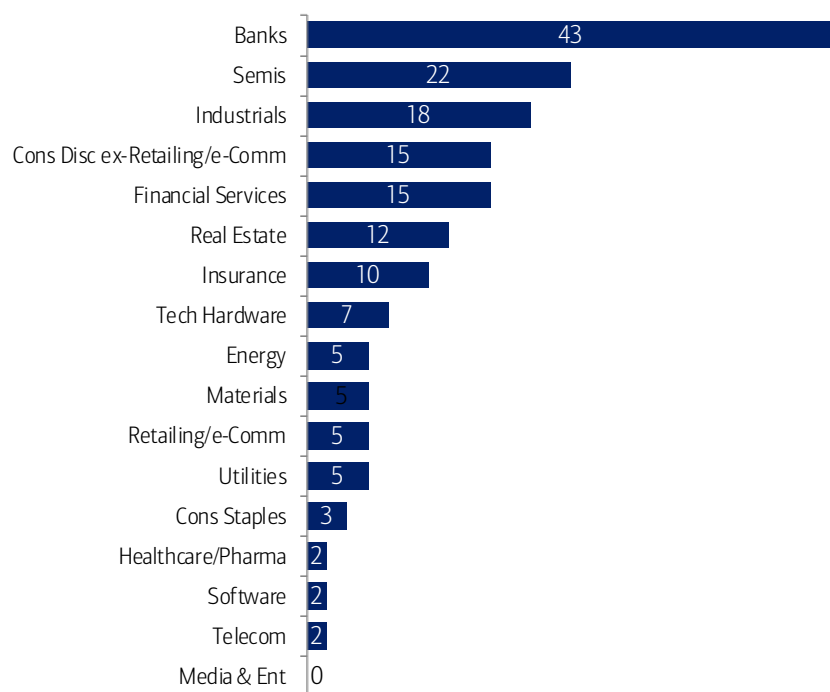


Source: BofA Asia Fund Manager Survey. Notes: Votes for 'Don't know' (12%) are not shown above.

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Exhibit 16: FMS opinion on the two most overweight sectors in Japan

The FMS expresses a tilt towards banks and away from defensive sectors (telecom | pharma | staples | utilities) in Japan

FMS opinion on the two most overweight sectors in Japan

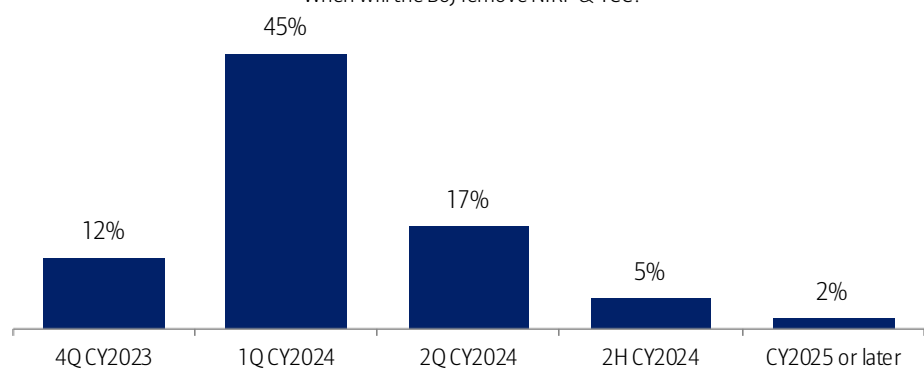
Source: BofA Asia Fund Manager Survey

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Exhibit 17: When will the BoJ remove NIRP & YCC?

3 in 4 investors expect an end to NIRP/YCC by the first half of 2024

When will the BoJ remove NIRP & YCC?

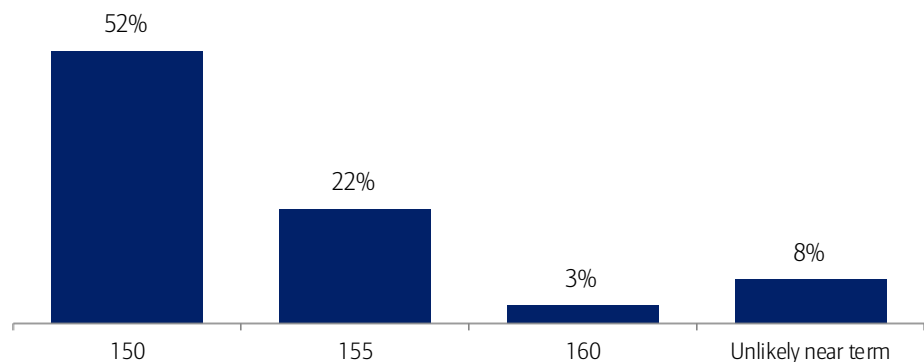
Source: BofA Asia Fund Manager Survey. Notes: Votes for 'Don't know' (20%) are not shown above.

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Exhibit 18: When will the Ministry of Finance (MoF) intervene in the Japan forex market?

Forex intervention is knocking on the doors in Japan, according to the FMS

FMS view of the level of USD/JPY at which the MoF will intervene



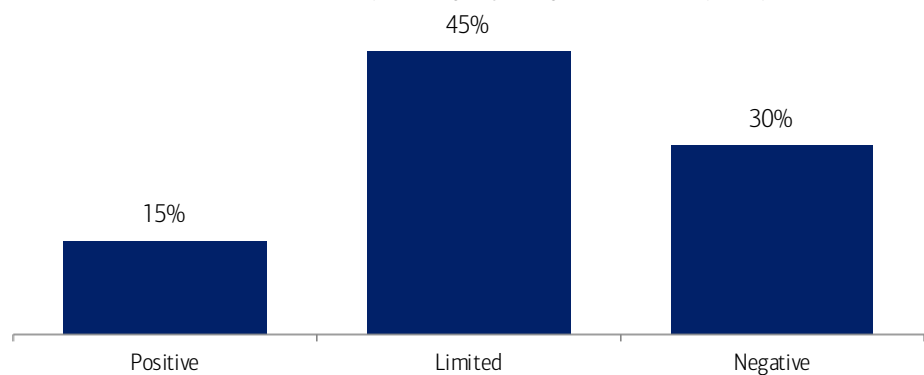
Source: BofA Asia Fund Manager Survey. Notes: Votes for 'Don't know' (15%) are not shown above.

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Exhibit 19: FMS view of the impact of higher-for-longer US rates on Japan equities

Investors are divided in their views on the impact of higher-for-longer US rates on Japan equities, with 30% expecting negative repercussions

FMS view of the impact of *higher-for-longer* US rates on Japan equities

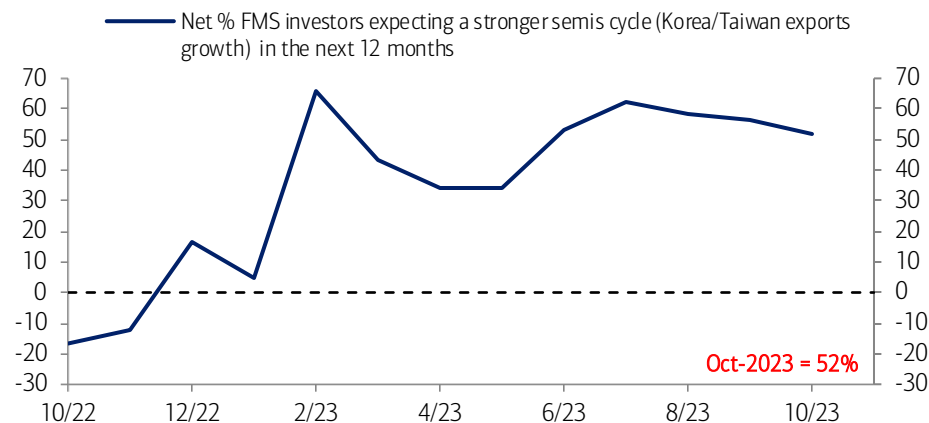


Source: BofA Asia Fund Manager Survey. Notes: Votes for 'Don't know' (10%) are not shown above.

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Exhibit 20: FMS view of the semis cycle (Korea/Taiwan exports growth)

The FMS retains its favorable views on the semiconductor cycle, with net 52% expecting it to strengthen in the next 12 months



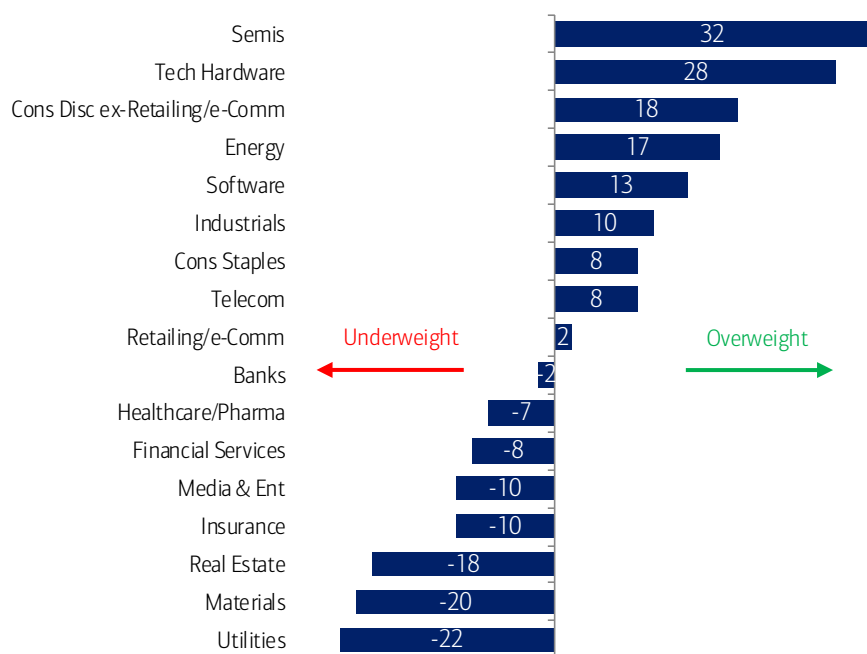
Source: BofA Asia Fund Manager Survey

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Exhibit 21: Asia Pacific ex-Japan sector sentiment: Net % FMS investors overweight

Semis (net 32% overweight) are perched at the top of the investor pecking order, while bond proxies (utilities: net 22% underweight | real estate: net 18% underweight) and materials (20%) are out of favor

Asia Pacific ex-Japan sector sentiment: Net % FMS investors overweight
(% saying overweight - % saying underweight)



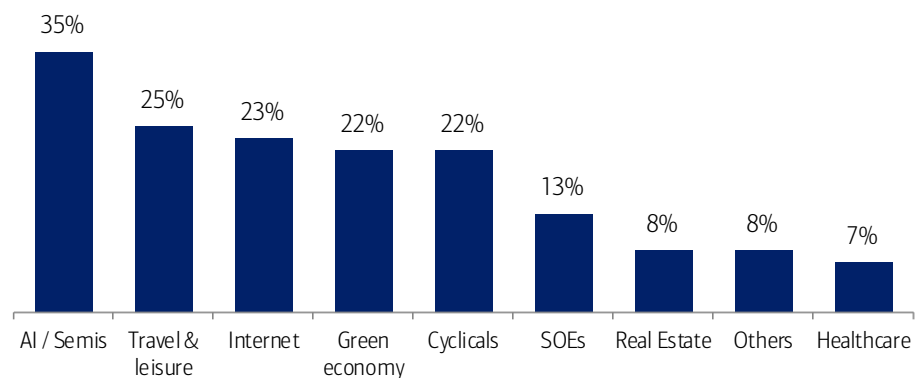
Source: BofA Asia Fund Manager Survey

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Exhibit 22: FMS opinion on the two most favorite investment themes in China

Even within China, investors are most bulled up on AI/semis stocks

FMS opinion on the two most favorite investment themes in China



Source: BofA Asia Fund Manager Survey

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Exhibit 23: Market intelligence as of 16 October 2023

Performance, valuation and growth information by country/region

16-Oct-2023		USD perf (%)			12m forward									EPS growth^ (%)	
Region/Country (# Co)	Mkt cap* (US\$bn)	2022	YTD	1m	PE (x)	% dev 10Y avg	PB (x)	% dev 10Y avg	PB at 2008- 09-lows	Div yld (%)#	% dev 10Y avg	ROE (%)	10Y avg	CY2023	CY2024
North America (715)	40,452	-20.5	13.8	-1.8	18.3	3.1	3.5	18.3	1.4	1.7	14.5	19.3	16.8	1.0	11.6
Canada (88)	1,744	-14.9	1.6	-5.2	12.5	-14.2	1.6	-6.0	1.1	3.6	-13.4	12.9	11.9	-8.3	10.3
US (627)	38,709	-20.8	14.4	-1.7	18.7	3.9	3.7	19.0	1.4	1.6	15.9	19.8	17.2	1.7	11.7
Europe (428)	9,581	-17.3	5.1	-3.5	12.1	-15.5	1.7	0.0	1.0	3.8	-4.6	14.2	12.1	-2.3	6.8
Austria (4)	28	-28.5	3.4	-1.8	6.4	-37.1	0.8	-16.2	0.5	6.9	-66.9	12.3	9.6	-9.5	-4.7
Belgium (13)	144	-13.8	-3.2	-5.7	15.4	-12.0	1.4	-19.8	0.6	3.1	3.4	9.3	10.3	15.2	8.5
Denmark (16)	503	-6.2	20.7	0.5	25.8	30.2	5.1	37.6	1.2	1.8	22.3	19.9	18.9	-27.7	10.5
Finland (12)	125	-17.0	-16.6	-5.4	13.2	-20.3	1.7	-19.7	1.2	4.8	-14.2	12.6	12.6	-23.5	17.0
France (63)	1,740	-15.3	5.5	-6.3	12.2	-15.1	1.6	7.5	0.9	3.5	-2.8	13.4	10.7	-0.6	6.7
Germany (59)	1,210	-24.3	4.5	-5.4	10.2	-21.8	1.2	-18.1	0.9	3.9	-21.0	12.1	11.6	2.1	9.8
Ireland (6)	78	-27.2	14.3	-6.6	12.5	-26.6	1.5	-12.4	0.5	2.8	-36.6	12.2	10.3	40.0	4.8
Italy (23)	384	-17.5	17.7	-2.9	7.8	-34.3	1.2	3.3	0.6	5.9	-29.3	15.0	9.9	8.7	-0.1
Netherlands (26)	631	-29.1	3.3	-2.7	15.3	-11.1	2.4	9.2	1.1	2.5	3.1	15.5	12.7	19.4	10.2
Norway (12)	106	-10.8	-2.9	0.4	10.3	-19.3	1.7	3.4	0.9	6.3	-29.6	16.3	13.1	-37.8	11.6
Portugal (4)	31	-2.3	-11.7	-8.1	13.8	-16.0	1.9	2.2	1.2	4.1	2.3	13.4	11.1	30.8	7.4
Spain (19)	383	-9.3	13.1	-3.6	9.8	-23.3	1.1	-5.4	1.0	5.4	-17.0	11.5	9.4	9.5	1.5
Sweden (43)	467	-30.0	0.9	1.9	13.2	-16.9	2.1	-3.0	1.1	3.9	-5.0	15.6	13.4	17.7	2.7
Switzerland (45)	1,479	-19.8	3.7	-3.5	16.1	-6.7	2.9	11.9	1.4	3.3	-3.7	18.3	15.2	4.4	10.8
UK (83)	2,271	-8.5	3.6	-2.3	10.2	-21.8	1.5	-8.4	1.1	4.5	-3.8	14.9	12.8	-11.6	5.5
Israel (14)	91.8	-27.9	-9.4	-9.3	8.6	-20.2	1.9	36.5	1.0	2.9	-21.6	21.8	12.8	-3.9	5.3
Asia Pac (1544)	10,065	-19.4	-0.1	-5.1	13.0	-3.7	1.4	-1.8	0.9	2.9	-2.8	10.5	10.3	1.6	14.8
Japan (235)	3,317	-18.5	6.9	-7.3	14.0	0.2	1.3	4.5	0.8	2.5	-5.4	9.1	8.8	7.1	7.9
Australia (59)	1,067	-9.7	-5.8	-4.7	14.7	-6.0	1.9	0.9	1.3	4.5	2.5	13.2	12.4	-4.1	-1.4
New Zealand (6)	28	-15.7	-10.9	0.2	29.6	12.9	2.6	-1.2	1.3	3.2	11.7	8.7	10.1	14.0	12.2
Asia ex-Japan (1244)	5,653	-21.5	-2.8	-3.8	12.2	-4.4	1.3	-6.6	1.0	2.8	-2.9	11.0	11.3	0.6	21.5
ASEAN (131)	589	-7.1	-7.9	-3.6	13.0	-10.9	1.4	-9.8	1.1	4.2	-23.6	11.0	10.9	22.8	6.6
China (765)	1,923	-23.6	-10.8	-3.8	9.5	-16.8	1.1	-22.8	1.1	2.7	-4.5	11.7	12.6	15.5	15.9
Hong Kong (32)	341	-7.9	-20.0	-2.2	11.6	-22.4	0.9	-24.7	0.8	4.5	-35.5	7.5	7.7	6.6	12.0
India (122)	1,029	-8.7	7.4	-1.8	20.2	8.1	3.1	14.0	1.4	1.5	6.5	15.6	14.8	21.8	14.7
Indonesia (22)	125	1.1	-1.4	-4.6	14.0	-5.3	2.1	-11.8	1.4	4.3	-42.5	15.3	16.5	35.4	9.5
Korea (104)	784	-30.8	4.7	-8.3	11.2	8.8	0.9	-6.3	0.9	2.3	-12.1	8.2	9.7	-35.7	71.1
Malaysia (32)	91	-9.5	-10.7	-2.3	13.4	-12.2	1.3	-18.2	1.3	4.3	-22.2	9.6	10.3	9.7	7.7
Philippines (14)	40	-15.2	-6.4	2.0	11.6	-31.3	1.5	-28.1	1.3	2.7	-39.7	12.8	12.1	23.6	9.3
Singapore (22)	214	-14.1	-4.3	-2.2	11.5	-13.8	1.2	0.1	0.9	4.9	-19.0	10.5	9.1	42.4	1.6
Taiwan (90)	987	-32.2	11.3	-2.7	15.0	7.4	2.1	11.1	1.0	3.3	14.7	13.7	13.3	-21.8	22.2
Thailand (41)	119	2.5	-17.4	-7.8	15.7	3.1	1.6	-14.1	0.9	3.2	-1.1	9.9	12.1	-11.0	14.6
EMEA (159)	822	-30.4	-4.4	-2.4	10.1	1.5	1.5	19.7	0.7	4.4	-2.2	14.8	12.6	-0.9	9.6
Czech Republic (3)	10	-18.6	17.6	0.9	12.1	-7.5	1.7	22.9	1.3	7.3	-15.4	14.0	10.8	-42.2	-0.3
Egypt (3)	6	-25.3	13.5	0.2	6.4	-28.0	1.8	3.9	1.1	3.7	-5.5	28.2	19.7	71.2	17.2
Greece (10)	28	-2.3	26.7	-6.8	9.2	-30.1	1.8	7.5	0.7	5.8	-28.0	19.6	13.3	-2.1	3.1
Hungary (3)	16	-33.7	25.6	-7.0	5.1	-45.1	0.8	-26.4	0.6	4.9	-46.9	15.8	12.1	-11.8	1.9
Kuwait (7)	51	7.2	-13.7	-5.9	10.0	-41.6	1.7	-15.2	na	5.1	-46.5	16.8	12.3	13.0	7.7
Poland (15)	56	-29.3	18.6	8.4	8.0	-29.7	1.0	-8.6	0.8	4.3	-14.6	12.9	10.1	1.1	-5.8
Qatar (13)	59	-9.9	-8.2	-1.8	10.6	-15.7	1.4	-20.8	na	4.9	-16.1	13.2	14.0	0.2	7.5
Saudi Arabia (42)	260	-7.2	-4.9	-5.0	15.3	-10.7	1.9	-6.5	na	3.9	-7.4	12.7	12.2	-14.1	18.7
South Africa (34)	203	-7.2	-10.0	0.5	9.0	-29.2	1.4	-28.0	0.9	4.7	-27.4	15.3	15.3	4.7	12.6
Türkiye (18)	46	83.9	-1.9	-2.0	5.2	-25.7	1.2	17.5	0.7	4.4	7.6	23.7	15.6	-4.0	23.0
UAE (11)	86	-8.8	-6.3	-4.3	10.0	-13.5	1.3	-5.5	na	4.4	-0.1	13.2	12.1	16.9	-4.6
Latin America (88)	559	-0.1	5.7	-5.9	8.4	-29.7	1.3	-18.7	1.2	6.3	-51.6	15.8	14.1	-19.6	5.0
Brazil (47)	350	1.7	5.8	-5.1	7.6	-28.2	1.2	-20.3	1.1	6.3	-30.5	16.0	14.9	-26.9	6.0
Chile (12)	32	15.1	-10.8	-7.1	8.4	-40.5	1.1	-23.7	1.1	14.7	-223.3	12.5	9.9	-24.0	-1.9
Colombia (3)	6	-12.7	-15.6	-13.0	5.2	-54.2	0.7	-43.1	na	8.8	-128.6	13.2	11.3	-4.4	-2.6
Mexico (23)	154	-5.2	10.4	-7.2	10.8	-29.3	1.8	-13.1	1.5	4.6	-54.8	16.9	13.9	14.2	3.5
Peru (3)	17	5.6	4.4	-6.8	9.1	-27.8	1.4	-22.3	0.5	5.3	-80.4	15.4	14.3	-12.8	16.1
Developed Markets (1511)	55,091	-19.5	10.9	-2.6	16.4	-0.5	2.7	16.1	1.2	2.2	10.8	16.2	13.9	0.6	9.9
Emerging Markets (1437)	6,478	-22.4	-1.1	-3.9	11.5	-4.2	1.4	-3.8	1.0	3.1	-5.4	12.3	12.2	-4.1	18.8
World (2948)	61,570	-19.8	9.5	-2.7	15.7	-0.7	2.4	13.2	1.1	2.3	9.0	15.5	13.6	0.0	11.1

Source: BofA Global Research, MSCI, IBES estimates. Note: numbers in red text indicate that the valuation metric is 2 standard deviations above its 10-year average. Numbers in green indicate the valuation metric is 2 standard deviations below its 10-year average. #Positive deviation for dividend yield implies current dividend is LOWER than the 10yr average and vice-versa. *Market caps shown are free float. ^Currency for EPS growth estimates: (a) UK: GBP; (b) Eurozone country and regional indices: EUR; (c) Other regional indices, Russia, Peru: USD; (d) Other individual countries: Local currency.

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Regional survey demographics data

Exhibit 24: Position / institution / approach of participants in the regional survey

Demographics details for regional Fund Manager Survey participants

	Oct-23	Sep-23	Aug-23
Structure of the panel - by position			
Chief Investment Officer	15	13	15
Asset Allocator / Strategist / Economist	31	24	25
Portfolio Manager	104	87	86
Other	15	17	11
Structure of the panel - by expertise			
Regional specialists + EM specialists only	36	36	36
Regional specialists with a global view	129	105	101
Total # of respondents to regional questions	165	141	137
Which of the following best describes the type of money you are running?			
Institutional funds (e.g. pension funds / insurance companies)	52	41	37
Hedge funds / proprietary trading desks	32	29	27
Mutual funds / unit trusts / investment trusts	63	58	60
None of the above	18	13	13
What do you estimate to be the total current value of assets under your direct control?			
Up to \$250mn	29	30	32
Around \$500mn	26	20	22
Around \$1bn	34	26	24
Around \$2.5bn	32	26	21
Around \$5bn	10	9	8
Around \$7.5bn	4	3	5
Around \$10bn or more	12	10	10
No funds under my direct control	18	17	15
Total (USD bn)	334	276	273
What best describes your investment time horizon at this moment?			
3 months or less	48	38	38
6 months	49	42	42
9 months	9	11	13
12 months or more	56	47	40
Weighted average	7.4	7.5	7.2
Don't know	3	3	4
Which region do you specialise in?			
US / North America	35	31	30
Europe / Continental Europe / Eurozone / UK	40	38	38
Asia Pacific / Asia Pacific ex Japan / Japan	60	39	31
South Africa	18	11	17
MENA (Middle East and North Africa)	8	10	9
None of the above	4	5	6

Source: BofA European Fund Manager Survey

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Investment rating	Total return expectation (within 12-month period of date of initial rating)	Ratings dispersion guidelines for coverage cluster ^{R1}
Buy	≥ 10%	≤ 70%
Neutral	≥ 0%	≤ 30%
Underperform	N/A	≥ 20%

^{R1} Ratings dispersions may vary from time to time where BofA Global Research believes it better reflects the investment prospects of stocks in a Coverage Cluster.

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