

# CHANGING MARKETS OVER 20 YEARS

Global and regional financial markets and investor assets have changed a great deal over two decades

BY RICHARD MORROW

OVER THE 20 years that AsianInvestor has been publishing the world's financial markets have changed a great deal. The overall size of stock markets have grown apace, as have the valuations of major global indices.

Asia's major investors have also seen their asset bases swell over this period, making them much more serious players in the world's capital markets.

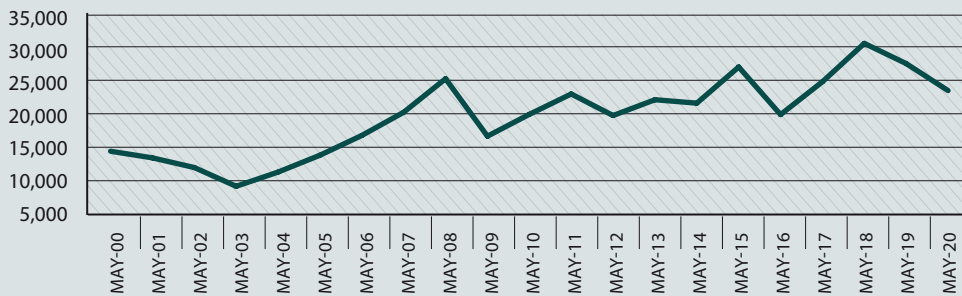
Below we offer some statistics to show how much Asia's financial markets have changed over two decades.

## HANG SENG'S TRIALS AND TRIBULATIONS

AS PERHAPS THE bellwether stock market in Asia, and the one most sensitive to outside influence, Hong Kong's stock market has faced its share of tough times over the past 20 years. What began with a bursting of the dotcom bubble and went through tough times in the 2000s, struggled through the global financial crisis, only to soar and peak in 2018.

Sadly, gravity has rediscovered its hold since then, as the Hang Seng index reveals.

ANNUAL PERFORMANCE OF THE HANG SENG INDEX, MAY 2000-MAY 2020



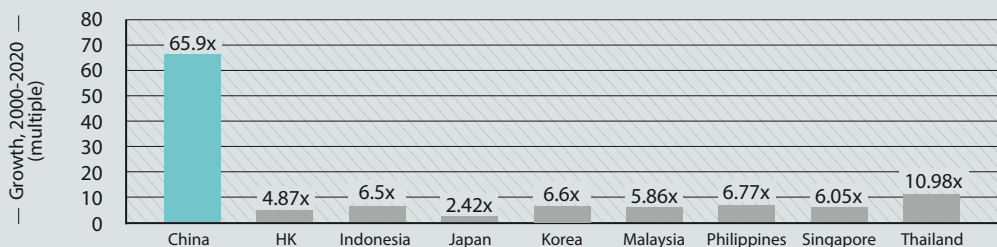
Source: Hang Seng Index

## ASIA'S BOOMING BOND MARKETS

OVER THE PAST 20 years local currency bond markets across the region have swelled. China's in particular has soared, expanding by nearly 66 times in outstanding debt, while the rest of the region has grown by a more stately yet still impressive five to six times, on average. While government bonds and commercial paper continue to heavily dominate the region's debt markets, there is much more corporate bond issuance available today than before.

ENJOYING RAPID EXPANSION

Total bond issuance from Asian countries, March 2000 - March 2020

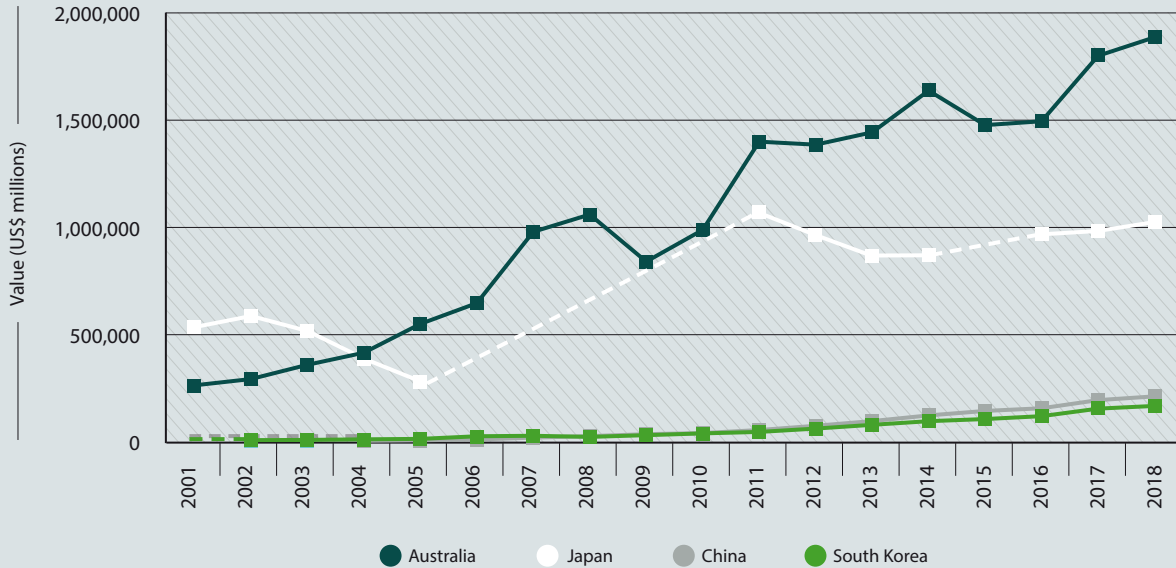


Source: Asianbondsonline

THE GROWTH OF ASIA'S PENSION ASSETS

THE PAST 20 years have seen a rapid growth in pension assets across Asia Pacific, as countries have begun to save more for aging populations. Australia and Japan have been most aggressive to get their citizens to save, and thus enjoy the largest respective pension asset bases. Many countries are still not enough being done, but the region is in far better shape than it was two decades ago.

RISE IN PENSION ASSETS OF FOUR APAC COUNTRIES, 2001-2018



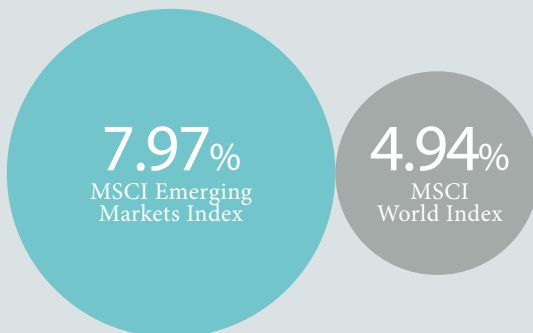
Source: OECD

HOW EMERGING AND DEVELOPED MARKETS HAVE DONE

THE MSCI EMERGING Markets index has gone through some rough patches, but if you had followed it since the end of 2000 you would have done very well. It offered an annualised return of 7.97% since then until May 29, versus 4.94% for the developed market-focused MSCI World.

EMERGING VERSUS DEVELOPED MARKET RETURNS

The annualised returns of MSCI indices, from December 29, 2000-May 29, 2020



Source: MSCI

BALANCING THE BOOKS

THE ESTIMATED AMOUNT of net annual foreign capital inflows China will need between 2019 and 2030, according to Morgan Stanley. The country wants to attract more foreign capital investment into its economy, be it through foreign direct investment or via investor flows into capital markets. This is largely to offset a growing current account deficit as it imports more. MSCI's potential to raise the inclusion ratio of Chinese A-shares in its indices above 20% would help meet this goal.



Source: Morgan Stanley