

CIO Views – Weekly Bulletin



A Prudential plc company



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What's top of investors' minds?

Is a third off double the price a good deal?

Just right now markets seem to think so, responding to US President Trump's pausing of reciprocal tariffs with US equity rallies and the recent outperformance of global markets. We doubt this will be sustainable as US growth slows through the year.

Over the past week, Trump has paused "reciprocal" tariffs on most countries except China and exempted some electronics. However, his increase in tariffs on China to 125% - the US' third largest source of imports - largely offset the 90-day pause in reciprocal tariffs on most countries to leave the US effective tariff rate largely unchanged at over 20%. He then exempted or delayed reciprocal tariffs on a range of electronic products, including those sourced from China only to subsequently say that a) these were still subject to a 20% base tariff and b) that they would be put into a separate tariff category after the conclusion of product specific Section 232 investigations.

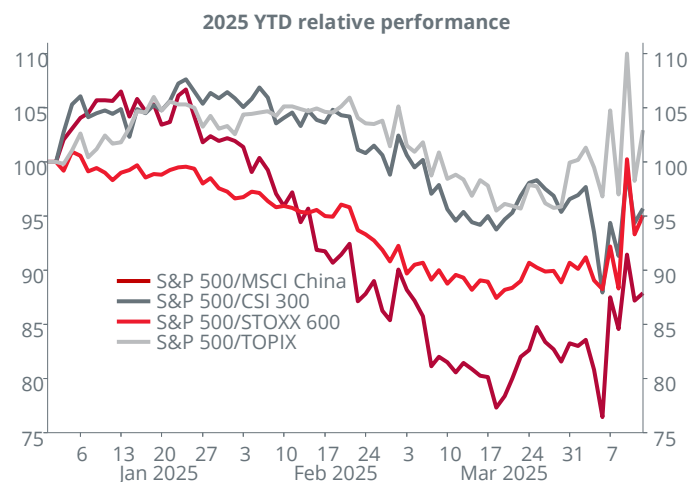
We draw three main conclusions from this incessant policy change. First, even if Trump is announcing huge increases in tariffs only to then discount them somewhat via negotiations, the end-game increasingly appears to be a US economy surrounded by a dramatically higher effective tariff rate wall of about 10% or more. Second, the bilateral negotiations with over 70 countries the White House has suggested will probably yield a complicated patchwork of tariff rates and trade rules for companies to navigate. Third, extreme uncertainty about business conditions will continue for months if not quarters to come.

This implies to us significantly slower US growth that is incompatible with the US' still very high absolute and relative equity valuations. Higher US inflation due to tariffs implies lower household income and slower consumption growth. Persistent high tariff uncertainty implies business investment spending will stall. To be sure, market pricing of about 80bps of Fed cuts by year-end is only feasible if the US economy weakens sharply. This week offers a slew of Fed officials who are likely to stress that inflation risk means they will be on hold for longer, which, if growth does begin slowing, implies recession risk will rise.

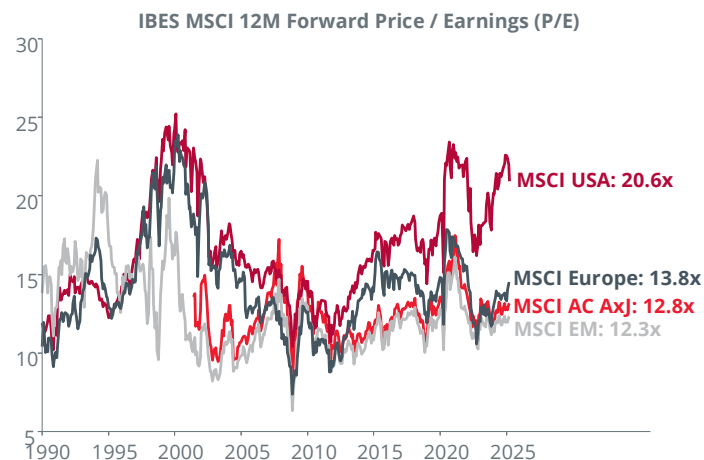
Against this background, policy is easing rapidly in Asia. The Reserve Bank of India cut last week, Korea's government announced a USD2bn fiscal support plan, and the Monetary Authority of Singapore just eased again. We expect the Bank of Korea and Bank of Thailand to cut again in the coming months.

#USEconomy #tariffs #equities #rates

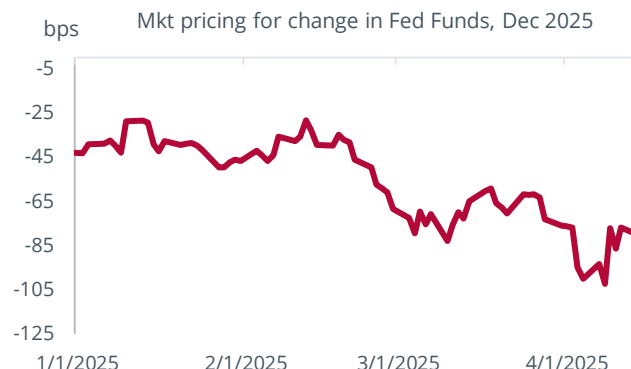
Recovery from panic allows temporary US outperformance



US equities remain historically expensive going into a period of slower growth



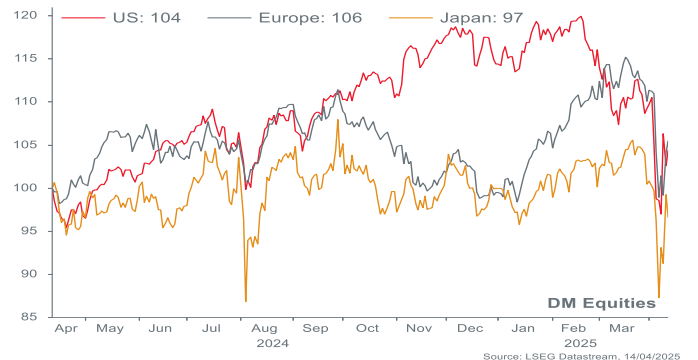
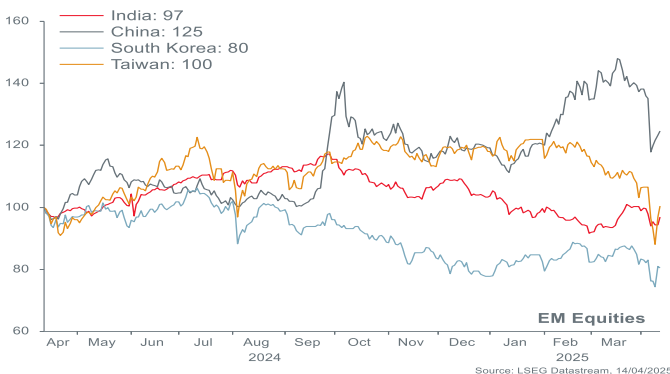
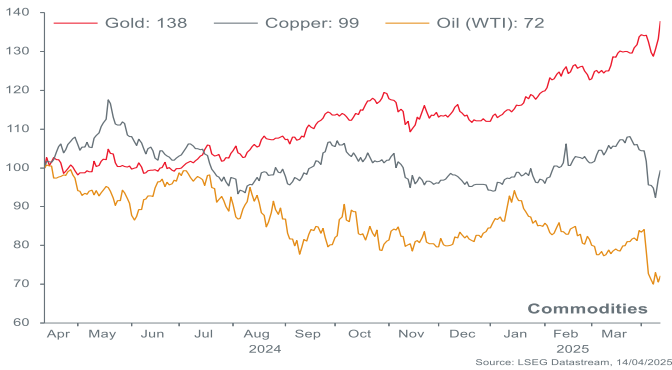
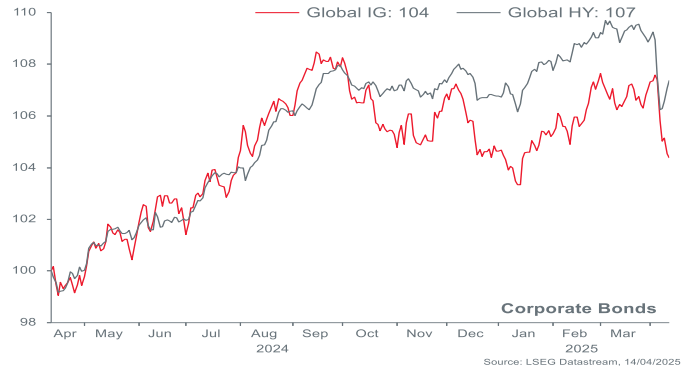
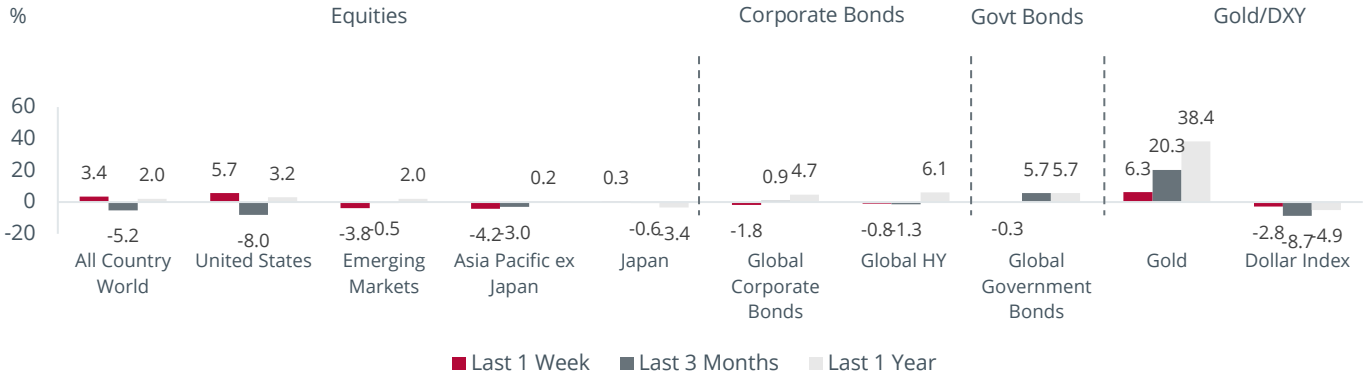
Market pricing for the Fed implies a sharp fall in US growth ...but the S&P 500 is still priced for above trend growth



Market Review

Global equities returned 3.4% over the past week. The S&P 500 rose 5.7% while Asia ex-Japan equity index declined by 5.1%. EM equities fell by 3.8% and China equities posted a decline of 2.9%. The Global Aggregate Bond index returned -0.4%. The yield on 10Y US treasuries rose by 50bps and the 5Y/30Y yield spread steepened by 1bps. The yield on 10Y Singapore gov bonds rose by 20bps. US investment grade credit spreads widened by 4bps and Asia Credit spreads widened by 27bps. The Dollar was mostly weaker against major currencies as the Dollar index, DXY, moved by -2.8% and Asian currencies were mostly stronger against the Dollar as ADXY index moved by 0.5%.

Asset Performances



Market Data

Equity Indices	Close	1 week change (%)	1 month change (%)	3 month change (%)	1 year change (%)	YTD change (%)	52 week high	52 week low
World								
MSCI AC World Index (USD)	790.63	3.45	-4.36	-5.18	2.03	-6.03	887.72	742.96
North America								
US S&P 500 Index	5,363.36	5.70	-3.75	-7.96	3.16	-8.81	6,147.43	4,835.04
US Nasdaq Composite Index	16,724.46	7.29	-4.08	-12.72	1.72	-13.39	20,204.58	14,784.03
Europe								
MSCI Europe	2,104.24	1.12	-5.93	5.19	2.06	5.06	2,309.45	1,976.06
Asia Pacific								
MSCI Asia Pacific ex Japan	542.83	-4.16	-6.56	-2.98	0.22	-4.67	629.66	513.60
Japan Nikkei 225	33,585.58	-0.58	-8.72	-14.30	-14.85	-15.81	42,426.77	30,792.74
Shanghai Stock Exchange Composite	3,238.23	-3.11	-4.19	2.20	6.72	-3.39	3,674.40	2,689.70
Hong Kong Hang Seng	20,914.69	-8.47	-12.06	9.71	22.34	4.26	24,874.39	16,044.45
Taiwan TAIEX	19,528.77	-8.31	-11.52	-15.14	-5.90	-15.22	24,416.67	17,306.97
Korea KOSPI	2,432.72	-1.33	-4.13	-3.30	-10.13	1.38	2,896.43	2,284.72
India NIFTY 50	22,828.55	-0.33	1.47	-2.57	0.33	-3.45	26,277.35	21,281.45
Australia Stock Exchange 200	7,646.50	-0.28	-3.09	-7.81	-2.14	-6.28	8,615.20	7,169.20
Indonesia Jakarta Composite	6,262.23	-3.82	-4.33	-11.66	-14.06	-11.55	7,910.56	5,882.61
Thailand SET	1,128.66	0.31	-4.97	-17.50	-19.17	-19.39	1,506.82	1,056.41
Malaysia FTSE Bursa KLSE	1,454.76	-3.28	-4.30	-9.21	-6.36	-11.42	1,684.68	1,386.63
Philippines Stock Exchange PSE	6,082.44	-0.03	-2.00	-6.37	-8.91	-6.84	7,604.61	5,804.56
Singapore FTSE Straits Times Index	3,512.53	-8.19	-8.19	-7.60	8.83	-7.26	4,005.18	3,136.44

Government Bonds	Close	1 week change (%)	1 month change (%)	3 month change (%)	1 year change (%)	YTD change (%)	52 week high	52 week low
US Treasury Yield (%)								
10 Year	4.49	12.58	4.78	-5.89	-1.81	-1.84	4.81	3.62
10 Year Bond Yield (%)								
Japan	1.36	15.49	-10.13	13.56	58.71	23.93	1.59	0.77
China	1.66	-11.09	-13.14	1.47	-27.96	-1.25	2.32	1.61
Australia	4.37	4.45	-0.18	-3.64	2.42	-	4.70	3.82
Singapore	2.66	8.08	1.22	-12.20	-21.38	-6.92	3.45	2.41
Thailand	2.09	NULL	NULL	NULL	NULL	NULL	2.83	2.07
Malaysia	3.75	2.60	-0.40	-1.86	-3.47	-1.81	4.01	3.66
Indonesia	7.07	1.22	2.12	-1.45	6.35	0.61	7.30	6.43

	Close	1 week change (%)	1 month change (%)	3 month change (%)	1 year change (%)	YTD change (%)	52 week high	52 week low
Bond Indices								
Bloomberg Global Aggregate USD	93.42	-1.50	-0.25	0.65	1.48	-0.36	96.21	91.49
Bloomberg U.S. Aggregate USD	90.60	-2.62	-1.44	1.37	2.35	0.19	94.86	87.88

Currencies (vs USD)	Latest	1 week Change	1 Month Ago	3 Months ago	1 Year Ago	YTD	52 week high	52 week low
Developed Markets								
EUR	1.46	3.70	4.05	10.89	5.93	9.73	1.14	1.02
GBP	0.87	1.47	1.04	7.18	4.22	4.55	1.34	1.22
CHF	-1.00	-5.28	-7.64	-11.05	-10.41	-10.15	0.92	0.82
JPY	-0.65	-2.31	-2.88	-8.99	-6.37	-8.70	161.68	140.60
Asia								
CNY	-0.31	0.14	0.88	-0.56	0.75	-0.11	7.35	7.01
HKD	-0.07	-0.27	-0.22	-0.44	-1.08	-0.18	7.84	7.75
INR	-	0.80	-1.13	0.03	3.44	0.74	87.63	83.06
MYR	-1.03	-0.32	0.23	-1.62	-6.85	-1.07	4.79	4.12
KRW	-2.29	-2.67	-2.17	-3.64	3.84	-3.88	1,485.83	1,308.30
SGD	-0.95	-2.00	-0.87	-3.85	-2.51	-3.41	1.37	1.28
TWD	-1.34	-2.41	-1.60	-2.20	0.48	-1.29	33.25	31.58
IDR	-0.03	1.42	2.38	3.77	6.00	4.35	16,860.00	15,095.00

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Sources

Page 1 (Charts) Chart 1: LSEG Datastream, 11 April 2025, Chart 2 : LSEG Datastream, 14 April 2024, Chart 3 : Bloomberg, 14 April 2025

Page 4 (top chart): Eastspring Investments, Refinitiv, as at 11 April 2025. Equities: using MSCI indices in USD, United States is using the S&P 500. Corporate Bonds: using ICE BofA indices in USD. Government Bonds: using the FTSE Global Sovereign Bond index, in USD. Gold is London Bullion Market US Dollar per Metric Tonne. DXY is US Dollar Index.

Page 4 (remaining charts): Eastspring Investments, Refinitiv, as at the end of the prior week, rebased to 100 as at 1 year ago. Equities: MSCI indices, in USD. Corporate Bonds: using Bloomberg indices in USD. Government Bonds: using ICE BofA US 10 Year US Treasury and ICE BofA 7-10 Year Euro Government indices. Commodities: Gold is London Bullion Market US Dollar per Metric Tonne Ounce. Copper is LME Copper Grade A Cash US Dollar per Metric Tonne. Oil is Crude Oil WTI Spot Cushing US Dollar per Barrel. US Dollar is US Dollar Index.

Pages 5 and 6: Eastspring Investments, Refinitiv, as at 11 April 2025. Equities: MSCI indices in USD, other indices in local currency. Other indices or assets as stated.

Please note that there are limitations to the use of such indices as proxies for the past performance in the respective asset classes/sector. The historical performance or forecast presented in this slide is not indicative of and should not be construed as being indicative of or otherwise used as a proxy for the future or likely performance of the Fund.



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