

CIO Views – Weekly Bulletin

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What's top of investors' minds?

Implications of weak US employment for Asia

Friday's weaker than expected US payrolls data point to stronger Asian currencies, lower Asian interest rates, and trend gains for Asian equities. Much of this stems from the increasing likelihood of interest rate cuts by the US Federal Reserve (Fed) that should depress the US dollar. Payrolls of 75k in July with sharp downward revisions to May and June were much weaker than expected.

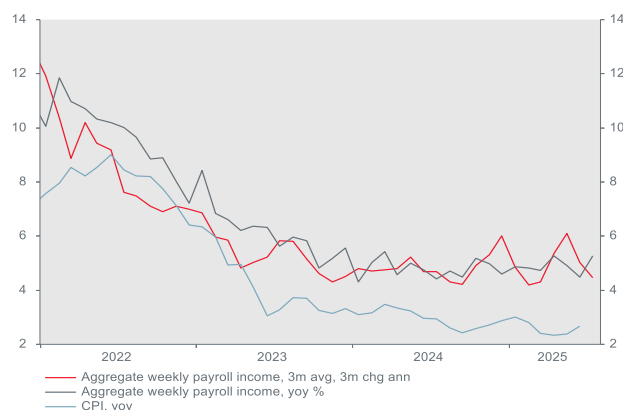
We see a possibility that the Fed could cut the Fed Funds rate at its September meeting if the labour market weakens further in August. However, we judge October or December as more likely. The Fed probably needs the US unemployment rate to rise to about 4.4% from 4.2% in July to justify cuts. Despite the weak job gains, the right chart shows that wage and payroll income growth remain strong, potentially allowing the cost shock from tariffs to drive persistent rather than one-off inflation.

Market repricing of expectations for Fed cuts to 59bps by end-2025 pushed interest rate differentials against the USD and led the dollar to depreciate broadly. We continue to think this process will continue over the next year. Rising US inflation is likely to combine with President Trump's appointment of a dovish new Fed governor and replacement for current FOMC Chairman Powell to push US real interest rate support for the dollar sharply lower. This leads us to expect Asian currencies to appreciate further against the dollar.

Stronger Asian currencies point to policy rate cuts across the region's central banks. Stronger currencies and tariff reductions will keep Asian inflation below policy targets, yet real policy rates are well above historic norms in all countries. This monetary easing should support domestic demand and equities over the next several quarters.

To be sure, periods of USD trend weakness have historically been periods of robust performance of Emerging Market equities. Flows so far this year show that dollar weakness encourages diversification flows away from US markets. Importantly, as we note above, Asian currency strength facilitates monetary policy easing that, with a lag, supports growth in domestic demand that itself supports earnings growth. We expect this process to play out later this year and into the first half of 2026.

US wage and income growth still well above inflation



Source: LSEG. August 2025.

Fed cuts should move interest rate differentials further against the USD



Source: LSEG, August 4, 2025.

Asia's policy rates are likely to be cut much further

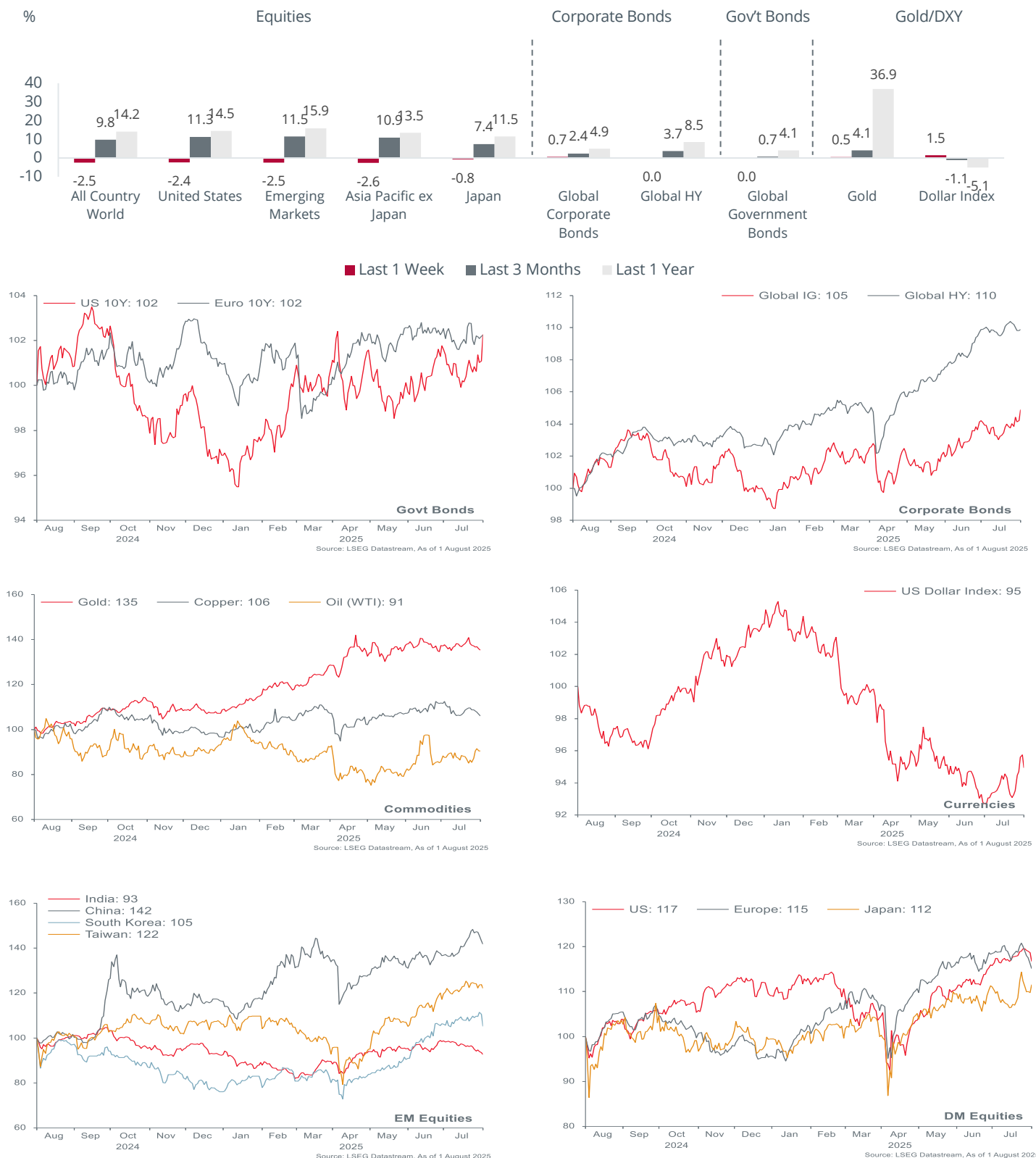


Source: LSEG, August 4, 2025.

Market Review

Global equities generally sold off during the past week, especially on Friday, August 1, as investors reacted to weaker than expected U.S. job growth data. For the week, the MSCI ACWI, S&P 500 and Nasdaq experienced losses of -2.5%, -2.4%, and -2.2%, respectively. The S&P 500 fell by -1.6% on Friday alone, the worst daily return since 21 May. The emerging markets (MSCI Emerging Markets Index) registered a -2.5% loss while the Asia Pacific ex-Japan market returned -2.6%, in USD terms. US Treasury yields fell along the curve during the week, highlighted by the 10Y yield falling by -14 bps on Friday alone, driven by increased expectations for Fed rate cuts, partly in response to the weak US jobs report. The Bloomberg U.S. Treasury Index returned 1.0%, outpacing its global counterpart. In credit, global investment grade corporates outperformed global high yield.

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)	917.39	-2.54	-0.00	9.85	14.19	9.04	941.35	742.96
North America								
US S&P 500 Index	6,238.01	-2.36	0.65	11.31	14.53	6.06	6,427.02	4,835.04
US Nasdaq Composite Index	20,650.13	-2.17	2.21	16.60	20.10	6.94	21,457.48	14,784.03
Europe								
MSCI Europe	2,349.92	-4.12	-2.88	3.67	11.49	17.33	2,465.06	1,976.06
Asia Pacific								
MSCI Asia Pacific ex Japan	644.34	-2.59	0.02	10.91	13.47	13.16	667.38	513.60
Japan Nikkei 225	40,799.60	-1.58	2.03	11.93	7.01	2.27	42,065.83	30,792.74
Shanghai Stock Exchange Composite	3,559.95	-0.94	2.96	8.57	21.40	6.21	3,674.40	2,689.70
Hong Kong Hang Seng	24,507.81	-3.47	1.81	10.80	41.62	22.17	25,735.89	16,441.44
Taiwan TAIEX	23,434.38	0.30	3.90	15.81	3.50	1.73	23,943.95	17,306.97
Korea KOSPI	3,119.41	-2.40	0.96	22.01	12.30	30.00	3,288.26	2,284.72
India NIFTY 50	24,565.35	-1.09	-3.82	0.95	-1.78	3.89	26,277.35	21,743.65
Australia Stock Exchange 200	8,662.00	-0.06	1.42	6.34	6.75	6.16	8,776.40	7,169.20
Indonesia Jakarta Composite	7,537.77	-0.08	9.00	11.39	2.89	6.47	7,910.56	5,882.61
Thailand SET	1,218.33	0.10	9.76	1.76	-7.89	-12.99	1,506.82	1,053.79
Malaysia FTSE Bursa KLSE	1,533.35	-0.03	-0.53	-0.45	-5.60	-6.64	1,684.68	1,386.63
Philippines Stock Exchange PSE	6,306.13	-1.67	-1.83	-0.77	-5.79	-3.41	7,604.61	5,804.56
Singapore FTSE Straits Times Index	4,153.83	-2.52	4.11	8.38	21.46	9.67	4,274.32	3,198.44

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	4.22	-3.78	-0.68	-0.26	6.08	-7.80	4.81	3.62
10 Year Bond Yield (%)								
Japan	1.56	-2.99	11.47	21.96	50.53	42.53	1.60	0.78
China	1.71	-1.50	3.89	5.17	-19.57	1.79	2.20	1.61
Australia	4.32	-0.78	4.80	4.32	5.67	-1.05	4.70	3.82
Singapore	2.12	1.53	-1.17	-14.56	-25.76	-25.97	3.09	2.07
Malaysia	3.40	0.44	-1.48	-6.95	-8.08	-10.94	3.99	3.37
Indonesia	6.58	0.92	-0.15	-3.93	-3.70	-6.27	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	94.55	0.50	-0.13	0.10	0.12	0.84	96.21	92.65
Bloomberg U.S. Aggregate USD	92.92	0.85	0.35	0.93	0.75	2.75	94.86	89.27

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	1.48	-1.33	-1.87	2.59	7.35	11.89	1.18	1.02
GBP	0.55	-1.16	-3.40	-0.01	4.23	6.13	1.37	1.22
CHF	-1.03	1.13	1.62	-3.05	-7.91	-11.40	0.92	0.79
JPY	-2.24	-0.20	2.74	1.33	-1.34	-6.25	158.35	140.60
Asia								
CNY	0.16	0.61	0.65	-0.81	-0.45	-1.20	7.35	7.01
HKD	-0.00	0.00	-0.01	1.20	0.44	1.05	7.85	7.75
INR	-0.30	0.87	1.88	3.13	4.20	1.96	87.66	83.49
MYR	0.35	1.35	1.88	-0.86	-6.39	-4.32	4.57	4.12
KRW	-0.24	0.40	2.40	-3.23	1.44	-5.96	1,485.83	1,308.30
SGD	-0.74	0.59	1.25	-1.71	-3.61	-5.63	1.37	1.27
TWD	-0.28	1.19	1.81	-7.13	-9.00	-9.04	33.25	28.90
IDR	0.21	1.07	1.85	-0.66	1.57	2.45	16,865.00	15,095.00

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Sources

Asset performances: (top chart) Eastspring Investments, Refinitiv, as at 1 August 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. **(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.

Market data: Eastspring Investments, Refinitiv, as at 1 August 2025. Equities: MSCI indices in USD, other indices in local currency. Other indices or assets as stated.

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