

# CIO Views – Weekly Bulletin

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## What's top of investors' minds?

### The path to Fed cuts

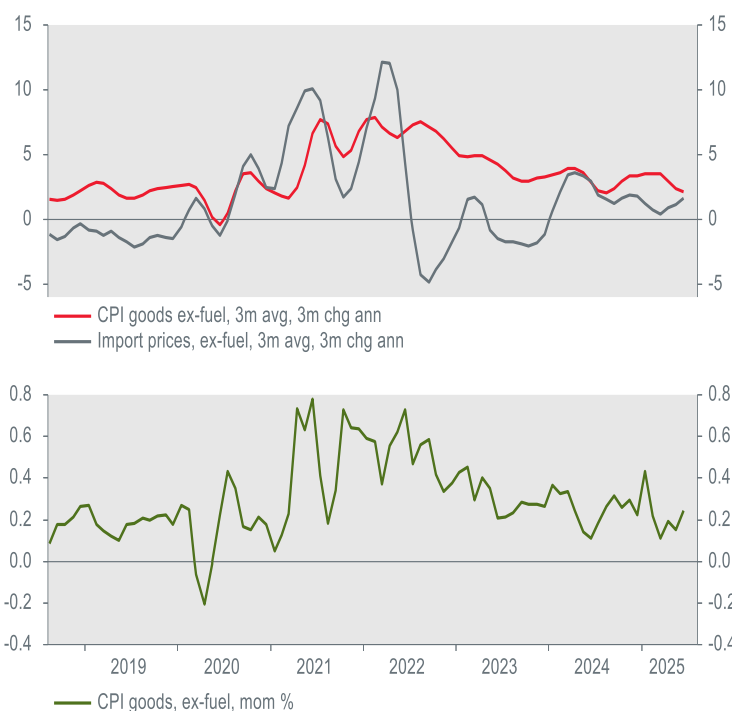
The ongoing rally in equities and resumption of the USD weakness we discussed last week intensify the market's focus on the outlook for Federal Reserve's policy rate cuts. The markets price an 89% chance of a 25bps rate cut in September and a 100% chance of 50bps of cuts by the end of the year. However, recent FedSpeak makes clear that disagreement within the rate setting FOMC persists. Last week Governor Bowman, who dissented at the July meeting in favour of a 25bps rate cut, said she now thinks the Fed should cut 75bps by year-end. Fed Governor Cook appeared to turn dovish saying that large revisions to the employment data such as those that occurred in the July report tend to indicate turning points in the economy. However, Boston Fed President Collins and St. Louis Fed President Musalem, both current FOMC voters, expressed caution about inflation with Musalem saying he still thought only one cut by year-end may be appropriate.

Against this background this week's data on US CPI and retail sales will be especially important. The consensus forecast is for a slightly larger tariff effect that pushes core CPI inflation in July to 0.3% month-on-month (mom) from 0.2% mom in June. However, the lower effective tariff collection rate of about 10% in July vs. the statutory rate of closer to 14% contribute to high uncertainty about just how much of the tariffs are being passed through to consumers. We think the market reaction to the CPI is probably skewed in favour of Fed rate cuts. A lower-than-expected CPI should increase market pricing for cuts in September and year-end as it reduces the ostensible need for Fed caution about inflation. Yet, although a higher-than-expected CPI print might cut pricing of a rate cut in September it is likely to leave year-end pricing less affected because how the unemployment rate changes over the next few months will be the ultimate driver of Fed policy.

Markets are likely to read the retail sales data out this week as carrying signals about unemployment. The consensus expects a 0.4% mom rise in July "control group" core retail sales, down from 0.5% mom in June. A weaker than consensus print would probably signal rising distress among households, increasing the likelihood of the Fed cutting in September.

Our concern is that July, and even August data, will be too early to be conclusive about the tariff impact. Implementation delays, temporary exemptions, and still somewhat low collection efficiency meant that US Treasury tariff collections through July amounted to a year-to-date (YTD) increase of roughly \$70bn or about 0.4% of YTD GDP, well below what the statutory rate suggested they should be. Nonetheless, the year-on-year increase in tariffs in July alone annualises to 0.8% of GDP. Even this understates the ultimate impact. As exemptions wane and the new, higher tariff rates from recent trade deals take effect, the effective tariff rate should rise to about 17% or a tax increase of over 1.4% of GDP. We expect this larger impact to become more apparent only in late Q4 this year.

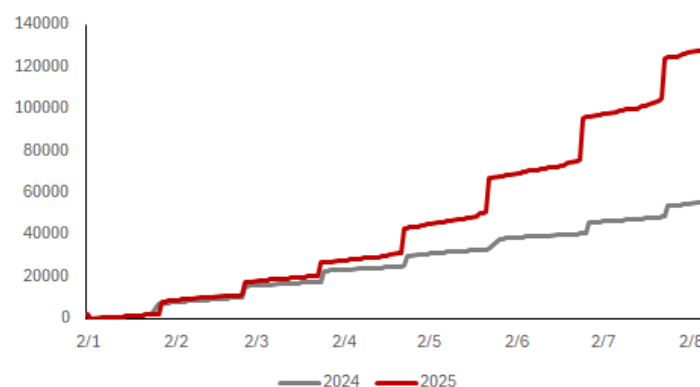
### Will tariffs show up in July CPI?



Source: LSEG. August 2025

### Tariff collections are grinding higher, but still well below what statutory rates imply they should be

US Treasury tariff revenue, YTD \$mn

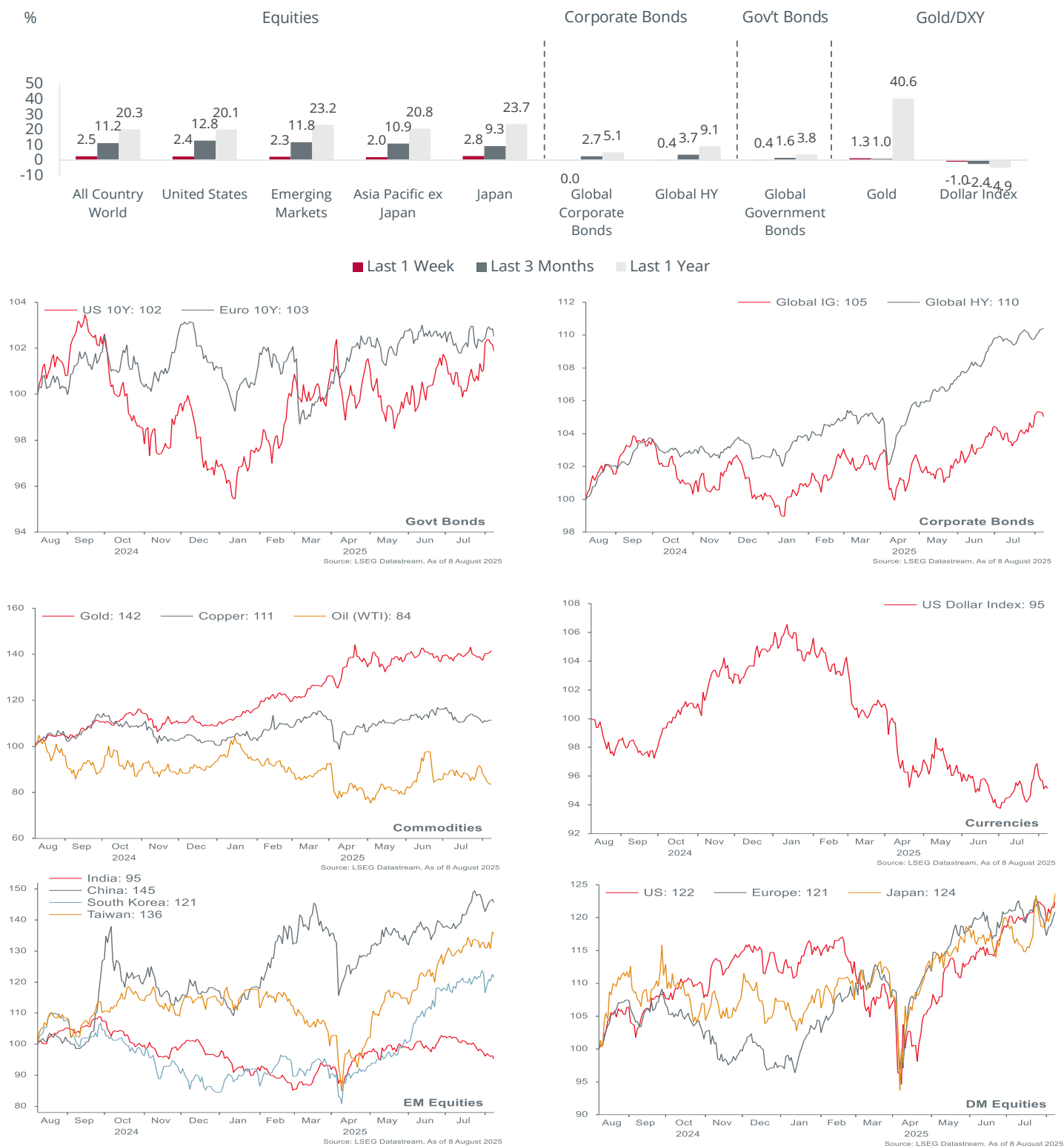


Source: Bloomberg, August 8, 2025

## Market Review

Global equities rebounded during the recent week with the MSCI ACWI Index returning 2.5%. The U.S. markets saw strong performances with the S&P 500 Index returning 2.4% while the tech-heavy Nasdaq returned 3.9% (and gaining nearly 1.0% on Friday alone), reaching a new record closing high of 21,450.02 on the back of Apple registering its best week since mid-2020. The MSCI Europe Index (USD) registered a 3.0% return. The MSCI Emerging Markets Index (USD) returned 2.3%, with the Asia Pacific ex-Japan market (in USD) returning 2.0%. U.S. Treasury yields rose along the curve during the week, between +4 to +7 basis points, as markets anticipate the upcoming Tuesday's release of July's U.S. Consumer Price Index (CPI) data. The Bloomberg U.S. Treasury Index returned -0.3% amid higher yields while the FTSE World Government Bond Index (WGBI) fared better with a 0.4% return. The U.S. Dollar Index (DXY) fell 1.0%, tracking lower U.S. yields.

## 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)	940.51	2.52	2.31	11.19	20.30	11.79	941.35	742.96
North America								
US S&P 500 Index	6,389.45	2.43	2.63	12.81	20.12	8.63	6,427.02	4,835.04
US Nasdaq Composite Index	21,450.02	3.87	5.05	19.64	28.75	11.08	21,464.53	14,784.03
Europe								
MSCI Europe	2,420.61	3.01	-0.27	5.23	17.09	20.85	2,465.06	1,976.06
Asia Pacific								
MSCI AC Asia Pacific ex Japan	657.27	2.01	1.93	10.88	20.79	15.43	667.38	513.60
Japan Nikkei 225	41,820.48	2.50	5.37	13.25	20.07	4.83	42,065.83	30,792.74
Shanghai Stock Exchange Composite	3,635.13	2.11	3.94	8.45	26.66	8.45	3,674.40	2,689.70
Hong Kong Hang Seng	24,858.82	1.43	2.94	9.15	47.16	23.92	25,735.89	16,665.06
Taiwan TAIEX	24,021.26	2.50	7.42	16.93	15.10	4.28	24,131.46	17,306.97
Korea KOSPI	3,210.01	2.90	3.05	24.44	25.55	33.78	3,288.26	2,284.72
India NIFTY 50	24,363.30	-0.82	-4.54	0.37	1.02	3.04	26,277.35	21,743.65
Australia Stock Exchange 200	8,807.12	1.68	2.52	7.51	14.65	7.94	8,848.80	7,169.20
Indonesia Jakarta Composite	7,533.39	-0.06	9.11	10.34	4.70	6.41	7,910.56	5,882.61
Thailand SET	1,246.96	2.35	11.77	3.35	-3.80	-10.94	1,506.82	1,053.79
Malaysia FTSE Bursa KLSE	1,556.98	1.54	1.75	0.92	-2.10	-5.20	1,684.68	1,386.63
Philippines Stock Exchange PSE	6,339.38	0.53	-1.47	-0.78	-3.21	-2.90	7,604.61	5,804.56
Singapore FTSE Straits Times Index	4,239.83	2.07	4.74	10.18	29.98	11.94	4,274.32	3,229.20

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	4.28	1.49	-3.03	-2.06	7.16	-6.42	4.81	3.62
10 Year Bond Yield (%)								
Japan	1.49	-4.18	-	12.37	78.23	36.57	1.60	0.81
China	1.70	-0.58	2.72	4.10	-20.78	1.19	2.20	1.61
Australia	4.26	-1.48	-0.51	0.28	4.29	-2.52	4.70	3.82
Singapore	1.96	-7.51	-6.49	-19.08	-31.53	-31.53	3.09	1.96
Malaysia	3.36	-1.18	-2.21	-6.84	-10.85	-11.99	3.99	3.36
Indonesia	6.42	-2.40	-2.43	-6.30	-5.18	-8.52	7.30	6.42

	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	94.51	-0.04	0.45	0.53	0.01	0.80	96.21	92.65
Bloomberg U.S. Aggregate USD	92.68	-0.26	0.90	1.46	0.54	2.49	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	-0.22	0.47	-0.73	3.67	6.60	12.42	1.18	1.02
GBP	0.06	1.29	-1.00	1.53	5.51	7.50	1.37	1.22
CHF	0.20	0.52	1.51	-2.88	-6.74	-10.93	0.92	0.79
JPY	0.42	0.24	0.80	1.24	0.30	-6.02	158.35	140.60
Asia								
CNY	0.04	-0.38	0.14	-0.69	0.13	-1.58	7.35	7.01
HKD	-0.00	0.00	-0.00	0.98	0.71	1.05	7.85	7.75
INR	0.05	0.26	2.00	2.28	4.13	2.23	87.80	83.49
MYR	0.12	-0.94	-0.05	-0.98	-5.26	-5.21	4.51	4.12
KRW	0.37	-0.01	1.38	-1.08	1.11	-5.97	1,485.83	1,308.30
SGD	0.16	-0.27	0.48	-1.18	-3.05	-5.88	1.37	1.27
TWD	0.31	0.24	2.69	-1.23	-7.73	-8.82	33.25	28.90
IDR	-	-1.21	0.52	-1.24	2.49	1.21	16,865.00	15,095.00

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## Sources

**Asset performances: (top chart)** Eastspring Investments, Refinitiv, as at 11 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 11 August 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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