

CIO Views – Weekly Bulletin



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What's top of investors' minds?

Powell points to cuts, boosts equities

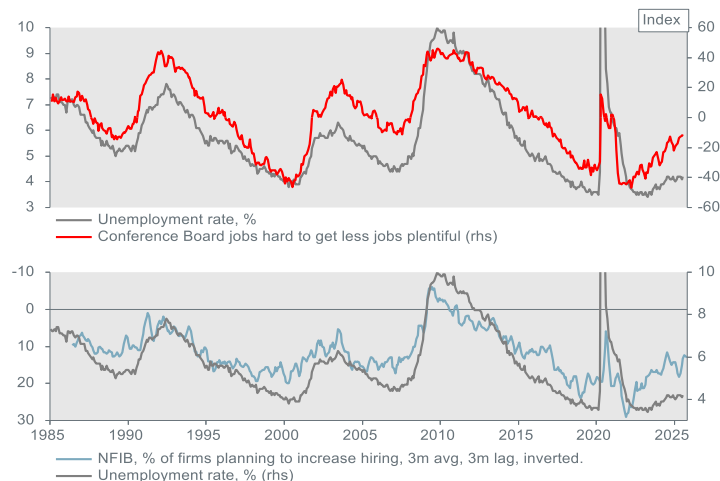
US Federal Reserve Chairman Powell's speech at Jackson Hole on Friday presented a dovish increase in concern about prospective labour market weakness. This leads us to expect a 25bps cut in the Fed Funds rate to 4.0% - 4.25% at the September FOMC meeting.

However, we recognise that Powell maintained just enough concern about tariff induced inflation to keep the decision dependent on incoming labour market data. We judge that if the unemployment rate rises in August to 4.3% or higher, as seems likely, it would prompt a rate cut. In contrast, to keep policy unchanged, the FOMC would probably need the unemployment rate to remain unchanged or fall from July's 4.2% and for this to come with an improvement in August payrolls to close to 50k and with some upward revisions to prior months' job gains. Recently steady weekly initial jobless claims data through August 16 don't show any increase in the pace of layoffs, but the slight uptick in continuing claims shows that new hiring remains weak and so points to gradually rising unemployment.

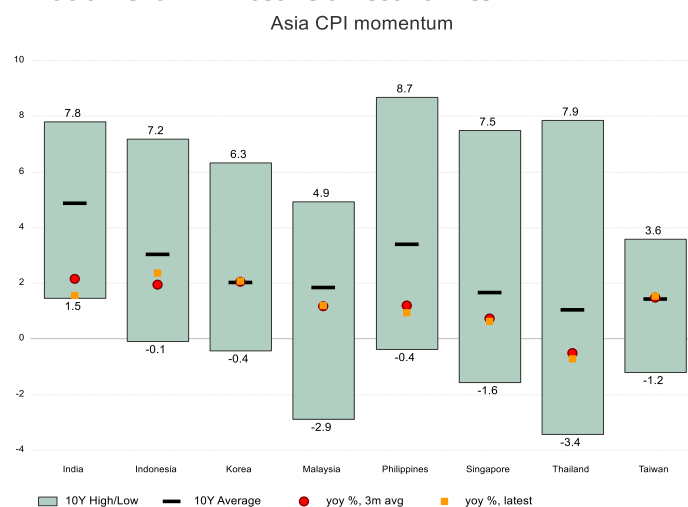
How asset prices trade Fed cuts are likely to depend heavily on the pace of deterioration in US labour. If the rise in the unemployment rate is gradual to only 4.3% in August and employment continues to grow, markets are more likely to view Fed cuts as pre-empting recession. This would be positive for equities, but, because inflation is rising, it would limit the extent to which longer term yields can rally. Crucially, pre-emptive Fed cuts would also add to pressure for the US dollar (USD) to fall because, with inflation rising, they would imply falling real interest rate support for the USD and a risk of US inflation becoming stuck at 3% or higher into the future.

We continue to judge USD weakness as a facilitatory of further cuts to Asia's policy rates. The charts on the right show that inflation is low in most Asian economies while real policy rates are higher than average. Stronger currencies would combine with the outlook for slowing export growth to keep inflation low and real policy rates too high. This leads us to forecast rate cuts in most economies over the next two quarters. Indonesia's central bank surprised markets with a 25bps cut to 5.0% last week and the Philippines' central bank is likely to cut 25bps to 5.0% this week. These cuts will be important to stimulating loan growth and domestic demand across the region as offsets to the likely weakening in exports. These rate cuts are likely to boost local currency bond markets and shift equity market leadership toward financials, domestic asset plays, and consumption-driven sectors.

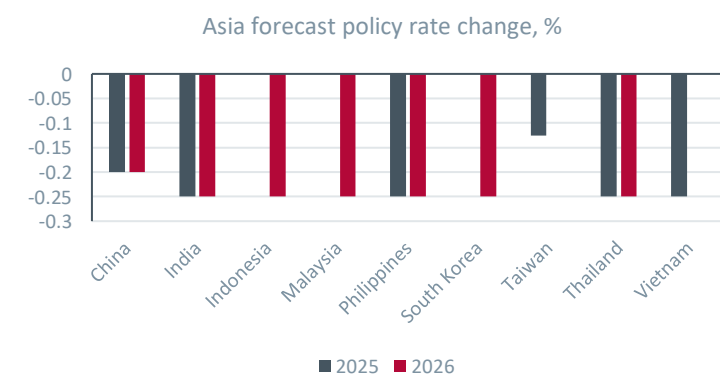
US labour market indicators point to higher unemployment



Inflation is low in most Asian economies



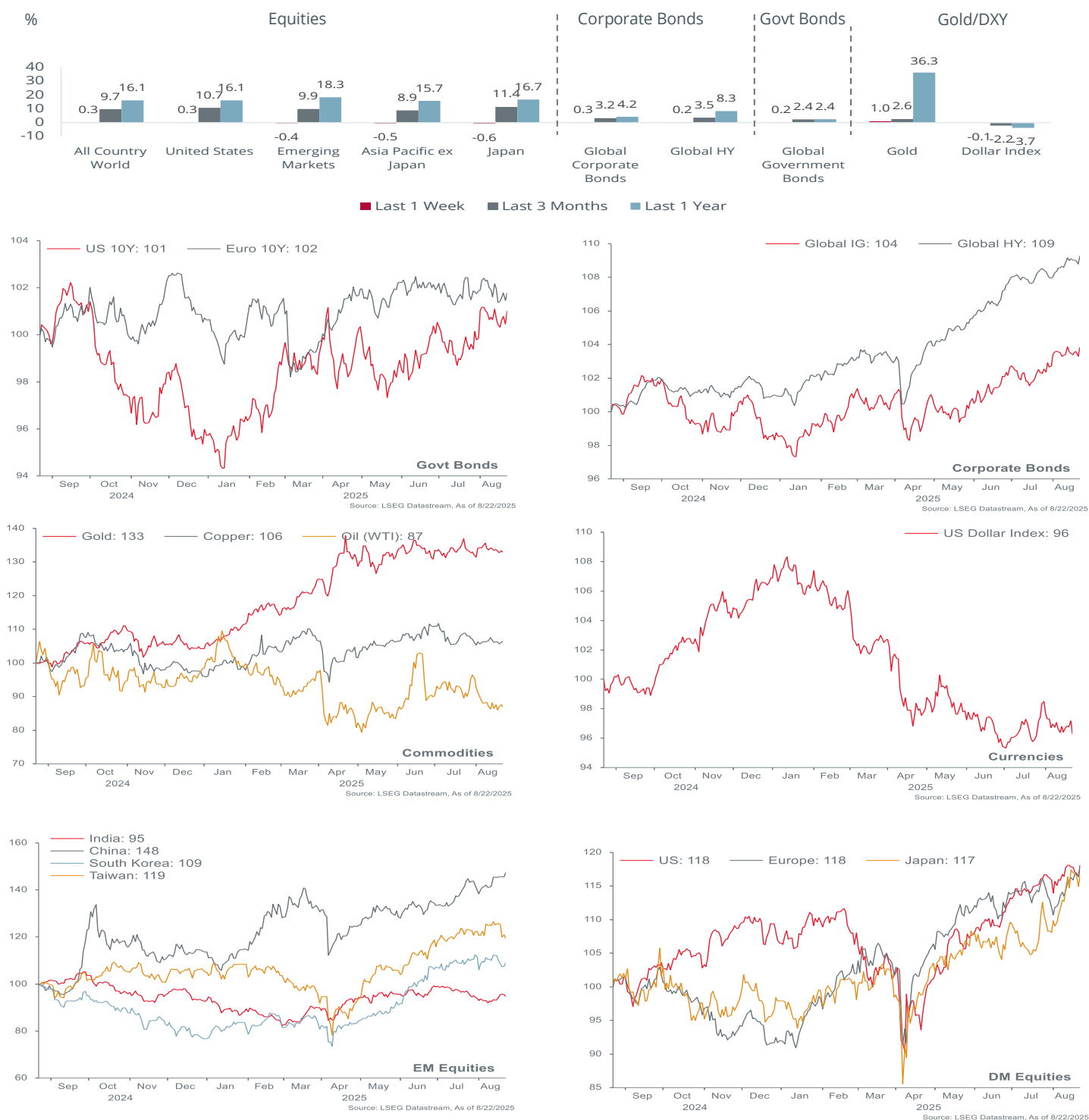
We expect policy rate cuts in most countries



Market Review

Investor attention was centered on Fed Chair Powell's address in Jackson Hole on Friday, 22 August, with Wall Street generally reacting positively to hints of potential future Fed rate cuts. The MSCI All Country index closed the week with a slight increase of 0.34%. Of particular note, the S&P 500 Index saw an overall gain of 0.27%, posting a 1.52% return on Friday alone, and breaking a previous 5-day skid. The tech-heavy Nasdaq gained 1.88% on Friday, but ended the week with a -0.58% loss, partially influenced by some profit-taking in large cap techs. During the week, US Treasury yields decreased across the yield curve, with the 10-year yield falling by 7 basis points (bps) to 4.26% and the 30-year yield declining by 4 bps to 4.88%. The Bloomberg U.S. Treasury Index returned 0.42% amid falling yields. Global credit markets also saw positive performances, with investment grade corporates, which are more sensitive to interest rate changes, marginally outpacing their high yield counterparts. The US Dollar Index (DXY) fell by 0.13%.

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)	955.29	0.34	2.74	9.68	16.11	13.55	955.29	742.96
North America								
US S&P 500 Index	6,466.91	0.27	2.49	10.70	16.09	9.95	6,481.34	4,835.04
US Nasdaq Composite Index	21,496.53	-0.58	2.89	13.58	22.01	11.32	21,803.75	14,784.03
Europe								
MSCI Europe	2,499.40	1.42	3.10	5.79	14.23	24.79	2,499.40	1,976.06
Asia Pacific								
MSCI Asia Pacific ex Japan	665.19	-0.52	1.29	8.90	15.72	16.82	670.46	513.60
Japan Nikkei 225	42,633.29	-1.72	7.19	15.27	11.57	6.86	43,876.42	30,792.74
Shanghai Stock Exchange Composite	3,825.76	3.49	6.81	13.18	34.30	14.14	3,825.76	2,689.70
Hong Kong Hang Seng	25,339.14	0.27	0.83	7.62	43.64	26.32	25,766.62	16,964.28
Taiwan TAIEX	23,764.47	-2.34	3.38	9.66	7.29	3.17	24,551.42	17,306.97
Korea KOSPI	3,168.73	-1.76	-0.04	22.17	17.03	32.06	3,288.26	2,284.72
India NIFTY 50	24,870.10	0.97	-0.76	1.06	0.24	5.18	26,277.35	21,743.65
Australia Stock Exchange 200	8,967.40	0.32	3.34	7.41	11.72	9.91	9,025.50	7,169.20
Indonesia Jakarta Composite	7,858.85	-0.50	7.00	9.65	4.94	11.00	8,017.07	5,882.61
Thailand SET	1,253.39	-0.48	5.17	6.82	-6.54	-10.49	1,506.82	1,053.79
Malaysia FTSE Bursa KLSE	1,597.47	1.34	5.14	4.61	-2.69	-2.73	1,684.68	1,386.63
Philippines Stock Exchange PSE	6,281.58	-0.54	-1.17	-0.38	-9.77	-3.79	7,604.61	5,804.56
Singapore FTSE Straits Times Index	4,253.02	0.53	1.06	9.61	26.07	12.29	4,282.80	3,353.96

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	4.26	-1.62	-1.80	-6.48	10.25	-6.97	4.81	3.62
10 Year Bond Yield (%)								
Japan	1.62	3.32	7.52	3.13	84.69	48.12	1.62	0.81
China	1.79	2.35	5.86	5.86	-17.10	6.49	2.18	1.61
Australia	4.32	2.13	0.28	-3.42	10.88	-1.08	4.70	3.82
Singapore	1.91	1.65	-8.62	-24.69	-29.66	-33.28	3.09	1.88
Malaysia	3.39	0.83	-1.02	-5.38	-10.09	-11.15	3.99	3.36
Indonesia	6.37	-0.33	-1.74	-6.93	-4.45	-9.29	7.30	6.34

	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	94.42	0.15	0.05	1.20	-0.64	0.70	96.21	92.65
Bloomberg U.S. Aggregate USD	93.00	0.41	0.83	2.62	-0.16	2.84	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	0.95	0.15	-0.32	3.86	5.43	13.16	1.18	1.02
GBP	0.83	-0.21	-0.04	0.80	3.32	8.08	1.37	1.22
CHF	-0.89	-0.62	1.16	-3.32	-5.95	-11.67	0.92	0.79
JPY	-0.97	-0.17	0.20	2.03	0.46	-6.52	158.35	140.60
Asia								
CNY	-0.21	-0.23	-0.14	-0.54	0.30	-1.84	7.35	7.01
HKD	0.00	-0.15	-0.46	-0.16	0.22	0.59	7.85	7.75
INR	0.07	-0.21	1.20	1.58	4.05	2.07	87.80	83.49
MYR	0.07	0.36	-0.09	-1.05	-3.45	-5.44	4.51	4.12
KRW	-1.23	-0.35	0.23	0.19	3.17	-6.29	1,485.83	1,308.30
SGD	-0.55	-0.12	0.23	-0.87	-2.25	-6.16	1.37	1.27
TWD	-0.50	1.16	3.36	1.07	-5.01	-7.38	33.25	28.90
IDR	0.34	1.11	0.18	0.06	4.75	1.52	16,865.00	15,095.00

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Sources

Asset performances: (top chart) Eastspring Investments, Refinitiv, as at 22 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 22 August 2025. Equities: MSCI indices in USD, other indices in local currency. Other indices or assets as stated.

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