

## What's top of investors' minds?

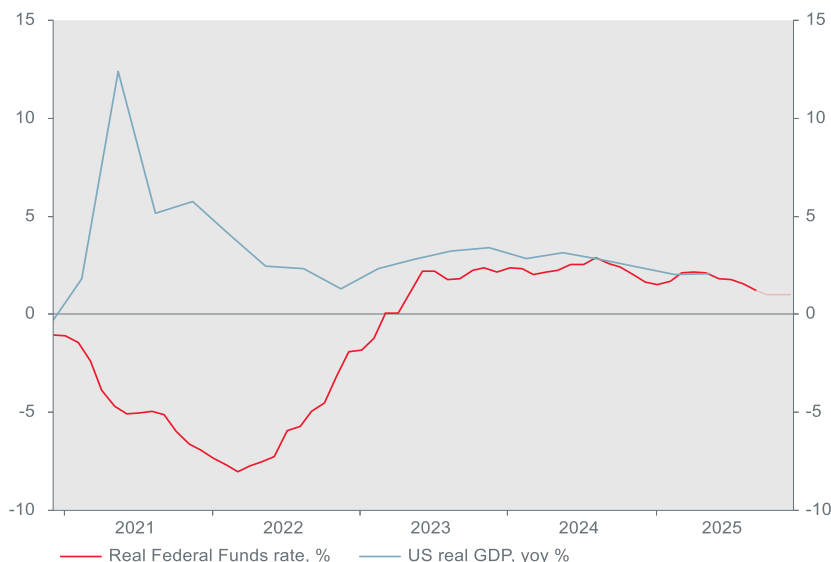
### Markets to focus on Fed guidance more than any rate cut

**We expect the US Federal Reserve (Fed) to cut the Fed Funds rate 25bps to a target range of 3.50% - 3.75% at its Tuesday meeting (9 December).** The market is essentially fully priced for a cut at this meeting so the dot plot and the statement of economic projections will, with Chairman Powell's press conference, dominate how markets respond.

**We expect Chairman Powell to present the cut as buying insurance against further weakness in the US labour market.** As such we think he will try to guide markets to expect the Fed to keep rates unchanged at its early 2026 meetings. This would be consistent with current market pricing for a subsequent Fed cut to come only in June next year. To be sure, several Federal Open Market Committee members, in their recent public comments, have signalled resistance to a cut, preferring a more cautious approach as inflation is still closer to 3% rather than the Fed's 2% target.

Nonetheless, **we believe a December rate cut will work to support equity markets and credit quality.** The first chart below shows that a cut would work to keep the real Fed Funds rate in line with real GDP growth, preventing any passive tightening due to weakening growth.

### The Fed is working to keep the real policy rate neutral to stimulative



Importantly, bank credit and broad money growth are already rising (second chart below), and a further cut is likely to bolster these trends.



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Chief Investment Officer  
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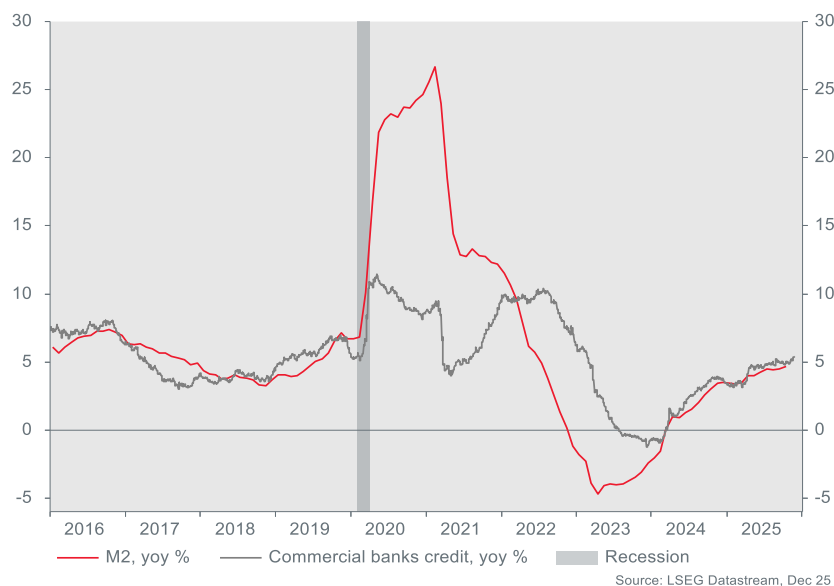


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## Another cut should add stimulus to rising credit growth



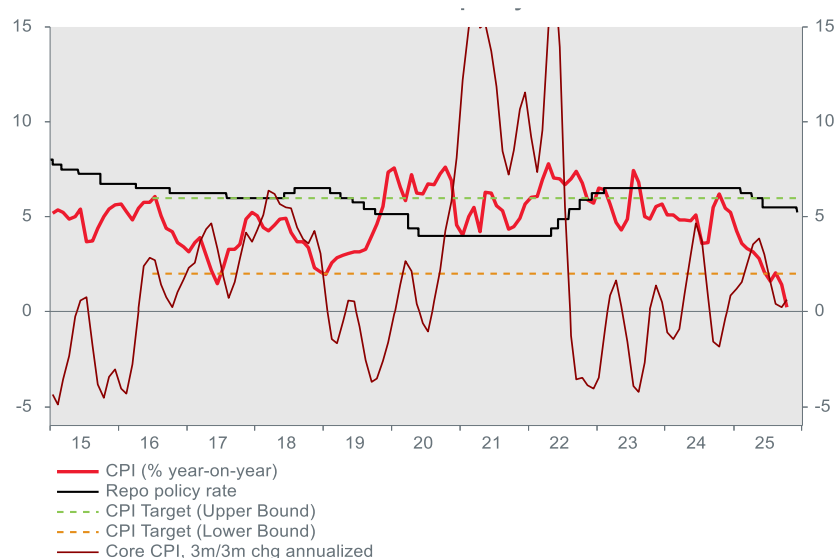
How Treasuries and the USD respond will depend on Powell. If he suggests that he views the Fed is now in a good place to skip the next few meetings to assess the economy, this would likely reinforce the current stability of the USD and keep Treasury yields in their recent range. In contrast, a more dovish message - keeping the prospect of a January rate cut alive - would likely weaken the USD and lead to a bearish steepening of the US Treasury curve, in our view.

## India rate cut is good for equities and growth, but less supportive for the INR

The Reserve Bank of India (RBI) cut its policy rate 25bps last week, as we expected, and announced the addition of Rp1tn of additional liquidity for the financial system. Although the RBI formally maintained its “neutral” policy stance, it came across as slightly dovish, allowing markets to keep alive the possibility of a further 25bps rate cut in the first half of 2026.

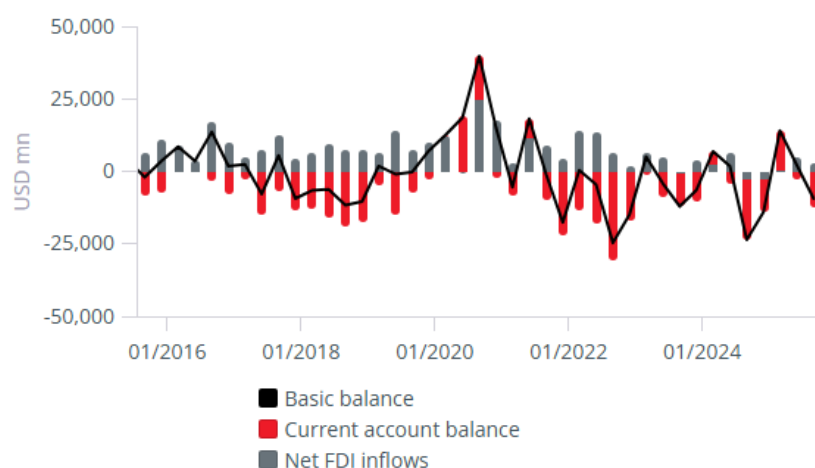
**We judge the probability of another cut to be about 60%.** If inflation momentum remains close to 2% in the next few months, the probability of another cut would rise, in our view. The chart below shows that the policy rate remains high relative to inflation and inflation remains historically low relative to the RBI’s inflation target range. Inflation has probably bottomed, but the outlook for abundant harvests and low oil prices over the next several quarters argue against inflation rising rapidly.

## India's inflation remains low relative to RBI's target range



The recent rise in credit growth shows that the RBI's previous 100bps of cuts are already transmitting to easier financial conditions. **This should continue and support a recovery in domestic demand and drive equity earnings in sectors geared to durables and property.** However, some further INR weakness is likely to be a cost of the RBI's easing. India's current account balance has deteriorated and net FDI flows remains weak. Lower yields appear to be adding to incentives for gold purchases, a drain on India's balance of payments.

## India's current account balance has deteriorated



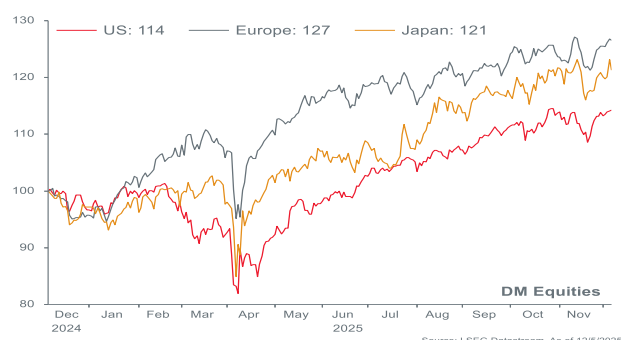
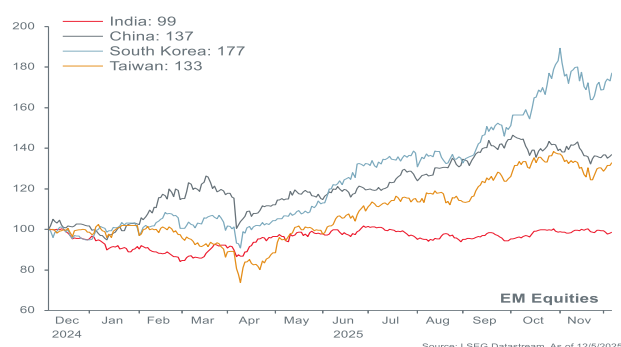
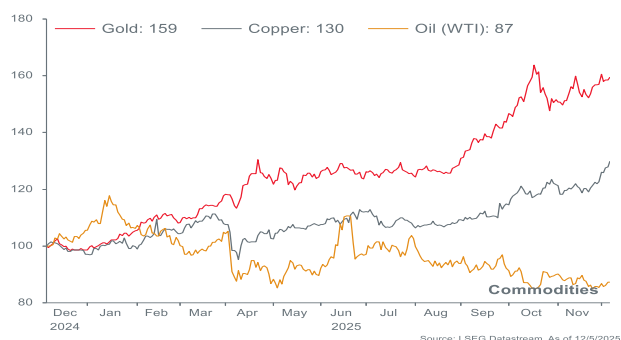
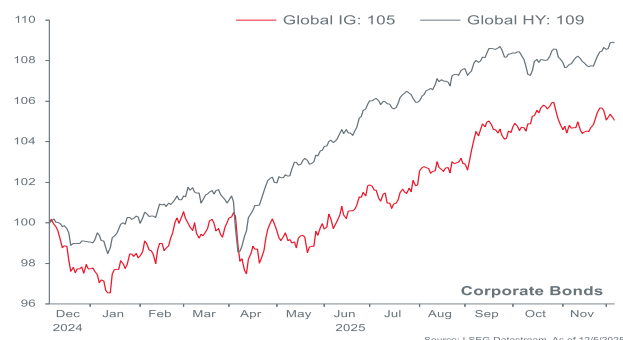
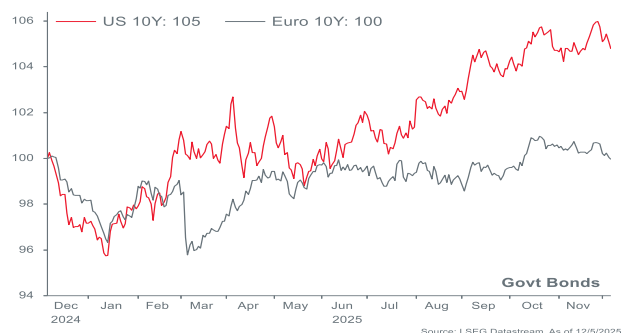
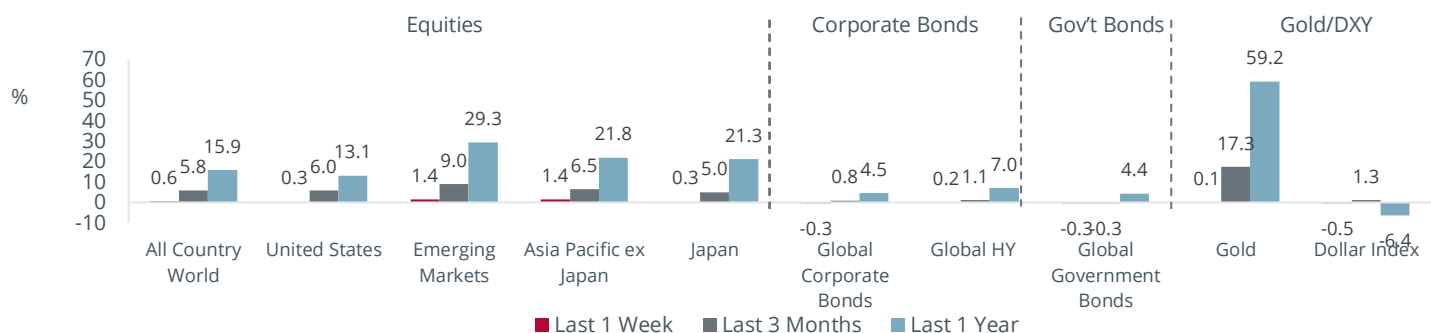
A return to INR stability, much less recovery, likely depend on two main potential drivers. The first is India's need to complete a trade deal with the US that reduces its current competitive disadvantage relative to the rest of Asia. Another is that recovery in domestic growth materialises, feeding through to stronger equity earnings growth and making India more attractive to foreign investment flows.

## Market Review

Equity markets posted weekly gains during the first week of December, looking ahead to the upcoming Federal Open Market Committee (FOMC) meeting on 9 December. During the week, global equities, as proxied by the MSCI ACWI Index, returned 0.6% overall. In the U.S. markets, the S&P 500 gained 0.3%, while the tech-heavy Nasdaq fared better with a return of 0.9%. Elsewhere, emerging markets and the Asia Pacific ex-Japan region both returned approximately 1.4%, in USD terms.

In fixed income markets, US Treasury yields climbed higher along the longer end of the curve (e.g., 7-year, 10-year, 20-year, 30-year), with the US 10-year yield climbing higher by 12 basis points (bps) overall to end at 4.14% during the week. Both US Treasuries and US aggregate bonds underperformed, returning -0.6% and -0.5%, respectively. Amid rising yields, global sovereign bonds, as proxied by the FTSE World Government Bond Index, fared relatively better as compared to US bonds, registering a 0.3% loss on the week. Global high yield bonds were among the few positive performers. The US dollar (DXY) declined by -0.5% during the week, while gold returned 0.1%.

## Asset Performances



Market Data

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	4.14	2.99	-0.43	1.30	-1.03	-9.57	4.81	3.95
10 Year Bond Yield (%)								
Japan	1.95	7.86	17.20	24.06	82.15	78.64	1.95	1.04
China	1.86	1.42	6.48	5.21	-4.82	10.60	1.96	1.61
Australia	4.69	3.55	8.61	8.03	10.71	7.49	4.70	4.10
Singapore	2.14	1.09	11.12	15.68	-20.84	-25.24	3.09	1.75
Malaysia	3.49	0.52	-0.63	2.23	-8.54	-8.61	3.85	3.36
Indonesia	6.19	-1.96	0.50	-3.31	-10.37	-11.85	7.30	5.92
	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	94.67	-0.55	-0.36	-0.21	-0.33	0.97	95.66	92.65
Bloomberg U.S. Aggregate USD	93.95	-0.58	0.19	0.11	1.78	3.89	94.92	89.27
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)	1,010.73	0.56	1.29	5.76	15.89	20.13	1,014.42	742.96
North America								
US S&P 500 Index	6,870.40	0.31	1.09	6.00	13.09	16.81	6,920.34	4,835.04
US Nasdaq Composite Index	23,578.13	0.91	0.33	8.65	19.68	22.10	24,019.99	14,784.03
Europe								
MSCI Europe	2,564.76	0.77	2.61	4.52	22.52	28.05	2,581.82	1,976.06
Asia Pacific								
MSCI Asia Pacific ex Japan	713.51	1.44	-0.30	6.49	21.83	25.31	733.24	513.60
Japan Nikkei 225	50,491.87	0.47	0.56	17.37	28.17	26.56	52,636.87	30,792.74
Shanghai Stock Exchange Composite	3,902.81	0.37	-1.67	2.37	15.85	16.44	4,034.08	3,040.69
Hong Kong Hang Seng	26,085.08	0.87	0.58	2.62	33.36	30.04	27,381.84	18,671.49
Taiwan TAIEX	27,980.89	1.28	0.95	14.23	20.26	21.47	28,554.61	17,306.97
Korea KOSPI	4,100.05	4.42	2.39	27.92	67.91	70.87	4,226.75	2,284.72
India NIFTY 50	26,186.45	-0.06	2.30	5.84	5.98	10.75	26,325.80	21,743.65
Australia Stock Exchange 200	8,634.60	0.24	-1.90	-2.67	1.88	5.83	9,115.20	7,169.20
Indonesia Jakarta Composite	8,632.76	1.46	3.78	9.73	18.04	21.93	8,689.10	5,882.61
Thailand SET	1,273.77	1.36	-1.66	0.71	-12.20	-9.03	1,456.92	1,053.79
Malaysia FTSE Bursa KLSE	1,616.52	0.75	-0.31	2.43	0.05	-1.57	1,658.73	1,386.63
Philippines Stock Exchange PSE	5,949.22	-1.21	2.25	-3.25	-11.08	-8.88	6,742.01	5,584.35
Singapore FTSE Straits Times Index	4,531.36	0.16	2.59	5.21	18.54	19.64	4,575.91	3,372.38
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	-0.01	0.41	1.31	-0.64	9.98	12.45	1.19	1.02
GBP	0.03	0.70	2.15	-1.31	4.48	6.54	1.37	1.22
CHF	0.11	0.09	-0.72	0.79	-8.43	-11.33	0.92	0.79
JPY	0.17	-0.52	0.80	5.40	3.50	-1.17	158.35	140.85
Asia								
CNY	-0.03	-0.08	-0.79	-0.88	-2.61	-3.15	7.35	7.06
HKD	0.03	-0.01	0.13	-0.15	0.03	0.22	7.85	7.75
INR	0.14	0.65	1.58	2.01	6.20	5.12	90.17	84.27
MYR	-0.07	-0.56	-1.96	-2.68	-7.19	-8.08	4.51	4.11
KRW	-0.08	0.40	2.28	6.29	4.25	-0.23	1,485.83	1,352.45
SGD	0.04	0.02	-0.82	0.90	-3.20	-5.08	1.37	1.27
TWD	-0.30	-0.33	1.25	2.61	-3.27	-4.61	33.25	28.90
IDR	-0.03	-0.09	-0.39	1.34	4.92	3.39	16,865.00	15,845.00

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## Sources

**Asset performances: (bar charts)** Eastspring Investments, Refinitiv, as at 08 December 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. **(line 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 01 December 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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