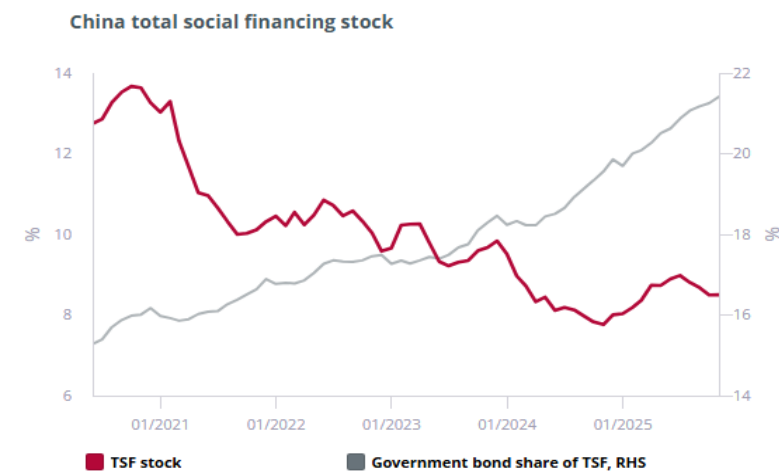


What's top of investors' minds?

Moderate policy support in China

China's monthly economic data remained weak in November. While exports rebounded to 5.9% yoy, from -1.1% in October, both retail sales and fixed asset investment growth slowed further. The persistent weakness in domestic demand puts most of the heavy lifting burden on policy support. This is evident in November's credit growth, where the bulk of credit expansion was driven by government bond issuance. Against the backdrop of slowing overall credit growth, the share of government bonds in total credit has risen rapidly.



Sources: CEIC, PBoC

As usual, the Central Government Economic Work Conference (CEWC) held last week deferred the task of setting explicit growth targets and fiscal metrics to the March Two Sessions. Most of the policy language—such as a more proactive fiscal stance and a moderately loose monetary policy—was broadly in line with expectations, reinforcing the message of policy continuity. Assuming a growth target of close to 5% for 2026, we expect China's augmented fiscal deficit to widen by 0.8 percentage points to 10.6% of GDP in 2026. Fiscal stimulus, primarily through higher government bond issuance, is likely to be front-loaded, providing a boost to first-half growth. The PBoC will therefore need to manage liquidity conditions amid increased bond issuance, although the timing of a policy rate cut remains uncertain given its preference for alternative liquidity management tools.

Hawkish turn across DM central banks

In the US, the Federal Reserve cut rates by 25 bps as expected last week. Although Powell described the move as the last insurance cut in the current easing cycle, the emphasis on data dependency leaves the door open for further cuts. Significant uncertainties remain around the US policy rate—from a potentially lagged tariff pass-through to inflation to a possible uptick in unemployment and the choice of the next Fed chair. The Fed's December FOMC dot plot underscores this uncertainty, as reflected in the wide dispersion of rate expectations for 2026.



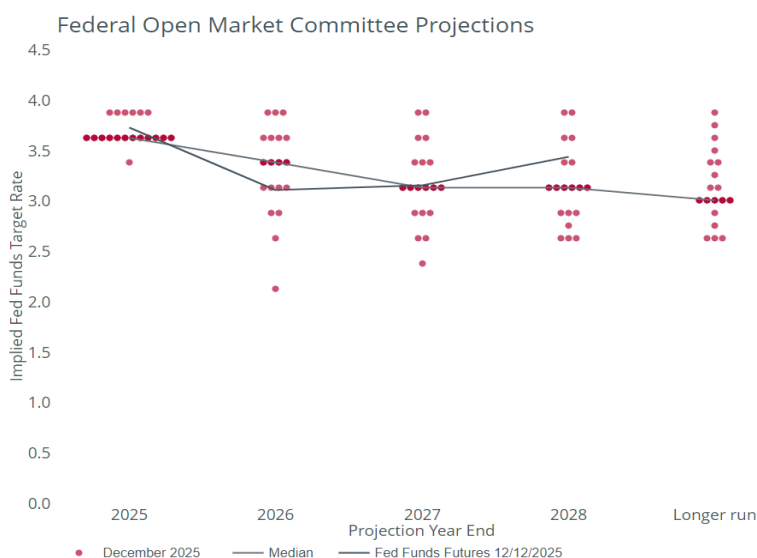
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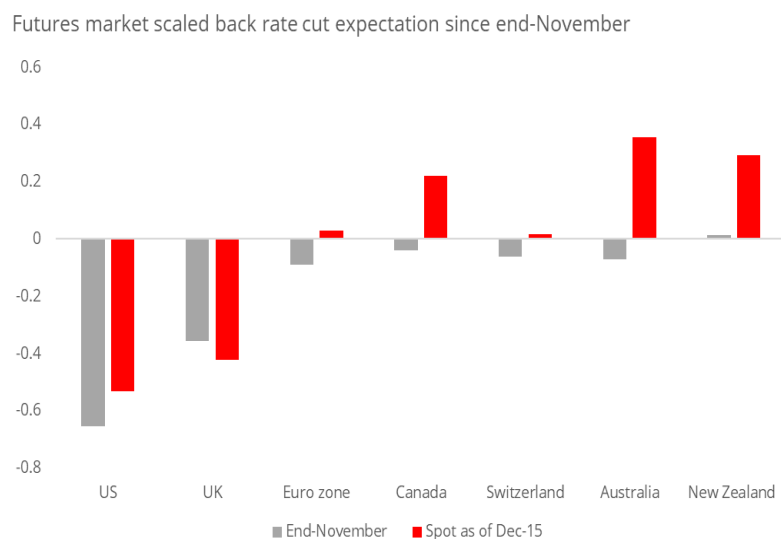




Sources: LSEG Datastream, Eastspring Investments

More interestingly, the Fed announced an earlier-than-expected return to short-term bond purchases, known as the Reserve Management Purchases (RMP), at a current pace of USD 40 billion per month starting this December. The official rationale is to smooth seasonal fluctuations in reserve demand caused by factors such as tax collections and large US Treasury issuance. As the pace of monetary easing slows, we think the move underscores concern over liquidity conditions.

Liquidity concerns are not confined to the US. While it may be premature to talk about outright tightening, global central banks are increasingly cautious about further rate cuts amid better-than-expected growth and signs of inflation bottoming out. Since late November, futures markets have scaled back rate-cut expectations across major developed economies. Admittedly, central bank easing has fueled the equity market rally in 2025. As we approach the end of the easing cycle, extra caution is warranted.



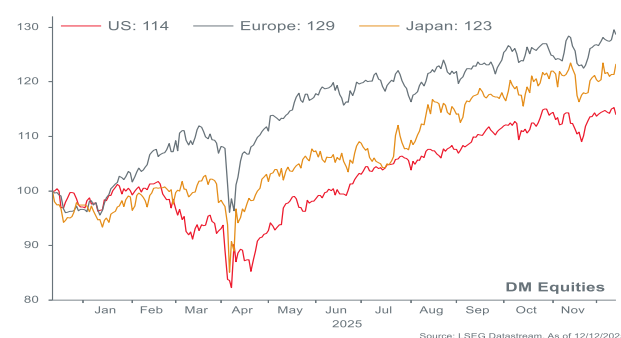
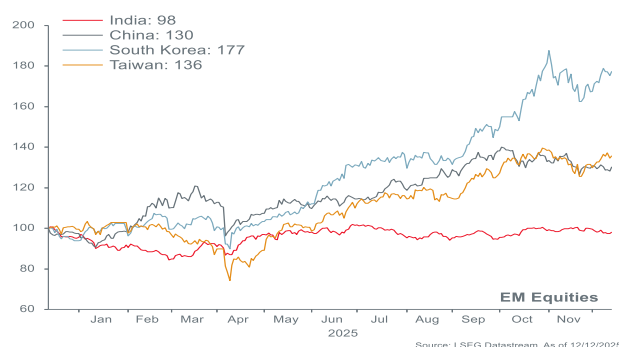
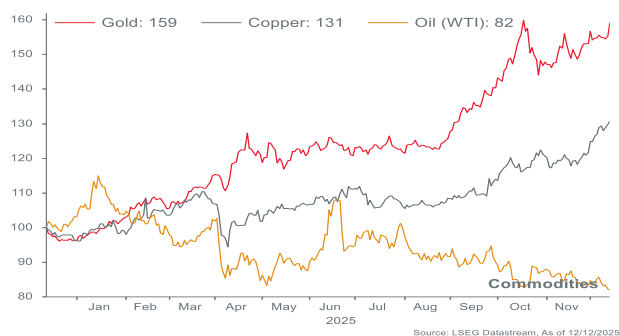
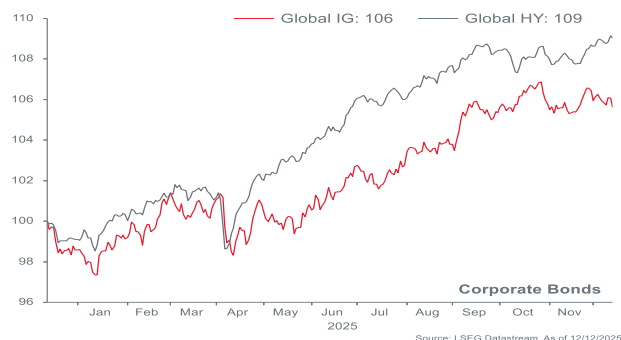
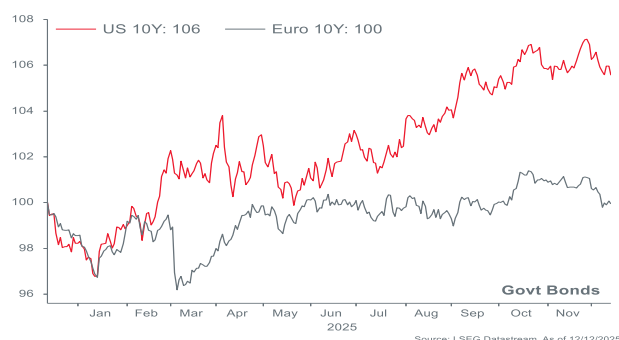
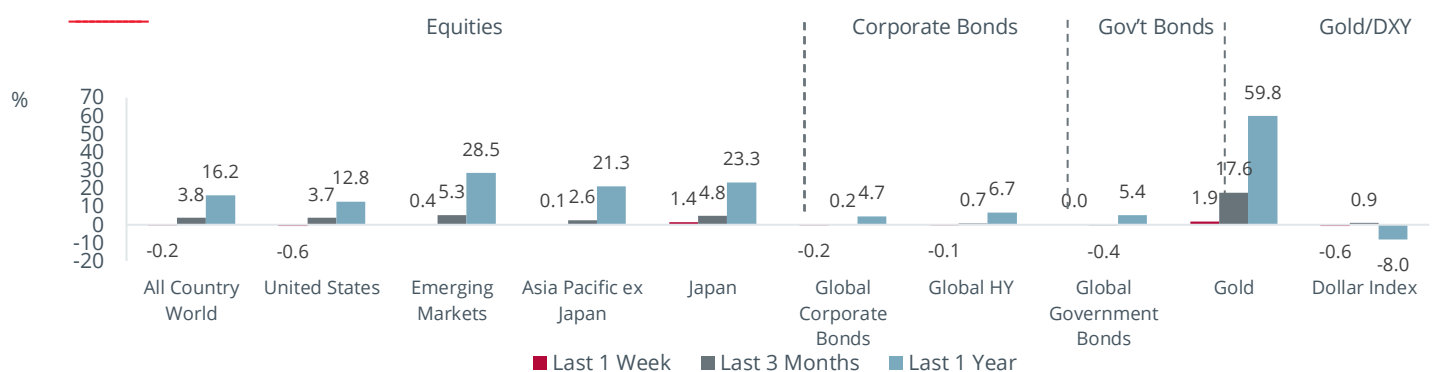
Sources: Bloomberg, Eastspring Investments

Market Review

The Federal Reserve (Fed) ended 2025's last FOMC meeting by lowering the target range for the Federal Funds Rate to 3.50%–3.75%, as widely expected, and the lowest since 2022. Both the S&P 500 and the tech-focused Nasdaq posted weekly declines, slipping by 0.6% and 1.6% respectively. On Friday alone, each index fell by more than 1%, as investors rotated away from AI-related stocks due to growing concerns over high valuations following recent setbacks experienced by Oracle and Broadcom, alongside an uptick in long-term US Treasury yields. During the week, global equities, as proxied by the MSCI ACWI Index, returned -0.2% overall. Elsewhere, emerging markets and the Asia Pacific ex-Japan region fared better, returning 0.4% and 0.1% (in USD terms), respectively.

In the fixed income markets, movement in US Treasury yields was varied across the curve, with short-term yields declining (in line with the Fed rate cut) while yields on longer maturities—such as the 5-year, 7-year, 10-year, and 30-year bonds—increasing; the US 10-year yield climbed higher by 5 basis points (bps) overall to end at 4.19% during the week. US Treasuries and US aggregate bonds underperformed, both returning approximately -0.2%. Global sovereign bonds, represented by the FTSE World Government Bond Index, delivered a marginally positive return and outperformed their US counterparts. Global corporate bonds and global high yield bonds registered negative returns during the week. The US dollar (DXY) declined by -0.6% while gold rose by 1.9%.

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	4.20	1.38	3.17	3.35	-2.96	-8.32	4.81	3.95
10 Year Bond Yield (%)								
Japan	1.95	0.15	15.57	22.31	86.26	78.92	1.96	1.04
China	1.85	-0.48	1.82	1.76	1.76	10.06	1.96	1.61
Australia	4.74	0.98	8.15	11.95	10.34	8.54	4.80	4.10
Singapore	2.33	8.70	20.28	31.36	-15.15	-18.73	3.09	1.75
Malaysia	3.58	2.61	2.84	4.77	-6.13	-6.23	3.85	3.36
Indonesia	6.19	-0.02	0.62	-2.06	-11.42	-11.86	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	94.46	-0.22	-0.81	-0.59	-0.16	0.75	95.66	92.65
Bloomberg U.S. Aggregate USD	93.72	-0.24	-0.56	-0.52	2.36	3.64	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)	1,008.88	-0.18	-0.29	3.78	16.18	19.92	1,015.27	742.96
North America								
US S&P 500 Index	6,827.41	-0.63	-0.34	3.69	12.83	16.08	6,920.34	4,835.04
US Nasdaq Composite Index	23,195.17	-1.62	-0.90	4.76	16.54	20.12	24,019.99	14,784.03
Europe								
MSCI Europe	2,581.89	0.67	0.00	4.29	24.57	28.91	2,600.45	1,976.06
Asia Pacific								
MSCI Asia Pacific ex Japan	714.53	0.14	-1.65	2.62	21.29	25.49	733.24	513.60
Japan Nikkei 225	50,836.55	0.68	-0.44	13.56	27.57	27.43	52,636.87	30,792.74
Shanghai Stock Exchange Composite	3,889.35	-0.35	-2.77	0.48	12.36	16.04	4,034.08	3,040.69
Hong Kong Hang Seng	25,976.79	-0.42	-3.51	-1.56	27.36	29.50	27,381.84	18,671.49
Taiwan TAIEX	28,198.02	0.78	0.90	10.69	22.35	22.41	28,568.02	17,306.97
Korea KOSPI	4,167.16	1.64	0.40	22.72	67.89	73.67	4,226.75	2,284.72
India NIFTY 50	26,046.95	-0.53	0.66	3.71	6.10	10.16	26,325.80	21,743.65
Australia Stock Exchange 200	8,697.30	0.73	-1.16	-1.89	4.41	6.60	9,115.20	7,169.20
Indonesia Jakarta Composite	8,660.50	0.32	3.24	10.27	17.13	22.33	8,776.97	5,882.61
Thailand SET	1,254.10	-1.54	-2.39	-3.05	-12.90	-10.43	1,456.92	1,053.79
Malaysia FTSE Bursa KLSE	1,637.81	1.32	0.38	2.35	2.23	-0.28	1,658.73	1,386.63
Philippines Stock Exchange PSE	6,036.72	1.47	5.65	-1.19	-9.10	-7.54	6,667.98	5,584.35
Singapore FTSE Straits Times Index	4,586.45	1.22	0.38	5.58	20.40	21.09	4,586.45	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	0.02	0.84	1.28	0.06	12.16	13.40	1.19	1.02
GBP	-0.13	0.29	1.81	-1.39	5.51	6.85	1.37	1.22
CHF	0.10	-1.06	-0.21	-0.05	-10.77	-12.27	0.92	0.79
JPY	0.15	0.30	0.67	5.52	2.09	-0.87	158.35	140.85
Asia								
CNY	-0.04	-0.21	-0.80	-0.97	-2.94	-3.35	7.35	7.05
HKD	0.03	-0.01	0.16	0.05	0.12	0.21	7.85	7.75
INR	0.37	0.70	2.25	2.60	6.77	5.86	90.56	84.27
MYR	-0.37	-0.34	-0.97	-2.55	-7.71	-8.39	4.51	4.09
KRW	0.25	0.09	0.38	5.89	3.08	-0.14	1,485.83	1,352.45
SGD	-0.02	-0.35	-0.75	0.73	-4.11	-5.41	1.37	1.27
TWD	0.45	0.20	0.88	3.47	-3.63	-4.42	33.25	28.90
IDR	-0.18	-	-0.36	1.59	4.49	3.39	16,865.00	15,920.00

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Sources

Asset performances: (bar charts) Eastspring Investments, Refinitiv, as at 12 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 12 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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