

CIO Views – Weekly Bulletin

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What's top of investors' minds?

Reciprocal tariffs: Is he serious this time?

Trump seems emboldened. Nowcaster models such as the Atlanta Fed's GDPNow suggest that the US economy grew about 2.6% in Q2. Crucially, the unemployment rate has remained low at 4.1% and tariffs have yet to meaningfully impact inflation. This mix increases the risk that Trump will follow through with his pledge to implement higher "reciprocal" tariff rates on August 1.

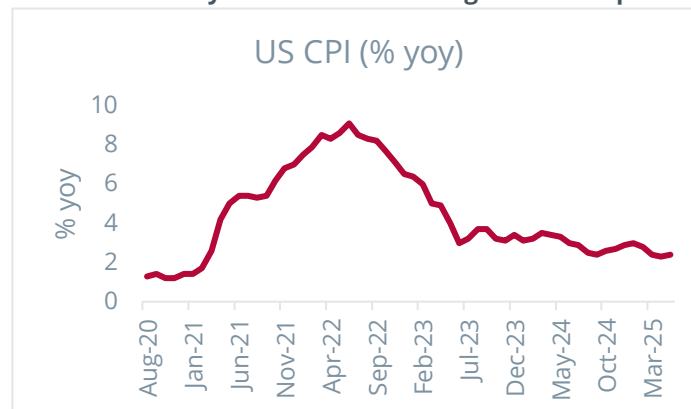
It also potentially makes the US June CPI data to be released on Tuesday more pivotal. If tariffs begin to show up clearly in the data – the consensus is for the core CPI to rise 0.3% mom – US bond markets could sell off to reflect the higher inflation risk brought about by Trump's recent tariff escalation. A bond market decline, especially if accompanied by weaker equities, could pressure Trump to be more flexible and potentially delay tariff implication to continue negotiations. In contrast, softer than expected core CPI numbers risk leading the US Administration to view higher tariffs as a costless source of revenue to pay for some of the tax cuts in the Big Beautiful Bill.

Our portfolio managers are actively navigating the tariff uncertainty by focusing on relative winners and losers across Asia rather than a country-focused approach based on tariff rates. We believe that some countries will be able to negotiate deals with the US either before or shortly after the August 1 deadline. In any event, differential tariff rates across countries and sectors will continue to create relative value opportunities for active managers.

Domestic policy is also creating relative value. Chinese fiscal stimulus is proving successful in supporting growth, despite trade friction with the US, although the benefits have gone disproportionately to sectors benefiting from subsidy programmes. New policy changes such as the government's moves to reduce some industrial overcapacity and to set renewable portfolio standards for additional industries should spawn new opportunities. Affected industries that are required to increase their use of clean energies should see limited earnings impact as the cost of renewable energy has been trending down in China. Over in India, we continue to expect monetary easing to stimulate its economy later this year, particularly given India's low trade exposure to the US.

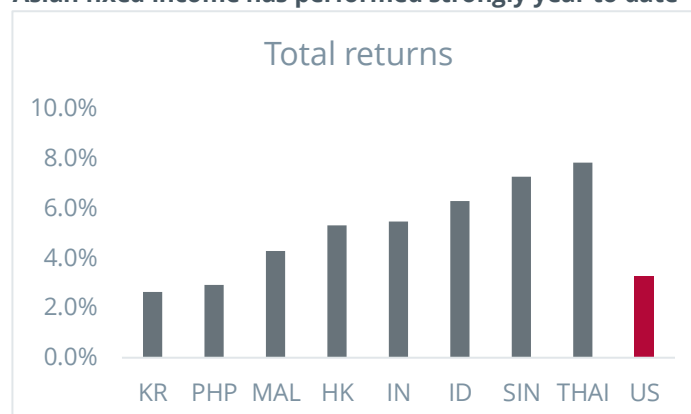
Asian fixed income – a theme we have written about over the past month - has performed very strongly. Local currency products are at some risk of near-term backup because of the USD's bounce. However, to the extent that higher than expected US tariffs soften Asian growth, already low regional inflation leaves Asian central banks lots of room to cut still high real policy rates. Domestic liquidity is high as tariffs appear to be driving fund reallocation away from the US and back to Asia. We also think that if Trump does implement significantly higher tariff rates, their negative impact on the US economy will lead to renewed USD weakness later this year.

US inflation has yet to show a meaningful tariff impact



Source: Bloomberg, July 2025.

Asian fixed income has performed strongly year to date

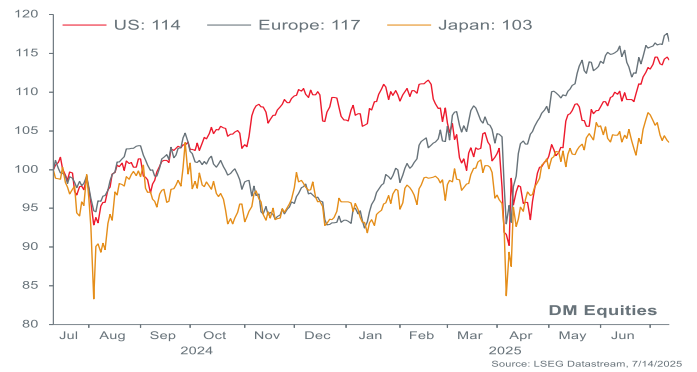
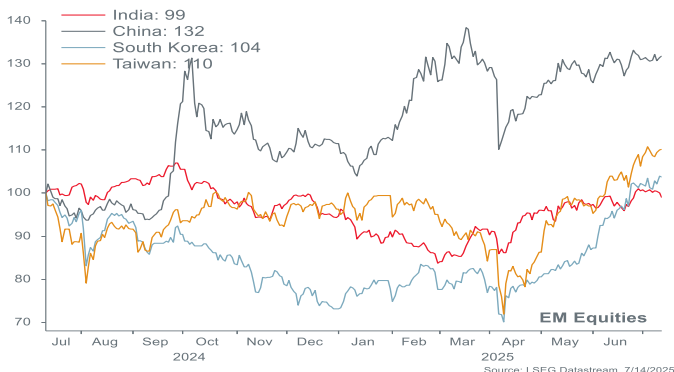
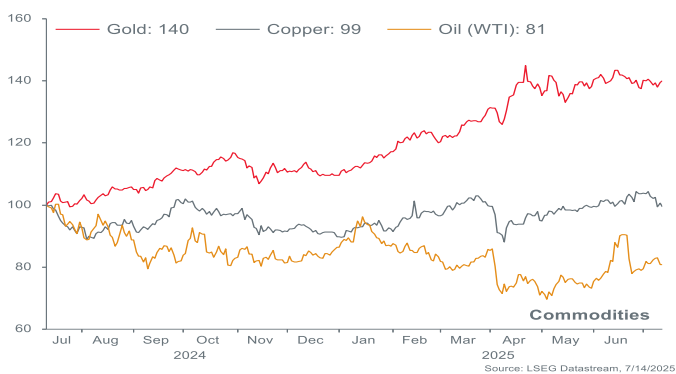
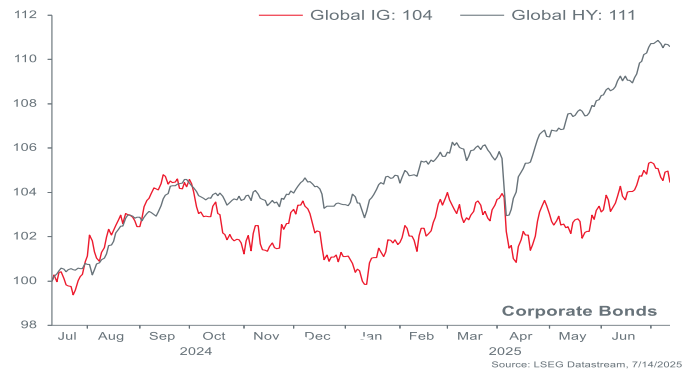
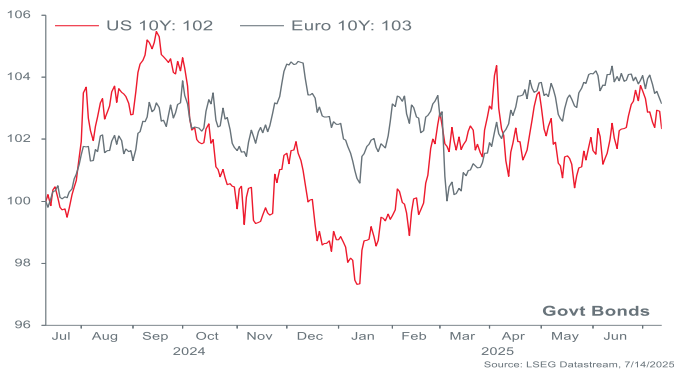
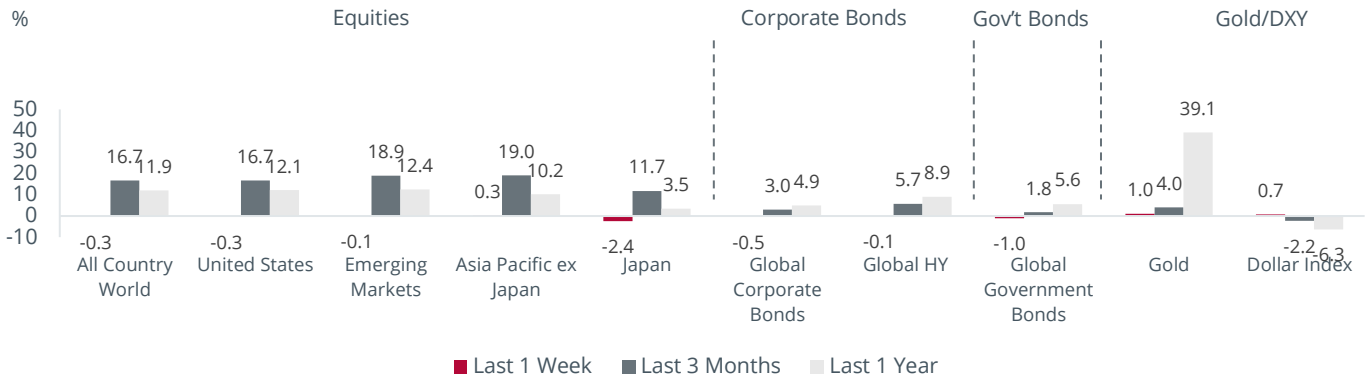


Source: Bloomberg. In local currency terms. As of 9 July 2025.

Market Review

US President Trump signed an Executive Order, extending the expiration date of certain tariff rates from previously July 9 to now August 1, providing affording additional time for negotiation. Both global equities and the S&P 500 declined by -0.3% over the past week. Emerging Market equities fell by roughly -0.15%, while the Asia Pacific ex-Japan market fared better, posting a 0.3% return. Within Asia, Japan equities (as proxied by the MSCI Japan Index) were down 2.4% on a USD basis, weighed by the latest development of a slightly higher tariff of 25% on Japan's imports. In fixed income markets, the yield on 10Y US Treasuries rose by roughly +8 bps, whilst the yield on 10Y Singapore government bonds rose higher by +11 bps for the week. Amid higher yields, global government bonds underperformed both global corporate and high yield bonds. The US Dollar was stronger, with the U.S. Dollar Index (DXY) higher by 0.7%.

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)	922.56	-0.34	2.85	16.69	11.92	9.65	926.48	742.96
North America								
US S&P 500 Index	6,259.75	-0.31	3.94	16.71	12.09	6.43	6,290.22	4,835.04
US Nasdaq Composite Index	20,585.53	-0.08	4.94	23.09	12.59	6.60	20,655.39	14,784.03
Europe								
MSCI Europe	2,433.87	0.38	0.94	15.67	12.80	21.52	2,456.56	1,976.06
Asia Pacific								
MSCI Asia Pacific ex Japan	646.09	0.29	1.56	19.02	10.19	13.47	647.61	513.60
Japan Nikkei 225	39,569.68	-0.61	2.99	17.82	-6.29	-0.81	42,426.77	30,792.74
Shanghai Stock Exchange Composite	3,510.18	1.09	3.17	8.40	18.17	4.73	3,674.40	2,689.70
Hong Kong Hang Seng	24,139.57	0.93	-0.93	15.42	35.37	20.34	24,874.39	16,441.44
Taiwan TAIEX	22,751.03	0.90	1.25	16.50	-6.72	-1.23	24,416.67	17,306.97
Korea KOSPI	3,175.77	3.98	9.24	30.54	9.84	32.35	3,216.69	2,284.72
India NIFTY 50	25,149.85	-1.22	0.03	10.17	3.43	6.37	26,277.35	21,743.65
Australia Stock Exchange 200	8,580.10	-0.27	-0.14	12.21	8.75	5.16	8,639.10	7,169.20
Indonesia Jakarta Composite	7,047.44	2.66	-2.42	12.54	-3.47	-0.46	7,910.56	5,882.61
Thailand SET	1,121.13	0.11	-1.79	-0.67	-15.66	-19.93	1,506.82	1,053.79
Malaysia FTSE Bursa KLSE	1,536.07	-0.91	0.80	5.59	-5.36	-6.47	1,684.68	1,386.63
Philippines Stock Exchange PSE	6,459.88	1.01	1.23	6.21	-2.26	-1.06	7,604.61	5,804.56
Singapore FTSE Straits Times Index	4,087.81	1.85	4.31	16.38	17.63	7.93	4,102.97	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	4.42	1.91	0.20	-1.56	5.49	-3.36	4.81	3.62
10 Year Bond Yield (%)								
Japan	1.50	4.31	2.88	11.43	38.34	37.58	1.59	0.78
China	1.67	1.58	-1.07	0.66	-26.37	-0.60	2.27	1.61
Australia	4.33	3.27	1.10	-0.78	-1.30	-0.85	4.70	3.82
Singapore	2.18	5.31	-5.63	-18.10	-31.48	-23.77	3.18	2.07
Malaysia	3.44	-0.26	-3.48	-8.34	-10.77	-10.00	3.99	3.43
Indonesia	6.58	-0.39	-2.32	-6.91	-5.81	-6.34	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	94.01	-0.49	-0.10	0.63	0.73	0.27	96.21	92.65
Bloomberg U.S. Aggregate USD	91.83	-0.40	0.24	1.36	0.88	1.55	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	-0.09	-0.76	1.76	2.90	7.58	12.90	1.18	1.02
GBP	-0.55	-1.12	-0.33	3.20	4.57	7.90	1.37	1.22
CHF	-0.06	0.31	-2.90	-2.29	-11.15	-12.21	0.92	0.79
JPY	0.79	1.97	1.98	2.71	-7.18	-6.22	158.80	140.60
Asia								
CNY	-0.09	0.05	-0.34	-1.69	-1.23	-1.80	7.35	7.01
HKD	-0.00	0.00	0.01	1.24	0.54	1.06	7.85	7.75
INR	0.09	0.39	0.42	-0.45	2.75	0.29	87.63	83.49
MYR	0.12	0.76	0.35	-3.85	-9.28	-4.88	4.69	4.12
KRW	0.55	1.22	0.67	-2.86	0.58	-6.62	1,485.83	1,308.30
SGD	0.03	0.46	-0.31	-2.93	-4.66	-6.25	1.37	1.27
TWD	0.00	1.13	-2.13	-9.69	-9.89	-10.85	33.25	28.90
IDR	-0.06	0.15	-0.28	-3.48	0.09	0.71	16,865.00	15,095.00

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Sources

Asset performances: (top chart) Eastspring Investments, Refinitiv, as at 14 July 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 14 July 2025. Equities: MSCI indices in USD, other indices in local currency. Other indices or assets as stated.

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