

CIO Views – Weekly Bulletin

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What's top of investors' minds?

Implications of US trade deals

Higher US effective tariff rates, but lower uncertainty should be net beneficial for financial flows into Asia, in our view. One reason is that the deals are bad for the US.

Markets have responded positively so far to the Trump Administration's flurry of deal announcements – Vietnam, Indonesia, the Philippines, Japan, and the EU – because deal rates have been lower than those threatened by President Trump's July tariff letters. The Japan and EU deals keep the US effective tariff rate essentially unchanged: the base tariff rate rises from 10% to 15%, but the rate on autos and parts falls from 25% to 15%. However, the template for EM Asia of an increase in the effective statutory rate from 10% to 19% - 20%, if applied more broadly in likely future trade deals, will increase the US effective statutory tariff rate from roughly August 1.

We expect this to raise US inflation and weaken US consumption in the coming months. One reason is that even before these deals, actual US tariff collection rates through June of just under 10% had yet to catch up to the then statutory rate of about 14% due to collection inefficiencies and import timing issues. Lower collection rates combined with uncertainty over tariff rates appear to have led US companies to be slow to pass tariff costs onto consumer prices. Yet, collection efficiency is rising, and tariff-beating export front-loading is largely over. Actual tariff collection rates should rise in the coming months. Importantly, as deals reduce tariff uncertainty, the incentive for companies to protect margins by increasing tariff passthrough to goods prices will rise. This implies higher US goods inflation, particularly into Q4, and lower real consumer disposable income.

Higher US inflation and softening growth should lead the US dollar to resume its weakening trend and encourage portfolio diversification away from US assets. Asia is well positioned to receive some of these flows:

- Lower than expected tariff rates on Asian exports are leading to upgrades to trend GDP growth forecasts, which should flow through to earnings forecasts in time.
- The very high similarity of tariff rates across Asian economies should reduce the need for competitive cuts in export prices.
- Asian tariff rate reductions work to suppress already very low Asian inflation rates. This should combine with USD weakness to spur further monetary policy easing across the region.

The main negative for the region of the end of uncertainty is that Asian exports should weaken temporarily in late Q3 and Q4 as export front loading reverses temporarily.

Trade deals have helped Asia to resume outperformance

2025 S&P 500 YTD relative performance



Source: LSEG Datastream. As of 25 July 2025.

USD has room to fall further

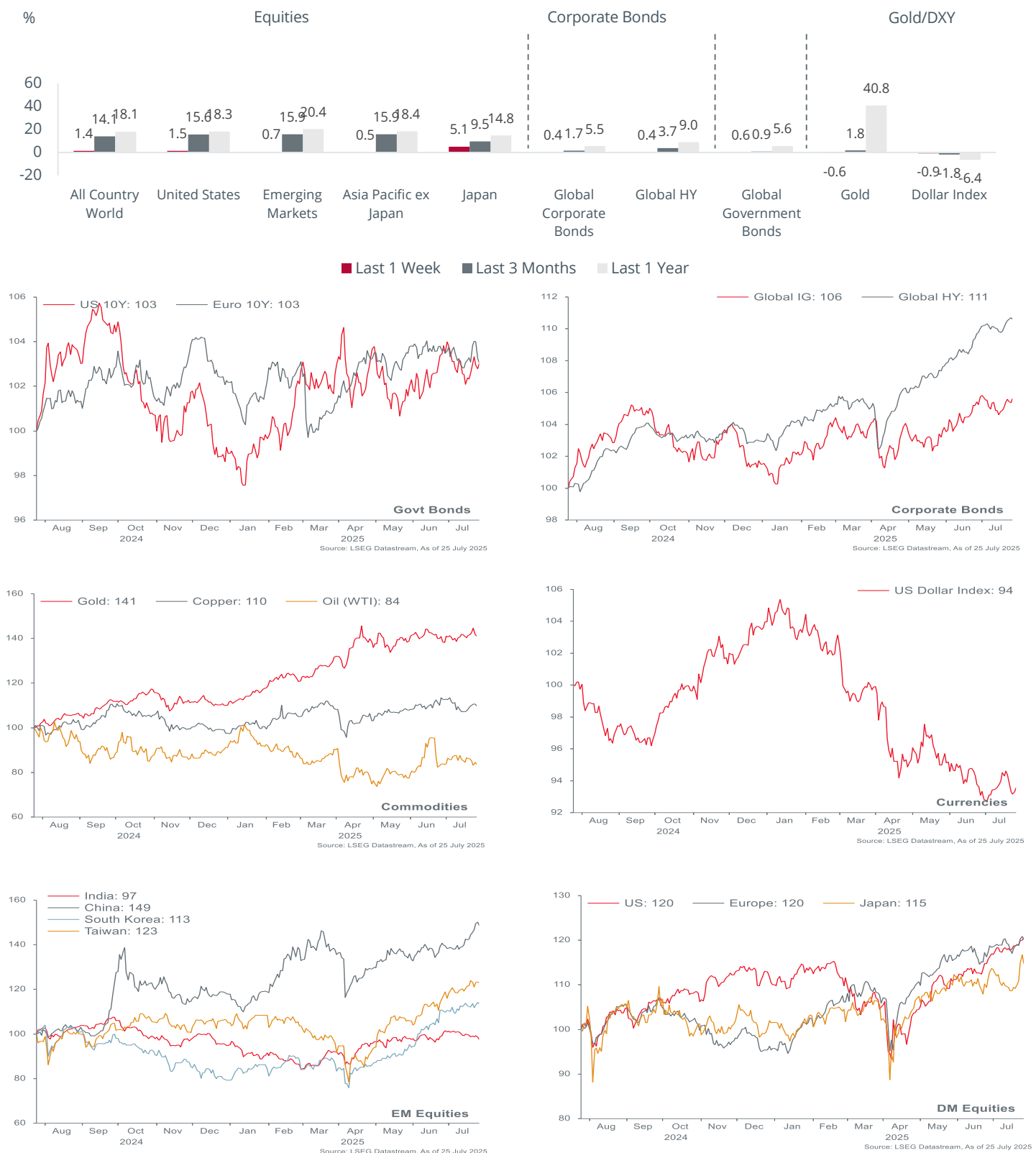


Source: LSEG Datastream. As of 25 July 2025.

Market Review

The recently struck US-Japan trade deal on July 23rd involved imposing a baseline 15% tariff rate on Japanese exports and Japan committing to USD\$550 billion investment in the US. The Japan market was arguably the biggest beneficiary of these developments, with the MSCI Japan Index delivering an outsized return of +5.1% in USD during the past week. Over the past week, global equities (MSCI ACWI Index) gained +1.4% while the S&P 500 Index gained +1.5%; Europe was up +1.3% during the week. Emerging market equities returned +0.7% in USD, while the Asia Pacific ex-Japan market fared slightly lower, posting a +0.5% return in USD. In fixed income, global government bonds (FTSE World Government Bond Index (WGBI)) outperformed both global corporate bonds and global high yield bonds. Longer-end yields on US Treasuries declined during the week, with the 10-year yield and the 30-year yield falling by 4 basis points (bps) and 8 bps, respectively.

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)	941.26	1.43	4.34	14.13	18.13	11.88	941.35	742.96
North America								
US S&P 500 Index	6,388.64	1.46	4.87	15.63	18.33	8.62	6,395.82	4,835.04
US Nasdaq Composite Index	21,108.32	1.02	5.68	21.43	22.85	9.31	21,159.80	14,784.03
Europe								
MSCI Europe	2,450.93	1.25	3.22	8.71	16.33	22.37	2,465.06	1,976.06
Asia Pacific								
MSCI Asia Pacific ex Japan	661.43	0.53	2.93	15.91	18.38	16.16	667.38	513.60
Japan Nikkei 225	41,456.23	4.11	6.46	16.11	9.47	3.91	42,065.83	30,792.74
Shanghai Stock Exchange Composite	3,593.66	1.67	3.98	9.06	24.49	7.22	3,674.40	2,689.70
Hong Kong Hang Seng	25,388.35	2.27	3.73	15.50	49.30	26.56	25,735.89	16,441.44
Taiwan TAIEX	23,364.38	-0.08	4.16	17.57	2.15	1.43	23,943.95	17,306.97
Korea KOSPI	3,196.05	0.25	2.82	25.52	17.91	33.20	3,237.97	2,284.72
India NIFTY 50	24,837.00	-0.53	-1.62	3.32	1.77	5.04	26,277.35	21,743.65
Australia Stock Exchange 200	8,666.90	-1.03	1.26	8.77	10.25	6.22	8,776.40	7,169.20
Indonesia Jakarta Composite	7,543.50	3.17	10.41	12.95	4.19	6.55	7,910.56	5,882.61
Thailand SET	1,217.15	0.88	9.88	5.02	-5.76	-13.07	1,506.82	1,053.79
Malaysia FTSE Bursa KLSE	1,533.76	0.52	0.92	1.63	-5.04	-6.61	1,684.68	1,386.63
Philippines Stock Exchange PSE	6,413.18	1.74	1.38	2.30	-3.85	-1.77	7,604.61	5,804.56
Singapore FTSE Straits Times Index	4,261.06	1.71	8.53	11.44	24.21	12.50	4,274.32	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	4.39	-1.02	2.17	2.81	3.05	-4.17	4.81	3.62
10 Year Bond Yield (%)								
Japan	1.60	5.32	14.66	20.16	49.81	46.93	1.60	0.78
China	1.74	3.70	4.83	4.26	-21.84	3.33	2.22	1.61
Australia	4.36	0.39	5.65	3.76	0.83	-0.27	4.70	3.82
Singapore	2.09	-	-7.78	-16.43	-30.21	-27.09	3.09	2.07
Malaysia	3.39	-1.20	-4.83	-7.79	-10.54	-11.34	3.99	3.39
Indonesia	6.52	-0.44	-2.54	-5.72	-6.44	-7.12	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	0.02	-0.51	-0.37	0.67	0.27	96.21	92.65
Bloomberg U.S. Aggregate USD	91.92	0.13	-0.48	-0.09	1.22	1.65	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	-0.12	0.99	0.69	3.31	8.26	13.40	1.18	1.02
GBP	-0.56	0.22	-1.68	0.90	4.54	7.38	1.37	1.22
CHF	-0.05	-0.81	-1.22	-3.99	-9.84	-12.39	0.92	0.79
JPY	0.45	-0.77	1.66	2.78	-4.07	-6.06	158.35	140.60
Asia								
CNY	0.19	-0.14	-0.12	-1.63	-0.87	-1.80	7.35	7.01
HKD	-0.01	0.03	-0.01	1.19	0.55	1.05	7.85	7.75
INR	0.12	0.38	0.52	1.28	3.29	1.08	87.63	83.49
MYR	0.12	-0.61	-0.40	-3.48	-9.48	-5.60	4.66	4.12
KRW	0.78	-0.54	1.79	-3.76	0.08	-6.33	1,485.83	1,308.30
SGD	0.29	-0.31	0.25	-2.60	-4.65	-6.17	1.37	1.27
TWD	0.26	0.25	0.59	-9.43	-9.94	-10.12	33.25	28.90
IDR	0.18	0.15	0.15	-3.06	0.40	1.37	16,865.00	15,095.00

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Sources

Asset performances: (top chart) Eastspring Investments, Refinitiv, as at 25 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 25 July 2025. Equities: MSCI indices in USD, other indices in local currency. Other indices or assets as stated.

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