

CIO Views – Weekly Bulletin

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What's top of investors' minds?

Middle East stress may delay, but not stop rate cuts in Asia

The new conflict between Iran and Israel affects Asia mainly through higher oil prices. However, unless oil prices rise very substantially further, the trends of below target inflation, relatively healthy current account balances, and trend currency appreciation should support further interest rate cuts across the region in time. Although the price of Brent crude has risen USD10.68/bbl this month, USD5.14/bbl of which has come since Thursday of last week, the current price of USD74.52/bbl remains 7% below the average for 2024 and essentially unchanged from the Q1 average price of USD74.97/bbl. This helps to explain how most Asian equity markets and currencies are stronger as we write, despite the news.

We continue to think that portfolios will benefit from Asia local currency rate exposures. Inflation fell in virtually all of Emerging Asia over the past two months to below central bank targets. Meanwhile, China and Thailand are experiencing deflation.

Central banks in Indonesia, Japan, the Philippines, and Thailand hold policy meetings this month. The Bank of Japan and Bank Indonesia (BI) are likely to keep rates unchanged this month. However, we think BI will cut at least 75bps by year-end. The weakness in the Philippines peso sparked by the rise in the oil price may lead the Bangko Sentral ng Pilipinas (BSP) to pause this month, but we see room for at least 50bps of cuts by year-end. We expect the Bank of Thailand (BoT) to cut 25bps this month and another 25bps by year-end.

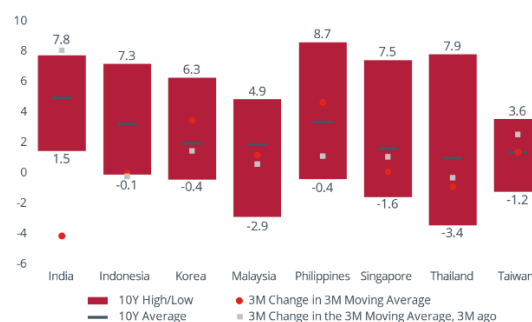
For the rest of the region, the People's Bank of China is likely to announce new easing measures at the June 18-19 Lujiazui Forum and cut the 7-day repo rate by at least 20bps further by year-end. We also expect a 25bps cut from Bank Negara Malaysia in the coming months. The Reserve Bank of India shifted to a neutral stance after its 50bps cut earlier this month, but we think it will cut another 25bps in Q4 or Q1 2026.

Broad USD weakness is central to our forecasts for Asian rate cuts and the diversification benefit for portfolios from Asian fixed income. US dollar weakness against the major currencies has historically spilled over into Emerging Asia currency appreciation against the dollar. The 9.4% fall in the DXY index year-to-date has contributed to Asian FX gains ranging from 1.7% for the Chinese yuan to 11.1% for the Taiwanese dollar against the USD. While the Indian rupee and Indonesian Rupiah have fallen slightly on a spot basis, both have delivered returns of over 2% after accounting for carry.

One risk is that the Middle East conflict worsens, driving a US dollar rally that turns Asian central banks cautious. We think this would be short lived. More important would be the resumption of a more aggressive US tariff stance on July 9. However, President Trump's revealed preference has been to back away from extreme tariff positions when markets protest.

Low, falling inflation across Asia...

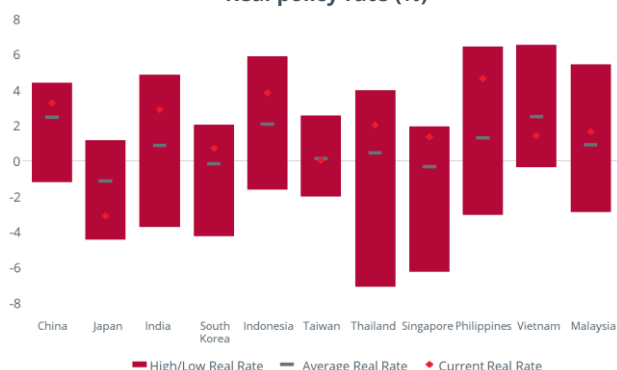
Asia CPI momentum (%)



Source: LSEG Datastream, June 2025.

...Points to room to cut still high real policy rates

Real policy rate (%)



Source: LSEG Datastream, June 2025.

Broad USD weakness reduces risk for Asian central banks

DXY broad USD index



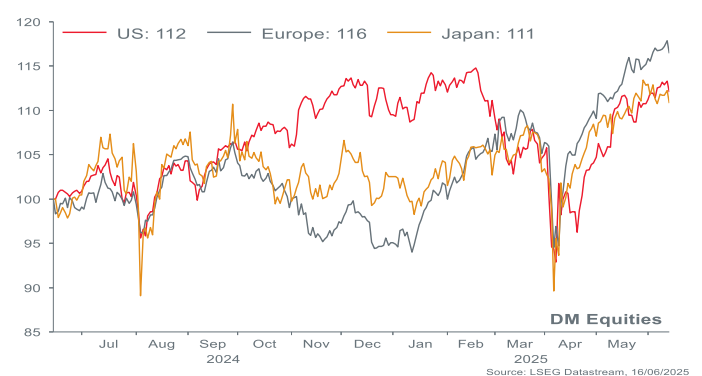
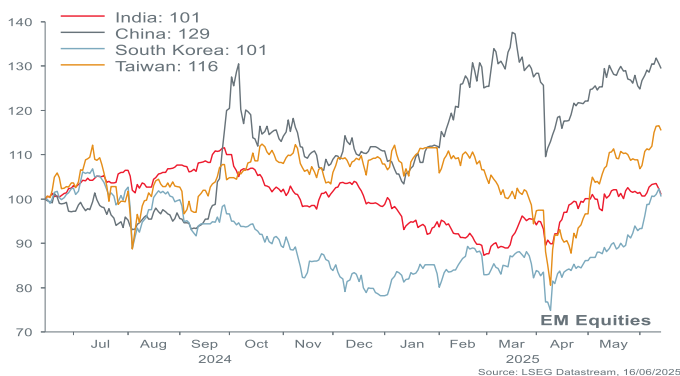
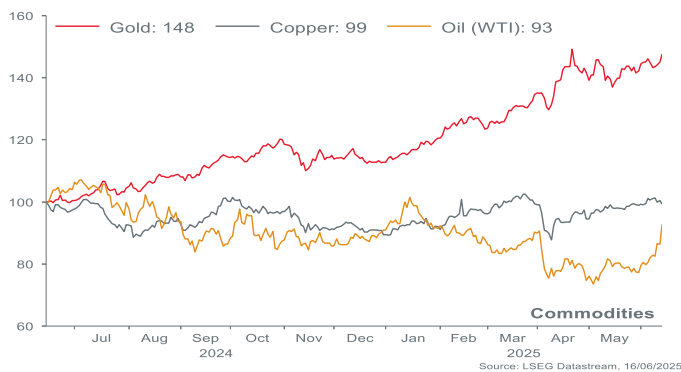
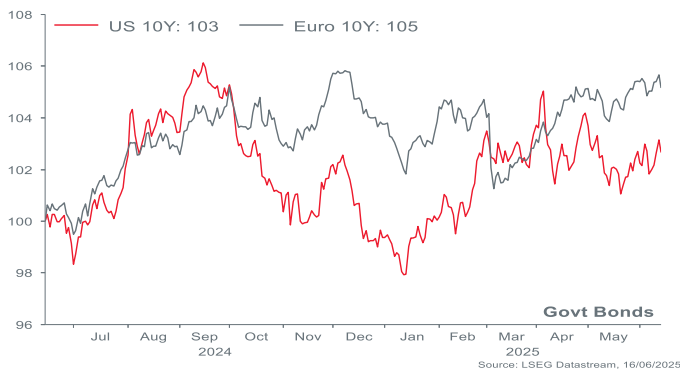
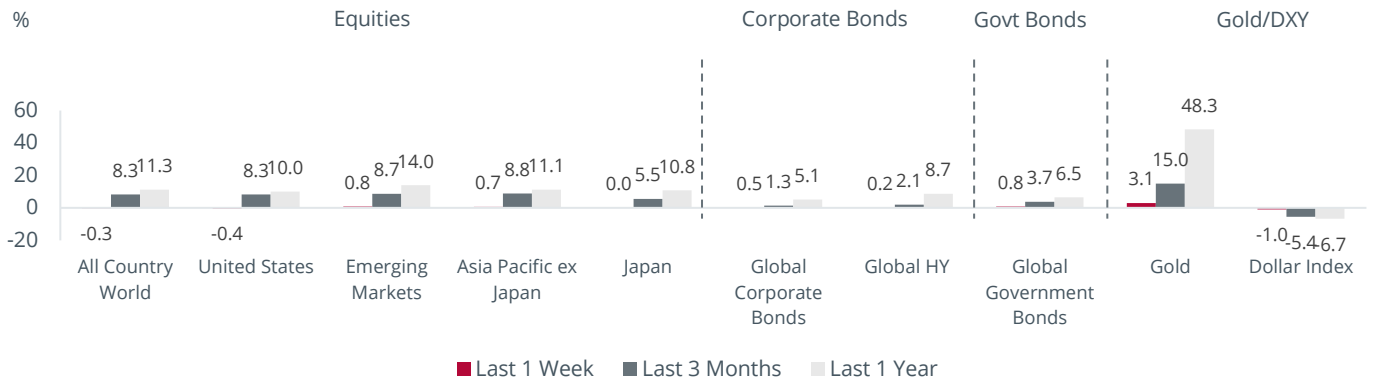
Source: Bloomberg, 16 June 2025.

Market Review

Global equities fell 0.3% over the past week. The S&P 500 declined 0.4%, while Asia Pacific ex-Japan and Emerging Market equities rose by 0.7% and 0.8% respectively. Within Asia, Japan equities was flat on a USD basis. Global corporate bonds gained 0.5%. The yield on 10Y US treasuries fell by 10bps, whilst the yield on 10Y Singapore govt bonds was unchanged for the week. The price of gold rose by 3.1%.

The US Dollar was mostly weaker against major currencies, with the Dollar index DXY declining by 1%.

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)	889.69	-0.25	2.12	8.29	11.25	5.75	899.61	742.96
North America								
US S&P 500 Index	5,976.97	-0.39	1.54	8.25	10.00	1.62	6,147.43	4,835.04
US Nasdaq Composite Index	19,406.83	-0.63	2.09	12.16	9.84	0.50	20,204.58	14,784.03
Europe								
MSCI Europe	2,395.70	-0.27	3.45	7.02	12.75	19.61	2,424.31	1,976.06
Asia Pacific								
MSCI Asia Pacific ex Japan	627.21	0.71	3.69	8.84	11.15	10.15	636.17	513.60
Japan Nikkei 225	37,834.25	0.25	-0.91	2.84	-2.29	-5.16	42,426.77	30,792.74
Shanghai Stock Exchange Composite	3,377.00	-0.25	0.06	0.54	11.49	0.75	3,674.40	2,689.70
Hong Kong Hang Seng	23,892.56	0.42	3.39	1.83	31.91	19.11	24,874.39	16,441.44
Taiwan TAIEX	22,072.95	1.90	3.48	0.51	-1.07	-4.18	24,416.67	17,306.97
Korea KOSPI	2,894.62	2.94	10.97	12.47	5.07	20.63	2,934.31	2,284.72
India NIFTY 50	24,718.60	-1.14	0.57	10.36	5.64	4.54	26,277.35	21,743.65
Australia Stock Exchange 200	8,547.40	0.37	3.37	10.30	10.29	4.76	8,639.10	7,169.20
Indonesia Jakarta Composite	7,166.07	0.74	4.88	7.80	4.90	1.22	7,910.56	5,882.61
Thailand SET	1,122.70	-1.21	-7.55	-3.19	-14.41	-19.82	1,506.82	1,056.41
Malaysia FTSE Bursa KLSE	1,518.11	0.09	-4.06	0.54	-5.72	-7.56	1,684.68	1,386.63
Philippines Stock Exchange PSE	6,395.59	0.30	-2.61	2.46	0.07	-2.04	7,604.61	5,804.56
Singapore FTSE Straits Times Index	3,911.42	-0.58	0.78	1.93	17.65	3.27	4,005.18	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	-1.67	3.46	4.34	-3.34	4.81	3.62
10 Year Bond Yield (%)								
Japan	1.40	-3.44	-2.90	-9.13	44.89	28.69	1.59	0.78
China	1.69	-0.18	1.44	-11.97	-26.50	0.71	2.30	1.61
Australia	4.16	-2.62	-6.18	-6.01	-1.17	-4.81	4.70	3.82
Singapore	2.27	-	-10.01	-13.64	-29.89	-20.80	3.28	2.27
Malaysia	3.56	0.99	-0.92	-5.34	-7.91	-6.75	3.99	3.53
Indonesia	6.70	-0.79	-2.32	-3.70	-3.81	-4.61	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	94.10	0.36	0.58	0.47	1.18	0.36	96.21	92.19
Bloomberg U.S. Aggregate USD	91.60	0.67	0.69	-0.40	1.05	1.29	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	-0.27	1.39	3.29	6.45	7.61	11.58	1.16	1.02
GBP	-0.33	0.32	1.95	4.77	6.31	8.42	1.36	1.22
CHF	0.11	-1.27	-3.34	-8.03	-9.24	-10.59	0.92	0.81
JPY	0.43	-0.52	-2.29	-2.52	-8.23	-8.33	161.68	140.60
Asia								
CNY	0.12	-0.11	-0.34	-0.87	-0.98	-1.62	7.35	7.01
HKD	0.00	0.04	0.67	1.00	0.50	1.05	7.85	7.75
INR	0.62	0.38	0.98	-0.94	3.04	0.62	87.63	83.33
MYR	0.62	0.43	-1.78	-4.33	-9.82	-5.04	4.72	4.12
KRW	0.86	0.55	-3.49	-5.96	-0.64	-7.46	1,485.83	1,308.30
SGD	0.21	-0.61	-1.52	-4.07	-5.14	-6.15	1.37	1.28
TWD	0.09	-1.32	-2.97	-10.46	-8.65	-9.95	33.25	29.16
IDR	0.37	0.12	-1.33	-0.79	0.15	1.24	16,865.00	15,095.00

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Sources

Asset performances: (top chart) Eastspring Investments, Refinitiv, as at 13 June 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 13 June 2025. Equities: MSCI indices in USD, other indices in local currency. Other indices or assets as stated.

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