CIO Views – Weekly Bulletin

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What's top of investors' minds?

Iran vs. FOMO

US military strikes on Iran this weekend pushed Brent crude prices to $79.23/bbl as we write – still below the January highs - and focused markets on the risk that they may rise further. The main fear is that Iran closes the 21-mile-wide Strait of Hormuz, for example mining it or scuttling ships. About 20% - 30% of the world's oil and gas transits the strait so such a closure could push oil prices to $100/bbl or higher for some period.

Although we acknowledge this risk, our bias is to think Iran will refrain from closing the strait or attacking neighbouring oil infrastructure, for example in Saudi Arabia. One reason is that it would probably trigger significant reprisal from the United States at a time when Iran's military is already degraded. Another, perhaps more important reason is it would damage the flow of oil to its known ally China.

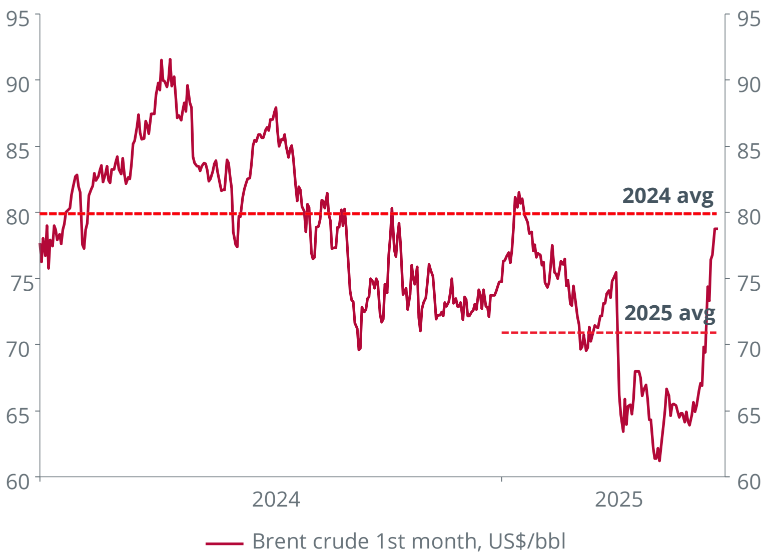
Even in a closure scenario, oil prices would not necessarily persist at high levels for multiple quarters, in our view. We judge comparisons of the current risk with the 1973 and 1979 oil shock experiences to be too extreme and very unlikely. Supply-demand conditions are much more benign now than before. World oil intensity of GDP has fallen from 0.12 tons of oil equivalent to less than 0.05 now. The US has swung from being a net oil importer to being a net exporter. If oil prices remain above $80/bbl, US shale supply would likely rise progressively, as would supply from Canada and some African countries. Second, the attack on Iran has not and seems unlikely to trigger a broad OPEC embargo. If this remains the case, as we expect it will, at least some of OPEC's substantial spare capacity, estimated to be about 5.8mn/bpd by Energy Intelligence, would likely begin entering markets after about 30 – 40 days.

Asia is better positioned to weather an oil price shock than in the past. First, the current oil price is still within the range of the last several years. If prices sustain at current levels, they will exert a drag on growth and a stimulus to inflation relative to the last few months, but the effect will be small. We estimate they would add only about 0.2% - 0.3% to regional inflation and subtract only about 0.1% - 0.2% from GDP growth. The Philippines and Thailand have the largest inflation sensitivity to changes in oil prices while China has the least. Yet, we showed last week that inflation is below central bank targets in almost all countries and 0.2% or so would not change the picture.

Currency stability is probably the greater concern for most central banks and their rate cut plans. An oil price shock would weaken Asian currencies somewhat, both by weakening the yen and Asian trade balances. India, Korea, the Philippines, and Thailand have the largest trade balance sensitivities.

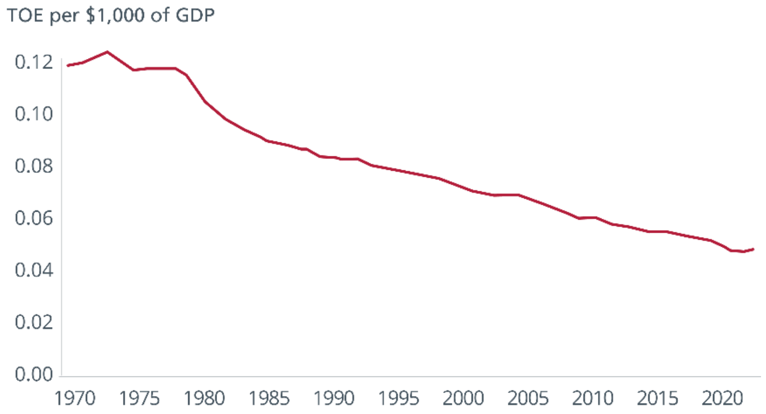
However, if Iran does not take action that pushes up oil prices, we would expect markets to turn more optimistic about risky assets and the USD to re-weaken. The impact of tariffs on US and Asian growth has so far been less than feared, or, more likely, more delayed and gradual.

Oil remains within last year's range



Source: LSEG Datastream, June 2025

The oil intensity of the world economy has fallen about 95% since the early 1970s

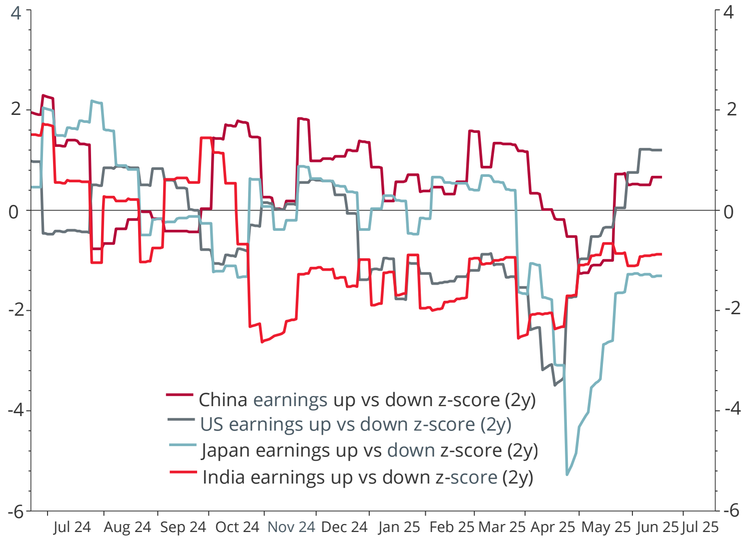


Source: World Bank

This has contributed to positive earnings revisions in recent weeks in the US and China. A risk exists that US President Trump could impose his "reciprocal" tariffs in early July as the 90-day negotiation period expires, but his actions so far suggest he is more likely to extend the deadline, at least with the US' most important trading partners, China, the EU, and probably Japan, Korea, and Taiwan.

Importantly, we believe the institutional investment community is underweight or, at most, neutral on risk after having cut following the April 2 tariff shock. Money market liquidity conditions are flush amid interest rate cuts by many central banks this year. This creates an environment in which, absent new shocks from oil or tariffs, equity markets could try to re-test their highs. FOMO in essence.

US and Chinese earnings revisions have turned positive

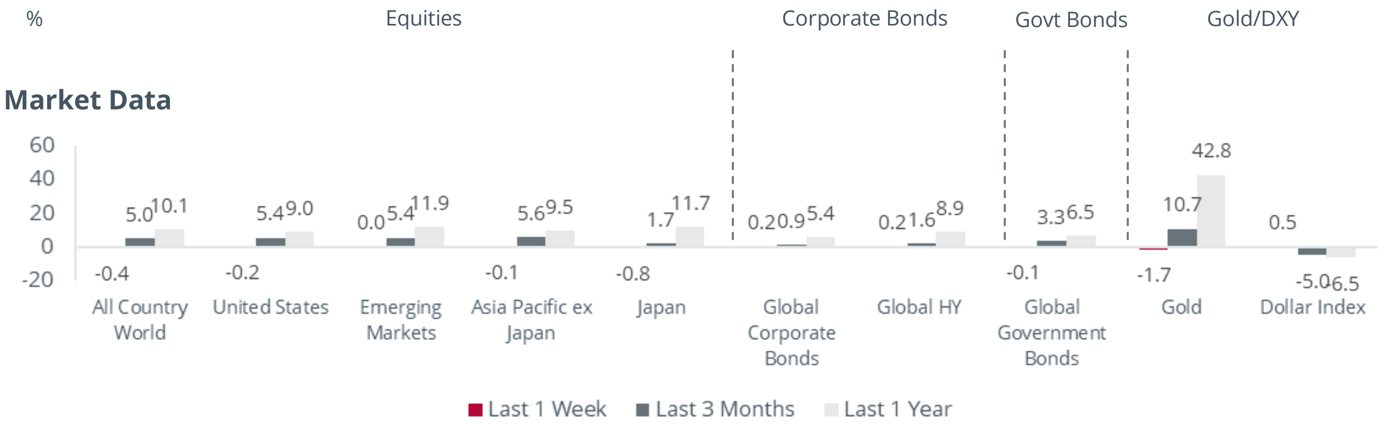


Source: LSEG Datastream, June 2025

Market Review

Global equities were down 0.4% over the past week. The S&P 500 returned -0.2% while Asia Pacific ex-Japan equity index fell by 0.1%. EM equities were flat with China equities down by 0.5%. The Global Aggregate Bond index returned 0.2%. The yield on 10Y US treasuries declined by 111bps. The yield on 10Y Singapore govt bonds rose by 115bps. The Dollar was mostly stronger against major currencies as the Dollar index DXY moved up by 0.53%.

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)	885.76	-0.44	0.47	5.01	10.12	5.28	899.61	742.96
North America								
US S&P 500 Index	5,967.84	-0.15	0.46	5.39	9.04	1.47	6,147.43	4,835.04
US Nasdaq Composite Index	19,447.41	0.21	1.59	9.92	9.74	0.71	20,204.58	14,784.03
Europe								
MSCI Europe	2,351.98	-1.83	-1.03	2.80	10.59	17.43	2,424.31	1,976.06
Asia Pacific								
MSCI Asia Pacific ex Japan	626.61	-0.09	2.62	5.60	9.45	10.05	636.17	513.60
Japan Nikkei 225	38,403.23	1.50	2.33	1.73	-0.59	-3.74	42,426.77	30,792.74
Shanghai Stock Exchange Composite	3,359.90	-0.51	-0.61	-1.44	11.79	0.24	3,674.40	2,689.70
Hong Kong Hang Seng	23,530.48	-1.52	-0.64	-2.85	28.33	17.30	24,874.39	16,441.44
Taiwan TAIEX	22,045.74	-0.12	2.41	-1.48	-5.81	-4.30	24,416.67	17,306.97
Korea KOSPI	3,021.84	4.40	16.14	14.59	7.63	25.94	3,022.06	2,284.72
India NIFTY 50	25,112.40	1.59	1.74	8.29	6.56	6.21	26,277.35	21,743.65
Australia Stock Exchange 200	8,505.50	-0.49	1.94	7.41	9.47	4.25	8,639.10	7,169.20
Indonesia Jakarta Composite	6,907.14	-3.61	-2.64	8.23	1.29	-2.44	7,910.56	5,882.61
Thailand SET	1,067.63	-4.91	-10.22	-9.65	-17.77	-23.75	1,506.82	1,056.41
Malaysia FTSE Bursa KLSE	1,502.74	-1.01	-2.98	-0.09	-5.65	-8.50	1,684.68	1,386.63
Philippines Stock Exchange PSE	6,339.77	-0.87	0.07	0.26	-0.08	-2.90	7,604.61	5,804.56
Singapore FTSE Straits Times Index	3,883.43	-0.72	0.02	-1.20	17.68	2.53	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	4.38	-1.11	-2.37	3.35	2.84	-4.41	4.81	3.62
10 Year Bond Yield (%)								
Japan	1.40	-0.50	-7.97	-8.03	46.74	28.05	1.59	0.78
China	1.65	-2.25	-1.37	-14.30	-26.29	-1.55	2.29	1.61
Australia	4.20	1.13	-4.84	-3.62	-0.52	-3.73	4.70	3.82
Singapore	2.29	1.15	-8.54	-14.00	-27.81	-19.89	3.28	2.27
Malaysia	3.59	0.90	-0.14	-4.08	-7.08	-5.92	3.99	3.53
Indonesia	6.76	0.85	-1.23	-4.99	-5.45	-3.80	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	94.24	0.15	0.71	0.33	1.24	0.51	96.21	92.19
Bloomberg U.S. Aggregate USD	91.82	0.24	0.89	-0.50	1.39	1.54	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	0.24	-0.26	2.13	6.18	7.68	11.29	1.16	1.02
GBP	-0.13	-0.85	0.42	3.75	6.27	7.50	1.36	1.22
CHF	0.11	0.78	-1.30	-7.31	-8.27	-9.90	0.92	0.81
JPY	0.43	1.37	1.09	-1.82	-8.07	-7.07	161.68	140.60
Asia								
CNY	-0.13	-0.03	-0.57	-0.95	-1.13	-1.65	7.35	7.01
HKD	0.00	0.01	0.30	0.99	0.58	1.06	7.85	7.75
INR	-0.29	0.56	1.20	0.28	3.52	1.18	87.63	83.36
MYR	-0.16	0.16	-1.05	-3.93	-9.73	-4.88	4.72	4.12
KRW	-0.26	0.46	-1.47	-6.34	-1.37	-7.04	1,485.83	1,308.30
SGD	0.09	0.48	-0.56	-3.56	-4.94	-5.70	1.37	1.28
TWD	0.01	0.17	-1.86	-10.42	-8.63	-9.80	33.25	29.16
IDR	-0.06	0.55	-0.18	-0.55	-0.27	1.80	16,865.00	15,095.00

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Sources

Asset performances: (top chart) Eastspring Investments, Refinitiv, as at 20 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 20 June 2025. Equities: MSCI indices in USD, other indices in local currency. Other indices or assets as stated.

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