

CIO Views – Weekly Bulletin



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What's top of investors' minds?

Asia fixed income as a hedge to what could be a volatile equity rally

Last week we argued that the conflict in Iran was unlikely to disrupt oil markets. The Brent crude price has subsequently fallen from USD78/bbl to USD68/bbl. This helped the S&P 500 to rally to a new record high, causing it to be up 5% for the year. The ample liquidity conditions and low levels of institutional positioning we discussed remain in place and seem likely to push equities higher into peak US earnings season from July 14. Consensus expectations for S&P 500 earnings growth of 4% in Q2, down from 12% in Q1, seem slightly low to us so we see room for positive earnings surprises to support higher US equity levels in the short term. If US equities do rally, they are likely to support further gains in Asian equities.

However, several potential sources of equity volatility stand out. The 90-day delay of US "reciprocal" tariffs ends on July 9 and press reports suggest the US has been unable to conclude many trade deals. To be sure, the US trade war with Canada over its digital services tax resumed last week. We expect Trump to extend talks with most countries, but do not rule out that he implements reciprocal tariffs on some countries, some of which may be in Asia.

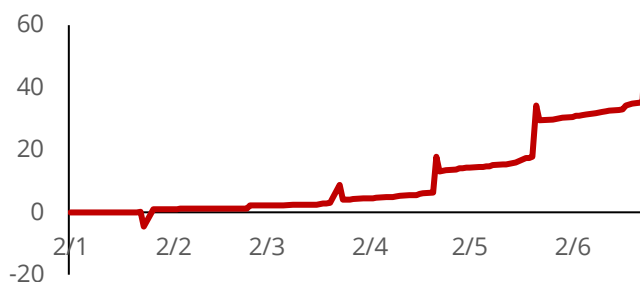
The ultimate impact of tariffs on company margins and US inflation is also a potential source of volatility. US tariff collection delays have cushioned data through May, but we note that the US effective tariff rate has risen from about 8% in April to 10% in May, is likely to be about 11% - 12% in June, and should hit 13% or just above by August. This should affect US consumption and inflation. We think the effect may remain subtle in the June data but should become more obvious from the July figures. If correct, markets will have to contend with news of softer consumption and higher inflation from August.

The US dollar is continuing to weaken in response to increasing expectations for slower US growth and Fed policy rate cuts, falling 1.2% last week to its lowest level since March 2022. The chart on the right shows that the USD is following the path it took in the first year of President Trump's first term, which was also a year of policy turmoil and slower US economic growth.

We continue to think this mix of USD weakness, slowing economic growth, and lower energy prices makes Asian local currency fixed income an attractive tool for portfolio diversification and hedging potential equity volatility. This mix implies that already low Asian inflation is likely to remain low or fall further. Given this and still historically high Asian policy rates in real terms, we expect most Asian central banks to cut rates further over the next year. Resumption of rate cuts by the US Fed in Q4 and possibly as early as September should add to the pressure on Asian central banks to lower their interest rate structures. We forecast rate cuts in China, India, Indonesia, Malaysia, the Philippines, Korea, Taiwan, Thailand, and Vietnam over the next 12-18 months.

Tariffs should begin showing up in US macro data in the coming months, potentially causing equity volatility

USDbn Change in US tariff revenue, 2025 vs 2024

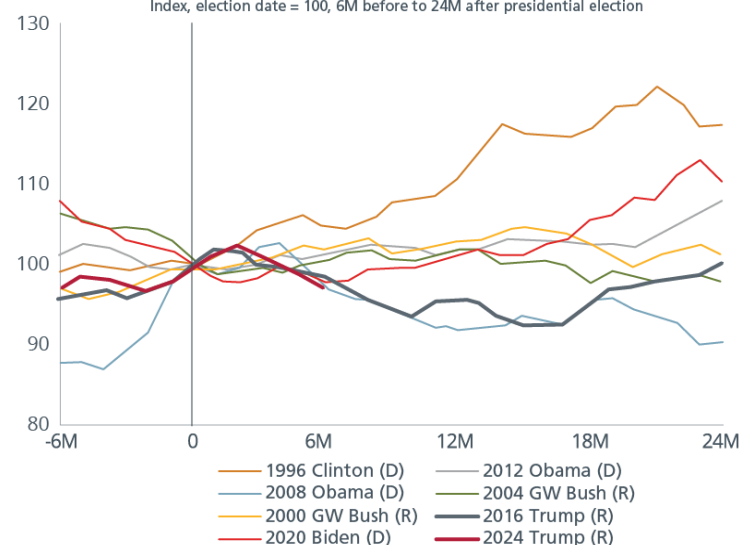


Source: LSEG Datastream, June 2025.

The USD is weakening in line with the first Trump term

US broad effective exchange rate

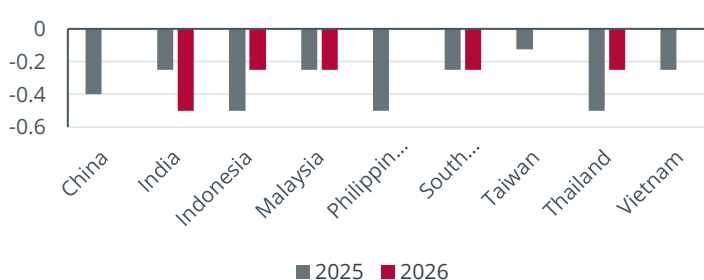
Index, election date = 100, 6M before to 24M after presidential election



Source: LSEG Datastream, June 2025. Index, election date = 100, 6M before to 24M after Presidential election.

Broad USD weakness reduces risk for Asian central banks

Asia forecast policy rate change, %



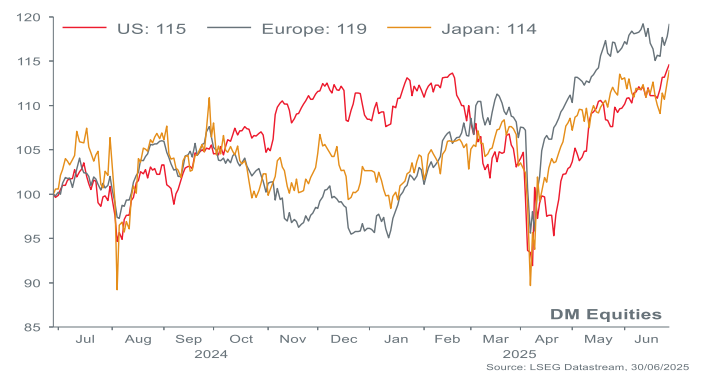
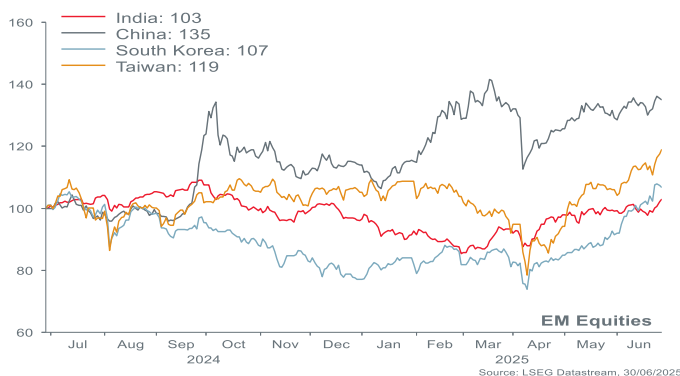
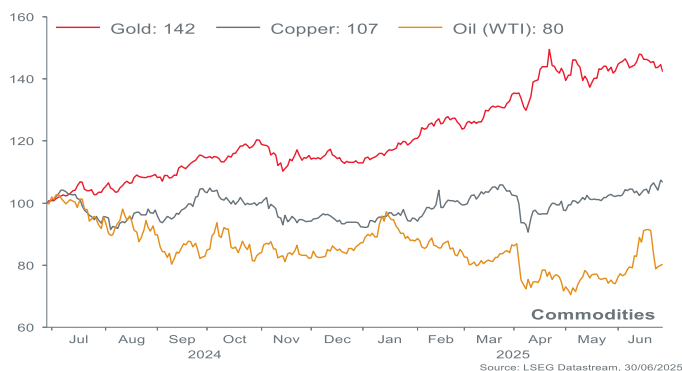
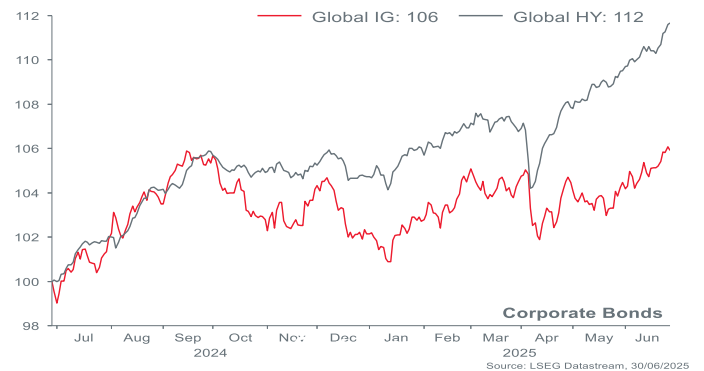
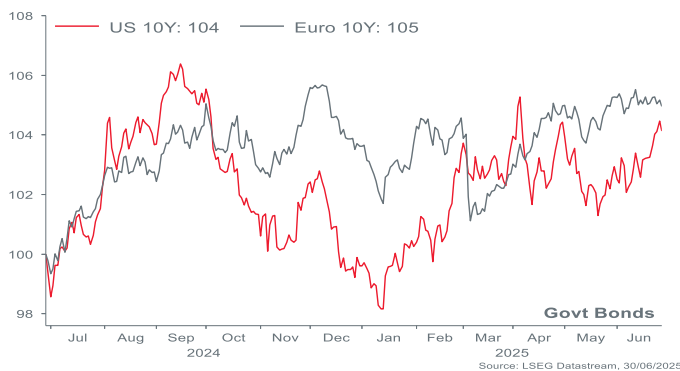
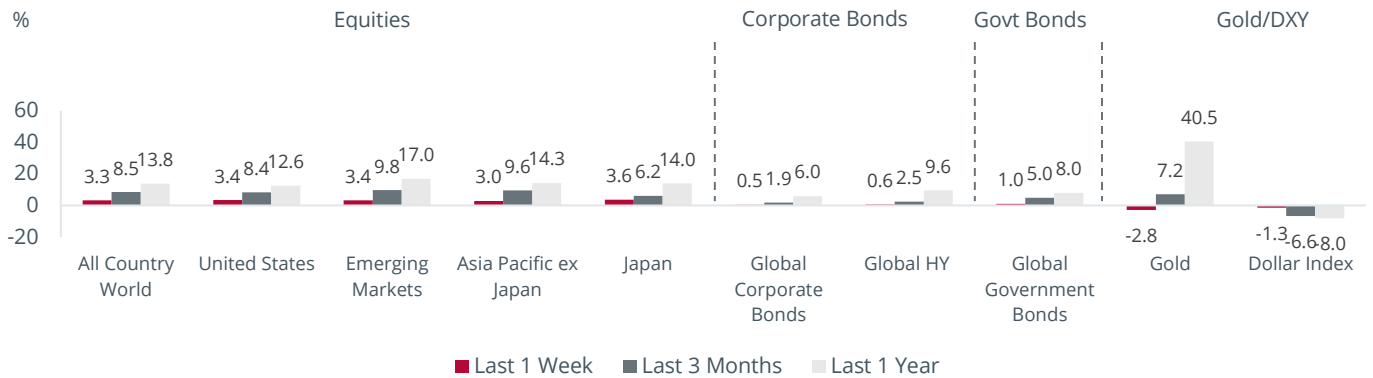
Source: Bloomberg, 16 June 2025.

Market Review

Global equities rose 3.3% over the past week. The S&P 500 rose 3.4%, while Asia Pacific ex-Japan and Emerging Market equities rose by 3.0% and 3.4% respectively. Within Asia, Japan equities was up 3.6% on a USD basis. Global corporate bonds gained 0.5%. The yield on 10Y US treasuries fell by 210bps, whilst the yield on 10Y Singapore govt bonds was down 345bps for the week. The price of gold fell by 2.8%.

The US Dollar was mostly weaker against major currencies over the week, with the Dollar Index DXY declining by 1.3%.

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)	914.79	3.28	3.82	8.49	13.82	8.73	914.79	742.96
North America								
US S&P 500 Index	6,173.07	3.44	4.25	8.43	12.59	4.96	6,187.68	4,835.04
US Nasdaq Composite Index	20,273.46	4.25	5.60	13.87	13.52	4.99	20,311.51	14,784.03
Europe								
MSCI Europe	2,423.59	3.05	1.67	7.74	15.46	21.00	2,424.31	1,976.06
Asia Pacific								
MSCI Asia Pacific ex Japan	645.43	3.00	5.65	9.64	14.26	13.35	645.43	513.60
Japan Nikkei 225	40,150.79	4.55	6.43	6.22	2.06	0.64	42,426.77	30,792.74
Shanghai Stock Exchange Composite	3,424.23	1.92	2.50	1.50	16.24	2.16	3,674.40	2,689.70
Hong Kong Hang Seng	24,284.15	3.20	3.86	2.99	37.07	21.06	24,874.39	16,441.44
Taiwan TAIEX	22,580.08	2.42	5.83	2.86	-1.42	-1.98	24,416.67	17,306.97
Korea KOSPI	3,055.94	1.13	15.88	17.21	9.77	27.36	3,129.09	2,284.72
India NIFTY 50	25,637.80	2.09	3.27	8.67	6.63	8.43	26,277.35	21,743.65
Australia Stock Exchange 200	8,514.20	0.10	1.27	6.84	9.73	4.35	8,639.10	7,169.20
Indonesia Jakarta Composite	6,897.40	-0.14	-4.19	5.94	-1.01	-2.58	7,910.56	5,882.61
Thailand SET	1,082.42	1.39	-6.96	-8.88	-17.34	-22.70	1,506.82	1,053.79
Malaysia FTSE Bursa KLSE	1,528.16	1.69	0.13	-0.49	-3.58	-6.95	1,684.68	1,386.63
Philippines Stock Exchange PSE	6,408.27	1.08	0.37	4.38	0.28	-1.85	7,604.61	5,804.56
Singapore FTSE Straits Times Index	3,966.20	2.13	1.80	-0.39	18.63	4.72	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	4.28	-2.10	-3.41	-1.97	-0.12	-6.42	4.81	3.62
10 Year Bond Yield (%)								
Japan	1.43	2.36	-2.52	-9.95	33.27	31.07	1.59	0.78
China	1.65	-0.42	-2.26	-12.76	-25.41	-1.96	2.29	1.61
Australia	4.15	-1.38	-3.94	-8.21	-6.01	-5.06	4.70	3.82
Singapore	2.21	-3.45	-8.14	-18.70	-32.01	-22.65	3.28	2.21
Malaysia	3.53	-1.81	-0.79	-6.71	-8.91	-7.62	3.99	3.53
Indonesia	6.64	-1.70	-2.61	-4.87	-6.32	-5.44	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	94.51	0.29	0.69	1.00	1.79	0.80	96.21	92.19
Bloomberg U.S. Aggregate USD	92.40	0.63	1.32	0.87	2.22	2.18	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	0.17	1.71	3.45	8.50	9.50	13.19	1.17	1.02
GBP	-0.09	1.97	1.56	5.94	8.51	9.62	1.37	1.22
CHF	-0.14	-2.26	-3.39	-9.35	-11.09	-11.94	0.92	0.80
JPY	0.19	-0.97	0.23	-4.24	-10.01	-7.97	161.68	140.60
Asia								
CNY	0.07	-0.09	-0.32	-1.27	-1.33	-1.74	7.35	7.01
HKD	-	-0.00	0.15	0.96	0.53	1.06	7.85	7.75
INR	-0.22	-1.29	0.16	-0.23	2.40	-0.13	87.63	83.36
MYR	-	-0.56	-0.21	-4.58	-10.43	-5.42	4.72	4.12
KRW	0.50	-0.62	-0.78	-6.85	-1.59	-7.61	1,485.83	1,308.30
SGD	0.14	-0.92	-1.00	-4.76	-6.09	-6.56	1.37	1.27
TWD	-0.27	-1.66	-2.93	-12.09	-10.65	-11.30	33.25	29.08
IDR	-	-1.11	-0.44	-2.15	-1.20	0.68	16,865.00	15,095.00

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Sources

Asset performances: (top chart) Eastspring Investments, Refinitiv, as at 27 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 27 June 2025. Equities: MSCI indices in USD, other indices in local currency. Other indices or assets as stated.

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