

CIO Views – Weekly Bulletin

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What's top of investors' minds?

Tariff time: deals vs. delays vs. letters

Clarity on Asian countries' trade deals, letters informing countries of the new tariff regime, and further delays to the July 9 deadline about imposition of "reciprocal" tariffs is poor. China appears to have a framework for ongoing negotiation and US President Trump tweeted about a deal with Vietnam. Uncertainty remains for other countries.

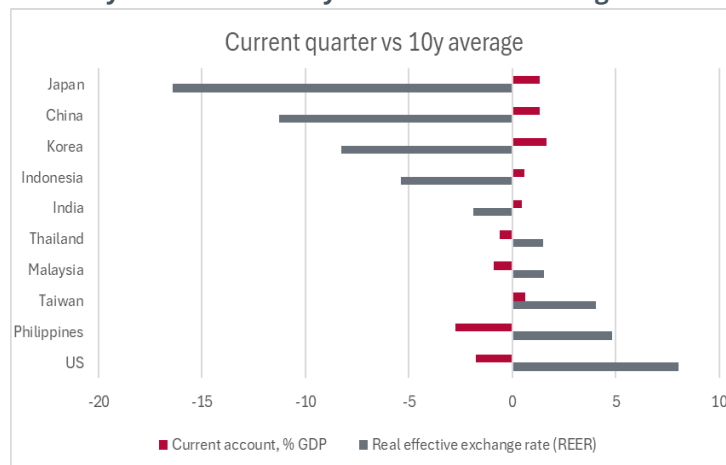
Still, several key observations stand out. One is that currency valuation appears to be a key focus of the Trump Administration. Trade deals may not include specific terms about currency, but agreement to allow currencies perceived to be undervalued to appreciate is likely to be a quid pro quo for deals. A simple way to think about this is to compare the current level of countries' real effective exchange rates and current account balances with their long-term averages. See chart on the right. On this admittedly simple basis, the JPY, CNY, KRW, IDR, and INR are at risk of US pressure for appreciation whereas the PHP, TWD (following its sharp appreciation this year), and MYR look less exposed to potential criticism.

A second key point is that Trump's tweet about tariffs on Vietnamese goods being 20% and on goods transshipped through Vietnam at 40%, creates a negative bias for other countries. These imply that although tariff rates achieved in deals are likely to be lower than the reciprocal rates announced on April 2, they will probably be higher than the baseline tariff rate of 10% countries are currently paying. This would be negative for Asian growth on two key fronts. An increase in tariff rates is likely to weaken export growth directly via the higher tax rate in the coming quarters. Slowing US growth will also dampen Asian growth by reducing import demand.

Delays and exemptions muted the impact of tariff announcements on the US economy through April, but US tariff collections in June jumped to 1.1% of US GDP on an annualised basis. They are likely to rise further toward about 1.4% - 1.5% of GDP in the coming quarters, slowing US growth and increasing inflation.

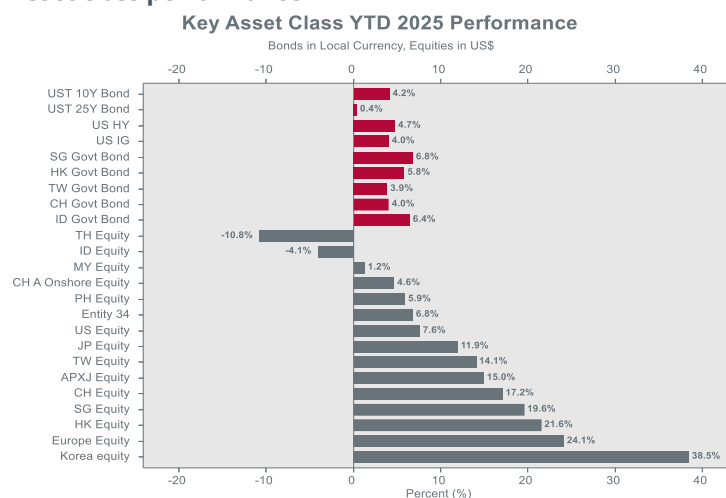
If higher tariffs slow growth they will encourage stronger performance from Asian local currency bonds. However, for equities, investors will need to focus on relative tariff rates across countries, not individual rates on their own, and how these contrast with asset performance so far. This means Europe may become less attractive relative to Asia if it fails to secure a deal. Within Asia we think China equities is somewhat insulated by its framework deal baseline, ongoing policy stimulus, and progress in its tech sector. We would be surprised if tariff terms change for Singapore given it runs a trade deficit with the US. Our bias is to think imposing high tariffs on Taiwanese tech – which the US simply can't currently produce – would be self-defeating. India, Malaysia, and the Philippines appear potentially more exposed, although ongoing monetary easing should increasingly offset negative trade effects in India.

Currency valuation is likely to be a trade deal target



Source: LSEG Datastream, June 2025.

Asset class performance



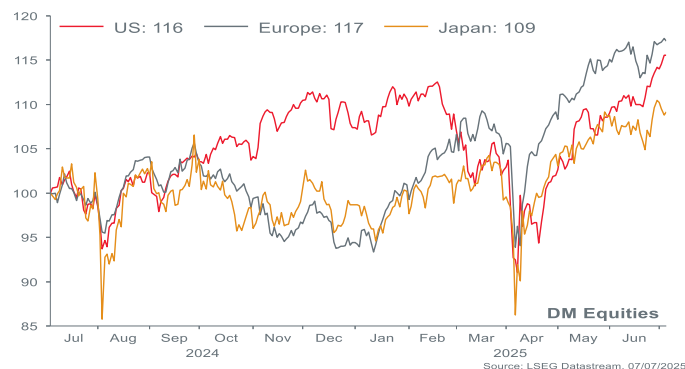
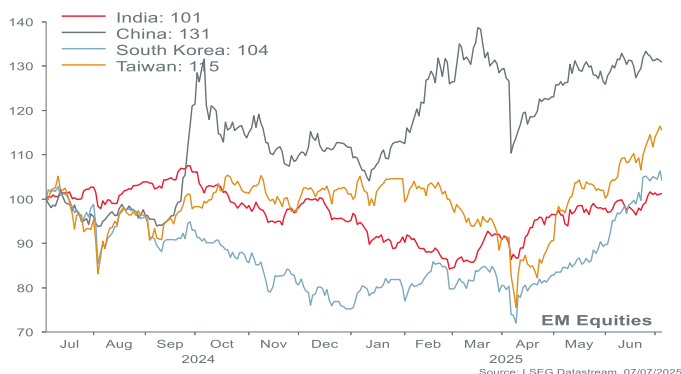
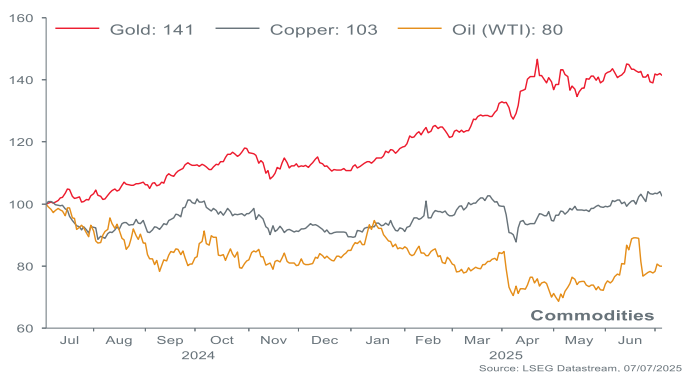
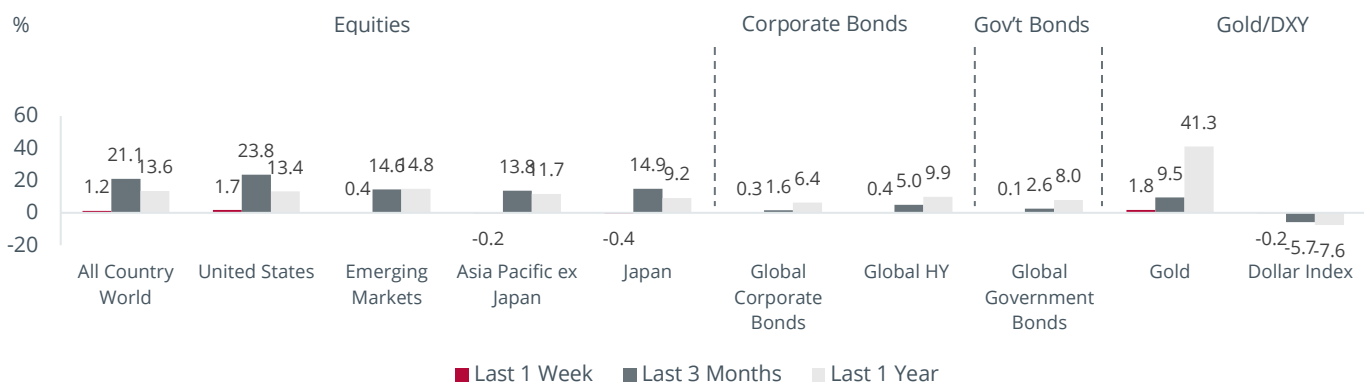
Source: LSEG Datastream, 04/07/2025

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

Market Review

Global equities rose 1.2% over the past week. The S&P 500 rose 1.7% (with July 4th as a federal holiday in the US). Emerging Market equities rose by 0.4% while Asia Pacific ex-Japan marginally declined by 0.2%. Within Asia, Japan equities were down 0.4% on a USD basis. In fixed income markets, the yield on 10Y US Treasuries rose by +6 bps, whilst the yield on 10Y Singapore government bonds was down 15 bps for the week. Global government bonds marginally gained by 0.1%, underperforming both global corporate and high yield bonds. The US Dollar was marginally weaker, with the U.S. Dollar Index DXY declining by 0.2% during the week.

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) | 925.73 | 1.20 | 4.14 | 21.12 | 13.56 | 10.03 | 926.48 | 742.96 |
| North America | | | | | | | | |
| US S&P 500 Index | 6,279.35 | 1.72 | 5.17 | 23.75 | 13.41 | 6.76 | 6,284.65 | 4,835.04 |
| US Nasdaq Composite Index | 20,601.10 | 1.62 | 5.86 | 32.16 | 13.27 | 6.68 | 20,624.51 | 14,784.03 |
| Europe | | | | | | | | |
| MSCI Europe | 2,424.60 | 0.04 | 1.07 | 16.51 | 13.43 | 21.05 | 2,430.28 | 1,976.06 |
| Asia Pacific | | | | | | | | |
| MSCI Asia Pacific ex Japan | 644.25 | -0.18 | 4.27 | 13.75 | 11.75 | 13.14 | 647.61 | 513.60 |
| Japan Nikkei 225 | 39,810.88 | -0.85 | 5.47 | 17.85 | -2.70 | -0.21 | 42,426.77 | 30,792.74 |
| Shanghai Stock Exchange Composite | 3,472.32 | 1.40 | 2.85 | 3.90 | 17.40 | 3.60 | 3,674.40 | 2,689.70 |
| Hong Kong Hang Seng | 23,916.06 | -1.52 | 1.11 | 4.67 | 32.66 | 19.22 | 24,874.39 | 16,441.44 |
| Taiwan TAIEX | 22,547.50 | -0.14 | 4.30 | 5.87 | -4.15 | -2.12 | 24,416.67 | 17,306.97 |
| Korea KOSPI | 3,054.28 | -0.05 | 10.23 | 23.88 | 8.12 | 27.29 | 3,133.52 | 2,284.72 |
| India NIFTY 50 | 25,461.00 | -0.69 | 3.42 | 11.16 | 4.77 | 7.68 | 26,277.35 | 21,743.65 |
| Australia Stock Exchange 200 | 8,603.00 | 1.04 | 0.72 | 12.20 | 9.85 | 5.44 | 8,639.10 | 7,169.20 |
| Indonesia Jakarta Composite | 6,865.19 | -0.47 | -2.88 | 5.45 | -4.93 | -3.03 | 7,910.56 | 5,882.61 |
| Thailand SET | 1,119.94 | 3.47 | -1.07 | -0.47 | -13.92 | -20.02 | 1,506.82 | 1,053.79 |
| Malaysia FTSE Bursa KLSE | 1,550.19 | 1.44 | 2.80 | 3.06 | -4.12 | -5.61 | 1,684.68 | 1,386.63 |
| Philippines Stock Exchange PSE | 6,395.57 | -0.20 | 0.27 | 5.12 | -1.72 | -2.04 | 7,604.61 | 5,804.56 |
| Singapore FTSE Straits Times Index | 4,013.62 | 1.20 | 2.81 | 4.91 | 16.68 | 5.97 | 4,024.33 | 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 | 4.34 | 1.33 | -0.57 | 8.74 | -0.16 | -5.18 | 4.81 | 3.62 |
| 10 Year Bond Yield (%) | | | | | | | | |
| Japan | 1.44 | 0.63 | -4.32 | 23.52 | 33.12 | 31.90 | 1.59 | 0.78 |
| China | 1.64 | -0.18 | -3.41 | -8.92 | -25.91 | -2.14 | 2.29 | 1.61 |
| Australia | 4.19 | 1.13 | -1.57 | 0.41 | -5.03 | -3.98 | 4.70 | 3.82 |
| Singapore | 2.07 | -6.42 | -12.36 | -15.95 | -36.24 | -27.61 | 3.25 | 2.07 |
| Malaysia | 3.45 | -2.32 | -2.52 | -5.72 | -10.82 | -9.76 | 3.99 | 3.44 |
| Indonesia | 6.60 | -0.56 | -3.03 | -5.40 | -6.58 | -5.97 | 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 | 94.47 | -0.04 | 0.41 | -0.39 | 2.01 | 0.76 | 96.21 | 92.61 |
| Bloomberg U.S. Aggregate USD | 92.20 | -0.22 | 0.55 | -0.90 | 2.34 | 1.96 | 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 | 0.19 | 0.50 | 3.16 | 7.51 | 8.95 | 13.76 | 1.18 | 1.02 |
| GBP | - | -0.45 | 0.71 | 5.91 | 7.02 | 9.12 | 1.37 | 1.22 |
| CHF | -0.11 | -0.63 | -2.96 | -7.74 | -11.80 | -12.49 | 0.92 | 0.79 |
| JPY | -0.26 | -0.07 | 1.25 | -1.60 | -10.36 | -8.04 | 161.67 | 140.60 |
| Asia | | | | | | | | |
| CNY | -0.05 | -0.11 | -0.28 | -1.60 | -1.41 | -1.85 | 7.35 | 7.01 |
| HKD | -0.00 | -0.00 | 0.05 | 0.97 | 0.52 | 1.05 | 7.85 | 7.75 |
| INR | 0.07 | 0.03 | -0.44 | -0.04 | 2.39 | -0.10 | 87.63 | 83.47 |
| MYR | -0.05 | -0.19 | -0.61 | -4.87 | -10.39 | -5.60 | 4.71 | 4.12 |
| KRW | -0.07 | -0.15 | 0.09 | -6.60 | -1.30 | -7.75 | 1,485.83 | 1,308.30 |
| SGD | -0.09 | -0.13 | -0.89 | -5.31 | -5.75 | -6.68 | 1.37 | 1.27 |
| TWD | -0.07 | -0.62 | -3.48 | -12.85 | -10.92 | -11.85 | 33.25 | 28.90 |
| IDR | -0.03 | -0.12 | -0.64 | -2.27 | -0.89 | 0.56 | 16,865.00 | 15,095.00 |

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Sources

Asset performances: (top chart) Eastspring Investments, Refinitiv, as at 7 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 7 July 2025. Equities: MSCI indices in USD, other indices in local currency. Other indices or assets as stated.

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