

CIO Views – Weekly Bulletin



A Prudential plc company



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What's top of investors' minds?

Which comes first, jobs or consumption?

Robust US April payrolls add uncertainty to the US outlook. The upside surprise of 177k new jobs with aggregate payroll income growth of 5.3% 3m/3m annualised and an unchanged unemployment rate of 4.2% show that the US economy was healthy going into Trump's April 2 tariff shock. We expect this to lead Fed Chair Powell to project a cautious rather than dovish stance at this week's post-Federal Open Market Committee (FOMC) press conference. If correct, this could challenge current market pricing of 81bps of Fed cuts by year-end, push up Treasury yields somewhat, and slow or stall the equity rally.

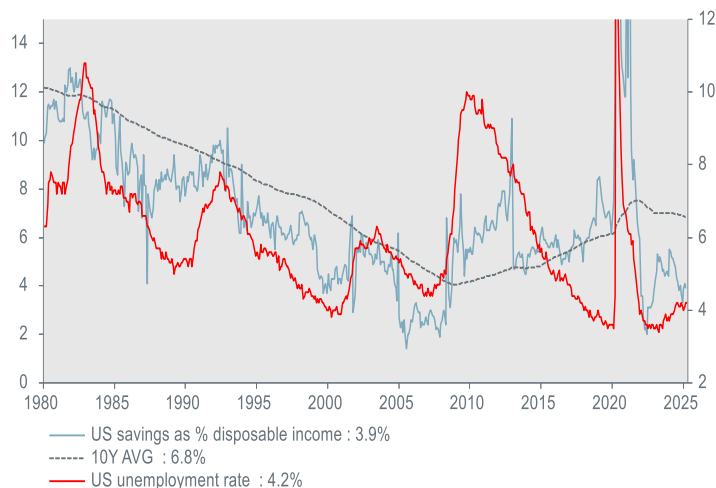
Looking beyond the FOMC, a key question is whether US job growth can continue even as tariffs begin driving up goods prices from around June. That may depend on whether consumers dip further into savings to compensate for falling real household income growth. The current savings rate of 3.9% is low but has been as low as 1.8% in 2005. In contrast, if recent buying ahead of tariffs turns into a consumption stall into the summer, companies could respond by cutting hiring. If this pushes the unemployment rate higher, it will risk kicking off a vicious spiral of households cutting consumption to increase savings rates which would encourage more job cuts. We will look to the ISM surveys and the NFIB survey for company employment intentions. Most important, weekly initial jobless claims will remain the best real time guide to follow.

Is Asian FX revaluation a tariff negotiation quid pro quo?

We don't like conspiracy theories, but...the 6.3% rally in the Taiwan Dollar (TWD) vs. the USD since April 30 is the largest 2-day move in the TWD in over 30 years. Yes, inflows into the Taiwan equity market were large on May 2 and appear to have come with some repatriation flows from life insurance companies. But given that Taiwan's central bank has historically managed the TWD tightly, it is likely to have allowed the move. Even if outright revaluation is not an objective, Asian central banks may be temporarily more willing to allow more currency appreciation than normal during this period of tariff negotiations. This could produce something of a self-fulfilling wave of repatriation back into Asian FX from USD given the large rise in Asian USD deposits over the past couple of years. Taiwan stands out, but foreign exchange (FX) deposits have risen significantly in China and Malaysia as well.

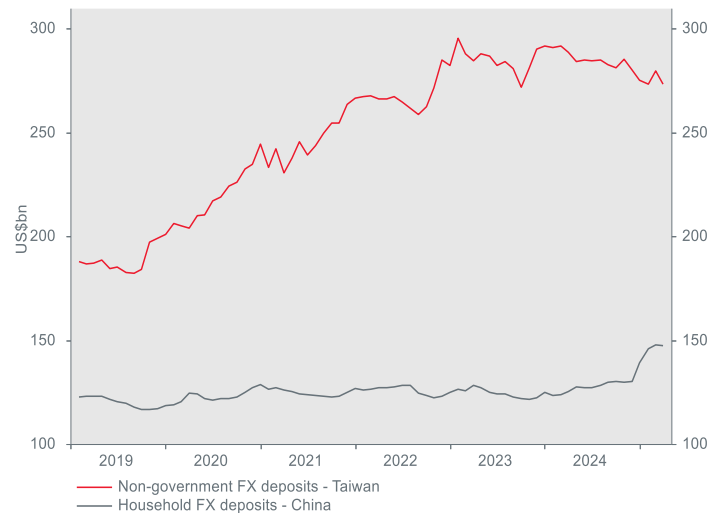
#AsiaFX #USD #Fed #FOMC #tariffs

US consumers will consume until unemployment rises



Source: LSEG Datastream, May 25

Asia FX deposits create repatriation potential



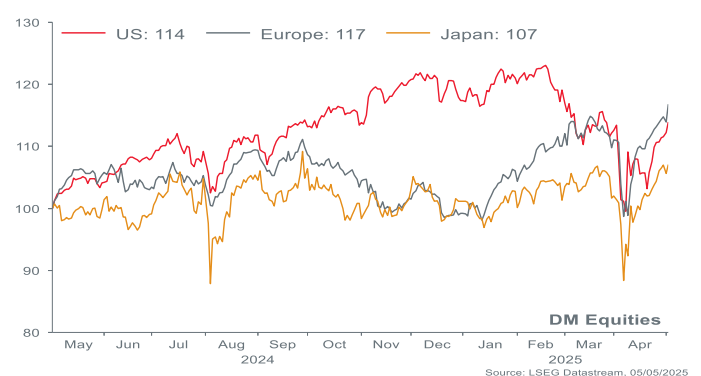
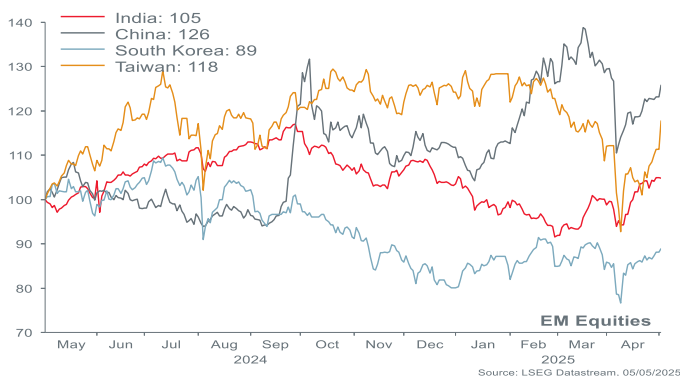
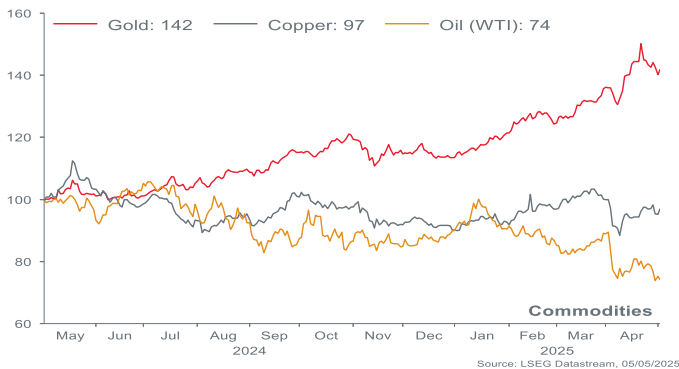
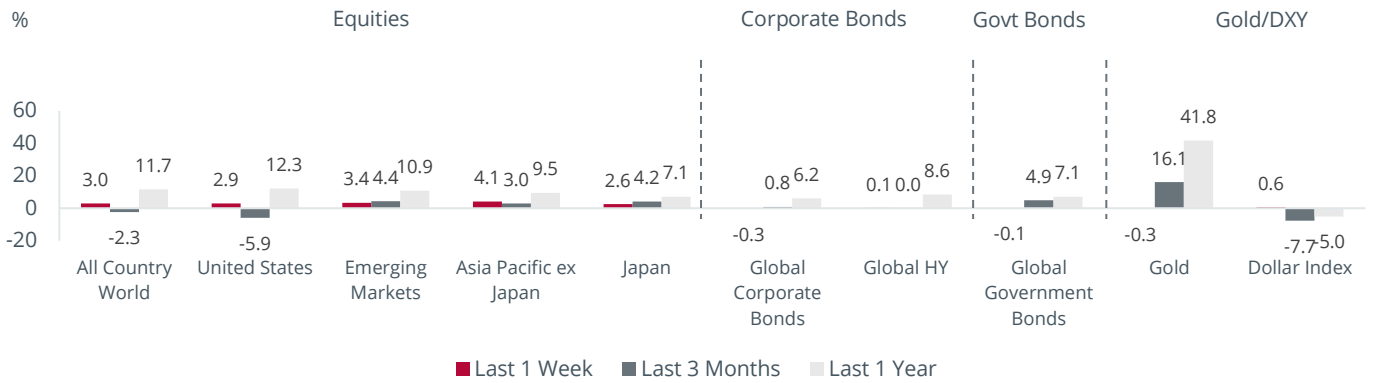
Source: LSEG Datastream, May 25

Market Review

Global equities returned 3.0% over the past week. The S&P 500 rose 2.9%, Asia ex-Japan equity index returned 4.1% and Japan equities rose 2.6%. Emerging Market equities also gained, up 3.4%. China equities were an exception, down -0.4%. The Global Aggregate Bond index was flat. The yield on 10Y US treasuries rose by 7bps and the 5Y/30Y yield spread steepened by 3bps. The yield on 10Y Singapore government bonds held steady. US investment grade credit spreads widened by 1bps and Asia Credit spreads widened by 5bps.

The US Dollar mostly gained against major currencies as the Dollar index DXY rose 0.6%. However, Asian currencies largely appreciated against the Dollar with the ADXY index up 1.5%.

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)	849.25	2.97	1.57	-2.28	11.67	0.94	887.72	742.96
North America								
US S&P 500 Index	5,686.67	2.92	0.28	-5.86	12.29	-3.31	6,147.43	4,835.04
US Nasdaq Composite Index	17,977.73	3.42	2.14	-8.41	13.49	-6.90	20,204.58	14,784.03
Europe								
MSCI Europe	2,323.40	3.06	4.51	8.59	13.13	16.00	2,323.40	1,976.06
Asia Pacific								
MSCI Asia Pacific ex Japan	593.95	4.08	2.37	3.00	9.53	4.31	629.66	513.60
Japan Nikkei 225	36,830.69	3.15	3.09	-6.93	-3.68	-7.68	42,426.77	30,792.74
Shanghai Stock Exchange Composite	3,279.03	-0.49	-2.12	0.88	5.61	-2.17	3,674.40	2,689.70
Hong Kong Hang Seng	22,504.68	2.38	-3.01	11.27	23.60	12.19	24,874.39	16,441.44
Taiwan TAIEX	20,787.64	4.60	-2.40	-11.64	2.79	-9.76	24,416.67	17,306.97
Korea KOSPI	2,559.79	0.53	2.15	1.69	-4.62	6.68	2,896.43	2,284.72
India NIFTY 50	24,346.70	1.28	4.35	3.57	7.50	2.97	26,277.35	21,281.45
Australia Stock Exchange 200	8,238.00	3.39	3.83	-3.45	8.58	0.97	8,615.20	7,169.20
Indonesia Jakarta Composite	6,815.73	2.05	4.69	-4.13	-4.24	-3.73	7,910.56	5,882.61
Thailand SET	1,198.98	3.45	2.24	-8.79	-12.05	-14.37	1,506.82	1,056.41
Malaysia FTSE Bursa KLSE	1,542.49	2.21	1.05	-0.93	-2.39	-6.08	1,684.68	1,386.63
Philippines Stock Exchange PSE	6,411.86	2.28	2.63	9.37	-3.53	-1.79	7,604.61	5,804.56
Singapore FTSE Straits Times Index	3,845.14	0.56	-2.76	-0.28	16.63	1.52	4,005.18	3,198.44
Government Bonds								
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	4.32	1.27	2.98	-5.41	-5.49	-5.62	4.81	3.62
10 Year Bond Yield (%)								
Japan	1.26	-5.32	-13.96	1.53	39.82	15.43	1.59	0.77
China	1.63	-2.34	-12.86	-1.63	-29.58	-3.21	2.32	1.61
Australia	4.17	-0.83	-5.00	-6.05	-6.53	-4.63	4.70	3.82
Singapore	2.50	-	-4.62	-14.49	-27.38	-12.76	3.44	2.41
Malaysia	3.67	-	-2.39	-3.65	-7.32	-3.85	3.99	3.65
Indonesia	6.86	-0.85	-1.73	-1.79	-4.12	-2.32	7.30	6.43
Bond Indices								
Bond Indices	Close	1 week change (%)	1 month change (%)	3 month change (%)	1 year change (%)	YTD change (%)	52 week high	52 week low
Bloomberg Global Aggregate USD	94.16	-0.21	-0.01	0.30	2.43	0.43	96.21	91.73
Bloomberg U.S. Aggregate USD	91.62	-0.41	-0.85	1.01	3.42	1.32	94.86	88.59

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	0.04	-0.61	4.05	9.00	5.31	9.10	1.15	1.02
GBP	-0.06	-0.32	2.05	7.11	5.91	6.07	1.34	1.22
CHF	-0.29	-0.13	-6.21	-9.22	-9.20	-8.87	0.92	0.81
JPY	-0.34	0.88	-2.89	-6.61	-5.66	-7.79	161.68	140.60
Asia								
CNY	-	-0.22	0.04	0.27	0.42	-0.39	7.35	7.01
HKD	-0.09	-0.09	-0.41	-0.54	-0.80	-0.23	7.82	7.75
INR	-0.10	-1.03	-1.11	-2.35	1.28	-1.23	87.63	83.06
MYR	-1.25	-2.56	-4.34	-4.31	-10.40	-4.70	4.75	4.12
KRW	-2.59	-2.75	-4.46	-3.97	2.28	-5.34	1,485.83	1,308.30
SGD	-1.05	-1.37	-3.70	-4.51	-4.22	-4.99	1.37	1.28
TWD	-4.37	-5.63	-7.56	-6.87	-5.09	-6.35	33.25	30.70
IDR	-0.99	-2.35	-0.76	0.83	1.55	2.11	16,865.00	15,095.00

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Sources

Asset performances: (top chart) Eastspring Investments, Refinitiv, as at 5 May 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 5 May 2025. Equities: MSCI indices in USD, other indices in local currency. Other indices or assets as stated.

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