

# CIO Views – Weekly Bulletin

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## What's top of investors' minds?

### Bessent warns that tariffs may rise again

Just when markets thought it was safe to play in tariff waters, US Treasury Secretary warned on Sunday that if countries do not negotiate "in good faith" with the US soon, their tariff rates will revert to "Liberation Day" levels.

It is highly likely that markets will have to endure multiple periods of the US imposing higher tariff rates on various countries as part of its negotiating strategy. Investors should also expect the negotiation landscape to become more challenging for some Asian countries as China warns of punitive action against those entering agreements with the US that it views to be detrimental to its national interests.

The recent rally in risk markets makes them more vulnerable to negative tariffs news. The US stands out in this regard. Equity valuations are elevated, the Federal Reserve is unlikely to cut interest rates until US unemployment rises meaningfully, and the surge in Federal debt resulting from the new US budget is likely to put upward pressure on Treasury yields and downward pressure on the US dollar.

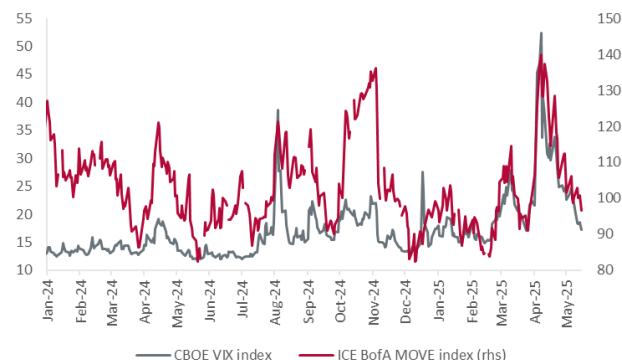
However, market volatility is unlikely to match the extremes seen in the week following April 2. The combination of the delays and exemptions granted by the Trump Administration, along with its rapid and larger than expected capitulation on tariffs targeting China imply that the Administration is unwilling to endure large falls in equity prices or increases in Treasury yields driven by tariff-related news. Markets are now more likely to view imposition of the April 2 reciprocal tariffs as temporary bargaining tools. That is not to say that these steps will have no impact – even temporary imposition of high tariffs can hurt the economy and earnings. However, markets are likely to discount the duration and magnitude of any sharp increases in tariffs that are announced.

### China begins to slow again

April data released on Monday (19 May) suggest the Chinese economy has begun slowing from its bounce of 5.4% GDP growth in Q1. Retail sales and fixed asset investment growth moderated. Most important, both new and used residential property prices fell and the contraction in residential property sales accelerated to 1.9%yoy year to date from a fall of 0.4%yoy in Q1. Debt deflation remains China's core economic drag.

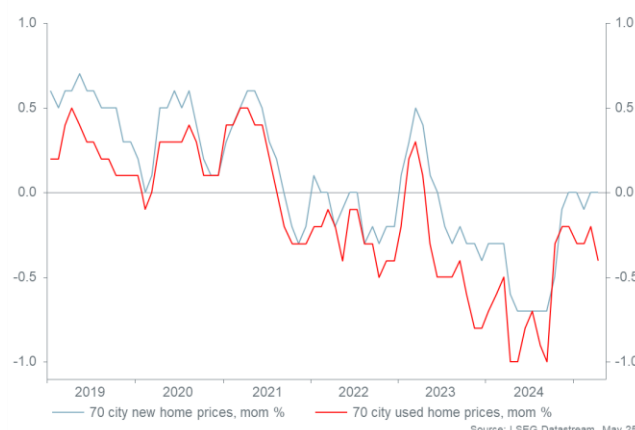
Given the modest slow down thus far, the government seems likely to wait for May and possibly June data to assess its severity. However, we expect it to accelerate budget spending in the summer and increase deficit spending by at least RMB 1tn in the second half of 2025 over the amount announced at the National People's Congress in March.

### Just as volatility has fallen, Bessent warns of new, market unfriendly tariff shocks



Source: 19 May 2025.

### Renewed falls in Chinese residential property prices...



Source: LSEG Datastream, May 25

### ...May weigh on consumption growth in the coming months



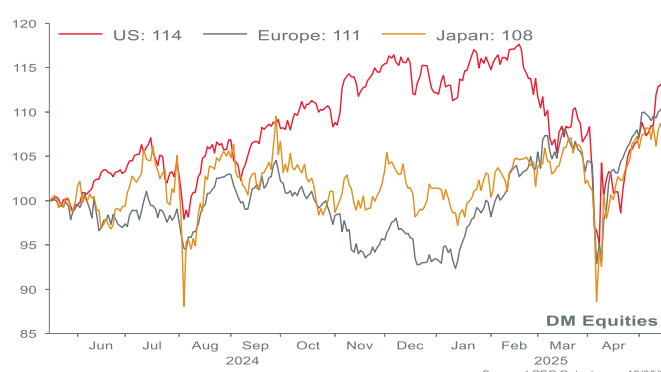
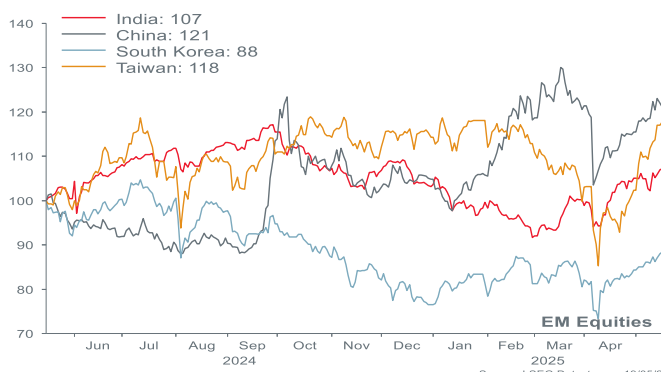
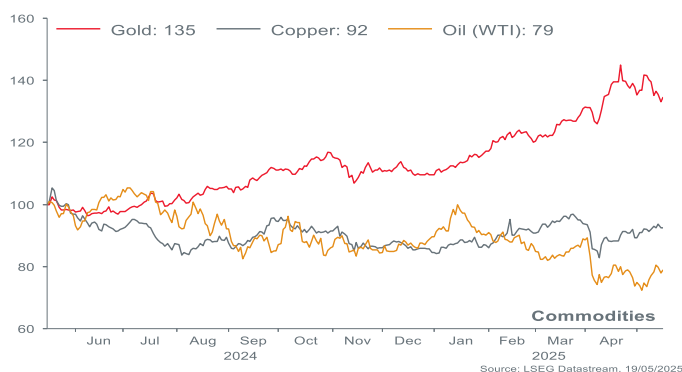
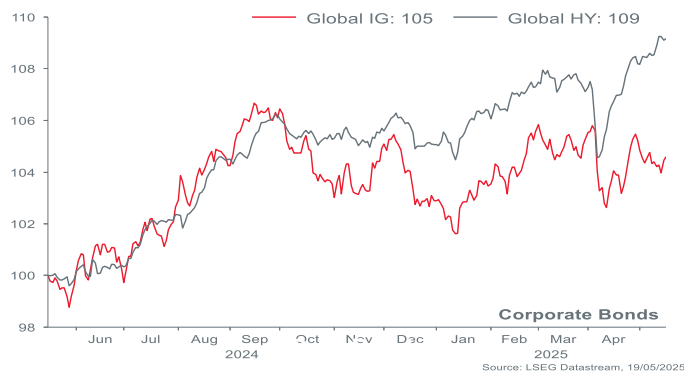
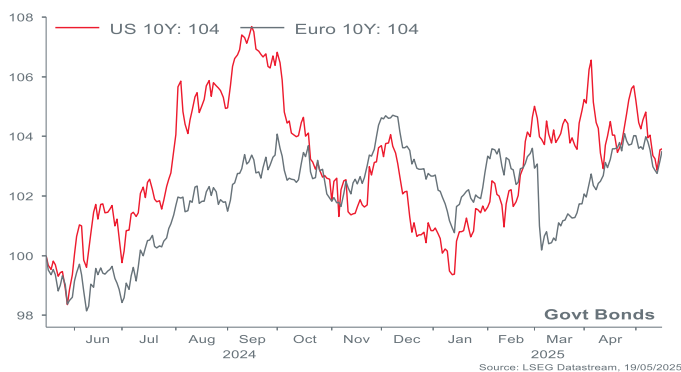
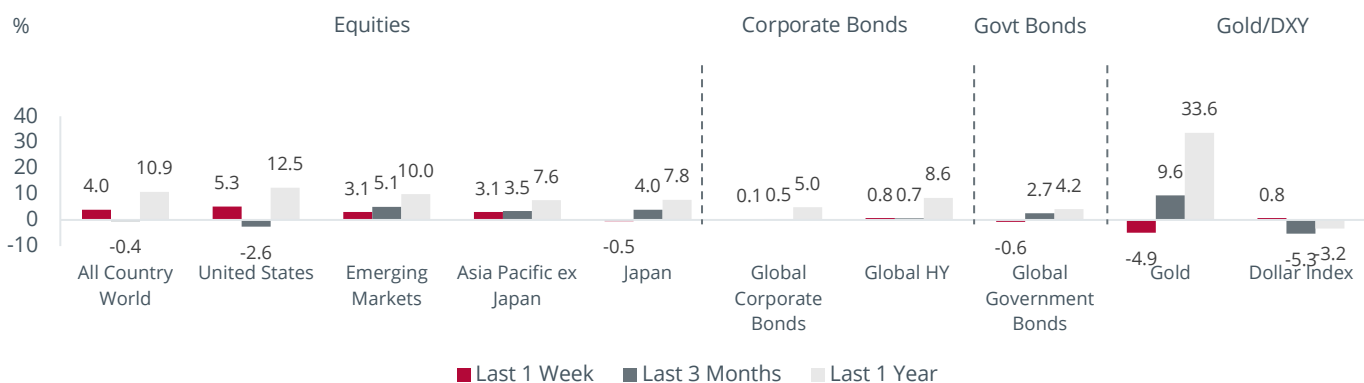
Source: LSEG Datastream, May 25

## Market Review

Global equities returned 4.0% over the past week. The S&P 500 rose 5.3%, while Asia ex-Japan equity index and Emerging Market equities underperformed, up 3.5% and 3.1% respectively. Within Asia, Japan equities fell 0.5% while China equities gained 1.2%. The Global Aggregate Bond index fell 0.5%. The yield on 10Y US treasuries rose by 10bps and the 5Y/30Y yield spread steepened by 2bps. The yield on 10Y Singapore govt bonds rose by 9bps. US investment grade credit spreads tightened by 9bps and Asia Credit spreads tightened by 9bps.

The US Dollar was mostly stronger against major currencies as the Dollar index DXY gained 0.8%. Asian currencies mostly strengthened against the US Dollar with the Asian Dollar Index up 0.1%.

## 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)	880.63	3.97	11.31	-0.41	10.90	4.67	887.72	742.96
North America								
US S&P 500 Index	5,958.38	5.27	12.94	-2.56	12.48	1.30	6,147.43	4,835.04
US Nasdaq Composite Index	19,211.10	7.15	17.81	-4.07	15.05	-0.52	20,204.58	14,784.03
Europe								
MSCI Europe	2,332.73	1.07	6.09	5.23	7.42	16.47	2,332.73	1,976.06
Asia Pacific								
MSCI Asia Pacific ex Japan	613.73	3.10	11.26	3.49	7.63	7.78	629.66	513.60
Japan Nikkei 225	37,753.72	0.67	11.30	-3.57	-3.00	-5.37	42,426.77	30,792.74
Shanghai Stock Exchange Composite	3,367.46	0.76	2.79	0.62	7.85	0.47	3,674.40	2,689.70
Hong Kong Hang Seng	23,345.05	2.09	10.87	3.20	20.48	16.38	24,874.39	16,441.44
Taiwan TAIEX	21,843.69	4.44	12.20	-5.65	2.53	-5.17	24,416.67	17,306.97
Korea KOSPI	2,626.87	1.92	7.33	1.38	-4.58	9.48	2,896.43	2,284.72
India NIFTY 50	25,019.80	4.21	6.75	9.12	11.68	5.82	26,277.35	21,281.45
Australia Stock Exchange 200	8,343.70	1.37	7.54	-2.48	5.87	2.26	8,615.20	7,169.20
Indonesia Jakarta Composite	7,040.16	3.04	10.00	6.05	-2.85	-0.56	7,910.56	5,882.61
Thailand SET	1,195.77	-1.25	4.99	-6.00	-13.21	-14.60	1,506.82	1,056.41
Malaysia FTSE Bursa KLSE	1,571.75	1.63	6.42	-1.25	-2.44	-4.30	1,684.68	1,386.63
Philippines Stock Exchange PSE	6,465.53	0.11	5.39	6.67	-2.45	-0.97	7,604.61	5,804.56
Singapore FTSE Straits Times Index	3,897.87	0.56	6.43	0.53	17.94	2.91	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	4.44	1.46	3.74	-0.83	1.42	-3.02	4.81	3.62
10 Year Bond Yield (%)								
Japan	1.45	7.31	12.63	7.70	58.04	32.79	1.59	0.77
China	1.67	1.95	1.83	1.15	-27.86	-0.42	2.32	1.61
Australia	4.48	3.97	3.83	1.29	6.80	2.47	4.70	3.82
Singapore	2.52	3.74	-0.51	-11.90	-21.08	-11.78	3.37	2.39
Malaysia	3.58	0.65	-3.89	-6.04	-7.25	-6.28	3.99	3.56
Indonesia	6.87	0.15	-0.89	1.72	1.55	-2.21	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	93.78	-0.20	-0.29	-0.30	1.06	0.02	96.21	91.73
Bloomberg U.S. Aggregate USD	91.20	-0.23	-0.45	0.13	1.57	0.85	94.86	88.61

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	-0.21	-0.75	-2.06	6.41	2.74	7.82	1.15	1.02
GBP	-0.19	-0.24	0.24	5.46	4.78	6.08	1.34	1.22
CHF	0.25	0.79	3.05	-6.83	-7.54	-7.66	0.92	0.81
JPY	-0.03	0.19	2.68	-4.40	-6.28	-7.35	161.68	140.60
Asia								
CNY	0.03	-0.38	-1.32	-0.61	-0.13	-1.24	7.35	7.01
HKD	0.10	0.45	0.66	0.38	0.16	0.59	7.82	7.75
INR	-0.03	0.13	-0.11	-1.30	2.44	-0.07	87.63	83.06
MYR	0.28	-0.05	-2.63	-3.16	-8.31	-3.94	4.72	4.12
KRW	0.14	0.21	-1.10	-2.87	3.68	-5.33	1,485.83	1,308.30
SGD	0.17	0.15	-0.85	-2.95	-3.45	-4.82	1.37	1.28
TWD	0.13	0.03	-6.67	-7.54	-6.08	-7.88	33.25	29.16
IDR	-0.45	-0.45	-2.29	1.11	3.23	2.14	16,865.00	15,095.00

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## Sources

**Asset performances: (top chart)** Eastspring Investments, Refinitiv, as at 16 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 16 May 2025. Equities: MSCI indices in USD, other indices in local currency. Other indices or assets as stated.

Please note that there are limitations to the use of such indices as proxies for the past performance in the respective asset classes/sector. The historical performance or forecast presented in this slide is not indicative of and should not be construed as being indicative of or otherwise used as a proxy for the future or likely performance of the Fund.



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