CIO Views – Weekly Bulletin

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What's top of investors' minds?

What US equity stress means for Asian markets

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First, we doubt that last week's US equity market falls herald the beginning of a bear market. For all the market's concerns about AI, the fact is that all the US hyperscalers continue to show commitment to developing their models. Funding for their spending plans - a projected roughly 30% increase in 2026 to about US$520bn - appears intact. Against this background, the recent release of Gemini 3 likely increases pressure on its competitors to spend to catch up.

More generally, history shows that when the US economy grows, US equities tend to grind higher. Almost no indicators suggest the US is in recession. Crucially, the Fed's recent policy rate cuts combined with AI spending and 2026 fiscal stimulus front loaded into the next two quarters make recession unlikely, in our view. We also expect the Fed to cut the Fed Funds rate another 25bps during the December meeting. New York Fed President Williams' comments last Friday combined with the fall in private payrolls in late October and early November lean in this direction. If dissent within the FOMC leads to a policy pause in December we would expect the Fed to resume cutting at its January 2026 meeting.

Nonetheless, historically high US valuations and heavy position concentration in AI plays make the market more vulnerable to bouts of volatility and correction in response to even small disappointments. We judge profit taking and position adjustment into year-end to be the main driver of last week's equity moves. To be sure, this correction could extend a bit further. However, if we are right that the AI infrastructure build out continues to drive profit growth, it will more likely be a correction than a crash.

Nonetheless, last week's volatility argues for portfolio diversification away from high US valuations into less expensive and higher earnings growth Asian markets. We acknowledge that unlike this time last year, Asian markets are no longer outright cheap. This implies that returns to beta investing into broad indexes are likely to be lower in 2026; outperformance is likely to require careful, active stock selection.

In North Asia our growth portfolio managers continue to like selected AI infrastructure plays. In China we still find attractive opportunities in stronger banks and AI-related plays. The recent 4th Plenum made clear the government will prioritise growth in strategic industrial sectors. It also appears likely to support elements of consumption and social welfare in ways that will benefit selected companies.

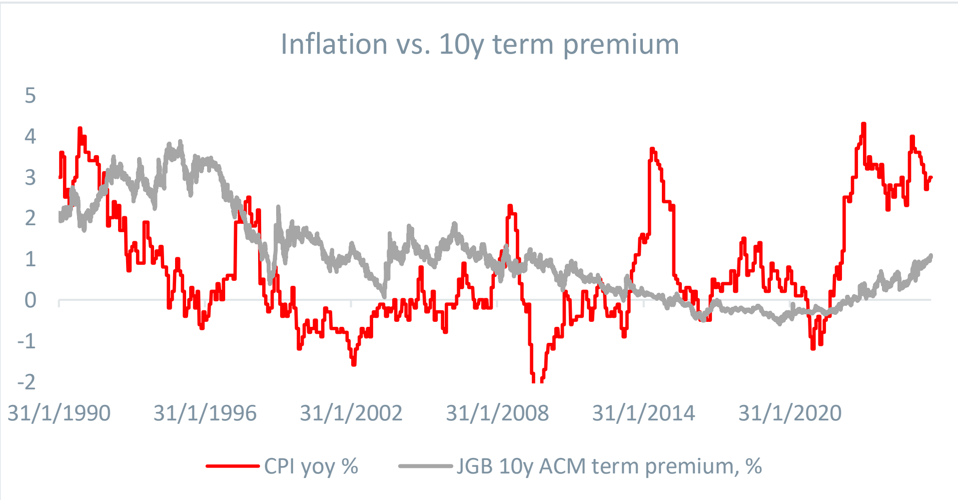
We view opportunities in India and Southeast Asia as hedges against the AI boom. Over the past few weeks, India has begun to outperform as markets begin to price its policy easing driven recovery in domestic demand growth. We expect the Reserve Bank of India to cut its policy rate again in December and look for beneficiaries of this easing to gradually perform. Financials, consumer durables, elements of the real estate sector are all possibilities. Similar potential for selective domestic demand plays exists in Indonesia, Malaysia, and Thailand in response to fiscal and monetary policy easing in these economies.

In sum, we reiterate our view that Asian equities will outperform US markets for a second year in 2026. However, now higher valuations will require careful, active security selection to maximise returns rather than just buying broad index exposure.

Japan yields to grind higher until the Bank of Japan responds to inflation

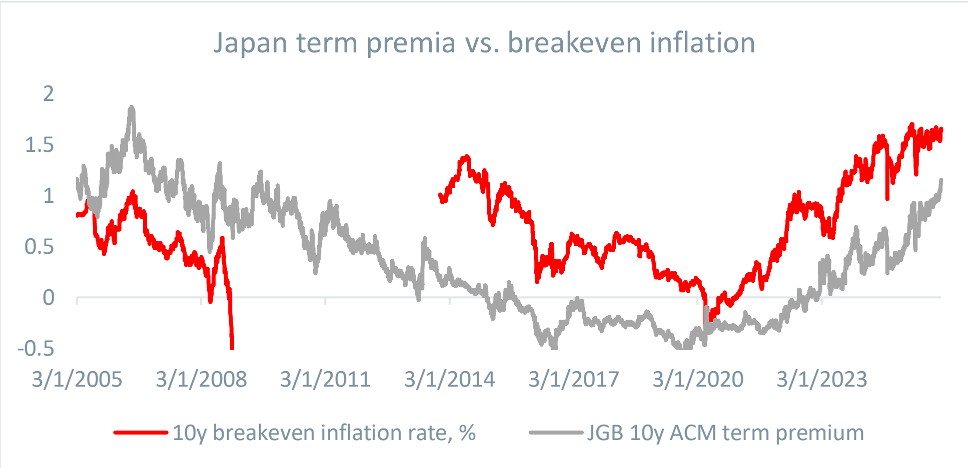
The recent rise in Japanese government bond yields is likely to continue. The 10-year yield rose as much as 13bps over the past week to their highest level since 2007 before retracing slightly to 1.77%. The Takaichi government's large new supplementary budget proposal equating to as much as 3.5% of GDP is the proximate cause.

We view market concern about the recent rise in inflation to persist as the main driver of yields. The first chart below shows that Japanese term premia tends to trend with Japanese inflation, albeit with a long lag. Although we expect the Bank of Japan to raise its policy rate 25bps in January next year, we doubt this will be enough to cut core inflation meaningfully. With core inflation running close to 3%, a 25bps hike in the policy rate to 0.75% would result in a historically large negative 2.25% difference.



Source: Bloomberg, 24 Nov 25

To be sure, JGB term premia are even more tightly linked to breakeven inflation rates implied by Japanese inflation protected securities. See the second chart. Short of the BoJ raising rates more aggressively than the almost 50bps priced for next year, Takaichi's fiscal stimulus is likely to lead markets to expect core inflation to remain above 2%. If correct, breakeven inflation rates will need to rise, pulling term premia and nominal JGB yields higher.

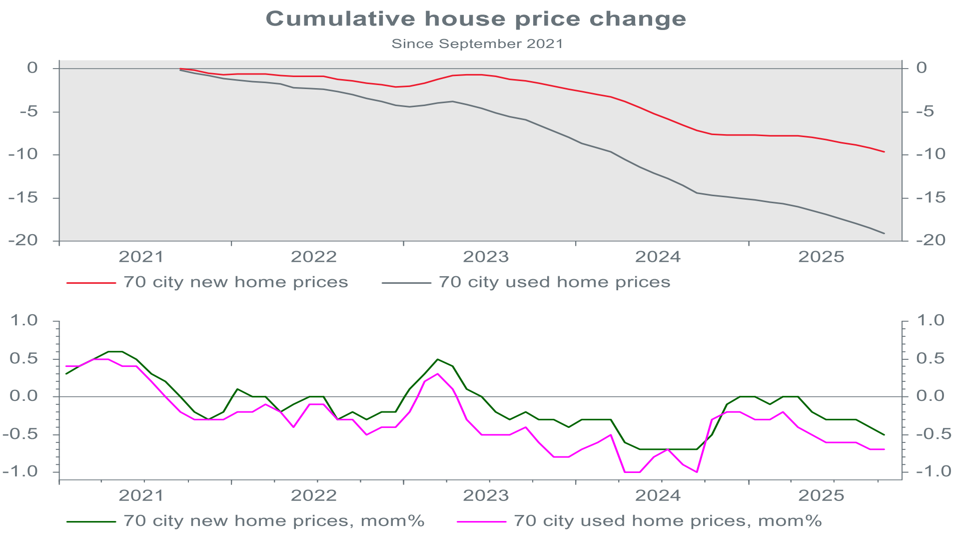


Source: Bloomberg, 21 Nov 25

We believe this implies that investors will need to focus on stocks that both benefit from the fiscal stimulus and are robust to a rising yield structure.

Talk of a Chinese housing market recovery is premature

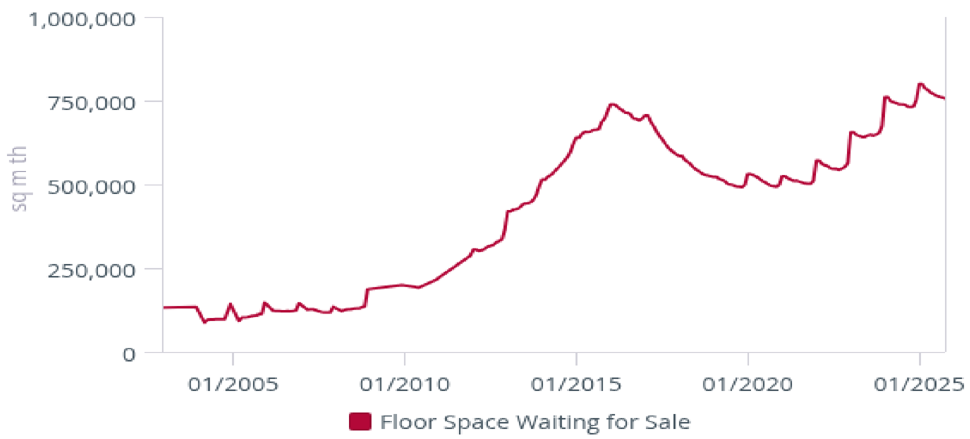
The press has reported that Chinese policymakers are considering cutting house purchase transaction costs and offering mortgage subsidies and income tax rebates to homebuyers in a new attempt to stop the contraction in sales and prices. The fall in China's 30-city property sales index accelerated to 33%yoy in the first 22 days of November from 27%yoy in October. This suggests the falls in prices in the broader housing indexes likely continued in November, adding to pressure on households to maintain high savings rates to try to rebuild wealth.



Source: LSEG Datastream, Nov 25

Against this background we are skeptical that the demand stimulus measures the press has identified will resolve China's property sector deflation. Our core concern is that housing inventory remains too high and is likely to continue growing. At the current sales rate, it would take about 30 months on average to clear the inventory, while in some lower-tier cities it could take more than five years. Yet supply under construction, if delivered over the next couple of years, will add another four to six years of inventory to the market.

Housing inventory remains around all time high



Source: Eastspring Investments

Subdued income growth is also likely to remain a constraint on demand. Household disposable income rose by 4.3% in the first three quarters of this year, about half the pace seen before the housing market downturn. The unemployment rate is grinding higher and indicators of corporate demand for labour, such as the PMI employment indexes, remain very weak. Finally, banks have kept mortgage rates above 3% because of concerns about higher property market credit risk.

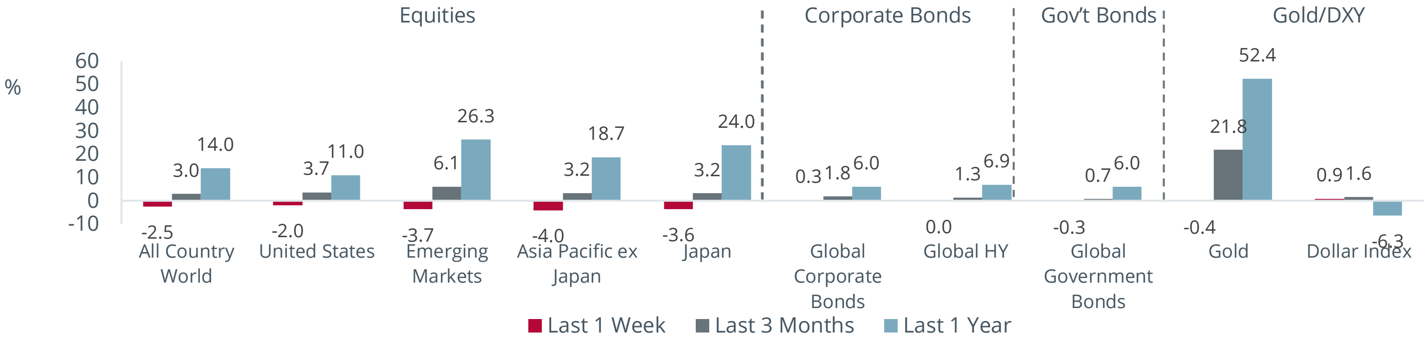
Ultimately, we look for a much larger central government funded inventory carve out programme as the most viable solution to China's property market deflation. However, no signal of such a programme yet exists.

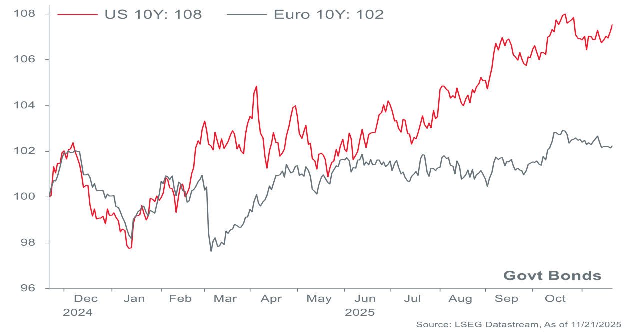
Market Review

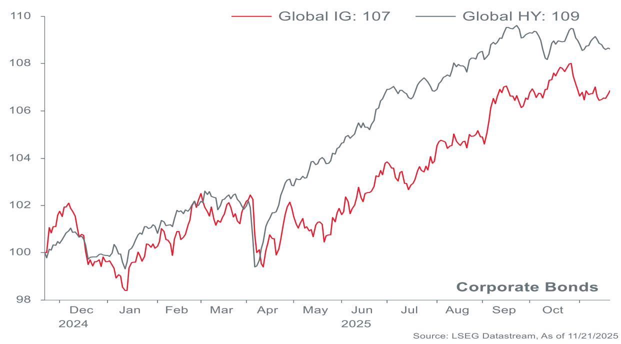
Equity markets generally declined over the week amid on-going AI spending concerns, despite Nvidia beating quarterly earnings expectations. During the week, global equities, as proxied by the MSCI ACWI Index), returned -2.5% overall. In the US markets, the S&P 500 shed roughly 2.0%, while the tech-heavy Nasdaq fared worse, returning -2.7%. Elsewhere, emerging markets and the Asia Pacific ex-Japan region both underperformed developed economies, returning -4.0% and -3.7% in USD terms, respectively.

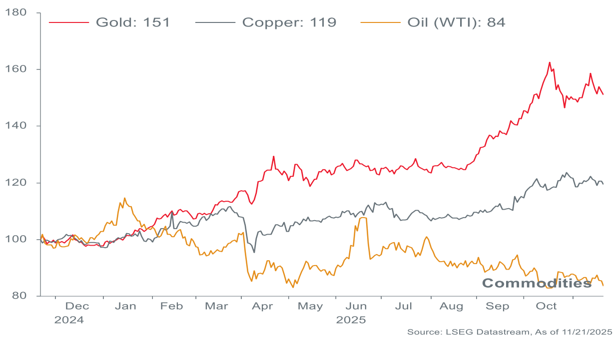
In fixed income markets, yields on US Treasuries generally tracked lower during the week. US aggregate bonds and US Treasuries both delivered modest positive returns, rising by approximately 0.4% to 0.5% as US yields declined. On the other hand, global sovereign bonds, as proxied by the FTSE World Government Bond Index, registered a 0.3% decline; notably Japanese bond yields surged during the week in response to rising fiscal concerns. Global high yield bonds, partially impacted by equity weakness, underperformed global investment grade bonds. Gold declined over the week, while the US dollar (DXY) rose by 0.9%.

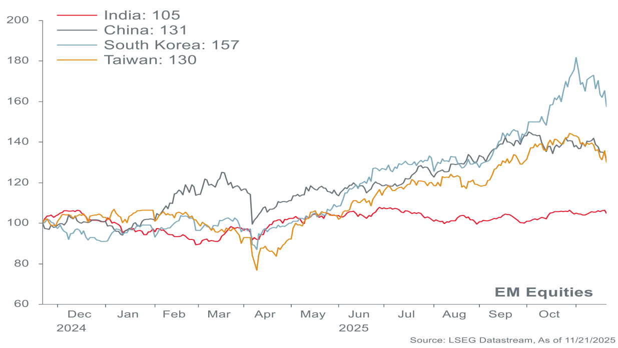
Asset Performances

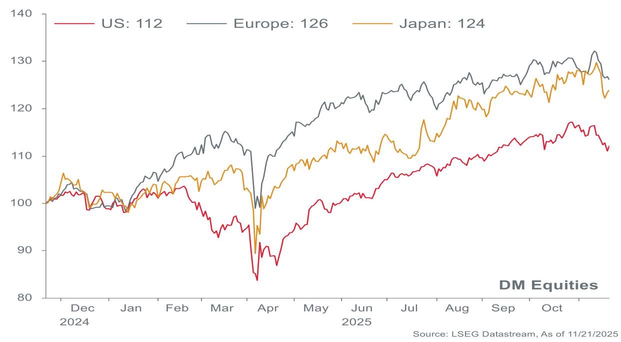












Market Data

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	4.06	-2.05	2.52	-6.21	-8.33	-11.23	4.81	3.95
10 Year Bond Yield (%)								
Japan	1.79	4.82	7.79	11.01	62.86	63.61	1.82	1.04
China	1.82	0.77	2.48	2.65	-12.79	8.39	2.09	1.61
Australia	4.47	0.74	8.29	4.42	-2.42	2.31	4.65	4.10
Singapore	2.02	3.71	13.71	5.11	-29.79	-29.57	3.09	1.75
Malaysia	3.44	-0.29	-1.57	1.48	-10.42	-9.97	3.85	3.36
Indonesia	6.21	1.39	4.20	-2.07	-10.15	-11.63	7.30	5.92

	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	95.02	0.16	-0.65	0.90	1.32	1.34	95.66	92.65
Bloomberg U.S. Aggregate USD	94.22	0.43	-0.71	1.82	3.65	4.19	94.92	89.27

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)	970.76	-2.48	-2.42	3.00	14.01	15.38	1,014.42	742.96
North America								
US S&P 500 Index	6,602.99	-1.95	-1.97	3.65	11.00	12.26	6,920.34	4,835.04
US Nasdaq Composite Index	22,273.08	-2.74	-2.97	5.56	17.40	15.34	24,019.99	14,784.03
Europe								
MSCI Europe	2,461.79	-3.17	-2.90	-0.24	22.24	22.91	2,581.82	1,976.06
Asia Pacific								
MSCI Asia Pacific ex Japan	684.96	-4.05	-4.86	3.24	18.69	20.29	733.24	513.60
Japan Nikkei 225	48,625.88	-3.48	-1.40	14.12	27.87	21.89	52,636.87	30,792.74
Shanghai Stock Exchange Composite	3,834.89	-3.90	-2.08	1.69	13.78	14.41	4,034.08	3,040.69
Hong Kong Hang Seng	25,220.02	-5.09	-3.10	0.46	28.67	25.72	27,381.84	18,671.49
Taiwan TAIEX	26,434.94	-3.51	-4.75	10.32	17.20	14.76	28,554.61	17,306.97
Korea KOSPI	3,853.26	-3.95	0.77	22.65	55.33	60.59	4,226.75	2,284.72
India NIFTY 50	26,068.15	0.61	0.77	3.92	11.64	10.25	26,246.65	21,743.65
Australia Stock Exchange 200	8,416.50	-2.53	-7.46	-6.68	1.12	3.15	9,115.20	7,169.20
Indonesia Jakarta Composite	8,414.35	0.53	2.14	6.64	17.83	18.85	8,491.43	5,882.61
Thailand SET	1,254.40	-1.17	-2.81	0.77	-12.92	-10.41	1,457.71	1,053.79
Malaysia FTSE Bursa KLSE	1,617.57	-0.50	0.05	1.55	1.82	-1.51	1,658.73	1,386.63
Philippines Stock Exchange PSE	5,997.13	7.39	-1.58	-4.47	-12.62	-8.14	6,919.57	5,584.35
Singapore FTSE Straits Times Index	4,469.14	-1.69	2.01	5.63	19.52	17.99	4,575.91	3,372.38

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	-0.14	-0.94	-0.75	-0.81	9.91	11.19	1.19	1.02
GBP	0.18	-0.56	-2.04	-2.36	4.04	4.66	1.37	1.22
CHF	0.35	1.85	1.55	-0.01	-8.81	-10.89	0.92	0.79
JPY	-0.68	1.20	2.94	5.41	1.22	-0.50	158.35	140.85
Asia								
CNY	-0.13	0.10	-0.21	-1.02	-1.80	-2.64	7.35	7.10
HKD	-0.01	0.12	0.13	-0.40	-0.01	0.19	7.85	7.75
INR	1.02	1.07	1.83	2.69	6.06	4.74	89.61	84.26
MYR	-0.19	0.39	-1.89	-1.80	-7.04	-7.21	4.51	4.13
KRW	-0.32	1.49	2.68	4.89	5.03	-0.49	1,485.83	1,352.45
SGD	-0.13	0.63	0.59	1.38	-2.99	-4.34	1.37	1.27
TWD	-0.04	0.57	2.15	2.69	-3.70	-4.41	33.25	28.90
IDR	-0.21	-	0.63	2.52	4.84	3.73	16,865.00	15,840.00

Disclaimer

Sources

Asset performances: (bar charts) Eastspring Investments, Refinitiv, as at 24 November 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. **(line 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 24 November 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.