

## What's top of investors' minds?

### China – US trade tensions may present an opportunity

The latest escalation of China-US trade tensions is likely to resolve in a manner similar to earlier developments this year, with both sides reducing recent trade restrictions somewhat. The genesis of this bout appears to be the US adding many Chinese companies to its "entity list", causing them to face restrictions on purchases of some US exports. China seemingly responded by introducing export restrictions on rare earth metals and magnets which led US President Trump to announce a punitive 100% tariff on US imports from China beginning on November 1.

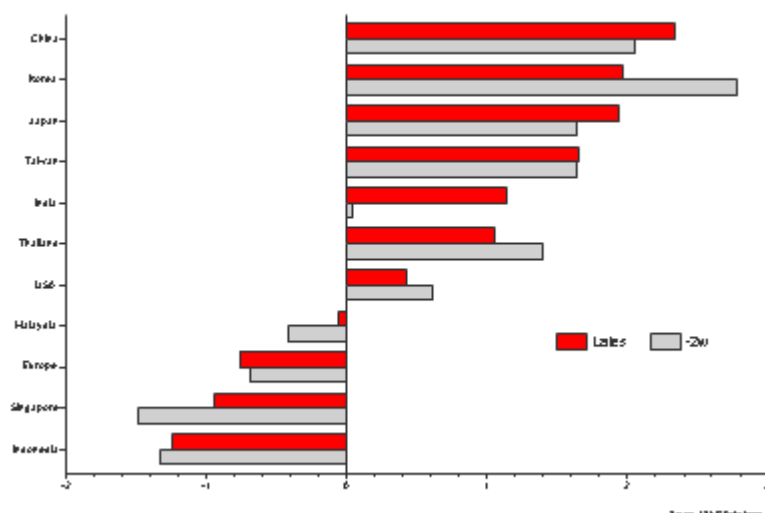
We cannot know when the two sides will negotiate a de-escalation. However, the example from earlier this year shows that neither side is willing to sustain a near complete breakdown in trade which the recent measures imply.

If we are right about a resolution, a key lesson from earlier this year is that the current disruption to markets may create interesting investment opportunities. One reason is that we continue to expect the US Federal Reserve to cut the Fed Funds rate by 25 basis points at both its October and December meetings. On its own, this would support asset markets by easing global monetary conditions. It should also facilitate policy rate cuts in China, India, Indonesia, and Thailand by year-end.

Another is that the US Q3 earnings season begins this week, and we expect earnings growth to exceed the consensus estimate of roughly 7%. Positive earnings surprises tend to produce upward momentum in equity markets. In Asia, earnings revisions have turned strongly positive with China in the lead. The consensus estimate for 12-month forward earnings growth for MSCI China has risen from 9.7% at the end of August to 11.9% recently.

### Asian earnings revisions z-scores have turned positive

MSCI index 12m fwd earnings revisions z-scores



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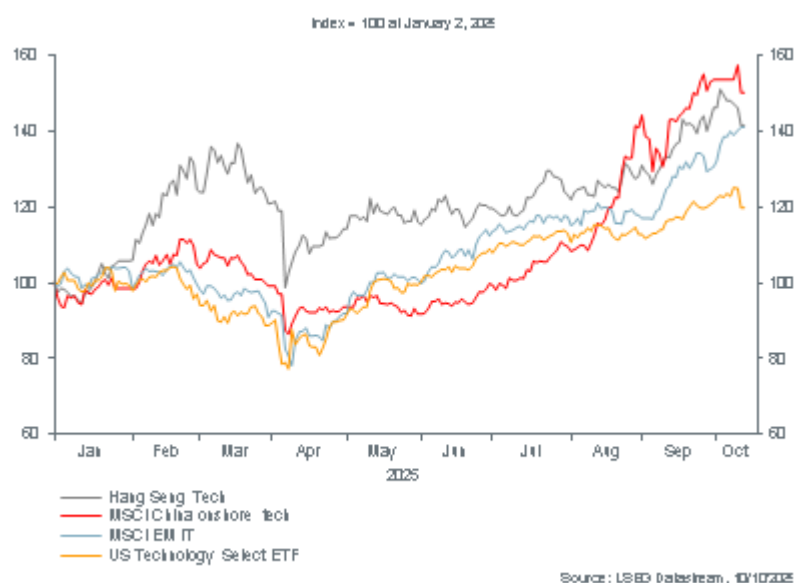
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However, in our view, China exposure calls for active management. While China's tech and tech-related sectors are growing robustly, retail sales growth slowed in July and August. During the October 1 – 8 Golden Week holiday, nationwide and holiday consumption growth grew at an estimated 4.2%yoy and 2.7%yoy respectively, weaker than expected. Meanwhile, new and used home sales fell 33%yoy and 55%yoy respectively in volume terms.

### China tech has outperformed year-to-date



We also see room for Chinese retail flows into equities to rise as deposit account yields are low at about 1.5% and residential property continues to weaken. Importantly, although margin account usage has risen, it is far from the dangerously high levels of 2015-16.

### China margin account usage up, but not obviously excessive

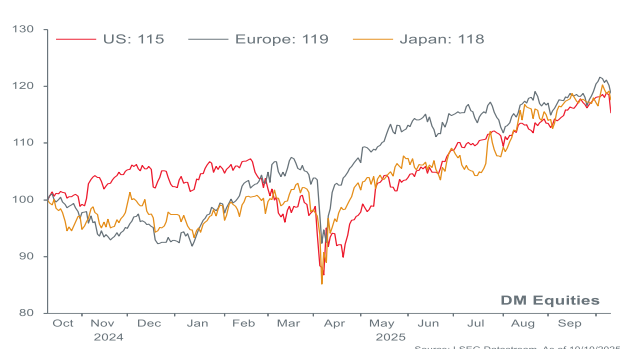
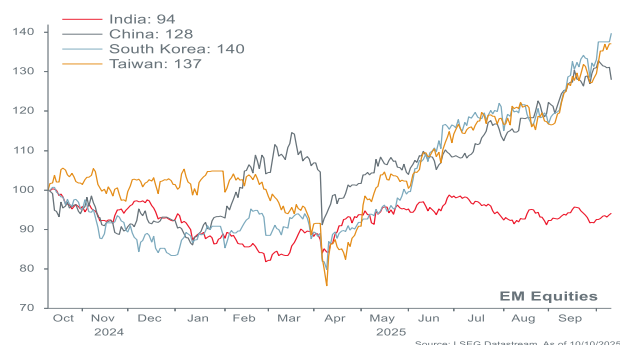
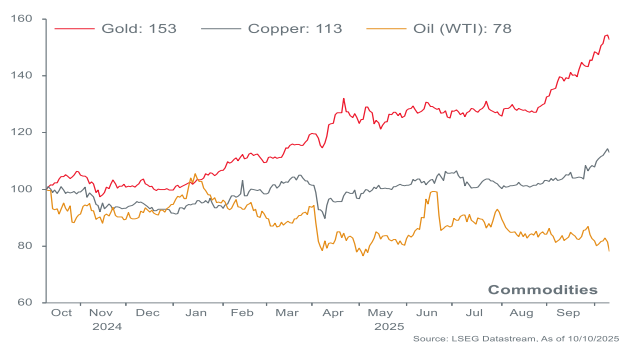
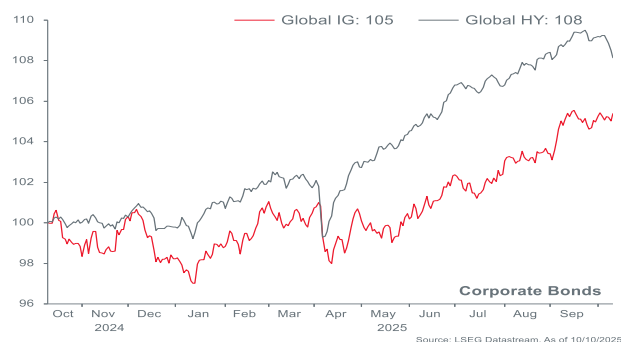
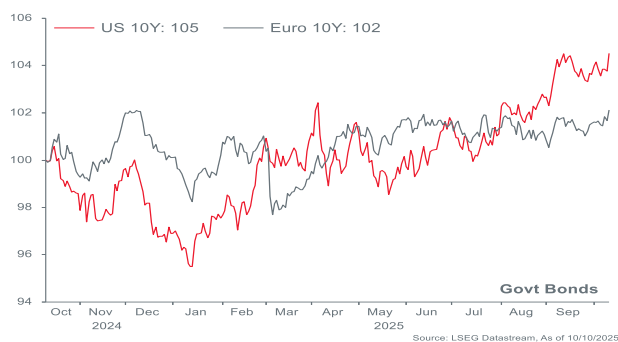
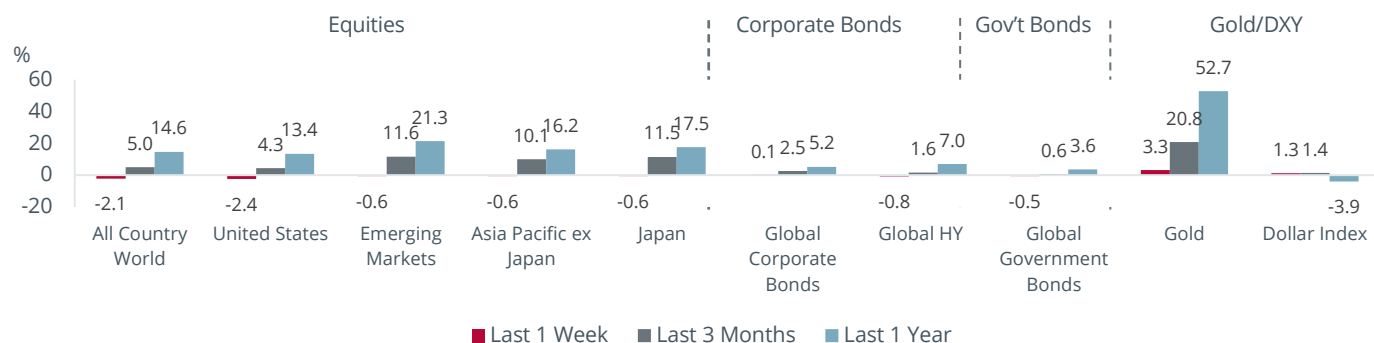


## Market Review

Amid continued concerns regarding the US government shutdown and US President Donald Trump's recent announcement of additional tariff on China imports, global equities declined by -2.1% during the past week, as proxied by the MSCI ACWI Index. US markets also took a tumble, with the S&P 500 Index and Nasdaq Index falling by -2.4% and -2.5%, respectively. Elsewhere, Asia Pacific ex Japan and Emerging Markets (EM) equities both fell by roughly -0.6%.

In response to a potential re-escalation of a US-China trade war, US Treasury yields generally fell along the curve, with the 10-year yield down by 8 basis points to 4.05%. Amid falling US yields, US Treasuries and US aggregate bonds registered gains, generally outperforming their global peers. Interest rate sensitive global corporate bonds outperformed their high yield counterpart. Gold and the US dollar (DXY) rallied 3.3% and 1.3%, respectively.

## 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	4.05	-1.65	0.47	-6.79	-1.05	-11.49	4.81	3.99
10 Year Bond Yield (%)								
Japan	1.69	1.75	7.99	13.04	76.23	54.90	1.70	0.94
China	1.86	-0.91	2.65	11.91	-13.12	10.77	2.15	1.61
Australia	4.37	1.18	2.13	1.84	3.38	0.09	4.70	4.11
Singapore	1.82	-4.90	0.50	-13.06	-37.02	-36.25	3.09	1.76
Malaysia	3.49	0.98	2.41	1.75	-8.97	-8.66	3.99	3.36
Indonesia	6.14	-2.97	-4.59	-6.77	-8.09	-12.57	7.30	6.13
	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	95.10	0.21	0.06	0.92	0.46	1.43	95.15	92.65
Bloomberg U.S. Aggregate USD	94.28	0.30	0.14	2.26	1.84	4.26	94.43	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)	972.25	-2.11	0.77	4.97	14.63	15.56	996.11	742.96
North America								
US S&P 500 Index	6,552.51	-2.43	0.31	4.33	13.36	11.41	6,764.58	4,835.04
US Nasdaq Composite Index	22,204.43	-2.53	1.45	7.63	21.45	14.98	23,119.91	14,784.03
Europe								
MSCI Europe	2,487.97	-2.44	0.93	1.28	14.98	24.22	2,550.22	1,976.06
Asia Pacific								
MSCI Asia Pacific ex Japan	711.25	-0.59	3.48	10.07	16.19	24.91	716.56	513.60
Japan Nikkei 225	48,088.80	5.07	9.70	21.29	22.11	20.54	48,597.08	30,792.74
Shanghai Stock Exchange Composite	3,897.03	0.37	2.23	11.04	18.02	16.27	3,936.58	3,040.69
Hong Kong Hang Seng	26,290.32	-3.13	0.34	9.41	23.71	31.06	27,381.84	18,671.49
Taiwan TAIEX	27,301.92	2.02	8.37	20.31	20.49	18.52	27,463.12	17,306.97
Korea KOSPI	3,610.60	1.73	8.93	13.43	38.91	50.47	3,617.86	2,284.72
India NIFTY 50	25,285.35	1.57	1.25	-0.28	1.15	6.94	25,669.35	21,743.65
Australia Stock Exchange 200	8,958.30	-0.32	1.45	4.30	8.94	9.80	9,054.50	7,169.20
Indonesia Jakarta Composite	8,257.86	1.72	7.26	17.88	10.40	16.64	8,272.63	5,882.61
Thailand SET	1,286.98	-0.51	0.70	15.90	-12.36	-8.09	1,506.82	1,053.79
Malaysia FTSE Bursa KLSE	1,622.25	-0.78	1.98	5.58	-1.14	-1.22	1,658.73	1,386.63
Philippines Stock Exchange PSE	6,037.79	-1.16	-1.35	-6.58	-18.54	-7.52	7,484.67	5,804.56
Singapore FTSE Straits Times Index	4,427.06	0.34	1.85	8.62	23.48	16.88	4,474.12	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	0.48	-1.05	-0.64	-0.70	6.25	12.22	1.19	1.02
GBP	0.43	-0.89	-1.26	-1.58	2.30	6.77	1.37	1.22
CHF	-0.88	0.45	-0.01	0.25	-6.68	-11.94	0.92	0.79
JPY	-1.25	2.52	2.50	3.35	1.74	-3.84	158.35	140.85
Asia								
CNY	0.09	0.21	0.19	-0.57	0.78	-2.26	7.35	7.07
HKD	0.01	0.02	-0.09	-0.86	0.16	0.19	7.85	7.75
INR	-0.09	0.02	0.82	3.54	5.73	3.74	88.84	83.94
MYR	0.19	0.38	0.29	-0.54	-1.54	-5.51	4.51	4.19
KRW	0.44	1.54	2.88	4.21	5.92	-3.23	1,485.83	1,348.41
SGD	-0.19	0.61	1.09	1.33	-0.69	-5.03	1.37	1.27
TWD	0.33	0.97	1.33	4.97	-4.81	-6.42	33.25	28.90
IDR	0.03	0.09	0.55	2.04	5.65	2.83	16,865.00	15,460.00

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## Sources

**Asset performances: (bar charts)** Eastspring Investments, Refinitiv, as at 10 October 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.

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