

## What's top of investors' minds?

### Fed cuts should support Asian outperformance

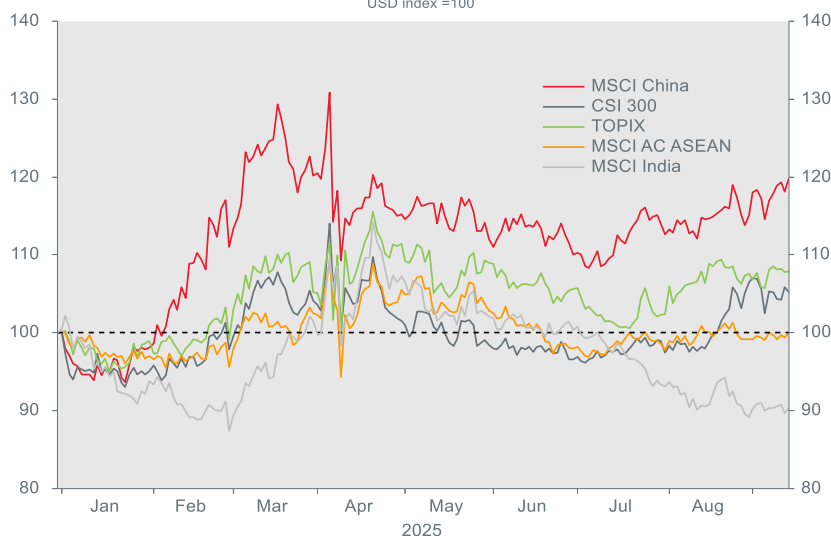
We, along with the market, expect the US Federal Reserve to cut the Fed Funds rate by 25 basis points (bps) to 4.00% - 4.25% at its September 17 policy meeting. The signal from the "dot plot" about the outlook for further cuts and the tone of Chairman Powell's comments at the post-meeting press conference will be key. We expect the median 2026 Fed Funds dot to shift down 25bps to 3.375% and for Powell to signal further cuts but at a gradual pace. The main downside risks for Asian markets would be if the 2026 median dot remains unchanged or if Powell downplays the outlook for cuts by emphasising concerns over inflation.

Fed cuts should support continuation of the theme of Asian outperformance over US markets that we introduced in January. Falling US rates should enable further policy interest rate cuts in most Asian economies. Importantly, if markets perceive Powell's guidance as dovish, it could catalyse further USD weakness. Asian equity market outperformance this year has come mainly from local funds, but a resumption of USD weakness could spur foreign diversification flows out of the US into emerging markets.

### Fed cuts should help sustain Asian equity outperformance of US equities

2025 relative performance vs S&P 500

USD index =100



Improving earnings fundamentals have been a key driver of the recent resumption of Asian equity outperformance. Trade deals with the US have led to upward revisions to year-ahead earnings estimates in most Asian markets. We think the lagged effect of monetary policy easing earlier this year is helping as well.



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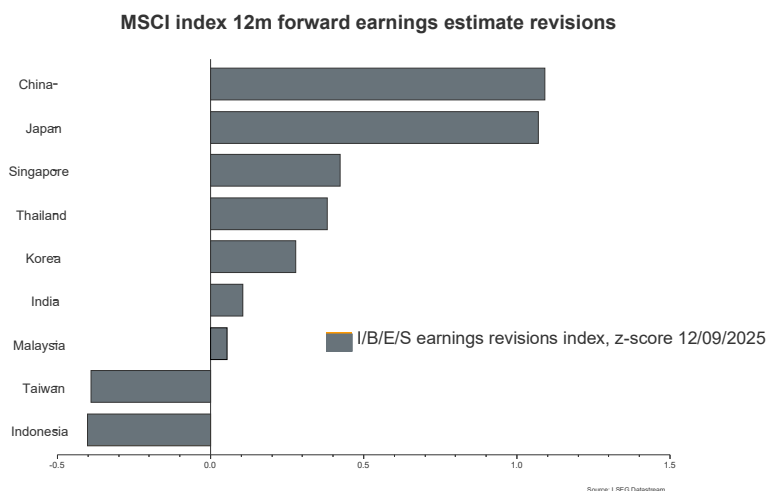


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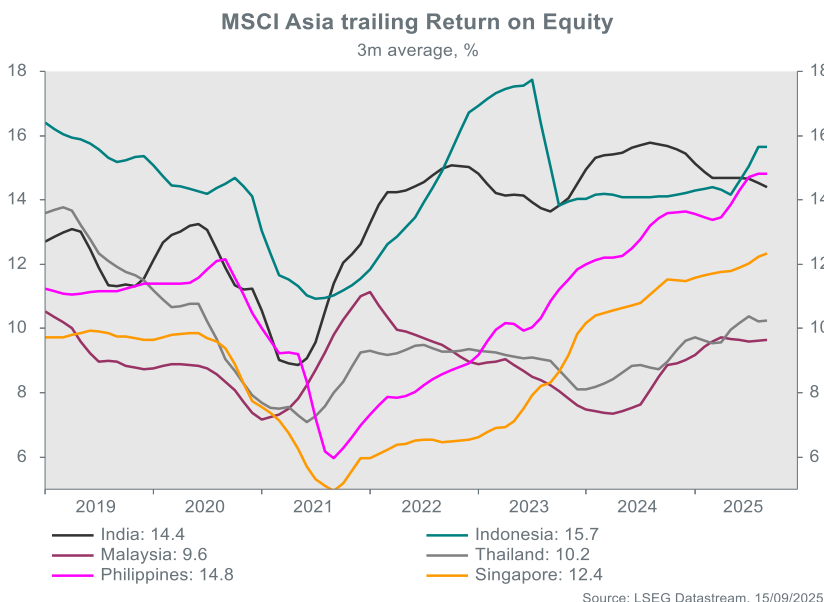


## Upward revisions to earnings growth estimates in most of Asia



Asian return on equity (ROE) is also trending higher in most countries. ROE is now higher than pre-pandemic rates in India, Indonesia, the Philippines, and Singapore and appears to be improving in Malaysia and Thailand. The further easing of Asian monetary policy that we expect over the next couple of quarters should contribute to this trend rise in Asian ROE.

## Asian ROEs are trending higher

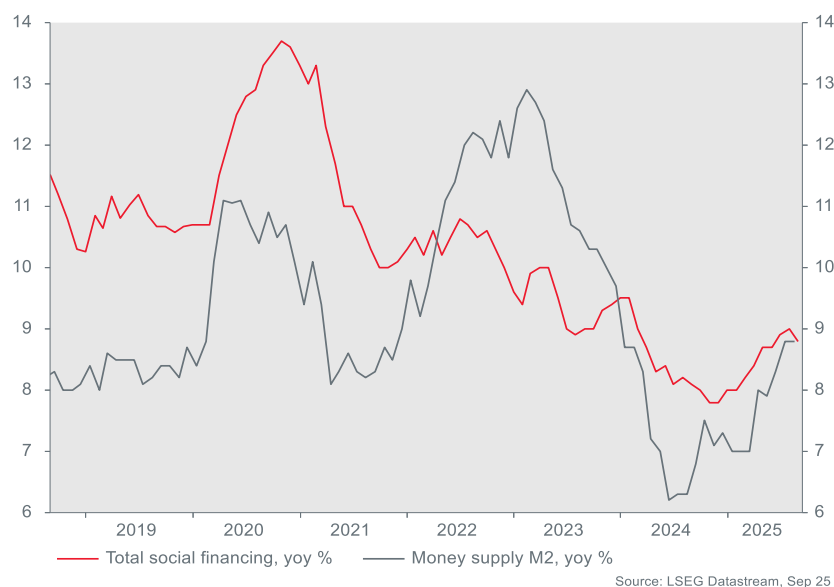


Weaker Asian export growth over the next quarter, payback for the tariff front-loading induced surge in exports in the first half of the year, will be a headwind. If US Fed cuts prove to be pre-emptive of US recession as they currently look likely to be, this dip in Asian exports should prove temporary. Stronger Asian domestic demand in response to easier monetary policy should cushion economies from weaker exports. Active management in portfolios can help to capture this shift in the sources of Asian growth.

The potential for slower growth in China is another key risk. August data for China's retail sales, domestic investment, and manufacturing were weaker than expected, continuing the surprise downturn in growth that began in July. We expect China's government to

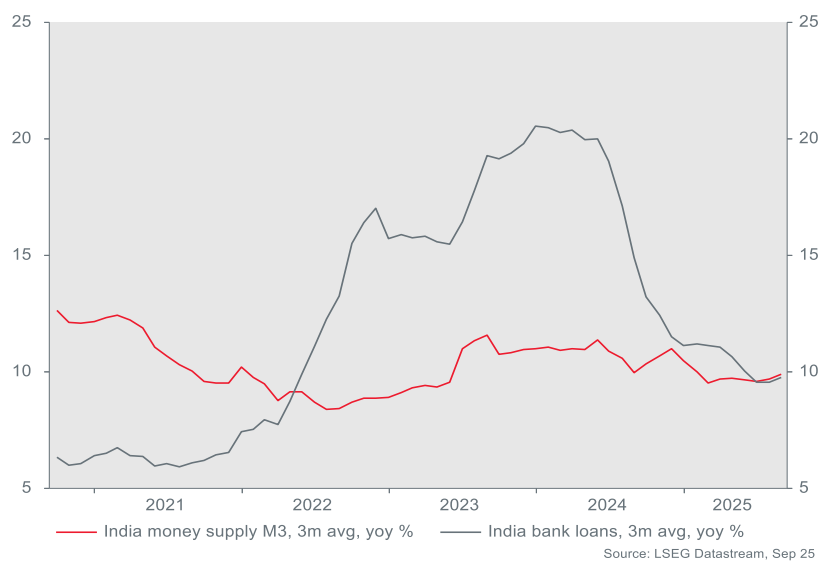
respond with a new 1tn renminbi debt issuance to fund local government spending. We also see room for the People's Bank of China to cut policy interest rates by another 10bps – 20bps in the next couple of quarters. These policies would work to halt the downturn in credit and money growth that began in August.

### New policy stimulus needed to sustain the recovery in China's credit growth



In contrast, we are optimistic that the Reserve Bank of India's (RBI) 100bps of policy rate cuts are beginning to stimulate credit and money growth. This recovery – and its impact on Indian economic growth – is still nascent, but should gather pace in the fourth quarter and early next year. Yet we expect the collapse in CPI inflation to 2%yoy to lead the RBI to cut interest rates by 25bps – 50bps more by the end of this year. This and the fiscal stimulus that will come from GST rationalisation in October should add to India's growth momentum in 2026. A trade deal with the US, still likely in our view, would be the icing on the cake.

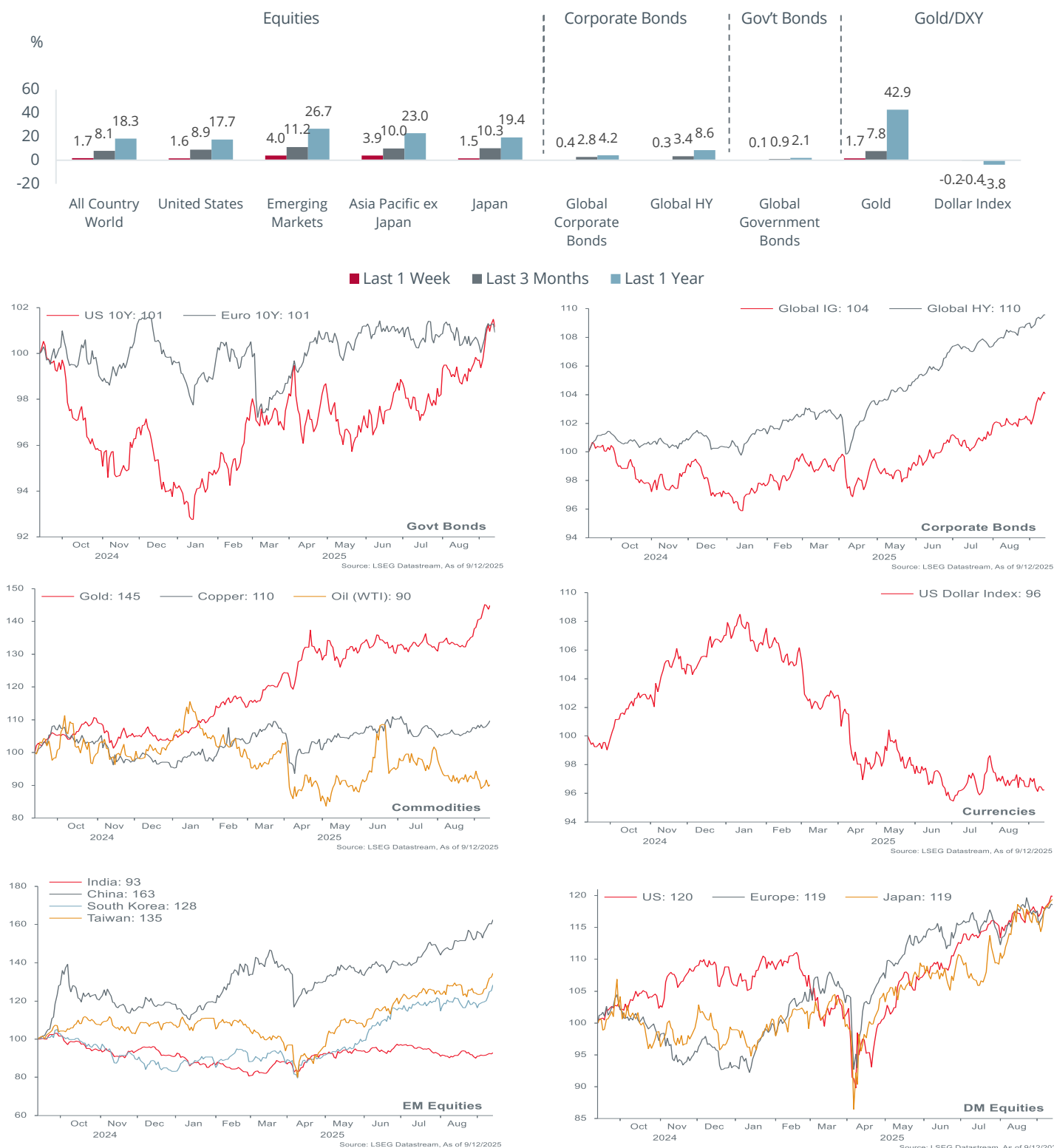
### Indian money & credit growth may be turning up



## Market Review

The US August core consumer price index (CPI) was essentially in line with consensus expectations, printing 0.3% month-over-month (mom) and keeping core inflation, which excludes food and energy costs, at 3.1% for year-over-year (yoy). The Fed's heightened focus on the labour market weakness led investors to increasingly expect a rate cut at the upcoming mid-September meeting. Global equity markets rose higher in the recent week, due to a combination of a greater anticipation of the Fed's September rate cut, and AI trade exuberance, highlighted by Oracle's best daily stock gain since 1992 on the back of its constructive outlook on its cloud computing business. The MSCI ACWI Index climbed 1.7% with the S&P 500 Index and Nasdaq gaining 1.6% and 2.0% respectively. The S&P 500 Index's gain was one of its best weekly performances since early August while the Nasdaq closed with a new record high; Europe delivered a 0.9% (in USD terms) return. The Asia Pacific ex-Japan region delivered 3.9% (in USD terms) while emerging markets returned 4.0% (in USD terms). Longer-dated US Treasury yields saw notable declines, with the 10-year, 20-year, and 30-year yields dropping by 4, 7, and 10 basis points, respectively, last week. The Bloomberg U.S. Treasury Index rose by 0.3%, outperforming the FTSE World Government Bond Index (WGBI) which gained 0.1%; global corporate bonds also performed positively. The U.S. Dollar Index (DXY) fell 0.2%, alongside increased Fed rate cut expectations.

## 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	-0.64	-5.43	-6.82	10.33	-11.30	4.81	3.62
10 Year Bond Yield (%)								
Japan	1.60	1.59	6.47	9.54	85.15	46.29	1.63	0.81
China	1.82	2.89	5.15	8.74	-13.97	8.15	2.18	1.61
Australia	4.23	-2.55	-0.31	-0.14	9.32	-3.05	4.70	3.82
Singapore	1.77	-4.27	-9.37	-22.47	-29.51	-38.13	3.09	1.77
Malaysia	3.42	0.12	1.12	-3.85	-8.97	-10.50	3.99	3.36
Indonesia	6.32	-1.30	-1.79	-5.56	-4.04	-10.01	7.30	6.30
	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	0.73	-0.92	1.34	96.21	92.65
Bloomberg U.S. Aggregate USD	94.21	0.38	1.63	2.46	-0.21	4.18	94.86	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)	972.15	1.72	2.64	8.06	18.33	15.55	972.15	742.96
North America								
US S&P 500 Index	6,584.29	1.59	2.15	8.92	17.67	11.95	6,600.21	4,835.04
US Nasdaq Composite Index	22,141.10	2.03	2.12	12.61	26.02	14.66	22,182.34	14,784.03
Europe								
MSCI Europe	2,475.68	0.89	2.11	2.12	14.81	23.60	2,499.40	1,976.06
Asia Pacific								
MSCI Asia Pacific ex Japan	696.28	3.92	5.45	9.99	23.00	22.28	696.28	513.60
Japan Nikkei 225	44,768.12	4.07	4.80	17.28	21.54	12.22	44,888.02	30,792.74
Shanghai Stock Exchange Composite	3,870.60	1.52	5.58	13.75	42.45	15.48	3,892.74	2,689.70
Hong Kong Hang Seng	26,388.16	3.82	5.68	9.79	53.06	31.55	26,585.95	17,127.25
Taiwan TAIEX	25,474.64	4.00	5.45	14.30	17.65	10.59	25,541.44	17,306.97
Korea KOSPI	3,395.54	5.94	6.45	16.28	32.01	41.51	3,395.54	2,284.72
India NIFTY 50	25,114.00	1.51	2.56	0.91	-1.08	6.21	26,277.35	21,743.65
Australia Stock Exchange 200	8,864.90	-0.07	-0.18	3.50	9.77	8.65	9,054.50	7,169.20
Indonesia Jakarta Composite	7,854.06	-0.17	0.80	9.02	0.72	10.93	8,022.76	5,882.61
Thailand SET	1,293.62	2.28	2.74	14.62	-9.00	-7.61	1,506.82	1,053.79
Malaysia FTSE Bursa KLSE	1,600.13	1.39	2.06	4.82	-2.33	-2.57	1,675.73	1,386.63
Philippines Stock Exchange PSE	6,109.21	-0.65	-2.87	-4.26	-13.03	-6.43	7,604.61	5,804.56
Singapore FTSE Straits Times Index	4,344.24	0.86	2.93	10.76	22.15	14.70	4,375.33	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	0.51	1.30	5.95	13.33	1.18	1.02
GBP	-0.12	0.37	0.45	-0.39	3.30	8.35	1.37	1.22
CHF	0.08	-0.23	-1.23	-1.72	-6.43	-12.22	0.92	0.79
JPY	0.31	0.19	-0.11	2.92	4.14	-6.06	158.35	140.60
Asia								
CNY	0.08	-0.12	-0.76	-0.67	0.10	-2.40	7.35	7.01
HKD	-0.11	-0.21	-0.89	-0.88	-0.29	0.16	7.85	7.75
INR	0.03	0.12	0.78	3.18	5.19	3.18	88.27	83.49
MYR	-0.45	-0.47	-0.66	-0.40	-3.07	-6.00	4.51	4.12
KRW	0.23	0.47	0.63	2.79	4.28	-5.69	1,485.83	1,308.30
SGD	0.09	-0.17	-0.09	0.28	-1.48	-6.09	1.37	1.27
TWD	-0.01	-0.63	1.23	2.67	-5.53	-7.63	33.25	28.90
IDR	-0.49	-0.24	0.58	0.89	6.16	1.77	16,865.00	15,095.00

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## Sources

**Asset performances: (bar charts)** Eastspring Investments, Refinitiv, as at 12 September 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 12 September 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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