

## What's top of investors' minds?

### New stressors for markets from the US are likely to be temporary

Several factors are working to weaken Asian markets despite the US Federal Reserve's dovish policy shift two weeks ago. We expect most of these to be temporary, even if they could intensify somewhat in the next couple of weeks.

First, Fed Chairman Powell walked back some of the dovish tone of the recent post-FOMC meeting press conference in his most recent speech. Powell appeared to give greater stress to data dependence in his thinking about future interest rate cuts. Markets combined this with surprise large upward revisions to Q2 US GDP growth to reduce pricing for cuts to the Fed Funds rate to only 40bps by year-end from 45bps of cuts following the September FOMC. Importantly, Powell described equity markets as "fairly highly valued", leading many to compare this to other Fed Chairman warnings about valuations such as former Chairman Greenspan's famous 1996 statement about "irrational exuberance".

The chance of a US Federal Government shutdown has also weighed on markets to some extent. None of the twelve appropriations bills that fund the Federal Government have yet passed and spending authority under current law expires at midnight on Tuesday in the US. If the Congress does not pass a continuing resolution to extend spending authority before this deadline most US Federal Government activities would halt, and a meaningful number of government employees would be put on furlough. Betting markets have cut the probability of a shutdown to just over 50% since President Trump agreed to meetings with Democratic Congressional leaders, but uncertainty remains high.

The main implication of a US Federal Government shutdown is that most government economic data would cease to be published, for example employment data due this Friday and CPI in the coming weeks. This would increase market focus on private data such as the ISM, PMIs, and various confidence surveys as well as initial jobless claims which are produced by individual US states.

Full government shutdowns have historically been temporarily modestly positive for Treasuries and have had a mixed impact on equities. A prolonged shutdown of several weeks would likely trim Q3 GDP by 0.1% - 0.3%, but this would be essentially inconsequential given that most GDP nowcast models put Q3 at close to 3%.

Potential US trade friction with Japan and Korea has also resurfaced. President Trump has recently asserted that the Korean and Japanese pledges to invest \$350bn and \$550bn respectively into the US are cash sums to be paid up front, not investments to be made over time. Japanese and Korean officials have so far disputed this. This reflects the inherent risk in the slapdash nature of the recent US trade agreements. The agreements broad pledges without specific, formal detail leave them open to future interpretation, debate, and disagreement. Although we recognise that these ambiguities are likely to lead to occasional bouts of market stress, we doubt they will lead to dissolution of the broad tariff rate agreements.



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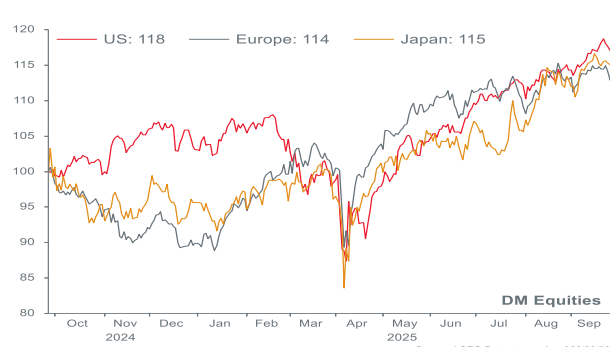
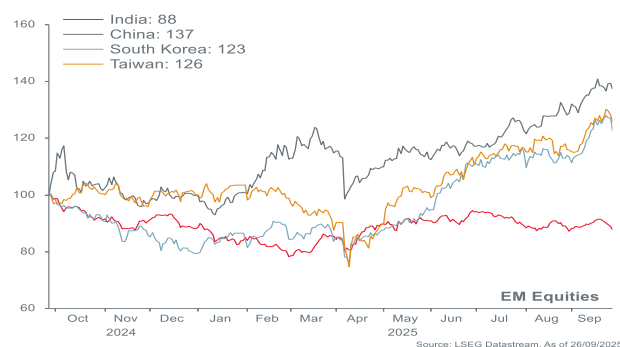
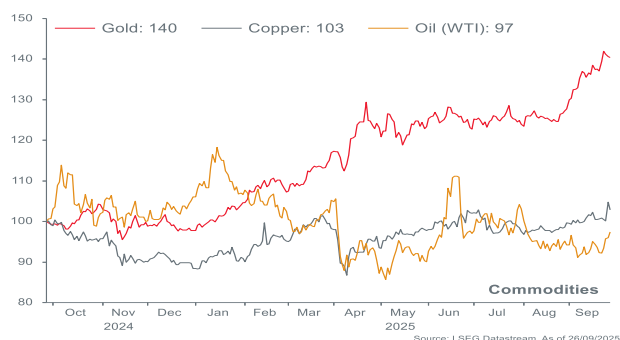
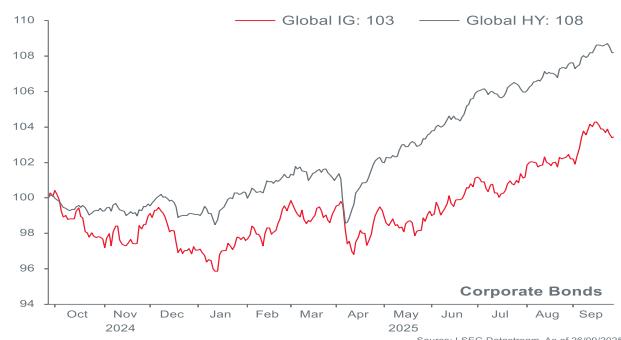
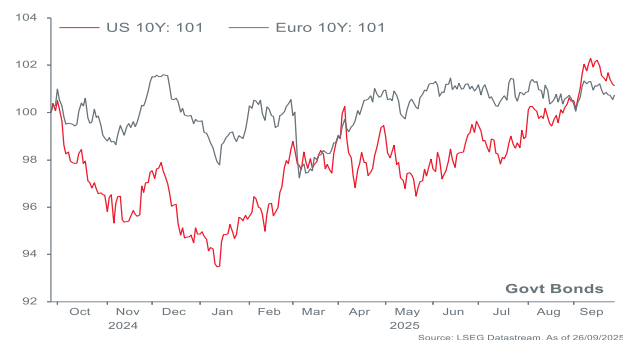
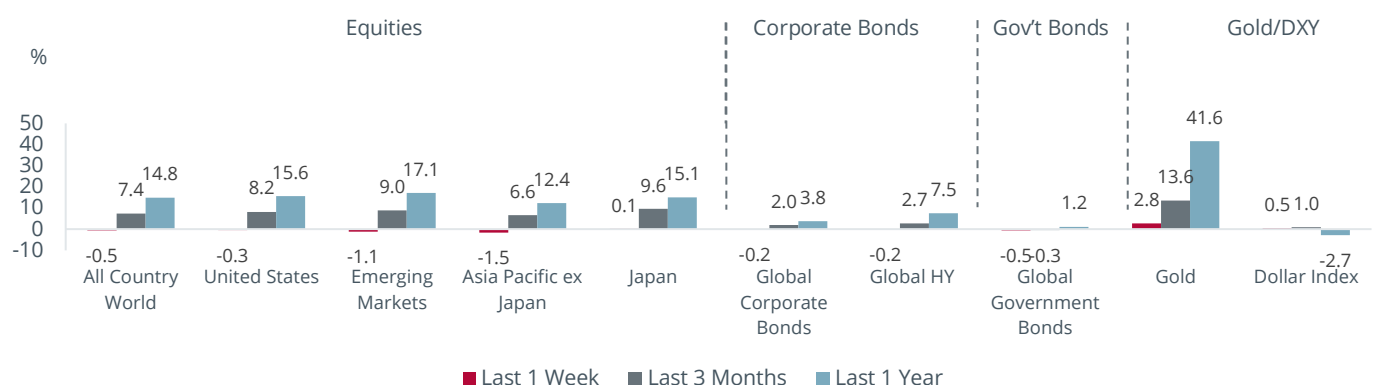
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## Market Review

The stock market weakened over the past week, with the MSCI ACWI Index and S&P 500 Index both declining by -0.5% and -0.3% respectively. The tech-heavy Nasdaq saw a steeper decline of -0.7%. Gold rallied 2.8%, whilst the US 10-year Treasury yield and US Dollar Index (DXY) both rose over the week, as investors digested US economic data and further comments from Fed Chair Jerome Powell. Powell highlighted the need to balance inflation concerns with a weakening job market in the Fed's future interest rate decisions, whilst markets digested the final revision to Q2 US GDP which was revised higher, a decline in weekly jobless claims and a rebound in monthly durable goods orders. Asia Pacific ex Japan and Emerging Market (EM) equities all saw steeper declines in this environment, with Asia Pacific ex Japan down -1.5% and EM down -1.1% over the week on a USD basis. Japan equities were broadly flat on a USD basis. In fixed income markets, global government bonds declined most – with the FTSE World Government Bond Index (WGBI) down -0.5% – whilst credit outperformed, with high yield credit performing marginally better than investment grade, benefiting from the lower sensitivity to interest rate fluctuations.

## 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	4.19	1.16	-1.62	-1.55	10.50	-8.52	4.81	3.74
10 Year Bond Yield (%)								
Japan	1.66	1.10	2.22	17.16	99.40	52.06	1.66	0.81
China	1.91	2.24	8.01	15.86	-8.42	13.93	2.18	1.61
Australia	4.39	3.39	1.64	6.58	11.11	0.57	4.70	3.95
Singapore	1.94	7.91	5.44	-13.44	-25.83	-32.26	3.09	1.76
Malaysia	3.47	1.67	2.54	-1.64	-7.96	-9.14	3.99	3.36
Indonesia	6.43	1.69	1.31	-3.15	-0.60	-8.42	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	94.68	-0.22	0.31	0.06	-1.08	0.98	95.92	92.65
Bloomberg U.S. Aggregate USD	93.68	-0.34	0.72	1.14	-0.39	3.59	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)	976.95	-0.49	2.54	7.40	14.84	16.12	985.12	742.96
North America								
US S&P 500 Index	6,643.70	-0.31	2.75	8.19	15.64	12.96	6,699.52	4,835.04
US Nasdaq Composite Index	22,484.07	-0.65	4.36	11.48	23.60	16.43	22,801.90	14,784.03
Europe								
MSCI Europe	2,469.18	-0.46	0.56	3.13	10.36	23.28	2,499.40	1,976.06
Asia Pacific								
MSCI Asia Pacific ex Japan	687.98	-1.52	2.76	6.65	12.39	20.83	704.94	513.60
Japan Nikkei 225	45,354.99	0.69	6.98	14.58	16.52	13.69	45,852.75	30,792.74
Shanghai Stock Exchange Composite	3,828.11	0.21	-1.04	11.01	27.56	14.21	3,899.96	2,889.01
Hong Kong Hang Seng	26,128.20	-1.57	2.36	7.41	31.14	30.25	27,058.03	18,671.49
Taiwan TAIEX	25,580.32	0.01	5.25	13.73	11.91	11.05	26,394.03	17,306.97
Korea KOSPI	3,386.05	-1.72	6.50	9.95	26.74	41.12	3,497.95	2,284.72
India NIFTY 50	24,654.70	-2.65	-0.23	-3.50	-5.96	4.27	26,277.35	21,743.65
Australia Stock Exchange 200	8,787.70	0.16	-1.66	2.77	7.12	7.70	9,054.50	7,169.20
Indonesia Jakarta Composite	8,099.33	0.60	2.45	17.43	4.58	14.40	8,169.02	5,882.61
Thailand SET	1,278.74	-1.08	2.20	15.54	-12.12	-8.68	1,506.82	1,053.79
Malaysia FTSE Bursa KLSE	1,609.05	0.68	1.74	5.29	-3.73	-2.03	1,672.60	1,386.63
Philippines Stock Exchange PSE	6,027.12	-3.79	-1.92	-4.80	-19.19	-7.68	7,604.61	5,804.56
Singapore FTSE Straits Times Index	4,265.98	-0.85	0.52	8.32	19.09	12.63	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	0.31	-0.37	0.51	0.02	4.70	13.02	1.19	1.02
GBP	0.45	-0.49	-0.59	-2.38	-0.11	7.11	1.37	1.22
CHF	-0.23	0.28	-0.68	-0.31	-5.74	-12.09	0.92	0.79
JPY	-0.20	1.05	1.42	3.55	3.24	-4.89	158.35	140.85
Asia								
CNY	-0.01	0.25	-0.27	-0.48	1.74	-2.28	7.35	7.01
HKD	-0.05	0.06	-0.18	-0.90	0.00	0.15	7.85	7.75
INR	-0.09	0.64	1.19	3.53	6.05	3.63	88.79	83.60
MYR	0.14	0.36	0.12	-0.17	1.91	-5.57	4.51	4.12
KRW	0.03	0.88	1.05	3.82	7.37	-4.56	1,485.83	1,308.30
SGD	-0.25	0.52	0.50	1.35	0.64	-5.44	1.37	1.27
TWD	-0.23	0.75	-0.44	4.41	-3.84	-7.14	33.25	28.90
IDR	-0.06	0.84	2.67	3.25	10.32	3.95	16,865.00	15,120.00

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## Sources

**Asset performances: (bar charts)** Eastspring Investments, Refinitiv, as at 26 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 26 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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