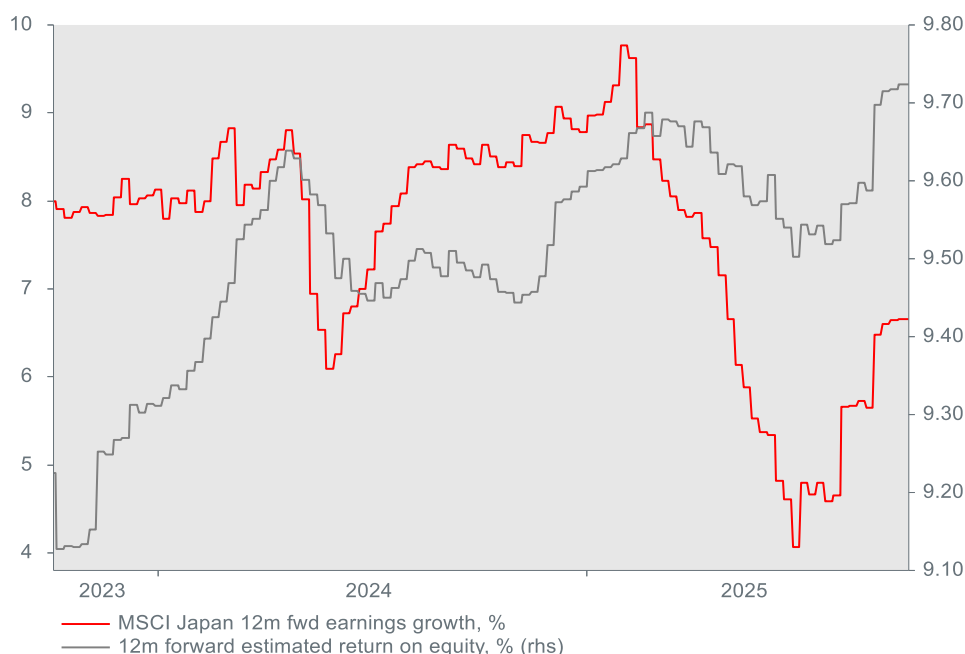


What's top of investors' minds?

Japan enters the Sanaenomics era

We have written frequently and constructively about Japanese equities over the past several weeks, motivated by strong upward revisions to Japanese earnings growth and expected return on equity. The Liberal Democratic Party's (LDP) election on October 4 of Sanae Takaichi as new party leader and so likely Japan's new Prime Minister, should support a continuation of better earnings growth in Japan. Ms. Takaichi's "responsible proactive fiscal policy", Sanaenomics for short, should prove to be fiscally expansionary over time.

Consensus estimates for Japanese earnings are rising



To be sure, Takaichi has advocated an extension of the past 'Abenomics' policy approach, emphasising greater government direction over monetary policy to stimulate the economy, flexible fiscal policy, and government investment in strategic sectors. The last, which she refers to as "crisis management investment" includes government support of Artificial Intelligence, semiconductors, nuclear fusion, biotechnology, and defense.

The LDP's lack of a majority in the Diet means that Takaichi will need to form a coalition with other parties to produce a FY25 supplementary budget by year-end and then a FY26 budget. As such, uncertainty about the specifics of fiscal policy is high. However, for the FY25 supplementary budget, her focus seems to be on abolishing the provisional gasoline tax, expanding central government support for municipalities, and pulling forward medical and long term fee schedules, but she has expressed reservations about a consumption tax cut. Our read is that this mix would result in a mild fiscal stimulus.

For the FY26 budget, we expect her to try to turn policy more clearly expansionary. Possibilities include raising income tax thresholds and raising deduction amounts for households and implementing her plans for government investment in strategic sectors. We do not rule out a return to reductions in consumption taxes, particularly for food. She is likely to promote a more rapid increase in Japan's defense spending as a share of GDP.



Vis Nayar
Chief Investment Officer
Eastspring Investments



Ray Farris
Chief Economist
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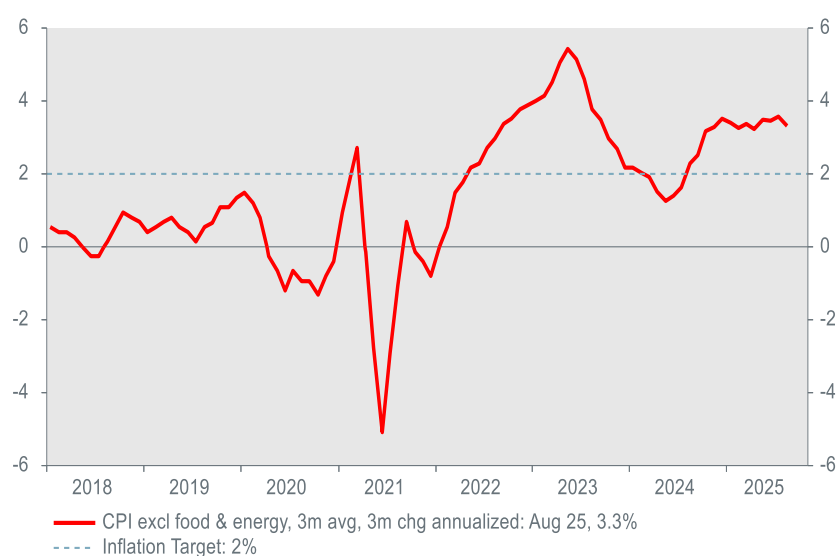
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We also expect Ms Takaichi to advocate for the Bank of Japan (BoJ) to continue running an expansionary monetary policy. We continue to think the greatest likelihood is that the BoJ delays its next policy rate hike until January 2026. If correct, this could lead to further near-term yen weakness following the 1.6% drop vs. the USD so far today.

We expect any yen weakness to be contained by a need for the BoJ to continue to signal future policy rate hikes. Core inflation momentum is well above the BoJ's 2% inflation target and is unlikely to fall given the real policy rate is negative and the economy is growing close to or above potential.

Japanese core CPI inflation momentum remains well above the BoJ's target

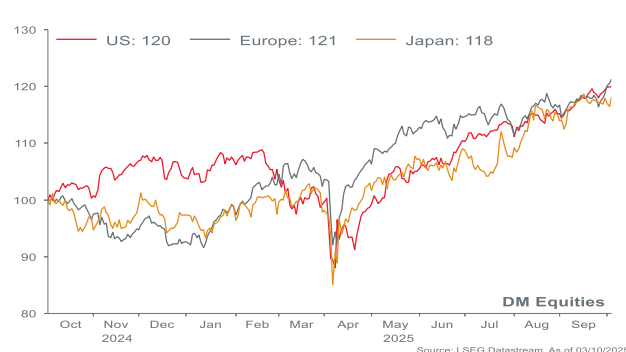
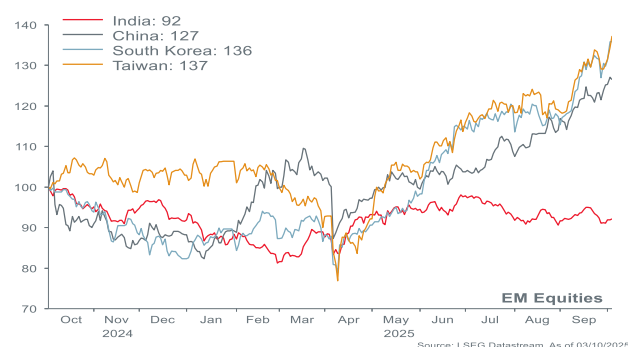
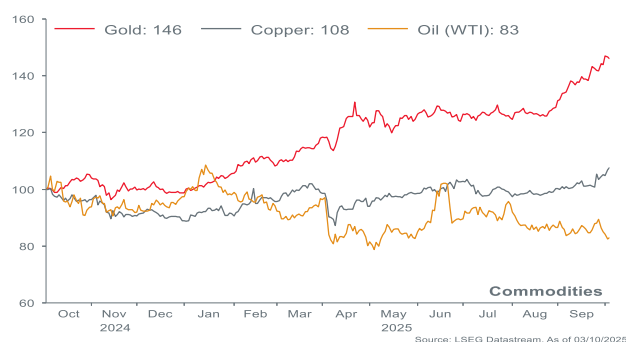
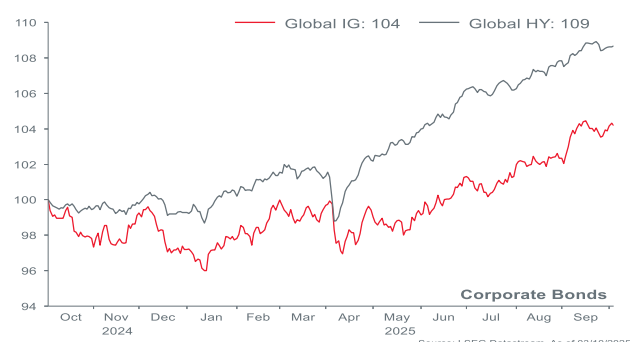
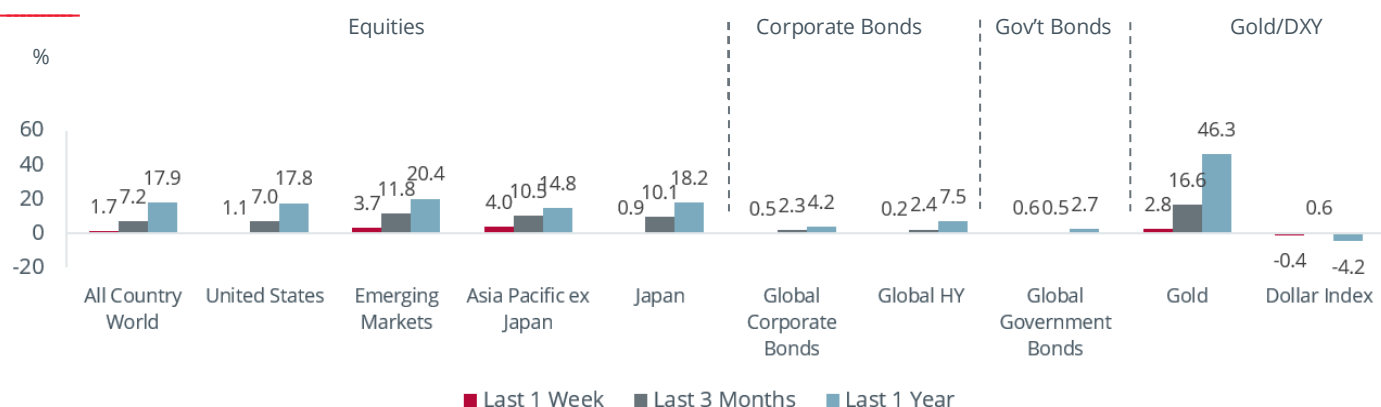


Source: LSEG Datastream, 06/10/2025

Market Review

The stock market rose over the past week, with the MSCI ACWI Index and S&P 500 Index both rising by 1.7% and 1.1% respectively. Asia Pacific ex Japan and Emerging Markets (EM) equities performed even better, up 4.0% and 3.7% respectively. Returns from Japanese equities were more muted (on a USD basis), as investors awaited the results of the Liberal Democratic Party's leadership race. The US Dollar Index (DXY) weakened over the week, down -0.4% overall, whilst gold rose further, up 2.8% over the week and 46.3% over the past year. Investors digested the US government shut down, due to an impasse between congressional Republicans and Democrats over a spending bill, and the likely disruption to government services, as well as delays to the publication of official economic data. In fixed income markets, global government bonds outperformed, whilst returns from global high yield credit were more modest, as US Treasury yields declined on growth concerns amid the risk of an extended US government shutdown.

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	4.12	-1.62	-2.18	-5.09	6.99	-10.01	4.81	3.85
10 Year Bond Yield (%)								
Japan	1.66	0.12	1.71	15.03	101.33	52.25	1.66	0.83
China	1.88	-1.88	5.80	14.37	-13.06	11.79	2.18	1.61
Australia	4.32	-1.64	-2.55	3.23	8.08	-1.08	4.70	4.00
Singapore	1.92	-1.03	0.63	-8.97	-28.62	-32.96	3.09	1.76
Malaysia	3.46	-0.46	1.05	0.41	-8.26	-9.55	3.99	3.36
Indonesia	6.33	-1.62	-1.19	-4.11	-2.98	-9.90	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	94.90	0.23	0.59	0.49	-0.64	1.22	95.51	92.65
Bloomberg U.S. Aggregate USD	94.00	0.34	1.00	1.95	0.32	3.95	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)	993.22	1.67	4.73	7.20	17.92	18.05	993.22	742.96
North America								
US S&P 500 Index	6,715.79	1.09	4.15	6.95	17.82	14.18	6,750.87	4,835.04
US Nasdaq Composite Index	22,780.51	1.32	5.97	10.58	27.13	17.97	22,925.43	14,784.03
Europe								
MSCI Europe	2,550.22	3.28	5.04	4.94	17.48	27.33	2,550.22	1,976.06
Asia Pacific								
MSCI Asia Pacific ex Japan	715.44	3.99	7.67	10.47	14.84	25.65	715.44	513.60
Japan Nikkei 225	45,769.50	0.91	9.13	15.04	18.72	14.73	45,852.75	30,792.74
Shanghai Stock Exchange Composite	3,882.78	1.43	1.82	12.18	16.37	15.84	3,899.96	3,040.69
Hong Kong Hang Seng	27,140.92	3.88	7.09	12.76	22.73	35.30	27,381.84	18,671.49
Taiwan TAIEX	26,761.06	4.62	11.04	17.82	19.52	16.18	26,761.06	17,306.97
Korea KOSPI	3,549.21	4.82	11.46	13.89	38.55	47.92	3,565.96	2,284.72
India NIFTY 50	24,894.25	0.97	0.73	-2.01	-1.41	5.28	25,669.35	21,743.65
Australia Stock Exchange 200	8,987.40	2.27	2.85	4.56	9.53	10.15	9,054.50	7,169.20
Indonesia Jakarta Composite	8,118.30	0.23	2.95	18.03	7.62	14.67	8,169.02	5,882.61
Thailand SET	1,293.61	1.16	2.72	14.76	-10.34	-7.61	1,506.82	1,053.79
Malaysia FTSE Bursa KLSE	1,635.06	1.62	3.58	5.56	-0.40	-0.44	1,658.73	1,386.63
Philippines Stock Exchange PSE	6,108.86	1.36	0.43	-5.57	-17.32	-6.43	7,604.61	5,804.56
Singapore FTSE Straits Times Index	4,411.95	3.42	2.86	9.76	23.33	16.48	4,416.90	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	0.23	0.34	0.69	-0.13	6.44	13.41	1.19	1.02
GBP	0.32	0.58	0.25	-1.27	2.70	7.73	1.37	1.22
CHF	-0.29	-0.28	-1.07	0.06	-6.75	-12.33	0.92	0.79
JPY	0.14	-1.37	-0.43	1.74	0.35	-6.20	158.35	140.85
Asia								
CNY	-	-0.19	-0.32	-0.69	1.44	-2.47	7.35	7.02
HKD	-0.03	0.02	-0.24	-0.88	0.22	0.17	7.85	7.75
INR	0.04	0.08	0.78	3.89	5.64	3.71	88.81	83.94
MYR	0.07	-0.31	-0.45	-0.33	-0.28	-5.86	4.51	4.19
KRW	0.11	-0.15	1.24	3.24	5.56	-4.70	1,485.83	1,333.21
SGD	0.01	-0.19	0.10	1.06	-0.62	-5.61	1.37	1.27
TWD	-0.22	-0.19	-1.10	5.06	-5.12	-7.32	33.25	28.90
IDR	-0.30	-1.17	0.73	2.13	7.23	2.73	16,865.00	15,415.00

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Sources

Asset performances: (bar charts) Eastspring Investments, Refinitiv, as at 3 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.

Market data: Eastspring Investments, Refinitiv, as at 3 October 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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