

What's top of investors' minds?

Countdown to Fed rate cuts

The downside surprise to US non-farm payrolls in August of only 22k new jobs solidifies the outlook for the Federal Reserve to cut the Fed Funds rate at its 18 September meeting. The three-month average rate of job growth of 30k is well below estimates of the breakeven rate of about 70k needed to keep the unemployment rate stable. Importantly, the drag on job gains this year from falling Federal Government employment may rise in September and October as the government's Deferred Resignation Programme ends and resignations are finalised.

Markets currently price one 25bps rate cut at the September meeting, but this could rise to two if the August core CPI data released this Thursday are softer than the consensus for 0.3% month-on-month, particularly if evidence of tariffs affecting goods prices remains low. This would be the most positive scenario for Asian equities. Larger Fed cuts would increase the scope for Asian central banks to cut their policy rates and would create new pressure for the USD to depreciate.

We continue to judge a Fed cut this month as likely to preempt US recession. Despite the weaker job gains, aggregate payroll income is still growing in real terms. Contractions in investment have historically led the US economy into recession (not drops in consumption). However, still healthy growth in corporate profits and rising durable goods orders point to continued business capex growth in Q3 and Q4. The recent rally in US 10-year Treasury yields should pull down mortgage rates and reduce the recent drag on the economy from housing weakness. The incoming US inflation data will be critical in this regard. A scenario in which the Fed cuts Fed Funds despite higher-than-expected inflation could limit or reverse the fall in Treasury yields, keeping mortgage rates high.

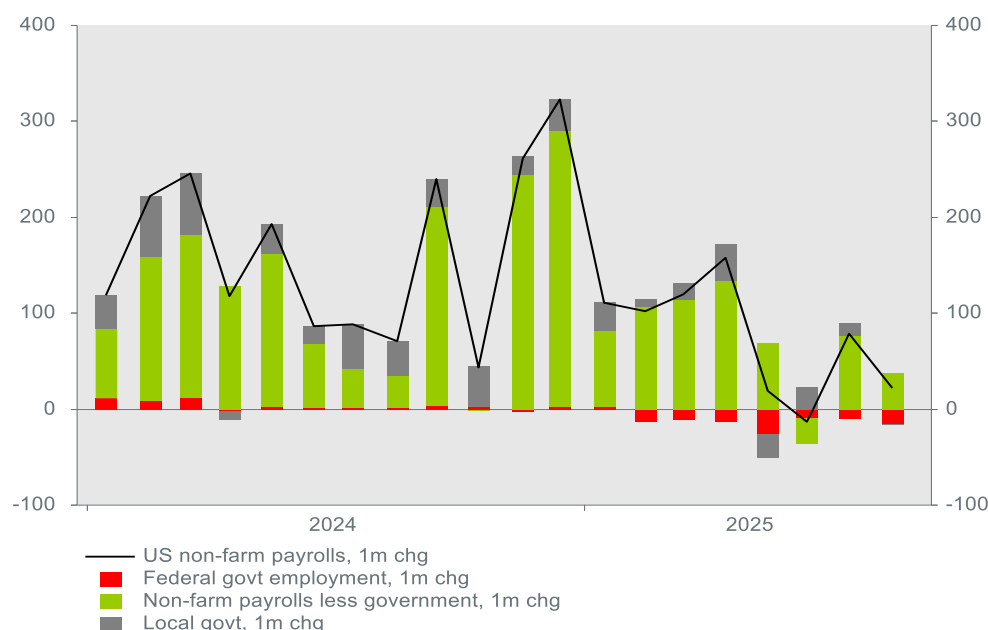


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US payrolls surprise on the downside in August



Source: LSEG Datastream, Sep 25

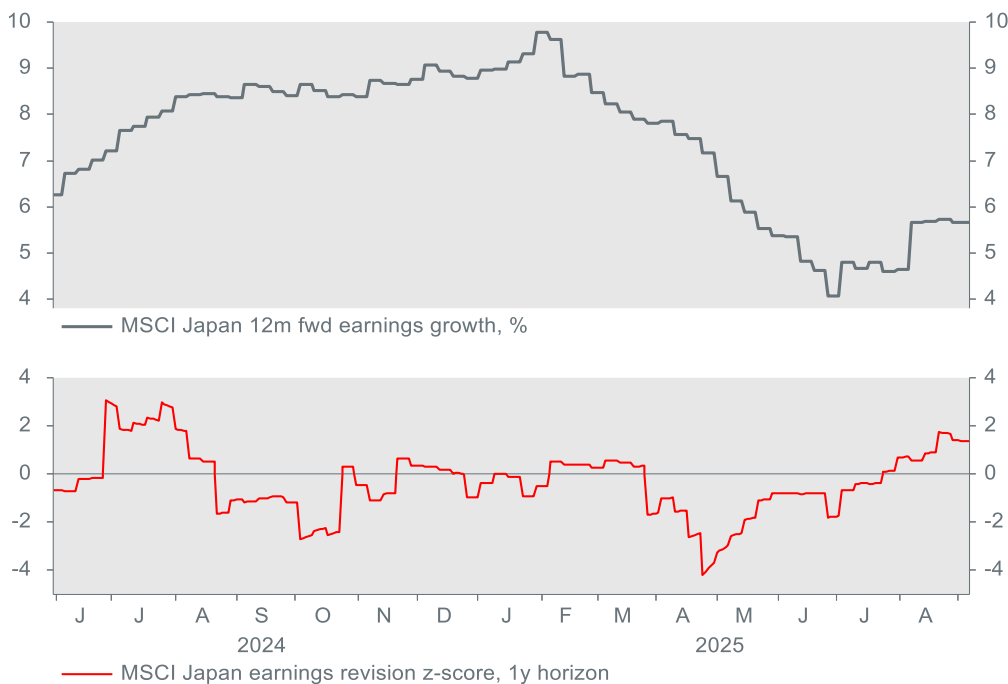
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Japanese growth is proving stronger than expected

Japanese GDP surprised to the upside at 2.2% seasonally adjusted quarter-on-quarter in Q2, up from 1.0% in Q1. This has combined with Japan’s relatively favourable trade deal with the US to produce upward revisions to estimates for Japanese equity earnings growth. Although GDP growth probably peaked in Q2, the outlook for the coming quarters is strong enough to lead us to expect continued upward revisions to earnings.

Positive revisions to MSCI Japan earnings growth

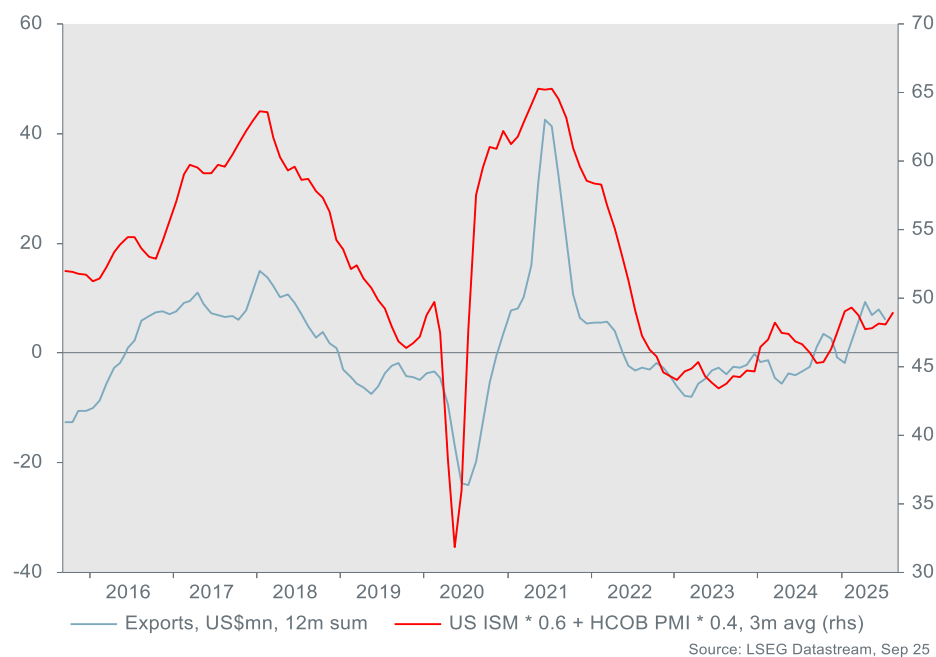


Source: LSEG Datastream, 05/09/2025

One reason is that the resignation of Prime Minister Ishiba is likely to lead to more stimulative fiscal policy. Ishiba was a notable fiscal hawk and most scenarios for his replacement point to political coalitions that are more amenable to a larger supplementary budget.

Another is that recently stronger US, European, and Chinese PMIs suggest Japan’s exports should continue to grow in the coming months. The shock from US tariffs on autos that pushed Japanese export prices down 18% through June also seems over now that the Japan – US trade deal announced in August cut the US tariff on Japanese autos and parts to 15% from just over 27%. We also see scope for China’s anti-involution campaign against overcapacity and price competition to further reduce pressure on some Japanese producers. These factors should be positive for the “value” style in Japan.

Global PMIs suggest Japan's exports should grow



Recently stronger growth in Japan's core machinery orders suggests that business investment should continue to grow through year-end.

Japan's business investment may strengthen



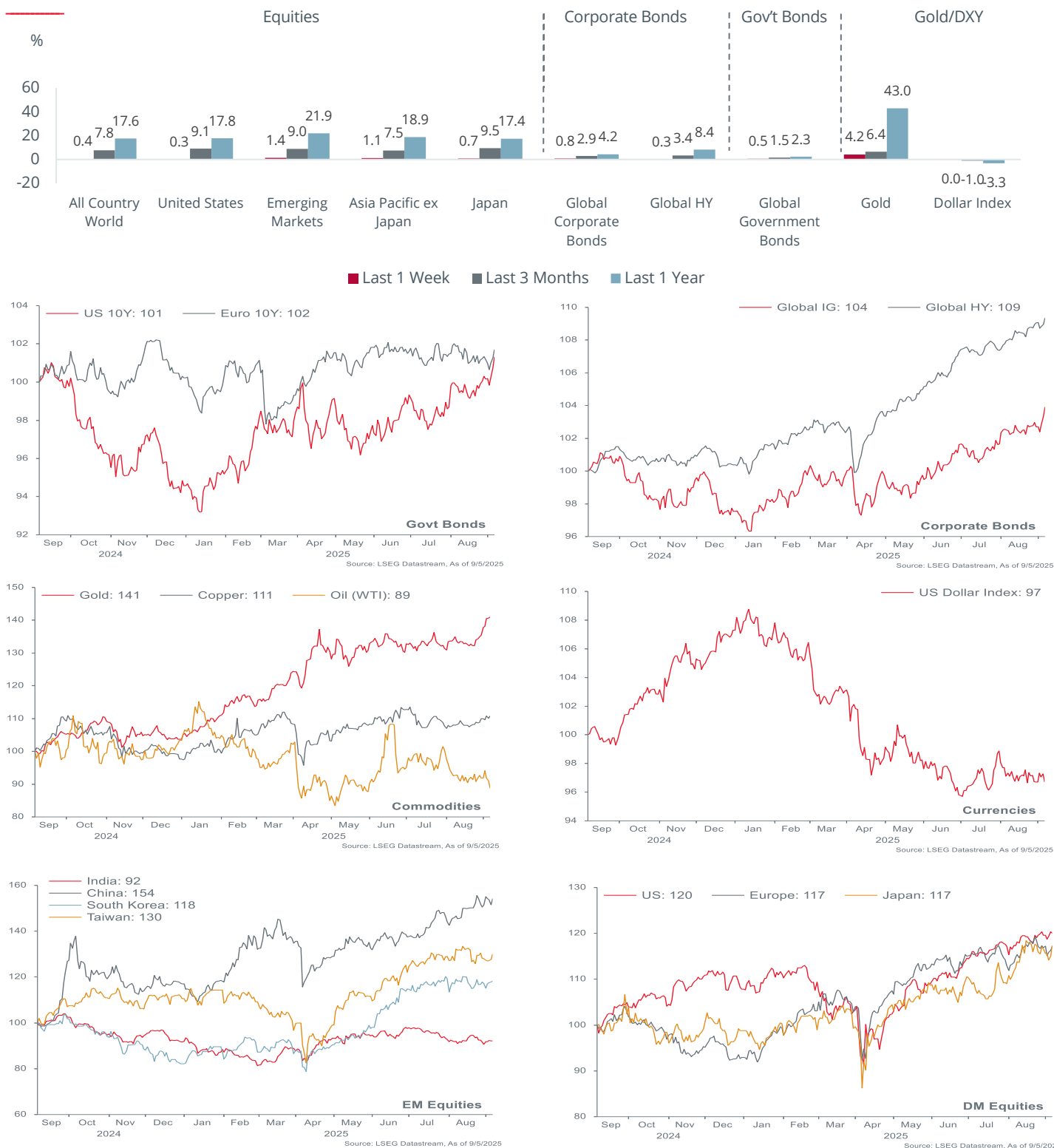
Weaker consumption growth is likely to be the main headwind for the economy. Real total cash earnings have fallen slightly this year. The terms of any new supplementary budget will be crucial in this regard. Proposals so far include cash transfers, energy subsidies, and subsidies for child care and education fees.

Market Review

The August US employment report showed notable signs of labour market deceleration, highlighted by non-farm payrolls rising by only 22K (as compared to 79K in July), and the unemployment rate increasing to 4.3%, almost hitting a four-year high. The weaker-than-expected labour data raised expectations of a Fed rate cut at next week's FOMC meeting, supporting global equities which rose 0.4% in the recent week, with gains in the S&P 500 Index and Nasdaq at 0.3% and 1.1% respectively. Nasdaq's gain was driven by strong rallies in Apple and Alphabet following an anti-trust case ruling for Google. Europe delivered a 0.2% (in USD terms) return while the Asia Pacific ex-Japan region delivered 1.1% (in USD terms); emerging markets returned 1.4% (in USD terms). Japan's Nikkei 225 Index gained 0.7%.

US Treasury yields fell along the curve, ranging between -8 to -18 basis points (bps); the US 10Y yield fell by 13 bps to end the week at 4.1%, its lowest level since 4 April. In fixed income markets, amid falling yields the Bloomberg U.S. Treasury Index gained 0.8% while the FTSE World Government Bond Index (WGBI) gained 0.5%. Global corporate bonds also performed positively, with investment grade bonds, which are generally more sensitive to falling yields, outperformed their high yield counterpart. The US Dollar Index (DXY) fell following the release of the August US job report, but ended the week relatively unchanged; gold prices surged, notching a 4.2% weekly gain.

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	4.09	-3.31	-2.62	-7.03	9.46	-10.73	4.81	3.62
10 Year Bond Yield (%)								
Japan	1.57	-2.00	6.65	7.53	79.54	44.00	1.63	0.81
China	1.77	-1.06	2.97	4.25	-17.75	5.12	2.18	1.61
Australia	4.35	1.14	2.77	2.31	10.50	-0.50	4.70	3.82
Singapore	1.85	0.82	-8.87	-20.61	-30.67	-35.37	3.09	1.80
Malaysia	3.42	0.56	0.71	-3.18	-9.56	-10.60	3.99	3.36
Indonesia	6.40	1.27	-1.11	-5.17	-3.32	-8.83	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	94.87	0.46	0.13	0.97	-0.69	1.18	96.21	92.65
Bloomberg U.S. Aggregate USD	93.85	0.85	0.88	2.56	-0.15	3.78	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)	955.71	0.44	3.07	7.77	17.60	13.60	956.34	742.96
North America								
US S&P 500 Index	6,481.50	0.33	2.89	9.13	17.77	10.20	6,532.65	4,835.04
US Nasdaq Composite Index	21,700.39	1.14	3.75	12.45	26.70	12.37	21,878.81	14,784.03
Europe								
MSCI Europe	2,453.97	0.19	3.22	1.90	13.43	22.52	2,499.40	1,976.06
Asia Pacific								
MSCI Asia Pacific ex Japan	670.00	1.07	2.31	7.50	18.87	17.67	675.26	513.60
Japan Nikkei 225	43,018.75	0.70	6.09	14.55	17.35	7.83	43,876.42	30,792.74
Shanghai Stock Exchange Composite	3,812.51	-1.18	5.39	12.66	36.73	13.75	3,888.60	2,689.70
Hong Kong Hang Seng	25,417.98	1.36	2.07	6.32	45.71	26.71	25,918.86	16,964.28
Taiwan TAIEX	24,494.58	1.08	3.52	13.01	15.61	6.34	24,570.15	17,306.97
Korea KOSPI	3,205.12	0.60	0.22	13.98	24.45	33.58	3,288.26	2,284.72
India NIFTY 50	24,741.00	1.29	0.37	-0.04	-1.61	4.64	26,277.35	21,743.65
Australia Stock Exchange 200	8,871.20	-1.14	1.15	3.89	11.14	8.73	9,054.50	7,169.20
Indonesia Jakarta Composite	7,867.35	0.47	4.69	10.60	2.43	11.12	8,022.76	5,882.61
Thailand SET	1,264.80	2.28	1.43	10.89	-9.93	-9.67	1,506.82	1,053.79
Malaysia FTSE Bursa KLSE	1,578.15	0.19	2.57	3.95	-5.21	-3.91	1,677.46	1,386.63
Philippines Stock Exchange PSE	6,149.13	-0.11	-3.22	-3.57	-10.99	-5.82	7,604.61	5,804.56
Singapore FTSE Straits Times Index	4,307.08	0.88	2.34	9.94	24.53	13.72	4,320.37	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	0.58	0.28	1.24	2.39	5.46	13.17	1.18	1.02
GBP	0.54	0.02	1.56	-0.46	2.51	7.95	1.37	1.22
CHF	-0.89	-0.26	-1.19	-2.62	-5.44	-12.03	0.92	0.79
JPY	-0.74	0.24	-0.15	2.69	2.75	-6.23	158.35	140.60
Asia								
CNY	-0.12	0.03	-0.71	-0.59	0.57	-2.29	7.35	7.01
HKD	-0.05	-0.00	-0.68	-0.63	0.05	0.37	7.85	7.75
INR	-0.01	0.02	0.41	2.74	5.00	3.05	88.17	83.49
MYR	-	-0.05	-0.12	-0.17	-2.66	-5.55	4.51	4.12
KRW	-0.52	-0.19	-0.03	2.34	3.99	-6.13	1,485.83	1,308.30
SGD	-0.41	0.07	-0.23	-0.07	-1.21	-5.93	1.37	1.27
TWD	-0.72	-0.26	1.95	1.79	-4.85	-7.04	33.25	28.90
IDR	-	-0.42	0.24	0.89	6.63	2.02	16,865.00	15,095.00

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Sources

Asset performances: (bar charts) Eastspring Investments, Refinitiv, as at 5 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 5 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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