

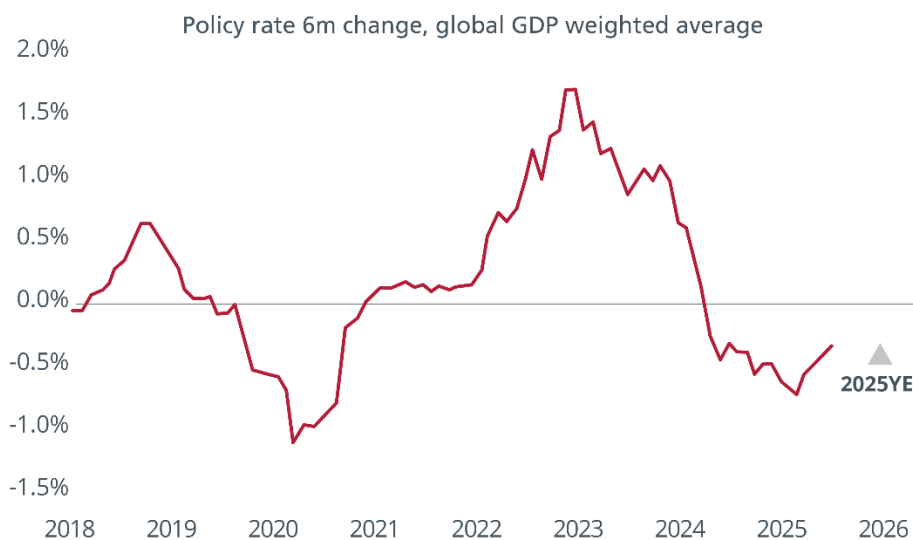
What's top of investors' minds?

Fed cuts create a supportive investment environment

The US Federal Reserve's dovish shift at its September FOMC meeting should be positive for Asian equity and interest rate markets over the next several months, in our view. The Fed cut the Fed Funds rate by 25bps and signaled two more 25bps cuts this year, one more than markets expected. This combined with lower-than-expected initial jobless claims for the week to September 13 and a stronger-than-expected Philly Fed Index for September push up US Treasury yields and steepen the curve. Fed cuts currently look likely to pre-empt recession.

To be sure, the chart below shows that expected Fed cuts should reaccelerate the momentum of the global rate cutting cycle that began in the second half of last year. In Asia we expect additional cuts by year-end from India, Indonesia, the Philippines, Thailand, and potentially China and Taiwan. This broad monetary easing supports the global growth outlook despite US tariffs and should benefit flow into risky assets.

Global policy rate cut momentum is likely to reaccelerate into year-end



Policy divergence as Bank of Japan turns hawkish

In contrast to the Fed, the Bank of Japan was more hawkish than expected at its September 19 policy meeting, announcing the beginning of the reduction in its ETF holdings and with two policy board members voting for a rate hike. However, BoJ Governor Ueda said that he did not support another hike yet and we continue to think January 2026 is more likely for the next hike than October or December of this year.

However, Japanese equities have fully recovered from their initial fall in response to the BoJ decision. As we noted last week, Japanese earnings revisions have turned positive and are now the strongest among the major Asian markets.



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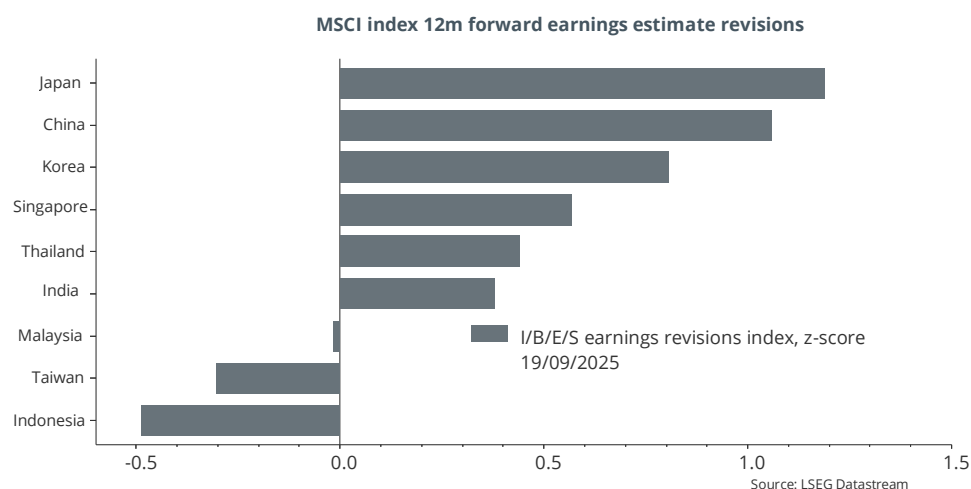


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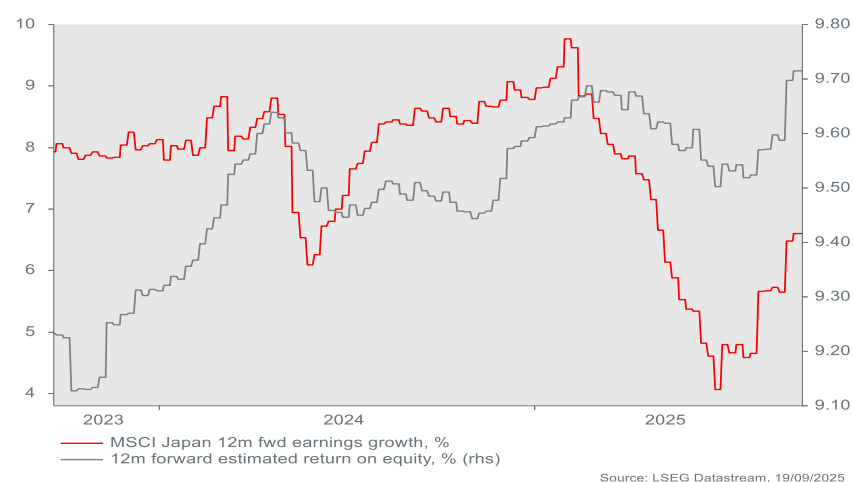


Japan has the strongest earnings revisions momentum in Asia



This has pushed up the I/B/E/S consensus 12m forward earnings growth estimate for MSCI Japan from a low of 4% in early July to 6.6% recently. Similarly, the 12m forward estimate for return on equity has risen to 9.7%, the highest since 2018.

Japanese earnings growth estimates have risen



Upward revisions are broad based. Real estate is benefiting from low vacancies, the construction and transportation sectors and elements of food services and entertainment are pushing through price hikes and IT and data centre suppliers are benefiting from strong investment spending. The cut in the US tariff rate on autos in Japan's recent trade deal is driving upward revisions to FY27 earnings for autos, machinery, steel, and chemicals.

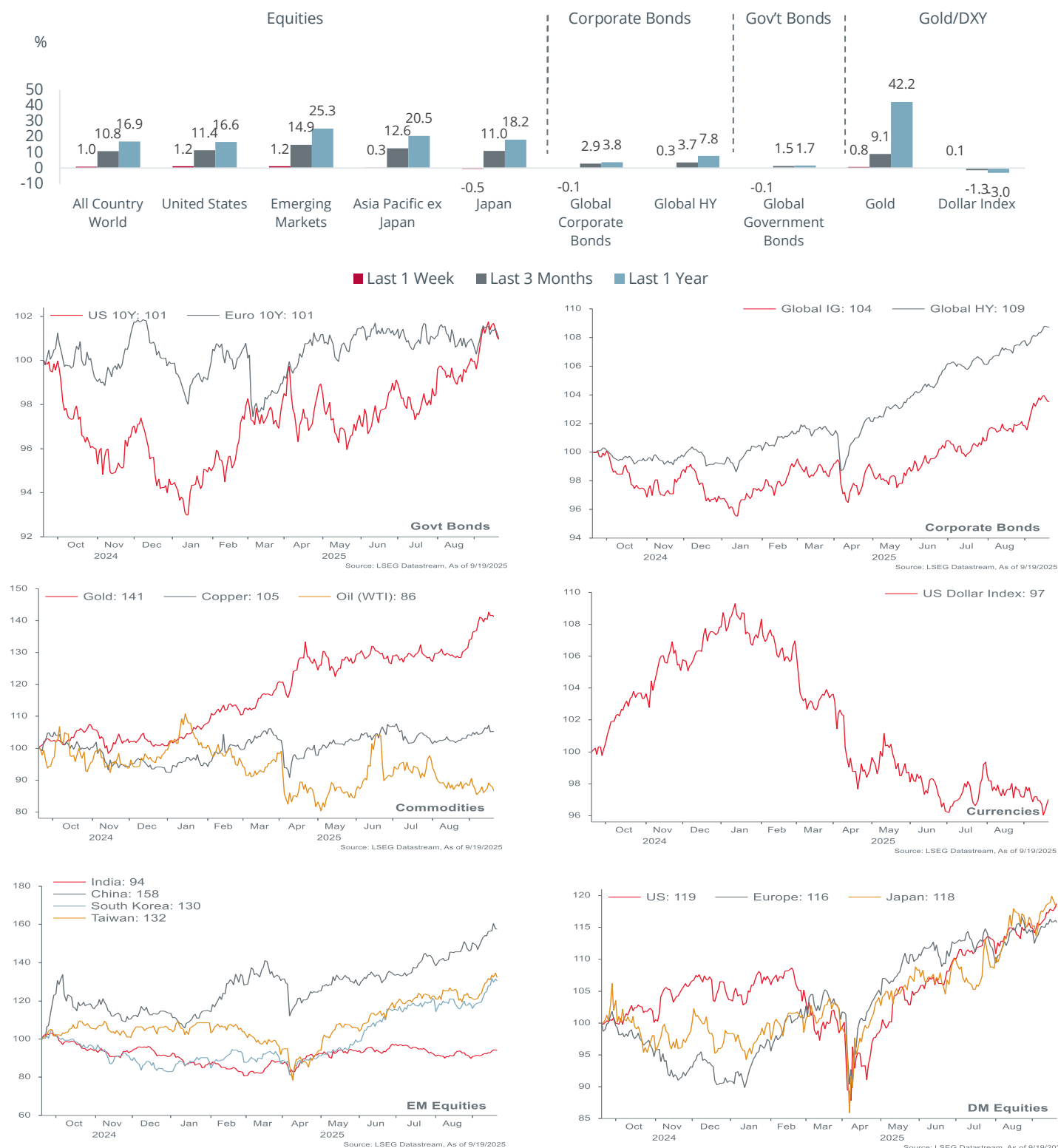
The LDP's presidential elections set for October 4 to replace former Prime Minister Ishiba are the next key event to watch. We expect the elections to result in a more expansionary fiscal policy via a new supplementary budget aimed at supporting domestic consumption.

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, subsidies for childcare and education fees.

Market Review

The stock market had a strong performance for the week, with the MSCI ACWI Index and S&P 500 Index both gaining 1.0% and 1.2% respectively. Furthermore, the tech-heavy Nasdaq, and the small-cap Russell 2000 Index, which is highly sensitive to interest rate changes, both saw notable increases of roughly 2.2%. Elsewhere, emerging markets returned 1.2% while the Asia Pacific ex-Japan region returned 0.3%, both in USD terms. Interestingly, following the Fed rate cut last Wednesday, US Treasury yields generally edged up from Wednesday through Friday, as investors navigated the state of the U.S. economy and anticipated future monetary policy adjustments. Over the two-day span, the 10-year, 20-year, and 30-year yields each saw an increase of 8 to 9 basis points (bps). Within the fixed income markets, the Bloomberg U.S. Treasury Index declined by -0.2% amidst rising yields, while the FTSE World Government Bond Index (WGBI) decreased by -0.1%. Among global corporate bonds, high yield issuers generally outperformed their investment-grade counterparts, benefiting from their lower sensitivity to interest rate fluctuations. The US Dollar Index (DXY) observed a marginal gain of 0.1%.

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	4.14	1.95	-3.79	-5.82	10.67	-9.57	4.81	3.73
10 Year Bond Yield (%)								
Japan	1.64	2.82	3.14	16.05	92.15	50.41	1.64	0.81
China	1.87	3.03	5.23	13.45	-8.41	11.43	2.18	1.61
Australia	4.25	0.33	-1.85	0.64	7.95	-2.72	4.70	3.92
Singapore	1.80	1.47	-7.85	-22.25	-26.84	-37.22	3.09	1.76
Malaysia	3.41	-0.15	0.71	-5.01	-8.94	-10.63	3.99	3.36
Indonesia	6.32	0.08	-1.03	-6.13	-2.44	-9.94	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	94.89	-0.14	0.66	0.73	-1.02	1.21	95.95	92.65
Bloomberg U.S. Aggregate USD	94.00	-0.22	1.42	2.45	-0.43	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)	981.76	0.99	3.57	10.82	16.95	16.69	981.76	742.96
North America								
US S&P 500 Index	6,664.36	1.22	3.95	11.43	16.64	13.31	6,671.82	4,835.04
US Nasdaq Composite Index	22,631.48	2.21	6.18	15.78	25.63	17.20	22,645.11	14,784.03
Europe								
MSCI Europe	2,480.66	0.20	0.25	6.01	12.13	23.85	2,499.40	1,976.06
Asia Pacific								
MSCI Asia Pacific ex Japan	698.57	0.33	4.70	12.59	20.55	22.68	704.94	513.60
Japan Nikkei 225	45,045.81	0.62	3.44	17.04	21.24	12.91	45,852.75	30,792.74
Shanghai Stock Exchange Composite	3,820.09	-1.31	2.49	13.62	39.62	13.97	3,899.96	2,697.78
Hong Kong Hang Seng	26,545.10	0.59	5.66	14.23	47.37	32.33	27,058.03	17,602.45
Taiwan TAIEX	25,578.37	0.41	5.03	16.25	16.04	11.04	25,864.01	17,306.97
Korea KOSPI	3,445.24	1.46	9.32	15.70	33.50	43.58	3,467.89	2,284.72
India NIFTY 50	25,327.05	0.85	1.39	2.15	-0.35	7.11	26,277.35	21,743.65
Australia Stock Exchange 200	8,773.50	-1.03	-1.38	2.93	7.10	7.53	9,054.50	7,169.20
Indonesia Jakarta Composite	8,051.12	2.51	2.39	15.53	1.84	13.72	8,068.01	5,882.61
Thailand SET	1,292.72	-0.07	4.61	20.96	-11.14	-7.68	1,506.82	1,053.79
Malaysia FTSE Bursa KLSE	1,598.23	-0.12	0.50	6.45	-4.05	-2.69	1,675.73	1,386.63
Philippines Stock Exchange PSE	6,264.49	2.54	-0.21	-1.46	-13.02	-4.05	7,604.61	5,804.56
Singapore FTSE Straits Times Index	4,302.71	-0.96	2.05	10.49	18.43	13.60	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	-0.36	0.09	0.84	2.18	5.22	13.44	1.19	1.02
GBP	-0.65	-0.66	-0.18	-	1.37	7.63	1.37	1.22
CHF	0.40	-0.13	-1.50	-2.60	-6.18	-12.33	0.92	0.79
JPY	-0.03	0.19	0.19	1.71	3.73	-5.88	158.35	140.85
Asia								
CNY	0.04	-0.13	-0.93	-1.01	0.67	-2.52	7.35	7.01
HKD	-0.04	-0.07	-0.31	-0.96	-0.26	0.09	7.85	7.75
INR	-0.10	-0.20	1.21	1.48	5.35	2.97	88.27	83.49
MYR	0.24	0.10	-0.40	-1.25	-0.02	-5.91	4.51	4.12
KRW	0.65	0.32	0.30	1.50	5.29	-5.40	1,485.83	1,308.30
SGD	0.20	0.17	-0.05	-0.15	-0.56	-5.93	1.37	1.27
TWD	0.40	-0.23	0.31	2.18	-5.31	-7.84	33.25	28.90
IDR	0.52	1.28	2.16	1.19	8.90	3.08	16,865.00	15,095.00

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Sources

Asset performances: (bar charts) Eastspring Investments, Refinitiv, as at 19 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.

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