

CIO Views – Weekly Bulletin



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What's top of investors' minds?

1. The tariff war begins

US President Trump had earlier confirmed that 25% tariffs will be imposed on Mexico and Canada with a 10% rate for energy imports and a 10% tariff on China beginning February 4. However, the proposed tariffs on Mexico and Canada have been paused "for at least 30 days" as both countries pledged to reinforce border security to prevent drug smuggling.

- Should the tariffs follow through eventually, impact estimates vary significantly depending on modelling technique and assumptions, but all conclude that growth will fall, and inflation will rise. For the US, the range is 0.3% - 0.8% off growth and a 0.4% - 0.8% increase in inflation on an annual basis. Estimates for China are 0.2% - 0.5% off growth and pressure for continued deflation.
- Trump has made this round of tariffs about immigration and fentanyl so it is possible that "deals" with the affected countries could make this round short lived. However, we continue to think that the direction of travel is toward higher tariffs, particularly on China over the course of the year.
- If the tariffs sustain, they will transmit through ASEAN first via weaker Chinese and US growth, but also through likely follow on tariffs on China's 3rd country production sites in the region.

We think the Fed's concern about inflation mean it will be slow to respond to any weakening in growth.

#useconomy #fed #employment #rates #China

2. Indian budget turns fiscal policy from contractionary to essentially neutral

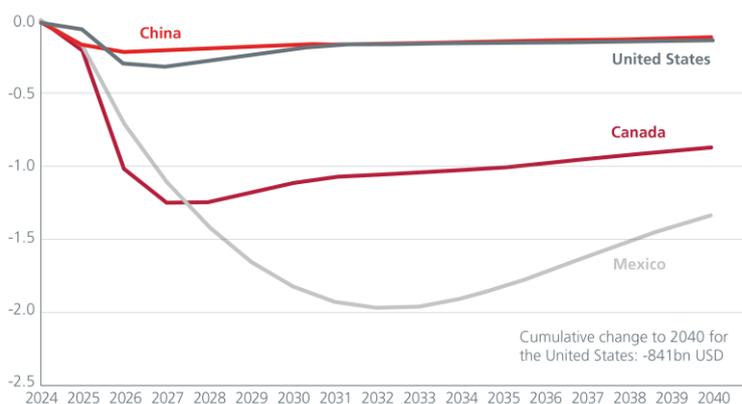
The new Indian budget targets a deficit of 4.4% of GDP in FY26 vs. 4.8% in FY25, but its economic impact is likely to be neutral overall and slightly positive for low end consumption.

- The main change is the increase in income thresholds for personal income tax payment that equate to a boost to household income of about 0.3%, focused on low income.
- Much of the fall in the deficit will come from increased dividend transfers from the Reserve Bank of India (RBI) and lower expenditures on items such as interest expense.
- The government also announced a new commission to facilitate business deregulation.
- Public debt/GDP was kept on target to fall from 57% of GDP in FY25 to 50% in FY31, which should be positive for India's credit rating and the long-term trend in debt flows.

We expect the RBI to begin a 75bps rate cutting cycle with a 25bps cut at its Feb 5-7 meeting. India's economy should begin gaining momentum in H2 this year.

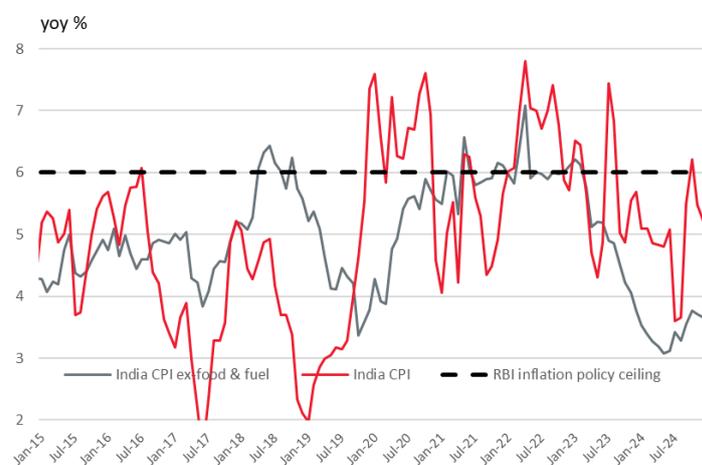
#India #asiabonds #RBI #indiagovernmnetbonds

Impact of tariffs – projected % change from baseline GDP forecast for each country (2020 -40)



Source: Warwick McKibbin, Megan Hogan, and Marcus Noland, The international economic implications of a second Trump presidency, PIIE Working Paper 24-20. Scenario assumes that China retaliates.

India Consumer Price Index (CPI)



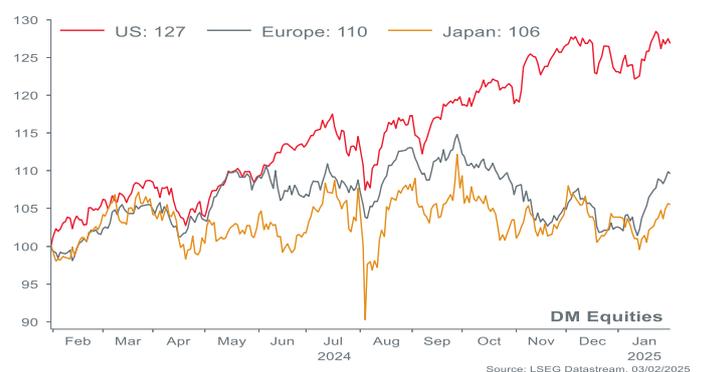
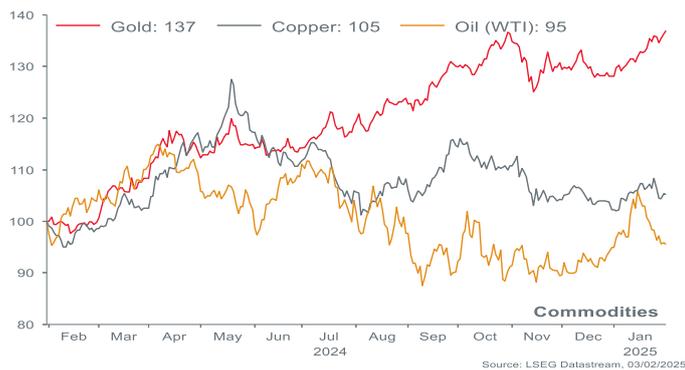
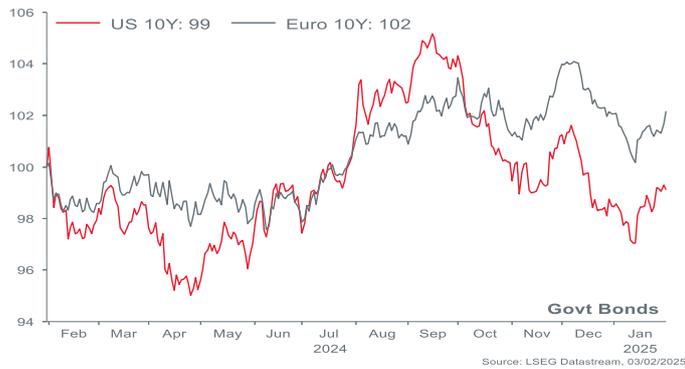
Source: Bloomberg, February 2025.

MARKET REVIEW

Over the past week, global equities saw a return of -0.4%. The S&P 500 declined by 1.0%, while the Asia ex-Japan equity index rose by 0.2%. Japanese equities increased by 1.1%, emerging market equities by 0.3%, and Chinese equities fell by 0.4%. The Global Aggregate Bond index posted a return of 0.1%. The yield on 10-year US Treasuries decreased by 8 basis points, with the 5-year/30-year yield spread widening by 4 basis points. The yield on 10-year Singapore government bonds fell by 1 basis point. US investment-grade credit spreads widened by 1 basis point, as did Asia credit spreads.

The Dollar was mostly stronger against major currencies as the Dollar index DXY gained 0.9%. Asian currencies weakened against the Dollar as ADXY index fell -0.4%.

ASSET PERFORMANCES



MARKET DATA

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)	869.04	-0.44	3.29	4.41	18.91	3.29	873.73	730.84
North America								
US S&P 500 Index	6,040.53	-0.99	2.70	5.87	24.66	2.70	6,128.18	4,845.15
US Nasdaq Composite Index	19,627.44	-1.64	1.64	8.47	29.43	1.64	20,204.58	15,158.49
Europe								
MSCI Europe	2,139.61	0.62	6.83	2.25	6.08	6.83	2,250.56	1,978.03
Asia Pacific								
MSCI Asia Pacific ex Japan	576.64	0.18	1.27	-2.34	14.55	1.27	629.66	503.42
Japan Nikkei 225	39,572.49	-0.90	-0.81	1.26	9.06	-0.81	42,426.77	31,156.12
Shanghai Stock Exchange Composite	3,250.60	-0.06	-3.02	-0.89	16.57	-3.02	3,674.40	2,635.09
Hong Kong Hang Seng	20,225.11	0.79	0.82	-0.45	30.61	0.82	23,241.74	15,336.86
Taiwan TAIEX	23,525.41	-	2.13	3.09	31.50	2.13	24,416.67	17,832.95
Korea KOSPI	2,517.37	-0.77	4.91	-1.52	0.81	4.91	2,896.43	2,360.18
India NIFTY 50	23,508.40	1.80	-0.58	-2.88	8.21	-0.58	26,277.35	21,281.45
Australia Stock Exchange 200	8,532.30	1.47	4.57	4.56	11.09	4.57	8,566.90	7,489.40
Indonesia Jakarta Composite	7,109.20	-0.79	0.41	-6.14	-1.37	0.41	7,910.56	6,698.85
Thailand SET	1,314.50	-2.92	-6.12	-10.34	-3.67	-6.12	1,506.82	1,273.17
Malaysia FTSE Bursa KLSE	1,556.92	-1.07	-5.20	-2.81	2.90	-5.20	1,684.68	1,508.50
Philippines Stock Exchange PSE	5,862.59	-6.89	-10.20	-17.93	-11.79	-10.20	7,604.61	5,862.59
Singapore FTSE Straits Times Index	3,855.82	1.36	1.80	8.34	22.29	1.80	3,886.98	3,092.40
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	4.57	-1.21	-0.22	6.61	15.18	-0.22	4.81	3.62
10 Year Bond Yield (%)								
Japan	1.25	1.22	13.70	33.16	69.16	13.70	1.25	0.66
China	1.65	1.29	-1.61	-22.94	-32.11	-1.61	2.46	1.61
Australia	4.43	-1.14	1.51	-1.82	9.48	1.51	4.70	3.82
Singapore	2.92	-0.31	2.03	3.40	0.86	2.03	3.45	2.41
Thailand	2.31	-	1.76	-5.33	-12.99	1.76	2.83	2.24
Malaysia	3.81	0.05	-0.21	-4.41	0.45	-0.21	4.01	3.69
Indonesia	6.98	0.40	-0.54	3.05	6.06	-0.54	7.30	6.43
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	-0.27	-1.25	0.09	-4.79	-4.20	0.09	1.12	1.02
GBP	-0.20	-0.71	-0.97	-3.94	-2.33	-0.97	1.34	1.22
CHF	0.15	0.55	0.39	5.45	5.76	0.39	0.92	0.84
JPY	0.57	-0.51	-1.27	2.07	5.65	-1.27	161.68	140.60
Asia								
CNY	-	0.09	-0.67	1.87	1.16	-0.67	7.33	7.01
HKD	0.01	0.07	0.31	0.25	-0.33	0.31	7.84	7.76
INR	-0.01	0.39	1.15	2.94	4.14	1.15	86.65	82.71
MYR	1.41	1.71	-0.40	1.71	-5.86	-0.40	4.80	4.12
KRW	0.84	1.94	-1.43	6.06	9.16	-1.43	1,476.78	1,308.30
SGD	0.39	0.93	-0.51	2.93	1.37	-0.51	1.37	1.28
TWD	0.31	0.72	0.56	3.31	5.60	0.56	33.09	31.22
IDR	0.25	0.77	1.27	3.86	3.30	1.27	16,445.00	15,095.00
	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	93.88	0.44	0.13	-0.17	0.05	0.13	96.21	91.49
Bloomberg U.S. Aggregate USD	90.70	0.39	0.30	-0.83	-0.67	0.30	94.86	87.88

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Sources

Page 2 (top chart): Eastspring Investments, Refinitiv, as at 31 January 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.

Page 2 (remaining 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.

Page 3: Eastspring Investments, Refinitiv, as at 31 January 2025. Equities: MSCI indices in USD, other indices in local currency. Other indices or assets as stated.

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