

CIO Views – Weekly Bulletin



A Prudential plc company



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What's top of investors' minds?

US FOMC likely neutral, but hawkish risk exists

The US Federal Reserve and Chair Powell will have to walk a tightrope at this week's FOMC meeting. The FOMC needs to acknowledge that President Trump's tariff agenda has increased inflation risk and appears to be pushing inflation expectations sharply higher - the University of Michigan's survey showed that inflation expectations for the next 5 to 10 years jumped to 3.9% in February, a 32-year high. Powell is likely to acknowledge that this poses risks to growth, although he is expected to stick to his recent argument that there is enough uncertainty about the actual implementation of tariffs to justify waiting and watching.

We expect Powell to retain his asymmetric bias to not hike if inflation stops falling, but to cut if the labour market weakens significantly. The FOMC's quarterly Statement of Economic Projections (dot plot) is expected to indicate lower median growth projections, higher median inflation projections while maintaining the forecast for 50bps of interest rate cuts. Markets would interpret any shift to only 25bps of cuts this year as hawkish. This would probably weaken US equities and contribute to yield curve flattening and spread widening.

#USeconomy #Fed #equities #rates

Bank of Japan likely to avoid surprises

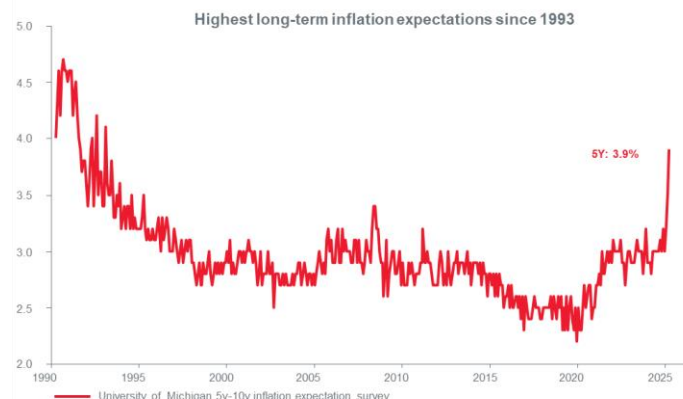
The Bank of Japan (BoJ) will probably keep rates on hold, supporting market pricing for only one more 25bps rate hike later this year to 0.75%. At this stage, the Japanese Trade Union Confederation has reported negotiated wage gains of 5.5% vs. 5.3% last year, which is probably not enough to trigger a BoJ shift towards hawkishness.

In contrast, the BoJ will probably want to wait for more data. In particular, it will want to see how the Spring wage-setting process among large companies impacts the SMEs in April and May, how core inflation holds up in the coming months (February inflation comes out after this week's BoJ meeting), and the extent to which Japan's PMIs suggest that growth is holding up, particularly in domestic services activity, despite rising trade uncertainty.

The BoJ's relative hawkishness has already fed through into some support for the yen vs. the USD. If the BoJ were to signal a faster pace of interest rate hikes this year, they would likely drive USDJPY to break convincingly below 150.

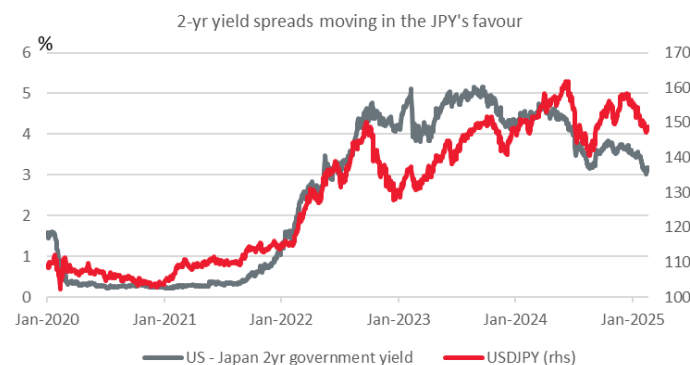
#Japan #JPY #yen #equities

Surging inflation expectations are a problem for the Fed



Source: LSEG Datastream, March 2025.

BoJ hawkishness is giving the JPY increasing support



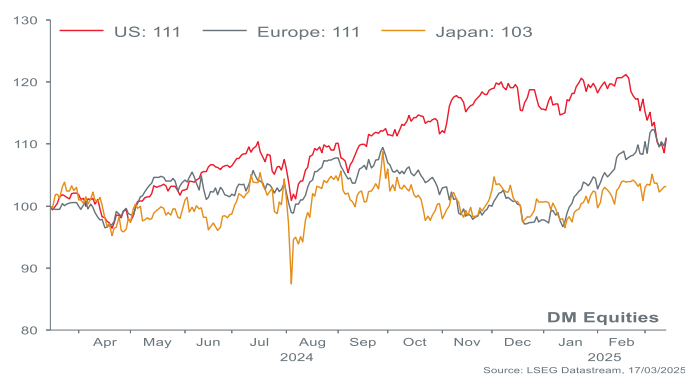
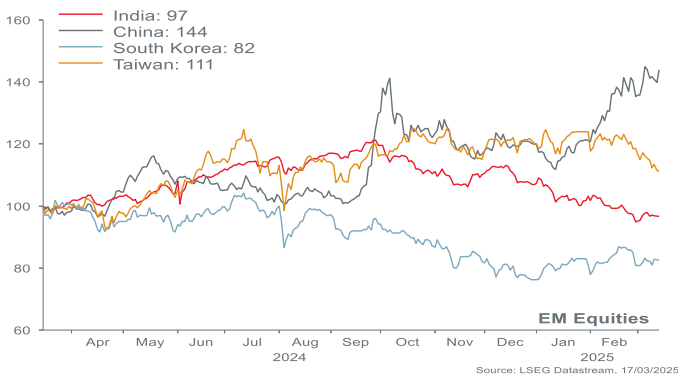
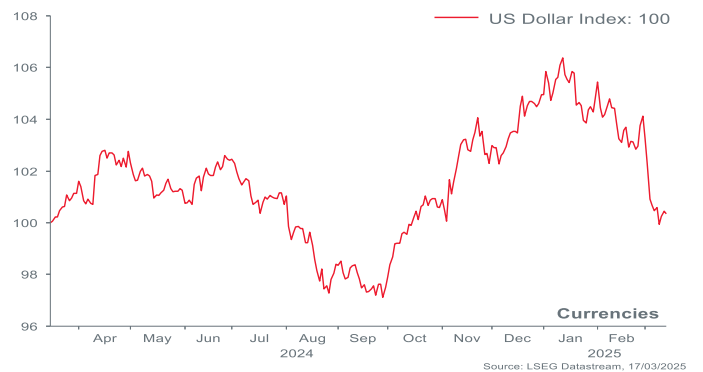
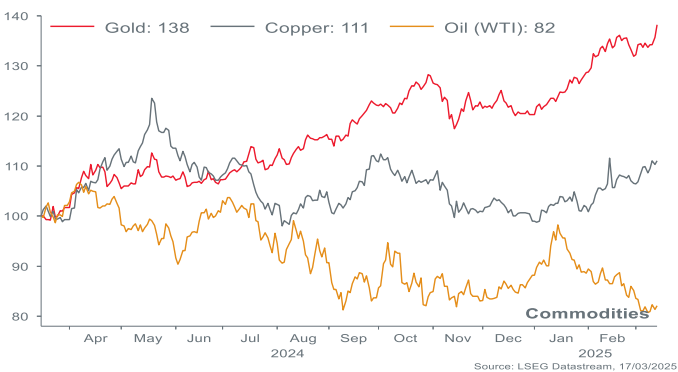
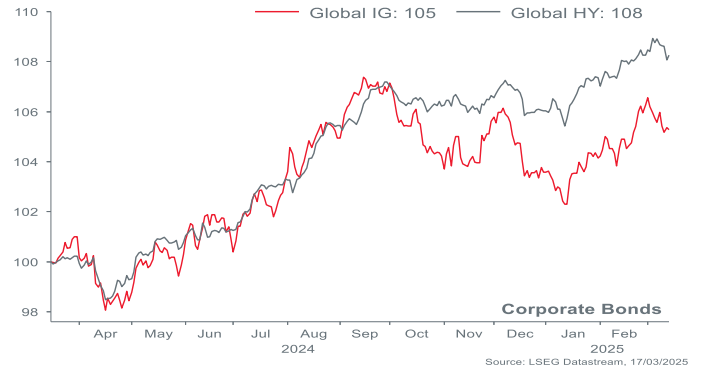
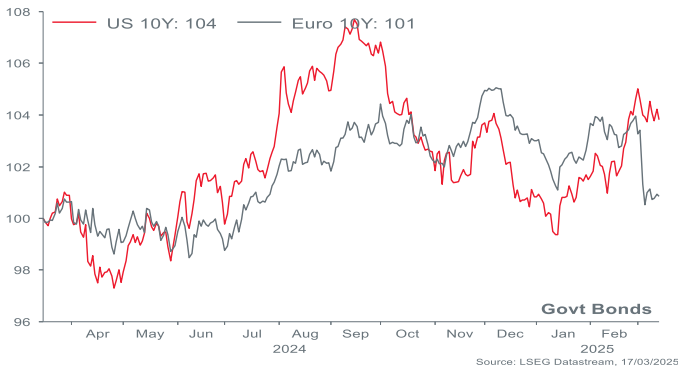
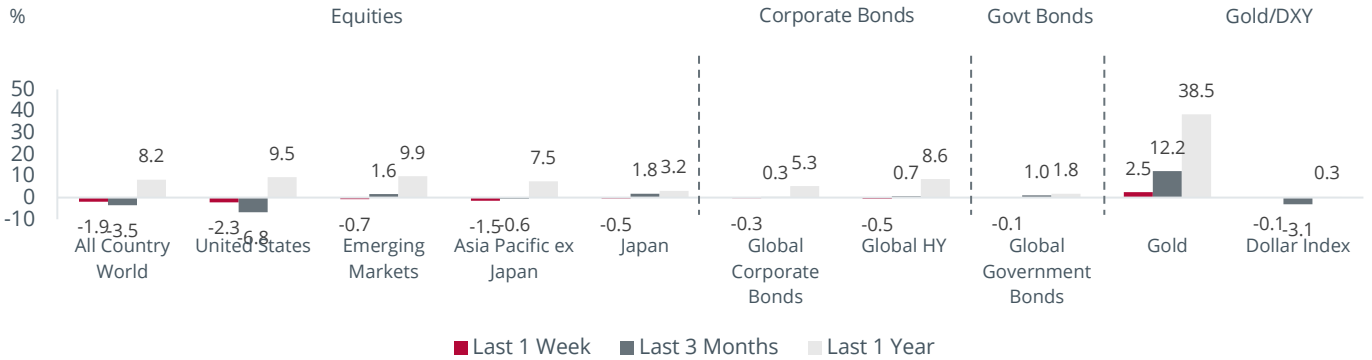
Market Review

Global equities returned -1.9% over the past week. The S&P 500 fell by -2.3%, the MSCI Asia ex-Japan equity index decreased -1.5%, while MSCI Japan fell by 0.5%. EM equities fell by -0.7% but China equities gained 1.6%. The Global Aggregate Bond index declined marginally by -0.3%.

The yield on 10-year US treasuries rose by 1bps and the 5-year/30-year yield spread steepened by 2bps. The yield on 10-year Singapore government bonds declined by 3bps. US investment grade credit spreads widened by 6bps and Asia Credit spreads widened by 7bps.

The Dollar weakened against major currencies as the Dollar index (DXY) fell -0.1%. Asian currencies were mostly weaker against the Dollar as the ADXY index declined -0.2%.

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)	836.14	-1.87	-5.44	-3.46	8.22	-0.62	887.72	743.29
North America								
US S&P 500 Index	5,638.94	-2.27	-7.78	-6.81	9.48	-4.13	6,147.43	4,953.56
US Nasdaq Composite Index	17,754.09	-2.43	-11.35	-10.90	10.08	-8.06	20,204.58	15,222.78
Europe								
MSCI Europe	2,266.83	-1.21	2.26	9.80	7.58	13.18	2,294.50	1,979.88
Asia Pacific								
MSCI Asia Pacific ex Japan	581.69	-1.52	-1.91	-0.64	7.55	2.16	629.66	514.71
Japan Nikkei 225	37,053.10	0.45	-5.35	-6.12	-4.52	-7.12	42,426.77	31,156.12
Shanghai Stock Exchange Composite	3,419.56	1.39	2.18	0.82	12.55	2.02	3,674.40	2,689.70
Hong Kong Hang Seng	23,959.98	-1.12	5.92	19.97	41.26	19.44	24,669.62	16,044.45
Taiwan TAIEX	21,968.05	-2.69	-5.12	-4.57	10.18	-4.63	24,416.67	19,291.88
Korea KOSPI	2,566.36	0.11	-0.95	2.88	-5.61	6.95	2,896.43	2,360.18
India NIFTY 50	22,397.20	-0.69	-2.32	-9.57	1.13	-5.28	26,277.35	21,281.45
Australia Stock Exchange 200	7,789.70	-1.99	-8.95	-6.10	0.99	-4.53	8,615.20	7,492.60
Indonesia Jakarta Composite	6,515.63	-1.81	-1.85	-11.05	-12.35	-7.97	7,910.56	6,246.28
Thailand SET	1,173.76	-2.35	-7.73	-18.01	-15.86	-16.17	1,506.82	1,157.96
Malaysia FTSE Bursa KLSE	1,512.15	-2.27	-4.99	-6.00	-2.05	-7.93	1,684.68	1,478.84
Philippines Stock Exchange PSE	6,294.11	-0.07	3.84	-4.87	-9.67	-3.60	7,604.61	5,862.59
Singapore FTSE Straits Times Index	3,836.02	-2.00	-1.07	0.67	20.39	1.28	3,951.64	3,136.44

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	4.18	-0.23	-3.75	-2.07	0.23	-5.88	4.81	3.62
10 Year Bond Yield (%)								
Japan	0.96	-0.07	12.81	46.72	95.01	39.09	1.57	0.71
China	2.12	8.19	15.05	6.73	-19.02	13.27	2.35	1.61
Australia	4.29	0.27	0.14	2.79	8.62	1.31	4.70	3.82
Singapore	2.82	-1.30	-7.43	-4.12	-12.21	-7.31	3.45	2.41
Thailand	2.39	-3.18	-8.39	-7.39	-15.31	-6.17	2.83	2.13
Malaysia	3.83	-0.37	-1.26	-1.60	-2.61	-1.52	4.01	3.69
Indonesia	6.64	1.63	3.41	-1.15	5.07	-0.58	7.30	6.43

	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	93.56	-0.16	-0.53	-0.85	0.75	-0.21	96.21	91.49
Bloomberg U.S. Aggregate USD	91.76	-0.09	0.75	0.61	2.23	1.47	94.86	87.88

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	0.25	0.43	3.70	3.59	-0.02	5.08	1.12	1.02
GBP	-0.11	0.09	2.76	2.49	1.42	3.37	1.34	1.22
CHF	0.36	0.64	-1.56	-0.84	0.15	-2.44	0.92	0.84
JPY	0.55	0.40	-2.44	-3.27	0.20	-5.45	161.68	140.60
Asia								
CNY	-0.09	0.05	-0.21	-0.52	0.62	-0.84	7.33	7.01
HKD	0.01	0.03	-0.15	-0.03	-0.63	0.07	7.84	7.76
INR	0.05	-0.18	0.37	2.55	4.86	1.62	87.63	82.88
MYR	0.18	0.70	0.25	-0.09	-5.15	-0.56	4.79	4.12
KRW	-0.18	0.11	0.78	1.16	9.61	-1.77	1,476.78	1,308.30
SGD	-0.16	0.21	-0.41	-1.09	-0.17	-2.33	1.37	1.28
TWD	-0.14	0.30	0.80	1.31	4.34	0.43	33.09	31.56
IDR	-0.46	0.34	0.55	2.22	4.94	1.58	16,575.00	15,095.00

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Sources

Page 2 (top chart): Eastspring Investments, Refinitiv, as at 14 March 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 7 March 2025. Equities: MSCI indices in USD, other indices in local currency. Other indices or assets as stated.

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