CIO Views – Weekly Bulletin

US earnings announcements reinforce our positive views on Asia


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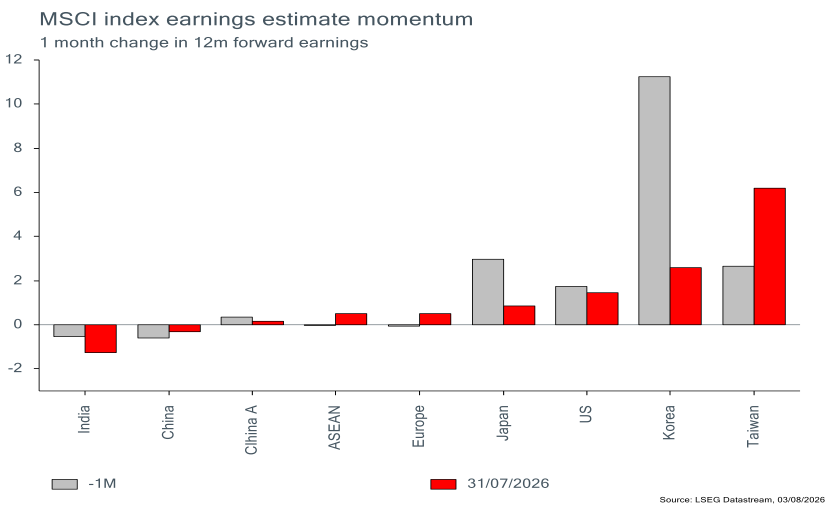
This week we take a chart intensive run through our positive outlook for US capex and employment growth, our expectation for a Fed hike in September, and implications for Asia's markets.

US capex supercycle remains intact implying support for Asian earnings

US Q2 earnings announcements to date, particularly from the hyperscalers, support our assertion last week that the AI capex boom remains intact. With 86% of the S&P 500 companies having reported, EPS growth has accelerated to 20% in Q2. Importantly, growth is coming from more than just tech; 8 of 11 sectors have reported double-digit earnings growth so far.

US tech companies continue to display strong commitment to capex plans. Leading US company AI-related spending now looks likely to rise from $461bn last year to $950bn this year, $1.3tn in 2027, and $1.5tn in 2028. Global spending is likely to be substantially larger. This leads us to believe the multi-year boom in Asian earnings in tech hardware and related infrastructure remains intact.

Reflecting these capex fundamentals, the chart below shows consensus earnings estimates for Asia's suppliers of AI tech hardware and infrastructure continue to be revised up.



The result is that the earnings growth outlook for Korea, Taiwan, and the China A share markets dominate the US while selected tech-related companies in Thailand, Malaysia, and India offer very strong earnings growth.

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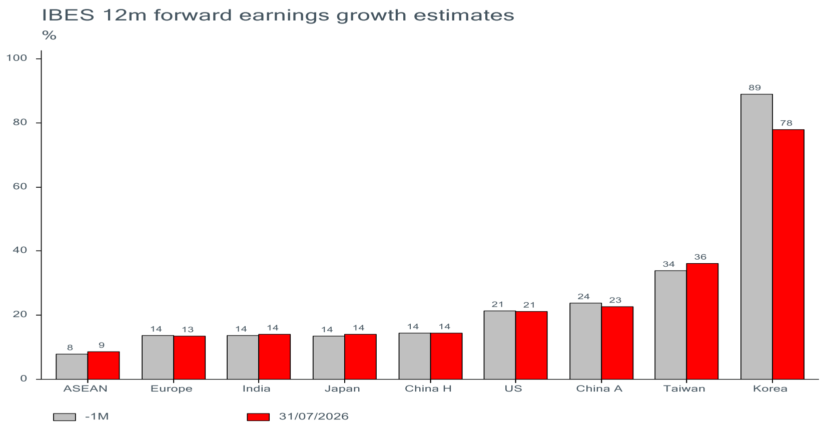
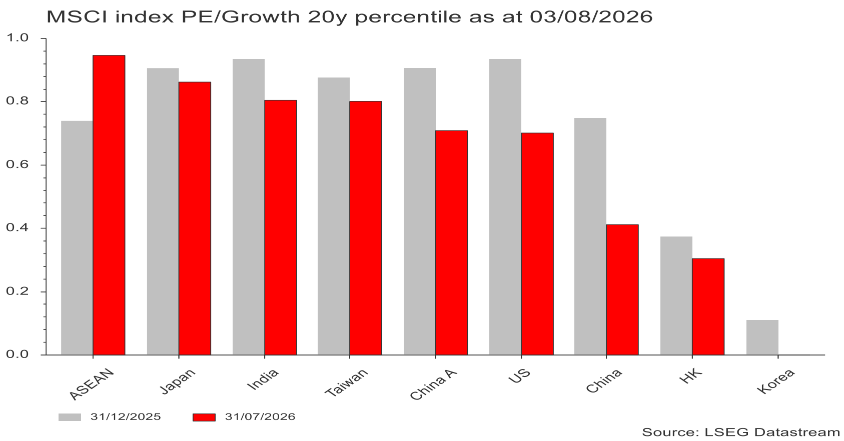
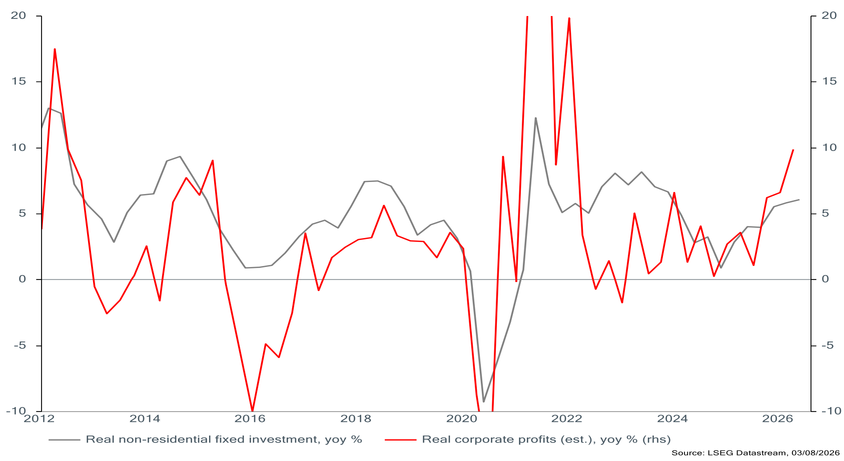


Against this background, the recent falls in share prices have driven valuations down creating greater opportunities for selective, well researched investors.

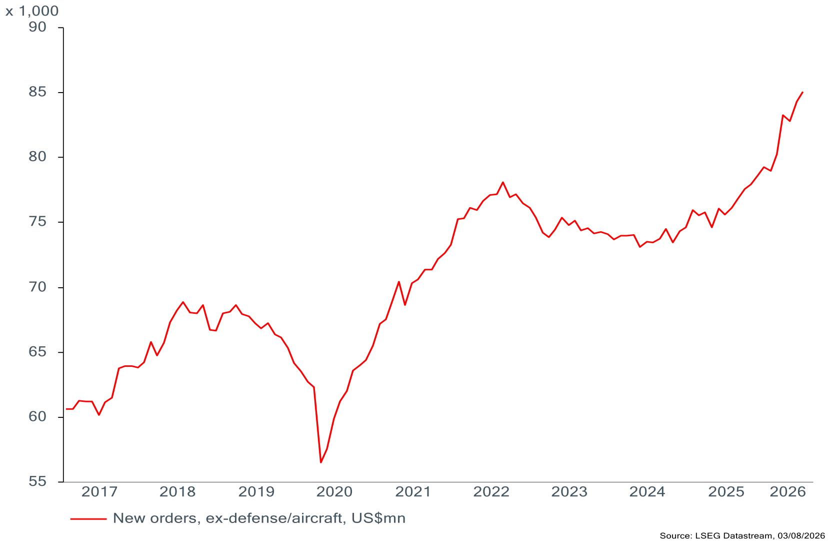


Moving to the outlook for interest rates, strong profit growth underpins our expectation for the US Federal Reserve to raise the Federal Funds rate at least 25bps this year. We think it will need to hike in September to prevent further damage to its credibility since the June FOMC meeting.

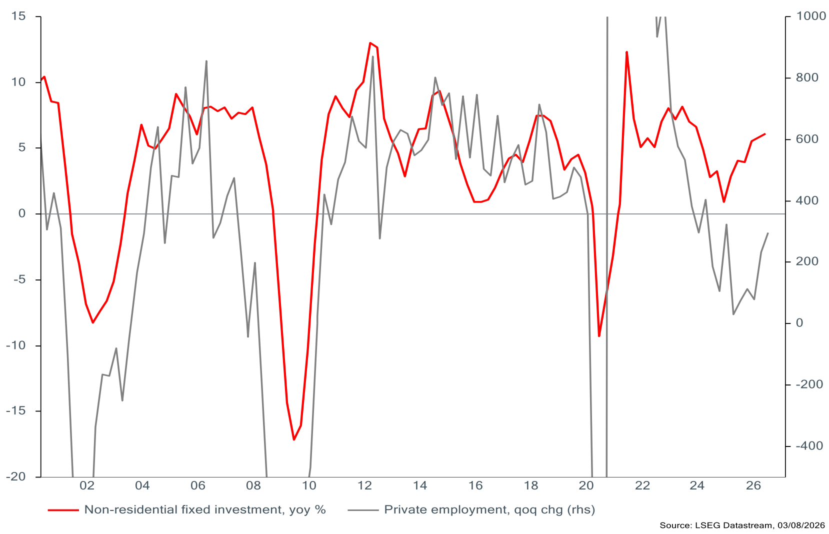
Our logic is straightforward. The chart below shows strong profit growth drives robust capex growth.



The surge in new orders are clear evidence this profit to capex transmission is happening.

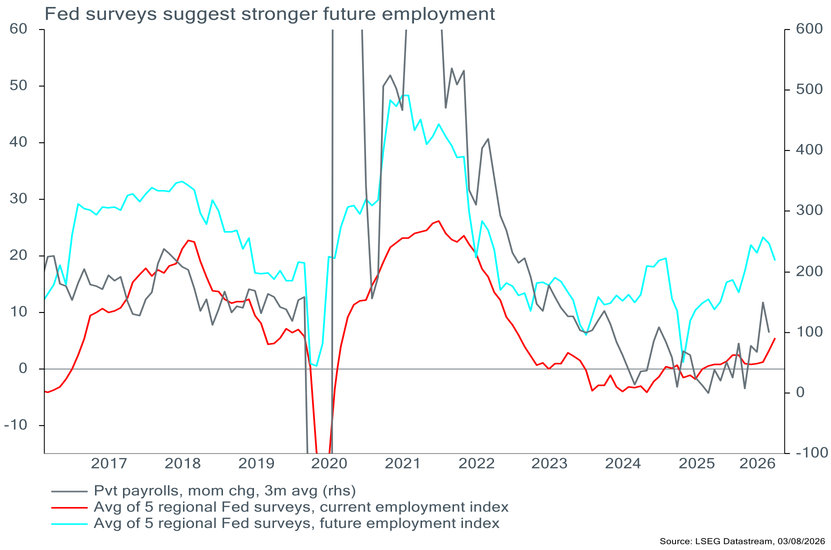


Historically, robust capex growth has supported employment growth. The recovery in private US payrolls growth to 88k/mth in the first half of this year from 31k/mth in the second half of last year reflects the acceleration in corporate profits that began in H2 last year.

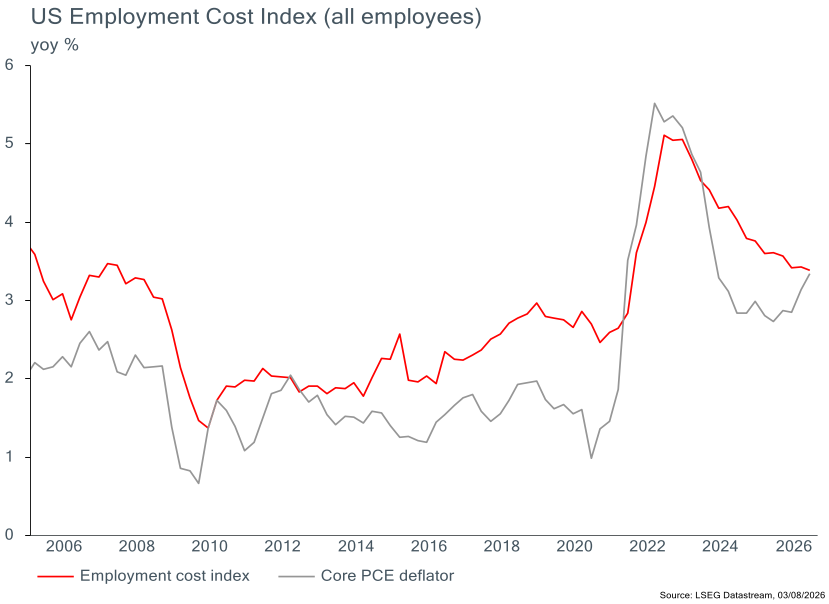


Strong Q2 profit growth leads us to expect payroll growth to sustain at close to 75k/mth in Q3 before moderating to about 60k/mth in Q4. These rates of payrolls gains may seem weak in a historical context but are robust in the current environment of near nil immigration, sub-1% indigenous labour force growth, and structurally falling labour force participation rates. As a result, we expect the unemployment rate to remain close to 4.3% - 4.4% if not fall toward 4%.

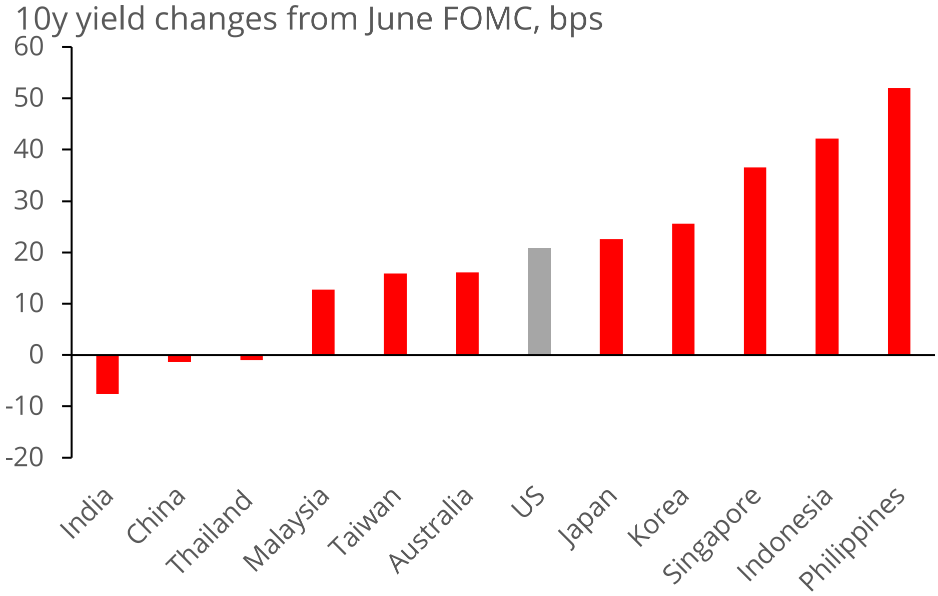
To be sure, the upturn in the employment subcomponents of the recent regional Federal Reserve business surveys supports our positive labour market outlook.



We judge this degree of labour market tightness to mandate at least one Fed 25bps rate hike. The US employment cost index rose a higher than expected 0.9%qoq in Q2, unchanged from Q1, keeping the yearly rate at 3.4%. The chart below shows this is inconsistent with the Fed's 2% inflation target.



A Fed shift to policy tightening in September would likely cap if not reverse some of the sharp rise in yields that has resulted from its reluctance to tightening despite these better-than-expected US profit-capex-labour dynamics and the cost shocks from the Iran war. A return to tightening would work to reestablish Fed inflation credibility and reduce risk premia in longer term yields. Of course, energy prices will remain important for Asia's rates outlook, but US President Trump's cancellation of plans for new strikes on Iran in favour of negotiation suggest to us he has an increasing aversion to prolonging the war.

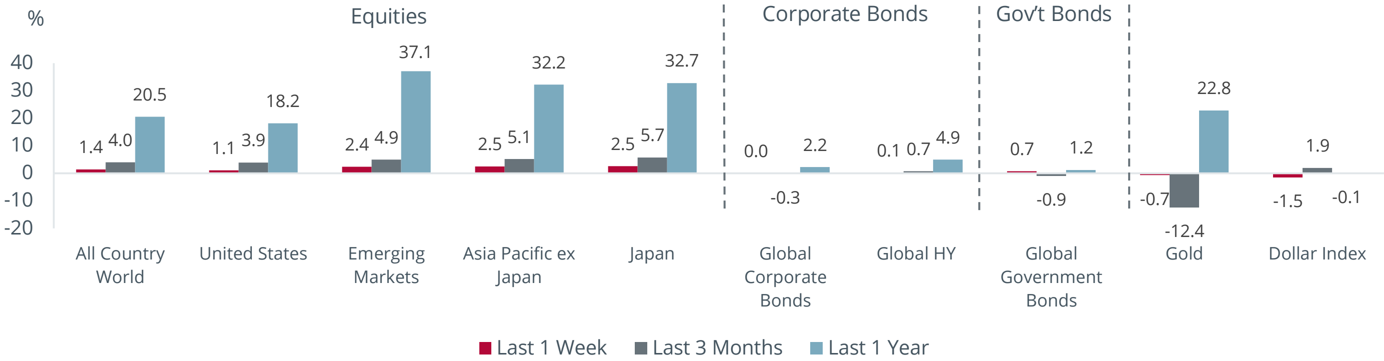

10y yield changes from June FOMC, bps
60
50
40
30
20
10
0
-10
-20
India
China
Thailand
Malaysia
Taiwan
Australia
US
Japan
Korea
Singapore
Indonesia
Philippines

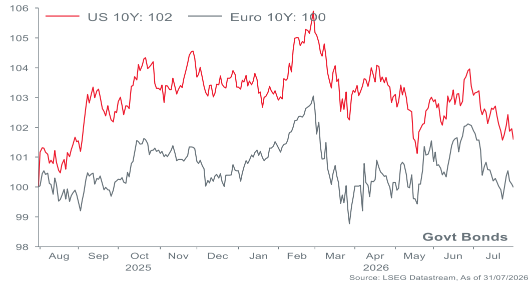
Market Review

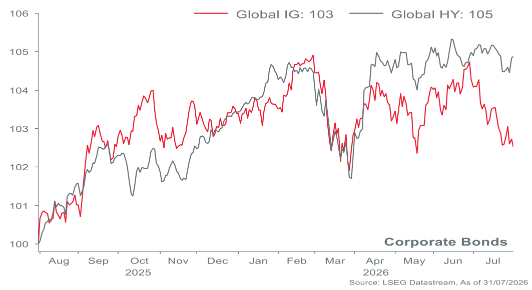
Global equity markets advanced over the week, with the MSCI AC World Index gaining 1.4%. US equities rose, with the S&P 500 and Nasdaq gaining 1.1% and 1.6% respectively. Emerging markets gained 2.4% followed by Asia Pacific (ex Japan) and Japan both of which gained 2.5% each.

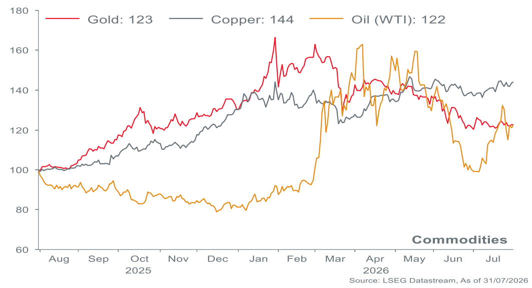
Gold posted a loss of 0.7% over the week, while the US dollar index weakened -1.5%. Bond markets were broadly positive with global High Yield bonds and global government bonds gaining 0.1% and 0.7% respectively, while global corporate bonds were unchanged.

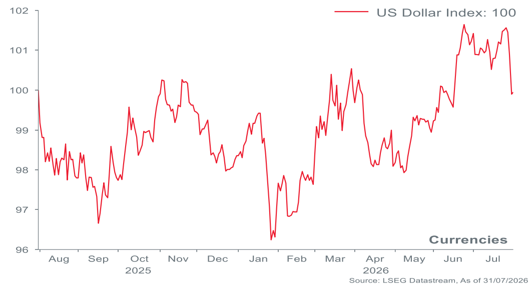
Asset Performance

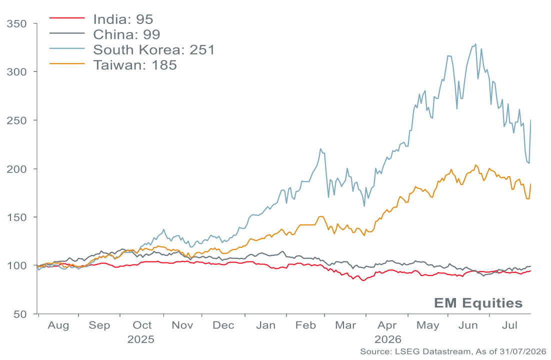


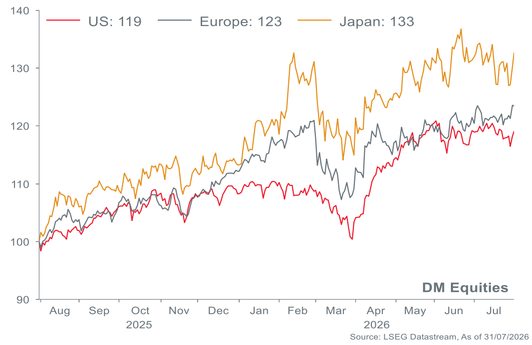












Market Data

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	4.75	1.41	7.30	8.09	8.83	14.25	4.75	3.95
10 Year Bond Yield (%)								
Japan	2.80	-0.60	4.41	11.08	80.04	35.07	2.88	1.47
China	1.71	-0.93	-1.67	-2.51	-1.10	-8.22	1.93	1.70
Australia	4.94	-2.89	4.46	-2.74	15.58	3.78	5.12	4.10
Singapore	2.36	-4.30	15.77	11.87	12.73	6.14	2.47	1.75
Malaysia	3.71	0.05	2.55	3.85	9.88	6.17	3.72	3.36
Indonesia	7.34	-0.50	2.37	7.44	12.08	19.91	7.48	5.92

	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	92.69	-0.05	-1.36	-0.95	-1.67	-2.07	95.69	92.64
Bloomberg U.S. Aggregate USD	91.56	-0.19	-1.61	-1.62	-0.70	-2.67	95.21	91.56

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)	1,120.51	1.36	0.00	4.03	20.53	10.44	1,136.59	917.39
North America								
US S&P 500 Index	7,489.72	1.05	-0.13	3.89	18.15	9.41	7,620.90	6,212.69
US Nasdaq Composite Index	25,373.85	1.59	-3.20	1.93	20.13	9.17	27,190.21	20,560.17
Europe								
MSCI Europe	2,842.33	1.82	1.54	4.47	19.82	7.55	2,846.10	2,349.92
Asia Pacific								
MSCI Asia Pacific ex Japan	864.14	2.48	-2.55	5.14	32.16	19.66	925.80	644.34
Japan Nikkei 225	64,362.02	-0.39	-8.14	8.56	56.71	27.86	72,831.75	39,850.52
Shanghai Stock Exchange Composite	3,832.26	0.47	-6.40	-6.81	7.25	-3.44	4,258.86	3,547.16
Hong Kong Hang Seng	25,884.43	3.69	13.13	0.42	4.49	0.99	28,056.10	22,518.00
Taiwan TAIEX	43,119.75	-1.23	-6.52	10.77	83.16	48.88	48,218.87	23,151.65
Korea KOSPI	6,595.45	-1.42	-22.19	-0.05	103.22	56.51	9,385.59	3,079.27
India NIFTY 50	24,383.60	2.59	2.17	1.61	-1.55	-6.68	26,373.20	22,182.55
Australia Stock Exchange 200	8,976.80	2.33	2.26	3.59	2.68	3.01	9,202.90	8,262.40
Indonesia Jakarta Composite	6,236.13	0.64	10.51	-10.36	-16.68	-27.88	9,174.47	5,317.91
Thailand SET	1,623.64	-1.26	2.04	8.70	30.69	28.89	1,657.55	1,212.68
Malaysia FTSE Bursa KLSE	1,724.90	1.40	3.66	0.17	13.99	2.67	1,771.25	1,513.25
Philippines Stock Exchange PSE	6,236.44	-0.71	3.30	6.91	-0.26	3.03	6,673.61	5,584.35
Singapore FTSE Straits Times Index	5,628.50	0.72	8.85	14.57	34.85	21.14	5,713.19	4,144.89

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	-	1.41	0.93	-1.73	0.98	-1.86	1.20	1.14
GBP	0.12	1.21	1.66	-0.88	2.08	0.05	1.38	1.30
CHF	0.30	-1.31	-0.09	3.37	-0.59	1.91	0.82	0.76
JPY	-1.22	-3.83	-3.06	0.64	4.53	0.59	163.85	146.48
Asia								
CNY	-0.06	-0.31	-0.50	-1.12	-6.24	-3.46	7.21	6.75
HKD	-0.01	0.00	-0.01	0.13	-0.10	0.77	7.85	7.77
INR	-0.31	-1.22	0.76	0.51	9.01	6.15	96.82	87.00
MYR	0.20	-0.12	0.02	2.92	-4.15	0.67	4.28	3.88
KRW	1.33	-1.17	-6.80	-2.14	3.59	0.11	1,559.08	1,378.66
SGD	0.09	-0.64	-0.89	0.74	-1.25	-0.29	1.31	1.26
TWD	-0.28	-0.08	1.63	2.31	8.00	3.07	32.39	29.80
IDR	-0.47	0.31	0.64	3.96	9.36	7.92	18,170.00	16,106.00

Disclaimer

Sources

Asset performances: (bar charts) Eastspring Investments, Refinitiv, as of 31 July 2026. 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 of 31 July 2026. 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.