CIO Views – Weekly Bulletin

Japan & US in focus this week

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Japan: Investment implications of Takaichi's historic victory

The press reports that Japan Prime Minister Sanae Takaichi has led the LDP to a historic win of at least 316 seats in the Japan's Lower House of parliament. The LDP now has a super majority that gives it control over all Diet standing committees and, crucially, the ability to overturn decisions of the Upper House where it does not have a majority.

We view the victory as positive for Japanese equities. Takaichi is now likely to shift fiscal policy to a somewhat expansionary stance both by cutting Japan's consumption tax and by providing fiscal support to defence and strategic industries. Expectations for this have supported total returns to the Value style that we prefer in Japan with Bloomberg's measure up 3.1% since Takaichi called elections on January 23, just behind Momentum, up 3.4%.

Japan Value outperforms

Source: LSEG Datastream, 6 Feb 2026

Japan's economic outlook was healthy before the elections – we had forecast capex and export led growth of about 1% this year – and any new fiscal stimulus is likely to bolster and prolong growth. We expect earnings estimates for 2027 to begin being revised up. Although the new government will have the ability to pass a supplemental budget, the most likely case is that a consumption tax cut will take effect in April 2027. Takaichi has so far talked about discussing tax cuts around mid-year and tabling measure in October.

Higher JGB yields are a likely cost of new stimulus and we expect 10-year JGB yields to break above 2.4% in the next couple of quarters. We argued in our recent November 2025 and January 2026 weekly editions that the recent rise in

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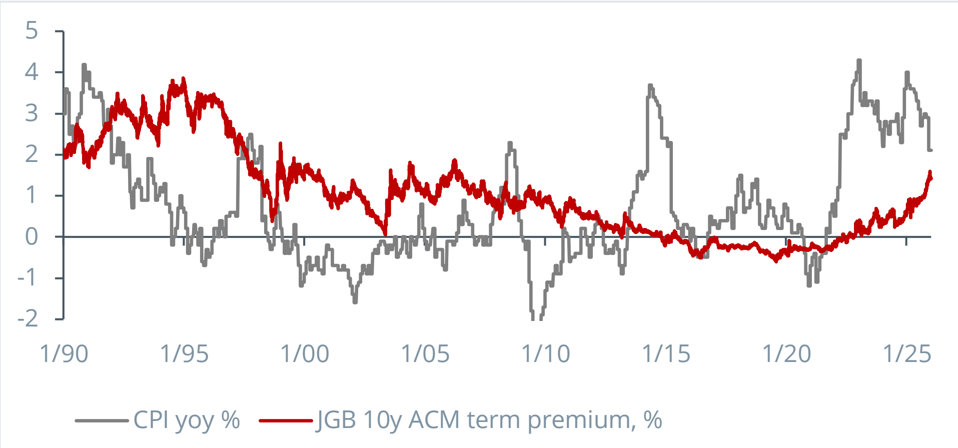
JGB yields has been mainly an adjustment to expectations for inflation to remain above 2%. New fiscal stimulus would work to support the underlying inflation trend, even if consumption tax cuts lower headline inflation on a one-off basis in early FY27. It would also threaten to slow or reverse the recent trend of falling public debt.

Inflation vs. 10y term premium



Source: LSEG Datastream, 6 Feb 2026

This mix of inflation and concern about public debt is potentially bearish for the JPY exchange rate. Rate checks by the BoJ and the Fed on January 23 around 158.50 are likely to cap USDJPY in the short term. However, markets will look for guidance from policy on two fronts:

1) Whether PM Takaichi stresses “responsible” or “proactive” in her “responsible and proactive fiscal policy”. She has said that she wants any consumption tax cut to not increase deficit financing bond issuance. However, suggestions for financing alternatives have been vague so far and mainly on accessing unrealised gains on Japan’s FX reserve assets. Larger stimulus with less offsetting financing would be bearish for the yen.

2) Whether the BoJ responds hawkishly to signals of fiscal expansion. Markets currently price only a 51% chance of a 25bps rate hike at the April monetary policy meeting. Given that Japanese corporates annual price setting is concentrated in April, we think the BoJ will wait for the April CPI data to come out in May before hiking in June. However, any signal of pulling forward the next hike to April would be yen supportive.

Our bias is now to expect the yen to remain soft and ultimately retest 160 vs. the USD. Takaichi campaigned in large part on cuts to the consumption tax and a vigorous defence policy. Her resounding victory gives her a mandate to pursue both. These will probably require counterbalance from more hawkish monetary policy to support the yen.

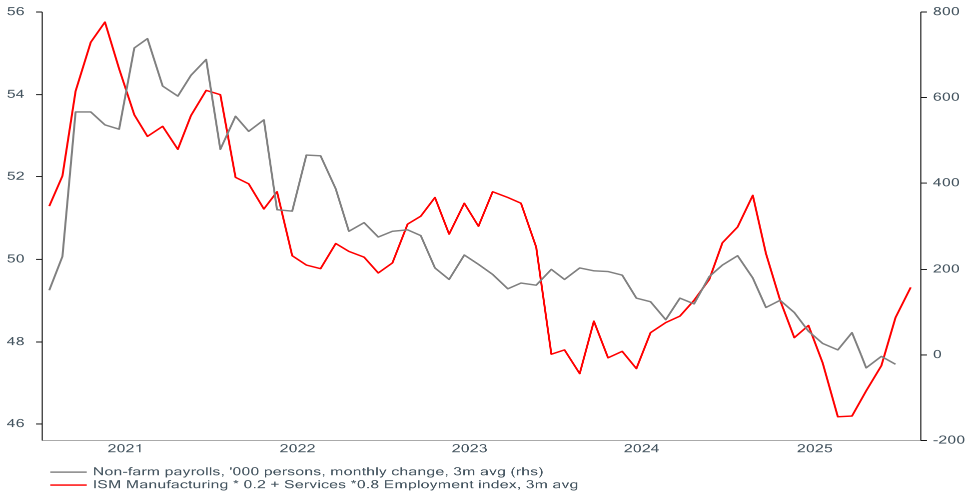
US: double header data week

US CPI and labour market data for January are out this week. We see room for both to come in slightly above the market consensus for core CPI to rise

0.3%mom and payrolls to rise 75k. However, interpretation of the numbers will be complicated by distortions. The CPI is unwinding underestimation effects from data collection problems during the US Federal government shutdown late last year.

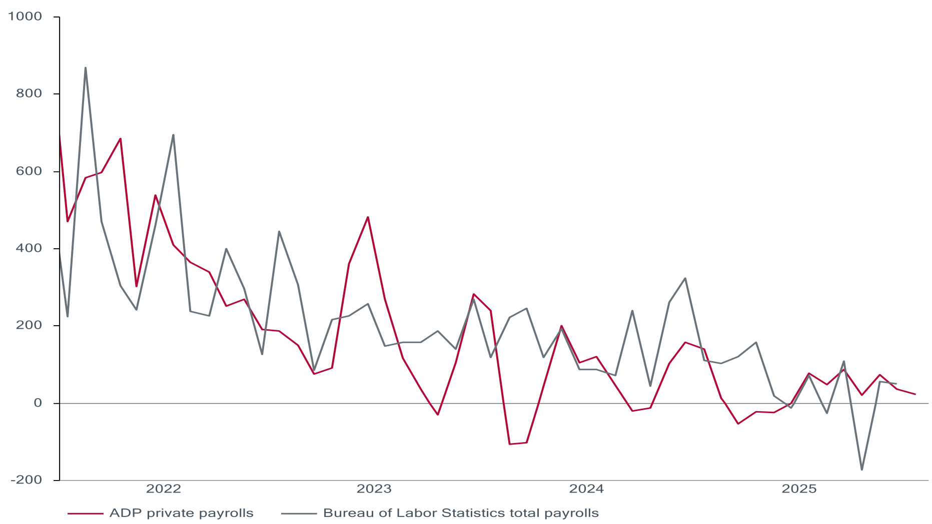
The payrolls data will come with annual revisions that are likely to yield large cuts to previous estimates. Most important, January data have become notorious for difficulties with seasonal adjustment factors and the Bureau of Labour Statistic's company birth-death model contribution to employment estimates.

Indicators for the US labour market have been mixed. The employment sub-indexes of the ISM surveys for January suggest a bounce in employment in January as does the average of the employment components of the regional Fed surveys. Equally constructive, initial unemployment insurance claims and continuing claims trended lower through January.



Source: LSEG Datastream, 6 Feb 2026

However, the ADP data on private payrolls in January weakened to 22k from 37k in December and the employment components of consumer confidence surveys weakened.



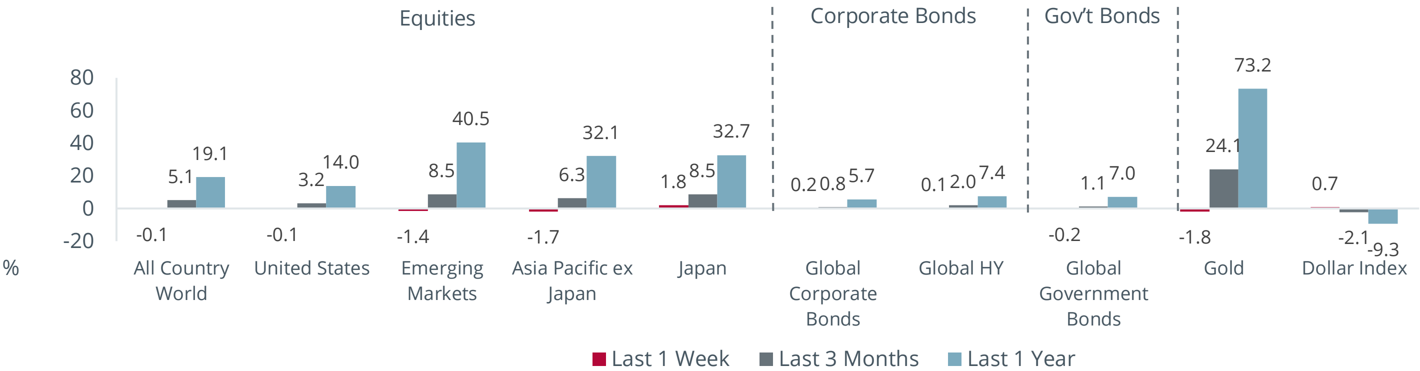
Source: LSEG Datastream, 6 Feb 2026

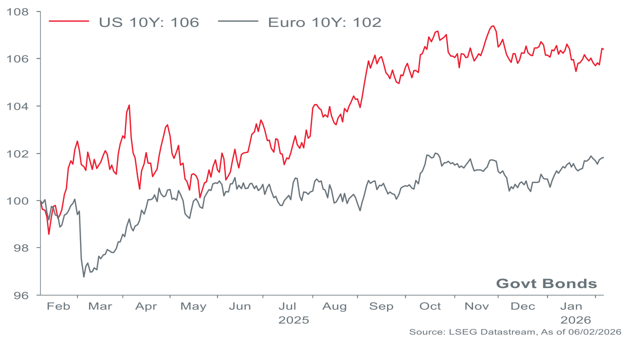
Market Review

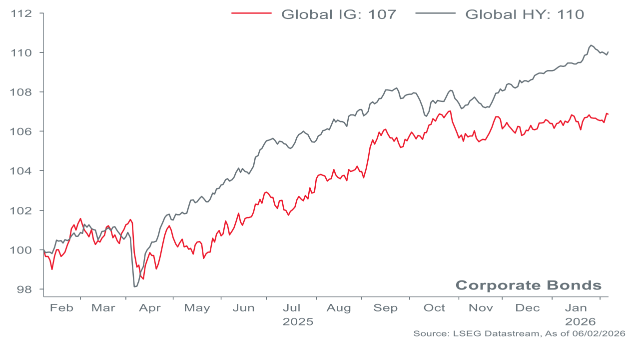
Global equities fell 0.1% over the past week. The S&P 500 declined 0.1%, whilst the NASDAQ declined by 1.8%. Emerging Markets and Asia Pacific (ex Japan) equities underperformed on a USD basis, returning -1.4% and -1.7% respectively. Japan rose by 1.8% on a USD basis. Global corporate bonds were flat (+0.2%), whilst Global sovereign bonds declined by 0.2%.

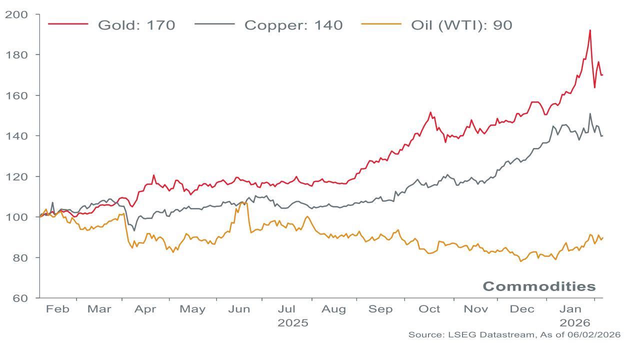
Gold declined 1.8% over the week, while the US Dollar strengthened modestly, with the Dollar index up 0.7%.

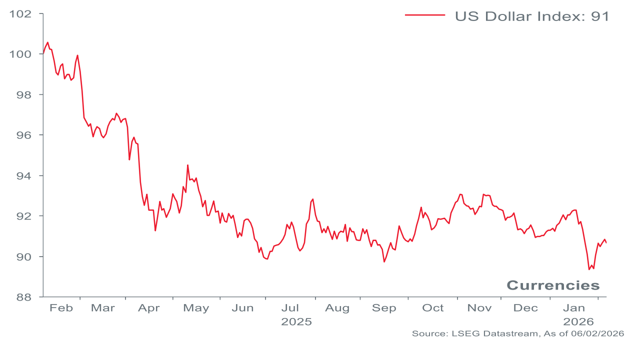
Asset Performance

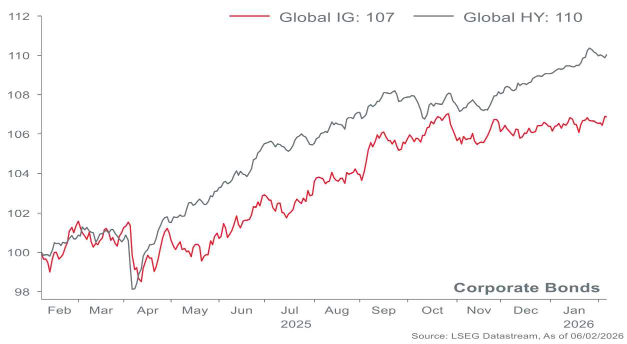


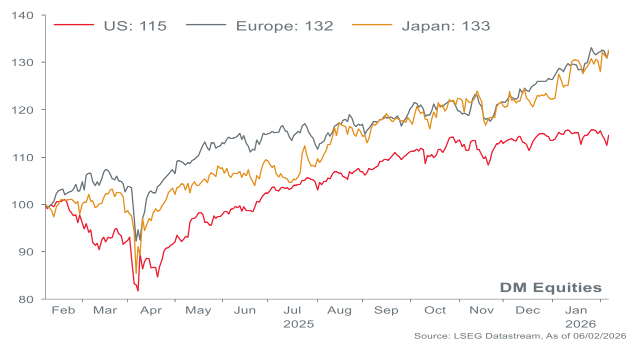












Market Data

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	4.21	-0.83	0.65	2.76	-5.23	1.28	4.64	3.95
10 Year Bond Yield (%)								
Japan	2.24	-0.45	4.78	32.80	76.82	7.97	2.34	1.12
China	1.81	0.22	-4.39	2.90	11.06	-2.95	1.96	1.61
Australia	4.81	0.15	0.63	10.04	11.57	1.09	4.86	4.10
Singapore	2.00	-3.62	-11.40	3.20	-29.23	-10.17	2.90	1.75
Malaysia	3.57	1.85	1.71	1.65	-6.37	2.23	3.83	3.36
Indonesia	6.44	1.54	5.85	4.41	-6.51	5.31	7.21	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	94.67	0.08	0.15	-0.53	0.38	0.02	95.66	93.25
Bloomberg U.S. Aggregate USD	94.10	0.20	0.16	-0.04	3.16	0.03	94.92	90.26

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)	1,042.82	-0.14	0.74	5.12	19.13	2.78	1,051.67	742.96
North America								
US S&P 500 Index	6,932.30	-0.10	-0.18	3.15	13.95	1.27	7,002.28	4,835.04
US Nasdaq Composite Index	23,031.21	-1.84	-2.19	-0.10	16.37	-0.91	24,019.99	14,784.03
Europe								
MSCI Europe	2,766.59	0.26	2.81	10.85	28.22	4.68	2,782.19	1,976.06
Asia Pacific								
MSCI Asia Pacific ex Japan	766.18	-1.73	1.79	6.25	32.09	6.09	790.44	513.60
Japan Nikkei 225	54,253.68	1.75	3.30	6.62	38.88	7.78	54,782.83	30,792.74
Shanghai Stock Exchange Composite	4,065.58	-1.27	-0.44	1.44	24.31	2.44	4,190.87	3,040.69
Hong Kong Hang Seng	26,559.95	-3.02	-0.56	0.28	27.13	3.63	28,056.10	19,260.21
Taiwan TAIEX	31,782.92	-0.88	3.95	13.92	36.31	9.73	32,996.03	17,306.97
Korea KOSPI	5,089.14	-2.59	12.46	26.39	100.62	20.76	5,376.92	2,284.72
India NIFTY 50	25,693.70	1.47	-1.85	0.72	8.86	-1.67	26,373.20	21,743.65
Australia Stock Exchange 200	8,708.80	-1.81	0.30	-1.35	2.21	-0.06	9,115.20	7,169.20
Indonesia Jakarta Composite	7,935.26	-4.73	-11.18	-4.82	15.41	-8.23	9,174.47	5,882.61
Thailand SET	1,354.01	2.14	6.22	3.10	7.28	7.49	1,361.52	1,053.79
Malaysia FTSE Bursa KLSE	1,732.83	-0.46	3.62	7.03	9.32	3.14	1,771.25	1,386.63
Philippines Stock Exchange PSE	6,390.91	0.98	1.16	9.52	2.39	5.58	6,591.94	5,584.35
Singapore FTSE Straits Times Index	4,934.41	0.60	4.10	10.02	28.82	6.20	4,980.57	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	0.35	-0.27	1.10	2.33	13.82	0.60	1.20	1.03
GBP	0.62	-0.58	0.81	3.60	9.45	1.01	1.38	1.24
CHF	-0.30	0.36	-2.48	-3.80	-14.27	-2.10	0.91	0.76
JPY	0.11	1.58	0.37	2.70	3.80	0.35	159.12	140.85
Asia								
CNY	0.01	-0.18	-0.64	-2.53	-4.80	-0.78	7.35	6.94
HKD	-0.01	0.01	0.32	0.49	0.35	0.40	7.85	7.75
INR	0.29	-1.20	0.55	2.15	3.42	0.81	92.02	84.27
MYR	0.03	0.15	-2.45	-5.64	-10.81	-2.74	4.49	3.92
KRW	-0.56	0.90	1.14	1.00	1.23	1.59	1,485.83	1,352.45
SGD	-0.34	-0.11	-0.74	-2.49	-5.91	-1.15	1.36	1.26
TWD	-0.30	-0.10	0.34	1.91	-3.72	0.77	33.25	28.90
IDR	0.21	0.48	0.69	1.02	3.28	1.14	16,945.00	16,106.00

Disclaimer

Sources

Asset performances: (bar charts) Eastspring Investments, Refinitiv, as at 6 February 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 at 6 February 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.