

US AI vs Asia and China

US equities have struggled over the past week and year-to-date while Asian equities have performed strongly (chart below). This performance speaks the core theme of our 2026 outlook that Asia would outperform the US again this year. Much, but certainly not all, of this Asian outperformance reflects the fact that Asia’s exposure to the US AI boom is fundamentally different than that of many companies in the US.



Asia’s core exposure to the US AI boom is as the supplier of AI infrastructure hardware. Where performance of the “Mag-7” in the US appears to have become a zero sum game for investors, Asia’s tech firms’ sales and profits sell to all of the US competitors and so benefit from their fierce competition to produce the leading AI models. Additionally, to the extent that the US government’s push to reshore industry into the US gains traction, Asia’s exporters of industrial machinery, machine tools, and power generation machinery should benefit even as competition within the US rises.

This different nature of exposure to the macro trends of AI and reshoring in the US explain the huge outperformance of Asian earnings growth estimates relative to the US that is keeping Asian equity valuations relatively attractive even as Asian equity prices outperform (chart below).



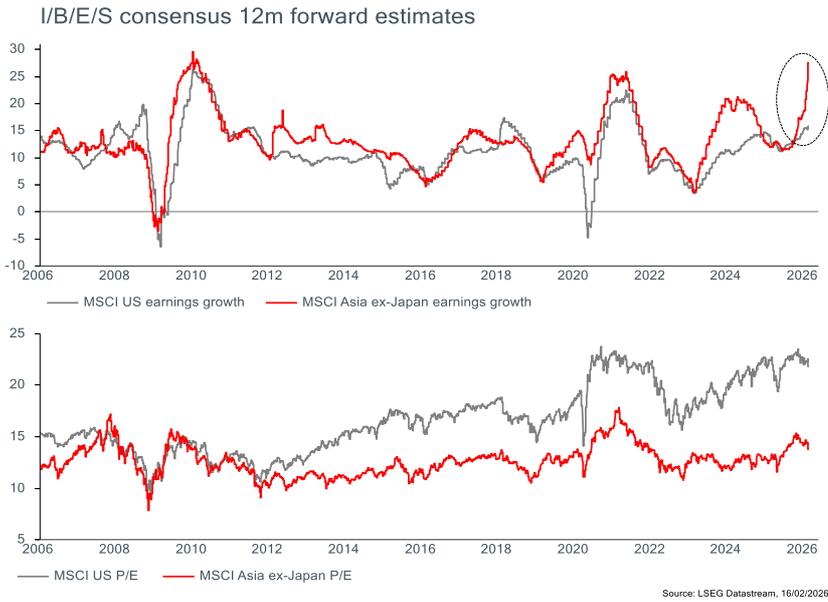
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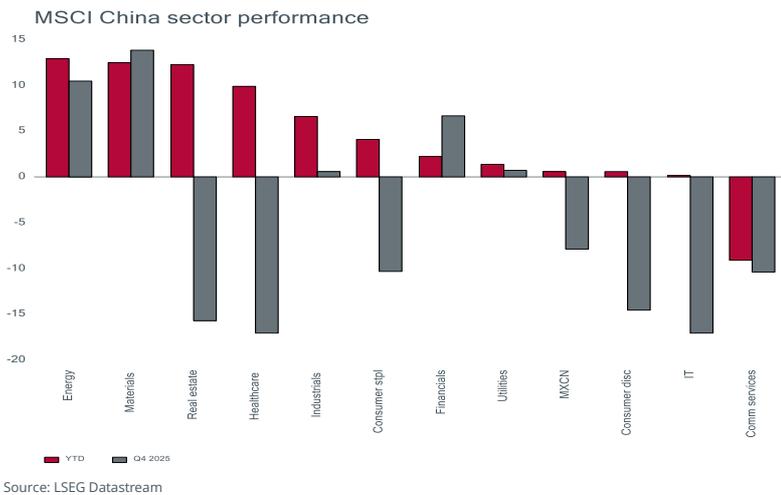
China: what will run in the year of the horse?

When China returns to trading next week markets will increasingly focus on the shape of policy stimulus that will emerge from the new budget to be announced in March. Policy change so far this year points to a highly differentiated stimulus that should favour careful, active stock selection over index investing.

To be sure, the outperformance of the broad MSCI China index over MSCI US at the start of the year has faded recently as MSCI China earnings growth has failed to outperform US growth.

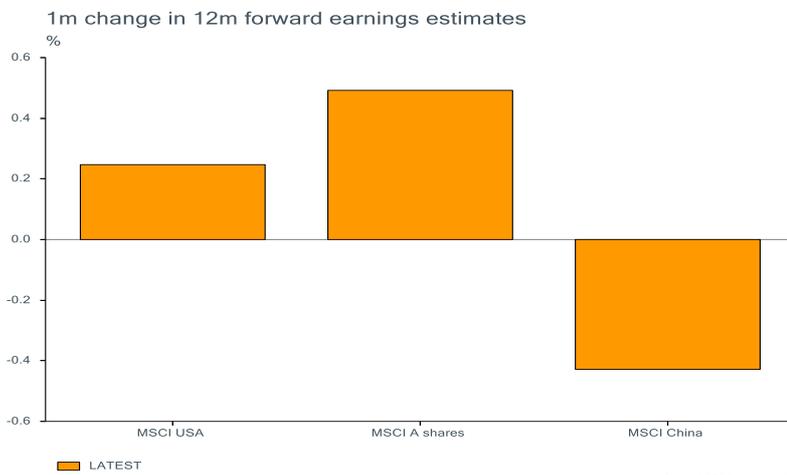


This has come mainly from weakness in the Communications, IT, and Consumer sectors that have struggled with price wars for market share and resulting government intervention to address so called involution. However, within the index, energy, materials, real estate, and healthcare have performed strongly, reflecting in part government policy preferences.



We also expect A shares to benefit from policy more than H shares. The government’s clear focus is on targeted stimulus to preferred industries over broad support for the economy. PBOC policy easing in January took the form of increased relending quotas at lowered interest rates for targeted sectors, not an economy-wide interest rate cut or boost to system-wide liquidity levels.

As such, while earnings revisions to in the H share market have been down over the past 1 and 3 months they have been up in the A share market. However, identifying the sectors and stocks that benefit from government support requires active selection relative to broad index investing.



We believe the scope for selected companies and sectors to outperform remains large. The chart below shows that while price wars are eroding RoEs in H shares, A share RoEs are recovering from the damage done by the COVID period. Recovery back to pre-COVID levels ex-property seems possible to us and would imply a multi-year period of superior earnings growth.

Consensus estimates for 12m forward return on equity

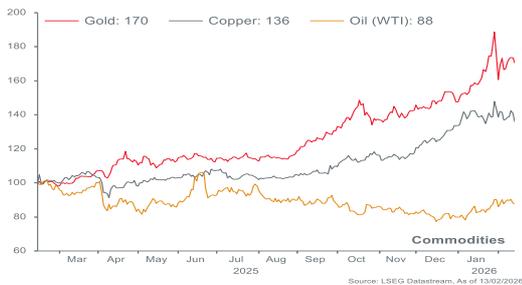
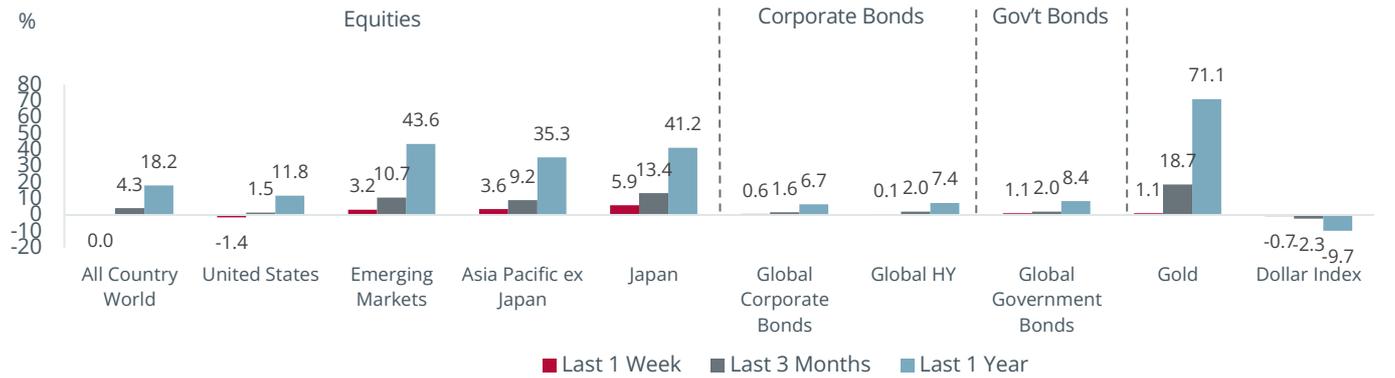


Market Review

Global equities ended the period flat overall. The S&P 500 declined by -1.4%, whilst the NASDAQ declined by -2.1%. Emerging Markets and Asia Pacific (ex Japan) equities strongly outperformed on a USD basis, returning 3.2% and 3.6% respectively. Japan rose by 5.9% on a USD basis. Global corporate bonds rose mildly (+0.6%), whilst Global sovereign bonds were up by 1.1%.

Gold rose by 1.1% over the week, whilst the US Dollar declined modestly, with the Dollar index down -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 | 4.06 | -3.57 | -2.76 | -1.63 | -10.36 | -2.34 | 4.60 | 3.95 |
| 10 Year Bond Yield (%) | | | | | | | | |
| Japan | 2.21 | -0.94 | 2.36 | 30.54 | 64.00 | 6.96 | 2.34 | 1.12 |
| China | 1.81 | 0.28 | -2.32 | -0.11 | 10.56 | -2.69 | 1.96 | 1.63 |
| Australia | 4.75 | -1.27 | 1.24 | 7.32 | 5.84 | -0.19 | 4.87 | 4.10 |
| Singapore | 1.93 | -3.25 | -10.76 | -0.36 | -33.22 | -13.09 | 2.90 | 1.75 |
| Malaysia | 3.54 | -0.92 | 0.03 | 2.43 | -7.52 | 1.29 | 3.83 | 3.36 |
| Indonesia | 6.41 | -0.54 | 4.71 | 4.86 | -6.29 | 4.74 | 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 | 95.26 | 0.62 | 0.59 | 0.24 | 1.39 | 0.64 | 95.66 | 93.25 |
| Bloomberg U.S. Aggregate USD | 94.90 | 0.85 | 0.85 | 0.98 | 4.52 | 0.88 | 94.92 | 90.43 |
| 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) | 1,042.75 | -0.01 | 0.45 | 4.26 | 18.18 | 2.77 | 1,055.57 | 742.96 |
| North America | | | | | | | | |
| US S&P 500 Index | 6,836.17 | -1.39 | -1.83 | 1.46 | 11.79 | -0.14 | 7,002.28 | 4,835.04 |
| US Nasdaq Composite Index | 22,546.67 | -2.10 | -4.91 | -1.42 | 13.04 | -2.99 | 24,019.99 | 14,784.03 |
| Europe | | | | | | | | |
| MSCI Europe | 2,779.97 | 0.48 | 2.82 | 7.98 | 25.97 | 5.19 | 2,807.26 | 1,976.06 |
| Asia Pacific | | | | | | | | |
| MSCI Asia Pacific ex Japan | 793.85 | 3.61 | 5.49 | 9.18 | 35.35 | 9.92 | 802.93 | 513.60 |
| Japan Nikkei 225 | 56,941.97 | 4.96 | 6.34 | 11.04 | 44.30 | 13.12 | 58,015.08 | 30,792.74 |
| Shanghai Stock Exchange Composite | 4,082.07 | 0.41 | -1.37 | 1.31 | 22.49 | 2.85 | 4,190.87 | 3,040.69 |
| Hong Kong Hang Seng | 26,567.12 | 0.03 | -1.05 | -1.87 | 21.79 | 3.65 | 28,056.10 | 19,260.21 |
| Taiwan TAIEX | 33,605.71 | 5.74 | 9.44 | 20.44 | 43.62 | 16.03 | 33,707.83 | 17,306.97 |
| Korea KOSPI | 5,507.01 | 8.21 | 17.35 | 32.04 | 113.19 | 30.68 | 5,583.74 | 2,284.72 |
| India NIFTY 50 | 25,471.10 | -0.87 | -1.02 | -1.58 | 10.59 | -2.52 | 26,373.20 | 21,743.65 |
| Australia Stock Exchange 200 | 8,917.60 | 2.40 | 1.24 | 1.88 | 4.42 | 2.33 | 9,115.20 | 7,169.20 |
| Indonesia Jakarta Composite | 8,212.27 | 3.49 | -8.23 | -1.91 | 24.17 | -5.03 | 9,174.47 | 5,882.61 |
| Thailand SET | 1,430.41 | 5.64 | 15.79 | 11.10 | 11.39 | 13.55 | 1,443.97 | 1,053.79 |
| Malaysia FTSE Bursa KLSE | 1,739.54 | 0.39 | 1.83 | 6.57 | 9.25 | 3.54 | 1,771.25 | 1,386.63 |
| Philippines Stock Exchange PSE | 6,384.58 | -0.10 | -0.38 | 11.48 | 4.44 | 5.48 | 6,591.94 | 5,584.35 |
| Singapore FTSE Straits Times Index | 4,937.78 | 0.07 | 2.72 | 7.91 | 27.18 | 6.28 | 5,021.27 | 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 | -0.02 | 0.43 | 1.94 | 2.03 | 13.41 | 1.04 | 1.20 | 1.04 |
| GBP | 0.21 | 0.29 | 1.71 | 3.48 | 8.62 | 1.30 | 1.38 | 1.26 |
| CHF | -0.21 | -1.07 | -4.17 | -3.20 | -15.02 | -3.14 | 0.90 | 0.76 |
| JPY | -0.03 | -2.88 | -4.05 | -1.21 | -0.07 | -2.53 | 159.12 | 140.85 |
| Asia | | | | | | | | |
| CNY | 0.10 | -0.44 | -1.00 | -2.64 | -5.22 | -1.22 | 7.35 | 6.90 |
| HKD | -0.01 | 0.02 | 0.19 | 0.57 | 0.35 | 0.42 | 7.85 | 7.75 |
| INR | -0.02 | -0.06 | 0.30 | 1.96 | 4.42 | 0.75 | 92.02 | 84.27 |
| MYR | 0.13 | -1.01 | -3.70 | -5.36 | -12.31 | -3.72 | 4.49 | 3.90 |
| KRW | 0.03 | -1.57 | -2.35 | -2.06 | 0.07 | -0.01 | 1,485.83 | 1,352.45 |
| SGD | -0.05 | -0.75 | -2.08 | -3.01 | -6.08 | -1.89 | 1.35 | 1.26 |
| TWD | 0.04 | -0.52 | -0.64 | 0.93 | -3.69 | 0.25 | 33.25 | 28.90 |
| IDR | 0.09 | -0.21 | -0.21 | 0.63 | 2.91 | 0.93 | 16,945.00 | 16,106.00 |

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Sources

Asset performances: (bar charts) Eastspring Investments, Refinitiv, as at 16 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.

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