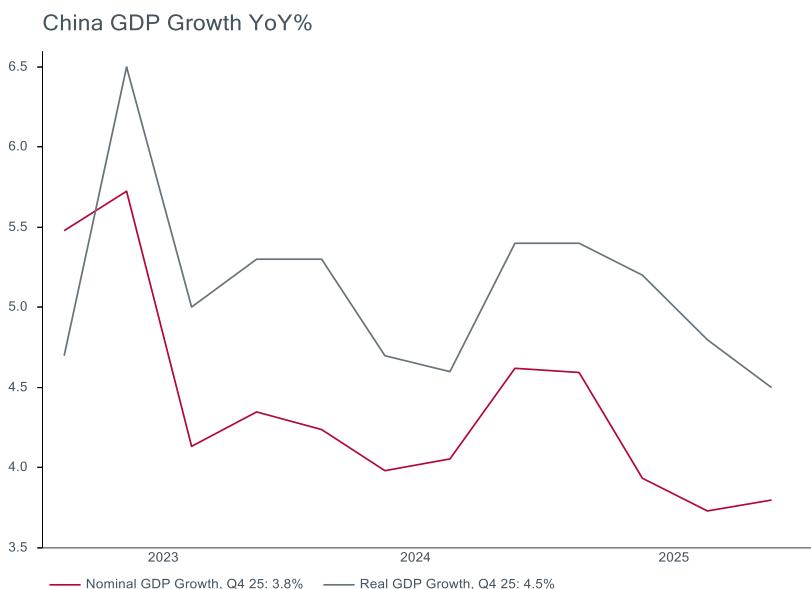


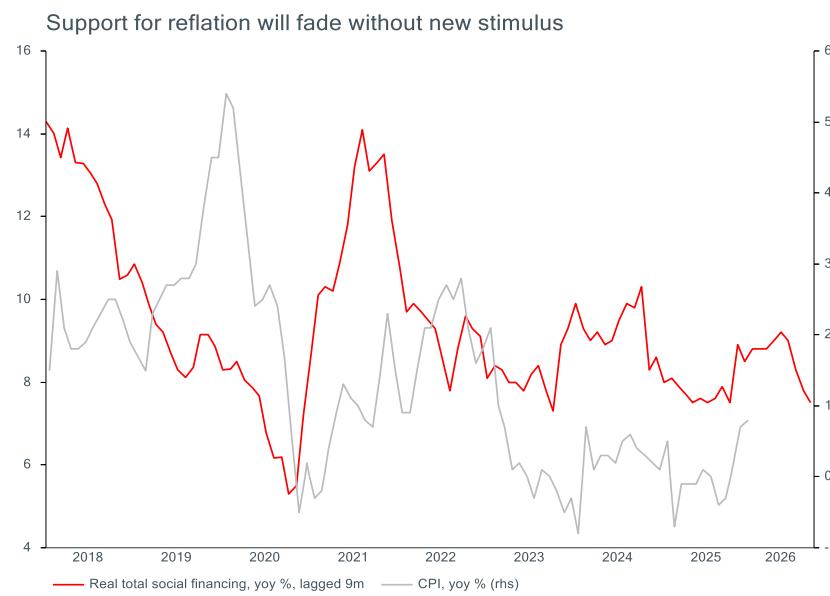
What's top of investors' minds?

China: Let the easing begin

The monetary easing announced by the People's Bank of China (PBOC) last Friday makes sense given the Q4 GDP data announced today. Real GDP growth slowed to 4.5%yoY in Q4 from 4.8%yoY in Q3. Although this was enough to allow the government to attain its full year target of 5% GDP growth, it was the weakest quarterly growth since Q4 2022. Importantly, consumption and fixed asset investment weakened in December to below consensus expectations.



To be sure, the chart below shows that the modest, lagged boost to inflation from last year's stimulus to credit growth is likely to begin fading by year-end, absent new stimulus.



Vis Nayar
Chief Investment Officer
Eastspring Investments

Ray Farris
Chief Economist
Eastspring Investments

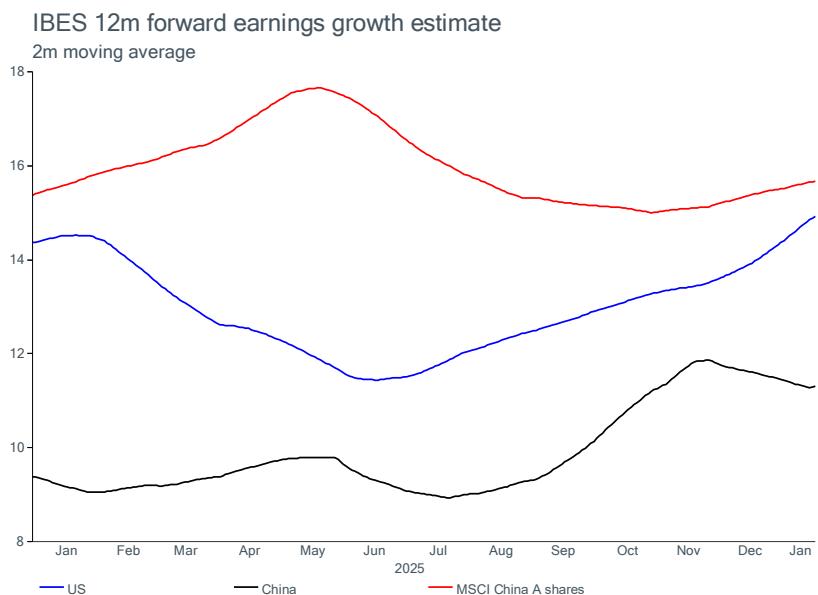
For more insights from
our investment experts
please visit
eastspring.com/insights



We have little doubt that China's government will hit its target GDP growth of close to 5% this year – we forecast 4.8%. However, we believe **investors will need to position actively and follow the flow of funds into the government's priorities, in order to outperform.**

The details of the PBOC's easing show that it is targeted at key sectors rather than at boosting broad consumer demand, at least for now. The PBOC cut the rates it offers to policy and commercial banks for loans tied to infrastructure and manufacturing policy objectives, while leaving its broader policy rate that affects consumer deposit rates unchanged. Linked to this, it increased the size of its relending facilities aimed at the tech sector as well as small and medium sized enterprises.

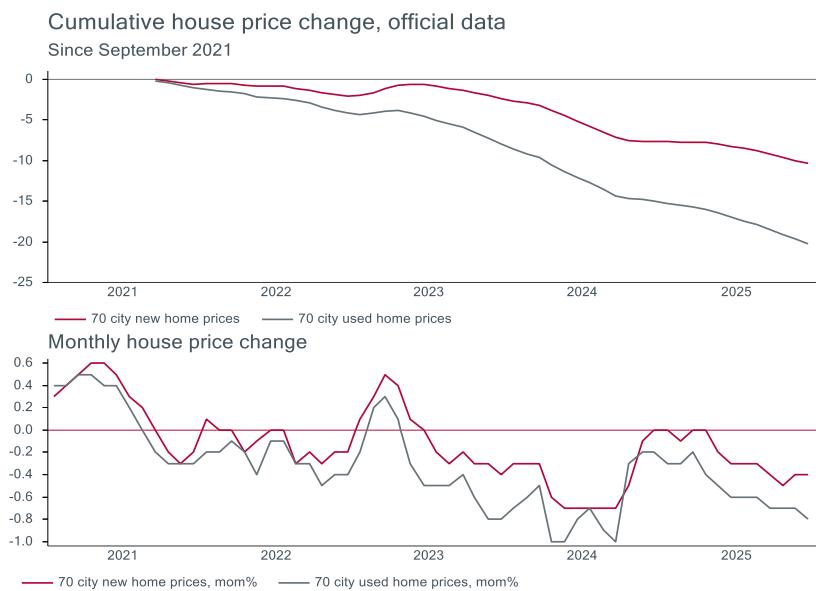
This structure of easing will probably give greater support to selected China A-share sectors relative to H-shares. The chart below shows consensus expectations for A-share earnings growth over the next year is rising and is superior to US earnings growth.



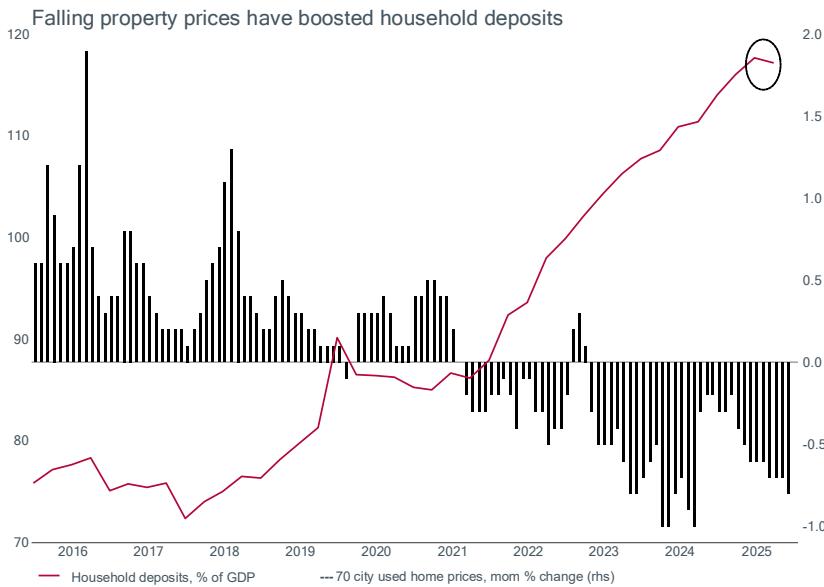
Fans of the US might respond that US earnings growth is being revised up faster than that of A-shares, but first, we note that the next chart shows that **China is much better valued on a price-to-growth basis** and second, **earnings estimates for China are likely to get a boost from the government's new budget in March.**



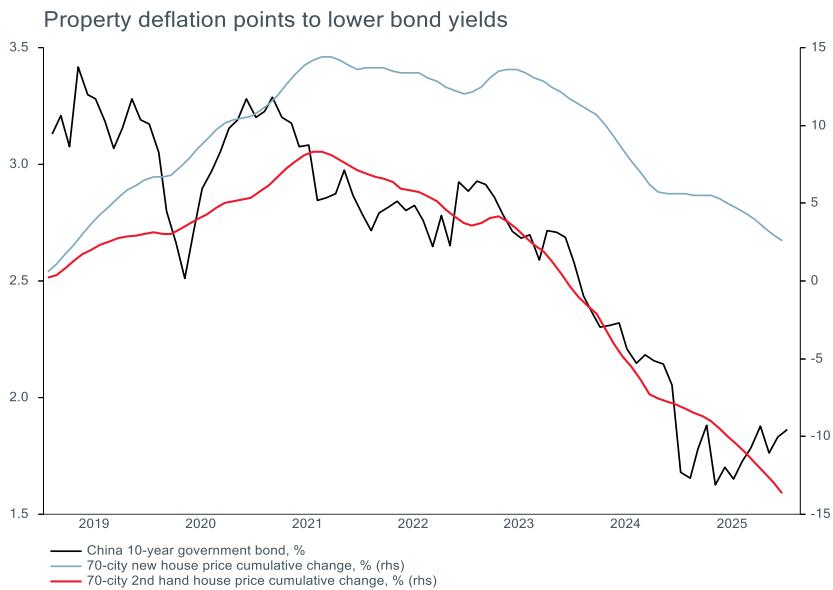
We remain cautious on residential property within this China stimulus story. Data released today show that new and used residential property prices fell 0.4% mom and 0.7% mom in December. We expect property prices to continue to fall unless the government embarks on a large program to buy excessive inventory, yet we see no signals that such a policy shift is likely.



A key implication of property price deflation is continuing weakness in consumption growth away from products and sectors that benefit directly from trade-in or other subsidies. This leads us to expect both an increase in these subsidies in the new budget and a further cut in the PBOC's policy rate of at least 10bps. Although the next chart shows that falling property prices have boosted household savings, the recent dip in household deposits as a share of GDP may suggest that **PBOC interest rate cuts are encouraging households to shift funds into equities**.



Our outlook for continued property deflation, fading inflation in the second half of the year, and further PBOC easing also implies lower government bond yields. However, we recognise that the combination of a roughly 1tn yuan increase in government issuance in the first half of the year and temporarily higher CPI inflation could keep yields near current levels or push them slightly higher over the next few months.



Finally, we expect **further modest appreciation of the Chinese yuan exchange rate (CNY)** of about 0.5% - 1.0% in terms of the government's CFETS CNY basket. This implies that USDCNY could fall to 6.89 – 6.9 in the current environment.

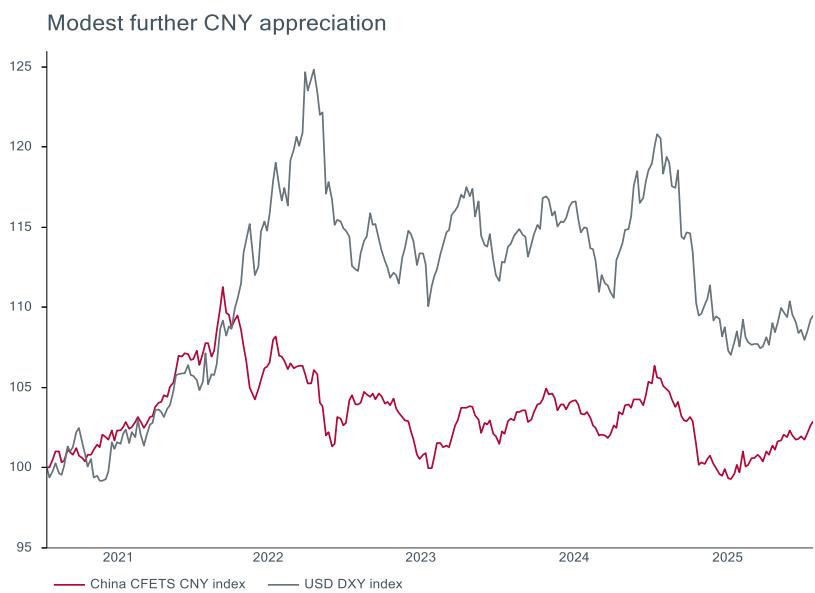


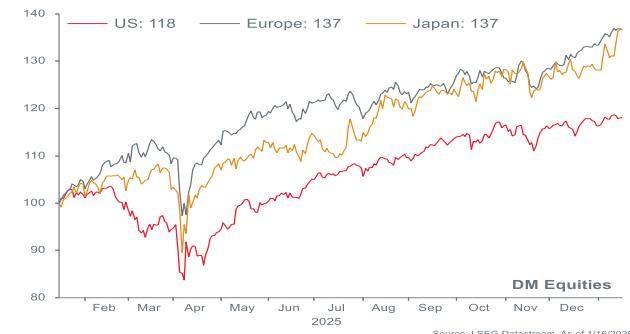
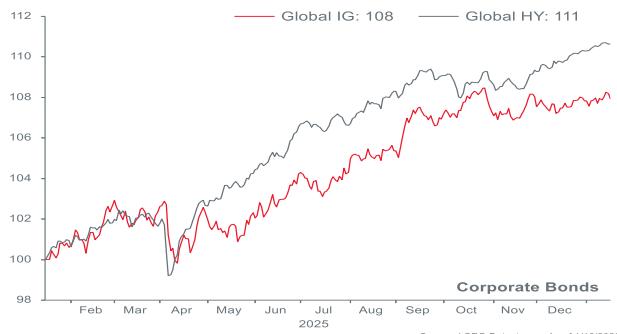
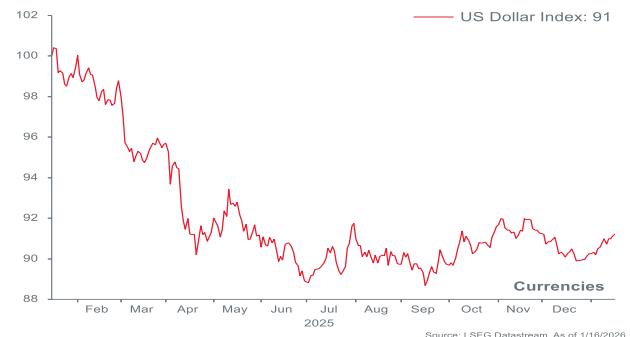
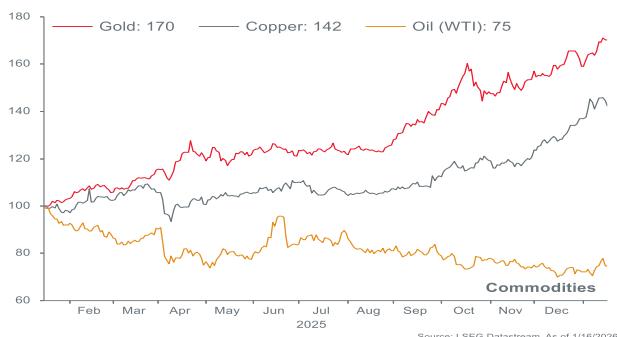
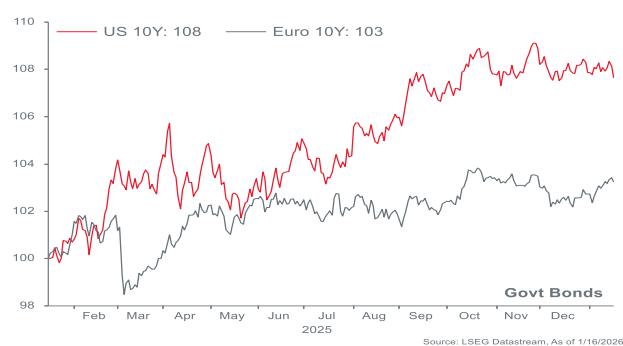
Chart sources: LSEG Datastream, Eastspring Investments. 19 Jan 2025.

Market Review

During the week, the Q4 2025 earnings season commenced with mixed results while the latest US Consumer Price Index (CPI) data showed that US consumer prices increased 2.7% over the 12 months ending in December, in line with November. During the week, the MSCI ACWI rose by 0.3%. In the US, both the S&P 500 and the tech-heavy Nasdaq posted weekly declines, falling by -0.4% and -0.7%, respectively; Europe equities (in USD) rose by 0.4%. Elsewhere, emerging markets and the Asia Pacific ex-Japan region saw gains of 2.3% and 2.1% (both in USD), respectively.

In the fixed income markets, US Treasury yields moved higher across the curve. Short-term maturities such as the 1-year, 2-year, 3-year, and 5-year notes saw yields climb by 3 to 8 basis points, while mid- to long-term maturities—specifically the 10-year, 20-year, and 30-year bonds—experienced rises of 6, 3, and 1 basis point, respectively. Amid rising US yields, US Treasuries and US aggregate bonds both registered losses; global government bonds, as proxied by the FTSE World Government Bond Index (WGBI), also registered a loss. Global corporate bonds and global high yield bonds fared better than global government bonds during the week. The US dollar (DXY) and gold both rose during the week.

Asset Performances



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	4.23	1.44	1.98	6.41	-8.14	1.88	4.64	3.95
10 Year Bond Yield (%)								
Japan	2.18	4.20	11.73	31.68	81.23	5.41	2.18	1.12
China	1.85	-1.70	2.79	4.30	11.28	-0.91	1.96	1.61
Australia	4.70	0.60	-0.76	12.81	3.96	-1.18	4.81	4.10
Singapore	2.19	-0.41	-3.99	23.37	-27.19	-1.44	3.01	1.75
Malaysia	3.55	0.37	-0.92	1.99	-7.47	1.43	3.83	3.36
Indonesia	6.23	1.35	1.33	5.17	-13.03	1.81	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	94.63	-0.08	0.02	-0.95	1.34	-0.02	95.66	93.25
Bloomberg U.S. Aggregate USD	93.92	-0.19	-0.05	-0.90	4.04	-0.16	94.92	90.16
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)	1,038.33	0.33	3.54	5.48	22.35	2.34	1,038.38	742.96
North America								
US S&P 500 Index	6,940.01	-0.38	2.06	4.69	16.89	1.38	6,986.33	4,835.04
US Nasdaq Composite Index	23,515.39	-0.66	1.75	4.22	21.60	1.18	24,019.99	14,784.03
Europe								
MSCI Europe	2,706.89	0.40	4.35	6.47	32.42	2.43	2,712.04	1,976.06
Asia Pacific								
MSCI Asia Pacific ex Japan	759.41	2.11	9.16	6.23	34.64	5.15	759.41	513.60
Japan Nikkei 225	53,936.17	3.84	9.22	11.72	39.83	7.14	54,487.32	30,792.74
Shanghai Stock Exchange Composite	4,101.91	-0.45	7.25	4.74	26.76	3.35	4,190.87	3,040.69
Hong Kong Hang Seng	26,844.96	2.34	6.38	3.69	37.51	4.74	27,381.84	19,260.21
Taiwan TAIEX	31,408.70	3.70	14.06	13.60	36.41	8.44	31,475.22	17,306.97
Korea KOSPI	4,840.74	5.55	21.04	29.14	91.52	14.87	4,855.61	2,284.72
India NIFTY 50	25,694.35	0.04	-0.64	0.43	10.22	-1.67	26,373.20	21,743.65
Australia Stock Exchange 200	8,903.90	2.14	3.55	-1.81	6.93	2.18	9,115.20	7,169.20
Indonesia Jakarta Composite	9,075.41	1.55	4.48	11.70	27.69	4.96	9,100.82	5,882.61
Thailand SET	1,275.60	1.72	1.18	-1.23	-5.69	1.26	1,363.92	1,053.79
Malaysia FTSE Bursa KLSE	1,712.74	1.55	3.91	6.23	10.11	1.94	1,721.48	1,386.63
Philippines Stock Exchange PSE	6,464.67	1.84	6.75	6.09	3.18	6.80	6,591.94	5,584.35
Singapore FTSE Straits Times Index	4,849.10	2.20	5.88	11.31	27.57	4.37	4,849.10	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	-0.08	-0.34	-1.27	-0.77	12.61	-1.26	1.19	1.03
GBP	0.02	-0.13	-0.29	-0.36	9.33	-0.68	1.37	1.22
CHF	-0.01	0.22	1.02	1.26	-11.82	1.34	0.91	0.79
JPY	-0.35	0.13	2.18	5.10	1.91	0.92	159.12	140.85
Asia								
CNY	0.03	-0.13	-1.05	-2.17	-4.96	-0.36	7.35	6.97
HKD	-0.02	0.02	0.21	0.33	0.11	0.18	7.85	7.75
INR	0.38	0.52	-0.27	3.09	4.75	0.92	90.93	84.27
MYR	0.07	-0.37	-0.69	-4.02	-9.89	-0.02	4.50	4.04
KRW	0.23	1.12	0.02	4.00	1.20	2.28	1,485.83	1,352.45
SGD	0.07	0.14	-0.01	-0.37	-5.67	0.25	1.37	1.27
TWD	0.13	0.05	0.44	3.24	-3.95	0.88	33.25	28.90
IDR	-	0.51	1.17	1.90	3.21	1.26	16,880.00	16,106.00

Disclaimer

This document is produced by Eastspring Investments (Singapore) Limited and issued in:

Singapore by Eastspring Investments (Singapore) Limited (UEN: 199407631H)

Australia (for wholesale clients only) by Eastspring Investments (Singapore) Limited (UEN: 199407631H), which is incorporated in Singapore, is exempt from the requirement to hold an Australian financial services licence and is licensed and regulated by the Monetary Authority of Singapore under Singapore laws which differ from Australian laws.

Hong Kong by Eastspring Investments (Hong Kong) Limited and has not been reviewed by the Securities and Futures Commission of Hong Kong.

Indonesia by PT Eastspring Investments Indonesia, an investment manager that is licensed, registered and supervised by the Indonesia Financial Services Authority (OJK).

Malaysia by Eastspring Investments Berhad (200001028634/ 531241-U) and Eastspring Al-Wara' Investments Berhad (200901017585 / 860682-K) and has not been reviewed by Securities Commission of Malaysia.

Thailand by Eastspring Asset Management (Thailand) Co., Ltd.

United States of America (for institutional clients only) by Eastspring Investments (Singapore) Limited (UEN: 199407631H), which is incorporated in Singapore and is registered with the U.S Securities and Exchange Commission as a registered investment adviser.

European Economic Area (for professional clients only) and Switzerland (for qualified investors only) by Eastspring Investments (Luxembourg) S.A., 26, Boulevard Royal, 2449 Luxembourg, Grand-Duchy of Luxembourg, registered with the Registre de Commerce et des Sociétés (Luxembourg), Register No B 173737.

Chile (for institutional clients only) by Eastspring Investments (Singapore) Limited (UEN: 199407631H), which is incorporated in Singapore and is licensed and regulated by the Monetary Authority of Singapore under Singapore laws which differ from Chilean laws.

The afore-mentioned entities are hereinafter collectively referred to as Eastspring Investments.

The views and opinions contained herein are those of the author, and may not necessarily represent views expressed or reflected in other Eastspring Investments' communications. This document is solely for information purposes and does not have any regard to the specific investment objective, financial situation and/or particular needs of any specific persons who may receive this document. This document is not intended as an offer, a solicitation of offer or a recommendation, to deal in shares of securities or any financial instruments. It may not be published, circulated, reproduced or distributed without the prior written consent of Eastspring Investments. Reliance upon information in this document is at the sole discretion of the reader. Please carefully study the related information and/or consult your own professional adviser before investing.

Investment involves risks. Past performance of and the predictions, projections, or forecasts on the economy, securities markets or the economic trends of the markets are not necessarily indicative of the future or likely performance of Eastspring Investments or any of the funds managed by Eastspring Investments.

Information herein is believed to be reliable at time of publication. Data from third party sources may have been used in the preparation of this material and Eastspring Investments has not independently verified, validated or audited such data. Where lawfully permitted, Eastspring Investments does not warrant its completeness or accuracy and is not responsible for error of facts or opinion nor shall be liable for damages arising out of any person's reliance upon this information. Any opinion or estimate contained in this document may subject to change without notice.

Eastspring Investments companies (excluding joint venture companies) are ultimately wholly-owned/indirect subsidiaries of Prudential plc of the United Kingdom. Eastspring Investments companies (including joint venture companies) and Prudential plc are not affiliated in any manner with Prudential Financial, Inc., a company whose principal place of business is in the United States of America or with the Prudential Assurance Company Limited, a subsidiary of M&G plc (a company incorporated in the United Kingdom).

Sources

Asset performances: (bar charts) Eastspring Investments, Refinitiv, as at 19 January 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 19 January 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.