CIO Views – Weekly Bulletin

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Impact of this week's central bank meetings and US earnings on Asia


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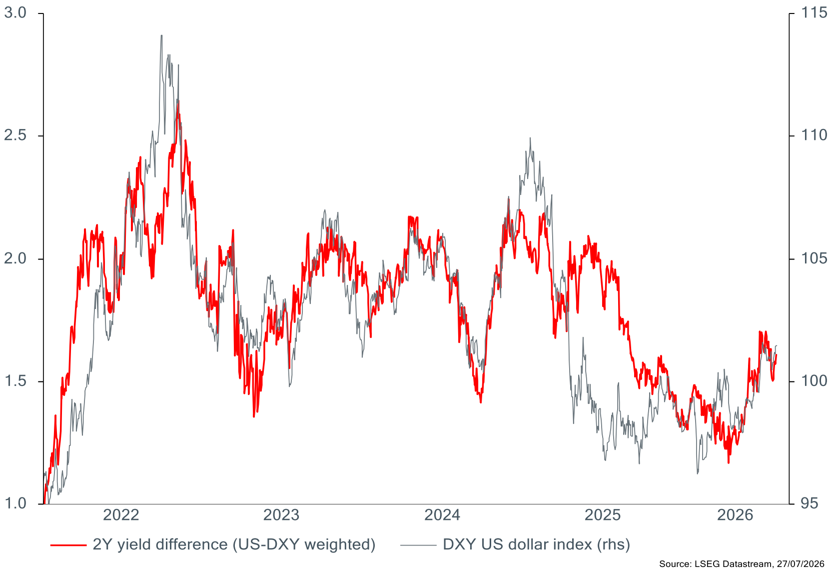
This week offers policy meetings at the US Federal Reserve (Fed), the Bank of Japan (BoJ), the Bank of England (BoE), Q2 earnings announcements by four of the "Magnificent 7", and new ceasefire talks between Iran and the US.

For Asia, the importance of the central bank meetings lies heavily with their implications for US dollar directionality. Asia's currencies tend to trade on individual country fundamentals when the USD is directionless versus the major currencies but tend to trend with the USD when it trends against the majors.

The USD has lost momentum recently as higher energy prices have pushed up front-end yields in G7 countries relative to US yields. To regain appreciation momentum, the USD needs either the Fed to turn more hawkish or the other G7 central banks to turn more dovish. The Fed is already priced for 54bps of hikes through April next year, i.e. two rate hikes. This compares to pricing of 76bps of BoE hikes and 63bps for the ECB through mid-2027 and expectations for 50bps of hikes from the BoJ through 2027.

The USD is losing yield spread support again



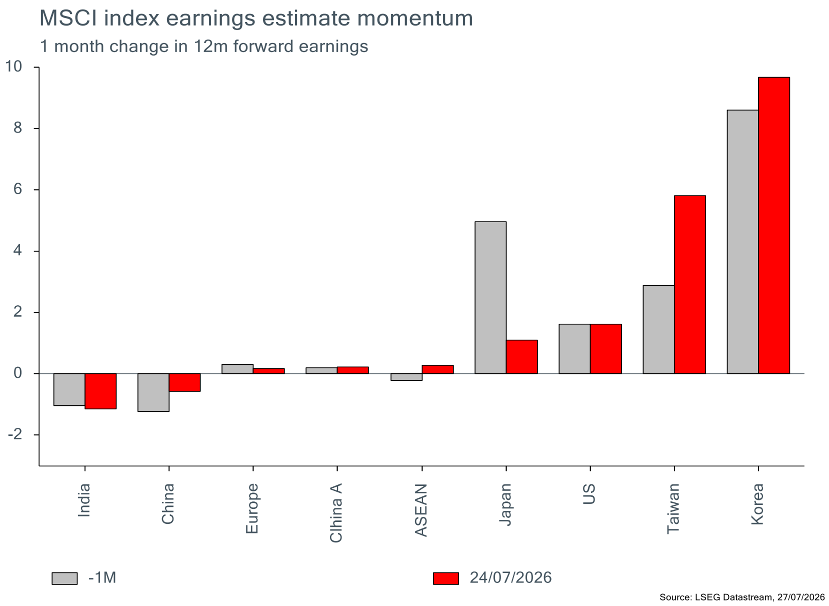
For this week specifically, markets expect all three central banks to keep their policy rate on hold. If that is correct, it will shift the focus to the post-meeting briefings where the BoE and the BoJ will give guidance in contrast to Fed Chairman Warsh who is likely to try to avoid leading markets about the Fed's thinking.

Against this background, we assess the robust US capex and improving employment outlook as arguing for policy tightening. If Warsh demurs he would likely contribute to some further dollar softening through lower US front-end yields and market perception of greater long-term inflation risk. In contrast, a surprise rate hike this week and suggestions of unwillingness to look through the potentially inflationary implications of the ongoing energy price shock would likely support the US dollar.

Bringing this back to Asia, **a stronger dollar supported by a hawkish Fed would renew pressure for Asian currency depreciation and so pressure on Asian central banks to counter this with policy rate hikes. India, Indonesia, Japan, and the Philippines are most at risk, followed by Korea.**

Turning to US earnings, markets are looking both for signs that Mag-7 spending on AI capex is beginning to produce returns and for their commitment to their massive spending guidance. We think it may be too early for the former but **still expect US companies to remain committed to their aggressive capex plans**. In this regard, the press reported today that a leading GPU maker is in talks with a leading AI model builder to potentially guarantee some of its spending on data center buildout.

Continued US cloud and tech company confidence in their capex plans would likely bolster confidence in Asian hardware producer earnings estimates. To be sure, earnings estimates for tech hardware producers have been revised up further over the past month. We view this as underpinning our thesis that **Asian equities will outperform the US through the second half of this year and into 2027, driven by superior earnings growth**.

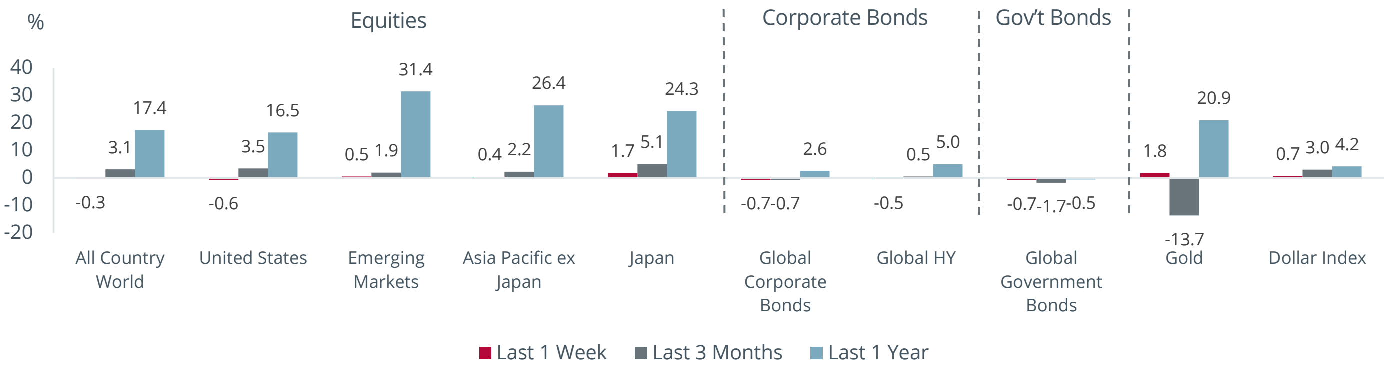


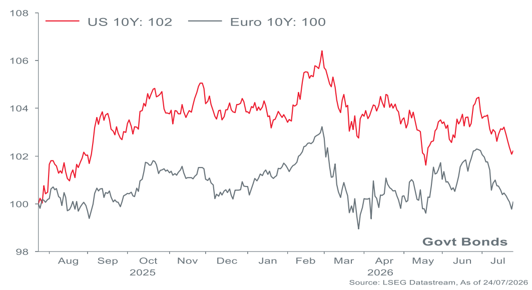
Market Review

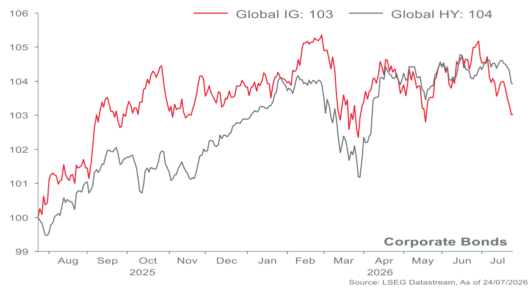
Global equity markets retreated over the week, with the MSCI AC World Index falling -0.3%. US equities also weakened, with the S&P 500 slipping -0.6% and Nasdaq declining -2.1%. Emerging markets gained 0.5% followed by Asia Pacific (ex Japan) which rose 0.4% and Japan which advanced 1.7%.

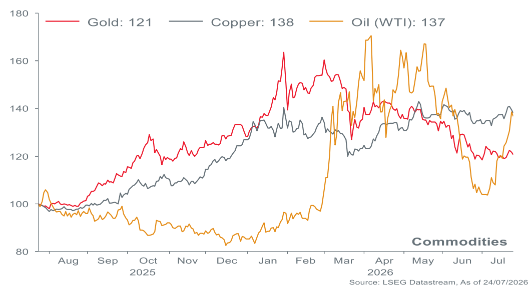
Gold posted a gain of 1.8% over the week, while the US dollar index appreciated 0.7%. Bond markets were weaker with global corporate bonds, global High Yield bonds and global government bonds declining -0.7%, -0.5% and -0.7% respectively.

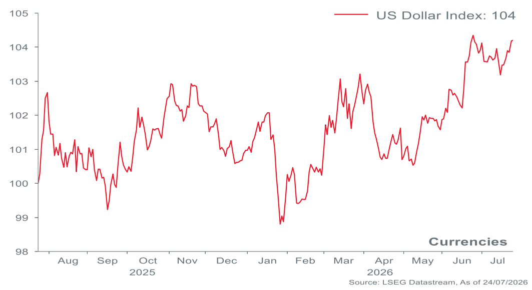
Asset Performance

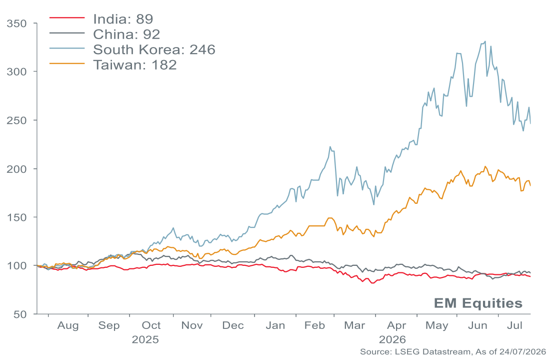


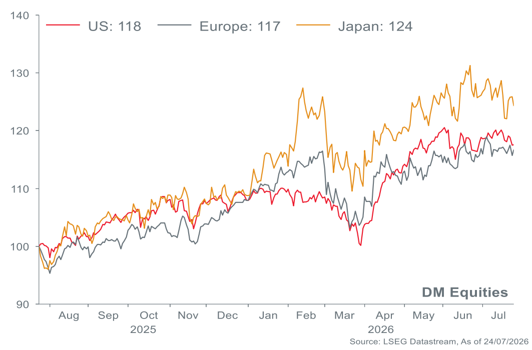












Market Data

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	4.68	3.04	6.34	8.56	6.15	12.67	4.70	3.95
10 Year Bond Yield (%)								
Japan	2.81	3.80	5.43	15.43	75.81	35.89	2.88	1.47
China	1.73	-0.40	-2.60	-2.04	-0.86	-7.36	1.93	1.70
Australia	5.09	3.77	6.53	2.09	16.54	6.87	5.12	4.10
Singapore	2.47	10.65	19.34	16.23	18.30	10.90	2.47	1.75
Malaysia	3.71	1.54	2.06	3.94	8.82	6.11	3.71	3.36
Indonesia	7.37	1.47	2.89	9.81	13.27	20.51	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	92.74	-0.54	-1.45	-1.33	-1.35	-2.02	95.69	92.64
Bloomberg U.S. Aggregate USD	91.73	-0.78	-1.70	-2.01	-0.21	-2.49	95.21	91.60

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)	1,105.48	-0.29	0.10	3.10	17.44	8.96	1,136.59	917.39
North America								
US S&P 500 Index	7,411.98	-0.61	0.73	3.45	16.48	8.28	7,620.90	6,212.69
US Nasdaq Composite Index	24,975.82	-2.13	-1.97	0.56	18.61	7.46	27,190.21	20,560.17
Europe								
MSCI Europe	2,791.67	-0.07	1.72	2.82	13.25	5.63	2,846.10	2,349.92
Asia Pacific								
MSCI Asia Pacific ex Japan	843.27	0.43	-5.39	2.25	26.35	16.77	925.80	644.34
Japan Nikkei 225	64,611.15	0.73	-6.60	8.20	54.47	28.35	72,831.75	39,850.52
Shanghai Stock Exchange Composite	3,814.20	1.33	-7.22	-6.51	5.78	-3.90	4,258.86	3,547.16
Hong Kong Hang Seng	24,963.23	1.63	6.62	-3.91	-2.74	-2.60	28,056.10	22,518.00
Taiwan TAIEX	43,654.84	2.30	-5.19	12.13	86.77	50.72	48,218.87	23,094.67
Korea KOSPI	6,690.62	-1.91	-21.02	3.32	109.71	58.76	9,385.59	3,079.27
India NIFTY 50	23,767.45	-2.33	-1.06	-0.55	-5.17	-9.04	26,373.20	22,182.55
Australia Stock Exchange 200	8,772.30	-0.28	-0.41	-0.16	0.72	0.67	9,202.90	8,262.40
Indonesia Jakarta Composite	6,196.43	0.34	5.31	-13.09	-17.72	-28.34	9,174.47	5,317.91
Thailand SET	1,644.39	0.33	6.21	12.93	35.62	30.54	1,657.55	1,204.70
Malaysia FTSE Bursa KLSE	1,701.02	-1.76	1.12	-1.12	10.43	1.24	1,771.25	1,513.25
Philippines Stock Exchange PSE	6,281.01	-1.92	4.83	5.68	-2.53	3.77	6,673.61	5,584.35
Singapore FTSE Straits Times Index	5,588.34	1.43	7.14	13.52	30.78	20.28	5,595.42	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	-0.08	-0.63	0.09	-3.01	-3.29	-3.22	1.20	1.14
GBP	0.05	-1.00	1.17	-1.57	-1.41	-1.14	1.38	1.30
CHF	0.20	1.35	0.75	4.30	2.88	3.26	0.82	0.76
JPY	-0.01	0.89	1.28	2.80	11.46	4.59	163.85	146.48
Asia								
CNY	0.03	-0.06	-0.57	-0.94	-5.34	-3.16	7.21	6.76
HKD	0.01	0.03	0.02	0.09	-0.10	0.76	7.85	7.77
INR	-0.01	0.29	2.00	2.46	11.80	7.47	96.82	86.37
MYR	0.02	-0.05	-1.14	3.18	-2.97	0.79	4.28	3.88
KRW	-1.06	-1.90	-5.38	-1.16	6.31	1.30	1,559.08	1,372.61
SGD	-0.22	-0.09	-0.50	1.12	1.01	0.36	1.31	1.26
TWD	0.07	-0.16	1.84	2.78	9.97	3.16	32.39	29.39
IDR	0.25	0.28	0.06	4.33	10.17	7.59	18,170.00	16,106.00

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Sources

Asset performances: (bar charts) Eastspring Investments, Refinitiv, as of 24 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 24 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.