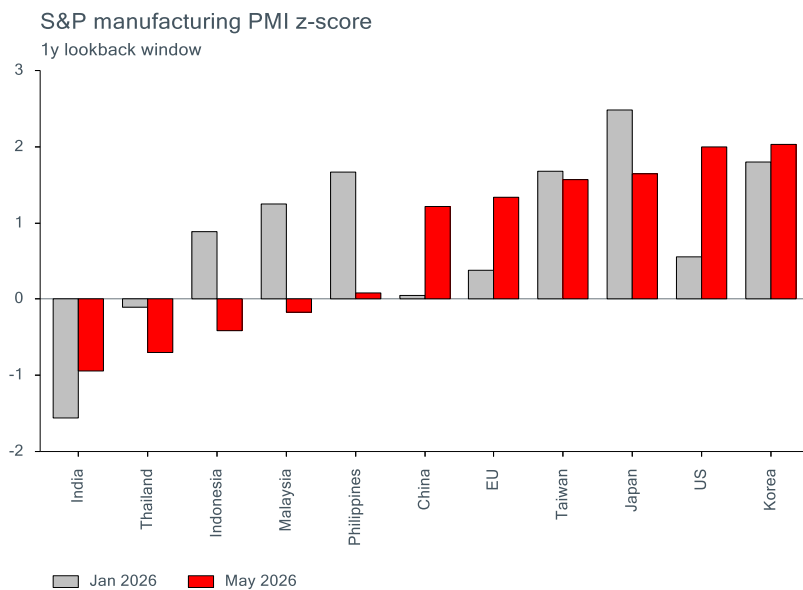


Asia's growth-inflation trade off intensifies

Inflation pipeline pressures rise as the Strait of Hormuz remains closed

Another week gone by with the promise of an Iran-US deal that reopens the Strait of Hormuz still not agreed upon, but also ostensibly imminent. Hope for a deal has combined with substantial demand destruction in domestic transportation markets in Europe and China to pull Brent crude down to USD94.09/bbl even as global inventories continue to draw down.

Against this background, purchasing manager indexes for May released over the past few days do a good job of framing the growth-inflation mix in Asia. At the headline level, manufacturing activity in the economies most exposed to the boom in AI infrastructure spending – the US and North Asia - is strong or accelerating while activity in ASEAN and India is weakening. Some qualification is necessary, e.g. Malaysia is experiencing a substantial data center build out and has some linkages to IT hardware. However, the broad picture is clear.



Source: LSEG Datastream, 02/05/2026

The next chart shows that the economies with weakening manufacturing economies tend to have a weakening export outlook. An inability to participate in the boom in demand for semiconductors and related IT hardware and power generation and transmission equipment is proving to be a drag on economies – especially in the current environment where the energy price shock weighs on broader global consumer demand.



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Chief Economist
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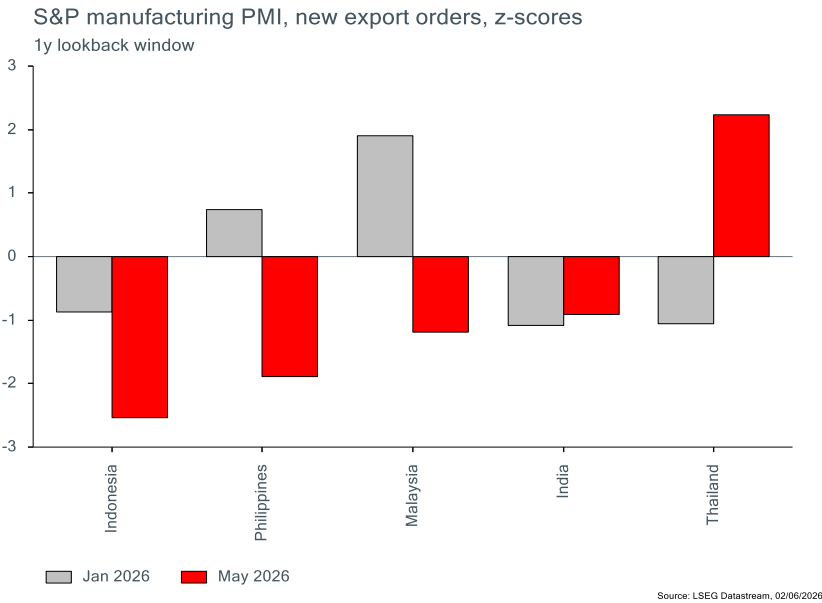


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Economist
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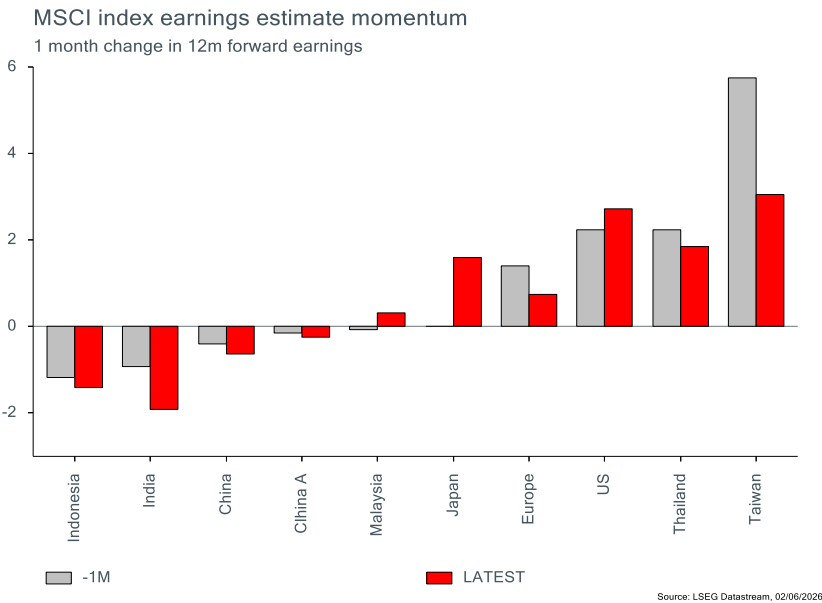
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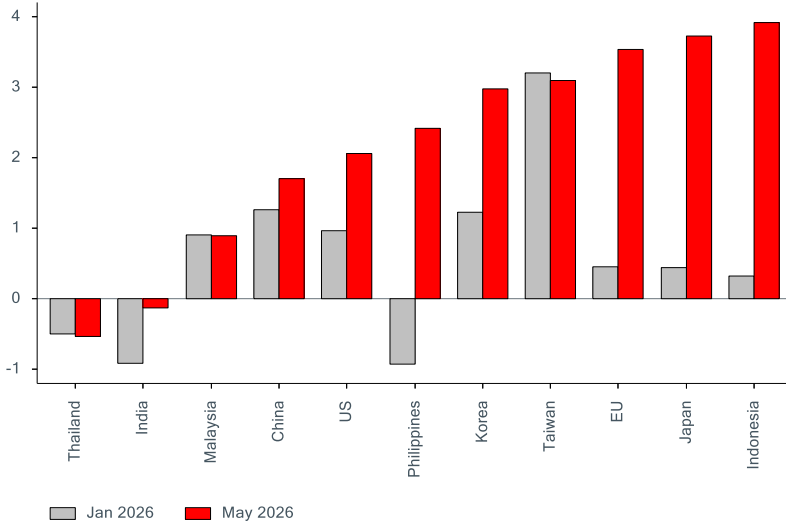


Against this background, the bifurcation in equity market earnings momentum is becoming more extreme. Earnings estimates for the AI hardware dominated markets continues to be revised up while estimates for most other markets are falling. Within Asia, Thailand is an exception because of its market's large exposure to energy and utilities.



In contrast to the clear growth split between AI exporters and the rest, the next chart shows that inflation pressure from the global energy price shock is proving to be almost universal. The sharp rises in most PMI input and output price indexes show inflation pressure in the pipeline despite government subsidisation of retail fuel and electricity prices across most of Asia. This reflects higher energy and petrochemical prices impacting manufacturing costs.

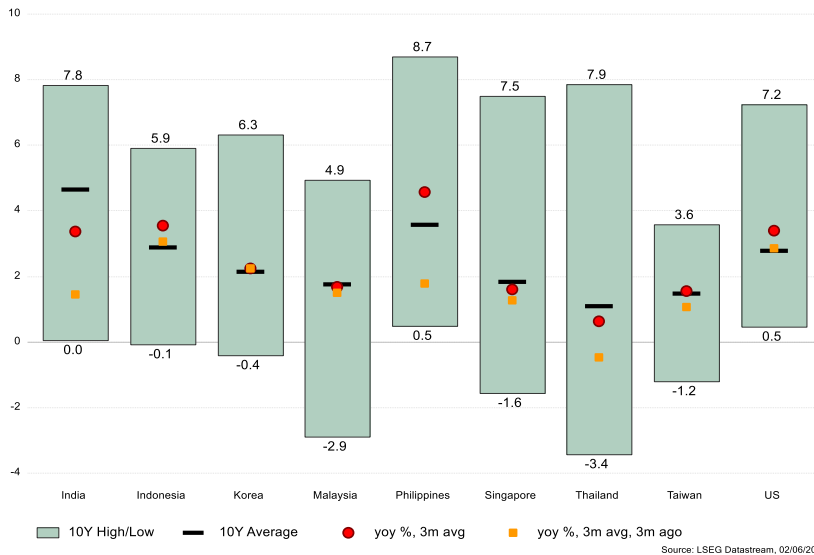
S&P manufacturing PMI, output prices, z-scores
3y lookback window



Source: LSEG Datastream, 02/06/2026

The implication is that consumer goods price inflation is likely to rise over the next several quarters even if an Iran-US deal emerges this week. At first glance, this might appear to be a problem for the interest rate outlook only in Indonesia and the Philippines where inflation is already clearly above long-term averages, and perhaps in Korea.

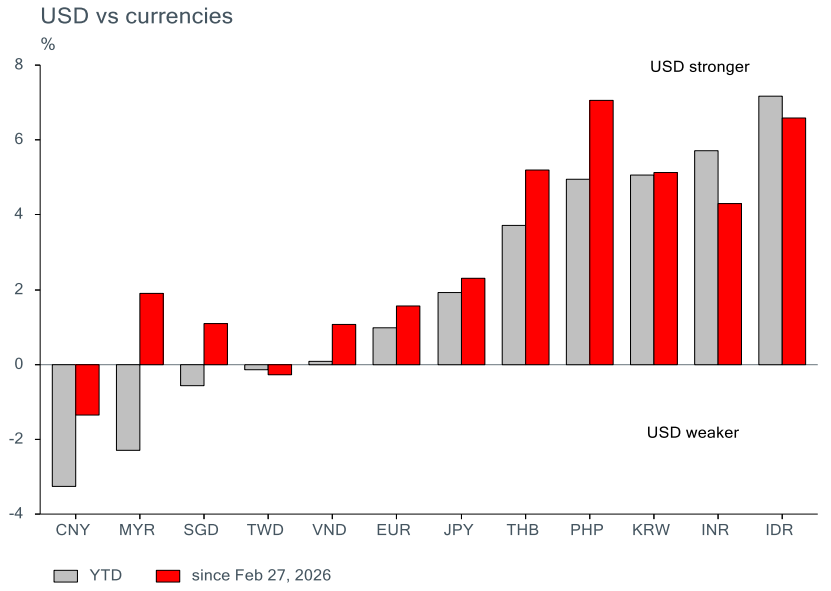
Asia CPI momentum



Source: LSEG Datastream, 02/06/2026

However, we continue to stress the importance of currencies in assessing the outlook for policy rate hikes and monetary tightening. It is clear that weakness in the Indonesian rupiah (IDR) drove Bank Indonesia's surprise 50bps policy rate increase last month. With the IDR continuing to weaken, further tightening is likely. We expect currency weakness to contribute to policy rate hikes in Japan and Korea over the next couple of months. India is harder to judge because we see a good chance the government will launch a new plan to attract a new wave

of NRI deposit inflows. Nonetheless, we continue to expect the Reserve Bank of India to hike at least 25bps later this year.

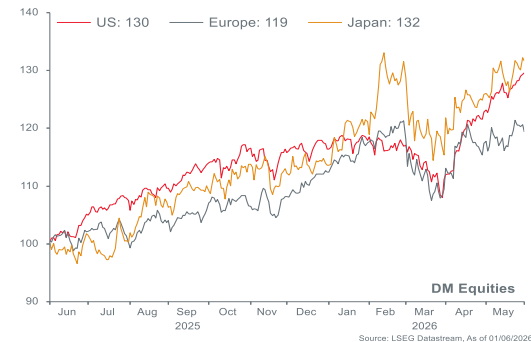
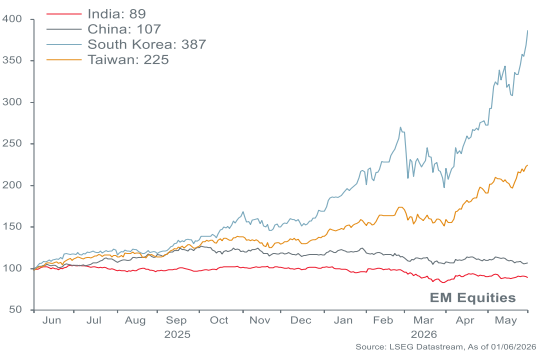
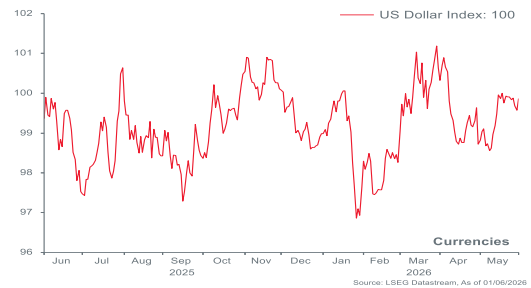
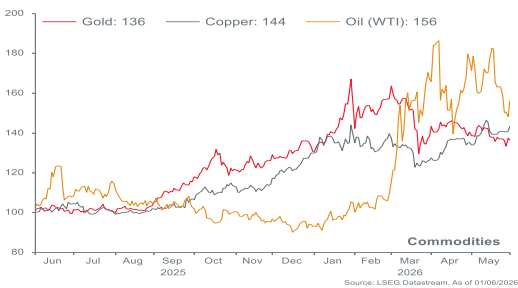
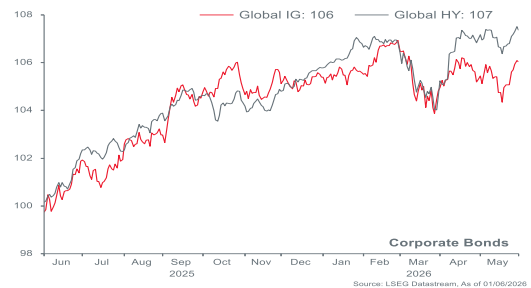
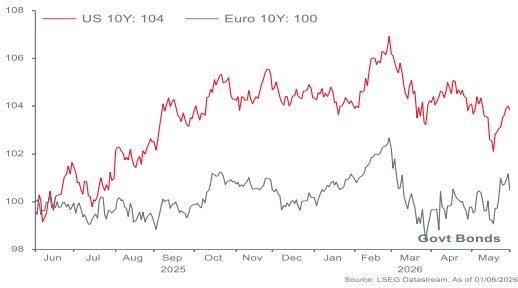
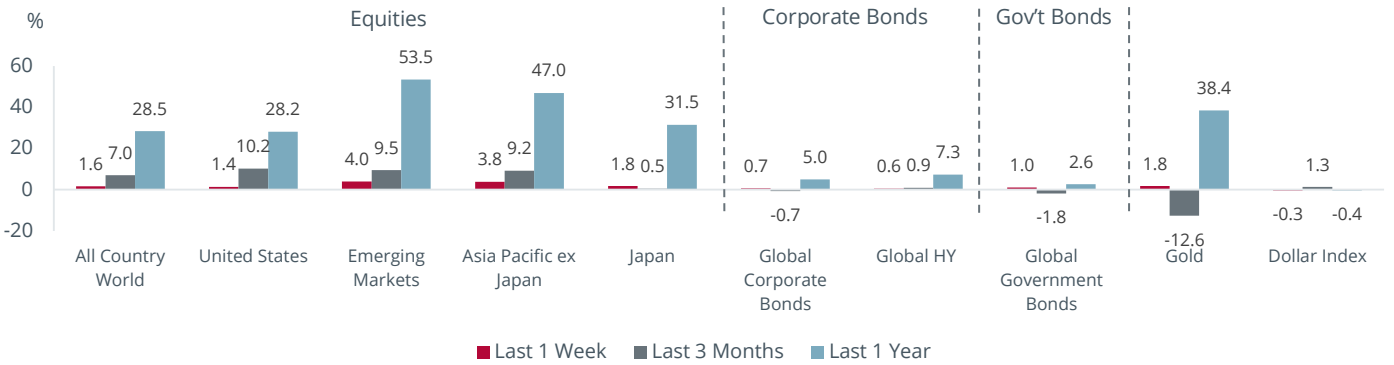


Market Review

Global equity markets rose over the week. The MSCI AC World Index was up by 1.6%, supported by gains across the US, Europe and broad Asia. The Nasdaq outperformed broader US equities, up 2.4%, whilst the S&P 500 gained 1.4%. EM and Asia Pacific (ex Japan) outperformed, up 4.0% and 3.8% respectively, supported by very strong returns from Korea and Taiwan.

Fixed income markets rose, with global government bonds, global corporate and global HY up 1.0%, 0.7% and 0.6% respectively, whilst the US Dollar index fell back (-0.3%) and Gold rose by 1.8%.

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	4.45	-2.60	0.84	12.39	0.66	7.22	4.67	3.95
10 Year Bond Yield (%)								
Japan	2.66	-3.80	7.78	25.66	74.48	28.45	2.80	1.40
China	1.73	-1.20	-0.97	-5.46	0.46	-7.09	1.93	1.63
Australia	4.84	-1.68	-3.14	4.06	10.72	1.74	5.12	4.10
Singapore	2.04	-4.23	-3.87	4.89	-17.30	-8.41	2.46	1.75
Malaysia	3.58	-1.05	0.59	2.26	1.13	2.29	3.65	3.36
Indonesia	6.72	-0.31	-3.46	4.76	-1.67	9.76	6.96	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	93.90	0.70	0.43	-1.87	-0.01	-0.79	95.69	92.66
Bloomberg U.S. Aggregate USD	93.09	0.76	0.13	-2.23	1.93	-1.04	95.21	90.99
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)	1,130.75	1.64	5.92	7.00	28.46	11.45	1,130.75	879.50
North America								
US S&P 500 Index	7,580.06	1.43	6.22	10.19	28.21	10.73	7,599.38	5,843.66
US Nasdaq Composite Index	26,972.62	2.39	9.32	18.99	40.66	16.05	27,094.80	18,847.74
Europe								
MSCI Europe	2,775.94	0.73	3.73	-2.46	17.36	5.04	2,845.88	2,340.03
Asia Pacific								
MSCI Asia Pacific ex Japan	902.09	3.80	8.58	9.19	47.00	24.91	902.09	607.50
Japan Nikkei 225	66,329.50	4.72	10.70	12.71	72.58	31.76	66,505.00	37,320.72
Shanghai Stock Exchange Composite	4,068.57	-1.08	-0.95	-2.27	20.96	2.51	4,258.86	3,337.42
Hong Kong Hang Seng	25,182.39	-1.65	-3.56	-5.44	6.83	-1.75	28,056.10	22,668.35
Taiwan TAIEX	44,732.94	5.83	13.81	26.31	109.55	54.45	44,954.09	20,940.98
Korea KOSPI	8,476.15	8.01	26.68	35.75	211.55	101.13	8,476.15	2,685.14
India NIFTY 50	23,547.75	-0.72	-2.61	-6.48	-5.18	-9.88	26,373.20	22,182.55
Australia Stock Exchange 200	8,731.70	0.86	0.52	-5.08	3.83	0.20	9,202.90	8,262.40
Indonesia Jakarta Composite	6,127.38	-0.56	-13.71	-25.60	-14.61	-29.14	9,174.47	5,966.86
Thailand SET	1,568.37	1.93	5.14	2.62	34.74	24.51	1,581.74	1,053.79
Malaysia FTSE Bursa KLSE	1,683.07	-1.73	-2.17	-1.95	10.80	0.18	1,771.25	1,488.89
Philippines Stock Exchange PSE	5,768.76	-3.23	-2.36	-12.74	-10.04	-4.70	6,673.61	5,584.35
Singapore FTSE Straits Times Index	5,037.86	-0.60	3.64	0.86	28.62	8.43	5,102.07	3,845.78
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	0.07	0.49	-0.15	-1.30	2.53	-0.73	1.20	1.13
GBP	0.12	0.24	-0.10	-0.19	-0.21	-0.10	1.38	1.30
CHF	-0.36	-0.47	-1.26	1.60	-5.06	-1.43	0.82	0.76
JPY	0.02	0.04	-0.70	2.06	10.45	1.67	160.39	142.69
Asia								
CNY	-0.20	-0.42	-1.04	-1.34	-5.84	-3.24	7.21	6.77
HKD	0.03	0.02	-0.01	0.18	-0.07	0.69	7.85	7.77
INR	-0.71	-0.72	0.16	4.34	11.25	5.73	96.82	85.33
MYR	-0.30	-0.05	0.33	1.93	-6.53	-2.29	4.29	3.88
KRW	0.74	-0.86	1.25	4.72	9.96	4.62	1,520.10	1,352.45
SGD	0.08	-0.24	-0.37	0.94	-0.82	-0.71	1.31	1.26
TWD	0.03	-0.12	-0.68	0.12	5.34	0.25	32.08	28.90
IDR	0.51	0.99	3.42	6.59	9.70	7.17	17,865.00	16,106.00

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Sources

Asset performances: (bar charts) Eastspring Investments, Refinitiv, as of 29 May 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 29 May 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.



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