

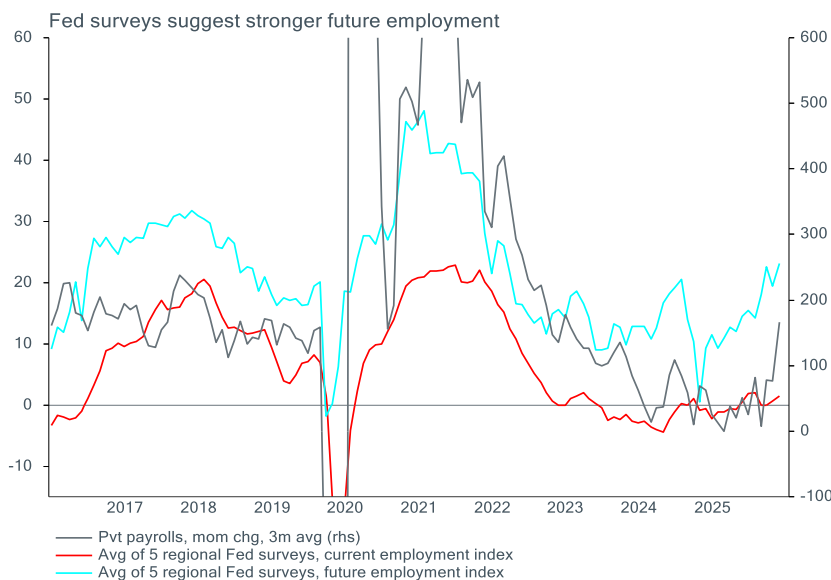
Earnings strength implies correction, not crash

Resilient US employment + energy price shock = Fed repricing

The recovery in US employment we argued for [several weeks ago](#) has proven even stronger than what we had expected. This is driving Asian currency depreciation and a global equity market correction. We continue to expect monetary policy to tighten in response. However, the continued grind higher in equity earnings estimates leads us to believe current market falls will be corrections, not a crash.

US May payrolls of 172k were much stronger than the consensus for 88k and prior months' readings were revised up. This kept the unemployment rate at 4.3%, below its cyclical peak of 4.5% in November last year and still low by historical standards. The US unemployment rate has been greater than 4.3% for 74% of the last thirty years and 77% of the history of the series since 1948.

We continue to expect the US labour market to remain robust over the next several months, albeit with more moderate monthly payrolls of 50k – 70k. Strong corporate profit growth - supporting both capex and employment – underpins our view. The recent rise in the future employment component of the regional Fed surveys and the break higher in job openings in the April JOLTS report also support our outlook.



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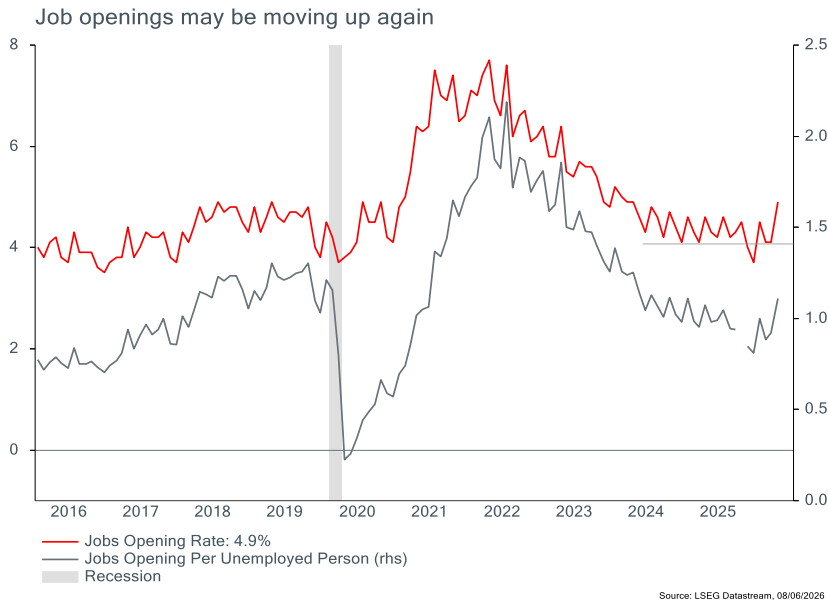
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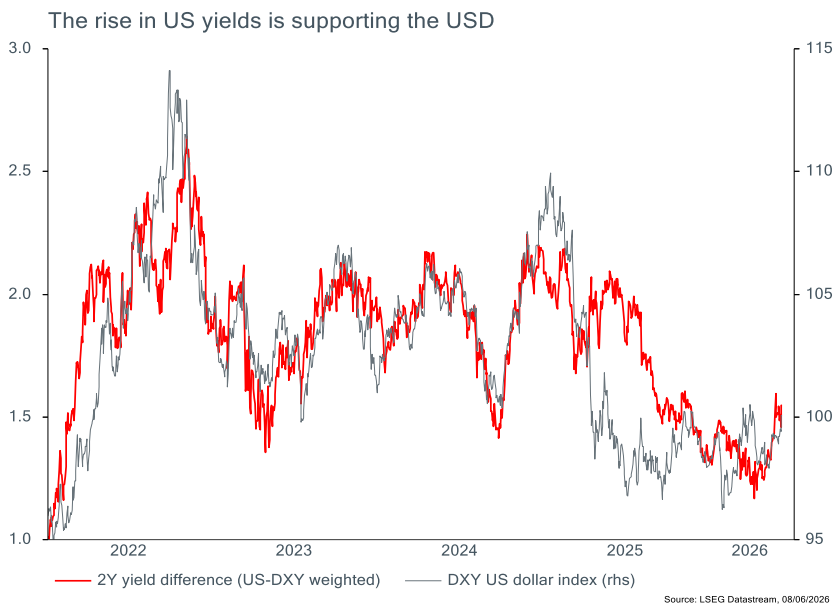
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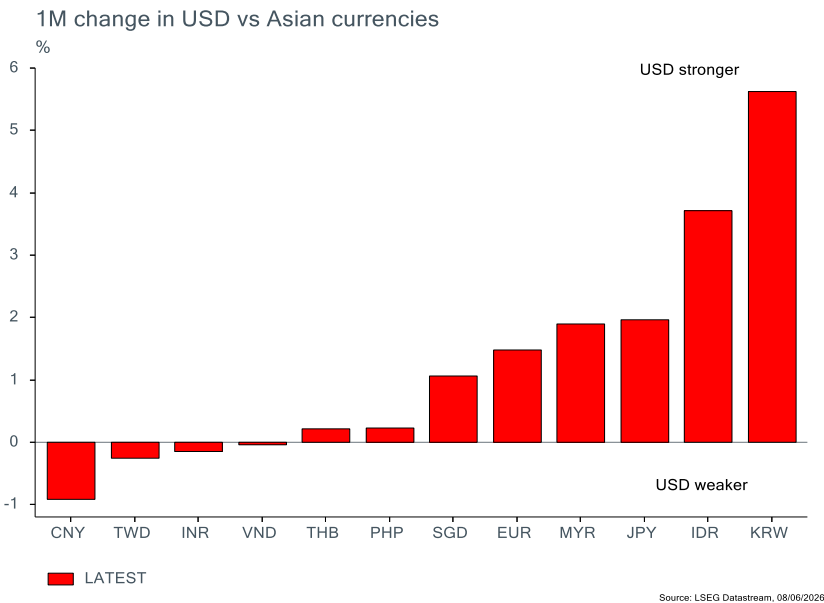


We expect this to keep the US unemployment rate below 4.5%, particularly because the near cessation of immigration has significantly reduced US labour force growth.

US labour market resilience matters for Asia it coincides with rising inflationary pressure driven by the energy and petrochemicals price shock. Markets have responded by pricing in Fed Fund rate hikes in December and then again in April 2027. This rise in US yield expectations is supporting the USD.



Dollar strength against the major currencies, combined with the energy price shock, is adding pressure for Asian currencies to depreciate. We explained last week that currency weakness is likely to lead to policy rate hikes in India, Indonesia, Japan, Korea, and the Philippines, in our view.

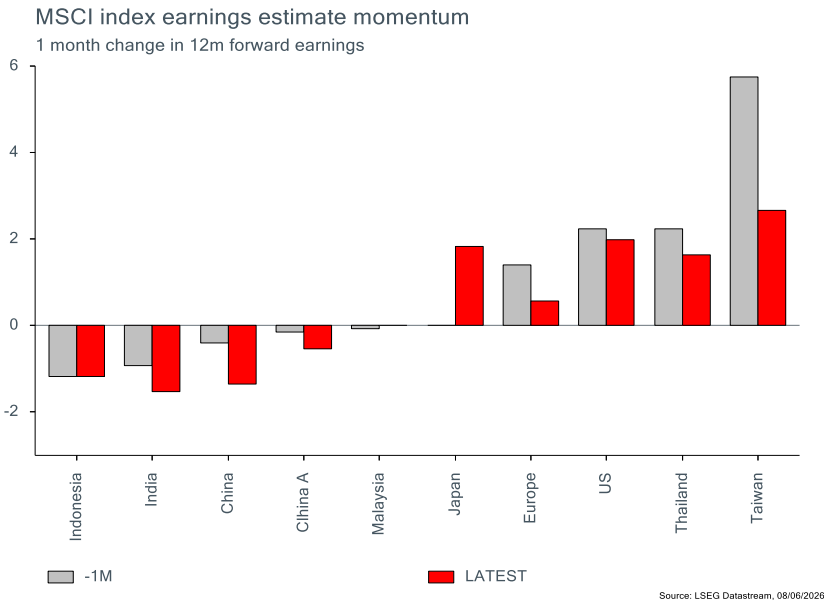


The June 18 FOMC meeting could provide a brief reprieve for Asia, in our view. New Fed Chairman Warsh’s statements over the past several months lead us to expect him to signal a willingness to “look through” the energy price shock and to push back against market pricing of Fed hikes. If this is right, US front-end yields should ease at the expense of longer-dated inflation expectations and higher longer term Treasury yields. A clear risk is that he surprises markets by suggesting pre-emptive rate hikes.

For equities, more likely a correction, not a crash

The repricing of US yields higher has combined with stretched and concentrated equity market positioning in technology, power, and materials stocks to spur falls in Asian markets today. The Nikkei 225 is off 3.8% and Kospi is down 6.9% as we write. We certainly don’t rule out some further losses over the next few days. And if Fed Chairman Warsh does surprise by being hawkish, the correction could extend.

However, our analysis suggests that this will be a correction rather than a crash. Earnings estimates for markets exposed to tech hardware, power equipment, materials, and energy continue to grind higher. The still-strong profitability of the ultimate buyers of these products – the leading tech companies – underpins demand, in our view.



That said, we recognize that energy inflation and monetary tightening are likely to erode consumer and non-tech spending. Investors will need to be increasingly selective as the breadth of improvements in profitability narrows.

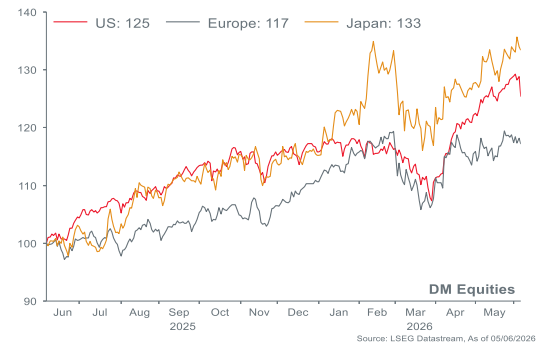
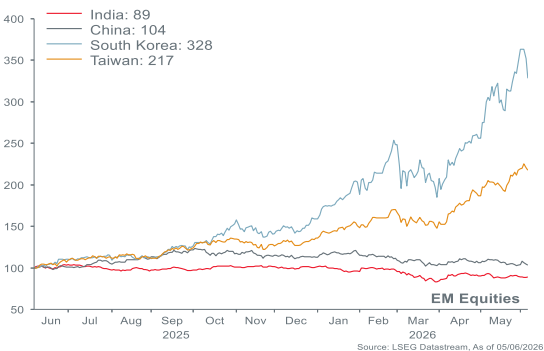
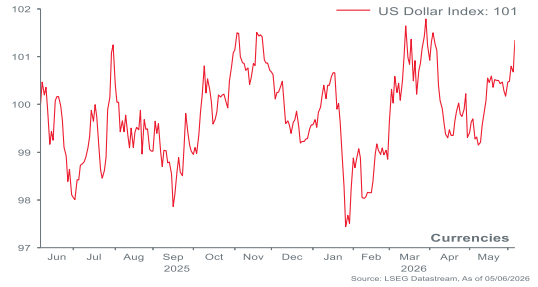
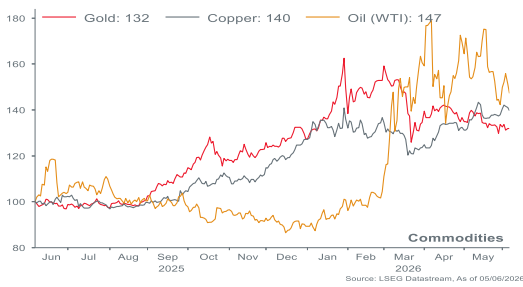
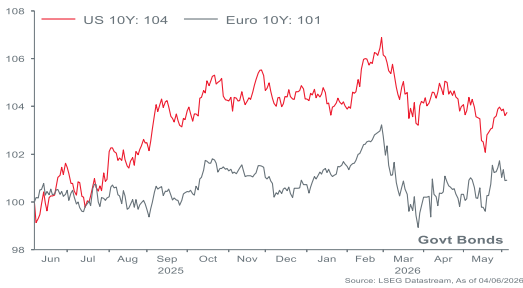
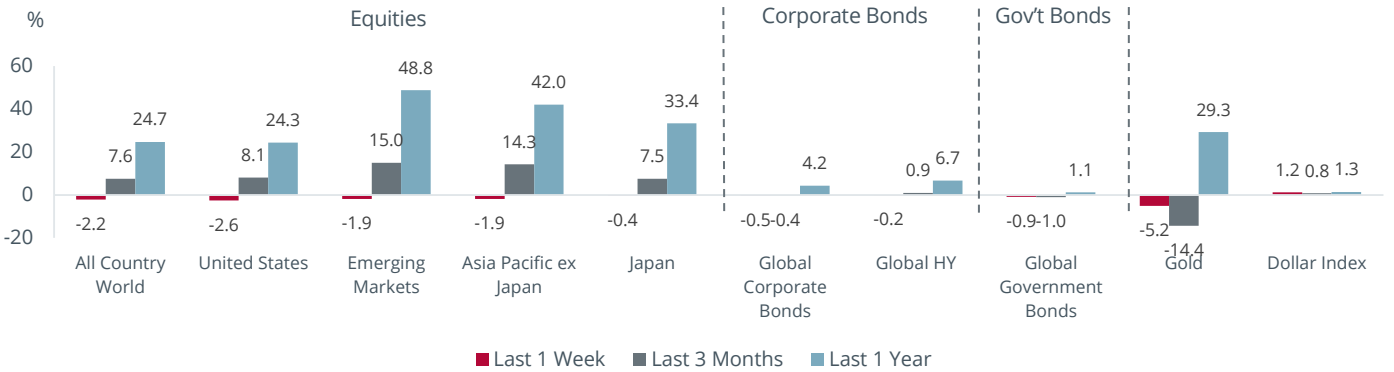
To be sure, we are not suggesting investors limit their focus to the known and crowded tech stories in North Asia. Outperformance will require deep fundamental research and careful security selection. India is a prime example of the need for active research and security selection. Although MSCI India has fallen over 12% year-to-date in USD terms, a Bloomberg index of 28 Indian companies that feed into the datacenter supply chain is up almost 50% this year. A leading Indian optical fibre producer is up over 500% year-to-date in response to its improved profitability.

Market Review

Global equity markets declined over the week, with the MSCI AC World Index down by -2.2%. The US underperformed, with the S&P 500 declining by -2.6%, and the Nasdaq posting even greater falls (-4.7%). Asia Pacific (ex Japan) and Emerging Markets both declined by around -1.9%, with mixed individual country performance across the region. Japan outperformed, returning around -0.4% on a USD basis.

Gold sold off (-5.2%) and the US Dollar index rose by 1.2%, whilst global fixed income markets declined, with global government bonds, global corporate and global HY declining by -0.9%, -0.5% and -0.2% 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	4.54	1.86	2.72	9.41	3.21	9.22	4.67	3.95
10 Year Bond Yield (%)								
Japan	2.67	0.34	6.46	23.58	82.61	28.89	2.80	1.40
China	1.76	1.68	0.34	-2.01	3.84	-5.53	1.93	1.63
Australia	4.91	1.47	-1.17	2.23	15.71	3.24	5.12	4.10
Singapore	2.09	2.70	-1.41	5.18	-10.22	-5.94	2.40	1.75
Malaysia	3.57	-0.03	-0.31	0.73	1.33	2.26	3.65	3.36
Indonesia	6.90	2.77	1.17	4.77	2.24	12.80	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	93.38	-0.55	-0.06	-1.51	-0.62	-1.34	95.69	92.66
Bloomberg U.S. Aggregate USD	92.48	-0.66	-0.49	-1.93	1.06	-1.69	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)	1,105.80	-2.21	1.99	7.55	24.69	8.99	1,136.59	885.76
North America								
US S&P 500 Index	7,383.74	-2.59	1.72	8.10	24.32	7.86	7,620.90	5,921.20
US Nasdaq Composite Index	25,709.43	-4.68	1.51	13.01	33.22	10.62	27,190.21	19,226.22
Europe								
MSCI Europe	2,737.58	-1.38	1.14	2.74	13.68	3.59	2,845.88	2,340.03
Asia Pacific								
MSCI Asia Pacific ex Japan	885.24	-1.87	4.56	14.28	42.03	22.58	923.18	620.47
Japan Nikkei 225	66,588.13	0.39	11.89	20.46	77.31	32.28	68,786.50	37,527.88
Shanghai Stock Exchange Composite	4,027.74	-1.00	-2.05	-1.97	19.02	1.48	4,258.86	3,347.65
Hong Kong Hang Seng	24,961.95	-0.88	-3.62	-1.42	4.41	-2.61	28,056.10	23,185.58
Taiwan TAIEX	45,070.94	0.76	10.55	33.85	107.95	55.61	46,552.16	21,551.58
Korea KOSPI	8,160.59	-3.72	17.64	46.15	190.20	93.65	8,933.62	2,787.76
India NIFTY 50	23,366.70	-0.77	-2.77	-5.65	-5.59	-10.57	26,373.20	22,182.55
Australia Stock Exchange 200	8,625.10	-1.22	-0.64	-3.53	1.01	-1.02	9,202.90	8,262.40
Indonesia Jakarta Composite	5,594.76	-8.69	-20.72	-27.44	-21.35	-35.30	9,174.47	5,594.11
Thailand SET	1,582.60	0.91	6.21	11.66	38.75	25.64	1,607.25	1,053.79
Malaysia FTSE Bursa KLSE	1,693.43	0.62	-3.09	-1.15	11.55	0.79	1,771.25	1,488.89
Philippines Stock Exchange PSE	5,938.38	2.94	0.68	-6.93	-6.88	-1.89	6,673.61	5,584.35
Singapore FTSE Straits Times Index	5,049.96	0.24	2.63	4.20	28.90	8.69	5,150.69	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	-0.78	-1.20	-1.48	-0.76	0.66	-1.92	1.20	1.14
GBP	-0.60	-0.89	-1.48	-0.12	-1.69	-0.99	1.38	1.30
CHF	0.86	1.95	1.70	2.00	-2.86	0.49	0.82	0.76
JPY	0.17	0.65	1.53	1.73	11.68	2.32	160.39	143.43
Asia								
CNY	-0.12	-0.01	-0.91	-1.82	-5.71	-3.25	7.21	6.76
HKD	-0.02	-0.04	-0.03	0.18	-0.16	0.66	7.85	7.77
INR	-0.87	-0.06	-0.25	3.47	10.65	5.67	96.82	85.41
MYR	0.37	1.56	1.64	2.16	-4.78	-0.76	4.29	3.88
KRW	1.78	3.45	6.16	5.27	15.10	8.23	1,559.08	1,352.45
SGD	0.41	1.02	1.11	0.68	0.33	0.30	1.31	1.26
TWD	0.39	0.53	0.09	-0.96	5.47	0.79	32.08	28.90
IDR	-0.06	0.81	3.45	6.73	10.69	8.04	18,020.00	16,106.00

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Sources

Asset performances: (bar charts) Eastspring Investments, Refinitiv, as of 5 June 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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