CIO Views – Weekly Bulletin

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AI leadership returns as Fed fears recede


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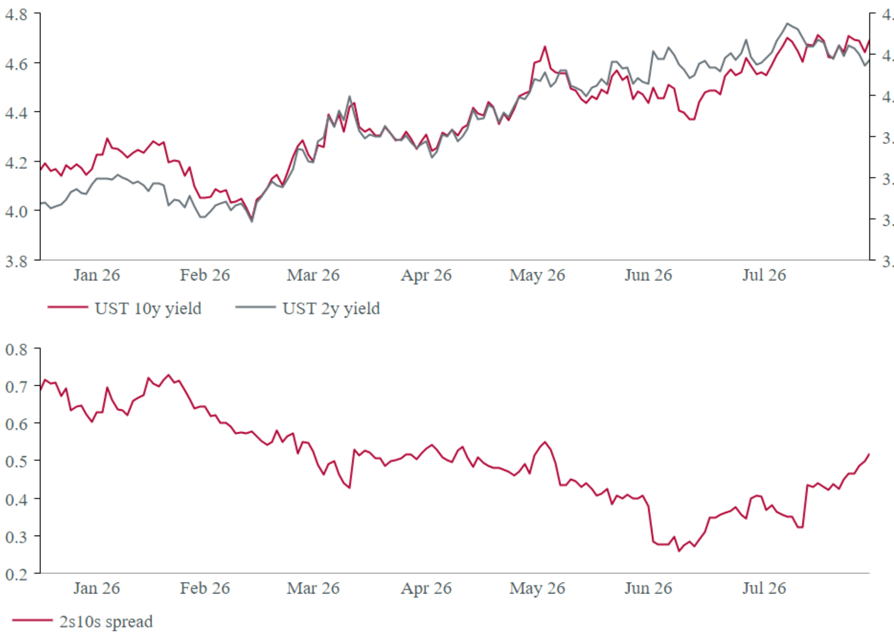
The limited second-round impact so far from the Iran war has led to a moderation of US July inflation. Both consumer and producer price inflation slowed, with core CPI and core PPI at 2.5% and 4.2% YoY, respectively. While inflation remains elevated, the direction of travel has reduced concerns about the need for an imminent rate hike. At the time of writing, rate markets have reduced the implied probability of a September Federal Open Market Committee (FOMC) rate hike to 29%, down from more than 72% following the hawkish hold at the July FOMC meeting. In addition, markets are no longer fully pricing in a rate hike before year-end.

Meanwhile, persistent fiscal concerns continue to drive term premium higher, contributing to a steepening of the Treasury curve. If long-end yields continue to rise and inflation does not re-accelerate meaningfully, the resulting tightening in financial conditions could allow policymakers to remain on hold for longer. Nevertheless, we remain vigilant to the risk of renewed inflation pressures stemming from the conflict in the Middle East and note that underlying inflation remains meaningfully above target.

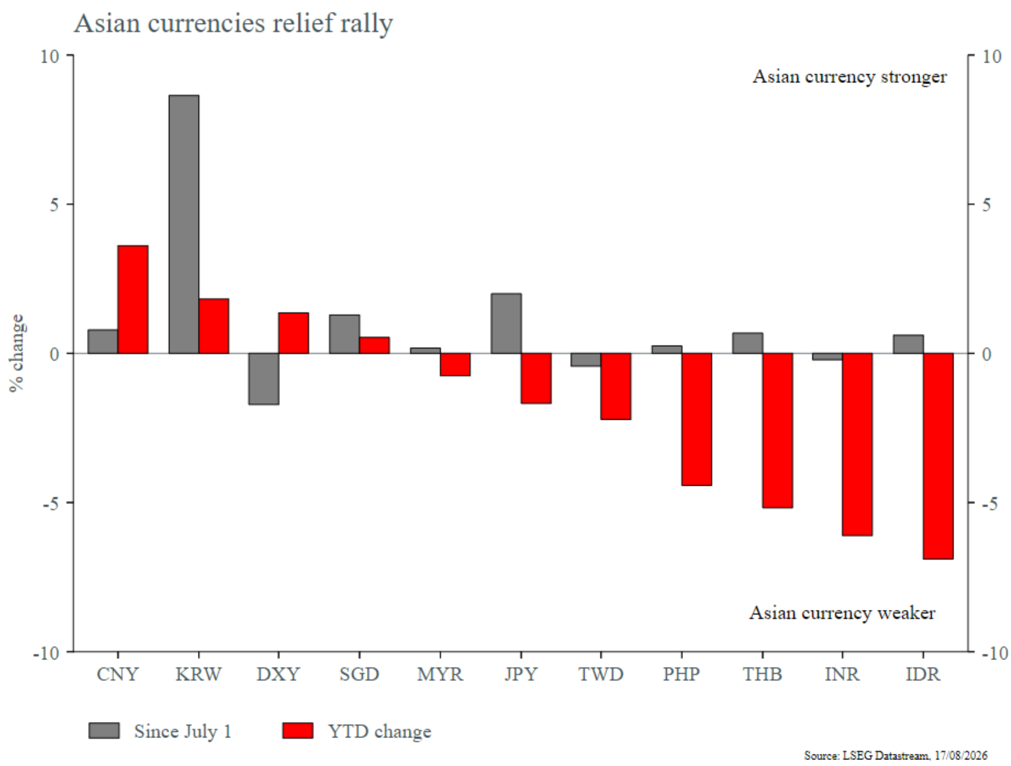
UST curve steepened as the market push back rate hike expectation



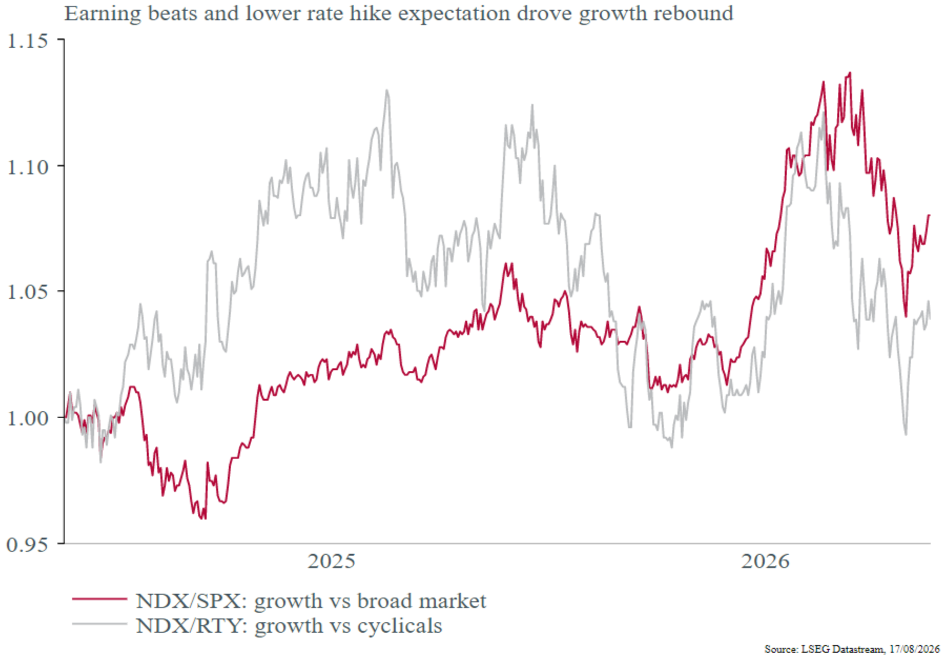
Source: LSEG Datastream, 16/08/2026

For Asia, the decline in Fed tightening expectations was first reflected in a relief rally across Asian currencies amid a weaker US dollar. Together with the fading impact of higher energy prices following the Iran war, which has contributed to lower-than-expected inflation prints across much of the region in June and July, this has eased pressure on Asian central banks to tighten policy aggressively over a short window. However, inflation risks remain highly relevant, particularly for

For more insights from our investment experts please visit eastspring.com/insights economies with a heavy reliance on energy imports, while El Niño-related food price pressures could add further to headline inflation in 2027. As highlighted in last week's commentary, we continue to expect most central banks in the region to either remain in or move further into a tightening cycle over the coming quarters, with the notable exceptions of China and Thailand.

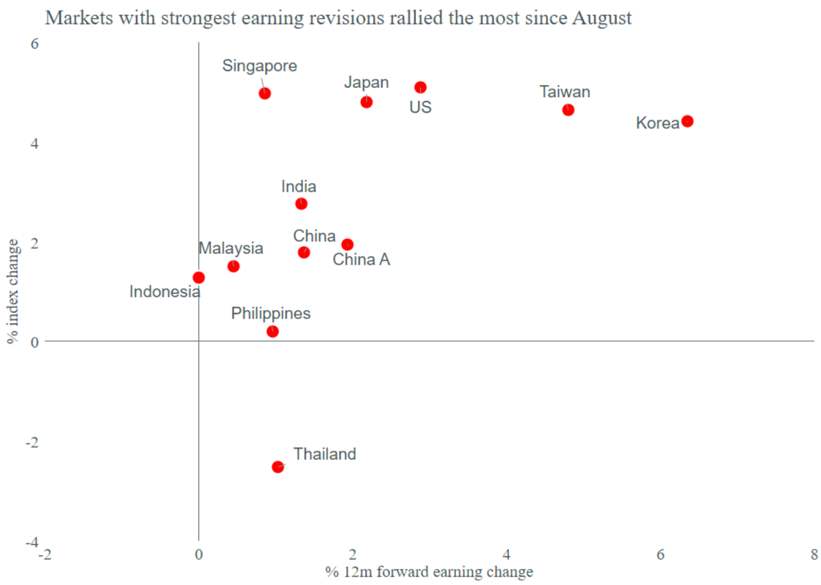


The combination of a less hawkish rates outlook and stronger-than-expected earnings has shifted market leadership back towards growth. US Q2 earning results were exceptionally strong, with more than 4/5 of S&P 500 companies beating earnings per share estimates and aggregate earnings growth running at the fastest pace since 2021. Continued upward revisions to Artificial Intelligence (AI) infrastructure spending plans from major hyperscalers further strengthened the case for sustained earnings momentum across the AI ecosystem. As a result, investors have increasingly rotated back into AI beneficiaries, with growth stocks once again outperforming both the broader market and cyclical sectors.



The revival of AI capex optimism has re-established fundamentals as the dominant market driver in Asia, where markets with the strongest earning revisions outperformed the most. Korea and Taiwan led Asian equity gains in the past two weeks and foreign flows turned positive after a period of sharp outflows.

Technology exporters remain the primary beneficiaries of resilient AI-related demand. Robust export growth continues to feed through to economic activity, underpinning stronger-than-expected Q2 GDP growth in Korea, Singapore and Malaysia. The combination of positive earnings revisions, strong growth momentum and renewed foreign inflows suggests that market leadership remains concentrated in markets with the greatest exposure to the AI investment cycle.

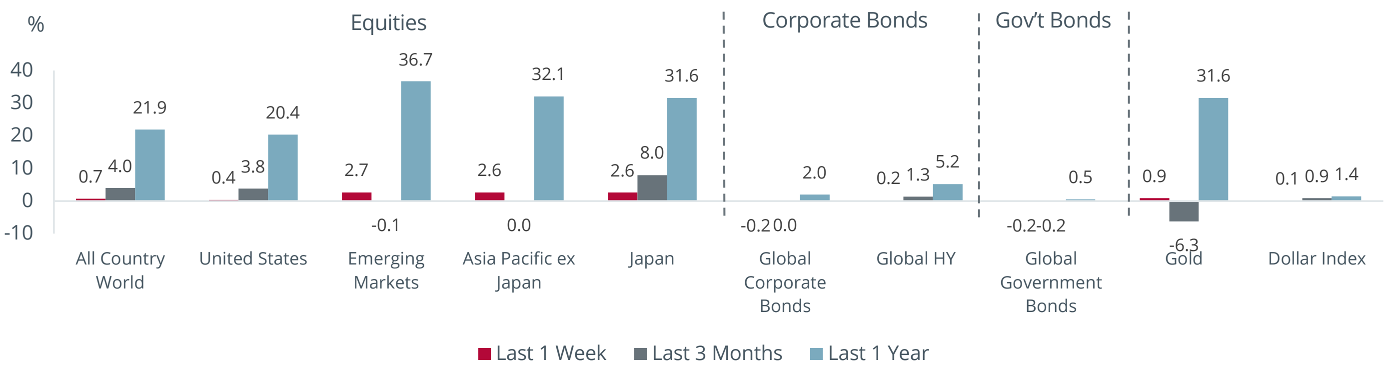


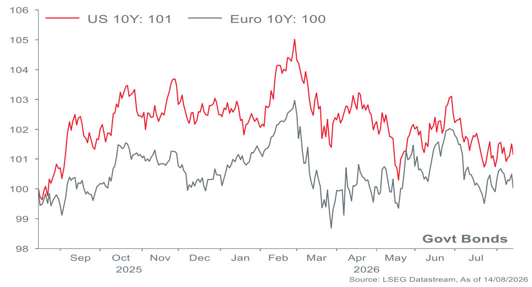
Market Review

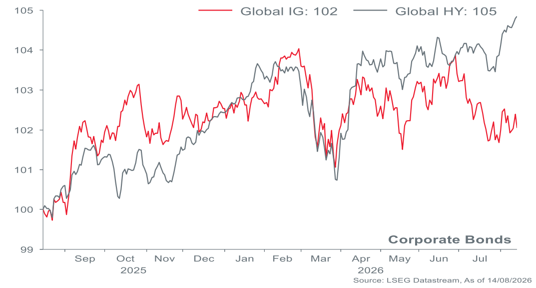
Global equity markets advanced over the week, with the MSCI AC World Index gaining 0.7%. US equities rose, with the S&P 500 and Nasdaq gaining 0.4% and 0.1% respectively. Emerging markets increased 2.7% followed by Asia Pacific (ex Japan) and Japan where both gained 2.6% over the week.

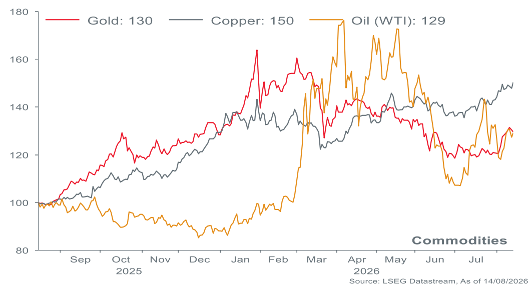
Gold posted a gain of 0.9% over the week, and the US dollar index strengthened by 0.1%. Bond markets were mixed with Global Corporate Bonds declining -0.2% and Global High Yield bonds rising 0.2%. Global government bonds also lost -0.2%.

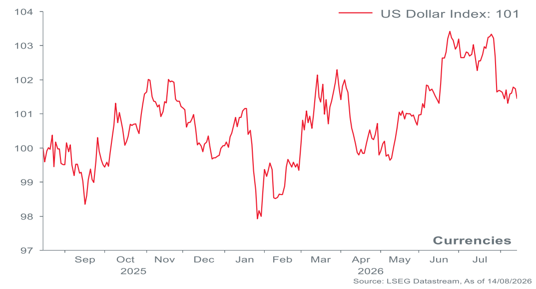
Asset Performance

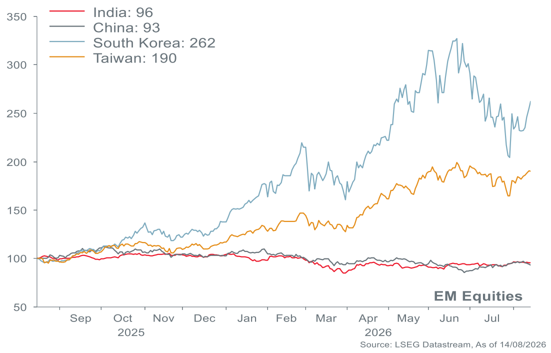


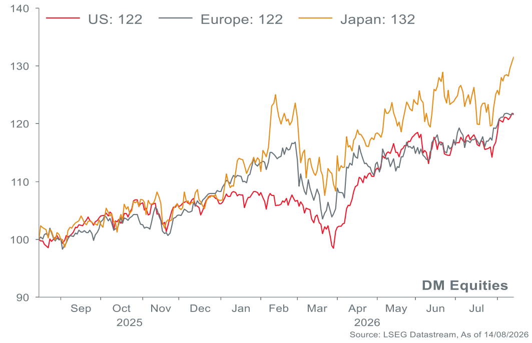












Market Data

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	4.70	0.82	2.42	5.32	9.39	13.07	4.75	3.95
10 Year Bond Yield (%)								
Japan	2.88	2.79	6.00	9.39	85.20	39.03	2.88	1.55
China	1.69	-0.94	-2.77	-3.71	-2.88	-9.40	1.93	1.69
Australia	4.98	-0.06	1.53	-0.82	18.20	4.66	5.12	4.10
Singapore	2.28	-1.23	2.42	9.30	20.27	2.42	2.47	1.75
Malaysia	3.74	0.09	2.69	4.42	11.21	7.11	3.76	3.37
Indonesia	7.06	-3.27	-2.71	5.26	10.29	15.41	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	92.78	-0.25	-0.51	-0.69	-1.80	-1.98	95.69	92.64
Bloomberg U.S. Aggregate USD	91.83	-0.20	-0.48	-1.01	-1.02	-2.38	95.21	91.56

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)	1,160.34	0.68	3.46	3.97	21.90	14.36	1,160.81	942.51
North America								
US S&P 500 Index	7,785.76	0.36	3.21	3.79	20.36	13.74	7,816.70	6,316.91
US Nasdaq Composite Index	26,729.16	0.14	2.38	0.35	23.12	15.00	27,190.21	20,690.25
Europe								
MSCI Europe	2,900.96	-0.03	3.66	6.17	18.22	9.77	2,902.93	2,411.25
Asia Pacific								
MSCI Asia Pacific ex Japan	882.72	2.64	3.41	-0.04	32.08	22.23	925.80	661.98
Japan Nikkei 225	68,713.80	4.74	1.43	9.67	61.11	36.50	72,831.75	41,835.17
Shanghai Stock Exchange Composite	3,927.18	-0.33	-1.01	-6.00	7.11	-1.05	4,258.86	3,658.38
Hong Kong Hang Seng	25,116.85	-2.15	3.19	-4.82	-1.58	-2.00	28,056.10	22,518.00
Taiwan TAIEX	45,811.01	3.58	2.40	9.72	89.00	58.17	48,218.87	23,620.24
Korea KOSPI	6,977.94	11.49	1.77	-12.57	116.33	65.58	9,385.59	3,079.27
India NIFTY 50	24,366.00	-0.83	1.31	2.86	-1.08	-6.75	26,373.20	22,182.55
Australia Stock Exchange 200	9,115.20	-1.60	3.48	5.49	2.72	4.60	9,296.70	8,262.40
Indonesia Jakarta Composite	6,401.89	-0.12	6.00	-4.78	-19.28	-25.96	9,174.47	5,317.91
Thailand SET	1,609.06	-0.18	-1.04	4.54	27.03	27.74	1,657.55	1,228.43
Malaysia FTSE Bursa KLSE	1,727.39	-0.48	0.43	-1.04	9.26	2.81	1,771.25	1,561.36
Philippines Stock Exchange PSE	6,297.30	0.11	0.66	4.69	0.09	4.04	6,673.61	5,584.35
Singapore FTSE Straits Times Index	5,743.59	0.79	4.51	14.97	34.94	23.62	5,774.21	4,181.99

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	0.36	0.10	1.31	-0.85	-0.66	-1.50	1.20	1.14
GBP	0.33	0.31	1.05	0.98	-0.01	0.42	1.38	1.30
CHF	-0.09	0.67	0.52	3.78	0.71	2.63	0.82	0.76
JPY	-0.11	0.96	-1.81	0.60	7.81	1.69	163.85	146.48
Asia								
CNY	-0.02	-0.09	-0.43	-0.65	-6.10	-3.60	7.18	6.74
HKD	0.00	0.04	0.12	0.19	0.18	0.83	7.85	7.77
INR	-	0.25	-0.79	-0.34	8.86	6.22	96.82	87.00
MYR	-0.02	-0.10	0.20	3.92	-2.99	0.69	4.23	3.88
KRW	-0.10	0.64	-4.87	-5.13	2.01	-1.67	1,559.08	1,378.66
SGD	-0.10	0.08	-0.94	0.25	-0.43	-0.51	1.31	1.26
TWD	-0.37	-0.71	-0.42	1.50	6.48	2.15	32.40	30.02
IDR	-0.22	-0.36	-1.44	2.06	10.64	6.90	18,170.00	16,106.00

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Sources

Asset performances: (bar charts) Eastspring Investments, Refinitiv, as of 14 August 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 14 August 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.