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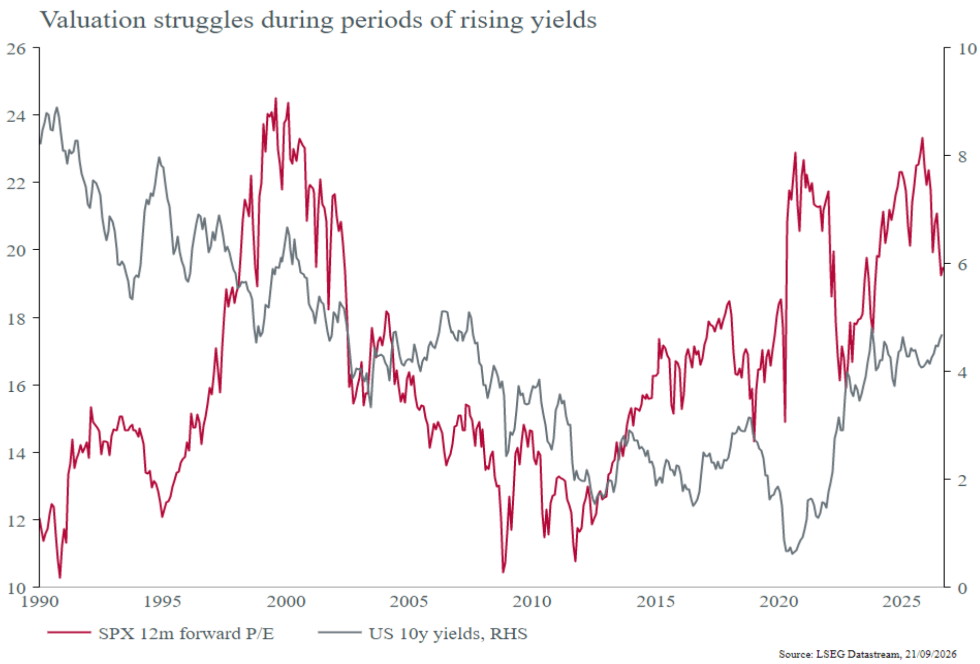
Higher yields raise the bar for equity returns

The Fed remains behind the market

Following a macro-heavy week of policy decisions, the economic calendar is relatively light this week, giving markets time to digest the broadly hawkish signals from major central banks. While the Federal Reserve's (Fed's) rate hike was widely expected, Chair Warsh's emphasis on restoring the Fed's credibility by retaining the 2% inflation target was interpreted as a hawkish shift, despite his reluctance to commit to a specific rate path.

That said, the updated Fed dot plot, to which Warsh did not contribute, suggests that the Committee remains behind market expectations. The median Federal Open Market Committee projection points to just one additional hike this year, followed by unchanged rates through 2027, while markets have priced in roughly three hikes over the current cycle. The divergence is particularly striking because the Fed now forecasts both stronger growth and higher inflation than the market consensus. This suggests either that the Fed expects inflation to ease without substantially tighter policy, or that additional tightening will ultimately be delivered through higher long-term yields.

Can earnings offset valuation drag?



Despite the 10-year Treasury yield touching 5%, US equity performance has remained resilient, supported by strong earnings growth. Year-to-date returns have generally been strongest in markets with the highest earnings growth, while valuation changes have been a drag to performance across most markets. Although forward Price to Earnings ratios are no longer at their most extreme levels, a rising-rate environment leaves scope for further multiple compression. Sustaining equity returns will therefore require stronger earnings growth.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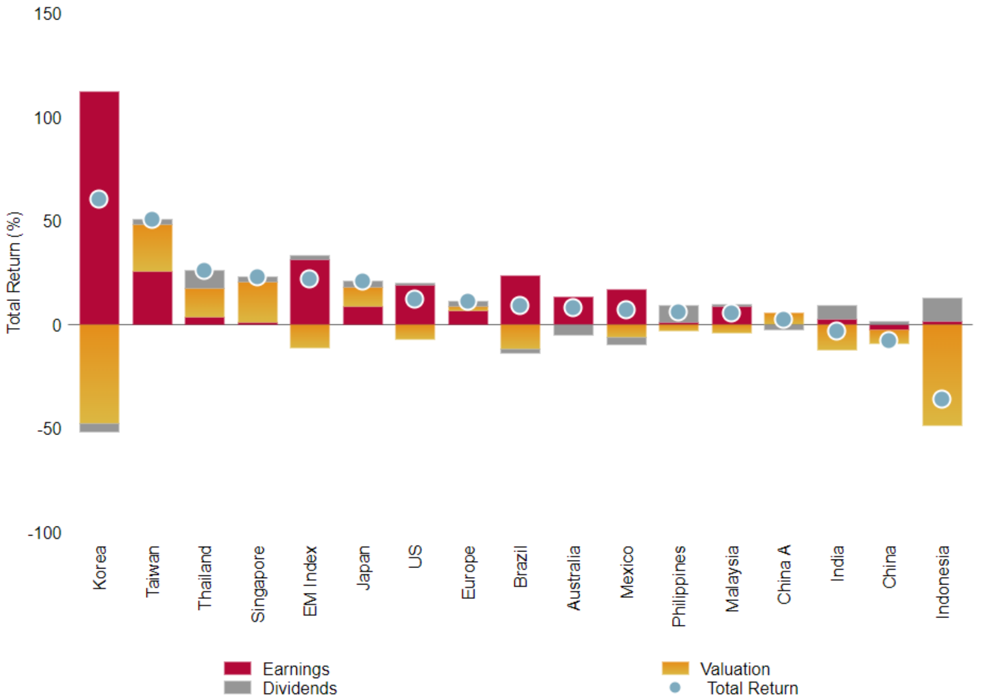
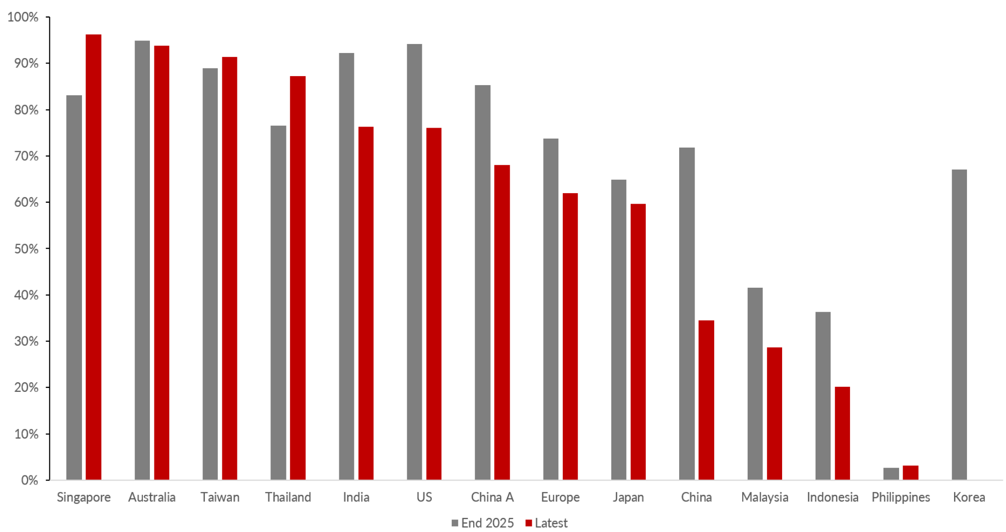
YTD equity returns were driven by earnings while valuation was a drag

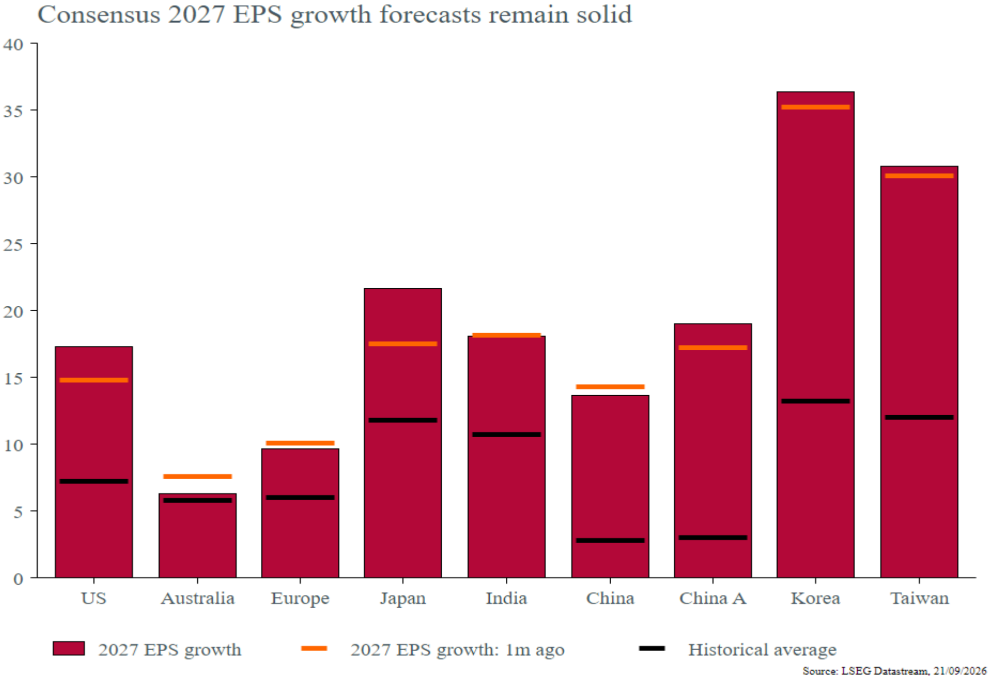


Source: LSEG Datastream

P/E percentile was less extreme but valuation will be under pressure amid rising yields

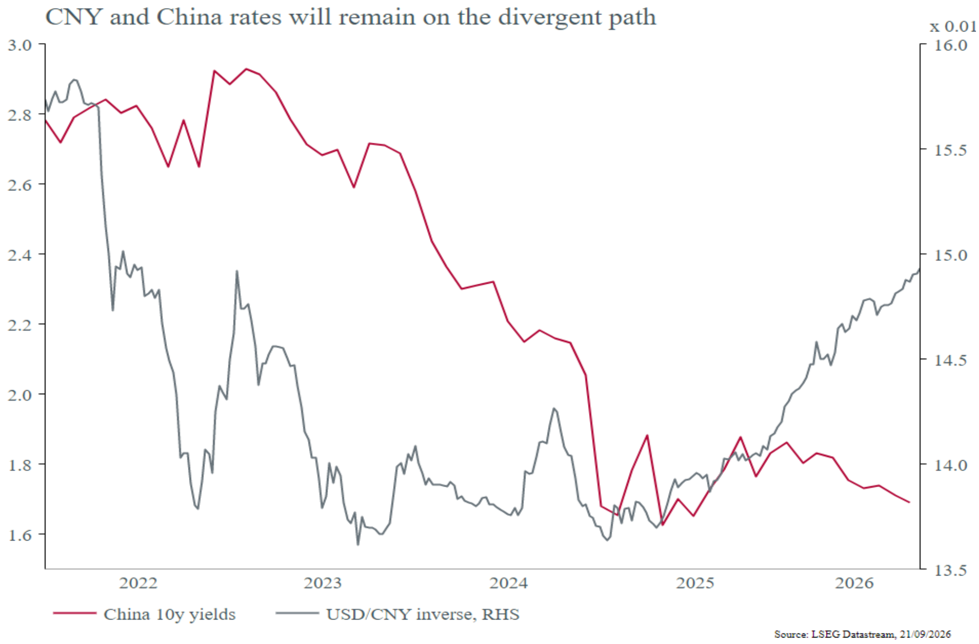


Consensus earnings expectations remain robust so far, with 2027 Earnings Per Share growth forecasts well above historical averages and continuing to receive upward revisions. However, with earnings growth still heavily concentrated in the Artificial Intelligence (AI) trade, investors are likely to scrutinise whether outsized capital expenditure is translating into sustainable return on equity. A further rise in index-level earnings expectations will demand not only continued AI monetisation, but also a broadening of earnings growth breadth beyond the current market leaders.



China stands out as the global liquidity outlier

Against this backdrop of tightening global liquidity, China remains an outlier, with bond yields continuing to decline. August activity data suggest that domestic demand remains anaemic. Policy support continues to favour the industrial sector, while the authorities appear unlikely to pursue more forceful stimulus as long as exports support headline GDP growth. Without a meaningful recovery in domestic demand, disinflationary pressure is likely to persist, keeping Chinese yields on a structurally lower path. This need not prevent further CNY appreciation. A widening trade surplus and the strategic objective of promoting CNY internationalisation could continue to support the currency, even as domestic yields decline. Chinese rates and the CNY may therefore remain on divergent paths.

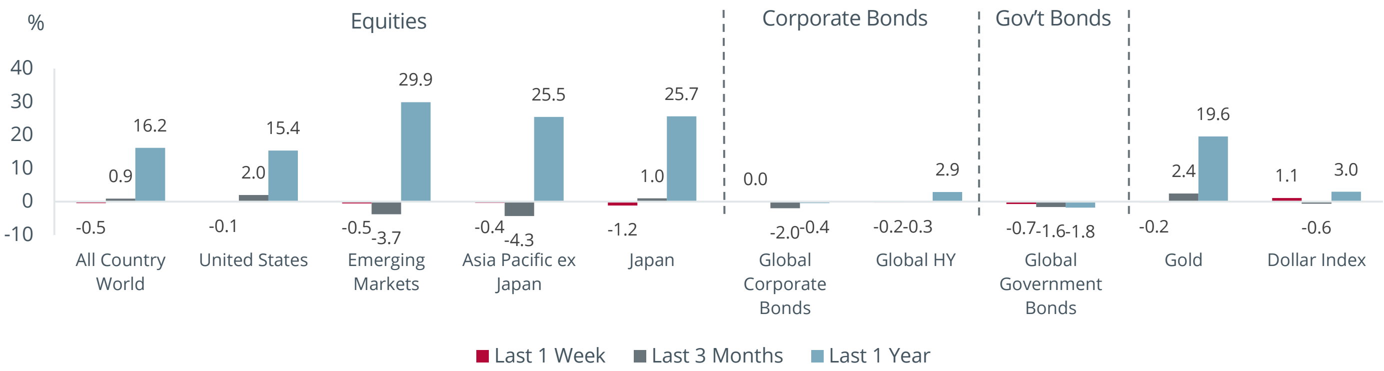


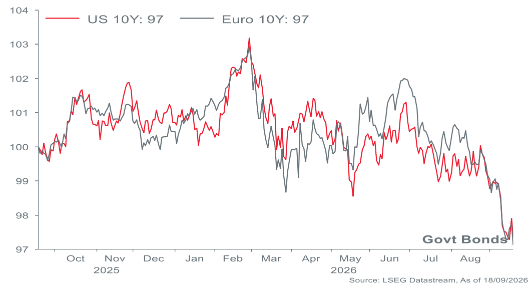
Market Review

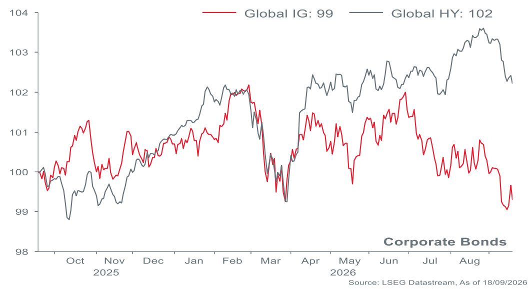
Global equity markets weakened over the week, with the MSCI AC World Index declining -0.5%. US equities fell, with the S&P 500 falling -0.1% while Emerging Markets were down -0.5%. Asia Pacific ex Japan declined -0.4%, whereas Japan also posted a loss of -1.2% over the week.

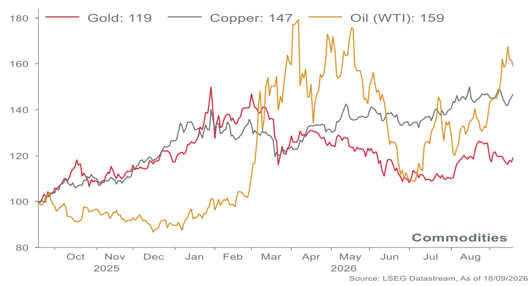
Gold fell -0.2% over the week, while the US dollar index strengthened by 1.1%. Bond markets were mixed with Global Corporate Bonds were flat over the week. In contrast, Global High Yield Bonds fell -0.2% and Global Government Bonds declined -0.7%.

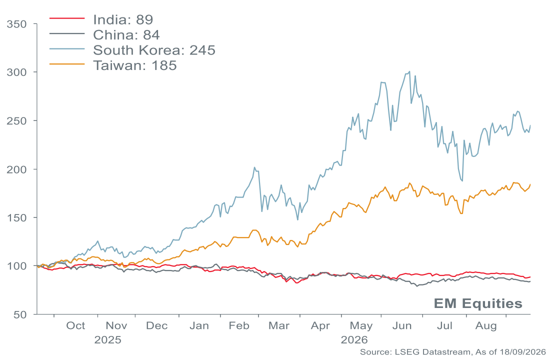
Asset Performance

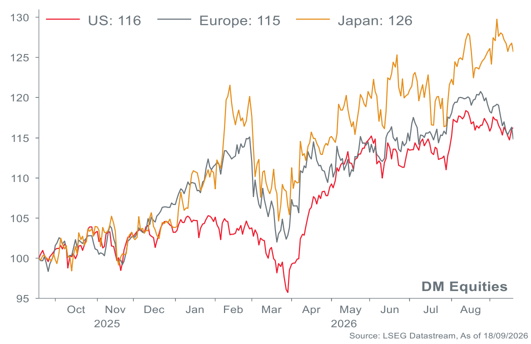












Market Data

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	5.00	0.42	6.16	12.24	21.73	20.30	5.00	3.95
10 Year Bond Yield (%)								
Japan	2.98	-0.27	1.33	13.67	86.06	43.82	3.03	1.60
China	1.69	1.84	2.63	-1.83	-7.82	-7.63	1.93	1.68
Australia	5.27	-1.68	3.94	10.24	25.79	10.78	5.41	4.10
Singapore	2.45	-0.56	3.74	20.85	38.37	10.04	2.53	1.75
Malaysia	3.95	-5.71	5.04	9.56	16.33	13.04	4.19	3.40
Indonesia	7.16	0.01	0.80	2.71	13.51	16.96	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	91.50	0.02	-1.17	-2.58	-3.63	-3.33	95.69	91.33
Bloomberg U.S. Aggregate USD	90.43	-0.04	-1.40	-2.82	-3.78	-3.87	95.21	90.30

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)	1,137.56	-0.49	-0.91	0.88	16.17	12.12	1,160.81	960.87
North America								
US S&P 500 Index	7,650.50	-0.09	-0.54	2.00	15.36	11.76	7,816.70	6,316.91
US Nasdaq Composite Index	26,522.55	0.72	0.89	0.02	18.03	14.11	27,190.21	20,690.25
Europe								
MSCI Europe	2,771.38	-1.88	-3.64	-0.58	11.40	4.87	2,917.43	2,447.02
Asia Pacific								
MSCI Asia Pacific ex Japan	880.43	-0.36	0.09	-4.31	25.52	21.91	925.80	684.96
Japan Nikkei 225	65,018.95	1.57	-3.62	-8.49	43.52	29.16	72,831.75	44,357.65
Shanghai Stock Exchange Composite	3,911.87	0.61	-1.97	-4.37	2.09	-1.44	4,258.86	3,741.11
Hong Kong Hang Seng	24,750.78	-0.22	-2.83	3.45	-6.76	-3.43	28,056.10	22,518.00
Taiwan TAIEX	47,180.75	2.16	4.13	1.54	83.09	62.90	48,218.87	25,469.04
Korea KOSPI	6,894.23	-0.23	0.36	-23.94	99.18	63.60	9,385.59	3,365.73
India NIFTY 50	23,346.40	-0.22	-3.35	-3.40	-8.17	-10.65	26,373.20	22,182.55
Australia Stock Exchange 200	8,731.20	-0.11	-3.74	-2.02	-0.16	0.19	9,296.70	8,262.40
Indonesia Jakarta Composite	6,441.16	-1.53	-0.13	4.36	-19.57	-25.51	9,174.47	5,317.91
Thailand SET	1,584.15	-1.27	-2.31	-0.06	22.14	25.76	1,657.55	1,232.40
Malaysia FTSE Bursa KLSE	1,665.56	-1.26	-3.91	-2.68	4.17	-0.87	1,771.25	1,595.04
Philippines Stock Exchange PSE	5,855.91	-3.40	-6.53	-4.84	-6.06	-3.26	6,673.61	5,584.35
Singapore FTSE Straits Times Index	5,656.11	-0.70	-0.79	8.50	31.15	21.74	5,828.50	4,264.99

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	0.08	-0.99	-0.79	0.24	-2.57	-2.23	1.20	1.14
GBP	0.28	-0.92	-1.01	1.45	-1.19	-0.59	1.38	1.30
CHF	-0.30	0.70	1.16	2.15	3.75	3.72	0.83	0.76
JPY	0.58	2.16	-1.73	-2.79	5.99	0.13	163.85	147.05
Asia								
CNY	-0.15	-0.16	-0.67	-1.05	-5.83	-4.23	7.14	6.70
HKD	-0.02	0.02	0.01	0.09	0.86	0.80	7.85	7.77
INR	-	0.40	0.26	1.69	8.78	6.77	96.82	87.72
MYR	-0.49	0.20	0.49	-0.95	-2.81	0.49	4.23	3.88
KRW	0.38	3.29	-1.91	-9.91	-0.18	-3.81	1,559.08	1,339.78
SGD	0.03	0.68	-0.20	-1.09	-0.48	-0.76	1.31	1.26
TWD	-0.30	0.43	-0.50	0.49	5.54	1.38	32.40	30.10
IDR	-0.03	0.82	-0.67	0.17	7.45	6.36	18,170.00	16,500.00

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Sources

Asset performances: (bar charts) Eastspring Investments, Refinitiv, as of 18 September 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 18 September 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.