



CIO Views – Weekly Bulletin

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What's top of investors' minds?

1. Could trade tensions benefit domestic opportunities in Asia?

Initial headlines have focused on the potential negative impact of tariffs between the US and other economies. There could well be some nuance to this within South East Asian economies.

- ▶ Over November we have seen that 'Trump trades' received plenty of media coverage as well as investor attention. Yet the 'consensus' nature of this action may run the risk of distorting the underlying picture of both trade **and** the domestic focus of a good proportion of stocks within Asia.
- ▶ Looking at stocks in China, Indonesia and Malaysia across consumer discretionary, finance and industrials we see examples of stocks which derive almost all their customers and income from their domestic economy being penalised by a 'risk off trade' towards Asia.
- ▶ Allied to this, the graph adjacent paints an interesting picture of how supply chains have diverted away from China.

Whilst timing remains uncertain, there is an increasingly strong case for domestically focused stocks in Asia that are being oversold. Their intrinsic value indicates they could surpass market expectations in 2025 and beyond.

#asiavalue #asiaopportunities

2. Looking beyond the current weaker Yen?

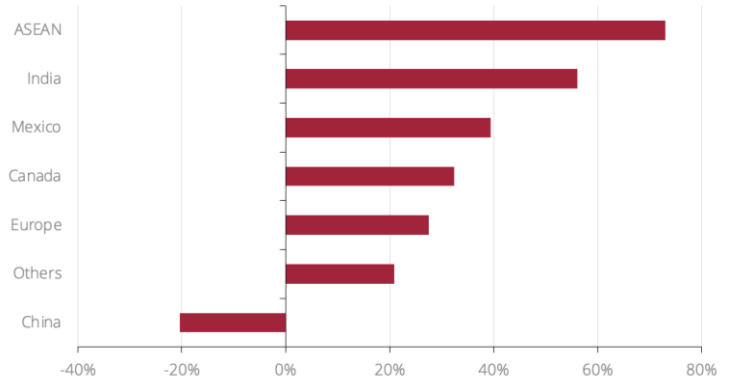
Japan's domestic demand remains resilient, though not particularly strong. A tight labour market and ample corporate resources for wage hikes, stemming from improved corporate profitability, should support high wage increases in 2025. As nominal wage increases catch up with inflation, real wage growth could turn positive, boosting domestic consumption.

- ▶ Domestic capital expenditure growth (in construction, software, and corporate capacity) is also resilient. This is driven by trends such as reshoring, friendshoring, green transition, automation, and digitalisation..
- ▶ Meanwhile, the weakening yen is viewed as a key factor in Japan's increased cost of living and electorate displeasure, as reflected in recent lower house elections where the ruling coalition lost its majority. The government will likely address this through fiscal stimulus, which may also influence the Bank of Japan's (BoJ) stance on rates and the yen.
- ▶ BoJ's decision on rates is influenced by multiple factors: domestic inflation, wage growth pressure, yen weakness, and the magnitude and timing of the Fed's rate cuts. Given this complexity, BoJ is likely to take a patient, data-dependent approach to gradually tighten rates.

With expectations for BoJ rate hikes and US Fed rate cuts, the yen may stabilise or strengthen in the medium term. This could lead to a shift in market leadership from large-cap, yen-sensitive names to a broader range of stocks, including domestics and mid/small-caps.

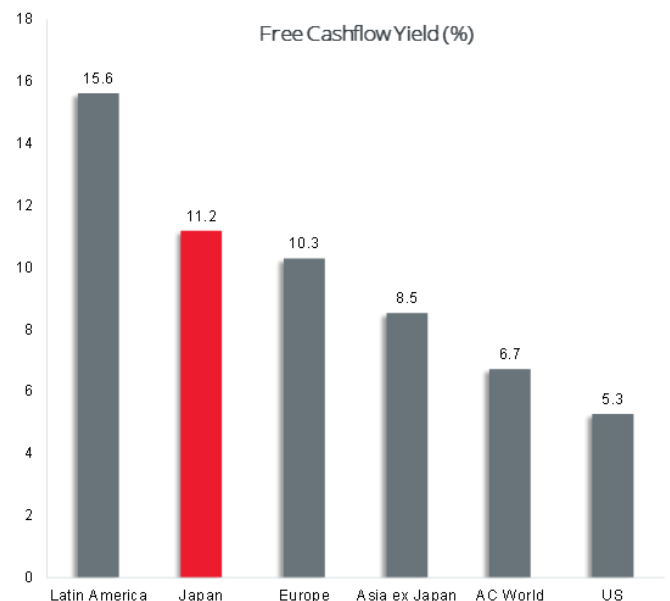
#japanvalue #japansmall&mid

% Change in US Import Goods Trade in Value (2018-2023)



Source: : Upper RHS: US Census Bureau, HSBC, 2023 number is annualized based on 10M2023,

Japan companies are generating strong cash flow.

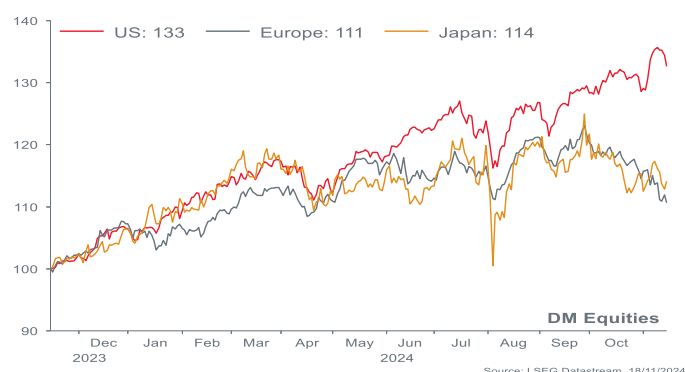
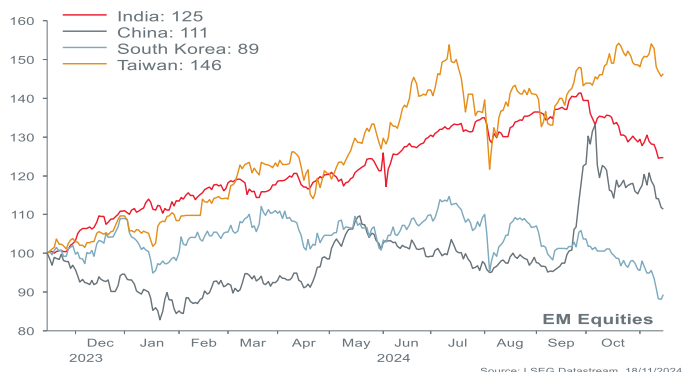
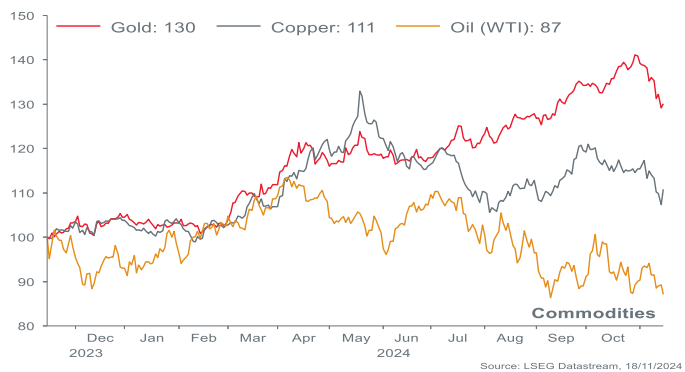
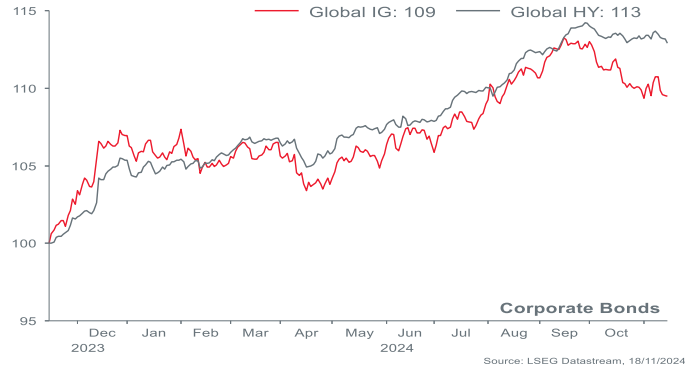
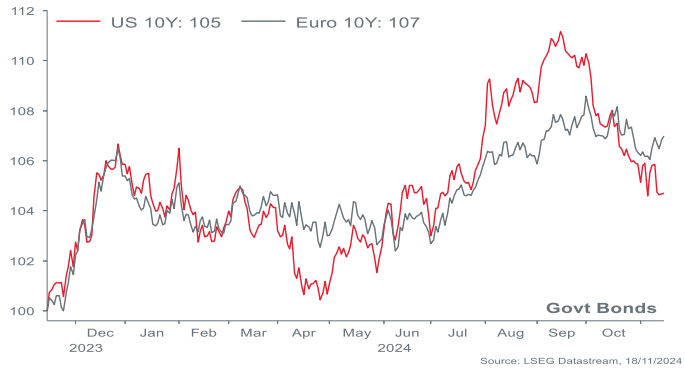
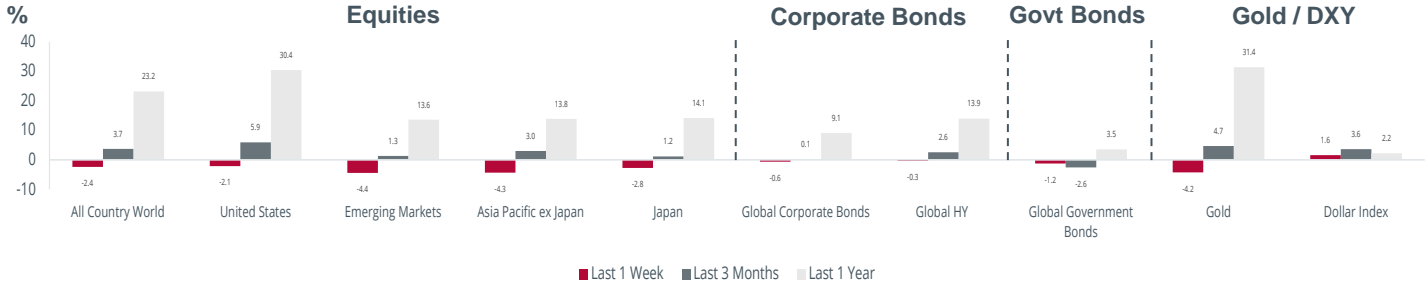


Source: Eastspring Investments, MSCI Indices, Refinitiv Datastream, as at 31 October 2024.

MARKET REVIEW

Stocks had their worst week in almost two months as “Trump trades” lost steam and investors increasingly positioned themselves for a slower pace of easing from the Federal Reserve. Global equities returned -2.3% over the past week. The S&P 500 returned -2.1%, Asia ex Japan equity index returned -4.7%, Japan equities -1.2%, EM equities -4.4% and China equities -3.3%. The Global Aggregate Bond index returned -1.3%. The yield on 10Y US treasuries rose by 14bps and the 5Y/30Y yield spread steepened by 3bps. The yield on 10Y Singapore gov bonds rose by 8bps. US investment grade credit spreads widened by 4bps and Asia credit spreads widened by 2bps. The Dollar was mostly stronger against major currencies as the Dollar index DXY moved by 1.6% and Asian currencies were mostly weaker against the Dollar as ADXY index moved by -0.8%.

ASSET PERFORMANCES



MARKET DATA

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)	842.61	-2.37	-1.02	3.67	23.16	15.90	863.10	683.62
North America								
US S&P 500 Index	5,870.62	-2.08	0.95	5.91	30.37	23.08	6,017.31	4,487.83
US Nasdaq Composite Index	18,680.12	-3.15	1.99	6.17	32.45	24.44	19,366.07	14,033.79
Europe								
MSCI Europe	2,019.40	-2.66	-6.71	-5.55	7.03	-0.05	2,250.56	1,876.22
Asia Pacific								
MSCI Asia Pacific ex Japan	575.38	-4.35	-5.45	3.03	13.84	8.79	629.66	491.14
Japan Nikkei 225	38,642.91	-2.17	-3.18	5.22	15.28	15.48	42,426.77	31,156.12
Shanghai Stock Exchange Composite	3,330.73	-3.52	4.04	15.76	8.39	11.96	3,674.40	2,635.09
Hong Kong Hang Seng	19,426.34	-6.28	-4.39	13.54	7.45	13.95	23,241.74	14,794.16
Taiwan TAIEX	22,742.77	-3.44	-2.36	3.87	32.78	26.84	24,416.67	17,034.95
Korea KOSPI	2,416.86	-5.63	-8.22	-8.61	-2.81	-8.98	2,896.43	2,386.96
India NIFTY 50	23,532.70	-2.55	-6.08	-2.53	19.60	8.29	26,277.35	19,579.65
Australia Stock Exchange 200	8,285.20	-0.12	-0.40	5.34	16.60	9.15	8,384.50	6,985.50
Indonesia Jakarta Composite	7,161.26	-1.73	-6.11	-3.35	2.92	-1.53	7,910.56	6,698.85
Thailand SET	1,442.63	-1.51	-1.53	11.85	1.94	1.89	1,506.82	1,273.17
Malaysia FTSE Bursa KLSE	1,592.44	-1.78	-3.02	-1.27	8.56	9.47	1,684.68	1,440.40
Philippines Stock Exchange PSE	6,676.65	-4.31	-10.46	-0.24	8.19	3.51	7,604.61	6,106.59
Singapore FTSE Straits Times Index	3,744.70	0.55	4.15	12.94	19.56	15.57	3,760.84	3,052.35

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	4.43	2.74	9.61	12.74	-2.45	14.66	4.71	3.62
10 Year Bond Yield (%)								
Japan	1.07	7.39	10.71	28.28	34.38	74.51	1.10	0.55
China	2.10	-1.41	-2.01	-4.46	-21.38	-18.57	2.71	2.04
Australia	4.61	1.82	9.09	19.65	2.76	17.32	4.70	3.82
Singapore	2.93	3.31	6.93	6.04	-0.64	8.28	3.45	2.41
Thailand	2.43	-0.41	-3.57	-5.45	-19.80	-9.67	3.12	2.39
Malaysia	3.92	0.10	2.06	3.43	-0.63	4.82	4.01	3.69
Indonesia	6.90	2.59	2.83	2.88	1.50	6.36	7.27	6.43

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	0.10	-1.65	-3.20	-3.92	-2.81	-4.49	1.12	1.05
GBP	-0.38	-2.35	-3.48	-1.82	1.60	-0.88	1.34	1.23
CHF	-0.24	1.45	3.06	1.76	0.01	5.53	0.92	0.84
JPY	-1.22	1.12	3.45	3.40	1.98	9.41	161.68	140.60
Asia								
CNY	0.05	0.73	1.57	0.80	-0.22	1.88	7.28	7.01
HKD	0.05	0.14	0.23	-0.15	-0.28	-0.30	7.84	7.76
INR	-0.04	0.03	0.46	0.58	1.49	1.48	84.46	82.71
MYR	-0.22	2.01	3.74	0.86	-4.33	-2.66	4.80	4.12
KRW	-0.79	-0.18	2.20	2.16	6.83	7.67	1,405.80	1,286.92
SGD	-0.24	1.27	2.57	1.53	-0.55	1.78	1.37	1.28
TWD	-0.33	0.78	0.83	0.27	1.60	5.88	32.85	30.68
IDR	-	1.18	1.77	1.02	2.06	2.96	16,445.00	15,095.00

	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	93.78	-0.39	-1.20	-1.12	3.65	-0.52	96.21	90.48
Bloomberg U.S. Aggregate USD	90.81	-0.91	-2.17	-2.10	4.49	-0.97	94.86	86.91

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Sources

Page 2 (top chart): Eastspring Investments, Refinitiv, as at 15 November 2024. 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.

Page 2 (remaining 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.

Page 3: Eastspring Investments, Refinitiv, as at 15 November 2024. 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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