

CIO Views – Weekly Bulletin



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What's top of investors' minds?

1. Earnings are buffering tariff uncertainty.

Higher than expected US inflation in January has added to the uncertainty created by the Trump Administration's vacillations over tariffs. However, better than expected earnings have allowed asset market returns to remain positive and equity and bond volatility to moderate somewhat.

With 384 constituents of the S&P 500 having reported at the time of writing, earnings are beating estimates by 6.5% with consumer discretionary and finance beating by 15.6% and 10.6% respectively.

The recent fall in US initial jobless claims suggests that US employment and income growth will remain healthy in February, supporting real consumption growth of 3% - 4% in Q1 and so earnings growth.

Similarly, faster than expected wage growth in Japan in December and expectations for a strong Shunto are helping Japanese earnings estimates to grind higher. In China, enthusiasm for new AI models has spurred a bounce up in earnings estimates.

We think these trends should remain intact for the next couple of months. President Trump appears to be willing to delay most tariffs while he negotiates various issues with Mexico, Canada, and perhaps China. However, the clear risk is that if these break down, he could choose to implement tariffs quickly. We estimate that tariffs on the scale that Trump has announced will slow both US and global growth, push up inflation, and cause further delays in Fed interest rate cuts.

#USEconomy #Fed #equities #rates #China #Japan

2. Indian monetary reflation could accelerate

The Reserve Bank of India (RBI) cut its policy rate 25bps at its February meeting, as expected, and is continuing to inject liquidity into the financial system.

We judge the RBI Governor Malhotra as biased to support growth with further easing. Our baseline is for another 50bps of rate cuts this year.

However, with inflation slowing rapidly and growth weak, the probability of cuts rising with 75bps is increasing.

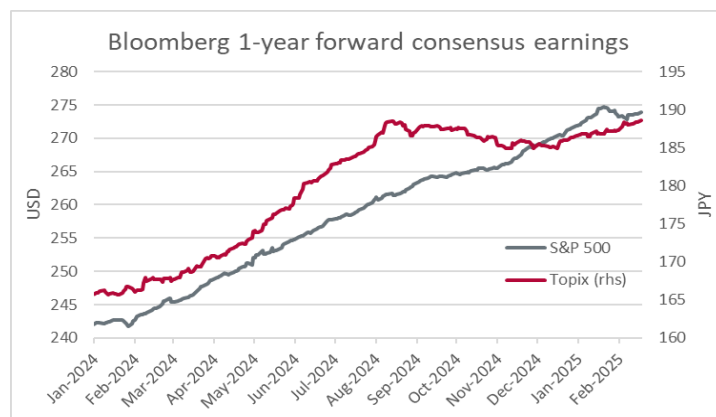
Prime Minister Modi's rapid engagement of US President Trump also increases the likelihood that India will avoid significant US tariffs.

Monetary easing needs to extend further with another cut in the next several months before it will impart a meaningful boost to growth. Our expectation is that Indian GDP will remain soft in Q1, begin to stabilise in Q2 and then begin to recover in Q3.

We expect fixed income returns to benefit from easing ahead of equity returns but remain constructive on the outlook for Indian equities over the course of the year.

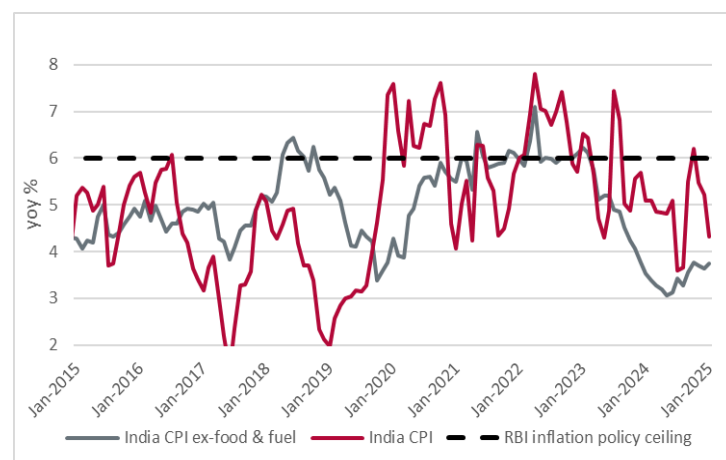
#India #equities #bonds

Rising earnings estimates are buffering policy uncertainty



Source: Bloomberg, February 2025.

Falling Indian inflation creates room for monetary easing



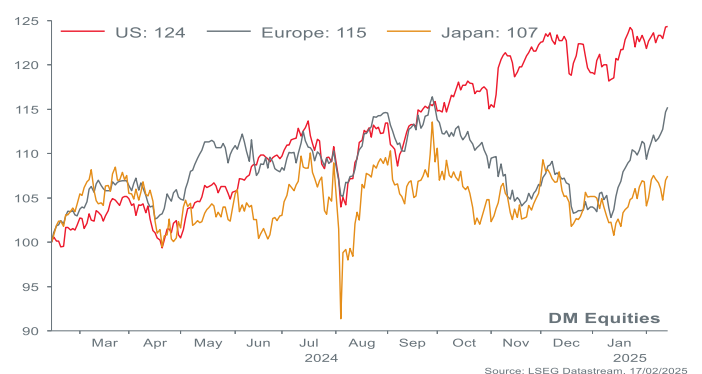
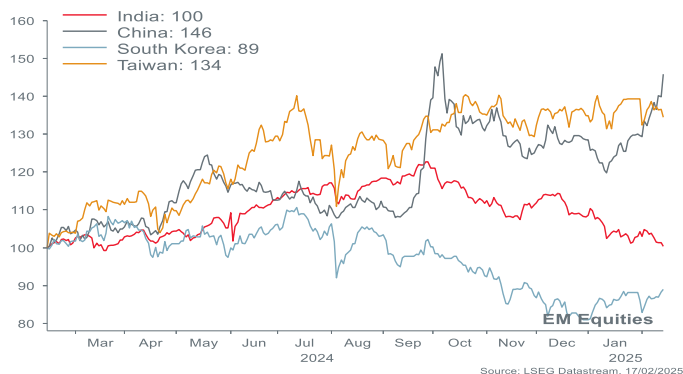
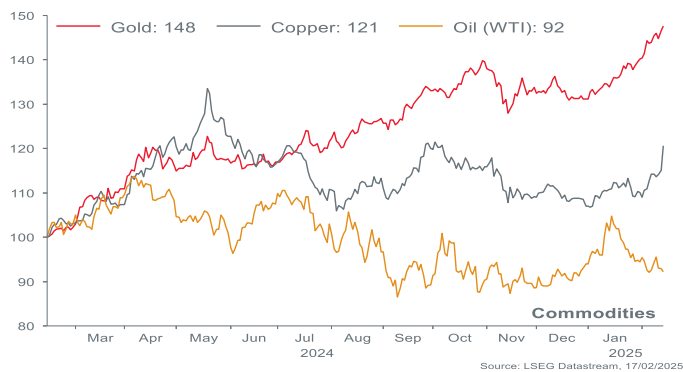
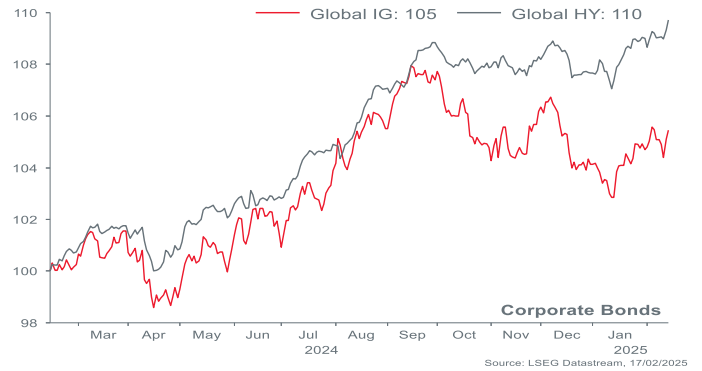
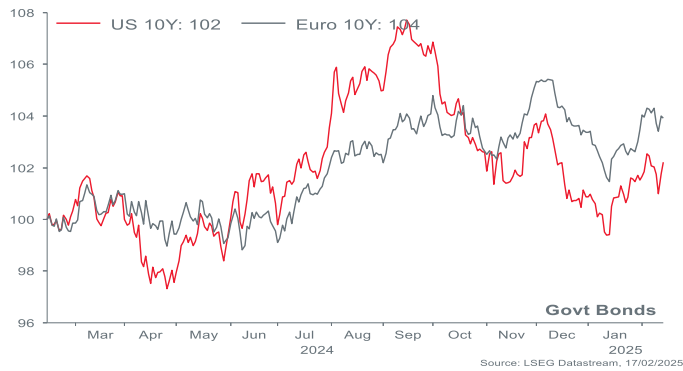
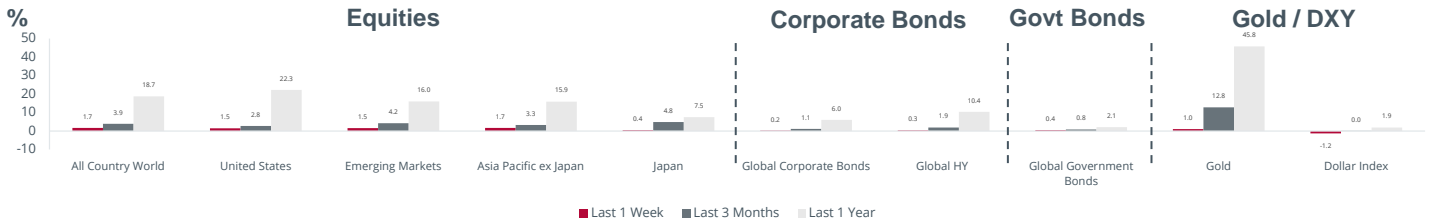
Source: Bloomberg, February 2025.

MARKET REVIEW

Global equities saw a return of 1.8% over the past week. The S&P 500 gained 1.5%, the Asia ex-Japan equity index rose by 1.6%, Japan equities increased by 0.9%, EM equities were up by 1.5%, and China equities advanced by 1.2%. The Global Aggregate Bond index returned 0.5%. The yield on 10-year US Treasuries declined by 2 basis points, while the 5-year/30-year yield spread steepened by 2 basis points. In contrast, the yield on 10-year Singapore government bonds rose by 1 basis point. US investment-grade credit spreads tightened by 4 basis points, and Asia credit spreads narrowed by 9 basis points.

The Dollar weakened against major currencies, with the Dollar index (DXY) falling by 1.2%. Meanwhile, Asian currencies strengthened against the Dollar, as indicated by a 0.6% rise in the ADXY index.

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)	884.24	1.70	5.97	3.88	18.70	5.10	884.24	743.29
North America								
US S&P 500 Index	6,114.63	1.47	4.65	2.78	22.28	3.96	6,128.18	4,946.00
US Nasdaq Composite Index	20,026.77	2.58	5.16	4.81	26.28	3.71	20,204.58	15,222.78
Europe								
MSCI Europe	2,216.73	3.40	10.99	8.50	11.50	10.68	2,250.56	1,979.88
Asia Pacific								
MSCI Asia Pacific ex Japan	593.03	1.68	6.51	3.26	15.91	4.15	629.66	511.65
Japan Nikkei 225	39,149.43	0.93	1.75	1.59	3.84	-1.87	42,426.77	31,156.12
Shanghai Stock Exchange Composite	3,346.72	1.30	3.26	-0.98	16.78	-0.15	3,674.40	2,689.70
Hong Kong Hang Seng	22,620.33	7.04	17.69	16.38	42.45	12.76	23,241.74	15,456.32
Taiwan TAIEX	23,152.61	-1.39	1.56	1.92	27.94	0.51	24,416.67	18,550.86
Korea KOSPI	2,591.05	2.74	3.75	7.12	-1.12	7.98	2,896.43	2,360.18
India NIFTY 50	22,929.25	-2.68	-1.06	-2.56	4.99	-3.03	26,277.35	21,281.45
Australia Stock Exchange 200	8,555.80	0.52	3.95	4.04	13.36	4.86	8,615.20	7,489.40
Indonesia Jakarta Composite	6,638.46	-1.54	-4.57	-7.99	-7.92	-6.24	7,910.56	6,500.47
Thailand SET	1,272.10	-0.78	-5.08	-12.28	-8.16	-9.15	1,506.82	1,252.26
Malaysia FTSE Bursa KLSE	1,591.60	0.04	0.96	-0.57	4.07	-3.09	1,684.68	1,518.84
Philippines Stock Exchange PSE	6,061.33	-1.52	-3.78	-7.56	-11.57	-7.16	7,604.61	5,862.59
Singapore FTSE Straits Times Index	3,877.50	0.42	2.34	3.73	23.52	2.37	3,921.30	3,092.40
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	4.18	-0.25	-6.52	1.27	4.90	-2.21	4.81	3.62
10 Year Bond Yield (%)								
Japan	0.96	3.45	8.52	27.36	78.57	23.29	1.35	0.69
China	2.12	2.54	-0.12	-20.86	-32.85	-1.55	2.46	1.61
Australia	4.29	1.40	-4.41	-6.06	3.13	1.17	4.70	3.82
Singapore	2.82	0.35	-7.22	-2.82	-7.94	0.14	3.45	2.41
Thailand	2.39	1.97	-3.33	-4.32	-10.23	2.42	2.83	2.24
Malaysia	3.83	-0.21	-0.83	-2.61	-0.94	-0.26	4.01	3.69
Indonesia	6.64	-1.99	-7.50	-2.72	1.64	-3.86	7.30	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	0.26	1.59	1.79	-0.37	-2.18	1.33	1.12	1.02
GBP	0.16	1.42	3.03	-0.63	0.16	0.59	1.34	1.22
CHF	-0.43	-1.13	-1.41	1.01	1.50	-0.89	0.92	0.84
JPY	-0.30	0.61	-3.56	-2.51	1.18	-3.09	161.68	140.60
Asia								
CNY	-0.49	-0.48	-1.07	0.36	0.84	-0.63	7.33	7.01
HKD	-0.05	-0.08	-0.03	0.04	-0.43	0.21	7.84	7.76
INR	-0.08	-1.15	0.11	2.56	4.32	1.25	87.63	82.71
MYR	-0.47	-0.11	-1.51	-1.03	-7.34	-0.81	4.80	4.12
KRW	0.01	-0.96	-1.28	2.47	8.24	-2.53	1,476.78	1,308.30
SGD	-0.30	-1.14	-2.01	-0.51	-0.70	-1.93	1.37	1.28
TWD	0.16	-0.51	-0.91	0.22	4.07	-0.36	33.09	31.31
IDR	-0.58	-0.09	-0.03	2.56	4.27	1.03	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	94.06	-0.05	1.52	0.30	1.48	0.32	96.21	91.49
Bloomberg U.S. Aggregate USD	91.08	0.15	1.99	0.26	1.63	0.72	94.86	87.88

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Sources

Page 2 (top chart): Eastspring Investments, Refinitiv, as at 14 February 2025. 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 14 February 2025. Equities: MSCI indices in USD, other indices in local currency. Other indices or assets as stated.

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