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What's top of investors' minds?

1. Tariff threats spark jump in US inflation expectations, drop in consumer sentiment

The February University of Michigan consumer survey showed a rise in the 5y-10y inflation expectations to 3.5%, the highest level since April 1995 and a drop in consumer expectations' sentiment to the lowest level since November 2023. These contributed to the S&P 500 dropping 1.9% last Friday.

- ▶ This half a percent rise in long-term inflation expectations suggests consumers expect President Trump's tariff announcements to produce lasting inflation, not just a one-off increase in prices.
- ▶ If higher inflation expectations persist in concert with tariffs pushing inflation higher, the Federal Reserve could be constrained in cutting rates even if consumption growth slows.

It remains to be seen how responsive President Trump's tariff policy will be to these concerns. Our bias is to expect him to stick to his plans to raise tariffs over the next couple of months.

#useconomy #fed #employment #rates #inflation

2. China: waiting for the "Twin Sessions"

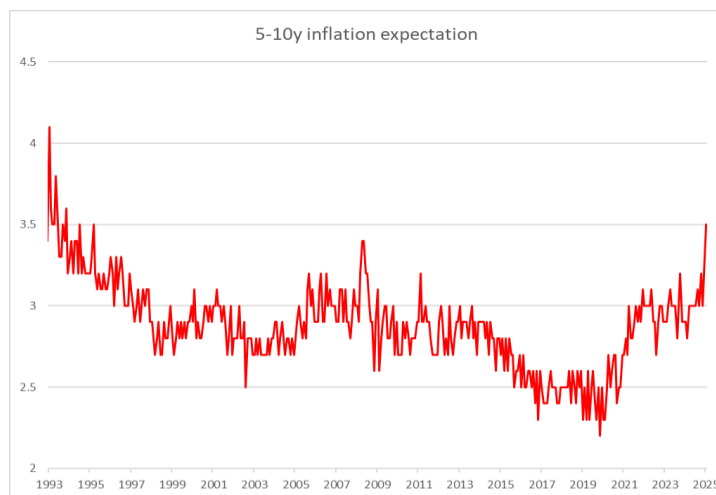
China's PMIs for February, out later this week, are likely to bounce seasonally. However, following the further fall in new and used home prices in January of 0.1% and 0.3% month-on-month respectively, markets will remain focused on the degree of new fiscal stimulus from China's government at the National People's Congress beginning on March 5.

- ▶ We expect the government to maintain a target for GDP growth of "close to 5%".
- ▶ The government will likely announce an increase in its budget deficit from 3% of GDP to 4%. In addition, the aggregate government bond issuance plan across the local and central government is likely to rise from RMB 9tn last year to about RMB 13tn this year.
- ▶ Taken together with other measures this implies an increase in the public sector deficit of about 1.5% - 1.8% of GDP to just under 13% of GDP.
- The government's focus will be boosting consumption and investment into manufacturing and tech.

We expect policy to remain flexible in reaction to shocks to the economy this year. If US tariff policy threatens to drive GDP growth below 4.5% for the year, we would expect Beijing to react with new stimulus measures.

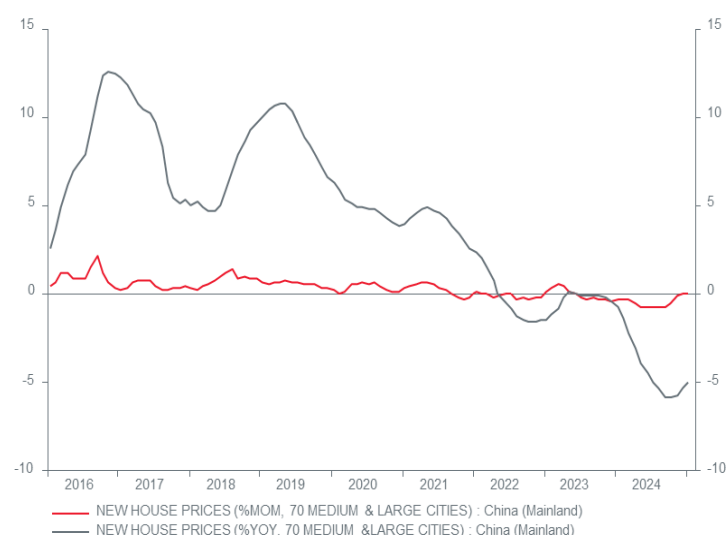
#China #equities

US consumer inflation expectations jump higher in response to tariff threats



Source: LSEG Datastream, Eastspring February 2025.

The continuing fall in Chinese property prices increases pressure for fiscal stimulus



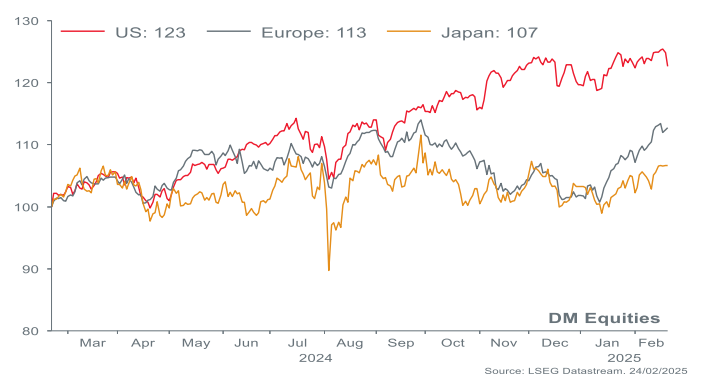
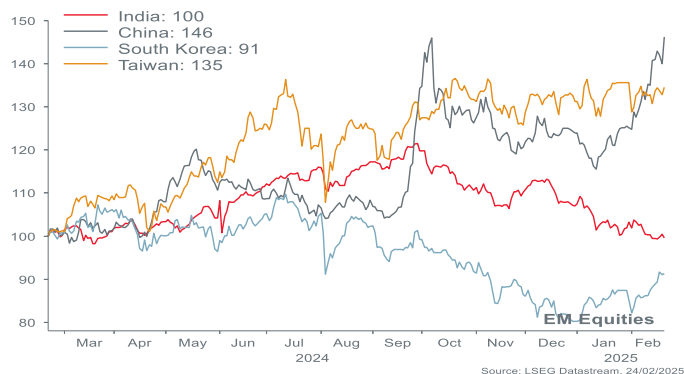
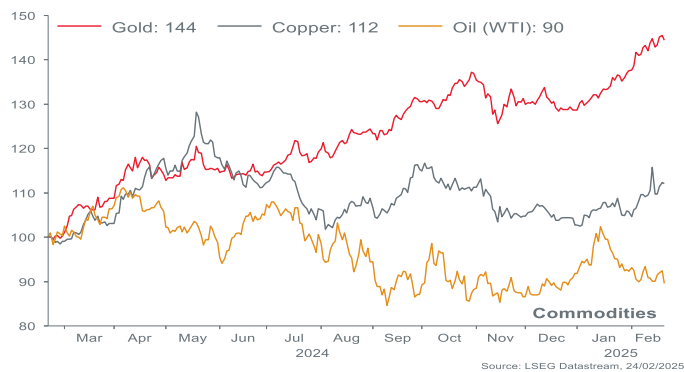
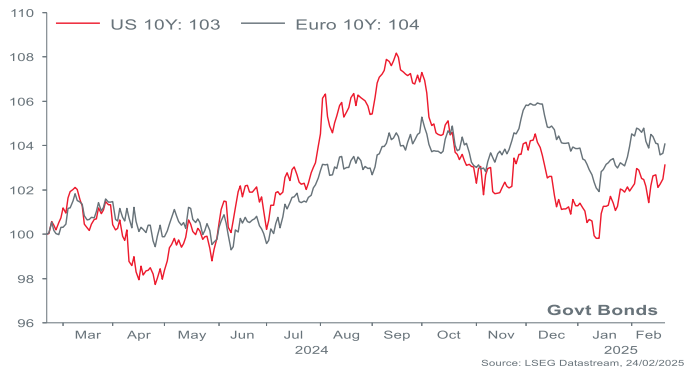
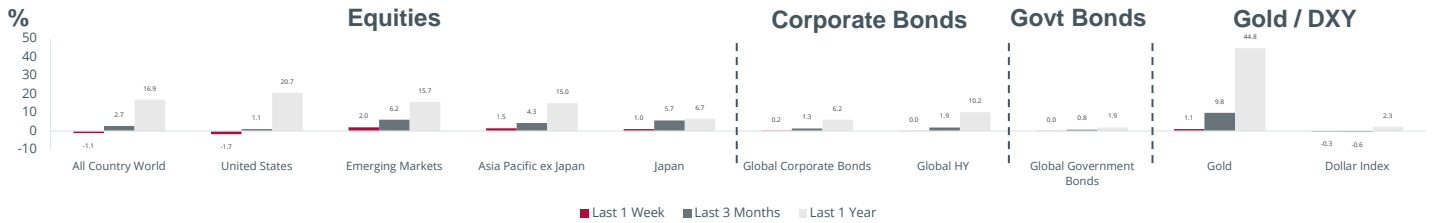
Source: LSEG Datastream. February 2025.

MARKET REVIEW

Global equities returned -1.1% over the past week. The S&P 500 returned -1.6%, Asia ex-Japan equity index returned 2.4%, Japan equities -0.7%, EM equities 2.0% and China equities 1.0%. The Global Aggregate Bond index returned 0.1%. The yield on 10Y US treasuries declined by 4bps and the 5Y/30Y yield spread steepened by 4bps. The yield on 10Y Singapore gov bonds rose by 2bps. US investment grade credit spreads widened by 2bps and Asia Credit spreads tightened by 1bps.

The Dollar was mostly weaker against major currencies as the Dollar index DXY moved by -0.1% and Asian currencies were mostly stronger against the Dollar as ADXY index moved by 0.1%.

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)	874.54	-1.10	1.20	2.71	16.93	3.95	887.72	743.29
North America								
US S&P 500 Index	6,013.13	-1.66	-0.60	1.08	20.70	2.24	6,147.43	4,946.00
US Nasdaq Composite Index	19,524.01	-2.51	-1.18	2.91	25.31	1.10	20,204.58	15,222.78
Europe								
MSCI Europe	2,211.60	-0.23	6.02	9.81	9.04	10.42	2,250.56	1,979.88
Asia Pacific								
MSCI Asia Pacific ex Japan	601.99	1.51	5.31	4.31	15.02	5.72	629.66	514.71
Japan Nikkei 225	38,776.94	-0.95	-0.64	1.97	1.35	-2.80	42,426.77	31,156.12
Shanghai Stock Exchange Composite	3,379.11	0.97	4.21	0.26	14.51	0.82	3,674.40	2,689.70
Hong Kong Hang Seng	23,477.92	3.79	16.77	19.78	42.26	17.04	23,477.92	16,044.45
Taiwan TAIEX	23,730.25	2.49	1.85	5.21	27.06	3.02	24,416.67	18,645.27
Korea KOSPI	2,654.58	2.45	5.42	7.01	0.05	10.63	2,896.43	2,360.18
India NIFTY 50	22,795.90	-0.58	-0.99	-2.37	3.36	-3.59	26,277.35	21,281.45
Australia Stock Exchange 200	8,296.20	-3.03	-1.26	-0.32	9.04	1.68	8,615.20	7,492.60
Indonesia Jakarta Composite	6,803.00	2.48	-5.28	-4.73	-7.43	-3.91	7,910.56	6,500.47
Thailand SET	1,246.21	-2.04	-7.86	-13.49	-10.58	-11.00	1,506.82	1,236.80
Malaysia FTSE Bursa KLSE	1,591.03	-0.04	0.67	0.15	2.49	-3.12	1,684.68	1,518.84
Philippines Stock Exchange PSE	6,098.04	0.61	-3.82	-11.15	-11.59	-6.60	7,604.61	5,862.59
Singapore FTSE Straits Times Index	3,929.94	1.35	3.55	5.10	22.16	3.76	3,949.65	3,101.24
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	-1.25	-3.37	-0.27	2.24	-3.43	4.81	3.62
10 Year Bond Yield (%)								
Japan	0.96	5.56	20.25	30.02	96.28	30.14	1.44	0.69
China	2.12	5.20	4.50	-16.67	-28.10	3.57	2.42	1.61
Australia	4.29	2.15	2.22	-1.57	7.61	3.34	4.70	3.82
Singapore	2.82	0.56	-2.24	0.38	-6.88	0.70	3.45	2.41
Thailand	2.39	-1.29	-4.77	-5.75	-10.00	1.10	2.83	2.24
Malaysia	3.83	-0.31	-0.55	-1.07	-1.99	-0.58	4.01	3.69
Indonesia	6.64	0.55	-4.60	-1.71	2.90	-3.33	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	-0.40	-0.31	0.28	-0.14	-3.32	1.01	1.12	1.02
GBP	-0.30	0.36	2.23	0.35	-0.03	0.95	1.34	1.22
CHF	0.01	-0.16	-0.89	1.26	2.08	-1.05	0.92	0.84
JPY	-0.23	-2.00	-3.99	-3.38	-0.66	-5.02	161.68	140.60
Asia								
CNY	-0.07	-0.04	-0.29	0.18	0.85	-0.67	7.33	7.01
HKD	-0.09	-0.19	-0.20	-0.17	-0.66	0.02	7.84	7.76
INR	0.01	-0.06	0.14	2.46	4.39	1.19	87.63	82.71
MYR	-0.25	-0.36	-1.27	-0.99	-7.85	-1.16	4.79	4.12
KRW	0.16	-0.45	0.09	2.42	7.50	-2.96	1,476.78	1,308.30
SGD	0.20	-0.22	-1.17	-0.77	-0.60	-2.15	1.37	1.28
TWD	0.27	0.32	0.46	0.71	4.08	-0.04	33.09	31.31
IDR	-0.15	0.28	-0.18	2.39	4.29	1.31	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	94.05	-0.01	0.43	0.29	1.60	0.31	96.21	91.49
Bloomberg U.S. Aggregate USD	91.41	0.36	0.98	0.56	2.27	1.08	94.86	87.88

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Sources

Page 2 (top chart): Eastspring Investments, Refinitiv, as at 24 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 24 February 2025. Equities: MSCI indices in USD, other indices in local currency. Other indices or assets as stated.

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