

CIO Views – Weekly Bulletin



Vis Nayar
Chief Investment Officer
Eastspring Investments



Ray Farris
Chief Economist
Eastspring Investments

A Prudential plc company

What's top of investors' minds?

1. Solid US employment for now, but with worrisome inflation expectations.

Friday's US data showed robust employment growth with slowing, but decent real payrolls that should support consumption growth in Q1. However, the outlook remains for growth to slow from Q2. The challenge for the markets and the Fed is higher inflation expectations.

- ▶ Upward revisions to employment in November and December of 100k overshadowed lower than expected January employment of 143k to push the 3 month trend up to a very strong 237k. The unemployment rate fell 1/10th to 4.0%. Real aggregate payroll growth eased to a 3 month average of 2.2% yoy, a still decent rate of income support for consumption.
- ▶ Extreme cold may have depressed January employment somewhat so February jobs may bounce up. However, the sharp fall in immigration that is underway implies progressively slower job gains through the year and so slower household income growth in aggregate in H2.
- ▶ The jump in the University of Michigan 5-10y inflation expectation survey to 3.3%, the highest since 2008, if sustained in Feb/Mar, is likely to constrain the Fed's ability to respond to slower employment gains into the summer.

This increases the focus on the January inflation data out this Wednesday for evidence of moderation in core prices.

#useconomy #fed #employment #rates #China

2. Japan GDP should justify a positive equity outlook

We see some downside risk to the consensus expectation for Japanese Q4 nominal GDP of 1.1% qoq. However, nominal GDP growth should rise in H1 supporting our constructive outlook for Japanese equities.

- ▶ Japanese equities tend to trend with swings in nominal GDP. With trend Japanese real GDP growth limited by demographics to about 0.5% - 0.7%, this places emphasis on the outlook for Japanese reflation to continue.
- ▶ Most indicators suggest reflation should continue in H1 at least. Inflation surprised to the upside in December. Crucially, wage growth rose in Q4 and expectations are for further acceleration in the coming Shunto wage negotiations.
- ▶ If the Shunto does deliver faster wage growth, real incomes should rise in H1, supporting a recovery in real consumption growth. Add to this at least sustained inflation and nominal GDP growth should remain close to 1% or a bit above.

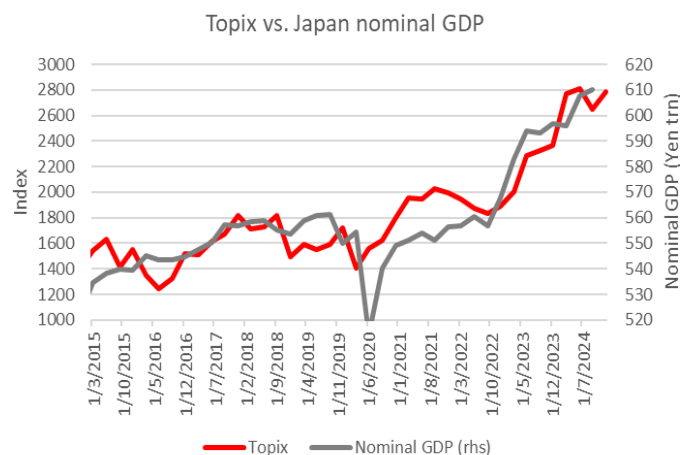
#Japan #equities

US real payroll income growth suggests support for consumption through Q1



Source: Bloomberg, February 2025.

Rising Japanese nominal GDP should help equities



Source: Bloomberg, February 2025.

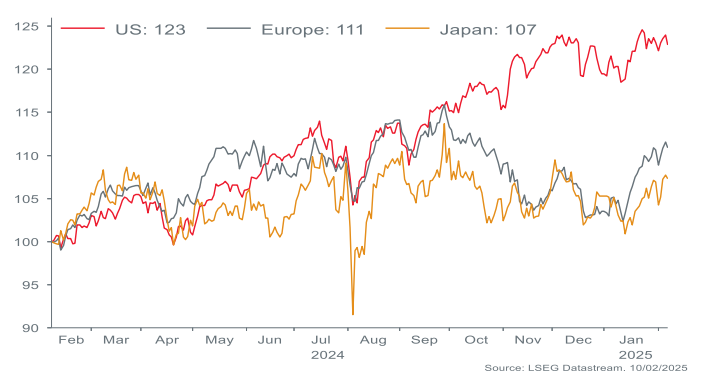
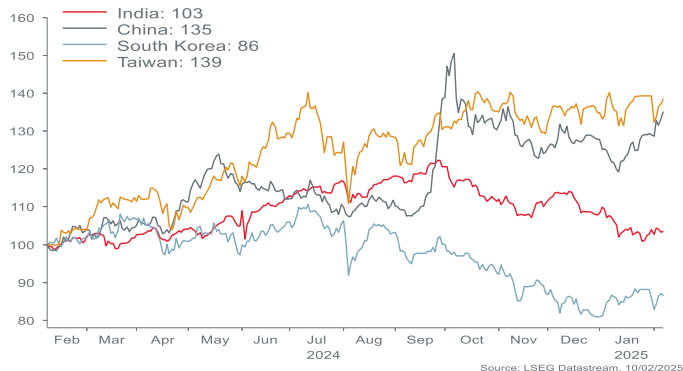
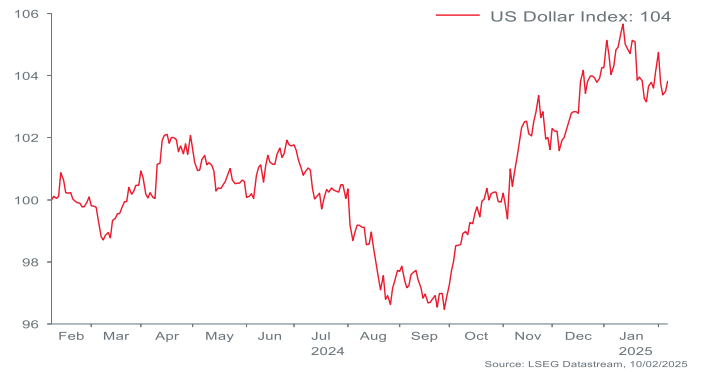
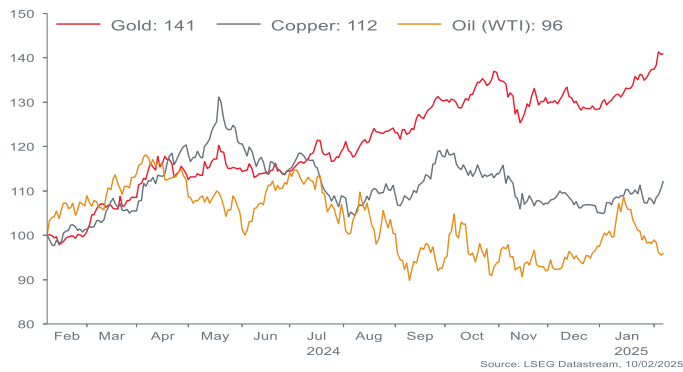
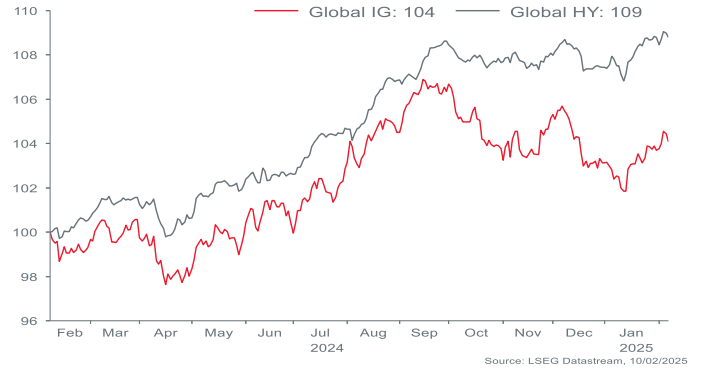
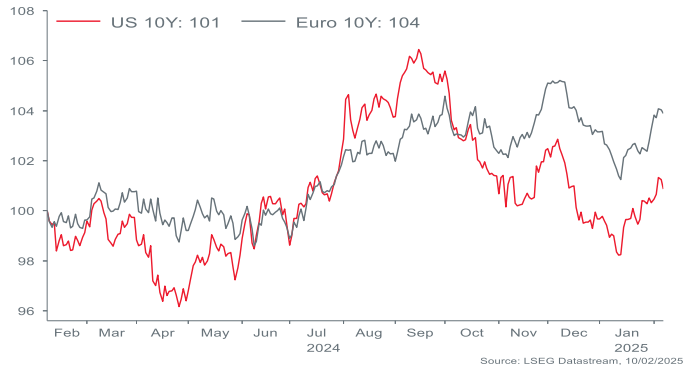
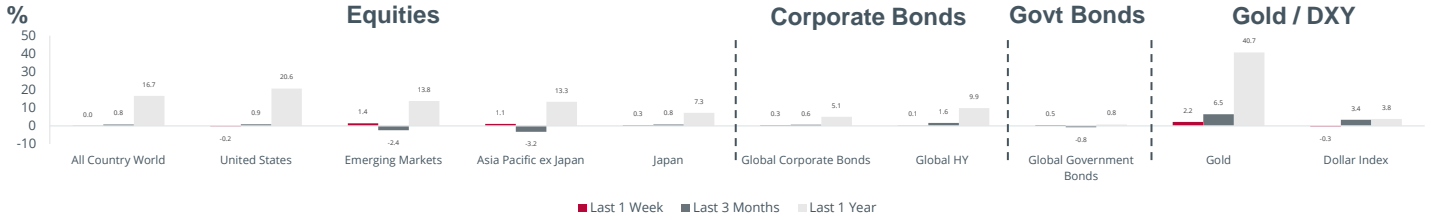
MARKET REVIEW

Over the past week, global equities remained flat, returning 0.0%. The S&P 500 dipped by 0.2%, while the Asia ex-Japan equity index rose by 1.3%. Japan equities fell by 2.0%, emerging market (EM) equities increased by 1.4%, and China equities climbed by 2.0%. The Global Aggregate Bond index saw a return of 0.5%.

The yield on 10-year US Treasuries declined by 4 basis points (bps), and the 5-year/30-year yield spread flattened by 12 bps. The yield on 10-year Singapore government bonds decreased by 7 bps. US investment-grade credit spreads widened by 3 bps, while Asia credit spreads tightened by 3 bps.

The Dollar weakened against major currencies, with the Dollar index (DXY) moving down by 0.3%. Asian currencies also weakened against the Dollar, as indicated by the ADXY index, which fell by 0.4%.

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) | 869.44 | 0.05 | 2.66 | 0.79 | 16.69 | 3.34 | 875.34 | 739.58 |
| North America | | | | | | | | |
| US S&P 500 Index | 6,025.99 | -0.24 | 1.98 | 0.89 | 20.64 | 2.45 | 6,128.18 | 4,920.31 |
| US Nasdaq Composite Index | 19,523.40 | -0.53 | 0.17 | 1.32 | 23.91 | 1.10 | 20,204.58 | 15,222.78 |
| Europe | | | | | | | | |
| MSCI Europe | 2,143.95 | 0.20 | 5.36 | 2.08 | 7.31 | 7.04 | 2,250.56 | 1,978.03 |
| Asia Pacific | | | | | | | | |
| MSCI Asia Pacific ex Japan | 583.24 | 1.14 | 2.05 | -3.24 | 13.35 | 2.43 | 629.66 | 511.13 |
| Japan Nikkei 225 | 38,787.02 | -1.98 | -3.23 | -1.51 | 7.38 | -2.78 | 42,426.77 | 31,156.12 |
| Shanghai Stock Exchange Composite | 3,303.67 | 1.63 | 2.29 | -4.81 | 16.75 | -1.44 | 3,674.40 | 2,689.70 |
| Hong Kong Hang Seng | 21,133.54 | 4.49 | 8.67 | 0.86 | 31.41 | 5.35 | 23,241.74 | 15,456.32 |
| Taiwan TAIEX | 23,478.27 | -0.20 | -0.73 | 0.30 | 29.74 | 1.92 | 24,416.67 | 18,550.86 |
| Korea KOSPI | 2,521.92 | 0.18 | 1.20 | -1.67 | -3.36 | 5.10 | 2,896.43 | 2,360.18 |
| India NIFTY 50 | 23,559.95 | 0.22 | -0.62 | -2.64 | 7.43 | -0.36 | 26,277.35 | 21,281.45 |
| Australia Stock Exchange 200 | 8,511.40 | -0.25 | 2.73 | 3.47 | 11.76 | 4.32 | 8,566.90 | 7,489.40 |
| Indonesia Jakarta Composite | 6,742.57 | -5.16 | -4.81 | -6.92 | -6.81 | -4.77 | 7,910.56 | 6,656.72 |
| Thailand SET | 1,282.09 | -2.47 | -7.82 | -12.77 | -8.42 | -8.44 | 1,506.82 | 1,252.26 |
| Malaysia FTSE Bursa KLSE | 1,590.91 | 2.18 | -2.39 | -1.99 | 5.14 | -3.13 | 1,684.68 | 1,509.56 |
| Philippines Stock Exchange PSE | 6,154.99 | 4.99 | -5.96 | -12.25 | -9.88 | -5.73 | 7,604.61 | 5,862.59 |
| Singapore FTSE Straits Times Index | 3,861.42 | 0.15 | 0.87 | 5.12 | 22.35 | 1.95 | 3,886.98 | 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 | 4.49 | -1.75 | -4.23 | 3.32 | 9.23 | -1.97 | 4.81 | 3.62 |
| 10 Year Bond Yield (%) | | | | | | | | |
| Japan | 1.31 | 4.82 | 15.49 | 29.08 | 84.84 | 19.18 | 1.31 | 0.69 |
| China | 1.61 | -2.42 | 0.06 | -23.92 | -34.08 | -3.99 | 2.46 | 1.61 |
| Australia | 4.36 | -1.71 | -2.70 | -6.32 | 6.29 | -0.23 | 4.70 | 3.82 |
| Singapore | 2.86 | -2.19 | -4.42 | -1.45 | -3.87 | -0.21 | 3.45 | 2.41 |
| Thailand | 2.28 | -1.30 | -2.77 | -6.56 | -13.31 | 0.44 | 2.83 | 2.24 |
| Malaysia | 3.82 | 0.16 | -0.21 | -3.10 | 0.32 | -0.05 | 4.01 | 3.69 |
| Indonesia | 6.89 | -1.37 | -3.30 | 1.62 | 4.21 | -1.91 | 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 | -0.52 | -0.34 | -0.12 | -4.42 | -4.12 | -0.25 | 1.12 | 1.02 |
| GBP | -0.20 | 0.15 | -0.51 | -4.44 | -1.71 | -0.82 | 1.34 | 1.22 |
| CHF | 0.51 | -0.14 | 0.02 | 4.23 | 4.01 | 0.24 | 0.92 | 0.84 |
| JPY | -0.03 | -2.44 | -4.19 | -1.00 | 2.17 | -3.68 | 161.68 | 140.60 |
| Asia | | | | | | | | |
| CNY | -0.00 | 0.52 | -0.52 | 2.06 | 1.31 | -0.15 | 7.33 | 7.01 |
| HKD | 0.06 | -0.02 | 0.18 | 0.26 | -0.36 | 0.29 | 7.84 | 7.76 |
| INR | 0.05 | 1.26 | 2.13 | 3.96 | 5.60 | 2.42 | 87.63 | 82.71 |
| MYR | 0.32 | -0.29 | -1.07 | 0.84 | -6.77 | -0.69 | 4.80 | 4.12 |
| KRW | 0.55 | -0.16 | 0.02 | 5.33 | 9.42 | -1.58 | 1,476.78 | 1,308.30 |
| SGD | 0.29 | -0.29 | -0.71 | 2.61 | 0.83 | -0.79 | 1.37 | 1.28 |
| TWD | 0.11 | -0.42 | 0.24 | 2.32 | 4.62 | 0.14 | 33.09 | 31.31 |
| IDR | -0.34 | -0.15 | 0.90 | 3.43 | 4.09 | 1.12 | 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 | 94.11 | 0.25 | 0.92 | 0.17 | 1.00 | 0.37 | 96.21 | 91.49 |
| Bloomberg U.S. Aggregate USD | 90.94 | 0.26 | 1.26 | -0.58 | 0.58 | 0.56 | 94.86 | 87.88 |

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Sources

Page 2 (top chart): Eastspring Investments, Refinitiv, as at 7 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 7 February 2025. 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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[eastspring.com](https://www.eastspring.com)

Eastspring Investments (Singapore) Limited

7 Straits View #09-01 Marina One East Tower
Singapore 018936

Tel: +65 6349 9100

Bangkok | Chicago | Ho Chi Minh City | Hong Kong | Jakarta | Kuala Lumpur | Luxembourg | Mumbai | Seoul | Shanghai | Singapore | Taipei | Tokyo