



Vis Nayar
Chief Investment Officer
Eastspring Investments



Ray Farris
Chief Economist
Eastspring Investments

What's top of investors' minds?

1. Fed on hold and ECB to cut

The Fed is likely to keep rates unchanged this week while the ECB should cut by 25bps. With markets now priced for 44bps of Fed cuts and 87bps for ECB, the focus will be on guidance.

We expect Fed Chair Powell to stress that the strength of the US economy allows the Fed to remain on hold and data dependent. Powell will also reiterate Fed independence in response to likely press questions about President Trump's recent assertion that the Fed should cut aggressively.

Incoming data on inflation and unemployment will be crucial for the Fed. Powell has leaned dovish in the past 6 – 9 months, shifting rhetoric quickly toward cuts in response to weak payroll and rises in the unemployment rate, but has refused to entertain the possibility of a return to hikes when the data have been more robust. This suggests that a scenario in which CPI prints in January and February are soft when combined with higher unemployment rates would open May for a rate cut.

In Europe, ECB President Lagarde is likely to try to maintain guidance for gradual cuts because of firmer than desired December inflation data. Yet, data this week are likely to show French GDP stagnated in Q4 while German GDP contracted. Additionally, consensus estimates for Stoxx 600 earnings have begun falling from their mid-January high. We expect three 25bps cuts from the ECB this year and do not rule out four.

#useconomy #fed #ecb #euroarea

2. China's PMIs point to a need for new stimulus

China's January PMIs surprised to the downside with manufacturing falling to 49.1 from 50.1 in December and non-manufacturing dropping to 50.2 from 52.2 in December.

This suggests that the impact of the wave of government subsidies for consumer product upgrades in September and October is fading as 2025 begins.

This increases the imperative for the government to pull forward implementation of its plans for a new round of subsidies and new funding for local government investment spending.

A risk is that policy delays allow renewed weakness in the economy that leads to a reversal in the recent upgrades to consensus earnings estimates for equities.

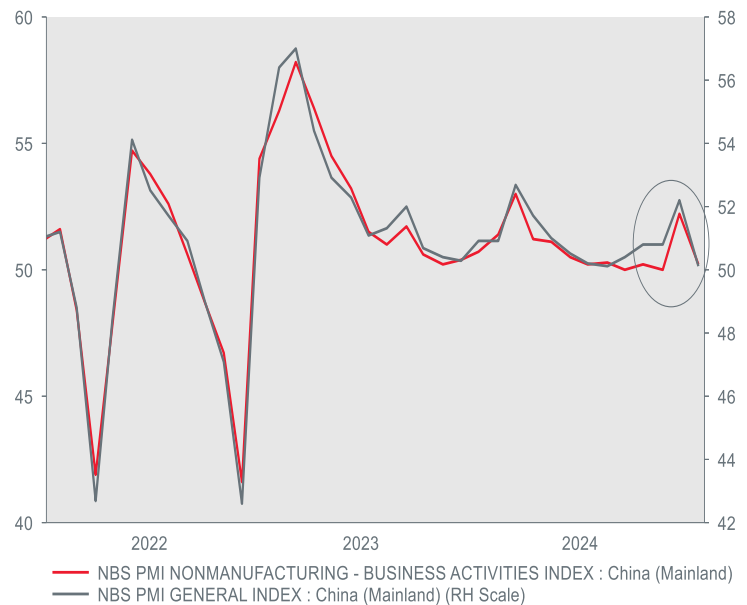
#asiaequity #asiabonds #chinaequities #gamequities
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Divergent growth drives different outlooks for the Fed and the ECB



Source: :LSEG Datastream, January 2025

Falling China PMIs in January point to a need for stimulus



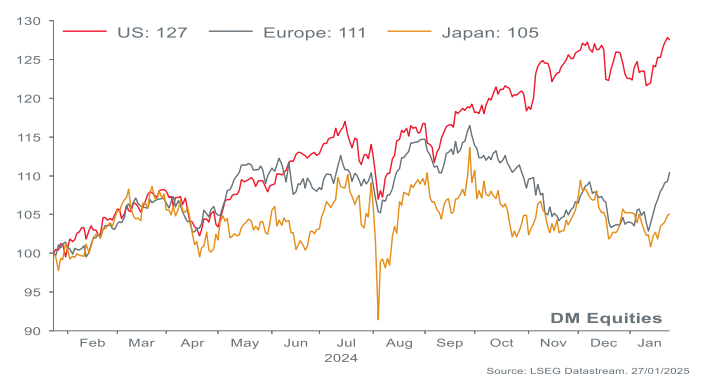
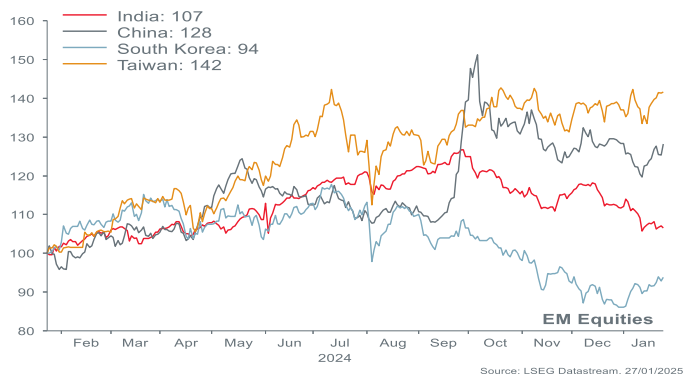
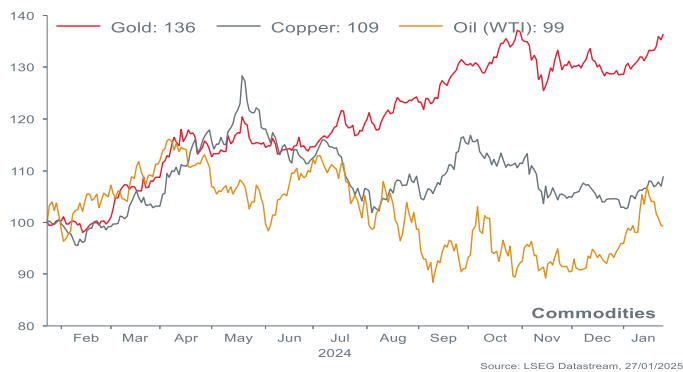
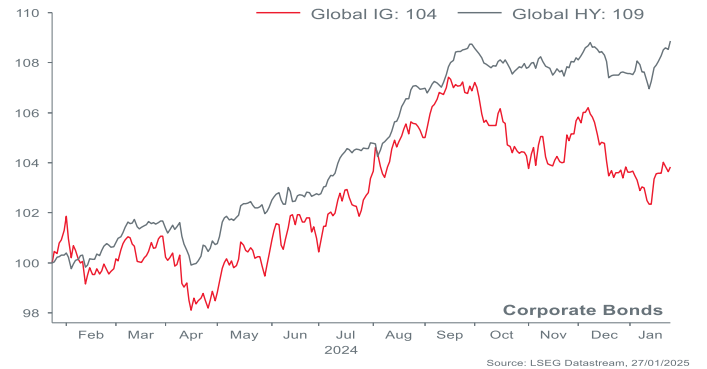
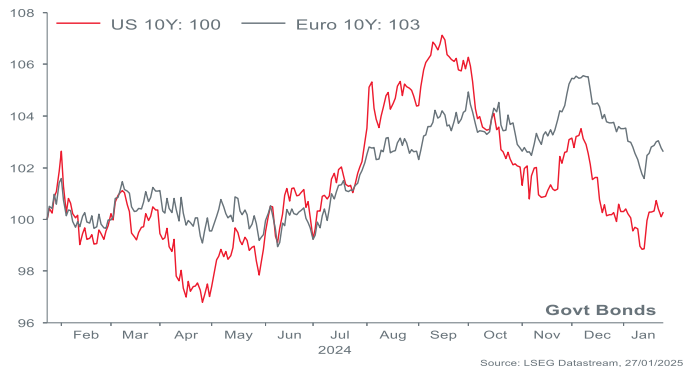
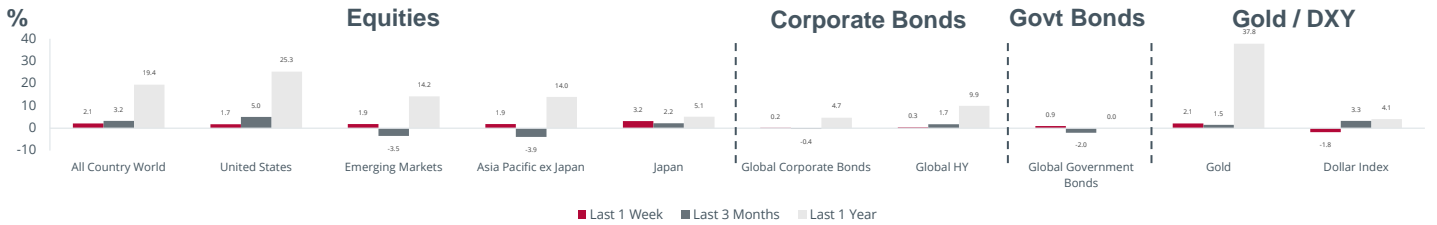
Source: LSEG Datastream, January 2025

MARKET REVIEW

Global equities returned 2.1% over the past week. The S&P 500 returned 1.8%, Asia ex-Japan equity index returned 1.7%, Japan equities 2.9%, EM equities 1.9% and China equities 0.7%. The Global Aggregate Bond index returned 0.9%. The yield on 10Y US treasuries declined by 1bps and the 5Y/30Y yield spread flattened by 1bps. The yield on 10Y Singapore gov bonds declined by 3bps. US investment grade credit spreads tightened by 2bps and Asia Credit spreads tightened by 1bps.

The Dollar was mostly weaker against major currencies as the Dollar index DXY moved by -1.7% and Asian currencies were mostly stronger against the Dollar as ADXY index moved by 1.3%.

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)	872.91	2.07	1.93	3.21	19.42	3.75	873.73	730.84
North America								
US S&P 500 Index	6,101.24	1.74	1.01	5.02	25.32	3.73	6,128.18	4,845.15
US Nasdaq Composite Index	19,954.30	1.65	-0.38	8.36	28.89	3.33	20,204.58	15,158.49
Europe								
MSCI Europe	2,126.53	3.35	6.58	-0.54	6.98	6.17	2,250.56	1,978.03
Asia Pacific								
MSCI Asia Pacific ex Japan	575.59	1.85	0.11	-3.95	14.00	1.09	629.66	503.42
Japan Nikkei 225	39,931.98	3.85	2.29	4.69	10.23	0.09	42,426.77	31,156.12
Shanghai Stock Exchange Composite	3,252.63	0.33	-4.15	-0.84	15.31	-2.96	3,674.40	2,635.09
Hong Kong Hang Seng	20,066.19	2.46	-0.16	-2.07	26.20	0.03	23,241.74	15,336.86
Taiwan TAIEX	23,525.41	1.63	1.75	1.44	31.60	2.13	24,416.67	17,832.95
Korea KOSPI	2,536.80	0.53	3.95	-1.71	2.72	5.72	2,896.43	2,360.18
India NIFTY 50	23,092.20	-0.48	-2.68	-5.36	7.64	-2.34	26,277.35	21,137.20
Australia Stock Exchange 200	8,408.90	1.19	2.29	2.47	11.83	3.06	8,514.50	7,489.40
Indonesia Jakarta Composite	7,166.06	0.16	1.42	-7.13	-0.86	1.22	7,910.56	6,698.85
Thailand SET	1,354.07	1.00	-2.91	-7.30	-1.96	-3.30	1,506.82	1,273.17
Malaysia FTSE Bursa KLSE	1,573.73	0.45	-1.83	-3.58	4.63	-4.18	1,684.68	1,497.16
Philippines Stock Exchange PSE	6,296.20	-0.88	-3.65	-13.56	-5.75	-3.56	7,604.61	6,158.48
Singapore FTSE Straits Times Index	3,804.26	-0.17	0.92	5.53	20.64	0.44	3,886.98	3,092.40
Government Bonds								
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	0.26	0.78	10.02	10.65	1.01	4.81	3.62
10 Year Bond Yield (%)								
Japan	0.96	2.50	15.17	28.13	70.36	12.33	1.25	0.66
China	2.12	-1.39	-5.83	-23.88	-35.16	-2.86	2.52	1.61
Australia	4.29	-0.20	0.79	0.65	5.88	2.68	4.70	3.82
Singapore	2.82	-1.25	-2.20	2.74	-0.07	2.34	3.45	2.41
Thailand	2.39	-3.95	2.90	-5.13	-15.07	1.76	2.83	2.24
Malaysia	3.83	-0.47	-0.78	-2.81	0.05	-0.26	4.01	3.69
Indonesia	6.64	-2.73	-1.14	2.79	5.12	-0.94	7.30	6.43
Currencies (vs USD)								
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	0.75	2.16	0.92	-3.08	-3.58	1.35	1.12	1.02
GBP	1.03	2.60	-0.50	-3.80	-1.92	-0.26	1.34	1.22
CHF	-0.14	-1.01	0.60	4.63	4.98	-0.17	0.92	0.84
JPY	-0.04	-0.20	-0.76	2.74	5.75	-0.76	161.68	140.60
Asia								
CNY	-0.60	-1.10	-0.69	1.75	1.29	-0.76	7.33	7.01
HKD	-0.03	0.01	0.25	0.22	-0.39	0.25	7.84	7.76
INR	-0.27	-0.43	1.20	2.56	3.69	0.76	86.65	82.71
MYR	-1.51	-2.86	-2.43	0.69	-7.49	-2.08	4.80	4.12
KRW	-0.44	-1.93	-2.12	3.59	7.21	-3.30	1,476.78	1,308.30
SGD	-0.70	-1.73	-0.94	2.13	0.48	-1.42	1.37	1.28
TWD	0.06	-0.48	0.16	2.07	4.59	-0.16	33.09	31.15
IDR	-0.65	-1.16	-0.09	3.82	2.96	0.50	16,445.00	15,095.00
Bond Indices								
Bond Indices	Close	1 week change (%)	1 month change (%)	3 month change (%)	1 year change (%)	YTD change (%)	52 week high	52 week low
Bloomberg Global Aggregate USD	93.47	0.03	-0.26	-1.00	0.61	-0.31	96.21	91.49
Bloomberg U.S. Aggregate USD	90.35	0.11	0.03	-1.58	0.23	-0.09	94.86	87.88

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Sources

Page 2 (top chart): Eastspring Investments, Refinitiv, as at [24 January 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 January 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

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