

CIO Views – Weekly Bulletin



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What's top of investors' minds?

1. Upside US employment gains support growth and delay rate cuts

The upside surprise to US payrolls in December of 256k new jobs implies a long wait for Fed rate cuts, but solid support for consumption.

- ▶ The Fed will struggle to justify cuts soon with job gains running at 170k over the past three months – high for this late in the cycle - the unemployment rate ticking down 1/10th to 4.1%, and the job finding rate rising.
- ▶ Yet, the slowing in average hourly earnings growth to 3.4% annualised from 4.9% in November, if sustained in the coming months, would return wage growth to rates consistent with 2% inflation.
- ▶ That argues against rate hikes and so makes the market's 15bps repricing to only one cut this year, coming in October-December, look hawkish.

We think December core CPI, out this Wednesday, would need to exceed the 0.2% month on month consensus to push yields much higher.

#useconomy #fed #employment #rates

2. Chinese stimulus still looks reactive

The January 10 Ministry of Finance press conference suggests that fiscal stimulus will rise this year to try to keep growth near 5%.

- ▶ Vice Minister Liao Min made clear the government's balance sheet has capacity to carry much more debt to fund spending, if necessary.
- ▶ His assertion that policy will be stimulative supports recent press stories that the official deficit will rise from about 3% to 4%, the long-term government bond issue will increase from 1tn yuan to 3tn, the local government special bond quota will rise, and Beijing will issue special bonds to fund large bank recapitalisation.
- ▶ The government has also announced a wage increase for government employees worth \$12bn-\$20bn and new consumer trade in subsidies for 2025 of 81bn yuan.
- ▶ This implies that before the government responds to any new US tariffs, the aggregate government deficit looks likely to expand 1.5% - 1.8% this year. That is a meaningful increase that will work to keep growth above 4%, again, **absent any major US tariff program.**

▶ Against this background, the grind lower in Chinese government yields may continue on trend.

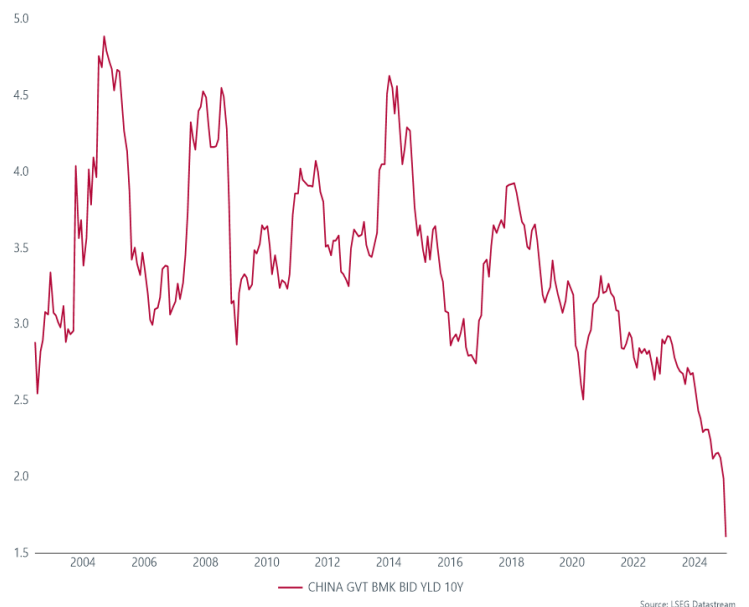
#asinaequity #asiabonds #chinaequities #gemequities
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Establishment survey employees and unemployment



Source: :LSEG Datastream December 2024.

China government bonds



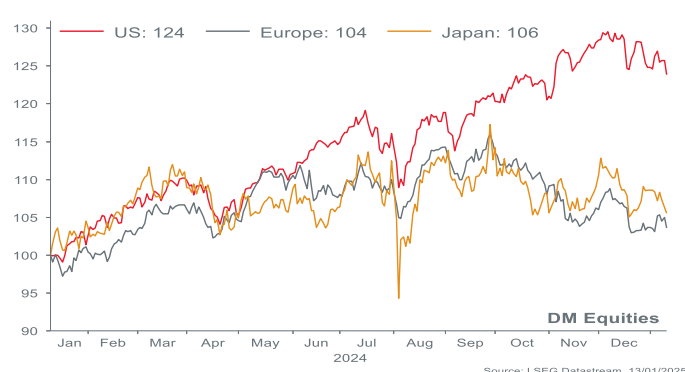
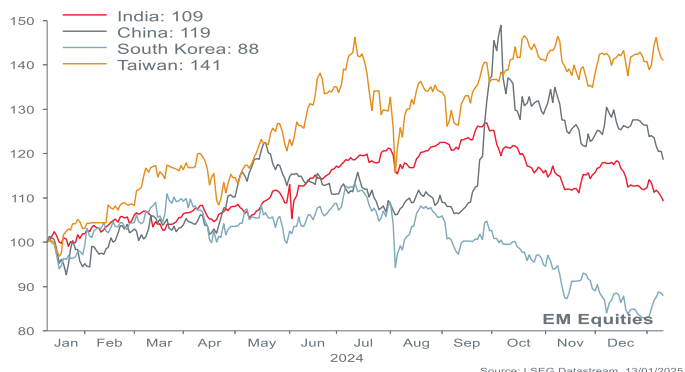
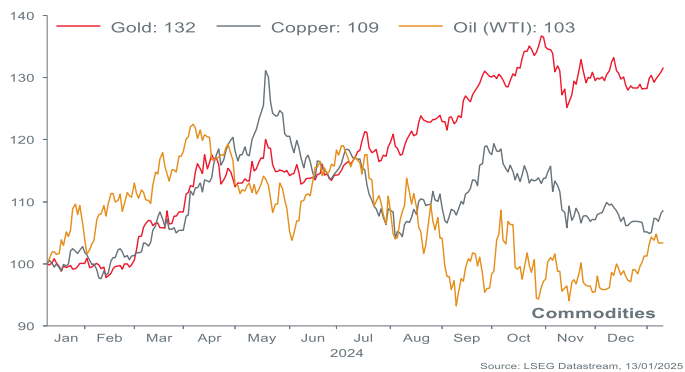
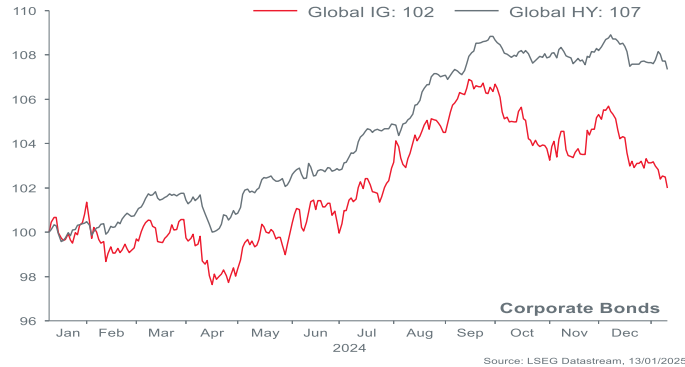
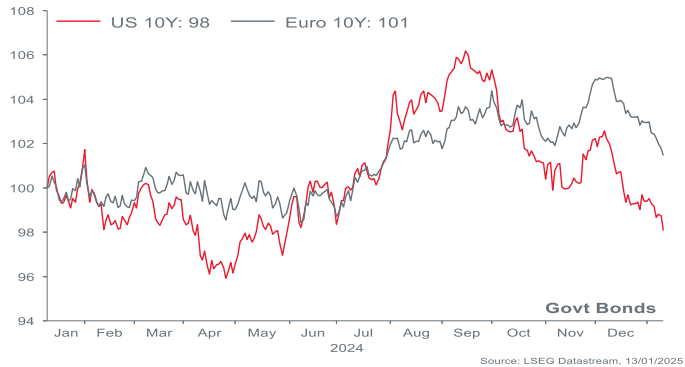
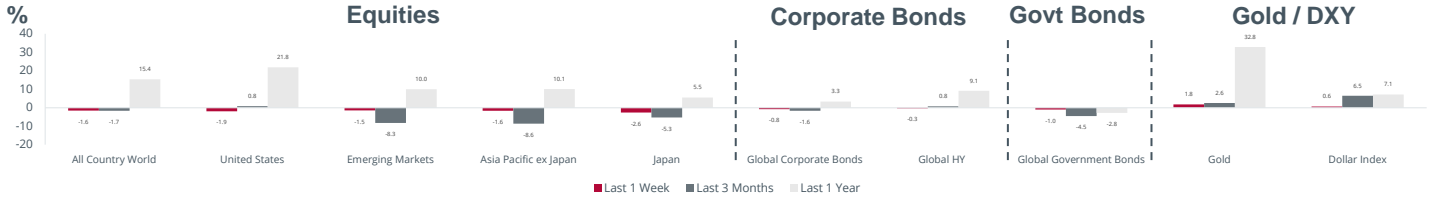
Source: Refinitiv, December 2024.

MARKET REVIEW

Global equities returned -1.6% over the past week. The S&P 500 returned -1.9%, Asia ex-Japan equity index returned -1.8%, Japan equities -2.5%, EM equities -1.5% and China equities -1.0%. The Global Aggregate Bond index returned -1.0%. The yield on 10Y US treasuries rose by 16bps and the 5Y/30Y yield spread flattened by 3bps. The yield on 10Y Singapore govt bonds rose by 14bps. US investment grade credit spreads widened by 0bps and Asia Credit spreads tightened by 2bps.

The Dollar was mostly stronger against major currencies as the Dollar index DXY moved by 0.6% and Asian currencies were mostly weaker 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)	833.86	-1.58	-3.76	-1.69	15.36	-0.89	873.73	712.11
North America								
US S&P 500 Index	5,827.04	-1.94	-3.44	0.81	21.82	-0.93	6,099.97	4,714.82
US Nasdaq Composite Index	19,161.63	-2.34	-2.67	4.81	28.00	-0.77	20,204.58	14,706.23
Europe								
MSCI Europe	2,000.43	0.39	-3.59	-7.55	0.22	-0.12	2,250.56	1,939.94
Asia Pacific								
MSCI Asia Pacific ex Japan	559.50	-1.61	-4.97	-8.60	10.07	-1.74	629.66	491.14
Japan Nikkei 225	39,190.40	-1.77	-0.45	-0.48	13.79	-1.77	42,426.77	31,156.12
Shanghai Stock Exchange Composite	3,168.52	-1.34	-7.43	-4.04	10.11	-5.47	3,674.40	2,635.09
Hong Kong Hang Seng	19,064.29	-3.52	-6.14	-10.29	18.43	-4.96	23,241.74	14,794.16
Taiwan TAIEX	23,011.86	0.45	-0.49	1.56	31.76	-0.10	24,416.67	17,151.58
Korea KOSPI	2,515.78	3.02	4.05	-3.21	-1.03	4.85	2,896.43	2,360.18
India NIFTY 50	23,431.50	-2.39	-4.79	-6.27	8.39	-0.90	26,277.35	21,137.20
Australia Stock Exchange 200	8,294.10	0.53	-1.18	0.87	11.06	1.65	8,514.50	7,322.00
Indonesia Jakarta Composite	7,088.87	-1.06	-4.89	-5.23	-1.92	0.13	7,910.56	6,698.85
Thailand SET	1,367.99	-1.21	-5.49	-6.85	-3.22	-2.30	1,506.82	1,273.17
Malaysia FTSE Bursa KLSE	1,602.41	-1.66	-0.41	-2.35	7.77	-2.43	1,684.68	1,477.05
Philippines Stock Exchange PSE	6,496.32	-1.63	-3.40	-12.35	-0.76	-0.50	7,604.61	6,158.48
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	3.90	13.10	16.61	18.46	4.30	4.77	3.62
10 Year Bond Yield (%)								
Japan	0.96	9.13	12.52	24.74	103.58	9.13	1.20	0.56
China	2.12	1.74	-13.81	-23.67	-35.71	-2.68	2.54	1.61
Australia	4.29	3.19	9.10	7.04	10.03	3.78	4.70	3.82
Singapore	2.82	5.06	12.37	4.73	6.38	6.01	3.45	2.41
Thailand	2.39	3.06	3.06	-7.27	-12.92	3.96	2.83	2.24
Malaysia	3.83	0.24	0.29	-0.29	0.61	0.05	4.01	3.69
Indonesia	6.64	1.82	3.58	7.34	6.49	2.09	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	-0.52	-0.62	-2.68	-6.32	-6.63	-1.05	1.12	1.02
GBP	-0.81	-1.74	-4.42	-6.54	-4.20	-2.45	1.34	1.22
CHF	0.49	0.90	3.84	7.04	7.71	1.01	0.92	0.84
JPY	-0.28	0.27	3.78	6.15	8.21	0.32	161.68	140.60
Asia								
CNY	0.01	0.17	1.14	3.58	2.25	0.46	7.33	7.01
HKD	0.06	0.12	0.17	0.23	-0.41	0.25	7.84	7.76
INR	0.32	0.47	1.51	2.65	3.78	0.71	86.17	82.71
MYR	-0.16	-0.09	1.51	4.78	-3.15	0.56	4.80	4.12
KRW	1.08	0.32	2.70	9.19	11.69	-0.25	1,476.78	1,308.30
SGD	0.29	0.13	2.21	5.05	3.01	0.45	1.37	1.28
TWD	0.68	0.54	1.75	2.67	6.39	0.93	33.09	31.05
IDR	-0.09	-0.03	2.02	3.32	3.95	0.56	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	92.82	-0.80	-2.25	-1.94	-0.66	-1.00	96.21	91.49
Bloomberg U.S. Aggregate USD	89.38	-0.92	-3.00	-3.46	-1.48	-1.16	94.86	87.88

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Sources

Page 2 (top chart): Eastspring Investments, Refinitiv, as at [10 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 [10 January 2025](#). Equities: MSCI indices in USD, other indices in local currency. Other indices or assets as stated.

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