



CIO Views – Weekly Bulletin

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What's top of investors' minds?

1. Could a stronger Brazil be part of a broader GEM rally?

Brazil equities have been very much out of favour this year having underperformed the broader Emerging Market equity universe. However, at current levels, are they offering value?

- It's been a difficult year for Brazilian equities, after a very strong 2023. At the time of writing the Brazil equity market was down 6% year to date in local currency terms, and down over 23% in USD terms.
- Much of the negative sentiment in Brazil has been driven by loose fiscal policy and fears that the central bank will not be able to tackle inflationary pressures despite significant hikes in its reference interest rate, the SELIC.
- The SELIC rate has a history of huge swings and investors were hoping to see substantial cuts through this year (having started at 11.75%). However, after a couple of cuts earlier in 2024, inflation expectations started to de-anchor, forcing the central bank to reverse course. Last week, it hiked a further 100bps to 12.25%, and guided for additional hikes that would bring SELIC to at least 14.25%
- Sentiment is now extremely negative, underscored by investor positioning data and the attractive stock valuations. As President Lula currently faces personal health issues and declining approval ratings, market participants will eventually start pricing in the odds for the next election in 2026.

Taking a longer-term investment horizon view is key when picking stocks in Emerging Markets. Markets such as Brazil get regularly swayed by negative headlines and emotional reactions. In such scenarios, disciplined investors with long-term views are very well positioned to capture attractive returns.

#gemequities #latamequities

2. How could this year's picture change in 12 months?

A year ago, would an investor have anticipated the returns profile that played out in 2024?

- At the headline level investors have found the continued march of the US equity market, and its Magnificent 7 drivers, the most inexorable story of the year.
- However, with the path of the next 12 months anything but certain, could we see a narrowing of valuation discounts between GEM and Developed markets – perhaps led by markets like Brazil?
- Modest rises in India, China, Hong Kong, ASEAN markets could all be repeated in 2025 and supported by Latin America. The contrarian could argue significant fiscal stimulus in China may change the whole picture in Asia & GEM.

With uncertainty and volatility likely at the heart of 2025, diversification of assets and a robust attitude to risk will remain critical for investors as we slither towards the year of the snake!

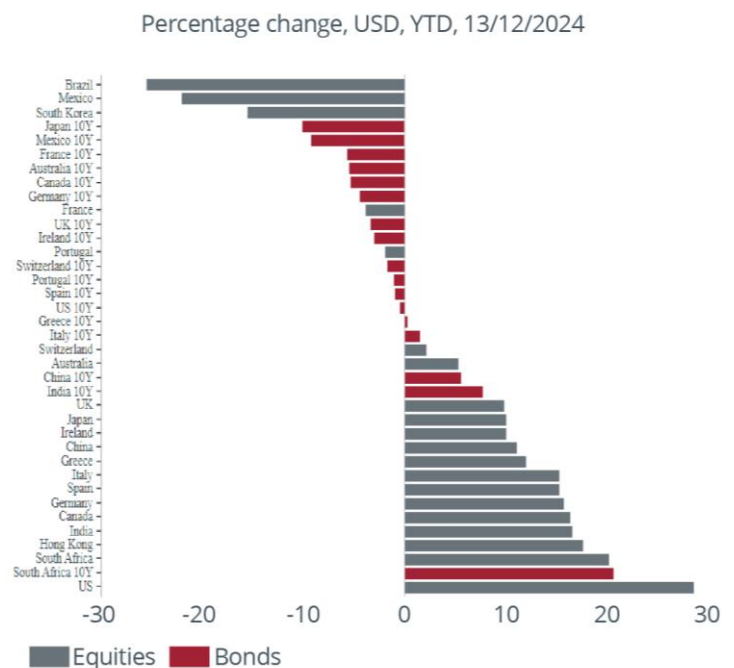
#asinaequity #asiabonds #chinaequities #gemequities #mutliasset investing #asialowol

Brazil SELIC Target rate



Source: :LSEG Datastream December 2024.

Asset class returns Year to Date 2024



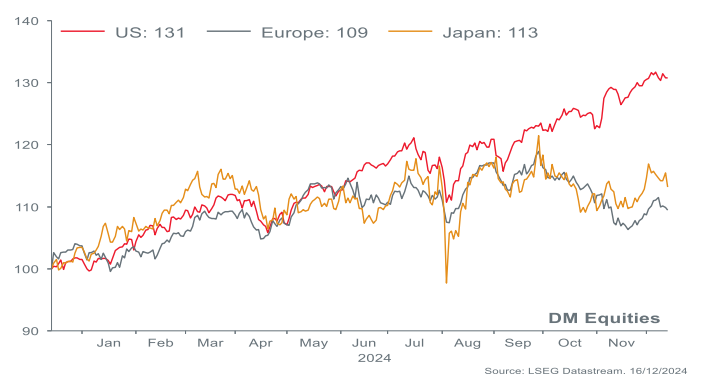
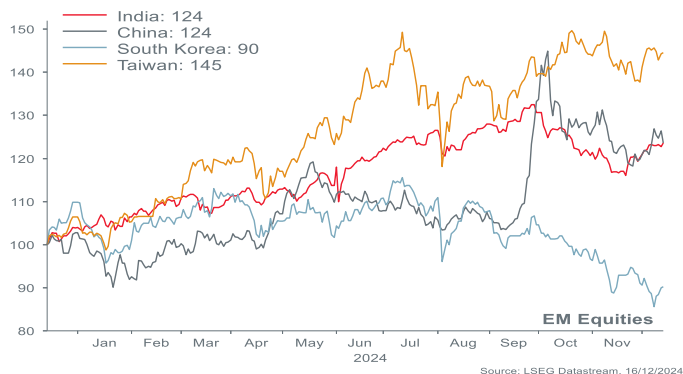
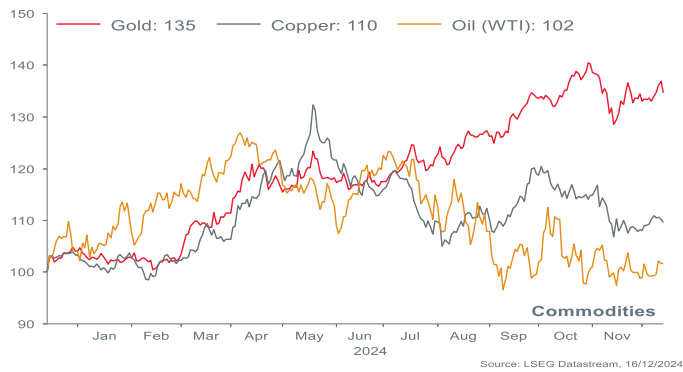
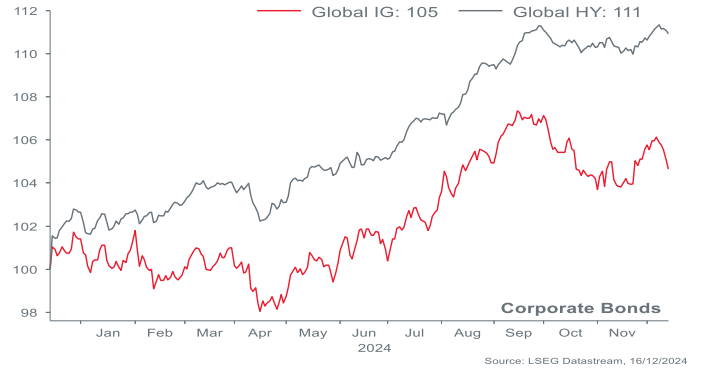
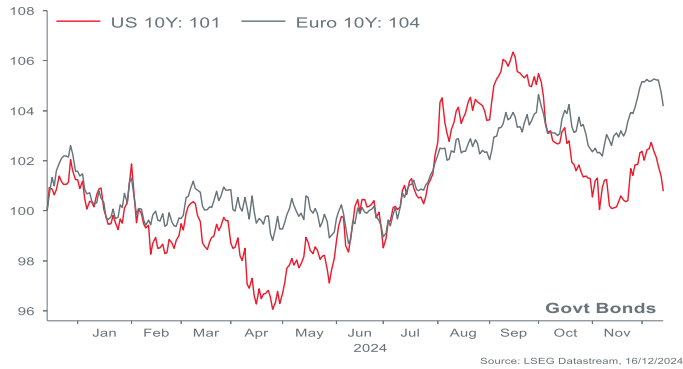
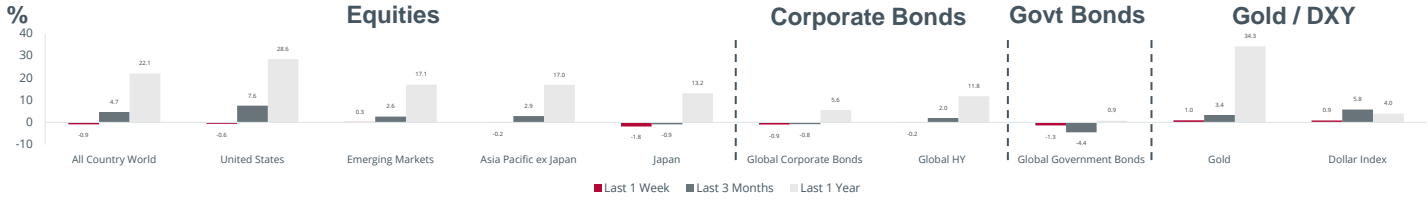
Source: Refinitiv, December 2024.

MARKET REVIEW

Global equities returned -0.87% over the past week. The S&P 500 dropped -0.6%, while the Asia ex-Japan equity index was slightly down -0.19%. Japanese equities increased by 0.97%, Emerging Markets equities advanced by 0.27%, and Chinese equities dropped by -0.36%. The Global Aggregate Bond index returned -0.78%. The yield on 10-year US treasuries rose 21bps while the 5-year/30-year yield spread increased by 10bps. The yield on 10-year Singapore government bonds rose by 6bps. US investment grade credit spreads tightened and Asia Credit spreads contracted by 3bps.

The Dollar strengthened against most major currencies with the Dollar index (DXY) rising by 0.89%. Asian currencies weakened against the dollar with the Asian Dollar index (ADXY) falling by 0.3%.

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)	866.14	-0.87	1.32	4.74	22.12	19.14	873.73	709.27
North America								
US S&P 500 Index	6,051.09	-0.64	1.10	7.56	28.55	26.86	6,099.97	4,643.23
US Nasdaq Composite Index	19,926.72	0.34	3.62	12.68	35.24	32.74	20,061.65	14,477.57
Europe								
MSCI Europe	2,064.51	-1.47	1.99	-5.38	5.91	2.18	2,250.56	1,939.94
Asia Pacific								
MSCI Asia Pacific ex Japan	585.40	-0.19	1.15	2.93	17.00	10.69	629.66	491.14
Japan Nikkei 225	39,470.44	0.97	1.93	7.90	19.87	17.95	42,426.77	31,156.12
Shanghai Stock Exchange Composite	3,391.88	-0.36	-1.38	25.44	14.25	14.02	3,674.40	2,635.09
Hong Kong Hang Seng	19,971.24	0.53	0.75	14.98	23.06	17.15	23,241.74	14,794.16
Taiwan TAIEX	23,020.48	-0.74	0.70	5.79	31.78	28.39	24,416.67	17,151.58
Korea KOSPI	2,494.46	2.73	3.20	-3.14	-0.65	-6.06	2,896.43	2,360.18
India NIFTY 50	24,768.30	0.37	5.13	-2.32	18.36	13.97	26,277.35	20,769.50
Australia Stock Exchange 200	8,296.00	-1.48	1.25	2.42	14.31	9.29	8,514.50	7,234.30
Indonesia Jakarta Composite	7,394.24	0.16	1.17	-5.35	4.51	1.67	7,910.56	6,698.85
Thailand SET	1,431.67	-1.40	-1.36	0.51	5.43	1.12	1,506.82	1,273.17
Malaysia FTSE Bursa KLSE	1,608.75	-0.28	-0.17	-2.63	11.10	10.59	1,684.68	1,443.72
Philippines Stock Exchange PSE	6,616.51	-1.67	-1.46	-5.79	5.77	2.58	7,604.61	6,158.48
Singapore FTSE Straits Times Index	3,810.35	0.37	2.42	6.95	22.75	17.59	3,842.71	3,086.44
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	4.40	5.92	-1.17	20.55	9.08	13.96	4.71	3.62
10 Year Bond Yield (%)								
Japan	1.04	-1.52	-0.67	23.42	50.43	68.51	1.10	0.55
China	1.78	-9.08	-14.61	-14.07	-32.87	-30.86	2.66	1.78
Australia	4.30	1.56	-7.84	12.61	0.49	8.69	4.70	3.82
Singapore	2.77	1.92	-3.86	13.08	-3.25	2.22	3.45	2.41
Thailand	2.30	-0.43	-5.54	-9.80	-18.73	-14.50	2.83	2.28
Malaysia	3.82	0.13	-2.52	1.73	-0.60	2.33	4.01	3.69
Indonesia	7.06	2.10	2.20	7.64	4.72	8.83	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	0.33	-0.62	-0.58	-5.18	-3.41	-4.84	1.12	1.04
GBP	-0.41	-0.97	-0.67	-3.84	-	-0.87	1.34	1.23
CHF	0.07	1.62	0.76	5.15	2.42	6.07	0.92	0.84
JPY	0.67	2.41	-1.16	9.10	7.53	8.92	161.68	140.60
Asia								
CNY	0.10	0.08	0.71	2.57	1.44	2.51	7.29	7.01
HKD	0.01	-0.05	-0.07	-0.30	-0.46	-0.43	7.84	7.76
INR	-0.05	0.13	0.43	1.08	1.72	1.91	84.88	82.71
MYR	0.27	0.68	0.02	3.47	-5.46	-3.12	4.80	4.12
KRW	0.23	0.69	2.13	7.97	10.75	10.79	1,434.30	1,288.65
SGD	0.10	0.49	0.39	3.90	1.13	2.20	1.37	1.28
TWD	-0.06	0.32	0.13	1.76	3.37	5.92	32.85	30.68
IDR	0.44	0.92	1.40	3.86	2.14	3.86	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	94.36	-0.78	0.65	-1.75	1.26	0.10	96.21	91.49
Bloomberg U.S. Aggregate USD	91.20	-1.43	0.35	-3.59	0.63	-0.55	94.86	87.88

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Sources

Page 2 (top chart): Eastspring Investments, Refinitiv, as at 13 December 2024. 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 13 December 2024. Equities: MSCI indices in USD, other indices in local currency. Other indices or assets as stated.

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