

CIO Views – Weekly Bulletin

eastspring
investments



Vis Nayar
Chief Investment Officer
Eastspring Investments



Ray Farris
Chief Economist
Eastspring Investments

A Prudential plc company

What's top of investors' minds?

Earnings support China's outperformance

MSCI China has outperformed the region year-to-date (YTD) in local currency terms and is second behind Singapore in USD terms. Support for this is coming from the 12-month forward earnings estimates rising more in China than in other markets, YTD. The I/B/E/S consensus projects MSCI China earnings growth to accelerate from 7% this year to 14%, driven in large part by China's dynamic tech sector. Domestic stimulus has yet to play a significant role in earnings with earnings revisions for consumer discretionary and staples down 1.9% and 2.0% for 2025 respectively. Yet we continue to expect government stimulus to increase later in the year.

What US-EU tariffs might say about US-China

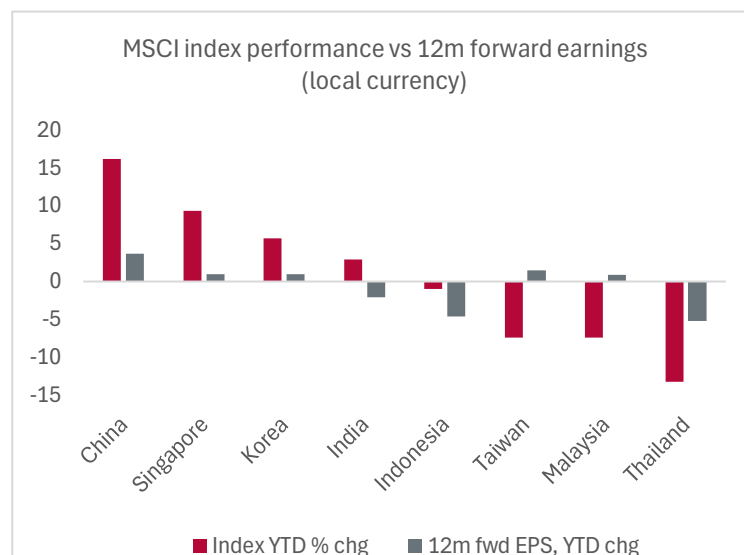
Last week we noted US Treasury Secretary Bessent's warning that countries deemed to not be negotiating "in good faith" would have reciprocal tariffs imposed on them. The EU appears to be the immediate target of the warning, with President Trump announcing a 50% tariff on imports from the EU, first to take effect from June 1 initially to July 9 following an appeal from European Commission President von der Leyen for time to propose a deal. The press had previously reported that the EU and US were far apart on finding compromise on US demands.

How this plays out will have important implications for markets in the near term and may give insight into the US-China negotiations. US markets fell 0.7% - 1.0% on Friday in response to Trump's announcement, but futures are up 1.2% - 1.3% as we write.

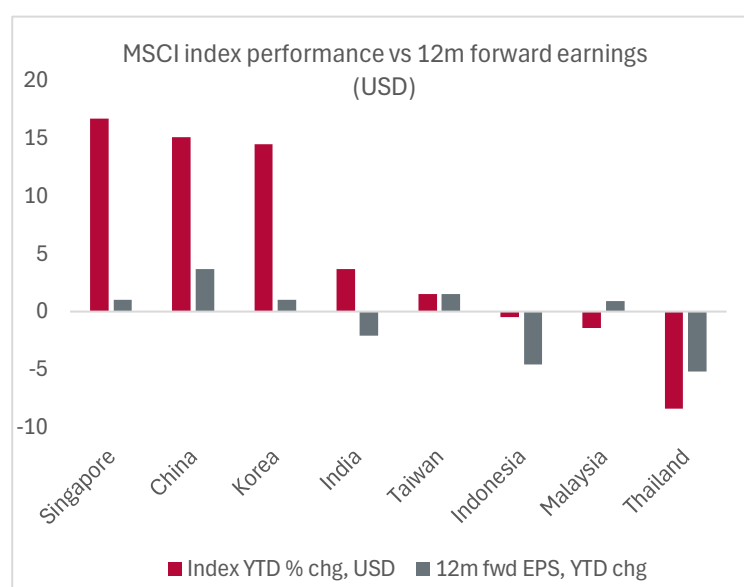
If the EU does not capitulate to the far-reaching US demands, will Trump follow through with the 50% tariff or find a justification to delay further? If he does impose the tariff markets are likely to fall in response. Europe's recent equity outperformance makes it relatively more vulnerable, but we expect less violent responses than in the wake of April 2 as they will probably anticipate that Trump will be unwilling to sustain such high tariffs on the US' largest import source, worth about \$610bn in imports. In contrast, if the EU does not give in and Trump finds a reason to delay, markets will almost certainly extrapolate this positively to US-China negotiations to assume that threats against China are largely empty.

If the EU does manage to do a deal, markets – and China – will look for details that discriminate against China. The US appears to be asking countries to impose tariffs and other barriers on their trade and investment in China as part of deals with the US. China would be likely to respond negatively to the countries in question and the US in response.

Earnings expectations support China's outperformance



Source : Bloomberg, 26 May 2025



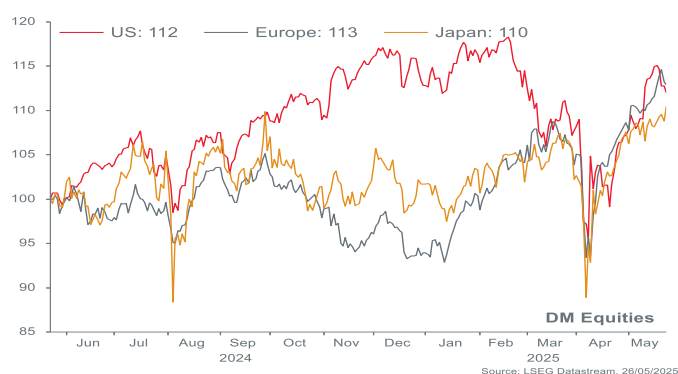
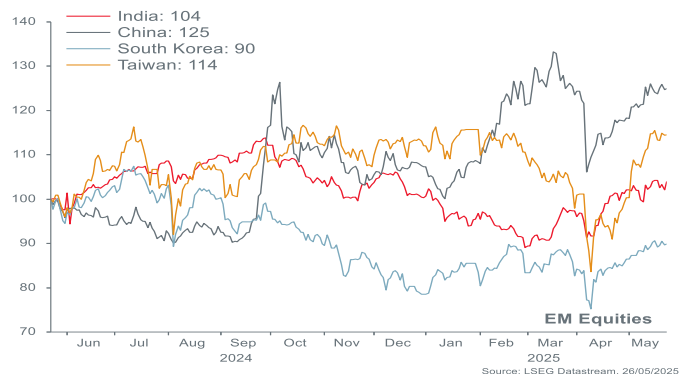
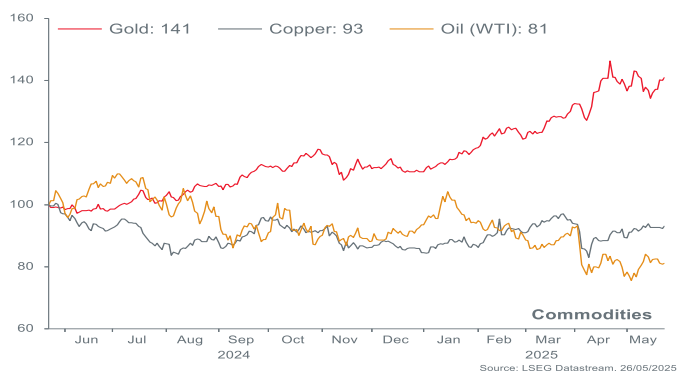
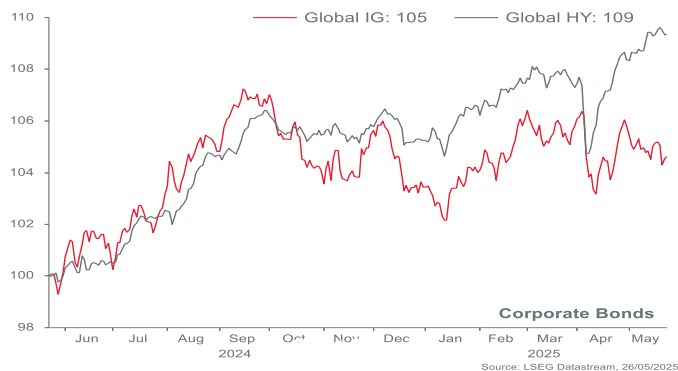
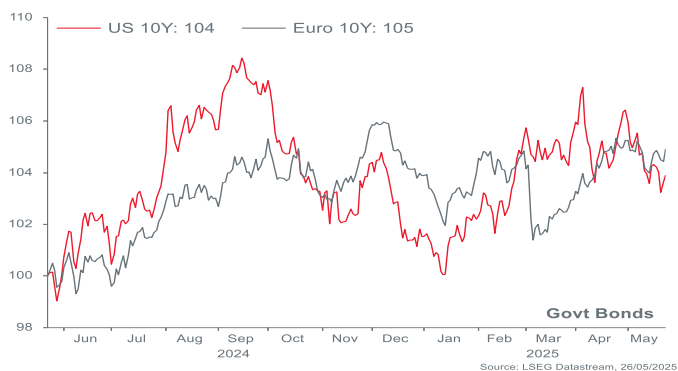
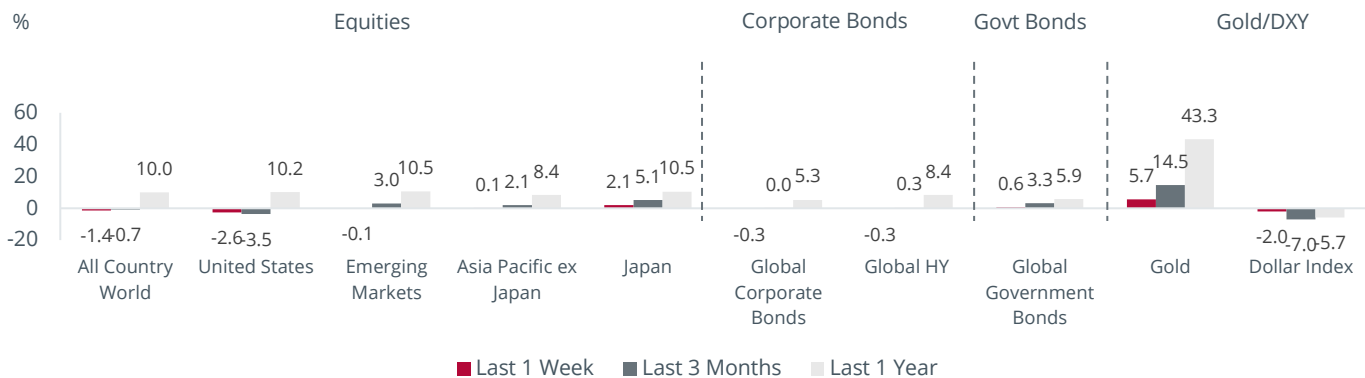
Source: Bloomberg, 26 May 2025

Market Review

Global equities returned -1.4% over the past week. The S&P 500 declined by -2.6%, while Asia Pacific ex-Japan and Emerging Market equities returned 0.1% and -0.1% respectively. Within Asia, Japan equities rose 2.1% on a USD basis, while China equities declined by 0.6%. The Global Sovereign Bond index rose by 0.6%. The yield on 10Y US treasuries rose by 4bps, whilst the yield on 10Y Singapore govt bonds declined by 11bps and the price of Gold rose by 5.7%.

The US Dollar was mostly weaker against major currencies, with the Dollar index DXY declining by -2.0%.

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)	868.15	-1.42	7.42	-0.73	10.04	3.19	887.72	742.96
North America								
US S&P 500 Index	5,802.82	-2.61	7.94	-3.50	10.16	-1.34	6,147.43	4,835.04
US Nasdaq Composite Index	18,737.21	-2.47	12.14	-4.03	11.96	-2.97	20,204.58	14,784.03
Europe								
MSCI Europe	2,354.40	0.93	5.37	6.46	9.25	17.55	2,390.94	1,976.06
Asia Pacific								
MSCI Asia Pacific ex Japan	614.50	0.13	7.59	2.08	8.38	7.92	629.66	513.60
Japan Nikkei 225	37,160.47	-1.57	6.57	-4.17	-4.97	-6.85	42,426.77	30,792.74
Shanghai Stock Exchange Composite	3,348.37	-0.57	1.58	-0.91	7.44	-0.10	3,674.40	2,689.70
Hong Kong Hang Seng	23,601.26	1.10	6.93	0.53	25.08	17.65	24,874.39	16,441.44
Taiwan TAIEX	21,652.24	-0.88	10.25	-8.76	0.21	-6.00	24,416.67	17,306.97
Korea KOSPI	2,592.09	-1.32	2.63	-2.35	-4.77	8.03	2,896.43	2,284.72
India NIFTY 50	24,853.15	-0.67	2.15	9.02	8.21	5.11	26,277.35	21,281.45
Australia Stock Exchange 200	8,360.90	0.21	5.56	0.78	7.03	2.47	8,615.20	7,169.20
Indonesia Jakarta Composite	7,214.16	1.52	8.74	6.04	-0.11	1.90	7,910.56	5,882.61
Thailand SET	1,176.36	-1.62	1.96	-5.60	-14.00	-15.99	1,506.82	1,056.41
Malaysia FTSE Bursa KLSE	1,535.38	-2.31	2.28	-3.50	-5.76	-6.51	1,684.68	1,386.63
Philippines Stock Exchange PSE	6,413.10	-0.81	3.97	5.17	-3.71	-1.77	7,604.61	5,804.56
Singapore FTSE Straits Times Index	3,882.42	-0.40	1.31	-1.21	16.85	2.50	4,005.18	3,198.44
Government Bonds								
US Treasury Yield (%)	Close	1 week change (%)	1 month change (%)	3 month change (%)	1 year change (%)	YTD change (%)	52 week high	52 week low
10 Year	4.51	1.62	2.83	2.06	0.80	-1.44	4.81	3.62
10 Year Bond Yield (%)								
Japan	1.55	6.60	16.98	8.77	55.00	41.55	1.59	0.77
China	1.69	0.78	1.26	-3.10	-26.92	0.36	2.32	1.61
Australia	4.45	-0.49	5.57	-1.33	4.21	1.97	4.70	3.82
Singapore	2.48	-1.62	-1.43	-13.81	-24.30	-13.21	3.37	2.39
Malaysia	3.57	-0.42	-2.86	-6.13	-8.47	-6.68	3.99	3.56
Indonesia	6.83	-0.51	-1.75	0.65	-0.15	-2.71	7.30	6.43
Bond Indices								
Bloomberg Global Aggregate USD	93.46	-0.34	-0.49	-0.63	1.37	-0.32	96.21	91.73
Bloomberg U.S. Aggregate USD	90.77	-0.47	-0.49	-0.70	1.76	0.38	94.86	88.61

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	0.74	1.80	0.45	8.66	5.10	9.77	1.15	1.02
GBP	0.90	1.99	2.12	7.17	6.61	8.19	1.35	1.22
CHF	-0.92	-1.97	-1.16	-8.52	-10.18	-9.48	0.92	0.81
JPY	-1.02	-2.12	-0.63	-4.52	-9.17	-9.31	161.68	140.60
Asia								
CNY	-0.33	-0.41	-1.46	-0.97	-0.85	-1.64	7.35	7.01
HKD	0.07	0.24	0.94	0.81	0.30	0.83	7.83	7.75
INR	-0.92	-0.37	-0.20	-1.62	2.32	-0.45	87.63	83.06
MYR	-0.98	-1.49	-3.65	-4.26	-10.08	-5.37	4.72	4.12
KRW	-1.20	-2.40	-4.32	-4.77	-0.20	-7.59	1,485.83	1,308.30
SGD	-0.67	-1.21	-2.40	-3.91	-5.01	-5.97	1.37	1.28
TWD	-0.26	-0.78	-7.94	-8.56	-7.08	-8.59	33.25	29.16
IDR	-0.67	-1.34	-3.83	-0.52	1.41	0.78	16,865.00	15,095.00

Disclaimer

This document is produced by Eastspring Investments (Singapore) Limited and issued in:

Singapore by Eastspring Investments (Singapore) Limited (UEN: 199407631H)

Australia (for wholesale clients only) by Eastspring Investments (Singapore) Limited (UEN: 199407631H), which is incorporated in Singapore, is exempt from the requirement to hold an Australian financial services licence and is licensed and regulated by the Monetary Authority of Singapore under Singapore laws which differ from Australian laws.

Hong Kong by Eastspring Investments (Hong Kong) Limited and has not been reviewed by the Securities and Futures Commission of Hong Kong.

Indonesia by PT Eastspring Investments Indonesia, an investment manager that is licensed, registered and supervised by the Indonesia Financial Services Authority (OJK).

Malaysia by Eastspring Investments Berhad (200001028634/ 531241-U) and Eastspring Al-Wara' Investments Berhad (200901017585 / 860682-K).

Thailand by Eastspring Asset Management (Thailand) Co., Ltd.

United States of America (for institutional clients only) by Eastspring Investments (Singapore) Limited (UEN: 199407631H), which is incorporated in Singapore and is registered with the U.S Securities and Exchange Commission as a registered investment adviser.

European Economic Area (for professional clients only) and Switzerland (for qualified investors only) by Eastspring Investments (Luxembourg) S.A., 26, Boulevard Royal, 2449 Luxembourg, Grand-Duchy of Luxembourg, registered with the Registre de Commerce et des Sociétés (Luxembourg), Register No B 173737.

Chile (for institutional clients only) by Eastspring Investments (Singapore) Limited (UEN: 199407631H), which is incorporated in Singapore and is licensed and regulated by the Monetary Authority of Singapore under Singapore laws which differ from Chilean laws.

The afore-mentioned entities are hereinafter collectively referred to as Eastspring Investments.

The views and opinions contained herein are those of the author, and may not necessarily represent views expressed or reflected in other Eastspring Investments' communications. This document is solely for information purposes and does not have any regard to the specific investment objective, financial situation and/or particular needs of any specific persons who may receive this document. This document is not intended as an offer, a solicitation of offer or a recommendation, to deal in shares of securities or any financial instruments. It may not be published, circulated, reproduced or distributed without the prior written consent of Eastspring Investments. Reliance upon information in this document is at the sole discretion of the reader. Please carefully study the related information and/or consult your own professional adviser before investing.

Investment involves risks. Past performance of and the predictions, projections, or forecasts on the economy, securities markets or the economic trends of the markets are not necessarily indicative of the future or likely performance of Eastspring Investments or any of the funds managed by Eastspring Investments.

Information herein is believed to be reliable at time of publication. Data from third party sources may have been used in the preparation of this material and Eastspring Investments has not independently verified, validated or audited such data. Where lawfully permitted, Eastspring Investments does not warrant its completeness or accuracy and is not responsible for error of facts or opinion nor shall be liable for damages arising out of any person's reliance upon this information. Any opinion or estimate contained in this document may subject to change without notice.

Eastspring Investments companies (excluding joint venture companies) are ultimately wholly-owned/indirect subsidiaries of Prudential plc of the United Kingdom. Eastspring Investments companies (including joint venture companies) and Prudential plc are not affiliated in any manner with Prudential Financial, Inc., a company whose principal place of business is in the United States of America or with the Prudential Assurance Company Limited, a subsidiary of M&G plc (a company incorporated in the United Kingdom).

Sources

Asset performances: (top chart) Eastspring Investments, Refinitiv, as at 23 May 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. **(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.

Market data: Eastspring Investments, Refinitiv, as at 23 May 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.



A Prudential plc company 

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