



Monthly Investment Updates

January 2026



# Macro Overview



## Growth


- The US economy added 50,000 jobs in December, below expectations of 60,000, thereby pointing to a continued hiring slowdown. The slowdown in job growth is due to trade and immigration policies which have reduced the demand and supply of workers.
- In Asia, the surge in US demand for chips driven by the Artificial Intelligence (AI) boom is expected to support gross domestic product (GDP) growth of around 2.0% in Korea and 3.4% in Taiwan. Malaysia is also set to benefit from the AI theme - both through stronger exports and double-digit growth in construction linked to data centre expansion. India's economy is projected to grow by 6.6% this year, likely from the credit growth following 2025's rate cuts.
- Meanwhile, China's GDP growth slowed from over 5% in the first half of 2025 to 4.5% in the fourth quarter with weakening momentum in consumption and investment. Nonetheless the full year 2025 growth was on target at 5%. Growth was uneven in the last quarter of 2025 with stronger exports offsetting the still weak domestic demand. Retail sales softened to 0.9% year-on-year - the slowest pace in three years.

## Inflation & monetary policy

- The US consumer price inflation held steady at 2.7% year-on-year in December. A gradual pass through of tariffs into goods inflation is being offset by disinflation in US housing. The US Federal (Fed) Reserve is expected to keep its benchmark overnight interest rate in the 3.50 per cent to 3.75 per cent range at its January 27-28 meeting. Markets still expect the Fed Funds to cut rate by 50 basis points this year, but confidence in this magnitude and particularly timing has fallen.
- In Asia ex-Japan, inflation has bottomed in almost all economies while in Japan, inflation remains sticky. As a result, some Asian central banks are pausing on rate cuts; Bank of Korea kept rates unchanged in January on concerns that a weaker won can pose a risk to inflation. Malaysia too signalled a pause on rate cuts while the Monetary Authority of Singapore is expected to tighten or maintain to manage inflation.
- In contrast, the monetary policy easing announced by the People's Bank of China (PBOC) makes sense given that China's fourth quarter growth in 2025 slowed to 4.5% from 4.8% in the third quarter, making it the weakest quarterly growth since the fourth quarter of 2022. The outlook is for inflation to fade in the second half of 2026 and for further PBOC easing.

## Asset class views

- Uncertain financial markets require tactical flexibility and prudent (and active) downside risk management. That said, we think it may be too early to be outright bearish on risk assets, such as global equities. Despite still lofty valuation levels (i.e., US equities notching new record highs), current macroeconomic fundamentals can still be supportive over the near-term. Fed rate cuts can help counter some of the expected moderated US growth in 2026, while allowing further Asian rate cuts.
- As higher equity valuations can make stock markets more sensitive to news and market development fluctuations, the team continues to actively identify promising investment opportunities in less expensive markets (e.g., Emerging Markets, Asia). Importantly, we remain cognisant that geopolitical risks, elevated US asset valuations, and rising concentration risks in equity markets could trigger sharp market movements.
- Within fixed income, we maintain a tactically constructive outlook on US government bonds (i.e., US duration), supported by expectations of further Fed rate cuts, particularly as signs of labour market weakness, decelerating growth momentum, and easing inflation pressures continue to manifest.

 Top 3 risks	Likelihood	Magnitude of market impact
<b>Two US risks stand out</b> - one is that the US labour market weakens further pushing up the unemployment rate. Weaker jobs and a higher unemployment rate would risk forcing consumers to shift from cutting savings rates as they did in the second half of 2025 to cutting consumption in order to rebuild savings rates. A second key risk would be any pull back from AI infrastructure spending by the large US tech companies. This would risk a fall in equity prices that could transmit into a negative wealth effect for US households, reversing one of the key drivers of last year's stronger than expected consumption growth. This scenario would also risk a fall in semiconductor chip prices that would threaten earnings estimates for Korea and Taiwan.	Medium	High
<b>Key upside risks</b> - includes a recovery in US job creation that pushes US growth above 2.5% at the cost of renewed inflationary pressure. This scenario would probably force markets to reduce expectations of Fed rate cuts, hence pushing US bond yields higher. A higher US interest rate structure would support the USD and potentially weaken financial flows to emerging markets.	Medium	Medium
<b>Geopolitical instability</b> - continue to monitor the potential for stress emerging from China-Taiwan cross-strait relations.	Low	High

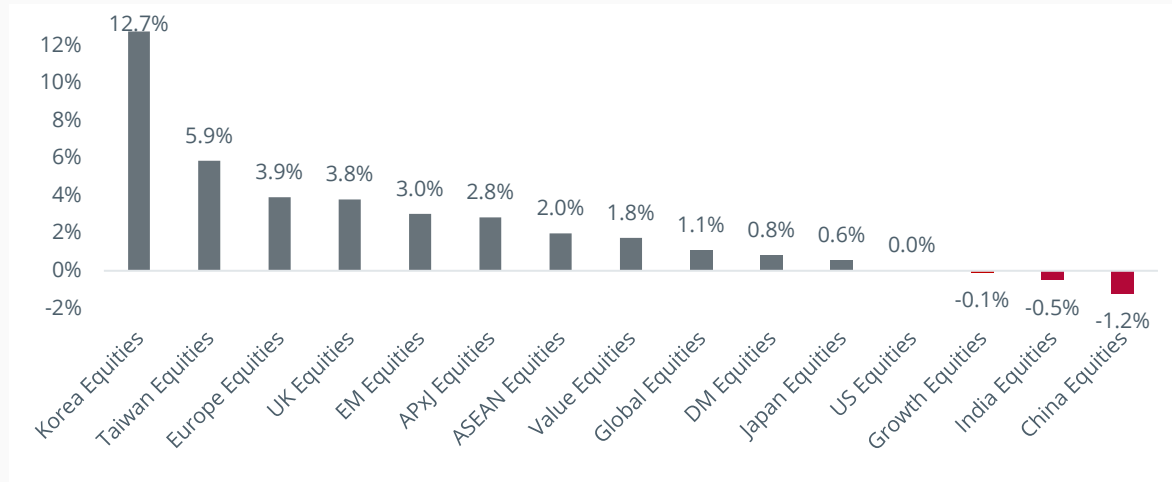
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# Market Recap and Update



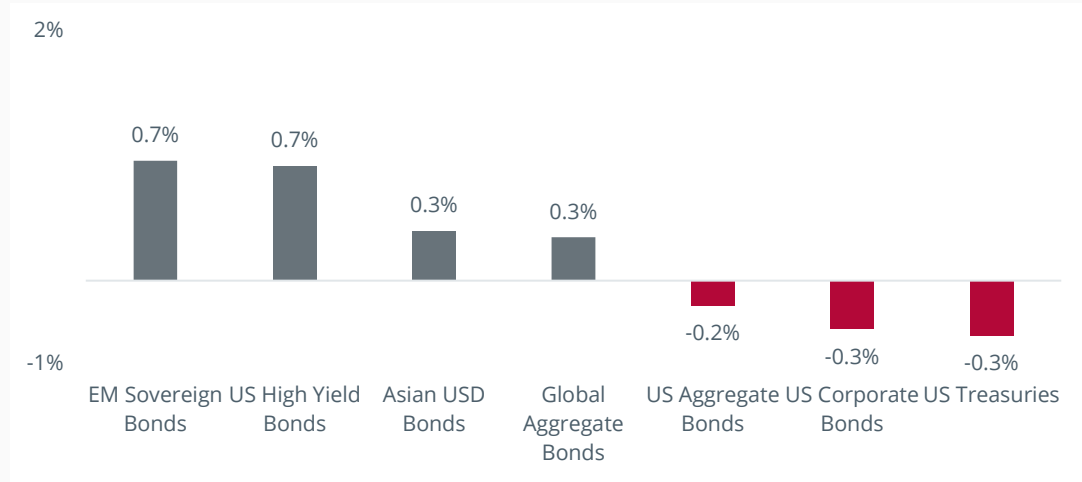
## Global Equity Markets

(Monthly gross returns as of 31 December 2025, in USD)



## Global Bond Markets

(Monthly gross returns as of 31 December 2025, in USD)



- Global equities, as proxied by the MSCI ACWI Index, rose 1.1% in December, supported by the US Federal Reserve's (the Fed) monetary policy easing and a mid-month rebound in technology stocks following earlier concerns around artificial intelligence (AI) valuations and spending. The US stock market showed mixed trends during the month, with the Nasdaq falling by 0.5%, while the S&P 500 closed relatively flat. Stocks generally rallied on the Fed's 25 basis points rate cut, alongside economic data reinforcing hopes of further easing in 2026. However, uncertainty over the extent of rate cuts and early concerns about inflated AI valuations tempered sentiment. European equities rose by 3.9%, also supported by the Fed rate cut expectations.
- Emerging Markets equities and Asia Pacific ex-Japan equities rose by 3.0% and 2.8%, respectively, led by the global trade bellwethers of Korea (+12.7%) and Taiwan (+5.9%). South Korean equities rose to record highs, as the market rebounded on an AI-driven rally in semiconductor stocks and capital market reforms. Taiwan's market posted gains as large-cap technology stocks rose, supported by the AI momentum and strong local supplier demand for data centre expansion. Chinese equities fell by -1.2%, amid mounting economic pressures, including subdued growth in retail sales and industrial output, and continued declines in fixed asset investment and new home prices, highlighting persistent demand headwinds. ASEAN markets rose by 2.0%, lagging Emerging Markets.

- Despite the Fed's quarter-point rate cut, US Treasury yields on the mid-to-long tenors (e.g., 5Y, 7Y, 10Y, 20Y, 30Y) generally rose in December as markets priced in resilient economic growth and inflation expectations. The 3-month yield fell 21 basis points (bps) to 3.67%, while the 2-year yield was relatively flat at 3.47%. Conversely, the 10-year yield increased by 16 bps to 4.18%.
- Amid rising US Treasury yields along the mid-to-long maturities, US Treasuries and US corporate bonds returned -0.3% while US aggregate bonds returned -0.2%, respectively. On the other hand, global aggregate bonds generated a modest gain of 0.3%. High yield bonds generally outperformed their investment-grade peers, as a combination of the Fed rate cut, inflows and bond upgrades, all underpinned the market. Emerging markets USD-denominated bonds edged higher in December, with the JPMorgan Emerging Markets Bond Index Global Diversified Index rising by 0.7%, supported by inflows, favourable macroeconomic tailwinds, and steadily improving fundamentals. Asian USD-denominated bonds registered a 0.3% return, supported by strong performances from high yield issuers.

Data source: Eastspring Investments, LSEG Datastream and MSCI. \*Monthly gross total returns as of 31 December 2025. **Equity Markets** - "Global" : MSCI ACWI, "DM" : MSCI World Index, "APxJ" : MSCI AC Asia Pacific ex Japan Index, "EM" : MSCI Emerging Markets Index' "Value" and "Growth" : MSCI World Value Index and MSCI World Growth Index, respectively, and "China" : MSCI China Index. **Bond Markets** - "U.S. Corporate Bonds": ICE BofA U.S. Corporate Index, "EM Sovereign Bonds": J.P. Morgan EMBI Global Diversified Index, "U.S. Treasuries" : Bloomberg U.S. Treasury Index, "Asian USD Bonds": J.P. Morgan Asia Credit Index, "Global Aggregate Bonds": Bloomberg Global Aggregate Index, "U.S. Aggregate Bonds": Bloomberg U.S. Aggregate Index, and "U.S. High Yield Bonds": ICE BofA U.S. High Yield Index. Past performance of the indices is not indicative of future performance of the indices.



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