



Monthly Investment Updates

July 2025

# Macro Overview



## Growth

- Economic models such as the Federal Bank of Atlanta (Atlanta Fed) GDPNow forecasts that US Q2 real Gross Domestic Product (GDP) growth will come in at 2.4% (revised lower from 2.6% previously), supported by a still resilient US labour market and limited tariff impact so far. However, rising tariffs threaten to dampen future growth, especially if reciprocal tariff rates are implemented. This could also lead to renewed USD weakness later this year. The higher June inflation (see below) cuts average US real weekly wage growth to 0.7% year-on-year (yoy) from 1.4% yoy in May, the slowest since January. Real weekly wage growth could go to close to nil or possibly turn negative by year-end, thereby hurting US consumption and growth.
- Asia's GDP growth potentially faces dual headwinds: direct export losses from higher tariffs and reduced US import demand. However, countries like China are partially shielded by fiscal stimulus and tech sector momentum, while India's low trade exposure to the US offers some insulation.

## Inflation


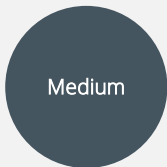


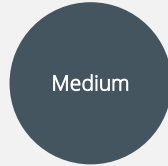

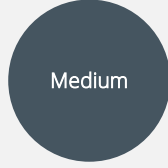
- US consumer prices rose 0.3% month-on-month in June, pushing the year-on-year rate to 2.7%. Tariffs are beginning to affect prices although the impact is still muted. The prices of household furnishings and apparel prices are showing early signs of tariff pass-through. Meanwhile, the bulk of June's goods inflation weakness came from falling auto prices, likely reflecting earlier frontloaded demand. Importantly, import prices—measured before tariffs—have started rising again, implying that final landed costs for businesses and consumers could accelerate.
- Inflation in Asia ex-Japan should remain low or fall further on the back of anticipated slower growth, low oil prices, and currently promising rice harvests.

## Monetary policy

- The US Federal Reserve (Fed) appears inclined to cut rates by 25bps to 50bps by year-end. However, its outlook for higher inflation means that the Fed requires the unemployment rate to rise to 4.4% - 4.5% to justify the cuts. June's inflation reading rules out a July rate cut, but leaves the September policy decision open, pending further inflation and employment data. If US inflation rises and the unemployment rate remains below 4.4%, the Fed might delay cuts until December.
- Asian central banks are well-positioned to ease policy due to high real rates and subdued inflation. India is expected to continue monetary easing to stimulate growth, while China's fiscal measures are already supporting targeted sectors.

## Asset class view

- We continue to maintain a constructive equity outlook over the short-term tactical horizon, as the key signposts we monitor remain positive, alongside lower odds of an extreme 'left-tail' risk scenario. For example, the Purchasing Managers' Index (which assesses the state of the manufacturing and services sectors) and corporate earnings revisions, remain on a positive trajectory, and our macro risk indicators remain supportive for equities over the near-term. Flushed money market conditions amid central banks' rate cuts this year may also allow equity markets in the near term to advance, absent new shocks from oil or tariffs. Within equities, we tactically favour Asia and Emerging Market equities, where market valuations and macro conditions are more attractive versus the US'.
- We continue to be tactically constructive on US Treasuries as US yields remain appealing at the current level. Over the longer-term, US duration can serve as a safeguard against potential risks of a recession or growth slowdown. We will look to increase duration if economic data clearly indicate a downturn (i.e., material weakening in the labour market).

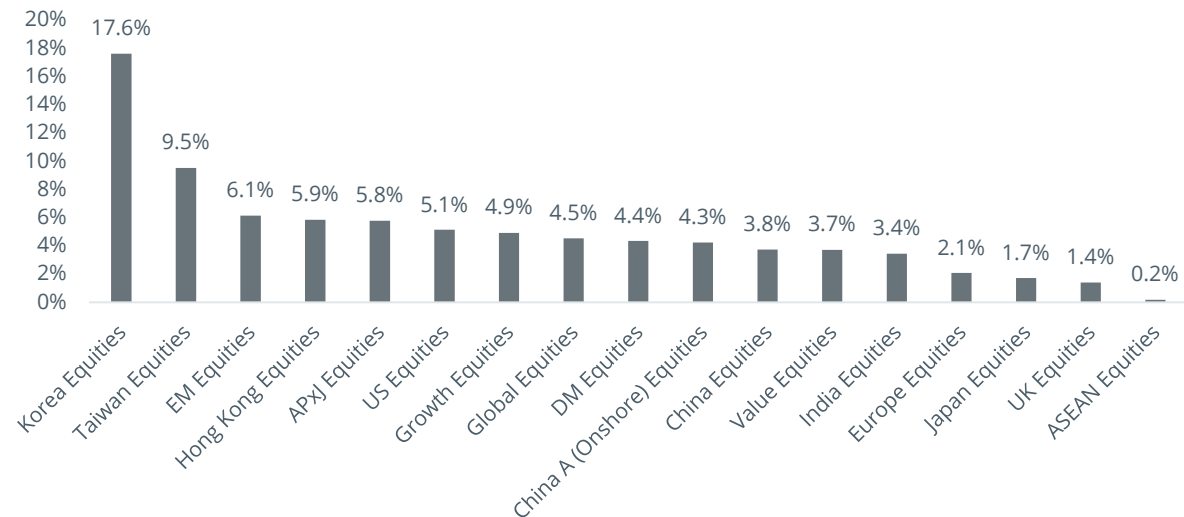
 Top 3 Risk Areas of Concern	Likelihood	Magnitude of Impact on Markets
<b>On-going trade policy uncertainty.</b> In light of the recently extended August 1 tariff deadline, we believe many countries will eventually arrive at some form of deals, or at least frameworks, similar to that of the UK & China, which lowers the tariff rate from previously given levels. That said, the Trump Administration's failure to finalise trade deals could result in a broad implementation of the higher reciprocal tariffs introduced on April 2. Trump could also surprise with more aggressive than expected sectoral tariffs in Q4 2025 and Q1 2026.	 Medium	 High
<b>Geopolitical instability.</b> While trade tensions have served as a key source of market volatility, geopolitical tensions still loom in the background and can have a significant impact on investor sentiment. This is seen from the recent escalation in the Israel-Iran tensions. Supply-side inflation shocks may emerge in the near-term, such as a rise in energy prices or some other event that could raise inflation expectations.	 Medium	 Medium
<b>China's growth slowdown (and its impact on global growth)</b> may persist if Beijing's stimulus response to the trade war remains slow and inadequate. The lack of sufficient, timely support for the domestic economy may cause China's GDP growth to fall below 4%, leading to a decline in Asian export growth and lower commodity prices. We would like to see more targeted support measures aimed at a broad-based recovery (versus merely stabilising growth).	 Medium	 Medium



# Market Recap and Update



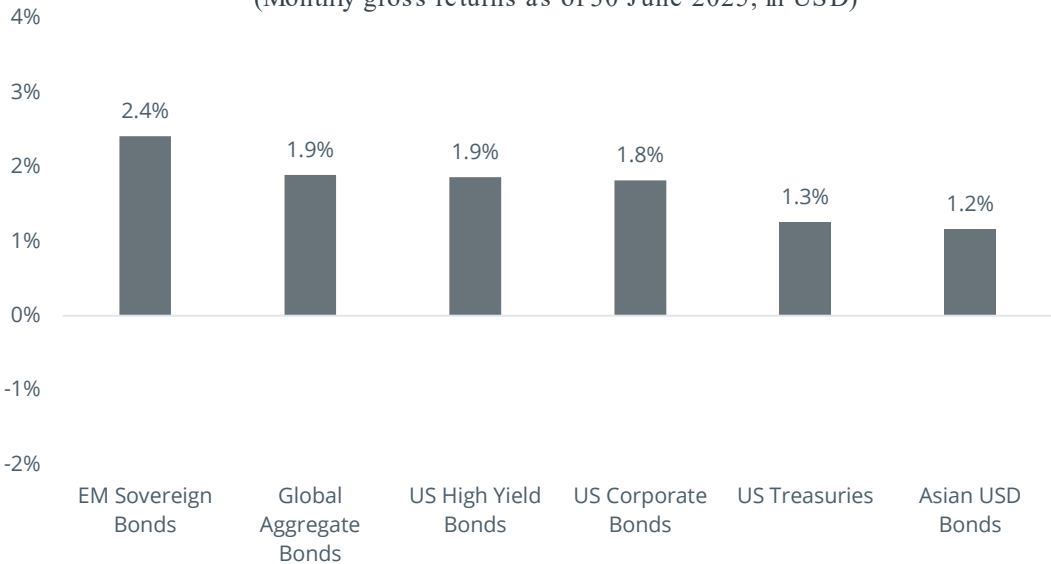
**Global Equity Markets**  
(Monthly gross returns as of 30 June 2025, in USD)\*



- Global equities rose 4.5% in June, supported by the US market's 5.1% gains. The rise was fueled by a combination of higher inflows, progress on the U.S.-China trade deal, falling oil prices, and the tentative ceasefire between Israel and Iran. European equities rose 2.1% in June, boosted by the Israel-Iran ceasefire, while declining oil prices dragged energy stocks lower.
- Developed markets (MSCI World) returned 4.4%, underperforming the emerging markets (EM) which gained 6.1% in USD terms. EM benefited from a weak dollar environment, with global trade bellwethers such as South Korea (+17.6%) and Taiwan (+9.5%) delivering strong gains. China equities gained 3.8%, led by the defense and technology sectors, but underperformed both EM and DM equities amid persistent deflationary dynamics and ongoing trade turbulence. Hong Kong (MSCI Hong Kong) gained 5.9%, benefitting in part from the ongoing initial public offering (IPO) market boom. ASEAN markets underperformed the broader Asian region and EM, dragged by underperformances in Indonesia (-4.9%) and Thailand (-3.1%). A weaker GDP forecast weighed on Indonesia while political instability rose in Thailand following a leaked audio clip involving the Thai Prime Minister.

## Global Bond Markets

(Monthly gross returns as of 30 June 2025, in USD)\*



- US Treasury yields declined as expectations of a Fed rate cut rose, but the Fed held rates steady at a range 4.25% to 4.50% in its June meeting, preferring to adopt a cautious approach to assessing the economic impact of President Trump's policies. The 10-year and 2-year Treasury yield both fell 17 basis points (bps) to 4.24% and 3.72% respectively.
- Amid falling yields, the Bloomberg Global Aggregate Index, and the Bloomberg US Aggregate Index returned 1.9% and 1.5%, respectively. In the US credit space, the ICE BofA US Corporate Index, and the ICE BofA US High Yield Constrained Index returned 1.8% and 1.9%, respectively. Emerging Market (EM) USD sovereign bonds, as proxied by the J.P. Morgan EMBI Global Diversified Index, rose 2.4% in June, as both investment grade and high yield issuers gained. EM bonds also benefited from currency stability against the USD, ample room for rate cuts by EM central banks, and improved sentiment due to easing tariff tensions. The Asian USD bond market, as reflected by the J.P. Morgan Asia Credit Index (JACI), rose 1.2%, with gains in investment grade and high yield bonds.

Data source: Eastspring Investments, LSEG Datastream and MSCI. \*Monthly total returns are provided as of 30 June 2025. Equity returns are referenced by the respective MSCI market indices quoted in USD, in gross return terms. "Global" is represented by the MSCI ACWI; "DM" is represented by the MSCI World Index. "APxJ" is represented by MSCI AC Asia Pacific ex Japan Index. "EM" is represented by MSCI Emerging Markets Index. "Value" and "Growth" are represented by the MSCI World Value Index and MSCI World Growth Index, respectively. "China" is represented by the MSCI China Index and "China A" is represented by the MSCI China A Onshore Index. The fixed income markets are represented as follows: "US Corporate Bonds": ICE BofA US Corporate Index (USD) TR Index gross; "EM Sovereign Bonds": J.P. Morgan EMBI Global Diversified (USD) TR Index gross; "US Treasuries": Bloomberg Barclays US Treasury Index (USD) TR Index gross; "Asian USD Bonds": J.P. Morgan Asia Credit Index (USD); "Global Aggregate Bonds": Bloomberg Barclays Global Aggregate (USD) TR Index gross; "US High Yield Bonds": ICE BofA US High Yield Index (USD) TR Index gross.



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