eastspring investments

A Prudential plc company

Monthly Investment Updates

November 2025

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Macro Overview

Growth

- The US government shutdown that lasted from 1 October to 13 November delayed the release of key economic indicators, including the consumer price index (CPI) and the jobs data. Despite the lack of new jobs data, the US Federal Reserve (Fed) cut the Fed Funds rate by another 25 basis points (bps) to a 3.75% to 4.00% range in October, citing previous observation of rising downside risks to employment. The Fed is closely monitoring Artificial Intelligence-related layoffs at major companies to gauge the implications for the jobs market.
- In Asia, China appears likely to further lose momentum in the next few months before new government stimulus kicks in next year. China's 4th Plenum suggests that the government is committed to keeping gross domestic product (GDP) growth 4.5% - 5.0% through 2030 with policy-guided investment in strategically important sectors focused on Artificial Intelligence (AI), biotech, materials, new energy, and aerospace. We expect the Indian economy to grow 6.6% in 2026 following stronger than expected growth of 6.8% in 2025. Overall, Asia's economic growth next year is poised to hold up more than previously estimated due to both monetary and fiscal stimulus measures despite weaker external demand and elevated tariffs.

Inflation

- The September US consumer price index data showed inflation hitting 3% for the first time since January as the impact of tariffs kick in.
- Inflation remains largely benign across Asia, allowing central banks to ease. China's consumer price index rose 0.2% year-on-year in October, an increase from the 0.3% decline in September boosted by the Golden week holiday spending. Meanwhile India's retail inflation hit a record low of 0.25% in October driven by falling food prices and the lingering effects of the cuts in the goods and services tax in September.

Monetary policy

- As expected, the Fed cut rates by 25 bps in October, though Chairman Powell signaled uncertainty about further near-term cuts amid missing data from the government shutdown. We still expect soft labour data to prompt another 25 bps cut in December.
- While Fed rate cuts will ease global monetary conditions on their own, the cuts also facilitate further policy rate cuts by other central banks. In Asia, inflation is below both central bank targets and historic averages in all countries except Taiwan where it is in line with the central bank's target. We expect policy rate cuts in China, India, Indonesia, the Philippines, and Thailand. Some countries, such as India, are also easing regulatory restrictions on banks and non-bank financial companies that should lead to stronger lending in 2026.

Asset class views

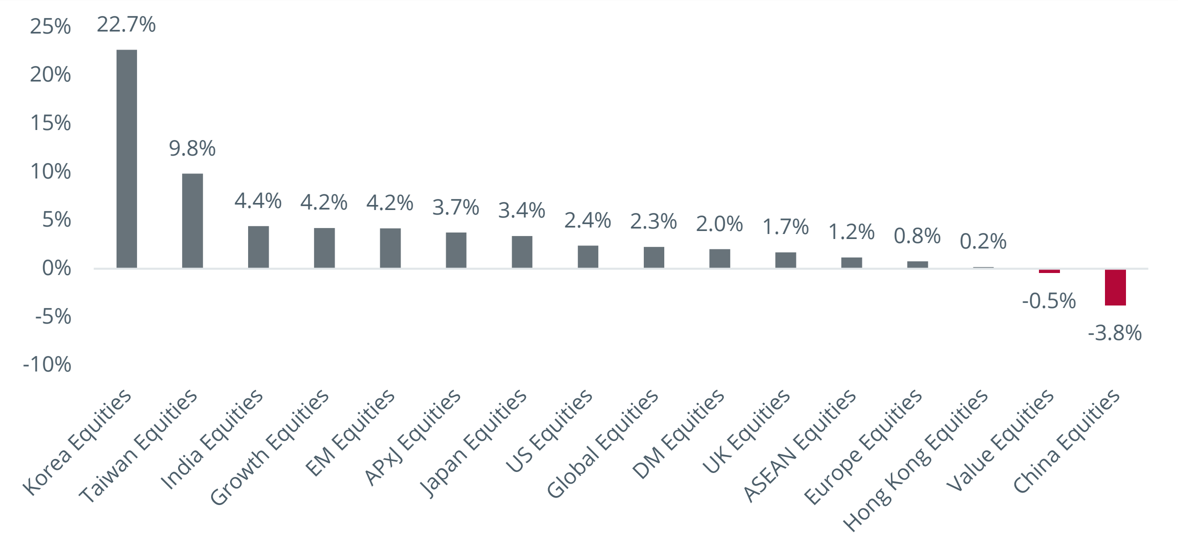
- Uncertain financial markets require tactical flexibility and prudent downside risk management. That said, we think it may be too early to be outright bearish on risk assets such as global equities, despite higher valuation levels (i.e., US equities hitting record highs in October) and narrowing market breadth, given still decent fundamentals.
- As higher equity valuations can make stock markets more sensitive to news and market fluctuations, the team continues to actively identify promising investment opportunities in less expensive markets (e.g., Emerging Markets, Singapore). Singapore equities, for example, exhibit defensive characteristics while providing an attractive dividend yield.
- Within fixed income, the team dialed down its tactical constructive stance on US duration in mid-October. This shift was prompted by the 10-year US Treasury yield dropping below the 4% key support level, which has made the risk-reward profile less appealing for the time being.

Top 3 risks	Likelihood	Magnitude of market impact
The US economy slows more-than-expected due to labour market weakness and as gradually rising tariff-related price pressures erode US consumption growth, a key tailwind for US GDP growth. While we doubt inflation will rise to more than 4% in a worst-case scenario, weaker growth with inflation stuck above 3% would rekindle stagflation concerns. Another key risk is that companies begin scaling back AI-related tech hardware investments as US equities and GDP growth have become highly dependent on AI-driven spending.	Medium	High
Key upside risks include but are not limited to a) the US economy proves more resilient to tariffs than expected and b) the Fed cuts rates more than expected. If tariff passthrough remains subdued, US consumption growth could stay resilient while inflation would prove lower than expected. The latter would create room for the Fed to credibly cut interest rates more than is currently priced, stimulating both the economy and asset prices. Another source of potential upside would be a larger-than-expected Chinese policy stimulus to maintain 5% GDP growth which could boost equities, strengthen the yuan, and support broader Asian growth.	Medium	Medium
Geopolitical instability. We continue to monitor the potential for stress emerging from China-Taiwan cross-strait relations.	Low	High

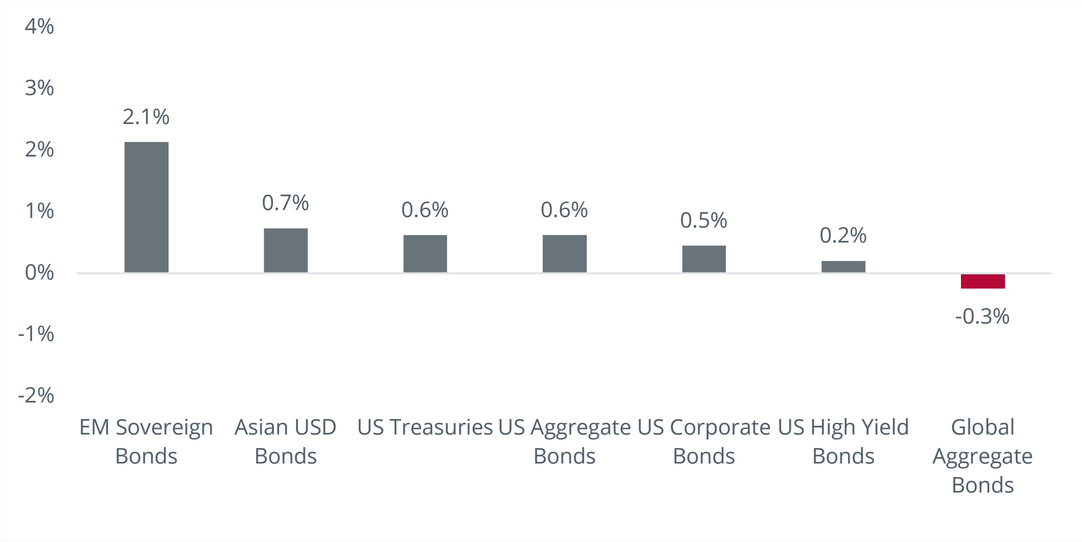
Views provided herein are subject to change without notice.

Market Recap and Update

Global Equity Markets
(Monthly gross returns as of 31 October 2025, in USD)



Global Bond Markets
(Monthly gross returns as of 31 October 2025, in USD)



- Global equities rallied by 2.3% in October, as participants looked past the prolonged US government shutdown (and delayed US employment and inflation data), focusing on a second straight Fed rate cut, a trade deal with China (following mid-month volatility) and stronger-than-expected corporate earnings. US equities, as proxied by the MSCI USA Index, rose by 2.4%, buoyed by easing US-China trade tensions, alongside resilient corporate earnings and continued momentum in Artificial Intelligence (AI) related stocks; the S&P 500 and Nasdaq delivered gains of 2.3% and 4.7%, respectively. Strong AI investor interest continues to bolster the technology sector.

- European equities rose by 0.8%, supported by improved risk sentiment amid easing US-China trade tensions, though mixed corporate earnings capped gains. Emerging markets achieved a 4.2% return in USD, surpassing the 2% gain of developed markets, largely due to strong showings from key global trade bellwethers South Korea (22.7% in USD) and Taiwan (9.8% in USD). China stood out as an exception, posting weaker performance compared to other markets. China's equity markets fell by 3.8%, pressured by escalating trade tensions with the US early in the month and profit-taking in AI-related stocks. Although sentiment improved after the Xi-Trump meeting, which helped to ease trade tensions, the markets still endured volatility.

- In October, the US Federal Reserve lowered its benchmark interest rate by 25 basis points to a range of 3.75% - 4.00%, citing a softening labour market and ongoing inflation concerns. Long-end US Treasury yields modestly decreased while the 2-year yield remained unchanged at 3.60%. The 10-year yield fell 5 bps to 4.11% and the 30-year yield declined 6 bps to 4.67%.

- US Treasuries registered a 0.6% gain while global government bonds delivered slightly negative returns in October. Within government bonds, while US Treasuries rallied earlier in the month, a late month rise in yields across Europe and Japan tempered those gains.

- Emerging Markets' (EM) USD bonds, an outperformer during the month, rose by 2.1%, as proxied by the JPMorgan Emerging Market Bond Index Global Diversified Index, continuing the positive momentum supported by attractive valuations, resilient macroeconomic fundamentals, and foreign inflows due to global monetary easing. The Asian USD bond market, as tracked by the JPMorgan Asia Credit Index, posted a 0.73% gain, supported by falling US interest rates and narrowing credit spreads.

Data source: Eastspring Investments, LSEG Datastream and MSCI. *Monthly gross total returns as of 31 October 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 Index. Past performance of the indices is not indicative of future performance of the indices.

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