A Prudential plc company

Monthly Investment Updates

October 2025

Macro Overview

Growth

- The U.S. economy is showing signs of deceleration. August's non-farm payrolls of 22,000 new jobs surprised on the downside, The three-month average rate of jobs growth of 30,000 is well below the 70,000 level needed to keep the unemployment rate stable. The Federal Reserve (Fed) cut the Fed Funds rate by 25 basis points (bp) to a 4.00% to 4.25% range in September and guided more cuts. While this dovish shift is primarily aimed at preserving labour market strength, it also signals a more cautious US growth outlook.

- For emerging markets, easier global financial conditions can help boost capital inflows, improve currency stability, and support domestic investment. China's growth outlook remains challenged - consumption was weaker than expected during the Golden Week holiday. The Chinese government's targeted fiscal measures and credit support aim to stabilise the economy. In Japan, the new prime minister Sanae Takaichi's policies would probably be fiscally expansionary and supportive of the economy. India's 100 bp of rate cuts since February together with the fiscal stimulus from its Goods and Services Tax (GST) rationalisation should also add to India's growth momentum in 2026.

Inflation

- The US' personal-consumption expenditures price index, the Fed's preferred inflation gauge, rose 2.9% year over year in August. The Fed's willingness to cut rates despite inflation near 3% reflects a strategic shift prioritising labour market stability over aggressive inflation control.

- In Asia, inflation remains largely benign, allowing central banks to ease. Singapore's inflation is stable, supporting its bond market - core consumer prices increased 0.3% year over year in August. India's inflation rose 1.54% from a year earlier in September, an eight-year low, boosting rate cut expectations and enhancing the appeal of its government bonds. Japan is an exception within Asia, with its August core inflation rate of 2.70% well above the Bank of Japan's (BoJ) 2% target.

Monetary policy

- We expect the Fed to cut another 25 bp at its October and December meetings. We expect the Fed to cut again in October and December.

- The Fed's renewed cutting cycle has set the tone for global monetary policy. Asian central banks are responding in kind: Bank Indonesia preemptively cut its policy rate by 25 bp in September, and rate cuts from China, India, Indonesia, and Thailand are expected by year-end. This synchronised easing can help to boost domestic demand and mitigate export softness within the region. For Japan, we expect Ms Takaichi to advocate for the BoJ to continue running an expansionary policy. As such, the BoJ may delay its next policy hike until January 2026.

Asset class view

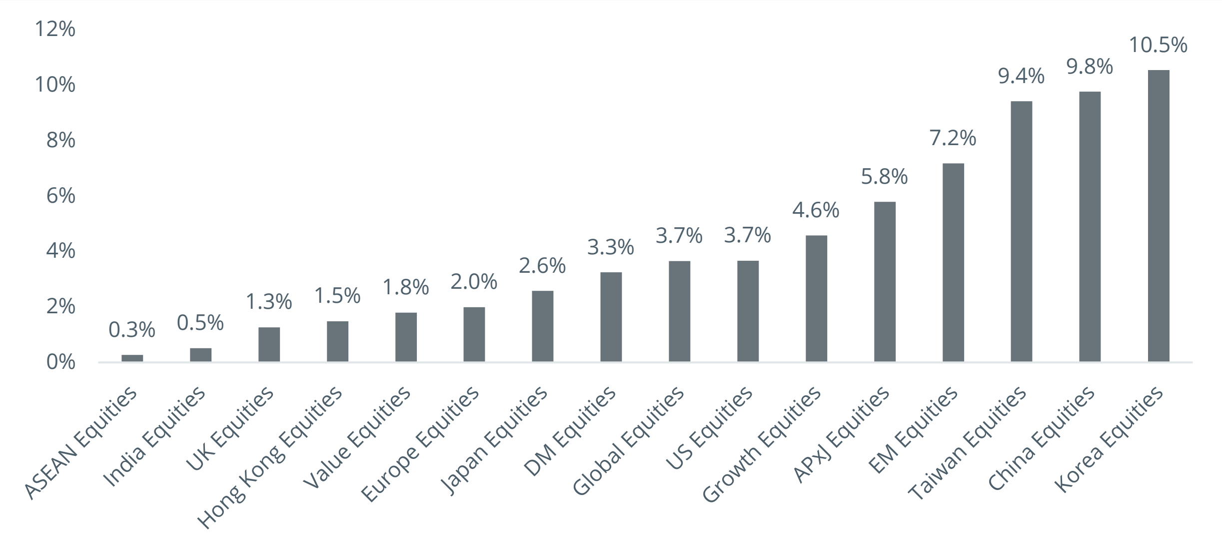
- We remain constructive on risk assets, such as global equities, in the near term. With central banks turning more accommodative, equity markets may continue to rise in the near term—provided no new shocks emerge from tariffs or geopolitics. However, as some indices hit record highs in recent months, stretched valuations could prompt us to take a more cautious view. The market's upside is likely more limited from here, as compared to the first half of the year for example.
- The second quarter earnings season in the Emerging Markets (EM) beat expectations, showing resilience against the initial wave of tariff headlines. Within EM, India equities should enjoy tailwinds from the Goods and Services Tax reforms, positive earnings momentum and consumer sentiment.
- Our still positive near-term US duration view remains anchored on the potential for US Treasury yields to ease further. While tariff-driven inflation is a concern, any clear signs of economic or labour market weakness could prompt the Fed to cut rates quickly—likely pushing yields even lower.

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 Gross Domestic Product (GDP) growth. Although 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 investment in artificial intelligence (AI)-related tech hardware as US equities and economic 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 aimed at keeping GDP growth at 5%. This would support Chinese equities, the yuan, and have positive spillovers for broader Asian growth.	Medium	Medium
Geopolitical instability. We continue to monitor the potential for stress emerging from China-Taiwan cross-strait relations.	Low	High

Market Recap and Update

Global Equity Markets

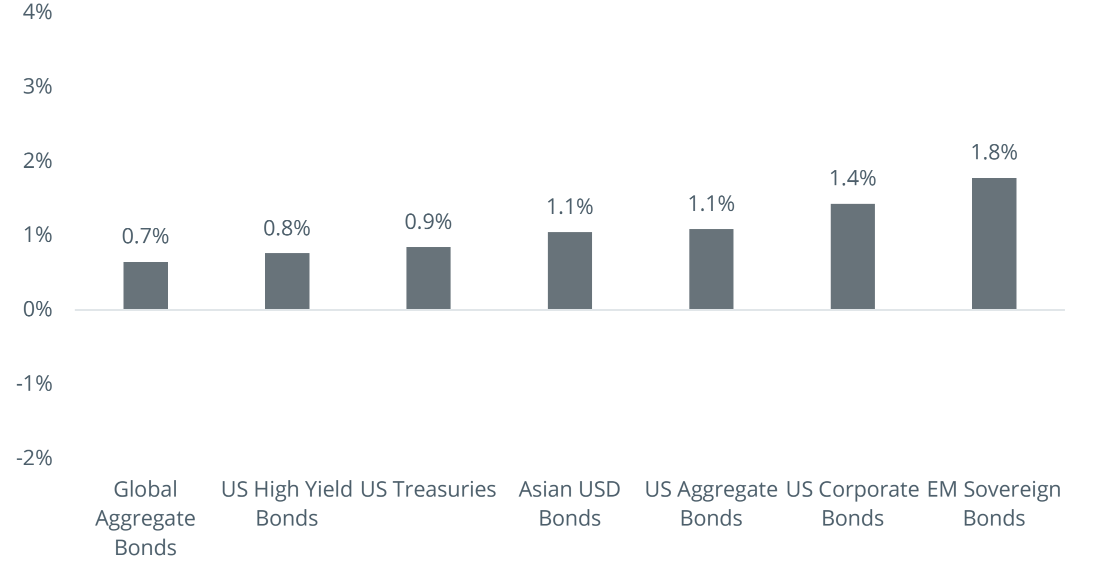
(Monthly gross returns as of 30 September 2025, in USD)



- Global equities rose in September, with the MSCI ACWI Index up 3.7%, supported by the Fed's dovish stance and resilient US consumer demand. Optimism around artificial intelligence (AI)-driven productivity and robust corporate earnings also buoyed market sentiment. The S&P 500 Index returned 3.5%. Eurozone equities rose by 2.0% in USD terms, fueled by the recent Nvidia-OpenAI partnership and attractive valuations.
- Developed markets (DM), as proxied by the MSCI World Index, returned 3.3%, underperforming both Asia Pacific ex-Japan (APxJ) and Emerging Markets (EM), which returned 5.8% and 7.2%, respectively. EM equities were led by strong gains from South Korea (10.5%), China (9.8%), and Taiwan (9.4%). South Korea's outperformance was led by the financial, technology, and automobile stocks, as well as boosted by expectations of government stimulus. Chinese equities were driven by household savings flowing into the market, along with renewed foreign inflows amid technology sector momentum. Taiwan equities rallied 9.5% fueled by AI optimism. Taiwan's dominance in advanced semiconductor chip manufacturing positions it as a key beneficiary of the global AI boom.

Global Bond Markets

(Monthly gross returns as of 30 September 2025, in USD)



- Following the Fed's rate cut, the 2-year US Treasury yield increased 1 bp to 3.60%, the 10-year yield fell 7 bps to 4.16% and the 30-year yield declined 19 bps to 4.73%.
- Global bond markets posted gains in September. The Bloomberg Global Aggregate Bond Index and the Bloomberg US Treasury Index returned 0.7% and 0.9%, respectively. US credit markets were supported by a solid earnings season, supportive technicals and the prospects for further Fed rate cuts. Emerging Markets (EM) bonds, as proxied by the J.P. Morgan EMBI Global Diversified Index, returned 1.8%, benefitting from the US Treasury rally, increased appetite for higher yield, and weakening USD. The Asian USD bond market, as proxied by the JP Morgan Asia Credit Index, recorded a gain of 1.1% due to lower yields as well as spread compression, with performance largely driven by high yield issuers.

Data source: Eastspring Investments, LSEG Datastream and MSCI. *Monthly total returns are provided as of 30 September 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 presented by the MSCI China A Onshore Index. The fixed income markets are represented as follows: "U.S. Corporate Bonds": ICE BofA U.S. Corporate Index (USD) TR Index gross; "EM Sovereign Bonds": J.P. Morgan EMBI Global Diversified (USD) TR Index gross; "U.S. Treasuries": Bloomberg U.S. Treasury Index (USD) TR Index gross; "Asian USD Bonds": J.P. Morgan Asia Credit Index (USD); "Global Aggregate Bonds": Bloomberg Global Aggregate (USD) TR Index gross; "U.S. Aggregate Bonds": Bloomberg U.S. Aggregate (USD) TR Index gross; "U.S. High Yield Bonds": ICE BofA U.S. High Yield Index (USD) TR Index gross.

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