

Identifying opportunities in a disrupted world

Fullerton Investment Views - Quarterly report

Q2 2025



Author



Robert St Clair
Head of Investment Strategy
Fullerton Fund Management

Contents

• Investment Environment and Risk-Asset Outlook	2
• Equities	11
• Fixed Income	17

Executive summary

- **A disrupted world!**
 - President Trump’s dramatically huge tariffs, and global retaliations, have caused bullish sentiment to quickly evaporate. Investor concerns are rising that US leaders are giving the wrong medicine to a healthy patient.
 - On the VIX ‘fear index’ this adverse confidence shock reached stress levels around half that of the COVID-driven recession.
- **Lost financial wealth is a key signpost for US recession**
 - While any policy shifts may be too late to stop a recession, they can make a big difference to its duration and subsequent recovery.
 - Beneath the fear, robust underlying fundamentals and price discovery by investors remain key forces that can avoid a recession if financial market losses can be contained.
 - But, if financial wealth falls by too much then households will slash consumption spending and firms will retrench workers and cancel investment.
- **Conditional on a global recession being avoided, Fullerton is positive on global risk asset returns**
 - From our Regime Indicator, Late Cycle dynamics imply that leading equity markets, having enjoyed exceptional returns since 2023, will likely correct back toward high single-digit returns (with less upside range than ‘Goldilocks’ environments). Lagging markets can catch-up.
 - A ‘new world order’ continues to unfold, with push-backs against globalisation and a greater focus on self-interest. Deals, market power, and stimulus will all be important factors and may create valuable alpha and diversification opportunities for investors.



01

Investment Environment and Risk-Asset Outlook

The wrong medicine for a healthy patient?

The dramatic tightening in US fiscal policy, spearheaded by the large tariffs imposed on imports by President Trump and then 'tit-for-tat' global retaliations, especially from China, has caused bullish sentiment to quickly evaporate. Investor concerns are rising that US leaders are giving the wrong medicine to a healthy patient.

President Trump has warned that US growth is slowing significantly, that sustained inflation is not a threat, and so the Fed should cut its policy rate now¹. But such declarations have only added to investor fears that US government policies are pushing the economy further away from the 3% growth² it enjoyed over the last two years, and is questioning the Fed's monetary policy independence.

Global risk assets have fallen significantly with only gold providing a haven for investors (see Figure 1). While US 10y yields are not as high as the 4.8% in January (when investors were very bullish) - this adverse confidence shock reached stress levels around half that of the COVID-driven recession i.e the investor 'fear' index (the US VIX) hit 52, compared to the record high of 83 during the COVID-shock in March 2020³.

Investors and voters are extremely unhappy

As we noted in our March Fullerton Insights⁴, US voters rank President Trump's 100 days in office as the worst on record in more than 70 years. The latest opinion poll by Reuters revealed that 59% of respondents judge that America is losing credibility on the global stage⁵.

1. Source: 21 April 2025, Reuters.

2. Source: LSEG Datastream, April 2025.

3. Source: LSEG Datastream, April 2025.

4. See: [US political distrust weakens risk-taking - Fullerton Fund Management](#)

5. The US voters poll by Reuters (21 April) also found that President Trump's approval rating is its lowest since his term started. Further, 75% of respondents said that President Trump should not try and run for a third term in office (a path President Trump has said he would like to pursue; however the US Constitution bars him from doing so).

Lost financial wealth is a key signpost for US recession

Developments are very fluid, and President Trump has shown signs of policy backtracking, making tariff concessions, as well as seeking bilateral trade deals. While any policy shifts may be too late to stop a recession, they can make a big difference to its duration and subsequent recovery.

More importantly, beneath the fear, robust underlying fundamentals (i.e strong productivity and healthy private sector balance sheets) and price discovery by investors remain key forces that can avoid a recession if financial market losses can be contained. But, if US household financial wealth falls by too much then they will slash their consumption spending, and at the same time firms will retrench workers and cut investment⁶.

Stagflation fears surge, but fundamentals beneath the stresses are still robust

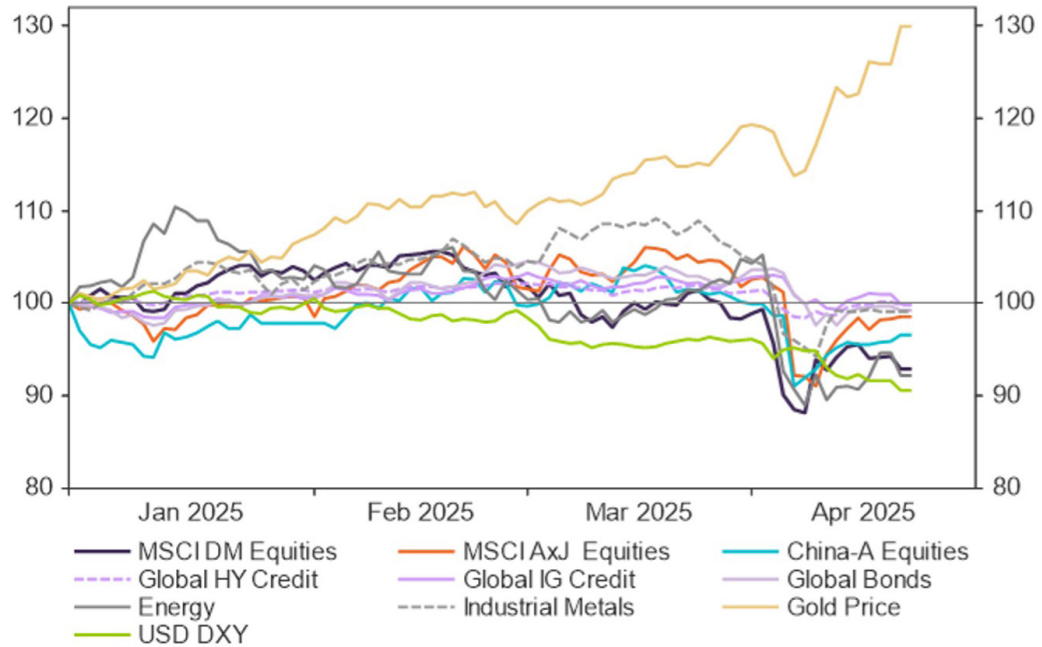
With a collapse in global confidence, push-backs against globalisation and trade, we expect that global growth will weaken significantly this year⁷. At the same time, global inflation is likely to jump sharply, driven by contributions from the US and tariff-driven distortions. Any surge in import prices will have a transitory impact on inflation provided inflation expectations remain contained and tariff hikes do not continuously spiral⁸. Most importantly, high inflation may not be sustained as very weak demand will eventually pull it down⁹.

-
6. Since 1990 a quarterly fall of at least 15% (or 45% QoQ annualised) in the S&P500 has correlated with the four US recessions over the period. Over Q1 2025 the S&P500 fell 5%. As at 21 April (MTD) the S&P500 was down 8% (source: LSEG Datastream, 21 April 2025). Lastly, other empirical 'rules of thumb' suggest that a drawdown of around 30% in the S&P500 (from its peak) can be a painful enough wealth shock to cause a recession. As Figure 1 suggests the current US equity drawdown is tracking around 20% (from the Feb 2025 peak) and therefore a US recession is the key risk scenario we are monitoring.
 7. That is to around 1%pts below trend, at 2.5% p.a, compared to the 3.2% p.a last year and the 3.5% p.a average since 1990 (Source: FFMC calculations and LSEG, January 2025).
 8. Adverse spirals in tariff rates with a global trade war are unlikely. For example, in responding to President Trump's 'Liberation Day' (2 April 2025) tariffs, China retaliated with tariffs (on goods it buys from the US) that were high enough to remove the need to push any further - because there would be no demand from China's importers for US goods. China's Ministry of Finance (MoF) stated "If the US continues to impose even higher tariffs, it will no longer have any economic significance. China will not respond" (source: Reuters, 11 April 2025). Likewise, very high tariffs means that US demand for many products, especially from China, will be uneconomic - resulting in no trade and no imported inflation.
 9. This is because when consumers face a much higher 'cost of living' they are forced to spend less. Thus, US inflation and real GDP growth are positively correlated on average since 1995 (excluding the COVID-shock period). The correlation is statistically significant (0.80) and weak demand and spending growth pulls inflation down with a lag. The post-COVID stagflation (2022) was an outlier because economy-wide shutdowns caused all prices to surge, but under high tariffs/global protectionism local production remains relatively cheaper. President Trump has kept much of what the US needs to import as cheap as possible - with low (to zero) tariffs across the Americas, the UK, Australia, and Singapore.

Figure 1: A huge global confidence shock: 'risk-off' for all financial assets (except gold)

Global Risk Asset Returns

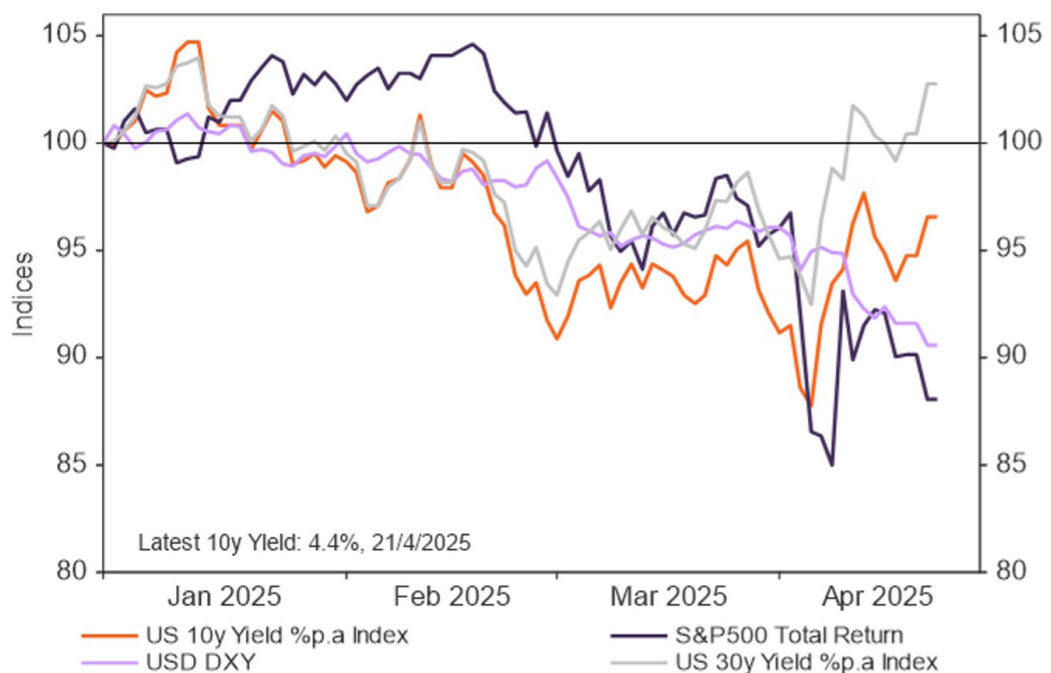
USD Total Return Index, 1/1/2025=100



Source: LSEG Datastream, April 2025

The US is the epicentre: falling equities, greater capital outflows => falling US dollar / rising bond yields

US Equities, Yields, and USD (DXY)

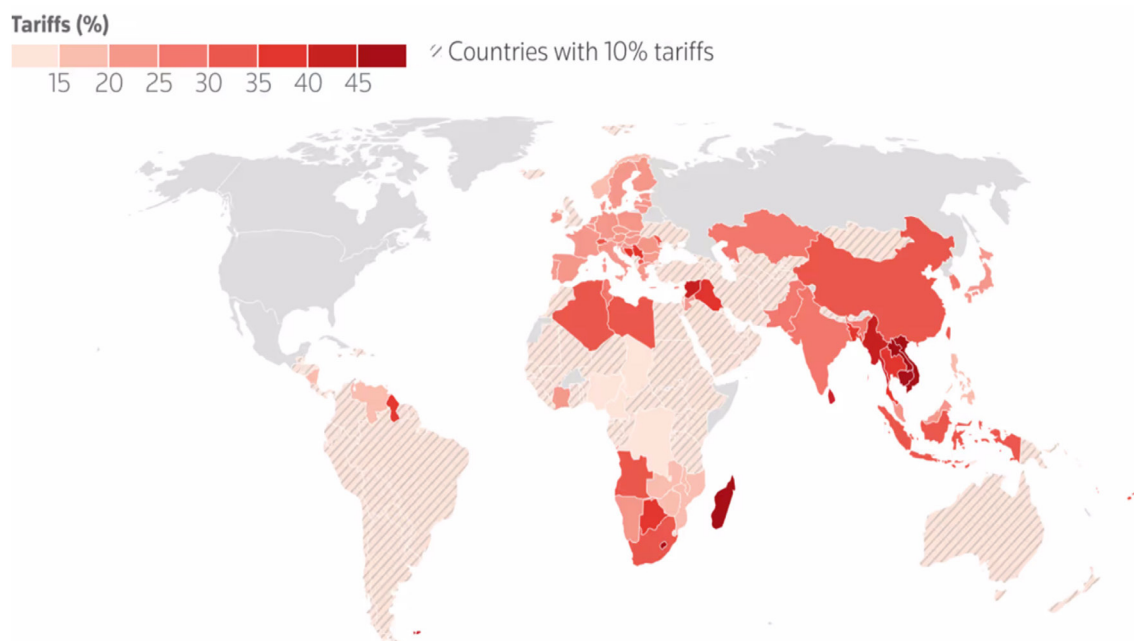


Source: LSEG Datastream, April 2025

A 'new world order' continues to unfold, with push-backs against globalisation and a greater focus on self-interest. That means opportunities for investors!

Figure 2 shows the evolving 'world order' after President Trump's 'Liberation Day' (2 April 2025) revealed how US import tariffs may define new trading-blocs¹⁰.

Figure 2: The 'New World Order' that may drive the investment map



Source: The White House, Pasit Kongkunakornkul, Reuters 7 April 2025

Across the core fundamentals, what has not changed is that the most productive and competitive countries (and firms), selling goods and services that the world wants - regardless of trade barriers - can still offer attractive investment opportunities.

Exceptional investment opportunities can be found across any country and any sector

Notions of 'US exceptionalism' are now being stress-evaluated to the limit, but the key takeaway from our Q1 2025 Fullerton Investment Views was that, in contrast to the consensus, we believe that exceptionalism is not exclusively about the US.

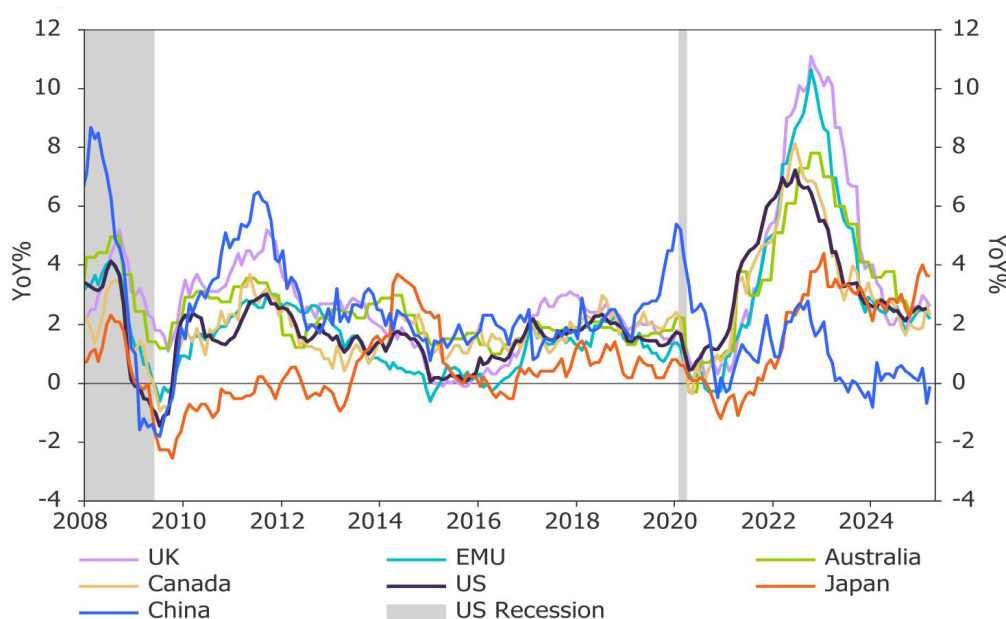
Fullerton maintains that 'winners take all' are driven by productivity-enhanced earnings, rising investment, and sustained demand. Such 'creative monopolies' can be found across any market/sector. That is why in this environment it remains vital for investors to harmonise their top-down strategy with active management and stock selection.

10. In pursuit of self-interest, President Trump has kept much of what the US must import as cheap as possible. For additional discussion see [Trump tariff shocker – What's next? - Fullerton Fund Management](#)

The US does have the robust fundamentals of strong productivity, low unit production costs, high corporate profitability, low unemployment, and affluent consumers. If global supply-chains are stressed and reconfigured from these draconian tariffs and trade war, then the rest of the world may still suffer by more than the US. The US, being the least trade dependent economy in the world¹¹, had the best relative inflation performance (see Figure 3) and then disinflation process (with growth holding strong) versus most countries during the post-COVID stagflation (2022).

Figure 3: Global inflation rates

Key Global Inflation Rates



Source: LSEG Datastream, April 2025

Deals and 'self-help' stimulus will all be important factors and may create valuable diversification opportunities for investors

Many countries are seeking bilateral trade arrangements with the US that may be more favourable than the arbitrary tariffs revealed¹². There is a strong incentive for countries to reach a favourable deal as it can enhance their competitiveness, pricing-power, and market share in the US.

Countries like Germany and China¹³, that are pursuing significant stimulus plans to give extra supports to domestic demand, may be able to perform well and navigate any global downturn. Asia has also seen its real exchange rates depreciate which will boost competitiveness, and most governments across the region have enough financial resources for stimulus to domestic demand if required.

11. The US economy is the most 'closed' in the world – its consumption is around 70% of GDP (the largest consumer market in the world). US imports of goods are just 11% of its GDP and only about one-third of that are judged essential (source: LSEG, 23 April 2025).
12. Media reports a line-up of 75 countries wanting to negotiate with the US, and positive signs so far from such negotiations have been with Japan, South Korea, Europe, and India. Source: Reuters, 21 April 2025.
13. Germany is deploying 1.2%p.a pts of GDP stimulus (until 2035) on infrastructure investment. This could lift Germany's structural growth rate above its current 1.2% p.a and toward 1.5-1.7% p.a primarily by jump-starting productivity growth (source: FFMC calculations). China has fiscal stimulus of 4.5% of GDP for 2025, and an additional 4.5% provisioned that could be front-loaded if required (source: HSBC 5 March 2025, "Quick takeaway of the NPC government work report").

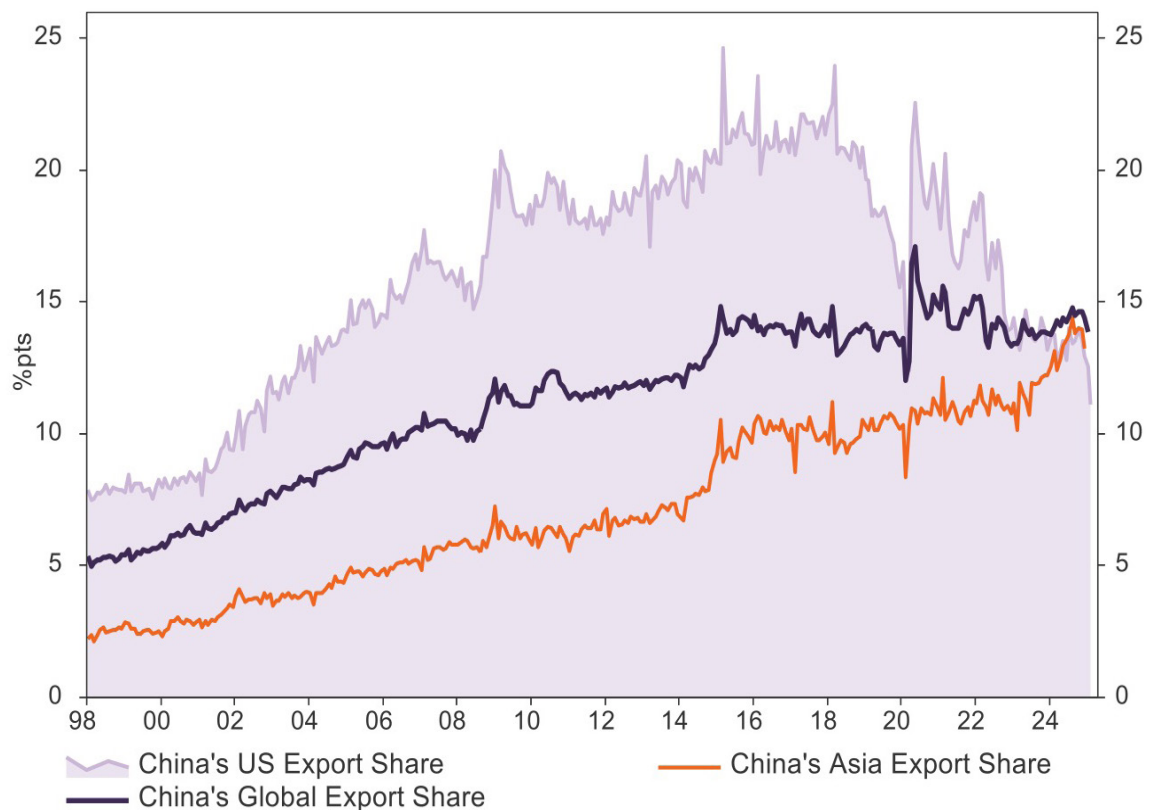
Do not forget that the largest free-trade bloc in the world is Asia centric

Perhaps most importantly, countries that can deepen economic linkages beyond the US may also prosper – for example, all the members of the Regional Comprehensive Economic Partnership (RCEP)¹⁴.

China is well-positioned to lead risk-asset return performance across Asia, as it is adjusting quickly to the challenging global trade environment. For example, China has already cut its US trade dependence to a 23 year low and has defended its global trade share at the same time (see Figure 4). China will continue to build partnerships across Asia and Europe, especially with the benefit of its significant global market shares in rail, maritime, new energy, IT, medical, and robotics.

Figure 4: China's share of US, Asia, and Global Imports

Tracking China's Trade Shares



Source: LSEG Datastream, April 2025

14. Effective since Jan 2022, the RCEP is the largest free-trade bloc in the world, comprising of 15 members and about 30% of global GDP. It is the first free trade agreement across China, Japan, South Korea, ASEAN, Australia, and NZ. Source: Enterprise Singapore, April 2025.

Conditional on a global recession being avoided, Fullerton is positive on global risk asset returns

Summary of Fullerton's Views (12 months ahead)

	Bearish	Negative	Positive	Bullish
Risk Assets (overall)			✓	
Developed Market Equity			✓	
Asia ex-Japan Equity			✓	
Global Sovereign Bonds			✓	
Asia IG Credit			✓	

Source: Fullerton Fund Management, April 2025. Views may be subject to change without prior notice.

A 'great global convergence' in risk asset returns

Our baseline scenario is that the global economy avoids recession, has supportive liquidity, and some recovery over time in risk appetite. As such, global earnings growth can average modest single digits, but with variation remaining across countries. We believe investors will experience a convergence in risk asset returns - as very strong leading markets, like the US¹⁵, correct back to much lower returns, while gains from the laggards, like Asia and Europe, can improve. Returns from equities are also likely to converge toward returns from fixed-income as yields (that are higher than the past) remain supportive, and as corporate default rates should be contained.

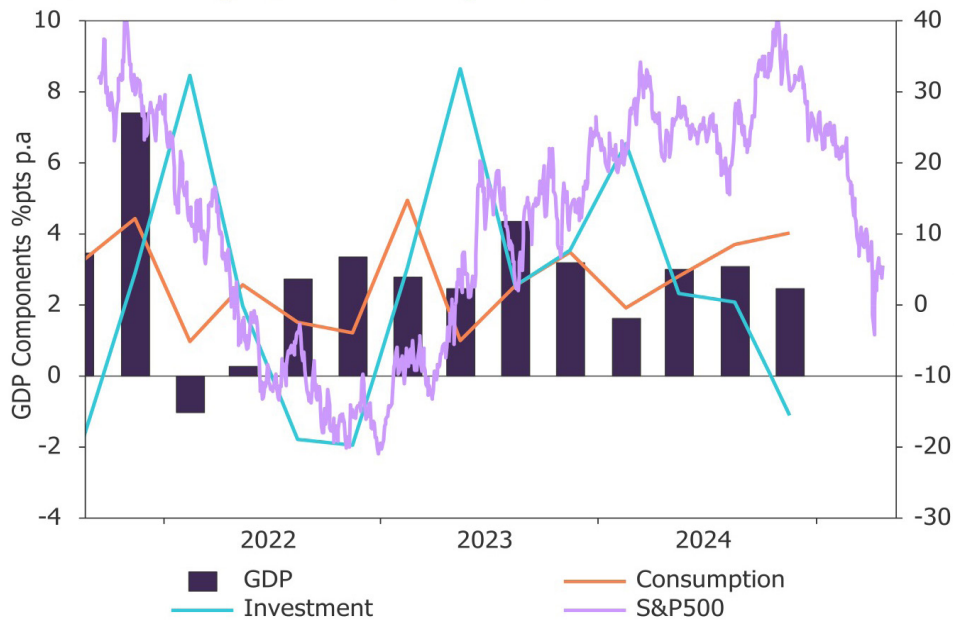
The most likely risk scenario is recession, with the prospect of a negative (or bearish) environment for risk assets

An alternative scenario is that the US economy has a recession and pulls global growth down with it. As outlined earlier, a key driver of a potential recession in the US is if falls in equity prices become large enough, especially as corporate investment is already falling (see Figure 5). The associated slump in household financial wealth would drive significant cuts in consumer spending, investment, and hiring by firms. We believe that actions by policymakers can impact the depth and duration of any recession, as well as the sustainability of the rebound in risk asset returns for investors.

15. Where the S&P500 achieved a 26% total return in 2023 and then 25% in 2024. Source: LSEG Datastream, January 2025.

Figure 5: US economic activity and the S&P500

US GDP Components and Equities



Source: LSEG Datastream, April 2025

Fullerton's Investment Environment Indicator has shifted to Late Cycle

Across our four factors that drive risk-asset returns (see Figure 6), global growth is still above trend and 'on-par' with similar highs earlier in this cycle - which can give some cushion to any potential recession ahead. Inflation is low and well-below trend, but as explained, it may jump sharply this year with global trade protectionism.

Liquidity is supportive, but with such large falls in risk appetite the funds available for investing are tight. It is the sharp collapse in risk appetite that has proved to be the key driver of our investment regime signal shift into Late Cycle (see Figure 7).

Late Cycle suggests positive, but lower returns from global risk assets

Late Cycle dynamics imply that leading equity markets, which have enjoyed the strongest returns, will correct back with a greater likelihood of high single-digit returns. In contrast, lagging markets like Germany, China and Japan can catch-up. Overall, a Late Cycle investment environment is positive for equity market returns, but it tends to have less upside range for returns (beyond 10%p.a) than Recovery or Goldilocks environments. Bond returns during Late Cycle can be more positive than in the Recovery regime, and less volatile.

Figure 6: Fullerton's global factors that drive investment returns: risk appetite collapses

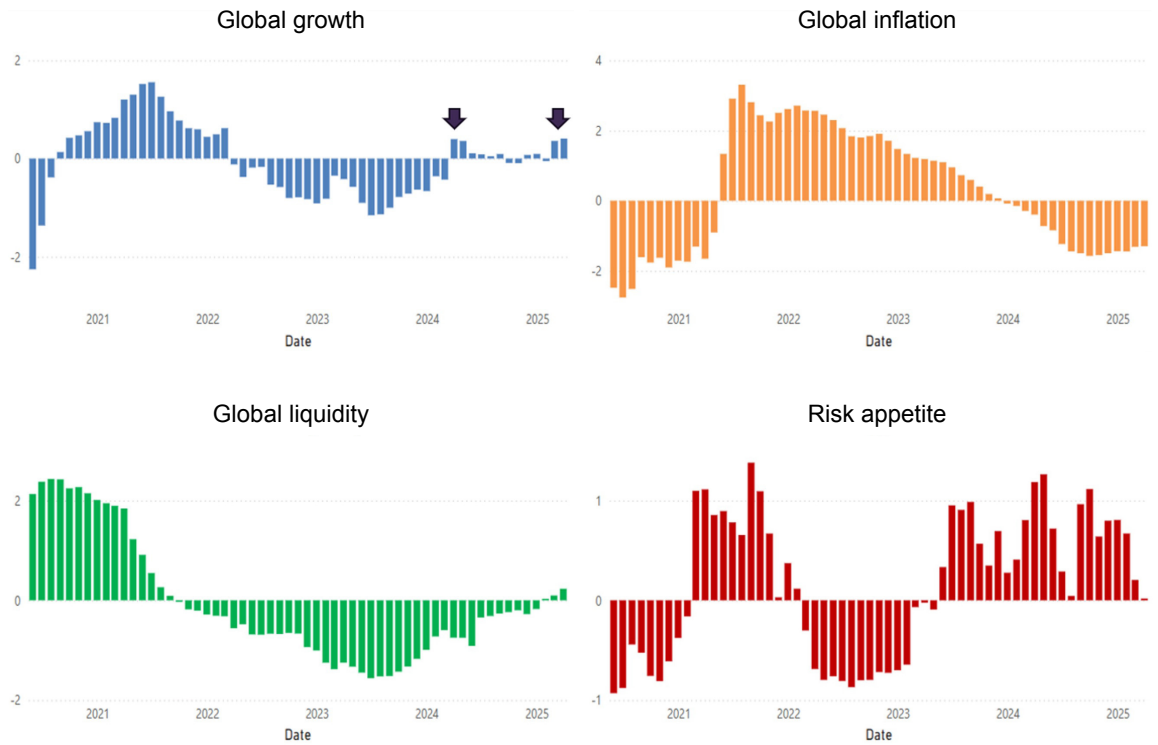
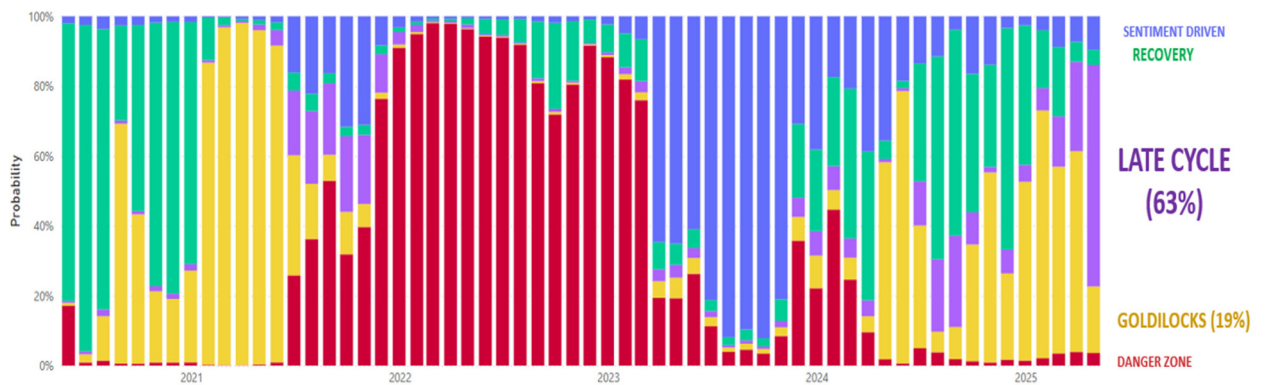


Figure 7: Fullerton's Investment Environment Indicator: into Late Cycle



Source: Fullerton Fund Management, April 2025. These global macro factors of growth, inflation, liquidity, and risk appetite, are constructed by Fullerton and expressed as standardised z-score deviations from trend (or average). In turn, they impact the signal from our Investment Regime Model. The Investment Regime Model is calculated based on Fullerton's internal methodology and is subject to change. Past performance may not necessarily be indicative of future performance.



02

Equities



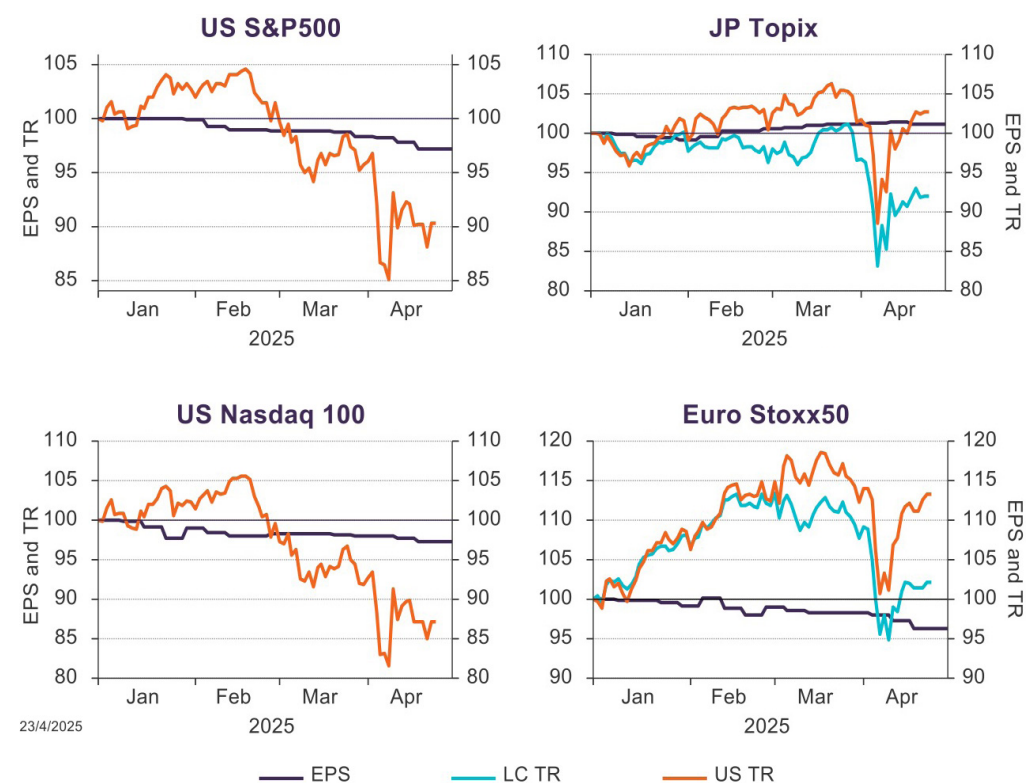
Dennis Lee
Head of Equities
Fullerton Fund Management

Conditional on a global recession being avoided, we are positive (12 months ahead) on equities across Asia and Developed Markets (DM)

Figure 8: A large adverse global confidence shock, with the US at the epicentre

Key DM Equities: EPS and Total Returns

EPS Level for 2025 from IBES' database/analysts' bottom-up estimates



Source: LSEG Datastream, April 2025

Figure 8 emphasises that global equity investors have suffered one of the largest drawdowns without a collapse in earnings and outside of a recession. A key takeaway from our Q1 Fullerton Investment Views¹⁶ was that DM equity returns this year were likely to be much lower than the exceptionally high returns achieved since 2023.

What has shocked is that the correction back to lower and potentially more sustainable returns, especially in the US, has proved rapid and very painful. This adjustment is not a reflection of poor fundamentals and earnings, but rather a collapse in risk appetite, exacerbated by high valuations, and sparked by unpopular economic policies.

‘Exceptionalism’ was never solely about the US

We highlighted in our Q4 Fullerton Investment Views¹⁷ that if US policy shifted toward more intense protectionism, then it could ultimately prove positive for US stocks (especially those with domestic centric supply-chains and revenues) and negative for foreign equities (especially for firms that rely on US demand). However, so far the exact opposite has unfolded as US equity market performance has suffered greatly from government policy flip-flops and uncertainties.

Fears may be too pessimistic that if US imports plunge (with high tariffs choking demand) then local US firms will seek higher prices to meet domestic demand. Local US firms will struggle to build excessive margins because the US domestic market is extremely competitive¹⁸. What will remain critical for favourable returns over time from US equities is the prospect that productivity continues to drive offsets to inflation, with falling real costs of capital goods (for manufacturing) and unit production costs.

We believe that DM equity returns in 2025 can slowly climb back to positive territory - if the US can avoid recession, and if returns from Europe (especially Germany) remain robust, along with returns from Japan holding-up. What is especially positive at this juncture is that returns from Europe have managed to perform very well this year. This reflects improved earnings (from ‘rock-bottom’ expectations), along with Germany’s significant stimulus plans and ECB rate cuts, boosting investor sentiment.

Equity returns from Asia can also remain positive in 2025, led by contributions from China

Asia (ex-Japan) equity returns are likely to remain supported by export competitiveness, a larger share of global trade, and improving supply-chain demand from China. The market seems to be more confident that China’s stimulus can get traction, and the economy can navigate global trade with limited links to the US.

China has illustrated its bargaining power, given its significant stakes in global supply chains, rare earths, and retaliating against the US beyond tariffs¹⁹.

16. See [A ‘3E’ Environment: Excess returns from Exceptionalism, Evolution, and Liquidity - Fullerton Fund Management](#)

17. See [Investing under the 3i’s - Innovation and Evolution continues driving our bullish outlook - Fullerton Fund Management](#)

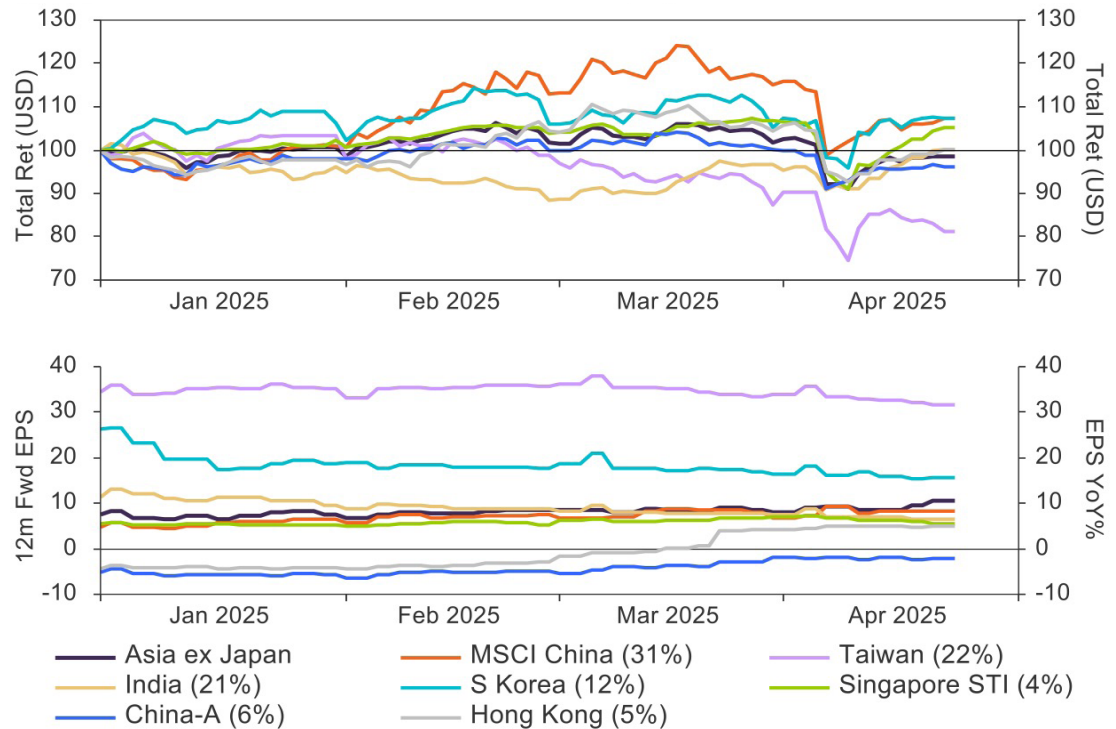
18. The US has the most companies in the world, with a population of 6.1m firms (that hire at least 1 worker) and with the strongest productivity growth, it makes the US the closest example there is to the theory of perfect competition/free-market. Source: US Census Bureau, April 2025.

19. i.e with announcements that some state-backed funds will cancel new investments in US private equity (source: The Financial Times, 22 April 2025).

Figure 9: Equity performance and earnings across Asia

MSCI Asia ex Japan Equity Returns and Earnings (YTD)

(% weights in brackets are contributions to MSCI Asia ex Japan)



Source: LSEG Datastream, April 2025

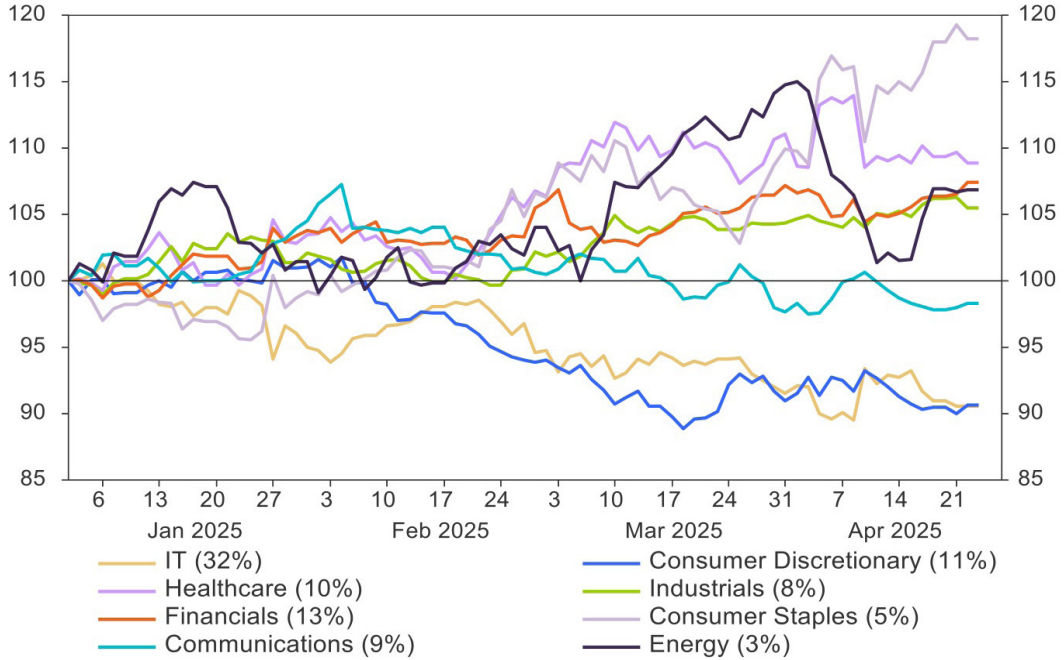
Despite very challenging markets, investors can find alpha opportunities across some of the usual suspects

Key sources of alpha for equity investors in the US (see Figure 10) are proving to be consumer staples (given defensive positioning and recession fears), healthcare (consistent with the expanding AI-IT utilisation story), financials (which continue to benefit from the steeper yield curve) and industrials (where performance is supported by very strong productivity growth).

Figure 10: Sources of alpha for investors across the US, China, and Germany

Sources of Alpha across MSCI US

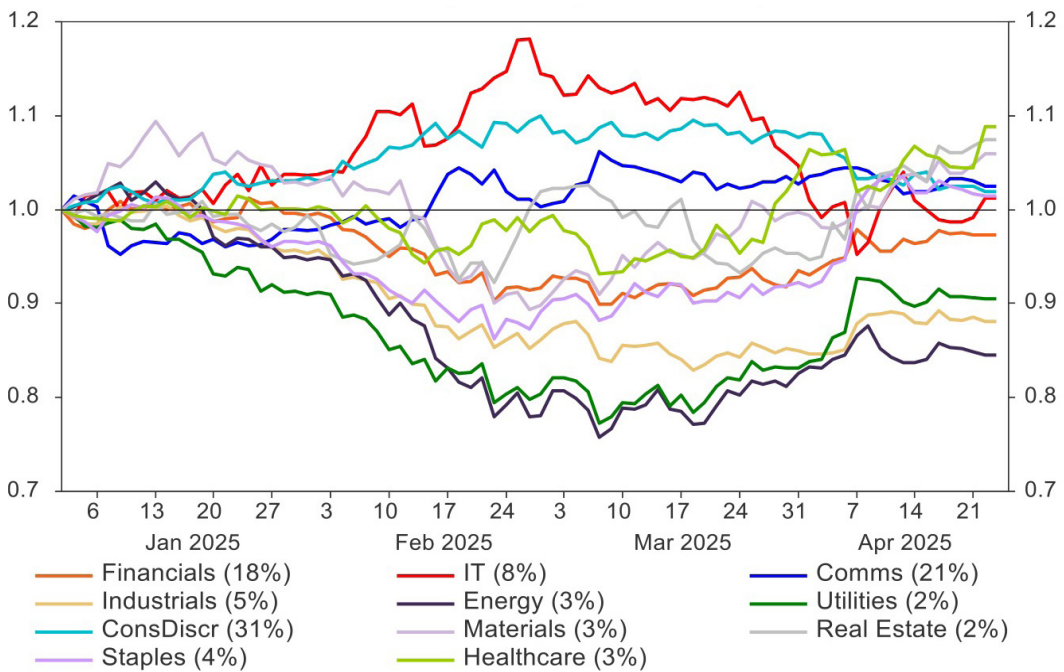
Total Return Indices vs MSCI US (sector weights in brackets)



Source: LSEG Datastream, April 2025

Sources of Alpha across MSCI China

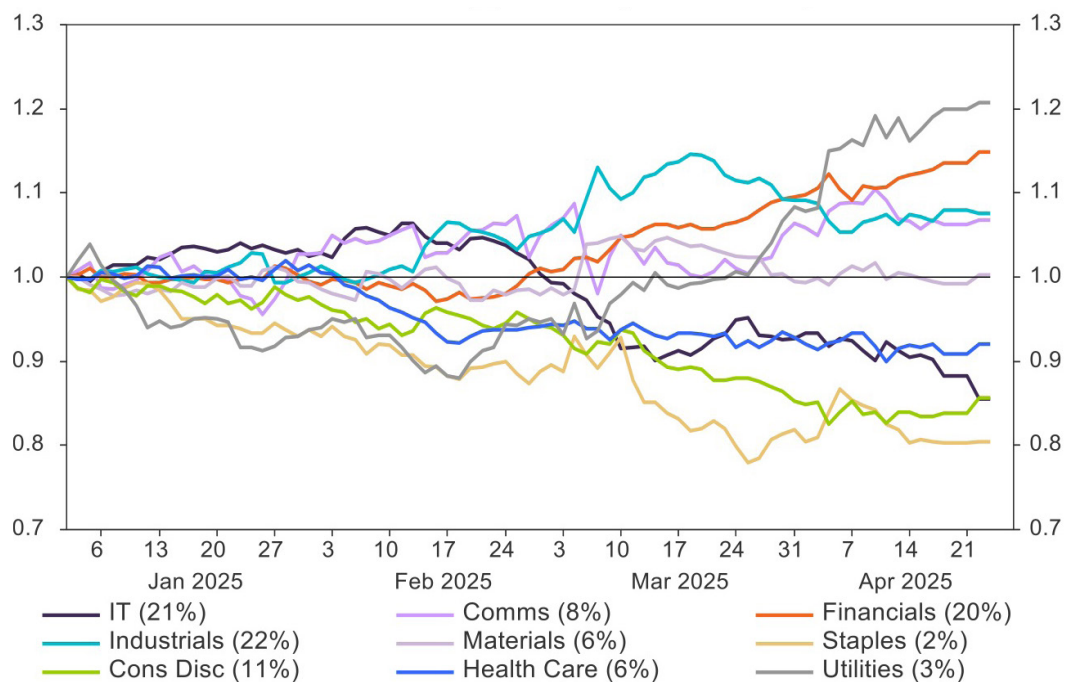
Total Return Indices vs MSCI China (sector weights in brackets)



Source: LSEG Datastream, April 2025

Sources of Alpha across MSCI Germany

Total Return Indices vs MSCI Germany (sector weights in brackets)

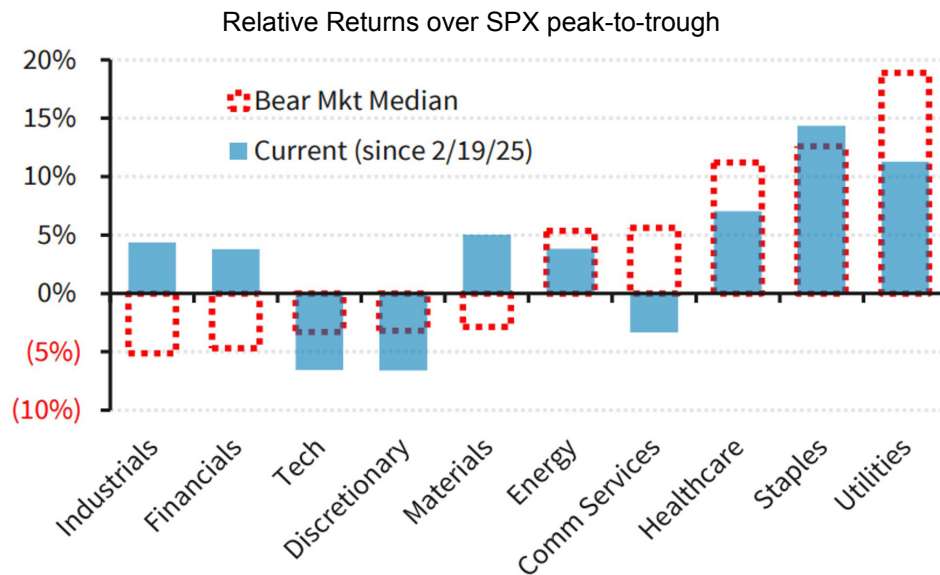


Source: LSEG Datastream, April 2025

Across China there has been some consolidation across alpha sources (see Figure 10), with communications and consumerism holding (on improved disposable income growth), along with healthcare, and IT. For investors in Germany, with sentiment being boosted by the expected stimulus into infrastructure, sources of alpha continue to build across utilities, industrials, communications, and financials. Lastly, the Japan equity market has become very defensive, with its alpha YTD stemming mostly from consumer staples and the communications sector.

What is also important to note is that for the US equity market, its sector performance so far is not like a typical bear market – because key sectors like industrials and financials are outperforming the broad market (see Figure 11). Rotations may intensify, even if recession is avoided, as earnings growth expectations continue to converge between some of the strongest (slowing down) sectors and the laggards (rising). The US materials sector remains the hardest hit with cuts to expected earnings (see Figure 12) because of fears that US tariffs will make key imports for manufacturing too expensive. However, these concerns may abate over time as President Trump has kept the Americas as a relative ‘free’ trade zone.

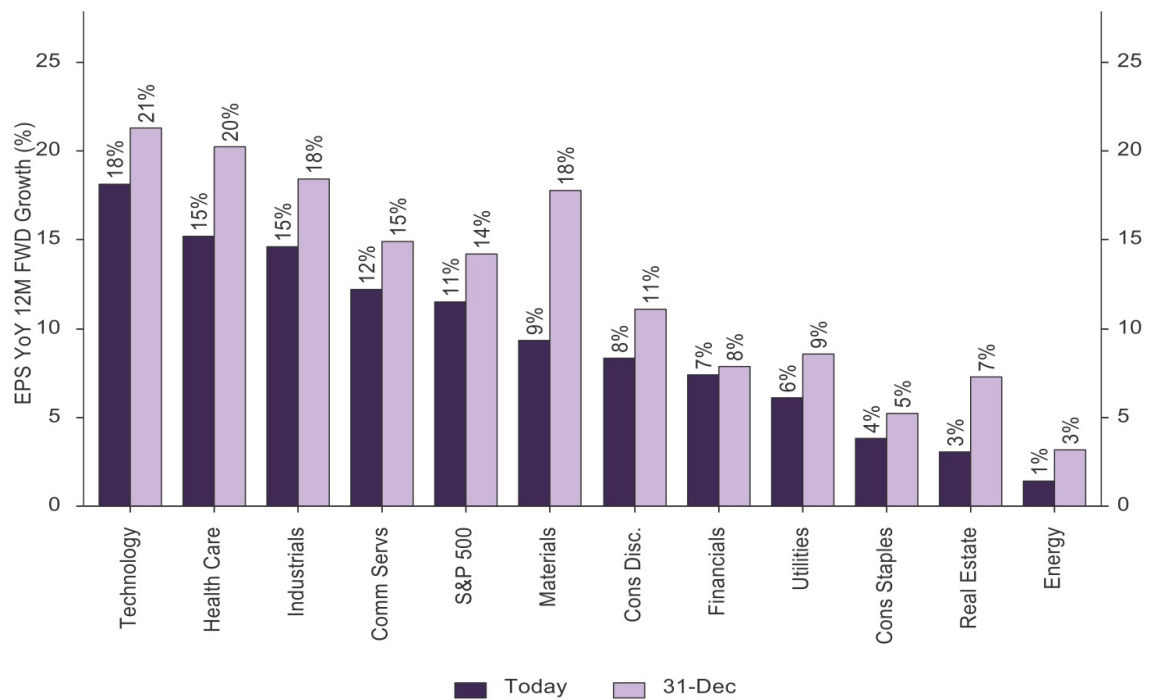
Figure 11: US sector relative returns since the 19 Feb 2025 peak vs. typical bear market performance



Median relative returns shown over the peak-to-trough phase of S&P 500 bear markets since 1980. Data as of April 17 2025. Source: LSEG Data & Analytics, Bloomberg, Barclays Research

Figure 12: US S&P500 1y-ahead earnings growth expectations now (versus the start of the year)

US S&P500 Earnings Growth Expectations



Source: LSEG Datastream, April 2025

03

Fixed Income



Angus Hui
Deputy CIO &
Head of Fixed Income
Fullerton Fund Management

Fullerton's 'Late Cycle' investment environment can be especially supportive for fixed-income returns

We have always emphasised that our positive view for returns from global sovereign bonds reflects the possibility that yields settle at levels that provide a favourable income-stream (see Figure 13) and give some protection if equities fall sharply. The risk of the latter has become much more prominent with global confidence shaken by US government policies and threats against the Fed's political independence.

Our view has been 'the great reset'²⁰ where the evolving new world order shifts global trade and capital flows such that the 'discount factor' for all risk asset returns – the bond yield – may also be re-priced higher toward levels not seen since the QE-times (after the GFC 2008/09. See Figure 13). Such levels are higher than many investors are accustomed to, but they can be rewarding for fixed income investors and may be a fairer reflection of the costs and risks associated with leverage against a backdrop of rising global geopolitical uncertainties.

Figure 13: Key bond market yields are around highs not seen in 15 years

Global 10y Bond Yields



Source: LSEG Datastream, April 2025

20. See: [Investing in a 3G environment - Fullerton Fund Management](#)

Continuing its trend of strong returns from last year, gold has proved a very useful hedge (in a balanced portfolio) against geopolitical fears, recession risks, and de-dollarisation forces. The best defence for investors is to always remain diversified beyond equities. What is most concerning at this juncture is if the US continues to suffer significant capital outflows that drive yields higher (resulting in cyclical losses for bond traders) which will eventually stress equities, and perhaps corporate credit default rates (if a recession is triggered).

We maintain our positive 12 month ahead outlook for global sovereign bonds and IG corporate credit

President Trump's new regime may ironically be overturning the 80-year world order where America was great – as well as creating an environment where bonds may give more valuable protection to investors than otherwise. We have outlined in detail the investment opportunities we foresee, as well as the possible risks²¹.

Our positive outlook for Asia investment grade corporate credit is on the condition that a global recession is avoided and therefore default rates can remain modest. Our constructive view also reflects the bias toward easier policy across Asia's central banks.

With China's stimulus even more critical now, given the global risk of recession, it may be able to get a bit more traction in pushing up government bond yields. The key balancing act for China's policymakers remains to navigate how much currency weakness to allow – because the real exchange rate is already significantly undervalued (see Figure 14).

The falling US dollar can be supportive for Asia local currency investors

What makes the fall in the US dollar concerning is its pace and magnitude, tracking around 10% down YTD in-line with the US equity sell-off (see Figure 1). That said, the falls in the US dollar so far can also be well explained by shifts in the yield differential (see Figure 15).

More importantly, from a valuation perspective, the US dollar was very stretched and a return toward 90 on the USD DXY index would only be back to around 'normal' (see Figure 16). What would become sinister for global investors and risk assets would be if the US dollar rapidly undershot its fair-value and if US yields were propelled above 5%.

Figure 14: Currency valuations (%pts under/over-valued)

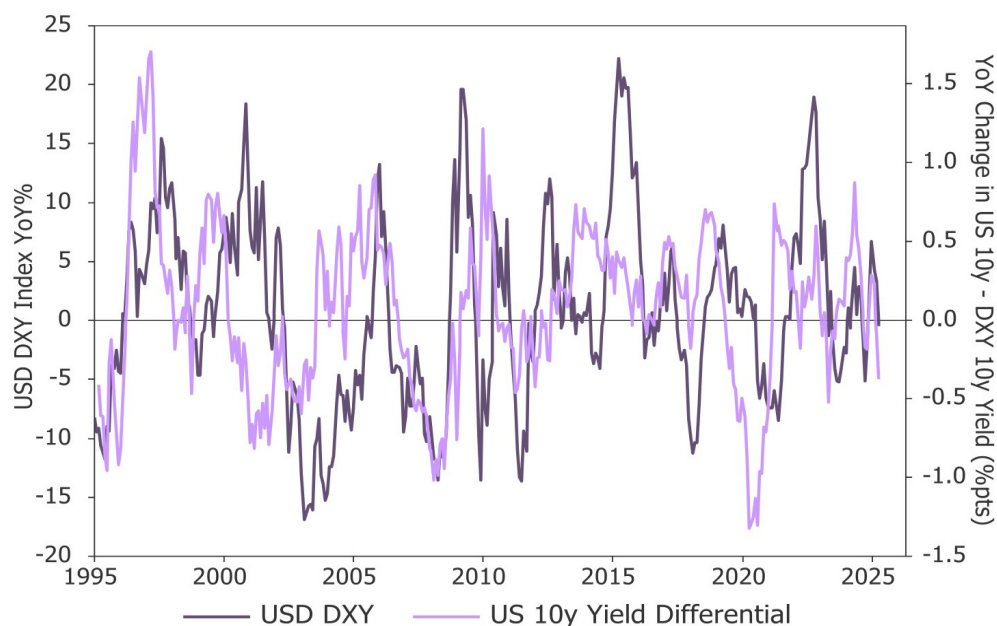


Source: FFMC calculations. LSEG, BIS, April 2025. This is the %pts deviation in the real exchange rate (REER, CPI-based) from its trend (a 5y moving-average)

21. See [Implications of “Reciprocal Tariffs” on Asian Fixed Income - Fullerton Fund Management](#)

Figure 15: More US dollar downside is still signalled by changes in the yield differential

USD and 10y Yield Differential (DXY)

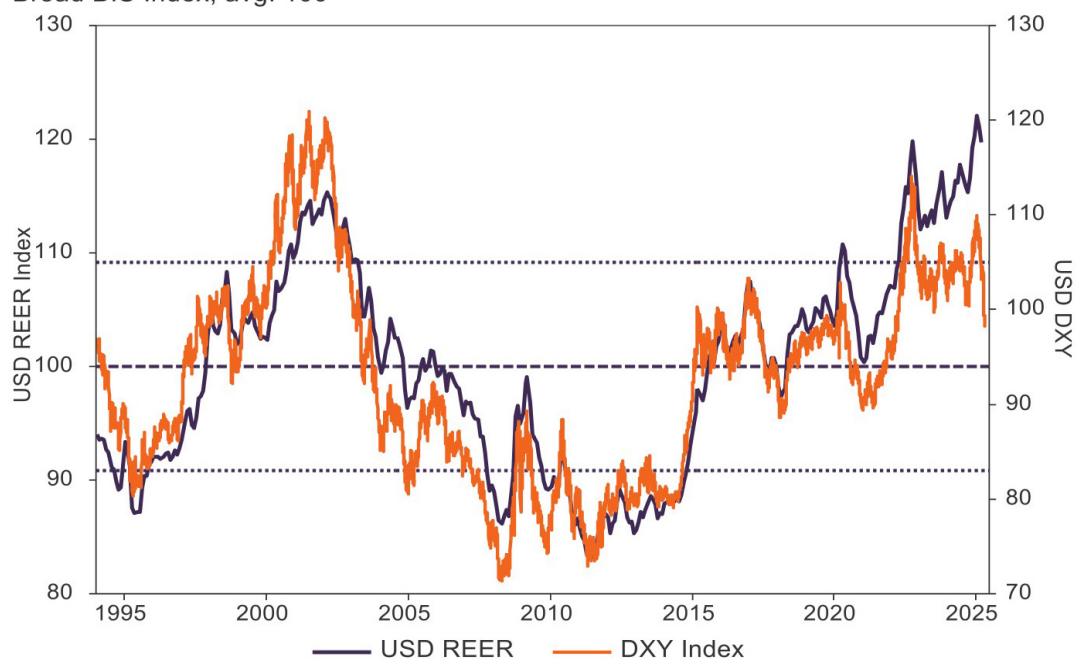


Source: LSEG Datastream, April 2025

Figure 16: the US dollar is significantly over-valued: the DXY 90-95 is more 'normal'

US REER (CPI-based)

Broad BIS Index, avg. 100



Source: LSEG Datastream, April 2025

US macro uncertainties keep the Fed on hold

The Fed has said that macro uncertainties are too high for it to have enough conviction to adjust its policy rate since its last (25bps) cut in December 2024 (see Figure 17). What is encouraging is that market inflation expectations remain well-contained even as Consensus forecasts anticipate a significant jump (potentially as high as 4% YoY) in US inflation this year because of tariff policies (see Figure 18).

Market pricing of the Fed Funds rate does not seem recessionary

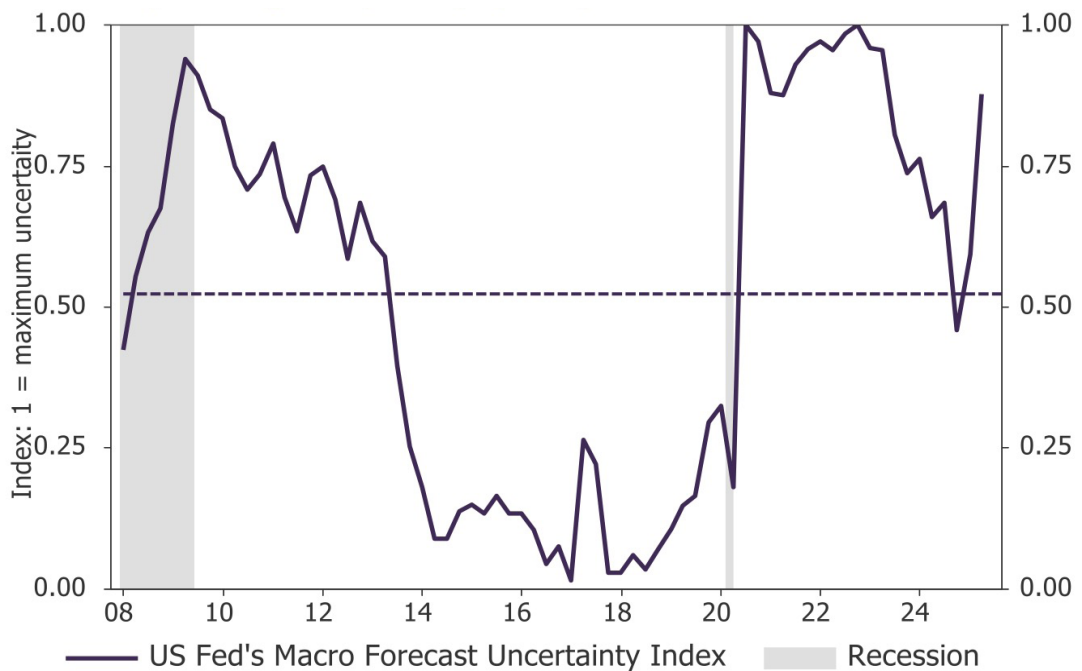
As at 23 April the US forward-market is pushing for the Fed to have a policy rate of 3.5% by Dec 2025 – which is just 50bps below what the Fed presented in March (see Figure 19). From there, the forward market signals for the Fed to be back at around a 3% policy rate by June 2026.

A key takeaway from this is that if the market had strong conviction that a US recession was the most probable outcome then it would be pricing-in much more rapid Fed rate cuts (and to levels below the Fed's assumed neutral policy rate).

Figure 17: The Fed judges US macro uncertainties at significant highs

Fed's Judgement on Macro Uncertainty

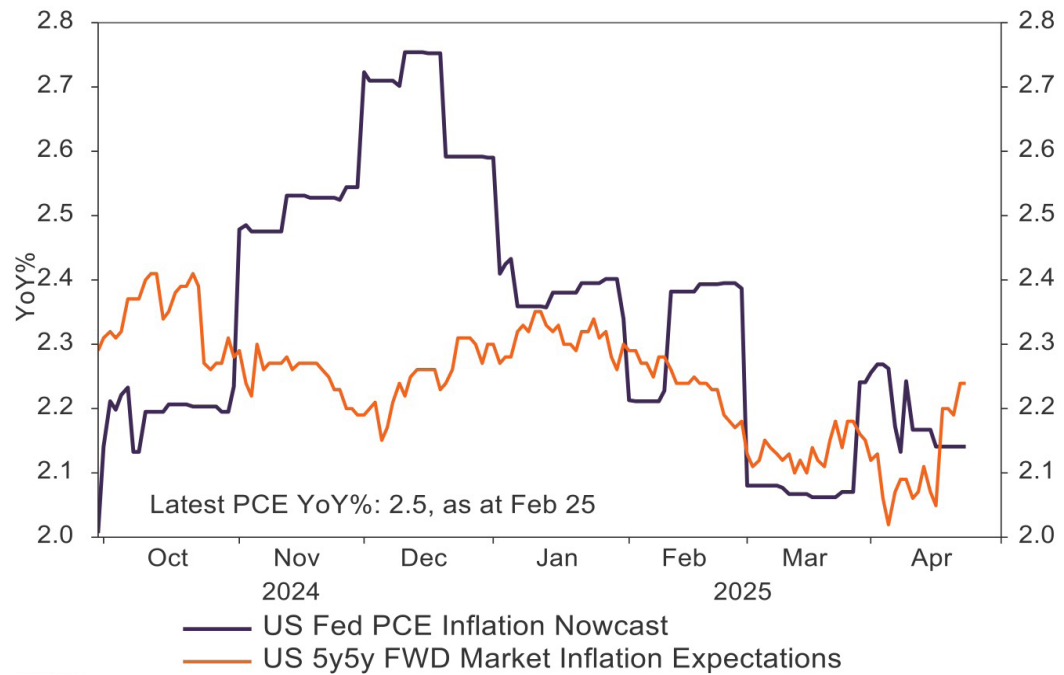
Uncertainty across growth, unemployment, and inflation



Source: LSEG Datastream, April 2025

Figure 18: US PCE inflation and forward-market long-term inflation expectations

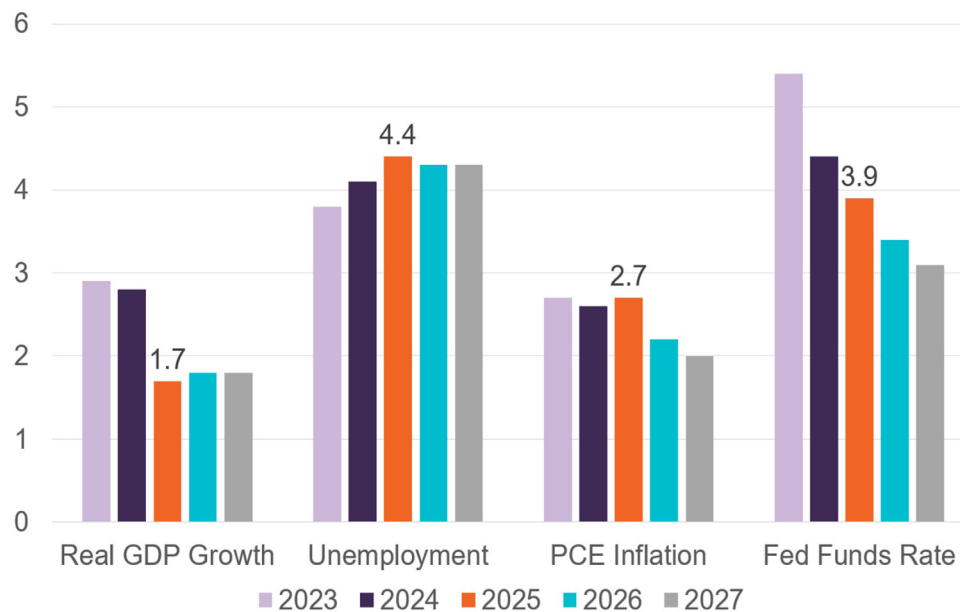
US Inflation Expectations



Source: LSEG Datastream, April 2025

Figure 19: The Fed's March outlook: below 2% trend US growth for 3 years, inflation back to target next year, and the policy rate back at neutral by 2027

US Fed Projections from Mar 2025 (%pts)



Source: FOMC, 19 Mar 2025

Disclaimer: No offer or invitation is considered to be made if such offer is not authorised or permitted. This is not the basis for any contract to deal in any security or instrument, or for Fullerton Fund Management Company Ltd (UEN: 200312672W) ("Fullerton") or its affiliates to enter into or arrange any type of transaction. Any investments made are not obligations of, deposits in, or guaranteed by Fullerton. The information contained herein has been obtained from sources believed to be reliable but has not been independently verified, although Fullerton Fund Management Company Ltd. (UEN: 200312672W) ("Fullerton") believes it to be fair and not misleading. Such information is solely indicative and may be subject to modification from time to time. The contents herein may be amended without notice. Fullerton, its affiliates and their directors and employees, do not accept any liability from the use of this publication.

Neither MSCI nor any other party involved in or related to compiling, computing or creating the MSCI data makes any express or implied warranties or representations with respect to such data (or the results to be obtained by the use thereof), and all such parties hereby expressly disclaim all warranties of originality, accuracy, completeness, merchantability or fitness for a particular purpose with respect to any of such data. Without limiting any of the foregoing, in no event shall MSCI, any of its affiliates or any third party involved in or related to compiling, computing or creating the data have any liability for any direct, indirect, special, punitive, consequential or any other damages (including lost profits) even if notified of the possibility of such damages. No further distribution or dissemination of the MSCI data is permitted without MSCI's express written consent.
