Quarterly Investment Strategy
Second Quarter 2025

UOB Asset Management

The expansion continues amid increased risks

Right By You

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CIO Viewpoint

Chong Jiun Yeh, Chief Investment Officer

A once-easy investment world is looking more mixed

After several challenging years of high inflation, rising interest rates and major recession risks, 2025 looked to be a year of smooth sailing. In our *1Q 2025 report: New Year, new investor optimism,* we detailed the reasons to be confident about the global economy - interest rate cuts in developed markets, stabilisation policies in China, a rebound from low growth levels in Europe, and sustained US consumer power.

As a result, having been cautiously parked in money market instruments, investors around the world appeared to be showing renewed interest in higher risk assets.

But these early hopes of a straightforward investment year have eroded over the past two months. The potentially stagflationary policies announced or signalled by the new US administration have started to destabilise markets.

Nevertheless our base case has not changed. We continue to hold the view that while Trump frequently threatens problematic policies, most are avoided once a deal is struck. The ones remaining are generally pro-growth. Despite the increasingly nervous US market sentiment, we remain confident that the global growth backdrop is solid. Europe, Japan, China, and EM markets all look stronger than they did last year.

However, erratic policies in the US have made the US outlook more complicated. While we still think that the worst of Trump's policies will be avoided, the uncertainties around these policies appear greater today than in his first term. We continue to like the investment backdrop for stocks and bonds, but we believe that **it is appropriate to exercise more caution.**

Here's a summary of our views

- We expect a healthy combination of continued growth and moderating inflation
- We expect a broadening of economic growth to more regions and a broadening of market performance to more regions and sectors
- However, due to rising risks, **we are downgrading equities to neutral and neutralising all the major asset classes**
- We expect one or two more rate cuts in 2025, thereby bringing the US Fed Funds rate down to about 4.0 percent
- We expect US bond yields to range between 4.25 - 4.75 percent. This implies US fixed income can continue to offer steady yields, but capital gains could be limited
- The gold outlook remains attractive in this year of rising political uncertainties

Global Asset Allocation

Uncertainties are clouding a healthy macro outlook

Anthony Raza
Head
Multi-Asset Strategy

There is still much to like about the global macro environment

We continue to think that the global economy's ability to withstand a fierce post-pandemic interest rate hiking cycle is a significant sign of its robustness. Now that inflation has slowed, global recession risks had declined considerably and many regions are cutting interest rates, we have even more confidence in a continued global expansion that is supportive of earnings growth.

As such, for 2025, we remain optimistic about the prospect of double digit corporate profit growth in all the major regions. The combination of healthy economic and profit growth, combined with moderating inflation, is a healthy backdrop for investing in stocks and bonds this year.

President Trump's policies proving more problematic than expected

We started the year of the view that Trump's policies were problematic for inflation but that these should not be taken at face value. Instead, they should be regarded as bargaining chips and attempts to strike "deals". While this appears to be true to some extent, as of the end of the first quarter, the Trump administration's apparent willingness to accept economic deterioration is greater than expected. Meanwhile, the ability to strike deals appears weaker than expected.

Therefore, while it is still not our base case that these policies are leading to a recession, we think that the risks of a growth slowdown have increased. We estimate that the risk of a recession has risen from about 10 percent to about 30 percent. Within this fatter risk scenario, we think there is increased potential for the global economy to weaken sooner than expected, given that uncertainty around tariffs can be more detrimental than the tariffs themselves. The inclination is for businesses to halt investment and activity when there is a lack of policy clarity, and the recent policy back-and-forths have added to the confusion.

Economic data remains positive but some trends are looking weaker

The consensus forecast is for global GDP to grow by over 3 percent this year, suggesting another year of healthy expansion. The US consumer in particular appears to be a strong foundation for global growth amid a combination of strong job creation and strong wage growth. This implies that US consumers have sufficiently steady income trends to support consumption.

However, some economic data trends have started to show signs of slowing. In particular, soft data that relies on surveys rather than actual readings of economic activity have turned down. Consumer confidence and employment trends have become weaker and GDP forecasts have been cut.

We read these mixed signals as evidence that it is necessary to be watchful but not overly pessimistic. If the uncertainty around global trade continues, then there are risks to global growth. But it is not the case that this growth is already doomed to moderate.

We are neutral on equities, underweight on US, overweight on Europe, Asia and China

We have been positive on the outlook for both equities and fixed income over the past year. But the risk of problematic policies that can slow growth is becoming greater and harder to dismiss. We continue to expect decent global growth but with enough uncertainties that we need to moderate risk taking and stay more balanced between the asset classes.

As such, **we would recommend neutral positions across all the major asset classes of equities, fixed income, commodities and cash.** Within equities we see improving growth in Europe, China and Asia as a whole and we are overweight those regions. We are seeing the biggest downward revisions in earnings growth from the US and we are shifting the US to an underweight.

We are underweight government bonds, overweight credits

The US Fed has indicated that it is targeting a more neutral level of interest rates but one that is still slightly restrictive in order to prevent a resurgence of inflation. We estimate the neutral rate to be around 3.5 percent and believe a Fed Funds rate of 4 percent to be consistent with the Fed's target. This implies one or two more interest rate cuts in 2025. Assuming a moderately upward sloping yield curve, we would expect the US Treasury 10-year yield to range between 4.25 - 4.75 percent.

While several of Trump's policies are inflationary, they also have the potential to slow growth down enough to offset this inflationary impact. We thus maintain our bond yield target ranges, even as we raise the inflationary prospects of Trump's policies.

Within fixed income we continue to overweight credits. This is based on our expectation of slowing growth but not to recessionary levels. We are neutral on duration levels as the likelihood of yields falling due to slower growth is about equal to yields rebounding if growth steadies.

We have turned neutral on cash and commodities

Within commodities we continue to overweight gold and underweight energy. Gold remains attractive given strong demand trends, but also appeals as a safe asset class in periods when risks are rising. Cash is another safe haven that we are neutralising from our 1Q 2025 underweight position as risk issues are proving greater than expected.

Global Asset Allocation Strategy

Sector	View	Notes
Equities	N	**Rationale:** Uncertainty can hurt growth even more than bad policies as uncertainty can lead business to do nothing. Our base case is for continued growth, businesses recession risks have increased, and we see corporate earnings growth being revised downward. Equities may be able to perform again by the end of the year, but for the coming quarter we expect lacklustre performance due to risk overhangs. **Risks:** Valuations are high and Trump policies carry many uncertainties. A trade war would be bad for both inflation and growth.
Fixed Income	N	**Rationale:** Fixed income correlations with equities have declined and fixed income is providing a healthy offset to equity risks. Yields are reasonable and fixed income is attractive on a risk/return basis. **Risks:** Trump policies are potentially inflationary and could negatively surprise fixed income markets.
Commodities	N	**Rationale:** China stabilisation policies have also helped boost most industrial metals. Continued global growth should be good for commodities. **Risks:** Higher-than-expected interest rates could drag down both growth-related commodities and the gold outlook.
Alternatives	N	**Rationale:** Global market breadth has been improving after being very narrow in the past two years. We think alpha opportunities should start to improve in 2025 which will support many alternative strategies. **Risks:** Core asset classes of equities, fixed income, gold and cash have been giving solid returns. If this continues, the demand for seeking out alternatives could remain limited.

++ : Strong Overweight + : Overweight N : Neutral - : Underweight -- : Strong Underweight

Global Asset Allocation Strategy

Sector	View	Notes
Cash	N	**Rationale:** Cash rates are still attractive and rising global uncertainties are making cash a safe place to be in the coming quarter. **Risks:** Faster than expected rate cuts could undermine cash rates.

++ : Strong Overweight + : Overweight N : Neutral - : Underweight -- : Strong Underweight

Global Equities

Equity potential remains but risks have jumped

Anthony Raza
Head
Multi-Asset Strategy

We are underweight US equities

At the start of the year, aside from the positive outlook for equities, investor pessimism also appeared to have bottomed. Around the world, after three years of sitting in money market and short term bond instruments, investors appeared to be ready to rapidly deploy their funds. While we recognised that the policies of US President Trump presented key risks, we held the opinion that growth was strong enough to withstand negative pressures. We also believed that Trump would act to maintain growth as he did in his first term.

Two key challenges to this outlook have since emerged:

1. Trump is appearing much more ideological and emboldened than in his first term. There is a greater risk that he will maintain policies even if growth slows and recession risks rise.
2. Even after his first month in office, economic data showed worrying signs that US growth could start to slow. In the face of policy uncertainties, the US economy has not proved to be as durable as we had been expecting.

As such, while we still expect the US to avoid a recession, we think more caution is warranted. We expect US equities to continue to be volatile over the first half of the year, but expect markets to stabilise by the second half of the year.

We are overweight Europe and Asia/China

The US has been underperforming in the first quarter of 2025 with Trump's policies partially paralysing businesses, hurting consumer confidence and prompting significant declines in earnings forecasts for US companies.

In contrast, over in Europe, growth is rebounding from weak levels in 2024. As a result, interest rates are being cut more aggressively than other regions and fiscal policy is being expanded aggressively.

In China, stabilisation policies are putting a floor under growth. There appears to be renewed focus on technology innovations and domestic consumption, and this has achieved some buy-in from global investors. Across the Asia region growth has been stable and a rebound in China is likely supportive of Asian markets.

We are monitoring the potential accumulation of risks

Given the greater risk, we need to continue to monitor for greater downside implications.

- We expect that market concentration in a few large and mega-cap stocks will be an issue of concern for investors in 2025. We remain on the look-out for signs of a market broadening.
- Within a global context, tensions in the Middle East continue to be highly elevated and pose the risk of spiralling into a broader regional war. We expect global economic growth to continue but recession risks will rise as the cycle lengthens and matures.
- In terms of global inflation, this has historically come in waves. In the coming year, it will be important to track any inflation surges.

Equities Regional Strategy

Region	View	Notes
US 	-	**Rationale:** The US is seeing the biggest downgrades to GDP growth and earnings growth and Trump policies are adding significant risks. **Risks:** Most economists do not expect a recession in the US at this point. But if this starts to become more accepted as a view then US equities will continue to suffer.
Europe 	+	**Rationale:** We expect more interest rate cuts in Europe than in other regions and more fiscal policy support than any other region. **Risks:** Europe's geopolitical risks become elevated and its alliances break down, leading to an uncertain world order.
Japan 	N	**Rationale:** While other regions are cutting interest rates, we expect Japan to be raising interest rates. Rate normalisation is ultimately a healthy trend, but we would expect some near-term headwinds. **Risks:** Economic trends have been mixed and the reaction to tighter monetary policy might be underestimated by the market.
Asia 	+	**Rationale:** Asia performs well when interest rates are being cut and China policies are supportive. We see evidence that Asia is performing better than in Trump's first term and think the headwinds from trade policies do not have to hold Asia back. **Risks:** US recession risks increase and this has a spillover effect on Asia and other major regions.

++ : Very Positive + : Positive N : Neutral - : Negative -- : Very Negative

Asia Equity

Resilient to tariff fears

Colin Ng
Head
Asian Equities

China upgraded to overweight

Asian markets face a challenging external environment. There is a risk that they could remain tentative due to US tariff risks peaking out much later in 2025. In addition, the US Fed's interest rate cutting cycle could be paused and US dollar strength could continue. This would constrain the scope for policy easing in Asia.

Despite these risks, we are encouraged by China's recent policy pivots, including more support for local private enterprises, and a key thrust towards domestic growth. Private enterprises account for 60 percent of China's GDP and 80 percent of urban employment. There is also potential structural growth in new economy industries notably AI-related companies in the data and cloud space, along with software and application sectors.

Against this backdrop, we upgrade China from neutral to overweight. Spillover effects from a more robust growth outlook in China will likely benefit Asia given rising trade linkages within the region.

Underweight on Hong Kong, neutral on Taiwan

Hong Kong property and retail sectors remain under pressure, whilst China policy support may have limited boost to Hong Kong's economic growth given China's focus on domestic economy.

We upgrade Taiwan from underweight to neutral as continued corporate earnings upgrades are likely to support its premium valuation.

Underweight on Korea, India

Korea remains an underweight as we see increased downside risk to GDP growth amid persistent weaknesses in consumption and subdued private capex spending.

We downgrade India from overweight to underweight as valuations have turned unattractive against a slower GDP growth outlook.

Selective on ASEAN

Malaysia remains our preferred market as rising FDI inflows into data centres and manufacturing could aid the construction boom. Meanwhile a minimum wage rise is supportive of continued consumption.

We upgrade **Philippines** from underweight to neutral as a potential government spending boost ahead of mid-term general election in May 2025 bodes well for domestic growth.

In contrast, we downgrade **Thailand** from neutral to underweight. Thailand's domestic private consumption remains lacklustre against a worsening corporate earnings outlook.

We retain our underweight on Indonesia. **Indonesia** lacks a pick-up in private investments to offset lower capital spending. Also the rupiah has a higher beta to the US and is relatively more sensitive to RMB.

We are underweight **Singapore** given its outperformance year-to-date, and therefore its upside now looks capped. The domestic equity market's focus on high dividend paying stocks looks priced in.

We are overweight **Vietnam** given a potential rebound in its FDIs.

Balanced across sectors

Our cautiously optimistic positioning is well-balanced between cyclicals (namely the consumer discretionary, tech and healthcare sectors) and defensives (communications services and utilities). Key risks to our outlook include the US economic growth shock, a weak US dollar, waning China policy support momentum, as well as escalating geopolitical risks.

Asia ex-Japan Country Strategy

Country	View	Notes
China	+	**Rationale:** Tailwind from easing government regulatory and policy pivot towards local private enterprises likely to bolster domestic growth. **Risks:** Policy support momentum wanes, local consumption falters, geopolitical/ tariff risks
Hong Kong	-	**Rationale:** Property and retail sectors remain under pressure. China policy support may have limited boost to HK's economic growth given China's focus on domestic economy **Risks:** China/HK political relationship improves, HIBOR drops faster than expected. Inbound tourism rebounds
India	-	**Rationale:** Valuation unattractive against a slower GDP growth outlook **Risks:** Stronger than expected consumption recovery
Indonesia	-	**Rationale:** Lack of a pick-up in private investments to offset lower capital spending **Risks:** Strong rupiah, private investment accelerates
South Korea	-	**Rationale:** Downside risks to GDP growth amid persistent weakness in consumption and subdued private capex spending **Risks:** Strong non-tech consumption growth, 'Value-up' reform gains strong traction
Malaysia	+	**Rationale:** Rising FDI inflows into data centres and manufacturing could aid construction boom, whilst minimum wage rise is supportive of continued consumption **Risks:** Delays in implementation of fiscal policies, aggressive subsidy cuts fuelling inflation, weak MYR
Philippines	N	**Rationale:** Potential government spending boost ahead of mid-term general election in May bodes well for domestic growth **Risks:** Government policy risks, weak consumer confidence, inflation overshoots

++ : Very Positive + : Positive N : Neutral - : Negative -- : Very Negative

Asia ex-Japan Country Strategy

Country	View	Notes
Singapore	-	**Rationale:** Upside likely capped as the domestic market's focus on high dividend paying stocks looks priced in **Risks:** US dollar weakens, Inbound tourism surprises. Pronounced pick-up in growth with major trading partners (US, EU, China).
Taiwan market	N	**Rationale:** Continued corporate earnings upgrades likely to sustain its premium valuation **Risks:** Robust global tech cycle demand, cross-straits relationship deteriorates
Thailand	-	**Rationale:** Corporate earnings downgrades worsened whilst private consumption remains lacklustre **Risks:** Oil price surge, private consumption rebounds, further stimulus measures
Vietnam	+	**Rationale:** A recovering local property sector along with construction activities and FDIs is set to drive an earnings rebound **Risks:** Delays in infrastructure investments, global exports falters.

++ : Very Positive + : Positive N : Neutral - : Negative -- : Very Negative

Global Fixed Income

We would resist being overly bullish on EM bonds

Goh Wee Liam
Head
Global Fixed Income

DM economies in different stages of their rates cycle

US bond yields fell from an average of 4.8 percent at the start of 1Q 2025, down to about 4.2 percent towards the end of the quarter, driven by fears about the growth impact of Trump's trade policies. Rate cut expectations have also increased. As of now, markets are pricing in between two to three cuts through 2025.

It is currently our base case that Trump policies could moderate but not derail the positive economic trajectory. Hence, we think market expectations of three cuts may be somewhat too optimistic. We also continue to see the case for a mild steepening of the yield curve. However, we are neutral duration as any pickup in yield offered by the long-end does not appear enough to compensate for the likely higher volatility. On an asset allocation basis, given our view that recession risks remain low, we prefer to overweight credit for the additional yield pick-up.

Across the world, we expect further divergence in Developed Market (DM) central bank actions. Central banks can be classified into three buckets:

1. those that have to cut to boost growth and avoid a deflationary cycle (Switzerland, China to an extent)
2. those that have limited room to cut, given strong growth and sticky inflation figures (US)
3. those that are compelled to hike rates (Japan).

Trump policies hitting EM economies

In emerging markets (EMs), high yield credits have been the best-performing segment in the recent quarters. With Trump's second term, talk is turning towards how the wars and regional conflicts might come to an end. As a result, EM bonds rallied in regions such as Lebanon, Ukraine and Iraq. However, we are increasingly worried about rising global high-yield corporate default rates as well as slower economic growth in regions such as Central Eastern Europe and Africa.

In addition, Trump tariffs threats should boost inflation and result in higher bond yields. And higher-for-longer interest rates globally could weaken EM currencies against the dollar. This shift, if it materializes, means that weaker economies will become more vulnerable to flights of capital. As a result, we underweight countries like Ghana (CCC), Mozambique (CCC), Nigeria (CCC+) and South Africa (BB-), etc. given their significant increases in debt.

Another recent Trump action is the freeze in US foreign aid. While it is still unclear how long this freeze will last, it seems that the Trump administration may be ready to abandon its role as a lead aid provider for many low-income emerging countries. The Sub-Saharan Africa region looks likely to be worst affected, hence we dislike credits in countries like DR Congo, Ethiopia, Liberia, Uganda. These economies are so small that aid makes up an average of 11 percent of their total income. With USAID providing 30 percent of that support, the freeze could create a significant shortfall, equivalent to over 3.0 percent of gross national income (GNI).

Fixed Income Sector Strategy

Sector	View	Notes
Developed Market (DM)	+	**Rationale:** DM fixed income should provide solid returns driven by good yields, albeit with some yield volatility **Risks:** Trump tariffs threats boost inflation and result in higher bond yields
DM Government	-	**Rationale:** We expect 1 to 2 more Fed cuts in 2025 which should keep 10-year UST bond yields in the 5.75-4.25 percent range **Risks:** Further growth disappointment could see yields move lower
DM Credit	+	**Rationale:** Fundamentals continue to remain strong which justify moving into credits for extra spread carry **Risks:** Credit spreads could widen in a weaker than expected growth environment
Emerging Market (EM)	N	**Rationale:** EM economies remain resilient, and we prefer investment-grade EM credits than high-yield EM in the sovereign/quasi space **Risks:** Further slower economic growth in regions like Central Eastern Europe and Africa could lead to a rise in default rates
EM Government	+	**Rationale:** Most EM economic growth trajectory is positive, and we continue to overweight investment-grade EM sovereigns **Risks:** An external tail risk event such as a reversal of the disinflationary trend led by commodity prices, coupled with a surprise in global growth
EM Corporate	N	**Rationale:** EM corporates have performed mostly in line with EM sovereigns. However, we are increasingly worried about rising global high-yield corporate default rates as well as slower economic growth in regions such as Central Eastern Europe and Africa **Risks:** An extended period of high interest rates could start to weigh on corporate profitability, especially for those companies that are highly leveraged

++ : Very Positive + : Positive N : Neutral - : Negative -- : Very Negative

Fixed Income Sector Strategy

Sector	View	Notes
EM Local Currency	-	**Rationale:** We are negative on EM local currency fixed income as we think their current yield is too tight **Risks:** The EM local currency space could continue to be resilient for a long period
Duration	N	**Rationale:** We prefer to neutral on duration as upside risks are, on balance, close to that from downside risks. **Risks:** Either from growth disappointment or from expansionary fiscal policies.
Yield Curve	-	**Rationale:** We expect the yield curve to steepen from here as we see room for the current economic cycle to continue **Risks:** Growth data starts to surprise on the downside, resulting in an inverted curve

++ : Very Positive + : Positive N : Neutral - : Negative -- : Very Negative

Asia Fixed Income

Investors' search for yield continues

Joyce Tan
Head
Asia Fixed Income

Spreads tightened in 1Q

For the upcoming quarter we continue to like both Asia Investment Grade (IG) and Asia High Yield (HY) bonds for its high absolute yield. Throughout 2024 and into the first quarter of this year, credit spreads tightened significantly for both HY and IG.

As a result, IG credit spreads are at extremely tight levels and below its long-term average, while HY is trading at its long term average spreads. Investors' focus on absolute yield can be expected to drive further spread tightening.

We continue to prefer HY

However, we continue to prefer Asia HY compared to Asia IG bonds on better technicals, fundamentals and valuation. As yields come down, cost of debt for HY companies will come down too, leading to stronger balance sheets and better credit profiles, which in turn will lead to further spread compression.

Within Asia HY, we remain defensive in China HY real estate sector but we do favour the stronger names and those with government backing as these companies are better able to tap on the capital market. We also see value in frontier markets such as Mongolia, Pakistan and Sri Lanka on continued IMF support.

Meanwhile, we think IG yields could become more volatile due to higher rates volatility. Given uncertainties with Trump's policies as well as the spotlight on China's recent stimulus measures, we see risks to the downside and volatility coming from rates. Nevertheless, all-in yield are still at attractive levels.

Asia Fixed Income Strategy

Sector	View	Notes
Sovereigns / Quasi-Sovereigns	+	**Rationale:** Only positive on some high yield sovereigns. Spreads have tightened but still remain wide. Mongolia and Sri Lanka play is over as it is very tight but Pakistan still sees room for credit tightened potential from continued IMF support. **Risks:** War in Pakistan or inability to fufilll IMF's criteria. Mongolia is dependent on commodities so commodity prices turn could affect economy.
Financials	+	**Rationale:** Positive on Indian NBFCs on the back of easing funding conditions by RBI's recent decision to lower risk weight on exposures to NBFCs for banks. Certain names in the space provide sufficient spread for good carry **Risks:** Waning India macro tailwind as well as increasing risk on asset quality specifically among unsecured and microfinance sector which are showing stress
Real Estate	N	**Rationale:** Selective for China developers. Carry play for non-Greater China names. HK developers with greater geographical diversification (JP, Aus) and asset disposal plans offer value vs names with higher HK exposures. **Risks:** For China, any default that erodes investor confidence. For non China, slowing sales, domestic rates staying elevated; loss of liquid funding sources or delays in disposals
Utilities	N	**Rationale:** Continuation of government policies and regulations within India and Indonesia provide a supportive backdrop for infrastructure projects. While larger Indian renewables are trading tighter, smaller players within the space still provide value **Risks:** Tariff sanctions by the US on India may result in disruptions in the pace of government spend.
Industrials	-	**Rationale:** We don't like Korean IG industrials (over-capacity, trade tariffs). DG pressure/deteriorating financials don't justify current tight credit spreads. **Risks:** Tariff war heating up. Continued China overcapacity being exported to the rest of the world.

++ : Very Positive + : Positive N : Neutral - : Negative -- : Very Negative

Global Currencies

Mixed picture for the USD

Choo Chian
Multi Asset Research & Strategist

Just as the market's broad consensus was for a bullish USD narrative, the USD reversed lower through the first quarter of the year. This was driven by the changing trajectories of countries' growth-inflation mix, causing the rate differentials between the USD and other major currencies to narrow.

We expect USD to remain mostly range-bound against the Euro in the near term. Upside risks from trade tariffs look likely to be offset by downside risks from a strengthening EUR, especially if Germany's proposed defence and infrastructure fiscal spending package gets approved. Furthermore, US growth is starting to look more uncertain while the prospects of Eurozone recovery has brightened. Financial markets are discounting around two ECB rate cuts, down from expectations of 4.5 cuts at the start of the year.

However, we think the USD could depreciate against the Japanese Yen and Chinese Yuan. The reduced rate differentials should allow Yen to continue appreciating against the USD, albeit in a gradual manner. The key risk to our view would be a sharp rebound in growth prospects of the US economy relative to the other economies.

Currency Strategy

Currency	View	Notes
US Dollar **USD**	N	**Rationale:** The USD has very likely peaked out. USD reversed lower, as real rate differentials against other major economies narrowed. Positioning appears less extreme now, as compared to the start of the year. **Risks:** A weakening in growth prospects of other major economies should see the USD strengthening, while the tariff overhang may potentially support the USD.
Euro **EUR**	N	**Rationale:** Growth prospects appear stronger. Composite PMIs are now above 50 (i.e. back in expansionary territory). Additionally, Germany's proposed defence and infrastructure fiscal spending could have positive spill-over effects and set off similar chain reactions (i.e. fiscal stimulus packages) in the rest of the Eurozone. **Risks:** Tariff overhangs and potential political gridlocks in Germany and France could prevent the strong fiscal stimulus impulse.
Japanese Yen **JPY**	+	**Rationale:** The BoJ should continue to normalise rates as wage growth data remains strong, and inflation appears to be on the right trajectory **Risks:** Domestic consumption slows, stalling or even reversing the virtuous cycle of higher wage growth supporting more spending
Singapore Dollar **SGD**	+	**Rationale:** We expect MAS to keep the SGD on an appreciating path given continued economic growth figures in recent months. **Risks:** Asian currencies could depreciate significantly if proposed US tariffs get implemented in full
China Yuan **CNY**	+	**Rationale:** Fiscal support and ongoing reforms in China is supportive of a stronger Chinese Yuan. **Risks:** Tariff overhangs if a deal cannot be reached by the US and China on trade deficits.

++ : Very Positive + : Positive N : Neutral - : Negative -- : Very Negative

Global Commodities

China stability making commodities more attractive

Wayne Lau
Multi Asset Research & Strategist

Gold is our top pick

We expect the strong structural story for gold to continue. But the stabilisation policies in China are creating greater confidence that the China economy should be more stable after a couple of weak years. As a result, most industrial metals are starting to see a rebound.

President Trump is an enthusiastic supporter of oil production, but the combination of weaker than expected US growth and an expansion in supply implies energy prices may come under pressure.

We are neutral commodities overall, but think the coming quarters could see opportunities in individual categories. The US is backing away from energy transition targets that had been improving the long term attractiveness of many metals. On the other hand, China's success in energy transition is beating expectations and we think commodities will remain an important sector.

Commodity Sector Strategy

Sector	View	Notes
Commodities	N	**Rationale:** US growth is being downgraded which is a potential drag for commodities, but China has always been the most important economy for commodities and economists are increasingly confident in the economic trends there. **Risks:** US recession risks have increased slightly and any rising anxiety about a global recession would be negative for commodities.
Gold	+	**Rationale:** We think supply and demand issues will continue to support the price of gold in 2025. Central banks are diversifying their reserves away from the USD and into gold and gold mining has been underinvested for years. **Risks:** If central banks turn more hawkish and interest rates are hiked again, this would hurt the outlook for gold.
Base Metals	N	**Rationale:** China's economic rebound and China's success in green energy is supportive of metals. We think the multi-year outlook will be strong as new green technologies are creating high demand for many of the metal commodities. **Risks:** Recession risks would weigh negatively on the outlook for base metals.

++ : Very Positive + : Positive N : Neutral - : Negative -- : Very Negative

Commodity Sector Strategy

Sector	View	Notes
Energy	-	**Rationale:** President Trump's agenda of expanding energy production will likely be a drag on energy prices. **Risks:** Middle East tensions could create disruptions in supply while growth risks could create disruptions in demand.
Others	-	**Rationale:** The demand for other broad commodities such as agriculture has been particularly disrupted due to tariffs and trade tensions. **Risks:** Weather and tariffs create rising uncertainties.

++ : Very Positive + : Positive N : Neutral - : Negative -- : Very Negative

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