Quarterly Investment Strategy
Fourth Quarter 2025

UOB Asset Management

An inflection point for markets

Right By You

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CIO Viewpoint

Chong Jiun Yeh, Group Chief Investment Officer

We are positioned for growth without ruling out a recession

Tariff headwinds set to peak in 4Q25

The global economy and global markets have been resilient despite the policy headwinds of the trade conflicts ignited by the US. Corporate profits remain solid and inflation has not risen sharply. Global investor confidence has been encouraged by this resilience and equities in many regions recovered to make new highs. This will all be justified if trends hold up through the fourth quarter of 2025, but there is a risk that the tariffs headwinds will start to kick in.

4Q will likely be a key test of the US economy's resilience

While it has been encouraging to see the US economic growth slowdown to be fairly limited so far, we think it is premature to rule out recession risks. Investors may feel like the tariff issue has been going on for many months without significant consequences, but the reality is that most tariffs had been paused and are only starting to have an economic effect at the end of 3Q25. We won't really be able to conclude the net effect of the policies until we see how the US consumer reacts to the rising prices that are likely to affect consumption in 4Q25.

GDP growth has already slowed and employment trends have weakened. We think 4Q25 will likely provide the evidence that the global economy is either robust enough to withstand these policy headwinds or we may start to see evidence of the US economy reaching "stall speed". This could in turn affect growth in the rest of the world, although as discussed later, some regions will likely fare better than others.

Here's a summary of our views

- In broad terms, we continue to see three main macroeconomic scenarios – 1) continued growth, 2) recession 3) stagflation i.e. slow but positive growth and rising inflation. We have adjusted our positive probabilities upwards so that we now give 50 percent chance of continued growth, 25 percent chance of recession and 25 percent chance of stagflation.

- We expect inflation to rise to 3 – 4 percent in 4Q25. The question is whether this can be contained as a one-off tariff-induced increase, or more worryingly, lead to a wage price spiral.

- The US Fed is likely to wait most of the year to see how these inflation risks play out. Given this, we continue to expect no more than 1 - 2 cuts by the end of the year, which is slightly less than market expectations.

- We expect UST 10-year bond yields to range between 4.00 - 4.50 percent in 4Q 2025.

- We see the USD as structurally weak for the coming years, but may have devalued enough for this year. As such, we expect the USD trend to be rangebound or only slightly weaker going into 4Q 2025.

Global Asset Allocation

Neutrality + diversification: a multi-scenario strategy

Anthony Raza
Head of
Multi-Asset Strategy

A potentially decisive moment after months of uncertainty

Last quarter we highlighted the uncertainty in the current macro environment. At the time, we laid out near-equal probabilities for the three main economic scenarios that we thought were likely to emerge. We think economic trends in 4Q25 will help tip probabilities more decisively towards growth in light of the economic and corporate resilience we have seen so far.

Higher probability of growth

We continue to see three primary scenarios although the probabilities have shifted since last quarter:

1. **Continued growth**
In this scenario, the global economy remains on track and in line with the expectations set at the start of the year, supported by resilient consumer demand and stable corporate earnings. **Probability raised from 40 to 50 percent**

2. **US-led recession**
Defined as a downturn in the U.S. economy, potentially triggered by declining consumption and business confidence, with the potential to drag down global growth. **Probability lowered from 30 to 25 percent**

3. **Stagflation-like conditions**
Marked by slowing growth combined with rising inflation, driven in part by tariff-related cost pressures and posing a challenging environment for both equity and fixed income markets. **Probability lowered from 30 to 25 percent**

But too soon to get complacent

While we give the largest probability assessment to the scenario of continued growth, we warn that the other scenarios when combined add up to 50 percent and thus are not insignificant. The combined scenarios of stagflation and recession are unattractive for markets, albeit in different ways.

The past quarter's economic and corporate resilience has been encouraging, but we see several reasons for risks to remain elevated. Firstly, we would highlight that the negative effects of the tariffs were delayed by the pause in implementation. The cost of the tariffs were therefore only starting to kick in toward the end of 3Q25.

Furthermore, it appears that US businesses initially absorbed the impact of the tariffs but plan to pass them on to US consumers in 4Q25. Thus, the inflation effects and hit to consumption can only really be analysed after the coming quarter. As of the end of 3Q25, US tariff collections have spiked to an annualised run rate of over US $300 billion. If passed on the consumer, this would effectively add up to 2.0 percent of GDP fiscal drag on the consumer. While the impact will be partially offset by tax cuts and business capex incentives passed by the US administration, large uncertainties remain.

These come at an unfortunate time given the fragility of current US employment trends. A key driver of consumption and GDP growth is the new income that is coming into the economy. We track this by looking at the combination of new jobs, increased wages and increased hours worked per week. All three trends have been declining and in particular jobs added in 3Q25 have dropped to negligible levels. US employers do not appear to be laying off workers (yet), but they have slowed down hiring levels.

Furthermore markets, having shrugged off the risks so far, are at all time highs and priced for perfection. If slowing income meets higher prices in 4Q25 then the recession probabilities could rise, which would have significant downside risks for the equity market.

Good case for global market optimism

We have seen surprising adaptability and resilience in the global economy during previous episodes of US economic headwinds. The global economy adapted surprisingly quickly to the massive disruption in supply chains caused by the COVID pandemic. When US inflation rose and interest rates were hiked by over 500 basis points, most economists thought this would severely affect the global economy.

Instead, economists were surprised by the ability of businesses to persevere through the challenges. Economists may be surprised yet again by corporations' resilience in the face of massive increases. U.S. corporate earnings remain solid, suggesting that widespread layoffs are unlikely in the near term - typically, companies consider workforce reductions only when margins and profitability begin to deteriorate.

Additionally, regions such as Europe and China are experiencing stronger growth compared to previous years and their equity markets have continued to outperform. Global investment in artificial intelligence continues to be a powerful growth driver. Several major economies have already implemented interest rate cuts, and the US is expected to follow suit with a series of reductions. These have the potential to provide global economic resilience and defy the headwinds most economists are concerned about.

Intentionally neutral

We continue to take a neutral position across most asset classes. This neutrality is strategic, rather than reflecting a lack of conviction. Given the equal probabilities of market-positive vs market-negative scenarios described above, we believe a diversified approach is the most resilient and offers the best chance of achieving positive returns across a range of outcomes.

Under recessionary pressures, a well-balanced allocation to safe-haven assets can help cushion equity market declines. Bond yields are currently attractive, and potential interest rate cuts to restore growth will help generate capital gains.

Historically, we have leaned heavily on long-dated US Treasuries in such environments. However, given today's broader range of risks, we recommend a more diversified safe-haven strategy that includes a mix of long and short-dated US Treasuries, gold, German Bunds, and Treasury Inflation-Protected Securities (TIPS).

If the expansion continues, equities can be expected to deliver solid returns. While fixed income returns may face some headwinds from rising yields, current yield levels offer sufficient carry to absorb moderate rate increases.

Regionally, we expect stronger relative performance in the Asia ex Japan equity markets where we see better valuations, stronger currency trends and a growing domestic consumer base.

More diversification gives rise to a tactically neutral portfolio. We are neutral weighted between equities and fixed income, and neutral between credits and rates within fixed income. Within equities we lean more into Europe and Asia and underweight the US. We are neutral commodities as well but within commodities we continue to overweight gold.

Global Asset Allocation Strategy

Sector	View	Notes
Equities	N	**Rationale:** Good corporate profit growth and expected interest rate cuts are positives for equities but uncertainties around slowing growth, weak labour conditions and the tariff impact in 4Q25 leave us potentially optimistic but cautious. **Risks:** Recession risks are elevated and global equities are priced for perfection; there will be downside if growth slows to recessionary levels.
Fixed Income	N	**Rationale:** Yields have declined in 2025 but are still relatively attractive compared to the past decade. Growth has slowed and more interest rate cuts are likely. Inflation, however, remains sticky and is at risk of accelerating again in 4Q25. **Risks:** Trump policies are potentially inflationary and could negatively surprise fixed income markets.
Commodities	N	**Rationale:** China's growth improvement and the significant investments in green industries and AI infrastructure imply healthy structural demand for commodities. **Risks:** Slowing growth conditions could undermine cyclical commodity demand.
Alternatives	N	**Rationale:** We think alpha opportunities have improved in the past year and enhances the appeal of alternative strategies. **Risks:** In recent years, the core asset classes of equities, fixed income, gold and cash have been giving solid returns and reduces some of the demand for alternatives.
Cash	N	**Rationale:** Cash rates have been declining in most regions in 2025, but are still high enough to provide a cushion of safety when uncertainties are high. **Risks:** Faster than expected rate cuts could undermine cash rates.

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

Global Equities

Beware! US markets are priced for perfection in a less-than-perfect environment

Anthony Raza
Head of
Multi-Asset Strategy

Similar to the 1990s

Equity markets in the 2020s are looking a lot like the 1990s. Then, like now, markets were running strong, buoyed by a prolonged expansion, improved productivity and exciting innovation themes. By the mid- 1990s, valuations had climbed to uncomfortable levels and many prudent analysts advised caution. But equity markets went on for several more years of double-digit returns. In early 2000, equities did peak and suffered a significant and prolonged downturn.

With the benefit of hindsight, we are cautious about the growing risks but reluctant to "pull the plug" too early. We think there is room for more years of expansion and market performance. But there are enough looming uncertainties that, combined with current all-time high market valuations, warrant a diversified positioning.

Earnings growth remains a key support

At the start of 2025 we were excited to see double digit earnings growth across all the major regions. As trade frictions increased in April, earnings forecasts started to be cut and it was uncertain how much they could fall.

But by the end of 3Q, earnings trends had stabilised. Most regions continue to see potential earnings growth of about 10 percent or higher for 2025, and the same for 2026. AI-related investments have become a big profit driver for megacap tech companies and have continued to surprise analysts with strong earnings trends.

Continuing to overweight Asia

Despite China's sluggish economy, the market has rebounded from ultra-low market valuations. We see this rebound continuing and turning supportive of other Asian regions. Most Asian equity markets are expected to benefit from better economic growth trends, lower valuations, strengthening currencies and growing domestic consumer bases. Trade headwinds had been a negative for Asia but the uncertainties around trade are declining. In any case, many Asian markets have a growing consumer base and are becoming less reliant on exports for growth.

Equities Regional Strategy

Region	View	Notes
US 	N	**Rationale:** The US has been at the epicentre of slowing growth trends and labour market weakness. But tech and AI-related investments remain one of the most attractive investment themes and US markets have the most opportunities in that area. We have raised our outlook to neutral after being underweight in the prior periods. **Risks:** Most economists do not expect a recession in the US but if this starts to become overwhelming as a view then US equities will likely suffer the most due to higher valuations.
Europe 	+	**Rationale:** Europe has had two years of sub-one percent GDP growth and is finally seeing stronger economic trends. Earnings growth in Europe is expected to be over 10 percent for the next two years which is above trend for Europe. This has led Europe to be one of the top performing markets in 2025. **Risks:** European politics remain uncertain and the geopolitical risks around the war in Ukraine remain elevated.
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:** Political leadership uncertainty continues to weigh negatively on the Japanese markets.
Asia 	+	**Rationale:** We see a growing middle class in Asia. This is becoming a more attractive investment theme than export-orientated drivers. Currencies are strengthening and valuations are more attractive than other regions. **Risks:** US recession risks have increased and Asia does not usually perform at its best if there are recessions in the major regions.

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

Asia Equities

Global environment looking more positive for Asia

Paul Ho
Group Head of Asia ex Japan Equities

Fed rate cuts are supportive

We remain constructive on Asia amid an improving global backdrop. Expectations of further Fed rate cuts, global fiscal easing and fading trade tensions should overcome near term challenges for Asian equities in 4Q25. In addition, the declining US dollar against Asian currencies is typically supportive of Asian market outperformance. We favour North Asia over ASEAN in 4Q as China's economic rebalancing appears to be moving forward.

China and Hong Kong outperformance looks set to continue

We maintain overweight on **China**. Market liquidity, anti-involution and a measured consumer policy are likely to drive a sustained market performance in 4Q. While the market has become less sensitive to tariffs, the extension of the 90-day US tariff pause is an added relief. Against this backdrop, we have upgraded **Hong Kong** from underweight to overweight. Hong Kong is likely to continue to enjoy a positive spillover effect from the A-shares outperformance, and H-share valuations are still undemanding against the historical mean.

Positive on Taiwan, negative Korea, India

We have also turned more bullish on the AI and tech supply chain sector given strong AI capex momentum. This underpins our upgrade on **Taiwan** from underweight to overweight. On the other hand, **Korea** remains an underweight as positives appear priced in and market reforms will take time. We retain our underweight position on **India** as valuations are unattractive and headwinds from US tariffs are likely to weigh on the country's near term growth.

ASEAN is looking less attractive

We are underweight ASEAN except **Philippines**. The latter is our sole overweight as it is relatively less exposed to US tariffs given its more domestic-oriented economies. We are downgrading **Malaysia** from overweight to underweight as relative market resilience appears priced in.

We retain underweight on **Singapore, Thailand** and **Indonesia**. Singapore has already performed well year-to-date and we expect any boost from the US trade deal to be limited. In Thailand, continued political instability is likely to cap potential upside in domestic equities. Likewise, the risk of prolonged public protests in Indonesia could weigh on the country's local economic activities.

In terms of sectors, we adopt a more bullish positioning with a balanced exposure to both cyclicals and defensives. We have raised Tech and select China AI plays to overweight while reducing Financials to underweight. At the same time, we maintain an overweight position on defensive sectors with a preference for the Communications Services, Materials and Utilities sectors. In contrast, we retain our underweight on the Real Estate, Consumer and Energy sectors.

Key risks to our outlook include a strong US dollar, worse than expected US-China tariff negotiation outcomes, and softening AI/ Tech demand. China markets may also turn more unstable if its GDP growth momentum falters from current levels.

Asia ex-Japan Country Strategy

Country	View	Notes
China	+	**Rationale:** Liquidity, anti-involution and a measured consumer policy likely to drive a sustained market performance **Risks:** Policy support momentum wanes, local consumption falters, geopolitical/ tariff risks
Hong Kong	+	**Rationale:** Valuation of H-shares looks attractive at historical mean level **Risks:** Geopolitical risks, HIBOR strengthens
India	-	**Rationale:** Valuations are unattractive and headwinds from US tariffs likely to weigh on near term growth **Risks:** Stronger than expected recovery in consumption, fiscal stimulus measures
Indonesia	-	**Rationale:** Risk of prolonged public protests in Indonesia could weigh on the country's local economic activities **Risks:** Strong rupiah, private investment accelerates, domestic consumption picks up
South Korea	-	**Rationale:** Positives appear priced in and market reforms will take time **Risks:** Domestic consumption recovers, corporate capex spend improves
Malaysia	-	**Rationale:** Relative market resilience appears priced in **Risks:** Uptick in domestic private consumption, strong MYR, foreign buying resumes
Philippines	+	**Rationale:** Relatively less exposed to US tariffs as one of the more domestic oriented economies **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:** Best performing market in ASEAN YTD. Limited boost from US trade deal **Risks:** Pronounced pick-up in growth with major trading partners (US, EU, China). Inbound tourism surprises on the upside
Taiwan market	+	**Rationale:** Domestic equities market likely to benefit from enthusiasm around AI supply chain related plays **Risks:** End demand for global tech cycle softens, punitive sectorial tariffs on semis/ chips
Thailand	-	**Rationale:** Continued political instability likely to cap potential upside in domestic equities **Risks:** Consumer confidence and business sentiment recovers, further stimulus measures
Vietnam	+	**Rationale:** Tariff impact on imports and exports have been more moderate than expected with likely a limited drag on GDP growth **Risks:** Global exports falters, inflation overshoots

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

Global Fixed Income

Carry still attractive, but near-term downside risks are elevated

Goh Wee Liam
Head of
Global Fixed Income

US Treasuries have rallied significantly

Over a two-year horizon, 10-year bond yields have been trading within the 4.0 - 5.0 percent range, with bond yields now closer to the bottom end of its range. The past quarter has seen the narrative leaning more dovish, as growth data takes a step down. The Fed is becoming more open to rate cuts and fiscal concerns have eased slightly due to increasing tariff revenues.

The market is now pricing in closer to 3 rate cuts through 2025, with the first cut fully expected in September. Market appears to be focusing more on growth risk than inflation risks, but we think that there are both clear upside and downside risks for bonds. As a result, we maintain roughly a neutral stance on duration and bonds in a balanced portfolio. We expect 10y bond yields to trade between 4.0% to 4.5%, though we note with bonds trading at the bottom-end of the range, bond markets might be underestimating inflation risk.

Neutral overall, but steer clear of the ultra long-ends

On an asset allocation basis, we are neutral credit and duration as we continue to believe that developed market economies will remain resilient, though we note rising risks from the potential scenarios of recession and higher inflation. We think that this continues to be a good environment to hold bonds for carry, given relatively high all-in yields.

Outside of the US, the focus for most major markets has been the rise in the ultra long-ends like the 30y bond yields. This has been driven by growing concerns over widening fiscal deficits and an increase in Japanese long-end yields given the pressure on the BOJ to hike rates. In contrast, Singapore has seen its rates declining given strong demand for its safe haven currency and strong control of its fiscal situation.

Within EM ex-Asia, we favour investment grade credits

High-yield credits continue to perform well within the emerging market fixed income space, primarily driven by their higher coupon income. Overall, emerging market credit remains resilient, with a swift rebound observed following the shock from Trump's 'Liberation Day' tariffs.

That said, slower global growth and heightened geopolitical tensions are compounding challenges for weaker emerging market economies, many of which are already grappling with structural vulnerabilities. As a result, we maintain a preference for investment-grade emerging market bonds in the coming quarters.

Additionally, external deficits have widened in several high yield emerging market countries, whereas many investment-grade nations have managed to keep their external balances relatively stable. We are becoming increasingly cautious toward countries where Purchasing Managers' Index (PMI) readings have slipped into contraction territory, such as South Africa, Mexico and Turkey. From a valuation perspective, we see attractive opportunities in single-A credits and select single-B credits.

Fixed Income Sector Strategy

Sector	View	Notes
Developed Market (DM)	N	**Rationale:** Developed market fixed income is expected to remain resilient, supported by attractive yields **Risks:** Concerns over global fiscal deficits and Fed independence could drive bond yields higher
DM Government	N	**Rationale:** We anticipate 1 to 2 Fed rate cuts in 2025 and expect UST 10yr yields to range between 4.00 - 4.50 percent **Risks:** A sharper-than-expected slowdown in growth could drive yields lower while global fiscal deficits could result in higher bond yields. At the same time, the long end might stay elevated for longer given concerns over Fed independence
DM Credit	+	**Rationale:** Strong underlying fundamentals support a shift into credit markets to capture additional spread carry **Risks:** In a weaker-than-expected growth environment, credit spreads may widen, eroding returns
Emerging Market (EM)	N	**Rationale:** EM economies remain broadly resilient. We favour investment-grade EM credits over high-yield sovereign and quasi-sovereign issuances **Risks:** Further slower economic growth in regions like Central and Eastern Europe and Africa as well as Latin America could lead to a rise in default rates

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

Fixed Income Sector Strategy

Sector	View	Notes
EM Government	+	**Rationale:** The growth trajectory across most EM economies remains positive, reinforcing our overweight stance on investment-grade EM credits **Risks:** Further headwind might come from higher trade tensions, geopolitical risks, and fiscal pressures
EM Corporate	N	**Rationale:** We are increasingly concerned about rising high-yield corporate default rates globally **Risks:** De-dollarisation and moving away from US assets might help in EM credit fund flows
EM Local Currency	N	**Rationale:** We remain neutral on EM local currency fixed income, as a weaker U.S. dollar is expected to continue to support fund inflows **Risks:** A reversal in the dollar's downward trend could undermine this positioning
Duration	N	**Rationale:** We are neutral on duration despite potential upside risks to yields in the near-term as there are growing risks of a recession **Risks:** Either from growth disappointment or from expansionary fiscal policies
Yield Curve	+	**Rationale:** We still see more room for the yield curve to steepen from here as we expect short-end yields to decline due to interest rate cuts while the long-end to stay elevated given concerns over fiscal deficits and Fed independence **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

We may be near the peak in yields

Joyce Tan
Head of
Asia Fixed Income

Neutral on both IGs and HYs

For the coming quarter, we remain focused on carry play in both Asia Investment Grade (IG) and Asia High Yield (HY) bonds as absolute yields are still above their historical averages. While positive technicals and stable fundamentals provide support, lower yield curves and tighter credit spreads suggest that we are approaching the tail end of such high absolute levels.

Accordingly, we revise our preference between IG and HY bonds to neutral and adopt a disciplined stance to stay up on credit quality. Both IG and HY credit spreads have recovered beyond the surprise of "Liberation Day" and continued to trend tighter.

HY valuations now less attractive

Within Asia IG, spread continues to be very tight across Asia with JACI Investment Grade trading well below its historical average since 2010. Nevertheless, all-in yields are still higher than their historical average.

IG credit spreads, in particular, have ground tighter and are trading near historical lows, limiting expectations of further spread compression. The HY credit theme played out well from the previous quarter as HY spreads trended lower and are now below their historical averages. As such, valuations for HY bonds, on a risk-adjusted basis, are less compelling than they were at the start of 2025. As such, we adopt a disciplined stance and remain selective in credit picks.

Potential for greater rates volatility

On a yield basis, both HY and IG are trading above their historical averages, which should provide decent carry. The impact of trade tariffs within the Asian bond markets has largely been limited, with pragmatism holding up as nations worked towards trade deals and US-China de-escalating trade tensions. Meanwhile, the Fed has maintained its cautious, data-dependent stance amid inflation concerns. Fed Chair Powell's dovish tone at the recent Jackson Hole rekindled hopes for rate cuts as market priced in further easing.

However, deterioration of global risk sentiment or heightened stagflation risks are likely to result in rates volatility. New tariff headlines, the more limited spread buffer and a shift in expectations of Fed rate cuts also pose downside risks to the present credit market.

As such, we prefer to stay up in credit quality. Within Asia HY, we remain underweight in China HY Real Estate sector, but we favour names with strong shareholder support and good access to funding channels. We also see value in the frontier markets such as Pakistan and Sri Lanka on continued IMF support.

Asia Fixed Income Strategy

Sector	View	Notes
Sovereigns / Quasi-Sovereigns	+	**Rationale:** Moderately positive on some high yield frontier sovereigns such as Sri Lanka and Pakistan. Valuations have tightened significantly already, although we still see some room for credit tightening potential from improving macro conditions and IMF funding. Selectively positive on certain LGFVs (China quasi) with strategic importance and diversified funding channels on the back of strong support from central government as carry has also tightened significantly **Risks:** Renewed conflict between Pakistan and India or inability to fulfil IMF's criteria, droughts or floods which can impact GDP
Financials	+	**Rationale:** Positive on select Indian NBFCs, supported by decent spread pickup over senior bank paper. Other than unsecured/microfinance lending, we see limited signs of stress and supportive regulatory measures. **Risks:** Increasing macro volatility and higher US tariffs to weigh on economic growth
Real Estate	N	**Rationale:** We are selective on China Developers but see a positive carry play for non-China names. Prefer Hong Kong developers with higher non-HK exposure and good access to capital markets **Risks:** For China, any defaults can erode investor confidence and threaten the physical market recovery. For non-China, further leakage of retail consumption to China and upcoming refinancing needs for HK issuers

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

Asia Fixed Income Strategy

Sector	View	
Utilities	N	**Rationale:** Supportive government policies and regulations within India provide a supportive backdrop for infrastructure projects. While larger Indian renewables are trading tight, the space provides stable carry. **Risks:** Delays in constructions and regulatory changes in India may affect the pace of government spend
Industrials	N	**Rationale:** For the Oil & Gas sub-sector, current oil prices would be manageable for most credits but do not justify current tight credit spreads given the tough macro environment. For metals & mining, we prefer credits with stronger operational efficiencies and underweight those with exposures to weaker prices (seaborne coal). **Risks:** Sharp downturn in oil and commodities prices

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

Global Currencies

USD's moderate weakening bias set to continue

Consolidation but not a bear market

Since declining by around 10 percent since the start of the year, the dollar has been consolidating over the past few months. The dollar is now quite close to fair value based on our real rate differential model. Extreme short speculative positioning has been digested, with positioning now closer to neutral.

We maintain our view for a moderately weakening DXY and USDSGD. Real rate differentials should move unfavourably for the dollar while the Trump administration's preference for a weaker dollar should continue to dictate dollar moves.

However, we do not expect a large bear market for the dollar (like in the early 2000s), as we do not see a sizeable growth divergence between the US and other countries. Furthermore, despite a diminishing global role for USD, the lack of a viable alternate global currency and inflation concerns in the US looks set to limit any downward pressure on the dollar.

Selective strength in Asian currencies

After underperforming the other major markets, the CNY could strengthen in the near-term. This is due to structural reforms that have been boosting capital flows back to the mainland and could have an incremental impact on China's inflation.

The SGD has also held up well, and we continue to expect it to be fairly resilient given its safe haven status.

The key risk to our above views would be a sharp rebound in growth prospects of the US economy relative to the other economies.

Wayne Lau
Multi Asset Research & Strategist

Currency Strategy

Currency	View	Notes
US Dollar USD	-	**Rationale:** Unfavourable movements in interest rate differentials could weigh on the dollar, while political uncertainty and investors' large positioning in dollar assets could also mean further downward pressure. **Risks:** A significant strengthening in growth prospects of the US relative to other economies.
Euro EUR	+	**Rationale:** Fiscal support and structural reforms could support a growth story in 2026 **Risks:** Political gridlocks in France, lack of will to pass required reforms would continue to weigh on Europe's growth
Japanese Yen JPY	+	**Rationale:** The BoJ should continue to normalise rates as wage growth data remains strong, and inflation appears to be sustainably above the target 2 percent rate **Risks:** Slower domestic consumption or wage growth data could result in more accommodative monetary policies
Singapore Dollar SGD	+	**Rationale:** MAS policy stance on appreciating the SGD should allow SGD to remain relatively strong, but there is potential for intervention risk from MAS given the SGD is trading on the upper end of its band **Risks:** Strength in dollar, China's growth weakening further
China Renminbi CNY	+	**Rationale:** Fiscal support and ongoing reforms in China is supportive of a stronger currency **Risks:** Consumer confidence continues to remain weak and the economy turns even more sluggish

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

Global Commodities

Gold stands out amid a complicated commodity outlook

Anthony Raza
Head of
Multi-Asset Strategy

Mixed growth outlook

US growth has slowed while European and China economic growth trends have improved. This leaves growth-related commodities like energy and industrial metals with a mixed outlook. For example, declining growth in the US has been a driver of oil price weakness since the start of the year, but China growth has provided some stability and Brent crude oil prices have settled into a range between $70pb and $65pb over the past quarter.

Geopolitics around military and trade conflicts have further complicated the environment. As a result copper prices, having surged at the start of 3Q25 due to an improved China outlook, dropped by the end of the quarter following the introduction of sectoral tariffs.

Gold remains an important diversifier

Gold remains our one clear pick as a beneficiary of the growth uncertainty and geopolitical conflicts. Gold is acting as a safe haven from economic and inflation risks and is an increasingly important reserve currency in a world where the USD is considered less safe.

This cloudy macro and political backdrop leaves us with a neutral view of most commodities. We remain overweight in gold and continue to see this as an important allocation in diversified portfolios.

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

Commodity Sector Strategy

Sector	View	Notes
Commodities	N	**Rationale:** The growth outlook is mixed and trade conflicts are complicating the markets. In the long term most industrial metals continue to have an important role in energy transition strategies. **Risks:** US recession risks remain elevated and global supply chains are being disrupted by trade and by military conflicts.
Gold	+	**Rationale:** Gold will continue to be a safe haven and will be further supported by central bank purchases that are growing faster than gold miners can produce. **Risks:** If central banks turn more hawkish regarding inflation and interest rates are hiked again, this could hurt the outlook for gold.
Base Metals	N	**Rationale:** Copper and other metals were being supported by China's economic growth and China's dominance in EVs. Tariffs have created significant volatility in commodity prices and disrupted positive trends. **Risks:** Recession risks would weigh negatively on the outlook for base metals.
Energy	N	**Rationale:** Middle East tensions and continued conflict with Russia has put upward pressure on oil while at the same time slowing US growth has pushed down the price of oil over the year. **Risks:** Military conflicts around the world have been prolonged and could finally be settled at some point, thereby removing some of the upward price support for oil.
Others	N	**Rationale:** The demand for other broad commodities such as agriculture has been particularly disrupted due to tariffs and trade tensions. **Risks:** Tariffs could continue to complicate the agricultural outlook.

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

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