

Monthly Investment Insights

Macro Commentary

- Geopolitical tensions between the U.S. and Iran remain elevated but contained. While large-scale military operations have paused following an early-April ceasefire, the situation remains fragile, centered on a standoff over the Straits of Hormuz. For markets, uncertainty over shipping lanes and energy supply has driven heightened volatility in oil prices, keeping geopolitical risk at the forefront of investors' sentiments.
- U.S. Q1 corporate earnings were off to a strong start, with the S&P 500 companies reporting one of the best quarters in several years. As of May 1, 2026, with 63% of companies reporting actual results, 84% of these companies have reported a positive Earnings Per Share (EPS) surprise while 81% of them reported a positive revenue surprise. For the quarter, the projected blended earnings growth rate for the S&P 500 is at 27.1%, marking the highest earnings growth rate since Q4 2021.
- The U.S. labor market continues to prove resilient despite the ongoing geopolitical uncertainties. ADP private payrolls for April came in at +109K, better than the expected 84K, and marking the best gains since January 2025. This number is also broadly consistent and reflects what Fed policymakers and economists described as a "low-hire, low-fire" environment.
- U.S. equities surged to fresh all-time highs, with the S&P 500 and Nasdaq Composite closing at record levels in early May, while the Dow Jones Industrial Average also pushed to multi-year highs. This rally was catalysed by a powerful confluence of strong Q1 corporate earnings, AI-related momentum in Technology stocks, and easing energy prices amid hopes of de-escalations in the Middle East, with broad participation across sectors underscoring improving investor confidence.

AIA Asset Allocation View

Underweight (UW) Neutral (N) Overweight (OW)



Cash: Maintain N

Remain invested, using cash to tactically add to long-term structural opportunities.

Fixed Income: Maintain N

- Maintain neutral on IG bonds given benign macro conditions, reflected in tight credit spreads.
- Remain slight UW HY bonds as the pick-up in spreads over IG bonds is at the lower-end of the 5Y range. Year-to-Apr, the lagging performance in CCC-rated U.S. HY over BB-rated reflects investors' caution in taking HY risk.

Global Equities: Maintain Slight OW

- Remain invested and focus on relative thematic opportunities:
- Energy Self-Sufficiency: OW U.S. on energy resilience and domestic supply, UW Europe given dependence on energy imports and exposure to LNG shortage. With higher for longer energy prices, ECB could hike rates.
- AI Winners: OW global Semis on sustained AI-driven capex and strong revenue visibility.
- Reflation: OW Japanese banks on policy normalization driving higher net interest income. Maintain N on supportive government structural reforms and pro-growth policies.

Asia Ex-Japan Equities: Maintain Slight OW

- Maintain OW AxJ on structural growth and rising regional importance in AI value chain.
- Moderately constructive on China, supported by greater energy resilience. China is less vulnerable to oil shocks than regional peers due to lower oil dependence and rising share of renewables in the energy mix. Furthermore, its economy remains resilient in recent months with Q1 2026 GDP growth at a stronger than expected 5%, alongside a recovering manufacturing PMI to expansionary territory.



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