AIA Investments

Aug 2025

Monthly Investment Insights

Macro Commentary

- **U.S. Equity Market Momentum Returns:** The S&P 500 extended its record-breaking rally in late July, fueled by resilient economic data and renewed investor confidence. Positive developments on trade tariffs—including finalized agreements with Japan, South Korea and the EU, as well as ongoing negotiations with China—have eased escalation risks and reinforced the risk-on sentiment.

- **Central Banks Hold Rates Steady Amid Uncertainty:** The European Central Bank maintained its benchmark interest rate at 2% during its July meeting, citing an "exceptionally uncertain" global environment driven by trade tensions. Similarly, the U.S. Federal Reserve kept its policy rate unchanged, adopting a wait-and-see approach. While economic indicators remain upbeat, the Fed remains cautious on the potential inflationary effects of tariffs.

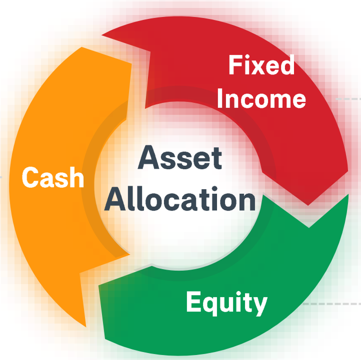
- **China Equity Market Surges on Stimulus Optimism**: Chinese equities rallied in July, buoyed by easing U.S.-China trade tensions and stronger-than-expected H1 GDP growth of 5.3%. Investor sentiment was further lifted by targeted fiscal support, including the durable goods trade-in scheme launched in mid-2024, which has provided support to domestic consumption and industrial activity.

- **Global Outlook on Navigating Trade and Growth Uncertainty:** While global markets are supported by stimulus measures and improving trade dynamics, macro risks persist. Investors should closely monitor developments in trade negotiations, central bank policy signals, and structural reforms—particularly in China and the EU—as these will be key drivers of asset performance in the months ahead.

AIA Asset Allocation View

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

Consider reallocating cash toward risk assets as sentiment improves



Fixed Income: Downgrade to Underweight

- Strong U.S. data supports a soft landing, reducing the likelihood of rate cuts and limiting yield downside—making fixed income less attractive.
- U.S. investment-grade credit is upgraded to neutral for its stable yields and limited credit risk, while high-yield remains underweight due to less compelling valuations.

Global Equities: Upgrade to OW Position

- Despite trade tensions and rising yields, global markets remain resilient. Risk appetite is improving, with equities preferred over fixed income due to stronger market internals and supportive sentiment. U.S. equities lead on earnings momentum and macro stability.
- Growth-oriented sectors, especially technology and AI, continue to outperform. Sustained investment and innovation in these areas remain key drivers, amid geopolitical and trade-related uncertainties.

Asia Ex-Japan Equities: Maintain OW Position

- Asia ex-Japan stands out for its cyclical momentum, with strong performance in Financials and Consumer Discretionary sectors. Valuations remain attractive compared to developed markets, reinforcing its relative appeal.
- Investor confidence is rising, supported by easing measures in China and potential fiscal stimulus across the region, providing a constructive backdrop for continued market outperformance.

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