

# Monthly Investment Insights

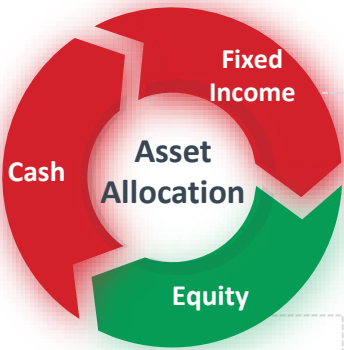
- Traders are **increasingly optimistic** that the U.S. Federal Reserve (Fed) will reduce its target rate at its next policy meeting, scheduled for 9-10 Dec. Markets are pricing a roughly **89% probability** of a 25-basis point (bps) cut, a stark contrast from Nov’s odds.
- The 3<sup>rd</sup> quarter earnings season is nearly over, with the period remaining positive on the back of strong growth and a solid number of companies exceeding consensus expectations. As of Nov 21, of the 95% of companies that have reported, at least **80% of S&P 500 companies** have reported positive Earnings Per Share (EPS) surprise and **76%** have reported positive revenue surprise, catalyzing investors’ sentiments and appetite for risk seeking, amid a lower expectation coming into the quarter. The **enthusiasm in AI** and a **resilient consumer market** have helped bolster market fundamentals and robust demand.
- The longest U.S. government shutdown in history has ended after 43 days, with President Trump signing a funding bill into law on November 13. Focus has now shifted to reopening the government, including addressing the backlog of official data and federal payments delayed by the shutdown. In the absence of key economic data, the **outlook remains clouded** and poses a challenge to discern the direction of Fed policy into 2026.
- Recent diplomatic tensions between China and Japan triggered significant investor concerns, with travel and retail-orientated equities **experiencing substantial sell-offs** following Beijing’s advisory to Chinese citizens against visiting Japan. The timing proves inopportune given Japan’s fragile economic landscape where Q3 Gross Domestic Production (GDP) **contracted 1.8%** on an annualized basis, marking the first contraction in 6 quarters.

Underweight (UW)

Neutral (N)

Overweight (OW)

**Cash: Maintain UW** in favor of risk assets that offer better return potential in the current easing environment.



**Fixed Income: Maintain UW**

- The Fed has cut rates twice in 2025, with December easing close to fully priced in. Lower yields cap price upside, making Fixed Income less appealing versus risk assets.
- Remain Neutral on U.S. investment-grade credit as yields remain attractive without needing duration risk. Underweight U.S. high-yield on relative valuation concerns and isolated cracks in the larger credit space.

**Global Equities: Maintain Moderate OW**

- Global Equities remain supported by Fed easing, solid tech fundamentals, and strong corporate earnings.
- Within developed markets (DM), we maintain preference for the U.S. equities in Tech and hyperscalers due to anticipated outperformance on strong earnings, profit margins and continued capex. Maintain underweight European equities on challenging fundamentals and technicals.

**Asia Ex-Japan Equities: Upgrade to OW**

- Earnings trend higher on robust AI-related demand and improving technical profile. With earnings per share (EPS) growth continuing to rise steadily.
- Strong set of structural drivers includes wider AI adoption, improved economic security and governance reforms, and domestic consumption recovery that offer broad opportunities. Valuations continues to remain attractive vs developed markets.

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