AIA Investments

October 2025

Monthly Investment Insights

Macro Commentary

- **U.S. stocks held up well even with fewer economic updates:** October started with a U.S. government shutdown, which delayed important reports like job numbers and potentially inflation data. Still, the equity market stayed relatively calm. Investors were reassured by the Federal Reserve's decision in late September to cut interest rates by 0.25% to 4.00–4.25%. This move signaled that the Fed stands ready to support the economy amidst downside risk to job market.

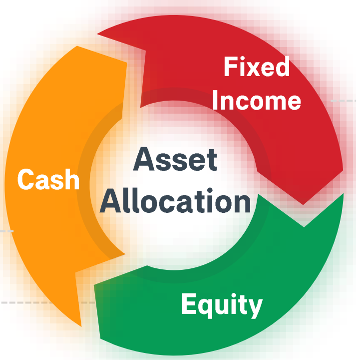
- **Economic signals were harder to read, but trends remain clear:** With official data on hold, investors turned to private sources. These showed that hiring is slowing and inflation—especially in services—is still a bit sticky. Goods prices, however, are stabilizing. Globally, growth forecasts are being trimmed, but companies continue to show solid earnings. These factors helped keep market sentiment positive.

- **Tariff risks shifted impact from inflation to strategy:** The U.S. introduced new tariffs on items like trucks, furniture and pharmaceuticals, but the impact on inflation was limited. Instead, attention turned to bigger-picture risks like trade fragmentation and supply chain reorientation. These trends are prompting companies to rethink where and how they operate, and central banks are starting to factor these risks into their decisions.

- **China's recovery remains patchy:** Chinese companies are still reporting weak earnings, pointing to soft consumer demand and falling prices. While government support has helped stabilize markets, there's still a gap between investor optimism and actual business performance. It remains to be seen if the recently announced "anti-involution" campaign could eventually lift reflation and improve corporates' profit margin broadly.

AIA Asset Allocation View

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



Cash: Maintain N Position, reflecting our strategic inclination to reallocate cash towards risk assets, supported by improving market sentiment.

Fixed Income: Maintain UW Position

- Strong U.S. data supports a soft-landing narrative, reducing the likelihood of large rate cuts and limiting yield downside—making core rates less attractive.
- U.S. investment-grade credit maintain its Neutral position for its stable yields and limited credit risk. High-yield remains Underweight on weaker valuations.

Global Equities: Maintain Moderate OW Position

- Global markets stayed calm despite missing data and policy uncertainty. Investor sentiment remained steady, supported by expectations of further rate cuts and improving supply chain conditions.
- U.S. equities supported by steady earnings and growing interest in tech sector. Corporate results have remained solid, helping anchor investor confidence. Excitement around AI continues to drive investment interest, especially in tech-related sectors.

Asia Ex-Japan Equities: Maintain N Position

- Fundamentals are mixed: strong flows offset by divergent Purchasing Managers Index and Leading Economic Index scores signals.
- Attractive valuation offer potential for multiple expansion with improved quality/Return On Equity compared to developed markets.
- In China, sentiment is improving with policy support, but housing weakness and soft domestic consumption remain key risks.

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