AIA Investments

September 2025

Monthly Investment Insights

Macro Commentary

- **Equities boosted by earnings and rate cut hopes**: U.S. equities extended their rally following robust corporate earnings and forward guidance, alongside market expectations that the Fed would begin reducing interest rates in September to counter a slowing economy. Notably, concerns over tariff-driven inflation proved to be less severe than initially anticipated.

- **Economic data delivered a mixed picture**: Payroll revisions highlighted a cooling labor market and inflation broadly matching forecasts, though tariff-sensitive goods saw renewed price pressures. Market sentiment was further supported by signs of stabilizing supply chains and healthier corporate balance sheets, which helped offset lingering concerns about slower global growth. Overall, the combination of resilient earnings, steadier economic signals and improving business fundamentals continued to support optimism in U.S. equity markets.

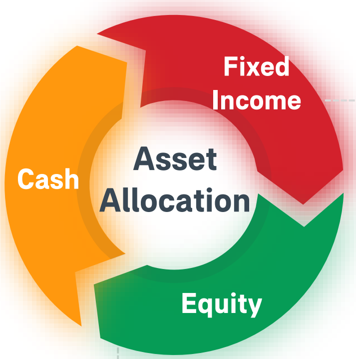
- **Geopolitical developments ease inflationary pressures and provided tailwinds**. U.S. made progress on trade negotiations with key partners ahead of the August tariff deadlines. Additionally, planned escalations of sanctions on Russia did not materialize, alleviating some inflationary pressures that could have been exacerbated by higher oil prices.

- **Chinese firms' second quarter results reveal slowing earnings momentum**, exposing a gap between market optimism and corporate reality. Weak factor activity, subdued investment and soft retail sales highlight fragile demand, while prolonged price declines erode profits and consumer confidence. The contrast between lackluster earnings and the strong stock rally has raised concerns that sentiment may be running ahead of fundamentals.

AIA Asset Allocation View

Underweight	Neutral	Overweight

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 continue to demonstrate resilience despite trade tensions and higher yields. Investor risk appetite is improving, supported by stronger market fundamentals and constructive sentiment.
- U.S. equities leading on solid earnings and stable macro backdrop; awaiting broader market participation before increased conviction to add to Overweight position.

Asia Ex-Japan Equities: Shift from OW to 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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