Maybank Investment Strategy

April 2025

Market Recap

- U.S. equities were under pressure in March amid rising stagflation concerns. Notably, MSCI U.S. retreated by nearly 6% for the month. In contrast, the other major markets help up better. In particular, China and Europe stocks outperformed to-date on the back of domestic policy support.
- The 10-year U.S. Treasury (UST) yield ended the month flat at 4.2% after fluctuating within a tight range. Meanwhile, credit spreads widened, particularly for High Yield (HY) bonds, but remained low by historical standards.
- Gold soared above USD 3,000/ounce on the back of sustained demand for the precious metal. Oil prices also edged higher though gains were capped by the uncertain demand outlook.

Macro Outlook and Investment Strategy

- U.S. President Donald Trump's policy flip-flop is turning out to be potentially more damaging than expected to the global economy. While we do not anticipate a recession for the year, the increased downside risks to growth will likely lead to heightened market volatility in the short-term.
- In view of the above, we tactically reduce our overall portfolio risk by neutralising our overweight stance on both equity and fixed income. We also reiterate the merits of maintaining a diversified portfolio with a focus on margin of safety.
- Within equities, the U.S. may struggle to outperform for now with its valuation premium under pressure amid the rising growth uncertainties. Still, we maintain our overweight on Asia ex-Japan with the region likely to be supported by the rising optimism on China on the back of its policy pivot.
- While interest rate expectations may continue to shift, UST remains as a good hedge against recession risk. In contrast, Developed Market (DM) HY bonds will likely underperform should growth expectations weaken further.
- To-date, gold has proven its value as a portfolio diversifier. With the uptrend looking intact, we maintain our positive stance on the precious metal and look for prices to trend higher towards USD 3,300/ounce by end-2025.

Tactical Asset Allocation

Asset Class *		Segment*	
Equity	=	U.S.	=
		Europe	-
		Japan	=
		Asia ex-Japan	+
Fixed Income	=	U.S. Treasuries	+
		Developed Market (DM) Investment Grade (IG)	=
		Developed Market High Yield (HY)	-
		Emerging Market (EM) Asia	=
Hedge Funds	=		
Gold	+		
Cash	-		

* Overweight : +, Neutral : =, Underweight : -
Source: Maybank Group Wealth Management (GWM)

Asset Class	Changes to date (in USD currency)		
	1M	**YTD**	**FY24**
MSCI AC World	-3.9%	-1.2%	18.0%
MSCI USA	-5.9%	-4.5%	25.1%
MSCI Europe	-0.2%	10.6%	2.4%
MSCI Japan	0.3%	0.5%	8.7%
MSCI Asia ex-Japan	0.1%	1.9%	12.5%
China	2.0%	15.1%	19.7%
Hong Kong	0.0%	4.4%	0.1%
Taiwan	-11.5%	-12.6%	35.1%
South Korea	-0.8%	5.2%	-23.1%
India	9.4%	-2.9%	12.4%
Singapore	1.9%	9.5%	32.3%
Malaysia	-1.7%	-6.0%	20.7%
Indonesia	6.8%	-11.0%	-11.9%
Thailand	-2.2%	-13.6%	1.6%
Philippines	6.5%	-0.3%	0.0%
BBG Multiverse	0.6%	2.6%	-1.3%
BBG U.S. Treasury	0.2%	2.9%	0.6%
BBG Global IG	0.6%	2.8%	0.7%
BBG Global HY	-0.3%	1.8%	9.2%
BBG EM Asia	-0.1%	2.5%	5.2%
BBG EM Asia IG	-0.1%	2.5%	3.6%
BBG EM Asia HY	0.3%	2.7%	14.5%
Gold	9.3%	19.0%	27.2%
WTI Crude	2.5%	-0.3%	0.1%
Dollar Index (DXY)	-3.2%	-3.9%	7.1%

Source: Bloomberg (BBG) | 31 March 2025

Fixed Income Strategy

- The U.S. Federal Reserve (Fed) kept rates unchanged in March as expected. Its latest dot plot also continued to suggest a 50 basis points (bps) reduction of policy rates by end-2025, which is consistent with our view. Notably, Fed Chair Jerome Powell indicated a severe economic slowdown remains unlikely even though the Fed had lowered its U.S. GDP growth forecast from 2.1% to 1.7% for 2025. He also said that tariff-induced inflation could be "transitory", i.e. short-lived.

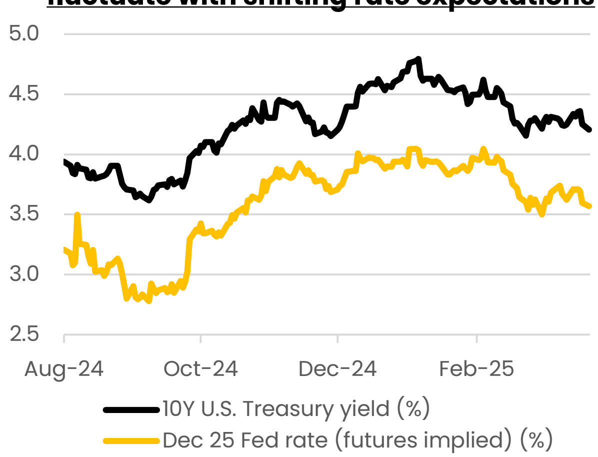
- We maintain our base case scenario for the U.S. economy to slow but acknowledge the increased probability of a growth recession given the negative impact of Trump's policies thus far. All eyes are on Trump's tariff announcement on 2nd April (i.e. "Liberation Day") though the event is unlikely to provide the much desired clarity for investors. Growth concerns could thus exacerbate in the short-term before the Trump administration shift its focus to more pro-growth measures including de-regulation and tax cuts which is likely to occur later only in 2H25. The proposed trade tariffs may also lead to higher prices in the U.S. though the impact will likely be more contained especially when compared with the surge in inflation observed in the post-pandemic era.

- In view of the above, we retain our overweight stance on UST as a hedge against the growth uncertainties. In contrast, we are tactically less sanguine about DM HY credits, particularly those in the U.S., as they will be more vulnerable should growth sentiment deteriorate further. Notably, the U.S. HY credit spread has recently widened but remained well below the 5-year historical average levels.

- In DM, the proposed fiscal spending in Germany will likely lend support to the credit fundamentals of issuers in the Eurozone. In addition, we retain our preference for Europe financials Tier 2 Subordinated bonds which are deemed to be more defensive and offer better risk reward over the Additional Tier 1 (AT1) bonds from a credit spread perspective. Separately, we continue to seek opportunities in AT1 bonds issued by the domestic systemically important banks (D-SIBs) in Australia and Japan insurers' Subordinated Tier 2 bonds.

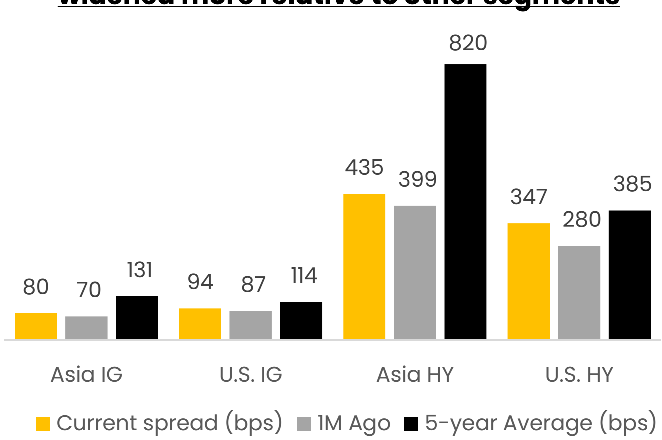
- Within Asia, we expect demand for Investment Grade (IG) credits to remain strong, as investors seek refuge in quality credits for stable carry. Apart from defensive sectors like consumer staples and utilities, we also see selected opportunities in the Macau gaming sector given the improving credit fundamentals. As for SGD issues, we anticipate continued opportunities in the primary market. Notably, we expect several Singapore REIT issuers to call their existing perpetuals and issue new debt at a lower rate to reduce funding cost.

Figure 1: 10Y UST yield will likely continue to fluctuate with shifting rate expectations



Source: Bloomberg | 31 March 2025

Figure 2: U.S. HY credit spreads have recently widened more relative to other segments



Source: Bloomberg | 31 March 2025

Equity Strategy

- We downgrade U.S. to neutral. We see higher risk to growth as President Trump's fluctuating stance on tariffs is making it difficult for corporates to plan ahead. In addition, consumer confidence has declined substantially amid inflation fears and tariffs. Given the consumer weakness, we are increasingly cautious on consumer discretionary stocks and would instead focus on building portfolio resilience via quality stocks in the financials and industrial sectors.

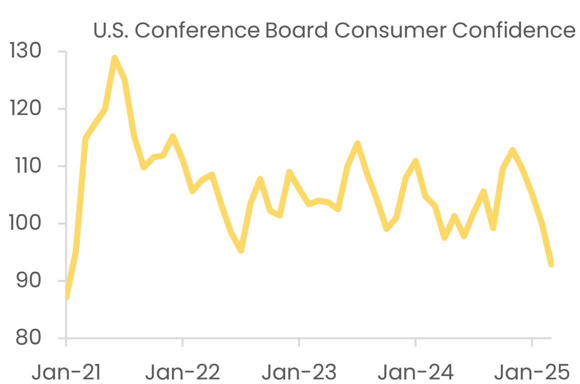
- We remain underweight on Europe. Despite Germany's historic fiscal spending plans, other European economies may not be able to replicate the move given their more limited fiscal capacity. In addition, Europe's market valuation is looking less attractive after the year-to-date outperformance amidst the looming tariff risks. Sector-wise, we would continue to take profit in banking and telecommunications stocks given the strong gains year-to-date. In contrast, the industrial sector may benefit from the bold fiscal U-turn from Germany.

- We retain a neutral stance on Japan. Domestic reflation is encouraging, with the Shunto wage negotiations securing a 34-year high of 5.4% increase. Although the Bank of Japan has kept rates steady in its March meeting, the central bank is expected to gradually hike rates later this year. Given lingering trade uncertainties, we prefer domestically-focused stocks including financials and insurance, which should benefit from the continuing rate hike cycle.

- Meanwhile, we maintain our overweight stance on Asia ex-Japan but shift our positive tilt towards China. Notably, the Chinese leaders have emphasised the importance of the private sector, technological innovation, and domestic consumption in spurring growth during the recently concluded "Two-Sessions". The government also expressed commitment to implement more measures to stabilise growth if necessary. Sector-wise, we see opportunities in communications services as well as selected consumer discretionary plays. Also, we would continue to hold some exposure in the financials for defensive dividend income.

- In contrast, India stocks may take a breather after the rebound in March with investors looking for more evidence of the economy's cyclical recovery. As for ASEAN, the region may be under some pressure with President Trump's plans to introduce reciprocal tariffs in April. Indonesia stocks may also remain choppy until there is more confidence in the government's economic policies. Nevertheless, Singapore may turn out to be more resilient with the market still un-demandingly valued and potentially benefitting from safe-haven flows.

Figure 3: U.S. consumer confidence has dipped to the lowest level since January 2021



Source: Factset I 31 March 2025

Figure 4: China market uptrend supported by an improving earnings outlook

Source: Factset | 26 March 2025

Disclaimer

This advertisement has not been reviewed by the Monetary Authority of Singapore or by the relevant authorities in Malaysia and Hong Kong.

This report is for information purposes only and under no circumstances is it or any part of it to be considered or intended as nor constitutes or forms the basis of an offer to sell or a solicitation of an offer to buy any of the securities, financial instruments or investment products referred to herein (each, a "Product", and collectively, "Products"), or an offer or solicitation to any person to enter into any transaction or adopt any investment strategy or enter into any legal relations, or an invitation to subscribe to any Products or an advice or a recommendation with respect to such Products. To the extent that any transaction is subsequently entered into between a recipient and Maybank, such transaction shall be entered into upon such terms as may be agreed by the parties in the relevant documentation.

Investments in collective investment schemes ("Fund(s)") are not obligations of, deposits in, or guaranteed by the distributors or any of their affiliates. Investors should read the Prospectus, obtainable from Maybank, before deciding whether to subscribe for units in the Fund(s). All applications for units in the Fund(s) must be made on the application forms accompanying the Prospectus.

Investors should note that income from and/or values of such Products, if any, may fluctuate and that each Product's price or value may rise or fall depending on market conditions. Accordingly, investors may receive back less than what they have originally invested or they may also not receive back anything at all from what they have originally invested (i.e. loss of the entire sum invested). All investments involve an element of risk, including capital and principal loss. Past performance is not necessarily a guide to or an indication of future performance. Any scenarios, assumptions, historical or simulated performances, indicative prices or examples of potential transactions or returns are for illustrative purposes only.

This report is prepared for general circulation. It is not intended to provide personal investment advice and does not take into account the specific investment objectives, financial situation and particular needs of any particular recipient or reader and thus should be read with this in mind. Before acting on the information, an investor should therefore independently and separately evaluate and assess each Product and consider the suitability of the Product, the appropriateness of investing in the Product and the risks involved or the investment strategies discussed or illustrated in this report, taking into account the investor's specific investment objectives, financial situation, risk tolerance and particular needs, and seek independent financial, audit, tax, legal and/or other professional advice as necessary, before dealing, transacting and/or investing in any of the Products mentioned in this report or communicated to the investor as a follow-up to this report. All investments will be made solely upon and in reliance on the investor's own judgment and discretion, notwithstanding any opinion, commentary or recommendation this report, Maybank or its Relationship Managers/Client Advisors/Personal Financial Advisors and/or its other employees may provide. Unless expressly agreed otherwise, Maybank offers no investment, financial, legal, tax or any other type of advice to recipients or readers of this report. Maybank has no fiduciary duty towards any such recipients and readers, and makes no representation and gives no warranty as to the results to be obtained from any investment, strategy or transaction, or as to whether any strategy, security or transaction described herein may be suitable for the financial needs, circumstances or requirements of the recipients and readers.

Disclaimer

The information herein has been obtained from sources believed to be reliable but such sources have not been independently verified by Maybank and consequently no representation and/or warranty is made as to the accuracy or completeness of this report for any particular purpose by Maybank and it should not be relied upon as such. Maybank may have issued other documents, investment proposals, reports, analyses or emails expressing views different from the contents hereof and all views expressed in all documents, investment proposals, reports, analyses and emails are subject to change without notice. The information or opinions or recommendations contained herein are subject to change at any time without prior notice. Maybank and its officers, directors, associates, connected parties and/or employees, including persons involved in the preparation or issuance of this report, may from time to time have positions or be materially interested in the Products referred to herein and may further act as market maker or may have assumed an underwriting commitment or deal with such Products and may also perform or seek to perform investment banking, advisory or other services in relation thereto. One or more directors, officers and/or employees of Maybank may be a director of any of the corporations of the Products mentioned in this report to the extent permitted by law. Accordingly, Maybank may have a conflict of interest that could affect the objectivity of this report.

This report may contain information such as valuation, performance, yield or the like, derived from a variety of valuation metrics, all of which may change at any time without notice and investors are cautioned not to place undue reliance on such information. This report may also contain forward looking statements which are often but not always identified by the use of words such as "anticipate", "believe", "estimate", "intend", "plan", "expect", "forecast", "predict" and "project" and statements that an event or result "may", "will", "can", "should", "could" or "might" occur or be achieved and other similar expressions. Such forward looking statements are based on assumptions made by and/or information currently available to Maybank and are subject to certain risks and uncertainties that could cause the actual results to differ materially from those expressed in any forward looking statements. Investors are cautioned not to place undue reliance on these forward looking statements. This report is current as at the date of its publication and Maybank expressly disclaims any obligation to update or revise any such forward looking statements to reflect new information, events or circumstances after the date of this publication or to reflect the occurrence of unanticipated events. This report may also contain charts, diagrams or graphs, including sample portfolio overview, which may differ or vary from the actual charts, diagrams or graphs, including any portfolio overview, which an investor may receive separately.

In this report, references to "Maybank" mean Malayan Banking Berhad, Maybank Singapore Limited and/or its/their subsidiaries, affiliates and related corporations[1] worldwide. The information herein and the contents of this report remain the intellectual property of Maybank. The contents of this report are confidential and its circulation and use are restricted. This report is prepared for the use of Maybank's clients and/or prospective clients and may not be reproduced, altered in any way, copied, published, circulated, distributed or transmitted to any other party in whole or in part in any form or manner or by any means (including electronically, photocopying, recording or via any information storage and retrieval system) without the prior express written consent of Maybank. Maybank and its officers, directors, associates, agents, connected parties and/or employees accept no liability whatsoever for the actions of third parties in this respect and shall not be liable or responsible for any losses, costs or damages including costs on a solicitor-client basis suffered or incurred by the investor that may arise from the use of, reliance on or any action taken in connection with this report.

[1]As a prospect or client of Maybank Singapore Limited, no other Maybank affiliate or related corporation will be involved in your relationship with Maybank Singapore Limited.

Disclaimer

This report is not directed to or intended for distribution to or use by any person or entity who/which is a citizen or resident of or is located in the United States, Canada as well as any locality, state, country or other jurisdiction where such distribution, publication, availability or use would be contrary to law or regulation or where Maybank may become subject to new or additional legal or regulatory requirements. The Products described herein may not be eligible for sale in all jurisdictions or to certain categories of investors. Without prejudice to the foregoing, the reader is to note that additional disclaimers or warnings may apply based on the geographical location of the recipient of this report.

In the same regard, services rendered by Maybank in connection with the Products referred to herein will not be performed in any jurisdiction where Maybank is not licensed or authorised to provide such services or may become subject to new or additional legal or regulatory requirements.

Note to recipients and investors in Singapore –

Maybank Singapore Limited is regulated only by the Monetary Authority of Singapore and no other regulatory or supervisory body.

For collective investment schemes which are included in the CPF investment scheme: An investor using CPF funds for investment should make reference to the CPF website or seek clarification from an appointed representative for the legislated annual interest rates on the Ordinary and Special Accounts in order to make an informed decision.

For collective investment schemes with dividend payouts: Actual dividend payment amounts of the Funds may be higher or lower than the potential dividend depending on market conditions. The actual dividend payment may be zero. Investors should note that dividend payments are not guaranteed and there is no guarantee that the potential dividend level can be achieved in any quarter or any dividend payments will be made.

Prohibition of sales to European Economic Area ("EEA") Investors: Effective 1st January 2018, Maybank Singapore Limited prohibits any offer and/or sale of any Packaged Retail and Insurance Based Investment Products ("PRIIPS") to investors in the EEA in accordance with the guidelines made to Regulation (EU) No 1286/2014. The EEA region includes the following countries: Austria, Belgium, Bulgaria, Croatia, Republic of Cyprus, Czech Republic, Denmark, Estonia, Finland, France, Germany, Greece, Hungary, Ireland, Italy, Latvia, Lithuania, Luxembourg, Malta, Netherlands, Poland, Portugal, Romania, Slovakia, Slovenia, Spain, Sweden, Iceland, Liechtenstein and Norway.

Prohibition of sales to the United Kingdom and Switzerland Investors: Subject to the same or similar PRIIPS regulations.

Note to recipients and investors in Hong Kong –

This document is prepared and distributed in Hong Kong by Malayan Banking Berhad, a company incorporated in Malaysia with limited liability and acting through its Hong Kong Branch. It is registered as a Licensed Bank under the Banking Ordinance and regulated by the Hong Kong Monetary Authority. It is also registered with the Hong Kong Securities and Futures Commission to carry on the regulated activities of dealing in securities (Type 1) and advising on securities (Type 4) in Hong Kong.

Disclaimer

Note to recipients and investors in Malaysia –

In Malaysia, the purchase, sale or subscription of investment products is subject to governmental consent, regulatory approval or other formalities. This report is distributed in Malaysia solely for the benefit of and for the exclusive use of Maybank's clients and is not intended for public circulation and/or distribution.

By receiving this report and continuing to retain the same, the recipient is deemed to represent and warrant to Maybank that the disclaimers set out above are acknowledged and understood, and this report will not be relied upon and/or used in any manner not expressly authorised.

Maybank Singapore Limited (UEN: 201804195C)

Malayan Banking Berhad, Hong Kong Branch (Incorporated in Malaysia with limited liability) (Company Number: F000679)

Malayan Banking Berhad (196001000142 (3813-K))