Monthly Investment Outlook

August 2025

Market Recap

- **A credible start for equities in 2H25.** Global equities rose in July, buoyed by encouraging developments in trade negotiations. In particular, Asia ex-Japan and U.S. stocks outperformed. Sector performance was also broadly positive, with cyclical sectors such as industrials and technology registering strong gains, while consumer staples lagged.

- **Fixed income returns were subdued.** The 10-year (10Y) U.S. Treasury (UST) yield traded range-bound with the U.S. Federal Reserve (Fed) maintaining a wait-and-see approach. Investment grade (IG) as well as High Yield (HY) bonds also witnessed muted performance for the month.

- **Gold prices remained stable.** Gold was broadly stable despite a stronger U.S. dollar in July. Meanwhile, WTI crude prices were higher with increased optimism on demand outlook outweighing the OPEC+'s decision to increase supply further in August.

Macro Outlook and Asset Allocation

- **Economy not out of the woods.** We acknowledged the positives of the U.S. trade deals as well as approval of the U.S. spending bill. Nevertheless, the global economy is not entirely out of the woods. Uncertainties remain with the impact of tariffs, Fed policy as well as ongoing military conflicts.

- **Rising signs of complacency.** The increased signs of complacency – reflected in the low market volatility, stretched U.S. equity valuation and tight credit spreads – highlight the need for investors to maintain a prudent stance. Seasonally, August-September have historically been challenging with global equities registering negative returns on average over the past 10 years.

- **Build resilience to mitigate risks.** Given the above, we reiterate the need to remain prudent and focus on building portfolio resilience to mitigate the downside risks. Equities wise, we see better value in Asia ex-Japan relative to the U.S. with a focus on Asia dividend stocks. Longer-term, we favour companies that could benefit from the structural growth of humanoid robots and smart-grid markets. Meanwhile, we continue to seek resilient carry from high quality bonds and maintain a strategic exposure to gold for diversification.

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	3M	YTD
MSCI AC World	1.4%	12.1%	11.9%
MSCI USA	2.3%	14.5%	8.8%
MSCI Europe	-1.8%	5.1%	21.5%
MSCI Japan	-1.4%	4.4%	10.4%
MSCI Asia ex-Japan	2.6%	14.8%	17.8%
China	4.8%	11.8%	23.1%
Hong Kong	4.8%	21.3%	26.7%
Taiwan	5.6%	30.2%	16.6%
South Korea	4.0%	32.0%	45.3%
India	-5.0%	-0.6%	1.2%
Singapore	2.0%	10.8%	22.7%
Malaysia	-2.3%	-0.1%	-2.0%
Indonesia	-1.0%	3.2%	-4.2%
Thailand	14.3%	7.2%	-0.6%
Philippines	-4.4%	-4.4%	0.6%
BBG Multiverse	-1.4%	0.2%	5.8%
BBG U.S. Treasury	-0.4%	-0.2%	3.4%
BBG Global IG	-0.7%	1.7%	6.9%
BBG Global HY	0.4%	4.4%	7.2%
BBG EM Asia	0.5%	2.1%	4.7%
BBG EM Asia IG	0.4%	1.8%	4.6%
BBG EM Asia HY	1.3%	3.9%	5.4%
Gold	-0.4%	0.0%	25.4%
WTI Crude	6.4%	19.0%	-3.4%
Dollar Index (DXY)	3.2%	0.5%	-7.9%

Source: Bloomberg (BBG) | 31 July 2025

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Fixed Income Outlook

- **Higher tariffs are here to stay.** The recent slew of U.S. trade deals with the likes of Europe and Japan is encouraging. Meanwhile, the U.S. is likely to extend the trade truce with China by another 90 days. Still, the effective U.S. tariff rates will likely end up higher at 15-20% compared to pre-Liberation day levels of around 2%, especially with President Trump hinting at higher universal tariffs. Sectoral tariffs on semiconductors and pharmaceuticals also remain on the card.

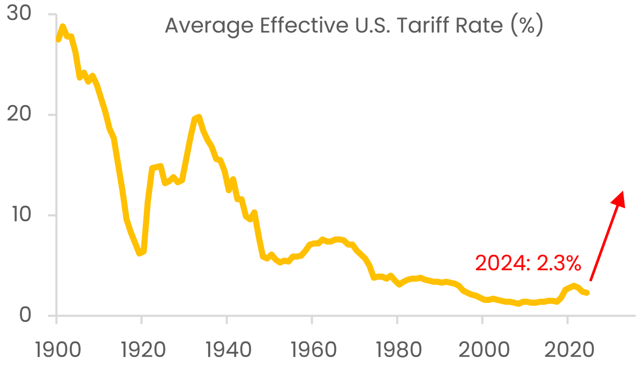
- **Prepare for slower growth.** Although we are not expecting a U.S. recession, we maintain our view that U.S. economy will likely slow in 2H especially with the fading of front-loading activities in 1H. Notably, the higher trade tariffs could negate the fiscal support from "big beautiful" spending bill. U.S. inflation will also likely move higher as the effects of tariffs kick-in. A slower U.S. economy will likely have a drag on the rest of the world including ASEAN.

- **Maintain preference for IG over HY credits.** With the Fed staying on hold in July, all eyes will be on the Jackson Hole Economic Symposium (21-23 August) to see if the Fed will provide more clarity on its policy intentions. We are still expecting the Fed to cut rates in September with growth concerns likely to outweigh inflation risk. While the 10Y UST yield could remain choppy for now, we expect it to trend towards 4% by year-end. Meanwhile, we maintain our preference for IG bonds over HY credits with the latter likely to witness more significant spread widening and higher price volatility in a market sell-off as witnessed in April post Trump's Liberation day announcement.

- **Opportunities in Japan insurers.** Within developed markets, we maintain our preference for Europe banks Tier 2, Japan insurers Tier 2 and domestic Australia banks Additional Tier 1 (AT1) bonds. Notably, we remain constructive on the Japan insurers. While there are some concerns on the volatility in Japan Government Bond (JGB) yields, it should have limited impact on the credit fundamentals of the insurers as their bonds (assets) and liabilities are recognised at book value using amortised costs (instead of being marked to market).

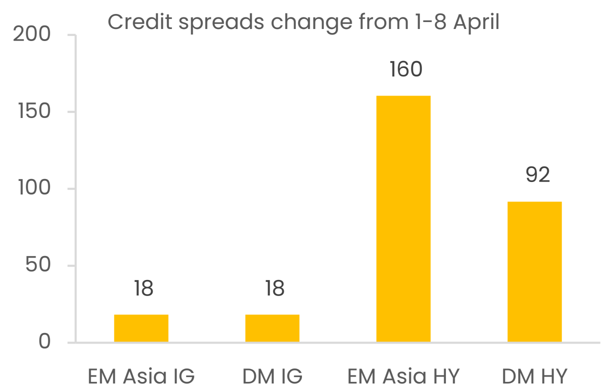
- **Sustained demand for SGD credits.** In Asia ex-Japan, we continue to favour sectors including utilities, telecommunications as well as life insurance. Meanwhile, we anticipate sustained demand for SGD credits with Singapore benefitting from safe-haven flows amid the ongoing macro uncertainties. In contrast, we remain cautious towards Indonesia quasi-sovereign due to the unattractive valuation amid lingering uncertainty over the ability of Danantara to achieve its intended goal of optimising Indonesia's state-owned enterprises (SOEs) portfolios.

Figure 1: U.S. average tariffs will likely end up higher than pre-Liberation Day levels



Source: Bloomberg I 31 July 2025

Figure 2: HY credit spreads have widened more than those of IG bonds during the April sell off



Source: Bloomberg | 31 July 2025

Monthly Investment Outlook

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Equity Outlook

- **Defensively positioned in the U.S.** While the U.S. market has benefitted from reduced trade uncertainty and still robust earnings, the risk-reward is unattractive with the S&P 500 trading at more than a standard deviation above its 10Y historical price-to-earnings ratio (P/E). We remain cautious on U.S. equities and prefer defensive sectors like consumer staples and communication services. Nevertheless, the healthcare sector is of interest given its nearly 30% P/E discount to S&P 500. An upward re-rating of the sector is likely if there is more clarity on the sectoral tariff front.

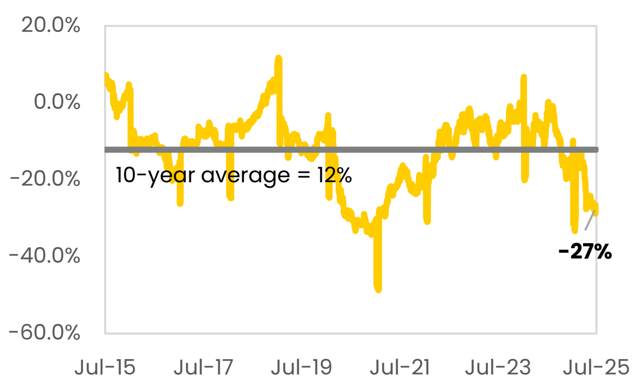
- **Attractive risk-reward in healthcare.** We saw muted market reaction from investors after Europe's trade agreement with the U.S., suggesting the positives may have been priced in. While valuation is undemanding, we retain our neutral stance on the region. Nevertheless, the risk-reward in Europe healthcare stocks is attractive similar to peers in the U.S.

- **Remain selective in Japan.** Meanwhile, Japan's trade deal rally faded with lingering political uncertainties following the ruling coalition's recent setback in the upper house election. While the Bank of Japan is expected to stay on hold till end of the year, the central bank may surprise with a rate hike with persistent inflationary pressures. As such, we continue to position defensively in the market, with a preference for telecommunications and selected industrials stocks that can benefit from secular trends such as defence spending and clean energy.

- **Favour laggard markets including India and Malaysia.** While we are neutral on China, we see better value in China technology stocks relative to their U.S. peers. Notably, the recent anti-involution campaign, aimed at curbing disorderly price competition could be supportive of the likes of electric vehicle and food-delivery companies. Meanwhile, India could be an interesting laggard play with the Reserve Bank of India's recent easing lending support to growth. Its domestic-oriented economy should also be less sensitive to the planned increase in U.S. trade tariffs. As for ASEAN, Singapore may remain resilient though there is a need to be more selective with the run-up in valuation. In comparison, Malaysia could play catch up with support from domestic consumption and investment demand as well as still undemanding market valuation.

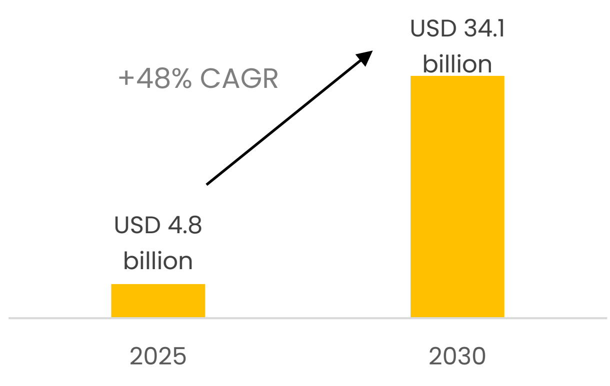
- **Positive on Asia dividend plays, smart-grid and humanoid robots.** Thematic wise, we favour Asia dividend plays - including China SOEs as well as REITs in Malaysia and Singapore - given the still attractive yields of around 5-6%. We are also optimistic on the structural growth prospects of smart-grid and humanoid robots related companies globally.

Figure 3: S&P 500 healthcare sector's forward P/E is at a 27% discount to S&P 500 Index



Source: Bloomberg I 31 July 2025

Figure 4: Humanoids market size is expected to grow by 48% CAGR in 2025-2030E



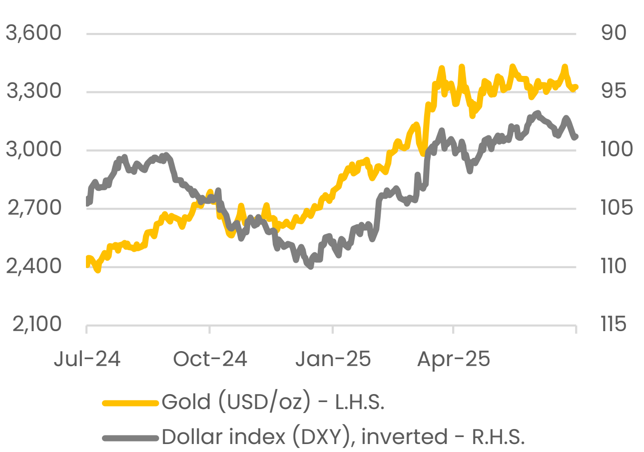
Source: Modor Intelligence | 31 July 2025

Commodities Outlook

- **Gold uptrend intact alongside softer greenback view.** We expect gold prices to continue rising, though at a more gradual pace after the nearly 30% gain in the first half of 2025. No doubt, the reduced trade uncertainty may support a near-term rebound in the U.S. dollar which may dampen gold prices. Nevertheless, we maintain our view for a soft greenback in the medium term. Meanwhile, the structural gold purchases by central banks should provide continued support for the precious metal prices. Notably, China's gold reserves have steadily increased over the past three years. The precious metal also remains an effective hedge against geopolitical risks, with prices likely to spike above USD 3,500/ounce should tensions re-escalate.

- **Oil price to remain subdued on lingering over-supply concerns.** While oil price was firmer in July, it may remain subdued in the medium-term amid lingering demand and supply concerns. Fundamentally, the sluggish demand growth, coupled with the OPEC+ decision to increase oil supply, should limit the upside in oil prices. Nevertheless, geopolitical developments and unexpected supply disruptions could still could cause a spike in oil prices from time to time. We also expect the OPEC+ alliance to remain flexible and may pause or even reverse the supply hike should demand weaken more expected.

Figure 5: Gold will likely continue to appreciate amid a softer greenback in the medium-term



Source: Bloomberg I 31 July 2025

Figure 6: China's gold reserves have steadily increased over the past three years

Source: Bloomberg | 31 July 2025

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