

Monthly Investment Outlook

December 2025

Market Recap

- **Equity volatility jumped amid AI valuation concerns and Fed policy uncertainties.** Despite improving U.S.-China trade relations and the reopening of the U.S. government, global equities witnessed increased volatility amid concerns on AI valuation and shifting U.S. Federal Reserve (Fed) rate expectations. Technology sector underperformed while healthcare stocks bucked the trend to end the month higher.
- **Lower UST yield supported bond returns with credit spreads still tight.** The 10-year (10Y) U.S. Treasury (UST) yield ticked lower to 4% and supported bond returns. Meanwhile, credit spreads remained tight relative to history for both Investment Grade (IG) and High Yield (HY) bonds.
- **Gold climbed amid the increased market volatility.** Gold moved higher and closed above USD 4,200/ounce, demonstrating its diversification benefits amid the heightened market volatility.

Macro Outlook and Asset Allocation

- **Market volatility may persist in December.** Uncertainty over Fed policy expectations and lingering geopolitical tensions — particularly between China and Japan — may keep volatility elevated as market activity slows heading into year-end.
- **Build downside protection but stay invested given still constructive landscape.** Given the uncertainties, it is prudent to focus on margin of safety and building downside protection. Still, we would stay invested given the solid economic and corporate earnings growth. Continued monetary easing should also lend support to risk assets.
- **Maintain well-diversified portfolio with a focus on quality and valuation.** Within equities, we suggest rotating from overvalued names into quality opportunities with better risk reward beyond AI and technology plays. In particular, we see tactical opportunities in oversold names linked to the China-Japan tensions. In fixed income, we seek stable carry from quality credits while continuing to diversify exposure beyond U.S. dollar bonds. Meanwhile, we reiterate our positive view on gold, which continues to offer effective portfolio 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	0.0%	6.0%	21.6%
MSCI USA	0.0%	6.2%	17.7%
MSCI Europe	1.5%	4.3%	31.1%
MSCI Japan	-0.7%	5.3%	24.4%
MSCI Asia ex-Japan	-2.8%	8.5%	29.5%
China	-2.5%	2.9%	33.0%
Hong Kong	2.6%	4.3%	35.5%
Taiwan	-5.0%	14.2%	32.1%
South Korea	-7.9%	24.9%	78.1%
India	0.9%	5.9%	4.8%
Singapore	0.2%	-0.4%	30.9%
Malaysia	1.2%	5.7%	8.4%
Indonesia	1.1%	2.9%	-1.2%
Thailand	-2.4%	5.3%	4.4%
Philippines	2.2%	-3.0%	-0.6%
BBG Multiverse	0.3%	0.7%	8.1%
BBG U.S. Treasury	0.6%	2.1%	6.7%
BBG Global IG	0.5%	1.6%	10.1%
BBG Global HY	0.6%	1.9%	11.0%
BBG EM Asia	0.2%	2.0%	8.2%
BBG EM Asia IG	0.3%	2.0%	8.1%
BBG EM Asia HY	-0.6%	1.8%	8.6%
Gold	5.9%	23.0%	61.5%
WTI Crude	-4.0%	-8.5%	-18.4%
Dollar Index (DXY)	-0.3%	1.7%	-8.3%

Source: Bloomberg | 30 November 2025



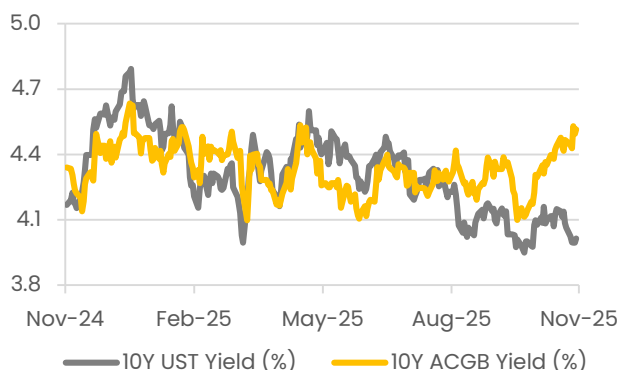
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Fixed Income Outlook

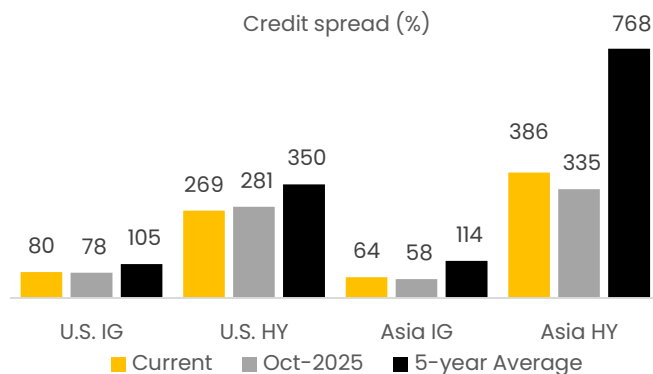
- **Rates expected to trend lower on continued Fed easing.** The U.S. government shutdown that began in early October finally ended after 43 days, providing some relief to investors. Nevertheless, the delayed release of key macro data has led to increased uncertainty over Fed policy decision. Notably, the probability of a December Fed rate cut dipped to as low as 30% before rebounding to more than 80%. We maintain our view that the Fed will continue easing to bring policy rates to 3.00-3.25% in the next 12 months. Consequently, the 10Y UST yield will likely trend lower and lend support to bond performance though the path will be bumpy. Meanwhile, credit spreads witnessed increased volatility but remained tight relative to historical average levels. This underscores the need for disciplined credit selection, and we continue to favour IG over HY bonds for more stable carry.
- **Opportunities in AUD-denominated bond issues.** The recent rise in AUD rates has created entry opportunities in AUD bond issues. Notably, the Australian government bond (ACGB) yield is trending above the yields of its DM government peers including the U.S. Looking ahead, further fiscal improvement could reduce ACGB supply, providing an additional tailwind for AUD rates as well as AUD-denominated bonds. In particular, AUD-denominated Australian bank Additional Tier 1 (AT1) securities remain as one of our preferred segments. With the Australian Prudential Regulation Authority set to phase out AT1s from January 2027, the segment looks set to benefit from a favourable technical backdrop as supply gradually declines.
- **Stable income from Asia quasi-sovereigns.** In Asia, we see opportunities to generate stable income in the quasi-sovereign segment, particularly issuers tied to regulatory mandates, essential utilities and industry-critical roles. These credits offer defensive characteristics and steady yield carry which would be appealing to investors especially through periods of market volatility. Separately, we reiterate our positive stance on S-REITs, particularly those with domestically-oriented asset portfolios. Expectations of a lower rate environment and sustained demand for Singapore-based assets should continue to support the sector.
- **Build resilience via GCC banks Tier 2.** Gulf Council Cooperation (GCC) banks have demonstrated resilience amid global uncertainty and evolving regulations. Investors who are looking to add exposure may consider the subordinated Tier 2 bonds from GCC banks with solid fundamentals. These Tier 2 instruments should offer stronger structural protection as well as lower extension and coupon risk when compared to the lower-ranked AT1 bonds.

Figure 1: 10-year ACGB yield has risen and is now above the 10-year UST yield



Source: Bloomberg | 30 November 2025

Figure 2: Credit spreads remained tight relative to history; Credit selection still vital



Source: Bloomberg | 30 November 2025



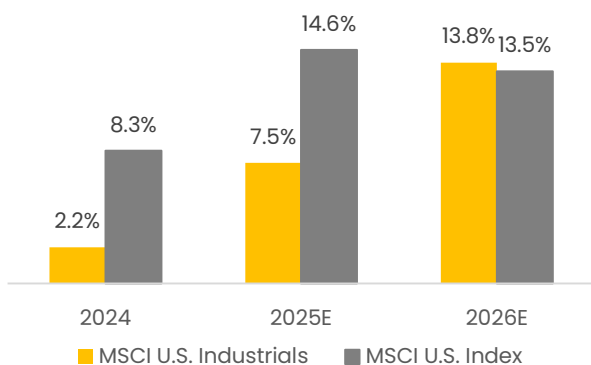
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December 2025

Equity Outlook

- **Stay invested in the U.S. despite near term volatility.** The solid results from Nvidia have failed to quell investors' concerns about a bubble in AI stocks. Still, we see reasons to stay invested in the U.S. given the constructive earnings outlook and resilient economy, though elevated valuations suggest limited cushion against market shocks. We maintain our positive stance on both the healthcare and communication services sectors, which have delivered solid gains of 8.9% and 6.1%, respectively, in November. Meanwhile, we continue to accumulate industrials on weakness given the expected earnings rebound in 2026.
- **Upgrade Europe materials.** The Eurozone remains on track for solid growth in 2026. Coupled with the accommodative monetary stance, we believe the overlooked cyclical sectors (e.g. consumer discretionary, industrials, materials) and laggard consumer staples could shine again in the quarters ahead. Notably, the chemicals and basic resources sectors should benefit from the Germany's fiscal stimulus for defence and industrial infrastructure, as well as low energy prices.
- **Buying opportunity in Japan tourism plays.** Japan equities whipsawed as the newly approved JPY 21.3 trillion stimulus package under Prime Minister Takaichi was overshadowed by China-Japan tensions. Still, we expect the conflict to remain contained and would seek opportunities in selected oversold tourism plays. Meanwhile, we continue to favour the financials and industrials as these sectors are well positioned to benefit from Japan's policy tailwinds.
- **Positive on China technology and industrials.** China's equity market showed signs of a cautious rotation, with investors shifting away from growth-oriented names towards more value sectors as macro risks resurfaced. The healthy correction has opened up compelling opportunities in the technology space, underpinned by Beijing's push for self-reliance and innovation. We also see attractive risk-reward in the industrials space, which plays a critical role in supporting China's intent to pursue industrial modernisation in its latest 15th Five Year Plan.
- **Broadening recovery in India.** India has witnessed healthy fiscal 2Q earnings, registering mid single-digit earnings growth amid global headwinds. We believe India's earnings recovery is likely to broaden on improving domestic conditions. Meanwhile, we stay constructive on Singapore and Malaysia, underpinned by their resilient economic momentum. In addition, the recent strength of the ringgit will likely support further funds inflow to Malaysia.

Figure 3: U.S. industrials are on course for better EPS growth momentum in 2026



Source: Bloomberg | 30 November 2025

Figure 4: China saw rotation from growth-oriented names into value sectors

Sectors	1M	3M	YTD
Real Estate	3.1%	-2.5%	9.1%
Financials	2.9%	3.4%	24.5%
Energy	2.7%	9.7%	14.6%
Utilities	1.1%	4.4%	3.4%
Healthcare	0.9%	-4.8%	62.0%
Cons. Staples	0.4%	-4.4%	10.3%
Industrials	-0.3%	3.1%	14.0%
Material	-0.7%	18.2%	90.5%
Comm. Services	-3.3%	1.7%	45.7%
Cons. Discretionary	-5.9%	6.2%	23.3%
I.T.	-6.2%	-13.0%	25.1%
MSCI China	-2.4%	2.5%	30.2%

Source: Bloomberg | 30 November 2025

Monthly Investment Outlook

December 2025

Commodities Outlook

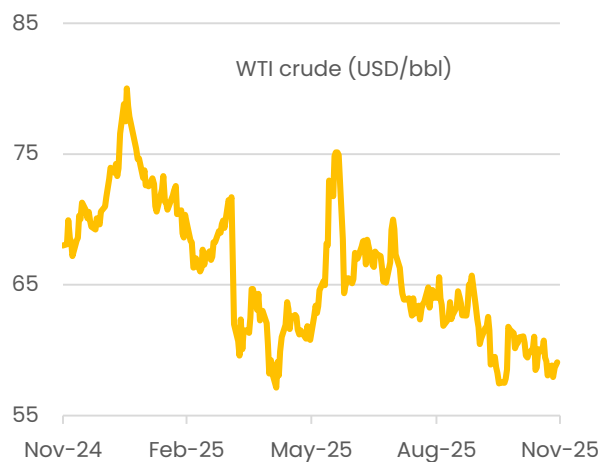
- **Gold expected to maintain uptrend amid structural demand support.** Gold prices climbed and moved above USD 4,200 per ounce in November amidst increased market volatility and shifting Fed policy expectations. Moving forward, we expect gold prices to be supported by continued Fed easing, a softer dollar as well as persistent safe-haven demand. Sustained central bank buying, particularly from emerging markets would also lend support to gold prices. We maintain our positive stance on the precious metal as an effective portfolio diversifier with gold prices potentially reaching USD 4,600 per ounce by end-2026.
- **Oil prices to remain subdued despite signs of slower U.S. drilling.** Oil prices are expected to remain subdued on the back of still unfavourable demand-supply dynamics. While there are some signs of slowing U.S. drilling activities, the U.S. Energy Information Administration (EIA) is still forecasting increasing inventories through year-end, which is likely to weigh on prices. At the same time, expectations of a potential Ukraine–Russia ceasefire have raised the possibility of easing Western sanctions on Russian oil, adding downside risks to prices. Having said that, the OPEC+ members have decided to extend their pause on further supply hikes in its latest meeting. This suggests the alliance is prepared to take further action if necessary to prevent a collapse in oil prices.

Figure 5: Gold prices climbed in November with the uptrend intact



Source: Bloomberg | 30 November 2025

Figure 6: Oil prices remained subdued amid unfavourable demand-supply dynamics



Source: Bloomberg | 30 November 2025



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