Monthly Investment Outlook

June 2025

Market Recap

- Global equities rose amid the de-escalation of trade conflict in May, with MSCI U.S. leading the gains. Technology stocks outperformed while the more defensive consumer staples and healthcare sectors lagged.

- Fixed income wise, the 10-year U.S. Treasury (UST) yield edged higher to 4.4% amid the fluctuating policy rate expectations. Nevertheless, investment grade (IG) and high yield (HY) credits witnessed positive returns with spreads tightening further below historical average levels.

- Gold remained well-supported despite the reduced risk aversion. Meanwhile, oil rebounded with easing trade tensions improving the demand outlook.

Macro outlook and asset allocation

- Although risk sentiment has improved, market volatility could spike again given the policy risks on multiple fronts. President Donald Trump's "big beautiful" budget bill has re-ignited fiscal concerns in the U.S. Trade tensions may also re-escalate with the potential stalling of negotiations.

- In view of the above, we turn more cautious towards global equities particularly U.S. stocks given the limited valuation buffer. While Asia ex-Japan and China equities are not demandingly valued, the upside may be capped by the ongoing trade uncertainties in the near-term. Still, we see opportunities in markets and sectors with resilient domestic exposure and lower sensitivity to tariff developments.

- On fixed income, we remain constructive on UST given the attractive risk reward. We would continue to seek resilient carry from quality credits including opportunities in non-USD bonds for better diversification.

- Overall, investors should maintain a strong focus in building portfolio resilience. Tactically, we raise our cash buffer to mitigate near-term downside risks. Meanwhile, we retain our positive stance on gold as the structural demand remains strong. Notably, we see more room for central banks in Asia and the Middle East to increase their gold holdings as part of their reserves.

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	5.8%	2.7%	5.5%
MSCI USA	6.5%	-0.3%	1.1%
MSCI Europe	4.8%	9.3%	21.2%
MSCI Japan	4.1%	9.8%	10.1%
MSCI Asia ex-Japan	5.3%	6.2%	8.1%
China	2.8%	0.3%	13.2%
Hong Kong	9.3%	9.4%	14.2%
Taiwan	12.5%	2.0%	0.8%
South Korea	7.8%	11.9%	18.7%
India	1.2%	16.1%	3.0%
Singapore	6.4%	9.7%	17.9%
Malaysia	-0.5%	2.0%	-2.5%
Indonesia	9.7%	22.3%	1.9%
Thailand	-3.3%	1.5%	-10.3%
Philippines	0.8%	13.4%	6.1%
BBG Multiverse	-0.3%	3.2%	5.3%
BBG U.S. Treasury	-1.0%	-0.2%	2.5%
BBG Global IG	0.1%	3.0%	5.2%
BBG Global HY	1.6%	2.2%	4.4%
BBG EM Asia	0.3%	0.3%	2.8%
BBG EM Asia IG	0.1%	0.3%	2.9%
BBG EM Asia HY	1.2%	0.2%	2.6%
Gold	0.0%	15.1%	25.3%
WTI Crude	4.4%	-12.9%	-15.2%
Dollar Index (DXY)	-0.1%	-7.7%	-8.4%

Source: Bloomberg (BBG) | 31 May 2025

Fixed Income Outlook

- The de-escalation of the trade conflict has lowered the chances of a U.S. recession, although stagflation risks continue to be high. The outcome of the trade negotiations remains unclear. It is also uncertain if the U.S. courts can indeed block the trade tariffs. In fact, trade tariffs could end up higher than pre-Liberation Day levels should baseline tariffs of all countries stay at 10%, as observed in the U.S.-UK trade deal.

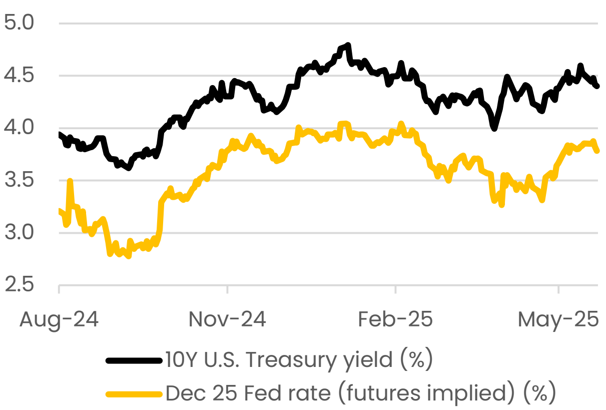
- On the fiscal front, the likelihood of a U.S. sovereign default remains low despite Moody's recent downgrade of U.S. sovereign debt from Aaa to Aa1. However, the downgrade underscores the worsening fiscal conditions in the country. President Donald Trump may thus need to scale back his ambitious "big beautiful" budget bill to secure Congressional approval, which could constrain the government's ability to use fiscal policy as a tool for stimulating growth.

- The U.S. Federal Reserve (Fed) is likely to adopt a wait-and-see approach pending clearer trade and fiscal signals. However, the central bank is likely to cut rates again – likely in 2H25 – should economic growth and jobs market deteriorate further. We now expect a 75 basis point cut (bps) by end-2025, up from 50 bps. Despite fluctuating rate expectations, we remain positive on USTs especially if the 10-year yield surpasses 4.5% but would caution against over-extending duration due to heightened rates volatility. We also reiterate our focus on quality credits, favouring IG bonds over HY for more resilient returns as spreads tighten.

- Within Developed Markets (DM), we continue to favour Europe financials Tier 2 subordinated bonds, domestic systemically important Australia banks' Additional Tier 1 (AT1) and Japan insurers' Subordinated Tier 2 bonds. Although spreads in European bank AT1s have tightened in May, selected opportunities still exist. Notably, SGD-denominated AT1s may offer more resilient returns compared to USD-denominated AT1s given the former's more stable spread movements.

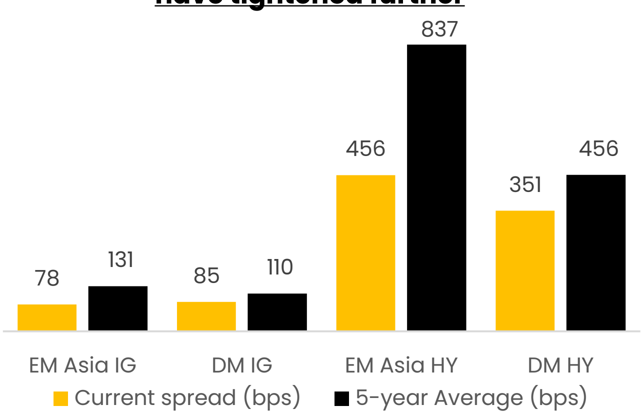
- As for Asia, we continue to position defensively and favour sectors such as utilities and telecommunications. Meanwhile, life insurers' credit profile will remain supported by the sector's robust growth prospect. Separately, we see opportunities in selected Macau gaming plays to enhance yield carry with the recent widening of spread. Meanwhile, the Singapore REITs (S-REITs) sector has delivered stable returns in May and remains a source of resilient income. In particular, we maintain our preference for retail S-REITs with significant domestic exposure in Singapore.

Figure 1: 10-year UST yield has continued to fluctuate with Fed rate expectations



Source: Bloomberg I 31 May 2025

Figure 2: Focus on quality credits as spreads have tightened further



Source: Bloomberg | 31 May 2025

Monthly Investment Outlook

June 2025

Equity Outlook

- We downgrade U.S. equities from neutral to underweight. While recession odds have fallen following the de-escalation of trade tensions, U.S. equity valuation appears to have priced in an overly optimistic growth scenario. Notably, we see downside risks to S&P 500 consensus earnings growth forecast of 9% for 2025. Given the above, we retain our preference for defensive sectors such as consumer staples and communication services. In contrast, we turn less positive on consumer discretionary stocks after the strong rebound in May.

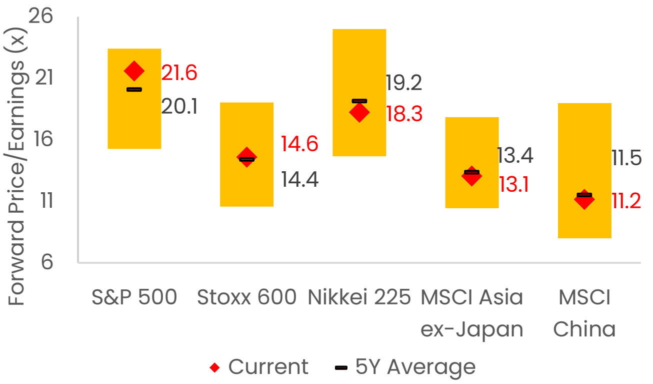
- Earnings revisions trend suggests that the worst of the downgrades in Europe's earnings may be behind us. Still, trade negotiations remain tricky even after Trump postponed the 50% tariffs on EU imports. For now, we favour the more defensive healthcare and communication services sectors. Nevertheless, there are also opportunities in industrial stocks especially if the late-June NATO summit were to suggest higher defense spending.

- We retain our underweight stance on Japan. The Bank of Japan is still expected to hike rates this year due to sustained inflation although the increased volatility in ultra-long Japanese government bond (JGB) yields is complicating matters. We take profit on financials after their strong performance, while continuing to prefer domestic-focused telecom and real estate stocks given their better earnings visibility in the medium term.

- We neutralise our call on Asia ex-Japan including China. While China equities are inexpensive, the ongoing trade uncertainties may limit near-term gains However, domestic-focused opportunities could continue to benefit from the strong policy support aimed at stabilising the Chinese economy. Notably, large-cap technology stocks have demonstrated earnings resilience. We also favour the communication services sector given the robust earnings outlook and solid share buybacks. That said, we are more cautious towards the Electric Vehicle (EV) sector given the strong year-to-date share price gains and intensifying price competition.

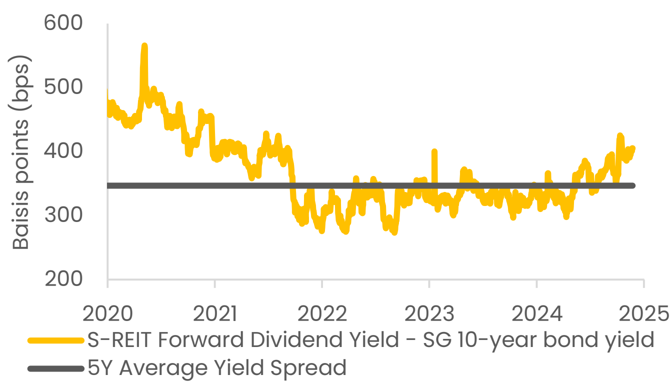
- Although India's equity valuation is relatively rich compared to other Asian peers, its resilient and self-sustaining domestic demand provides a strong hedge against global trade uncertainties. In contrast, ASEAN markets may experience more volatility due to their greater sensitivity to tariff-related news. Still, we see attractive risk-reward in the S-REITs sector, which is trading at compelling yield spread of more than 400 bps versus its 5-year average spread of 347 bps.

Figure 3: U.S. stock valuation appears to have priced in overly optimistic growth



Source: Bloomberg I 31 May 2025

Figure 4: Singapore REITs are trading at attractive spread valuation



Source: Bloomberg | 31 May 2025

Commodities Outlook

- Gold's outlook remains broadly positive despite the recent price consolidation. Strong central bank buying, persistent inflation concerns, and lingering trade uncertainty will likely continue to lend support to demand for the precious metal. Notably, we see more room for central banks in Asia and Middle East to add gold to their reserves. We maintain our positive stance on the precious metal and anticipate prices to move back towards USD 3,500/ounce by 1Q 2026.

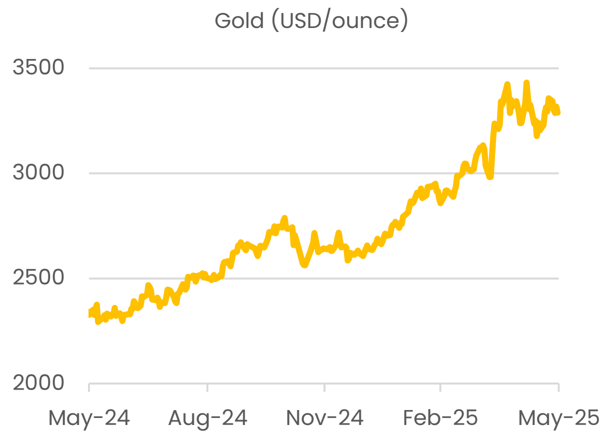
- Despite the recent rebound, oil prices are expected to remain subdued due to rising supply and soft demand. Notably, the latest OPEC+ meeting approved a further output increase of 411,000 barrels per day in July. The supply hike likely reflected Saudi Arabia's desire to punish over-producing members such as Kazakhstan and Iraq. At the same time, it may help the OPEC+ alliance recoup market share lost to U.S. shale producers. Nevertheless, the higher supply will also limit further price increase barring an unexpected escalation in geopolitical tensions.

Figure 5: More room for economies in Asia and Middle East to add gold to their reserves

Countries	Gold holding (tonnes)	% of foreign reserves
United States	8,133.5	78.0%
Germany	3,351.3	77.2%
Italy	2,451.8	74.2%
France	2,437.0	74.8%
China	2,292.3	6.5%
Switzerland	1,039.9	11.2%
India	879.6	13.5%
Japan	846.0	6.7%
Saudi Arabia	323.1	7.0%
Thailand	234.5	9.6%
Singapore	215.1	5.4%
Indonesia	78.6	5.1%
United Arab Emirates	75.2	3.0%
Malaysia	38.9	3.3%

Source: World Gold Council I 2 May 2025

Figure 6: Central bank demand to lend support to gold prices



Source: Bloomberg | 31 May 2025

Disclaimer

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

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. Maybank does not guarantee the underlying investment, the principal or return on investments.

This report is prepared for Maybank's clients and is not intended for public circulation and/or distribution. 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. Prior to any investment, it is the investor's own responsibility to obtain legal and/or tax opinions regarding the legal and tax consequences of the investment. 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/Appointed Representatives 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, PT Bank Maybank Indonesia Tbk 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, Iceland, Ireland, Italy, Latvia, Liechtenstein, Lithuania, Luxembourg, Malta, Netherlands, Norway, Poland, Portugal, Romania, Slovakia, Slovenia, Spain and Sweden.

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 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.

Note to recipients and investors in Indonesia –

This document is distributed in Indonesia by PT Bank Maybank Indonesia Tbk, which is licensed and supervised by Indonesia Financial Services Authority (OJK). Investment products that are offered by PT Bank Maybank Indonesia Tbk are third party products. PT Bank Maybank Indonesia Tbk is a selling agent for third party products such as mutual funds and bonds. Investments in mutual funds and bonds are not covered by the deposit insurance program of the Indonesian Deposit Insurance Corporation (LPS).

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))

PT Bank Maybank Indonesia Tbk (8120016120953)