Monthly Investment Outlook

September 2025

Market Recap

- **Equities rose on resilient growth.** Equities delivered robust returns in August, supported by a resilient economy and continued earnings growth. The S&P 500 posted fresh highs, while other major markets, particularly Japan, also witnessed solid gains.

- **Fed's dovish tilt supported bonds.** Both investment grade (IG) and high yield (HY) credits delivered positive returns amid stable 10-year U.S. Treasury (UST) yield and credit spreads. The U.S. Federal Reserve (Fed)'s dovish policy tilt also helped.

- **Gold witnessed strong gains while oil retreated.** Gold clocked in strong gains on a weaker dollar and rising concerns on Fed independence. In contrast, oil was under pressure amid talks of a peace deal between Russia and Ukraine.

Macro Outlook and Asset Allocation

- **Expect more visible tariff impact on economy.** The impact of the U.S. trade tariffs will likely become more evident in coming months. While the U.S. appeal court had ruled against most of the tariffs, it has allowed them to remain in place through 14th October to give the Trump administration a chance to appeal with the Supreme Court.

- **Be prepared for downside surprises.** Although earnings have held up, equities may have reflected a fair amount of optimism especially with the rich S&P 500 valuation. Despite the long-term growth potential of artificial intelligence (AI), investors may be easily disappointed should the growth momentum unexpectedly deteriorate amid emerging signs of a AI capex bubble. Meanwhile, the Fed may also disappoint with a hawkish tilt that could trigger market volatility after the well-anticipated September rate cut.

- **Continue to seek margin of safety.** In view of the above, we would continue to focus on margin of safety by rotating into markets and sectors with better risk-reward. Equities wise, we favour healthcare stocks alongside India and Malaysia markets. We also see further upside for Singapore REITs (S-REITs) as a dividend play. As for bonds, we see opportunities in Europe insurer credits as well as sukuk for steady carry returns. Last but not least, we would maintain a strategic exposure to gold to enhance 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	2.5%	8.6%	14.7%
MSCI USA	2.0%	9.7%	10.9%
MSCI Europe	3.5%	3.7%	25.7%
MSCI Japan	7.0%	7.3%	18.1%
MSCI Asia ex-Japan	1.3%	10.4%	19.3%
China	4.9%	14.1%	29.2%
Hong Kong	2.6%	13.8%	29.9%
Taiwan	-0.8%	14.8%	15.7%
South Korea	-1.9%	20.1%	42.6%
India	-2.2%	-3.9%	-1.0%
Singapore	7.1%	11.5%	31.4%
Malaysia	4.7%	5.1%	2.5%
Indonesia	0.1%	-5.8%	-4.0%
Thailand	-0.3%	10.6%	-0.9%
Philippines	1.8%	-3.5%	2.4%
BBG Multiverse	1.5%	1.9%	7.3%
BBG U.S. Treasury	1.1%	1.9%	4.5%
BBG Global IG	1.5%	3.1%	8.4%
BBG Global HY	1.5%	4.3%	8.9%
BBG EM Asia	1.3%	3.2%	6.1%
BBG EM Asia IG	1.3%	3.0%	6.0%
BBG EM Asia HY	1.2%	3.9%	6.7%
Gold	4.8%	4.8%	31.4%
WTI Crude	-7.6%	5.3%	-10.8%
Dollar Index (DXY)	-2.2%	-1.6%	-9.9%

Source: Bloomberg (BBG) | 31 August 2025

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Fixed Income Outlook

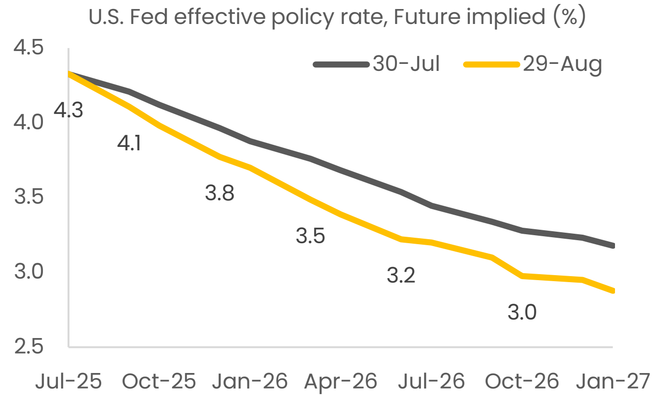
- **Lock in still attractive bond yields.** In his Jackson Hole address, Fed Chair Powell highlighted a shift in the balance of risks towards a weaker labour market. He also indicated that elevated trade tariffs are unlikely to have a lasting impact on inflation, particularly in the absence of significant labour market tightness. Barring a notable upside surprise in upcoming jobs data, we expect the Fed to implement a 25 basis point (bps) rate cut in September. However, the path of policy easing over the next 12 months remains uncertain and may contribute to market volatility. Still, we expect the Fed rates to trend lower and support a move in the 10-year UST yield towards 4%. Hence, investors should consider locking in the current all-in bond yields, which remain attractive by historical standards. We maintain a preference for higher-quality IG bonds over HY credits, given the tight spread environment and the defensive nature of IG assets.

- **Opportunities in Europe insurers with strong fundamentals.** We retain a constructive view on Europe banks Tier 2, Australia banks Additional Tier 1 and Japan insurers Tier 2 instruments. In addition, we see opportunities in Europe insurers given their healthy margins and solid liquidity position. Financing conditions also continue to be favourable with demand for new issuances likely to remain well-supported. Notably, Restricted Tier 1 (RT1) securities — despite their junior subordinated position in capital structures — of leading insurers offer compelling value given their robust fundamentals, systemic importance, as well as relatively high issue ratings.

- **Prefer S-REITs but trim insurer exposure in Asia**. Market sentiment remains broadly constructive for Asia credits, buoyed by supportive macro developments. Notably S&P's upgrade of India's sovereign credit rating to BBB has spurred renewed investor interest. Meanwhile, S-REIT issuers continue to benefit from the prevailing low-yield environment, with improved funding conditions providing support. We maintain our preference for retail REITs given their resilient domestic exposure. In contrast, the recent strong performance of select Asia insurers, notably within the SGD space**,** presents opportunities for profit-taking.

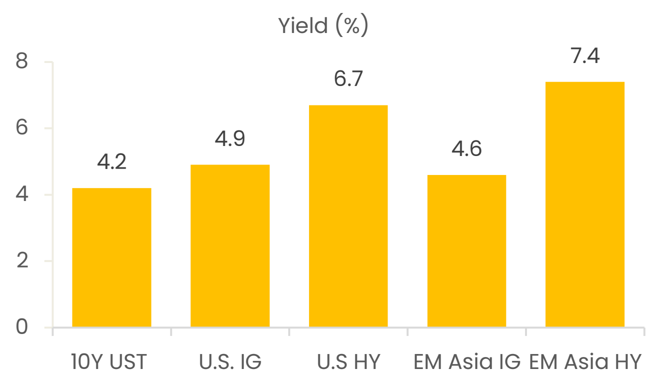
- **Prefer high-quality sukuk for resilient carry.** Global sukuk continue to offer a resilient source of returns. Notably, while conventional bonds saw a sharp sell-off following the U.S. tariff shocks in April, sukuk have remained relatively stable, underscoring their defensive characteristics during periods of market stress. Within the sukuk universe, we maintain a preference for higher-quality issuers — particularly financial institutions — over high-yield property names.

Figure 1: Market expectation of Fed rate cuts has become more dovish over the past month



Source: Bloomberg I 29 August 2025

Figure 2: All-in-yields remained attractive across segments despite tight credit spreads



Source: Bloomberg | 29 August 2025

Equity Outlook

- **Focus on markets and sectors with better risk reward.** Rate cuts alone will likely be insufficient to sustain the strength in U.S. stocks. As we expect the effects of tariffs to filter their way through the economy, earnings growth momentum is likely to moderate in coming months. With valuations stretched and seasonal factors in focus - September historically has shown weaker performance, we would focus on sectors that can offer better risk reward. These include communication services, consumer staples and healthcare.

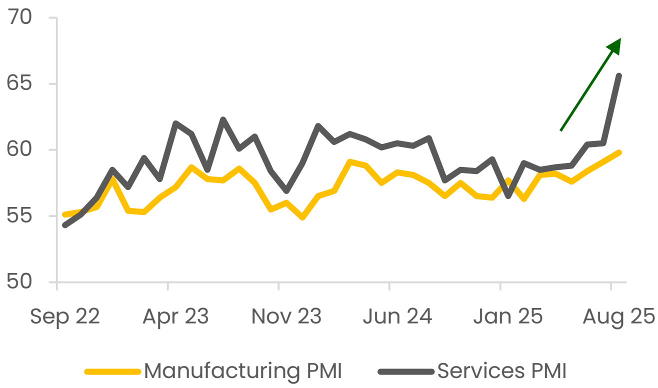
- **Pockets of strength in Europe banks, industrials and healthcare.** Europe continues to enjoy healthy net inflows as investors seek to diversify away from the U.S. amid mounting concerns over the latter's macro policies. While Europe's earnings growth continues to lag the U.S., there are pockets of strength in financials, industrials and healthcare. Notably, the Europe banks expect loan volumes to further improve, supported by declining interest rates while the ongoing capital return commitments and healthy dividend yields could attract income-seeking investors.

- **Better risk-reward in Japan healthcare.** We remain doubtful if Japan can sustain its recent market outperformance. Notably, Japan's exports fell the most in four years while its domestic politics could also spring up negative surprises. Sectors wise, we take profit on communication services and real estate stocks. In contrast, we see better risk-reward in healthcare while financials may also benefit should the Bank of Japan decide to normalise policy and hike rates.

- **Stay constructive on India and Malaysia.** We see room for India to play catch up as the macro recovery should support earnings growth improvement. Meanwhile, Malaysia stands out in ASEAN with the market backed by positive earnings revision. In contrast, both Indonesia and Thailand may be weighed down by domestic political uncertainties. As for China, the recent climb in margin trading balances to Rmb 2.0 trillion - near the 2015 peak – is raising concerns of a bubble. However, it is unlikely to trigger policy tightening with margin debt accounting for only 2.5% of China's market capitalisation versus the peak of 4.1% in 2015. We continue to seek opportunities in selected China Tech names while the banking sector is also of interest after the recent pull-back.

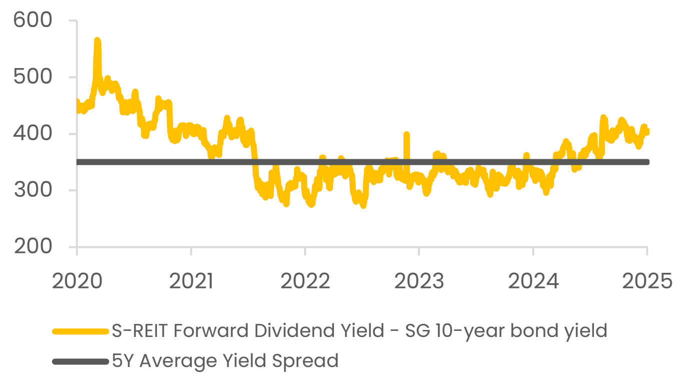
- **Positive on Asia dividend plays, notably S-REITs.** With interest rates expected to trend lower, we continue to favour Asia dividend plays, particularly interest-sensitive sectors like Singapore REITs. Notably, S-REITs should benefit from lower borrowing costs and continue to trade at attractive yield spreads versus the 5-year historical average levels.

Figure 3: India's earnings growth should improve as economic activities pick up



Source: Bloomberg | 29 August 2025

Figure 4: S-REITs offer a healthy yield spread above Singapore government bonds



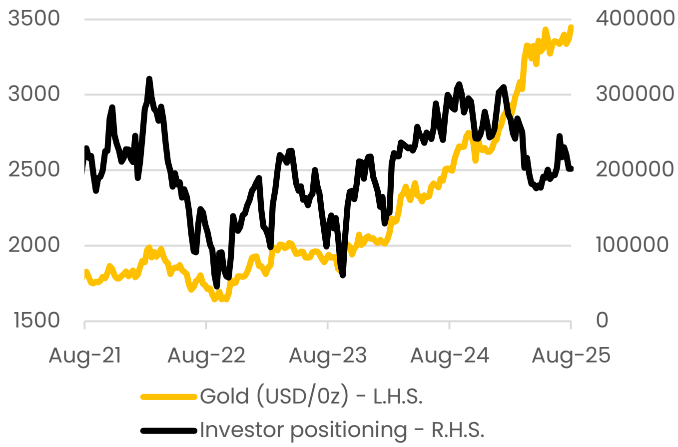
Source: Bloomberg | 29 August 2025

Commodities Outlook

- **Maintain strategic exposure to gold.** Gold is expected to exhibit a steady upward trend in the next 6 months. While prices may consolidate in the near-term, current investor positioning is not overly crowded suggesting limited downside. The broader outlook also remains positive for gold amid the expected further weakening of the U.S. dollar with the increased concerns on Fed independence supportive of the precious metal. Longer-term, demand for the gold should be bolstered by rising geopolitical fragmentation, with central banks seeking to increase exposure to the precious metal to diversify their reserves away from USD assets. Given the above, we see benefits for investors to hold gold as part of their strategic asset allocation.

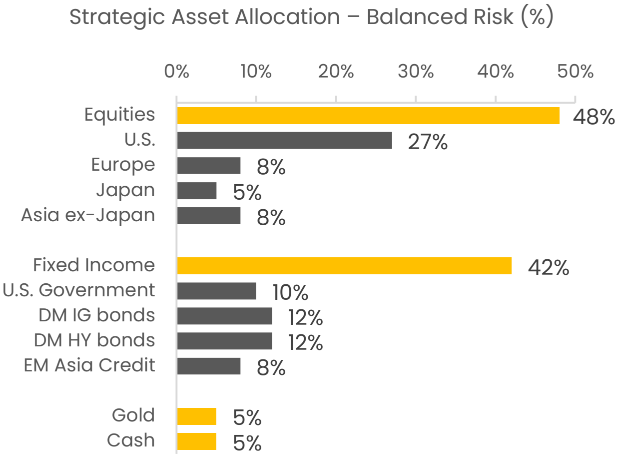
- **OPEC+ may look to unwind additional cuts.** Oil prices are expected to remain choppy with a bias to the downside. Notably, the OPEC+ has been implementing quota increases since April 2025 to phase out the initial voluntary production cuts of 2.2 million barrels/day by September. The group is scheduled to meet again on 7th September with the potential of unwinding the remaining 1.65 million barrels/day of cuts. The increase in supply will likely continue to put a lid on oil though concerns about supply disruptions and geopolitical tensions in key oil-producing regions including Russia and the Middle East could cause intermittent price spikes.

Figure 5: Gold has pushed higher but investor positioning is not overly crowded



Source: Bloomberg I 29 August 2025

Figure 6: Maintain strategic exposure to gold as a hedge against downside risks



Source: Maybank GWM I 29 August 2025

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