Monthly Investment Updates

April 2025

Macro Overview

Growth

- The recent Trump Administration policy changes, such as immigration restrictions, cuts in Federal Government employment and spending, and the imposition of tariffs, have lowered the US growth forecast to likely under 1% this year, impacting global growth by approximately 0.8% - 1.0%.
- On the tariffs policy front, while expected to be inflationary over the short term, our greater concern lies with the negative growth spillover effects over the longer term. Higher costs for consumer goods will reduce real incomes and cut consumption growth. More critically, the extreme shock to business sentiment is likely stall US capital spending.
- For China, the US tariffs will likely depress its GDP growth to 2% or lower. We expect China's government to focus on stimulating domestic consumption, repairing the housing market, and supporting industry, particularly in tech development.

Inflation

- Despite an unexpected 0.1% monthly decline in March, driven by lower gasoline and used vehicle prices, US consumer prices are unlikely to remain subdued following Trump's reinforcement of tariffs on Chinese imports after Liberation Day.
- Tariffs act as a significant supply shock for the US economy and are expected to raise US inflation, at least in the near term, potentially pushing headline US Consumer Price Index (CPI) inflation to around 4.5% year-over-year or slightly higher by the fourth quarter.
- We remain vigilant of potential supply-side shocks (e.g., Middle East tensions impacting oil supply) and the near-term inflationary impact of Trump's tariffs.

Monetary policy

- The US tariff shock is causing global monetary policy to diverge from that of the US. The anticipated inflationary impact from tariffs will likely keep the Federal Reserve (the Fed) on the sidelines for longer. Persistent inflation may delay Fed rate cuts further into the latter part of the year, with the risk skewed towards more cuts in 2026.
- That said, the Fed will likely continue to focus on incoming data, particularly core inflation data (e.g., core US consumer price inflation, core US personal consumption expenditures), and labour market conditions, in order to guide its monetary policy decisions.

Asset class view

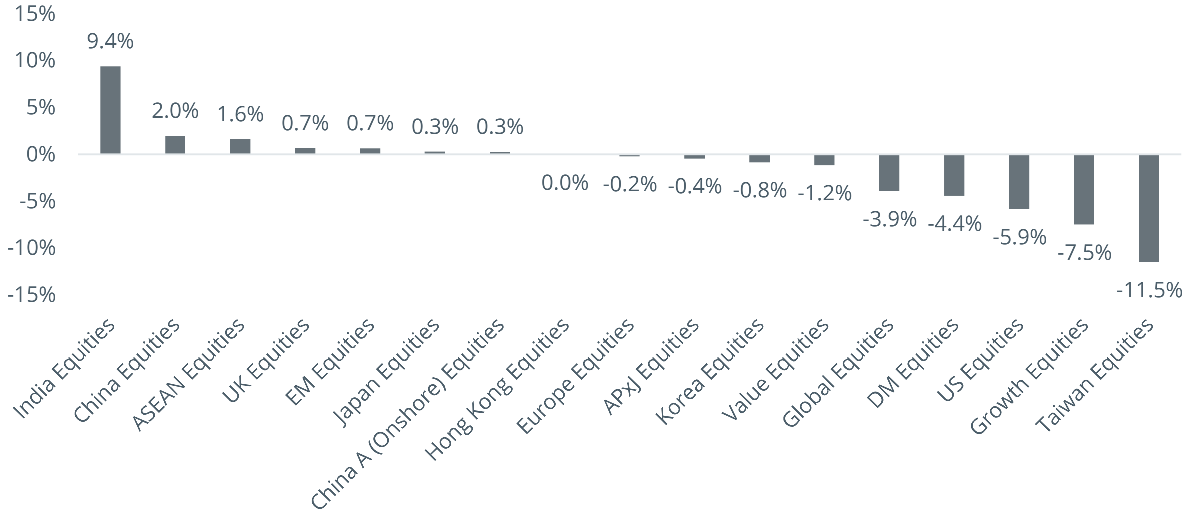
- Due to rising downside risks to global growth, we have downgraded US equities for their near-term risks. However, Europe and emerging markets, may outperform the US, driven by better-than-expected economic data. Emerging markets are currently trading at discounted valuations. We maintain a defensive equity position amid high policy uncertainty and market volatility.
- We favour government bonds, particularly US Treasuries, as a safeguard against recession, and will look to increase duration exposure if economic data clearly indicates a downturn. Corporate bonds may underperform if the economic outlook worsens, but US investment grade credits are expected to outperform high yield bonds due to their higher quality.
- Over the near term, we prefer Emerging Market USD bonds over US credits due to attractive pricing and the potential benefits from US dollar depreciation. Additionally, Asian USD bonds may be supported by the region's more stable fundamentals and net negative supply in 2025.

Top 3 Risk Areas of Concern	Likelihood	Magnitude of Negative Impact on Markets
Trade war intensifies. Trump's focus on trade balances (rather than actual barriers to trade) stymies the ability of countries to conclude negotiations with the US. Tariffs are likely to add to inflation and exert downward pressure on economic growth.	High	Medium
Key upside risks remain as Trump responds to market pressures with trade deals. The extreme uncertainty of the Trump administration policy means being nimble to the possibility that Trump announces a series of trade deals that lower tariffs bilaterally sooner than expected. However, the ultimate end-point is highly likely to be an effective tariff rate of about 10% for the US, leading to reduced economic growth and lower equity valuations.	Medium	Medium
China's growth slowdown (and its drag on global growth overall) may persist if Beijing's stimulus response to the trade war remains slow and still inadequate. The lack of sufficient, timely support for the domestic economy may cause China's GDP growth to drop to below 4%, leading to a decline in Asian export growth and lower commodity prices.	Medium	Medium

Market Recap and Update

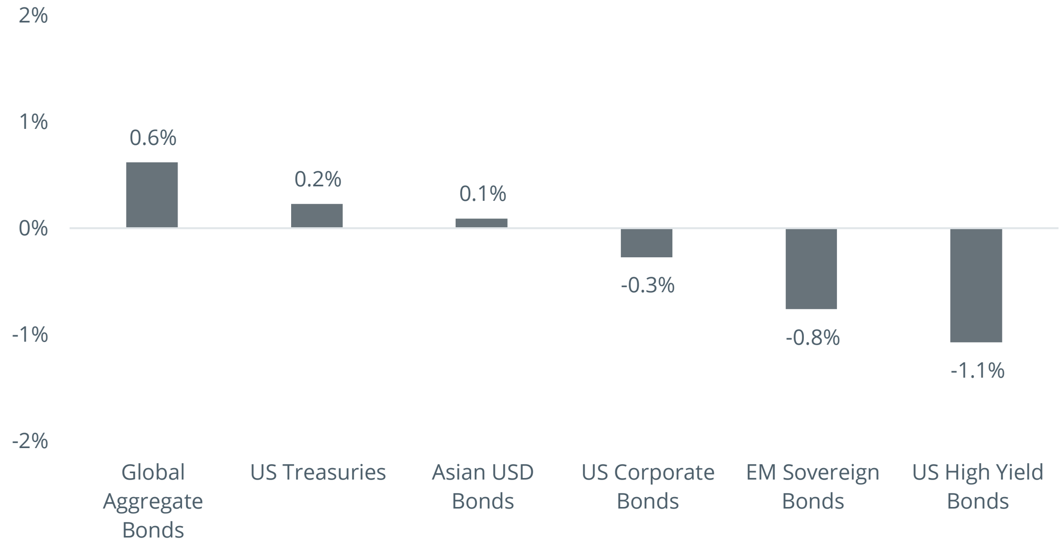
Global Equity Markets

(Monthly gross returns as of 31 March 2025, in USD)*



Global Bond Markets

(Monthly gross returns as of 31 March 2025, in USD)*



- In March, global equities (MSCI ACWI) fell by 3.9%, significantly impacted by US equities (MSCI USA Index), which returned -5.9%. US risk assets generally retreated during the month as potential tariff policy implications contributed to slowing growth estimates and persistent inflation, dampening investor sentiment.
- European equities returned -0.2% in USD terms, marking the first monthly decline in 2025, but still outperformed global equities and developed markets equities (as proxied by the MSCI World Index, which returned -4.4%).
- Emerging markets posted 0.7%, outperforming developed markets; Chinese equities (MSCI China Index) edged up by 2.0%, driven by relatively low prices, optimism around AI investments, and the prospect of more stimulus from Beijing. The MSCI Taiwan Index declined by 11.5% due to concerns over potential US tariffs on Taiwan's exports. The MSCI India Index returned 9.4%, supported by foreign fund inflows and strong domestic economic data.

- The fixed income markets delivered mixed returns during the month. The Bloomberg Global Aggregate Bond Index returned 0.62% while the Bloomberg U.S. Treasury Index returned a relatively flat 0.23%. US Treasury yield movements were mixed as short-term yields declined while long-term yields ticked higher; the 2-year yield fell 10 bps to 3.89%, the 10-year yield decreased 1 bp to 4.23% and the 30-year yield increased 8 bps to 4.59%.
- US investment grade spreads widened further in March, as participants factored in the potential impacts of tariffs on economic growth and inflation, leading to a -0.3% return. US high yield bonds experienced their largest monthly spread widening since June 2022, returning -1.1%. Emerging Market (EM) USD sovereign bonds delivered a -0.8% return, with investment grade bonds outperforming high yield bonds. Asian USD bonds had a slight gain of 0.1%; Asian high yield USD bonds outperformed investment grade bonds on the back of higher carry returns.

Data source: Eastspring Investments, LSEG Datastream and MSCI. *Monthly total returns are provided as of 31 March 2025. Equity returns are referenced by the respective MSCI market indices quoted in USD, in gross return terms. “Global” is represented by the MSCI ACWI; “DM” is represented by the MSCI World Index. “APxJ” is represented by MSCI AC Asia Pacific ex Japan Index. “EM” is represented by MSCI Emerging Markets Index. “Value” and “Growth” are represented by the MSCI World Value Index and MSCI World Growth Index, respectively. “China” is represented by the MSCI China Index and “China A” is presented by the MSCI China A Onshore Index. The fixed income markets are represented as follows: "US Corporate Bonds": ICE BofA US Corporate Index (USD) TR Index gross; “EM Sovereign Bonds”: J.P. Morgan EMBI Global Diversified (USD) TR Index gross; “US Treasuries”: Bloomberg Barclays US Treasury Index (USD) TR Index gross; “Asian USD Bonds”: J.P. Morgan Asia Credit Index (USD); "Global Aggregate Bonds": Bloomberg Barclays Global Aggregate (USD) TR Index gross; "US High Yield Bonds": ICE BofA US High Yield Index (USD) TR Index gross.

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Information is correct as at 16 April 2025, unless otherwise stated.