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14th Feb 2025

US leadership challenged?

Europe and China equities have outperformed US equities year-to-date. However, sustained outperformance will likely need a revival in their earnings estimates and a weaker US dollar. For that to happen, Europe and China will need to take decisive action to stimulate domestic demand and negotiate trade deals with the US to ease tariff uncertainty. A Russia-Ukraine truce would help lower Europe's geopolitical risk premium. For the USD to weaken, the Fed will need to start cutting rates again. However, this week's hot US inflation data is likely to keep the Fed on hold for now. Without these conditions being met, ideal to remain Overweight US equities. Gold is of preference. While the precious metal looks overbought, recommended to buy on dips given broadening structural demand.

Equities: What is the outlook for China's internet sector?

The emergence of China's low-cost AI model DeepSeek has excited the market recently. The technical model has also turned positive on China equities in the short-term. That said, consensus earnings growth in 2025 and 2026 have yet to show any material uplift, and US tariffs remain a risk. Hence, preference over a 6-month horizon is to maintain a barbell approach towards China equities through the Hang Seng technology index and China's high-dividend non-financial state-owned enterprises sector.

Bonds: What is driving the rally in Developed Market high yield bonds? Will it sustain?

We attribute the rally in Developed Market high yield to robust US job market data and solid Q4 earnings, both of which boosted investor confidence (as seen in surging fund inflows in recent weeks). We continue to expect this asset class to outperform other bond segments amid resilient US economic growth and increased deregulatory measures under the Trump administration.

Commodities: What is the outlook for gold after the strong rally to record highs?

Concerns about potential US tariff have lifted demand for physical gold, which has tightened supply and created market distortions. Technical charts suggest a brief correction to USD 2,790, aligning with previous highs, is possible, given elevated investor positioning. That said, it is expected that gold prices to remain well-supported, with further US tariff announcements forthcoming. As such, it is viewed any near-term pullback in gold prices as a buying opportunity.

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