



THE FUTURE IS YOURS

# AIP

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## **Playing your Trump card**

The US is likely to be in the driver's seat, outperforming other major markets, as business and consumer confidence gets a boost following Trump's election. Trump's contentious policy agenda and China's growth outlook are key risks. Within equities, we see Overweight the US and Underweight the Euro area, with supportive US policy likely to maintain US outperformance. In Asia, we see Overweight India equities given the still-robust growth outlook. Within bonds, we see Overweight Developed Market High Yield bonds as the higher yield drives total returns. Emerging Market local currency bonds are most at risk from Trump's tariff proposals, keeping us Underweight. We also see a switch from cash to USD bonds to lock in attractive yields over the longer term. We see tactical opportunities in selective US, China and India equity sectors. Bond opportunistic ideas continue to look for pockets of value amid elevated valuations.

### **Our Core Views**

#### **Equities**

We see an upgrade on global equities to Overweight and expect them to outperform bonds and cash driven by a favourable macro backdrop. Within global equities, we see Overweight US equities, underpinned by robust earnings growth and likely expansionary policies. We see Underweight Europe ex-UK equities amid a deteriorating earnings outlook and Trump's threat of tariffs, despite cheap valuations.

#### **Bonds**

We see a core holding (Neutral) on global bonds. Within bonds, we see Overweight Developed Market High Yield bonds, supported by soft-or no landing economic scenarios and potential deregulatory policies, while we see Underweight Emerging Market local currency government bonds, given potential FX and geopolitical risks. We expect the yield on the benchmark 10-year US government bond to stay in a 4.00-4.25% range over 6 12 months, with downside limited by stronger growth and inflation pressures.

#### **FX**

We expect a rangebound USD index (DXY) over the next three months. US Treasury Secretary nominee Scott Bessent's non-inflationary growth agenda is likely to partly offset Trump's more inflationary trade and immigration policies. Meanwhile, capped US bond yields along with gradual rate cuts by the Fed should narrow the USD's yield advantage against other major currencies, modestly weakening the USD over the next 12 months.

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