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The next 100 days

President Trump, after unsettling the world with a trade shock in his first 100 days in office, is likely to focus on trade deals in the next 100 days. Talks with China could also resume this summer. Risk assets have rebounded since he paused reciprocal tariffs against major trade partners earlier in April. This week, he gave US automakers a two-year tariff reprieve on imported parts. It is seen as the latest rebound to hedge downside risks as global growth slows. Investors overly exposed to US equities should consider taking advantage of the latest S&P500 rebound towards 5,820 to partially switch to Developed Market government bonds and to Europe and Asia equities. Any rebound in the US 10-year government bond yield to the higher end of the 4.0-4.5% range would offer an attractive entry point for high quality bonds. It is recommended to add gold as it falls into the USD 3,000-3,250/oz range.

Equities: What do you expect from China's Q1 earnings season and the Golden Week holiday?

China's earnings growth estimates have been volatile but have recovered from the sharp drawdown in March. Ahead of the Golden Week holiday, it is notable that domestic tourism has been particularly resilient, which is expected to support consumer spending. We remain Overweight on China equities within Asia ex-Japan. The preferred Hang Seng technology index remains attractive to add at current levels and continue to like pairing this with high dividend non-financial state-owned companies.

Bonds: Should investors await a rebound in US government bond yields before adding?

Assuming no resurgence of inflation worries, it is likely the 10-year bond yield re-tests the 4% level in the very short term. At these levels, though, we are cautious about increasing exposure significantly. In the near term, yields remain vulnerable to upward pressure, driven by unresolved trade negotiations. It is likely that 2- and 10-year US government bond yields rebound back above 3.95% and 4.25% respectively, which would be viewed as more attractive levels to add exposure.

Equities: Do you expect India's equity outperformance in April to continue?

We believe this recent performance has legs. The pullback in Indian equities from September 2024 arguably limits downside risks from current levels, despite negative global catalysts. Also, macro fundamentals have improved since February. Meanwhile, media reports suggest India is likely to be among the earliest markets to agree a trade deal with the US. Indian equities as a core holding within Asia-ex-Japan and believe any intermittent pullback (3-5%) from current levels, as an attractive buy-on-dips opportunity.

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