



Uncertain outlook warrants a prudent approach

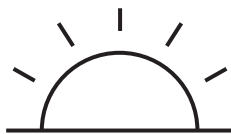
One month has passed since U.S. President Donald Trump announced reciprocal tariff policies in early April. Initially, global financial markets reacted strongly to the tariff news, but subsequent announcements by Trump to delay the imposition of most tariffs have led to market stabilization. While market sensitivity to tariff-related developments may diminish, the broader economic implications of Trump's policies remain unclear. Federal Reserve Chairman Jerome Powell has cautioned that tariffs could drive inflation higher, underscoring the uncertain outlook for the U.S. economy. Investors are advised to remain vigilant.

In response, the Chinese government has, as expected, introduced a series of measures to support the economy, aimed at stabilizing markets and stimulating consumption. However, pending further progress in U.S.-China trade negotiations, we maintain a cautious stance on Chinese and Hong Kong equity markets.

We believe that prioritizing risk management within investment portfolios remains the most prudent strategy. Given the uncertainties surrounding tariffs, investors should reassess their asset allocations, embracing diversification across regions and asset classes to build more resilient portfolios capable of navigating future opportunities and challenges.

Source: Bloomberg

12-Month Outlook



Positive



Global Bond



ESG (Low Carbon)



Neutral



Global Equity



Asian Equity



Hong Kong Equity



Cash

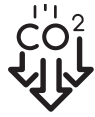


Positive

Global
Bond

No Change

- Recent market uncertainties, triggered by the tariff news, remain high in the short-to-medium term, supporting yields to drop (yields move inversely to prices) as investors allocated to less riskier assets, such as US Treasury
- ECB is expected to further cut interest rate given declining inflation, slow progress in economic recovery and anticipation of escalating trade tensions
- Credit continues to provide attractive carry
- We upgraded our overall view to global bonds to cautiously positive and remained quite selective, favoring investment-grade credit and believing the asset class helps strengthening risk management for portfolios

ESG (Low
Carbon)

No Change

- Governments reached a consensus at the meeting and pledged to significantly increase investment in clean energy and a low-carbon economy. According to the International Energy Agency (IEA), the total global investment in energy transformation in the future is expected to be calculated in tens of trillions dollars, which will greatly promote the development of industries such as renewable energy, energy storage technology and electric vehicles
- Investors are increasingly prioritizing Environmental, Social, and Governance (ESG) factors. Companies that emphasize ESG and carbon emission considerations tend to exhibit more resilient financial performance
- With increasing volatility in the investment environment, low-carbon strategies provide higher downside protection and relatively better returns compared to traditional stock strategies

Global
Equity

No Change

- On April 2, US President Trump announced the details of "reciprocal tariffs", which were more extreme than the market had originally expected, triggering violent fluctuations in global equity markets
- Negotiations and back-offs were yet to be seen, markets are still very sensitive to tariff-related news and are mindful of possible higher inflation should high tariffs sustain
- Geopolitical risks have risen over the past few months and may increase market volatility going forward



Cash

No Change

- Cash is a residual (or balance) of our stance in terms of equities and fixed income. We are slightly cautious to equities (neutral) and selectively positive to bonds (positive), cash as a balance was upgraded to neutral
- With expectation of market jitters continuing in the near term, cash remains as a defensive asset to decrease portfolio beta



Neutral

Hong Kong
Equity

No Change

- As the world's largest exporter, China faces immense pressure from the tariff. Tariffs could shrink China's export volume with sectors such as electronics and machinery equipment being hardest hit
- The Chinese government has held back from deploying aggressive domestic stimulus before tariffs. The chances that the government would enlarge the scope to support consumption more meaningfully increase
- We are closely monitoring the progress of trade negotiations between the US, China, and other nations, as well as the severity of economic impacts from these tariffs

Asian
Equity

No Change

- Trump's tariff is an obvious downside risk for export-driven economies like ASEAN countries
- India market is constrained by its economy and corporate profits. GDP growth rate that Indian government forecast is at four-year low. There is a gap between corporate earnings and market expectations, we see consensus earnings downgrade lately and fund outflow
- In Korea, 2025 and 2026 consensus earnings forecasts have continued to be downgraded, particularly due to ongoing downturns in exports and in the memory sector
- In Taiwan, global tech performance was weaker than market expectations. This puts Taiwan's tech sector, and thereby its broader economy, at risk of underperformance in the near term

Disclaimer:

All information contained in this document shall only be used as general reference and general investment knowledge for sharing purposes, which may contain "forward-looking" information, including forecasts, estimates of yields or returns and involve risks and uncertainties. All information contained in this document is not intended to provide any forms of guarantee or investment advice, and does not constitute a solicitation of an offer or offer, and shall not be regarded as the basis for any contract, to sell or to purchase any investment products. Information is provided base on sources believed to be reliable, Sun Life Asset Management (HK) Limited, its associated companies and their directors and employees (collectively "Sun Life") gives no express or implied warranty, guarantee or represent its accuracy, effectiveness, completeness of the same.

Investment involves risk, and past performance figures shown are not indicative of future performance. Value of investment may go up or down, and may become valueless. An investor may not get back the amount originally invested. The information contained in this document has not been reviewed in the light of objectives, financial circumstances or needs of an individual investor. Sun Life is not responsible for any loss or damage caused by reliance on any information or advice made in this document, nor is responsible for the accuracy or completeness of any information or advice.

This document has not been reviewed by the Securities and Futures Commission in Hong Kong or any regulatory authorities.

This document is owned by Sun Life Asset Management (HK) Limited. Modification or change is not allowed without the Sun Life Asset Management (HK) Limited's prior consent.

Issued by Sun Life Asset Management (HK) Limited



Check out the
online version