



## Risks Remain, but Markets Keep Moving

Global markets have stayed resilient despite lingering Middle East tensions. While a ceasefire is in place, negotiations between Israel and Iran continue, and uncertainty around the Strait of Hormuz has not fully faded. Even so, investors have largely looked through the risk, with major equity markets recovering March losses and some hitting fresh highs.

Three themes now stand out: higher energy prices could reignite inflation and keep central banks hawkish; a new Fed chair could tighten liquidity by shrinking the balance sheet; and the AI investment boom is spreading globally, boosting demand for hardware suppliers—especially in Northeast Asia.

After April's sharp rebound, valuations look less attractive and profit-taking risk is rising. In this environment, a balanced, diversified approach remains key. In response to market risks and opportunities, investors may consider adopting a more prudent strategy. By avoiding over-concentration of risk and establishing a diversified core-satellite asset allocation, one can effectively balance risk and return.

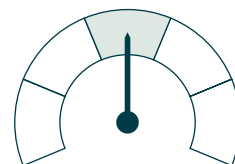
Source: Bloomberg

## 12-Month Outlook



Slightly Positive

ESG (Low Carbon)



Neutral

US Equity

Asian Equity

Global Bond

European Equity

China/HK Equity

Cash



Neutral  
US Equity

#### No Change

- The geopolitical tensions in the Middle East remain fluid. Expect some "bumps in the road" and short-term price swings as markets react to breaking news
- The US job market and economy are surprisingly resilient. However, the Iran conflict may weigh in on macro economy and delay the Fed's rate cut
- Corporate profits and CapEx remain strong, especially in AI infrastructure. AI theme remains intact, although valuations become rich again after the recent rally



Neutral  
European Equity

#### No Change

- European economy is solid, however its outlook is sensitive to the US-Iran conflict outcomes as it is a net energy importer
- Inflation in Eurozone has upticked to 3% in April. Markets now expect ECB to potentially hike interest rates in June to combat rising prices

## Equities



Neutral  
Asian Equity

#### No Change

- We view AI as a structural growth theme in Asia. South Korea and Taiwan, in particular, are capitalizing on robust hardware demand, which remains a primary catalyst for short-term earnings growth
- The inflation outlook for Asia has edged higher. Some regional central banks have already shifted toward hiking rates. Expect further policy tightening if price pressures persist
- The trajectory of the USD is expected to remain a key source of short-term volatility across the region



Neutral  
China/HK Equity

#### No Change

- US President Trump will visit China in the mid of May. Any progress on trade frameworks or partial tariff relief could trigger a short-term "relief rally"
- China set a GDP growth target of 4.5%-5% in 2026. While recent growth was buoyed by strong exports, domestic consumption remains lagging
- Market dynamics show a rotation from high-growth technology sectors into undervalued, high-dividend stocks. A 'barbell Strategy' can balance structural risks while delivering stable returns. On one side of the barbell, focus should remain on the "AI+" theme, which is poised to become a key engine driving "New Quality Productive Forces" and the commencement of the "15th Five-Year Plan"



Slightly  
Positive  
ESG  
(Low Carbon)

#### No Change

- The US-Iran conflict has exposed the global dependence on fossil fuels, which accelerates the investment demand for low-carbon transition
- In an increasingly volatile market, low-carbon strategies are demonstrating superior resilience, offering stronger downside protection and more attractive risk-adjusted returns compared to traditional equity strategies

## Thematic Equities



Neutral  
Global Bond

#### No Change

- US core inflation could remain sticky due to potential supply shocks. US rates may stay range bounded as the interest rate outlook becomes uncertain
- Corporate credit valuations are currently high, though fundamentals are expected to remain benign. We believe allocating to high-quality, investment-grade bonds will enhance portfolio risk management

## Fixed Income & Cash



Neutral  
Cash

#### No Change

- With expectation of market jitters continuing in the near term, cash remains as a defensive asset

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