In collaboration with:
J.P.Morgan ASSET MANAGEMENT

Monthly Investment Insights

APRIL 2025

TOPIC 1:

Weaker sentiment not cause for great concern yet

Recent survey data signals cautious sentiment in the United States (US) due to policy uncertainties, but other growth indicators suggest a slowing economy rather than an end to the momentum.

What you can do

→ Diversify your portfolio allocation across different assets and markets to manage heightened volatility from US policy uncertainties.

→ With the US set to impose wide-ranging tariffs on various countries and products (refer to the March 2025 Monthly Investment Insights), global trade tensions have escalated. Sudden reversals, exemptions, and unclear roll-outs of President Trump's tariff announcements have further intensified uncertainty.

→ This has negatively affected sentiment in the US, with the US preliminary all-industry Purchasing Managers' Index (PMI) data slipping in February 2025 before rebounding in March 2025 (Figure 1a). Consumer sentiment surveys, compiled separately by the University of Michigan and Conference Board, also reflect a similar weakening trend with consumers increasingly concerned about tariffs' impact on inflation, the labour market and personal income.

→ On the other hand, US business fixed investment, a measure of companies' long-term spending plans, has eased recently but remains healthy when viewed from a long-term basis (Figure 1a). However, there are growing challenges posed by trade tensions and federal spending cuts.

→ While weaker sentiment survey data does not always lead to weaker economic data, investors need to be mindful of these sentiment signals, as they can influence how policy uncertainties affect economic growth. Interestingly, PMI data in the Eurozone and Japan has defied the recent US downtrend (Figure 1b). This highlights how diversifying your portfolio allocation across different assets and markets is crucial to manage heightened volatility from policy uncertainties.

Figure 1a:

US all-industry PMI shows weakness but business fixed investment remains healthy

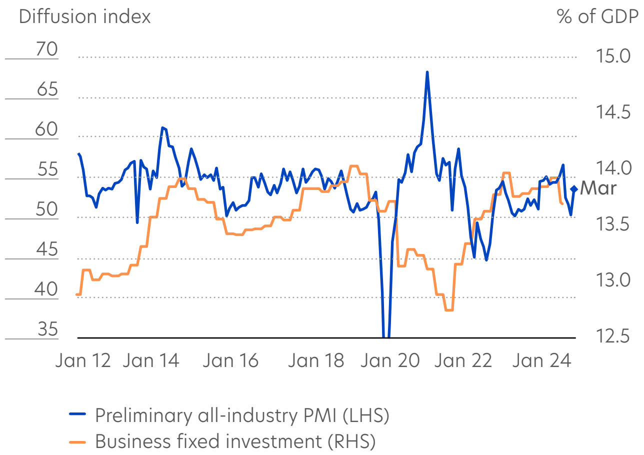
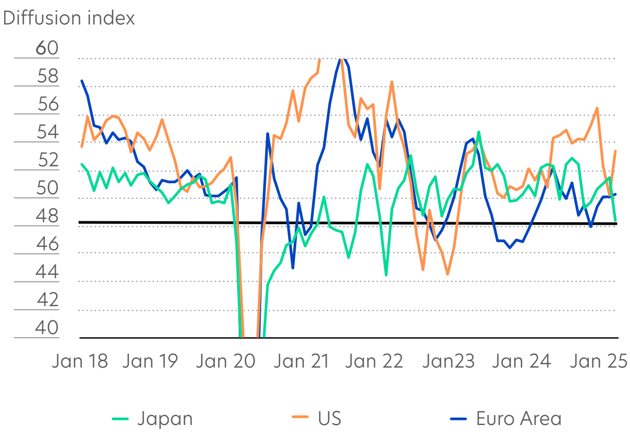


Figure 1b:

PMIs in other developed markets diverge from the US



Source: US Bureau of Economic Analysis, S&P Global, J.P. Morgan Asset Management

Speak to your UOB Advisor today to find out more.

TOPIC 2:

Developed market financials can benefit from high interest rates

Interest rates may stay high, which can be beneficial to developed market financials.

What you can do

- Developed market financials stand to benefit from a high-interest-rate environment and potential policy shifts, making them a strategic addition to investment portfolios.

- President Trump's tariff policies have raised the prospect that interest rates will stay high for longer. While an economic growth slowdown will normally warrant rate cuts, this may not happen if it is accompanied by a re-acceleration of inflation. Until the impact of US tariff policies is known, global central banks will likely be cautious about rate cuts. In this backdrop, the near-term outlook for developed market financials remains positive.
- Stock valuations in developed market financials are attractive as compared to the broader market. Meanwhile, return on equity (ROE), which measures a company's profitability compared to the amount shareholders have invested in the company, has risen significantly since 2020 (Figure 2a). As the global economic expansion continues, though at a slower pace, loans growth will remain resilient, further supporting the sector.
- The earnings outlook for developed market financials could improve further, as high interest rates support net interest income through higher reinvestment returns. Additionally, low non-performing loans (NPLs) and stronger asset quality contribute to greater financial stability for banks (Figure 2b). Investing in this sector offers steady income through attractive dividend yields.
- Looking ahead, corporate tax cuts and deregulation will likely be implemented by the Trump administration, which could further boost US financials. European financials may also benefit from US policy uncertainty and optimism of European economic growth boosted by higher government spending. Given these factors, developed market financials should be a strategic part of an investment portfolio.

Figure 2a:

Return on equity for developed market financials has risen significantly

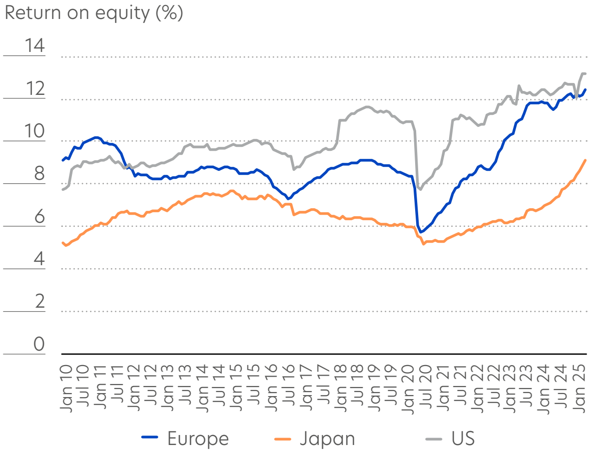
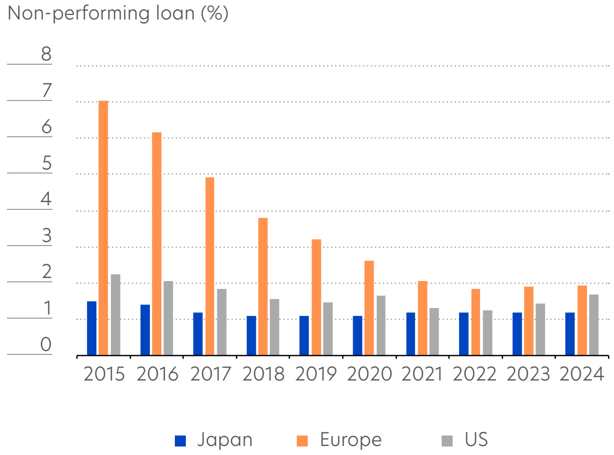


Figure 2b:

Non-performing loans remain low



Source: FactSet, S&P, J.P. Morgan Asset Management.

Speak to your UOB Advisor today to find out more.

TOPIC 3:

Opportunities in China

Chinese stocks have been buoyed by several key catalysts this year and may continue to strengthen. However, investors should be mindful of potential challenges ahead.

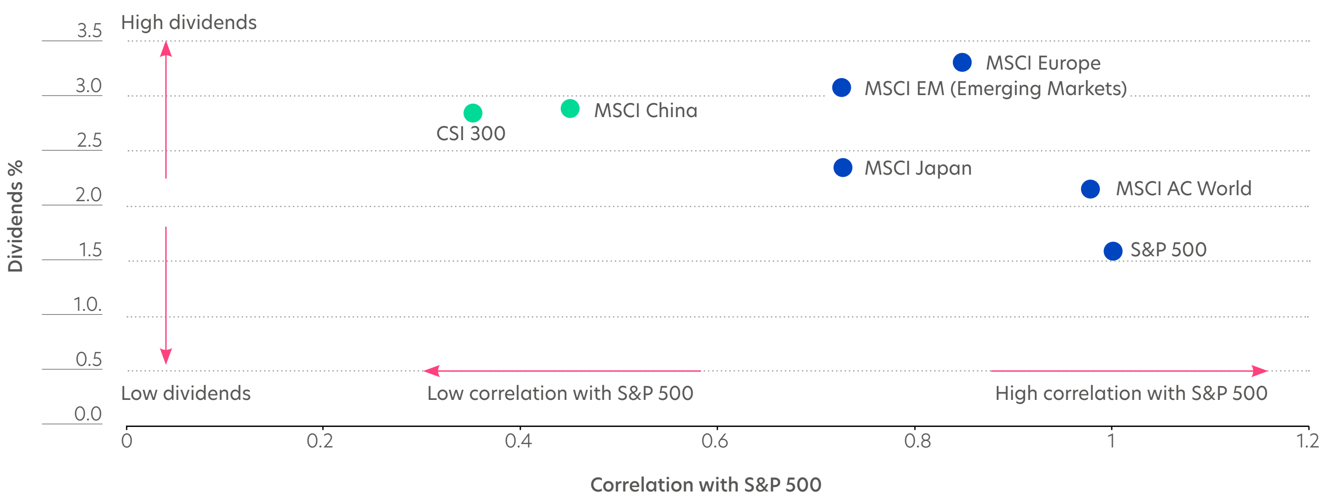
What you can do

- Investors with the appropriate risk appetite can consider gaining some exposure to China for portfolio diversification, given the improving outlook for Chinese stocks and the opportunity to benefit from high dividend income.

- Chinese stocks have been among the top performers this year, driven by several key catalysts that could support growth and a sustained recovery.
- A key driver is the emergence of a low-cost Chinese artificial intelligence (AI) startup which has boosted confidence in China's AI capabilities and attracted investor interest in Chinese technology stocks. Stronger-than-expected consumption data from the Lunar New Year holidays and early-year activity data have also raised hopes of a sustainable recovery in consumer spending that boosts broader economic growth for China.
- The Chinese government has signalled its commitment to economic growth, setting an annual growth target of "around 5%" at the recent Chinese National People's Congress (NPC) meeting. Boosting domestic consumption and supporting technological innovation are China's top priorities now.
- Despite these positive catalysts, investors need to be mindful of the challenges ahead. Externally, the unpredictability of US tariff policy and investment restrictions could still weigh on Chinese stocks. Domestically, a sustained recovery in consumer demand and the property sector will be crucial, making the effective implementation of fiscal stimulus measures essential.
- Nonetheless, the outlook for Chinese stocks appears brighter now given attractive valuations, and the government's support measures that may help offset external headwinds. China's stock market offers diversification benefits with a low correlation to the US market, and respectable dividend yield (Figure 3).

Figure 3:

Chinese stock markets offer diversification benefits and attractive dividends



Source: FactSet, MSCI, Standard & Poor's, J.P. Morgan Asset management.

Speak to your UOB Advisor today to find out more.

Right By You

IMPORTANT NOTICE AND DISCLAIMERS:

The information contained in this publication is given on a general basis without obligation and is strictly for information purposes only. This publication is not intended to be, and should not be regarded as, an offer, recommendation, solicitation or advice to buy or sell any investment or insurance product and shall not be transmitted, disclosed, copied or relied upon by any person for whatever purpose. Any description of investment or insurance products, if any, is qualified in its entirety by the terms and conditions of the investment or insurance product and if applicable, the prospectus or constituting document of the investment or insurance product. Nothing in this publication constitutes accounting, legal, regulatory, tax, financial or other advice. If in doubt, you should consult your own professional advisers about issues discussed herein.

The information contained in this publication, including any data, projections and underlying assumptions, are based on certain assumptions, management forecasts and analysis of known information and reflects prevailing conditions as of the date of the publication, all of which are subject to change at any time without notice. Although every reasonable care has been taken to ensure the accuracy and objectivity of the information contained in this publication, United Overseas Bank Limited ("UOB") and its employees make no representation or warranty of any kind, express, implied or statutory, and shall not be responsible or liable for its completeness or accuracy. As such, UOB and its employees accept no liability for any error, inaccuracy, omission or any consequence or any loss/damage howsoever suffered by any person, arising from any reliance by any person on the views expressed or information contained in this publication.

Any opinions, projections and other forward looking statements contained in this publication regarding future events or performance of, including but not limited to, countries, markets or companies are not necessarily indicative of, and may differ from actual events or results. The information herein has no regard to the specific objectives, financial situation and particular needs of any specific person. Investors may wish to seek advice from an independent financial advisor before investing in any investment or insurance product. Should you choose not to seek such advice, you should consider whether the investment or insurance product in question is suitable for you.

This material issued by United Overseas Bank Limited may be based in full or part on information sourced from J.P. Morgan Asset Management and may not represent views of the source in its entirety. Such information is educational in nature, should not be construed as research or advice and is not tailored for any specific recipient's objectives.