Asset Allocation Outlook

November 2025

Equities	Overweight 🟩🟩🟩🟩	Market focus has gradually shifted from "peak inflation" to "slowing growth" and "policy adjustments". Currently, economic data is diverging, inflation remains sticky, and tariff uncertainty persists, so policymaking is increasingly data-dependent. Global equity markets extend the risk-on sentiment and market volatility is expected to continue.
U.S.	Overweight 🟩🟩🟩🟩	U.S. economic momentum remained healthy in October, with alternative data indicating little change in macro trends despite official data blackout caused by the government shutdown. The labor market held steady, as ADP figures showed no further slowdown even after layoffs at major firms. Wage growth and the unemployment rate remained broadly consistent with September levels, according to ADP data and Chicago Fed estimates. Fed cut rates by another 25 basis points in October to support softening job gains, and will stop shrinking the central bank's balance sheet starting December. Markets expect that another rate cut will be happened by year-end. Market generally expects that there will be another interest rate cut before the end of the year.
Hong Kong & Chinese Mainland	Overweight 🟩🟩🟩🟩	China's economy remained subdued, with October's manufacturing PMI lower mainly due to holidays. Construction and services PMIs also lowered than expected, highlighting ongoing housing and consumer challenges. Exports contracted as global demand failed to offset the deepening decline in shipments to the U.S.. Consumer Price Index rebounded in October, lifted by Golden Week demand for food and services. China equity market rose as a new trade truce with the U.S. lifted sentiment, even as uncertainty remains over core issues like national security and trade balance. China is expected to maintain fiscal discipline while introducing further policy support to stabilize the economy.
Europe	Neutral 🟦🟦⬜⬜	Business activity in the eurozone unexpectedly reached its highest level since May 2024, supported by Germany's resilience offsetting weakness in France. The composite PMI rose to 52.2 in October, driven primarily by services in Germany. In France, Prime Minister Lecornu gained short term political breathing room for budget negotiations by suspending pension reform, though the overall economic and political climate remained tense. Consumer sentiment remained cautious, as the savings preference indicator climbing to a record high, weighing on consumption and investment.

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Japan	Neutral	Japan's nominal wages rose 1.9% year-on-year in September, but real wage growth stayed negative at -1.4% as inflation accelerated on higher energy costs. New Prime Minister Sanae Takaichi's pro-stimulus stance has raised market expectations for upcoming economic measures. She recently announced a new package of economic measures to ease the burden of inflation on households and to develop policies in several industrial fields to drive growth. Japanese equities continued to rally, supported by expectations of expansionary fiscal and monetary policies under the new administration.
Asia	Neutral	With U.S. interest rates trending downward and the dollar weakening, the trend of de-dollarization is likely to continue. Funds are gradually flowing into non-dollar risk assets, including Asian stock markets in Taiwan, South Korea, Singapore, Hong Kong, and Chinese Mainland. Asian equity markets are poised to benefit. Asia is also home to a wealth of AI-related companies, whose appeal and potential rival those of their U.S. counterparts. These Asia's AI and related sectors offer structural growth potential.
Bonds	Underweight	**The divergent views of Federal Open Market Committee (FOMC) members on December rate cut, the lack of U.S. economic data due to U.S. government shutdown, together with the huge bond issuance from mega U.S. tech companies for AI capex may weigh on U.S. rates' performance in near term. Given the softening labour market and ongoing shelter disinflation, the U.S. Fed is likely to continue cutting interest rate.**