



## August 2025

### Overweight

U.S.

U.S. July's non-farm payrolls came in below expectations, with the unemployment rate rising to 4.2% and labour force participation rate declining for the third consecutive month. However, improving wage growth and longer average working hours supported overall income levels, mitigating the impact of slower job creation. The headline CPI remained flat at 2.7% year-on-year, in line with market expectations, while core inflation edged up to 3.1%. Weaker employment data and significant downward revisions to payroll figures prompted the market to reprice rate expectations, with two to three rate cuts now anticipated for the remainder of the year.

Europe

European markets remained highly reactive to trade policy headlines in July, with volatile investor sentiment. The newly reached U.S.-EU trade agreement is expected to weigh on growth, with Eurozone GDP projected to decline by 15–20bps over the coming quarters. The European Central Bank held rates unchanged, citing resilience in the economy as reflected by a rise in Purchasing Managers' Index to 51, while acknowledging elevated uncertainty stemming from trade tensions and tariff impacts.

### Neutral

Japan

Japan's latest economic data exceeded expectations, driven by robust domestic demand and business investment. Nominal wages rose 2.5% year-on-year in June, but real cash earnings declined by 1.3%, indicating persistent inflation has outpaced wage growth. Under the dual pressure of tariffs and inflation, the government revised its GDP growth forecast for the fiscal year down to 0.7%. Policy focus will remain on long-term inflation targets and wage growth.

Asia

China's stock market is primarily supported by domestic liquidity and low valuations, but sustained gains depend on the scope and effectiveness of stimulus measures. South Korea's political stability post-election has reduced uncertainty and revitalized capital inflows, supporting an optimistic market outlook. There are more concerns on the pace of India's corporate earnings turnaround mainly due to the India-Pakistan tension, U.S.-India trade negotiations and lower economic activities caused by the recent monsoon season. Overall, currency appreciation, de-escalation of trade tensions, reasonable valuations, and renewed momentum in South Korea's stock market post-election all contribute to a favorable outlook of Asia.



## Neutral

### Hong Kong & Chinese Mainland

China's macroeconomic data showed divergence. New loan growth shrank in July for the first time since 2005, reflecting subdued investment appetite. July manufacturing PMI fell further to 49.3, pointing to diminished demand and moderate contraction in production activity. Headline inflation dropped to 0%, while the Producer Price Index remained in deflation for the 34th consecutive month. Exports rose in July by 7.2% year-on-year while labour-intensive product shipments slowed notably due to tariff and reduced transshipment. Market consensus anticipates additional stimulus measures forthcoming. The market has been supported by domestic liquidity and attractive valuations, although further upside depends on the scale and execution of stimulus.