BEA MPF e - Newsletter

August 2026

What's New

BEA MPF Asset Allocation Outlook

Equities	**Overweight**	**Global economic conditions remained more resilient than expected, supported by stronger than expected corporate earnings, supportive liquidity conditions, and stabilized earnings revisions. Softer inflation and moderating labour markets suggest policy rates are nearing their peak, reducing the risk of further financial tightening. While geopolitical tensions remain elevated, they have yet to meaningfully disrupt the broader global expansion.**
U.S.	Overweight	U.S. equities experienced sector rotation during the month of July, with Energy and Financials benefiting from higher energy prices, resilient earnings and continued economic expansion. In contrast, technology and semiconductor stocks saw profit-taking amid concerns over the sustainability of AI-related capital expenditure. Economic data indicated a softer labour market and slower GDP growth, while the Federal Reserve maintained its policy rate unchanged.
Japan	Slightly Overweight	Japanese equities delivered mixed performance in July, with Financials, Industrials and value sectors outperforming, while semiconductor and AI-related stocks lagged. Japan's economy expanded in the second quarter and manufacturing activity remained resilient. The Bank of Japan kept interest rates unchanged, while some policymakers highlighted potential inflation risks.
Asia	Slightly Overweight	Asian markets continue to benefit from the strong growth in global AI investment and capital expenditure. The durability of AI-related spending, combined with supportive government policies across the region, underpins our constructive view on Asian equities.
Europe	Neutral	European equities remained resilient, supported by solid corporate earnings and improving economic activity. Market leadership shifted toward cyclical and value sectors, with Financials and Energy outperforming Technology. Eurozone GDP growth accelerated in the second quarter, while manufacturing activity improved. Inflation edged higher. European Central Bank left interest rates unchanged while monitoring inflation and energy price developments.

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Hong Kong & Chinese Mainland	Underweight	Chinese Mainland's economy lost momentum in July, with weaker activity across manufacturing, services and construction sectors. Industrial production growth slowed, while high-tech manufacturing remained resilient. Fixed-asset investment weakened, weighed down by a decline in property development investment. Markets expect further fiscal and monetary support measures to stabilize growth.
Bonds	**Underweight**	**U.S. Treasury yields moved higher in July, with the yield curve steepening amid renewed U.S.-Iran tensions, rising oil prices and evolving interest rate expectations. The Fed maintained a relatively dovish stance, while Market reacted by pricing a lower chance of a rate hike at the next FOMC meeting in September.**

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