



EQUITIES IN FOCUS : U.S. RESILIENCE AND EMERGING TRENDS IN EUROPE AND ASIA

2025 Q3 EQUITY MARKET OUTLOOK

2025 Q3

Highlights:

- Macro indicators and corporate earnings have outperformed expectations, especially within the technology sector.
- Diversification is recommended, with European and Asian equities warranting close attention.
- Neutral on Chinese equities due to reasonable valuations and liquidity, with consumer and gold sectors relatively appealing
- Political uncertainty has diminished following South Korea's election, creating a more favorable market outlook.

Resilient US Economy and Corporate Earnings Support Positive View on US Equities; Europe and Asia Offer Attractive Valuations and Diversification Benefits

The global market condition remains complex this quarter. The US labor market and retail data continue to show resilience, with inflationary pressures remaining moderate and trade negotiations progressing incrementally. Nonetheless, downside economic risks persist and the Federal Reserve's monetary policy direction remains uncertain. Rising protectionism and high debt levels are challenging the status of US dollar denominated assets as a traditional safe haven, underscoring the importance of investment diversification.

Despite these challenges, the sustained strength in economic fundamentals and corporate earnings supports a positive stance on US equities, particularly in technology sectors driven by AI innovation. Additionally, we hold a relatively positive views on European and Asian markets, including South Korea and China etc. Europe and Asia benefit from expansionary fiscal policies and are favored accordingly. In Asia, currency appreciation,

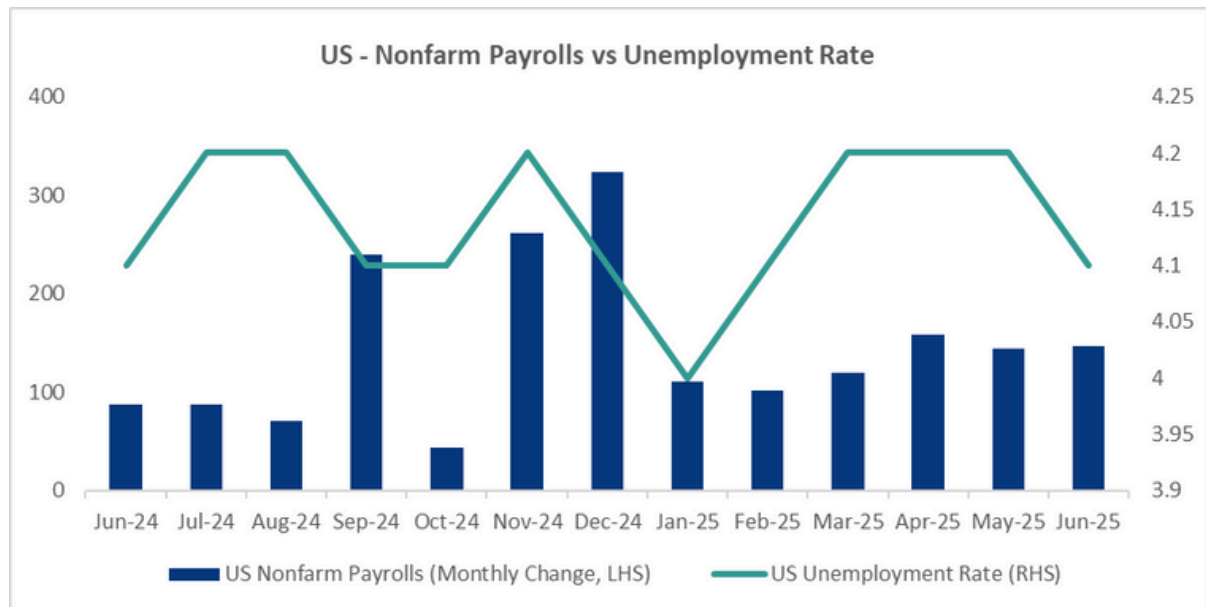
de-escalation of trade tensions, reasonable valuations, and renewed momentum in South Korea's stock market post-election all contribute to a favorable outlook.



Among developed markets, Europe's prospects appear comparatively robust, while we maintain a positive view on US equities, especially technology sector

US macro data remain robust. Nonfarm payrolls rose 147,000 in June —exceed expectations and higher than previous month—while the unemployment rate fell to 4.1%. Core CPI rose to 2.9% year-over-year, reinforcing the narrative of moderate inflation and boosting confidence in a soft landing scenario.

This allows the Federal Reserve greater flexibility in future policy considerations, although the full price impact of tariffs effective August 1 has yet to be seen. Overall, driven by economic resilience, robust corporate earnings, strong demand for AI, and favorable technical factors, the team maintains a positive outlook on US equities, especially within the technology sector supported by structural growth drivers and solid balance sheets.



Source: Macromicro.me as of 24 July 2025

With the traditional safe-haven role of US dollar assets under pressure, Europe's macro outlook is improving. Following months of concerted negotiations between the US and the EU, promising developments have emerged. It is reported that the two parties are close to reaching a new tariff agreement, which is expected to take effect officially on August 1, the designated deadline for tariff implementation. The US-China trade negotiation period is also expected to be extended, with both sides continuing to seek breakthroughs. While the tone remains cautiously optimistic, policy uncertainty continues to pose challenges.

Notably, Germany recently approved a €46 billion tax relief package to support businesses and stimulate the economy. This, together with historic debt reforms and a €500 billion infrastructure fund planned over the next 12 years, is expected to drive growth in Germany and the Eurozone. In the short term, European markets face risks from tariff policies and global economic volatility, but European equities trade at significant discounts to their US counterparts, offering attractive long-term risk-return profiles. Investors are encouraged to closely monitor the region.

Japanese equities are expected to remain volatile due to concerns over auto tariffs, yen fluctuations, and unclear monetary policy from the Bank of Japan. A relatively cautious stance is maintained on Japanese stocks. However, reasonable valuations and the yen's safe-haven status may benefit selected stocks. Surging rice and energy prices have pushed May's core inflation up to 3.7% year-over-year, exceeding market expectations and April's levels. The market anticipates possible Bank of Japan rate hikes which may benefit banking stocks.

Asian markets continue to offer meaningful diversification benefits. Consumer price trends will be key to the outlook for Chinese equities, while prospects for South Korea remain positive

China's economy is steadily recovering amid structural transitions. Its stock market is primarily supported by domestic liquidity and low valuations, but sustained gains depend on the scope and effectiveness of stimulus measures. Mainland retail sales are stabilizing but remain below pre-pandemic levels. Recent US-China trade negotiations show positive progress, although uncertainties remain. Accordingly, the team maintains a neutral stance on Hong Kong and mainland Chinese equities. Given ongoing trade tensions and policy focus on risk management over rapid growth, consumer discretionary and gold sectors offer both defensive qualities and growth potential, warranting attention.

South Korea's political stability post-election has reduced uncertainty and revitalized capital inflows, supporting an optimistic market outlook, making it worthwhile consideration for investors seeking diversification within Asia.

Summary

While US economic fundamentals remain solid and trade tensions are showing tentative signs of easing, ongoing de-dollarisation and multiple geopolitical and economic uncertainties continue to affect global markets, reinforce the need for prudent diversification. Europe, South Korea, and other key Asian markets provide a variety of investment opportunities. Investors are advised to carefully select high-quality companies with strong fundamentals and to maintain flexible asset allocations to navigate an increasingly complex and dynamic market environment.

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