中國銀行(香港)
BANK OF CHINA (HONG KONG)

BOCHK 2025 Market Outlook & Investment Strategy

April Version

BOCHK 2025 Market Outlook & Investment Strategy April 2025

Core views

- **Global economy |** The framework of "Trumponomics" has taken shape in the US. In less than two months, the market's perception of the "Trump Trade" has completely reversed, from risk-seeking prior to Trump's taking office to risk-avoidance afterwards. In the era of Trump 2.0, the economic growth in the short term and the performance of stock market have been attached with less importance, and the authority tends to focus on achieving long-term structural goals of "Trumponomics". First, to resolve the heavy debt burden of the US government. Second, to enable the private sector to replace the public sector as the engine of economic growth. Third, to drive the return of manufacturing and to achieve the domestic autonomy of key supply chains. The above three policy orientations may explain Trump's policy behaviors since he took office. In case that "Trumponomics" succeeds, it will promote the transition of the US economy from dependence on the government's deficit to prosperity of the private sector, which is undoubtedly favorable for US stocks. Nevertheless, regardless of the effectiveness of policy, the throes of the "detox period" seem to be an evident trend of policy implementation. As a type of safe-haven assets, US Treasuries are expected to achieve excess returns. As expected by the market, the ECB cut its deposit rate by 25 bps to 2.5% in March, which was the sixth rate cut since the start of the cycle of rate cuts in 2024. Judging from the movements of interest rate futures, the market expects the ECB's interest rates to fall further to 2% by the end of the year. Although the overall rate cut is still ahead of the Fed, the pace of future rate cuts is subject to the impact of the direction of economy and inflation, as well as the debt-financed special fund worth EUR 500 billion for infrastructure in Germany. The ECB needs to strike a balance between bolstering economic growth and curbing inflation. In addition, the ECB needs to adjust monetary policy in a prudent and flexible manner, so as to cope with the potential risks of inflation rebound caused by changes in economic and trade policies in varying regions. The inflationary pressure has risen in the UK. The BoE kept its monetary policy unchanged in March and maintained the benchmark rate at 4.5%, consisting with the market's expectations. The BoE needs to cope with the challenges of weak economy and strong inflation at the same time through its monetary policies. The weak employment market and slowing wage growth are seen as the primary reasons for the sluggish economy. With respect to the inflation, the survey shows that households and businesses have higher expectations for inflation in the short term and medium term. According to the BoE, the US tariffs have imposed a negative impact on the global economy and trade environment, which will undermine the UK economic growth and add uncertainties to the inflation. In China, the economic data remained stable, and closer attention shall be paid to subsequent efforts of policy intensification. In a nutshell, the economic data from January to February still featured the pattern of stronger supply compared with demand, and stronger investment compared with consumption on the demand side. The government work report released at the "two sessions" confirmed that the growth target for 2025 would remain at around 5%, and the inflation target has been lowered to around 2%. Moreover, the fiscal deficit ratio has been expanded to 4%, and the government debt will increase by RMB 11.86 trillion. The intensity of fiscal policy basically consists with the market's expectations. Considering that the net export of goods and services made rather great contributions to the GDP growth in 2024, amid the impact of tariff hikes in 2025, consistent policy efforts will be needed for China to achieve the growth target of around 5% through the expansion of domestic demand as well as the facilitation of a proper rebound in prices. Over the recent period, policies such as the Special Action Plan to Boost Consumption and local birth subsidies have shown the support of policies for the consumer side. In case that subsequent economic data perform worse than expected, incremental policies are expected to be rolled out with greater intensity.

The information contained in this document is for reference only and does not constitute any offer, solicitation, recommendation, advice or guarantee, for any investment products or services. Please refer to the disclaimer for details.

- **Stock market |** The market is increasingly concerned about "Trumponomics", and the US stock market has fallen back by more than 10% from its highs. Trump's tariffs are expected to push up prices in the near term, and may lead to deflation and economic contraction in the medium and long term. The domestic tax cuts as a hedge are facing a game between the the House of Representatives and the Senate, and uncertainties remain for the policy implementation. The role and impact of the US Department of Government Efficiency (DOGE) have exceeded the market's expectations. Although the initiatives of DOGE may be beneficial to the US economy and the stock market in the long run, throes are inevitable in the near term. Trump ignored the declines in the stock market, and the Fed maintained its policy stance while refraining from cutting interest rates and adopting measures of quantitative tightening. As a result, the liquidity of the stock market has been tightened. The resonance of the four factors of tariff shocks, fiscal contraction, absence of policy support, and tightening of monetary policy led to corrections in the US stock market at highs. Closer attention shall be paid to whether the declines in inflation may catalyze an oversold rebound. Since early 2025, European stocks have performed better than US stocks. European stocks experienced a rally before corrections due to tariff hikes, and then rebounded at the support level. The rebound was relatively strong subsequent to the introduction of the fiscal stimulus policy in Germany. European stocks have seen net inflows of funds in 2025. At the same time, against the backdrop of the low valuation and the expectation of rate cuts, future economic growth is expected to improve. The 5% increase in the EPS of European stocks has supported the fundamentals. Moreover, rising tariffs and EUR exchange rates will impose a greater impact on large European companies. The China A-share market showed signs of rotation of styles between high and low levels in March, ushering in a period of verification of economic fundamentals, and greater policy efforts need to be made to drive the market rally. In April, the market is expected to feature the pattern of "dividends setting the stage with growth stocks performance". Subsequent to the release of the Special Action Plan to Boost Consumption, policy efforts have been centered on consumption and the market's confidence. Moving forward, fiscal policy and credit support are expected to jointly drive economic recovery. The stickiness of the US inflation has imposed an impact on the expectations of rate cuts. The positive signals released by the China's "two sessions" have bolstered the market's sentiment. Undervalued Hong Kong, China stocks are likely to usher in all-round revaluation. Japanese stocks have experienced significant corrections due to the increase in expectations of a US recession and the weakening of multiple economic data including GDP, and closer attention shall be paid to the impact imposed by tariffs that may lead to discrepancies of the future path of Japanese stocks. Foreign investors' increase of holdings in the five major trading companies may indicate that Japanese stocks are at a reasonable position, and are expected to stabilize amid a rebound. Subject to the impact of import tariffs, slowing US economic growth and declines of the USD, Asian stocks have achieved volatile performance in March, and most of the countries experienced funds net outflows, except China. It is expected that tariffs will impose a significant impact on Asian stock markets dominated by exports, and closer attention shall be paid to the performance of the Korean stock market against the general trend.
- **Bond market |** The trend of bond yields may still be rather volatile. From a strategical perspective, investors may arrange asset allocation into US short-duration bonds at opportune moments to minimize the impact of fluctuations in interest rates as well as expectations of rate cuts. Under the risks of downward economic growth, the ECB's orientation of rate cuts is not expected to experience changes. The allocation into European bonds may be increased in stages when bond yields are at highs. There is limited room for government bond yields to consistently rise, and there is a high chance of wide fluctuations at high levels. Closer attention shall be paid to the emotional changes brought about by changing expectations of economic fundamentals and capital supply. Against the backdrop of rising uncertainties in the global market, Chinese USD bonds may not only reflect the potential spread income of warming risk appetite, but also provide investors with higher coupon returns, making them a relatively valuable investment target at the moment. The advantages of interest rate spreads of emerging market bonds are not yet evident, and investors may arrange asset allocation into such bonds when bond yields experience a rebound.

The information contained in this document is for reference only and does not constitute any offer, solicitation, recommendation, advice or guarantee, for any investment products or services. Please refer to the disclaimer for details.

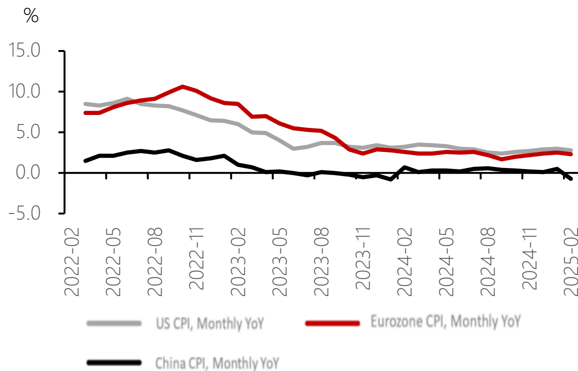
- **Commodities |** The international gold prices have re-entered the channel of upward movements. After crossing the psychological threshold of USD 3,000 per ounce, gold prices continued to rise after a short break. At present, international gold prices are still supported by multiple positive factors. Moving forward, gold prices are likely to be supported by the increase in the expectations of USD rate cuts and the increase in the market's risk aversion sentiment caused by economic uncertainties driven by US tariff policies. Gold is an effective and secure hedging tool for hedging against economic uncertainties and inflation. Against the backdrop of consistent policy uncertainties, the upward movements of gold prices are expected to continue, and investors may arrange asset allocation in batches at opportune moments. In April 2025, subject to the policy impact of US tariffs, crude oil prices may continue to fluctuate at the bottom. On the demand side, the declines in US gasoline inventories have raised the market's expectations for the growth of seasonal demands in Spring. Nevertheless, crude oil demands may continue to be sluggish, whereas the impact imposed by the tariff policies on the global economy has dragged down crude oil prices. On the supply side, the US policies on certain oil-producing countries' energy have imposed an impact on international energy flows, and the oil production increases of the OPEC bloc did not take place in tandem with the production cuts by certain areas. Overall, expectations of oversupply have experienced declines.

- **Foreign exchange |** In March, the USD Index maintained its weak performance since February. The gap of expectations caused by Trump's policies is the major contributing factor. In China, technological breakthroughs have imposed a disturbing effect on the US stock market. Multiple factors have led to the adjustment of the USD Index. In April, closer attention shall be paid to Trump's relevant policies and the strength of the US economic data. With respect to specific currencies, US dollar: USD is likely to hover at lows, and closer attention shall be paid to the release of data before choice of orientations. Euro: EUR is faced with the coexistence of bullish and bearish factors, and closer attention shall be paid to the resistance level of 1.1. British pound: GBP's movements remain constructive until pivot of monetary policy. Japanese Yen: JPY is faced with further room of upward movements. With respect to commodity currencies, Canadian dollar: CAD is expected to maintain a weak pattern with oscillations at lows. Australian dollar: AUD is likely to oscillate upward, and attention shall be paid to support factors. Renminbi: RMB is likely to remain basically stable at a reasonable and balanced level.

The information contained in this document is for reference only and does not constitute any offer, solicitation, recommendation, advice or guarantee, for any investment products or services. Please refer to the disclaimer for details.

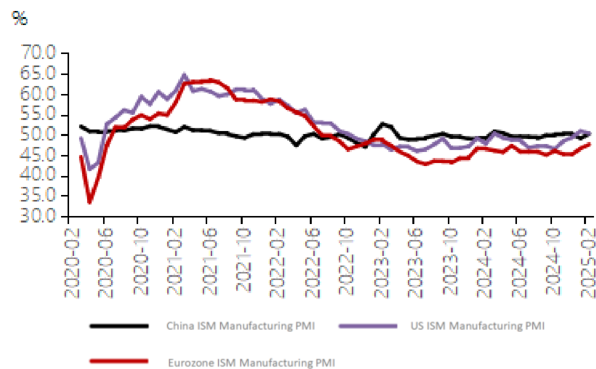
Global Economy

Fig. 1: Monthly CPI YoY (As of February 28, 2025)



Source: Wind, BOC Investment Strategy Research Center

Fig. 2Monthly Manufacturing PMI YoY (As of February 28, 2025)



Source: Wind, BOC Investment Strategy Research Center

US: Framework of "Trumponomics" has taken shape in the US

In less than two months, the market's perception of the "Trump Trade" has completely reversed, from risk-seeking prior to Trump's taking office to risk-avoidance afterwards. In the era of Trump 1.0, political achievements were anchored on the stock market performance and economic growth. In contrast, in the era of Trump 2.0, the economic growth in the short term and the performance of stock market have been attached with less importance, and the authority tends to focus on achieving long-term structural goals of "Trumponomics". First, to resolve the heavy debt burden of the US government. Second, to enable the private sector to replace the public sector as the engine of economic growth. Third, to drive the return of manufacturing and to achieve the domestic autonomy of key supply chains. The above three policy orientations may explain Trump's policy behaviors since he took office.

First, the US administration attempts to reduce fiscal spending to keep the growth of debt in check. The Department of Government Efficiency (DOGE) led by Elon Musk has laid off government staff and spending and withdrawn global geostrategic deployments to curb spending on national defense and foreign affairs. Second, the US aims to lower long-term interest rates to reduce the costs of existing debt even at the expense of causing a short-term economic recession and a stock market declines. Through the cycle of reverse wealth effect to deflation, thus, interest rate cuts together with quantitative easing (QE)can be carried out, the US authority has provided favorable conditions for the government to lock in long-term low interest rates. Third, the US is inclined towards promoting economic growth in the manufacturing and private sectors through the following means: (1) Promoting the return of manufacturing investment to the US by increasing tariffs. (2) Promoting tax cuts and deregulation to release the vitality of the private sector. (3) Promoting the increase in fossil energy production to reduce energy prices and increase output in all walks of life. In case that "Trumponomics" succeeds, it will promote the transition of the US economy from dependence on the government's deficit to prosperity of the private sector, which is undoubtedly favorable for US stocks. Nevertheless, regardless of the effectiveness of policy, the throes of the "detox period" seem to be an evident trend of policy implementation. As a type of safe-haven assets, US Treasuries are expected to achieve excess returns.

The information contained in this document is for reference only and does not constitute any offer, solicitation, recommendation, advice or guarantee, for any investment products or services. Please refer to the disclaimer for details.

Eurozone: The ECB needs to strike a balance between growth and inflation

As expected by the market, the ECB cut its deposit rate by 25 bps to 2.5% in March, which was the sixth rate cut since the start of the cycle of rate cuts in 2024. The ECB reiterated that future policies would be determined through a data-by-data assessment approach, and did not commit to a fixed rate path. Judging from the movements of interest rate futures, the market expects the interest rate to remain unchanged at the policy meeting in April, and to be cut again in June, whereas interest rates will fall further to 2% by the end of the year. Although the overall rate cut is still ahead of the Fed, the pace of future rate cuts is subject to the impact of the direction of economy and inflation, as well as the debt-financed special fund worth EUR 500 billion for infrastructure in Germany. Judging from the economic prosperity in the Eurozone, although the services PMI fell to a three-month low of 50.6 in February, the manufacturing PMI rose to 47.6, and the contraction improved slightly, driving the composite PMI to maintain an expansionary state of 50.2. Nevertheless, the economy in the region is still divided. In particular, the German and Italian economies are at an expansionary level. In contrast, France is subject to the impact of declines in new orders in the service industry, and the composite PMI fell to 45.1, hitting a one-year low. With respect to the inflation, the overall inflation in the Eurozone slowed down in February, with underlying inflation, core inflation and service inflation slowing to 2.4%, 2.6% and 3.7% respectively, releasing signals of easing price pressure. Still, the overall inflation remains resilient.

The Eurozone economy may usher in a potential catalyst. It shall be noted that the German Infrastructure Fund plans to invest in infrastructure in the fields of transportation, energy and housing in the next 12 years. It is expected by the German Institute for Economic Research (DIW) that the Fund will support an average annual GDP growth of 2% in the next decade, benefiting the Eurozone economy. Nevertheless, although the infrastructure fund is likely to bring growth momentum to the German economy, it may also increase pressure on the local employment market, thereby pushing up wages and service inflation. Closer attention shall be paid to the dual effects of the fund on the local economy and inflation when the infrastructure fund is invested. Overall, the ECB needs to strike a balance between bolstering economic growth and curbing inflation. In addition, the ECB needs to adjust monetary policy in a prudent and flexible manner, so as to cope with the potential risks of inflation rebound caused by changes in economic and trade policies in various regions.

UK: Amid the rising inflationary pressure, the BoE kept its monetary policy unchanged

On March 20, the BoE's Monetary Policy Committee (MPC) voted 8-1 to keep the benchmark interest rate unchanged at 4.5%, consisting with the market's expectations. The BoE was satisfied with the progress in curbing inflation, but the increase in energy and commodity prices partially offset the positive impact of falling service prices. The BoE expects the overall inflation rate to reach 3.75% in Q3, 2025, slightly higher than the forecast in February. At the policy meeting in March, the dovish stance among MPC members shifted, and Catherine Mann, who supported a 50-bp rate cut at the policy meeting in February, was inclined towards taking no action this time round. On March 5, the BoE pointed out that US tariffs had imposed a negative impact on the global economy and trade environment, which might undermine the UK economic growth and add to uncertainties of the inflation.

The BoE's monetary policy needs to address the challenges of a weak economy and stubborn inflation at the same time. In January, the UK economy fell by 0.1% month-over-month, lower than the market's expected growth of 0.1%. The growth rates of the three major industries all slowed down, with industrial and construction sectors falling by 0.9% and 0.2% month-over-month respectively, whereas the service sector grew by 0.1%. The Autumn Budget boosted the output growth of public sector, but imposed greater pressure on the private sector. In particular, the UK PMI continued to slump since October 2024. The OECD estimated that the UK economic growth in 2024 and 2025 would reach 1.4% and 1.2% respectively, lower than the previous rates of 1.7% and 1.3%. The weak employment market and slowing wage growth in the UK are seen as the primary factors for the weak economy. With respect to the inflation, the survey indicates that households and businesses have higher expectations for the inflation in the short term and the medium term. The energy bill increase since April is expected to add to inflationary pressure, posing challenges to the BoE's ability to communicate with the market.

The information contained in this document is for reference only and does not constitute any offer, solicitation, recommendation, advice or guarantee, for any investment products or services. Please refer to the disclaimer for details.

China: Economic data remain stable, and attention shall be paid to subsequent policy efforts

China's industrial value-added went up by 5.9% year-over-year from January to February (previous value was 6.2%), and the industrial production remained stable.

The total retail sales of social consumer goods went up by 4.0% year-over-year from January to February (previous value was 3.7%). With the policy support of the "trade-in old-for-new", consumption continued to experience a moderate recovery. As to whether the recovery of consumption may continue in subsequent stages, attention shall be paid to the growth of residential income.

The fixed-asset investment from January to February increased by 4.1% year-over-year (previous value was 3.2%). In particular, the manufacturing investment went up by 9% year-over-year (previous value was 9.2%), and the infrastructure investment increased by 10% year-over-year (previous value was 9.2%), whereas the investment into real estate development went down by 9.8% year-over-year (previous value was a decline of 10.6%). Manufacturing and infrastructure investment remained strong, and the declines in the investment into real estate development narrowed to some extent. However, the area of new housing starts from January to February decreased by 29.6% year-over-year (previous value was a decline of 23%). Moreover, uncertainties remain as to whether the declines in real estate development investment may continue to narrow.

From January to February, exports increased by 2.3% year-over-year (previous value was 10.6%), whereas imports decreased by 8.4% year-over-year (previous value was 1%). Driven by Trump's imposition of tariffs on exports, the impact of rush to trade on exports has basically come to an end. As such, uncertainties have increased in exports in subsequent stages. Moving forward, driven by the recovery of China's domestic demand, the import growth rate is expected to improve.

In February, the CPI dropped by 0.7% year-over-year (previous value was 0.5%), and the core CPI fell by 0.1% year-over-year (previous value was 0.6%), whereas both the CPI and the core CPI dropped by 0.2% month-over-month. Compared with the same period in history, the CPI and the core CPI achieved weaker performance month-over-month. In February, the PPI dropped by 2.2% year-over-year (previous value was 2.1%) and 0.1% month-over-month. Overall, the subsequent trend of recovery of CPI and PPI remains unchanged, but the process is likely to be tortuous. Policy efforts still need to be consistently intensified to achieve the goal of a reasonable price recovery.

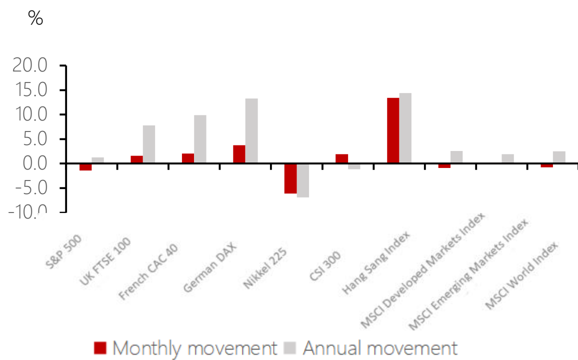
In February, the aggregate financing to the real economy (AFRE) was added by RMB 2.2 trillion, and the stock of AFRE went up by 8.2% year-over-year (previous value was 8.0%). In particular, the government bond financing reached about RMB 1.7 trillion. The growth of the stock of the AFRE after excluding government bonds dropped from 6.1% to 6.0%, which is still declining, and the financing demand of the real economy is still weak. In February, the M2 went up by 7.0% year-over-year (previous value was 7.0%), and the M1 increased by 0.1% year-over-year (previous value was 0.4%). In particular, the weak growth of the M1 highlighted that the real economy was still weak.

In a nutshell, the economic data from January to February still featured the pattern of stronger supply compared with demand, and stronger investment compared with consumption on the demand side. The government work report released at the "two sessions" confirmed that the growth target for 2025 would remain at around 5%, and the inflation target has been lowered to around 2%. Moreover, the fiscal deficit ratio has been expanded to around 4%, and the government debt will increase by RMB 11.86 trillion. The intensity of fiscal policy basically consists with the market's expectations. Considering that the net export of goods and services made rather great contributions to the GDP growth in 2024, amid the impact of tariff hikes in 2025, consistent policy efforts will be needed for China to achieve the growth target of around 5% through the expansion of domestic demand as well as the facilitation of a proper rebound in prices. Over the recent period, policies such as the Special Action Plan to Boost Consumption and local birth subsidies have shown the support of policies for the consumer side. In case that subsequent economic data perform worse than expected, incremental policies are expected to be rolled out with greater intensity.

The information contained in this document is for reference only and does not constitute any offer, solicitation, recommendation, advice or guarantee, for any investment products or services. Please refer to the disclaimer for details.

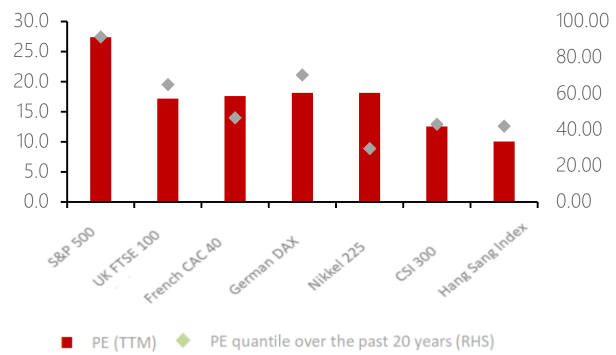
Stock Market

Fig. 3: Stock Index Movements (as of February 28, 2025)



Source: Wind, BOC Investment Strategy Research Center

Fig. 4: Stock Index Valuation (as of February 28, 2025)



Source: Wind, BOC Investment Strategy Research Center

US: Consistent declines have led to the reversal of the Trump trade

Before US President Trump took office, major US stock indexes continued to rise. Investors looked forward to Trump's tax cuts and deregulation policies to boost corporate earnings, and underpriced the negative imposed by trade policies, tightening immigration, and deficit reduction on economic growth and corporate earnings. However, after Trump took office, as "Trumponomics" became increasingly clear, the US stock market became more concerned about the risks of recession, and the S&P 500 and Nasdaq indexes have fallen back by more than 10% from their historical highs.

Trump imposed tariffs on countries around the world. In the short term, his policies could impose an effect on pushing up prices, but in the mid-to long-term, the reduction in international trade and business activities may lead to deflation and economic contraction. In theory, the policy of tax reduction may offset the negative effects imposed by tariffs to a certain extent. Nevertheless, Trump can decide on tariffs alone, but tax cuts need to be passed by the Senate and the House of Representatives, which will go through a long period of game with great uncertainties. Second, the role and impact of the DOGE led by Elon Musk exceeded the market's previous expectations, and the target of DOGE could be the reduction of welfare spending. Economic resources give way to the more efficient private sector, which is undoubtedly favorable for the economy and the stock market in the long run, but the short-term effect of withdrawal of fiscal measures is also shrinking the economy. Third, the "Trump put option" that the stock market originally expected does not exist in essence. In contrast to the era of Trump 1.0, Donald Trump and Treasury Secretary Scott Bessant now downplay the declines in the stock market, remarking that the stock market is not the current focus. To wean the reliance on fiscal deficits, the US economy may go through a "detox period", which is quite equivalent to "shock therapy". Fourth, faced with the uncertainties caused by tariffs on inflation, the Fed decided to take one step at a time and was unwilling to lower interest rates immediately to bolster the economy. Moreover, the balance of the Fed's overnight reverse repurchase is approaching zero, but quantitative tightening is still ongoing, and the stock market may gradually lose the support of excess liquidity. In case that the four factors of the impacts of tariffs, fiscal contraction, withdrawal of policy support, and monetary tightening resonate with each other, it is not surprising that the US stock market, which is at its highest level of valuation in history, could experience corrections. Moving forward, closer attention shall be paid to whether the CPI can maintain a monthly growth rate below 0.2%, lay the foundation for further rate cuts, and catalyze an oversold rebound.

Europe: Net capital inflows have supported the performance of European stock markets

Since the start of 2025, European stocks continued to outperform US stocks. The Stoxx Europe 600 Index rose to 565 points in early March and hit a record high with an increase of more than 11%. Subsequently, subject to the impact of the news of import tariffs in varying places, the market's sentiment turned cautious. European stocks followed the declines and found support at the 50-day moving average of about 539 points before a rebound. In addition, the three major European stock indices showed a similar trend. In particular, the rebound of the German DAX Index subsequent to the declines at highs became more evident. This was mainly attributable to the fiscal budget proposed by the German government to the parliament, including the EUR 500 billion worth of investment in infrastructure and defense projects. Such investment is expected to support the German economic growth and the performance of related sectors.

The information contained in this document is for reference only and does not constitute any offer, solicitation, recommendation, advice or guarantee, for any investment products or services. Please refer to the disclaimer for details.

Through comparison of the current round of European stock market rally with the previous one in 2024, the biggest different is that the market rise in 2025 is rather supported by net capital inflows. According to the data released by EPFR Global, European stock funds reversed the trend of net outflows over the past three years in early 2025. As mentioned in our previous monthly commentaries over the past few months, the valuation of European stocks is significantly discounted from that of US stocks. Nevertheless, even if the valuation is low, investors still need to wait for earnings to improve. Driven by the clear stance of the ECB to cut interest rates, coupled with the fiscal support of a major European economy, economic growth is likely to improve in the future. At present, the forecast of the EPS for European stocks has been raised by more than 5% at the end of February, which has become a fundamental support for the stock market. Although there are numerous positive factors for European stocks, the news of import tariffs in varying places and the EUR's return to the level of 1.08 may impose an impact on large European companies that are mainly export-oriented. On the contrary, small companies that mainly rely on the local economy are expected to be less affected.

China: The A-share market is expected to feature the pattern of "dividends setting the stage with growth stocks performs", and Hong Kong, China stocks are expected to usher in comprehensive revaluation

The China A-share market maintained sideways and upward trend, and the market style switched to a significant extent. After the Shanghai Composite Index stabilized at 3,400 points, the market entered into the period of verification of fundamentals, and the short-term growth momentum still needs further catalysis of policies. On the one hand, the technology sector has ushered in the period of release of financial performance, and the prosperity of the AI industrial chain has been verified. In March, some leading enterprises held intensive technology conferences, and sectors related to the AI computing power as well as applications continued to be bolstered. The market's sentiment fluctuated in the near term, but the trend of industrial growth remained unchanged. The demand for upstream computing power infrastructure is still strong, and the AI intelligent agents and applications have been commercialized at a faster pace. In April, the market will enter into the period of performance verification. The technology sector may still be supported by policy catalysis, the market is expected to feature the pattern of "dividends setting the stage with growth stocks performs". On the other hand, the policy of stabilizing growth continued to take effect, and the sectors related to domestic demand are likely to recover in the short term. Subsequent to the release of the Special Action Plan to Boost Consumption over the recent period, policy efforts have been centered on increasing bulk consumption, facilitating service consumption, improving environment for consumption, and enhancing the market's confidence. Moving forward, further measures of fiscal policy and credit support are expected to be rolled out, thus driving the recovery of consumption, and closer attention shall be paid to the potential opportunities of restoration of industrial chains in the short term.

Overseas, the data on the US non-farm payrolls in Feb were rather strong, and the stickiness of the core CPI was rather high. The market's expectations for a rate cut in June cooled down, and the USD Index fluctuated amid adjustments, whereas the US Treasury yields remained high. The expectations of easing of uncertainties may alleviate the market's sentiment of risk aversion. Cyclical stocks (including nonferrous metals and energy sectors) that were affected by the risk aversion sentiment in the early stage may experience capital reflux, and equity markets including China A-shares may usher in the restoration of the market's sentiment.

With respect to risks, closer attention shall be paid to the performance of the technology sector and the implementation of policies of bolstering domestic demand.

In February, the Hong Kong, China stock market outperformed other markets around the globe. In particular, the Hang Seng TECH Index rose by 17.9% on a monthly basis, and the Hang Seng Index rose by 13.4% on a monthly basis. With respect to the industrial performance, the industrial performance of Hang Seng Index in February was also impressive. Moreover, the information technology, consumer discretionary, and healthcare sectors rose the most, whereas the energy, raw materials and comprehensive sectors fell to a certain extent. In March, the Hong Kong, China stock market maintained its upward momentum.

Looking forward to April, structural investment opportunities are expected to consistently exist in the Hong Kong, China stock market. On the one hand, the recent macroeconomic data in the US showed that the current US inflation remained sticky to a certain extent, which could impose a certain impact on the market's expectations of rate cuts. On the other hand, China's "two sessions" have concluded in success while fully releasing positive signals, thus bolstering the market's sentiment to a certain extent. Hong Kong, China stocks with rather low valuation are likely to be increasingly attractive, and are expected to usher in an all-round revaluation.

With respect to risk factors, the global geopolitical tension has to be aware of, and investors need to be vigilant against unfavorable factors including the lack of momentum of global economic recovery and tariff policies, which may affect the overall performance of the Hong Kong, China stock market.

The information contained in this document is for reference only and does not constitute any offer, solicitation, recommendation, advice or guarantee, for any investment products or services. Please refer to the disclaimer for details.

Asia ex-China: Affected by the US economic uncertainties and import tariffs, the impact on export-oriented Asian economies is expected to be more evident

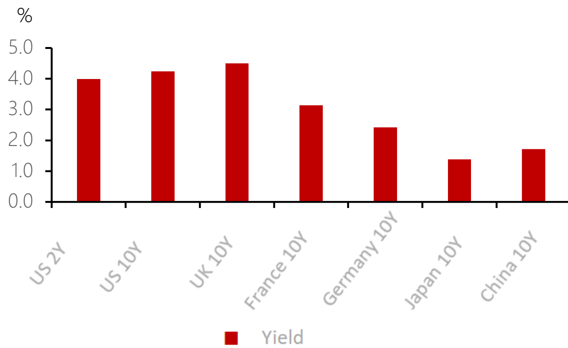
Since late February, the Nikkei 225 Index has broken the pattern of upward movements that lasted for half a year. The weakening of GDP and other economic data, coupled with the failure of US President Trump to deny the US economic recession, have led to the investors' concerns about the US economic slowdown that may affect the Japanese stock market. In addition, the consistent appreciation of the JPY/USD in early 2025 also made investors worry that it would lead to a slowdown in consumption in Japan, and could impose an adverse impact on stocks driven by foreign demand. In mid-March, the Nikkei 225 Index once fell to 36,000 points prior to stabilization. Domestic consumption in Japan remained weak. The wage increase through the "Spring Offensive" will impose a positive impact, but it could merely support a stabilization of consumption rather than a strong rebound. At present, analysts predict that the profits of Nikkei 225 constituent stocks will increase by 8.7% in 2025. Given that the impact of Trump's tariffs may drop to 6%, in case that Japan is also included into the target of tariff hikes, the earnings growth may narrow to only 3%. The corrections of Japanese stocks have also drawn closer attention from pension funds and foreign capital. In his annual shareholder letter, Warren Buffett gave positive comments on the shareholder returns and management compensation plans implemented by the five major trading companies. He remarked that he would continue to increase investment and plan to hold them for decades.

Driven by Chinese technology stocks, the MSCI China Index experienced a booming trend, bolstering the Asian stock market overall. The MSCI Asia (ex Japan) Index reached a high of 747 points in mid-February. Under the influence of the news of import tariffs over the recent period, slowing economic growth in the US and the declines of the USD Index, Asian stocks fluctuated in March, but still did not return to the high level reached in February. In particular, the stock markets of certain regions with a higher proportion of electronic parts exports were greatly affected. Since early 2025, most of the stock markets in Asia except China have recorded net outflows of funds. Shadowed by the US import tariffs, it is expected that the impact on certain export-oriented Asian countries will be more evident. The Korean stock market has recorded a nearly 9% growth in 2025, outperforming other major Asian stock markets. The short-selling ban on the Korean stock market will be lifted on March 31. According to certain analysts, such policy will be beneficial for the long-term inclusion of the Korean stock market into the MSCI Developed Markets Index, but it shall be noted that such policy may also affect the rotation of funds in the Korean stock market, thus bringing greater volatility to the market.

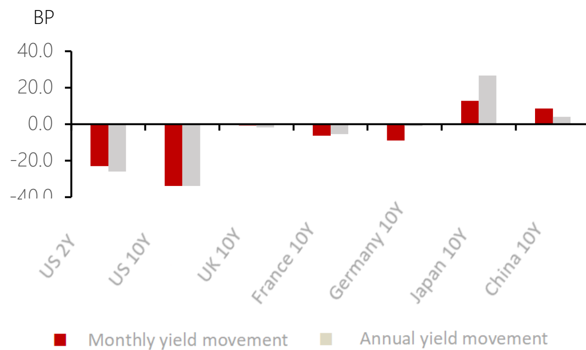
The information contained in this document is for reference only and does not constitute any offer, solicitation, recommendation, advice or guarantee, for any investment products or services. Please refer to the disclaimer for details.

Bond Market

Fig. 5 and Fig. 6: Government Bond Yields as of February 28, 2025)



Source: Wind, BOC Investment Strategy Research Center



Source: Wind, BOC Investment Strategy Research Center

Developed markets: Investors are to wait for opportunities of arranging asset allocation into US short-duration bonds, and shall increase allocation into European bonds in stages when bond yields are at highs

US bonds: Subsequent to a round of declines in US bond yields in February, the 10-year bond yields basically remained in the range between 4.1% and 4.35% from early to mid-March. Over the recent period, the US economic data have shown signs of slowing down. The US services PMI in February further fell back to a level close to the boom-bust line, and the increase in new non-farm payrolls in the same period was also lower than the market's expectations. With respect to the inflation, the year-over-year growth in CPI and core CPI in February dropped to 2.8% and 3.1% respectively, both lower than the market's expectations. The slowdown in economic and inflation data has led to an increase in the market's expectations for rate cuts. Judging from Bloomberg interest rate futures, the market once expected in early March that the Fed would have the chance to lower interest rates by 25 bps more than three times in 2025. Although relevant expectations of rate cuts have cooled down as of the time of writing, the expected number of interest rate reductions for the entire year is still maintained at two to three times. On the other hand, judging from the supply side, although the issuance of mid-to long-term US Treasuries remains roughly at the level attained at 2H, 2024, the issuance of Treasuries with a maturity of less than one year has decreased compared with Q4, 2024, which is expected to provide greater support for US Treasuries, especially short duration bonds. Overall, the pace of inflation declines and changes in economic data are expected to be the consistent focus of the market in the future. In addition, the tariff policy introduced by the US administration and the reactions of varying economies may impose an impact on the market's expectations of rate cuts. It is expected that the movements of bond yields may still be rather volatile. From a strategical perspective, investors may arrange asset allocation into short-term US Treasuries at opportune moments to minimize the impact imposed by fluctuations in interest rates and expectations of rate cuts.

European bonds: The ECB lowered interest rates by 0.25% at its policy meeting in March as expected by the market, which was the sixth rate cut since June 2024. According to the ECB's statement after its policy meeting, the monetary policy has become evidently loosened. As remarked by the ECB's president, she remains open to suspending rate cuts at the policy meeting in April or later. Moreover, she stressed that a more gradual approach would be taken. Furthermore, the ECB raised its inflation forecast for the year 2025 to 2.3%, which was 0.2% higher than the forecast in December 2024. This reflects that the ECB has been increasingly concerned about the rising inflation. In addition, Germany announced plans to set up an infrastructure fund worth of EUR 500 billion. Such fiscal policy measure may push up inflation in Germany, and may even impose an impact on the inflation level in the Eurozone overall. Against the backdrop of the ECB's cautious policy orientation and the changes in the fiscal policy of Germany, the Germany 10-year and 2-year bond yields also rebounded to 2.938% and 2.314%, respectively, reaching a record high over past one year and a half, and a nearly two-month high, respectively. Furthermore, the year-to-date returns of Bloomberg Barclays pan-European

The information contained in this document is for reference only and does not constitute any offer, solicitation, recommendation, advice or guarantee, for any investment products or services. Please refer to the disclaimer for details.

composite sovereign bonds and investment-grade bonds have experienced a transition from rises into declines of 2% and 2.38%, respectively, bringing the lowest yields for both back to 3.33% and 3.22%, close to two standard deviations of the 10-year average. Although the ECB may slow down its rate cuts in the face of the possibility of a rebound in inflation, there is still room for a rebound in European bond yields. Nevertheless, due to the uncertainties of the US tariff policy, there are still concerns about the Eurozone economic growth. Therefore, the ECB has lowered its economic growth forecast for the year 2025 to 0.9%. Amid the risks of downward economic growth, it is expected that the orientation of the ECB's interest rate cuts will not change, and the asset allocation into European bonds may be increased in stages when the bond yields are at highs.

Emerging markets: China's bond market fluctuated within a wide range at highs, and Chinese USD bonds are good investment targets, whereas investors shall wait for the potential opportunities in emerging market bonds

China's bond market: China's bond market was under pressure overall in March with increasing volatility. As of March 17, the 10-year Treasury yield rose to around 1.89%, an increase of 17 bps from the end of February. Moving forward, judging from the economic fundamentals, the CPI in February grew by -0.7% year-over-year, and the PPI grew by -2.2% year-over-year. The overall performance was slightly below the market's expectations. The financial data in February was supported by government bonds, and the aggregate financing to the real economy (AFRE) went up by RMB 0.74 trillion. Policies still need to be intensified to bolster consumption and financing demand. From the perspective of funds, the market's liquidity in March saw marginal relief of tension compared with February, but it was still maintained at a tight balance. At the press conference during the two sessions, the PBOC stated that it would cut the reserve requirement ratio and interest rates at opportune moments according to the economic and financial situation as well as the operation of the financial market at home and abroad. Judging from the maintenance of the supportive monetary policy stance and increasing focus on structural policies, there is not a high chance of rate cuts and reserve requirement ratio reductions in the near term, and the liquidity supply is likely to maintain the state of tight balance. Judging from the perspective of supply and demand, due to the heightened volatility in the bond market, certain trading funds have been partially redeemed, but the scale of wealth management remain rather stable. Moreover, the negative feedback from the declines to redemption is currently within control. In a nutshell, the bond market is expected to remain in a challenging state in April, but the room for yields to consistently rise is limited. There is a rather high chance for bond yields to fluctuate within a wide range at highs, and closer attention shall be paid to the emotional changes brought about by altering expectations of economic fundamentals and liquidity supply.

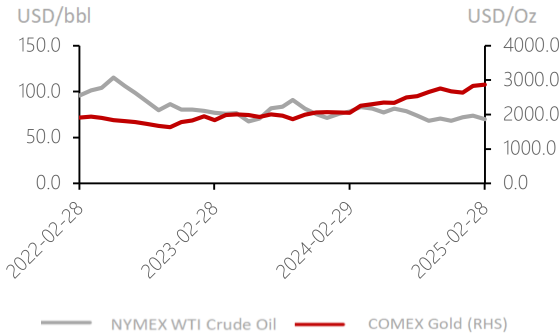
Chinese USD bond market: As of March 18, the Chinese USD bond return index (Markit iBoxx) rose by 0.05% over the past week, and the latest price of the investment-grade return index reached 233.2083, a weekly increase of 0.04%. The latest price of the high-yield return index reached 235.0325, a weekly increase of 0.08%. As the Fed started to lower interest rates and the market's confidence in Chinese companies gradually recovered, the trading activities in the secondary market of Chinese USD bonds have rebounded to some extent. Against the backdrop of the gradual stabilization of China's economy amid recovery, intensified policy support, and rising uncertainties in the global market, Chinese USD bonds may not only reflect the potential spread income of warming risk appetite, but also provide investors with higher coupon returns, making them a relatively valuable investment target at the moment.

Global emerging bond markets: With the USD falling by 4.72% year-to-date, the performance of emerging market bonds has been bolstered. In particular, the Bloomberg Barclays Emerging Market Investment-grade Bond Total Return Index rose by 2.31%. However, since early March to date, despite the further declines of the USD by 3.94%, the Bloomberg Barclays Emerging Market Investment-grade Bond Total Return Index has fallen by 0.54%. Such declines may be attributable to the market's concerns about the uncertainties of US tariff policies, which have led to a decline in risk appetite, thus posing constraints to the performance of emerging market bonds. In addition, the Bloomberg Barclays Emerging Market Investment-grade Bond Total Return Index has accumulated a certain increase in just a few months since early 2025, bringing its minimum yield back to 5.35%. Compared with the minimum yield of Bloomberg Barclays US corporate investment-grade bonds of 5.23%, emerging market bonds have yet to form an evident advantage of interest rate gap. Therefore, one could arrange asset allocation into emerging market bonds when emerging market bond yields experience a rebound.

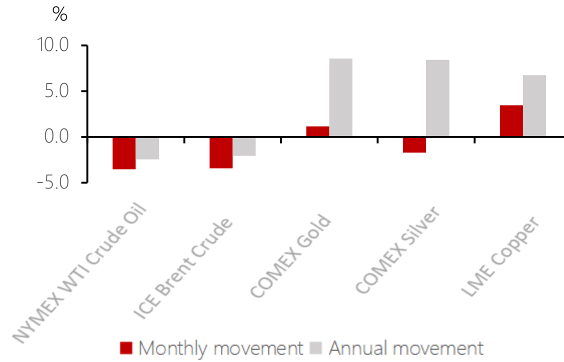
The information contained in this document is for reference only and does not constitute any offer, solicitation, recommendation, advice or guarantee, for any investment products or services. Please refer to the disclaimer for details.

Commodities

Fig. 7 and Fig. 8: Commodity Prices (as of February 28, 2025)



Source: Wind, BOC Investment Strategy Research Center



Source: Wind, BOC Investment Strategy Research Center

Gold: Gold is likely to oscillate upward amid numerous positive factors, and investors may arrange allocation into gold at lows

Reviewing the market movements in March, the international gold prices have re-entered the channel of upward movements after oscillations at highs. After crossing the psychological threshold of USD 3,000 per ounce in mid-March, gold prices continued to rise after a short break. The primary contributors to the current round of historic breakthroughs in gold prices include: First, the expectations for US rate cuts continue to rise. The US inflation data cooled down beyond the market's expectations, temporarily alleviating the market's concerns that the US economy may fall into stagflation, providing room for the Fed to lower interest rates. Second, the increase in the market's risk aversion sentiment. The US tariff policies has led to greater economic uncertainties, thus consistently heating up the market's risk aversion sentiment and stimulating investors' demand for safe-haven assets such as gold.

Looking forward to April, international gold prices are still supported by numerous positive factors. From the aspect of economic fundamentals, the US President Donald Trump announced that he would impose reciprocal tariffs extensively on April 2. Large-scale tariff hikes will continue to push up prices, weaken the economic growth, and stimulate demand for safe-haven investments. In addition, judging from the dot plots at present, the chance of the Fed sticking to the monetary easing cycle has increased. The market expects the cycle of interest rate cuts to start in June, and closer attention shall be paid to whether the Fed would raise the expectations of interest rate cuts from two to three times in 2025. From a technical aspect, the current gold price is fluctuating between the center and the upper track of the Bollinger band, revealing a strong performance, and may further rise with consistent momentum in the short term. Nevertheless, closer attention shall be paid to investors' profit-taking behaviors, rising US bond yields, and the market's shift to a risk-averse environment, which may impose certain pressure on gold price movements, and investors shall be wary of risks of adjustments.

In a nutshell, gold is an effective and secure hedging tool for hedging against economic uncertainties and inflation. Against the backdrop of consistent policy uncertainties, the upward movements of gold prices are expected to continue. In the short term, investors shall pay closer attention to the management of positions, and those who purchased gold at lows during the early stage may consider partially taking profits at highs. Subsequent to adjustments, investors may arrange asset allocation into gold at lows in batches at opportune moments.

The information contained in this document is for reference only and does not constitute any offer, solicitation, recommendation, advice or guarantee, for any investment products or services. Please refer to the disclaimer for details.

Crude oil: Subject to the impact of tariff policies, oil prices are likely to consistently oscillate at bottom

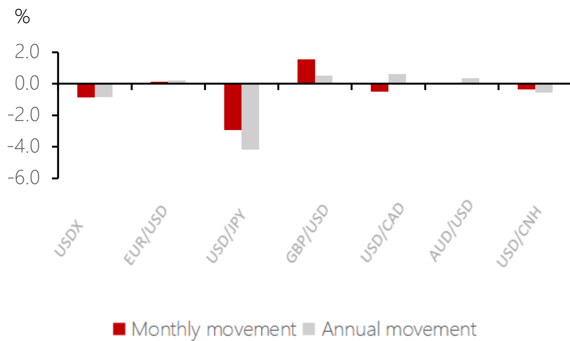
In March 2025, due to the intensification of global trade frictions and the weakening expectations of the Fed's rate cuts, crude oil prices experienced gradual declines. Looking forward to April, subject to the impact of the US tariff policy, oil prices are likely to consistently oscillate at bottom. From the aspect of crude oil demand, oil demand may continue to be sluggish. The EIA lowered the estimated growth rate of global crude oil demand in 2025 from 1.3 million bpd to 1.27 million bpd. From the aspect of crude oil supply, the EIA's monthly report pointed out that some of the Trump administration's latest policies may lead to tighter market supply in the near future. Given the possible reduction in oil supply, the EIA has lowered its expectations for oversupply in 2025 and 2026. For the year 2025, the estimated volume of oversupply of crude oil has been adjusted from 500,000 bpd to 100,000 bpd, while the forecast for the year 2026 has been lowered from 1 million bpd to 500,000 bpd. On the macro level, data released by the US Department of Labor showed that the CPI in February decreased across the board beyond the market's expectations. The annual rate of the unadjusted CPI in the US in February reached 2.8%, hitting a record low since November 2024. The monthly rate of the seasonally adjusted CPI in the US in February reached 0.2%, hitting a record low since October 2024. The annual rate of the unadjusted core CPI in the US in February reached 3.1%, hitting a record low since April 2021. The monthly rate of the seasonally adjusted core CPI in the US in February reached 0.2%, hitting a record low since December 2024. The alleviation of inflation has led to greater market speculations on the Fed's consistent rate cuts. However, with the uncertainties arising from the tariff policies, the prices of varying commodities from food to daily necessities may rise in the coming months, and uncertainties are likely to persist.

Overall, in the near term, the policy initiatives adopted by the US President Donald Trump have become the core drivers of oil price fluctuations in 2025. In the mid-to long-term, against the uncertainties of tariff policies the risks of a global economic downturn tend to restrain the upward momentum of oil prices, and the future production plans of the OPEC bloc are also the focus of the market.

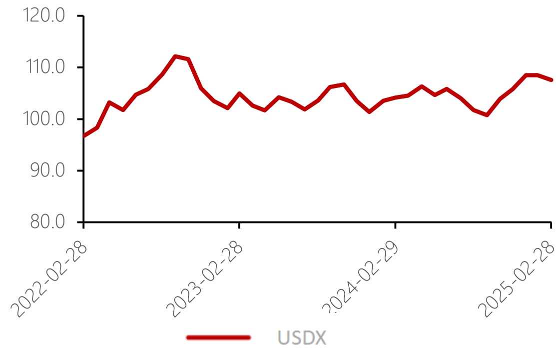
The information contained in this document is for reference only and does not constitute any offer, solicitation, recommendation, advice or guarantee, for any investment products or services. Please refer to the disclaimer for details.

Foreign Exchange

Fig. 9 and Fig. 10: Foreign Exchange Prices (as of February 28, 2025)



Source: Wind, BOC Investment Strategy Research Center



Source: Wind, BOC Investment Strategy Research Center

U.S. dollar: USD is likely to hover at lows, and closer attention shall be paid to the release of data before choice of orientations

The USD Index dropped from 107 to below the level of 104 in March. The decline was mainly attributable to the market's concerns that tariff policies could slow down the US economic growth, leading to rising expectations of rate cuts. Although the market's expectations for rate cuts have increased, the FOMC meeting not only maintained the federal funds rate at 4.25% to 4.5%, but also maintained the median interest rate at 3.9% at the end of 2025, the same as in December 2024. Such policy measure reflects the Fed's confidence in the current economy to some extent while stabilizing the market's confidence as well, leading a certain rebound of the USD. Nevertheless, it shall be noted that the Fed has lowered its forecasts for the economic growth in 2025 and 2026. In addition, the Fed has raised the forecast for the core PCE and unemployment rate in 2025, which is an inconsistent direction. According the Fed, the impact imposed by tariffs on inflation is temporary, indicating that the dot plots of interest rates would not increase the need for rate cuts due to recent expectations of tariffs that may slow down the economy. In case that the economic downturn accelerates in the future, it also means that the Fed may increase the number or the amplitude of rate cuts to preserve the economic growth, which will impose greater pressure on the USD Index. Future economic data are likely to dominate the market's expectations of rate cuts and affect the performance of the USD. In case that the economic concerns fail to improve, the USD Index is expected to remain at a recent low of around 103-104 in the near term. For the USD Index to rise to the high of around 107 in early March, greater support is needed from the aspect of expectations for economic growth.

Euro: EUR is faced with the coexistence of bullish and bearish factors, and closer attention shall be paid to the resistance level of 1.1

As mentioned in our previous monthly commentary, the EUR broke through the downward channel since October 2024, and rose to 1.0954, hitting a new high in more than five months. As European interest rates gradually declined, economic data started to improve. The Economic Surprise Index, which reflects the market's expectations for economic growth, shows that the economic data released by Europe recently is better than expected. Nevertheless, the relevant index of the US has diverged from Europe since mid-February, which means that the recent US economic data is worse than expected. In addition, after the ECB cut interest rates by 0.25% at the policy meeting in March, the ECB's President Christine Lagarde said that the restrictiveness of interest rates has decreased to a significant extent, and future monetary policies will be decided based on data through a meeting-by-meeting approach. According to the market's perceptions, the ECB may slow down the pace of rate cuts. In addition, the German government proposed to establish a 500 billion Euro infrastructure fund. The market is looking forward to stimulating the local economy and supporting the EUR's recovery. However, due to the uncertainties of the trade prospects between the US and the EU, the EUR/USD may be faced with constraints at the level of 1.1.

The information contained in this document is for reference only and does not constitute any offer, solicitation, recommendation, advice or guarantee, for any investment products or services. Please refer to the disclaimer for details.

British pound: GBP's movements remain constructive until pivot of monetary policy

In line with expected rebound from softer US CPI providing some relief, GBP together the other major currencies rose recently. In the near term, whilst potentially the GBP may see some downside against the USD, it looks capped against EURGBP for any further upside. Of immediate concern, the United Kingdom is better insulated from tariff risks and the Bank of England remains hawkish compared to the ECB. Expect GBP to remain broadly supported vs most G10 peers until the Bank of England pivots within its own monetary policy. There are some cracks emerging with two MPC members backing a 50bp cut unsuccessfully, but the general message still remains one of caution. Outside the influence of the Bank of England, the risk for GBP would be if risk assets come under pressure. The bigger near-term risk is re-emergence of fiscal concerns, which can drive positioning reduction into March fiscal announcements. Looking out to the medium term, cross-currents widen the range of outcomes for GBP. Positive reform momentum (e.g. around labor supply and trade with the EU) could help reverse structural underinvestment in UK assets post-Brexit. But the UK remains in a difficult fiscal position that the market continues to test, limiting scope to support consumption once the effect of prior spending fades. This could eventually open the door for a dovish pivot from the Bank of England (Potentially second half of the year). Until then, a constructive tone against the other majors looks to be the base case.

Japanese yen: JPY is faced with further room of upward movements

Over the past month, the USD/JPY exchange rate has fluctuated downward overall. The USD/JPY fell back to around the level of 147.00 in early March. Given the inflationary trend, the BoJ is under great pressure to raise interest rates once again. According to the BoJ's governor Ueda Kazuo, future rate hikes would depend on the sustainability of inflation and wage growth. In addition, the BoJ's deputy governor Shinichi Uchida holds that if the economic outlook meets expectations, the central bank would continue to raise interest rates. Moving forward, the JPY is likely to benefit from the support of three factors, namely, a weaker USD, expectations of a rate hike by the BoJ, and safe-haven demand. Subsequent to a short-term break, it is expected that there will still be room for the JPY to further appreciate against the USD.

Commodity currencies:

Canadian dollar: CAD is expected to maintain a weak pattern with oscillations at lows

On March 12, the Bank of Canada lowered interest rates by 25 bps to 2.75%. Moreover, the governor Tiff Macklem remarked that the easing cycle would continue, increasing the market's expectations for the central bank to cut interest rates again in April. In addition, the widening of the interest rate gap between the US and Canada directly put pressure on the CAD. Coupled with the uncertainties of Trump's tariff policy on Canada, the market has raised concerns about the Canadian economy, and the CAD has been under pressure. With respect to the crude oil market, low oil prices have affected the export revenue of Canada, thus dragging down the CAD.

Australian dollar: AUD is likely to oscillate upward, and attention shall be paid to support factors

In Australia, the consumer inflation expectations dropped to 3.6% in March, a sharp drop from 4.6% in February. Accordingly, the market's expectations for future inflationary pressures have weakened. Moreover, the data on economic growth in Australia achieved strong performance. There has been accelerated economic growth for the first time since 2024, thereby bolstering the AUD. However, the US economic data exceeded the market's expectations, coupled with the intensification of global trade tension, imposing certain pressure on the AUD.

Renminbi: RMB is likely to remain basically stable at a reasonable and balanced level

As of March 18, the CFETS USD/RMB exchange rate closed at the level of 7.2286. As of March 14, the RMB Exchange Rate Index closed at the level of 98.81, a slight decrease from the previous month. Since March, the RMB exchange rate has shown strong resilience in the face of pressure of tariff hikes. There are three major contributing factors. First, the chaotic policy measures of Trump have put the US economy at risks of recession. In addition, increased fiscal spending in the Eurozone has boosted the EUR. Second, China's policies continued to be supportive. China's "two sessions" raised the deficit rate to 4% to hedge against risks of tariff hikes and to stabilize economic fundamentals. Third, exports remained resilient. The trade surplus from January to February reached USD 170 billion, a significant increase year-over-year, thus providing support for stabilizing the exchange rate. Overall, driven by policy support and stable fundamentals, the RMB is likely to remain basically stable at a reasonable and balanced level.

The information contained in this document is for reference only and does not constitute any offer, solicitation, recommendation, advice or guarantee, for any investment products or services. Please refer to the disclaimer for details.

Asset Allocation

Fig. 11: Overview of Global Asset Allocation Perspectives for 2025

Stocks	Underweight		Standard Allocation	Overweight	
	Bearish	Conservative	Neutral Allocation	Recommended	Bullish
US (S&P 500)		●	● (light)		
Europe (DAX, CAC)		●			
UK (FTSE 100)			●		
Japan (Nikkel 225)			●		
China A-shares (CSI A500)				●	
China Hong Kong Stocks (Hang Seng Index)				●	
Bonds	**Bearish**	**Conservative**	**Neutral Allocation**	**Recommended**	**Bullish**
US Treasuries				●	
Chinese USD Bonds				●	
China: Money Market			●		
China: Rate Securities			●		
China: Credit Bonds			●		
China: Convertible Bonds				●	
Commodities	**Bearish**	**Conservative**	**Neutral Allocation**	**Recommended**	**Bullish**
Gold				●	
Silver				●	
Crude Oil		●			
Copper		●	● (light)		
Aluminum			●		
Foreign Exchange	**Bearish**	**Conservative**	**Neutral Allocation**	**Recommended**	**Bullish**
US Dollar (USD)				●	
Euro (EUR)		●			
British Pound (GBP)			●		
Canadian Dollar (CAD)		●			
Australian Dollar (AUD)			●		
Japanese Yen (JPY)		●			
Malaysian Ringgit (MYR)			●		
Indonesian Rupiah (IDR)			●		
Renminbi (RMB)			●		

Source: BOC Investment Strategy Research Center

Notes: *The black dots represent the annual initial views for asset allocation, while the light-colored dots indicate directions for adjustments based on preset conditions.*

The information contained in this document is for reference only and does not constitute any offer, solicitation, recommendation, advice or guarantee, for any investment products or services. Please refer to the disclaimer for details.

Stocks: With adjustments in the positioning of the Chinese stock market and a proactive policy stance, investors' confidence has been restored, and the pattern of a slow bull run is forming in China's A-share market. In 2025, China A-shares are poised for prosperity. In 2024, Hong Kong, China stocks bottomed out and started to experience a recovery, marking a turning point after several years of declines. Following the "V-shaped" reversal, the market entered into a primary ascending phase. The reversal of Hong Kong, China stocks is supported by fundamentals and catalyzed by the Fed's rate cuts. In 2025, Hong Kong, China stocks are expected to experience improvement of performance and expansion of valuation, resulting in the effects of a "Davis Double Play". Hence, we hold a bullish view for both A-shares and Hong Kong, China stocks. It is anticipated that US stocks in 2025 will not replicate the smooth sailing over the past two years. On the indices level, it is recommended to avoid chasing highs. It is wise to patiently wait for risks to be released before considering a neutral allocation. Stock selection and trading based on timing will be more prudent choices, with opportunities to trade in sectors like AI applications and robotics. Weak economic growth in the Eurozone and uncertainties from US tariff policies pose challenges to European stocks, but ongoing rate cuts will provide certain support for stock markets. Benefiting from the "special relations" between the UK and the US, and the dual support of fiscal and monetary easing policies, UK stocks are likely to outperform European stocks overall in 2025. Japanese stocks are likely to remain in a fluctuating pattern under the interplay of multiple factors. A neutral allocation is recommended for Japanese stocks. As the cycle of USD rate cuts progresses and global liquidity improves, emerging markets are likely to marginally benefit. Overall, a neutral allocation for emerging market stocks is recommended.

Bonds: The median interest rate for the bond market is likely to maintain the pattern of declines. The yield movement of rate securities may follow an inverted "N" pattern, with certain upward pressure after Q1, 2025, though the extent of such pressure is expected to be limited. Overall, China's convertible bonds have a rather moderate valuation with limited potential for upward movements compared to stock markets. In case that China A-shares maintain their strong performance, convertible bonds are likely to achieve favorable returns alongside China A-shares. In 2025, as the Fed remains in the cycle of rate cuts, Chinese and other emerging market USD bonds are still presented with opportunities. Nevertheless, caution is required against potential sell-offs during periods of the USD's strength. The Fed is anticipated to cut rates by an additional 50 to 100 bps in 2025. Expectations of secondary inflation and challenges to the Fed's independence may intermittently affect the performance of US bonds, but the overall trend of declining yields remains clear.

Foreign exchange: In 2025, the fundamentals of China's economy may provide certain support for the RMB exchange rate, but external factors will largely determine its trajectory. China's domestic policies remain stable, but external uncertainties are likely to be heightened, thus intensifying two-way fluctuations in the RMB exchange rate. Overall, a neutral allocation is recommended for the RMB. There is a higher chance for the US economy to achieve a soft landing, and intensified policy support coupled with risk aversion will underpin the USD. Due to weak economy with faster rate cuts than the Fed as well as the risks of potential tariff hikes, a conservative view shall be held for the EUR. New policies are expected to boost the UK economy, and due to cautious monetary stance with external USD disturbances, a neutral allocation is recommended for the GBP. Due to slow economic recovery and the pressure faced by crude oil prices, and coupled with the uncertainties over US tariff policies, a conservative view shall be held for the CAD. A stronger USD suppresses the JPY's performance, and the BoJ remains cautious about raising rates. As such, a conservative view shall be held for the JPY. The Australian economy remains resilient with a hawkish monetary stance, though export commodity prices are faced with pressure. As such, a neutral allocation is recommended for the AUD. In spite of external challenges, the MYR is supported by economic recovery and proactive policies. As such, a neutral allocation is recommended for the MYR. The IDR is supported by yield advantages, and opportunities coexist with challenges in international trade relations. As such, a neutral allocation is recommended for the IDR.

Commodities: The core logic driving the current round of bull run in the gold market remains intact. In 2025, the upward trend is expected to continue in the gold market in the long term, and gold prices are likely to set new historical highs, though short-term disruptions may persist. Gold is likely to exhibit a generally upward trajectory with fluctuations. Overall, it is recommended to arrange asset allocation into gold. In 2025, the silver market is not expected to merely shadow gold's performance, and its return prospects may outperform gold. Overall, it is recommended to arrange asset allocation into silver. The global crude oil market may face pressure from oversupply, and the Trump administration is expected to support fossil energy. A conservative view is recommended for crude oil. The copper is faced with improved supply-demand dynamics, with the USD rate cuts contributing to overall wide-range fluctuations. A conservative view is recommended prior to a neutral allocation into copper. The USD rate cuts and tight supply-demand conditions in the aluminum market are likely to provide support for aluminum prices. As such, a neutral allocation is recommended for aluminum.

The information contained in this document is for reference only and does not constitute any offer, solicitation, recommendation, advice or guarantee, for any investment products or services. Please refer to the disclaimer for details.

Managing Editor: Yan Ye
Editor-in-chief: Qu Gang, Wen Xiaobo

Global Economy: Zhu Qibing, Lee John, Choy Tsun Sang Johnson, Yingdi Liu Tina, Chang Ke
Stock Market: Cheung Sze Kei, Wang Jun, Yu Chao, Yingdi Liu Tina, Zhao Yuan
Bond Market: Hong Zhengchong, Hung Kwan Ching, Wan Jie, Wong Po Kwan, Sun Zhiyong
Commodities: Wu Xia, Zhao Xinran, Yan Wenhui
Foreign Exchange: Cheung Sze Kei, Kai Lim, Ding Meng, Pan Jianfeng, Liu Chang, Song Huili
Editors: Li Pinzhang, Su Kangmiao, Chang Ke, Yu Chao, Hong Zhengchong, Liu Chang, Wu Xia
Consultants: Xu Gao, Guan Tao

The information contained in this document is for reference only and does not constitute any offer, solicitation, recommendation, advice or guarantee, for any investment products or services. Please refer to the disclaimer for details.

Risk Disclosure

Investment involves risks. It is as likely that losses will be incurred rather than profit made as a result of buying and selling securities, commodities, foreign exchanges, derivatives or other investments. The price of a security may move up or down, and may become valueless. Past performance is not necessarily indicative of future performance. Foreign investments carry additional risks not generally associated with investments in the domestic market, including but not limited to adverse changes in currency rate, foreign laws and regulations (e.g. foreign exchange control). This document does not and is not intended to cover any or all of the risks that may be involved in the securities or investments referred to herein. Investors should read and fully understand all the offering documents relating to such securities or investments and all the risk disclosure statements and risk warnings therein before making any investment decisions.

Risk Disclosure of Foreign Currency Trading: Foreign currencies/ RMB products are subject to exchange rate fluctuations which may provide both opportunities and risks. The fluctuation in the exchange rate of foreign currencies/ RMB may result in losses in the event that the customer converts the foreign currencies/ RMB fund into Hong Kong dollar or other foreign currencies.

Risk Disclosure of RMB Conversion Limitation Risk: RMB investments are subject to exchange rate fluctuations which may provide both opportunities and risks. The fluctuation in the exchange rate of RMB may result in losses in the event that the customer converts RMB into HKD or other foreign currencies.

(Only applicable to Individual Customers) RMB is currently not fully freely convertible. Individual customers can be offered CNH rate to conduct conversion of RMB through bank accounts and may occasionally not be able to do so fully or immediately, for which it is subject to the RMB position of the banks and their commercial decisions at that moment. Customers should consider and understand the possible impact on their liquidity of RMB funds in advance.

(Only applicable to Corporate Customers) RMB is currently not fully freely convertible. Corporate customers that intend to conduct conversion of RMB through banks may occasionally not be able to do so fully or immediately, for which it is subject to the RMB position of the banks and their commercial decisions at that moment. Customers should consider and understand the possible impact on their liquidity of RMB funds in advance.

The information contained in this document is for reference only and does not constitute any offer, solicitation, recommendation, advice or guarantee, for any investment products or services. Please refer to the disclaimer for details.

Disclaimer & Important Notes

◢This document is published by Bank of China (Hong Kong) Limited (“BOCHK”) for reference only.

◢The contents contained in this document have not been reviewed by the Securities and Futures Commission of Hong Kong.

◢This document is not intended for distribution to, or use by, any person or entity in any jurisdiction or country where such distribution would be contrary to laws or regulations.

◢This document is for reference only. It does not constitute, nor is it intended to be, nor should it be construed as any investment recommendation or professional advice, or any offer, solicitation, recommendation, comment or any guarantee to the purchase or sale, subscription or transaction of any investment products or services stated herein. You should not make any investment decision based upon the information provided in this document.

◢The information provided is based on sources which BOCHK believes to be reliable but has not been independently verified, therefore BOCHK does not make any representation, warranty or undertaking as to the accuracy, completeness or correctness of the information or opinions provided in this document. The forecasts and opinions contained in this document is only provided as general market commentary and is not an independent investment research report and is not to provide any investment advice or return guarantee and should not be relied upon as such. All views, forecasts and estimates are the judgments of the analysts made before the publication date, and are subject to change without further notice. No liability or responsibility is accepted by BOCHK and related information providers in relation to the use of or reliance on any such information, projections and/or opinions whatsoever contained in this document. Investors must make their own assessment of the relevance, accuracy and adequacy of the information, projections and/or opinions contained in this document and make such independent investigations as they may consider necessary or appropriate for the purpose of such assessment.

◢The securities, commodities, foreign exchanges, derivatives or investments referred to in this document may not be suitable for all investors. No consideration has been given to any particular investment objectives or experience, financial situation or other needs of any recipient. Accordingly, no representation or recommendation is made and no liability is accepted with regard to the suitability or appropriateness of any of the securities and/or investments referred to herein for any particular person's circumstances. Investors should understand the nature and risks of the relevant product and make investment decision(s) based on his/her own financial situation, investment objectives and experiences, willingness and ability to bear risks and specific needs; and if necessary, should seek independent professional advice before making any investment decision(s). This document is not intended to provide any professional advice and should not be relied upon in that regard.

◢BOCHK is a subsidiary of Bank of China Limited. Bank of China Limited & the subsidiaries and/or their officers, directors and employees may have positions in and may trade for their own account in all or any of the securities, commodities, foreign exchanges, derivatives or investments mentioned in this document. Bank of China Limited & the subsidiaries may have provided investment services (whether investment banking or non-investment banking related), may have underwritten, or may act as market maker in relation to these securities, commodities, foreign exchanges, derivatives or investments. Commission or other fees may be earned by Bank of China Limited & the subsidiaries in respect of the services provided by them relating to these securities, commodities, foreign exchanges, derivatives or other investments.

◢No part of this document may be edited, reproduced, extracted, or transferred or transmitted to the public or other unapproved person in any form or by any means (including electronic, mechanical, photocopying, recording or otherwise), or stored in a retrieval system, without the prior written permission of the Bank.

©Copyright. Bank of China (Hong Kong) Limited. All rights reserved.