MAR 2025 INVESTMENT UPDATE

HIGHLIGHTS

Market Review

- February was a turbulent month with global equities retreating in the latter half of the month, dragged down by the US.
- Fixed income markets posted modest gains as bond yields declined, reflecting investors' move toward safer assets in response to weaker economic data and a broader retreat from riskier assets.
- The narrative of US exceptionalism faded to the benefit of China and Europe. China's market saw improving sentiment post DeepSeek's AI model release and President Xi's more open support for China's biggest technology firms, while Europe enjoyed tailwinds from potential policy changes that support both growth and security.
- Trump 2.0 'carrot and stick' approach: the 'stick' has been denting sentiment, with tougher policies such as tariff and (DOGE) job cuts at the forefront of investors' minds.

High-Stakes Negotiation In Play

Last month, we highlighted tariffs being used as leverage in high-stakes negotiations – which is what's playing out today:

- February 1st: US first announced tariffs on Canada and Mexico to address illegal immigration.
- February 3rd: Trump paused planned tariffs after securing commitments on border security
- March 4th: Trump reimposes said tariffs, citing a lack of progress.

Trump's use of tariffs as leverage in negotiations risks creating a murky economic environment, which can lead to bouts of market volatility

Tariff-scare To Growth-scare?

- Increasing concerns that Trump's policies may trigger an economic slowdown.
- We have observed some recent signs of weakness in US economic data that are worth monitoring, such as deteriorating business and consumer confidence and stresses in the labour market.
- Worries overblown? The current soft patch of data may very well end up being no more than a growth-scare that would eventually make way for the resumption of the bull market.
- Growth has not plunged but merely slowed, with pockets of strength still present, e.g. continued expansion in service PMI, + supportive corporate earnings.

Income Amid Trump 2.0

- Good news for income investors amid equity volatility; income portfolios were resilient even as equities retraced.
- Emerging Market and Asia corporate bonds outperformed, boosting our fixed income positions. While trade tensions affect all regions, steadier EM fundamentals have supported their outperformance this time.
- The landscape across income markets remains dynamic, with opportunities shifting from last year. e.g. US high-yield bonds, which offered attractive yields in 2024, have seen valuations go up and reducing the potential for outsized returns going forward.

Read the full commentary here

Finexis Asset Management