CIO OFFICE | MARKET OUTLOOK 3Q25

Trump 2.0

Beyond Trump Tariffs

MOVING FORWARD WITH YOU

CIMB preferred

Is US Exceptionalism Still A Thing?

Looking back on the first half of 2025, a recurring theme is whether US exceptionalism is being challenged, or more critically, is it over? Recent data indicates a sharp rise in the US Trade Policy Uncertainty Index, driven by inconsistent policy decisions that have made strategic planning increasingly difficult for businesses.

Business sentiment is under pressure and unemployment is inching up, raising concerns over economic growth. At the same time, markets are waiting to see the impact from tariffs, as increased costs are likely to be passed on to consumers.

The growing US debt has also become a concern for investors, reflected in higher yields as investors demand greater compensation, particularly for longer-dated US Treasuries. Similarly, the US Dollar (USD) Index has been falling for much of the first half of 2025 – eroding its status as a safe-haven asset during periods of uncertainty.

The US debt-to-GDP ratio has surpassed 120%, and is projected to rise further with the proposed Budget Reconciliation Bill—aka 'Big Beautiful Bill'—which is expected to add at least USD2.8 trillion to the current USD36.2 trillion debt.

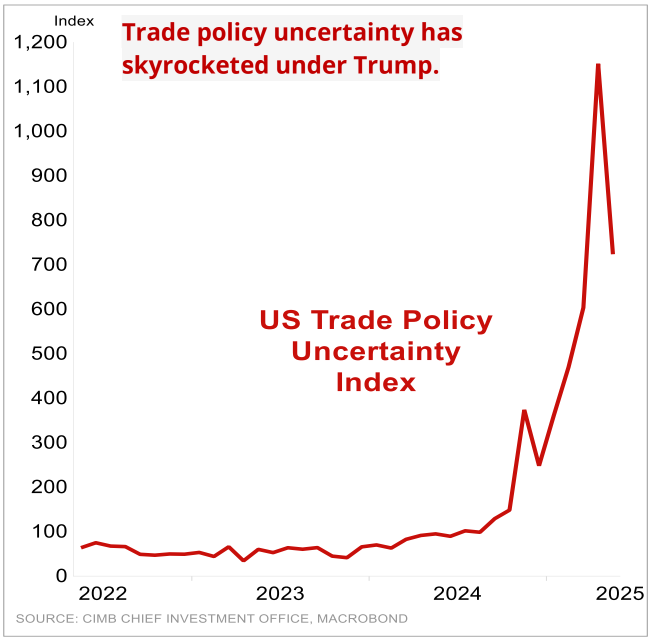
The (Almighty?) US Dollar

More than just a means of exchange, the USD is widely regarded as a reliable store of value. Its central role in global trade and financial markets has cemented the greenback's dominance in global markets.

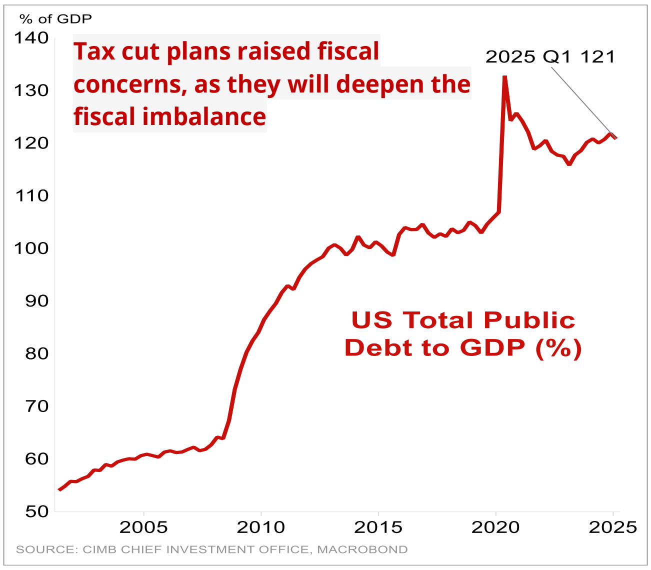
Recently, the historically strong correlation between US Treasuries and the US Dollar has shown signs of weakening, While 10-year yields have remained relatively stable, the USD Index has declined more than 10% YTD as of Jun 2025.

Investors have been searching for alternatives to the currency but due to its entrenchment in global trade and financial markets, no viable contender has emerged. Because of this, we believe that the USD will continue to serve as a safe-haven asset supported by the size and depth of its underlying markets though short term pressure could see it decline further.

So, what do these developments mean for your investments—especially since most portfolios are likely exposed to US assets? Let's take a closer look.

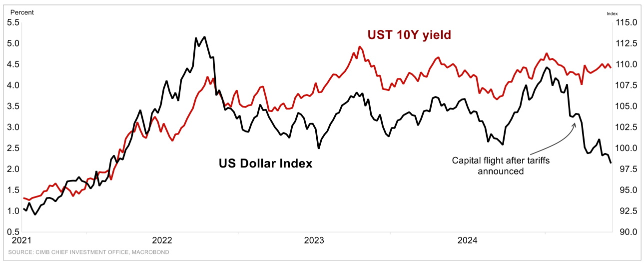


SOURCE: CIMB CHIEF INVESTMENT OFFICE, MACROBOND



SOURCE: CIMB CHIEF INVESTMENT OFFICE, MACROBOND

The relationship between the dollar and UST 10Y yield has diverged, signaling capital flight



CIMB *preferred*

Fixed Income – Boring Is Beautiful

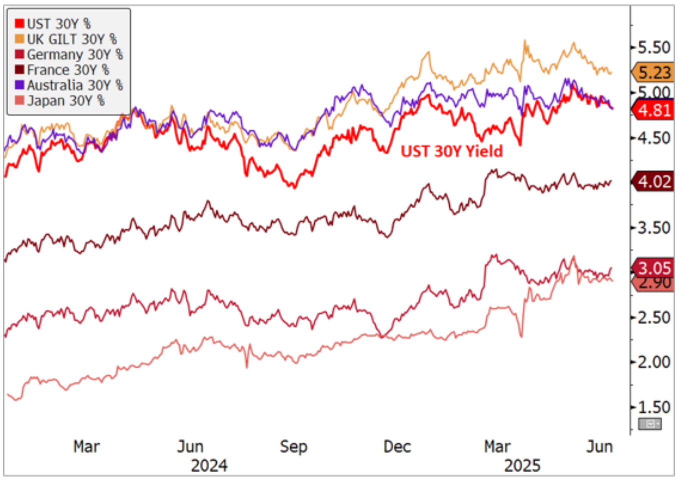
Yields on US Treasuries have been rising since 2024, a trend mirrored by other major economies including the UK, Germany, and Japan, reflecting market sentiment that shows growing concerns over fiscal risks globally, and not just in the US.

In our 2Q25 market outlook, we highlighted the tug-of-war between the Trump administration's push for lower yields, uncertainties surrounding trade policies and rising US debt—factors that could trigger capital outflows and drive yields higher.

We maintain this view amid ongoing policy uncertainties, despite the Fed keeping the door open for potential rate cuts. Current data points to an increased likelihood of cuts later this year. In this environment, we continue to favour fixed income for its steady coupon payments, which we believe can offer portfolio stability should market volatility return, especially since tariff trade issues have not been completely resolved.

Additionally, we prefer shorter-duration bonds over longer-term ones and favour higher quality investment-grade bonds over high-yield credit, as these are generally less susceptible to price volatility in turbulent market conditions.

Other DM yields have also risen sharply, reflecting mounting global fiscal risk, not just the US



US Equities – Do Valuations Matter?

Following the sharp correction in US equities triggered by the 2 April "Liberation Day" tariff announcements, the S&P500 Index has rebounded over 20%, with much of the recovery occurring after the 90-day relief period was announced—set to expire on 9 Jul. As a result, the index is trading at valuations one standard deviation above its 5-year mean, leaving little margin for error. We recommend exercising caution and consider adding positions only during market dips.

Nonetheless, we believe US tech supremacy will remain resilient, underpinned by its innovative edge and global influence—with Artificial Intelligence (AI) continuing to serve as a key growth catalyst.

At this stage, it would be prudent to exercise caution and focus on companies with sustainable business models and a proven track record. Examples include software companies or businesses in consumer services or goods.

S&P500 PER has expanded, is this sustainable?

The Asian Renaissance – Liquidity Shifts East

Asia looks primed to be a beneficiary from investor inflows because of a weakening USD and global rebalancing. We note that Asia tends to outperform - more so in times of USD weakness, and that valuations are attractive compared to Developed Markets. Additionally, growth estimates for the region lend support to our hypothesis for a market re-rating, which may vary across countries.

We are overweight in China and Singapore, neutral on Malaysia, Indonesia, and India, and are underweight Thailand.

China – Turning The Corner

Chinese equities have been driven by a focus on AI, robotics and technological self-sufficiency. In addition, Chinese authorities possess the fiscal and monetary tools necessary to achieve the 5% growth target for 2025. Following earlier stimulus measures, the government appears committed and well-positioned to meet its economic objectives.

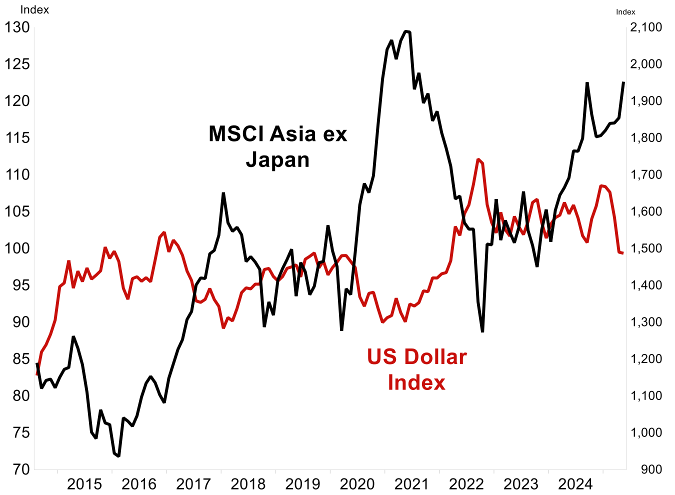
Despite these measures, the Hang Seng Index is trading at a discount, with a forward PE of 10.4x compared to 14x for the MSCI EM ex-China. We believe this presents an opportunity of a re-rating for the Chinese market. Investors may consider high quality growth companies, or those offering attractive dividend yields. In our view, it is prudent to add positions on market dips rather than chase the rally.

Singapore – Stability Amid Volatility

Singapore's reputation as a safe haven has allowed the Singapore Dollar (SGD) benefit as the USD comes under pressure. YTD Jun 25, the SGD has appreciated by 7% against the USD driven by flows seeking stability. Historically, the DXY and USDSGD have high correlations, so any near-term pressure on the DXY is likely to positively impact the SGD.

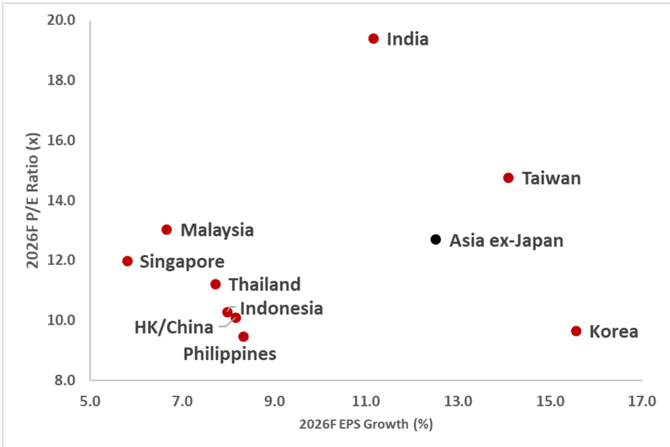
The stability of the SGD combined with attractive dividend yields, may appeal to investors seeking diversification and portfolio resilience through income-generating strategies. Specifically, we find banks compelling due to their strong dividend track record, while REITS also stand out, supported by a lower interest rate environment and robust dividend yields. As of Jun 2025, the 12-mth dividend yield on the iEdge S-REIT Index is approximately 5.4%.

Asian markets tend to outperform when dollar weakens

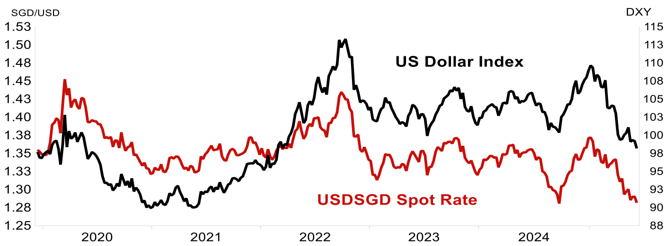


SOURCE: CIMB CHIEF INVESTMENT OFFICE, MACROBOND

Earnings growth vs. PER for key Asian markets



SGD strength has been driven by USD weakness



SOURCE: CIMB CHIEF INVESTMENT OFFICE, MACROBOND

Attractive equity dividend yields vs govt yields

Key Takeaways For 3Q25

1. Maintain a well-diversified portfolio and stay invested. Diversification can help cushion against market volatility, especially in an environment of ongoing trade policy uncertainty and geopolitical risks.
2. Fixed income may not be exciting, but its steady cash flows can bring stability to portfolios. Sometimes, boring really is beautiful.
3. As global uncertainty intensifies, Asia is emerging as a potential beneficiary, with investors increasingly seeking opportunities beyond the U.S. market.

Risks And Asset Allocation

Key risks we are actively navigating in the immediate future is the renewed trade policy uncertainty, escalating geopolitical tensions, and a potential acceleration of USD selloff. Our asset allocation strategy reflects a cautious stance, with risk management as a key consideration.

Given current information and the expectation that the ongoing equity rally is unlikely to be sustained without periodic corrections, we maintain an overweight position in fixed income, and a neutral stance in equities.

Within fixed income, we recommend avoiding ultra-long dated bonds and instead, focus on shorter-duration credits. We remain cautious on high-yield bonds, as widening credit spreads may persist if credit conditions worsen.

While gold has pulled back slightly from its all-time high, we continue to view it as a valuable portfolio diversifier. As such, we recommend maintaining a neutral position to the precious metal.

Consistent performance is key to driving overall portfolio returns. We continue to emphasize that income-generating strategies can help to mitigate the impact of price fluctuation, offering support for investors who remain committed to a long-term investment horizon.

Our Asset Allocation at a Glance

	UnderWt		Neutral	OverWt	
EQUITIES (45%)	○	○	■	○	○
U.S.	○	○	■	○	○
Other DMs	○	○	■	○	○
Asia Ex-Japan	○	○	□	●	○
Hong Kong/China	○	○	□	●	○
ASEAN	○	○	■	○	○
India	○	○	■	○	○
FIXED INCOME (47.5%)	○	○	□	●	○
Sovereigns	○	○	■	○	○
Corporate Inv. Grade	○	○	□	●	○
Corporate High Yield	○	○	■	○	○
ALTERNATIVES (5%) Gold	○	○	■	○	○
CASH (2.5%)	○	●	□	○	○

Disclaimer

CIMB Bank Berhad, Singapore Branch ("CIMB") has produced this publication/email/report/commentary for private circulation to CIMB Preferred and Private Banking Clients in Singapore only. This publication is being supplied to you strictly on the basis that it will remain confidential. No part of this report may be (i) copied, photocopied, duplicated, stored or reproduced in any form by any means or (ii) redistributed, published, circulated, reproduced or passed on, directly or indirectly, to any other person in whole or in part, for any purpose without the prior written consent of CIMB.

This publication/email/report/commentary has been prepared by CIMB and is solely for information and discussion and information purposes only. This publication/email/report/commentary should not be construed as a recommendation, an offer to sell or a solicitation of an offer to buy or sell any securities, futures, options or other financial instruments or to provide any investment advice or services. Nothing in this publication/email/report/commentary is intended to be, or should be construed as a commitment by CIMB to provide any product, service or financing to you. CIMB is also not acting as an advisor or agent to any person to whom this report is directed in respect of its contents. A copy of the prospectus of each fund is available and may be obtained from the relevant fund manager or any of its approved distributors. Potential investors should read the prospectus for details on the relevant fund before deciding whether to subscribe for, or purchase units in the fund. The value of the units in the funds and the income accruing to the units, if any, may fall or rise. Please refer to the prospectus of the relevant fund for the name of the fund manager and the investment objectives of the fund.

If you are an Accredited Investor and/or Expert Investor (as defined in Section 4(A)(1) of the Securities and Futures Act 2001 of Singapore), CIMB is relying on certain exemptions in the Financial Advisers Act 2001 of Singapore ("FAA"), namely: (i) Regulation 33 of the Financial Advisers Regulations ("FAR") in relation to exemption from Section 34 of the FAA on disclosure of product information to clients, (ii) Regulation 34 of the FAR in relation to exemption from Section 36 of the FAA on recommendations and (iii) Regulation 35 of the FAR in relation to exemption from Section 45 of the FAA on disclosure of certain interests in securities.

Whilst CIMB has taken all reasonable care to ensure that the information herein has been compiled from sources believed to be reliable and is not untrue or misleading at the time of publication, CIMB assumes no responsibility and makes no representations or warranties, of any kind, as to the accuracy or completeness of this publication/email/report/commentary and this publication/email/report/commentary does not purport to contain all the information that a recipient may require. CIMB makes no express or implied warranty as to the accuracy or completeness of any such information and opinion contained in this report. The information and any opinion contained in this publication/email/report/commentary are subject to change without notice. Neither CIMB nor any of its affiliates, advisers or representatives are obliged to update any such information subsequent to the date hereof. Any reference to a company, financial product or asset class is used for illustrative purposes and does not represent a recommendation in any way. The projections, valuations and statistical analyses herein may be based on subjective assessments and assumptions and may use one of many methodologies that produce different results and to the extent that they are based on historical information, they should not be relied upon as an accurate prediction of future performance. The price and value of any investments and indicative incomes herein contained may fluctuate either positively or negatively. It should be noted that investments in emerging markets are subject to increased levels of volatility than more established markets. Some of the reasons for this volatility relates to the respective economy, political climate, credit worthiness, currency and general market within that country. When investing in investments denominated in a foreign currency these transactions are also subject to fluctuation in exchange rates.

Certain transactions mentioned in this material may give rise to substantial risks and may not be suitable for all recipients. Please refrain from acting on the information herein without first independently verifying its contents.

This publication/email/report/commentary is intended for general circulation only. Nothing in this publication/email/report/commentary constitutes a representation that any recommendation herein is suitable or appropriate to a recipient's individual circumstances. This publication/email/report/commentary does not take into account the specific objectives, financial situation or particular needs of any recipient given that it is not possible for CIMB to have regard to the investment objectives, financial situation and particular needs of each person who reads this report. Before you make an investment, please consult your CIMB relationship manager regarding the suitability of any investment product based on your investment objectives, financial situation or needs. If you choose not to do so, you should consider whether the investment product is suitable for you. Please seek independent professional legal and financial advice as to the contents of this publication/email/report/commentary and the suitability of any investment product taking into account your specific investment objectives, financial situation or particular needs before you commit to purchasing a product. For the avoidance of doubt, the recipient of this publication/email/report/commentary should not treat such content as advice relating to legal, accounting, taxation, technical or investment matters.

Neither CIMB nor any of their directors, employees or representatives accept any liability for any loss, damage, costs, charges or expenses of whatsoever nature and howsoever arising (including but not limited to direct, indirect, special or consequential loss or loss of profits or loss of opportunity) suffered by you or any third party in connection with the use of this publication/email/report/commentary or its content (including any error, omission or misstatement herein, even if CIMB has been advised of the possibility thereof). CIMB, its affiliates and related companies, their directors, associates, connected parties and/or employees may own or have positions in securities of the company(ies) covered in this publication/email/report/commentary or any securities related thereto and may from time to time add to or dispose of, or may be materially interested in, any such securities. Further, CIMB, its affiliates and its related companies do and seek to do business with the company(ies) covered in this publication/email/report/commentary and may from time to time act as market maker or have assumed an underwriting commitment in the securities or instruments mentioned in this publication/email/report/commentary and, together with its associates and related companies, their directors, officers, employees and/or agents, may have or take positions or other interests in, and may effect transactions in securities or instruments mentioned herein and may also perform or seek to perform broking, investment banking and other banking or financial services for the companies or issuers mentioned herein and the affiliates of such companies or issuers.

The views expressed in this report accurately reflect the personal views of the analyst(s) about the subject securities or issuers and no part of the compensation of the analyst(s) was, is, or will be directly or indirectly related to the inclusion of specific recommendations(s) or view(s) in this publication/email/report/commentary. CIMB prohibits the analyst(s) who prepared this publication/email/report/commentary from receiving any compensation, incentive or bonus based on specific investment banking transactions or for providing a specific recommendation for, or view of, a particular company. However, the analyst(s) may receive compensation that is based on his/their coverage of company(ies) in the performance of his/their duties or the performance of his/their recommendations and the research personnel involved in the preparation of this publication/email/report/commentary may also participate in the solicitation of the businesses as described above.

CIMB or its affiliates (the "CIMB Group") may act as a principal or agent in any transaction contemplated by this document, or any other transaction connected with any such transaction, and may as a result earn brokerage, commission or other income. In the ordinary course of our businesses, any member of the CIMB Group may at any time hold long or short positions, and may trade or otherwise effect transactions, for its own account or the account of our other customers, in debt or equity securities or senior loans of any company that may be involved in this transaction. This is a result of our businesses generally acting independent of each other, and accordingly there may be situations where parts of the CIMB Group and/or our clients now have or in the future, may have interests, or take actions, that may conflict with your interests. In recognition of the foregoing, CIMB Group is not required to restrict its activities as a result of this report and that CIMB may undertake any business activity without further consultation with or notification to you.

In reviewing this publication/email/report/commentary report, the recipient should be aware that any or all of the foregoing, among other things, may give rise to real or potential conflicts of interest:

(i) As of 1 July 2025, CIMB Bank Berhad has a proprietary position in the following securities in this report:
Nil

(ii) As of 1 July 2025, the analyst, Jason Kuan, has an interest in the securities in the company or companies covered or recommended in this report:
Nil

This is unlikely to create a conflict of interest that affects CIMB's ability to offer independent and unbiased analyses and recommendations as this publication/email/report/commentary is based on public information. CIMB has established information barriers established between Consumer Banking Singapore and certain other business groups and CIMB entities, including Consumer Banking Singapore. As a result, client relationships with or compensation received from the companies mentioned in this publication/email/report/commentary is not disclosed to Consumer Banking Singapore.

Neither the CIMB Group nor any of their directors, employees or representatives are to have any liability (including liability to any person by reason of negligence or negligent misstatement) from any statement, opinion, information or matter (express or implied) arising out of, contained in or derived from or any omission from this publication/email/report/commentary, except liability under statute that cannot be excluded.

CIMB Bank Berhad (197201001799 (13491-P))