AIA Investments POWERING OUR CUSTOMERS' FINANCIAL WELLBEING

Market Pulse *June 2025*

Equity Market Outlook

The FTSE MPF All World Index gain 7% in May as the United States and China agreed to a 90-day pause on reciprocal tariffs to allow time for negotiation. The temporary de-escalation of trade frictions between the world's two largest economies helped stabilized market sentiment.
However, the risk of de-globalization and trade disputes clouded global economic outlook. In April, the J.P.Morgan Global Composite Purchasing Managers' Index fell to a 17-month low of 50.6. Both manufacturing and services sub-indices declined from their previous levels.

North America

In May, the Standard and Poor's 500 Index gained 6.2% as easing trade tensions supported market sentiment. Despite the temporary tariff truce between the United States and China, business activity remained mixed.
Although the Institute of Supply Management manufacturing purchasing managers' index dropped to 48.7 in April from 49.0 a month ago, the services index rose to 51.6 from March's 50.8. Consumption indictors in May showed similar patterns with the University of Michigan Consumer Sentiment Index on a downtrend whereas the Conference Board Consumer Confidence Index rebounding from its previous month's level.

Europe

The Euro Stoxx Index went up by 4.5% in May. The de-escalation of trade tensions sparked a wave of positive sentiment across European markets. The new finance minister of Germany, the largest economy in the Eurozone, prepared a draft budget which includes a new infrastructure fund with an aim to reform and modernize the economy.

China & HK

The CSI 300 Index gained 1.8% in May. The People's Bank of China inject liquidity into the economy by cutting the reserve requirement ratio (RRR) on 8 May and then following up with 10 basis points reduction in loan prime rates on 20 May.
To promote the development of local fund industry and capital market, the China Securities Regulatory Commission announced a 25-points action plan in early May. Local fund management companies are encouraged to align portfolio managers' remuneration with their investment performance.

In May, the Hang Seng Index gained 5.3% and the Hang Seng China Enterprises Index went up by 4.4%. Investor sentiment was supported by the 90-day pause on reciprocal tariffs between China and the United States. Finance and property sectors outperformed thanks to revival of initial public offerings and decline in Hong Kong inter-bank offer rates.

Bond Market Outlook

The FTSE MPF World Government Bond Index ended the month of May almost flat. Bond market in the United States faced mounting pressure as investor confidence wanes amid the country's deteriorating fiscal outlook. Moody's downgrade of the United States' credit rating amplified concerns over the government's hefty debt burden and the fiscal implications of proposed tax cuts.

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