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AI Capex, Gold Strength, and Asian Equities Drive Recovery

05/05/2025

AI-driven tech capex, resilient labor markets, and undervalued Asian equities are reshaping global investment flows, while gold surges 23.5% YTD on inflation hedging and AI-linked demand. Investors should favor mid-duration bonds, SGD-hedged gold, and Asia FX while reducing exposure to long-duration debt and high-beta EM currencies.

Key Points

Equities	Despite ongoing pressures from tariffs, policy uncertainty, and cautious forward guidance—particularly affecting trade-reliant and rate-sensitive sectors—global equity performance is being driven by strong labor markets, resilient Big Tech earnings (91% beat rate, 29% YoY growth), surging AI capex (Meta: USD68bn; Nvidia: USD500bn), and undervalued opportunities in Asia ex-Japan, prompting investors to favor high-quality, cash-rich tech and regional equities over broad market exposure.
Fixed Income	Global bond markets face rising yields and widening credit spreads driven by sticky inflation, delayed rate cuts, and fiscal uncertainty, making ultra-long and speculative-grade bonds increasingly vulnerable, while a barbell strategy favoring 2–3Y and 7–10Y investment-grade bonds in developed markets offers resilience and balanced return potential.
Currencies	USD/SGD is trending toward 1.3000 amid capped DXY and regional FX strength, but U.S. inflation and Fed-MAS divergence sustain short-term USD support, while investors should favor stable Asian currencies, selectively add EUR/JPY, and reduce USD exposure near 1.3100.
Commodities	Gold's 23.5% YTD surge to USD 3,240.49 reflects its strength as an inflation and geopolitical hedge, with SGD-based investors benefiting from subdued yields, AI-driven demand, and capex flows—warranting continued exposure to gold, copper, and lithium, while avoiding industrial metals until China stabilizes.

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	Foundational Assumptions	Key Challenges	Strategic Action
Equities	**Equity Trend Insights** Strong labor markets and AI-driven tech capex are driving equity gains, with Big Tech (91% earnings beats, 29% YoY growth) and Asia ex-Japan (+4.2% YTD) outperforming despite S&P 500 and NASDAQ losses (-3.3%, -6.9%) and VIX at 22.	**Equity Pressure Analysis** Tariffs, policy uncertainty, and cautious guidance are pressuring equities, with banks down 2–6% and the Fed's inaction, despite +177k job growth, adding risk to rate-sensitive sectors and trade-reliant economies like Singapore.	**Equity Investment Guidance** Focus on tech leaders (Microsoft, Amazon, Nvidia) backed by over USD250bn in 2025 capex, and undervalued Asia ex-Japan markets (12.6x P/E vs. U.S. 20.5x); favor cash-rich, defensible firms exposed to AI and digital trends.
Fixed Income	**Bond Market Trends** UST 10Y yield >4.3%, high-yield spreads at 3.52bps, and rising sovereign yields in Japan and Germany signal steepening curves and growing duration risk; ultra-long bonds are most exposed.	**Bond Pressure Drivers** Sticky inflation, delayed rate cuts, and U.S. fiscal risks are elevating credit spreads and volatility, especially in speculative-grade corporates and long-duration sovereigns, ahead of June Fed data.	**Bond Investment Strategy** Use a barbell strategy: combine 2–3Y and 7–10Y IG bonds in the U.S. and developed markets; avoid high-yield and ultra-long bonds amid policy unpredictability and credit risk.
Currencies	**Currency Movement Trends** USD/SGD is biased toward 1.3000 as DXY stays capped (98–101) and USD-CNH weakens, supporting SGD stability; U.S. inflation may keep USD firm short-term.	**Currency Risk Analysis** SGD faces pressure from Fed-MAS policy divergence, delayed tariff effects, and regional rate uncertainty, with Japan's postponed hikes and global risk-off flows amplifying FX volatility.	**SGD Currency Picks** Favor Asian currencies with strong fundamentals; hold moderate USD as a hedge, trim near 1.3100, and avoid EM FX exposed to China's slowdown; consider EUR and JPY on policy divergence.
Commodities	**Gold & Commodity Trends** Gold is up 23.5% YTD to USD 3,240.49, outperforming amid inflation, FX risk, and AI-linked demand; metals benefit, while energy (WTI -18.7%) lags.	**Commodity Pressure Factors** Geopolitical risks, U.S. fiscal uncertainty, and over USD100bn in AI infrastructure capex are boosting gold demand, reinforcing its role as a hedge in SGD terms.	**Gold Investment Picks** Hold SGD-hedged gold ETFs, bullion, and low-cost miners; selectively add copper and lithium tied to AI growth; avoid broad industrial metals until China demand recovers.

Reference:

DBS Bank Ltd. (2025). CIO Weekly.

Citigroup Inc., Citi. (2025). CIO Strategy Bulletin.

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AI-driven tech growth and undervalued Asian equities drive selective equity recovery amid macro headwinds

Strong labor markets and AI-led tech capex drive global equity rebound

Global equities are advancing on the back of labor market strength, 91% earnings beats in tech, and over USD500bn in planned AI infrastructure investment.

- S&P 500 and NASDAQ rose 1.5% overnight; still down -3.3% and -6.9% YTD
- DAX up 16% YTD; Hang Seng up 12.2%
- Big Tech beat 100% of earnings estimates; YoY growth of 29%
- Meta and Nvidia guide USD68bn and USD500bn in 2025 capex
- MSCI Asia ex-Japan up 4.2% YTD; trades at 12.6x P/E vs. U.S. 20.5x
- VIX fell from 50 post-April tariffs to 22, signaling less hedging activity

Valuations pressured by tariffs, weak guidance, and cautious central banks

Trade volatility and negative earnings revisions weigh on sentiment despite stable economic data.

- Bank shares down 2–6% since Mar 2025; exposed to global trade fragility
- EPS revisions fall to 6th percentile since 1986
- 177k jobs added in April; Fed offers no clarity on rate cuts
- Consumer pessimism and delayed export impacts heighten vulnerability in discretionary sectors

Tech capex and Asian valuation discounts shape investment opportunities

Investors should focus on defensive, capex-backed tech firms and undervalued Asian markets.

- Microsoft, Alphabet, Amazon, and Nvidia exceed USD250bn in 2025 capex
- Hang Seng +12.2% YTD; MSCI EM +5.4% YTD
- Prefer companies with realistic guidance and strong cash flows
- AI infrastructure and consumer-facing tech firms lead re-risking activity

Rising yields and inflation concerns elevate bond risks, supporting short-to-mid duration IG strategies

Steepening yield curves and global spread widening elevate duration risk

Long-end yields and high-yield credit spreads reflect recalibrated rate cut expectations and fiscal pressures.

- UST 10Y yield >4.3%; JGB and Bund 10Y yields up 17.1bps and 16.8bps YTD
- HY spreads widened to 3.52bps; IG corporate spreads at 1.02bps
- Avoid >15Y bonds due to asymmetric extension risk

Sticky inflation and artificial front-loading raise volatility in bond markets

Soft fundamentals, late-appearing tariff effects, and U.S. fiscal fears pressure high-yield bonds.

- Pre-tariff inventory builds distort growth data; Fed rate path remains opaque
- Talk of ‘Mar-a-Lago Accord’ increases debt maturity fears
- No signs of broad slowdown yet; post-June data likely to disappoint

Barbell strategy balances duration risks with stable income

Investors should combine 2–3Y and 7–10Y IG bonds for income and capital stability.

- Mid-duration IG credit offers spread compression upside
- Short-duration protects against policy missteps and liquidity shocks
- Avoid HY debt; lean defensively toward sovereign and quality corporate bonds

SGD benefits from regional strength but remains exposed to policy divergence and global trade volatility

USD-SGD weakens as Asian FX gains and DXY remains capped

Trade détente, stable Asian currencies, and a capped DXY support SGD strength toward 1.3000.

- USD-SGD remains below 1.3100; trending toward 1.3000
- USD-CNH weakness and DXY range (98–101) support regional FX stability
- Hang Seng +12.2% and MSCI Asia ex-Japan +4.2% reflect regional capital resilience

Fed-MAS divergence and delayed export softness pose near-term SGD risks

Despite macro resilience, SGD faces pressure from yield gaps and FX volatility due to diverging central bank policies and export-linked fragilities.

- Fed holds rate advantage over MAS; yield premium favors USD
- Japan's delayed hikes and subdued inflation weigh on regional monetary dynamics
- Delayed tariff transmission may pressure Singapore exports and FX flows

Favor Asia FX, reduce USD near resistance; avoid China-exposed EM FX

SGD holders should tactically reduce USD and seek diversification in Asia and select G3 currencies.

- Sell USD above 1.3100; retain partial hedge
- EUR and JPY attractive if policy diverges further from Fed
- Underweight EM FX vulnerable to China's trade slowdown

Gold outperforms on inflation hedging and AI-linked demand, with selective upside in capex-driven metals

Gold outperforms on 23.5% YTD gain and AI-driven demand

Gold rallies to USD3,240.49, outperforming commodities due to inflation risk, AI capex, and subdued real yields.

- Gold +23.5% YTD; WTI -18.7% YTD; LMEX +2.4% YTD
- Copper and lithium supported by AI and EV trends

Geopolitical risks and AI infrastructure capex reinforce gold's role as hedge

Sticky inflation, Middle East AI investment, and fiscal uncertainty drive safe-haven demand.

- Middle East to deploy over USD100bn in AI capex
- CPI history and weak consumer sentiment support gold allocation

Gold should remain a core holding alongside selective metal exposure

- Maintain SGD-hedged gold via ETFs or bullion; selectively add copper and lithium.
- Focus on low-cost miners and physical-backed instruments
- Avoid broad industrial metals until Chinese demand recovers
- Limit exposure to volatile energy-linked commodities