

FINANCE

Position for Profit as Markets React to Global Uncertainty

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Position for profit as global markets pivot sharply under the weight of renewed US-China trade tensions, surging bond yields, and volatile currency movements. Capitalize on hidden opportunities in resilient equities, high-yield bonds, and safe-haven assets like gold to secure returns amid global economic uncertainty.

Key Points

Equities	Global equities remain volatile due to trade tensions and currency shifts, with Taiwan's exports pressured by currency strength, China's exporters benefiting from a -5% RMB depreciation, and US equities buoyed by significant Middle Eastern investments, while investment opportunities favor India, Taiwan tech, US defensives, and ASEAN domestic sectors.
Fixed Income	Global bond markets face duration and credit risks with elevated US and German yields, but opportunities lie in Asian sovereign bonds, resilient UAE debt, and select USD-denominated emerging market bonds, while avoiding long-duration Japanese and Eurozone instruments.
Currencies	The SGD remains resilient amid trade tensions and regional FX volatility, benefiting from stable rates and strong liquidity, while USD offers near-term opportunities, AED provides stability, and IDR and INR present selective long-term value despite current weakness.
Commodities	Gold remains a resilient hedge for SGD investors despite near-term pressure from strong USD and high US yields, with opportunities in SGD-hedged ETFs, UAE gold-backed securities, and selective entry points after market corrections.

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Position for Profit as Markets React to Global Uncertainty

	Foundational Assumptions	Key Challenges	Strategic Action
Equities	<p>Equity Trend Insights</p> <p>Global equities face mixed signals as US-China tariffs rose to 145% and 125%, respectively, but the S&P 500 rebounded +3.3%; Taiwan's export sectors struggle with a 5% currency appreciation, while India's equities gain from low inflation (3.2%) and Indonesia faces growth risks at 4.87%.</p>	<p>Equity Pressure Analysis</p> <p>Persistent trade tensions and currency volatility pressure equities, with Taiwan's tech sector hit by margin compression, China's RMB down -5% benefiting exporters, and US equities supported by USD600bn Saudi and USD1.4trn UAE investments.</p>	<p>Equity Investment Guidance</p> <p>Prioritize India's consumption and infrastructure equities, Taiwan's large-cap tech firms, US healthcare and consumer staples, and ASEAN domestic-focused stocks, while favoring value and dividend plays as recession risks ease.</p>
Fixed Income	<p>Bond Market Trends</p> <p>Bonds face duration risks with US yields at 4.5% and Germany at 2.7%; Asia's easing policies favor local currency bonds, the UAE remains resilient, and Taiwan's exporters face rising credit spreads.</p>	<p>Bond Pressure Drivers</p> <p>Lower inflation supports bonds in India (CPI 3.2%), while credit risks rise in Indonesia (GDP 4.87%) and Taiwan; oil-dependent economies like Kuwait face bond pressure from fiscal shortfalls, while UAE bonds remain stable.</p>	<p>Bond Investment Strategy</p> <p>Favor Asian sovereign bonds (India, Indonesia, Malaysia), US investment-grade corporates, and UAE bonds; avoid long-dated Japanese and Eurozone bonds, and explore USD-denominated bonds in the Philippines and Vietnam.</p>
Currencies	<p>Currency Movement Trends</p> <p>SGD remains strong with stable 2.5% rates, outperforming JPY and TWD; China's RMB fell -5%, India's INR faces pressure from rate cuts, and strong regional trade supports SGD liquidity.</p>	<p>Currency Risk Analysis</p> <p>SGD remains resilient amid US-China tariffs and regional FX volatility; CNY weakness and India's falling inflation (3.2%) weigh on their currencies, while oil-reliant currencies like KWD face fiscal pressures.</p>	<p>SGD Currency Picks</p> <p>Favor USD near-term for yield and safe-haven flows; selectively hold IDR and INR for long-term recovery, consider AED for stability, and avoid TWD, KRW, and CNY due to trade headwinds and depreciation.</p>
Commodities	<p>Gold & Commodity Trends</p> <p>Gold remains resilient for SGD investors as India's inflation stays high in precious metals (12.9%), but USD strength and high US yields limit upside; RMB depreciation supports Chinese gold demand.</p>	<p>Commodity Pressure Factors</p> <p>Persistent US geopolitical risks sustain gold demand, but high US yields (4.5%) and delayed Fed easing limit near-term upside; SGD strength preserves investor purchasing power.</p>	<p>Gold Investment Picks</p> <p>Invest in SGD-hedged gold ETFs like SPDR (O87.SI), time entries carefully, explore agricultural ETFs post-correction, avoid industrial metals, and consider UAE gold-backed securities for liquidity and currency stability.</p>

Reference: Allianz Research. (2025). What to watch: Deals, deals, deals!.
 DBS Bank Ltd. (2025). CIO Weekly.

Navigating Trade Tensions and Policy Divergence to Identify Equity Opportunities

Trade Tensions and Policy Divergence Drive Global Equity Volatility

Global equity markets are experiencing volatility driven by escalating trade tensions, currency shifts, and diverging inflation expectations.

- Following a brief tariff rollback, the US reinstated tariffs to 145% on Chinese goods, prompting China's retaliation with 125% tariffs, increasing trade uncertainty and pressuring export-driven sectors.
- Taiwan's 5% currency appreciation could reduce export volumes by up to 2.5%, significantly affecting technology and semiconductor sectors; GDP growth forecasts were downgraded from 3.0% to 2.4% for 2026.
- India's CPI fell to a six-year low of 3.2% in April, with food inflation easing to 2.1%, creating room for rate cuts and boosting consumption and infrastructure sectors.
- Indonesia's GDP slowed to 4.87% in Q1 2025, the weakest in over three years, as manufacturing activity and real estate investments remained flat.
- Elevated US (4.5%) and German (2.7%) bond yields pose valuation risks for growth equities; the US ISM Manufacturing PMI remains below 50, indicating contraction.

Export Dependency and Capital Flows Intensify Equity Market Pressures

Equity markets remain under sustained pressure from persistent trade uncertainty, currency volatility, and policy divergence.

- The US effective import tariff rate on China dropped from 103% to 39% but may rise to 52%, maintaining global supply chain stress, especially in electronics and household equipment sectors.
- Taiwan's currency strength compresses exporter margins, with a projected GDP drag of up to 1.3 percentage points.
- China's RMB depreciation of -5% supports export competitiveness, helping mitigate tariff impacts.
- Middle Eastern capital inflows, including USD600bn from Saudi Arabia and USD1.4trn from the UAE, are expected to bolster US equities, particularly in defense and energy sectors.
- Increased consumer costs from tariffs, up to USD70 per delivery, could weigh on US discretionary consumer goods equities.

Focus Equity Strategies on Domestic Demand and Policy-Supported Sectors

Investment strategies should prioritize resilient sectors and regions positioned for strong domestic demand and policy support.

- Prioritize India's consumption and infrastructure equities, supported by low inflation and expected policy rate cuts.
- Taiwan's large-cap technology firms with dominant market positions and pricing power remain attractive despite currency pressures.
- US defensive sectors, particularly healthcare and consumer staples, offer stability amid fiscal policy uncertainties, with companies like Boeing positioned to benefit from Middle Eastern investments.
- ASEAN equities focused on domestic consumption in Vietnam and the Philippines remain strong, supported by resilient GDP growth of 5.8% and 5.6% respectively.
- Favor value and dividend-paying stocks in energy and financial sectors as global recession risks ease and bond yields rise.
- Explore investment opportunities in logistics, ports, and infrastructure in countries benefiting from trade diversion strategies, including Vietnam, Malaysia, Indonesia, and Singapore.

Bond Markets Struggle with Duration Risks While Selective Regional Opportunities Emerge

Rising Bond Yields Create Duration Risks but Open Regional Opportunities

Bond markets face rising duration risks and volatility as yields surpass projections, while policy divergence presents selective opportunities across regions.

- US 10-year yields reached 4.5%, exceeding the 4.0% forecast, with short-term yields expected to remain elevated before gradual easing to 4.0% by Q4 2026.
- German yields stand at 2.7% vs. the 2.1% forecast, suggesting limited upside for long-dated Eurozone bonds.
- Asia's policy easing offers opportunities in local currency sovereign bonds, with India expected to cut rates from 6.25% to 5.5% by Q3 2025, and Indonesia, Malaysia, and Thailand lowering rates through Q4 2025.
- UAE bonds remain resilient with strong liquidity, low credit risks, and the fastest normalization of credit spreads post-volatility.
- Saudi Arabia's fiscal deficit exceeded USD15bn in Q1 2025, increasing sovereign credit concerns as bond yields and credit spreads widen.

Inflation Moderation and Delayed Rate Cuts Sustain Bond Market Pressures

Global bond markets are influenced by moderating inflation, delayed policy easing, and uneven credit risks.

- US CPI expected to peak at 3.5%, down from 4.3%, easing near-term yield pressures but sustaining elevated long-duration yields due to delayed Fed rate cuts.
- India's low inflation (3.2%) and projected sub-3% levels improve sovereign bond attractiveness, particularly for intermediate maturities.
- Indonesia's GDP slowed to 4.87%, and Taiwan faces a GDP drag of up to 1.3 percentage points from currency strength, raising credit risks in corporate bonds.
- Oil-dependent economies like Kuwait face higher sovereign bond risks, with projected fiscal shortfalls of -16% of non-oil GDP following a 10% oil price decline.
- UAE bonds remain strong with the lowest rise in credit default swaps, supported by diversified economic fundamentals and early market normalization.

Target Sovereign and Corporate Bonds in Economies with Easing Policies

Investors should align bond portfolios with regions offering favorable monetary policies, credit quality, and yield premiums.

- Favor Asian sovereign bonds in India, Indonesia, and Malaysia, benefiting from policy easing and controlled inflation; focus on intermediate maturities (5–7 years).
- US investment-grade corporate bonds in healthcare and consumer staples offer resilience amid high policy rates; favor shorter durations to mitigate rate risks.
- UAE sovereign and high-grade corporate bonds remain attractive, supported by a diversified economy and early spread normalization.
- Explore USD-denominated sovereign and quasi-sovereign bonds in the Philippines and Vietnam, backed by strong GDP growth (5.8% and 5.5% respectively).
- Avoid long-dated Japanese and Eurozone bonds due to unfavorable rate dynamics; favor short-term instruments and US TIPS for inflation protection.
- Selectively invest in Chinese SOE bonds with government backing, while avoiding private corporates in export-heavy sectors vulnerable to trade shocks.
- Consider inflation-linked bonds (TIPS) in the US and short-duration German Bunds to hedge against inflation spikes and protect capital.
- Avoid or underweight long-term Saudi sovereign bonds given rising fiscal pressures and elevated credit risk.

SGD Maintains Resilience Amidst Global Currency Volatility and Shifting Yield Differentials

SGD Strengthens on Regional Trade Resilience and Stable Yield Differentials

The Singapore dollar remains resilient amid global currency volatility, supported by interest rate stability and its strong position as a regional trade hub.

- SGD policy rate (3M SORA OIS) remains steady at 2.5% through Q2 2025, outperforming JPY (1%) and TWD (1.88%), with only a slight decline expected to 2.3% by Q4 2026.
- RMB depreciation of -5% year-to-date and expected INR policy rate cuts from 6.25% to 5.5% by Q3 2025 create near-term weakness against SGD.
- Elevated US bond yields at 4.5%, with upside risk to 5%, have strengthened USD/SGD temporarily, though policy rates are nearing a peak.
- High regional trade activity, with weekly Asian port calls reaching 46,536 (just 4% below the mid-2022 peak), reinforces SGD's liquidity and safe-haven status.

Trade Tensions and Inflation Divergence Drive Volatility Across Key Currencies

Global macroeconomic pressures continue to drive currency volatility relative to SGD, particularly across export-dependent and oil-reliant economies.

- US-China tariffs surged to 145% and 125% respectively, increasing FX volatility for TWD and KRW due to export dependency.
- RMB weakness, with the CFETS RMB Index declining to ~97, and reduced Chinese fiscal stimulus sustain CNY depreciation risks.
- India's low inflation at 3.2% and expected rate cuts weigh on INR, increasing near-term underperformance risks.
- Oil-dependent currencies like KWD (-16% fiscal shortfall) and OMR face fiscal pressure; the AED remains more stable due to its USD peg.
- GBP remains overvalued after appreciating +8.7% since 2023, increasing downside risks due to weakening export competitiveness and a -6% cumulative drop in export volumes.

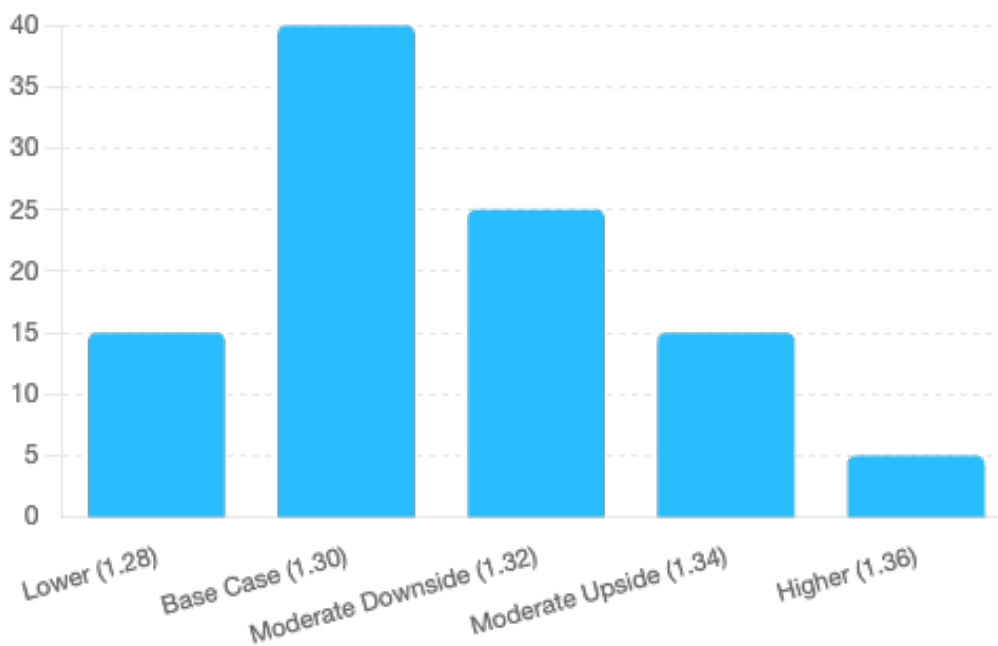
Prioritize USD and AED for Stability; Avoid Overvalued and Fragile Currencies

Investment opportunities favor currencies offering near-term yield advantages and long-term recovery potential, while avoiding overvalued or structurally weak currencies.

- USD remains the best near-term pick given high US interest rates at 4.5%, safe-haven demand, and delayed Fed rate cuts expected only by late 2025.

- Selectively hold IDR and INR for long-term recovery, driven by structural reforms and favorable demographics despite current policy easing cycles.
- AED remains a stable investment with low credit risks, benefiting from its USD peg and diversified UAE economy, which has seen the lowest increase in credit default swaps.
- Avoid TWD and KRW due to export vulnerabilities and rising margin pressures from currency strength; avoid CNY due to ongoing depreciation and limited policy support.
- EUR-denominated bonds and assets offer limited upside relative to SGD as German Bund yields remain low at 2.7% despite inflationary pressures, reducing EUR attractiveness against SGD.

USD/SGD Exchange Rate Scenarios (Next 3–6 Months) (%)



Category	Rate	Probability	Rationale
Lower	1.28	15%	Aggressive Fed rate cuts anticipated by Q4 2025, stable MAS policy at 2.5%, and safe-haven flows into SGD amid continued global growth risks support this scenario.
Base Case	1.30	40%	Balanced inflation expectations, gradual Fed easing starting late 2025, and strong SGD liquidity driven by resilient trade activity position this as the most likely outcome.
Moderate Downside	1.32	25%	Fed delays rate cuts beyond Q4 2025 while MAS eases slightly to 2.3%, creating moderate USD strength and temporary capital outflows from SGD assets.
Moderate Upside	1.34	15%	Stronger-than-expected US economic resilience keeps yields elevated above 4.5%, sustaining USD demand while MAS maintains a cautious easing stance.
Higher	1.36	5%	Extreme risk-off event driven by geopolitical shocks or financial market instability triggers a sharp USD surge as investors retreat to safe-haven US assets.

Definitions

Lower	Indicates a scenario where the local currency strengthens relative to the foreign currency, typically due to favorable domestic policy conditions, external monetary easing, or safe-haven demand for the local currency.
Base Case	Represents the most probable outcome based on prevailing economic trends, where policy expectations, inflation dynamics, and risk sentiment are broadly balanced and no significant shocks are anticipated.
Moderate Downside	Reflects a mild depreciation of the local currency against the foreign currency, typically due to softer domestic growth, mild policy divergence, or temporary capital outflows—without significant external shocks or aggressive monetary shifts.
Moderate Upside	Describes a moderate strengthening of the foreign currency versus the local currency, often linked to policy delays, interest rate divergence, or modest capital outflows from the local market.
Higher	Signals a more pronounced appreciation of the foreign currency against the local currency, generally due to increased global uncertainty, risk aversion, or sustained capital flight into foreign assets.
Extreme Risk-Off	Captures a tail-risk event where the foreign currency surges sharply against the local currency, driven by systemic crises such as financial shocks, geopolitical escalations, or sudden liquidity stresses that override macro policy settings.

Gold Retains Safe-Haven Appeal as Commodities React to Geopolitical and Inflation Dynamics

Gold Maintains Safe-Haven Appeal Despite Higher Real Yields

Gold remains a preferred safe-haven for SGD investors despite short-term headwinds.

- Elevated inflation in India (12.9% in precious metals) sustains gold demand, influencing core inflation and supporting global demand.
- Strong SGD and Asian currency trends lower commodity import costs, enhancing gold's affordability for SGD investors.
- US real yields and a stronger USD create short-term price pressure on gold, reducing its appeal as an inflation hedge.
- UAE gold-backed securities offer strong liquidity and currency stability, making them a valuable portfolio addition.
- Rising demand for gold in China, supported by a -5% RMB depreciation, offsets some global price pressures.
- Sluggish infrastructure investment in Indonesia and Taiwan is redirecting capital flows from industrial metals to safe-haven assets like gold.

Geopolitical Risks and Economic Headwinds Shape Commodity Demand Dynamics

Financial and geopolitical pressures continue to shape commodity and gold market dynamics.

- US political uncertainty, including tariff swings and trade policy volatility, sustains safe-haven demand for gold.
- US bond yields at 4.5% increase the opportunity cost of holding gold, applying downward price pressure.
- SGD strength preserves investor purchasing power, offsetting some of gold's negative price trends in USD terms.
- Slower industrial demand in Taiwan and Indonesia shifts focus to non-cyclical commodities like gold over base metals.
- Stabilization of oil prices through Saudi Arabia's USD600bn investments could soften gold's safe-haven appeal.
- Global agricultural markets face temporary oversupply, creating short-term pressure but potential entry points for long-term investors.

Hedge Against Uncertainty with SGD-Hedged Gold and UAE Securities

Gold remains a core portfolio hedge for SGD investors with strategic entry timing.

- Prioritize SGD-hedged ETFs like SPDR Gold Shares (O87.SI) and ICBC Gold ETF for diversified exposure.
- Physical gold stored in Singapore offers liquidity and regulatory benefits, enhancing capital protection.
- Explore agricultural commodity ETFs after market corrections, focusing on supply chain disruptions and global weather volatility.
- Avoid industrial metals from export-reliant markets like Taiwan and Indonesia, which face cyclical headwinds.
- Consider UAE gold-backed securities for liquidity and currency stability, benefiting from the UAE's ranking as a top trade hub.
- Time new gold purchases carefully as US interest rates remain elevated, awaiting more favorable entry points as the Fed moves toward policy easing in late 2025.