BNP PARIBAS WEALTH MANAGEMENT

The bank for a changing world

APRIL 2025

Investment Navigator

Asia Edition

Tech and Turbulence : Investing in a Volatile World

This edition of the Investment Navigator for April 2025 focuses on how to navigate a volatile market in a world with heightened geopolitical and trade tensions that carry new risks and present new opportunities.

President Trump's tariff wars create record high policy uncertainty and market turbulence globally. At the same time, there are two game changers to the world this year,

(1) DeepSeek in China, and

(2) fiscal reform in Germany.

What are their economic and investment implications?

Investors should ensure that they have a resilient portfolio to take advantage of the emerging opportunities while navigating market volatility with escalating uncertainty.

Prashant BHAYANI
Chief Investment Officer
Asia
BNP Paribas
Wealth Management

Grace TAM
Chief Investment Adviser
Hong Kong
BNP Paribas
Wealth Management

Dannel LOW
Investment Adviser
Asia
BNP Paribas
Wealth Management

PRESIDENT TRUMP IS PUSHING FOR A NEW WORLD ORDER IN HIS FIRST 100 DAYS

No "Trump put" and "Fed put" for now, but the "Bessent put"

US President Trump has signed over 100 executive orders within his first 100 days with major topics ranging from immigration reform, tariffs, cutting federal spending and workforce to foreign policy.

So far, the most unexpected by the market has been Trump's very aggressive stance on tariffs. **We may not be at peak tariffs yet**, as the "discounted" reciprocal tariffs approach announced on the "Liberation Day" allows for further escalation in response to likely retaliations. **The Trump administration is also aiming to use tariffs revenues to fund the potential tax cuts.** Hence, there is likelihood that some individual countries' tariff rates are lowered from elevated levels through bilateral negotiations, but the eventual baseline tariffs are higher.

Trump is also eyeing to position US to reshore important areas of manufacturing. The US accounts for 30% of global consumption. Hence, disruption to supply chains is inevitable as companies do not want to take risk of higher tariff exposure.

It is debatable whether tariffs will help him succeed in an American manufacturing renaissance, but the record high policy uncertainty is already hitting the US economy with consumer confidence tumbling to a 4-year low and ISM manufacturing PMI slipping back into contraction territory in March. The massive tariffs have also sparked recession fears and shaken up financial markets. **In the near term, investors should stay cautious as market is pricing in the rising US stagflation and global recession risks.**

The Trump administration acknowledged that tariffs will cause some short-term pain. Meanwhile, the Fed officials are cautious on rate cuts amid tariff-induced inflation risks. Hence, **"Trump put" and "Fed put" are absent in the near term**. That said, it appears that there is **the "Bessent put" as US Treasury Secretary Bessent is aiming at pushing Treasury yields down**. However, after the recent bond rally, **yields are up again on concerns over China and other countries to "dump" US Treasuries as retaliation.**

With the Trump administration's stated aim of avoiding a recession, there could be a **policy pivot** in case of any fast deterioration in the US economic outlook. **US initial jobless claims and US high yield CDS spreads are our key indicators to closely watch for.** Will "Trump put" and "Fed put" be back earlier-than-expected? 2026 is America's 250th anniversary and the mid-term elections will be held in November. So far, the administration is working on immigration, tariffs and DOGE's federal cost cutting – the growth negative agenda. When will tax cuts and deregulation – the growth positive agenda – be put on the radar screen?

"GAME CHANGERS" IN CHINA AND GERMANY

China

China has been flooding the world with AI models after the success of DeepSeek, which is a "game changer" for the world's AI ecosystem as it accelerates broader AI development and adoption. China's cost-efficient models are also a challenge to America's AI dominance. "Mag 7" has become "Lag 7" YTD amid crowded positioning, slowing earnings momentum and still relatively expensive valuations. Investors also question the hyperscalers' return on investment (ROI) given their massive AI capex spending.

Germany

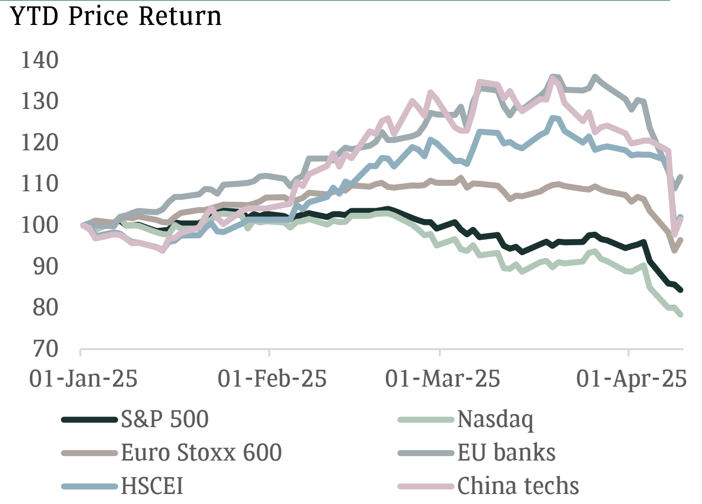
Another "game changer" is Germany's fiscal U-turn from years of austerity to spending boost in defence and infrastructure. Although the positive growth impulse from fiscal stimulus will likely be fully offset by the negative impact of additional 20% tariffs this year, it remains a big positive fundamental change for Eurozone growth in the longer-term.

From MAGA to MCGA & MEGA

China and European equities have relatively outperformed US equities YTD (see Figure 1). **Bottom-fishing opportunities, particularly on sectors, such as, China techs and European banks, are emerging** amid the current global stock market corrections that are triggered by Trump's sweeping tariffs.

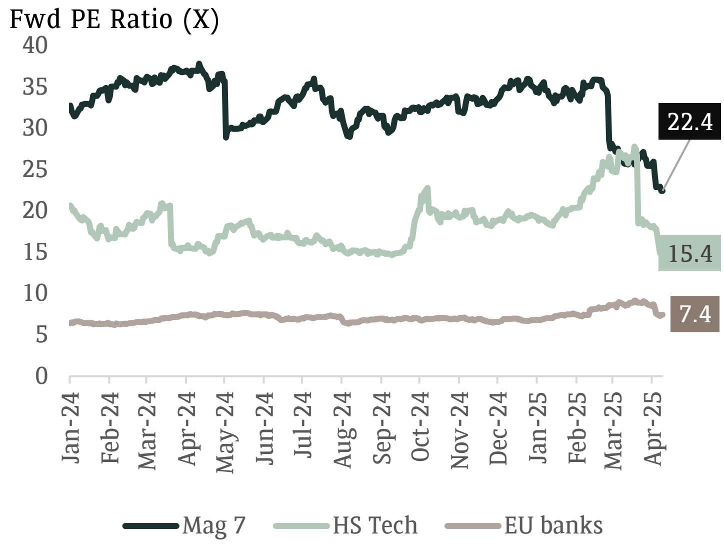
There is still a big valuation gap between Mag 7 and China techs. Mag 7, despite the recent sell-off, is still trading on average 22x forward PE versus Hang Seng Tech's 15x. European banks, despite the strong rally early this year, are trading on only 7x forward PE (see Figure 2).

**FIGURE 1.
CHINA AND EUROPE HAVE RELATIVELY OUTPERFORMED US EQUITIES YTD**



*Source: Bloomberg, BNP Paribas WM, as of 9 Apr 2025
Past performance is not indicative of current or future performance*

**FIGURE 2.
CORRECTIONS PRESENT MEDIUM-/LONG-TERM BUYING OPPORTUNITIES FOR EU BANKS AND CHINA TECHS**

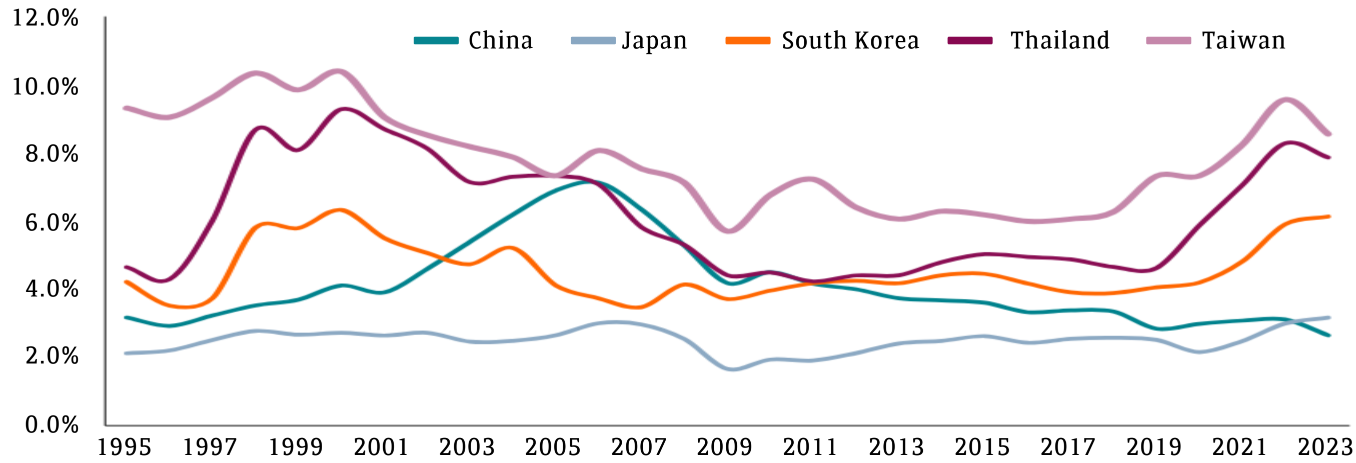


*Source: Bloomberg, BNP Paribas WM, as of 9 Apr 2025
Past performance is not indicative of current or future performance*

IS CHINA RELATIVELY INSULATED FROM HIGHER TARIFFS THAN ITS ASIAN PEERS?

FIGURE 3.
CHINA'S EXPORTS TO THE US ACCOUNT FOR ONLY 2.8% OF CHINA'S GDP

Manufactured exports to the US as a percentage of GDP, for select Asian countries



Source: UNCTAD, Bloomberg, Factset, BNP Paribas Exane Research, as of 31 Mar 2025
Past performance is not indicative of current or future performance.

China's exports to the US represented just 2.8% of China's GDP, versus 25% of Vietnam's 14% of Taiwan's, 7% of South Korea's and 4% of Japan's.

FIGURE 4.
CHINA IS RELATIVELY LESS EXPOSED TO FOREIGN REVENUES

Percentage of total revenues defined as foreign sourced (%)

	2014	2015	2016	2017	2018	2019	2020	2021	2022	2023
Taiwan	66%	68%	67%	67%	69%	68%	68%	69%	73%	70%
Korea	42%	42%	42%	42%	42%	42%	42%	45%	46%	44%
Japan	34%	36%	37%	36%	38%	38%	37%	37%	41%	44%
India	25%	24%	24%	23%	23%	22%	22%	20%	20%	20%
China	12%	11%	16%	12%	12%	13%	11%	12%	13%	12%

Source: UNCTAD, Bloomberg, Factset, BNP Paribas Exane Research, as of 31 Mar 2025
Past performance is not indicative of current or future performance.

China equity markets' foreign revenue exposure is only 12% versus Taiwan's 70%, and South Korea's and Japan's 44%.

FUND FLOWS BACK TO CHINA STOCK MARKETS

We expect further domestic and foreign fund flows to both China A-share and Hong Kong stock markets driven by:

- Cost-effective AI models
- Low RMB deposit rate
- Further Southbound inflows
- Further stimulus
- Domestically orientated
- Government requests long-term funds to buy stocks
- Reasonable valuations
- Under-owned by foreign investors

BUILD A RESILIENT PORTFOLIO TO NAVIGATE MARKET VOLATILITY

Given the elevated policy uncertainty, investors should ensure they have a resilient portfolio to navigate this period of market volatility through:

Diversification to uncorrelated assets to reduce overall portfolio volatility

(defensive US sectors, selected domestic-oriented China/Europe/Japan sectors, precious metals, private assets)

Income portfolio

(bonds, dividend income, structured note coupons)

Profiting from high volatility through structured solutions

Overview of our CIO Asset Allocation for April 2025

	Views Current	Views Prior	Constituents	We like	Comments
EQUITIES	=	+	Markets	UK, Japan, Brazil, China, South Korea, Singapore & Indonesia	■ **We downgrade our Equities recommendation to Neutral**, awaiting more positive signals on tariffs and liquidity. **We also downgrade US stock exposure to Negative.**
			Sectors	Industrials, Healthcare	■ **We avoid EU Oil & Gas, Consumer Staples, US Tech, US Consumer Discretionary.**
			Styles/ Themes	Megatrend Themes	■ Circular economy, electrification, security & income themes.
BONDS	=	=	Govies	Eurozone, UK	■ **We turn tactically positive on US Treasuries, with a 3-month US 10Y Treasury yield target of 4%.** ■ **Our longer term yield forecast remains unchanged. 12-month US 10Y yield at 4.25%, German 10Y bund yield at 2.5%.**
	+	+	Segments	EUR and GBP Investment grade	■ **We continue to like EUR and GBP investment grade corporate bonds.** ■ We are neutral on High Yield and EM bonds (USD+local currency).
CASH	-	-			
COMMO-DITIES	+	+		Gold	■ **Gold – Positive with a 12-month target of $3200/oz.** ■ Oil – Negative with Brent's target range to $60-70. ■ Base metals – **Neutral. Outlook for the manufacturing sector eroded by tariff hikes.**
FOREX			USDJPY		■ 12-month target at 150
			EURUSD		■ 12-month target at 1.15
ALTER-NATIVE	+	+		Hedge funds (event driven, long-short equities, relative value)	■ Neutral on global macro

Note: + Positve / = Neutral / - Negative

GDP & CPI Forecasts

		GDP (YoY%)			CPI (YoY%)		
		2024	2025f	2026f	2024	2025f	2026f
Developed	US	2.8	1.8	1.3	2.9	3.3	3.4
	Japan	0.1	1.0	0.2	2.7	3.2	2.1
	Eurozone	0.7	1.3	1.5	2.4	2.2	2.0
	UK	0.9	1.1	0.9	2.5	3.3	2.5
North Asia	China	5.0	4.5	4.3	0.2	0.8	1.0
	Hong Kong*	3.2	3.0	2.9	1.7	2.3	2.4
	South Korea	2.2	1.6	1.9	2.3	2.2	2.1
	Taiwan	4.4	2.4	2.0	2.2	1.9	1.9
South Asia	India	8.2	6.2	6.7	5.4	4.8	4.2
	Indonesia	5.0	5.0	5.0	2.4	2.3	2.5
	Malaysia	5.5	4.6	4.0	1.9	2.3	2.4
	Philippines*	5.8	6.1	6.3	3.3	3.0	3.0
	Singapore	4.0	2.4	2.0	2.8	1.7	2.0
	Thailand	2.8	2.7	2.2	0.4	1.3	1.7

Source: BNP Paribas Group Economic Research, BNP Paribas Global Markets forecasts as of 14 April 2025
** IMF data and forecasts as of 14 April 2025*

GROWTH

- "Liberation Day" brought about the biggest tariff increases in the history of the US. It should take the effective tariff rate from around 2.5% prior to the Trump presidency to 22% currently. **The much larger than expected trade tariffs are already resulting in some retaliation, notably China, albeit we think most countries should likely negotiate. This should still represent substantial headwind to growth globally, particularly to the US.** Sustained uncertainty regarding tariffs (time frame and possible new changes) weigh on both consumer and business sentiment. **We hence downgrade our US GDP forecast for 2025 to 1.8% from 2.5% previously and is likely to downgrade further.**

INFLATION

- **The longer trade uncertainty (and potential retaliation) last, the higher the impact of tariffs on inflation and lower global growth.** It is hence not a surprise that inflation expectations surged recently. A quickfire series of tariff moves, involving modern complex supply chains, is almost guaranteed to lead to higher producer price and consumer price inflation globally. **The US could see significantly higher prices with the latest development of their tit-for-tat trade war with China.**

Equities

POSITIVE NEUTRAL NEGATIVE

OVERALL GLOBAL: NEUTRAL

POSITIVE	NEUTRAL	NEGATIVE
COUNTRY		
UK Japan Emerging Mkt	Eurozone	▼ US
SECTOR		
Healthcare Industrials Utilities	Comms. Real Estate ▼ Financials ▼ Materials	Consumer Staples Energy ▼ Technology ▼ Consum. Discre.

OVERALL ASIA: POSITIVE

POSITIVE	NEUTRAL	NEGATIVE
COUNTRY		
China Singapore South Korea Indonesia	Taiwan India, Thailand Malaysia Philippines	-
SECTOR		
Comms. Consu. Discre. Consumer Staples Technology	Materials Real Estate Financials Healthcare Utilities	Industrials ▼ Energy

- **Equities market globally post "Liberation Day" experience extreme surges in volatility on increasing fear of a global trade war.** Chinese equities saw one of its worst selloff on 7th April after the China retaliated. Near term, volatility is likely to remain. **Further retaliation from other regions should also weaken sentiments.**
- **We downgrade our long held Positive stance on equites to Neutral.** Trump's reciprocal tariff announcement is clearly negative for growth in a global basis and even carry the risk of stagflation for the US economy.
- **We also downgrade our view on the US equity market from Neutral to Underweight.** The effects from the tariff announcements should have negative impacts on consumption while driving up companies' input costs. Profits are likely to face pressure from these two sides, and are likely not reflected in analysts' estimates.
- We continue to favour ex-US equities. The rotation from US stocks to world ex-US exposure has already begun in March. Market corrections present medium-/long-term buying opportunities for domestically-oriented stocks in China, Japan and/or Europe.

		1-month (%)	YTD (%)	2024 (%)	Forward PE (x)	Trailing PB (x)	Dividend Yield (%) 2025f	EPS Growth (%) 2025f	EPS Growth (%) 2026f	ROE (%) 2025f
Developed	US	-6.0	-4.8	23.4	21.0	4.8	1.6	11.6	14.7	19.0
	Japan	-1.5	-5.4	18.5	14.3	1.6	2.2	3.0	8.1	9.3
	Eurozone	-3.2	7.3	6.8	14.3	1.9	3.0	6.1	11.6	13.2
	UK	-2.3	5.3	5.3	12.1	2.0	3.5	5.5	11.4	14.3
	Asia Ex-Japan	-0.2	1.4	9.8	13.2	1.8	2.5	12.5	13.2	12.1
North Asia	China	1.9	14.6	16.3	11.4	1.6	2.6	8.6	11.6	11.6
	China A-shares	-0.1	-1.2	14.7	12.0	1.7	3.0	9.9	8.2	10.3
	Hong Kong	-0.6	3.9	-4.7	12.1	1.0	4.3	8.0	7.5	7.8
	South Korea	-0.8	4.0	-13.7	8.9	0.9	2.4	19.7	18.0	10.5
	Taiwan	-10.7	-11.8	40.9	15.2	2.9	2.4	17.9	15.8	17.0
South Asia	India	6.8	-3.3	14.3	21.6	3.8	1.2	16.9	14.9	14.8
	Indonesia	5.7	-9.4	-12.3	9.9	1.8	7.7	0.5	6.3	16.0
	Malaysia	-3.9	-8.4	12.8	12.7	1.3	4.1	6.0	7.1	11.0
	Philippines	3.6	-2.8	1.6	10.2	1.7	2.9	9.5	9.5	14.8
	Singapore	1.0	4.9	20.0	14.2	1.6	4.7	6.8	7.9	10.8
	Thailand	-3.6	-15.1	-1.6	14.1	1.6	4.2	11.9	10.1	10.6

Source: MSCI indices in local currency terms, Bloomberg, Datastream, BNP Paribas (WM), as of 14 April 2025

Fixed Income

POSITIVE NEUTRAL NEGATIVE

OVERALL GLOBAL: NEUTRAL		
Positive	Neutral	Negative
▲ US Treasuries German Bunds UK Gilts EUR and GBP IG	US IG High Yield EMD (LC) EMD (HC)	-

OVERALL ASIA (USD): NEUTRAL		
Positive	Neutral	Negative
Japan Singapore	South Korea India Philippines Indonesia Hong Kong China	

		Total Return (%)			Yield-to-Worst (%)
		1-Month	YTD	2024	
Asia	Asia USD Bond	-0.1	2.4	4.5	5.1
	Asia Local Currency Bond	0.6	2.1	1	4
	China	0.2	2.7	5.7	5.1
	Hong Kong	0.1	2.6	4.7	4.9
	India	-0.3	2.4	7.4	6
	Indonesia	-1.4	1.5	0.8	5.5
	Singapore	-0.1	2.4	3	4.5
	South Korea	0.3	2.3	4.4	4.6
	Philippines	0.1	2.7	1.4	5.3
Other Regions	US 10-year Treasuries	0.5	3.4	0.1	4
	US Investment Grades (IG)	0	2.8	1.3	4.6
	US High Yield (HY)	-1	1	8.2	7.7
	Emerging Market USD Bond	-0.1	2.5	5.2	5.5

Source: Barclays indices, Bloomberg, BNP Paribas (WM) as of 14 April 2025

US Treasury 12-month Yield Targets (%)	2Y	5Y	10Y	30Y
	4.25	4.25	4.25	4.5

- Rate forecasts: We maintain our call for two 25bp Fed Funds rate cuts this year, thus a terminal rate of 4% by year-end. This should likely happen in H2 2025, against a backdrop of softening economic growth. Likewise, we expect the ECB to still cut rates twice this year, bringing the deposit rate down to 2%.
- Govies: We tactically move to positive for US Treasuries, as the 10Y yields climb as high as 4.5% lately. There are growing risks of a US stagflation and global recession if tariffs stay elevated for a longer period of time. We expect the US to kick start trade negotiations with most countries. Against this backdrop, we revise our 3-month target for the US 10-year yield to 4%.
- Our 12-month forecast remains at 4.25% in the US and 2.50% in Germany. We keep our positive stance on euro core government bonds and eurozone high-grade corporate bonds.
- Corporate IG: We favour investment grade credit, focusing on EU credit (especially financials) on the back of decade-high yields and strong balance sheets. We are also positive on UK IG corporate bonds.

Forex & Commodities

POSITIVE NEUTRAL NEGATIVE

12-MONTH FOREX VIEW

Positive	Neutral	Negative
EUR NZD GBP	CAD AUD CNY KRW TWD INR IDR MYR	USD JPY PHP SGD THB

COMMODITIES

Positive	Neutral	Negative
Gold	▼ Base metal	Oil

- **EUR**: High tariffs would reduce the potential for US growth in the coming years and there is a risk of stagflation. Higher uncertainty regarding the US outlook and better growth prospects in Europe may motivate European investors to diversify their portfolios away from the US and into Europe. Furthermore, we believe the yield differential has shifted to be less favorable for the USD. We have **changed our 3-month target to 1.12 and our 12-month target to 1.15 (value of one EUR).**

- **GOLD: We maintain our positive view and 12-month target of $3200/oz.** Prices are likely to be supported by central bank accumulation, ongoing rate cuts, and the ongoing geopolitical and economic uncertainties. The current consolidation offers new buying opportunities, especially if prices dip below $3000/oz.

- **OIL: We stay negative on oil, with a target range of $60-70 in 12 months.** Downside risks persist given Trump's policy favouring lower oil prices, weak demand growth, non-OPEC supply growth and the intention of OPEC+ to gradually increase its production again as from April 2025.

- **BASE METALS: We turn neutral from positive on base metals.** Volatility has ruffled the sector, and the outlook for the manufacturing sector has been eroded by tariff hikes.

Forex Forecasts

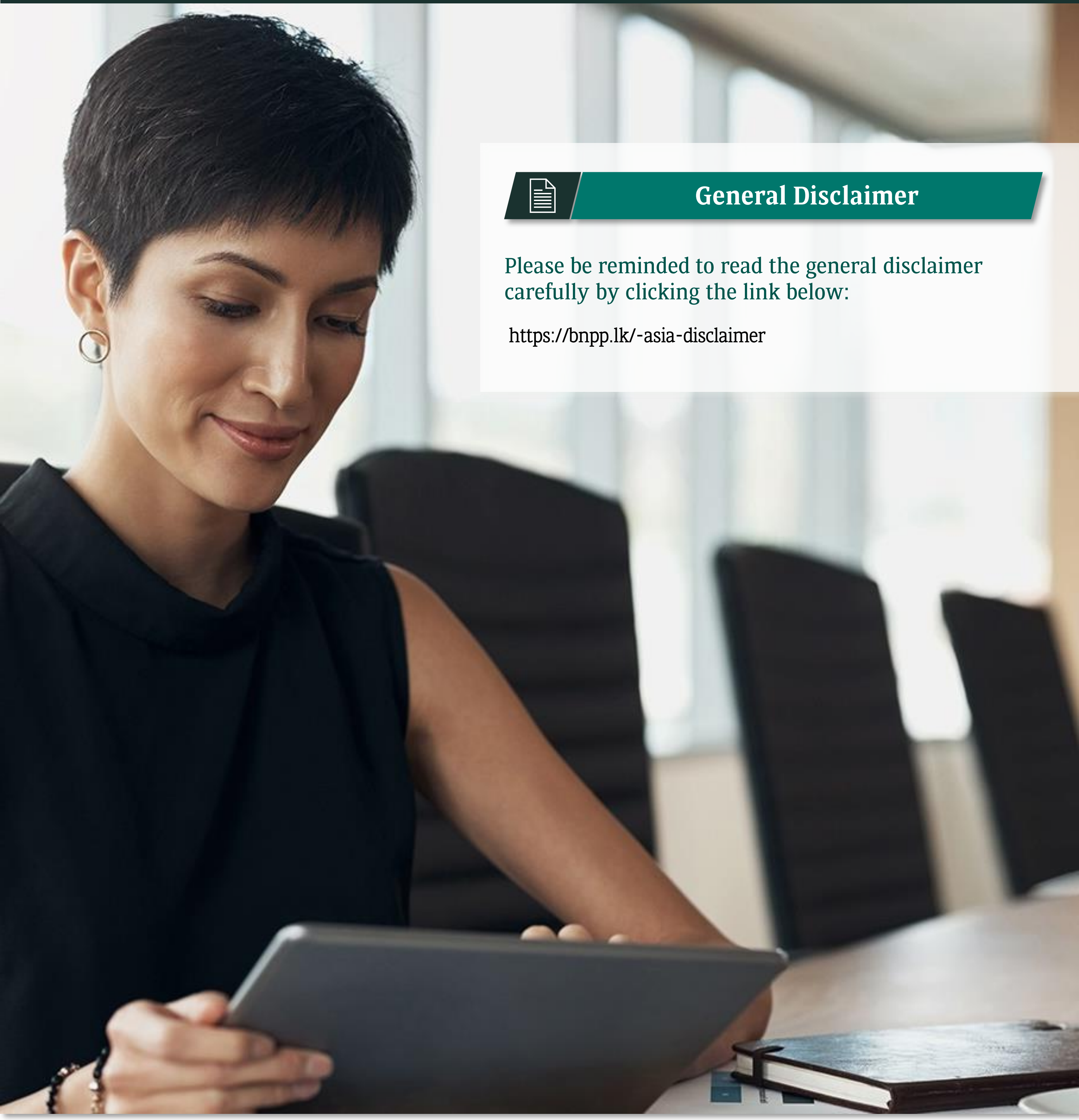
		Spot	3-month		12-month	
		As of 31 Mar 2025	View	Target	View	Target
Developed	USD Index*	104.21	-	101.4	-	99.1
	Japan	149.5	-	150	-	150
	Eurozone	1.080	+	1.12	+	1.15
	UK	1.291	+	1.35	+	1.39
	Australia	0.623	+	0.66	=	0.64
	New Zealand	0.571	+	0.60	+	0.60
	Canada	1.439	-	1.45	=	1.40
Asia Ex-Japan	China	7.252	=	7.30	=	7.30
	South Korea*	1,473	=	1,460	+	1,420
	India	85.47	-	88.0	-	88.0
	Indonesia*	16,560	=	16,500	=	16,600
	Malaysia*	4.438	=	4.46	=	4.38
	Philippines*	57.23	=	57.5	=	56.9
	Singapore*	1.344	=	1.34	=	1.31
	Thailand*	33.93	=	33.9	=	33.4

Note: + Positve / = Neutral / - Negative

Source: BNP Paribas (WM) as of 14 April 2025
**BNP Paribas Global Markets forecast as of 14 April 2025*

CONNECT WITH US

wealthmanagement.bnpparibas/asia



General Disclaimer

Please be reminded to read the general disclaimer carefully by clicking the link below:

https://bnpp.lk/-asia-disclaimer

BNP PARIBAS WEALTH MANAGEMENT

The bank for a changing world