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中銀國際
BOC INTERNATIONAL
PRUDENTIAL
保誠集團
中銀保誠資產管理
BOCI-Prudential Asset Management

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GLOBAL ECONOMY

US

US economy remained on solid ground but was losing some momentum. Services and manufacturing showed strength and both ended in the expansionary territory. Monthly CPI growth eased as core services prices rose at a slower pace. Retail sales and consumer confidence were softer than anticipated, which might point to a weaker consumption outlook. On the other hand, a slight uptick in the unemployment rate suggested that US labour market remained resilient but moderated. Against such macro backdrop, the Fed kept interest rates on hold as market expected and reiterated a more cautious stance on worries about potential tariff impact.

EUROPE

European Central Bank (ECB) lowered its key interest rates during the month by 25 basis points, bringing the deposit facility rate to 2.50%. ECB President Christine Lagarde stated that trade uncertainty over President Trump’s tariff plan could push up Eurozone inflation by 0.5% and Eurozone economic growth could decline 0.3%. Along with the retaliatory response from the EU, the decline on growth could deepen by 0.5%. With respect to economic sentiment, the latest consumer confidence index came in at -14.5 in March from -13.6 the previous month. Latest Eurozone Manufacturing arrived at 48.7 in March, up from 47.6 in the previous month.

GLOBAL ECONOMY

UK

In the UK, the preliminary composite PMI increased from 50.5 in February to 52.0 in March, signaling a strengthening of business activity expansion across the private sector. This upturn was driven by the service economy, which recorded its most rapid growth since August 2024. Concurrently, consumer confidence showed further improvement in February, with retail sales (excluding auto fuel) rising by 1.0% month-on-month, driven primarily by gains in department stores and household goods. Recent inflation data reflected progress in disinflation, as the headline inflation rate eased from 3.0% in January to 2.8% in February, largely due to declines in clothing and housing-related costs. On the policy front, the Bank of England ("BoE") kept interest rates unchanged at 4.5% in March amid mixed signals from the UK economy and a looming trade war, while indicating a cautious approach to further rate reductions. Looking ahead, the trajectory of disinflation and consumer sentiment will serve as critical measures for assessing the vitality of the domestic economy.

JAPAN

Japan's Q4 GDP was revised downward due to weaker private consumption and lower inventories. Capital spending slowed, and exports were brought forward ahead of the rollout of higher tariffs in the US. Despite a moderate recovery and persistent inflation, BoJ adopted a cautious approach of leaving interest rates unchanged amid global uncertainties. However, a tight labor market and strong growth in preliminary annual wage negotiation supported BoJ's stance of further rate hikes. With Japan still lacking a US tariff exemption, PM Ishiba indicated possible measures to support the economy in response. Trade tensions would be a significant factor affecting Japan's economy going forward.

GLOBAL ECONOMY

ASIA

Economic momentum in Asia largely held up, albeit with uneven pace. Macro data suggested a mixed picture on the region's export cycle, with the impact of recently introduced tariffs yet to be fully felt. While there was a faster increase in US-bound exports in selective economies due to front-loading, the magnitude of increase was not even. Mainland China activity indicators came in better-than-expected across the board despite the unfavorable calendar effect. Inflation cooled across the region, and was below expectations in most economies. With inflation well contained and downside risks to growth looming, regional central banks remained on hold during the month but have room to ease further should growth downside materializes.

AUSTRALIA

In Australia, recent high frequency data indicated that domestic economy remained mixed. Consumption related figures improved, while job market showed some signs of moderation. Retail sales rose by 0.3% in January following a 0.1% decline in the prior month. Food-related spending rebounded as sporting events helped to lift spending in catering services. Latest consumer confidence index also showed a broad-based improvement and reached the highest level since March 2022 amid expectations for further easing. On the other hand, number of employed people came in below market expectations and experienced its first decline after remaining steady for 10 months in February. Despite some signs of easing in employment figures, unemployment rate remained stable at 4.1%. Trade surplus widened in January mainly due to increase in exports. A sharp rise in non-monetary gold exports contributed to an overall rise in goods exports, while exports of other major commodities such as metal ores & minerals and coal dropped during the month. Looking ahead, labour market condition and consumer sentiment should be monitored closely to assess the strength of economy.

GLOBAL ECONOMY

MAINLAND CHINA

In Mainland China, macro activities in the first two months were resilient thanks to pick up in retail sales and investment. Nominal retail sales growth picked up to +4.0% yoy in January-February (vs 3.7% yoy in December), partly due to higher growth in online goods sales and restaurant sales. Fixed asset investment (FAI) growth rose to +4.1% yoy in January-February (vs +2.4% yoy in December), mainly led by elevated manufacturing investment growth at 9.0%. Industrial production growth slowed to 5.9% yoy in January-February (vs 6.2% yoy in December), mainly led by slower output growth in the automobile and metal smelting industries. Mainland China headline CPI inflation fell to -0.7% yoy in February (vs 0.5% yoy in January), primarily on lower food prices and tourism-related services prices. In the first two-month, home sales showed some recovery as 65-city primary sales increased 7% YoY and secondary sales increased 22% YoY. The NBS manufacturing PMI rose to 50.5 in March (vs 50.2 in February), thanks to accelerated business resumption post Chinese New Year. The NBS non-manufacturing PMI increased to 50.8 in March (vs 50.4 in February), with accelerated construction projects in various regions amid warmer weather.

GLOBAL ECONOMY

HONG KONG, CHINA 

Despite an earlier Lunar New Year, January retail sales declined for the eleventh consecutive month in Hong Kong, China. The official home price index extended its losses into February, contrasted by rising rental levels in Hong Kong, China. In March, the Hong Kong interbank offered rate (HIBOR) decreased significantly, even as the U.S. Federal Reserve maintained steady interest rates. During the month, the Hong Kong Special Administrative Region Government published the Air Passenger Departure Tax (Amendment) Bill in the Gazette, proposing an increase in the air passenger departure tax effective October 1st.

BOND

US

The U.S. Treasury market stabilized in March after the strong rally in the previous month. Bond yields fell, led by the shorter maturities, amid the mixed data flows casting doubts over economic resilience in the U.S. Meanwhile, longer-dated bond yields lagged the move, due to policy uncertainty and various tariff announcements by the Trump administration. The March nonfarm payrolls report came in slightly below market expectations, just as the latest CPI report came in cooler than expected. As widely expected, the Federal Reserve (Fed) kept its policy rate unchanged at the March FOMC meeting. However, market focus was more on the updated Summary of Economic Projections that pointed to higher inflation but weaker growth for this year. To close the month, yield on the 2-year benchmark U.S. Treasury note decreased by 11 basis points to 3.88%, while the 10-year yield was little changed at 4.21%. This resulted in a steepened yield curve.

EUROPE

In the Eurozone, core bond markets generally traded weaker in March. Bond yields increased, led by the longer maturities, amid hopes for more fiscal spending, where the European Union (EU) outlined plans to substantially increase defense spending and achieve defense readiness by 2030. On data front, the March preliminary composite PMI for the Eurozone suggested an expansion in business activity for the third consecutive month. Notably, manufacturing production recorded growth for the first time in two years, aligning with the ongoing expansion in the services sector. Meanwhile, the preliminary harmonized CPI figures for Germany and Spain eased more than anticipated to 2.3% and 2.2%,

BOND

respectively. As widely expected, the ECB reduced its benchmark deposit rate by 25 basis points to 2.50% at its March meeting. Alongside, it revised the statement to reflect that monetary policy was now "meaningfully less restrictive". To close the month, yield on the 10-year benchmark German Bunds rose by 33 basis points to 2.74%, while the 2-year yield was little changed at 2.05%.

UK

In the U.K., bond yields rose in March, led by the longer maturities. The preliminary composite PMI increased from 50.5 in February to 52.0 in March, signaling a strengthening of business activity expansion. Meanwhile, data showed progress in disinflation, with the headline inflation rate easing from 3.0% in January to 2.8% in February, largely due to declines in clothing and housing-related costs. At its March meeting, the Bank of England ("BoE") kept interest rates unchanged at 4.5%, while indicating a cautious approach to further rate reduction. amid the mixed signals from the U.K. economy as well as the looming trade war. To close the month, yield on the 10-year benchmark U.K. Gilts rose by 19 basis points to 4.67%, while the 2-year yield was little changed at 4.19%. This resulted in a steeper yield curve.

JAPAN

Japanese Government Bond (JGB) market extended its losses in March. Inflation momentum continued, with the nationwide core inflation (excluding fresh food and energy) further increased to 2.6% y/y in February, while a similar gauge for Tokyo jumped more than anticipated to 2.2% in March. The stronger indicators for inflation fueled hopes for further policy-rate hikes by the Bank of Japan (BoJ) ahead. Against this backdrop, bond yields continued the recent uptrend, led by the longer maturities, where yield on the 10-year benchmark JGB climbed higher by 11 basis points to 1.49%.

AUSTRALIA

Australian Government Bond (ACGB) yield curve twist-steepened in March. The Federal Budget 2025-26 introduced budget initiatives that largely met market expectations, with the notable exception of a modest income tax cut via a reduction in the first marginal tax rate. On macro front, employment data fell short, with a decline of 52,800 jobs in February, while inflation ticked down to 2.4%, primarily driven by volatility in electricity prices. All these supported views that the Reserve Bank of Australia (RBA) would gradually unwind its restrictive cash rate ahead. To close the month, yield on the 3-year benchmark ACGB dropped by 4 basis points to 3.70%. In contrast, the 10-year yield increased by 9 basis points to 4.38%.

MAINLAND CHINA

The offshore Renminbi (CNH) bond market performed steadily in March. During the month, Premier Li Qiang presented the Government Work Report (GWR), which included an incremental fiscal package totaled RMB2.4 trillion, largely in line with market expectations. While policymakers expressed increased concerns about external risks, there were few indications in the GWR of concrete actions in response to the U.S. tariffs. On macro front, the emerging industry PMI significantly exceeded seasonal expectations in March, reflecting the improving manufacturing activity in AI-related sectors, supported by recent technological breakthroughs and enhanced policy backing. Other activity indicators also came in better-than-expected. Markit iBoxx ALBI China Offshore Bond Index (investment grade overall) recorded a modest gain of 0.35% in local currency terms for the month.

HONG KONG, CHINA

Hong Kong dollar (HKD) bond market continued its strength in March. Yields generally declined, following the trend of its U.S. counterparts. Headlines over geopolitics as well as tariff announcement by Trump's administration weighed on risk sentiment, driving safe-haven demand for bonds. Meanwhile, the mixed data flows casted doubts about economic resilience in the U.S. Yield on the 10-year benchmark Hong Kong Government Bond dropped by 10 basis points to close the month at 3.39%. Meanwhile, HKD Interbank rates (known as HIBORs) edged lower, as liquidity conditions somewhat eased. The 1-month HIBOR decreased by 23 basis points to 3.73%.

GLOBAL EQUITIES

US

US equities ended lower despite a modest rebound late in the month. Growing concerns over a potential economic slowdown and ongoing policy uncertainty triggered a sell-off in the stock market. Although a more flexible trade policy stance from the Trump administration provided some relief to investors, the stock market fluctuated as investors continued to wait for more clarity about the tariff implementation scheduled in early April. Energy sector led the pack in price returns, while Information Technology sector lagged behind. Looking ahead, uncertainty around Fed's rates path, geopolitics and changes in international trade policy would raise volatility for the market in the near term.

EUROPE

Spain equities added value while Denmark equities subtracted value among the European markets. Regarding sector-wise performance in HKD terms, investments in Utilities added value while Consumer Discretionary detracted value during the period.

UK

The UK equity market experienced a decline in March, reflecting a broader global market caution driven by concerns over economic growth and tariff uncertainties. The Utilities sector, however, achieved a positive return during the month, as investors shifted their focus toward

GLOBAL EQUITIES

defensive stocks. Conversely, the Industrial and Consumer Cyclical sectors lagged behind others, impacted by growing concerns about a potential economic slowdown. Moving forward, the Bank of England's monetary policy direction and corporate earnings performance will continue to be pivotal factors on the UK equity market.

JAPAN

Japan's equity market dropped in March but reflected a complex picture against the backdrop of global trade uncertainties and a fluctuating Yen. Investor sentiment oscillated between optimism and caution, influenced by domestic and overseas pressures like tariff talks and economic signals. Corporate earnings provided some support, though concerns over global growth remained. Market volatility persisted with market focus on BoJ's policy moves and other international developments. Conservative sectors such as Energy outperformed other cyclicals. Moving forward, investors would likely recalibrate expectations to balance the headwinds of any US tariffs resurgence.

ASIA

Asia equities ended the month with slight losses amid fluctuations. Equities sustained their upward momentum at the beginning of the month as Mainland China NPC meetings delivered an overall inline message with strong emphasis on innovation and consumption. However, markets struggled for direction amid whipsawing tariff headlines and a sharp de-rating of US growth outlook. Negative market reaction continued following the auto tariff announcement from President Trump. In the near term, US tariff measures to be announced on 2 April will be the key focus as tariff risks may bring macro risk to the fore and test market resilience.

GLOBAL EQUITIES

AUSTRALIA

Australian equity market declined last month as trade uncertainty and falling iron ore prices weighed on investors' sentiment. Cyclical sectors like IT and Consumer Cyclical were hit hard on concerns that US tariff policies would weigh on economic growth. Data center operators also underperformed after Microsoft decided to pull back from more data center leases. Meanwhile, Utilities and gold mining industry performed well as investors rotated to safe haven assets. Going forward, growth prospect of Mainland China economy and US trade policy towards Mainland China would be the key risk to Australian equities.

MAINLAND CHINA

In March, Mainland China equity markets shifted from AI led rally to broader sectors rotation in reaction to domestic policy following the Two sessions and upcoming US tariffs risks. In the first two months, home sales showed some recovery as 65-city primary sales increased 7% YoY and secondary sales increased 22% YoY. China Development Forum 2025 was held in Beijing. President Xi vowed to improve market access in his meeting with over 40 top global business leaders. The State Council unveiled a "special action plan" to boost consumption. Chinese Vice Premier He Lifeng and USTR Jamieson Greer exchanged views on the bilateral economic and trade relationship. US President Trump issued a proclamation to impose a 25% tariff on auto imports starting April 3. The NBS manufacturing PMI rose to 50.5 in March (vs 50.2 in February), thanks to accelerated business resumption post Chinese New Year. The NBS non-manufacturing PMI increased to 50.8 in March (vs 50.4 in February), with accelerated construction projects in various regions amid warmer weather.

GLOBAL EQUITIES

In March, Mainland China indices posted divergent performance. Shanghai Composite, Shenzhen Composite and CSI 300 changed by +0.45%, -0.99% and -0.07% respectively. Meanwhile, Hang Seng China Enterprise Index and Tech Index changed by +1.18% and -3.11% respectively. Sector wise, Materials, Energy and Communication Services outperformed while Information Technology, Real Estate and Industrials underperformed.

HONG KONG, CHINA

The Hang Seng Index achieved a modest gain in March, tempered by ongoing market concerns over President Trump's tariff policies. Mainland China announced initiatives aimed at stimulating consumption through income enhancement, stabilization of equity and property markets, birth rate incentives, expanded trade-in program support, and accelerated technological advancements, which bolstered market sentiment. However, the equity market faced challenges from intensifying external pressures, particularly with the U.S. poised to implement Country-Based reciprocal tariffs on April 2nd. The Finance sub-index outperformed, supported by solid corporate earnings. In contrast, the Properties sub-index underperformed, due to a slight softening in property sales and home price data.

CURRENCY

USD

The U.S. Dollar (USD) weakened against most of the major currencies in March. Mixed data flows casted doubts about economic resilience in the U.S., alongside the uncertainty over policies by the Trump administration, weighed on sentiment in the U.S. stock markets as well as the greenback. Meanwhile, the Euro (EUR) strengthened, amid the surge in European Government Bond (EGB) yields on the back of plans to substantially increase government spending. In Sweden, the Riksbank signaled an end of its easing cycle, supporting Swedish Krona (SEK) to gain over 7% against USD. The Canadian Dollar (CAD), remaining a key target of tariffs from the Trump administration, managed to appreciate by only 0.5% against the greenback. To close the month, the U.S. Dollar Index (DXY) fell by 3.2% to 104.21.

EURO

The Euro (EUR) appreciated against USD in March. The European Union (EU) announced plans to significantly bolster defense capabilities by 2030. Improving sentiment for the Eurozone's economic outlook came in contrast to the increasing concerns over the U.S. growth as suggested by the incoming data. Meanwhile, the narrowed interest rate differentials between Europe and the U.S. provided the further excuse for stronger EUR, which concluded the month at 1.0816 against the USD, posting a monthly gain of 4.25%.

CURRENCY

STERLING

The British Pound (GBP) appreciated against USD in March. The stronger economic indicators domestically came in contrast to the growing apprehensions about the U.S. economic growth, bringing about the widening interest rate differentials between the U.K. and the U.S., whilst supporting a stronger GBP, which closed the month at 1.2918 against USD, exhibiting a monthly gain of 2.71%.

YEN

Japanese Yen (JPY) continued its strength in March. Speculations over further rate-hikes by the Bank of Japan (BoJ) has supported JPY, on top of safe-haven demand amid the uncertainty over trade policies from Trump’s administration. The currency was appreciating by another 0.45% against the greenback to close the month at 149.96/USD.

RMB

The Chinese Renminbi (RMB) appreciated against USD in March. While the diverging fundamentals between Mainland China and the U.S. continued to exert pressure on RMB as well as cross-border capital flows, the People's Bank of China (PBoC) refined its Medium-Term Lending Facility (MLF) operation, which will utilize a fixed-quantity, interest-rate bidding, and multiple-pricing approach going forward. Investors generally anticipate an accommodative monetary stance, as Mainland China policymakers brace for external volatilities. Over the month, Onshore Renminbi (CNY) and offshore Renminbi (CNH) posted a monthly gain of 0.29% and 0.38%, respectively.

Important Information

Investment involves risks and is subject to market fluctuations and inherent risks. Investment in emerging markets involves special risks and considerations. Investors could face no returns and/or suffer significant loss related to the investments. Past performance is not indicative of future performance.

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