# MARKET NAVIGATOR

## September 2025

Sun Life Asset Management 永明資產管理

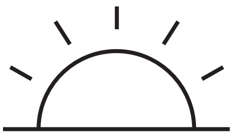
## Income Strategy Offers Defensiveness

With expectations of US rate cut soon and diminishing concerns over tariffs, overall investment sentiment has been optimistic. Several Asian stock markets have hit record highs, while US equities have consistently set new benchmarks. However, potential economic repercussions from trade disputes and emerging inflationary pressures warrant caution. Investors should consider maintaining a diversified portfolio and adopt a dollar-cost averaging strategy to navigate market volatility while pursuing long-term investment themes.

In addition to macroeconomic factors, elevated stock market valuation should also be concerned. Correction pressure might heighten. Income strategy may offer resilience to portfolios. Take the stock market as an example, over the past five years, Bloomberg data showed that while the global stock market (MSCI World Index) has experienced numerous declines that exceed 10%, the MSCI World High Dividend Yield Index (USD), which focuses on stocks that pay high dividends, has experienced smaller declines over the same period. High-dividend stocks are able to pay consistent and stable dividends and generally have stronger financial strength. Therefore, they are considered to be more defensive during market downturns.

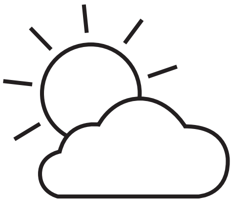
Source: Bloomberg

## 12-Month Outlook



### Positive

- ESG (Low Carbon)



### Neutral

- Global Equity
- Asian Equity
- Hong Kong Equity
- Global Bond
- Cash

## Neutral

### Global Equity

No Change

- Global equities are reaching record highs as investors switch from bonds into equities. Consensus earnings downgrade moderated, trade deals settled with major trade partners, and expectations for Fed rate cuts in September has strengthened. US economic data on consumption and inflation remains healthy, which will be a positive catalyst for market sentiment
- Going forward, how the global economy being impacted by tariffs would be in the spotlight, we expect the market is sensitive to the related news and would be volatile
- Valuation of global equity is much higher than the level of the announcement of reciprocal tariffs. Given that the economy is much more resilient than the earlier expectation, we are cautious to sudden market fluctuation triggered by trade negotiations and geopolitical events

### Global Bond

No Change

- Bonds provide attractive carry, recession concerns have been eased as the economic data is still strong amid trade tensions
- Valuation of credits had increased, following the equities. Inflation coming higher than expected will pose a pressure to the valuation
- We kept an cautious view on global bonds and remained quite selective, favoring investment-grade credit and believing the asset class helps strengthening risk management for portfolios

### Cash

No Change

- Cash is a residual (or balance) of our stance in terms of equities and fixed income. We are slightly cautious to equities (neutral) and selectively positive to bonds (positive), cash as a balance was upgraded to neutral
- With expectation of market jitters continuing in the near term, cash remains as a defensive asset to decrease portfolio beta

### Hong Kong Equity

No Change

- Technology Sector Re-rating: Chinese CSPs recorded capex despite chip constraints, while government commitment to accelerating AI adoption across economic and social sectors creates substantial opportunities
- Sustained southbound inflows from mainland investors targeting high-dividend yield equities. This trend provides support to the market
- We are closely monitoring the progress of trade negotiations between the US, China, and other nations, as well as the severity of economic impacts from these tariffs

### Asian Equity

No Change

- Trump's tariff is an obvious downside risk for export-driven economies like ASIAN countries
- India relatively insulated from global trade tensions, showing early signs of economic recovery as we see improved GST revenue growth, increased government capital expenditure and growing demand for supply chain shifts
- Korea, avorable policy environment, including proposed dividend tax cuts proposed by the new president-elect. Renewed focus on "Value up" initiatives for shareholders. DRAM price maintains healthy upward trend
- Taiwan espically Taiwan's technology sector due to accelerating AI infrastructure spending and growing capital expenditure in the AI space

## Positive

### ESG (Low Carbon)

No Change

- Governments reached a consensus at the meeting and pledged to significantly increase investment in clean energy and a low-carbon economy. According to the International Energy Agency (IEA), the total global investment in energy transformation in the future is expected to be calculated in tens of trillions dollars, which will greatly promote the development of industries such as renewable energy, energy storage technology and electric vehicles
- Investors are increasingly prioritizing Environmental, Social, and Governance (ESG) factors. Companies that emphasize ESG and carbon emission considerations tend to exhibit more resilient financial performance
- With increasing volatility in the investment environment, low-carbon strategies provide higher downside protection and relatively better returns compared to traditional stock strategies



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