

SEPTEMBER 2025

Investment Navigator

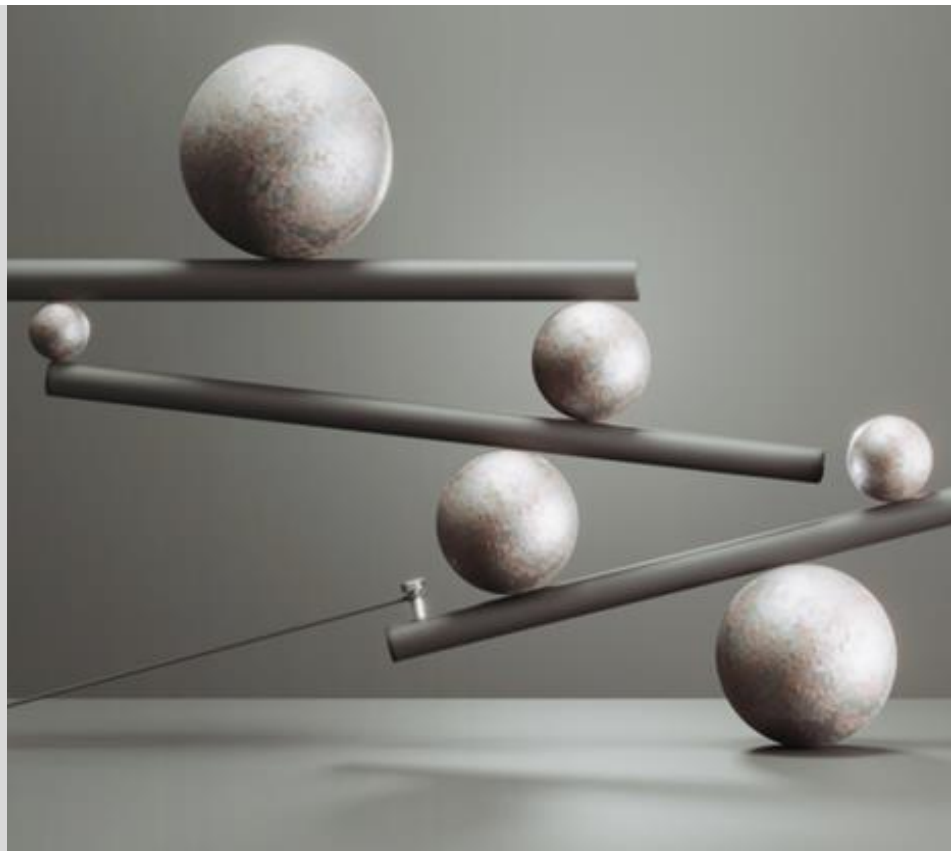
Asia Edition



(Powell) Pivot Point: Positioning Portfolio for Lower Rates

This edition of the Investment Navigator for September 2025 discusses how investors should position ahead of the potential policy pivot from the Fed in the upcoming September FOMC meeting. We expect the Fed to resume the rate cut cycle from September with a quarterly 25bp cut until mid-June 2026 with terminal rate at 3.5%.

With record cash on the sidelines, we expect the favourable market conditions would drive cash into asset markets for better returns in the coming months and quarters. We also address question on whether the equity markets are getting irrational and the worry of market bubble.



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Fed rate cut in September is almost a done deal

In the US, the recent weaker than expected job data while in-line inflation numbers have reinforced market expectations of a 25 bp cut in September. Fed Chair Powell also opened the door for rate cut this month in his Jackson Hole speech, saying economic outlook “may

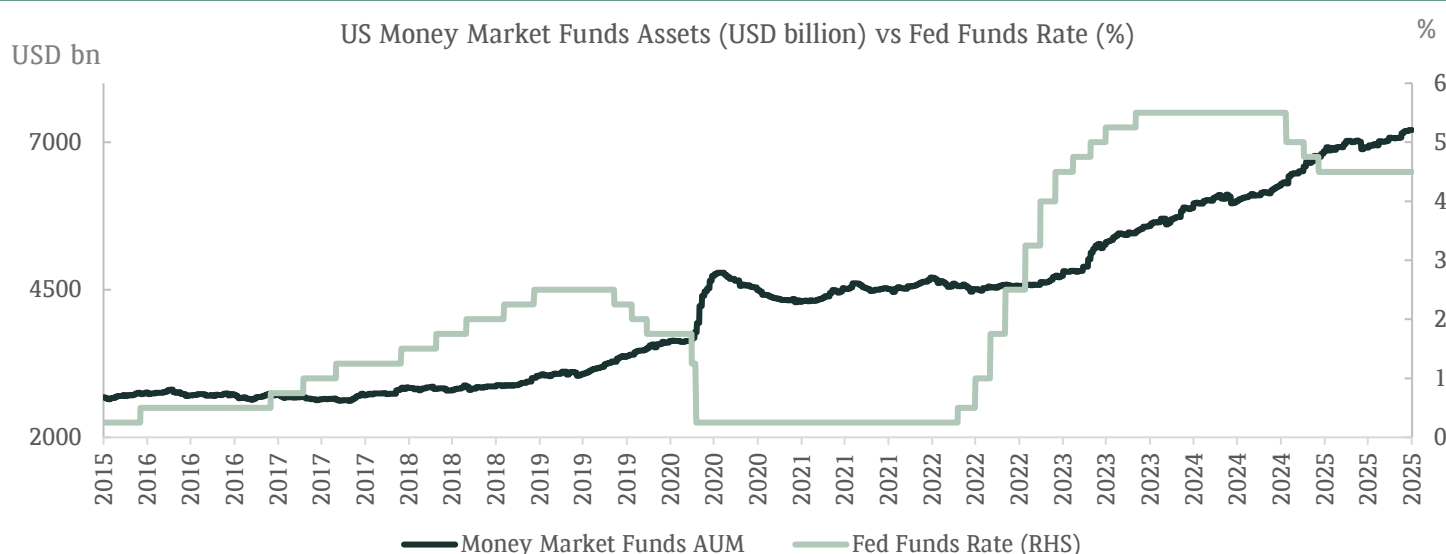
warrant” change in stance as the labour market might be softening enough to rein in inflation that is being pushed up by tariffs. We continue to expect Fed rate cuts in September and December this year, and another two cuts next year, with a terminal rate of 3.5%.

Record cash on the sidelines

Attractive yield and tariff uncertainty have driven USD 360 billion net inflows to the US money market funds YTD, with total assets under management now surpassing a record USD 7 trillion. With the Fed resuming the rate cut cycle, this would imply lower returns from cash (deposits and money market funds). Hence, it is reasonable to assume more cash would be deployed to equity and bond markets to get better potential rewards, especially if asset markets continue to

show resilient returns. Other factors that would support cash deployment are: (1) financial conditions continue to ease which are tailwinds for asset markets; and (2) recession risk remains low as the Fed seems to be quick in responding to weaker job market and see tariff-induced inflation as a one-time jump in prices.

FIGURE 1.
RECORD CASH ON THE SIDELINES WAITING TO DEPLOY



Source: Bloomberg, BNP Paribas WM, as of 4 September 2025.
Past performance is not indicative of current or future performance.

? Are equity markets getting irrational?

A number of equity markets globally hit record highs or witnessed multi-year breakouts recently. Some investors start to worry about market bubble forming especially in the US equities as valuations are relatively expensive. First of all, equity markets still look rational as earnings have been taking the driving seats. Stocks and sectors that have outperformed YTD are also winners in earnings growth. On the contrary, those stocks and sectors with weaker earnings have underperformed.

Secondly, history suggests market bubble usually bursts when the Fed tightens, but now, the Fed looks set to cut

interest rates. Thirdly, past experience shows that a sharp decline in US equities is either driven by a US recession or Fed rate hikes, but it seems both are not happening at least in the near term.

Seasonality shows September tends to be the weakest month for US equities. As so much cash is sitting on the sidelines waiting to deploy, we may not see a deep correction. Nevertheless, any pullbacks are buying opportunities as market conditions are favourable for a year-end rally. We are already neutral global equities favouring Non-US vs. US equities.

Dollar to weaken & precious metals to shine further

Many central banks globally have been cutting rates this year while the Fed paused. Going forward, the rate cutting cycle for some central banks may be coming to an end or near the end, while the Fed may just resume its rate cut cycle. This would mean narrowing interest rate differentials which tend to be less favourable for the dollar. We expect further dollar weakness in the medium term. Our 12-month target for the USD Index is 95 (currently 98).

Lower interest rate environment tends to benefit non-yielding assets such as gold and silver. We remain bullish on precious metals. Our 12-month targets for gold is \$4000 and silver is \$50.

Positioning for Fed rate cuts

- Stay invested and stay diversified
- Put cash to work
- Lock in higher yields from bond exposure when yields rebound
- Buy on dips on equities and precious metals
- Diversify to non-USD currencies when USD rebounds
- Engage in hedge funds strategies
- Consider "deposit/cash alternatives" – structured solutions linked to different asset classes that offer limited downside risk while getting coupons from participating in market upside.



Overview of our CIO Asset Allocation for September 2025

	Views		Constituents	We like	Comments
	Current	Prior			
EQUITIES	=	=	Markets	Europe, UK, Japan, Brazil, Mexico, China, South Korea, Singapore	<ul style="list-style-type: none"> Remain Neutral on Global Equities. We prefer to keep some powder dry as a resurgence in volatility may present investors with more favourable opportunities
			Sectors	Healthcare and Utilities. For Europe: Financials, Industrials, Materials	<ul style="list-style-type: none"> For Europe, we like companies that are likely to profit from infrastructure plans and other economic stimuli. European Banks are still cheap.
			Styles/ Themes	Megatrend Themes	<ul style="list-style-type: none"> Circular economy, electrification, security & income themes.
BONDS	=	=	Govies	Eurozone, UK, US	<ul style="list-style-type: none"> We stay Overweight on US, UK and German government bonds and US TIPS. Our 12-month US 10Y yield target remains unchanged at 4.25%.
			Segments	EUR and GBP Investment grade	<ul style="list-style-type: none"> We continue to like EUR and GBP investment grade corporate bonds. We remain neutral on High Yield and EM bonds (USD+local currency).
CASH	-	-			
COMMODITIES	+	=		Gold, Silver, Copper	<ul style="list-style-type: none"> Gold – Overweight. We raised the target price to \$4000/oz. Look to buy on weakness. Silver – Overweight. Target price increased to \$50/oz. Oil – Underweight. Brent target range is \$60-70. Base metals – Turning Overweight. No major economic slowdown is expected.
FOREX			USDJPY		<ul style="list-style-type: none"> 12-month target at 140
			EURUSD		<ul style="list-style-type: none"> 12-month target at 1.20
			CNHUSD		<ul style="list-style-type: none"> 12-month target at 7.10
ALTER-NATIVE	+	+		Hedge funds (global macro, long-short equities, relative value)	<ul style="list-style-type: none"> Neutral on event driven strategy

Note: + Overweight / = Neutral / - Underweight

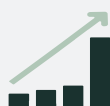


GDP & CPI Forecasts

		GDP (YoY%)			CPI (YoY%)		
		2024	2025f	2026f	2024	2025f	2026f
Developed	US	2.8	1.6	1.5	2.9	2.8	3.6
	Japan	0.1	1.1	0.6	2.7	3.2	2.5
	Eurozone	0.9	1.3	1.3	2.4	2.1	1.9
	UK	1.1	1.2	1.0	2.5	3.5	2.7
North Asia	China	5.0	4.8	4.5	0.2	0.0	1.0
	Hong Kong*	2.5	1.5	1.9	1.7	1.9	2.2
	South Korea	2.0	1.0	2.0	2.3	2.2	2.0
	Taiwan	4.6	4.5	2.5	2.2	1.8	1.6
South Asia	India	8.2	6.5	6.3	5.4	4.6	4.1
	Indonesia	5.0	4.8	5.0	2.3	1.8	2.0
	Malaysia	5.1	3.6	4.4	1.8	1.5	2.1
	Philippines*	5.7	5.5	5.8	3.2	2.6	2.9
	Singapore	4.4	2.2	1.5	2.8	0.8	1.6
	Thailand	2.5	2.2	1.6	0.4	0.0	0.5

Source: BNP Paribas Group Economic Research, BNP Paribas Global Markets forecasts as of 31 August 2025

* IMF data and forecasts as of 31 August 2025



GROWTH

- The US economy grew at a faster than expected pace in Q2 2025 as consumers and businesses held up, likely also due to frontloading before tariffs went live in August. Going forward, economic resilience will be tested as tariffs becomes more visible, and prices continue to face upward pressure. We think growth will continue to slow, but a recession is not our base case.
- The Eurozone growth shown surprising resilience recently despite trade tariffs biting. Nonetheless, fiscal concerns and ongoing political instability (particularly in France) is resulting in increasing growth scare. For now, we still forecast a 1.3% full year growth for Eurozone for 2025. Europe benefits from fiscal stimulus, in particular, emanating from Germany.



INFLATION

- US inflation held steady in July while recent PCE data also sang the same tune, with headline PCE at +2.6% and at core 2.9%, in-line with expectations. This reinforces our view that the Federal Reserve may cut interest rates during the September FOMC, particularly given the slowdown in the labour market, albeit we can expect underlying prices to continue creeping up going forward due to tariffs.
- For Eurozone, inflation has been remarkably stable at or around the ECB target of 2%. Growth risk looks reduced now given the US-EU trade deal. Hence we no longer expect the ECB to cut rates in September, as we think the cutting cycle is over.



Equities

😊 OVERWEIGHT 😐 NEUTRAL 😞 UNDERWEIGHT

OVERALL GLOBAL: NEUTRAL

😊		
😐		
😞		
COUNTRY		
Eurozone UK, Japan Emerging Mkt		US
SECTOR		
Healthcare Utilities	Comms.	Consumer Staples
	Real Estate	Energy
	Financials	Technology
	Materials	Consum. Discre.
	Industrials	

OVERALL ASIA: OVERWEIGHT

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

- We remain neutral on equities overall - This is due to (i) high US valuations, (ii) the risk of a more severe US economic slowdown and (iii) the residual risk of trade talks failing. We prefer to keep some powder dry as a resurgence in volatility may present investors with more attractive opportunities to increase their overall equity allocation.
- Country wise, we prefer non-US equities such as Japan, UK and Europe. We also continue to favour EM as the resumption of US Fed rate cuts have historically proven to be a tailwind. Within Asia, we like China, Singapore and South Korea, and downgraded Indonesia to Neutral, and Thailand to underweight, given the recent political developments which should impact earnings growth.

- China - A-share markets have had a strong catch up in August despite weaker than expected macro data and lukewarm policy support in anti-involution campaign and property markets. Retail inflows are also strong. We believe there is still room for further upside (though we may see some consolidation in the short-term).
- We also maintain overweight in Hong Kong equities and H-shares, on increasing Southbound inflows as well as earnings beat and guidance from some big tech names. Valuations are still reasonable despite the strong performance YTD. We continue to like the China tech sector as well as high dividend stocks in the HK/China financial and China telecom sectors.

		1-month (%)	YTD (%)	2024 (%)	Dividend Yield (%)	12M Fwd PE (x)	Trailing PB (x)	12M Forward ROE (%)	EPS Growth Past 12M (%)	EPS Growth 12M Fwd (%)
Developed	US	2.3	10.8	23.9	1.2	25.0	4.7	29.2	23.0	14.5
	Japan	6.4	18.7	6.3	2.3	17.6	1.6	11.9	11.5	8.9
	Eurozone	4.3	27.6	-0.3	2.9	15.9	2.0	16.9	25.5	19.1
	UK	4.0	25.6	7.5	3.3	13.8	1.9	21.1	13.5	10.1
North Asia	China	14.3	22.3	7.0	1.5	20.0	2.5	15.7	20.1	33.9
	Hong Kong	5.3	33.3	24.2	3.2	11.7	1.3	13.2	28.0	16.0
	South Korea	-3.3	39.2	-21.7	1.6	12.2	1.2	12.4	23.4	36.2
	Taiwan	-0.1	15.4	24.0	2.6	18.4	2.8	24.1	32.1	27.3
South Asia	India	-1.0	-1.5	12.7	1.1	21.8	3.3	19.9	13.1	13.3
	Indonesia	2.3	5.2	-0.4	2.6	17.9	3.1	11.7	17.9	-7.3
	Malaysia	3.2	3.2	21.5	3.7	15.4	1.4	11.8	9.6	12.5
	Philippines	0.6	1.9	9.0	3.6	10.6	1.2	18.2	9.1	8.6
	Singapore	5.2	26.7	14.8	4.4	14.1	1.3	12.5	63.1	7.1
	Thailand	1.5	-1.5	5.2	3.7	13.7	1.3	15.7	12.9	18.2

Source: Macrobond Indices in USD terms, BNP Paribas (WM), as of 31 August 2025



BNP PARIBAS
WEALTH MANAGEMENT




The bank
for a changing
world




Fixed Income

 OVERWEIGHT  NEUTRAL  UNDERWEIGHT

OVERALL GLOBAL: NEUTRAL

OVERALL ASIA (USD): NEUTRAL

		
US Treasuries	US IG	
German Bunds	High Yield	
UK Gilts	EMD (LC)	-
EUR and GBP IG	EMD (HC)	

		
Japan	South Korea	
Singapore	Philippines	
	Indonesia	
	Hong Kong	
	India, China	
	Australia	

		Total Return (%)			Yield-to-Worst (%)
		1-month	YTD	2024	
Asia	Asia USD Bond	1.3	6.0	4.5	4.8
	Asia Local Currency Bond	1.7	11.0	1.0	3.5
	China	1.2	5.7	5.7	4.7
	Hong Kong	1.5	6.1	4.7	4.6
	India	1.4	7.0	7.4	5.5
	Indonesia	1.1	6.4	0.8	5.0
	Singapore	1.1	4.9	3.0	4.3
	South Korea	1.2	5.3	4.4	4.3
	Philippines	1.4	6.8	1.4	5.0
Other Regions	US 10-year Treasuries	1.6	6.4	0.1	4.3
	US Investment Grades (IG)	1.2	5.0	1.3	4.4
	US High Yield (HY)	1.2	6.4	8.2	6.7
	Emerging Market USD Bond	1.3	6.1	5.2	5.0

Source: Barclays indices, Bloomberg, BNP Paribas (WM) as of 31 August 2025

US Treasury 12-month Yield Targets (%)	2Y	5Y	10Y	30Y
	3.60	3.75	4.25	4.5

- **Rate forecasts:** We no longer expect the ECB to cut rates in September. We think the cycle is over, and the next move should be a hike, in Q4 2026. In the US, we still expect two rate cuts of 25bps this year (September & December) and two in 2026, with a terminal rate of 3.5%. The market is much more in-line with this view now, with some even looking at a jumbo sized 50bps cut in upcoming September FOMC.
- **Govies:** We keep our US 10-year yield target at 4.25% in 12 months, but near-term volatility may persist given the recent surge in longer dated Eurozone bond yields amid concerns over government debt sustainability and political uncertainty. We stay overweight on US, UK and German government bonds as well as US TIPS.
- **Corporate IG:** We prefer EUR and UK IG (overweight view) over USD IG (Neutral view) given its better credit metrics, and global move for diversification away from USD assets. We prefer maturities up to 7 years in the eurozone and up to 5 years in the US.
- **Corporate HY:** HY spreads remain very low as fundamentals remain resilient. We prefer to maintain a neutral stance as the asset class seems overvalued and does not reflect the upcoming US slowdown.



Forex & Commodities

😊 OVERWEIGHT 😐 NEUTRAL ☹️ UNDERWEIGHT

12-MONTH FOREX VIEW



COMMODITIES



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

Silver
▲ Gold
▲ Base Metal

Oil

- **EUR:** Markets are aligned with our view of Fed rate cuts in September and December. Policy uncertainties linked to tariffs and debt sustainability and Fed independence are weighing on US assets. French politics could weigh on the EUR temporarily. **We maintain our 3-month target at 1.15 and our 12-month target at 1.20 (the value of one EUR).**
- **JPY:** The BoJ maintained its policy rate at 0.5% in July. Our base case is for the Bank of Japan to resume rate hikes later this year. Rate differentials should weigh further on USDJPY as the Fed embarks on rate cuts. The JPY should appreciate gradually. **Our 3-month target is 145 and our 12-month target is 140 (the value of one USD).**
- **GOLD: Turn Overweight** - We turn overweight and increase our 12 months target price to **\$4000/oz (from \$3300/oz)**. Despite the reduction in trade geopolitical risks, gold is likely to remain supported by Fed rate cuts and weak USD, central bank buying, tariff related inflation and possible US debt concerns. Conversely, we remain **overweight on Silver**, given the gradual gold-silver substitution in the jewelry sector, tight supply and increasing industrial demand. **We further increase our Silver target price to \$50/oz (from \$40/oz).**
- **OIL: Underweight** - Our target range for Brent is **60-70 USD**, in view of OPEC+ production hikes, substantial non-OPEC supply growth, combined with limited demand growth, and a possibility of easing sanctions.
- **BASE METALS: Turn Overweight** - The trade war does not look likely to result in a major economic slowdown. For the coming years, we still expect that growing demand for energy transition and infrastructure will outpace expected supply growth.

Forex Forecasts

		Spot	View	3-month	View	12-month
		As of 31 August 2025		Target		Target
Developed	USD Index*	97.77	=	99.0	-	95.1
	Japan	147.1	=	145	+	140
	Eurozone	1.169	=	1.15	+	1.20
	UK	1.350	=	1.32	+	1.38
	Australia	0.654	=	0.66	=	0.66
	New Zealand	0.589	+	0.60	+	0.60
	Canada	1.374	=	1.38	+	1.35
Asia Ex-Japan	China	7.122	=	7.15	=	7.10
	South Korea*	1,390	=	1,350	+	1,320
	Taiwan*	30.60	+	28.8	+	28.2
	India	88.21	=	86.0	=	88.0
	Indonesia*	16,490	=	16,100	+	16,000
	Malaysia*	4.225	=	4.20	=	4.16
	Philippines*	57.14	=	56.0	=	55.6
	Singapore*	1.284	=	1.26	=	1.25
	Thailand*	32.39	=	32.3	=	31.8

Note: + Overweight / = Neutral / - Underweight

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