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WS Global CIO Office
9 May 2025

Weekly Market View

A thaw in the trade war

→ A month ago, we headlined our Weekly with the title: "Time for bargain hunting, not for selling". That came just after President Trump had paused reciprocal import tariffs following a near-riot in equity, bond and FX markets.

→ As it turned out, global and US equities have both rebounded 14% in the past month as trade uncertainty eased. The UK has already reached a trade deal with the US. In Asia, we expect Japan, Korea and India to reach interim trade agreements in the next few months.

→ While our investor positioning indicators still point to further near-term upside in US equities, it is time to use the US rally to rebalance towards less expensive non-US markets, which are backed by policy support.

→ China stands out, especially after this week's announcement that US and China will start preliminary talks and after China unveiled a new set of policy easing measures.

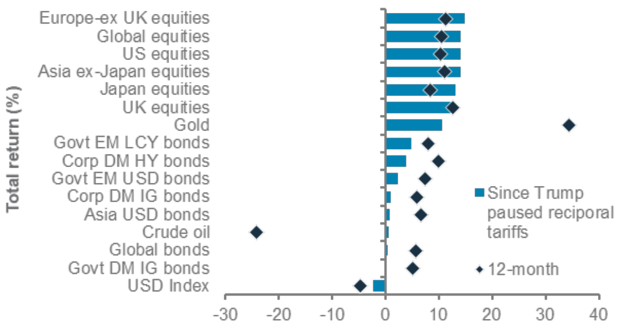
→ We also maintain our "buy-on-dips" idea on gold, especially if it falls to the USD 3,000-3,250 range.

Important disclosures can be found in the Disclosures Appendix.

Charts of the week: The relief rally

Global equity markets and gold have rallied hard since President Trump paused reciprocal tariffs on imports a month ago

Performance of assets since 8 April (day before tariff pause)^



US and China trade policy uncertainty*

Source: Bloomberg, Standard Chartered; ^8 April 2025 to 8 May 2025; *Bloomberg Economics indices

Editorial

A thaw in the trade war

A month ago, we headlined our Weekly with the title: "Time for bargain hunting, not for selling". In hindsight, that was a bold call, given it came just after President Trump had paused reciprocal tariffs against trade partners following a near-riot in equity, bond and FX markets. In the two subsequent weeks, we flagged that the so-called "Trump put" was back in play as the president turned his focus towards sealing trade deals, and that equities have further upside in the near-term, especially with investors still extremely bearish on US equity markets.

Strong month-long rally: As it turned out, global and US equities have both rebounded 14% in the past month (see chart) as trade uncertainty eased. The UK has already reached a trade deal with the US. In Asia, we expect Japan, Korea and India to reach interim trade agreements in the next few months.

Time to rebalance: While our investor positioning indicators still point to further near-term upside in US equities, it is time to use the US rally to rebalance towards less expensive non-US markets, which are backed by policy support. China stands out, especially after this week's announcement that US and China will start preliminary talks and after China unveiled a new set of policy easing measures. We also maintain our "buy-on-dips" idea on gold, especially if it falls to the USD 3,000-3,250 range.

US-China thaw: The talks between US Treasury Secretary Scott Bessent and China's Vice-President He Lifeng in Switzerland this weekend is an important icebreaker, given the primary focus of the US-led trade war is China. However, unlike the ongoing talks with US allies, talks with China are likely to be long drawn, with the end-result being tariffs and non-tariff barriers higher than at the start of the year. We expect a partial reduction of tariffs from both sides in the coming days given the current tariffs will almost certainly bring trade between the two economies to a halt. A significant reduction in mutual tariffs closer to other US trade partners will be an upside surprise.

Beijing rolls out more stimulus: Ahead of the trade talks, China's latest round of policy easing measures is aimed at offsetting the impact of US tariffs. The stimulus, which included a 10bps cut in the 7-day reverse repo rate and 50bps cut to bank reserve requirement, is aimed at supporting consumption-driven growth and promoting China's increasingly competitive technology sector, besides supporting various priority sectors. We expect more targeted measures in the coming months to boost liquidity across a wide spectrum of the economy and help the government meet the c. 5% growth target. Over the next 12 months, we see further PBoC policy easing and a gradual weakening of the CNH vs. the USD, leading to a test of 7.70.

Still bullish on China equities: China's equity market remains inexpensive (12m forward P/E for MSCI China index: 10.9x) compared with Asia ex-Japan (12.8x), despite its outperformance vs. the rest of Asia since the start of the year. We expect the market to rerate as earnings improve on the back of policy support and gradual easing of global tensions. Hence, we remain bullish on the market. We will add to the Hang Seng index (which closely tracks the MSCI China index) below 22,000 (1-month target: 24,229) and the Hang Seng technology index below 5,000 levels (1-month target: 5,652).

Adding high quality US bonds. The latest Fed policy meeting highlighted the US central bank's caution against easing policy rates too soon given the likely near-term inflationary impact of US tariffs. Nevertheless, we expect the Fed to start cutting rates in H2 as economic growth continues to soften, leading to a cooling of the job market. Given this, we see the current 10-year US government bond yield above 4.25% as attractive to add. For investors looking for additional yield over government bonds, US mortgage-backed securities offer attractive yields.

Bearish GBP. Despite this week's 'hawkish' rate cut, we expect the Bank of England to cut rates more than other Developed Market central banks in the coming months as UK growth and inflation weaken due to global trade uncertainty. Although a US-UK trade deal could lift near-term sentiment, we will use the opportunity to turn bearish on GBP vs. the JPY (1-month target: 184). The JPY remains supported by the Bank of Japan's policy to hold interest rates amid rising domestic wage pressures.

The weekly macro balance sheet

Our weekly net assessment: On balance, we see the past week's data and policy as neutral for risk assets in the near-term

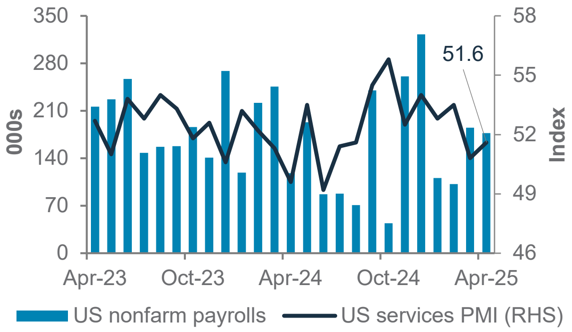
(+) factors: Strong US payrolls, improving US service sector, China's policy package

(-) factors: Rising Euro area inflation and weak retail sales, cautious Fed

	Positive for risk assets	Negative for risk assets
Macro data	• US nonfarm payrolls increased more than expected by 177,000 in April, while unemployment rate remained at 4.2% as expected • US ISM services index rose more than expected to 51.6 • Euro area Sentix Investor Confidence improved to -8.1 from -19.5, above forecasts • Euro area producer price inflation dropped more than expected to 1.9% y/y	• Euro area core inflation rose more than expected to 2.7% y/y; headline inflation remained at 2.2% y/y, above estimates • Euro area unemployment remained at 6.2%, above expectations • Euro area retail sales rose by 1.5% y/y, missing estimates • China Caixin services PMI came in below expectations at 50.7
	Our assessment: Neutral – Strong US payrolls and service sector vs. rising Euro area inflation and weak retail sales	
Policy developments	• PBOC cut interest rates and RRR to inject monetary stimulus	• Fed left policy rate unchanged as expected, indicated rising risks of higher unemployment and higher inflation • BoE cut rate by 25bps to 4.25%, but two of nine members voted for a hold
	Our assessment: Neutral – China's policy boost vs cautious Fed	
Other developments	• China and US are set to hold first trade talks • Trump planned to rescind Biden's AI chip export curbs • US and UK unveiled a trade deal to lower tariffs on steel and car exports	• Trump threatened to apply 100% tariff on foreign-made movies • India-Pakistan tension remained elevated
	Our assessment: Positive – US-China trade talks and US-UK trade deal	

US job creation and service sector business confidence beat market expectations in April

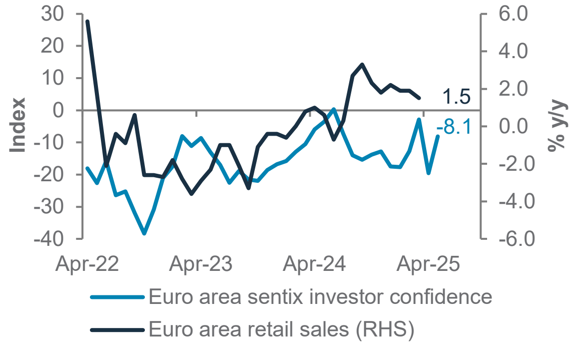
US non-farm payrolls, US ISM services PMI



Source: Bloomberg, Standard Chartered

Euro area investor confidence rose above expectations in May, although retail sales growth slowed to 1.5% y/y, below expectations

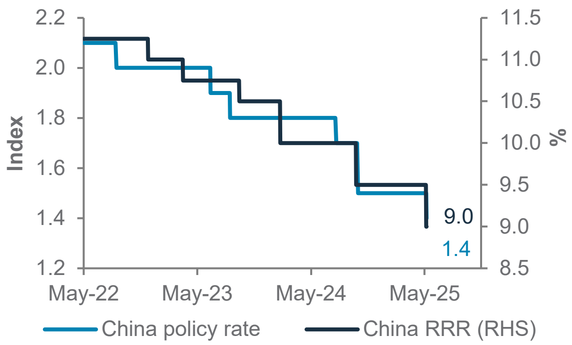
Euro area Sentix investor confidence, retail sales



Source: Bloomberg, Standard Chartered

China's central bank cut its 7-day repo rate by 10bps and bank reserve requirement by 50bps to inject liquidity and support growth

China 7-Day Reverse Repo Rate and reserve requirement ratio (RRR)



Source: Bloomberg, Standard Chartered

Top client questions

The US is starting trade talks with China, but media reports suggest the US will likely reach agreements with India, Korea, Taiwan, and Japan too. Will Chinese equities outperform?

Our view: We remain bullish on China equities and would add further exposure if Hang Seng Index dips to 22,000 and Hang Seng Technology Index (HSTECH) reaches 5,000.

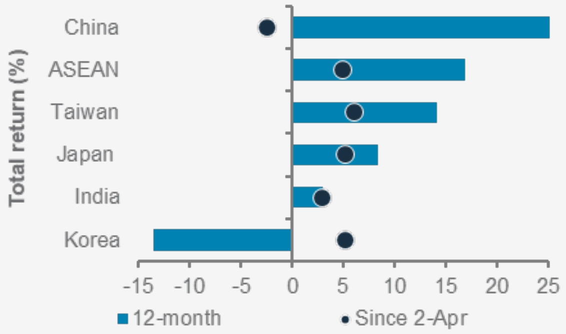
Rationale: Investors have already priced in expectations for other markets in Asia to reach trade deals with the US before China does. China has retaliated against US tariffs, with both countries having a headline tariff of over 100% on each other now. This has led to China underperforming markets such as Japan and Taiwan since US tariffs were announced on 2 April. Currency moves have contributed significantly to Asia equity returns in USD terms, with the 9% rise of the TWD against USD being the most outstanding example.

However, there is room for China equities to outperform over the next 6-12 months. China recently announced a set of policy measures to stimulate the economy (see Market Watch on 7 May) and the government will roll out further measures. We remain bullish on China equities, particularly the Hang Seng technology index (HSTech), due to still-inexpensive valuations and tailwind from AI.

— **Fook Hien Yap**, *Senior Investment Strategist*

We remain bullish China equities. China is the best performing major equity market in Asia over the past 12-months, although it has lagged since tariff announcements on 2 April

Performance of regional MSCI equity indices in Asia in USD terms over past 12 months and since 2 April



Source: Bloomberg, Standard Chartered

With more US semiconductor stocks having reported results this week, what is your outlook on this sub-sector?

Our view: The semi-conductor sub-sector can be vulnerable to cyclical downturn. However, the US software equity sub-sector is back to 5-year average valuation, and currently this is an attractive opportunity for long-term investors to add exposure.

Rationale: As of 7 May, 67% of technology sector stocks in the S&P 500 have reported Q1 earnings, with 83% beating expectations. Overall, the technology sector continues to lead 2025 earnings growth estimates at 16.8%, outpacing the broader market at 8.7%.

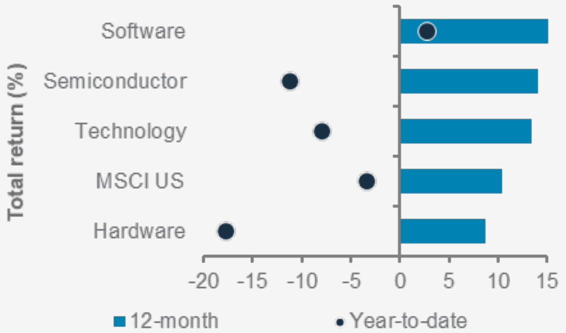
Within the sector, the semiconductor segment remains a standout – it is expected to deliver 30% earnings growth in 2025, fuelled by increasing AI-spending from the tech giants. However, the semiconductor sub-sector is relatively vulnerable to cyclical downturn. So far this year, the semiconductor sub-sector has underperformed the technology sector and the broader market given lingering headwinds from US tariff and due to the impact of China's low-cost chatbot, DeepSeek.

In contrast, the US software segment has demonstrated greater resilience to tariff risks, given its predominantly domestic revenue exposure (at 55%). Additionally, DeepSeek lowers cost of AI tools, expanding the pie for software products and developers.

— **Jason Wong**, *Equity Analyst*

Our preferred software equity sub-sector remains resilient amid US equity market volatility

Performance of MSCI US and US Technology sub-indices over past 12 months and year-to-date



Source: Bloomberg, Standard Chartered

Top client questions (cont'd)

What are our thoughts on the latest Fed rate decision and what are the implications for rates?

Our view: Add to Developed Market government bonds, especially when the US 10-year yield is above our 12-month target range of 4.0-4.25%. Alternatively, add US Agency MBS – higher yields and high correlation with government bonds.

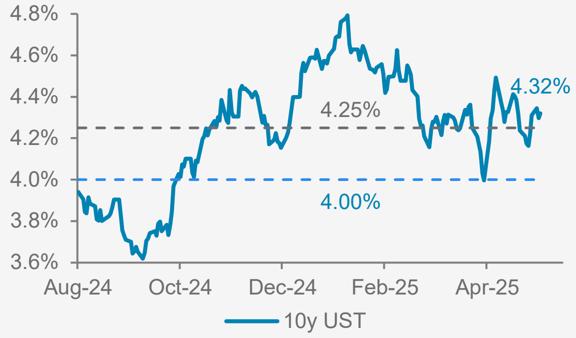
Rationale: As expected, the Fed left its policy rate unchanged in this week's meeting. Chairman Powell ruled out any pre-emptive cuts, saying "the risks of higher unemployment and higher inflation have risen." Despite this hawkish rhetoric, the US 10-year yield, which had retraced to above 4.3% after a stronger-than-expected April job market report earlier in the month, struggled to move significantly higher. Instead, it dipped below 4.3% following Powell's comments. The bond market reaction partly reflects easing concerns amid progress in tariff discussions between the US and China.

Long-term bond yields will continue to be influenced by economic data in the near term – with the effect of the tariffs showing up in the data in H2 25. Hence, we still expect the Fed to implement three 25bps of rate cuts over the next 12 months, starting in H2 25, with the US 10-year bond yield falling to the 4.0%-4.25% range.

— **Ray Heung**, *Senior Investment Strategist*

The US 10-year government bond yield struggled to break higher despite Chair Powell's hawkish comments after the Fed meeting

US 10-year government bond yield



Source: Bloomberg, Standard Chartered

What is the near-term outlook of gold?

Our view: We expect prices to consolidate below recent highs (~USD 3,430/oz) in the near-term, but the downside is limited. Strong support is seen at USD $3,000/oz and we would look to add exposure on weakness.

Rationale: As US tariff concerns ease, safe-haven demand for gold has moderated. Weekly gold ETF data through April 25 show North American investors pulling back and European flows turning negative. Asian demand however remains resilient, with China gold ETF inflows still elevated and local China prices at a near-record premium to global benchmarks, indicating strong local demand.

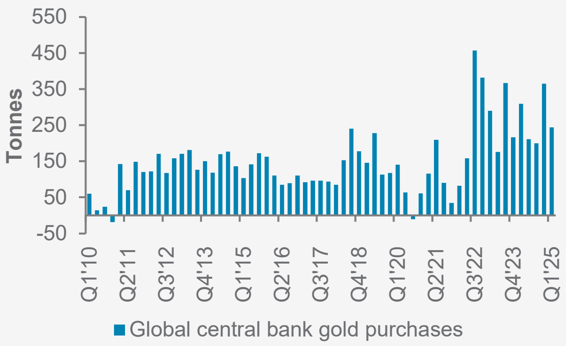
With the start of U.S.–China trade talks, we expect less "uncertainty-driven demand" from Asia. Moreover, the Fed's neutral-to-restrictive stance amid inflation risks would also weigh upon gold prices.

Nonetheless, US-China trade talks will be protracted and complex. US policies will also stay unpredictable under Trump. Therefore, safe-haven demand will not disappear completely, and this lends a floor in gold prices. Meanwhile, a tariff-induced growth slowdown should pave the way for Fed rate cuts in H2 2025, renewing support for gold. Softer prices would also reaccelerate central bank gold buying, which stood at 244 tonnes in Q1 25, below recent averages due to elevated prices, but still well above long-term history.

— **Tay Qi Xiu**, *Portfolio Strategist*

Global central banks bought 244 tonnes of gold in Q1 2025, slightly below the average since 2022 but it still reflects strong demand vs. long-term history

Global central bank quarterly net gold purchases (tonnes)



Source: World Gold Council, Standard Chartered

Top client questions (cont'd)

What is the outlook for GBP after the BoE policy meeting?

Our view: Bearish GBP/JPY. Technically, GBP/JPY is in a downward channel since October 2024. We expect the pair to test support around 184 in the coming month.

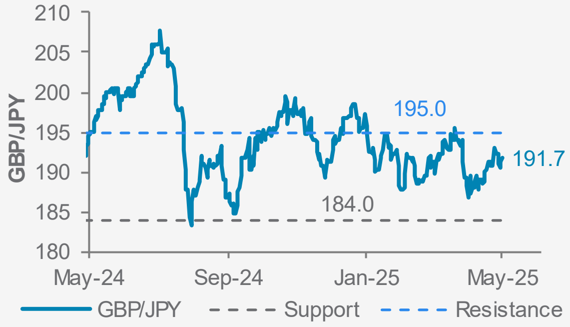
Rationale: The Bank of England cut interest rates by 25bps to 4.25%, in line with market expectations. Markets are now expecting the next rate cut in September. The central bank has revised its economic outlook, projecting that UK gross domestic product will grow by 1% in 2025, up from an earlier estimate of 0.75%. Growth in 2026 is expected to slow to 1.25% as global trade headwinds persist. While US President Trump has announced a UK trade agreement, any market optimism is likely to be short-lived since the UK parliament needs to approve and finalise the trade deal. Therefore, there is limited scope for a sustained boost in GBP/USD. We maintain a short-term modestly bearish view on GBP/USD, with initial support at 1.30.

To express a bearish GBP view, while minimizing exposure to USD-related uncertainties, we prefer a bearish GBP/JPY idea. The relative policy divergence between the BoE and the BoJ will put further pressure on the pair. BoJ Governor Kazuo Ueda has highlighted potential downside risks to Japan's inflation stemming from US tariff actions, reinforcing expectations that the BoJ will hold rates steady for the rest of the year.

— **Iris Yuen**, *Investment Strategist*

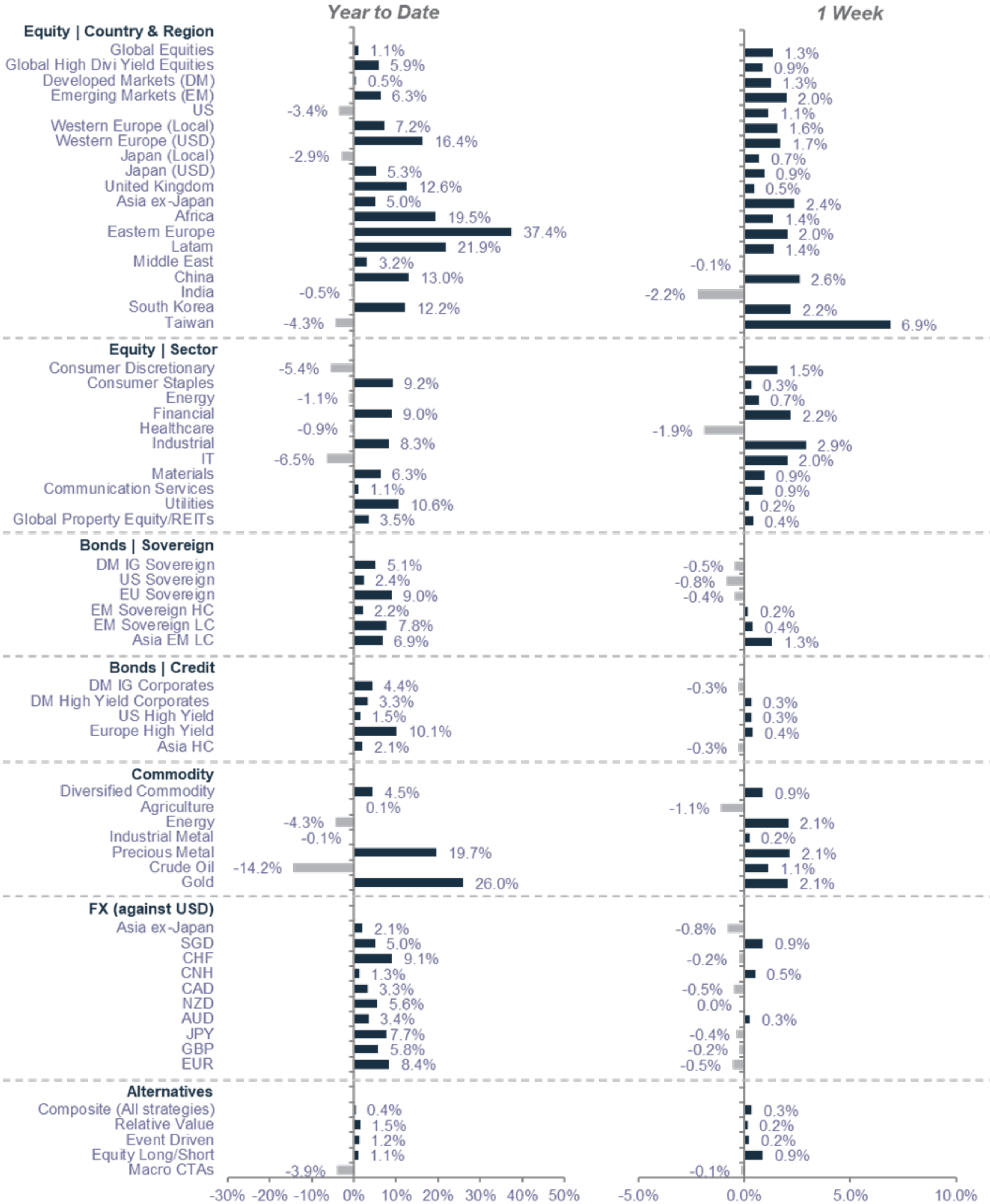
GBP/JPY to trade lower in the near-term

GBP/JPY and technicals



Source: Bloomberg, Standard Chartered

Market performance summary*



Sources: MSCI, JP Morgan, Barclays Capital, Citigroup, Dow Jones, HFRX, FTSE, Bloomberg, Standard Chartered

*Performance in USD terms unless otherwise stated, 2025 YTD performance from 31 December 2024 to 8 May 2025; 1-week period: 1 May 2025 to 8 May 2025

Our 12-month asset class views at a glance

Asset class			
Equities	◆	**Preferred Sectors**	
US	◆	US Financials	▲
Europe ex-UK	◆	US Communication	▲
UK	◆	US Technology	▲
Asia ex-Japan	◆	US Healthcare	▲
Japan	◆	US Utilities	▲
Other EM	◆	Europe Financials	▲
		Europe Industrials	▲
Bonds (Credit)	◆	Europe Communication	▲
Asia USD	◆	Europe Technology	▲
Corp DM HY	◆	China Technology	▲
Govt EM USD	▼	China Communication	▲
Corp DM IG	◆	China Discretionary	▲
		India Technology	▲
Bonds (Govt)	◆	India Discretionary	▲
Govt EM Local	◆	India Financials	▲
Govt DM IG	▲		
		Alternatives	◆
		Gold	▲

Source: Standard Chartered Global Investment Committee

Legend: ▲ Most preferred | ▼ Less preferred | ◆ Core holding

Economic and market calendar

	Market	Event	Period	Expected	Prior
MON					
TUE	EUR	ZEW Survey Expectations	May	–	-14.0
	EUR	ZEW Survey Expectations	May	–	-18.5
	USD	NFIB Small Business Optimism	Apr	94.3	97.4
	USD	CPI y/y	Apr	2.4%	2.4%
	USD	CPI Ex Food & Energy y/y	Apr	2.8%	2.8%
WED					
THU	GBP	GDP y/y	1Q P	–	1.5%
	USD	Retail Sales Control Group	Apr	–	0.4%
	USD	PPI Final Demand y/y	Apr	–	2.7%
	USD	PPI Ex Food & Energy y/y	Apr	–	3.3%
	USD	Philadelphia Fed Business Outlook	May	-9.6	-26.4
	USD	Initial Jobless Claims	10-May	–	–
	USD	Continuing Claims	3-May	–	–
	USD	Industrial Production m/m	Apr	0.2%	-0.3%
FRI/SAT	USD	Housing Starts	Apr	1368k	1324k
	USD	U. of Mich. Sentiment	May P	53.0	52.2
	USD	U. of Mich. 1 Yr Inflation	May P	–	6.5%

Source: Bloomberg, Standard Chartered
Prior data are for the preceding period unless otherwise indicated. Data are % change on previous period unless otherwise indicated
P - preliminary data, F - final data, sa - seasonally adjusted, y/y - year-on-year, m/m - month-on-month

The S&P500 has next interim support at 5,143

Technical indicators for key markets as of 8 May close

Index	Spot	1st support	1st resistance	12m forward P/E (x)	*12m forward dividend yield (%)
S&P 500	5,664	5,143	5,953	20.7	1.5
STOXX 50	5,289	4,804	5,539	14.7	3.3
FTSE 100	8,532	7,874	8,916	12.4	3.8
TOPIX	2,699	2,443	2,829	14.3	2.8
Shanghai Comp	3,352	3,161	3,451	12.4	3.1
Hang Seng	22,776	20,292	24,229	10.1	3.4
Nifty 50	24,274	22,833	25,152	20.0	1.5
MSCI Asia ex-Japan	735	661	778	12.8	na
MSCI EM	1,134	1,027	1,195	12.1	na
WTI (Spot)	59.9	55.0	65.0	na	na
Gold	3,306	3,017	3,547	na	na
UST 10Y Yield	4.38	4.14	4.60	na	na

Source: Bloomberg, Standard Chartered; *as at close of 8 May 25
Note: These short-term technical levels are based on models and may differ from a more qualitative analysis provided in other pages

Investor diversity has normalised across asset classes

Our proprietary market diversity indicators as of 8 May close

Level 1	Diversity	1-month trend	Fractal dimension
Global Bonds	◐	↓	1.33
Global Equities	●	→	1.69
Gold	◐	→	1.35
Equity			
MSCI US	●	→	1.56
MSCI Europe	●	↑	1.53
MSCI AC AXJ	●	→	1.71
Fixed Income			
DM Corp Bond	◐	→	1.41
DM High Yield	●	↑	1.69
EM USD	●	↑	2.92
EM Local	◐	→	1.33
Asia USD	●	↑	1.77
Currencies			
EUR/USD	◐	↓	1.28

Source: Bloomberg, Standard Chartered; **Fractal dimensions below 1.25 indicate extremely low market diversity/high risk of a reversal**

Legend: ● High | ◐ Low to mid | ○ Critically low standard chartered

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InvesTips from the CIO’s desk

Presented by:

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