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Asset Management

Balancing Act
Global Multi-Asset Quarterly (Q4 2025)

Q4 in review: a more cautious stance adopted through the quarter

By the Multi-Asset Team

March 2026

Snapshot

Global equities continued to advance in the early part of the October–December quarter of 2025 before experiencing volatility in November and resuming their upward movement towards the end of the year. Although stock markets started the quarter strongly, the MSCI All Country World Index experienced sharp swings during the middle of the period and ended the month of November broadly flat. However, equities gained again towards the end of the quarter, with global markets ending 2025 on a high note and capping off another strong year. In fixed income markets, yields on US Treasuries (USTs) declined early in the quarter and traded in a narrow range for much of the period's middle, but finished the quarter mostly higher.

Commodities showed mixed performances during the October–December quarter. Gold prices surged in the first two months of the period and consolidated before moving higher by another 1.9% in December . This concluded a stellar 2025 for the commodity, which ended the year 64.6% higher. In contrast, crude oil prices (as measured by West Texas Intermediate crude oil) declined throughout the quarter and posted a loss of almost 20% for the year. Global real estate experienced modest movements, seeing a small decline in the first month of the quarter before inching upward in the mid-part of the period.

Market movements in the October–December quarter were largely shaped by a combination of economic data, central bank actions and geopolitical developments. Early in the quarter, global equities were supported by strong corporate earnings data and easing trade concerns fuelled by progress in US-China trade relations. Improving investor sentiment in line with those positives in addition to an interest rate cut by the US Federal Reserve (Fed) also lifted markets. In the mid-part of the quarter, jitters about elevated artificial intelligence (AI) valuations hammered stock prices, but investor optimism over a potential further Fed rate cut in December subsequently improved sentiment. Towards the end of the quarter, equity markets were supported by positives including stronger-than-expected US economic growth.

In fixed income markets, UST yields fluctuated mainly in response to economic data and trade developments between China and the US early in the quarter before trending narrowly in the mid-part of the period as the prolonged US government shutdown led to a lack of key economic data. Towards the end of the quarter, yields rose amid a series of hawkish signals from major central banks. Outside equity and fixed income markets, gold prices were driven higher throughout the quarter mainly by interest rate cut expectations, geopolitical risks and steady demand from central banks. In contrast, crude oil prices were primarily weighed down by concerns over excess supply. Global real estate experienced downward pressure amid broader caution early in the quarter.

Cross-asset[1]

For the October–December quarter, we adopted a more cautious stance, maintaining a slight underweight in growth assets while keeping defensives neutral. Although growth assets continued to perform well and macro data remained broadly supportive, elevated valuations increasingly limited the scope for further outsized returns. Inflation also proved stickier than expected, adding uncertainty around the pace and extent of future Fed rate cuts.

Within growth assets, we reduced exposure across equities, ending the quarter with neutral positions in both developed market (DM) and emerging market (EM) equities. In DM equities, the US and Canada were maintained at neutral on valuation concerns despite resilient earnings and economic momentum. Japan was also held at neutral, balancing expectations of a weaker yen—which is expected to support equities—against a still hawkish Bank of Japan (BOJ). During December, we increased our underweight in Australia amid weakening earnings growth and rising inflation pressures. Singapore was kept at an overweight for most of the quarter due to its exposure to financials and resilient economic activity.

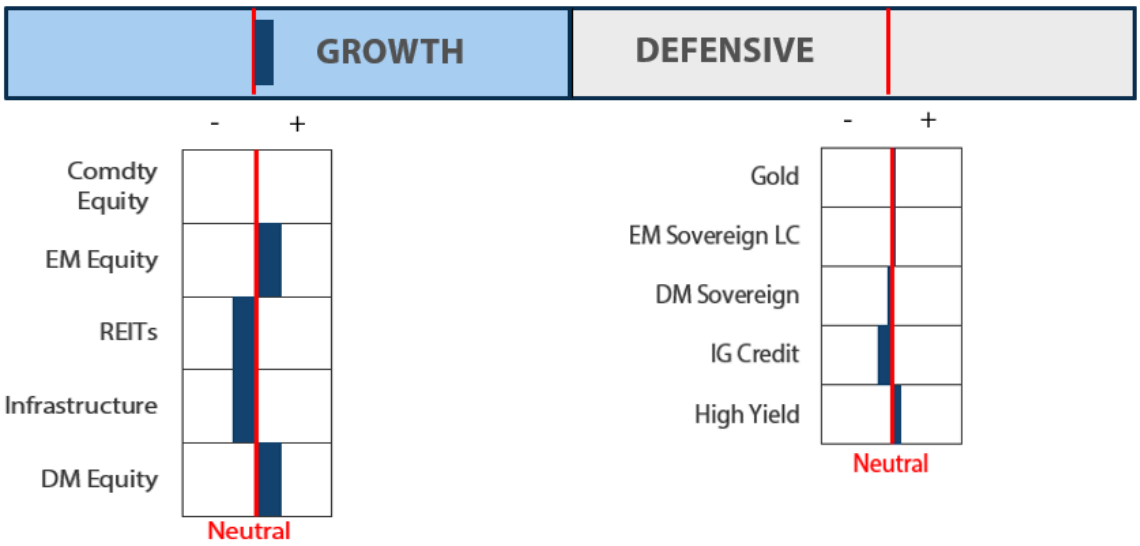
In emerging markets, we moved from an earlier overweight to a neutral stance as strong performances left valuations less compelling. While the macro backdrop remained broadly supportive—helped by periods of US dollar weakness and easing global financial conditions—we became more selective after the strong rally in 2025.

On the defensive side, we maintained an overall neutral allocation. We upgraded DM sovereign bonds to a small overweight. DM sovereigns were preferred over investment grade (IG) credit as yield curves steepened and credit spreads remained historically tight. We kept IG credit underweight throughout the quarter, reflecting limited scope for further spread compression. Exposure to high yield was reduced from a slight overweight to neutral amid growing risk reward concerns, while allocations to EM sovereign bonds—particularly local currency debt—were increased, supported by attractive carry, improving growth dynamics and potential US dollar weakness.

We reduced gold to a neutral position following a strong run that left valuations stretched. While we still view gold as an effective hedge against geopolitical and policy risks, we expect the precious metal to consolidate further.

[1] The Multi Asset team's cross-asset views are expressed at three different levels: (1) growth versus defensive, (2) cross asset within growth and defensive assets, and (3) relative asset views within each asset class. These levels describe our research and intuition that asset classes behave similarly or disparately in predictable ways, such that cross-asset scoring makes sense and ultimately leads to more deliberate and robust portfolio construction.

Asset Class Hierarchy (Team View)[2]



[2]The asset classes or sectors mentioned herein are a reflection of the portfolio manager's current view of the investment strategies taken on behalf of the portfolio managed. The research framework is divided into 3 levels of analysis. The scores presented reflect the team's view of each asset relative to others in its asset class as at 30 June 2025. Scores within each asset class will average to neutral, with the exception of Commodity. These comments should not be constituted as an investment research or recommendation advice. Any prediction, projection or forecast on sectors, the economy and/or the market trends is not necessarily indicative of their future state or likely performances.

Research views

Growth assets: summary of score changes in Q4

Growth assets remain attractive, as we believe that global economic growth will stay resilient and earnings growth will resume its US-driven upward trajectory. However, elevated equity valuations worldwide warrant caution in the near term. Market sentiment was initially mixed amid uncertainty surrounding the Fed's policy path, but shifted back toward a risk-on tone as the quarter progressed, with investors increasingly pricing in a December rate cut and expecting further easing in the subsequent quarters. US labour market and inflation data will remain crucial, given the Fed's dual mandate of price stability and employment. While global inflation remains benign, upside risks could re-emerge should global economic growth gain further momentum.

Overall, corporate profit margins continue to expand, which is supportive of growth assets. Earnings growth estimates for the coming quarter have been gradually revised higher over recent months, but in many sectors, they remain below Liberation Day levels that would support the asset class. The passage of the US tax bill may help both corporates and consumers in the coming quarters, while additional Fed rate cuts in coming months could support continued economic activity in the US. However, given the elevated valuations of growth assets, we elect to reduce our risk exposure and maintain a more defensive posture in the near term while awaiting more clarity on economic data and inflation rolling over before taking a more positive view.

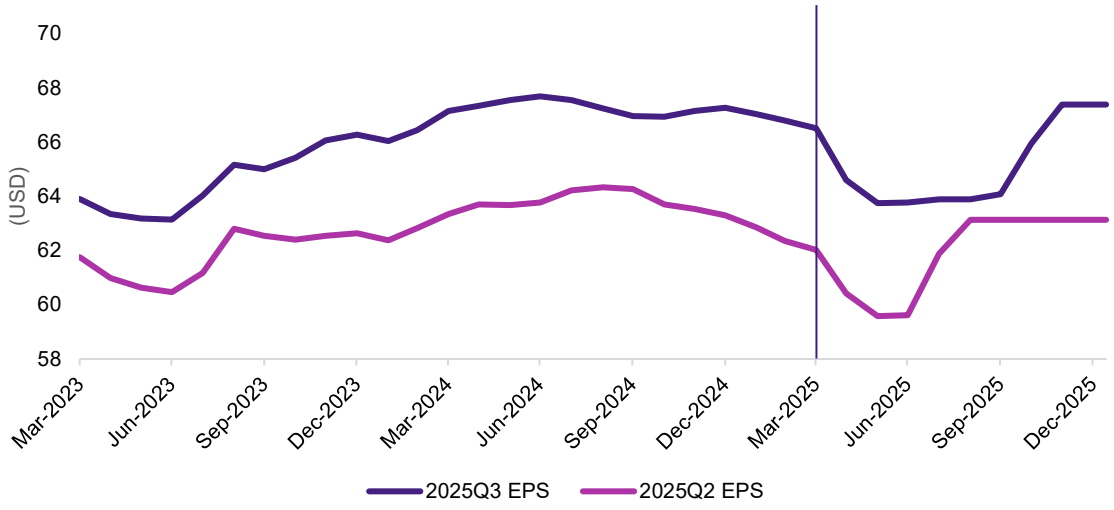
Conviction views on growth assets

- **Neutral on the US**: We continue to like the US for its secular long-term earnings growth driven by technology and healthcare innovations. We also expect the US to benefit from increasing energy demand from data centres with the significant AI capex outlay over the next few years. There remains potential for positive surprises in the market, such as responses from central banks and import tariffs relief. However, elevated valuations could present headwinds in the near term and we look to wait and add on any market consolidations.
- **Overweight on Singapore and UK:** We slightly reduced but maintained our overweight position in Singapore and moved to an overweight position in UK, due to their defensive attributes which offer high dividend yields and inherently lower beta. Singapore's market looks attractive in terms of relative valuation metrics and given its open economy, it should benefit from a synchronised pick-up in global economic activity and deregulation of the banking sector.
- **Neutral on EM equities**: Given the strong rally in 2025 and considering that valuations are starting to look extended, we maintain a neutral position in EM equities, with a view to add on market consolidations. Within EM, we prefer selective markets, such as India, which benefit from domestically driven economies and structural long-term growth stories. We also like Taiwan for its exposure to the technology sector, as it is a key supplier of semiconductors for the secular growth trend of AI capex rollout.
- **Neutral on commodity-linked equities**: We continue to believe that commodity-linked equities will keep providing good diversification against inflation in the longer term. The fundamentals of the sector remain compelling due to both cyclical and secular factors.
- **Overweight on infrastructure**: We like the defensive nature of the asset class with lower beta and good dividend yields. The structural story of increasing energy demand amid the rising deployment of data centres remains intact. Longer duration contracts, combined with a monetary easing cycle and high revenue visibility makes it an attractive asset class during periods of market consolidations.

Growth assets topic: looking into the crystal ball for the coming earnings season

We have argued for some time now since the middle of 2025 following Liberation Day, that the impact of the import tariffs would not be as bad as some analysts had predicted. When we started to look at the progression of analyst earnings estimates, we expected the earnings progression of the subsequent two quarters to be a low bar to beat. Since then, profits of S&P 500 firms were better than expected, leading to analysts' upgrades through the months (see Chart 1). By the end of 2025, the earnings for both quarters had already surpassed the earlier market estimates on Liberation Day, leading to a strong performance by the S&P 500.

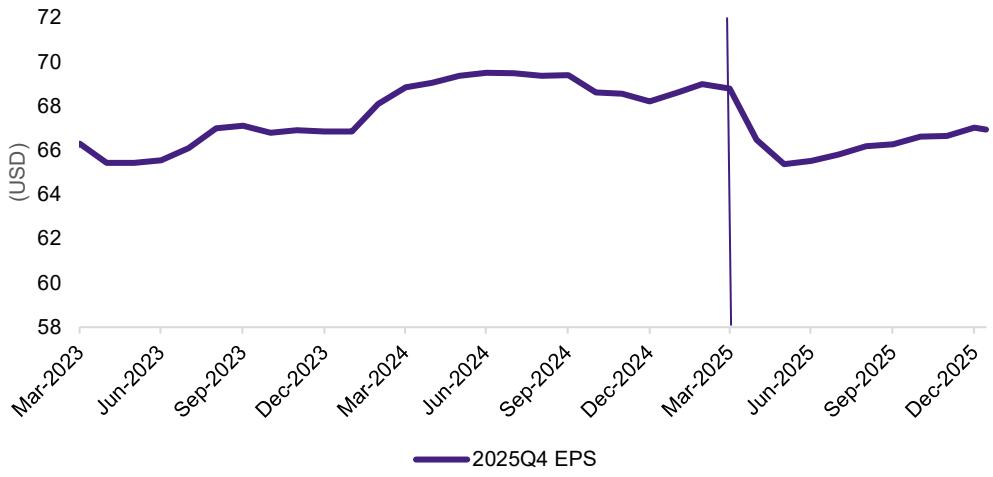
Chart 1: Low bar for earnings beats for S&P 500 firms in second and third quarters (2025Q2, Q3 EPS progression)



Source: Bloomberg, January 2026

As we entered the fourth quarter earnings season, the market rhetoric for a bullish US equity market was buoyed by strong technology earnings amid strong AI capex and deregulation of the financial sector. Besides these dynamics, which should spur economic activity, expectations of further Fed cuts in the coming quarters are also supportive of the US. On an aggregate level, the current earnings estimates are still trending below post-Liberation Day levels. Although earnings could rise towards pre-Liberation Day levels, we believe the hurdle for earnings beats is now higher; a closer look at sector-level estimates suggests that the bar might be harder to clear this time.

Chart 2: Increasingly higher bar for S&P 500 firms to clear in fourth quarter earnings season (2025Q4 EPS progression)

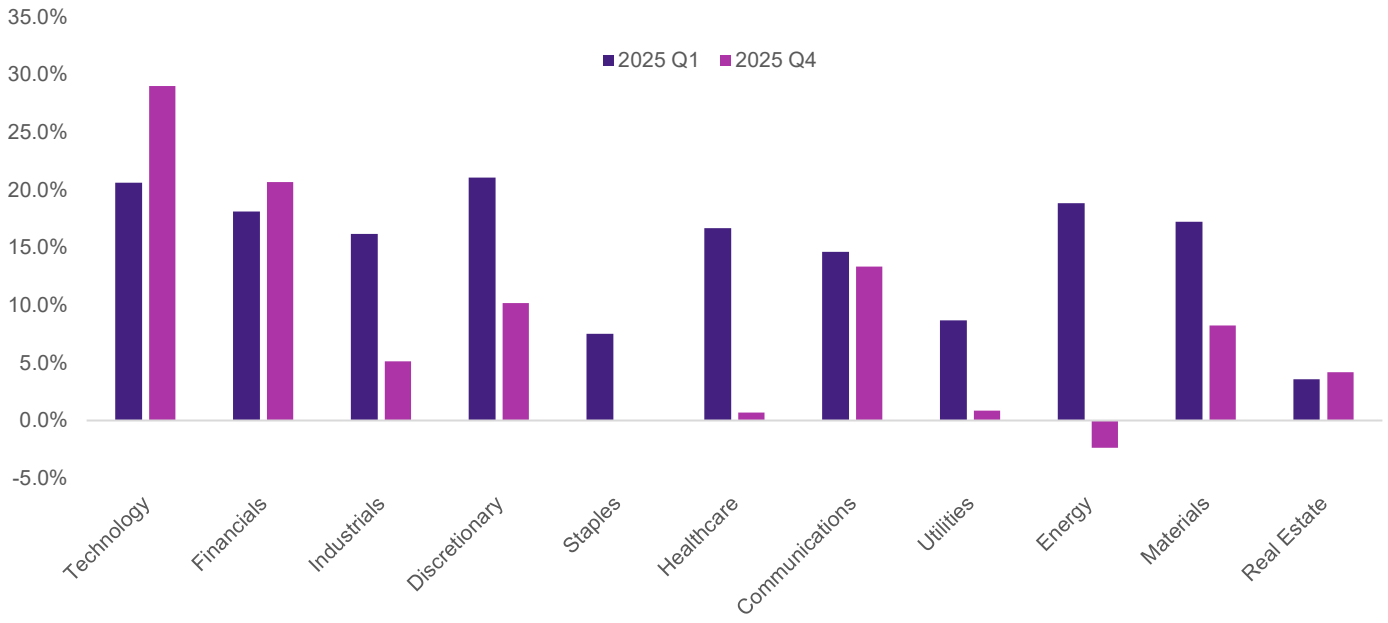


Source: Bloomberg, January 2026

The technology and financial sectors have seen the strongest upward revisions in recent months following Liberation Day. Quarterly year-over-year growth expectations now stand at roughly 30% for technology and around 20% for financials. Notably, these are the only two S&P 500 sectors with earnings forecasts that have been revised higher since Liberation Day (see Chart 3). They are also the least exposed to tariff-related pressures, given that their primary end markets are service-oriented rather than goods-focused.

Given that technology and financials together make up nearly half of the entire S&P 500 index, their stronger earnings trajectory has had an outsized influence on overall index performance. Earlier earnings upgrades were largely driven by these two sectors, but for index-level earnings to continue accelerating, the momentum will now need to broaden. That implies greater contributions from sectors such as industrials, consumer discretionary, communication services and healthcare—areas that may be more vulnerable to tariff impacts in the months ahead.

Chart 3: S&P 500 technology and financials have the highest bars to clear (2025Q4 EPS growth % YoY estimates)



Source: Bloomberg, January 2026

Defensive assets: summary of score changes in Q4

Defensive assets continued to show robust performance during the quarter and finished off 2025 strongly. The Bloomberg Global Aggregate index rose by a little over 8% in USD terms for the year, benefiting from falling policy rates across the world. During the quarter, the UST market saw yields continuing to trend lower, driven by expectations for—and the subsequent delivery of—the Fed's rate cut in December 2025. Gold continued to be the standout performer, rising over 65% in USD terms in 2025. With Trump keeping pressure on the Fed to ease monetary policy and US CPI falling below 3%, this raises the prospect of additional rate cuts in the coming months. Outside of the US, however, central banks now appear to be cooling on the notion of needing additional cuts. Meanwhile, Japanese yields continue to rise as persistent inflationary pressures and expansionary fiscal spending combine to create a toxic mix for the bond market.

Conviction views on defensive assets

- **Underweight exposure to IG credit spreads**: Credit spreads have performed well over the past several quarters, hitting levels not seen since the mid-2000s. While we cannot foresee what will shift spreads wider in the near term, the fact that spreads are a mean-reverting series means that we continue to maintain our underweight position to the asset class. We prefer to keep exposures short, in the 1–5 year maturities to limit spread duration.
- **Gold expensive but necessary:** With prices rising for well over a year now, gold has reached high valuations versus the US money supply. Despite this, gold maintains a positive macro backdrop due to expectations of a weaker dollar, pervasive inflation, and the Fed's independence being threatened. This could see gold potentially being a strong hedge compared to sovereign bonds as fiscal dominance occurs.
- **Introducing inflation-linked bonds**: With central banks easing aggressively, growth picking up and commodity prices rising, there are now signs that inflation is beginning to rise again. We have introduced US Treasury Inflation-Protected Securities (TIPS) positions to provide some protection against the notion that the inflation fight is unfinished.

Defensive assets topic: Japanese snap election

Japanese Prime Minister Sanae Takaichi has recently expressed her desire to hold a snap election. Takaichi is looking to capitalise on her strong popularity to strengthen the standing of her party, which maintains a flimsy majority in the lower house through a coalition with the Japan Innovation Party. Takaichi's popularity stems partly from her intention to cut taxes and provide cash benefits, with a desire to run more expansionary fiscal policy to drive growth in the country. However, this policy does not come without risks, as the Japanese government is one of the most indebted in the world and has not seen a fiscal surplus since 1992. The market has become keenly aware of this fact, as the call for a snap election has seen the yen continue to decline, despite the admittedly slow rate hiking cycle by the BOJ. Many models show the yen as undervalued, as real rates in Japan begin to creep higher, with interest rate differentials typically a key driver of the currency. As Chart 4 below shows, the market is currently looking through the more hawkish actions of the BOJ, focused instead on a potentially more expansionary fiscal policy which could result from Takaichi gaining a stronger hold on power.

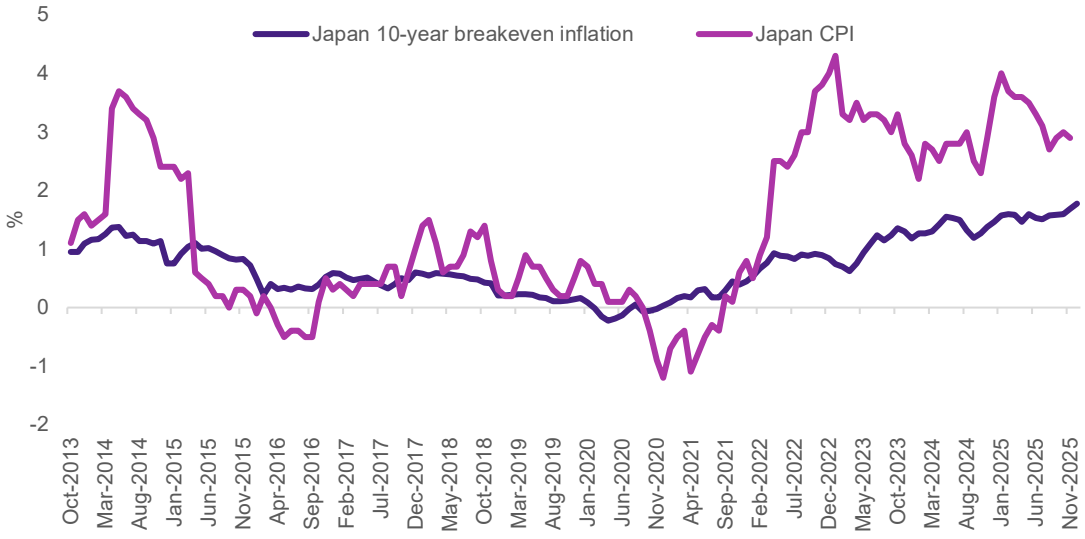
Chart 4: Real rate differentials and USD/JPY



Source: Bloomberg, Amova AM, January 2026

While a larger majority is certainly not an assured outcome—as the current government scraped through by forming a new coalition partnership—it does raise the notion that a positive result will be inflationary. With this, market expectations for inflation are on the rise, slowly pushing higher as recent inflation becomes entrenched. A weaker yen would undoubtedly add to this result, as Japan imports a large amount of its energy. In addition, cash subsidies and tax cuts may also see inflation rise. This could see the BOJ become more hawkish and cause rates to rise; however, its slow pace over the past 18 months suggests that this could take some time to play out.

Chart 5: Japan inflation and 10-year breakeven inflation rate



Source: Bloomberg, Amova AM, January 2026

Looking ahead, we prefer to remain short duration in the Japanese government bond (JGB) market. Regardless of the result of the snap election, it appears that the BOJ needs to move rates higher. With respect to the yen, our Strategic Asset Allocation holds a short position—against which we tactically remain neutral. While Takaichi may favour expansionary policy, snap elections in 2024 in both Japan and France proved disastrous for the parties calling them, and this raises the risk that the market is getting ahead of itself. Additionally, the rate differentials point to some appreciation, which will move more in Japan's favour should the BOJ hike, leaving us waiting on the sidelines to see how the events play out.

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