In collaboration with:

J.P.Morgan ASSET MANAGEMENT

UOB 90 Years and Beyond

Monthly Investment Insights

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TOPIC 1:

Separating the forest from the trees

As trade negotiations continue to evolve, investors should look beyond short-term volatility and position their portfolios to capture opportunities driven by key structural growth drivers.

What you can do

- Any short-term volatility represents an opportunity to buy risk assets on dips, as corporate earnings are expected to remain strong.

- In recent weeks, the United States (US) administration has introduced a series of new reciprocal tariff rates targeting major economies, with implementation delayed to 1st August. Following the latest notable trade agreements, the overall effective tariff rate has risen to approximately 16%, based on 2024 US import levels. This marks the highest rate since early April, and prior to that, the highest since the 1940s. For context, the effective tariff rate on US imports in 2024 was just 2.3%.
- It is important to note that this figure does not account for the impact of future sector-specific tariffs or the possibility of higher reciprocal rates on countries that have yet to receive tariff notifications from the administration. These developments could potentially push the overall effective rate above 20%.
- In Asia, “reciprocal” tariffs have been announced for several countries, including key US trade partners such as Japan and South Korea, set at 15%. This results in effective tariff rates of 14.4% for Japan and 16.4% for South Korea (Figure 1). Meanwhile, framework agreements with Vietnam, the Philippines, and Indonesia establish tariff rates above the baseline 10%, but still below the levels announced on April 2.
- Considering that companies may not fully pass higher costs on to consumers, the increase in inflation may be less pronounced than anticipated. This could prompt the Federal Reserve (Fed) to retain a cautious approach to interest rate cuts. The Fed’s other consideration is the underlying health of the US economy. Emerging signs of weakening domestic demand, combined with the effects of recent policy changes, suggest a potential slowdown in growth during the second half of this year. As such, we still expect the Fed to gradually ease monetary policy in the coming months.
- Despite near-term uncertainties surrounding trade policy, market expectations for strong corporate earnings this year and next will continue to support the stock market. In addition, structural themes like AI and automation will continue to drive strong performance in the technology sector.

Figure 1:

Effective tariff rates on US imports

Latest (As of 31 July)

Country	Latest	2024
China	39.7%	11.1%
Canada*	13.7%	0.1%
Mexico*	11.6%	0.3%
European Union	15.2%	1.2%
United Kingdom	8.9%	1.0%
Japan	14.4%	1.5%
Vietnam	18.3%	3.8%
South Korea	16.4%	0.2%
Taiwan	8.3%	0.9%

Country	Latest	2024
India	19.1%	2.4%
Thailand	9.5%	1.6%
Switzerland	7.0%	0.6%
Malaysia	7.6%	0.6%
Indonesia	21.7%	4.8%
Brazil	35.9%	1.3%
South Africa	9.8%	0.3%
Saudi Arabia	2.5%	0.4%
Rest Of World (ROW)	5.4%	0.1%

Source: J.P. Morgan Economic, Research US International Trade, Commission, J.P. Morgan Asset Management.

*Only applied on non-USMCA compliant goods.

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TOPIC 2:

Moderate US fiscal boost can still drive corporate profit growth

The new US tax cut and spending bill brings more certainty to fiscal policy, potentially supporting economic growth, corporate profits, and investor confidence in US stocks.

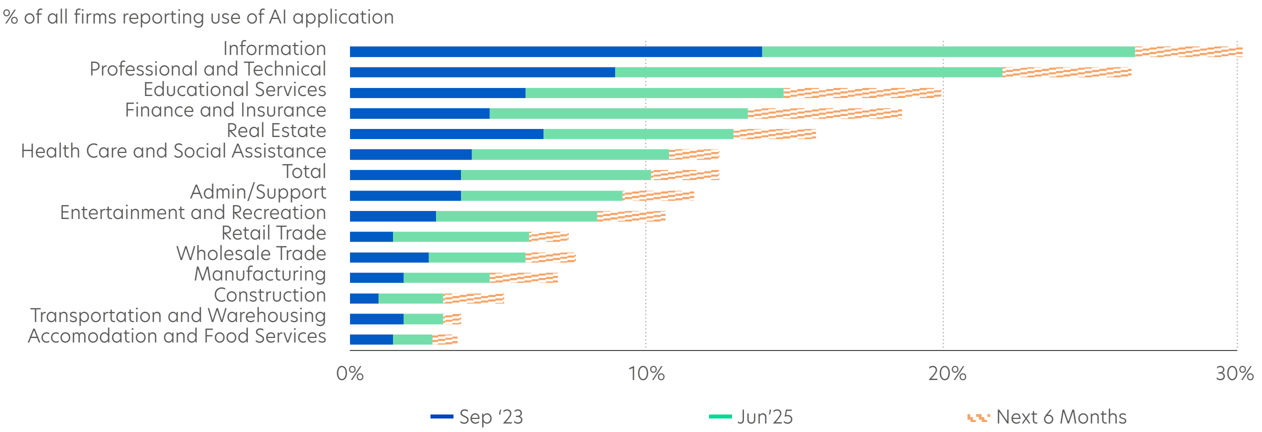
What you can do

- Financial markets may start to price in the benefits of the US fiscal boost that is expected to materialise in early 2026. Combined with the structural theme of artificial intelligence (AI), global technology stocks remain a tactical investment opportunity.

- On 4 July, President Trump signed the "One Big Beautiful Bill Act" (OBBBA) into law. Beyond tax cuts, this bill provides more clarity on US government spending and offers a moderate boost to economic growth and corporate profits. The bill is expected to widen the federal deficit and gradually push US bond yields higher, as investors seek better returns for holding government debt.
- The growth impact of the OBBBA may keep the Federal Reserve cautious, especially with inflation slightly elevated due to rising tariffs. New tax cuts could lead to income tax refunds for households and businesses starting in early 2025 through mid-2026. However, the benefit of higher disposable income may be partly offset by inflation from tariffs.
- On the corporate front, reduced regulation and tax breaks could boost earnings, particularly for technology sectors, fossil fuel producers, defense firms, and domestic manufacturers. In contrast, sectors like clean energy, electric vehicles, and hospitals may see fewer benefits.
- Despite ongoing concerns about the fiscal deficit, US corporate earnings continue to grow faster than in other regions, with the technology sector remaining the key driver of market performance. Markets may focus more on the bill's growth and profit potential in early 2026.
- We believe the momentum behind AI, along with the more supportive government policies, continues to strengthen the outlook for technology. Enthusiasm for AI remains strong across much of the US and is still growing (Figure 2).
- This growing interest in AI-driven productivity and automation is driving investment in areas like semiconductors, cloud infrastructure, and software platforms. Companies that are effectively integrating AI into their operations are seeing higher valuations, reflecting investor confidence in their ability to deliver stronger performance and growth.

Figure 2:

Trends on using artificial intelligence (AI) to produce goods and services



Source: Census Business Trends and Outlook Survey (AI Supplement), J.P. Morgan Asset Management.

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TOPIC 3:

It is not all bad news for China

Despite ongoing tariff tensions with the US, and mixed economic data, China's economic trajectory may not be as bleak as it may seem.

What you can do

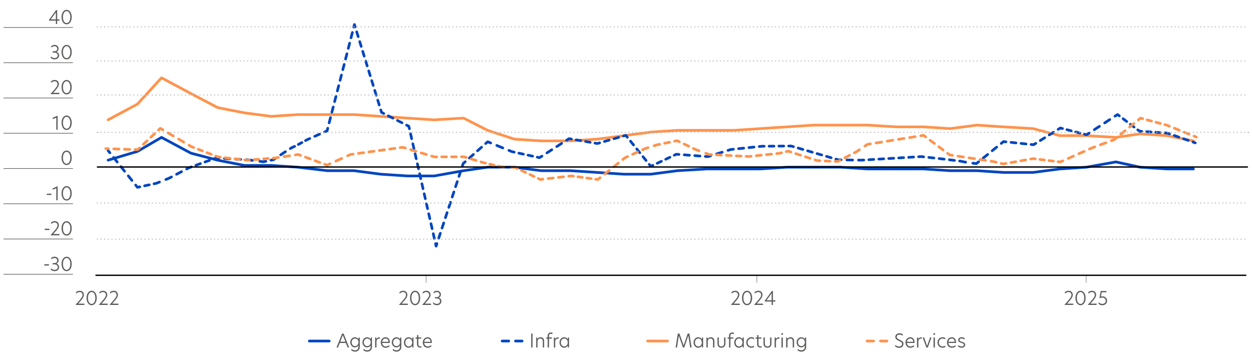
- Diversify your portfolio beyond US stocks. China stocks can offer diversification benefits, with attractive valuations and strong income generation from high-dividend stocks.

- Tariff-related headlines continue to dominate news headlines, although recent developments hint at the Trump administration dialling down its confrontational approach with China. US Treasury Secretary Bessent has also hinted the 12 August tariff truce deadline could be postponed by three months. That said, it is still likely that tariffs on Chinese exports to the US will be much higher than 2024 levels.
- China's growth momentum may come under pressure in the second half of 2025. US imports from China are expected to decline after August, as tariff front-loading demand abates. Meanwhile, the impact of China's subsidies on cars, appliances, and electronics may also wane, potentially weakening a key plank of China's current consumption driver.
- Encouragingly, not all news from China is negative, as recent economic data have showed positive trends. Industrial production rose 6.4% in the first half of 2025 as compared to the same period in 2024, with equipment manufacturing expanding 10.2% and high-tech manufacturing rising 9.5%, suggesting new growth drivers. Total social financing grew 8.8% in June, slightly above May, and this historically leads to stronger stock market performance.
- Private investment in technology-related services and retail sales were also stronger than expected in May (Figure 3). 2Q 2025 GDP was also encouraging, indicating economic resilience despite tariff tensions.
- The policy outlook remains supportive. China's central bank is expected to cut interest rates, while fiscal tools — such as the issuance of local government bonds and infrastructure investments — are likely to be ramped up. However, given stronger-than-expected economic growth in 1H 2025, the timing of stimulus may be delayed.
- Investors should not ignore diversification opportunities in China, where stock valuations remain attractive while high dividend-paying stocks offer attractive income generation.

Figure 3:

China private investment showing some pickup

0% year-over-year, 3—month moving average



Source: CEIC, NBS, J.P. Morgan. "Services" include education, health, sports, entertainment, public administration, social security and other social works.

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