

# Monthly Investment Insights

NOVEMBER 2025

## TOPIC 1:

## United States (US) earnings momentum likely to stay robust

The third-quarter US corporate earnings season is underway and will likely deliver robust results, with technology companies still expected to lead the way.



### What you can do

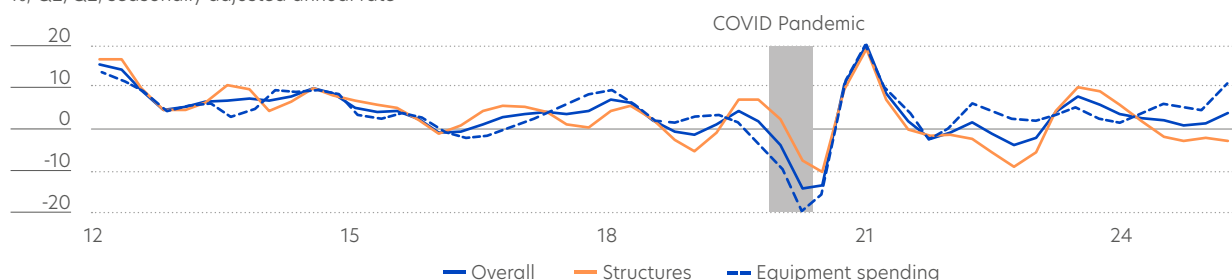
The structural nature of the artificial intelligence (AI) trend should support sustained earnings growth and investors should maintain exposure to the technology sector. Nonetheless, avoid concentration risks in technology names and build a well-diversified portfolio.

- Based on current estimates, S&P 500 companies are expected to see their earnings grow by 7.7% in the third quarter. The technology sector continues to lead the way, with earnings per share (EPS) expected to rise 17.6%, driven mainly by the ongoing momentum in AI.
- Over the past few years, most of the profit growth for the S&P 500 has come from technology, communication services, and financial companies. With the AI structural trend going strong while regulations become more supportive, we believe these sectors will keep doing well in the coming quarters. Utilities companies are also expected to post solid earnings results, helped by higher electricity demand from data centres that are the backbone of AI infrastructure.
- In the first half of 2025, spending on equipment in the US rose by 8.1% year-on-year (y/y) which would appear inconsistent with the backdrop of a slowing US economy and a continued contraction in structure-related capital expenditure growth over recent quarters (Figure 1). Delving deeper though, we find that most of this increase in equipment spending is in computers and related equipment, which jumped 38.2% y/y over the first half of 2025. This suggests the technology sector's growth is likely to last.
- For financial companies, even though loan growth might slow as the economy cools, less strict regulations should allow banks to use more of their capital to issue new loans, buy back shares, and pay dividends. This could help support the sector.
- On the other hand, the energy sector is expected to see profits drop for the tenth straight quarter due to lower oil prices. Consumer discretionary companies might also face slower earnings growth ahead, especially as lower-income shoppers start to cut back on spending.
- Looking ahead, investors should maintain exposure to the technology sector given the structural nature of the AI trend. That said, the scale and speed around the build-out of AI infrastructure warrants caution on concentration risk, and investors should build a well-diversified portfolio beyond just technology companies instead.

Figure 1:

### US private fixed investment by type

%, Q2/Q2, seasonally adjusted annual rate



Source: BEA, J.P. Morgan Asset Management



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## TOPIC 2:

# Rising Interest and Opportunity in Chinese Stocks

Despite ongoing economic challenges, investor interest in Chinese stocks remains strong, supported by emerging consumption trends, resilient sectors, and proactive policy measures.



### What you can do

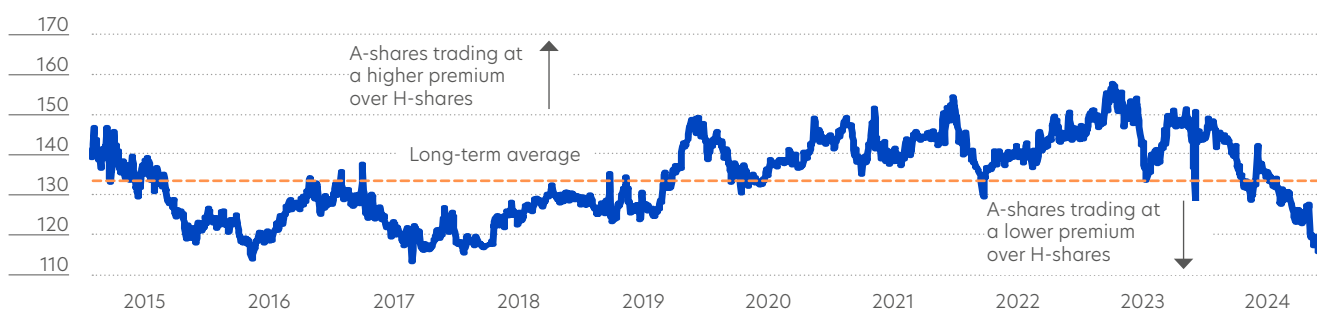
A well-diversified portfolio should consist of both onshore and offshore Chinese stocks, particularly high-quality dividend-paying and growth stocks, given emerging AI opportunities and their comparatively lower valuation against peers in most developed markets.

- Despite headwinds from a sluggish property market, elevated youth unemployment, and weak consumer confidence, new structural themes are emerging in consumption patterns. This shift is reflected in the strong performance of media & entertainment and specialty retail sectors within the MSCI China Index, signalling evolving consumer habits and preferences. Additionally, breakthroughs by low-cost, high-performance Chinese AI startups have lifted investor sentiment, driving increased inflows into offshore Chinese stocks.
- Meanwhile, onshore stocks have also benefited from the stabilisation efforts by the "National Team", a group of state-backed investors, which has helped mitigate market volatility following April's US Liberation Day. Part of the resilience in onshore stocks comes from their defensive nature, as the domestic benchmark stock index includes a large share of high dividend yielding sectors like energy and financials. These sectors tend to perform steadily, even during periods of economic uncertainty.
- Policymakers have also launched the anti-involution campaign to reduce overcapacity in some industries and stem falling prices. In our view, this initiative could help promote healthier corporate profit margins over the long term by encouraging healthier competition.
- From a valuation perspective, both onshore and offshore Chinese stocks remain relatively cheap compared to peers in developed markets. For instance, the forward price-to-earnings (P/E) ratio for China A-share market stands at 15.0x, and MSCI China at 13.9x, both significantly lower than the forward P/E ratio of the S&P 500 at 22.8x. Drilling down further, Chinese onshore stocks are also trading at a deep discount over offshore stocks (Figure 2).
- A well-diversified portfolio should include exposure to both onshore and offshore Chinese stock markets, balancing growth stocks in the offshore market, and high-quality dividend paying stocks in the onshore market.

Figure 2:

### Hang Seng China AH Premium index<sup>1</sup>

Base=100



Source: FactSet, J.P. Morgan Asset Management.

1. Tracks the price premium (or discount) of A-shares to H-shares. A-shares represent businesses that are headquartered in mainland China valued on the Shanghai or Shenzhen stock exchanges and traded in Chinese yuan (RMB). H-shares are stocks of Chinese corporations listed on the Hong Kong Stock Exchange, where they are quoted and traded in Hong Kong dollars (HKD).



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## TOPIC 3:

# Gold's long-term story remains intact

After a steep rally this year, Gold prices retreated recently amid profit-taking, but the long-term story may remain positive.



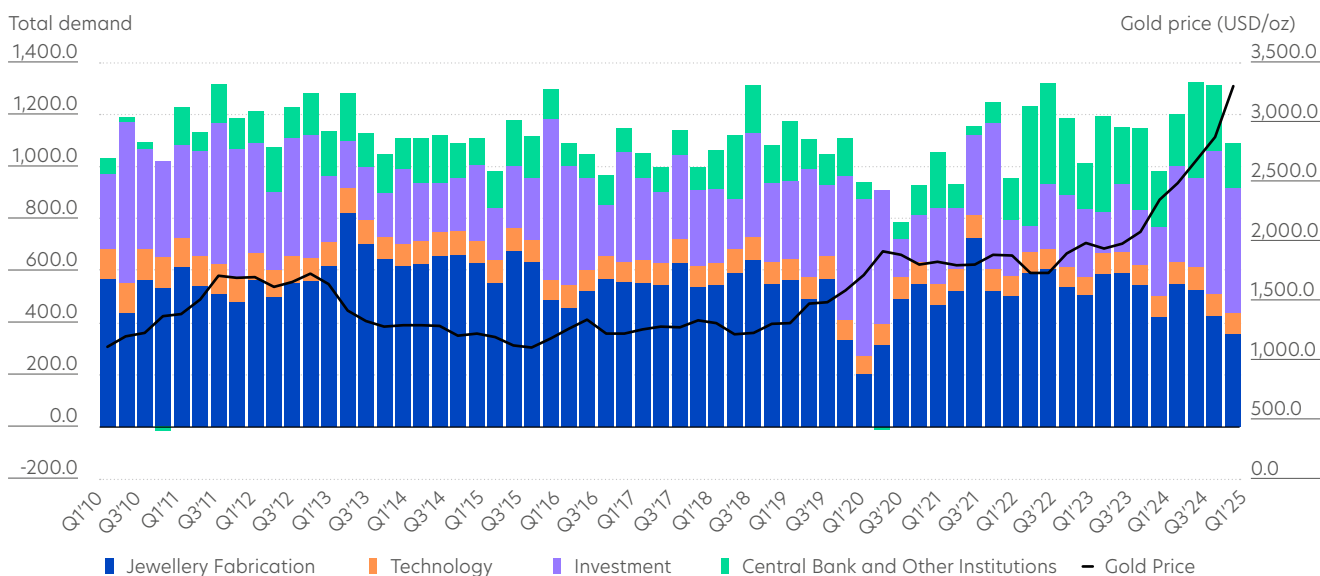
### What you can do

Consider a 5-10% allocation in gold as part of a diversified portfolio to navigate an environment of lower interest rates, heightened government borrowing and spending, and to hedge against macroeconomic risks.

- With expected Fed rate cuts and concerns around stagflation, deficits, and geopolitical risks, questions about central bank independence and USD stability are prompting some investors to seek alternatives, turning to gold over bonds and traditional safe-haven currencies.
- Gold prices are likely to remain supported by continued demand from both retail investors and central banks (Figure 3), reinforcing gold's role as a store of value in uncertain times. While central bank demand has played a structural role in boosting gold prices, retail investors are now adding momentum as we enter a period where gold usually does well. Historically, gold prices tend to rise around the onset of Fed rate cuts, suggesting further upside potential ahead.
- While the fundamental outlook is positive, some investors may question whether gold's high price leaves room for further gains. As such, it is important to consider potential risks. A resolution of geopolitical tensions, an end to the US government shutdown, or de-escalation in global conflicts could reduce gold's appeal as a safe-haven asset.
- That said, gold currently shows a negative correlation with stocks, meaning it often moves in an opposite direction, providing valuable diversification benefits for investment portfolios. But investors should keep in mind that this is not always consistently the case.
- All things considered, even at around USD4,000 per ounce, the combination of monetary easing, fiscal concerns, geopolitical tension, and renewed retail investor demand via exchange traded funds (ETFs) supports maintaining an allocation to gold for diversification purposes.

Figure 3:

### Demand for gold still strong, especially from retail investors and central banks



Source: World Gold Council, J.P. Morgan Asset Management



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