

NOVEMBER 2025

Investment Navigator

Asia Edition



China Equities: From “uninvestable” to “unneglectable”

China equities including domestic A-shares and Hong Kong-listed H-shares have had another stellar year in 2025 after a strong rally in 2024. The perception about China stocks being potentially “uninvestable” by foreign investors in recent years given the prolonged market downturn, has now shifted into one of the “unneglectable” markets. Many investors have reassessed their bearishness on China equities, especially after DeepSeek’s breakthrough early this year, combined with a suite of other AI innovations in the Mainland.

We remain **positive on China equities** and believe there is room for further upside for both A-shares and H-shares. Key drivers are:



Rising AI demand
from
infrastructure to
applications



US-China’s
“escalate to de-
escalate” trade
tension playbook



A potential
recovery in
corporate
earnings



Reasonable
relative valuations
& growing
investor
confidence

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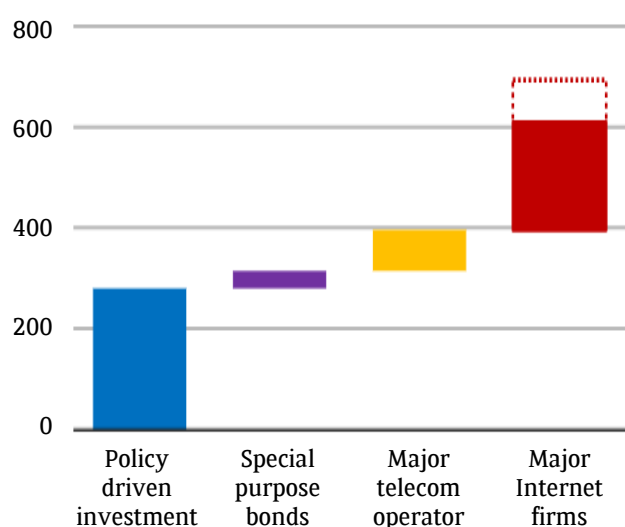


1. Rising AI demand from infrastructure to applications

In the recent Fourth Plenum, Beijing outlined the 15th Five-Year Plan with the main focus on technological self-sufficiency. China leads globally with abundant and cost-efficient renewable energy and grid infrastructure to support the rising power demand driven by the strong AI demand. China is also a global producer for AI-integrated humanoid robots and smart service devices. China's AI capex is estimated to reach RMB 600-700bn this year (see Figure 1), and a very large domestic market helps support commercialisation and scaling up of local technology brands.

Figure 1: Chinese government and mega tech companies are main investors for AI capex

China AI capex is projected to reach RMB600-700bn in 2025E



Source: Company data, Bloomberg, BofA, BNP Paribas WM, as of 31 Oct 2025. Past performance is not indicative of current or future performance.

Figure 2: China appears to lead in a number of technologies

2019-2023 Rankings for 10 Out of 64 of ASPI's Tracked Technologies

	China	US
Advanced Integrated Circuit Design & Fabrication	1	2
Natural Language Processing	2	1
Quantum Computing	2	1
High-Specification Machining Process	1	3
Advanced Aircraft Engines	1	2
Drones, Swarming & Collaborative Robots	1	2
Electric Batteries	1	2
Photovoltaics	1	2
Genetic Engineering	2	1
Advanced Radiofrequency Communication	1	2

Source: ASPI Critical Technology Tracker, Jefferies, BNP Paribas WM, as of 31 Oct 2025. Past performance is not indicative of current or future performance.



2. US-China's "escalate to de-escalate" trade tension playbook

The recent Trump-Xi meeting had a positive outcome with US-China agreeing on immediate reduction in fentanyl tariffs by half to 10% and a 1-year suspension of reciprocal tariffs, export controls and maritime charges. These measures will likely lower the weighted average additional US tariff on China in 2025 from 32% to 22%, which is close to the additional tariff on most of the regional peers, such as around 20% for ASEAN, 15% for Korea.

Market did not have strong response to the temporary easing in the bilateral relationship. This is because the tension de-escalation is well-expected and the market is used to the "escalate to de-escalate" playbook, though it did provide more policy visibility for the capital markets.

This new agreement marks a truce but not an end to the evolving US-China trade tensions, and the truce may still face some back-and-forth disruptions in the near future. Also, the decoupling in technology and critical minerals is still likely to accelerate in the long-term.





3. A potential recovery in corporate earnings

The strong performance of China equities (both A-shares and H-shares) year-to-date (YTD) has been largely driven by valuation expansion, rather than corporate earnings. Overall earnings growth is expected to bottom out next year. Key potential drivers for future earnings include profit boost from AI capex; profit reflation from “anti-involution” campaign and consumption stimulus, and profit enhancement from rising global market exposure given Chinese products’ rising competitiveness.



4. Reasonable relative valuations & growing investor confidence

Despite the Hang Seng Index and CSI 300 Index touching multi-year highs in October 2025, forward PE is currently at 12.7x and 16.3x respectively, much lower than S&P 500's 25.8x.

Hong Kong market saw record net Southbound flows of USD 162 Billion (as of end-Oct 2025) from the Mainland YTD. We continue to see potential for the ongoing strengthening in domestic investor confidence on Hong Kong and China A-shares markets, which implies increasing reallocation of excess savings into equity markets. We also believe China equities would be increasingly back to global investors’ radar screen given their diversification demand, more reasonable relative valuations and persistent underweight allocations to China.



China equities (A+H): buy on dips

- As the 15th Five-Year Plan did not provide further details or specific targets on technology leadership and economic balancing, the next key events to watch will be the Central Economic Work Conference in December and the Two Sessions in March 2026.
- The global backdrop of “Fed put” and “Trump put” with loosening financial conditions are favourable for risk assets, including China equities. Also, China is expected to continue its moderate monetary and fiscal easing to achieve its goal of high quality growth. Financial conditions are also improving in the Mainland.
- Investors should accumulate both China A-shares and H-shares on the corrections. We continue to like the barbell strategy of investing in growth/tech stocks as well as high dividend plays in the Hong Kong/China financial and China telecom sectors.

Overview of our CIO Asset Allocation for November 2025

	Views		Constituents	We like	Comments
	Current	Prior			
EQUITIES	+	=	Markets	UK, Japan, Brazil, Mexico, China, Singapore	■ We remain constructive on equities as we see a constructive backdrop for risk.
			Sectors	Overweight Healthcare and Utilities. For Europe: Financials, Industrials, Materials	■ In Japan, we favour SMIDs, financials, and domestic exposure. We prefer investment themes in Japan, such as governance reform achievers. In EM, we prefer investment themes like Chinese tech and Chinese high-dividend plays (banks, telecom).
			Styles/Themes	Megatrend Themes	■ Circular economy, electrification, security & income themes.
BONDS	=	=	Govies	UK, US TIPs	■ We turn Neutral from Overweight on US and EU core government bonds, and we reduce recommended maturities to short-term. ■ Our 12-month US 10Y yield target remains unchanged at 4.25%.
			Segments	EUR and GBP Investment grade	■ We are overweight EM bonds (local currency) and remain Neutral on EM bonds (USD) and High Yield
CASH	-	-			
COMMODITIES	+	+		Copper	■ Precious metal - Near term Neutral, given the fast and furious rally. Our target price for Gold and Silver are now \$4400/oz and \$55/oz respectively. ■ Oil - Still Underweight. Brent target range is \$60-70. ■ Base metals - Overweight, especially Copper (LME) with a target of \$12,000.
FOREX			EURUSD		■ 12-month target at 1.24
			CNHUSD		■ 12-month target at 7.10
ALTERNATIVE	+	+		Hedge funds (global macro, long-short equities, event driven)	■ Neutral on relative value

Note: + Overweight / = Neutral / - Underweight



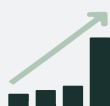
GDP & CPI Forecasts

		GDP (YoY%)			CPI (YoY%)		
		2024	2025f	2026f	2024	2025f	2026f
Developed	US	2.8	2.0	1.8	2.9	2.8	3.1
	Japan	0.1	1.3	0.6	2.7	3.2	2.3
	Eurozone	0.9	1.3	1.4	2.4	2.1	1.8
	UK	1.1	1.3	1.0	2.5	3.4	2.6
North Asia	China	5.0	5.0	4.5	0.2	0.0	1.0
	Hong Kong*	2.5	2.4	2.1	1.7	1.7	2.1
	South Korea	2.0	1.0	2.0	2.3	2.1	2.0
	Taiwan	4.6	5.3	2.0	2.2	1.6	1.4
South Asia	India	6.5	6.2	6.4	4.6	3.2	4.4
	Indonesia	5.0	4.8	4.9	2.3	1.9	2.5
	Malaysia	5.1	4.2	3.6	1.8	1.4	1.7
	Philippines*	5.7	5.4	5.7	3.2	1.6	2.6
	Singapore	4.4	2.5	1.5	2.8	0.7	1.4
	Thailand	2.5	2.2	1.5	0.4	0.0	0.5

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

Note: India's forecasts are for the fiscal year (April–March).

* IMF data and forecasts as of 31 October 2025



GROWTH

- The US economy grew in October, according to the S&P Global US Composite PMI which rose to 54.6 from 53.9 in September. Employment rose modestly even as business confidence fell to a six-month low. Inflation pressures eased, with both input costs and output prices rising at their slowest pace since April, signaling moderating price growth alongside steady economic expansion. Our 2025 full year GDP forecast has since been revised higher to 2.0%, from 1.7% previously.
- The eurozone economy grew in October at the fastest rate since May 2023. The eurozone composite PMI rose to 52.5 from 51.2 in September, well above the 50.0 mark that separates contraction from expansion. The services sector saw a solid upswing in October, and we continue to see a recovery in growth for the bloc.



INFLATION

- The annual inflation rate in the US rose to 3% in September 2025, the highest since January, from 2.9% in August but crucially below forecasts of 3.1%. The cooler than expected headline inflation reinforces our view of further rate cuts from the US Federal Reserve. **We continue to see another 25bps cut in December this year, followed by two more cuts 1H of 2026.**
- Meanwhile in Euro Area, inflation rises slightly above ECB target at 2.2% YoY in September 2025, albeit we think the **ECB is likely to overlook the inflation undershoot target and maintain rates at 2%.**



Equities

😊 OVERWEIGHT 😐 NEUTRAL 😞 UNDERWEIGHT

OVERALL GLOBAL: OVERWEIGHT

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

OVERALL ASIA: OVERWEIGHT

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

- **We remain Overweight on global equities** – We see a constructive backdrop for risk. Monetary policies are still expansionary, buybacks keep rising and the earnings seasons going well so far. Recent signs of de-escalation between the US and China are also encouraging.
- **Countrywise, we remain Neutral on US and EU equities**, noting the ongoing loosening of monetary policy from the Fed, despite long term fundamental concerns. **We continue to prefer non-US equities, such as Japan and UK.** EM equities tend to perform in cycles against DM peers. We think the chances are good for a new upside cycle to start, supported by a structural weakening of the dollar. **Within Asia, we like China and Singapore.**

- **South Korea:** After significant outperformance with the Kospi Index (+20% in October and +72% YTD), **we turn Neutral from Overweight.** Prices have been driven by soaring memory prices amid strong AI demand and corporate governance reform, but **near term, South Korean equities look technically overbought, and a correction or consolidation are likely overdue.**
- **China:** We remain Overweight on China A-shares and Hong Kong/China H-shares as there is room for further upside. Valuations remain reasonable, while flows continue to improve on the back of a strong AI optimism. **We continue to like China tech sector and 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	2.1	17.1	23.9	1.2	25.8	4.8	37.3	26.7	15.8
	Japan	1.2	23.6	6.3	2.3	18.7	1.6	11.9	12.9	4.3
	Eurozone	0.1	29.8	-0.3	2.8	16.7	2.0	17.4	26.3	18.2
	UK	1.1	28.3	7.5	3.1	14.4	2.0	20.9	14.1	9.2
North Asia	China	-0.2	25.0	7.0	1.3	22.0	2.6	15.2	20.5	34.6
	Hong Kong	-1.1	37.4	24.2	2.8	12.9	1.4	13.6	32.0	15.9
	South Korea	20.4	81.7	-21.7	1.3	15.2	1.4	13.3	50.7	40.6
	Taiwan	8.5	35.5	24.0	2.3	21.7	3.2	25.3	33.0	34.4
South Asia	India	4.4	2.8	12.7	1.1	22.9	3.5	19.7	13.9	12.5
	Indonesia	1.0	7.2	-0.4	2.3	19.8	3.4	12.0	19.6	-5.0
	Malaysia	1.8	9.8	21.5	3.5	15.6	1.5	11.9	9.7	11.6
	Philippines	-3.1	-5.2	9.0	3.7	10.1	1.2	17.8	8.9	5.3
	Singapore	2.3	30.0	14.8	4.2	14.7	1.3	12.4	61.5	4.9
	Thailand	3.4	4.0	5.2	3.4	13.6	1.4	16.8	17.9	15.9

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



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  NEUTRAL
  UNDERWEIGHT

OVERALL GLOBAL: NEUTRAL

OVERALL ASIA (USD): NEUTRAL

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

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

		Total Return (%)			Yield-to-Worst (%)
		1-month	YTD	2024	
Asia	Asia USD Bond	0.7	7.7	4.5	4.7
	Asia Local Currency Bond	-0.7	9.2	1.0	3.6
	China	0.7	7.2	5.7	4.6
	Hong Kong	0.8	7.9	4.7	4.5
	India	0.5	8.6	7.4	5.3
	Indonesia	1.3	8.9	0.8	4.9
	Singapore	0.5	6.1	3.0	4.2
	South Korea	0.5	6.4	4.4	4.2
	Philippines	0.7	9.2	1.4	4.8
Other Regions	US 10-year Treasuries	0.5	7.3	0.1	4.2
	US Investment Grades (IG)	0.6	6.8	1.3	4.3
	US High Yield (HY)	0.2	7.4	8.2	6.8
	Emerging Market USD Bond	0.8	8.0	5.2	4.9

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

US Treasury 12-month Yield Targets (%)	2Y	5Y	10Y	30Y
	3.60	3.75	4.25	4.50

- **Rate forecasts:** We expect the US Federal Reserve to again cut rates in December, followed by two more next year, bringing the policy rate to 3.25% given the deteriorating labour market and political pressure. In contrast, the ECB is willing to overlook the inflation undershoot target and maintain rates at 2%. We expect a rate hike not before the end of 2026.
- **Govies:** Our 10-year yield targets are maintained for US, Germany and UK, at 4.25%, 2.75% and 4.40% respectively. After the rally in US Treasuries, we are turning our view from Overweight to Neutral on US and EU core government bonds and we reduce recommended maturities to short-term. We stay Overweight on UK government bonds and US TIPS.
- **Corporate IG:** We prefer EUR and UK IG (Overweight) over USD IG (Neutral) given its better credit metrics, lower volatility, 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.
- **Emerging Market (EM) Bonds:** We are Overweight on emerging market local debt, anticipating an appreciation of EM currencies and more rate cuts by EM central banks. We remain Neutral on EM hard currency, considering its high valuations and the risk of higher US long-term yields.



Forex & Commodities

😊 OVERWEIGHT 😐 NEUTRAL 😞 UNDERWEIGHT

12-MONTH FOREX VIEW



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

- **EUR:** The dollar's recent strength, driven by political setbacks in the euro and yen, appears short-lived. Ongoing policy uncertainty, from tariffs to Fed independence, alongside a narrowing rate differential and the currency's high sensitivity to US data, is expected to fuel downward pressure on the dollar. **Our 3-month target is 1.16 and our 12-month target is 1.24 (value of one EUR).**
- **CNY:** The PBoC has been gradually setting the USD/CNY fixing lower. This approach suggests a preference to maintain relative currency stability against the USD, while allowing for a gradual and moderate RMB appreciation over time. However, we believe that the upside for the CNY is limited, given several headwinds: existing US tariffs, deflationary domestic macroeconomic conditions, and continued outbound investment flows from China. **We have adjusted our 3-month target to 7.10 and maintain our 12-month target at 7.10 (value of one USD).**

COMMODITIES



Base Metal

▼ Gold
▼ Silver

Oil

- **GOLD: Neutral** - We have downgraded our view on precious metals from Overweight to Neutral. **After the sharp rally, profit taking was expected and we may continue to see further consolidation phase** in the next weeks or months. Our 12-month target for Gold is now USD 4400, and our 12 months target for Silver is USD 55.
- **OIL: Underweight** - We maintain our Underweight view for the next 3 to 6 months, with the Brent price likely to fall below USD 60, before returning to a USD 60-70 range by the end of 2026. We expect oversupply in the next few months due to OPEC+ production hikes, substantial non-OPEC supply growth, combined with limited demand growth.
- **BASE METALS: Overweight** - We maintain our Overweight view, as we expect growing demand for infrastructure and energy transition to outpace expected supply growth. **For copper (LME) we have a 12-month target of USD 12,000.**

Forex Forecasts

		Spot	View	3-month	View	12-month
		As of 31 Oct 2025		Target		Target
Developed	USD Index*	99.80	=	98.3	-	92.6
	Japan	154.0	+	145	+	140
	Eurozone	1.154	=	1.16	+	1.24
	UK	1.315	=	1.33	+	1.43
	Australia	0.655	=	0.66	+	0.68
	New Zealand	0.572	+	0.60	+	0.60
	Canada	1.401	=	1.38	+	1.35
Asia Ex-Japan	China	7.123	=	7.10	=	7.10
	South Korea*	1,430	+	1,370	+	1,350
	Taiwan*	30.74	+	28.8	+	28.2
	India	88.77	=	88.0	=	88.0
	Indonesia*	16,630	=	16,450	=	16,300
	Malaysia*	4.189	=	4.20	=	4.16
	Philippines*	58.89	+	56.0	+	55.6
	Singapore*	1.301	+	1.26	+	1.25
	Thailand*	32.34	=	32.3	=	31.8

Source: BNP Paribas (WM) as of 31 October 2025

*BNP Paribas Global Markets forecast as of 31 October 2025

Note: + Overweight / = Neutral / - Underweight



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