

Monthly Investment Insights

The global market rallied in response to a positive shift in sentiment, driven by a combination of rate cuts and stimulus measures.

- The Federal Reserve's decision to reduce interest rates signaled growing confidence in a sustainable moderation of inflation towards its 2% target. The central bank assessed the risks to achieving its full employment and inflation targets as roughly balanced, leading to a reduction in the federal funds rate to a range of 4.75% to 5%. The latest dot plot suggests a gradual path of future rate cuts, potentially including another 50 basis point reduction by the end of this year.

- Lower interest rates boosted government bonds, with both US Treasuries and European sovereigns delivering strong returns. Credit markets also performed well. Similar to the Federal Reserve, other Developed Market central banks, such as the European Central Bank, implemented rate cuts to stimulate their economies.
- In China, policymakers unveiled a substantial stimulus package to lift the weak sentiment and support stock market. This coordinated government effort, including significant monetary easing and prospective fiscal measures, demonstrated a clear commitment to supporting economic growth. The stimulus frenzy propelled the MSCI Asia (ex-Japan) index to an 8.42% gain in a single month.

Macro Commentary

Performance

(US\$, As of 30 Sep 2024)		Sep - 24	YTD	2023
Equity	MSCI World Total Net Return Index	1.83%	18.86%	23.79%
	MSCI Asia (ex. Japan) Index	8.42%	21.46%	6.30%
Fixed Income	Bloomberg Global Aggregate Corporate Total Return	1.83%	5.33%	9.61%

Source: Bloomberg. All the data represents total return. Past performance is not necessarily indicative of future performance.

AIA Asset Allocation View

Given the declining cash rates, we favor deploying cash into opportunistic areas.



Underweight Neutral Overweight

Fixed income:

Maintain Neutral position: Cooling inflation and the Fed rate cuts have led to a bumpy downward trend in yields. It seems that yields have reversed to some extent from the overshooting downside, with Fed cuts being aggressively priced in.

Investment Grade Credit (IG)

Maintain Underweight Position: Despite recent market volatility, spreads across risk and regional sectors remain tight, limiting potential upside.

Global Equities:

Maintain Overweight Position

- Solid earnings per share outlook and Fed rate cut are supportive.
- Fed's recalibrated "dot plot" revision shows strong commitment to engineer a soft-landing in 2025.
- Expect increased market volatility in the 4th quarter due to U.S. election uncertainties.

Asia Ex-Japan Equities:

Upgrade Overweight Position

- China's recent momentum is strong, but more tactical trade rather than fundamentals for now, conditional on details of future policy roll-outs.
- Potential further Fed rate cuts and Asian central banks' pivot to monetary easing could provide upside catalysts for AxJ.

Top 3 AIA ILP Sub-Fund Performance

As of 30 September 2024

No.	ILP Sub-Fund Name	YTD Absolute Return
1	AIA India Opportunities	+20.05%
2	AIA US Equity	+18.67%
3	AIA Global Equity	+17.20%

Notes

Performance of the fund is in SGD on a bid-to-bid basis with net dividends reinvested, without taking into consideration the fees and charges payable through deduction of premium or cancellation of units.

Past performance is not necessarily indicative of future performance.

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