China CITIC Bank International
Economic and investment outlook Q1 2025

Trump's economic policies to steer global economy and investment trends

(Hong Kong: 14 January 2025) China CITIC Bank International Limited ("CNCBI") today releases its Q1 2025 economic and investment market outlook, highlighting that the global market will focus its sights on the impact of Trump's policies on the marcoeconomy and investment market.

Macroeconomy: Trump policies' impact lower than expected to China as Hong Kong estimates 2.5% GDP growth

Mr Tristan Zhuo, Chief Economist, China CITIC Bank International, noted that, "Trump's economic policies include tariff hikes which fuel inflation risk concerns and in turn affect US Federal Reserve (the "US Fed") decisions and bond market trends. However, the current monetary environment is not conducive to inflation acceleration. Should inflation remain mild, the US Fed's rate-cut cycle may continue onto 2026.

As regards the 2025 economy of mainland China and Hong Kong, Mr Zhuo pointed out:

Sino-US trade relations affect mutual economic performances	• Mainland China's 2024 merchandise trade may have made history with a 2024 surplus of about USD1 trillion. Exports became a key growth driver for mainland economy. Trump may have threatened to impose high tariffs on Chinese goods, but bilateral talks can be instrumental to resolving the Sino-US trade spat. Trump's economic policies are expected to be less impactful on Chinese exports • As the US and mainland China remain in a monetary easing cycle, US treasury yields soared and stayed at highs whereas mainland China's are near historic lows. Comparatively there is more room for downward movements for the former. Yield spreads are expected to narrow in 2025, easing RMB's downward pressure
Hong Kong's Interest rates take time to decline	• Private consumption is likely to come round on the back of a robust labour market and rising household incomes • Exports will continue to face US tarrif threats. On a less favorable base in 2024 for comparison, export growth is expected to slow down • 2025 GDP growth is expected to remain at about 2.5% • Elevated interbank rates will see plenty of room for downward adjustments depending however on US treasury yields' performance • Property prices are stabilising but interest rates are staying put at relatively high levels. The property market has yet to have the foundation for a rebound. Private residential prices are estimated to rise by 5% in 2025

Investment Insights: Manage risk for potential returns amid persistent volatility in stock and bond markets

Mr Ivan Cheung, Head of Investment Advisory, Personal & Business Banking Group, China CITIC Bank International, said, "Global equities will continue to face spikes in 2025 but favourable factors still abound, including the earnings performance of individual markets and lower interest rates. However, the bond market will face certain volatility as Trump's policies are expected to spur inflation and in turn Treasury's risk premiums. It is advisable to mitigate interest rate risks by diversifying a bond portfolio across different fixed-income options. In general, effective risk management will help investors capture potential returns amid market volatility."

Stocks	• The market expects S&P 500 earnings growth of 9.6% in the upcoming quarter. Implementation of Trump's corporate tax cuts could further benefit US stocks, although healthy corrections may be necessary against the current backdrop of high valuations • Chinese bond yields are at historic lows, which encourage funds to shift into high-dividend assets. In a move to encourage listed companies to share profits, China Securities Depository and Clearing Corporation Limited will halve the handling fee for A share dividend distribution starting 2025. This will be beneficial to Chinese special valuation concept stocks and high dividend stocks
Bonds	• Continuous expansion of money market fund sizes indicates strong investor demand for low-volatility and income-generating investments. Once expectations for rate cuts rise again, the bond market will benefit. Aside from this, as bond yields rise further, investors may consider gradually buying the related bonds although related credit risk assessments are indispensable. • In the current interest rate environment, yields from government bonds, corporate bonds (including investment-grade and high-yield), and some alternative fixed-income options like floating-rate bonds or preferred securities appear particularly attractive. Diversifying a bond portfolio across these fixed-income can help reduce interest rate risk • Investors may also consider diversifying their portfolio to include bond markets in Europe and Asia
FX	• Trump's "America First" policy may cause inflation to spike. The USD is likely to remain strong until policy implementation. • Mainland China's return to a "moderately loose" monetary stance in addition to an intensified countercynical adjustment may help steer the Chinese economy back to stability. RMB exchange rates are expected to be more stable than other non-US currencies.

For more insights from CNCBI into the macroeconomy and investment markets, please visit https://www.cncbinternational.com/personal/investments/market-information/en/index.html.

Photo

Mr Tristan Zhuo (left), Chief Economist, and Mr Ivan Cheung (right), Head of Investment Advisory, Personal & Business Banking Group, China CITIC Bank International point out that the global market will focus its sights on the influence brought by Trump's policy on the marcoeconomy and investment market.

Risk Disclosure Statement and Disclaimers:

This document is issued by China CITIC Bank International Limited ("the Bank") and used for reference purposes only. The information or opinion herein is not to be construed as professional investment advice or any offer of, or invitation by or on behalf of the Bank to any person to purchase, sell, acquire, or invest in any investment products. The information or opinion presented has been developed internally and/or taken from sources believed to be reliable, but the Bank makes no warranties or representation as to the accuracy, correctness, reliabilities or otherwise with respect to such information or opinion, and assume no responsibility for any omissions or errors in the content of this document. For information which is provided by the Information Provider and fund houses, it is being re-transmitted by the Bank in the ordinary course of business to you for general information and reference purposes only. The Bank did not modify or otherwise exercise control over its contents, do not take responsibility for it nor do they endorse the accuracy of such information. Investors should not make any investment decision purely based on this document. Nothing contained in this document should be construed as guidance to the suitability of the markets mentioned. Before making any investment decision, investors should carefully consider the risk factors relating to an investment product in light of their own financial circumstances, investment objectives and experiences and other personal circumstances, and should seek appropriate professional advice if necessary.

The Bank accepts no liability for any direct, special, indirect, consequential, incidental damages or other loss or damages of any kind arising from any use of or reliance on the information or opinion herein. Investment involves risks. Investment value and return may go down as well as up. Past performance of each investment product is not indicative of its future performance. Losses may be incurred as well as profits made as a result of investing in investment product. Investment in emerging markets involves above-average investment risks, such as possible fluctuations in foreign exchange rates, political and economic uncertainties. Some funds are entitled to use financial derivative instruments to meet its investment objective and may therefore lead to higher volatility to its net asset value. Investors investing in these funds may result in loss of some or the whole amount of the capital invested. Investors should read the offering documents of the relevant investment product (including the risk factors stated therein (in particular those associated with investments in emerging markets for funds investing in emerging markets) in details before making any investment decision.

The Bank is an authorised institution under the Banking Ordinance and is regulated by the Hong Kong Monetary Authority.

This document is issued by the Bank and its contents have not been reviewed by the SFC or any regulatory authority in Hong Kong.

China CITIC Bank International Limited

China CITIC Bank International Limited ("CNCBI"), a major offshore platform of commercial banking business of the CITIC Group, is 75%-owned by CITIC International Financial Holdings Limited ("CIFH"), which in turn is a wholly-owned subsidiary of China CITIC Bank Corporation Limited ("CNCB").

China CITIC Bank International's footprint in Greater China includes 24 branches and two business banking centres in Hong Kong, as well as presence in Beijing, Shanghai, Shenzhen and Macau, and overseas branches in New York, Los Angeles and Singapore.

Across a century, China CITIC Bank International has grown together with its employees, customers and partners since 1922 and will continue to move towards its vision of "Agile. Professional. Simple." in adherence to the 4C (Culture, Customer, Collaboration, Cyberspace) core values while driving actively its missions to "create value for customers, seek happiness for employees, make profit for shareholders, perform responsibility for society".

More information about China CITIC Bank International can be found on its website at www.cncbinternational.com.