

# Allianz HKD Income

## Monthly commentary

### Investment Objective

The Fund concentrates on Hong Kong Dollar denominated debt markets. Up to 30% of fund assets may be invested in assets denominated in Offshore-Renminbi. The proportion of assets that at the time of acquisition are high yield issues (minimum rating: B-) may not exceed 30%. Asset- or mortgage-backed securities may not be acquired. The aim of the Fund is to attain long term capital growth and income.

### What Happened in April

Global bonds had a volatile month, driven by shifting economic and political environments. The 10-year Treasury yields fell briefly below 4.0% early in the month, reflecting fears of a looming recession following President Donald Trump's unexpected "Liberation Day" announcements. However, inflation concerns surged as trade tensions with China escalated afterwards, pushing long-term yields higher. The 10-year yield peaked at 4.5% before easing to 4.2% by month-end as the political uncertainty around US Federal Reserve (Fed) leadership subsided. Economic data painted a mixed picture: Q1 gross domestic product (GDP) contracted by 0.3%, raising recession fears, while consumer sentiment fell to its lowest level since mid-2022. Despite easing inflation, retail sales were surprisingly strong.

In April, Hong Kong's interbank market tightened, with the 3-month Hong Kong interbank offered rate (HIBOR) rising by 10 basis points (bps) to 4.0% by the end of the month. The Hong Kong aggregate balance stood at HKD 45,106 million, while the Hong Kong Monetary Authority (HKMA) maintained its base rates unchanged at 4.75%. In the foreign exchange market, HKD strengthened to 7.76 against the USD, touching the strong side of the currency convertibility range as dollar weakened. On the economic data front, Hong Kong's exports surged by 18.5% year-on-year in April, surpassing estimates and accelerating from the previous session. The consumer price index (CPI) remained stable at 1.4%, consistent with the previous month, and the unemployment rate remained low at 3.2%.

### Portfolio Review

The Fund delivered a positive return in April, largely driven by HKD bonds which had been more stable and resilient despite the market volatility. On the other hand, the Fund's longer-dated bonds detracted, undermined by growing inflation expectations and heightened fears over the Fed's independence. Hong Kong government bonds and AIA HKD bonds contributed the most to performance, bottom contributors were Japan insurance bonds.

## Market Outlook

Macro sentiment is likely to continue to be volatile driven by unpredictable US policies, USD is likely to be weaker in the longer term, such that if more carry trade unwinds and HKD touches the strong end of the trading band again, the HKMA will inject HKD liquidity and continue to push front-end HKD rates lower.

The Fund continues to favour front-end rates which we expect to stay well anchored, however, the longer end of the curve may be underperforming if a deteriorating fiscal outlook drives up term premia.

Connect with Us

[sg.allianzgi.com](https://sg.allianzgi.com)

+65 6438 0828

Search more

 Allianz Global Investors



Like us on Facebook [Allianz Global Investors Singapore](#)



Connect on LinkedIn [Allianz Global Investors](#)



Subscribe to YouTube channel [Allianz Global Investors](#)

All data are sourced from Bloomberg, IDS, State Street Luxembourg and Allianz Global Investors as at 30 April 2025 unless otherwise stated.

The information presented here is intended for general circulation and does not constitute a recommendation to anyone; it also has not taken into account the specific investment objectives, financial situation or particular needs of any particular person. Information herein is based on sources we believe to be accurate and reliable as at the date it was made. We reserve the right to revise any information herein at any time without notice. No offer or solicitation to buy or sell securities and no investment advice or recommendation is made herein. In making investment decisions, investors should not rely solely on this publication but should seek independent professional advice. However, if you choose not to seek professional advice, you should consider the suitability of the product for yourself. Past performance of the fund manager(s) and the fund is not indicative of future performance. Prices of units in the Fund and the income from them, if any, may fall as well as rise and cannot be guaranteed. Distribution payments of the Fund, where applicable, may at the sole discretion of the Manager, be made out of either income and/or net capital gains or capital of the Fund. As a result of the payment, the Fund's net asset value is expected to be immediately reduced. The dividend yields and payouts are not guaranteed and might change depending on the market conditions or at the Manager's discretion; past payout yields and payments do not represent future payout yields and payments. Investment involves risks including the possible loss of principal amount invested and risks associated with investment in emerging and less developed markets. The Fund may invest in financial derivative instruments and/or structured products and be subject to various risks (including counterparty, liquidity, credit and market risks etc.). Investing in fixed income instruments (if applicable) may expose investors to various risks, including but not limited to creditworthiness, interest rate, liquidity and restricted flexibility risks. Changes to the economic environment and market conditions may affect these risks, resulting in an adverse effect to the value of the investment. During periods of rising nominal interest rates, the values of fixed income instruments (including short positions with respect to fixed income instruments) are generally expected to decline. Conversely, during periods of declining interest rates, the values are generally expected to rise. Liquidity risk may possibly delay or prevent account withdrawals or redemptions. Past performance, or any prediction, projection or forecast, is not indicative of future performance. Investors should read the Prospectus obtainable from Allianz Global Investors Singapore Limited or any of its appointed distributors for further details including the risk factors, before investing. The duplication, publication, extraction, or transmission of the contents, irrespective of the form is not permitted, except for the case of explicit permission by Allianz Global Investors. This publication has not been reviewed by the Monetary Authority of Singapore (MAS). MAS authorization/recognition is not a recommendation or endorsement. The issuer of this publication is Allianz Global Investors Singapore Limited (79 Robinson Road, #09-03, Singapore 068897, Company Registration No. 199907169Z).