

# 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 March

Global bond prices were volatile in March, with 10-year US Treasury yields rising to 4.35% before ending little changed from February at 4.21%. Stronger-than-expected service sector data was countered by growth and inflation concerns regarding the impact of higher tariffs. US services purchasing managers' index (PMI) came in higher at 54.3 compared to expectations of 51. Meanwhile, the Michigan Consumer Sentiment index dropped even further by 6.8 points to 57.9, while 1- and 5-year inflation expectations surged. On the other hand, European bonds declined sharply as 10-year German Bund yields rose by 33 basis points (bps) to 2.7% after Germany relaxed its debt brake to significantly step up its defence spending, the largest one-day sell-off since the fall of the Berlin Wall. The European Commission has also set out spending plans of EUR 150 billion to fortify its defences after US President Trump signalled plans to roll back American defence for the continent. In China, 10-year China government bond (CGB) yields edged higher by 4 bps to 1.8% amid fading expectations for any near-term rate cuts after remarks from the People's Bank of China (PBoC). China also returned to deflation in February for the first time in more than a year, with consumer prices falling 0.7% year-on-year.

In March, Hong Kong's interbank market softened, with the 3-month Hong Kong Interbank Offered Rate (HIBOR) falling by 13 bps to 3.9% by the end of the month, broadly following US interest rate directions. Hong Kong aggregate balance stood at HKD 44,621 million, little changed from the previous session. Hong Kong Monetary Authority (HKMA) maintained its base rates unchanged at 4.75% on 20 March as US Federal Reserve (Fed) held steady its borrowing costs. In the foreign exchange (FX) market, HKD traded at 7.78 against USD, slightly weakened from the previous month. On the economic data front, Hong Kong's economy increased by 2.4% year-on-year in Q4, matching estimates and accelerating from previous quarter. Consumer price index (CPI) printed at 1.4% down from January's 4-month high of 2%, unemployment rates remained low at 3.2%.

## Portfolio Review

The Fund delivered a positive return in March. Long-end Hong Kong government bonds contributed the most to performance. On the other hand, bottom contributors were Japan Insurance USD bonds.

## Market Outlook

Early 2025 has brought a switch in sentiment. US trade and fiscal policy uncertainty is resulting in a re-assessment of the more bullish US growth expectations that had been priced by asset markets at the start of the year. US growth outperformance versus the rest of the world is increasingly being questioned. Against this backdrop, we continue to favour a steeper US yield curve.

Connect with Us

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

+65 6438 0828

Search more



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 31 March 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).