

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 September

Global bonds rallied as the US Federal Reserve (Fed) joined an increasing number of developed market central banks in starting to ease monetary policy. The Fed's larger-than-usual 50 basis point (50 bps) cut was accompanied by forecasts of further cuts this year and in 2025. The European Central Bank (ECB) also reduced borrowing costs, marking its second cut this year, while the Bank of England (BoE) kept rates on hold, but indicated that borrowing costs were likely to be reduced later this year. While the Bank of Japan (BoJ) also kept rates on hold, the People's Bank of China (PBoC) announced a package of measures aimed at supporting the economy and the property sector, including lowering the reserve requirement ratio for banks and cutting some loan rates.

HKD funding conditions tightened, and short-dated money market rates rose towards the end of September. China announced a raft of easing policies including a liquidity backstop to shore up the equity market, leading to a rally in Hong Kong equities and higher demand for HKD. HKD appreciated by 0.32% to 7.7730 per USD. On the data front, the unemployment rate stayed low at 3%, while exports and imports were softer than expected in August.

Portfolio Review

The Fund delivered a positive return in September. Positive contribution mainly from a rally in global rates, while selective Hong Kong property exposure detracted performance.

Market Outlook

With recent data continuing to support a benign inflationary picture, the market has shifted the focus from inflation to growth and we would closely monitor the labour market condition to gauge the pace of Fed easing path. The upcoming

US elections and a Middle East conflict can impact markets, but we would caution against drawing outright investment conclusions. Democrats and Republicans have varying approaches to trade, taxes and foreign policy, but US debt is likely to keep growing under either administration. We maintain the view that the short to intermediate part of the curve would benefit from the synchronised easing cycle.

Markets are beginning to pare back expectations for US growth and the Fed has begun cutting rates by 50 bps in September. With easing inflationary pressures and a softening labour market, the Fed would continue to proceed the easing path with a data-dependent approach. Bond volatility may remain as markets begin to focus on the US elections in November. Uncertainty on the outcome of the presidential election and the make-up of the next Congress may have important implications for fiscal, trade and immigration policy, driving expectations to some degree when it comes to US and global growth, inflation, as well as the future trajectory of monetary policy. We maintain the view that the short to intermediate part of the curve would benefit from the synchronised easing cycle.

Connect with Us

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 September 2024 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).