



# Monthly Investment Viewpoint

June 2025



**Chris Iggo**  
Chair of the AXA IM  
Investment Institute  
CIO of AXA IM Core



**Alessandro Tentori**  
CIO of Europe  
AXA IM Core



**Ecaterina Bigos**  
CIO of Asia ex-Japan  
AXA IM Core

[CLICK HERE](#)



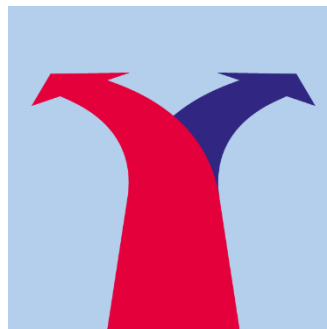
...to read more  
from the

**AXA IM  
INVESTMENT  
INSTITUTE**

## KEY INVESTMENT THEMES



**US policy  
dictates outlook**



**Central bank  
policy divergence**



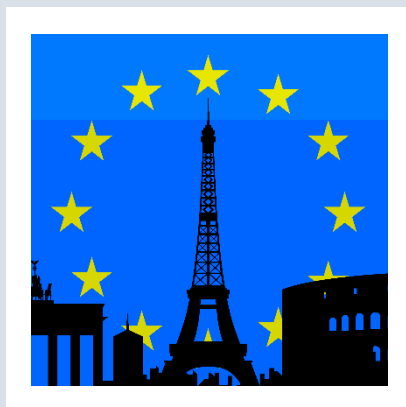
**Foreign US  
credit inflows**

## Investors await clarity on US policy



US policy uncertainty and its outlook implications remain front and centre. In the case of adverse outcomes, US assets remain most at risk, given the threats to growth, inflation and interest rates. Markets reflect this with US equities and long-duration bonds underperforming in 2025. Over the summer there could be more policy clarity. Investors should be prepared for a meaningful level of import tariffs and a budget that underscores medium-term fiscal sustainability risks. In fixed income, short-duration strategies have endured less drawdown and delivered positive year-to-date returns. Resilient fundamentals should help sustain credit assets' performance with limited interest rate risk. Being at the centre of the trade war; US and greater China equity indices have performed poorly. Few countries are exempt from trade risks but equity markets with the lowest valuation multiples should fare better as uncertainty persists. The UK, Canada, Australia and Eurozone have the lowest drawdown risks given current valuations.

## Central bank policy: Same shock, different answer



The pandemic reminded us that monetary policy is not well equipped to face economic asymmetries. For decades, the standard model has somewhat dodged the supply side issues in the economy, prioritising demand stabilisation instead. While the European Central Bank's (ECB) Strategy Review will supposedly address this key issue, responses may vary. The Federal Reserve (Fed) is confronted with a US trade policy asymmetric shock, although the consensus was already expecting higher inflation and slower US GDP growth even before Liberation Day. In contrast, the ECB is facing a symmetric shock, i.e. slightly lower growth and inflation, which is easily manageable with standard tools. Therefore, the Fed's reaction should differ from the ECB's, at least in theory: Fed policymakers should carefully weigh costs and benefits of targeting price stability rather than full employment and vice versa. Against this background, markets believe that both the Fed and the ECB are likely to continue cutting rates during 2025.

## Foreign flows into US credit: A pause rather than reverse



Concerns over foreign investment in US dollar credit have recently emerged, driven by the deflation of US exceptionalism narrative and the substantial appreciation of Taiwan's dollar. A flood in US dollar supply, alongside limited demand drove the move, as investors returned to home equity markets and exporters repatriated deposits. Data shows that historically there has been no structural relationship between the US dollar and foreign investors holdings of US corporate bonds. Instead, other factors play an important role in driving foreign demand, such as global savings supply and limited competing domestic investment alternatives. For Asian investors, challenging foreign exchange (FX) hedging costs are not new, however US dollar credit purchases from life insurers could ease if they're faced with headwinds to sell US dollar-denominated policies. Increasingly so if local investors think the dollar is overvalued, and more losses could be ahead. Equally, an FX hit to earnings could constrain insurers' ability to continue to deploy capital into US dollar credit.

## Asset Class Summary Views

Views expressed reflect CIO team expectations on asset class returns and risks. Traffic lights indicate expected return over a three-to-six-month period relative to long-term observed trends.

Positive	Neutral	Negative
----------	---------	----------

CIO team opinions draw on AXA IM Macro Research and AXA IM investment team views and are not intended as asset allocation advice.

<b>Rates</b>		Lower interest rates but steeper yield curves reflect longer-term risk
<b>US Treasuries</b>		Concerns over US budget deficit should prevent decline in yields
<b>Euro – Core Govt.</b>		European Central Bank to ease monetary policy further
<b>Euro – Govt Spreads</b>		Limited fiscal concerns support continued income
<b>UK Gilts</b>		Attractive valuations surpass fiscal and monetary policy concerns
<b>JGBs</b>		Ministry of Finance has suggested less longer-dated JGB issuance to restrain the rise in yields
<b>Inflation</b>		Continue to like short-duration inflation linked bonds
<b>Credit</b>		Modest excess returns expected with risks of spread widening
<b>USD Investment Grade</b>		Strong demand despite Treasury volatility
<b>Euro Investment Grade</b>		Yields are more attractive than government bonds
<b>GBP Investment Grade</b>		Spreads seem unlikely to narrow further
<b>USD High Yield</b>		Attractive yields and strong support from technical factors
<b>Euro High Yield</b>		Yields around 6% or higher are attractive given outlook for lower interest rates
<b>EM Hard Currency</b>		Market unlikely to achieve new highs given US Treasury uncertainties
<b>Equities</b>		Global trade uncertainty will hit profit margins
<b>US</b>		Valuations are once again elevated while earnings momentum is fading
<b>Europe</b>		Short-term uncertainty over US trade deal but valuations remain attractive
<b>UK</b>		Sentiment towards UK remains poor but boasts low volatility relative to global trade concerns
<b>Japan</b>		Valuations fair; decline in trade uncertainty would be positive
<b>China</b>		Tech a positive catalyst; broader earnings are challenged by deflation and structural imbalances
<b>Investment Themes*</b>		Long-term, still positive on artificial intelligence and carbon transition strategies

\*AXA Investment Managers has identified several themes, supported by megatrends, that companies are tapping into which we believe are best placed to navigate the evolving global economy: Automation & Digitalisation, Consumer Trends & Longevity, the Energy Transition as well as Biodiversity & Natural Capital

Data source: Bloomberg

### Disclaimer

This document is for informational purposes only and does not constitute investment research or financial analysis relating to transactions in financial instruments as per MIF Directive (2014/65/EU), nor does it constitute on the part of AXA Investment Managers or its affiliated companies an offer to buy or sell any investments, products or services, and should not be considered as solicitation or investment, legal or tax advice, a recommendation for an investment strategy or a personalized recommendation to buy or sell securities. Due to its simplification, this document is partial and opinions, estimates and forecasts herein are subjective and subject to change without notice. There is no guarantee forecasts made will come to pass. Data, figures, declarations, analysis, predictions and other information in this document is provided based on our state of knowledge at the time of creation of this document. Whilst every care is taken, no representation or warranty (including liability towards third parties), express or implied, is made as to the accuracy, reliability or completeness of the information contained herein. Reliance upon information in this material is at the sole discretion of the recipient. This material does not contain sufficient information to support an investment decision.

Issued in the UK by AXA Investment Managers UK Limited, which is authorised and regulated by the Financial Conduct Authority in the UK. Registered in England and Wales, No: 01431068. Registered Office: 22 Bishopsgate, London, EC2N 4BQ. In other jurisdictions, this document is issued by AXA Investment Managers SA's affiliates in those countries.