



Not for Retail distribution: this document is intended exclusively for Professional, Institutional, Qualified or Wholesale Investors / Clients, as defined by applicable local laws and regulation. Circulation must be restricted accordingly

# Optimal Income Strategies

## US Stock Market's Exceptionalism

- US market demonstrates resilience, with positive Q2 earnings and hint of rate cut.
- Fed signals potential rate cuts amid labour market weakness and shifting risk balance.
- European assets show cautious optimism, amid political tensions and ECB policy.

**Laurent Ramsamy**  
**Lead Portfolio Manager**

### What's happening?

The turning point in monetary policy remains unfolding amid mixed signals from recent economic data, particularly in the United States and the eurozone, which have moderated expectations for immediate rate moves. Inflation pressures in both regions appear broadly stable, though growth momentum is uneven. Meanwhile, consumption has shown some resilience in Europe, supported by a slight recovery in retail sales, and the second estimate of US Q2 GDP was revised upward to an annualized 3.3%. Market dynamics in the near term are expected to be shaped mainly by central bank policy guidance rather than fiscal measures.

In the United States, labour market data confirm a gradual slowdown, with net job creation in the private sector averaging 36,000 over the past three months and the unemployment rate rising to 4.2%, its highest level since early 2023. The upward revision of Q2 GDP to 3.3% annualized reflects stronger economic output than initially estimated. These developments influenced the Federal Reserve's tone at the Jackson Hole symposium, where Chair Powell indicated the possibility of imminent rate cuts, despite ongoing political pressure from President Trump raising concerns over the Fed's independence.

In the eurozone, activity appears balanced yet vulnerable. The composite PMI rose modestly to 51.1 in August, confirming slight expansion, while retail sales point to a cautious recovery in household demand. Labor market conditions remain solid with unemployment stable at 6.2%. Both headline and core inflation remained steady at 2.1% and 2.3% year-on-year respectively in July. These indicators have dampened expectations for another ECB rate cut in the short term, shifting market focus toward potential easing by year-end. Political uncertainty in France has increased following Prime Minister Bayrou's call for a confidence vote, which he is unlikely to win, complicating budget approval and fiscal consolidation efforts.

In China, domestic demand showed further weakness in July, with retail sales, industrial production, and investment all contracting. Inflation remained subdued, as consumer prices stagnated and producer prices experienced deflation. Fiscal and monetary stimulus remains limited amid efforts to reduce excessive debt and restrain property speculation. However, a recent agreement between the United States and China to extend trade negotiations by 90 days has helped to contain near-term downside risks.

We expect central banks to approach a critical juncture amid these mixed economic signals. In the United States, the labour market slowdown and elevated unemployment at 4.2% have prompted the Federal Reserve to signal potential rate cuts following the Jackson Hole symposium. Meanwhile, the eurozone's resilient economic activity with stable inflation and a



strong labour market reduces near-term expectations for ECB easing, pushing potential rate cuts toward the end of the year. The Bank of England maintains a restrictive stance, supported by rising inflation despite a weakening labour market. Overall, forthcoming policy decisions will likely hinge on incoming data on growth and labour markets over the next months.

## Portfolio positioning and performance

	GLOBAL OPTIMAL STRATEGY			OPTIMAL STRATEGY			DEFENSIVE OPTIMAL STRATEGY		
	Dec-24	Jul-25	Aug-25	Dec-24	Jul-25	Aug-25	Dec-24	Jul-25	Aug-25
<b>Net Equity</b>	<b>87,9%</b>	<b>85,2%</b>	<b>84,2%</b>	<b>76,3%</b>	<b>78,0%</b>	<b>71,1%</b>	<b>34,6%</b>	<b>41,0%</b>	<b>44,3%</b>
Equities	79,7%	73,9%	73,8%	72,9%	68,8%	67,6%	37,0%	29,3%	28,5%
Equities derivatives	13,9%	13,4%	11,0%	5,2%	11,0%	4,6%	-2,4%	11,7%	15,8%
Risk Mitigation Strategies	-5,7%	-2,1%	-0,6%	-1,8%	-1,8%	-1,1%	0,0%	0,0%	0,0%
<b>Fixed Income</b>	<b>5,0%</b>	<b>12,9%</b>	<b>13,2%</b>	<b>23,6%</b>	<b>25,8%</b>	<b>25,9%</b>	<b>62,9%</b>	<b>18,8%</b>	<b>21,0%</b>
Govies	0,0%	0,0%	0,0%	0,0%	0,0%	0,0%	0,2%	0,3%	0,3%
Bond Derivatives	45,0%	18,4%	17,5%	27,4%	14,9%	11,8%	10,4%	19,3%	18,0%
High Yield Credit	1,0%	2,2%	2,2%	5,6%	4,8%	4,6%	16,3%	19,6%	22,9%
Investment Grade	3,9%	10,5%	10,8%	17,6%	21,0%	21,3%	46,0%	-1,5%	-2,6%
Emerging Debt	0,1%	0,2%	0,2%	0,3%	0,0%	0,0%	0,5%	0,4%	0,4%
<b>Diversification</b>	<b>11,6%</b>	<b>8,4%</b>	<b>8,0%</b>	<b>2,2%</b>	<b>2,0%</b>	<b>2,0%</b>	<b>5,9%</b>	<b>6,6%</b>	<b>4,6%</b>
<b>Cash &amp; Money Market</b>	<b>-4,4%</b>	<b>-6,4%</b>	<b>-5,4%</b>	<b>-1,9%</b>	<b>-5,8%</b>	<b>1,0%</b>	<b>-3,4%</b>	<b>33,6%</b>	<b>30,0%</b>

In August, we maintained an overweight position in global equities. Equity markets remained buoyant, supported by expectations of an upcoming US rate cut cycle, resilient credit markets, and a strong US corporate earnings season. Systematic investor positioning in global equities has risen to near-historical highs, while discretionary strategies remain only marginally positive. This suggests further upside potential as managers resume risk-taking to capitalize on continued positive returns.

Regarding relative value trades and diversification, we closed our position that exploited price discrepancies between US small caps and the Nasdaq index, following stretched short positioning in US small caps ahead of the Jackson Hole symposium. After a period of stabilization, we see renewed opportunities in European markets, which can help diversify away from the heavy concentration of US assets in global indices. We continue to favour German mid-cap equities relative to France's CAC 40 and have shifted some long exposure out of the US into Eurozone equities.

In terms of interest rate sensitivity, we remain neutral on long-end duration, favouring short-dated German bonds. While German government bonds are a key tool for duration management, the long end of the curve currently offers yields that are insufficiently attractive against the backdrop of global curve steepening. We retain a small position in German two-year bonds, with yields below 2%, and are encouraged by a softer tone from ECB President Christine Lagarde. The euro's strength, or US dollar weakness, could pose headwinds. Market expectations of less than one Eurozone interest rate cut through December 2025 appear overly cautious.

We continue to adopt a bearish stance on the dollar over the medium term, viewing any short-term rebound as an opportunity to reinforce our positioning. The deceleration of US economic growth relative to other major economies, combined with political uncertainty and growing scepticism about Washington's policy direction, should continue to weigh on investor confidence in the greenback

## Outlook

Equity investors' patience has been rewarded, as markets comfortably navigated August's introduction of the new US tariff regime. Consequently, indicators of trade policy uncertainty have normalized. The second quarter (Q2) earnings season proved to be globally positive and once again exemplified the US economy's resilience, although earnings that missed expectations were heavily sanctioned by investors. The macroeconomic backdrop further fuelled convictions that the Federal Reserve (Fed) would be in a position to cut rates in September as well as in December.

Despite July's Fed policy meeting minutes striking a hawkish tone investors have since focused on a September rate cut, as signs of weakness were seen in both jobs data at the start of August and in heavily negative revisions to previous numbers. Fed board members are shifting their attention away from sticky inflation to potential labour market weakness.

Fed Chair Jerome Powell emphasized in the opening paragraphs of his speech at the Jackson Hole economic policy symposium that "the balance of risks appeared to be shifting", potentially warranting a policy adjustment. He did however underline the Fed board's independence and data dependency which are key for confidence in the US dollar and US Treasury market. We are wary of any further steepening in global yield curves led by weakness in long-dated bonds and are not in a hurry to add duration in this area. We maintain our target of 1.20 for the euro/dollar exchange rate.

Meanwhile, European Central Bank (ECB) President Christine Lagarde's tone has softened regarding weakening Eurozone activity expected through Q2 and Q3. Hawkish investors have dismissed such concerns and maintain the ECB is likely done with rate cuts. The market now is pricing less than one cut before year end which may prove to be overly cautious. We are positive on two-year German bonds (Bunds) and have a preference for Bunds over US Treasuries, but only when we have seen a further shake-out in the long end of the US yield curve due to the overriding influence of the US market on most other interest rate markets.

Despite our intention to favour more diversification into European assets there remains a source of stress from the political environment in France which needs to be addressed. The end-of-summer 'reentrée' is shaping up to be a period of political and social tension for France and this is likely to be reflected in equity underperformance, especially given the high concentration of financials in the CAC 40, and a widening of government bond spreads.

## Disclaimer

---

**Not for Retail distribution:** This document is intended exclusively for Professional, Institutional, Qualified or Wholesale Clients / Investors only, as defined by applicable local laws and regulation. Circulation must be restricted accordingly.

Past performance is not a guide to current or future performance, and any performance or return data displayed does not take into account commissions and costs incurred when issuing or redeeming units. The value of investments, and the income from them, can fall as well as rise and investors may not get back the amount originally invested. Exchange-rate fluctuations may also affect the value of their investment. Due to this and the initial charge that is usually made, an investment is not usually suitable as a short term holding.

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. The strategies discussed in this document may not be available in your jurisdiction.

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.

Please note that the management company reserves the right, at any time, to no longer market the product(s) mentioned in this communication in a European Union country by notification to its authority of supervision in accordance with European passport rules. In the event of dissatisfaction with the products or services, you have the right to make a complaint either with the marketer or directly with the management company (more information on our complaints policy available in English [here](#)). You also have the right to take legal or extra-judicial action at any time if you reside in one of the countries of the European Union. The European online dispute resolution platform allows you to enter a complaint form (by clicking [here](#)) and informs you, depending on your jurisdiction, about your means of redress (by clicking [here](#)).

Issued in the U.K. 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.

In Hong Kong, this document is issued by AXA Investment Managers Asia Limited (SFC License No. AAP809), which is authorized and regulated by Securities and Futures Commission. This document is to be used only by persons defined as "professional investor" under Part 1 of Schedule 1 to the Securities and Futures Ordinance (SFO) and other regulations, rules, guidelines or circulars which reference "professional investor" as defined under Part 1 of Schedule 1 to the SFO. This document must not be relied upon by retail investors. Circulation must be restricted accordingly.

In Singapore, this document is issued by AXA Investment Managers Asia (Singapore) Ltd. (Registration No. 199001714W) and is intended for the use of Institutional Investors only as defined in Section 4A of the Securities and Futures Act (Cap. 289) and must not be relied upon by retail investors. Circulation must be restricted accordingly.

This document has been issued by AXA Investment Managers Asia (Singapore) Ltd (ARBN 115203622) ("AXA IM Asia"). AXA IM Asia is exempt from the requirement to hold an Australian Financial Services License and is regulated by the Monetary Authority of Singapore under Singaporean laws, which differ from Australian laws. AXA IM Asia offers financial services in Australia only to residents who are "wholesale clients" within the meaning of Corporations Act 2001 (Cth).

For Japanese clients: AXA Investment Managers Japan Ltd., whose registered office and principal place of business is at NBF Platinum Tower 14F 1-17-3 Shirokane, Minato-ku, Tokyo 108-0072, Japan, which is registered with the Financial Services Agency of Japan under the number KANTOZAIMUKYOKUCHO (KINSHO) 16, and is a member of Japan Securities Dealers Association, Type II Financial Instrument Firms Association, Investment Trust Association of Japan and Japan Investment Advisors Association to carry out the regulated activity of Financial Instrument Business under the Financial Instrument Exchange Law of Japan. In Japan, none of the funds mentioned in this document are registered under the Financial Instrument Exchange Law of Japan or Act on Investment Trusts and Investment Corporations. This document is purely for the information purpose for use by Qualified Institutional Investors defined by the Financial Instrument Exchange Law of Japan.

In Korea, AXA Investment Managers Asia (Singapore) Ltd is a registered Cross Border Investment Advisor/Discretionary Investment Management Company under the Financial Investment Services and Capital Markets Act (the "Act"). The activities referenced under the Act are 5-2-2 Investment Advisory Business and 6-2-2 Discretionary Investment Management Business, respectively. Its financial services are available in Korea only to Professional Investors within the meaning of Article 10 of Enforcement Decree of the Financial Investment Services and Capital Markets Act.

To the extent that any fund is mentioned in this document, neither the fund nor AXA IM Asia is making any representation with respect to the eligibility of any recipients of this document to acquire the units/shares in the fund under the laws of Korea, including but without limitation the Foreign Exchange Transaction Act and Regulations thereunder. The units/shares have not been registered under the Financial Investment Services and Capital Markets Act of Korea, and none of the units/shares may be offered, sold or delivered, or offered or sold to any person for re-offering or resale, directly or indirectly, in Korea or to any resident of Korea except pursuant to applicable laws and regulations of Korea.

In Taiwan, this document is issued by AXA Investment Managers Asia Limited (SFC License No. AAP809), which is authorized and regulated by Securities and Futures Commission. This document and the information contained herein are intended for the use of professional or institutional investors and should not be relied upon by retail investors. They have been prepared and issued for private informational and educational purposes only at the sole request of the specified recipients, and not intended for general circulation. They are strictly confidential, and must not be reproduced, circulated, distributed, redistributed or otherwise used, in whole or in part, in any way without the prior written consent of AXA IM Asia. They are not intended for distribution to any persons or in any jurisdictions for which it is prohibited.

If any fund is highlighted in this communication (the "Fund"), its offering document or prospectus contains important information on selling restrictions and risk factors, you should read them carefully before entering into any transaction. It is your responsibility to be aware of and to observe all applicable laws and regulations of any relevant jurisdiction. AXA IM Asia does not intend to offer any Fund in any country where such offering is prohibited.

The offer, distribution, sale or re-sale of fund units/shares in Taiwan requires approval from and/or registration with Taiwanese regulatory authorities. To the extent that any units/shares of the Funds are not so licensed or registered, such units/shares are made available in Taiwan on a private placement basis only to banks, bills houses, trust enterprises, financial holding companies and other qualified entities or institutions (collectively, "Qualified Institutions") and other entities and individuals meeting specific criteria ("Other Qualified Investors") pursuant to the private placement provisions of the Rules Governing Offshore Funds. No other offer or sale of such units/shares in Taiwan is permitted. Taiwanese purchasers of such units/shares may not sell or otherwise dispose of their holdings except by redemption, transfer to a Qualified Institution or Other Qualified Investor, transfer by operation of law or other means approved by the Taiwan Financial Supervisory Commission.

For Malaysian investors: as the recognition by the Malaysian Securities Commission pursuant to Section 212 of the Malaysian Capital Markets and Services Act 2007 has not been / will not be obtained nor will this document be lodged or registered with the Malaysian Securities Commission, the shares referred to hereunder (if any) are not being and will not be deemed to be issued, made available, offered for subscription or purchase in Malaysia and neither this document nor any other document or other material in connection therewith should be distributed, caused to be distributed or circulated in Malaysia.

For Thailand investors: nothing in this document shall constitute in any manner whatsoever a proposal to make available, offer for subscription or purchase or to issue an invitation to purchase or subscribe for any securities in Thailand or a proposal to implement any of the foregoing in Thailand nor has this document been approved by or registered with the Securities and Exchange Commission of Thailand ("SEC"). No person receiving a copy of this document may treat the same as constituting an invitation or offer to him in Thailand and such person shall not distribute or make available this document in Thailand. The issuer of this document shall not be liable in any manner whatsoever in the event this document is distributed or made available to any person in Thailand receiving a copy of this document. Since no application for approval has been or will be made to the SEC for the offering of the securities, or for the registration of this document, the securities shall not be offered for subscription or purchased or made available, whether directly or indirectly, in Thailand. It is the sole responsibility of recipients wishing to take any action upon this document to satisfy themselves as to the full observance of the laws of Thailand, to comply with all relevant government and regulatory approvals, and to comply with all applicable laws, including but not limited to exchange control laws.

For Investors in People's Republic of China (PRC): this document does not constitute a public offer of the product, whether by sale or subscription in the PRC. The product is not being offered or sold directly or indirectly in the PRC to or for the benefit of, legal or natural persons of the PRC. Further, no legal or natural persons of the PRC may directly or indirectly purchase any of the product or any beneficial interest herein without obtaining all prior PRC's governmental approvals that are required, whether statutorily or otherwise. Persons who come into possession of this document are required by the issuer and its representatives to observe these restrictions.

For Brunei investors: This document has not been delivered to, licensed or permitted by Autoriti Monetari Brunei Darussalam. Nor has it been registered with the Registrar of Companies. This document is for informational purposes only and does not constitute an invitation or offer to the public. As such, it must not be distributed or redistributed to and may not be relied upon or used by any person in Brunei other than the person to whom it is directly communicated and who belongs to a class of persons as defined under Section 20 of the Brunei Securities Market Order, 2013.

For Filipino investors: The shares or units referred to in this document (if any) have not been registered with the Securities and Exchange Commission under the Securities Regulation Code. Any future offer or sale thereof is subject to registration requirements under the Code unless such offer or sale qualifies as an exempt transaction.

For Vietnam investors: This document does not contemplate an offer to sell the interests in any funds in Vietnam. The document has not been approved by the State Securities Commission of Vietnam or any other competent authorities in Vietnam which takes no responsibility for its contents. No offer to purchase the interests in any funds will be made in Vietnam and this document is intended to be read by the addressee only and must not be passed to, issued to, or shown to the public generally. The value of the interests in any funds, the possibility of gaining profit and the level of risk stipulated in this document is purely for reference purposes only and may change at any time depending on market status. Investment in fund(s) does not carry any assurance that investors will make a profit. Investors should themselves carefully balance the risks and the level of those risks before they make any decision to invest in any funds. It is investors' responsibilities to ensure that they are eligible to make investment in any funds. Investors are responsible for obtaining all applicable approvals and complying with requirements under Vietnamese laws.

MSCI: Neither MSCI nor any other party involved in or related to compiling, computing or creating the MSCI data makes any express or implied warranties or representations with respect to such data (or the results to be obtained by the use thereof), and all such parties hereby expressly disclaim all warranties of originality, accuracy, completeness, merchantability or fitness for a particular purpose with respect to any of such data. Without limiting any of the foregoing, in no event shall MSCI, any of its affiliates or any third party involved in or related to compiling, computing or creating the data have any liability for any direct, indirect, special, punitive, consequential or any other damages (including lost profits) even if notified of the possibility of such damages. No further distribution or dissemination of the MSCI data is permitted without MSCI's express written consent.