

The Multi Asset Solutions Team (MAST) provides asset allocation views on three recent developments that could influence markets in different ways: the SpaceX Initial Public Offerings (IPO), the reopening of the Strait of Hormuz, and the Bank of Japan's (BOJ) rate hike.

In our view, these events create mixed signals across growth, inflation and liquidity. While some may support risk sentiment in the near term, others could tighten financial conditions. Overall, the backdrop still appears uneven, and this may support a measured and selective approach to asset allocation rather than a broad increase in risk.

Conflicting forces across growth, inflation, and liquidity

Key takeaways

- While SpaceX IPO may absorb liquidity from other parts of the market and creating some tightening, the IPO may remain supportive for sentiment in US growth, artificial intelligence (AI) and semiconductor-related equities, although much of the benefit may already be reflected in markets.
- Reopening of the Strait of Hormuz could help ease near-term inflation pressure through lower oil prices, but bond yields have stayed elevated, suggesting broader inflation and debt concerns remain.
- BOJ rate hike may tighten global liquidity and could weigh on equities, credit and rate-sensitive markets, including Hong Kong.
- Taken together, the three developments appear to create mixed forces across growth, inflation and liquidity.
- In this environment, we would generally favour a selective approach, with continued focus on diversification.

1. SpaceX IPO: supportive for sentiment, but future impact may be more limited

The SpaceX IPO could be seen as a tactical risk-on catalyst, mainly for equities, and especially for US growth and AI-related areas. With a relatively low initial float and a strong market narrative, it may attract global capital and liquidity into US technology, which could continue to support valuations and sentiment in the near term. At the

same time, it may also absorb liquidity from other parts of the market, creating some mild tightening elsewhere.

We could also continue to see further capital focused around other AI-related IPOs that may come to market, such as Anthropic and OpenAI. On fundamentals, earnings delivery and guidance across parts of the hardware, memory and semiconductor space have remained strong, and this has supported very strong equity performance.

That said, we would be mindful that if the market continues to extend similar earnings expectations too far into the future, and if the sector later adopts a more measured tone, there could be a sharper reversal in technology-related equities. This has not happened at this stage, as momentum still appears strong, but investors may want to be cautious of overly optimistic earnings assumptions over longer time periods.

2. Reopening of the Strait of Hormuz: lower oil helps, but the bond picture remains less clear

The reopening of the Strait of Hormuz could translate into a moderate risk-on backdrop, as some of this is already being reflected in the recent near-term sell-off in energy, oil and agricultural prices. Oil prices have fallen from highs of around US\$120 per barrel as supply risk has eased. This may help reduce inflation expectations and could ease some pressure on central banks.

In theory, this should support bonds through lower yields, as well as global equities, particularly for countries and sectors that benefit from lower energy costs. It may also support some emerging market assets, while creating a less favourable backdrop for the energy sector.

However, we are not necessarily seeing a like-for-like move in bond yields relative to the scale of the fall in oil and energy prices. In fact, yields have remained high and in some cases moved higher. This suggests that inflation and debt concerns may still be embedded in bond pricing and continue to put pressure on the asset class.

Beyond oil, several broader forces may still have structural upward implications for inflation, including de-globalisation, large fiscal deficits, and supply constraints. As an extension of this, stock and bond correlations have continued to weaken, which means fixed income is no longer consistently behaving as a traditional hedge against equity risk.

For this reason, we believe alternatives, selected commodities and real assets may continue to offer useful diversification and correlation benefits alongside traditional assets.

3. BOJ rate hike: a possible headwind through tighter liquidity

The BOJ rate hike is arguably more of a systemic and negative driver for markets. A higher policy rate in Japan could strengthen the yen and contribute to an unwind of global carry trades, which may tighten liquidity more broadly. This could place pressure on equities, especially in rate-sensitive and more leveraged markets such as Hong Kong, while also widening credit spreads and increasing volatility in global bond yields.

In this sense, the BOJ move may offset part of the risk-on impulse coming from the other two events. While the impact may not be immediate or linear, it is a reminder that liquidity conditions still matter a great deal for asset prices, and that tighter policy settings in one major market can have wider effects globally.

Our asset allocation view

Overall, we would remain selective rather than broadly risk-on. While fundamentals in parts of the technology sector still appear supportive, market expectations may already be quite high. At the same time, the behaviour of bond markets suggests that inflation and higher yield concerns have not fully gone away. In this environment, maintaining diversification and avoiding overly concentrated positioning may continue to be important.

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