

GPS APAC INVESTMENT STRATEGY
APAC to the Future
May 2025



Money in Motion: Asia opportunities

China equities



Japan equities



India equities



Asia bonds



Local Emerging Asia Govt



Asian Bond

Liquid alts



Systematic Asia Pacific Equity Absolute Return

● Exchange-traded strategy ● Alpha-seeking strategy

A move away from US, where to next?

Is the Mood(y) Changing on US Assets?

US exceptionalism continues to wane, as inflows into US equity ETPs slowed for the third consecutive month, from USD 54.5bn in March to USD 36.3bn in April and now USD 21.6bn in May MTD. May also marks the slowest month for US equity ETPs since April 2024. YTD, US equity ETPs have recorded USD 224.0bn, more than halving from H2 2024.

This deceleration, however, is not mirrored in other regions. APAC equity ETPs have more than doubled from USD 6.4bn in H2 2024 to USD 15.4bn in H1 2025. Notably, Europe equity ETPs have seen a dramatic turnaround from USD 5.2bn in outflows to USD 55.2bn in inflows.

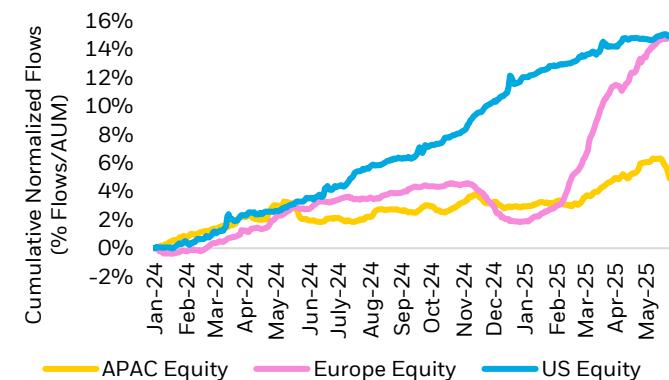
Asia investors have also begun pulling out of US equity ETPs. Following Moody's downgrade, APAC-listed US equity ETPs experienced sharp outflows totaling USD 0.6bn over the next seven trading days. As a result, May was the first month in two years that Asia investors net sold US equities. As foreign capital repatriates from US allocations, a weaker USD and attractive valuations further support diversification towards the APAC region.

In equities, we see opportunities emerging in economies that will be driven by domestic tailwinds as the trade war evolves. Firstly, the economies that derive most of their revenue locally such as China onshore and India. Secondly, the economies that have structural reform stories such as Japan, where inflation and wage growth continue to rise.

In fixed income, Asia bonds stand out. They offer resilience to US rate volatility, enjoy lower duration risk, limited new supply, and strong fundamentals, even as the Fed keep rates elevated.

A pickup in pace for Eur-Asia equity ETPs in 2025

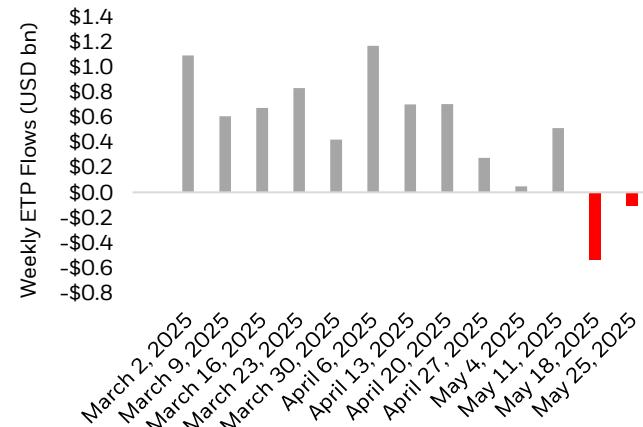
Cumulative equity ETP flows, 01/01/2024 onwards.



Source: BlackRock and Markit, as of 27 May 2025.

Asian investors sold US equities post Moody's downgrade

Weekly APAC-listed US equity ETP flows, past 12 weeks.



Source: BlackRock and Markit, as of 27 May 2025.

All figures in US Dollars unless stated otherwise. Unless stated otherwise all data is sourced from BlackRock Global Business Intelligence and EPFR covering flows as of 27 May 2025. Past flows into global ETPs are not a guide to current or future flows and should not be the sole factor of consideration when selecting a product. Diversification may not fully protect you from market risk. There is no guarantee that any expectations made will come to pass.

China Equities

Great Wall of Returns

Trump, trade, and tariffs have dominated the news in 2025. While uncertainty persists, China equity ETP flows reveal positive investor appetite. YTD, they have recorded USD 12.9bn in inflows. This is a sharp contrast from Trump 1.0, when they saw USD 1.7bn outflows during the same period. This may be attributed to investors' perception of China's preparedness for Trump 2.0 and the DeepSeek moment.

China equity ETPs have rebounded sharply so far in Q2 with USD 16.9bn in inflows, reversing the previous quarter's USD 4.0bn outflows. We see several catalysts in China equity markets including tech and AI, as reflected by the February Deepseek-driven surge. Investors are responding to improving domestic conditions and PBOC's targeted fiscal and monetary measures. Onshore A-shares are also gaining favor due to stronger alignment with domestic policy drivers and deeper local investor participation. As foreign investor sentiment turns less negative, we see A-shares well-positioned to lead the next leg of the rally.

India Equities

Investors go all In-dia!

India equity ETPs saw their greatest inflow month in May MTD since June 2024, with inflows accelerating to USD 0.7bn. May also marked the third consecutive month of inflows, after 4 months of outflows. The tide turned in March, when favorable economic data on GDP and PMI came through, amid growing US-China trade tensions.

Interestingly, the inflows in May were primarily driven by US investors (55%), followed by Europe investors (43%), while APAC investors remained largely muted (1%).

YTD, Europe investors have been driving the inflows, which is in line with the shifts in foreign investors' sentiment. The India market's domestic revenue base and limited trade exposure provide insulation from global trade tensions, supporting investor confidence. With domestic ownership of India equities at 35.6% versus 16% for foreign ownership¹, the make-up of the equity market is shifting: we see this as net positive for the market's long-term attractiveness.

Asia Bonds

Bonding with Asia

Asia bonds are having their best quarterly inflow since Q1 2021 QTD so far, recording USD 14.1bn. 2025 is also on track to surpass the 2021 inflows of USD 22.4bn, with YTD inflows already reaching USD 22.0bn. This adds to two consecutive years of positive momentum. China bonds flows are the main engine of the inflows, with the best inflow year since 2020 at USD 15.0bn YTD. Asia credit also saw strong inflows in May MTD, they have recorded USD 4.5bn, the highest on record.

Asia bonds remain resilient amid US rate volatility. We like Asia USD bonds. They offer a substantially lower duration profile than their western counterparts, where yields in the super-long end surge. Technicals remain favorable on the back of limited new supply (due to cheaper onshore financing) and rising China onshore demand. Robust macro and micro fundamentals, decent all-in yield also add to our bullishness.

China equity ETP Flows in Trump 1.0 vs 2.0

China equity ETP flows, Jan-May 2017 vs 2025.



China equity ETPs rebound this quarter

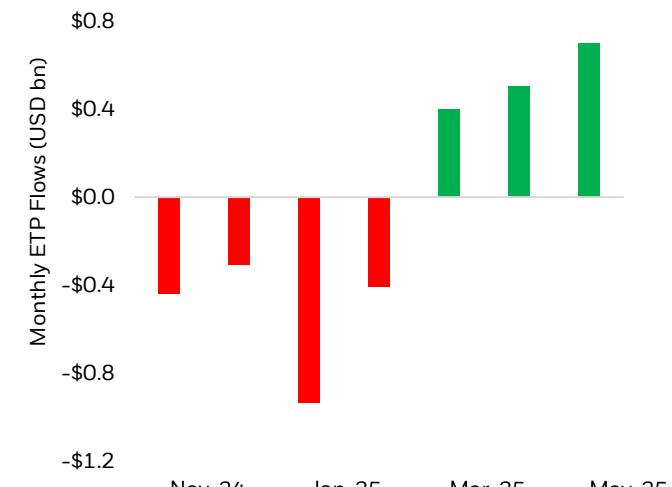
Quarterly China equity ETP flows, 01/01/2025 onwards.



Source: BlackRock and Markit, as of 27 May 2025.

Accelerating inflows into India equity ETPs

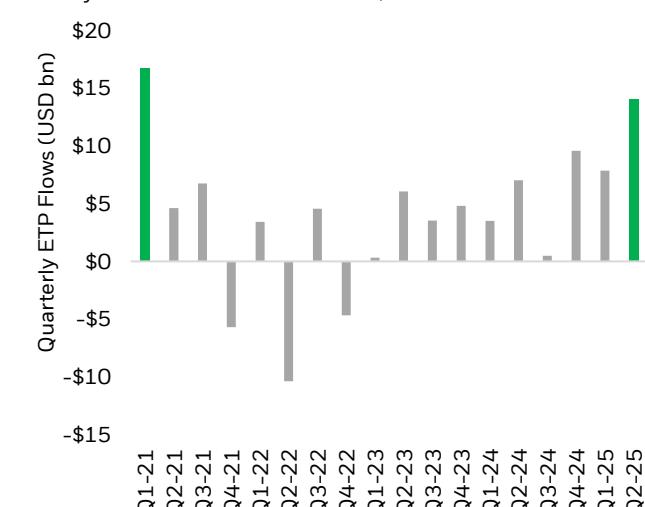
Monthly India equity ETP flows, 01/11/2024 onwards.



Source: BlackRock and Markit, as of 27 May 2025.

Greatest inflow quarter for Asia Bonds since Q1 2021

Quarterly Asia fixed income ETP flows, 01/01/2021 onwards.



Source: BlackRock and Markit, as of 27 May 2025.

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