

# Allianz

## HKD Income

### Monthly commentary

- The Fund aims at long-term income by investing in debt securities denominated in Hong Kong Dollar.
  - The Fund is exposed to significant risks of investment/general market, country and region, emerging market, interest rate, creditworthiness/credit rating/downgrading, default, valuation, and RMB (including RMB debt securities).
  - The Fund may invest in high-yield (non-investment grade and unrated) investments and convertible bonds which may subject to higher risks, such as volatility, loss of principal and interest, creditworthiness and downgrading, default, interest rate, general market and liquidity risks and therefore may adversely impact the net asset value of the Fund. Convertibles may also expose to risks such as prepayment, equity movement and greater volatility than straight bond investments.
  - The Fund may invest in financial derivative instruments ("FDI") which may expose to higher leverage, counterparty, liquidity, valuation, volatility, market and over the counter transaction risks. The Fund's net derivative exposure may be up to 50% of the Fund's net asset value.
  - This investment may involve risks that could result in loss of part or entire amount of investors' investment.
  - In making investment decisions, investors should not rely solely on this material.
- Note:** Dividend payments may, at the sole discretion of the Investment Manager, be made out of the Fund's capital or effectively out of the Fund's capital which represents a return or withdrawal of part of the amount investors originally invested and/or capital gains attributable to the original investment. This may result in an immediate decrease in the NAV per share and the capital of the Fund available for investment in the future and capital growth may be reduced, in particular for hedged share classes for which the distribution amount and NAV of any hedged share classes (HSC) may be adversely affected by differences in the interests rates of the reference currency of the HSC and the base currency of the Fund.

#### What Happened in October

Global bond yields eased modestly over October, with 10-year yields in the US declining less than 10bps, after the US Federal Reserve's (Fed's) widely anticipated rate cut was accompanied by a more hawkish outlook. The Fed also called time on its quantitative tightening programme, easing fears of a supply glut.

In October, Hong Kong's interbank market was stable, with the 3-month HIBOR little changed at 3.55%. This comes after significant tightening in cash conditions in the previous two months, which saw the 3-month HIBOR moving higher by almost 2%. The Hong Kong Aggregate Balance was again little changed from September at HKD54.0 billion. The Hong Kong dollar (HKD) appreciated slightly against the USD, as US\$HKD moved lower towards the 7.77 level. The Hong Kong base rate is down 25bps to 4.25%, in line with the latest move from the Fed. On the data front, September data showed stronger-than-expected retail sales figures at 5.9% year on year (yoy), as well as stronger gross domestic product (GDP) growth in the third quarter. Inflation was in line with expectations and remained stable, with the September composite consumer price index (CPI) print coming in at 1.1% yoy. On the other hand, unemployment rate moved higher to 3.9%, ahead of market expectations at 3.7%.

## Portfolio Review

The Fund returned positively for the month. Bond carry was the primary contributor, followed by modest contribution from curve. Spreads were stable as sentiment improved following a trade truce between US and China at month end. The key detractor was long-dated USD bonds, while the key contributors were USD financial bonds and HKD bonds.

## Outlook and Strategy

The Fed cut rates for the second time this year, bringing the federal funds rate down by another 25 basis points to a range of 3.75-4%. The central bank hopes to shield the job market from downside risks – despite inflation running above target. While Chair Jerome Powell's hawkish comments cloud the timing of the next cut, there remains room for the terminal rate to come down in the next six months as growth remains below potential. We remain overweight duration in the US and expect the yield curve to steepen amidst concerns of a deteriorating fiscal outlook.

While 2-way uncertainty of the US economy remains due to the US Government shutdown, the interest rate environment should remain stable following 2 consecutive Fed cuts. In this environment, carry will continue to be the main driver of performance. High grade bonds, particularly HKD-denominated bonds, will remain well demanded.

---

Connect with Us

[hk.allianzgi.com](https://hk.allianzgi.com)

+852 2238 8000

Search more

 [Allianz Global Investors](#)



Like us on Facebook 安聯投資 – 香港



Connect on LinkedIn [Allianz Global Investors](#)



Subscribe to YouTube channel 安聯投資

Source: Bloomberg, IDS and Allianz Global Investors, as at 31 October 2025 unless otherwise stated.

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 material but should seek independent professional advice.

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.

Investment involves risks, in particular, risks associated with investment in emerging and less developed markets. Past performance is not indicative of future performance. Investors should read the offering documents for further details, including the risk factors, before investing. This material and website have not been reviewed by the Securities and Futures Commission of Hong Kong. Issued by Allianz Global Investors Asia Pacific Limited.

Allianz Global Investors Asia Pacific Limited (32/F, Two Pacific Place, 88 Queensway, Admiralty, Hong Kong) is the Hong Kong Representative and is regulated by the Securities and Futures Commission of Hong Kong (54/F, One Island East, 18 Westlands Road, Quarry Bay, Hong Kong).