



# Monthly MARKET OUTLOOK

February 2025

Market Review | Equities | Fixed Income as at 31 January 2025

Over the  
month

## Equities

### Global

- MSCI Europe ex-UK Index was the top-performing major equity market, gaining 7.1%, driven by the financial and consumer discretionary sectors amid a strong global economy and improving Eurozone data.
- While United States (US) S&P 500 Index rose 2.8%, supported by robust US economic data, including strong job growth and healthy Gross Domestic Product (GDP).
- While optimism was fueled by promises of deregulation and tax cuts, the S&P 500 Index's tech concentration dampened performance late in the month due to DeepSeek's emergence and its impact on NVIDIA Corporation (NVDA).

### Asia Pacific

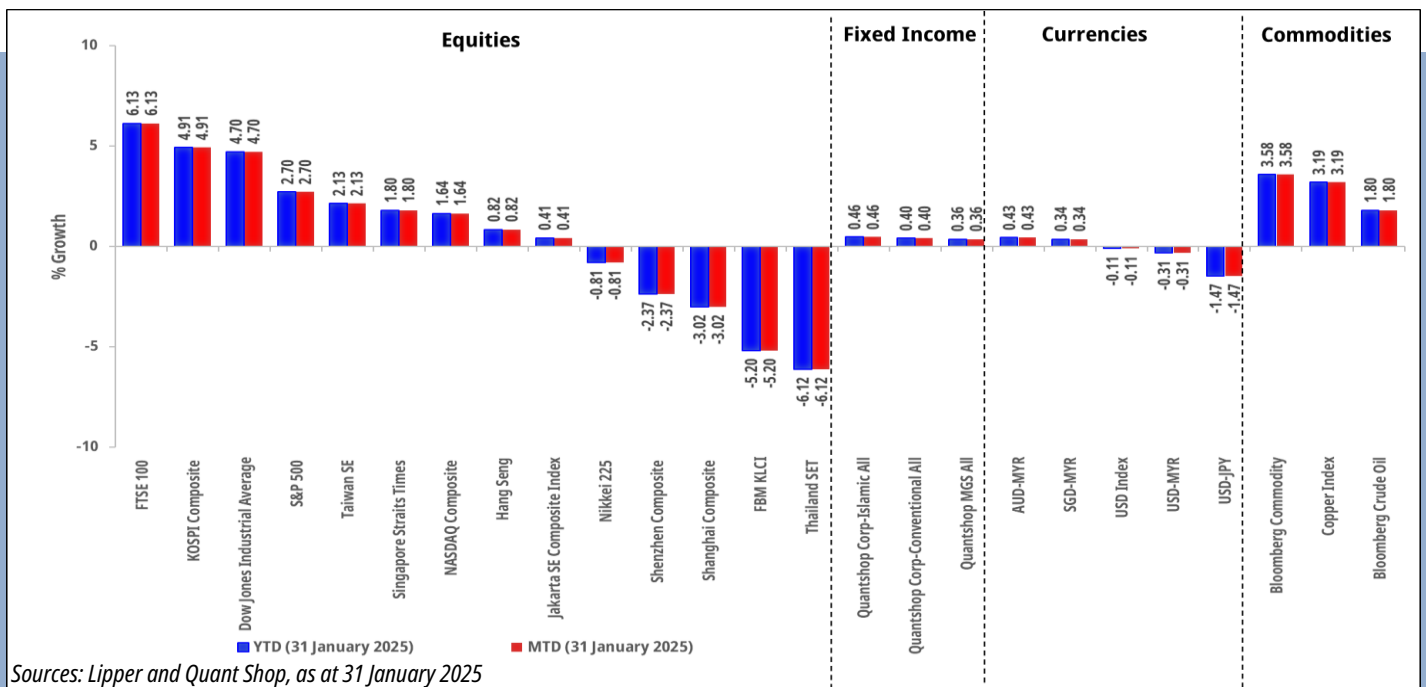
- The KOSPI rebounded in January as investors refocused on market growth potential and attractive valuations following the resolution of political events.
- Chinese equities saw marginal gains, supported by positive domestic economic data and less aggressive tariff rhetoric than previously suggested.

### Malaysia

- The FTSE Bursa Malaysia (FBM) KLCI fell 5.2% in January, primarily due to substantial foreign selling in the construction and utilities sectors driven by concerns that the Biden chip ban and DeepSeek's emergence could hinder long-term Artificial Intelligence (AI) Data Centres (DC) development in Malaysia.

## Fixed Income

- US bond market started the year weaker as market remained cautious ahead of Trump's inauguration and the release of stronger jobs report. However, market recovered on subsequent release of weaker-than-expected data on US inflation, retail sales and 4Q GDP. The market was also relieved that Trump held off an immediate outsized tariff on China. In addition, the US Federal Reserve (Fed) maintained interest rate at 4.25%-4.50% and continued to signal extended pause as widely expected. Overall, US Treasury (UST) 2Y and 10Y yields declined 4 basis points (bps) month-on-month (MoM) and 3 bps MoM to 4.20% and 4.54% respectively.
- Back home, Malaysia's economic growth momentum appears to have lost traction, with 4Q 2024 advance GDP falling to 4.8% year-on-year (YoY) (3Q 2024: 5.3%; 2Q 2024: 5.9%), below Bloomberg consensus of 5.2%. Headline inflation edged lower to 1.7% YoY in December (November: 1.8%). Looking ahead, 2025 inflation is likely to remain benign, although upside risk could come from the government's subsidy rationalisation plans, demand-led price pressure from higher wages and external factors. The Monetary Policy Committee (MPC) meeting was a non-event as Bank Negara Malaysia (BNM) kept Overnight Policy Rate (OPR) unchanged at 3.00% and maintained a neutral policy stance amid moderate growth and inflation outlook.
- The domestic bond market was slightly stronger as market participants build inventories to position for the new year. All three government bond auctions, namely the 7-Year Malaysian Government Securities (MGS) reopening, 15.5-Year new Government Investment Issue (GII) and 3-Year GII reopening, garnered healthy bid-to-cover ratios of 2.8x, 4.3x and 2.6x respectively. Overall, 3Y, 5Y and 10Y MGS yields declined 0-2 bps MoM to 3.45%, 3.62% and 3.81%.



## Equities : Outlook & Strategy

### Global

- DeepSeek's emergence aligns with Moore's Law and the ongoing advancement of AI. Such innovations, while potentially disruptive short-term, ultimately drive broader AI adoption, increasing long-term demand for DC and hardware. Thus, the long-term growth trajectory of AI and its infrastructure needs remains strong.

### Asia Pacific

- Asian hardware stocks, particularly those in Taiwan linked to the NVDA supply chain, face near-term risks due to concerns about reduced hardware demand and potential chip restrictions. Conversely, software application and internet names, especially Chinese large caps and selected Korean internet companies are expected to find near-term support through sector rotation.

### Malaysia

- We maintain financial and utilities as the core sectors of our portfolio holdings, while adding the healthcare sector to diversify against the near-term volatilities due to external trade policies uncertainties.

## Fixed Income : Outlook & Strategy

### Malaysia

- While bond market would remain volatile until more policy clarity under Trump 2.0, the impact on movements in the UST market has been fairly mild on the domestic bond market.
- We expect OPR to remain unchanged and government bond supply to be lower this year on fiscal consolidation.
- These domestic factors should continue to provide support to the bond market.
- We maintain our strategy to overweight high credit quality corporate bonds over government and government guaranteed papers for yield pickup.
- We will also look for trading opportunities on both government and corporate bonds.

*Notes: Q = Quarter  
Y = Year*

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