

April 2025

Monthly MARKET OUTLOOK

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

**Over the
month**

Equities

Global

- March witnessed heightened volatility in United States (US) equity markets, driven by investor anxieties surrounding impending US tariff announcements, persistent inflationary pressures and the Federal Reserve's (Fed) policy trajectory.
- President Trump's recent indication of "lenient rather than reciprocal" tariffs offered some reassurance, suggesting a potential narrowing of scope and delays in sector-specific duties.
- However, the S&P 500 Index remained unsettled amidst mixed economic data and geopolitical developments.

Asia Pacific

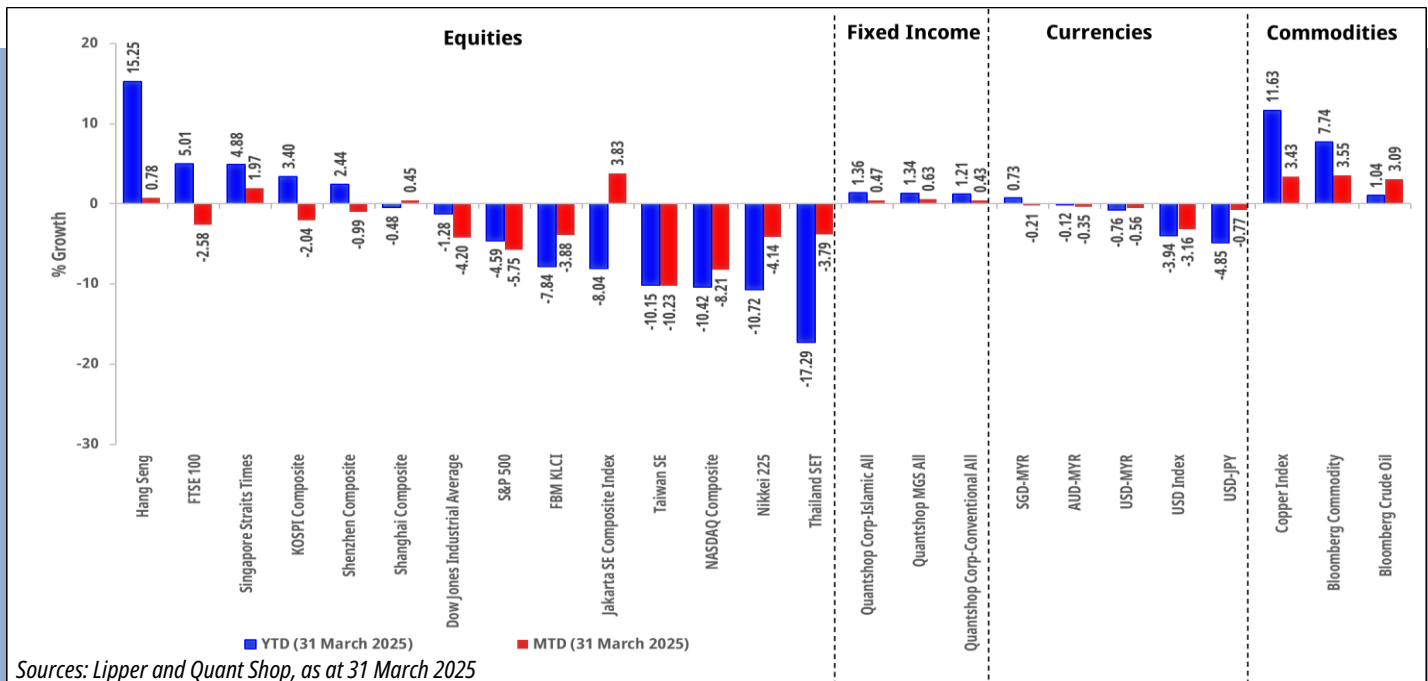
- China reaffirmed its economic objectives by setting a 5% Gross Domestic Product (GDP) growth target for 2025 and expanding its budget deficit to 4% of GDP, as authorities sought to mitigate growing external pressures.
- To support these goals, Beijing announced a 3 trillion Yuan (\$411 billion) special bond program to fund infrastructure and strategic sectors, including advanced manufacturing and clean energy.
- Chinese financial regulators also urged institutions to enhance support for consumption by relaxing consumer credit quotas and loan terms.

Malaysia

- The local market has witnessed a challenging period as the FTSE Bursa Malaysia (FBM) KLCI fell -3.1% in March, as foreign shareholding in Malaysian equities fell to an all-time low of 19.4% as deepening selling due to concerns over Trump's reciprocal tariff may impact on local economies.

Fixed Income

- In the March Federal Open Market Committee (FOMC), US Fed kept rates unchanged for the second straight meeting as expected. Market reaction was muted post FOMC as the Dot plot continued to imply 50 basis points (bps) cut in 2025 and Chair Powell reassured market that tariff-driven inflation will be transitory. Data releases during the month were mixed, keeping yields in range. Overall, US Treasury (UST) yield curve bull steepened, with 2Y yield declining 11 bps month-on-month (MoM) to 3.88% and 10Y yield remaining unchanged at 4.21%.
- Back home, Bank Negara Malaysia (BNM) maintained Overnight Policy Rate (OPR) at 3.00% at its March meeting and kept its neutral tone. This was in line with market expectation on balanced risk to domestic growth and manageable inflation outlook. Headline inflation eased to 1.5% year-on-year (YoY) in February (January: 1.7% YoY) on year-ago high base effects. 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 domestic bond market saw strong buying interest, partly driven by reinvestment flow from the RM16.7 billion Malaysian Government Securities (MGS) maturity. There were three government auctions during the month. The 15Y MGS and 30Y Government Investment Issue (GII) reopening garnered healthy bid-to-cover ratios of 3.02x and 3.08x respectively. However, the 10Y MGS reopening was weaker at 1.67x on profit taking ahead of Raya holiday. Overall, MGS yield curve bull flattened, with 3Y yield declining by 5 bps MoM to 3.38% while 5Y and 10Y yields down 2 bps to 3.56% and 3.77%.



Equities : Outlook & Strategy

Global

- President Trump's policy gyrations are hurting market sentiment at a time when US valuations are still high.
- The uncertainty emanating from such policies make corporate investment decisions difficult and also cloud the earnings outlook.
- We have diversified away from the concentration risks in the US, and benefit from this rotation, with a focus on companies with earnings resilience.

Asia Pacific

- Asian equity markets have seen high levels of dispersion in the first three months of the year.
- Chinese stocks outperformed, up 15% year-to-date (YTD), thanks to a combination of US tariffs so far proving less punitive than feared, improving sentiment towards Chinese technology companies following DeepSeek's Artificial Intelligence (AI) breakthrough in January and hints of a more supportive policy stance from Beijing.

Malaysia

- We maintain financial and utilities as the core sectors of our portfolio holdings to defend against the market volatilities due to external trade policies uncertainties.

Fixed Income : Outlook & Strategy

Malaysia

- Global sentiment turned risk off on Trump's "Liberation Day" reciprocal tariff announcement on 2 April 2025 which was more aggressive than market expectations.
 - Looking ahead, UST could remain volatile with uncertainties around Trump's policies and responses from its trading partners.
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- Locally, market participants may increasingly price in OPR cut by BNM given the downside risk to growth posed by an outsized 24% tariff by US.
 - We continue to overweight high credit quality corporate bonds over government and government guaranteed papers for yield pickup.
 - We will selectively participate in primary issuances and continue to look for trading opportunities on both government and corporate bonds.

Note: Y = Year

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