



Bite-Size Macro

- > Year 2025 saw the return of Trump's 'America First' trade policy to address persistent trade deficits and unfair trade practices
- > On February 1, US imposed a 25% tariff on all imports from Canada and Mexico, along with an additional 10% tariff on Chinese goods
- > In retaliation, China and Canada implemented countermeasures, prompting US to extend tariffs to more goods and markets. This set off a cycle of reciprocal tariffs and further retaliation against the US



Bite-Size Micro

- > This ongoing cycle rattled markets, amplifying fears of global supply chain disruptions, potential trade war and a global growth slowdown
- > The launch of China's low-cost AI model, DeepSeek, threatened established AI leaders, causing US tech giant NVIDIA to experience a \$600 billion market value loss in one day — the largest single-day loss in US stock market history
- > Most stock market indexes were negatively impacted in Q1 2025, with the MSCI World Index slipping by 2.1%
- > Meanwhile, investors turned to safer assets like bonds and gold for refuge, pushing gold prices up by over 19% in Q1 2025



Bite-Size Malaysia

- > The Johor-Singapore Special Economic Zone (JS-SEZ) agreement was officially signed, aiming to enhance cross-border connectivity, facilitate the freer movement of workers and tourists, and strengthen business ecosystems, with special tax incentives introduced to attract investments
- > Approved investments reached a record high of RM378.5 billion in 2024, expected to boost Malaysia's construction, manufacturing, and services sectors*
- > GDP growth exceeded estimates at 5% in Q4 2024, resulting in a full-year growth of 5.1%, driven by sustained domestic demand and a recovery in exports
- > Headline inflation remained steady below 2% throughout 2024, reflecting stable cost and demand conditions
- > BNM kept interest rates unchanged at 3.00% in Q1 2025, reiterated that future decisions will remain data-dependent



*Source: Malaysian Investment Development Authority (MIDA), As of 31 December 2024

Outlook & Strategy

- > If US tariffs are prolonged, downside risks to growth will increase. Responses and negotiations on US trade tariffs will cause market volatility and uncertainty in the near term. Risk-off sentiment likely to persist for a while longer
- > With a dimmer growth outlook, BNM might consider a rate cut in 2H 2025, after BNM has the opportunity to evaluate 2Q economic conditions and outcomes from US trade negotiations. More positive outlook for local bond market as rate cut expectation increases



BOLO: Be On The Lookout

- > Changes to US tariff policies and responses from affected US trade partners
- > Global growth and inflation
- > Geopolitical tensions



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