APRIL 2025

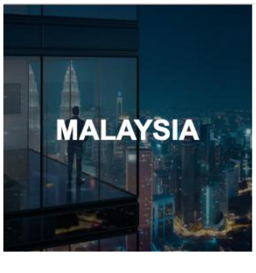
MONTHLY MARKET REVIEW

A brief on global markets and investment strategy

Key Highlights

- US equities were rattled by Liberation Day tariffs, but later recouped back losses following a 90-day pause with the S&P 500 closing -0.70%.
- While policy uncertainty remains elevated, it appears markets may have passed peak tariff pessimism.
- US 1Q'2025 GDP shrank 0.3%, driven by import surges linked to inventory stockpiling ahead of new tariffs.
- 10-Year US Treasury yields briefly hit 4.5%, before settling at 4.2%, amid growth and deficit concerns.

- MSCI Asia ex-Japan rose 0.5% as easing trade rhetoric lifted sentiment, especially in ASEAN markets. Notably, Thailand and Indonesia saw their benchmark indices climb by 4.3% and 3.9% respectively.
- China's Q1 GDP grew 5.4% y-o-y, aided by timely stimulus amid external uncertainties.
- Beijing's policy response will be closely watched as risks of prolonged trade tensions rise.
- Regional PMIs weakened across China, Indonesia, Korea, and Taiwan as export demand slumped.



- The FBM KLCI rose 1.8% in April, recovering to pre-tariff announcement levels across most sectors.
- Direct and indirect tariff impacts could trim GDP growth by up to 0.5%. However, headwinds could ease if policies are reversed and trade negotiations continue.
- Local institutional funds remain conservatively positioned, holding 20–30% in cash, ready to deploy on clarity.
- The 10-year MGS yield fell 12 bps to 3.65% amidst mild inflation.

GLOBAL

US equities ended April on a muted note, with the S&P 500 index closing down 0.70%, capping a turbulent month. Markets were rattled early on after President Trump announced his “Liberation Day” tariffs, which sparked concerns of a full-blown trade war and threatened to upend the global trade order.

However, sentiment improved toward month-end as Trump announced a 90-day pause in implementing the reciprocal tariffs, offering temporary relief to markets shaken by escalating tensions.

While policy uncertainty remains elevated, it appears markets may have passed peak tariff pessimism. While a comprehensive resolution still looks distant, investors found some comfort in the pause in escalation especially between US and China which appear more conciliatory. A key question now turns to how these developments will impact real economic activity, including consumption, earnings, and GDP growth.

Macroeconomic data out of the US came out mixed. 1Q’2025 GDP surprised on the downside, contracting by 0.3%, largely due to a surge in imports, likely a result of inventory front-loading ahead of tariff implementation. Consumer confidence also took a hit, with the Conference Board’s index falling nearly eight points to 86, its lowest level since May 2020.

Bond markets reflected this uncertainty, with the US 10-Year Treasury yield spiking to as high as 4.5% following the tariff announcement, before closing the month at 4.2%. The volatility underscored growing concerns over the US’s economic trajectory and the sustainability of its fiscal outlook.

ASIA

Asian equities edged higher in April, with the MSCI Asia ex-Japan index rising 0.5%, buoyed by optimism that the US and China may soon resume trade negotiations. This renewed hope for dialogue helped lift sentiment across the region, particularly in ASEAN markets, where Thailand and Indonesia saw their benchmark indices climb by 4.3% and 3.9% respectively.

China reported a stronger-than-expected GDP growth of 5.4% y-o-y in the 1Q’2025, supported by stimulus measures from policymakers. As the risk of a prolonged trade conflict looms, the strength and timeliness of further policy responses from Beijing will be closely watched, especially if incoming economic data begins to soften.

Across the broader region, however, the economic picture remains mixed. External headwinds continue to weigh on manufacturing activity, with most regional PMIs slipping below the 50-point threshold, signalling contraction. This includes key export-driven economies such as China, Indonesia, Korea, and Taiwan, all of which are grappling with weaker demand from developed markets. India stands out as a notable exception, with PMI readings still firmly in expansionary territory, reflecting resilient domestic demand.

MALAYSIA

Domestically, the FBM KLCI rose 1.8% in April, staging a broad-based recovery as most sectors rebounded to levels seen before the Liberation Day tariff announcements.

MALAYSIA *(CONT')*

Based on estimates, a minimum 10% tariff could directly shave GDP growth by approximately 0.1%, while the indirect effects from higher Chinese tariffs could result in a further 0.3% -0.4% reduction.

Despite these challenges, there are reasons for cautious optimism. Much of the external pressure remains policy-driven and could reverse if negotiations between the US and China gain traction. Additionally, local institutional positioning remains conservative, with many funds holding elevated cash levels of 20% to 30%. This provides a meaningful buffer and the potential for rapid deployment should clarity on global macro visibility improves.

On the fixed income front, the 10-year MGS yield fell by 12 bps to settle at 3.65% at end-April. The combination of a softer growth outlook and benign inflation—most recently at 1.4% y-o-y, gives Bank Negara Malaysia added policy flexibility. We see potential for a shift in BNM's monetary stance in the 2H'2025, dependent on tariff developments, inflation, and subsidy rationalisation.

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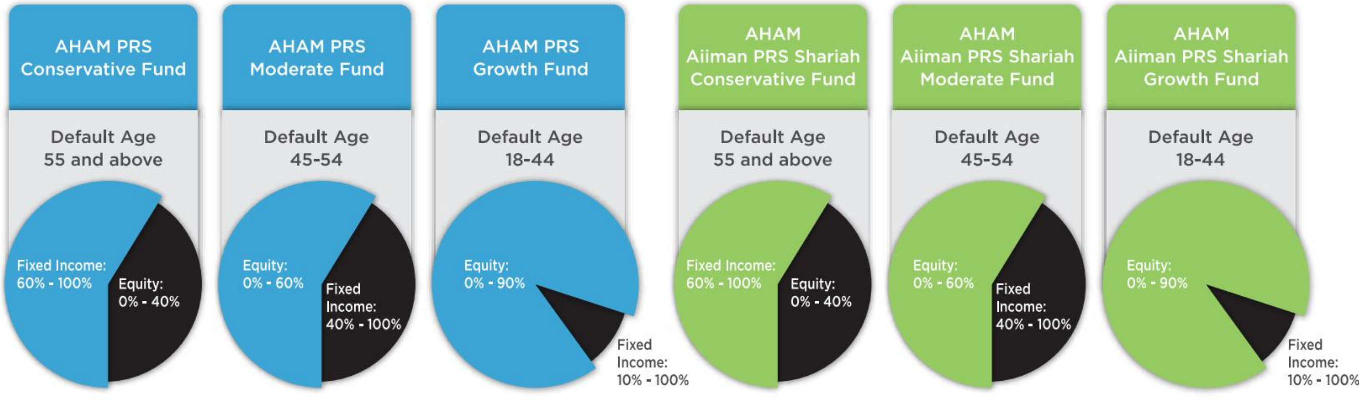

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