

Bite Size Macro

- On April 2, 2025, President Trump declared “Liberation Day”, announcing sweeping tariffs of 10% to 50% on all US trading partners. The announcement triggered immediate market volatility and concerns over a global trade war.
- Within a week, Trump reversed course, offering a 90-day pause on tariffs for non-retaliating countries, excluding China, to allow room for negotiations. This move brought relief to global markets
- US-China trade tensions escalated into a tit-for-tat exchange, with US tariffs on Chinese goods peaking at 145% and China retaliating with 125%. Tensions have since eased slightly, with the US reducing tariffs to 30% and China lowering theirs to 10%, a temporary tariff truce
- Tariff developments continued to dominate headlines throughout Q2 2025
- President Trump’s “Big Beautiful Bill” passed the House in June, extending 2017’s tax cuts, increasing defence spending, and implementing cuts to social programs such as Medicaid.
- Concerns over US debt led Moody’s to downgrade US sovereign credit rating to Aa1
- China’s PBoC continued rolling out supportive measures, including cuts to the RRR and policy rates, alongside a targeted 10-point stimulus package aimed at priority sectors
- Conflict between Iran and Israel triggered a brief but sharp surge in oil and gold prices
- Despite early volatility, global equities rebounded strongly in Q2, with the MSCI World Index up 11% and emerging markets outperforming on a weaker USD and easing trade tensions. Meanwhile, 10-year UST yields swung sharply before ending the quarter largely unchanged

Bite Size Malaysia

- ‘Liberation Day’ tariffs on Malaysian exports was initially set at 24%, later revised to 25%, with a pause in effect until August 1
- Effective July 2025, the Malaysian government expanded the scope of SST and introduced new electricity tariffs as part of efforts to reduce fiscal deficits
- GDP grew by 4.4% YoY in Q1 2025, supported by resilient performance in the services, manufacturing, and construction sectors
- Labour market continues to strengthen, with unemployment rates falling to 3% in April 2025, the lowest level in a decade
- Headline inflation remained below 1.5% throughout Q2 2025, reflecting stable cost and demand conditions
- BNM kept interest rates unchanged at 3.00% in Q2 2025, but reduced SRR from 2% to 1% effective May 16, releasing approximately MYR 19 billion into the banking system

Outlook & Strategy

We expect market volatility to persist

We remain cautious on Malaysian equities, though we still view them as attractive relative to peers, supported by fiscal reforms, political stability, appealing valuations, dividends, and a rebound in domestic consumption

As growth is expected to be largely domestically driven, impact of a potential global growth slowdown should be cushioned

BNM is likely to place greater emphasis on growth risks vs inflation risks, paving the way for a rate cut in 2H 2025

Rate cut expectations support the local bond market. Our outlook is neutral to mildly positive, as current valuations have largely priced in the anticipated rate cuts

BOLO : Be on the Lookout

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