

August 2025

Monthly MARKET OUTLOOK

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

**Over the
month**

Equities

Global

- July saw global equities benefit from cautious optimism, fuelled by an upward revision of the global growth outlook to 3% by the International Monetary Fund (IMF).
- United States (US) markets remained resilient, driven by strong corporate earnings in tech and industrials, even as the Federal Reserve (Fed) held rates steady due to persistent 2.7% US inflation.
- Commodity markets, particularly crude oil, saw significant price surges, while geopolitical tensions continued to add to global uncertainty.

Asia Pacific

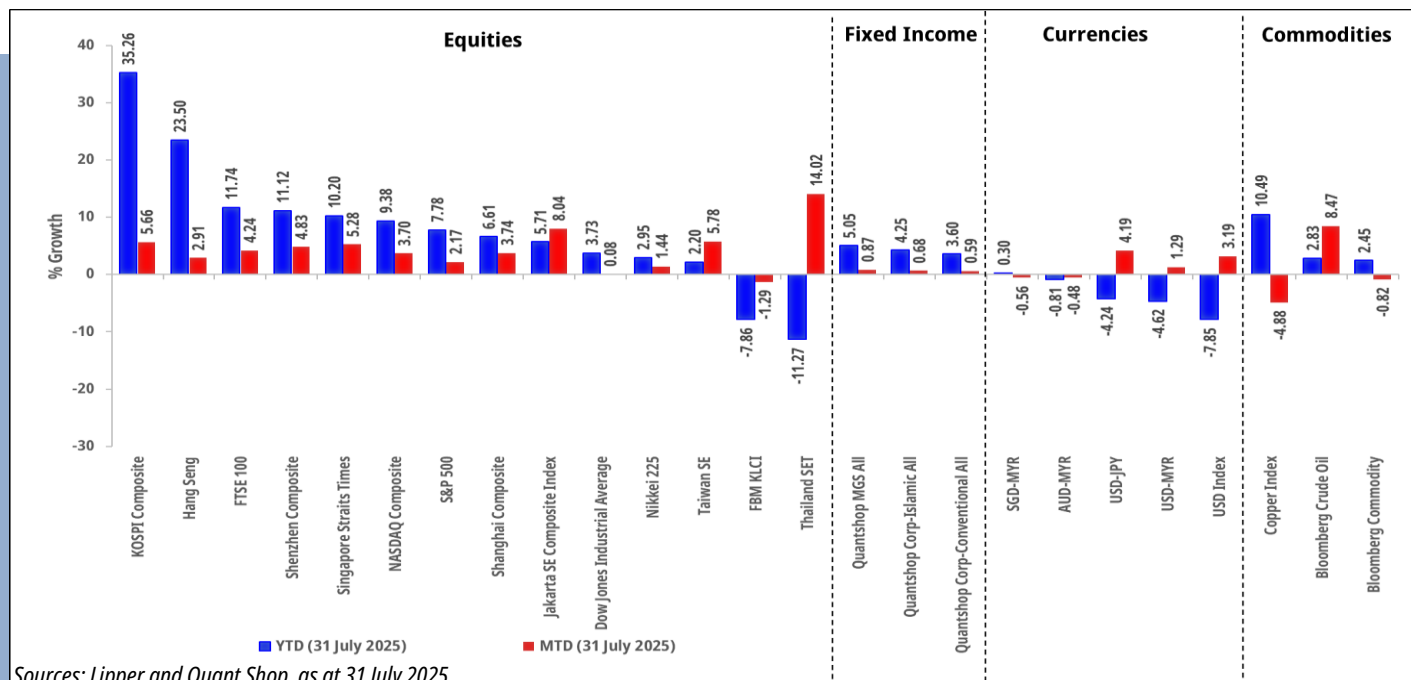
- The Asia Pacific region generally saw positive equity performance in July, aided by a weaker US Dollar (USD) and supportive monetary policies from local central banks.
- South Korea's market improved due to presidential efforts to boost shareholder returns, and India maintained strong growth on structural tailwinds.
- However, impending US tariff decisions kept investors cautious, highlighting the region's sensitivity to external trade developments.

Malaysia

- Bursa Malaysia's FBM KLCI ended July mixed, balancing positive domestic data with trade concerns.
- The index saw an early boost from improved global sentiment and selective foreign inflows into blue-chip stocks.
- Bank Negara Malaysia (BNM) pre-emptively cut the Overnight Policy Rate (OPR) to 2.75%, supporting domestic demand, though broader market breadth remained cautious due to potential US tariff adjustments.

Fixed Income

- At the July Federal Open Market Committee (FOMC), the Fed kept interest rates unchanged at 4.25%-4.50%, opting for a "wait-and-see" approach amid a still solid labour market with relatively low unemployment rate and a somewhat elevated inflation environment. The higher-than-expected core inflation reading in June rose to 2.8% year-on-year (YoY) (May: 2.8%). Consumer Price Index (CPI) for June increased 0.3% versus 0.2% in May, reflecting signs of tariffs pushing up goods' inflation. Recent indicators have also suggested a moderation in economic growth in 1H 2025. Amid tariffs uncertainties and geopolitical tensions in the Middle East, the market's expectations of a rate cut in September 2025 dropped to 45%, from 63% earlier. As at end-July, 2Y and 10Y US Treasury (UST) yields rose 24 basis points (bps) and 14 bps month-on-month (MoM) to 3.96% and 4.37% respectively.
- On 9 July 2025, BNM cut the OPR by 25 bps to 2.75% in a pre-emptive move to support economic growth. Malaysia's advanced 2Q 2025 Gross Domestic Product (GDP) recorded a stronger growth at 4.5% YoY (1Q 2025: 4.4%) largely due to higher contribution from services (5.3%), import duties (27.9%) and agriculture (2.0%). Although business confidence is affected by the higher downside risks to growth amid elevated global uncertainties from tariffs and geopolitical tensions, inflation is currently still manageable. 3Y, 5Y and 10Y Malaysian Government Securities (MGS) yields declined in the month of July and ended at 3.06% (-9 bps), 3.15% (-5 bps) and 3.37% (-10 bps) respectively.



Equities : Outlook & Strategy

Global

- The global equity outlook for August faces a delicate balance, as strong corporate earnings contend with the potential reintroduction of US tariffs.
- Investors should anticipate continued volatility and a close watch on the Fed's interest rate decisions, given ongoing US inflation and the potential unwind of earlier economic activity.
- Diversification and a focus on companies with robust financials will be crucial.

Asia Pacific

- Asian equities should remain attractive, supported by a potentially weaker USD and prospects for further regional monetary easing.
- However, the region remains susceptible to global trade developments and geopolitical escalations.
- Investors should selectively target economies with strong domestic consumption and sectors benefiting from structural shifts.

Malaysia

- Malaysia's equity market is expected to consolidate in the near term, influenced by ongoing global trade uncertainties.
- While domestic reforms and attractive valuations offer some support, external shocks, particularly any US tariff adjustments, pose downside risks.
- Investors may consider a cautious yet constructive stance, favouring defensive large-cap stocks and exploring opportunities in local infrastructure and high-tech industries.

Fixed Income : Outlook & Strategy

Malaysia

- We expect UST yields to remain volatile but on a downward trend in the medium term in view of the likelihood of monetary easing once hard economic data shows significant tariff impact in the coming months.
 - On the local front, there is room for another cut by BNM if needed to support economic growth amid elevated uncertainties.
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- We continue to overweight high credit quality corporate bonds over government and government guaranteed papers for yield pickup.
 - We prefer participating in primary issuances and shall look for trading opportunities to generate returns.

*Notes: Q = Quarter
H = Half
Y = Year*

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