

September 2025

Monthly MARKET OUTLOOK

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

Over the
month

Equities

Global

- August presented a mixed picture for global equities as a "higher for longer" interest rate narrative gained traction.
- The Federal Reserve's (Fed) hawkish stance, reinforced by strong United States (US) job and inflation data, led to a re-pricing of risk and a sell-off in both stocks and bonds.
- Despite a positive start to the month driven by continued optimism over corporate earnings, the global market finished the month down, with a notable shift in sentiment from cautious optimism to increased risk aversion.

Asia Pacific

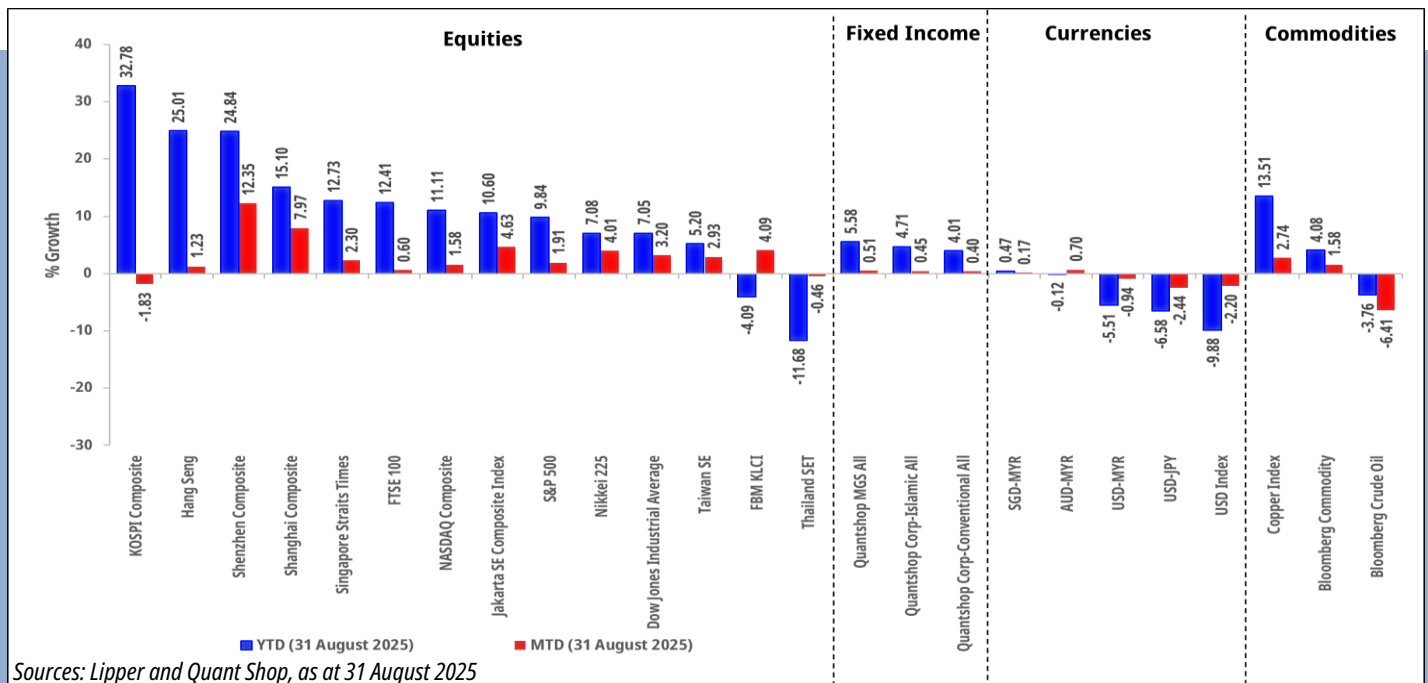
- The Asia Pacific region underperformed in August, with equities experiencing a significant pullback.
- This was largely driven by a strengthening US Dollar (USD) and rising US Treasury (UST) yields, which led to capital outflows from emerging markets. A renewed flare-up in trade tensions also weighed on sentiment.
- While some markets like Taiwan and South Korea showed resilience early in the month, they ultimately succumbed to broader global risk-off sentiment.

Malaysia

- Bursa Malaysia's FBM KLCI ended August in negative territory, consistent with the broader regional downtrend.
- The index was impacted by external factors, including the strengthening USD and weaker regional currencies, which led to a net outflow of foreign funds.
- Domestically, while some sectors like utilities and infrastructure remained resilient, the broader market struggled with profit-taking and a cautious mood ahead of the country's budget announcement.

Fixed Income

- US Consumer Price Index (CPI) for July came in as expected at 0.2% (June: 0.3%) while year-on-year (YoY) CPI was flat at 2.7%. Core CPI came in higher at 0.3% (June: 0.2%) while YoY core CPI rose to 3.1% from 2.9% in June. US jobs data (non-farm payrolls) growth was well below expectations in July. Furthermore, jobs data for June and May were revised downwards than originally reported, reflecting much weaker growth.
- At the August Federal Open Market Committee (FOMC), the Fed kept interest rates unchanged at 4.25%-4.50% but stated that assessed impact of tariffs had become more apparent in goods prices although overall effects of inflation on the economy remained to be seen. 2Q 2025 US Gross Domestic Product (GDP) was revised higher from 3.0% to 3.3% versus expectations of 3.1%. Downside risks to employment have increased with the slowing growth of economic activities and consumer spending and incoming data pointed to weakening labour conditions. As at end-August, 2Y and 10Y UST yields declined 34 basis points (bps) and 14 bps month-on-month (MoM) to 3.62% and 4.23% respectively.
- In the 13th Malaysia Plan (2026-2030) announced in August 2025, real GDP is targeted to grow by 4.50%-5.50% per annum in the next 5 years, to be driven by domestic demand, particularly private consumption and investment. Malaysia exports rebounded in July, up 6.8% YoY after 2 months of declines. Year-to-date (YTD) exports recorded a growth of 4.3%, mainly supported by revived front loading activities for the Electronics and Electrical (E&E) sector (+22.5%). Excluding E&E sector, exports declined 3.30%, which suggests weaker non-E&E export activities. 3Y, 5Y and 10Y Malaysian Government Securities (MGS) yields ended the month at 3.00% (-6 bps), 3.08% (-10 bps) and 3.39% (+2 bps) respectively.



Equities : Outlook & Strategy

Global

- The global equity outlook for September is clouded by persistent uncertainty.
- The "higher for longer" interest rate environment in the US is likely to continue, creating headwinds for equity valuations and increasing volatility.
- Investors will be closely watching for any signs of a slowdown in the US economy. A defensive stance, with a focus on companies with strong balance sheets and consistent earnings, will be prudent.

Asia Pacific

- Asian equities are expected to remain under pressure in the near term, with a strong USD and high UST yields posing a continued risk of capital outflows.
- The region's sensitivity to global trade developments and geopolitical risks will continue to be a key factor.
- Selective opportunities may emerge in markets with robust domestic consumption and limited external dependencies.

Malaysia

- Malaysia's equity market is likely to continue consolidating.
- While the domestic economy remains stable, with support from ongoing infrastructure projects and government spending, the market will remain sensitive to global capital flows and risk appetite.
- Investors should consider a patient approach, focusing on fundamentally sound companies with stable dividends, and keeping a close eye on the upcoming national budget for potential catalysts.

Fixed Income : Outlook & Strategy

Malaysia

- We expect UST yields to remain volatile with the view of 2 Fed rate cuts of 25 bps each by end 2025 as the Fed juggles between the downside risks of employment and upside risks to inflation as effects of tariffs start to accumulate and manifest in the coming months.
- A big weakening in job market could drive Fed to cut rates as well.
- On the local front, there is room for another cut by Bank Negara Malaysia (BNM) in the next 6-12 months to support economic growth amid tariff and trade tensions as well as elevated external uncertainties.
- 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
Y = Year*

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