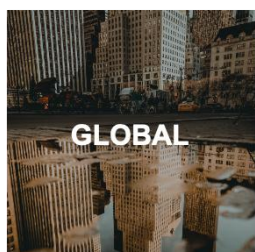


SEPTEMBER 2025

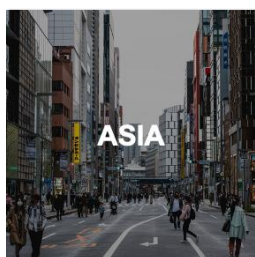
MONTHLY MARKET REVIEW

A brief on global markets and investment strategy

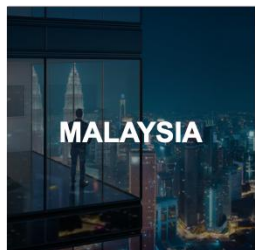
Key Highlights



- US equities rallied strongly, with the S&P 500 climbing 3.5% to a fresh all-time high after the Fed's first rate cut of the year (25bps).
- Despite the rate cut, the Fed raised its GDP and inflation forecasts, with 2Q GDP revised up to 3.8% (from 3.3%) driven by strong consumer demand.
- PCE inflation was in line with expectations (2.7% y-o-y), reinforcing resilience in the economy.
- Bond markets are now pricing in a slightly lower probability of further easing, implying one to two additional rate cuts by year-end.



- The MSCI Asia ex-Japan index surged 6.6%, boosted by Fed rate cut optimism and prospects of a weaker USD.
- China's CSI index jumped 9.3% as US-China tensions cooled following a constructive discussion between Trump and Xi Jinping.
- Korea's KOSPI rallied 7.5% on expectations of fresh policy support from President Lee Jae-myung, who pledged measures to boost valuations.



- The KLCI rose 2.3% in September, supported by steady corporate earnings
- Outperformance came from banks, industrials, and telecoms, while tech stocks underperformed due to Ringgit strength.
- On policy, the government has implemented its subsidiary rationalisation for RON95 petrol, marking a meaningful step in the country's fiscal reform agenda,
- In fixed income, MGS yields edged up 2bps to 3.45% as BNM maintained the OPR at 2.75% at its September policy meeting.

GLOBAL

US equities surged in September, with the S&P 500 climbing 3.5% to a fresh all-time high following the Federal Reserve's (Fed) first rate cut of the year. The 25bps cut was widely anticipated, but the updated dot plot provided additional clarity, showing a median year-end forecast for the Fed funds rate of 3.6%, down from 3.9% in June.

Interestingly, while the Fed lowered rates, it simultaneously revised up its GDP and inflation forecasts—underscoring the resilience of the US economy. This was reinforced by a series of stronger-than-expected data releases. US 2Q'2025 GDP growth was revised up to 3.8% from 3.3%, driven by robust consumer spending and steady business investment. Real personal consumption also rose 0.4% m-o-m, highlighting strength in household demand.

Inflation data came in broadly in line with forecasts as effects of tariff passthrough on prices remain contained so far. The Fed's preferred inflation measure, the personal consumption expenditures (PCE) price index, rose 2.7% y-o-y in August versus 2.6% in July. Core PCE, which strips out food and energy, increased 2.9% y-o-y.

Overall, the data reinforced a picture of resilience, prompting investors to recalibrate expectations for monetary policy. Markets are now pricing in a slightly lower probability of further easing, implying one to two additional rate cuts by year-end.

ASIA

In Asia, the MSCI Asia ex-Japan index rose 6.6% in September lifted by optimism over Fed rate cuts and prospects of a weaker US dollar. The MSCI China index surged 9.3% as trade tensions eased between US and China.

A call between President Trump and President Xi last month signalled continued efforts to de-escalate frictions. The US administration announced it had reached a framework to spin off TikTok's US operations to an American consortium, helping address a long-standing demand from Washington.

In parallel, China dropped its antitrust probe into Google, a move seen as part of broader negotiations ahead of the Trump-Xi meeting at the APEC Summit in South Korea at the end of October.

Korea also posted strong gains, with the KOSPI rallying 7.5% on speculation of fresh policy support under President Lee Jae-myung. Marking his first 100 days in office, Lee pledged to usher in a "KOSPI 5,000" era, while actively engaging with brokers and industry players to explore measures to lift valuations.

MALAYSIA

On the local front, the benchmark KLCI rose 2.3% in September. However, the index has continued to lag behind other market segments over the past 3 months, with the ACE Market up 15.7% and the small-cap index gaining 8.8%, compared with a 5.2% rise in the KLCI in the 3Q'2025.

Support for the local market came from a broadly steady corporate earnings season. Results were largely in line with expectations across major sectors such as banks, industrials, utilities, plantations, and telecommunications. The technology sector was the key laggard, reflecting the drag from a stronger Ringgit and ongoing macroeconomic uncertainty.

MALAYSIA

On the policy front, the government launched its long-awaited RON95 subsidy rationalisation programme, Budi95, effective 30 September. Under the scheme, Malaysians may purchase up to 300 litres of RON95 petrol per month at RM1.99 per litre using their MyKad.

The initiative marks a meaningful step in Malaysia's fiscal reform agenda, with investors closely watching for further policy measures in Budget 2026, scheduled to be tabled on 10 October. Key areas of focus include policy efforts to attract FDI inflows and advance broader structural reforms.

In the bond market, the 10-year Malaysian Government Securities (MGS) yield edged up 2 bps to 3.45%. As expected, Bank Negara Malaysia (BNM) kept the Overnight Policy Rate (OPR) unchanged at 2.75%. Recall that in July, BNM delivered a pre-emptive 25 bps cut to preserve growth prospects. The central bank has flagged downside risks from slower global trade, weaker sentiment, as well as lower-than-expected commodity production.

MONTHLY INDEX PERFORMANCE

Developed Markets	YTD	1M
Dow Jones Industrial Index	9.06	1.87
Nasdaq Composite Index	17.34	5.61
S&P 500 Index	13.72	3.53
FTSE 100 Index	14.41	1.78
Tokyo Stock Price Index	12.66	2.03

Regional Markets	YTD	1M
MSCI AC Asia (ex-Japan) Index	24.72	6.62
FTSE Straits Times Index	13.53	0.71
Hang Seng Index	33.88	7.09
Shanghai Composite Index	15.84	0.64
Shanghai Shenzhen CSI300 Index	17.94	3.20
MSCI China Index	38.91	9.32
Hang Seng China Enterprise Index	31.08	6.79
Taiwan Stock Exchange	12.09	6.55
Korean Stock Exchange	42.72	7.49
S&P BSE Sensex Index	2.72	0.57
Ho Chi Minh Stock Index	31.18	-1.22
Thailand Stock Exchange Index	-5.43	3.36
Jakarta Composite Index	13.86	2.94
Philippines Composite Index	-8.81	-3.28

Domestic	YTD	1M
FMBKLCI	-1.85	2.33
FBM Small Cap	-7.30	5.80
FBM EMAS Shariah	-4.56	3.15
FBM Top 100	-4.43	2.16

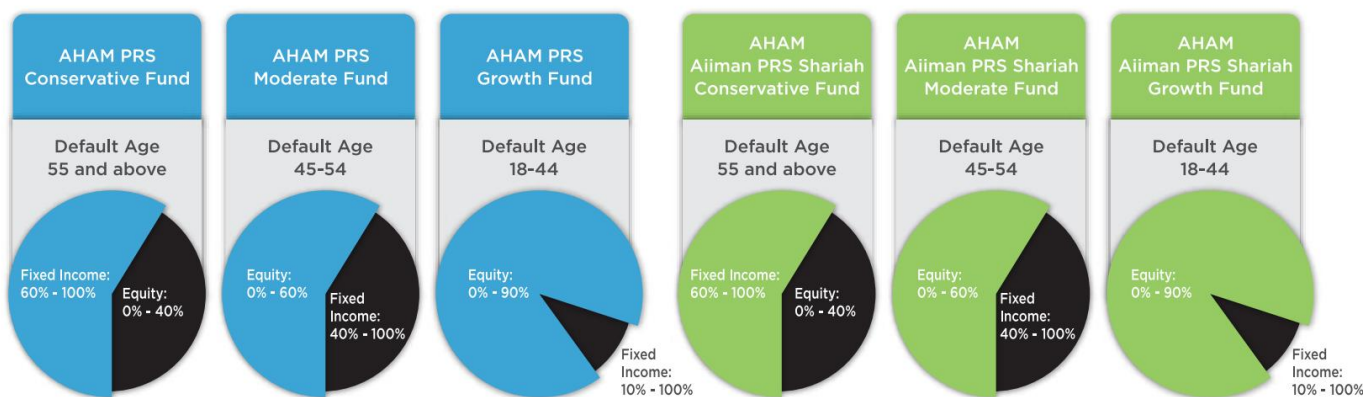
Index Chart: Bloomberg as at 30 September 2025. Quoted in local currency terms.

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