OCTOBER 2025

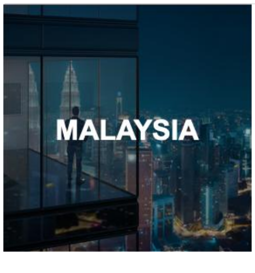
MONTHLY MARKET REVIEW

A brief on global markets and investment strategy

Key Highlights

- US equities strengthened in October, with the S&P 500 up 2.30% supported by easing trade tensions, solid corporate earnings, and lower interest rates.
- A softer inflation print enabled the Federal Reserve to cut rates by 25 bps to 3.75%–4.00%.
- However, Fed Chair Jerome Powell maintained a cautious stance, stressing that further easing is not guaranteed at its last FOMC meeting in December.
- US–China relations showed tentative improvement, as both countries agreed to temporary truce in its trade war.
- Japan's TOPIX climbed 6.20% on expectations of continued pro-growth policies under newly appointed PM Sanae Takaichi.

- Asian equities advanced in October, with the MSCI Asia ex-Japan index up 4.50% as risk appetite improved across the region.
- Technology-led markets outperformed, driven by sustained optimism around AI demand and semiconductor supply chains; Taiwan and Korea surged 9.3% and 19.9% respectively.
- China lagged regional peers, with the MSCI China index declining 4.0% amid cautious sentiment ahead of the Fourth Plenum.
- Beijing adopted a more supportive tone toward consumption and real estate, hinting at measured efforts to stabilise growth in these sectors.



- The KLCI closed flat at –0.20%, as sentiment remained steady while markets digested trade-related developments during the ASEAN Summit in Kuala Lumpur.
- Malaysia signed the Agreement on Reciprocal Trade with the United States, granting 0% tariff access to up to 1,711 Malaysian export products.
- The 10-year MGS yield edged higher by 5 bps to 3.50%, following the tabling of Budget 2026, which was viewed as broadly market neutral.
- The government projects GDP growth of 4.0%–4.5% in 2026, supported by domestic consumption and infrastructure spending.

GLOBAL

US equities closed October on a strong footing, with the S&P 500 rising 2.30% and the tech-heavy Nasdaq jumping 4.70%, supported by easing trade tensions, a solid earnings season, and lower interest rates.

A milder-than-expected inflation print gave the US Federal Reserve (Fed) confidence to deliver another 25 bps rate cut, bringing the policy rate to 3.75%–4.00% at its FOMC meeting in October.

However, Fed Chair Jerome Powell struck a more cautious tone, emphasising that further cuts are “not a given” and reiterating that policy decisions will remain data-dependent. US Treasury yields drifted lower, with the 10-year yield easing 7 bps to close the month at 4.08%.

Another notable news was the Fed’s announcement that it will end quantitative tightening (QT) on 1 December 2025—earlier than expected—citing tightening liquidity conditions and sufficient reserve balances in the banking system. Ending QT removes a source of balance sheet contraction and is generally supportive of risk assets.

Late in the month, we also saw progress emerged on US-China trade negotiations. While no binding agreement was reached, sentiment improved after both sides agreed to a temporary trade truce during the APEC Summit. The US reduced tariffs on fentanyl-related goods from 20% to 10% in exchange for China’s cooperation on curbing smuggling in the opioid supply chain.

Additionally, the US paused certain “reciprocal tariffs” for one year and delayed the planned 100% tariff on Chinese exports, while China agreed to increase soybean purchases and postpone new export controls on rare earth minerals and magnets.

The concessions were modest, but the tone shifted meaningfully. Both governments have committed to twice-yearly reviews, reducing the risk of sudden policy shocks and providing much-needed clarity to markets heading into year-end.

Japan stood out as one of the strongest performers in October, with the TOPIX index gaining 6.20%. Sentiment surged after Sanae Takaichi became Japan’s first female Prime Minister and president of the Liberal Democratic Party (LDP). A close protégé of former PM Shinzo Abe, she is expected to continue the pro-growth “Abenomics” playbook—marked by aggressive monetary easing and reflationary fiscal stimulus.

ASIA

Across the region, the MSCI Asia ex-Japan index rose 4.50% in October. Technology-heavy markets led gains with Taiwan and Korea vaulting 9.3% and 19.9% respectively, underpinned by continued optimism around AI and semiconductor supply chain.

China was the regional laggard, with the MSCI China index declining 4.0%. Investor focus centred on the Fourth Plenum—Beijing’s closed-door policy meeting that outlines the country’s next 5-year economic agenda. While policy continuity remained clear, with emphasis on advanced manufacturing, innovation, and technology self-sufficiency, policymakers struck a notably more supportive tone toward consumption and the property sector.

MALAYSIA

On the domestic front, the KLCI ended October largely unchanged at –0.20%. Sentiment was steady as markets digested key trade development during the ASEAN Summit in Kuala Lumpur, where U.S. President Donald Trump met Prime Minister Datuk Seri Anwar Ibrahim.

Malaysia signed the Agreement on Reciprocal Trade with the United States, under which up to 1,711 Malaysian export products will enjoy a 0% tariff, including palm oil, rubber, cocoa, pharmaceutical components, and aerospace parts. These products collectively represent an estimated USD 5.2 billion (RM 21.96 billion)—approximately 12% of Malaysia's exports to the US.

The US administration also indicated that Malaysia would be given favourable consideration in future semiconductor-related tariff decisions under Section 232, although no details were disclosed.

In the bond market, the 10-year Malaysian Government Securities (MGS) yield rose 5 bps to close at 3.50%. Budget 2026 was tabled and was viewed as broadly market neutral. The government projects GDP growth of 4.0%–4.5% in 2026, versus 4.0%–4.8% in 2025, reflecting moderation from external headwinds while domestic consumption and infrastructure spending should remain supportive. Net supply of government securities is expected to fall to RM77 billion in 2026, down from RM87 billion in 2025, providing a supportive backdrop for the bond market.

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MONTHLY INDEX PERFORMANCE

Developed Markets	YTD	1M
Dow Jones Industrial Index	11.80	2.50
Nasdaq Composite Index	22.90	4.70
S&P 500 Index	16.30	2.30
FTSE 100 Index	18.90	3.90
Tokyo Stock Price Index	19.60	6.20

Regional Markets	YTD	1M
MSCI AC Asia (ex-Japan) Index	30.30	4.50
FTSE Straits Times Index	16.90	3.00
Hang Seng Index	29.20	-3.50
Shanghai Composite Index	18.00	1.90
Shanghai Shenzhen CSI300 Index	17.90	0.00
MSCI China Index	33.40	-4.00
Hang Seng China Enterprise Index	25.80	-4.10
Taiwan Stock Exchange	22.60	9.30
Korean Stock Exchange	71.20	19.90
S&P BSE Sensex Index	7.40	4.60
Ho Chi Minh Stock Index	29.40	-1.30
Thailand Stock Exchange Index	-2.60	3.00
Jakarta Composite Index	15.30	1.30
Philippines Composite Index	-9.20	-.0.40

Domestic	YTD	1M
FMBKLCI	-2.00	-0.20
FBM Small Cap	-7.20	0.10
FBM EMAS Shariah	-3.90	0.70
FBM Top 100	-4.10	0.30

Index Chart: Bloomberg as at 31 October 2025. Quoted in local currency terms.

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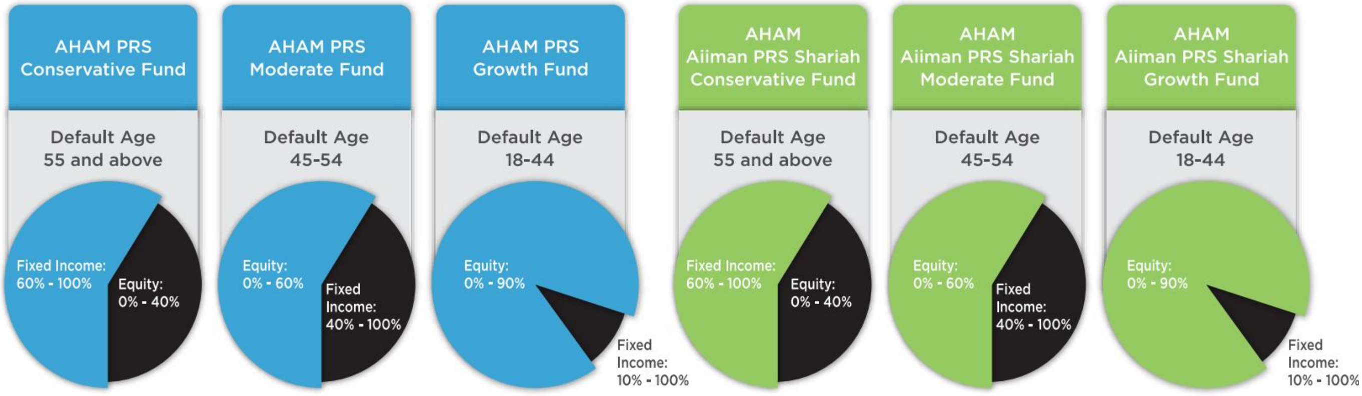

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