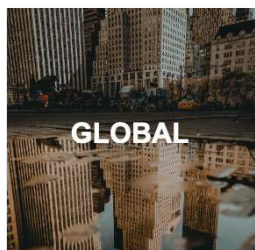


6 – 10 October 2025

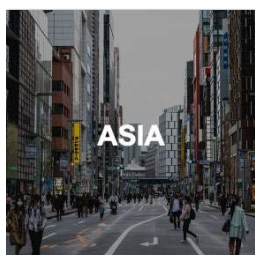
WEEKLY MARKET REVIEW

A brief on global markets and investment strategy

Key Highlights



- US equities declined, with the S&P 500 down 2.4%, as renewed US–China trade tensions weighed on sentiment..
- President Trump announced plans for a 100% tariff on Chinese imports starting November 1, escalating friction after Beijing imposed curbs on rare earth exports.
- Despite the rhetoric, both sides signalled a willingness to return to talks, helping soothe market fears and prompting a modest rebound in risk assets
- The US government shutdown entered its second week, delaying the release of key data releases including CPI and PPI.



- The MSCI Asia ex-Japan index slipped 0.4%, as investors reacted to shifting US–China tariff dynamics.
- Hong Kong's Hang Seng was the regional laggard, falling 3.0%, while India's Sensex rose 1.6%, supported by local flows.
- Sentiment recovered early this week with a 2% rebound in Taiwan's benchmark index, aided by calming rhetoric from both the US and China.
- Despite a risk-off backdrop, Asian credit remained resilient compared to the US. Spreads widened only modestly by 1–3 bps, as flows stabilised after a weak open.



- The FBM KLCI declined 0.78% last week as investors digested Budget 2026, which was viewed as broadly market neutral.
- Budget 2026 projects GDP growth of 4.0–4.5% in 2026, with headline inflation at 1.3–2.0%, and a lower government bond supply of RM77 billion (vs RM87 billion in 2025).
- Key impacted sectors include the consumer sector (via a new RM100 cash aid rollout), and sin sectors, with excise duties raised on tobacco and liquor.
- The local bond market weakened, with yields rising 2–4 bps across the curve. The 7-year MGS climbed 4 bps to 3.43%, and the 30-year MGS touched 4.00%.

GLOBAL & REGIONAL EQUITIES

US

US equities stumbled last week, with the S&P 500 falling 2.4%, as renewed US–China trade tensions weighed on sentiment. The selloff followed remarks by President Donald Trump, who warned of a “massive” tariff increase on Chinese goods.

He later specified plans to impose an additional 100% tariff on imports from China beginning November 1, alongside new export controls on critical software. The move came in retaliation after Beijing announced curbs on rare earth exports earlier in the week.

Despite the sharp rhetoric, both sides have since signalled a willingness to return to the negotiating table, which helped to temper fears of an uncontrolled escalation. This has been reflected in a modest rebound in risk assets early this week.

Markets are also leaning on the familiar “TACO” trade — Trump Always Chickens Out — the belief that the US president often pushes negotiations to the brink before eventually softening his stance. Historically, Trump’s approach has been to adopt a hardline posture initially to extract greater concessions, before moderating his tone as talks progress.

Nonetheless, the situation remains fluid. The current base case is that markets expect a return to the status quo, with discussions likely resulting in a modest, face-saving agreement rather than a breakthrough deal. Such an outcome would help stabilise market sentiment, as investors have largely come to accept the US–China trade rivalry as a structural issue, rather than temporary.

On the macro front, there was little fresh data last week due to the ongoing US federal government shutdown, now entering its 14th day since beginning on 1 October. The last notable economic release was from ADP Research, which reported that US private payrolls fell by 32,000 in September, well below market expectations.

Looking ahead, several key indicators including CPI, PPI, and retail sales were initially scheduled for release this week. However, with the shutdown disrupting the operations of the Bureau of Labor Statistics and other federal agencies, these reports may be delayed further, leaving investors without timely macroeconomic guidance.

As the data void persists, we expect the US Federal Reserve (Fed) to adopt a cautious stance in the near-term. Nevertheless, market expectations still point towards two (2) additional rate cuts by the end of 2025, consistent with earlier projections.

Historically, US government shutdowns have had limited long-term economic impact, typically shaving 20–30bps off GDP growth before activity rebounds once operations resume. The last major episode in 2018 lasted 35 days, the longest on record.

At present, a quick resolution appears unlikely. The impasse stems from partisan disagreements over spending priorities—Democrats are pressing for increased funding for healthcare and social programs, while Republicans seek to maintain current expenditure levels and reject additional policy demands. With neither side showing signs of compromise, this could turn into a prolonged shutdown, creating an extended period of data blackout and policy uncertainty for the Fed and markets.

Asia

In Asia, the MSCI Asia ex-Japan index slipped 0.4%, giving back the prior week's gains as markets reacted to the Trump administration's policy reversals on China tariffs.

The Hang Seng Index led regional declines, falling 3.0% and underperforming its peers amid renewed uncertainty surrounding US–China trade relations. Conversely, India's Sensex index rose 1.6%, emerging as the regional outperformer.

Despite last week's volatility, both Washington and Beijing have since softened their rhetoric, helping to calm investor sentiment. Early this week, several Asian markets have moved back into positive territory, with Taiwan's benchmark index rebounding by about 2%, reflecting renewed risk appetite.

On portfolio positioning, we added exposure to select copper mining names, as growing signs of supply disruptions support a more constructive outlook for copper prices.

UPDATES ON MALAYSIA

On the domestic front, the FBM KLCI declined 0.78% last week, as investors digested the tabling of Budget 2026, which was broadly viewed as market neutral.

Budget 2026 Highlights

1. Economic Outlook

On the macro front, the government projects GDP growth of 4.0–4.5% in 2026, compared to 4.0–4.8% in 2025. Growth is expected to moderate due to external headwinds, but domestic consumption and infrastructure spending should remain supportive.

 Inflation	 Fiscal Position	 Government Securities
Headline inflation is forecast at 1.3–2.0% in 2026, broadly stable versus 1.0–2.0% in 2025.	Fiscal consolidation continues, with the deficit projected to narrow from 3.8% of GDP in 2025 to 3.5% in 2026.	Net supply of government securities is expected to fall to RM77 billion in 2026, compared to RM87 billion this year. This lower issuance is supportive for the bond market.

2. Sector Highlights

Key sectors impacted by the budget include:-

 Consumer Sector	A second rollout of the SARA cash aid programme will see RM100 distributed to approximately 22 million adult Malaysians (18 years and above) in mid-February 2026. This is expected to provide a temporary boost to household spending, particularly for essential goods.
 Sin Sectors (Alcohol & Tobacco)	Excise duties will rise modestly. Cigarette duties will increase by 2 sen per stick, cigars and related products by RM40 per kilogram, heated tobacco by RM20 per kilogram, and liquor by 10%.


**Automotive
(EVs)**

The excise duty exemption for completely-built-up (CBU) electric vehicles will not be extended into 2026.

YTD, Malaysian equities has lagged behind regional peers despite a more politically stable backdrop. One of the main drag has come from profit-taking by large institutional funds, as they rebalance their portfolios ahead of next year's dividend distributions.

Once this round of selloff abates, institutional net buying from fresh contributions is expected to offset recent outflows and help stabilise market sentiment into 4Q'2024. *(Read more in our latest [Fundamental Flash | Q4'2025 Market Outlook](#))*

FIXED INCOME UPDATES & POSITIONING

Regional Fixed Income

Risk-off sentiment dominated global markets last week, yet Asian credit continued to show relative resilience compared with the United States. While U.S. investment-grade (IG) spreads widened by 2 to 10 basis points (bps), Asian credit spreads moved only 1 to 3 bps wider overall. Over the weekend, renewed tariff headlines weighed further on sentiment, leading U.S. Treasury yields to fall 9 to 11 bps across the curve. This also dragged credit markets lower, with U.S. IG widening 4 to 8 bps and higher-beta names widening 10 to 20 bps.

Asia opened this week on a softer footing, with spreads 2 to 4 bps wider. However, flows have remained orderly and stabilisation was already evident by Monday afternoon (13 October), aided by lighter volumes due to public holidays in Japan and the U.S.

China's Golden Week data painted a mixed picture. Cross-border travel was robust, rising 12% year-on-year, but consumer spending disappointed. Daily per capita spending fell 13%, cinema box office sales dropped 24%, and property sales were lacklustre. The weak data weighed on sentiment in Chinese credits.

Primary issuance in Asia was subdued, with just USD 2.3 billion in new U.S. dollar deals last week following the previous week's USD 0.8 billion. Indonesian issuers dominated supply. In contrast, the Australian dollar (AUD) market remained well supported, with strong demand for bank Tier 2 paper. Singapore dollar (SGD) issuance was also active, totalling SGD 1.14 billion across six deals. These included a SGD 500 million 30-year quasi-sovereign bond from the Public Utilities Board (PUB), Singapore's national water agency, priced below 2.5%, and a SGD 200 million perpetual non-call 7 bond from StarHub Limited at 3.35%. The StarHub deal performed strongly, rallying by a full point in secondary trading.

From a portfolio perspective, we participated in both the PUB and StarHub issuances. Elsewhere, in the U.S. dollar and euro credit space, we trimmed higher-beta exposures. Heading into the final quarter, we remain cautious and selective, keeping a more defensive stance.

Domestic Fixed Income

The Malaysian government bond market weakened last week, with yields rising across the curve by 2 to 4 bps. The 7-year Malaysian Government Securities (MGS) saw the largest move, climbing 4 bps to 3.43%. The 30-year MGS also touched 4.00%.

At the primary level, the 30-year Malaysian Government Securities (MGS) 7/55 auction drew the weakest

Domestic Fixed Income (cont')

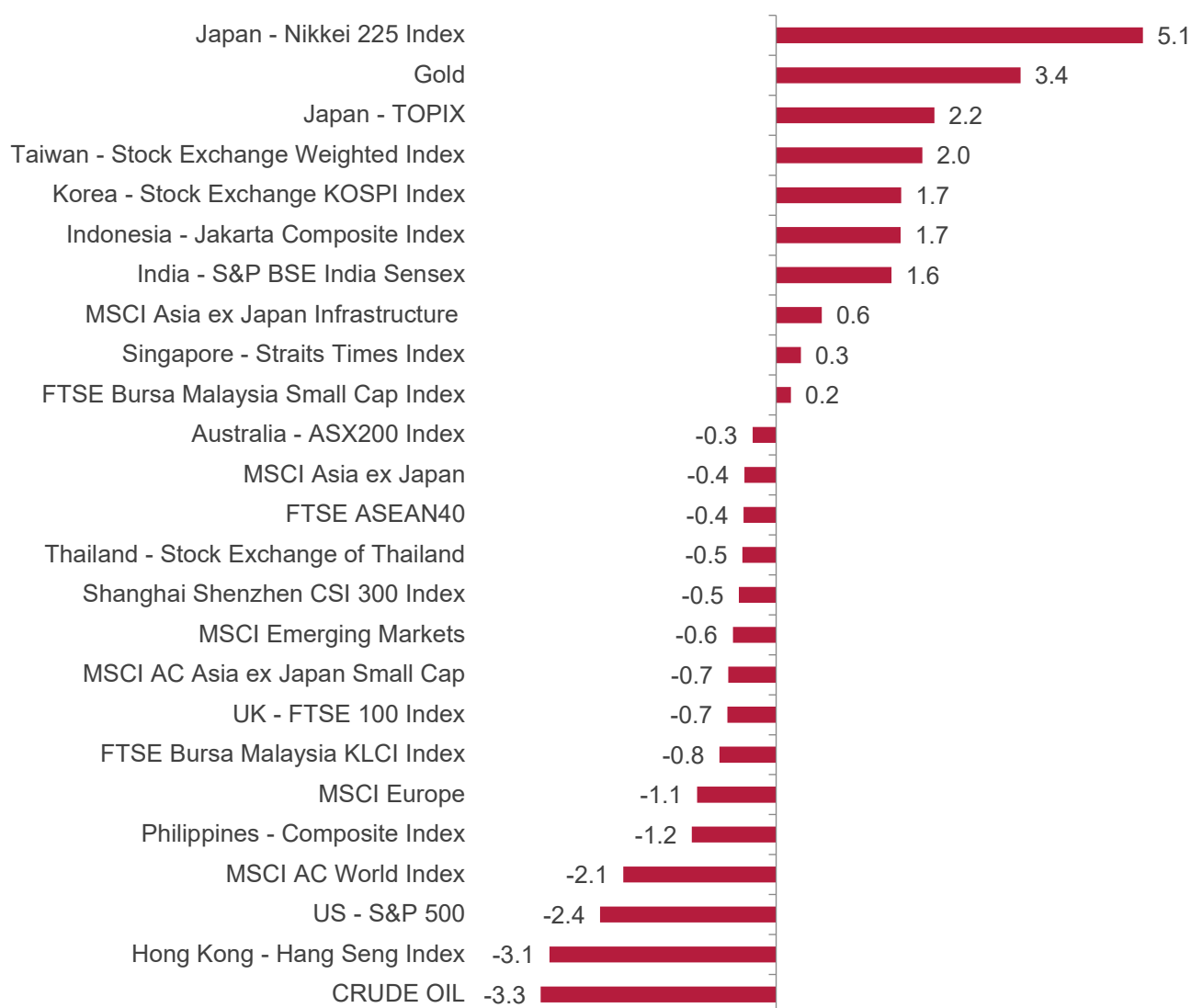
demand of the year, with a bid-to-cover ratio of 1.38 times. Investors were less engaged as expectations for further rate cuts diminished and attention shifted towards corporate bond supply.

The corporate space remained active. We participated in the reopening of the 30-year MGS and in Solarvest Holdings Berhad's AA3-rated sukuk, a 7-year issue priced at 3.90%. Meanwhile, upcoming supply includes sizeable deals from PNB Merdeka Ventures Sdn. Bhd., Al-Salam Real Estate Investment Trust, Pantai Holdings Sdn. Bhd., Pulau Indah Power Plant, and senior and Tier 2 issuances from RHB Bank.

On portfolio positioning, we continued to take profit in selective holdings while reinvesting into new primary deals. Funds remain largely invested, with cash levels at around 2%.

- END -

Index Performance | 6 – 10 October 2025



Index Chart: Bloomberg as at 10 October 2025. Quoted in local currency terms.

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