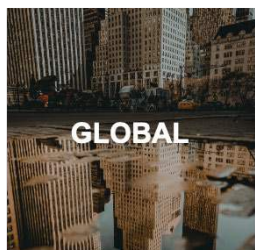


15 – 19 September 2025

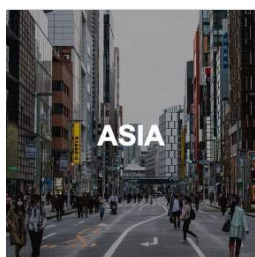
WEEKLY MARKET REVIEW

A brief on global markets and investment strategy

Key Highlights



- US equities surged as the S&P 500 hit a new all-time high, rising 1.2% after the Fed's first rate cut of 2025.
- Latest dot plot suggests 3 rate cuts this year, with a median year-end Fed funds rate forecast at 3.6%.
- Treasuries sold off, with the 10Y yield touching 4.0% before closing at 4.1% as the Fed downplayed chances of a 50bps cut expected initially.
- Retail sales rose 0.6% in August, beating expectations, signalling consumer resilience but possibly limiting aggressive rate cuts.
- Markets now closely monitoring US non-farm payrolls (NFP) amid softening labour data and revised prior reports.



- The MSCI Asia ex-Japan index gained 0.7%, led by Korea (+1.5%), driven by hopes of policy support from President Lee Jae Myung.
- Alibaba rallied 8%, lifting the Hang Seng Tech Index after reports of Jack Ma's return and focus on AI and food delivery.
- China dropped its antitrust probe into Google, while the US announced a broad framework for a spinoff deal for Tiktok.
- Seen as a gesture to ease tensions ahead of an expected meeting between Trump and Xi Jinping in November.



- FBM KLCI dipped 0.84% in a holiday-shortened week after a prior rally past the 1,600 mark.
- Telecommunications outperformed on news of Axiata's potential asset sale, while banks dragged post ex-dividend.
- Further announcements on RON95 subsidy rationalisation showed progress including implementation timeline.
- Gamuda's earnings met expectations, with sustained momentum in its order book.
- No changes in strategy, with portfolios maintaining over 90% equity allocation, and key trade seen in the EMS sector.

GLOBAL & REGIONAL EQUITIES

US

US equities surged last week, with the S&P 500 gaining 1.2% to reach a new all-time high, following the US Federal Reserve's first rate cut of the year. The 25bps cut was well anticipated, but the updated dot plot provided further clarity, showing a median forecast of 3.6% by year-end for the Fed funds rate versus 3.9% in June. This implies a total of 3 cuts in 2025, including last week's move.

Interestingly, while the Fed lowered rates, it simultaneously revised higher its GDP and inflation forecasts, underscoring resilience in the US economy. The Fed also downplayed the likelihood of a supersized 50bps cut, which some investors had initially expected. This led to a sell-off in Treasuries, with the 10-Year yield touching 4% before closing at 4.1%.

On the macro front, US retail sales rose 0.6% in August, beating expectations and marking a third consecutive month of gains. While this strength highlights consumer resilience, it is unlikely to dissuade the Fed from further easing, though it may temper expectations for aggressive rate cuts given weakness in the labour market.

The USD firmed slightly as markets digested the Fed's more dovish stance and the upward revision in economic forecasts. Nonetheless, we maintain the view that the broader USD direction will likely weaken over the short to mid-term, especially as the rate cut cycle progresses.

The next key data release will be the US non-farm payrolls (NFP), which markets are watching closely. Labour market figures have been coming in softer than expected in recent months, particularly after factoring in the downward revisions to prior reports.

Asia

In Asia, the MSCI Asia ex-Japan index rose 0.7% last week, buoyed by optimism over Fed rate cut expectations. Korea led gains, with the KOSPI climbing 1.5% on hopes of fresh policy support from President Lee Jae Myung.

Marking his first 100 days in office, Lee pledged to usher in a "KOSPI 5,000" era and has been actively engaging with brokers and industry players to explore ways of lifting the index. Markets also speculated that Korea's National Pension Service may be nudged to increase its domestic equity allocation, which currently stands at only 15% compared to around 33% for global equities.

In corporate highlights, Alibaba surged 8%, spearheading gains in the Hang Seng Tech index. The rally was likely fuelled by a Bloomberg report that Jack Ma has become more actively involved in the group's operations. Recent developments have pointed to Alibaba's renewed push into food delivery and local services, alongside efforts to design proprietary AI chips for use in Chinese data centres. With valuations still attractive at roughly 16x forward P/E and the stock trading well below its historical highs, investor sentiment has turned more positive.

On the geopolitical front, a call between President Trump and President Xi signalled continued efforts to cool trade tensions. The US administration said it had reached a framework to spin off TikTok's US operations to an American consortium, a long-standing demand from Washington.

Asia (cont')

In parallel, China announced that it will be dropping its antitrust probe into Google, a move that some see as part of broader negotiations between the two powers. The two leaders are scheduled to meet at the APEC Summit in South Korea from October 30 to November 1.

Our portfolio positioning remained unchanged, with cash levels steady at around 2%.

UPDATES ON MALAYSIA

It was a short trading week in Malaysia due to the Malaysia Day holiday. The FBM KLCI consolidated, easing by 0.12%, after a strong run in the prior week which had lifted the index above the key 1,600 level.

The telecommunications sector remained the key driver of the index, supported by news surrounding Axiata Group Berhad. The group confirmed that the proposed sale of its subsidiary remains intact, which is important as the deal is expected to help degear the balance sheet and strengthen its financial position. On the other hand, the main drag on the index came from the banking sector, with heavyweights such as Malayan Banking Berhad (Maybank) and Public Bank Berhad trading lower after going ex-dividend.

From a corporate perspective, the only notable development was Gamuda Berhad's earnings release on Friday. Results were in line with market expectations, and management guided for sustained momentum in order book wins this year and into next year. On the policy side, there was progress on the RON95 subsidy rationalisation plan, with the government indicating that MyKad identification will form the basis of the mechanism. This represents a concrete step after months of discussion and signals movement towards implementation.

From a portfolio perspective, there were no changes to overall investment levels. We remain highly invested in Malaysian equities, with most portfolios maintaining allocations above 90%. Last week's key trade was a net buy in the Electronics Manufacturing Services (EMS) sector.

Looking ahead, market attention will increasingly turn to Budget 2026, which is scheduled to be tabled on 10 October. We expect the coming weeks to be dominated by news flow and policy snippets related to the budget, which will set the tone for domestic equities in the near term.

FIXED INCOME UPDATES & POSITIONING

Regional Fixed Income

Credit markets continued to show resilience last week, with Asia investment grade (IG) and high-yield (HY) spreads tightening by two and six basis points (bps) respectively on a week-on-week basis. Although it was a shortened trading week in Malaysia, the Asian primary and secondary markets remained active.

Among the more notable primary deals were those from FWD Group Holdings, Melco Resorts Finance Limited, Chong Hing Bank, and Tencent Holdings Ltd. in Greater China. From outside the region, CapitaLand Integrated Commercial Trust (CICT) in Singapore and AGL Energy as well as Insurance Australia Group also tapped the market. Broadly, the large supply of new deals seen in recent weeks has been well covered, and the bonds have performed steadily in secondary trading despite tight pricing. This underscores the continued constructive tone in the market.

Regional Fixed Income (cont')

On the ratings front, there were a few significant updates. France's sovereign rating was cut by Fitch from AA- to A+, with the outlook maintained at stable. The downgrade is not expected to materially affect French banks, as they maintain sufficient buffers to absorb a one-notch sovereign downgrade. Conversely, Spain's sovereign rating was upgraded by S&P to A+ from A, reflecting improved economic conditions and fiscal outlook.

Domestic Fixed Income

It was a relatively quiet week for the Malaysian government bond market, given the shorter trading week. The yield curve closed flat to 1 basis point tighter across most tenors amid thinner liquidity. The 10-year Malaysian Government Securities (MGS) yield ended the week 1 bp lower at 3.40%, while the 30-year MGS also tightened by 1 bp to 3.86%.

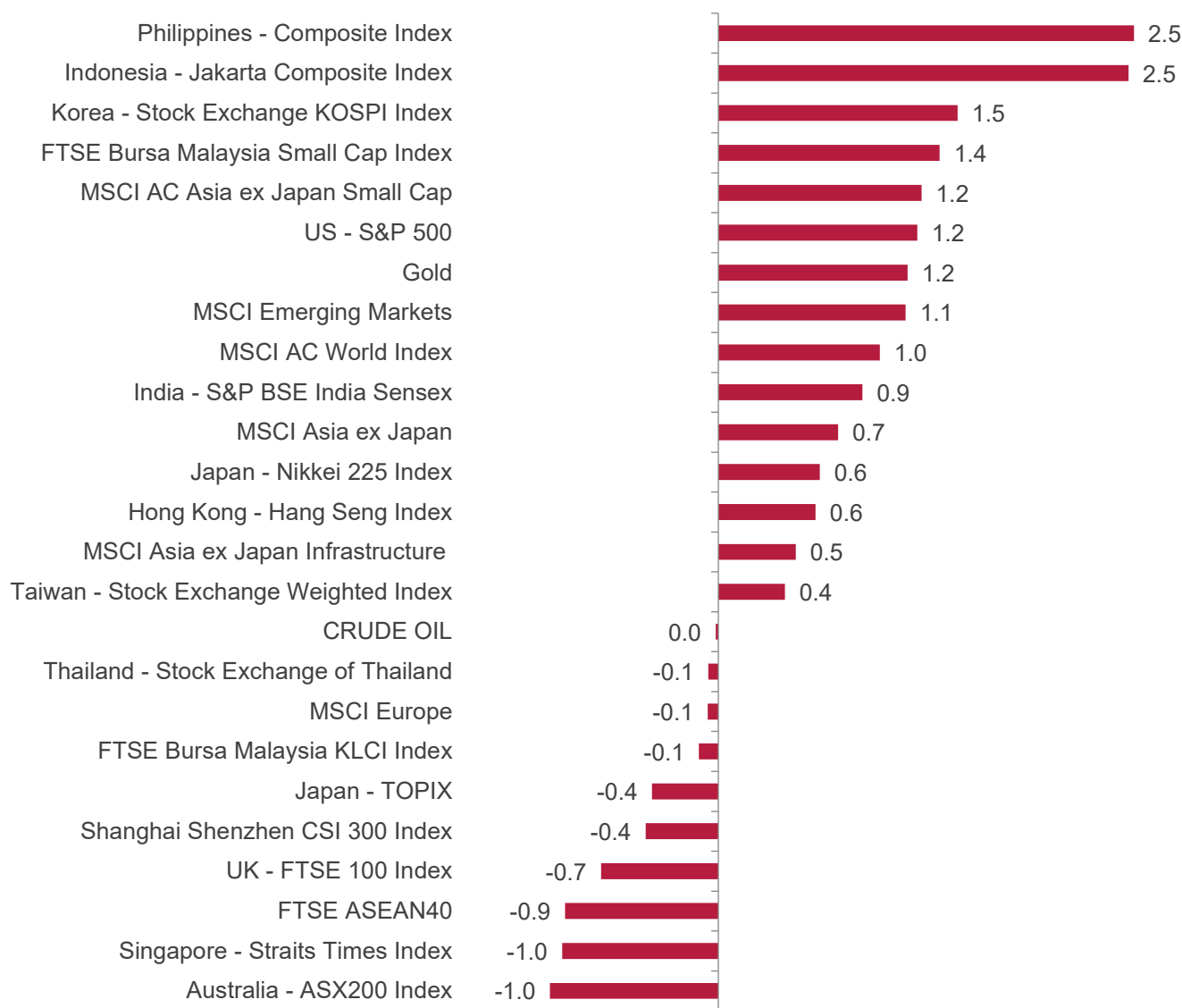
Looking ahead, the highlight this week will be the reopening of the 15-year MGS benchmark, with a public auction of RM3.5 billion. The total issue size is RM4.5 billion, with the remaining RM1 billion privately placed.

On the corporate bond front, there were two primary issuances. Syarikat Takaful Malaysia Keluarga Berhad (STMK), rated AA3, tapped the market with a RM500 million 10-year non-call 5 issuance priced at 3.83%. Demand was strong, with the book covered more than four times. Meanwhile, Pengurusan Air SPV Berhad, rated AAA, issued RM650 million 13-year bonds at 3.82%, also attracting healthy demand.

From a portfolio perspective, there were no changes to strategy. We participated in both private issuances during the week, with cash levels maintained at around 2–4%.

- END -

Index Performance | 15 September – 19 September 2025



Index Chart: Bloomberg as at 19 September 2025. Quoted in local currency terms.

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