

19 – 23 January 2026

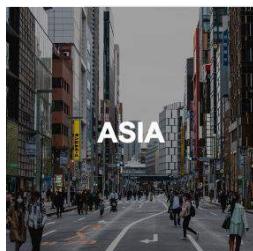
WEEKLY MARKET REVIEW

A brief on global markets and investment strategy

Key Highlights



- US equities ended slightly lower by 0.35%, weighed down by trade tensions and geopolitical concerns.
- Risk sentiment stabilised late in the week after President Trump signalled progress on a future Greenland deal.
- US economic data remained resilient, with 3Q'2025 GDP revised up to 4.4%. US Treasury yields were flat w-o-w, with the 10-year closing at 4.22% despite midweek volatility.
- The US dollar weakened broadly, falling 2%–3.3% against major currencies including the yen and AUD.



- MSCI Asia ex-Japan index inched up 0.28%, led by gains in Taiwan (+1.8%) and Korea (+3.1%) as AI optimism persisted.
- Alibaba's reported plans for an IPO of its AI chip unit (T-Head) drew investor attention, though near-term impact is expected to be modest.
- Strong earnings from Taiwan Semiconductor (TSMC) and Intel highlighted healthy demand in AI infrastructure.
- Japan's 30-year JGB yield surged to 3.9% before settling lower, triggering global rates volatility due to fiscal and tax policy plans by the government.
- Credit markets remained resilient last week, as yield-focused investors stepped in as buyers, taking advantage of the sell-off and providing support to the market.



- The FBM KLCI rose 0.42%, lifted by gains in property and consumer sectors. The tech sector lagged due to Ringgit strength.
- Net foreign inflows of RM500 million lifted YTD equity flows to RM1 billion. Construction stocks underperformed amid uncertainty around the Sunway–IJM merger.
- Headline inflation rose to 1.6% y-o-y in December; core inflation edged up to 2.3% y-o-y.
- Bank Negara Malaysia held the OPR at 2.75%, maintaining a neutral stance amid solid GDP growth and stable inflation outlook.
- The MGS yield curve flattened slightly, with 3-year and 10-year yields down 4 and 3 bps, respectively.

GLOBAL & REGIONAL EQUITIES

U.S.

It was a turbulent week for US equities, with the S&P 500 ending the week marginally lower by 0.35% as markets oscillate between geopolitical headlines and trade tariffs.

Sentiment was initially weighed down by concerns over escalating trade threats, but risk appetite stabilised and recovered later in the week after Donald Trump, speaking at the Davos summit, said a framework had been established for a future deal on Greenland.

On the macro front, US data continued to point to a resilient economy. 3Q'2025 GDP growth was revised higher to an annualised 4.40%, marking the fastest pace since the third quarter of 2023. Inflation, however, remained sticky, with core personal consumption expenditures (PCE) holding at 2.80%, broadly in line with expectations.

US Treasury yields were broadly unchanged on a w-o-w basis, with the benchmark 10-year yield ending around 4.22%, though intraweek volatility was notable. Yields briefly spiked close to 4.3% midweek before retracing.

A key source of global rates volatility came from Japan, where government bond markets sold off sharply following announcements related to fiscal stimulus and tax plans. The 30-year JGB yield surged from around 3.50% to as high as 3.90% before settling back near 3.60%, after the Japanese Prime Minister warned against speculative moves and markets began to price in the possibility of intervention.

In currency movements, the US dollar weakened significantly. Against G10 peers such as the Swedish krona, Norwegian krone and Australian dollar, the greenback fell between 2.0% and 3.3% over the week. The move was similarly pronounced against Asian currencies, led by the Japanese yen, which strengthened by about 2% versus the dollar.

In our view, this broad-based dollar weakness was driven more by confidence and sentiment factors rather than any meaningful shift in monetary policy expectations. The unpredictability surrounding US foreign policy, particularly related to external geopolitical issues, appears to have weighed on the dollar and contributed to the sharp currency moves.

Asia

In Asia, markets edged slightly into positive territory, with the MSCI Asia ex-Japan index up a modest 0.28%. Taiwan and Korea continued to stand out, rising 1.8% and 3.1% respectively, as the AI-led rally remained firmly intact and continued to attract incremental flows into North Asian technology-heavy markets.

Within the region, attention was drawn to Alibaba Group, following reports that the group is exploring an IPO of its AI chip unit, T-Head. Founded in 2018, T-Head focuses on developing chips for data centres, artificial intelligence and the Internet of Things, and is closely integrated with Alibaba Cloud. Historically, the unit has primarily served Alibaba's internal needs rather than external customers. Based on peer comparisons, market estimates suggest the business could be valued at roughly 6% to 14% of Alibaba's current market capitalisation. That said, the near-term financial impact is likely to remain modest unless the unit successfully commercialises its products and expands sales to third-party clients.

GLOBAL & REGIONAL EQUITIES (cont')

Asia

The standout development on the earnings front was from chipmaking bellwether Taiwan Semiconductor. Investors also closely watched earnings from Intel Corporation for signals on the broader health of the AI and data centre cycle. Intel reported a strong 4Q'2025 performance, with its data centre segment showing particular strength amid robust demand driven by ongoing AI infrastructure build-outs. Despite this, the stock fell sharply, as management's guidance disappointed.

The softer outlook by Intel was largely attributed to supply constraints, which are limiting its ability to fully meet surging demand for data centre CPUs. Despite the pullback, Intel shares remain up around 22% YTD. Net-net, the results still point to healthy underlying demand for AI-related data centre capacity rather than a deterioration in fundamentals.

Across our regional portfolios, cash levels remain relatively low at around 4% to 5%.

UPDATES ON MALAYSIA

Last week, the FBM KLCI edged higher by 0.42%, driven mainly by gains in the property and consumer sectors, while technology and construction underperformed. The consumer sector benefited from a stronger ringgit, which helped ease cost pressure concerns, whereas the technology sector as an exporter is expected to be adversely affected.

Weakness in construction stocks reflected ongoing uncertainties surrounding the Sunway–IJM merger, a lack of near-term catalysts, and selective profit-taking, including in names such as Gamuda. Foreign equity flows remained supportive, with net inflows of RM500 million for the week, lifting year-to-date net inflows to RM1 billion.

Fund positioning was largely unchanged, with investment levels remaining high and cash holdings at around 10% or lower. Overall market conditions continue to look constructive, underpinned by favourable economic conditions, supportive policy developments, and resilient corporate earnings. Some profit-taking was undertaken in selected banking holdings, while no other major portfolio adjustments were made.

FIXED INCOME UPDATES & POSITIONING

Regional Fixed Income

From a broader perspective, credit markets remained resilient last week. Credit spreads ended the week only marginally wider. During the early-week volatility, brokers observed yield-focused investors stepping in as buyers, taking advantage of the sell-off and providing support to the market.

Weekly flows into emerging market hard-currency debt funds were also positive, based on Wednesday's data cut-off. This reinforces a supportive technical backdrop, although investors are clearly exercising greater caution. Primary issuance has slowed and risk-taking has moderated as markets look ahead to a potentially heavier event calendar.

In Japan, the spill-over impact from volatility in Japanese Government Bond (JGB) yields to the life insurer segment was relatively contained. Bonds pulled back slightly. For example, Nippon Life's subordinated

Regional Fixed Income (cont')

callable bond in 2035 is currently yielding around 5.5 percent, compared with approximately 5.4 percent two weeks ago. Around half of the move can be attributed to underlying rates, while the remainder reflected credit spreads.

From a portfolio perspective, activity was relatively light, although we selectively added exposure on a buy-on-dip basis. One notable primary deal last week was the first Australian dollar issuance by Hong Kong's MTR Corporation Limited. The company issued AUD 2 billion across five-year and twelve-year tenors. The order book reached over AUD 12 billion, making it more than six times covered despite tight pricing. The five-year tranche priced at around 4.9 percent, while the twelve-year tranche priced at approximately 5.6 percent.

Domestic Fixed Income

There were two key developments in the domestic bond market last week. The first was the release of December inflation data. Malaysia's headline inflation rose to 1.6 percent year on year in December, the highest reading in eleven months and up from 1.4 percent in November. On a month on month basis, inflation increased by 0.3 percent. Core inflation also edged higher to 2.3 percent. This uptick was in line with both our expectations and market consensus, reflecting the impact of subsidy rationalisation measures implemented last year. For the full year 2025, inflation averaged 1.4 percent, lower than the 1.8 percent recorded in 2024.

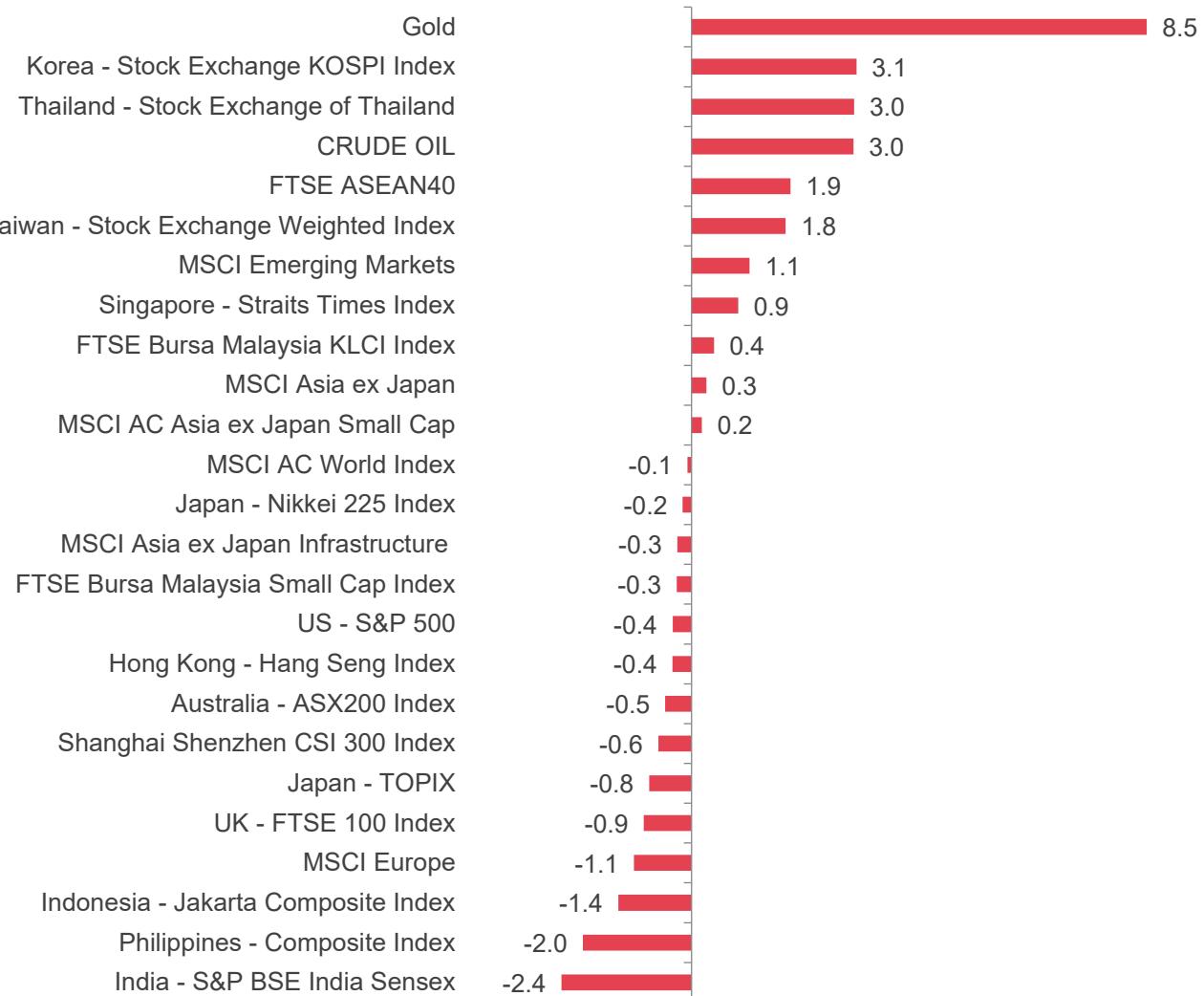
The second major development was Bank Negara Malaysia's decision to maintain the Overnight Policy Rate (OPR) at 2.75 percent at its first meeting of the year. In its monetary policy statement, Bank Negara highlighted that global growth in 2025 has been stronger than expected, supported by artificial intelligence related investment and fiscal spending. Looking ahead to 2026, the central bank expects domestic growth to remain resilient, underpinned by solid employment conditions, strong investment activity, continued strength in the electrical and electronics sector, and the Visit Malaysia 2026 initiative. Inflation is expected to remain moderate, with stable core inflation pressures. Overall, this reinforces our view that the current OPR is broadly neutral, and monetary policy is likely to remain stable as long as inflation stays contained.

Following this neutral policy tone, demand was supportive at the shorter and intermediate segments of the government bond curve. As of last Friday, the three year Malaysian Government Securities (MGS) yield declined by 4 basis points to 2.99 percent, reversing the increase seen the previous week. The ten year MGS yield also fell by 3 basis points to 3.51 percent. In contrast, the thirty year MGS yield remained unchanged at 4.00 percent. The ultra long end segment remained defensive as markets priced in upcoming supply, including a thirty year auction this week followed by another twenty year auction in next two weeks.

Primary corporate bond issuance was active, with three notable deals. Pengurusan Aset Air Berhad, rated AAA, issued RM 1.6 billion to fund working capital, pricing at around 40 to 45 basis points above MGS. SP Setia Berhad, rated AA, issued RM 1.5 billion, pricing at approximately 50 basis points above MGS. Meanwhile, Malaysian Resources Corporation Berhad (MRCB), rated AA-, issued RM 400 million at around 65 basis points above MGS. These deals priced roughly 10 basis points wider than comparable secondary market levels. We participated in all three issuances.

Looking ahead, more corporate issuers are expected to tap the domestic bond market over the next one to two weeks. These include UEM Sunrise Berhad, Sabah Development Bank, Farm Fresh Berhad and Amanah Raya.

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Index Performance | 19 – 23 January 2026


Index Chart: Bloomberg as at 23 January 2026. Quoted in local currency terms.

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