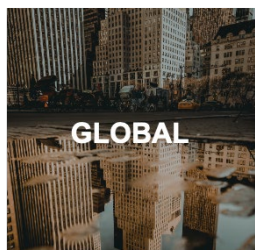


28 July – 1 August 2025

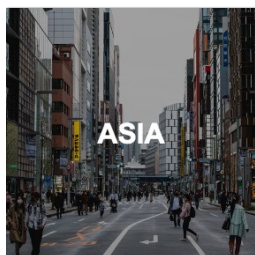
# WEEKLY MARKET REVIEW

A brief on global markets and investment strategy

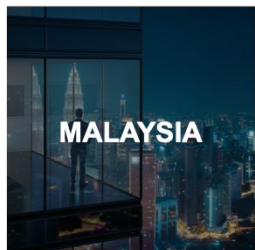
## Key Highlights



- The S&P 500 tumbled 2.2% as a weak July jobs report (73k vs. 110k expected) and steep downward revisions to prior months raised concerns of weakness in the US economy.
- The 10-year US Treasury yield fell to around 4.25%, reflecting slower economic growth and a sharp repricing of Fed rate cut expectations, with markets now pricing a cut as soon as September.
- The Bank of Japan kept policy unchanged but raised its inflation forecast to 2.7%, hinting at the possibility of another hike later this year.



- MSCI Asia ex-Japan Index fell 1%, dragged by China (-2.1%) as stimulus optimism faded after a muted Politburo meeting.
- India faced the steepest outflows (USD2.2b) and was hit with a 25% US tariff, above the 15–20% imposed on other Asian markets, dampening sentiment.
- ASEAN markets saw net foreign selling, while Taiwan and Korea recorded modest inflows.
- Asian IG spreads widened by 4 bps to 69 bps, while Asian HY widened by 20 bps as Asian bond markets recalibrate Fed rate cut expectations.



- KLCI ended flat, supported by relief over the US cutting Malaysia's tariff rate to 19% from the previously proposed 25%, aligning with regional peers.
- Prime Minister Anwar Ibrahim unveiled the 13th Malaysia Plan, outlining a five-year development roadmap targeting fiscal discipline and growth.
- The bond market rallied post-OPR cut, with 3-, 10-, and 30-year MGS yields falling to 3.08%, 3.38%, and 3.91% respectively.
- Corporate bond issuance is expected to accelerate, led by GLC infrastructure projects and sectors like renewable energy, healthcare, and utilities.

## Market Pulse | Question of the Week

## Continuation of Fiscal Prudence

Prime Minister Datuk Seri Anwar Ibrahim unveiled the 13th Malaysia Plan (13MP), the national development blueprint charting the country's economic direction for the next 5 years (2026 to 2030).

From a macroeconomic perspective, the government is targeting GDP growth of 4.5% to 5.5% over the period. This is broadly in line with Malaysia's historical growth trend, which has averaged around 4.6% over the past 15 years.

On the fiscal front, the government aims to reduce the fiscal deficit to 3% of GDP by 2030, down from the current 4%. This consolidation is expected to be driven by widening the tax base to increase revenue, and continuing the gradual rationalisation of subsidies.

Development expenditure will be stepped up slightly, rising 5% from RM415 billion in 12MP to RM430 billion under the new plan. This allocation will support infrastructure projects such as the Penang LRT, Johor LRT, MRT3, and various flood mitigation programmes.

Policy continuity remains a key theme. The 13MP reaffirms existing strategies including the National Energy Transition Roadmap (NETR), the New Industrial Master Plan 2030 (NIMP 2030), Johor-Singapore Special Economic Zone (JS-SEZ) and the National Semiconductor Strategy (NSS), all of which are expected to remain in focus throughout the plan period.

## Our Views

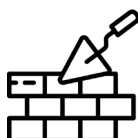
Overall, the 13MP is market-neutral, offering no immediate catalysts for a broad market re-rating. However, from a bottom-up perspective, there are some potential sectoral winners and losers.

### Winners



#### Consumer

The consumer sector stands out as a key beneficiary. With the government signalling more direct cash assistance to the public and measures to boost graduate wages, consumer spending is expected to get a lift — a positive for consumer-related names.



#### Construction

The construction sector is another potential winner. The 5% increase in development expenditure signals a renewed push for infrastructure projects, which could support order books and earnings visibility across selected contractors.

## Losers



### Sin Sectors

The so-called “sin sectors” particularly alcohol and vape may come under pressure as the government plans to expand its pro-health taxation framework to include these products.



### Property

The property sector could also face headwinds, stemming from the government’s proposal to transition from the current **Sell-Then-Build (STB)** model to a **Build-Then-Sell (BTS)** model. The move is aimed at reducing the risk of projects being abandoned.

Under the current STB model, buyers typically pay a 10% deposit and secure a mortgage for the remaining amount early in the process, bearing interest costs during construction.

In contrast, the BTS model which is practiced in some developed markets delays full payment until completion. This shifts the development risk from the homebuyer to the developer. While the BTS model could help lower the incidences of abandoned projects, it introduces several drawbacks:

- **Favors large developers** with strong balance sheets, as smaller players may struggle to self-finance the construction period due to reduced bank financing linked to uncertain pre-sales.
- **Potential increase in property prices**, as developers may pass on higher financing costs to buyers. similar to the DIBS (Developer Interest Bearing Scheme) period between 2010–2014.
- **Reduced supply**, as higher risk and tighter funding conditions may cause developers to scale back launches.

Given these challenges, particularly the impact on housing affordability, smaller developers, and the broader economy (where property has significant multiplier effects), we believe that a full-scale shift to the BTS model is unlikely. If implemented, it will likely be limited to affordable housing or developers without an established track record.

**Disclaimer:** This material has been prepared by AHAM Asset Management Berhad (hereinafter referred to as “AHAM Capital”) specific for its use, a specific target audience, and for discussion purposes only. All information contained within this presentation belongs to AHAM Capital and may not be copied, distributed or otherwise disseminated in whole or in part without written consent of AHAM Capital. The information contained in this presentation may include, but is not limited to opinions, analysis, forecasts, projections and expectations (collectively referred to as “Opinions”). Such information has been obtained from various sources including those in the public domain, are merely expressions of belief. Although this presentation has been prepared on the basis of information and/or Opinions that are believed to be correct at the time the presentation was prepared, AHAM Capital makes no expressed or implied warranty as to the accuracy and completeness of any such information and/or Opinions. As with any forms of financial products, the financial product mentioned herein (if any) carries with it various risks. Although attempts have been made to disclose all possible risks involved, the financial product may still be subject to inherent risk that may arise beyond our reasonable contemplation. The financial product may be wholly unsuited for you, if you are adverse to the risk arising out of and/or in connection with the financial product. AHAM Capital is not acting as an advisor or agent to any person to whom this presentation is directed. Such persons must make their own independent assessments of the contents of this presentation, should not treat such content as advice relating to legal, accounting, taxation or investment matters and should consult their own advisers. AHAM Capital and its affiliates may act as a principal and agent in any transaction contemplated by this presentation, or any other transaction connected with any such transaction, and may as a result earn brokerage, commission or other income. Nothing in this presentation is intended to be, or should be construed as an offer to buy or sell, or invitation to subscribe for, any securities. Neither AHAM Capital nor any of its directors, employees or representatives are to have any liability (including liability to any person by reason of negligence or negligent misstatement) from any statement, opinion, information or matter (expressed or implied) arising out of, contained in or derived from or any omission from this presentation, except liability under statute that cannot be excluded.

## GLOBAL & REGIONAL EQUITIES

### US

US equities tumbled last week, with the S&P 500 falling 2.2%, as investors reacted to a much weaker-than-expected July jobs report which raised fresh concerns about the health of the US economy.

Non-farm payrolls rose by just 73,000 in July, well below consensus expectations of 110,000. However, the real surprise came from sharp downward revisions to the previous two months, where May and June payrolls were revised down by a combined 258,000. As a result, the 3-month average of job gains has now plunged to just 35,000, down from 150,000 previously which show signs of rapid softening in the US labour market.

Despite leaving rates unchanged at its July FOMC meeting last week, Fed Chair Jerome Powell maintained a hawkish tone, reiterating that inflation remains a concern. But with such a weak jobs report, that stance now looks increasingly out of step with slowing economic momentum. Bond markets have since ramped up expectations of a rate cut as soon as September, which is now almost fully priced-in.

Meanwhile, the Bank of Japan (BOJ) kept its policy rate unchanged, as expected. However, the central bank raised its inflation forecast to 2.7%, signalling concerns over persistent price pressures. This raises the possibility of 1 more rate hike later this year, as part of the BOJ's cautious policy normalisation.

In the bond market, US Treasury yields rallied, with the 10-year yield falling to around 4.25%, reflecting slower economic growth and a swift repricing of Fed rate cut expectations.

### Asia

Asian equities ended the week lower, with the MSCI Asia ex-Japan Index down 1%, dragged by losses in China (-2.1%).

The decline in Chinese equities came after markets were left underwhelmed by the outcome of the latest Politburo meeting. Despite rising expectations for additional policy support, the meeting minutes signalled that policymakers were less concerned about near-term growth or the escalation of US-China trade tensions.

With 1H 2025 GDP growth at 5.3%, policymakers appear confident in meeting their 5% full-year target, reducing the urgency for further stimulus. On the trade front, recent bilateral discussions including a meeting in Sweden hinted at a potential 90-day extension of the current truce, further easing tensions. However, this hands-off stance disappointed markets, which had been hoping for more decisive action to support the economy.

That said, China still retains a policy backstop. In the first half of 2025, Chinese authorities purchased an estimated RMB 190 billion of domestic ETFs, while southbound flows into H-shares amounted to USD 94 billion. These interventions reflect the so-called "China put", aimed at stabilising local markets when sentiment sours.

Elsewhere, US trade tariffs were largely met with neutral market responses for the Asian region. The only exception was India which was hit with a 25% tariff. This is notably higher than the 15–20% range imposed on other Asian markets. The move was seen as a reaction to India's continued energy and military

## Asia (cont')

purchases from Russia.

In terms of fund flows, India recorded the largest outflows, totalling USD2.2 billion for the week. ASEAN markets also saw net foreign selling, while Taiwan and Korea registered modest inflows.

## UPDATES ON MALAYSIA

Back home, the KLCI ended flat during the week, but sentiment was supported by a more favourable outcome on the US tariff announcement. The US confirmed a reduced tariff rate of 19% for Malaysia, down from the earlier proposed 25% announced on July 8. The new rate aligns Malaysia with its regional peers including Thailand, Indonesia, and the Philippines, while Vietnam faces a slightly higher tariff of 20%.

The decision was better than market expectations and seen as a relief for exporters, especially after earlier concerns that tariffs could have gone as high as 25%.

Meanwhile, on the domestic policy front, Prime Minister Anwar Ibrahim unveiled the 13th Malaysia Plan, outlining the country's strategic development roadmap for the next five years. For a detailed breakdown of the 13th Malaysia Plan and its implications for key sectors, visit our Insights page here: [aham-my.com/13mp](https://aham.my.com/13mp)

## REGIONAL FIXED INCOME

Asian credit markets maintained firm sentiment for most of last week despite a heavy data calendar. Spreads touched a historical low of around 63 bps on Thursday before reversing on Friday as traders reduced inventory ahead of the new month. Week-on-week, Asian Investment Grade (IG) spreads widened by 4 bps to 69 bps, while Asian High Yield (HY) widened by 20 bps. This mirrored movements in US credit, where US IG and US HY widened by 4 bps and 27 bps, respectively. Despite this, buying interest remained healthy, led by Chinese IG TMT names and selective HY names. Local currency credit markets were slightly softer, with CNH spreads wider by 5–10 bps and AUD credit spreads 2–3 bps wider.

The weaker tone extended into Monday (4 August), with spreads widening by a further 5–10 bps across the board as markets reassess Fed rate cut expectations following the release of weak US jobs data last Friday.

The primary market was relatively quiet, consistent with the heavy data flow in Asia, recording only USD 750 million in issuance. In global bond market, notable transactions included UBS Group AG's issuance of two Additional Tier 1 (AT1) perpetual bonds to refinance upcoming 2026 callables, with a 2031 callable at 6.6% and a 2035 callable at 7%. The longer 10-year callable structure performed better, tightening by 10 bps in the secondary market, while the 2031 tranche traded flat.

Local currency issuance was more active. In the CNH market, we participated in Chubb Insurance's senior 2035 bond at 2.75%, which priced strongly with a three-times covered book and is now trading around par. In Singapore, Keppel REIT issued a perpetual bond, while SATS Ltd priced a 2032 note—both well-received with order books four and seven times covered, respectively. In Australia, explosives manufacturer Dyno Nobel priced a 10-year bond alongside a shorter-dated tranche, with the 10-year achieving an eight-times bid-to-cover ratio.

## REGIONAL FIXED INCOME (*cont'*)

From a portfolio perspective, we took profit on select recent issues, including USD-denominated Softbank bonds and CNH Swire Property, while participating in new opportunities such as Chubb Insurance's CNH senior deal, Keppel REIT's SGD perpetual, and SATS' 2032 note. Cash levels remain at around 2–3%.

## DOMESTIC FIXED INCOME

The Malaysian fixed income market rallied strongly in July, supported by the Overnight Policy Rate (OPR) cut during the month. Yields ended the month lower, led by the long end: the three-year Malaysian Government Securities (MGS) yield fell 7 bps to 3.08%, the 10-year MGS declined 10 bps to 3.38%, and the 30-year MGS led the rally, dropping 16 bps to 3.91%.

Post-OPR cut, yields continued to edge lower into early August, reflecting a more dovish market stance and expectations of another potential easing over the next 12 months. The steepness in yield curve offers better relative value for the 7-year and 15-year tenures. Short-end yields have compressed considerably, leaving the long end more attractive on a relative basis.

The recently announced 13th Malaysia Plan (13MP) has implications for fiscal and debt management, with a target to reduce the debt-to-GDP ratio to 60% by 2030. Based on our estimates (assuming 4.5% GDP growth, at the low end of consensus), the ratio is more likely to settle around 62.5% by 2030, implying official forecasts assume at least 5% annual growth to achieve its 60% debt-to-GDP target.

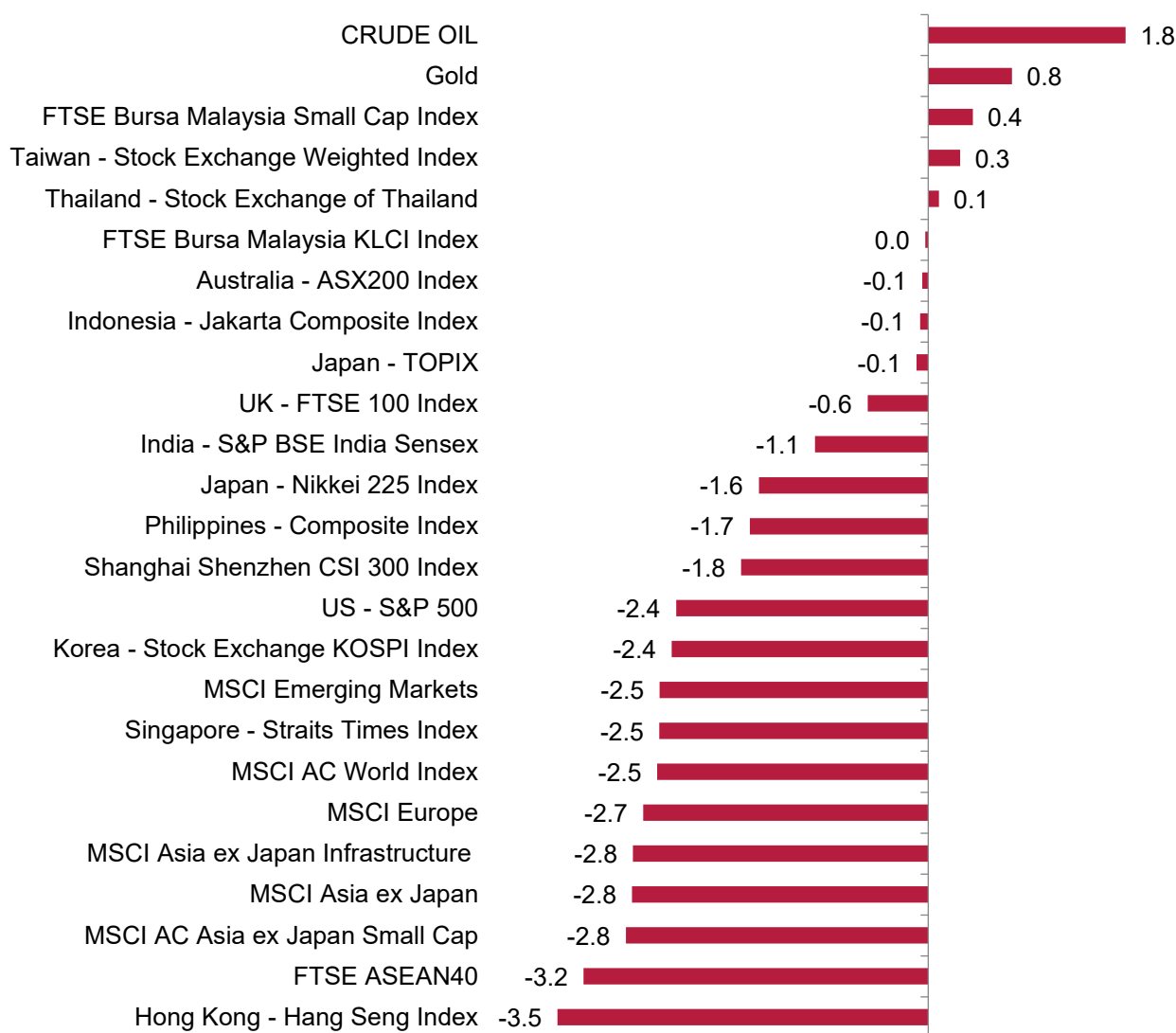
On the fiscal front, the government aims to lower the fiscal deficit to 3% of GDP by 2030 while maintaining development expenditure of at least 3% of GDP, implying official projection that the surplus (from fiscal revenue minus operating expenditure) will continue to grow. Achieving this will require continued focus on revenue growth, subsidy rationalisation, and operational efficiency. Structurally, a dovish Bank Negara Malaysia, benign domestic inflation, and a globally easing monetary environment support a favourable backdrop for bond issuance, although supply absorption will be critical.

Gross government bond issuance is projected at RM165 billion in 2025, rising to RM180–190 billion annually over the next five years, partly reflecting the 2026 maturity wall (RM108 billion maturing, ~40% of 2026 issuance earmarked for refinancing) and increased in development expenditure. In the near term, short-end rates are expected to remain anchored by monetary policy, while long-end yields may steepen as issuance supply exerts pressure.

Corporate bond issuance momentum is expected to pick up, particularly from GLCs involved in large-scale infrastructure projects such as MRT3, ECRL, and Prasarana. Other notable issuers include Petronas, Tenaga Nasional, Gamuda, YTL, Sime Darby, as well as players in the independent power producer (IPP), renewable energy, ports, and utilities sectors. We favor fixed income investments into infrastructure, focusing on growth sectors such as healthcare, construction, and utilities.

- END -

## Index Performance | 28 July – 1 August 2025



**Index Chart:** Bloomberg as at 1 August 2025. Quoted in local currency terms.

**Disclaimer:** This article has been prepared by AHAM Asset Management Berhad (hereinafter referred to as "AHAM Capital") specific for its use, a specific target audience, and for discussion purposes only. All information contained within this presentation belongs to AHAM Capital and may not be copied, distributed or otherwise disseminated in whole or in part without written consent of AHAM Capital. The information contained in this presentation may include, but is not limited to opinions, analysis, forecasts, projections and expectations (collectively referred to as "Opinions"). Such information has been obtained from various sources including those in the public domain, are merely expressions of belief. Although this presentation has been prepared on the basis of information and/or Opinions that are believed to be correct at the time the presentation was prepared, AHAM Capital makes no expressed or implied warranty as to the accuracy and completeness of any such information and/or Opinions. As with any forms of financial products, the financial product mentioned herein (if any) carries with it various risks. Although attempts have been made to disclose all possible risks involved, the financial product may still be subject to inherent risk that may arise beyond our reasonable contemplation. The financial product may be wholly unsuited for you, if you are averse to the risk arising out of and/or in connection with the financial product. AHAM Capital is not acting as an advisor or agent to any person to whom this presentation is directed. Such persons must make their own independent assessments of the contents of this presentation, should not treat such content as advice relating to legal, accounting, taxation or investment matters and should consult their own advisers. AHAM Capital and its affiliates may act as a principal and agent in any transaction contemplated by this presentation, or any other transaction connected with any such transaction, and may as a result earn brokerage, commission or other income. Nothing in this presentation is intended to be, or should be construed as an offer to buy or sell, or invitation to subscribe for, any securities. Neither AHAM Capital nor any of its directors, employees or representatives are to have any liability (including liability to any person by reason of negligence or negligent misstatement) from any statement, opinion, information or matter (expressed or implied) arising out of, contained in or derived from or any omission from this presentation, except liability under statute that cannot be excluded.