30 June – 4 July 2025

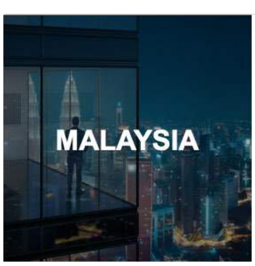
WEEKLY MARKET REVIEW

A brief on global markets and investment strategy

Key Highlights

- The S&P 500 rose 1.7% to a record high, boosted by strong US jobs data and renewed optimism around trade negotiations.
- Non-farm payrolls beat expectations for the fourth straight month, with 147,000 jobs added and unemployment falling to 4.1%.
- Treasury yields rebounded after three weeks of decline; 10Y closed at 4.35%, 2Y at 3.8%.
- Trump's USD 4.5 trillion "Big Beautiful Bill" was passed, raising fresh concerns over fiscal deficits despite short-term stimulus.
- Markets now expect two Fed rate cuts in 2025, scaled back from 2.5 previously.

- MSCI Asia ex-Japan ended the week flat at +0.4%, with gains in Taiwan and Korea offset by muted sentiment.
- The US and Vietnam reached a trade deal, reducing tariffs on key exports and granting US firms zero-tariff access to Vietnam's market.
- Political tensions flared in Thailand as the PM stepped aside amid backlash from a leaked diplomatic call; markets remained stable.
- Portfolios added Krungthai Card and Sino Land, citing attractive valuations and potential upside.



- KLCI rose 1.44%, led by YTL Corp, YTL Power, and Gamuda on continued data centre (DC) interest.
- Tenaga Nasional dragged on performance after a court ruled against it in a RM1.25b tax dispute.
- Foreign investors turned net buyers for the week; YTD outflows now at RM12b.
- US export curbs on AI chips are not expected to severely impact Malaysia's DC sector, which is still cloud-based.
- MGS yields declined across the curve; 10Y at 3.44%, ahead of upcoming 30Y MGS issuance worth RM5b.

MARKET PULSE | QUESTION OF THE WEEK

Countdown to Tariff Deadline: What's at Stake?

The 90-day window set by U.S. President Donald Trump for major trading partners to secure new trade agreements is set to expire on **9 July**. While initially framed as a hard deadline, recent developments suggest that **limited extensions** may be granted—though only to countries deemed to be actively negotiating in good faith.

The U.S. is reportedly preparing to send formal letters to **12 to 15 countries**, outlining **final trade offer terms**. These proposals are expected to be non-negotiable—positioned as "take it or leave it" deals. Extensions of up to **1 August** may be granted for those willing to offer meaningful concessions.

Market Implications

The **tariff range under consideration spans from 10% to as high as 70%,** depending on the industry and negotiations. If imposed, these tariffs could have far-reaching implications across sectors, especially for trade-linked industries such as manufacturing, autos, and semiconductors.

Markets are closely watching how economies respond. The **EU** remains a key focus, though its response may be complicated by diverging interests among member states.

Meanwhile, **China's separate tariff truce with the U.S. expires on 12 August**, adding another layer of complexity to trade dynamics in the coming weeks.

What Can Investors Do?

The expiry of the tariff deadline on 9 July will unlikely be the end of the Trump's populist trade and economic policies. We expect markets to remain sensitive to signals of **progress or escalation** in trade negotiations. Investors should continue to focus on building **well-diversified portfolio** anchored in quality and income-generating assets.

Our positioning remains focused on maintaining resilience amid shifting trade policies, with a close watch on developments that could influence risk appetite and capital flows globally.

GLOBAL & REGIONAL EQUITIES

US

It was a strong week for US equities, with the S&P 500 advancing 1.7% to close at a fresh record high. The rally was supported by stronger-than-expected US jobs data and renewed optimism over trade negotiations even as the 90-day tariff deadline looks. Market expectations are that the worst outcomes may once again be avoided and that we could see a further delay or pause.

June's non-farm payrolls report surprised to the upside for the fourth consecutive month. Payrolls increased by 147,000—well above the 110,000 expected—driven largely by gains in state and local government hiring. This was particularly notable given prior efforts under the Department of Government Efficiency (DOGE) to curb public sector expansion. Meanwhile, the unemployment rate declined to 4.1% from 4.2%, versus market consensus of 4.3%, reinforcing the view that the labour market remains resilient.

The data has shifted the ongoing debate within the US Federal Reserve (Fed) on the timing of its next rate cut. It is increasingly more likely that the Fed will continue cutting interest rates from September meeting onwards instead of July. In line with the stronger economic print, expectations for the number of rate cuts

US *(cont')*

this year have been pared back from 2.5 cuts to now 2.

In rates, the stronger payrolls print contributed to a reversal in Treasury yield. After three consecutive weeks of declining yields, US government bond yields rebounded. The 10-year Treasury yield rose 10 basis points to 4.35%, while the 2-year yield climbed 15 basis points to 3.8%.

Adding to policy news, President Trump signed the "Big Beautiful Bill" over the July 4th weekend. The legislation, passed with significant fanfare, introduces a fresh round of tax cuts estimated at USD 4.5 trillion. While partially offset by spending curbs, the bill is expected to widen the fiscal deficit by USD 3.4 trillion over the next decade. In the near term, it could provide modest stimulus, though concerns over fiscal sustainability continue to linger in the background.

Asia

In Asia, the MSCI Asia ex-Japan index ended the week marginally lower at 0.4%, with gains largely muted. Markets that had rallied strongly in the prior week, including Taiwan and Korea, were mostly flat as investors digested a mix of political and trade-related headlines.

On the trade front, the United States and Vietnam reached a trade agreement. While full details remain pending, initial indications point to a 20% tariff rate on Vietnamese exports to the US—a notable reduction from the 46% previously proposed under the Liberation Day tariffs. However, a 40% tariff will still apply to any goods deemed to be transhipped, such as those originating from China but routed through Vietnam.
As part of the agreement, Vietnam will also provide US exporters with zero-tariff access to its domestic market. This could serve as a template for future negotiations with other regional economies in Asia, as Washington pushes for more bilateral arrangements ahead of its July deadline.

Meanwhile, political developments in Thailand took a rocky turn. The Thai Prime Minister has been temporarily suspended from duty pending an investigation into a leaked phone call with her Cambodian counterpart. The call, which touched on a longstanding border dispute, sparked backlash over remarks that were perceived as disrespectful to the Thai military. In the interim, the Deputy Prime Minister has assumed caretaker responsibilities. While the situation remains fluid, the immediate impact on markets has been contained.

From a portfolio perspective, we maintained cash levels at around 3–4%. Despite the political noise, we took the opportunity to add exposure to Krungthai Card, one of the largest consumer finance company in Thailand, trading at attractive valuations.

We also initiated a position in Sino Land, a Hong Kong-based property developer with a strong balance sheet and significant exposure to the Hong Kong market. The stock is currently trading at half its book value and offers a 7% dividend yield. With HIBOR easing, we see upside potential as the local property sector gradually regains momentum.

UPDATES ON MALAYSIA

The KLCI index rose by 1.44% week-on-week, lifted by gains in YTL Corporation Berhad, YTL Power International Berhad, and Gamuda Berhad, which continued to rally on growing interest in the data centre (DC) thematic.

UPDATES ON MALAYSIA *(cont')*

The notable laggard for the week was Tenaga Nasional Berhad (TNB), following the announcement of a Federal Court ruling against the utility giant in a long-standing tax dispute with the Inland Revenue Board (IRB). The case involves additional tax claims amounting to approximately RM1.25 billion for the Year of Assessment 2018.

On the fund flow front, foreign investors turned net buyers last week after six consecutive weeks of net selling, reflecting a shift towards a more risk-on sentiment. Year-to-date, however, foreign outflows stand at around RM12 billion, with foreign shareholding in Malaysian equities falling to a record low of 19%.

In global developments, the United States government announced plans to restrict shipments of AI chips from companies such as NVIDIA Corporation to countries including Malaysia and Thailand, in a move aimed at preventing re-routing into China. The potential impact appears most pronounced for NationGate Holdings Berhad and to a lesser extent YTL Power International Berhad, given their direct business ties with NVIDIA. However, the funds under our management do not have meaningful exposure to either of these companies.

Regarding the broader data centre theme, we believe the overall impact from the US export curbs will be limited, as 90% of committee-approved DC projects in Malaysia are still cloud-based rather than AI-based. As such, we expect minimal disruption to infrastructure contractors such as Gamuda Berhad and Sunway Construction Group Berhad (SunCon) in the medium term.

In terms of portfolio positioning, our funds were seen trimming positions in the healthcare sector while adding exposure to construction, technology, and property names. Cash levels across portfolios ranged between 10% to 20% last week.

REGIONAL FIXED INCOME

Asian credit markets continued to show strength last week, supported by a firm risk-on tone across both investment grade and high yield segments. While most trading activity centred around new issuances, performance in the secondary market remained broadly positive.

Asian investment grade (IG) bonds tightened by around 4 basis points (bps), while Asian high yield (HY) rallied close to 90 bps. Interestingly, US markets outperformed, with US IG tightening by 8 bps and US HY by 24 bps, reflecting healthy global demand for credit.

In Asia, political developments in Thailand initially weighed on sentiment, with some selling pressure observed in Thai names, particularly in the banking and oil and gas sectors. However, sentiments stabilized and credits spreads have largely recovered by the end of the week.

Despite the holiday-shortened week, the primary market remained active, with around USD 9 billion in new issuances, mainly from Japan and South Korea. The most notable deal came from SoftBank Group Corp., a BB+ rated high yield issuer, which successfully priced a multi-tranche USD and EUR bond totalling USD 4.2 billion. The order book peaked at USD 17 billion, signalling strong investor interest.

Separately, SoftBank Corp., the group's investment-grade telecommunications arm, also came to market with a USD 1 billion dual-tranche issuance across 5-year and 10-year maturities at around 4.70% and 5.30% respectively. This deal was also well received by the market.

REGIONAL FIXED INCOME *(cont')*

From a portfolio perspective, we took profit on some recently issued bonds, including Nomura Holdings Inc. AT1, Resolution Life Group Holdings Ltd. Tier 2, and Saudi National Bank Tier 2 bonds. Proceeds were rotated into selected new issuances. We also added some position in Australian corporate hybrid securities.

DOMESTIC FIXED INCOME

The domestic bond market remained stable and ended the week on a firm footing, despite ongoing global trade uncertainties. Benchmark Malaysian Government Securities (MGS) yields moved slightly lower by 1 to 3 basis points (bps) across the curve. The 5-year MGS yield eased by 1 bp to 3.18%, while the 10-year declined by 3 bps to 3.44%, dipping below the 3.50% threshold. The 30-year MGS closed at 4.00%, down marginally by 1 bp.

There was one government bond auction last week — a reopening of the 7-year Government Investment Issue (GII) with an issuance size of RM5 billion via public auction. The auction drew strong investor interest, recording a bid-to-cover (BTC) ratio of 2.92 times. The average yield came in at 3.367%, with the high at 3.37% and low at 3.36%, reflecting a tight range.

The upcoming government bond issuance will be a 30-year MGS maturing on 7 July 2055, which is a new issuance. The total expected issuance is RM5 billion, comprising RM3 billion via auction and RM2 billion via private placement.

In the corporate bond (PDS) market, we participated in a new issuance from DRB-HICOM Berhad, rated AA-. The total issuance was RM500 million, and we secured an allocation of RM20 million in the 7-year tranche. The bond priced at 3.88%, with a credit spread of +49 bps, reflecting strong demand in a tight corporate spread environment.

In terms of portfolio positioning, we were net sellers last week. The objective was to raise liquidity and prepare for a healthy pipeline of upcoming primary issuances, particularly within the AAA to AA credit space. Cash levels across portfolios are currently around 3%, as we have already begun rebalancing in anticipation of deploying into new opportunities. Portfolio duration remains steady in the range of 6.8 to 7 years.

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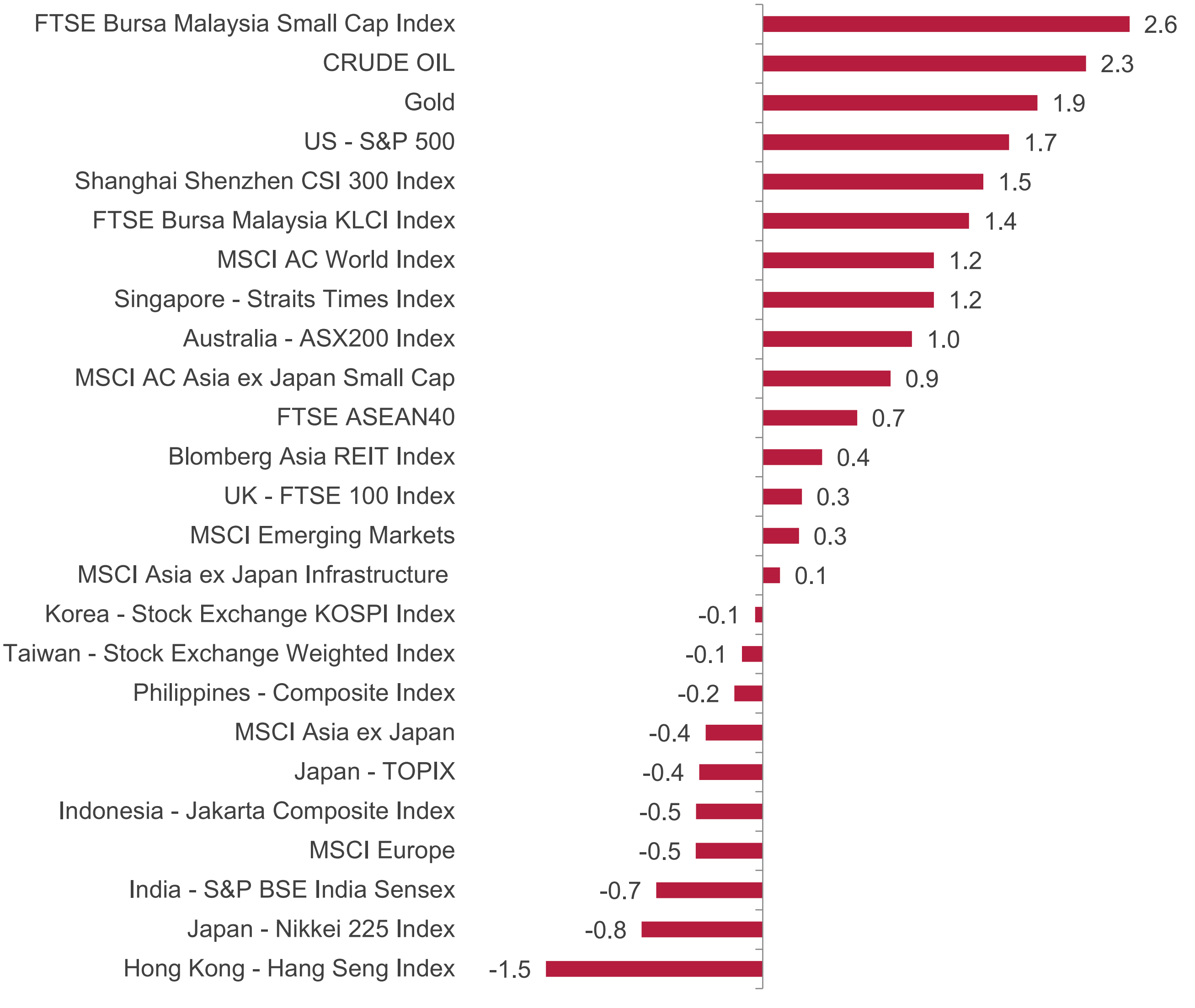
Index Performance | 30 June – 4 July 2025



Index Chart: Bloomberg as at 4 July 2025. Quoted in local currency terms.