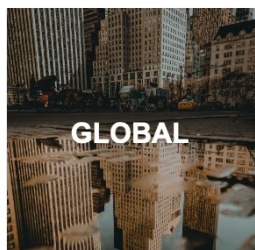


AUGUST 2025

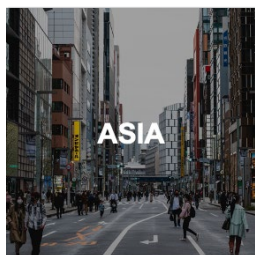
MONTHLY MARKET REVIEW

A brief on global markets and investment strategy

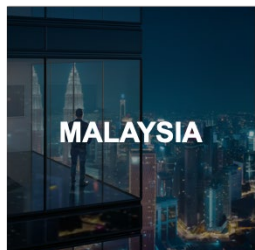
Key Highlights



- US equities gained in August, with the S&P 500 up 1.9% despite early weakness from steep downward revisions to payroll data.
- Earnings strength supported sentiment, with over 75% of companies exceeding 2Q'25 forecasts.
- Fed Chair Powell struck a dovish tone at Jackson Hole, signalling that labour market risks now outweigh inflation concerns paving the way for a September rate cut.
- US Treasuries and the USD softened, with the 10-Year yield easing 14bps to 4.23%.



- MSCI Asia ex-Japan Index gained 1.1% in August, led by strength in China
- China outperformed, with the MSCI China Index up 4.2% as sentiment improved after the US extended the tariff deadline to 10 November, averting near-term escalation.
- Beijing introduced fresh stimulus, including RMB 50 billion in loan subsidies and RMB 130 billion in fertility and preschool support
- India underperformed, with the Sensex down 1.7% following US tariff hikes on Indian imports which were raised as high as 50% due to its energy and defence ties with Russia.



- KLCI advanced 4.1% in August, supported by an upbeat earnings season with large-cap names mostly in line with expectations.
- A firmer Ringgit in anticipation of potential Fed rate cuts could lend further support to the market.
- The 10-year MGS yield edged 2 bps higher to 3.39%, though expectations of Fed monetary easing could cap yields going forward.
- Inflation ticked higher, with CPI rising 1.2% y-o-y in July.

GLOBAL

US equities held up strongly in August, with the S&P 500 advancing 1.9% despite a volatile month. Markets stumbled early on after steep downward revisions to prior months' non-farm payroll data. The 3-month average of job gains plunged to just 35,000, down sharply from 150,000, signalling rapid softening in the labour market.

Equities later found support from strong 2Q'25 earnings, with over 75% of companies beating forecasts as well as policy relief for semiconductors. The US government announced exemptions from the newly proposed tariff on imported chips for companies as long as they intended to maintain or expand domestic production in the US. The tech-heavy Nasdaq ended the month up 1.6%, aided by Apple's share price surge after unveiling plans to invest USD 600 billion over the next 4 years for its US operations.

On the policy front, attention centred on Fed Chair Jerome Powell's remarks at the Jackson Hole symposium—likely his final appearance in the role. Powell struck a dovish tone, noting that risks to the labour market now outweigh inflationary concerns. This effectively opened the door to a September rate cut.

US Treasury yields and the US dollar weakened in response, with the 10-year yield easing from 4.37% to 4.23%. Futures markets are now fully pricing in a 25 bps cut at the September FOMC meeting. Politics entered the spotlight as President Trump sought to dismiss Fed Governor Lisa Cook, stoking concerns of potential political interference that could undermine the Fed's independence. So far, market reaction has been fairly muted as the case will be decided by the US courts.

ASIA

In Asia, the MSCI Asia ex-Japan index edged 1.1% higher in August, led by China. The MSCI China index gained 4.2% as sentiment improved following a temporary trade truce. President Trump signed an executive order extending the tariff deadline with China until 10 November, averting an immediate escalation.

Beijing also rolled out fresh stimulus to shore up growth, including RMB 50 billion in interest subsidies for consumer and services loans, alongside RMB 130 billion in fertility and preschool education support. While these measures provided a sentiment lift, the macro backdrop remained fragile. Fixed asset investment contracted 5.2% y-o-y in July—the sharpest decline since April 2020, while new renminbi loans fell into negative territory for the first time since 2005.

Elsewhere, India lagged, with the Sensex down 1.7% as trade tensions with the US escalated. President Trump announced tariff hikes on Indian imports to as high as 50%—well above those imposed on China, citing India's continued energy and defence purchases from Russia.

MALAYSIA

Back home, the benchmark KLCI gained 4.1% in August, supported by an ongoing earnings season that delivered broadly positive surprises. Large-cap names including 99 Speedmart, Malayan Cement Berhad (MCB), Telekom Malaysia Berhad (TM), and AMMB Holdings Berhad (AMMB) reported results that were largely in line with or ahead of expectations, lending confidence to the market.

MALAYSIA (cont')

Looking ahead, a firmer ringgit on the back of prospective Fed rate cuts could provide further support. Momentum on the foreign direct investment (FDI) front is also expected to pick up as tariff uncertainty eases, with Malaysia continuing to attract inflows, particularly into the technology and manufacturing sectors. Taken together, these factors suggest the KLCI is poised for a more constructive close to the year.

On local bonds, the 10-year Malaysian Government Securities (MGS) yield inched 2 bps higher to 3.39%. However, expectations of Fed easing may exert downward pressure on yields in the months ahead. On the macro front, inflation edged higher in July, with CPI rising 1.2% y-o-y to 134.7 from 133.1 a year earlier.

MONTHLY INDEX PERFORMANCE

Developed Markets	YTD	1M
Dow Jones Industrial Index	7.1	3.2
Nasdaq Composite Index	11.1	1.6
S&P 500 Index	9.8	1.9
FTSE 100 Index	12.4	0.6
Tokyo Stock Price Index	10.4	4.5

Regional Markets	YTD	1M
MSCI AC Asia (ex-Japan) Index	17.0	1.1
FTSE Straits Times Index	12.7	2.3
Hang Seng Index	25.0	1.2
Shanghai Composite Index	15.1	8.0
Shanghai Shenzhen CSI300 Index	14.3	10.3
MSCI China Index	27.1	4.2
Hang Seng China Enterprise Index	22.7	0.7
Taiwan Stock Exchange	5.2	2.9
Korean Stock Exchange	32.8	-1.8
S&P BSE Sensex Index	2.1	-1.7
Ho Chi Minh Stock Index	32.8	12.0
Thailand Stock Exchange Index	-8.5	0.1
Jakarta Composite Index	10.6	4.6
Philippines Composite Index	-5.7	-1.6

Domestic	YTD	1M
FMBKLCI	-4.1	4.1
FBM Small Cap	-12.4	0.1
FBM EMAS Shariah	-7.5	1.6
FBM Top 100	-6.5	2.9

Index Chart: Bloomberg as at 31 August 2025. Quoted in local currency terms.

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