


Q3'2025 Market Outlook

Catching the Vibes



After a cautious start to the year, markets are now navigating the ripple effects of tariff adjustments, shifting central bank policies, and diverging global growth trends. While volatility remains, opportunities are emerging across select regions and sectors.

In the Q3 edition of our *Fundamental Flash – Market Outlook*, we share our latest insights across global, Asian, and Malaysian markets and how investors can position for the second half of 2025.

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Equities

Regions	Views
United States / Global	<ul style="list-style-type: none"> Neutral view maintained due to tariff uncertainty, slowing growth, and expensive valuations. Higher US tariffs (especially on China) and softer GDP outlook may prompt the Fed to cut rates in the 2H'25. S&P500 earnings breadth improving, but investor flows remain cautious.
Asia	<ul style="list-style-type: none"> Overweight Asia ex-Japan due to USD weakness and returning foreign inflows. Korea favoured for reform momentum, Taiwan benefits from AI ramp-up. Underweight India and ASEAN due to lack of near-term catalysts. Neutral on China amid delayed stimulus and weak earnings outlook.
Malaysia	<ul style="list-style-type: none"> Neutral view with slowing earnings momentum and cautious sentiment. Local institutions and pension inflows providing liquidity support. Preferred sectors: property (cheap valuation), income (yield stability), utilities (resilient demand), healthcare (domestic focus).

Fixed Income

Regions	Views
United States / Global	<ul style="list-style-type: none"> Positive view as global slowdown and easing inflation will support fixed income. Central banks expected to remain accommodative, with 2 rate cuts by the Fed anticipated in 2025. All-in yields remain attractive despite tighter spreads, offering better carry.
Asia	<ul style="list-style-type: none"> Positive view supported by high all-in yields and strong technicals. Opportunities in AT1 segment due to shrinking supply and attractive carry.
Malaysia	<ul style="list-style-type: none"> Positive outlook amid stable credit conditions and strong domestic demand. Expect credit spreads to widen slightly due to increased supply. Overweight duration (benchmark +0.5 to 1.5 years), with focus on quality and liquid names.

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