4 – 8 August 2025

WEEKLY MARKET REVIEW

A brief on global markets and investment strategy

Key Highlights

- S&P 500 rose 2.4% on relief over semiconductor tariff exemptions, benefiting TSMC, Samsung, and SK Hynix.
- Corporate earnings remained robust, with most companies beating revenue and EPS forecasts.
- President Trump is expected to nominate Stephen Miran to fill in a vacancy in the Fed board, reinforcing market expectations for a September rate cut.
- US Treasury yields edged higher, with the 10-year yield rising from 4.20% to 4.28%, while markets await the next CPI release.
- Bank of England cut rates by 25bps to 4.00%, signalling a gradual easing path despite inflation projected higher.

- MSCI Asia ex-Japan Index rose 2.0%, supported by gains in Korea (+2.9%) and Taiwan (+2.5%) following tariff exemptions for major semiconductor producers.
- Key beneficiaries included TSMC, Samsung, and SK Hynix, which avoided new tariffs and remain among the largest index constituents in Korea and Taiwan.
- India underperformed, with the Sensex down 0.9%, weighed by higher US tariffs relative to regional peers, partly due to its defence and energy ties with Russia.
- Credit spreads in Asia IG tightened 4 bps to 65 bps, while HY widened marginally by 2 bps to 364 bps, in line with US credit market trends.

- KLCI gained 1.50%, rising from 1,530 to 1,550 points, supported by strength in higher-beta sectors including banking, consumer, and construction.
- Malaysian Government Securities (MGS) strengthened, with yields falling 4–10 bps across the curve. 7-year MGS led the rally, declining 10 bps to 3.27%, while the 3-year MGS eased 6 bps to 3.03%.
- MSCI's Malaysia quarterly index rebalancing, scheduled for the final week of August could trigger some outflows amongst key constituents.

GLOBAL & REGIONAL EQUITIES

US

In the US equity market, the S&P 500 rose 2.40%, driven largely by relief over semiconductor tariffs. The key development was the announcement that companies maintaining or planning US production would be exempt from the newly proposed 100% tariff on imported semiconductors. This spared major players such as Taiwan Semiconductor Manufacturing Co (TSMC), Samsung, and SK Hynix, all of which have committed to building or expanding plants in the US.

Apple had one of its best weeks since 2020, surging 13% after revealing plans to invest USD 600 billion over the next four years in US operations. The tech-heavy NASDAQ climbed 3.80%.

On earnings, over 90% of S&P 500 companies have now reported results, with 73% beating earnings-per-share (EPS) expectations and 78% exceeding revenue forecasts. This is well above the historical average of around 60% for both metrics. While this points to strong corporate performance, the key question remains whether markets are underestimating the longer-term impact of tariffs, or whether optimism is being fuelled by other factors.

Last week, Fed Governor Adriana Kugler unexpectedly announced that she would be stepping down return to her tenured professorship at Georgetown University, well ahead of her term's scheduled end in January 2026. Her departure leaves a vacancy on the 7-member Federal Reserve Board, led by Fed Chair Jerome Powell.

US President Trump signaled that he is likely to nominate Stephen Miran, currently the chair of the White House Economic Council to replace the vacancy. The prospect of Miran's appointment has further reinforced expectations for a September rate cut, which markets have already fully priced in.

At present, bond markets are factoring in a total 60 bps of rate cuts between now and year-end. The key data point ahead will be the final non-farm payrolls (NFP) release in early September, just before the next FOMC meeting. Unless job growth shows a sharp reacceleration or inflation trends reverse, the September cut appears likely.

US Treasuries saw some retracement last week, with the benchmark 10-year yield rising from 4.20% to 4.28%, potentially reflecting optimism from recent trade agreements. Looking ahead, the next major release will be US CPI, where consensus points to a mild uptick from 2.7% to 2.8%.

In other central bank news, the Bank of England (BoE) lowered its benchmark rate by 25bps to 4.00% which was widely anticipated by markets. Interestingly, the decision required two rounds of voting due to an initial deadlock, before finally reaching a majority in favour of the cut.

BoE Governor Andrew Bailey signalled that rates are expected to remain on a downward trajectory. However, future cuts will likely be more measured, in line with the European Central Bank's (ECB) earlier guidance as well as the path of inflation.

In its latest forecasts, the BoE projected that inflation could edge up to 4.0% in September from 3.6% in August. This leaves policymakers walking a fine line netween balancing the need to normalise rates and support growth against the risk of rekindling price pressures.

Asia

In Asia, the MSCI Asia ex-Japan Index gained 2.0%, driven by strong performances in Korea (+2.9%) and Taiwan (+2.5%) on the back of positive tariff relief for the semiconductor sector. Major technology players such as Taiwan Semiconductor Manufacturing Co. (TSMC), Samsung, and SK Hynix—among the largest index constituents in Korea and Taiwan—were spared from tariffs after committing to invest or establish plants in the US, lifting sentiment across both markets.

In contrast, India's Sensex fell 0.9%, continuing its recent underperformance due to higher US tariffs compared to regional peers, partly linked to its defence and energy purchases from Russia.

On portfolio positioning, cash levels remain low at 2–4%, reflecting a high investment stance. We remain underweight India given its weaker relative performance in recent months, pressured by elevated valuations and softer corporate results. In contrast, our positioning is generally neutral to overweight in larger markets such as China, Korea, and Taiwan.

UPDATES ON MALAYSIA

Similar to other regional markets, Malaysia also saw a mild recovery, with the benchmark KLCI rising 1.50% from 1,530 to close around 1,550 points. Gains were led by beta names such as banking, consumer, and construction stocks.

In corporate news, it was reported that merger talks between Bumi Armada and MISC have been called off due to valuation differences.

Another notable update was the MSCI quarterly index rebalancing, scheduled for the final week of August. Given the recent underperformance of the Malaysian market, we expect an estimated outflow of around USD 200 million. The key Malaysian names likely to see outflows include Genting, PPB, and Sime Darby.

REGIONAL FIXED INCOME

Regional credit markets began the week on a weaker footing, as softer U.S. economic data fuelled expectations of earlier rate cuts, prompting a widening in credit spreads of 5–10 bps on Monday. However, sentiment improved over the course of the week, with strong buying demand for both duration and higher-beta names helping to retrace most of the losses. By week's end, Asia IG tightened by 4 bps to 65 bps, while Asia HY was largely unchanged, inching 2 bps wider to 364 bps, broadly in line with U.S. IG and HY performance.

The Australian primary market was a key focus, with several transactions drawing exceptionally strong demand. Notably, Australia and New Zealand Banking Group Limited (ANZ) issued AUD1.5 billion across two tranches, including the first-ever 20-year bullet Tier 2 in the Australian market. The transaction was met with a 5x order book, pricing at 6.17% before tightening 10 bps in secondary to 6.07%. The Republic of Indonesia also tapped the kangaroo bond market for the first time, raising AUD800 million across 5-year (4.4%) and 10-year (5.3%) tranches.

Demand was robust, with a 10x subscription rate, and the 10-year tranche rallied close to 20 bps in secondary, now trading around 5.15%. The appeal was supported by manageable issue sizes and the ability for investors to swap Australian dollar proceeds into U.S. dollars for additional yield pick-up—the USD-denominated Republic of Indonesia 10-year currently trades around 5.08%.

Despite heavy issuance, the Australian credit space remained resilient, with spreads tightening by 2–3 bps, supported by strong appetite for high-beta instruments such as corporate hybrids and bank Tier 2s.

In the offshore renminbi (CNH) market, State Grid Corporation of China (SGCC) issued RMB10 billion across 5-year (1.9%), 10-year (2.2%), and 20-year (2.4%) tranches. While the deal attracted a sizeable RMB50 billion order book, secondary performance was softer, reflecting a broader, modest correction in the CNH credit space.

On portfolio positioning, we actively participated in the week's primary opportunities, including the ANZ 20-year Tier 2 bullet, the Republic of Indonesia's 10-year kangaroo bond, and a new issue by CapitaLand Ascendas REIT at 3.18% (perpetual callable 2030). Portfolio cash levels remain around 2%, with duration maintained at approximately five years.

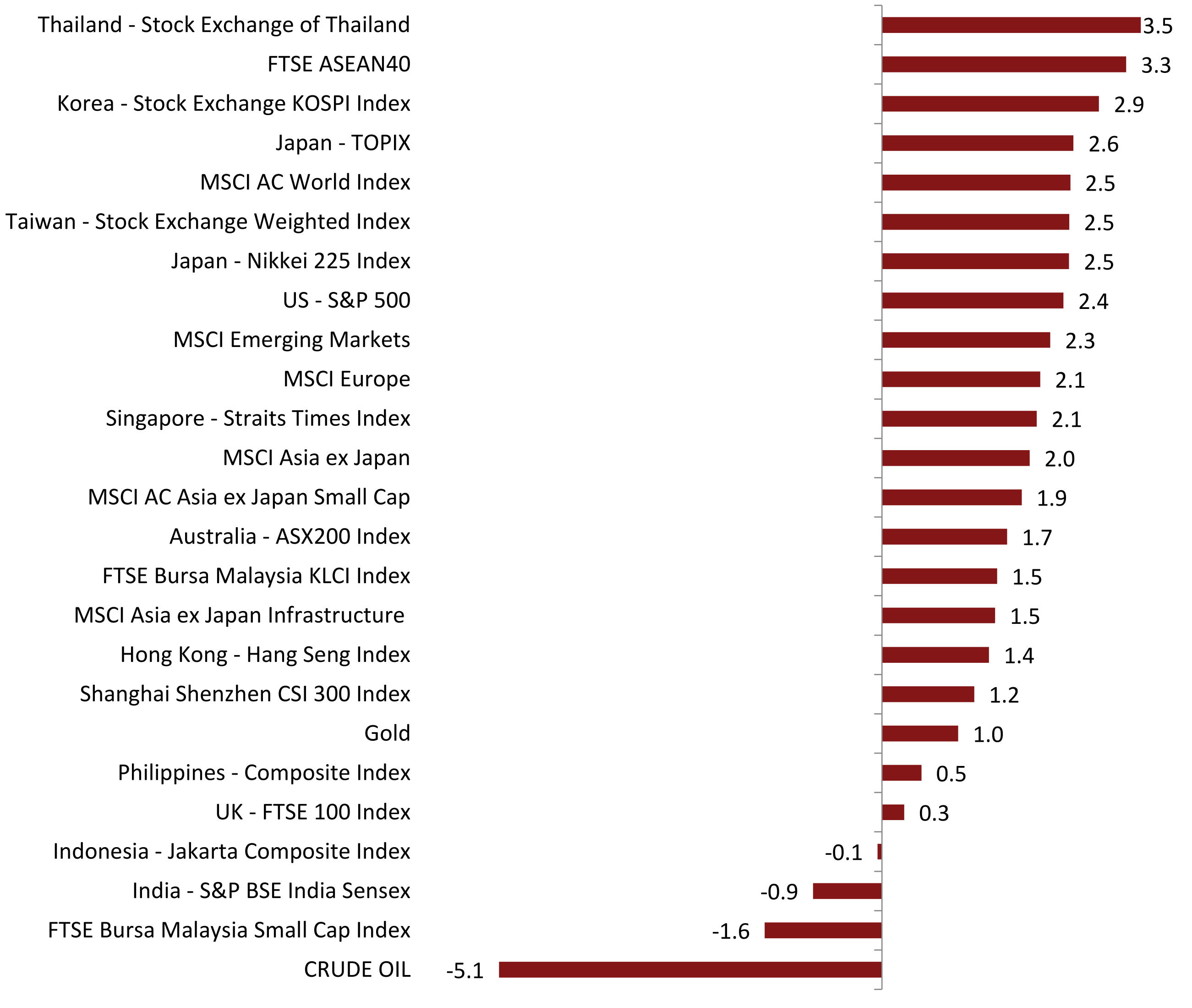
DOMESTIC FIXED INCOME

Malaysian Government Securities (MGS) ended the week stronger, with yields declining across the curve by 4 to 10 basis points. The 7-year MGS led the rally, falling 10 bps to 3.27%, while the 3-year MGS eased 6 bps to 3.03%. At the longer end, the 30-year MGS declined 2 bps to 3.90%. Shorter-tenor yields also moved lower, with the 3-month Kuala Lumpur Interbank Offered Rate (KLIBOR) down 2 bps to 3.21% and the 6-month KLIBOR easing 3 bps to 3.26%. Overall, the downward movement was more pronounced at the short end of the curve.

The primary bond market was active, with four notable issuances during the week. PASB (Pengurusan Air SPV Berhad) issued RM600 million 15-year sukuk at 3.72%, while Maybank subordinated-debt (rated AA1) raised RM1.8 billion via a 12-year non-call 7 structure at 3.85%, approximately 50 bps above benchmark levels. Dialog Group Berhad (rated AA2) priced RM500 million 10-year Sukuk at 3.81%. Eco World Development Group Berhad issued RM800 million in perpetual bonds — the non-call 7-year tranche at 4.50% and the non-call 10-year tranche at 4.60%. All four deals were well-received, reflecting healthy investor demand, and we participated in all of these offerings.

Portfolio activity focused on switching out of selected secondary corporate holdings into new primary issuances, a strategy we expect to continue with the next issuance cycle anticipated in the second half of the year. At present, we see value in the 7- and 15-year segments, where a slight kink in the yield curve offers attractive entry points. Overall, portfolios remain well-positioned for a lower-yield environment.

Index Performance | 4 - 8 August 2025



Index Chart: Bloomberg as at 8 August 2025. Quoted in local currency terms.