

25 – 29 August 2025

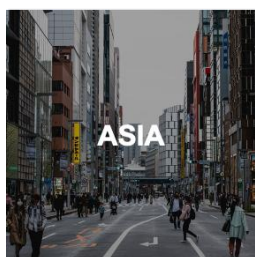
WEEKLY MARKET REVIEW

A brief on global markets and investment strategy

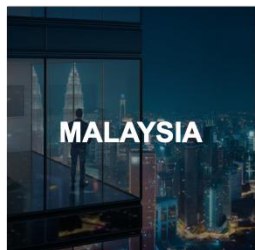
Key Highlights



- US equities were little changed, with the S&P 500 flat at 0.1% as markets balanced steady economic data against rising expectations of a September Fed rate cut.
- Inflation and consumption data showed resilience: Core PCE rose 2.9% y-o-y in July (in line with forecasts), while real personal consumption climbed 0.3%, the strongest gain in four months.
- Political risks emerged, as former President Trump sought to dismiss Fed Governor Lisa Cook, raising concerns over potential challenges to Fed independence.
- Treasury yields moved lower, with the 10-year yield slipping 3 bps to 4.23%.



- MSCI Asia ex-Japan declined 0.5%, dragged by India's 3% fall after the US imposed an additional 25% tariff, raising total tariffs on Indian goods.
- Political uncertainty weighed on ASEAN markets, with Thailand's benchmark down 1.1% after the Prime Minister's removal, while Indonesia's equity index fell 0.4% amid domestic unrest.
- Indonesian protests pressured sovereign bonds, though broader impact remains contained unless unrest persists given tight credit spreads.
- In Asia fixed income, it was an active week in the primary market, with around USD 5 billion in new bond supply, led by Japan.



- FBM KLCI declined 1.4% last week, as broad-based profit-taking weighed on banking, construction, and oil & gas sectors.
- Corporate earnings season concluded with results largely in line across major sectors, while the technology sector lagged due to a stronger Ringgit and macro headwinds.
- MGS curve bull steepened in August, with short-end yields declining more than the long end.
- The 3-year MGS fell 7bps to 3.02%, while the 10-year rose 2bps to 3.40% and the 30-year eased 4bps to 3.88%.

GLOBAL & REGIONAL EQUITIES

US

In the US, the S&P 500 ended last week broadly flat, edging down 0.1% as markets digested steady economic data against rising rate-cut expectations. Investors are now almost fully pricing in a September Fed cut, following Fed Chair Jerome Powell's dovish turn at the Jackson Hole symposium.

This came despite signs of resilience in the data. Core PCE, the Fed's preferred inflation gauge, rose at a 2.9% y-o-y in July in line with expectation. Though, it was slightly higher at 0.10% than the previous month. Additionally, consumer spending came in strongly with real personal consumption rising 0.3% in July. This is the strongest gain in 4 months, supported by personal income growth and robust goods demand.

Politics also entered the spotlight, with former President Trump's attempt to dismiss Fed Governor Lisa Cook over alleged mortgage fraud. This raised concerns surrounding potential political interference that could test the independence of the Fed.

Despite these crosscurrents, markets remained focused on the Fed's dovish shift. US Treasury yields moved lower, with the 10-year yield slipping 3bps to 4.23%. The curve steepened, led by 7 bps decline in the 2-year yield, reflecting heightened expectations of policy easing.

Looking ahead, the US enters a shortened trading week due to the Labor Day holiday. Investors will turn their attention to Friday's non-farm payrolls report, which will serve as a key gauge of the economy's strength ahead of the September FOMC meeting.

Asia

Earnings results continue in earnest this week with chipmaker NVIDIA in focus. Results were broadly in line with forecasts, but the stock still slipped 2%–3% on the back of lofty expectations and lingering supply constraints. Capacity is expected to improve in the second half of the year, supporting continued revenue growth, though momentum will naturally decelerate from a high base. Consensus forecasts currently projects revenue growth of around 28% and EPS growth of 37% for 2025, with the stock trading at roughly 30x forward P/E.

In Asia, the MSCI Asia ex-Japan declined 0.5%, weighed down by Indian equities. India's benchmark fell 3% following the US government's decision to impose an additional 25% tariff, taking total tariffs on Indian goods to around 50% — now higher than those on China.

Political developments also added to regional uncertainty particularly in ASEAN. Thailand's benchmark index fell 1.10% following the removal of its Prime Minister, while the Jakarta Composite index lost 0.40% on the back of social unrest in Indonesia.

On portfolio positioning, there were no major changes made last week. Cash levels remain modest at 1%–4% across our Asian portfolios.

UPDATES ON MALAYSIA

The domestic equity market experienced a bout of profit-taking last week, with the FBM KLCI falling by approximately 1.4%. The selling was broad-based, with pressure seen across the banking, construction, and oil and gas sectors.

A notable exception was Sime Darby Berhad, which outperformed the index. The stock rebounded after the group maintained its absolute dividend payout despite delivering subdued earnings. However, year-to-date performance remains weak, and the recent move appears more like a short-term bounce from oversold levels rather than a sustained recovery.

News flow last week was relatively muted, with market attention focused on the conclusion of the corporate earnings season. On the whole, results came in largely in line with expectations across key sectors, including banks, industrials, utilities, plantations, and telecommunications. The technology sector was the main laggard, missing expectations. This was not unexpected, given the impact of a stronger ringgit and macroeconomic uncertainty during the first half of the year.

One highlight from a corporate perspective was Gamuda Berhad, which announced that it had secured RM2 billion worth of data centre (DC) contracts. The projects involve the construction of two hyperscale DCs in Eco Business Park 5, Selangor, a development owned by Eco World. This latest win lifts Gamuda's outstanding order book to RM40 billion, providing the group with around two years of earnings visibility.

From a portfolio perspective, we remain highly invested, with cash levels below 10% across portfolios. We were selectively trimming positions in telecommunications, industrials, and materials, while adding exposure to construction, technology, and consumer names.

REGIONAL FIXED INCOME

In Asia fixed income, it was an active week in the primary market, with around USD 5 billion in new bond supply, led by Japan. The EUR market also saw a surge in activity, with EUR 44 billion of issuance versus EUR 26 billion the prior week, while the AUD space registered about AUD 3 billion.

The standout deal was Japan Tobacco International's (JTI) 30-year non-call 5.5-year hybrid bond, priced at 3.875%. Demand was exceptionally strong, with a 15.8x book-to-cover, though we chose not to participate given the lofty pricing.

Instead, we participated in select transactions including OCBC's USD Tier 2 bond, Nippon Life and Munich Re EUR Tier 2 issues, as well as Vonovia's AUD-denominated deal. Despite the heavy primary pipeline, overall investor demand remains healthy, with most transactions covered by more than 2 times.

On the macro side, protests in Indonesia triggered some selling in Indonesian risks. The moves were relatively contained, with sovereign bonds down 25–75 cents depending on tenor, or around 5bps in spread terms. However, if the unrest persists, we could see more material widening, particularly given current tight credit spreads.

Within our portfolios, we maintain exposure to selected Indonesian credits, namely in SOEs. That said, we had already taken some de-risking measures earlier, which helps to mitigate potential downside risks.

DOMESTIC FIXED INCOME

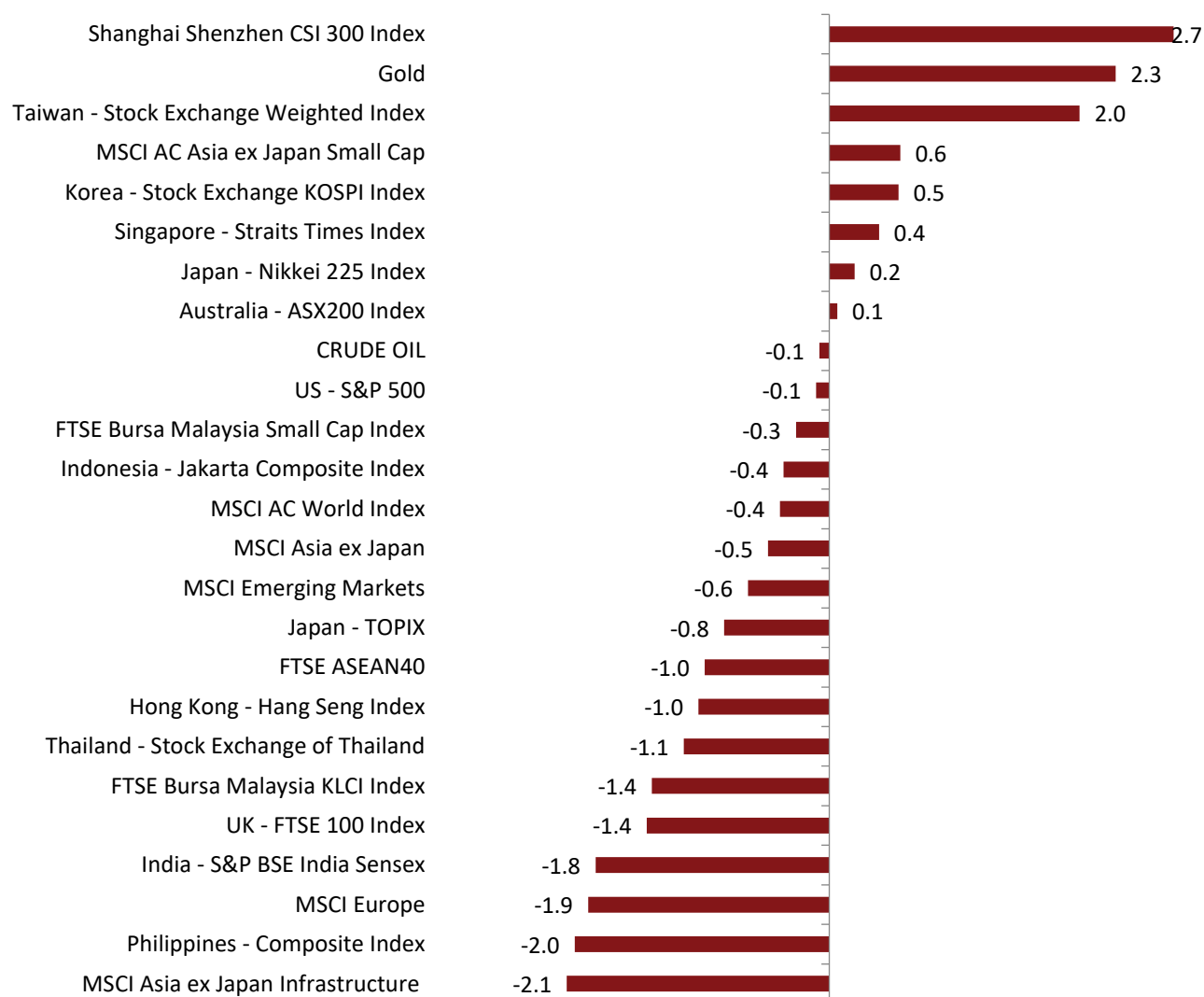
In local fixed income, August saw a bull steepening of the MGS curve, with short-end yields falling more than the long end. The 3-year MGS ended the month 7bps lower at 3.02%, while the 10-year inched 2bps higher to 3.40%. The 30-year declined 4bps to close at 3.88%. Overall, short-end yields remained supported by improved liquidity.

It was also a duration-heavy month, with 4 government bond auctions which were all well received. That said, we see limited downside for local yields in the absence of policy easing from the US.

In corporate bonds, Khazanah (via Danum Capital) issued RM1.5 billion across three tranches: 3-year at 3.31%, 5-year at 3.38%, and 15-year at 3.72%. We did not participate given the tight spreads. Instead, we took part in Fortune Premiere's RM1 billion issuance, which priced at more attractive levels: 7-year at 3.76%, 10-year at 3.82%, and 15-year at 4.00% — offering spreads of around 40–43bps.

Overall, we observe that new corporate bonds are being issued at tighter spreads than the secondary market, prompting us to moderate our primary market participation while monitoring spread movements closely.

Index Performance | 25 - 29 August 2025



Index Chart: Bloomberg as at 29 August 2025. Quoted in local currency terms.

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