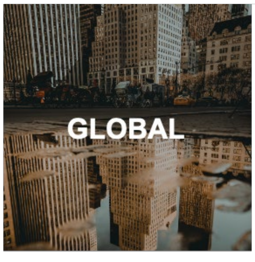
14 – 18 April 2025

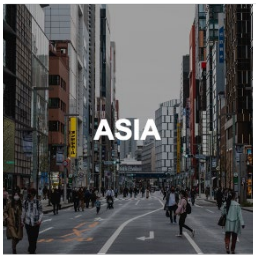
WEEKLY MARKET REVIEW

A brief on global markets and investment strategy

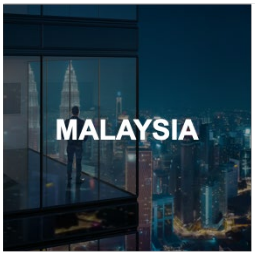
Key Highlights



- The S&P 500 fell 1.5% and the Nasdaq declined nearly 3.0%, as markets remained volatile amid trade policy uncertainty.
- Retail sales in the U.S. came in line with expectations; bond yields held steady while the U.S. dollar weakened, especially against G10 currencies.
- President Trump expanded rhetoric to include non-tariff trade practices such as currency manipulation and VAT regimes, increasing policy uncertainty.
- Central banks in the Eurozone, India, and the Philippines cut rates.



- The MSCI Asia ex-Japan index rose 2.35%, led by India and Thailand, each gaining around 7% following the previous week's sell-off.
- China's March economic data beat expectations, but the muted market response reflected lowered expectations for near-term stimulus.
- TSMC's Q1 results and Q2 revenue guidance came in above consensus; data however, the company maintained a cautious full-year outlook.



- The FBM KLCI rose 3.07%, closing at 1,499.40, recovering losses from the recent tariff-driven sell-off.
- Foreign outflows narrowed to RM330 million, marking the 26th consecutive week of net selling but with signs of stabilisation.
- Malaysia's MITI Minister is set to meet the U.S. Trade Representative on 24 April to address proposed tariffs and highlight ASEAN's stance.
- Sector gains were broad-based, except for healthcare, which continued to lag due to weakness in glove-related stocks.

GLOBAL & REGIONAL EQUITIES

Global equities delivered mixed performance last week. In the U.S., the S&P 500 fell by 1.5%, while the Nasdaq declined nearly 3.0%.

Global markets are treading water amid renewed trade policy uncertainty, with investors closely watching the 90-day tariff negotiation window for signs of a potential reversal. Until greater clarity emerges, volatility is expected to persist. Recent earnings downgrades have largely been viewed as temporary, with minimal impact on broader investment outlooks for now.

The proposed tariffs are likely to impact countries unevenly. Japan and South Korea, for instance, may face additional demands such as currency adjustments, adding complexity to ongoing negotiations. Japanese officials have flagged uncertainty around U.S. policy direction, while UK Chancellor Rachel Reeves has cautioned against disengaging from China, reiterating the need to preserve strong economic ties.

Macro data was limited last week due to a holiday-shortened calendar. U.S. retail sales came in broadly in line with expectations, while equity markets remained range-bound. European equities outperformed slightly, whereas U.S. indices were flat. Bond yields held steady. Meanwhile, the U.S. dollar weakened further, particularly against G10 currencies like the Australian and New Zealand dollars, as investor confidence in U.S. policy appeared to soften. While U.S. retail flows remain steady, foreign capital has turned more cautious.

Some of this caution has translated into increased flows into perceived alternatives such as the euro, yen, and gold—all of which have seen strength in recent sessions. There is also growing speculation that European investors may be repatriating funds, driven by rising FX volatility and shifting global risk sentiment.

Adding to the unease, President Trump broadened his rhetoric over the weekend to target non-tariff trade practices. This includes allegations of currency manipulation, VAT regimes, export subsidies, and agricultural protectionism—issues that are prevalent across many major economies. The widening scope of trade grievances adds another layer of policy uncertainty.

Looking ahead, investor focus will turn to key data points, including global Purchasing Managers' Index (PMI) prints and the University of Michigan consumer sentiment survey. The previous reading showed a steep drop in consumer confidence alongside a rise in one-year inflation expectations to 6.7%. These indicators will be watched closely for implications on Federal Reserve policy.

Globally, a broader shift toward monetary easing is underway. The European Central Bank (ECB), Reserve Bank of India, and Bangko Sentral ng Pilipinas have already cut rates this month. We expect more central banks across Emerging Markets to follow suit as policymakers respond to softening growth and rising macro risks.

At the same time, soft data is pointing to greater caution among businesses and consumers. This could weigh on capital spending, consumption, and even seasonal trends—such as inventory planning ahead of the U.S. holiday season.

In response, we have selectively increased duration exposure in developed and regional markets, including Australia, Singapore, and Malaysia. While we have not added to U.S. Treasuries, we are

GLOBAL & REGIONAL EQUITIES *(CONT')*

positioning the portfolio with a more defensive tilt in view of the current macro backdrop.

Asian markets fared better, with the MSCI Asia ex-Japan index gaining 2.35%. India and Thailand led the rebound, both rising by around 7%. However, this bounce followed the previous week's sharp sell-off and was largely technical in nature, rather than reflective of improving fundamentals.

In China, March economic data came in above expectations, but the market response was muted. Stronger data was interpreted as reducing the urgency for further stimulus, which disappointed investors hoping for additional policy support.

Meanwhile, Taiwan Semiconductor Manufacturing Co. (TSMC) posted a strong set of quarterly results, with second-quarter revenue guidance coming in above consensus. Despite this, the company maintained its full-year outlook, citing potential macro headwinds in the second half of the year. This cautious stance stood out, as firms typically revise guidance higher when outperforming in the first half. Still, the results helped reaffirm confidence in the strength of this earnings season—particularly for key supply chain names.

On portfolio position, cash levels remain at around 5%, with no significant changes made last week. We continue to maintain an overweight in China and India, where structural growth drivers remain compelling. Meanwhile, we are underweight in technology, particularly the semiconductor segment, as valuations remain elevated and macro headwinds persist.

UPDATES ON MALAYSIA

The KLCI rebounded by 3.07% last week, closing at 1,499.40 on 18 April—just shy of the psychological 1,500 mark. This recovery erased recent losses from the tariff-driven sell-off, bringing the index back to pre-announcement levels.

Despite the strong rebound, market activity remained cautious. Average daily trading value fell by more than half to RM1.7 billion, indicating limited conviction behind the rally.

On a positive note, foreign outflows slowed significantly, narrowing to RM330 million from RM1.97 billion the week prior—marking the 26th consecutive week of net selling, but with signs of stabilisation.

Gains were broad-based across sectors, with the exception of healthcare, which continued to be weighed down by weakness in glove-related stocks.

Investor sentiment improved amid more constructive developments on the trade front. Malaysia's Minister of Investment, Trade and Industry, Tengku Zafrul Aziz, is set to travel to Washington on 24 April for high-level discussions with the U.S. Trade Representative and other officials. The visit aims to avert a proposed 10% blanket tariff on Malaysian exports, while also addressing existing 24% reciprocal duties.

According to Reuters, Malaysia will use the visit to position itself as a neutral, value-adding player in the global supply chain—particularly in semiconductors and the electrical & electronics space—rather than as a trade threat. The delegation is also expected to convey ASEAN's unified stance and correct misconceptions around the region's tariff practices.

UPDATES ON MALAYSIA *(CONT')*

Although no formal concessions have been confirmed, potential measures under consideration include reforms to the Approved Permit (AP) system—Malaysia's mechanism to regulate imports and protect domestic industries—as well as further liberalisation of foreign ownership limits in selected sectors.

On the portfolio front, performance tracked the broader market, with gains ranging between 2.5% and 3.5% for the week. Portfolio activity remained measured, with a cash buffer of 20–25% maintained. We remain well-positioned to deploy capital should market conditions turn more favourable.

FIXED INCOME UPDATES & POSITIONING

Regional Fixed Income

The global credit space showed signs of stabilisation last week, both in sentiment and volatility, as tariff concerns eased. While there was some light buying activity, it appeared to be mostly short covering rather than a broad-based rally followed by meaningful spread compression.

At the index level, Asia investment grade (IG) was broadly unchanged week-on-week, with credit spreads holding around 97 basis points (bps). Asian high yield saw a modest rally, tightening by 35 bps to approximately 560 bps. However, Asia lagged behind the US and Europe, where IG spreads narrowed by 5 to 10 bps, while high yield rallied around 20 bps in the US and 30 bps in Europe.

Primary market activity picked up moderately. China Great Wall Asset Management Co. issued a USD 450 million senior bond that attracted solid demand, with an order book about three times covered. In the US, five major banks—including Goldman Sachs, JPMorgan, and others—collectively raised close to USD 18 billion, with the deals performing well in secondary. Over in Australia, Sydney Airport priced a USD 600 million bond at 5.5% and has also traded well post-issuance.

On portfolio positioning, cash levels are currently around 3 to 4 percent. Foreign exchange (FX) exposure remains nearly fully hedged.

Domestic Fixed Income

The Malaysian bond market posted firm gains last week, with yields tightening by 3 to 9 bps, driven by strength at the short end. While the curve is currently pricing in one Overnight Policy Rate (OPR) cut, we believe a rate reduction remains unlikely, at least in the next BNM MPC meeting in May but will monitor for signs of change in language.

Malaysia's advanced estimate for first quarter gross domestic product (GDP) 2025 came in at 4.4%, below the 4.8% consensus. The slowdown was broad-based across sectors, although the services segment remained resilient, expanding by 5.2%, although lower than previous quarter. The market reacted positively to the release, with strong buying momentum post data release. The official GDP print, due on 16 May, should offer more clarity. To note, first-quarter data does not fully capture the impact of recently imposed tariffs. In our view, Bank Negara will likely keep the OPR at 3.00% in 1H25, a level it considers neutral, while retaining flexibility to respond if growth deteriorates further in the second half.

In the government bond space, a new three-year Malaysian Government Securities (MGS) benchmark was auctioned, drawing strong demand with a BTC ratio of 3.2 times. This was particularly notable given

FIXED INCOME UPDATES & POSITIONING *(CONT')*

Domestic Fixed Income

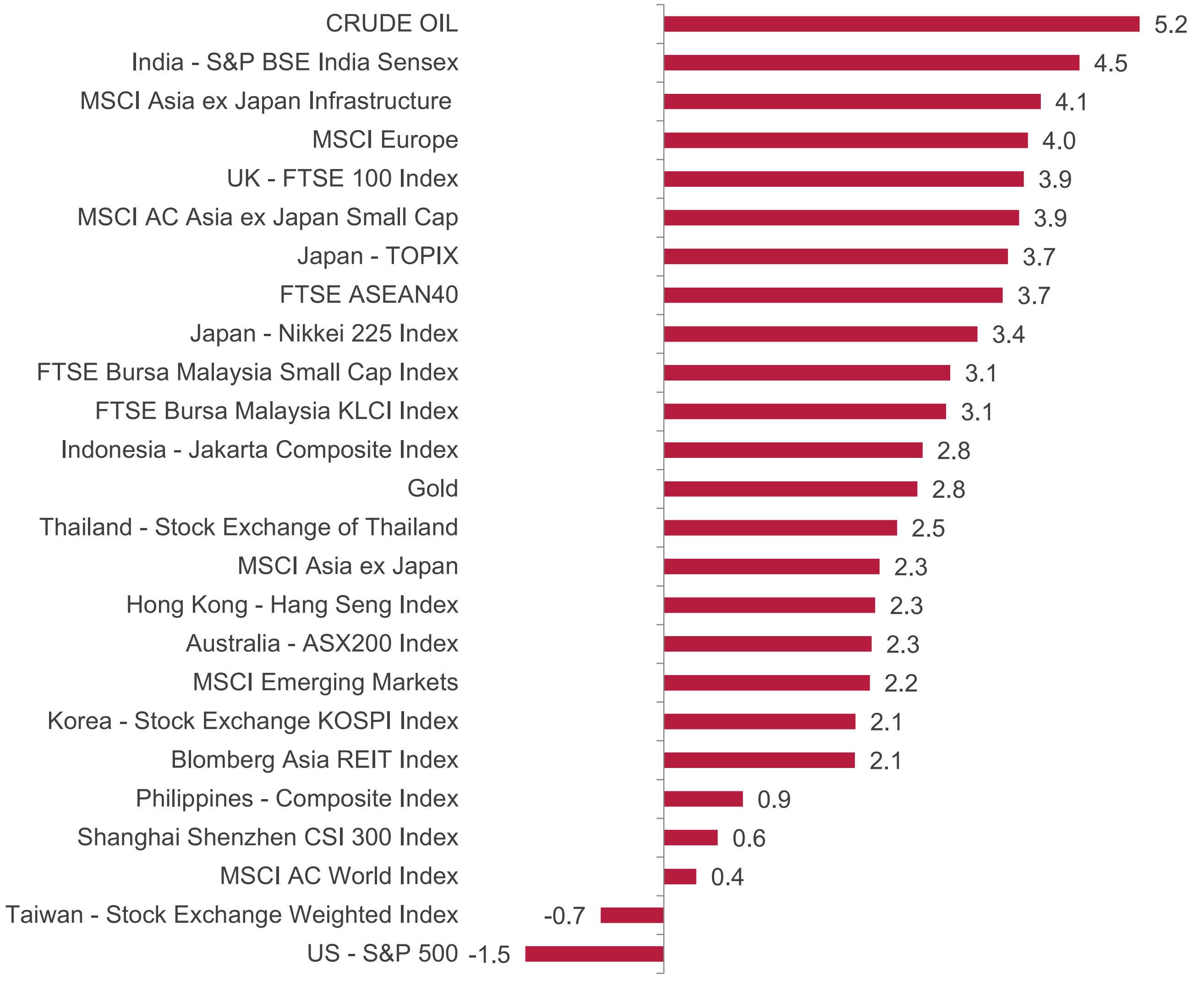
the sizeable RM5 billion issuance without private placement. The bond was awarded at 3.47% and ended the week 9 bps tighter at 3.38%. The 10-year and 30-year tenures were also well supported, closing at 3.71% and 4.09%, respectively.

On the corporate primary issuance front, Benih Restu Berhad, a wholly owned funding conduit of Genting Plantations Berhad and rated AA2(s), raised RM700 million, upsized from an initial RM400 million. The transaction saw strong interest, with a BTC ratio exceeding six times. The seven- and twelve-year tranches tightened from initial guidance of 25 to 30 bps, with final spread at 26 bps. Final yields were 3.88% for the three-year, 3.93% for the seven-year, and 4.05% for the twelve-year tranche, with the longest tenure seeing the most interest.

Meanwhile, Pengurusan Air SPV Berhad, a AAA-rated issuer, completed a RM2.1 billion offering. The BTC ratio exceeded two times, with final pricing tightening from 25 bps guidance to MGS plus 22 bps. The seven-year was priced at 3.86% and the fourteen-year at 4.06%. We participated in both issuances. Cash levels of our domestic bond funds remain below 5%.

- END -

Index Performance | 14 – 18 April 2025



Index Chart: Bloomberg as at 18 April 2025. Quoted in local currency terms.