19 - 23 May 2025

WEEKLY MARKET REVIEW

A brief on global markets and investment strategy

Key Highlights



- The S&P 500 fell 2.6% as markets oscillated between concerns surrounding trade tensions and US fiscal deficit.
- Trump's "Big Beautiful Bill" raised fiscal deficit concerns as he proposed extending tax cuts to corporates. Trump threatened 50% tariffs on EU starting June 1, but later them delayed to July 9.
- US PMI beat expectations, showing continued expansion in both services and manufacturing.
- The US 10-year Treasury yield rose to 4.6% before settling at 4.5%; the USD weakened on deficit concerns.



- MSCI Asia ex-Japan closed flat, reflecting muted sentiment amid global macro uncertainty.
- Foreign flows were mixed; India, Korea, Malaysia, and the Philippines saw outflows, while Japan and Taiwan attracted inflows.
- Taiwan's Computex Conference spotlighted Al infrastructure growth, benefiting Taiwan and Korea tech.
- Indonesia cut rates to support growth as inflation remain benign. IG credit spreads were flat; HY widened ~5 bps.



- The FBM KLCI fell 2.31%, led by losses in tech (-6.7%) while construction gained 0.7%.
- Foreign outflows totalled ~USD83 million amid heightened global risk aversion.
- April CPI held steady at 1.4% YoY; core inflation edged up to 2.0%, still within BNM's 2%-3.5% forecast.
- 5-year MGS yield dropped 7 bps to 3.19%; 10-year and 30-year down 2 bps each.
- Rate cut expectations for BNM's OPR shifted higher from 1 to 2 cuts in 2025 amidst macro headwinds.



GLOBAL & REGIONAL EQUITIES

US equities ended the week lower, with the S&P 500 falling 2.6%, as markets wavered between shifting trade headlines and growing fiscal concerns. The downturn coincided with a steepening of the US yield curve, reflecting investor unease over increased government spending following the passage of a sweeping tax and spending bill by the Republican-controlled House of Representatives.

Dubbed by US President Trump as the "Big Beautiful Bill," the legislation delivers on several of his populist campaign promises, offering tax breaks on tips and car loans, and boosting spending on the military and border enforcement. It also seeks to extend the corporate and individual tax cuts passed in 2017 during his first term.

However, the bill is expected to worsen the fiscal deficit outlook, raising concerns over the sustainability of US debt levels and the government's ability to manage rising interest payments.

Despite its scale, the bill is not expected to meaningfully lift corporate earnings, as it largely serves as an extension of existing tax cuts rather than introducing new structural reforms.

Trade tensions also weighed on sentiment, after Trump threatened to impose a 50% tariff on goods from the European Union starting June 1, citing stalled negotiations. Although he later backpedaled and pushed the potential start date to July 9.

On the data front, it was a relatively light week. However, US PMI figures for both services and manufacturing surprised to the upside, remaining firmly in expansionary territory at 52.

The stronger data helped push US Treasury yields higher during the week, with the 10-year yield peaking at 4.6% before settling at 4.5%. Despite rising bond yields, the US dollar has continued to weaken which is a departure from previous cycles as concerns over fiscal discipline and growing deficit erode confidence in the greenback.

Asia

Asian markets were largely directionless last week, with the MSCI Asia ex-Japan index closing flat. Sentiment remained subdued due to a lack of macro clarity around global trade developments and ongoing policy uncertainty from the US.

Flows were mixed across the region, with India, Korea, Malaysia, and the Philippines seeing net outflows over the week. Conversely, Japan, Taiwan, Thailand, and Indonesia continued to attract foreign inflows.

A key regional highlight was the Computex Conference in Taiwan, Asia's premier technology gathering. The event brought together major tech CEOs and underscored strong demand for Al infrastructure. Both Taiwan and Korea stand to benefit from higher orders tied to hyperscaler capex, growing enterprise demand, and sovereign investments in Al GPUs—particularly those supplied by NVIDIA and AMD.

On the monetary policy front, several countries, including China, Australia, and Indonesia, continued to adopt an easing bias. Indonesia cut interest rates last week amid a softer global growth outlook and declining inflation. These conditions are giving central banks in the region more room to support their economies through accommodative monetary policy.



GLOBAL & REGIONAL EQUITIES (CONT')

Asia

On portfolio positioning, cash levels remain steady at around 5%, with only minor trades executed last week. We top-sliced some positions in BYD, Sea Ltd, and select Indian holdings to take some profit.

At the same time, we added small allocations to Korean biotech companies. Korea remains a neutral to slightly overweight position in our portfolios, driven by bottom-up earnings upgrades in sectors (excluding tech) such as telecoms, biotech, and consumer.

We also modestly increased exposure to Taiwan to capture upside from Al-related demand, but maintaining our underweight position given potential risks in 2H'2025.

UPDATES ON MALAYSIA

It was a weaker week for the Malaysian equity market, with the KLCI index declining 2.31% week-on-week. Sector performance was mostly negative, with the construction index emerging as the top performer, gaining 0.7%, while technology led losses, falling 6.7%.

Foreign investors turned net sellers during the week, with an estimated USD83 million in outflows, reflecting a more cautious stance amid ongoing global uncertainty.

On the corporate front, Eco Shop Holdings Berhad made its market debut last week. The stock closed up 6% at RM1.20, giving it a market capitalisation of approximately RM6.9 billion. The listing drew notable investor interest and adds to the growing pipeline of consumer-focused names on the exchange.

In terms of domestic developments, Prime Minister Datuk Seri Anwar Ibrahim confirmed that there will be no immediate increase in RON95 petrol prices, with subsidies remaining in place for now. However, the government is exploring a targeted subsidy mechanism that could eventually exclude foreigners and the top 5% of income earners—although the criteria for the latter group has yet to be finalised.

From a portfolio perspective, we maintained our current positioning and made no major changes to strategy. We continue to stay largely on the sidelines while awaiting greater clarity on global tariff developments. Cash levels remain in the 15% to 20% range.

REGIONAL FIXED INCOME

The regional credit market turned more cautious toward the end of the week following comments from US President Donald Trump, who threatened to impose 50% tariffs on European Union (EU) goods. While the announcement introduced some headline risk, Asian investment-grade (IG) spreads were largely unchanged, while high-yield (HY) spreads widened slightly by around 5 basis points week-on-week.

In credit-specific news, Thai Oil Public Company Limited outperformed, with spreads tightening by up to 20 basis points. This was driven by news that the company is appointing a new contractor for its Clean Fuel Project (CFP)—a move that was positively received by the market, signalling progress in resolving earlier delays and execution issues. Thai Oil's 2030 bond, which had previously traded above 6%, is now yielding closer to 5.8%. The CFP has faced setbacks, including cost overruns and timeline slippages, which had attracted negative attention from rating agencies. The appointment of a reputable consultant to manage



REGIONAL FIXED INCOME (CONT')

the project is seen as a constructive step forward.

Conversely, Nippon Life Insurance Company came under pressure after reporting higher-than-expected unrealised losses on its Japanese bond portfolio, impacted by rising domestic yields. Although this is a known structural issue for Japanese insurers, the headline prompted a widening of spreads by 10 to 18 basis points, with its callable 2035 paper now trading around 6.3%. That said, market flows stabilised towards the end of the week, with some investors using the dip to accumulate positions.

In the primary market, we participated in three new deals:

- A US dollar-denominated bond issued by China Hongqiao Group, primarily taken up for trading purposes.
- Macquarie Group's AUD-denominated Tier 2 bond (15NC10), priced around 6.15%, which attracted strong demand with a bid-to-cover ratio close to 6 times. It gained around one point on launch day and ended the week yielding about 6.0%.
- HSBC's SGD-denominated bond, priced at approximately 3.4%, offering competitive yield in the highgrade space.

It is also worth noting that the US Treasury market will be closed on 26 May in observance of Memorial Day, and US dollar primary issuance is expected to be muted as a result.

On portfolio actions, we took profit on select bank papers and Australian corporate hybrids, continuing to rotate holdings amid evolving credit conditions.

DOMESTIC FIXED INCOME

The domestic bond market exhibited relative stability last week and ended on a firmer note, supported by subdued inflation data amidst ongoing global trade uncertainties.

Benchmark Malaysian Government Securities (MGS) yields ended the week lower across most tenures. The 5-year MGS declined by 7 basis points (bps) to 3.19%, while the 10-year and 30-year MGS both eased by 2 bps to close at 3.56% and 4.04% respectively. There were no government bond auctions during the week. The next major issuance is expected to be the new 20-year Government Investment Issue (GII) maturing in May 2045, with an estimated total size of RM5 billion—comprising RM3 billion via public auction and RM2 billion through private placement.

On the economic front, Malaysia's Consumer Price Index (CPI) for April 2025 was released on 22 May. Headline inflation remained steady at 1.4% year-on-year, unchanged from March and broadly in line with market expectations. Core inflation edged slightly higher to 2.0% from 1.9% in the prior month, driven by rising prices in services and durable goods. Despite this, overall inflationary pressures remain contained, with figures still within Bank Negara Malaysia's (BNM) 2025 forecast range of 2.0% to 3.5%.

While the government has reiterated that subsidies for RON95 petrol will remain in place for now, there are ongoing discussions about implementing targeted subsidy rationalisation. Even without accounting for these adjustments, market participants expect the inflation impact for the year to remain manageable.

Expectations around monetary policy have continued to evolve, with the latest market narrative shifting from one potential Overnight Policy Rate (OPR) cut to the possibility of two cuts within 2025.



DOMESTIC FIXED INCOME (CONT')

In the corporate private debt securities (PDS) space, the only new issuance last week was a Tier-2 subordinated bond (12-year non-callable 7-year structure) by Malayan Banking Berhad (Maybank), rated AA1, with a yield of 3.84%, translating to a spread of around 35 bps over the MGS with equivalent tenure.

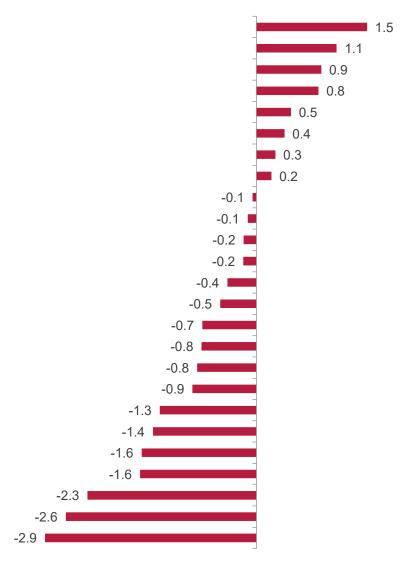
On portfolio action, we continued the rebalancing activity across government securities—both MGS and GII—while selectively taking profit on corporate bonds that had experienced significant credit spread compression. Cash levels currently range around 2%, and portfolio duration is maintained between 6.8 and 7 years.

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Index Performance | 19 - 23 May 2025

Indonesia - Jakarta Composite Index Hong Kong - Hang Seng Index FTSE ASEAN40 MSCI AC Asia ex Japan Small Cap MSCI Asia ex Japan Infrastructure UK - FTSE 100 Index Blomberg Asia REIT Index Australia - ASX200 Index MSCI Asia ex Japan **MSCI** Emerging Markets Shanghai Shenzhen CSI 300 Index Japan - TOPIX Singapore - Straits Times Index **CRUDE OIL** India - S&P BSE India Sensex MSCI Europe Philippines - Composite Index Taiwan - Stock Exchange Weighted Index Korea - Stock Exchange KOSPI Index MSCI AC World Index Japan - Nikkei 225 Index Thailand - Stock Exchange of Thailand FTSE Bursa Malaysia KLCI Index US - S&P 500 FTSE Bursa Malaysia Small Cap Index



Index Chart: Bloomberg as at 23 May 2025. Quoted in local currency terms.

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