

21 – 25 July 2025

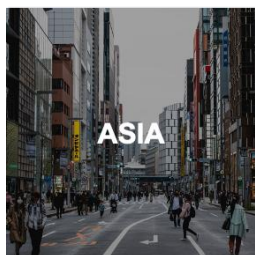
WEEKLY MARKET REVIEW

A brief on global markets and investment strategy

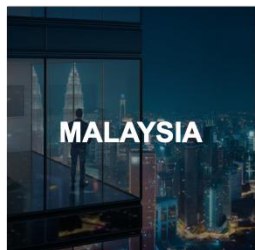
Key Highlights



- US equities rallied, with the S&P 500 up 1.5% and Nasdaq up 1.0%, boosted by easing global trade tensions.
- Trade agreements boosted risk assets, as the US struck deals with Japan and the EU, including large-scale aircraft purchases and reduced tariffs.
- US–China trade talks remain unresolved, though an expected 90-day extension could delay escalation and open doors for negotiations.
- Corporate earnings beat expectations, with 80% of reporting S&P 500 companies posting stronger-than-expected results.
- US 10Y yields edged lower to 4.4% as investors eye upcoming US Fed meeting.



- The MSCI Asia ex-Japan index rose 0.8%, driven by a 2.3% rebound in Chinese equities while other major markets were flat or slightly lower.
- Improved sentiment in China's tech sector followed a regulatory shift urging fairer competition among food delivery platforms.
- Materials sector sentiment improved, following news of a new mega-dam project in Tibet and broader policy efforts to reduce overcapacity in heavy industries.
- Asian credit remains attractive, with IG yields around 5% despite tighter spreads, supported by stable inflation trends and a constructive regional outlook.



- KLCI rebounded 0.52% last week, ending a two-week decline, supported by gains in the consumer and industrial sectors.
- Malaysian govies posted a mixed performance, with yields on the 3-year and 10-year MGS easing 1–3 bps, while the long end was flat.
- New fiscal measures totalling RM2.8 billion were announced to support households, including a cash handout, freeze on toll hikes and lower petrol prices.
- These measures are expected to cost the government approximately RM2.8 billion in additional spending this year. However, the cost is anticipated to be offset by extra revenue from expanded SST and e-invoicing.

GLOBAL & REGIONAL EQUITIES

US

US equities ended the week on a strong note, lifted by optimism surrounding a series of trade agreements. The S&P 500 rose 1.5%, while the Nasdaq gained 1.0%, as markets responded positively to signs of easing trade tensions.

Notably, the US and Japan reached a trade agreement over the week. Under the deal, Japan committed to purchasing 100 Boeing aircraft and increasing annual defence-related spending with US firms. Tariffs on Japanese autos which account for over a quarter of Japan's US exports were reduced from a cumulative 27.5% to 15%.

Similarly, the US and European Union reached a framework trade deal this week. A baseline 15% tariff will apply to a majority of EU exports to the US, while the EU pledged to purchase US\$750 billion worth of US energy and invest an additional US\$600 billion in the US economy.

In contrast, China has yet to secure a trade breakthrough with the US. Though the August 12 deadline for reaching a deal is widely expected to be extended by another 90 days. An extension of this length would prevent further escalation and potentially pave the way for a meeting between President Trump and President Xi sometime in 4Q'25.

Earnings season also played a role in market strength. About 40% of S&P 500 companies have reported results, with 80% exceeding expectations—a strong showing relative to prior quarters.

On macro data, the key highlight came from the US PMI which surprised to the upside, coming in at 54.6 for July. The latest reading showed a resilient services sector, while manufacturing slipped slightly into contraction. The US 10-year Treasury yield ended the week marginally lower at 4.4%, while the US dollar continued to soften.

On the central bank front, the European Central Bank (ECB) kept policy rates unchanged and adopted a cautious tone, emphasising a data-dependent approach for future decisions. This was perceived as slightly hawkish by markets, leading to a modest selloff in European rates.

Looking ahead, market attention will turn to a busy week of central bank meetings, including the US Federal Reserve and the Bank of Japan. The US Treasury will also release its August refunding announcement, which may influence bond supply expectations. Additionally, July's US employment data will be closely watched, alongside the continuation of earnings season.

Asia

In Asia, the MSCI Asia ex-Japan index rose 0.8% last week, lagging the US. Among the region's four largest markets—China, Taiwan, India, and Korea—only China posted gains, rising 2.3% and providing most of the uplift to the index. The others were flat or declined modestly.

China equities saw renewed strength after the State Administration for Market Regulation called major food delivery platforms—including Eleme (subsidiary of Alibaba), Meituan, and JD.com—urging them to limit irrational competition. The regulatory move was viewed positively by the market compared to past government interventions in the tech sector.

Asia (cont')

In addition, Chinese authorities announced plans to build a massive hydropower dam in Tibet which is 3 times the size of the existing Three Gorges Dam. While the projected demand increase for cement and steel is modest at just 1% annually, the announcement boosted sentiment in China's long-depressed materials sector, including cement, steel, and construction equipment makers.

This ties into a broader policy theme gaining traction in China: the government's push to curb overcapacity and reduce inefficient competition across industries. Known locally as the "anti-involution" drive, this initiative is supporting a rebound in industrial sectors such as coal, aluminium, and steel.

In line with this, we've been increasing exposure to industrial materials, including positions in aluminium producers, heavy equipment makers, cement, and glass. On the portfolio side, we also added Singapore mid- and small-cap names such as SATS and Yangzijiang Shipbuilding. Cash levels are maintained at a range of 3% to 5%.

UPDATES ON MALAYSIA

Back home, the benchmark FBM KLCI rose 0.52% week-on-week, snapping a two-week losing streak. The rebound was led by gains in the consumer and industrial sectors. Meanwhile, the construction and property sectors saw some profit-taking, following strong gains in the prior week.

Foreign fund flows remained negative for the 3rd consecutive week, as investors stayed cautious ahead of a potential trade deal with the US. In contrast, local retail investors were net buyers for the week.

On the policy front, the Prime Minister announced a RM2 billion cash aid package for Malaysians, along with a 3% reduction in the price of RON95 petrol. These announcements gave a lift to consumer-related stocks, particularly mass-market retailers such as 99 Speed Mart, Eco-Shop, and AEON, which are expected to be key beneficiaries of the cash handout.

In terms of portfolio activity, funds took the opportunity to trim positions in REITs, while selectively adding to telco and consumer names. Cash levels currently range between 10% to 20% across both conventional and Shariah-compliant mandates.

REGIONAL FIXED INCOME

Asian credit spreads tightened last week as we continue to remain constructive on the region's yield profile. Despite tighter spreads, Asian investment-grade (IG) bonds continue to offer compelling value, with yields hovering around a historically attractive 5% underpinned by stable inflation trends across the region.

The primary market in APAC has also remained robust. Year-to-date, APAC dollar and euro bond issuance has surged by 47%, reaching approximately USD 285 billion. Euro-denominated APAC bond trading volumes have expanded significantly—up 3 to 4 times since Q1'25. Local issuances in the Euro and AUD currency space were key beneficiaries of this growth.

In the CNH primary market, recent deals saw strong investor demand. Notably, dairy producer Mengniu (BBB+) and Temasek (AAA-rated) tapped the market last week. Mengniu's issuance drew a sizeable order book of RMB 18 billion which was 5 times oversubscribed, while Temasek attracted RMB 53 billion in demand which was 10 times oversubscribed.

Temasek secondary CNH curve repriced significantly tighter leading up to new issue Temasek curve while still continued to trade wider than Hong Kong government international bonds. Towards the end of the week, CNH markets experienced some volatility as onshore yields climbed, although settling down better this week with onshore funding improving.

On the USD APAC side, the primary market was relatively quiet due to summer holidays and the earnings season. Only 3 small USD deals were priced, totaling under USD 1 billion, primarily dominated by Chinese financials, including a USD 400 million issuance from China Securities International Finance and USD300 million by Guotai Junan. In AUD market, we saw AUD3.25 billion issued out of AU financials – AUD1.5bn by NAB and AUD1.75bn by Suncorp Bank. NAB printed pricing AUD1.5 billion 15NC10 T2s at +170bp, with final orderbooks over AUD3.3 billion.

We participated in Temasek's 30-year primary deal and subsequently took profits after the bond rose by approximately 0.80 cents. In the secondary market, we trimmed exposure to AUD and SGD bonds that have performed strongly YTD.

DOMESTIC FIXED INCOME (CONT')

The Malaysian government bond (govvies) market posted a mixed performance last week. The front to belly segments of the yield curve eased by 1 to 3 bps, driven by gains in the 3-year and 10-year MGS. Meanwhile, the long end was largely unchanged, except for the 20-year MGS which rose 3 bps. By week's end, the 3-year, 10-year, and 30-year MGS yields stood at 3.05%, 3.39%, and 3.91%, respectively.

In the primary market, the government reopened the 10-year GII with a total issuance of RM5 billion and no private placement. The auction was well received, attracting total bids of RM14 billion for a bid-to-cover ratio of 2.73x. The bond cleared at an average yield of 3.47%.

On the corporate front, three new Private Debt Securities (PDS) primary deals were issued:

- Petros, rated AAA, issued RM2 billion across 5-, 7-, and 10-year tenures, with credit spreads ranging between 27 and 35bps. The longer tenor, 10y tranche saw stronger demand with an issue size of RM1.2 billion and a spread of 27bps
- Johor Plantations, rated AA1, issued RM200 million of a 10-year bond with a spread of 27bps
- CIMB issued a RM2.5 billion Tier 2 bond, rated AA2 across two tranches – 10NC5 and 13NC8. The latter saw stronger demand due to its higher absolute yield of 4%, with spreads slightly above 50 bps.

We participated in all three primary issuances for our local bond portfolios.

In terms of economic data, Malaysia's headline CPI came in softer than expected at 1.1% y-o-y for June (vs. consensus: 1.2%), bringing YTD average inflation to 1.4%. Core inflation remained stable at 1.8%.

To support households, the Prime Minister unveiled various fiscal relief measures last week. These include: i) A one-off RM100 cash handout; ii) Reduction in RON95 petrol prices; iii) Freeze on toll hikes across 10 highways; and iv) increased allocation for the Madani Rahmah Sales Programme, now RM600 million (up from RM300 million)

DOMESTIC FIXED INCOME (CONT')

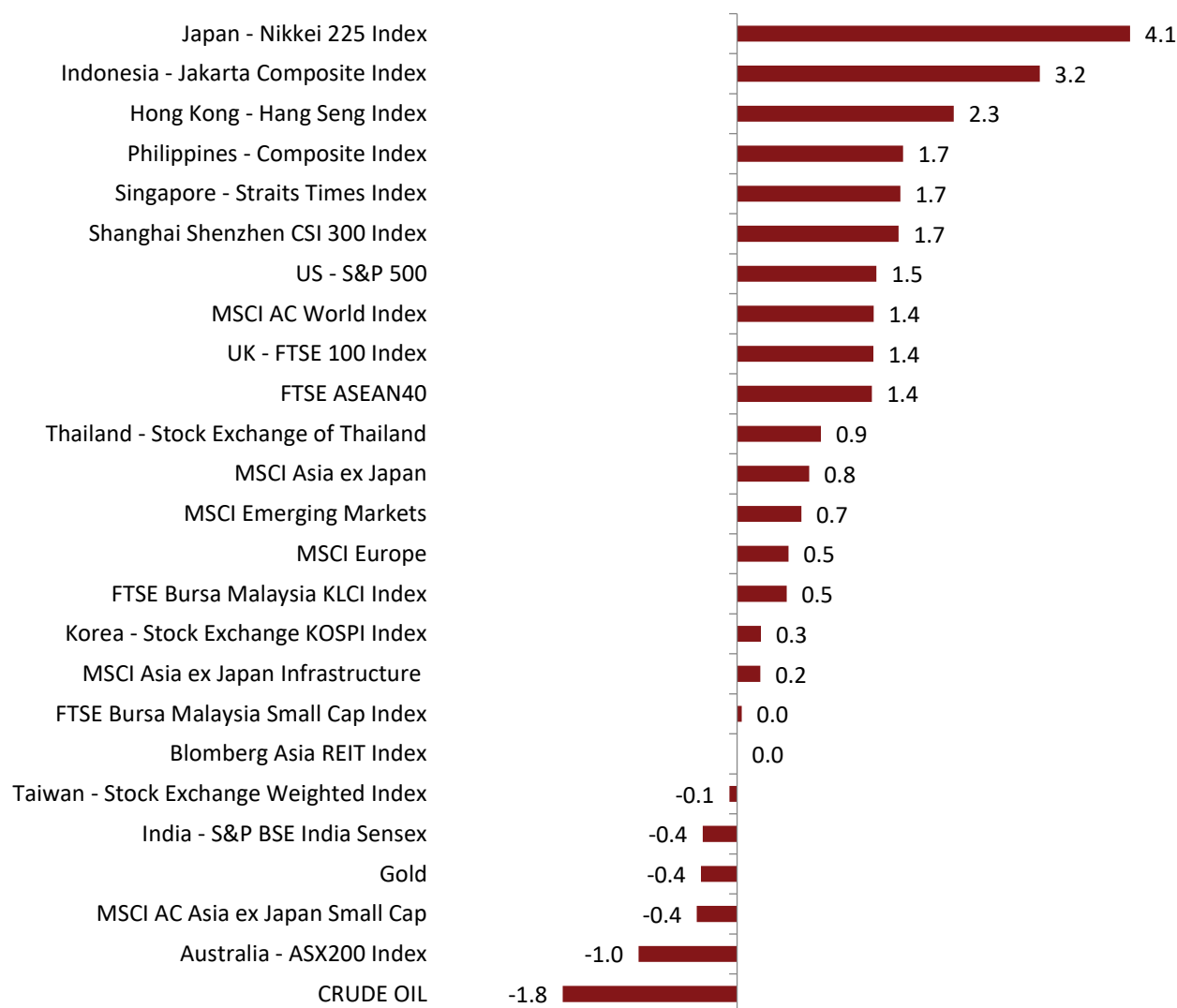
These measures are expected to cost the government approximately RM2.8 billion in additional spending this year. However, the cost is anticipated to be offset by extra revenue from the expanded sales and services tax (SST), e-invoicing, and lower-than-expected salary costs under the Public Service Remuneration System (SSPA). The government is expected to stay on track to meet its 2025 fiscal deficit target of 3.8% of GDP.

We view the impact of these measures on inflation to be broadly neutral. Combined with the subdued inflation print in 1H25, the delay in RON95 subsidy rationalisation, and limited effects from electricity tariff hikes, we maintain our view that inflation in 2025 will likely remain below 2%.

On portfolio action, we continued to take profit and rotate into primary issuances last week. As a result, cash levels dipped slightly to 1–3%, with duration remaining long at just above 7 years.

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Index Performance | 21 – 25 June 2025



Index Chart: Bloomberg as at 25 July 2025. Quoted in local currency terms.

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