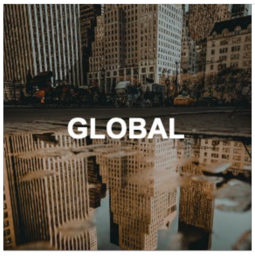
28 April – 2 May 2025

WEEKLY MARKET REVIEW

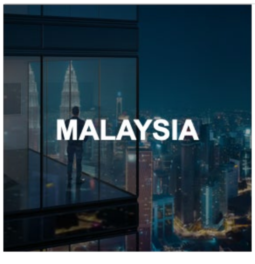
A brief on global markets and investment strategy

Key Highlights



- US equities rallied with the S&P 500 rising 2.92%, posting its second consecutive weekly gain.
- Easing US-China trade tensions and strong earnings from tech giants like Meta and Microsoft boosted sentiment.
- US Q1 GDP contracted by 0.3%, while consumer confidence fell to its lowest since May 2020.
- Labour data showed mixed signals: payrolls rose by 177,000, but job openings dropped to the weakest level since September 2024.
- The 10-year US Treasury yield ended flat at 4.3%. Markets now await the upcoming Fed policy meeting.

- The MSCI Asia ex-Japan Index rose 4%, driven by hopes of renewed US-China trade talks.
- Gains were broad-based, with China up 2.4% and other markets rising between 2% and 4%.
- Manufacturing PMIs remained below 50-point threshold in most markets, signalling contraction, except for India, which stayed in expansion.
- Foreign fund flows into Asia showed tentative signs of improvement, providing strength to regional currencies.
- In credit markets, Asia IG and HY spreads held steady, while Thailand bank subordinated spreads widened by 10–15 bps.



- The FBM KLCI gained 2.21%, with most sectors recovering to pre-tariff levels.
- Foreign investors recorded net inflows of RM850 million for the week.
- Exporters accelerated production ahead of the 90-day tariff grace period, while a stronger Ringgit supported importers.
- The government bond market remained steady, with the yield curve flat week-on-week.
- BNM is expected to keep the OPR unchanged at its upcoming MPC meeting. But it may adopt a more dovish tone in light of global trade risks.

GLOBAL & REGIONAL EQUITIES

United States (US)

Risk assets ended April on a stronger note, with the S&P 500 rising 2.92% last week — its second straight weekly gain. The rally marked a stark reversal from earlier weakness at the start of April, when Trump announced his Liberation Day tariffs.

Receding fears over US-China trade tensions helped drive the recovery amidst tentative signs of softening by Trump. While a comprehensive resolution remains distant, markets appeared to take comfort in the absence of further escalation and signs that both sides may be inching back toward the negotiating table.

China's Commerce Ministry confirmed that senior US officials had made several attempts through "relevant parties" to reinitiate trade talks. While no formal negotiations have begun, the shift in tone suggests a willingness to re-engage, helping to soothe sentiment that had been frayed by the sharp escalation in tariffs earlier in the month.

Adding to the positive momentum were strong earnings reports from megacap technology names, including Meta and Microsoft. These results helped to ease concerns over the durability of capital expenditure in artificial intelligence (AI) and growth prospects despite a more challenging macro backdrop.

On the macro front, data out of the US came in mixed. First-quarter GDP surprised to the downside, contracting by 0.3%, largely due to a sharp rise in imports — a likely result of inventory front-loading ahead of expected trade tariffs. Consumer confidence also declined, with the Conference Board's index dropping nearly eight points to 86, its lowest reading since May 2020.

Additionally, we saw a raft of labour data over the week. Nonfarm payrolls increased by 177,000 in April, ahead of expectations of 138,000. However, the number of job openings fell to 7.2 million in March, the weakest level since September 2024 indicating that employers may be growing more cautious in hiring.

This divergence underscores the broader theme that while hard data continues to hold up reasonably well, soft data particularly sentiment and business surveys points to further weakness ahead. Over the past week, yields were largely unchanged, with the 10-year Treasury finishing at 4.3%, after having traded as low as 4.0% and as high as 4.5% during a volatile April.

Looking ahead, markets will focus on this week's US Federal Reserve (Fed) policy meeting. While no change in interest rates is expected, investors will be closely watching for any shift in the Fed's tone. We expect the Fed to stay pat on policy for now, opting to wait for further data before taking further action.

Asia

Asian equities joined the global rebound last week, with the MSCI Asia ex-Japan Index rising 4%. Gains were broad-based, with China up 2.4% and other regional markets advancing between 2% and 4%. The rally was underpinned by hopes of renewed dialogue between the US and China, following reports that both sides are open to resuming trade negotiations. While nothing concrete has yet emerged, the absence of fresh escalation was enough to lift sentiment across risk assets.

Despite the relief rally, economic data across Asia continues to reflect the weight of external headwinds. Manufacturing activity has slowed markedly, with most regional PMI readings now below the 50-point

GLOBAL & REGIONAL EQUITIES *(CONT')*

Asia

threshold, signalling contraction. This includes major exporters such as China, Indonesia, Korea, and Taiwan — all of which are grappling with softer demand from developed markets. India remains the notable exception, with PMI figures still in expansionary territory.

Helping to offset some of the near-term pressure is the decline in oil prices, which has fallen by -20%YTD to USD 59 per barrel. Lower energy costs should ease inflationary pressures across the region and, in turn, support real incomes and consumer demand. Nevertheless, the overall pace of economic activity in Asia is expected to slow in the 2Q'2024 especially in light of weak US GDP data and its knock-on effects on global trade.

In terms of portfolio positioning, we have maintained a steady cash level of around 5% in our Asian funds We continue to favour markets with stronger domestic demand dynamics such as India and China.

Foreign fund flows into Asia are showing tentative signs of a turn. While not yet signalling a decisive rotation, there has been a mild shift in allocation preference from developed markets to Asia. This was also reflected in the broad-based strength of regional currencies over the week, with the Taiwan dollar strengthening by more than 9% in the past 2-3 days.

UPDATES ON MALAYSIA

The FBM KLCI extended its upward trajectory last week, advancing 2.21%. Gains were broad-based, with most sectors recovering to pre-tariff announcement levels. However, financials, plantation, transport, and energy sectors continued to underperform.

Foreign investor sentiment continued to strengthen, registering net inflows of RM850 million for the week. Market activity also picked up, with average daily traded value exceeding RM2 billion despite a shortened trading week due to the Labour Day holiday on 1 May. Meanwhile, the ringgit posted significant gains—supportive for importers but presenting headwinds for local exporters. Our channel checks indicate that many exporters are accelerating production to fulfil front-loaded orders ahead of the 90-day grace period, suggesting that the full impact of the tariffs will likely materialise in the second half of the year.

In view of the recent rally, we selectively trimmed positions in the technology and electronics manufacturing services (EMS) sectors to lock in gains and rebalance portfolios. Market news flow remained relatively quiet over the week. Our portfolios delivered gains of between 2.5% and 3.5%, modestly outperforming the broader market.

FIXED INCOME UPDATES & POSITIONING

Regional Fixed Income

The key credit development last week centred on Thailand. Moody's revised its outlook on Thailand's banks and state-owned enterprises (SOEs) to negative, following an earlier revision of the sovereign credit rating. This led to a widening of subordinated debt credit spreads for Thailand's banks by 10 to 15 basis points.

Across the broader Asian credit market, investment-grade (IG) and high-yield spreads remained largely

FIXED INCOME UPDATES & POSITIONING *(CONT')*

Regional Fixed Income

stable week-on-week at 90 basis points and 5.37%, respectively. While the primary market was relatively active, we maintained a selective approach—participating only in POSCO Holdings' five-year US dollar issuance, which priced at approximately 5.2%. This position was held largely for trading purposes and was exited within the week. We also took part in a Saudi Arabian sukuk issuance.

It was a shortened trading week in Asia due to the Labour Day holiday, and activity moderated towards the end of the week. In the secondary market, we were generally better sellers in the Australian dollar credit space, taking profit on selected Australian bank subordinated debt positions. Meanwhile, we selectively added duration and rates exposure through Singapore Government Securities (SIGB).

Domestic Fixed Income

The Malaysian bond market began the week on a firm note, though profit-taking emerged on Friday, pulling yields back to their starting levels. As a result, the yield curve closed largely flat, with marginal increases of up to one basis point week-on-week.

As at last Friday, yields on Malaysian Government Securities (MGS) stood at 3.26% for the three-year, 3.67% for the ten-year, and 4.06% for the thirty-year maturities.

In the primary market, the week featured a new issuance of the ten-year Malaysian Government Investment Issue (MGII), maturing in 2035. The auction drew moderate interest, with a bid-to-cover ratio of 2.0 times—healthy, but below the year-to-date average of nearly 3.0 times. We believe the current lower yield environment contributed to the softer bidding. No new corporate bond (Private Debt Securities, or PDS) issuances were opened during the week.

Looking ahead, Bank Negara Malaysia (BNM) will convene its third Monetary Policy Committee (MPC) meeting this Thursday. Since September 2023, MPC statements have maintained a neutral tone with little change in language. For the upcoming meeting, we anticipate a slightly dovish tone, though no adjustments to the Overnight Policy Rate (OPR) are expected. The committee may highlight downside risks stemming from global trade tensions and could indicate readiness to ease policy if necessary. As noted previously, any potential rate cuts are most likely to materialise in the second half of the year *(Read more in our Q2'2025 Market Outlook here).*

On the portfolio front, we continued selective switching within our corporate bond holdings. Cash levels remained below 3%, while portfolio duration was maintained at approximately 6.5 to 6.8 years.

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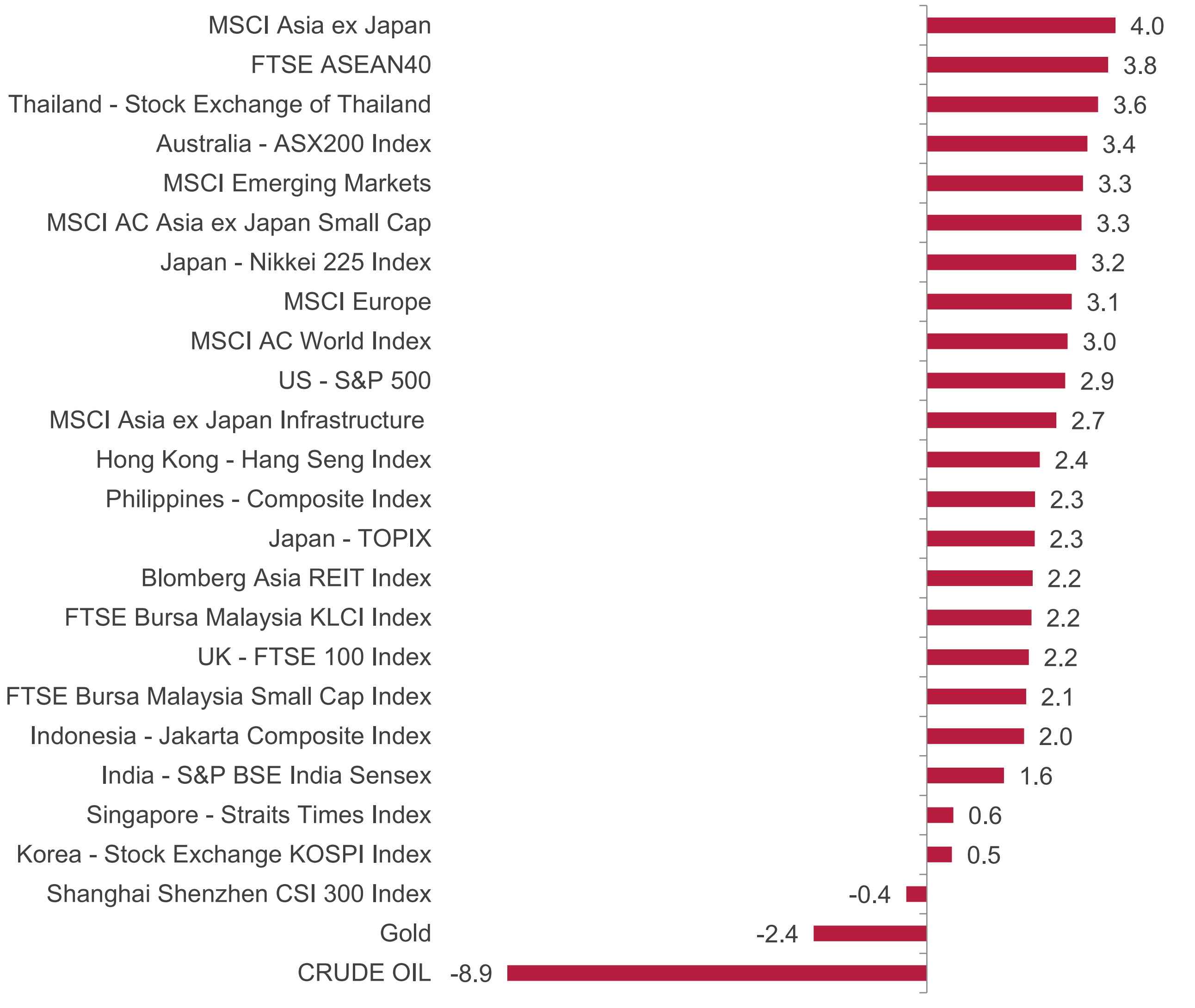
Index Performance | 28 April – 2 May 2025



Index Chart: Bloomberg as at 2 May 2025. Quoted in local currency terms.