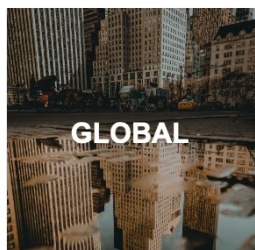


1 September – 5 September 2025

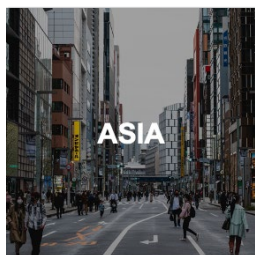
# WEEKLY MARKET REVIEW

A brief on global markets and investment strategy

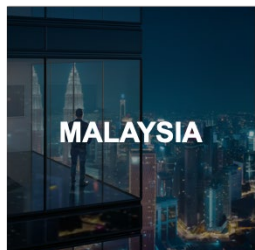
## Key Highlights



- U.S. Treasury yields extended their decline; the 10-Year settled at 4+% on 5 Sept, down 16 bps w/w, led by softer labour data.
- August NFP rose by just 22,000 vs 75,000 expected, with prior months revised down; JOLTS openings fell to 7.2m vs 7.4m expected, and the unemployment rate edged up to 4.3%.
- The U.S. Dollar Index (DXY) weakened to 97.4 amid lower yields and growth concerns.



- Indonesia saw nationwide protests and a cabinet reshuffle on 8 Sept, with Finance Minister Sri Mulyani Indrawati replaced by Purbaya Yudhi Sadewa, raising fiscal-discipline concerns.
- Despite the optics, the rupiah showed resilience on expectations of U.S. Fed easing, while equities turned volatile on near-term uncertainty and outflow risk.
- Fixed income reaction was contained: local-currency 10-year government bond yield +4 bps; 5-year CDS widened ~3 bps; moves in USD sovereigns were limited and moderated by U.S. Treasuries.



- Bank Negara Malaysia kept the OPR unchanged at 2.75% at the 4 Sept MPC meeting, in line with expectations.
- Government bond yields edged slightly higher ahead of supply; 10-year MGS +1 bp to 3.40%, 30-year MGS +2 bps to 3.99%.
- Corporate issuance included PTPTN, Aeon Credit Service (M) Berhad and Golden Agri Resources, with credit spreads remaining tight.



## MARKET PULSE | QUESTION OF THE WEEK

### Protests in Indonesia – At a Crossroad

Indonesia has faced nationwide protests since late August, driven by rising living costs and frustration over parliamentary perks. The unrest escalated in early September when the residences of several lawmakers were attacked, including that of Finance Minister Sri Mulyani Indrawati.

On 8 September 2025, President Prabowo reshuffled his cabinet, replacing Sri Mulyani with Purbaya Yudhi Sadewa, previously Chairman of the Indonesia Deposit Insurance Corporation (LPS).



#### Market Implications

The abrupt removal of Indonesia's influential Finance Minister Sri Mulyani Indrawati has unnerved investors, given her fiscal and policy credibility. Markets fear that her departure could pave the way for more populist spending under President Prabowo Subianto, raising concerns over the sustainability of Indonesia's fiscal position.

The incoming finance minister, Purbaya Yudhi Sadewa, is viewed as pro-growth, and investors will be watching closely to see how his policy stance balances growth ambitions with fiscal prudence.

While the optics of the change have dented sentiment, the rupiah has so far shown resilience, supported by expectations of US Federal Reserve easing, which has provided a stabilising backdrop.

However, Indonesian equities turned volatile, reflecting near-term uncertainty and the risk of renewed foreign outflows. Historically, foreign investor flows have amplified swings in Indonesian markets.

From a fixed income perspective, market reaction was contained rather than disorderly. Price action in U.S. dollar-denominated Indonesian sovereign bonds was limited overall, with moves moderated by U.S. Treasury moves.

Local-currency Indonesian government bond yields inched higher, with the 10-year benchmark up by 4 bps, while the 5-year Indonesian credit default swap (CDS) widened by about 3 bps.



#### Portfolio Positioning

We remain underweight Indonesia relative to the benchmark for our Asian equity portfolios. Current exposure is focused on banks and telecommunications, where we see greater resilience.

Within banks, PT Bank Central Asia Tbk (BCA) remains a preferred holding given its strong defensive profile. We remain mindful that episodes of foreign outflow can amplify volatility, but we are comfortable with our core positions through near-term noise.

## GLOBAL & REGIONAL EQUITIES

### US

U.S. Treasury yields continued their downward trend last week, with the 10-year yield settling at 4+% on Friday, 5 September, marking a 16 basis point (bps) decline over the week. As of 9 September, yields had eased further to 4.04%, extending a two-week decline driven primarily by softer labour market data.

The focus was on the U.S. Non-Farm Payrolls (NFP) and Job Openings and Labour Turnover Survey (JOLTS). NFP data showed only 22,000 jobs added in August, well below the expected 75,000, and down from 73,000 in the prior month. The weakness was concentrated in private payrolls and manufacturing, which turned negative. In addition, monthly revisions to the prior two months came in at -1,000, bringing the three-month moving average to just 29,000 jobs per month. The JOLTS report also reflected ongoing weakness, with job openings falling to 7.2 million versus expectations of 7.4 million—the lowest level in 10 months.

Other indicators confirmed the softer tone, with the unemployment rate edging up 0.1 percentage points to 4.3%, while average hourly earnings held within expectations. Taken together, the data reinforced Federal Reserve Chair Jerome Powell's guidance that policy will remain closely tied to labour market conditions. The weaker-than-expected jobs numbers sparked a rally in Treasuries as markets priced in greater odds of policy easing.

The U.S. Dollar Index (DXY)—which measures the dollar against a basket of six major currencies (EUR, JPY, GBP, CAD, SEK, CHF)—weakened further to 97.4, reflecting the downward adjustment in yields and concerns over U.S. economic momentum.

Looking ahead, attention will shift to the inflation side of the Fed's dual mandate. The August Consumer Price Index (CPI) release on Thursday, and also Producer Price Index (PPI) prior to that, will be key. Consensus expects headline and core CPI to rise 0.3% month-on-month. These prints will be closely watched as they could help determine the timing and magnitude of potential rate cuts in the coming quarters.

From a positioning standpoint, we remain neutral, with portfolio duration centred around the 5-year area. No significant tactical adjustments were made last week, as we continue to balance opportunities from the recent rally with the need for caution amid upcoming inflation data.

## DOMESTIC FIXED INCOME

The Malaysian fixed income market had a shortened trading week due to the National Day holiday on Monday (1 September) and the Prophet Muhammad's Birthday holiday on Friday (5 September).

At Bank Negara Malaysia's Monetary Policy Committee (MPC) meeting on Thursday (4 September), the central bank maintained the Overnight Policy Rate (OPR) at 2.75%, in line with market expectations.

Government bond yields edged slightly higher, largely in anticipation of increased domestic supply. A new three-year Malaysian Government Securities (MGS) was issued on Monday (8 September), while benchmark yields saw modest moves. The 10-year MGS yield rose by 1 basis point to 3.40%, while the 30-year MGS yield increased by 2 basis points to 3.99%, remaining just below the 4.0% threshold.

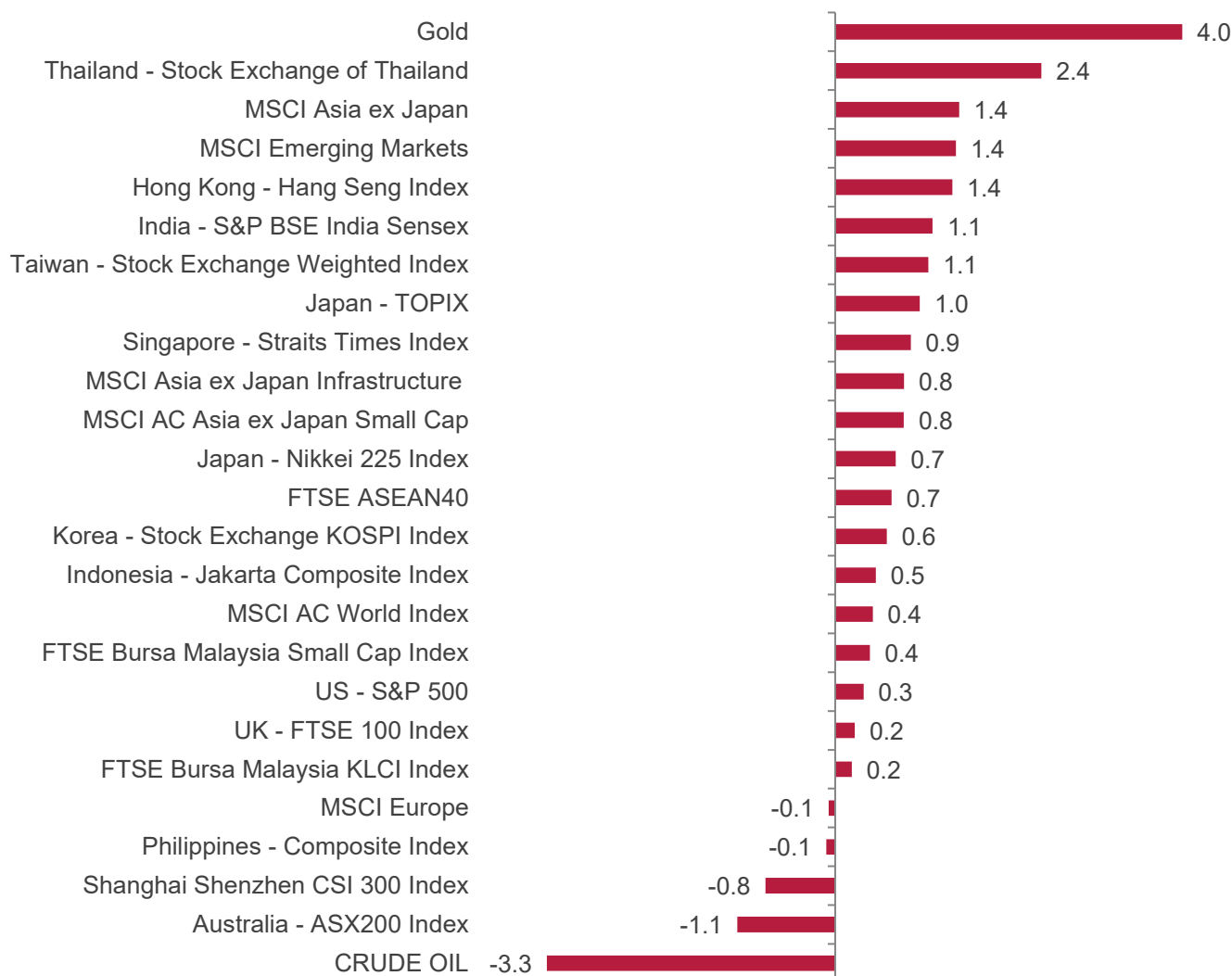
**DOMESTIC FIXED INCOME (*cont'*)**

In the corporate bond space, new issuances came from Perbadanan Tabung Pendidikan Tinggi Nasional (PTPTN), Aeon Credit Service (M) Berhad, and Golden Agri Resources (GAR). We did not participate as credit spreads remained tight, though the pipeline for September is expected to remain active with issuances across AAA, AA and AA3-rated names.

At the portfolio level, we undertook selective rebalancing, locking in gains from tighter credit spreads and raising cash positions for certain funds. Overall, cash holdings are at approximately 2%, while portfolio duration remains close to seven years.

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## Index Performance | 1 September – 5 September 2025



**Index Chart:** Bloomberg as at 5 September 2025. Quoted in local currency terms.

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