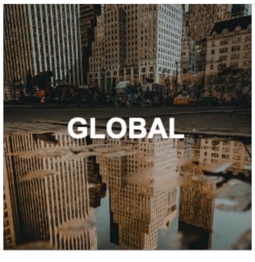
7 – 11 July 2025

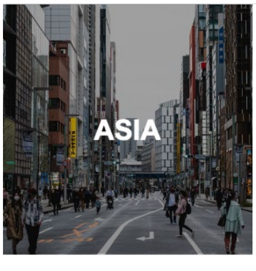
WEEKLY MARKET REVIEW

A brief on global markets and investment strategy

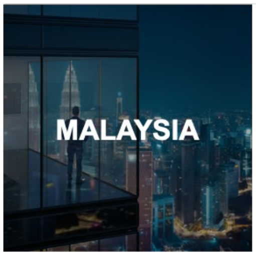
Key Highlights



- U.S. equities ended flat as markets digested Trump's "tariff notices" with muted reaction; S&P 500 dipped 0.3%, NASDAQ rose 0.1%.
- Jobless claims edged down to 227,000, signalling resilience in the labour market.
- Treasury yields climbed, with the 10-Year yield up 7 bps to 4.41%, on expectations of higher inflation and stronger CPI print.
- Fed minutes from its June meeting revealed a split stance on rate cuts. Bond markets still anticipate 2 cuts by year-end.
- In Australia, the RBA unexpectedly held rates steady at 3.85%, strengthening the AUD.



- MSCI Asia ex-Japan rose 0.3%, with Korea leading (+4%) on reform momentum and strong sector tailwinds.
- China (+0.9%) gained early on stimulus hopes but optimism faded by week's end.
- Taiwan (+0.9%) benefited from AI demand; TSMC and ASIC chip-related names remained in focus.
- India lagged (-1.2%) due to weak earnings in consumer sectors.
- Portfolio actions included adding to Korea especially names set to benefit from corporate reforms and export tailwinds.



- KLCI declined 0.9% amid US tariff hikes and potential AI chip export restrictions; market remained resilient.
- Key focus on US tariffs rising to 25%, with additional 10% proposed for BRICS-aligned nations. Malaysia has until 1 August to negotiate.
- BNM cut the OPR by 25 bps to 2.75%, its first rate cut since 2020. Reaction was muted, with banking sector seeing mild earnings impact.
- Foreign investors were net sellers in June; YTD outflows rose to RM12.1b.
- Portfolio stance turned more neutral with lower cash levels and selective opportunities eyed.

Q3'2025 Market Outlook

Equities

Regions	Views
United States / Global	• Neutral view maintained due to tariff uncertainty, slowing growth, and expensive valuations. • Higher US tariffs (especially on China) and softer GDP outlook may prompt the Fed to cut rates in the 2H'25. • S&P500 earnings breadth improving, but investor flows remain cautious.
Asia	• Overweight Asia ex-Japan due to USD weakness and returning foreign inflows. • Korea favoured for reform momentum, Taiwan benefits from AI ramp-up. • Underweight India and ASEAN due to lack of near-term catalysts. • Neutral on China amid delayed stimulus and weak earnings outlook.
Malaysia	• Neutral view with slowing earnings momentum and cautious sentiment. • Local institutions and pension inflows providing liquidity support. • Preferred sectors: property (cheap valuation), income (yield stability), utilities (resilient demand), healthcare (domestic focus).

Fixed Income

Regions	Views
United States / Global	• Positive view as global slowdown and easing inflation will support fixed income. • Central banks expected to remain accommodative, with 2 rate cuts by the Fed anticipated in 2025. • All-in yields remain attractive despite tighter spreads, offering better carry.
Asia	• Positive view supported by high all-in yields and strong technicals. • Opportunities in AT1 segment due to shrinking supply and attractive carry.
Malaysia	• Positive outlook amid stable credit conditions and strong domestic demand. • Expect credit spreads to widen slightly due to increased supply. • Overweight duration (benchmark +0.5 to 1.5 years), with focus on quality and liquid names.

GLOBAL & REGIONAL EQUITIES

US

It was an overall mixed week for markets. The key focus remained on tariffs, which continued to dominate headlines. That said, market reactions were noticeably more muted compared to the sharp response seen during the Liberation Day announcements in early April.

U.S. equities ended largely flat, S&P 500 dipped 0.3% while the NASDAQ edged up 0.1%. Last week, US President Trump issued more formal “tariff notices” to major trading partners, detailing the respective tariff rates. However, markets appeared relatively unfazed, as most of these rates mirrored those initially flagged during the Liberation Day announcement. More importantly, the White House granted an extension to 1 August before implementation, giving trading partners further room for negotiation.

The prevailing sentiment seems to be that as long as tariffs are not immediately enforced, risk appetite will hold up. In line with the now-familiar “TACO” narrative—Trump Always Chickens Out—markets are opting to look through the headline risks. One area of surprise was the tariff treatment for U.S. neighbors, with Canada and Mexico receiving some of the highest rates at 35% and 30% respectively.

On the macro front, U.S. initial jobless claims came in lower than expected, falling by 5,000 to 227,000 in the week ending July 5. While the labour market continues to show signs of gradual cooling, it remains broadly resilient.

In the bond market, U.S. Treasury yields moved higher, with the 10-Year yield rising 7 bps to settle at 4.41%. The move was largely in anticipation of short-term inflationary pressures stemming from US Tariffs and this week’s key data releases—particularly retail sales and CPI inflation. The market expects headline CPI to rise from 2.4% to 2.6%, which likely drove some of the recent selling pressure in bonds.

We also had the release of the FOMC minutes from the June meeting. The minutes revealed a split among Fed members regarding the timing and magnitude of future rate cuts. While the labour market remains supportive of easing, the Fed appears to be waiting for further confirmation that inflation is not on a sustained upward path, before resuming its rate cut cycle. For now, we continue to expect 2 cuts by year-end, but the path remains data dependent.

Separately, the Reserve Bank of Australia surprised markets by keeping rates unchanged, against consensus expectations of a 25 bps cut. The unexpected pause prompted a bout of strength in the Australian dollar.

Asia

In Asia, the MSCI Asia ex-Japan index rose modestly by 0.3% last week, as tariff rates were largely in line with April’s initial Liberation Day announcement.

The standout performer was Korea, with the KOSPI index rallying by 4%. This continues to reflect strong momentum in the value-up reform narrative. Notably, the Korean government has implemented several amendments to the Commercial Act, including improvements to the selection process of independent directors and the audit committee, and support for electronic shareholder meetings.

In addition, further reforms are being considered to cancel treasury shares held by companies, which is

Asia *(cont')*

aimed improving corporate governance and shareholders returns. This proposal is expected to be deliberated in September. Overall, we remain constructive on Korea, supported by both structural reform momentum and thematic exposure to sectors like semiconductors, power, shipbuilding and cosmetics.

Elsewhere, Chinese equities rose by 0.9% following market excitement over unverified reports hinting at a possible high-level government meeting that could mirror the influential 2015 Central Urban Work Conference according to Bloomberg. Initial optimism lifted sentiment mid-week, but by Friday, market expectations were tempered. Analysts highlighted that the government is unlikely to implement another round of large-scale stimulus, given the unintended consequences of past cycles, such as property bubbles and the accumulation of local government debt.

Taiwan also rose by 0.9% last week, supported by continued strength in AI-related demand. TSMC delivered another solid set of quarterly results, and there has been growing investor interest in ASIC chip makers, which are benefitting second-tier original design manufacturers (ODMs) exposed to the AI supply chain.

On the other hand, India was the weakest performer, falling by 1.2%. This was driven by mildly disappointing corporate earnings, particularly among consumer names, amidst elevated valuations.

From a portfolio perspective, we added to Korean exposures—particularly in conglomerate names benefiting from both corporate reform and strong export tailwinds. We also took some profit in China, trimming positions in selected mining names. In Thailand, we initiated a position in Airport of Thailand which is trading at attractive valuations. Cash levels range between 3% to 5%.

UPDATES ON MALAYSIA

Last week, the benchmark KLCI index declined by 0.9%. Despite announcements surrounding higher tariffs and potential AI chip export restrictions from the United States targeting Malaysia and Thailand, the market remained relatively unfazed.

One of the key developments was the increase in US import tariffs, which rose from 24% to 25%, with a potential additional hike of 10% for countries aligned to BRICs under consideration. While this development has raised concerns, Malaysia's base tariff rate remains among the lowest in ASEAN, excluding Singapore. Malaysia has until 1 August to negotiate potential reductions. One proposed measure under consideration includes the introduction of higher tariff rates on transhipments, similar to what has been implemented in Vietnam.

The US has also raised several concerns about Malaysia's trade and investment landscape. These include restrictions on motor vehicle imports, the structure of government procurement, limits on foreign ownership in certain sectors, and the cabotage policy governing undersea cable repair access.

Another significant development was Bank Negara Malaysia's decision to cut the Overnight Policy Rate (OPR) by 25 basis points to 2.75%. This marks the first rate cut in five years. The impact on equity markets was relatively muted, with the banking sector seeing modest earnings decline of around 2 to 3%, which were broadly in line with market expectations.

Meanwhile, foreign fund flow data for June showed that investors had turned net sellers. Foreign outflows

UPDATES ON MALAYSIA *(cont')*

amounted to approximately RM1.3 billion during the month, compared to a net inflow of RM1.0 billion in May. On a year-to-date basis, foreign net outflows have now risen to RM12.1 billion, a sharp increase from the RM0.8 billion recorded in the first half of last year.

From a portfolio positioning perspective, we have turned more neutral, having previously adopted a cautious stance. Cash levels have come down to the low teens, and we are continuing to look for opportunities to deploy further in select areas of the market.

REGIONAL FIXED INCOME

Asian credit markets were largely stable last week, despite some volatility in US Treasuries. On a weekly basis, Asian investment grade (IG) spreads were broadly unchanged, while Asian high yield (HY) widened by approximately 6 basis points. Within the high yield segment, Chinese property and Indian credits underperformed.

In the primary market, Asia Pacific saw a busy week, with around USD 20 billion and EUR 10 billion in new issuances. Japanese issuers led the activity, particularly NTT Group, the largest telecommunications company in Japan, which completed a jumbo multi-tranche deal. The group issued USD 11.25 billion and EUR 5.5 billion across 11 tranches. The order books were more than four to six times covered, reflecting strong investor demand for high-grade paper.

In Australia, the Reserve Bank of Australia surprised markets by keeping the cash rate unchanged at 3.85 percent, contrary to widespread expectations of a rate cut. Governor Michele Bullock emphasised that the decision was based on the timing of easing, rather than a change in policy direction. In response, AUD credit spreads tightened while yields moved higher, indicating continued strong demand for AUD-denominated credit.

Primary issuance in the Australian dollar space was limited, with a total of AUD 2.3 billion issued. Notably, Macquarie Group Limited issued AUD 2 billion, while Port of Newcastle raised AUD 300 million. The Port of Newcastle transaction was particularly impressive, with the order book more than 10 times covered. The bond tightened by over 20 basis points within hours of trading in the secondary market. Unfortunately, our funds did not participate in this deal due to selling restrictions.

In terms of portfolio actions, we participated in several new deals. These included Mapletree Investments Pte Ltd and UOL Group Limited in the Singapore dollar market. The Mapletree 20-year senior bond priced at 3.048 percent, with a final size of SGD 400 million and a book more than three times covered. The bond subsequently outperformed, gaining two points in the secondary market.

We also took part in Euro Prosus senior unsecured bond, which issued a 10-year euro bond at 4.343 percent. The EUR 750 million deal saw a book nearly five times covered, and the bond rose by around 50 cents in the secondary. In the Middle East, we entered into Riyad Bank's Tier 2 issuance — a 10NC5 structure priced at 6.209 percent, with a size of USD 1.25 billion and a three times covered book. The bond traded up by approximately 40 cents post-issuance.

To manage exposures and recycle capital, we also took profit on select secondary positions that had performed well, including names such as Dai-ichi Life Holdings, Great Eastern Holdings, and Alibaba Group.

DOMESTIC FIXED INCOME

The local bond market strengthened last week, supported by a boost in demand for government securities following Bank Negara Malaysia's (BNM) widely anticipated decision to cut the Overnight Policy Rate (OPR) on Wednesday, 9 July.

Malaysian Government Securities (MGS) yields declined by 1 to 4 basis points (bps) week-on-week, led by the three-year segment. While the move was largely priced in, the cut still provided modest support. Notably, the ultra-long 30-year MGS, which had been underperforming in recent weeks, finally saw some strength, rallying by 3 bps and closing below the 4% mark. The rally was largely driven by strong demand expectations ahead of the upcoming 30-year MGS auction scheduled for 14 July.

At the end of the week, benchmark yields stood at 3.08% for the 3-year, 3.44% for the 10-year, and 3.97% for the 30-year.

There were no primary issuances in either the government or corporate bond markets last week.

As highlighted earlier, Bank Negara delivered its first rate cut since 2020, lowering the OPR by 25 bps from 3.00% to 2.75%. The move was described as pre-emptive, aimed at supporting domestic growth in the face of rising external headwinds. The central bank acknowledged risks from slowing exports and weakening private consumption. While the accompanying policy statement was neutral in tone, it left the door open for future easing, emphasising a data-dependent approach. Internally, however, we do not expect further rate cuts for the remainder of the year.

In terms of portfolio positioning, we continue to maintain low cash levels and a long duration profile of approximately 6.5 to 7 years. Looking ahead, we may begin to gradually take profit on longer-dated government bonds, reduce portfolio duration, and reallocate into corporate bonds where appropriate.

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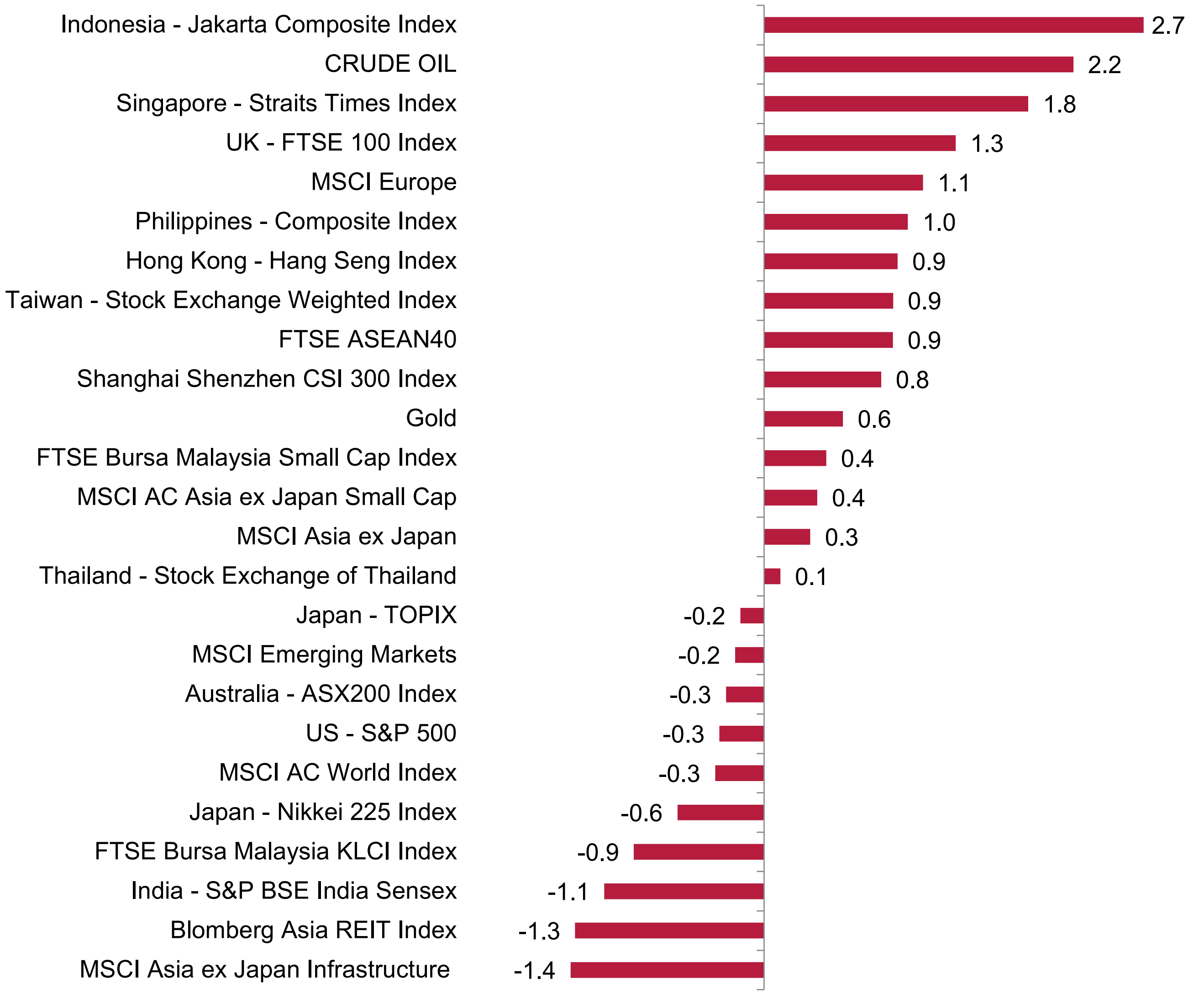
Index Performance | 7 – 11 July 2025



Index Chart: Bloomberg as at 11 July 2025. Quoted in local currency terms.