AHAM CAPITAL
ASSET MANAGEMENT

#GrowWithUs

JULY 2025

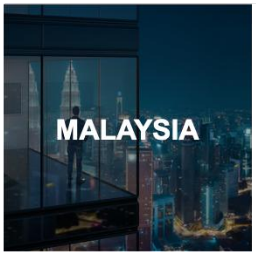
MONTHLY MARKET REVIEW

A brief on global markets and investment strategy

Key Highlights

- The S&P 500 and Nasdaq gaining 2.2% and 3.7% respectively, supported by easing trade uncertainty.
- US-Japan trade agreement finalised, with Japan agreeing to purchase Boeing aircraft and raise defence spending through US firms,
- Similarly, EU struck a trade deal with US setting a 15% baseline tariff on most EU exports to the US, alongside commitments to purchase US energy.
- US 10-year Treasury yields rose 14bps to 4.37% as weaker July jobs data led markets to fully price in a Fed rate cut by September.

- MSCI Asia ex-Japan Index rose 2.3% in July, with China leading gains after the MSCI China Index climbed 4.5% on the back of supportive policy measures
- .China announced a 1.2 trillion yuan hydropower project in Tibet and introduced “anti-involution” initiatives aimed at reducing excess capacity in key industrial sectors.
- Korean equities rallied, with the KOSPI up 5.7%, supported by the government’s “value-up” reform agenda.
- Taiwan’s market advanced 5.8%, driven by strong AI-related demand and solid quarterly earnings from TSMC.



- US reduced Malaysia’s proposed tariff to 19% from 25%, aligning it with peers such as Thailand and Indonesia
- Prime Minister Anwar Ibrahim announced the 13th Malaysia Plan (2026–2030), a strategic development blueprint that is broadly aligned with existing policies and seen as market-neutral in the near term.
- Consumer and construction sectors may benefit from the 13MP, with measures including higher development spending and expanded direct cash assistance.
- MGS yields eased 14bps to 3.37% after Bank Negara Malaysia cut the OPR by 25bps to 2.75%, its first rate cut since 2020.

GLOBAL

Global equities rose in July as risk sentiment improved, supported by greater clarity around US trade policy. With the 1 August tariff deadline approaching, countries rushed to finalise trade agreements with the US, helping to ease uncertainty. The S&P 500 gained 2.2%, while the Nasdaq climbed 3.7%, further buoyed by strong 2Q'25 earnings particularly from big tech companies.

Notably, the US and Japan reached a trade agreement. Under the deal, Japan committed to purchasing Boeing aircrafts and increasing annual defence-related spending through US firms. In return, tariffs on Japanese autos representing more than a quarter of Japan's exports to the US were cut from a cumulative 27.5% to 15%.

Similarly, a framework trade agreement was reached between the US and the European Union (EU). The new arrangement introduces a baseline 15% tariff on most EU exports to the US, while the EU committed to purchasing US$750 billion worth of US energy and investing an additional US$600 billion into the US economy.

Bilateral discussions between the US and China also progressed, with a recent meeting in Sweden pointing to the potential for a 90-day extension of the current trade truce. Such a move would prevent near-term escalation and open the door to a possible meeting between President Trump and President Xi later in the 4Q'25.

US Treasury yields edged higher during the month, with the 10-year yield rising 14bps to end July at 4.37%. The US Federal Reserve (Fed) held interest rates steady at its July policy meeting, as expected. However, the release of a weaker-than-anticipated July jobs report, alongside sharp downward revisions to May and June employment data shifted rate cut expectations. Bond markets are now fully pricing in 25bps rate cut by September, reflecting growing concerns of softness in the US economy.

ASIA

In Asia, the MSCI Asia ex-Japan Index rose 2.3% in July, with China among the notable outperformers. The MSCI China Index gained 4.5%, driven by renewed investor optimism following a series of supportive policy measures. These included the announcement of a 1.2 trillion yuan (US$167.4 billion) hydropower project in Tibet, as well as initiatives to curb excess capacity in key industrial sectors known as the "anti-involution" drive.

Korean equities also extended their rally, with the KOSPI Index climbing 5.7% as investors continued to respond positively to the government's "value-up" reform agenda. Recent amendments to the Commercial Act such as enhancing the selection process for independent directors and audit committees, and promoting the use of electronic shareholder meetings have reinforced the reform narrative and boosted sentiment, particularly in undervalued stocks.

Meanwhile, Taiwan's market posted a 5.8% gain, underpinned by ongoing strength in AI-related demand. Tech bellwether TSMC reported a solid set of quarterly earnings, while investor interest expanded to ASIC chip makers and second-tier original design manufacturers (ODMs) that are increasingly benefiting from their exposure to the growing AI supply chain.

MALAYSIA

Back home, the benchmark KLCI fell 1.30% in July, as investors remained cautious in the lead-up to a potential trade agreement with the US. Providing some relief, the US confirmed a reduced tariff rate of 19% for Malaysia—lower than the initially proposed 25% announced on July 8. The revised rate brings Malaysia in line with regional peers such as Thailand, Indonesia, and the Philippines, while Vietnam faces a slightly higher tariff of 20%. The decision was viewed positively by markets, particularly for Malaysian exporters, as it averted the worst-case scenario that had been priced in earlier.

On the domestic policy front, Prime Minister Anwar Ibrahim unveiled the 13th Malaysia Plan (13MP), a 5-year strategic blueprint for national development from 2026 to 2030. While broadly aligned with ongoing policy objectives, the plan was largely market-neutral, offering few immediate catalysts for a market re-rating. However, certain sectors may benefit, particularly consumer and construction, with proposals including expanded direct cash assistance and a boost in development expenditure.

In the local bond market, the yield on 10-year Malaysian Government Securities (MGS) declined by 14bps to settle at 3.37%. This came after Bank Negara Malaysia (BNM) delivered its first rate cut since 2020, lowering the Overnight Policy Rate (OPR) by 25bps from 3.00% to 2.75%. The pre-emptive rate cut, aims to cushion domestic growth amid mounting external pressures.

***

MONTHLY INDEX PERFORMANCE

Developed Markets	YTD	1M
Dow Jones Industrial Index	3.73	0.08
Nasdaq Composite Index	9.38	3.70
S&P 500 Index	7.78	2.17
FTSE 100 Index	11.74	4.24
Tokyo Stock Price Index	5.68	3.16

Regional Markets	YTD	1M
MSCI AC Asia (ex-Japan) Index	15.72	2.27
FTSE Straits Times Index	10.20	5.28
Hang Seng Index	23.50	2.91
Shanghai Composite Index	6.61	3.74
Shanghai Shenzhen CSI300 Index	3.58	3.54
MSCI China Index	21.99	4.50
Hang Seng China Enterprise Index	21.85	2.36
Taiwan Stock Exchange	2.20	5.78
Korean Stock Exchange	35.26	5.66
S&P BSE Sensex Index	3.90	-2.90
Ho Chi Minh Stock Index	8.63	3.26
Thailand Stock Exchange Index	-8.63	14.03
Jakarta Composite Index	5.71	8.04
Philippines Composite Index	-4.23	-1.76

Domestic	YTD	1M
FMBKLCI	-7.86	-1.29
FBM Small Cap	-12.47	2.77
FBM EMAS Shariah	-8.97	0.20
FBM Top 100	-9.04	-0.65

Index Chart: Bloomberg as at 31 July 2025. Quoted in local currency terms.