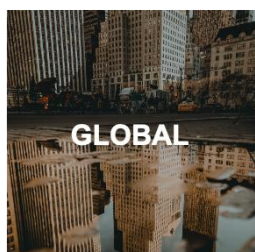


JUNE 2025

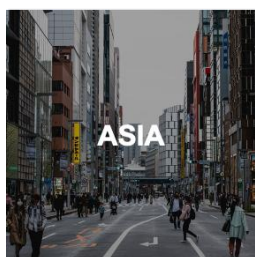
MONTHLY MARKET REVIEW

A brief on global markets and investment strategy

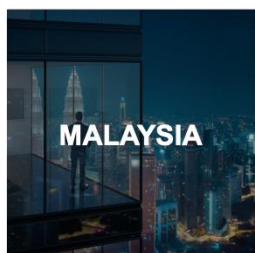
Key Highlights



- US equities rallied in June, with the S&P 500 up 5.00%, hitting a new all-time high as trade and geopolitical concerns eased.
- The Fed held rates steady at 4.25%–4.50%, reaffirming a data-driven approach.
- May's PCE inflation came in at 2.3% (headline) and 2.6% (core), staying within tolerable levels.
- Bond markets now fully price in a 25 bps cut by July, with over 65 bps of cuts expected by year-end.
- Middle East tensions de-escalated after a ceasefire between Iran and Israel; Brent crude fell to USD 65/barrel.



- The MSCI Asia ex-Japan index rose 5.70%, lifted by Fed cut hopes and a weaker US dollar.
- Korea outperformed, with the KOSPI surging 13.90% on reform optimism.
- US-China trade tensions eased slightly, with expectations of a first-phase trade deal building ahead of July's tariff deadline.
- China's potential resumption of rare earth exports to the US boosted market sentiment.



- The FBM KLCI gained 1.60% in June, though investor sentiment remained cautious amid global uncertainty.
- The government expanded SST effective 1 July, targeting luxury items and non-essential services to boost revenue by RM5 billion annually.
- May's CPI eased to 1.2% y-o-y—lowest in over 4 years—supporting expectations for a 25bps OPR cut in 2H'25.
- The 10-year MGS yield fell 2bps to 3.51% as inflation moderated and exports stayed weak.

GLOBAL

US equities ended June on a strong footing, capping off a volatile 1H'2025 that had been dominated by trade policy uncertainty and geopolitical tensions in the Middle East. The S&P 500 rallied 5.00% during the month, reaching a fresh all-time high as investor concerns on both fronts proved less severe than feared. The rally was further supported by resilient economic data, renewed hopes of US Federal Reserve (Fed) rate cuts, and positive trade talks, even though concrete developments are not yet firm.

As widely expected, the Fed held its benchmark interest rate steady at 4.25% to 4.50% during its June FOMC meeting. Market attention was largely focused on whether the Fed would revise its dot plot projections. Despite earlier speculation that the central bank might pare back its guidance for two 25bps cuts this year, its policy path remained unchanged, reinforcing the Fed's message that decisions will remain data-driven.

On the macro front, the US Personal Consumption Expenditures (PCE) price index—the Fed's preferred inflation gauge edged higher in May, with headline PCE rising to 2.3% and core PCE at 2.6%. While elevated, these figures remained within a tolerable range and did not indicate any renewed acceleration in inflation.

Bond markets responded by adjusting rate expectations. Futures are now fully pricing in a 25 bps cut by July, with approximately 65 basis points of cumulative cuts anticipated by year-end, suggesting markets expect more than 2 cuts in 2025.

On the geopolitical front, tensions in the Middle East eased following a ceasefire between Iran and Israel. Markets appear to be pricing in a low probability of further escalation for now, as reflected in Brent crude prices, which settled lower at USD 65 per barrel.

ASIA

Asian markets extended their gains in June, with the MSCI Asia ex-Japan index climbing 5.70%, buoyed by growing optimism over potential Fed rate cuts and tailwinds from a softer US dollar.

Korea led regional performance, with the KOSPI surging 13.90%. The rally was driven by renewed optimism over the government's proposed capital market reforms aimed at addressing the persistent valuation discount of Korean stocks.

On the trade front, markets responded positively to the US administration's comments suggesting that a broad trade framework with China had been agreed upon—though details remain vague and non-binding. Nevertheless, China's potential resumption of rare earth exports to the US helped to ease tensions, lifting risk sentiment.

As the July tariff deadline approaches, expectations are building for a first-phase trade deal involving reduced tariff commitments, possibly followed by further rounds of negotiation.

MALAYSIA

Domestically, the FBM KLCI gained 1.60% in June, though overall market tone remained cautious. Investor sentiment was held back by lingering macro uncertainties, including the global monetary policy trajectory and geopolitical developments. Foreign flows remained mixed to slightly negative, underscoring

MALAYSIA

subdued risk appetite.

On the policy front, the government announced the expansion of the Sales and Services Tax (SST), effective 1 July. The broadened tax will apply to premium goods and services—particularly those consumed by high-income groups, large businesses, and non-citizens—while essentials remain zero-rated. The expansion is expected to raise RM5 billion annually, partially offsetting a projected RM3 billion shortfall in petroleum income tax resulting from weaker oil prices.

In the local fixed income market, the 10-year Malaysian Government Securities (MGS) yield eased 2bps to close at 3.51%. Inflationary pressures continued to moderate, with headline CPI easing to 1.2% y-o-y in May, the lowest in over 4 years and below consensus expectations. With inflation trends benign and exports still under pressure, Bank Negara Malaysia (BNM) is expected to cut the Overnight Policy Rate (OPR) by 25bps in the 2H'25 to support domestic demand.

MONTHLY INDEX PERFORMANCE

Developed Markets	YTD	1M
Dow Jones Industrial Index	3.64	4.32
Nasdaq Composite Index	5.48	6.57
S&P 500 Index	5.50	4.96
FTSE 100 Index	7.19	-0.13
Tokyo Stock Price Index	2.44	1.83

Regional Markets	YTD	1M
MSCI AC Asia (ex-Japan) Index	13.14	5.69
FTSE Straits Times Index	4.66	1.79
Hang Seng Index	20.00	3.36
Shanghai Composite Index	2.76	2.90
Shanghai Shenzhen CSI300 Index	0.03	2.50
MSCI China Index	16.74	3.21
Hang Seng China Enterprise Index	19.05	2.92
Taiwan Stock Exchange	-3.38	4.26
Korean Stock Exchange	28.01	13.86
S&P BSE Sensex Index	7.00	2.65
Ho Chi Minh Stock Index	8.63	3.26
Thailand Stock Exchange Index	-19.87	-5.18
Jakarta Composite Index	-2.15	-3.46
Philippines Composite Index	-2.51	0.37

Domestic	YTD	1M
FMBKLCI	-6.66	1.63
FBM Small Cap	-14.82	-0.90
FBM EMAS Shariah	-9.15	1.62
FBM Top 100	-8.45	1.53

Index Chart: Bloomberg as at 30 June 2025. Quoted in local currency terms.

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