MARCH 2025

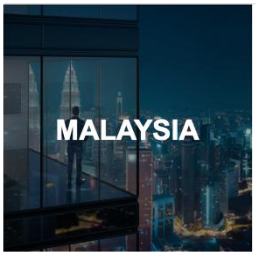
MONTHLY MARKET REVIEW

A brief on global markets and investment strategy

Key Highlights

- US equities fell in March (S&P 500: -5.75%) as trade policy uncertainty dampened sentiment and growth expectations.
- The Fed held rates steady, maintaining a dovish outlook with 2 cuts projected in 2025, despite sticky inflation.US 10Y yield ended flat at 4.21%, down 36 bps YTD.
- European equities rallied (MSCI Europe: +5.32%), driven by strong fiscal stimulus and defense spending plans.
- The euro strengthened, with bond yields rising across Europe.

- MSCI Asia ex-Japan ended flat (-0.16%), with mixed regional performance.
- India outperformed (Sensex: +5.76%) on monetary easing and stimulus optimism.
- China rose (MSCI China: +2.00%) after unveiling consumption-boosting measures and childcare subsidies.
- Weaker USD and rate cut expectations could support Asia, but risks remain if the US slowdown deepens.



- FBM KLCI declined 3.88%, dragged by persistent foreign outflows and rotation into China equities.
- Sentiment may turn if reform momentum continues, corporate earnings remain solid, and macro clarity on US trade policy improves.
- 10-year MGS yield slipped 2 bps to 3.77%.
- Bank Negara Malaysia kept the OPR unchanged at 3%, citing resilient domestic demand but noting external risks from geopolitics and policy shifts globally.

GLOBAL

US equities ended the first quarter of 2025 on a softer note, with the S&P 500 falling 5.75% in March amid heightened uncertainty over US trade policy. The constant back-and-forth on tariffs has left businesses hesitant, slowing capital expenditure and dampening on economic growth expectations.

This sense of caution is increasingly reflected in economic data, with downward revisions to GDP forecasts and weaker business and consumer sentiment indicators.

Against this backdrop, the US Federal Reserve (Fed) maintained its policy stance in March, keeping interest rates unchanged at its FOMC meeting. While inflation remains a concern, Fed Chair Jerome Powell downplayed near-term price pressures, calling them transitory.

More notably, the Fed reiterated its projection for 2 rate cuts this year despite acknowledging firmer inflationary trends—sending a dovish signal to markets. The US 10-year Treasury yield closed the month at 4.21%, unchanged from February but 36 basis points lower than at the start of the year.

In contrast, European equities outperformed, with the MSCI Europe Index rising 5.32% in the1Q'25. A more forceful fiscal response has fuelled investor optimism, with the European Commission proposing a significant increase in defense spending under the new ReArm Europe initiative. Germany, too, has signaled an aggressive fiscal stance, with Friedrich Merz—the likely next chancellor—advocating a "whatever it takes" approach to infrastructure and defense. European bond yields have climbed, and the euro strengthened.

ASIA

In Asia, the MSCI Asia ex-Japan Index ended the month nearly flat at -0.16%, reflecting divergence in performance across the region. A weaker US dollar and expectations of lower global interest rates could provide support for Asian economies, particularly as investors look beyond the US for earnings growth. The short-term disruption in the US from tariffs and government spending policies may create opportunities for Asian equities—so long as it does not trigger a severe downturn in the US.

India stood out as a bright spot, with the Sensex surging 5.76% on the back of improving economic stability and renewed stimulus optimism. The Reserve Bank of India's latest monetary easing is expected to bolster bank lending and drive growth.

China also saw gains, with the MSCI China Index rising 2.00% following new stimulus measures aimed at boosting domestic consumption. Over the weekend, Beijing unveiled a "Special Action Plan to Boost Consumption," designed to expand domestic demand by increasing incomes and reducing financial burdens.

At the same time, China introduced a childcare subsidy scheme to counter its declining birth rate, which, if widely adopted, could provide an additional lift to consumer demand and broader economic growth.

MALAYSIA

Malaysia's FBM KLCI declined 3.88% in March, testing the 1,500 level amid persistent foreign outflows. The selloff was largely driven by a rotation into China equities by foreign funds.

MALAYSIA *(CONT')*

Though, a potential turning point for foreign inflows into Malaysia could emerge if reform momentum continues, corporate earnings hold up, and macroeconomic clarity particularly on US trade policy improves.

On the local fixed income front, the 10-year Malaysian Government Securities (MGS) yield edged 2 basis points lower to close the month at 3.77%. Bank Negara Malaysia maintained the overnight policy rate at 3%, citing continued global growth and resilient domestic demand while flagging risks stemming from geopolitical developments, trade uncertainties, and shifting policy directions in major economies.

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MONTHLY INDEX PERFORMANCE

Developed Markets	YTD	1M
Dow Jones Industrial Index	-1.28	-4.20
Nasdaq Composite Index	-10.42	-8.21
S&P 500 Index	-4.59	-5.75
FTSE 100 Index	5.01	-2.58
Tokyo Stock Price Index	-4.53	-0.87

Regional Markets	YTD	1M
MSCI AC Asia (ex-Japan) Index	1.42	-0.16
FTSE Straits Times Index	4.88	1.97
Hang Seng Index	15.25	0.78
Shanghai Composite Index	-0.48	0.45
Shanghai Shenzhen CSI300 Index	-1.21	-0.07
MSCI China Index	14.84	1.99
Hang Seng China Enterprise Index	16.83	1.18
Taiwan Stock Exchange	-10.15	-10.23
Korean Stock Exchange	3.40	-2.04
S&P BSE Sensex Index	-0.93	5.76
Ho Chi Minh Stock Index	3.16	0.11
Thailand Stock Exchange Index	-16.15	-3.06
Jakarta Composite Index	-8.04	3.83
Philippines Composite Index	-5.33	3.05

Domestic	YTD	1M
FMBKLCI	-7.84	-3.88
FBM Small Cap	-13.28	-2.13
FBM EMAS Shariah	-11.64	-2.52
FBM Top 100	-9.48	-3.42

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