

Market Review & Outlook

November 2025

(as at 31 October 2025)

Overview

A US Federal Government shutdown commenced on 1 October 2025. If it persists, economic data releases that come from affected federal agencies will be delayed. This would include releases from the Bureau of Labor Statistics (nonfarm payrolls, Consumer Price Index ("CPI"), Producer Price Index ("PPI")), the Bureau of Economic Analysis (GDP, Personal Consumption Expenditures ("PCE") prices), and the Census Bureau (retail sales, international trade, new home sales).

With the Congressional Budget Office estimating daily "compensation" of USD400 million per day for the 750,000 furloughed Federal Government workers, the first-round cost to the US economy stands at USD12.4 billion and counting as at 31 October 2025 that is about 0.04% of GDP.

Available data released during month paints a mixed picture. Headline activity indicators were resilient with ISM Manufacturing PMI for September 2025 showing improvement at 49.1 points (consensus: 49.0 points, August: 48.7 points) but with underlying data indicating downside risk with domestic and foreign new orders declining, falling work backlogs and thinning inventory amid tariff uncertainty. ISM Services PMI printed at the neutral level of 50.0 points for September 2025 coming down from 52.0 points for August 2025 (consensus: 51.7 points), with underlying employment sub-index remaining strong, but with new orders and backlogs moving to neutral territory rather than expanding.

September 2025 US headline CPI inflation came in at 3.0% YoY that was below consensus expectation of 3.1% YoY, but higher than August 2025 at 2.9% YoY. At the same time core CPI inflation cooled to 3.0% YoY in September 2025 from 3.1% YoY in August 2025 (consensus: 3.1% YoY) raising some concern on the resilience of domestic demand.

US consumer confidence fell for a third straight month in October 2025 due to overall economic outlook and labour market concerns, with the Conference Board Consumer Confidence Index at 94.6 points (September 2025: 95.6 points, August 2025: 97.8 points, July 2025: 98.7 points).

At its 28-29 October 2025 policy meeting, the US Federal Reserve (“the Fed”) delivered a rate cut of 25bps to 3.75%-4.00%, in-line with market expectations. At the same meeting, the Fed also announced the end of its quantitative tightening action effective 1 December 2025; with proceeds from maturing mortgage-backed securities to be reinvested into US Treasury Bills. Fed Chairman Jerome Powell’s comment that a rate cut at the upcoming 10 December 2025 policy rate meeting, “is not a foregone conclusion,” was taken as a hawkish signal by capital markets with US Treasury yields rising 10bps.

For the euro-area, the European Central Bank (“ECB”) kept policy rate unchanged with the Deposit Facility Rate at 2.00%, Main Refinancing Rate at 2.15% and the Marginal Lending Facility at 2.40%. The ECB signalled a positive tone that the performance of the European economy has generally been impressive in the face of US tariff headwinds, with expectations that growth will soon be boosted by significant government spending in Germany.

Eurostat’s flash estimate of 3Q2025 GDP growth in the euro-area beat expectations at 1.3% YoY versus consensus of 1.2% YoY (2Q2025: 1.5% YoY, 1Q2025: 1.6% YoY) and 0.2% QoQ versus consensus of 0.1% QoQ (2Q2025: 0.1% QoQ, 1Q2025: 0.6% QoQ) with France and Spain acting as the main drivers, and Germany and Italy flat while volatility from Ireland has subsided.

Malaysia

Malaysia’s Prime Minister, Anwar Ibrahim unveiled Budget 2026 on 10 October 2025, with key metrics including growth expectations of 4.0%-4.5% for 2026 (2025: 4.0%-4.5%), supported by domestic demand amid worsening external risks, while inflation is projected to remain stable. Meanwhile, international rating agencies commented that while Budget 2026 sees continued fiscal consolidation, it is mainly driven by spending cuts rather than revenue growth.

Bank Negara Malaysia (“BNM”) in its 1H2025 Financial Stability Review shared that cost pressures and disruptions to exports and supply chains is expected to hurt business conditions in 2H2025, though moderating input prices, cost management strategies, and strong domestic demand and investment activity is expected to alleviate some pressures. The household debt-to-GDP ratio edged higher to 84.8% in 1H2025 while the banking system’s total capital ratio was 18.2%.

Malaysia's advance 3Q2025 GDP saw growth at 5.2% year-on-year ("YoY"), which exceeded market expectations of 4.2% and accelerating from 2Q2025 of 4.4%. Services sector growth (+5.1%) was supported by domestic tourism, while capital investments and external demand also remained solid despite global uncertainties. Meanwhile, Malaysia posted a higher trade surplus of RM19.9 billion in September 2025 (consensus: MYR16.8 billion; August 2025: MYR15.9 billion), driven by accelerating exports (+12.2% YoY vs. +1.9% prior) on a spike of shipments to the US.

Headline CPI rose by 1.5% YoY in September 2025 (consensus: 1.4%; August 2025: 1.3%), driven by bigger increases in personal care and food prices, while core inflation also rose to 2.1% YoY (August 2025: 2.0%) amid sustained insurance and financial services inflation.

BNM announced that Malaysia's international reserve assets stood at USD123.6 billion at end-September 2025, up from USD122.68 billion as at end-August 2025. For the next 12 months, the predetermined short-term outflows of foreign currency loans, securities, and deposits, including the scheduled repayment of external borrowings by the government and the maturities of foreign currency BNM interbank bills, amount to USD15.4 billion. The net short forward positions stood at USD20.8 billion.

Fixed Income

US Treasury Market Overview

US Treasuries ("UST") rallied early into October 2025 following a weaker than expected ADP jobs report (-32,000 vs consensus +51,000), and as prevailing risk-off sentiment drove safe-haven demand on elevated US-China tension over US tariff threats and amid the continued US government shutdown.

UST retreated slight going into the fourth week of October 2025 on inflation worries and as US sanctions on Russian oil majors spiked up oil prices by 5%. A mix of built-in rate cut expectation, and inflation worries together with easing US-China tariff tension meant that the UST were slightly down to unchanged just preceding the FOMC meeting on the 29th October 2025.

Despite the expected US fed cut to the Fed Funds Rate by 25 bps to 4.00%-3.75, but UST yield jumped by up to 10bps as Chairman Powell ruled out the expected December 2025 cut as “foregone conclusion”. The market had previously priced in the December 2025 cut.

US Treasury Yields

US Treasury Tenor	31-Oct-25 (%)	Net Change MoM (bps)	Net Change YTD (bps)
1Y	3.68	6.2	-46.6
2Y	3.57	-3.5	-66.8
5Y	3.69	-5.4	-69.5
7Y	3.87	-5.8	-60.8
10Y	4.08	-7.3	-49.2
20Y	4.63	-7.6	-23.1
30Y	4.65	-8.0	-13.0

Source: Bloomberg, 3 November 2025

Looking ahead, the 10Y UST yield is expected to trade in the range of 3.90%-4.20% for the rest of 2025 and 3.50%-3.70% by the end of 2026.

Asian Bond Indices Performance

Markit Asian USD Index	31-Oct-25	Month-on-Month	Year-To-Date
Asian Dollar Index	149.8	0.77%	7.90%
Asian Dollar IG Index	151.1	0.74%	7.67%
Asian Dollar HY Index	141.6	0.80%	9.00%
Asian Dollar Corp Index (ex-banks)	152.1	0.69%	7.74%

Source: Bloomberg, 1 November 2025

Asian dollar bonds extended their gains in October 2025, supported by a bullish move in UST and improving risk sentiment across global credit markets as trade tensions between US and China eased following Trump’s visit to Asia. The Markit Asian USD Index rose 0.77% MoM, bringing YTD returns to 7.90%.

Performance was broad-based, led by the Asian Dollar High Yield ("HY") index which gained 0.80% MoM (+9.00% YTD), reflecting renewed investor appetite for riskier credits amid easing global growth concerns. The Asian Dollar Investment Grade ("IG") Index and Asian Dollar Corporate Index (ex-banks) also advanced, rising 0.74% and 0.69% MoM, respectively.

By country, all Asian dollar bonds ended the month in positive territory. The top three gainers by sequence were Indonesia (+1.25% MoM), Thailand (+0.90% MoM), and Hong Kong (+0.85% MoM).

The United States Dollar Index

The United States Dollar Index ("DXY") strengthened in October 2025, rising from 97.775 pts to 99.804 pts, driven by safe-haven demand and shifting market expectations on US monetary policy. The dollar gained early in the month as risk-off sentiment intensified amid elevated US-China tensions and ongoing US government shutdown prompting investors to seek safety in the greenback.

The dollar strengthened further following October 2025 FOMC meeting, after Fed Chair Powell cautioned that a cut in December 2025 was not a given, effectively curtailing expectations for additional cuts this year. His hawkish remarks led to a spike in US treasury yield, extending support for the dollar towards month-end.

Overall, the DXY ended the month 2.03 points higher, reflecting sustained demand for the dollar as global uncertainties persisted. We expect the dollar's near-term direction will hinge on upcoming US economic data and the Federal Reserve policy signals.

Chart 1: The United States Dollar Index



Source: Bloomberg, 1 November 2025

MALAYSIAN BOND MARKET

MGS Benchmark Tenors	31-October-25 (%)	Net Change MoM (bps)	Net Change
			YTD (bps)
3Y	3.18	+3	-35
5Y	3.30	+5	-35
7Y	3.47	+4	-31
10Y	3.52	+5	-32
15Y	3.80	+10	-18
20Y	3.94	+7	-14
30Y	4.00	+8	-19

Source: Bond Pricing Agency Malaysia, 31 October 2025.

Following the selloff in September 2025, the local bond market continued to remain cautious in October 2025 with yields across the curve inched higher. All in all, the Malaysian Government Securities (“MGS”) curve steepened, with the long-end MGS yields moved higher (between 7 and 10bps) than the short-end MGS yields (between 3 and 5bps).

There were three sovereign bond/ sukuk auctions with a total size of RM14.5 billion in October 2025, namely the reopening of 30Y MGS with issue size of RM5.0 billion on 6 October 2025, followed by reopening of 5Y Malaysian Government Investment Issue ("MGII") with the issue size of RM5.0 billion on 14 October 2025 and the reopening of the 20Y MGS with issue size of RM2.5 billion on 21 October 2025. The 30Y and 20Y MGS auctions had weaker bid-to-cover ("BTC") of 1.38x and 1.697x, respectively. Meanwhile, the 5Y GII auction was more well received with a BTC of 2.841x.

The local bond market saw trading volume of corporate bonds (including quasi-sovereign) in October 2025 improved considerably by 29.33% MoM to RM22.7 billion (September 2025: RM17.5 billion). September 2025 saw a net foreign fund outflow of RM6.8 billion, led by combined outflow of RM6.4 billion from MGS and MGII (August 2025: inflow of RM3.0 billion). The foreign outflows were driven by growing conviction on Fed easing and changes in weightages of JP Morgan's Government Bond Index for emerging markets, which drove the fund managers to rebalance their portfolios.

Some notable domestic corporate issuances in October 2025 included RM1.5 billion of Pengurusan Air Selangor (AAA), RM856 million of Cagamas (AAA), RM125 million of Farm Fresh (AA3), RM350 million of Poseidon ABS (AA2), RM1.35 billion of Pantai Holdings (AAA), RM850 million of Projek Lebuhraya Usahasama (AAA) and RM1.15 billion of Prasarana Malaysia (Non-rated), RM1.5 billion of Sarawak Energy (AAA) and RM200 million of Solarvest (AA3). The 3-year, 5-year, 7-year and 10-year generic AAA corporate yield ended the month at 3.52% (+4bps MoM), 3.60% (+4bps MoM), 3.68% (+4bps MoM) and 3.78% (+4bps MoM) respectively.

Strategy

Market Outlook

With the US Fed having cut, and bond markets largely pricing in further easing, the near-term trajectory of Malaysian yields is expected to lean modestly lower or stay range-bound rather than collapse. Domestic yields are unlikely to fall dramatically due to the following:

- Malaysia's OPR is not being cut aggressively (BNM remaining on hold) in the near term, providing a floor to how far yields can compress.
- Supply risks remain (e.g., upcoming government bond issuances).
- Some global risk factors (e.g., geopolitics, supply shocks) can still trigger market volatility.

As such, for the remaining 2025, we expect a moderate decline or consolidation in yields rather than a sustained rally. The market will continue to be supported as domestic institutional demand remains stable, providing a core anchor for the market. On foreign flows, Malaysia continues to be relatively attractive given its yield pick-up and currency appreciation prospects. The Malaysian ringgit is at a one-year high, supported by the view that BNM may keep policy rates unchanged while the US cuts.

Investment Strategy

Duration & Curve Strategy

Duration Positioning: Given the relatively low risk of a yield reversal, we are shifting towards intermediate to long maturities which provides more yield pickup and will benefit from any yield curve flattening. The 15-year sector (and beyond) offers value given recent cheapening and supply dislocations, but this should be tactical and controlled.

Yield-Carry Focus: With yields unlikely to fall dramatically in the near-term, yield carry (i.e., holding bonds for yield and roll-down) is likely to be a more realistic source of returns than large capital gains.

Asset Allocation

High-Quality Corporate Bonds: We will focus on corporates which offers yield uplift with lower volatility risk compared to sovereigns, serving as a buffer during market volatility, as observed in the market in September 2025.

Government bonds: We will be selective on long-end exposure that offers value given recent cheapening and supply dislocations, but any trading positions will be managed tactically given the potential volatility.

EQUITIES**Global Equities****Global Equity Index Performance**

Indices	31-Oct-25	MoM	YTD
S&P 500 Index	6,840.20	2.27%	16.30%
Nasdaq Index	23,724.96	4.70%	22.86%
MSCI Europe Index	191.18	2.45%	12.46%

Source: Bloomberg, 3 November 2025.

The Standard & Poor's ("S&P") 500 Index rose by 2.27% MoM in October 2025 marking its sixth consecutive monthly gain and reaching record highs. The rally was driven by strong third-quarter earnings growth, surpassing earlier expectations, and led by the "Magnificent Seven" tech giants—Microsoft, Apple, Amazon, Alphabet, Nvidia, Meta, and Tesla. Market sentiment was further boosted by a hawkish rate cut from the Fed lowering the federal funds rate by 25 bps to a target range of 3.75% to 4.00%. Market analysts now expect momentum to carry into November, historically the best month for the S&P 500 Index, supported by seasonal tailwinds, easing trade tensions, and upbeat earnings. Investors are also eyeing the U.S.–China trade truce, which could help stabilize global equities. With AI demand booming, Wall Street's mood remains cautiously bullish heading into the holiday season.

The Morgan Stanley Capital International ("MSCI") Europe Index rose by 2.45% MoM in October 2025 continuing its positive momentum amid improving investor sentiment and supportive macroeconomic conditions. The rally was underpinned by strong corporate earnings, particularly in the financials and industrials sectors, and optimism surrounding central bank policy easing, including the U.S. Fed's rate cut. However, performance was uneven across the continent, with political instability in France and softening business confidence in Germany tempering broader enthusiasm. Macroeconomic data showed eurozone consumer price inflation eased to 2.1% in October 2025, down from 2.2% in September 2025.

Asia Pacific Equity Index Performance

Index	Index level	Oct-25 (Local currency)	YTD (Local currency)
MSCI AC ASIA x JAPAN	917.20	4.45%	30.27%
FTSE ASEAN	949.06	1.65%	10.41%
CSI 300 INDEX	5,065.48	-0.10%	20.97%
KOSPI INDEX	4,107.50	19.94%	71.18%
HANG SENG INDEX	25,906.65	-3.53%	29.15%
S&P BSE SENSEX INDEX	83,938.71	4.57%	7.42%
TAIWAN TAIEX INDEX	25,820.54	6.55%	12.09%

Source: Bloomberg, 31 October 2025.

Chinese onshore equities declined 0.1% MoM amid concerns over possible escalation of China-US trade tensions but gradually recovered as the 15th Five Year Plan outline published after the 4th Plenum boosted confidence of policy support for the market and the trade talks held in Malaysia progressed well. Industrial production rose 6.5% YoY in September 2025 (August 2025: 5.2% YoY) while retail sales remained soft, as it slowed to 3.4% YoY in September 2025. Hang Seng Index fell 3.5% MoM amid rise in volatility with US-China trade talks and 4th Plenum. US-China trade tensions escalated in early October 2025 but managed to calm down at month-end with the two sides agreeing to a one-year truce on tariffs, export controls, and port fees, and further discussions over fentanyl and agriculture purchases, among others. The US effective tariff rate on China will fall from 42% to 32%.

South Korea's KOSPI rose 19.9% MoM mainly driven by the IT sector whereby SK Hynix and SEC registered more than 61% and 28% returns in the month with strong earnings results, news on partnerships with OpenAI and Nvidia, and development on High Bandwidth Memory Manufacturing. Korea's industrial production fell 1.2% in September 2025, mainly due to weaker non-tech output, while tech production especially semiconductors rebounded. Taiwan's TWSE index rose 9.3% MoM as tech sector drives market to new high amid strong AI and Apple demand. Taiwan's 3Q25 GDP rose 7.6% YoY, driven by strong net exports and robust AI tech demand, while domestic demand stayed weak. Rising capital goods imports signal ongoing semiconductor investment, and upcoming government cash handouts should support consumption. India equities rose 4.6% MoM driven by supportive domestic factors like GST cuts, benign inflation, strong monsoon, monetary and tax easing, and regulatory reforms boosting rural consumption. CPI for September 2025 dropped to 1.5% YoY (August 2025: up 2.1% YoY).

ASEAN Equity Index Performance

Index	Index level	Oct-25 (Local currency)	YTD (Local currency)
STRAITS TIMES INDEX STI	4,428.62	2.99%	16.92%
JAKARTA COMPOSITE INDEX	8,163.88	1.28%	15.31%
STOCK EXCH OF THAI INDEX	1,309.50	2.77%	-6.48%
PSEi - PHILIPPINE SE IDX	5,929.68	-0.40%	-9.18%
HO CHI MINH STOCK INDEX	1,639.65	-1.33%	29.43%
FTSE Bursa Malaysia KLCI	1,609.15	-0.17%	-2.02%

Source: Bloomberg, 31 October 2025.

The Straits Times Index remained resilient in October 2025, supported by banking and telco stocks. Despite global volatility, Singapore benefited from MAS policy easing and strong dividend yields. Investors were cautiously optimistic ahead of the Fourth Plenum in China and the MAS policy review, which could influence FX-sensitive sectors like tech and REITs. The Thai SET Index continued its rebound in October 2025 as economic momentum improved as exports rebounded and tourism showed renewed inflows. September 2025's current account swung to a USD1.87 billion surplus (vs. -US\$1.52 billion in August 2025), comfortably beating consensus. The Bank of Thailand sees a firmer 4Q25 supported by government co-payment schemes and year-end spending. The Jakarta Composite Index rose in October 2025 driven by a rebound in the banking names as well as Telkomsel on the back of its fibre business spinoff. Bank of Indonesia held policy rate at 4.75% against consensus expectations for a 25bps rate cut. Both the headline and core CPI came in above expectation in October 2025, rising by +2.9% YoY and +2.4% YoY respective.

The Philippines Composite Index corrected in October 2025 as investor sentiment was dampened by peso depreciation, a wider budget deficit as well as the flood-control corruption allegations that led to reduced fiscal disbursement. The Vietnam stock market continued to see profit-taking activities in October 2025 after the well-anticipated FTSE Russell announcement of the country's upgrade from Frontier Market to Secondary Emerging Market status in their annual review. The market rebalance will begin in September 2026, with an interim review in March 2026. The upgrade is contingent on further improvements to global broker access, which remains limited.

Malaysian Equities

The FBMKLCI lost 0.2% MoM in October 2025, YTD -2.0%.

Malaysia's mid and small cap index gained 1.8% and 0.1% MoM respectively. Technology and Consumer were the best performing sectors, gaining 9.8% and 3.6% MoM respectively. On the other hand, Construction and Property were the worst performing sectors with a loss of 6.0% and 2.7% respectively. The top three best performers in FBMKLCI components stocks were Nestle (17.4%), 99 Speed Mart (14.2%) and IHH healthcare (9.3%), while the worst performing stocks were Sime Darby (-10.1%), Gamuda (-8.9%) and Petronas Chemicals (-7.8%).

Budget 2026 continues to responsibly pursue fiscal consolidation as it targets to further narrow the budget deficit to -3.5% of GDP (2025F: -3.8%). Underpinning the government's budget deficit target is a GDP growth projection of 4.0%-4.5% YoY for 2026. Broad-based cash handouts under the "Rahmah initiatives" were maintained at a record high RM15 billion for 2026 – including another one-off RM100 payment to all Malaysians aged 18 and above in February 2026. On top of Phase 2 of the civil servants salary increase due in January 2026, those in grade 56 and below will also receive RM500 aid.

RM8 billion is allocated to achieve "AI Nation" status by 2030 including (i) RM5.9 billion for cross-ministerial Research, Development, Commercialization and Innovation ("RDCI") activities, (ii) RM2 billion for a Sovereign AI Cloud project spearheaded by the Malaysia Communications and Multimedia Commission ("MCMC").

The headline development expenditure ("DE") allocation for 2026 is RM81 billion vs. RM80 billion in 2025. On a straight-line basis based on the DE allocation for the 13th Malaysia Plan (2026-2030) of RM430 billion (RM86 billion per annum), this appears to be below expectations. Of note is that there is no mention of MRT3.

Foreign institutional investors turned net sellers of RM2.7 billion in October 2025, YTD net outflow of RM19.1 billion. Local institution investors were net buyers of RM3.6 billion equities. Average daily trading value was at RM2.5 billion, down 7% MoM.

Strategy

We reiterate our view that expectations of further cuts in US interest rates would translate to the inflow of foreign funds into emerging markets. We expect the Malaysian market to play catch up given its underperformance to regional peers. Meanwhile Budget 2026 was broadly within market expectations with no major tax shocks or subsidy removals. We favour domestic centric and dividend yielding stocks.

While the US equity market remains at historical high, we continue to be positive on the US technology sector, as we believe the development of artificial intelligence represents a multi-year growth cycle. We maintain our positive outlook on Asia equities, supported by stable inflation, a robust technology sector, and the return of foreign inflows. The de-escalation on the US-China trade tariff front was a welcome to the markets. We are constructive on Chinese equities and expect continued support from ongoing government stimulus as outlined in the 15th Five-Year Plan, where policymakers will focus on technological innovation and promoting domestic consumption. India, having underperformed in the first half of 2025, presents an attractive opportunity to increase exposure and capitalize on its structural long-term growth potential. Economies such as Korea and Taiwan are benefiting from strong global demand for semiconductors and AI-related technologies. Investments in Artificial Intelligence, software and related tech infrastructure is accelerating across Asia. We also favour sectors driven by domestic demand and high-yielding stocks, which offer resilience amid concerns over a potential slowdown in global trade.

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