

Market Review & Outlook

December 2025

(as at 30 November 2025)

Overview

US President Donald Trump signed a new government finance bill on 12 November 2025 to end the longest ever government shutdown in history. The deal will extend funding through 30 January 2026. The US Federal Government shutdown commenced on 1 October 2025.

Meanwhile, available data released during month painted a mixed picture. The ADP data for October 2025 showed private employers added 42,000 jobs in the month (Consensus: 30,000, September 2025: -29,000) and the US ISM services PMI rose 52.4 (Consensus: 50.8, September 2025: 50). However, the Challenger Job Cuts survey saw 153,000 job cuts by US employers in October 2025 (September 2025: -54,000) which is the highest number since 2003. The job cuts mainly affect the tech and warehousing sectors as results of AI adoption, lowered corporate and consumer spending and higher costs.

The US Bureau of Labor Statistics announced the delay of the October 2025 Nonfarm Payroll ("NFP") to 16 December 2025 due to the government shutdown. The NFP in September 2025 jumped 119,000 (Consensus: 50,000: August 2025: -4,000 (revised from +22,000). Unemployment rate rose to 4.4% from 4.3%.

For the eurozone, headline inflation rose to 2.2% year-on-year ("YoY") (Consensus: 2.1%, October 2025: 2.1%) led by Germany (2.6% YoY), with service inflation up to 3.5% YoY (October 2025: 3.4% YoY). The number reduces the probability of further rate cuts by the ECB.

Meanwhile, the European Commission has also announced its economic and fiscal forecast, with Eurozone GDP expected to grow by 1.3% in 2025 due to export front-loading in the first half of 2025, 2.5% in 2026 and 1.4% in 2027. Fiscal expansion is expected with fiscal deficit seen to be 3.2% in 2025, 3.3% in 2026 and 3.4% in 2027. Inflation is expected to be 2.1% in 2025, 1.9% in 2026 and 2.0% in 2027.

Malaysia

On 6 November 2025, Bank Negara Malaysia (“BNM”) held the overnight policy rate (“OPR”) unchanged at 2.75%, with a neutral policy statement as widely expected. BNM continued to maintain its monetary policy stance and believes that the current OPR level remains supportive of the economy and price stability, particularly as global trade risks have eased.

Malaysia’s labour market remained robust in 3Q2025 with low unemployment rate at 3.0% for two straight quarters, the lowest level since 2014. In the same vein, total employment rose by 117.7k to a fresh new high of 17.0m jobs in 3Q2025 (2Q2025: +146k to 16.8m). Expansion in jobs growth came from the services sector such as wholesale & retail trade, accommodation and F&B services and information & communication activities.

In October 2025, headline CPI fell to 1.3% YoY (consensus: 1.5% YoY; September 2025: 1.5% YoY) on the back of lower prices of F&B, electricity and fuels. On the other hand, core inflation rose to 2.2% YoY (September 2025: 2.1% YoY) owing to price hikes in food, transport and housing, water, utilities and other fuels.

Malaysia’s trade in October 2025 showed steady growth, where the total trade increased by 13.6% YoY, reaching RM277.6b, with exports rose by 15.7% YoY to RM148.3b, while imports increased by 9.7% YoY to RM129.3b. Additionally, the trade balance continued to show a surplus of RM19.0b in October 2025, a slight decline from RM20.2b in the previous month.

BNM announced that Malaysia’s international reserve assets stood at USD123.76b at end-October 2025, a slight increase to the USD123.6b as at end-September 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 USD14.17b. The net short forward positions stood at USD20.64b.

Fixed Income

US Treasury Market Overview

The US Treasuries ("UST") market opened mixed with weak PMI and Challenger data contrasting with strong showing in ADP payrolls and ISM Service index for October 2025. Going into mid-November 2025, the UST yield rose on risk-on sentiment as US government shutdown ended with safe-haven bets being unwound and amid dampening December 2025 rate-cut expectation.

However, the UST rallied toward the end of the month on a combination of risk-off trades as equities market tumbled and the probability of a December 2025 rate cut is buoyed by the rise in US unemployment rate to 4.4% from the prior 4.3%. This is despite a rise in the US non-farm payroll to 119,000 (consensus: +50,000) in September 2025. The 2Y UST yield ended 8.4 bps lower versus the previous month while the 10Y UST yield fell by 6.4bps.

US Treasury Yields

US Treasury Tenor	28-Nov-25 (%)	Net Change MoM (bps)	Net Change YTD (bps)
1Y	3.59	-8.5	-55.2
2Y	3.49	-8.4	-75.2
5Y	3.60	-9.1	-78.6
7Y	3.78	-8.7	-69.6
10Y	4.01	-6.4	-55.6
20Y	4.62	-0.3	-23.4
30Y	4.66	+1.2	-11.8

Source: Bloomberg, 3 December 2025

Looking ahead, the 10Y UST yield is expected to trade in the range of 3.90%-4.20% for the rest of 2025.

Asian Bond Indices Performance

Markit Asian USD Index	28-Nov-25	Month-on-Month	Year-To-Date
Asian Dollar Index	150.2	1.00%	8.14%
Asian Dollar IG Index	151.6	1.08%	8.03%
Asian Dollar HY Index	140.4	-0.07%	8.06%
Asian Dollar Corp Index (ex-banks)	152.5	0.91%	7.97%

Source: Bloomberg, 3 December 2025

Asian dollar bonds indices posted gains in November 2025 as the market priced in the Fed's rate cut in December 2025. UST yields declined while the softer dollar improved buying sentiments toward Asian bonds.

The rally was led by the Asian Dollar Investment Grade ("IG") index which gained 1.08% MoM followed by Asian Dollar Index with a 1.00% MoM gain and Asian Dollar Corporate Index (ex-banks) which gained 0.91% MoM.

By country, all Asian dollar bonds ended the month in positive territory. The top three gainers were Hong Kong (+1.38% MoM), Thailand (+1.31% MoM) and Indonesia (+1.17% MoM).

The United States Dollar Index

The United States Dollar Index ("DXY") edged lower in November 2025, declining from 99.873 pts to 99.365 pts as the December 2025 FOMC rate-cut expectation increased. The DXY weakened on 13 November 2025 to 99.156 points as optimism of an end to the US government shutdown gave way to renewed worries on incoming data, including its delay and likely bearish picture ahead.

On 19th November 2025, DXY strengthened to above 100.0 points before declining, driven by dimming prospects of a Fed rate cut as the Bureau of Labor Statistics announced that the October 2025 jobs report will be cancelled and will instead incorporate payroll figures into the November 2025 report, which will also be delayed to 16 December 2025 itself – after the December 2025 FOMC meeting on 11 December 2025. While markets currently price in a 95% chance of a rate cut for the December 2025 FOMC meeting, there were constant shifts in narratives and expectations through the month of November 2025.

Overall, the DXY ended the month 0.51 points lower. 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 December 2025

MALAYSIAN BOND MARKET

MGS Benchmark Tenors	28-November- 25 (%)	Net Change MoM (bps)	Net Change
			YTD (bps)
3Y	3.10	-7	-43
5Y	3.30	0	-36
7Y	3.47	0	-31
10Y	3.49	-3	-35
15Y	3.77	-3	-22
20Y	3.87	-7	-20
30Y	3.98	-2	-21

Source: Bond Pricing Agency Malaysia, 28 November 2025

In November 2025, Malaysia's bond market performed better, supported by a combination of favourable domestic fundamentals and improving external conditions. BNM's decision to keep the OPR at 2.75% continued to provide a growth-supportive monetary backdrop. This aligned with Malaysia's solid 3Q2025 GDP performance, which remained on track to meet the full-year growth target, reinforcing investor confidence in the country's economic resilience. At the same time, inflation stayed contained, helping preserve real returns on fixed-income instruments and sustaining demand from both domestic and international investors.

Separately, the Malaysian bond market also benefited from renewed foreign inflows, driven partly by a narrowing interest-rate differential as the U.S. Federal Reserve began its rate-easing cycle. With the weakening US Dollar, foreign investors are looking to increase their exposures in Asia local currency bonds including Malaysia.

There were three sovereign bond/ sukuk auctions with a total size of RM12.0b in November 2025, namely the reopening of 10Y MGII with issue size of RM5.0b on 11 November 2025, followed by reopening of 7Y MGS with the issue size of RM4.0b on 18 November 2025 and the reopening of the 20Y MGII with issue size of RM3.0b on 25 November 2025. The 10Y and 20Y MGII auctions had better bid-to-cover ("BTC") of 2.57x and 2.34x respectively. Meanwhile, the 7Y MGS auction was weaker with a BTC of 1.91x.

The local bond market saw trading volume of corporate bonds (including quasi-sovereign) in November 2025 reduce considerably by 17.33% MoM to RM18.8b (October 2025: RM22.7b). Meanwhile, October 2025 saw a net foreign fund inflow of RM4.4b, led by combined inflow of RM3.0b from MGS and MGII (September 2025: outflow of RM6.4b). The rebound of foreign flow came amid resilient domestic fundamentals and additional Fed easing that supported global financial conditions.

Some notable domestic corporate issuances in November 2025 included RM500m of RHB Bank Berhad (AA2), RM200m of Malaysian Resources Corporation Berhad (AA3), RM2.76b of Pulau Indah Power Plant Sdn Berhad (AA1), RM200m of Alliance Bank Malaysia Berhad (A1) and RM6.0b of PNB Merdeka Ventures Sdn Berhad (AAA). The 3-year, 5-year, 7-year and 10-year generic AAA corporate yield ended the month at 3.54% (+2bps MoM), 3.63% (+3bps MoM), 3.72% (+4bps MoM) and 3.80% (+2bps MoM) respectively.

Strategy

Market Outlook

As we approach the year-end, activity in the Malaysian bond market has slowed and supply pressures have largely eased with earlier issuances absorbed. BNM is expected to maintain the OPR, providing stability and preventing aggressive yield compression. While the U.S. Federal Reserve has begun cutting rates and global markets are pricing in further easing, Malaysian yields are likely to remain modestly lower or range-bound rather than experience a sharp decline.

Key factors supporting this outlook include:

- **Stable monetary policy:** BM's decision to hold OPR limits the downside for domestic yields.
- **Reduced supply risk:** Government bond issuance concerns have subsided.
- **Global uncertainties:** Geopolitical risks and potential supply shocks could still inject volatility.

Domestic institutional demand remains a strong anchor for the bond market, while foreign interest should persist given Malaysia's attractive yield differential and currency strength. Malaysia Ringgit, currently at a one-year high, is supported by expectations of steady domestic monetary policy rates amid U.S. rate cuts.

Investment Strategy

Duration & Curve Strategy

Duration Positioning: Maintain overweight on duration strategy, with BNM maintaining accommodative monetary policy. The yield curve may bullishly flatten next year, given the slowing global growth.

Yield-Carry Focus: Maintain our bond carry strategy (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.

Government bonds: We see value in both the 7-year and 20-year space. The recent rally in government bonds have largely erased most losses in October 2025.

EQUITIES

Global Equities

Global Equity Index Performance

Indices	28-Nov-25	MoM	YTD
S&P 500 Index	6,849.09	0.13%	16.45%
Nasdaq Index	23,365.69	-1.51%	21.00%
MSCI Europe Index	192.61	0.75%	13.38%

Source: Bloomberg, 1 December 2025.

The Standard & Poor's ("S&P") 500 Index rose by 0.13% MoM in November 2025 due to volatility, driven by concerns over an AI-driven tech bubble, as investors reassessed how quickly AI-driven businesses can translate hype into sustainable profits, leading to a sharp cooldown in Mega cap technology names. There was also uncertainty around corporate spending, which weighed heavily on major technology and growth stocks. While sectors like healthcare and lithium mining outperformed, boosted by strong earnings and favourable policy developments, big tech names such as Nvidia and Oracle saw double-digit losses, offsetting gains from Alphabet and others. A late-month rally, fuelled by optimism over potential Fed rate cuts and resilient economic data, helped the index recover most of its earlier losses.

The Morgan Stanley Capital International ("MSCI") Europe Index rose by 0.75% MoM in November 2025 which was a volatile month for equities with fears of stretched AI valuations resurfacing, causing a rollercoaster of relief rallies and sell-offs adding to insights from the latest earnings season and uncertainty over monetary policy. Investors also monitored defence stock moves as US officials continue to attempt to broker a peace deal between Russia and Ukraine. Russian President Vladimir Putin broke his silence on the plan and said his country is ready for "serious talks."

Asia Pacific Equity Index Performance

Index	Index level	Nov-25 (Local currency)	YTD (Local currency)
MSCI AC ASIA x JAPAN	890.54	-2.91%	26.48%
FTSE ASEAN	957.31	0.87%	11.37%
CSI 300 INDEX	4,981.02	-1.67%	18.95%
KOSPI INDEX	3,926.59	-4.40%	63.64%
HANG SENG INDEX	25,858.89	-0.18%	28.91%
S&P BSE SENSEX INDEX	85,706.67	2.11%	9.68%
TAIWAN TAIEX INDEX	27,626.48	-2.15%	19.93%

Source: Bloomberg, 1 December 2025.

Chinese onshore equities declined 1.7% MoM amid profit taking approaching the year end, rising uncertainty of US Fed rate cuts, October 2025 activity data pointing to moderation of domestic economic growth and rising tensions between China and Japan. Retail sales remained soft as it slowed further to 2.9% YoY in October 2025 from 3.4% YoY in September 2025. Hang Seng Index fell 0.2% MoM amid renewed US equity market volatility owing to rapid swings in Fed rate cut expectations and a lack of official macro data, triggered a global risk-off. The risk-off sentiment was compounded by 3Q25 earnings as index heavyweights in internet and national energy vehicles companies issued cautious 4Q25 guidance owing to soft domestic consumption recovery.

South Korea's KOSPI declined 4.4% MoM after strong performance through October 2025 with YTD winning industries such as shipbuilders, defence, power equipment and memory leading the declines. Bank of Korea held its base policy rate at 2.5% as expected. Taiwan's TWSE index declined 2.2% MoM due to profit taking after strong performance in October 2025. Taiwan's manufacturing PMI picked up with gains in both production and demand. India equities rose 2.1% MoM driven by progressive optimism around an India-US trade deal, expectations of central bank rate cut improving liquidity outlook and increased US Fed rate cut expectations. India's 3Q25 GDP surged to 8.2% YoY, far exceeding expectations, driven by monetary easing and tax cuts.

ASEAN Equity Index Performance

Index	Index level	Nov-25 (Local currency)	YTD (Local currency)
STRAITS TIMES INDEX STI	4,523.96	2.15%	19.44%
JAKARTA COMPOSITE INDEX	8,508.71	4.22%	20.18%
STOCK EXCH OF THAI INDEX	1,256.69	-4.03%	-10.25%
PSEi - PHILIPPINE SE IDX	6,022.24	1.56%	-7.76%
HO CHI MINH STOCK INDEX	1,690.99	3.13%	33.49%
FTSE Bursa Malaysia KLCI	1,604.47	-0.29%	-2.31%

Source: Bloomberg, 1 December 2025.

The Straits Times Index rose in November 2025 as industrial output surged in October 2025, led by electronics products. Core inflation jumped to 1.2% YoY in October 2025, ahead of consensus 0.5% YoY. The strong core CPI print was led by a broad-based increase in core goods and services prices. Meanwhile, the Thai SET Index corrected in November 2025 and was the underperformer in the ASEAN region during the month. Trade balance in October 2025 was lower than expectation due to weaker exports and stronger imports. The electronics sector, which has underpinned external sector resilience for over a year, continued to show signs of moderation in recent months.

The Jakarta Composite Index rose in November 2025 driven by the conglomerates and Telkomsel, with the latter driven by speculation of a special dividend payout following the announcement of its fibre assets spin-off. Bank Indonesia held policy rate at 4.75%, in line with consensus expectations, motivated by the central bank's focus on preserving and rebuilding foreign reserves to attract foreign portfolio investment and prevent resident deposit outflows. The Philippines Composite Index rebounded in November 2025 on the back of continued inflows from local investors. 3Q25 GDP surprised on the downside as government investment slows amidst political uncertainties. The Vietnam stock market rebounded in November supported by selective buying in large-cap stocks while selling eased. The government has set an ambitious 10% GDP growth target for 2026, backed by a USD315b public investment plan for 2026–2030.

Malaysian Equities

The KLCI lost 0.3% MoM in November 2025, YTD –2.3%.

Malaysia's mid-cap and small-cap indices lost 1.2% and 5.7% MoM respectively. Finance and Property were the best performing sectors, gaining 2.5% and 2.4% MoM respectively. On the other hand, Technology and Utilities were the worst performing sectors, with losses of 8.9% and 8.3% respectively. The top three best performers in KLCI component stocks were 99 Speed Mart (+7.0%), Gamuda (+6.2%) and Press Metal (+6.0%), while the worst performing stocks were Petronas Chemicals (–23.1%), YTL Power (–18.3%) and YTL Corp (–18.1%).

Following the 3Q2025 earnings season, KLCI earnings growth is revised to 1.4% for 2025F (up from 0.9% previously) and 6.4% for 2026F (down from 7.5%). The beat-to-miss ratio improved QoQ to 0.78x (from 0.55x in 2Q2025 and 0.63x in 3Q2024).

Gabungan Rakyat Sabah ("GRS") emerged as the biggest winner in the 17th Sabah state election with 29 seats ahead of Warisan (25 seats) and Barisan Nasional (6 seats). The GRS Chairman was sworn in for a second term as Sabah Chief Minister.

Foreign institutional investors were net sellers of RM1.1b in November 2025, YTD net outflow is RM20.2b. Local institutional investors were net buyers of RM1.2b. Average daily trading value was RM2.9b, up 16% MoM.

Strategy

Equity markets expect that further cuts in US interest rates are still forthcoming and thus likely to translate to the inflow of foreign funds into emerging markets in the coming months. The 3Q25 earnings report card for public listed companies showed a mixed bag with a slowdown in the upgrade/downgrade ratio. December 2025 is expected to be a volatile month as funds rebalance to lock in gains whilst also positioning for 2026 as institutional investors digest the recently concluded 3Q25 results announcements. We continue to be well invested into domestic centric and dividend yielding stocks.

US equity market remains supported by robust corporate earnings though valuations are elevated. We are more positive on the US technology sector as we believe the development of artificial intelligence represents a multi-year growth cycle even though there might be near term volatility due to market's concern on the AI bubble. Fiscal stimulus will likely be another support for the US and Europe equities going into 2026. In Asia, we maintain an optimistic outlook on Chinese equities on the back of policy support. India's structural growth story remains intact with valuation more reasonable after the correction earlier this year. We like sectors driven by domestic demand and high-yielding stocks, which offer resilience amid the external volatility.

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