

MARCH 2025

# MARKET REVIEW

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THE MANAGER



## China Equity Markets Rallied in 1Q 2025 on New AI Applications and Fiscal Expansion

- **What happened:** The U.S. equity markets retraced in 1Q 2025 amid uncertainties surrounding the Trump administration's planned tariff hikes and their potential impact on the U.S. economy.
- Regional markets generally traded mixed (in Ringgit terms) in 1Q 2025. The China-Hong Kong markets rallied, supported by investors' focus on the potential of new artificial intelligence (AI) applications and China's planned fiscal expansion. Meanwhile, the Taiwan market declined due to profit-taking in selected semiconductor stocks.
- The ASEAN equity markets traded mixed (in Ringgit terms) in 1Q 2025, with the overall FTSE/ASEAN 40 Index falling amid foreign fund outflows from selected markets. On the domestic front, the FBM KLCI declined by 7.8% in 1Q 2025, primarily due to declines in the construction, telecommunications, utilities and financial sectors.
- **What's next:** The Federal Reserve (Fed) held the Federal funds rate steady at 4.25%-4.50% during the March 2025 Federal Open Market Committee (FOMC) meeting. The central bank's interest rate outlook, which includes two projected rate cuts for 2025, will depend on the inflation and labour market trends. Looking ahead, investors will be closely monitoring the U.S. administration's trade policy measures, the Fed's interest rate decisions and U.S. economic conditions.
- China announced a real gross domestic product (GDP) growth target of 5.0% for 2025 in its March 2025 National People's Congress, supported by a higher budget deficit target of 4.0% and initiatives to increase domestic spending. China's economic outlook will depend on the momentum of its exports amid elevated U.S. tariffs and the effectiveness of Chinese stimulus measures in supporting domestic consumer spending.
- The ASEAN economies are envisaged to be supported by resilient domestic spending and inflows of foreign direct investments amid regional supply chain relocations.

## Comparison of Stock Markets' Performances

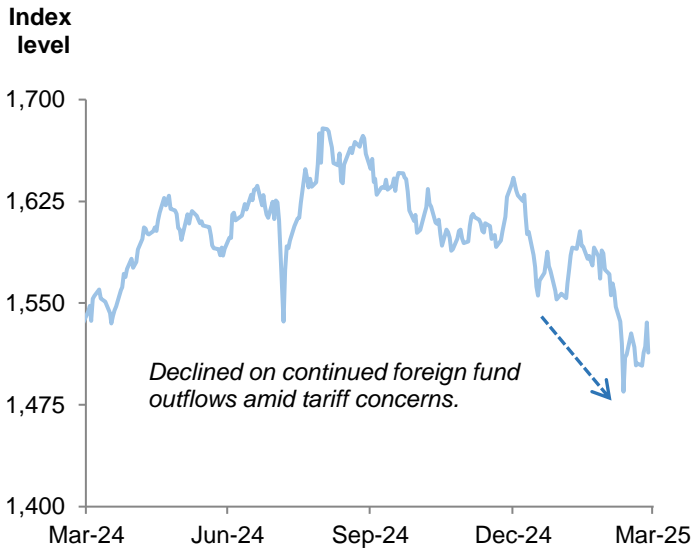
| Countries                      | Index                          | Index Level<br>(in LC)<br>As at<br>31 March 2025 | Performance (in Ringgit terms, %) |         |        |        |        |         |
|--------------------------------|--------------------------------|--|-----------------------------------|---------|--------|--------|--------|---------|
|                                |                                |  | 4Q 2024                           | 1Q 2025 | 1-Year | 3-Year | 5-Year | 10-Year |
| Malaysia                       | FBM KLCI                       | 1,514 <sup>^</sup>                               | -0.4                              | -7.8    | -1.5   | -4.6   | 12.0   | -17.3   |
|                                | FBM EMAS Shariah               | 11,124 <sup>^</sup>                              | 2.8                               | -11.6   | -4.5   | -6.9   | 10.1   | -15.2   |
|                                | FBM Small Cap                  | 15,579 <sup>^</sup>                              | 3.5                               | -13.3   | -9.9   | -4.4   | 69.2   | -4.4    |
| <b>Regional</b>                |                                |  |                                   |         |        |        |        |         |
| China / Hong Kong              | Hang Seng China Enterprises    | 8,517  | 5.3                               | 15.7    | 38.1   | 20.0   | -9.1   | -17.7   |
|                                | Hang Seng                      | 23,120   | 3.0                               | 14.1    | 31.7   | 11.4   | 0.3    | 10.8    |
| South Korea                    | Korea Composite                | 2,481  | -10.6                             | 2.7     | -22.6  | -22.0  | 20.1   | 9.4     |
| Japan                          | Tokyo Stock Price              | 2,659  | 3.7                               | -0.5    | -9.0   | 16.7   | 40.0   | 65.0    |
| China                          | Shanghai SE Composite          | 3,336  | 4.8                               | -0.7    | 2.5    | -5.6   | 21.6   | -9.0    |
| India                          | S&P BSE SENSEX                 | 77,415 <sup>^</sup>                              | -1.6                              | -1.7    | -4.0   | 23.5   | 137.9  | 141.5   |
| Taiwan                         | Taiwan Stock Exchange Weighted | 20,696   | 8.6                               | -12.0   | -7.8   | 6.2    | 99.7   | 143.3   |
| <b>ASEAN</b>                   |                                |  |                                   |         |        |        |        |         |
| Singapore                      | Straits Times                  | 3,972 <sup>^</sup>                               | 7.5                               | 5.9     | 16.3   | 23.9   | 74.6   | 41.2    |
| Vietnam                        | VN30                           | 1,364  | 4.0                               | 0.3     | -4.3   | -14.9  | 112.0  | 136.5   |
| Indonesia                      | Jakarta SE Composite           | 6,511 <sup>^</sup>                               | -4.6                              | -10.9   | -20.0  | -16.2  | 44.2   | 11.2    |
| Thailand                       | Stock Exchange of Thailand     | 1,158  | -1.1                              | -17.2   | -15.6  | -29.6  | 1.8    | -11.8   |
| <b>Other Developed Markets</b> |                                |  |                                   |         |        |        |        |         |
| E.U.                           | STOXX Europe 50                | 4,546  | -2.6                              | 9.3     | -3.7   | 25.9   | 68.6   | 59.7    |
| Australia                      | S&P/ASX 200                    | 7,843  | -4.6                              | -3.8    | -10.9  | -8.3   | 62.4   | 30.6    |
| U.S.                           | S&P 500                        | 5,612  | 10.7                              | -5.4    | 0.1    | 30.5   | 123.2  | 224.9   |
|                                | NASDAQ Composite               | 17,299   | 15.2                              | -11.2   | -1.0   | 28.1   | 130.9  | 322.5   |

Source: Bloomberg Data as at 31 March 2025 LC – Local currency <sup>^</sup>As at 27 March 2025 <sup>^</sup>As at 28 March 2025

## Update on Equity Markets

### Malaysia

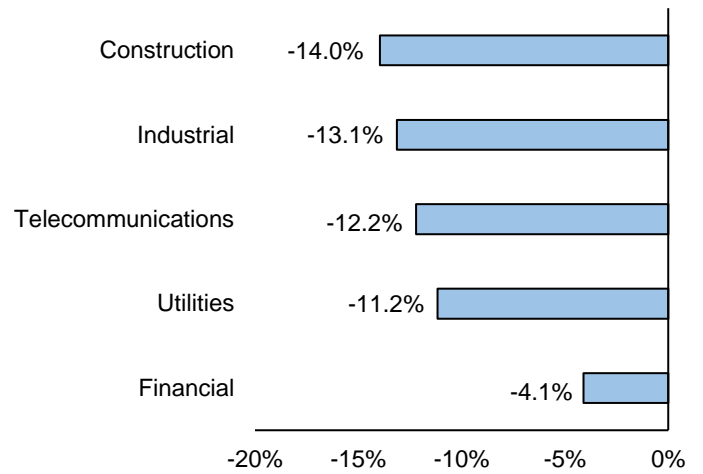
#### FBM KLCI



Source: Bloomberg

- The FBM KLCI declined by 7.8% in 1Q 2025 on continued foreign fund outflows amid tariff concerns.

#### Top sector movers in Malaysia (1Q 2025)



Source: Bloomberg

- The FBM KLCI fell in 1Q 2025, primarily due to declines in the construction, telecommunications, utilities and financial sectors.

### Regional

#### S&P Pan Asia Ex-JP, AU, NZ, IN Index\*



\* S&P Pan Asia Ex-Japan, Australia, New Zealand and India  
Source: S&P Dow Jones Indices, LLC

- The S&P Pan Asia Index rose in 1Q 2025, led by gains in the China-Hong Kong and South Korea markets.

#### Hang Seng China Enterprises Index (HSCEI)

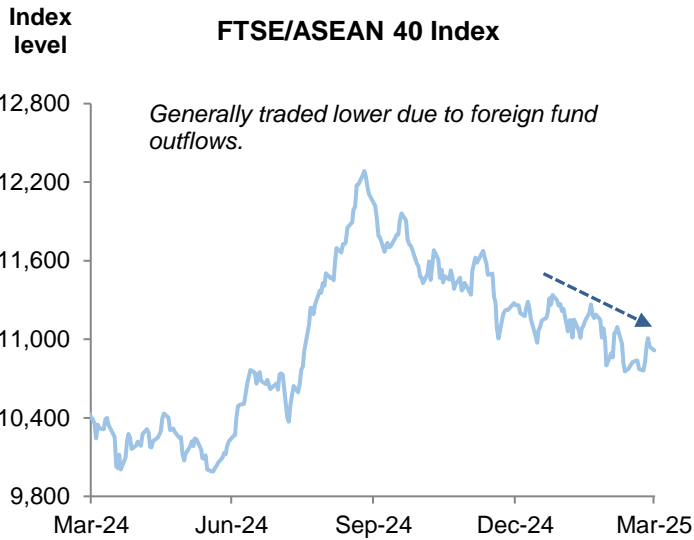


Source: Bloomberg

- The HSCEI rallied in 1Q 2025, supported by investors' focus on the potential of new AI applications and China's planned fiscal expansion.

## Update on Equity Markets

### ASEAN



Source: Bloomberg

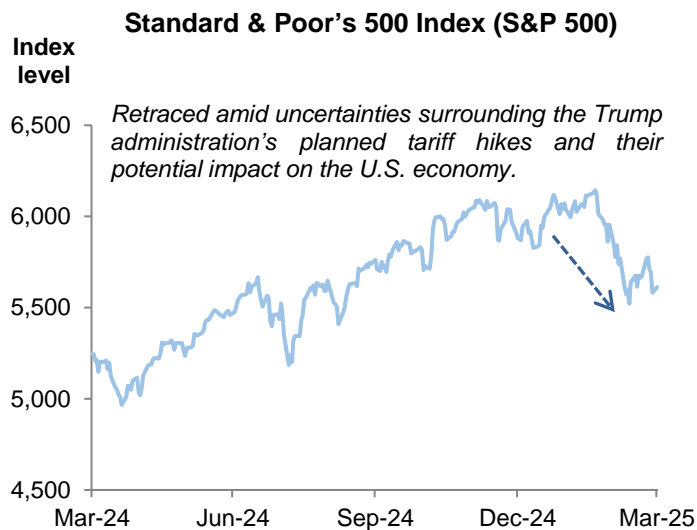
- The ASEAN equity markets, as proxied by the FTSE/ASEAN 40 Index, generally traded lower in 1Q 2025 due to foreign fund outflows.



Source: Bloomberg

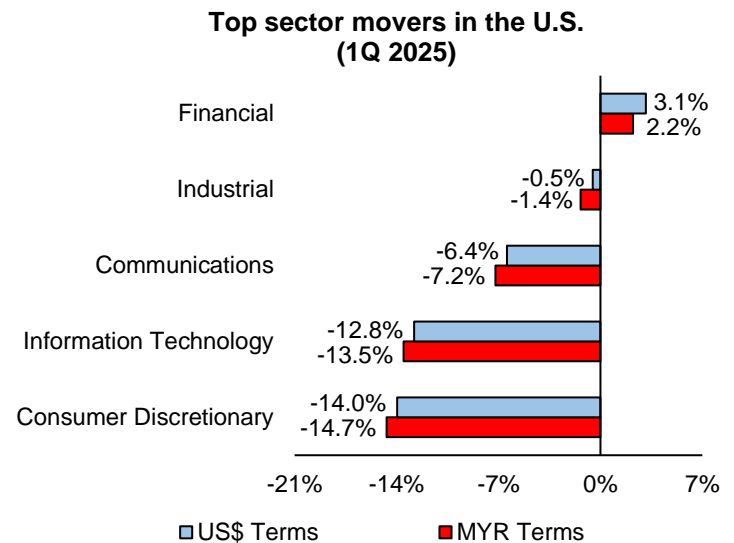
- The Indonesian equity market declined during the quarter in tandem with the depreciation of the Indonesian Rupiah against the U.S. Dollar (US\$).

### United States (U.S.)



Source: Bloomberg

- The U.S. equity markets retraced in 1Q 2025 amid uncertainties surrounding the Trump administration's planned tariff hikes and their potential impact on the U.S. economy.



Source: Bloomberg

- The S&P 500 fell in 1Q 2025, primarily due to weakness in the consumer discretionary and information technology sectors. However, the decline was partially offset by gains in the financial sector.

## Update on Bond & Currency Markets

### Bonds

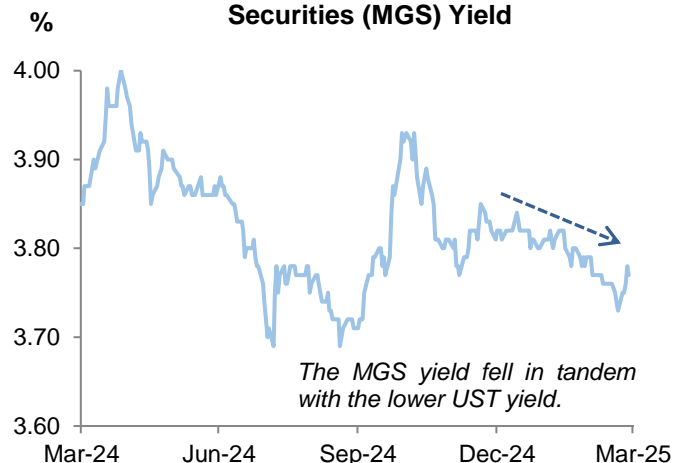
#### Quarterly Bond Yield Movement

| Tenor                | 4Q 2024 (%) | 1Q 2025 (%)       | Change* (bps) |
|----------------------|-------------|-------------------|---------------|
| <b>3-Year Bonds</b>  |             |                   |               |
| U.S. Treasury Bond   | 4.27        | 3.87              | -40           |
| MGS                  | 3.48        | 3.38 <sup>^</sup> | -10           |
| <b>10-Year Bonds</b> |             |                   |               |
| U.S. Treasury Bond   | 4.57        | 4.21              | -36           |
| MGS                  | 3.82        | 3.77 <sup>^</sup> | -5            |

Note: As at 31 March 2025 \* In basis points (bps) <sup>^</sup>As at 28 March 2025  
Source: Bloomberg, Bank Negara Malaysia (BNM)

- The 3-year and 10-year U.S. Treasury (UST) yields eased by 40 bps and 36 bps respectively in 1Q 2025 amid softer U.S. jobs data and the Fed's decision to keep its benchmark rate unchanged at 4.25%-4.50% while maintaining its two rate cuts projection in 2025 at the March FOMC meeting.

#### 10-Year Malaysian Government Securities (MGS) Yield



Source: BNM

- The 10-year MGS yield fell by 5 bps in 1Q 2025 in tandem with the lower UST yield.

### Currencies

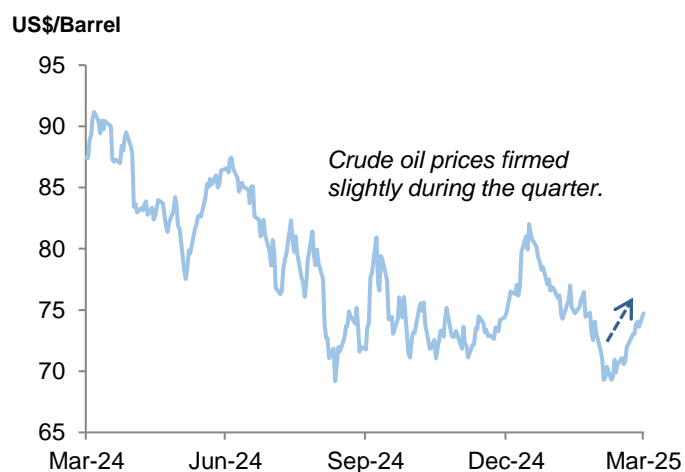
#### Quarterly MYR Movement vs Selected Currencies

|                   | 4Q 2024 % change <sup>#</sup> | 1Q 2025 % change <sup>#</sup> | MYR per currency <sup>*</sup> |
|-------------------|-------------------------------|-------------------------------|-------------------------------|
| U.S. Dollar       | -7.8                          | +0.8                          | 4.44 <sup>^^</sup>            |
| Chinese Yuan      | -4.1                          | +0.3                          | 0.61                          |
| Australian Dollar | +2.7                          | -0.4                          | 2.77                          |
| Singapore Dollar  | -2.0                          | -0.8                          | 3.31                          |
| Pound Sterling    | -1.5                          | -2.3                          | 5.74 <sup>^^</sup>            |
| Euro              | -0.9                          | -3.1                          | 4.80                          |
| Japanese Yen      | +1.4                          | -4.1                          | 2.97 <sup>^</sup>             |

Note: \* Data as at 31 March 2025 <sup>^</sup>Per 100 Yen <sup>^^</sup>As at 28 March 2025  
<sup>#</sup>Change indicates the Ringgit's movement vs foreign currencies  
Source: Bloomberg

- The Ringgit appreciated slightly by 0.8% against the US\$ in 1Q 2025 amid lower UST yields.
- Meanwhile, the Ringgit generally weakened against most of the other currencies, with declines ranging between 0.4% and 4.1% for the quarter.

#### Brent Crude Oil Price

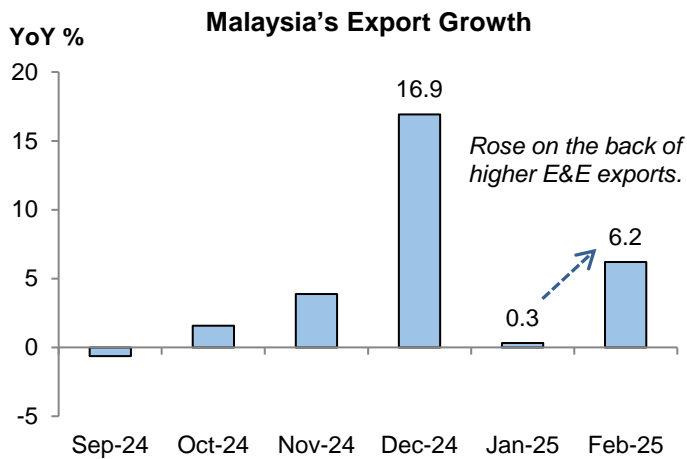


Source: Bloomberg

- The price of Brent crude oil firmed slightly by 0.1% to US\$74.7 per barrel during the quarter.

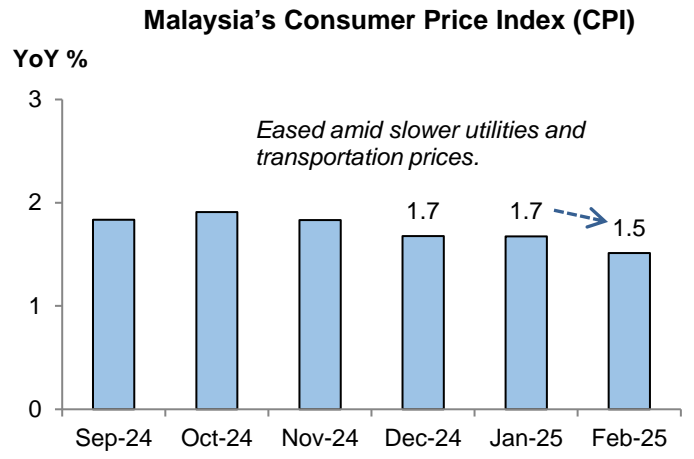
## Outlook

### Malaysia



Source: Department of Statistics Malaysia

- Malaysia's export growth rose in February 2025 on the back of higher electrical & electronics (E&E) exports.

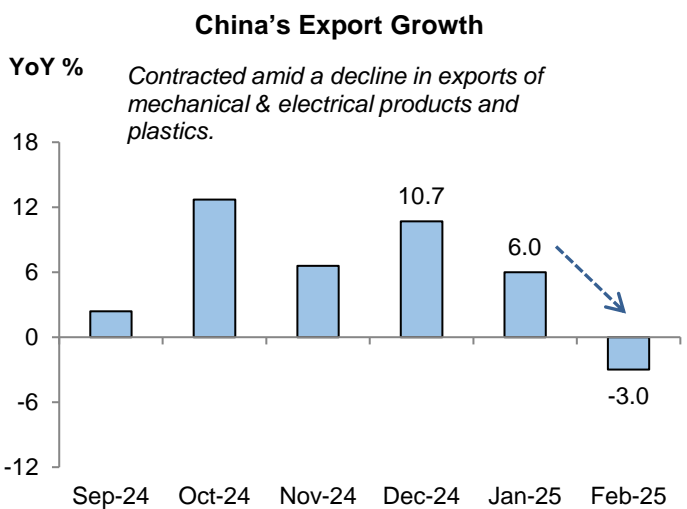


Source: Department of Statistics Malaysia

- Malaysia's Consumer Price Index eased to 1.5% in February 2025 amid slower utilities and transportation prices.

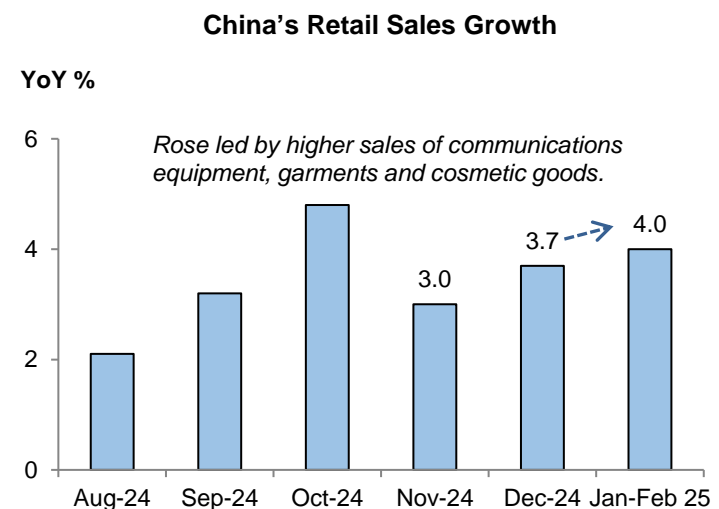
- Bank Negara Malaysia (BNM) projects Malaysia's economy to expand by between 4.5% and 5.5% in 2025, as stated in its 2024 annual report. This forecast, which is in line with the Ministry of Finance's earlier projection, is supported by resilient domestic consumption and increased private investments.
- Similarly, with the proposed rationalisation of RON95 petrol prices around mid-2025, BNM kept its inflation rate forecast at between 2.0% and 3.5% for 2025.

### Regional



Source: Bloomberg

- China's exports contracted in February 2025 amid a decline in exports of mechanical & electrical products and plastics.



Source: Bloomberg

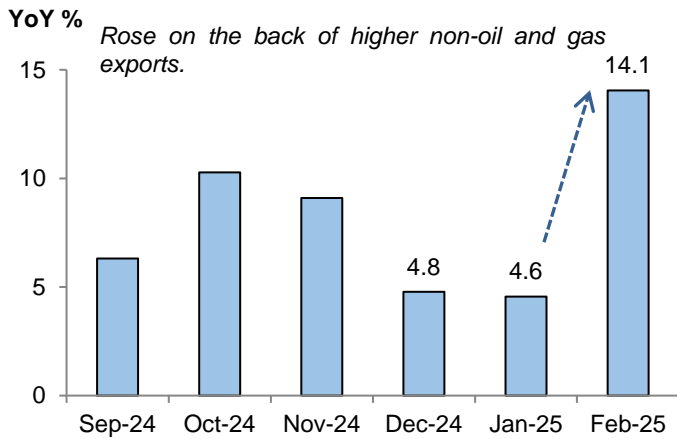
- China's retail sales growth rose in January-February 2025, led by higher sales of communications equipment, garments and cosmetic goods.

- China announced a real GDP growth target of 5.0% for 2025 in its March 2025 National People's Congress, supported by a higher budget deficit target of 4.0% and initiatives to increase domestic spending. China's economic outlook will depend on the momentum of its exports amid elevated U.S. tariffs and the effectiveness of Chinese stimulus measures in supporting domestic consumer spending.
- Over the longer term, technology sectors in South Korea and Taiwan are strategically positioned to leverage on the increasing global demand for advanced semiconductors, which are crucial in AI applications and high-performance computing.

## Outlook

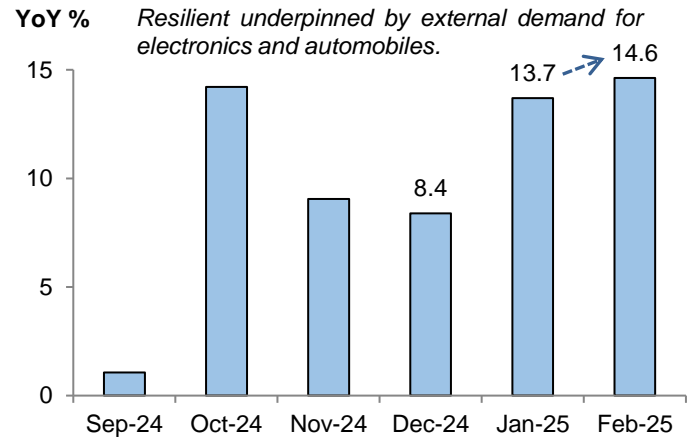
### ASEAN

#### Indonesia's Export Growth



Source: Bloomberg

#### Thailand's Export Growth



Source: Bloomberg

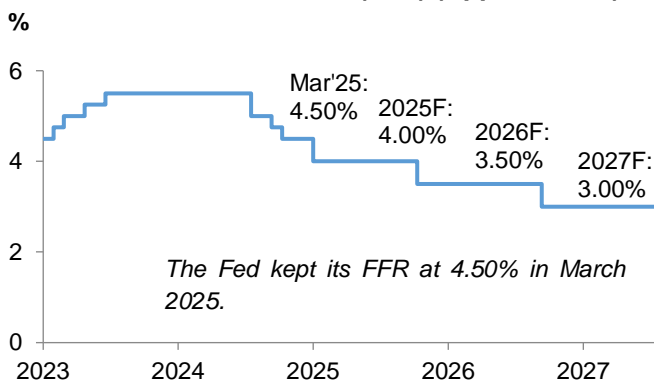
- Indonesia's export growth rose in February 2025 on the back of higher non-oil and gas exports.

- Thailand's export growth remained resilient in February 2025 underpinned by external demand for electronics and automobiles.

- ASEAN economies are envisaged to be supported by resilient domestic spending and inflows of foreign direct investments amid regional supply chain relocations.

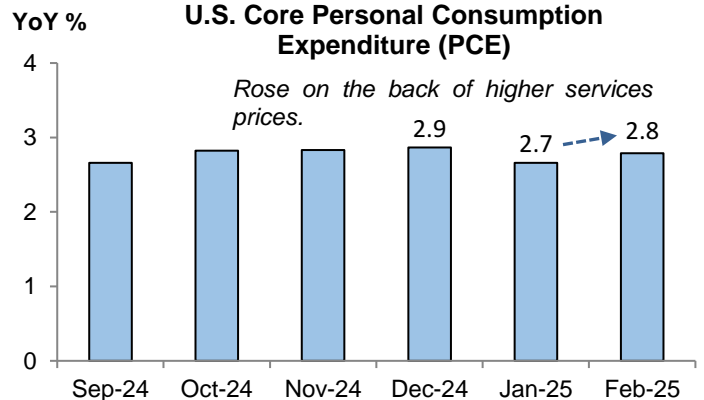
### U.S.

#### Federal Funds Rate (FFR) (Upper Bound)



Source: Based on FOMC projections at the March 2025 meeting

#### U.S. Core Personal Consumption Expenditure (PCE)



Source: Bloomberg

- The Fed kept its FFR steady at 4.25%-4.50% in the March 2025 FOMC meeting.

- The core PCE inflation rose to 2.8% year-on-year in February 2025 while increasing 0.4% month-on-month on the back of higher services prices.
- Meanwhile, the U.S. PCE headline inflation was sustained at 2.5% over the same period as higher services prices were offset by slower goods costs.

- The Fed's interest rate outlook, which includes two projected rate cuts for 2025, will depend on the inflation and labour market trend. Looking ahead, investors will be closely monitoring the U.S. administration's trade policy measures, the Fed's interest rate decisions and U.S. economic conditions.

Note: Q = Quarter

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