Market Review and Outlook

April 2025

Market Review

Global equity markets had a turbulent month in April, with the MSCI World Index gaining +0.74% mom, while the American Dow Jones Index fell by 3.17% mom and S&P 500 Index declined by 0.76% mom. During the early part of April, global markets were rattled after President Trump announced his "Liberation Day" tariffs, which sparked concerns of a full – blown trade war and threatened to upend the global trade order. In April 2025, the International Monetary Fund (IMF) lowered its 2025 global growth forecast by 0.5 pp to 2.8% – the slowest pace since the pandemic in 2020 and warned of further downside risks should trade tensions escalate. However, sentiment improved toward the end of the month as President Trump announced a 90 – day pause in implementing the reciprocal tariffs for all countries bar China, offering temporary relief to global markets.

In the US, March's nonfarm payrolls (NFP) surged by +228k mom, (Survey: +140k mom) and higher than the previous month's revised NFP of +102k mom. The unemployment rate was slightly higher at 4.2%, as compared to 4.1% in the previous month. Consumer Price Index (CPI) in March declined to +2.4% yoy, as compared to +2.8% yoy in February. Similarly, March's advance retail sales was in line with consensus at +1.4% mom, and higher than the prior month's +0.2% mom. However, industrial production declined 0.3% mom, as compared to an increase of +0.7% mom in February.

Over in Europe, the Stoxx 50 Index declined by 1.68% mom, despite the April HCOB Eurozone Manufacturing Purchasing Manager's Index (PMI) increasing slightly to 49.0, as compared to 48.7 in the previous month. The Eurozone unemployment rate also ticked up to +6.2% in March, as compared to +6.1% in February. Eurozone Core CPI also increased to +2.7% yoy in April, as compared to +2.4% yoy in March. The European Central Bank decided to cut interest rates for the 7th time in a year by 25 basis points, and warned that economic growth will take a big hit from US tariffs.

On the other hand, China's Shanghai Composite Index fell 1.70% mom, despite the Consumer prices index improving to a slight drop of 0.1% yoy in March, compared to a drop of 0.7% yoy in February. Retail sales YTD in March grew +5.9% yoy, as compared to +4.0% yoy in February. The People's Bank of China maintained key lending rates unchanged in March for the 6th consecutive month, with the one-year loan prime rate (LPR) at 3.1% and the five-year LPR at 3.6%. The Caixin China Manufacturing PMI slowed to 50.4 in April, lower than the 51.2 in March. The latest reading is the lowest recorded since January.

In April, Brent crude oil price plunged 17.5% mom to USD61.06/barrel due to concerns that OPEC+ would decide to expedite its output hikes that will increase global supply at a time when the demand outlook is uncertain. Crude palm oil price fell 9.3% mom to RM3,911/tonne, as compared to RM4,312/tonne at end March, as palm oil production rose 16.8% mom in March, marking the start of the seasonal uptrend in supply.

For the ASEAN region, Singapore's Straits Times Index (STI) fell 3.52% mom, as its non-oil domestic exports slowed to +5.4% yoy in March, as compared to a gain of +7.6% in February. However, indusrial production in March was up +5.8% yoy, as compared to a decline of 1.3% the previous month. On a yoy basis, retail sales increased 1.1% in March 2025, reversing the 3.5% decrease in February 2025. Indonesia's Jakarta Composite Index rose +3.93% mom despite a much lower S&P Global Manufacturing PMI reading of 46.7 in April, as compared to 52.4 in the previous month. Exports also slowed to +3.14% yoy in March, as compared to +14.05% yoy in February. The Stock Exchange of Thailand gained +3.38% mom despite a slightly lower S&P Global Manufacturing PMI reading of 49.5 in April, as compared to 49.9 in the previous month. Its Business Sentiment Index also fell to 47.1 in April, as compared to 50.2 in March. Over in Malaysia, the FBMKLCI increased by +1.76% mom despite a lower industrial production reading of +1.5% yoy in February, as compared to +2.0% in the previous month. Its S&P Global Manufacturing PMI was also slightly lower at 48.6 in April, as compared to 48.8 in March. April saw continued net foreign outflow of RM1.9bn, bringing year-to-date net outflow to RM11.9bn.

The US Treasuries (UST) yield curve steepened in April as the 3 – 10y tenors yield declined by 5 – 27bps mom while the 20y and 30y tenors yield increased by 10 – 11bps mom. April was a volatile month as shifting US trade policies under President Donald Trump and his public criticism of the Fed fueled concerns that foreign investors might gradually lose appetite for American assets. The tariff announcement on April 2 triggered a stock market selloff that initially boosted demand for UST and pushed most yields to year – to – date lows by April 4. It was however short – lived as heightened market volatility spurred investors to unwind crowded positions and sent yields upwards. The UST staged a late-month rally as signs of faltering US economy intensified speculation that the Fed would accelerate interest – rate cuts. Fed fund futures as of end – April now indicate an implied rate cut of 102bps by year – end compared to 76bps as of end – March.

Malaysian Government Securities (MGS) yield curve steepened in April as well, with the 3 – 7y tenors yield declining by 12 – 23bps mom while the 10 – 30y tenors yield declining by 7 – 11bps mom. Malaysia's advance GDP estimate for 1Q25 shows growth moderating further to 4.4% yoy (Survey: +4.8% yoy, 4Q24: +5.0% yoy) as all major sectors experienced slower growth, with the mining sector contracting at a more pronounced rate. Malaysia's March headline inflation moderated to 1.4% yoy (Survey: +1.6% yoy, February: +1.5% yoy) with Bank Negara Malaysia (BNM) attributing the divergence to the waning effects of past policy adjustments on non-core consumer price index (CPI) components, including water and electricity tariffs, which had risen in the same period last year.

Foreign funds net bought Ringgit bond holdings in April with net inflows of RM10.2bn (March: + RM3.2bn). This was the largest monthly inflow since July 2023. The foreign share of both MGS and MGS+MGII climbed to 33.6% (March: 32.5%) and 21.4% (March: 20.9%) respectively. Malaysia's foreign reserves increased by USD1.2bn to USD118.7bn as of end – April (March: USD117.5bn).

Market Outlook

While policy uncertainty remains elevated and a comprehensive resolution could be distant, investors found some comfort in the recent May 2025 pause in escalation especially between US and China which now appear more conciliatory. Now all eyes will be on how these developments will impact real economic activity, including consumption, earnings, and GDP growth. In the near term, markets will remain volatile due to the trade tariff uncertainty. Locally, investors would keenly observe the implementation of some important policies such as RON95 fuel subsidy rationalization and Malaysia's response to the US on their tariff measures and its potential impacts on the market.

As we navigate the volatile equity market environment of 2025, we remain cautious to investing in fundamentally good investments over long – term investment horizons. As always, we will opportunistically engage in trading activities to capitalize on any prevailing market volatility. All the same, we will keep vigil over any potential geopolitical and other risks that may necessitate the gravitation towards new strategies to adjust to the ever – volatile market conditions.

While the IMF continues to expect the global economy to avoid a recession in 2025, it raised the probability of a US recession to 40%, up from 25% in its January outlook. Despite the aggressive rate cuts expectations for 2025 and into 2026, Fed Chair Jerome Powell has said that while uncertainty is high and downside risks have risen, the economy is still in a good place and the Fed will wait before further rate moves. On local monetary policy, BNM is expected to closely monitor the impact of external developments on growth and price stability before making any policy adjustments. Demand for Ringgit government bonds have gained traction as investors sought safer assets and central banks globally have increased their probability for rate cut(s). All said, bond volatility will remain, but we would selectively accumulate bonds at reasonable valuations while prioritizing good quality names.