

# Market Review and Outlook

**March 2025**

The content of this document is supplementary to the Monthly Fund Factsheets.

For the following funds:

Allianz Life Master Bond Fund ("MBF")  
Allianz Life Master Equity Fund ("MEF")  
Allianz Life Master Dividend Fund ("MDF")  
Allianz Life Master Dana Ekuiti ("MDE")  
Allianz Life Master ASEAN Plus Fund ("AMAF")  
Allianz Life Managed Fund ("MF")  
Allianz Life Equity Fund ("EF")  
Allianz Life Dynamic Growth Fund ("DGF")  
Allianz Life Equity Income Fund ("EIF")  
Allianz Life Bond Fund ("BF")  
Allianz Life Dana Padu ("DP")  
Allianz Life ASEAN Plus Fund ("AAF")

## Market Review

Global equity markets slumped and experienced significant volatility in March, with the MSCI World Index falling 4.64% mom, the Nasdaq Index dropping by 8.21% mom, and the American Dow Jones Index declining by 4.20% mom. This broad-based weakness was primarily driven by escalating geopolitical tensions and tariff uncertainty, as the United States imposed a 25% tariff on imports from Canada and Mexico and increased tariffs on Chinese goods, leading to retaliatory measures and heightened concerns over US and global economic growth. The impact of higher bond and credit yields, coupled with fears of stagflation contributed to a risk-off sentiment and cautious investment climate, dampening economic growth projections worldwide.

In the US, February's nonfarm payrolls (NFP) grew by +151k mom, (Survey: +160k mom) and prior month's NFP was revised downwards to +111k mom (from +143k mom) while the unemployment rate was above expectations at 4.1% (Survey and January: 4.0%). Consumer Price Index (CPI) in February was slightly lower at +2.8% yoy (Survey: +2.9% yoy, January: +3.0% yoy) largely driven by the deceleration in transportation prices. Similarly, February's advance retail sales were below consensus at +0.2% mom (Survey: +0.6% mom) but improved from prior month's revised sales at -1.2% mom (revised downwards from -0.9% mom) contributed by greater spending online and on healthcare items. However, industrial production exceeded expectations at +0.7% mom (Survey: +0.2% mom, January revised: +0.3% mom) fueled by higher motor vehicle production. In the Federal Open Market Committee (FOMC)'s March meeting, the Federal Reserve (Fed) kept the rate unchanged at 4.25% – 4.50%. Fed Chair Powell noted on the uncertainty from President Trump's policies changes but reiterated that they are not in a hurry to adjust the fed fund rate and that further clarity on the policies' impact is needed before any adjustments are made. In addition to the rate decision, the Fed announced a further scaling back of its "quantitative tightening" program in which it is gradually lowering the bonds it holds on its balance sheet.

Over in Europe, the Stoxx 50 Index declined by 3.94% mom. The announcement of auto tariffs and rumors of broader-than-anticipated reciprocal tariffs in late March triggered a sell-off across European markets. The March HCOB Eurozone Manufacturing Purchasing Manager's Index (PMI) decreased slightly to 48.6 from 48.7, indicating a continued contraction in manufacturing activity, while Eurozone February retail sales showed resilience, growing by +2.3% yoy. The ECB decided to lower key interest rates by 25 basis points, emphasizing its commitment to closely monitor economic developments amid geopolitical tensions and trade uncertainties. The ECB also signaled that it would adopt a data-dependent approach to monetary policy decisions amidst rising uncertainty.

On the other hand, China's Shanghai Composite Index inched up +0.45% mom, bolstered by the government's stimulus efforts to achieve a 5% growth target, including issuing RMB1.3 trillion in special treasury bonds and permitting local governments to issue RMB4.4 trillion in special debt, all aimed at enhancing domestic consumption and countering the impact of US tariffs. Consumer prices index fell by 0.7% yoy in February, marking the first deflation since January 2024 due to reduced demand

post-Spring Festival. The People's Bank of China maintained key lending rates unchanged in March for the fifth 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 rose to 51.2 in March 2025, surpassing February's 50.8, driven by increased new orders and improved demand.

In March, Brent crude oil price increased by +2.1% mom to USD74.74/barrel as fresh US sanctions on Iran coincided with OPEC+'s decision to maintain production cuts, raising expectations of potential tighter supply. Crude palm oil price inched up by +0.7% mom mainly due to decreased production, affected by heavy rainfall and exhausted oil palm trees. Additionally, emerging markets like Sub-Saharan Africa also filled the demand gap left by India and China.

For the ASEAN region, Singapore's Straits Times Index (STI) climbed +1.97% mom driven primarily by ST Engineering Limited (+25.5% mom) after the company announced ambitious five-year targets, plans to increase dividend payouts, and a strategy to balance growth and shareholder rewards. The Index was further supported by resilient performances from selected large cap banks. Indonesia's Jakarta Composite Index rose +3.83% mom as the Indonesian Financial Services Authority announced that listed companies could conduct buybacks without shareholder meetings, boosting investor confidence. This follows an intra-day plunge of 7% on March 18 due to economic uncertainty from global and domestic issues, including rumors of Finance Minister Sri Mulyani's resignation, transparency concerns with Daya Anagata Nusantara, and incompatible policies, sparking fears over fiscal stability. On the other hand, the Stock Exchange of Thailand continued its downtrend, falling 3.79% mom (YTD: -17.29%) plagued by a prolonged crisis of confidence, exacerbated by foreign investment selling amid economic decline, corporate governance scandals, persistent political instability, and global uncertainties, including US trade policies and tariff impacts. Malaysia also suffered with the FBMKLCI sliding 3.88% mom as investors worried about US trade policies and potential recession risks, driven by the impact of tariffs and fluctuations in major global indices. March 2025 saw a continued equities net foreign outflow of RM4.6bn, bringing 1Q25 net outflow to RM10.0bn.

The US Treasuries (UST) yields decreased by 5 – 10bps mom across the 3 – 7y tenors while the yields across the 20y and 30y tenors climbed by 7 – 8bps mom amidst weaker – than – expected jobs growth, inflation and retail sales and stronger – than – anticipated industrial production. The yield for 10y tenor remained unchanged at 4.21%.

Malaysian Government Securities (MGS) yields trended lower across the curve by 2 – 6bps mom. In the March Monetary Policy Committee (MPC) meeting, Bank Negara Malaysia (BNM) maintained the overnight policy rate (OPR) at 3% as expected. BNM anticipates economic activity to be backed by domestic demand despite external uncertainties with employment, wage growth as well as upward revision of the minimum wage and civil servant salaries supporting household spending. Meanwhile, January's industrial production was below expectations at +2.1% yoy (Survey: +2.7% yoy, December 2024: +4.6% yoy) dragged by contraction in the mining sector. February's CPI met consensus at +1.5% yoy but was lower than January's CPI of +1.7% yoy. The slower increase was primarily due to slower rise in the main groups of housing, water, electricity, gas and other fuels as well as recreation, sport and culture.

Foreign funds turned net buyers in March with net inflows of RM3.2bn (February: net outflows of RM1.1bn). The foreign share of both MGS and MGS+MGII climbed to 32.5% (February: 31.8%) and 20.9% (February: 20.6%) respectively. Despite the inflows, Malaysia's foreign reserves declined slightly by USD0.8bn to USD117.5bn as of end – March (February: USD118.3bn).

## Market Outlook

The world is experiencing volatility due to a global trade war as President Trump initiates widespread tariff measures globally. Not surprisingly, the move has elicited measured retaliatory tariffs from selected countries. That said, it cannot be ruled out that the President could be using tariffs as leverage in his negotiation strategies for better trade terms for the US. 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 steadfast 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.

Bond market volatility is expected to persist in 2025 as US – led tariff – related risk and geopolitical tensions continue to dominate headlines. The FOMC cautioned that uncertainty around the economic outlook has increased and that the Fed remains attentive to both of its dual mandate – inflation and employment. While the median projection showed a 50bps of rate cut in 2025, unchanged from December, there was a downgrade in the economic growth forecast to just a 1.7% pace this year, down 0.4% from the last projection. In the recent Monetary Policy Statement, BNM maintained its view for sustained economic activities in 2025 anchored by resilient domestic expenditure. Inflation in 2025 is expected to remain manageable with upside risk to inflation being dependent on the extent of spillover effects of domestic policy measures, as well as external developments surrounding global commodity prices, financial markets and trade policies. Demand for local bonds still appears strong and credit spreads have tightened further, led by high grades. All said, we would selectively accumulate bonds at reasonable valuations while prioritizing good quality names.

### Disclaimer:

This document is prepared by Allianz Life Insurance Malaysia Berhad ("Allianz") for information only. The statements contained herein may include statements of future expectations and other forward-looking statements that are based on management's current views and assumptions and involve known and unknown risks and uncertainties that could cause actual results, performance or events to differ materially from those expressed or implied in such statements. Allianz assumes no obligation to update any information contained herein. Its content is of a general nature and does not in any way constitute professional advice or the provision of professional services, and shall not be relied on as such. While Allianz endeavours to keep the content and information contained herein accurate, Allianz does not warrant or guarantee the completeness, adequacy or currency of information contained herein. Allianz reserves the right to modify the content and information herein at any time.