

Market Review and Outlook

September 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

September 2025 saw the MSCI World Index continue its inexorable upward momentum, further moving up +3.09% mom. This was against a benign backdrop manifest by subsiding global trade tensions and expectations of rate cuts in the near future.

US' Dow Jones Index rose +1.87% mom fueled in part by optimism from the first Fed Fund Rate cut in 2025. Fed Chair Powell explained that the balance of risk had shifted towards employment instead of inflation and Fed officials' "dot plot" indicated that there were likely two more rate cuts expected for the remainder of 2025. The decision to cut rates was aided by the fact that August 2025 core inflation came in at +3.1%, flat mom and was within consensus expectations. In the interim, the S&P Global US Composite Index September preliminary reading came in at 53.9, being still in an expansionary mode.

In terms of tariffs, President Trump had expanded and/ or increased the coverage of Section 232 of the Trade Expansion Act of 1962, which included aluminum, steel, timber, and pharmaceuticals, amongst other items. Meanwhile, US continued tariff quid pro quo negotiations with the rest of the world e.g. Japan, India and others. Between US and China, the two economic superpowers, negotiations had been proceeding with Presidents Trump and Xi, speaking via phone in September 2025, the third time this year. Meantime, their subordinates congregated for talks in Madrid as all parties attempted to keep the US – China trade relationship intact.

Europe's Stoxx 50 Index surged +3.33% mom with the European Central Bank (ECB) leaving interest rates unchanged while the inflation remained in check and the union narrowly avoided a 2Q25 economic contraction despite the US tariff disruption. However, after the European Commission slapped a EUR3b fine on Google over advertising practices, President Trump threatened to launch an investigation which could lead to higher tariffs imposed on the European Union.

In China, the Shanghai Composite index edged upwards by +0.64% mom, its fifth consecutive month enjoying an upward trajectory. Its market was supported by a technology stocks rally as the government moved to amplify policy support for domestic chipmakers. Apart from that, the market was also furthered by the ongoing US – China trade negotiations and the hopes that its domestic economy could be propped up by its 'Anti – Involution' campaign launched in July 2025. Once more time, the People's Bank of China kept key lending rates unchanged, with the one – year loan prime rate (LPR) at 3.0% and the five – year LPR at 3.5%.

During the month, Brent crude oil fell 1.6% mom to USD67.02/ bbl due to OPEC+ plan for another increase in oil output in November and also the resumption of oil exports by Iraq's Kurdistan region via Turkey. Crude palm oil (CPO) price held rather steady mom at RM4305/ MT in September as we were entering a low output season where production and inventory were expected to ease.

Focusing on the ASEAN front, the Stock Exchange of Thailand rocketed +3.04% mom bolstered by improving sentiments around the nation's political leadership and policies. Investor confidence was lifted by the formation of the new government under new Prime Minister Anutin Charnvirakul. It was further buoyed by the announcement of a slew of economic stimulus packages aiming at boosting consumer spending and tax deductions. As regard Indonesia, the Jakarta Composite Index grew +2.94% mom partly aided by a surprise Bank Indonesia 25 bps rate cut to 4.75% where its governor stated that "Indonesia's economic growth needs to be further enhanced to match the capacity of the economy." Following protests which began in August 2025, President Prabowo enacted a major cabinet reshuffle during the month under review to soothe public disquiet and economic apprehension. As for Malaysia, the FBM100 also continued its ascent, charging +2.33% mom, to some extent on the back of the burgeoning expectations for Fed Fund Rate cuts towards the year end. For the moment, Bank Negara Malaysia chose to keep its Overnight Policy Rate (OPR) stable at 2.75%. To that end, the RM strengthened to RM4.2073: USD1.00 as at end September 2025 from RM4.2260: USD1.00 a month ago. The recovery in foreign investor appetite was also evident in the net foreign equity inflow in September 2025 to the tune of RM76.6m, which marked the first month of net inflow after three consecutive months of net outflow. Investors were also heartened by the government's commitment to enact reforms, such as the RON95 fuel subsidy rationalisation. On the economic front, Malaysia reported mixed data with July 2025 industrial production growth at +4.2% yoy, which was above consensus estimate whilst August 2025 export growth slipped to +1.9% yoy versus +6.5% yoy in July 2025 and was below consensus estimate. Lastly, Singapore's Straits Times Index moved up +0.71% mom. However, Singapore's economy was exhibiting signs of weakness. Its August 2025 Non – Oil Domestic Exports (NODX) collapsed 11.3% yoy and Industrial Production fell 7.8% yoy, both below consensus expectations.

US Treasury (UST) curve flattened as yields rose by 4 bps mom for the 3y and 5y tenors while yields across the 10 – 30y tenors declined by 8 – 20 bps. The 7y UST remained unchanged at 3.93%. August's nonfarm payrolls (NFP) missed expectations at +22k mom (Survey: +75k mom, July revised: +79k mom), mainly contributed by jobs contraction in the federal government, wholesale trade and manufacturing segment. Meanwhile, US CPI in August was higher at +2.9% yoy (Survey: +2.9% yoy) than July's CPI of +2.7% yoy, primarily due to greater shelter, food and energy prices.

Malaysian Government Securities (MGS) yields were higher by 6 – 14 bps mom across the tenors due to some weakness in UST and lukewarm interest in government bond auctions during the month. The benchmark 15yrs MGS 4/39 recorded a bid – to – cover (BTC) of only 1.520x, which was the lowest since 4Q 2023 while the benchmark 3yrs MGS 4/28 recorded a modest BTC of 1.928x. As mentioned above, the September Monetary Policy Committee (MPC) kept the OPR unchanged at 2.75% as widely anticipated and highlighted that resilient consumer spending and front – loading activities had supported global growth and the finalization of numerous trade negotiations had somewhat alleviated global uncertainty. However, downside risks persisted, stemming from the possibility of higher tariffs for targeted products and intensifying geopolitical conflicts. Malaysia CPI in August grew +1.3% yoy (Survey: +1.3% yoy, July: +1.2% yoy), mainly attributable to greater insurance premiums, higher costs for personal care, accommodation and education, among others.

Foreign funds turned net sellers in September with net outflows of RM6.8b (August: +RM3.0b inflows). Despite the outflows, the foreign share of MGS rose to 33.7% (August: 33.4%), primarily due to the RM26.8b maturity of MGS during the month, lowering the amount of outstanding MGS, while the foreign share of MGS+MGII reduced to 20.9% (August: 21.3%). Malaysia's foreign reserves expanded by USD0.9b to USD123.6b as of end – September (August: USD122.7b) despite the outflows.

Market Outlook

Equity markets had seemed to be broadly benefiting from a respite in the global trade tariff conundrum and the renewed global monetary policy easing thrust. Locally, investors would be eagerly waiting for the announcement of Budget 2026 which would outline our government's plans and policies for the coming year.

However, market volatility could not be completely ruled out as beneath the seemingly rosy market exterior, there would still exist concerning undercurrents pertaining to tariff and trade tensions, monetary policy responses as well as evolving geopolitical frictions. The full potential of the inflationary impact of the tariffs have also yet to unfold. We would therefore find it prudent to maintain a degree of caution amidst our optimism as we would continue to focus on investing into fundamentally good investments over long – term horizons. In addition, we would constantly seek prospects to take advantage of the market volatility via opportunistic trading activities. Again, we would be vigilantly watching over any potential changes in market dynamics which might dictate necessary strategy adjustments.

In US, after the 25 bps rate cut in September, markets continue to price in two rate cuts for the rest of 2025. The Fed statement mentions that uncertainty about the economy remains elevated and added that they will remain attentive to the risk to both sides of its dual mandate and judges that downside risks to employment have risen.

Locally, the OPR is expected to remain unchanged for the rest of the year. The MPC highlighted that resilient domestic demand and expansion of investment activities will continue to support Malaysia's growth and remains on track to grow between 4% and 4.8% in 2025. Inflation is expected to remain moderate into 2026. The next signpost to watch is Budget 2026, which is set to be delivered on 10 October. All said, bond volatility will remain as markets remain wary of the economic conditions amid the trade uncertainties over future tariff rates or deadlines for additional tariffs, the impact from US government shutdown, combined with rising geopolitical tensions and increased risk aversion. We would selectively accumulate bonds at reasonable valuations while prioritizing good quality names.

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