

Market Review and Outlook

October 2025

Market Review

The MSCI World Index continued its upward momentum in October 2025, having gained +1.94% mom. The US' Dow Jones Index and its broader S&P500 indices rose by 2.51% and 2.27% mom, respectively, despite the backdrop of a federal government shutdown. This decent performance was underpinned by a strong US corporate earnings season as well as signs of easing trade tensions between the US and China. In late October 2025, trade discussions between US and China boosted market sentiment as both sides signaled support for a one – year trade truce. Beijing agreed to pause for one year the sweeping export controls on rare earths while the US cut fentanyl – related tariffs on China to 10% from 20%; down to overall 47% duties on Chinese goods. The US Core Consumer Prices Index (CPI) for the month of September came in at +3.0% yoy, lower than expected (Survey: +3.1% yoy, Aug: +2.9% yoy). The impact from tariff passthrough has been more moderate than expected. Meanwhile the S&P Global US Composite Purchasing Managers Index (PMI) dipped slightly to 53.9 in Sep 2025 from 54.6 in August 2025.

Europe's Stoxx 50 Index also rose +2.39% mom. The Eurozone economy grew 0.2% qoq in the third quarter, beating expectations for 0.1% qoq increase in a Reuters poll. However, the HCOB Eurozone Manufacturing PMI slipped to 49.8 in September compared to 50.7 in the previous month. The Eurozone unemployment rate was stable at 6.3% in September (6.3% in August) while Eurozone Core CPI came in at 2.2% YoY, a tad higher than expectations of 2.3% (August: 2.3%).

In China, Shanghai Composite index gained another +1.85% mom in October, marking its sixth straight month of gains. This was partly attributable to trade developments thawing between the US and China. CPI came in at -0.3% yoy in September, as compared to -0.4% yoy in the previous month. Meanwhile, China's Manufacturing PMI in October came in slightly weaker versus expectations at 49.0 (vs 49.6).

During the month under review, Brent crude oil fell 2.9% mom to USD65.07/bbl. OPEC+ had raised output targets by around 2.9 million barrels per day or around 2.7% of global supply since April but has since slowed the pace in October. On the other hand, crude palm oil (CPO) price slipped 2.78% mom to RM4185/MT partly due to expectation of higher CPO production in Malaysia in October.

Focusing on the ASEAN front, the Stock Exchange of Thailand (SET) rose +2.8% mom, driven mainly by Delta Electronics' stellar performance (+37% mom; strong results showing and bullish guidance). Foreign investors were still net sellers with outflows totaling THB4.4 billion in October 2025. Moving onto Indonesia, the Jakarta Composite Index rose 1.3% mom in October. Foreign investors were net buyers of equities to the tune of USD782 million in the month. In terms of subsector performances, Coal and Cigarette were top performers while Property and Construction underperformed. As for Malaysia, the FBMKLCI retraced slightly -0.17% mom post a decent month prior. Malaysia's 3Q25 advanced GDP came in stronger than expected at 5.2% (vs 4.2% survey). Key drivers include a mining rebound while manufacturing also accelerated, alongside resilience in services and construction. Meanwhile, September CPI came in at +1.5% yoy, a slight pick-up from August's +1.3% yoy. Lastly, Singapore's Straits Times Index was up +2.4% mom. 3Q25 advance GDP saw growth of +2.9% yoy, versus survey of +2.0% yoy. Meanwhile, its September Non – Oil Domestic Exports (NODX) grew by +6.9% YoY, exceeding survey of -2.10% yoy. Both electronics (+30.4% yoy) and non-electronic (+0.4% yoy) exports showed strength.

US Treasury (UST) yields declined in October by 5 – 8 bps mom as the US government shutdown which started on 1st October poses risk to economic growth and the 3y, 5y and 10y UST reached their lowest year – to – date levels. At the Federal Open Market Committee (FOMC) meeting on 29th Oct, the Federal Reserve (Fed) cut rates by 25 bps as widely expected to 3.75% – 4.00% range. Chairman Powell however cautioned investors against assuming another rate cut in December and said it is "not a foregone conclusion, far from it". The Fed also said it would stop shrinking its portfolio assets beginning 1st Dec, closing the book on a process that began in 2022 that has since shed more than \$2 trillion in Treasuries and mortgage-backed securities, bringing the balance sheet below \$6.6 trillion which is the smallest size since 2020. Fed fund futures as of end – October now indicate an implied rate of 3.712% by year – end compared to 3.659% as of end – September. US September Consumer Price Index (CPI) which was delayed more than a week due to the US government shutdown, came in softer – than – expected at +3.0% yoy (Survey: +3.1% yoy, August: +2.9% yoy). The White House said that October inflation data is unlikely to be available in November, making the September CPI reading even more crucial for December Fed decision.

Malaysian Government Securities (MGS) yields were however higher by 2 – 12 bps mom across the tenors. The first auction for the month, the benchmark 30y MGS 7/55, garnered weak interest with a bid – to – cover of only 1.38x which was the lowest for government bond auction since October 2023 with a tail of 6bps (low/average/high at 3.977%/4.019%/4.085%). Malaysia 3Q25 GDP exceeded expectation at +5.2% yoy (Survey: +4.2% yoy, 2Q25: +4.4% yoy) driven by strong performance across all key sectors, particularly services and manufacturing, and was supported by robust domestic demand, which benefited from holiday activities. Malaysia September CPI came out hotter – than – expected at +1.5% yoy (Survey: +1.4% yoy, August: +1.3% yoy), primarily driven by higher costs in food and beverages, housing, utilities, and transport.

Market Outlook

On the global front, investors would keep an eye on any tariff and trade policies developments. On the local front, we believe that investors would continue to monitor the effects of the 13th Malaysia Plan, as well as the recent government policy moves, such as the RM100 cash handout.

Amidst the volatility currently permeating markets, we remain cautious and adhere to our dogma of investing in fundamentally good investments over long – term investment horizons. As always, we will seek opportunities to engage in trading activities to capitalize on any prevailing market volatility. Nevertheless, we will keep constant watch over any potential geopolitical and other risks that may necessitate the gravitation towards new strategies to adjust to the ever-volatile market conditions.

In the US, following the 25 bps rate cut in October, market expectations for another 25 basis point rate cut at the December FOMC meeting diminished. This shift occurred after the Fed Chair indicated that further rate cuts are not guaranteed, adding there were "strongly differing views" among policymakers regarding the path forward. Market expects softer data to emerge in the coming months but may be delayed due to the government shutdown. The Fed statement mentioned that economic activity was expanding at a "moderate" pace, job gains have slowed, and the unemployment rate has edged up and remains low.

Locally, the Overnight Policy Rate (OPR) is expected to remain unchanged for the rest of the year. Discussions on GDP growth continue to remain positive; in part helped by the positive 3Q25 Advance GDP data and an expansive Budget 2026. 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 the nascent diffusing of geopolitical tensions and increased risk aversion. We would selectively accumulate bonds at reasonable valuations while prioritizing good quality names.

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