16th May 2025

Weekly Market Recap

Market Data

Source: Bloomberg, market data is as of 16th May 2025.
*As we emphasise a long-term focus, the top performing funds were selected based on monthly performance.
*The numbers may show as negative if there is no positive return for the period under review.
The fund performance was referenced from the daily performance report, data was extracted from Lipper.
The performance figures are based on the fund's respective currency class.
*Past performance is not an indication of future performance.

Market Review [1]

1. This week, the global financial markets exhibited positive performance. Among developed markets, the United State experienced the largest positive gains, followed by Europe and Japan.

2. Across Asia, market performance was mixed. India experienced the largest gains, while Thailand experienced the largest decline. In Malaysia, the FBMKLCI closed the week in the green.

3. In the bond market, the US 10-year Treasury yield edged higher in the 4.4% range driven by the spike in inflation expectations. The rise was also driven by Moody's downgrade of the United States' sovereign credit rating, cut one notch to Aa1 from Aaa, citing the growing burden of financing the federal government's budget deficit and the rising cost of rolling over existing debt amid high interest rates. (It's worth noting that bond prices move in the opposite direction of bond yields.)

Macro Factors

1. In the U.S., market sentiments remained supported by optimism over the US-China trade deal and easing inflation pressures continued to support market sentiment. Fresh data showed that headline producer prices fell sharply in April to back the view of disinflation following the softer CPI print this week. Also, core sectors of retail sales unexpectedly contracted in the period, favouring bets that the Fed will adjust monetary policy to support the economy. [2]

2. In Europe, the economy grew by 1.2% year-on-year in the first quarter of 2025, matching both the previous quarter's pace and the initial estimate. Industrial production rose by 2.6% month-over-month in March 2025, marking the strongest increase since November 2020 and accelerating from a 1.1% gain in February. [3]

3. In China, optimisms gradually faded as persistent trade-related uncertainties weighed on sentiment. Although Beijing and Washington agreed to a 90-day tariff reduction, markets cautioned that the absence of a long-term trade agreement continues to cloud China's economic outlook. US officials have also emphasized their goal of reducing reliance on Chinese imports, with trade negotiations between the two countries expected to continue in the coming weeks. April credit data showed that new bank loans in China fell more than expected, signalling weaker credit demand amid ongoing trade tensions. [4]

4. In Malaysia, retail sales increased by 6.6% year-on-year in March 2025, following a downwardly revised 5.7% rise in the previous month. Construction activity grew 16.6% year-on-year in Q1 2025, easing from a 23.1% surge in Q4 and marking the slowest pace since Q1 2024.[5]

Investment Strategy [6]

Market volatility is likely to remain elevated in the weeks ahead as investors assess rapidly shifting tariff developments and consider the potential implications for growth, inflation, central bank policy, and financial markets. Nevertheless, we believe incremental news flow could become more supportive as we approach the second half of the year, as clarity emerge with countries beginning negotiation and offering concessions.

Investors should not lose sight of timeless investment principles as we believe *markets are likely to refocus on fundamentals* that should support the equity market rally further. We reiterate the importance of to keeping sight of longer-term investing principles that can boost risk-adjusted rates of return through *portfolio diversification* and an emphasis on *quality growth and income* to navigate the volatility ahead. In response to the tariff developments, our strategy has also emphasized focusing on companies that demonstrate the attributes of large-cap defensiveness, with earnings that are more domestically focused.

We remain a slight preference for equities over fixed income. Key themes for 2025 include: i) the impact of policy shifts on China's recovery; ii) the U.S. economic outlook; and iii) the influence of tariffs and geopolitical risks on asset prices.

Sources:
[1] Bloomberg, 16th May 2025
[2] Bloomberg, Bureau of Labor Statistics (BLS), ISM, S&P Global, US Federal Board, 16th May 2025
[3] S&P Global, ECB, Factset, Bank of England (BoE), 16th May 2025
[4] Bloomberg, National Bureau of Statistic China, CEWC, 16th May 2025
[5] Department of Statistic Malaysia, S&P Global, 16th May 2025
[6] Principal view, 16th May 2025

*SEZ refers to Special Economic Zone
*PMI refers to Purchasing Manufacturing Index
*HCOB refers to Hamburg Commercial Bank
*NBS PMI refers to official data released by National Bureau of Statis in China
*Caixin PMI refers to data published by Caixin Media and ISH Markit. It provides alternative gauge focusing on smaller and medium-sized enterprises.
*ECB refers to European Central Bank
*PBOC refers to People's Bank of China
*PCE refers to Personal Consumption Expenditure
*FOMC: Federal Open Market Committee
*y-o-y refers to year on year
*m-o-m refers to month on month
*UST refers to United States Treasury
*BNM refers to Bank Negara Malaysia