April 2025

Monthly Market Outlook

Uncertain and Unpredictable Moment

Summary

- **Global economic output and new orders accelerate in Mar-25.** The JPM Global Composite PMI rose to 52.1 in Mar-25, from 51.5 in Feb-25, posting the highest reading since Dec-24 and signalled expansion for the twenty-sixth month in a row. However, a drop in the future output index (which tracks sentiment regarding conditions one year from now) to one of its lowest levels since 2020 also suggested the growth improvement may be short-lived. The composite index again reflects the services sector which outperformed its manufacturing counterpart.
- **APAC market review – The MSCI Asia Pacific Index saw a slight decline of 0.2% in Mar-25, with uncertainty lingering ahead of the tariff announcements scheduled for April 2, as well as concerns over US economy.** India (+9%) emerged as the top performer in Mar-25, recovering from its previous month's underperformance (-8%) amid strong foreign inflows. For 1Q25, China (+15%) led the pack, driven by positive sentiment following the emergence of DeepSeek, which showcased China's innovation in artificial intelligence.
- **Local equity review – After a brief rebound in Feb-25, Malaysia's equity market fell 4% in Mar-25, bringing the cumulative decline for 1Q25 to 8%.** Among emerging markets in ASEAN, Malaysia's performance was middle of the pack. All sectors on Bursa Malaysia posted negative returns in 1Q25. The more resilient sectors - such as real estate investment trusts, plantations, and financial services - saw single-digit declines. In contrast, export-oriented sectors like healthcare (mainly glove companies) and technology recorded the steepest losses, falling more than 20%. Foreign investors remained net sellers for the sixth consecutive month in Mar-25.
- **Bond market review – For Mar-25, global bond markets rallied on fears of looming tariff announcement on Apr 2nd.** Meanwhile, macro data releases in the US showed some weakness with Feb CPI slowing to 2.8% YoY while core CPI showed the smallest rise since 2021 at 3.1%. In early-Apr, bond market rallied further as "Liberation Day" tariff announcement shook capital markets and overshadowed macro data releases.
- **Macro – EM to face growth shocks but disinflationary moment.** With the economic forecast model limitations and tariff adjustments for 13 US trading partners, the estimated 2025E-26E growth shock is disproportionately large for Vietnam. Thailand, Korea, Taiwan, Malaysia, Singapore are also significantly hit by circa 2%. Meanwhile, the US is estimated to face around 1% extra inflation vs. disinflation for EM averaging -1.0%. Separately, as concerns on the US recession are building up amidst reciprocal tariff implementation, this would likely lead to weakening dollar index ahead. Historically, MSCI Asia index outperforms when the dollar index declines.

Etiqa Life Insurance Bhd (201701025113) Dataran Maybank, No.1 Jalan Maarof, 59000 Kuala Lumpur, Malaysia
T +603 2297 3800 | F +603 2297 3800 | E info@etiqa.com

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- **Local equity outlook – In early Apr-25, the US announced sweeping tariff measures that were more severe than market expectations, triggering a global equity sell-off.** Malaysia was not spared from the tariff measures, although the 24% tariff imposed is lower than many of our ASEAN peers and key export competitors. The Malaysian government has announced that it will actively engage with the US to address the tariff issue, and retaliatory tariffs are not being considered. While near-term volatility may persist as events continue to unfold, maintaining a well-diversified portfolio and staying invested through market volatility are key to navigating uncertainties.
- **APAC equity outlook – Notably, China faced a 34% tariff (on top of the 20% already in place) and it has since retaliated with an identical 34% tariff on American imports, further escalating tensions between the two largest economies in the world.** The situation remains highly uncertain, as other Asian countries attempt either to negotiate tariff reductions or respond with retaliatory measures, as China has done. While near-term volatility may persist as events continue to unfold, such periods often offer long-term investors opportunities to gradually accumulate quality assets at more favourable valuations.
- **Fixed Income outlook – For Apr-25, we expect bond yields to continue trend lower largely due to market expectations of a recessionary outlook in the US** in reaction to Trump's 'damaging' tariff announcement that will likely cause economic contraction and drive up inflation. Markets are now pricing in 4-5 FOMC rate cuts this year. However, Powell commented that it is still "too soon to adjust monetary policy in response to the tariff announcements" although it is "likely to face higher inflation and slower economic growth".

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