

November 2025

Monthly Market Outlook

Thick Fog Making It Hard To Gauge Economic Outlook

Summary

- **Global economic activity accelerated in Oct-25.** The JPM Global Composite PMI posted 52.9, up from 52.5 in Sep-25, as both manufacturing production and service sector business activity accelerate, with the service sector outperforming manufacturing for the eighth month in a row. Trends in business sentiment and international trade were less positive in comparison, as optimism eased from Sep-25's recent high and new export business contracted at the quickest pace since Jul-25. The JPM Global Manufacturing PMI posted 50.8 in Oct-25, up slightly from Sep-25's 50.7, supported by growth of production and new orders for the third successive month.
- **APAC market review – The MSCI Asia Pacific index rose 3.6% in Oct-25, marking its seventh consecutive monthly gain since Apr-25.** Several tech-heavy markets, including Korea, Japan, and Taiwan, reached new all-time highs during the month, driven by continued strength in technology and semiconductor stocks. On the geopolitical front, US-China trade tensions briefly flared in early October. However, the situation eased later in the month as Beijing suspended the new measures and Washington reduced its fentanyl-related tariff on China from 20% to 10%, signalling a modest improvement in bilateral relations.
- **Local equity review – The FBM KLCI pared gains in Oct-25, slipping 0.2%** after two consecutive monthly gains in Aug-25 and Sep-25. However, the mid- and small-cap indices posted small positive returns amid selective rotational plays. The technology sector led gains for the month amid a global tech up-cycle and sustained optimism around AI.
- **Bond market review – US Treasuries were quite volatile in Oct-25** as prolonged government shutdown, data scarcity and trade tensions among US, China and Russia weighed in on investor sentiments. The Fed delivered a second continuous cut as widely expected although Powell reiterated that labour conditions remained soft, it was highlighted that a December cut is “not a foregone conclusion”. This has caused a knee-jerk reaction to yields. The ending of its USD6.6trn balance sheet run-off by Dec-25 also lowered bets for a Dec-25 rate cut. Locally, yields were driven higher MoM on profit-taking post-stronger-than-expected advanced 3Q25 GDP growth as markets no longer expect further easing by BNM.
- **Macro – Headwinds ahead warrant Fed easing further while BNM stands pat.** Headwinds and uncertainties ranging from trade-related tensions which intensified then cooled off at the recent APEC summit to the ongoing US government shutdown have formed thick fog ahead for the accuracy of macro forecast. Therefore, the focus at this juncture still lies on cautious yet supportive monetary policies in the near term for advanced economies. In contrast, the recent commendable quarterly growth number in Malaysia has warranted BNM to stand pat at its final monetary policy meeting in 2025 which was held in Nov. 5-6. For now, we observe that the growth in developing Asian economies is performing relatively better than developed economies, thus, potentially driving global funds' attention back into Asian markets.

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- **Local equity outlook – The fourth quarter is traditionally the strongest period for Malaysian equities.** As Malaysia remains a laggard amid the global rally, there is scope for catch-up as sentiment improves. Globally, the US Fed delivered its second rate cut of 2025 in October. The monetary easing cycle could revive fund flows into emerging markets, including Malaysia. Domestically, attention will turn to upcoming 3Q25 corporate results after subdued earnings growth in 1H25. The Sabah state election also bears watching, although state polls typically have limited market impact.
- **APAC equity outlook – The AI boom has propelled Asia Pacific equities to outperform global peers this year,** with the MSCI Asia Pacific index's year-to-date return exceeding that of the S&P 500 by the widest margin in eight years. Regional markets will benefit from the recent US-China trade truce, which eased policy uncertainty. In addition, both US and Asian technology giants have guided for higher capital expenditure, reinforcing confidence in the structural growth of AI. Beyond the technology sector, domestic policy developments continue to underpin medium-term growth prospects.
- **Fixed Income outlook – For Nov-25, we expect slight upticks in local yields as net govies supply is higher MoM.** Separately, we foresee inflationary pressures to be minimal arising from RON95 subsidy rationalization and higher utility tariffs. Post-Oct FOMC, lowered bets on Dec-25 rate cut amid the ending of balance sheet run-off will have mixed impact to US Treasuries. However, we foresee that this will not affect local yields as much.

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