October 2025

Monthly Market Outlook

Growing List of Challenges

Summary

- **Global economy growth eased in Sep-25. The JPM Global Composite PMI posted 52.4 in Sep-25, down from Aug-25's 14-month high of 52.9, as growth impetus lessen across the manufacturing and services sectors.** The mild economic upturn was also insufficient to create meaningful job creation, with employment levels unchanged compared to the prior survey month. The global service sector continued to outperform its manufacturing counterpart in Sep-25, although rates of output expansion eased in both categories. On the positive side, optimism about the year ahead improved to a seven-month high, with sentiment strengthening in both the manufacturing and service sectors.
- **APAC market review – Amid a sustained global equity rally, the MSCI Asia Pacific Index advanced 5% in Sep-25, outperforming the broader global benchmark.** The month's performance was led by the technology and artificial intelligence theme, with markets and sectors more exposed to these trends outperforming. North Asia dominated gains. Korea surged 10%, making it the top performer for the month, while Taiwan followed closely, supported by continued strength in semiconductor names and robust demand for Apple's new product launches. China's strong rally was largely liquidity-driven, although major tech firms such as Alibaba also announced significant AI-related capital spending that further lifted investor sentiment.
- **Local equity review – The KLCI gained 2.3% in Sep-25, marking its first back-to-back monthly advance this year.** After two months of recovery, the index's YTD loss narrowed to 1.9% as at end-September. Beyond the benchmark index, momentum was even stronger among the smaller caps. The ACE index and Small Cap index rallied 9.5% and 5.8% respectively, signalling a return of risk appetite. Gains were broad-based, with all sector indices ending the month in positive territory. The consumer sector benefitted from the government's SARA aid programme, which offers one-off RM100 cash assistance to adult Malaysians. Foreign investors turned net buyers for the first time since May-25, although inflows were small at RM77m.
- **Bond market review – US Treasury yields edged up marginally MoM while local yields saw larger bump ups on the 3Y tranches while the 10Y saw smaller increment.** While global sentiments were plagued by fiscal and political uncertainties, local yields were reacting to BNM's neutral statement at the Sep-25 MPC meeting whereby the OPR was held at 2.75% which signaled no further cuts ahead. Separately, the FOMC delivered a widely expected rate cut of 25bps, however the dot plot indicated 2 more cuts by year-end – a revision from previous meetings whereby it indicated only 1 more cut for 2025.
- **Macro – Political upheavals in France and Japan while the US government faces shutdown.** From tariff uncertainty to a weakening dollar trend, sluggish job market, monetary easing cycle ahead and now the prolonged US government shutdown, markets and macro economy face with growing list of challenges. Separately, both France and Japan experience political crises where Japan's situation seems to be resolved soon while France is still in political deadlock. These prolonged political events would have negative implications on GDP growth but yet hard to quantify at this juncture as it could well be cushioned by targeted fiscal and monetary policies. At the moment, financial markets appear to disregard these negative events while charting record high closing.

eTiQa Life Insurance

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- **Local equity outlook – The 4Q is traditionally the strongest period for Malaysian equities.** Despite the sharp rebound in Aug-25 and Sep-25, Malaysia continues to lag regional peers, suggesting room for further catch-up as sentiment improves. The resumption of US monetary easing could revive fund flows into emerging markets, including Malaysia. With foreign shareholding already at record lows, any reversal of foreign outflows would be a tailwind for the local market. Domestically, investor attention will turn to two key events in Oct-25 - the tabling of Budget 2026 and the ASEAN Summit hosted by Malaysia.
- **APAC equity outlook – Asia Pacific equities have outperformed the S&P 500 on a YTD basis, well positioned for their first year of outperformance since 2022.** Further momentum hinges on the strength of the artificial intelligence theme, which shows no signs of slowing thus far. A flurry of big-ticket deals by OpenAI and Nvidia's plan to invest up to USD100bn in OpenAI, underscores the depth of corporate commitment to AI infrastructure and computing power. This should continue to support demand across the semiconductor value chain, particularly in Korea and Taiwan. In China, the upcoming Fourth Plenum in Oct-25 is expected to offer greater clarity on the next Five-Year Plan and signal the next phase of policy priorities. Meanwhile, the ongoing corporate reform momentum in Japan and Korea under their respective "Value-Up" programmes is driving improved capital efficiency and stronger shareholder returns.
- **Fixed Income outlook – For Oct-25, we expect the 10y MGS yields to be range-bound,** supported by favourable supply dynamics due to large GII maturity of RM24.5bn, bringing net supply to negative territory. Locally, we foresee inflationary pressures to be minimal arising from RON95 subsidy rationalization and higher utility tariffs.