

Quarterly Market Outlook 4Q2025

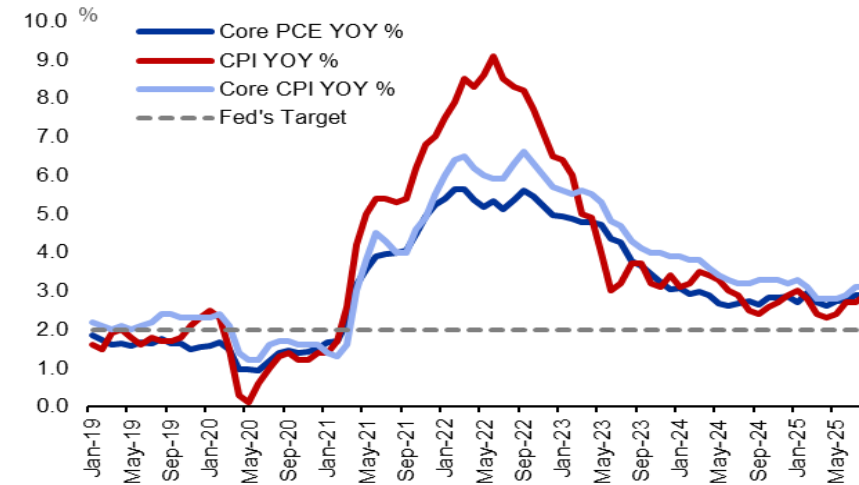
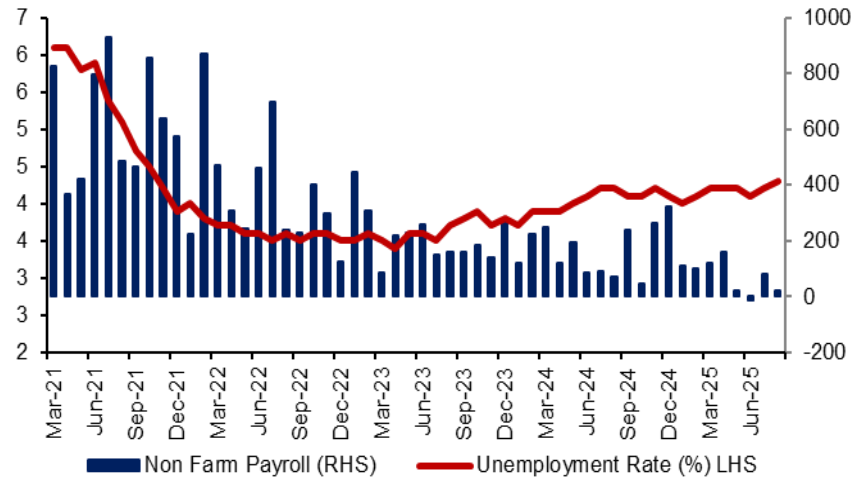
Global Markets
October 2025

Global Central Banks Policy Rates Outlook

	Current	4Q25	1Q25	2Q26	3Q26	Remarks (total change for 4Q of 2025)
United States Federal Reserve <i>Fed Funds Rate</i>	4.00-4.25	3.50-3.75 (-50bps)	3.25-3.50 (-25bps)	3.00-3.25 (-25bps)	3.00-3.25	-50bps
Eurozone European Central Bank <i>Deposit Rate</i>	2.00	2.00	2.00	2.00	2.00	No change
United Kingdom Bank of England <i>Bank Rate</i>	4.00	3.75 (-25bps)	3.50 (-25bps)	3.50	3.50	-25bps
Japan Bank of Japan <i>Policy Balance Rate</i>	0.50	0.50	0.75 (+25bps)	0.75	0.75	No change
Australia Reserve Bank of Australia <i>Cash Rate</i>	3.60	3.35 (-25bps)	3.10 (-25bps)	3.10	3.10	-25bps
New Zealand Reserve Bank of New Zealand <i>Official Cash Rate</i>	2.50	2.25 (-25bps)	2.25	2.25	2.25	-25bps
Malaysia Bank Negara Malaysia <i>Overnight Policy Rate</i>	2.75	2.75	2.75	2.75	2.75	No change
Thailand The Bank of Thailand <i>1-Day Repurchase Rate</i>	1.50	1.25 (-25bps)	1.00 (-25bps)	1.00	1.00	-25bps
Indonesia Bank Indonesia <i>7-day Reverse Repo Rate</i>	4.75	4.50 (-25bps)	4.25 (-25bps)	4.25	4.25	-25bps

Source: Bloomberg, Global Markets Research

US – Government shutdown, softer than expected inflation and labour market reaffirmed our rate cut view



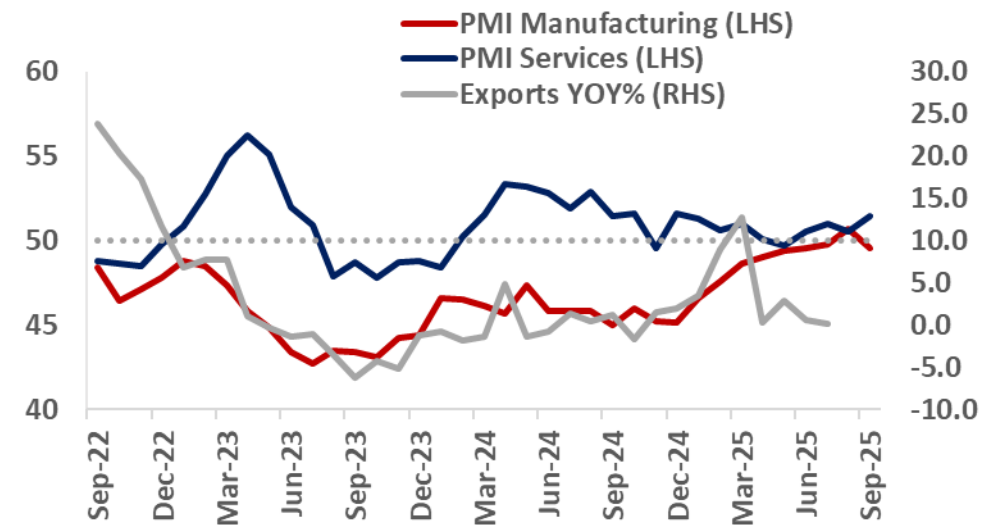
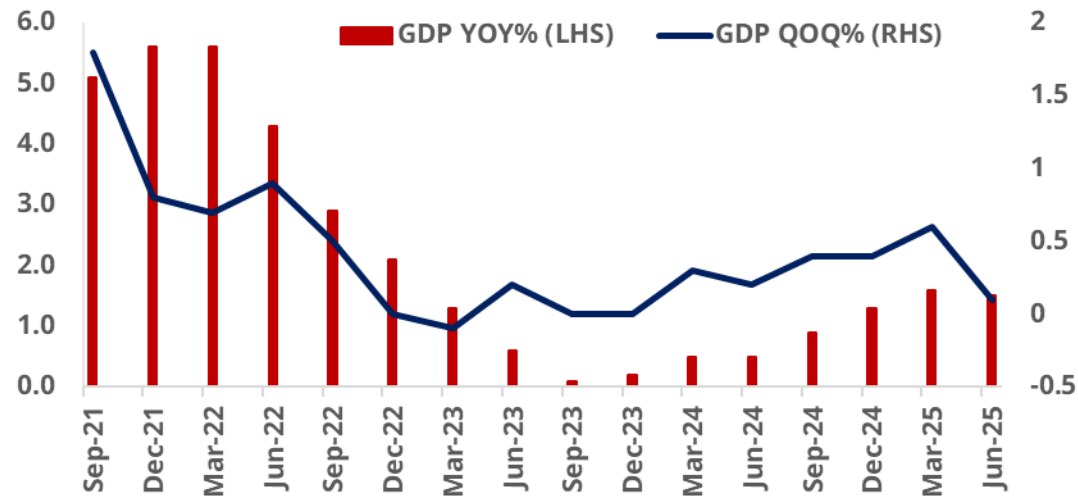
	2024	2025F	2026F
GDP (%)	2.8	1.6	1.8
Core PCE Inflation (%)	2.8	3.1	2.6
Fed Funds Rate (%)	4.25-4.50	3.50-3.75	3.00-3.25
Dollar Index (End of period)	108.48	96.45	92.99*

Source: Fed, Bloomberg, HLBB Global Markets Research

* End-Sept 2026 forecast

- Latest inflation readings does not significantly differ from consensus or prior readings, suggesting **limited pass through from tariff for now**; this could turn around quickly once companies exhaust the scope to absorb higher costs in their profit margins.
- **NFP has cooled sharply**; unemployment rate of 4.3% still within the long-run average of 4.0-4.3% - ICE crackdowns will curb labour supply in some sectors including construction and agriculture, keeping wage growth elevated
- Impact from the **government shutdown** dependent on extent & duration, but will involve roughly 750k employees & costing \$400m/daily; **increased risks of further fallout in the labour market reaffirmed our two 25bps rate cut view**

Eurozone – End of the easing cycle



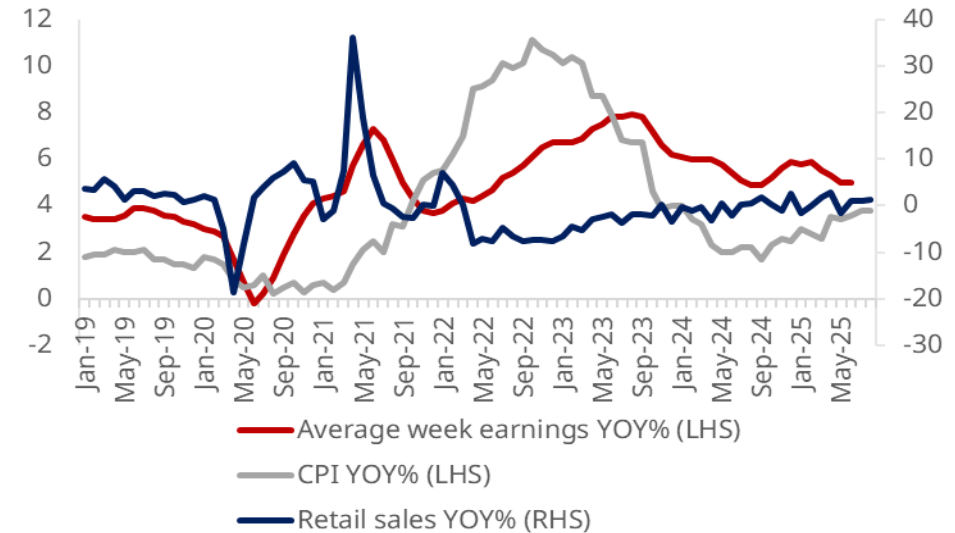
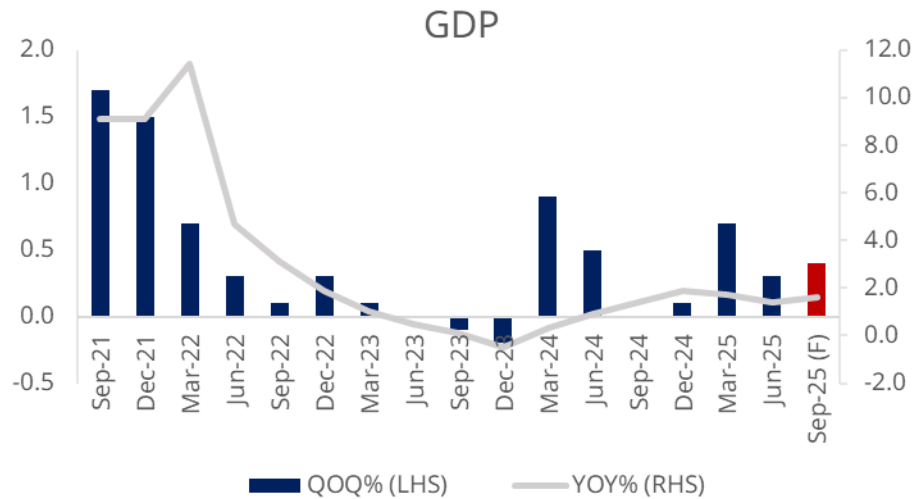
	2024	2025F	2026F
GDP (%)	0.9	1.2	1.0
Inflation (%)	2.4	2.1	1.7
Deposit Facility Rate (%)	3.00	2.00	2.00
EUR/USD (End of period)	1.0354	1.19	1.24*

Source: ECB, Bloomberg, HLBB Global Markets Research

* End-Sept 2026 forecast

- **Central bank in a “good place,”** balanced risks to economic growth, diminished trade uncertainty – all reinforcing our conviction that the ECB easing cycle is over
- **Eurozone is still on a modest growth path** - Outlook for manufacturing looks a bit cloudy, especially with a large drag from France due to recent government shake-up which weighed on business plans
- More immediate support might come from Germany’s so-called investment booster and the infrastructure package; In the medium term, higher defence spending is expected to drive-up demand for industrial goods.

UK – Business confidence worsened in anticipation of tax hikes



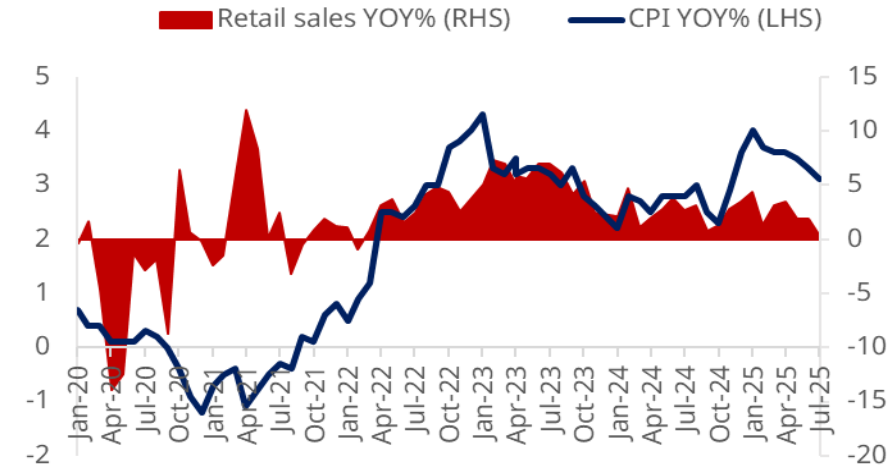
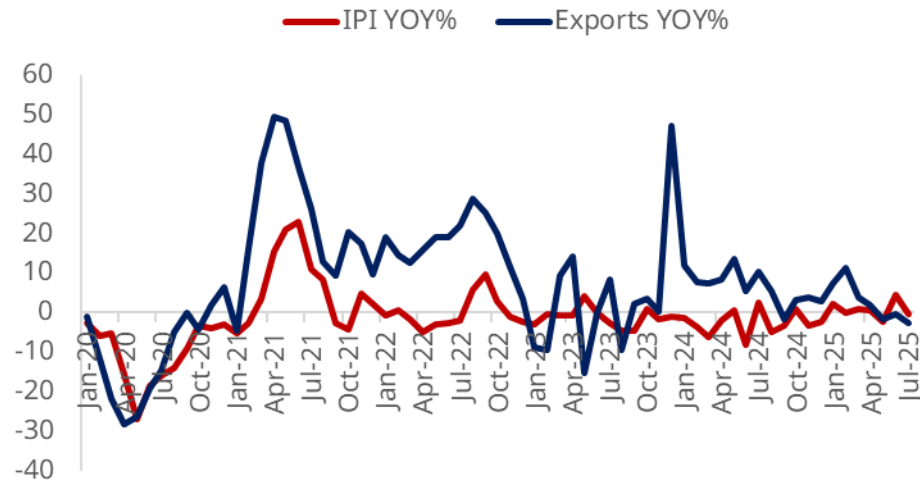
	2024	2025F	2026F
GDP (%)	0.9	1.3	1.3
Inflation (%)	2.5	3.8	2.5
Bank Rate (%)	4.75	3.75	3.50
GBP/USD (End of Period)	1.2516	1.36	1.39*

Source: BOE, Bloomberg, HLBB Global Markets Research

* End-Sept 2026 forecast

- **BOE revised its 3Q GDP growth forecast up 0.1ppt to 0.4% q/q** despite growth flatlining in July
- **September's PMI survey brought a litany of worrying news** – weakest growth since May, slumping overseas trade, worsening business confidence
- **No change to BOE's gradual and careful monetary policy stance** amid less immediate risk of a rapid loosening labour market and more hawkish outlook on inflation (CPI to peak at 4.0% in September); cut in stock of UK gilt purchases suggests a near-end of easing cycle
- **With budget deficit wider than expected, all eyes are on the Autumn Budget on 26th November** - speculations are on potential changes to the ISA limits & pensions, inheritance and capital gains taxes

Japan – Tighter rates closer than ever

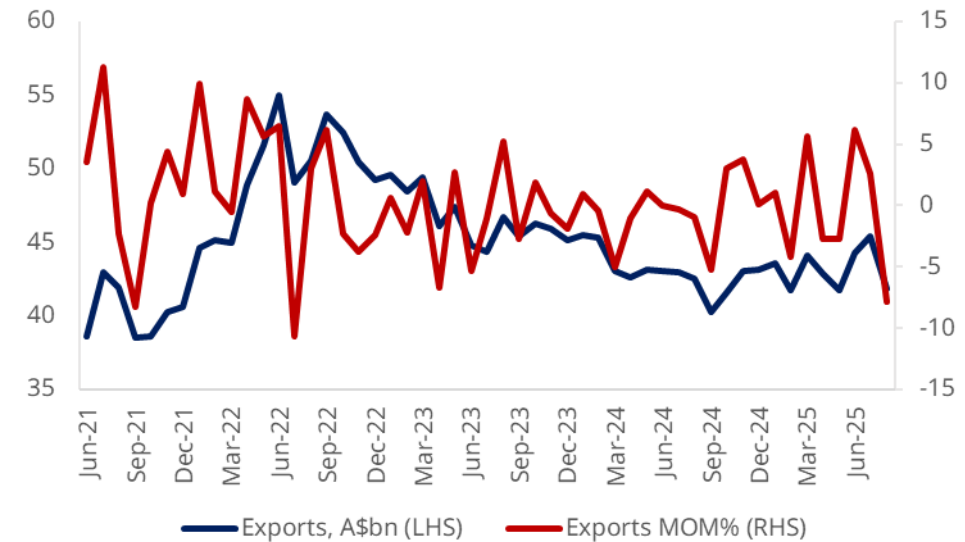


	2024	2025F	2026F
GDP (%)	0.2	0.6	0.7
Core Inflation (%)	2.7	2.7	2.8
Policy Balance Rate	0.25	0.50	0.75
USD/JPY	157.20	146	140*

Source: BOJ, Bloomberg, HLBB Global Markets Research
 * End-Sept 2026 forecast

- **Moderate recovery is building up pressure for a rate hike** – 1) BOJ unloading its ETFs and J-REITs. 2) two members dissented in the last BOJ meeting, voting to increase rates. 3) Governor Ueda commenting that there is little sign of tariff impact so far & that he expects prices to be in line with outlook in the 2H of the current projection period, rising towards 2%.
- **Exports and IPI growth will likely be flat**; corporate profits have remained high despite moderation in manufacturing; business fixed investment is expected to grow at a moderate rate
- **Expect resilient private consumption** amid stable consumer sentiment, improvement in the employment and income situation

Australia – Hawkish RBA suggests an end to the easing cycle soon

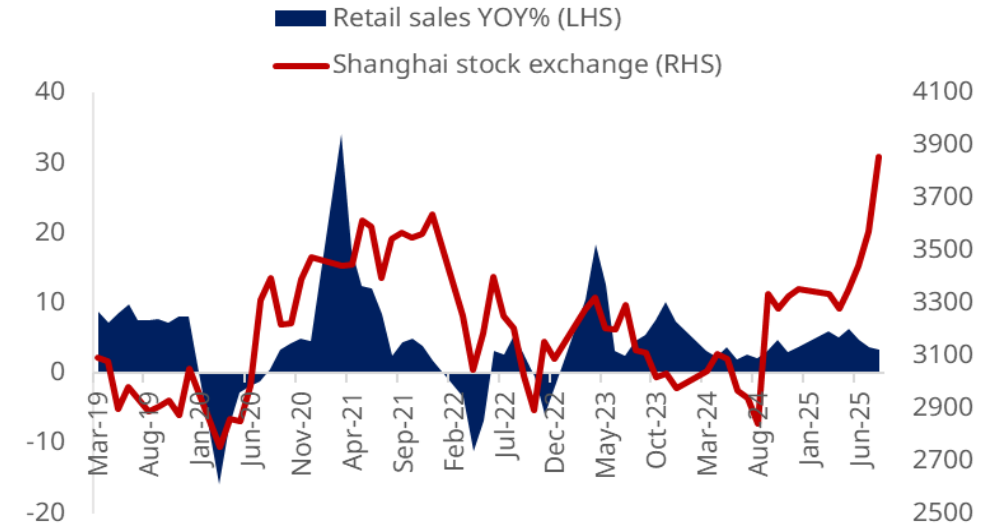
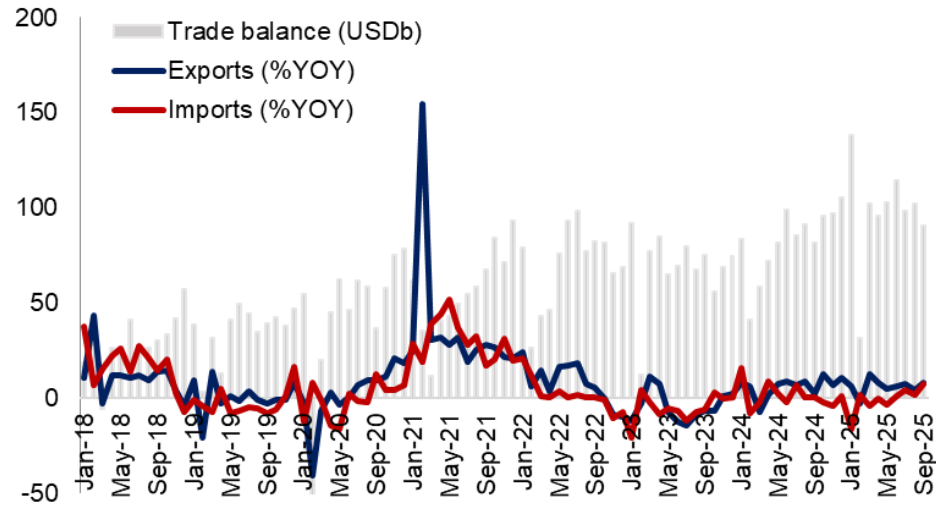


	2024	2025F	2026F
GDP (%)	1.1	1.6	2.1
Inflation (%)	3.2	3.0	2.9
Cash Rate (%)	4.35	3.35	3.10
AUD/USD	0.6188	0.67	0.68*

Source: RBA, Bloomberg, HLBB Global Markets Research
 * End-Sept 2026 forecast

- Pace of monetary policy easing to be determined by incoming data on a meeting-by-meeting basis. Considerations warranting gradual RBA rate cuts include 1) Higher than expected inflation print in 3Q (average of 2.9% for Jul-Aug). 2) Private demand, including consumer spending recovering a little more rapidly than expected. 3) Labour market remains tight. 4) Possibility of businesses passing on cost increases.
- ***Tariff announcements have caused exports to tumble, partly weighed down by lower prices for some for key export commodities;*** RBA opines that factors like global supply and Chinese demand are more important drivers for commodity prices (and thus Australia's export growth) going forward

China – All eyes on the Fourth Plenum on Oct 20-23



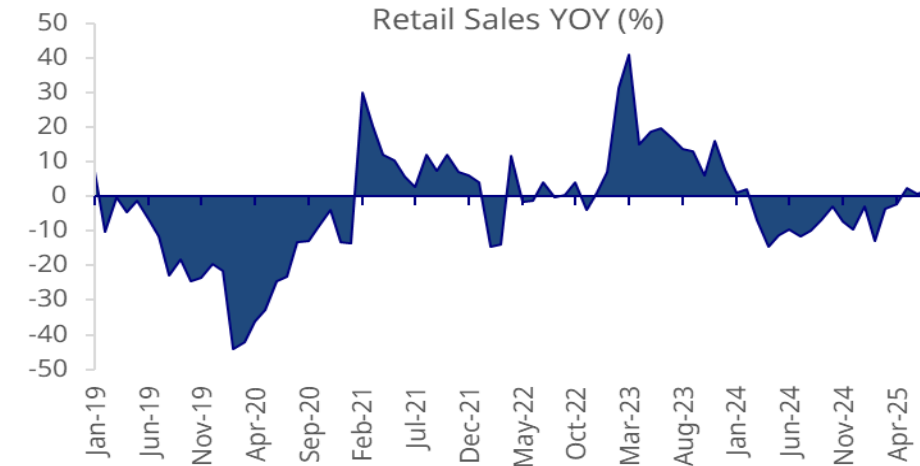
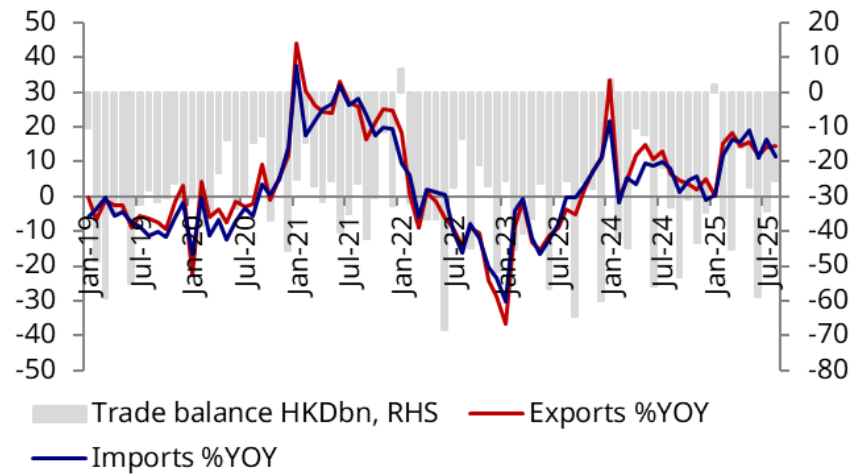
	2024	2025F	2026F
GDP (%)	5.0	5.0	4.2
Inflation (%)	0.2	0.0	0.8
1Y LPR (%)	3.10	3.00	3.00
USD/CNY	7.2993	7.08	6.94*

Source: National People's Congress, Bloomberg, HLBB Global Markets Research

* End-Sept 2026 forecast

- **Growth has held up, with the pick-up in government spending** offsetting the dampening influence of the ongoing property market adjustment and trade headwinds with the US. The sharp slowdown in exports to the US has been inadequately compensated by the non-US economies.
- **Signs of trade-in program running off steam**, especially amid budget constraints amongst local government funding, particularly in poorer region. Impact be negated by positive wealth effect from the recent stock market rally.
- **Chinese authorities could likely hold off monetary policy stimulus** measures because of the positive wealth effect and with focus on fiscal stimulus

Hong Kong – Typhoon Ragasa could hit September data

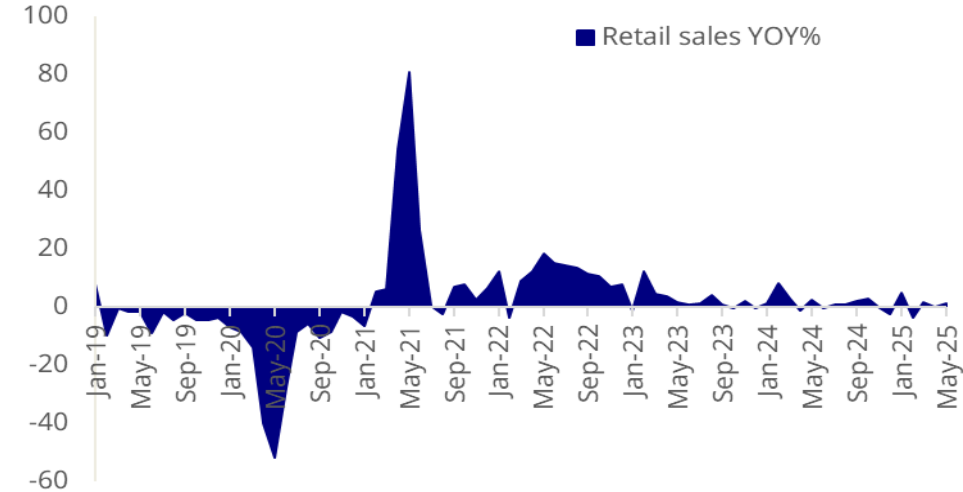
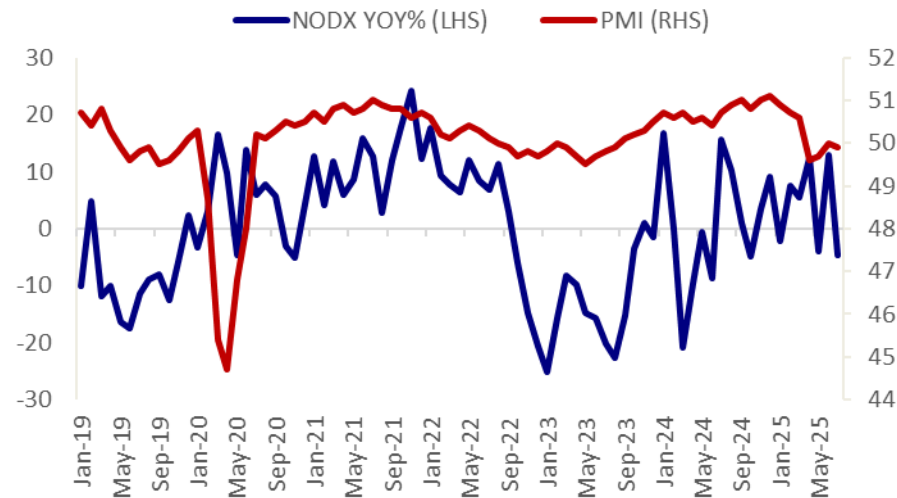


	2024	2025F	2026F
GDP (%)	2.5	2.0-3.0	2.0
Inflation (%)	1.8	1.8	1.8
3-month Hibor	4.37	2.97	2.55
USD/HKD	7.7686	7.79	7.79*

Source: HK Economy, Bloomberg, HLBB Global Markets Research
 * End-Sept 2026 forecast

- 2025 GDP growth target of 2-3% achievable with 1H growth just above 3% & low base effect in 2H - **still sturdy export growth amid demand from non-US economies.**
- Sustained increases in local employment earnings, robust stock market, stabilisation of residential property market and recovery in consumption will bode well for domestic demand.
- **Typhoon Ragasa will hit retail, finance, logistics, transportation and leisure data for September.** To provide some perspectives, UN estimated that economic losses from Typhoon Hato and Mangkhut accounted for 0.2% of 2017's GDP

Singapore – Slowing external vs resilient domestic demand



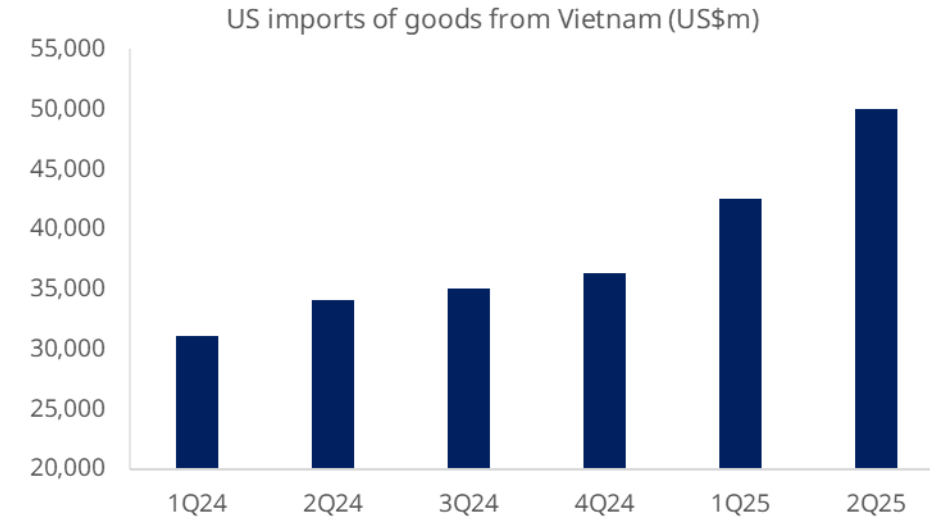
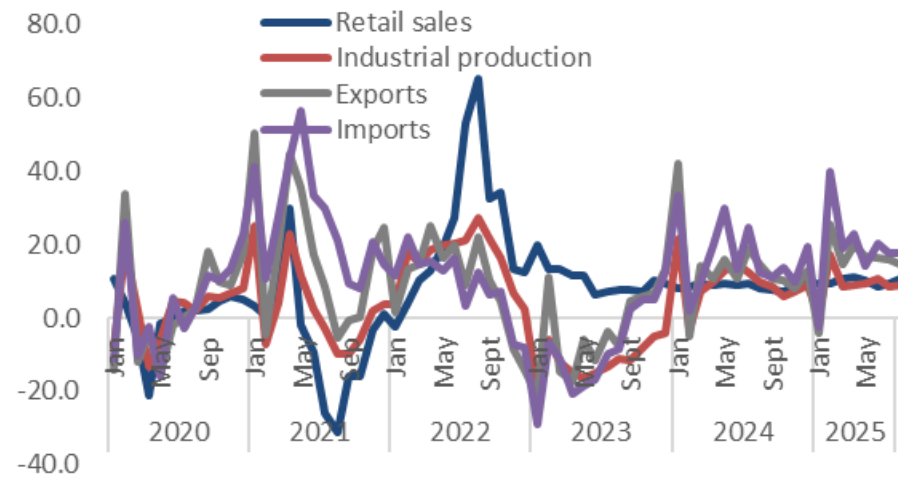
	2024	2025F	2026F
GDP (%)	4.3	1.5-2.5	1.8
Inflation (%)	2.4	0.5-1.5	1.5
3m SIBOR (%)	3.30	1.73	1.68
USD/SGD	1.3657	1.28	1.23*

Source: MTI, Bloomberg, HLBB Global Markets Research

* End-Sept 2026 forecast

- **Growth expected to moderate further amid a pull-back in trade-related sectors** as front-loading activities continue to unwind. Despite this, MAS' July policy statement was more balanced and that the S\$NEER band is at an appropriate position; Thus, we expect this status quo to remain in 4Q
- **Domestic demand have improved** amid a pick-up in infrastructure investment and accommodative financial conditions. Retail sales picked up steam for the 5th consecutive month, with added boost from positive wealth effects from the equity markets and CDC vouchers.
- **August saw a steep drop in NODX data**, with exports to the US plunging double-digit for the fourth month. Exports of E&E also turned contractionary while PMIs are flirting around the 50 level. Expect added headwinds from tariff on pharmaceutical products come 4Q (13% of exports to the US).

Vietnam – Exports to the US continued to grow despite tariff hikes



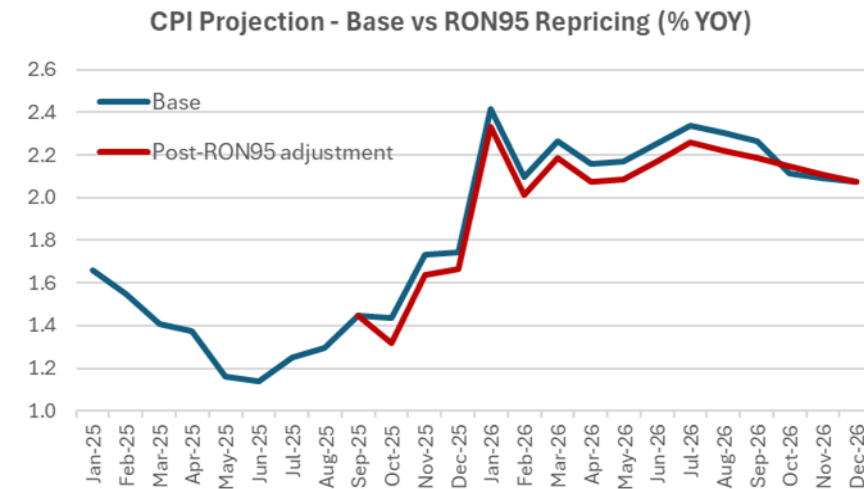
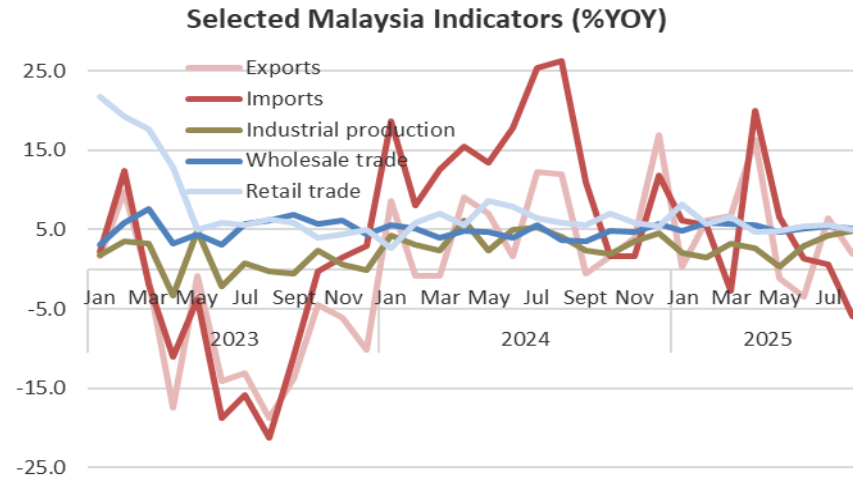
	2024	2025F	2026F
GDP (%)	7.1	8.3-8.5	6.2
Inflation (%)	3.6	4.0-4.5	3.4
SBV Refinancing Rate (%)	4.50	4.50	4.50
USD/VND	25,485	26,450	26,800*

Source: Bloomberg, HLBB Global Markets Research

* End-Sept 2026 forecast

- **Robust growth momentum of 7.9% y/y YTD** thanks to export front-loading, faster credit growth and large one-off government spending especially on infrastructure projects.
- Headwinds in 4Q from higher tariffs and global trade uncertainty; that said, we opine that **positive momentum for exports (and FDI) to persist cushioned by Vietnam's relative cost competitiveness**; already reflected in still double-digit growth up to September.
- **Inflation has accelerated but remains below target**; giving leeway for SBV to maintain rates to achieve growth target

Malaysia – Neutral policy tone & positive twists reaffirm status quo view for the OPR



	2024	2025F	2026F
GDP (%)	5.1	4.0-4.5	4.0-4.5
Inflation (%)	1.8	1.4	2.1
OPR (%)	3.00	2.75	2.75
USD/MYR	4.4722	4.20	4.10*

Source: Bloomberg, BNM, DOS, HLBB Global Markets Research
 * End-Sept 2026 forecast

- **2025 growth on track to achieve target** despite trade policies weighing on overall outlook - upside risks from easing global uncertainty following the conclusion in many trade negotiations, pro-growth policies in the major economies, continued demand for E&E products, robust tourism
- **RON95 subsidy reform mildly disinflationary** – every 10sen drop is expected to lower inflation by 0.2-0.3ppts
- **More upbeat assessment on the world economy, neutral tone for Malaysia in the latest policy statement reiterates our extended OPR pause view**

Markets Outlook - FX

FX – USD likely to depreciate further over the coming year as the Fed cuts further; EUR and JPY likely to be the key beneficiaries

12-month Outlook



EUR: Increased defense and infrastructure spending in Germany likely to support economy, with the continued impact of previous ECB cuts providing a boost. Likely to be a key beneficiary of a structural decline in the USD
GBP: Economic momentum looks likely to slow, partly as a result of higher taxes to address the wider than expected budget deficit, with Bank of England likely to be approaching the end of their cutting cycle.
JPY: Inflation and labour wage indicators have both surprised on the downside of late, and the continued political uncertainty may disrupt the Bank of Japan's plans for further policy normalization.
CNY: Growth has been held up by a rise in government spending, as the ongoing property market and external trade adjustments continue to play out. Monetary stimulus may be put off in favour of fiscal measures.
MYR: Growth for the year on track to achieve target, with domestic demand holding up well, cushioning expected drag from external sector. BNM likely to be on hold for an extended period.
SGD: Moderation in growth expected amidst a pull-back in trade related sectors; MAS likely to be on hold, having eased pre-emptively twice earlier in the year
AUD: Inflation continues to remain high resulting in the RBA's easing cycle possibly coming to an end soon. Exports have been hurt by tariffs and lower commodity prices



USD: Likely to continue to depreciate as the Fed cut rates further. Prolonged government shutdown could hurt the economy and result in a further fallout in the labour market. Fears of sharply higher tariff-induced inflation have not materialized thus far

FX Forecasts

	30-Sep	Q4-25F	Q1-26F	Q2-26F	Q3-26F
DXY	97.78	96.45	95.57	94.24	92.99
USD/CAD	1.40	1.37	1.36	1.35	1.33
EUR/USD	1.17	1.19	1.20	1.22	1.24
GBP/USD	1.34	1.36	1.37	1.38	1.39
USD/CHF	0.80	0.78	0.78	0.77	0.76
AUD/USD	0.66	0.67	0.67	0.68	0.68
NZD/USD	0.58	0.59	0.60	0.60	0.60
USD/JPY	148	146	145	142	140
USD/MYR	4.21	4.20	4.15	4.10	4.10
USD/SGD	1.29	1.28	1.26	1.24	1.23
USD/CNY	7.12	7.08	7.06	6.99	6.94

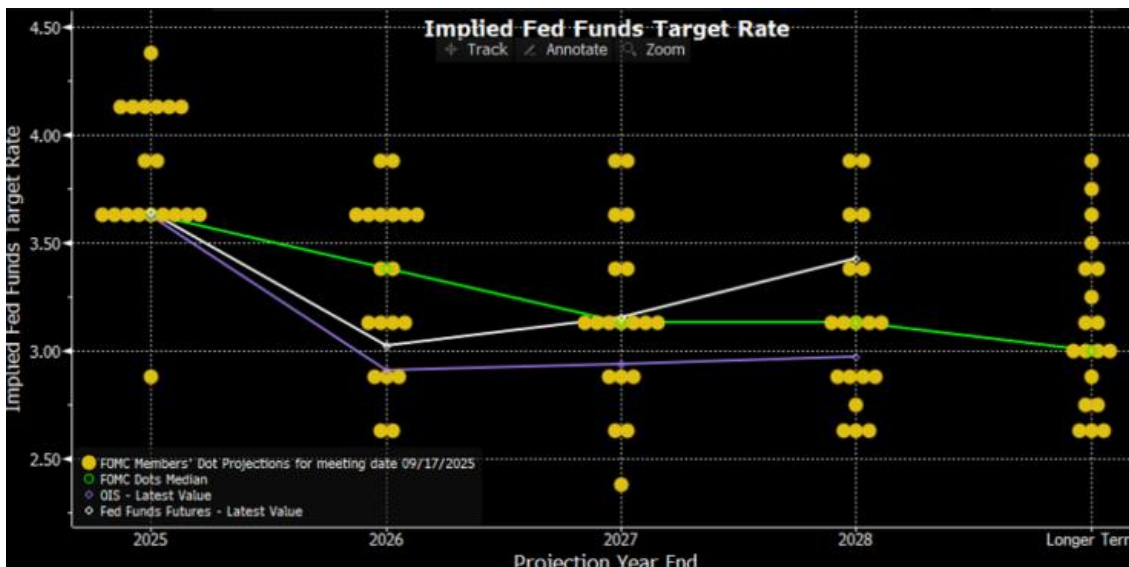
Markets Outlook – Fixed Income

	CURRENT	4Q2025	1Q2026	2Q2026	3Q2026
UST 10Y	4.14%	4.00%	3.85%	3.75%	3.70%
MGS 10Y	3.49%	3.35%	3.30%	3.25%	3.25%
SGS 10Y	1.90%	1.75%	1.70%	1.65%	1.65%

Sovereigns – Constructive outlook for bonds for 4Q2025 and over the coming year as global growth moderates from a prolonged environment of tariff-related uncertainty

UST	<p>Bond yields to head lower in 4Q25 and beyond</p> <p>The FOMC is likely to continue to cut rates further to shore up the economy in the face of a weakening labour market, with the risk of a prolonged federal government shutdown resulting in a further drag on growth</p> <p>UST curve likely to steepen as longer-dated maturities continue to underperform on longer-term fiscal concerns</p>
MGS	<p>Mildly constructive on MGS/GII in 4Q25 and for 2026</p> <p>BNM struck a very neutral tone during MPC on Sep 04. Extended pause in OPR likely</p> <p>Consumption and investment holding up thus far and looking likely to cushion the expected negative blow from the external sector; threats of semiconductor tariffs continues to weigh</p>
SGS	<p>SGS yields seen declining slightly as inflation continues to surprise on the downside and growth is likely to moderate in 2H25</p> <p>MAS is likely remain on hold for now, having pre-emptively eased twice in the first half of the year</p> <p>Core inflation likely to rise in 4Q25 on low base effects</p>

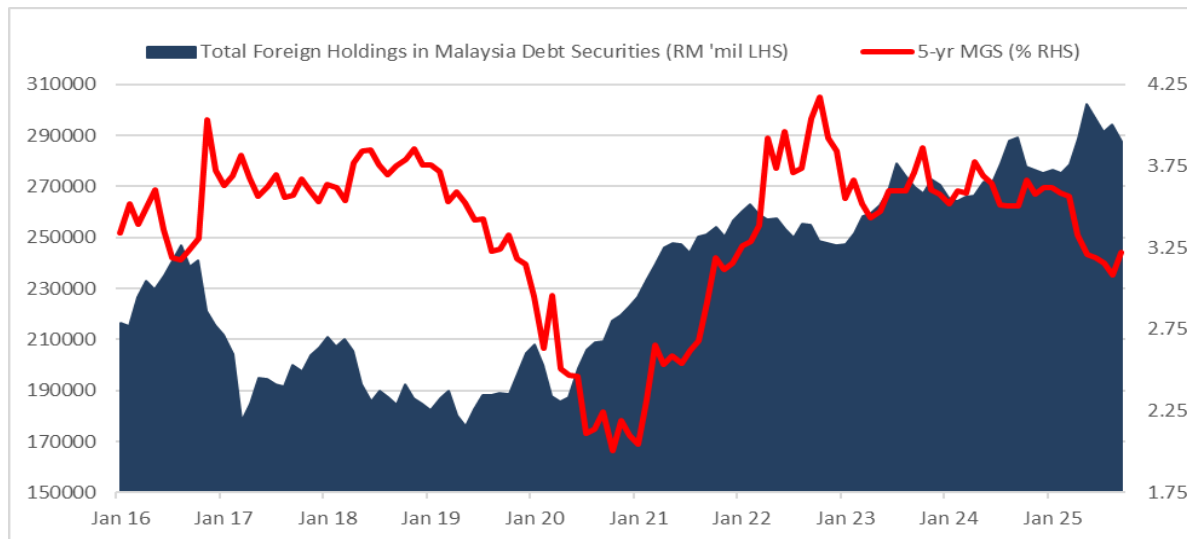
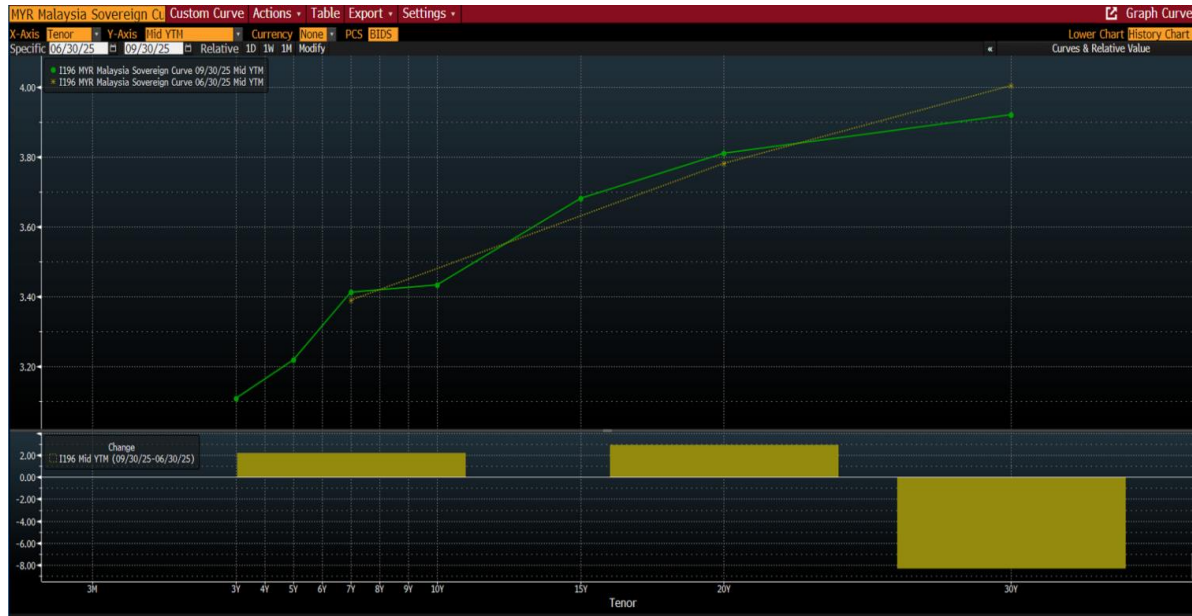
US Fixed Income – Constructive on USTs as the Fed continues to reduce rates



Source: Bloomberg, HLBB Global Markets Research

- **UST** -- USTs were slightly stronger in 3Q25 amidst a deteriorating labour market and the Fed resuming its rate cuts after a 9-month hiatus.
- Benchmark yields were lower by 4 to 11bps for the quarter (2Q25: -19 to +20ps) as the market expectation of future cuts this year remained little changed, with Fed Fund Futures pointing to 69bps of cuts for 2025 at the end of September, versus the 67bps priced for 2025 as at end of 2Q25.
- The yield curve steepened marginally during the quarter, with the UST 2s10s curve ending 3Q25 at +54bps (2Q25: +51bps).
- The Fed cut the Funds Rate by 25bps in an 11-1 majority vote at the FOMC meeting on Sep 17 after pausing for five straight FOMC meetings, and the Fed's Dot plot median projection during the September FOMC pointing to further 50bps reduction in the Fed Funds Rate for 2025, with a wide dispersion of views apparent within the Fed.
- **We expect the FOMC to continue easing the Fed Funds Rate in 4Q25 by a total of 50bps, and for them to then cut further by 25bps each in 1Q26 and 2Q26.**
- Economic data during the quarter was on the strong side in general outside of the labour markets, with retail sales surprising on the upside for July and August. The labour market picture though was a lot weaker than the previous quarter, with significant downward revisions in both the monthly NFP numbers during the quarter as well as the preliminary annual benchmark revisions by the BLS for the 12 months ending March, with the unemployment rate also edging up to 4.3% in August (June: 4.1%).
- Inflation inched up during the quarter, with core PCE and core CPI for August coming in at 2.9% and 3.1% y/y respectively (June: 2.8% and 2.9%), quelling fears of a bigger tariff-induced rise for now at least.
- **Looking ahead, we are constructive on USTs in 4Q, and expect the 10Y UST yield to decline to around 4.00% by the end of 2025** from the current level of 4.13% as the uncertain duration of the federal government shutdown weighs on the economy further.
- **Corporates** –Corporate bonds were firmer for the quarter with the Bloomberg US Corporate Bond Index posting an advance of 2.6% in 3Q25 (2Q25: +1.8%)

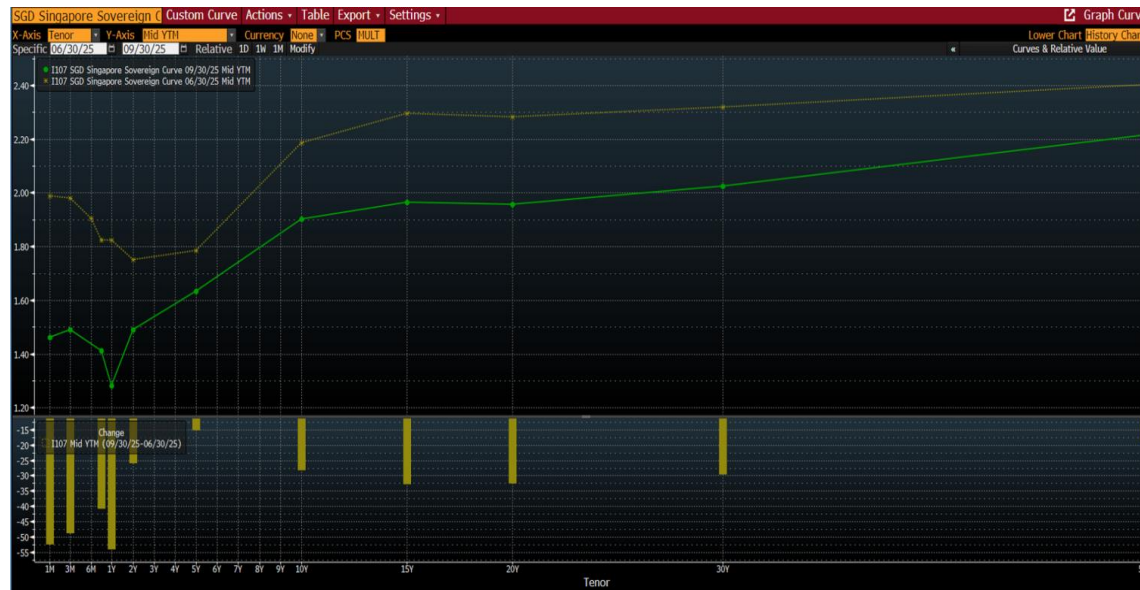
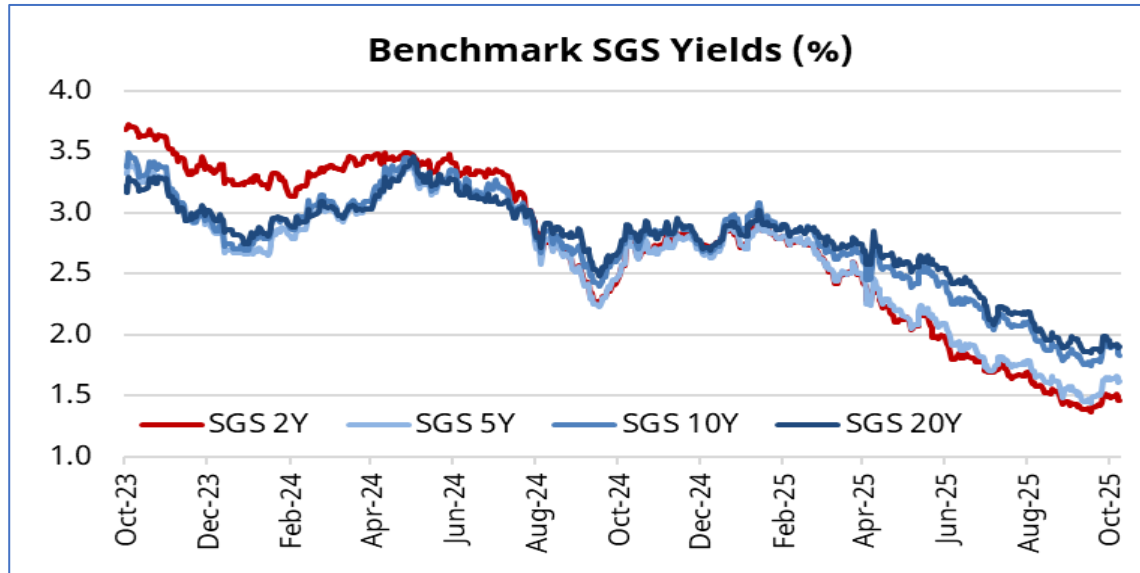
Malaysia Fixed Income – Government bond yields to edge lower in 4Q25; BNM to hold steady



Source: Bloomberg, BNM, HLBB Global Markets Research

- **Government Bonds** – MGS and GII were mixed in 3Q25 as overall benchmark yields closed between -8 and +7bps q/q (2Q25: 13 to 37bps lower) amidst BNM holding rates steady in September and sounding out a rather neutral outlook after cutting the OPR by 25bps in July.
- Foreign holdings of MYR bonds declined by RM9.3bn during the quarter to RM287.3bn as at end 3Q25, from the RM296.6bn seen at the end of 2Q25.
- Government bond auctions in 3Q25 saw poorer bidding metrics amidst higher gross issuance of RM53.0bn during the quarter, with the average BTC declining to 2.32x across 11 auctions (2Q25: 8 auctions; average BTC 2.81x; gross issuance of RM38.0bn), with the elevated corporate issuance seen during the quarter crowding out demand for govies.
- **We expect BNM to hold rates steady during the final MPC of the year on 6-Nov, and to maintain a neutral bias.**
- Economic growth in 2Q25 held steady at 4.4% y/y (1Q25: 4.4%). Inflation looks to have bottomed at 1.1% y/y in June and edged higher during the quarter, with the latest CPI number for August at 1.3% y/y.
- Bonds are expected to trade on a constructive note in 4Q25, with the renewed tariff tensions between the US and China likely to result in a further period of uncertainty on global economic prospects, with the cloud of possible sectoral semiconductor tariffs still hanging over the external sector domestically. **We expect the 10Y MGS yield to head lower in 4Q25 to 3.35%.**
- **Corporate Bonds/Sukuk** – Corporate spreads narrowed slightly in 3Q25 amidst a more stable environment for government bonds, with AAA and AA2 spreads in the 10Y space closing at 28 and 45bps respectively (2Q25: 35 and 51bps) despite corporate issuance (including GG bonds) near doubling to RM60.0bn in 3Q25 (2Q25: RM30.3bn). We expect issuance to recede in 4Q25, and for corporate spreads to widen slightly as the market digests the huge supply during 3Q25.

Singapore Fixed Income – SGS yields expected to grind lower in 4Q25



Source: Bloomberg, HLBB Global Markets Research

- **SGS** – Singapore Government Securities rallied again for the quarter, as overall benchmark yields declined between 15 to 33bps (2Q25: 46 to 75bps lower), outperforming US Treasuries amidst a continued decline in MAS core inflation to 0.3% y/y in August from 0.6% y/y in June.
- The shape of the SGS yield curve was little changed during the quarter, with SGS 2s10s slope closing the quarter at +41bps at the end of 3Q25 (2Q25: +44bps)
- The Bloomberg Global Singapore Bond Total Return Index recorded a return of 3.1% for 3Q25 (2Q25: +4.6%), reflecting the move higher in bonds for the quarter
- There were SGD6.4bn of SGS issuances in 3Q25, edging lower from what was seen the previous quarter (2Q25: SGD6.9bn)
- After holding policy steady in July, the Monetary Authority of Singapore (MAS) is expected to hold steady again at its upcoming quarterly decision on Oct 14.
- **We expect SGS yields to head lower in 4Q25, with the SGS 10Y expected to end the year around the 1.75% level.**

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