

ECONOMICS & GLOBAL FOREIGN EXCHANGE HIGHLIGHTS

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U.S. JOB MARKET COOLED FASTER THAN EXPECTED, MARKETS ARE NOW EYEING SEPTEMBER CUT

The case for higher-for-longer interest rates weakened significantly as the U.S. job market cooled faster than expected. The U.S. Federal Reserve (Fed) maintained its Federal Funds Rate (FFR) in the range of 4.25-4.50% in its latest meeting, as widely anticipated. This decision was underscored by the central bank's cautious, data-dependent approach as it monitors the evolving impact of Trump's trade agenda on inflation and the broader economic outlook. Based on the FOMC minutes, the central bank noted that current inflation levels are "somewhat elevated", signalling that policymakers are comfortably uncomfortable instead of reactively alarmed. Furthermore, the economy proved to be exceptionally resilient as it rebounded strongly by 3.0% q-o-q in 2Q2025 from its contraction of 0.5% q-o-q in 1Q2025, well above estimates of 2.4%, while the job market remained solid with unemployment rate dipped to 4.1% in June (May: 4.2%). Such performance allows the Fed greater flexibility in navigating its policy path as it assessed the effects of Trump's tariffs. The interplay of gradually rising prices and resilient economic activities have led markets to dial back their rate cut expectations, taking cues from Fed Chair Powell's remarks where he highlighted the risks of the central bank cutting rates too soon or too late. It seemed more likely for the Fed to wait on the rates as inflationary pressures trump concerns of a slowing economy. Moreover, while tariff-induced price pressures have begun to gradually feed into consumer prices, these increases do not capture neither the full extent of inflationary pressures nor the likely persistence of it—considering recently announced country-specific tariffs, lagged impacts from goods-specific and baselines levies in place as well as Trump's unpredictability. As such, the fluidity of the inflation outlook backs the case for the Fed's wait-and-see stance, cushioned by the prevailing resilience of the U.S. economy. However, July job market data surprised to the downside, causing a rapid shift in market expectations. The probabilities of the Fed slashing the FFR by 25 bps in its September meeting surged from just below 40.0% following the FOMC meeting to over 80.0% at the time of writing.

The Bank of Canada (BOC) had also opted to hold its benchmark interest rate steady at 2.75%, citing diminishing risks of a "severe and escalating global trade conflict". BOC Governor Tiff Macklem maintained the central bank's view that the evolving tariff developments are casting uncertainties over its policy path, albeit hinting that there would be room for further reductions should the economy weaken further while tariff-driven price pressures are contained, which would keep inflation tempered. Meanwhile, the Bank of Japan (BOJ) maintained its interest rate at 0.5% while warning that high uncertainties surrounding the economy remains, pressured by the environment of shifting global trade policies. Nevertheless, the central bank seemed slightly more optimistic, revising its growth projection this year up to 0.6% from 0.5%. This revision follows the recent bilateral deal between Japan and U.S. which would lead to stronger demand than previously expected for Japan's auto and manufacturing exports, softening the blow on the economy's outlook.

Towards the finish line. On the global trade front, several U.S. trade partners had circumvented Trump's steeper tariffs in the days leading up to the expiration of the 1st August deadline such as Indonesia and Philippines which successfully negotiated the tariffs down to 19% from 32% and 20%, respectively. Furthermore, Trump announced that tariffs on Japanese goods will be lowered to 15% (from 25% as in his tariff letter) in exchange for Japan pledging to import more U.S. agricultural products, aircrafts and autos, on top of a USD550 billion investment package into the U.S. A similar investment and trade package was granted to South Korea whereby Trump agreed to reduce tariffs on South Korean goods, including autos, to 15% from 25% previously while South Korea will invest up to USD350 billion into projects of Trump's choosing. Discussions between U.S. and EU also proved fruitful when Trump announced that tariffs on most EU goods will be slashed to 15%, half of the 30% threatened, while EU autos will also face a similar 15% tariff, down from 25% on all auto imports. This deal was finalized with the EU agreeing to purchase USD750 billion worth of energy and an unspecified billions worth of military equipment from the U.S. alongside an additional USD600 billion worth of investments into the U.S.

The last stretch. While aforementioned countries had successfully finalized trade deals with the U.S., the fate of many other trade partners remained unclear as the clock ticks closer to the deadline. However, Trump pulled through just hours before time runs out with some reassuring, some distressing new twists. Firstly, who are the greatest beneficiaries? Countries which the U.S. has trade surpluses with will face a universal 10% tariffs on most goods while specifically for Mexico, Trump had granted an additional 90-day window on the 25% levies on Mexican goods to make way for further negotiations. Meanwhile, most other countries ended on slightly better positions compared to their Liberation Day standings as countries running a trade surplus with the U.S. will be imposed with a universal 15% tariff. Furthermore, while the U.S. administration had underlined 26 countries that are subject to tariffs steeper than said 15%, most of them are facing tariffs relatively lower than the initial rates during 2nd April as well as Trump's subsequent tariff letters. In an environment rife with uncertainties and tall negotiation requests, these relatively lower tariffs underscore their success in negotiating for more leeway from Trump and achieving the goals they set out for. However, Iraq and Switzerland are imposed with higher levies of 35% and 39% compared to 30% and 31%, respectively, while countries like Algeria, Brunei, Myanmar and South Africa, among others, are subject to the same rates as underlined in Trump's unilateral tariff letters. Of note, Trump also announced that the implementation deadline has been postponed from 1st August to 7th August, giving the Customs and Border Protection sufficient time to enact the changes. Nonetheless, one country in particular emerged worse off. Trump raised the tariffs on Canadian goods, barring those protected under the 2020 USMCA trade deal, to 35% from 25% previously, citing that Canada failed to cooperate on the issue of fentanyl and other illicit drugs and also retaliated against Trump's previous trade measures.

Countries Facing Higher than 15% Tariffs

	Liberation Day	Trump's Tariff Letters	1 st August
Malaysia	24	25	19
Algeria	30	30	30
Bangladesh	37	35	20
Bosnia & Herzegovina	35	30	30
Brunei	24	25	25
Cambodia	49	36	19
India	26	-	25
Indonesia	32	32	19
Iraq	39	30	35

Kazakhstan	27	25	25
Laos	48	40	40
Libya	31	30	30
Moldova	31	25	25
Myanmar	44	40	40
Nicaragua	18	-	18
Pakistan	29	-	19
Philippines	17	20	19
Serbia	37	35	35
South Africa	30	30	30
Sri Lanka	44	30	20
Switzerland	31	-	39
Syria	41	-	41
Taiwan	32	-	20
Thailand	36	36	19
Tunisia	28	25	25
Vietnam	46	-	20

Upcoming Events: Key Economic Data Release

Monday	U.S. Factory Orders (June)
Tuesday	BOJ Meeting Minutes, S&P, HCOB and Caixin Manufacturing Purchasing Managers' Indices (July)
Wednesday	Eurozone Retail Sales (June)
Thursday	Bank of England (BOE) Policy Decision, China Trade (July), Malaysia Industrial Production (June)
Friday	BOJ Summary of Opinions, Japan Household Spending (June), Malaysia Retail Sales (June)

Table 1: Selected Currencies Overview

	18-Jul	25-Jul	1-Aug	WoW	YTD
DXY Index	98.48	97.65	99.14	1.5%	-8.6%
USDMYR	4.24	4.22	4.28	-1.3%	4.5%
XAUUSD	3,349.94	3,337.30	3,363.48	0.8%	28.2%
EURUSD	1.16	1.17	1.16	-1.3%	11.9%
GBPUSD	1.34	1.34	1.33	-1.2%	6.1%
AUDUSD	0.65	0.66	0.65	-1.4%	4.6%
USDSGD	1.29	1.28	1.29	-0.6%	5.9%
USDJPY	148.81	147.69	147.40	0.2%	6.6%
USDCNY	7.17	7.17	7.19	-0.3%	1.5%

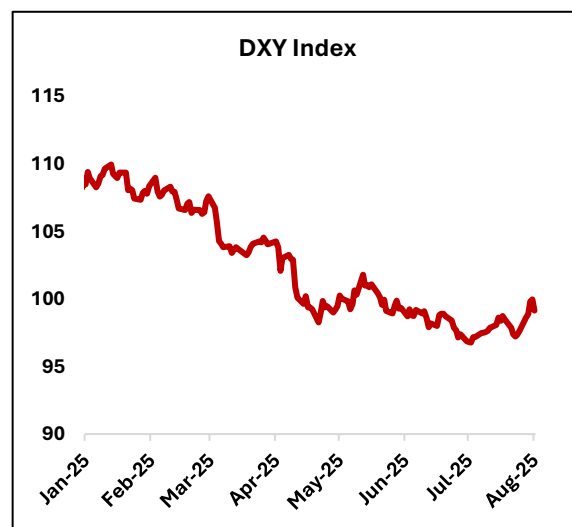
Sources: Bloomberg, Bank Islam

Commentaries

DXY: USD appreciated on the back of the Fed's wait and see tone

The USD index strengthened by 1.5% w-o-w for the week ending August 1, breaching above the 100-level during the week as markets dialled back their rate cut expectations, taking cues from the Fed's tone following its latest monetary policy decision. The central bank had kept interest rate steady, citing prolonged uncertainties surrounding the inflationary impact of the Trump administration's trade policies. Thus far, tariff-induced price pressures have begun to materialize into consumer prices as the core Personal Consumption Expenditure (PCE) price index increased by 2.8% y-o-y in June, faster than the anticipated 2.7% y-o-y. On

a monthly basis, core PCE inflation rose by 0.3% in June, slightly higher than 0.2% in May. Such inflationary trend is expected to pick up further as more tariffs come into effect while the effects of existing tariffs gradually seep into the economy, making any monetary policy decision at this point premature. Markets appeared to align with the Fed's cautious stance, reinforcing the strength of the USD. Furthermore, the resilience displayed by the economy backed this decision, easing some weight pressuring one end of the Fed's dual mandate. Of note, the economy accelerated by 3.0% q-o-q in 2Q2025 (Est: 2.4% q-o-q) from a decline of 0.5% q-o-q in 1Q2025. However, the latest Nonfarm Payroll (NFP) data painted a weaker picture of the job market, reversing some of the recent gains in the USD. The economy added 73K jobs in July, missing market estimates of 110K. Most significantly, May and June NFP figures were revised lower by 125K and 133K respectively, resulting in a cut of 258K cumulatively. This revision upends a bucket of cold water over optimistic market expectations, suggesting that the previously thought resilient job market is cooling at a faster pace than anticipated. Private payrolls also rose slower than expected by 83K (Est: 100K) while the unemployment rate ticked up to 4.2% in July (June: 4.1%). As such, the probabilities of the Fed deploying a 25 bps cut in its September meeting surged to 80.0% at the time of writing from just below 40.0% days earlier.

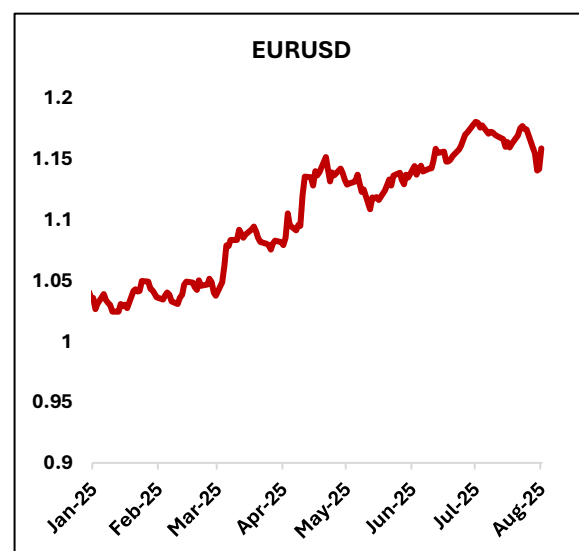


Source: Bloomberg

Short-term outlook: These latest figures has derailed the monetary policy outlook as it resets the Fed to its precarious dilemma while Trump's tariff blitz does not offer any relief to the mix. Looking ahead, the central bank is increasingly pressured by the rapidly cooling labour market and heightening price pressures. This mix places the economy at risk as declining consumer confidence leads to weaker spending and slower business activities, leading renewed calls for a rate cut to support domestic demand. As such, we are bearish on the USD and expect it to trade between the range 97.48 and 99.87.

EURUSD: Euro depreciated as economic figures solidifies case for hawkish ECB

The Euro slipped by 1.3% w-o-w following a slew of stronger than anticipated data, reinforcing market bets that the European Central Bank (ECB)'s policy easing cycle is coming to an end. The economy accelerated by 1.4% y-o-y in 2Q2025 (1Q2025: 1.5% y-o-y) according to preliminary estimates, higher than expectations of a 1.2% y-o-y growth. On a quarterly basis, Eurozone's GDP rose by 0.1% (Est: 0.0%) compared to 0.6% in the previous quarter. Meanwhile, the job market appeared to be tighter than expected with the unemployment rate steadying at 6.2% for three consecutive months against bets of a slight uptick to 6.3%. Such favourable figures had lifted confidence that the economy may yet achieve a soft landing amid the volatile global backdrop, evidenced by the Economic Sentiment Indicator (ESI) surging to the highest level in five months (July: 95.8 points vs. June: 94.2 points). Furthermore, risks to the economic outlook have eased considerably following the recently finalized bilateral trade deal between the EU and U.S. Under the agreement, the U.S. will lower tariffs on most EU imports to 15%, a significant reduction from earlier threats by President Trump to impose rates as high as 30%. In return, the EU has committed to a multi-billion-dollar trade and investment package into the U.S. This development has lifted market sentiment, with investors increasingly confident that the ECB is approaching the end of its rate-cutting cycle, now pricing in just one final cut in 2025. On the flip side, inflation remained within the central bank's 2.0% target, reinforcing the case for a pause in policy changes. Notably, both headline and core inflation held steady in July at 2.0% y-o-y and 2.3% y-o-y, respectively, unchanged from June and slightly above market expectations (CPI: 1.9%, Core CPI: 2.2%). With price pressures proving more persistent than anticipated, the central bank is now widely expected to keep interest rates unchanged at its September meeting.



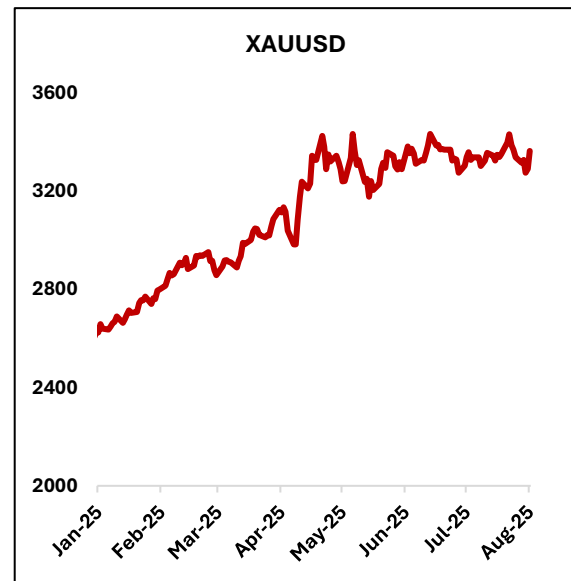
Source: Bloomberg

Short-term Outlook: The ECB had opted to maintain its main refinancing rate at 2.15% and its deposit facility rate at 2.0% during its July meeting, citing that current data are “broadly in line” with its assessment of the inflation outlook, signalling that the central bank is comfortable with the state of evolving price conditions. However, ECB President Lagarde remained cautious, stating that the impact of U.S. tariffs is yet to be determined while the central bank remains vigilant to risks to its outlook. Beyond consumer prices, the economy appears on track to a clearer path moving forward given that trade tensions with the U.S. have eased. As such, we maintain a slightly bullish outlook on the EURUSD and expect the pair to trade in the range of 1.1570 and 1.1710.

XAUUSD: Gold price strengthened as tensions simmered below the surface of a fragile global trade stabilisation

Gold prices rose 0.8% w-o-w for the period ending August 1, supported by renewed trade tensions following the announcement of Trump’s tariffs ahead of the August 1 deadline, an event that appeared to mark the end of this round of trade uncertainty. However, a degree of unease persisted, given Trump’s unpredictable policy shifts, which now seem to be a defining feature of his administration and continue to lend support to gold (XAU) as a safe haven. Meanwhile, countries like Brazil and Canada still face steep tariffs, and the fragile truce with China remains under threat, with a key deadline looming on August 12. Unless extended or resolved through a formal agreement, tariffs on both sides are set to revert to previous levels, potentially as high as 125%. Reuters reported that U.S. and Chinese officials had tentatively agreed to a 90-day extension during talks in Stockholm, though no official confirmation has been issued. Beyond the global trade conundrum, weaker-than-expected U.S. job market data further fueled expectations of Fed rate cuts, placing downward pressure on the USD and in turn, further supporting the XAU’s appreciation.

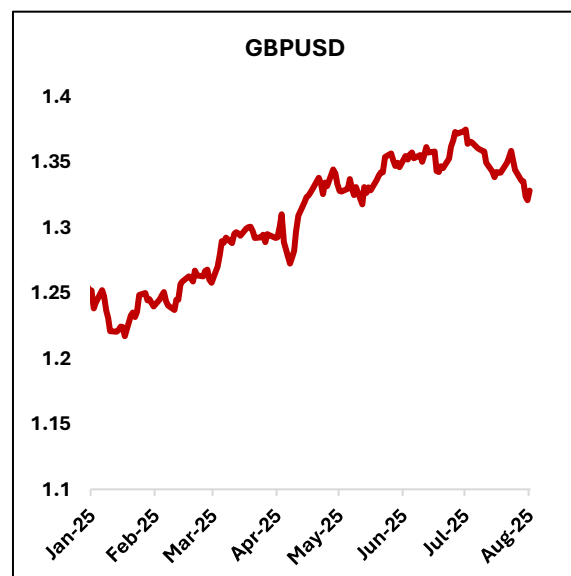
Short-term Outlook: Looking ahead, markets have largely rallied behind bets of a rate cut in the Fed’s upcoming meeting which would lend some support to the XAU. Furthermore, updates surrounding the U.S.-China trade truce will be closely monitored, potentially leading to some volatility in the XAU as any unexpected or conflicting headlines could trigger abrupt shifts in its trajectory. However, news flow regarding the negotiations thus far have been tame, signalling that both countries may yet reach an amicable bilateral agreement. As such, we maintain a neutral to slightly bearish outlook on XAUUSD. Support is at \$3,320 and resistance is seen around \$3,370.



Source: Bloomberg

GBPUSD: British Pound weakened ahead of the Bank of England (BOE)’s meeting this week

The British pound (GBP) had depreciated by 1.2% w-o-w, pressured by the recent rally of the USD to reach the weakest level since May. A slew of soft UK economic data solidifies the case of a rate cut by the BOE in its upcoming meeting. Previously, the central bank had kept the bank rate steady at 4.25% although policymakers were split 6-3 on this decision. This dissent, coupled with the release of softer data since the June meeting, supported wider expectations that the upcoming meeting will see more policymakers shift to the dovish side, causing the GBP to slide. Of note, the UK job market appeared to cool considerably with the unemployment rate marking the highest level since July 2021 at 4.7% (Est: 4.6%) in three months to May. Furthermore, industrial output unexpectedly contracted by 0.9% m-o-m in May (Est: 0%) while manufacturing production marked a deeper decline than anticipated (Act: -1.0% m-o-m vs. Est: -0.1% m-o-m) as external demand slowed. Most notably, UK’s GDP recorded a second month of decline as it slipped by 0.1% m-o-m in May (Apr: -0.3% m-o-m), placing it directly in the line of fire for an overall contraction in 2Q2025. On the consumer front, retail sales picked up from previous contractions, albeit still growing at slower paces than expected on both monthly (Act: 0.9% vs. Est: 1.2%) and annual (Act: 1.7% vs. Est: 1.8%) measures. These sluggish trends fuelled



concerns that consumer sentiments are bearing the brunt of the prolonged global trade turmoil and jitters of a slowing economy. While the UK had finalized an agreement with the U.S., it is still too early to see the impact of this deal in the economic sectors. Moreover, higher prices stemming from the tariffs still in place would stoke fears of muted external demand, dragging consumer confidence back home. As such, markets turned their eyes to the BOE, pencilling a 25 bps in its July meeting to support the flagging economy.

Short-term Outlook: While risks emerged from both ends of the scale ahead of the BOE's meeting, the softer economic figures seemed to ring louder alarm bells for market participants compared to the hotter headline and core inflations figures. This view is also backed by expectations that the persistent weakness in external demand will gradually recover as the impact of the UK-U.S. trade deal, which was only finalized in June, slowly materializes into tangible data, leaving the question of domestic demand in the air. As such, the central bank appears poised to slash its bank rate in an effort to support household spending domestically to bolster growth. We are bearish on the GBPUSD foreseeing a possible trading range of 1.3210 – 1.3580.

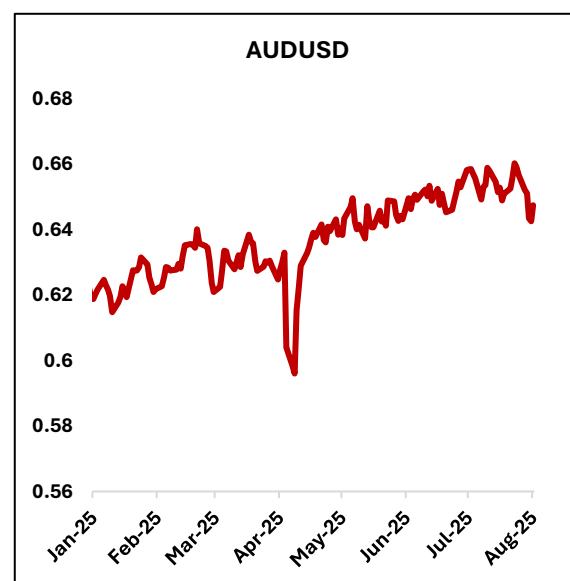
AUDUSD: Australian Dollar plunged amid favourable disinflation trends

The Australian dollar weakened by 1.4% w-o-w as Australia's inflation continued on its downward trajectory. Latest figures show that the monthly CPI indicator rose at a slower pace than expected by 1.9% y-o-y in June (Est: 2.1% y-o-y) from 2.1% y-o-y in May. This figure, marking the lowest point in more than four years, had eased below the Reserve Bank of Australia (RBA)'s 2-3% target, rallying markets behind expectations of further rate cuts by the central bank. Stepping over to the bigger picture, Australia's 2Q2025 trimmed mean inflation moderated by 0.6% q-o-q (1Q2025: 0.7% q-o-q) while annually, it eased to 2.7% from 2.9% in 1Q2025. As such, the softening underlying price pressures have eased the pressure on the RBA to keep its cash rate steady, presenting as further impetus for the central bank to reduce its cash rate, currently at 3.85%. Nonetheless, policymakers also have greater flexibility to navigate their monetary settings as Trump's recent tariff announcement revealed that Australian goods are still subject to the baseline 10% tariffs, relatively better than most of U.S. trade partners. This places the Australian economy on a better footing to benefit from increased external demand as its goods would appear more appealing to consumers and firms alike, lifting its growth outlook from the muddier waters previously. However, risks still remain from Trump's 50% copper levies which could significantly drag Australia's exports given its key role in the global copper value chain.

Short-term Outlook: Moving forward, markets are keeping their eyes trained on household spending and trade figures, slated to be released on Tuesday and Thursday respectively. These data would provide clearer insights into the state of Australia's trade performance as well as consumer spending patterns against the conflicting backdrop of moderating inflation and a cooling labour market, as reported previously. This would shed some light on the RBA's next move, whether prevailing strength in household spending (May: 4.2% y-o-y vs. Apr: 3.8% y-o-y) would continue or an unexpected reversal could potentially surprise markets. As such, we remain neutral to slightly bearish on the AUDUSD and trading at a range of 0.6430 – 0.6560 for the pair.

USDSGD: Singaporean Dollar slipped amid signs of an easing job market

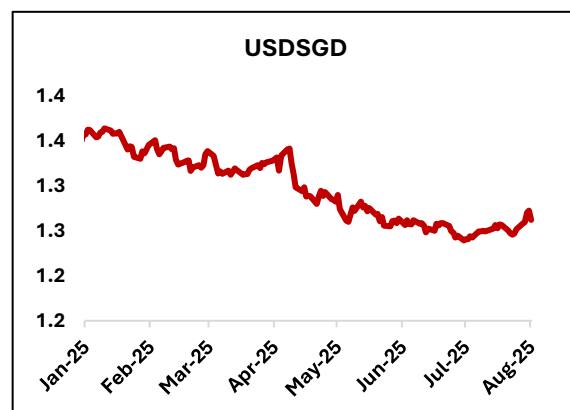
The Singaporean dollar slid by 0.6% w-o-w as the Monetary Authority of Singapore (MAS) kept its policy stance steady, maintaining the rate of appreciation of the Singapore dollar nominal effective exchange rate (S\$NEER) band after easing in its last two meetings. Additionally, the central bank also maintained the width and centre of the band, citing risks from potential U.S. tariffs while underlying price pressures is expected to be contained in the short term.



Source: Bloomberg

However, Singapore's labour market was seen to cool slightly when its preliminary seasonally adjusted unemployment rate ticked up to 2.1% in 2Q2025 from 2.0% in 1Q2025, marking the highest level in a more than year. This suggests that weakening business sentiments amid prolonged global volatility has led to slower demand for labour.

Short-term Outlook: Singapore's retail sales data release will be closely watched this week for clues on how the evolving global trade policies had impacted the economy. As signs of cooling have emerged in the labour market, this may spell weaker domestic demand moving forward. Nevertheless, previous retail sales figures showed that household spending remained resilient as it marked the fastest pace in five months (May: 1.4% y-o-y vs. Apr: 0.2% y-o-y). Looking ahead, Singapore remains subject to 10% tariffs by the U.S. which maintains its competitive edge of its peers. This could be impetus to drive external demand, leading to a rebound in business and consumer sentiments. Thus, we maintain a bearish view on the USDSGD, eyeing at a likely trading range of 1.2845 – 1.2990.

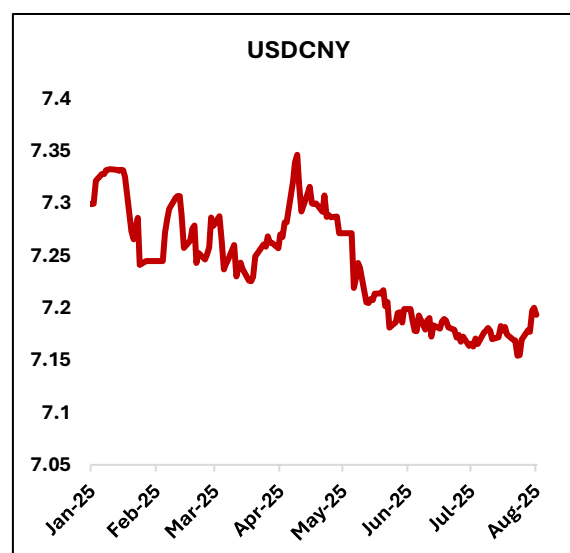


Source: Bloomberg

USDCNY: Chinese Yuan dipped against USD's strength as well as softer factory activities

The Chinese yuan declined marginally by 0.3% w-o-w, pressured by signs of weakening manufacturing activities. Of note, the Caixin Manufacturing PMI declined to 49.5 points in July from 50.4 points in June, missing estimates of 50.2 points. Such performance was dragged by a steep slump in new export orders, causing output to decline for the second time since October 2023. Furthermore, firms reported that supplier performance continued to deteriorate due to shipment delays and supplier shortages. The softer manufacturing PMI figure highlights an underlying problem plaguing China's manufacturing sector, i.e. the fluctuations and unpredictability of external demand, mirroring the volatility surrounding global trade conditions. While China had reached a truce with the U.S., the fragile state of the agreement remains a constant source of jitters among markets. Until a final deal has been cemented between these two economic giants, the simmering tensions will remain lingering below the surface of their truce.

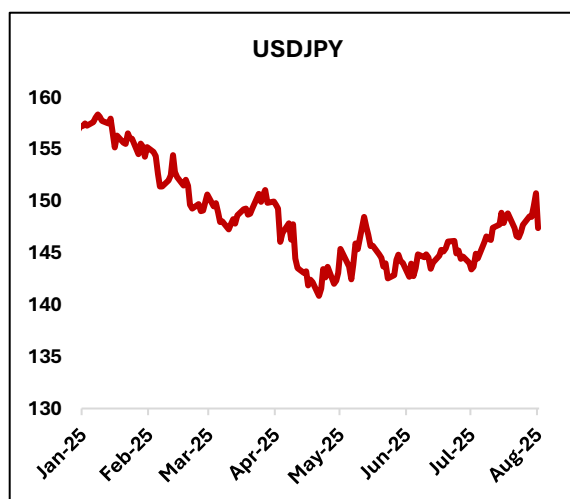
Short-term Outlook: Chinese and U.S. officials have convened in Stockholm, Sweden last week in their third round of discussions. While both sides have given positive signals that the discussions flowed favourably, with a potential extension on the pause for their tit-for-tat tariff war, there has yet to be an official announcement on the matter. U.S. Treasury Secretary Bessent remarked that the truce will not be final until Trump signed off on it while cautioning that tariffs could snap back to previous levels when the truce expires on 12th August. Looking ahead, markets are cautiously optimistic as they await Trump's decision and thus, we remain neutral to slightly bearish on USDCNY in the near term.



Source: Bloomberg

USDJPY: Japanese Yen appreciated as the Bank of Japan (BOJ) kept interest rate steady

The Japanese Yen edged up by 0.2% w-o-w following the BOJ's policy meeting where it kept its benchmark short-term rate unchanged at 0.5%, in line with market expectations. The decision was underpinned by persistent risks to Japan's economic outlook, including ongoing trade uncertainties and stubborn inflationary pressures. Notably, the BOJ revised its core inflation forecast for 2025 upward to 2.7%, from 2.2% projected in April. However, concerns over sluggish growth have eased somewhat following a recent bilateral trade agreement with the U.S., which prompted the BOJ to raise its 2025 GDP growth forecast to 0.6%, slightly higher than the 0.5% estimate made in April. Such view was also bolstered by solid household spending as retail sales accelerated by 2.0% y-o-y in June from 1.9% y-o-y in May, above estimates of a 1.8% growth. Furthermore, Japan's factory activities had marked a sharp rebound from a 0.1% y-o-y decline in May to expand by 1.7% y-o-y in June, well surpassing expectations of a 0.6%



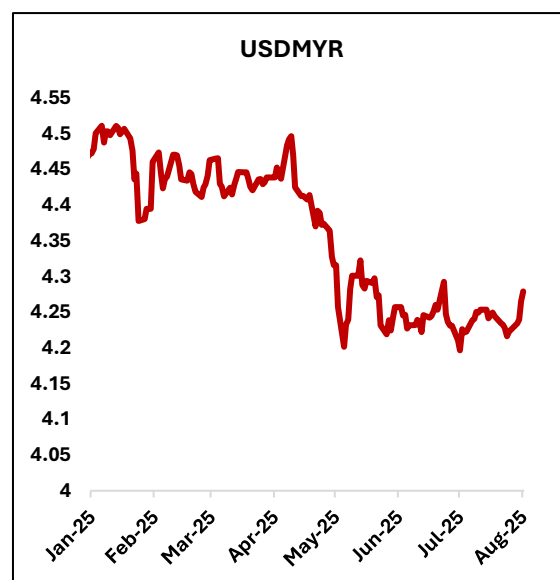
contraction. On the flip side, unemployment rate remained constant at 2.5% for four straight months, signalling a resilient environment in the job market. Given the easing trade tensions and stronger than expected economic performance, markets are betting that the BOJ have ample room to resume its policy normalisation efforts which supported the rise of the JPY.

Short-term Outlook: Moving forward, markets are eagerly awaiting BOJ's meeting minutes for guidance on the central bank's policy decision. Moreover, considering that it was the central bank's first meeting since trade talks between U.S. and Japan had concluded, policymakers may offer fresh insight on its policy path ahead, taking into account new measures under the finalised deal. As such, we are bearish on USDJPY for the week ahead, foreseeing a possible trading range of 146.90 – 149.50 for the currency pair.

USDMYR: The Ringgit weakened as officials unveiled Malaysia-U.S. trade deal

The Ringgit plummeted by 1.3% w-o-w, pressured by the appreciation of the USD as well as muted sentiments following the latest U.S. tariff on Malaysian goods. While the tariff rate had been slashed to 19% from 25% previously following bilateral negotiations between the two countries, this prevailing rate remains higher compared to other U.S. trade partners which makes Malaysian goods relatively less appealing. The expectation of slower demand for Malaysian exports had clouded Malaysia's trade and growth outlook, leading to the weakest MYR performance since June. Looking closer at the terms of the negotiations, Malaysia will exempt taxes on 61% of the 11K goods requested while maintaining the duties on imported U.S. autos. Furthermore, Malaysia had agreed to buy 30 Boeing aircrafts with potential for another 30 to be purchased, which emerged as the swaying factor for the lessened tariffs according to Investment, Trade, and Industry minister Tengku Zafrul Aziz. Meanwhile, in addition to the U.S. reducing tariffs on most Malaysian goods to 19%, it will also remove tariffs on Malaysian semiconductors and pharmaceuticals. Other goods up for exemption would be commodity products such as palm oil, rubber, and cocoa, although the U.S. has until December to finalize its decision. It had also pledged to comply with the Department of Islamic Development Malaysia (JAKIM)'s standards on halal certification issues on relevant goods which are exported to Malaysia. While the MYR failed to gain following this announcement, these measures would still provide much needed boost for Malaysia's exports, leading to a better outlook over the medium term.

Short-term Outlook: Looking ahead, the Malaysian economy may yet achieve a grounded growth this year as Bank Negara Malaysia (BNM)'s monetary policy reduction and the government's supportive fiscal measures pose as engines to drive domestic consumption while the reduced U.S. tariff rate supports external demand. As such, we maintain our neutral to slightly bearish view on the USDMYR, looking at a probable trading range of 4.2220 – 4.2780.



Source: Bloomberg

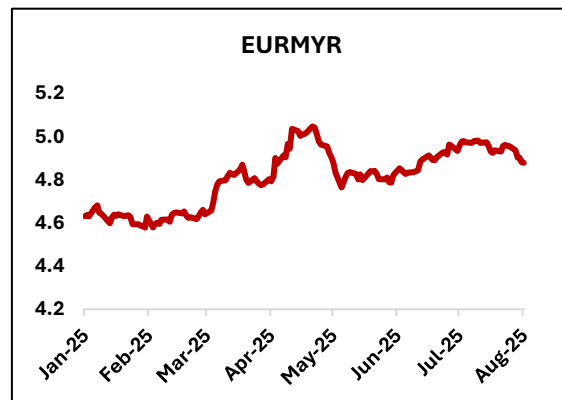
Table 2: Selected Currencies Overview (MYR Crosses)

	18-Jul	25-Jul	1-Aug	WoW	YTD
USDMYR	4.2438	4.2225	4.279	-1.3%	4.5%
EURMYR	4.9364	4.9546	4.8776	1.6%	-4.5%
GBPMYR	5.7041	5.685	5.6259	1.1%	-0.2%
SGDMYR	3.3047	3.296	3.2931	0.1%	-0.2%
JPYMYR	2.8508	2.8591	2.9024	-1.5%	-2.0%
AUDMYR	2.7667	2.7713	2.7477	0.9%	1.2%
CNYMYR	0.59143	0.58896	0.59311	-0.7%	3.3%

Sources: Bloomberg, Bank Islam

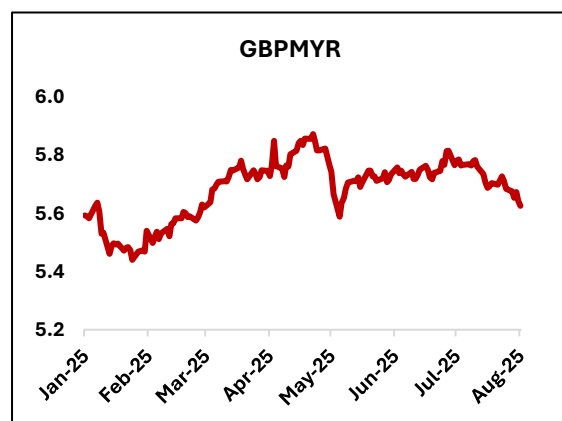
Short Term Outlook for Ringgit Pairs

The outlook for EUR/MYR remains bullish as markets are increasingly rallying behind bets that the ECB is nearing the end of its policy easing cycle. This view is supported by the stronger economic data as well as the trade deal between the U.S. and EU. While Malaysia had also reached a final tariff rate of 19%, this is relatively higher compared to the 15% tariff on EU imports which makes the latter more appealing. As such, we expect the MYR to remain under pressure against the EUR in the near term.



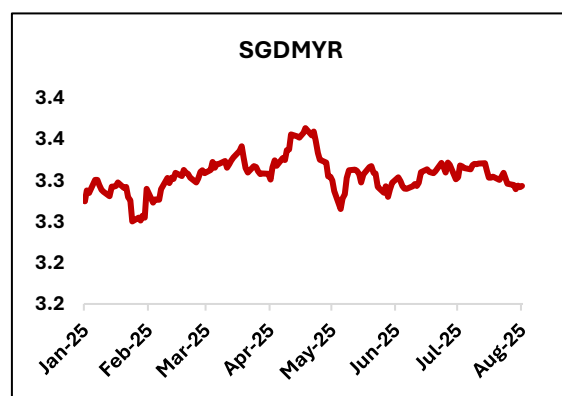
Source: Bloomberg

The GBP/MYR outlook is slightly bearish as UK's economic figures emerged softer than expected such as the rapidly cooling labour market and unexpected downturn in manufacturing activities. This landscape supports market expectations of further monetary policy easing by the BOE, which would lead to a softer GBP in the short term. Meanwhile, we hold the view that BNM will keep its policy rate steady at 2.75%, especially as risks to Malaysia's growth have slowly receded amidst the easing trade uncertainties and favourable domestic support measures.



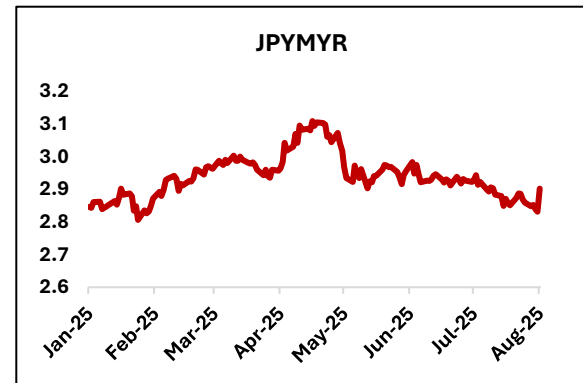
Source: Bloomberg

The SGD/MYR outlook remains slightly bullish, as Singaporean goods continue to hold a relative advantage over Malaysian exports. While U.S. tariffs on Singapore remain at 10%, levies on Malaysian goods, though recently reduced, still stand higher at 19%, making Singapore's exports comparatively more competitive.



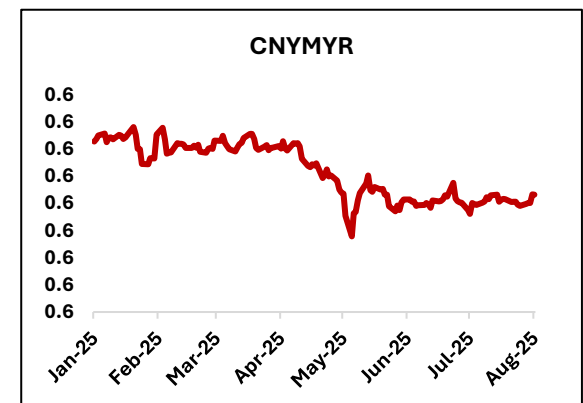
Source: Bloomberg

The outlook for the JPY/MYR is bullish following a slew of strong Japan economic data, strengthening the case for further policy normalisation by the BOJ. On the consumer front, household spending had picked up faster than expected, supported by solid labour market conditions, while industrial production strongly beat estimates of a contraction. Moving forward, Japan's trade and factory activities are anticipated to recover following its trade agreement with the U.S., lending further support for the JPY's appreciation. Meanwhile, the MYR will remain supported by strong economic fundamentals and recovering sentiments.



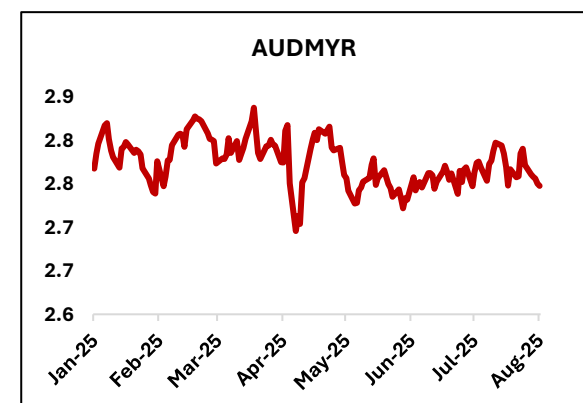
Source: Bloomberg

The outlook for CNY/MYR remains neutral to slightly bullish as markets await further developments on the potential extension of U.S.-China trade truce. However, at the current juncture, officials representing both countries have given positive signals from their negotiations, bolstering optimism that the truce will be extended. Should the situation play out as expected, the CNY will appreciate on the back of upbeat sentiments while the MYR will lose out on its relatively weaker appeal, given China's bigger presence in the global value chain.



Source: Bloomberg

The AUD/MYR outlook is slightly bearish as Australia's disinflation trend continued further, leading to wider calls for the RBA to reduce its cash rate. Previously, its job market had eased faster than expected, raising eyebrows at the RBA's decision to keep its policy rate unchanged. In the past week, the monthly CPI indicator had moderated to 1.9% y-o-y in June (May: 2.1% y-o-y), falling below the central bank's 2-3% target. As markets rapidly rallied behind further rate cuts, the AUD will remain under pressure while the expectations of a steady policy rate by BNM will support the MYR's strength.



Source: Bloomberg