ECONOMICS & GLOBAL FOREIGN EXCHANGE HIGHLIGHTS

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BANK ISLAM

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ODDS OF SEPTEMBER RATE CUT ROSE FOLLOWING KEY INFLATION RELEASE

U.S. consumer prices data released last week solidifies case for a September cut. Markets extended their rally on dovish momentum, with softer-than-expected inflation adding further tailwinds after the recent cooling in labour market data. Of note, U.S. inflation rose by 2.7% y-o-y in July at the same pace recorded in June, slightly below expectations of 2.8%. The softer reading further reinforces the view that the Federal Reserve Board (Fed) is in the prime position to initiate a 25-bps rate cut in its upcoming meeting, placing more emphasis on the central bank to address the growing jitters of a cooling labour market while putting inflationary concerns on the backseat for this round. Such sentiments were echoed by several Fed policymakers following the earlier Nonfarm payrolls release, signalling heightened concerns over labour market softness while they hold the view that inflationary impacts from Trump's tariffs will be short-lived and manageable. The impacts of higher tariffs seem to gradually passthrough into consumer prices against previous expectations of sharper price surges, abating the urgent calls to address rising price pressures and providing the central bank crucial space to navigate its policy decision. At the time of writing, markets were pricing an 85% probability of the Fed lowering the Federal Funds Rate (FFR) to 4.00–4.25%. Attention now turns to one more set of inflation and payrolls data ahead of the September FOMC meeting, which will capture the early impact of the August tariffs and provide clearer guidance on the central bank's policy trajectory.

Beneath the surface calm lies a harsher undercurrent that complicates the inflation outlook. Core inflation accelerated to 3.1% in July (June: 2.9%), exceeding market expectations of 3.0%. On a monthly basis, core CPI rose 0.3%, the fastest increase since January, underscoring sticky price pressures. This persistence echoes past episodes of global supply chain disruptions, such as during the pandemic and in the aftermath of the Russia-Ukraine conflict. Producer prices meanwhile signalled stronger cost pressures ahead, with the PPI surging to a five-month high of 3.3% y-o-y in July (June: 2.4%), well above forecasts of 2.5%. On a monthly basis, PPI spiked 0.9%, the sharpest rise since September 2022, while core PPI jumped 3.7% y-o-y, also beating expectations. Although the pass-through to consumers has so far been limited, firms are unlikely to absorb higher costs indefinitely, suggesting more pronounced price hikes could follow. With most country-specific tariffs only taking effect in August, inflationary pressures are likely to intensify in the months ahead. However, the gradual pace of consumer price increases adds a layer of uncertainty, making the inflation trajectory difficult to pin down

On the trade front, U.S. and China had extended their truce under the same terms for another 90-days, injecting some optimism into global markets. On the flipside, concerns of wider supply chain disruptions were reignited following Trump's remarks that he will impose tariffs on steel and semiconductor chips, starting with lower rates to enable companies to reshore their operations onto American soil. However, the rates would be increased, possibly going as high as 100% based on his earlier statement, causing heightened fears among market participants and countries with high linkages to the global semiconductor value chain.

Upcoming Events: Key Economic Data Release

Monday	Singapore Exports (July)
Tuesday	Malaysia Exports (July)
Wednesday	PBOC Policy Decision, Japan Exports (July), Euro Area and UK Inflation Rates (July)
Thursday	Jackson Hole Symposium, S&P Flash Manufacturing PMI (August)
Friday	Jackson Hole Symposium, Japan, Malaysian and Singapore Inflation Rates (July), UK Retail Sales (July)

Table 1: Selected Currencies Overview

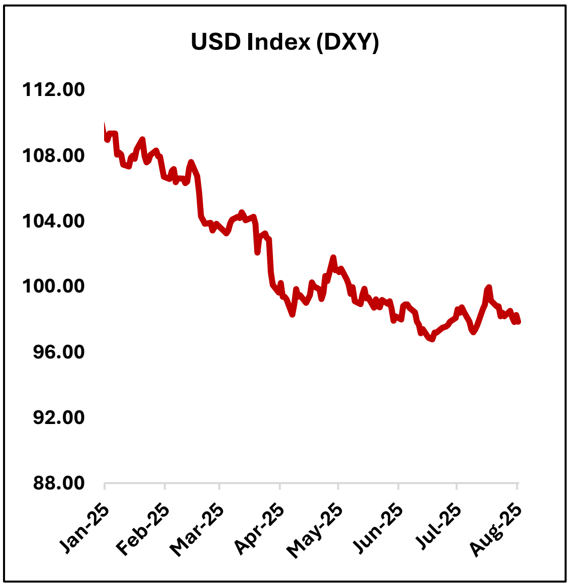
	1-Aug	8-Aug	15-Aug	WoW	YTD
DXY Index	99.14	98.18	97.85	-0.3%	-9.8%
USDMYR	4.28	4.24	4.21	0.7%	6.1%
XAUUSD	3,363.48	3,397.75	3,336.19	-1.8%	27.1%
EURUSD	1.16	1.16	1.17	0.5%	13.0%
GBPUSD	1.33	1.35	1.36	0.8%	8.3%
AUDUSD	0.65	0.65	0.65	-0.2%	5.2%
USDSGD	1.29	1.29	1.28	0.2%	6.4%
USDJPY	147.40	147.74	147.19	0.4%	6.8%
USDCNY	7.19	7.18	7.18	-0.1%	1.6%

Sources: Bloomberg, Bank Islam

Commentaries

DXY: USD depreciated amid rising bets of a September Fed rate cut

The USD index weakened by 0.3% w-o-w for the week ending August 15 as markets rallied behind calls for the Fed to deliver a rate cut in its upcoming meeting. Such view was a stark contrast to expectations just a fortnight prior where markets were eyeing a higher for longer narrative as more tariff deadlines were set to expire in August and subsequently, inflationary pressures would pick up further. However, latest figures showed that the job market is cooling much faster than anticipated, causing markets to rapidly reprice their view. Furthermore, the rise in consumer prices proved to be more gradual, tempering concerns that the central bank's monetary settings have to be strictly contained at the current level to keep inflation in check. Thus far, while tariffs on selected countries have gone into effect alongside targeted tariffs on certain imports such as metals and autos, the passthrough to consumer prices have been limited. Of note, headline inflation remained consistent at 2.7% y-o-y in July, as in June, missing estimates of a slight pick up to 2.8%. On a monthly basis, it edged up slightly by 0.2% compared to 0.3% recorded in June. These readings reinforced market expectations that a weakening job market will be the key catalyst prompting Fed action at the upcoming meeting, with the probability of a rate cut rising to 85.0% at the time of writing. The greenback remains caught between conflicting forces, persisting inflationary pressures on one hand and mounting employment concerns on the other. Adding to the dovish tilt, several Fed policymakers have also voiced growing unease over labour market conditions, further weighing on the USD.

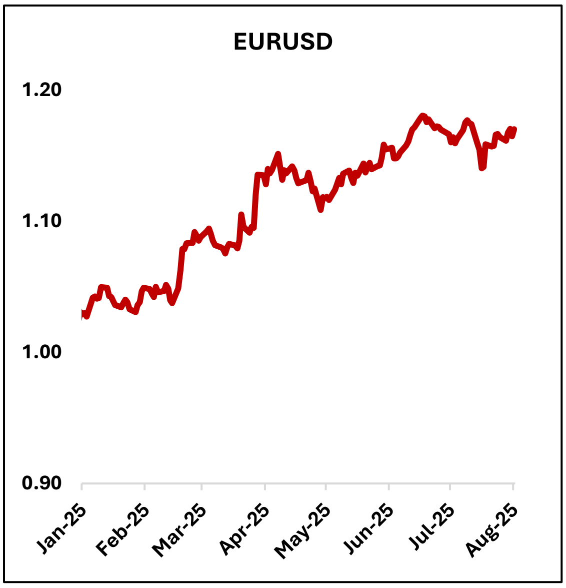


Source: Bloomberg

Short-term outlook: Looking ahead, markets remain on edge for the final set of inflation and nonfarm payrolls data before the Fed's September meeting. These releases will be pivotal in shaping expectations of the central bank's policy path, as they will capture the early effects of the wide-ranging country-specific tariffs introduced in August. In the immediate term, Fed Chair Powell is set to take the stage at the Jackson Hole Symposium this week while the Federal Open Market Committee (FOMC) minutes is slated to be released on Thursday, both events will hopefully give more guidance on the Fed's upcoming policy decision. We remain bearish on the USD and expect it to trade between the range 96.88 and 98.63.

EURUSD: Euro appreciated amid heightened bets of ECB maintaining rates at its September meeting

The Euro increased by 0.5% w-o-w amid resilient labour market and economic growths, supporting the view that the European Central Bank (ECB) is almost complete with its policy reduction cycle. Latest figures showed that the number of employed persons in the Eurozone increased by 0.7% y-o-y to 171.70 million persons in 2Q2025, recording a similar pace as at 1Q2025 and surpassing estimates of a 0.6% y-o-y rise. This signals that the labour market remains tight despite concerns of dampening external demand and slowdowns across the industrial production front, bolstering domestic consumption and supporting the economy. On the other hand, 2Q2025 GDP growth estimates were maintained in the second release, showing that the economy expanded by 1.4% y-o-y compared to 1.5% y-o-y in 1Q2025. Furthermore, risks to the Eurozone economy have significantly diminished following its finalized trade deal with the U.S. As such, the central bank has more room to navigate its policy path without potentially curbing growth This has led markets to turn their attention towards price pressures, gleaning clues for the ECB's next move. Eurozone's inflation rose above market expectations previously, maintaining steady at 2.0% against estimates of a moderation to 1.9%. Similarly, core inflation remained at 2.3% despite estimates of it slowing edging down to 2.2%. (CPI: 1.9%, Core CPI: 2.2%). These figures further solidify the case that the central bank will keep its interest rates steady in its upcoming September meeting, providing boost to the EUR.

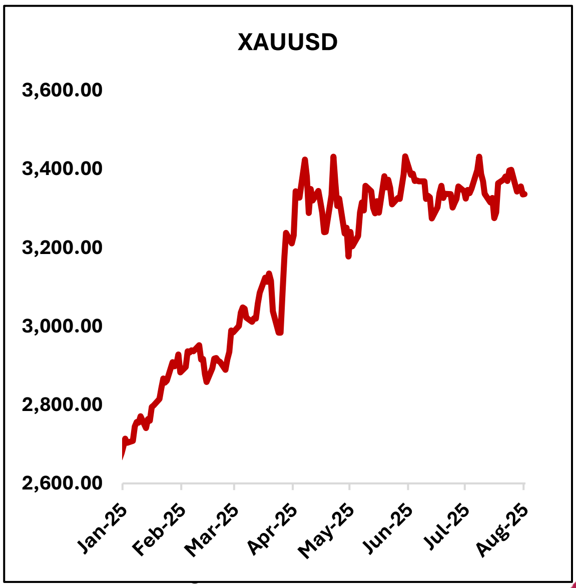


Source: Bloomberg

Short-term Outlook: Markets are awaiting Eurozone's August inflation figures, slated to be released on Wednesday, for more clues on the ECB's policy path. Nevertheless, all the arrows are pointing towards a more hawkish ECB, and we posit that a slight moderation in inflation will not meaningfully tip the scales in the other direction, unless it cooled significantly. As such, we maintain a bullish outlook on the EURUSD and expect the pair to trade in the range of 1.1543 and 1.1727.

XAUUSD: Gold price weakened as easing geopolitical and trade tensions led to decreased demand for safe haven assets

Gold prices depreciated by 1.8% w-o-w for the period ending August 15, dragged by declining demand amid easing geopolitical tensions and Trump clarifying that there will be no tariffs set on the bullion. In the previous week, chatters that the White House would place tariffs on gold had caused the XAU to surge close to historic highs as jitters of supply chain disruptions and significantly higher prices rocked markets. However, the XAU retreated after Trump clarified that he will not impose tariffs on gold bar imports on Monday. Furthermore, plateauing trade tensions between U.S. and China also tempered demand for the precious metal as both countries had agreed to extend their trade truce, set to expire on 12th August, for another 90-days. Such trend was also seen throughout the Alaskan Summit where Trump and Russian President Vladimir Putin held discussions on the Russia-Ukraine conflict. Gold prices continued on an uptrend ahead of the much-awaited summit but declined as the meeting concluded amicably. While there was no deal made, both sides signalled that talks went positively. Putin stated that Russia is ready to end the war given that primary causes for the conflict is "eliminated" while Trump proudly announced that he will set up a meeting between Zelensky and Putin to negotiate a ceasefire. Although markets are sceptical that the conflict would resolve in such a linear and straightforward manner, no news is good news in this case. There was no escalation nor

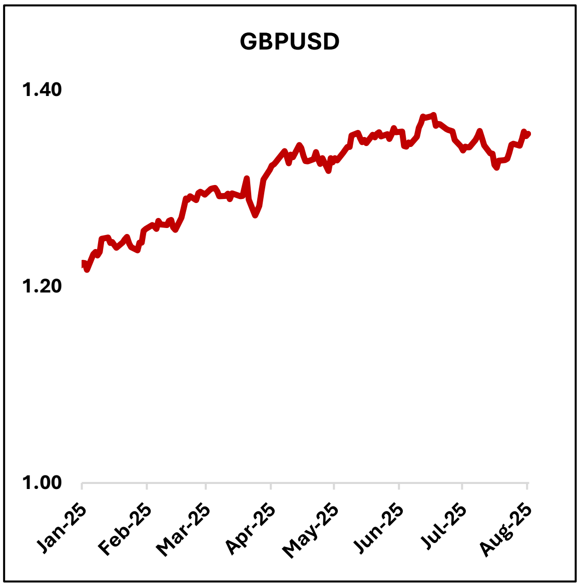


inflammatory actions by any sides, keeping the conflict seemingly raging at the current level and causing the XAU to withdraw.

Short-term Outlook: Looking ahead, the uncertainties surrounding the trade front appears to be limited as U.S.-China had extended their truce to make room for further discussions while Trump had seemingly concluded his slew of targeted tariffs against U.S. trade partners, barring those currently undergoing negotiations. Nevertheless, markets remain on their toes given Trump's track record of surprises which suggests that he could easily upend the fragile global trade landscape again. This is proven when Trump stated on Friday that he will announce tariffs on semiconductor chips in the coming weeks alongside more levies on steel. This was particularly alarming considering that he had initially imposed 25% duties on steel in February before doubling it to 50% in May and this rate is now at risk of being hiked further. As such, we maintain a neutral to slightly bearish outlook on XAUUSD. Support is at $3,322 and resistance is seen around $3,375.

GBPUSD: British Pound strengthened amid strong 2Q2025 growth figures

The British pound (GBP) appreciated by 0.8% w-o-w following a slew of stronger than expected economic data, lifting sentiments surrounding the economy's outlook. Earlier in the week, the UK unemployment rate was seen to remain steady at 4.7% in June, as in May, while the number of employed persons surged by 238K in the three months to June compared to 134K in the previous period. This marked the largest employment increase since September 2024, signalling that the labour market remains tight. Market sentiments soared higher following the release of 2Q2025 preliminary growth figures as the economy is expected to expand by 1.2% y-o-y (1Q2025: 1.3% y-o-y), faster than market estimates of a 1.0% growth. On a quarterly basis, the economy is anticipated to rise by 0.3% (Est: 0.1%), albeit at a slower pace compared to 0.7% in 1Q2025. Meanwhile, industrial production marked the first expansion in four months as it rebounded strongly by 0.7% m-o-m in June (Est: 0.2%) from a contraction of 1.3% m-o-m in May. Similarly, manufacturing production recovered by 0.5% m-o-m in June from a 1.0% decline in May. The pickup in economic activities suggest that external demand had steadily recovered following the finalized trade agreement with the U.S., lending much needed boost to the economy that was previously losing steam. Looking closer, GDP in June rose meaningfully by 0.4% m-o-m compared to 0.1% declines recorded in both April and May, highlighting how crucial the external linkages are to the UK's outlook.

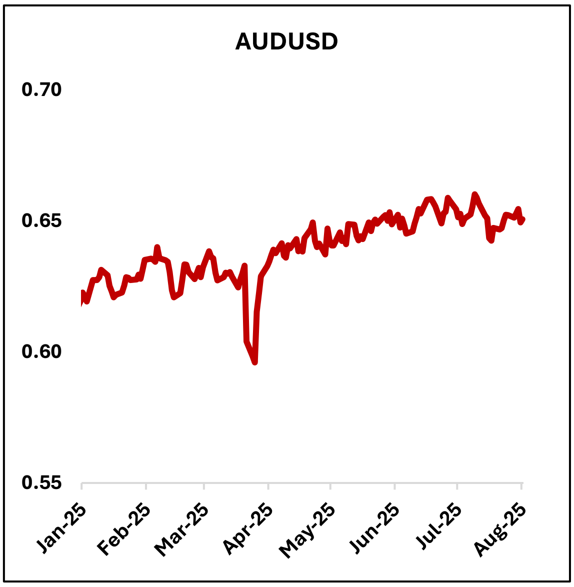


Source: Bloomberg

Short-term Outlook: In its August meeting, the Bank of England (BOE) had slashed interest rates by 25 bps, in line with our expectations. Moving forward, we foresee a slower pace of cuts by the central bank amid the interplay of hotter price pressures and softening labour market conditions. It is a complex mix of volatile variables, a sentiment shared by policymakers which could be seen in their dissent during the latest policy decision meeting. Policymakers gathered around a historic two-round vote to reach a majority on its final decision, where five of the nine MPC members backed the 25 bps cut against four who voted for no change. Thus, we believe that the central bank would exert higher caution moving forward as it assesses the risks to its inflation and growth outlook, supported by the environment of gradually recovering external demand. UK consumer prices and retail sales figures are set be released on Wednesday and Friday, respectively, both of which will shed much needed light on the central bank's policy decision. As such, we are slightly bullish on the GBPUSD foreseeing a possible trading range of 1.3210 – 1.3580.

AUDUSD: Australian Dollar dipped following RBA rate cut

The Australian dollar slipped by 0.2% w-o-w following the Reserve Bank of Australia reducing its cash rate by 25 bps to 3.6% from 3.85% in its August meeting, as widely anticipated. Such decision emerged against a backdrop of favourable disinflation trend and a softening labour market. Of note, Australia's monthly CPI indicator fell below the Reserve Bank of Australia (RBA)'s 2-3% target for the first time in June, rising at a four-year low of 1.9% y-o-y in June compared to 2.1% y-o-y in May. Furthermore, the central bank had cautioned that risks to growth remain from elevated uncertainties surrounding domestic and global conditions. Nevertheless, some relief emerged in the labour market, with the unemployment rate edging down to 4.2% in July from 4.3% in June. This improvement suggests a recovery in business sentiment following the announcement of the 10% Trump tariffs on most Australian goods, prompting firms to step up hiring. The rebound in employment is expected to lend support to domestic consumption as household incomes expand more meaningfully. Additionally, employment had surged sharply by 24.5K in the same month (June: +1.0K), marking a peak of 14.64 million, propelled by the expansion of full-time employment (+60.5K) from a slump of 36.7K in June. On the flip side, part-time employment declined by 35.9K in July, erasing a 37.6K gain in June. Amid the interplay of the recent RBA rate cut, easing financial conditions and moderating inflation, the stronger hiring figures is expected to support household spending and provide tailwinds for growth. Thus far, seasonally adjusted wage price Index grew faster than expected by 3.4% y-o-y in 2Q2025 (Est: 3.3%), underpinned by expansions in both the public (2Q25: 4.7% vs. 1Q25: 3.6%) and private (2Q25: 3.4% vs. 1Q25: 3.3%) sectors.

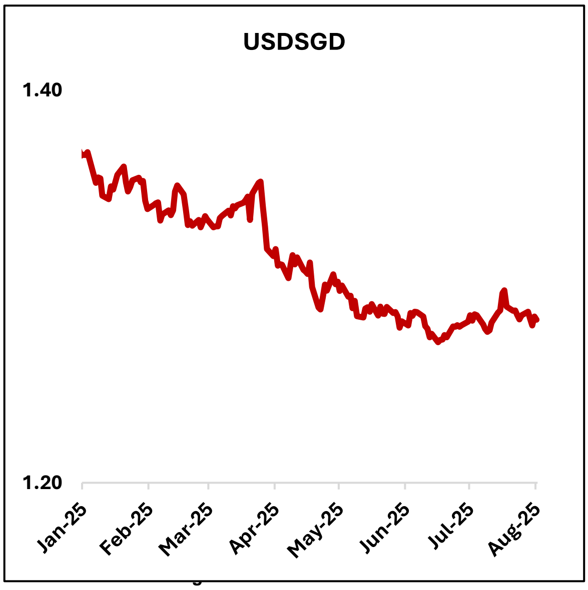


Source: Bloomberg

Short-term Outlook: Looking ahead, it will be a relatively light week on the data calendar, but the preliminary August Manufacturing PMI figures will be closely watched on Thursday. Given that engines for domestic demand are firing at full speed, backed by the RBA's vigilance in supporting the economy, while external demand is expected to pick up following the promising conclusion to Trump's tariffs vis-à-vis Australia, markets are eager to digest the current landscape of the manufacturing sector and how it plays into the economy's outlook. As such, we remain slightly bullish on the AUDUSD and trading at a range of 0.6470 – 0.6565 for the pair.

USDSGD: Singaporean Dollar appreciated amid faster than expected 2Q2025 growth

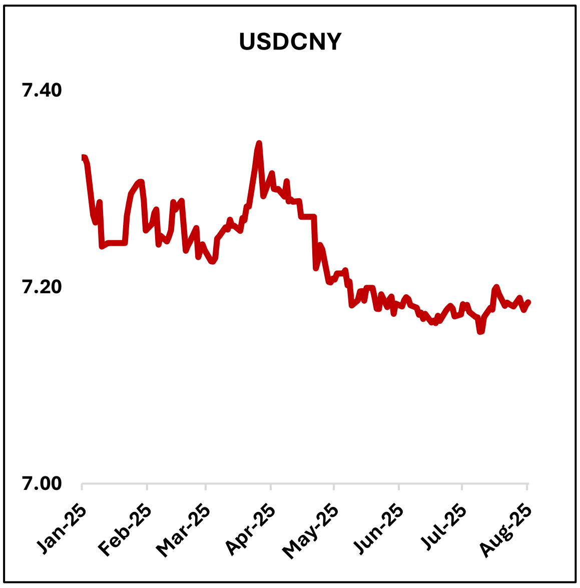
The Singaporean dollar ticked up by 0.2% w-o-w as the economy expanded by 4.4% y-o-y in 2Q2025, from 4.1% y-o-y in 1Q2025, surpassing preliminary estimates of a 4.3% growth. Such performance was underpinned by broad-based accelerations across the construction (2Q25: 6.0% vs. 1Q25: 4.9%), manufacturing (2Q25: 5.2% vs. 1Q25: 4.7%) and services (2Q25: 4.3% vs. 1Q25: 3.8%) sectors. On a quarterly basis, the economy rebounded sharply by 1.4% from a 0.5% contraction in 1Q2025. Following the solid figures, the official growth target was revised upwards to 1.5–2.5% in 2025 from 0-2.0% previously, signalling the government's growing confidence of the economy's resilience through the turbulent global backdrop. Singapore also emerges as one of U.S. trade partners on a relatively better standing as it faces only a 10% tariff on exports to the U.S., potentially diverting demand from countries facing higher rates to Singaporean goods.



Short-term Outlook: Markets are closely eyeing Singapore's inflation data release on Friday to gather some fresh insights into consumer spending patterns in the economy. While Singapore is set to benefit from a rebound in external demand, domestic consumption growth seems to be sluggish while inflation remains persistently low. Of note, headline inflation trended below 1.0% for the past five months, marking the lowest level since February 2021 at 0.8% in May through June. Thus, we hold a neutral to slightly bearish view on the USDSGD, eyeing at a likely trading range of 1.2755 – 1.2905.

USDCNY: Chinese Yuan slipped on the back of softer than expected economic data

The Chinese yuan decreased marginally by 0.1% w-o-w despite the extension of the U.S.-China trade truce as several softening economic data dampened investor sentiments. Latest figures showed that China's industrial production moderated to 5.7% y-o-y in July from 6.8% in June, missing estimates of a 5.9% gain to mark the slowest pace of expansion since November 2024. Nevertheless, the improvement is likely to be short-lived, driven more by weather-related factors such as unusually high temperatures and heavy rainfall in certain regions, rather than by any genuine recovery in external demand amid prolonged trade headwinds. Meanwhile, signs of cooling household spending have surfaced as the impact of the government's sizeable fiscal stimulus fades. Retail sales growth slowed sharply to 3.7% y-o-y in July from 4.8% in June, its weakest pace since December and well below expectations of 4.6%. This underscores a faster-than-anticipated loss of consumer momentum, suggesting that the historically sluggish spending pattern will likely shape the tone for 2H2025. This would be exacerbated by a cooling labour market as China's unemployment rate rose faster than expected to 5.2% in July (Est: 5.1%) from 5% in June, further exerting pressure on the CNY. However, markets are expecting the People's Bank of China (PBOC) to maintain its Loan Prime Rates at their current levels in its upcoming meeting given that 1) the softer readings are too premature to depict any meaningful slowdown of the economy and 2) the extended trade truce provides impetus to support external demand and exports growth while the possibility of better negotiation outcomes remains clear.

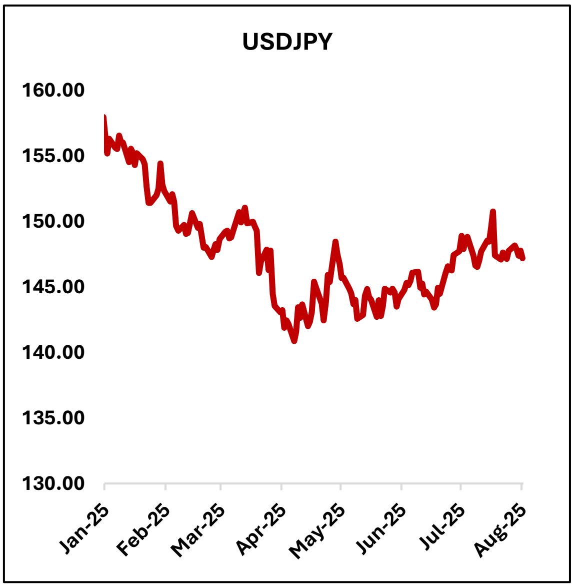


Source: Bloomberg

Short-term Outlook: The PBOC is set to convene on Wednesday where markets have almost fully priced in the possibilities of the central bank maintaining its 1Y and 5Y LPR at 3.0% and 3.5%, respectively. While there appears to be signs that the economy is losing steam, current levels of economic activities remained tethered, keeping the economy on track to achieve its growth target of around 5.0%. Furthermore, the CNY stands to benefit from the USD's weakness amid the heightened bets of a Fed rate cut following a considerably cooler U.S. job market. As such, we remain slightly bearish on USDCNY in the near term and foresee a possible trading range of 7.160 – 7.195 for the currency pair.

USDJPY: Japanese Yen strengthened following solid 2Q2025 growth

The Japanese Yen appreciated by 0.4% w-o-w following preliminary estimates showing that the economy accelerated by 1.0% y-o-y in 2Q2025 from 0.6% y-o-y in 1Q2025, faster than the expectations of a slight moderation to 0.4%. On a quarterly basis, the economy is anticipated to grow by 0.3% (Est: 0.1%) compared to 0.1% in 1Q2025. Such performance is propelled by a strong rebound in external demand (2Q25: 0.3% q-o-q vs. 1Q25: -0.8% q-o-q) while private consumption rose at a faster pace than expected at 0.2% q-o-q (Est: 0.1% q-o-q). This signals that the trade agreement between the U.S. and Japan has led to recovering business and consumer confidence, leading to increased demand for Japanese goods. On the factory front, Japan's industrial production rebounded significantly from a decline of 2.4% y-o-y in May to 4.4% in June. On a monthly basis, industrial production displayed similar strength to surge by 2.1% (May: -0.1% m-o-m), faster than an anticipated 1.7% gain. The stronger economic figures bolsters market expectations that the Bank of Japan (BOJ) may resume its policy normalization efforts soon. This hawkish view is further backed by producer's inflation moderating to 2.6% in July from 2.9% in June, albeit slightly faster than the estimates of 2.5%.

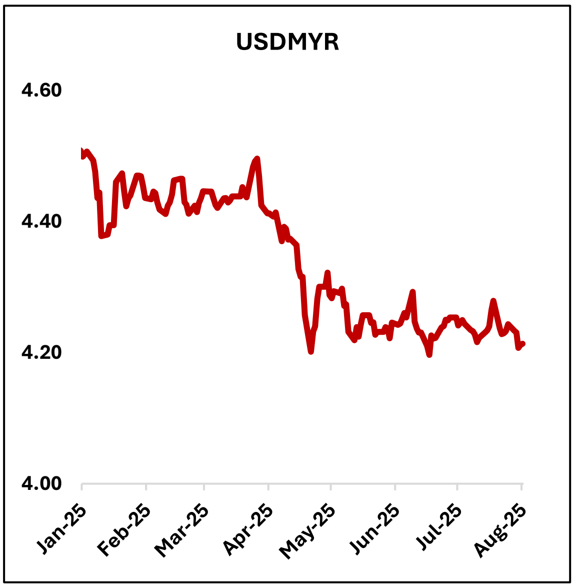


Source: Bloomberg

Short-term Outlook: Looking ahead, Japan's export data will be closely watched to understand the trade landscape of the economy before the impact of the U.S.-Japan bilateral trade deal kicks in which would provide clues for the outlook moving forward. As such, we are bearish on USDJPY for the week ahead, foreseeing a possible trading range of 146.10 – 149.10 for the currency pair.

USDMYR: The Ringgit rose on the back of USD's weakness as the economy grew by 4.4% y-o-y

The Ringgit appreciated by 0.7% w-o-w on the back of the USD's depreciation while resilient economic data provides a crucial layer of support to the local note. Of note, Malaysia's GDP expanded by 4.4% y-o-y in 2Q2025, a tick lower than the advanced estimates of 4.5% y-o-y to match the 1Q2025 growth rate. Such performance was driven by accelerations in the Services (2Q25: +5.1% vs. 1Q25: +5.0%) and Agriculture (2Q25: +2.1% vs. 1Q25: +0.7%) sectors while the Manufacturing (2Q25: +3.7% vs. 1Q25: + 4.1%) and Construction (2Q25: +12.1% vs. 1Q25: +14.2%) sectors grew at slower paces compared to the previous quarter. On the other hand, the Mining sector marked a deeper slump of 5.2% (1Q25: -2.7%), persisting in its downtrend amid lower natural gas and crude oil outputs. On the demand side, private consumption grew by 5.3% from 5.0% in 1Q2025 while government expenditure jumped by 6.4% in the same quarter (1Q25: 4.3%). Meanwhile, gross fixed capital formation (GFCF) surged by 12.1% from 9.7% in 1Q2025, underscored by the double-digit increases in both private (2Q25: 11.8% vs. 1Q25: 9.2%) and public (2Q25: 13.6% vs. 1Q25: 11.6%) investments. Against the environment of intensifying external headwinds and prolonged volatility under Trump's term, the resilient domestic demand is anticipated to prop up economic growth, supported by low inflation and tight labour market conditions. Of note, unemployment rate stood at the lowest level since April 2015 since April throughout June at 3.0%. As such, Malaysia's economic outlook remains solid with the official growth targets ranging between 4.0-4.8% in 2025.



Source: Bloomberg

Short-term Outlook: Moving forward, household spending is expected to remain robust as the government's recently announced additional stimulus begins to trickle in such as the RM100 cash handouts on 31st August and the expansion of MADANI Rahmah Sales allocation. Additionally, the MYR will continue to benefit from bets of narrowing interest rate differentials as markets increasingly rallied behind calls of a September Fed rate cut. As such, we maintain our slightly bearish view on the USDMYR, looking at a probable trading range of 4.1860 – 4.2580.

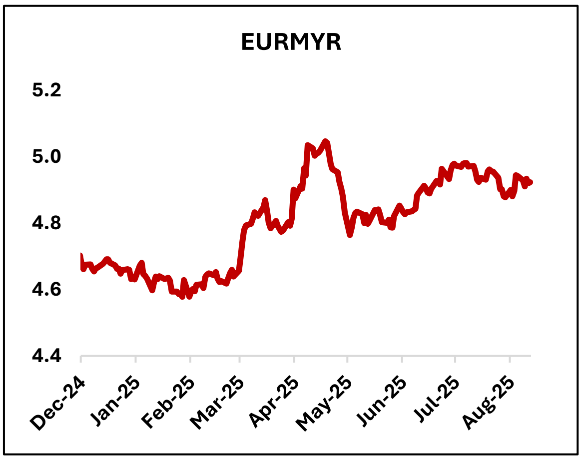
Table 2: Selected Currencies Overview (MYR Crosses)

	1-Aug	8-Aug	15-Aug	WoW	YTD
USDMYR	4.279	4.2432	4.2133	0.7%	6.1%
EURMYR	4.8776	4.9418	4.9228	0.4%	-5.4%
GBPMYR	5.6259	5.7061	5.7122	-0.1%	-1.7%
SGDMYR	3.2931	3.3039	3.2849	0.6%	0.0%
JPYMYR	2.9024	2.8729	2.8618	0.4%	-0.6%
AUDMYR	2.7477	2.7681	2.7414	1.0%	1.4%
CNYMYR	0.59311	0.5909	0.58672	0.7%	4.4%

Sources: Bloomberg, Bank Islam

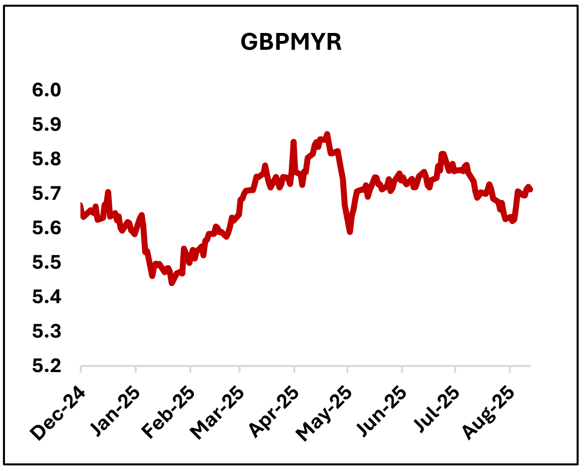
Short Term Outlook for Ringgit Pairs

The outlook for EUR/MYR remains slightly bullish amid heightened expectations of the ECB keeping its key interest rates steady in its upcoming meeting. Such view is supported by Eurozone's tight labour market conditions and solid 2Q2025 growth. Looking ahead, its economic outlook remains on track to achieve a grounded growth in 2025 amid recovering external demand following the U.S.-EU trade deal which brought down Trump tariffs on most EU goods to 15%. In contrast, Malaysia faces a higher rate of 19%, making it relatively less appealing. As such, we expect the MYR to remain under pressure against the EUR in the near term.



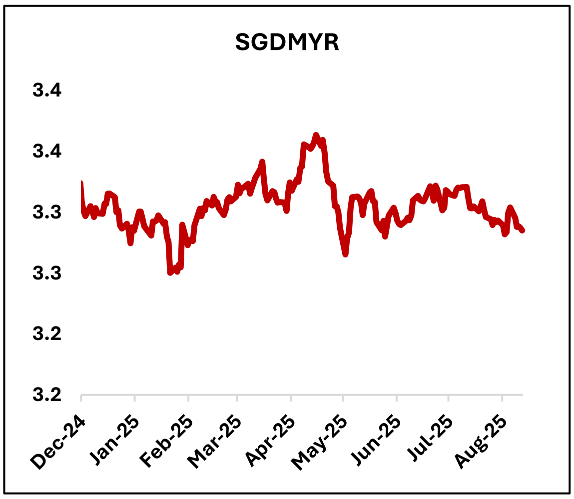
Source: Bloomberg

The GBP/MYR outlook is neutral to slightly bullish as fresh data reveals that the UK labour market appears to be tight as the economy added jobs at the fastest pace since September 2024. Furthermore, the economy beat estimates to grow by 1.2% y-o-y in 2Q2025, suggesting that the final deal between U.S. and UK had led to a strong rebound in external demand. As such, this dials back the case for the BOE to continue easing its monetary policy, providing support to the GBP. Looking ahead, external demand is expected to gradually expand further as businesses capitalize from the trade agreement which will provide much needed boost to the economy. On the flip side, the Malaysian economy remains plagued by global trade turmoil as Trump has announced his intention to place tariffs on semiconductor chips, potentially as high as 100%. Should this go into effect, Malaysia's exports will face a more pronounced blow on top of its 19% tariff.



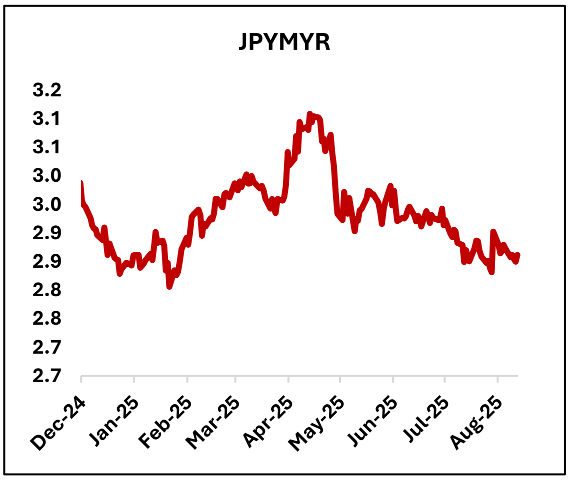
Source: Bloomberg

The SGD/MYR outlook remains neutral to slightly bullish as the Singaporean economy foresees a clearer path ahead. While both economies expanded at the same rate of 4.4% y-o-y in 2Q2025, Singapore's trade outlook fares relatively rosier given the low 10% U.S. tariffs on its good while Malaysia's trade hinges on the potential Trump tariff on semiconductors.



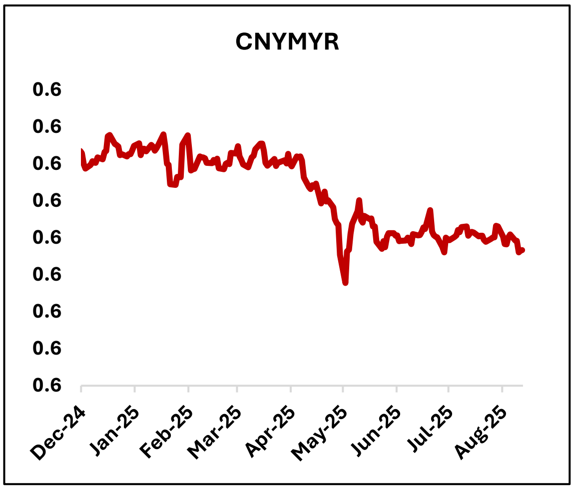
Source: Bloomberg

The outlook for the JPY/MYR is bullish as markets begin to place their bets on further policy normalisation by the BOJ, supported by stronger economic performance and easing trade tensions with the U.S. Of note, Japan's external demand and industrial production had marked sharp rebounds from contractions in the previous period, suggesting that consumer and business confidence is steadily climbing following the inking of the U.S.-Japan trade deal. Given that risks to growth are tempered, the central bank has more room to navigate its policy path, lending support to the JPY.



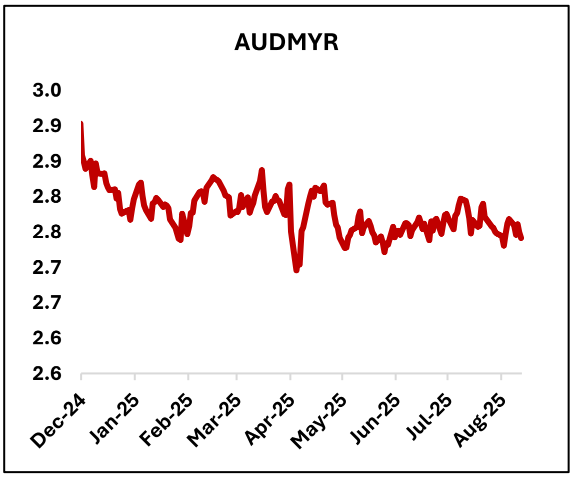
Source: Bloomberg

The outlook for CNY/MYR remains mildly bearish, as softer data across several segments of the Chinese economy weigh on sentiment, despite the initial market optimism spurred by the extension of the U.S.-China trade truce. In comparison, Malaysia's domestic demand has proved its resilience thus far with private consumption accelerating in 2Q2025 alongside sustained strong investment momentum. As such, we posit that the MYR prevails as more appealing compared to the CNY in the near term.



Source: Bloomberg

The AUD/MYR outlook is slightly bearish as Australia's inflation slipped below the RBA's target range of 2-3%, buoying expectations that there will be more rate cuts on the horizon. Nevertheless, the labour market appears to be resilient, providing a layer of support for household spending. Meanwhile, we foresee BNM to maintain its interest rate steady at 2.75% throughout 2025 given that the economy remains resilient, underpinned by supportive government policies, low inflation and a robust labour market. As such, the MYR stands to appreciate further against the AUD in the near term.



Source: Bloomberg