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POLITICAL WOES UNDERScoreD THE USD'S STRENGTH, GOLD PRICES SURGED TO ALL-TIME HIGH

Fed policymakers near unanimity in its September call, stands divided on further cuts. The latest Federal Open Market Committee (FOMC) minutes revealed that while policymakers are largely leaning towards more policy easing this year, the appropriate timing of the rate cuts remain highly contested. In its September meeting, policymakers were split 11-1 in their decision to reduce the Federal Funds Rate (FFR) by 25 bp, bringing it down to the 4-4.25% range, with newly appointed Fed Governor Stephen Miran casting his vote for a half-point reduction. In line with expectations, the decision was backed by the shifting balance of risks towards the Federal Reserve Board (Fed)'s dual mandate whereby the U.S. job market was seen to cool much faster than anticipated. The rapid softening came even before Trump's foreign policies and bureaucratic restructuring agenda kicked in, amplifying concerns of a more severe impact to the job market than feared. During the meeting, policymakers acknowledged the growing downside risks to employment while noting that upside risks to inflation had "either diminished or not increased", solidifying the case for their call.

Nevertheless, the path ahead is less than straightforward. Projection materials revealed the split between 19 FOMC officials, 12 of whom had voted, where the slim majority 10-9 favoured a quarter-point cut each at the two remaining meetings this year. While the broader easing trajectory of the FFR appears clear, FOMC participants are divided on the appropriate pace of easing amid elevated price pressures, the exceptional resilience of the economy and the lagged impacts of Trump's policies. The minutes reported that most policymakers had emphasized upside risks to their inflation outlook, underscoring concerns of Trump's tariffs translating into persistently elevated price pressures over the medium-term. Echoing the sentiments, some participants also viewed that the policy "may not be particularly restrictive", signalling a heightened degree of cautiousness in light of the evolving inflationary risks. Furthermore, the prolonged U.S. government shutdown had suspended the release of key economic figures which meant that the Fed would be flying blind into its October meeting. At this juncture, its guidance will be the scraps of puzzles pieced together; namely the gradually rising price pressures, the cooler than anticipated job market conditions which surprisingly had offered less drag on domestic demand than feared, as well as robust consumer spending which has anchored the U.S. economy thus far to expand by an impressive 3.8% q-o-q in 2Q2025 (1Q2025: -0.6%). This backdrop of data emphasized the Fed's cautious, data-dependent stance even as the overall tone is generally dovish, diminishing expectations of a more aggressive easing cycle. As such, markets are recalibrating their policy expectations, taking cues from the cautiously dovish tone in the latest FOMC minutes.

Global political woes lent a layer of support to the USD. While the USD had been under pressure in recent months amid Trump's trade agenda, prolonged global uncertainties, and expectations of the Fed's policy easing, it has regained upward momentum following the rising political instability in France and Japan. The political woes had triggered heightened demand for safe haven assets, dampening investor risk appetite and driving them towards the USD and XAU.

Looking closer, France's political turmoil is underscored by the persistent instability within the government and a broad fiscal dispute. The current crisis traced back to the 2024 snap elections, called by President Emmanuel Macron following his Renaissance party's heavy loss against the National Rally in the European Parliament election. However, the snap elections snowballed into the prolonged instability seen today when the outcome resulted in a hung National Assembly where no single bloc was able to win the majority. Following this, President Macron had appointed Michel Barnier as the Prime Minister, although his government collapsed after 99 days in office following his loss in the confidence vote in Parliament. His successor, Francois Bayrou, was also brought down through the confidence vote after 270 days in office, highlighting the precarious position of standing as the governing minority.

The core of the crisis lies within the government's spending bill as the respective leader grapple with the mounting fiscal responsibility. France's public debt has climbed to an estimated 115.6% of GDP, up from 112% in 2024, while its fiscal deficit continues to exceed the European Union's 3% limit. The rapid deterioration of fiscal discipline prompted Fitch Ratings to downgrade France's sovereign rating to 'A+' from 'AA-', cautioning that debt could surpass 120% of GDP by 2030 if structural issues remain unaddressed. Although fiscal consolidation should be the government's key priority, proposed reform measures have faced strong opposition in parliament. Political instability has further complicated matters, with President Macron reappointing Sébastien Lecornu as Prime Minister shortly after his brief resignation over failed budget negotiations. Without decisive policy action and broader political consensus, France risks remaining trapped in a recurring cycle of fiscal and political gridlock.

Beyond France's domestic political turbulence, the ongoing turmoil is undermining policy visibility at a crucial time when meaningful fiscal reforms are urgently needed. The persistent instability risks further delaying the implementation of effective fiscal management measures, intensifying concerns over a deteriorating debt outlook and eroding investor confidence. Financial markets have responded swiftly, with French government bonds (OATs) underperforming their German counterparts as the OAT-Bund yield spread widened to its highest level since the 2012 eurozone debt crisis, reflecting heightened anxiety over France's fiscal and political trajectory. Furthermore, widening yield differentials between the US Treasury yields and European sovereigns has exerted downward selling pressure on the EUR. As investor risk appetite dims, they began to shed euro-denominated assets and heading for the more appealing USD.

Japan's double-layer political turmoil. In mid-2025, the Liberal Democratic Party (LDP) lost its majority seats in the House of Councillors following its loss in the earlier Lower House elections. Following the resignation of Prime Minister Shigeru Ishiba, the ruling Liberal Democratic Party (LDP) held a leadership election that saw Sanae Takaichi emerge victorious, positioning her to become Japan's first female Prime Minister. Markets reacted mix towards this announcement given Takaichi's stance in support of former Prime Minister Shizo Abe's economic policies, dubbed Abenomics, which involves boosting government spending, increasing money supply and enacting reforms to spur the economy's momentum. As such, her stance led markets to anticipate more proactive fiscal stimulus to generate domestic demand and support growth. However, this increases the risk of demand-driven price pressures feeding into an environment already rife with hotter inflation. As such, markets recalibrated their Bank of Japan (BOJ) rate, taking into account expectations of more robust consumer spending.

Nevertheless, the optimism was short-lived. Although Takaichi secured victory in the LDP leadership race, her appointment as Prime Minister still requires parliamentary approval, a significant hurdle given that the LDP no longer

holds a majority. What initially appeared to be a straightforward transition quickly unraveled after the collapse of the 26-year LDP–Komeito coalition, plunging Japan into renewed political uncertainty. The loss of the coalition has left the LDP well short of the 233 seats needed for a Lower House majority, casting doubt over Takaichi's ability to form a stable government and triggering fresh volatility across financial markets. Furthermore, reports suggest that the Constitutional Democratic Party (CDP) and other opposition blocs are rallying to support a joint candidate to challenge her election, possibly triggering either a hung parliament or an early general election. As such, the political uncertainty would potentially delay the implementation of key reforms and fiscal consolidation measures, dampening investor confidence in both Japan's economic and fiscal outlook. The rosier prospects following Takaichi's surprise win has now dimmed considerably, exerting downward pressure on the JPY. In contrast, the widening differentials between Japanese government bonds (JGB) and the UST, as well as rerouting demand for other safe haven assets, had benefitted the USD and supported its climb.

Upcoming Events: Key Economic Data Release

Monday	China Trade Performance (September)
Tuesday	Singapore 3Q2025 GDP, Singapore Monetary Policy Statement, China Vehicle Sales (September)
Wednesday	Euro Area Industrial Production (August), China Consumer and Producer Inflation Rates (September)
Thursday	Australia Unemployment Rate (September), U.S. Retail Sales (September), U.S. Producer Inflation (September)
Friday	Malaysia Advance Estimate 3Q2025 GDP, Malaysia & Singapore Trade (September), U.S. Industrial Production (September)

Table 1: Selected Currencies Overview

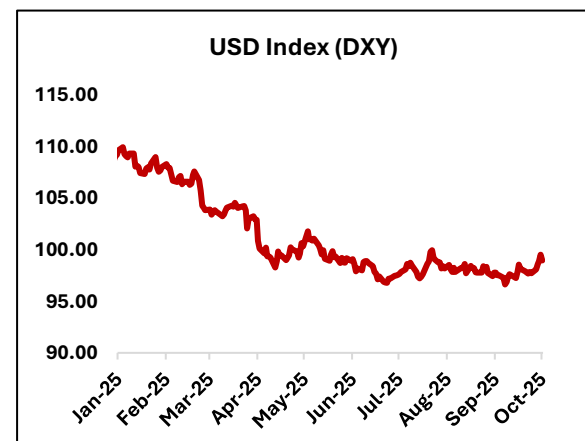
	26-Sep	3-Oct	10-Oct	WoW	YTD
DXY Index	98.15	97.72	98.98	1.3%	-8.8%
USDMYR	4.22	4.21	4.22	0.4%	-5.6%
XAUUSD	3,759.98	3,886.54	4,017.79	3.4%	53.1%
EURUSD	1.17	1.17	1.16	-1.0%	12.2%
GBPUSD	1.34	1.35	1.34	-0.9%	6.7%
AUDUSD	0.65	0.66	0.65	-2.0%	-5.0%
USDSGD	1.29	1.29	1.30	0.6%	-3.8%
USDJPY	149.49	147.47	151.19	2.5%	4.6%
USDCNY	7.13	7.12	7.14	0.2%	-2.2%

Sources: Bloomberg, Bank Islam

Commentaries

DXY: USD strengthened on the back of political turmoil

The USD index appreciated by 1.3% w-o-w for the week ending October 10, underpinned by heightened demand amid rising global political uncertainties. In Japan, Sanae Takaichi's bid to become Prime Minister could be blocked by a joint candidate backed by the opposition blocs. As such, growing concerns of a longer than expected turmoil had turned risk averse investors away from Yen-denominated assets. Meanwhile, the persistent instability and dissensions over the budget in France is delaying the implementation of fiscal reforms, amplifying jitters of a worsening fiscal position. Thus, the USD managed to regain its position as the beacon of stability, its appeal drawing higher demand to support its appreciation. On the flip side, the FOMC minutes had reinforced dovish investor expectations, rallying for further Fed rate cuts this year. While the timing of the



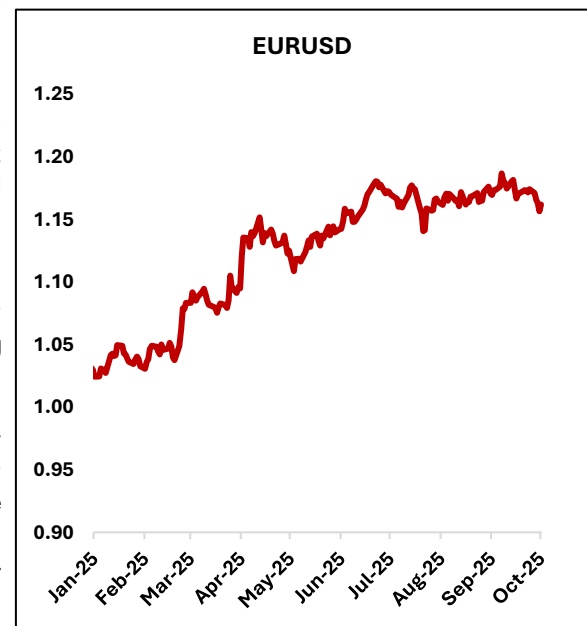
central bank's easing path remains uncertain, investors are bolstered by the overall easing bias with the probability of two more quarter-point cuts by December rising sharply to almost 92.0% at the time of writing from just above 86.0% previously, according to the CME FedWatch tool. Nevertheless, the USD's climb was undeterred as most market participants have already priced in the likelihood.

Short-term outlook: The prolonged political turmoil in France and Japan is expected to lend support to the USD in the short term. Thus far, the greenback had successfully breached the 99-resistance level, the highest since August, before paring some of its gains. On the domestic front, markets have recalibrated their policy expectations based on the cautiously dovish tone of the FOMC minutes. The minutes highlighted the increasing downside risks to employment which rings true despite the current limited job data visibility. Of note, earlier ADP employment figures showed that private payrolls declined by 32K, signalling headwinds to the labour market persisting through September. Investors are now closely watching upcoming retail sales and industrial production figures for more insights into consumer spending and economic momentum, hoping to shape a clearer view of the Fed's policy path. In the near term, we expect the USD to remain choppy, although gathering underlying support from safe have demand. Thus, we maintain a mildly bullish view, projecting a trading range between 97.50 and 99.80.

EURUSD: Euro weakened amid prolonged political instability in France

The Euro depreciated by 1.0% w-o-w amid dampened investor confidence following the persistent political woes plaguing France. In the latest development, President Macron had appointed Sebastien Lecornu as Francois Bayrou's successor, although Lecornu had resigned soon after forming his cabinet. Following his reappointment as the Prime Minister, Lecornu is faced with the insurmountable task of forming his cabinet as well as drafting a proposal budget bill, to be presented to cabinet and parliament by Monday. Amidst the fragmented parties and his own minority coalition, Lecornu is grappling with finding a middle ground. This proved to be difficult as opposing parties had listed varying conditions for their support of his government. The conservative Les Republicains as well as Macron's close ally, Horizons, reinforced their stance that the highly controversial pension reform must be maintained. Meanwhile, the left-wing Socialist Party had threatened to vote against Lecornu unless the said reform is suspended. With a deadlock in discussions in sight, markets are bracing for a prolonged crisis which would push key fiscal consolidation agenda further over the horizon. As such, the worsening fiscal outlook, clouded by lack of policy visibility, had dampened investor confidence. Furthermore, this begets the question of France's credibility to uphold fiscal commitments and play a leading role in EU policymaking, considerably dimming the appeal of the EUR-denominated assets. The widening spread between European bonds and the UST exerted selling pressure on the EUR, which in turn bolstered the USD's rise.

Short-term Outlook: As such, how this situation will play out will have markets tuning in eagerly on Monday. Lecornu's predecessors had all collapsed in the confidence vote as divisions over budget discussions created deeper fragmentation in the parliament. This is a terrain Lecornu must navigate, made more challenging with his responsibility to draft a credible budget that aims to reduce France's fiscal deficit from 5.4% of GDP this year to a range of 4.7-5% next year. The core crisis of public debt remains the focal point of his fight as the government's inefficiency at fiscal consolidation has been under high global scrutiny with Fitch Ratings recently downgrading France's sovereign rating to 'A+' from 'AA-'. Thus, we hold a mildly bearish outlook on the EURUSD and foresee the pair to trade between the range of 1.1530 and 1.1740.

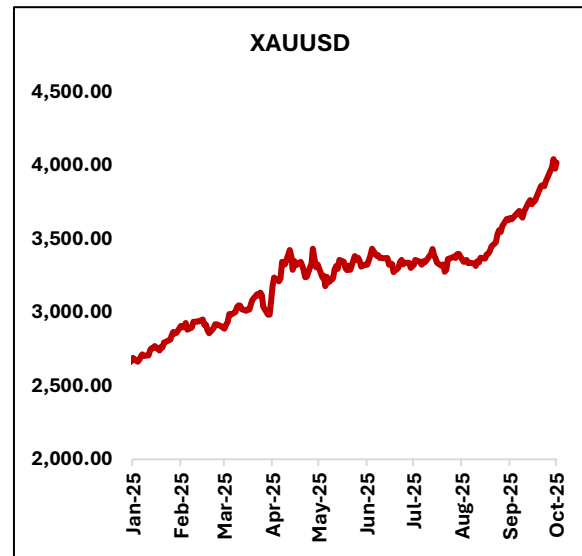


Source: Bloomberg

XAUUSD: Gold price maintained its bullish momentum to mark fresh high

Gold prices surged by 3.4% w-o-w for the week ending October 10, breaching a fresh high of USD4,042.03 on Thursday before profit-taking activities kicked in following its undefeated winning streak. Closing at USD4,017.79, gold's rapid ascent was fuelled by two powerful drivers: escalating global political turmoil and mounting expectations of further Federal Reserve rate cuts. These factors have bolstered demand for the safe-haven asset as investors seek stability and stronger returns amid heightened uncertainty. The ongoing crises in France and Japan appear far from resolution, France's Prime Minister Lecornu continues to struggle with securing parliamentary backing for his spending plans, while Japan's newly elected LDP leader, Sanae Takaichi, faces an uphill battle to secure the 233-seat Lower House majority against a united opposition. As such, investors are positioning themselves for the long haul, cautiously awaiting developments from both fronts.

Short-term Outlook: Looking ahead, there appears to be little headwinds to curb the XAU's climb amid the highly complicated nature of the global political turbulence and increasing likelihood for a 50 bp Fed reduction by December as the limited data tilts in favour of a looser policy environment. In light of this we maintain a bullish outlook on XAUUSD, expecting further inflows to the bullion. Support is at \$4,075 and resistance is seen around \$4,150.

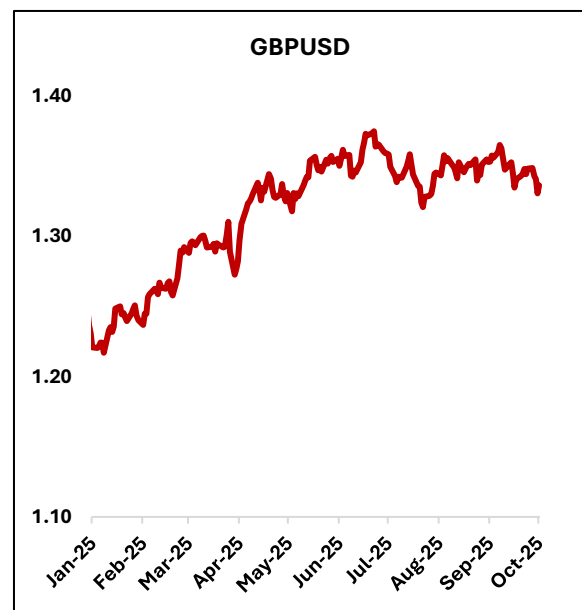


Source: Bloomberg

GBPUSD: British Pound slipped amid cautious sentiments surrounding the 2026 budget

The British pound (GBP) depreciated by 0.9% w-o-w amid a relatively light calendar week on the data front, pressured by the appreciation of the USD. Additionally, the bearish momentum was guided by cautious investor sentiments ahead of the November budget. Finance Minister Rachel Reeves is anticipated to unveil further tax increases in a bid to keep public finances on track to meet her fiscal target, potentially exerting larger financial burden on businesses. This would possibly erode business confidence, leading to more muted hiring and accelerating the cooling labour market conditions. Thus far, the manufacturing Purchasing Managers' Index (PMI) reported that factory employment had extended its contraction for the eleventh month while the construction PMI marked the ninth consecutive month of decline, signalling rapid efforts to offset rising costs from higher wages. A further weakening of labour market conditions would then dampen consumer sentiments and lead to slower spending, sputtering out the growth momentum. As such, markets are on high alert throughout the period to the 2026 budget announcement, erring on the side of caution in the near term.

Short-term Outlook: Previously, the prominent think tank, the Institute for Public Policy Research (IPPR), had recommended that the government taxed banks on the interest they from the Bank of England (BOE) on reserves held at the central bank. It is apparent that market participants are largely holding their breaths for further tax increases. This only leaves a couple of questions behind; the magnitude of tax increases and the impact on the economy. While the broader trajectory of the BOE path remains dovish, the budget outcome could weigh in on policy expectations. In the near term, investors are keeping their eyes trained on key labour market figures as well as August's GDP print to gauge the overall health of the economy. Should the figures emerge favourably solid, it may provide some upside support to the GBPUSD. As such, we remain neutral to slightly bearish on GBPUSD and foresee a possible trading range of 1.3290–1.3460.

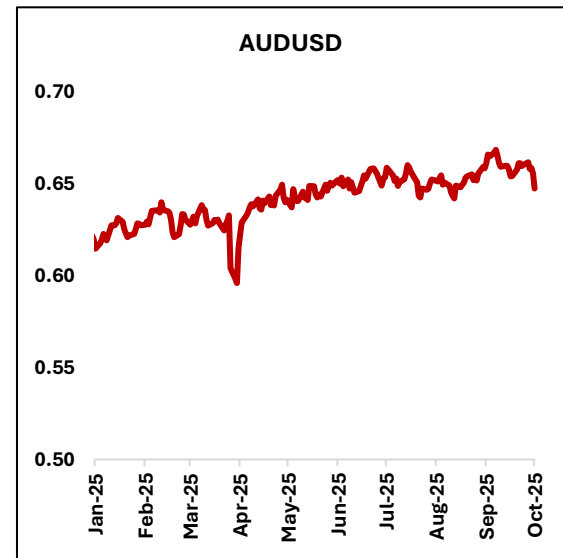


Source: Bloomberg

AUDUSD: Australian Dollar depreciated amid weak consumer confidence

The Australian dollar plummeted by 2.0% w-o-w, dragged by the strength of the USD, while easing domestic consumer confidence exerted additional downward pressure. Latest print showed that the Westpac-Melbourne Institute Consumer Sentiment Index had declined to 92.1 in October from 95.4 in September, marking the lowest level since May. This suggested that consumers are increasingly wedged between heightened inflationary pressures, cooling labour market conditions and tighter financial conditions amid the Reserve Bank of Australia (RBA)'s decision to maintain its cash rate at 3.6% in its September meeting. However, this also highlighted the fragile balance of risks that the central bank must navigate, striking the right level that would tame inflation without dampening growth prospects. Of note, headline inflation increased by 3.0% y-o-y in August (July: 2.8% y-o-y), marking the highest level in more than twelve months, while core inflation accelerated by 3.4% y-o-y in the same month (July: 3.2% y-o-y), marking the fastest pace in thirteen months. With both measures trending above the RBA's target 2-3% range, the central bank may need to keep its cash rate sufficiently restrictive for longer.

Short-term Outlook: Looking ahead, the release of RBA's September meeting minutes will be closely watched to get a feel of the discussions surrounding the central bank's trajectory. With risks growing on both ends, understanding policymakers' deliberations over the weight of those risks will be crucial in shaping policy expectations. Furthermore, key labour market data is slated to be released on Thursday which would shed more light on the health of the labour market ahead of the meeting on 23rd October. We are neutral to slightly bearish on the AUDUSD and expect the pair to trade within the 0.6475 – 0.6580 range.

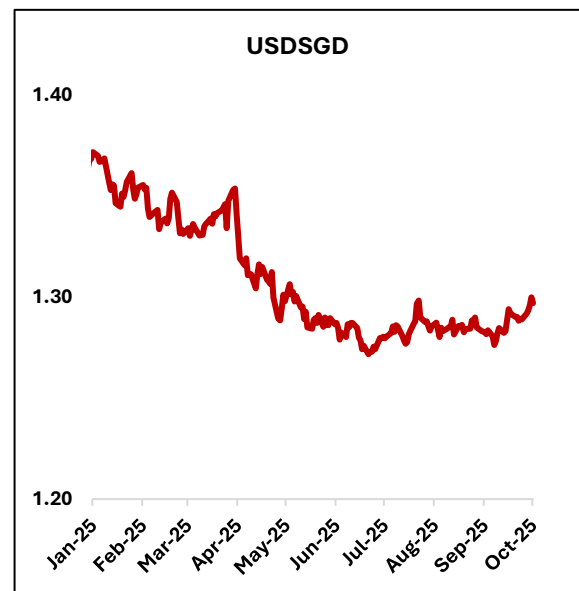


Source: Bloomberg

USDSGD: Singaporean Dollar dipped amid mix retail sales data

The Singaporean dollar decreased by 0.6% w-o-w as markets digested the retail sales figure released the week prior. The figures revealed that consumer spending momentum had accelerated with annualized retail sales expanding by 5.2% in August, up from 4.6% in July and marking the highest pace of increase since February 2024. Such performance was propelled by significantly higher sales of furniture & household equipment (August: 8.6% vs. July: 2.0%) and recreational goods (August: 9.9% vs. July: 6.8%) as well as a sharp rebound in the others (August: 1.6% vs. July: -0.3%) category. Furthermore, wearing apparel & footwear (August: -1.4% vs. July: -4.2%) alongside petrol service stations (August: -5.0% vs. July: -5.6%) sales had recorded smaller declines than in the previous month. On the flip side, retail activity slows further in department stores (August: -6.5% vs. July: 4.1%), mini marts & convenience stores (August: -1.7% vs. July: 0%), and computer & telecommunications equipment (August: 7.4% vs. July: 10.9%). Therefore, while the overall print had lifted market optimism on resilient consumer spending, the underlying spread of retail activity suggested that persistently weak demand still plagues selected categories. On a monthly basis, retail sales rose by 0.5% in August, well below the increase of 3.9% in July.

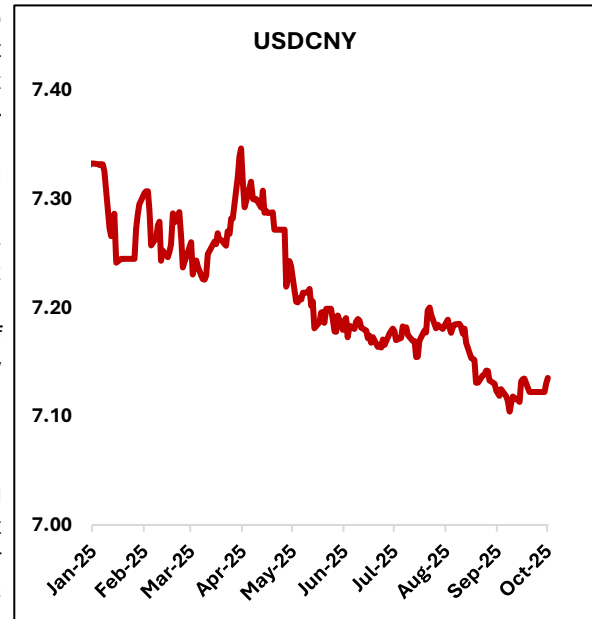
Short-term Outlook: The underlying weakness across several categories supported the cautious sentiments of restrained spending patterns in Singapore, especially with inflationary measures persistently subdued. This poses further risk to the economy as it faces mounting external headwinds, exacerbated by Trump's tariffs. Considering that the U.S. is a top destination of Singapore's pharmaceutical exports, possibilities of weakening external demand and a manufacturing downturn weighs on its growth. This week, investors are on the lookout for Singapore's advance 3Q2025 GDP figures as well as its trade data to gather further insights into the economic outlook this year amid prolonged trade uncertainties and sluggish domestic demand. Looking ahead, we remain slightly bullish on USDSGD, with the pair likely to trade within a 1.2910–1.2975 range.



Source: Bloomberg

USDCNY: Chinese Yuan eased slightly amid reignited trade tensions

The Chinese yuan depreciated by 0.2% w-o-w last week when Beijing announced tighter controls over critical exports, injecting a fresh round of jitters into markets as it shakes the foundations of the fragile U.S.-China trade truce. Previously, the two giant economies had agreed to extend their truce for another 90-days, set to expire on 9th November. However, the Trump administration had sought to limit China's access to advanced semiconductors, citing market protectionist measures as well as national security concerns should China be able to reverse-engineer or independently develop advanced semiconductor technologies at a faster pace than the U.S. China had retaliated by deploying anti-monopoly and anti-trust violation probes into U.S. chip makers Nvidia and Qualcomm, respectively, while cautioning local companies against purchasing Nvidia's advanced AI chips. Beyond that, Beijing had taken markets by surprise when it announced export controls on certain types of artificial diamonds and graphite anode materials, both of which are widely used in the production of semiconductors and advanced electronic systems. This could spark broad supply chain disruptions, exerting upward price pressures on the critical materials and layering financial stress on U.S. chip makers dependent on the exports. Furthermore, Beijing added five more rare earth minerals to its control list, namely, holmium, erbium, thulium, europium and ytterbium, while requiring foreign companies producing the rare earths on the list to obtain Chinese export licenses if the final product contains or is made with Chinese equipment or material. These new trade policies are set to take effect on 8th November, just a day before the expiry of the trade truce.

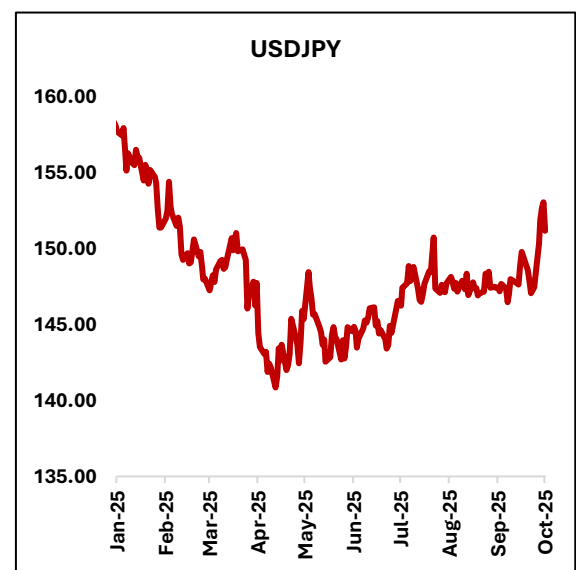


Source: Bloomberg

Short-term Outlook: Markets are cautiously eyeing the developments on the U.S.-China trade front to watch how the U.S. will respond and whether the brewing signs of tensions will spill into another round of intensified trade war. As such, all eyes are on the talks between U.S. President Donald Trump and China's President Xi Jinping during the Asia-Pacific Economic Cooperation (APEC) summit in Gyeongju, South Korea on 31st October to 1st November. As such, we remain neutral to slightly bullish on USDCNY in the near term and foresee the pair to trade between 7.1230-7.1370.

USDJPY: Japanese Yen under pressure as political woes dominated

The Japanese Yen plummeted sharply by 2.5% w-o-w amid widened political concerns following the collapse of the LDP-Komeito coalition. Following Sanae Takaichi's surprise win in the LDP electoral vote, she is on track to be appointed as the next Prime Minister. However, opposition blocs are reportedly in talks to support a joint partner in a bid to block her appointment. This would likely result in prolonged political uncertainties given that the LDP had lost its majority in both the Lower and Upper House following significant losses in previous elections. In a turn of events, the bleak situation deteriorated further when Komeito announced its departure from its 26-year coalition with the LDP, placing the latter further away from the 233 required majority Lower House seats. This complicated Takaichi's path to appointment, necessitating the LDP to rally support for its government. However, Takaichi's potential leadership is unpopular as she is known to support greater government spending and fiscal stimulus to boost the economy. This stance led to growing concerns of fiscal management, Japan's ballooning public debt and hotter price pressures, clouding the country's fiscal outlook. As such, widening differentials and increasing risk aversion had driven investors from the stable JPY.



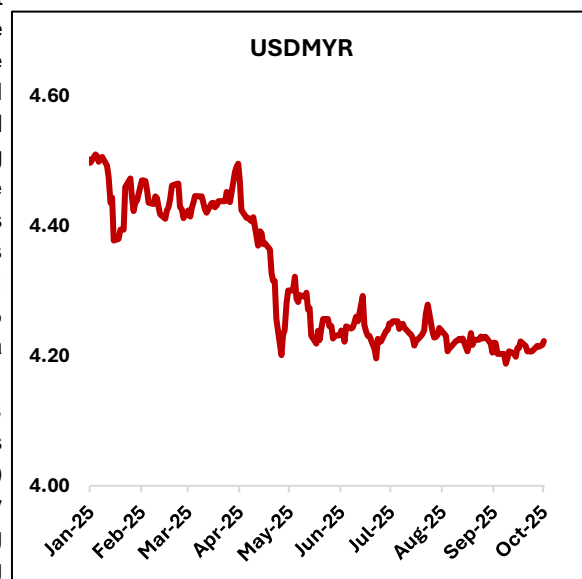
Source: Bloomberg

Short-term Outlook: Should the LDP manage to find cohesion within selected parties and enable Takaichi to be appointed, there would be an inflow back into the JPY. However, this scenario raises the question of fiscal discipline as Takaichi's hardline stance tilted towards favouring greater government spending, warranting some level of caution and potentially limiting JPY's gains. However,

the other scenario not any more palatable. If the LDP failed to rally enough support while the opposition blocs succeeded in uniting behind one candidate, it would prolong the political deadlock. The LDP still holds the majority of 196 out of 465 seats, which meant that the unified opposition will also grapple with fulfilling the 233-threshold and potentially trigger a hung parliament. This would either lead to deeper fragmentations as the parties try to gain the upper hand or a larger political shift amid an early general election. As such, we are bullish on USDJPY and foresee a possible trading range of 149.85 – 153.30.

USDMYR: The Ringgit depreciated amid a stronger USD

The ringgit posted a 0.4% w-o-w decline despite robust economic data, dragged by the strong performance of the USD. Of note, Malaysia's labor market conditions remained solid with unemployment rate staying steady at 3.0% for the fifth straight month to August. Additionally, the labor force participation rate (LFPR) marked a fresh record high of 70.9% (July: 70.8%), signaling a solid supply of labor being meaningfully absorbed into the workforce. Such trend would bolster higher consumer confidence and support robust consumer spending patterns against a backdrop of favorable inflationary trend, steady interest rate environment and supportive government policies. On a different note, retail sales expanded by 4.9% y-o-y in August (July: 5.0%), underpinned by slower increases across wholesale (August: 5.1% vs. July: 5.4%) and retail (August: 5.0% vs. July: 5.6%) trade groups while sales of motor vehicles surged sharply (August: 4.0% vs. July: 1.6%), marking the highest level since December 2024. The slew of data pointed to domestic demand persisting as the key engine of growth amid rising externals headwinds, casting an optimistic glow over Malaysia's outlook. This places the economy on track to achieve the official growth target of 4-4.8% this year. Looking to the sectorial front, the Industrial Production Index (IPI) accelerated to a thirteen-month high of 4.9% in August (July: 4.2%), propelled by a significant rebound in the Mining sector (August: 16.8% vs. July: 4.3%) following its decline amid planned maintenance shutdowns. Meanwhile, the Manufacturing IPI expanded by 2.8% (July: 4.4%) while Electricity generation remained steady at 1.6%.



Source: Bloomberg

Short-term Outlook: Moving forward, the MYR is anticipated to remain anchored by strong domestic growth fundamentals alongside the broader easing cycle of the USD. This week, Malaysia's September trade performance data will be released, shedding light on the impact of the August tariffs. Thus far, Malaysia's exports had been on a rocky trajectory amid the heightened trade volatility, although some underlying support remained from resilient external demand across selected export categories. Nevertheless, should the USD's climb extend to new highs, we may see further downside pressure on the MYR. In the near term, we maintain a slightly bearish view on USDMYR, with the pair likely to trade in the 4.1990–4.2350 range.

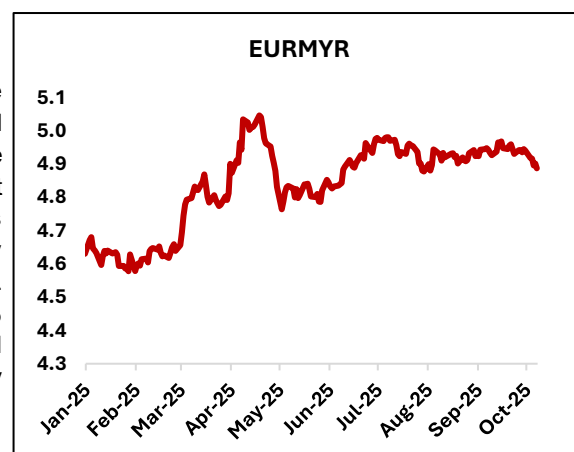
Table 2: Selected Currencies Overview (MYR Crosses)

	26-Sep	3-Oct	10-Oct	WoW	YTD
USDMYR	4.2222	4.2078	4.2227	0.4%	-5.6%
EURMYR	4.9311	4.9403	4.8877	-1.1%	4.9%
GBPMYR	5.6378	5.6611	5.6123	-0.9%	0.0%
SGDMYR	3.2651	3.2640	3.2520	-0.4%	-1.0%
JPYMYR	2.8243	2.8538	2.7930	-2.1%	-1.9%
AUDMYR	2.7561	2.7797	2.7665	-0.5%	-0.5%
CNYMYR	0.5918	0.5910	0.5929	0.3%	-3.2%

Sources: Bloomberg, Bank Islam

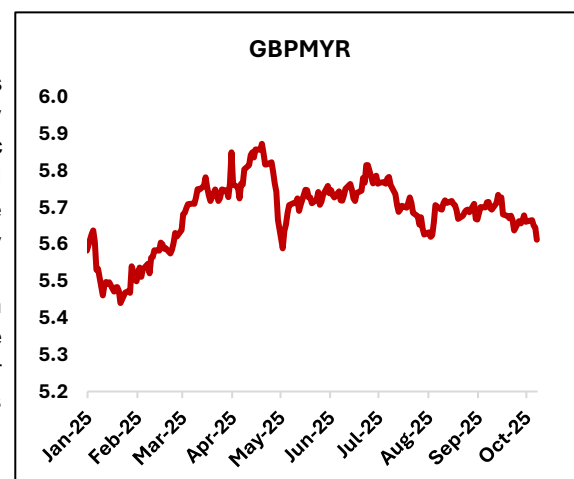
Short Term Outlook for Ringgit Pairs

The outlook for EUR/MYR is bearish as prolonged political instability in France exacerbates concerns of its worsening fiscal position. Of note, Fitch Ratings had downgraded France's sovereign rating to 'A+' from 'AA-', cautioning that the country's debt could balloon past 120% of GDP by 2030. As the government remains at an impasse over the draft spending bill, key fiscal reform measures would be delayed further. In contrast, the Malaysian government had recently unveiled its 2026 Budget, highlighting its commitment to uphold fiscal discipline. Malaysia's fiscal deficit is anticipated to narrow to 3.5% of GDP in 2026 from 3.8% in 2025, in line with the official medium-term target under the Ekonomi MADANI framework, reinforcing investor confidence and placing the MYR on relatively rosier footing than the EUR.



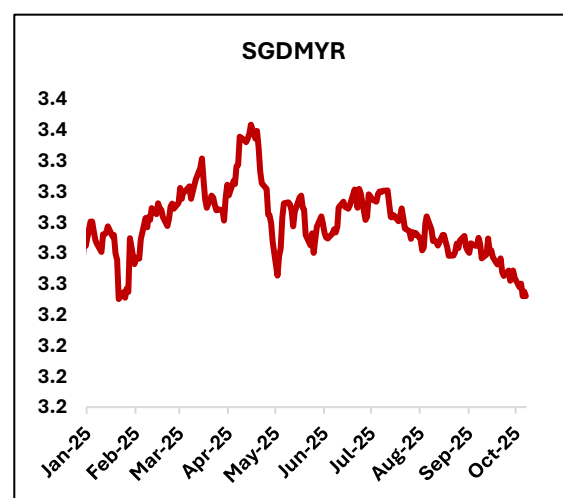
Source: Bloomberg

The outlook for GBP/MYR remains mildly bearish as cautious sentiments dominated jittery market movements ahead of the budget. Investors are widely expecting tax increases amid Finance Minister Reeves' pledge to keep public finances on track to meet her fiscal target. With the potentially greater financial burden on businesses, they may opt to dial back on hiring which would accelerate the labour market's cooling momentum. As such, the BOE's easing trajectory could be more dovish than expected, exerting pressure on the GBP. In contrast, the MYR stands to benefit amid the release of Malaysia's 2026 Budget, lined with social assistances to support the welfare of the people alongside maintaining the narrow scope of the tax base. While the narrow tax base opens up room for discussions surrounding revenue sustainability, it bolsters greater business confidence and supports the strong investment momentum.



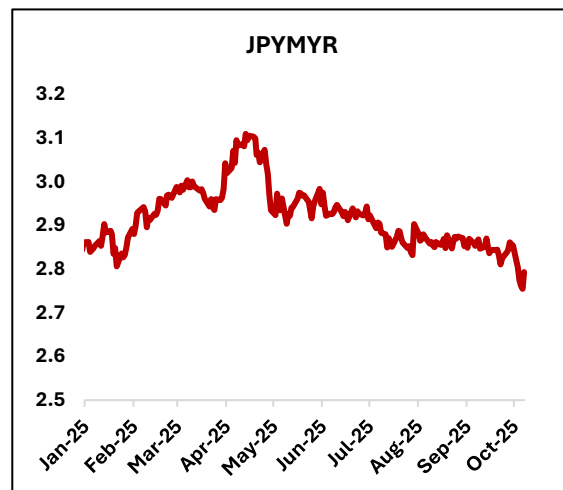
Source: Bloomberg

The outlook for SGD/MYR is neutral to slightly bearish amid clearer signs of weaker spending momentum in Singapore. The recent retail sales figures highlighted the disparity between key consumer sectors, suggesting that overall household spending remains subdued as demand is concentrated around selected categories. As prolonged global trade uncertainties loom over the emerging market economies, domestic demand proves to be pivotal in anchoring growth prospects. In light of this, Malaysia's resilient domestic demand provides the economy an edge over Singapore's sluggish momentum, giving the MYR some push ahead of the SGD. Nevertheless, both economies remain at risk of fresh U.S. tariffs, warranting caution of both sides of the scale.



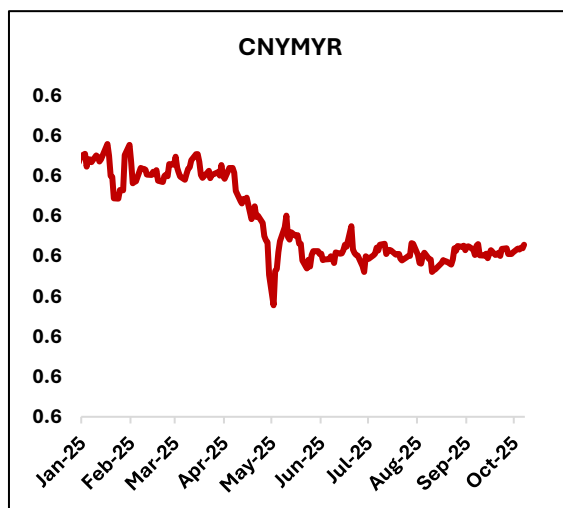
Source: Bloomberg

The outlook for JPY/MYR is bearish amid prolonged political uncertainties plaguing Japan amid the LDP-Komeito coalition collapse as well as the increasingly complicated path of appointing the new Prime Minister. Given that the LDP holds 196 seats while its largest opposition CDP's coalition holding 148 seats, it seems to be a tight race to secure the required 233-seats threshold to gain the Lower House majority. Market sentiments will remain cautious as long as there are no clearer hints of how the situation will play out, exerting downward pressure on the JPY, while the MYR stands to appreciate amid its relatively stable political landscape and lower risk premia in the near term.



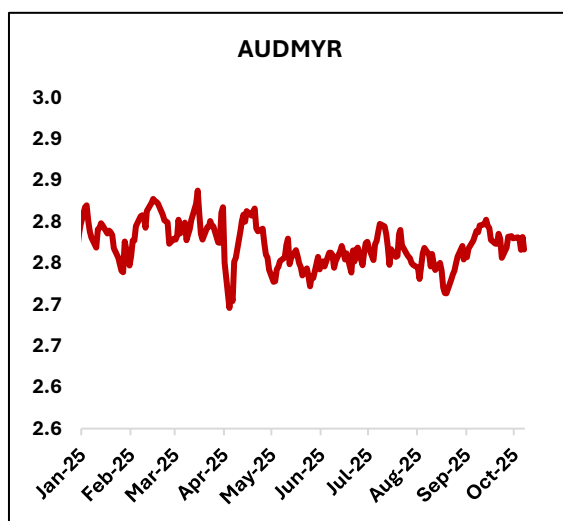
Source: Bloomberg

The outlook for CNY/MYR remains neutral to slightly bullish following China's surprise export controls, injecting a fresh wave of concerns into markets at the potential escalation of trade tensions. All eyes will be closely trained on the talks between Trump and Xi Jinping at the sidelines of the APEC summit, cautiously hoping for an amicable resolution of the recent jitters. Taking cues from the current truce, there seems to be opportunity for the resolution as the stakes for both economies are too high, although historical trends also showed that both U.S. and China are capable of braving another trade war. Thus, we remain cautious on the CNY/MYR pair amid the clash between the two economic powers, expecting some restraint in the trading pair.



Source: Bloomberg

The AUD/MYR outlook is slightly bearish as latest data revealed that Australian consumers are increasingly fatigued by the environment of tight financial conditions, elevated price pressures and cooling labour. However, the central bank is caught between a rock and a hard place, as the evolving dynamics of risks complicates its policy easing cycle. Markets are eyeing the release of key labour market indicators this week, expecting further softening of the figures to guide the RBA's hand in delivering another cut by end-2025. As such, the interest rate differentials amid BNM's steady outlook favors the MYR, guiding its appreciation against the RBA.



Source: Bloomberg