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U.S. FED IS POISED TO DELIVER A 25 BP RATE CUT THIS WEEK, ODDS FOR A DECEMBER CUT ROSE

Softer than expected inflation solidifies case for a 25 bp Fed rate cut. Latest figures showed that the U.S. headline inflation had increased by 3.0% in September (August: 2.9%, Est: 3.1%), marking the highest level since January, underpinned by a sharp surge in energy prices (September: 2.8% vs. August: 0.2%). On the other hand, prices for food (September: 3.1% vs. August: 3.2%), transportation services (September: 2.5% vs. August: 3.5%), medical care (September: 3.3% vs. August: 3.4%) and used cars and trucks (September: 5.1% vs. August: 6%) displayed slower increases compared to the previous month. While the reading has strayed well above the Federal Reserve Board (Fed)'s 2.0% target, the uptrend proved to be more gradual than feared, offering the central bank some leeway in manoeuvring its policy path. This can be seen clearer on a month-to-month basis as headline inflation rose by 0.3% (August: 0.4%), a tad below expectations of 0.4%. More notably, core inflation eased to 3.0% in September from 3.1% in the previous two months, coming in below expectations for a more persistent reading. On a monthly basis, core prices rose 0.2% (Est: 0.3%), moderating from the 0.3% increases recorded in both July and August. As such, the milder inflationary trend had solidified market expectations of a quarter-point rate cut in the Federal Open Market Committee (FOMC) meeting this week, positioning the central bank comfortably to address the more pressing risk of a rapidly cooling job market.

Simmering U.S.-China tensions brewing underneath the truce. On the trade front, trade tensions between the U.S. and China seemed to be brewing hotter in the past weeks, keeping markets at the edge of their seats. While the countries had reached a trade truce earlier, which is set to expire on 9th November, both sides had slowly been encroaching on the fringes of the truce, underscoring the fragility of the situation. Earlier, U.S. President Donald Trump had sought to restrict China's access to advanced semiconductors on the basis of market protectionism and national security which the latter retaliated against by imposing stricter controls over its exports, including certain types of artificial diamonds, graphite anode materials as well as various other rare earth minerals, set to take effect just a day before the expiry of the truce. Foreign companies are also expected to obtain Chinese export licenses for rare earth products made with Chinese equipment or materials, potentially complicating their business processes and sparking minor supply chain disruptions. Furthermore, China had also deployed 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. In return, Trump threatened to impose an additional 100% tariff on Chinese goods, ramping up concerns of a rapid escalation and injecting fresh jitters into markets. U.S. Trade Representative Jamieson Greer announced last Friday that the administration is launching a probe into China's compliance with a 2020 limited trade agreement with the U.S., a move that opens the door for further trade barriers on China, heightening the conflict between the two economies.

Trump signalled openness to reach an amicable deal. Nevertheless, tensions appeared to ease following the ASEAN Summit where top U.S. and Chinese officials, including U.S. Treasury Secretary Scott Bessent and China's Vice Premier He Lifeng, had convened on the sidelines for further trade talks. Subsequently, Bessent remarked to the press that they have reached a "very substantial framework" that will avoid the 100% U.S. tariffs on Chinese goods while achieving a deferral of China's rare earths export controls. This had injected some relief into the markets although they remained on high alert for the much-anticipated meeting between Trump and China's President Xi Jinping at the APEC Summit later this week which would either see the framework be finalised or extending the uncertainties surrounding their trade relations.

U.S. and Canada at a difference. On another note, Trump announced the suspension of all trade talks with Canada following the release of a Canadian advertisement that used former U.S. President Ronald Reagan's words to criticise his trade agenda. In response, the Trump administration halted negotiations and demanded the withdrawal of the anti-tariff ad. However, the ad continued to air in parts of Canada, prompting Trump to retaliate with an additional 10% tariff on Canadian imports. It remains unclear whether this new tariff will apply broadly across all goods or remain consistent with the terms of the 2020 USMCA trade agreement. The Canadian government has since pledged to withdraw the ad in an effort to resume trade discussions. Although both Trump and Canadian Prime Minister Mark Carney are expected to attend the upcoming ASEAN and APEC summits, neither side has indicated any plans to hold bilateral trade talks during these events.

Upcoming Events: Key Economic Data Release

Monday	UK Distributive Trades (October)
Tuesday	U.S. Consumer Confidence (October)
Wednesday	Japan Consumer Confidence (October)
	Federal Reserve Board, European Central Bank & Bank of Japan Policy Decisions, EU 3Q2025 GDP, EU & Singapore
Thursday	Unemployment Rate (September)
	EU Inflation Figures (September), Japan Unemployment Rate, Industrial Production & Retail Sales (September), China
Friday	Manufacturing PMI (October)

Table 1: Selected Currencies Overview

	10-Oct	17-Oct	24-Oct	WoW	YTD
DXY Index	98.98	98.43	98.95	0.5%	-8.8%
USDMYR	4.22	4.23	4.22	-0.1%	-5.6%
XAUUSD	4,017.79	4,251.82	4,113.05	-3.3%	56.7%
EURUSD	1.16	1.17	1.16	-0.2%	12.3%
GBPUSD	1.34	1.34	1.33	-0.9%	6.4%
AUDUSD	0.65	0.65	0.65	0.2%	5.3%
USDSGD	1.30	1.30	1.30	0.3%	-4.9%
USDJPY	151.19	150.61	152.86	1.5%	-2.8%
USDCNY	7.14	7.13	7.12	-0.1%	-2.4%

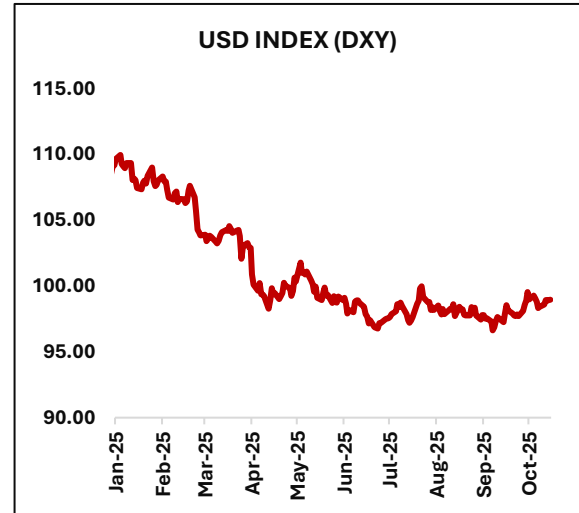
Sources: Bloomberg, Bank Islam

Commentaries

DXY: USD strengthened on safe haven demand

The USD index climbed by 0.5% w-o-w for the week ending October 24 following increased safe haven demand amid rising tensions between U.S. and its trade partners. The mild escalation of the conflict between U.S. and China had dampened investor risk appetite further, offering a layer of support to the greenback as markets cautiously await further developments on this front. Additionally, while latest softer than expected inflation figures had ramped up rate cut hopes, this had relatively little bearing on the USD as markets had almost fully priced in the likelihood of a rate cut this week. According to the CME FedWatch tool, the probability of a quarter-point reduction had rose to 98.6% at the time of writing, from 98.4% previously. On top of that, the Fed's easing trajectory this year remains sound with a wide majority expecting another 25 bp cut in December, offering little impetus for a sudden turnaround in the USD based on policy expectations, barring any surprise downsides or upsides to job market and inflation movement, respectively, that would necessitate a move of larger magnitude.

Short-term outlook: Markets are on high alert for trade-related news this week as Trump will meet other world leaders at the ASEAN and APEC summits, potentially holding further tariff discussions and cementing better trade cooperations. In particular, Trump's meeting with President Xi Jinping will be closely watched for clearer signals on the rocky trade relations between the two countries. Furthermore, the FOMC meeting scheduled for October 29–30 is widely expected to deliver a rate cut, with markets almost unanimous in anticipating such a move by the central bank. As this outcome has been largely priced in, we expect the USD to trade with a neutral-to-slightly bearish bias, likely fluctuating within a 98.60–99.80 range in the near term.

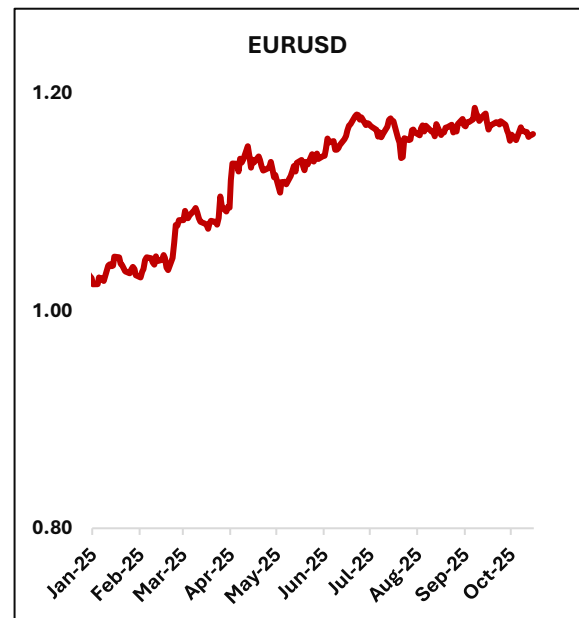


Source: Bloomberg

EURUSD: Euro depreciated despite expectations of steady ECB rates

The Euro slipped by 0.2% w-o-w despite stronger than expected economic data and expectations that the European Central Bank (ECB) will keep its interest rates steady this week, pressured by the stronger USD performance. Preliminary figures showed that the Manufacturing Purchasing Managers' Index (PMI) rose to 50.0 points in October (September: 49.8 points), exceeding estimates of 49.5, signalling that the manufacturing sector is gradually recovering out of the red zone. Looking closer, output expanded for the eighth straight month, and volume of new orders recovered following its decline previously while purchasing activity and input inventories reduced at a slower pace compared to September. Similarly, the services sector is also displaying signs of a pickup as its PMI expanded to 52.6 points in the same month (September: 51.3 points), well above estimates of 51.1 and marking the highest level in fourteen months. Such trend was driven by a surge in new orders, expanding at the fastest pace since April 2023. This suggested that economic sectors in the region are slowly gaining momentum, heightening bets of a slower pace of easing by the central bank. However, downside risks to the labour market remain persistent, indicated by continuous declines in the manufacturing sector's employment, which necessitates higher caution in the central bank's policy decision.

Short-term Outlook: Looking ahead, it will be a relatively busy week for the Eurozone, with the release of 3Q2025 GDP and labour market data on Thursday, just hours before the ECB meeting. The timing of these releases is expected to influence the ECB's policy discussions, providing fresh insights into the region's growth and employment trends. Currently, the unemployment rate stands at 6.3%, just a tick higher than the all-time low of 6.2%, while headline and core inflation settles at 2.2% and 2.4%, respectively, relatively stable compared to their peers. As such, the ECB is poised to keep its interest rates steady with risks to both sides of the scales in closely matched, making the incoming data more appetizing to market participants in shaping the central bank's broader trajectory.



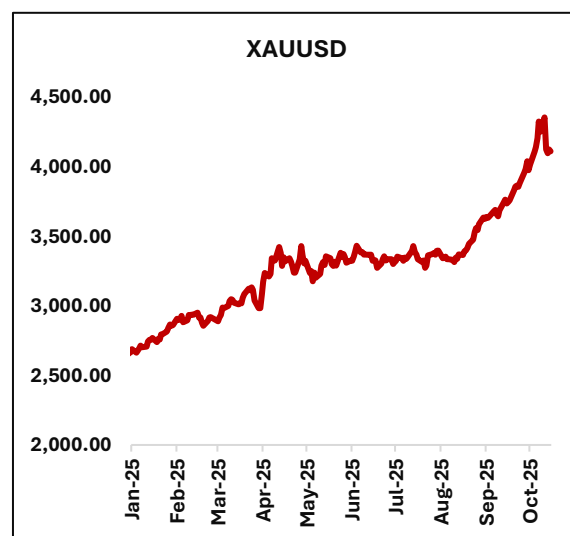
Source: Bloomberg

On Friday, key inflation figures will be released, adding another layer of clues to the mix. At this current point, we hold a neutral to slightly bullish outlook on the EURUSD and foresee the pair to trade between the range of 1.1580 and 1.1710.

XAUUSD: Gold price plummeted amid rising gold fatigue and profit-taking selloffs

Gold prices fell sharply by 3.3% w-o-w for the week ending October 24, marking a significant correction after several weeks of record-breaking gains. On Monday, gold touched a new all-time high of USD 4,356.30, driven by persistent global policy uncertainty and concerns over a potential U.S. government shutdown. However, prices quickly retreated in the following days as easing political tensions in France and Japan, coupled with aggressive profit-taking, triggered the steepest one-day decline in 12 years. Furthermore, signs of easing trade tensions between U.S. and China following Trump's optimistic remarks and the USD's appreciation had exerted more downward pressure on the XAU. The recent pullback largely reflects short-term positioning and profit-taking rather than a loss of confidence in the precious metal. Underlying demand for gold remains supported by ongoing global macroeconomic uncertainty, moderate inflation expectations, and continued central bank diversification away from U.S. assets.

Short-term Outlook: Following the XAU's remarkable surge in recent weeks, investors have grown increasingly cautious about overbought conditions and the sustainability of the rally, triggering a wave of broad-based profit-taking. While the sharp decline has prompted speculation about a potential downturn, technical indicators suggest the move represents a healthy correction within an overall bullish trend. There are no signs of a structural shift undermining the broader uptrend. As such, the recent sell-off appears largely technical in nature, and gold is expected to remain slightly under pressure in the near term, with support at \$3,975 and resistance around \$4,150.

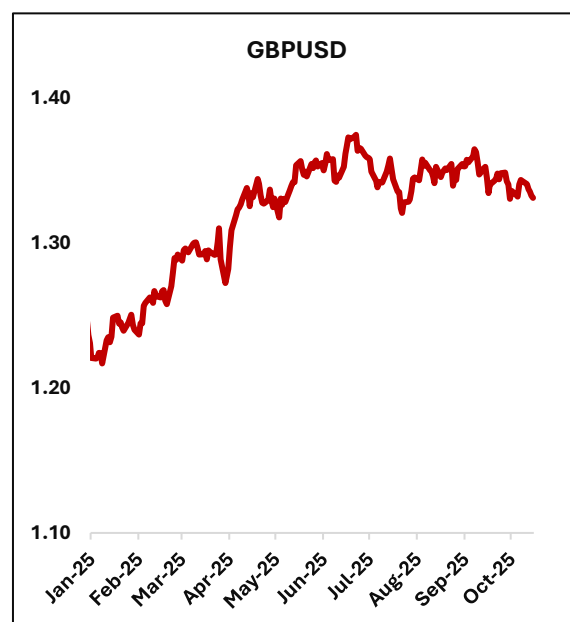


Source: Bloomberg

GBPUSD: British Pound weakened amid softer than expected inflation data

The British pound (GBP) depreciated by 0.9% w-o-w as underlying price pressures appeared to be softer than feared, causing markets to reprice their Bank of England (BOE) policy expectations. Of note, headline inflation remained constant at 3.8% y-o-y in September, as recorded in July and August, missing consensus estimates of 4%. On the flip side, core inflation rose by 3.5% y-o-y, compared to 3.6% y-o-y in August, beating expectations of an uptick to 3.7%. Looking closer, both measures remained flat on a monthly basis, signalling that the current Bank Rate at 4.0% is sufficiently restrictive in taming price pressures. While the broader trajectory of the BOE remains dovish, the muted inflationary trend grants the central bank some flexibility to move further, supporting the case for another reduction by year-end. Nevertheless, some caution is warranted as demand-driven price pressures may shift the balance once more given that consumer spending appeared to be stronger than expected. Latest figures showed that retail sales expanded faster than expected in September (Act: 1.5% y-o-y vs. Est: 0.6% y-o-y) while on a monthly basis, it surpassed expectations of a contraction (Act: 0.5% vs. Est: -0.2%).

Short-term Outlook: It will be a relatively light data week for the UK, giving markets room to digest the latest economic releases. While inflation remains stubbornly above the BOE's target, the current policy stance appears sufficient to curb further price pressures. The BOE is therefore well positioned to deliver another rate cut, an outcome that looks increasingly likely following the 7-2 vote split at the last meeting, which signalled a growing inclination among policymakers toward additional easing. Against this backdrop, we maintain a mildly bearish view on GBPUSD, expecting the pair to trade within the 1.3290-1.3380 range.

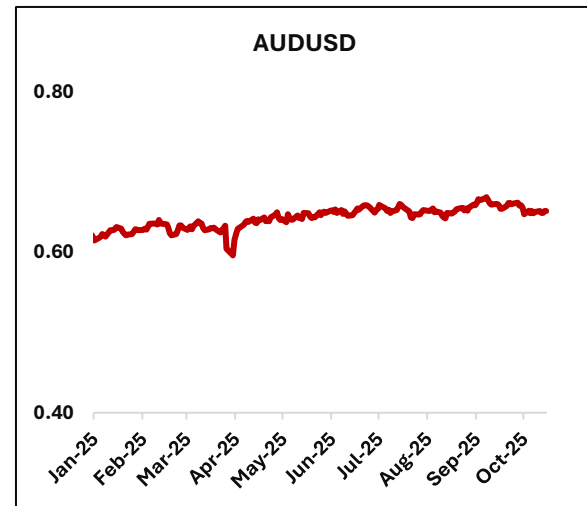


Source: Bloomberg

AUDUSD: Australian Dollar edged up following U.S.-Australia bilateral deal

The Australian dollar climbed by 0.2% w-o-w, supported by Australia's preliminary services PMI rising to 53.1 points in October compared to 52.4 points in September amid higher new business inflows and increased export demand for its services. On the other hand, growth in new orders and employment posted slower figures compared to the previous month. In contrast, the manufacturing appeared to weaken with the manufacturing PMI declining to 49.7 points in the same month (September: 51.4 points), dragged by the volume of new orders falling at the fastest pace this year amid weaker external demand. Furthermore, business confidence remained under pressure, declining to an 11-month. On the trade front, Trump and Australian Prime Minister Anthony Albanese finalised a deal to supply the U.S. with Australian critical minerals and rare earth alongside a multi-billion-dollar joint investment to spur on various projects between the countries. The bilateral deal, following months of trade uncertainties, is expected to expand the market for Australia's export products and providing much-needed impetus for stronger external demand, thus lifting business confidence and supporting the appreciation of the AUD.

Short-term Outlook: Looking ahead, the release of producer and consumer prices data will be closely watched for further insights in the Reserve Bank of Australia (RBA)'s policy path. Previously, the central bank kept its cash rate steady at 3.6%, in line with expectations, citing that measures of inflation remained within its 2-3% target range which bolstered its cautious approach. However, unemployment rate had ticked to 4.5% in September, marking the highest level since November 2021. Coupled with the greater trade policy clarity, the RBA may see further room to ease its cash rate to address the softening job market. We are neutral to slightly bearish on the AUDUSD and expect the pair to trade within the 0.6460 – 0.6550 range.

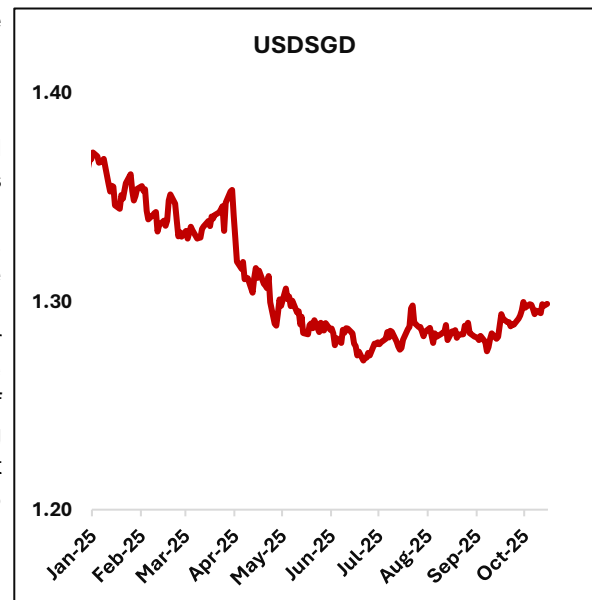


Source: Bloomberg

USDSGD: Singaporean Dollar dipped despite surprise inflation hikes

The Singaporean dollar declined by 0.3% w-o-w, pressured by the stronger USD, despite surprise increases in inflation figures. Latest figures showed that headline inflation rose by 0.7% y-o-y in September, a tad above estimates of 0.6% and higher than 0.5% recorded in August. This marks the fastest pace of rise since June, underscored by higher prices for transport (September: 3.4% vs. August: 2.3%) and education (September: 1.0% vs. August: 0.8%) while the household durables and services (September: -0.3% vs. August: -0.9%), recreation, sports and culture (September: -2.2% vs. August: -3.0%), and miscellaneous goods and services (September: -0.1% vs. August: -0.8%) categories saw slower declines. On the flip side, core inflation also grew faster than expected at 0.4% in the same month (August: 0.3%, Est: 0.2%), suggesting an uptick in consumer demand. Meanwhile, the industrial production surged sharply by 16.1% y-o-y in September (August: -9.0%), well above market estimates of 0.5%, underpinned by low base effects and strong rebounds across several categories. Notably, production of electronics (September: 13.2% vs. August: -8.5) and biomedical manufacturing (September: 45.9% vs. August: -37.4%) recorded impressive double-digit expansions for the month. On a monthly basis, it surged by 26.4% from a 11% contraction in August, marking the sharpest rise in more than fourteen years, providing key support to the SGD.

Short-term Outlook: Moving forward, markets are eyeing the unemployment figures slated to be released on Thursday. Given that consumer spending has been persistently sluggish, the economy faces greater downside risks amid rising global headwinds and potentially weaker external demand. However, the surprise upsidеs to inflationary measures had somewhat lifted investor confidence on the outlook and the labour market print is expected to add to the optimism. Be that as it may, we remain mildly bullish on USDSGD in light of the USD's climb, with the pair likely to trade within a 1.2920–1.2990 range.

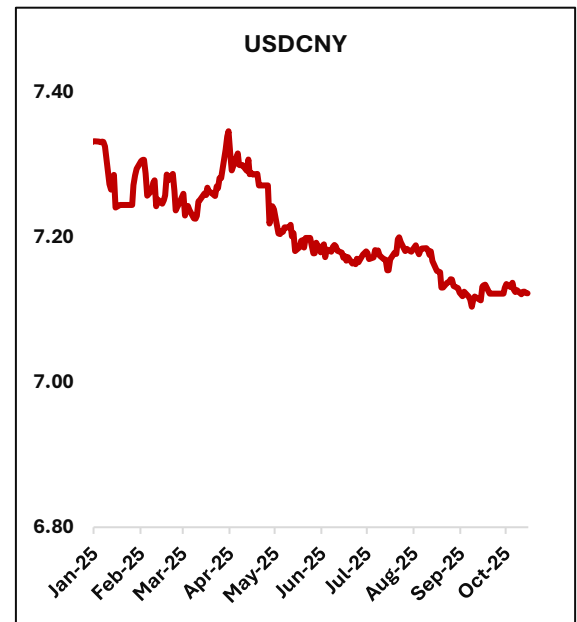


Source: Bloomberg

USDCNY: Chinese Yuan appreciated following solid economic figures

The Chinese yuan edged up 0.1% week-on-week after the economy expanded by 4.8% y-o-y in 3Q2025 (2Q2025: 5.2%), marking its slowest pace in a year. The moderation reflected the impact of prolonged trade tensions, a persistent property downturn, and subdued domestic demand. Nonetheless, the economy remains broadly on track to meet its full-year growth target of around 5.0%, with year-to-date growth averaging 5.2%, providing some support to the yuan's recent uptick. On a quarterly basis, it grew by 1.1%, faster than 1.0% in 2Q2025. Meanwhile, industrial production surged to a three-month high of 6.5% y-o-y in September (August: 5.2%, Est: 5%), underpinned by accelerations in manufacturing (September: 7.3% vs. August: 5.7% and mining (September: 6.4% vs. August: 5.1%) output ahead of the Golden Week. This signalled that China's production activities remained robust despite the prolonged trade differences with the U.S., underscoring businesses efforts to diversify their destination markets as seen in latest trade figures. However, weak consumer spending continues to pose a key risk to China's growth outlook, as retail sales rose by only 3.0% in September (August: 3.4%), the slowest pace in thirteen months. Despite the government's earlier deployment of robust fiscal stimulus, domestic demand has struggled to gain traction, weighed down by subdued consumer confidence and lingering uncertainty stemming from prolonged tensions in U.S.–China relations.

Short-term Outlook: The Chinese economy has demonstrated remarkable resilience amid this year's turbulent global trade environment, keeping it on course to achieve its full-year growth target. Looking ahead, the meeting between Trump and Xi Jinping later this week will be the focal point of market discussions as they eagerly seek clues in shaping the respective economic outlooks. Furthermore, investors are optimistically eyeing the PMI figures for more insights on the health of the manufacturing landscape as they assess how latest trade-related developments could weigh in on the sector. As such, we remain neutral to slightly bearish on USDCNY in the near term and foresee the pair to trade between 7.1095-7.1280.

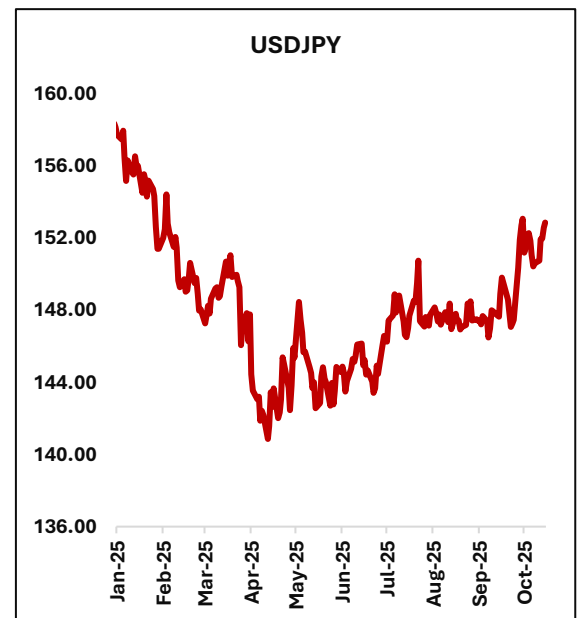


Source: Bloomberg

USDJPY: Japanese Yen declined as markets recalibrated BOJ rate hike bets

The Japanese Yen depreciated by 1.5% w-o-w despite increases across inflation measures as markets repriced their Bank of Japan (BOJ) policy normalization bets. Of note, headline inflation rose by 2.9% y-o-y in September from 2.7% in August, driven by sharp rebounds in electricity (September: 3.2% vs. August: -7.2%) and gas (September: 1.6% vs. August: -2.7%) prices following the expiry of temporary government energy subsidies. However, food costs have eased to 6.7% in the same month compared to 7.2% in August, marking the lowest level in four months. Core inflation also increased at the same pace, in line with market expectations. On the contrary, *core core* inflation moderated to a five-month low of 3.0% from 3.3% in August. As this reading is the BOJ's preferred gauge of underlying price pressures, there appears to be less urgency for the central bank to act fast in curbing price pressures, offering more space to maintain its cautious, data-dependent approach as it assesses the impact of global policy developments thus far.

Short-term Outlook: This week, the BOJ is poised to hold its benchmark short-term rate at 0.5% amid the relatively slower rise in price pressures against a backdrop of cooling labour market as the unemployment rate marked the highest level since June last year at 2.6% in August. Nevertheless, the broader trajectory of the BOJ's policy path remains tilted to the upside. Furthermore, the easing political woes brings along fresh concerns of elevated price pressures given Prime Minister Sanae Takaichi's stance on government spending and deploying fiscal policy as a tool to spur on consumer spending. We are mildly bullish on USDJPY and foresee a possible trading range of 152.15 – 154.10.

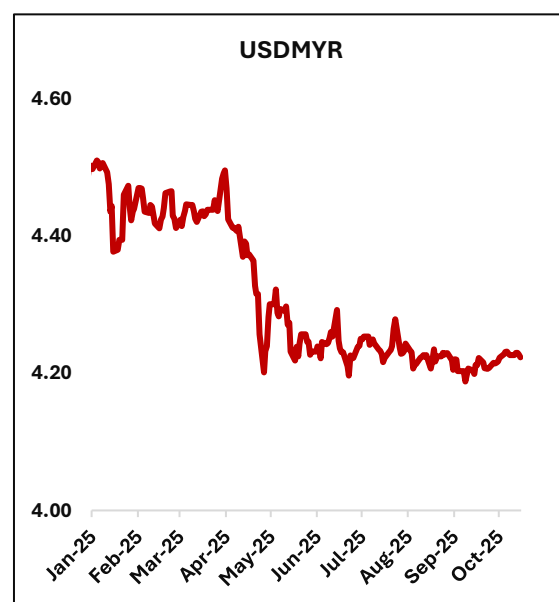


Source: Bloomberg

USDMYR: The Ringgit appreciated amid inflation uptick

The ringgit was little changed against the USD last week, settling at 4.2227 as Malaysia's inflation rose by 1.5% y-o-y in September from 1.3% in August, driven by higher prices across the Personal Care, Social Protection & Miscellaneous Goods & Services (September: 4.8% vs. August: 4.0%), Food & Beverages (September: 2.1% vs. August: 2.0%), Housing, Water, Electricity, Gas & Other Fuels (September: 1.5% vs. August: 1.2%), Health (September: 1.3% vs. August: 1.1%) and Transport (September: 0.7% vs. August: 0.2%) groups. On the flip side, prices for the Restaurant & Accommodation Services (September: 3.3% vs. August: 3.5%) and Alcoholic Beverages & Tobacco (September: 0.3% vs. August: 0.4%) recorded slower growth. Meanwhile, core inflation also displayed similar uptick, rising by 2.1% in September from 2.0% in August. The inflationary trend is driven by the Sales and Service Tax (SST) expansion earlier, although it is expected to normalize over time.

Short-term Outlook: As such, we maintain our view that the Bank Negara Malaysia (BNM) will hold the Overnight Policy Rate (OPR) steady in the medium term. As the U.S. Fed is anticipated to embark on its policy easing cycle throughout this year and into 2026, the narrowing interest rate differentials will provide tailwinds for the MYR's appreciation. On the trade front, President Trump and Malaysian Prime Minister Datuk Seri Anwar Ibrahim had finalised a trade agreement during the first day of the ASEAN Summit. The deal includes a commitment by the U.S. to maintain its reciprocal tariff rate on Malaysia at 19% while the latter pledged to provide "significant preferential market access" for U.S. industrial and agriculture goods exports. Furthermore, Malaysia is committed to various commercial deals with the U.S., including the procurement of 30 U.S. aircrafts alongside an option for 30 additional aircrafts as well as the purchase of approximately USD150.0 billion worth of semiconductors, aerospace components and data centre equipment, up to 5 million tonnes per annum (MTPA) of liquefied natural gas estimated at USD3.4 billion per year, coal and telecommunication products and services valued at USD204.1 million. On top of that, Malaysia has pledged capital fund investments into the U.S. of up to USD70.0 billion. While this agreement has successfully confirmed the 19% U.S. tariff rate on Malaysian goods, the impact of the wider deal remains to be seen. In the near term, we maintain a mildly bearish view on USDMYR, with the pair likely to trade in the 4.2150–4.2320 range.



Source: Bloomberg

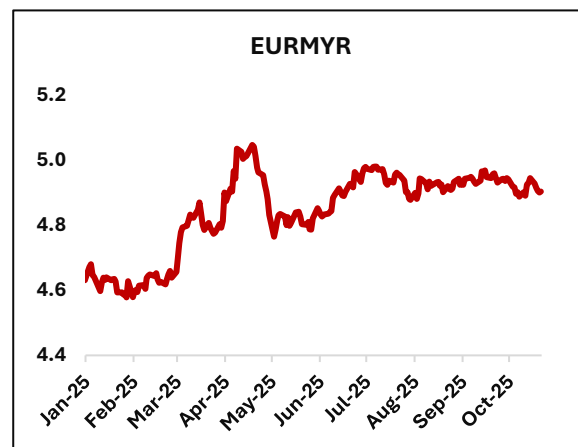
Table 2: Selected Currencies Overview (MYR Crosses)

	10-Oct	17-Oct	24-Oct	WoW	YTD
USDMYR	4.2227	4.2265	4.2233	-0.1%	-5.6%
EURMYR	4.8877	4.9451	4.9039	-0.8%	5.3%
GBPMYR	5.6123	5.6786	5.6260	-0.9%	0.2%
SGDMYR	3.2520	3.2651	3.2502	-0.5%	-1.1%
JPYMYR	2.7930	2.8056	2.7581	-1.7%	-3.1%
AUDMYR	2.7665	2.7335	2.7432	0.4%	-1.4%
CNYMYR	0.5929	0.5934	0.5929	-0.1%	-3.2%

Sources: Bloomberg, Bank Islam

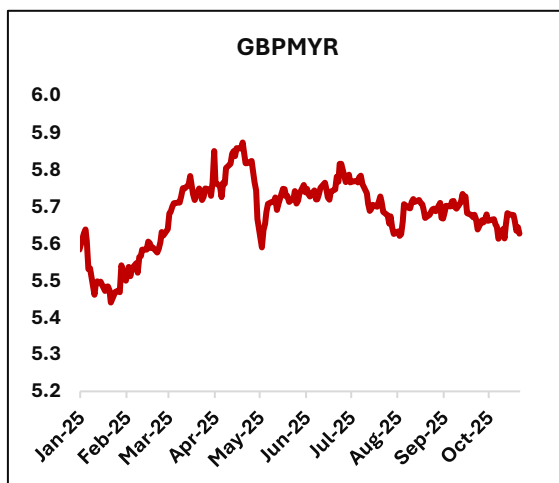
Short Term Outlook for Ringgit Pairs

The outlook for EUR/MYR is slightly bullish following the easing political tensions in France alongside the release of EU's key economic figures. Thus far, the region's economy had fared resiliently in the face of global headwinds, keeping investor confidence on its outlook relatively solid. Furthermore, the ECB is anticipated to keep its interest rates steady whereby the rate differentials will still favour the EUR. Of note, the balance of risks is seemingly matched as EU's labour market conditions remained steady while increases in price pressures appeared to be more muted than expected. Nevertheless, Malaysia had recently signed a bilateral trade deal with the U.S., erasing the persistent uncertainties surrounding its trade outlook and offering some support to the MYR.



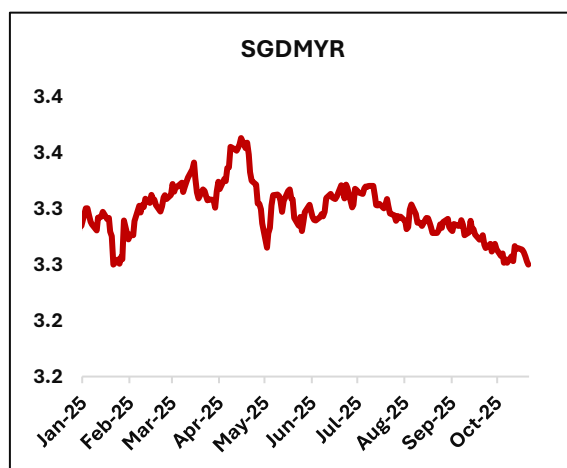
Source: Bloomberg

The outlook for GBP/MYR is bearish given the relatively light calendar week on the UK front while the softer inflation increases solidified the BOE's broader dovish trajectory. On a monthly basis, both headline and core inflation remained steady, reinforcing expectations that the central bank has further room to reduce its benchmark rate. In contrast, BNM is anticipated to maintain the OPR at 2.75%, supported by the latest uptick in price pressures, giving the MYR a slight edge over the GBP.



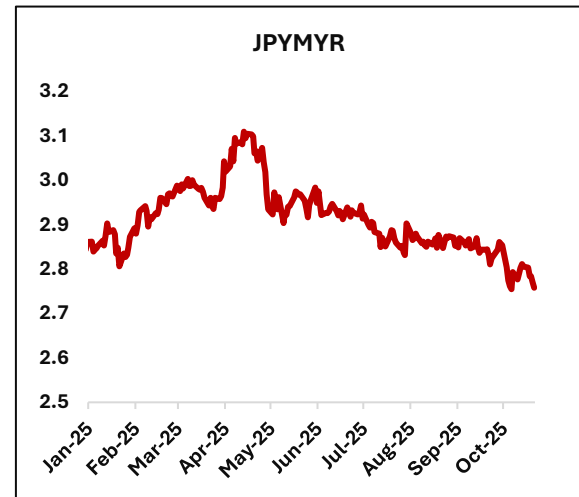
Source: Bloomberg

The outlook for SGD/MYR is neutral to mildly bearish given that both economies are evenly matched thus far with measures of inflation ticking up in September, signaling solid consumer spending momentum. Nevertheless, Malaysia's economy appeared to be more resilient, projected to expand by 5.2% y-o-y in 3Q2025 amid robust expansions across all economic sectors, while Singapore's economy had moderated to 1.3% y-o-y in 3Q2025 relative to 1.5% y-o-y in 2Q2025. We also foresee the MYR to emerge relatively more appealing following the positive developments on Malaysia's trade front amid the finalization of its trade deal with the U.S., cementing the tariff rate on Malaysian goods at 19%.



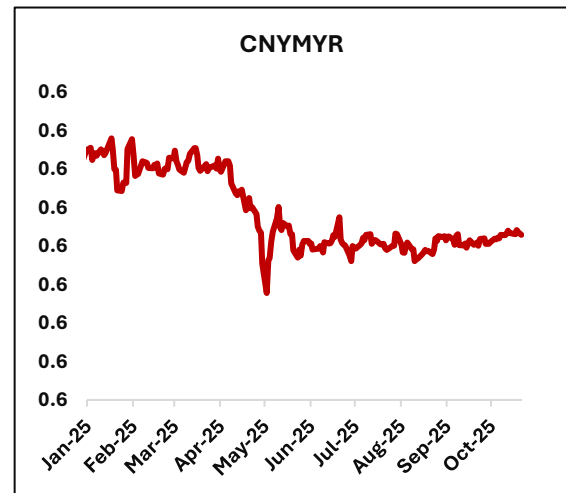
Source: Bloomberg

The outlook for JPY/MYR is bearish as markets recalibrated their policy expectations following the moderation of Japan's core core inflation. While the BOJ is anticipated to keep its short-term rate steady at 0.5% in its meeting this week, its policy path remains riddled with risks on both ends. However, softer underlying price pressures gives the central bank more flexibility to navigate its monetary settings, erasing the urgency to curb elevated inflation at the risk of growth. Of note, Japan's unemployment rate had marked the highest level since June 2024 in August (2.6%), heightening concerns of a fragile economy losing momentum which reinforced the BOJ's cautious approach. As such, markets will remain cautious as they await the central bank's policy deliberations as well as the latest job market figures this week. As such, this places the MYR on a more stable footing this week, supporting its climb.



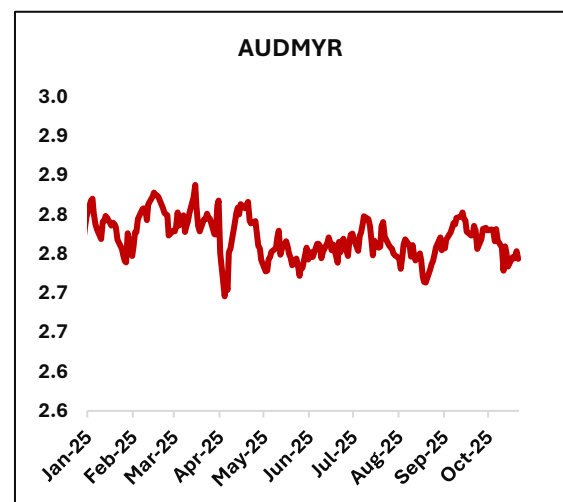
Source: Bloomberg

The outlook for CNY/MYR remains neutral to slightly bullish given the meeting between Trump and Xi Jinping later this week. While Trump had expressed optimism in the upcoming discussions, market watched on with caution given the fragility of the trade relations between the two countries. However, early talks between U.S. and China representatives had culminated in a framework of a potential deal, layering another layer of optimism that the discussion will obtain a positive outcome. We remain cautious on this front, expecting some restraint in the CNY/MYR trading pair.



Source: Bloomberg

The AUD/MYR outlook is mildly bearish following further signs of easing in Australia's manufacturing sector alongside rapidly cooling labour market conditions, which reinforces hopes of the RBA delivering another rate cut. As such, the interest rate differentials amid BNM's steady outlook favors the MYR, guiding its appreciation against the AUD. On the trade front, Australia had successfully signed a rare earth deal with the U.S., improving the outlook on its exports and production activities. Similarly, Malaysia's trade deal will also lift investor confidence and support business sentiments, casting a rosy glow over its growth prospects.



Source: Bloomberg