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UNCERTAINTIES CLOUD THE FED'S NEAR-TERM POLICY PATH AMID MIXED JOB FIGURES

Mixed job market data kept markets on their toes. October's Federal Open Market Committee (FOMC) minutes revealed a widening divergence among policymakers on near-term policy path, noting that participants held "strongly differing views" on a December move. Of note, two officials dissented previously, one in favour of a deeper cut while another voted for no change to the Federal Funds Rate (FFR). Looking closer, "many" participants are against another cut in December, suggesting a heightened degree of cautiousness at the risk of deploying premature action amid the limited data visibility following the prolonged U.S. government shutdown. However, "several" officials concurrently believe that a cut would be warranted if the economy evolves in line with their expectations, indicating a flexible approach that will react to any material change on the risks to the economy.

Meanwhile, delayed data showed that the U.S. economy added 119K jobs in September, more than double the 53K consensus estimate, suggesting that job growth momentum has not slowed as much as feared. However, nonfarm payrolls for July were revised down by 7K, and August's figure was sharply cut by 26K, reducing the cumulative gain by 33K. These revisions tempered the positive headline, adding further uncertainty to the Fed's policy trajectory. Notwithstanding the uptick in September surprise, the three-month average job gain of 62K is still weaker than the 83K average in 1H2025 and remains well under the 168K average in 2024. Meanwhile, private job gains reflected the uptrend seen in separate independent job reports with private nonfarm payrolls surging by 97K (August: 18K), surpassing estimates of 62K. Beyond job growth, unemployment rate had edged up to 4.4% in September from 4.3% in August, marking the highest level since October 2021, while average hourly earnings rose by 0.2% m-o-m (August: 0.4%), a tad slower than market estimates of 0.3%.

The release of the FOMC minutes, coupled with robust September job gains, initially pushed futures traders to reduce the likelihood of a December rate cut to around 35%, the lowest in weeks. The narrative shifted sharply, however, when New York Fed President John Williams, one of the Committee's most influential voices and a permanent voter, indicated there was still room for a "near-term adjustment" to bring policy closer to neutral. His remarks carried substantial weight, prompting markets to rapidly reprice, with the probability of a December cut climbing back above 70%.

Risk-off sentiments grew amid intensifying China-Japan tensions. Geopolitical tensions between China and Japan escalated in recent weeks after Japanese Prime Minister Sanae Takaichi suggested the possibility of military action based on Japan's national security concerns if China were to take aggressive measures against Taiwan. In response, Beijing suspended Japanese seafood imports and halted negotiations on resuming Japanese beef exports, following a previous ban. Chinese authorities also issued travel advisories discouraging citizens from visiting Japan. The heightened tensions triggered selloffs in Japanese equities, with tourism- and retail-related stocks experiencing

sharp declines. At the same time, the Japanese yen (JPY) weakened, reflecting increased risk aversion among investors.

Upcoming Events: Key Economic Data Release

Monday	Singapore Consumer Inflation (October)
Tuesday	U.S. Producer Prices & Retail Sales (September), U.S. Weekly ADP Employment Change
Wednesday	UK 2026 Budget, Australia Consumer Inflation (October), Singapore Industrial Production (October)
Thursday	Malaysia Producer Prices (October), Euro Area Economic Sentiment (November)
Friday	Japan Unemployment Rate, Industrial Production & Retail Sales (October), Singapore Producer Prices (October)

Table 1: Selected Currencies Overview

	7-Nov	14-Nov	21-Nov	WoW	YTD
DXY Index	99.60	99.30	100.18	0.9%	-7.7%
USDMYR	4.18	4.13	4.15	0.4%	-7.3%
XAUUSD	4,001.26	4,084.06	4,065.14	-0.5%	54.9%
EURUSD	1.16	1.16	1.15	-0.9%	11.2%
GBPUSD	1.32	1.32	1.31	-0.5%	4.7%
AUDUSD	0.65	0.65	0.65	-1.3%	4.3%
USDSGD	1.30	1.30	1.31	0.7%	-4.2%
USDJPY	153.42	154.55	156.41	1.2%	-0.5%
USDCNY	7.12	7.10	7.11	0.1%	-2.7%

Sources: Bloomberg, Bank Islam

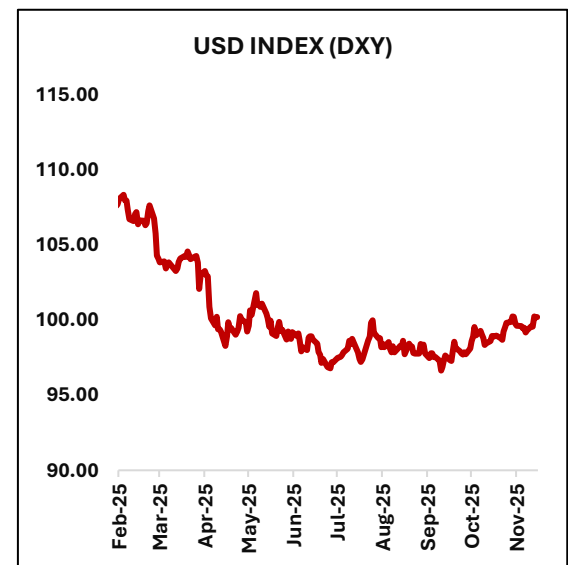
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Commentaries

DXY: USD strengthened as investors weighed on the Fed's policy path

The USD index appreciated by 0.9% w-o-w for the week ending November 21, climbing above the 100-level following the October FOMC minutes release. Taking cues from the cautious tone, markets had dialled back their rate cut hopes which led to the USD appreciating, closing at 100.23 on Wednesday. Nevertheless, the greenback retreated slightly, albeit still trending above 100.0, following a mixed bag of job market figures amid rising probabilities of a December rate cut.

Short-term outlook: Following the end of the U.S. government shutdown, the Bureau of Labor Statistics (BLS) had released the delayed September job market data, but the agency also confirmed that the October jobs report will not be published. This meant that the Fed would head into its December meeting with the September figures as guidance on the current job market conditions, extending the ambiguity surrounding the central bank's decision. While some indicators point towards a slowing momentum, it begets the question whether the moderation is significantly notable to warrant a rate cut. Previously, Boston Fed President Susan Collins shared her view that an absence of a "notable labor market deterioration" prompts hesitance to ease on her part while Kansas City Fed President Jeffrey Schmid opined that further reductions would not greatly shift the scales on employment risks. Together with St. Louis Fed President Alberto Musalem, these policymakers are vocal on assigning greater weight on inflationary risks in policy considerations. In the other camp, New York Fed President John Williams as well as Fed Governors Stephen Miran and Christopher Waller favored further easing to get ahead of the labour market slowdown. Amid the growing divergence and heightened uncertainty, we expect the USD to trade on a cautious note, likely fluctuating within a 99.80–100.50 range in the near term.

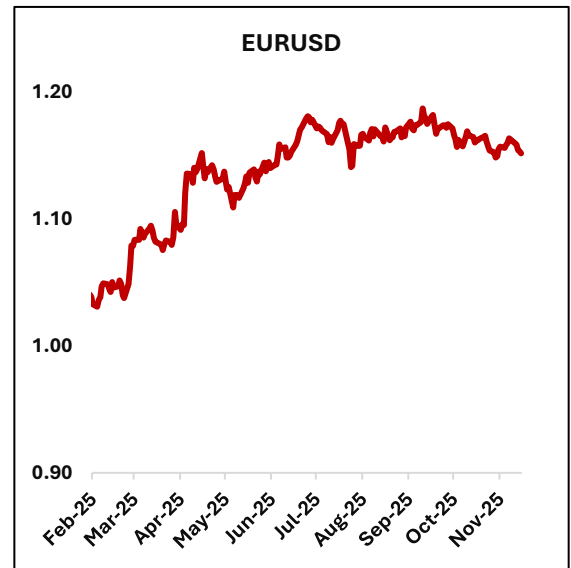


Source: Bloomberg

EURUSD: Euro depreciated amid a slew of weak economic data

The Euro declined by 0.9% w-o-w following a surprise contraction in the Manufacturing Purchasing Managers' Index (PMI) alongside slower wage growth in the region. Preliminary figures showed that the manufacturing PMI slipped to a five-month low of 49.7 points in November, missing expectations of an expansion in factory activities (Est: 50.2 points). The softer than expected figure highlighted the manufacturing sector's volatile performance, erasing optimism of a sustained expansion in the sector and exerting pressure on the EUR. Additionally, negotiated wages in the region grew by 1.87% y-o-y in 3Q2025, moderating sharply compared to 4.01% in 2Q2025 and marking the lowest level since 4Q2021. While the slower increase curbs demand-driven price pressures, it could pose as a risk to consumer spending and potentially weigh on growth prospects.

Short-term Outlook: On the other hand, European Central Bank (ECB) President Lagarde, speaking at the 35th European Banking Congress, affirmed that the ECB will continue to adjust its policy settings to keep inflation on target. With headline inflation easing to 2.1% in October (Sep: 2.2%) and core inflation steady at 2.4%, the remarks reinforce expectations that policy rates are likely to remain unchanged in the near term. The EUR remained largely flat following the speech, as markets had already priced in the December policy decision. With a relatively light data calendar ahead, the USD is expected to drive near-term EUR/USD movements, with the pair likely trading within a 1.1490–1.1540 range.

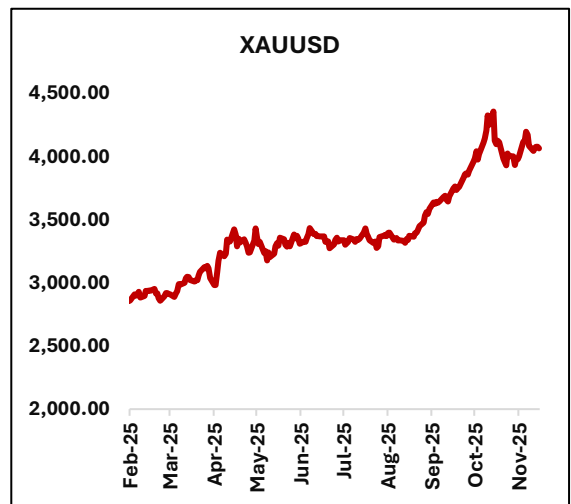


Source: Bloomberg

XAUUSD: Gold price traded range-bound despite safe haven demand

Gold prices edged down 0.5% during a subdued trading week, moving within a USD4,040–USD4,080 range. The retreat was driven by a stronger USD and the Gold's inability to break through key technical resistance. Investor caution also weighed on prices, as markets digested mixed data that added uncertainty to the Fed's policy outlook. Nevertheless, underlying demand for gold remains supported by continued central bank buying and a modest safe-haven lift amid rising tensions between Japan and China.

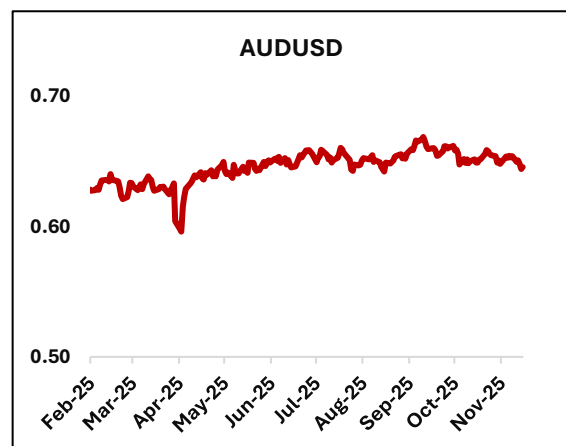
Short-term Outlook: Looking ahead, gold is expected to gain modest support from intensifying geopolitical risks, ongoing macroeconomic uncertainties, and heightened expectations for a Fed rate cut. While attempts to break above current resistance may require a fresh catalyst to generate momentum, the overall technical outlook remains bullish. Gold is likely to trade range-bound in the near term, with support around USD4,000 and resistance near USD4,100, maintaining its broader upward trajectory.



Source: Bloomberg

AUDUSD: Australian Dollar plunged on the back of the USD's rise

The Australian dollar fell 1.3% w-o-w, weighed down by a stronger USD despite rising expectations that the Reserve Bank of Australia (RBA) will keep policy steady at its final meeting of the year. In November, the RBA unanimously maintained the cash rate at 3.6%. Meeting minutes revealed that inflation measures were "significantly higher" than expected, with underlying price pressures proving more persistent than previously assessed. The minutes also highlighted that various labour market indicators "still pointed to some remaining tightness," while the broader job market outlook remained relatively stable, prompting markets to place greater emphasis on upside inflation risks when shaping policy expectations. Adding to the backdrop, the Australian economy expanded 0.6% q-o-q in 3Q2025, up from 0.3% in 2Q, supported by stronger household and government spending as well as net exports.

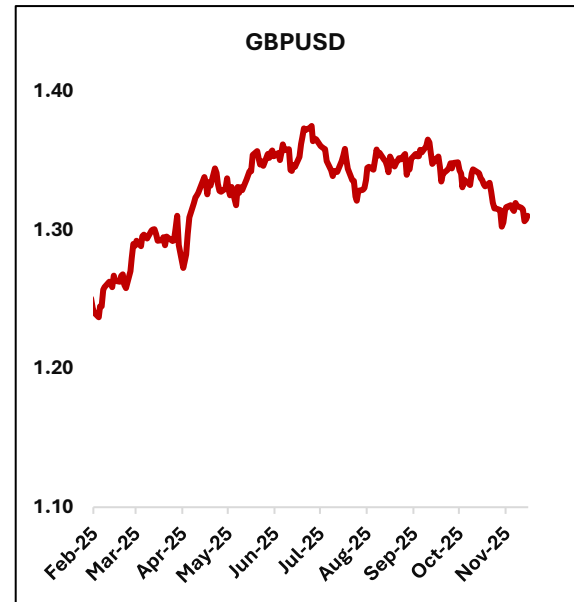


Short-term Outlook: Looking ahead, the RBA is poised to hold its cash rate steady in December to address the elevated inflationary pressures. Following the surprise increase in September inflation, markets will be on high alert for the October inflation figures, slated to be released on Wednesday, for further hints into the central bank's policy path. As such, we are mildly bullish on the AUDUSD and expect the pair to trade between the range of 0.6420 – 0.6530.

GBPUSD: British Pound slipped as consumer spending contracted

The British pound (GBP) fell 0.5% w-o-w amid growing expectations of a 25 bp cut at the Bank of England (BOE)'s final meeting of the year. The decline was supported by weaker-than-expected retail sales, which contracted 1.1% m-o-m in October (est. 0.0%) following a 0.7% increase in September, driven by slower supermarket, clothing, mail-order, and online sales. Consumer demand softened partly in anticipation of Black Friday and broader Thanksgiving discounts, while tighter financial conditions and a cooling labour market weighed on household purchasing power. On an annual basis, retail sales grew only 0.2% (Sep: 1.0%, est. 1.5%), marking the lowest level since May. Disinflationary pressures further reinforced expectations of policy easing. Headline inflation eased to 3.6% y-o-y in October (Sep: 3.8%), supported by slower price increases in housing, utilities, restaurants and hotels, services, and clothing and footwear. Core inflation also fell to a six-month low of 3.4% (Sep: 3.5%), in line with expectations. The combination of easing price pressures, a cooling job market, and weaker demand positions the BOE to deliver further rate cuts comfortably.

Short-term Outlook: Looking ahead, another rate reduction appears likely as the BOE seeks to mitigate a slowdown in economic activity. The UK economy expanded at its slowest pace since 4Q2023 in 3Q2025, growing just 0.1% m-o-m compared with 0.3% in 2Q. Markets will also focus on the upcoming Autumn Budget, which is expected to introduce a mix of broader tax measures likely to weigh on business and consumer confidence. These factors reinforce a dovish outlook on BOE policy, supporting a bearish view on GBP/USD, which is expected to trade in the 1.3025–1.3210 range.

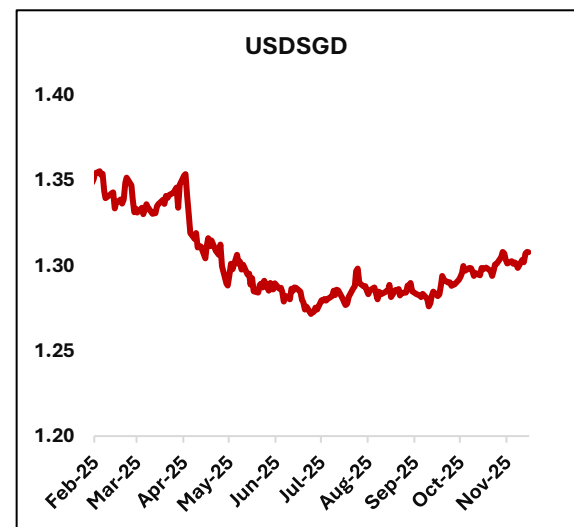


Source: Bloomberg

USDSGD: Singaporean Dollar weakened despite robust economic data

The Singapore dollar slipped 0.7% w-o-w, pressured by a stronger USD despite robust economic data. October exports surged 22.2% y-o-y, up sharply from September's 7.0%, marking the fastest pace since November 2021. Growth was broad-based, with strong gains in both electronics and non-electronics exports, including PCs (+77.7%), ICs (+40.9%), pharmaceuticals (+25.2%), and specialised machinery (+16.1%). Although exports to the U.S. declined following the implementation of 10% tariffs on Singaporean goods, the country benefited from diversified trade, with faster shipment growth to Thailand, Hong Kong, Taiwan, South Korea, and Malaysia. Final GDP estimates also surprised positively, with the economy accelerating 4.2% y-o-y in 3Q2025 (2Q2025: 4.7%), well above the flash estimate of 2.9%, supported by manufacturing, wholesale trade, and finance & insurance. On a quarterly basis, growth came in at 2.4% (2Q2025: 1.7%), higher than the preliminary 1.3% estimate. Following the strong GDP print, the Ministry of Trade and Industry (MTI) upgraded its 2025 growth forecast to ~4.0% from 1.5%–2.5% previously.

Short-term Outlook: Looking ahead, industrial production figures will be closely watched for further insights into factory activity momentum. The economy has navigated external trade volatilities and domestic headwinds, supported by the global technology upcycle and rapid adoption of Artificial Intelligence, which has boosted demand for electronics exports. We maintain a neutral to slightly bullish view on USD/SGD, expecting the pair to trade within 1.3020–1.3105.

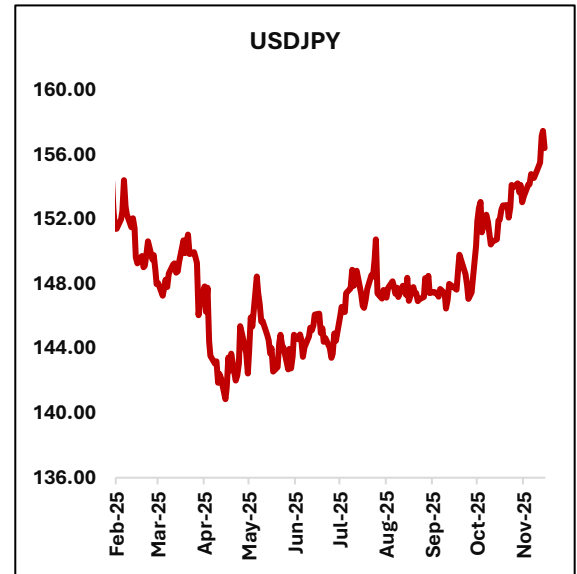


Source: Bloomberg

USDJPY: Japanese Yen plummeted amid rising tensions with China

The Japanese yen (JPY) fell 1.2% w-o-w as rising tensions with China heightened investor risk aversion, triggering broad selloffs in Japanese assets. The situation intensified after the Japanese government advised its schools operating in China to strengthen security measures, raising concerns of a potential broader conflict. On the economic front, Japan's GDP contracted 0.4% q-o-q in 3Q2025 (2Q2025: +0.6%), marking its first quarterly decline since 1Q2024. The slowdown was driven by weaker private spending and net imports amid subdued consumer and business confidence, global trade disruptions, and higher U.S. tariffs. On an annual basis, GDP fell 1.8%, compared with 2.3% growth in the previous quarter, exerting further pressure on the JPY. The slowdown also casts uncertainty over the Bank of Japan's (BOJ) policy normalization path, as tighter monetary conditions are likely to weigh on spending. Nevertheless, inflationary pressures remain persistent. Headline inflation rose to 3.0% in October (Sep: 2.9%), fueled by higher electricity prices following subsidy expiries and increased costs in food, transport, household items, recreation, and communications. Core inflation held at 3.0% (Sep: 2.9%), while core-core inflation edged up to 3.1% (Sep: 3.0%), supporting the case for higher rates.

Short-term Outlook: Moving forward, the BOJ faces a challenging policy environment, balancing persistent price pressures against weakening economic activity. This week's key data releases, including October's unemployment rate, industrial production, and retail sales, will be closely monitored to guide market expectations. We maintain a mildly bullish view on USD/JPY, with a likely trading range of 155.90–157.50.

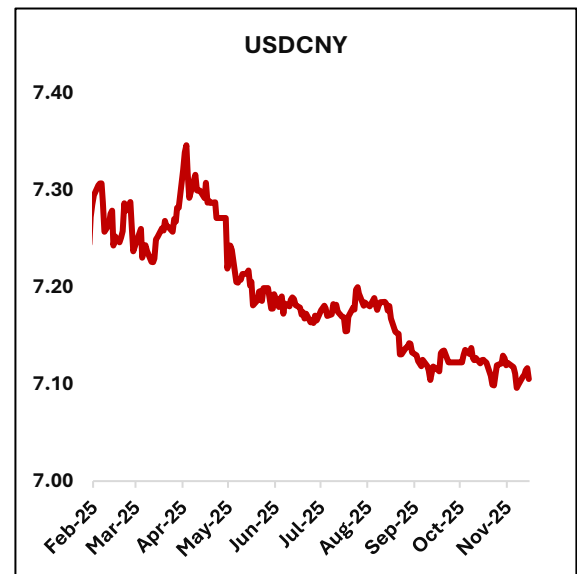


Source: Bloomberg

USDCNY: Chinese Yuan dipped on geopolitical concerns

The Chinese yuan (CNY) slipped 0.1% as investors cautiously monitored escalating tensions with Japan, while domestic data remained largely uneventful. Some support emerged for the currency after the People's Bank of China (PBOC) kept the one-year Loan Prime Rate (LPR) steady at 3.0% and the five-year LPR at 3.5%. The Chinese economy has shown notable resilience, with GDP expanding 5.2% in the first nine months of 2025, putting the country on track to meet its official ~5.0% growth target. This performance reduces the immediate need for further stimulus for the remainder of the year. Looking ahead, the implementation of the Value-Added Tax (VAT) law in 2026 is expected to strengthen the tax system and boost government revenue, which could be directed toward fiscal measures to support growth.

Short-term Outlook: Under China's 15th Five-Year Plan (2026–2030), the government aims for annual growth of 4.5%–5.0%, consistent with 2023–2024 performance but below the pre-pandemic historical average of 6%–8%. This suggests scope for more proactive stimulus in the future. In the near term, we maintain a neutral to slightly bullish view on USD/CNY, anticipating the pair to trade within 7.1025–7.1180.



Source: Bloomberg

USDMYR: The Ringgit fell despite pickup in exports while inflation remains stable

The ringgit depreciated 0.4% w-o-w against the USD despite a strong surge in exports. October trade data showed Malaysia's exports rising 15.7%, up from 12.5% in September, marking the fastest pace in six months. Growth was broad-based, with manufacturing exports up 15.7% (Sep: 12.8%) and agriculture exports surging 20.3% (Sep: 6.4%), while mining exports rose 8.0% (Sep: 4.3%). This underscores that external demand remains resilient, despite slower shipments to the U.S. amid higher tariffs. Imports also increased by 11.2% (Sep: 7.2%). Headline inflation eased to 1.3% in October from 1.5% in September, supported by slower price rises in food & beverages (1.5% vs. 2.1%), clothing & footwear (-0.3% vs. -0.2%), and housing, water, electricity, gas & other fuels (1.1% vs. 1.5%). The BUDI MADANI RON95 (BUDI95) program also helped

reduce transport costs, with transportation inflation declining 0.1% from 0.7% in the previous month. However, core inflation rose to a two-year high of 2.2% (Sep: 2.1%).

Short-term Outlook: Looking ahead, Thursday's Producer Price Index (PPI) release will provide insights into supply-side price pressures. The PPI has been declining for seven consecutive months since March, reinforcing disinflationary trends and supporting a broadly stable inflation outlook. We maintain a bearish view on USD/MYR, expecting the pair to trade within 4.1350–4.1850 range.

Table 2: Selected Currencies Overview (MYR Crosses)

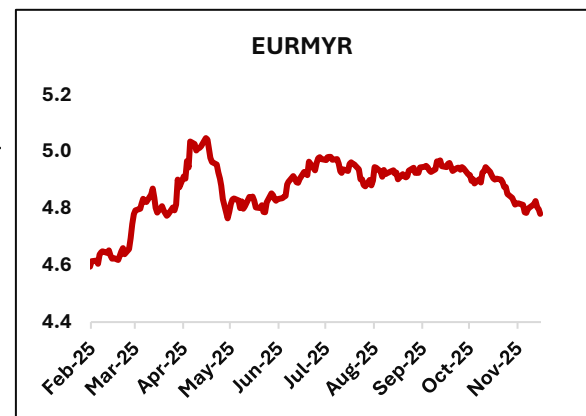
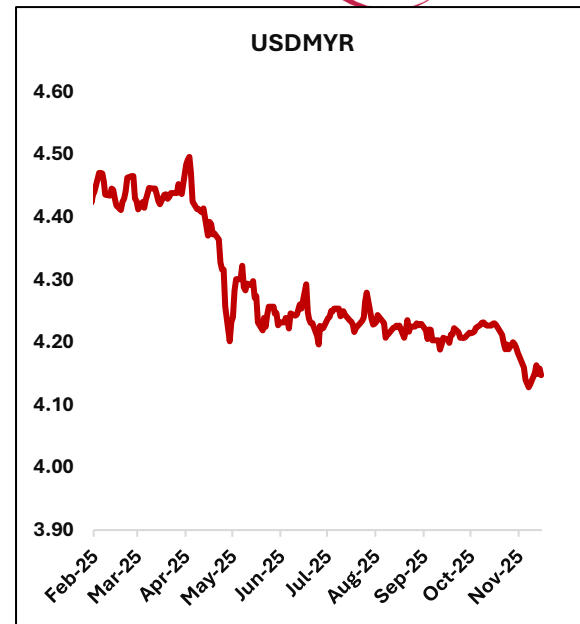
	7-Nov	14-Nov	21-Nov	WoW	YTD
USDMYR	4.1768	4.1328	4.1475	0.4%	-7.3%
EURMYR	4.8177	4.8021	4.7803	-0.5%	2.6%
GBPMYR	5.4705	5.4369	5.4173	-0.4%	-3.5%
SGDMYR	3.2031	3.1743	3.1711	-0.1%	-3.5%
JPYMYR	2.7215	2.6736	2.6523	-0.8%	-6.8%
AUDMYR	2.7076	2.6952	2.6695	-1.0%	-4.0%
CNYMYR	0.5862	0.5820	0.5833	0.2%	-4.8%

Sources: Bloomberg, Bank Islam

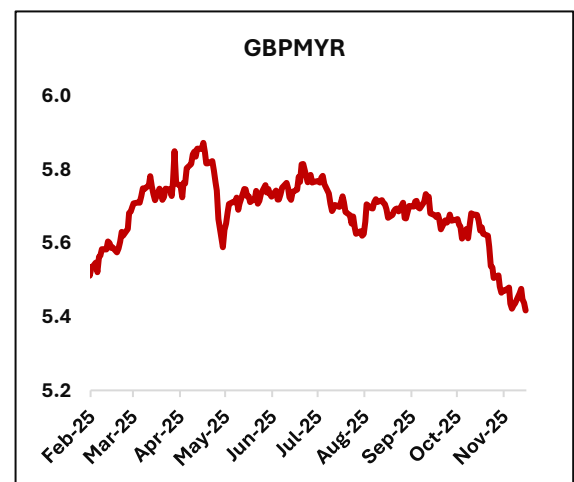
Short Term Outlook for Ringgit Pairs

The outlook for EUR/MYR is neutral to mildly bullish, as the ECB appears well-positioned to maintain its current policy stance. While this provides underlying support for the EUR, markets have largely priced in this expectation, limiting potential upside. With a relatively quiet data calendar for both economies, we expect EUR/MYR to trade within a narrow range in the near term.

The outlook for GBP/MYR remains bearish amid a slew of softer UK economic data, solidifying the case for further BOE easing. Meanwhile, Bank Negara Malaysia (BNM) is anticipated to maintain the Overnight Policy Rate (OPR) at 2.75% amid robust growth momentum. As such, the narrowing interest rate differentials will give the MYR an edge over the GBP.

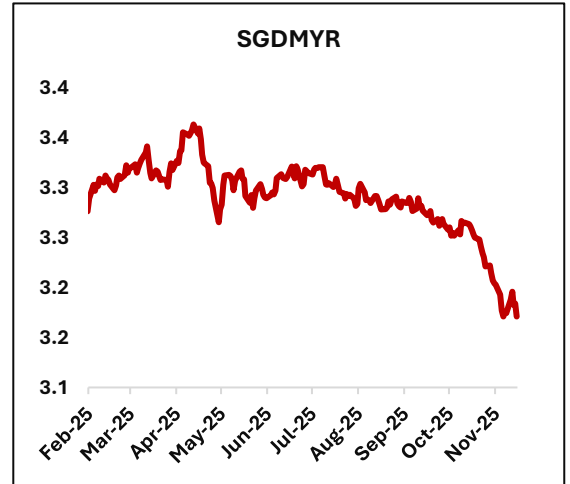


Source: Bloomberg



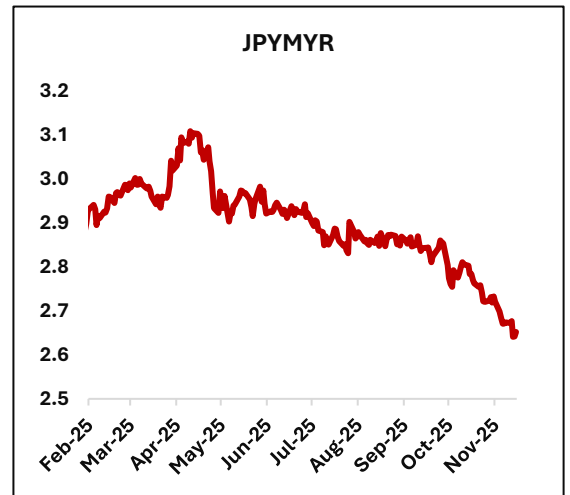
Source: Bloomberg

The outlook for SGD/MYR remains mildly bearish, as both economies posted stronger-than-expected growth in 3Q2025, aligning their near-term growth prospects. October export performance for both countries remained robust, reflecting the success of front-loading strategies and trade diversification, while both continue to benefit from the global technology upcycle. However, Malaysia holds a slight advantage due to resilient consumer spending and broader bullish momentum, supporting the ringgit's modest appreciation against the SGD.



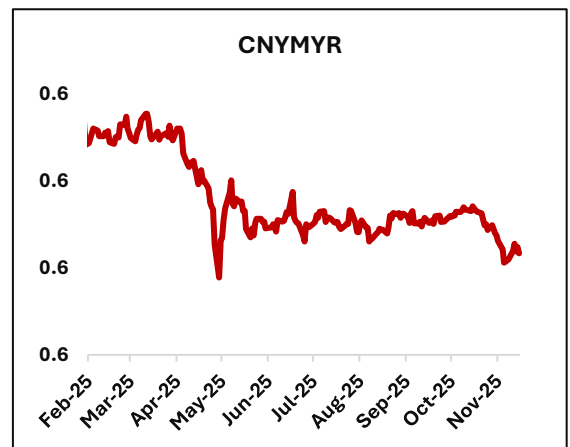
Source: Bloomberg

The outlook for JPY/MYR is bearish amid rising geopolitical concerns in East Asia, which continue to drive a flight from Japanese assets. With no clear resolution in sight, particularly given the historical complexities of China-Japan relations, the JPY is likely to remain under prolonged pressure. Uncertainty around the pace of BOJ policy normalization, in the context of weak 3Q2025 growth, a cooling labour market, and persistent inflationary pressures, further weighs on the currency. In contrast, clearer policy direction in Malaysia enhances the appeal of the MYR. As a result, JPY/MYR is expected to trade with a bearish bias in the near term.



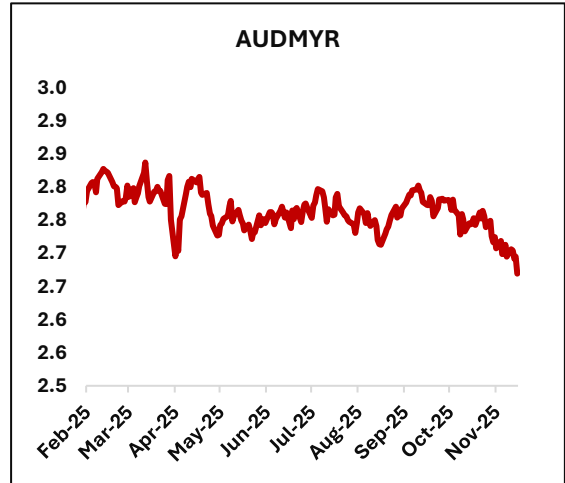
Source: Bloomberg

The outlook for CNY/MYR remains neutral-to-slightly bearish as investors remain cautious on the CNY/MYR trading pair following the Japan-China tensions. Nevertheless, both economies remained resilient in the year of intensifying global headwinds, keeping investor confidence anchored. Without significant market-moving catalysts anticipated this week, the pair will likely be dominated by investors' risk sentiments.



Source: Bloomberg

The outlook for AUD/MYR is slightly bullish amid rising expectations that the RBA will keep its cash rate steady in December, supported by hawkish signals from the latest RBA minutes. Inflationary pressures in Australia remain persistently elevated, with a surprise uptick in September adding to the upside risks. In contrast, Malaysia's stable inflation keeps the BNM's policy path relatively predictable, barring any unexpected policy reforms. This relative clarity makes the MYR less attractive, potentially supporting a modest appreciation in AUD/MYR.



Source: Bloomberg

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