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SOFTER THAN EXPECTED PRIVATE HIRING MOMENTUM BUILDS CASE FOR A FED CUT

Weaker than expected private hiring reinforced Fed easing bets. The latest data showed that U.S. private-sector payrolls contracted by 32K in November, the sharpest decline since March 2023, compared with an upwardly revised 47K increase in October. This sharply undershot the consensus expectation of a 10K gain, signalling that labor market conditions are cooling more rapidly than anticipated as prolonged macroeconomic uncertainties weigh on business confidence. Looking closer, the weakness was concentrated in small establishments, which shed a substantial 120K jobs in November. This suggests that smaller firms, already more vulnerable due to limited financial flexibility, thinner margins, and weaker pricing power, are experiencing greater stress amid tighter trade and immigration conditions under the Trump administration. In contrast, medium and large firms remained more resilient, adding 51K and 39K jobs respectively. Sectoral performance was equally uneven. Job losses were recorded in manufacturing (-18K), professional and business services (-26K), information (-20K), construction (-9K), and financial activities (-9K). Conversely, education and health services (+33K), leisure and hospitality (+13K), natural resources and mining (+8K), and trade, transportation, and utilities (+1K) continued to post gains.

Overall, the sharp pullback in private hiring has reinforced expectations of a 25 bp Federal Funds Rate (FFR) cut in December, with CME FedWatch probabilities rising to nearly 90% following the release. Prior to this, market expectations were split amid the Federal Open Market Committee’s (FOMC) cautious balancing of risks between inflation and employment. However, the latest data strengthened the view that a near-term policy adjustment is warranted to mitigate rising downside risks to the labor market. Adding to this narrative, core Personal Consumption Expenditure (PCE) inflation rose 2.8% y-o-y in September, slightly below 2.9% in August, signalling continued moderation in underlying price pressures. On a monthly basis, core PCE increased 0.2% for the third consecutive month. With inflation easing and labor market risks becoming more pronounced, markets now anticipate the Fed lowering the FFR toward the 3.50%–3.75% range.

Upcoming Events: Key Economic Data Release

Monday	**Japan 3Q2025 GDP Final Estimates, China Trade Performance (November)**
Tuesday	**U.S. JOLTS Job Openings (November), Reserve Bank of Australia (RBA) Monetary Policy Decision**
Wednesday	**China Consumer & Producer Prices (November), Malaysia Unemployment Rate (October), Japan Producer Prices (November)**
Thursday	**U.S. Federal Reserve (Fed) Monetary Policy Decision, Fed Summary of Economic Projections, U.S. Trade Performance (September)**
Friday	**Japan, UK & Malaysia Industrial Production (October), Singapore 3Q2025 Unemployment Rate, Malaysia Retail Sales (October)**

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Table 1: Selected Currencies Overview

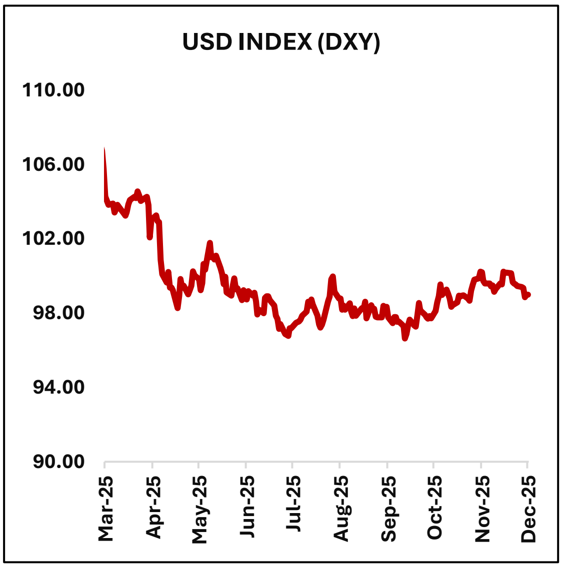
	21-Nov	28-Nov	5-Dec	WoW	YTD
DXY Index	100.18	99.46	98.99	-0.5%	-8.8%
USDMYR	4.15	4.13	4.11	-0.5%	-8.0%
XAUUSD	4,065.14	4,239.43	4,197.78	-1.0%	59.9%
EURUSD	1.15	1.16	1.16	0.4%	12.4%
GBPUSD	1.31	1.32	1.33	0.7%	6.5%
AUDUSD	0.65	0.66	0.66	1.4%	7.3%
USDSGD	1.31	1.30	1.30	-0.1%	-5.1%
USDJPY	156.41	156.18	155.33	-0.5%	-1.2%
USDCNY	7.11	7.07	7.07	0.0%	-3.1%

Sources: Bloomberg, Bank Islam

Commentaries

DXY: USD dipped as softer private hiring figures reinforced rate cut hopes

The USD Index weakened by 0.5% w-o-w for the week ending December 5, pressured by rising expectations of a 25 bp FFR cut at this week's FOMC meeting. The latest ADP employment report helped provide clearer direction for markets after several weeks of heightened uncertainty driven by diverging signals from Fed policymakers and a mixed run of labor-market data. In the wake of the softer hiring figures, the probability of a December rate cut climbed to 88% at the time of writing, weighing on the greenback and pushing the USD Index back below the 99 level.



Source: Bloomberg

Short-term outlook: Market attention is firmly on this week's FOMC meeting on 9–10 December, alongside the release of the Summary of Economic Projections (SEP), which will offer crucial guidance on the Fed's expected easing path in 2026. The delayed JOLTS Job Openings report, due Monday, will serve as the final data input before policymakers convene. With a December rate cut now almost fully priced in, the USD's near-term direction will hinge largely on the Fed's forward guidance rather than the decision itself. The communication from this meeting will also carry added weight given the impending leadership transition at the Federal Reserve. Chair Jerome Powell's term ends in May next year, and Kevin Hassett, Director of the U.S. National Economic Council, has emerged as the leading candidate to succeed him. Hassett's perceived dovish leanings and close alignment with President Trump have raised market concerns about the Fed's future independence and the potential implications for the pace and credibility of the upcoming easing cycle. Against this backdrop, we expect the USD to trade cautiously in the near term, with movements likely confined within the 98.75–99.40 range as markets await clearer policy signals.

EURUSD: Euro appreciated on the back of robust economic data

The euro (EUR) appreciated by 0.4% w-o-w, supported by the final release of 3Q2025 GDP data, which showed that the economy expanded by 1.4% y-o-y. Growth was underpinned by stronger government spending (3Q: 1.7% vs. 2Q: 1.5%) and a notable rebound in exports (3Q: 2.7% vs. 2Q: 0.5%). In contrast, household spending (3Q: 1.1% vs. 2Q: 1.6%) and investment (3Q: 2.5% vs. 2Q: 3.2%) moderated, reflecting a more cautious private-sector backdrop. On a quarterly basis, GDP rose 0.3% (2Q: 0.1%), slightly above the earlier estimate of 0.2%. The firmer growth suggests that the economy remains resilient despite ongoing ECB policy easing, which has helped support domestic demand and cushion the impact of political uncertainties and volatile global conditions. Complementing the upbeat GDP data, retail sales climbed 1.5% y-o-y in October (September: 1.2%), beating expectations of 1.3% and setting a positive tone for

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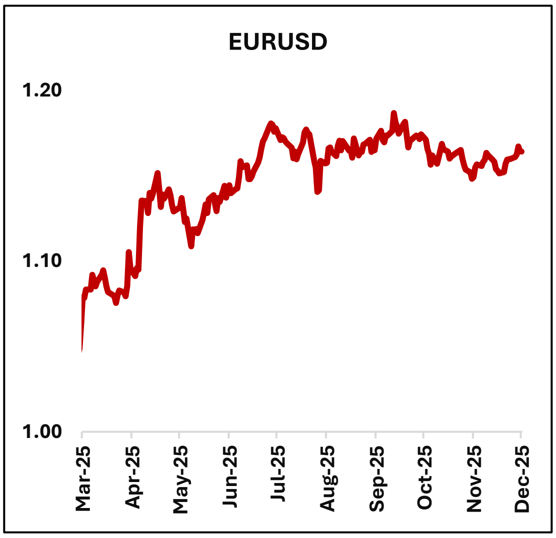
the final quarter of 2025. Overall, the steady economic momentum has helped sustain confidence in the region's outlook, providing a firm anchor for the EUR's recent strength.

Short-term Outlook: Looking ahead, the ECB appeared comfortably positioned to maintain its policy rate at the current levels in the near term. While flash estimates showed the headline inflation picking up to 2.2% in November from 2.1% in October (Est: 2.1%), core inflation remained steady at 2.4% which indicated underlying price pressures remained contained. ECB President Lagarde previously stated that the policy settings will be adjusted to keep inflation on target. However, some caution is warranted over the horizon as the job market appeared persistently loose. Of note, unemployment rate had stagnated at 6.4% for six consecutive months, beating consensus estimate of a slight dip to 6.3%. Nevertheless, markets had fully priced in the probabilities for the ECB's December meeting. Coupled with a relatively light data calendar ahead, near-term EUR/USD movement is expected to remain bullish with a 1.1615–1.1690 trading range.

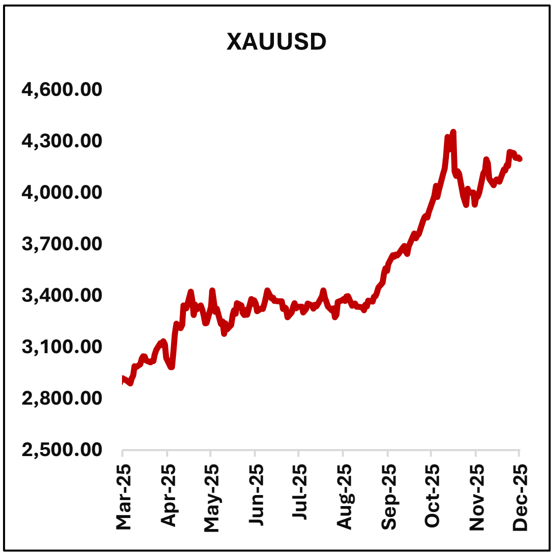


Source: Bloomberg

XAUUSD: Gold price slipped as investors locked in their gains

Gold prices depreciated by 1.0% w-o-w amid rapid profit-taking activities following its recent gains. The bullion price managed to break above the USD4,225-resistance level by end-November, driven by safe haven demand following the intensifying Japan-China tensions as well as concerns surrounding the Artificial Intelligence (AI) bubble. However, the XAU quickly retreated as investors cashed in on their profits, settling at USD4,197.78 on Friday.

Short-term Outlook: Looking ahead, gold is likely to receive modest support as investors position themselves ahead of Wednesday's FOMC meeting. While inflation remains above the Fed's 2% target, recent signs of labor market cooling have strengthened expectations of a rate cut aimed at shoring up economic activity. A lower interest-rate environment would reduce the opportunity cost of holding non-yielding assets such as gold, offering a supportive backdrop for the precious metal. Geopolitical risks are also adding to gold's appeal. Tensions between Japan and China escalated over the weekend, with both sides issuing conflicting statements about incidents near Japan's Okinawa islands. Continued uncertainty in the region could provide additional safe-haven demand, reinforcing gold's upward momentum. Meanwhile, central bank purchases remain a significant tailwind. The People's Bank of China (PBoC) increased its gold reserves for the 13th consecutive month, adding 30,000 troy ounces in the latest tally and bringing total holdings to roughly 74.12 million troy ounces. This sustained buying cycle, which began in November 2024, signals ongoing strategic demand that could further underpin prices. With these factors in play, bullion may accumulate enough momentum to test, and potentially break above, the USD4,250 resistance level this week, while immediate support is seen around USD4,150.

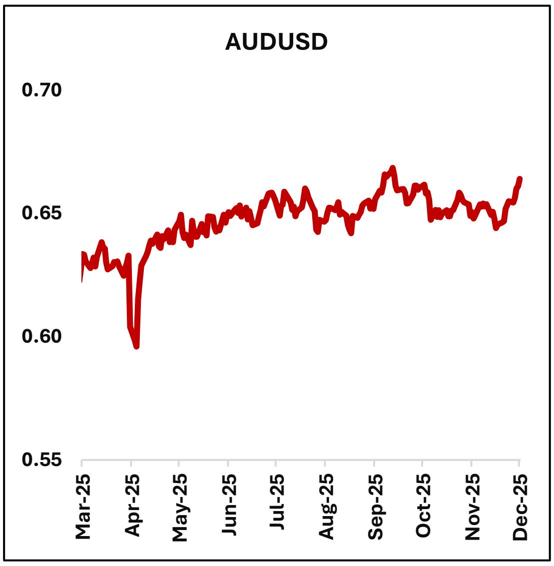


Source: Bloomberg

AUDUSD: Australian Dollar surged on solid 3Q2025 GDP growth

The Australian dollar strengthened by 1.4% w-o-w as the economy grew by 0.4% q-o-q in 3Q2025, slightly lower than the upwardly revised 0.7% rise in 2Q2025. The expansion was underscored by a sharp jump in private investment (3Q: 2.9% vs. 2Q: 0.2%), which marked the highest level since 1Q2021, and a rebound in public investment (3Q: 3.0% vs. 2Q: -3.5%). On the other hand, slower increases were seen in household consumption (3Q: 0.5% vs. 2Q: 0.9%), government spending (3Q: 0.8% vs. 2Q: 0.9%) and exports (3Q: 1.0% vs. 2Q: 2.3%). The economy expanded by 2.1% annually (Est: 2.2%), slightly higher than 2.0% in the previous quarter. The resilient performance solidified expectations that the Reserve Bank of Australia (RBA) will maintain its cash rate at 3.6% at its final meeting of the year, providing support to the AUD. Household spending remained robust heading into 4Q2025 as it increased by 5.6% in October (Sep: 5.1%), the fastest pace since November 2023. This provides the RBA greater assurance that domestic demand is still solid, following on the heel of a relatively stable labour market, which places the sticky inflationary pressures on the forefront of policy considerations.

Short-term Outlook: The AUD/USD pair begins the week in a bullish consolidation phase, trading in a narrow range near its highest level since September 16. Spot prices currently hover around 0.6640 as market participants await China's trade balance data for potential direction ahead of key central bank events this week. The Reserve Bank of Australia (RBA) is widely expected to maintain its cash rate on Tuesday, with Governor Philip Lowe noting last week that inflation has yet to return sustainably to the bank's 2–3% annual target range. Recent inflation data underscore this challenge, Australia's headline inflation rose to 3.8% in October (Sep: 3.6%), well above the RBA's target, while the trimmed mean measure edged up to 3.3% (Sep: 3.2%). Against this backdrop, the AUD remains supported, and we maintain a bullish view on AUD/USD, expecting the pair to trade within a 0.6510–0.6660 range. Market focus will also turn to Thursday's labor market report, which could provide further insight into the RBA's post-meeting policy guidance.

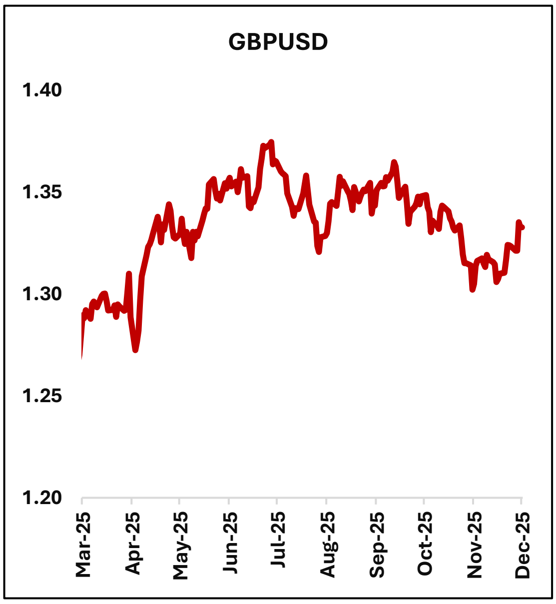


Source: Bloomberg

GBPUSD: British Pound climbed amid surprise uptick in services PMI

The British pound (GBP) rose by 0.7% w-o-w amid signs of resilient services and manufacturing sector. The S&P Services Purchasing Managers' Index (PMI) was revised upwards to 51.3 in November from a preliminary estimate of 50.5 (Oct: 52.3), indicating that the business landscape is less bleak than expected. However, a closer look revealed that business activity slowed against a backdrop of weak consumer confidence, heightened Budget-related uncertainty as well as softer demand domestically and globally. On the other hand, the S&P Manufacturing PMI increased to 50.2, in line with the initial estimate, which marked the first expansion above the 50.0 neutral level in fourteen months. This was driven by an expansion in output as well as a rebound in new orders following a 13-month decline. Additionally, both manufacturers and service providers noted their optimism surrounding business performance moving forward, injecting some confidence into investors.

Short-term Outlook: While the S&P reports held onto a positive note, the current economic landscape remains gloomy as the economy grew at the slowest pace since 4Q2023 in 3Q2025 (0.1% m-o-m vs. 2Q: 0.3% m-o-m). As such, the expectations of a quarter-point cut to the Bank of England (BOE)'s bank rate remains intact, which would lower it to 3.75%. The dovish view is also supported by the recent Autumn Budget which included more than GBP26 billion worth of tax hikes as well as freezing the income tax threshold up to 2030, a highly controversial move as it would gradually expand the tax base. Without adjusting for inflation, wages increase will move households across the fixed threshold, constraining their purchasing power over the period. Amid the downbeat consumer confidence and reinforced hopes of a BOE cut, the GBP/USD is expected to trade with a bearish bias, moving within the 1.3145–1.3370 range.

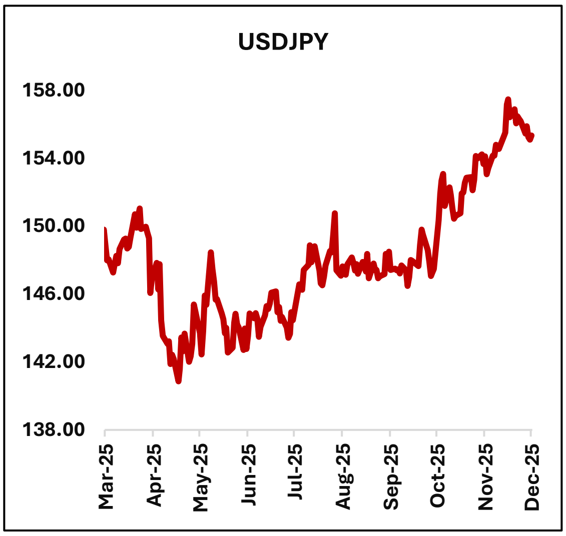


Source: Bloomberg

USDJPY: Japanese Yen appreciated following hawkish BOJ signals

The Japanese yen (JPY) strengthened by 0.5% as w-o-w as Bank of Japan (BOJ) Governor Kazuo Ueda remarked that the central bank is weighing the "pros and cons of raising the policy interest rate", delivering a more hawkish tone than markets expected. As a result, Japanese 2-year government bond yield surged to the highest level since 2008 while its 10-year Treasury yield marked its highest level in 17 years. Meanwhile, the USD/JPY pair retreated to the 155-level before closing at 155.33. However, latest household spending figures threw a curveball into the picture as consumer demand appeared to cool considerably. October household spending declined by 3.0% y-o-y (Sep: 1.8%), much faster than the consensus estimate of a 1.0% rise. On a monthly basis, it recorded a steeper contraction of 3.5% (Sep: 0.7%), missing expectations of a slight rebound. This underscores the fragility of Japan's sluggish domestic demand, exacerbated by persistently elevated price pressures which further tightened consumer spending. With the possibility of a rate hike still in the air, softer than expected domestic economic activities builds a case for a slower pace of tightening.

Short-term Outlook: The BOJ faces a challenging policy environment, balancing persistent price pressures against weakening economic activity. While the near-term policy adjustment is clouded with uncertainties, the broader trajectory remains intact. The 2026 spring wage hikes would provide greater buffer against the weakening consumer demand, which supports the view that the central bank may stay pat in December. Furthermore, the 3Q2025 GDP was seen to decline faster than the previous estimate, contracting by 2.3% y-o-y, weighing in on policy expectations. On a quarterly basis, the economy slipped by 0.6% (2Q: 0.5%) against the previous estimate of a 0.5% drop. With the slew of weak economic data and an intensifying conflict with China, we hold mildly bearish view on USD/JPY, with a likely trading range of 153.50–157.25.

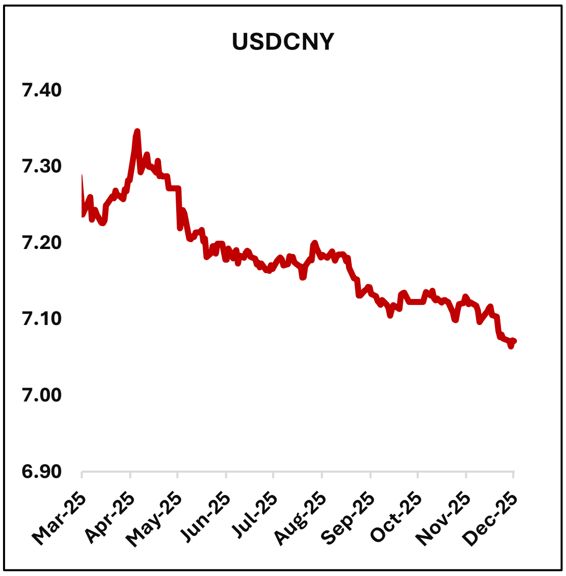


Source: Bloomberg

USDCNY: Chinese Yuan ended flat amid rising geopolitical fears

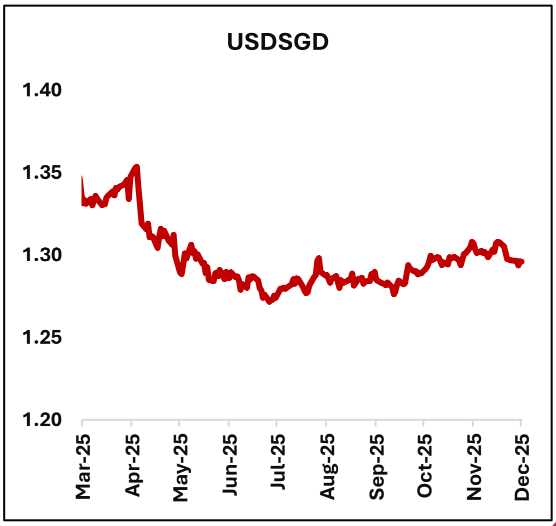
The Chinese yuan (CNY) traded within a limited range between 7.06-7.08 last week as tensions between Japan and China continued to rise. On the economic data front, the RatingDog manufacturing PMI fell to 49.9 in November from 50.6 in October, marking the lowest level since July. Looking closer, output and new orders remained subdued while purchasing levels and employment slowed, resulting in softer factory activities. However, business owners were still optimistic of a turnaround in the coming months. In contrast, the services PMI slowed to 52.1 (Oct: 52.6) albeit slightly higher than expectations of 52.0. However, new export orders had increased for both manufacturing and services providers following easing trade tensions with the U.S. As such, the mixed bag of data provided little change to the CNY, keeping the currency stagnant.

Short-term Outlook: Looking ahead, this week will be full of heavy hitters. China's trade figures will be released on Monday while consumer and supply-side prices is slated for Wednesday. These figures will provide fresh insights into the current dynamics of demand in the economy which would help shape its 2026 growth outlook. We maintain a neutral to slightly bearish view on USD/CNY, anticipating the pair to trade within 7.0580–7.1015.



USDSGD: Singaporean Dollar edged up amid a sharp rebound in retail sales

The Singapore dollar rose by 0.1% w-o-w, underpinned by signs of stronger than expected household spending. October retail sales jumped 4.5% y-o-y from 2.8% in September amid higher demand for watches and jewellery (Oct: 25% vs. Sep: 16.6%), recreational goods (Oct: 20.4% vs. Sep: 11.7%), motor vehicles (Oct: 9.7% vs. Sep: 7.8%), and optical goods and books (Oct: 6.9% vs. Sep: 4.7%). On the flip side, sales in petrol service stations recorded a deeper decline (Oct: -17.4% vs. Sep: -8%) while department stores (Oct: 2.8% vs. Sep: 3.7%) and supermarkets (Oct: 3.6% vs. Sep: 5.2%) marked slower increases. On a monthly basis, retail sales rebounded sharply by 2.3% in the same month, up from a 1.4% contraction previously. Household spending appears to be gaining momentum against a backdrop of stable inflation and improving consumer confidence. This followed on the heel of a surprise uptick in 3Q2025 GDP growth, suggesting that the Singaporean economy is faring better than expected through the external headwinds.



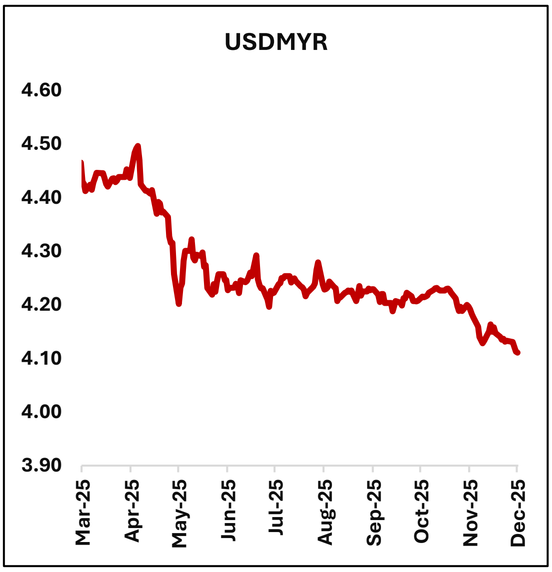
Source: Bloomberg

Short-term Outlook: It will be a relatively light calendar week on the data front; thus, the USD is expected to drive near-term USD/SGD movement. Nonetheless, the 3Q2025 unemployment rate figure will be released on Friday, shedding some light into the current landscape of the job market. With markets anticipating another quarter of solid employment growth while unemployment rate settles around 2.0%, this will provide some support to the SGD. We maintain a slightly bearish view on USD/SGD, expecting the pair to trade within the 1.2930–1.3050 range.

USDMYR: The Ringgit breached the RM4.10-level on Friday

The ringgit appreciated by 0.5% w-o-w, gaining momentum on the back of the USD's weakness. Notably, the local note marked the highest level in over four years last Friday at RM4.1033 before ending at RM4.1108. The rise was also supported by the return of foreign investors into the local capital markets, buoyed by optimism surrounding Malaysia's solid growth prospects. Latest data revealed sharp rebounds in the production of Crude Oil and Condensate, which jumped by 7.9% y-o-y in 3Q2025 (2Q: -1.9%) as well as Natural Gas, which recorded a double-digit revival of 11.8% (2Q: -8.0%). This bolstered buying interest into the Energy and Industrial sectors. With the mining sector on a solid recovery road following quarter of softer performance amid scheduled maintenance efforts, all sectors of the economy are poised for expansions in the final quarter of 2025.

Short-term Outlook: Looking ahead, Wednesday's unemployment rate will provide insights into the labour market landscape while the industrial production and retail sales figures will deliver a broader look over the health of the economy. Heading into 4Q2025, these figures are crucial in shaping the tone of the quarter, likely lifting investor confidence on the economic outlook. We maintain a bearish view on USD/MYR, expecting the pair to trade within 4.1020–4.1250 range.



Source: Bloomberg

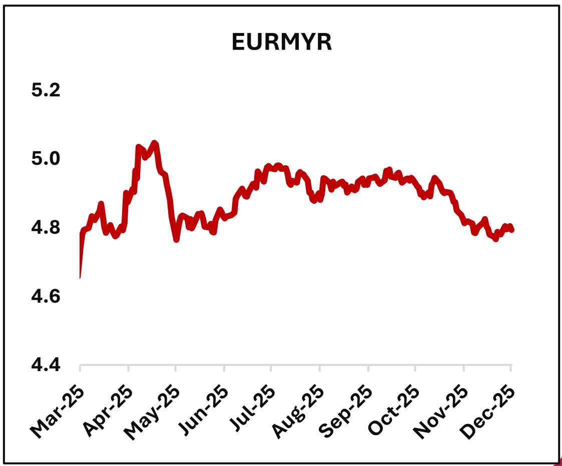
Table 2: Selected Currencies Overview (MYR Crosses)

	21-Nov	28-Nov	5-Dec	WoW	YTD
USDMYR	4.1475	4.1328	4.1108	-0.5%	-8.1%
EURMYR	4.7803	4.7803	4.7927	0.3%	2.9%
GBPMYR	5.4173	5.4590	5.4864	0.5%	-2.3%
SGDMYR	3.1711	3.1835	3.1756	-0.2%	-3.3%
JPYMYR	2.6523	2.6460	2.6470	0.0%	-7.0%
AUDMYR	2.6695	2.6964	2.7259	1.1%	-2.0%
CNYMYR	0.5833	0.5840	0.5817	-0.4%	-5.0%

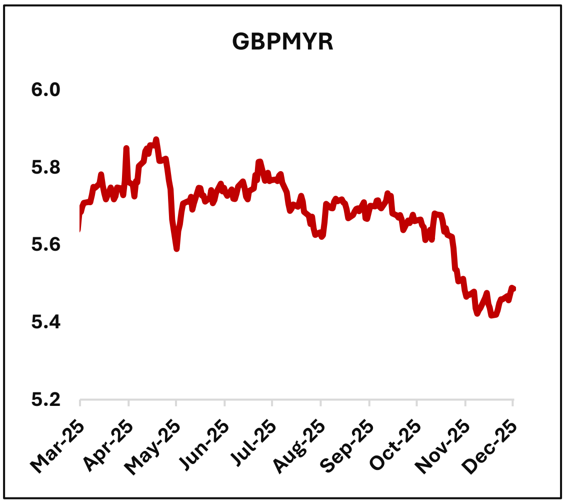
Sources: Bloomberg, Bank Islam

Short Term Outlook for Ringgit Pairs

The outlook for EUR/MYR is mildly bullish as the ECB appears well-positioned to maintain its policy stance following a slight uptick in headline inflation while core inflation stagnated at 2.4%. Taking cues from ECB President Lagarde's signals that the central bank will respond to changes in price pressures, the figures solidified market expectations of no changes to the policy rate which underpins the EUR's strength. On the other hand, the slew of economic data on Malaysia's front will provide some catalysts to support the MYR momentum. As such, the EUR/MYR pair is expected to face some downside but limited pressure this week.

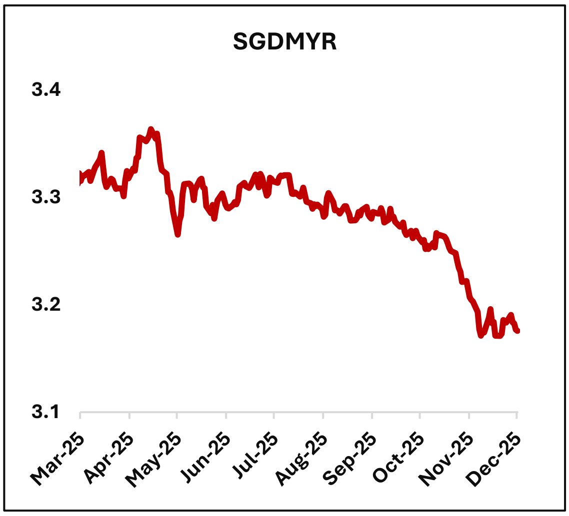


The outlook for GBP/MYR remains bearish amid rising hopes of a 25 bp cut in the BOE's December meeting. With economic activities rapidly slowing down, the recently revealed tax hikes in the Autumn Budget weighed on subdued consumer confidence, potentially curbing domestic demand further. As such, it appears to be the appropriate timing for a more easing which would result in narrowing rate differentials between BOE's bank rate and Bank Negara Malaysia (BNM)'s Overnight Policy Rate (OPR). This would give the MYR a push over the GBP in the near term.



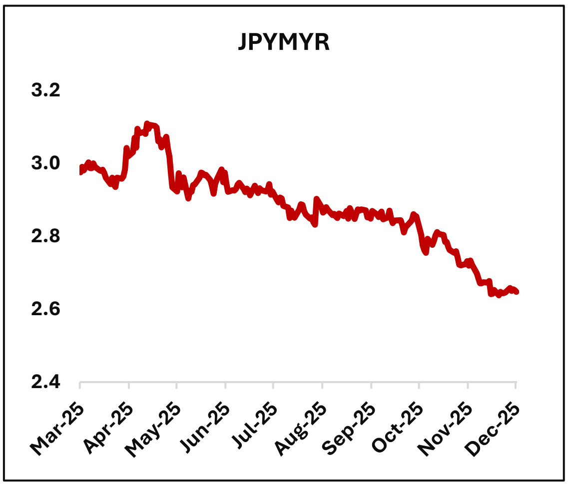
Source: Bloomberg

The outlook for SGD/MYR is mildly bearish as both economies remained relatively matched in terms of growth prospects. Singapore's retail sales surged in October, signalling that consumer spending is more resilient than expected, while its Malaysian counterpart is slated to be released this Friday. Tracking previous performance, we hold an optimistic view on Malaysia's distributive trade figures, underpinned by solid labour market conditions, stable inflation and policy support. All in all, Malaysia holds a slight advantage amid its broader bullish momentum, supporting the ringgit's modest appreciation against the SGD.



Source: Bloomberg

The outlook for JPY/MYR is slightly bullish as the fine balance of risks supports the case of a cautious approach by the BOJ. Japan's economy recorded a deeper than expected contraction in 3Q2025 while elevated price pressures rages on the other side. Furthermore, BOJ Governor Ueda remarked that the central bank is weighing the "pros and cons" of a hike, suggesting that the near term adjustment remains highly debated behind closed doors. Meanwhile, BNM is well-positioned to keep the OPR steady at 2.75%, providing crucial support to the MYR.



Source: Bloomberg

The outlook for CNY/MYR remains bearish amid prolonged geopolitical tensions between China and Japan, dimming the appeal of the countries' assets. As such, we expect the CNY/MYR pair to trade cautiously this week as markets await further news on the escalation of Japan-China tensions over the weekend. Additionally, markets will be closely watching the slew of economic figures from China and Malaysia for further hints in shaping the growth outlook ahead, providing other catalysts to drive the currency pair movement.

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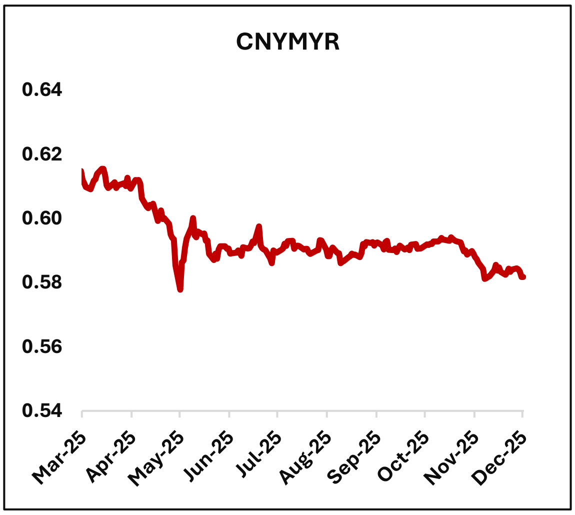
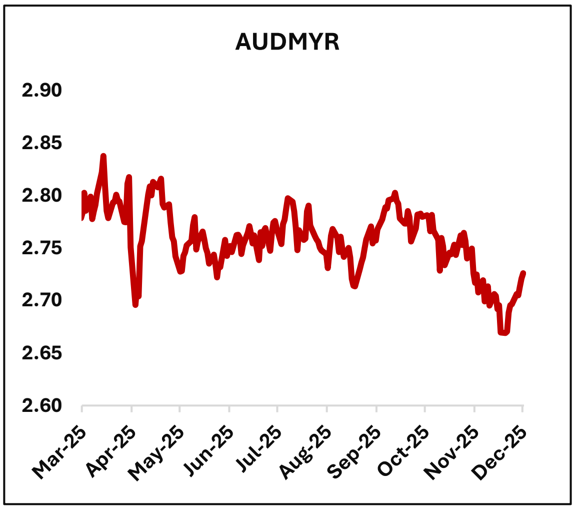


Source: Bloomberg

The outlook for AUD/MYR is bullish as the RBA is widely anticipated to maintain its cash rate steady at 3.6% on Tuesday. Markets have fully priced in the probability as the Australian economy expanded by 2.1% in 3Q2025 from 2.0% in 2Q2025, assigning greater weight on addressing the elevated price pressures. On the flip side, Malaysia's monetary policy outlook is relatively stable, making the AUD more appealing in the near term.



Source: Bloomberg