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## PERSISTENT INFLATION COMPLICATES THE FED'S POLICY OUTLOOK, DELAYING RATE CUT EXPECTATIONS

### Heightened uncertainty over the Federal Reserve (Fed)'s policy trajectory.

In January, the Fed maintained its Federal Funds Rate (FFR) at 3.50–3.75%, although two officials, Governors Christopher Waller and Stephen Miran, dissented in favour of a 25-bps cut. While the policy decision itself suggested a pause, the recently released minutes of the Federal Open Market Committee (FOMC) conveyed a more hawkish tone than markets had anticipated. The minutes highlighted a growing divide as policymakers balanced persistent inflationary pressures against emerging downside risks to growth, creating greater uncertainty over the timing and pace of eventual rate cuts. Several officials acknowledged that further reductions would be appropriate should inflation decline in line with their expectations while some participants hold a firmer stance, indicating that rates should be maintained unless there is clear evidence that disinflation is firmly entrenched. Notably, some policymakers also floated the possibility of rate hikes if inflation remains persistently above target. Sticky price dynamics remain the central challenge. Core Personal Consumption Expenditure (PCE) inflation—the Fed's preferred measure of underlying price pressures—has stayed above the 2.0% target since March 2021. Although inflation has eased from its 2022 peak, recent data suggest that progress has slowed. December core PCE surprised to the upside, rising to 3.0% (Nov: 2.8%; Est: 2.9%), while the monthly reading accelerated to 0.4% (Nov: 0.2%), marking the fastest pace since February 2025. This resilience in inflation reinforces the case for maintaining a restrictive policy stance for longer to ensure price stability. With incoming data backing the Fed's view, markets had recalibrated their rate cut bets, not expecting a reduction through April, according to the CME FedWatch tool.

**Additionally, most officials agreed that downside risks to employment had moderated** in recent months, erasing the urgency for the central bank to act to support the job market. The minutes also noted that the labour market has shown signs of stabilizing after a period of gradual cooling, reducing acute downside risks to the economy. This was evidenced by latest nonfarm payrolls (NFP) data (Jan: 130K vs. Dec: 48K) and unemployment rate (Jan: 4.3% vs. Dec: 4.4%), reducing the likelihood of a near-term policy adjustment.

**The Fed's policy path is further clouded by the recent Supreme Court ruling on Trump's reciprocal tariffs** and U.S. President Trump's responding remarks. In a 6-3 vote, the U.S. Supreme Court ruled that Trump had overstepped his authority in utilizing the 1977 International Emergency Economic Powers Acts (IEEPA) to impose import taxes on a slew of trade partners. The decision sparked widespread relief among businesses, opening the door to potential refunds from the government and importantly, effectively reducing the tariff costs which will then diminish the upside risks to inflation. However, the relief was short-lived when Trump announced a new 15% tariff to replace the reciprocal tariffs, coming into effect on 24 February. A White House official told reporters that trade partners will now face the 15% global tariff in place of rates negotiated in their respective trade deals, although this has yet to be formally corroborated. This

development reintroduces a significant layer of uncertainty to the inflation outlook, further complicating the policy path ahead.

### Upcoming Events: Key Economic Data Release

Monday	Singapore Consumer Inflation (January)
Tuesday	People's Bank of China (PBOC) Loan Prime Rates
Wednesday	Euro Area Final Consumer Inflation (January), Australia Consumer Inflation and RBA Trimmed Mean CPI (January)
Thursday	U.S. Weekly Jobless Claims & Producer Inflation (January), Euro Area Economic Sentiment (February), Malaysia Producer Inflation, Singapore Industrial Production (January)
Friday	UK Housing Prices (February), Japan Retail Sales & Industrial Production (January)

Table 1: Selected Currencies Overview

	6-Feb	13-Feb	20-Feb	WoW	YTD
DXY Index	97.63	96.92	97.80	0.9%	-0.5%
USDMYR	3.95	3.91	3.90	-0.1%	-3.9%
XAUUSD	4,964.36	5,042.04	5,107.45	1.3%	18.2%
EURUSD	1.18	1.19	1.18	-0.7%	0.3%
GBPUSD	1.36	1.37	1.35	-1.3%	0.0%
AUDUSD	0.70	0.71	0.71	0.1%	6.1%
USDSGD	1.27	1.26	1.27	0.3%	-1.4%
USDJPY	157.22	152.70	155.05	1.5%	-1.1%
USDCNY	6.94	6.90	6.90	0.0%	-1.2%

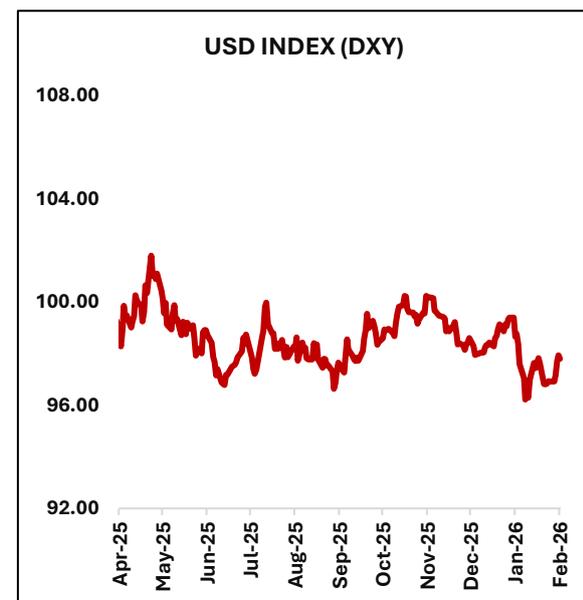
Sources: Bloomberg, Bank Islam

### Commentaries

#### DXY: USD strengthened following the release of the FOMC minutes

The USD appreciated by 1.1% w-o-w for the week ending February 20, underpinned by heightened expectations of the Fed maintaining its FFR at current levels for longer. According to the CME FedWatch tool, markets are not expecting a rate cut until midyear at the earliest, leading to a rebound in the DXY index. The FOMC minutes revealed a widening split among policymakers as they weigh between persistent price pressures and a gradually stabilizing labour market. With inflation stagnating above target levels, a case could be made for the Fed to keep rates steady for an extended period, until a clear progress is made. Additionally, the labour market has shown signs of stabilizing in January, offering the central bank some leeway in navigating its policy path. However, the preliminary 4Q2025 Gross Domestic Product (GDP) figures threw a curveball in the picture. The economy expanded by 1.4% q-o-q in 4Q, the least in three quarters, undershooting consensus estimates of 3.0%. This marked a sharp contrast to the 3.4% growth in 3Q25, igniting concerns that the economy is gradually buckling under the weight of extended policy volatility. Consumer spending moderated to 2.4% (3Q25: 3.5%), suggesting that higher prices stemming from trade barriers are gradually weighing on households. Furthermore, government spending and investment declined sharply by 5.1% (3Q25: 2.2%) amid the record-long government shutdown. This culminated in a full-year growth of 2.2% in 2025, compared to 2.8% in 2024.

**Short-term outlook:** As such, the 2026 growth outlook is increasingly uncertain against a backdrop of extended policy volatility, complicating the Fed's policy trajectory. Nevertheless, while rising downside risks to growth may necessitate a more supportive monetary policy stance, it may still be too early to ring alarm bells. Evidently, investors had little reaction to the GDP release, overwhelmed by the FOMC minutes and inflation figures. Thus, the USD will remain supported by



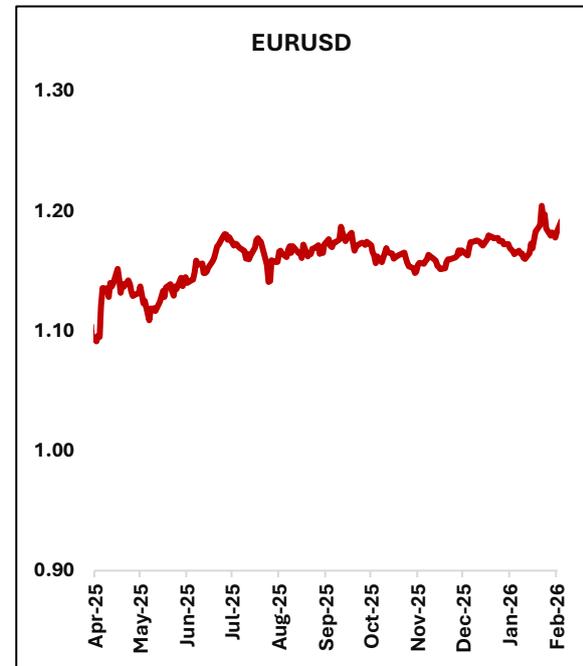
Source: Bloomberg

expectations of an extended Fed pause in the near term. This week, we expect the USD to trade with a bullish bias within the 96.80-98.50 range.

### EURUSD: EUR depreciated amid a moderation in factory activities

The euro (EUR) weakened by 0.7% w-o-w as Eurozone's industrial production declined sharply by 1.4% m-o-m in December (Nov: 0.3%), the deepest contraction since April 2025. Such performance was dragged by lower outputs of capital goods (-1.9%), non-durable consumer goods (-0.3%), energy (-0.3%) and intermediate goods (-0.1%), while output of durable consumer goods staged a slight rebound (Dec: 0.2% vs. Nov: -1.8%). On an annual basis, industrial production moderated to 1.2% in December (Nov: 2.2%), bringing the 2025 growth to 1.5% (2024: -2.8%). Despite the full-year rebound in manufacturing output, the underlying momentum of the sector remained fragile with slow growths and staggered declines recorded on the monthly basis. Additionally, the manufacturing Purchasing Managers' Index (PMI) has been trending below 50.0 points throughout 2025, barring an uptick to 50.4 in August, suggesting that business conditions remained weak amid prolonged global uncertainties and supply chain disruptions. The weakness of the manufacturing sector poses as a downside risk to the economy, potentially derailing its outlook. This key risk is further exacerbated by U.S. trade policy uncertainty vis-à-vis the European Union (EU). Little info has been offered by the U.S. on Trump's latest 15% global tariff, extending uncertainties on its trade relations. The European Commission has since issued a statement requesting "full clarity" on the matter. Although the 15% global tariff is a similar rate as underlined in the U.S.-EU bilateral trade agreement, the details may differ which exposes the Eurozone trade-related sector to heightened volatility. This in turn would exert pressure on business confidence and likely lead to supply chain disruptions, overall weighing on vital production activities.

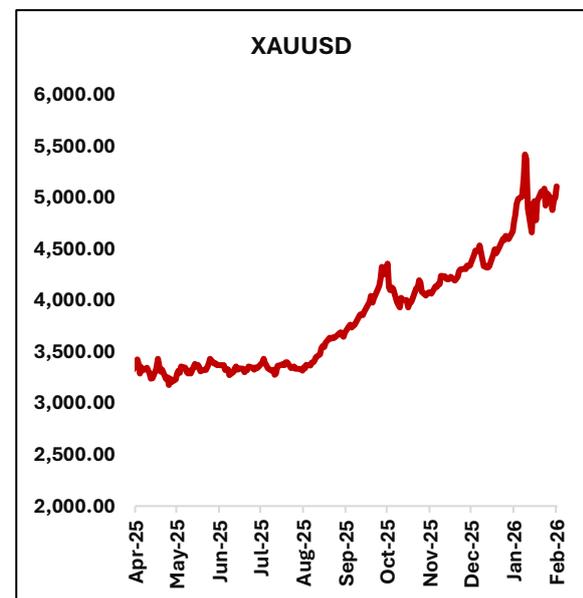
**Short-term Outlook:** On the bright side, the risk appeared to be diminishing in 2026 as flash estimates showed that the manufacturing PMI jumped to 50.8 points in February, the highest level since June 2022, amid significant increases across production levels and volume of new orders. Business sentiments also marked a four-year high, pointing towards rising optimism on the year ahead. However, investors remain cautious as they await more conclusive signs of a pickup in the manufacturing sector. Given that this will be a relatively light calendar week, the EUR/USD pair will largely be steered by the trajectory of the USD. We expect the EUR/USD pair to trade with a slightly bearish bias, moving within a 1.1740-1.1860 range.



Source: Bloomberg

### XAUUSD: Gold price staged a rebound amid intensifying U.S.-Iran tensions

Gold price (XAU) was under pressure for the greater part of last week, testing the immediate resistance of USD5,000 repeatedly. However, the XAU finally gathered enough momentum to break past the level on 20 February amid recent developments surrounding the U.S.-Iran conflict, underpinning the flight to safe-haven assets. The next immediate resistance was located around USD5,100, a level that XAU broke before proceeding to close the day at USD5,107.45, recording a 1.3% appreciation for the week ending February 20. During a meeting with the Board of Peace for Gaza, Trump told attendees that he would know in ten days whether a deal with Iran is possible, which he later reiterated to fifteen days at maximum. This statement effectively places a deadline on discussions of Iran's nuclear mission; intensifying fears of an escalation should both countries fail to reach a consensus within the period. News outlets reported that U.S. military aircraft carriers, accompanying warships and numerous personnel are assembling in the region, further adding to the jitters. Additionally, Trump acknowledged that he is "considering" a limited strike on Iran, which could escalate into an armed confrontation, especially following Iranian Foreign Minister's remarks that Iran is "prepared for war" if diplomacy fails.



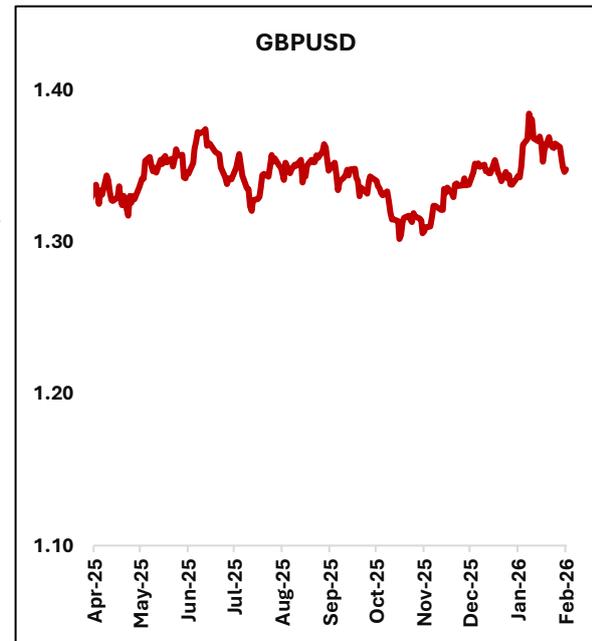
Source: Bloomberg

**Short-term Outlook:** With tensions heating up on the U.S.-Iran front, safe-haven demand is likely to underpin the XAU's appreciation this week. However, both countries may yet reach an agreement, which could cause gold price to retreat. In any case, cautious and risk averse sentiments are expected to provide crucial support to the XAU, with support seen around USD5,000 and resistance at USD5,200.

#### GBPUSD: British Pound weakened amid rising BOE rate cut hopes

The British pound (GBP) declined by 1.3% w-o-w as a slew of softer than expected economic data bolstered Bank of England (BOE) rate cut expectations. Signs of a cooling labour market became increasingly clear with the December unemployment rate edging up to 5.2% the highest level since February 2021, a tad higher than market estimates of 5.1%. Hiring gains rose by 52K, a slowdown compared to the 82K rise in November, while total average weekly earnings marked the weakest pace in fourteen months (Dec: 4.2% vs. Nov: 4.6%). The moderation in weekly pay was dragged by slower increases across public sector (Dec: 7.0% vs. Nov: 7.8%) and private sector (Dec: 3.5% vs. Nov: 3.8%) wages, the latter touching the lowest point since early 2021. Against a backdrop of deteriorating labour market conditions, a rate cut appears imminent to address the downside risks to growth which exerted pressure on the GBP. Additionally, the BOE can afford to deliver more policy easing given latest figures pointed toward progress in disinflation. Headline inflation moderated to 3.0% in January (Dec: 3.4%), in line with expectations, amid easing transport (Jan: 2.7% vs. Dec: 4.0%), food (Jan: 3.6% vs. Dec: 4.5%), housing and utilities (Jan: 4.5% vs. Dec: 4.9%) and recreation (Jan: 2.6% vs. Dec: 2.7%) prices. Meanwhile, core inflation eased to 3.1% in the same month (Dec: 3.2%), the lowest level since August 2021. Furthermore, prices at the factory gate had also slowed with the output Producer Price Index (PPI) hitting a seven-month low of 2.5% (Dec: 3.1%). As such, underlying price pressures appear to be moderating, offering the central bank space to act without risking reigniting inflation.

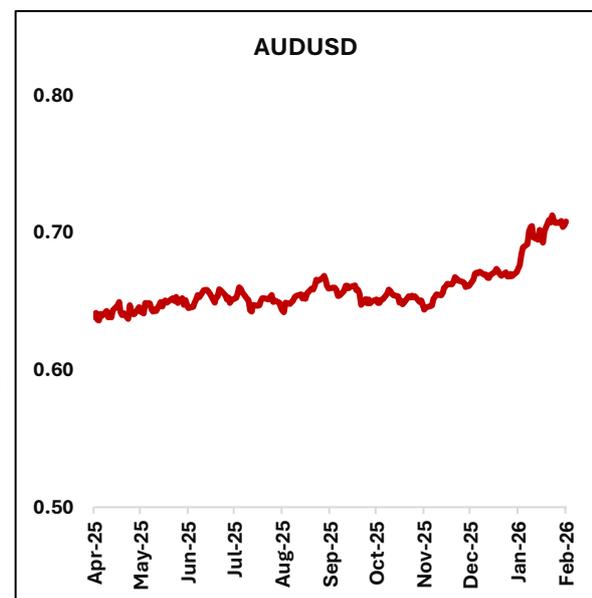
**Short-term Outlook:** This week will be a relatively light calendar week on the data front, with investors likely digesting the recent releases and repricing their rate cut bets. Of note, preliminary estimates projected the economy to grow by 1.0% y-o-y in 4Q25 (3Q25: 1.2%), the slowest pace since 2Q24. With risks of a cooling job market, tight financial conditions and persistent external headwinds at play, it is likely for the BOE to act in the near term to support the economy. Thus, we expect the GBP/USD pair to trade with a bearish bias, moving within the 1.3430–1.3580 range.



Source: Bloomberg

#### AUDUSD: Australian Dollar climbed following the release of RBA minutes

The Australian dollar (AUD) edged up by 0.1% w-o-w as investors reacted to the hawkish tone of the January Reserve Bank of Australia (RBA)'s meeting minutes. The minutes noted that the monetary policy is "no longer restrictive" given that inflationary pressures had reemerged, labour market conditions are stabilizing and business debt is continuously growing, suggesting capacity to further tighten the monetary policy. In discussing the key risks to the central bank mandate, RBA officials agreed that inflation in the final two quarters of 2025 had outpaced expectations and remains "currently too high". Looking ahead, the projection for inflation had been revised higher, anticipated to remain above the 2-3% target range throughout 2026, signalling an extended tightening trajectory to successfully address the risk. Tight labour market conditions, improving financial conditions and stronger-than-expected aggregate demand were highlighted as the key drivers of the robustness in price pressures. While some factors are expected to moderate over time, a "reasonable portion" of these structural pressures will likely persist without a policy response. Beyond inflation, the balance of risks was acknowledged to have shifted materially with downside risks to employment significantly reduced. The overall tone of the minutes was hawkish, reinforcing the case of more hikes over the horizon and lending support to the AUD.



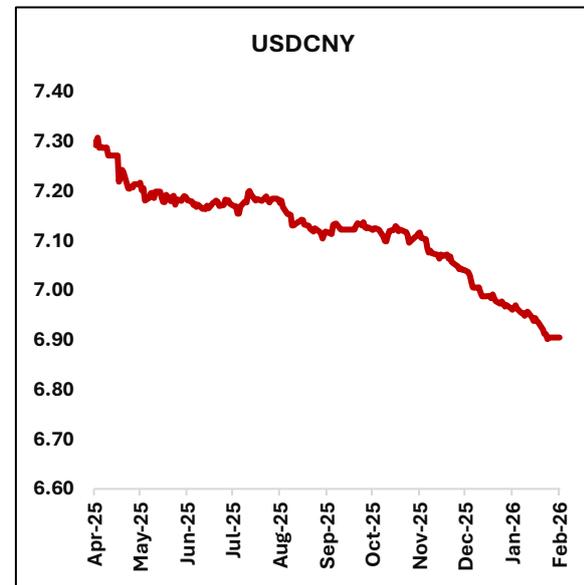
Source: Bloomberg

**Short-term Outlook:** Investors are anticipating further tightening, which should provide structural support to the AUD. Central to investor attention this week will be the January inflation figures, granting more insights to further shape markets' policy expectations. Should the release reinforce the inflation trajectory, this will support the case for additional hikes. Thus, we maintain a bullish view on AUD/USD, expecting the pair to trade within a 0.6980–0.7130 range in the near term.

#### USDCNY: Chinese Yuan was flat amid the Lunar New Year holidays

The Chinese yuan (CNY) was little changed last week amid a week-long break in conjunction with the Lunar New Year.

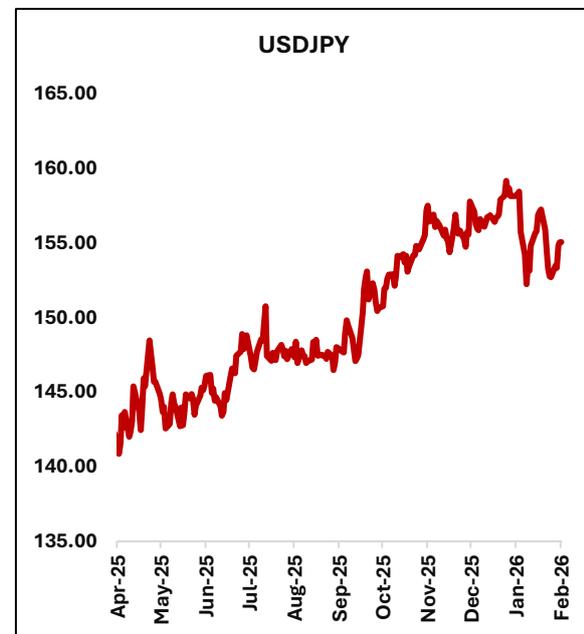
**Short-term Outlook:** This week, focus is on the People's Bank of China (PBoC) policy decision, widely expected to maintain the 1-year and 5-year Loan Prime Rates (LPR) at 3.0% and 3.5%, respectively. The central bank has kept its policy rate steady since mid-last year, although pressure for a rate cut has been steadily building. Latest figures reinforced the easing momentum of economic growth with the GDP moderating to 4.5% y-o-y in 4Q2025 (3Q25: 4.8%), the lowest in three years. Similarly, consumer spending remained persistently sluggish with retail sales slowing to a three-year low while headline inflation eased sharply to 0.2% y-o-y in January (Dec: 0.8%), building a case for the PBoC's easing cycle. Additionally, the unemployment rate steadied at 5.1% for the third straight month, potentially weighing on consumer confidence and further constraining spending. Nevertheless, the central bank is likely to stay pat until the National People's Congress (NPC) where government stimulus will be unveiled, guiding policy expectations ahead. In the near term, we maintain a mildly bearish view on the USD/CNY pair, expecting the pair to trade within a 6.9020–6.9130 range.



Source: Bloomberg

#### USDJPY: Japanese Yen depreciated despite a rebound in 4Q25 GDP

The Japanese yen (JPY) fell by 1.5% w-o-w, retreating past the 155-level, despite a rebound in 4Q2025 GDP. The economy grew slightly by 0.1% q-o-q, improving from a 0.7% decline in the previous quarter, amid recovering business investment (4Q25: 0.2% vs. 3Q25: -0.3%). However, private consumption eased to four-quarter low (4Q25: 0.1% vs. 3Q25: 0.4%) while government spending plateaued (4Q25: 0.1% vs. 3Q25: 0.1%), reinforcing concerns of a fragile growth momentum heading into 2026. On an annual basis, the economy expanded by 0.2% (3Q25: -2.6%), undershooting consensus estimates of a 1.6% growth. The softer figure drew investors' attention to the rising downside risks to the economy, namely the elevated unemployment rate and weakening household spending, causing a recalibration of policy expectations. With growth momentum seemingly struggling to pick up, this could potentially delay the Bank of Japan (BoJ)'s rate hikes, exerting pressure on the JPY. Further weighing on investor sentiments was the consumer inflation figures released on Friday. January headline inflation slowed to 1.5% (Dec: 2.1%), marking the lowest level since March 2022 and reaffirming the disinflation progress. This reading was underpinned by food inflation easing to a fifteen-month low (Jan: 3.9% vs. Dec: 5.1%) while prices for transportation (Jan: 0.8% vs. Dec: 1.9%), healthcare (Jan: 0.4% vs. Dec: 0.7%), household items (Jan: 0.8% vs. Dec: 1.6%), recreation (Jan: 2.1% vs. Dec: 2.3%) and miscellaneous goods (Jan: 0.6% vs. Dec: 0.8%) also moderated. With the disinflation trend on track, the probability of a near-term rate hike is reduced with the BoJ likely to stay pat to reassess the evolving balance of risks.



Source: Bloomberg

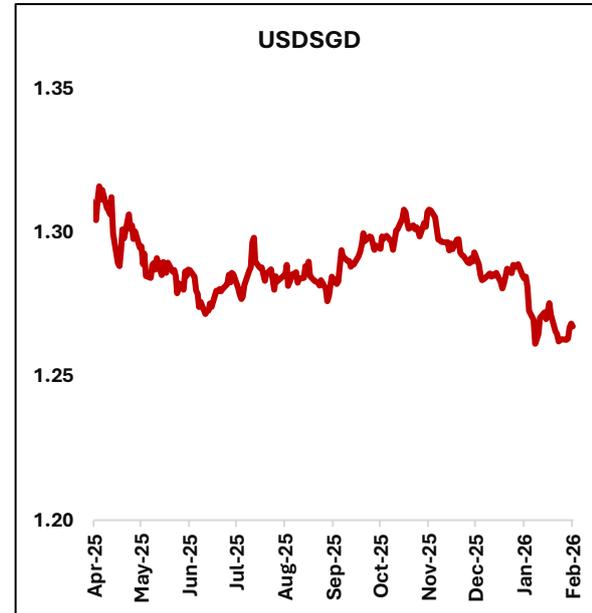
**Short-term Outlook:** Looking ahead, key releases to watch out for will be Japan's industrial production and retail sales figures, crucial in shaping the BOJ's policy expectations. Should the industrial production figures increase favourably, it would indicate that the external demand is gradually recovering following the period of global trade uncertainties. However, a moderation will reinforce that the economy is cracking under the strain of prolonged external headwinds and sluggish domestic spending. Similarly, Japan's retail sales figure will grant a

closer look into demand dynamics following the cumulative 50-bps hike in 2025, offering insights into the impact of BoJ's tightening cycle and how additional hikes in 2026 will weigh on the growth prospects. In light of this, we expect the USDJPY to trade with a slightly bearish bias around the 154.10-156.60 range.

#### USDSGD: Singaporean Dollar dipped as exports missed expectations

The Singapore dollar slipped 0.3% w-o-w last week, dragged by softer than expected trade figures with January non-oil exports surging by 9.3% (Dec: 6.1%), well below market forecasts of a 13.5% rise. Looking closer, the growth is underpinned by a double-digit surge in electronics exports (Jan: 56.1% vs. Dec: 24.9%) amid rising technology-related demand, offsetting the decline in non-electronic shipments (Jan: -3.0% vs. Dec: 0.8%). A closer examination reveals the volatility of Singapore's trade relative to the U.S., attributing to the latter's trade policy changes. Shipments to the U.S. plunged by 45.3% in January, indicating that external demand remained fragile amid cautious business confidence. Nevertheless, a frontier of support emerged from trade diversion and the establishment of new supply chains, evidenced by the stronger exports to the EU (43.7%), China (37.1%), Hong Kong (34.0%), Taiwan (34.2%), South Korea (31.6%), Malaysia (23.2%), and India (26.4%). On a monthly basis, non-oil exports rebounded to 0.7% compared to an 8.8% decline in December.

**Short-term Outlook:** Looking ahead, it will be a relatively light calendar week on the data front, with the consumer inflation figures taking the centre stage. With the fragility of the trade sector posing as a downside risk to growth, investors are eyeing for other growth pillars to support the economy. The inflation data will provide clearer insights into consumer demand. Of note, inflation has been rising from a four-year low of 0.5% in August 2025 before steadying at 1.2% in the final quarter, suggesting that consumer demand is gradually gaining momentum. Should inflation remain stable, it bodes well for the growth prospects in 2026. Thus, we maintain a neutral to mildly bearish view on USD/SGD, expecting the pair to trade within the 1.2610–1.2720 range.

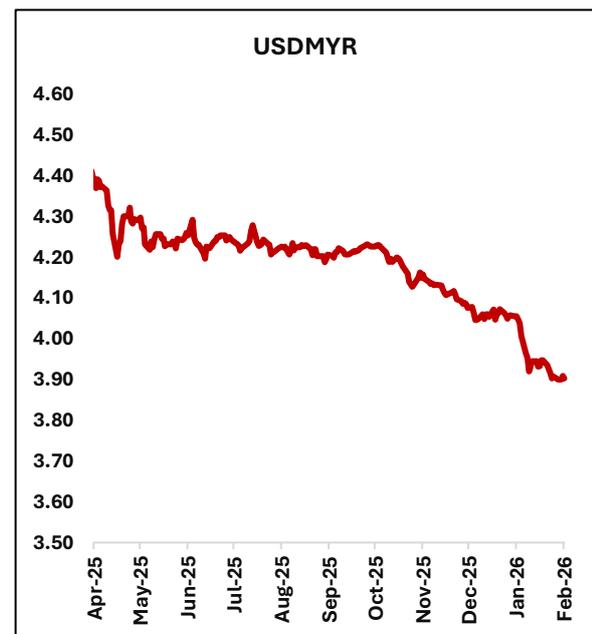


Source: Bloomberg

#### USDMYR: The Ringgit climbed amid favourable economic data

The ringgit (MYR) edged by 0.1% w-o-w last week, underpinned by clearer signs of an improvement in trade performance while consumer inflation remained stable. Total trade expanded by 12.6% in January amid double-digit growth in exports (Jan: 19.6% vs. Dec: 10.2%) while imports eased to 5.3% (Dec: 9.5%). On a sectoral basis, manufacturing shipments surged by 22.3% while mining exports grew by 2.7%, offsetting a decline in agriculture exports (-2.7%). External demand for electrical & electronic products (E&E) amid the global technology upcycle and rapid Artificial Intelligence (AI) adoption remained as the key driver for Malaysia's exports, reinforcing expectations of sustained demand through 2026. Meanwhile, headline inflation was unchanged at 1.6% in January, while core inflation was stable at 2.3%, indicating that price pressures remain broadly contained. Policy reforms such as the Sales and Services Tax (SST) expansion were paired with the implementation of the BUDI95 program and government cash transfers, ensuring that consumer spending is supported despite the increase in price pressures. As such, private consumption will remain as the focal growth pillar, reinforcing the solid fundamentals of the Malaysian economy.

**Short-term Outlook:** Although Malaysia's trade is anticipated to remain supported by growing tech-related demand, downside risks emerge from U.S. policy changes, evidenced by the recent Supreme Court ruling on reciprocal tariffs and the newly announced 15% global tariff. Malaysia had previously struck a deal with the U.S. which effectively lowered the levy on most Malaysian goods to 19%. With the latest decision, it is unclear whether the agreement remains in place and how it will affect the concessions and purchase commitments underlined in the deal, potentially weighing on sentiments while the deal is hashed out. Furthermore, the 15% global tariff will remain for up to 150 days, fuelling concerns of prolonged trade uncertainties. While Malaysia could benefit from front-loading activities during the period, the broader outlook is now clouded



Source: Bloomberg

with risks. However, we expect the USDMYR pair to extend its bearish momentum, having slipped below the immediate support of 3.89 this morning. Thus, the currency pair is anticipated to trade within the 3.8850-3.9300 range this week with the next support zone emerging around 3.8800.

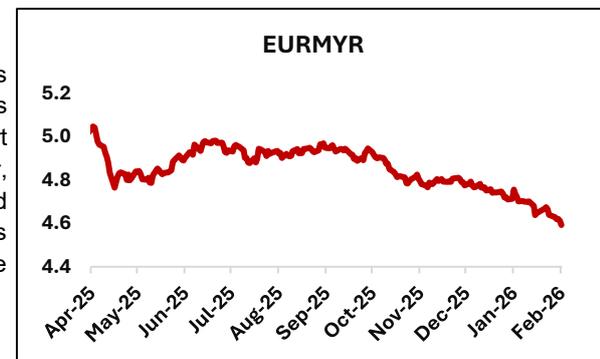
**Table 2: Selected Currencies Overview (MYR Crosses)**

	6-Feb	13-Feb	20-Feb	WoW	YTD
USDMYR	3.9475	3.9078	3.9030	-0.1%	-3.9%
EURMYR	4.6558	4.6364	4.5923	-1.0%	-3.6%
GBPMYR	5.3597	5.3233	5.2564	-1.3%	-3.7%
SGDMYR	3.1000	3.0932	3.0753	-0.6%	-2.6%
JPYMYR	2.5111	2.5603	2.5164	-1.7%	-2.9%
AUDMYR	2.7536	2.7635	2.7550	-0.3%	1.5%
CNYMYR	0.5691	0.5657	0.5652	-0.1%	-2.7%

Sources: Bloomberg, Bank Islam

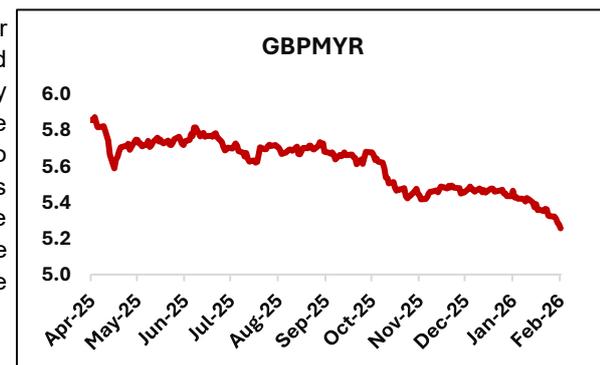
### Short Term Outlook for Ringgit Pairs

The outlook for EUR/MYR is mildly bearish as recent weakness in the Eurozone's manufacturing sector poses a risk to the region's growth. Furthermore, there has been little clarification on Trump's latest 15% global tariff, which could exert further pressure on factory activities for both Malaysia and the EU. However, Malaysia's exports and manufacturing sector remain supported by solid technology-related demand, offering some buffer against external headwinds. As investors await further clarification on the tariff, they will tread cautiously on the issue. Against this backdrop, the MYR holds a slight edge over the EUR.



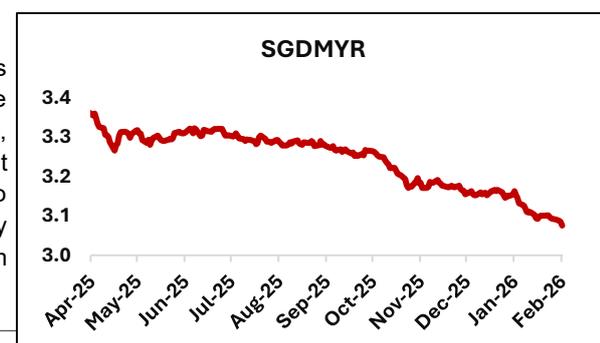
Source: Bloomberg

The outlook for GBP/MYR is bearish as growing signs of a rapidly cooling labour market reinforced BOE rate cut hopes. Of note, the unemployment rate marked the highest level since February 2021, where job market weakness is firmly entrenched during the Covid-19 pandemic. Thus, investors are rallying for the BOE to deliver a rate cut in the near term to support the economy. It appears to be high time for a reduction, especially in view of tighter financial conditions ahead following tax increases and elevated inflation. However, it is a delicate trade-off with persistent underlying price pressures at play, complicating the BOE's path. As such, the GBP is likely to trade with a cautious bias, enabling the bullish MYR to gain the higher ground.



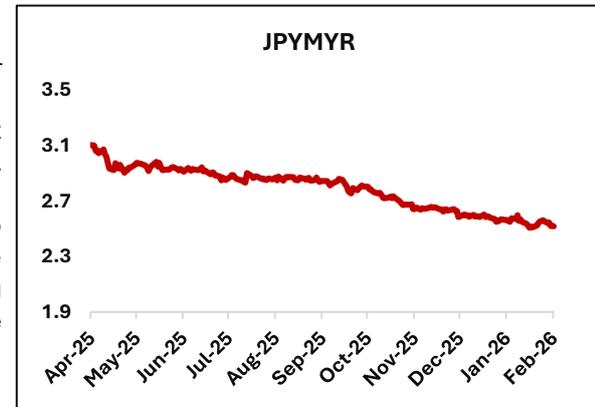
Source: Bloomberg

The outlook for SGD/MYR is slightly bearish this week. Although both countries appear closely matched, Malaysia's consumer demand has proved to be more reliable while its counterpart experienced bouts of volatility. Furthermore, Malaysia's exports to the U.S. rebounded in January, highlighting the resilient external demand and contrasting against the decline in Singapore's shipments to the U.S. With the latest episode of Trump's tariff, prolonged uncertainty will likely weigh on business sentiments. In this scenario, Malaysia will stand to benefit from



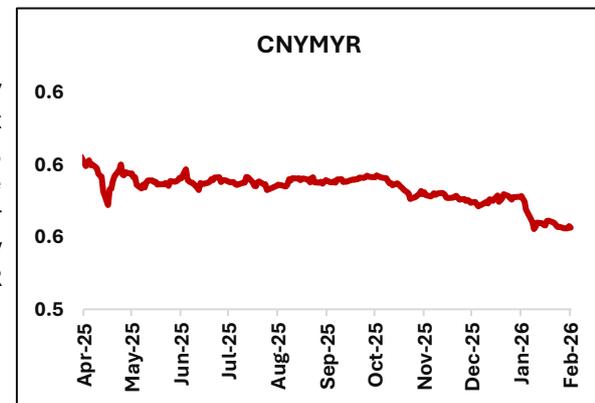
its structural offerings. As such, Malaysia's growth outlook is relatively firmer, providing modest support to the MYR.

The outlook for JPY/MYR remains mildly bearish as investors recalibrated their BoJ policy expectations in light of softer than expected inflation and growth figures. While the economy staged a rebound, the growth is well below market forecasts, pointing towards an economy that is struggling to gain momentum. Against a backdrop of persistent global headwinds, additional tightening will further constrain financial conditions, which increases the downside risks to growth. Additionally, headline inflation fell to 1.5%, offering the BoJ some space to take a cautious step back and reassess its policy trajectory. With the rising likelihood of delays in the BoJ's tightening cycle, the JPY/MYR pair will likely trade with a bearish bias this week.



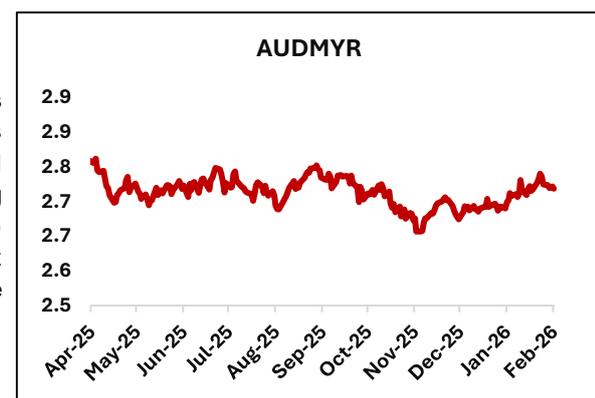
Source: Bloomberg

The outlook for CNY/MYR is neutral to mildly bearish amid the PBOC policy decision. It is widely expected for the central bank to maintain its policy rates at current levels, although pressure is gradually building for looser rates. However, investors are holding off on decisive bets as they await clearer signals from the central bank as well as anticipated government stimulus measures. On the other hand, Bank Negara Malaysia (BNM) is anticipated to keep its policy rate steady for the foreseeable future, offering modest support to the MYR. As such, the MYR is positioned to gain slightly against the CNY this week.



Source: Bloomberg

The outlook for AUD/MYR is bullish following hawkish signals from the RBA's meeting minutes, reinforcing expectations for additional tightening. Policymakers acknowledged that material risks to employment have diminished and highlighted that inflation remained "too high", assigning significant consideration into curbing the persistent price pressures. In contrast, BNM's policy rate is anticipated to remain steady against a backdrop of contained inflation, solid labour market conditions and robust consumer spending. Thus, the AUD will appear more attractive to investors, enabling to appreciate against the MYR.



Source: Bloomberg