ECONOMICS & GLOBAL FOREIGN EXCHANGE HIGHLIGHTS

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BANK ISLAM

Imran Nurginias Ibrahim
Chief Economist
inurginias@bankislam.com.my

Khayrin Farzana Fazli
Economist
kfarzana@bankislam.com.my

ESCALATING U.S.-IRAN CONFLICT POISED AS A DOUBLE-EDGED SWORD ON INFLATION AND GROWTH DYNAMICS

Tensions erupted in the Middle East amidst an escalating U.S.-Iran conflict. On 28 February, U.S. and Israel launched a coordinated attack on Iran, aimed at the latter's Islamic Revolutionary Guard Corps (IRGC) military assets, senior leaders and missile infrastructure. Iran retaliated swiftly with counterattacks across U.S. military bases in Bahrain, Qatar, United Arab Emirates (UAE), Kuwait Jordan and Saudi Arabia. The fallout from the escalation was immediate – key Iranian leaders were killed including Iranian Supreme Leader Ayatollah Ali Khamenei, IRGC Commander Mohammad Pakpour, Defense Minister Aziz Nasirzadeh and Defense Council secretary Ali Shamkani. Beyond targeted strikes on military installations, the conflict resulted in civilian death and injuries, damages to civilian infrastructure and widespread disruptions across regional aviation networks. Most notably, oil prices surged sharply to USD80-USD85 per barrel in anticipation of shipping disruptions in the Persian Gulf. Initially, concerns arose surrounding the safety of passing vessels, hiking the risk premia of shipments travelling through the region, especially through the Strait of Hormuz. However, Iran then announced the closure of the Strait of Hormuz–the chokepoint for around 20% of global oil trade flows–and warned of attacks on any vessels traveling the route. This marked the shift into a tangible security threat and significantly affected global trade routes, causing oil price to spike sharply above USD100 per barrel as of 9 March.

A clear distinction to be made is the U.S.' objective on the operation. While some floated the notion that it is yet another instance of U.S. intervention into domestic political affairs with the aim of overthrowing the Iranian regime, the significant factor of the attack is the perceived security threat posed by Iran. The plausible explanation of the U.S. seeking a regime change was supported by U.S. President Trump urging Iranian civilians to overtake their government, under the guise that he wants freedom for the Iranian people. However, subsequent official remarks quickly dispelled the idea and reinforced the aim of the coordinated U.S.-Israel strikes–neutralizing Iran's nuclear potential by pre-emptively crippling its nuclear ecosystem. The country's threat stems from its uranium enrichment capabilities in facilities in Natanz and Fordow, evidenced by attempted strikes on the Natanz facility on 2 March. Speaking at the White House, Trump revealed the aim was to destroy Iran's missile industry, nuclear capabilities and its navy, indicating that the operation would continue for as long as necessary. Backing this, the U.S. military Central Command also stated that they plan to dismantle Iran's security apparatus by striking locations that posed "an imminent threat" while Israeli Prime Minister shared that the joint forces aim to remove the "existential threat" posed by Iran. This armed conflict would be a sharp escalation of the U.S. narrative, tracing back to 2025 with claims of Iran being "weeks away from having a nuclear weapon" to the latest strained tensions between the two countries surrounding discussions on Iran's nuclear programme. It appears that the U.S. have pivoted from diplomatic pressure on Iran to making good on its warnings of military action if they fail to strike a deal on the aforementioned discussions.

The conflict appears increasingly likely to broaden in scope, with limited signs of de-escalation from either side. Both the U.S. and Israel have reiterated their commitment to neutralising what they perceive as strategic threats, suggesting that hostilities could persist for an extended period. In addition, there remains a risk that other Middle Eastern states could shift from a defensive posture to a more active role in the conflict. While several regional countries have thus far largely focused on defending against Iranian strikes targeting U.S. military facilities, sustained or intensified attacks could prompt retaliatory actions, raising the prospect of a wider regional confrontation.

Against this backdrop, **global markets ended the week under the growing shadow of a rapidly escalating energy crisis.** What initially began as a geopolitical confrontation has evolved into a broader macroeconomic shock, prompting investors to reassess risks across multiple fronts, from inflation and monetary policy expectations to equity valuations and currency movements. At the centre of these concerns is the sharp rise in oil prices. Disruptions to energy flows through the Strait of Hormuz, a critical corridor for global energy trade, have pushed crude prices significantly higher and introduced a renewed inflationary impulse into the global economy. Markets are increasingly grappling with the possibility that the conflict could evolve into a prolonged disruption to energy supply rather than a short-lived geopolitical flare-up. The surge in oil prices is already reverberating across financial markets. Heightened uncertainty and pressure on global equities have strengthened demand for safe-haven assets, providing support for the USD. As risk aversion intensifies, the dollar has benefited from its traditional safe-haven status, drawing capital flows as investors seek liquidity and stability amid mounting geopolitical and macroeconomic risks.

Upcoming Events: Key Economic Data Release

Monday	**China Consumer & Producer Inflation (February)**
Tuesday	**China Trade Performance (January-February), Japan Household Spending (January), Australia Consumer Confidence (March), Malaysia Industrial Production (January)**
Wednesday	**U.S. Consumer Inflation (February), Japan Producer Inflation (February), Malaysia Labour Force (January)**
Thursday	**U.S. Trade Performance (January), Malaysia Distributive Trade Sales (January)**
Friday	**U.S. JOLTS Job Openings (January), U.S. Core PCE Inflation (January), UK GDP (January), Euro Area & UK Industrial Production (January), Singapore 4Q2025 Unemployment Rate**

Table 1: Selected Currencies Overview

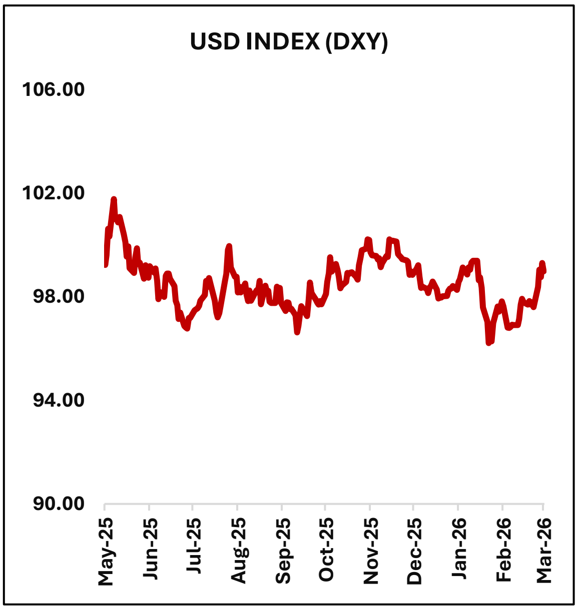
	20-Feb	27-Feb	6-Mar	WoW	YTD
DXY Index	97.80	97.61	98.99	1.4%	0.7%
USDMYR	3.90	3.89	3.95	1.4%	-2.8%
XAUUSD	5,107.45	5,278.93	5,171.74	-2.0%	19.7%
EURUSD	1.18	1.18	1.16	-1.6%	-1.1%
GBPUSD	1.35	1.35	1.34	-0.5%	-0.5%
AUDUSD	0.71	0.71	0.70	-1.2%	5.3%
USDSGD	1.27	1.27	1.28	1.0%	-0.6%
USDJPY	155.05	156.05	157.78	1.1%	0.7%
USDCNY	6.90	6.86	6.90	0.6%	-1.2%

Sources: Bloomberg, Bank Islam

Commentaries

DXY: USD reestablished its safe haven status

The USD appreciated by 1.4% w-o-w for the week ending March 6 as global investors sought liquidity and safety in USD-denominated assets following the escalating U.S.-Iran tensions. The rapid deterioration fuelled heightened risk aversion across markets, overshadowing the earlier concerns surrounding U.S. policy volatility. On 2 March, the USD broke decisively above the 98.00 level to close at 98.38, the highest level in over a month. Beyond safe haven demand, the Dollar appreciation was driven by expectations of a higher for longer Federal Reserve (Fed) stance against a backdrop of elevated oil price. Closure of the Strait of Hormuz and broader regional military activities resulted in a surge in energy prices with Brent crude crossing above USD100 pb, likely causing a resurgence in underlying price pressures. With the prospects of a prolonged and broader conflict, energy prices are expected to remain elevated. As such, higher inflation expectations caused markets to swiftly recalibrate their Fed policy expectations with the probability of a rate cut in June falling sharply to around 30.0%, down from 40.5% just a week earlier. However, the Fed may be facing a battle against stagflation, complicating its policy trajectory. Hiring momentum in the U.S. remains uneven and recently hit another bump. February nonfarm payrolls (NFP) declined by 92K while the figures for December and January were revised lower cumulatively by 69K. Unemployment rate reversed its easing trend as it edged up to 4.4% (Jan: 4.3%). With the job market struggling against its structural weakness, the U.S.-Iran conflict and elevated energy prices would exacerbate the pressure on businesses and weigh on growth.

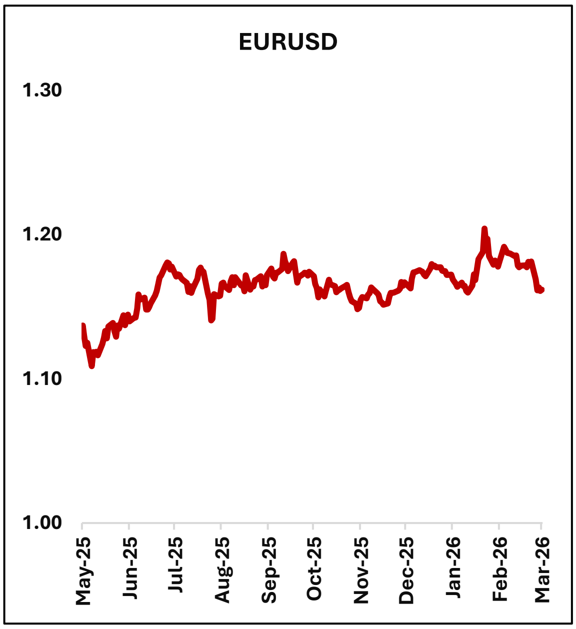


Source: Bloomberg

Short-term outlook: Furthermore, the U.S. economy was seen to grow slower than expected in 4Q2025 while retail sales contracted in January, suggesting that the economy struggling to gain its footing. Should the Middle East conflict intensify, the Fed could face a more challenging environment of rising inflation and slowing growth, potentially complicating its policy trajectory. In the near term, higher inflation expectations and a flight to safety continue to support the USD. The global energy divide is increasingly reflected in FX markets, with the Dollar benefiting from risk aversion. Yields have remained relatively stable, but the USD Index broke key resistance at 99.00 on 9 March; sustained trading above this level would reinforce the USD's bullish momentum and signal potential for a broader trend reversal.

EURUSD: EUR depreciated despite an uptick in inflation

The euro (EUR) was under pressure against the USD with the EUR/USD currency pair slipping below the 1.17 support floor to close at 1.1688 on 2 March, the lowest since mid-January. The currency traded with a bearish bias last week, briefly touching the lowest point of 1.1530 on 4 March before rebounding to close at 1.1634. On a weekly basis, the EUR declined by 1.6%. On the data front, headline inflation rose to 1.9% in February (Jan: 1.7%) while core inflation increased to 2.4% (Jan: 2.2%). The uptick in consumer prices was driven by services inflation accelerating to 3.4% from 3.2% in January. Despite energy prices continuing to decline (Feb: -3.2% vs. Jan: -4.0%), the conflict in the Middle East could feed into a resurgence in price pressures, potentially necessitating a more restrictive policy stance over the horizon. Furthermore, labour market tightness offers some flexibility should the European Central Bank (ECB) need to deliver additional tightening. Euro Area unemployment rate eased to a record-low of 6.1% in January (Dec: 6.2%) while consumer spending remains solid, expanding by 2.0% in the same month (Dec: 1.8%).

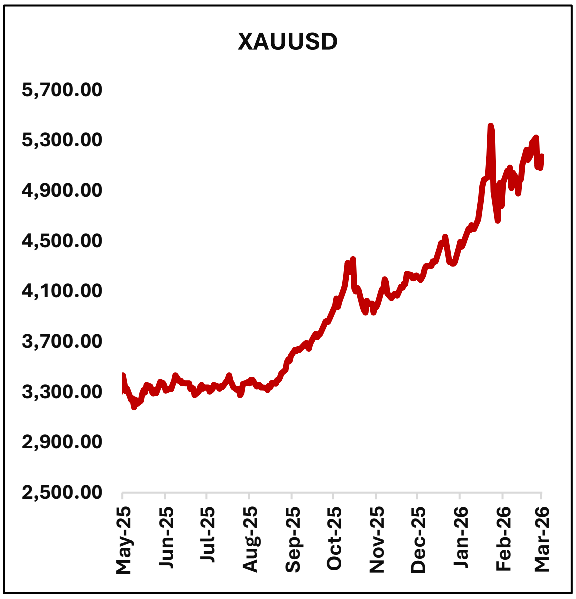


Source: Bloomberg

Short-term Outlook: Nevertheless, additional rate hikes, if any, would likely materialise toward the latter part of the year. At the current juncture, the European Central Bank (ECB) appears set to maintain its monetary policy settings at current levels. Investors are also tuned in to the possibility of additional players in the U.S.-Iran conflict, namely traditional U.S. allies such as the United Kingdom (UK) and the European Union (EU). Although EU member states remain divided on the appropriate course of action, a widening of conflict could place increasing pressure on them to adopt a clearer strategic position, with broader implications to the region's outlook. In the near term, we expect the EUR/USD pair to trade with a bearish bias, moving within a 1.1470–1.1630 range.

XAUUSD: Gold price rose above USD5,400 before a deep correction sets in

As U.S.–Iran tensions escalated, risk aversion gripped global markets, triggering strong inflows into safe-haven assets such as gold. Gold initially benefitted from the flight to safety with gold price (XAU) soaring to USD5,419.11 on 2 March, the highest level since January. However, the XAU experienced a deep correction just a day later as it opened lower at USD5,335 before breaking below the key support level at 5,300. With the crucial support broken, the XAU subsequently slid lower past consecutive levels, touching a low of USD4,996 on 3 March. For the rest of the week, the XAU failed to regroup its bullish momentum as it consolidated between the 5,050-5,200-level. On a weekly basis, the XAU declined by 2.0%, a subversion of its traditional safe haven appeal.

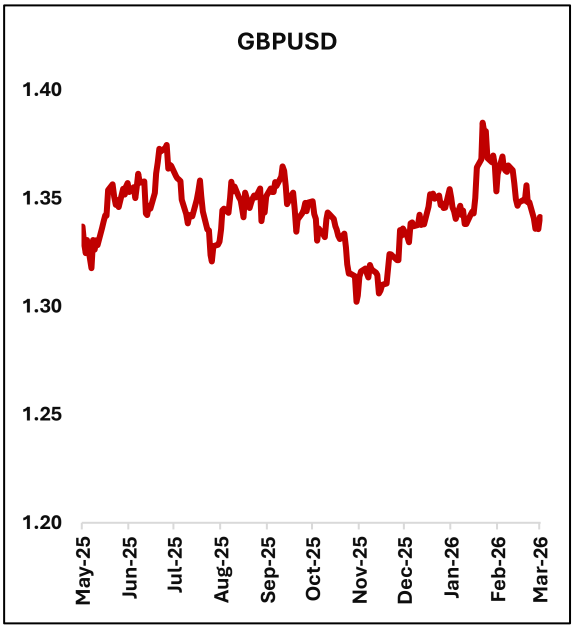


Source: Bloomberg

Short-term Outlook: Over the weekend, reports emerged that military strikes has struck Iran's oil refineries. The attack on crucial infrastructure, especially with the oil supply shock, could trigger more forceful retaliation and result in more extensive damages on either side. Amid an unclear timeline on the duration of the conflict and the possibility of regional countries jumping in the fray, there remains breadth for the conflict to deteriorate further. In any case, the XAU will gain modest support from risk averse sentiments, with support seen around USD5,000 and resistance at USD5,200.

GBPUSD: British Pound depreciated against the USD's strength

The British pound (GBP) was under pressure against the USD given that it was a relatively light calendar week on the data front, declining by 0.5% w-o-w. February manufacturing Purchasing Managers' Index (PMI) was revised slightly lower to 51.7 points from the preliminary estimate of 52.0, indicating a sustained momentum of the manufacturing sector. A closer examination showed that output growth marked the highest level in 17 months while volume of new orders rose. Operating conditions improved after a period of downbeat business confidence, supported by improvements in new orders, output and supplier delivery times. Meanwhile, input cost inflation rose for the third straight month amid rising costs for chemicals, electronic components, energy and key metals. While February services PMI eased slightly to 53.9 points compared to 54.0 in January, it remains consistent with an environment of a robust services sector. New business increased for the third straight month, driven mainly by domestic demand while external demand remained weak. On the input side, prices rose sharply amid higher wages and rising supplier costs. Despite the continuous growth in both manufacturing and services sectors, businesses have been reporting rising input cost inflation. This environment of gradually rising price pressures exacerbates the inflationary risks posed by elevated energy prices amid the Middle East tensions. As profit margins narrow and businesses grapple with tightening financial conditions, they may pass on the costs to consumer, weighing on consumer confidence and spending.



Source: Bloomberg

Short-term Outlook: The Middle East conflict is poised to weigh on global markets. The Bank of England (BoE) is navigating a delicate balance between containing inflation (Jan: 3.0% vs. Dec: 3.4%) and supporting growth. Escalating geopolitical tensions and rising energy prices could force the BoE to pause or even tighten further, though such moves would exacerbate downside risks to economic activity. Amid the heightened uncertainty, investors are likely to remain cautious, prioritising more secure holdings. In the near term, we expect the GBP/USD pair to trade with a mildly bearish bias, moving within the 1.3200–1.3420 range.

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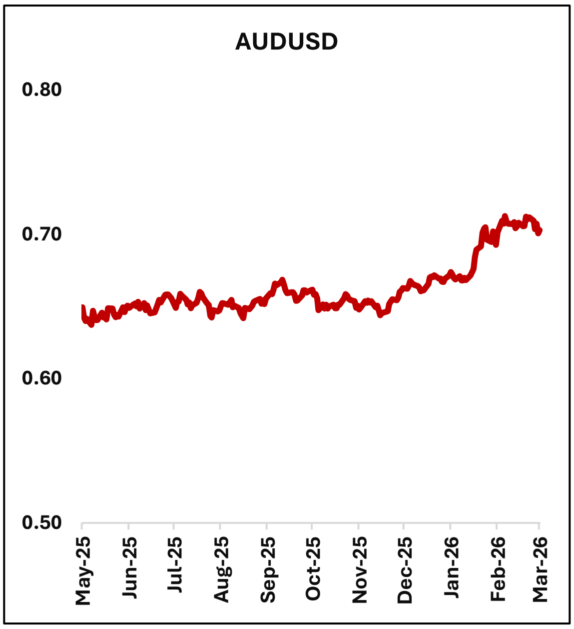
AUDUSD: Australian Dollar slipped despite stronger than expected growth

The Australian dollar (AUD) depreciated by 1.6% w-o-w despite the 4Q2025 Gross Domestic Product (GDP) expanding by 0.8% q-o-q (3Q25: 0.5%), surpassing consensus estimates of a 0.6% growth. The expansion marked a 17-quarter growth streak, reinforcing the resilience of the Australian economy. Looking closer, household spending eased to 0.3% (3Q25: 0.5%) while private investment moderated to 0.7% (3Q25: 3.2%). Slower increases were also recorded across government spending (4Q25: 0.9% vs. 3Q25: 1.1%) and public investment (4Q25: 0.9% vs. 3Q25: 3.0%). On an annual basis, the economy expanded by 2.6% (3Q25: 2.1%), the highest in eleven consecutive quarters. The robust economy further reinforced the case of additional Reserve Bank of Australia (RBA) rate hikes, with investors fully focusing their attention on the environment of elevated inflation and anticipation of rising price pressures ahead. Of note, headline inflation held steady at 3.8% in January while RBA's trimmed mean inflation increased to 3.4% (Dec: 3.3%), fuelling bets of a 25-bp rate hike in the medium term and providing modest support to the AUD. However, the AUD was largely dominated by the trajectory of the USD given the latter's dominance amidst the intensifying global headwinds. On 2 March, the AUD broke decisively below the key 0.71-support level and proceeded to attempt the next support zone seen around 0.70. As of 9 March, the currency pair opened at 0.6991.

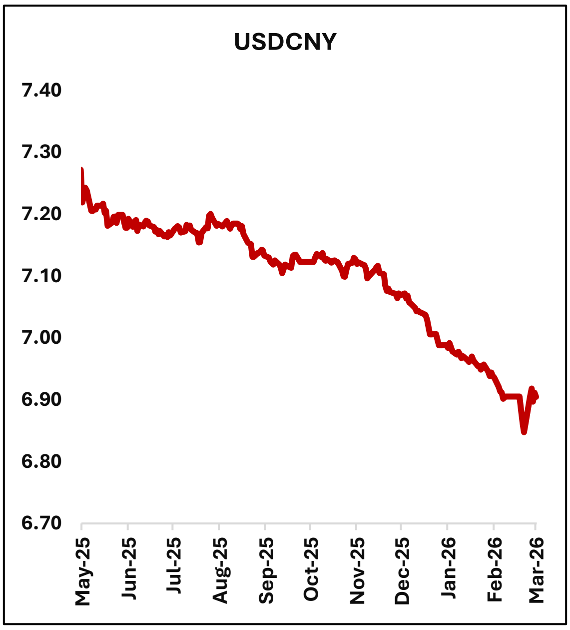


Source: Bloomberg

Short-term Outlook: Looking ahead, investors will be on the lookout for business and consumer confidence reports, getting a closer look at the underlying dynamics driving the economy. This will be crucial in charting the path forward in anticipating the RBA's policy moves. Thus, we expect the AUD/USD pair to trade with a cautious bias within a 0.6920–0.7060 range in the near term.

USDCNY: Chinese Yuan slipped on the back of a stronger USD

The Chinese yuan (CNY) weakened by 0.6% w-o-w last week amid inconsistent reports of manufacturing sector performance. The RatingDog manufacturing PMI climbed to 52.1 points in February (Jan: 50.3), the highest in over five years. Similarly, volume of new orders extended to a nine-month growth streak while output expanded at a twenty-month high. Such performance was supported by strengthening external demand as business confidence lifted amid the U.S.-China trade truce. Increased demand has accelerated activity on the factory front with employment rising for the second straight month while purchasing activity continued to rise. Evidently, confidence soared to an eleven-month peak, indicating that businesses are optimistic of the year ahead. Additionally, input prices rose which translated into higher output prices, the highest in fifteen months. However, the official survey painted a vastly different picture. The NBS manufacturing PMI eased to 49.0 points in the same month (Jan: 49.3), the lowest since October 2025. A closer examination revealed several discrepancies with the RatingDog survey. New orders marked a deeper decline, dragged by slower foreign sales, which resulted in weaker purchasing activity and subdued employment. Nevertheless, input cost inflation increased for the seventh straight month while business confidence improved modestly. The inconsistent surveys clouded China's growth outlook, which has already been struggling against structural weakness, a prolonged property slump and sluggish domestic demand.



Source: Bloomberg

Short-term Outlook: This week, central to investor attention will be China's National People's Congress (NPC) where government stimulus is expected to be unveiled, guiding policy and outlook expectations ahead. In the near term, we. maintain a bullish view on the USD/CNY pair, expecting the pair to trade within a 6.8850–6.9350 range.

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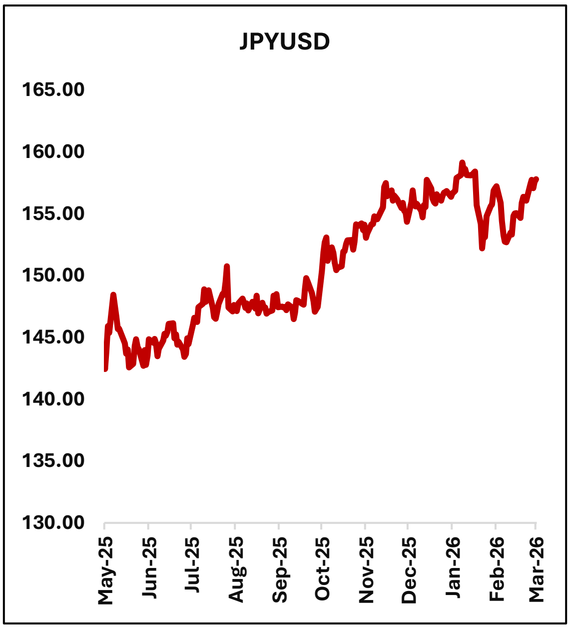
USDJPY: Japanese Yen depreciated amid a bleaker economic outlook

The Japanese yen (JPY) fell by 1.1% w-o-w, dominated by its dynamics of persistent weakness against Bank of Japan (BOJ) policy expectations and growing safe haven demand. On one hand, the USD/JPY would typically stand to benefit from the escalating tensions in the Middle East. Furthermore, earlier guidance indicated that the BoJ is ready to deliver additional tightening as concerns of falling behind the curve of its peers weighed on discussions. On the other hand, headline inflation had eased sharply in January, falling below 2.0% for the first time in 45 months. Unemployment rate edged up to an eighteen-month high of 2.7% in January, topping market forecasts of 2.6%, while the number of unemployed persons rose to a worrying 1.91 million, the highest in 48 months. The bleaker domestic economy was further weighed by the U.S.-Iran conflict. Japan's reliance on energy imports from the Middle East makes it highly vulnerable to oil supply disruptions and higher energy prices, weighing on key economic sectors. Amid the closure of the Strait of Hormuz and rising security risk premia, shipping vessels suspended operations in the region which caused oil supply shock worldwide while alternative options would be more expensive. The highly precarious situation was highlighted by BOJ governor Kazuo Ueda, cautioning that the conflict could significantly affect Japan's economy. This signalled the possibility of the BOJ holding rates steady until further clarity on the impact of the conflict on its inflation and growth outlook, causing markets to push back their rate hike bets and exerting pressure on the JPY.

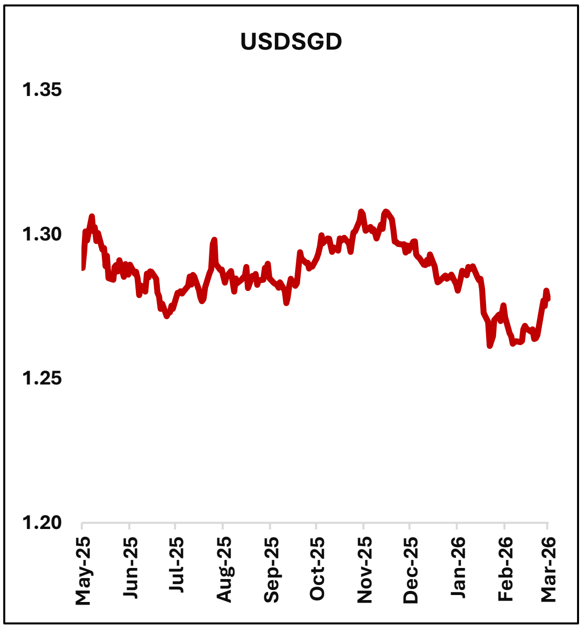


Source: Bloomberg

Short-term Outlook: Looking ahead, focus will be on the final 4Q2025 GDP figures and January's household spending, granting a closer look at the health of the economy. Preliminary estimates showed that the economy rebounded from a contraction in 3Q2025. Should the incoming data be weaker than expected, this will further weigh on investor sentiments, while a consistent or stronger reading would likely be overshadowed by the growing external headwinds. In light of this, we expect the USD/JPY to trade with a bullish bias around the 157.20-159.20.

USDSGD: Singaporean Dollar fell as retail sales declined

The Singapore dollar dipped by 1.0% w-o-w last week, dragged by retail sales contracting by 0.4% y-o-y in January (Dec: 2.5%), the lowest level in almost a year. Looking closer, numerous categories recorded declines including department stores (Jan: -12.3% vs. Dec: -3.0%), petrol services stations (Jan: -9.7% vs. Dec: -9.1%), apparel and footwear (Jan: -12.9% vs. Dec: -2.1%), others (Jan: -14.9% vs. Dec: -10.2%), supermarkets and hypermarkets (Jan: -9.7% vs. Dec: 3.7%), mini-marts and convenience stores (Jan: -2.7% vs. Dec: 6.7%) and cosmetics, toiletries and medical goods (Jan: -0.4% vs. Dec: 0.2%). The broad-based declines across retail segments pointed towards an environment of persistently sluggish consumer demand with little catalyst to generate momentum, weighing on the economy's growth outlook. However, festive spending in ahead of the Lunar New Year had lifted retail sales on a monthly basis (Jan: 6.1% vs. Dec: -2.7%), marking the highest level since March 2022. Against a backdrop of escalating geopolitical tensions and deepening external headwinds, Singapore's economy may struggle to regain its footing while domestic demand appears consistently inconsistent.

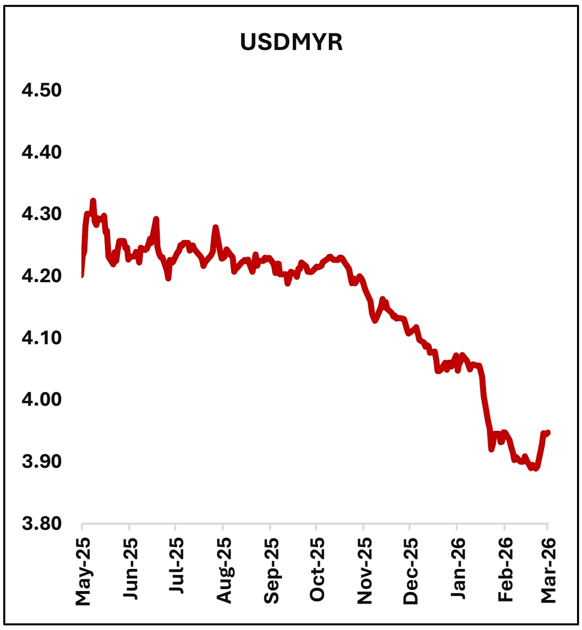


Source: Bloomberg

Short-term Outlook: Looking ahead, it will be a relatively light calendar week on the data front, with the 4Q2025 job market figures taking the centre stage. It would grant a greater understanding of the underlying dynamics of consumer confidence. While many households reported high costs of living expenses that weigh on their spending, official data pointed towards subdued inflation. Thus, the job market figures will shed light on other factors potentially constraining households' purchasing power. This week, we maintain a bullish view on USD/SGD, expecting the pair to trade within the 1.2720–1.2920 range.

USDMYR: The Ringgit lost ground despite steady OPR decision

The ringgit (MYR) depreciated by 1.4% w-o-w last week despite Bank Negara Malaysia (BNM) maintaining the Overnight Policy Rate (OPR) at 2.75%. The major factor accounting for the Ringgit's weakness is the escalating conflict between U.S. and Iran. Beyond triggering a widespread demand for the USD, the clash have culminated in a spike in oil prices and reignited inflation concerns. As of Monday, oil prices have crossed over the key threshold of USD100, reinforcing fears of a prolonged and elevated inflationary environment. Higher inflation expectations thus reinforced bets of an extended pause by the Fed, not anticipating another cut until 2H2026. With BNM keeping its policy rate steady, the rate differentials vis-à-vis the Fed's FFR remains substantial, erasing earlier support that came from narrowing yield differentials and limiting near-term upside for the MYR. Furthermore, Ringgit's traditional dynamic with oil price has been subverted in the recent turmoil. Historically, higher oil prices would be beneficial for Malaysia's trade balance and fiscal revenues as a net exporter country, providing support to the Ringgit. However, oil price spikes during episodes of geopolitical stress tend to coincide with broad-based USD strength as investors rotate into safe-haven assets, partly offsetting the positive terms-of-trade effect for Malaysia. Domestically, elevated energy prices would strain on Malaysia's fiscal position through higher subsidy expenditures. Based on our estimates, fuel subsidy costs under the BUDI95 scheme could rise to around RM44 billion if Brent prices reach USD120 per barrel, significantly higher than the government's current estimate of roughly RM11 billion, which is based on an assumed oil price of USD70 per barrel. Such an increase could complicate fiscal consolidation efforts and potentially weigh on investor sentiment, given that fiscal discipline has been a key anchor for confidence in Malaysian assets.



Source: Bloomberg

Short-term Outlook: To date, Brent price has surpassed USD100 and likely to climb further should the conflict broadens and persists. With little indications of a pullback on either side, investors are expected to remain cautious, leading to continuous rotation out of emerging market assets and into safe-haven assets, particularly the USD. In light of this, the USD/MYR currency pair is anticipated to trade with a bullish bias, moving within the 3.9350-3.9800 range this week.

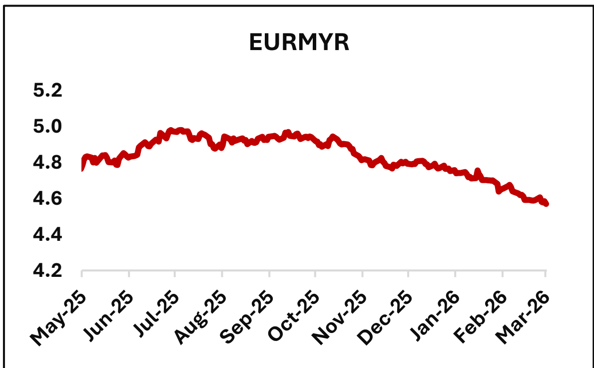
Table 2: Selected Currencies Overview (MYR Crosses)

	20-Feb	27-Feb	6-Mar	WoW	YTD
USDMYR	3.9030	3.8925	3.9475	1.4%	-2.8%
EURMYR	4.5923	4.5926	4.5696	-0.5%	-4.1%
GBPMYR	5.2564	5.2489	5.2595	0.2%	-3.6%
SGDMYR	3.0753	3.0760	3.0823	0.2%	-2.4%
JPYMYR	2.5164	2.4950	2.5019	0.3%	-3.4%
AUDMYR	2.7550	2.7689	2.7631	-0.2%	1.8%
CNYMYR	0.5652	0.5676	0.5715	0.7%	-1.6%

Sources: Bloomberg, Bank Islam

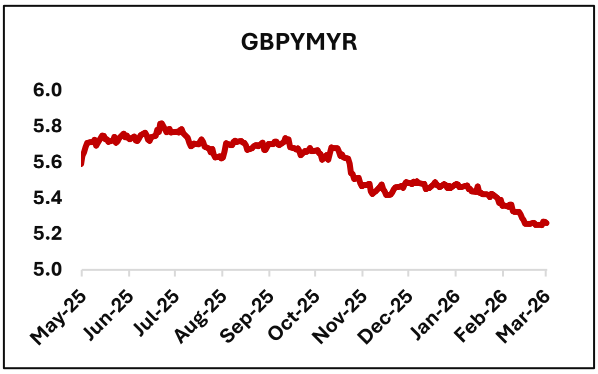
Short Term Outlook for Ringgit Pairs

The outlook for EUR/MYR is mildly bearish given that it will be a relatively light calendar week on the Euro Area front. In contrast, Malaysia's labour market, industrial production and distributive trade sales figures will be released this week. While intensifying external headwinds are weighing on both currencies, Malaysia will hold the slightest edge amid the structural strength of the economy. Furthermore, the EU's longstanding allyship with the U.S. has prompted jitters of the former being dragged into the turmoil, dampening the appeal of euro-denominated assets. In light of this, we expect the MYR to gain slightly against the EUR.



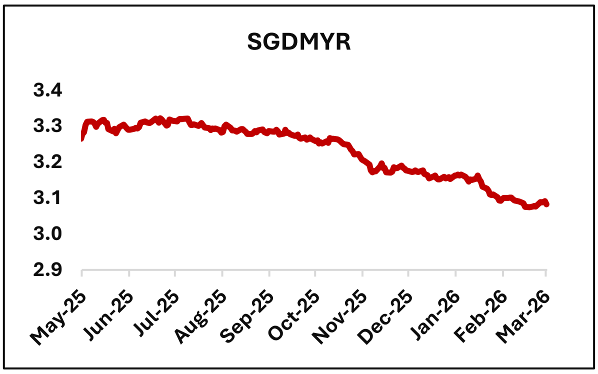
Source: Bloomberg

The outlook for GBP/MYR is neutral to mildly bullish amid expectations of delays to the BOE policy easing cycle. Latest figures revealed that output inflation has been increasing across manufacturing and services industries, reinforcing the environment of persistent inflation plaguing the economy. With tensions escalating in the Middle East, energy prices soared which further exacerbated the inflationary risks. Thus, BOE will likely adopt a cautious approach, opting for a pause as it reassesses the shifting balance of risks. The expectations of narrowing rate differentials, which previously supported Ringgit, has gradually reduced which would limit the near-term upside for the MYR.



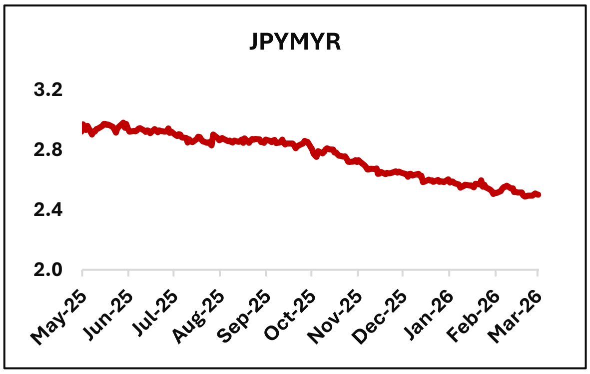
Source: Bloomberg

The outlook for SGD/MYR is bearish this week following clearer signs of sluggish domestic demand in Singapore while Malaysia's domestic demand remains as a key growth pillar. Of note, Singapore's retail sales declined across multiple retail segments, highlighting a broad-based weakness in demand. Amidst rising concerns of a global slowdown following oil supply disruptions and higher energy prices, investors are turning inwards. Malaysia's structural strength is expected to be the crucial anchor for growth, granting the MYR the edge over the SGD.



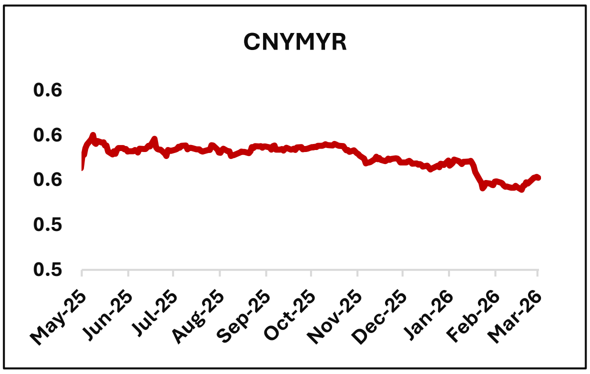
Source: Bloomberg

The outlook for JPY/MYR remains mildly bearish amid the rising likelihood of delays to the BoJ tightening cycle. Latest figures showed that unemployment rate climbed to 2.7% in January, the highest level in eighteen months. With inflation surprising to the downside and apparent signs of labour market conditions weakening, the timeline for another rate hike is less imminent. The U.S.-Iran conflict added another layer of uncertainty. Japan is highly reliant on energy imports from the Middle East; thus, the double whammy of supply disruptions and higher prices could significantly impact economic activities. Thus, the BoJ will likely hold steady to reassess the balance of risks, granting the MYR scope to appreciate, backed by BNM's steady hand.



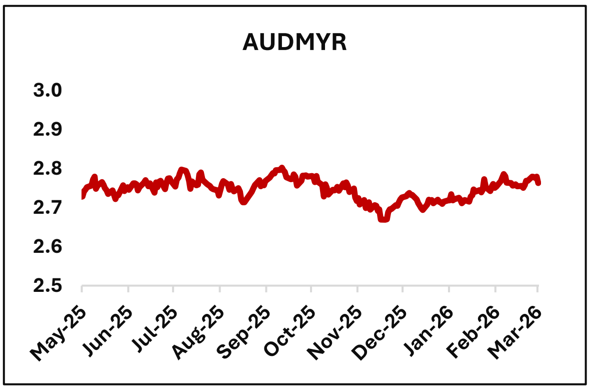
Source: Bloomberg

The outlook for CNY/MYR is neutral to mildly bearish as China's economy appear to struggle in regaining its footing. Latest business surveys painted a mixed picture of the state of the manufacturing sector, reinforcing concerns that the economy may have lost its momentum. Earlier, the economy had barely achieved its full-year target of 5.0% growth, losing steam in the last two quarters and kicking off 2026 on a shaky note. However, the government may yet unveil stimulus plans that could prop up the economy. While awaiting further clarity, the CNY/MYR currency pair will likely trade with a bearish bias.



Source: Bloomberg

The outlook for AUD/MYR is slightly bullish as a stronger than expected Australian economy backs the case for additional tightening. Of note, the economy expanded by 2.6% y-o-y in 4Q2025, the highest in eleven quarters, while inflation remained persistently above the upper bound of the RBA's 2-3% target. Furthermore, elevated energy prices have caused investors to recalibrate major central banks' policy expectations, accounting for the increased inflationary risks. In the near term, the AUD will likely appear more attractive against the MYR, supporting the AUD/MYR currency pair.



Source: Bloomberg