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## GLOBAL MARKETS RALLIED AMID RENEWED HOPES OF DE-ESCALATION

**Reserve Bank of Australia (RBA) raised its cash rate to 4.35%.** Last week, the RBA delivered a 25-bp rate hike to bring its cash rate up to 4.35%, in line with expectations. The decision reflects a worsening inflation outlook underpinned by higher global energy prices and heightened geopolitical risks. The central bank noted that inflation reaccelerated in 2H2025, with momentum carrying into 2026 and contributing to an environment of already high inflation. Against this backdrop, energy price shocks amid the Middle East conflict have compounded underlying price pressures and increases the risk of inflation becoming more entrenched, reinforcing the need for a tighter monetary policy. This marks a third consecutive rate hike, reaffirming the RBA's firm commitment on containing inflation despite the potential trade-off with growth.

**On the geopolitical front, Iran's peace proposal revived optimism around U.S.-Iran negotiations.** In early May, market sentiment improved on renewed expectations that the U.S. and Iran would return to the negotiating table, reviving hopes of resolving a conflict that has persisted for more than two months. Earlier negotiations had collapsed, leaving both sides at an impasse and weighing heavily on investor risk appetite, particularly amid uncertainty surrounding the indefinite extension of the ceasefire. Sentiment shifted after Iran submitted a 14-point proposal to the U.S. over the preceding weekend, signaling a renewed willingness to de-escalate tensions. The first phase of the proposal emphasises reopening the Strait of Hormuz and lifting the U.S. blockade on Iranian ports, while a second phase, expected to be addressed within 30 days, will focus on refining implementation details. Crucially, the plan appears aimed at dismantling both countries' maritime restrictions, which have severely disrupted global supplies of fuels, fertilisers, and other key commodities. Data from Lloyd's List Intelligence highlight the scale of the disruption, showing that vessel traffic through the Strait fell by more than half during the week of 20–26 April. Prior to the conflict, more than 700 vessels transited the Strait each week; this number dropped sharply to below 100 following the escalation in U.S.–Iran tensions and fell further to just 36 transits after the imposition of the U.S. naval blockade. Against this backdrop, renewed focus on lifting maritime restrictions has bolstered market sentiment, raising expectations of a gradual normalisation of global supply chains and an easing of supply-side pressures.

**U.S.' Operation Freedom and the 48-hour turnaround.** However, this emerging optimism was dampened by U.S. President Trump's announcement of a mission to escort vessels stranded in the Strait of Hormuz, dubbed *Operation Freedom*. The move suggested that Washington may have had reservations about Iran's proposed plan, prompting unilateral efforts to secure passage through the Strait. The operation was framed as a defensive and humanitarian initiative aimed at safeguarding international trade and assisting vessels that had been stranded in the passage for more than two months. However, the mission appeared to have limited success in meaningfully improving transit conditions and instead provoked a renewed wave of Iranian retaliation. As of 4 May, the U.S. Navy reported that only two ships had been escorted, falling short of the operation's stated objectives, while several commercial vessels reported

incoming fire from Iranian forces. At the same time, the United Arab Emirates (UAE) alleged that Iran had struck a key oil port as part of a broader missile attack, further undermining risk sentiment. Against this backdrop, markets traded with a cautious bias during the first half of the week. Nevertheless, late on Tuesday, President Trump announced the suspension of Operation Freedom, citing the need to create space for further negotiations. While the move briefly reduced immediate tensions, it underscored yet another bout of geopolitical volatility that continued to weigh on markets.

**Rekindled hopes of de-escalating U.S.-Iran geopolitical tensions.** Alongside the suspension of Operation Freedom, the U.S. responded to Iran's proposal with a one-page memorandum of understanding (MoU) aimed at effectively ending the conflict and initiating a 30-day negotiation window. The key elements of the MoU broadly align with Iran's earlier proposal, including provisions to end mutual maritime restrictions, lift U.S. sanctions, and release billions of dollars in frozen Iranian assets. Against this backdrop, investor risk appetite improved markedly, triggering a rotation out of defensive assets and driving broad-based rebounds across global financial markets. Renewed hopes of a near-term resolution reduced demand for safe-haven assets, placing downward pressure on the USD, while benchmark oil prices softened amid expectations of improving supply conditions. Capitalising on the shift in sentiment, major currencies such as the EUR, AUD, and CNY advanced, while gold (XAU) also benefited from repositioning flows. Nevertheless, Iran's nuclear program remains a key point of contention that could complicate negotiations going forward. While Iran's proposal calls for deferring nuclear-related discussions in favor of prioritising an end to current hostilities, the U.S. has continued to press for constraints on Iran's nuclear ambitions, underscoring a fundamental divergence that may test the durability of any prospective agreement.

**A brief spike in tensions on Friday.** Tensions briefly escalated on Friday despite the ongoing diplomatic efforts, underscoring the volatility of the situation. The U.S. military stated that it acted in self-defence after intercepting Iran's strikes on three of its navy destroyers, triggering a retaliation on Iranian military facilities. On the other hand, Iran reported that the strikes were in response to the U.S. violating the ceasefire by targeting two Iranian commercial ships near the Strait and striking civilian areas along Iran's coastal cities. The exchange of military fire then led to a slight repricing in market positioning. However, the escalation proved short-lived with tensions easing within hours. As diplomatic channels remained open, investor sentiment stabilised, allowing risk appetite to recover relatively quickly.

#### Upcoming Events: Key Economic Data Release

<b>Monday</b>	<b>China Consumer &amp; Producer Prices (April), Malaysia Distributive Trade Sales (March)</b>
<b>Tuesday</b>	<b>BoJ Summary of Opinions, Japan Household Spending (March), U.S. Consumer Prices (April), Malaysia Unemployment Rate</b>
<b>Wednesday</b>	<b>Euro Area 1Q2026 Employment Change, Euro Area Industrial Production (March), U.S. Producer Prices (April),</b>
<b>Thursday</b>	<b>UK 1Q2026 Preliminary Gross Domestic Product (GDP), UK Industrial Production (March), U.S. Retail Sales (April)</b>
<b>Friday</b>	<b>Japan Producer Prices (April), Malaysia 1Q2026 GDP, U.S. Industrial Production (April)</b>

Table 1: Selected Currencies Overview

	24-Apr	1-May	8-May	WoW	YTD
<b>DXY Index</b>	98.53	98.16	97.90	-0.3%	-0.4%
<b>USDMYR</b>	3.96	3.97	3.92	-1.3%	-3.4%
<b>XAUUSD</b>	4,709.50	4,614.21	4,715.25	2.2%	9.2%
<b>EURUSD</b>	1.17	1.17	1.18	0.6%	0.3%
<b>GBPUSD</b>	1.35	1.36	1.36	0.4%	1.2%

AUDUSD	0.72	0.72	0.72	0.6%	8.6%
USDSGD	1.28	1.27	1.27	-0.4%	-1.4%
USDJPY	159.38	157.01	156.68	-0.2%	0.0%
USDCNY	6.83	6.83	6.80	-0.4%	-2.7%

Sources: Bloomberg, Bank Islam

## Commentaries

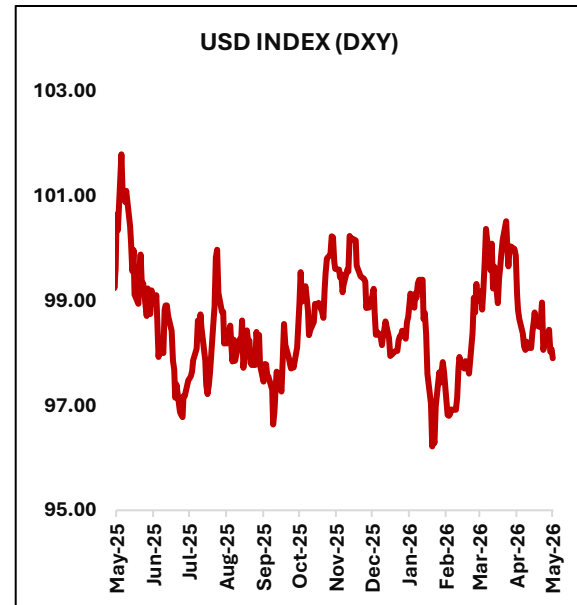
### DXY: USD depreciated as investors shed safe-haven assets

The USD index declined by 0.3% last week as investor risk appetite recovered on renewed hopes of easing U.S.-Iran geopolitical tensions. The shift in sentiment prompted a rotation away from dollar-denominated assets, bringing an end to the USD's recent bullish momentum. Although tensions briefly resurfaced on Friday, both the U.S. and Iran signaled a continued commitment to ending hostilities, supported by indications that negotiation channels remain open. Reports indicate that U.S. officials were awaiting Iran's response on the submitted memorandum while Iran stated that its actively assessing the terms. As such, market sentiments stabilised, allowing the USD to extend its decline. The dollar index ultimately breached the key 98.00 support level, closing the week at 97.90. On the data front, job openings declined by 56K in March to 6.87 million (Feb: 6.92 million), albeit still exceeding consensus estimates of 6.84 million. Meanwhile, the economy added 115K jobs in April (Mar: 185K), almost double of market forecast of 62K. Looking closer, government non-farm payrolls (NFP) recorded a steeper decline of 9K (Mar: -5K) while private job gains increased by 123K (Est: 75K). The strength in private payrolls suggests that businesses continue to weather the broad supply chain disruptions linked to the U.S.-Iran conflict relatively well, which bolstered overall business confidence and sustained core economic activity. Job gains were recorded in health care (+37K), transportation and warehousing (+30K), and retail trade (+22K), indicating that domestic demand, particularly consumer spending, has yet to be meaningfully disrupted. Nevertheless, job market momentum has shown to be fragile, marked by past episodes hiring volatility. Coupled with emerging signs of slowing job gains, a more prolonged-than-expected conflict, alongside persistent supply disruptions, may begin to weigh more materially on employment conditions.

**Short-term outlook:** Currently, the still resilient job market momentum provides the Federal Reserve (Fed) greater policy flexibility, reaffirming the central bank's wait-and-see policy approach. However, the USD failed to gain meaningfully from bets of an extended policy pause as markets have largely priced in this outcome, taking cues from the Fed's April meeting. The policy decision marked the deepest split within the Board in over three decades, underscoring an increasingly uncertain inflation outlook and rising geopolitical risks which could complicate the Fed's policy trajectory. This week, central to investor attention will be April's consumer and producer inflation, granting more clarity on the impact of persistently elevated oil prices on domestic price dynamics. Should inflation continue to rise, this will reinforce the hawkish Fed expectations. In addition, the USD will remain sensitive to geopolitical developments. In light of this, we expect the USD to trade with a cautious bias within the 97.40-98.80 range.

### XAUUSD: Gold price weakened as risk sentiments deteriorated

Gold price (XAU) climbed by 2.2% w-o-w last week amid a broad-based rebound across global currency markets. The XAU remained under pressure initially, trading within the 4,500-4,580 range, as investors cautiously monitor U.S.-Iran tensions. While Iran reached out with a peace proposal, Trump announced Operation Freedom, a project that may undermine Iran's control over the Strait. In response, Iran allegedly launched strikes at UAE, a close U.S. ally in the region. However, tensions dissipate when Trump paused the mission, citing that the decision will make way for continued diplomatic engagement. This proved true when the U.S. submitted a one-page memorandum to Iran, swiftly causing



Source: Bloomberg

markets to whipsaw on Wednesday as the road to a resolution became increasingly clear. The XAU broke decisively above 4,600-resistance on 6 May before testing the next threshold. On 8 May, the XAU breached the 4,700-resistance zone to close the week at USD4,715.25.

**Short-term Outlook:** This week, U.S.–Iran tensions are set to remain in focus. Over the weekend, the fragile ceasefire was tested by sporadic military exchanges, underscoring the conflict's elevated volatility. More recently, Iran submitted its response to the U.S. memorandum; however, President Trump publicly criticised the reply as unacceptable, prompting markets to open the week on a cautious footing. While avenues for continued diplomatic engagement remain open, the path forward appears increasingly complex. A renewed escalation in tensions could place fresh pressure on XAU. Against this backdrop, XAU is expected to trade with a mildly bullish bias, with immediate resistance seen near USD 4,750 and support emerging around USD 4,600.

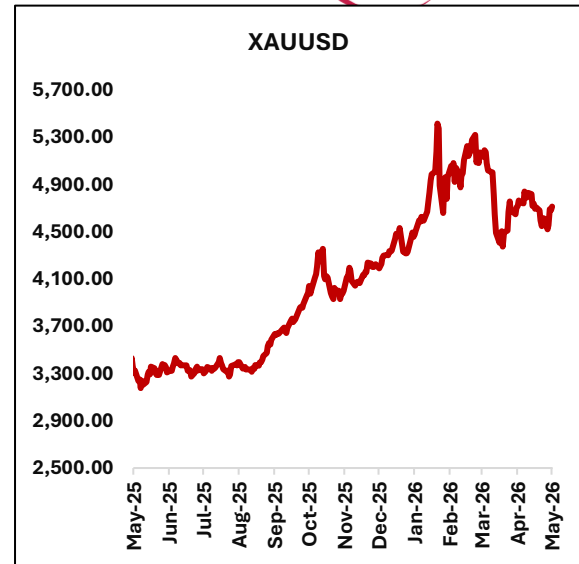
**EURUSD: EUR climbed as investors weigh the probability of ECB hikes**

The euro (EUR) appreciated by 0.6% w-o-w for the week ending 8 May, benefitting against the USD's slide. The EUR broke decisively past the 1.17 resistance on 6 May and closed at 1.1748. On the macroeconomic front, persistent supply chain disruptions linked to the U.S.–Iran war have materially fed into domestic price pressures, supporting the case of potential tightening by the European Central Bank (ECB). Eurozone producer prices jumped by 3.4% m-o-m in March (Feb: -0.6%), the highest level since August 2022, driven by an 11.1% surge in energy prices. Meanwhile, core producer inflation increased by 0.5% m-o-m (Feb: 0.1%). On an annual basis, producer prices increased to a twelve-month high of 2.1% in March, rebounding from a 3.0% decline in February. With consumer inflation already reflecting the immediate rise in energy prices (Mar: 3.0% vs. Feb: 2.6%), the pass-through from elevated producer costs is expected to be more pronounced, reinforcing second-round effects and creating an environment rife with elevated price pressures that will likely persist. On the other hand, preliminary estimates showed that the economy grew at the softest pace in three quarters (1Q26: 0.1% vs. 4Q25: 0.2%), suggesting that an economy already grappling with lingering trade-related headwinds is facing renewed pressure from geopolitically driven energy supply shocks. Nevertheless, upside risks to inflation outlook appear to take precedence over softer growth, leading markets to recalibrate their ECB policy expectations.

**Short-term Outlook:** Looking ahead, the EUR is expected to find support as investors increasingly price in the likelihood of interest rate hikes. While the ECB kept its benchmark interest rates unchanged at its April meeting, it signaled a growing readiness to tighten monetary policy, noting a significant rise in short-term inflation expectations. ECB Executive Board member Isabel Schnabel reinforced this stance, stating that monetary policy would need to respond appropriately if energy-related shocks begin to broaden and pose risks to medium-term price stability. She highlighted that such risks have intensified in recent weeks, particularly against a backdrop of already elevated price pressures before the onset of the conflict. As a result, expectations for an ECB rate hike have increased materially, providing fundamental support to the EUR. Accordingly, EUR/USD is expected to trade with a mildly bullish bias this week, within a projected range of 1.1740 to 1.1820.

**GBPUSD: British Pound gradually appreciated as risk appetite improved**

The British pound (GBP) edged 0.4% higher w-o-w, supported by a softer USD. In contrast to its peers, the GBP traded against a relatively light calendar backdrop, which limited the currency's near-term upside. From a technical perspective, the GBP traded with a subdued bias, moving range-bound within 1.3520-1.3560, in the earlier half of the week as prolonged geopolitical concerns weighed on FX markets. While a wave of optimism over a potential U.S.–Iran de-escalation triggered a broad-based repricing across asset classes on 6 May, the



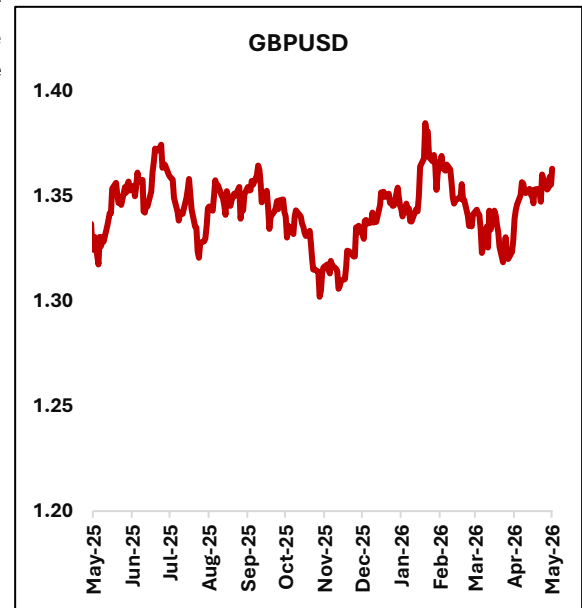
Source: Bloomberg



Source: Bloomberg

GBP repeatedly tested and failed to break above the immediate resistance of 1.36. Nevertheless, as risk sentiments gradually improved towards the end of the week, the GBP garnered momentum to top the 1.36-resistance and closed the week firmer at 1.3631.

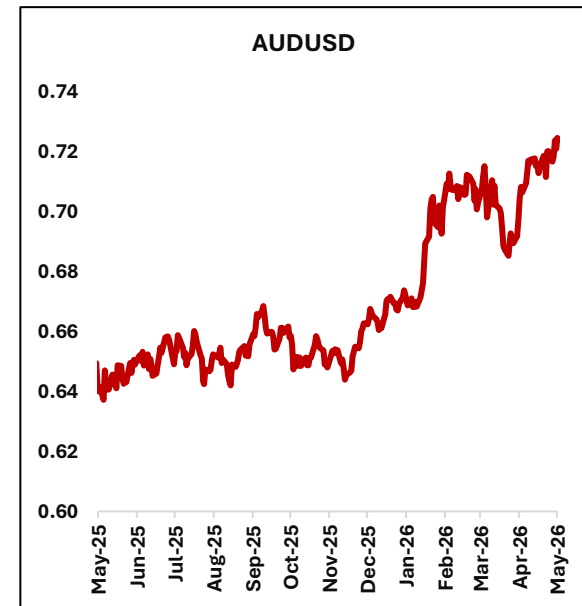
**Short-term Outlook:** Looking ahead, FX markets will be closely monitoring the preliminary 1Q2026 growth figures, scheduled to be released on Thursday alongside March's industrial production data. While inflation accelerated in March (3.3% vs. 3.0% in February), reflecting the early effects of geopolitical cost shocks, the upcoming data releases are expected to provide a clearer assessment of how U.S.–Iran tensions and associated supply-chain disruptions have affected growth dynamics to date. Notably, earlier data already point to a fragile growth backdrop. The economy expanded by a marginal 0.1% q-o-q in each of the final two quarters of 2025, indicating subdued underlying momentum that heightens vulnerability to further geopolitical shocks. A further slowdown in the upcoming quarter would reinforce evidence of softening economic conditions and leave the BoE with diminishing scope to maintain a policy pause, let alone tighten monetary conditions. Such an outcome would undermine the BoE's hawkish signaling at its most recent meeting, where the vote split 8–1, with one member advocating a 25-bp rate hike and several policymakers highlighting potential scope for future increases. As such, forthcoming growth figures could weigh on near-term GBP performance. That said, the currency's broader momentum remains constructive, particularly amid persistently elevated energy prices. Overall, GBP/USD is expected to consolidate with a neutral-to-mildly bullish bias, trading within the 1.3520–1.3640 range.



Source: Bloomberg

#### **AUDUSD: Australian Dollar strengthened on the back of a hawkish RBA**

The Australian dollar (AUD) appreciated by 0.6% following the RBA's policy decision. The central bank hiked its cash rate by 25-bp to 4.35%, fully unwinding its monetary easing last year. The 8-1 decision was underpinned by accelerating inflation against a backdrop of already persistently elevated price pressures, exacerbating the effects of recent surges in global energy prices. Furthermore, forward signals from the RBA maintained a hawkish tone, further supporting the AUD's bullish momentum. Accompanying the policy decision was RBA's quarterly Statement of Monetary Policy (SOMP) which pointed to a deteriorating macroeconomic outlook, characterised by weaker growth, rising unemployment and a higher-than-expected inflation peak. Notably, inflation is projected to rise further as geopolitical tensions proved more protracted than initially expected. Under its baseline assumption of a gradual de-escalation in U.S.-Iran tensions, the RBA now forecasts headline inflation to peak at 4.8% in mid-2026, higher than its earlier projection of 4.2%. Meanwhile, underlying trimmed mean inflation is expected to reach 3.8%, up from 3.7%. Despite the assumption of easing geopolitical tensions, the updated projections suggest that energy-driven price pressures will remain persistently elevated, likely keeping inflation above the RBA's target band of 2-3% for an extended period. As such, the central bank's policy stance appears increasingly skewed towards restoring price stability, even at the expense of near-term growth, to ensure that long-term inflation expectations remain well anchored. On the technical front, the AUD/USD currency pair advanced to test the 0.72 resistance level following the RBA's policy decision. Supported by hawkish policy expectations and improving risk sentiments, the pair broke decisively above this key threshold to close at 0.7237 on 6 May, the strongest level since June 2022.



Source: Bloomberg

**Short-term Outlook:** This week features a relatively light calendar, allowing FX markets room to digest the latest data docket and RBA policy guidance against a backdrop of evolving geopolitical developments. Key data releases will include the Westpac Consumer Confidence and NAB Business Confidence surveys, offering insights into how mounting external headwinds are affecting sentiments across households and firms. While these sentiment indicators are unlikely to indicate immediate changes in spending or investment behaviour, they provide early signals of underlying economic momentum. A further deterioration in

confidence would point to softer demand conditions ahead amid tightening financial conditions, increasing downside risks to the economy. Meanwhile, resilience in confidence will indicate that households and firms are optimistic that economic conditions will gradually normalise, particularly if U.S.-Iran tensions eased, keeping the growth outlook anchored. That said, the upcoming releases will likely have marginal sway over the AUD. As such, the near-term outlook for the AUD/USD pair remains constructive. We expect the currency pair to trade with a bullish bias within a 0.7180–0.7270 range.

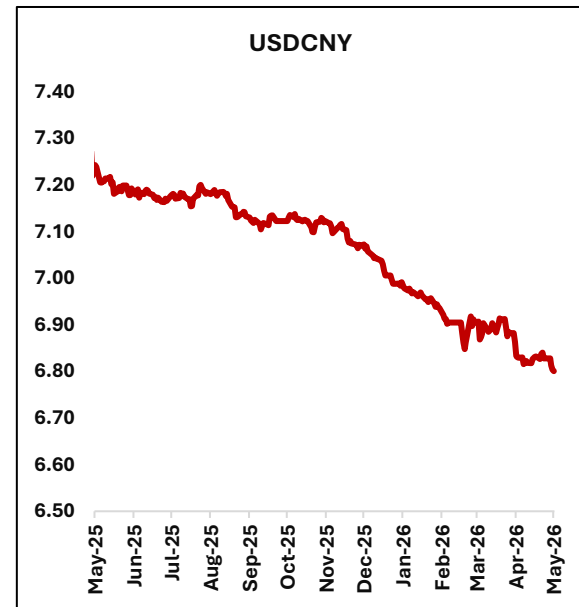
#### USDCNY: Chinese Yuan appreciated amid across key economic sectors

The Chinese yuan (CNY) climbed by 0.4% last week, deriving initial support from signs of sustained growth across key economic sectors before appreciating further amid improving global risk sentiment. The RatingDog composite Purchasing Managers' Index (PMI) rose to 53.1 in April (Mar: 51.5), signalling a broad-based growth in both manufacturing and services sectors. New business volumes increased across both sectors while employment conditions remained broadly stable. The services sector remained resilient with the RatingDog Services PMI rising to 52.6 in the same month (Mar: 52.1), driven by firm domestic demand. New businesses marked a forty-month growth streak and business confidence improved, backed by new projects, market expansion and efficiency gains. This suggests that domestic demand continues buffer against heightening external headwinds, even as foreign demand weakened with export orders declining for the second straight month. Overall, the improvement in business conditions lifted investor confidence on China's outlook, bolstering expectations of stable growth prospects. Coupled with improved risk sentiments, the USD/CNY currency pair gained traction to break decisively below the immediate support of 6.82 before advancing past the next support zone around 6.81. The USD/CNY pair closed the week at 6.8006, the strongest since February 2023.

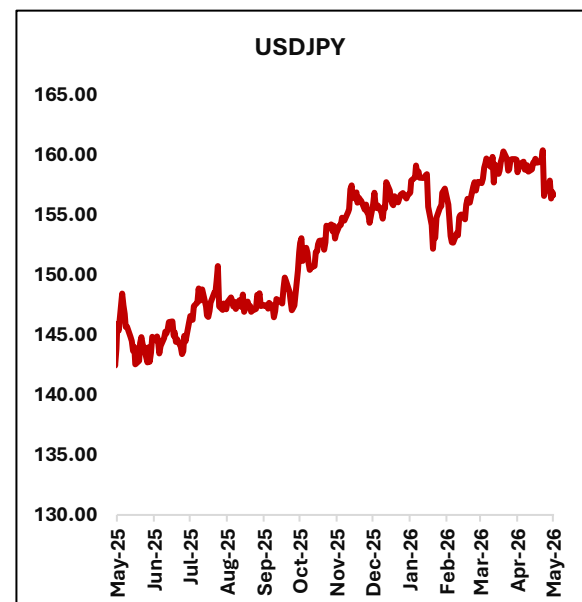
**Short-term Outlook:** Moving forward, cost pressures are increasingly intensifying with composite input prices rising at the fastest pace since April 2022, reflecting higher global energy and commodity prices. While the immediate impact on headline inflation (Apr: 1.2% vs. Mar: 1.0%) is cushioned by price controls, pass-through pressures will gradually be more pronounced. The PMI survey indicates that firms have begun to raise selling prices to mitigate higher input costs and protect margins. Evidently, producer prices touched the highest level since July 2022 (Apr: 2.8% vs. Mar: 0.5%), indicating that the effects are rapidly compounding which may increasingly lead to more subdued consumer spending in the medium-term. Nevertheless, in the near term, the growth outlook remains stable. Thus, we expect the USD/CNY pair to trade with a slightly bearish bias within a 6.7920–6.8090 range.

#### USDJPY: Japanese Yen ticked up amid the release of BoJ meeting minutes

The Japanese yen (JPY) continued to strengthen by a marginal 0.1% w-o-w last week, supported by an interplay of recent intervention measures, a weaker USD and heightened bets of further Bank of Japan (BoJ) tightening. The release of BoJ's policy meeting minutes revealed a growing hawkish bias within the Board, reinforcing market expectations of a potential rate hike by 1H2026. Policymakers noted that the basic response would be to look through temporary, episodic supply shocks stemming from the Middle East conflict. However, a more protracted than expected conflict would lead to more persistent supply disruptions and amplify the risk of second-round effects on general prices. Against the current backdrop, many Board members then signalled that tighter monetary policy would be warranted as energy-driven cost pressures fed into inflation, compounding pressures from a weak yen and steady domestic wage gains. Policy discussions also reflected a divergence in views on the most appropriate timing of additional hikes. On one hand, one member stressed that the long intervals between hikes must be avoided while another echoed that earlier sentiments that the BoJ must not fall behind the curve on monetary policy. Another policymaker stated that the BoJ must act "without hesitation," particularly if economic conditions remain



Source: Bloomberg



Source: Bloomberg

resilient despite rising external headwinds. The growing sense of urgency reinforced expectations of a near-term rate hike, offering modest support to the JPY. The USD/JPY currency pair subsequently broke below the 157.00 support floor, further driven by improving global risk sentiments, to close at a two-month low of 156.39. However, some members also emphasised growing downside risks to growth, particularly through worsening terms of trade and slowing economic activity. Given Japan's heavy reliance on fuel imports, persistent energy supply disruptions may weigh on business activity and gradually spill over into broader areas of the economy.

**Short-term Outlook:** In assessing how evolving U.S.–Iran tensions are feeding through to domestic demand, FX markets will closely watch the release of Japan's household spending data this week. Even before the recent geopolitical escalation, household spending had shown early signs of weakness, contracting by 1.8% y-o-y in February following a 1.0% decline in January. This suggests that consumer demand is likely to remain subdued, further constrained by the combined effects of persistent inflation, tighter financial conditions, and rising geopolitical cost pressures. Should the incoming data reinforce this downtrend, it could complicate the BoJs tightening cycle, potentially prompting investors to push back expectations for future rate hikes. That said, the broader normalisation path remains intact, supported by underlying policy intentions. Against this backdrop, USD/JPY is expected to trade with a mildly bearish bias, within a projected range of 155.90 to 158.10.

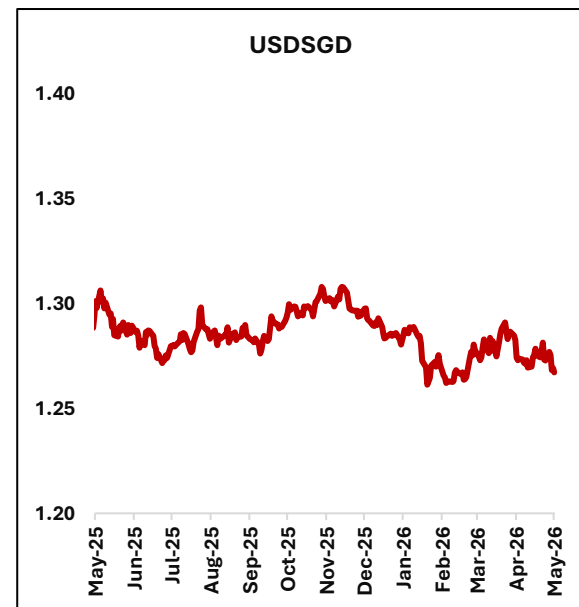
#### USDSGD: Singaporean Dollar climbed against a softer USD

The Singapore dollar strengthened by 0.4% w-o-w last week despite emerging signs of slowing consumer spending, underpinned by a softer USD. On the macro front, retail sales moderated to 4.8% y-o-y in March (Feb: 8.3%) as effects from festival-related spending faded and broader uncertainties weighed on consumer confidence. Looking closer, sales declined in department stores (Mar: -5.7% vs. Feb: 18.0%), food and alcohol (Mar: -6.0% vs. Feb: 12.7%), supermarkets and hypermarkets (Mar: 2.7% vs. Feb: 28.9%) and cosmetics, toiletries and medical goods (Mar: 3.3% vs. Feb: 13.5%). Meanwhile, several segments recorded growth, partly driven by rising costs linked to U.S.–Iran geopolitical tensions, including motor vehicles, parts and accessories (Mar: 12.9% vs. Feb: -7.8%), petrol service stations (Mar: 4.0% vs. Feb: -10.1%), and computer and telecommunication equipment (Mar: 11.9% vs. Feb: 2.6%). However, on a monthly basis, retail sales rebounded by 3.7% compared to a decline of 4.3% in February. From a technical perspective, the flight away from dollar-denominated assets pressured the USD/SGD currency pair, leading it to slip decisively below the support level around 1.27. The USD/SGD closed the week at the firmest level since before the onset of the war at 1.2672.

**Short-term Outlook:** This week will feature a light economic calendar, leaving the SGD primarily driven by USD dynamics. Over the weekend, Iran responded to the U.S. memorandum, signalling willingness to continue diplomatic engagement despite sporadic clashes near the Strait of Hormuz. However, the initial reaction was less than favourable with Trump apparently rejecting the proposal through a social media posting. As such, FX markets are likely to trade cautiously as they await further clarity on the de-escalation efforts. As such, we maintain a mildly bearish view on USD/SGD, expecting the pair to trade within the 1.2630–1.2710 range.

#### USDMYR: The Ringgit strengthened as BNM maintained the OPR at 2.75%

The ringgit (MYR) appreciated by 1.3% last week, underscoring sustained investor confidence on the Malaysian economic resilience and Bank Negara Malaysia (BNM)'s stable policy outlook. In line with expectations, BNM opted to maintain the Overnight Policy Rate (OPR) at 2.75% last Thursday, citing that the current policy stance remains appropriate and consistent with the outlook despite

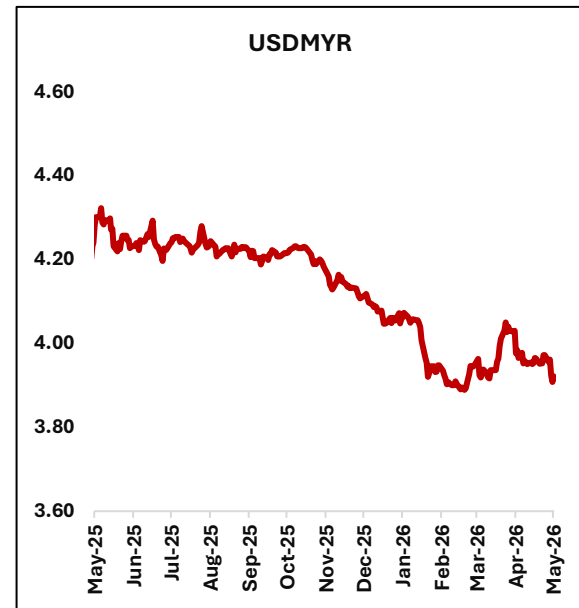


Source: Bloomberg

increased risks to domestic cost pressures amid rising global energy prices. Resilient economic activity also continued to provide structural support to the MYR. Latest figures showed that industrial production increased by 3.1% y-o-y in March, at the same pace as the previous month. Notably, the manufacturing Industrial Production Index (IPI) expanded by 5.5% (Feb: 4.2%), driven by sustained growth in electrical and electronic products (E&E) and food, beverages and tobacco segments. A breakdown in the manufacturing sector indicated that export-oriented output accelerated sharply (Mar: 6.7% vs. Feb: 5.0%), reflecting still firm technology-related demand, while domestic-oriented output edged up to 2.8% (Feb: 2.7%). Meanwhile, electricity generation continued to rise (Mar: 4.9% vs. Feb: 4.6%) while mining output experienced a deeper decline (Mar: -6.5% vs. Feb: -2.0%).

From a technical perspective, USD/MYR gathered downside momentum amid renewed optimism surrounding a potential de-escalation in U.S.–Iran tensions. The pair broke decisively below the immediate 3.95 support level and continued to breach successive support zones, closing at 3.9230 on 6 May. The downward momentum extended into the following session, with USD/MYR declining further to 3.9078 on 7 May, its strongest closing level since mid-March. However, renewed clashes between the U.S. and Iran later in the week prompted a partial reversal, with USD/MYR trimming its gains and retracing higher to end the week at 3.9212.

**Short-term Outlook:** At the start of Monday's session, USD/MYR traded within the 3.9190–3.9290 range as Trump's reaction to Iran's response reintroduced uncertainty around de-escalation prospects. While a sustained break below the 3.93 level would open the door to further downside, the pair's overall trajectory remains contingent on continued improvement in global risk appetite. Any renewed escalation in tensions could place fresh pressure on the ringgit. That said, the Ringgit is expected to remain relatively firm, supported by the upcoming 1Q2026 GDP release, where investors anticipate Malaysia's economy to demonstrate resilient growth momentum. For the week ahead, USD/MYR is projected to trade with a mildly bullish bias, within a 3.9150–3.9450 range.



Source: Bloomberg

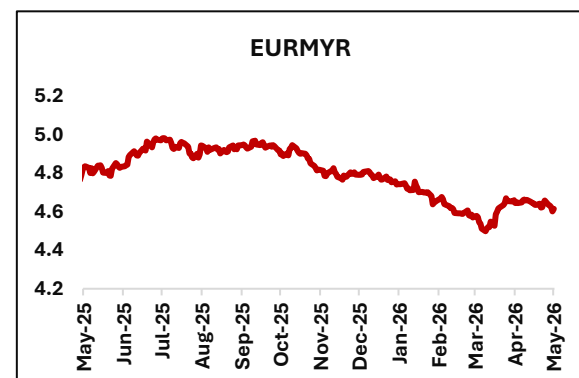
Table 2: Selected Currencies Overview (MYR Crosses)

	24-Apr	1-May	8-May	WoW	YTD
USDMYR	3.9645	3.9717	3.9212	-1.3%	-3.4%
EURMYR	4.6337	4.6579	4.6144	-0.9%	-3.2%
GBPMYR	5.3452	5.4025	5.3388	-1.2%	-2.1%
SGDMYR	3.1026	3.1194	3.0929	-0.8%	-2.0%
JPYMYR	2.4879	2.5274	2.5026	-1.0%	-3.4%
AUDMYR	2.8266	2.8570	2.8365	-0.7%	4.5%
CNYMYR	0.5802	0.5814	0.5764	-0.9%	-0.8%

Sources: Bloomberg, Bank Islam

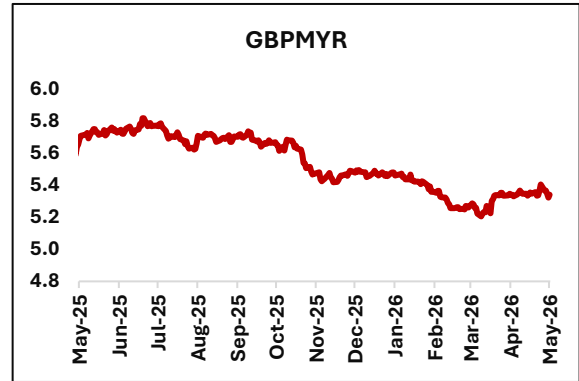
### Short Term Outlook for Ringgit Pairs

The outlook for EUR/MYR is slightly bullish amid growing expectations of ECB rate hikes over the horizon. According to the ECB's latest meeting, the central bank signalled a willingness to deliver rate hikes if the evolving balance of risks warrants a tighter monetary stance. Furthermore, ECB members highlighted that short-term inflation expectations have risen significantly, supporting the case for additional tightening. Meanwhile, BNM maintained that its policy stance remains appropriate with the outlook, reinforcing expectations of a steady OPR in 2026. Against this backdrop, the widening interest rate differentials will favour the EUR over the MYR.



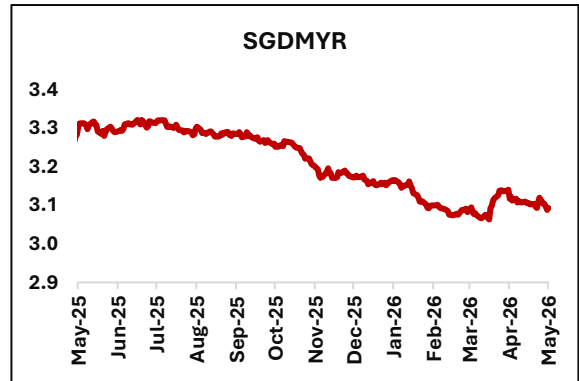


The outlook for GBP/MYR is bearish as the GBP is expected to face near-term pressures amid growing downside risks to growth. Of note, the economy grew by a marginal 0.1% in 3Q and 4Q 2025, underscoring a fragile growth momentum. Therefore, mounting external headwinds are expected to augment the slowdown in economic activity, casting uncertainty over the BoE's policy trajectory and limiting near-term GBP gains. In contrast, optimism over Malaysia's outlook remains firm, bolstered by expectations of resilient first quarter growth. As such, the MYR will likely appreciate against the GBP this week.



Source: Bloomberg

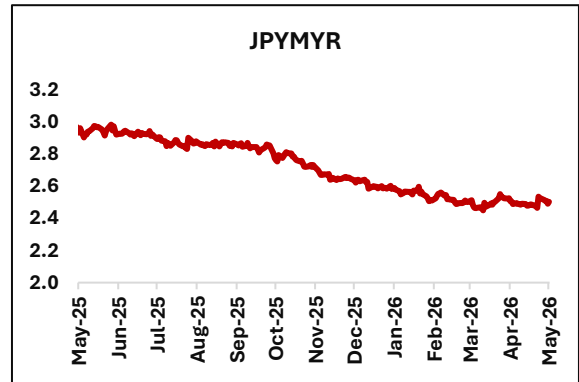
The outlook for SGD/MYR remains slightly bearish ahead of a relatively light calendar week on the SGD front. Meanwhile, Malaysia's release calendar will feature heavy hitters including 1Q2026 GDP, labour market figures, as well as services and construction sectors data. These releases are anticipated to reinforce Malaysia's sustained economic strength, keeping its outlook anchored despite geopolitical headwinds. That said, while domestic fundamentals remain favourable, the near-term trajectory of SGD/MYR is likely to remain closely tied to external developments, particularly shifts in global risk sentiment and broader USD dynamics.



Source: Bloomberg

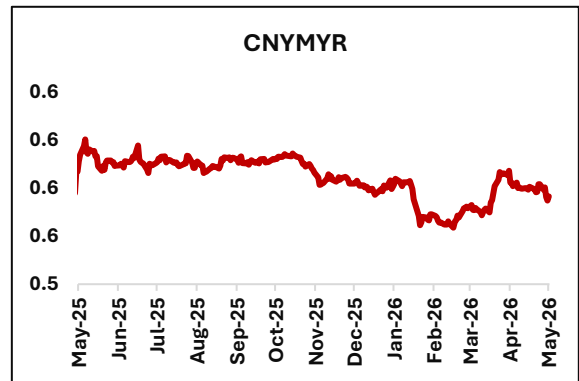
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The outlook for JPY/MYR is mildly bullish as investors increasingly price in the prospects of near-term BoJ tightening. Taking cues from hawkish signals in the latest meeting minutes, the growing sense of urgency among Board members has heightened expectations that the next hike will come as early as June. This narrative is expected to provide structural support to the JPY. Meanwhile, the OPR is widely anticipated to remain stable, limiting further gains on the MYR from a policy standpoint. As such, the JPY/MYR is expected to trade with a slightly bullish bias, while persistent geopolitical uncertainty remains a key risk that may trigger volatility in broader FX markets.



Source: Bloomberg

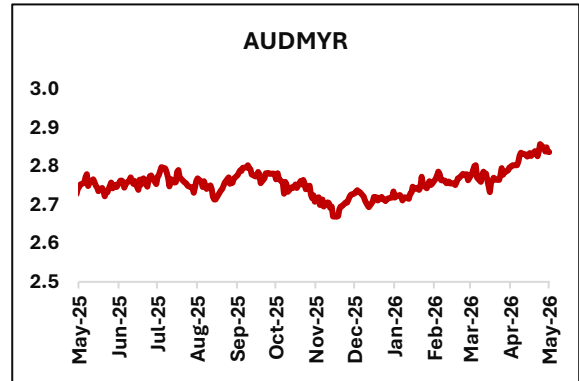
The outlook for CNY/MYR remains mildly bearish as China's growth outlook comes under scrutiny. While business surveys indicate that activity across the manufacturing and services sectors remained solid, the pass-through of higher input costs will gradually weigh on consumer confidence and dampen demand. Evidently, the composite PMI showed that producer inflation jumped to a 31-month high while April's PPI hit the highest level since July 2022, highlighting that elevated energy prices have materialised significantly on the factory front. Thus, while direct impact on consumers is cushioned by price controls, the second-round effects may be more pronounced as firms pass on the cost pressures onto consumers. In light of this, the MYR is expected to gain the edge over CNY in the near-term as investors continue to monitor the evolving risks to China's economy.



Source: Bloomberg



The outlook for AUD/MYR is slightly bullish as expectations of a hawkish RBA continue to remain constructive for the AUD. Against a backdrop of persistent inflation and rising inflationary pressures stemming from the U.S.-Iran conflict, the RBA is widely expected maintain a sufficiently restrictive policy stance. With three rate hikes, the central bank has fully unwound its easing cycle last year, suggesting that curbing inflation has taken precedence in policy considerations. As such, widening interest rate differentials will likely enhance the relative attractiveness of the AUD vis-à-vis the MYR, providing structural support to the AUD/MYR currency pair.



Source: Bloomberg

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