BANK ISLAM

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RISK APPETITE IMPROVED FOLLOWING THE FINALIZATION OF U.S.-IRAN PEACE AGREEMENT, USD REGAINED BULLISH MOMENTUM AMID HAWKISH FED SIGNALS

Geopolitical developments have remained a key driver of investor sentiment since the escalation of U.S.–Iran tensions in late February, contributing to episodic volatility across global financial markets. This period has been characterized by intermittent flare-ups alongside a fragile ceasefire. During the week of 8–12 June, risk-off sentiment continued to support USD strength, with the currency surpassing the critical 100.00 level following an exchange of military fire between the U.S. and Iran near the Strait of Hormuz and the Persian Gulf. However, currency markets reversed sharply last Monday after the announcement of a finalized peace agreement between the two countries, reviving optimism for a near-term resolution.

Risk appetite improved significantly, leading to a recalibration of safe-haven flows. Early last week, Pakistan's Prime Minister Shehbaz Sharif announced that the U.S. and Iran had reached an agreement to resolve the ongoing conflict, with the formal signing ceremony scheduled in Switzerland on 19 June. Subsequently, U.S. President Donald Trump and Iran's Supreme National Security Council separately confirmed that the MoU has been finalized, triggering an unwinding of defensive positions. The USD faced renewed pressure, although it remained anchored above the 99.00 resistance level, supported by expectations of a more hawkish Federal Reserve (Fed). In contrast, traditional safe-haven assets initially strengthened, including gold, the Swiss Franc and the Japanese Yen. Across precious metals, gold (XAU) broke decisively above immediate resistance of 4,300.00, while silver (XAG) breached the key level of 70.00. As of 16 June, XAU and XAG had strengthened by 1.7% w-o-w and 7.1% w-o-w respectively. Energy prices exhibited a pronounced correction, bolstered by anticipation of easing supply disruptions and improved shipping conditions amid the reopening of the Strait of Hormuz. Brent crude declined below USD85.0/barrel while West Texas Intermediate (WTI) fell below USD80/barrel.

However, the USD staged a rebound by mid-week, supported by the highly anticipated Federal Open Market Committee (FOMC) policy meeting. Although the Federal Funds Rate (FFR) was unanimously held steady at 3.50–3.75%, the June Summary of Economic Projections (SEP) pointed to a more hawkish tilt in the Fed's policy stance, reinforcing expectations of further tightening later this year. As a result, the USD regained upward momentum, decisively breaking above the 100.00 resistance level. Against this backdrop, while the initial easing of geopolitical tensions had spurred a rally in non-USD currencies, the gains proved short-lived. The subsequent rebound in the USD eroded earlier advances, triggering a broad retracement across FX markets.

Lingering geopolitical uncertainties reaffirmed the USD dominance. Although the U.S. and Iran formally signed the Memorandum of Understanding (MoU) ahead of schedule, initiating a 60-day negotiation window toward a more durable peace agreement, investor sentiment remained cautious. On the one hand, greater clarity on the agreement's terms and scope highlighted several positive developments, including the immediate cessation of military operations and the removal of related maritime restrictions. Notably, the reopening of the Strait of Hormuz and the lifting of the U.S. naval blockade on Iran are expected to support a gradual normalization of global shipping activity, aiding the recovery of disrupted supply chains and alleviating earlier oil supply shocks. On the other hand, key contentious issues were largely deferred to the 60-day negotiation period, particularly those surrounding Iran's nuclear program and the provision of financial relief. These unresolved matters have historically been major points of friction in prior negotiations, underscoring the fragility of the current diplomatic process and posing ongoing risks to the durability of the agreement. As such, investor positioning has remained cautious, with close attention on further geopolitical developments.

Upcoming Events: Key Economic Data Release

Monday	**China 1Y & 5Y Loan Prime Rate (LPR), Euro Area Preliminary Consumer Confidence (June)**
Tuesday	**S&P Global Preliminary Manufacturing PMI (June), Singapore Consumer Prices (May)**
Wednesday	**Bank of Japan Summary of Opinions, Australia Consumer Prices (May)**
Thursday	**Australia Labour Market (May), U.S. 1Q2026 GDP, U.S. Personal Consumption Expenditure (May)**
Friday	**Japan Tokyo Consumer Prices (May), Singapore Industrial Production (May)**

Table 1: Selected Currencies Overview

	5-Jun	12-Jun	19-Jun	WoW	YTD
DXY Index	100.07	99.75	100.85	1.1%	2.6%
USDMYR	4.03	4.06	4.14	1.9%	1.9%
XAUUSD	4,328.45	4,219.33	4,155.71	-1.5%	-3.8%
EURUSD	1.15	1.16	1.15	-0.8%	-2.3%
GBPUSD	1.33	1.34	1.32	-1.3%	-1.8%
AUDUSD	0.70	0.70	0.70	-0.5%	5.1%
USDSGD	1.29	1.28	1.29	0.5%	0.5%
USDJPY	160.29	160.24	161.30	0.7%	2.9%
USDCNY	6.79	6.76	6.77	0.1%	-3.1%

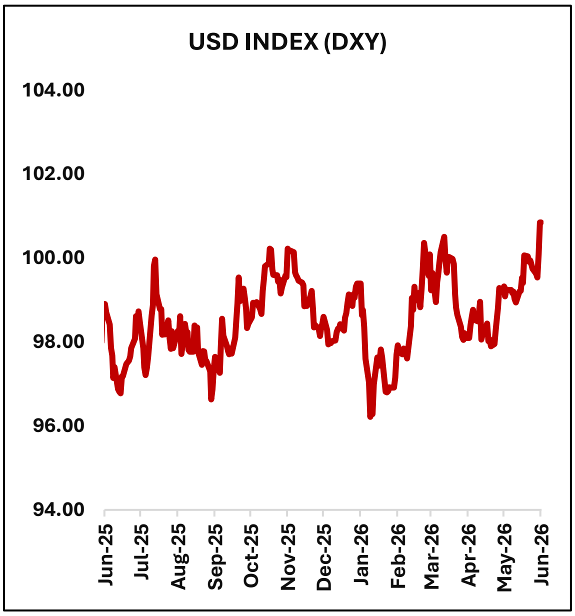
Sources: Bloomberg, Bank Islam

Commentaries

DXY: USD index touched highest level since May 2025 last Friday

The USD Index appreciated by 1.1% in the week ending 19 June, outperforming major currencies amid its dual appeal as both a higher-yielding and safe-haven asset. Although the dollar came under pressure earlier in the week, it regained bullish momentum following increasingly hawkish signals from the Fed. The June dot plot showed that nine out of nineteen policymakers anticipate at least one rate hike this year, with six expecting the Federal Funds Rate (FFR) to reach at least 4.00–4.25%. Among the remaining members, eight project rates to remain at current levels, while one favors a 25-bps cut. Notably, this meeting marked Kevin Warsh's first as Chair. However, he did not submit his projections, in line with his prior criticism that the Fed has been overly transparent in its policy communication. Overall, the projections tilted more hawkish than market expectations, prompting a swift recalibration of policy outlooks. According to the CME FedWatch tool, expectations for easing in 2026 have now been fully priced out, providing further support to the USD. In addition, the Fed revised its inflation outlook higher. Headline personal consumption expenditure (PCE) inflation is now projected at 3.6% in 2026, up significantly from the previous estimate of 2.7%, while core PCE inflation is forecast to average 3.3%, compared to 2.7%

earlier. These upward revisions highlight concerns that intensifying energy-driven price pressures could keep inflation persistently above the Fed's 2.0% target. At the same time, the Fed emphasised that economic activity remains on a solid footing, with growth expected to stay resilient into 2026, albeit with slight moderation. This outlook is supported by stronger-than-expected labour market conditions, easing earlier concerns of a sharp deterioration amid fragile hiring trends. Consistent with this, the unemployment rate is now projected to improve to 4.3% this year from 4.4% previously. As such, these developments suggest that the policy trade-off has shifted in favor of tighter monetary conditions, reinforcing near-term USD strength.

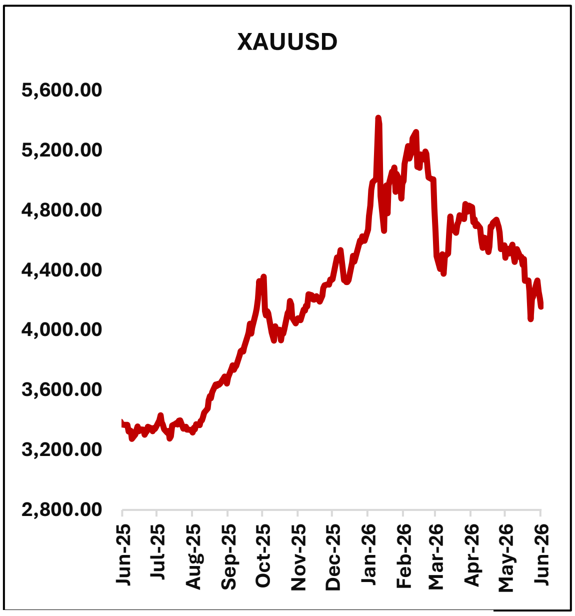


Source: Bloomberg

Short-term outlook: Geopolitical developments are expected to remain a key driver of risk sentiment in the coming week, with cautious optimism offering modest support to the USD. While ongoing negotiations over complex issues continue to pose persistent geopolitical risks, investors are also closely monitoring developments in Lebanon. Notably, a key provision of the peace accord calls for the cessation of military operations across all fronts, including Lebanon. Any escalation involving Israel, a key U.S. ally, could materially raise the risk of the agreement unravelling. Recent developments suggest that tensions in Lebanon remain a potential flashpoint. Beyond geopolitics, investor focus will turn to key macroeconomic releases, including May PCE inflation and the final estimate of 1Q2026 growth. While headline inflation is expected to moderate slightly, reflecting the easing of global energy prices from their March peak, core inflation may point to broadening underlying price pressures. Against this backdrop, the USD is likely to remain supported by its dual appeal, trading with a bullish bias in the 100.20–100.90 range. A decisive break above the key psychological resistance level of 101.00 would further reinforce the currency's upward trajectory.

XAUUSD: Gold price underperformed against the USD

Gold price (XAU) declined by 1.5% w-o-w last week, coming under renewed pressure against a strengthening USD. Despite its traditional safe-haven status, the XAU appeared less attractive relative to the USD, as the latter continued to draw support from expectations of a prolonged "higher-for-longer" Fed policy stance. Earlier last week, the XAU mirrored the broad-based gains seen across major currencies, supported by improved risk sentiment following the announcement of a finalized peace agreement between the U.S. and Iran. Prices initially rallied, breaching the immediate resistance level of 4,300.00 to close at USD 4,311.69 on Monday. However, this upward momentum proved short-lived. Gold reversed course and fell below the 4,300 level as the USD strengthened in the wake of the FOMC meeting. Bearish pressure persisted through to Friday, with XAU breaking below the next support level of 4,200.00 and ending the week at USD 4,155.71.

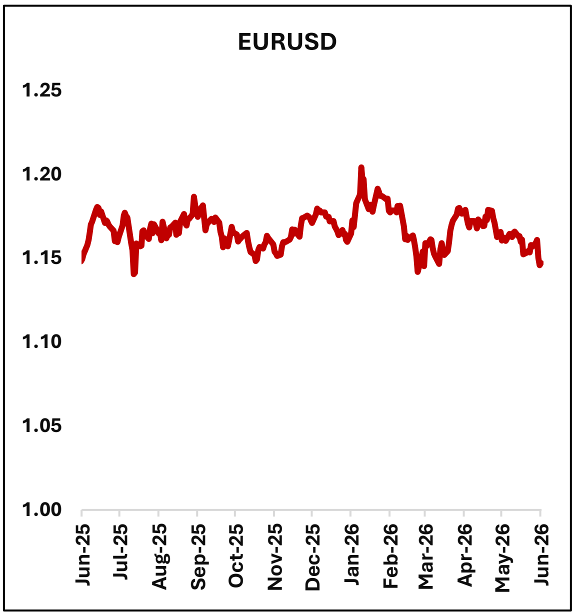


Source: Bloomberg

Short-term Outlook: While the initial market reaction was positive, sentiment gradually turned more subdued as investors examined the details of the agreement more closely. Key contentious issues were largely deferred to the 60-day negotiation window aimed at establishing a more durable peace framework, underscoring persistent risks that could undermine the accord. Beyond concerns over Iran's nuclear program, reports indicate that the agreement includes provisions for financial relief, such as the release of frozen or restricted assets, a phased lifting of U.S. sanctions, and a proposed USD300 billion reconstruction and economic development plan. Given prior criticism by U.S. President Donald Trump that earlier agreements lacked enforceable safeguards on Iran's nuclear activities, Washington is likely to push for more robust and verifiable commitments. Furthermore, the deal stipulates a toll-free reopening of the Strait of Hormuz for an initial 60-day period, with longer-term arrangements subject to further negotiations. Divergent positions on these critical issues may complicate the negotiation process, reinforcing cautious market sentiment and sustaining mild defensive demand. Against this backdrop, gold is expected to face a near-term bearish bias. From a technical perspective, key resistance is seen around USD 4,225, while support is located near USD 4,120.

EURUSD: EUR depreciated amid sluggish industrial production growth

The euro (EUR) weakened by 0.8% w-o-w, retracing earlier gains as capital flows remained skewed towards higher-yielding USD assets. Mirroring major currencies, the EUR briefly strengthened on the back of improving risk appetite. However, it staged a reversal on 17 June, falling below the 1.16 level and testing the next support at 1.15. By 18 June, it broke below this support and closed at 1.1471, signalling a shift towards a more bearish trajectory. On the macroeconomic front, Eurozone industrial production surprised to the downside, failing to provide a supportive backdrop for the currency. April's industrial production eased to 0.1% m-om (Mar: 0.4%), dampened by slow output of energy (Apr: -0.4% vs. Mar: -1.8%) and capital goods (Apr: -0.5% vs. Mar: 1.0%). Meanwhile, both non-durable (Apr: 1.7% vs. Mar: -4.6%) and durable (Apr: 1.0% vs. Mar: -0.9%) consumer goods production rebounded. On an annual basis, industrial activity rebounded from a decline of 2.8% in March, although it remained relatively subdued.

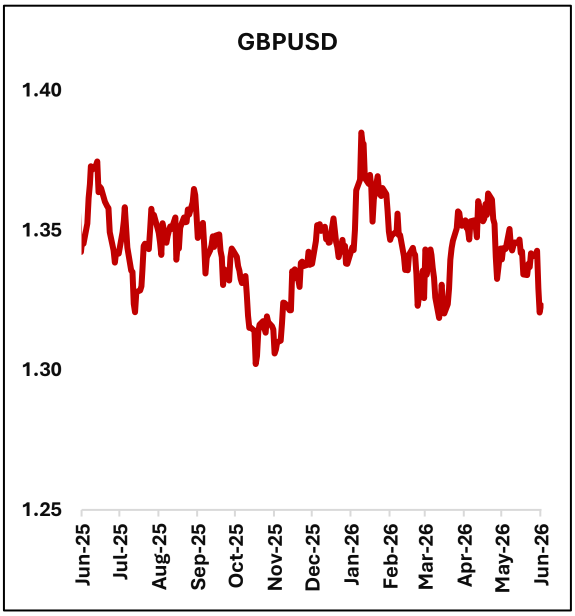


Source: Bloomberg

Short-term Outlook: This week features a relatively light macroeconomic calendar, providing limited near-term catalysts for the EUR. With industrial activity showing signs of sluggish momentum, expectations of further European Central Bank (ECB) policy tightening may continue to be priced out. Softening production trends could weigh on business confidence going forward, increasing downside risks to growth. Additionally, consumer spending slowed to a 21-month low of 1.0% in April (Mar: 2.1%), reflecting weakening consumer sentiment. The combination of softer consumer demand and moderating business conditions is likely to reinforce the ECB's cautious policy stance. In the near term, market direction is expected to be largely driven by USD dynamics and geopolitical developments. Against this backdrop, the EUR is likely to remain under pressure, with the EUR/USD pair trading within a subdued range of 1.1420 to 1.1490.

GBPUSD: British Pound under pressure despite a more hawkish BoE

The British pound (GBP) declined by 1.3% w-o-w despite relatively more hawkish signals from the Bank of England (BoE). Last week, the BoE maintained its Bank Rate at 3.75% in a 7-2 vote, with two Committee members dissenting in favour of a 25-bps hike. This decision signalled a shift away from the central bank's earlier easing trajectory, underscoring growing concerns over energy-driven price pressures linked to the Middle East conflict. While headline inflation held steady in May, reflecting both policy support and global energy prices easing from their March peak, the BoE flagged second-round effects on wages and consumer prices as key upside risks to inflation. Evidently, rising supply-side cost pressures are increasingly passed into consumer goods and services. Notably, core inflation edged higher to 2.6% (Apr: 2.5%). Core goods inflation eased to 2.0% (Apr: 2.4%) while core services inflation, which is more likely to reflect faster price pass-through, rose sharply to 3.7% (Apr: 3.2%). This narrative is further supported with input prices at the production level accelerating to the highest level since February 2023 (May: 8.7% vs. Apr: 7.9%). The BoE also highlighted that energy prices remain elevated and more volatile compared to pre-conflict levels, warranting more caution in assessing the evolving balance of risks.

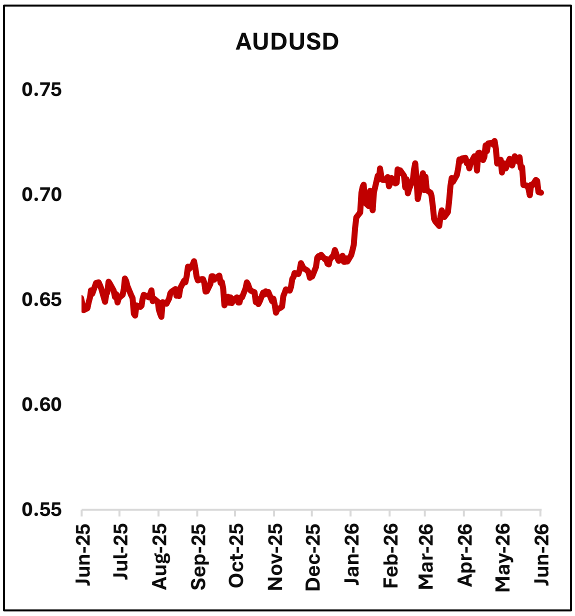


Source: Bloomberg

Short-term Outlook: Looking ahead, the BoE policy outlook is expected to remain constructive, providing structural support to the GBP. While energy prices have recently moderated amid easing geopolitical tensions, inflationary pressures will likely persist rather than dissipate quickly. Additionally, improving labour market conditions and resilient consumer spending should provide the BoE greater policy flexibility, reinforcing expectations of a prolonged pause rather than potential easing. Nevertheless, the GBP/USD pair is expected to trade with a mildly bearish bias given the USD's bullish trajectory, trading within a projected range of 1.3150–1.3260 this week.

AUDUSD: Australian Dollar dipped as the RBA kept its cash rate unchanged

The Australian dollar (AUD) weakened by 0.5% w-o-w last week. Tracking broader currency movements, the AUD initially strengthened amid a broad unwinding of defensive positioning. However, by mid-week, bearish pressures intensified, with the currency breaking decisively below the immediate support level of 0.7060 and sliding through successive support levels to close at 0.7014 on 17 June. The AUD/USD pair remained under pressure thereafter, ending the week slightly lower at 0.7012. Although the Reserve Bank of Australia (RBA) held its Cash Rate steady at 4.35%, the decision was largely anticipated and provided limited support to the currency. Market focus subsequently shifted to forward guidance, which highlighted an increasingly complex policy trade-off facing the central bank. The Board highlighted that financial conditions are now tighter and noted signs of slowing economic activity. Labour market conditions also seemingly deteriorated. The unemployment rate rose to the highest level since November 2021 (Apr: 4.5%), employment marked the first decline in five months, while labour force participation rate eased to a three-month low of 66.7%. This suggested that geopolitical risks are weighing on business confidence, spilling over into the job market and increasing downside risks to growth. However, the RBA also acknowledged that inflation remains elevated, as higher commodity prices linked to the Middle East conflict amplified already persistently high inflation. Against this backdrop, the RBA is widely expected to maintain its cash rate in the near term, particularly following its cumulative 75-bp this year.

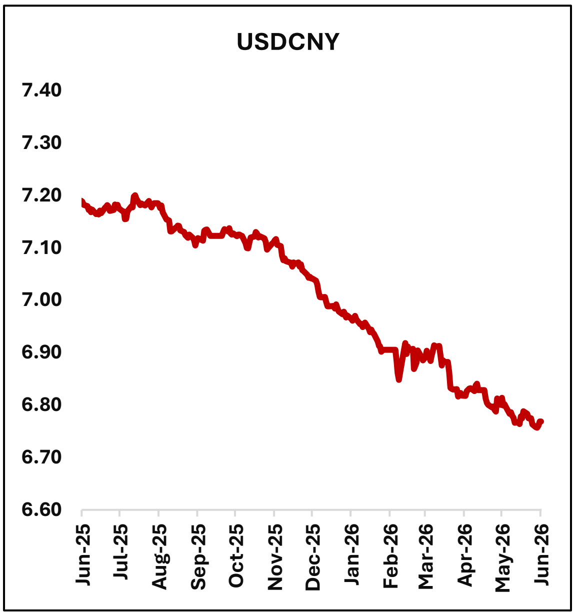


Source: Bloomberg

Short-term Outlook: This week will feature key releases, namely May inflation, labour market and household spending data. These indicators will offer greater clarity into domestic demand and underlying price dynamics. While consensus estimates point towards a slight moderation in headline inflation, underlying inflation is expected to pick up, which would reinforce the pass-through effects from rising input costs. This would support the hawkish bias on the RBA's broader trajectory. However, labour market and household spending data will be pivotal in shaping near-term expectations. Should these indicators surprise to the downside, it could delay the anticipated timing of further rate hikes, and vice versa. Amid geopolitical developments and policy expectations, we expect the AUD/USD currency pair to trade with a mildly bearish bias within the 0.6980–0.7055 range.

USDCNY: Chinese Yuan edged lower amid a mixed bag of macro data

The Chinese yuan (CNY) slipped by 0.1 % w-o-w amid a mixed bag of macroeconomic releases last week. On the production front, industrial output expanded by 4.5% in May (Apr: 4.1%), driven by stronger production in the manufacturing (May: 4.4% vs. Apr: 4.0%) and utilities sectors (May: 7.6% vs. Apr: 5.3%) while mining output declined to 2.3% (Apr: 3.8%). Notably, the growth in manufacturing production was underpinned by resilient demand for electrical and electronic (E&E) products and specialised goods, as evidenced by expansions across key segments, including computers and communications equipment (+17.0%), railway and shipbuilding (+7.4%), general equipment (+6.7%), special equipment (+9.1%) and electrical machinery (+4.7%). In contrast, emerging signs of weakening consumer demand was observed as retail sales fell by 0.6% in May (Apr: 0.2%), marking the first decline since December 2022. Heightened geopolitical uncertainties had weighed on consumer confidence, offsetting the anticipated boost from holiday-related spending and improving labour market conditions. This was reflected in muted demand for discretionary and big-ticket goods, with related categories displaying broad declines, including automobiles (-16.1%), home appliances and audiovisual equipment (-15.6%), building and decoration materials (-13.6%), gold and silver jewellery (-8.9%), furniture (-8.7%), and sports and entertainment products (-8.0%).



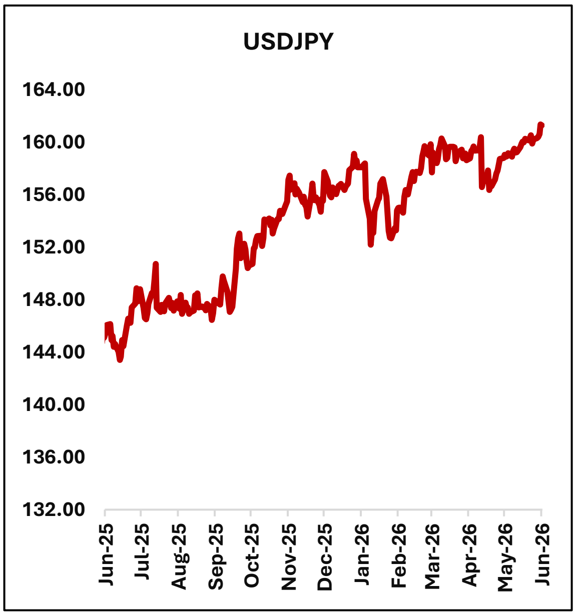
Source: Bloomberg

Short-term Outlook: It will be a relatively light macroeconomic calendar this week, with the CNY expected to largely track USD movement. However, the People's Bank of China (PBoC) steady policy stance is anticipated to provide modest support. At its June meeting, the PBoC kept its one-year and five-year

Loan Prime Rates (LPR) unchanged at 3.0% and 3.5%, respectively, signalling continuity in accommodative monetary settings. While underlying price pressures has intensified against a backdrop of rising geopolitical-driven cost pressures, inflation remained relatively manageable, allowing the PBoC to maintain its key policy rates in the near term. As such, domestic financial conditions are expected to remain supportive of economic activity. Additionally, labour market conditions have improved recently with the urban unemployment rate easing to the lowest level this year (May: 5.1% vs. Apr: 5.2%), posing as another catalyst to prop up household demand. Against this backdrop, the CNY is expected to remain relatively stable, with the USD/CNY pair likely to trade within a mildly bullish range of 6.7650–6.7790 in the near term.

USDJPY: Japanese Yen weakness persisted as it topped the 161-level

The Japanese yen (JPY) remained persistently under pressure against the USD last week, contrary to expectations of policy- and safe-haven-driven appreciation. On Tuesday, the Bank of Japan (BoJ) delivered a 25-bps rate hike in a 7-1 vote, raising its policy rate to the highest level since September 1995. The Board highlighted that risks to inflation are skewed to the upside, underpinned by higher energy costs linked to the ongoing Middle East conflict, with could push underlying inflation to overshoot the 2% target. However, one Board member dissented, citing greater downside risks to production and employment. The rate hike appeared as an insurance against an anticipated risk, rather than a response to a material rise in inflation. Recent data suggested that price pressures remain relatively contained amid policy support and moderating food costs. Headline inflation had edged higher to 1.5% in May (Apr: 1.4%) while core inflation remained unchanged at 1.4%. Core-core inflation eased further to 1.8% (Apr: 1.9%), marking the lowest level since September 2022. Against this backdrop, the policy action is interpreted as risk mitigation amid still-subdued domestic inflation dynamics. Supporting this narrative, the BoJ cautioned that price pass-through is progressing more rapidly in business-to-business (B2B) transactions. Producer inflation climbed sharply to 6.3% in May (Apr: 5.3%), the highest level since March 2023, increasing the likelihood of pass-through to consumers. The central bank flagged this as a key consideration, highlighting that medium- and longer- term inflation expectations have risen. Market expectations are also skewed towards additional policy support to mitigate the Japanese Yen's structural weakness. Despite the latest rate hike, momentum remained limited with the USD/JPY currency pair trading within a narrow-range of 160.20–160.65. By mid-week, the USD gained strong upward bias amid hawkish Fed signals, driving the currency pair to touch a multi-year high of 161.8. This trajectory reinforces expectations that further BoJ policy normalization may be required to meaningfully narrow rate differentials and stabilize the JPY.

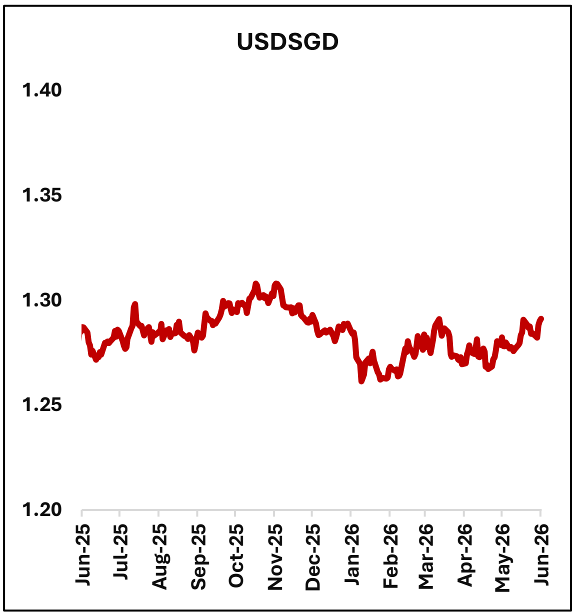


Source: Bloomberg

Short-term Outlook: Looking ahead, market expectations remain tilted towards further policy tightening. Key releases this week include the BoJ Summary of Opinions and Tokyo's inflation data. The Summary of Opinions will provide deeper insights into internal policy deliberations and how the BoJ's economic outlook has shifted amid heightened geopolitical risks, particularly as Japan's inflation dynamics remain relatively subdued compared to regional peers. Meanwhile, Tokyo's June inflation data will serve as an early signal of domestic price trends, whereby a stronger-than-expected reading would reinforce the case for additional policy normalization. However, this is unlikely to act as a significant upside catalyst for the JPY, as lingering geopolitical uncertainties and interest rate differentials continue to favor the USD. Against this backdrop, the USD/JPY pair is expected to trade with a bullish bias in the near term, within a projected range of 160.40 to 161.80.

USDSGD: Singaporean Dollar declined despite a surge in exports

The Singapore dollar (SGD) fell by 0.5% last week despite sustained strength in external demand, particularly for technology-related goods. Notably, non-oil domestic exports accelerated sharply by 38.4% in May (Apr: 24.4%), marking the fastest pace since December 2003. The key driver for this growth emerged from export of electronics (May: 94.8% vs. Apr: 66.7%) with expansions recorded across E&E segments, including disk media products (+227.8%), PCs (+140.9%), and ICs (+80.9%). Non-electronics shipments also remained robust (May: 17.7% vs. Apr: 10.9%) supported by exports of pharmaceuticals (+102.6%), non-monetary gold (+83.2%), and specialised machinery (+66.9%). By export destination, shipments had surged to major trading partners, namely Taiwan (+135.2%), the U.S. (+80.9%), South Korea (+67.2%), Thailand (+43.4%), China (+31.0%), and the EU (+41.4%), reflecting broad-based demand spurred by the ongoing digitalisation wave. However, despite the solid economic fundamentals, gains to the SGD were limited amid the USD strength. While the USD/SGD currency pair remained supported near the 1.28-level early last week, bullish momentum soon intensified. The currency pair subsequently breached decisively above the immediate resistance around 1.29 on 18 June and closed the week at 1.2912.

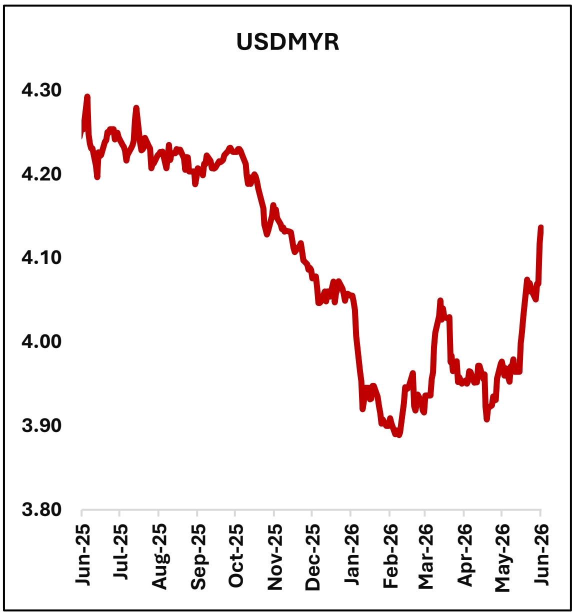


Source: Bloomberg

Short-term Outlook: Investor focus this week will be on the release of Singapore's inflation and industrial production data. Inflation is expected to remain relatively contained, which should support consumer demand and reinforce expectations that private consumption will continue to serve as a key growth pillar. Meanwhile, industrial production is largely anticipated to reflect the robustness of external demand, with output remaining firm. Inlight of this, Singapore's economy is on track to achieve an anchored growth despite heightened geopolitical headwinds, offering modest support to the SGD. Nevertheless, geopolitical uncertainties will likely continue driving safe-haven demand for the USD. As such, the USD/SGD pair is projected to trade with a mildly bullish bias within the 1.2880–1.2940 range this week.

USDMYR: The Ringgit touched the weakest level since November 2025

The ringgit (MYR) depreciated by 1.9% w-o-w, coming under renewed pressure as the USD reasserted its bullish momentum. Stronger USD dynamics overshadowed Malaysia's robust economic fundamentals, limiting support for the MYR. Notably, exports surged to a record 45.3% y-o-y in May (Apr: 37.3%), driven primarily by strong growth in the manufacturing (+51.7%) and mining (+36.5%) sectors, while agriculture exports declined by 22.9%. A closer look shows that manufacturing gains were underpinned by firm technology-related demand and higher energy prices, which led to sharp increases in E&E (+70.5%) and petroleum products (+74.2%) exports. Despite these strong performances, the positive impact on the MYR remained muted. From a technical perspective, the MYR initially strengthened last Monday following the announcement of the finalized U.S.-Iran peace deal, in line with broader FX market gains. On 15 June, USD/MYR closed at 4.05, reflecting a 0.6% w-o-w appreciation in the ringgit. However, as immediate geopolitical concerns eased, market focus shifted to major central bank policy developments, particularly the U.S. Fed. Following hawkish signals from the Fed, the USD traded with a clear upward bias. In contrast, Bank Negara Malaysia (BNM) maintained its steady policy stance, reinforcing expectations that the Overnight Policy Rate (OPR) will remain at 2.75%. This divergence has amplified expectations of a widening OPR–FFR differential, shifting yield advantages decisively in favor of the USD. By 18 June, USD/MYR had broken above the key resistance level of 4.08, signaling a stronger USD bias. The pair subsequently advanced through successive resistance levels, reaching its highest level since November 2025 at 4.1475, before closing slightly lower at 4.1368 on Friday.



Source: Bloomberg

Short-term Outlook: The MYR is expected to remain under pressure in the near term as investors continue to monitor evolving geopolitical developments. As of Monday, USD/MYR was trading around 4.1540, reinforcing the prevailing USD strength. Ongoing negotiations over unresolved issues, alongside tensions in Lebanon, are likely to sustain safe-haven demand. Against this backdrop, USD/MYR is projected to trade with a bullish bias this week, within a range of 4.0950–4.1550.

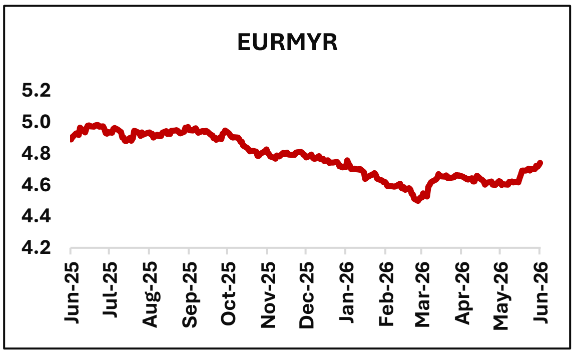
Table 2: Selected Currencies Overview (MYR Crosses)

	5-Jun	12-Jun	19-Jun	WoW	YTD
USDMYR	4.0300	4.0595	4.1363	1.9%	1.9%
EURMYR	4.6903	4.7009	4.7406	0.8%	-0.5%
GBPMYR	5.4262	5.4481	5.4746	0.5%	0.3%
SGDMYR	3.1407	3.1624	3.2041	1.3%	1.5%
JPYMYR	2.5138	2.5325	2.5645	1.3%	-1.0%
AUDMYR	2.8767	2.8603	2.9020	1.5%	6.9%
CNYMYR	0.5955	0.6000	0.6112	1.9%	5.2%

Sources: Bloomberg, Bank Islam

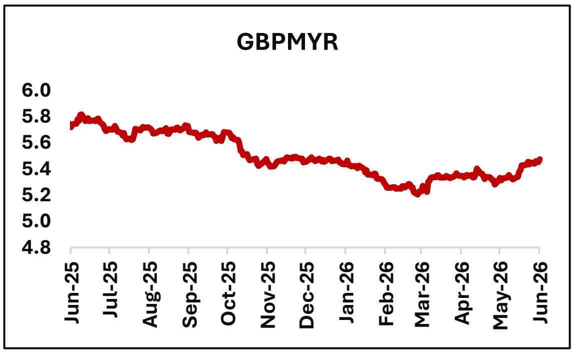
Short Term Outlook for Ringgit Pairs

The outlook for EUR/MYR is mildly bullish this week. While investors are likely to remain subdued on the EUR, broader rate differentials are expected to favour the EUR over the MYR. Notably, emerging signs of weakening industrial activity has reinforced the ECB's cautious policy stance, prompting investors to recalibrate the timing of their ECB rate hike bets. Furthermore, easing energy prices following the finalization of the U.S.-Iran agreement has reduced the urgency for policy tightening. However, pass-through effects may linger, which keep expectations skewed towards one additional ECB hike this year. In contrast, BNM signalled relatively stable policy stance.



Source: Bloomberg

The outlook for GBP/MYR remains slightly bullish amid a relatively light macroeconomic calendar on both fronts. The BoE is widely anticipated to maintain a prolonged pause amid an interplay of intensifying price pressures, resilient labour market conditions and firm domestic demand. While Malaysia's upcoming producer inflation will likely indicate a pickup in cost pressures, the BNM is also expected keep its OPR unchanged in the near term. Against this backdrop, the BoE will gain the slightest edge over the MYR, given the latter's recent loss of bullish momentum.



Source: Bloomberg

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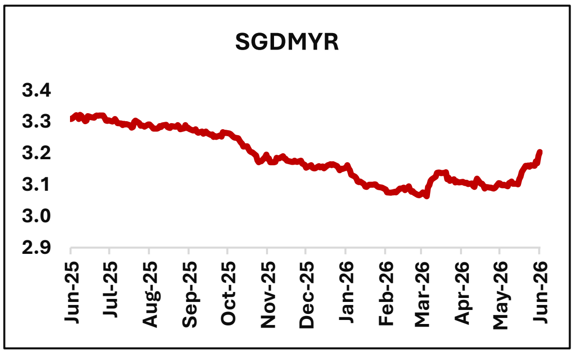
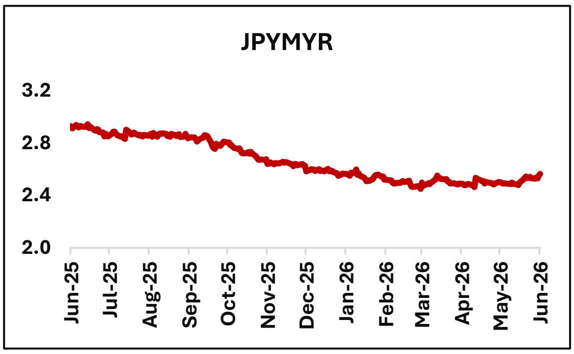
The SGD/MYR outlook is skewed slightly to the upside as investor attention turned towards Singapore's upcoming inflation and industrial production data. These releases are expected to reinforce Singapore's stable growth outlook, providing modest support to the SGD. While Malaysia's macroeconomic outlook remains broadly comparable, investor positioning is likely to favour the SGD, reflecting stronger near-term data momentum. Meanwhile, Malaysia's producer inflation is expected to indicate rising cost pressures, keeping sentiments subdued on the MYR. Thus, the SGD is expected to appreciate against the MYR in the near term.



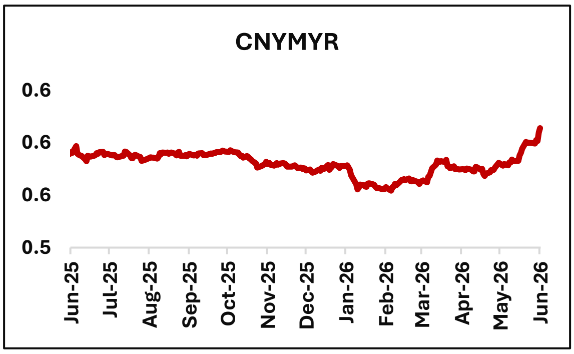
Source: Bloomberg

The outlook for JPY/MYR is neutral-to-slightly bullish this week. While the MYR has exhibited a clear loss of upward momentum, the JPY continues to face persistent weakness. Against this backdrop, investor focus will likely to shift towards relative monetary policy trajectories, with capital flows remaining biased towards higher-yielding assets. The Bank of Japan's (BoJ) gradual policy normalization cycle remains intact, contrasting with BNM's steady policy stance, barring any material shifts in inflation or growth risks. This divergence in policy direction is expected to provide relative support to the JPY against the MYR.



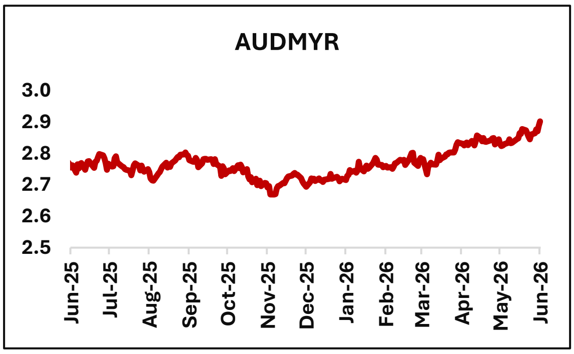
Source: Bloomberg

The outlook for CNY/MYR appears neutral-to-mildly bullish this week. Both the PBoC and BNM are widely anticipated to maintain their monetary policy settings in the near term, providing structural support to the respective currencies. Nevertheless, the CNY is expected to outperform slightly, supported by its recent appreciation trend. In contrast, the MYR has come under renewed pressure recently. As such, the divergence in underlying trajectories is expected to lend modest support to the CNY relative to the MYR.



Source: Bloomberg

The outlook for AUD/MYR remains bullish as the RBA policy outlook remains broadly constructive for the AUD. Following the three rate hikes this year, the RBA is expected maintain its cash rate at current level as the central bank assesses the effects of previous monetary tightening. Against this backdrop, Australia's upcoming inflation, labour market and household spending releases are likely to emerge as key market catalysts, providing greater clarity on the trajectory of RBA's monetary policy.



Source: Bloomberg