ECONOMICS & GLOBAL FOREIGN EXCHANGE HIGHLIGHTS

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SIGNS OF A COOLING U.S. LABOUR MARKET CASTED DOUBT OVER A SEPTEMBER FED HIKE

NFP figures revealed that hiring gains significantly slowed in June. Latest non-farm payrolls (NFP) data showed that the economy added 57K jobs in June, well below consensus estimates of 110K. The slowdown was broad-based, with government payrolls rising by only 8K (May: +32K) while private employment rose by 49K, roughly half of the gains in May (+97K). Job gains remained relatively stable across essential services sectors, including professional and business services (+36K), social assistance (+25K), healthcare (+22K) and construction (+11K).

Firms appear more cautious as tighter financial conditions are expected to weigh on consumer demand. The softer-than-expected hiring outturn may partly reflect a delayed impact of the recent U.S.-Iran geopolitical tensions, as heightened price pressures and economic uncertainty increasingly weighed on business sentiment. This was particularly evident in the leisure and hospitality sector, where employment fell by 61K, the largest decline since December 2020. Job losses were concentrated in restaurants and bars (-32.9K) as well as hotels and motels (-21.7K), while retail payrolls also contracted by 7.5K. The weakness is notable given that employment in leisure and hospitality typically strengthens ahead of the summer travel season. Moreover, tourism-related demand associated with the ongoing FIFA World Cup was previously expected to provide an additional lift to hiring. Against this backdrop, the subdued pace of job creation suggests that businesses are adopting a more cautious hiring stance amid expectations of softer household spending and tighter financial conditions in the months ahead. While the recently finalized U.S.-Iran agreement has helped restore energy prices to pre-conflict levels, the earlier surge in input costs have begun to materialize across consumer prices. Consequently, this is expected to continue to feed into underlying price pressures due to the lagged pass-through impact, likely to keep inflation elevated for longer. Furthermore, the broader Fed policy outlook remains biased to the upside, which points towards tighter credit conditions ahead. Taken together, these factors are likely to erode consumer purchasing power, leading to a shift away from discretionary and leisure activities, while prompting businesses to adopt a more cautious approach in rationalizing costs.

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Labour force shrinks further. While the unemployment rate eased to 4.2% after stabilizing at 4.3% for three consecutive months, the improvement mainly reflected a shrinking labour force rather than stronger employment conditions. According to the Bureau of Labor Statistics (BLS), 720K individuals left the workforce, which is likely due to tighter immigration policies under the Trump administration. The labour force participation rate (LFPR) has been on a downtrend since November 2025, extending its decline to 61.5% in June, the lowest level since March 2021. Overall, the disappointing report has reignited conversation around a fragile job market momentum. Adding to concerns, payrolls for April and May were revised down by a combined 74K, suggesting that underlying hiring momentum is weaker than initially expected.

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Softer job market data moderates Fed tightening expectations. Following the release, markets have repriced their expectations over the timing of Federal Reserve (Fed) rate hikes. While the slowdown does not point towards a sharp deterioration in economic conditions, it has renewed concerns of weakening hiring momentum, shifting focus back to a balanced policy approach rather than more aggressive tightening. Furthermore, Fed Chair Kevin Warsh noted that inflation risks have moderated amid easing global energy prices following the U.S.-Iran peace agreement, further cooling the narrative surrounding the Fed's policy path. As such, market participants have pushed back expectations for the next rate hike with the probability of a September hike dropping to around 45.0%, from almost 50.0% previously. Market reactions were swift, resulting in broad-based repricing across asset classes. The USD index (DXY) retreated below the key 101-support level while the 2-year U.S. Treasury (UST) yield declined by 3bps to 4.14%. In contrast, major currencies outperformed the USD, including the British Pound, Euro, Korean Won and Japanese Yen. Risk sentiments improved across global equity markets, leading to gains in major indices, including Dow Jones, Euro Stoxx, UK's FTSE 100, Japan's Nikkei, South Korea's KOSPI and Hong Kong's Hang Seng Index.

Upcoming Events: Key Economic Data Release

Monday	**Euro Area Producer Prices & Retail Sales (May), U.S. Services PMI (June)**
Tuesday	**Japan Household Spending & Average Cash Earnings (May), U.S. Trade Performance (May)**
Wednesday	**Japan Bank Lending (June), EIA Weekly Stocks Change**
Thursday	**FOMC Minutes, China Consumer & Producer Prices (May), BNM Policy Decision, Malaysia Industrial Production (May)**
Friday	**Japan Producer Prices (May), Malaysia Unemployment Rate & Retail Sales (May)**

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Table 1: Selected Currencies Overview

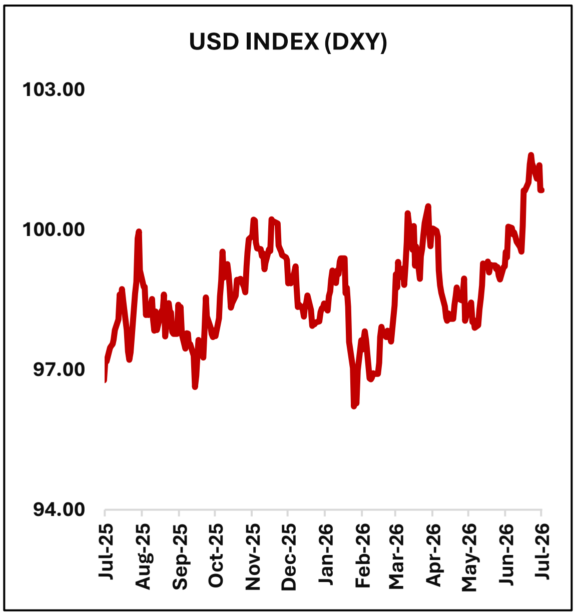
	19-Jun	26-Jun	3-Jul	WoW	YTD
DXY Index	100.85	101.36	100.86	-0.5%	2.6%
USDMYR	4.14	4.09	4.07	-0.4%	0.3%
XAUUSD	4,155.71	4,088.74	4,176.94	2.2%	-3.3%
EURUSD	1.15	1.14	1.14	0.5%	-2.6%
GBPUSD	1.32	1.32	1.34	1.1%	-0.9%
AUDUSD	0.70	0.69	0.69	0.6%	4.0%
USDSGD	1.29	1.29	1.29	-0.2%	0.5%
USDJPY	161.30	161.74	161.34	-0.2%	3.0%
USDCNY	6.77	6.80	6.78	-0.3%	-3.0%

Sources: Bloomberg, Bank Islam

Commentaries

DXY: USD index marked biggest weekly decline since mid-April

The USD index weakened by 0.5% w-o-w, snapping its weeks-long winning streak amid emerging signs of weakness in the labour market. Recent ADP data showed that private sector employment increased by 98K in June (May: +122K), missing consensus estimates of 113K. The weaker-than-expected outcome raised concerns over the sustainability of labour market strength and prompted investors to reassess the likelihood of a Fed rate hike in September. The dovish shift in sentiment was further reinforced by the June non-farm payrolls report, which pointed to a broad-based moderation in hiring across both the public and private sectors. The recalibration of rate expectations had already begun following the finalization of the U.S.-Iran agreement, which helped bring oil prices back to pre-conflict levels and eased concerns over a renewed energy-driven inflation shock. At the same time, core Personal Consumption Expenditures (PCE) inflation data broadly met market expectations, while comments from Fed Chair Kevin Warsh indicated that inflation risks had moderated in recent months, tempering expectations of a more aggressive policy response. Against this backdrop, market expectations softened towards a baseline scenario of only one additional rate hike by year-end. By mid-week, the non-farm payrolls data further reinforced concerns over the fragility of hiring momentum, triggering another round of repricing in Fed policy expectations. According to the CME FedWatch tool, the probability of a September hike eased to around 45.0%, compared to over 50.0% prior to the release. With the FFR anticipated to remain steady through September, this has triggered a rotation away from the USD, causing the USD index to break below the immediate support of 101.00.



Source: Bloomberg

Short-term outlook: Investor attention this week will center on the Federal Open Market Committee (FOMC) minutes, which is expected to provide further insights into policy deliberations, particularly as it represents the first meeting following the finalization of the U.S.-Iran agreement. The earlier monetary policy statement, featuring changes under Kevin Warsh's leadership, offered limited guidance on how Board members are navigating the evolving risk landscape. While the June dot plot projections signaled a more hawkish shift among Board members, it also offered little clarity on how easing geopolitical tensions, expectations of improved supply conditions and lower energy prices may influence the policy outlook. Coupled with recent softer-than expected inflation and job market data, there seemed to be some disconnect between the Fed's policy communication and the evolving backdrop. As such, while the broader policy outlook remains intact, investors are seeking greater clarity on the timing and magnitude of coming hikes. In the near term, expectations of Fed tightening will continue to provide structural support to the USD. The USD index is likely to retain a modest bullish bias and expected to trade within the 100.60–101.40 range.

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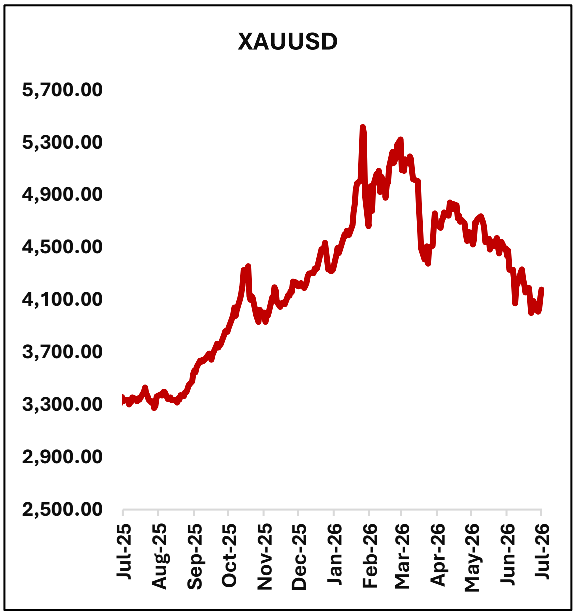
XAUUSD: Gold price rallied following softer U.S. job reports

Gold price (XAU) strengthened by 2.2% w-o-w last week, staging a modest rebound as bullish sentiment towards the USD moderated slightly. In the early part of the week, gold remained under pressure amid expectations of additional policy tightening by the U.S. Fed, which continued to support the USD. However, repeated downside tests of the 3,990-support level were met with strong buying interest as lower prices attracted demand. This kept investors cautious about establishing new short positions, which limited downside pressure and helped the XAU stabilize above this zone. Towards the end of the week, softer-than-expected U.S. job data and less hawkish signals by Fed Chair Kevin Warsh prompted a swift repricing of Fed rate hike bets. Market participants subsequently pushed back expectations for the next rate hike to October, from September previously. Against this backdrop, gold rallied amid a rotation away from the USD, further supported by investors covering existing short positions. As a result, XAU/USD broke decisively above the USD4,100 resistance level on 2 July and closed the week at USD4,176.94.

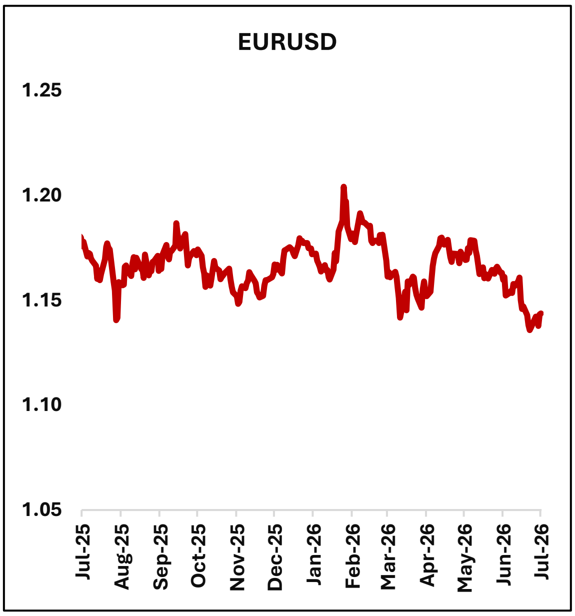


Source: Bloomberg

Short-term Outlook: Following its recent strengthening, the XAU is expected to retain a mildly bullish bias in the near term. However, its movement is likely to remain largely driven by USD dynamics. Should the USD index rebound above the immediate 101-resistance level, it could trigger renewed selling pressure on XAU. The key catalyst emerges from the FOMC minutes. Any indication that Board members remain concerned over the durability of the U.S.-Iran peace agreement or continue to view upside risks to inflation as acute, despite the sharp decline in energy prices, could reinforce expectations of a September rate hike. Given that this remains the most likely outcome, investors are expected to remain positive on the USD this week, which may conversely weigh on the XAU. Thus, we remain mildly bullish on XAU, although potential for downside corrections cannot be ruled out. From a technical perspective, immediate resistance is seen around USD 4,200, while key support emerges near USD 4,120.

EURUSD: EUR strengthened despite moderating Eurozone inflation

The euro (EUR) edged higher by 0.5% w-o-w, broadly tracking gains across major currencies. Nonetheless, softer-than-expected Eurozone inflation data prompted investors to reprice their European Central Bank (ECB) policy expectations, limiting some of the EUR's gains relative to its peers. Headline inflation moderated to a three-month low of 2.8% in June (May: 3.2%), falling short of consensus estimates of 3.0%. The slowdown was largely attributed to energy inflation declining to 8.7% from May's 10.8%. Beyond energy, inflation also slowed across key segments, including services (June: 3.2% vs. May: 3.5%) and food, alcohol and tobacco (June: 1.6% vs. May: 1.9%), alleviating earlier concerns of broadening cost pressure pass-through. Core inflation eased to 2.4% from 2.6% in May, gradually approaching the ECB's 2.0% target. The slowdown across consumer prices suggests that current monetary levels are sufficiently restrictive to contain underlying price pressures, particularly following the earlier 25-bp rate hike. During the recent ECB forum, ECB President Christine Lagarde also remarked that risks to inflation have moderated, presenting a less hawkish shift compared to ECB's signals following its June policy decision. Furthermore, labour market conditions remain resilient, with the unemployment rate holding steady at 6.2% while the number of unemployed persons fell to the lowest level since December 2024. Coupled with easing geopolitical risks, the ECB seemed well-positioned to maintain its current policy settings.



Source: Bloomberg

Short-term Outlook: Key data releases this week include May's producer price and retail sales figures. The producer price data will offer a clearer look at the extent of which the moderation in energy prices, from their March peak, has filtered through to the production level. Given that energy prices have declined significantly in June, a notable slowdown in May producer inflation would suggest scope for further easing in pipeline price pressures. This is expected to support the case of an extended ECB pause, and the EUR is likely to face limited upside momentum. Against this backdrop, we expect the EUR/USD pair to consolidate with a neutral-to-mildly bullish bias within the 1.1410 to 1.1480 range.

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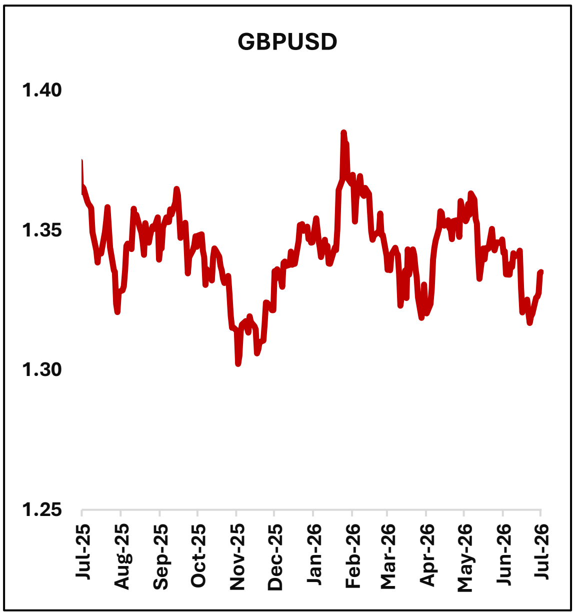
GBPUSD: British Pound jumped sharply on the back of a weakening USD

The British pound (GBP) climbed higher by 1.1% w-o-w, underpinned by portfolio rebalancing away from the USD. On the macroeconomic front, performance across the manufacturing and services sectors were mixed. The manufacturing PMI eased to 52.5 in June (May: 53.9), albeit remaining firmly in expansionary territory for the eighth consecutive month. This was primarily driven by factory production accelerating to a 21-month high amid robust domestic and export sales. Employment also rose for the third month, albeit at a more moderate pace. On the other hand, new order volumes declined to the lowest level this year while business confidence remained subdued, signalling that firms remain cautious amid broader policy and geopolitical concerns. Material shortages and persistent shipping delays also continued to exert pressure on input costs, offsetting the effects of lower global oil prices and keeping output inflation elevated. In contrast, the Services PMI slipped to 48.8 in June (May: 49.3), marking the weakest level since January 2023. New business declined for the fourth straight month, while export orders weakened further. Against this backdrop, firms continued to reduce headcounts, with employment falling at the fastest pace in four months. The mixed bag of data weighed on investor sentiments, limiting more decisive bets over the Bank of England (BoE)'s policy outlook. Thus, the GBP mainly appreciated against a weakening USD, rather than improving domestic fundamentals or a shift in BoE expectations. The GBP/USD pair broke decisively above the immediate 1.33-resistance level to close the week at 1.3350.

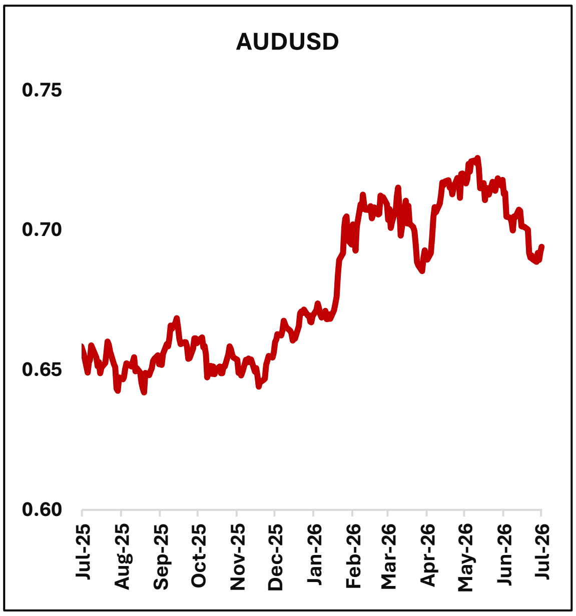


Source: Bloomberg

Short-term Outlook: Looking ahead, it will be a relatively light calendar on the macroeconomic front. Thus, the GBP/USD pair is expected to remain influenced by the USD movement. We expect the GBP/USD pair to trade with a mildly bullish bias, moving within a projected range of 1.3310–1.3390 this week.

AUDUSD: Australian Dollar climbed following RBA's June meeting minutes

The Australian dollar (AUD) strengthened by 0.6% w-o-w last week as investors digested the Reserve Bank of Australia (RBA)'s June meeting minutes. The minutes was broadly consistent with RBA's recent policy communication, highlighting the complex trade-off between inflation and growth. On one hand, inflation remains materially above the target range while short-term inflation expectations are still elevated. The Board also noted that second-round inflationary effects cannot be ruled out, particularly as shipments through the Strait of Hormuz remain lower relative to pre-conflict levels. In contrast, some measures of the labour market have moderated, particularly the unemployment rate and employment growth. Broader economic activity has also shown signs of easing, likely reflecting heightened external headwinds and the impact of three consecutive rate hikes thus far. Notably, Board members acknowledged that the path to resolving the conflict in the Middle East is still at an early stage with the restoration of supply chains, particularly for energy shipments from the Gulf region, expected to take considerable time. As such, persistent supply constraints continued to remain as a source of upside risk to inflation and downside risk to growth. Despite the recent moderation in energy prices, the imbalance between demand and still-constrained supply conditions could continue to exert upward pressure on input costs, while supply bottlenecks may weigh on production activity. Against this backdrop, Board members agreed that earlier tightening measures have afforded them space to maintain the cash rate.

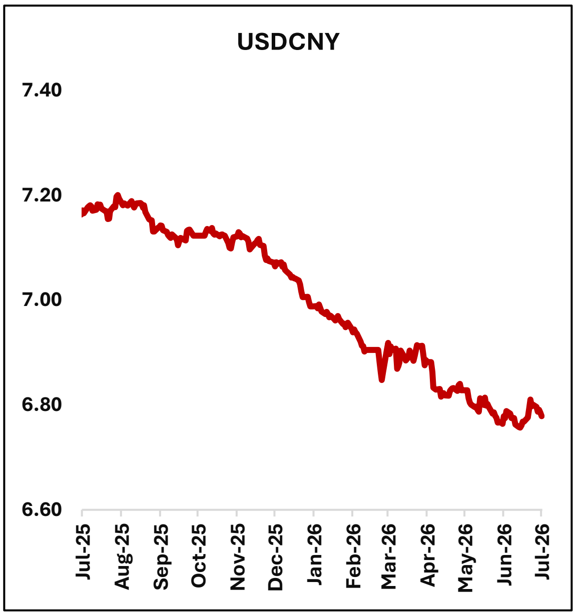


Source: Bloomberg

Short-term Outlook: Looking ahead, the minutes have reinforced expectations that the RBA will maintain its cash rate in the near term. The cumulative impact of earlier rate hikes has tightened financial conditions and is beginning to weigh on economic activity, while upside inflationary risks remain acute. Coupled with recent geopolitical developments, the RBA may withhold from policy action as it assesses the evolving risk landscape. Coupled with a relatively light economic calendar this week, this is expected to limit upside momentum for the AUD/USD currency pair. As such, we expect the AUD/USD currency pair to consolidate with a neutral-to-mildly bullish bias within the 0.6870–0.6950 range.

USDCNY: Chinese Yuan strengthened despite mixed PMI data

The Chinese yuan (CNY) edged higher by 0.3% w-o-w last week as recent PMI reports point towards resilience in the manufacturing sector, although underlying momentum appeared mixed. China's official NBS manufacturing PMI rose to 50.3 in June (May: 50.0), marking the fourth month of expansion. The increase was primarily driven by high-tech manufacturing exports amid the global Artificial Intelligence (AI) wave, mitigating softer demand for other goods and weaker domestic sales. This was evident in an expansion of new orders amid a rebound in foreign orders (June: 50.1 vs. May: 48.6). Output growth also increased, leading to improving purchasing activity. Amid a moderation in input costs (June: 54.2 vs. May: 60.5), output prices had contracted for the first time in six months (June: 48.2 vs. May: 51.9). Against the backdrop of improving operating conditions, business sentiments continued to strengthen. However, there appeared to be a disparity with the RatingDog manufacturing PMI, which eased marginally to 51.7 in June (May: 51.8). On the surface, output growth likewise remained solid while new orders increased for the thirteenth consecutive month, marking the longest expansion sequence since 2018. However, the report noted that foreign sales fell for the second month, attributing the resilience to domestic demand. Despite input inflation easing to the softest pace since January, output prices continued to rise for the sixth straight month. Additionally, business sentiments had deteriorated to a five-month low. While the recent PMI was mixed, the baseline scenario continues to point towards a resilient manufacturing sector,



Source: Bloomberg

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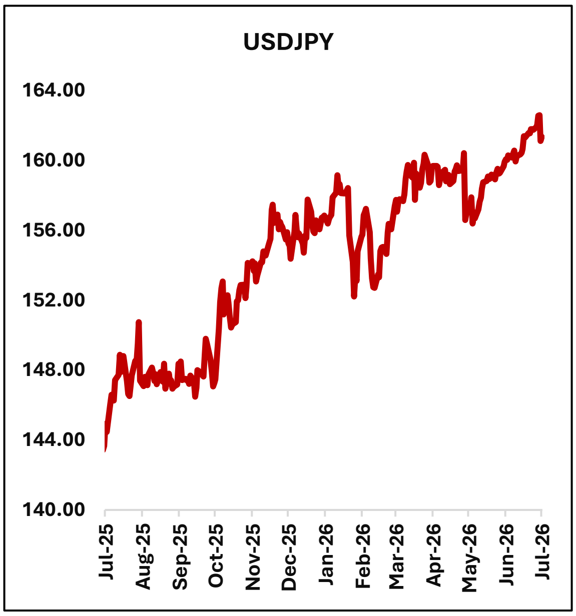
which reaffirms optimism that the country may yet achieve an anchored growth, unless production activity deteriorates more meaningfully.

Short-term Outlook: Investors will be closely watching the release of June's consumer and producer inflation data this week. Of note, consumer inflation has remained relatively stable (May: 1.2%) amid declining food prices and sluggish household demand, which has helped mitigate the inflationary impact of higher energy prices on transport costs (May: 5.4% vs. Apr: 4.6%). As such, investors are widely anticipating inflation to remain contained, which cushion the pressure on household purchasing power. Nonetheless, producer inflation is expected to edge higher amid sustained supply-side constraints. That said, the increase will largely be amplified by low-base effects, suggesting that underlying price pressures may be less pronounced than the headline figures imply. Against this backdrop, the CNY is expected to maintain its gradual appreciation trajectory, with the USD/CNY pair likely to trade with a mildly bearish bias this week, within a projected range of 6.7720–6.7980.

USDJPY: Japanese Yen rebounded, USD/JPY eased below the 162-level

The Japanese yen (JPY) staged a rebound following the recent USD weakness, climbing 0.2% higher on a weekly basis. As the USD index breached the immediate support level of 101.0 on 2 July, the USD/JPY currency pair faced renewed pressure and broke decisively below the 162-level. It continued to trade with a mildly bearish bias, closing the week at 161.34. Furthermore, a slew of resilient indicators further lifted investor confidence, providing structural support to the JPY. Kicking off the week on a solid note, retail sales accelerated to 5.3% in May (Apr: 2.8%), the fastest pace since November 2023. The increase suggested that consumer demand remained resilient despite heightened geopolitical uncertainty, supported by solid wage growth and policy support measures that helped alleviate the impact of rising prices linked to the U.S.-Iran conflict. Meanwhile, the unemployment rate held steady at the lowest level since July 2025 (May: 2.5%) while employment rose by 610K to a record-high of 68.82 million. As such, the solid labour market conditions are expected to continue supporting consumer demand, increasing the risks of demand-pull inflation and reinforcing expectations of additional Bank of Japan (BoJ) tightening. Consumer confidence also improved in June, with sentiments improving across several major categories, including overall livelihood, employment prospects and willingness to buy durable goods. On the production front, the BoJ's Tankan Manufacturers Index jumped to 22 in 2Q2026 (1Q26: 17), the strongest level since 1Q2018. This signalled that business confidence remained firm despite heightened geopolitical risks, supporting the manufacturing sector outlook.

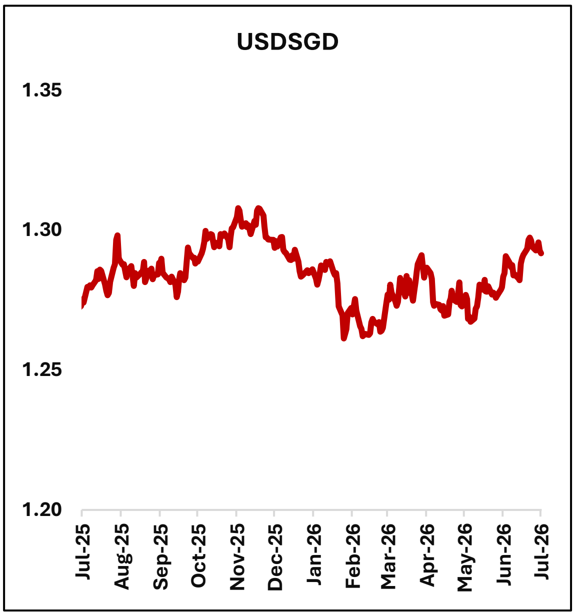


Source: Bloomberg

Short-term Outlook: Japan's macroeconomic data has remained broadly firm while robust labour market conditions continue to underpin the risk of demand-driven inflation. Against this backdrop, the BoJ appeared to retain scope for further policy tightening. Investors focus this week will be on May's household spending and June's producer inflation data, both providing crucial signals in shaping the inflation outlook and how it will influence BoJ's policy trajectory. However, despite firm hopes of further policy normalization, the Japanese Yen has continued to remain under pressure against the USD. Thus, the USD/JPY movement is expected to largely reflect USD dynamics in the near term, rather than domestic fundamentals or BoJ expectations. This week, we expect the USD/JPY pair to trade with a neutral-to-mildly bearish bias, moving within a range of 160.60 to 161.90.

USDSGD: Singaporean Dollar edged up amid a surge in producer prices

The Singapore dollar (SGD) climbed marginally by 0.2% w-o-w last week, tracing broader gains across FX markets amid a relatively weaker USD. Domestically, a surge in producer inflation heightened concerns of a potential pass-through into consumer prices. Recent data showed that producer inflation accelerated to a record-high of 34.2% y-o-y in May (Apr: 32.1%), driven by elevated prices across several key components, including mineral fuels, lubricants and related materials (May: 77.2% vs. Apr: 81.1%), machinery and transport equipment (May: 27.6% vs. Apr: 20.4%), chemical and chemical products (May: 21.5% vs. Apr: 21.3%). Beyond supply-driven price pressures, the increase in producer inflation could also reflect strengthening external demand amid Singapore's critical role within global value chains, particularly in technology and specialised manufacturing. This is evidenced by the rise in prices for crude materials excluding fuels (12.9% vs 10.3%). Against this backdrop, there remains an acute risk of upstream cost pressures broadening into consumer goods and services in the coming months, especially given the lagged effects between factory gate and consumer prices. As such, inflation expectations have risen, feeding into expectations that the Monetary Authority of Singapore (MAS) may adopt a tighter policy stance in response.



Source: Bloomberg

Short-term Outlook: Attention this week will center on May retail sales data, as investors assess whether domestic demand remains resilient in the face of moderating labour market conditions and lingering inflationary pressures. While producer prices have accelerated and export growth has remained robust, these indicators does not necessarily reflect domestic consumer inflation trends, thereby having limited implications for MAS policy expectations. Should retail sales remain firm, then only will it reinforce the narrative of resilient domestic demand, reinforcing concerns that price pressures are gradually becoming more broad-based. Nonetheless, Singapore's inflation remains broadly in line with MAS's inflation outlook thus far, reducing the likelihood of any near-term adjustment to its policy stance. Thus, the USD/SGD pair will likely trade within a mildly bearish range between 1.2890–1.2960 this week.

USDMYR: The Ringgit gained grounds, breaking below the RM4.08-level

The ringgit (MYR) appreciated by 0.4% w-o-w last week, supported by capital flows away from the USD amid a repricing of Fed rate hike bets. The MYR had previously regained some bullish bias following robust 2025 Foreign Direct Investment (FDI) performance, which lifted investor confidence over Malaysia's long-term growth prospects. From a technical perspective, the USD/MYR currency pair opened the week lower at 4.0715. However, the currency pair subsequently regained upwards momentum ahead of key U.S. job reports, climbing back above the 4.09-level to close at 4.0938 on 1 July. Following the softer-than-expected U.S. payrolls data, the USD/MYR pair broke decisively below the 4.09-support again. It continued to advance past successive support zones and closed the week at a modest 4.0722. On the domestic front, recent data showed that Malaysia's producer prices increased to 7.8% y-o-y in May (Apr: 5.4%), the highest level since June 2022. The rise was driven by a broad-based increase across major sectors, including manufacturing (May 3.5% vs. Apr: 1.1%), agriculture (May: 8.9% vs. Apr: 2.7%), and electricity and gas (May: 11.2% vs. Apr: 10.8%). Additionally, despite a slight moderation compared to April, producer inflation for the mining sector remained significantly elevated (May: 52.6% vs. Apr: 53.4%). Overall, elevated producer inflation has reinforced concerns of price pass-through onto consumers, potentially driving Malaysia's headline inflation to top the 2.0% threshold in the coming months.

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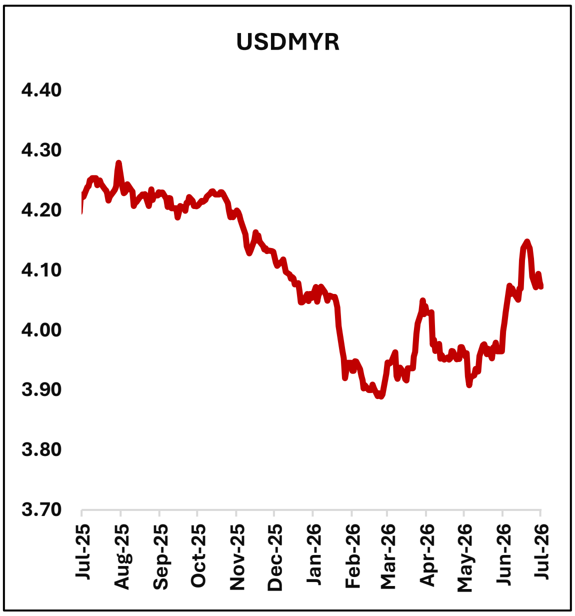


Source: Bloomberg

Short-term Outlook: Rising consumer inflation would gradually build the case for Bank Negara Malaysia (BNM) to raise its Overnight Policy Rate (OPR), thereby narrowing the interest rate differentials between OPR and FFR amid expectations of Fed tightening. As such, while expectations remain centered on the OPR remaining steady towards year-end, the bias over BNM's policy outlook remains skewed to the upside. Looking ahead, this week will feature BNM's monetary policy meeting, which will be closely monitored for forward guidance and the central bank's assessment of current risks. Furthermore, investors will be on the lookout for key macroeconomic releases, including the labour market, retail sales and industrial production figures. Taken together, these indicators will offer a broader look over Malaysia's underlying economic momentum. Thus far, the Malaysian economy is widely anticipated to remain resilient, supported by firm domestic demand and technology-driven external demand. Against this backdrop, USD/MYR is projected to trade with a bearish bias this week, within a range of 4.0550–4.0980.

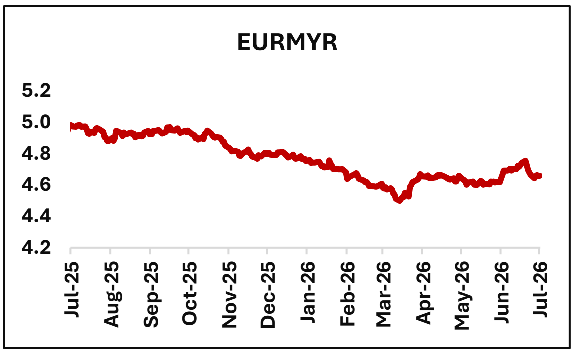
Table 2: Selected Currencies Overview (MYR Crosses)

	19-Jun	26-Jun	3-Jul	WoW	YTD
USDMYR	4.1363	4.0890	4.0722	-0.4%	0.3%
EURMYR	4.7406	4.6638	4.6579	-0.1%	-2.2%
GBPMYR	5.4746	5.4055	5.4369	0.6%	-0.4%
SGDMYR	3.2041	3.1605	3.1540	-0.2%	-0.1%
JPYMYR	2.5645	2.5276	2.5230	-0.2%	-2.6%
AUDMYR	2.9020	2.8220	2.8250	0.1%	4.1%
CNYMYR	0.6112	0.6012	0.6002	-0.2%	3.3%

Sources: Bloomberg, Bank Islam

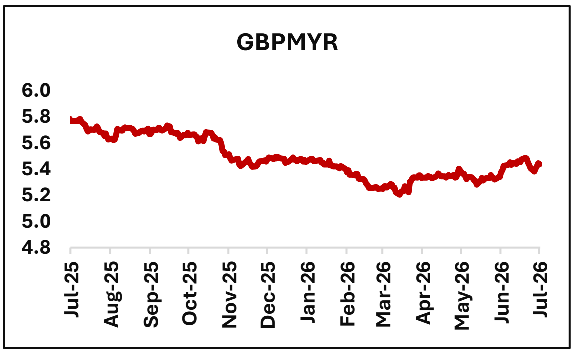
Short Term Outlook for Ringgit Pairs

The outlook for EUR/MYR is neutral-to-mildly bearish this week. Eurozone's May producer inflation is expected to signal a broader trend of easing cost pressures. A moderation in producer inflation would reflect the pass-through of lower energy prices observed in May and suggest scope for further easing, given the sharp decline in energy prices during June. Should this materialise, it would further reduce the urgency for additional ECB tightening. Meanwhile, Malaysia's upcoming releases ware expected to reaffirm the resilience of the economy. Although these will not likely trigger a material shift in BNM's policy stance, they should lift confidence surrounding economy's growth outlook. As such, while both BNM and ECB are expected to hold steady in the near term, the MYR is expected to outperform slightly amid expectations of sustained economic momentum.



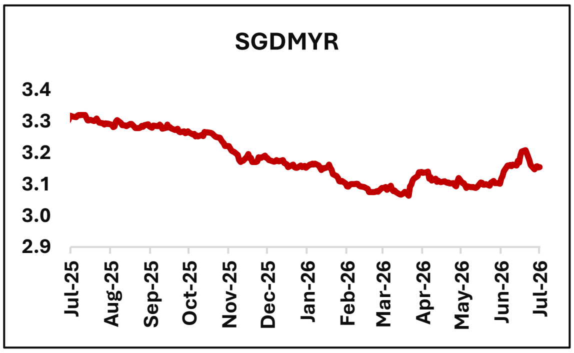
Source: Bloomberg

The outlook for GBP/MYR appears mildly bullish ahead of BNM's monetary policy meeting this Thursday. While it is a relatively light calendar on UK's macroeconomic front, the GBP is expected to gain structural support from expectations of the BoE maintaining its relatively restrictive policy stance. As both BoE and BNM are likely to stay pat in the near term, the GBP/MYR currency pair is expected to trade with a mildly bullish bias given that interest rate differentials continue to favour the GBP. Furthermore, any unwinding of defensive positioning following the BNM policy meeting could exert modest pressure on the MYR, providing additional catalyst to the GBP/MYR pair.



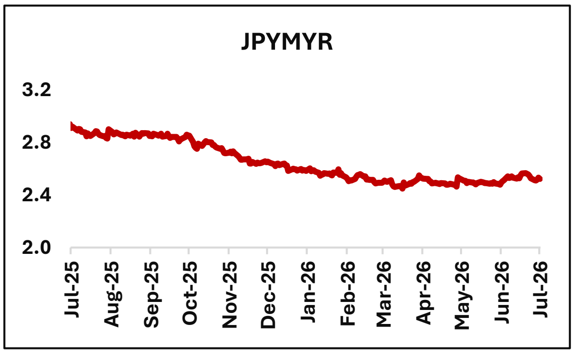
Source: Bloomberg

The SGD/MYR outlook is mildly bearish this week as upcoming macroeconomic data continues to shape both Malaysia's and Singapore's growth outlook. Against this backdrop, the MYR is anticipated to strengthen against the SGD. While both countries are expected to display resilient consumer demand momentum, additional releases on the labour market and industrial production will provide modest support to the MYR, particularly as the indicators are expected to point towards resilient labour market conditions and a solid tech-driven manufacturing growth.



Source: Bloomberg

The outlook for JPY/MYR is skewed to the downside this week, reflecting the Japanese Yen's persistent weakness against major currencies. Nevertheless, downside pressures are expected to be capped as Japan's household spending and producer inflation data are expected to be limited, as upcoming household spending and producer price data are likely to reinforce expectations of further BoJ policy normalization. Furthermore, Japan's officials have warned that policy intervention remains on the table, likely to cap volatile shifts in the currency. In contrast, the MYR will derive structural support from Malaysia's resilient economic fundamentals. While relative growth and policy dynamics continue to favour the MYR, expectations of further BoJ tightening should help cushion downside risks to the JPY/MYR currency pair.



Source: Bloomberg

The outlook for CNY/MYR remains mildly bearish this week. Of note, China's inflation is expected to remain relatively contained (May: 1.2% vs. Apr: 1.2%) amid sluggish domestic demand and softer food prices, mitigating supply-side cost pressures. Such trend is expected to persist into June, especially as energy prices moderated and reduced upside pressures on transportation costs. Thus, the People's Bank of China (PBoC) is anticipated to maintain its monetary policy settings at current levels for longer. In contrast, while BNM is well-positioned to remain steady in the near term, the bias is tilted to the upside amid rising underlying price pressures. Against this backdrop, the MYR will likely appear more attractive relative to the CNY.

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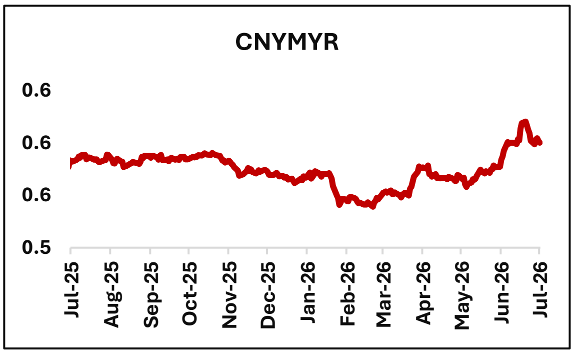
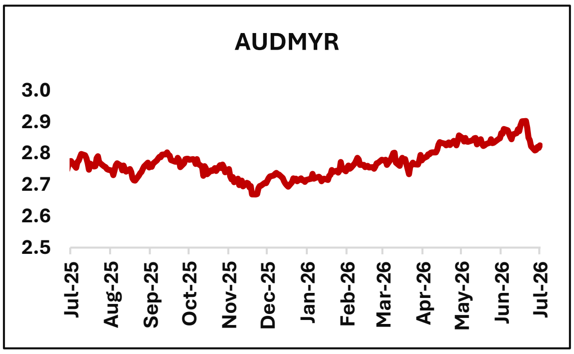


Source: Bloomberg

The outlook for AUD/MYR is mildly bullish in the near term as Australia's inflation remains persistently elevated. Despite a recent moderation, headline inflation continued to trend well above the RBA's target range while underlying inflation accelerated slightly. Thus, the broader policy outlook remains constructive for the AUD. As such, the AUD/MYR currency pair is expected to strengthen this week.



Source: Bloomberg