

ECONOMICS & GLOBAL FOREIGN EXCHANGE HIGHLIGHTS

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MAJOR CENTRAL BANKS CONVERGED TOWARDS MORE RESTRICTIVE MONETARY POLICY CONDITIONS

Table 1: U.S. Federal Reserve Summary of Economic Projections,
September 2026

Variable	Median				Longer Run
	2026	2027	2028	2029	
Change in real GDP	2.3	2.4	2.2	2.1	2.0
June projection	2.2	2.3	2.2	-	2.0
Unemployment rate	4.1	4.1	4.1	4.1	4.2
June projection	4.3	4.3	4.2	-	4.2
PCE inflation	3.7	2.3	2.1	2.0	2.0
June projection	3.6	2.3	2.0	-	2.0
Core PCE inflation	3.4	2.5	2.2	2.0	-
June projection	3.3	2.5	2.1	-	-
Federal Funds Rate	4.1	4.1	3.9	3.6	3.2
June projection	3.8	3.6	3.4	-	3.1

Sources: U.S. Federal Reserve, Bank Islam

U.S. Federal Reserve (Fed) delivered a widely expected 25-bps rate hike.

The U.S. Fed unanimously raised the Federal Funds Rate (FFR) by 25-bps to 3.75-4.00%, citing that the move will support a timelier return to the Fed's 2.0% target. Persistently high inflation emerged as the key mover on the dial, as recent data suggested that the disinflation progress may have stalled amid prolonged supply disruptions and heightened cost pressures linked to the U.S.-Iran conflict. Beyond inflation, the Fed assessed that economic activity continued to expand at a solid pace while labour market conditions remained largely consistent with full employment, both of which also factored into the September decision.

Hawkish signals point towards the possibility of another rate increase by year-end. While Chair Warsh refrained from signaling a prolonged tightening cycle, his communication maintained a hawkish tone. Echoing with earlier remarks, Chair Kevin Warsh reiterated that restoring price stability remains the Fed's primary concern and firmly acknowledged that inflation has remained elevated for too long. These remarks point towards a growing bias towards additional tightening, reinforcing the view that the Fed remains prepared to undertake more assertive measures to contain persistent underlying price pressures. The September Summary of Economic Projections (SEP) further reaffirmed this message. Notably, a majority of Board members penciled in the possibility of one additional hike in 2026, which would increase the FFR to the 4.00-4.25% range. Overall, the guidance prompted markets to reprice policy expectations, with the probability of a rate increase in October rising to 57.6% last Friday, compared to 42.5% recorded a week before. The hawkish reassessment triggered a broader rotation into U.S. assets, pushing both short- and long-dated Treasury yields higher. As a result, the USD strengthened, breaking decisively above the 100-resistance level and subsequently exerting pressure on major currencies.

Inflation expectations shifted higher. The Fed's median projections for PCE and core PCE inflation were upgraded to 3.7% and 3.4%, respectively, indicating that policymakers expect the disinflation process to proceed slower than previously anticipated. Additionally, the Fed's newly introduced 2029 projection year points towards inflation only returning to the 2.0% target by 2029, reinforcing expectations of tighter monetary policy conditions being maintained for an extended period.

The growth outlook remains resilient. Looking ahead, economic activity is anticipated to remain supported by an interplay of solid productivity gains, robust capital investments, and resilient household spending, which should mitigate supply-side drags associated with ongoing geopolitical uncertainties. Reflecting the growing optimism, the 2026 growth projection was raised to 2.3%, from 2.2% projections. Additionally, Board members also judged that risks to GDP growth are broadly balanced with a modest upside, marking a notable shift from the predominantly downside risks highlighted earlier in June.

Labour market conditions to remain supportive of further tightening. The September SEP also pointed towards a growing confidence that the job market is poised for a soft landing, rather than a sharp downturn. While employment momentum remains fragile, a slower expansion in labour supply amid tighter immigration policies has helped maintain a broadly balanced labour market. The Fed also noted that job gains have kept pace with the workforce, contributing to a stable unemployment rate. As such, the median unemployment rate projection was lowered to 4.1%, compared to 4.3% in June. Board members also assessed that risks to the unemployment rate are now broadly balanced, compared with earlier concerns that risks were skewed to the upside.

The updated projections suggest that upside risks to inflation continue to outweigh growth concerns, while risks to economic activity and the labour market have become broadly balanced. As such, markets are increasingly pricing in the likelihood of an October rate hike, reinforcing expectations of a higher-for-longer policy environment.

Upcoming Events: Key Economic Data Release

Monday	People's Bank of China Policy Decision, Singapore 2Q2026 Labour Market
Tuesday	Euro Area Consumer Confidence (September), U.S. Weekly ADP Employment Data
	S&P Global Purchasing Managers' Index (PMI) (September), Singapore Consumer Prices (August)
Thursday	Australia Labour Market (August), Japan PMI (September)
Friday	UK Consumer Confidence (September), Singapore Industrial Production (August)

Table 1: Selected Currencies Overview

	4-Sep	11-Sep	18-Sep	WoW	YTD
DXY Index	99.18	99.12	100.22	1.1%	1.9%
USDMYR	4.04	4.07	4.08	0.3%	0.6%
XAUUSD	4,429.98	4,349.08	4,378.63	0.7%	1.4%
EURUSD	1.16	1.16	1.15	-1.0%	-2.2%
GBPUSD	1.35	1.35	1.34	-1.0%	-0.6%
AUDUSD	0.72	0.72	0.71	-0.7%	6.7%
USDSGD	1.27	1.27	1.28	0.7%	-0.7%
USDJPY	156.26	153.61	156.88	2.1%	0.1%
USDCNY	6.71	6.71	6.70	-0.1%	-4.2%

Sources: Bloomberg, Bank Islam

Commentaries

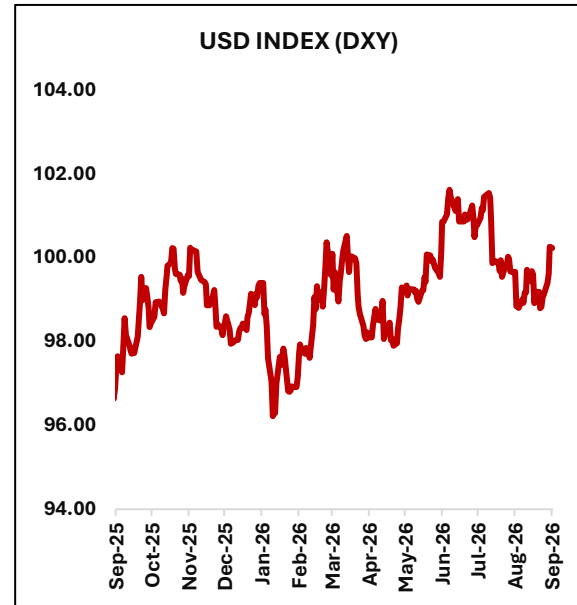
DXY: USD index rebounded above 100.0 amid hawkish Fed signals

The USD index strengthened by 1.1% w-o-w last week, supported by a broad reassessment of the Fed's monetary policy outlook. As widely expected, the Fed delivered a 25-bps rate hike which brought the FFR to the 3.75-4.00% range. However, investor focus were largely centred around the forward guidance, which was notably hawkish. The September dot plot projections revealed that a majority of Board members are expecting at least one additional hike in 2026, underscoring a more hawkish bias than previously expected. Underlying inflation dynamics further reinforced expectations for another rate hike in the near term. The Fed projected that inflation would only return sustainably to its 2.0% target by 2029. The extended disinflation timeline suggests that underlying price pressures are expected to remain entrenched for longer, which strengthens the argument for a more prompt policy response. Concurrently, the Fed upgraded its growth and labour market outlook, reflecting a growing confidence in the resilience of domestic demand. Supporting this view, retail sales rose to a five-month high of 1.2% m-o-m in August (Jul: -0.5%), driven by broad-based expansions across major retail categories. This indicates that household spending is gradually recovering as consumers adapt to heightened uncertainties and elevated cost pressures. Taken together, the interplay of resilient domestic activity and a relatively stable labour market provides the Fed with greater flexibility to tighten policy further without potentially undermining growth prospects. The hawkish signals prompted a repricing of Fed policy expectations, with markets increasingly veering towards the possibility of another rate increase in October. This prompted a broad rotation into U.S. assets, driving Treasury yields higher across the curve and lending modest support to the USD. As a result, the USD broke decisively above the 100-resistance level on 16 September and marked the highest level in over a month at 100.56 on 18 September.

Short-term outlook: Given that the macro calendar will be relatively light this week, investor attention is expected to centre on the upcoming meeting between U.S. President Donald Trump and China's President Xi Jinping in Washington, slated to be held on 24 September. The summit is widely expected to focus on U.S.-China trade relations, critical minerals, technology controls, and broader geopolitical issues, including Iran. Any signs of a constructive outcome will lead to an improvement in global risk sentiments and reduce U.S. policy uncertainty, providing fresh catalysts for the USD. Conversely, renewed tensions surrounding trade tariffs, technology restrictions or geopolitical issues could reinforce risk aversion, undermining investor confidence in the U.S.' policy stability. As such, the USD will likely trade with a cautious bias, as evidenced by the DXY retreating slightly during early Monday's session. Thus, we expect the USD to trade within a mildly bullish range between 99.40-100.50 this week.

XAUUSD: Gold price strengthened amid late-week defensive positioning

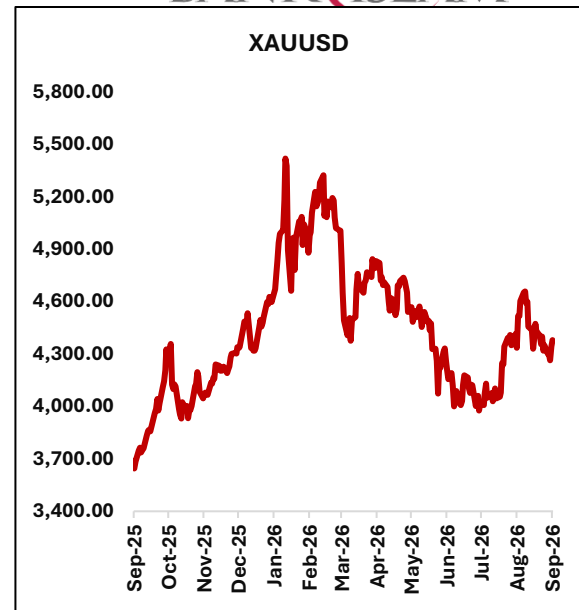
Gold (XAU) strengthened by 0.7% w-o-w last week, trading with a bearish bias within the 4,260-4,340 range before late-week buying triggered a sharp correction in gold price. Prolonged geopolitical uncertainties in the Middle East, particularly surrounding the status of shipping through the Bab el-Mandeb Strait, also weighed on risk appetite, which provided underlying support to the XAU. However, during the early half of the week, market attention was predominantly on the Fed's policy decision, with the probability of a 25-bp rate hike largely priced in. Against this backdrop, expectations of higher Treasury yields enhanced the relative appeal of U.S. assets, reducing demand for the non-yielding bullion. Following the FOMC meeting, the USD continued to strengthen amid hawkish Fed signals, exerting pressure on the XAU. The XAU subsequently closed at 4,263.65 on 16 September. However, the initial reaction proved somewhat overextended as markets gradually stabilized towards the end of the week. Attention subsequently shifted towards upcoming major market movers, notably the scheduled meeting between Donald Trump and Xi Jinping. Investors adopted



Source: Bloomberg

a more cautious stance amid uncertainty over potential implications of the meeting, prompting renewed defensive positioning. As a result, XAU rebounded towards the end of the week, breaking decisively above the 4,300-resistance level on 17 September and closing the week at 4,378.63.

Short-term Outlook: Looking ahead, the XAU is likely to remain supported by safe-haven demand as investors remain on a risk-off mode ahead of the Trump-Xi meeting. Should the scheduled engagement prove constructive in improving U.S.-China relations, it would help reinforce investor confidence in the U.S.' policy and growth outlook. However, any indication of renewed strain will further dampen investor risk appetite, likely prompting a rotation away from the USD and supporting defensive demand for gold. Developments in the Middle East will also be closely monitored, particularly on the status of the Strait of Hormuz and the Bab el-Mandeb Strait. Prolonged shipping disruptions through these critical waterways will sustain concerns over global energy supplies, keeping oil prices structurally high. While this would heighten risk aversion, higher energy prices would underpin elevated inflationary pressures and strengthen expectations of tighter monetary policy globally, limiting upside potential for gold. Thus, in the near term, we expect XAU to trade with a mildly bullish bias, with resistance at USD4,400, while key support is likely to hold around USD4,300.



Source: Bloomberg

EURUSD: EUR weakened as Eurozone industrial activity moderates

The euro (EUR) declined by 1.0% w-o-w last week, largely reflecting broad-based strength of the USD. Following the repricing of Fed policy expectations, the EUR/USD came under renewed pressure, breaking below the immediate support level around 1.15. The currency pair remained subdued for the rest of the week, touching the lowest point since July at 1.1455 on 18 September. On the macro front, Eurozone's industrial production contracted by 0.1% m-o-m in July (Jun: -0.1%), potentially undermine the region's growth outlook. The weakness was primarily driven by a sharp drop in the output of non-durable consumer goods (Jul: -1.6% vs. Jun: 1.8%) alongside a moderation in energy production (Jul: 0.9% vs. Jun: 1.4%). However, the decline was partially offset by stronger production across several segments, including durable consumer goods (Jul: 0.9% vs. Jun: 0.4%), capital goods (Jul: 0.5% vs. Jun: -1.8%), and intermediate goods (Jul: 0.3% vs. Jun: -0.9%). On an annual basis, the industrial production was unchanged in July (Jun: -0.3%). The latest data highlighted an increasingly complex policy trade-off facing the European Central Bank (ECB) faces. While growth momentum remains fragile, inflationary pressures continue to accelerate. Headline inflation rose to a three-month high of 3.2% in August (Jul: 2.9%), with energy inflation jumping sharply to 14.3%, the highest level since January 2023. However, core inflation eased to 2.4% (Jul: 2.5%), indicating that underlying price pressures remain relatively contained. Against this mixed backdrop and the recent ECB 25-bps rate hike, markets have refrained from aggressively repricing the ECB's policy path, which offered limited support to the EUR.



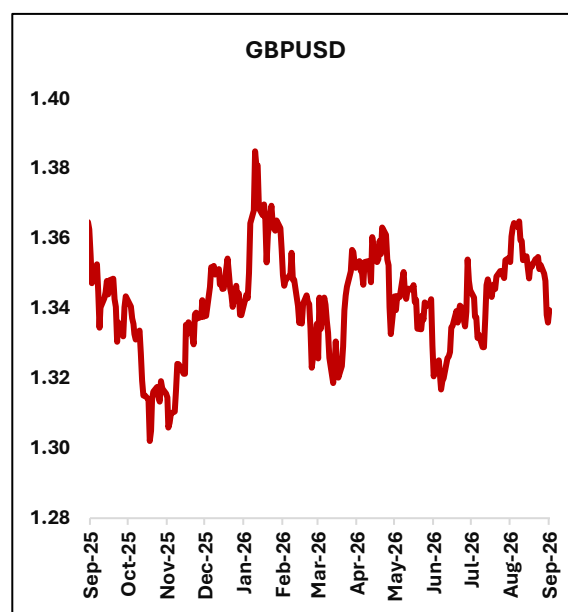
Source: Bloomberg

Short-term Outlook: Key releases on the Eurozone macro calendar this week will be September's consumer confidence and Purchasing Managers' Index (PMI), covering both manufacturing and services sectors. The PMI reports will provide fresh insights into the underlying momentum of the economy, particularly the extent to which businesses have adapted following nearly nine months of heightened geopolitical uncertainties, supply shocks, and elevated cost pressures. Any indication that business activity remains resilient while sentiments stabilise or improve would anchor expectations for additional ECB policy tightening, providing modest support to the EUR. Conversely, confirmation that business activity is losing momentum would reinforce concerns over the region's growth outlook and further reduce expectations for a near-term policy action, although it will unlikely alter the broader ECB tightening trajectory. Against this backdrop, we expect the EUR/USD pair to maintain a mild bearish range between 1.1460 to 1.1510 in the near term.

GBPUSD: British Pound depreciated as the BoE kept rates unchanged

The British pound (GBP) weakened by 1.0% w-o-w, primarily weighed by a rotation towards U.S. assets as markets increasingly priced in the possibility of additional Fed policy tightening in the near term. On 16 September, the GBP/USD currency pair broke decisively below the 1.34-support level, subsequently touching the lowest point in over two months at 1.3336 before closing the week at 1.3395. In contrast to the Fed's hawkish bias, the Bank of England (BoE) kept its Bank Rate unchanged at 3.75% last week, offering limited support to the GBP. While the BoE remained split with 6-3 on the vote, this voting pattern has become increasingly familiar in recent meetings, raising market concerns whether the central bank could deliver the necessary tightening in a timely manner, potentially falling behind the curve relative to other major central banks. Additionally, recent data indicated that underlying price pressures are intensifying, exacerbating these concerns. Headline inflation accelerated to 3.1% in August (Jul: 2.9%), the fastest pace since March, reflecting higher transportation costs amid escalating Middle East tensions. Notably, transport inflation climbed higher to 4.6% (Jul: 3.6%), underpinned by a surge in motor prices (+23.0%). Core inflation remained unchanged at 2.6% for the fourth consecutive month, strengthening the argument that additional tightening is necessary to meaningfully encourage the disinflation progress. Services inflation was unchanged at 3.4% while goods inflation rose to 2.7% (Jul: 2.2%), further reinforcing concerns that price pressures are broadening and raising the risk of entrenchment. Against this backdrop, markets have positioned for the possibility of a near-term rate hike, only to be disappointed by the decision to leave the Bank Rate unchanged. Coupled with the recent hawkish reassessment of the Fed's policy outlook, the relative policy divergence between the two central banks remained a key headwind for GBP/USD for the week.

Short-term Outlook: Looking ahead, with limited macroeconomic catalysts during the week, the near-term outlook for GBP/USD likely to remain influenced by USD dynamics and broader geopolitical developments. On the domestic front, the upcoming manufacturing and services PMI will be monitored for fresh signals on the underlying economic momentum, which would help shape BoE policy expectations. Nevertheless, unless the data deliver a material surprise, it is unlikely to significantly alter the BoE's current policy trajectory. As such, the GBP/USD pair will likely trade with a slightly bearish bias between a projected range of 1.3360–1.3430 this week.

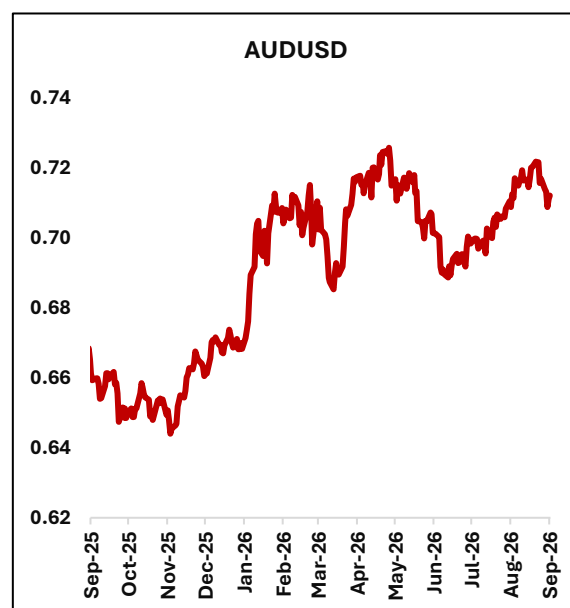


Source: Bloomberg

AUDUSD: Australian Dollar underperformed against the stronger USD

The Australian dollar (AUD) remained under pressure against the USD last week, declining by 0.7% w-o-w as investor attention continue to centre on the Fed's hawkish signals, which widened the policy divergence between the Fed and major central banks. Amid the absence of major domestic macro releases, sentiments on the AUD remains relatively subdued, with the AUD coming under renewed selling pressure. From a technical perspective, the AUD/USD pair broke decisively below the key 0.7100-support on 16 September, and bearish momentum intensified with the pair declining to a one-month low of 0.7075 before closing the week at 0.7111.

Short-term Outlook: This week, central to investor attention will be Australia's labour market releases, including employment change, the unemployment rate and labour force participation rate. Any evidence of a resilient labour market, characterised by solid pace of job creation and a relatively stable unemployment rate, would reinforce the view that domestic demand remains firm. This will likely keep door open for further policy tightening by the Reserve Bank of Australia (RBA), which would help narrow interest rate differentials with the U.S. and provide modest support to the AUD. Conversely, signs of a cooling labour market, with either hiring momentum slowing down or unemployment edging higher, could potentially delay the possibility of a rate increase and weigh on the AUD. However, barring any significant surprise, the near-term AUD/USD movement is



Source: Bloomberg

expected to be steered by global risk sentiments. Against this backdrop, the AUD/USD currency pair is expected to trade within a mild bearish range of 0.7080–0.7140 this week.

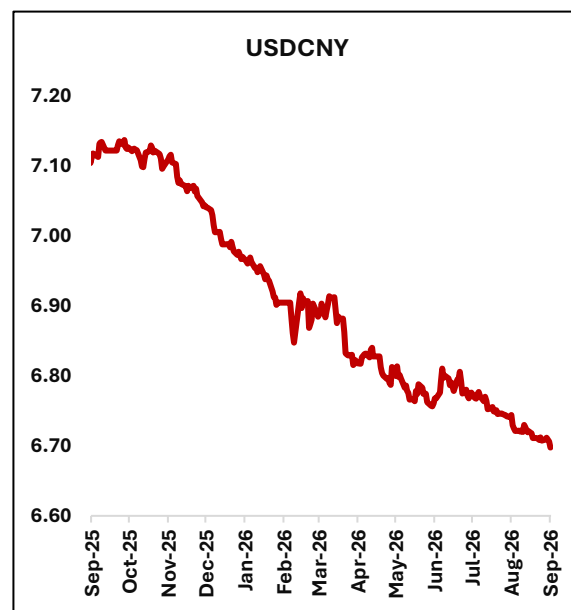
USDCNY: Chinese Yuan edged higher amid stronger manufacturing activity

The Chinese yuan (CNY) appreciated by 0.2% w-o-w last week, partly supported by stronger-than-expected industrial activity. China's industrial production growth accelerated to 5.2% in August (Jul: 4.5%), surpassing market expectations of 4.8%. The pickup was underpinned by stronger manufacturing output (Aug: 6.1% vs. Jul: 5.5%), which mitigated drags from softer utilities production (Aug: 4.9% vs. Jul: 5.9%) and a decline in mining output (Aug: -1.4% vs. Jul: 4.2%). Manufacturing output was largely supported by stronger technology-related products, specialised equipment and heavy machinery production, reflecting China's mature factory ecosystem, competitive advantage and the ongoing Artificial Intelligence (AI) upcycle. The robust industrial performance helped lifted investor sentiments over China's growth prospects, providing modest support to the CNY. However, sluggish household spending momentum remains as a key headwind to the outlook. Retail sales eased to 0.4% y-o-y in August (Jul: 0.6%), missing consensus estimates of a 0.8% gain. Looking closer, several key segments recorded softer sales, including automobiles (-18.5%), gold and silver jewellery (-17.5%), building materials (-11.8%) and furniture (7.9%). The slowdown further reaffirmed concerns over China's growth profile, likely requiring additional fiscal stimulus to encourage consumer spending. Additionally, labour market conditions have displayed signs of cooling, with the unemployment rate rising to 5.3% (Jul: 5.2%), the highest level since March. This further poses as a risk to domestic demand, particularly against a backdrop of prolonged geopolitical uncertainties and elevated inflationary pressures.

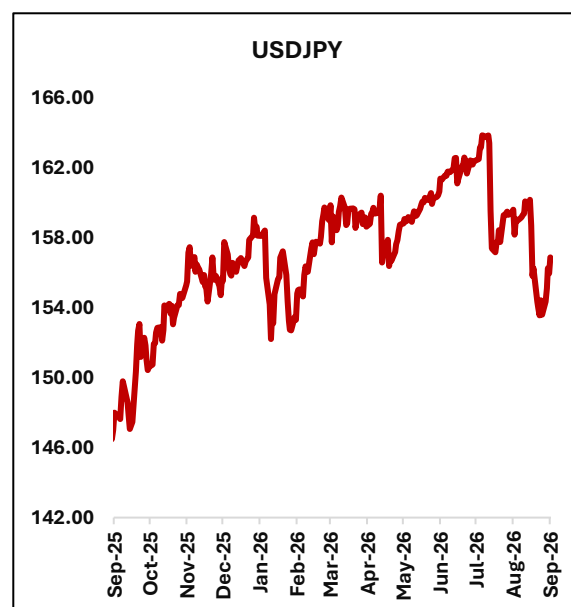
Short-term Outlook: Investor attention this week will focus on the PMI releases, which will offer closer insights into the underlying momentum of key economic sectors. With household spending remaining subdued and the property sector downturn yet to recover, China's growth outlook hangs on a balance, with external demand emerging as a pivotal driver for trade and industrial activity. Export-oriented industries, particularly those linked to technology, AI and advanced manufacturing, are expected to continue supporting China's manufacturing sector, offering a pocket of growth. Should incoming data support this view, it would reinforce confidence over the growth outlook, providing structural support for the CNY. Coupled with the Yuan's gradual appreciation trend, we expect the USD/CNY pair to trade within a bearish range between 6.6950-6.7020 in the near term.

USDJPY: Japanese Yen depreciated despite BoJ rate hike

The Japanese yen (JPY) weakened by 2.1% w-o-w against the USD, failing to generate bullish momentum despite the Bank of Japan (BoJ)'s latest policy tightening. The BoJ delivered a 25-bps rate increase last week, hiking its key interest rate to a multi-decade high of 1.25%. However, the decision was split 7-2, with Toichiro Asada and Ayano Sato dissenting in favour of a pause, highlighting growing divisions within the Board over the most appropriate pace of policy normalization. On one hand, Japan's inflation remains relatively contained, which would typically argue against an immediate policy action. Headline inflation was unchanged at 1.9% in August while core inflation eased to 1.7% (Jul: 1.8%), both remaining below the BoJ's 2.0% target. However, underlying price pressures paint a more urgent picture. Inflation continued to accelerate across major segments such as food (Aug: 3.1% vs. Jul: 3.5%), transport (Aug: 2.3% vs. Jul: 2.6%), household goods (Aug: 4.9% vs. Jul: 3.7%), healthcare (Aug: 3.0% vs. Jul: 2.1%) and recreation (Aug: 2.2% vs. Jul: 1.9%). This suggests that price pressures are becoming increasingly entrenched than what the headline figures imply. Additionally, the BoJ risks falling behind the curve relative to other major



Source: Bloomberg



Source: Bloomberg

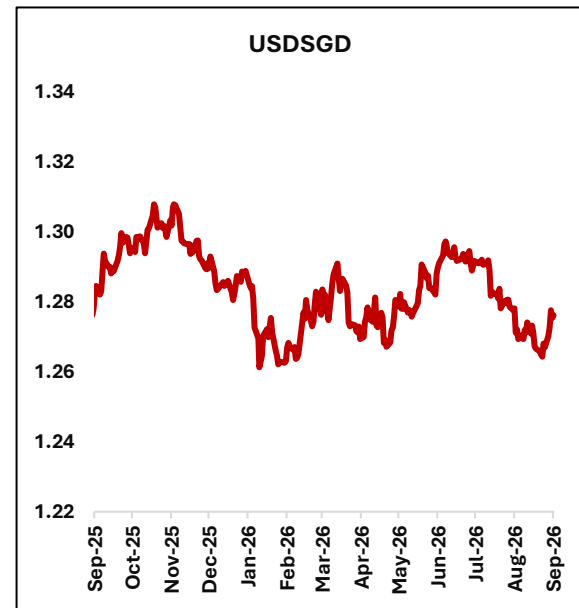
central banks, which would intensify selling pressure on the JPY. Taken together, these factors support the recent rate increase, while reinforcing a gradual policy normalization path ahead. Nevertheless, the move provided limited support to the JPY as investors remained focused on the still-wide policy divergence with the Fed, which favours demand for USD-denominated assets.

Short-term Outlook: Looking ahead, this week features a relatively light macroeconomic calendar, limiting fresh catalysts to support the JPY. Upcoming releases on the dock is Japan's PMI report, although it will unlikely be a major market mover. Against this backdrop, sentiments over the USD/JPY currency pair will likely be influenced by geopolitical developments and USD price action. As such, we expect USD/JPY to trade with a bullish bias within a projected range of 156.40 to 158.50.

USDSGD: Singaporean Dollar fell despite robust export growth

The Singapore dollar (SGD) weakened by 0.7% w-o-w last week, largely pressured by a broad-based strength of the USD. On the domestic front, Singapore's exports remained robust, alleviating earlier concerns that the effects of strong AI-driven external demand may have dissipated. Notably, non-oil domestic exports surged by a significant 46.2% y-o-y in August (Jul: 24.1%), the strongest growth since October 1988. The performance was underpinned by a sharp jump in electronic exports (Aug: 131.8% vs. Jul: 112.0%), supported by disk media products (+290.2%), PCs (+237.9%), and ICs (+90.9%). Beyond electronic products, non-electronic exports rebounded strongly to 12.0% from a 2.4% drop in July, reflecting stronger shipments of non-monetary gold (+67.0%), specialised machinery (+57.7%) and medical apparatus (+22.1%). On a monthly basis, exports increased to 10.9%, compared to a 0.3% decline in July. Nevertheless, investor sentiments were primarily focused on major central bank policy decisions last week, overshadowing the robust trade performance and limiting upside to the SGD.

Short-term Outlook: Investors will be closely monitoring Singapore's inflation and industrial production releases this week, which will help shape the growth outlook. The August inflation data will provide a closer look at domestic price dynamics, guiding expectations surrounding the Monetary Authority of Singapore (MAS)'s policy trajectory. Notably, Singapore's inflation has been gradually accelerating, with headline inflation rising to 2.0% in July as compared to 1.4% in January this year while core inflation rose to 2.0%, double the 1.0% recorded in January. Should the upcoming data reaffirm that underlying price pressures are rising, this would build the case for potential monetary tightening, providing modest support to the SGD. That said, investor focus will likely remain on external developments, particularly the Trump-Xi meeting and the Middle East conflict. As such, sentiments on the SGD are expected to remain subdued and we expect the USD/SGD pair to trade with a mild bullish bias, moving between the 1.2730–1.2780 range this week.



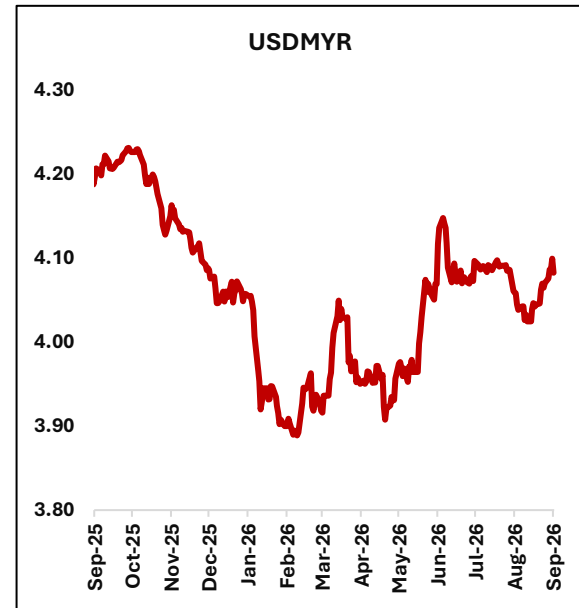
Source: Bloomberg

USDMYR: The Ringgit slipped despite a robust trade performance

The Ringgit (MYR) declined by 0.3% w-o-w against the USD, weighed by a hawkish reassessment of the Fed's policy expectations. Following the FOMC decision on 16 September, the USD strengthened, pushing the USD/MYR higher. The currency pair broke decisively above the key 4.08-resistance, before triggering a move towards the subsequent resistance zone and touching the highest point since June at 4.1012 on 17 September. However, the USD/MYR pair staged a modest correction towards the end of the week as Malaysia's strong macroeconomic fundamentals lifted sentiments over its rosy growth prospects, providing structural support to the MYR. Notably, Malaysia's inflation remains manageable, with headline inflation edging higher to 1.9% in August (Jul: 1.8%), reflecting higher personal care and transportation costs. Meanwhile, core inflation eased to 1.7% (Jul: 1.8%), marking the softest pace since December 2024. This

suggested that domestic price dynamics remain well within a comfortable range, reinforcing Bank Negara Malaysia (BNM)'s steady policy stance while improving domestic demand conditions. On the external front, Malaysia's export growth jumped to 45.5% in August (Jul: 38.0%), underpinned by stronger exports of manufacturing (Aug: 50.4% vs. Jul: 42.6%) and mining products (Aug: 43.3% vs. Jul: 9.6%), which offset the decline in agriculture (Aug: -21.4% vs. Jul: 4.8%). The manufacturing performance was primarily supported by robust exports of electrical and electronic exports (+66.5%) and petroleum products (+21.7%), while mining exports was driven by higher shipments of tin (+180.6%), metalliferous ores and metal scrap (+76.1%), and liquefied natural gas (+51.8%). Taken together, these figures have reinforced investor confidence over Malaysia's growth outlook despite heightened external headwinds, leading to late-week support for the MYR.

Short-term Outlook: This week will feature a relatively light calendar week, limiting downside moves for the USD/MYR currency pair as investor focus remains trained on geopolitical developments. Investor positioning will likely remain cautious ahead of the scheduled Trump-Xi meeting, which may see the USD/MYR trading within a relatively narrow range in the near term. However, the pivotal determinant will be the outcome of the summit. An improvement in U.S.-China relations would be supportive for global trade dynamics and broader risk sentiments. In this scenario, the MYR could benefit from a rotation away from defensive assets, while also gaining from improving trade-related flows given Malaysia's deep integration within global value chains. Conversely, renewed U.S.-China tensions could heighten global policy uncertainty. Given Malaysia's strong linkages with both the U.S. and China, an escalation in bilateral tensions could dampen investor sentiments, reducing the relative attractiveness of the MYR. However, the most expected outcome remains a continuation of the current status quo, in which both sides maintain open dialogue while avoiding a significant deterioration in relations. Against this backdrop, we expect the USD/MYR pair to trade with a mildly bullish bias, within a projected range of 4.0450-4.0840.



Source: Bloomberg

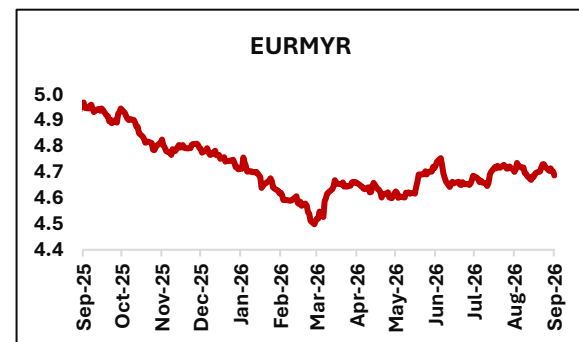
Table 2: Selected Currencies Overview (MYR Crosses)

	4-Sep	11-Sep	18-Sep	WoW	YTD
USDMYR	4.0448	4.0705	4.0828	0.3%	0.6%
EURMYR	4.6985	4.7201	4.6873	-0.7%	-1.6%
GBPMYR	5.4698	5.4991	5.4588	-0.7%	0.1%
SGDMYR	3.1905	3.2108	3.1952	-0.5%	1.2%
JPYMYR	2.5884	2.6502	2.6016	-1.8%	0.4%
AUDMYR	2.9120	2.9183	2.9089	-0.3%	7.2%
CNYMYR	0.6027	0.6068	0.6093	0.4%	4.9%

Sources: Bloomberg, Bank Islam

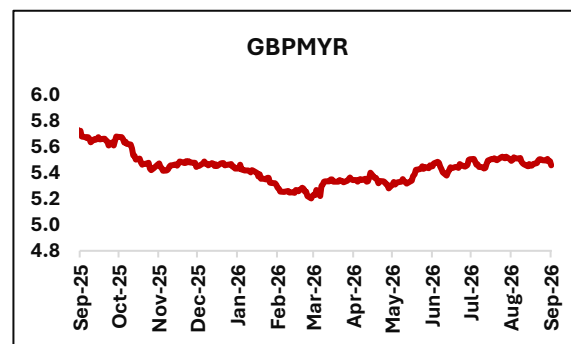
Short Term Outlook for Ringgit Pairs

The EUR/MYR pair is expected to trade with a mild bearish bias this week ahead of Eurozone's PMI report. Recent data highlights emerging signs of a slowdown in industrial production, reflecting prolonged supply-side pressures stemming from the Middle East tensions. Any confirmation of a moderation in industrial activity would complicate the ECB's policy tightening path, exerting pressure on the EUR. In contrast, Malaysia's resilient macroeconomic fundamentals are expected to reinforce BNM's steady policy stance, which will provide modest support to the MYR.



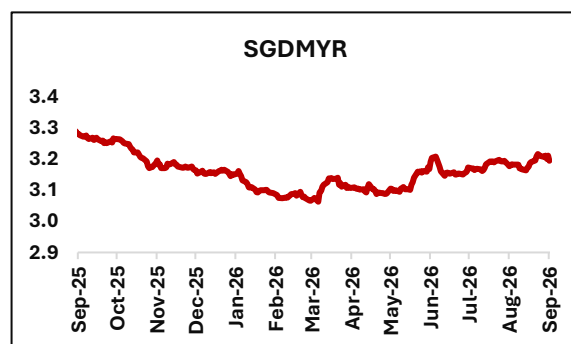
Source: Bloomberg

The outlook for the GBP/MYR is neutral-to-mildly bullish this week amid relatively light macro calendars on both fronts. Against this backdrop, GBP/MYR movement will largely be influenced by external developments, particularly the Middle East conflict and the upcoming Trump-Xi meeting in Washington. Ahead of the summit, investors are expected to remain cautious, likely resulting in the currency pair trading within a limited range. Towards the end of the week, markets are expected to stabilise, while slightly hawkish BoE expectations are expected to offer some upside potential for the GBP.



Source: Bloomberg

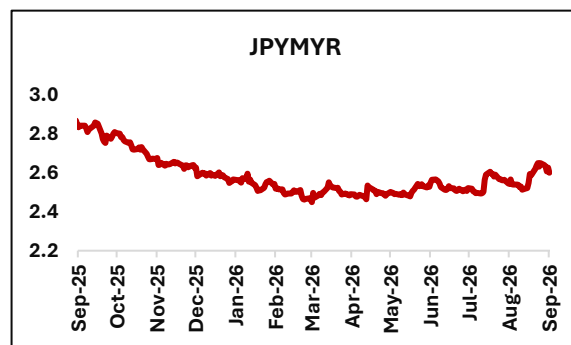
The SGD/MYR currency pair is expected to consolidate with a mildly bearish bias this week as investor focus remains on geopolitical developments. With investor positioning expected to remain defensive, demand for emerging market assets is expected to remain subdued. Beyond risk sentiments, both Singapore and Malaysia have recorded robust export growths, reflecting the ongoing AI upcycle, which would offer modest support to both currencies. However, the MYR will likely gain the slightest edge as resilient economic fundamentals reinforce confidence over the growth outlook.



Source: Bloomberg

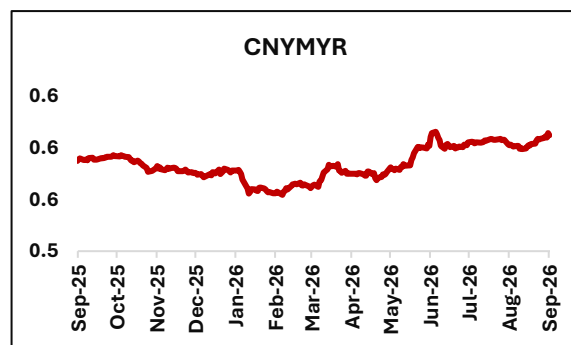
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The outlook for the JPY/MYR pair remains bearish in the near term, likely to remain under pressure amid the Yen's persistent structural weakness. Despite the recent BoJ rate hike, which brings its key policy rate to the highest level since April 1995 at 1.25%, the still-wide interest rate differentials remain tilted in favour of the MYR.



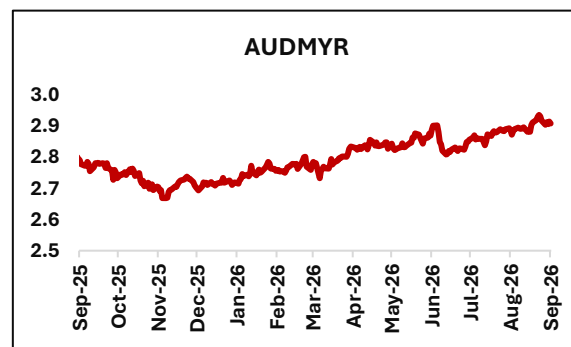
Source: Bloomberg

The CNY/MYR outlook remains bullish, with the CNY expected to strengthen against the MYR given the former's gradual appreciation trend. However, Malaysia's growth prospects remain firm, supported by robust external demand and resilient domestic demand, which would provide underlying support the MYR. In contrast, China's growth profile has come under increasing scrutiny as its sluggish household spending momentum and prolonged property downturn continued to pose as potential headwinds.



Source: Bloomberg

The outlook for the AUD/MYR currency pair remains mildly bullish ahead of Australia's labour market data, which will offer crucial insights in shaping RBA policy expectations. Signs of a resilient labour market will reinforce the possibility of additional policy tightening while conversely, any indication of cooling labour market conditions could potentially delay RBA's rate hikes. That said, the balance of risks remains skewed for additional RBA tightening, barring a significant downside surprise, which makes the AUD relatively more attractive against the MYR.



Source: Bloomberg

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