6 October 2026

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SOFTER U.S. INFLATION AND JOB MARKET REPORTS DIMMED ODDS OF AN OCTOBER FED HIKE

A hawkish reassessment following September FOMC meeting. Currency market movements continued to be steered by USD dynamics last week as a convergence of catalysts drove a sharp increase in the 10-year U.S. Treasury yield. Markets have broadly priced in the possibility of additional Fed tightening following September's Federal Open Market Committee (FOMC) meeting, where the latest dot plot projections revealed a growing hawkish bias within the Committee. Notably, a majority of Board members projected the likelihood of at least one additional rate increase by year-end. The accompanying Summary of Economic Projections (SEP) also signaled rising concerns that the disinflation process could proceed slower than previously expected, with revised projections further reaffirming that the balance of risks is increasingly biased towards a prolonged policy tightness.

The U.S. economy proved more resilient than expected, with the 2Q2026 growth upgraded to 2.2% q-o-q, well above the initial estimate of 1.5%, reflecting stronger growth across consumer spending and fixed investment, with the latter driven by robust non-residential structures investment. Additionally, the 1Q2026 growth was also revised higher by 0.4 pp to 2.5% from 2.1% previously, suggesting that underlying growth momentum may be stronger than expected. Taken together, these revisions alleviated concerns of a more pronounced slowdown given ongoing geopolitical uncertainties, elevated cost pressures and policy-related headwinds.

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August PCE inflation report took the edge off an October hike. Headline Personal Consumption Expenditure (PCE) inflation rose by 0.3% m-o-m in August, missing consensus estimates of 0.4%. Goods prices increased by 0.3% (Jul: -0.1%), led by a sharp rise in non-durable goods (Aug: 0.5% vs. Jul: -0.4%) which offset a moderation in durable goods (Aug: 0.1% vs. Jul: 0.4%), while services inflation (Aug: 0.3% vs. Jul: 0.1%). Core PCE inflation rose 0.2%, also slightly lower than an expected 0.3% gain. The softer-than-expected report presented as the clearest challenge against the narrative of an imminent policy tightening, swiftly prompting markets to scale back expectations of a near-term policy action.

However, the broader policy tightening trajectory remains intact. On an annual basis, both headline and core PCE inflation held steady at 3.4% and 3.0%, respectively, remaining well beyond the Fed's 2.0% target. While August inflation delivered a downside surprise, it prompted a reassessment over the timing of future rate adjustments, rather than materially altering the broader policy outlook. Moreover, persistent geopolitical uncertainties and Brent crude staying elevated above USD100/bbl for much of September continue to pose upside risks to inflationary pressures, evidenced by sharp monthly increases across energy-related segments in the PCE basket. Coupled with Fed's hawkish policy tone, investors are still pricing in the possibility of at least one rate hike by year-end.

10-year UST yield climbed to a multi-decade high. The culmination of hawkish Fed policy expectations, a more resilient than expected domestic growth and persistent concerns over the U.S. fiscal and debt outlook provides markets with

a clear directional commitment, presenting as a catalyst for a decisive move higher for the 10-year Treasury yield. The benchmark 10-year UST yield climbed to 5.34% on 1 October, the highest level since 2002. The move reinforced the relative attractiveness of USD-denominated assets, triggering a broad-based rotation towards the USD. As a result, the USD breached the key 102.0 psychological level last Thursday, exerting renewed pressure major currency pairs.

Labor market data cooled the October rate hike narrative further. Non-farm payrolls increased by just 29K in September, significantly undershooting market expectations of a 70K gain. The increase was mainly driven by private sector employment (Sep: 46K vs. Aug: 89K), offsetting the decline in government payrolls (Sep: -17K vs. Aug: 44K). Additionally, the unemployment rate edged higher to 4.2% (Aug: 4.1%) while payrolls for July and August were revised lower by a cumulative 60K. The incoming data took markets by surprise, contrasting sharply with the stronger-than-expected ADP employment data released earlier. Notably, private job creation momentum accelerated following three consecutive months of slowdown, with private businesses adding 90K jobs in September (Aug: 36K), surpassing estimates of 70K. Thus, the non-farm report reignited concerns over the fragile job market momentum, further dampening market expectations of additional Fed tightening in October. Following the release, the odds for October rate increase fell sharply to 22.1%, from above 70.0% a week before. As such, this prompted a late-week correction across financial markets, with the 10-year Treasury yield pulling back below 5.30% and the USD retreating below the 102-level.

Upcoming Events: Key Economic Data Release

Monday	**Japan Consumer Confidence (September), Euro Area (Producer Prices (August), Singapore Retail Sales (August)**
Tuesday	**Australia Consumer Confidence (October), Euro Area Retail Sales (August), U.S> Trade Performance (August)**
Wednesday	**Japan Average Cash Earnings (August), UK House Price Index (September)**
Thursday	**FOMC Minutes, ECB Monetary Policy Meeting Accounts, Australia Consumer Inflation Expectations (October)**
Friday	**Japan Household Spending (August), Malaysia Labour Market, Retail Sales & Industrial Production (August)**

Table 1: Selected Currencies Overview

	18-Sep	25-Sep	2-Oct	WoW	YTD
DXY Index	100.22	100.97	101.93	1.0%	3.7%
USDMYR	4.08	4.07	4.08	0.3%	0.6%
XAUUSD	4,378.63	4,284.81	4,141.19	-3.4%	-4.1%
EURUSD	1.15	1.14	1.13	-1.2%	-4.2%
GBPUSD	1.34	1.32	1.32	0.0%	-1.7%
AUDUSD	0.71	0.70	0.70	-1.0%	4.2%
USDSGD	1.28	1.28	1.28	0.1%	-0.6%
USDJPY	156.88	157.28	157.85	0.4%	0.7%
USDCNY	6.70	6.71	6.71	-0.1%	-4.0%

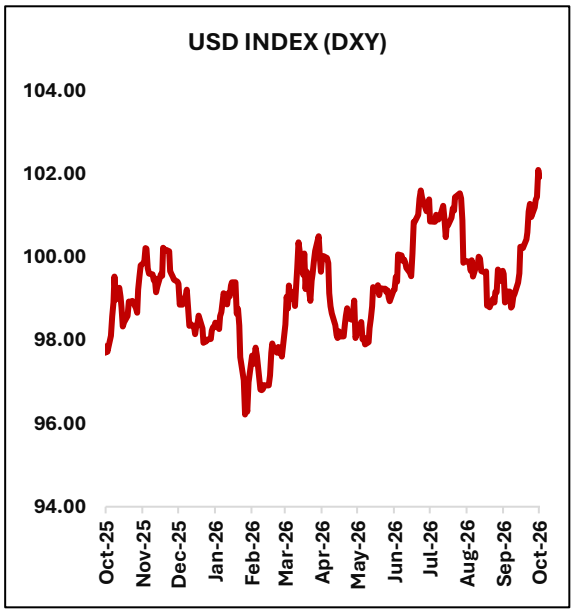
Sources: Bloomberg, Bank Islam

Commentaries

DXY: USD index staged a breakthrough above critical 102-level

The USD index strengthened by 1.0% w-o-w last week, primarily supported by a sharp rise in the 10-year Treasury yield. In the earlier half of the week, sentiments remained modestly bullish on the USD amid persistent geopolitical uncertaities

and expectations of additional Fed policy tightening. By mid-week, stronger-than-expected U.S. growth momentum and a surprise upside in the ADP employment report has reinfroced the likelihood of more restrictive monetary conditions for longer, providing the Fed with greater flexibility to deliver additonal rate hikes without risking growth. Additionally, while the PCE inflation report delivered a surprise downside, it simply reduced expectations of an aggressive pace of tightening, rather than challenging the broader narrative. A closer look also revealed that higher inflation was recorded in energy-related segments, reflecting persistently elevated global oil prices. Notably, the Gasoline & Other Energy Goods inflation rebounded strongly by 4.4% m-o-m in August (Jul: -2.7%), driven by sharp increases in gasoline (Aug: 4.1% vs. Jul: -3.0%) and fuel oil prices (Aug: 10.1% vs. Jul: -1.7%). Given that Brent crude price has averaged above USD100/bbl in September, this continues to pose as upside inflationary risks. Consequently, the interplay of hawkish Fed expectations and broadly stable growth outlook pushed the 10-year Treasury yield to a multi-decade high of 5.34%. This provides pivotal support for the USD, which briefly breached the key resistance level at 102.0. Nevertheless, the USD retreated just a day later as softer-than-expected labour market data placed focus on declining odds of an October rate hike, exerting near-term pressure on the USD. As such, the USD retreated below the 102-level, closing the week at 101.93.



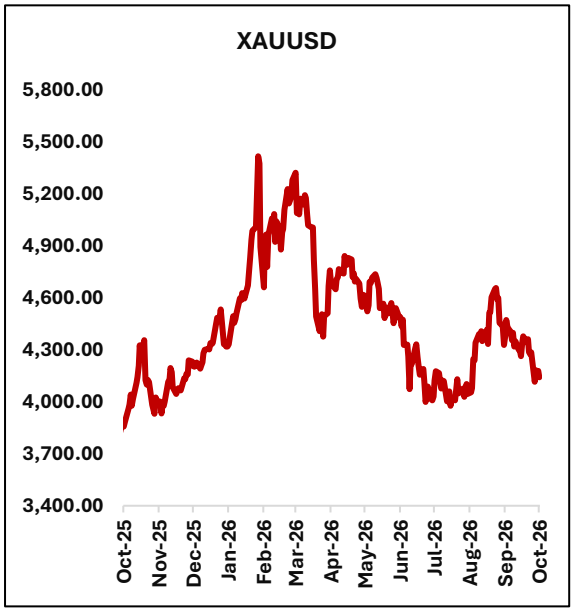
Source: Bloomberg

Short-term Outlook: This week, central to investor attention will be the release of the September FOMC minutes, which will provide closer insights into policy deliberations behind the Fed's increasingly hawkish stance. With the latest dot plot projections indicating that a large majority favours at least one additional rate hike by year-end, markets will be looking for clues on the conditions that could warrant this projected outcome. Overall, the minutes are expected to reinforce the higher-for-longer policy narrative, lending modest support to the USD. As such, we expect the USD Index (DXY) to trade within a bullish range of 101.90-102.80 this week.

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XAUUSD: Gold price weakened amid the absence of fresh catalysts

Gold (XAU) declined sharply by 3.4% w-o-w for the week ending 2 October, pressured by a broad-based USD strength and rising Treasury yields. The XAU opened the week on a softer footing as expectations of a higher-for-longer Fed continued to lift the relative appeal of USD-denominated assets, dampening demand for gold. From a technical perspective, the XAU broke decisively below the key support around 4,200, trading largely range-bound within the 4,110.0-4,190.0 range during the week. Moreover, market participants remained cautious as developments surrounding the U.S.-Iran conflict continued to send mixed signals. Although both sides initially expressed a willingness to pursue diplomatic engagement, including talks held on the sidelines of the UN General Assembly, optimism quickly faded after U.S. President Donald Trump rejected Iran's proposed seven-point phased peace framework. Nevertheless, Trump maintained that diplomatic efforts remained on track, underscoring the fluid and highly uncertain nature of the conflict. Tensions escalated further as Trump renewed threats against Iran, while reports indicated a growing U.S. military presence in the region. At the same time, Iran reiterated that the Strait of Hormuz would remain closed until its conditions were met. These conflicting developments reinforced concerns that tensions could persist for an extended period, weighing on investor sentiment and curbing risk appetite. As a result, any sustained safe-haven demand for gold remained limited despite heightened geopolitical uncertainties.



Source: Bloomberg

Short-term Outlook: Looking ahead, the XAU are likely to remain influenced by USD movement and Fed policy expectations. Given that markets anticipate the upcoming FOMC minutes to reinforce the Fed's hawkish stance, gold may continue to face downward pressure. Investors will also be monitoring developments on the geopolitical front, which may offer some support to gold. As such, we expect XAU to trade with a bearish bias in the near term, with resistance at USD4,200, while key support is likely to hold around USD4,100.

EURUSD: EUR slid following ECB Lagarde's "measured response" remark

The euro (EUR) depreciated by 1.2% w-o-w last week, facing renewed pressure following less hawkish-than-expected signals from European Central Bank (ECB) President Christine Lagarde. While acknowledging that risks to inflation are skewed to the upside, Lagarde noted that there is still limited evidence of inflation becoming entrenched. She also maintained that a measured response remains appropriate amid the current environment, prompting markets to scale back expectations of a near-term tightening. Additionally, concerns over France's widening fiscal deficit, rising debt burden and ongoing budget negotiations continued to weigh on sentiment towards the EUR. Thus, the EUR/USD currency pair broke decisively below the key 1.33-support level on 1 October, touching the weakest level since May 2025 at 1.1215 before closing the session at 1.1244. However, the EUR recovered slightly following the release of Eurozone's hotter-than-expected inflation print. Headline inflation accelerated to a three-year high of 3.8% y-o-y in September (Aug: 3.2%), surpassing market consensus of 3.6%. The increase was driven by an 18.8% surge in energy prices, the strongest pace since January 2023. Services inflation also increased to 3.2% (Aug: 3.0%) while unprocessed food inflation jumped to 4.0% (Aug: 2.7%). Core inflation also rose to 2.5% as widely expected. With emerging signs of broadening price pressures that fulfil the ECB's conditions for further tightening, markets continue to price in the probability of one additional ECB rate hike this year, offering some underlying support to the EUR.



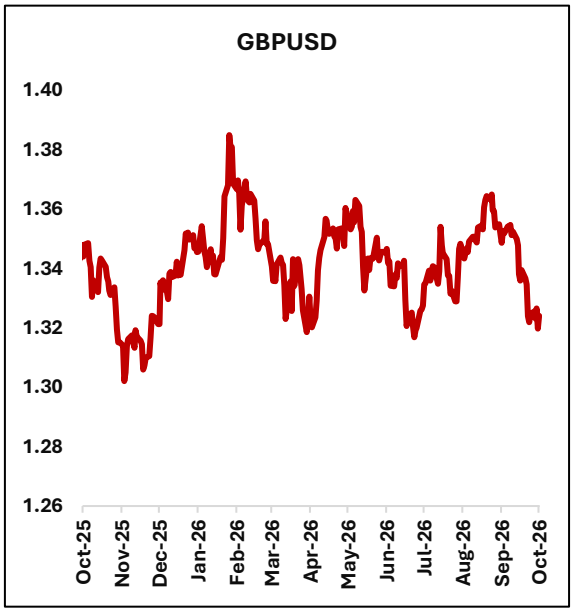
Source: Bloomberg

Short-term Outlook: Investor focus this week will remain on Eurozone's August retail sales data. Any indication of resilient consumer spending will provide the ECB with greater flexibility to resume its policy normalisation cycle while a notable slowdown will argue for more restraint in delivering additional tightening. With the producer inflation rising faster-than-expected to 8.2% in August (Jul: 5.8%), risks of broadening price pressures have risen further, reinforcing bias for additional tightening to curb the inflationary pressures. However, the relative interest rate differentials and firmly hawkish Fed expectations are expected to continue favouring the USD. Thus, we expect the EUR/USD pair to trade with a bearish bias within the 1.1210-1.1270 range this week.

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GBPUSD: British Pound traded within a relatively narrow range

The British pound (GBP) struggled to establish a clear direction last week as a more resilient-than-expected economy offset downside pressure stemming from a stronger USD. The UK's 2Q2026 growth was revised higher to 0.5% q-o-q (1Q26: 0.6%), compared to the initial estimate of 0.1%. The increase was driven by the services and construction sectors, which expanded by 0.6% and 0.8%, respectively, while production contracted by 0.1%. On the expenditure side, growth was supported by net trade, with exports rising by 2.8% while imports were unchanged, as well as household consumption (+0.3%) and investment (+0.9%). In contrast, government spending declined by 0.5%. On an annual basis, the economy accelerated to a five-quarter high of 1.4% in 2Q2026 (1Q26: 0.8%), surpassing the initial estimate of 1.2%. Both household and government spending climbed by 1.2% y-o-y, while gross fixed capital formation (GFCF) expanded by 3.1% amid a sharp rise in business investment. Exports strengthened by 4.2% while imports rose by 2.5%, resulting in a positive net trade contribution. Overall, the growth highlighted the resilience of domestic activity despite heightened external headwinds, likely reflecting the impact of the Bank of England (BoE)'s earlier policy easing cycle. Thus, while the GBP/USD currency pair initially slipped below the 1.32-support level on 1 October, the pair rebounded by Friday's session to close the week at 1.3241.



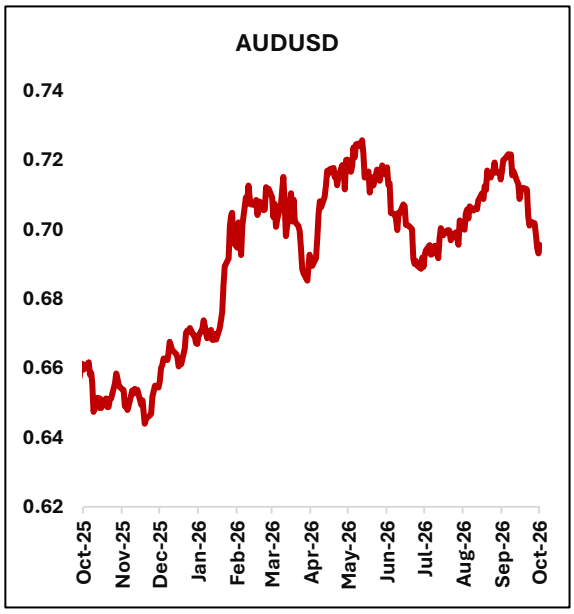
Source: Bloomberg

Short-term Outlook: This week will feature a relatively light macroeconomic calendar, with the GBP/USD pair likely to remain driven by USD dynamics. However, a resilient growth outlook and expectations of further BoE tightening is anticipated to provide modest support to the GBP, limiting downside potential for

the currency pair. As such, the GBP/USD pair will likely consolidate between a neutral-to-slightly bearish range of 1.3210–1.3270 this week.

AUDUSD: Australian Dollar depreciated despite RBA rate hike

The Australian dollar (AUD) declined by 1.0% w-o-w as a softer inflation report offset gains following the Reserve Bank of Australia (RBA)'s rate hike last Monday. The AUD opened on firm footing as investors increasingly priced in the probability of additional RBA policy tightening. In line with expectations, the central bank raised its Cash Rate by 25-bp to 4.60%, the highest level since 2011. The unanimous policy decision was driven by a mix of higher global energy prices linked to the Middle East conflict, rising cost pressures and persistent domestic capacity constraints. The Board also signalled that further tightening may be necessary to ensure a sustainable return to target. However, the August inflation report delivered a downside surprise. Headline inflation climbed to a three-month high of 4.0% (Jul: 3.5%), slightly lower than consensus estimates of 4.1%. The increase was primarily driven by higher housing (Aug: 5.7% vs. Jul: 5.0%) and transport inflation (Aug: 5.6% vs. Jul: 1.6%), while food inflation eased to 3.0% (Jul: 3.2%). Meanwhile, trimmed mean inflation remained steady at 3.6% for the third straight month. On a monthly basis, headline inflation eased to 0.4% (Jul: 1.0%; Exp: 0.5%) while trimmed mean inflation slowed to a seven-month low of 0.2% (Jul: 0.5%; Exp: 0.3%). As such, the softer-than-expected inflation prompted markets to reassess RBA policy expectations, reducing odds of a near-term rate increase. Following the rise of UST yields and subsequent USD appreciation, the AUD came under pressure, touching the lowest level in over two months at 0.6904 on 1 October. Nevertheless, the AUD corrected by Friday as markets gradually digested incoming data. Both indicators still remain elevated past the RBA's 2-3% target range, with the stalled trimmed mean inflation strengthening the case for a tighter policy to curb underlying price pressures.



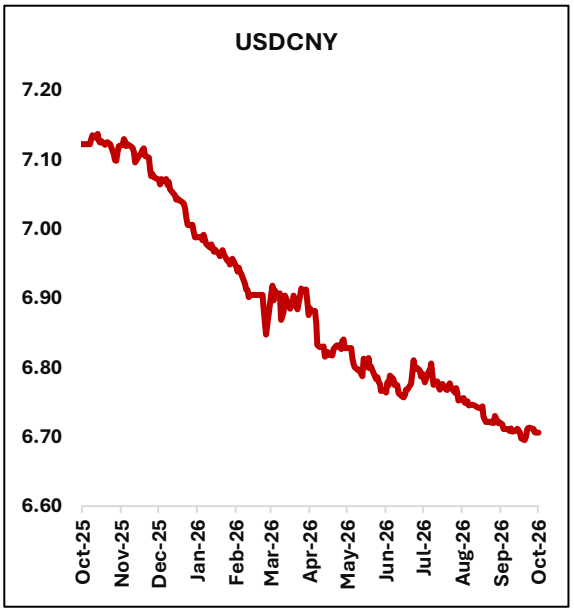
Source: Bloomberg

Short-term Outlook: Looking ahead, this week will feature a relatively light macro calendar, giving investors room to reassess the RBA's policy outlook. While the recent inflation reports tempered expectations of a near-term rate hike, the broader tightening trajectory remains intact as underlying price pressures remain sticky, which should continue to provide modest support to the AUD. In the near term, the AUD/USD currency pair is expected to trade with a mildly bullish bias within a projected range of 0.6940–0.7010.

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USDCNY: Chinese Yuan rose as manufacturing and services PMI improved

The Chinese yuan (CNY) edged higher by 0.1% w-o-w, supported by signs of an improvement across China's manufacturing and services sectors. The official NBS manufacturing Purchasing Managers' Index (PMI) rose to 50.1 in September (Aug: 49.8), marking the first expansion in factory activity since June. Output growth accelerated to a nine-month high of 51.7 while new orders eased marginally to 50.5, mainly driven by domestic demand. In contrast, foreign orders continued to decline (Sep: 49.2 vs. 48.6). The expansion was reflected in the RatingDog Manufacturing PMI, which rose to a five-month high of 52.1 (Aug: 51.5). Output growth climbed to the highest level since April, and new orders also increased. However, the PMI report indicated that foreign sales rose sharply, in addition to strengthening domestic demand. Taken together, these figures pointed towards a gradual pickup in business conditions following prolonged supply-side pressures, helping to lift investor confidence over China's growth prospects. Meanwhile, the NBS Non-Manufacturing PMI climbed to 50.2 in the same month as both construction (Sep: 50.3 vs. Aug: 46.9) and services activity (Sep: 50.2 vs. Aug: 49.3) rebounded from earlier contractions. Similarly, the RatingDog Services PMI ticked up to 51.6 (Aug: 51.4), supported by robust new orders and a rebound in external demand. Employment also increased for the fifth consecutive month, indicating that hiring momentum remains firm. Business sentiments marked the highest level this year amid expectations of improving market conditions, business expansion plans and new project launches.

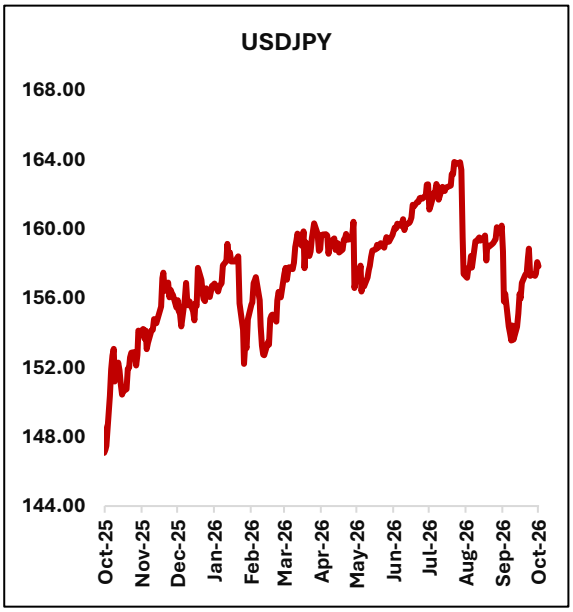


Source: Bloomberg

Short-term Outlook: The near-term outlook for the USD/CNY currency pair remains mildly bearish. Given that it will be a light calendar week on China's macroeconomic calendar, the USD/CNY direction will likely be driven by USD movements, in which markets are still weighing in the possibility of one additional rate increase. Nevertheless, we anticipate the CNY to continue deriving modest support given its gradual appreciation trend. Thus, the USD/CNY pair will likely trade within a bearish range between 6.7010-6.7110 this week.

USDJPY: Japanese Yen as markets turn cautious over the BoJ path

The Japanese yen (JPY) declined by 0.4% w-o-w, pressured by a stronger USD alongside a repricing of the Bank of Japan (BoJ)'s policy normalisation path. The recently released Summary of Opinions failed to sufficiently convince markets that additional rate hikes could be warranted. Regarding the 25-bp rate hike in September, the BoJ stated that the move was intended to mitigate the risk of underlying inflation overshooting its 2.0% target. Nevertheless, the Summary of Opinions indicated that Board members acknowledged inflation remains below target and that economic conditions have yet to strengthen sufficiently. As such, the policy adjustment appeared largely pre-emptive in nature, aimed at containing potential price pressures rather than responding to a material acceleration in inflation. Looking ahead, the BoJ reiterated that further policy normalisation would depend on inflation evolving in line with its price stability objective and financial conditions remaining accommodative. With Japan's inflationary pressures still relatively contained, as headline inflation held steady at 1.9% while core inflation eased to 1.7%, the latest guidance has tempered expectations of additional near-term policy tightening. Recent economic data have also pointed to signs of moderating domestic activity. Industrial production contracted by 1.7% m-o-m in August (Jul: -0.2%), marking the sharpest decline since February and suggesting that persistent supply-side constraints and weakening external demand continue to weigh on manufacturing output. On an annual basis, industrial production growth eased to 3.4% (Jul: 3.9%). Meanwhile, retail sales fell by 1.2% m-o-m in August (Jul: 2.1%), with annual growth slowing to 2.7% from 3.7% previously. Taken together, subdued inflationary pressures and moderating domestic demand reinforce the case for a gradual and cautious pace of BoJ policy normalisation. Combined with a mid-week rotation into the USD, these factors intensified selling pressure on the JPY, pushing the USD/JPY pair above the key 158.0 resistance level before it pared some gains to close the week at 157.85.



Source: Bloomberg

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Short-term Outlook: The recent break above the 158-resistance level suggests that the USD/JPY pair may continue to test higher levels in the near term. On the macro front, investors will be monitoring the release of Japan's August household spending data. Any confirmation that consumer spending is easing would further reduce expectations of near-term BoJ tightening. Conversely, signs of resilience would argue for further policy normalisation, providing modest support to the JPY. Against this backdrop, we expect USD/JPY to consolidate with a neutral-to-mildly bullish bias within the 157.30 to 158.50 range this week.

USDSGD: Singaporean Dollar dipped despite robust industrial production

The Singapore dollar (SGD) slipped by 0.1% w-o-w despite resilient factory activity, largely pressure by a stronger USD. From a technical standpoint, the USD/SGD currency pair traded range-bound within the 1.2740-1.2790 range in the earlier half of the week as investors grapple between firm domestic data and external developments. As the USD appreciated further on 1 October, the USD/SGD pair advanced to test the immediate resistance around 1.28. However, the currency pair failed to sustain a break above this level, retreating to close the week at 1.2781. Underlying support for the SGD emerged from Singapore's resilient domestic activity. Notably, industrial production expanded by 15.4% y-o-y in August (Jul: 6.8%), supported by robust technology-related demand amid the global AI upcycle. Evidently, the electronics sector surged by 28.5%, driven by stronger output across precision engineering, servers and related products,

semiconductors, and data storage products. On a monthly basis, Singapore's industrial production declined by 0.5%, reversing a 2.3% in July. Meanwhile, producers' prices surged to a record-high of 38.8% y-o-y in August (Jul: 33.6%), driven by higher prices for mineral fuels, lubricants and related materials (Aug: 57.4% vs. Jul: 46.8%), machinery and transport equipment (Aug: 47.7% vs. Jul: 42.3%), chemicals and chemical products (Aug: 13.8% vs. Jul: 11.3%), crude materials (Aug: 20.2% vs. Jul: 19.4%), and beverages and tobacco (Aug: 4.5% vs. Jul: 4.0%). The sharp increase in producer inflation fuels concerns of rising underlying price pressures, posing as a key upside risk to consumer inflation, particularly as higher costs are gradually passed into consumer goods and services.

Short-term Outlook: Rising inflation expectations pose as a potential downside risk to household spending as higher prices continue to erode consumers' purchasing power. Recent data showed that Singapore's retail sales slowed to 0.7% in August (Jul: 1.3%), the lowest level since September 2023. On a monthly basis, retail sales declined by 1.0% (Jul: 0.6%), suggesting that consumers are increasingly cautious on spending, particularly on discretionary goods and services, amid rising costs and lingering external uncertainties. Against this backdrop, the Monetary Authority of Singapore (MAS) faces a more challenging policy environment as upside inflation risks coincide with downside growth risks. That said, the current environment is unlikely to warrant an urgent policy response, allowing the MAS to remain comfortable with its prevailing monetary policy settings. Thus, sentiments towards the SGD are expected to remain relatively subdued in the near term. We expect the USD/SGD pair to trade with a mild bullish bias between the 1.2770–1.2820 range this week.

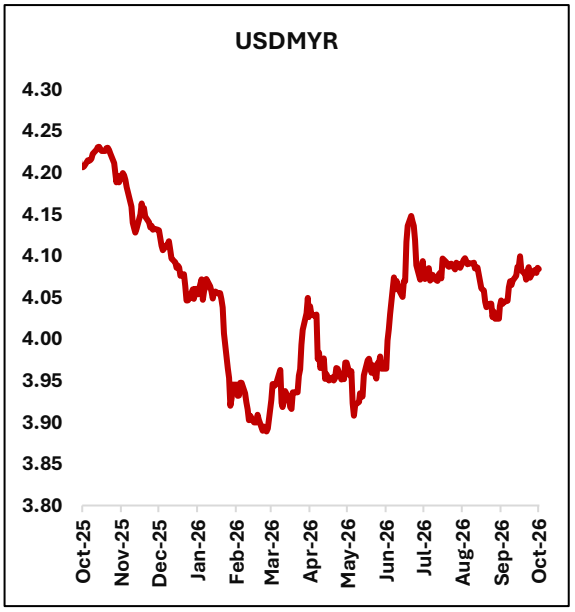


Source: Bloomberg

USDMYR: The Ringgit declined as factory activity slowed

The Ringgit (MYR) depreciated by 0.3% w-o-w as the absence of fresh catalysts kept sentiments on the MYR relatively subdued, with the MYR coming under renewed selling pressure in the latter half of the week. The USD/MYR currency pair initially traded within a relatively narrow range between 4.0790-4.0850. However, the pair climbed higher as the USD breached the critical 102-level, with USD/MYR closing Thursday's session at 4.086. On the domestic front, factory activities continued to moderate, limiting support for the MYR. The Manufacturing PMI fell to 49.9 in September (Aug: 50.2), marking the first contraction in factory activity since May. New orders declined at the fastest pace since June 2025, resulting in output growth moderating to a seven-month low. While export orders rose, likely supported by technology-related segments, domestic demand had weakened. Firms reduced input purchases for the second month, while supplier delivery times deteriorated. Business confidence also remained subdued, with sentiments for the year-ahead deteriorating to a five-month low amid prolonged supply-side pressures. Nevertheless, firms remain optimistic in their hiring decisions, with employment continuing to rise. On prices, both input and output cost inflation eased to a seven-month low, signaling easing cost pressures at the production level. Overall, the manufacturing PMI report paints a mixed picture of improving inflation and weakening production growth, keeping investors cautious on the MYR as the report neither strengthened the case for policy tightening nor renewed concerns over the growth outlook.

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Source: Bloomberg

Short-term Outlook: Key releases this week will be Malaysia's labour market, industrial production and retail sales data, providing a more comprehensive look into underlying growth momentum. Any evidence of softening domestic activity is likely to reaffirm concerns that domestic growth is slowing. However, the broader expectation remains that the data will continue to point towards a resilient growth backdrop, providing modest support to the MYR. Industrial production is expected to remain supported by manufacturing activity while household spending is anticipated to stay relatively firm amid ongoing policy support, manageable inflation and stable labour market conditions. Most importantly, Malaysia's Budget 2027 is slated to be tabled this Friday, with investors closely monitoring the development for greater clarity on Malaysia's fiscal and economic direction.

The government's fiscal consolidation strategy, key development areas, expenditure rationalisation initiatives and revenue-enhancement measures will be the pivotal insights in shaping Malaysia's medium-term outlook. However, continued strength in the USD and elevated U.S. Treasury yields are likely to limit MYR gains. As such, we expect the USD/MYR pair to trade with a mildly bullish bias, within a projected range of 4.0750-4.0920.

Table 2: Selected Currencies Overview (MYR Crosses)

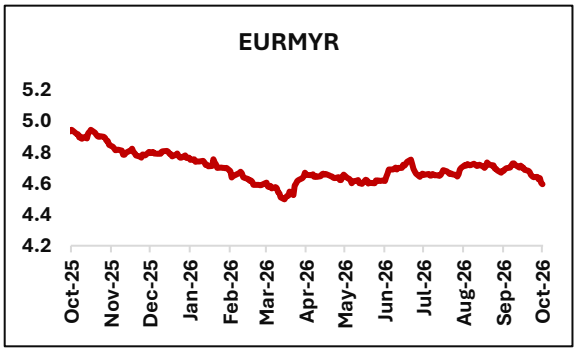
	18-Sep	25-Sep	2-Oct	WoW	YTD
USDMYR	4.0828	4.0738	4.0842	0.3%	0.6%
EURMYR	4.6873	4.6409	4.5953	-1.0%	-3.6%
GBPMYR	5.4588	5.3939	5.3959	0.0%	-1.1%
SGDMYR	3.1952	3.1879	3.1929	0.2%	1.1%
JPYMYR	2.6016	2.5903	2.5874	-0.1%	-0.1%
AUDMYR	2.9089	2.8630	2.8345	-1.0%	4.5%
CNYMYR	0.6093	0.6069	0.6092	0.4%	4.9%

Sources: Bloomberg, Bank Islam

Short Term Outlook for Ringgit Pairs

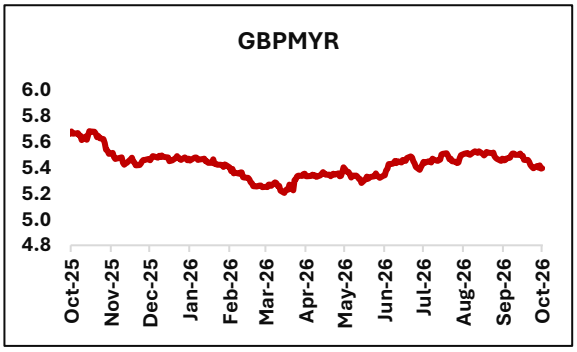
The outlook for the EUR/MYR remains bearish in the near term as growing concerns surrounding France's fiscal outlook and dovish ECB signals weigh on the EUR. Notably, France's rising government debt levels, widening budget deficits and political uncertainty surrounding fiscal consolidation have reinforced concerns over the sustainability of France's public finances. In contrast, Bank Negara Malaysia (BNM) maintains a balanced approach, reaffirming that the current policy rate remains consistent with the outlook for growth and price stability. As such, the MYR is expected to emerge as relatively more stable, enhancing its appeal relative to the EUR.

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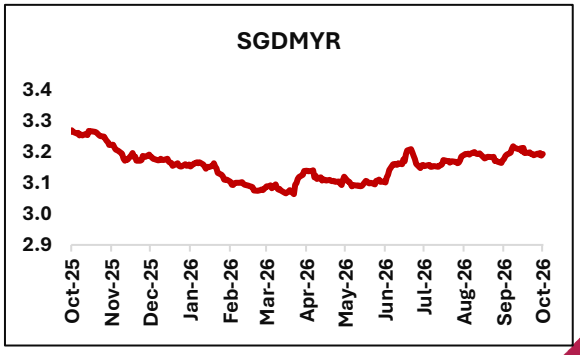
Source: Bloomberg

The GBP/MYR currency pair is expected to consolidate within a neutral-to-mildly bearish range this week. The UK's resilient growth outlook and sustained expectations of additional BoE tightening are expected to provide modest support to the GBP. However, Malaysia's upcoming macro releases will likely overshadow investor sentiments, including the labour market, retail sales and industrial activity data. Most notably, Malaysia's Budget 2027 will be tabled on Friday, which would lift sentiments on the MYR.



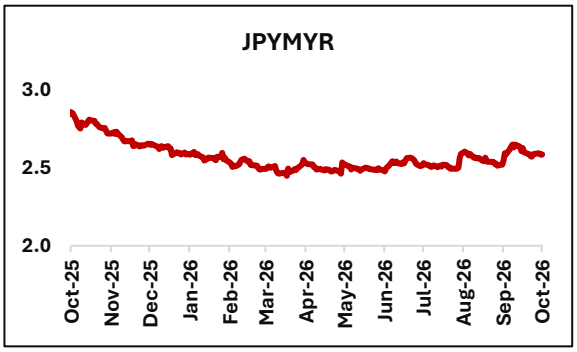
Source: Bloomberg

The SGD/MYR currency pair is expected to trade with a mildly bearish bias this week amid a relatively light macro calendar on Singapore's front. In contrast, Malaysia's major data releases and the tabling of Budget 2027 are expected to reinforce a broadly growth outlook while reaffirming the commitment to fiscal consolidation, providing modest support to MYR and likely leading to a late-week retreat for the SGD/MYR currency pair.



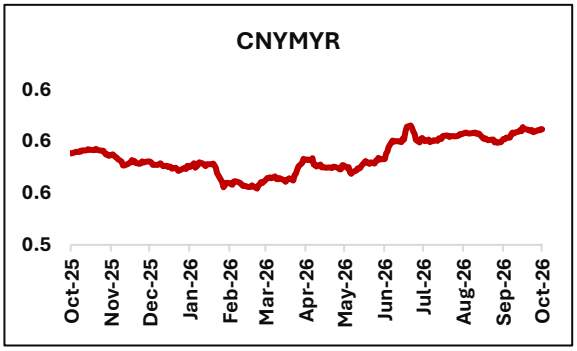
Source: Bloomberg

The outlook for the JPY/MYR pair remains mildly bearish in the near term as investors continue to look for clues that supports the case for further BoJ policy normalisation. While the BoJ delivered a 25-bp rate hike in September, there is a widening divide among policymakers on the appropriate pace of tightening. Inflation has yet to meaningfully rise above the BoJ's 2.0% target while domestic activity remains relatively stable, which fails to strengthen expectations for an immediate tightening. As such, investors remain subdued on the likelihood for a near-term rate hike, exerting pressure on the JPY relative to the MYR.



Source: Bloomberg

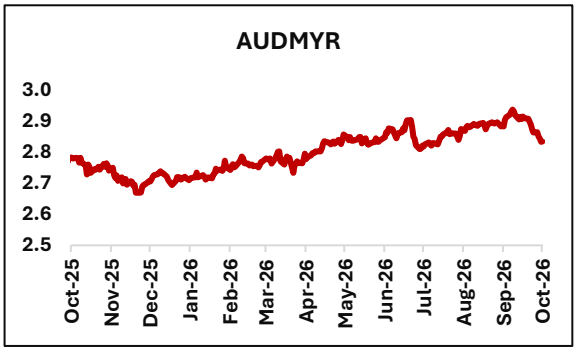
The CNY/MYR outlook remains mildly bullish this week. The MYR is expected to find support from upcoming key economic data releases and the Budget 2027 announcement, both of which are anticipated to reinforce Malaysia's growth prospects and provide greater clarity on the medium-term fiscal outlook amid rising external uncertainties. A credible budget that prioritises growth-enhancing measures, fiscal sustainability, and investment-friendly initiatives could bolster market confidence and lend further support to the currency. However, the absence of meaningful structural reforms or a lack of policy measures capable of strengthening long-term economic resilience may limit the MYR's upside potential. Conversely, the CNY will be driven by its appreciation trend, gaining the slightest advantage against the MYR in the near term.



Source: Bloomberg

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The outlook for the AUD/MYR remains bearish given a relatively light macro calendar for Australia, providing investors with space to digest the recent inflation data. Notably, both headline and core inflation eased on a monthly basis, reducing the urgency for the RBA to deliver additional tightening. This keeps sentiments on the AUD subdued in the near term, while the MYR is expected to strengthen towards the end of the week.



Source: Bloomberg