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Imran Nurginias Ibrahim
Chief Economist
inurginias@bankislam.com.my

Khayrin Farzana Fazli
Economist
kfarzana@bankislam.com.my

U.S. CPI REPORT SURPRISED TO THE UPSIDE, REINFORCING THE HIGHER-FOR-LONGER NARRATIVE

U.S. inflation report delivered an upside surprise. U.S. headline inflation rose to 3.7% y-o-y in September (Aug: 3.4%), surpassing consensus estimates of 3.6%. On a monthly basis, it increased to a five-month high of 0.6% (Aug: -0.4%). The increase was driven by firmer price pressures across transportation (Sep: 7.9% vs. Aug: 6.2%), housing (Sep: 3.3% vs. Aug: 3.1%) and services (Sep: 3.2% vs. Aug: 3.1%), indicating that price pressures are becoming increasingly broad-based. Underlying price pressures have also intensified amid an environment of persistently high global commodity prices, with core inflation rising higher than expected to 2.6% (Aug: 2.4%). On a monthly basis, it remained sticky at 0.3%, compared to expectations of a moderation to 0.2%. Overall, the inflation report reinforces the acceleration in inflationary pressures, with key measures remaining well above the U.S. Federal reserve (Fed)'s 2.0% target. This reaffirms the increasingly broad-based consensus of at least one additional Fed rate increase in 2026, sustaining the higher-yield appeal of U.S. assets.

Table 1: CPI - Energy Basket, y-o-y%

	Sep-26	Aug-26
Energy	20.4	16.3
Energy commodities	35.3	28.0
Fuel oil	74.2	52.0
Motor fuel	34.9	27.9
Gasoline	34.2	27.4
Other motor fuels	60.9	44.0
Energy services	4.6	4.0
Electricity	4.4	3.8
Utility gas service	5.0	4.4

Sources: U.S. Bureau of Labor Statistics, Bank Islam

Energy inflation accelerated to a four-month high… Energy remained the primary driver of the latest uptick, with Brent crude averaging USD102.0/bbl during the month, while WTI averaged at 95.5/bbl and Liquified Natural Gas (LNG) at USD2.95/MMBtu. Against this backdrop, energy inflation surged to 20.4%, the highest level since May. Within the energy basket, energy commodities rose significantly by 35.3%, driven by sharp increases in fuel oil (+74.2%), gasoline (+34.2%) and other motor fuels (+60.9%). Meanwhile, energy services climbed to 4.6%, supported by higher electricity prices (+4.4%) and utility gas services (+5.0%).

… which underpinned increases across key CPI components. A closer look reveals that intensifying energy-driven price pressures have driven sharp increases across several major expenditure categories. Transportation costs jumped sharply, supported by higher private transportation inflation (Sep: 7.1% vs. Aug: 5.3%) amid rising fuel costs, while public transportation inflation edged up to 15.6% (Aug: 15.4%). Within the latter, intracity transport costs surged to

9.6%, the highest level since August 2021, while airline fares remained persistently elevated (Sep: 22.4% vs. Aug: 23.4%) Housing inflation also strengthened, underscoring rising shelter costs (Sep: 3.2% vs. Aug: 3.0%) and household energy inflation (Sep: 6.2% vs. Aug: 5.0%). Additionally, while food inflation eased to 2.5% (Aug: 2.7%), the moderation was mainly attributed to softer food-at-home inflation (Sep: 1.8% vs. Aug: 2.2%). In contrast, food-away-from-home inflation rose to 3.5% (Aug: 3.4%), indicating that businesses continue to pass through higher operating and input costs to consumers. Beyond the direct impact on energy-related components, emerging signs of firmer price increases across shelter and food have heightened concerns of inflationary pressures increasingly filtering through the wider economy in the coming months, simultaneously increasing the risk of inflation becoming more entrenched. As such, the release prompted a more hawkish reassessment of the Fed's policy trajectory, with the market-implied probability of additional policy tightening by December rising to above 90%, from 81.3% a week before.

Upcoming Events: Key Economic Data Release

Monday	China 3Q2026 GDP Growth, Industrial Production & Retail Sales (September), Malaysia Consumer Prices (September)
Tuesday	PBoC 1Y & 5Y Loan Prime Rate, UK Labour Market (August)
Wednesday	UK Consumer Prices & Producer Prices (September), Japan Trade Performance (September)
Thursday	Eurozone Preliminary Consumer Confidence (October), U.S. Initial Jobless Claims (17/Oct)
Friday	Japan & Singapore Consumer Prices (September), UK Retail Sales (September), S&P Global Preliminary PMI (October)

Table 1: Selected Currencies Overview

	2-Oct	9-Oct	16-Oct	WoW	YTD
DXY Index	101.93	102.21	101.84	-0.4%	3.6%
USDMYR	4.08	4.09	4.08	-0.1%	0.5%
XAUUSD	4,141.19	4,194.24	4,165.58	-0.7%	-3.6%
EURUSD	1.13	1.12	1.12	0.3%	-4.3%
GBPUSD	1.32	1.32	1.33	0.7%	-1.1%
AUDUSD	0.70	0.70	0.69	-0.5%	4.1%
USDSGD	1.28	1.28	1.28	-0.1%	-0.5%
USDJPY	157.85	158.31	158.02	-0.2%	0.8%
USDCNY	6.71	6.69	6.69	-0.1%	-4.3%

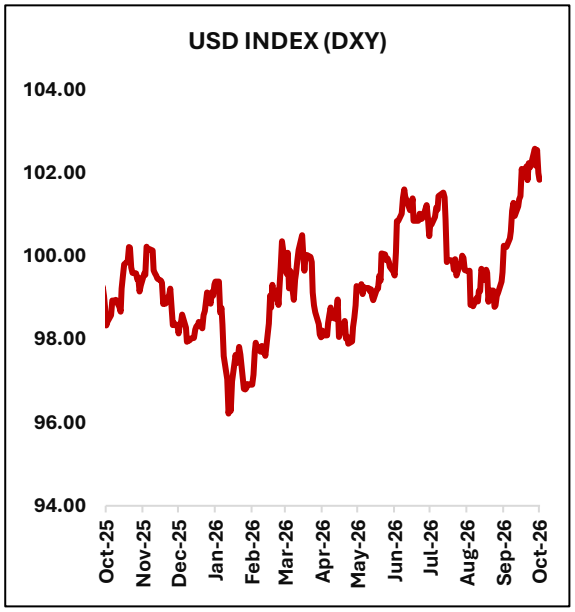
Sources: Bloomberg, Bank Islam

Commentaries

DXY: USD index declined amid moderate Warsh signals

The USD index depreciated by 0.4% w-o-w last week as a moderation in Treasury yields prompted a late-week rotation away from USD-denominated assets. Initially, USD sentiments remained relatively bullish as market attention remained focused on expectations of a higher-for-longer Fed policy stance. The surprise inflation uptick on Wednesday reinforced expectations of a potential rate increase by year-end, lending modest support to the USD, with the USD index (DXY) advancing to a mid-week high of 102.95, the strongest level since April 2025. The hawkish view was further reaffirmed by the release of hotter-than-expected producer inflation data. Headline producer prices surged by 1.3% m-o-m in September (Aug: 0.5%), marking the strongest pace since March 2022, while core inflation accelerated by 0.7% m-o-m (Aug: 0.2%). On an annual basis, headline Producer Price Index (PPI) increased by a multi-year high of 6.3% (Aug: 5.6%) while core PPI rose to 5.0% (Aug: 4.8%). These increases indicated that

elevated energy-related cost pressures are progressively trickling through the prodcution pipeline, increasing the risk of paasthrough into the broader supply chain. Nevertheless, the initial bullish reaction faded towards the end of the week following less hawkish-than-expected Warsh signals and a moderation in Treasury yields. Growing concerns over the sustainability of the recent artificial intelligence (AI) investment boom drove a broad-based sell-off in technology stocks, triggering a repricing across asset classes. This led to a rally across bond markets, pushing the 10-year Treasury yield to ease further from its multi-decade highs, which reduced support for the USD. Additionally, Fed Chair Kevin Warsh's highly anticipated session during the annual IMF forum left markets disappointed, further weighing on sentiments. Warsh refrained from any decisive signal on the Fed's near-term policy outlook, marking a notable distinction from the more explicit hawkish signals prior to the September rate hike. The absence of any clear messaging thus reduced expectations of a more aggressive policy tightening cycle, overshadowing the earlier inflation-driven support. As a result, the USD broke below the key 102-level and closed Friday's session at 101.84.



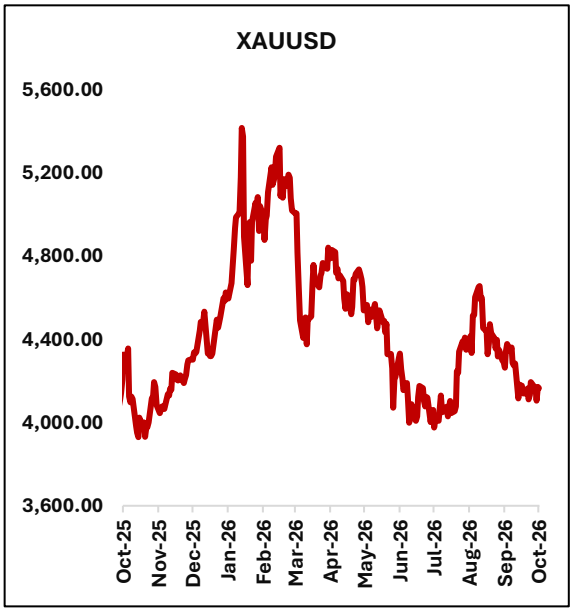
Source: Bloomberg

Short-term Outlook: The Fed has now entered its communications blackout period ahead of its 27-28 October FOMC meeting, removing a key source of potential support for the USD. With the macroeconomic calendar also relatively light this week, investors are likely to adopt a more cautious approach as they continue to digest the latest data releases and reassess policy expectations. However, the USD should continue to gain support from safe-haven demand amid heightened geopolitical uncertainties in the Middle East, underpinned by escalating tensions between Yemen and Saudi. Against this backdrop, we expect the USD to trade within a bearish range between 101.50-102.40 this week.

XAUUSD: Gold price weakened despite escalating geopolitical risks

Gold (XAU) price declined by 0.7% w-o-w for the week ending 16 October as broader expectations of a prolonged monetary policy tightness by the U.S. Fed continued to weigh on demand for the non-yielding bullion. Meanwhile, underlying support emerged from two channels, namely sustained safe-haven demand amid heightened Middle East geopolitical uncertainty alongside continued inflows into gold ETFs. On the latter, the World Gold Council reported strong global gold ETF inflows in September, suggesting that longer-term investment demand remains supported despite recent weakness. On the geopolitical front, tensions between Saudi Arabia and Yemen's Houthis rattled markets in recent weeks, following a series of attacks in key Saudi infrastructure, including energy facilities and multiple international airports. These include strikes on King Abdullah International Airport, Jazan (5 October), Najran International Airport, Najran (5 & 8 October), Abha International Airport, Abha (6 October) and King Khalid International Airport, Riyadh (7-8 October). Global risk aversion deteriorated further following another major strike on King Khalid International Airport on 10 October, which resulted in at least 13 casualties and wounded hundreds of others. By mid-week, attacks have broadened to King Fahd International Airport, Dammam and Aramco's headquarters and energy facilities. Coupled with Saudi's retaliatory attacks, concerns intensified over the possibility of a regional conflict. Countries with mutual defense pacts with Saudi, including Pakistan and Turkiye, could be drawn into the fray while reports emerge that U.S. President Trump was considering joining Saudi's strikes on the Houthis. This has boosted safe haven demand for gold, although it failed to offset the losses stemming from elevated oil prices, rising inflation concerns and expectations of a higher-for-longer Fed. Following the surprise U.S. inflation uptick and subsequent appreciation of the USD earlier, gold faced renewed selling pressure, testing the critical support of 4,100 on Wednesday. However, the partial reversal of earlier USD strength provided support to XAU, allowing it to recover some of its losses and close the week at 4,165.58.

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Source: Bloomberg

Short-term Outlook: Looking ahead, geopolitical developments are expected to remain the main driver of gold prices. Over the weekend, comments by U.S. President Donald Trump suggested that Saudi Arabia should formally accept

support from Israel in responding to the recent Houthi attacks, while also voicing support should Saudi join the Abraham Accords. The remarks heightened concerns that both the U.S. and Israel could become more directly involved in the Saudi-Houthi conflict, potentially broadening military operations beyond their current clash with Iran. Any broader escalation would increase the risk of wider disruptions to global energy and trade flows, potentially driving oil prices higher and reinforcing global inflation concerns. Thus, while gold may continue to derive support from safe-haven demand, rising inflationary pressures could strengthen the case for a tighter monetary policy stance, thereby limiting the metal's upside potential. Accordingly, we expect XAU to trade with a mildly bullish bias this week, supported by ongoing geopolitical and inflation concerns. However, gains may be capped by expectations of tighter monetary conditions. Technically, resistance is expected around USD4,200, while support is likely to remain near USD4,150.

EURUSD: EUR edged higher following firm inflation reading

The euro (EUR) climbed higher by 0.3% w-o-w, staging a late-week rally following a weakening USD and the final September inflation figures. The EUR/USD currency pair initially traded in a range-bound of 1.1140-1.1210 as Fed tightening expectations and widening interest rate differentials continue to favour the USD, while a more balanced signal by European Central Bank (ECB)'s President Christine Lagarde tempered hopes for a near-term rate increase. By mid-week, the currency pair had touched the lowest level since May 2025 at 1.1113. However, the final inflation reading on Friday reaffirmed that upside risks to inflation remain elevated, which may necessitate a more decisive response by the ECB to stimulate the stalled disinflation process. Notably, headline inflation rose by a five-month high of 0.6% in September, consistent with the preliminary reading. Meanwhile, it jumped to a three-year high of 3.8% annually, the fastest pace in three years. The increase was primarily driven by an 18.9% surge in energy inflation (Aug: 14.3%), underscoring higher global oil prices. More concerningly, prices also increased for services (Sep: 3.2% vs. Aug: 3.0%) and food, alcohol and tobacco (Sep: 1.3% vs. Aug: 1.1%), suggesting that underlying price pressures are broadening across a wider set of consumer goods and services. Core inflation also strengthened, rising to 2.5% from 2.4% in August. With headline inflation remaining above the ECB's 2.0% target and raising the risks of passthrough into other components, investors continue to price in the possibility of additional ECB tightening, although the urgency for near-term action remains limited. The mix between these expectations and a softer USD environment towards the end of the week triggered renewed demand for the EUR. As a result, the EUR/USD pair broke above the key 1.12-resistance level, closing Friday's session at 1.1239.

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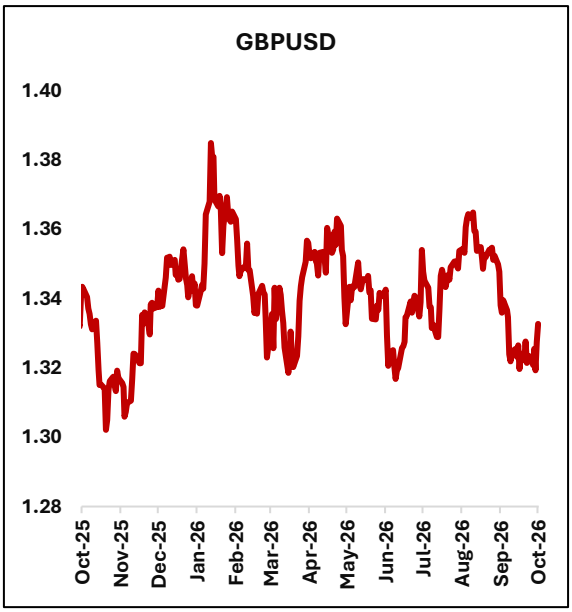
Source: Bloomberg

Short-term Outlook: Moving forward, the EUR/USD pair is likely to trade horizontally amid the lack of major catalysts on either front. That said, the release of Eurozone's October Purchasing Managers' Index (PMI) on Friday could be pivotal for the currency pair. A softer-than-expected reading across the services or manufacturing sector could weigh on the EUR by further reducing the urgency for the ECB to deliver any rate hikes. Conversely, any indication of resilient domestic activity will reaffirm scope for further tightening, providing modest support to the EUR. Furthermore, the USD will likely remain subdued as markets refrain from decisive bets ahead of the Fed's October meeting. In light of this, the EUR/USD pair will likely consolidate within a neutral-to-mildly bullish range between 1.1180-1.1280 this week.

GBPUSD: British Pound strengthened as the UK economy proved resilient

The British pound (GBP) appreciated by 0.7% w-o-w last week, supported by stronger-than-expected UK economic growth. Earlier in the week, the GBP/USD currency pair remained under pressure amid a broad-based strength in the USD, briefly testing the critical 1.32 support level on Wednesday following the upside surprise in U.S. inflation. Nevertheless, market sentiments shifted towards the GBP as the release of UK's GDP data pointed towards a greater resilience in economic activity than previously expected. Notably, the UK economy grew by

0.1% m-o-m in August (Jul: 0.4%), beating expectations of a 0.1% contraction. On an annual basis, growth accelerated to 2.1% (Jul: 1.8%), the fastest pace since October 2022, surpassing estimates of 1.7%. The stronger-than-expected performance was primarily driven by the production sector, which expanded by 0.8% m-o-m (Jul: 0.3%), offsetting a contraction in the construction sector (-0.2%) and subdued growth in the services sector. A closer look shows that growth in the production sector was mainly supported by manufacturing activity, with output rising 1.2% m-o-m (Jul: 1.0%), marking the strongest expansion in five months. Manufacturing activity remained robust in nine out of thirteen subsectors, including basic pharmaceutical products (Aug: 5.1% vs. Jul: 3.4%), wood and paper products (Aug: 3.2% vs. Jul: -0.8%), and machinery and equipment (Aug: 2.0% vs. Jul: 1.0%). On a yearly basis, the manufacturing sector grew significantly by 3.0% (Jul: 2.2%), the highest level since March 2024, reflecting sustained momentum in the sector and lifting investor confidence over the UK's growth prospects. Against this backdrop, the GBP/USD currency pair broke decisively above the 1.33 resistance zone before closing at 1.3327.



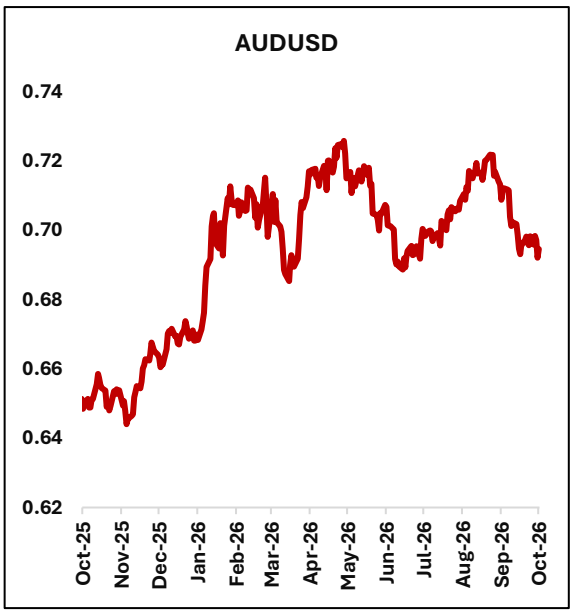
Source: Bloomberg

Short-term Outlook: This week will feature the release of major market movers, including UK's labour market data, consumer and producer inflation figures, retail sales, and the preliminary services and manufacturing PMI reports. Collectively, these releases will grant a more comprehensive assessment of the underlying economic momentum, helping market shape both growth and Bank of England (BOE) policy expectations. Any indication of intensifying inflationary pressures, coupled with confirmation of resilient domestic activity, will reinforce expectations of additional BOE tightening, providing modest support to the GBP. Conversely, a mix of slowing growth and softer-than-expected inflation could reduce near-term policy tightening bets, potentially weighing on the GBP. Meanwhile, a mixed outcome of elevated inflation and moderating domestic activity may limit upside potential for the GBP. Given persistently high oil prices and recent evidence of resilient domestic activity, we expect sentiments over the GBP to remain positive, with the GBP/USD pair to trade within a projected range of 1.3260–1.3370 this week.

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AUDUSD: Australian Dollar softened amid a cooling labour market

The Australian dollar (AUD) depreciated by 0.5% w-o-w, weighed by emerging signs of deteriorating labour market conditions domestically. Employment in Australia declined by 39.3K to 14.78 million in September (Aug: +29.3K), missing consensus estimates of a 20K gain. The decline was mainly driven by a drop in part-time employment, which fell by a significant 73.7K to 4.55 million, while full-time employment rose by 34.4K to 10.23 million. Notably, part-time employment growth in August was revised lower to 33.3K while full-time employment change was slashed to 4K, suggesting that hiring momentum may be weaker than initially expected. Meanwhile, the labour force participation rate (LFPR) edged down to a four-month low of 66.8% (Aug: 67.0%). The unemployment rate remained unchanged at 4.7%, the highest level since October 2021, while the number of unemployed persons rising by 8.9K to 732K, the most since the Covid-19 pandemic period in April 2021. Taken together, these readings pointed towards a gradually cooling labour market following a full percentage point of cumulative rate increases by the Reserve Bank of Australia (RBA) in 2026. This poses as a more challenging policy trade-off between elevated inflation and downside growth risks for the RBA. Markets have since pushed expectations of additional policy tightening further out, removing a key support for the AUD.



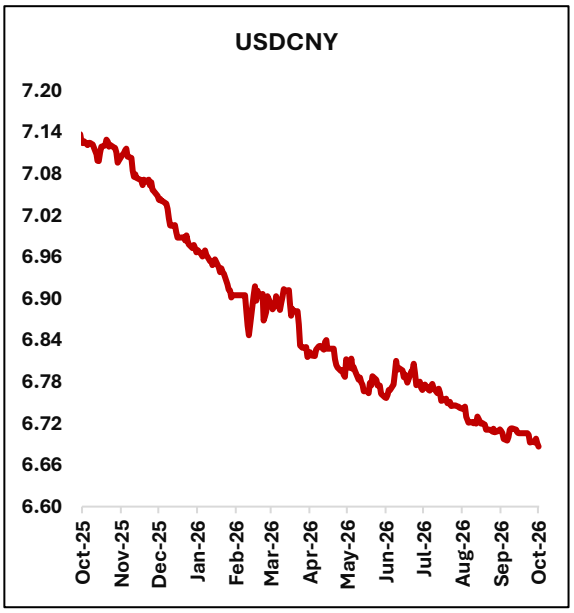
Source: Bloomberg

Short-term Outlook: The release of Australia's preliminary October PMI will be crucial in determining the next AUD direction. Should the manufacturing and services sector prove more resilient than expected, it could help reassure investor concerns, offering some support to the currency. However, evidence of further moderation will intensify pressure on the AUD/USD currency pair. Given that September's PMI data signalled a notable moderation in domestic activity, with manufacturing PMI falling to a 21-month low and services PMI easing further, markets are likely to remain cautious on RBA policy expectations and the growth

outlook. As such, the AUD/USD pair is expected to maintain a mildly bearish bias, trading within the 0.6910-0.6990 range in the near term.

USDCNY: Chinese Yuan edged up following robust exports

The Chinese yuan (CNY) strengthened by 0.1% w-o-w last week as robust export growth lifted investor confidence over China's external sector. Despite continued weakness in domestic demand, China's competitive manufacturing and logistics ecosystem, relatively lower production costs and established supply chains have enabled the giant economy to benefit from the ongoing global AI upcycle. Robust demand for semiconductors and other technology-related products remain as the key drivers for manufacturing and export growth, offsetting drags emerging from heightened supply-side pressures and broader uncertainties. Notably, exports surged by 36.3% y-o-y to a record-high of USD447.18 billion in September (Aug: 25.0%), outperforming estimates of 25.5% and marking the fastest pace since February. Meanwhile, headline consumer inflation rose to 0.9% in September (Aug: 0.8%), driven by rising transportation costs, which climbed to 4.3% (Aug: 2.5%). In contrast, food prices declined to a four-month low (Sep: -1.7% vs. Aug: -1.4%), while prices across other components remained broadly stable, including healthcare (Sep: 2.7%), education (Sep: 1.4%), clothing (Sep: 1.2%), and housing (Sep: -0.3%). Core inflation also remained unchanged at 1.0%, which collectively indicate that elevated oil prices have yet to materialise meaningfully across the wider economy, while demand-driven price pressures remained subdued. This further reinforces that household spending remains sluggish, posing as downside risk to growth. Overall, the data points towards a divergence between China's resilient external sector and softer domestic environment.



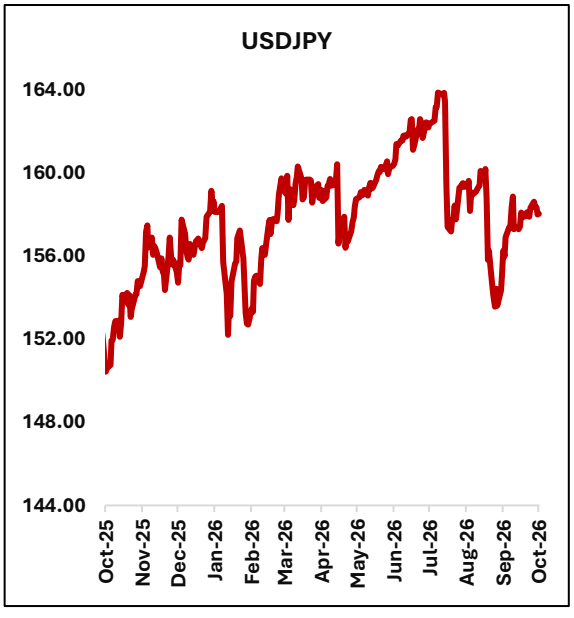
Source: Bloomberg

Short-term Outlook: Latest data showed that China's economy gained momentum in the third quarter, expanding by 4.5% y-o-y (2Q26: 4.3%). The growth overshot consensus estimates of 4.4%, signalling that the economy may be more resilient than expected. On a quarterly basis, growth accelerated to 1.2%, up from the eight-quarter low of 0.9% in 2Q26. The release is expected to alleviate concerns of China's slowing growth momentum, providing crucial support to the CNY. Coupled with the People's Bank of China (PBoC) Loan Prime Rate settings later this week, which is widely anticipated to remain stable, we expect the USD/CNY pair to trade within a bearish range between 6.6805-6.6930 this week.

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USDJPY: Japanese Yen climbed despite softer producer inflation

The Japanese yen (JPY) rose by 0.2% w-o-w last week, supported by sustained expectations of the Bank of Japan (BoJ) policy normalization cycle. Recent data showed that producer inflation eased to a four-month low of 6.8% in September from 7.6% in August, driven by slowing inflation across transport equipment (Sep: 2.3%), food and drinks (Sep: 4.2%), petroleum and coal (Sep: 11.5%), production machinery (Sep: 4.3%). Meanwhile, prices accelerated across several indices, including chemicals (Sep: 13.3%), iron and steel (Sep: 3.2%), electrical machinery (Sep: 5.1%), metal products (Sep: 5.1%), electronic components (Sep: 4.9%), and information and communications (Sep: 15.3%). On a monthly basis, producer prices declined by 0.3% (Aug: -0.3%), missing estimates of a 0.5% gain. However, while the moderation in headline producer inflation suggests that pipeline price pressures are beginning to ease, underlying inflation dynamics remain a concern. Major components continued to record price increases above 2.0%, highlighting the risk of second-round pass-through effects to consumer prices. This reinforces the case for further policy normalisation, in line with the BoJ's earlier assessment that additional policy adjustments may be warranted to prevent inflation from drifting materially above its 2.0% price stability target. As such, markets continue to price in the possibility of further rate hikes, providing modest support to the JPY.



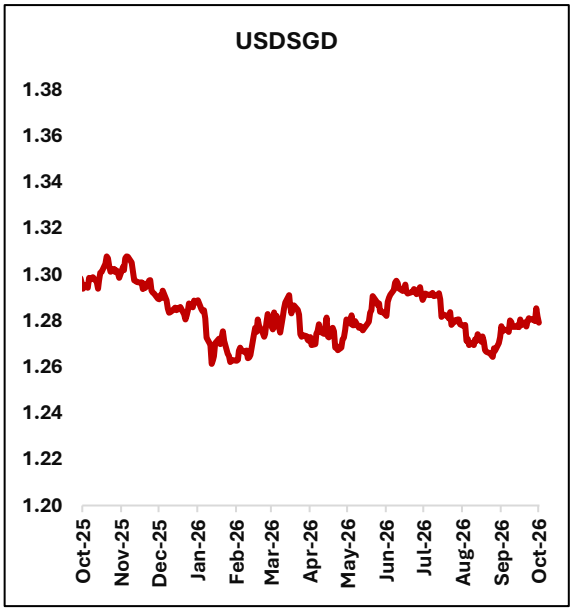
Source: Bloomberg

Short-term Outlook: Market attention this week will be focused on Japan's September inflation data. The release will offer a highly anticipated look at how consumer prices have evolved following the impact of a cumulative 75-bp rate

increase in 2026 and structurally elevated global commodity prices. Should inflation accelerate, this will further reinforce expectations of additional tightening, lending support to the JPY. Conversely, a moderation in inflation may argue for more restrain in delivering future adjustments. Given the recent acceleration in pipeline price pressures, sentiments are likely to remain in favour of the JPY. This week, we expect USD/JPY to trade with a mildly bearish bias within the 157.40 to 158.60 range.

USDSGD: Singaporean Dollar rallied following strong export performance

The Singapore dollar (SGD) closed last week slightly stronger (+0.1% w-o-w), supported by a mix of robust export growth and a late-week pullback of the USD. Initially, the SGD remained under pressure against the USD, with selling pressure intensifying following the release of Singapore's preliminary GDP figures. The economy moderated to a four-quarter low of 5.4% y-o-y in 3Q2026 (2Q26: 6.2%), driven by a slowdown in goods-producing industries (3Q26: 7.3% vs. 2Q26: 10.9%), as manufacturing output eased to 7.5% (2Q26: 12.9%), which was partly offset by construction growth rising to 8.8% (2Q26: 6.1%). In contrast, services-producing industries remained stable (+5.2%), supported by the wholesale and retail trade, and transportation and storage subsectors. On a quarterly basis, the economy grew by 1.1% (2Q26: 1.5%), the softest pace since 1Q2025. Coupled with the firmer USD and hotter-than-expected U.S. inflation, bullish momentum pushed the USD/SGD currency higher, touching an intraday high of 1.2872 on Wednesday. Nevertheless, investors rotated back into the SGD towards the end of the week following Singapore's record-high export growth, underscoring the robust export momentum amid the global Ai investment boom. Non-oil domestic exports (NODX) rose sharply by 68.4% y-o-y in September (Aug: 46.1%), driven by broad-based expansions in electronic exports (Sep: 107.6% vs. Aug: 131.6%) and non-electronic exports (Sep: 54.2% vs. Aug: 11.9%). Within the electronic export basket, disk media products soared 312.4%, PCs by 149.5% and integrated circuits (ICs) 74.7%. Against this backdrop, the USD/SGD retreated, briefly breaking below the immediate 1.28 support level to close the week at 1.2792.



Source: Bloomberg

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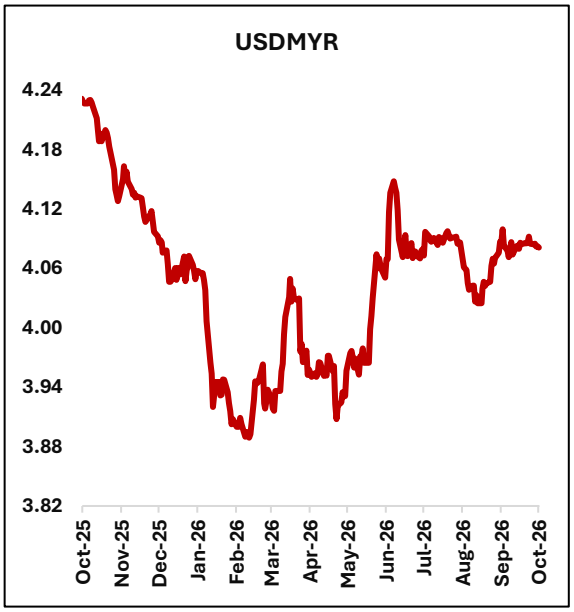
Short-term Outlook: This week will feature Singapore's September inflation data, which will provide fresh insights into domestic price dynamics. To note, inflation has gradually trended upwards this year, rising from 1.4% in January to 2.3% in August. Given that oil prices remained structurally elevated throughout September, inflationary pressures are likely to rise further, although the extent of the increase remains uncertain. Any confirmation of stronger price pressures could reinforce concerns over household purchasing power, exacerbating the slowdown in household spending, which was reflected in softer retail sales growth (Aug: 0.7% vs. Jul: 1.3%). This could weigh on Singapore's growth outlook, limiting support for the SGD. Conversely, a softer-than-expected reading would alleviate these concerns, offering some support for the currency. Against this backdrop, we expect the USD/SGD pair to trade within a mildly bullish range of between 1.2770–1.2840 this week.

USDMYR: The Ringgit appreciated as the USD retreated

The Ringgit (MYR) struggled to establish a clear direction last week, as investor sentiments were pulled in opposing directions. The USD/MYR pair initially traded within a relatively narrow range between 4.0790-4.0880 amid the lack of fresh domestic catalysts while hotter-than-expected U.S. inflation continued to reinforce the appeal of the higher-yielding USD. Towards the end of the week, Malaysia's preliminary GDP estimates pointed towards a moderation in domestic activity, further weighing on investor sentiments. The economy expanded by 5.3% y-o-y in 3Q2026, slowing from a firm 6.0% growth in 2Q2026. The moderation was driven by a sharp decline in mining output (3Q26: -4.9% vs. 2Q26: 9.2%) amid lower production of crude oil and condensate. In contrast, growth was supported by an expansion in manufacturing output (3Q26: 7.5% vs. 2Q26: 7.3%), while the services (3Q26: 5.4% vs. 2Q26: 5.9%) and construction

sectors (3Q26: 6.0% vs. 6.5%) displayed resilience. In particular, manufacturing output was bolstered by export-oriented industries, particularly E&E and specialized manufacturing products. Additionally, the agriculture sector rebounded to 1.3% (2Q26: -3.7%), driven by higher output in the oil palm and livestock subsectors. Overall, the softer GDP reading renewed concerns over Malaysia's growth momentum, which would weigh on the MYR. Nevertheless, a less hawkish-than-expected tone from the U.S. Fed, coupled with a Treasury bond rally, also exerted pressure on the other half of the equation. Ultimately, the rotation away from USD-denominated assets proved slightly more influential, allowing the USD/MYR pair to edge lower and close the week at 4.0810.

Short-term Outlook: Investor attention this week will be centred on Malaysia's September inflation and trade figures, both of which will likely serve as catalysts to support the MYR. Sustained strength in export growth, underpinned by the ongoing AI upcycle, will help reinforce optimism over Malaysia's growth prospects, keeping the outlook anchored and supporting the Ringgit. Conversely, a softer trade performance may weigh on near-term sentiments, although it is unlikely to alter the broader growth narrative. Meanwhile, should inflationary pressures intensify, this will gradually build the case for potential Bank Negara Malaysia (BNM) policy tightening, providing modest support to Ringgit. Even if inflation remains relatively contained, the balance of risks to BNM's policy outlook is expected to remain skewed to the upside, given resilient growth momentum and persistent external price pressures. As such, we expect the USD/MYR pair to consolidate with a neutral-to-mildly bearish bias, within the 4.0720-4.0880 range this week.



Source: Bloomberg

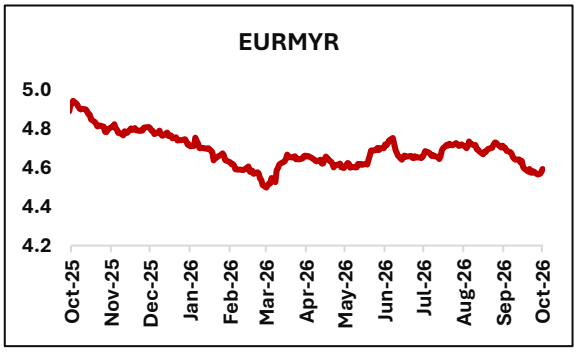
Table 2: Selected Currencies Overview (MYR Crosses)

	2-Oct	9-Oct	16-Oct	WoW	YTD
USDMYR	4.0842	4.0850	4.0810	-0.1%	0.5%
EURMYR	4.5953	4.5824	4.5936	0.2%	-3.6%
GBPMYR	5.3959	5.4079	5.4416	0.6%	-0.3%
SGDMYR	3.1929	3.1912	3.1905	0.0%	1.1%
JPYMYR	2.5874	2.5804	2.5833	0.1%	-0.3%
AUDMYR	2.8345	2.8505	2.8404	-0.4%	4.7%
CNYMYR	0.6092	0.6104	0.6104	0.0%	5.1%

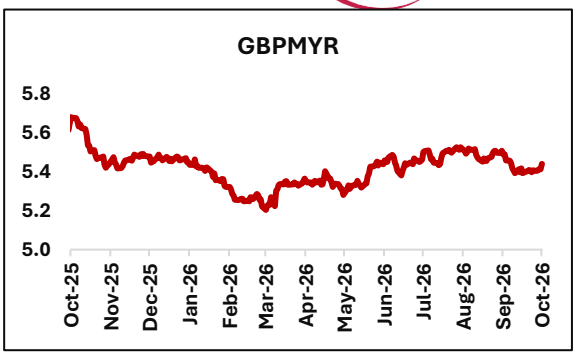
Sources: Bloomberg, Bank Islam

Short Term Outlook for Ringgit Pairs

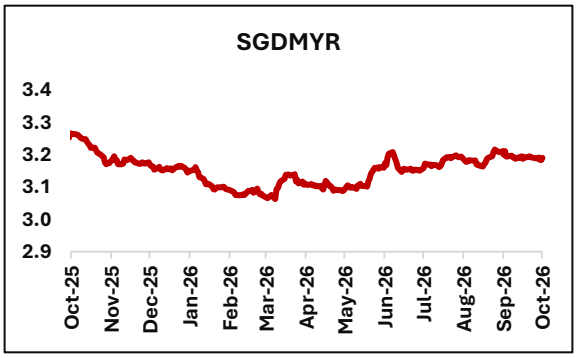
The EUR/MYR currency pair is expected to trade with a mild bullish bias this week as investors continue to digest the latest Eurozone inflation reading. While ECB guidance has been more balanced recently, the inflation uptick has strengthened expectations for additional tightening, providing structural support to the EUR. The key catalyst for this pair will be Malaysia's inflation reading. Should inflation intensify further, this may shift sentiments in favour of the MYR as markets turn their focus on BNM's future policy path. However, if inflation remains relatively contained and policy expectations remain stable, the wider interest rate differentials will continue to enhance the relative appeal of the EUR.



The outlook for the GBP/MYR currency pair remains bullish in the near term amid a relatively heavy UK macroeconomic calendar. The release of UK's labour market, inflation, retail sales, and preliminary PMI figures are expected to provide fresh clues to help markets shape BOE policy expectations. The GBP will likely face bearish pressure if a moderation in domestic activity is accompanied by softer-than-expected inflation. Barring that scenario, the mix of hotter inflation and resilient domestic activity is expected to support expectations of additional BOE policy tightening, increasing the upside potential for the GBP/MYR pair.

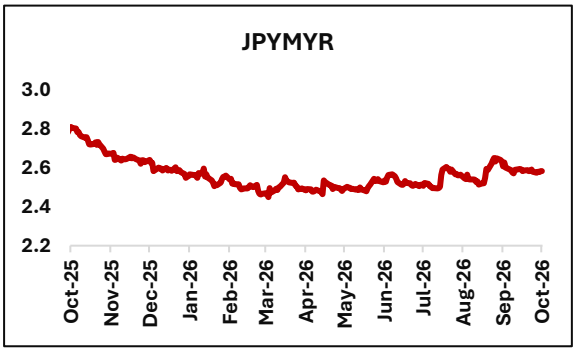


The SGD/MYR currency pair is expected to trade within a consolidation range this week, with a neutral-to-slightly bearish bias, as investors assess the latest inflation data from both economies. Any upside surprise in inflation could raise concerns over consumer spending while reinforcing expectations of a policy response. Nevertheless, the upcoming release of Malaysia's trade data is likely to provide the MYR with a modest edge. Continued strength in exports, supported by the ongoing AI-driven technology upcycle, should bolster investor confidence and lend support to the MYR.



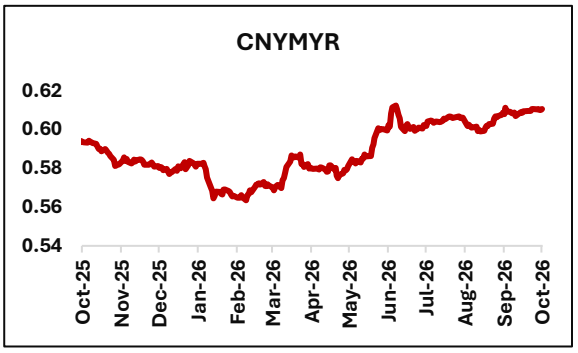
The JPY/MYR currency pair is expected to trade within a mildly bullish range this week. The release of Japan's inflation data is widely expected to reinforce expectations of further BOJ policy normalisation, which will provide crucial support to the JPY. In contrast, while rising inflationary pressures reinforce the upside bias to BNM's policy path, near-term expectations will likely remain broadly stable. Against this backdrop, the JPY/MYR will face bullish pressure, likely trending higher.

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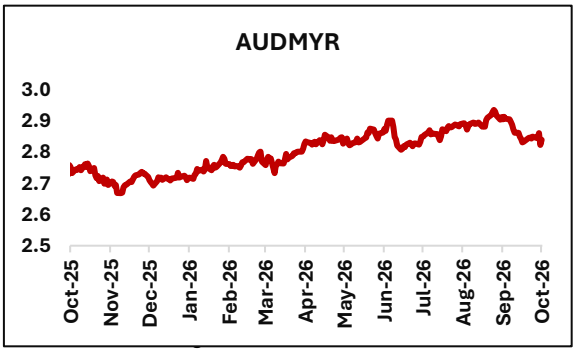
Source: Bloomberg

The CNY/MYR outlook remains mildly bullish. The surprise uptick in China's growth will continue to bolster investor confidence over the economy's growth outlook while the PBoC is anticipated to maintain a steady policy approach, lending support to the CNY. Additionally, the CNY is also expected to continue along its appreciation trend, outperforming the MYR this week. That said, underlying support for the latter will emerge from sustained external demand for Malaysia's exports and firm domestic price dynamics.



Source: Bloomberg

The outlook for the AUD/MYR pair is bearish in the near term amid the release of Australia's preliminary October PMI. Any confirmation of a slowdown in the manufacturing or services sector will reinforce concerns over Australia's growth outlook. Notably, the manufacturing PMI touched a 21-month low in September while services PMI moderated further. Coupled with emerging signs of cooling labour market conditions, these factors will potentially slash expectations of near-term RBA policy tightening, weighing on the AUD. This will allow the MYR to appreciate, especially amid expectations of a resilient trade sector and rising price pressures.



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