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U.S. DATA BLACKOUT CREATES MARKET JITTERS, DOMESTIC GROWTH SHAPES MARKET SENTIMENT

Data Blackout Puts Interest Rate Decision in Jeopardy. The longest U.S. government shutdown in history ended, but its repercussions will persist as the 43-day halt in federal operations disrupted the collection and release of crucial economic data—so much so that the White House now says October jobs and inflation figures may never be published. This absence of reliable indicators has created a "fog of uncertainty" over the U.S. economy, forcing economists and businesses to lean on private-sector proxies such as credit-card transactions, satellite imagery and surveys at a time when the U.S.-Canada trade war is already heightening uncertainty and debate. While President Trump argues that tariffs do not fuel inflation and will ultimately support the economy, many economists contend they raise costs and dampen investment sentiment. Nearly two dozen key reports have already been delayed, and more are likely to fall behind as agencies work to catch up. This creates a major challenge for the Federal Reserve (Fed), which must decide on interest rates next month. Fed officials remain divided: some advocate for further cuts, while others warn that inflation could be picking up again. For now, the Fed remains "stuck in a data fog" — one that could persist well into the new year before economists, businesses, and policymakers regain access to consistent, reliable indicators of the U.S. economy's true trajectory.

Malaysia's GDP Surges to 5.2% in 3Q2025, Pacing for Upper-End Growth Target. Malaysia's economy delivered its strongest performance in a year in 3Q2025, posting growth of 5.2% after two consecutive quarters of 4.4%. The acceleration was underpinned by firm domestic demand and a sharp rebound in net exports, which surged by 17.7% following a steep 72.6% contraction in 2Q2025. This recovery occurred despite persistent trade disruptions linked to the US imposition of a 19% tariff on selected Malaysian products in August. On a quarter-on-quarter (q-o-q), seasonally adjusted basis, GDP growth also picked up slightly to 2.4%, compared to 2.2% in the preceding three months. Malaysia's central bank, Bank Negara Malaysia (BNM), expects full-year 2025 GDP growth to hit the upper end of its 4.0%-4.8% forecast as the economy grew 4.7% over the first nine months of the year. BNM flagged continuing risks from U.S. tariff and trade uncertainties, but also noted that the economy is expected to benefit from a recovery in tourism and higher global demand for the country's electrical and electronic goods. In addition, BNM indicated that current interest rate of 2.75% are appropriate but there remains "space to take action" on policy given the economic outlook. Growth is projected to moderate slightly in 2026 to between 4.0% and 4.5% supported by domestic demand and sustained investments.

Upcoming Events: Key Economic Data Release

Monday	**Japan Preliminary 3Q2025 GDP**
Tuesday	**Thailand 3Q2025 GDP**
Wednesday	**Malaysia External Trade (Oct), U.K. Inflation Data (Oct)**
Thursday	**PBoC Central Bank Decision, FOMC minutes, U.S. Jobs Data (Sep)**
Friday	**Malaysia Inflation Data (Oct), Japan Inflation Data (Oct)**

Weekly Changes, basis points (bps)

UST	Yields (%) 31-Oct-25	Yields (%) 7-Nov-25	Change (bps)	Yields (%) 14-Nov-25	Change (bps)
3-Y UST	3.60	3.57	-3	3.61	4
5-Y UST	3.71	3.67	-4	3.74	7
7-Y UST	3.89	3.87	-2	3.92	5
10-Y UST	4.11	4.11	0	4.14	3
MGS	**Yields (%) 31-Oct-25**	**Yields (%) 7-Nov-25**	**Change (bps)**	**Yields (%) 14-Nov-25**	**Change (bps)**
3-Y MGS	3.12	3.11	-1	3.04	-7
5-Y MGS	3.24	3.25	0	3.21	-3
7-Y MGS	3.44	3.46	1	3.41	-5
10-Y MGS	3.50	3.51	1	3.45	-6
GII	**Yields (%) 31-Oct-25**	**Yields (%) 7-Nov-25**	**Change (bps)**	**Yields (%) 14-Nov-25**	**Change (bps)**
3-Y GII	3.13	3.14	1	3.10	-4
5-Y GII	3.24	3.25	0	3.22	-2
7-Y GII	3.37	3.38	1	3.33	-5
10-Y GII	3.51	3.56	5	3.51	-5

Sources: Federal Reserve Board, BNM, Bank Islam

Commentaries

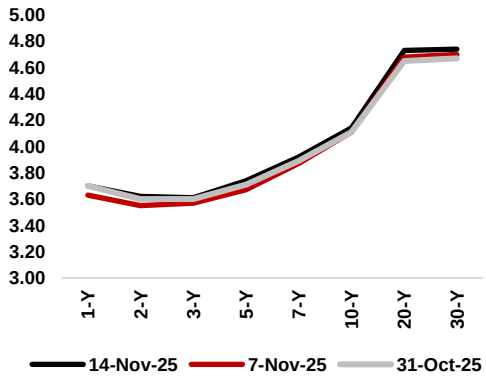
UST Yields

The U.S. Treasury (UST) yields edged higher in the range of 3bps to 7bps w-o-w for the week ending November 14 (Nov 7: 0bp to -4bps). Investors have sharply scaled back expectations for a December Federal Reserve (Fed) rate cut, with the probability dropping from more than 95% a month ago to just 42.9% at the time of writing. The shift reflects persistent uncertainty surrounding the inflation outlook, compounded by data ambiguity and increasingly divergent views among Fed policymakers.

The simultaneous selloff in Treasuries, accompanied by declines in U.S. equities and the dollar, signals a broader erosion of confidence in American assets. Although the U.S. government reopened this week, enabling the release of delayed economic data, the inability to collect key October indicators during the shutdown has left gaps in the dataset. This lingering information void is exacerbating uncertainty and heightening concerns about a potential economic slowdown.

Short-term outlook: UST yields are poised to move lower if incoming labor data confirms a further slowdown in the job market, as this would strengthen expectations for a December rate cut. However, the lack of updated inflation readings continues to cloud the policy outlook. According to the CME FedWatch Tool, markets currently assign a 57.1% probability that the Fed Funds Rate will remain unchanged in the 3.75%–4.00% range. Clearer guidance on the Fed's policy stance is likely to emerge once the FOMC minutes are released.

UST Yield Curves, %



Sources: Federal Reserve Board, Bank Islam

MGS/GII Yields

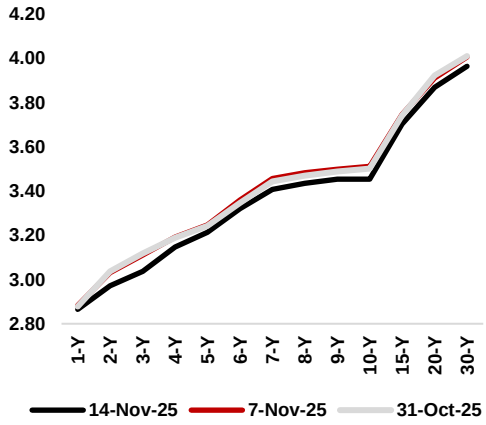
Yields on both Malaysian Government Securities (MGS) and Government Investment Issues (GII) dipped on a w-o-w basis by between 2bps and 7bps for the week ending November 14 (Nov 7: -1bp to +5bps). Local government bond yields rallied, primarily buoyed by strong domestic economic performance. Malaysian industrial production surged, growing 5.7% y-o-y in September, significantly outpacing the prior 4.8% growth and market forecasts of 5.5%. This stronger-than-expected output suggests a more robust manufacturing sector than anticipated, likely creating a positive near-term boost for market sentiment. While the immediate market reaction reflects a short-term surprise, sustained high output could lead to more fundamental, positive adjustments in long-term economic growth projections.

On interest rate outlook, BNM said the current 2.75% Overnight Policy Rate (OPR) remains appropriate and supportive of the economy amid stable inflation, while the central bank still has room to adjust policy if necessary. Governor Datuk Seri Abdul Rasheed Ghaffour said decisions are guided by the growth and inflation outlook over the next one to two years, noting that the present rate suits current conditions.

The Monetary Policy Committee (MPC) kept the OPR unchanged in November, signalling confidence that robust domestic demand will continue to support growth into 2026. Inflation is expected to remain moderate, though the outlook is still vulnerable to global risks. Earlier, BNM reported that headline inflation held steady at 1.3% in 3Q2025, while core inflation edged up to 2.0%, with the increase partly offset by lower administered prices such as electricity and diesel following tariff adjustments and easing global cost pressures.

Short-term Outlook: Domestically, trade data will be a crucial driver of local bond yield movements, complementing the strong positive sentiment generated by the release of the 3Q2025 GDP figures. Externally, focus shifts to the resumption of U.S. economic data following the government shutdown, as these releases will play a pivotal role in shaping market expectations ahead of the Fed's December policy meeting.

MGS Yield Curves, %



Sources: BNM, Bank Islam

Foreign Flows into Local Bonds Market.
The local bond market recorded net foreign inflows of RM4.4 billion in October (Sep: -RM6.8 billion), marking a strong return of investor interest. This renewed appetite reflects growing confidence in Malaysia's improving economic fundamentals, supported further by stronger regional sentiment following the recent ASEAN Summit. The accumulated total foreign holdings of Malaysia debt securities declined further to RM291.7 billion in October (Sep: RM287.3 billion).

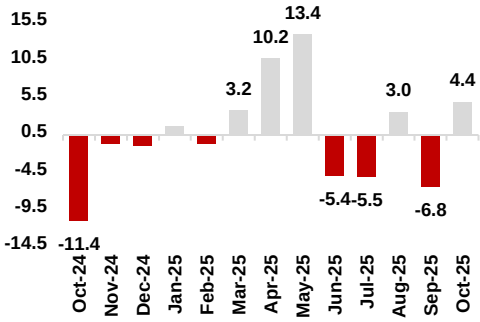
In October, all segments in the local bond market recorded net foreign inflows, with GII as the main driver. Breaking it down, MGS and GII recorded net inflows of RM0.7 billion (Sep: -RM3.7 billion) and RM2.3 billion (Sep: -RM2.7 billion), respectively. In addition, Malaysia Islamic Treasury Bills (MITB) and Malaysia Treasury Bills (MTB) also in the positive territory with net foreign inflows of RM0.4 billion (Sep: +RM21 million) and RM14 million (Sep: +RM34 million). Corporate bonds climbed with net inflows of RM0.9 billion (Sep: -RM0.5 billion).

Consequently, total foreign holdings' share to total outstanding in GII jumped to 8.3% in October (Sep: 7.7%). Corporate bonds and MTB also surged to 2.0% (Sep: 1.9%) and 17.1% (Sep: 6.7%) of total outstanding in October. Meanwhile, MGS dipped marginally to 33.3% in October (Sep: 33.7%) and MITB declined to 8.8% in October (Sep: 17.2%). Of note, the percentage of foreign holdings to total outstanding in local govvies bonds also surged to 21.2% in October (Sep: 20.9%). Overall, the foreign holdings' share of total outstanding edged higher to 13.1% in October (Sep: 12.9%).

Total cumulative foreign holdings in the local bond market ended at RM16.5 billion as of the first ten months of 2025 and significantly higher relative to the cumulative net foreign inflows of RM7.3 billion from January to October 2024.

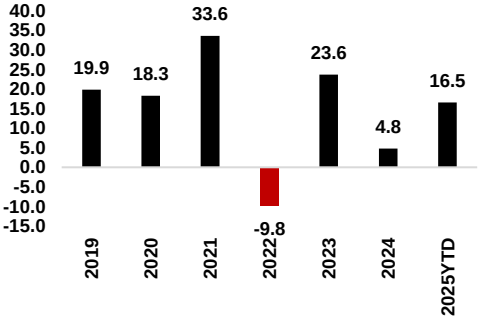
Short-term outlook: Robust foreign demand for Malaysian debt is expected to persist in the near term. Malaysia's solid domestic outlook, combined with easing global geopolitical risks, has strengthened the appeal of its bonds among investors seeking high-quality emerging-market assets. Domestic growth is being propelled by the strategic rollout of national development agendas, including the 13th Malaysia Plan and the 2026 Budget, alongside a stable and predictable monetary policy environment. The economy is also benefitting from robust tourism activity, which is set to remain strong as preparations for "Visit Malaysia Year 2026" gather momentum. In addition, moderate fiscal reforms, most notably the implementation of the re-targeted RON95 petrol subsidy in late September, are expected to bolster Malaysia's credit profile and further support investor confidence.

Foreign Fund Flows in Local Bond Market, RM Billion



Sources: BNM, Bank Islam

Cumulative Net Foreign Flows in Local Bonds (Yearly Comparison, RM Billion)



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