



WEEKLY ECONOMIC UPDATE

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ECONOMIC RESEARCH

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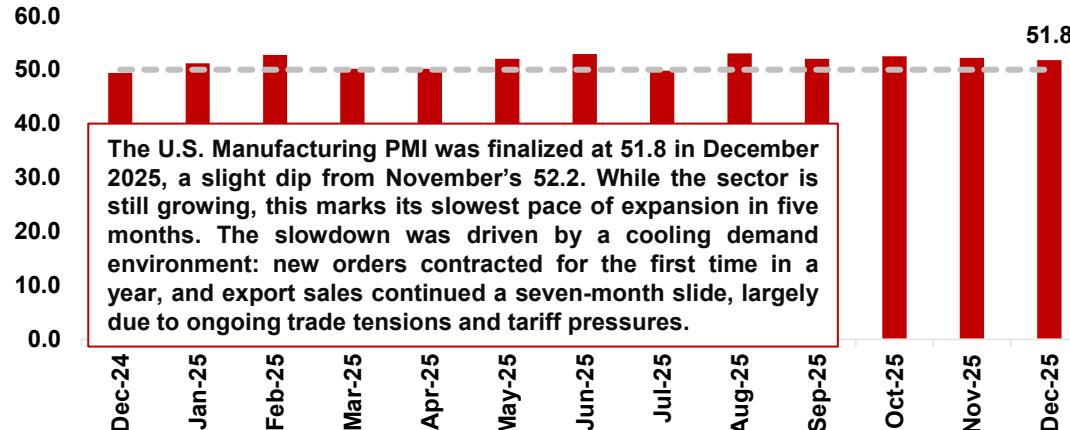
WEEKLY HIGHLIGHT: U.S. WEEKLY JOBS CLAIMS PLUNGED, DEFYING HOLIDAY VOLATILITY

U.S. Weekly Initial Jobless Claims (IJC), '000



In the final week of 2025, U.S. initial jobless claims dropped by 16K to 199K, significantly outperforming the market's expected 220K. While the holiday season often causes data swings, this latest figure represents the lowest level of new claims since January—with the exception of a brief dip to 192K during the Thanksgiving week.

U.S. - Manufacturing Purchasing Managers' Index (PMI), points



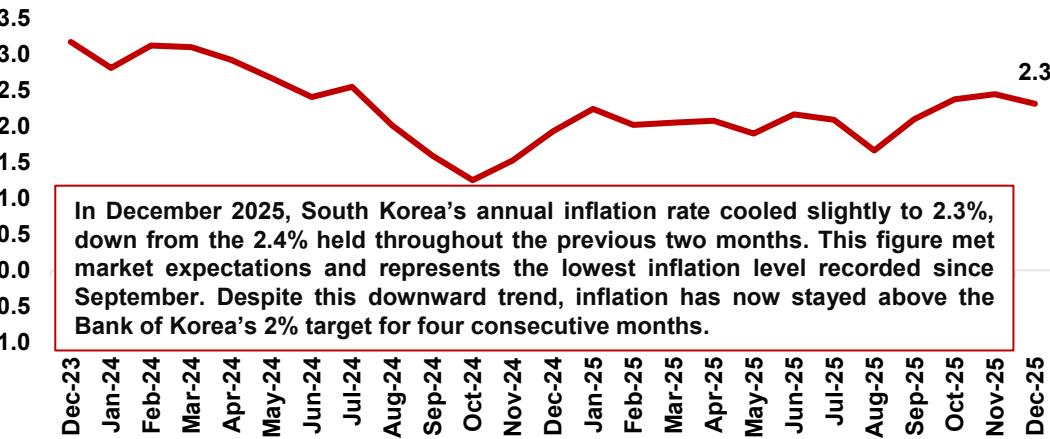
The U.S. Manufacturing PMI was finalized at 51.8 in December 2025, a slight dip from November's 52.2. While the sector is still growing, this marks its slowest pace of expansion in five months. The slowdown was driven by a cooling demand environment: new orders contracted for the first time in a year, and export sales continued a seven-month slide, largely due to ongoing trade tensions and tariff pressures.

China - Manufacturing PMI, points



Defying market expectations, the China General Manufacturing PMI climbed to 50.1 in December 2025, rebounding from November's four-month low of 49.9 which signals a return to growth for the manufacturing sector. The slight expansion was fueled by a rise in new orders, even as international demand faltered, suggesting that the recovery is currently being driven by domestic consumption, likely bolstered by government initiatives to stimulate internal spending.

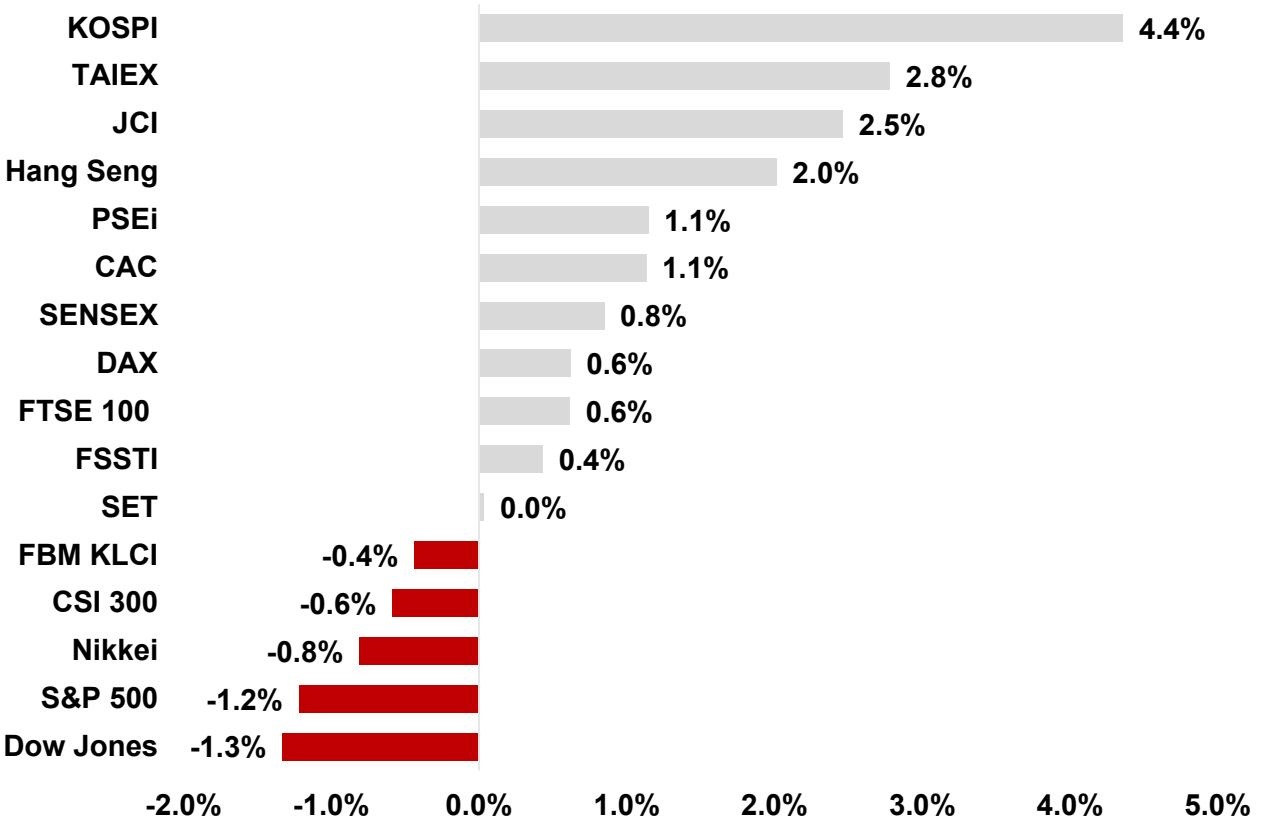
South Korea - Consumer Price Index (CPI), y-o-y%



In December 2025, South Korea's annual inflation rate cooled slightly to 2.3%, down from the 2.4% held throughout the previous two months. This figure met market expectations and represents the lowest inflation level recorded since September. Despite this downward trend, inflation has now stayed above the Bank of Korea's 2% target for four consecutive months.

REGIONAL EQUITY: RECORD EXPORTS LIFT SOUTH KOREA, U.S. STOCKS SLIDE ON FED TENSION

Weekly Gain/Loss of Major Equity Market, w-o-w%

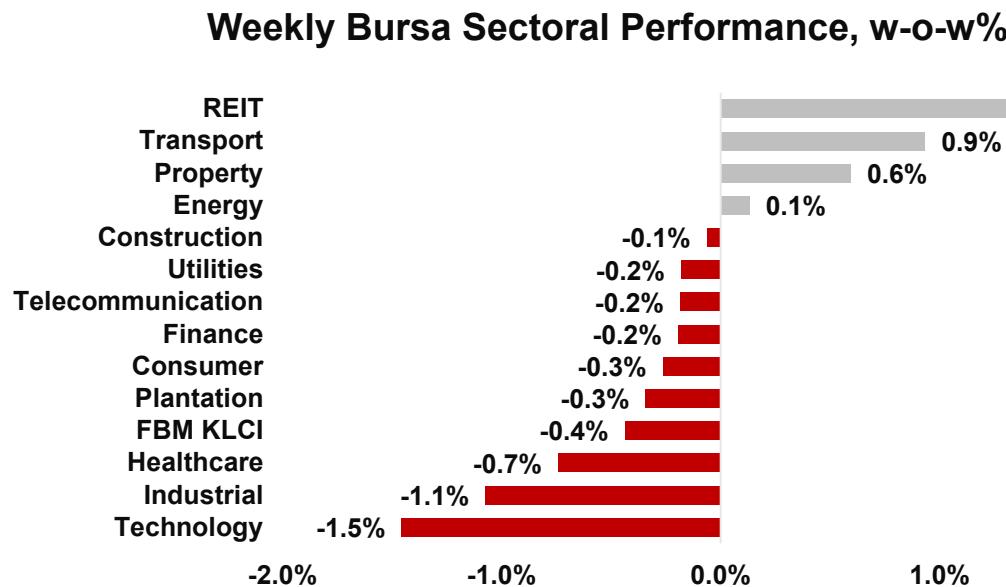


Sources: Bursa, CEIC Data

- The regional equity index were mostly in the green sea for the week ending January 2 with South Korea's KOSPI (+4.4%) ticked higher amid major semiconductor stocks climbed on expectations of enduring A.I. demand and bolstered by robust macroeconomic data from South Korea. The country reported record-breaking 2025 exports of USD709.7 billion, driven by an all-time high in semiconductor shipments and its most significant trade surplus since 2017. These figures have solidified investor confidence in South Korea's export-driven growth, highlighting a strong recovery led specifically by the technology and industrial sectors.
- On the contrary, U.S. stocks – Dow Jones (-1.3%) and S&P 500 (1.2%) were the major losers for the week ending January 2 as investors pivoted toward risk reduction while processing the latest Federal Reserve (Fed) minutes. While the FOMC minutes highlighted internal disagreements regarding the exact timing and speed of rate cuts for 2026, the central bank's general lean toward easing remains intact.

DOMESTIC EQUITY: FBM KLCI MARKED HIGHEST LEVEL SINCE 2019 BEFORE RETREATING ON PROFIT-TAKING

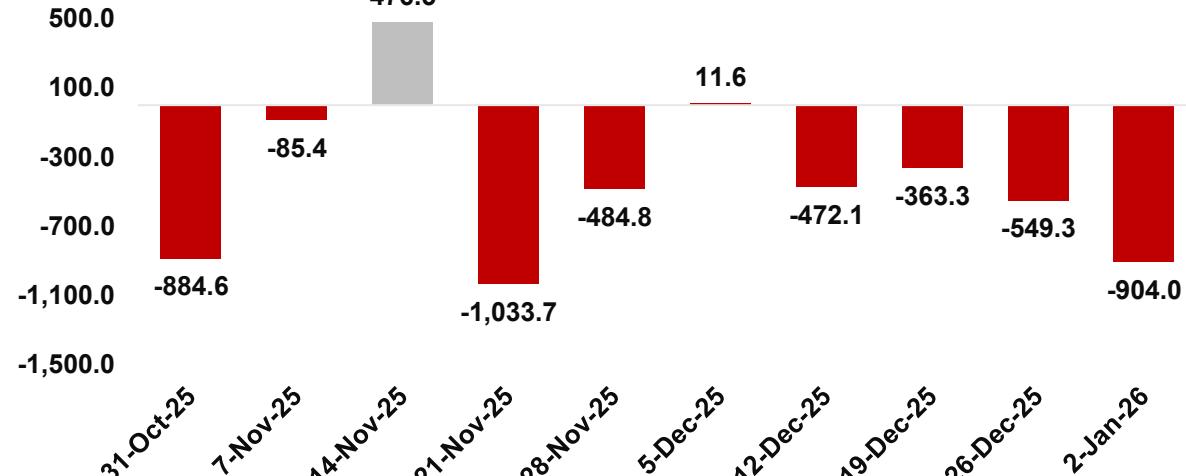
BANK ISLAM



Sources: Bursa, CEIC Data

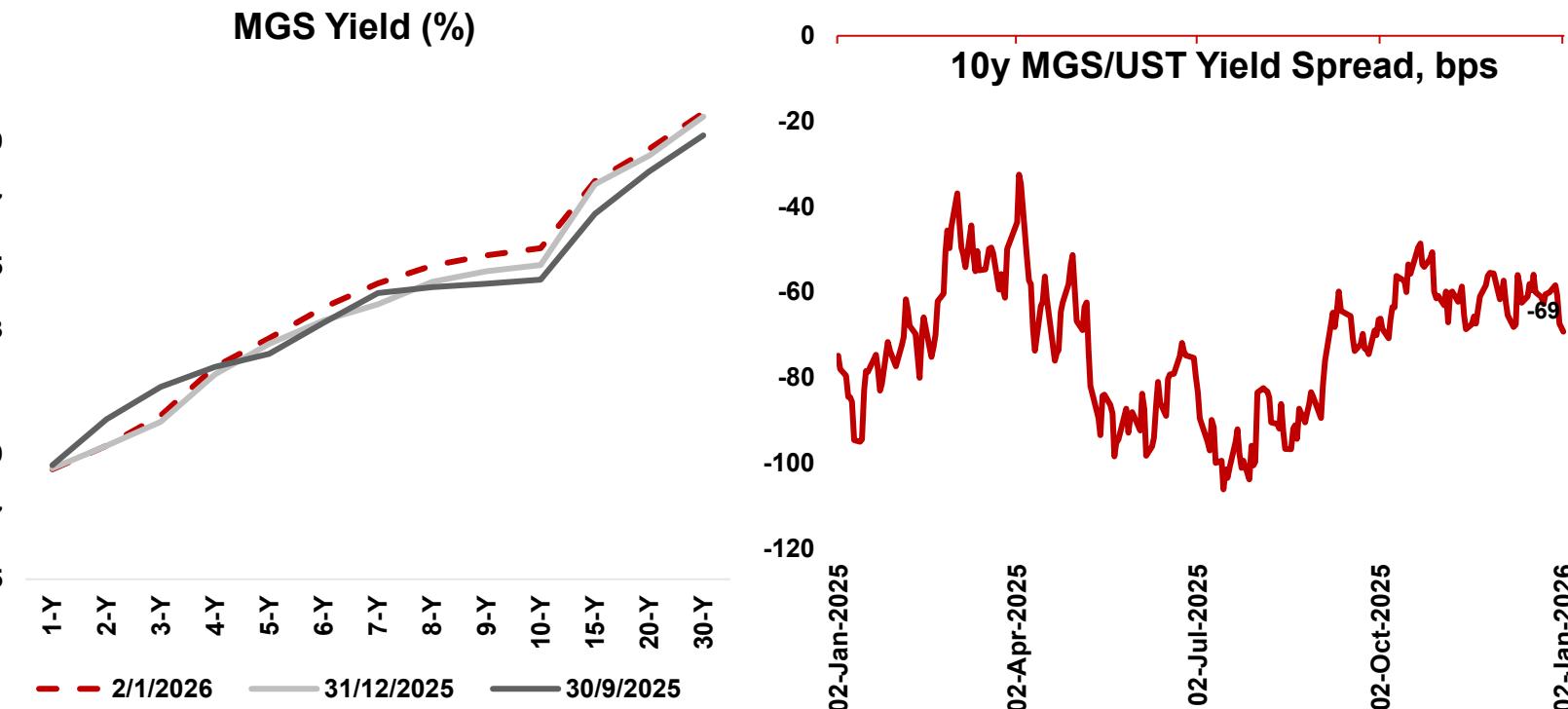
- The FBM KLCI slipped by 0.4% w-o-w for the week ending January 2 amid rapid profit taking activities following its winning streak. Of note, the index marked its highest close since July 2019 on Tuesday (30 December 2025: 1,684.53) before retreating below the 1,670-level.
- Investor confidence was riding high heading into 2026 as Malaysia's economy has proved to be more resilient than expected, expanding by 4.7% y-o-y for the first three quarters. Additionally, various economic indicators, ranging from consumer spending to trade performance, pointed towards robust economic activities in 4Q2025, lifting sentiments surrounding its growth outlook.
- Reflecting the benchmark index's decline, most Bursa indices closed in a sea of red with the Technology index (-1.5%) emerging as the biggest loser. This was followed by the Industrial and Healthcare indices, which fell by 1.1% and 0.7%, respectively.
- Meanwhile, the REIT topped the gainers as it climbed by 1.4%, bolstered by Malaysia's upbeat retail backdrop and anticipation of strong demand due to the Visit Malaysia 2026 campaign. This was followed by the Transport (+0.9%) and Property (+0.6%) indices.
- Foreign investors remained net sellers for the fourth straight week, shedding a total of RM904.0 million worth of equities. The net outflow in 2026 thus far is RM232.4 million.

Weekly Foreign Fund Net Inflows/Outflows, RM Million



FIXED INCOME: UST YIELDS EDGED HIGHER ON FED UNCERTAINTY AND PAYROLL WATCH

Weekly Changes, basis points (bps)			
UST	Yields (%) 26-Dec-25	Yields (%) 2-Jan-26	Change (bps)
3-Y UST	3.54	3.55	1
5-Y UST	3.68	3.74	6
7-Y UST	3.89	3.95	6
10-Y UST	4.14	4.19	5
MGS	Yields (%) 26-Dec-25	Yields (%) 2-Jan-26	Change (bps)
3-Y MGS	3.01	3.00	-1
5-Y MGS	3.25	3.25	0
7-Y MGS	3.41	3.37	-4
10-Y MGS	3.54	3.50	-4
GII	Yields (%) 26-Dec-25	Yields (%) 2-Jan-26	Change (bps)
3-Y GII	3.10	3.09	-1
5-Y GII	3.25	3.25	0
7-Y GII	3.35	3.34	-1
10-Y GII	3.55	3.52	-3

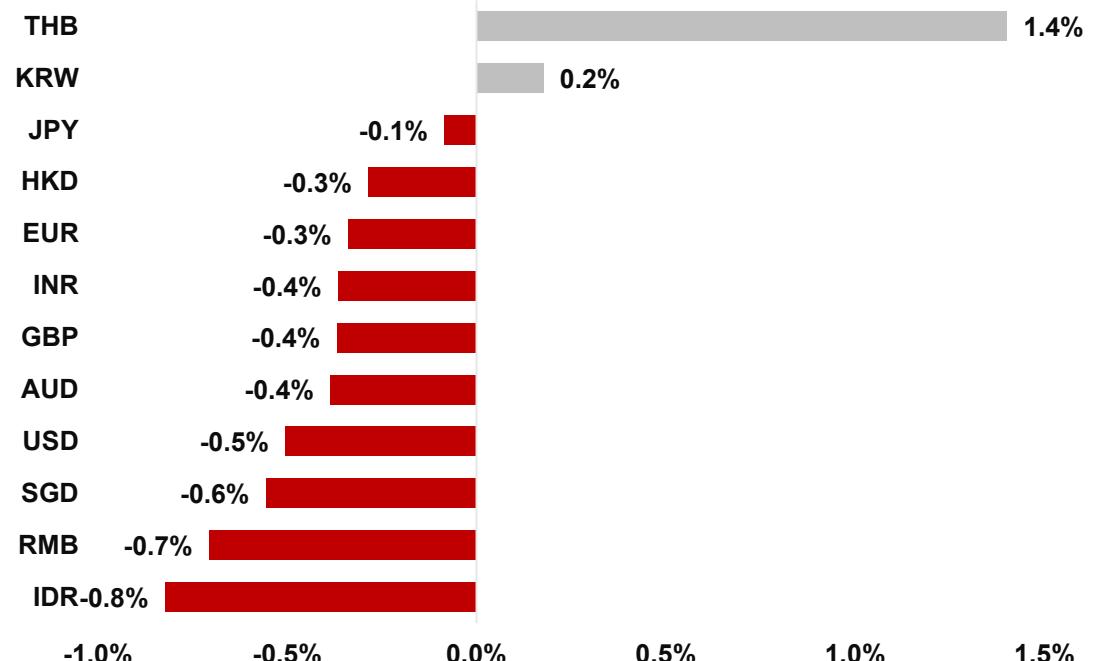


Sources: BNM, Federal Reserve Board

- The U.S. Treasury (UST) yields edged higher in the range of 1bp and 6bps as investors remain focused on the Fed's interest rate trajectory, looking toward December payroll data for clues on how labor market strength might influence future policy. While recent FOMC minutes indicate a growing willingness to ease policy if inflation remains on a downward trend, officials stay split on the exact timing and magnitude of such moves. This internal caution contrasts with market expectations, as traders are currently pricing in two rate cuts—doubling the Fed's own projection of a single reduction.
- Malaysian Government Securities (MGS) and Government Investment Issues (GII) yields declined by between 1bp and 4bps, except for 5-Y MGS and GII in which both closed at 3.25%.
- The 10y MGS/UST yield spread widened in the negative territory at 69bps relative to -60bps in the previous week.

FX MARKET: RINGGIT MARKED THE STRONGEST LEVEL SINCE 2021 AT RM4.04 BEFORE CLOSING 2025 AT RM4.06

MYR Against Regional Currencies, w-o-w%



Sources: BNM, Federal Reserve Board (Fed), CEIC Data

- The Ringgit marked the strongest level since February 2021 on 26 December 2025 at RM4.04 before retreating slightly as investors positioned themselves for the year ahead (2 January 2026: 4.06).
- As such, the local note had depreciated by 0.5% w-o-w against the USD last week, remaining under pressure as the USD index climbed by 0.4%.
- Meanwhile, the USD's appreciation was underpinned by markets repricing their Federal Reserve (Fed) rate cut expectations following the release of the Federal Open Market Committee (FOMC) December minutes. The minutes revealed that some officials viewed that it would be "appropriate to keep the target range unchanged for some time" to assess the impact of the three consecutive 25bps cut delivered in 2025.
- Furthermore, most officials judged that further easing would be "appropriate if inflation declined over time as expected".
- Given that a "majority of participants" highlighted that inflation "had not moved closer to the 2 percent objective over the past year", this suggested that the Fed is in no urgency to cut rates further, thus solidifying the case for the FFR to be maintained at 3.50-3.75% in January.
- Nevertheless, risks to both sides of the Fed's dual mandate remains closely matched as employment momentum appears to be shaky while sticky underlying price pressures persists. Combined with the cautious tone of the minutes, this has casted doubt over the pace of easing ahead. According to the CME FedWatch tool, markets are closely split on the probability of a reduction in March.

COMMODITY: OIL PRICES FALL AS OVERSUPPLY FEARS OUTWEIGH GEOPOLITICAL SUPPORT

Brent Crude in USD per barrel



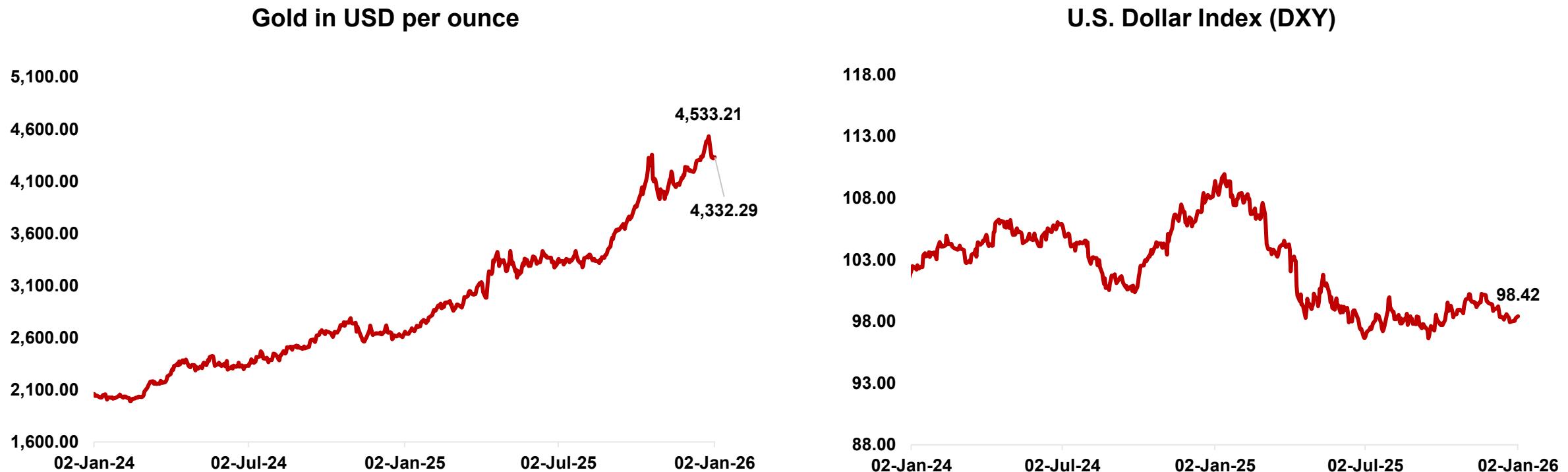
U.S. Crude Oil Inventory, '000 barrel - EIA



Sources: Bloomberg, Energy Information Administration (EIA)

- Brent crude closed marginally lower on the first trading day of 2026, settling at USD60.76 per barrel, but recording 0.2% w-o-w gain.
- Persistent concerns over a global supply glut continue to weigh on prices, amid expectations that oil supply will outpace demand in 2026. This is driven by strong output from OPEC+, resilient U.S. shale production, and rising contributions from non-OPEC producers.
- However, the recent U.S. attack on Venezuela, which also led to the abduction of President Nicolás Maduro despite international condemnation, is expected to trigger a short-term volatility in oil prices.
- U.S. weekly crude inventories decreased by 1.9 million barrels to 422.9 million for the week ending December 26.

COMMODITY: GOLD PRICE ON TRACK FOR WEEKLY LOSS AS INVESTORS CASHED IN ON GAINS



Sources: Bloomberg, CEIC Data

- The bullion price plunged by 4.4% for the week ending January 2 on the back of profit-taking activities as the XAU had hit a fresh high of USD4,533.21 in the previous week.
- Additionally, the bullion price slipped amid improving risk sentiments in anticipation of restabilizing global economic conditions as well as expectations of a slower pace of easing by the U.S. Fed, leading to lower demand for the bullion.

WHAT TO LOOK OUT FOR IN THE MARKETS THIS WEEK

- Markets this week are expected to open with heightened geopolitical uncertainty following the U.S. military strike on Venezuela and the removal of President Nicolas Maduro over the weekend. Investors will closely monitor the evolving situation as the Trump administration signaled plans to temporarily oversee Venezuela and potentially lift oil sanctions soon. Oil markets may see short-term volatility, but any disruption to global supply is likely to be limited due to persistent oversupply expected in 2026. While Venezuela's current output accounts for less than 1% of global supply, prospects of U.S.-backed recovery and infrastructure rebuilding could shift the refining landscape. A peaceful transition may expedite the lifting of sanctions, paving the way for Venezuelan crude to re-enter U.S. markets. This could benefit U.S. refiners but weigh on oil prices if supply ramps up too quickly. Broader equity markets may remain cautious amid the geopolitical noise, awaiting clarity on U.S. foreign policy moves. Overall, sentiment will hinge on how swiftly the situation stabilizes and what signals emerge from Washington in the days ahead.
- Meanwhile, the U.S. markets are set to focus on economic fundamentals with a packed data calendar offering fresh insight into the health of the economy. Central to investor attention will be the December jobs report due Friday, as any signs of labor market cooling could strengthen the case for additional Fed rate cuts in 2026. Supporting this narrative, other key labor indicators including the JOLTS job openings report, ADP private payrolls, and weekly jobless claims that will help shape expectations on employment momentum. The Federal Reserve remains split on its next policy steps, as highlighted in the recent FOMC minutes, making incoming data all the more critical. Markets will also absorb delayed figures on manufacturing activity, housing starts, and productivity, filling in gaps left by the earlier government shutdown. PMI reports from ISM and a preliminary look at consumer sentiment in January will also offer timely clues on business conditions and household confidence.
- This week, attention in Europe will also center on preliminary inflation data from major economies, with eurozone inflation expected to hold steady at 2.1%. Unemployment figures across the region are likely to remain stable. Meanwhile, retail sales, trade balances, and business surveys across the euro area will offer further insight into economic momentum. In Asia, focus will be on China's services PMI, which is expected to dip slightly but stay in expansionary territory, alongside weaker inflation and producer price figures. While Indonesia and the Philippines will release inflation and trade data. India's preliminary GDP estimate and Japan's earnings data will also be closely watched for regional growth signals.



THANK YOU