WEEKLY ECONOMIC UPDATE

6 JULY 2026

ECONOMIC RESEARCH

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U.S. WEEKLY HIGHLIGHT: EMERGING SIGNS OF WEAKNESS IN THE JOB MARKET

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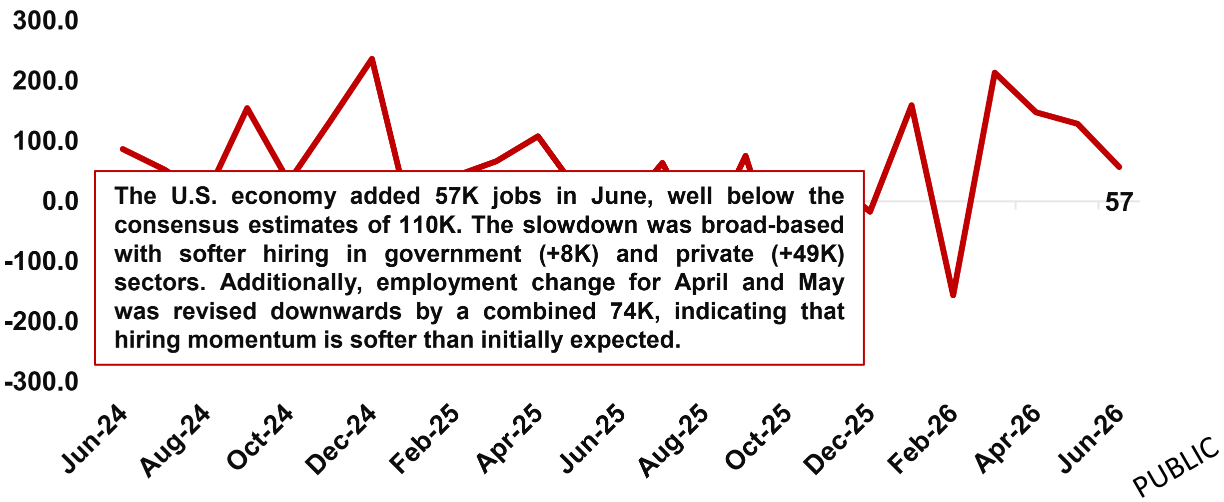
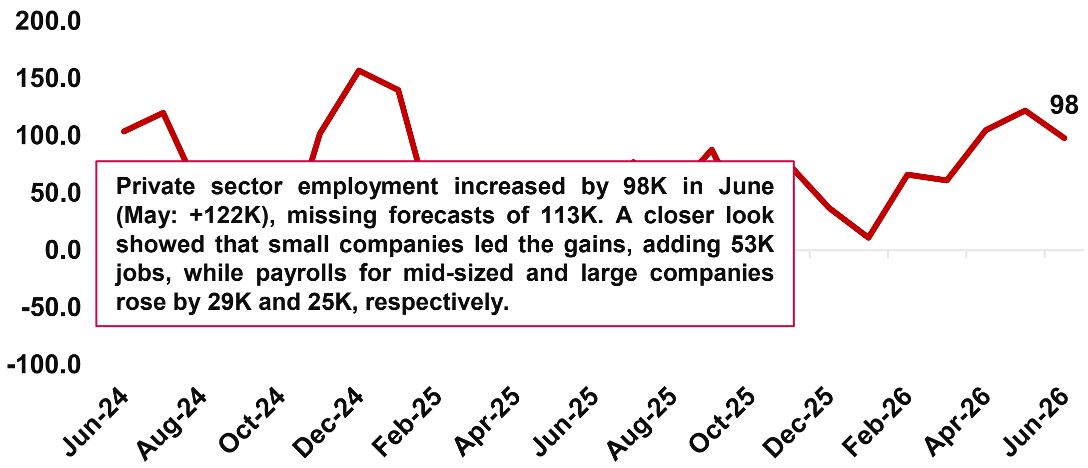
Non-farm Payroll (NFP), m-o-m changes ('000)



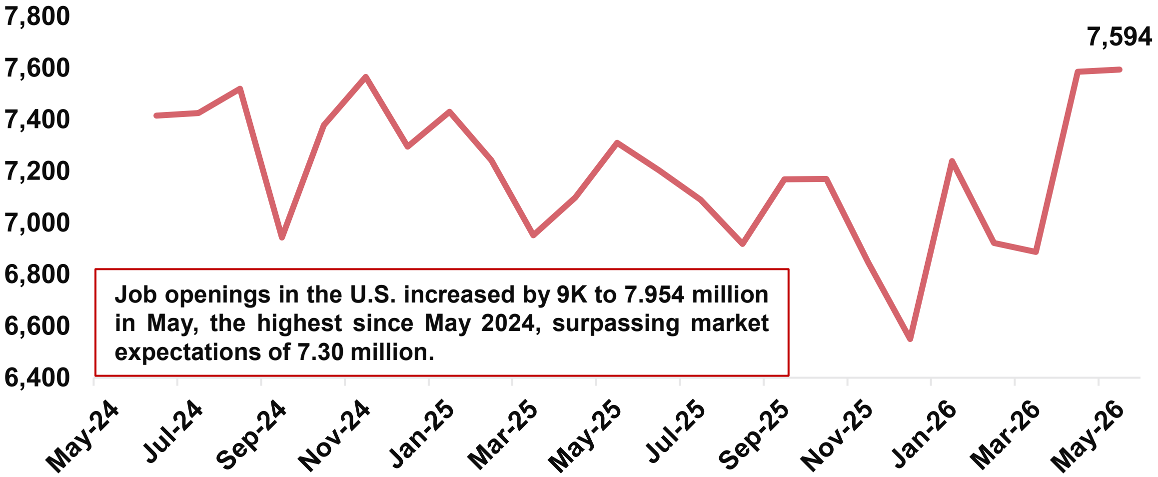
The U.S. economy added 57K jobs in June, well below the consensus estimates of 110K. The slowdown was broad-based with softer hiring in government (+8K) and private (+49K) sectors. Additionally, employment change for April and May was revised downwards by a combined 74K, indicating that hiring momentum is softer than initially expected.

ADP Nonfarm Employment, m-o-m changes ('000)



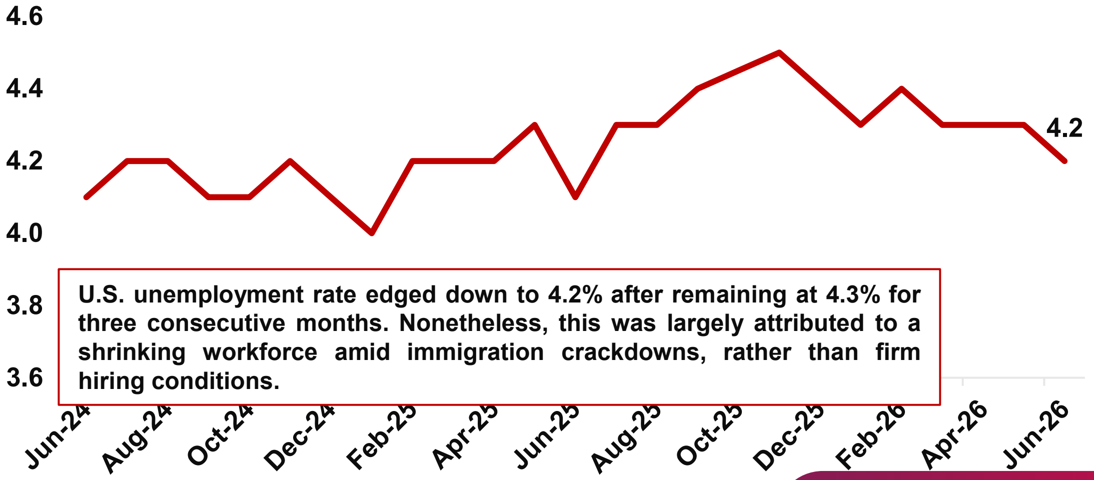
Private sector employment increased by 98K in June (May: +122K), missing forecasts of 113K. A closer look showed that small companies led the gains, adding 53K jobs, while payrolls for mid-sized and large companies rose by 29K and 25K, respectively.

JOLTS Job Openings, ('000)



Job openings in the U.S. increased by 9K to 7.954 million in May, the highest since May 2024, surpassing market expectations of 7.30 million.

Unemployment Rate, %



U.S. unemployment rate edged down to 4.2% after remaining at 4.3% for three consecutive months. Nonetheless, this was largely attributed to a shrinking workforce amid immigration crackdowns, rather than firm hiring conditions.

Sources: U.S. Bureau of Labor Statistics (BLS), CEIC Data

REGIONAL EQUITY: GLOBAL EQUITIES ADVANCE ON COOLING U.S. JOBS DATA; TAIWAN LEADS GAINS ON WAFER STRENGTH

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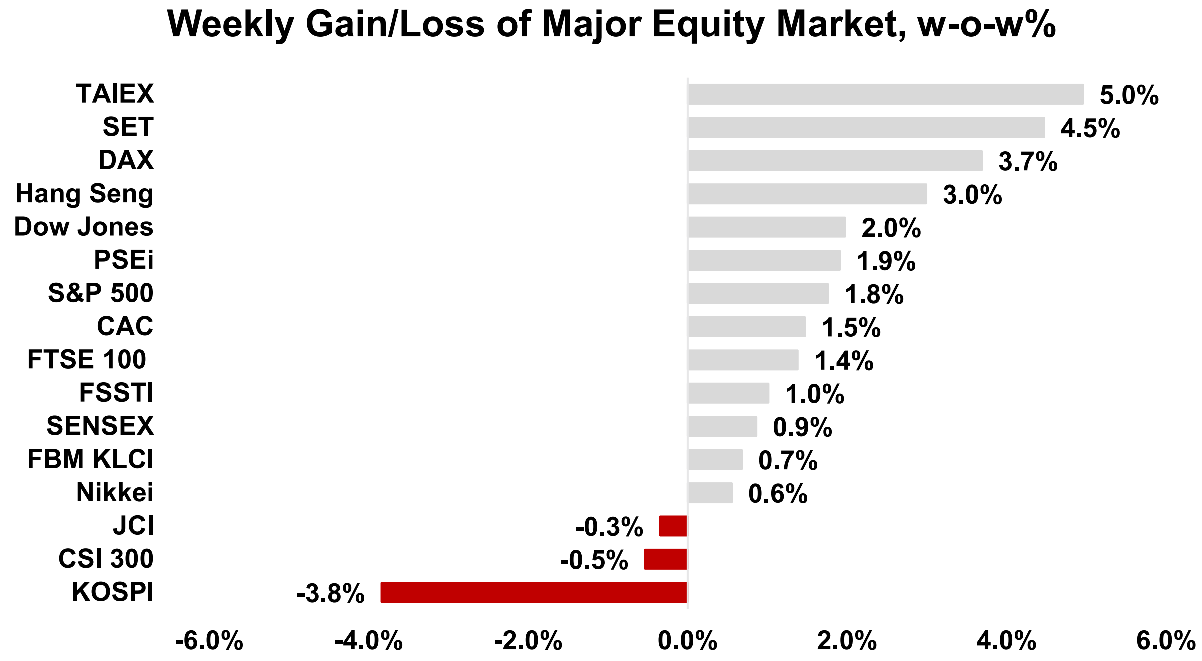

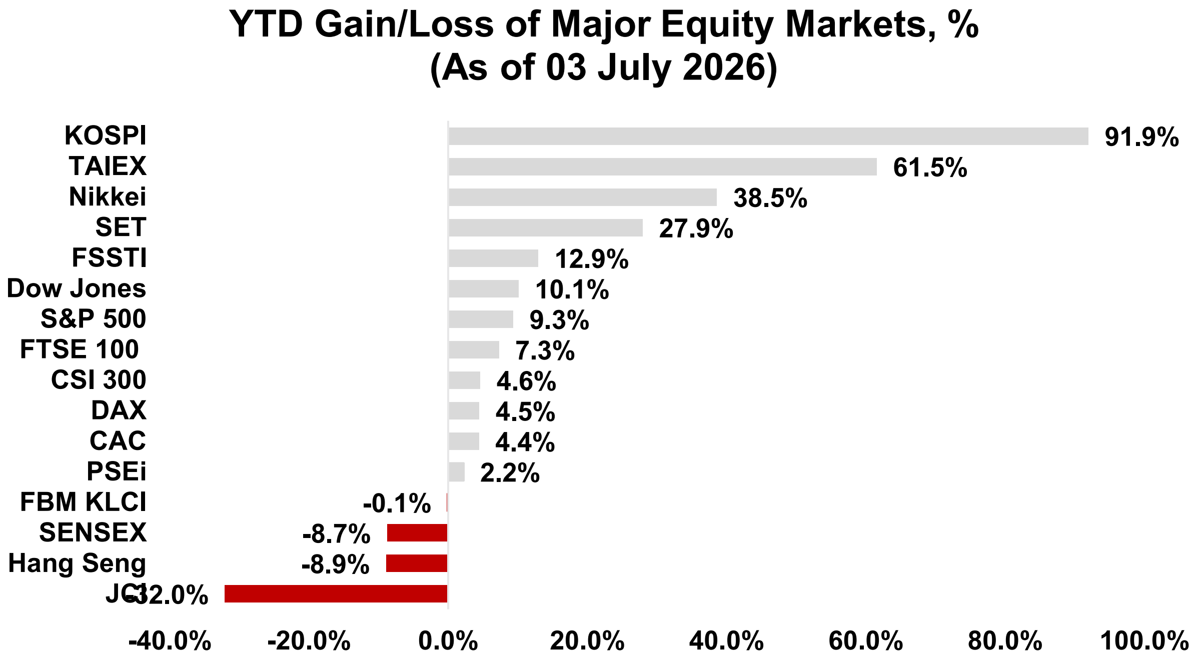

Sources: Bursa, CEIC Data

- Global equities mostly advance last week, led by Taiwan's TAIEX (+5.0%), Thailand's SET (+4.5%) and Germany's DAX (+3.7%). Taiwan's rally was fueled by rotation into undervalued sectors, strength in silicon wafer producers, and bargain-hunting in large caps, which outweighed profit-taking in tech. Wafers demand is viewed as a leading indicator for semiconductor demand across both advanced and mature processes.
- Meanwhile, U.S. stocks advanced, with the Dow Jones (+2.0%) and S&P 500 (+1.8%) gaining as cooling labor market data reduced the probability of a Fed rate hike to just 18%, supporting risk appetite. U.S. payrolls rose only 57k in June, well below expectations, while unemployment edged down to 4.2%.
- In contrast, Korea's KOSPI registered largest losses (-3.8%) as memory chip stocks slumped after reports that Apple was lobbying the U.S. government to buy Chinese-made chips, raising fears of oversupply. China's CSI (-0.5%), and Indonesia's JCI (-0.3%) also declined.

DOMESTIC EQUITY: FBM KLCI REBOUNDED AMID IMPROVING RISK APPETITE

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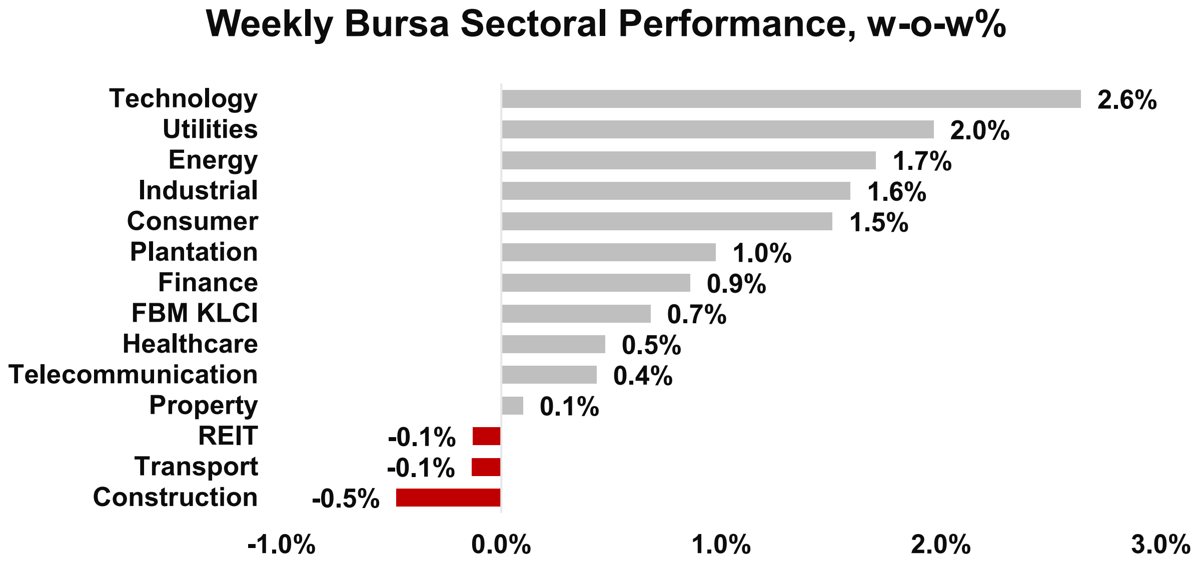

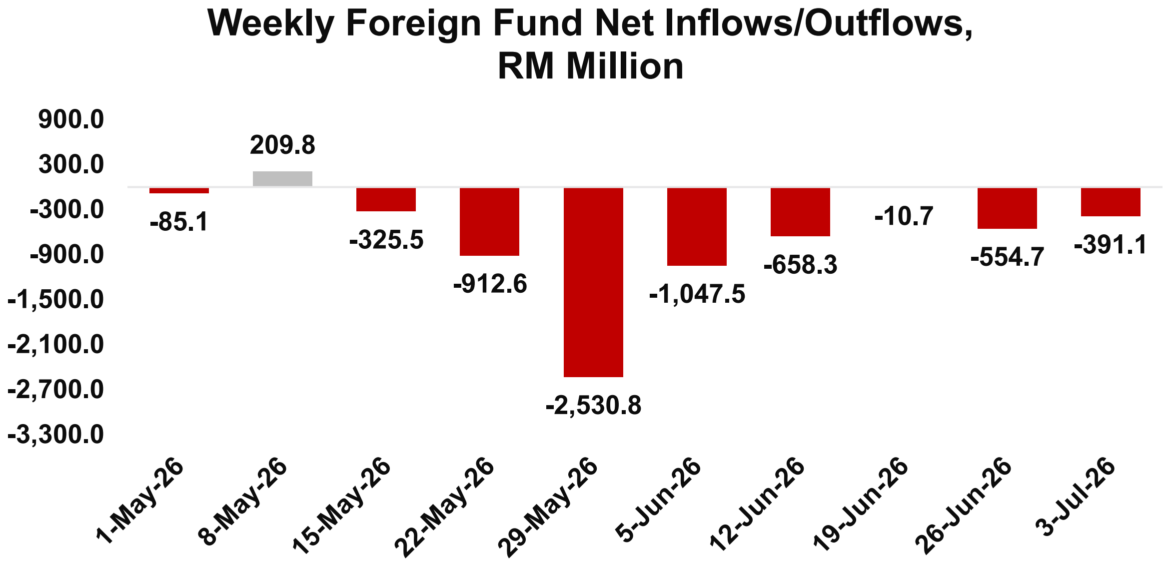

Sources: Bursa, CEIC Data

- The FBM KLCI rebounded by 0.7% w-o-w for the week ending 3 July amid bargain-hunting activities following its muted performance previously. Furthermore, buying interest was spurred by portfolio rebalancing as investor risk sentiments improved, prompting a rotation into emerging market assets.
- On the geopolitical front, negotiations between U.S. and Iran were ongoing in Qatar after both parties agreed to halt earlier attacks, keeping geopolitical concerns on the low.
- Coupled with earlier inflation figures, a disappointing U.S. job report further reduced urgency for Fed's policy tightening, dimming market expectations of a September hike.
- Most Bursa indices posted gains with the Technology index tracking regional performance, increasing by 2.6% w-o-w, followed by the Utilities index (+2.0%). Meanwhile, the Construction index underperformed, declining by 0.5%. This was followed by both the Transport and REIT indices dipping by 0.1%.
- Foreign investors remained as net sellers for the eighth week, with a net outflow of RM391.1 million. This has increased the cumulative net outflow thus far to RM4.5 billion.

FIXED INCOME: UST YIELDS RISE ON HAWKISH FED REPRICING DESPITE SOFTER JOBS DATA

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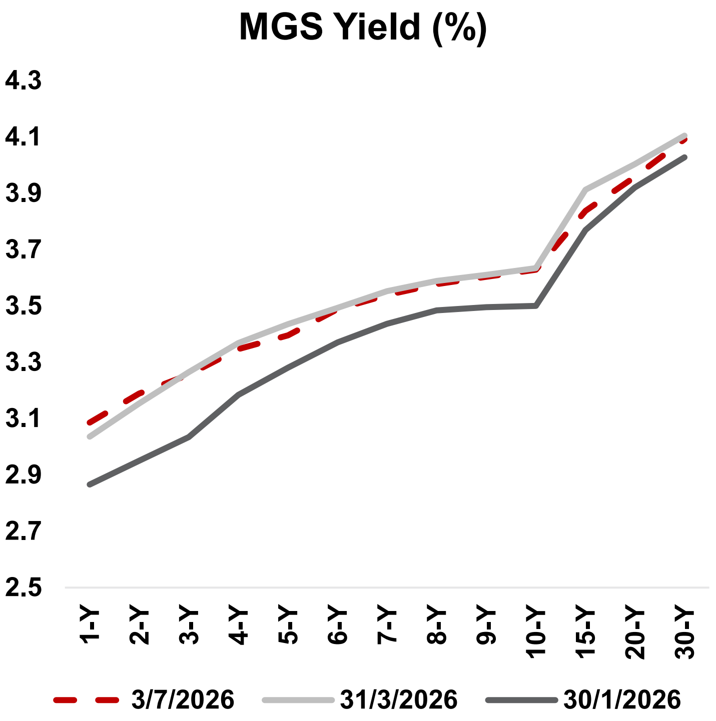
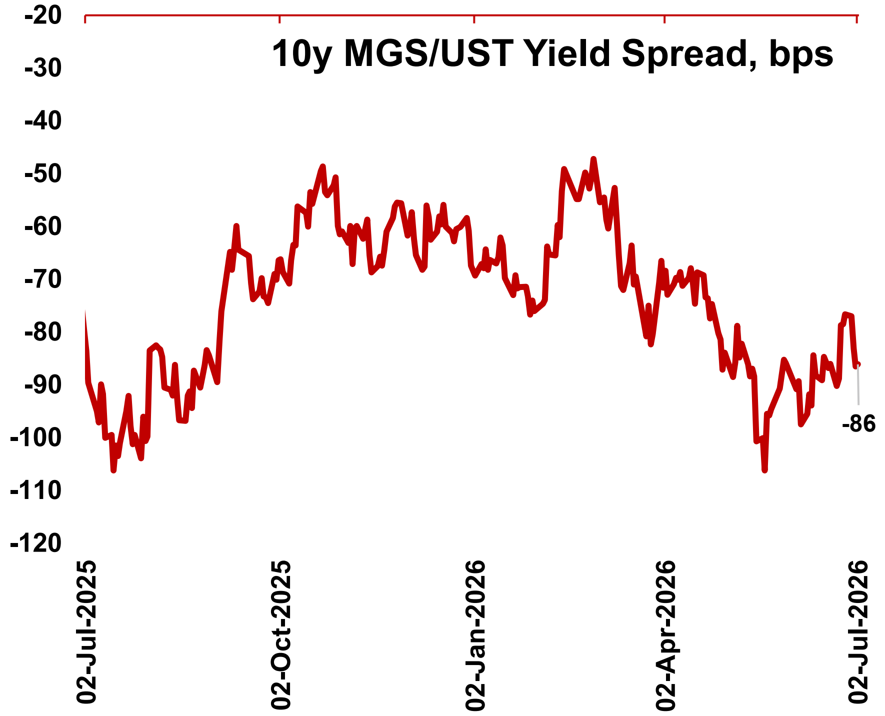
Weekly Changes, basis points (bps)

UST	Yields (%) 26-Jun-26	Yields (%) 2-Jul-26	Change (bps)
3-Y UST	4.09	4.16	7
5-Y UST	4.12	4.23	11
7-Y UST	4.23	4.35	12
10-Y UST	4.38	4.49	11
MGS	**Yields (%) 26-Jun-26**	**Yields (%) 2-Jul-26**	**Change (bps)**
3-Y MGS	3.25	3.26	1
5-Y MGS	3.42	3.40	-2
7-Y MGS	3.55	3.54	-1
10-Y MGS	3.61	3.63	2
GII	**Yields (%) 26-Jun-26**	**Yields (%) 2-Jul-26**	**Change (bps)**
3-Y GII	3.25	3.25	0
5-Y GII	3.39	3.39	-1
7-Y GII	3.55	3.54	-1
10-Y GII	3.62	3.62	0

Sources: BNM, Federal Reserve Board





- U.S. Treasury (UST) yields closed the week ended 2 July higher by 7–12bps across the curve, ahead of the U.S. Independence Day holiday on Friday. Treasury yields continued to trend upward as markets digested the Federal Reserve's earlier hawkish repricing. While June nonfarm payrolls came in softer than expected (+57k versus +113k expected), reducing the likelihood of a near-term rate hike to about 18%, the data did not trigger a significant rally in bonds. Instead, investors interpreted the moderation in labor market conditions as reinforcing the Fed's cautious and data-dependent stance. Consequently, yields remained elevated, with the 10-year UST yield rising to 4.49%, as market attention increasingly shifted to upcoming inflation data for further guidance on the policy outlook.
- Malaysian Government Securities (MGS) and Government Investment Issues (GII) yields ended mixed in the range of -2bps and 2bps.
- The 10y MGS/UST yield spread widened in the negative territory at 86bps relative to -77bps in the previous week.

FX MARKET: RINGGIT APPRECIATED AS THE USD SNAPPED ITS WEEKS-LONG WINNING STREAK

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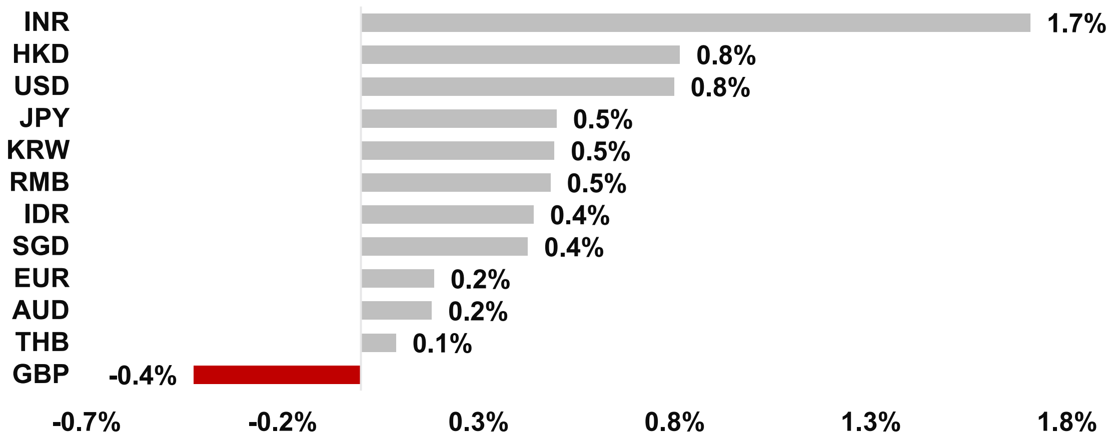
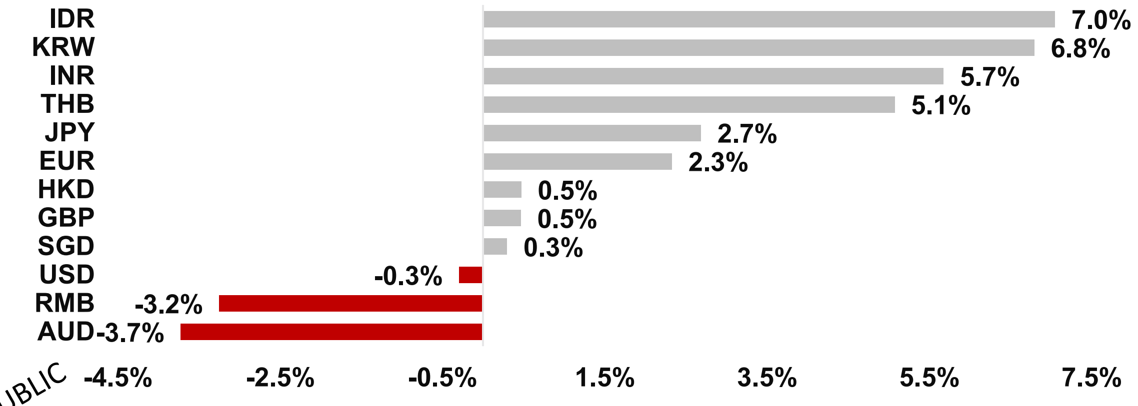
MYR Against Regional Currencies, w-o-w%



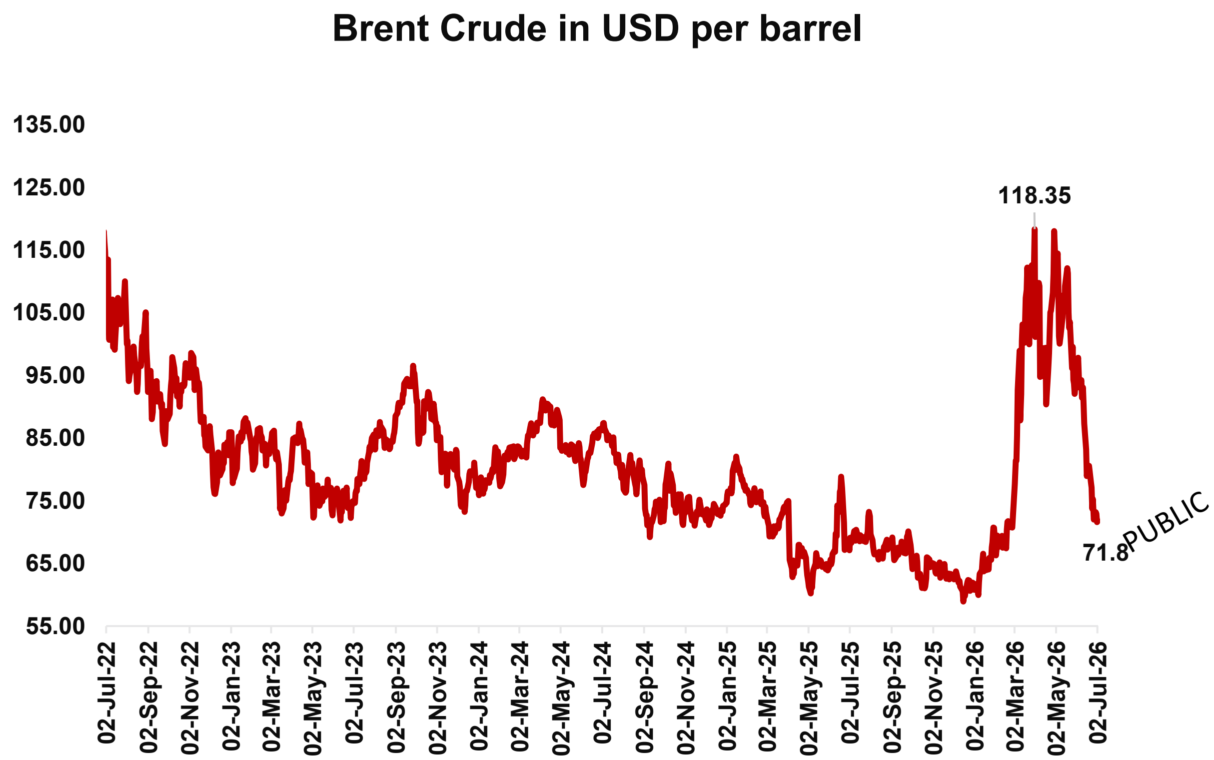
MYR Against Regional Currencies, YTD%
(As of 3 July 2026)

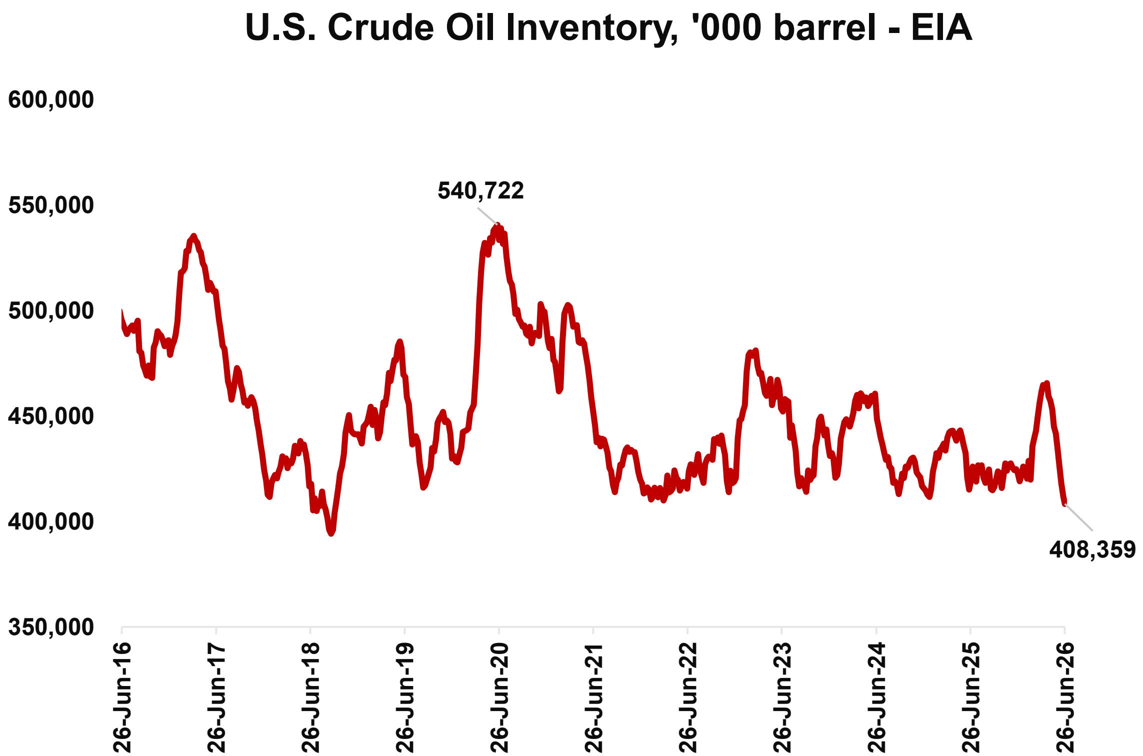


Sources: BNM, Federal Reserve Board (Fed), CEIC Data

- The Ringgit continued to appreciate against the USD, strengthening by 0.8% w-o-w for the week ending 3 July as the USD index slipped by 0.5% w-o-w, weighed by a rotation away from the dollar amid dimming hopes of a September hike.
- Recent data showed that U.S. non-farm payrolls (NFP) increased by just 57K in June, significantly lower than consensus estimates of 110K. While job growth remained relatively resilient across several key sectors, weakness in the leisure and hospitality industry emerged as a notable concern. Employment in the sector recorded its sharpest decline since December 2020 (-61K), driven primarily by substantial job losses in restaurants and bars (-32.9K) and hotels and motels (-21.9K).
- Typically, employment in this sector will strengthen ahead of the summer season, while an added boost from tourism-driven demand associated with the ongoing FIFA World Cup was widely anticipated. However, the slowdown signaled that businesses are expecting softer household demand, particularly for discretionary segments, as rising living and transportation costs likely weigh on consumer purchasing power.
- While the unemployment rate edged lower to 4.2% (May: 4.3%), it was attributed to a shrinking work force rather than a rise in employment. Evidently, approximately 720K individuals had left the workforce amid tighter immigration policies under the Trump administration.
- Overall, the softer-than-expected employment figures has shifted focus back to the fragility of the job market, particularly as geopolitical risks gradually materialize. This further dampened expectations of a more aggressive pace of Fed policy tightening, with the probability of a September hike easing to around 45.0% compared to over 50.0% prior to the release.

COMMODITY: OIL RETREATS AS HORMUZ FLOWS RESUME AND GEOPOLITICAL RISKS EASE





Sources: Bloomberg, Energy Information Administration (EIA)

- Brent crude oil continued to lose momentum last week, slipping marginally by 0.3% week-on-week to USD71.8/barrel at Friday's close. Oil prices retreated during the week as resumed tanker flows through the Strait of Hormuz eased supply disruptions, adding barrels back into the market. At the same time, progress in U.S.-Iran negotiations reduced geopolitical risk premiums.
- In the near term, oil prices are likely to remain under downward pressure as Opec+'s planned output increase (+188k bpd from August) adds to supply at the same time the gradual reopening of the Strait of Hormuz restores export flows. The combination of higher quotas and easing supply bottlenecks points to softer prices unless geopolitical risks flare up again or demand surprises on the upside.
- U.S. crude oil inventories reduced by 3.7 million barrels to 408.4 million for the week ending June 26.

COMMODITY: GOLD PRICE REBOUNDED, THE USD SLIPPED BELOW THE 101-LEVEL

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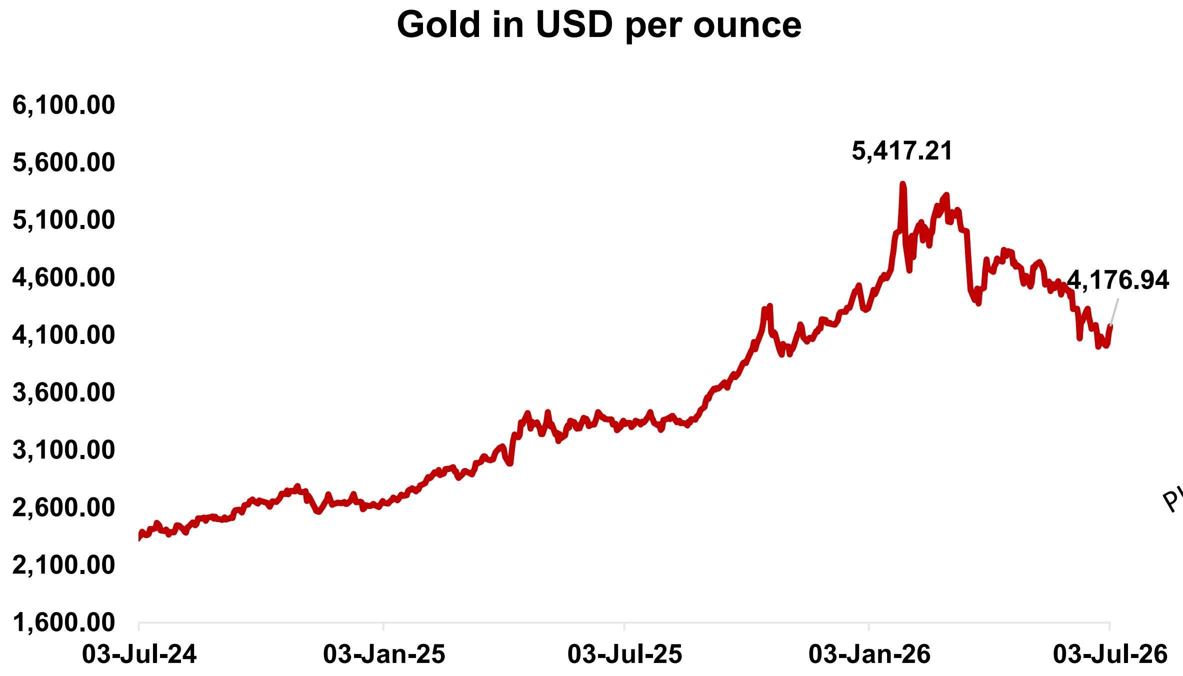

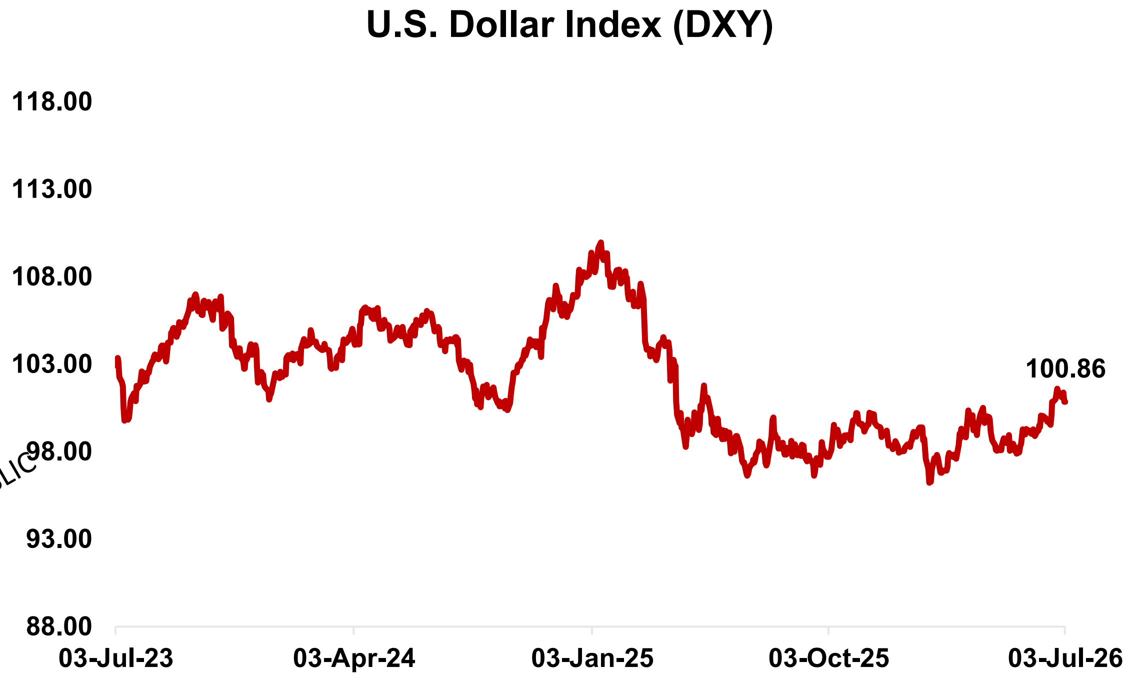

Sources: Bloomberg, CEIC Data

- Gold price (XAU) strengthened by 2.2% w-o-w last week as bullish momentum in the USD moderated.
- Prior to the payrolls figures, ADP employment data showed that the private sector added 98K jobs in June (May: 122K), missing consensus estimates of 113K. Taken together, the softer job market data prompted market participants to push back expectations for the next policy action from September to October, dimming the near-term appeal of the USD.
- Reflecting this shift, the USD broke decisively below the 101.00-support level to close at 100.86 on 3 July while the 2-year UST yields declined by 3bps to 4.14%. Against this backdrop, gold rebounded sharply, breaking above the key resistance around USD4,100 and closed the week at USD4,176.94.

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WHAT TO LOOK OUT FOR IN THE MARKETS THIS WEEK

- U.S. markets are expected to remain focused on the release of the Federal Open Market Committee (FOMC) meeting minutes on Thursday (July 9) and the start of the second-quarter earnings season. Investors will look for further clues on whether the Federal Reserve (Fed) is still inclined to keep interest rates higher for longer. Corporate earnings and, more importantly, management guidance will be closely watched for signs of resilient demand and profit margins. AI-related and large-cap technology shares are expected to stay in focus, although elevated valuations could prompt some profit-taking. The inclusion of SpaceX in the Nasdaq-100 may also attract increased investor interest and trading activity. Overall, market sentiment is expected to remain cautious but supported by earnings, with volatility likely to increase as more companies report their results.

- At the same time, China's inflation and producer price data will be closely watched to assess the strength of demand and the sustainability of recovery momentum. In May, consumer prices remained stable, with the CPI rising 1.2% y-o-y, unchanged from April, while factory-gate prices surged 3.9% y-o-y, accelerating from April's 2.8%. The figures suggest a steady consumer market and improving demand in some industrial sectors, reflecting the economy's continued recovery under supportive macro policies. Japan's household spending and current account figures will also provide insight into domestic demand and economic momentum. Meanwhile, the Reserve Bank of New Zealand's policy decision on July 8 will be monitored for any shift in its monetary stance. The policy rate has remained unchanged at 2.25% since November last year. In Europe, euro area retail sales and UK housing market data will offer a snapshot of consumer demand and property market conditions. Overall, the week's economic releases are expected to influence market sentiment across equities, bonds, and currencies as investors reassess the global growth outlook.

- In Malaysia, market will closely watch Bank Negara's Monetary Policy Committee (MPC) meeting for its latest interest rate decision on July 9. The Overnight Policy Rate (OPR) is widely expected to be kept unchanged, as inflation remains contained at 2.0% in May, while domestic economic growth stays broadly resilient despite moderating to 5.4% in 1Q26 (4Q25: 6.3%). Policymakers are likely to maintain a balanced stance, acknowledging external uncertainties and a higher-for-longer interest rate environment in major economies. Investors will also look for any changes in the central bank's assessment of domestic demand, inflation, and the ringgit outlook. Any shift in the policy statement towards a more dovish or hawkish tone could influence the ringgit. Overall, the decision is expected to reinforce BNM's data-dependent approach while supporting sustainable economic growth.

THANK YOU