BANK ISLAM

WEEKLY ECONOMIC UPDATE

6 OCTOBER 2025

ECONOMIC RESEARCH

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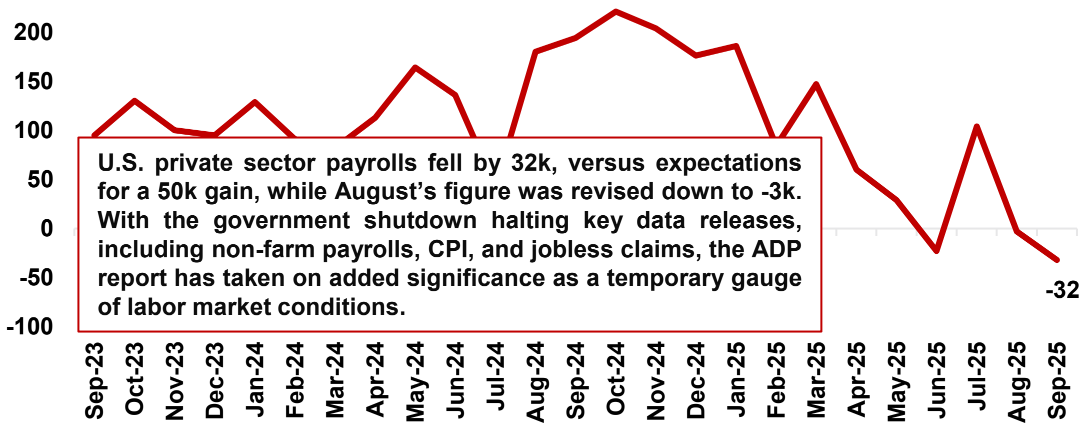
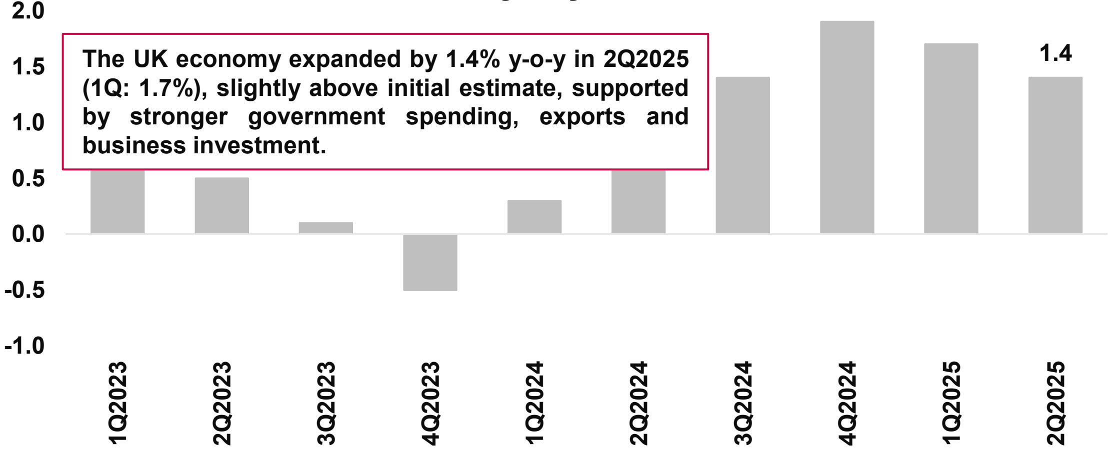
WEEKLY HIGHLIGHT: WEAKER ADP EMPLOYMENT DATA BECOMES KEY GAUGE AMID U.S. GOVERNMENT SHUTDOWN

GLOBAL

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

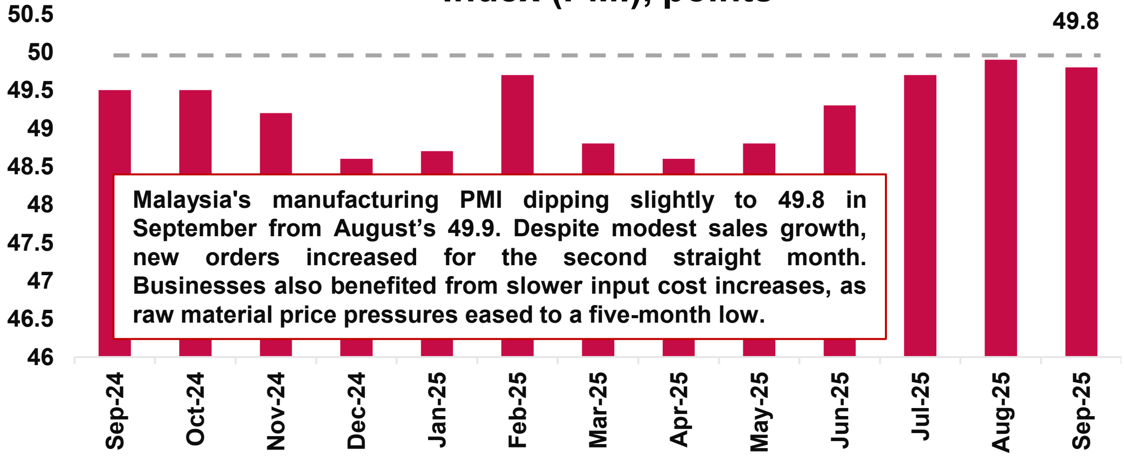


UK – Real Gross Domestic Product (GDP), y-o-y%

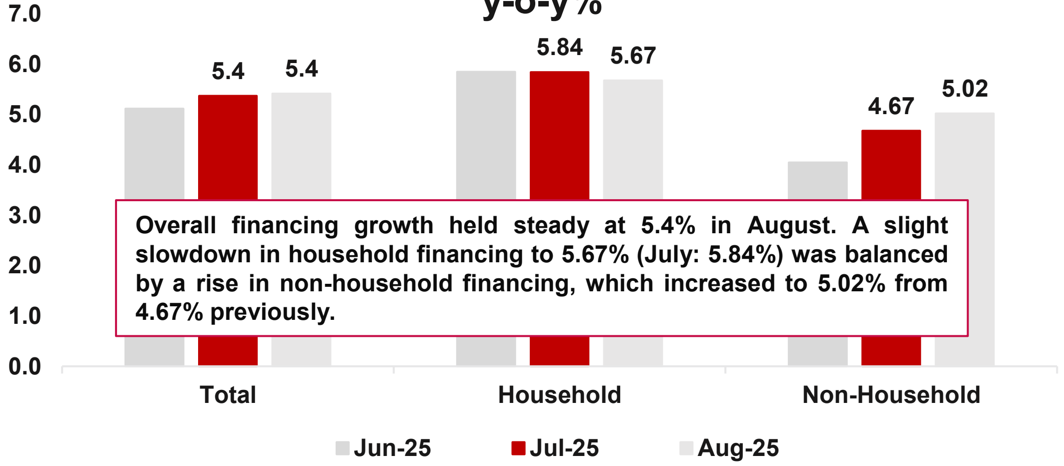


DOMESTIC

Malaysia – Manufacturing Purchasing Managers' Index (PMI), points

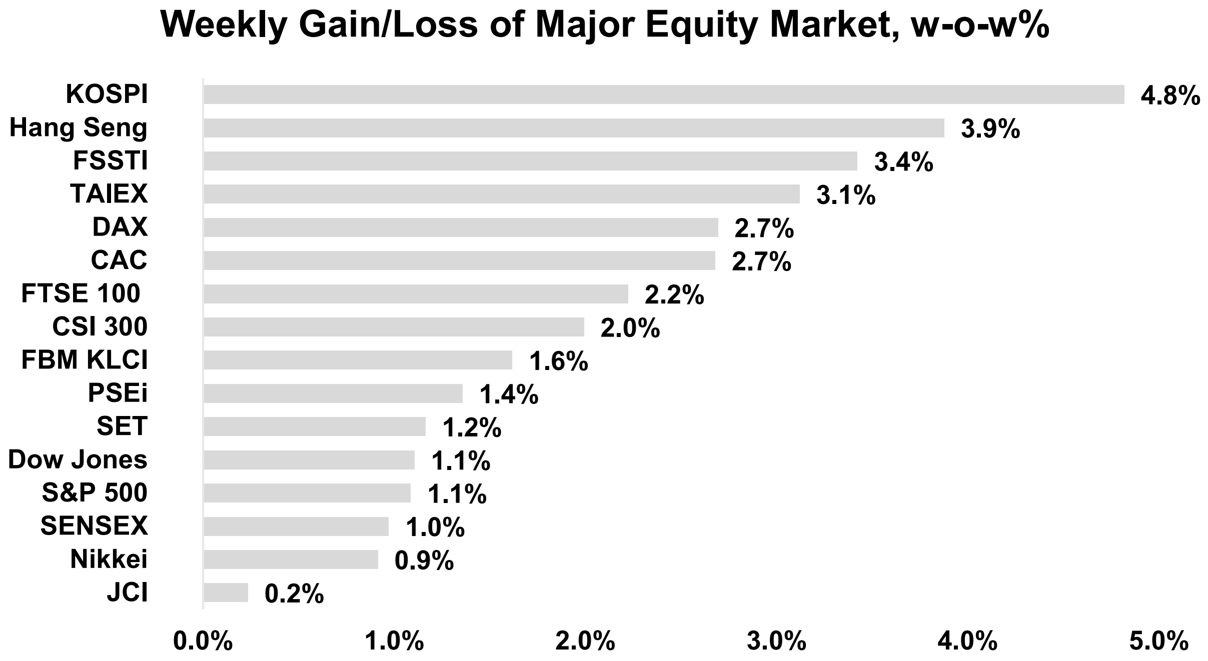


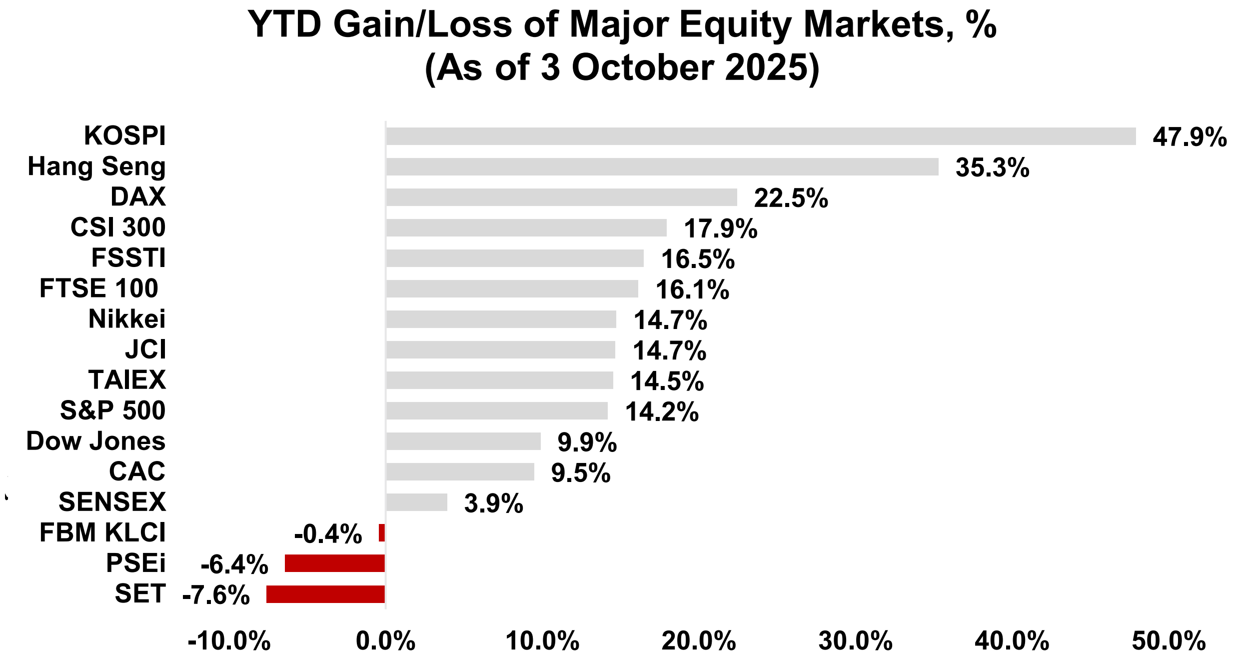
Financing Growth by Sector, y-o-y%



Sources: S&P Global, Bank Negara Malaysia (BNM), Statistics Indonesia, CEIC Data

REGIONAL EQUITY: OPENAI'S PARTNERSHIP WITH PROMINENT SOUTH KOREA TECH GIANTS LIFTED GLOBAL SENTIMENTS





Sources: Bursa, CEIC Data

- Global equities ended in the green for the week ending October 3, with South Korea's KOSPI leading the winners as it jumped by 4.8% w-o-w. Sentiments in the Korean market was lifted following the announcement of new strategic partnerships between tech giants, namely Samsung Electronics, SK and OpenAI, under OpenAI's Stargate initiative. These partnerships aim to increase the supply of advanced memory chips as well as expanding the data center capacity in South Korea, accelerating the development of the country's Artificial Intelligence (AI) infrastructure.
- The anticipated positive spillover of the partnership into the global technology landscape, which would spur broader AI advancement as a whole, led to renewed buying interest across global equity markets as investors eagerly positioned themselves for the long run.
- Meanwhile, the U.S. government shutdown has done little to dent risk appetite, with U.S. equities ending the week on a firm footing and demonstrating remarkable resilience despite the political uncertainty. The episode has instead strengthened expectations that the Fed may cut rates in both October and December to cushion a softening economy.

DOMESTIC EQUITY: LOCAL MARKET CLOSED IN A SEA OF GREEN AMID AI-DRIVEN RALLY

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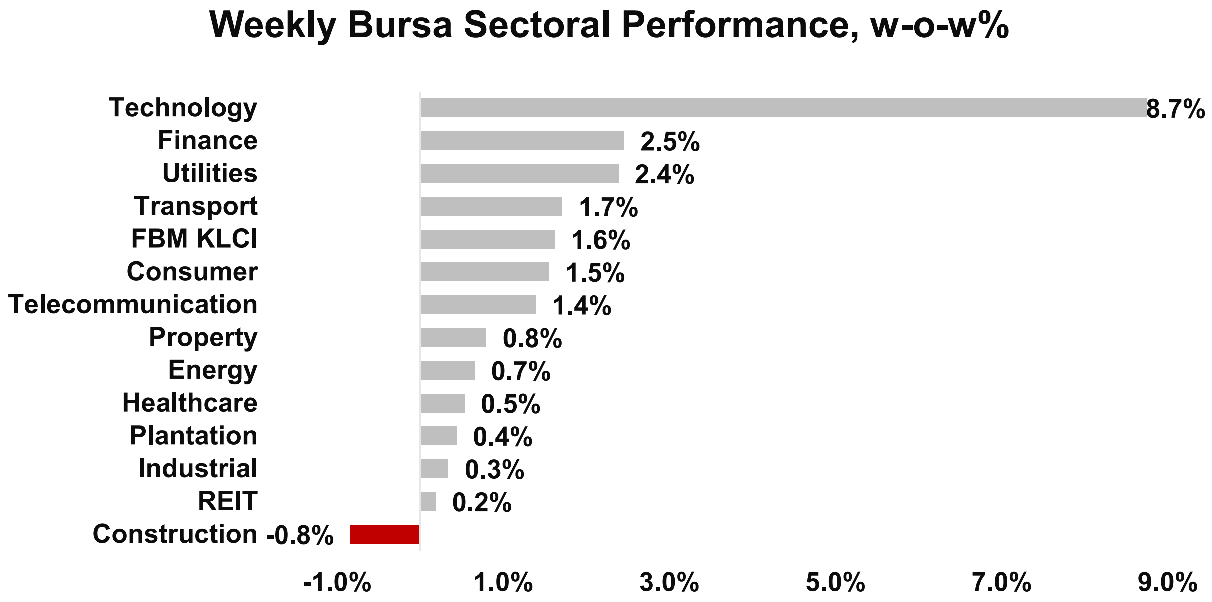

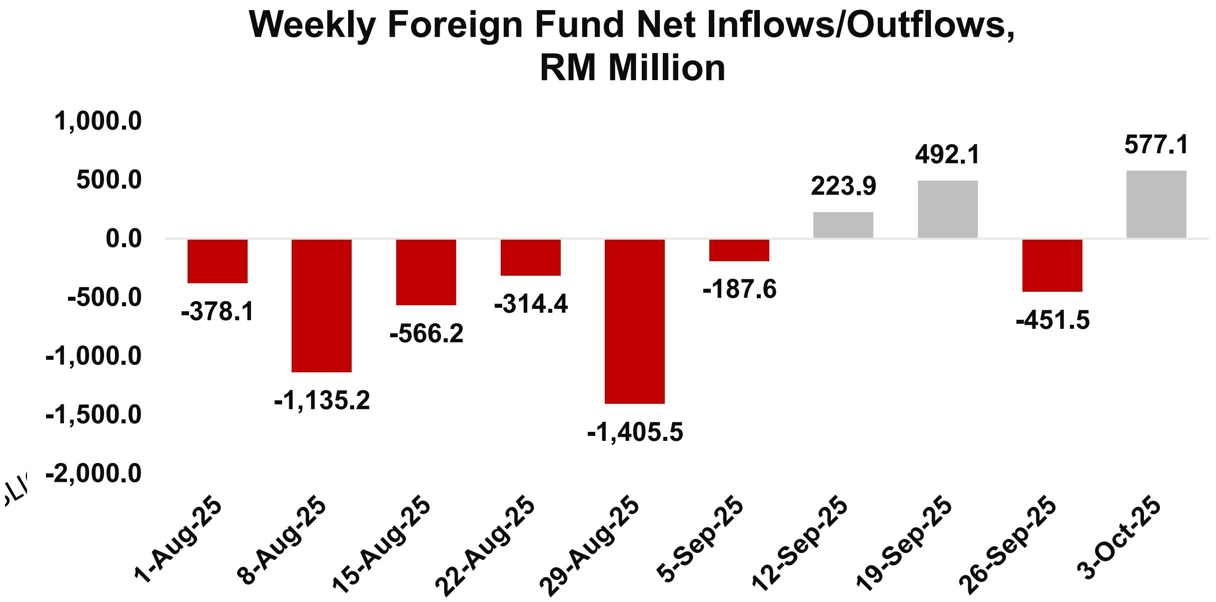

Sources: Bursa, CEIC Data

- The FBM KLCI surged 1.6% w-o-w for the week ending October 3, reaching 1,637.80 on Thursday, its highest level since December 2024. The index opened Friday on a strong note, jumping 20.93 points to 1,658.73 before easing slightly to close at 1,635.06.
- Such performance was propelled by weaker than expected private job report in the U.S., bolstering expectations of two more quarter-point cuts by the Fed this year and turning investors towards emerging market assets. Furthermore, renewed optimism surrounding the global AI sector took center stage, driving the momentum of the local market.
- As such, buying interest in tech-related stocks had drove the Technology index to surge by 8.7% w-o-w to an eight-month high, while the Finance (+2.5%) and Utilities (+2.4%) indices followed behind. On the flip side, the Construction index emerged as the only loser, declining by 0.8%.
- Foreign investors flooded back into the market, acquiring a total of RM577.1 million worth of equities and marking the highest net inflow since May 2025. This had reduced the cumulative net outflow thus far to RM16.4 billion.

FIXED INCOME: UST YIELDS FALL AMID WEAK DATA AND RISING POLICY UNCERTAINTY

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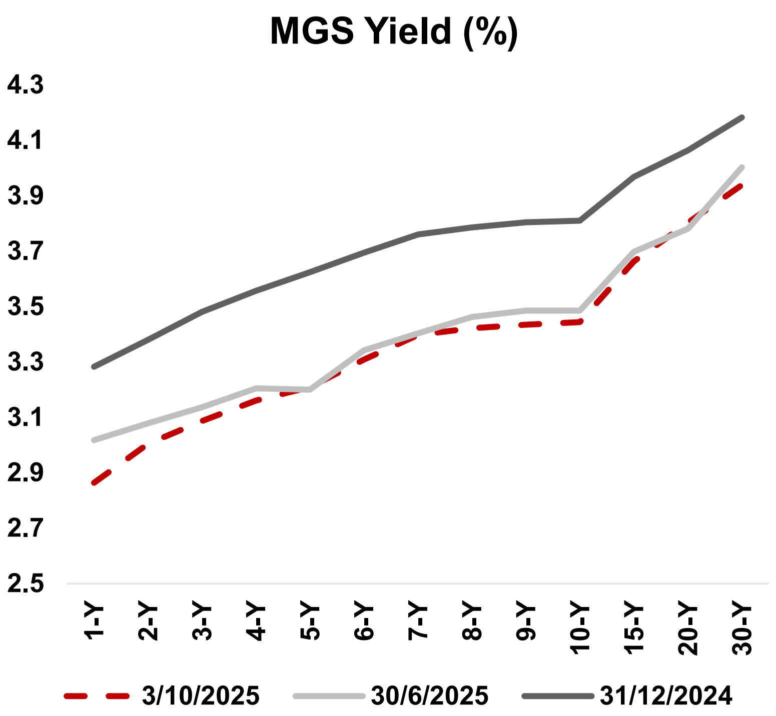
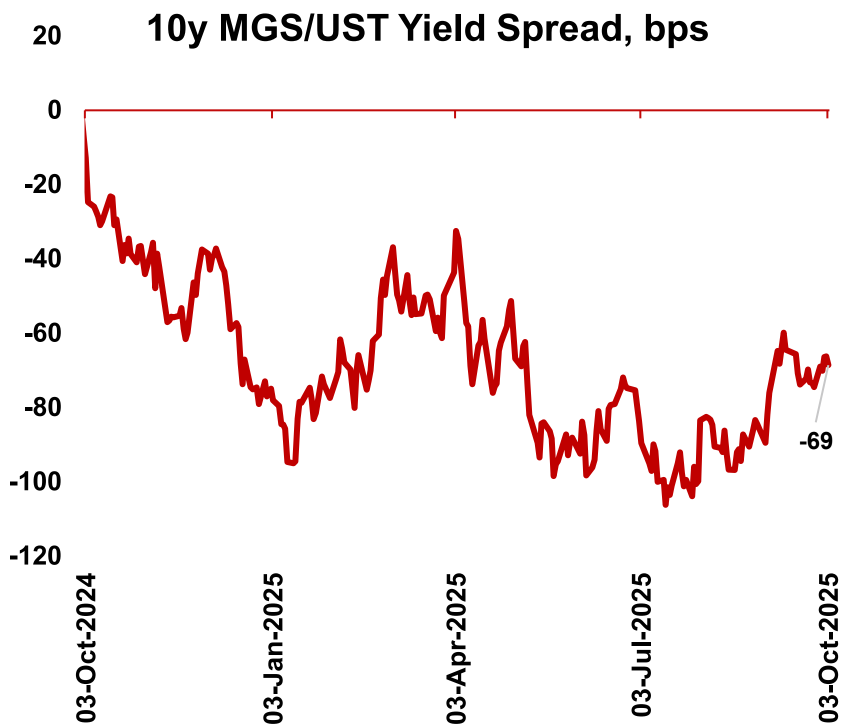
Weekly Changes, basis points (bps)

UST	Yields (%) 26-Sep-25	Yields (%) 3-Oct-25	Change (bps)
3-Y UST	3.66	3.59	-7
5-Y UST	3.76	3.72	-4
7-Y UST	3.96	3.90	-6
10-Y UST	4.20	4.13	-7
MGS	**Yields (%) 26-Sep-25**	**Yields (%) 3-Oct-25**	**Change (bps)**
3-Y MGS	3.11	3.09	-2
5-Y MGS	3.21	3.21	0
7-Y MGS	3.41	3.40	-1
10-Y MGS	3.46	3.44	-1
GII	**Yields (%) 26-Sep-25**	**Yields (%) 3-Oct-25**	**Change (bps)**
3-Y GII	3.15	3.13	-3
5-Y GII	3.23	3.23	-1
7-Y GII	3.37	3.34	-2
10-Y GII	3.50	3.48	-2

Sources: BNM, Federal Reserve Board





- The U.S. Treasury (UST) yields declined by 4bps to 7bps for the week ending October 03, as a softer ADP employment exerted downward pressure and a decline in consumer confidence in September fueled expectations of future Fed rate cuts. Growing signs of a slowdown in the U.S. economy have led investors to anticipate more aggressive easing. Meanwhile, the looming government shutdown has added to the overall sense of caution in the markets.
- Meanwhile, Malaysian Government Securities (MGS) and Government Investment Issues (GII) yields ended lower in the range of 1bps and 3bps.
- The 10y MGS/UST yield spread widened slightly in the negative territory at 69bps relative to -66bps in the previous week.

FX MARKET: RINGGIT ON TRACK FOR WEEKLY GAIN AMID U.S. GOVERNMENT SHUTDOWN

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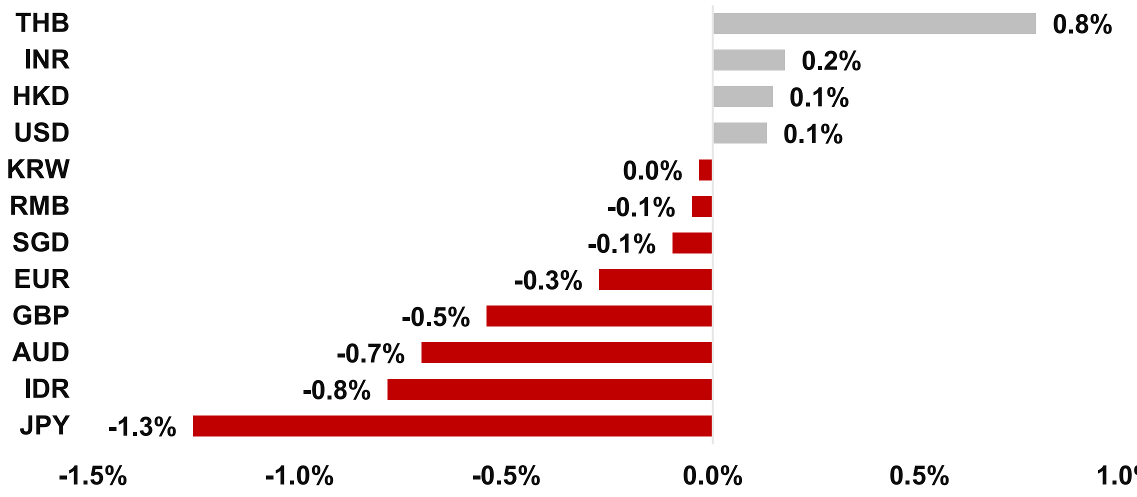
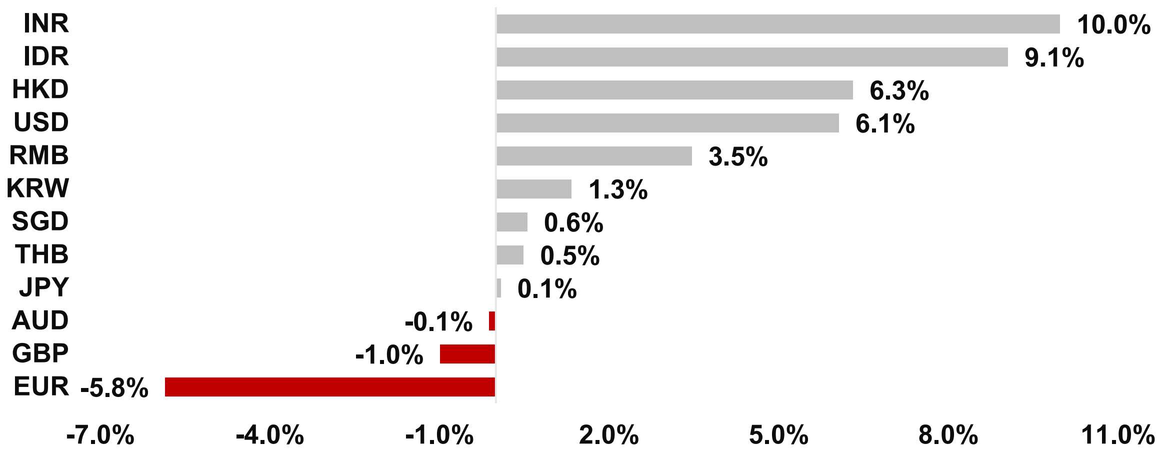
MYR Against Regional Currencies, w-o-w%



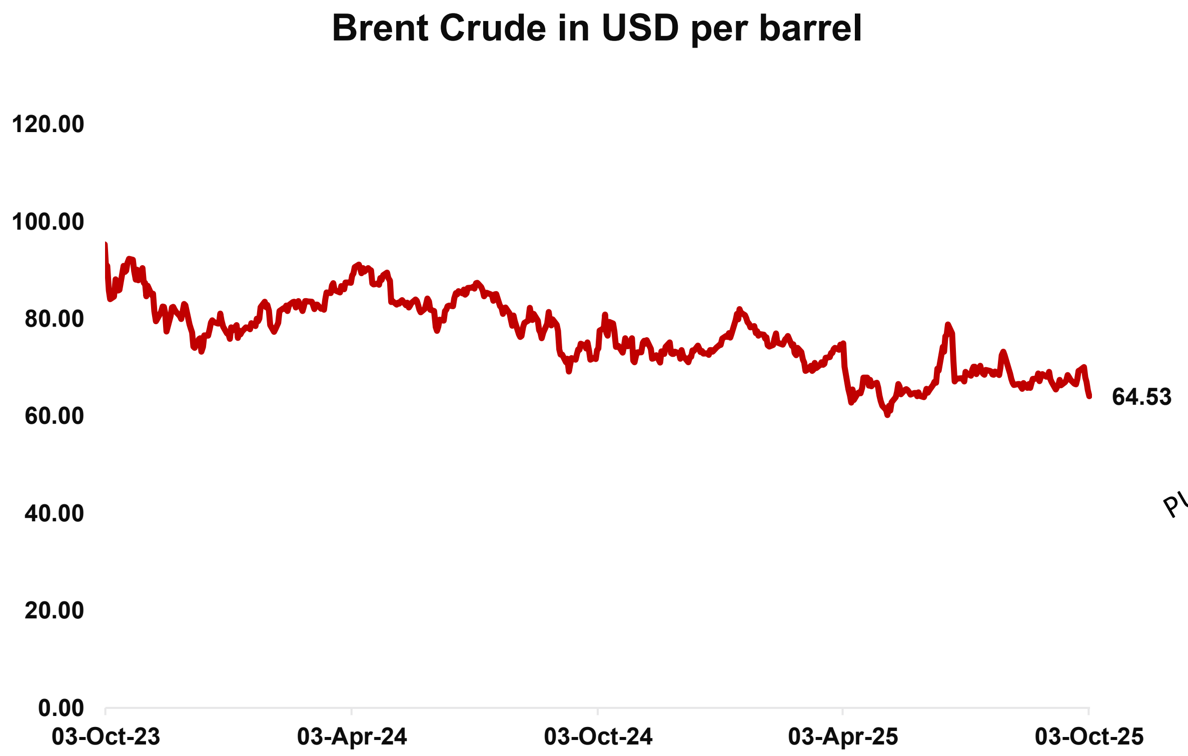
MYR Against Regional Currencies, YTD%
(As of 3 October 2025)

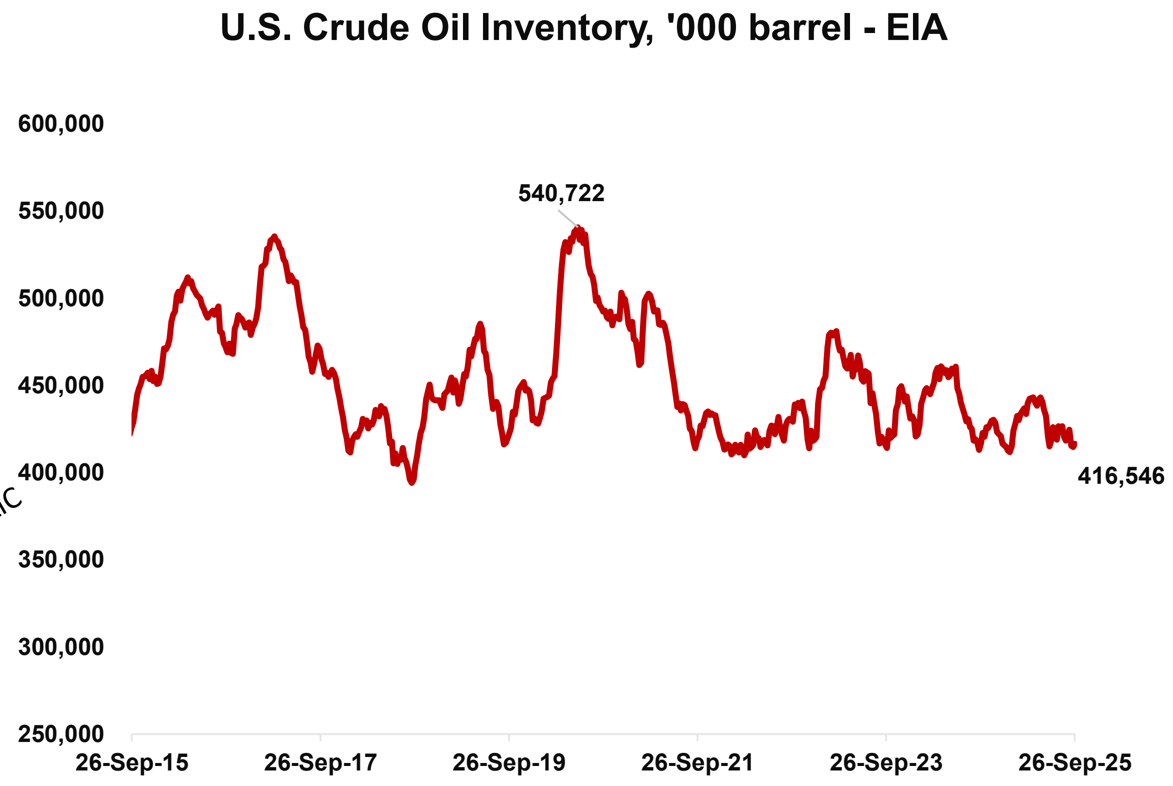


Sources: BNM, Federal Reserve Board (Fed), CEIC Data

- The Ringgit edged up by 0.1% w-o-w for the week ending October 3 as the USD index depreciated by 0.4%, dampened by a softer private job growth report.
- Following the U.S. government shutdown which delayed the key job market release from the Bureau of Labor Statistics (BLS), the ADP employment report came into the spotlight. Latest data showed that private payrolls declined by 32K in September, well below consensus estimates of a 50K increase and marking the sharpest job cuts since March 2023. Additionally, the figure for August was revised to reflect a 3K loss compared to the previous 54K growth, suggesting that the labor market momentum is far weaker than expected.
- Moreover, suspension of economic data releases, as well as broader uncertainties surrounding the length of the political shutdown, had clouded market visibility, adding downward pressure on the greenback.
- As such, markets have now fully priced in the likelihood of a 25 bp cut in the Fed's October meeting while expectations for a similar reduction in December have surged to above 86.0%, at the time of writing.
- Meanwhile, the US ISM Services Purchasing Managers' Index (PMI) fell to 50 points in September (August: 52.0), missing expectations of 51.7 points. This marks the neutral level – neither growth nor contraction – suggesting that activities in the services sector is stalling.

COMMODITY: BRENT OIL PRICES PLUNGE AMID RISING SUPPLY AND WEAKENING DEMAND SIGNALS



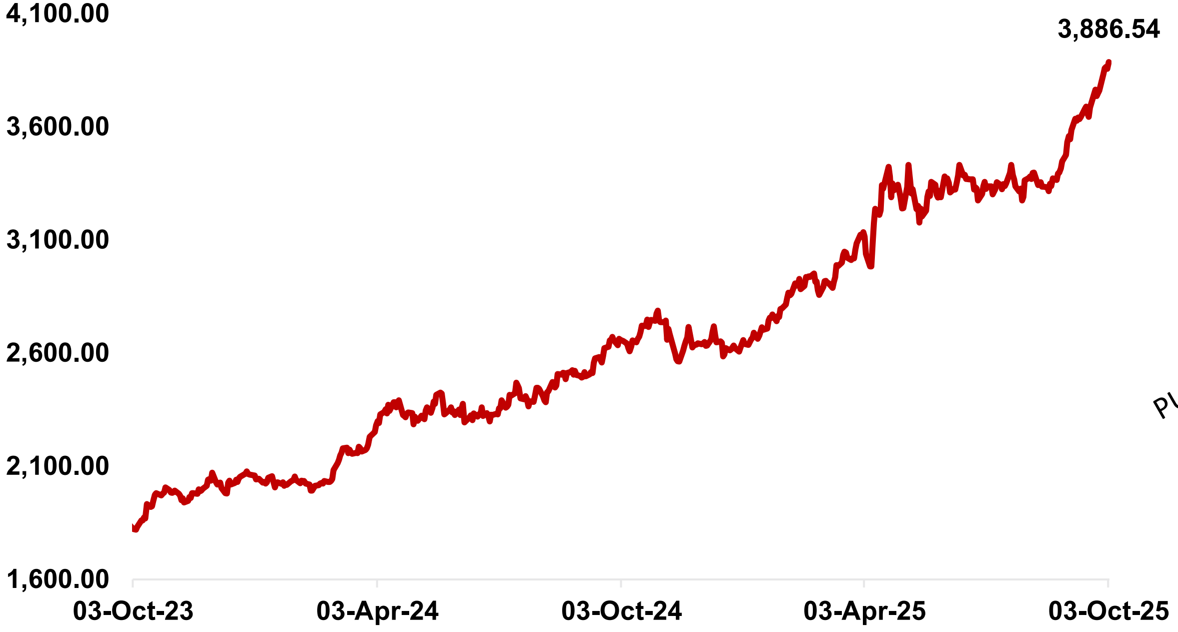


Sources: Bloomberg, Energy Information Administration (EIA)

- Oil prices fell sharply last week, marking their steepest weekly decline in over three months as market sentiment shifted on the supply outlook. Brent crude tumbled 8.0% w-o-w to USD64.53 per barrel on October 3, its largest drop since mid-2025, amid expectations of a potential OPEC+ output increase as Saudi Arabia and Russia signaled plans to raise production. Additionally, the anticipated resumption of oil flows through the Iraq–Kurdistan pipeline after a two-year halt further stoked concerns of a growing supply glut.
- Meanwhile, global demand indicators are softening as the end of summer marks a seasonal dip in refinery runs and overall fuel consumption. Combined with bearish U.S. inventory data and easing geopolitical risks from ongoing peace talks, sentiment remains weak.
- U.S. weekly crude inventories, increased by 1.8 million barrels to 416.5 million for the week ending September 26.

COMMODITY: GOLD PRICE MARKED YET ANOTHER RECORD HIGH, CLOSING IN ON THE USD3,900-LEVEL

Gold in USD per ounce



U.S. Dollar Index (DXY)

Sources: Bloomberg, CEIC Data

- The bullion price sustained its winning streak as it surged by 3.4% last week, marking a fresh high of USD3,886.54 on Friday, amid the U.S. government shutdown.
- Demand for the asset soared following intensifying uncertainties surrounding the Fed's policy outlook as key economic releases are suspended due to the shutdown, leading the central bank into their October meeting blind.

WHAT TO LOOK OUT FOR IN THE MARKETS THIS WEEK

- This week, the markets will continue to react to the uncertainties following the U.S. government shutdown starting last week. The U.S. market faces a week of uncertainty and potential volatility due to the government shutdown, which has triggered a critical data blackout starting with the key September jobs report. This lack of essential economic data will leave investors and the Federal Reserve navigating blindly, complicating the Fed's upcoming interest rate decision and likely forcing a pause. However, the ADP employment report has become a key proxy for labour market trends. The risks for the U.S. economy in the 4Q2025 are significantly elevated by the government shutdown as it could drag GDP growth through lost government spending, furloughed workers cutting back on personal spending, and delays in business permits and financing. Thus, the market will be focused on political negotiations in Washington this week, which any signs of a prolonged stalemate could fuel fears of greater economic damage.

- Meanwhile, market attention will turn to the announcement of Budget 2026 on Friday. As the first budget under the 13th Malaysia Plan, it is expected to set the tone for Malaysia's economic direction over the next five years. The government is likely to pivot towards long-term structural reforms, moving beyond short-term stimulus measures. Key priorities are expected to include a renewed push for fiscal consolidation, potentially supported by new revenue streams such as a targeted capital gains tax, alongside sustained investment in flagship national initiatives like the National Energy Transition Roadmap (NETR) and the New Industrial Master Plan 2030 (NIMP). The budget is also anticipated to integrate core elements of the Madani Economic Framework, reinforcing efforts to enhance economic competitiveness and social equity. While financial markets will be watching closely for the details of any new tax measures, the broader significance of Budget 2026 lies in its role as a strategic blueprint for Malaysia's medium-term growth and reform agenda.

- In New Zealand, the Reserve Bank of New Zealand (RBNZ) is widely expected to cut its Official Cash Rate, though the magnitude remains uncertain between a consensus 25 bps cut and a more aggressive 50 bps reduction. Recent economic data strongly supports dovish action, with 2Q2025 GDP contracting 0.9% y-o-y (worse than expected) and manufacturing PMI slipping into contraction territory. While the case for substantial easing is compelling given the stalling growth, the central bank may opt for a more cautious 25 bps cut this month, potentially reserving more aggressive action for November as they monitor additional data. The decision will likely reflect balancing the urgent need for stimulus against the risk of moving too aggressively before confirming the full extent of economic weakness.

THANK YOU