WEEKLY ECONOMIC UPDATE

7 JULY 2025

ECONOMIC RESEARCH

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WEEKLY HIGHLIGHT: GLOBAL MANUFACTURING BACK INTO EXPANSION ON RISING OUTPUT AND STABILIZING NEW ORDERS

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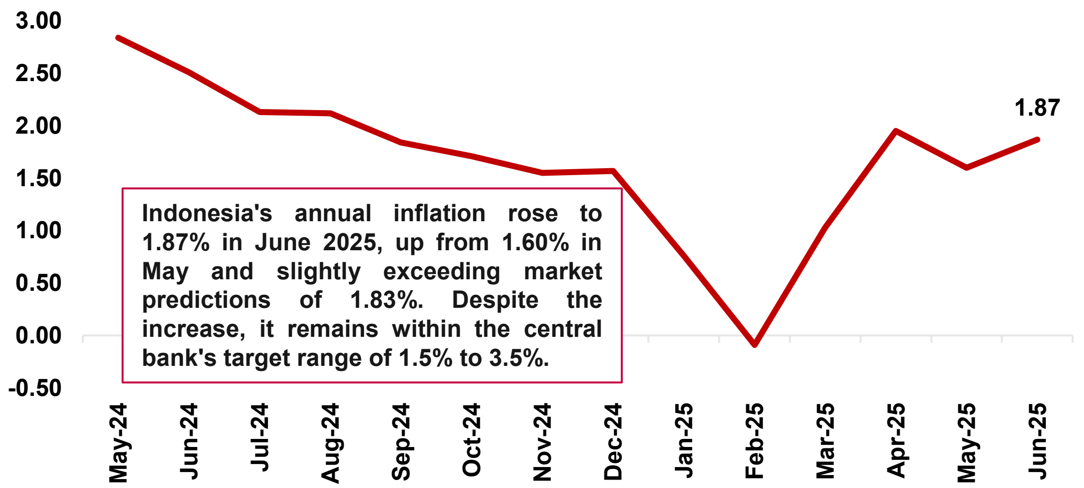
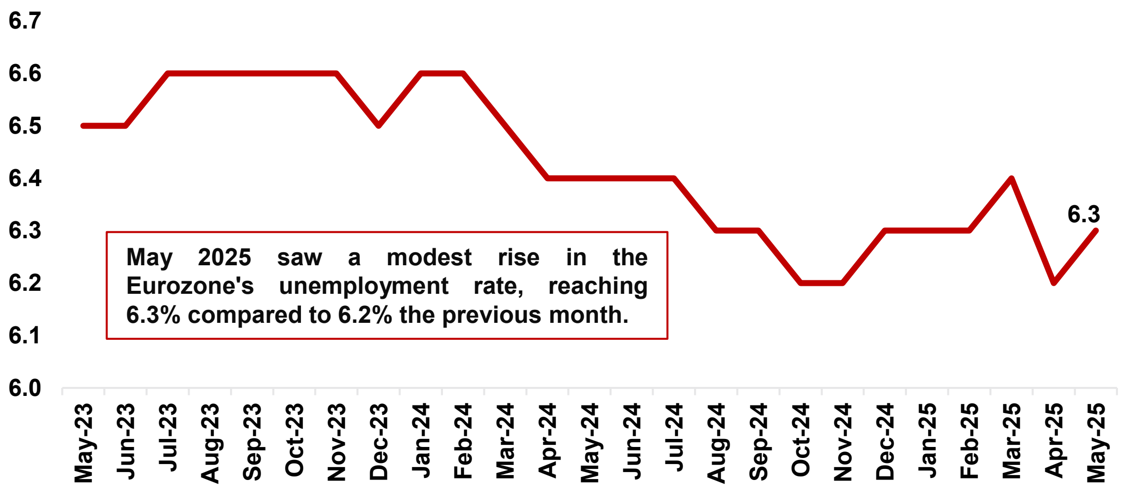
GLOBAL

Indonesia - Consumer Price Index (CPI), y-o-y%



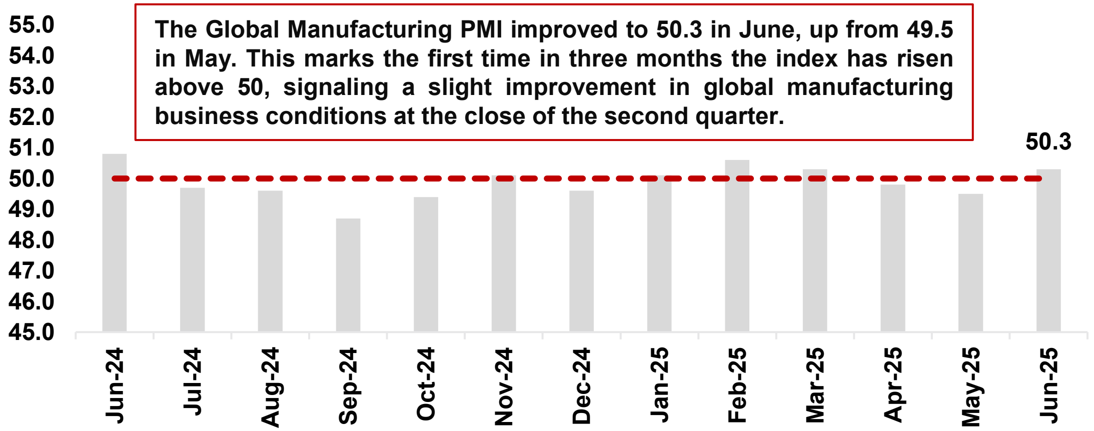
Indonesia's annual inflation rose to 1.87% in June 2025, up from 1.60% in May and slightly exceeding market predictions of 1.83%. Despite the increase, it remains within the central bank's target range of 1.5% to 3.5%.

Eurozone - Unemployment Rate, %



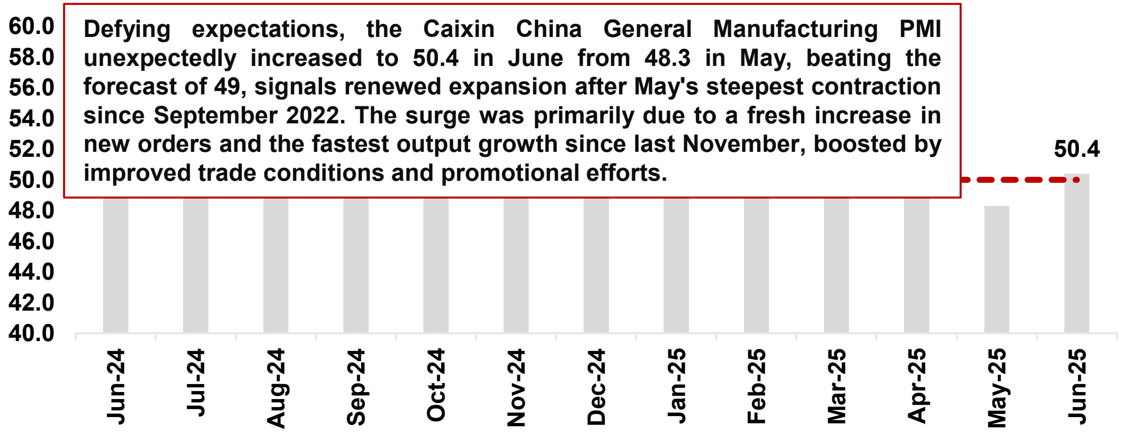
May 2025 saw a modest rise in the Eurozone's unemployment rate, reaching 6.3% compared to 6.2% the previous month.

Global Manufacturing Purchasing Managers' Index (PMI), points



The Global Manufacturing PMI improved to 50.3 in June, up from 49.5 in May. This marks the first time in three months the index has risen above 50, signaling a slight improvement in global manufacturing business conditions at the close of the second quarter.

China Manufacturing Purchasing Managers' Index (PMI), points



Defying expectations, the Caixin China General Manufacturing PMI unexpectedly increased to 50.4 in June from 48.3 in May, beating the forecast of 49, signals renewed expansion after May's steepest contraction since September 2022. The surge was primarily due to a fresh increase in new orders and the fastest output growth since last November, boosted by improved trade conditions and promotional efforts.

Sources: Statistics Indonesia, Eurostat and S&P Global

U.S. WEEKLY HIGHLIGHT: ROBUST LABOUR MARKET PROMPTED INVESTORS TO LOWER EXPECTATIONS FOR FED RATE CUTS

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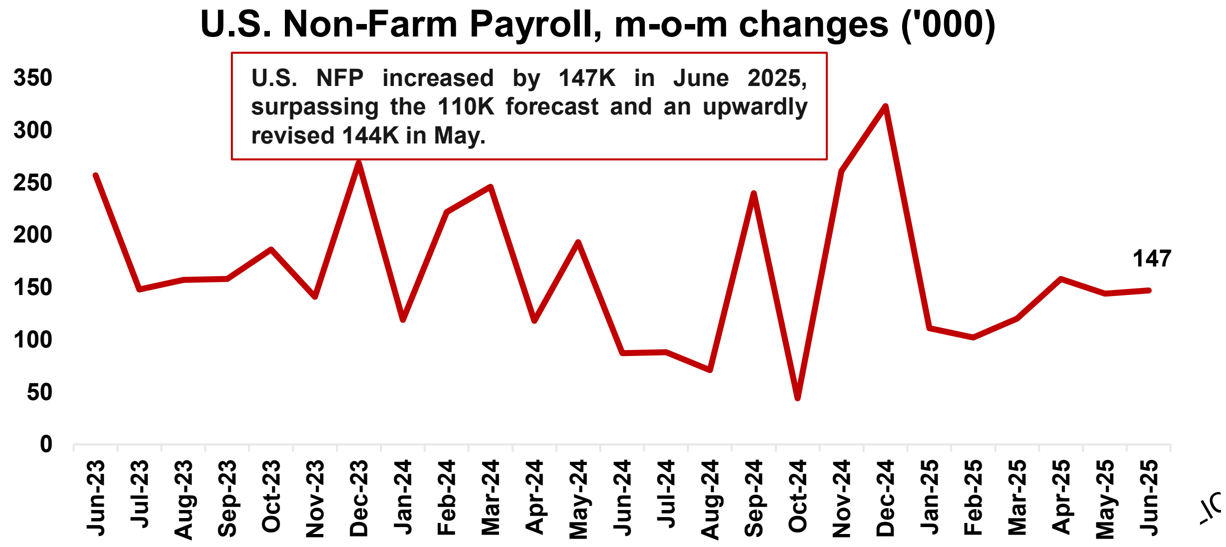
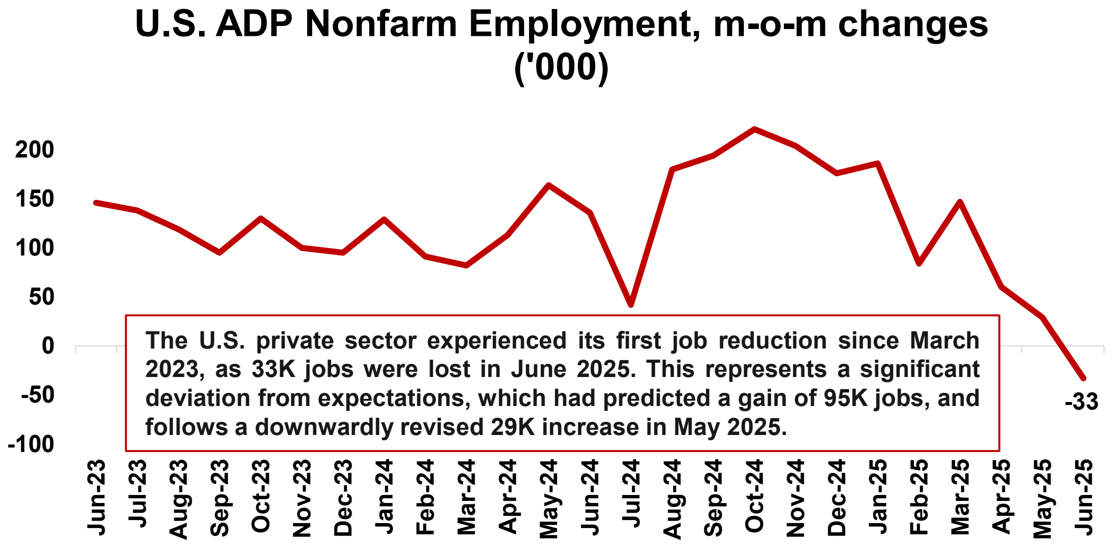
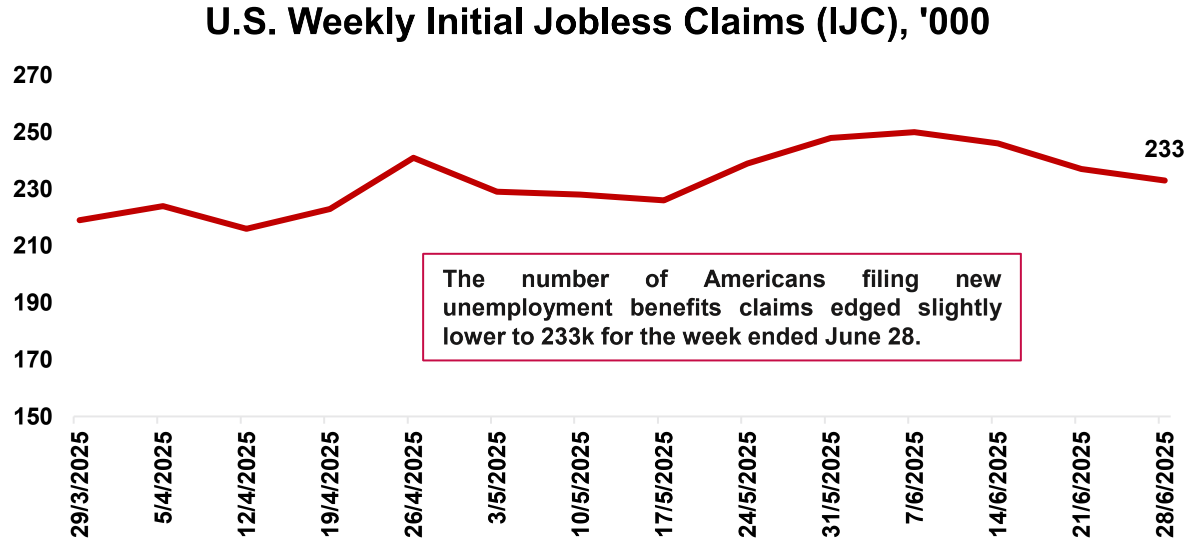
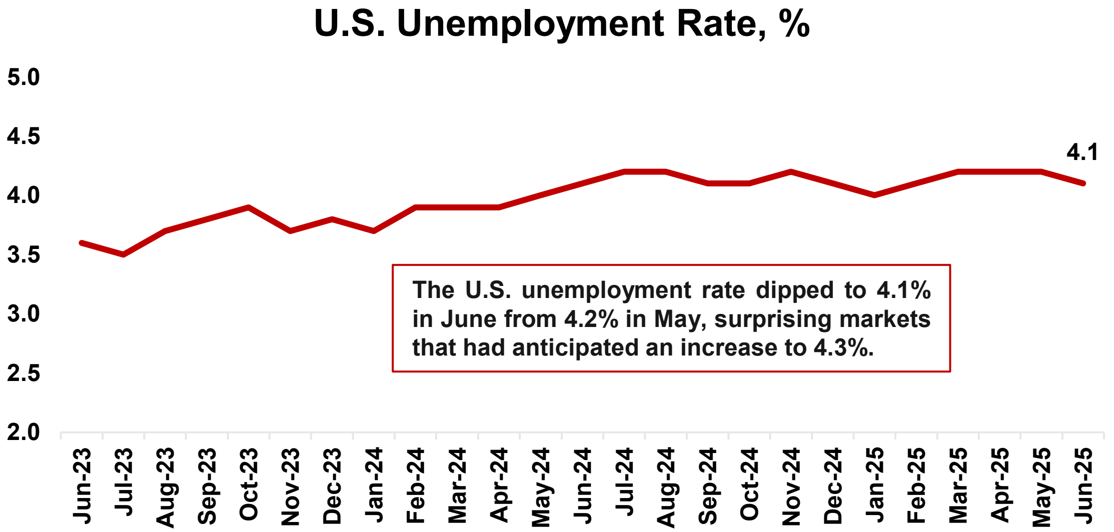


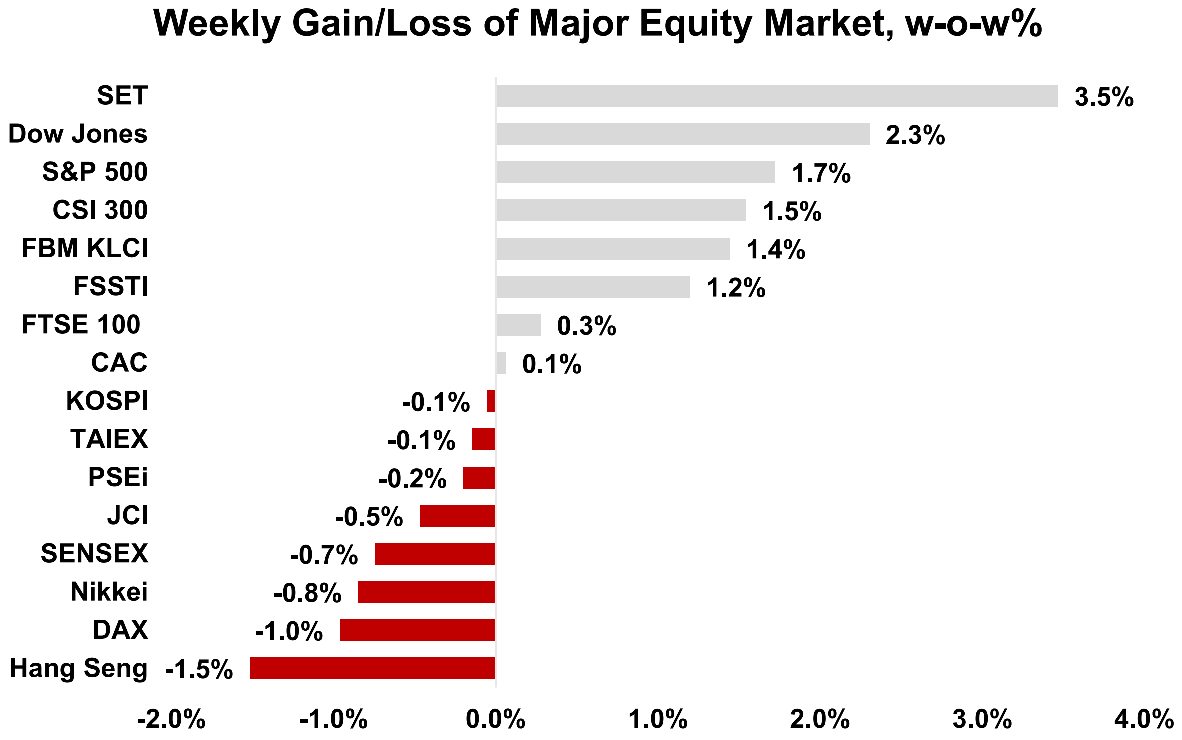


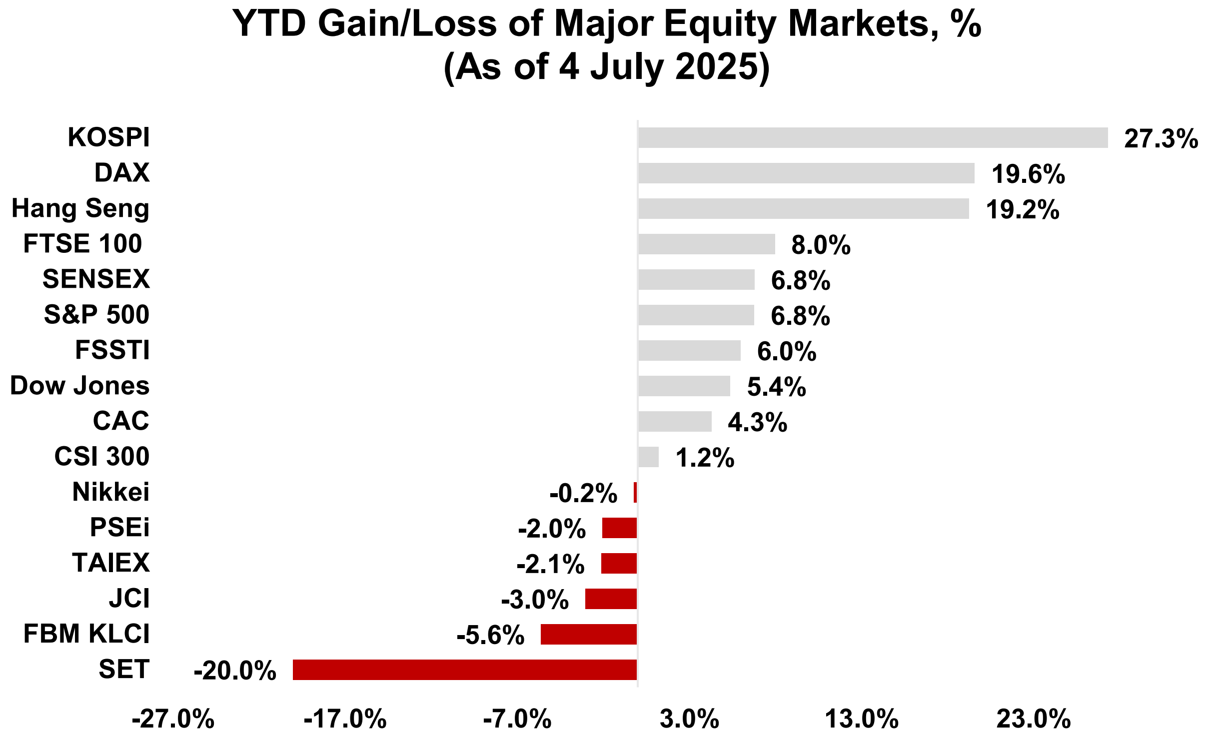




Sources: U.S Bureau of Labor Statistics, U.S. Department of Labor

REGIONAL EQUITY: U.S JOBS REPORT AND THAILAND'S POLITICAL STABILITY DRIVE EQUITY GAINS IN MIXED WEEK





Sources: Bursa, CEIC Data

- The regional equity index were mixed for the week ending July 4 with Thailand's SET as the major gainer, growing by 3.5% as Thailand's political landscape remains steady, largely due to the People's Party expressing its readiness to support a new Prime Minister election, aiming to prevent any governmental void.
- U.S. stocks – Dow Jones (+2.3%) and S&P 500 (+1.7%) climbed amid confidence in the economy was bolstered by a strong June jobs report, reinforcing the notion of a resilient economy. This positive sentiment translated into significant gains, particularly in the technology sector. Broader market enthusiasm was supported by advancements in a U.S.-Vietnam trade deal and the near-final House approval of President Trump's USD3.4 trillion tax-and-spending bill.
- In contrast, Hong Kong's Hang Seng (-1.5%), Germany's DAX (-1.0%) and Japan's Nikkei (-0.8%) were the biggest losers for the week ending July 4.

DOMESTIC EQUITY: LOCAL MARKET ENDED IN THE POSITIVE TERRITORY AS FOREIGN INVESTORS RETURNED

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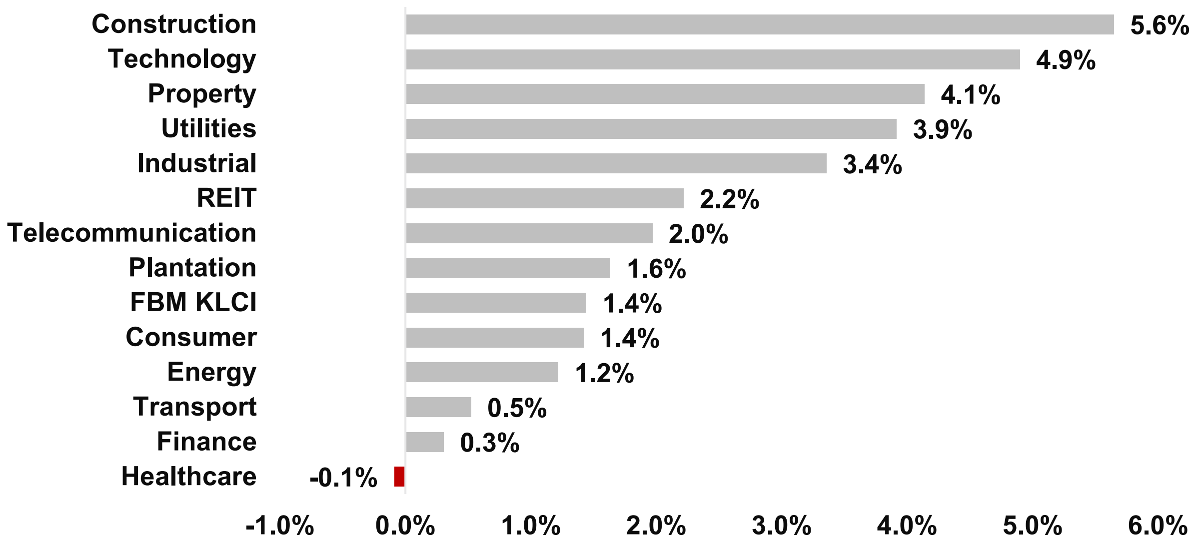

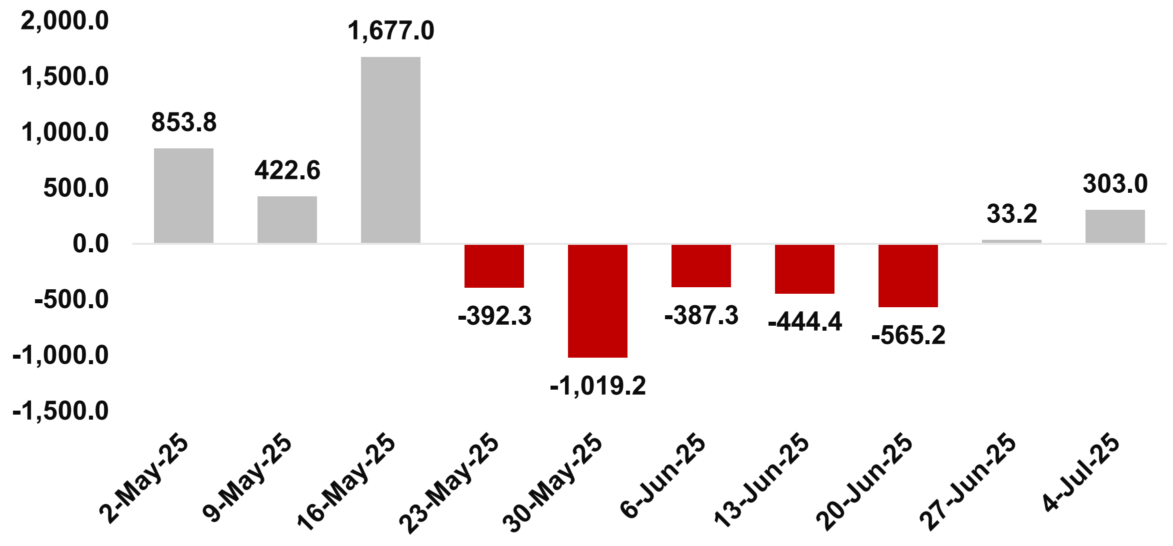

Sources: Bursa, CEIC Data

- The FBM KLCI soared by 1.4% w-o-w for the week ending July 4 amid bargain hunting activities following its downbeat performance previously.
- Investor sentiments slowly recovered last week, buoyed by the recent trade deal between U.S. and Vietnam which increased demand for technology stocks among emerging markets. Additionally, the plateauing tensions in the Middle East alongside Trump's claims that Israel had agreed to a 60-day ceasefire had further supported investors' buying interest.
- Most Bursa indices closed in the green with the Construction index surging by 5.6%, followed by the Technology (+4.9%) and Property indices (+4.1%). Notably, the Utilities index (+3.9%) rose to the highest level in more than five months while the REIT index (+2.2%) marked the strongest level last seen in March 2020. Meanwhile, the Healthcare index was the only loser, dipping by 0.1% w-o-w.
- Foreign investors marks the highest level of net buying in seven weeks, acquiring a total of RM303.0 million worth of equities. This had reduced the cumulative net outflow thus far to RM12.5 billion.

FIXED INCOME: SOLID JOBS REPORT DRAGGED UST YIELDS UPWARDS

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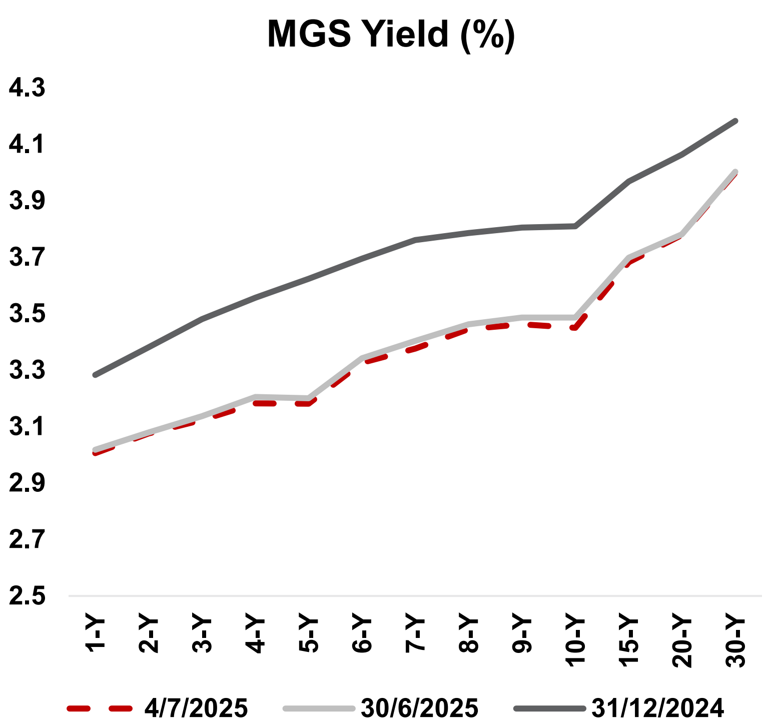
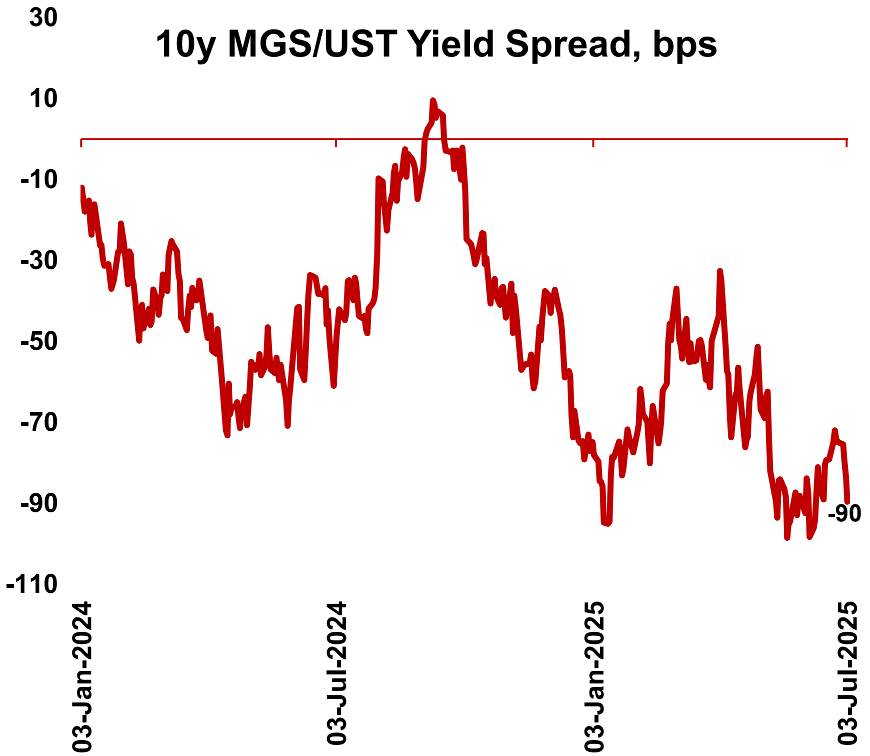
Weekly Changes, basis points (bps)			
UST	Yields (%) 27-Jun-25	Yields (%) 3-Jul-25	Change (bps)
3-Y UST	3.72	3.84	12
5-Y UST	3.83	3.94	11
7-Y UST	4.03	4.12	9
10-Y UST	4.29	4.35	6
MGS	Yields (%) 26-Jun-25	Yields (%) 4-Jul-25	Change (bps)
3-Y MGS	3.13	3.12	-1
5-Y MGS	3.20	3.18	-1
7-Y MGS	3.39	3.38	-2
10-Y MGS	3.51	3.45	-6
GII	Yields (%) 26-Jun-25	Yields (%) 4-Jul-25	Change (bps)
3-Y GII	3.15	3.15	0
5-Y GII	3.28	3.26	-2
7-Y GII	3.39	3.37	-1
10-Y GII	3.52	3.50	-2

Sources: BNM, Federal Reserve Board





- The U.S. Treasury (UST) yields surged by between 6bps and 12bps as a robust jobs report has prompted investors to reduce their expectations for Federal Reserve (Fed) rate cuts in the current year. Traders have now removed any anticipation of a July rate cut, and the odds of a September reduction have declined to approximately 80%, a notable drop from prior certainties. This change in market sentiment aligns with Fed Chair Powell's consistent advocacy for a patient and cautious approach.
- On the other hand, Malaysian Government Securities (MGS) and Government Investment Issues (GII) yields were mostly declined in the range of 1bp and 6bps except for 3-Y GII yields which plateaued to close at 3.15%.
- The 10y MGS/UST yield spread widened in the negative territory at 90bps relative to -75bps in the previous week.

FX MARKET: RINGGIT TO TRADE CAUTIOUSLY AS MARKETS AWAIT TRUMP'S TARIFF LETTERS

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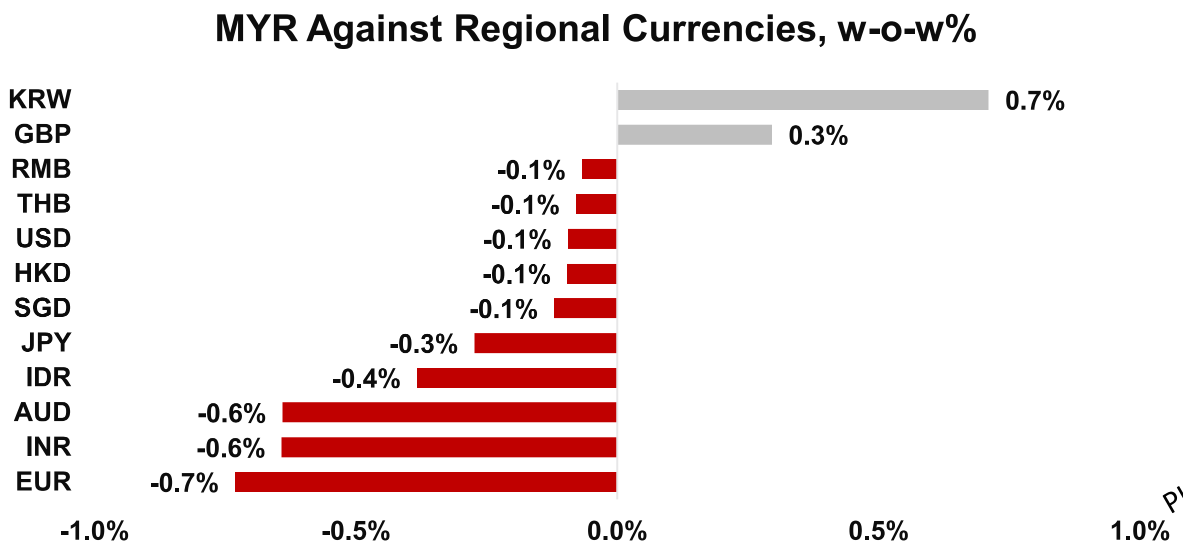

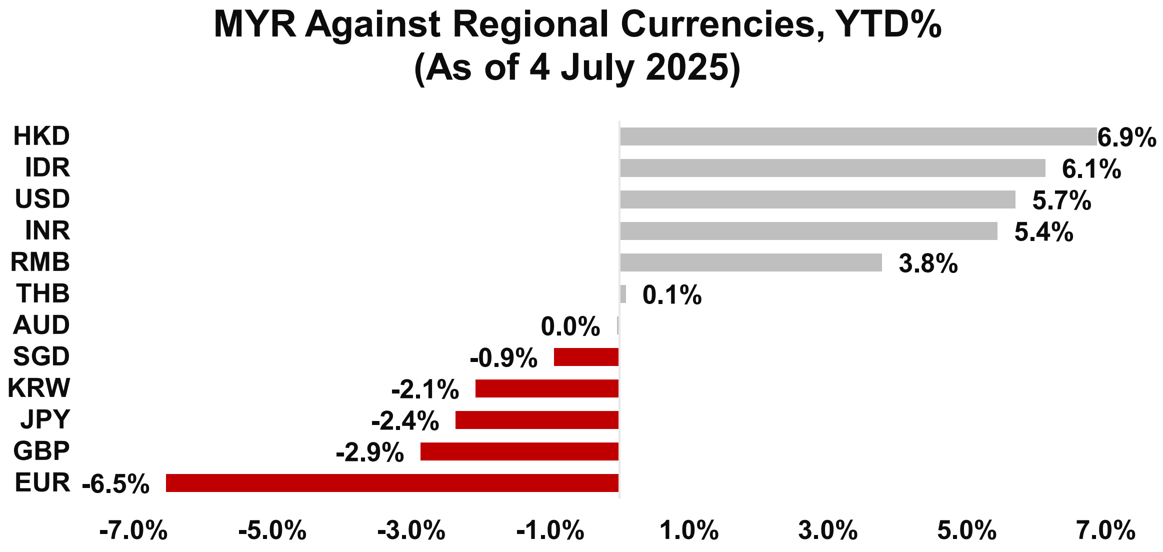

Sources: BNM, U.S. Bureau of Labor Statistics (BLS), CEIC Data

- The Ringgit depreciated slightly by 0.1% w-o-w against the USD (RM4.23) for the week ending July 4 despite similar weakness of the USD index as it slipped by 0.2% w-o-w, dragged by downbeat consumer sentiments amid the implementation of the SST revision.
- Meanwhile, the movement of the USD was dominated by heightened concerns surrounding the U.S. fiscal outlook following the passage of Trump's sweeping tax cut and spending bill through respective bodies until it was signed into law by Trump on Friday. This development had caused jitters through markets as it will significantly worsen the government's trillions dollar debt and widening its budget deficit, exerting the pressure on USD while UST yields trend higher.
- On the trade front, as Trump's 9th July deadline for affected trade partners to negotiate bilateral deals with the U.S. approaches, Trump threw another curveball into the field. On Thursday, he stated that it is "much easier to send a letter" following some snags and setbacks across several discussions, pivoting to unilaterally impose tariffs on his trade partners. In latest news, Trump announced that he had signed 12 letters which are set to be sent out on Monday.
- These developments eclipsed favourable figures attesting to the continued resilience of the U.S. job market as Nonfarm Payrolls (NFP) surged above estimates in June (147K vs. Est: 110K), slashing market bets of a July rate cut.

COMMODITY: BRENT OIL STEADY AMID TARIFF UNCERTAINTY AND OPEC+ OUTPUT PLANS

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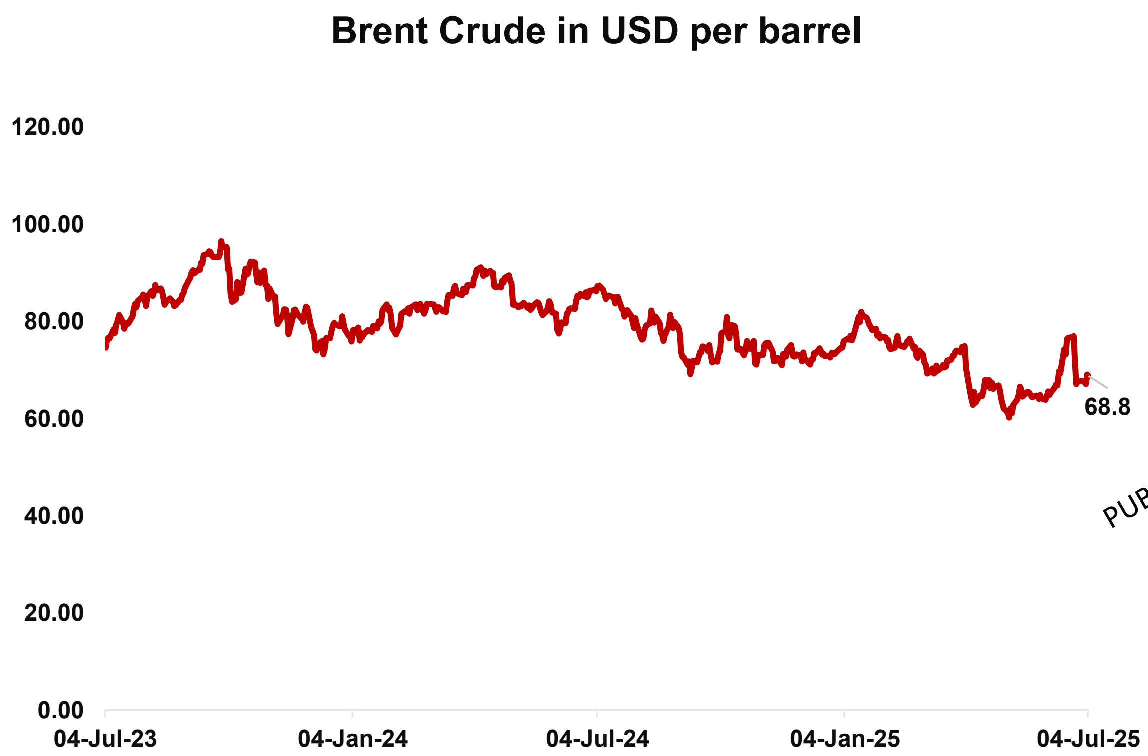
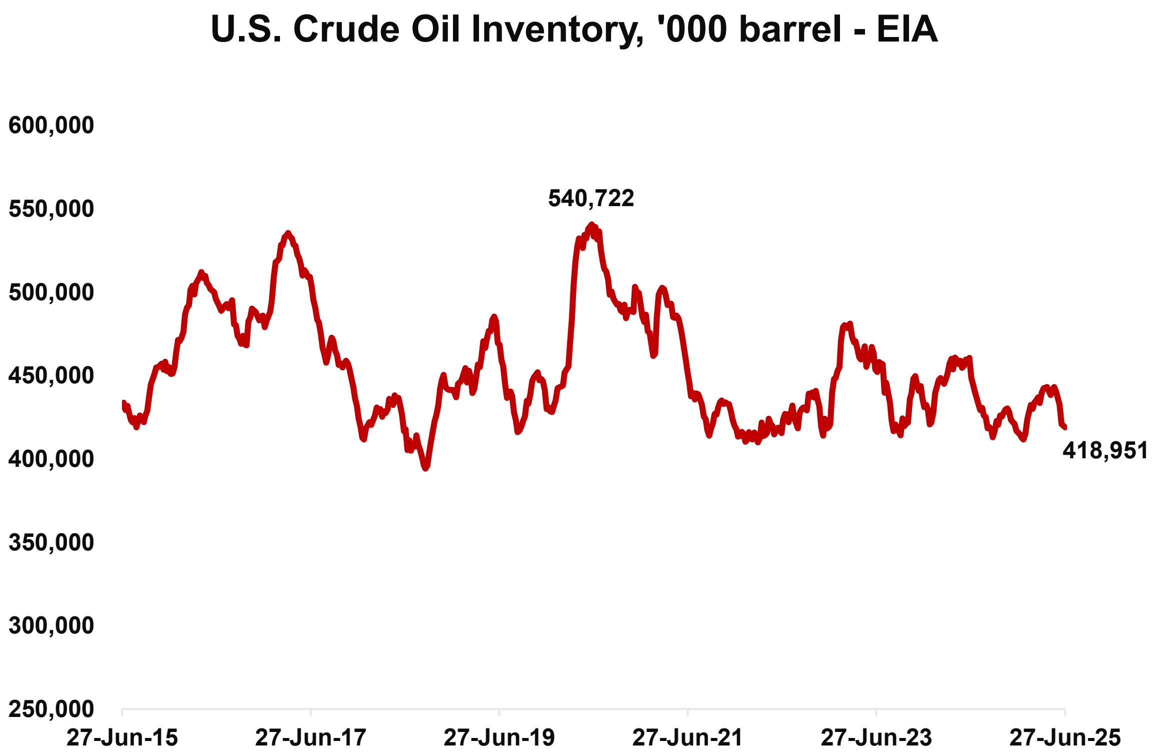
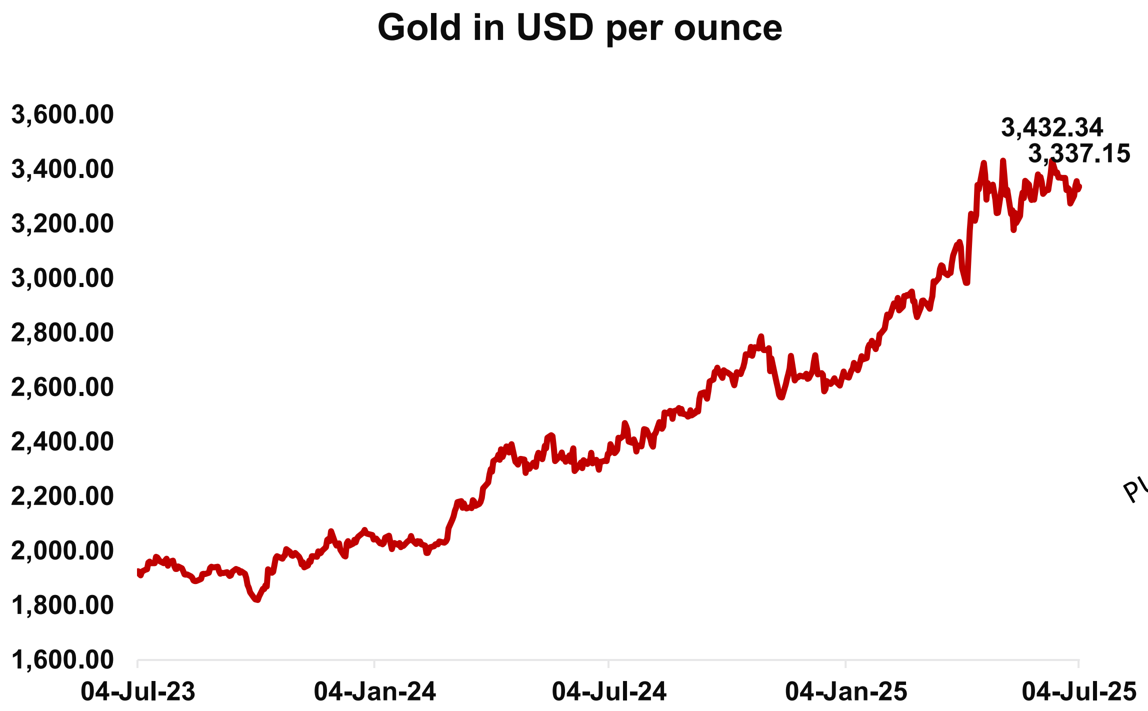


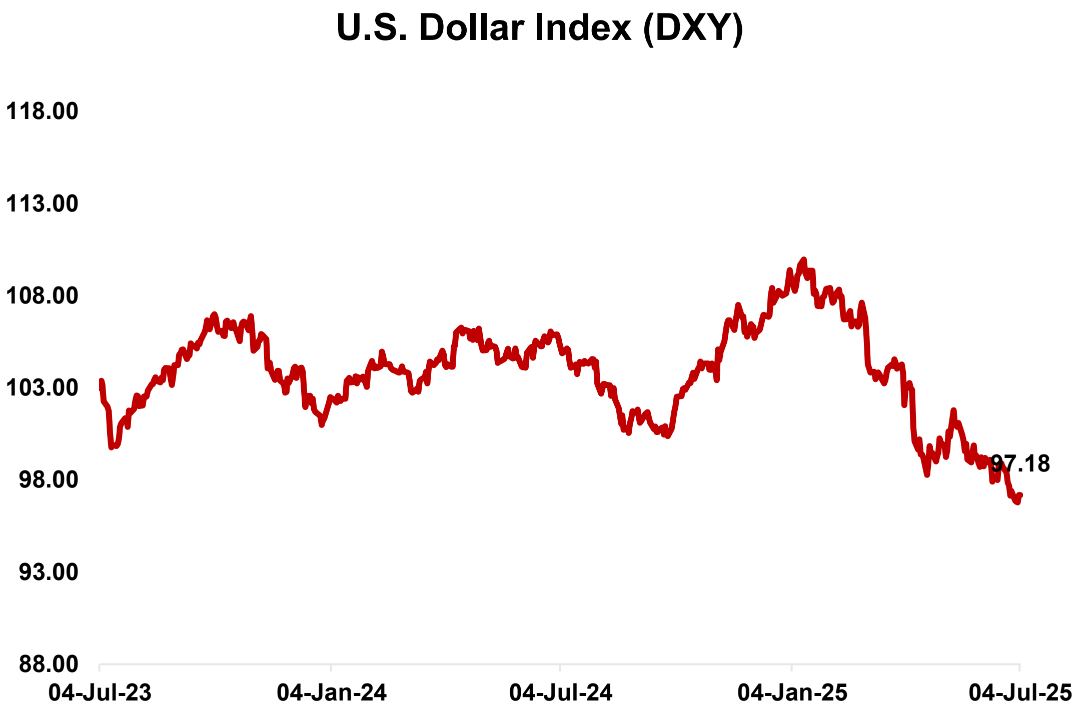


Sources: Bloomberg, Energy Information Administration (EIA)

- On Friday (July 4), oil prices remain relatively unchanged in light trading due to the U.S. Independence Day holiday. Brent crude settled at USD68.8 per barrel, posting a 1.5% weekly gain after a significant 12.0% drop in the previous week. Investors are awaiting clarity on Trump's plan regarding tariffs on various countries. The administration's approach to imposing or adjusting tariffs could have notable implications for global trade, and consequently, oil demand. Additionally, OPEC+ is anticipated to announce an increase of 411,000 barrels per day in production for August, raising concerns about potential oversupply in the market.
- U.S. crude stockpiles declined by 2.0 million barrels, reaching 419.0 million barrels for the week ending June 27.

COMMODITY: GOLD PRICE ON TRACK FOR WEEKLY LOSS, DRAGGED BY A STRONG USD





Sources: Bloomberg, CEIC Data

- The bullion price surged by 1.9% w-o-w for the week ending July 9 as the global trade landscape was again rocked by Trump's surprise announcement of imposing unilateral tariff on U.S. trade partners despite ongoing negotiations with the mentioned letters to be sent out on Monday.
- However, the 9th July deadline remains in place and the uncertainties of how this situation will play out prompted increased demand for safe haven assets.

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WHAT TO LOOK OUT FOR IN THE MARKETS THIS WEEK

- Market volatility is expected to rise this week as the 90-day pause on higher tariff nears its end. The previous shift to a 10% baseline tariff effectively delayed immediate concerns and allowed investors to temporarily set aside fears about any potential hit to economic activity. However, with the pause expiring, uncertainty may return sharply, adding to the pressure, Trump revealed that the letters outlining new tariff terms for 12 countries have been signed and will be sent out today. So far, we have seen widespread downgrades to GDP forecast linked to trade uncertainty. The International Monetary Fund (IMF) recently cut its 2025 global growth forecast to 2.8% from 3.3%, with around 70% of economies seeing downward revisions. President Trump has also signaled that he does not intend to extend the tariff pause, implying that countries without finalized trade agreements with the U.S. may soon face additional tariff hikes.

- Bank Negara Malaysia (BNM) is scheduled to announce its Overnight Policy Rate (OPR) decision on July 9. According to Bloomberg, traders are now pricing in a 40% probability of a rate cut within the next three months. Expectations are rising for Malaysia's central bank to lower interest rates at its July 9 policy meeting, which coincides with the deadline for countries to secure trade agreements with the US to avoid sweeping tariffs. We believe BNM is expected to adopt a cautious stance, emphasizing the need to support economic growth amid external uncertainties. BNM may also acknowledge inflationary risks from SST expansion and the upcoming subsidy rationalization. Any adjustment on the rate could influence the ringgit and local equity markets. For now, we maintain our view that the OPR will remain unchanged at 3.0%, as domestic demand remains healthy, supported by a stable unemployment rate and wage growth that continues to drive private consumption, coupled with relatively low inflation. However, external headwinds, including weak global demand and trade uncertainties, pose downside risks to growth.

- This week, on July 8, the Reserve Bank of Australia (RBA) is set to announce its interest rate decisions. According to a Reuters poll, the RBA is expected to implement a third consecutive rate cut, reducing the official cash rate by 25 basis points to 3.60%. This anticipated move is in response to easing inflation and slower economic growth. Australia's economy grew only 0.2% q-o-q in Q1 2025, down from 0.6% in Q4 2024, prompting further policy easing. The RBA's decision and accompanying statement will be closely watched for indications of future monetary policy directions.

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THANK YOU