



WEEKLY ECONOMIC UPDATE

8 JUNE 2026

ECONOMIC RESEARCH

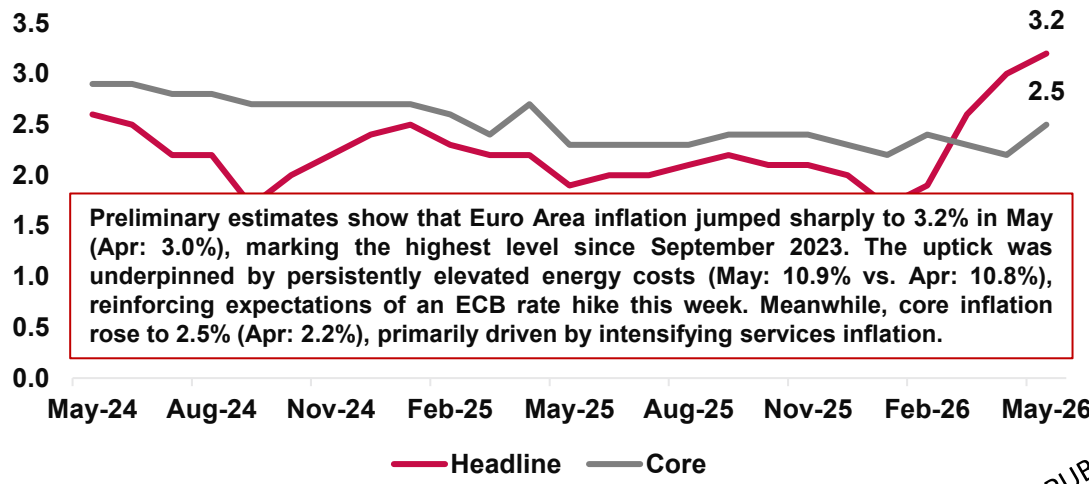
IMRAN NURGINIAS IBRAHIM
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KHAYRIN FARZANA FAZLI

WEEKLY HIGHLIGHT: EUROZONE INFLATION UPTICK REAFFIRMS EUROPEAN CENTRAL BANK (ECB) RATE HIKE

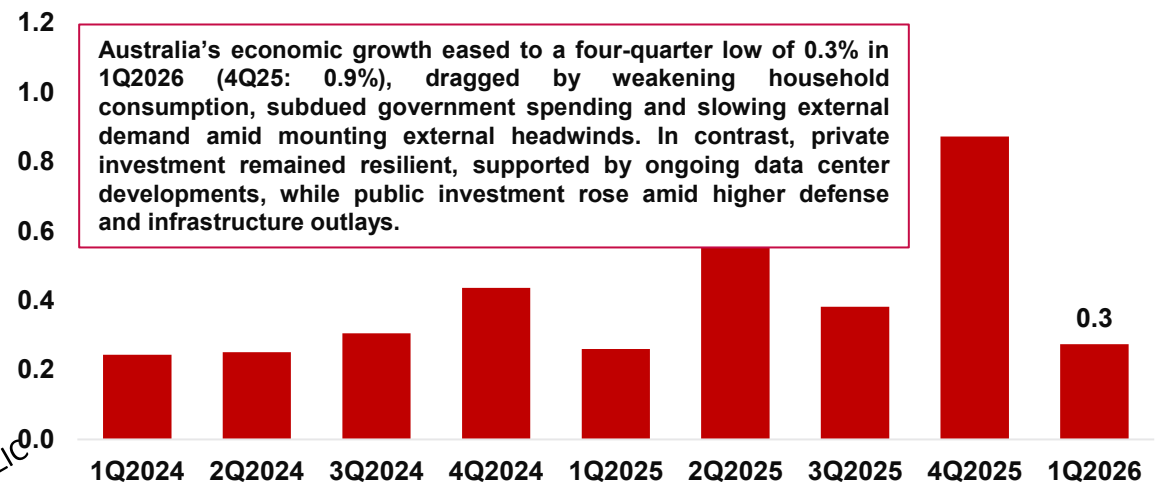


GLOBAL

Euro Area – Consumer Price Index (CPI), y-o-y%

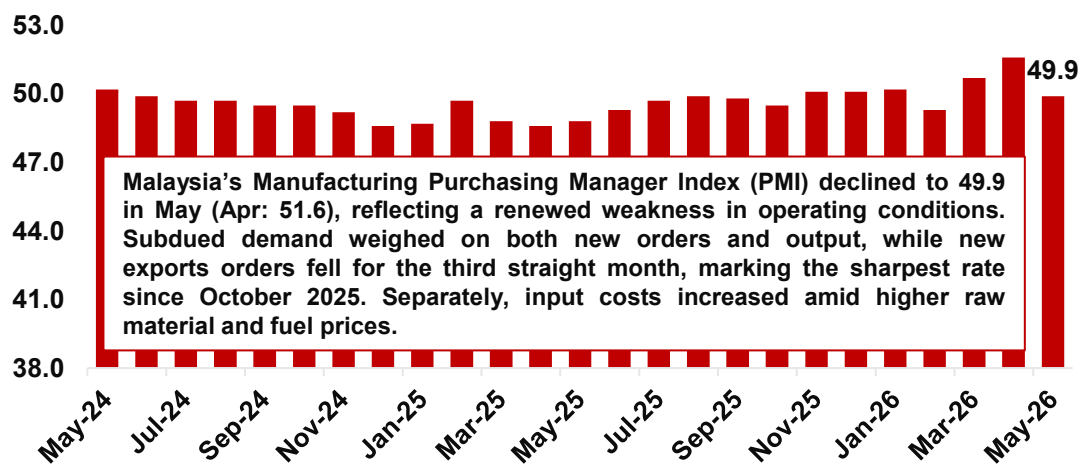


Australia - Real GDP, q-o-q%

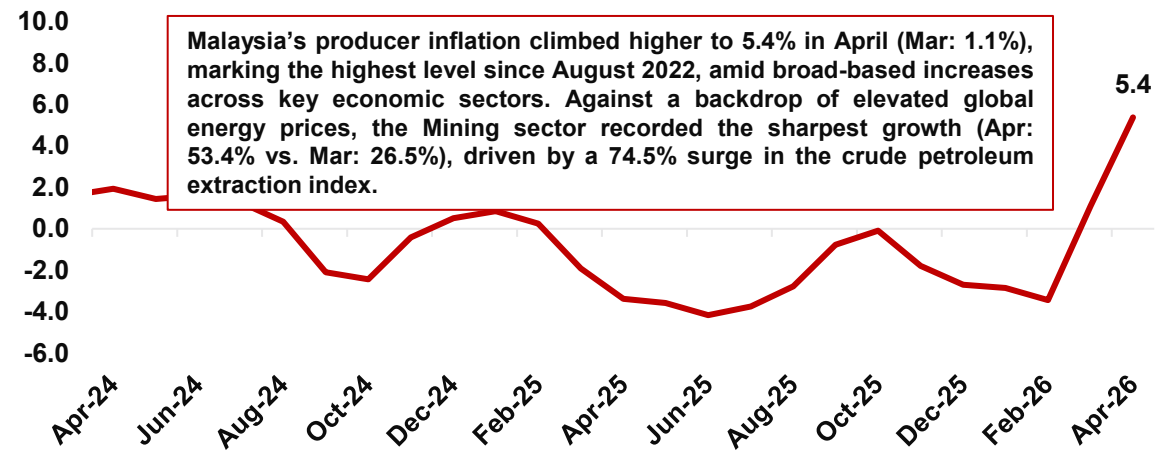


DOMESTIC

Malaysia - Manufacturing PMI



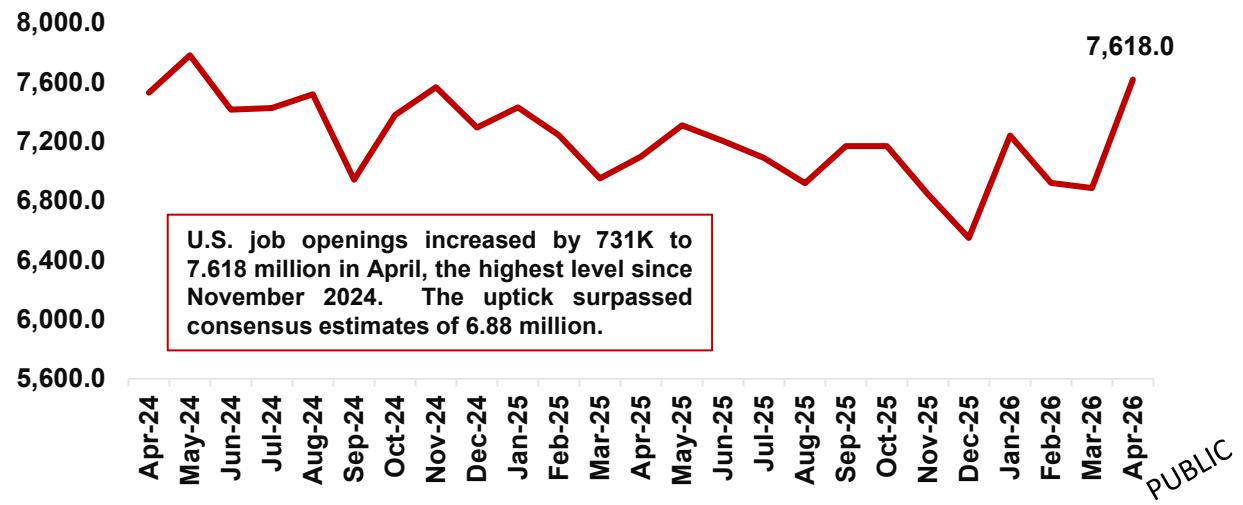
Malaysia - Producer Price Index (PPI), y-o-y%



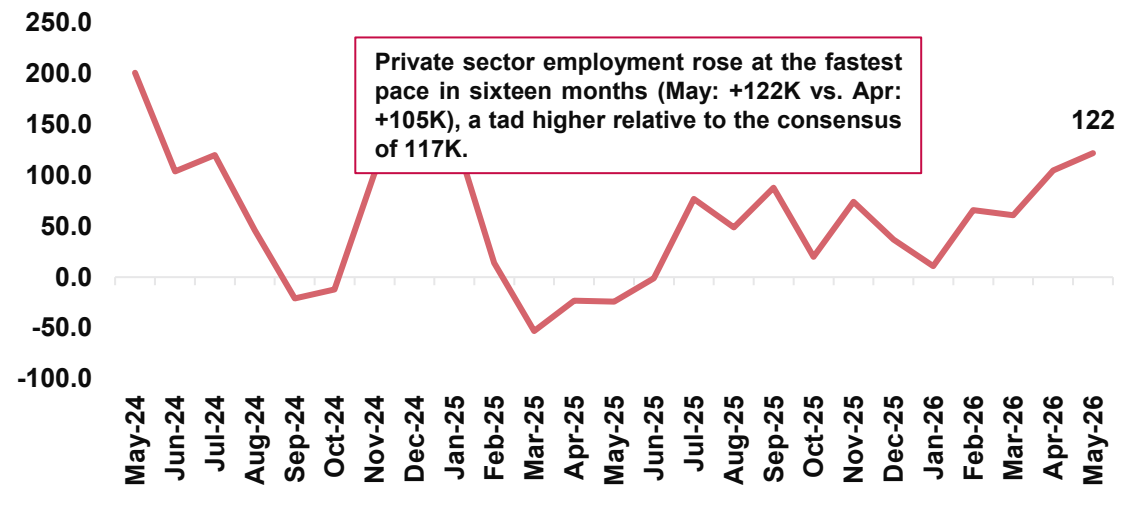
U.S. WEEKLY HIGHLIGHT: JOB MARKET CONDITIONS REMAINED BROADLY STABLE, REINFORCING HAWKISH FED BETS



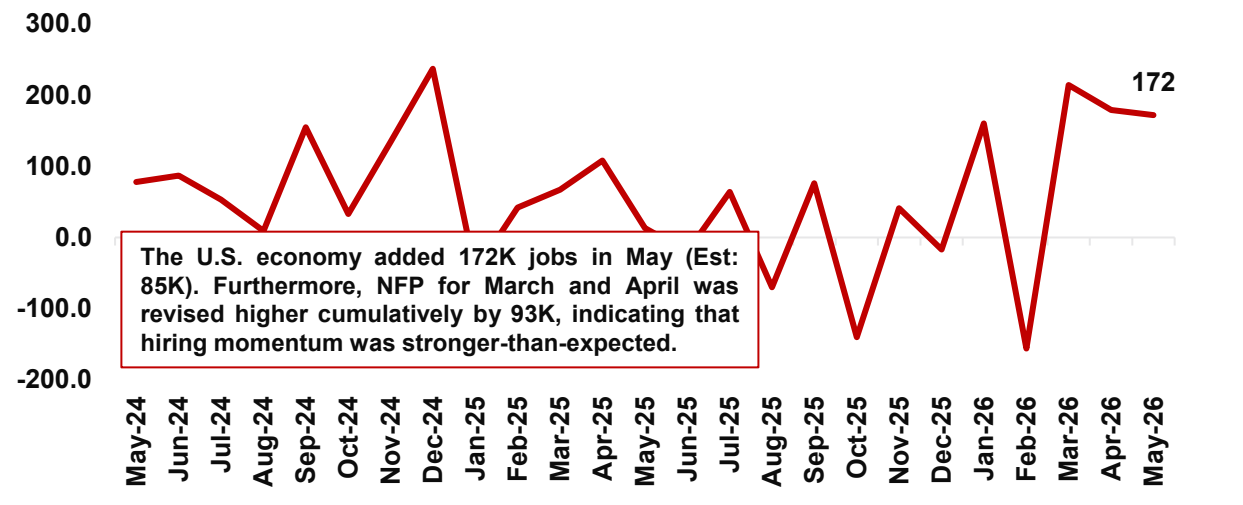
JOLTs Job Openings, '000



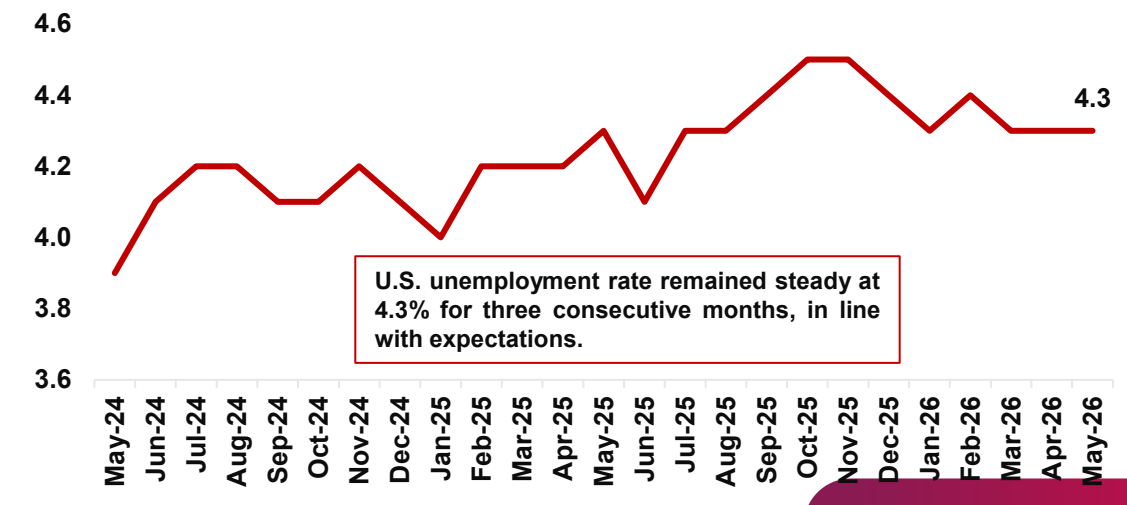
ADP Nonfarm Employment, m-o-m changes ('000)



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

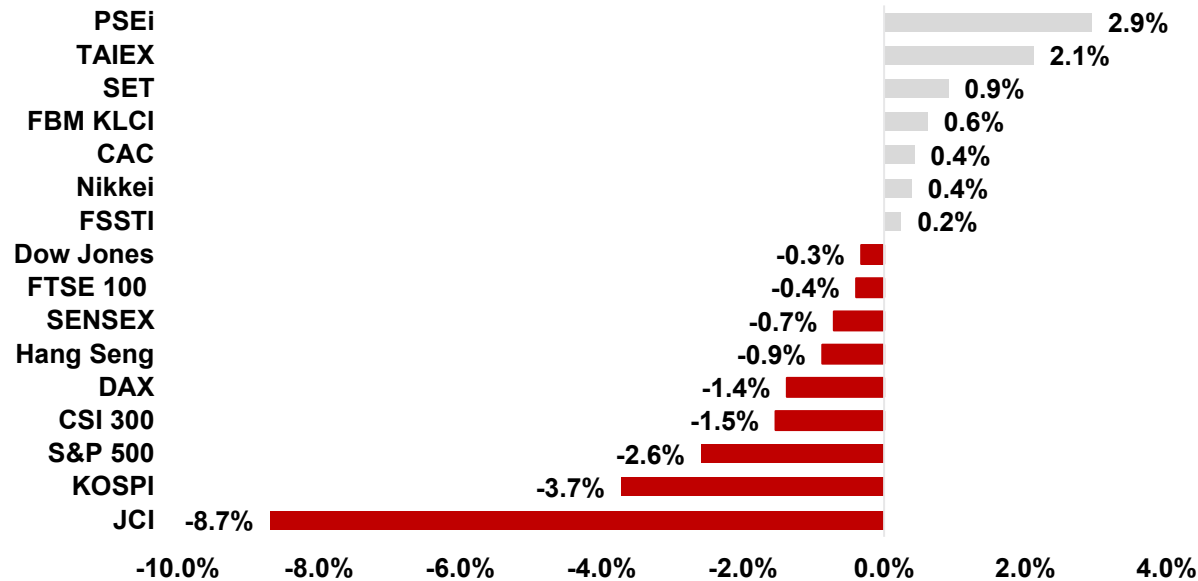


Unemployment Rate, %

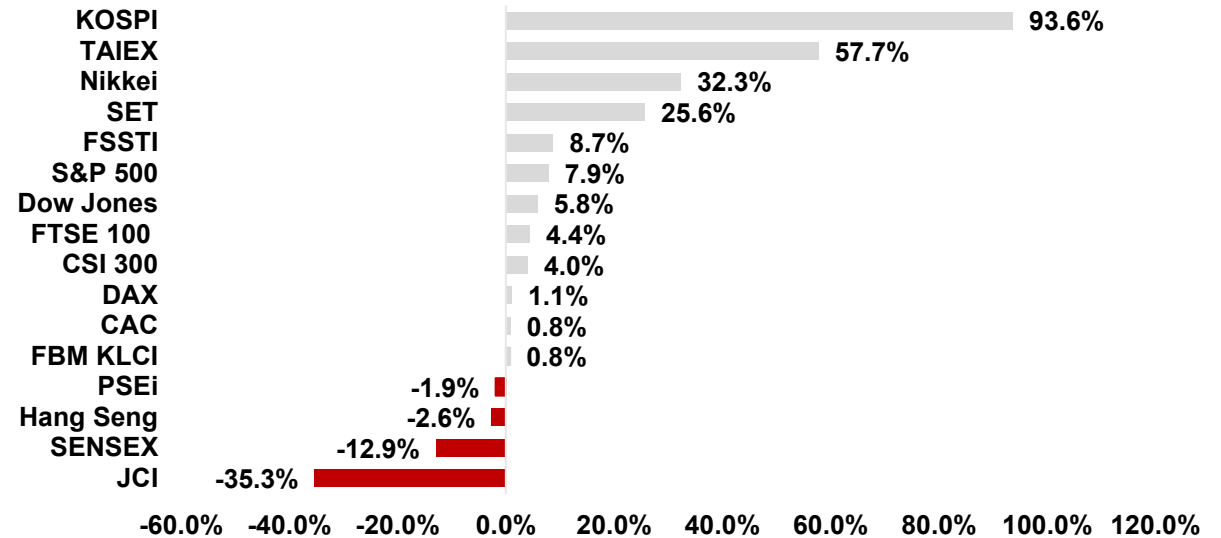


REGIONAL EQUITY: GLOBAL EQUITIES DIVERGE, RATE HIKE FEARS WEIGH ON SENTIMENT

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



YTD Gain/Loss of Major Equity Markets, % (As of 05 June 2026)

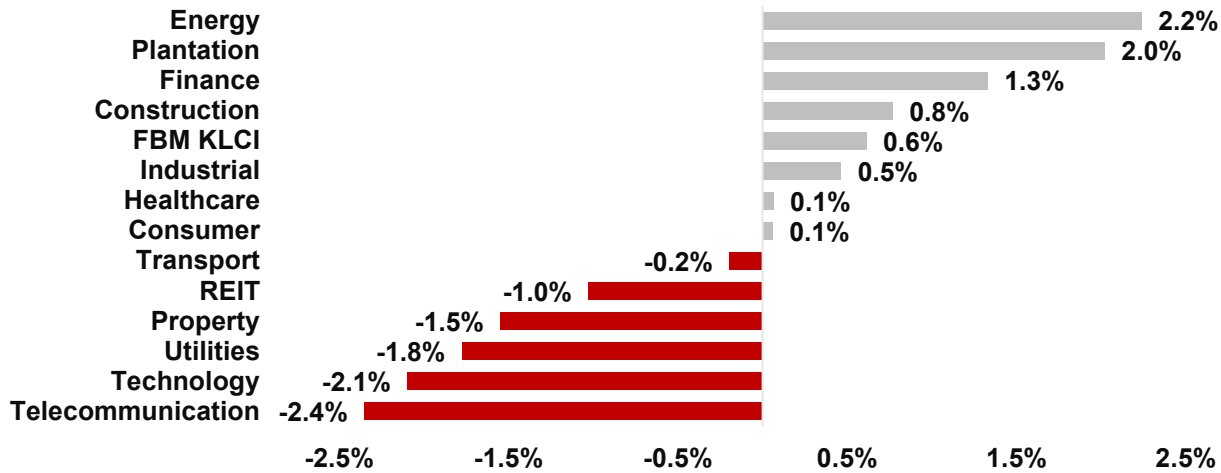


Sources: Bursa, CEIC Data

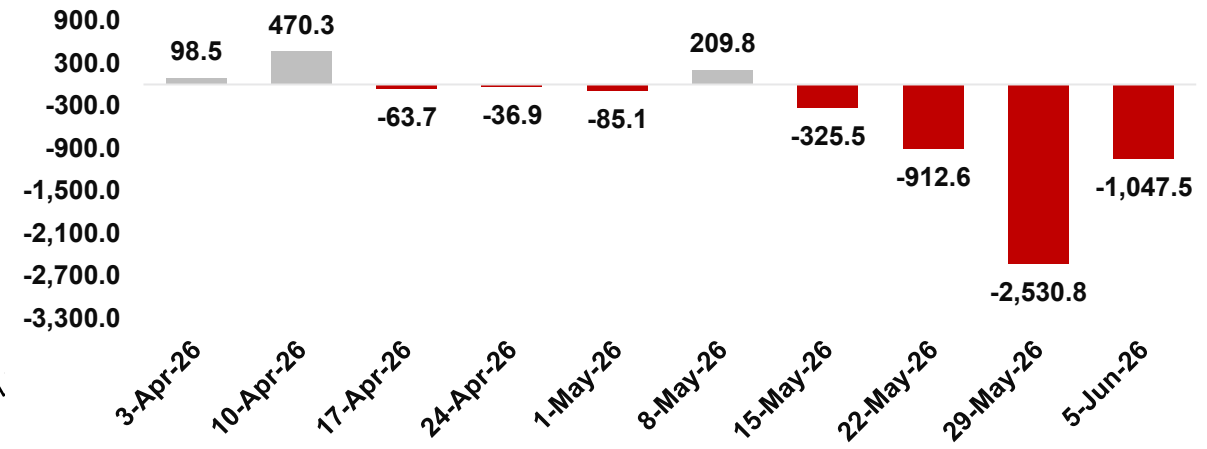
- Global equity markets closed mixed for the week ended June 5, with the Philippines' PSEi leading gains (+2.9%) on softer-than-expected inflation, which eased concerns over monetary tightening and lifted hopes of potential policy easing by the Bangko Sentral ng Pilipinas.
- In contrast, profit-taking in AI-related stocks and renewed fears of U.S. rate hikes weighed on broader markets. Strong U.S. jobs data reinforced inflation concerns, driving Treasury yields higher and triggering a sharp sell-off in technology shares, particularly semiconductors.
- U.S. indices also retreated, with the Dow Jones (-0.3%) and S&P 500 (-2.6%) posting losses. According to the CME FedWatch tool, market participants now assign a 50% probability to a Federal Reserve rate increase at the late-October meeting, up from 34% previously, reflecting expectations of a 'higher-for-longer' policy stance.
- Meanwhile, Indonesia's JCI (-8.7%) and Korea's KOSPI (-3.7%) were the major losers for the week ending June 05.

DOMESTIC EQUITY: BURSA CLOSED MIX, LED BY GAINS ACROSS COMMODITY-LINKED SECTORS

Weekly Bursa Sectoral Performance, w-o-w%



Weekly Foreign Fund Net Inflows/Outflows, RM Million



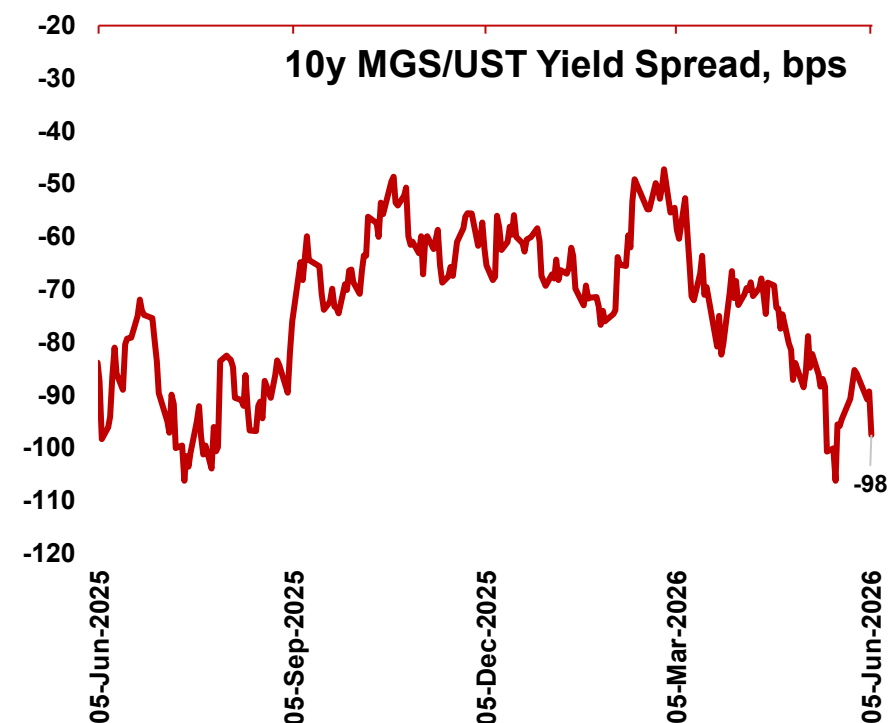
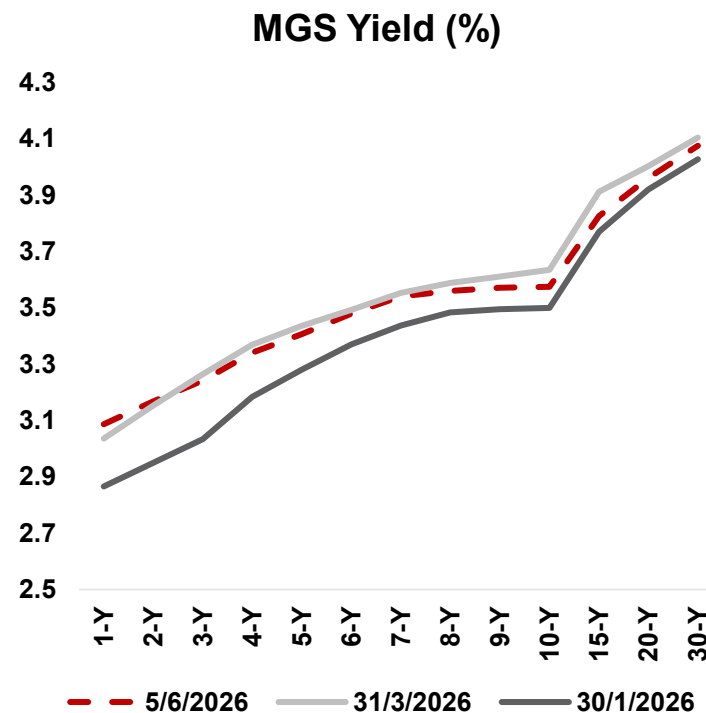
Sources: Bursa, CEIC Data

- The FBM KLCI rebounded by 0.6% w-o-w amid a shorter trading week, supported by a rotation into emerging market assets as investor risk sentiments improved.
- Despite limited progress in resolving the U.S.-Iran geopolitical conflict, market volatility in response to U.S. political rhetoric has been increasingly muted, prompting cautious investors to gradually unwind defensive positions. However, tensions re-escalated last Friday as U.S. and Iran exchanged military strike, which led today's session to open on a cautious note.
- Looking closer, Bursa indices closed mix as investors engaged in profit-taking activity on previously outperforming sectors while buying on dips, which led to rebounds across commodity-related sectors. The Energy index emerged as the biggest gainer as it climbed by 2.2% higher, followed by the Plantation index (+2.0%). Additionally, the Finance index also rose (+1.3%), in line with overnight gains on Wall Street.
- In contrast, defensive sectors underperformed with the Telecommunications index declining by 2.4%, followed by the Technology (-2.1%) and Utilities (-1.8%) indices.
- Foreign investors remained as net sellers for the fourth straight week, shedding RM1.05 billion worth of equities. This increased the cumulative net outflow thus far to RM2.9 billion.

FIXED INCOME: UST YIELDS RISE ON INFLATION CONCERNS AND 'HIGHER-FOR-LONGER' FED OUTLOOK

Weekly Changes, basis points (bps)			
UST	Yields (%) 29-May-26	Yields (%) 5-Jun-26	Change (bps)
3-Y UST	4.06	4.22	16
5-Y UST	4.13	4.29	16
7-Y UST	4.27	4.41	14
10-Y UST	4.45	4.55	10
MGS	Yields (%) 29-May-26	Yields (%) 5-Jun-26	Change (bps)
3-Y MGS	3.23	3.24	2
5-Y MGS	3.41	3.41	0
7-Y MGS	3.56	3.54	-2
10-Y MGS	3.59	3.58	-2
GII	Yields (%) 29-May-26	Yields (%) 5-Jun-26	Change (bps)
3-Y GII	3.22	3.23	1
5-Y GII	3.37	3.36	-1
7-Y GII	3.56	3.54	-2
10-Y GII	3.61	3.61	0

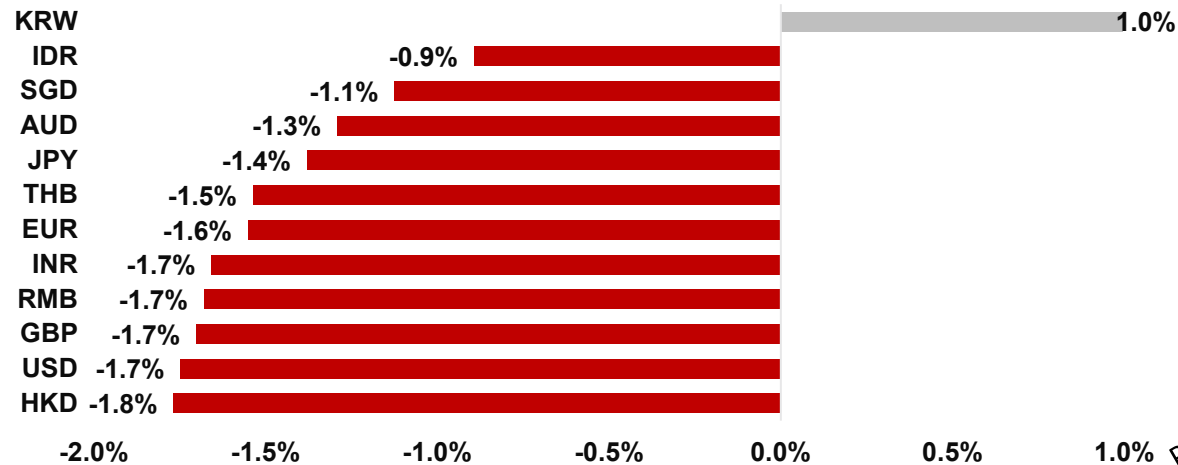
Sources: BNM, Federal Reserve Board



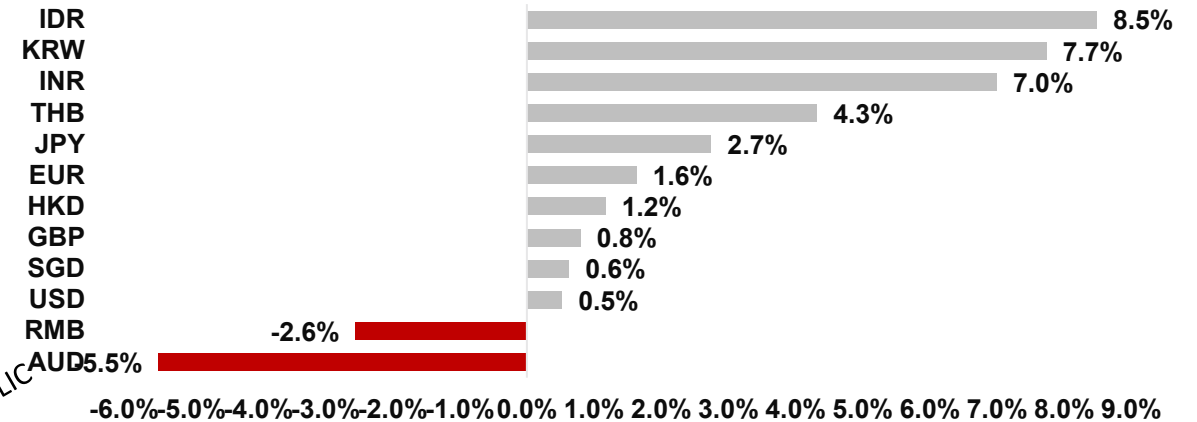
- The U.S. Treasury (UST) yields ended higher in the range of 10bps and 16bps for the week ending June 5. This reflects growing concerns that inflation may remain elevated for longer than expected amid higher oil prices driven by geopolitical tensions in the Middle East, leading investors to demand higher yields on long-term government bonds. At the same time, stronger-than-expected U.S. economic and labor market data have reduced expectations for Federal Reserve rate cuts, reinforcing the 'higher-for-longer' interest rate outlook.
- Malaysian Government Securities (MGS) and Government Investment Issues (GII) yields ended mixed in the range of -2bps and 2bps.
- The auction of 3-Y reopening of MGS worth RM5.0 billion which was issued on June 5 drew a robust demand with a bid-to-cover (BTC) ratio of 1.9x, similar demand relative to the previous RM5.0 billion 3-Y reopening of MGS in September 2025 with a BTC ratio of 1.9x.
- The 10y MGS/UST yield spread widened marginally in the negative territory at 98bps relative to -86bps in the previous week.

FX MARKET: RINGGIT WEAKENED WHILE THE USD INDEX EDGED UP, SUPPORTED BY RESILIENT U.S. LABOUR MARKET

MYR Against Regional Currencies, w-o-w%



MYR Against Regional Currencies, YTD% (As of 5 June 2026)

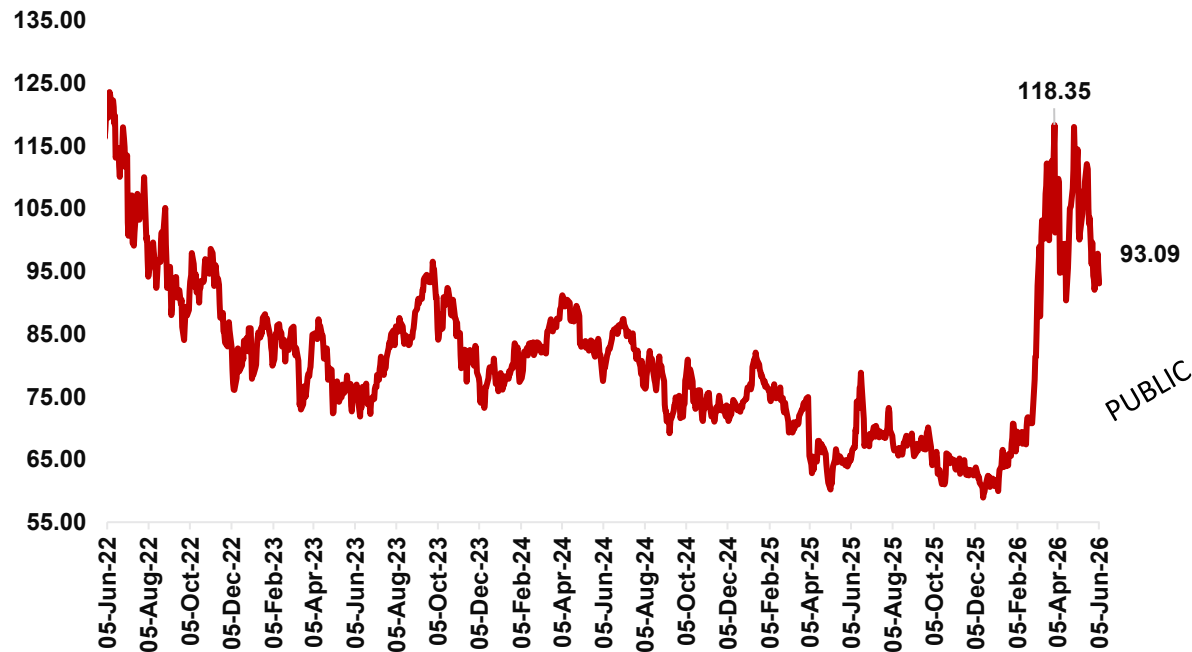


Sources: BNM, Federal Reserve Board (Fed), CEIC Data

- The Ringgit depreciated by 1.7% w-o-w against the USD for the week ending June 5, touching the lowest level since April at 4.036 on Friday. Against a relatively light calendar week on the macroeconomic front, the local note was largely influenced by the USD movement.
- In contrast, the USD index gained momentum, breaking above the immediate resistance level at 100.00 on Friday to close at 100.07. Tailwinds to the USD emerged from a more resilient-than-expected job market, which reinforced expectations of a hawkish Fed, and renewed clashes between U.S. and Iran. On a weekly basis, the USD index strengthened by 1.1%.
- Recent data showed that the U.S. economy added 172K jobs in May (Apr: 179K), more than double the consensus estimates of 85K, while the unemployment rate was steady at 4.3%. While hiring displayed some slight moderation, the job market appeared broadly firm with labor demand remaining resilient. Private employment increased by 120K (Apr: 177K) while ADP data recorded a 17-month high of 122K (Apr: 105K), pointing towards sustained business confidence despite heightened geopolitical risks.
- Additionally, non-farm payrolls for March and April was revised upwards by 93K cumulatively, suggesting that hiring momentum was stronger-than-expected. As such, the resilient labor market provides the Fed greater policy flexibility, thus reaffirming expectations that the next adjustment will likely be a hike.

COMMODITY: BRENT RETREATS AS U.S.-IRAN RISK PREMIUM FADES

Brent Crude in USD per barrel



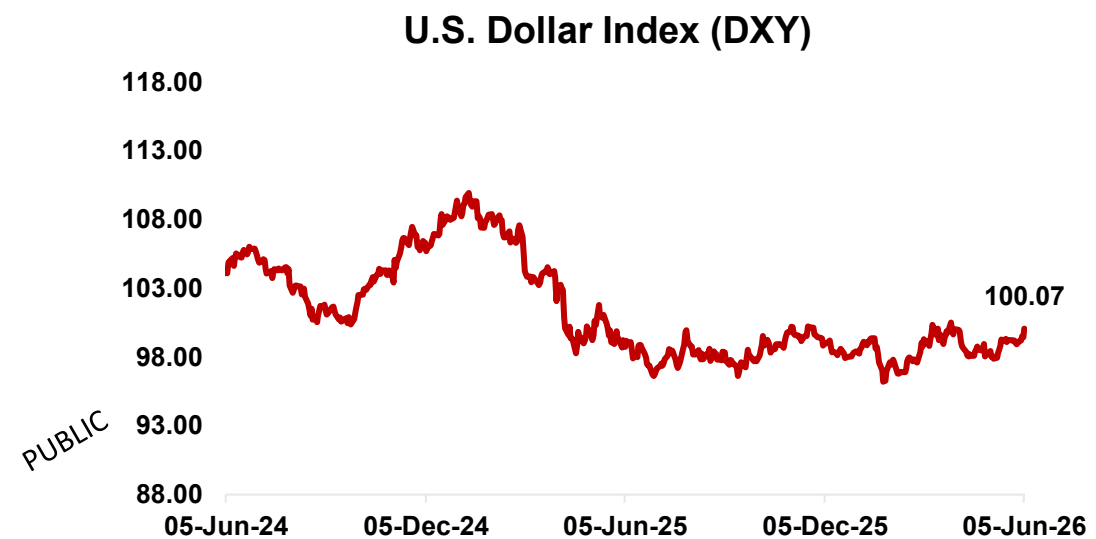
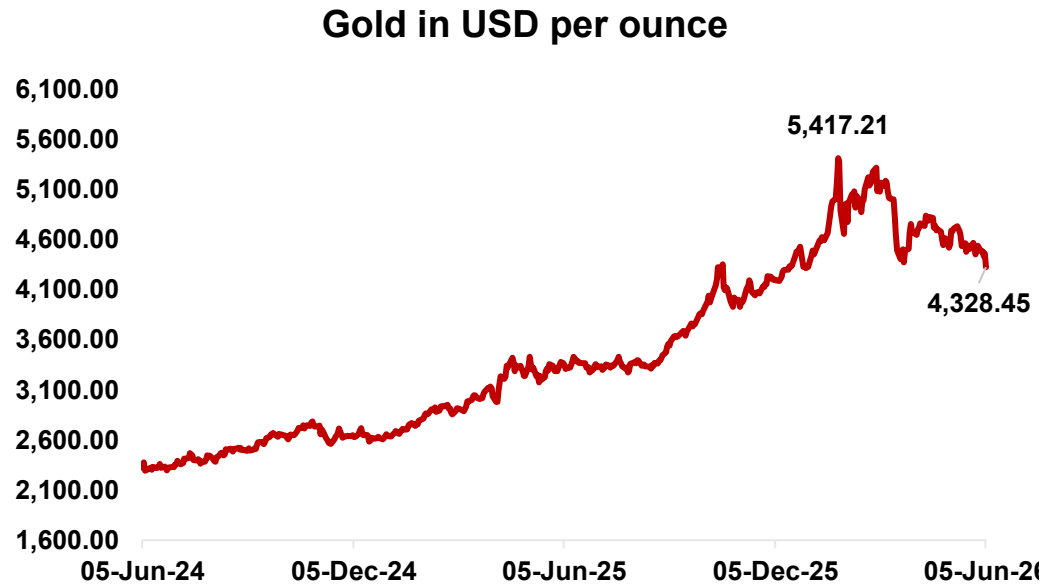
U.S. Crude Oil Inventory, '000 barrel - EIA



Sources: Bloomberg, Energy Information Administration (EIA)

- Brent oil prices closed lower at USD93.09/barrel on Friday (June 05), declining by 2.0% from the previous trading day but posting a 1.1% gain on week-on-week basis. Traders became more optimistic that tensions between the U.S. and Iran could ease, reducing fears of a major disruption to Middle East oil supplies. As the geopolitical risk premium faded, oil prices retreated.
- Earlier concerns about severe damage to regional energy infrastructure and shipping routes did not materialize as much as feared. Reports also indicated key facilities, including export infrastructure in Oman, continued operating normally. Nonetheless, Brent is likely to remain highly sensitive to headlines surrounding U.S.-Iran negotiations and development in the Strait of Hormuz.
- U.S. crude oil inventories declined further by 8.0 million barrels to 433.7 million for the week ending May 29.

COMMODITY: GOLD PRICE REMAINED UNDER PRESSURE AGAINST A STRONGER USD



Sources: Bloomberg, CEIC Data

- Gold price (XAU) depreciated by 4.7% w-o-w last week, pressured by a stronger dollar. From a technical perspective, the XAU broke below the key support level of 4,400.00 on Friday and touched the lowest level since late March 2026 at 4,328.45.
- Latest U.S. labor market data point to continued resilience, reducing the urgency for the Fed to respond to downside growth risks and allowing policymakers greater scope to prioritize inflation control. This view is reinforced by the prolonged U.S.–Iran geopolitical conflict, now extending beyond three months, which has kept global energy prices structurally elevated. Against this backdrop, upside risks to inflation remain pronounced, increasing the likelihood of more persistent price pressures.

WHAT TO LOOK OUT FOR IN THE MARKETS THIS WEEK

- Investor attention will centre on the upcoming release of U.S. inflation figures this Wednesday. U.S. inflation is expected to accelerate in May, with headline CPI forecast to rise to 4.2% y-o-y from 3.8% in April. Core inflation, which excludes food and energy prices, is also projected to increase to 3.1% y-o-y from 2.8% previously. The anticipated pickup suggests that underlying price pressures remain persistent despite restrictive monetary policy. Higher inflation could reflect the pass-through of tariffs, rising input costs, and resilient consumer demand. The expected increase in both headline and core inflation may reinforce concerns that progress toward the Federal Reserve's 2% inflation target has stalled. As a result, policymakers are likely to remain cautious about easing monetary policy in the near term. Markets will closely monitor the data for signs of whether inflationary pressures are becoming more entrenched. A stronger-than-expected reading could further support expectations of a prolonged higher-for-longer interest rate environment.
- Meanwhile in the Euro Area, the European Central Bank (ECB) is widely expected to raise its deposit rate by 25 basis points (bps) to 2.25% this week, marking its first rate hike since 2023. The move is largely driven by rising inflation pressures linked to higher energy prices following the Middle East conflict. Markets will pay close attention to President Christine Lagarde's press conference for clues on whether further tightening is likely later this year. While inflation has accelerated to around 3.2% in May, policymakers remain concerned about weakening economic growth and recession risks across the Euro Area. As a result, the ECB is expected to maintain a data-dependent stance rather than committing to a prolonged hiking cycle. Overall, the rate increase is seen more as an "insurance" move to keep inflation expectations anchored than the start of an aggressive tightening campaign. However, The Bank of Canada (BoC) will likely keep its policy rate unchanged at 2.25% at this week's meeting, reflecting a cautious approach amid mixed economic signals. While headline inflation rose to 2.8% in April, underlying inflation pressures have continued to ease, reducing the urgency for tighter monetary policy.
- In China, trade and inflation data in May will be a key focus for markets this week. Economists expect export growth to remain strong during the month but slightly softer than the previous month, providing insight into the resilience of external demand. Headline CPI is forecast to edge up to 1.3% while producer price inflation (PPI) could accelerate to 3.7%, reflecting rising input costs and improving industrial activity. Stronger-than-expected trade figures would support confidence in China's growth outlook, while higher inflation could reduce expectations for additional policy easing. However, investors will also watch whether geopolitical tensions and weaker global demand begin to weigh on China's export momentum in the coming months.

BANK ISLAM

THANK YOU