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WEEKLY ECONOMIC UPDATE

8 SEPTEMBER 2025

ECONOMIC RESEARCH

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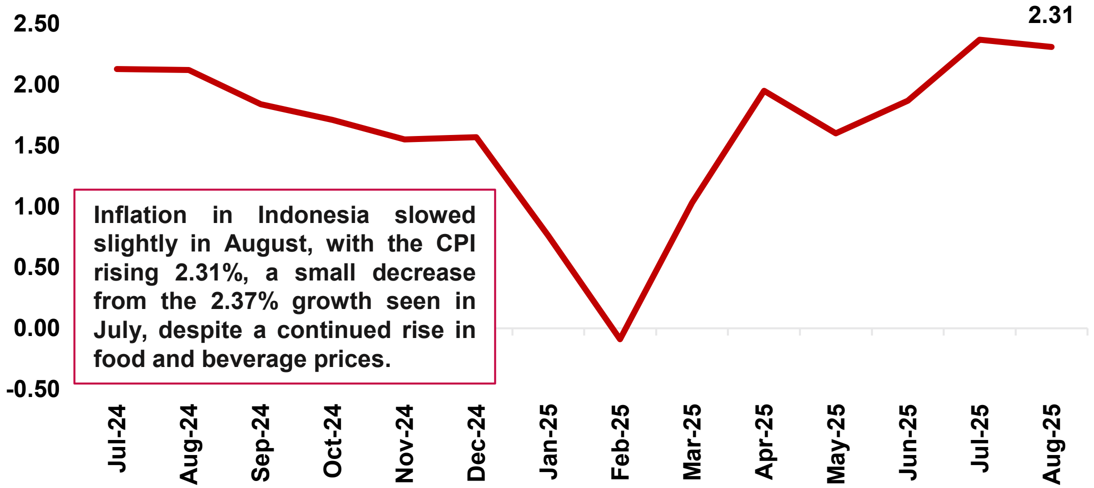
WEEKLY HIGHLIGHT: MALAYSIA'S CENTRAL BANK MAINTAINED OPR AT 2.75%

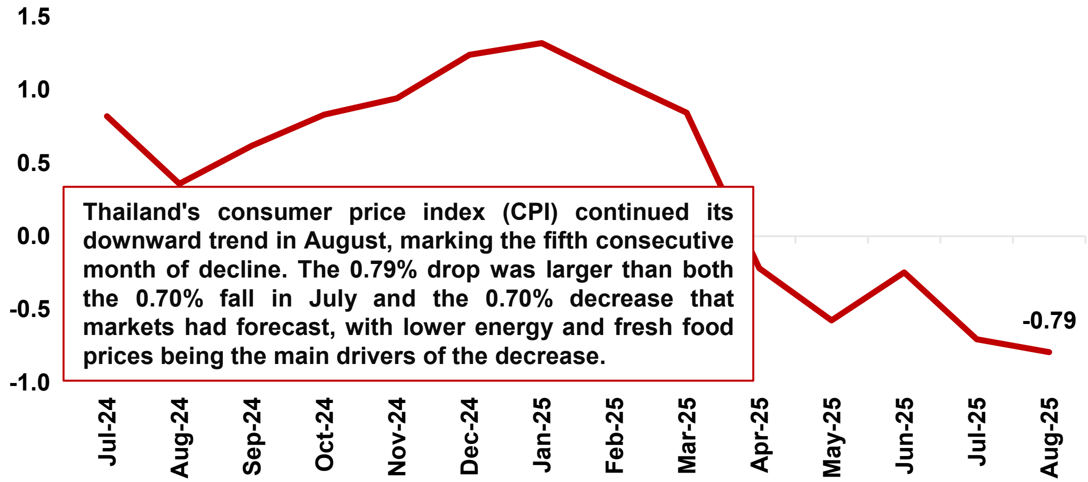
GLOBAL

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



Inflation in Indonesia slowed slightly in August, with the CPI rising 2.31%, a small decrease from the 2.37% growth seen in July, despite a continued rise in food and beverage prices.

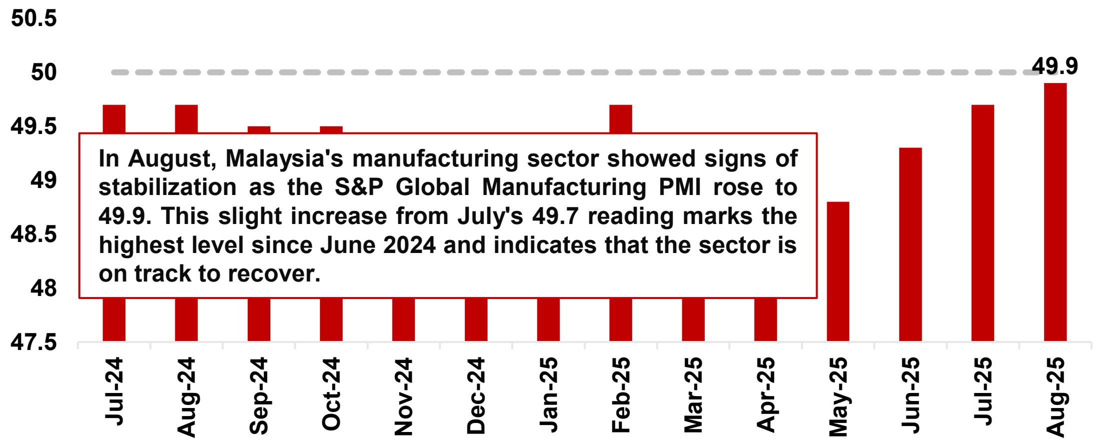
Thailand - Consumer Price Index (CPI), y-o-y%



Thailand's consumer price index (CPI) continued its downward trend in August, marking the fifth consecutive month of decline. The 0.79% drop was larger than both the 0.70% fall in July and the 0.70% decrease that markets had forecast, with lower energy and fresh food prices being the main drivers of the decrease.

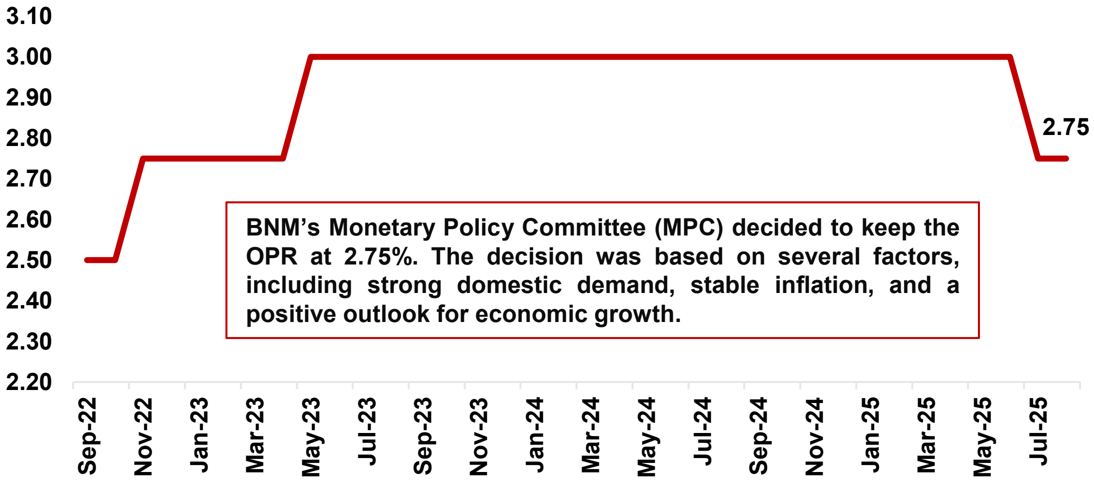
DOMESTIC

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



In August, Malaysia's manufacturing sector showed signs of stabilization as the S&P Global Manufacturing PMI rose to 49.9. This slight increase from July's 49.7 reading marks the highest level since June 2024 and indicates that the sector is on track to recover.

Malaysia - Overnight Policy Rate (OPR), %



BNM's Monetary Policy Committee (MPC) decided to keep the OPR at 2.75%. The decision was based on several factors, including strong domestic demand, stable inflation, and a positive outlook for economic growth.

Sources: Statistics Indonesia, Trade Policy and Strategy Office, Department of Statistics Malaysia (DOSM), Bank Negara Malaysia (BNM)

U.S. WEEKLY HIGHLIGHT: SOFTER LABOUR MARKET STRENGTHENING THE CASE FOR FED TO CUT RATES

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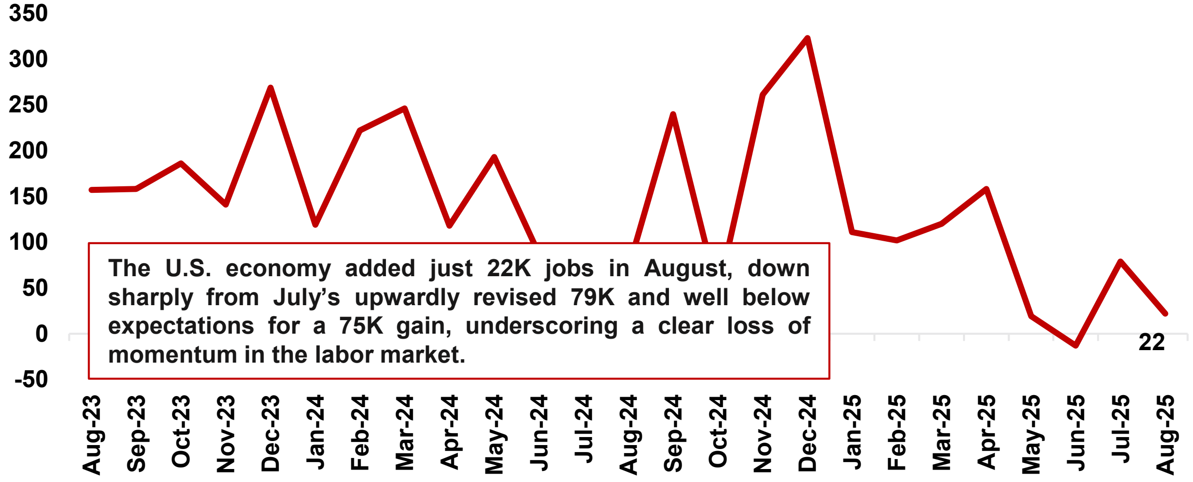
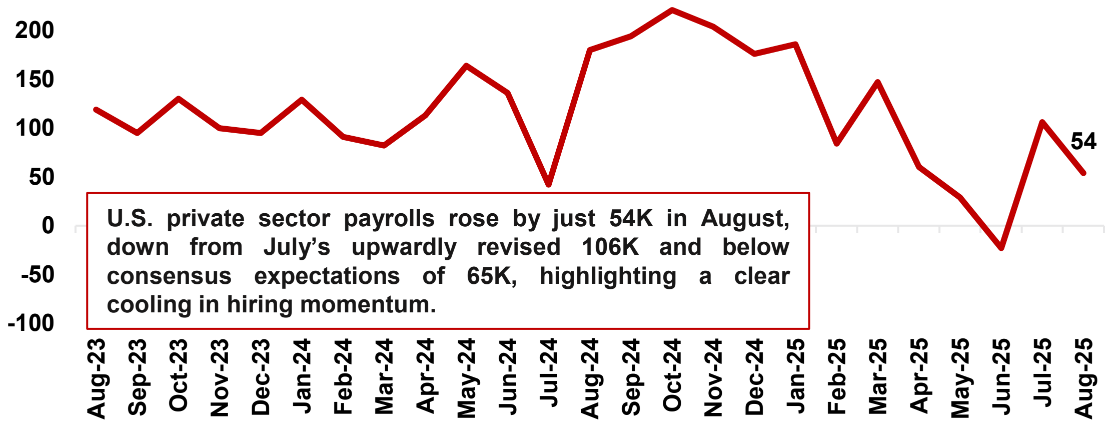
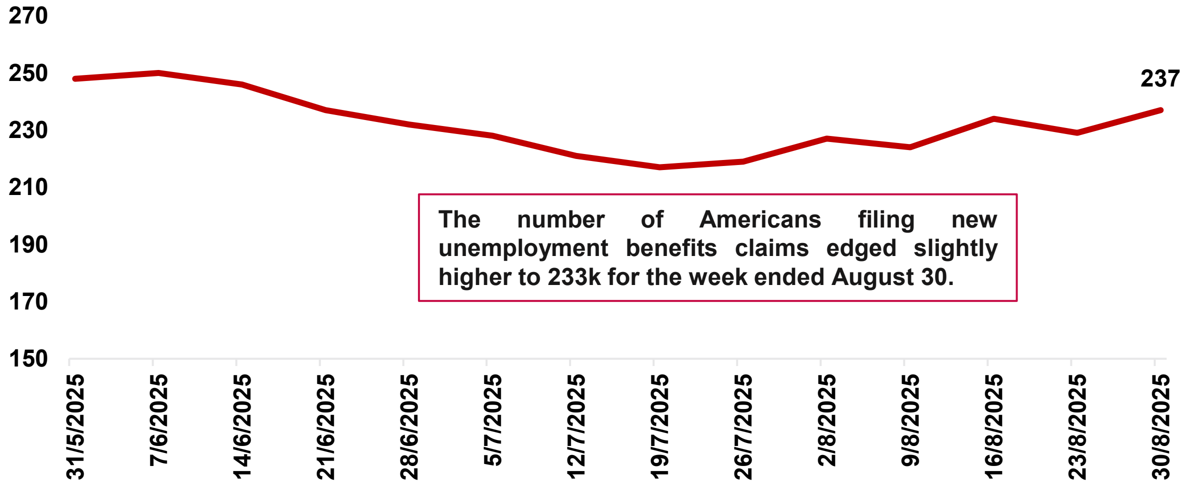
U.S. Non-Farm Payroll (NFP), m-o-m changes ('000)



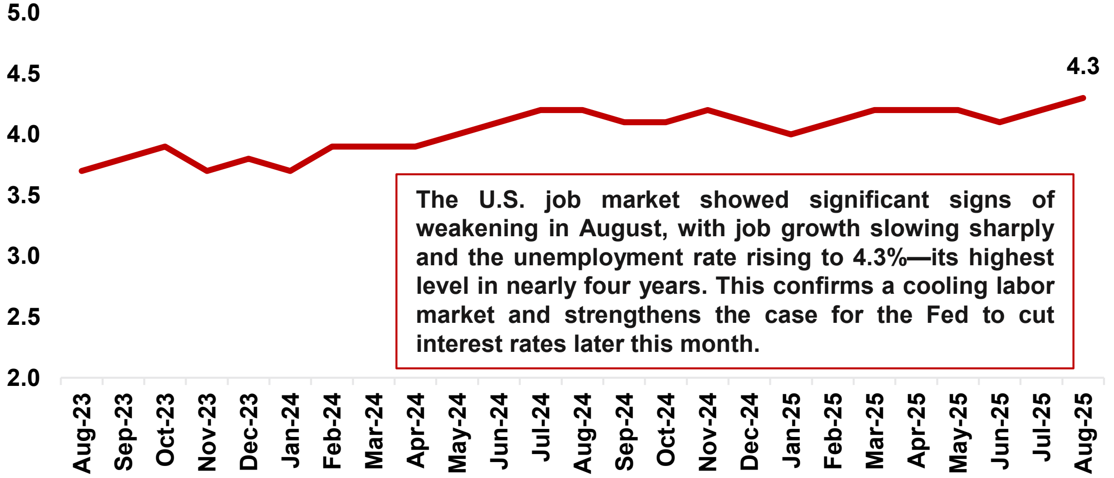
U.S. ADP Nonfarm Employment, m-o-m changes ('000)



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



U.S. Unemployment Rate, %



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

REGIONAL EQUITY: THAILAND'S POLITICAL SHIFT AND U.S. LABOR DATA LIFTED ASIAN EQUITIES

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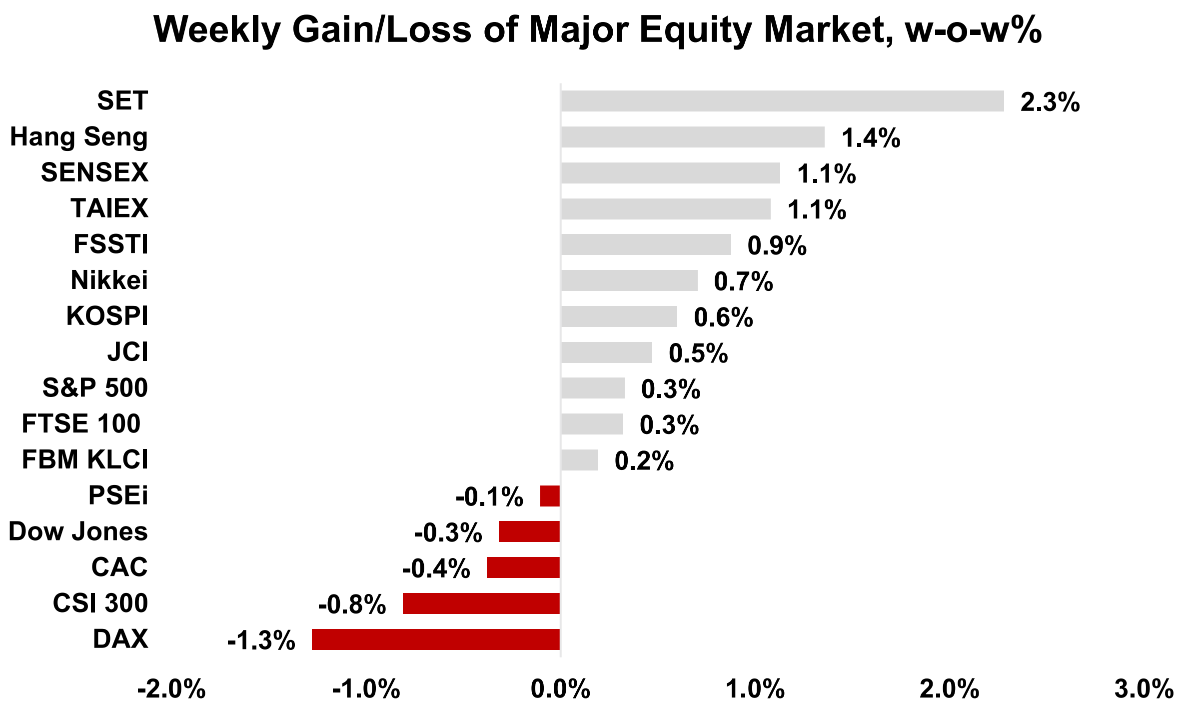

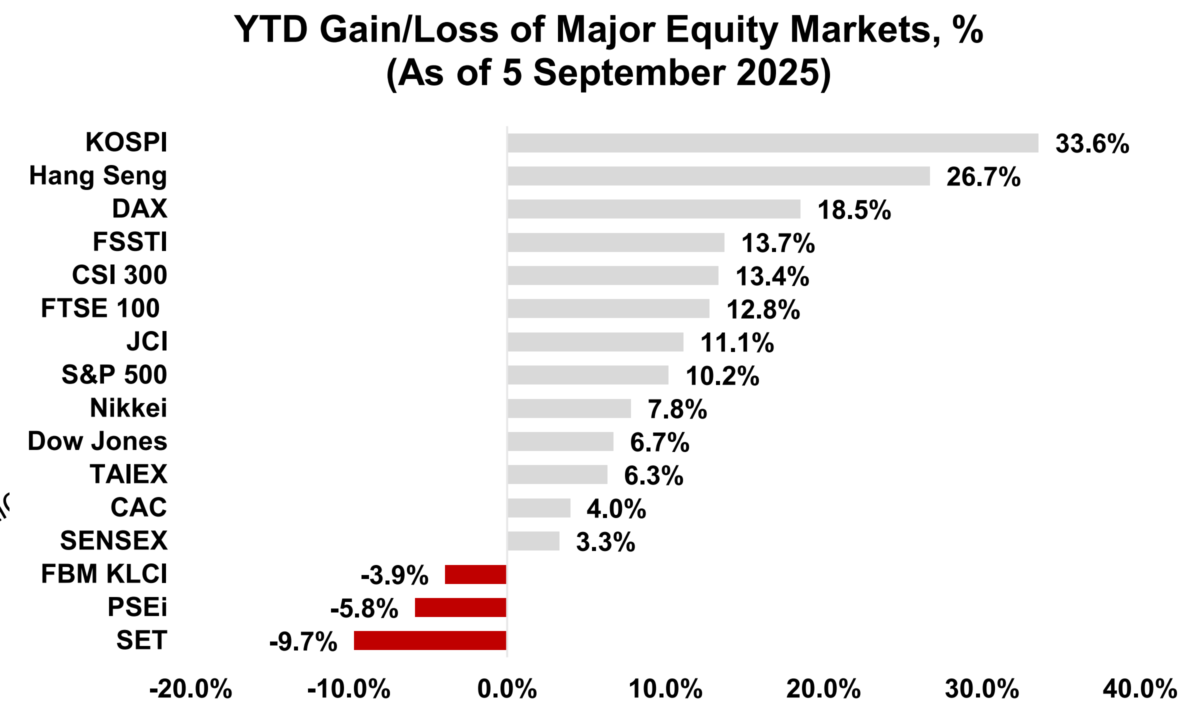

Sources: Bursa, CEIC Data

- The regional equity index were mostly in the green for the week ending September 5 with Thailand's SET as the major gainer, expanding by 2.3%. Politics in Thailand are entering a new phase, with a high probability that the Bhumjaithai Party will form the next government. This shift is expected to bring new policies, creating speculative opportunities in stocks that stand to benefit. These include companies in the construction and industrial sectors, which could see gains from the party's focus on infrastructure, as well as domestic-focused stocks in retail and finance, which may benefit from economic stimulus measures.
- Additionally, Hong Kong's Hang Seng ticked higher by 1.4% as investors are increasingly confident that the Fed will cut interest rates this month, following new signs of a cooling U.S. labor market. In addition, a one trillion yuan liquidity injection from China's central bank further supporting the market. However, gains were capped by a sharp sell-off in mainland stocks—the steepest weekly drop in five months—as investors took profits after a two-month rally and the conclusion of China's military parade.
- In contrast, Germany's DAX (-0.1%) and China's CSI 300 (-1.0%) were the biggest losers for the week ending September 5.

DOMESTIC EQUITY: CONSUMER INDEX TOPPED GAINERS AMID THE ROLLOUT OF RM100 SUMBANGAN TUNAI RAHMAH (SARA) CASH TRANSFERS

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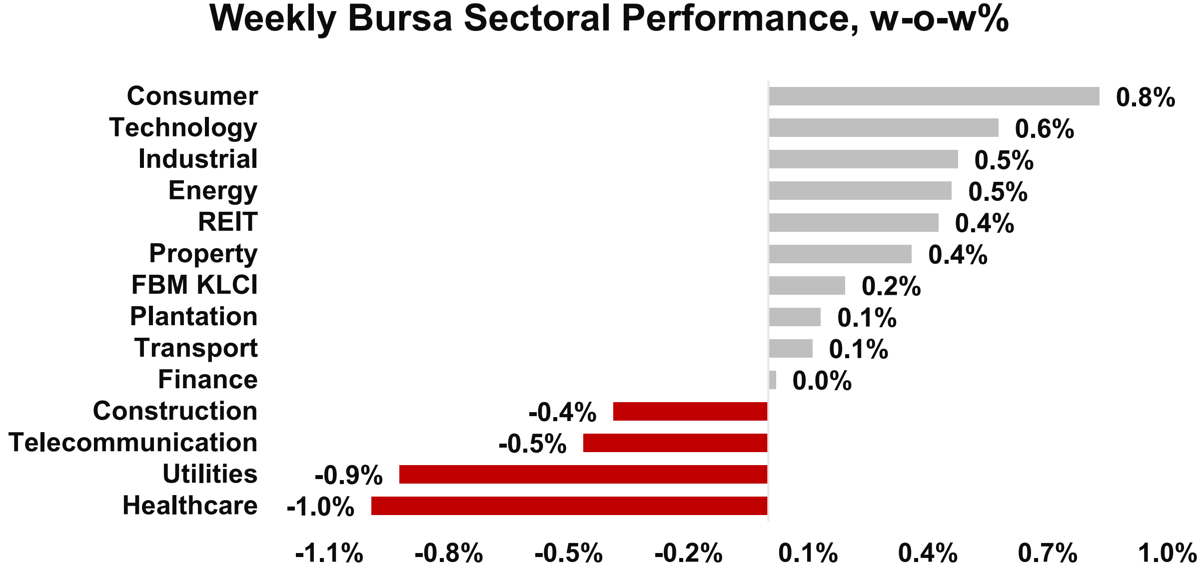

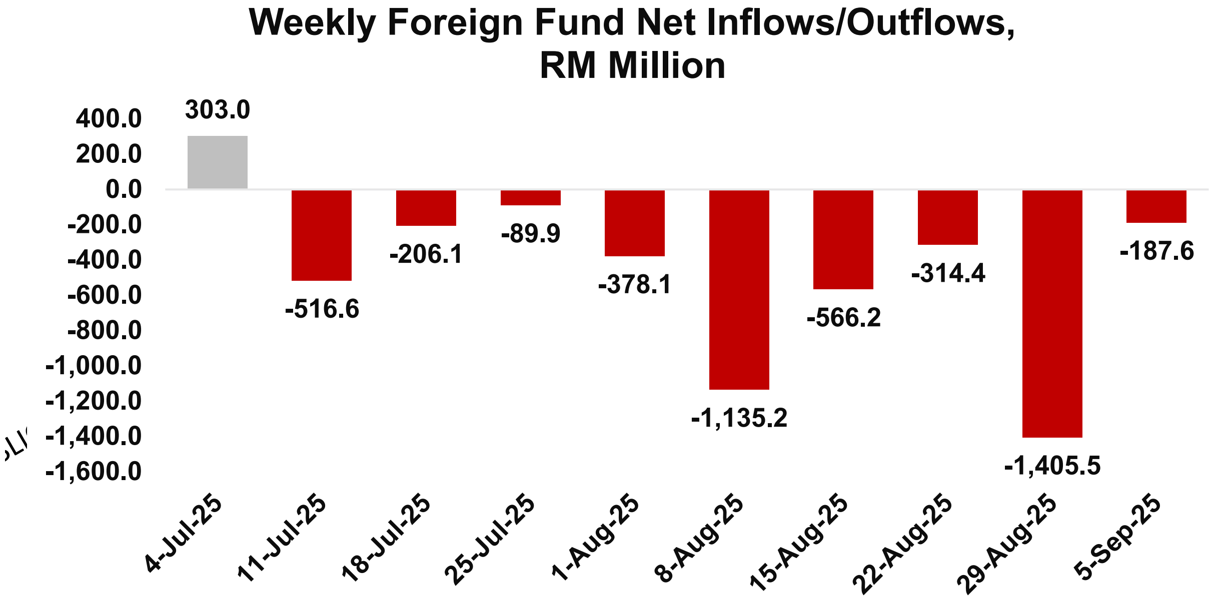

Sources: Bursa, CEIC Data

- The FBM KLCI ticked up by 0.2% w-o-w for the week ending September 5 as buying interest was subdued due to a shorter trading week in conjunction with national holidays.
- Nevertheless, investor sentiments remained cautiously optimistic on the economic outlook, taking cues from Bank Negara Malaysia (BNM)'s decision to maintain the Overnight Policy Rate (OPR) at 2.75%.
- Zooming in closer, Bursa indices closed mix with the Consumer index topping the gainers as it increased by 0.8%, supported by upbeat sentiments following the one-off RM100 Sumbangan Tunai Rahmah (SARA) cash handouts. This was followed by the Technology (+0.6%), Industrial (+0.5%) and Energy (+0.5%) indices.
- Meanwhile, the Healthcare index slipped by 1.0%, followed by the Utilities (-0.9%) and Telecommunications (-0.5%) indices.
- Foreign investors persisted as net sellers for the ninth straight week, shedding a total of RM187.6 million worth of equities. This had increased the cumulative net outflow thus far to RM17.3 billion.

FIXED INCOME: UST YIELDS DROPPED ON WEAK LABOR DATA, BUT INFLATION RISKS CAP FED'S DOVISH SCOPE

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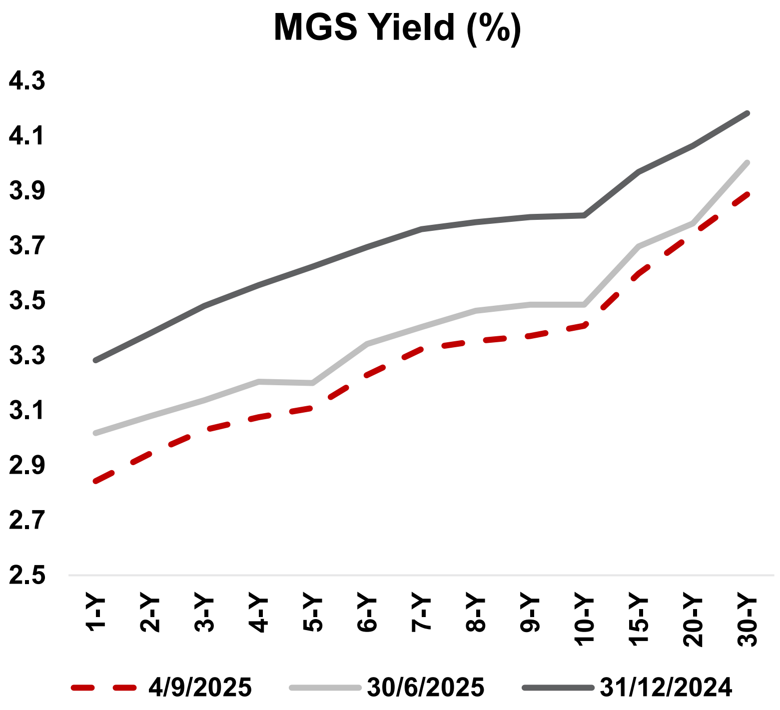
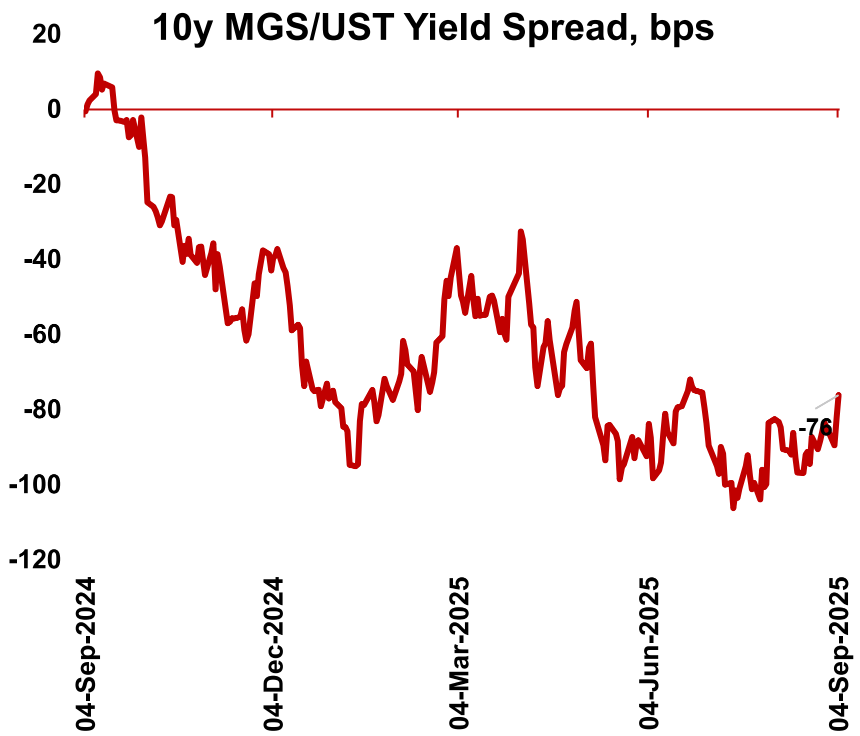
Weekly Changes, basis points (bps)

UST	Yields (%) 29-Aug-25	Yields (%) 5-Sep-25	Change (bps)
3-Y UST	3.58	3.48	-10
5-Y UST	3.68	3.59	-9
7-Y UST	3.92	3.80	-12
10-Y UST	4.23	4.10	-13
MGS	**Yields (%) 29-Aug-25**	**Yields (%) 4-Sep-25**	**Change (bps)**
3-Y MGS	2.99	3.03	4
5-Y MGS	3.08	3.11	3
7-Y MGS	3.29	3.32	3
10-Y MGS	3.39	3.41	2
GII	**Yields (%) 29-Aug-25**	**Yields (%) 4-Sep-25**	**Change (bps)**
3-Y GII	3.03	3.06	3
5-Y GII	3.13	3.14	2
7-Y GII	3.25	3.28	3
10-Y GII	3.42	3.43	1

Sources: BNM, Federal Reserve Board

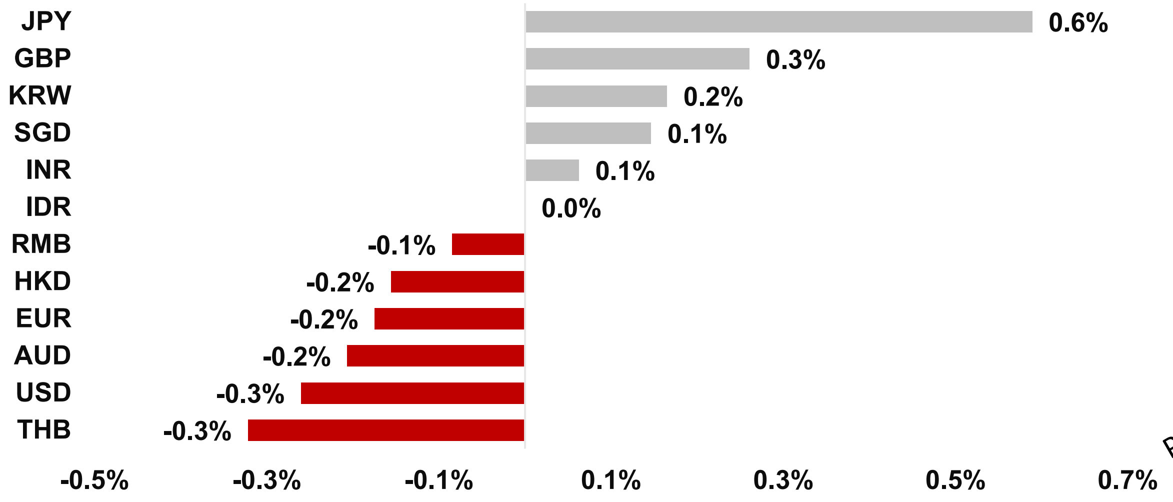




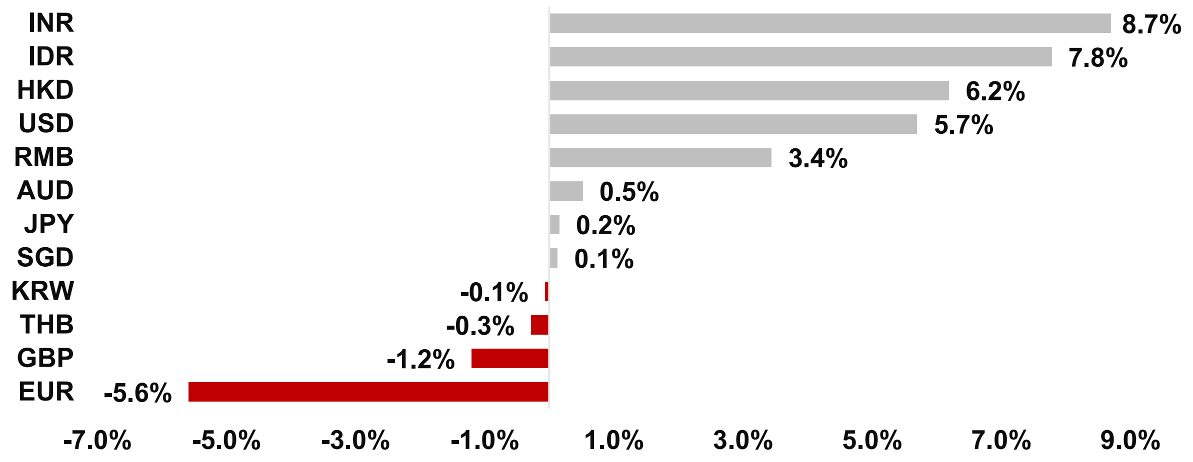
- U.S. Treasury yields fell between 9bps and 13bps as signs of a weakening labor market prompted investors to seek safety. The deterioration in jobs data reinforces the case for a more dovish Federal Reserve, with rate cuts looking increasingly likely. That said, the more modest decline in 30-year yields, still higher on the year, signals lingering concerns over inflation. Pressures from tariffs and expansionary fiscal policy may ultimately constrain the Fed's ability to deliver deeper or faster cuts.
- In contrast, Malaysian Government Securities (MGS) and Government Investment Issues (GII) yields surged in the range of 1bp and 4bps, with the OPR maintained at 2.75% at September's MPC meeting.
- The 10y MGS/UST yield spread narrowed slightly in the negative territory at 76bps relative to -84bps in the previous week.

FX MARKET: RINGGIT TO TRADE CAUTIOUSLY AHEAD OF KEY U.S. INFLATION FIGURES AND THE ANNUAL NFP REVISION

MYR Against Regional Currencies, w-o-w%



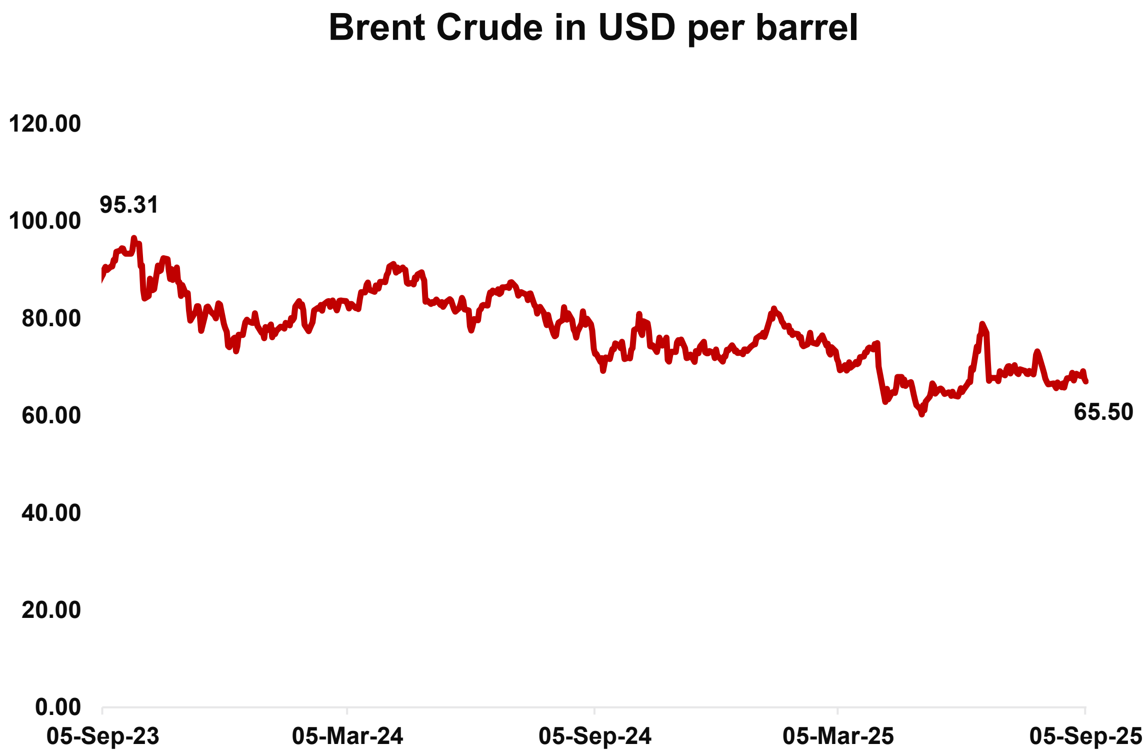
MYR Against Regional Currencies, YTD%
(As of 5 September 2025)

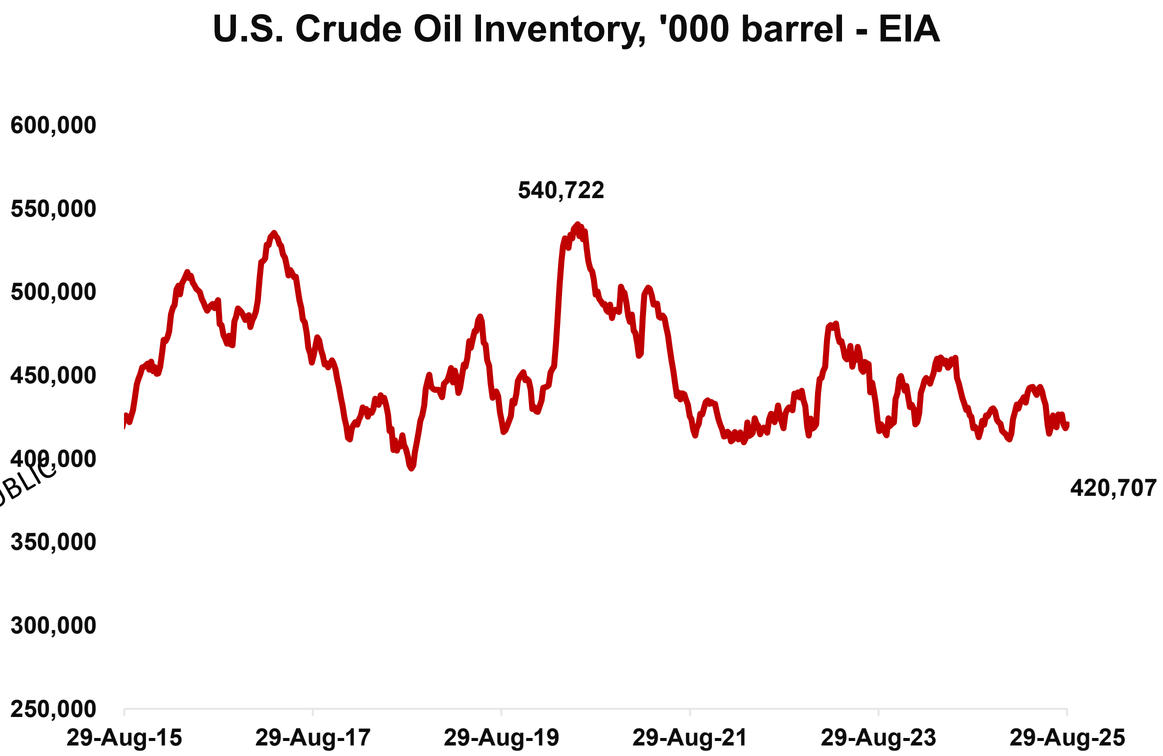


Sources: BNM, CEIC Data

- The Ringgit slipped by 0.3% w-o-w due to a shorter trading week, trending between RM4.215-RM4.231, while the USD index ended mostly flat for the week ending September 5.
- While markets have priced in the probabilities of a job market slowdown, the latest figures paint a more distressing picture than anticipated, exerting pressure on the USD.
- Latest data showed that JOLTS job openings declined by 176K to 7.18 million in July (June: 7.36 million), marking the lowest level since September last year. Furthermore, Nonfarm Payrolls (NFP) rose by a meagre 22K in August (July: 79K) against expectations of a 75K rise while private businesses added 37K jobs in the same month (Est: 75K) compared to 77K in July.
- Initial jobless claims for the week ending August 30 increased more than expected by 8K to 237K (Est: 230K), marking the fastest rise in over two months. This uptrend underscores the rapidly softening job market and an unemployment rate that is steadily edging up (August: 4.3% vs. July: 4.2%), reinforcing the case for an upcoming Federal Reserve Board (Fed) rate cut, the probabilities of which jumping to 92.0% at the time of writing from just above 86.0% the week prior.

COMMODITY: BRENT OIL PRICE STUMBLE ON WEAK U.S. JOBS DATA AND RISING SUPPLY RISKS





Sources: Bloomberg, Energy Information Administration (EIA)

- Brent crude oil prices declined by 3.8% w-o-w, settling at USD65.50 per barrel on Friday (September 5), following two consecutive weeks of gains. The significant 2.2% drop on Friday was mainly due to weaker-than-expected U.S. jobs data, which dampened demand expectations. This sudden pullback surprised the market, especially after a period of steady price recovery.
- Over the weekend, OPEC+ has decided to raise oil production again starting October, led by Saudi Arabia’s efforts to reclaim market share.
- Adding to the pressure, U.S. crude stockpiles unexpectedly rose by 2.4 million barrels to 420.7 million for the week ending August 29, signaling oversupply concerns.

COMMODITY: GOLD PRICE RECORDED ALL-TIME HIGH OF USD3,586.69 ON FRIDAY

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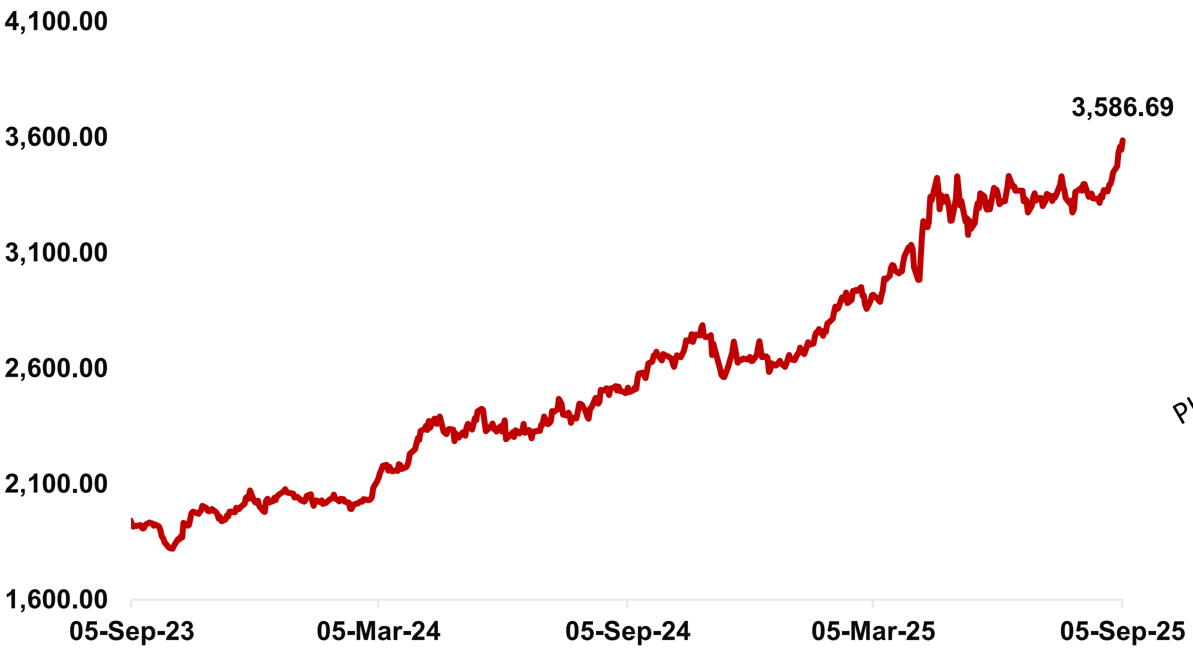
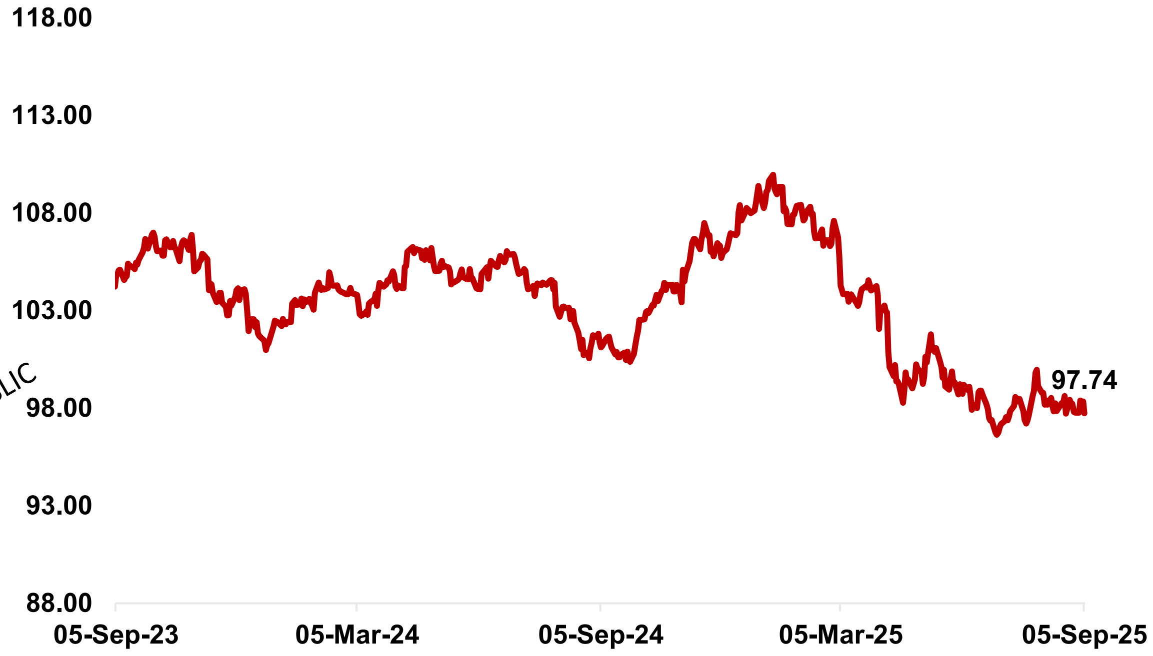
Gold in USD per ounce



U.S. Dollar Index (DXY)



Sources: Bloomberg, CEIC Data

- The bullion price surged by 4.0% w-o-w last week to mark a fresh high of USD3,586.69 on Friday, propelled by heightened bets of a September Fed rate cut which dimmed the appeal of its counterpart.
- Furthermore, demand for the safe-haven asset remained strong amid rising geopolitical concerns following China’s military parade, also overseen by leaders from Russia and North Korea, which prompted U.S. President Trump’s remarks that the three leaders are conspiring against the U.S.

WHAT TO LOOK OUT FOR IN THE MARKETS THIS WEEK

- Markets will be driven this week by a blend of macro data and corporate catalysts, with inflation, tech momentum, and Fed policy expectations in focus. The highlight will be Thursday's release of U.S. CPI for August, the final key inflation print before the Fed's September 17 meeting. With recent data showing clear signs of labor market cooling, a softer CPI could further cement the case for rate cuts that investors are already pricing aggressively. The tech sector will also take center stage. Apple is set to unveil its iPhone 17 lineup at a highly anticipated product launch, an event that could sway sentiment across the Nasdaq given its sensitivity to mega-cap performance. Meanwhile, Nvidia, Meta, and Microsoft will present at a major investor conference, likely providing updates on AI innovation, chip supply dynamics, and cloud growth, critical themes for the second half of 2025. Together, these developments could spark meaningful shifts in market direction as traders balance disinflationary signals against slowing growth and tech-driven optimism. Any surprise, whether from CPI or corporate headlines, could recalibrate expectations for Fed policy and equity valuations heading into the final quarter of the year.

- Meanwhile, in Europe, attention is on a central bank maintaining a steady stance with cautious optimism. A strong consensus among economists now holds that the European Central Bank (ECB) is done cutting rates. With inflation hovering near its 2% target, growth proving resilient, and unemployment at record lows, policymakers are comfortable adopting a wait-and-see approach. The ECB has little urgency to ease further, even as the eurozone shows resilience in the face of higher US tariffs. Still, the recent EU-US trade deal offers only limited relief, and the drag from tariffs is likely to intensify in the coming months. While the ECB appears set to keep rates steady at its next meeting, it will be watching closely as the Fed navigates a far more delicate balance, contending with persistent inflation on one hand and a weakening labor market on the other.

- In Japan, attention will be focused on the recent announcement of the Prime Minister, Shigeru Ishiba resignation over the weekend, which has introduced a degree of political uncertainty. Investors is expected to remain cautious as a leadership change could delay policy decisions or lead to shifts in economic strategy. The resignation adds to fiscal uncertainty, contributing to continued pressure on government bond yields. Market participants will closely monitor developments in Japan's political landscape alongside economic data, as any signs of instability or policy changes could increase market volatility.

THANK YOU