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WEEKLY ECONOMIC UPDATE

8 DECEMBER 2025

ECONOMIC RESEARCH

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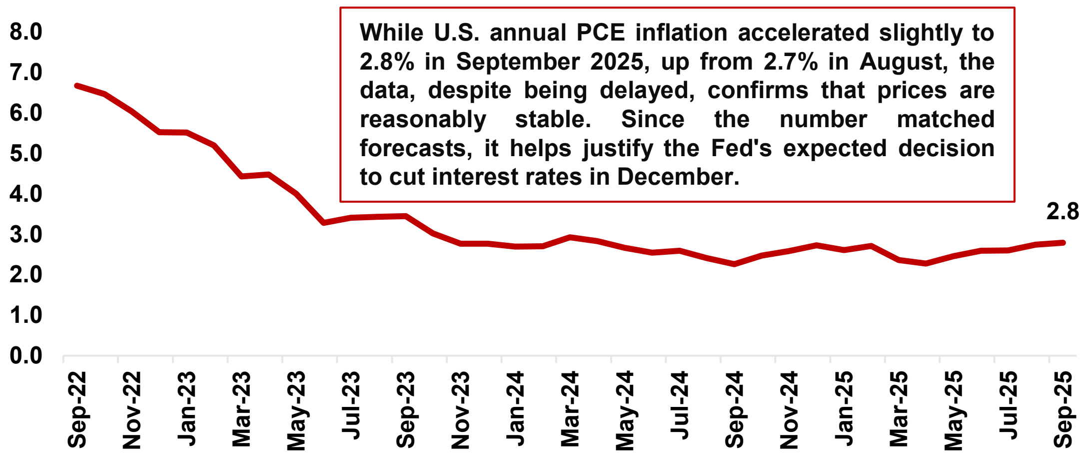
WEEKLY HIGHLIGHT: U.S. PCE INFLATION TICKED UP SLIGHTLY IN SEPTEMBER

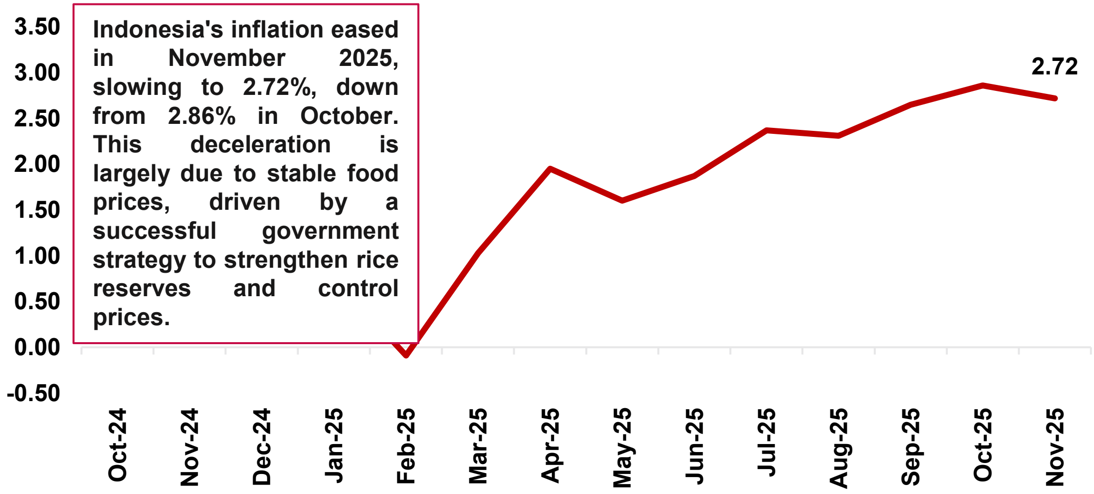
GLOBAL

U.S. Personal Consumption Expenditure (PCE) Inflation s.a., y-o-y%

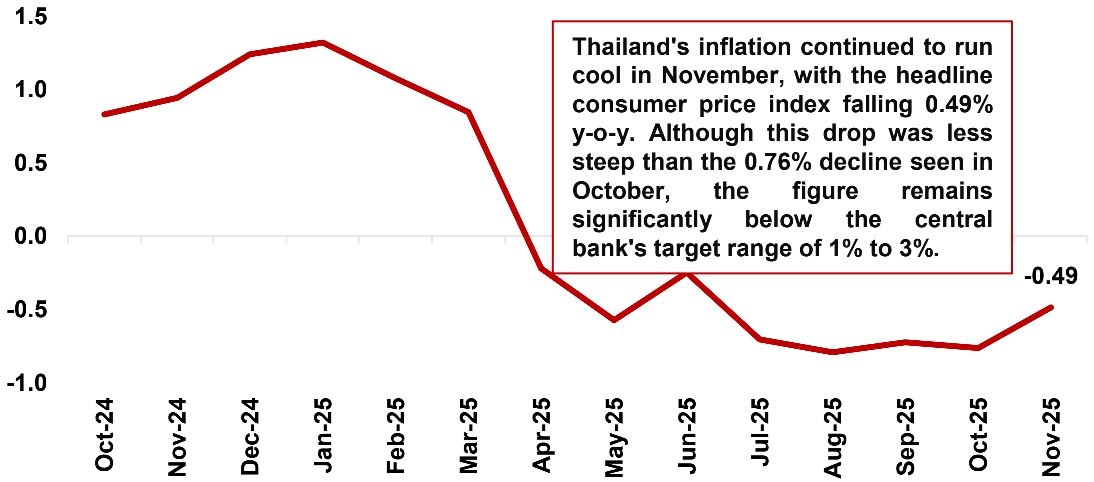


Eurozone - Unemployment Rate, %

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



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



Sources: Bureau of Economic Analysis, Eurostat, Statistics Indonesia, Trade Policy and Strategy Office.

REGIONAL EQUITY: RATE CUT NEAR-CERTAINTY FUELS U.S. GAINS

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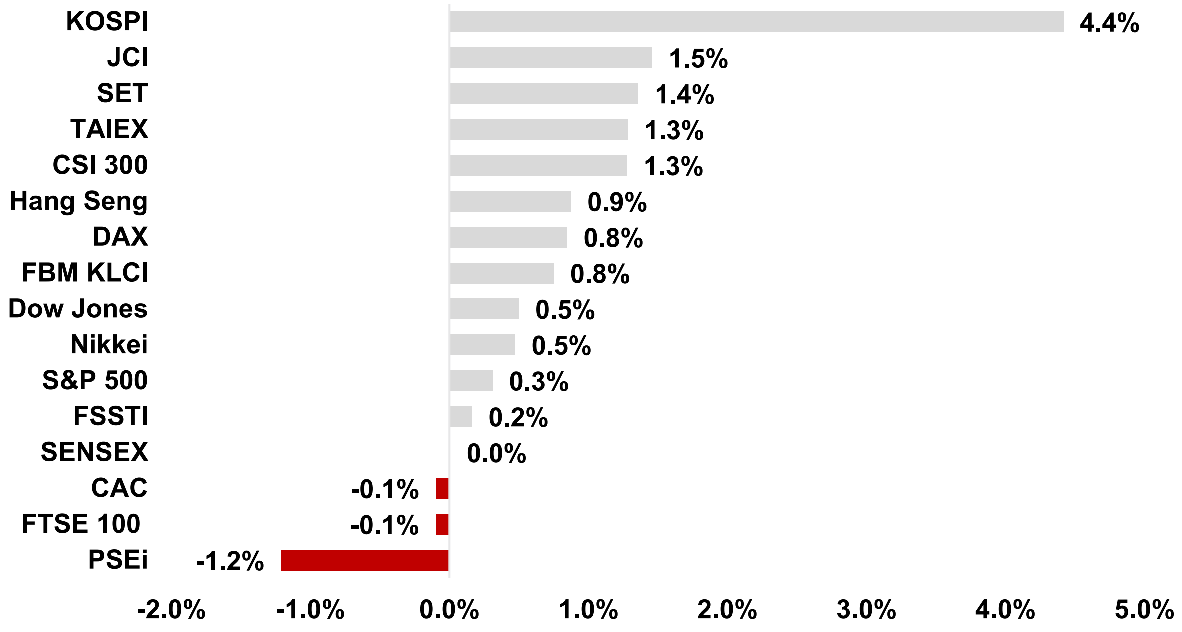
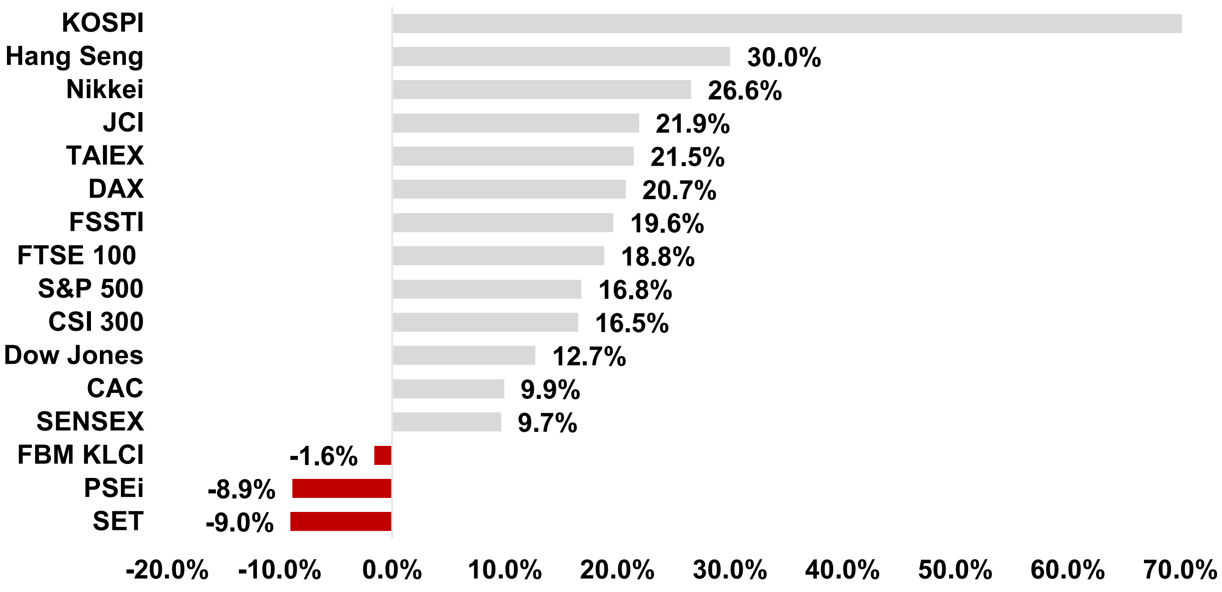
Weekly Gain/Loss of Major Equity Market, w-o-w%



YTD Gain/Loss of Major Equity Markets, %
(As of 5 December 2025)



Sources: Bursa, CEIC Data

- The regional equity index were mostly in the green for the week ending December 5 with South Korea's KOSPI as the major winner, growing by 4.4%. South Korea hit a major milestone with a record cumulative current account surplus of USD89.58 billion through October 2025, extending their streak to 30 consecutive surplus months. Adding to the good news, Hyundai Motor's stock reached a record high following the announcement of a key partnership with Air Liquide to develop hydrogen infrastructure globally.
- U.S. stocks – Dow Jones (+0.5%) and S&P 500 (+0.3%) surged marginally given the weaker-than-expected PCE inflation and better consumer optimism, the market is almost certain about 87% probability that the Fed will deliver a 25bp rate cut on December 10.
- In contrast, Philippines' PSEi (-1.2%), U.K.'s FTSE 100 (-0.1%) and France's CAC (-0.1%) were the biggest losers for the week ending December 5.

DOMESTIC EQUITY: FBM KLCI MIRRORED REGIONAL MOMENTUM TO CLOSE ON A POSITIVE NOTE

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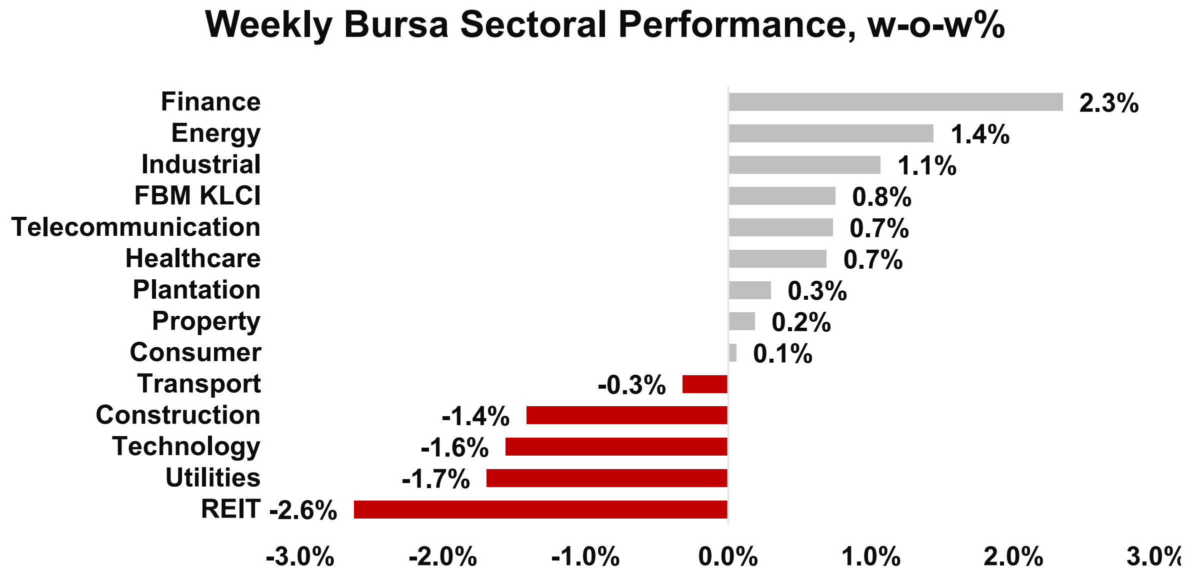

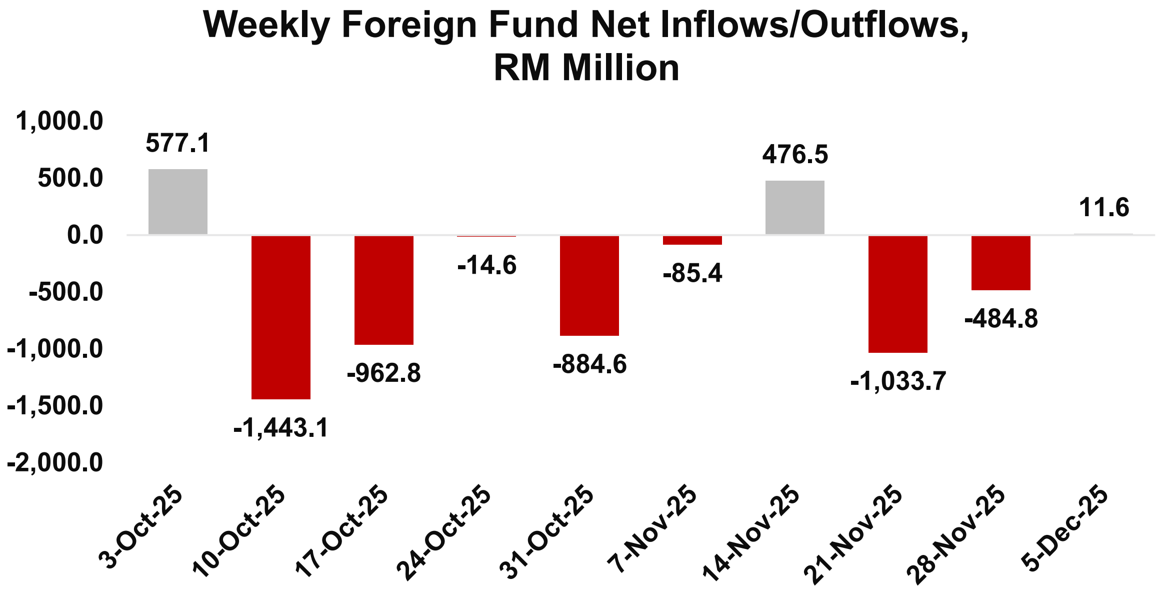

Sources: Bursa, CEIC Data

- The FBM KLCI increased by 0.8% w-o-w for the week ending December 5 amid bargain hunting activities, underpinned by improved risk sentiments ahead of this week's FOMC meeting.
- The local market mirrored regional optimism as investors leaned heavily towards the probability of a 25 bp Fed rate cut while domestically, Malaysia's solid growth prospects provided crucial tailwinds.
- Looking closer, most Bursa indices closed in the green with the Finance index surging by 2.3%, marking the highest level since March 2025. This is followed by the Energy (+1.4%) and Industrial (+1.1%) indices, which were bolstered by the rebound in production of Crude oil and Condensate (3Q: 7.9% vs. 2Q: -1.9%) and Natural Gas (3Q: 11.8% vs. 2Q: -8.0%)
- On the other hand, the REIT index was the biggest loser, plunging by 2.1%. Meanwhile, cautious sentiments surrounding the domestic water tariff adjustments as well as the global Artificial Intelligence (AI) bubble had dragged the Utilities (-1.7%) and Technology (-1.6%) indices, respectively.
- Foreign investors returned as net buyers last week, acquiring a total of RM11.6 million worth of equities. This had reduced the cumulative net outflow thus far to RM20.8 billion.

FIXED INCOME: MIXED ECONOMIC SIGNALS DRIVE UST YIELDS HIGHER, 25BPS RATE CUT IN DECEMBER SEEMS LOCKED IN

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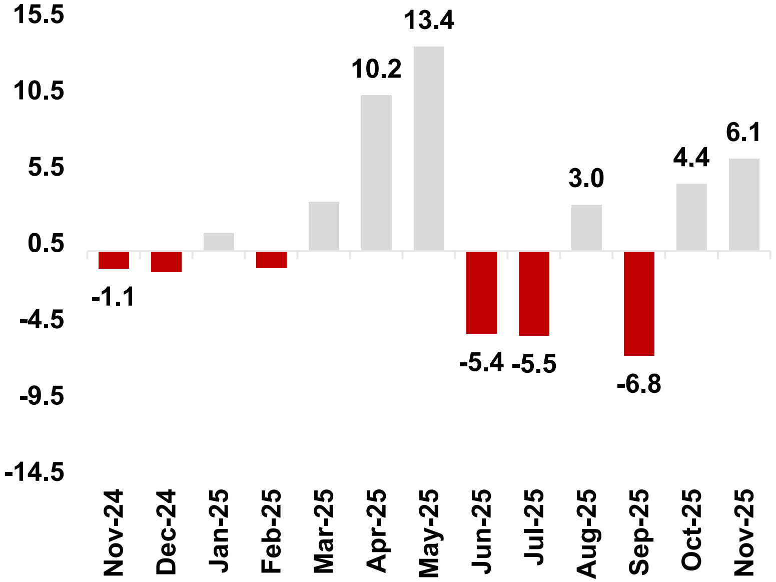
Weekly Changes, basis points (bps)

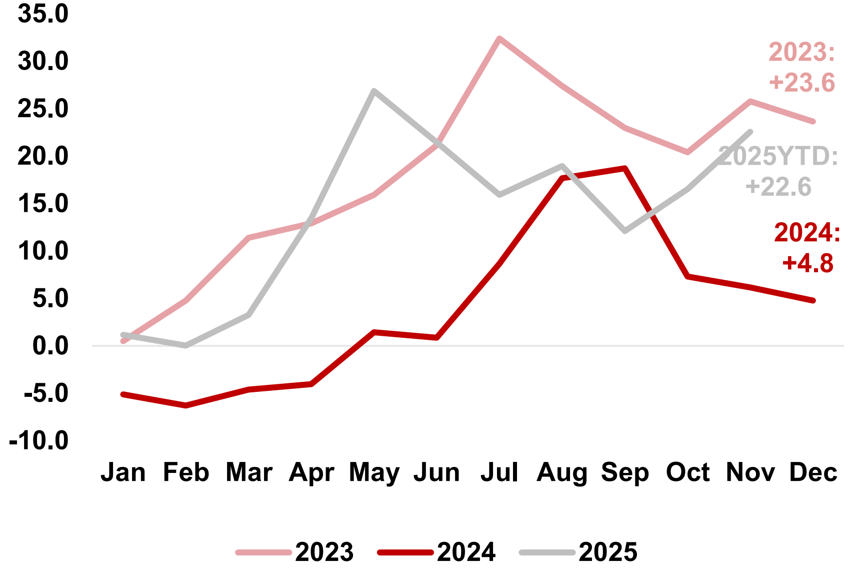
UST	Yields (%) 28-Nov-25	Yields (%) 5-Dec-25	Change (bps)
3-Y UST	3.49	3.59	10
5-Y UST	3.59	3.72	13
7-Y UST	3.78	3.90	12
10-Y UST	4.02	4.14	12
MGS	**Yields (%) 28-Nov-25**	**Yields (%) 5-Dec-25**	**Change (bps)**
3-Y MGS	3.03	3.03	0
5-Y MGS	3.24	3.25	2
7-Y MGS	3.44	3.45	1
10-Y MGS	3.46	3.49	2
GII	**Yields (%) 28-Nov-25**	**Yields (%) 5-Dec-25**	**Change (bps)**
3-Y GII	3.11	3.12	1
5-Y GII	3.25	3.26	1
7-Y GII	3.35	3.35	0
10-Y GII	3.53	3.53	0

Sources: BNM, Federal Reserve Board

Foreign Fund Flows in Local Bond Market, RM Billion



Cumulative Net Foreign Flows in Local Bonds (Yearly Comparison, RM Billion)



- U.S. Treasury (UST) yields showed greater resilience last week, ending broadly higher by around 10–13 bps as markets grappled with mixed signals on the economic outlook. A rebound in consumer confidence contrasted with a clear cooling in labor market conditions, leaving investors uncertain about the Fed's policy trajectory. Nevertheless, the near-term outlook appears more straightforward: rate futures, supported by softer PCE inflation readings, continue to signal a strong consensus for a 25 bp rate cut at this week's FOMC meeting.
- Meanwhile, Malaysian Government Securities (MGS) and Government Investment Issues (GII) yields were mostly little changed, moving by between 0bp and 2bps.
- Foreign fund flows in the local bond market logged a net foreign inflow of RM6.1 billion in November (October: +RM4.4 billion). Consequently, local govvies' foreign shareholdings to total outstanding uptrend to 21.4% in November (Oct: 21.2%).
- As of the first eleven months of 2025, the local bond market recorded the cumulative net foreign inflows of RM22.6 billion, higher than the inflows of RM6.2 billion in the same period in the previous year.

FX MARKET: RINGGIT BREACHED THE RM4.11-LEVEL AS MARKETS BET ON A DECEMBER FED CUT

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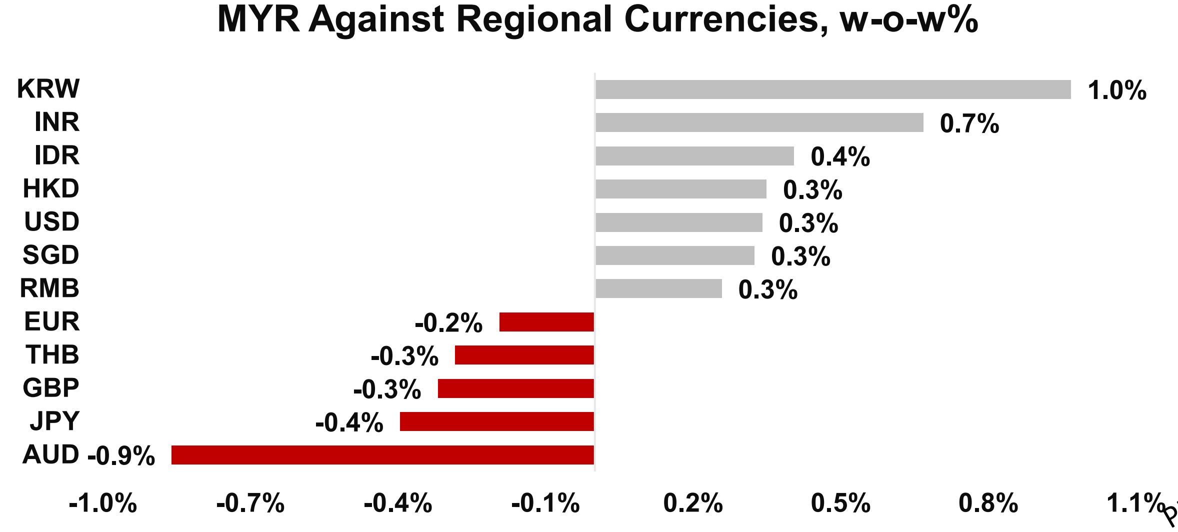

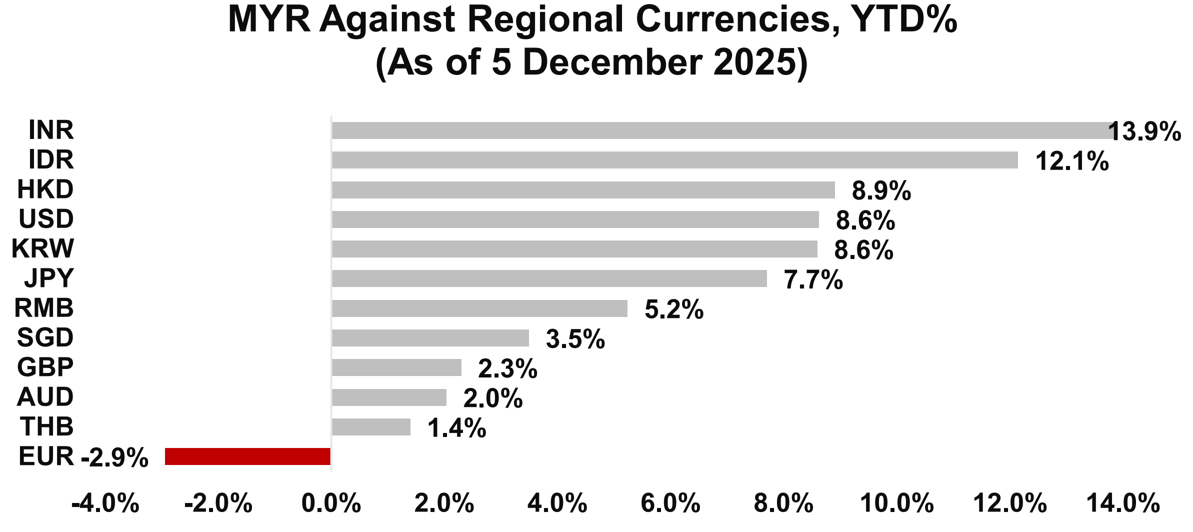

Sources: BNM, Federal Reserve Board (Fed), CEIC Data

- The Ringgit appreciated by 0.3% w-o-w against the USD last week, marking the highest level in more than fourteen months last Friday (5th December: RM4.115) as the USD index weakened by 0.2%.
- The USD softened slightly but largely held within its recent trading band against major currencies. Sentiment remained tilted against the greenback as expectations for a December rate cut continued to firm, following a notably weaker U.S. private employment report.
- According to ADP data, private-sector payrolls contracted by 32K in November (Oct: +47K), against market expectations of a 10K increase. The decline, the sharpest since March 2023, suggests that firms have turned more cautious amid persistent economic uncertainties. The weakness was driven primarily by a steep 120K reduction in employment at small establishments, while medium-sized and large firms posted gains of 51K and 39K respectively. Reflecting the softer labor market backdrop, market-implied odds of a 25 bp rate cut in December climbed to nearly 90%, based on the CME FedWatch tool.
- Moreover, the delayed Core Personal Consumption Expenditure (PCE) price index – the Fed's preferred gauge of inflation – increased by 2.8% y-o-y in September, a tad lower than 2.9% y-o-y in August, reinforcing the case of further easing. On a monthly basis, it rose by 0.2% as recorded in the previous two months.

COMMODITY: OIL PRICES EXTENDS GAINS AMID RATE CUT HOPES AND RISING GEOPOLITICAL TENSIONS, BUT SUPPLY RISKS PERSIST

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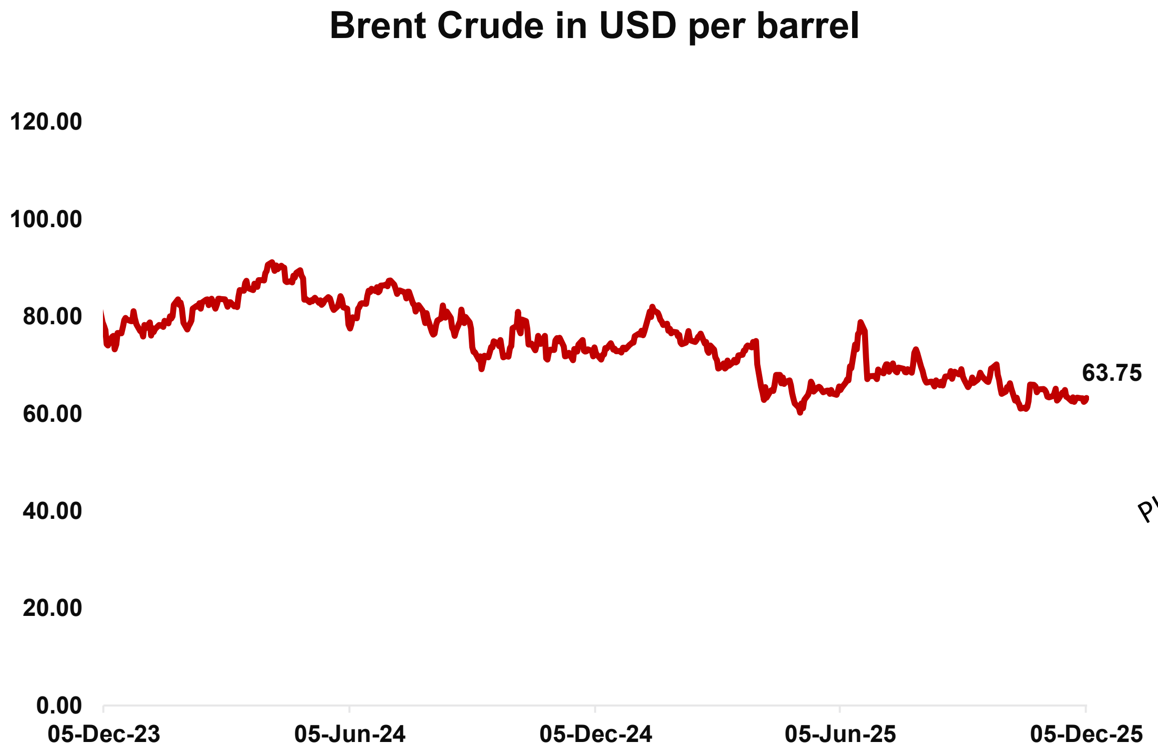
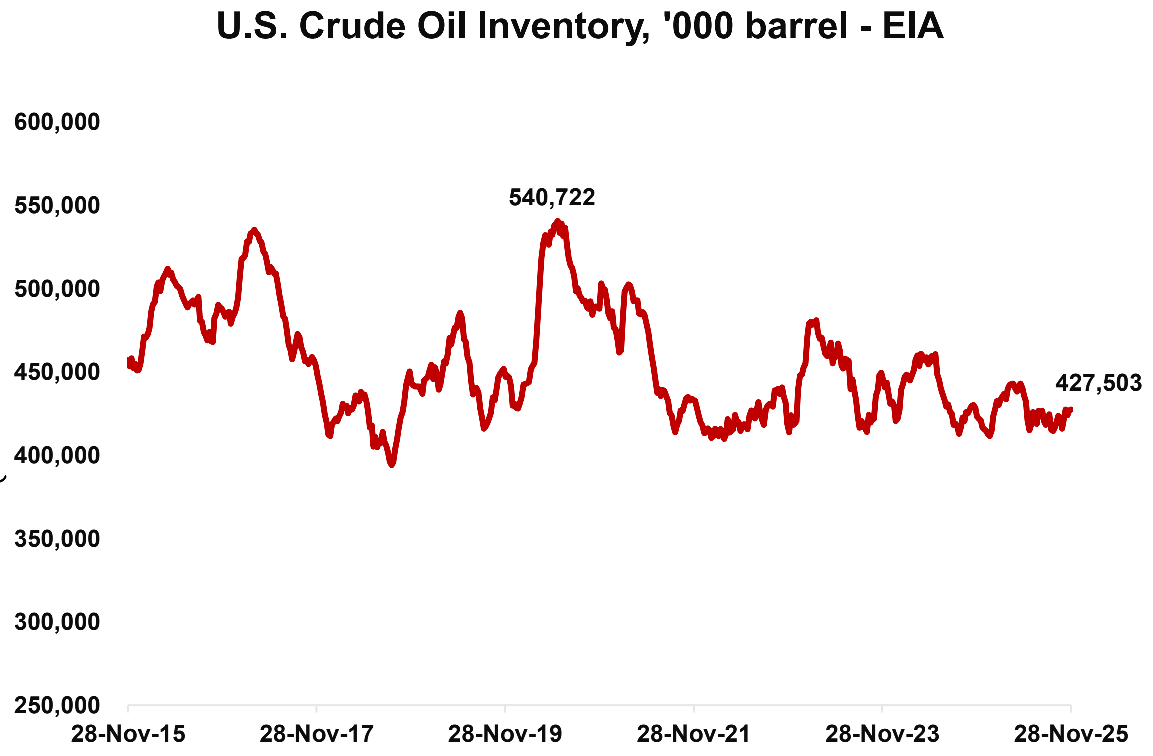
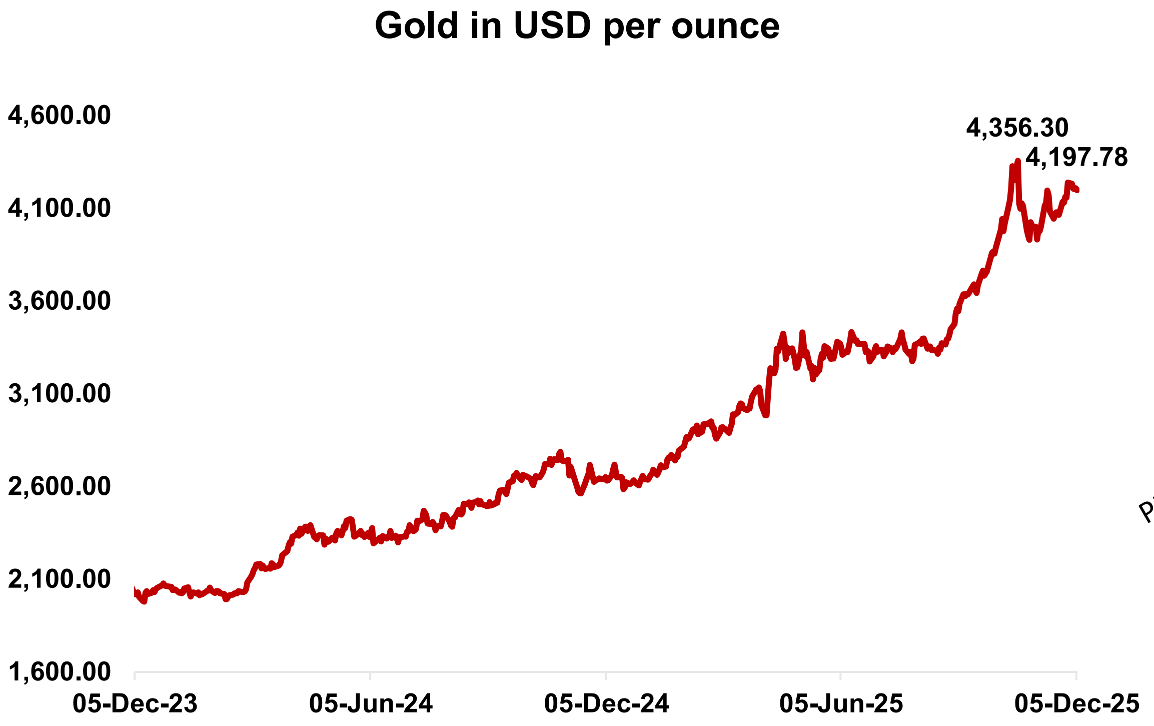


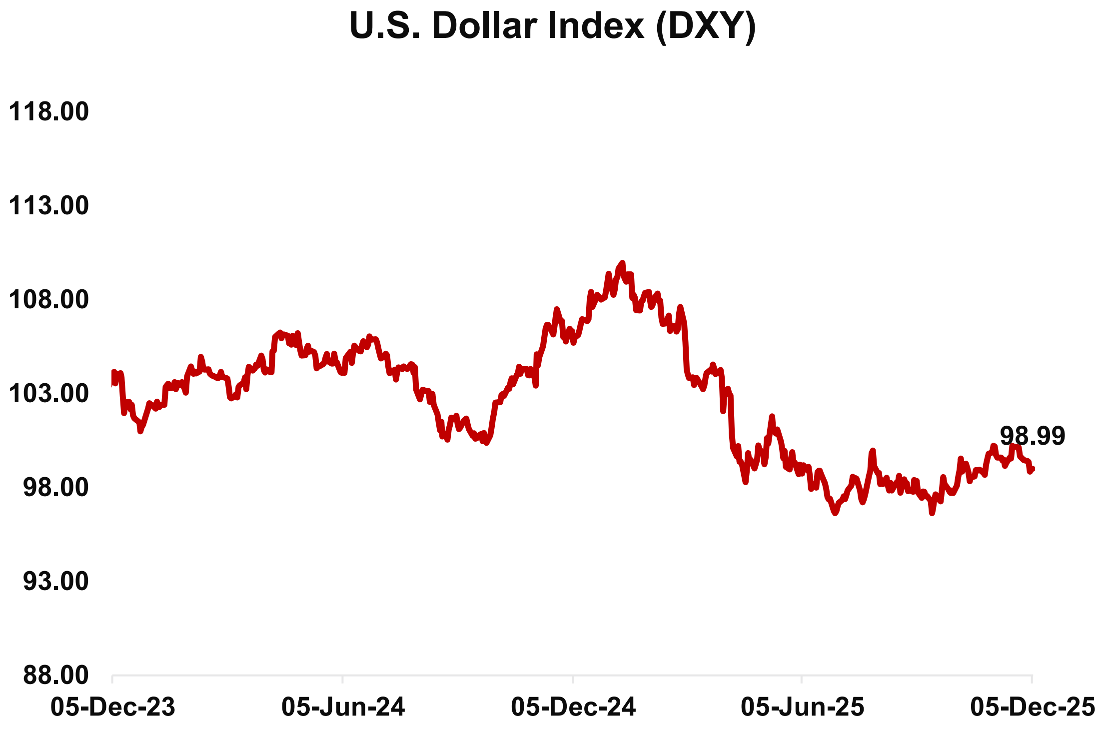


Sources: Bloomberg, Energy Information Administration (EIA)

- Brent oil extended its gains for a second week, rising by 0.9% w-o-w to close at USD 63.75 per barrel on December 5. It was supported by growing hopes that the U.S. Fed will cut the interest rate on December 10, which would support global economic growth and energy demand amid easing borrowing costs and boosting consumption.
- Other factors include geopolitical tensions that could limit oil supplies from Russia and Venezuela. The lack of progress in U.S.–Russia talks in Moscow over the Ukraine conflict has contributed to this week's rise in oil prices.
- Nonetheless, underlying concerns about oversupply remain, especially with weak demand from China and doubts over OPEC+'s commitment to supply cuts. Additionally, U.S. crude stockpiles gained by 0.6 million barrels to 427.5 million barrels for the week ending November 28.

COMMODITY: GOLD PRICE ON TRACK FOR WEEKLY LOSS AS INVESTORS CASHED IN ON RECENT GAINS





Sources: Bloomberg, CEIC Data

- The bullion price slipped by 1.0% for the week ending December 5 despite the weaker USD amid rapid profit taking activities following the XAU's rebound above the USD4,200-level.
- Nevertheless, underlying support to the bullion remained from the intensifying geopolitical tensions between Japan and China. Over the weekend, Japan's Defense Minister Shinjiro Koizumi claimed that Chinese fighter jets directed fire-control radar at Japan's military aircraft in two separate incidents near Japan's Okinawa islands, heightening market jitters on an escalation of the conflict.

WHAT TO LOOK OUT FOR IN THE MARKETS THIS WEEK

- This week, all eyes are on the Federal Reserve (Fed) as it prepares for its final policy meeting of the year. Markets widely anticipate another interest rate cut on December 10, which would mark the third consecutive reduction. Although inflation remains above the Fed's target, rising concerns about a cooling labor market, especially with incomplete data due to delays from the government shutdown are fueling expectations for further easing. Chair Jerome Powell is expected to address the media following the decision, where he may share the Fed's outlook for the economy, employment, and inflation heading into 2026. His tone and remarks could influence how investors view the path of interest rates in early 2026. In addition to the Fed meeting, markets are also awaiting key data releases this week, including figures on jobless claims, the trade deficit, and the U.S. federal budget. These updates will help shape broader market sentiment as the year winds down.

- In contrast, both the Reserve Bank of Australia (RBA) and the Bank of Canada (BoC) are expected to keep their policy rates unchanged this week, marking a divergence from the Fed's anticipated rate cut. For the RBA, the decision reflects its ongoing struggle to manage stubbornly high services inflation amid clear signs of easing household demand and a cooling economy. While no change in rates is expected, markets will closely dissect the central bank's tone, particularly its views on wage growth, inflation persistence, and whether the current stance remains sufficiently restrictive. Meanwhile, the BoC is likely to hold steady after its final 25bps rate cut in October, as recent data points to stabilizing growth and a resilient labor market. Canada's 3Q2025 GDP picked up, unemployment dipped, and inflation while easing still sits above the BoC's comfort zone. The key will be whether the BoC's language signals a firm pause into 2026 or leaves flexibility should inflation retreat more rapidly than expected. Overall, while the Fed may be leading the way in rate adjustments, other major central banks appear more cautious, reflecting differing domestic economic conditions.

- In the Euro area, this week will offer a mixed of data and central bank signals, with the UK taking the spotlight on Friday. The UK is expected to show slight economic improvement, with October GDP forecasted to grow by 0.1%, recovering from a small contraction in September. Industrial production is also projected to rebound, while trade figures will provide further clarity on external demand. Investors will also pay close attention to comments from Bank of England Governor Andrew Bailey, which may hint at the policy path ahead. In the Eurozone, remarks from ECB President Christine Lagarde will be closely watched for any policy clues. Germany's industrial production is likely to have declined in October, reversing the prior month's gain. Meanwhile, Italy's industrial output is projected to dip, suggesting a broader softening in manufacturing momentum across the region. Overall, the data may reinforce expectations that the European economy remains sluggish, keeping monetary policymakers cautious.

THANK YOU