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WEEKLY ECONOMIC UPDATE

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ECONOMIC RESEARCH

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U.S. WEEKLY HIGHLIGHT: SHARPER-THAN-EXPECTED MODERATION IN JOB MARKET CONDITIONS COOLS FED RATE HIKE EXPECTATIONS

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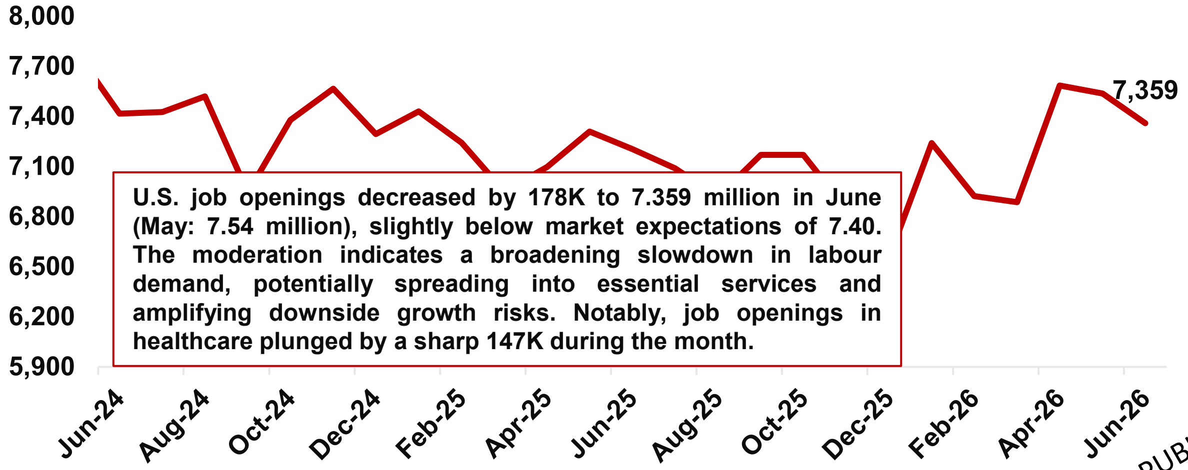
JOLTS Job Openings, '000



U.S. job openings decreased by 178K to 7.359 million in June (May: 7.54 million), slightly below market expectations of 7.40. The moderation indicates a broadening slowdown in labour demand, potentially spreading into essential services and amplifying downside growth risks. Notably, job openings in healthcare plunged by a sharp 147K during the month.

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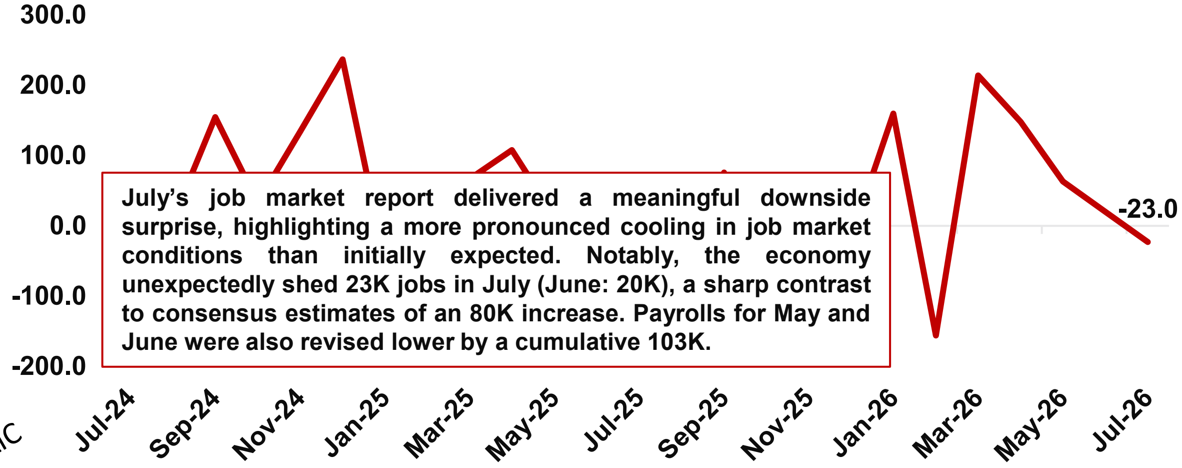
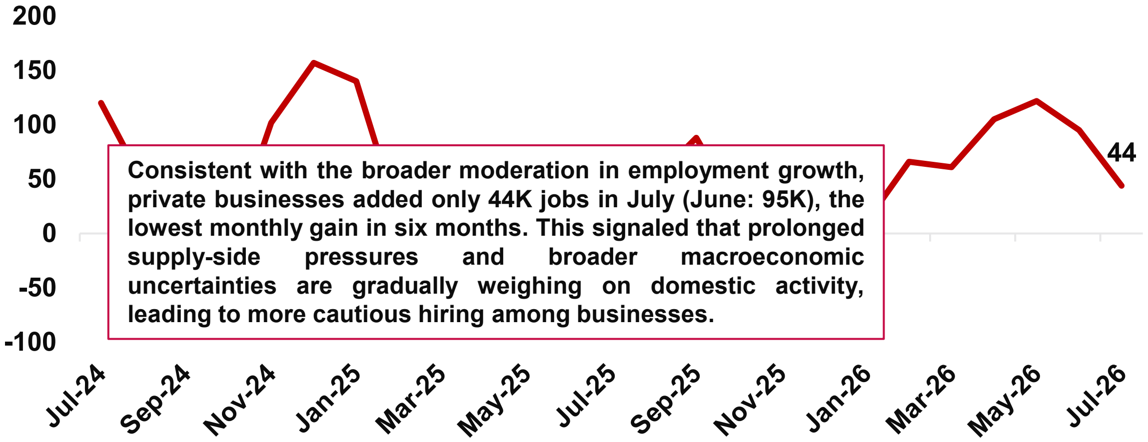
Nonfarm Payroll (NFP), monthly change (‘000)



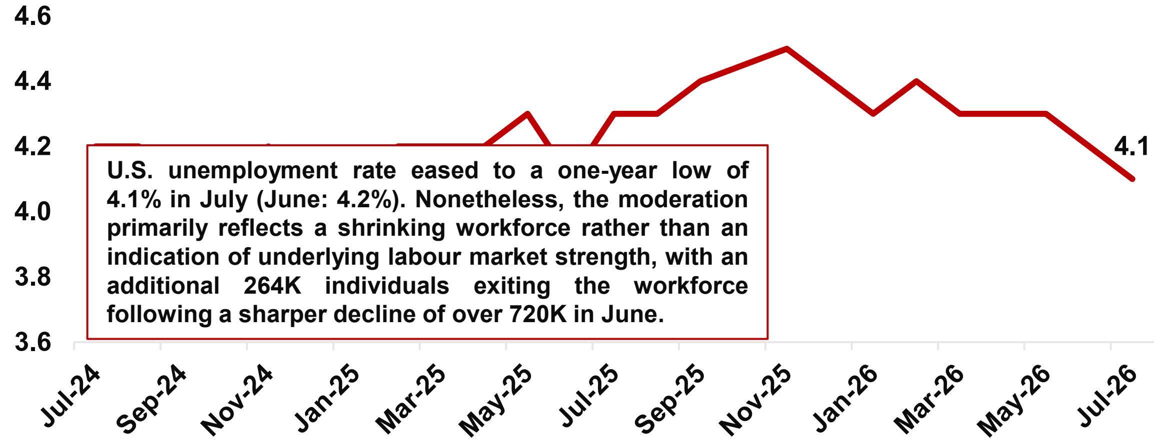
July’s job market report delivered a meaningful downside surprise, highlighting a more pronounced cooling in job market conditions than initially expected. Notably, the economy unexpectedly shed 23K jobs in July (June: 20K), a sharp contrast to consensus estimates of an 80K increase. Payrolls for May and June were also revised lower by a cumulative 103K.

ADP Nonfarm Employment, monthly change ('000)



Consistent with the broader moderation in employment growth, private businesses added only 44K jobs in July (June: 95K), the lowest monthly gain in six months. This signaled that prolonged supply-side pressures and broader macroeconomic uncertainties are gradually weighing on domestic activity, leading to more cautious hiring among businesses.

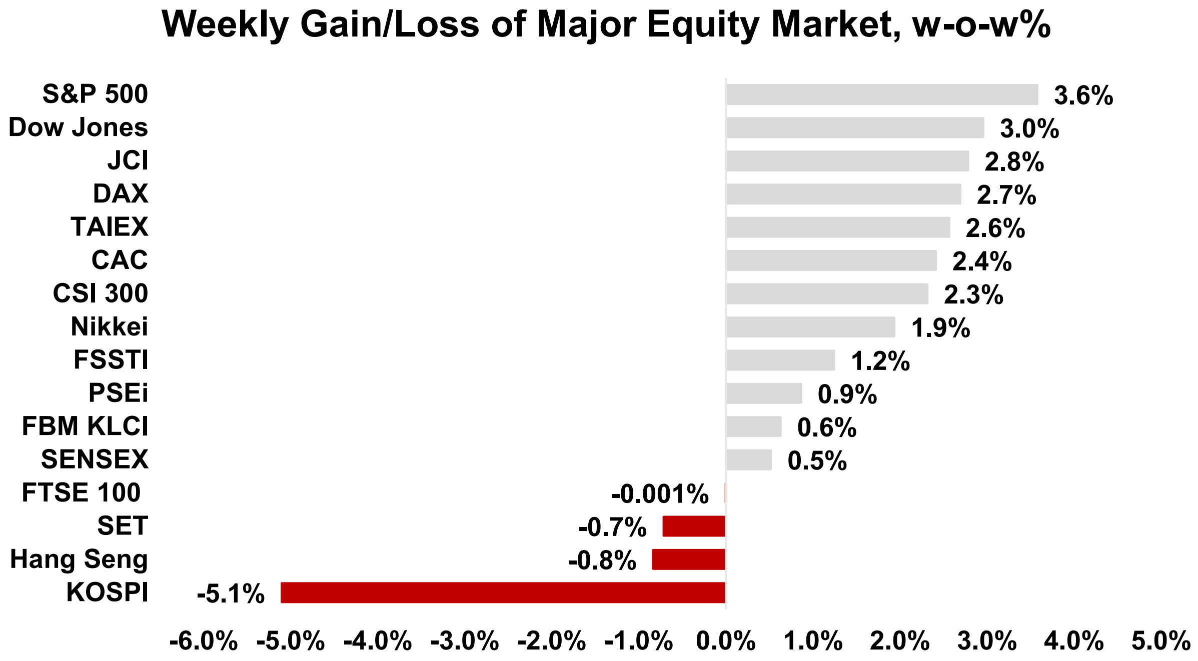
Unemployment Rate, %

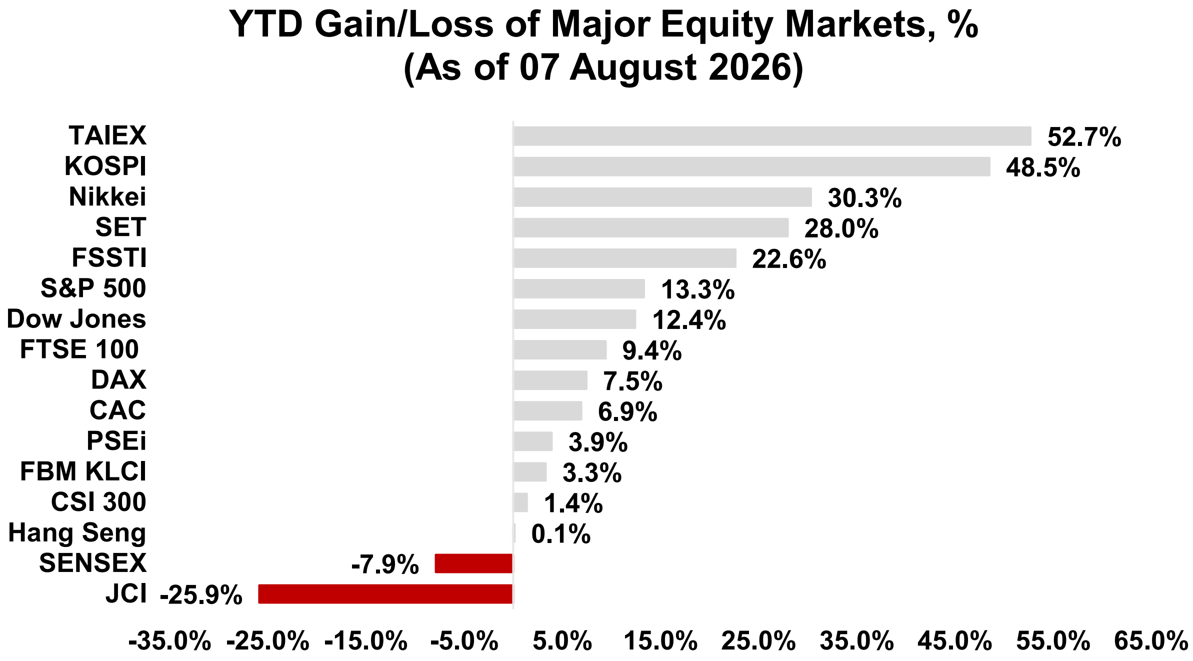


U.S. unemployment rate eased to a one-year low of 4.1% in July (June: 4.2%). Nonetheless, the moderation primarily reflects a shrinking workforce rather than an indication of underlying labour market strength, with an additional 264K individuals exiting the workforce following a sharper decline of over 720K in June.

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

REGIONAL EQUITY: GLOBAL EQUITIES RALLY ON STRONG EARNINGS AND REDUCED FED HIKE RISKS



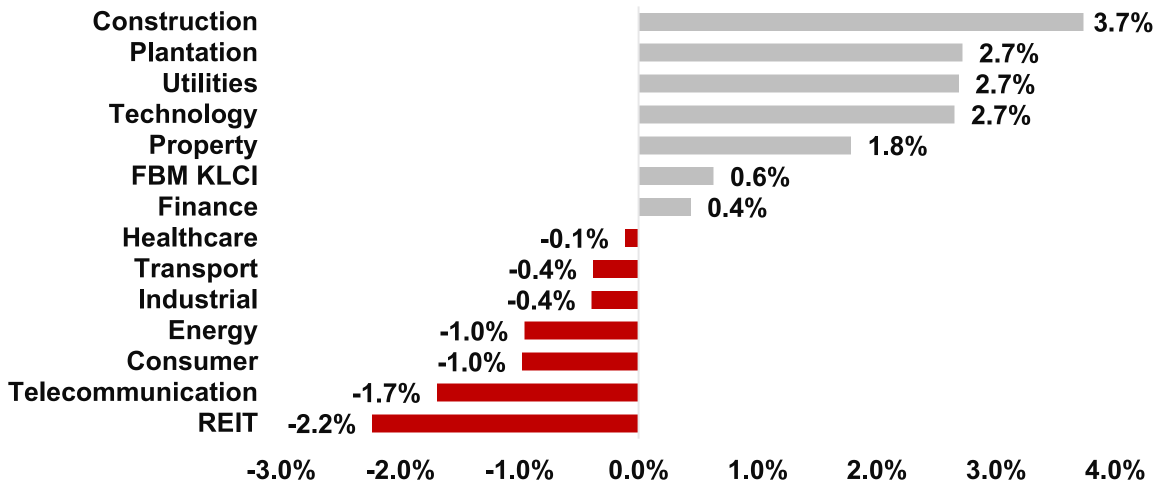


Sources: Bursa, CEIC Data

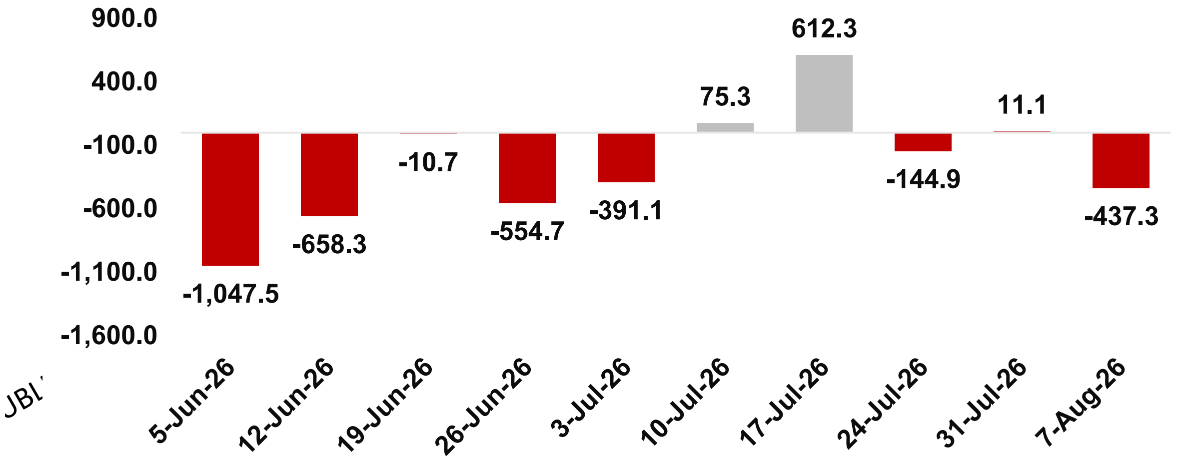
- Global equities posted strong gains in the week ended August 7, with U.S. markets outperforming as softer US labour market data lowered bond yields and eased concerns over monetary tightening.
- Global equities were also supported by a strong earnings season, particularly technology, with optimism around corporate profit growth. Reuters noted global equity funds recorded inflows for an 11th consecutive week.
- U.S. equities led the week-on-week gains last week with the S&P 500 rising 3.6% and the Dow Jones advancing 3.0%, followed by Indonesia’s JCI, which gained 2.8%.
- Meanwhile, South Korea’s KOSPI remained under selling pressure, falling by 5.1% w-o-w amid heavy foreign selling. Large-cap chip stocks, particularly SK Hynix declined on concerns over the outlook for AI memory chip demand and pricing. Given the heavy weighting of semiconductor stocks in the KOSPI, weakness in the sector had a significant impact on the index.
- Hong Kong’s Hang Seng (-0.8%) and Thailand’s SET (-0.7%) recorded modest declines during the week.

DOMESTIC EQUITY: FBM KLCI REBOUNDED AMID EASING U.S.-IRAN GEOPOLITICAL TENSIONS

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 for the week ending 7 August, broadly tracking gains across regional peers amid a broad-based improvement in investor risk appetite.
- Investor sentiments were lifted after U.S. President Trump signaled a willingness to resume negotiations with Iran earlier, reinforcing hopes of a near-term resolution to the recent escalation in U.S.-Iran tensions. The growing optimism among market participants was further reaffirmed when U.S. Secretary of State Marco Rubio indicated that diplomatic discussions are progressing favorably.
- Meanwhile, negotiations between Iran and Oman to reopen the Strait of Hormuz were reportedly almost finalized. Taken together, these developments alleviated concerns over potential energy supply shocks stemming from the conflict, prompting a rotation away from safe-haven assets and into riskier asset classes, including emerging market equities.
- Bursa indices largely closed mixed with the Construction index topping the gainers, rebounding by 3.7%. Meanwhile, the REIT index fell by 2.2%, marking the lowest close since April.
- Foreign investors shed a total of RM437.3 million of equities last week, increasing the cumulative net outflow thus far to RM4.4 billion.

FIXED INCOME: UST YIELDS DECLINE AS WEAK JOBS DATA REDUCES FED HIKE EXPECTATIONS

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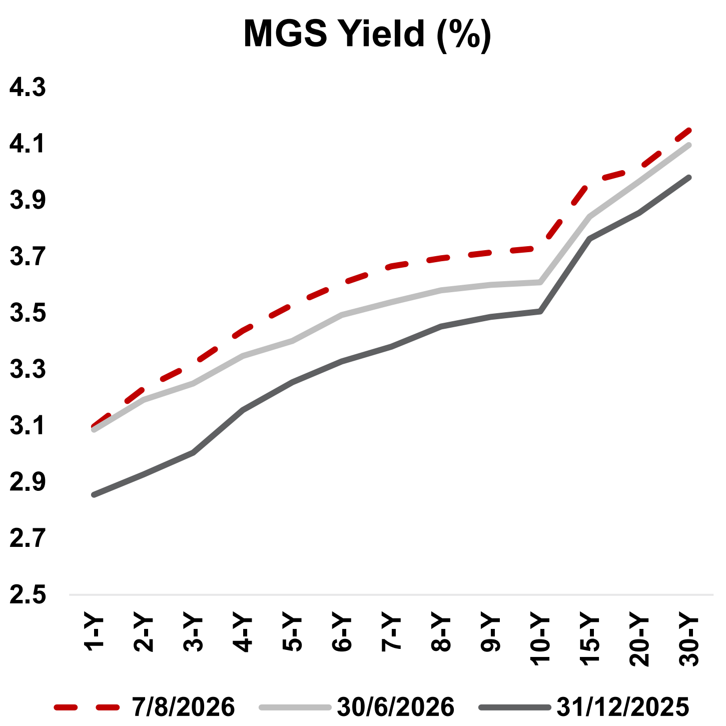
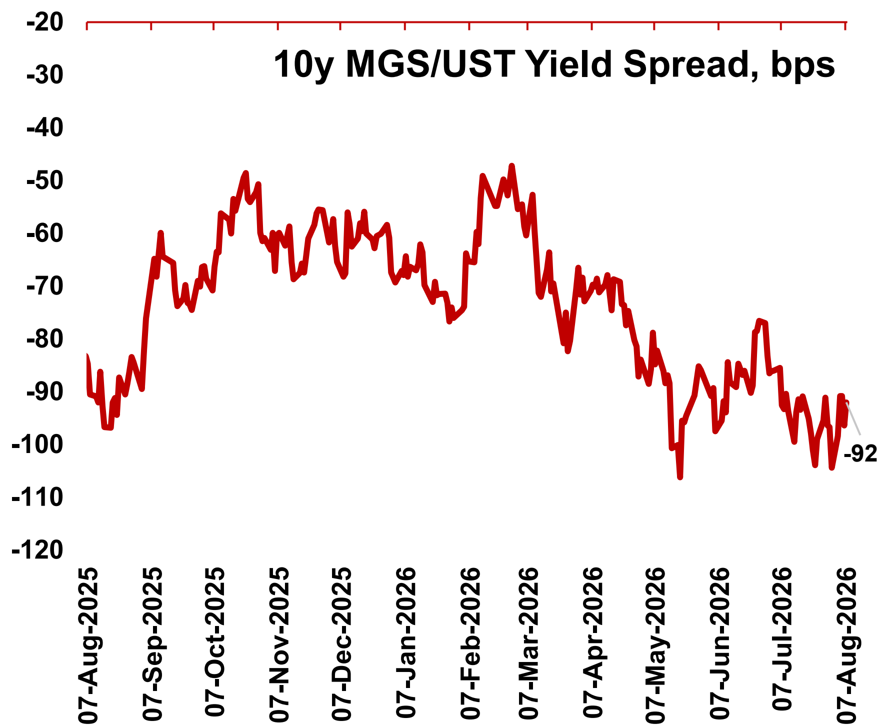
Weekly Changes, basis points (bps)

UST	Yields (%) 31-Jul-26	Yields (%) 7-Aug-26	Change (bps)
3-Y UST	4.34	4.25	-9
5-Y UST	4.45	4.35	-10
7-Y UST	4.59	4.49	-10
10-Y UST	4.75	4.65	-10
MGS	**Yields (%) 31-Jul-26**	**Yields (%) 7-Aug-26**	**Change (bps)**
3-Y MGS	3.31	3.32	1
5-Y MGS	3.50	3.53	3
7-Y MGS	3.64	3.67	2
10-Y MGS	3.71	3.73	2
GII	**Yields (%) 31-Jul-26**	**Yields (%) 7-Aug-26**	**Change (bps)**
3-Y GII	3.35	3.36	1
5-Y GII	3.49	3.53	4
7-Y GII	3.63	3.65	2
10-Y GII	3.70	3.73	2

Sources: BNM, Federal Reserve Board





- U.S. Treasury (UST) yields ended lower in the range of -9bps and -10bps for the week ending August 7. The decline was mainly driven by softer-than-expected labour-market data, which reduced expectations of Fed tightening. July nonfarm payrolls fell by 23,000, sharply below market expectations for an increase of around 80,000. More importantly, May and June payroll growth was revised down by a combined 258,000, signalling that labour-market momentum was weaker than previously reported.
- While the softer jobs market reduces the need for rate hikes, inflation remains a consideration, so markets are more likely to expect the Fed to maintain rates at current levels in the near term rather than begin an easing cycle immediately.
- Meanwhile, Malaysian Government Securities (MGS) and Government Investment Issues (GII) yields ended higher by between 1bp and 4bps.
- The 10y MGS/UST yield spread narrowed in the negative territory at 92bps relative to -104bps in the previous week.

FX MARKET: RINGGIT CONSOLIDATED WITHIN A NARROW RANGE, THE USD REMAINED UNDER PRESSURE

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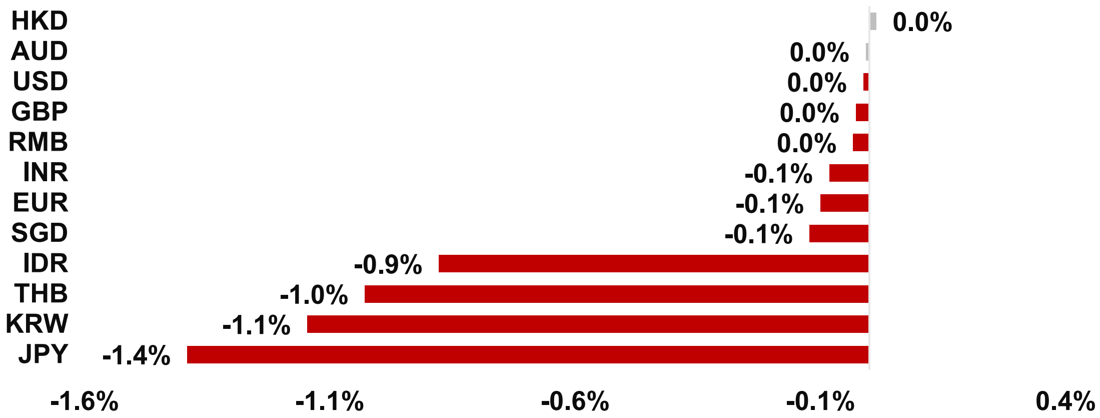
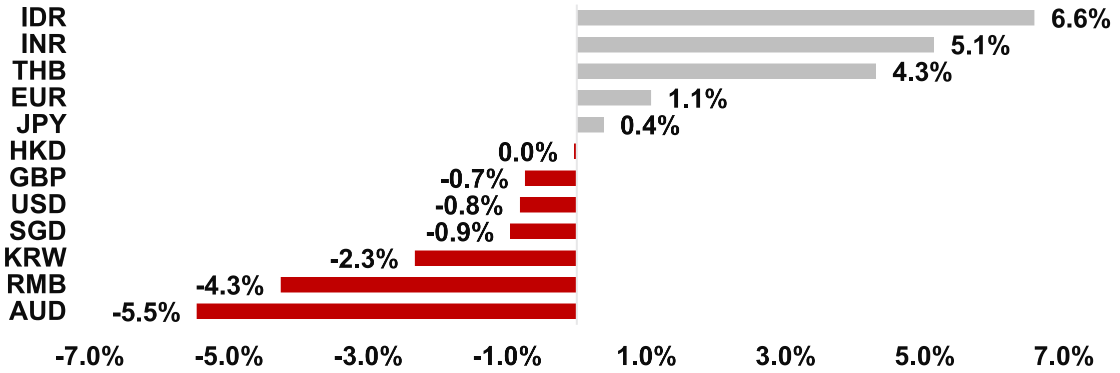
MYR Against Regional Currencies, w-o-w%



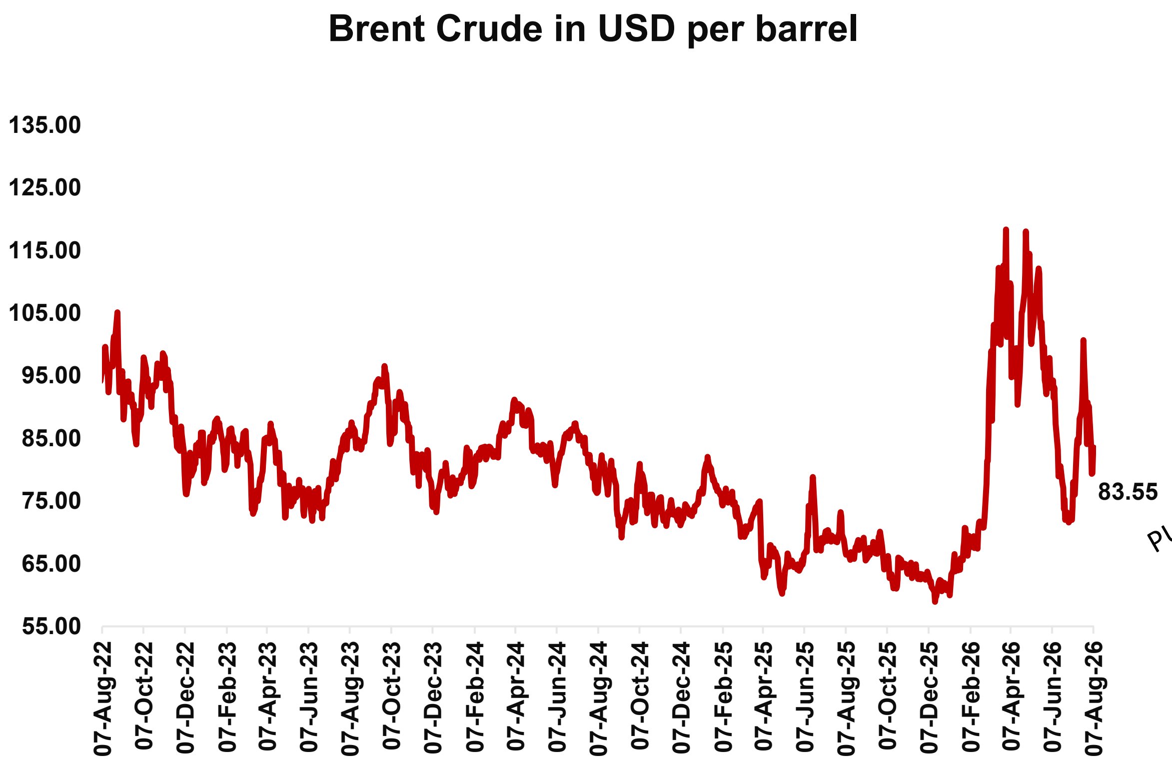
MYR Against Regional Currencies, YTD% (As of 7 August 2026)

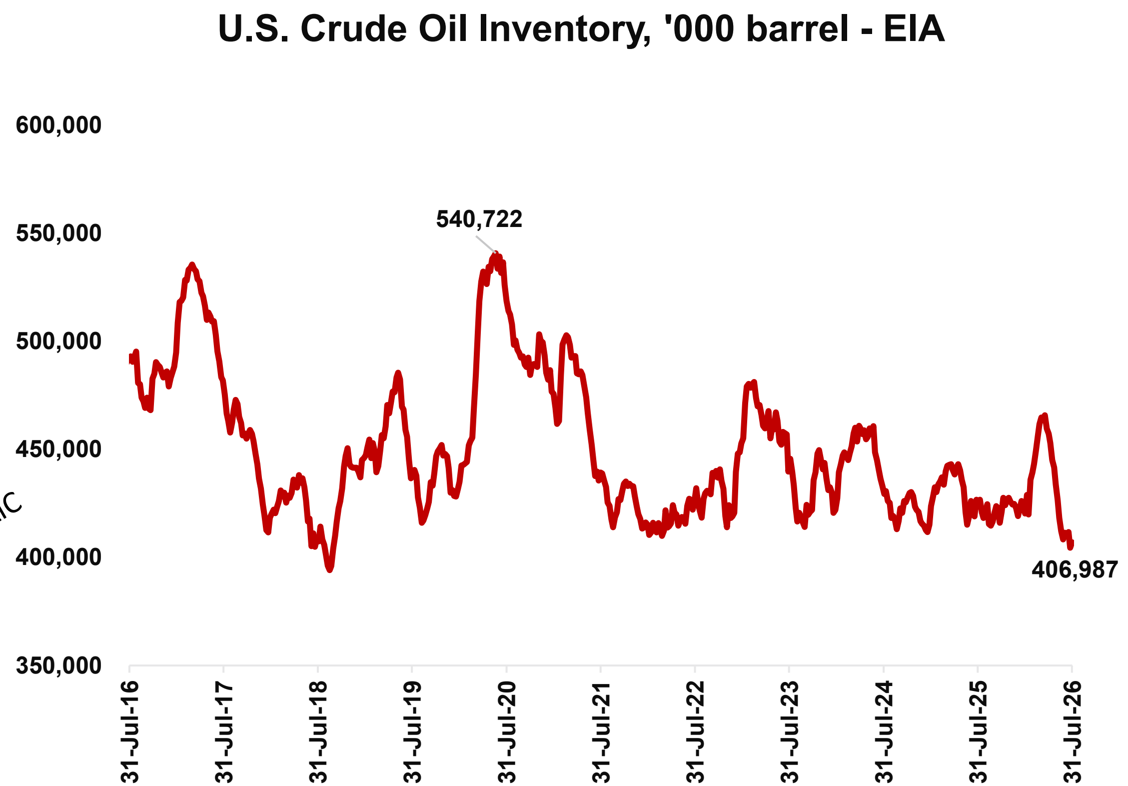


Sources: BNM, Federal Reserve Board (Fed), CEIC Data

- The Ringgit underperformed against a basket of currencies for the week ending 7 August, struggling to establish a clear directional bias amid a relatively stable macroeconomic backdrop and steady expectations over Bank Negara Malaysia (BNM) policy outlook.
- The Japanese Yen (JPY) strengthened against the Ringgit, supported by the coordinated intervention by Japanese and U.S. authorities in the currency market earlier. The intervention was aimed at addressing excessive volatility in the Yen recently, which saw the USD/JPY briefly touching a 40-year high of 164.0. The operation triggered a broad-based correction in the JPY, allowing it to appreciate by 1.4% against the MYR over the week.
- The Ringgit also declined by 1.1% w-o-w against the Korean Won (KRW), reflecting a rotation into Korean assets amid shifting market positioning. The move was largely driven by investors reducing their exposure to South Korea's KOSPI amid growing concerns over the sustainability of the ongoing technology-driven rally.
- Notably, the USD/MYR currency pair consolidated within a relatively narrow range between 4.07-4.10, despite the broad-based weakness in the USD.
- Softer-than-expected U.S. job creation data reaffirmed concerns of a gradually cooling labour market, in which the economy unexpectedly shed 23K jobs in July, significantly missing estimates of an 80K increase.
- The decline strengthened the argument for a more restrained Fed, especially as energy-driven inflationary pressures have yet to translate meaningfully into consumer prices. As such, markets repriced their September policy expectations, with the likelihood of a 25-bp rate increase falling below 45.0% from 67.0% a week before. Consequently, the USD closed Friday's session below the key psychological level of 100.0, reinforcing its break from the clear bullish momentum previously.

COMMODITY: OIL REBOUNDS ON RENEWED STRAIT OF HORMUZ RISKS





Sources: Bloomberg, Energy Information Administration (EIA)

- Brent oil prices closed higher at USD83.55/barrel on Friday (August 07), gaining 1.3% intraday from USD82.49/barrel. The rebound came after oil had fallen sharply earlier in the week on hopes of an agreement to reopen the Strait of Hormuz. Despite the recovery, Brent prices remained 7.3% lower on a week-on-week basis.
- Concerns that Iran could impose new shipping restrictions have revived fears of prolonged disruption to oil flows, keeping a geopolitical risk premium in prices. If negotiations succeed and shipping through Hormuz normalises, the risk premium could unwind quickly and push Brent back towards the US$70s. Conversely, any renewed disruption or escalation could keep Brent above US$80 and potentially push it higher.
- U.S. crude oil inventories increased by 2.5 million barrels to 407.0 million for the week ending July 31.

COMMODITY: GOLD PRICE CLOSED THE WEEK AT USD4,341.56, STRENGTHENING AGAINST A SOFTER USD

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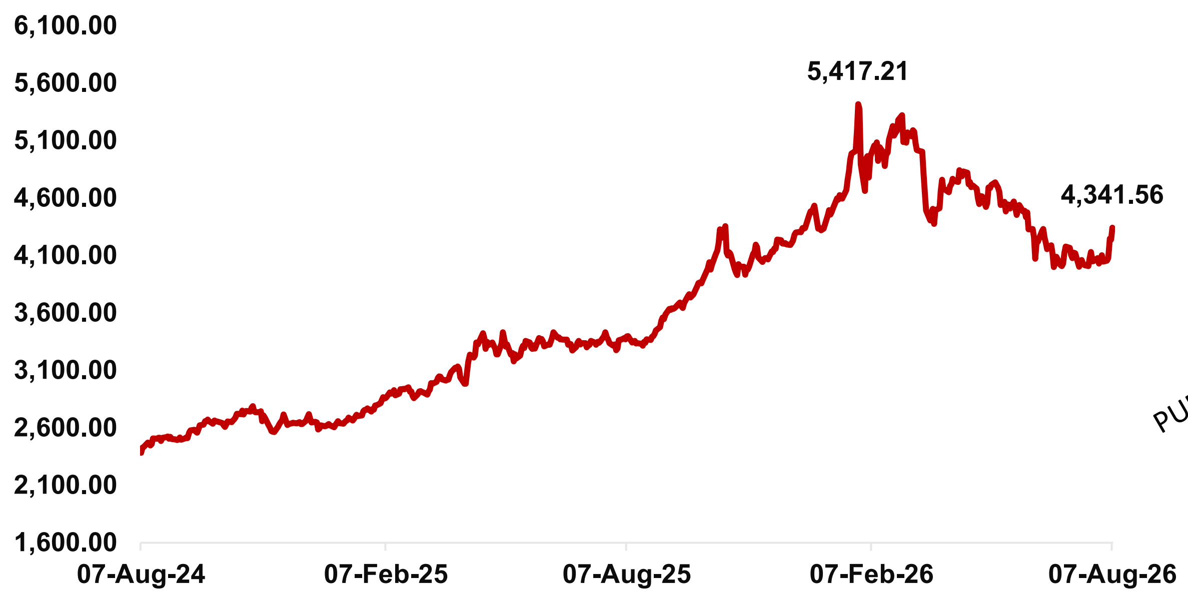
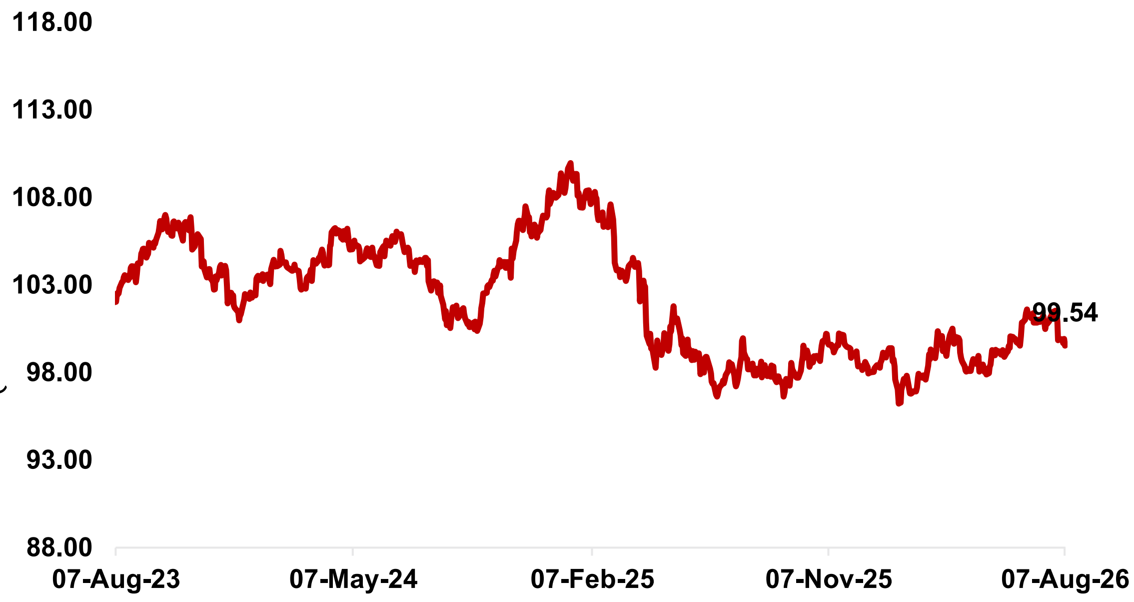
Gold in USD per ounce



U.S. Dollar Index (DXY)



Sources: Bloomberg, CEIC Data

- Gold (XAU) jumped sharply by 7.3% w-o-w last week, largely driven by the weakness of the USD. Easing U.S.-Iran geopolitical tensions and diminishing expectations for the September rate increase by the U.S. Fed weighed on the greenback, leading it to slip by 0.4% w-o-w.
- Notably, July nonfarm payrolls (NFP) declined by 23K (June: 20K), a meaningful downside surprise that suggested that the job market may be weaker than initially expected. Furthermore, job gains for May and June were revised lower by a cumulative 103K, further reinforcing concerns of a slowdown in employment momentum.
- Against this backdrop, the XAU gained modest support from the rotation away from USD-denominated assets, breaking decisively above the 4,200.0-resistance level on Wednesday before advancing past the next resistance around 4,300.0 during Friday's session.

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WHAT TO LOOK OUT FOR IN THE MARKETS THIS WEEK

- The U.S. markets enter a data-heavy week, with July CPI on Wednesday (Aug 12) likely to take centre stage. Investors will assess whether tariff and energy-related costs are beginning to show up in consumer prices. Meanwhile, PPI release on Aug 13 will provide another indication of pipeline price pressures. On Friday, retail sales will offer a fresh read on whether consumer spending remains resilient. The University of Michigan sentiment survey on Friday will also highlight how households are viewing the economy. Taken together, the data could influence expectations for the Fed's upcoming policy decisions. A softer inflation picture could support bonds and equities, while stronger price pressures may keep yields elevated. Overall, the week could bring renewed volatility as markets reassess the path for U.S. interest rates.

- This week's focus on economic growth will center on Malaysia, the UK and Japan. Malaysia's 2Q26 GDP final estimate on August 13 will be closely watched after the economy recorded a stronger-than-expected 5.8% y-oy advance growth, supported by exports, industrial activity and resilient domestic demand. A confirmation or upward revision would strengthen the view that Malaysia can maintain relatively firm growth momentum in 2026, despite external uncertainties. In the UK, 2Q26 GDP is also due on August 13, with markets expecting modest growth, which would indicate that the economy is recovering but remains vulnerable to weak demand and higher costs. Japan's 2Q26 GDP will provide a further gauge of regional growth momentum, particularly whether domestic demand can offset weaker external conditions. Overall, the releases should help markets assess whether global growth is proving resilient or beginning to lose momentum in the face of trade uncertainty, higher energy costs and softer external demand.

- The Reserve Bank of Australia (RBA) will be in focus on August 11, with markets widely expecting the cash rate to remain at 4.35%. The latest inflation data have reduced the pressure for another rate hike, with headline inflation easing to 3.8% in June. However, underlying inflation remained elevated at 3.6%, suggesting price pressures have not been fully resolved. The RBA will therefore likely maintain a cautious stance and keep its options open rather than signal an immediate easing cycle. The updated August Statement on Monetary Policy will be closely watched for changes to its inflation, growth and labour-market forecasts. A key question is whether the recent easing in inflation is strong enough to put further rate hikes off the table. A dovish shift could strengthen expectations for future rate cuts, while a more cautious tone could keep Australian bond yields elevated. Overall, the RBA is likely to hold rates next week, but the guidance will be more important than the decision itself.

THANK YOU