BANK ISLAM

WEEKLY ECONOMIC UPDATE

06 NOVEMBER 2026

ECONOMIC RESEARCH

IMRAN NURGINIAS IBRAHIM
FARAH ZAZREEN ZAINUDIN
KHAYRIN FARZANA FAZLI

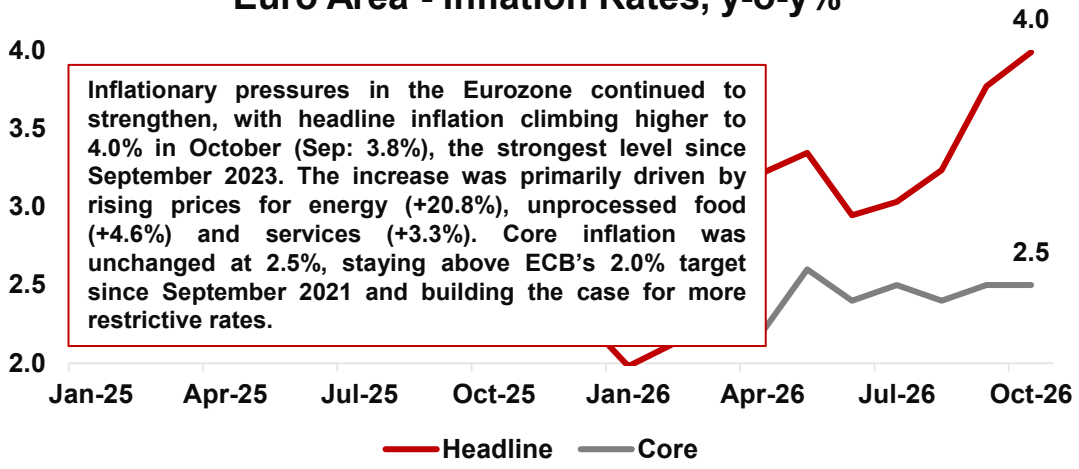
PUBLIC

WEEKLY HIGHLIGHT: ECB FACES AN INCREASINGLY CHALLENGING POLICY TRADE-OFF

BANK ISLAM

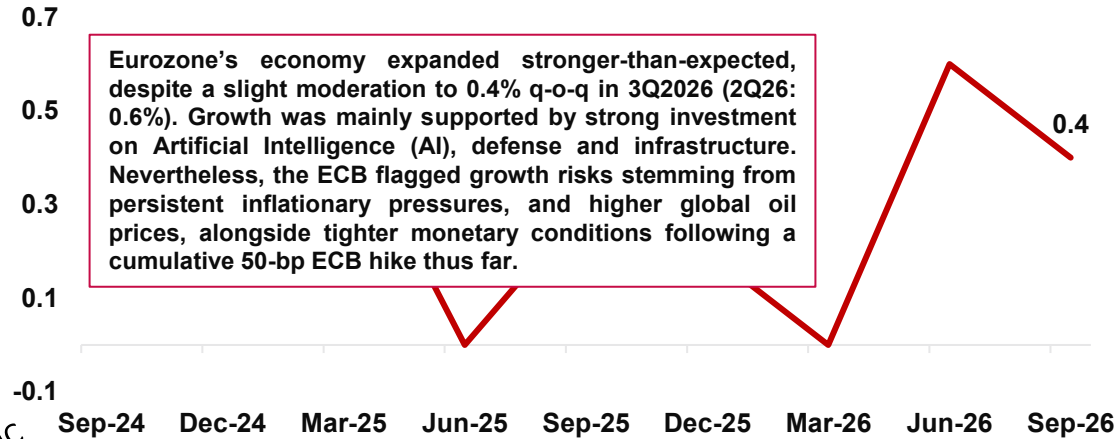
GLOBAL

Euro Area - Inflation Rates, y-o-y%



Inflationary pressures in the Eurozone continued to strengthen, with headline inflation climbing higher to 4.0% in October (Sep: 3.8%), the strongest level since September 2023. The increase was primarily driven by rising prices for energy (+20.8%), unprocessed food (+4.6%) and services (+3.3%). Core inflation was unchanged at 2.5%, staying above ECB's 2.0% target since September 2021 and building the case for more restrictive rates.

Euro Area - GDP swda, q-o-q%

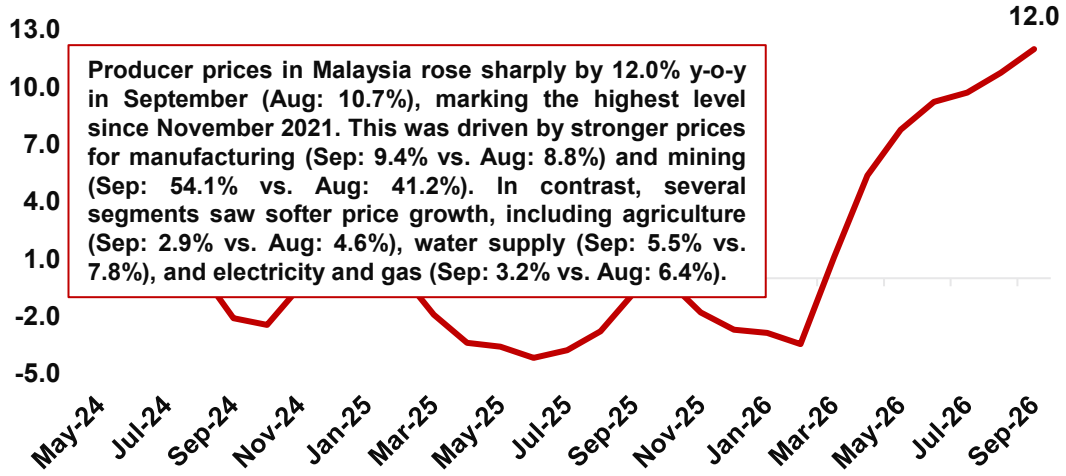


Eurozone's economy expanded stronger-than-expected, despite a slight moderation to 0.4% q-o-q in 3Q2026 (2Q26: 0.6%). Growth was mainly supported by strong investment on Artificial Intelligence (AI), defense and infrastructure. Nevertheless, the ECB flagged growth risks stemming from persistent inflationary pressures, and higher global oil prices, alongside tighter monetary conditions following a cumulative 50-bp ECB hike thus far.

PUBLIC

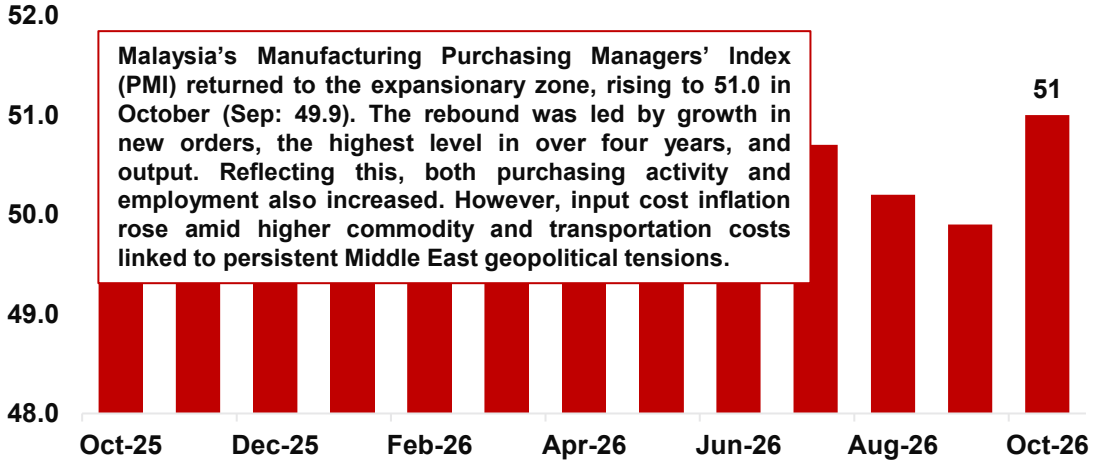
DOMESTIC

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



Producer prices in Malaysia rose sharply by 12.0% y-o-y in September (Aug: 10.7%), marking the highest level since November 2021. This was driven by stronger prices for manufacturing (Sep: 9.4% vs. Aug: 8.8%) and mining (Sep: 54.1% vs. Aug: 41.2%). In contrast, several segments saw softer price growth, including agriculture (Sep: 2.9% vs. Aug: 4.6%), water supply (Sep: 5.5% vs. 7.8%), and electricity and gas (Sep: 3.2% vs. Aug: 6.4%).

Malaysia - Manufacturing PMI s.a., points



Malaysia's Manufacturing Purchasing Managers' Index (PMI) returned to the expansionary zone, rising to 51.0 in October (Sep: 49.9). The rebound was led by growth in new orders, the highest level in over four years, and output. Reflecting this, both purchasing activity and employment also increased. However, input cost inflation rose amid higher commodity and transportation costs linked to persistent Middle East geopolitical tensions.

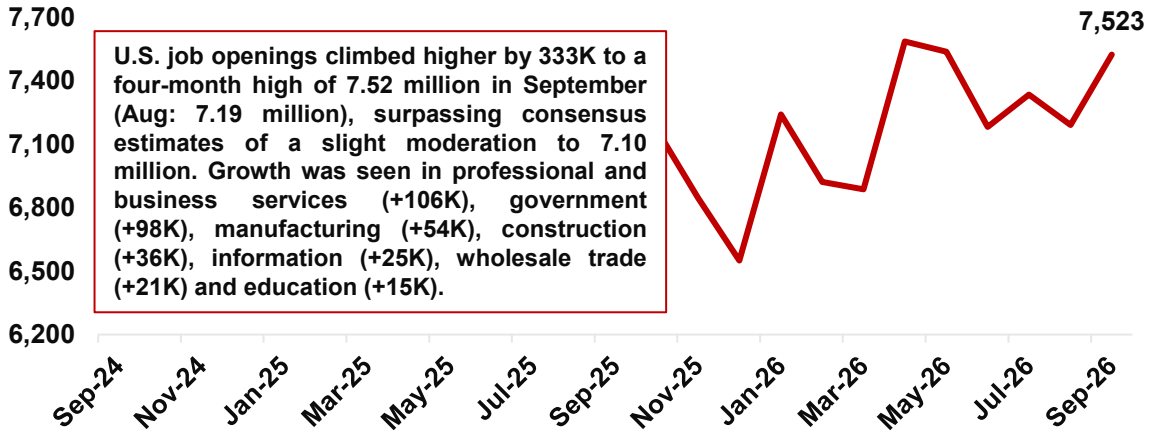
Sources: Eurostat, Department of Statistics Malaysia (DOSM), CEIC Data

PUBLIC

U.S. WEEKLY HIGHLIGHT: ROBUST OCTOBER JOB GROWTH REINFORCED NEAR-TERM FED-HIKE EXPECTATIONS

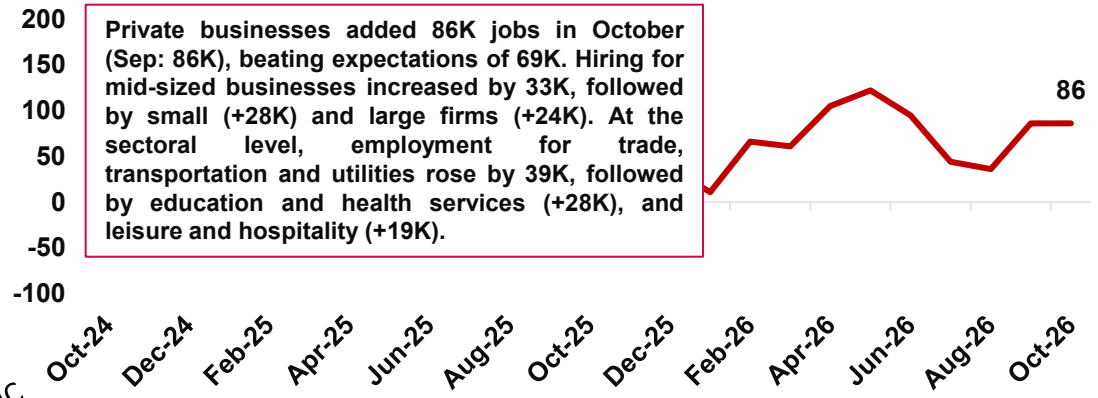
BANK ISLAM

JOLTS Job Openings, '000



U.S. job openings climbed higher by 333K to a four-month high of 7.52 million in September (Aug: 7.19 million), surpassing consensus estimates of a slight moderation to 7.10 million. Growth was seen in professional and business services (+106K), government (+98K), manufacturing (+54K), construction (+36K), information (+25K), wholesale trade (+21K) and education (+15K).

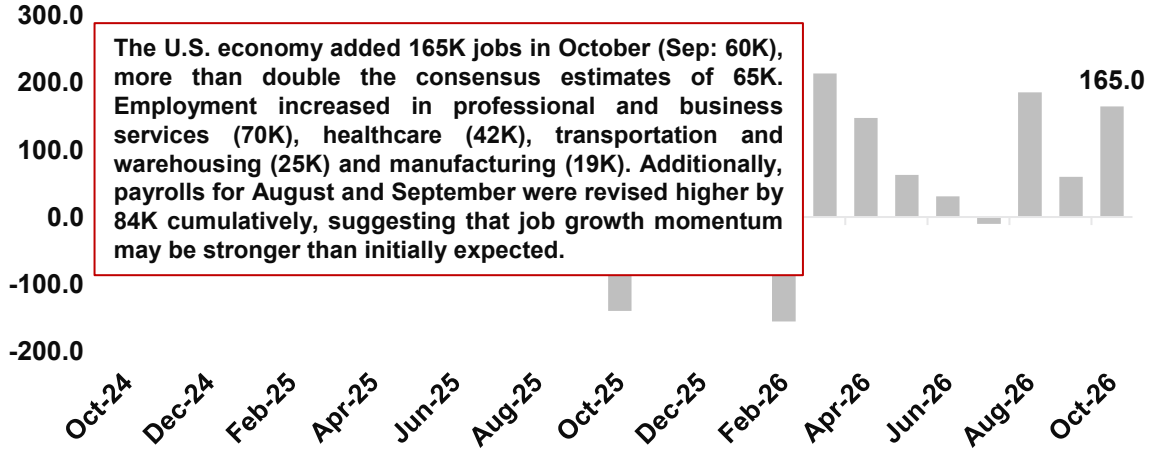
ADP Nonfarm Employment, monthly change ('000)



Private businesses added 86K jobs in October (Sep: 86K), beating expectations of 69K. Hiring for mid-sized businesses increased by 33K, followed by small (+28K) and large firms (+24K). At the sectoral level, employment for trade, transportation and utilities rose by 39K, followed by education and health services (+28K), and leisure and hospitality (+19K).

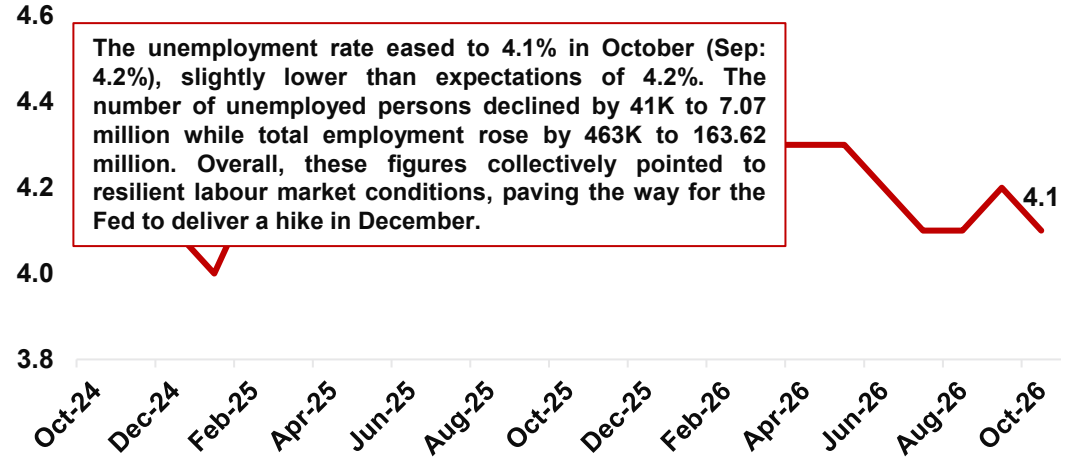
PUBLIC

Nonfarm Payrolls, monthly change '000



The U.S. economy added 165K jobs in October (Sep: 60K), more than double the consensus estimates of 65K. Employment increased in professional and business services (70K), healthcare (42K), transportation and warehousing (25K) and manufacturing (19K). Additionally, payrolls for August and September were revised higher by 84K cumulatively, suggesting that job growth momentum may be stronger than initially expected.

Unemployment Rate, %



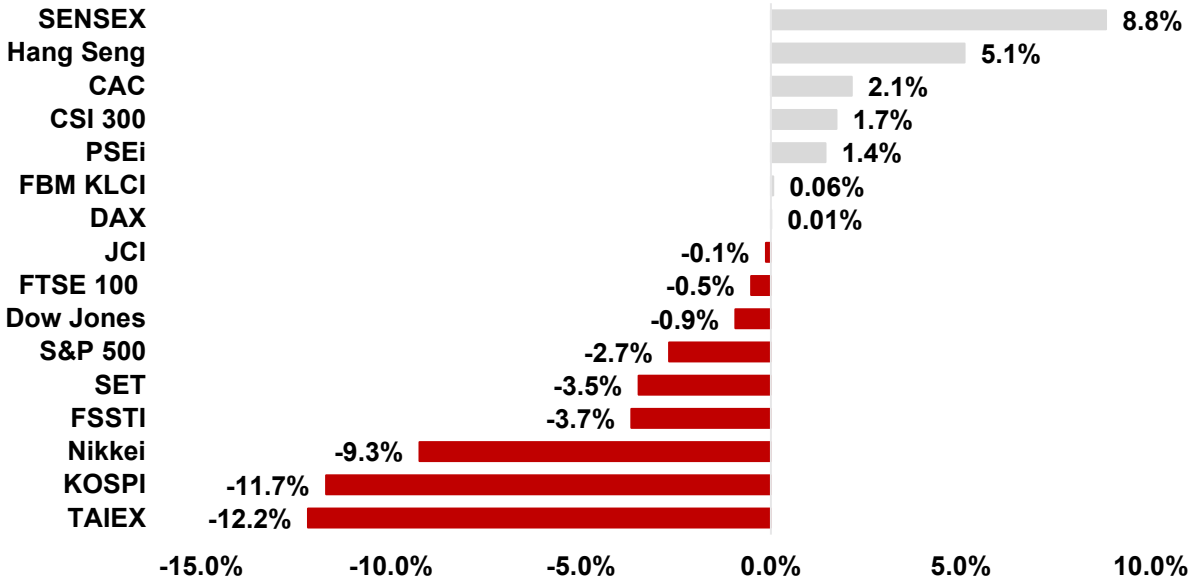
The unemployment rate eased to 4.1% in October (Sep: 4.2%), slightly lower than expectations of 4.2%. The number of unemployed persons declined by 41K to 7.07 million while total employment rose by 463K to 163.62 million. Overall, these figures collectively pointed to resilient labour market conditions, paving the way for the Fed to deliver a hike in December.

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

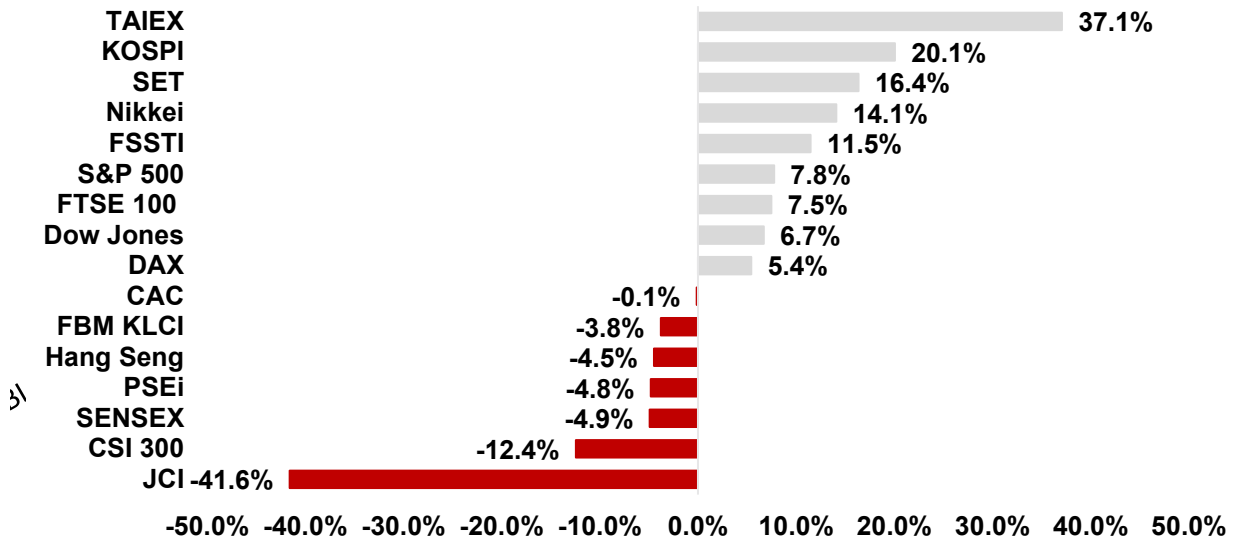
REGIONAL EQUITY: TECHNOLOGY SELL-OFF AND U.S. ELECTION OUTCOME DRIVE GLOBAL MARKET DIVERGENCE

BANK ISLAM

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



YTD Gain/Loss of Major Equity Markets, %
(As of 06 November 2026)

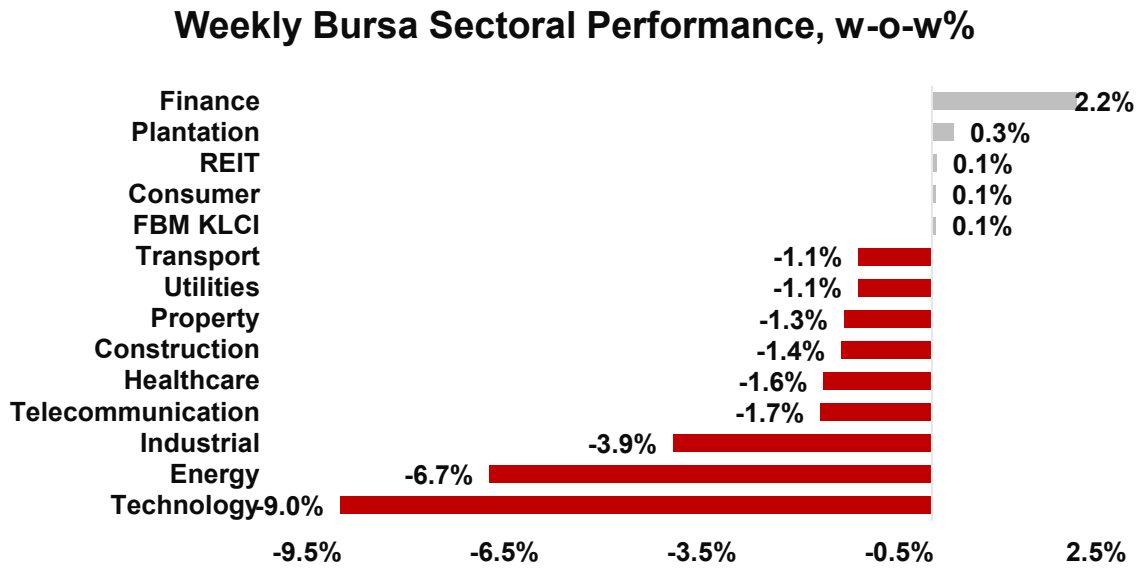


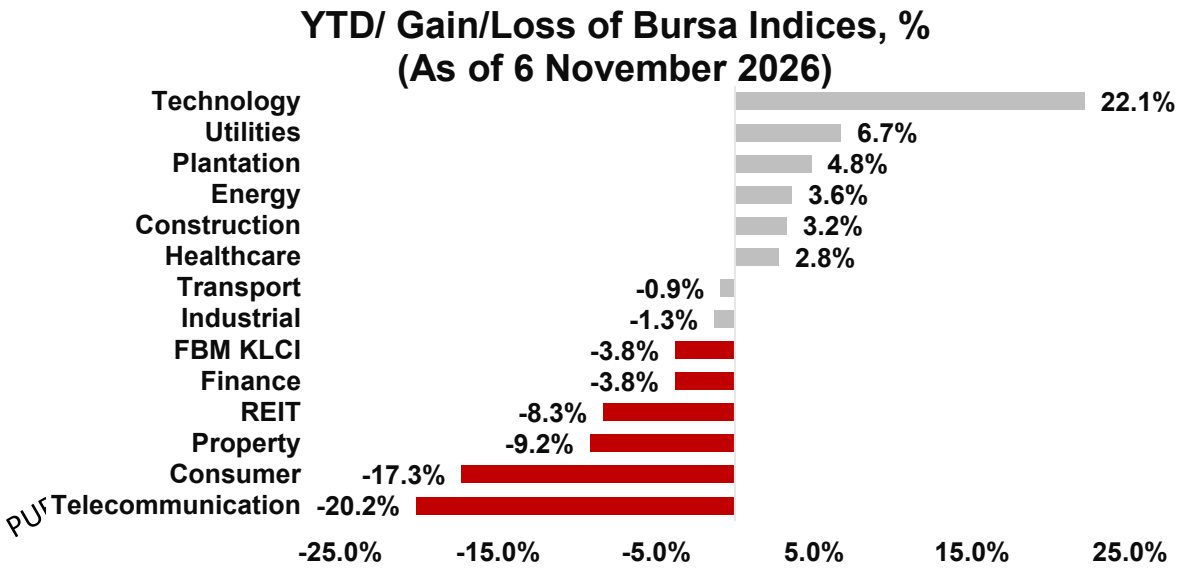
Sources: Bursa, CEIC Data

- Global equity markets experienced a volatile week for the week ended 6th November, driven primarily by the U.S. midterm election outcome, concerns over tighter AI and data-centre regulations, shifting expectations for Federal Reserve policy and easing geopolitical risk premiums in the oil market.
- Technology-led selling dragged Wall Street and Asian technology markets lower. U.S. equity markets ended the week lower, with technology-heavy indices bearing the brunt of the sell-off as investors reassessed the sustainability of AI-related investments and the potential regulatory implications of the U.S. midterm election results. S&P 500 fell by 2.7% w-o-w, while Dow Jones declining 0.9% w-o-w.
- Meanwhile, India's SENSEX (+8.8%) emerged as the top-performing major equity market last week, driven by broad-based sectoral gains, alongside lower crude oil prices, foreign fund inflows and a firmer rupee, followed by Hong Kong's Hang Seng (+5.1%) and France's CAC 40 (+2.1%).

DOMESTIC EQUITY: FBM KLCI RECOVERED SOME LOSSES AS INVESTORS DIGESTED THE OUTCOME OF U.S. MIDTERM ELECTIONS

BANK ISLAM





Sources: Bursa, CEIC Data

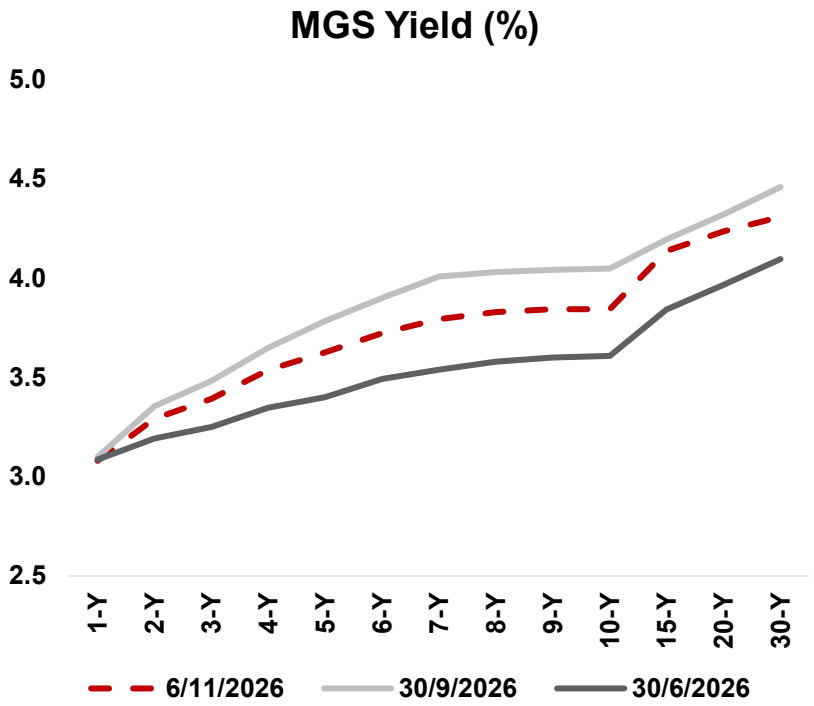
- The FBM KCLI edged higher by 0.1% w-o-w for the week ending 6 November, as external developments continued to influence investor sentiments against a relatively light domestic macro backdrop.
- Investor attention was mainly centered on the U.S. midterm elections, which saw the Democrats securing control of both the House of Representatives and Senate. However, while the outcome has significant implications on the implementation of U.S. domestic policy initiatives, it was viewed as having limited direct impact on the global economy and geopolitical landscape as U.S. foreign and trade policies remain under the authority of U.S. President Trump. Coupled with the absence of an immediate escalation in Middle East tensions, risk appetite subsequently recovered towards the end of the week, allowing the FBM KLCI to retrace part of its losses.
- Most Bursa indices closed in the red, with the Technology index extending its losses amid heightened concerns over the sustainability of the ongoing AI investment boom. This was followed by the Energy (-6.7%) and Industrial indices (-3.9%). In contrast, the Finance index outperformed, gaining 2.2% w-o-w, followed by the Plantation index (+0.3%).

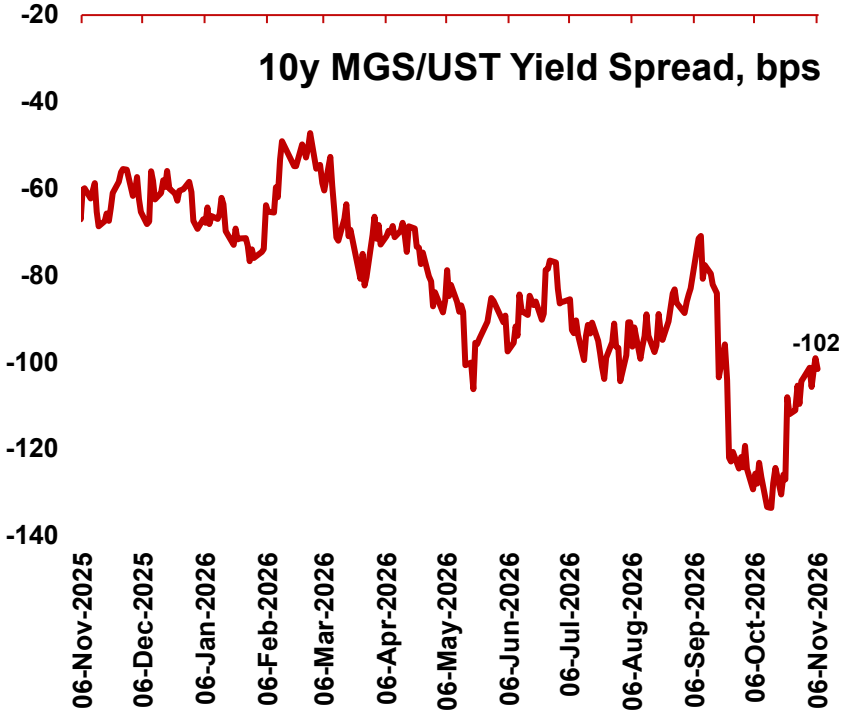
FIXED INCOME: BOND YIELDS FALL FURTHER AS INVESTORS SEEK SAFETY FOLLOWING U.S. ELECTION OUTCOME

BANK ISLAM

Weekly Changes, basis points (bps)			
UST	**Yields (%) 30-Oct-26**	**Yields (%) 6-Nov-26**	**Change (bps)**
3-Y UST	4.65	4.59	-6
5-Y UST	4.71	4.64	-7
7-Y UST	4.80	4.74	-6
10-Y UST	4.94	4.86	-8
MGS	**Yields (%) 30-Oct-26**	**Yields (%) 6-Nov-26**	**Change (bps)**
3-Y MGS	3.41	3.39	-1
5-Y MGS	3.69	3.63	-6
7-Y MGS	3.88	3.79	-9
10-Y MGS	3.90	3.84	-6
GII	**Yields (%) 30-Oct-26**	**Yields (%) 6-Nov-26**	**Change (bps)**
3-Y GII	3.44	3.42	-1
5-Y GII	3.69	3.63	-7
7-Y GII	3.88	3.78	-10
10-Y GII	3.94	3.86	-8

Sources: BNM, Federal Reserve Board

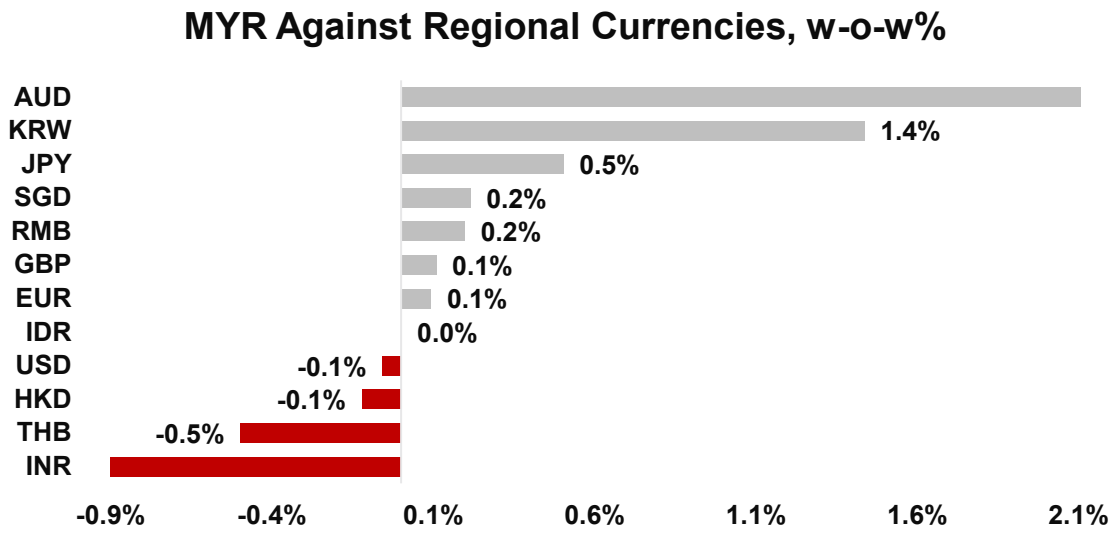


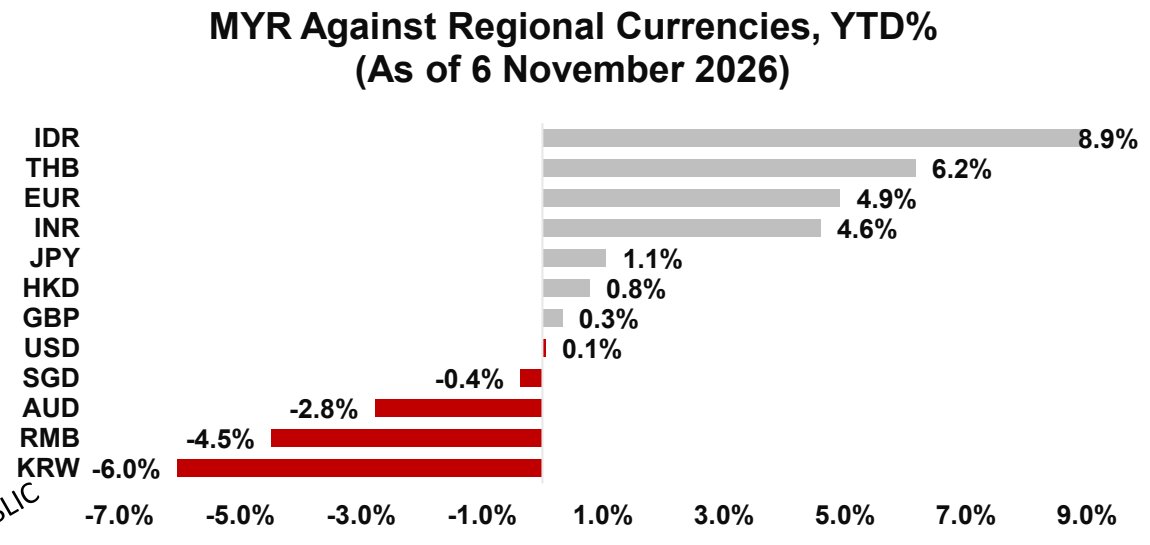


- U.S. Treasury yields dropped by 6bps to 8bps during the week ended 6th November, extending their weekly decline for a fourth consecutive week. The movement was largely driven by safe-haven demand following the U.S. election results and the sharp sell-off in global technology stocks, alongside lower inflation compensation as crude oil prices retreated.
- The sharp correction in oil prices reduced concerns over the near-term energy-driven inflation outlook, while investors also reassessed the potential implications of the election outcome for U.S. fiscal and economic policies.
- Likewise, Malaysian Government Securities (MGS) and Government Investment Issues (GII) yields ended the week lower, with movements ranging between -1bp and -10bps across maturities.
- The 10y MGS/UST yield spread narrowed slightly in the negative territory at -102bps, compared with -104bps in the previous week.

FX MARKET: RINGGIT EDGED LOWER AS ROBUST U.S. JOB MARKET DROVE A LAST-MINUTE REBOUND IN THE USD

BANK ISLAM





PUBLIC

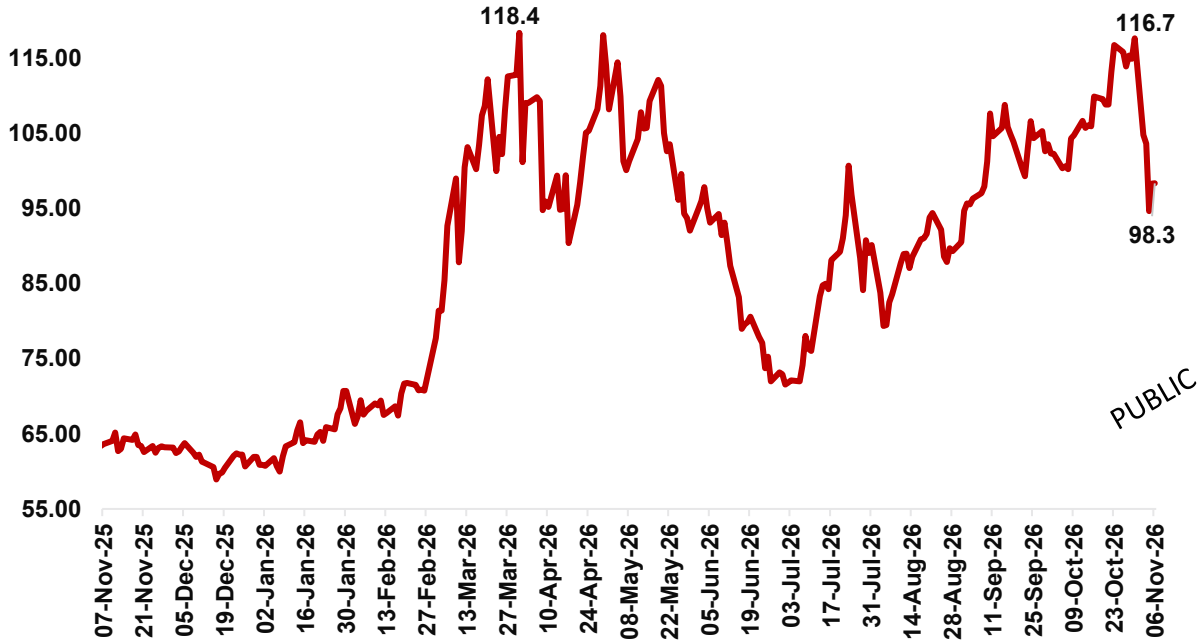
Sources: BNM, Federal Reserve Board (Fed), CEIC Data

- The Ringgit depreciated by 0.1% w-o-w against the USD last week as the USD index climbed 0.4% higher.
- USD sentiments were initially subdued as investors closely monitored the U.S. midterm elections, where Democrats successfully secured control over both the House of Representatives and Senate. The outcome was viewed as raising the likelihood of legislative gridlock while reducing the scope for fiscal expansionary measures, potentially slowing the implementation of major domestic policy initiatives.
- The transmission into the currency market emerged from several channels. First, oil prices declined as the election outcome could increase pressure on U.S. President Trump to deescalate Middle East geopolitical tensions, reducing energy-driven inflation risks. Importantly, potentially reduced government spending and policy gridlock are expected to partly contain inflationary pressures while leading to a moderation in medium-term economic momentum. Taken together, these factors prompted a decline in the 10-year Treasury yield, exerting pressure on the USD. Consequently, the USD/MYR currency pair eased, touching a low of 4.045.
- However, latest labour market data pointed to a more-resilient than expected job growth momentum, shifting attention back towards near-term Fed expectations, of which the probability of a December hike has climbed to 84.0%. Against this backdrop, the USD index rebounded above the key 102-level, with bullish sentiments pushing the USD/MYR pair higher to close the week at 4.059.

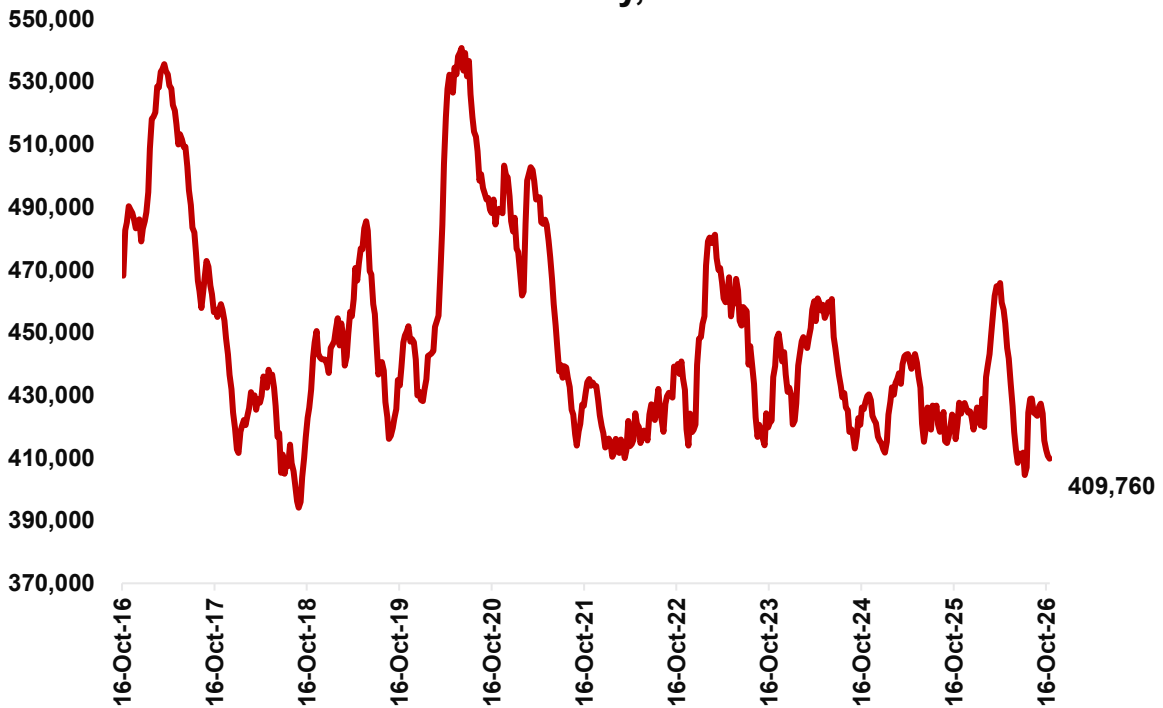
COMMODITY: BRENT CRUDE SLIDES AS GEOPOLITICAL RISK PREMIUM EASES POST-U.S. MIDTERM ELECTIONS

BANK ISLAM

Brent Crude in USD per barrel



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



Sources: Bloomberg, Energy Information Administration (EIA)

- Brent crude prices corrected sharply during the week ended 6th November, falling over 16% w-o-w to settle at USD98.3/barrel on Friday. The decline reflected a reduction in geopolitical risk premiums, particularly following the U.S. midterm election results and renewed hopes of de-escalation in the Middle East.
- The Democrats' gains in both chambers of Congress raised market expectations that political pressure could increase on the Trump administration to pursue a diplomatic resolution to the US-Israeli conflict with Iran. This prompted investors to reassess the risk of prolonged disruptions to Middle Eastern oil supplies, resulting in significant selling pressure. Brent declined nearly 9.0% on Wednesday alone following the election outcome.
- U.S. crude oil inventories declined by 0.9 million barrels to 409.8 million for the week ending October 30.

PUBLIC

COMMODITY: GOLD PRICE BREACHED THE CRITICAL 4,000-RESISTANCE FOLLOWING THE DEMOCRATIC SWEEP

BANK ISLAM

Gold in USD per ounce



U.S. Dollar Index (DXY)



PUBLIC

Sources: Bloomberg, CEIC Data

- Gold (XAU) prices surged by 5.1% w-o-w for the week ending 6 November, supported by improving risk sentiments. Initially, cautious investor sentiments ahead of the U.S. midterm elections had weighed on the XAU. While concerns of an imminent escalation in the Middle East conflict continued to provide safe-haven support to gold, the corresponding rise in global oil prices reinforced inflationary fears, reaffirming expectations of prolonged monetary tightness by the U.S. Fed.
- Nevertheless, sentiments shifted following the election outcome. The absence of an immediate escalation in geopolitical tensions, alongside dampened U.S. headline inflation and medium-term growth expectations, has led to an improvement in risk appetite and weighed on the USD. Against this backdrop, gold price rebounded strongly, breaking decisively above the key 4,000-resistance level on 5 November and closing the week at 4,070.80.

WHAT TO LOOK OUT FOR IN THE MARKETS THIS WEEK

- In the U.S., the main highlight will be the release of October CPI on Tuesday (10 November), which will provide an important indication of whether inflationary pressures are moderating or becoming more persistent. Investors will pay attention to core inflation, to assess the underlying inflation trajectory beyond volatile energy and food prices. This release carries additional significance following October's stronger-than-expected employment report, which showed non-farm payrolls increasing by 165k against market expectations of 59k, while unemployment remained relatively low at 4.1%. The resilient labour market could reinforce concerns that the Federal Reserve (Fed) may need to maintain a restrictive monetary stance for longer, particularly if inflation also surprises on the upside. Meanwhile, existing home sales for October that will be release on 12th November will provide further insight into the resilience of the housing market amid elevated borrowing costs. The October PPI report on Friday will also be closely watched for signs of producer-cost pressures, which could eventually be transmitted to consumer prices.

- The focus will also be on the UK's preliminary 3Q26 GDP on Thursday, alongside September industrial production and trade figures. The GDP release will help determine whether the British economy maintained positive momentum in the third quarter or experienced further moderation amid elevated financing costs and subdued business activity. The IPI will be another important indicator, particularly in assessing the performance of manufacturing and external demand. For the eurozone, the 3Q26 GDP second estimate release on Friday will provide an updated assessment of regional economic growth, accompanied by 3Q26 employment figures. Investors will assess whether economic activity is stabilising or losing momentum, particularly given the uneven performance across major economies such as Germany and France.

PUBLIC

- China opened the week with October inflation data on Monday, with PPI accelerating to 5.7% y-o-y, its fastest pace in nearly four-and-a-half years, while consumer inflation remained relatively subdued at 0.7% y-o-y. The divergence suggests that higher global energy costs are increasing manufacturers' input expenses, although weak domestic demand is limiting the extent to which these pressures are being passed on to consumers. The next important release will be China's October trade balance on Tuesday, which will provide further evidence of export resilience and the strength of external demand. For Japan, the Bank of Japan's October meeting Summary of Opinions will be monitored for signals on the timing of potential monetary policy normalisation. Japan's October PPI on Thursday will also be important in assessing imported inflation and the extent of cost pressures faced by businesses.

BANK ISLAM

THANK YOU