



# **WEEKLY ECONOMIC UPDATE**

**10 MAY 2026**

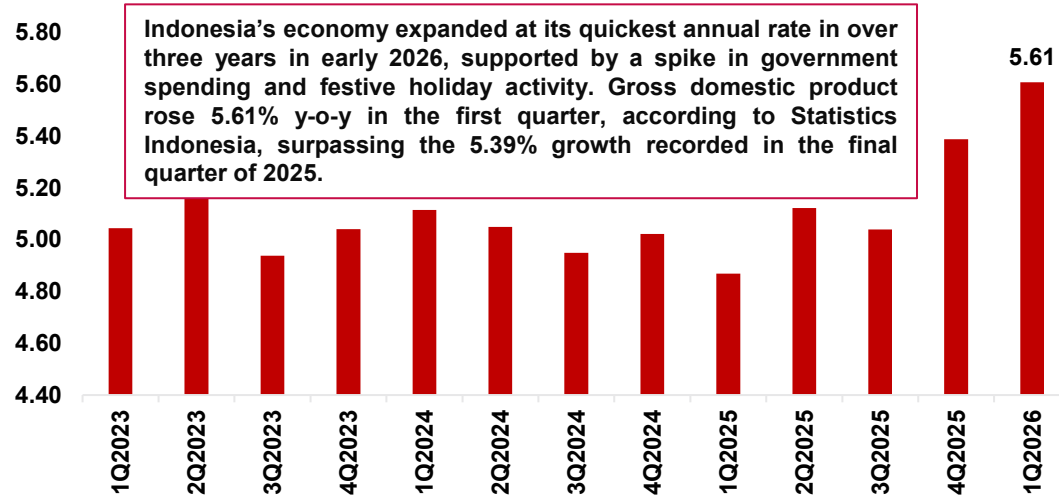
## **ECONOMIC RESEARCH**

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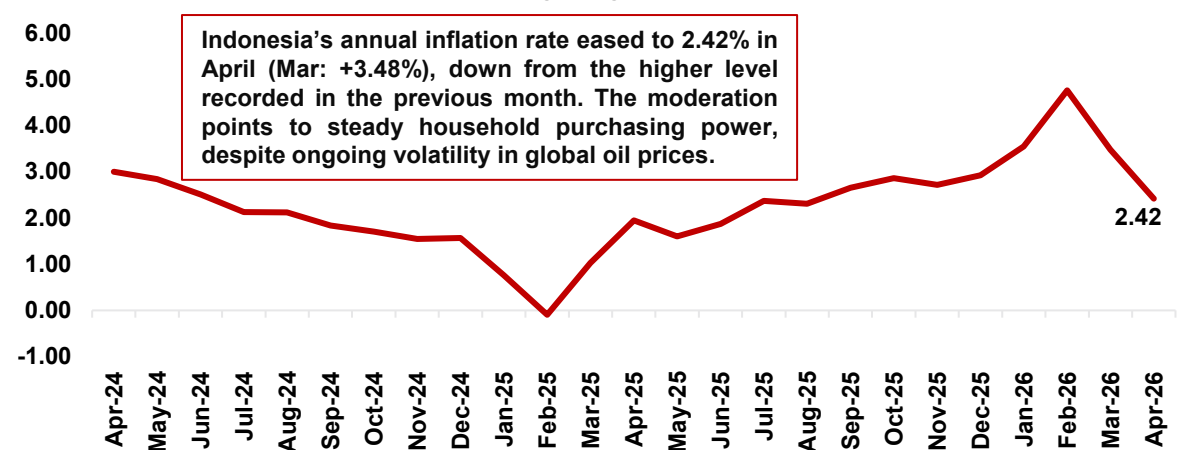
# WEEKLY HIGHLIGHT: BNM KEEPS OPR AT 2.75% AMID STABLE GROWTH OUTLOOK

GLOBAL

## Indonesia - Real GDP, y-o-y%

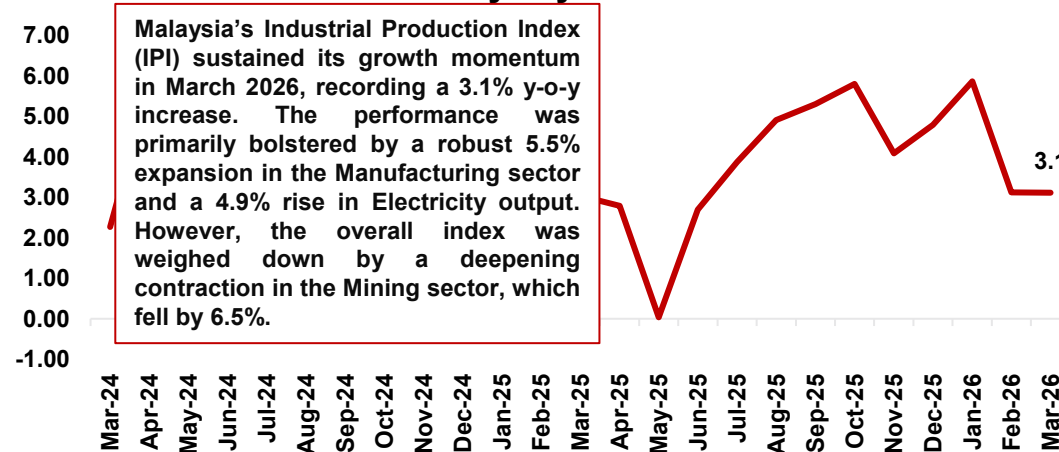


## Indonesia - Consumer Price Index (CPI), y-o-y%

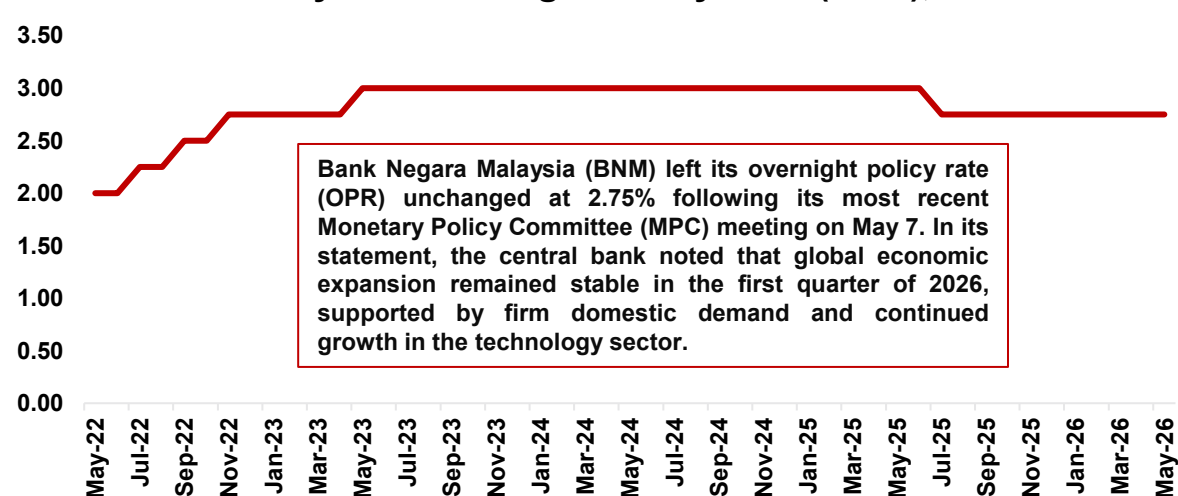


DOMESTIC

## Malaysia - Industrial Production Index (IPI), y-o-y%



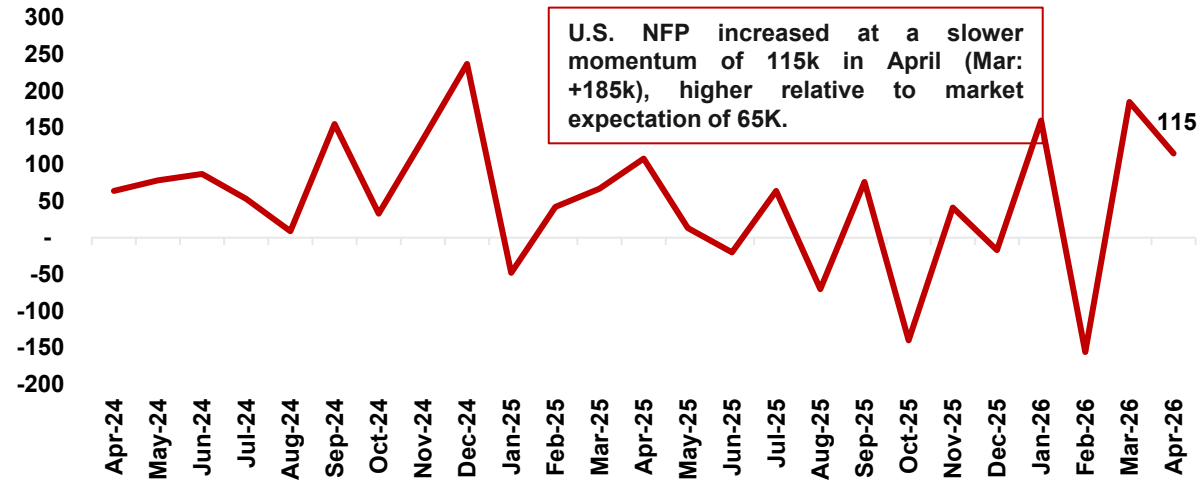
## Malaysia - Overnight Policy Rate (OPR), %



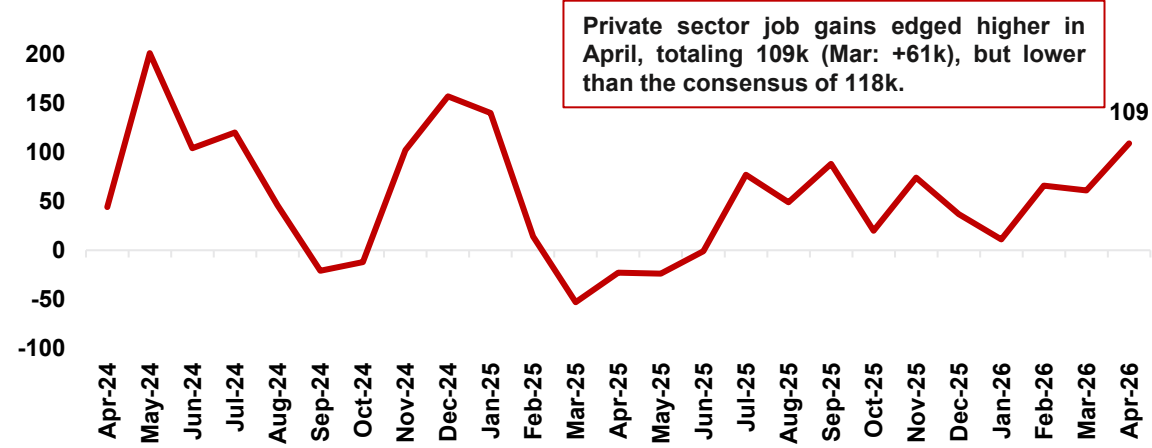
# U.S. WEEKLY HIGHLIGHT: ROBUST U.S LABOUR MARKET DESPITE IRAN CONFLICT IMPACT



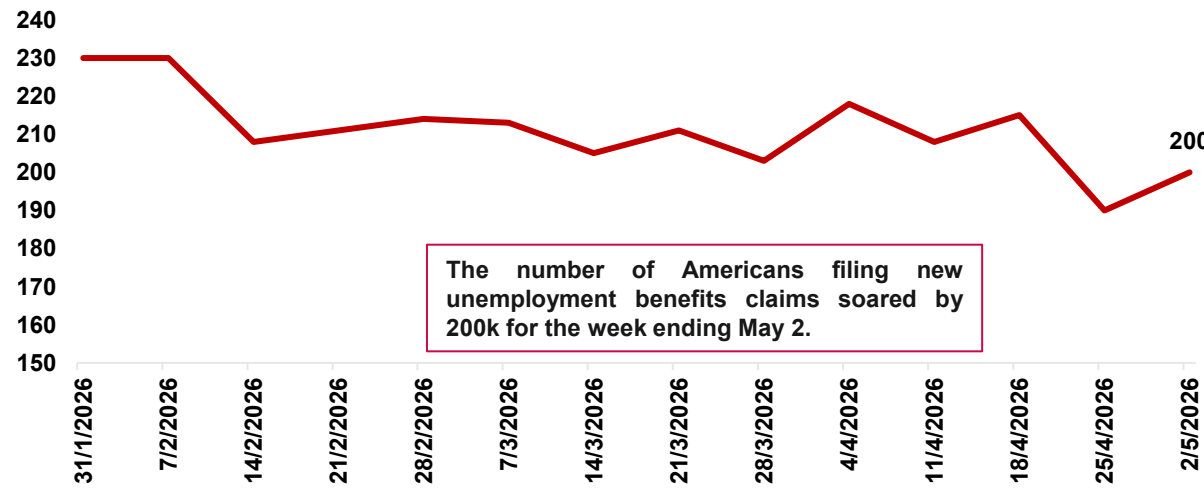
### U.S. Non-Farm Payroll, m-o-m changes ('000)



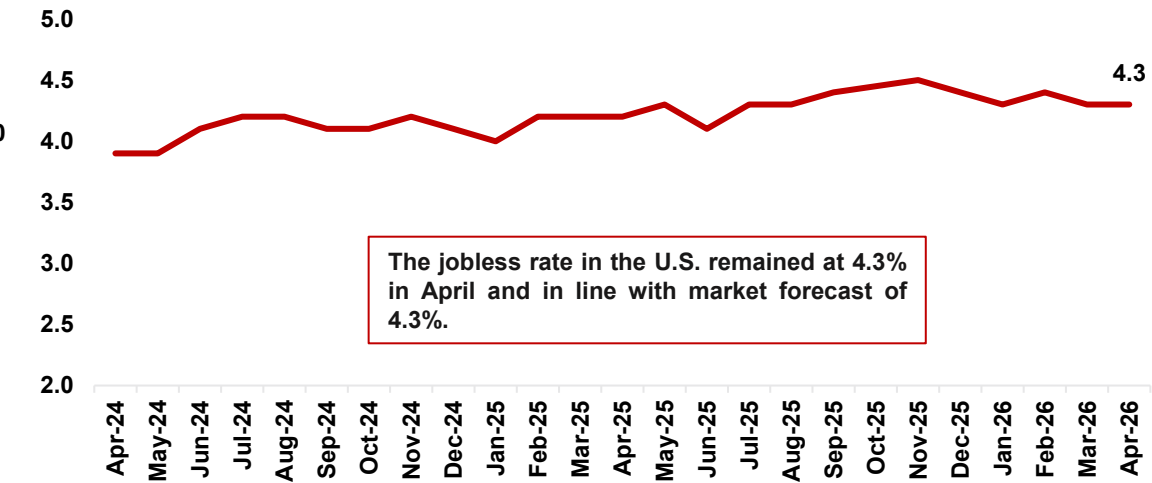
### U.S. ADP Nonfarm Employment, m-o-m changes ('000)



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



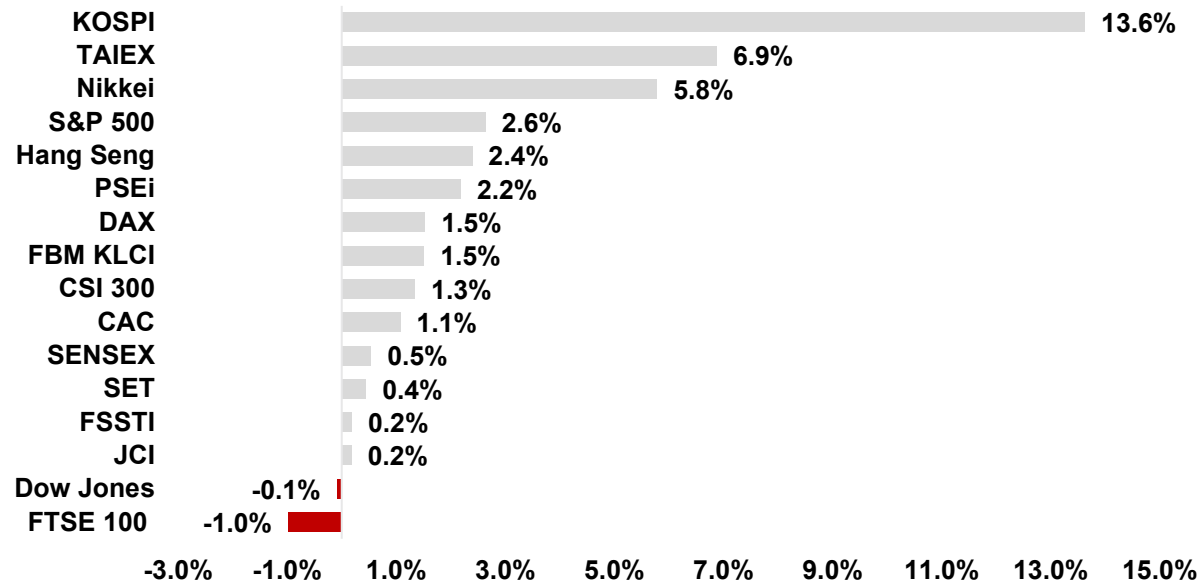
### U.S. Unemployment Rate, %



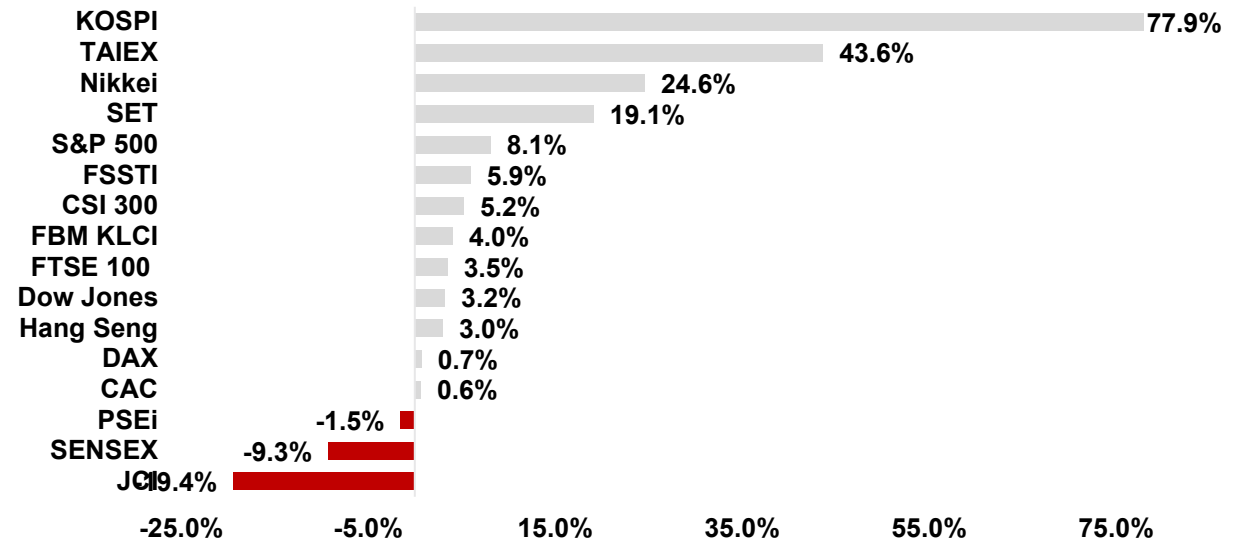
Sources: U.S Bureau of Labor Statistics, U.S. Department of Labor

# REGIONAL EQUITY: GLOBAL STOCKS CLOSED HIGHER LED BY SOUTH KOREA AND TAIWAN'S TECH SURGE

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



## YTD Gain/Loss of Major Equity Markets, % (As of 8 May 2026)

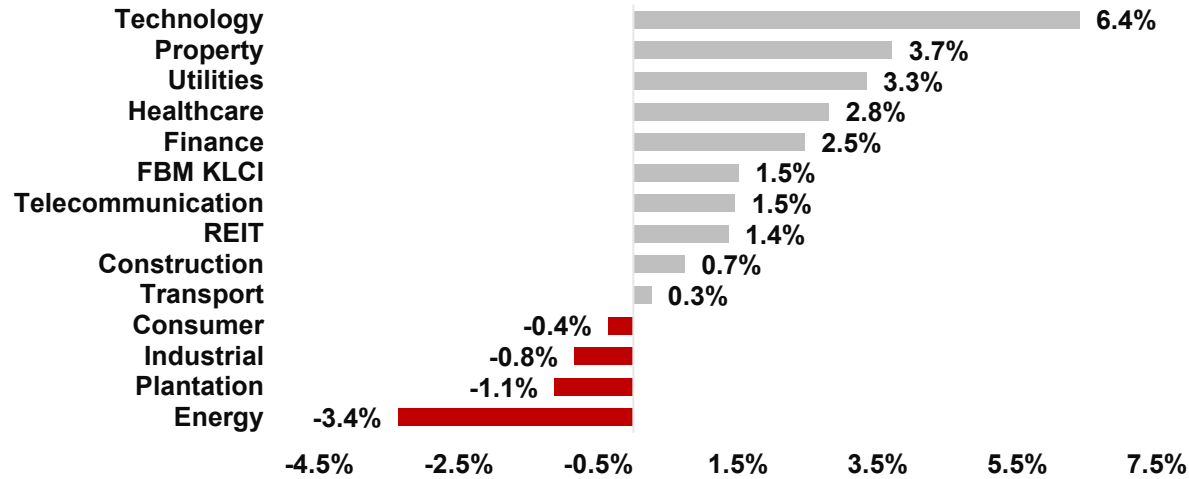


Sources: Bursa, CEIC Data

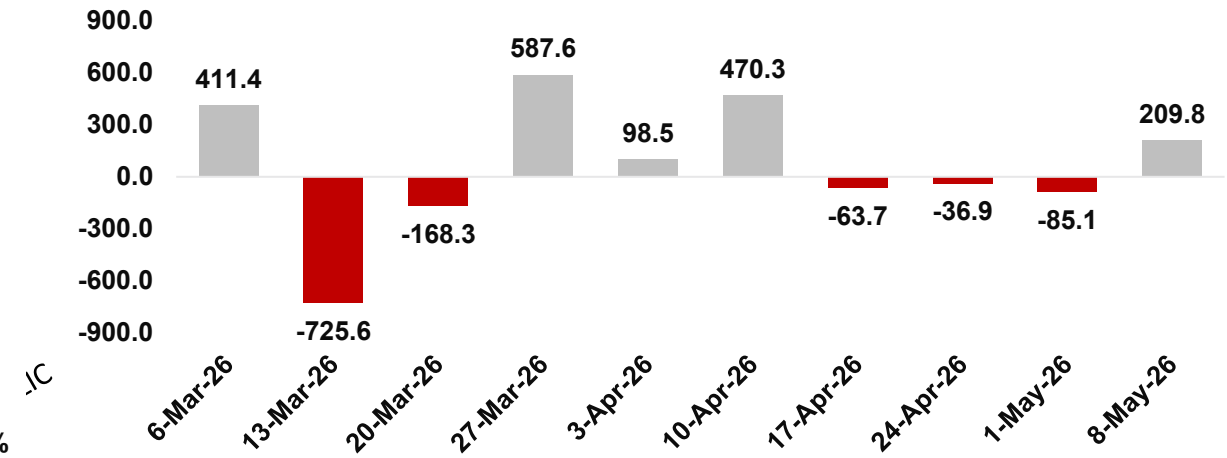
- The global stocks market were mostly in the green sea for the week ending May 10 with South Korea's KOSPI as the major gainer, closing higher by 13.6% amid market sentiment was further supported by positive expectations for South Korea's A.I. and semiconductor sectors, bolstered by solid earnings performance and strong export demand driven by the global A.I. expansion. Confidence was also lifted by South Korea's record current account surplus in March, largely attributed to a significant jump in semiconductor exports.
- In addition, Taiwan's TAIEX also climbed by 6.9% as optimism driven by strong demand for A.I. infrastructure continued to support market sentiment. The electronics sector remained the primary contributor to gains, led by standout performance from Taiwan Semiconductor Manufacturing Company (TSMC)—which makes up over 40% of the market—climbing 3.1%.
- On the other hand, U.K.'s FTSE 100 (-1.0%) and U.S.' Dow Jones (-0.1%) were the only loser the week ending May 10.

# DOMESTIC EQUITY: FBM KLCI MARKED A THREE-MONTH HIGH AS RISK APPETITE IMPROVED

### Weekly Bursa Sectoral Performance, w-o-w%



### Weekly Foreign Fund Net Inflows/Outflows, RM Million



Sources: Bursa, CEIC Data

- The FBM KLCI rebounded last week as emerging signs of easing U.S.-Iran geopolitical tensions lifted investors sentiments, prompting a rotation out of defensive positions and increased buying interest across emerging market assets. Evidently, the FBM KLCI marked the highest close in over three months at 1,758.85 on Thursday.
- Furthermore, optimism over Malaysia's economic resilience provided crucial support as investors await the 1Q2026 GDP figures next week.
- Nevertheless, renewed military strikes between U.S. and Iran on Friday rattled markets, highlighting the volatility of U.S.-Iran geopolitical tensions. Consequently, the FBM KLCI trimmed its gains slightly. On a weekly basis, the index climbed by 1.5%.
- Most Bursa indices closed in a sea of green with the Technology index extending its bullish run, jumping sharply by 6.4% w-o-w and closing at the highest level since August 2024 (7 May: 66.43). This was followed by the Property and Utilities indices which increased by 3.7% and 3.3%, respectively.
- Meanwhile, the Energy index pulled back from its streak, declining by 3.4% last week.
- Foreign investors turned net buyers last week, acquiring a total of RM36.9 million worth of equities. This has increased the cumulative net inflow thus far to RM1.9 billion.

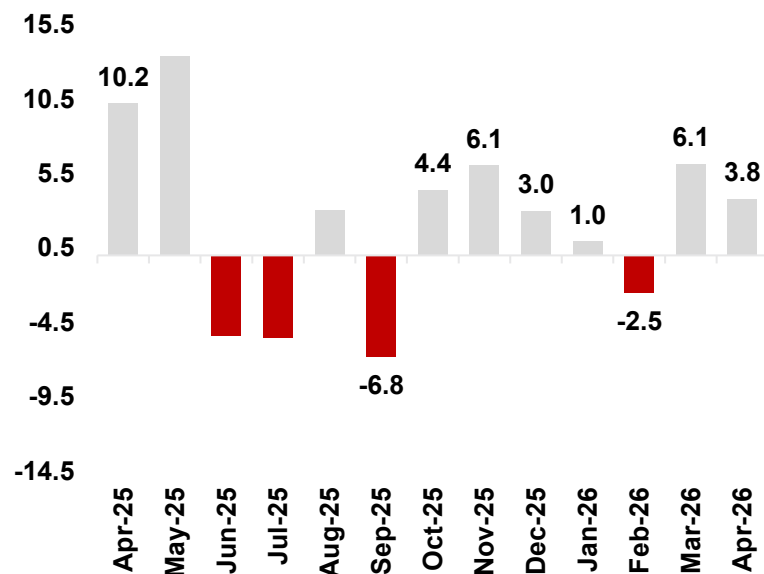
# FIXED INCOME: MUTED YIELDS MOVEMENT AMID ONGOING GEOPOLITICAL DEVELOPMENT

Weekly Changes, basis points (bps)			
UST	Yields (%) 1-May-26	Yields (%) 8-May-26	Change (bps)
3-Y UST	3.91	3.92	1
5-Y UST	4.02	4.02	0
7-Y UST	4.20	4.19	-1
10-Y UST	4.39	4.38	-1
MGS	Yields (%) 30-Apr-26	Yields (%) 8-May-26	Change (bps)
3-Y MGS	3.20	3.19	-1
5-Y MGS	3.34	3.35	1
7-Y MGS	3.46	3.46	0
10-Y MGS	3.56	3.56	0
GII	Yields (%) 30-Apr-26	Yields (%) 8-May-26	Change (bps)
3-Y GII	3.19	3.19	0
5-Y GII	3.32	3.33	1
7-Y GII	3.49	3.51	2
10-Y GII	3.57	3.57	0

Sources: BNM, Federal Reserve Board

- The U.S. Treasury (UST) yields moved in a narrow range of -1bp and 1bp as investor sentiment remained heavily influenced by ongoing developments in the Middle East. Uncertainty lingers over how quickly the U.S. and Iran can reach an agreement to end the conflict. While President Trump has maintained that the ceasefire is still in place, reports indicate that both sides have continued exchanging fire in the Strait of Hormuz.
- Malaysian Government Securities (MGS) and Government Investment Issues (GII) yields also little changed by between -1bp and 2bps.
- Foreign fund flows in the local bond market recorded a net foreign inflow at a smaller magnitude of RM3.8 billion in April (Mar: +RM6.1 billion). Consequently, local govies' foreign shareholdings to total outstanding dipped to 21.3% in April (Mar: 21.5%).
- As of the first four months 2026, the local bond market recorded the cumulative net foreign inflows of RM8.4 billion, lower than the inflows of RM13.5 billion in the same period in the previous year.

Foreign Fund Flows in Local Bond Market, RM Billion

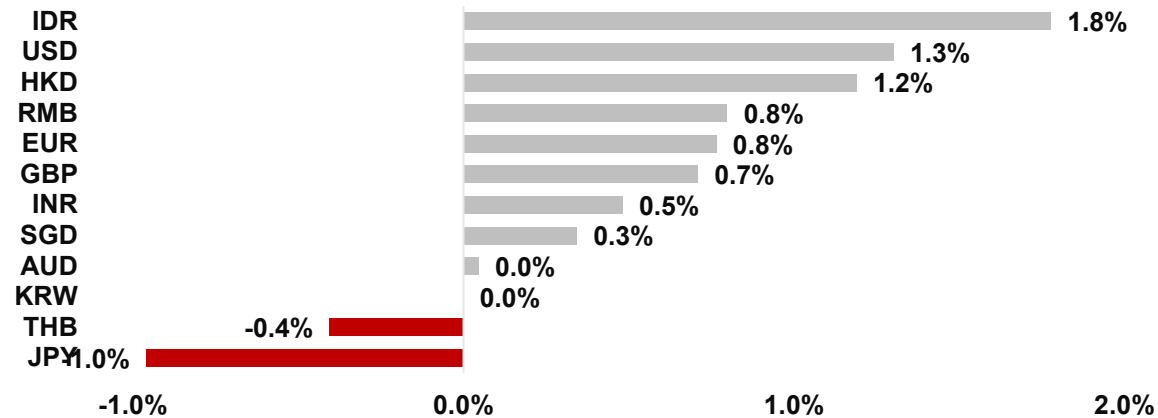


Cumulative Net Foreign Flows in Local Bonds (Yearly Comparison, RM Billion)

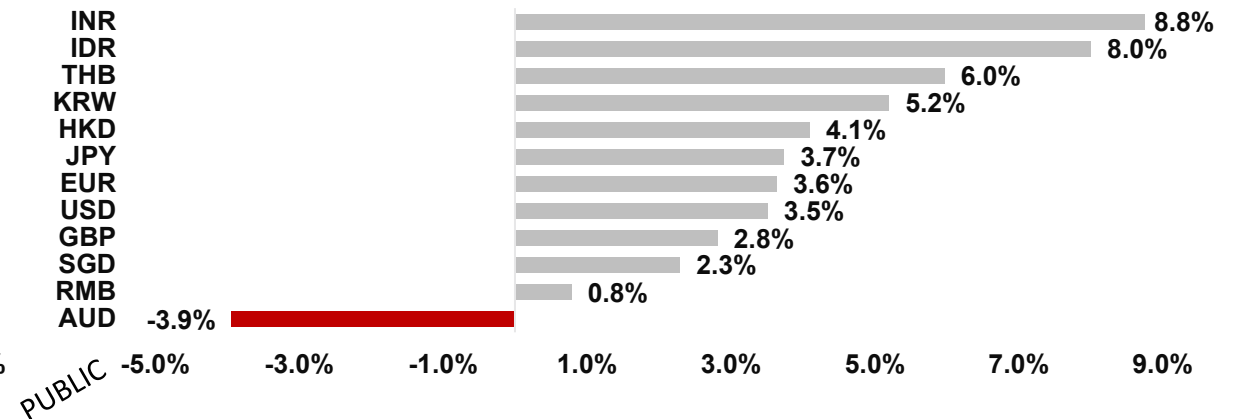


# FX MARKET: RINGGIT HIT THE HIGHEST LEVEL SINCE MID-MARCH AS THE USD INDEX DIPPED

## MYR Against Regional Currencies, w-o-w%



## MYR Against Regional Currencies, YTD% (As of 8 May 2026)

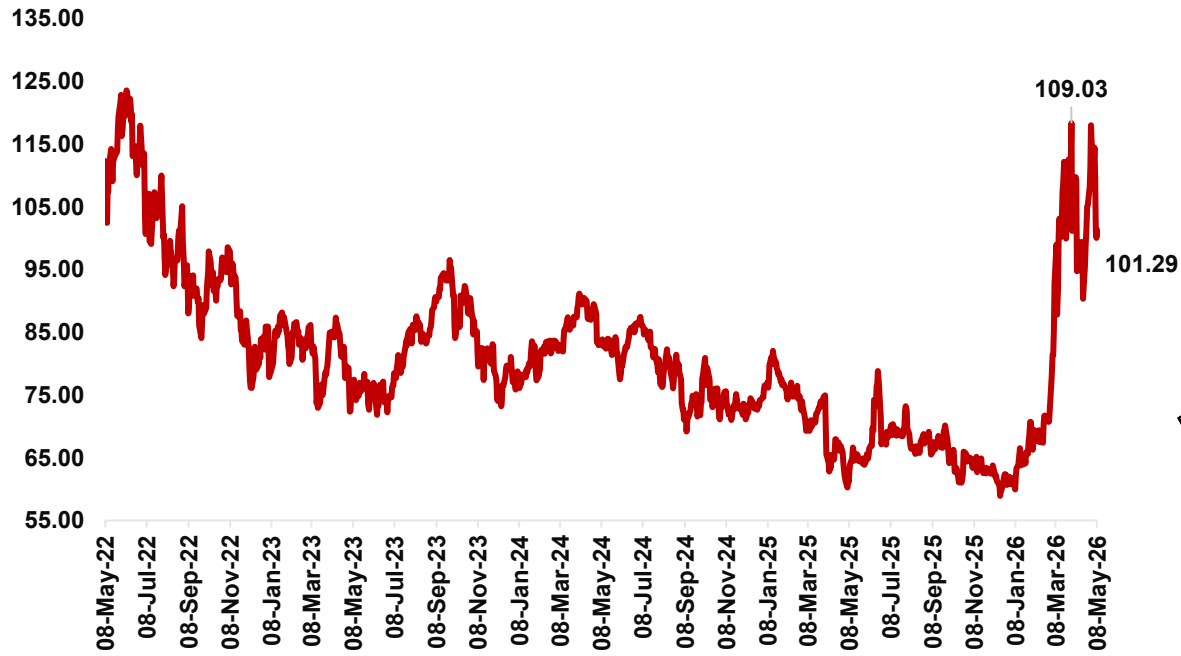


Sources: BNM, Federal Reserve Board (Fed), CEIC Data

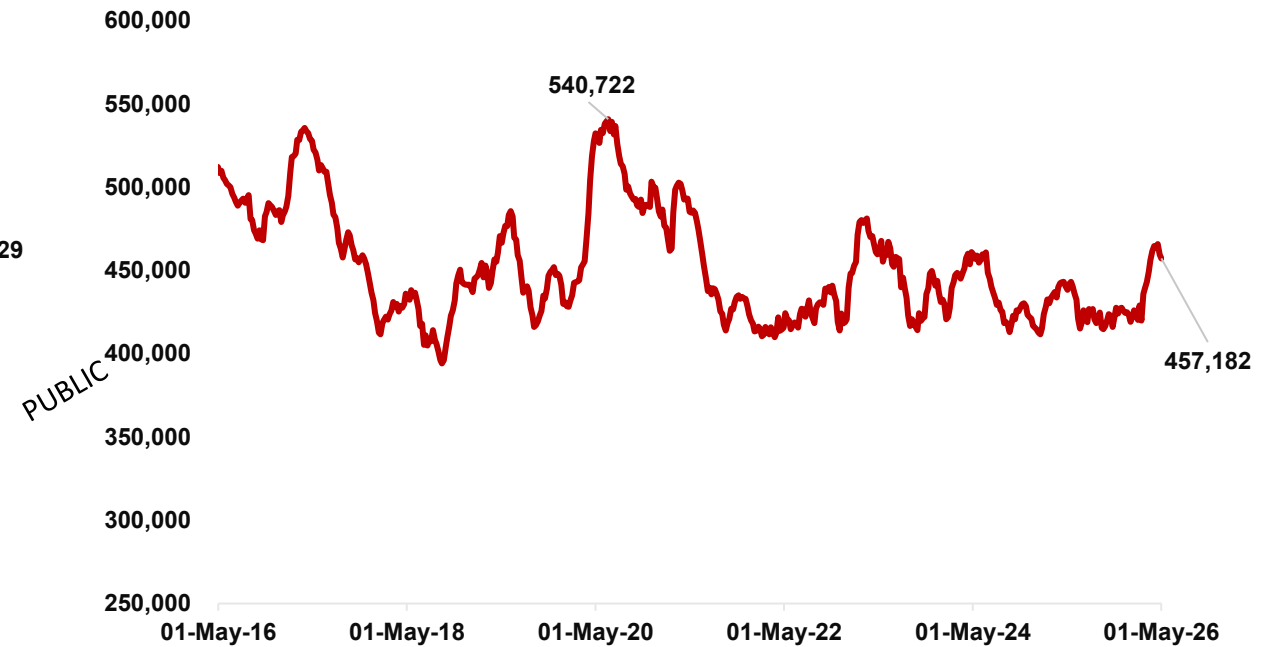
- The Ringgit appreciated by 1.3% w-o-w against the USD for the week ending May 8 as the USD index slipped by 0.3% amid renewed hopes of deescalation of U.S.-Iran tensions.
- Over the preceding weekend, Iran submitted a 14-point proposal to the U.S., signaling a willingness to negotiate for a durable peace framework. However, the move failed to generate momentum when U.S. President Donald Trump told reporters that he found the proposal “unacceptable” and announced a mission to escort ships through the Strait of Hormuz, dubbed “Operation Freedom”. As a result, markets opened on a defensive note as investors monitored Iran’s response to the perceived attempts to circumvent its maritime restrictions.
- In the latter half of the week, markets whipsawed amid re-emerging signs of deescalating geopolitical tensions. Risk sentiments improved modestly when Operation Freedom was paused within two days to facilitate negotiations. This was followed by the U.S. responding with a one-page memorandum of understanding (MoU), prompting a broad-based repricing across asset classes.
- The shifting narrative weighed on the USD while benchmark oil prices softened. In contrast, the USDMYR currency pair broke decisively below the 3.95 support level before advancing past subsequent thresholds, closing at 3.9078, the highest since mid-March.
- However, U.S. and Iran exchanged military fire on Friday, highlighting the volatility of the situation. Despite the renewed clash, the USD index has broken its bullish momentum, and it continued to trade with a subdued bias to close the week at 97.90.

# COMMODITY: OIL PRICES RISE AS U.S.-IRAN TENSIONS ESCALATE

## Brent Crude in USD per barrel



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



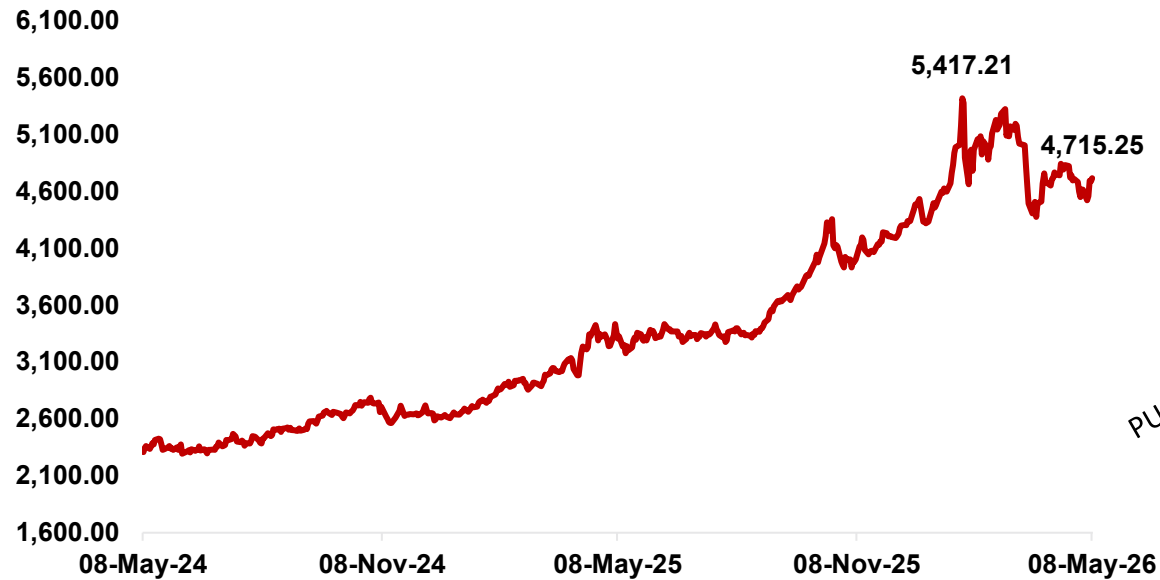
Sources: Bloomberg, Energy Information Administration (EIA)

- Brent oil prices closed higher on Friday at USD101.29/barrel after renewed geopolitical tensions involving the U.S. and Iran increased fears of supply disruptions in the Middle East. Traders became increasingly concerned that any disruption to the Strait of Hormuz could tighten global crude supply and trigger shortages.
- Oil prices were also supported by falling U.S. crude inventories and stronger export demand, indicating that the global oil market remains relatively tight despite ongoing volatility. Oil prices are expected to remain volatile in the near term as markets closely monitor developments in the Middle East. Trump's rejection of Iran's ceasefire counter proposal as "totally unacceptable" keeps tension high and adds upward pressure on oil prices.
- US crude oil inventories decreased by 2.3 million barrels to 457.2 million for the week ending May 1.

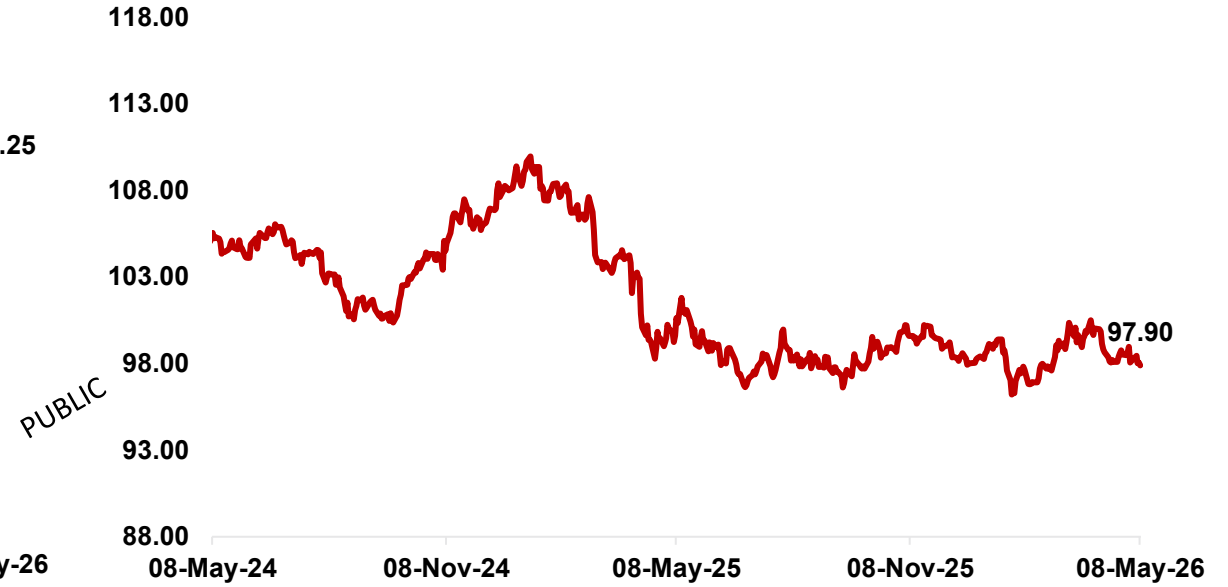
# COMMODITY: GOLD PRICE ON TRACK FOR WEEKLY GAIN, BREAKING PAST THE 4,700 RESISTANCE LEVEL



## Gold in USD per ounce



## U.S. Dollar Index (DXY)



Sources: Bloomberg, CEIC Data

- Gold price (XAU) jumped sharply by 2.2% last week, underpinned by improving sentiments over the U.S.-Iran geopolitical conflict.
- On 6 May, the U.S. responded to Iran's proposal with a one-page MoU, heightening hopes that both sides will resume negotiations towards resolving hostilities. Consequently, the XAU broke past the immediate resistance around 4,600 before advancing to the next resistance level.
- Despite renewed clashes between U.S. and Iranian forces in the Strait of Hormuz, the XAU continued to rise, breaching past the 4,700-resistance and closing the week at USD4,715.25.
- Nevertheless, the situation remained highly fluid. Iran has submitted its response to the U.S. proposal over the weekend. However, U.S. President Donald Trump deemed the response unacceptable, signaling persistent uncertainty surrounding the negotiation process.

## WHAT TO LOOK OUT FOR IN THE MARKETS THIS WEEK

- The focus this week will largely centre on the release of major U.S. economic indicators, particularly the Consumer Price Index (CPI) and Producer Price Index (PPI) that will be released on May 12 and 13 respectively, which are expected to provide fresh signals on the direction of inflation and future Federal Reserve policy. Investors will closely monitor whether inflation continues to moderate or remains persistent amid elevated oil prices. A stronger-than-expected inflation reading could reinforce expectations that the Federal Reserve may keep interest rates elevated for longer. Conversely, softer inflation data could revive expectations for eventual policy easing later this year. Markets will also watch U.S. retail sales for indications of whether higher borrowing costs are beginning to slow household spending activity. Overall, this week's economic releases are expected to play an important role in shaping expectations ahead of upcoming Federal Reserve decisions and broader market direction.
- Separately, attention for this week will shift towards the anticipated meeting between Donald Trump and Chinese President Xi Jinping in Beijing on May 14–15, where discussions are expected to focus on trade relations, tariffs, AI, and the ongoing Middle East conflict. Investors are likely to monitor the summit closely for any signs of easing tensions between the world's two largest economies, especially after months of geopolitical uncertainty and trade-related concerns. While expectations for a major breakthrough remain limited, markets may still react positively to any indication of improved diplomatic engagement or progress towards extending trade cooperation. However, any deterioration in U.S.-Iran peace discussions or renewed regional tensions could trigger higher oil prices and increased volatility in global financial markets.
- Meanwhile, Malaysia will release its 1Q2026 GDP performance this Friday, which is expected to remain resilient but slower than 4Q2025's 6.3% gain, following the DOSM's advance estimate showing GDP growth of 5.3% y-o-y. Recent Industrial Production Index (IPI) data pointed to weaker growth in 1Q2026, moderating to 4.1% from 4.9% in 4Q2025. Export performance also trended downward, registering only an 8.3% increase in March 2026 after three consecutive months of double-digit growth, reflecting a softer global demand. Domestic demand remained an important growth pillar, supported by consumer spending, festive-related activities, and government assistance measures. The slower pace of key economic indicators compared with the previous quarter suggests that global uncertainties and moderating external demand are beginning to affect overall momentum. Looking ahead, Malaysia's growth outlook for the remaining quarters of 2026 is expected to stay positive but more challenging amid rising geopolitical tensions involving the U.S. and Iran. Any prolonged conflict could raise inflationary pressures, and weaken global trade sentiment, posing downside risks to Malaysia's economy.

BANK ISLAM

**THANK YOU**