



# **WEEKLY ECONOMIC UPDATE**

**11 AUGUST 2025**

**ECONOMIC RESEARCH**

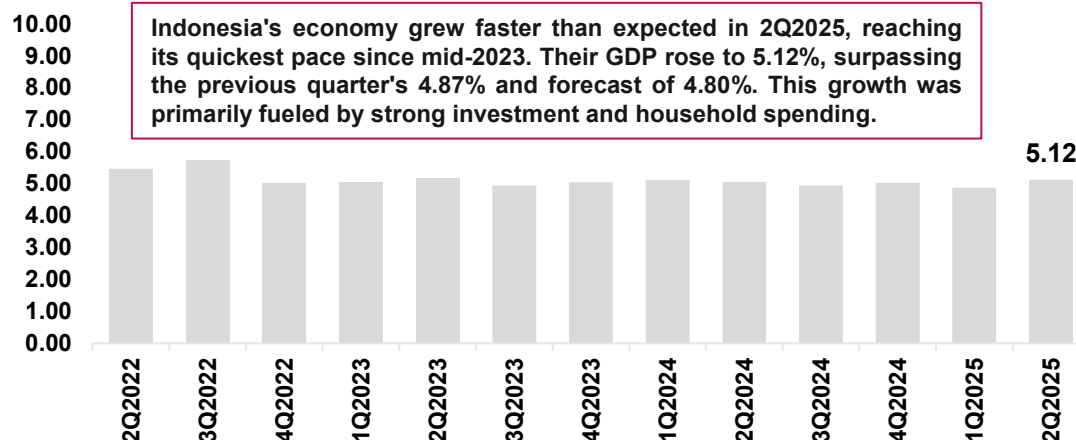
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# WEEKLY HIGHLIGHT: MALAYSIA'S HIGHLIGHTS ECONOMIC RESILIENCE

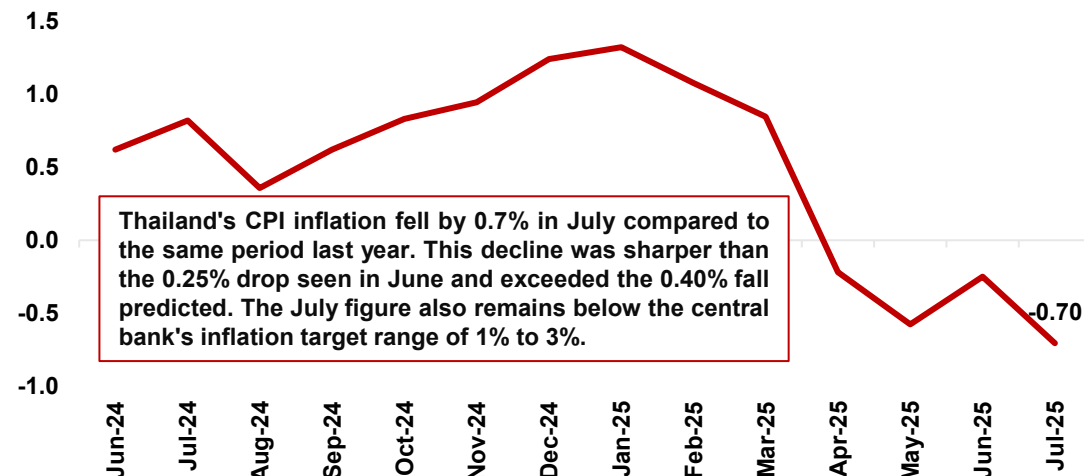
## JUNE IPI GROWTH

### GLOBAL

Indonesia - Real Gross Domestic Product (GDP), y-o-y%

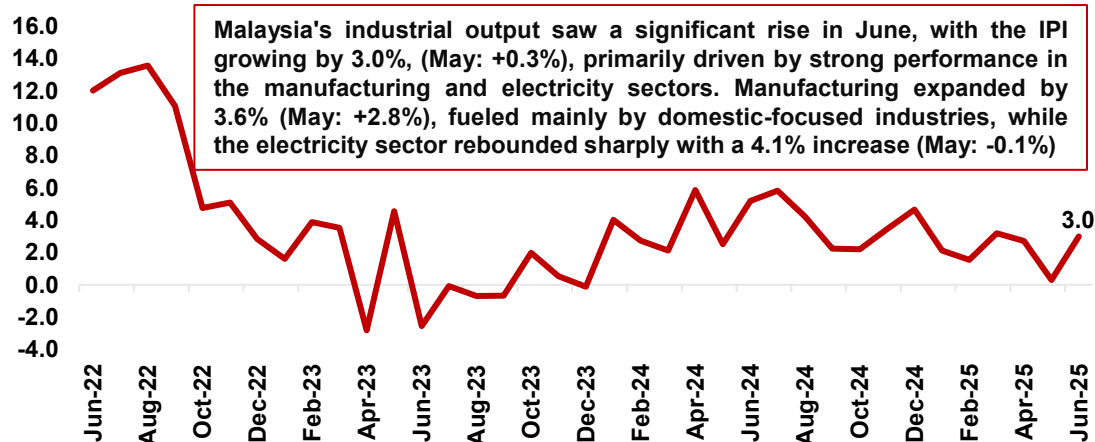


Thailand - Consumer Price Index (CPI), y-o-y%

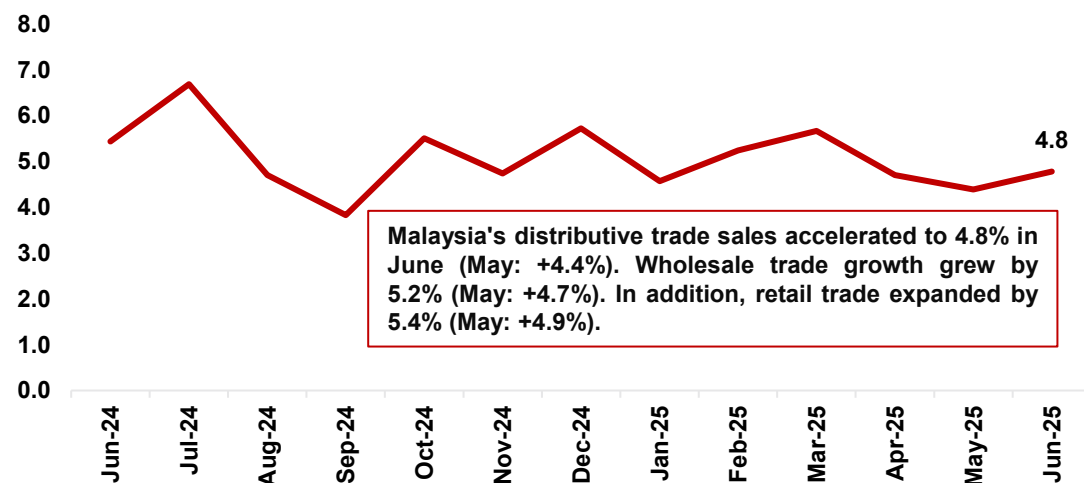


### DOMESTIC

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

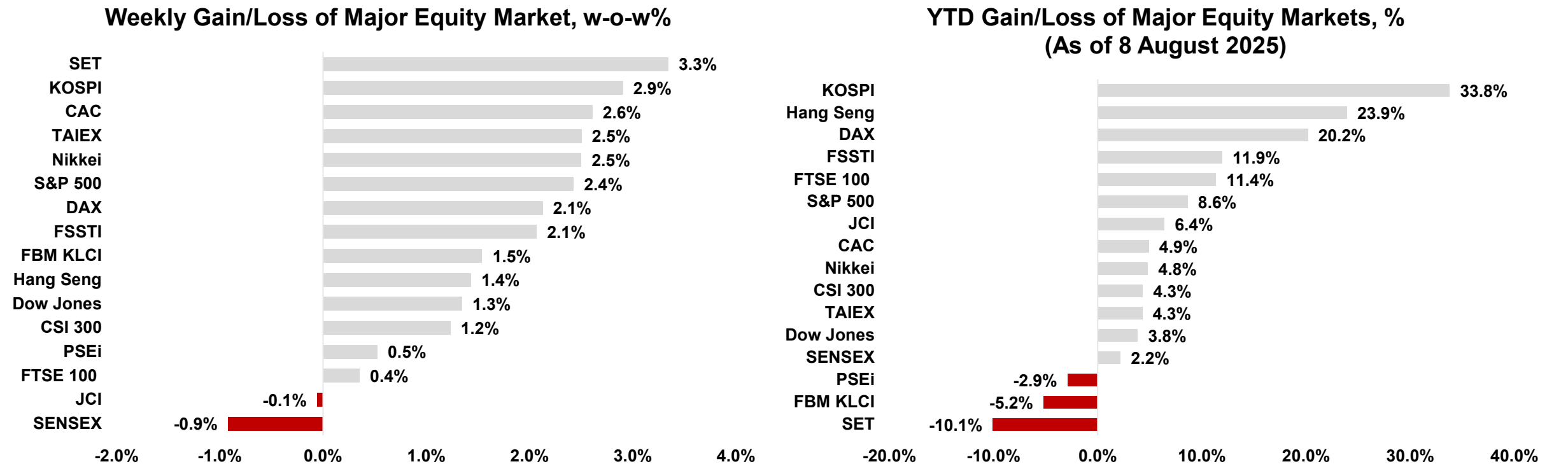


Malaysia - Distributive Trade Sales, y-o-y%



REGIONAL EQUITY: THAILAND LED GAINS AS STIMULUS PLAN  
COUNTERS U.S. TARIFFS

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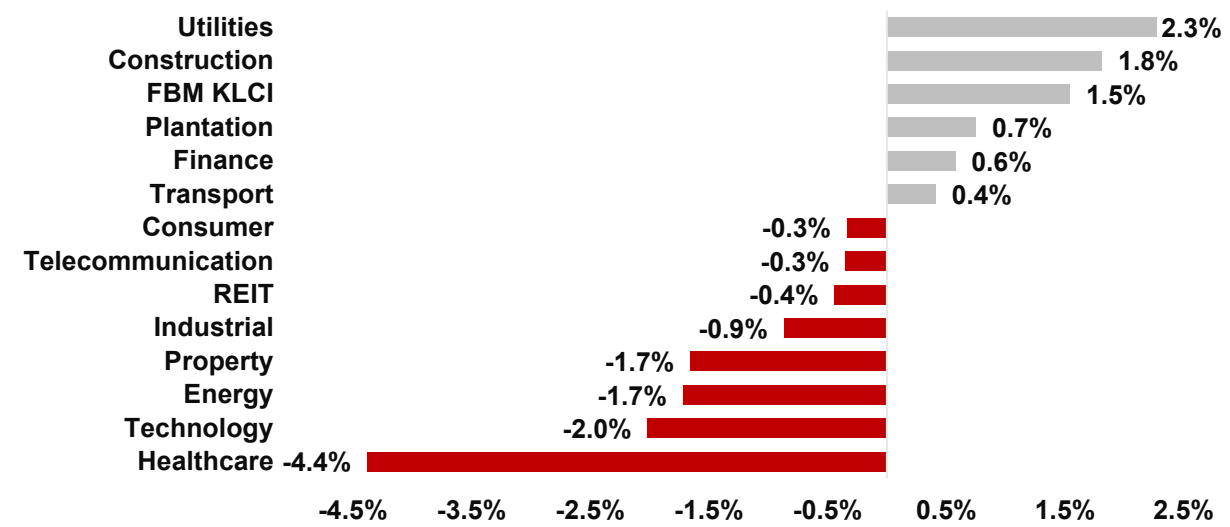


- Sources: Bursa, CEIC Data
- The regional equity index were mostly in the green for the week ending August 8 with Thailand’s SET as the major gainer, expanding by 3.3% Thailand is taking steps to protect its economy from new U.S. tariffs by launching a USD18.5 billion stimulus package aimed at boosting the country's economic competitiveness. The government is also working on a new trade statement with the U.S., though no final agreement has been signed yet. This comes after the U.S. imposed a new 19% tariff on Thai imports.
  - U.S. stocks – S&P 500 (+2.4%) and Dow Jones (+1.3%) climbed with technology stocks drove the market's gains, fueled by Apple's 4.2% jump after it revealed a new USD600 billion investment plan in the U.S. Investor confidence was also lifted by the possibility of Federal Reserve (Fed) rate cuts, especially after President Trump nominated Stephen Miran to the Fed Board, signaling potential shifts in monetary policy despite new tariffs on imported goods from several countries continued to worry the market.
  - In contrast, Indonesia’s JCI (-0.1%) and India’s SENSEX (-1.0%) were the biggest losers for the week ending August 8.
- ECONOMIC RESEARCH

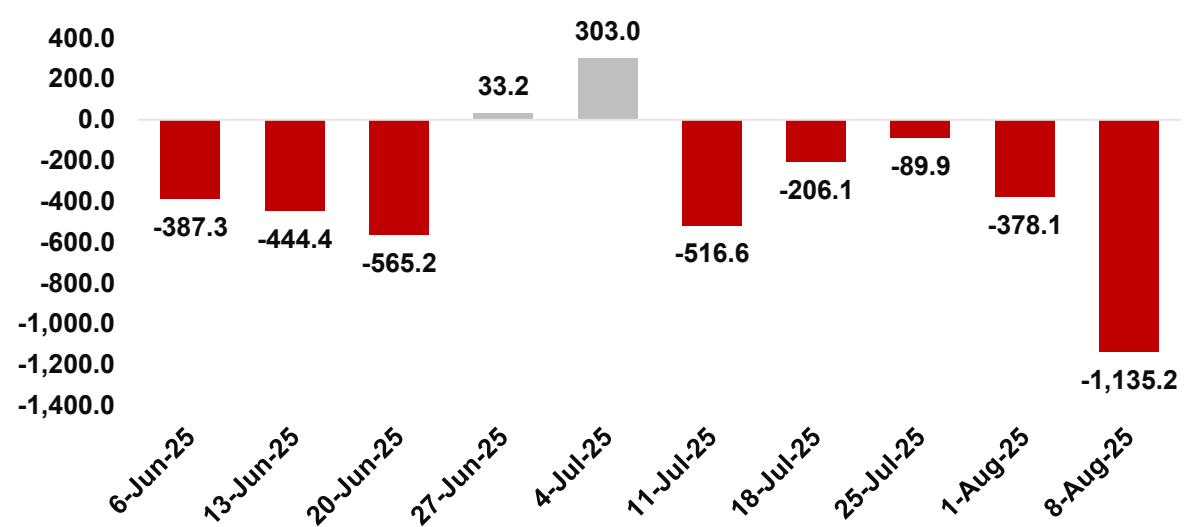
# DOMESTIC EQUITY: FBM KLCI ENDED ON A POSITIVE NOTE AHEAD OF MALAYSIA'S 2Q2025 GROWTH FIGURES



Weekly Bursa Sectoral Performance, w-o-w%



Weekly Foreign Fund Net Inflows/Outflows, RM Million



Sources: Bursa, CEIC Data

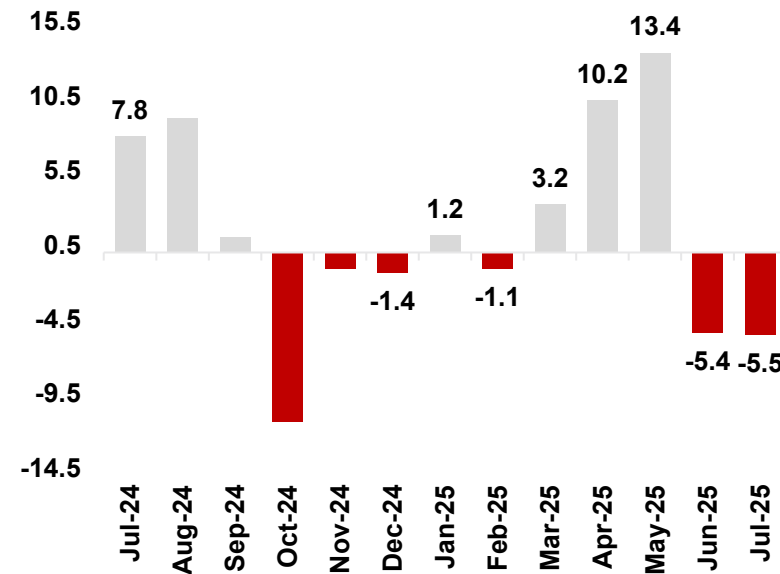
- The FBM KLCI soared by 1.5% w-o-w for the week ending August 8 to mark the highest level in almost three months, driven by increased buying across selected heavyweights alongside bargain hunting activities ahead of the 2Q2025 GDP release scheduled for this Friday.
- Investor sentiments were riding the wave of optimism following the recent 13th Malaysia Plan (13MP) which foresees the economy to expand between 4.5-5.5% per annum (2026-2030), lifting the prospects of the Malaysian economy weathering through the current turbulent times. As such, investors are cautiously positive on the second quarter growth figures, which supported buying interest in the local market.
- Bursa indices closed mix with the Utilities index (+2.3%) topping the gainers while the Construction index surged by 1.8% to the strongest level since January. On the flipside, Trump's potential 100% tariffs on semiconductors had led to the Technology and Industrial indices slumping, dragged by risk-off sentiments given that the U.S. is a significant market for Malaysian chips.
- Foreign investors persisted as net sellers for the fifth straight week, shedding a total of RM1.1 billion worth of equities and marking the highest outflow since early April. This had increased the cumulative net outflow thus far to RM14.8 billion.

# FIXED INCOME: FED SHAKE-UP AND NEW TARIFFS RATTLE UST MARKET

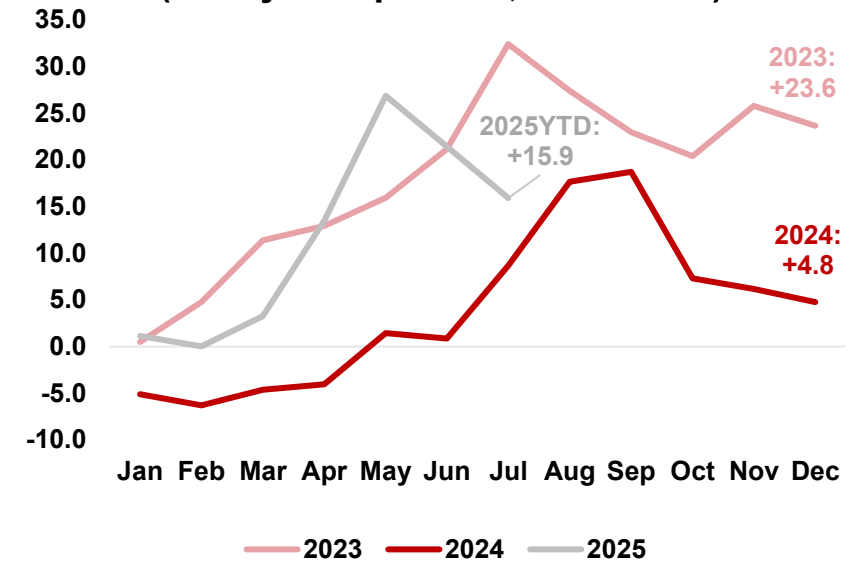
| Weekly Changes, basis points (bps) |                        |                        |                 |
|------------------------------------|------------------------|------------------------|-----------------|
| UST                                | Yields (%)<br>1-Aug-25 | Yields (%)<br>8-Aug-25 | Change<br>(bps) |
| 3-Y UST                            | 3.67                   | 3.70                   | 3               |
| 5-Y UST                            | 3.77                   | 3.84                   | 7               |
| 7-Y UST                            | 3.97                   | 4.03                   | 6               |
| 10-Y UST                           | 4.23                   | 4.27                   | 4               |
| MGS                                | Yields (%)<br>1-Aug-25 | Yields (%)<br>8-Aug-25 | Change<br>(bps) |
| 3-Y MGS                            | 3.06                   | 3.03                   | -1              |
| 5-Y MGS                            | 3.17                   | 3.11                   | -5              |
| 7-Y MGS                            | 3.35                   | 3.28                   | -7              |
| 10-Y MGS                           | 3.40                   | 3.37                   | -3              |
| GII                                | Yields (%)<br>1-Aug-25 | Yields (%)<br>8-Aug-25 | Change<br>(bps) |
| 3-Y GII                            | 3.11                   | 3.06                   | -5              |
| 5-Y GII                            | 3.20                   | 3.15                   | -5              |
| 7-Y GII                            | 3.35                   | 3.26                   | -9              |
| 10-Y GII                           | 3.43                   | 3.40                   | -3              |

Sources: BNM, Federal Reserve Board

Foreign Fund Flows in Local Bond Market, RM Billion



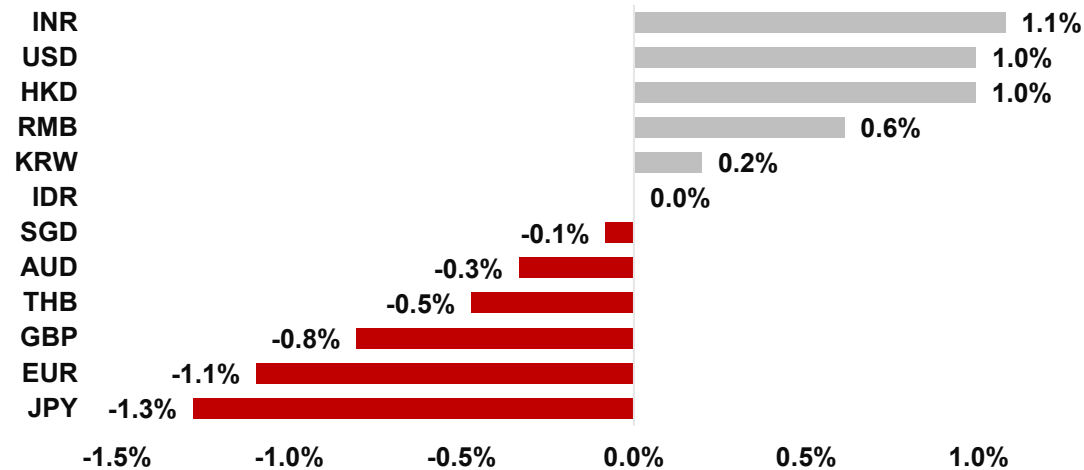
Cumulative Net Foreign Flows in Local Bonds (Yearly Comparison, RM Billion)



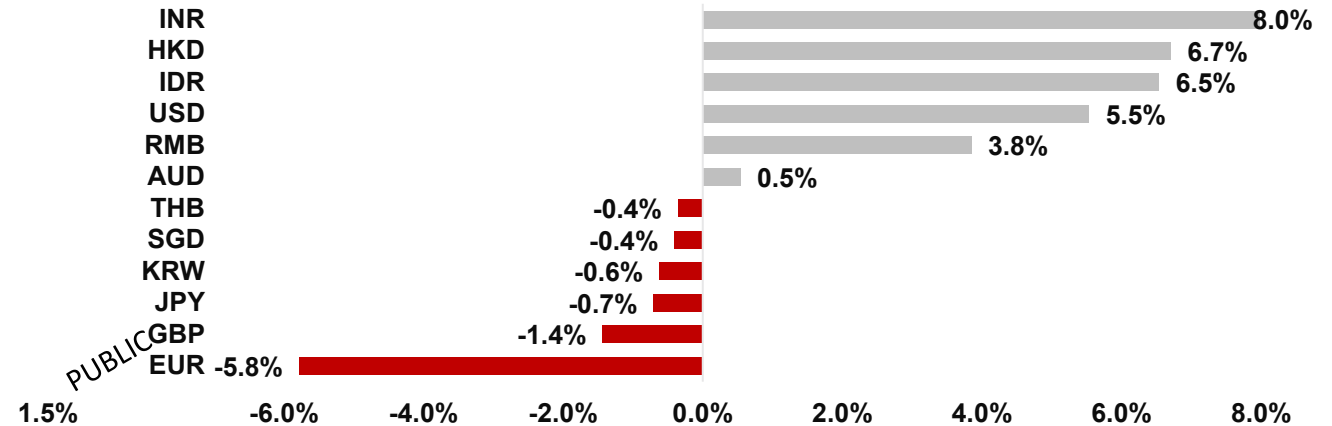
- The U.S. Treasury (UST) yields soared by between 3bps and 7bps as traders are assessing the current a shake-up at the Fed, new tariff threats, and growing anticipation of another U.S. interest rate cut. President Trump's nomination of Stephen Miran to the Fed's Board of Governors to replace Adriana Kugler has raised concerns about the central bank's political independence. At the same time, the administration has announced a new tariff on gold bars, a move that went against industry expectations of an exemption.
- In contrast, Malaysian Government Securities (MGS) and Government Investment Issues (GII) yields declined in the range of 1bp and 9bps.
- Foreign fund flows in the local bond market logged a net foreign outflow of RM5.5 billion in July (June: -RM5.4 billion). Consequently, local govies' foreign shareholdings to total outstanding plunged to 22.1% in July (June: 22.8%).
- As of the first seven months of 2025, the local bond market recorded the cumulative net foreign inflows of RM15.9 billion, higher than the inflows of RM8.7 billion in the same period in the previous year.

# FX MARKET: RINGGIT TO TRADE CAUTIOUSLY AHEAD OF KEY U.S. INFLATION FIGURES

MYR Against Regional Currencies, w-o-w%



MYR Against Regional Currencies, YTD%  
(As of 8 August 2025)



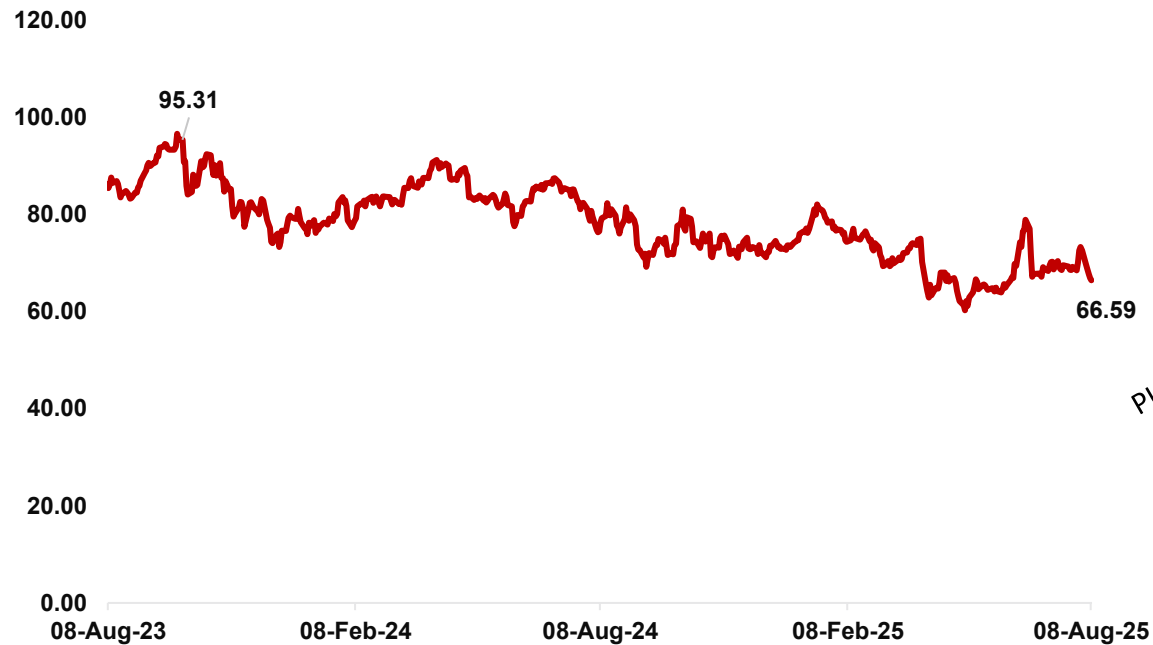
Sources: Bursa, CEIC Data

- The Ringgit appreciated by 1.0% w-o-w for the week ending August 8, underpinned by the USD index slipping by 1.0% amid heightened bets of a Federal Reserve Board (Fed) rate cut in its September meeting.
- Of note, the U.S. job market surprised to the downside when the Nonfarm Payroll (NFP) figures for May and June were revised lower by 258K cumulatively while July figures (73K) missed estimates of a 110K rise. Such performance had rapidly readjusted market expectations with the probabilities of a September cut surged sharply to almost 90.0% at the time of writing.
- In the past week, more Fed policymakers shifted towards a dovish stance, compared to earlier when only Governor Waller and Vice Chair Bowman had been advocating for a rate cut, resulting in a 9–2 split in the July policy decision.
- Governor Lisa Cook and Atlanta Fed President Raphael Bostic cited the latest employment data as a significant concern, while St. Louis Fed President Alberto Musalem adopted a more balanced view of the Fed's dual mandate, marking a shift from his earlier emphasis on price stability. In addition, San Francisco Fed President Mary Daly said she is "increasingly less comfortable" with the idea of keeping rates unchanged, reinforcing the case for a rate cut.

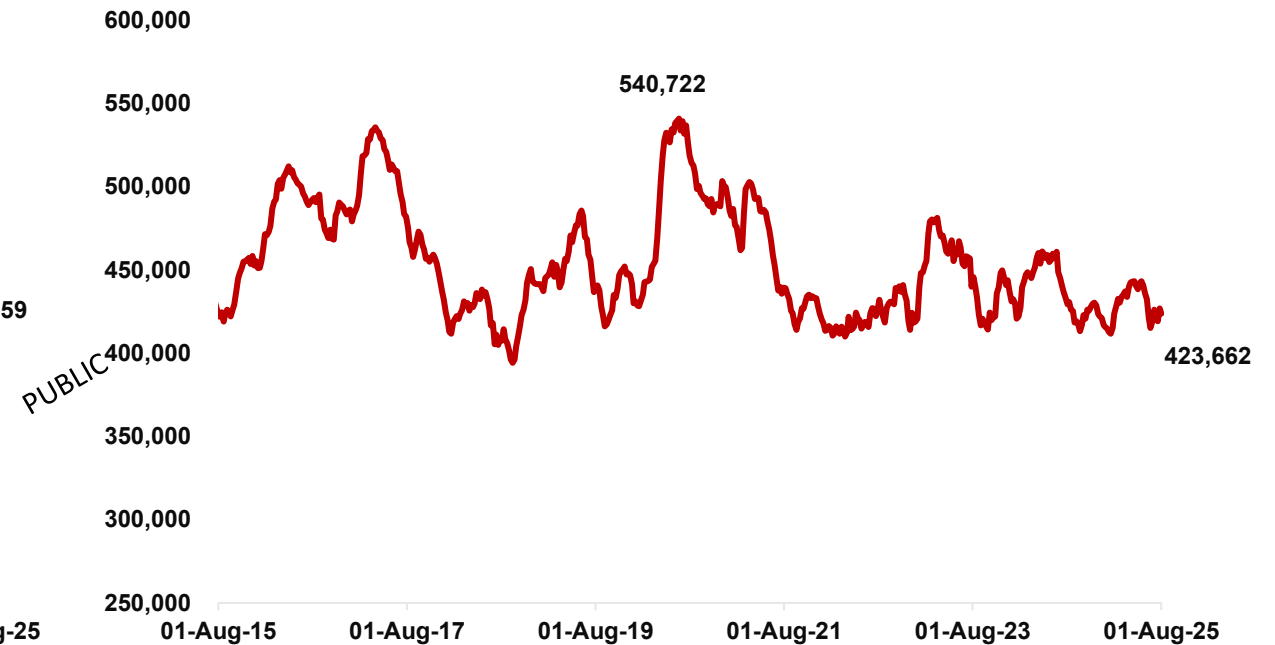


# COMMODITY: BRENT CRUDE FALLS AMID TARIFF TENSIONS AND RISING SUPPLY CONCERNS

Brent Crude in USD per barrel



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

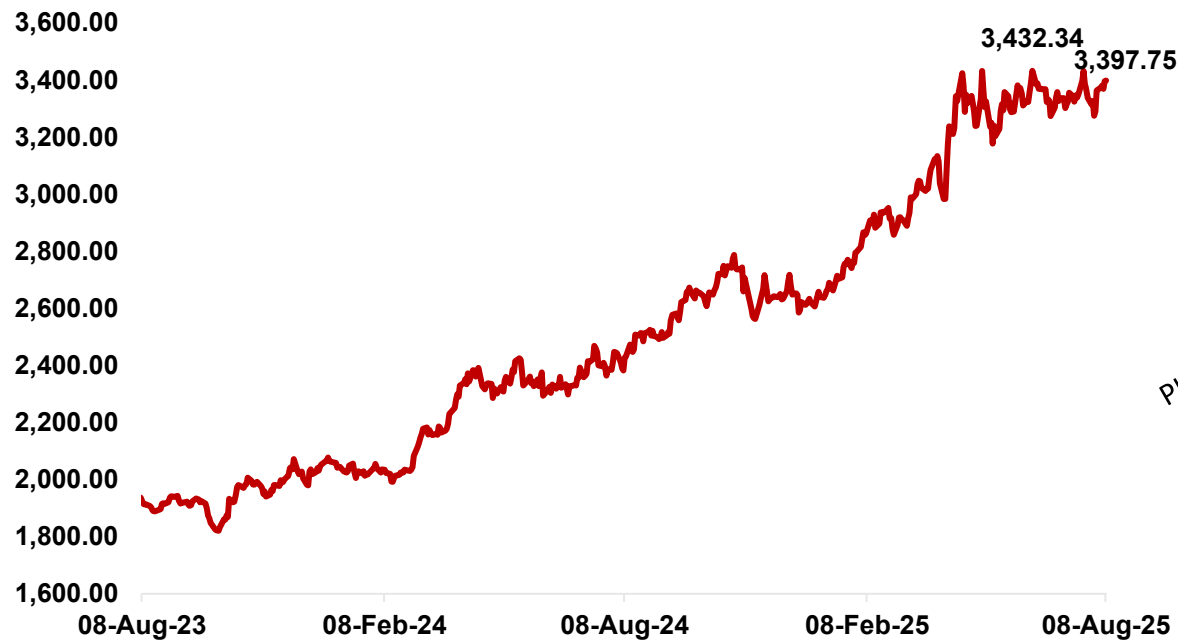


Sources: Bloomberg, Energy Information Administration (EIA)

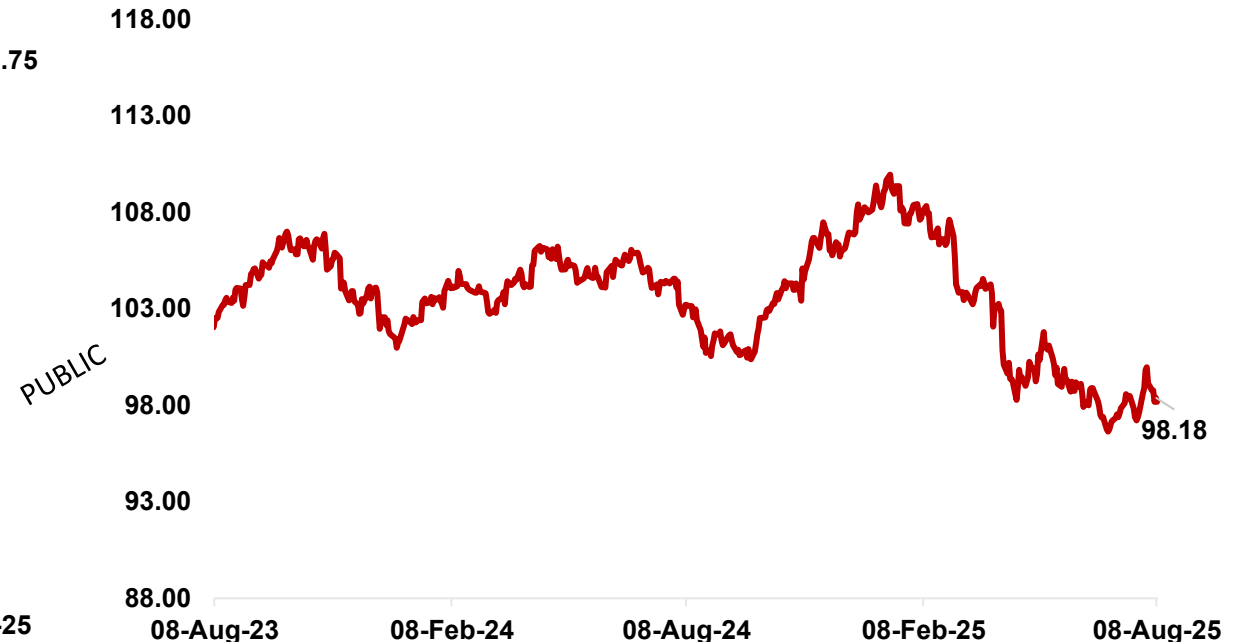
- Brent crude oil prices closed at USD66.59 per barrel on Friday (August 8), marking a 4.4% weekly drop. The decline was mainly due to the growing demand worries, escalating global trade tensions with new tariffs, and rising supply concerns from OPEC+ and Russia.
- Fresh Trump's tariffs that took effect on August 7 heightened fears of a global economic slowdown. Markets are particularly concerned about China's oil demand outlook, as higher tariffs could weaken its industrial activity as the world's largest crude oil importer.
- Meanwhile, on the supply side, OPEC+ announced an increase in its production quota for September, continuing its gradual unwinding of pandemic-era cuts. This raised concerns of oversupply, especially in the face of weaker demand expectations.
- However, U.S. crude oil inventories fell by 3.0 million barrels to 423.7 million barrels for the week ending August 1.

# COMMODITY: GOLD PRICE ON AN UPTREND AS PROBABILITIES OF A FED RATE CUT GREW

Gold in USD per ounce



U.S. Dollar Index (DXY)



Sources: Bloomberg, CEIC Data

- The bullion price climbed by 1.0% w-o-w last week on the back of the USD's weakness amid heightened bets of a rate cut in the Fed's upcoming meeting.
- Furthermore, Trump's potential 100% tariffs on semiconductor imports sparked concerns of more pronounced supply chain disruptions and subsequent global trade slowdown, increasing demand for safe-haven assets and fueling the bullion's rise.



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

- This week, market attention will be firmly on a series of key U.S. economic data releases that could influence the Federal Reserve's next policy move. The highlight will be Tuesday's release of the July Consumer Price Index (CPI), which will indicate whether inflation is continuing to climb following recent tariff hikes under Trump. June's CPI had come in above expectations, fueling concerns that price pressures may be reaccelerating. On Friday, the University of Michigan's Consumer Sentiment Index will offer a snapshot of how the public perceives inflation and the broader economic outlook. Fed officials, including Richmond Fed's Tom Barkin, Chicago Fed's Austan Goolsbee, and Atlanta Fed's Raphael Bostic, are scheduled to speak this week and could shed light on how the central bank is interpreting the data. According to the CME FedWatch Tool, markets are currently pricing in a more than 90% chance of a 25bps rate cut in the September FOMC meeting, with additional cuts likely in October and December, especially if inflation cools and labour market data continues to weaken.
- Meanwhile, the UK economy is expected to moderate in 2Q2025, with GDP growth likely easing to around 0.7%, down from 1.3% y-o-y in 1Q2025. This deceleration reflects fading stimulus effects and deeper structural issues. Despite five rate cuts by the Bank of England (BoE), the impact on demand has been limited due to the prevalence of fixed-rate mortgages, which slow policy transmission. Inflation remains elevated at 3.6%, with expectations of peaking at 4% by September, driven by rising food, energy, and labour costs. At the same time, the job market is weakening, with unemployment rising to 4.7%, a four-year high, adding pressure on household spending. While the BoE projects modest growth of 1.25% for 2025, downside risks persist, especially from U.S. tariffs and looming tax adjustments. Overall, the UK's economic outlook for the second half remains fragile, with limited room for policy manoeuvre amid persistent inflation and soft growth.
- In Australia, market attention this week will centre on the Reserve Bank of Australia's (RBA) monetary policy decision. With inflation easing into the central bank's 2–3% target band and signs of economic moderation becoming clearer, expectations are rising for the RBA to deliver its third interest rate cut this year. Market participants anticipate a 25 basis points cut, bringing the cash rate down to 3.60% from the current 3.85%. Recent data has supported this view as inflation has softened more than expected, while wage growth has shown signs of plateauing. If the RBA does move to cut, it would mark the beginning of a more accommodative stance to support growth, particularly as the global economic environment becomes increasingly uncertain.

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**THANK YOU**