



WEEKLY ECONOMIC UPDATE

12 JANUARY 2026

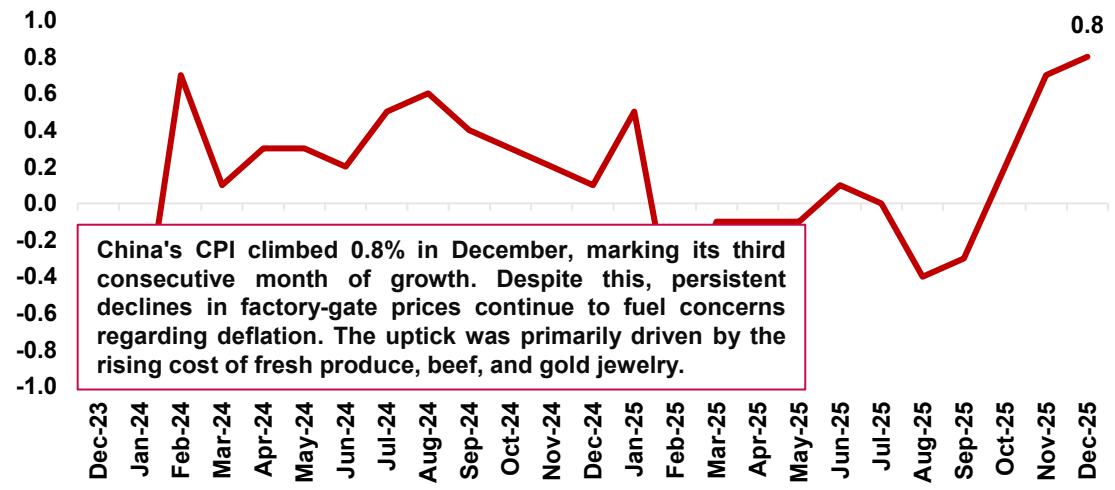
ECONOMIC RESEARCH

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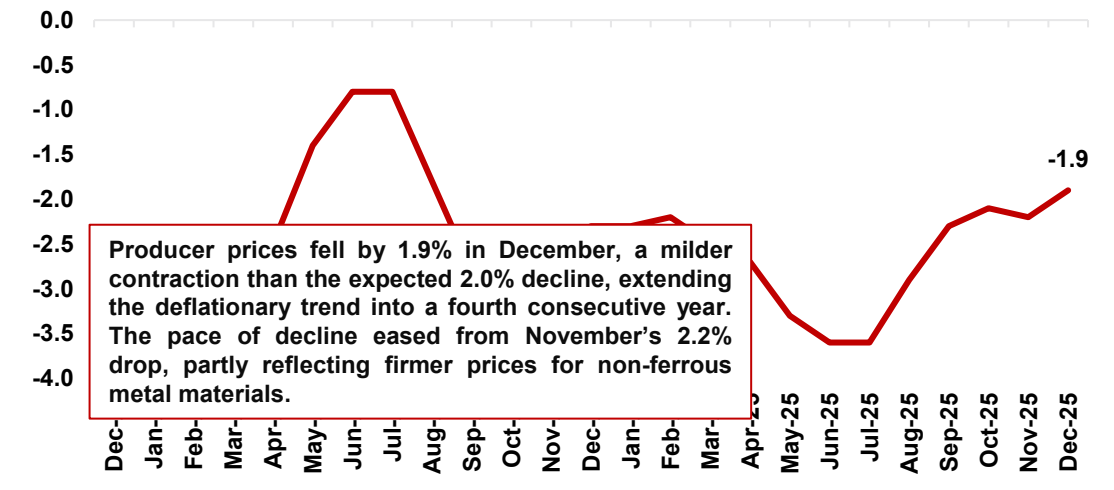
WEEKLY HIGHLIGHT: MALAYSIA'S JOBLESS RATE DROPPED TO ITS LOWEST LEVEL IN ELEVEN YEARS

GLOBAL

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

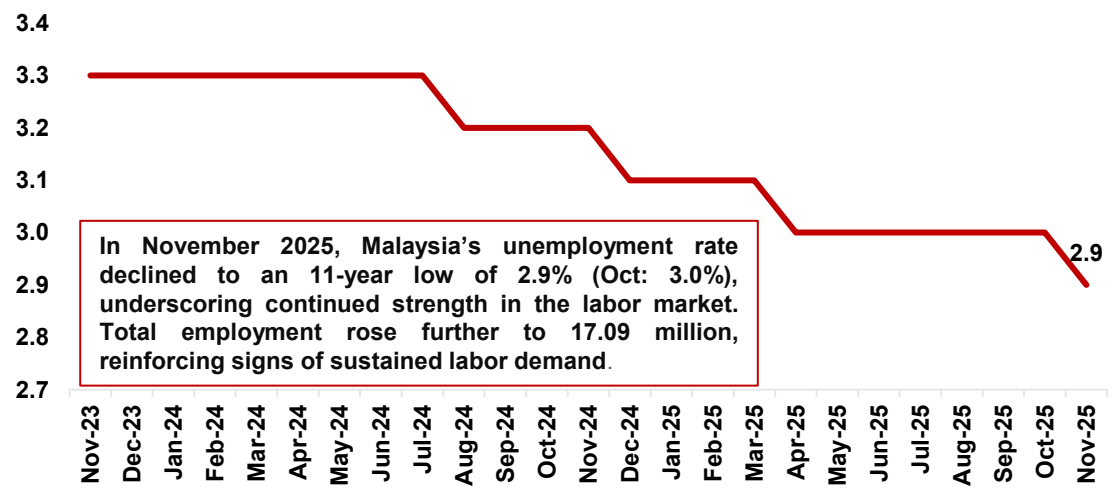


China - Producer Price Index (PPI), y-o-y%

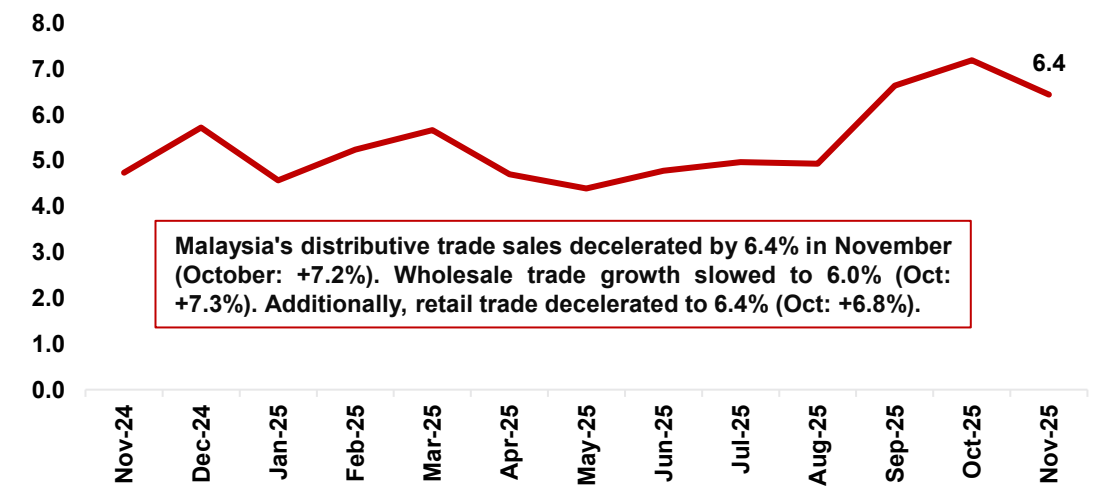


DOMESTIC

Malaysia - Unemployment Rate, %

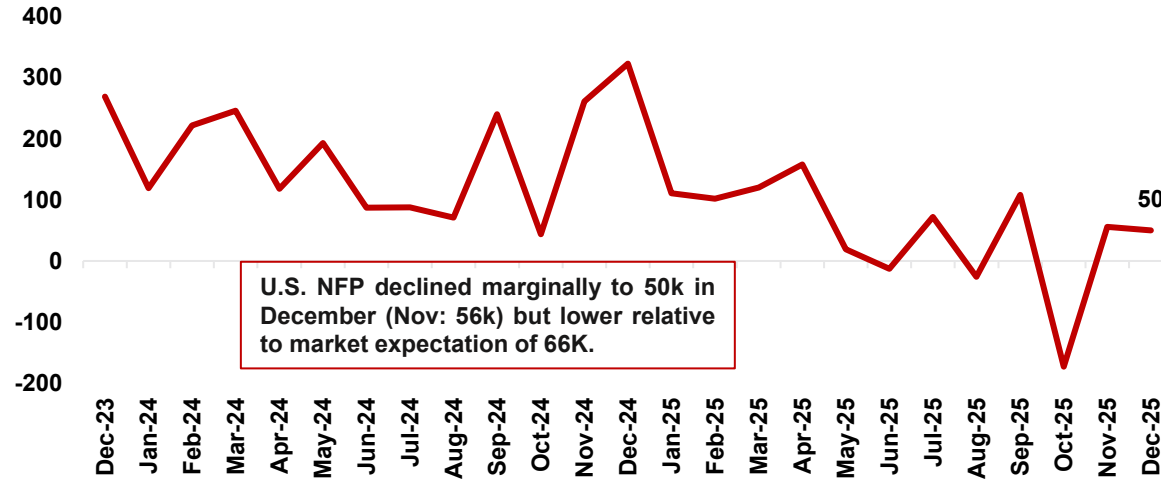


Malaysia - Distributive Trade Sales, y-o-y%

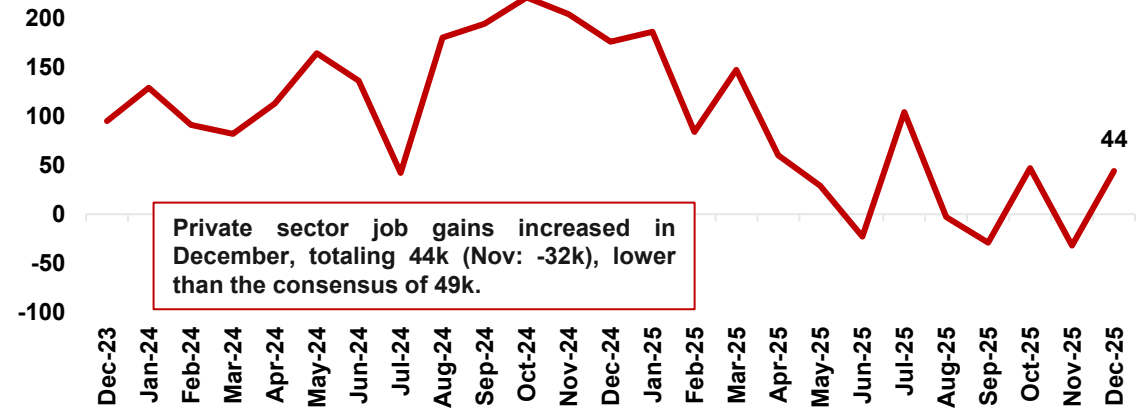


U.S. WEEKLY HIGHLIGHT: U.S. JOB GROWTH SLOWS IN DECEMBER

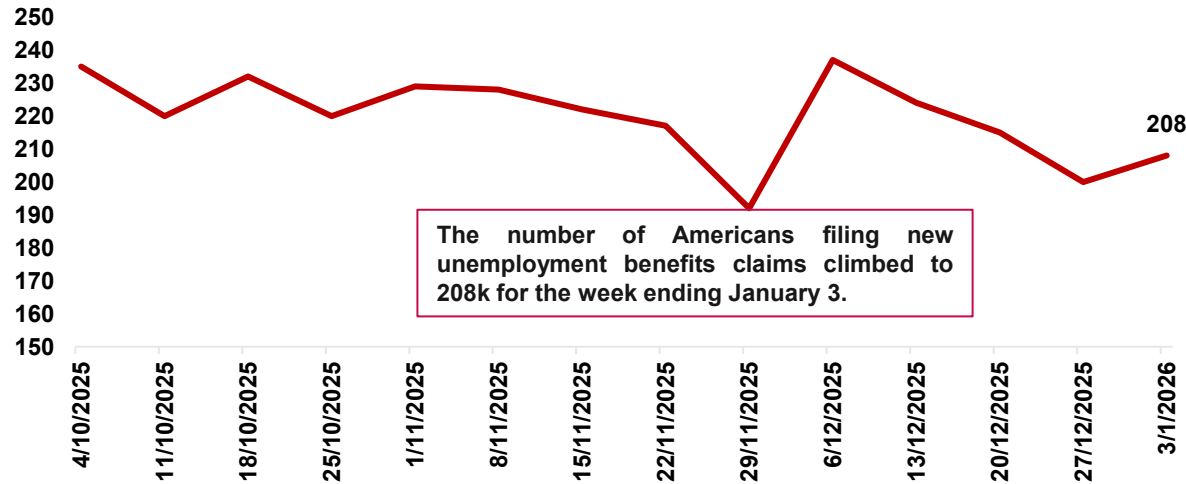
U.S. Non-Farm Payroll, m-o-m changes ('000)



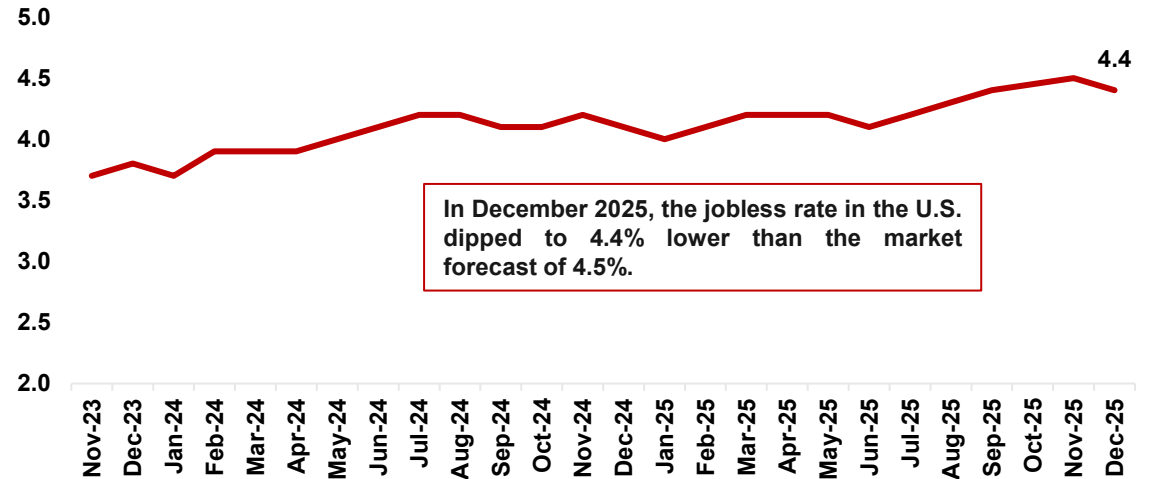
U.S. ADP Nonfarm Employment, m-o-m changes ('000)



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

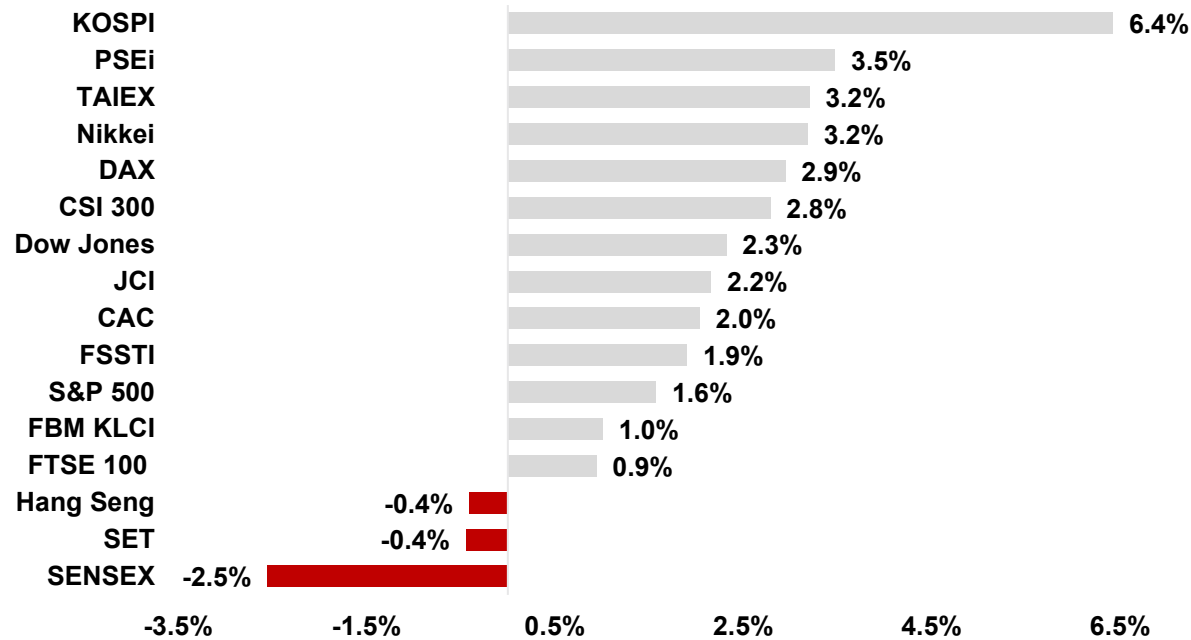


U.S. Unemployment Rate, %

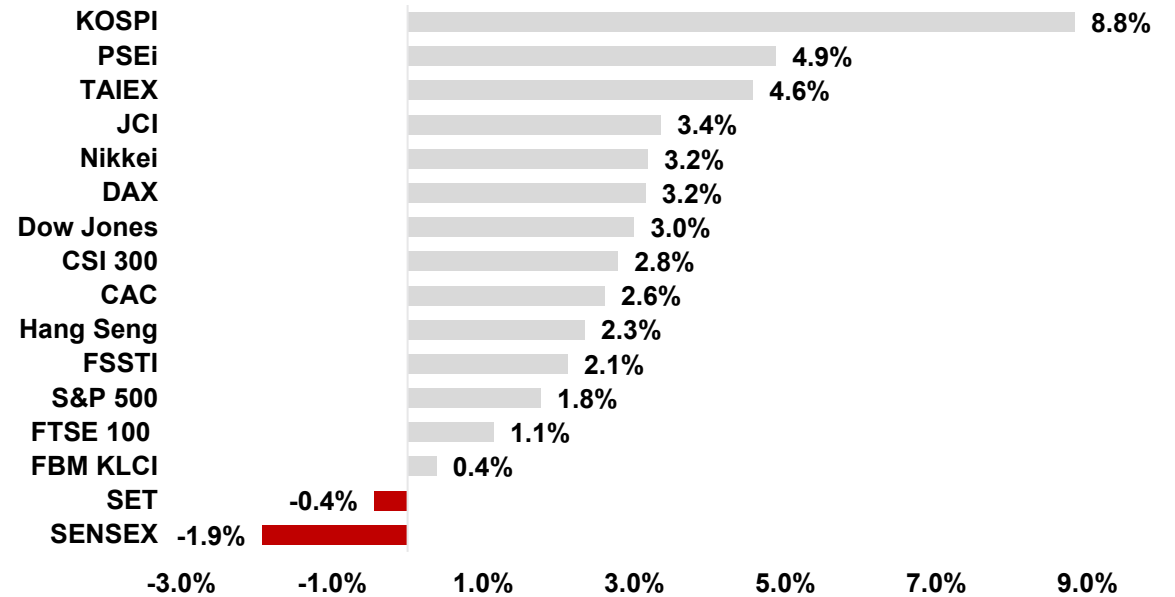


REGIONAL EQUITY: GLOBAL EQUITIES ADVANCE AS SOUTH KOREA LEADS, FED OUTLOOK IN FOCUS

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



YTD Gain/Loss of Major Equity Markets, %
(As of 9 January 2026)

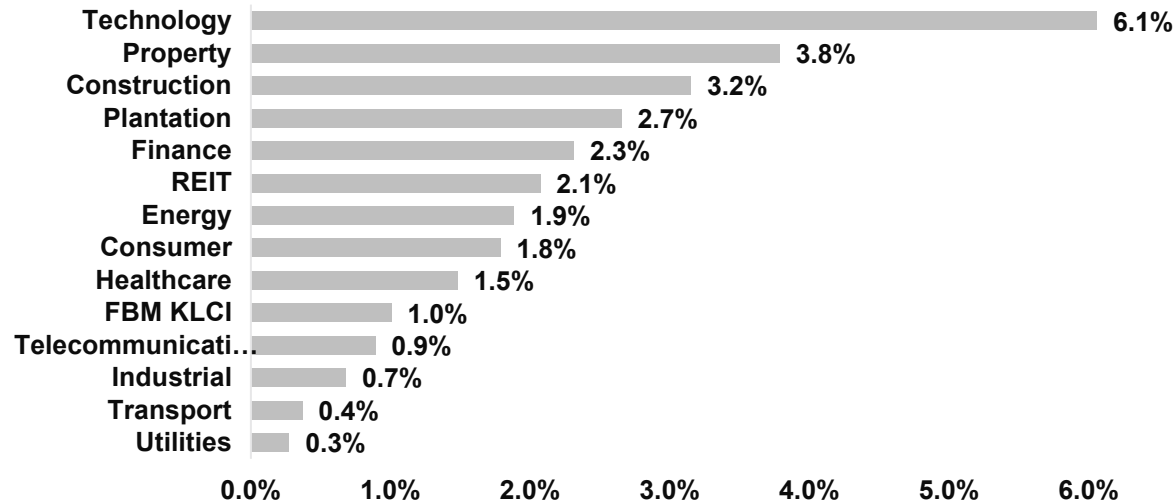


Sources: Bursa, CEIC Data

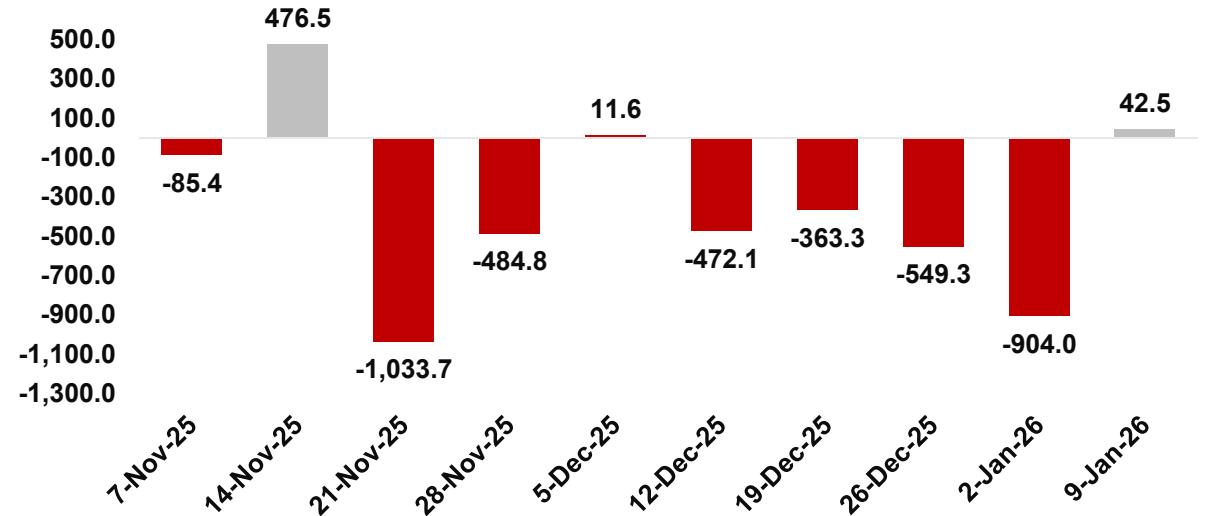
- Global equity markets were mostly in positive territory for the week ending January 9, led by South Korea's KOSPI, which surged 6.4%. Gains were driven by investors' continued rotation into the defense and shipbuilding sectors, while strong domestic institutional and retail buying helped offset substantial foreign outflows, providing key support to the index.
- U.S. stocks – Dow Jones (+2.3%) and S&P 500 (+1.6%) advanced as investors digested a mixed December employment report. Hiring slowed more than expected, with payrolls increasing by just 50K, while the unemployment rate edged lower to 4.4%, pointing to a labor market that remains resilient but is clearly cooling. The conflicting signals left market participants focused on the Federal Reserve for clearer guidance on the policy outlook.
- On the contrary, India's SENSEX (-2.5%), Thailand's SET (-0.4%) and Hong Kong's Hang Seng (-0.4%) were the major losers for the week ending January 9.

DOMESTIC EQUITY: THE LOCAL MARKET CLOSED IN A SEA OF GREEN AMID OPTIMISM ON MALAYSIA'S OUTLOOK

Weekly Bursa Sectoral Performance, w-o-w%



Weekly Foreign Fund Net Inflows/Outflows, RM Million



Sources: Bursa, CEIC Data

- The FBM KLCI climbed by 1.0% w-o-w for the week ending January 9 on the back of bargain hunting activities. Notably, the index marked its highest close in over six years on Friday at 1,686.54.
- Such performance reflected the optimism across regional markets as investors position themselves for the year ahead. Additionally, investor confidence surrounding the Malaysian economy was lifted following a solid job market report. Of note, the unemployment rate fell to the lowest level in over a decade at 2.9% in November (October: 3.0%) while the Labour Force Participation Rate steadied at a record-high of 70.9%.
- Looking closer, all indices closed in the positive territory with the Technology index surging by an impressive 6.1%, driven by the global technology upcycle and AI-related optimism. This was followed by the Property and Construction indices which increased by 3.8% and 3.2%, respectively.
- Foreign investors turned net buyers last week, acquiring a total of RM42.5 million worth of equities. This has reduced the 2026 cumulative net outflow thus far to RM189.9 million.

FIXED INCOME: UST YIELDS MIXED AMID MIXED JOBS DATA

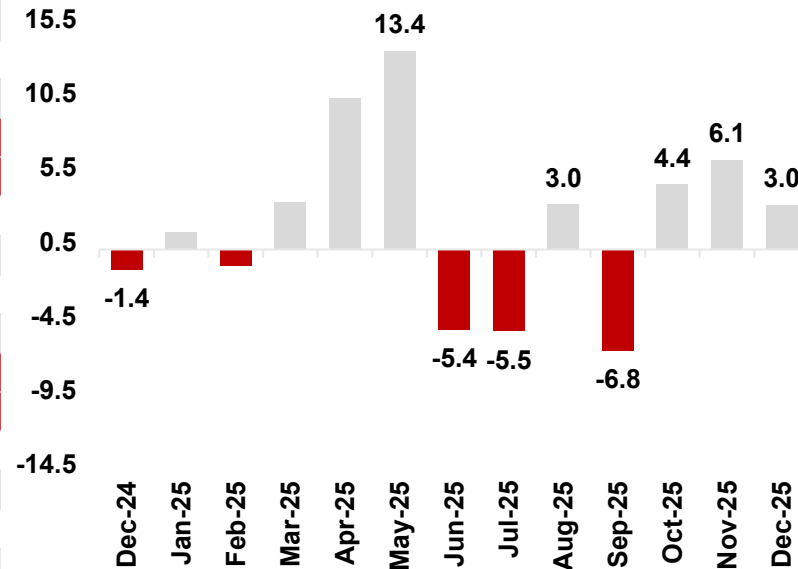
CLOUDS FED'S PATH FOR RATE CUTS

Weekly Changes, basis points (bps)			
UST	Yields (%) 2-Jan-26	Yields (%) 9-Jan-26	Change (bps)
3-Y UST	3.55	3.59	4
5-Y UST	3.74	3.75	1
7-Y UST	3.95	3.95	0
10-Y UST	4.19	4.18	-1
MGS	Yields (%) 2-Jan-26	Yields (%) 9-Jan-26	Change (bps)
3-Y MGS	3.00	3.00	0
5-Y MGS	3.25	3.25	0
7-Y MGS	3.37	3.40	3
10-Y MGS	3.50	3.52	2
GII	Yields (%) 2-Jan-26	Yields (%) 9-Jan-26	Change (bps)
3-Y GII	3.09	3.09	0
5-Y GII	3.25	3.26	1
7-Y GII	3.34	3.34	0
10-Y GII	3.52	3.52	0

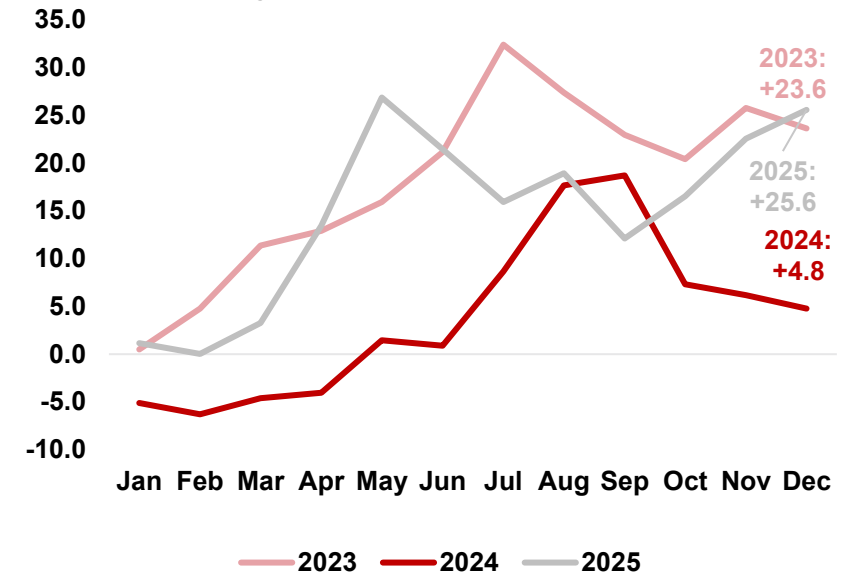
Sources: BNM, Federal Reserve Board

- The U.S. Treasury (UST) yields were mixed in the range of -1bp and 4bps for the week ending January 9 as a conflicting employment report left investors guessing about the scale of the Fed's planned interest rate cuts for the year.
- On the domestic front, Malaysian Government Securities (MGS) and Government Investment Issues (GII) yields were little changed moving by between 0bp and 3bps.
- Foreign fund flows in the local bond market remained in the positive territory with a net foreign inflow of RM3.0 billion in December (Nov: +RM6.1 billion). Consequently, local govvnies' foreign shareholdings to total outstanding ticked higher to 21.5% in December (Nov: 21.4%).
- In 2025, the local bond market recorded the cumulative net foreign inflows of RM25.6 billion, significantly higher than the inflows of RM4.8 billion in 2024.

Foreign Fund Flows in Local Bond Market, RM Billion

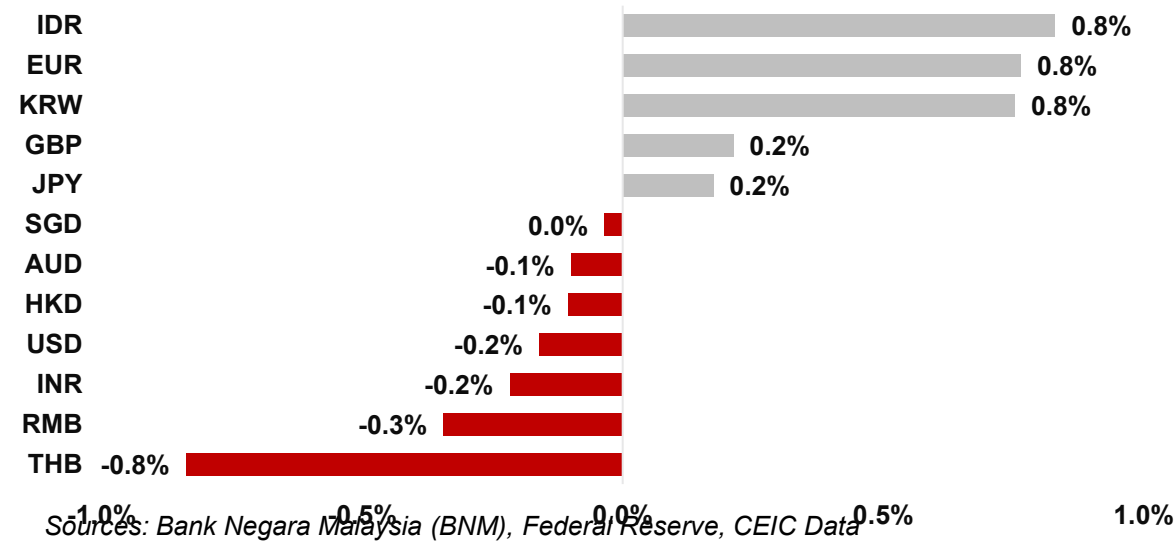


Cumulative Net Foreign Flows in Local Bonds (Yearly Comparison, RM Billion)

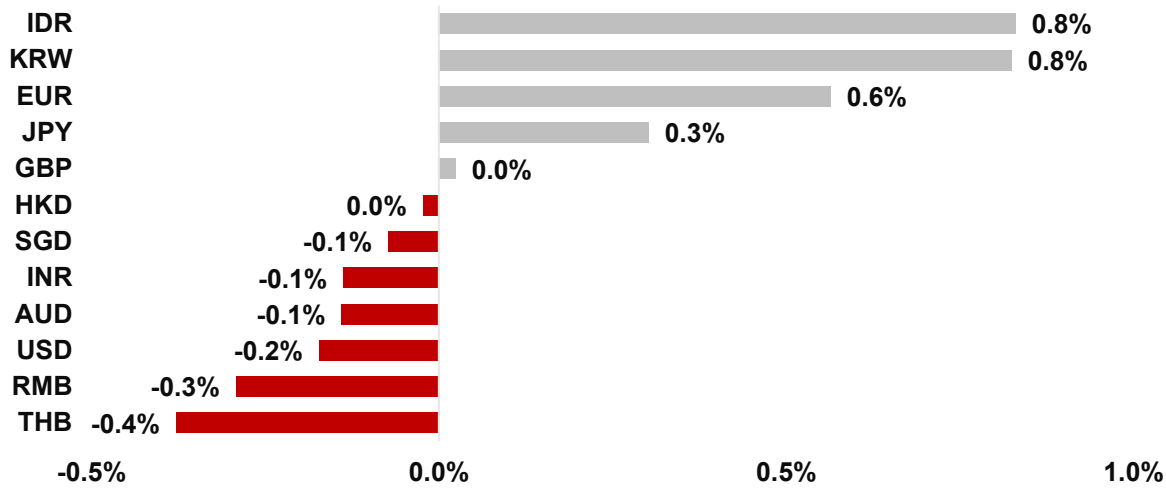


FX MARKET: RINGGIT SLIPPED AGAINST THE USD AS THE U.S. JOB MARKET REPORT DELAYS INVESTORS' RATE CUT BETS

MYR Against Regional Currencies, w-o-w%



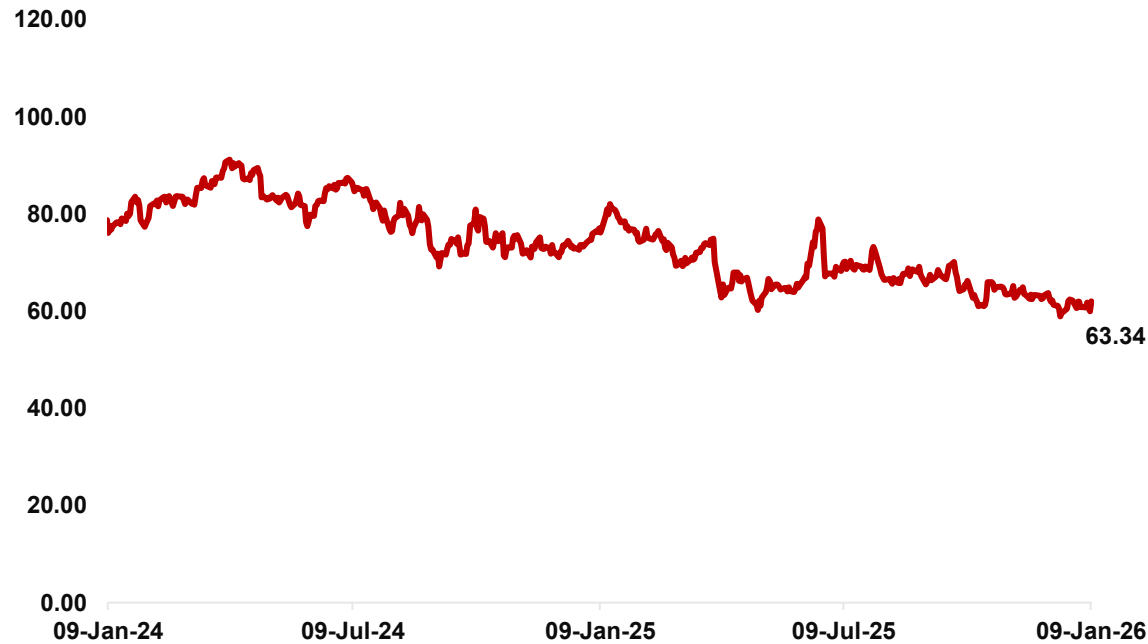
MYR Against Regional Currencies, YTD%
(As of 9 January 2026)



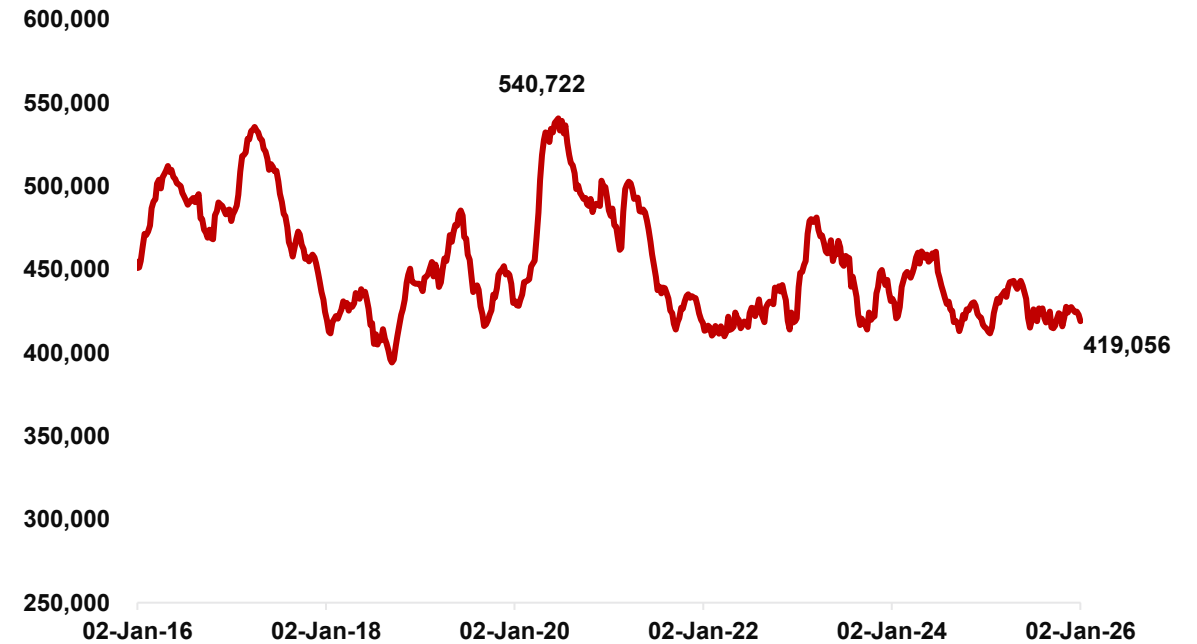
- The Ringgit depreciated by 0.2% w-o-w against the USD for the week ending January 9 as the USD index climbed by 0.7% following a mixed bag of U.S. job data.
- U.S. December Nonfarm Payrolls (NFP) increased by 50K (November: +56K), missing estimates of a 60K growth, while the NFP for October and November was revised lower cumulatively by 76K than previously reported. Looking at the full year performance, the economy added 584K jobs in 2025 which is significantly lower than the 2.0 million increase recorded in 2024. All in all, this reinforced the case of a slowing hiring momentum in the U.S. amid structural changes, policy shifts under the new administration and broader macroeconomic uncertainties.
- Nevertheless, not all is doom and gloom as the unemployment rate eased to 4.4% in December from 4.5% in November and the U-6 unemployment rate moderated to 8.4% from 8.7% in November.
- Whilst the hiring momentum proved to be quite fragile, the performance supported the Fed's more balanced, data dependent stance which led investors to reprice their rate cut bets. Contrary to a reactive market rallying behind a faster pace of easing, the job market report warranted a higher degree of caution. As such, the probability of the Fed staying pat on its FFR throughout 1Q2026 has surged past 71.0% following the release.

COMMODITY: OIL PRICES CLIMB ON HEIGHTENED GEOPOLITICAL TENSION AND SUPPLY CONCERNS

Brent Crude in USD per barrel



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

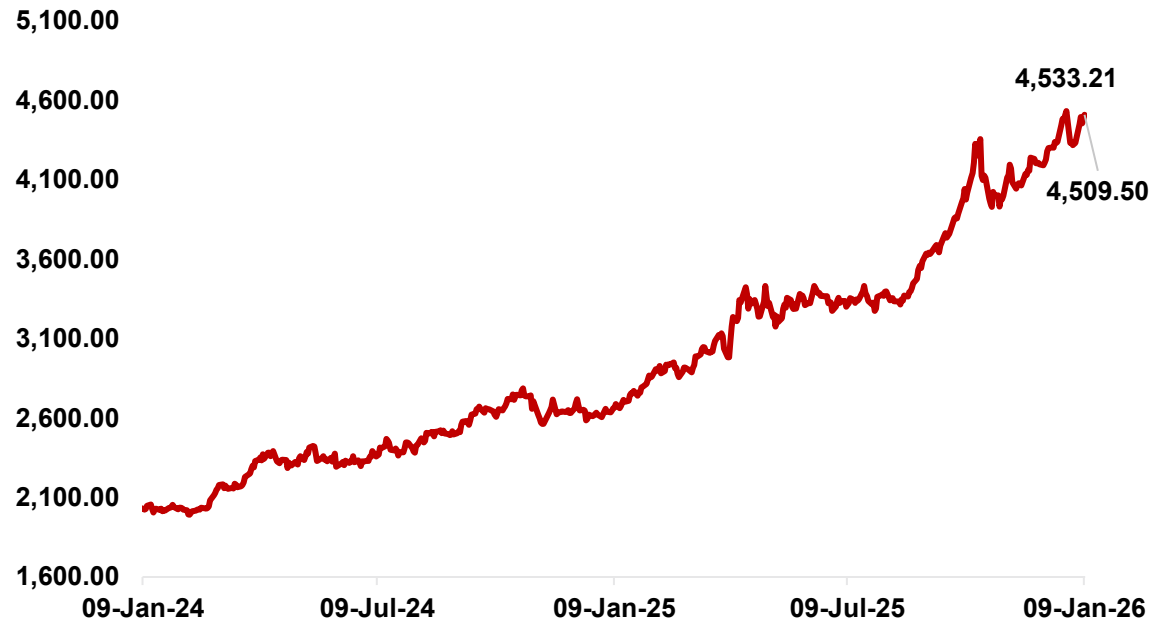


Sources: Bloomberg, Energy Information Administration (EIA)

- Brent crude climbed sharply last Friday (January 9), advancing about 2.2% to settle at USD63.34 per barrel and extended gains for a 4.3% w-o-w increase amid changing market dynamics.
- Geopolitical tensions have been a major driver, with rising unrest in Iran and escalating risks tied to Venezuela's uncertain oil supply adding to concerns about future disruptions. Fears of potential supply disruptions sparked by Iranian protests affecting one of the world's largest producers and U.S. moves in Venezuela boosted risk premiums as traders priced in the possibility of tighter flows. Broader geopolitical risks lent support to crude prices, even as global inventories remain elevated and ongoing oversupply continues to temper upside potential.
- U.S. weekly crude inventories decreased by 3.8 million barrels to 419.1 million for the week ending January 2.

COMMODITY: GOLD PRICE SURGED ON SAFE HAVEN DEMAND AMID HEIGHTENED GEOPOLITICAL TENSIONS

Gold in USD per ounce



U.S. Dollar Index (DXY)



Sources: Bloomberg, CEIC Data

- The bullion price surged by 4.1% last week, underpinned by rising safe-haven demand following the U.S.' military operations in Venezuela and the capture of Venezuelan President Nicolas Maduro, shrouding the country's economic and political outlook in uncertainty.
- Additionally, the bullion price was also supported by heightened risk aversion ahead of the potential U.S. Supreme Court's ruling on Trump's reciprocal tariffs. Should the Court rule against Trump, it could lead to billions worth of reimbursement claims by companies which already paid their dues, complicating the broader fiscal outlook and the Trump administration budget plans.

WHAT TO LOOK OUT FOR IN THE MARKETS THIS WEEK

- This week, investors will closely watch the release of the U.S. CPI on Tuesday to assess whether inflation continues to moderate. As a key input for monetary policy, the print will directly influence market expectations for potential interest rate cuts at the Federal Reserve's upcoming meeting. A delayed wholesale inflation report will provide additional insight into underlying price pressures, while remarks from several scheduled Fed officials will be closely scrutinised for signals on the policy path amid ongoing internal debates. Retail sales data will also be key, providing insight into the strength of consumer spending during the holiday season. Markets will also parse delayed housing indicators to determine whether the prolonged downturn in home sales is easing or persisting. Lastly, an update on the federal budget deficit will be evaluated for its implications on fiscal policy and government borrowing needs. Taken together, this heavy data slate is likely to drive heightened market volatility as investors recalibrate their outlook on growth and monetary policy.
- The market will also focus on the European economic data to gauge regional stability, with the UK's upcoming GDP release for November taking center stage. This report will determine if the economy extended its recent contraction, potentially confirming a recession in the 4Q2025. Persistent weakness across manufacturing, services, and construction sectors, signaled by prior subdued PMI data, will amplify scrutiny of these figures. Simultaneously, inflation reports from Germany, France, Italy, and Spain are expected to show continued benign price growth across the eurozone. These readings will be pivotal for shaping expectations around the European Central Bank's upcoming policy path. The collective data will highlight a pronounced divergence between a stagnating UK economy and a more stable continental European environment.
- In Asia, market attention will centre on South Korea's central bank meeting, where policymakers are widely expected to keep interest rates unchanged. This follows the pause in November and is underpinned by recent signs of economic stabilisation, particularly in the manufacturing sector. At the same time, persistently sticky inflation limits the urgency for near-term monetary easing, although the central bank is likely to keep the door open to future rate cuts should conditions weaken. In Malaysia, the preliminary estimate of 4Q2025 GDP will be a key focus, offering timely insight into the economy's underlying momentum. Meanwhile, China's trade data will also be closely watched, given its role as a bellwether for regional export demand and broader global supply chain conditions.

BANK ISLAM

THANK YOU