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WEEKLY ECONOMIC UPDATE

12 OCTOBER 2026

ECONOMIC RESEARCH

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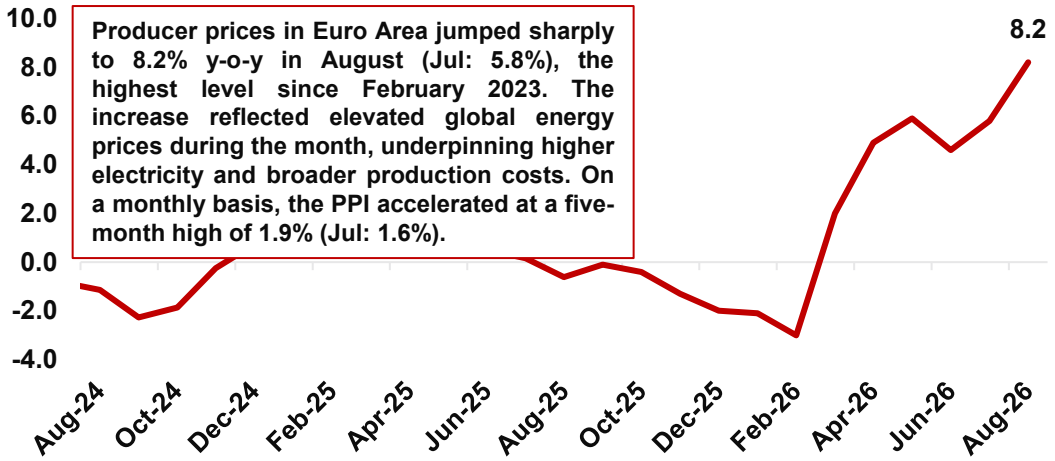
WEEKLY HIGHLIGHT: PIPELINE PRICE PRESSURES IN THE EUROZONE CONTINUE TO RISE, FUELLING HIGHER PRODUCTION COSTS

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GLOBAL

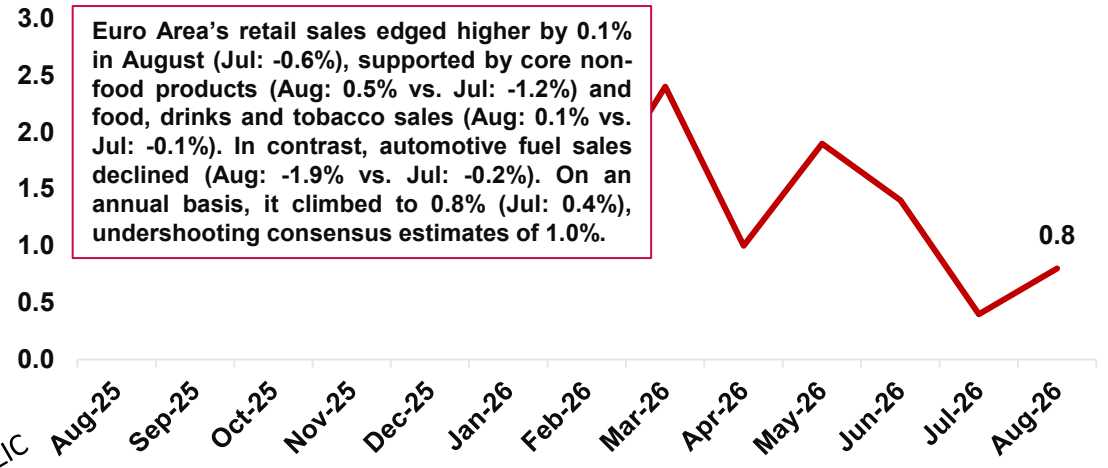
Euro Area - Producer Price Index (PPI), y-o-y%

Producer prices in Euro Area jumped sharply to 8.2% y-o-y in August (Jul: 5.8%), the highest level since February 2023. The increase reflected elevated global energy prices during the month, underpinning higher electricity and broader production costs. On a monthly basis, the PPI accelerated at a five-month high of 1.9% (Jul: 1.6%).



Euro Area - Retail Sales, y-o-y%

Euro Area's retail sales edged higher by 0.1% in August (Jul: -0.6%), supported by core non-food products (Aug: 0.5% vs. Jul: -1.2%) and food, drinks and tobacco sales (Aug: 0.1% vs. Jul: -0.1%). In contrast, automotive fuel sales declined (Aug: -1.9% vs. Jul: -0.2%). On an annual basis, it climbed to 0.8% (Jul: 0.4%), undershooting consensus estimates of 1.0%.

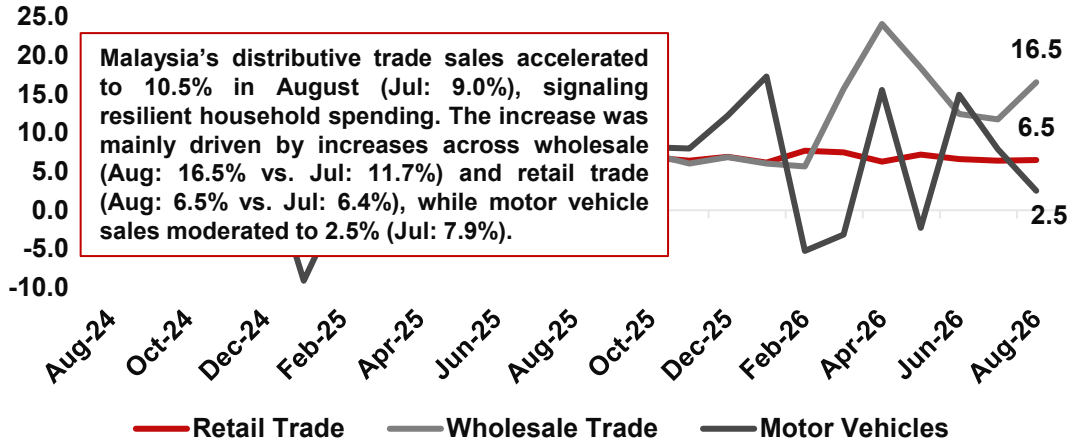


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DOMESTIC

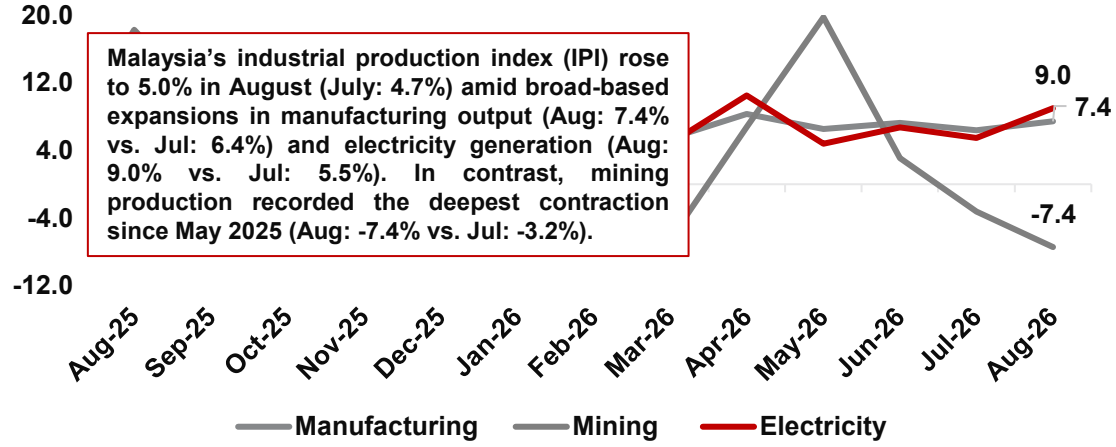
Malaysia - Distributive Trade Sales, y-o-y%

Malaysia's distributive trade sales accelerated to 10.5% in August (Jul: 9.0%), signaling resilient household spending. The increase was mainly driven by increases across wholesale (Aug: 16.5% vs. Jul: 11.7%) and retail trade (Aug: 6.5% vs. Jul: 6.4%), while motor vehicle sales moderated to 2.5% (Jul: 7.9%).



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

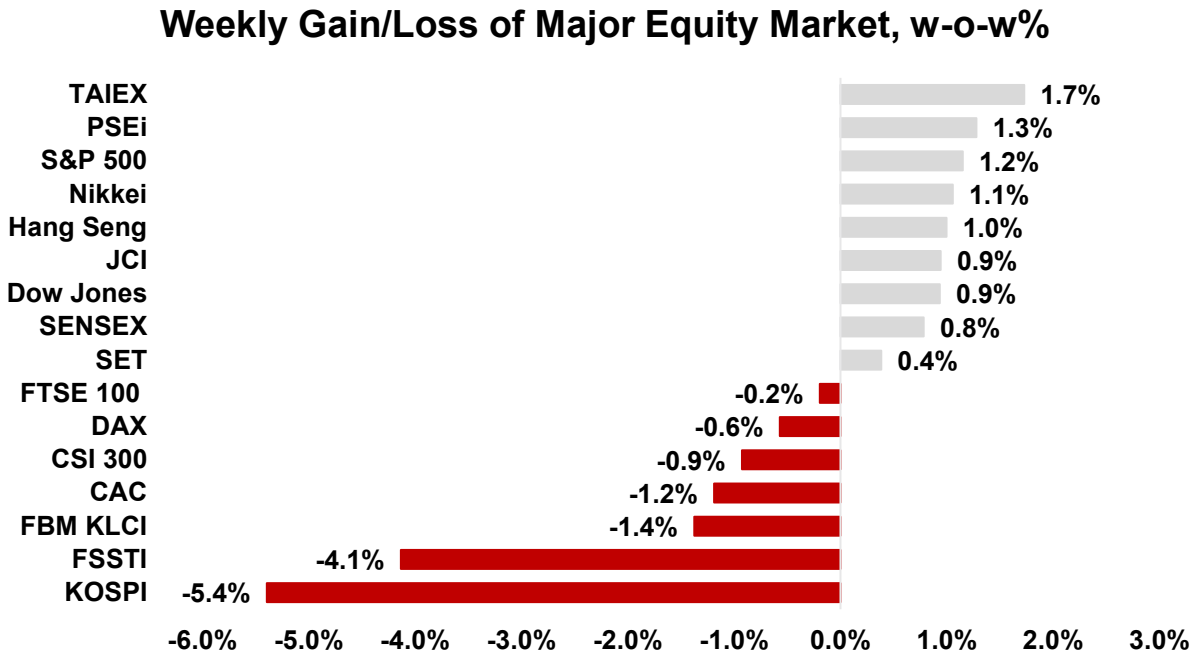
Malaysia's industrial production index (IPI) rose to 5.0% in August (July: 4.7%) amid broad-based expansions in manufacturing output (Aug: 7.4% vs. Jul: 6.4%) and electricity generation (Aug: 9.0% vs. Jul: 5.5%). In contrast, mining production recorded the deepest contraction since May 2025 (Aug: -7.4% vs. Jul: -3.2%).

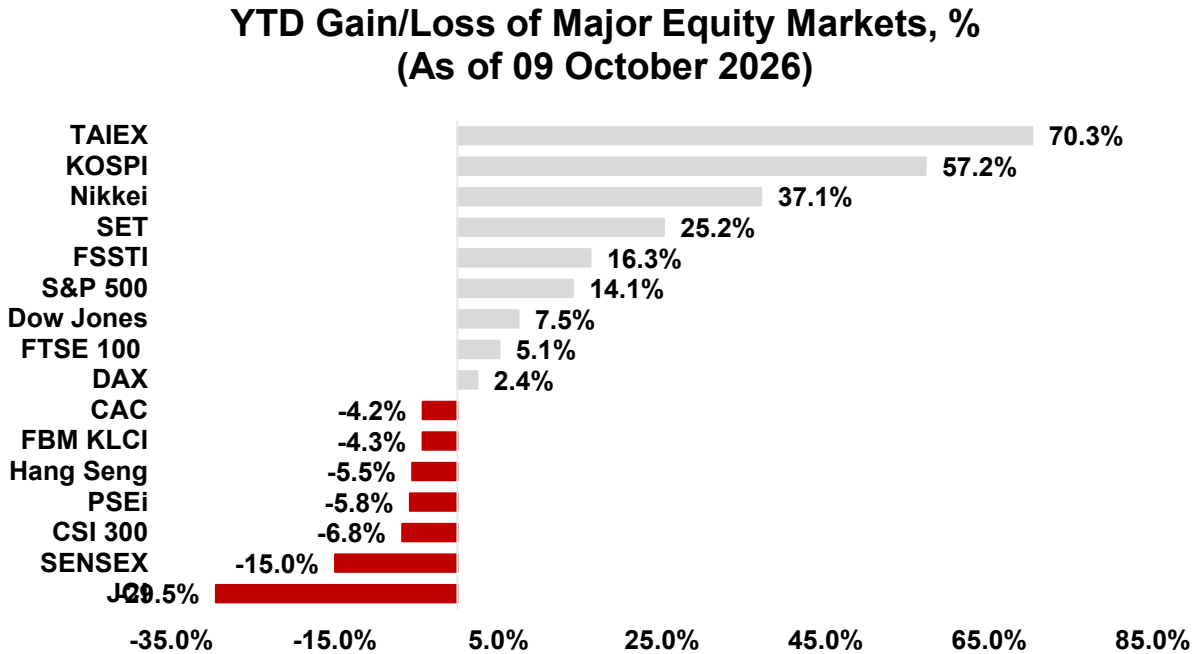


Sources: Eurostat, Department of Statistics Malaysia (DOSM), CEIC Data

REGIONAL EQUITY: GLOBAL EQUITIES MIXED AS TECHNOLOGY STRENGTH OFFSETS PROFIT-TAKING IN SELECT ASIAN MARKETS

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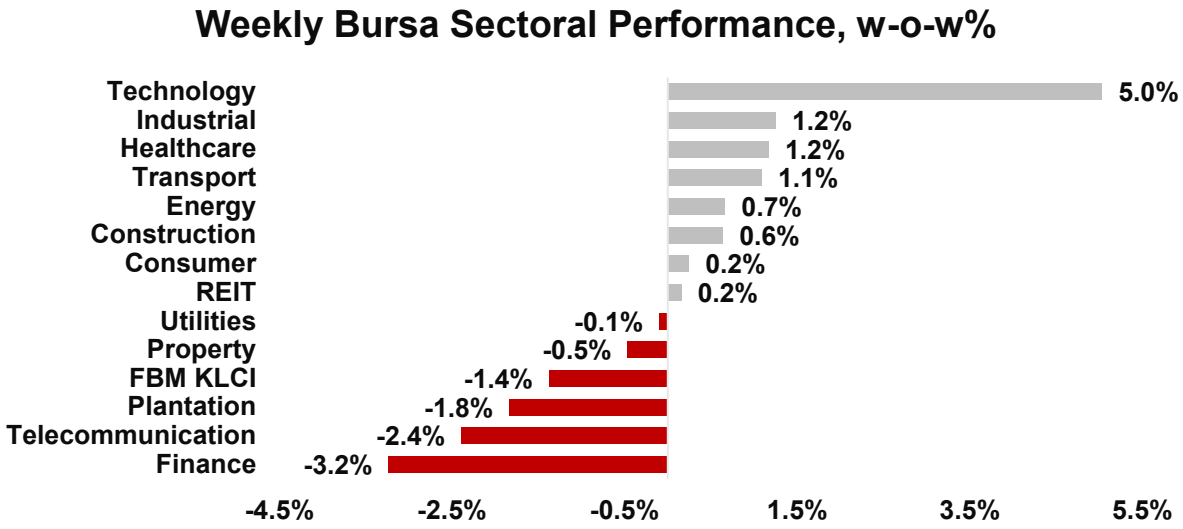


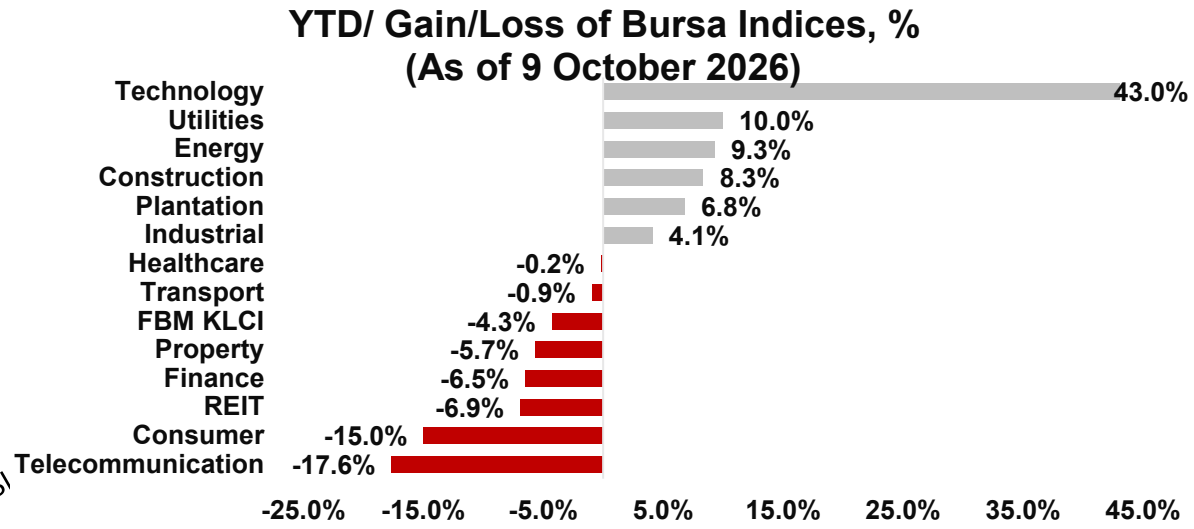
Sources: Bursa, CEIC Data

- Global equities ended mixed in the week ended 9 October, as continued optimism surrounding technology and AI-related investments supported major developed markets, while profit-taking and country-specific factors weighed on several Asian bourses.
- Among major markets, Taiwan's TAIEX emerged as the best performer, gaining 1.7%, followed by the Philippines' PSEi (+1.3%), S&P 500 (+1.2%) and Japan's Nikkei (+1.1%). The resilience of these markets was likely driven by sustained investor interest in technology and semiconductor stocks, underpinned by expectations of continued AI-related demand and capital expenditure.
- In contrast, South Korea's KOSPI recorded the largest decline at 5.4%, followed by Singapore's FSSTI (-4.1%) and Malaysia's FBM KLCI (-1.4%). The sharp decline in the KOSPI may reflect profit-taking following its strong year-to-date rally, while weakness in financial and heavyweight stocks weighed on regional markets. Meanwhile, cautious sentiment over global growth prospects, elevated bond yields and higher energy prices continued to limit broader market gains.

DOMESTIC EQUITY: SELECTIVE BUYING EMERGED AMID THE TABLING OF BUDGET 2027

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Sources: Bursa, CEIC Data

- The FBM KCLI declined by 1.4% w-o-w for the week ending 9 October as investors repositioned their portfolios following the tabling of Budget 2027, with demand strengthening for stocks expected to benefit from the government's policy initiatives and spending priorities.
- The Technology index led gainers as it climbed by 5.0% w-o-w, supported by measures to strengthen Malaysia's semiconductor and digital ecosystem. Key measures include the development of a Sovereign AI Cloud, a RM1.2 billion investment commitment by Khazanah and KWAP to support higher-value semiconductor activities, and an expansion of funding support for IC design and advanced packaging startups under MTDC's SemiconStart programme.
- Meanwhile, the Industrial and Healthcare indices increased by 1.2% each. For the healthcare sector, sentiments were lifted by the planned rollout of the affordable MediAsas health insurance plan, alongside increased allocation for the Ministry of Health (MOH), Medical Assistance Fund and PeKa B40.
- The Transport index also rose by 1.1% w-o-w , underpinned by several transport and logistics initiatives under Budget 2027, including the Johor Bahru e-ART, the procurement of 42 new train sets for ETS and KTM Komuter services, a RM4.3 billion allocation to Prasarana for rail rehabilitation and maintenance works, and the extension of the full income tax exemption for Malaysia shipping companies until 2036.

FIXED INCOME: U.S. TREASURY YIELDS EASE FROM MULTI-YEAR HIGHS AMID STRONG AUCTION DEMAND

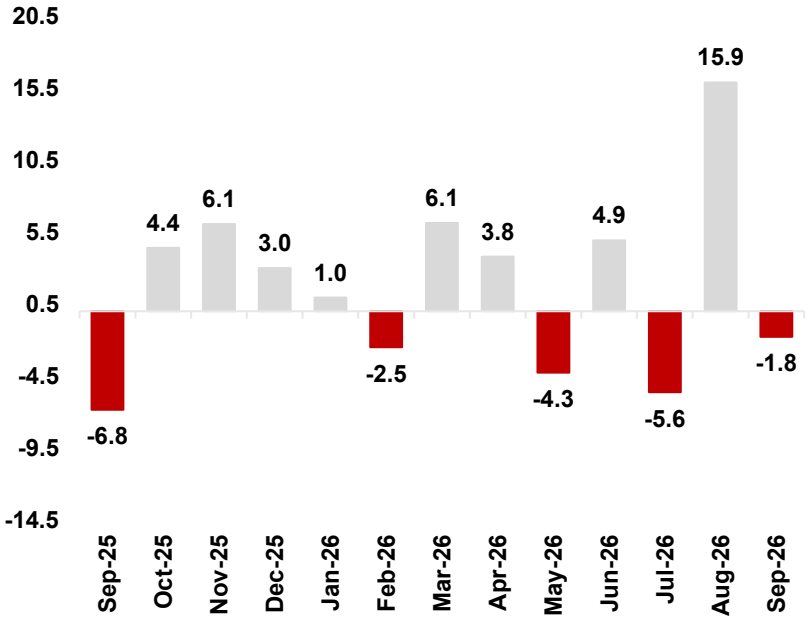
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Weekly Changes, basis points (bps)

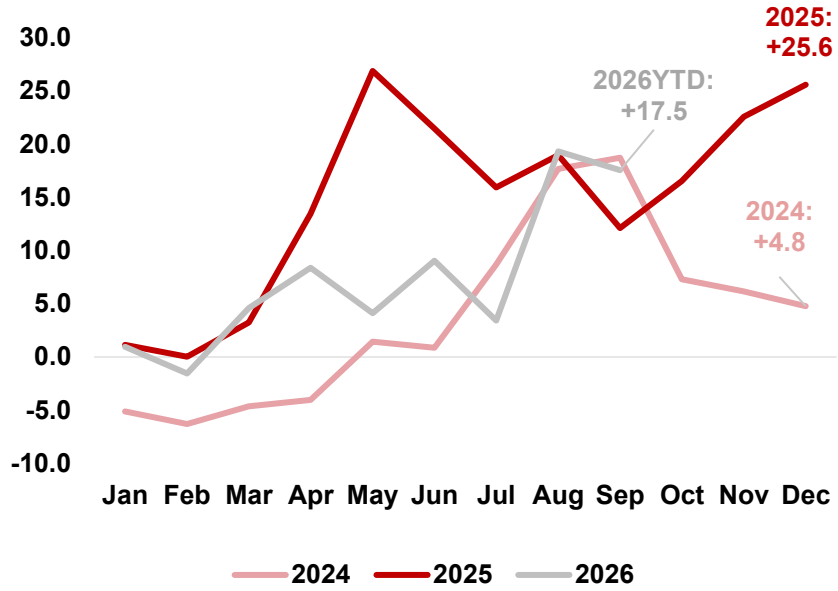
UST	Yields (%) 2-Oct-26	Yields (%) 9-Oct-26	Change (bps)
3-Y UST	4.96	4.89	-7
5-Y UST	5.06	5.02	-4
7-Y UST	5.17	5.13	-4
10-Y UST	5.28	5.24	-4
MGS	**Yields (%) 2-Oct-26**	**Yields (%) 9-Oct-26**	**Change (bps)**
3-Y MGS	3.48	3.47	-1
5-Y MGS	3.78	3.74	-4
7-Y MGS	4.01	3.93	-8
10-Y MGS	4.03	3.98	-6
GII	**Yields (%) 2-Oct-26**	**Yields (%) 9-Oct-26**	**Change (bps)**
3-Y GII	3.50	3.49	0
5-Y GII	3.78	3.77	-2
7-Y GII	4.00	3.93	-6
10-Y GII	4.06	4.00	-6

Sources: BNM, Federal Reserve Board

Foreign Fund Flows in Local Bond Market, RM Billion



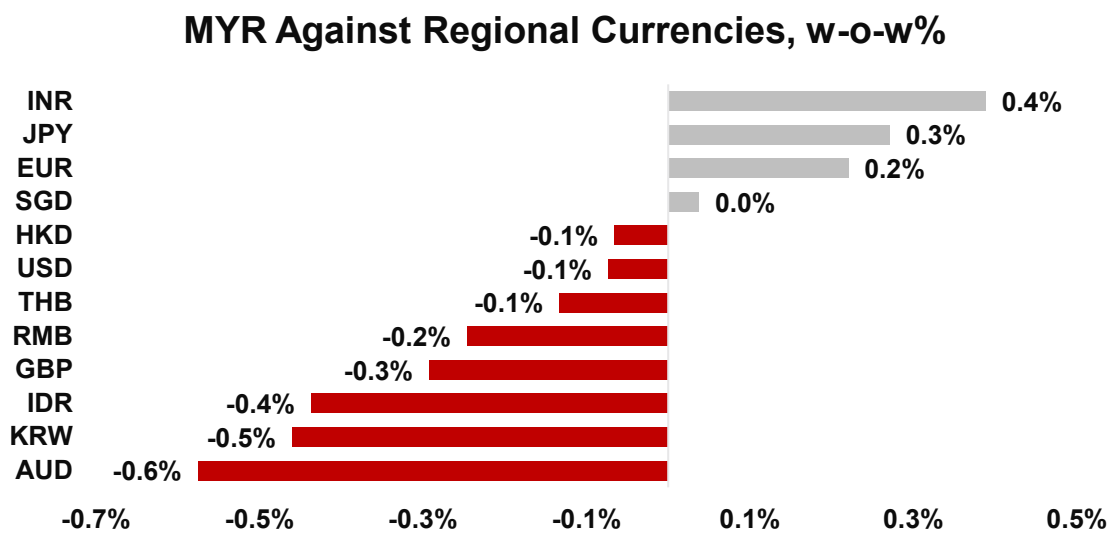
Cumulative Net Foreign Flows in Local Bonds (Yearly Comparison, RM Billion)

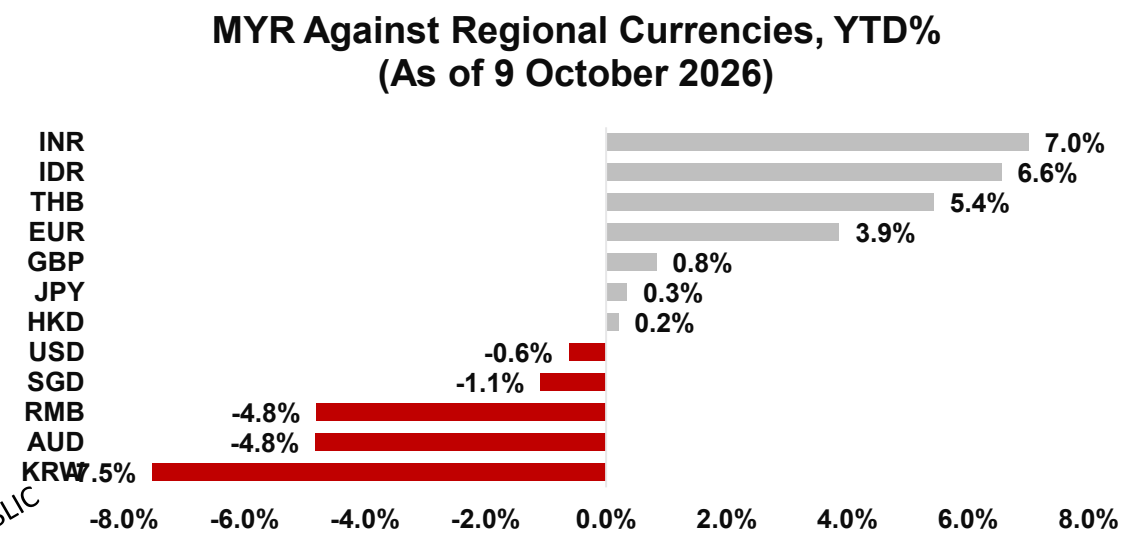


- U.S. Treasury (UST) yields declined by 4bps to 7bps across the curve during the week ended 9 October, retreating from their weekly highs amid strong demand at longer-dated Treasury auctions and a government buyback operation.
- Likewise, Malaysian Government Securities (MGS) and Government Investment Issues (GII) yields softened, falling by 1bp to 8bps across the curve.
- Foreign fund flows in the local bond market recorded a net foreign outflow of RM1.8 billion in September (Aug: +RM15.9 billion). Local govvies' foreign shareholdings to total outstanding remained unchanged at 20.7% in September, the same as in August.
- As of the first nine months 2026, the local bond market recorded the cumulative net foreign inflows of RM17.5 billion, higher than the inflows of RM12.1 billion in the same period last year.

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FX MARKET: RINGGIT EDGED LOWER AS THE USD REMAINED WELL-SUPPORTED





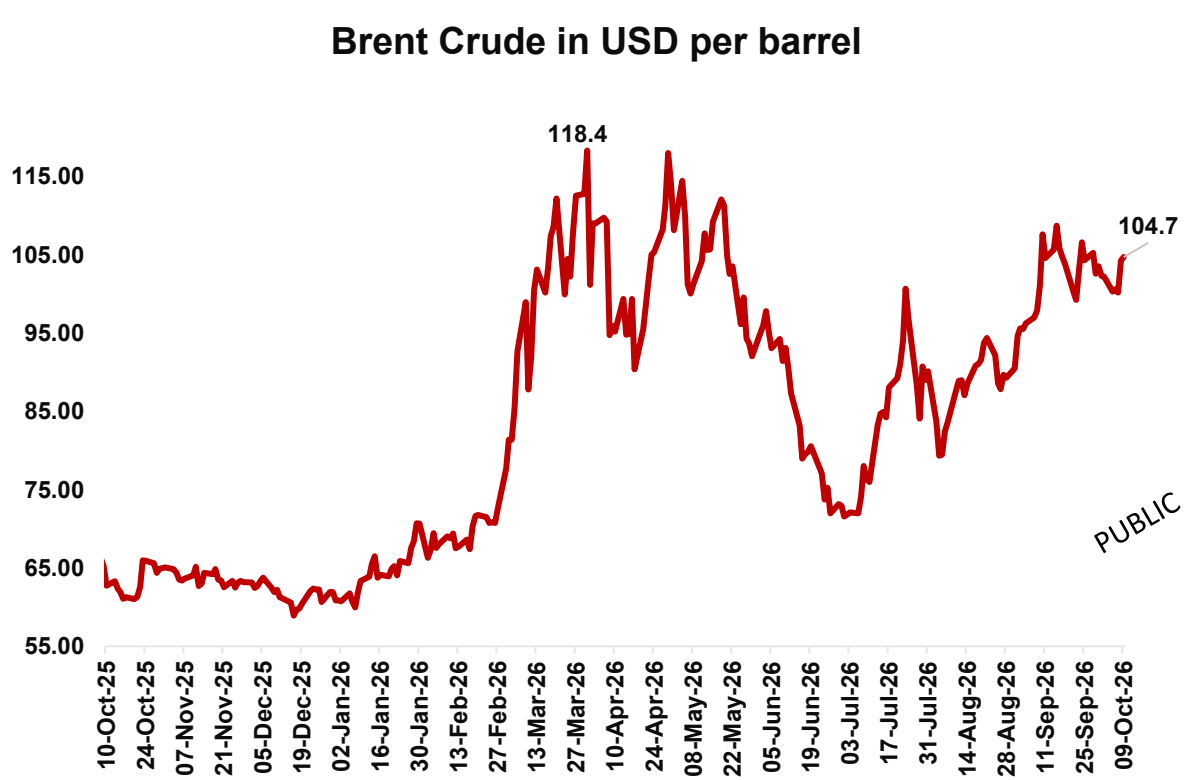
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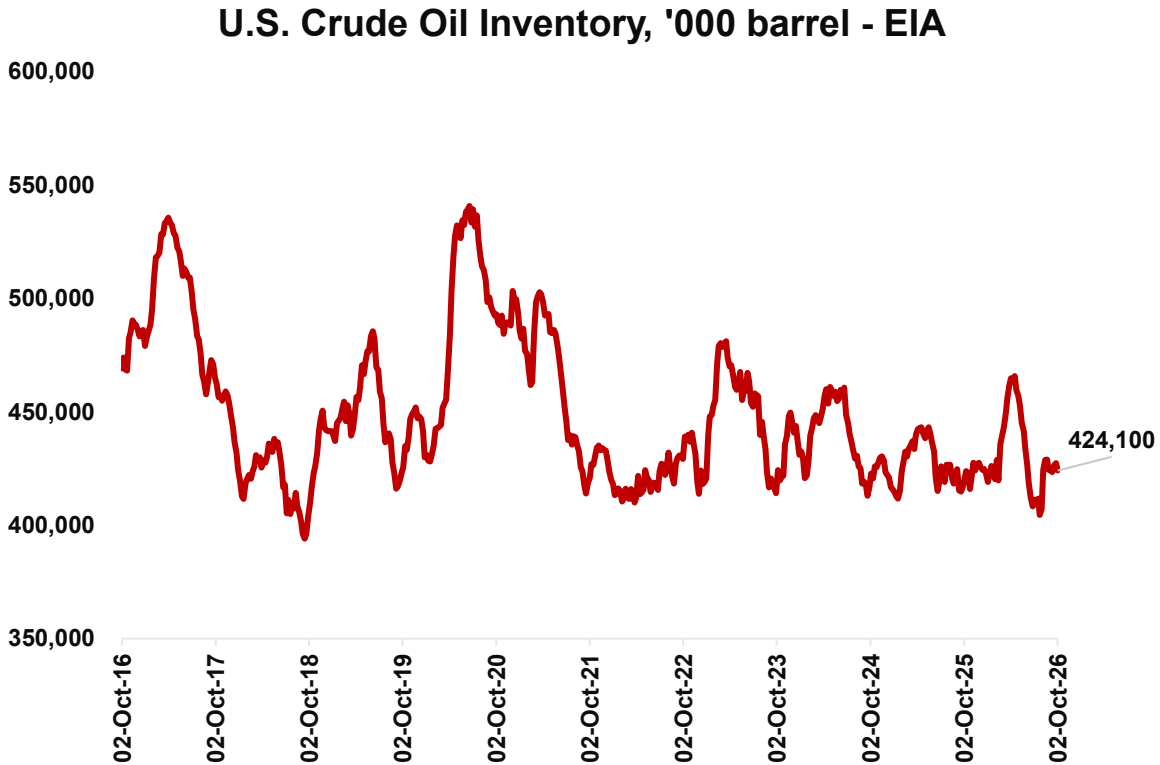
Sources: BNM, Federal Reserve Board (Fed), CEIC Data

- The Ringgit underperformed the USD during the week ending 9 October as the USD climbed higher by 0.3% w-o-w, supported by sustained expectations of additional Federal Reserve (Fed) policy tightening and elevated U.S. Treasury yields.
- On the domestic front, the tabling of Budget 2027 provided modest support to the Ringgit by reinforcing investor confidence over Malaysia's medium-term growth outlook. Key measures announced include raising the minimum wage level to RM2,000 from RM1,700 effective June 2027, introducing a RM2,500 wage floor for semi-skilled and graduate workers, and increasing the allocation for Sumbangan Tunai Rahmah (STR) and Sumbangan Asas Rahmah (SARA) programs to RM16 billion, from RM15 billion. These initiatives are expected to lift household income and strengthen domestic consumption, thus supporting broader economic activity.
- Real GDP growth is projected at 4.2%-5.2% in 2027, following an estimated 4.8%-5.3% growth in 2026, reflecting continued confidence in the resilience of the economy. Taken together, these factors helped the Ringgit recover some of its losses during the week, although it still edged lower by 0.1% w-o-w against the USD.
- Meanwhile, the USD remained supported by a hawkish Fed outlook, resilient U.S. economic fundamentals, and persistent upward pressure on Treasury yields amid a continued sell-off in government bonds. However, the pace of USD appreciation moderated towards the
- end of the week as the absence of fresh bullish catalysts, easing U.S.-Iran tensions, and robust demand at the 10-year
- Treasury auction helped temper upward momentum.

COMMODITY: BRENT OIL EXTENDS GAINS ON U.S. SUPPLY DISRUPTIONS DESPITE EASING GEOPOLITICAL CONCERNS

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Sources: Bloomberg, Energy Information Administration (EIA)

- Brent crude oil prices rose 2.4% w-o-w to close at USD104.7/barrel, supported by supply concerns after Hurricane Isaias forced the shutdown of more than 70% of U.S. offshore crude production, equivalent to around 1.3 million barrels/day.
- Further support came from persistent geopolitical tensions in the Middle East, particularly risks to oil shipments through the Strait of Hormuz amid the U.S.-Iran conflict. However, gains were partly capped by optimism surrounding potential U.S.-Iran negotiations following remarks by President Trump that no attack was planned before the U.S. midterm elections, as well as China's planned resumption of refined fuel exports.
- U.S. crude oil inventories decreased by 3.2 million barrels to 424.1 million for the week ending October 02.

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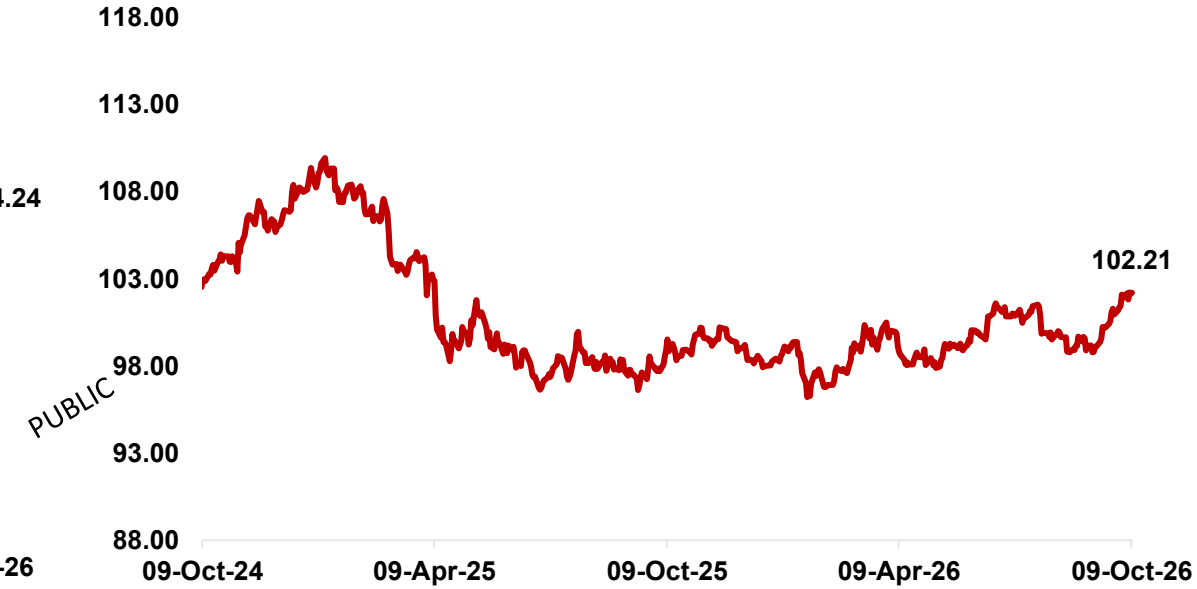
COMMODITY: GOLD PRICE REBOUNDED W-O-W AMID EASING GEOPOLITICAL TENSIONS

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Gold in USD per ounce



U.S. Dollar Index (DXY)



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Sources: Bloomberg, CEIC Data

- Gold (XAU) prices rose by 1.3% w-o-w last week, supported by improving global risk sentiment and a softer USD tone towards the latter part of the week. The precious metal also benefited from easing upward pressure on Treasury yields, which enhanced its relative attractiveness. However, gains remained moderate as reduced geopolitical risk premiums limited stronger safe-haven demand.
- Investor sentiments improved after U.S. President Donald Trump indicated that military action against Iran will be suspended until after the U.S. midterm elections, easing immediate concerns over a potential escalation. Consequently, investors gradually unwound defensive positions, allowing the XAU to rebound from its earlier weakness.
- Meanwhile, the USD began the week on a firm footing, marking the highest level since April 2025 at 102.535 on Monday. However, the USD struggled to sustain its bullish momentum amid the absence of fresh catalysts, closing Friday's session at 102.21.

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WHAT TO LOOK OUT FOR IN THE MARKETS THIS WEEK

- This week, market attention will centre on the U.S. September CPI report (14 October) for signs of whether elevated oil prices, which have remained above USD100/barrel amid the prolonged U.S.-Iran conflict, are beginning to generate broader inflationary pressures. The September PPI, due on Thursday, will provide further insight into cost pressures facing businesses and the extent to which higher input costs may be passed on to consumers. Markets will also closely monitor September retail sales for evidence of the resilience of consumer spending despite elevated prices and tighter financial conditions. A stronger-than-expected outcome would suggest that domestic demand remains robust, supporting expectations that the Fed may maintain a restrictive policy stance for longer to ensure inflation remains on a sustainable path towards target. Meanwhile, weekly jobless claims and industrial production data will be closely monitored for additional signals on labour market conditions and the strength of economic activity. Together, these releases will help shape market expectations regarding the Fed's policy trajectory and the broader outlook for the U.S. economy.

- In the euro area, attention will centre on the final September inflation reading due on 16 October, which will provide further clarity on whether elevated energy prices are reinforcing inflationary pressures and increasing the likelihood that the European Central Bank (ECB) maintains a restrictive policy stance for longer. Industrial production and trade data that will be released on 15 and 16 October respectively, will also offer insights into the region's economic momentum, with weak readings potentially highlighting the growing strain of higher costs and soft demand on manufacturers. In the UK, August GDP, industrial production and trade figures, scheduled for 15 October, will be closely watched to assess the economy's resilience amid elevated energy prices. A resilient GDP performance could reinforce expectations that the Bank of England (BoE) will keep interest rates higher for longer, while weaker growth could reduce expectations of further policy tightening as rising costs continue to weigh on households and businesses.

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- Meanwhile, in Asia, market focus will turn to Singapore's monetary policy statement and 3Q26 GDP advance estimate on 14 October, which could offer insights into how policymakers are balancing growth and inflation risks amid elevated energy prices. In Malaysia, the advance estimate of 3Q26 GDP, due on 16 October, will be a key gauge of whether domestic demand, manufacturing and services have continued to underpin economic growth. Additionally, Australia's employment data and India's inflation figures will provide further clues on regional economic momentum and monetary policy expectations.

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THANK YOU