



WEEKLY ECONOMIC UPDATE

13 OCTOBER 2025

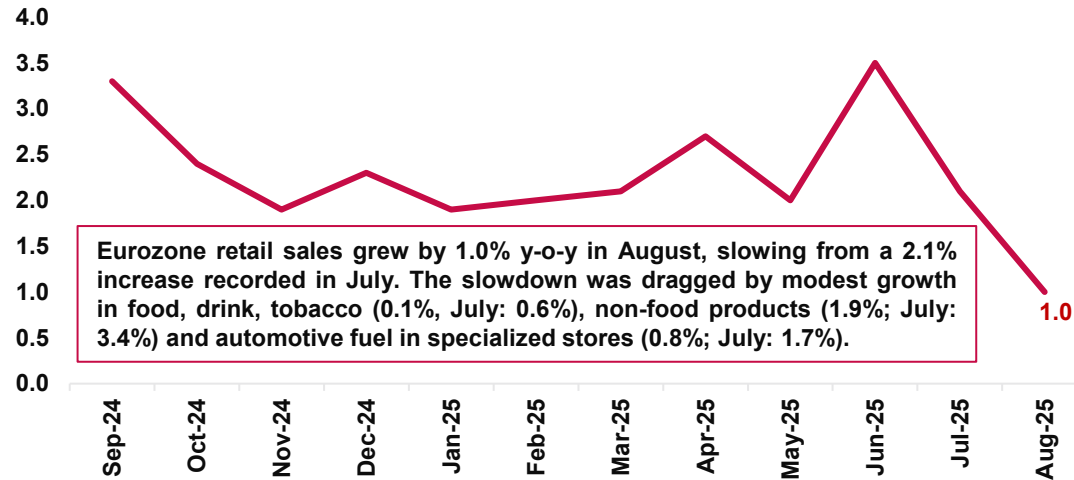
ECONOMIC RESEARCH

IMRAN NURGINIAS IBRAHIM
FARAH ZAZREEN ZAINUDIN
KHAYRIN FARZANA FAZLI

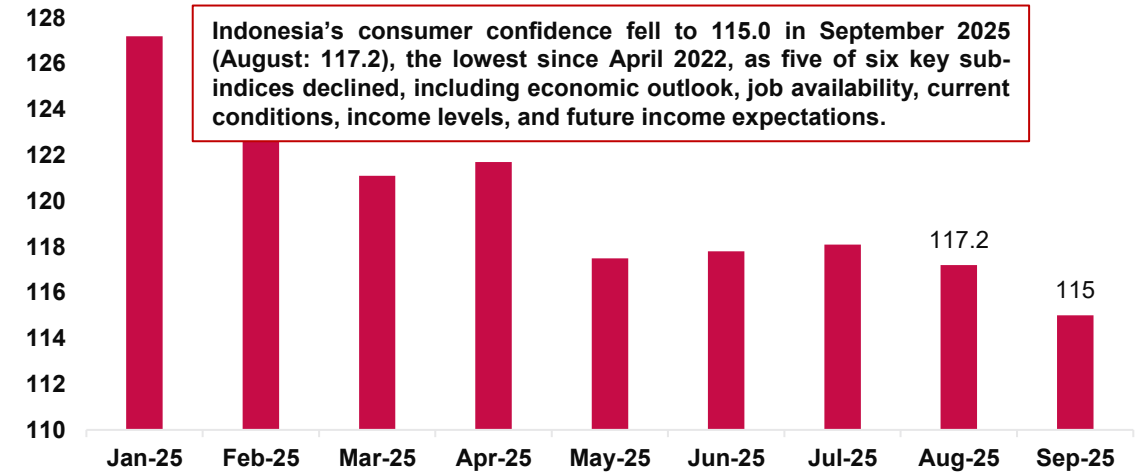
WEEKLY HIGHLIGHT: MINING FUELS MALAYSIA'S IPI SURGE IN AUGUST DESPITE SLOWER MANUFACTURING

GLOBAL

Eurozone - Retail Sales, y-o-y %

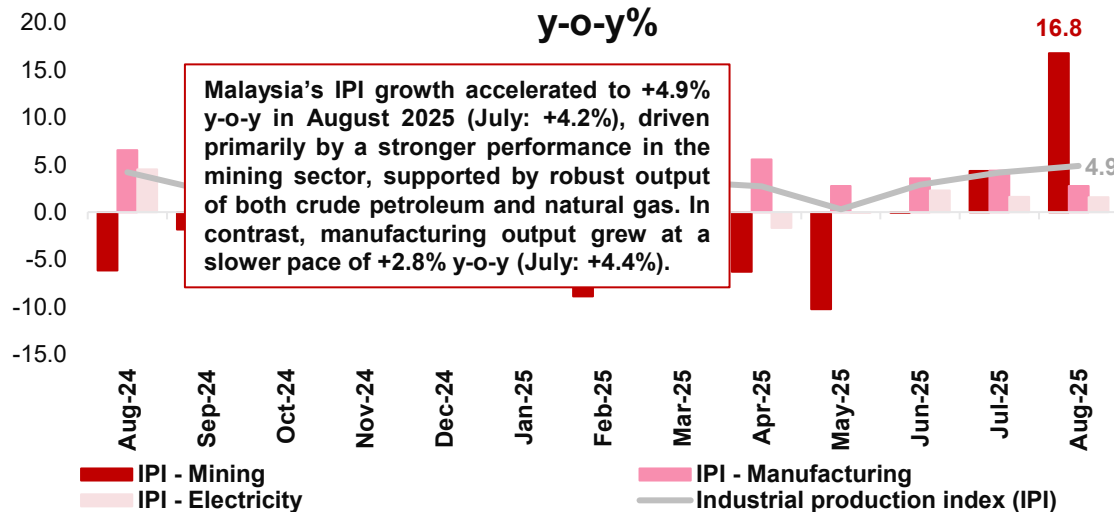


Indonesia - Consumer Confidence, Index

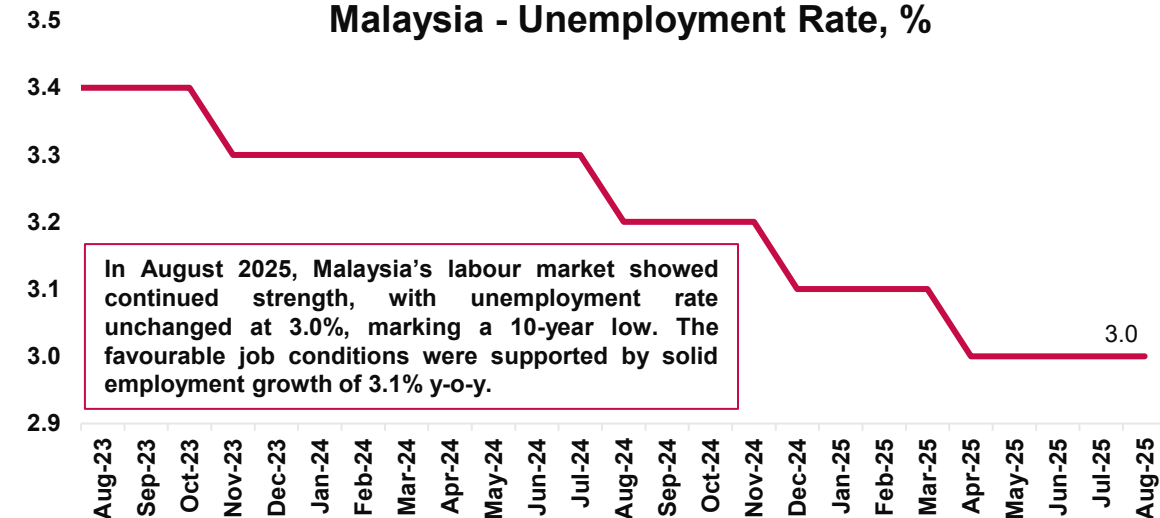


DOMESTIC

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

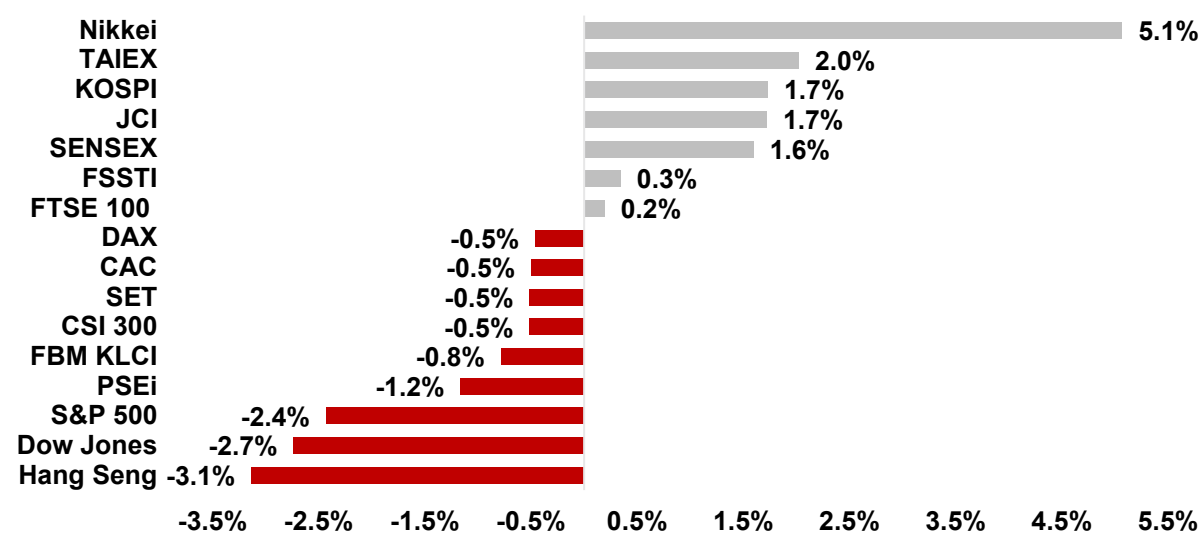


Malaysia - Unemployment Rate, %

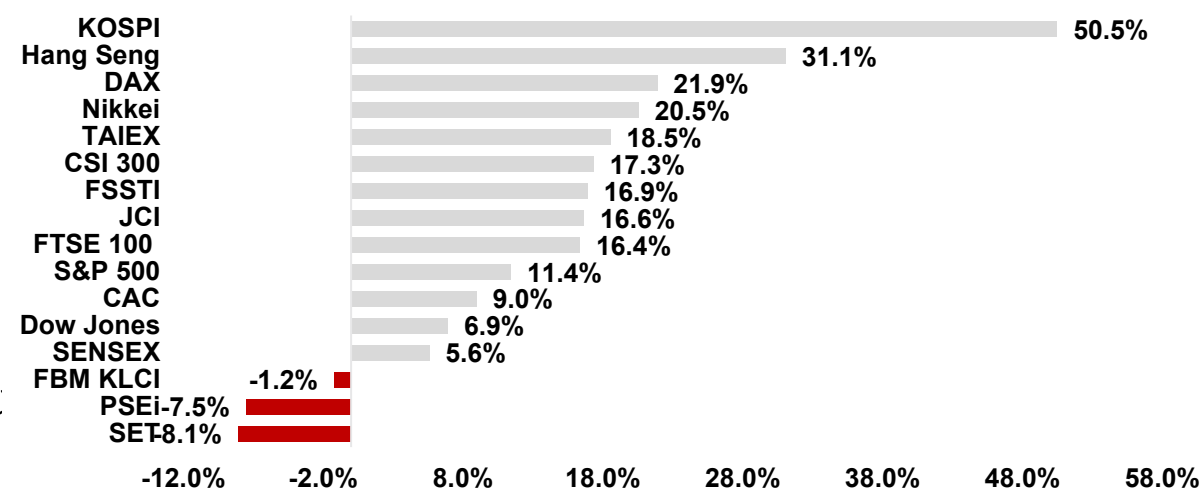


REGIONAL EQUITY: GLOBAL EQUITIES ENDED MIX AS POLITICAL WOES DOMINATE SENTIMENTS

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



YTD Gain/Loss of Major Equity Markets, %
(As of 10 October 2025)

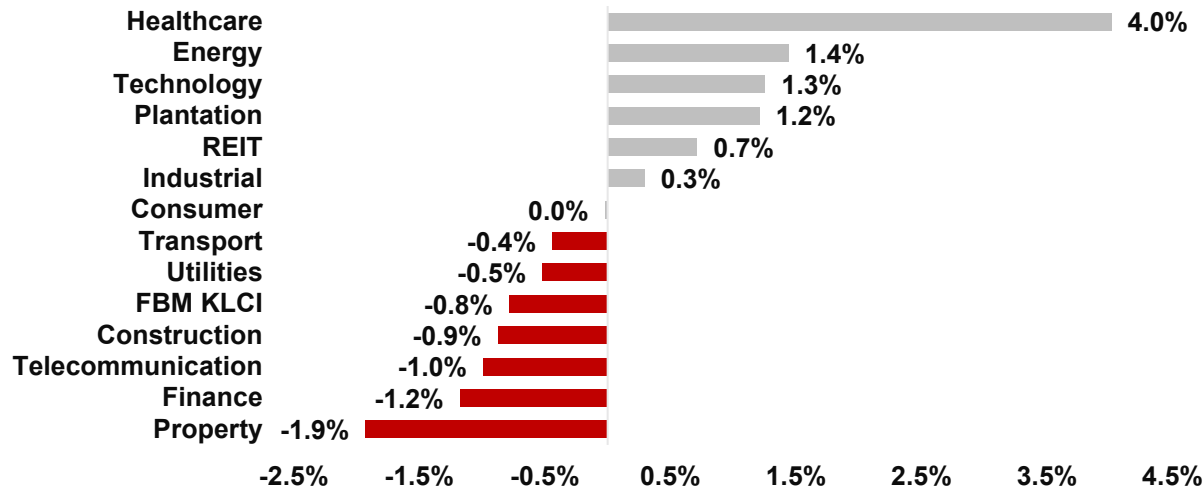


Sources: Bursa, CEIC Data

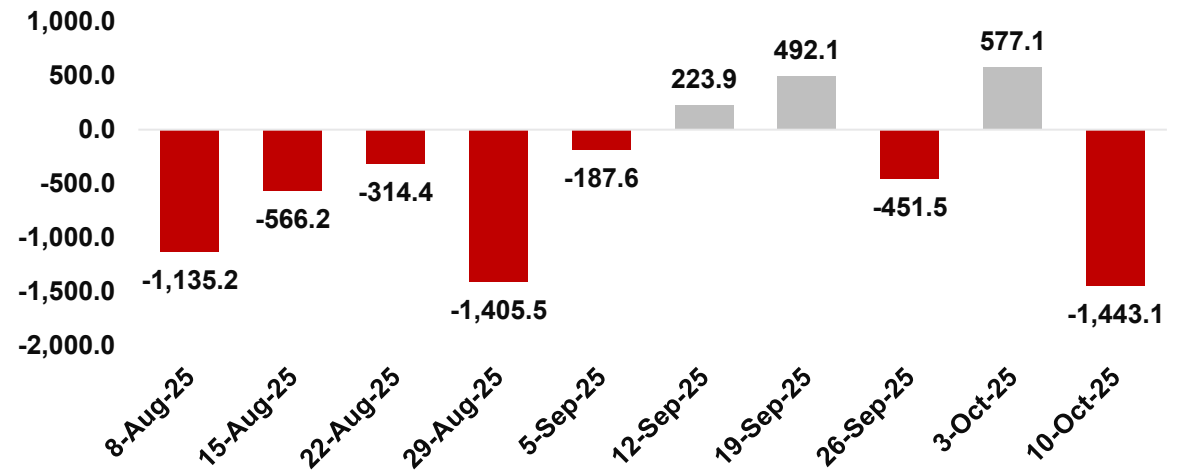
- Global equities ended mix for the week ending October 3 as political turmoil in Japan and France dragged investor sentiments.
- Japan's Nikkei had surged by 5.1% w-o-w following Sanae Takaichi's surprise win in the Liberal Democratic Party (LDP) leadership vote, placing her in line to become Japan's first female Prime Minister, thus lifting sentiments in the Japanese market. This win had lifted investor confidence in the economic outlook as Takaichi's stance has historically been geared in favour of growth, heightening hopes of more fiscal stimulus to be deployed.
- Nevertheless, more headwinds are coming in her way following the collapse of the 26-year coalition between the LDP and Komeito, injecting a fresh wave of jitters into the market. This complicates the path to Takaichi's appointment, prolonging the political woes plaguing Japan.
- Meanwhile, France's CAC 40 declined by 0.5% w-o-w following deepened political turmoil in France as President Macron reelected Sebastien Lecornu as the Prime Minister following his earlier resignation, amplifying opposition's calls for fresh legislative elections. The Parliament has been at a deadlock following disagreements on the budget, highlighting the cracks in France's fragile government and further delaying key reforms to address France's ballooning public debt.

DOMESTIC EQUITY: LOCAL MARKET CLOSED MIX AS INVESTORS AWAIT THE TABLING OF BUDGET 2026

Weekly Bursa Sectoral Performance, w-o-w%



Weekly Foreign Fund Net Inflows/Outflows, RM Million



Sources: Bursa, CEIC Data

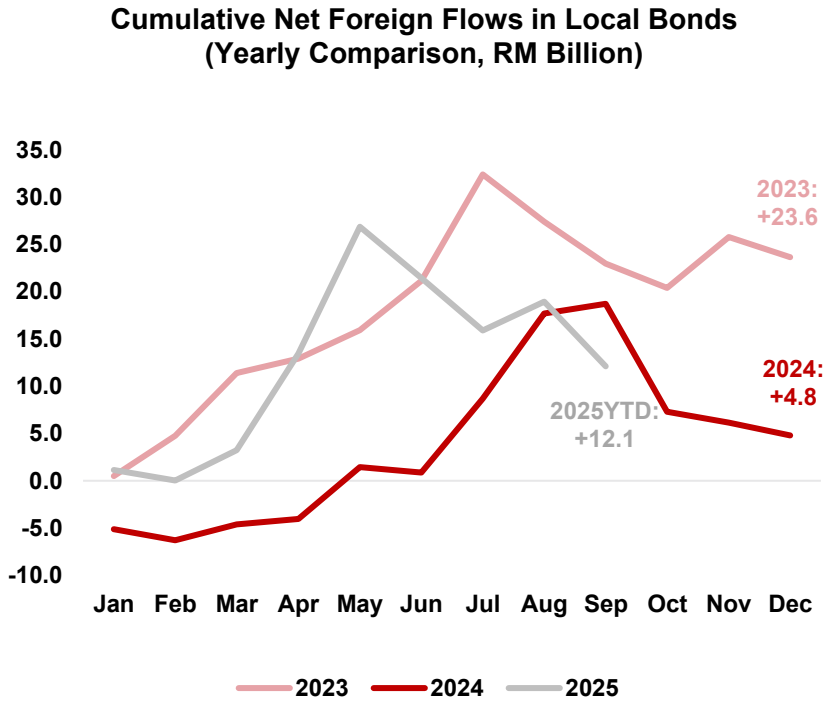
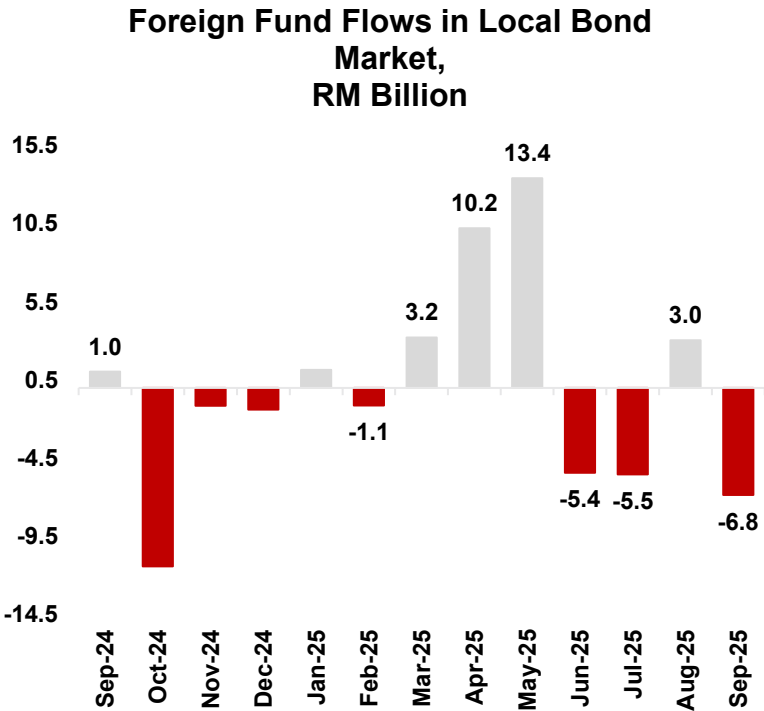
- The FBM KLCI declined by 0.8% w-o-w for the week ending October 10 amid rapid profit-taking activities following its winning streak last week.
- Investor sentiments were optimistic ahead of the tabling of Budget 2026 by Prime Minister Datuk Seri Anwar Ibrahim on Friday, eagerly eyeing the spread of federal outlays for the first year of the Thirteenth Malaysia Plan (13MP) to gather more insights to shape the economic and sectorial outlook.
- In line with market expectations, the government highlighted its commitment to expand the domestic Artificial Intelligence (AI) and cloud landscape as well as the high-growth high-value industries while empowering the welfare of the people and driving sustainability. As such, the Energy (+1.4%) had surged to an eight-month high while the Technology (+1.3%) index marked the strongest level since January.
- Meanwhile, the Property index emerged as the biggest loser when it slipped by 1.9%. This was followed by the Finance (-1.2%) and Telecommunications (-1.0%) indices.
- Foreign investors turned net sellers once more as they shed a total of RM1.4 billion worth of equities, marking the highest weekly net outflow since August. This had increased the cumulative net outflow thus far to RM17.9 billion.

FIXED INCOME: UST YIELDS DECLINE ON TRADE TENSIONS, SHUTDOWN FEARS AND FED RATE CUT BETS



Weekly Changes, basis points (bps)			
UST	Yields (%) 3-Oct-25	Yields (%) 10-Oct-25	Change (bps)
3-Y UST	3.59	3.52	-7
5-Y UST	3.72	3.65	-7
7-Y UST	3.90	3.83	-7
10-Y UST	4.13	4.05	-8
MGS	Yields (%) 3-Oct-25	Yields (%) 10-Oct-25	Change (bps)
3-Y MGS	3.09	3.10	2
5-Y MGS	3.21	3.24	3
7-Y MGS	3.40	3.46	6
10-Y MGS	3.44	3.49	4
GII	Yields (%) 3-Oct-25	Yields (%) 10-Oct-25	Change (bps)
3-Y GII	3.13	3.13	1
5-Y GII	3.23	3.25	2
7-Y GII	3.34	3.37	3
10-Y GII	3.48	3.51	3

Sources: BNM, Federal Reserve Board

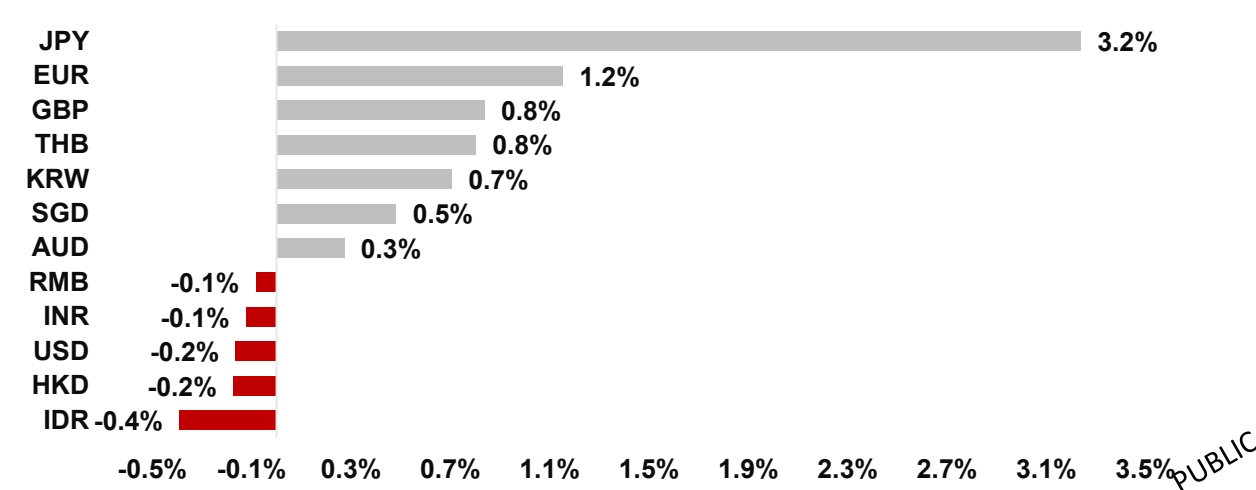


- The U.S. Treasury (UST) yields dipped by between 7bps to 8bps for the week ending October 10, as renewed U.S.-China trade tensions, an ongoing federal government shutdown as well as rising expectations of Fed rate cuts drove investors toward safer assets. President Trump’s threat of a “massive increase in tariffs” on Chinese imports heightened geopolitical uncertainty. At the same time, the government shutdown have caused the key economic data releases like CPI adding to market unease.
- In contrast, Malaysian Government Securities (MGS) and Government Investment Issues (GII) yields ended higher in the range of 1bps and 6bps. Foreign fund flows in the local bond market recorded a net foreign outflow of RM6.8 billion in September (August: +RM3.0 billion). Consequently, local govies’ foreign shareholdings to total outstanding reduced to 21.6% in September (August: 22.1%).
- As of the first nine months of 2025, the local bond market recorded cumulative net foreign inflows of RM12.1 billion, lower than the RM18.7 billion recorded in the same period of the previous year.

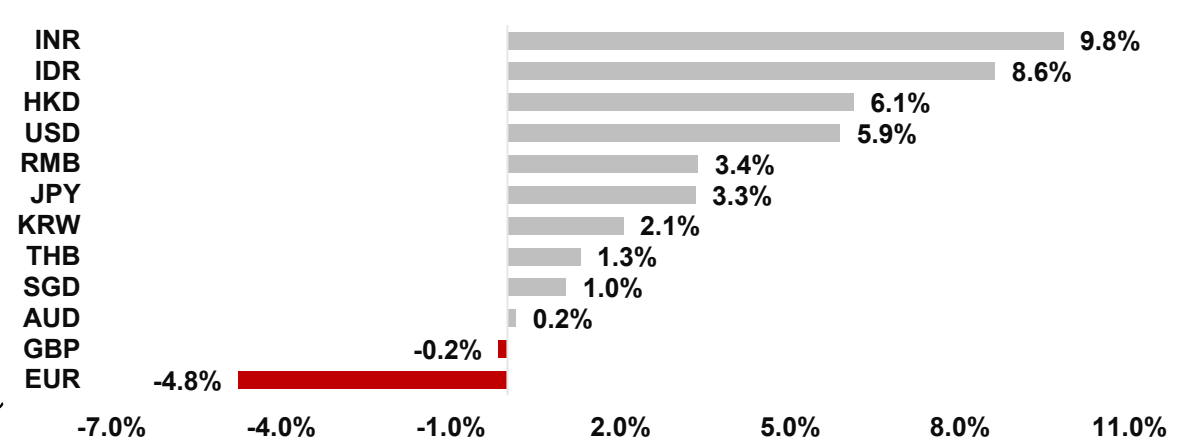
FX MARKET: RINGGIT DEPRECIATED WHILE THE USD STAGED A RALLY AMID GLOBAL POLITICAL TURMOIL



MYR Against Regional Currencies, w-o-w%



MYR Against Regional Currencies, YTD%
(As of 10 October 2025)

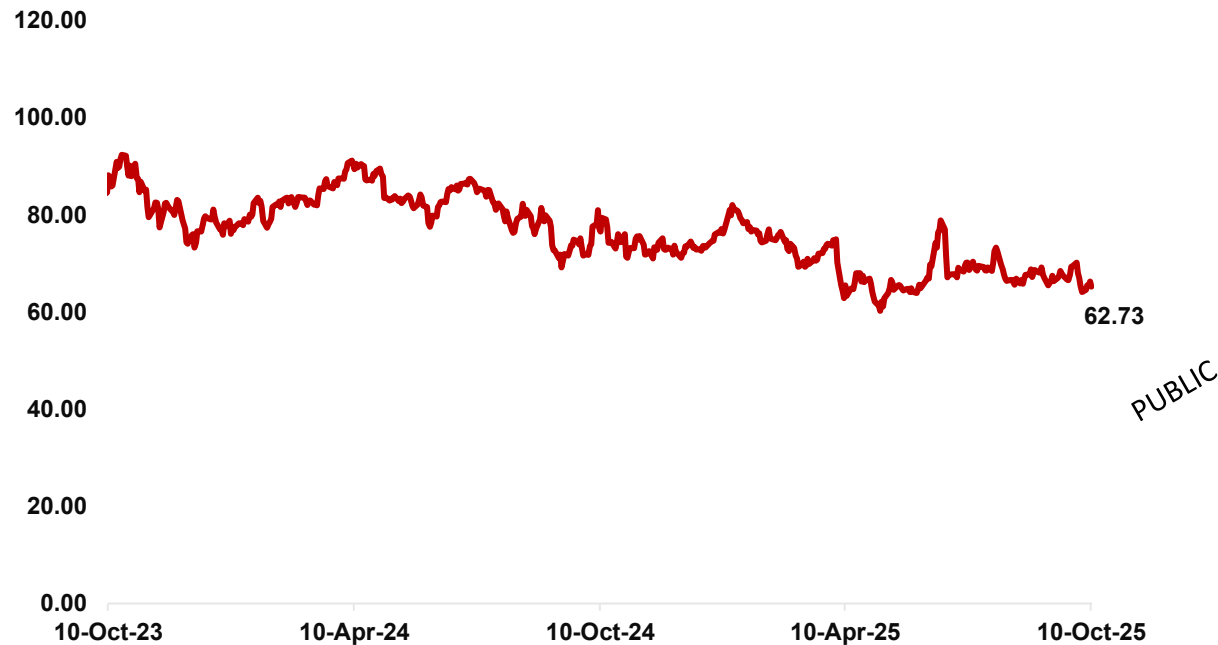


Sources: BNM, Federal Reserve Board (Fed), CEIC Data

- The Ringgit depreciated by 0.2% w-o-w for the week ending October 10 as the USD index strengthened by 1.2%, returning above the 99-level on Thursday (9 October: 99.54) before paring back its gains (10 October: 98.85). Such performance was driven by increased demand amid global political instability, dampening risk appetite and driving investors towards safe-haven assets.
- In Japan, the ruling LDP had elected Sanae Takaichi as its new leader through a leadership vote the previous Saturday, placing her on track to be Japan's next prime minister. Nevertheless, the brief respite in political crisis was short-lived as the LDP's coalition partner, Komeito, withdrew from the 26-year alliance, reigniting market jitters.
- With the coalition's collapse, the LDP now stands further from securing the required 233 seats in the Lower House needed for Takaichi's appointment by parliament. In latest news, the largest opposition, the Constitutional Democratic Party (CDP), is reported to rally support for a unified candidate with other opposition parties in a bid to block Takaichi's election. The prolonged political turmoil had weighed on the Japanese Yen, lending boost to the MYR to surge by 3.2% against the JPY.
- Meanwhile, the French parliament is in a deadlock over budget discussions as the government struggles to gain approval of the spending bill. Investor confidence was significantly hit following Prime Minister Lecornu's resignation and subsequent reappointment, exposing deeper fissures in France's political landscape and further delays in enacting key fiscal reforms.

COMMODITY: OIL PRICES SINK TO 5-MONTH LOW ON EASING GEOPOLITICAL TENSIONS AND DEMAND CONCERNS

Brent Crude in USD per barrel



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



Sources: Bloomberg, Energy Information Administration (EIA)

- Brent oil prices fell by 3.8% to settle at USD62.73 per barrel on Friday, the lowest level since early May. Meanwhile, on a week-on-week basis, it dropped by 2.8%. The decline was driven by easing geopolitical risks following a ceasefire between Israel and Hamas, which reduced supply disruption concern, along with new U.S. tariff threats on China, all of which raised fears about weakening global demand.
- The potential impact of a prolonged U.S. government shutdown could also further curb fuel consumption.
- Overall, the market is now shifting focus from fears of tight supply to growing concerns over a demand slowdown.
- U.S. weekly crude inventories increased by 3.7 million barrels to 420.3 million barrels for the week ending October 3.

COMMODITY: GOLD PRICE MARKED A FRESH ALL-TIME HIGH OF USD4,017.79 ON FRIDAY

Gold in USD per ounce



U.S. Dollar Index (DXY)



Sources: Bloomberg, CEIC Data

- The bullion price continued its undefeated climb as it surged by 3.4% last week, breaching the USD4,000-level and marking a fresh high of USD4,017.79 on Friday. Nevertheless, it pulled back slightly on Thursday amid profit-taking activities before reclaiming lost ground on Friday. Demand for the bullion soared amid the political turbulence in both France and Japan, sparking a flight to safe-haven assets.
- Furthermore, the prolonged U.S. political shutdown had suspended the release of key economic data and jittery markets are grappling for guidance on the Fed's policy path, taking cues from the cautious yet dovish tone of the FOMC's minutes.

WHAT TO LOOK OUT FOR IN THE MARKETS THIS WEEK

- Markets will closely monitor the IMF-World Bank Annual Meetings this week for critical insights into the global economic outlook, with a particular focus on the IMF's updated World Economic Outlook forecasts. Investors should expect potential market volatility around any significant revisions to global growth projections, especially concerning major economies like China and the United States. Additionally, given ongoing geopolitical tensions and trade disruptions, the discussions on geoeconomic fragmentation and global debt distress, particularly regarding vulnerable emerging markets may signal important shifts in capital flows and risk assessment.
- Other key focuses for this week will include the escalating US-China trade war, following former President Trump's threat of 100% tariffs and Beijing's defense of its rare earth export curbs. This significant geopolitical development is expected to inject substantial volatility into global markets, with particular pressure anticipated on US automotive, electric vehicle, and technology sectors due to imminent supply chain disruptions for critical materials essential for batteries, semiconductors, and permanent magnets. The market will be closely analyzing the potential ripple effects, including higher production costs for Western manufacturers and accelerated efforts to diversify rare earth supplies away from China. Simultaneously, investors will monitor Chinese export-oriented stocks for significant declines as the 100% tariff threat jeopardizes their access to the crucial American market. All eyes will remain on Beijing for any subsequent retaliatory measures, which could further inflame tensions and potentially target other key American industries, thereby dampening global growth optimism and reinforcing a distinct risk-off sentiment across international equity markets.
- Also, the market is expected to navigate a critical information gap created by the ongoing government shutdown by pivoting its focus entirely to private sector data and Federal Reserve commentary, as the delay of macroeconomic reports on retail sales, wholesale inflation, and housing starts deprives investors of their standard toolkit for gauging economic activity. The upcoming earnings from major financial institutions and semiconductor giants will be parsed not just for corporate health but as real-time barometers for consumer resilience, capital expenditure, and global trade dynamics. Simultaneously, every remark from scheduled Federal Reserve speakers, including Chair Jerome Powell, will be intensely scrutinized for clues on the inflation and interest rate trajectory, with the central bank's own Beige Book serving as a rare, comprehensive snapshot of economic conditions. This confluence of forces means the market must synthesize a coherent macroeconomic narrative from corporate profitability and central bank guidance alone, all while the key official data from the government remains in a blackout, compounding policy and economic uncertainty.

BANK ISLAM

THANK YOU