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WEEKLY ECONOMIC UPDATE

14 JULY 2025

ECONOMIC RESEARCH

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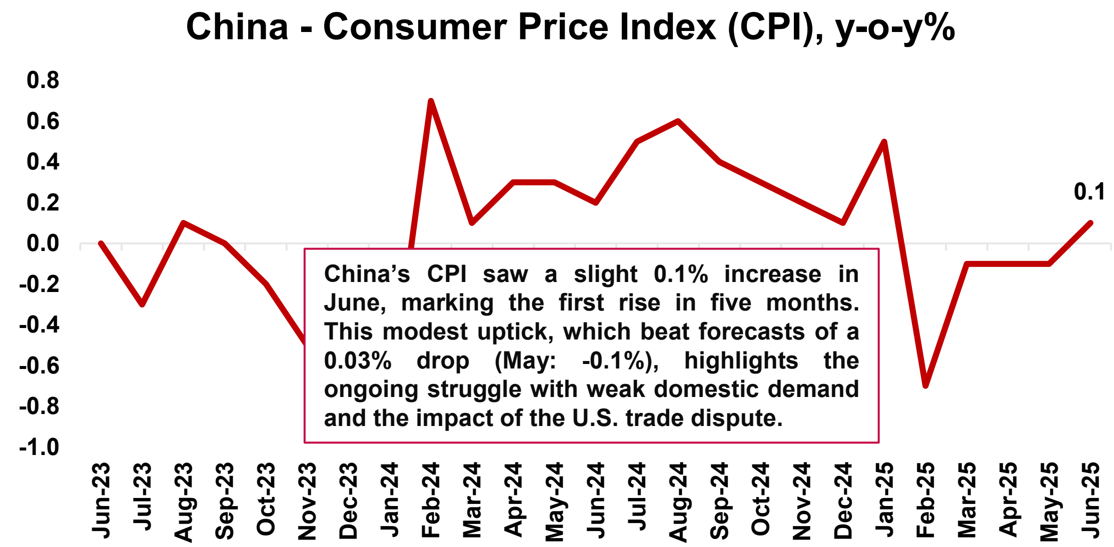
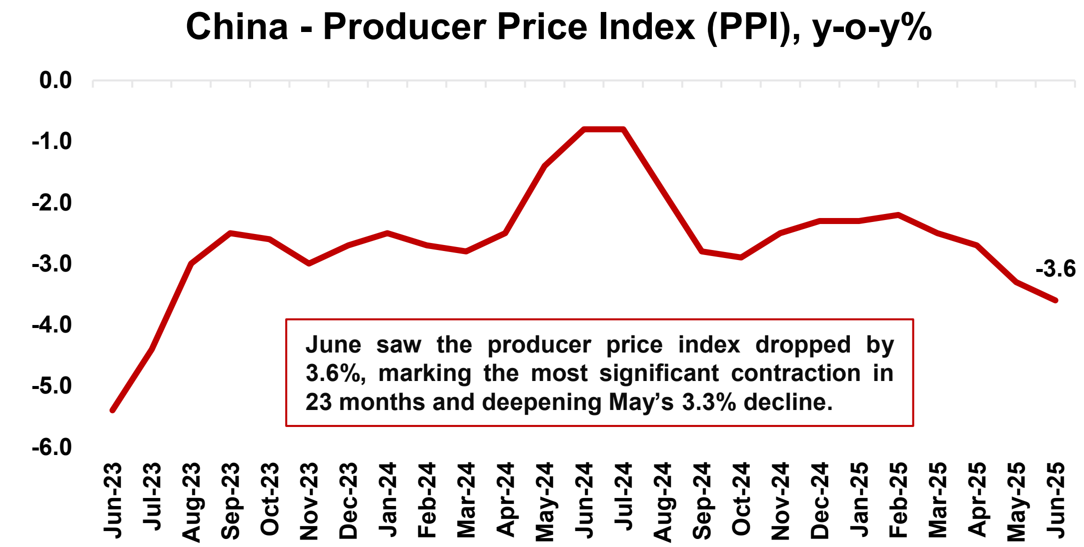
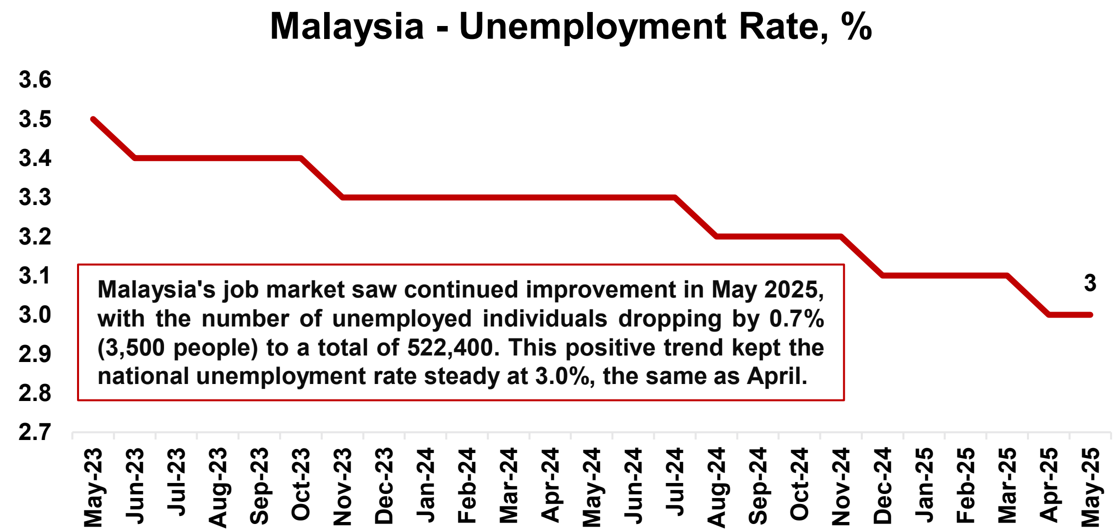
WEEKLY HIGHLIGHT: MALAYSIA CUTS INTEREST RATES AMID ECONOMIC CONCERNS

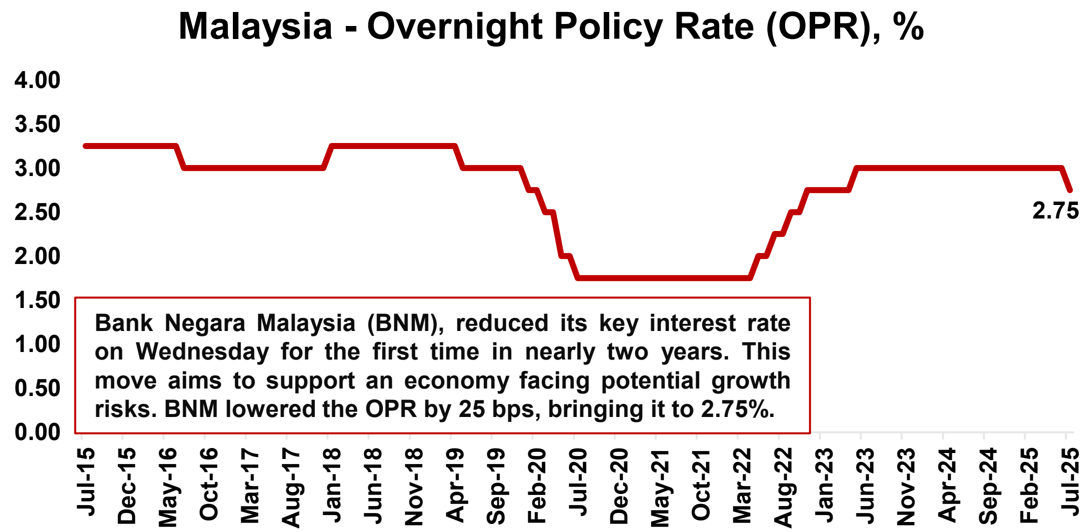
GLOBAL





DOMESTIC





ECONOMIC RESEARCH

Sources: National Bureau of Statistics, Department of Statistics Malaysia (DOSM), BNM

REGIONAL EQUITY: ASIAN STOCKS CLIMBED, U.S. STOCKS SLIPS AS TRUMP ESCALATES TARIFFS

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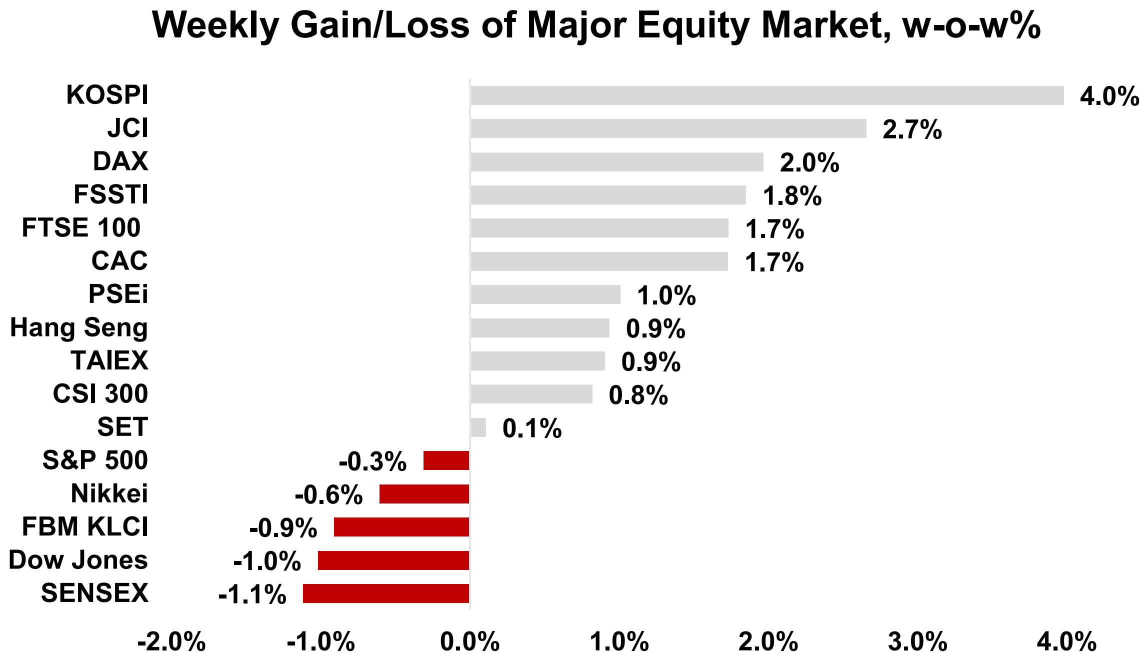

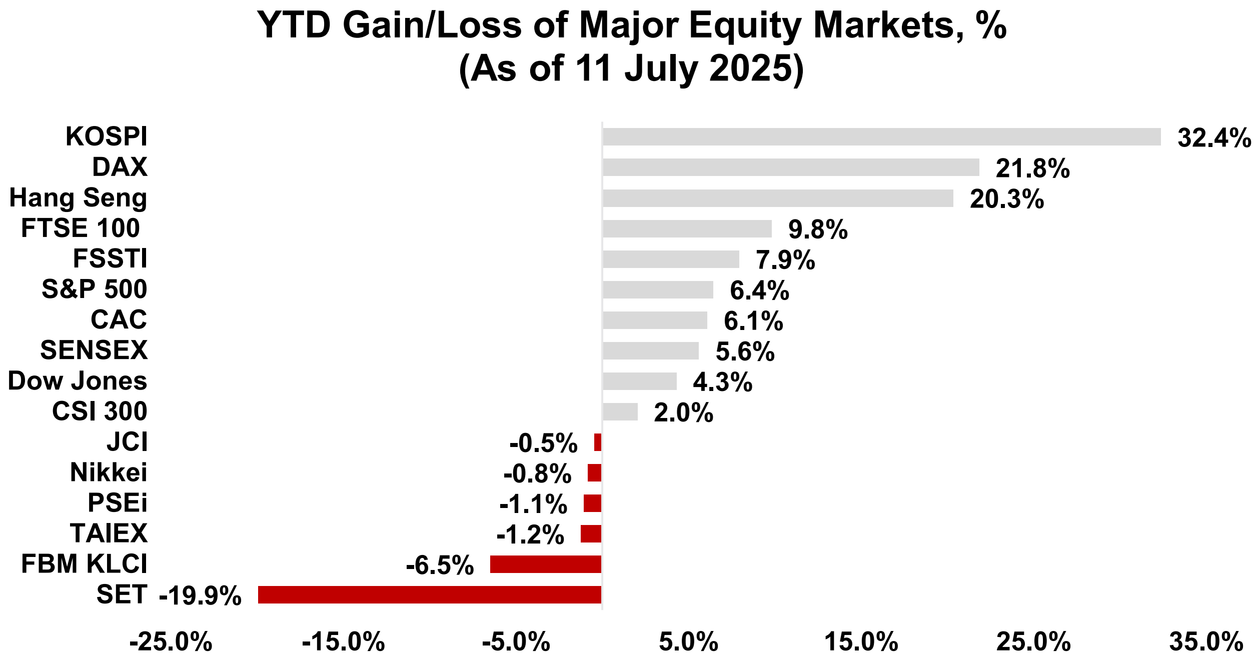

Sources: Bursa, CEIC Data

- The global stocks market were mostly in the green for the week ending July 11 with South Korea’s KOSPI as the major gainer, surging by 4.0% as the market's strong momentum persisted, largely thanks to retail investors who remained optimistic about potential mandatory share buyback policies, even as global uncertainty prompted foreign outflows.
- Additionally, Indonesia’s JCI rose by 2.7% with local sentiment was buoyed by initial public offering (IPO) activity and strong consumer confidence data, even with rising global trade tensions.
- On the other hand, U.S. stocks – Dow Jones (-1.0%) and S&P 500 (-0.3%) slumped after President Trump announced a 35% tariff on Canadian imports and hinted at wider global tariff increases. His warning to Canada also raised concerns about further action if they retaliated.

DOMESTIC EQUITY: FBM KLCI ENDED IN THE RED AS TRADE-RELATED CONCERNS WEIGHED ON INVESTOR SENTIMENTS

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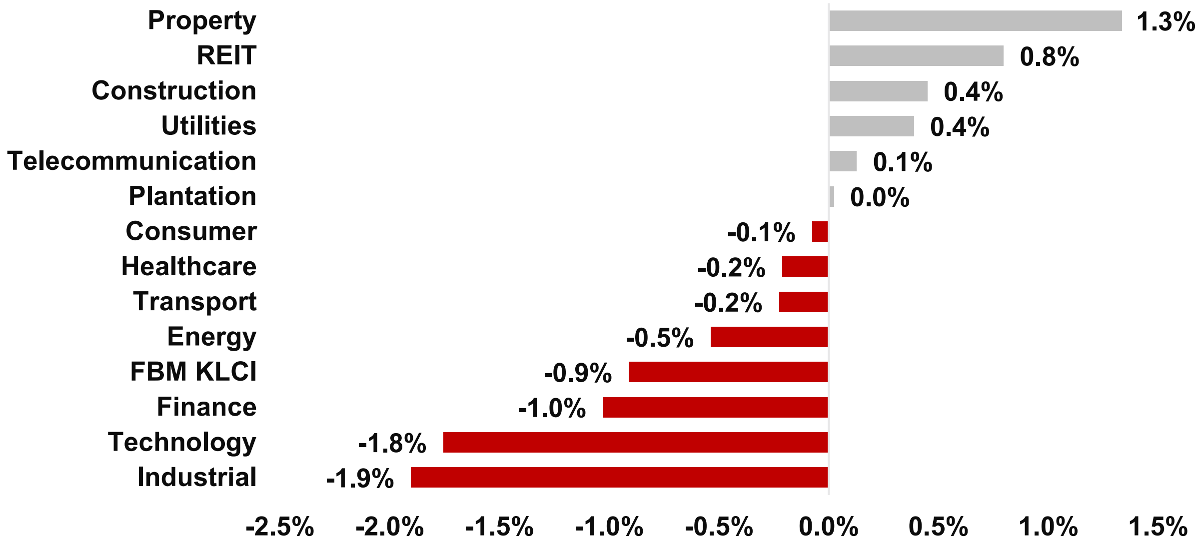
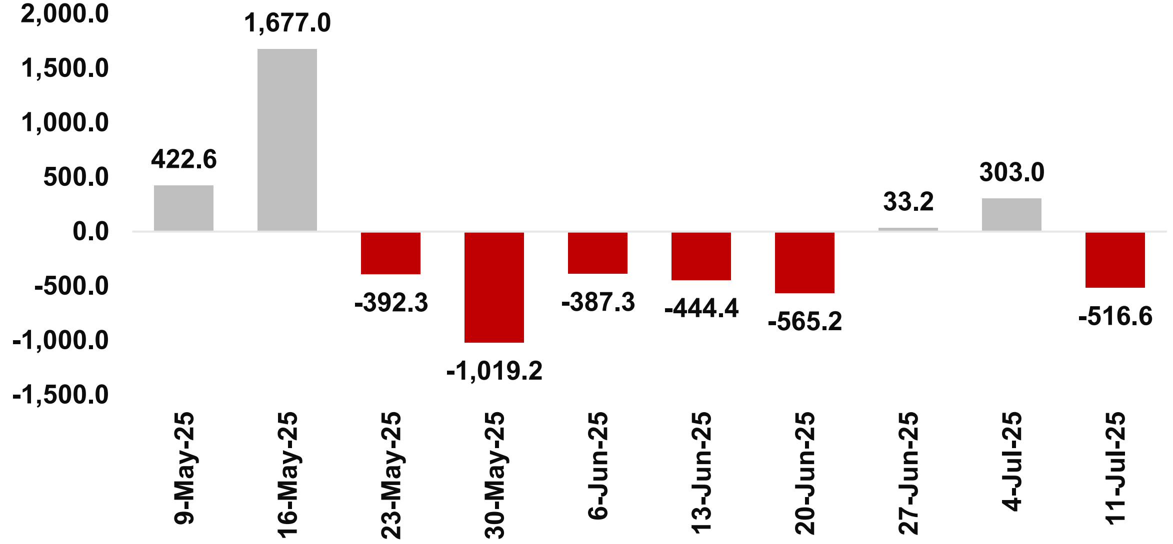
Weekly Bursa Sectoral Performance, w-o-w%



Weekly Foreign Fund Net Inflows/Outflows, RM Million



Sources: Bursa, CEIC Data

- The FBM KLCI declined by 0.9% w-o-w for the week ending July 11 following the first round of Trump's unilateral tariff letters.
- Previously, Trump announced that he will impose unilateral tariffs on selected trade partners despite ongoing negotiations with the letters underlining these levies being sent out on Monday. Malaysia was one of the 14 affected countries with 25% tariffs placed on its goods, a percentage point higher than the initial 24% Liberation Day tariffs, starting 1st August.
- Although Prime Minister Datuk Seri Anwar Ibrahim stated that Malaysian officials have one more month to renegotiate this rate, the FBM KLCI failed to erase its losses. Looking closer, the Industrial index plummeted by 1.9%, followed by the Technology and Finance indices which slipped by 1.8% and 1.0%, respectively. Meanwhile, the Property index increased by 1.3%, followed by the REIT index (+0.8%).
- Foreign investors reverted to net sellers last week, shedding a total of RM516.6 million worth of equities. This had reduced the cumulative net outflow thus far to RM13.0 billion.

FIXED INCOME: TRUMP'S TARIFF BLITZ SPARKED UST YIELDS SURGE

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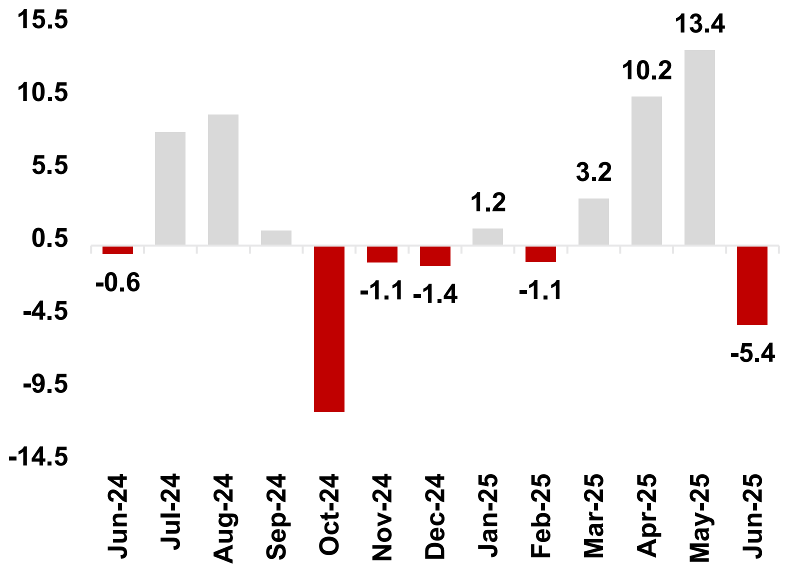
Weekly Changes, basis points (bps)

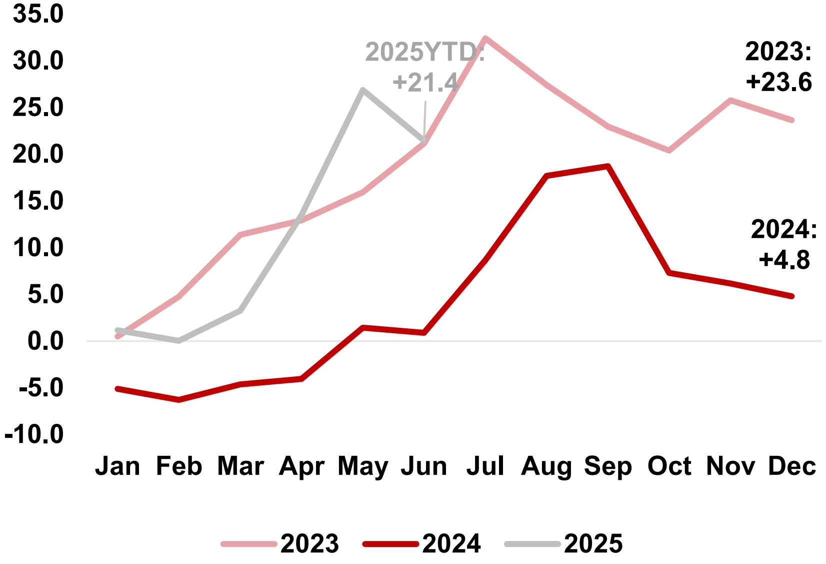
UST	Yields (%) 3-Jul-25	Yields (%) 11-Jul-25	Change (bps)
3-Y UST	3.84	3.86	2
5-Y UST	3.94	3.99	5
7-Y UST	4.12	4.19	7
10-Y UST	4.35	4.43	8
MGS	**Yields (%) 4-Jul-25**	**Yields (%) 11-Jul-25**	**Change (bps)**
3-Y MGS	3.12	3.09	-1
5-Y MGS	3.18	3.16	-2
7-Y MGS	3.38	3.34	-3
10-Y MGS	3.45	3.43	-2
GII	**Yields (%) 4-Jul-25**	**Yields (%) 11-Jul-25**	**Change (bps)**
3-Y GII	3.15	3.12	-4
5-Y GII	3.26	3.22	-4
7-Y GII	3.37	3.36	-1
10-Y GII	3.50	3.48	-2

Sources: BNM, Federal Reserve Board

Foreign Fund Flows in Local Bond Market, RM Billion

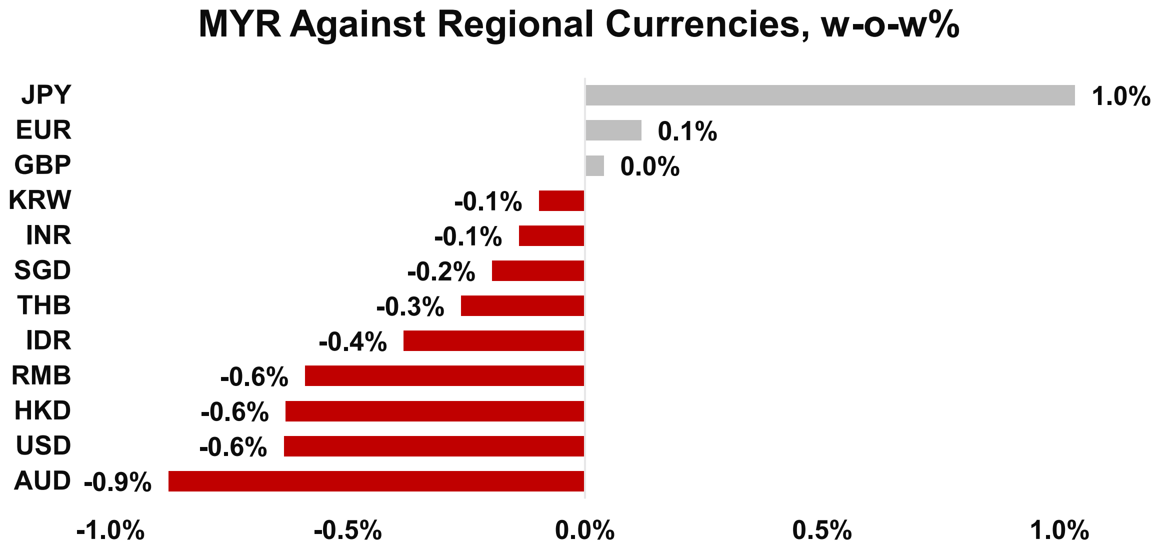


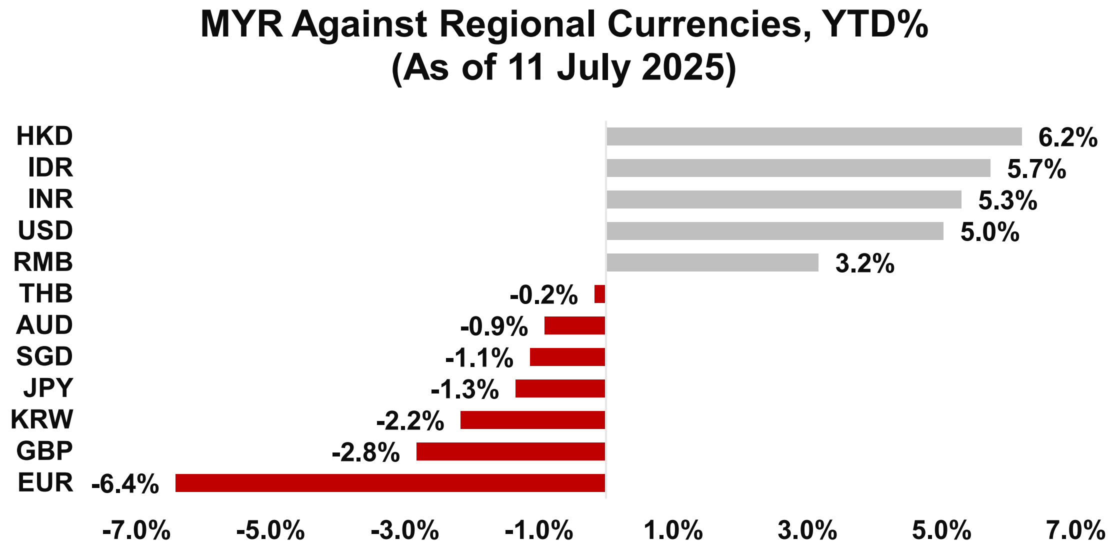
Cumulative Net Foreign Flows in Local Bonds (Yearly Comparison, RM Billion)



- The U.S. Treasury (UST) yields surged by between 2bps and 8bps in which market tensions flared as President Trump announced a 35% tariff on Canadian imports, effective August 1st, and threatened to raise broad-based tariffs on most other trading partners from 10% to 15-20%. Earlier in the week, he also imposed a 50% tariff on Brazilian imports and similar duties on copper, while issuing formal notices to other key trading partners, further escalating his administration's trade offensive.
- In contrast, Malaysian Government Securities (MGS) and Government Investment Issues (GII) yields declined in the range of 1bp and 4bps.
- Foreign fund flows in the local bond market recorded a net foreign outflow of RM5.4 billion in June (May: +RM13.4 billion). Consequently, local govvies' foreign shareholdings to total outstanding reduced to 22.8% in June (May: 23.3%).
- As of 1H2025, the local bond market recorded the cumulative net foreign inflows of RM21.4 billion, higher than the inflows of RM0.9 billion in the same period in the previous year.

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

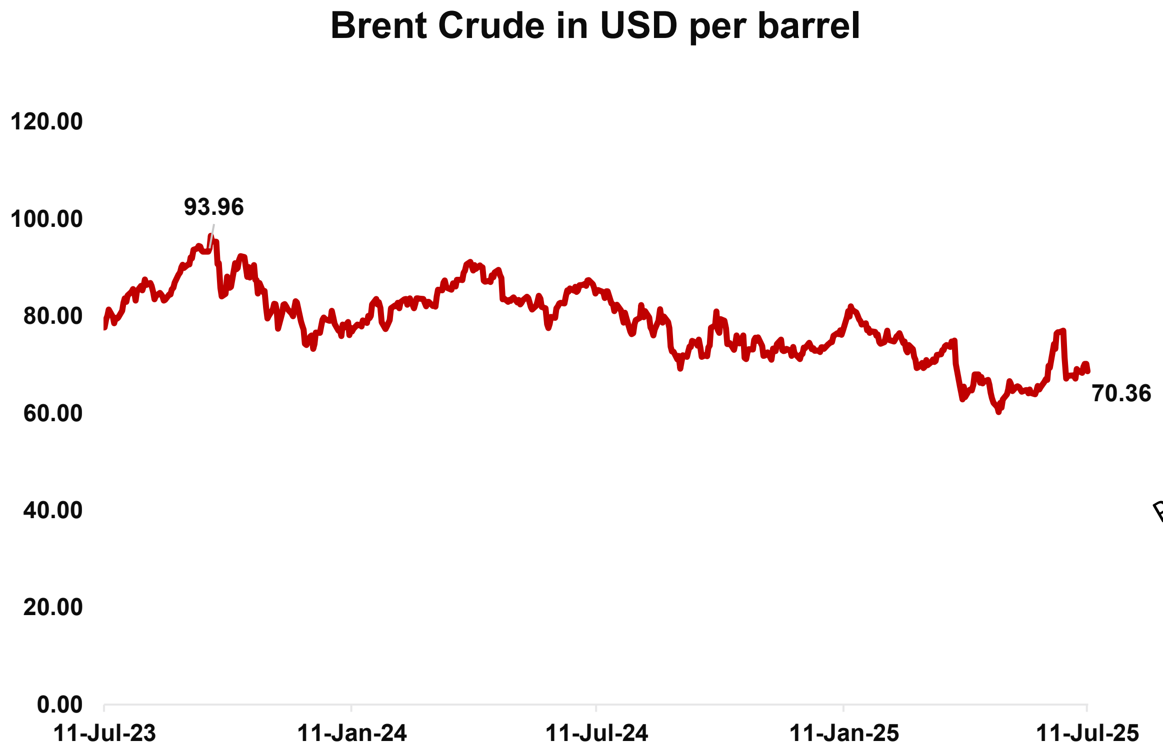


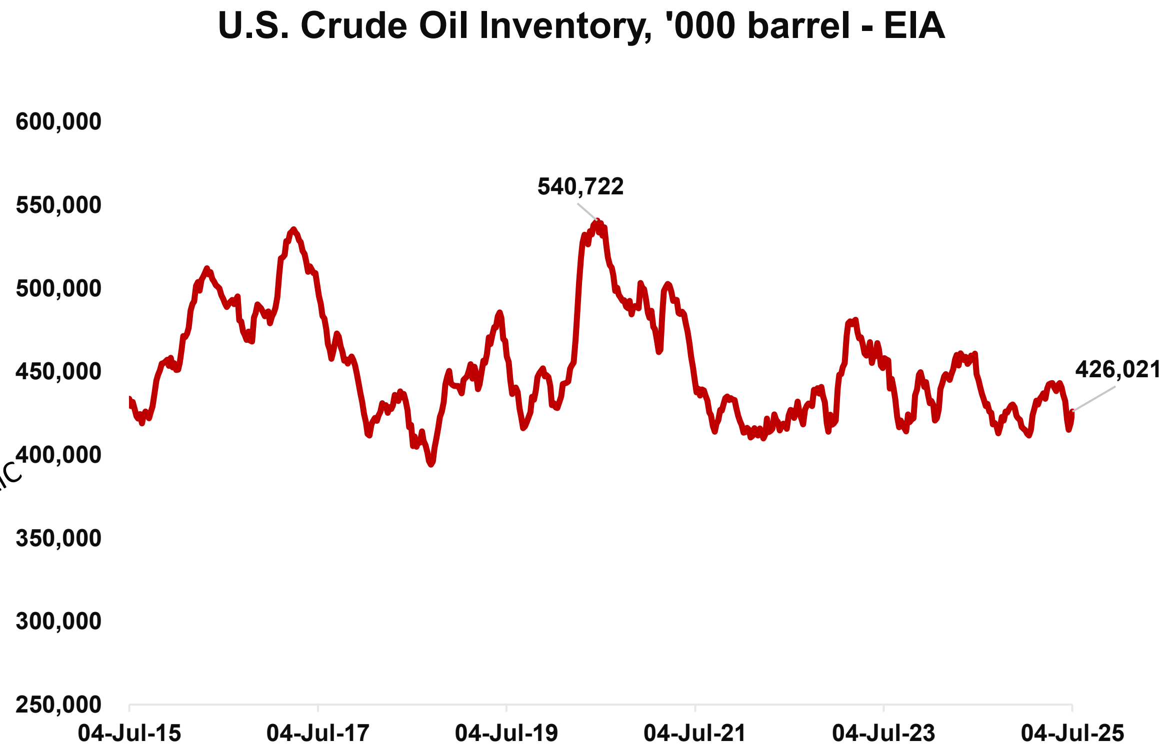


Sources: BNM, U.S. Bureau of Labor Statistics (BLS), CEIC Data

- The Ringgit depreciated 0.6% w-o-w against the USD for the week ending July 11, dragged by muted market sentiments, while the USD index strengthened by 0.7% w-o-w following Trump's latest trade policy developments.
- On Monday, letters addressed to 14 countries were sent out, underlining steeper rates between 20% to 40%, while another 9 was released on Wednesday. Moreover, Trump had slapped 30% tariffs on the European Union and Mexico as well as 35% on Canada, intensifying long-standing frictions with said economies. Despite Trump extending the deadline to 1st August, these developments had prolonged uncertainties surrounding the global trade dynamics as it became clearer that Trump's decisions would be independent of other swaying factors.
- The local note had weakened as Trump's latest 25% tariff on Malaysian imports placed it on a less appealing standing compared to regional peers, dampening market sentiments on Malaysia's economic outlook.
- Furthermore, Bank Negara Malaysia (BNM) had reduced the Overnight Policy Rate (OPR) by 25 bp to 2.75% during its July meeting as a pre-emptive measure to support the economy. As such, the gap between the OPR and the Federal Funds Rate (FFR) will be more pronounced than expected, leading to the Ringgit remaining under pressure against the USD.

COMMODITY: OIL PRICES ROSE AMID GEOPOLITICAL TENSIONS AND TARIFF CONCERNS

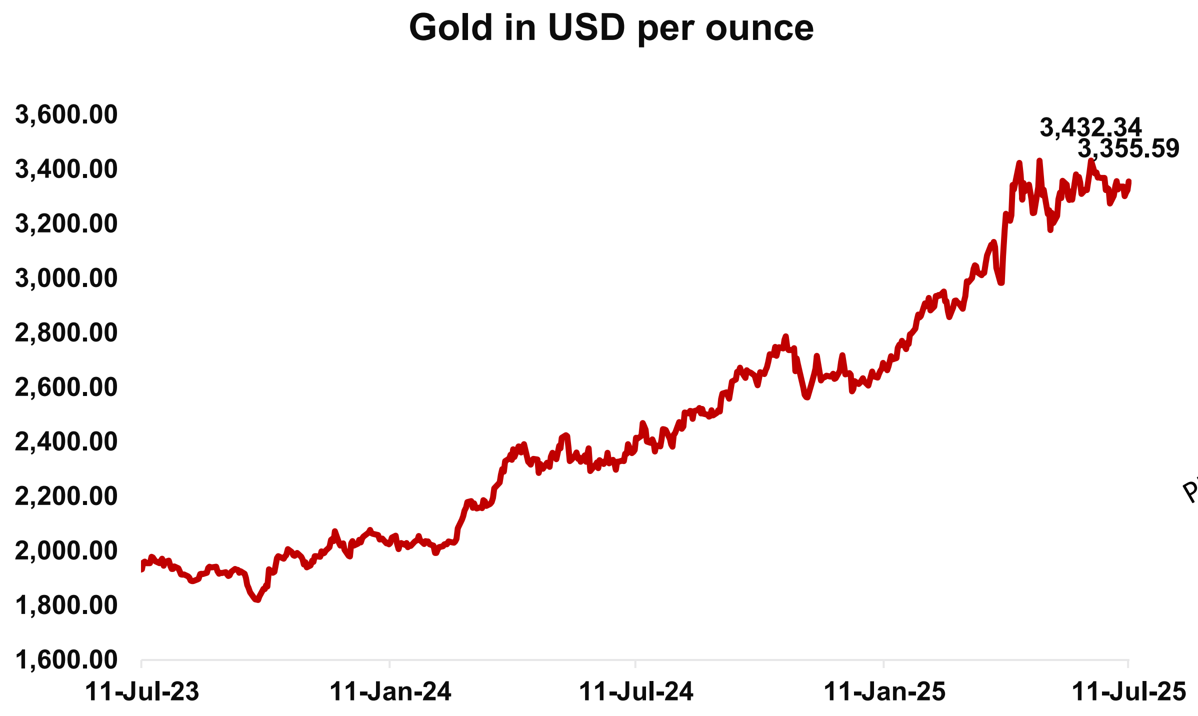


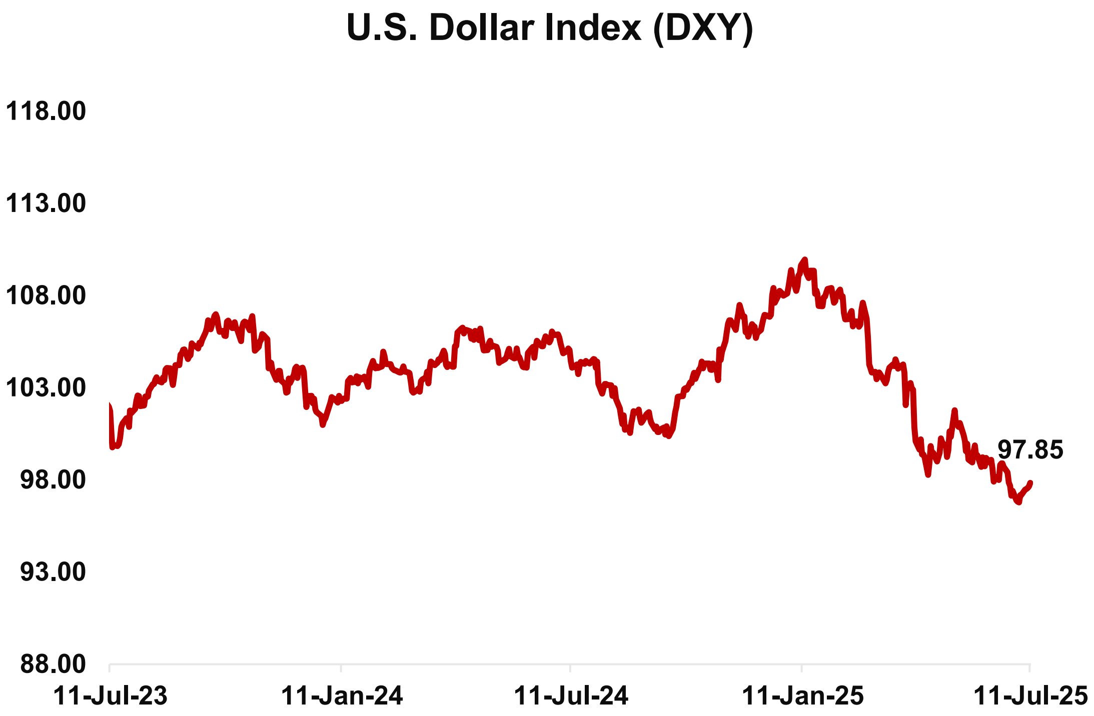


Sources: Bloomberg, Energy Information Administration (EIA)

- Brent oil closed higher at USD70.36 per barrel on Friday (July 11), marking a 2.5% daily gain and 3.0% rise on w-o-w basis, supported by escalating geopolitical tensions over potential U.S. sanctions on Russia and uncertainties surrounding global trade policies. The oil market is currently caught between two opposing forces, on one hand concerns over potential supply disruption trigger by geopolitical conflicts, while on the other, worries about weakening demand as global trade conditions deteriorate. The recent threats of increased tariffs by the U.S. administration have heightened fears of a slowdown in global economic growth, further clouding the demand outlook.
- The European Commission's proposal to implement a floating price cap on Russian oil, set at 15% below the global average, added another layer of complexity to the market dynamic.
- U.S. crude inventories rose by 7.0 million barrels, reaching 426.0 million barrels for the week ending July 4.

COMMODITY: GOLD PRICE TRENDED HIGH AS TRUMP BEGINS HIS QUEST TO IMPOSE UNILATERAL TARIFFS





Sources: Bloomberg, CEIC Data

- The bullion price increased by 0.6% w-o-w amid intensifying global trade frictions following Trump's tariff letters.
- On one hand, several affected trade partners, including Malaysia, optimistically reassured markets that further negotiations will take place with the U.S. Meanwhile, the EU and Canada echoed the same sentiments with their own warning that they will be ready with other countermeasures should the situation escalate. Previously, the tariff letters by Trump had warned of steeper or equal tariff rates should the affected countries try to retaliate.

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WHAT TO LOOK OUT FOR IN THE MARKETS THIS WEEK

- The market will closely monitor China's 2Q2025 GDP release on July 15. Economic growth is expected to stay above 5.0% in 2Q2025, though moderating from 5.4% in 1Q2025 due to mounting pressure from intensifying U.S. trade tensions, deflation, subdued consumer demand, and a prolonged property downturn. While growth remains close to the government's full-year target of around 5.0%, momentum could weaken further in 2H2025 without stronger policy support and structural reforms to boost household incomes and confidence. Trump's unpredictable trade stance, marked by escalating rounds of tariff hikes continues to weigh heavily on China's export-oriented economy, posing significant challenges to its long-standing growth model. The World Bank has also flagged rising downside risks, expecting China economy to moderate to 4.5% this year from 5.0% in the previous year. It cited key structural challenges, including the impact of U.S. tariffs, a weak property sector, and an aging workforce. Overall, China's recovery faces growing headwinds, and the effectiveness of forthcoming policy measures will be critical in supporting growth in the quarters ahead.

- Singapore is set to release its advance GDP growth estimate for 2Q2025 on July 14. The economy is anticipated to post modest growth in 2Q2025, likely slower than in the previous quarter of 3.9% reflecting increasing external headwinds. The Ministry of Trade and Industry (MTI) had earlier downgraded the full-year GDP growth forecast to 0%–2%, citing concerns over escalating U.S. tariffs. Trade Minister Gan Kim Yong has indicated that higher tariffs and reduced front-loading may slow growth in the second half of 2025. Overall, while Singapore's economy demonstrates resilience, it remains vulnerable to external shocks. The government's proactive measures in monetary policy and investment facilitation are crucial in mitigating these challenges.

- Meanwhile, Bank Indonesia (BI) will likely consider another interest rate cut during its policy meeting on July 16, in response to mounting external pressures, particularly the 32% U.S. import tariff on Indonesian goods recently announced by President Trump. The move would aim to support domestic growth and cushion the impact of weaker export performance. However, further easing could increase rupiah volatility, posing challenges for financial stability. BI has already lowered the rate twice this year, first to 5.75% in January and another 25bps cut in May to 5.5%. BI Governor Perry Warjiyo recently indicated that there is still room for additional cuts, citing manageable inflation and the need to maintain growth momentum.

THANK YOU