



# **WEEKLY ECONOMIC UPDATE**

**15 JUNE 2026**

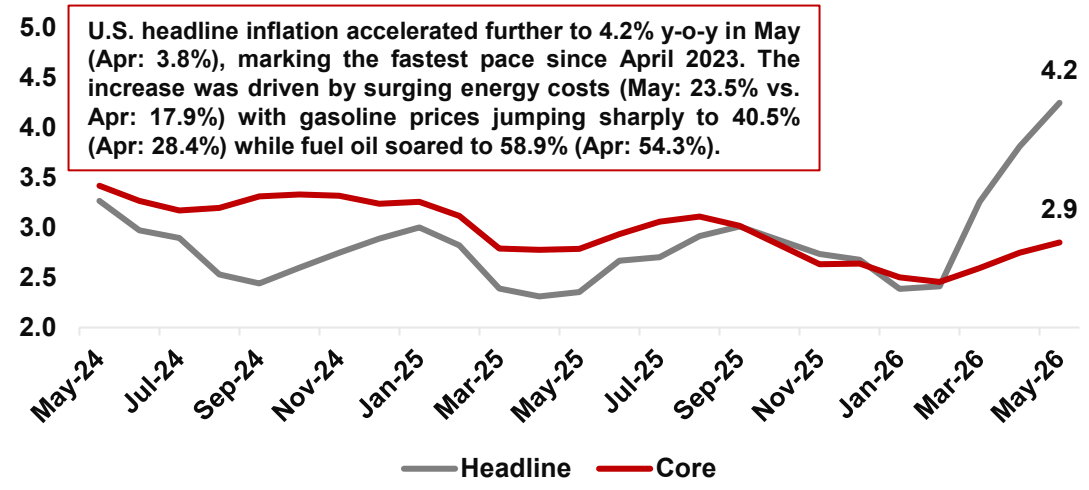
**ECONOMIC RESEARCH**

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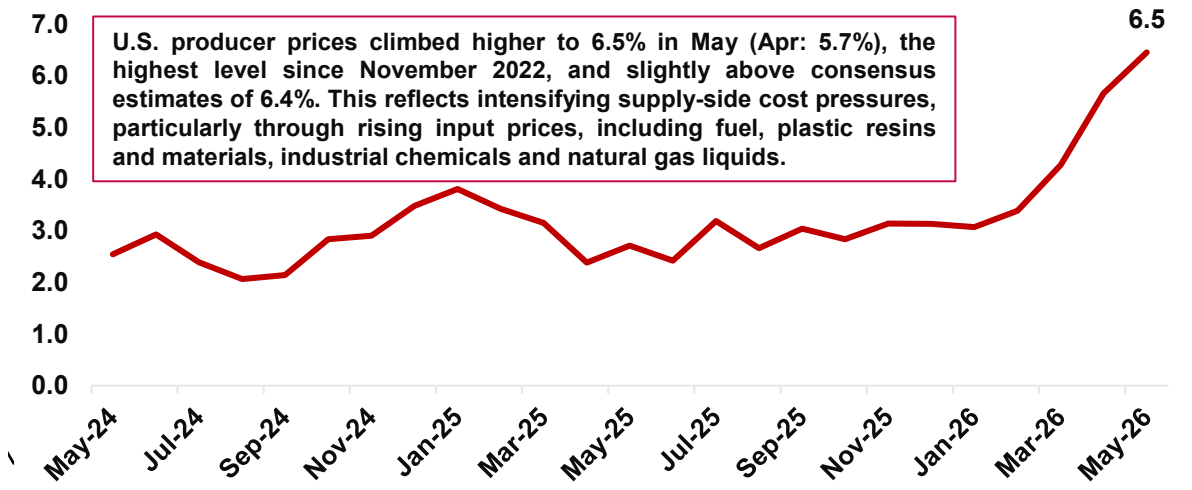
# WEEKLY HIGHLIGHT: SOARING ENERGY PRICES UNDERPIN HOTTER PRICE PRESSURES IN THE U.S. BANK ISLAM

GLOBAL

### U.S. - Consumer Price Index (CPI), y-o-y%

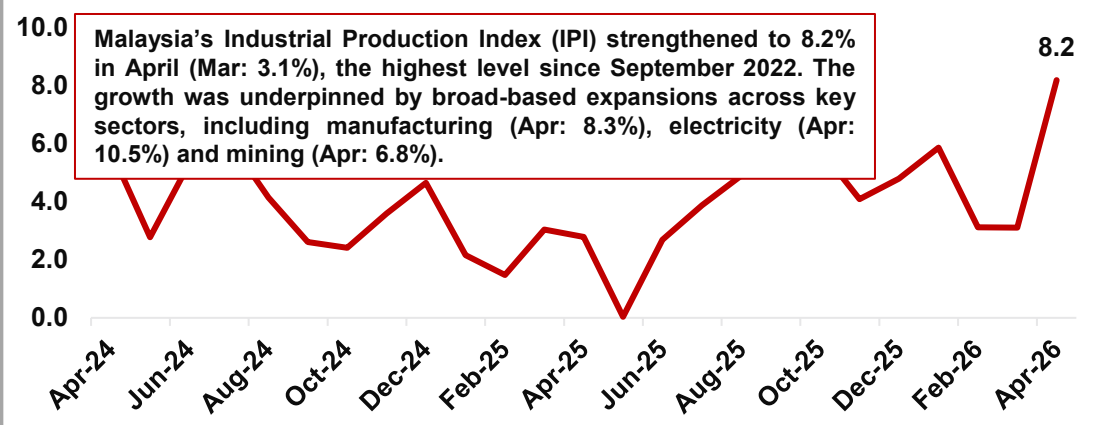


### U.S. Producer Price Index (PPI), y-o-y%

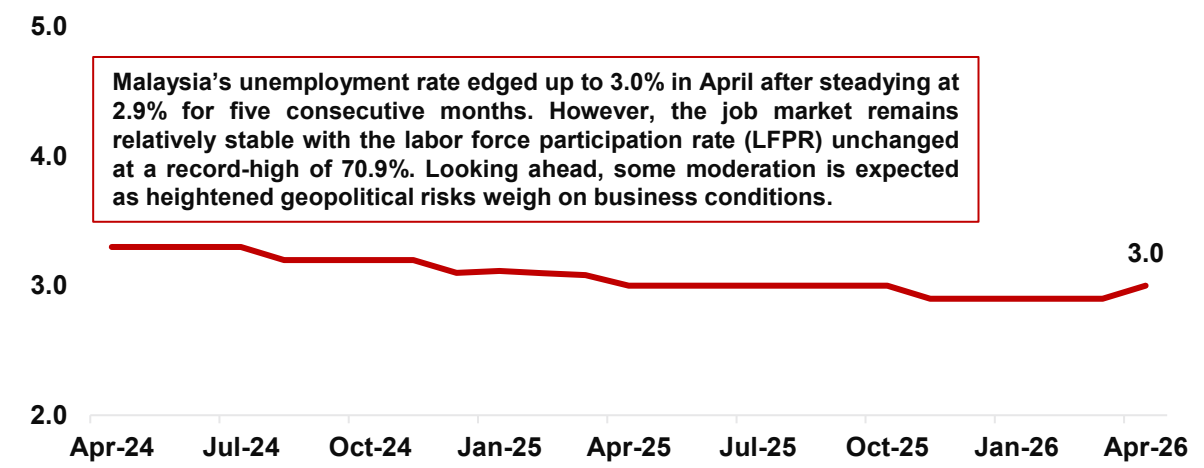


DOMESTIC

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

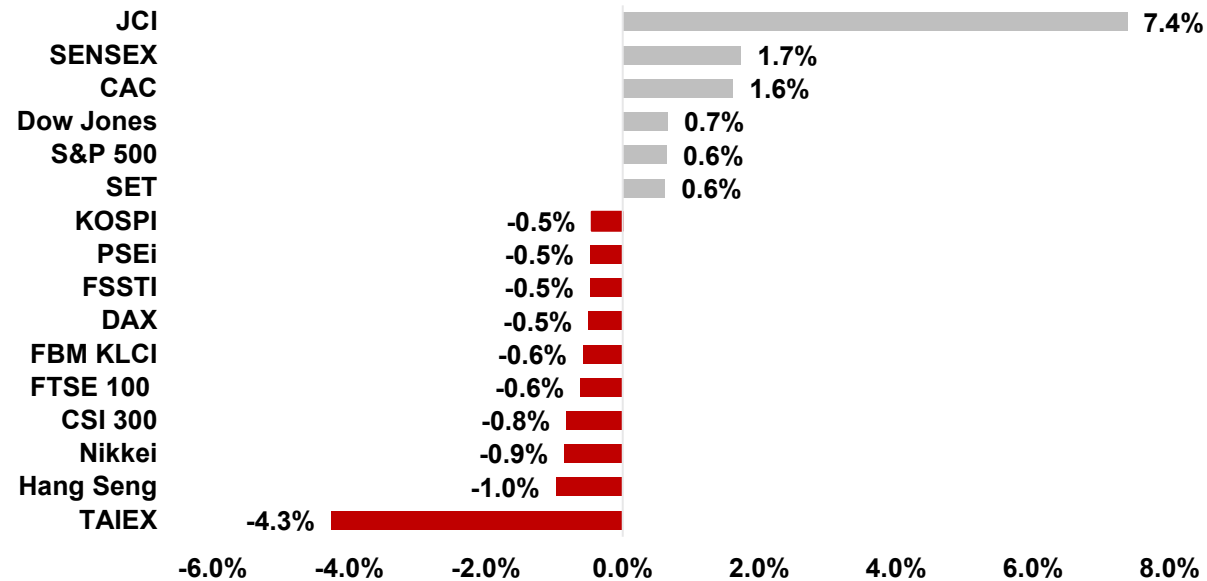


### Malaysia - Unemployment Rate, %

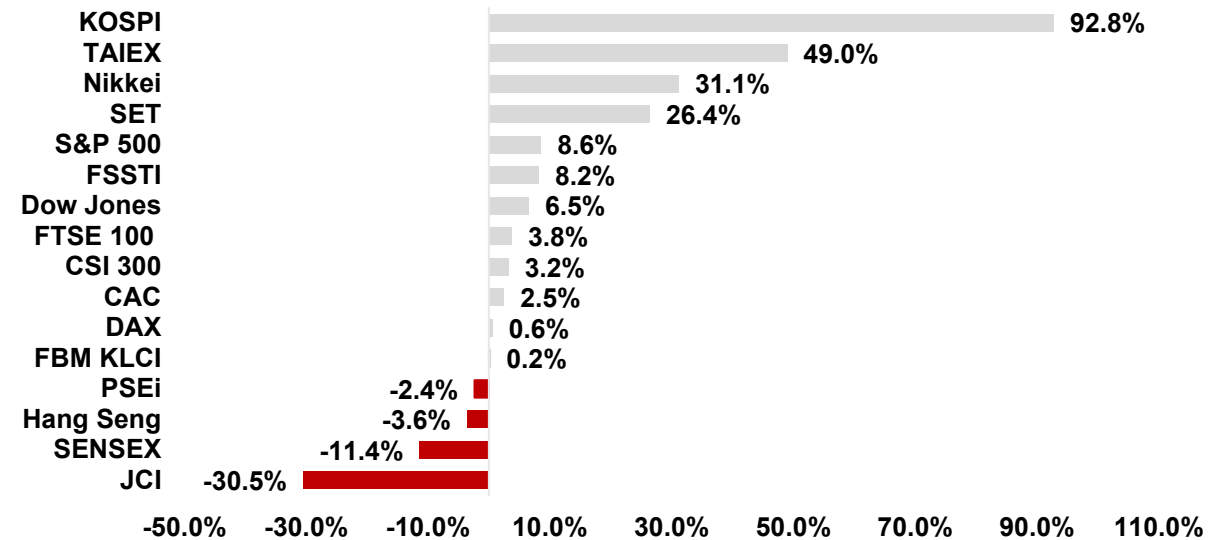


# REGIONAL EQUITY: MIXED GLOBAL EQUITIES AS PROFIT-TAKING HITS TECH AND GEOPOLITICAL RISKS EASE

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



## YTD Gain/Loss of Major Equity Markets, % (As of 12 June 2026)



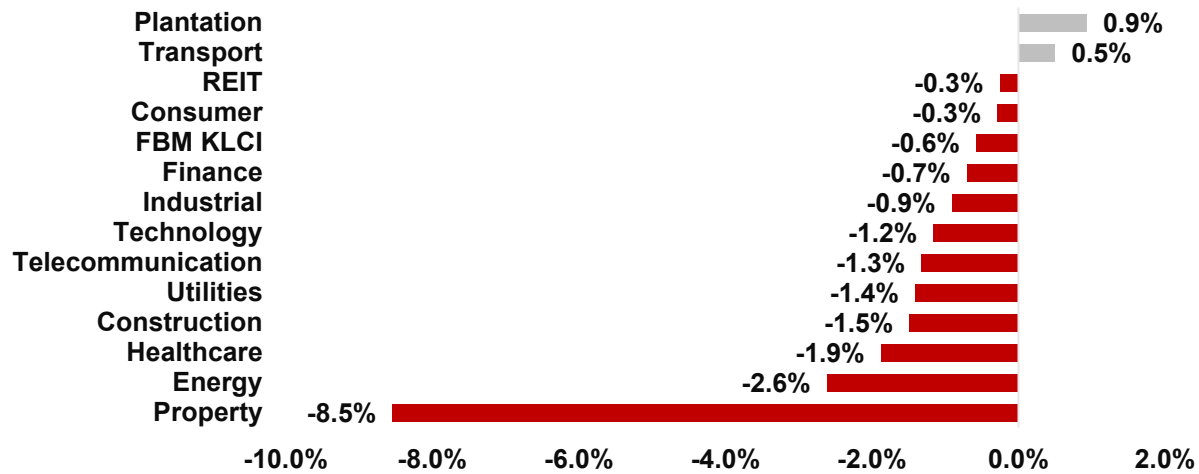
Sources: Bursa, CEIC Data

- Global equity markets closed mixed for the week ended June 12, with Indonesia's JCI leading gains (+7.4%) on bargain-hunting after steep year-to-date (YTD) losses. Investors welcomed Bank Indonesia's rate hike as a measure to stabilize the rupiah and contain inflation, helping restore confidence in local equities despite broader regional weakness.
- U.S. indices recorded modest gains, with the Dow Jones (+0.7%) and S&P 500 (+0.6%) supported by resilient tech earnings and easing geopolitical risk premiums. Small caps led gains as investors digested inflation data and improving geopolitical developments. Risk appetite strengthened through the week as Middle East concerns eased, and oil prices retreated.
- In contrast, Taiwan's TAIEX (-4.3%) posted the sharpest decline, as profit-taking hit semiconductor and AI-related stocks following their strong rally earlier this year. Hong Kong's Hang Seng (-1.0%) and Japan's Nikkei (-0.9%) retreated, reflecting weaker demand signals from China and regional profit-taking.

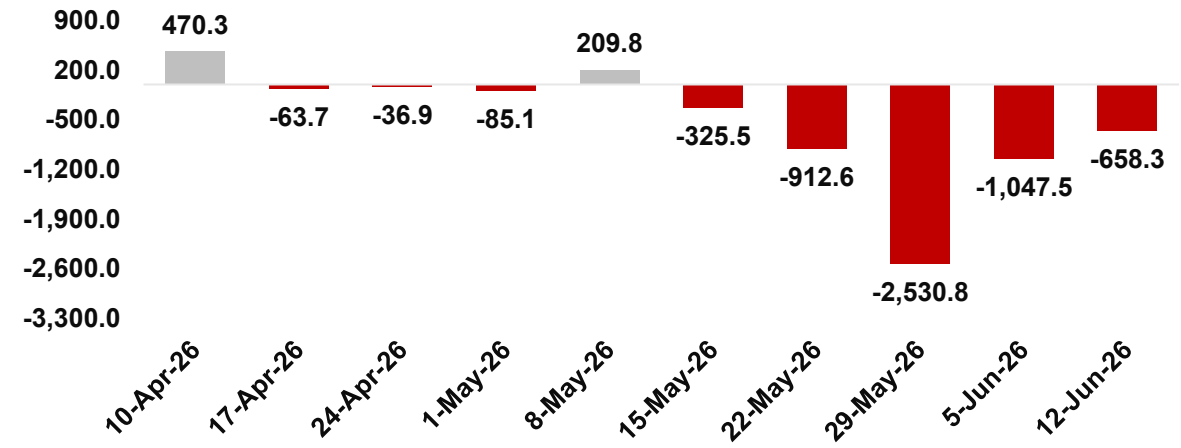
# DOMESTIC EQUITY: LATE-WEEK OPTIMISM FAILED TO OFFSET LOSSES AS FBM KLCI CLOSED LOWER



### Weekly Bursa Sectoral Performance, w-o-w%



### Weekly Foreign Fund Net Inflows/Outflows, RM Million



Sources: Bursa, CEIC Data

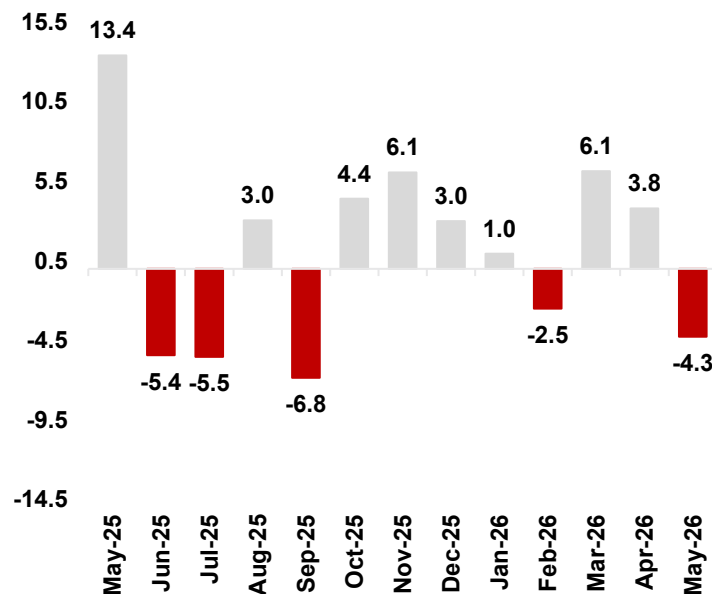
- The FBM KLCI declined by 0.6% w-o-w for the week ending June 12 as geopolitical headlines continued to shape investor sentiments. In the earlier part of the week, risk appetite remained subdued following escalating tensions between U.S. and Iran over the preceding weekend.
- However, sentiments improved on Friday when U.S. President Trump indicated that both sides are closing in on an agreement, pending the finalization of documentation which should be achieved within the next few days. Accordingly, the FBM KLCI rebounded, though its gains were insufficient to fully recover earlier losses.
- Optimism extended into today's opening session, as Iran's Foreign Minister Abbas Araghchi signaled that a ceasefire agreement was nearing, lifting market sentiment.
- Most Bursa indices underperformed during the week with the Property index staging the biggest loss, plunging by 8.5% w-o-w. This was followed by the Energy and Healthcare indices, which fell by 2.6% and 1.9%, respectively.
- In contrast, the Plantation (+0.9%) and Transport (+0.5%) indices were the only gainers.
- Foreign investors remained as net sellers for the fifth straight week, with a net outflow of RM658.3 million. This increased the 2026 cumulative net outflow thus far to RM3.6 billion.

# FIXED INCOME: UST YIELDS EASE ON GEOPOLITICAL RELIEF AND FED STABILITY

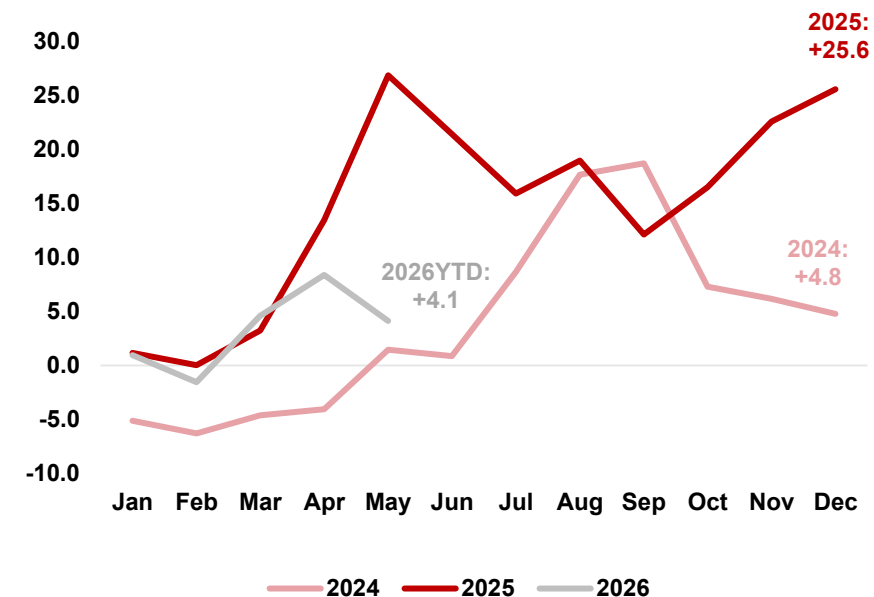
Weekly Changes, basis points (bps)			
UST	Yields (%)		Change (bps)
	5-Jun-26	12-Jun-26	
3-Y UST	4.22	4.12	-10
5-Y UST	4.29	4.21	-8
7-Y UST	4.41	4.34	-7
10-Y UST	4.55	4.48	-7
MGS	Yields (%)		Change (bps)
	5-Jun-26	12-Jun-26	
3-Y MGS	3.24	3.25	1
5-Y MGS	3.41	3.43	2
7-Y MGS	3.54	3.57	3
10-Y MGS	3.58	3.60	2
GII	Yields (%)		Change (bps)
	5-Jun-26	12-Jun-26	
3-Y GII	3.23	3.25	2
5-Y GII	3.36	3.38	2
7-Y GII	3.54	3.56	2
10-Y GII	3.61	3.62	1

Sources: BNM, Federal Reserve Board

Foreign Fund Flows in Local Bond Market, RM Billion



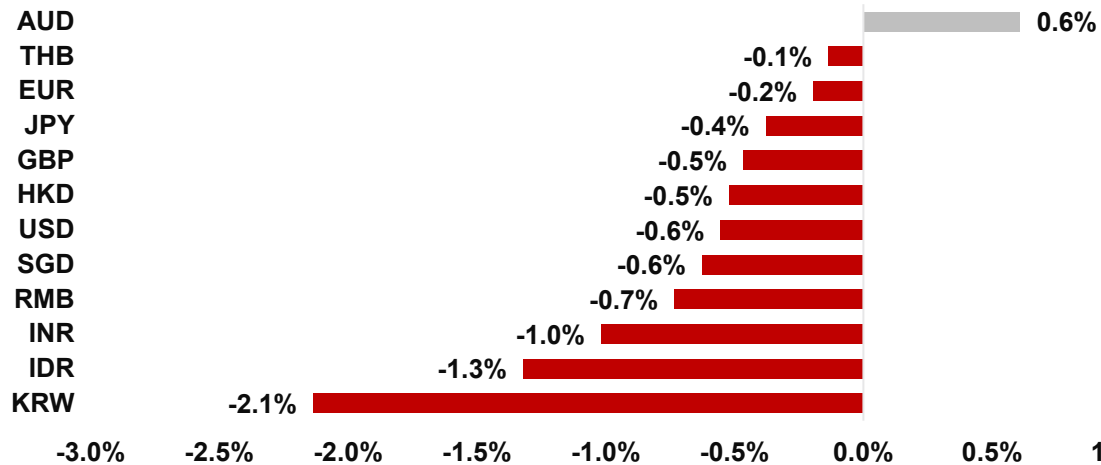
Cumulative Net Foreign Flows in Local Bonds (Yearly Comparison, RM Billion)



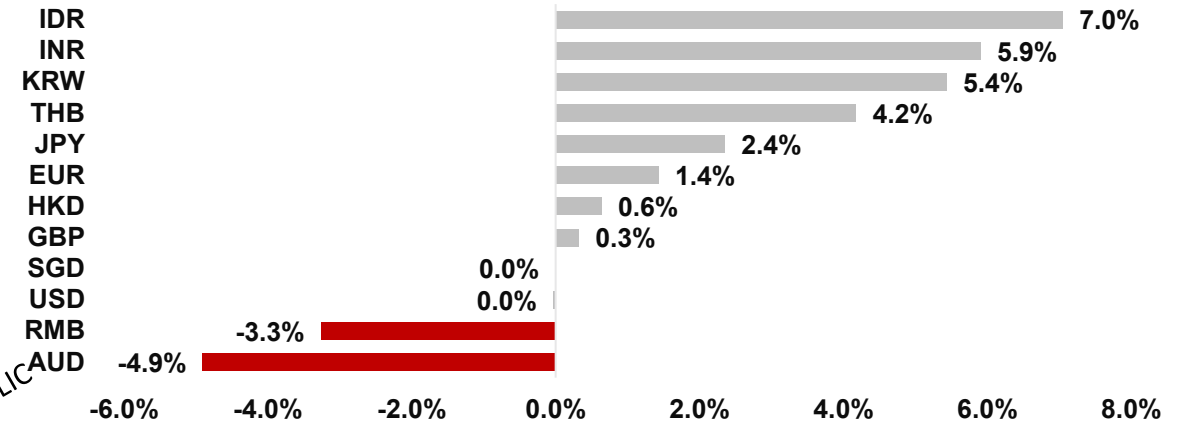
- The U.S. Treasury (UST) yields ended lower, declining between 7bps and 10bps for the week ending June 12, as investors rotated into safe-haven assets amid easing geopolitical tensions, and expectations that the Federal Reserve will maintain a “higher-for-longer” stance without immediate rate hikes. This reduced fears of additional tightening and encouraging demand for Treasuries.
- Malaysian Government Securities (MGS) and Government Investment Issues (GII) yields ended higher in the range of 1bps and 3bps.
- Foreign fund flows in the local bond market recorded a net foreign outflow of RM4.3 billion in May (Apr: +RM3.8 billion). Consequently, local govies’ foreign shareholdings to total outstanding dipped to 20.6% in May (Apr: 21.3%)
- As of the first five months 2026, the local bond market recorded the cumulative net foreign inflows of RM4.1 billion, lower than the inflows of RM26.9 billion in the same period in the previous year.

# FX MARKET: RINGGIT TO TRADE CAUTIOUSLY AS FX MARKETS CLOSELY MONITOR THE FED'S JUNE MEETING

## MYR Against Regional Currencies, w-o-w%



## MYR Against Regional Currencies, YTD% (As of 12 June 2026)

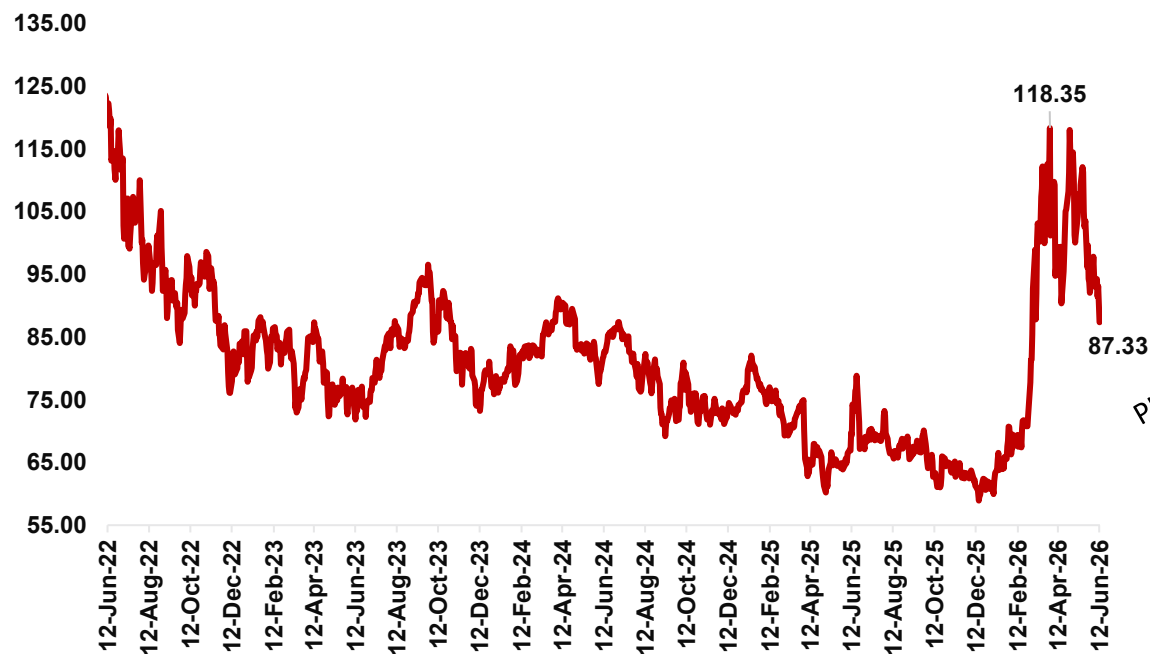


Sources: BNM, Federal Reserve Board (Fed), CEIC Data

- The Ringgit depreciated by 0.6% w-o-w against the USD for the week ending June 12 despite a 0.3% decline in the USD index.
- Last Monday, the Ringgit remained under pressure as heightened geopolitical tensions underpinned safe-haven demand, particularly for the dollar. From a technical perspective, the USD/MYR pair breached the immediate resistance around 4.070 intraday, touching the highest level since January at 4.0758, while the USD index held steady above the 100.00 zone.
- However, the USD index subsequently broke decisively below this key support, signaling a loss of its bullish momentum. This shift reflects diminishing effects of the dollar's tailwinds as investors increasingly digest geopolitical headlines and calibrate their expectations of the Federal Reserve (Fed)'s policy decision.
- Despite ongoing U.S. and Iran tensions, military clashes remained contained, with no meaningful escalation involving other Gulf nations. With concerns of a broader regional conflict fading, FX markets gradually restabilised following the earlier bout of heightened risk aversion. On Friday, Trump signaled that both parties are nearing a potential deal, further weighing on the USD.
- Furthermore, the probability of the Fed keeping its Federal Funds Rate (FFR) steady at 3.50-3.75% this week has been largely priced in. As such, while recent data reinforced that price pressures are intensifying, market reaction was relatively limited. Notably, U.S. headline inflation climbed to 4.2% in May, the highest level since April 2023, while core inflation edged up to 2.9%.

# COMMODITY: BRENT CRUDE SLIDES ON EASING GEOPOLITICAL RISK AND SOFTER DEMAND OUTLOOK

## Brent Crude in USD per barrel



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



Sources: Bloomberg, Energy Information Administration (EIA)

- Last Friday (June 12), Brent crude closed at USD 87.33 per barrel, its lowest level in three months. The decline was driven by optimism over a potential U.S.-Iran agreement that could ease supply disruptions and reduce the geopolitical risk premium in oil prices. On a week-on-week basis, Brent contracted by 6.2%.
- Additional pressure came from weaker demand signals from China and OPEC's downward revision to its 2026 global oil demand growth forecast, which was cut to 970,000 barrels/day from 1.17 million barrels/day, marking the second consecutive downgrade.
- Diplomatic progress between the U.S. and Iran has become a key influence on oil prices, yet supply risks remain high amid low inventories levels. Even with an agreement, restoring steady oil flows will take time.
- U.S. crude oil inventories declined further by 7.2 million barrels to 426.5 million for the week ending June 05.

# COMMODITY: GOLD PRICE'S MODEST RECOVERY TOWARDS END OF WEEK SPURRED BY OPTIMISM OVER U.S.-IRAN CONFLICT

## Gold in USD per ounce



## U.S. Dollar Index (DXY)



Sources: Bloomberg, CEIC Data

- Gold price (XAU) declined by 2.5% w-o-w last week, remaining relatively less attractive compared to the USD despite its safe-haven appeal, as the USD continued to gather structural support from Fed's policy expectations.
- While the Fed is widely anticipated to maintain its FFR at 3.50-3.75% in the near term, longer-term expectations remained skewed towards additional tightening amid intensifying inflationary pressures and broadly resilient labour market conditions.
- However, XAU staged a modest recovery toward the end of the week, supported by renewed optimism over a potential U.S.-Iran agreement. Iran's Foreign Minister Abbas Araghchi indicated that the initial phase would involve a memorandum of understanding to cease hostilities, including Israel's military operations in Lebanon, followed by broader negotiations on Iran's nuclear programme, sanctions relief, and the release of frozen Iranian assets.

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

- Focus will be on the upcoming U.S. Federal Open Market Committee (FOMC) meeting on 16-17 June, where the Federal Reserve (the Fed) is widely expected to leave its benchmark interest rate unchanged as policymakers continue to assess inflation and economic conditions. Investors will closely monitor the first meeting chaired by Kevin Warsh for signals on the future direction of monetary policy. The updated policy statement is expected to remove language that previously suggested a bias toward rate cuts, reflecting a more cautious stance on easing. In addition, the latest Summary of Economic Projections (SEP) may likely show no rate cuts compared with the March projections, highlighting a more hawkish outlook among Fed officials. Markets will also pay close attention to any revisions to the Fed's inflation and growth forecasts, particularly amid persistent price pressures and ongoing geopolitical uncertainties. Warsh's press conference will be examined for clues on how the Fed views the balance between inflation risks and signs of moderating economic activity. Meanwhile, upcoming retail sales and housing market data could provide further evidence on the strength of consumer spending and domestic demand. Overall, the meeting is expected to reinforce expectations that U.S. interest rates will remain elevated for longer.
- Eyes will also be on other major central bank policy decisions this week, particularly from the Bank of Japan (BoJ), Bank of England (BoE), Reserve Bank of Australia (RBA), and Bank Indonesia (BI). The BoJ is expected to keep rates unchanged while monitoring inflation following earlier policy tightening. Meanwhile, the BoE is also anticipated to leave rates steady, with policymakers remaining cautious amid persistent inflationary pressures and higher energy costs. In Australia, the RBA is widely expected to keep the cash rate unchanged at 4.35% in its June meeting, following three hikes earlier this year. Policymakers are pausing to gauge the impact of tighter financial conditions on economic activity and inflation. In contrast, Bank Indonesia could deliver another rate hike after its surprise 25bps increase earlier this month, aimed at supporting the rupiah amid global market volatility and capital outflows. Policymakers are likely to remain vigilant over exchange rate stability and external risks, particularly in light of a stronger U.S. dollar and heightened geopolitical tensions.
- Attention will also turn to a series of inflation releases this week, including data from Malaysia, Japan, the UK, and the Eurozone. Malaysia's CPI is expected to edge higher amid rising production costs, as reflected in the 5.4% y-o-y increase in PPI in April 2026. In Japan, investors will assess whether inflation remains sufficiently firm to support the BoJ's policy normalization path. Meanwhile, UK inflation data will be scrutinised for signs of persistent price pressures that could influence the BoE's policy outlook. In the Eurozone, markets will be watching whether inflation continues to ease or remains elevated, as this could prompt the ECB to adopt a more hawkish stance.

BANK ISLAM

**THANK YOU**