



WEEKLY ECONOMIC UPDATE

15 DECEMBER 2025

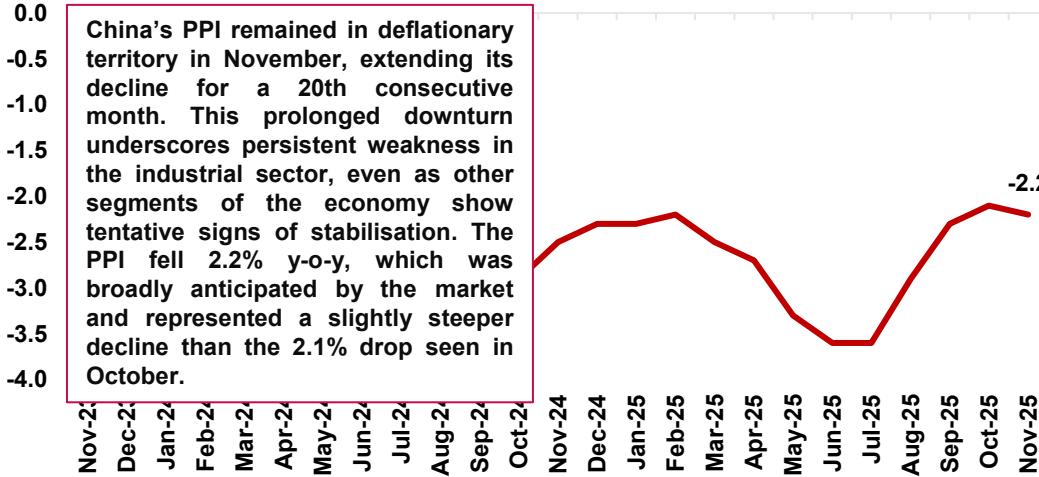
ECONOMIC RESEARCH

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WEEKLY HIGHLIGHT: CHINA'S CONSUMER PRICES RISE, BUT DEFLATIONARY CONCERNS PERSIST

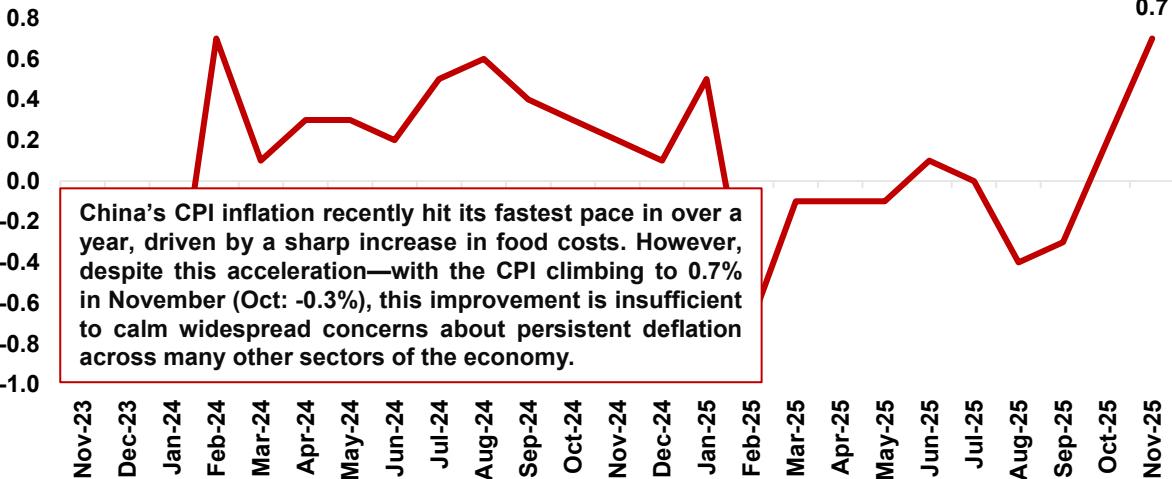
GLOBAL

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



China's PPI remained in deflationary territory in November, extending its decline for a 20th consecutive month. This prolonged downturn underscores persistent weakness in the industrial sector, even as other segments of the economy show tentative signs of stabilisation. The PPI fell 2.2% y-o-y, which was broadly anticipated by the market and represented a slightly steeper decline than the 2.1% drop seen in October.

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



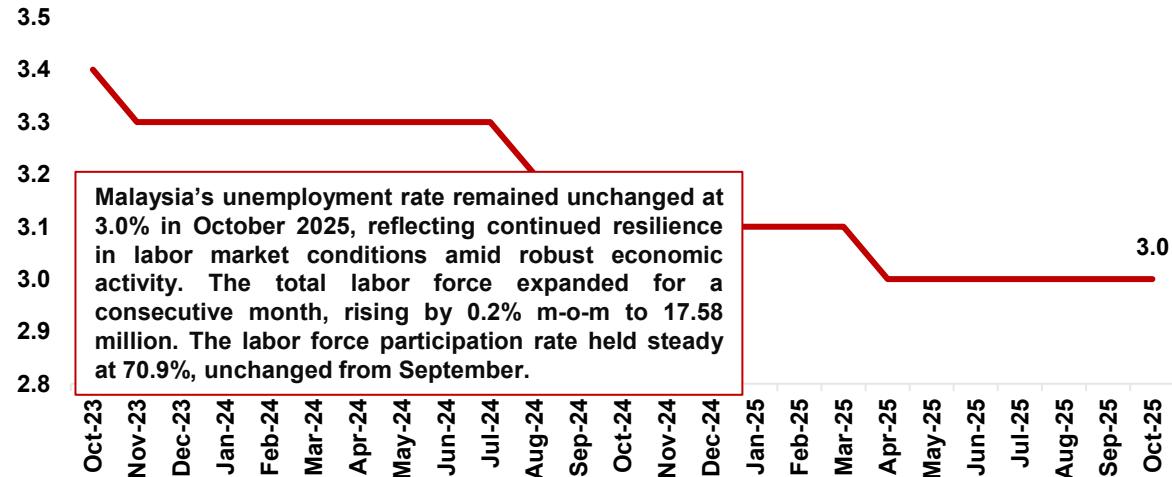
China's CPI inflation recently hit its fastest pace in over a year, driven by a sharp increase in food costs. However, despite this acceleration—with the CPI climbing to 0.7% in November (Oct: -0.3%), this improvement is insufficient to calm widespread concerns about persistent deflation across many other sectors of the economy.

Malaysia - Retail Sales, y-o-y%



Malaysia's retail sales grew by 6.8% in October, easing slightly from September's eight-month high of 7.0%. The expansion was driven by growth in sales of non-specialised stores and other goods in specialised stores.

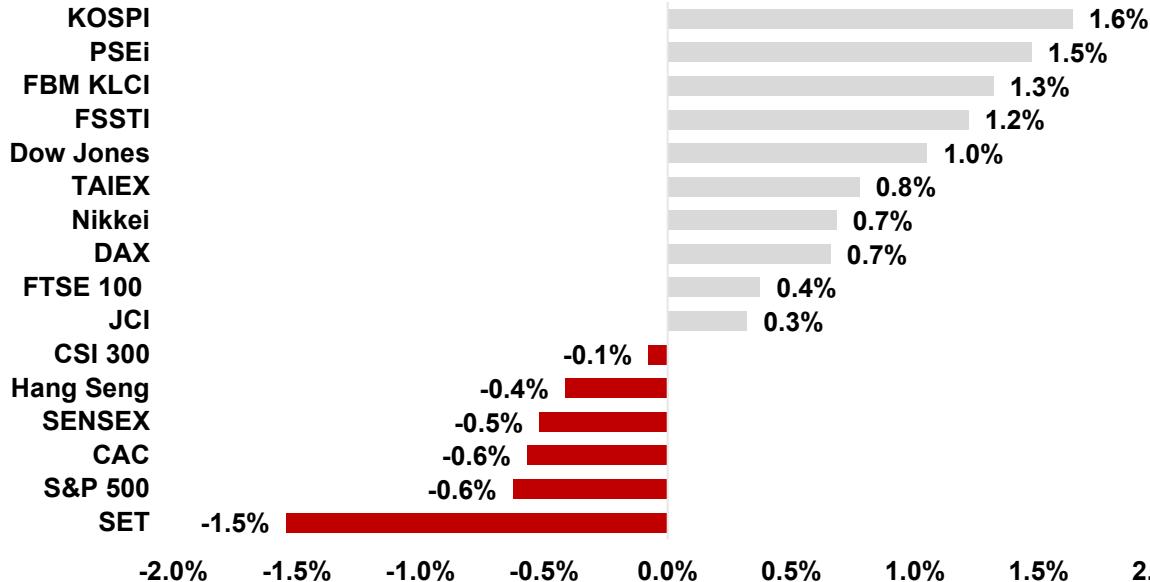
Malaysia - Unemployment Rate, %



Malaysia's unemployment rate remained unchanged at 3.0% in October 2025, reflecting continued resilience in labor market conditions amid robust economic activity. The total labor force expanded for a consecutive month, rising by 0.2% m-o-m to 17.58 million. The labor force participation rate held steady at 70.9%, unchanged from September.

REGIONAL EQUITY: DIVERGING GLOBAL EQUITY PERFORMANCE AS MONETARY EASING SUPPORTS SENTIMENT

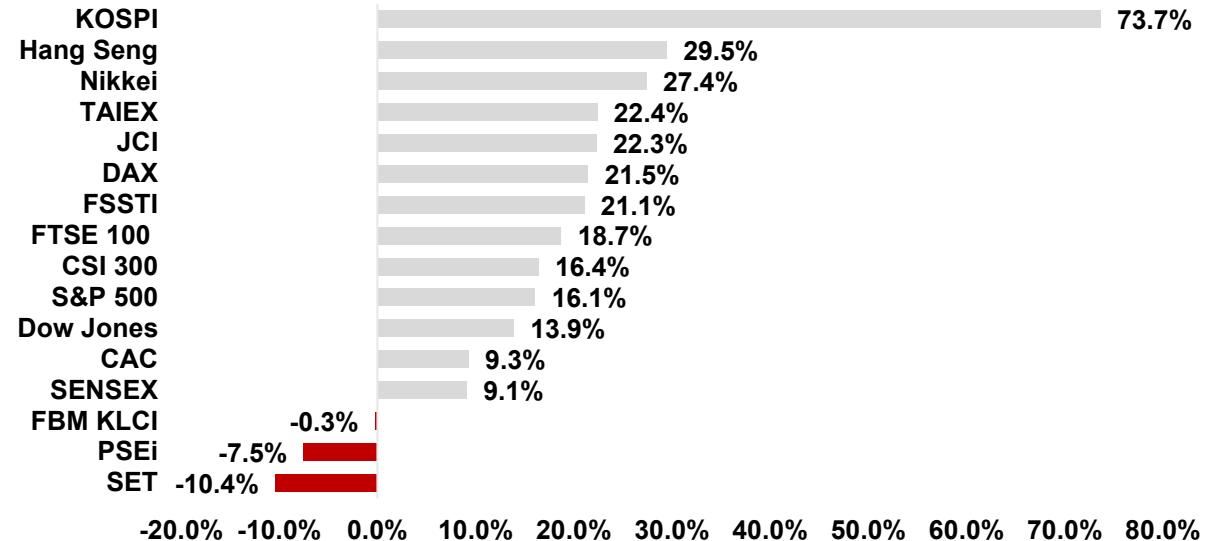
Weekly Gain/Loss of Major Equity Market, w-o-w%



Sources: Bursa, CEIC Data

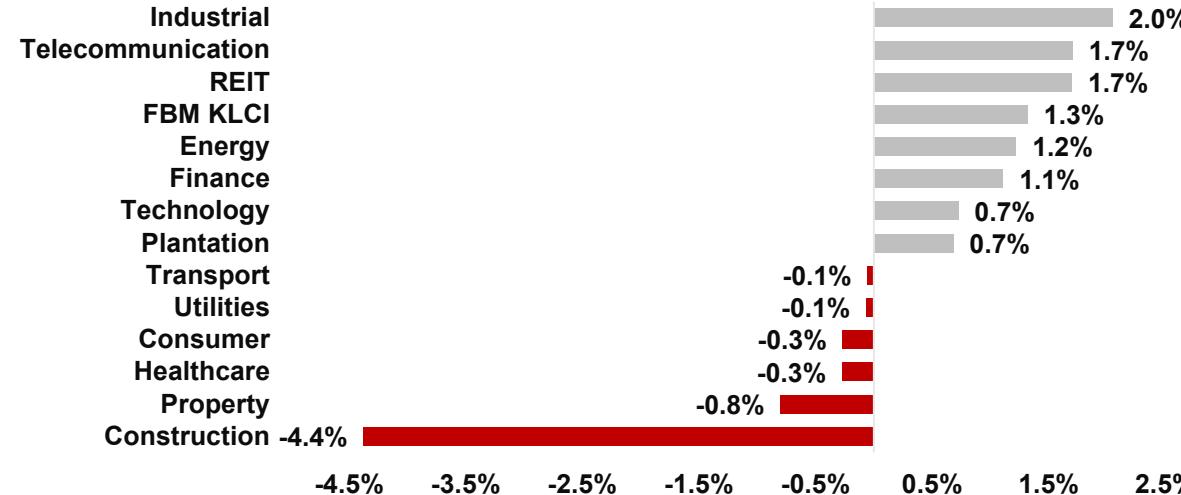
- Global equity markets were mixed in the week ending December 12, with South Korea's KOSPI emerging as the top performer, gaining 1.6%. Investor sentiment improved significantly, supported by two key factors: Wall Street's advance to fresh record highs, indicating a firmer global risk appetite, and the U.S. Federal Reserve's (Fed) recent rate cut, which has eased upward pressure on bond yields and encouraged renewed interest in large-cap stocks.
- In addition, the Philippines' PSEi extended its rally, rising by 1.5% as investor confidence remained buoyant following the Bangko Sentral ng Pilipinas' (BSP) second 25bp rate cut. The easing cycle supported a positive close for the benchmark index on Friday, although the peso weakened slightly against the USD.
- In contrast, Thailand's SET (-1.5%), U.S.' S&P 500 (-0.6%) and France's CAC were the biggest losers for the week ending December 12.

YTD Gain/Loss of Major Equity Markets, %
(As of 12 December 2025)

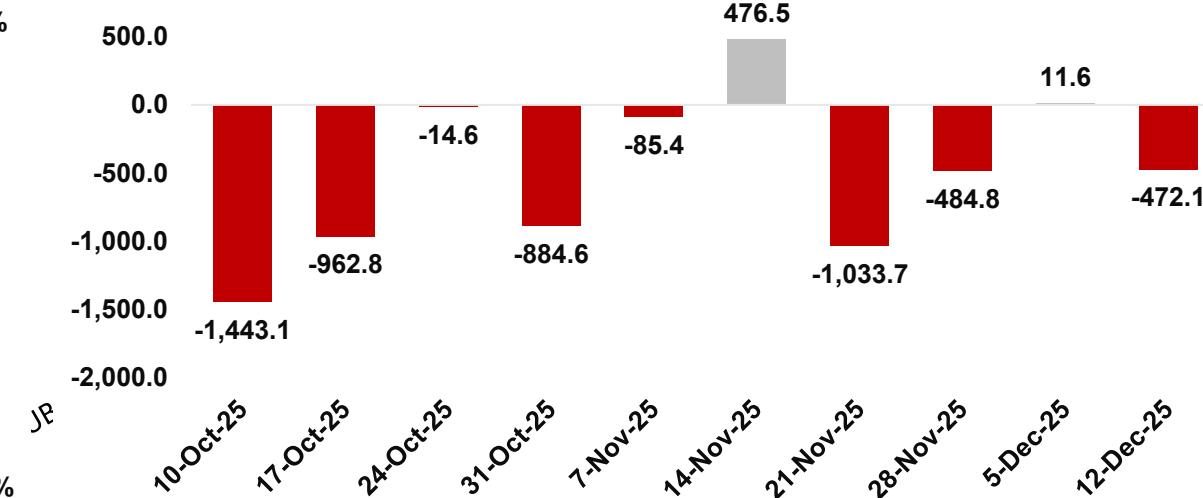


DOMESTIC EQUITY: FBM KLCI SURGED TO EIGHT WEEK-HIGH AGAINST A SOLID ECONOMIC BACKDROP

Weekly Bursa Sectoral Performance, w-o-w%



Weekly Foreign Fund Net Inflows/Outflows, RM Million



Sources: Bursa, CEIC Data

- The FBM KLCI climbed by 1.3% w-o-w for the week ending December 12 amid bargain hunting activities, marking the highest level since early October.
- Investor confidence was lifted following the Fed's 25 bps cut to its Federal Fund Rate (FFR) last week, supporting buying interest across emerging market assets. Moreover, Malaysia's economy proved to be stronger than expected with private consumption spearheading growth momentum while solid production activities provided crucial support. Of note, Malaysia's distributive trade sales value surged by 7.2% y-o-y in October (Sep: 6.6%) while its Industrial Production Index (IPI) expanded by 6.0% y-o-y (Sep: 5.7%).
- As such, the Industrial index topped the gainers as it closed higher by 2.0% last week, followed by the Telecommunications and REIT indices, both of which climbed by 1.7%.
- Meanwhile, the Construction index plunged by 4.4%, marking the lowest level since June. This is followed by the Property (-0.8%), Healthcare (-0.3%) and Consumer (-0.3%) indices.
- Foreign investors returned to net selling last week, shedding a total of RM472.1 million worth of equities. This increased the cumulative net outflow thus far to RM21.3 billion.

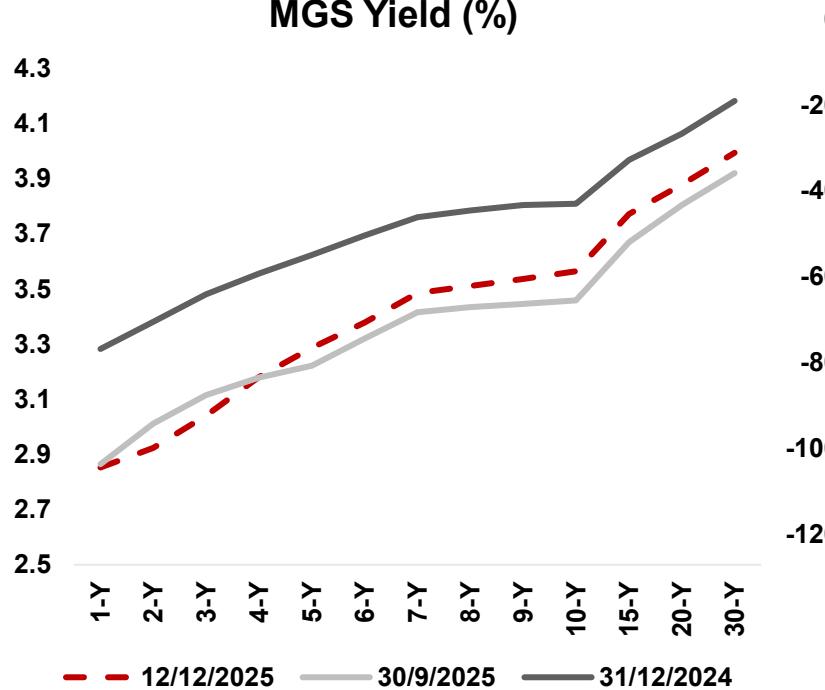
FIXED INCOME: UST YIELDS EDGED UP AMIDST DIVERGING FED OFFICIALS VIEW ON RATE CUTS

Weekly Changes, basis points (bps)			
UST	Yields (%) 5-Dec-25	Yields (%) 12-Dec-25	Change (bps)
3-Y UST	3.59	3.58	-1
5-Y UST	3.72	3.75	3
7-Y UST	3.90	3.95	5
10-Y UST	4.14	4.19	5
MGS	Yields (%) 5-Dec-25	Yields (%) 12-Dec-25	Change (bps)
3-Y MGS	3.03	3.04	1
5-Y MGS	3.25	3.29	3
7-Y MGS	3.45	3.49	3
10-Y MGS	3.49	3.57	8
GII	Yields (%) 5-Dec-25	Yields (%) 12-Dec-25	Change (bps)
3-Y GII	3.12	3.13	2
5-Y GII	3.26	3.29	3
7-Y GII	3.35	3.37	2
10-Y GII	3.53	3.56	3

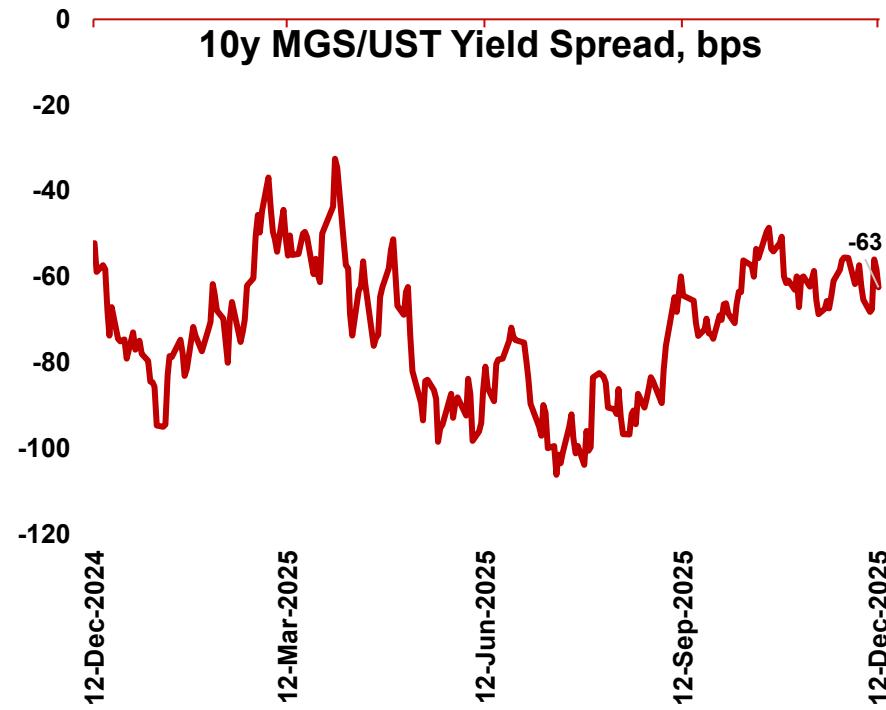
Sources: BNM, Federal Reserve Board

- The U.S. Treasury (UST) yields mostly climbed in the range of 3bp and 5bps for the week ending December 12, except for 3Y UST which ended slightly lower by 1bp to close at 3.58%. Despite the Fed's recent rate cuts, some officials expressed caution about future reductions. Chicago Fed President Goolsbee, while supportive of past cuts, now believes the Fed should have waited for more data, fearing that inflation progress might be temporary. Kansas City Fed President Schmid, who dissented against the latest cut, argued that inflation is still "too hot" and policy must remain restrictive. Conversely, incoming voting member Philadelphia Fed President Paulson adopted a more dovish stance, indicating a greater concern about labor-market weakness than inflation.
- Malaysian Government Securities (MGS) and Government Investment Issues (GII) yields edged higher by between 1bp and 8bps.
- The auction of 10-Y reopening of MGS worth RM3.0 billion which was issued on December 12 drew a tepid demand with a bid-to-cover (BTC) ratio of 1.9x, lower relative to the previous RM5.0 billion 10-Y New Issue of MGS in June 2025 with a BTC ratio of 3.0x.
- The 10y MGS/UST yield spread narrowed slightly in the negative territory at 63bps relative to -65bps in the previous week.

MGS Yield (%)

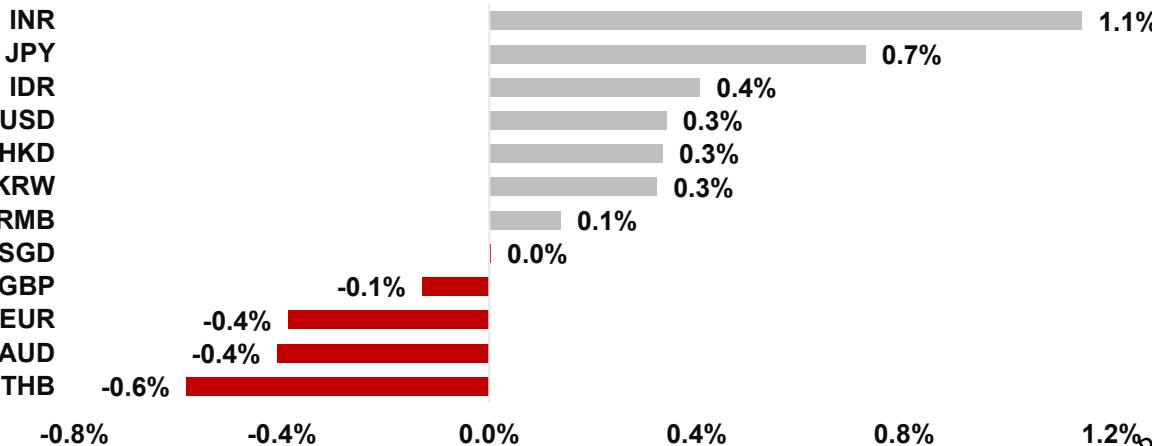


10y MGS/UST Yield Spread, bps

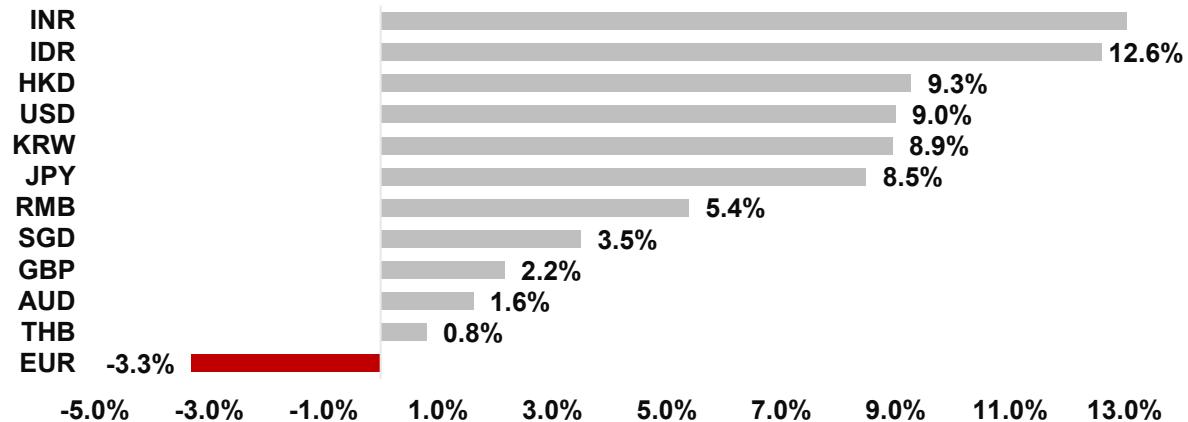


FX MARKET: RINGGIT HIT THE RM4.09-LEVEL AMID THE FED'S 25 BPS REDUCTION

MYR Against Regional Currencies, w-o-w%



MYR Against Regional Currencies, YTD%
(As of 12 December 2025)

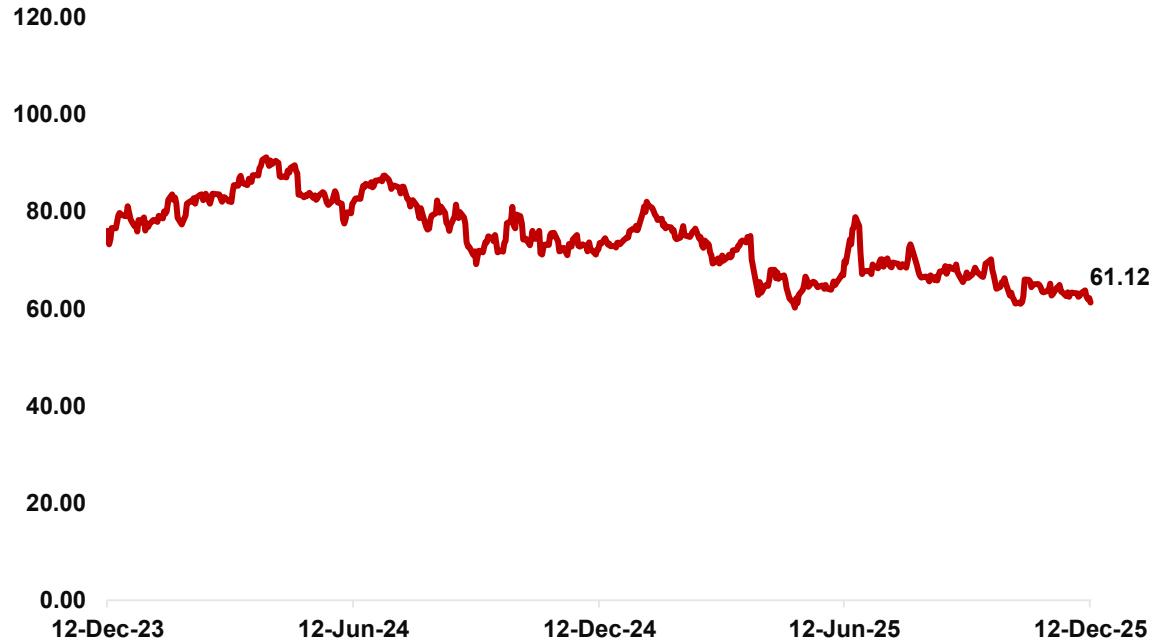


Sources: BNM, Federal Reserve Board (Fed), CEIC Data

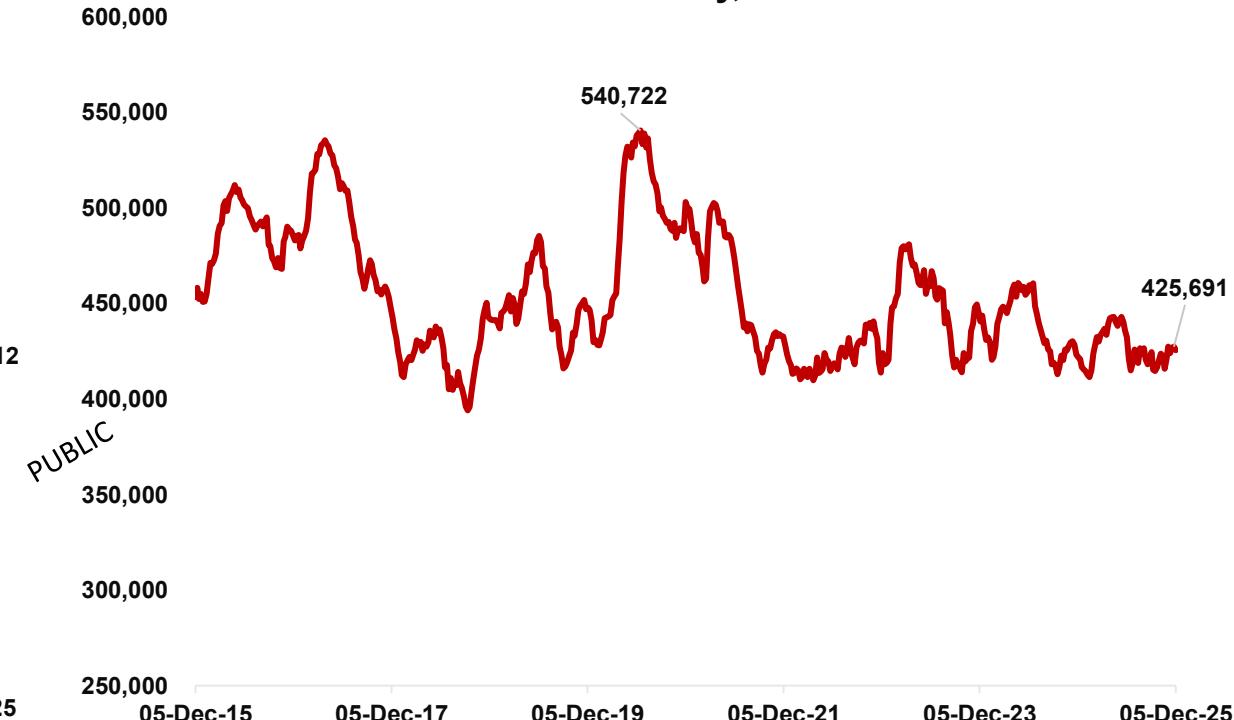
- The Ringgit appreciated by 0.3% w-o-w against the USD last week as the latter slipped by 0.6% following the Fed's 25 bps cut, as widely expected. Notably, the Ringgit breached the RM4.09-level before retreating to close at RM4.10 on Friday.
- Beyond the policy decision itself, the Federal Open Market Committee (FOMC) vote highlighted a more fractured Committee, underscoring the delicate trade-off policymakers face between the risk of a cooling job market and persistent price pressures. The decision marked the deepest split since 2019, with Governor Stephen Miran favoring a larger 50 bps rate cut, while Kansas City Fed President Jeffrey Schmid and Chicago Fed President Austan Goolsbee dissented in favor of keeping the federal funds rate unchanged.
- The forward-looking assessment leaned more hawkish. The December Summary of Economic Projections (SEP) indicated that policymakers now expect only one 25 bps rate cut in 2026. In addition, the revised language in the post-meeting statement—"In considering the extent and timing of additional adjustments to the target range..."—signaled that the Fed is in no hurry to ease further. Taken together with the split vote, this points to a more cautious and measured pace of policy easing in 2026.
- However, the statement also excluded the mention that unemployment rate has "remained low", indicating a growing downside risk to the job market, while Fed Chair Powell also highlighted that the Committee is concerned of overstatements to the payroll figures.

COMMODITY: OIL PRICES DROP AMID SUPPLY GLUT AND POTENTIAL RUSSIA-UKRAINE PEACE DEAL

Brent Crude in USD per barrel



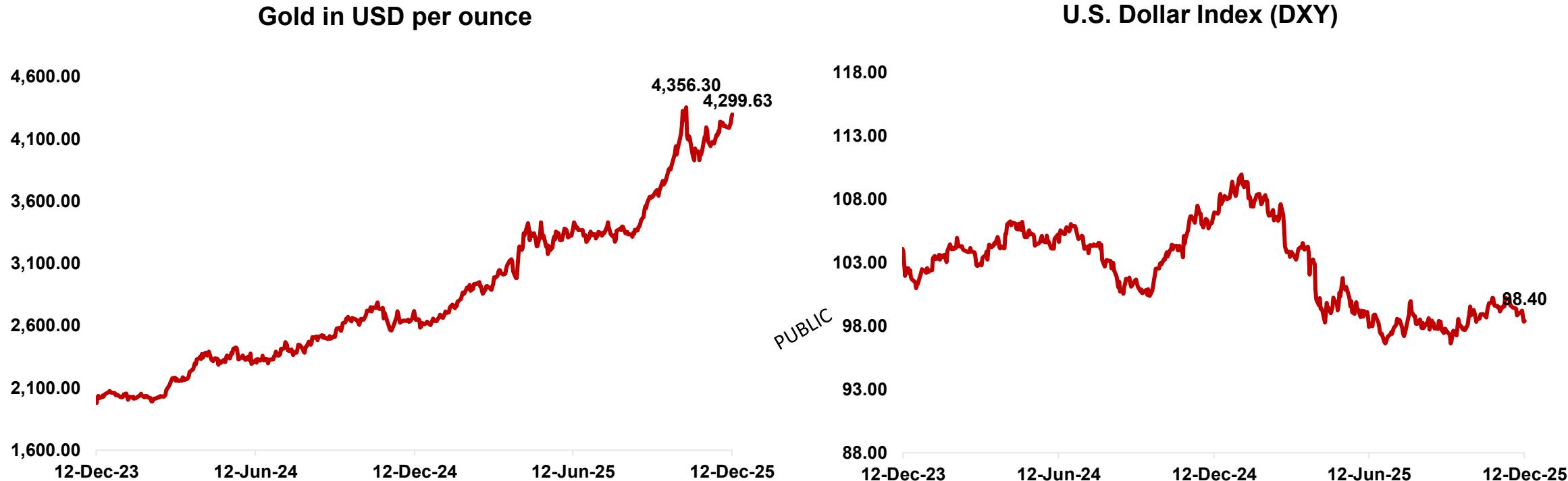
U.S. Crude Oil Inventory, '000 barrel - EIA



Sources: Bloomberg, Energy Information Administration (EIA)

- Brent crude prices fell by 4.1% w-o-w to settle at USD 61.12 per barrel on Friday (12th December), following two consecutive weeks of gains. This marked the largest weekly decline since 3rd October.
- Prices were pressured by oversupply concerns, as the International Energy Agency (IEA) forecast a global oil supply surplus of 3.84 million barrels per day in 2026, approximately 4.0% above expected demand. Meanwhile, OPEC offered a more balanced outlook, expecting supply and demand to closely match next year.
- Additionally, prospects of a Russia-Ukraine peace deal outweighed the impact of the U.S. seizure of an oil tanker near Venezuela.
- U.S. crude stockpiles declined by 1.8 million barrels to 425.7 million barrels for the week ending December 5.

COMMODITY: GOLD PRICE SURGED TO HIGHEST LEVEL IN OVER FOUR WEEKS



Sources: Bloomberg, CEIC Data

- The bullion price surged by 2.4% for the week ending December 12, marking the highest level since October (12 December: USD4,299.63) and testing the RM4,300-level.
- Such performance was underpinned by the Fed lowering its interest rate to the 3.50-3.75% range, in line with expectations, as well as intensifying geopolitical tensions in Asia which bolstered safe-haven demand for the bullion.
- On the East Asia front, tensions between Japan and China remained strained for over a month, heightening fears of a broader conflict should the situation escalate. Meanwhile, Thailand and Cambodia's truce fell through amid reports of armed clashes between the two countries last week.

WHAT TO LOOK OUT FOR IN THE MARKETS THIS WEEK

- Market attention will centre on the upcoming run of key economic data and policy signals from the U.S. Federal Reserve, which will shape expectations for the next policy move. Following last week's 25 bps rate cut, explicitly linked to concerns over labor market conditions, the Fed's policy trajectory is now increasingly data-dependent. November's employment report will be critical in either confirming or alleviating those labor market concerns, while the November Consumer Price Index will indicate whether inflationary pressures continue to ease. In addition, remarks from Federal Reserve officials Stephen Miran and Christopher Waller, both closely watched by markets, are scheduled to speak this week and may provide important guidance on the Fed's forward policy outlook. Taken together, this combination of high-impact data and policy commentary will be pivotal in determining whether the recent rate cut marks the end of the easing cycle or leaves the door open to further reductions next year.
- Focus will also turn to key monetary policy decisions across Europe, where policy paths are increasingly diverging. In the UK, the Bank of England (BoE) is set to announce its rate decision against a backdrop of growing internal debate. Some policymakers are advocating rate cuts to support weak growth and rising unemployment, while others remain wary of easing too soon amid persistent inflation. Forthcoming labor market and inflation data, alongside the December flash PMIs, will provide important context ahead of Thursday's decision. Meanwhile, the European Central Bank (ECB) is widely expected to keep rates unchanged, with inflation broadly aligned with its 2.0% target and tentative signs of economic recovery emerging. Investors will closely monitor upcoming Eurozone PMI, inflation and industrial production data for further clues on the ECB's policy stance as it heads into 2026.
- Meanwhile in Asia, attention will be on upcoming interest rate decisions from the Bank of Japan (BoJ) and Bank Indonesia (BI). The BoJ is expected to raise its policy rate by 25 bps on 19th December, supported by improving economic data and persistent inflation. A rebound in manufacturing, evident from recent Tankan and PMI surveys, alongside strong export growth, particularly in cars and semiconductors, is likely to reinforce the BoJ's confidence in the recovery. Inflation is expected to remain near 3.0%, driven by firm services prices, maintaining pressure on the central bank to continue tightening. In contrast, the BI is expected to take a different path, with a potential 25bps rate cut aimed at supporting domestic growth. This follows a softer November inflation reading and reduced pressure on the rupiah, as interest rate differentials narrow after the recent Fed cut. Together, these decisions highlight diverging monetary policy directions across Asia, shaped by differing growth and inflation dynamics.



THANK YOU