



WEEKLY ECONOMIC UPDATE

16 FEBRUARY 2026

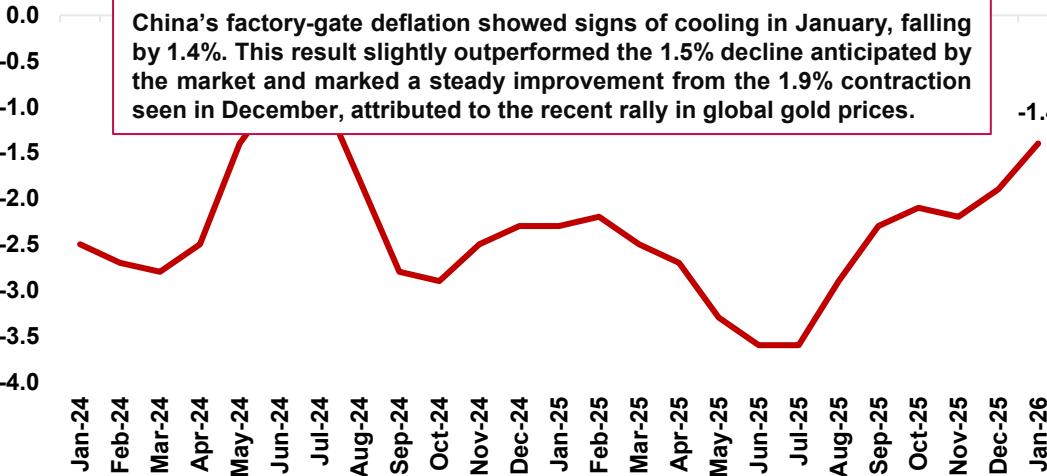
ECONOMIC RESEARCH

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WEEKLY HIGHLIGHT: MALAYSIA'S ECONOMY GREW BY 6.3% IN 4Q2025, ATTRIBUTED BY ROBUST DOMESTIC DEMAND

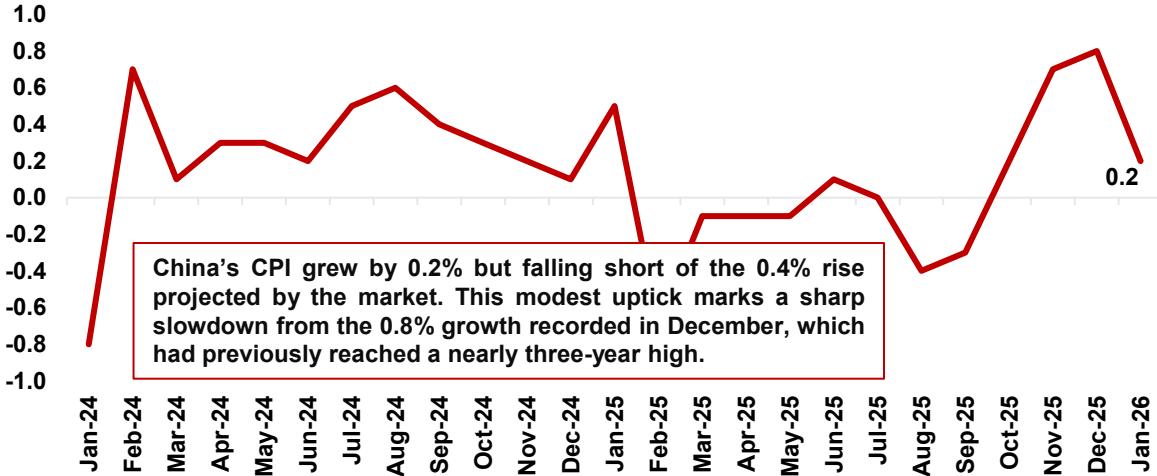
GLOBAL

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



China's factory-gate deflation showed signs of cooling in January, falling by 1.4%. This result slightly outperformed the 1.5% decline anticipated by the market and marked a steady improvement from the 1.9% contraction seen in December, attributed to the recent rally in global gold prices.

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



China's CPI grew by 0.2% but falling short of the 0.4% rise projected by the market. This modest uptick marks a sharp slowdown from the 0.8% growth recorded in December, which had previously reached a nearly three-year high.

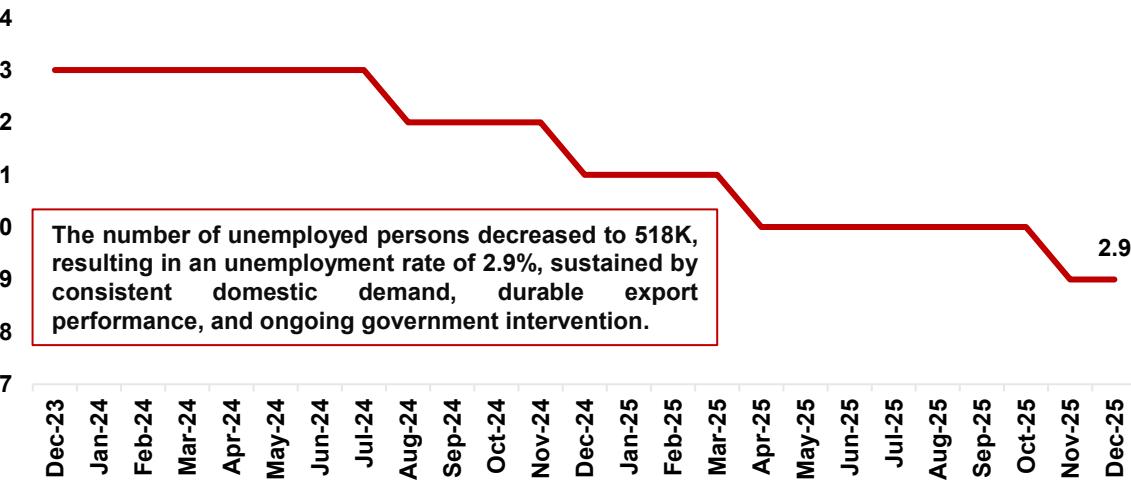
DOMESTIC

Malaysia - Real GDP growth, y-o-y%



Malaysia's economy delivered a standout performance in 2025, with its 5.2% annual growth comfortably outstripping the initial forecast range of 4.0% to 4.8%, as the fourth quarter accelerated to a 6.3% expansion, significantly outcasting the 5.4% growth seen in the third quarter, driven by strong domestic demand, noting that increased household spending and a surge in investment activity were the primary catalysts for the country's economic outperformance.

Malaysia - Unemployment Rate, %

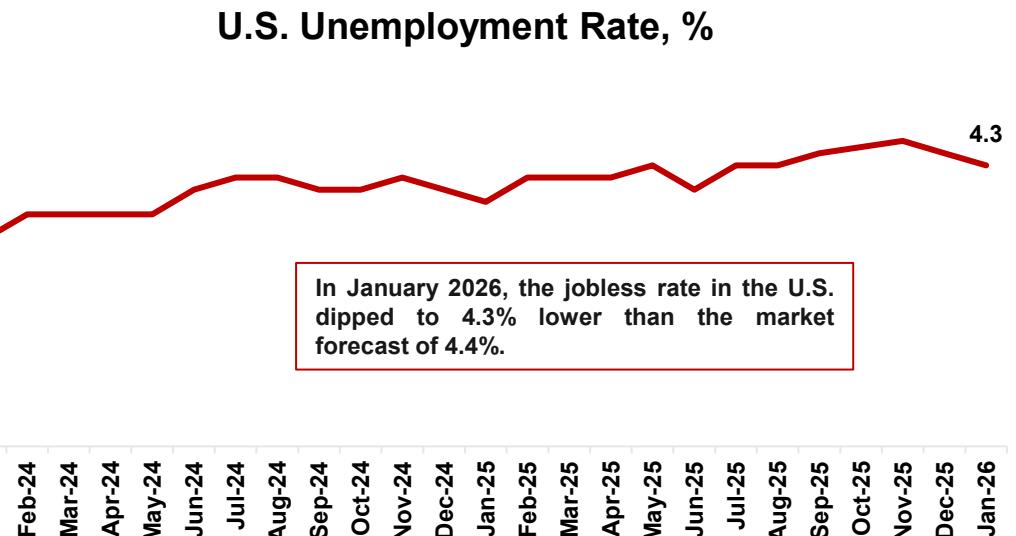
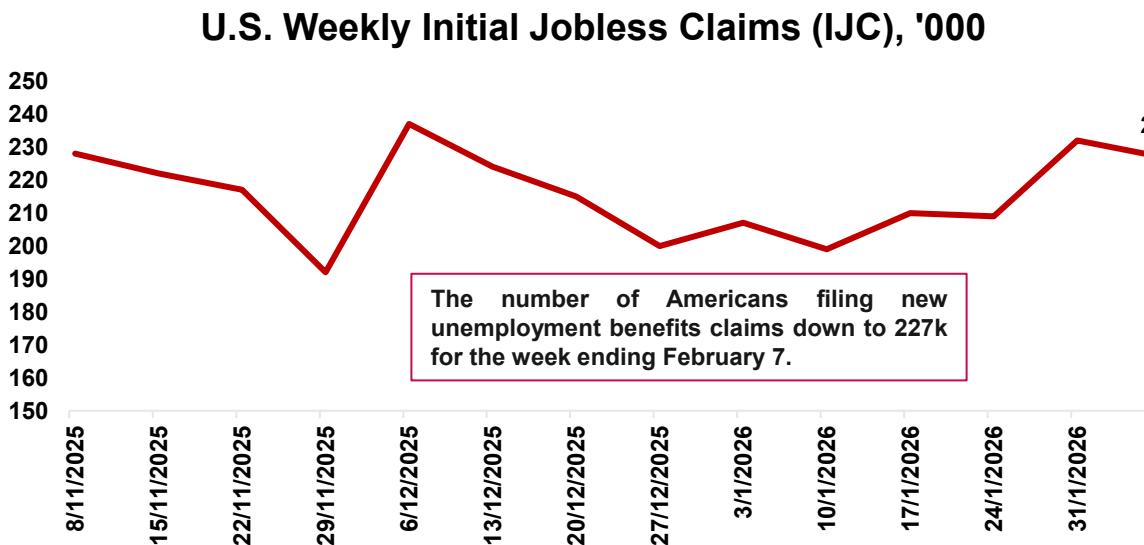
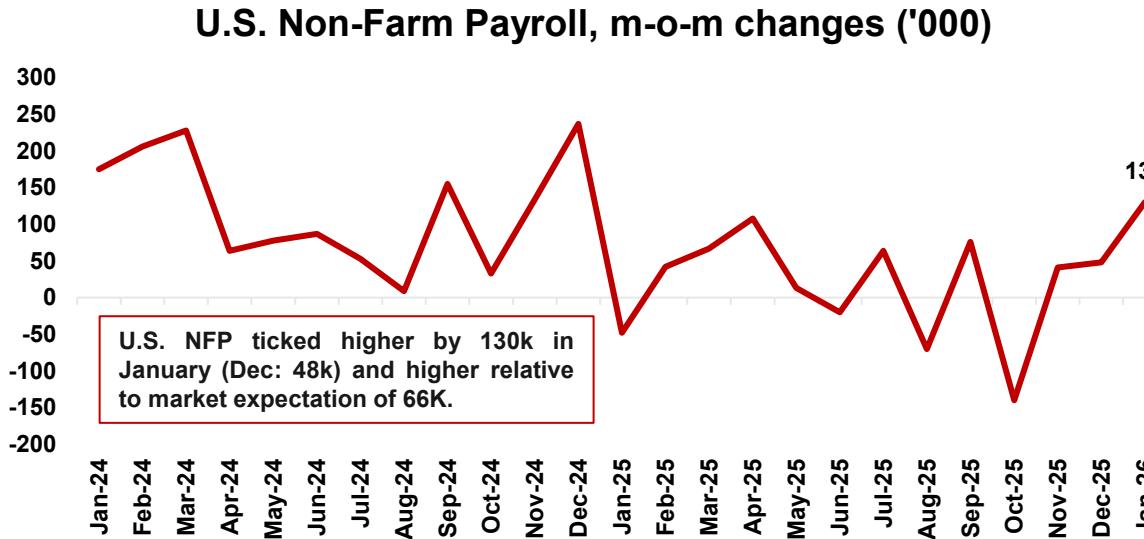


The number of unemployed persons decreased to 518K, resulting in an unemployment rate of 2.9%, sustained by consistent domestic demand, durable export performance, and ongoing government intervention.

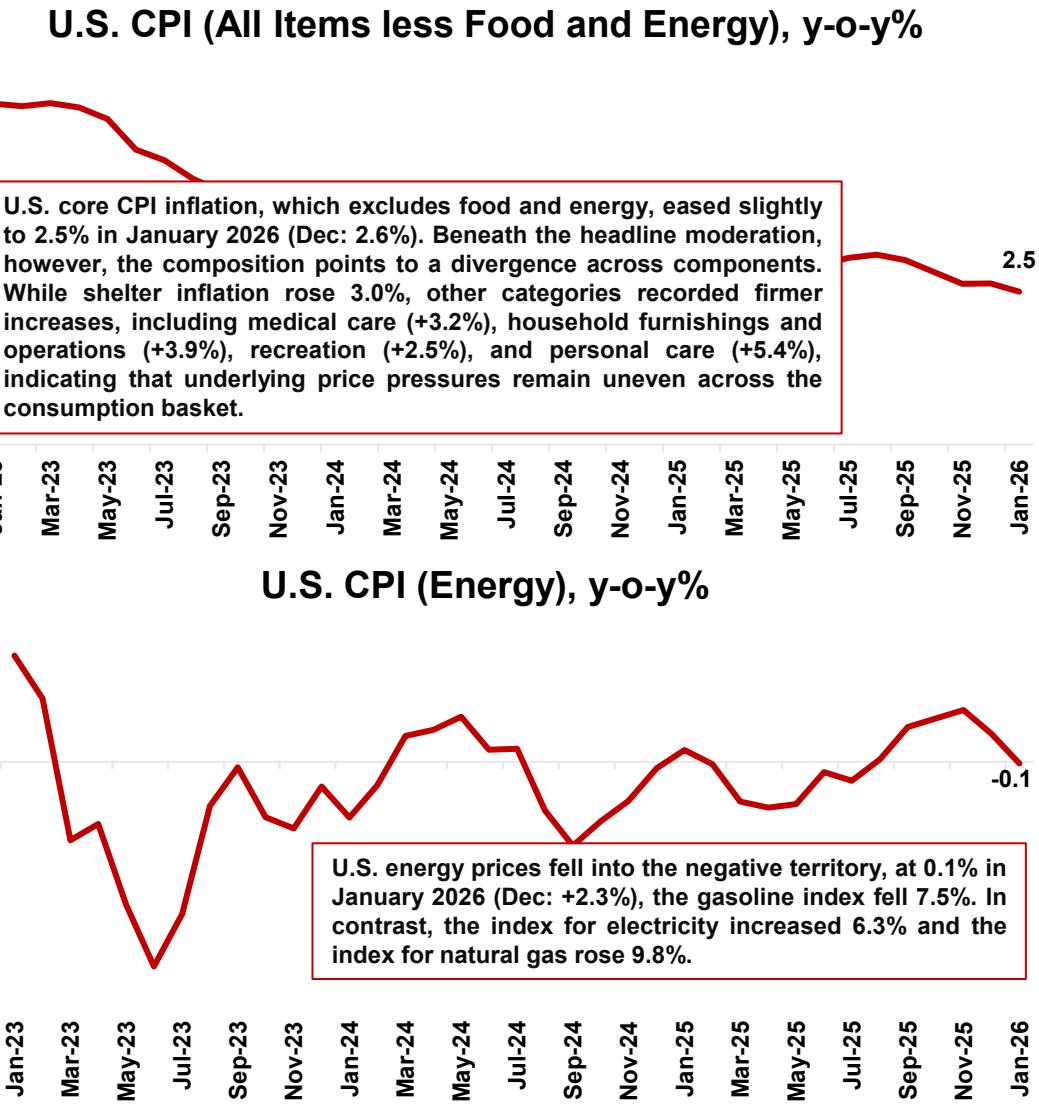
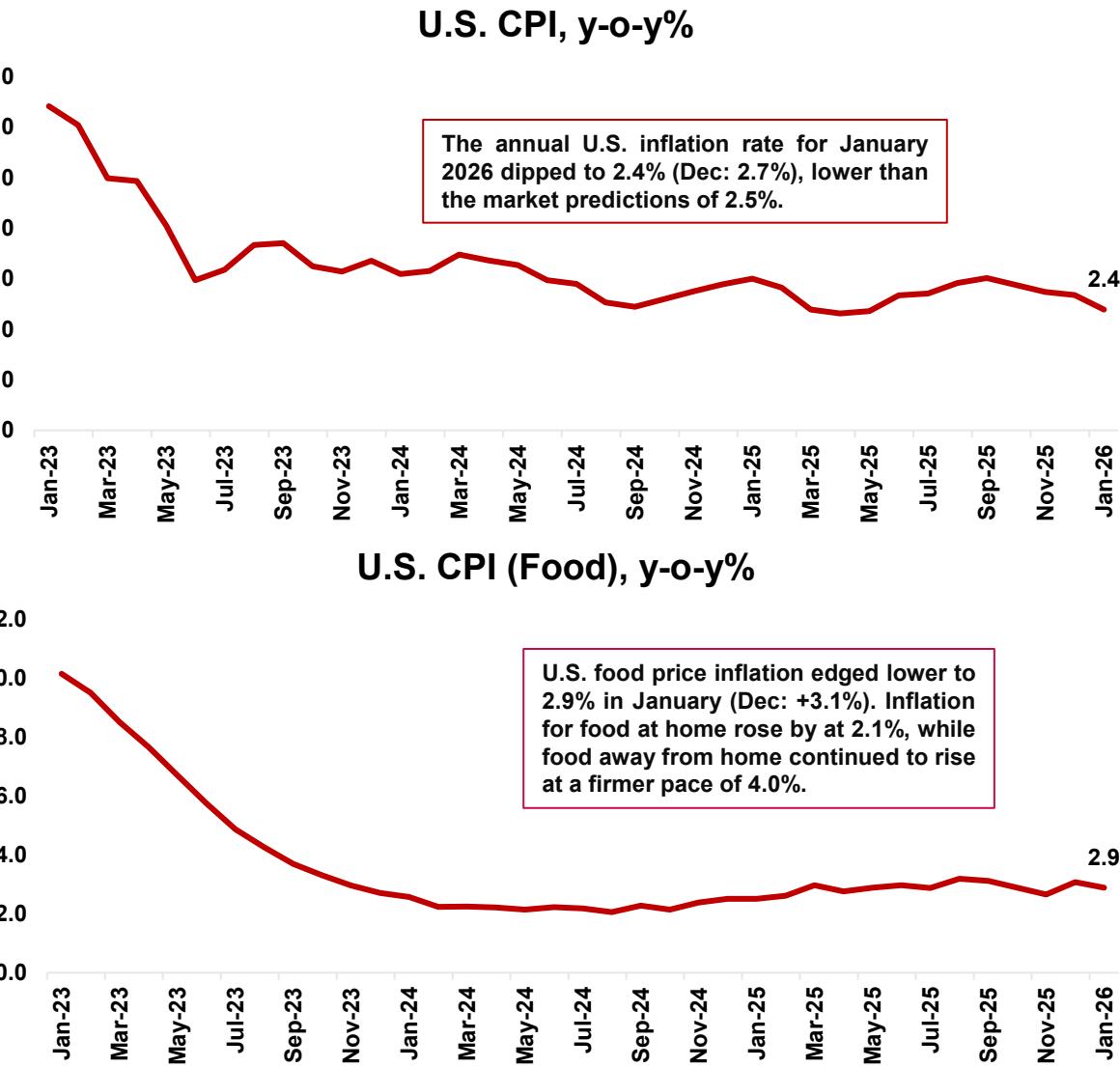
U.S. WEEKLY HIGHLIGHT: ROBUST U.S. JOB GROWTH IN JANUARY

PUBLIC

BANK ISLAM

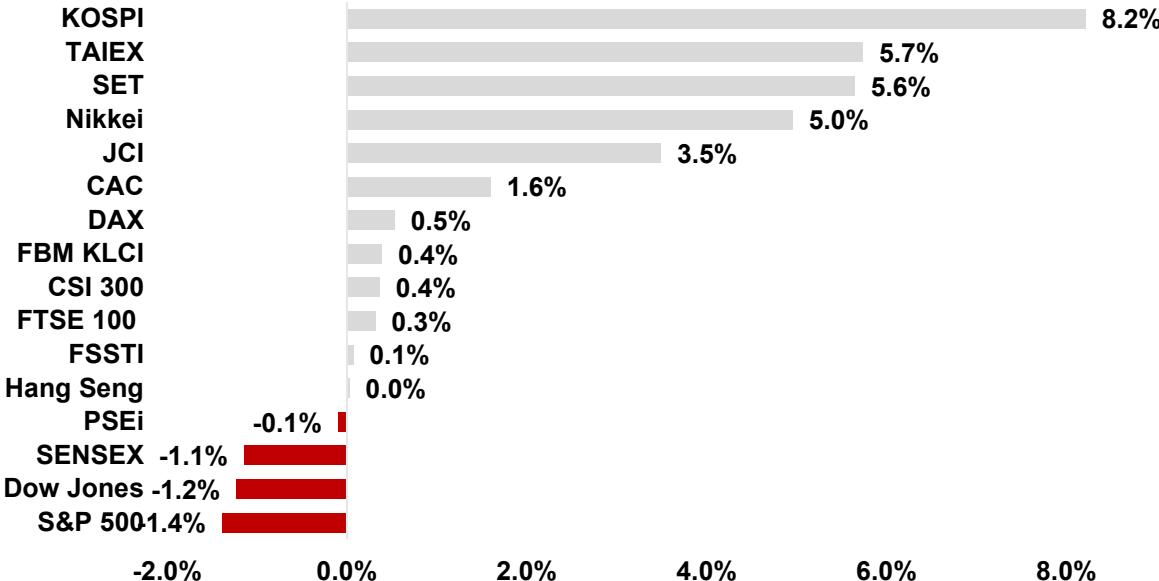


U.S. WEEKLY HIGHLIGHT: U.S. CPI COOLS FASTER THAN EXPECTED, FUELING FED RATE CUT HOPES

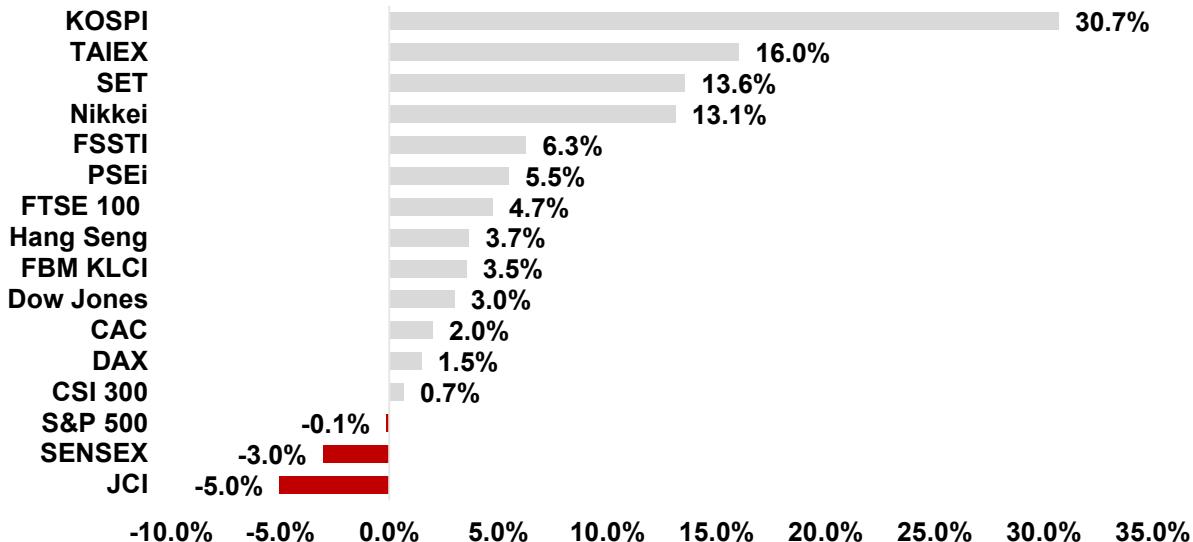


REGIONAL EQUITY: SEMICONDUCTOR STRENGTH FUELS ASIAN MARKETS WHILE WALL STREET RETREATS

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



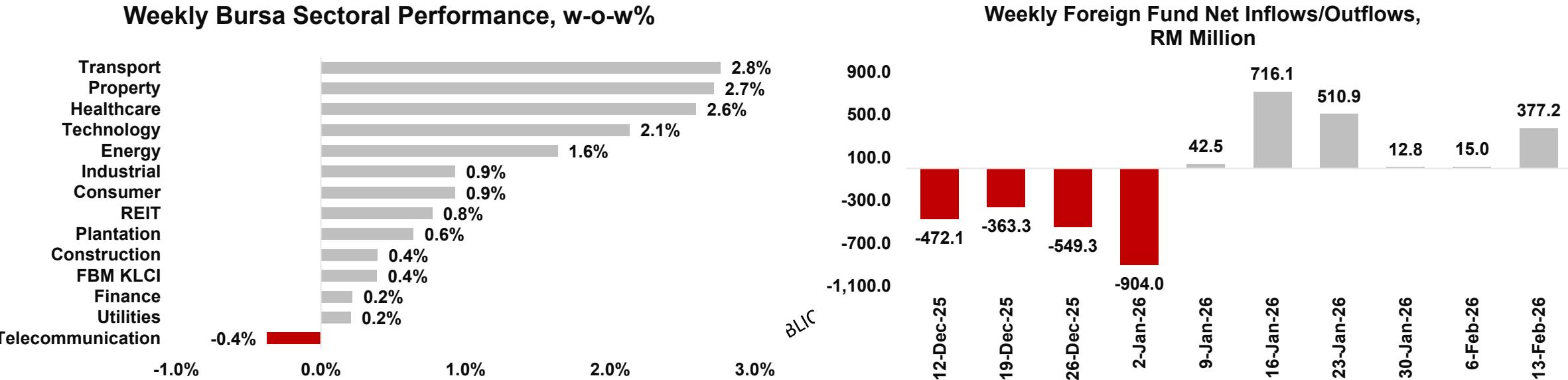
YTD Gain/Loss of Major Equity Markets, %
(As of 13 February 2026)



Sources: Bursa, CEIC Data

- The global stocks market were mostly in the green for the week ending February 13 with South Korea's KOSPI as the major gainer, expanding by 8.2%. The South Korean economy's recovery has maintained its momentum for a fifth straight month, bolstered by a powerful combination of resurgent domestic demand and surging semiconductor exports. According to the Ministry of Economy and Finance, this steady expansion is being driven by both a rebound in consumer spending and the exceptional performance of the tech sector, which continues to anchor the country's overall economic health.
- Additionally, Taiwan's TAIEX surged by 5.7% amid heavyweight Taiwan Semiconductor Manufacturing Co. (TSMC) continues to attract strong buying interest, fueled by a robust sales performance in January.
- On the contrary, U.S. stocks – S&P 500 (-1.4%) and Dow Jones (-1.2%) dipped despite the relatively tame inflation figures for January, companies with significant exposure to the A.I. sector have faced mounting pressure.

DOMESTIC EQUITY: SEA OF GREEN IN THE LOCAL MARKET AS THE ECONOMY GREW AT A TWELVE-QUARTER HIGH



Sources: Bursa, CEIC Data

- The FBM KLCI climbed by 0.4% w-o-w for the week ending February 13 as investors positioned themselves ahead of the shorter trading week in conjunction with the Lunar New Year.
- Additionally, the local market reflected soaring investor confidence surrounding Malaysia's economy following the release of the 4Q2025 Gross Domestic Product (GDP) on Friday, casting a rosy light over its 2026 growth prospects. The economy expanded at a twelve-quarter high of 6.3% (3Q25: 5.4%), surpassing official estimates of 5.7%, propelled by the Services (4Q25: 6.3% vs. 3Q25: 5.5%) and Manufacturing (4Q25: 6.1% vs. 3Q25: 4.1%) sectors. The Agriculture sector recorded a sharp increase during the quarter (4Q25: 5.4% vs. 3Q25: 0.1%) while the Construction (4Q25: 11.0% vs. 3Q25: 11.8%) and Mining (4Q25: 2.0% vs. 3Q25: 9.7%) sectors experienced slower growths.
- Most Bursa indices closed in the positive territory with the Transport index jumping by 2.8%, followed closely by the Property (+2.7%) and Healthcare (+2.6%) indices. On the other hand, the Telecommunications index was the only loser, slipping by 0.4%.
- Foreign investors remained as net buyers for the sixth straight week, acquiring a total of RM377.2 million worth of equities. This had increased the cumulative net inflow thus far to RM1.4 billion.

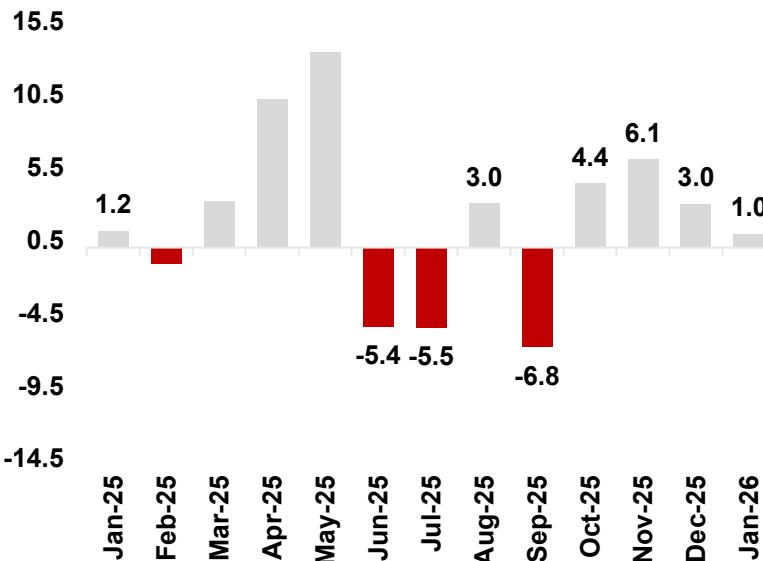
FIXED INCOME: UST YIELDS SLIDE AS INVESTORS EYE JUNE RATE REDUCTION

Weekly Changes, basis points (bps)			
UST	Yields (%) 6-Feb-26	Yields (%) 13-Feb-26	Change (bps)
3-Y UST	3.57	3.43	-14
5-Y UST	3.76	3.61	-15
7-Y UST	3.98	3.81	-17
10-Y UST	4.22	4.04	-18
MGS	Yields (%) 6-Feb-26	Yields (%) 13-Feb-26	Change (bps)
3-Y MGS	3.04	3.06	2
5-Y MGS	3.30	3.30	0
7-Y MGS	3.45	3.46	1
10-Y MGS	3.57	3.55	-2
GII	Yields (%) 6-Feb-26	Yields (%) 13-Feb-26	Change (bps)
3-Y GII	3.12	3.10	-2
5-Y GII	3.28	3.28	1
7-Y GII	3.38	3.37	0
10-Y GII	3.55	3.54	-1

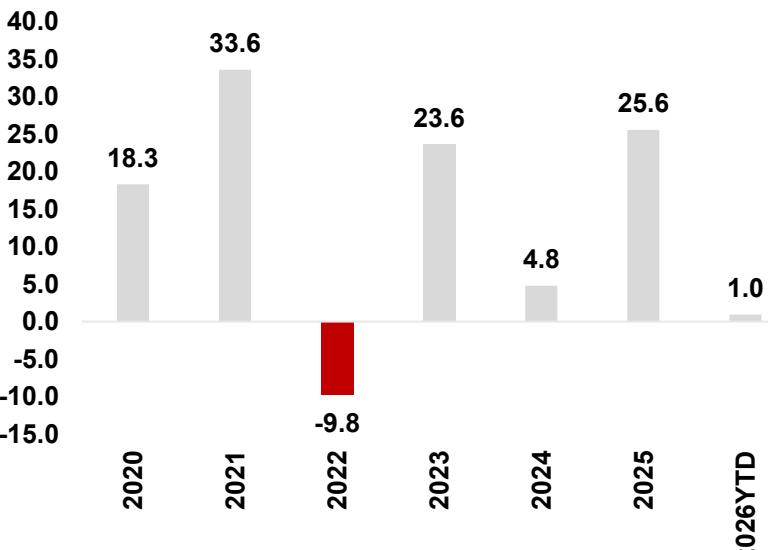
Sources: BNM, Federal Reserve Board

- The U.S. Treasury (UST) yields declined by between 14bps and 18bps following a softer-than-expected CPI report, market expectations for Federal Reserve (Fed) rate cuts in 2026 have solidified, with investors now largely pricing in a "hold" for the March meeting while seeing increased odds for a reduction in April. The current consensus assigns the highest probability to a 25bp cut in June, followed by another in September, though the outlook for December remains a toss-up with nearly even odds between a further rate reduction and a hold.
- Meanwhile, Malaysian Government Securities (MGS) and Government Investment Issues (GII) yields were little changed in the range of -2bps and 2bps.
- Foreign fund flows in the local bond market recorded a net foreign inflow of RM1.0 billion in January (Dec: +RM3.0 billion). Nevertheless, local govvies' foreign shareholdings to total outstanding slowed to 21.4% in January (Dec: 21.5%).

Foreign Fund Flows in Local Bond Market, RM Billion

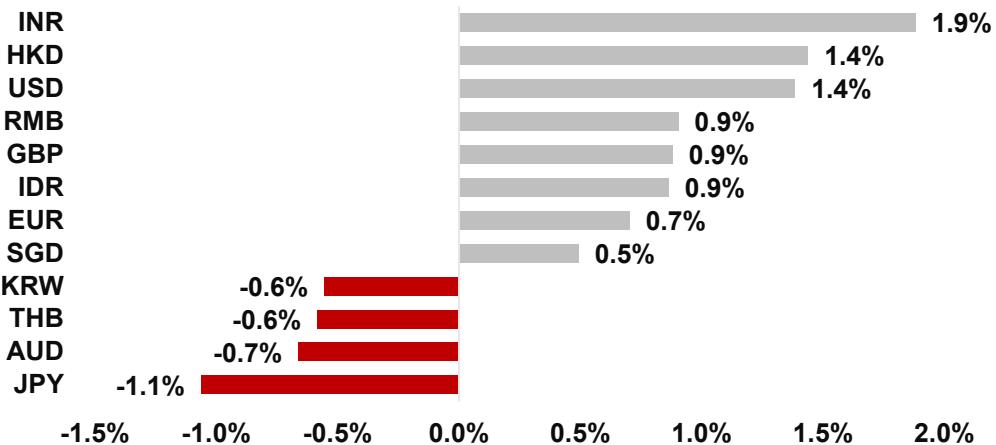
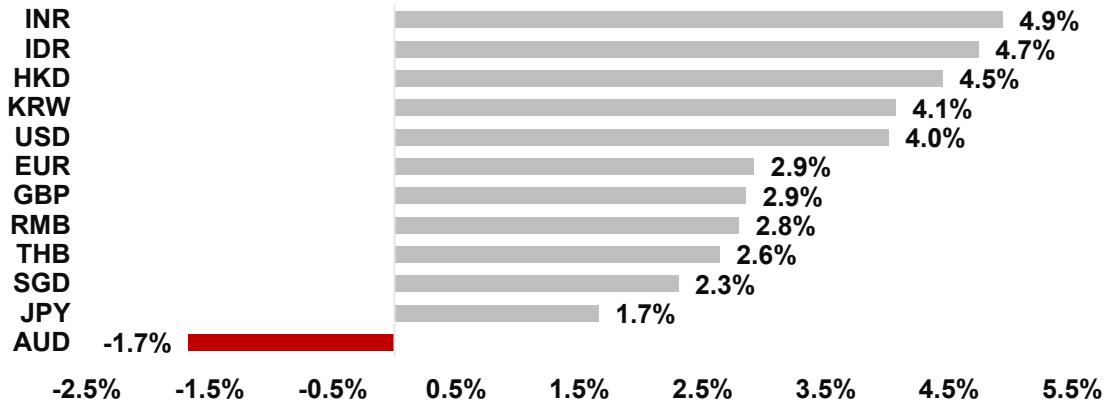


Cumulative Net Foreign Flows in Local Bonds (Yearly Comparison, RM Billion)



FX MARKET: RINGGIT ON TRACK FOR WEEKLY GAIN AS THE USD INDEX SLIPPED BELOW THE 97-LEVEL

MYR Against Regional Currencies, w-o-w%

MYR Against Regional Currencies, YTD%
(As of 13 February 2026)

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

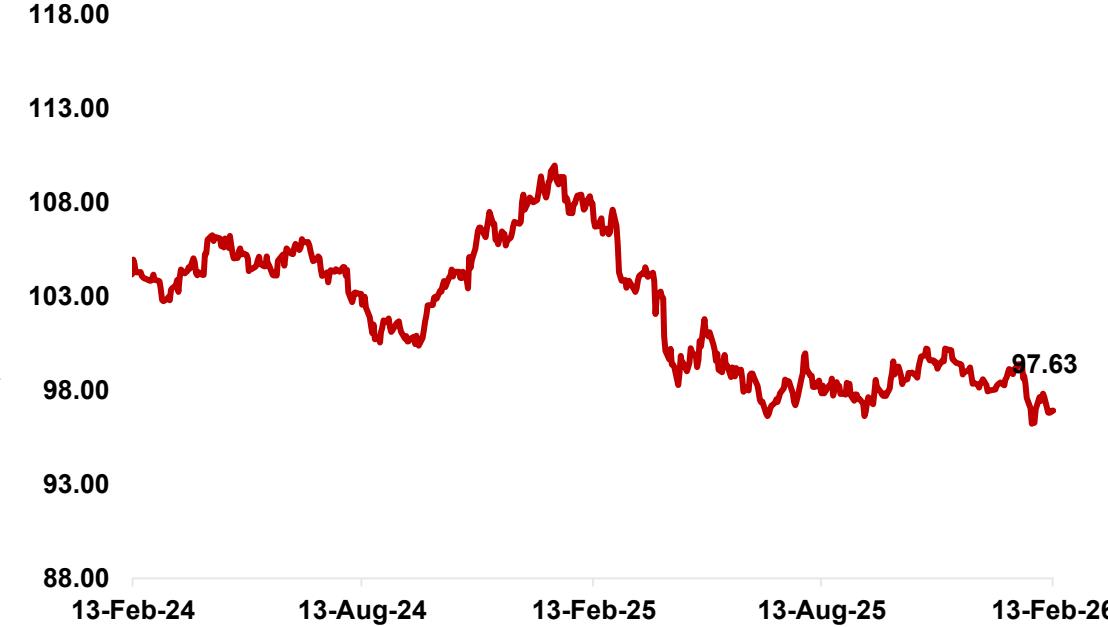
- The Ringgit appreciated by 1.4% w-o-w against the USD for the week ending February 13, marking the strongest level since early-2018, as the USD index slipped by 0.7%.
- Domestically, Malaysia's stronger than expected 4Q2025 GDP growth lifted market sentiments, leading to a rebound in demand after cautious trading earlier amid heightened U.S.-Iran geopolitical concerns. The release brought the 2025 full-year GDP to 5.2%, a tad higher than 5.1% in 2024, solidifying the Malaysian economy's structural resilience in the face of persistent external headwinds. The firm performance has since reinforced the optimism surrounding its 2026 growth prospects, supporting the Ringgit's climb.
- Looking ahead, the USD/MYR pair is expected to test the immediate support level at 3.90, with a potential extension toward the next support zone around 3.89 if downside momentum persists.
- On the other hand, the USD retreated below the 97-level during the week despite markets almost fully pricing in the probability of the Federal Reserve (Fed) staying pat in March. Of note, January Nonfarm Payrolls (NFP) increased sharply by 130K (Dec: 48K), surpassing consensus estimates of 70K, while the unemployment rate edged down to 4.3%. The surprise uptick has since erased the worst fears of a deterioration in job market conditions, reinforcing expectations that the Fed will likely opt for a balanced pause, notwithstanding clearer signs of inflation easing down to the Fed's targeted goal of 2%.

COMMODITY: GOLD PRICE REBOUNDED ABOVE THE USD5,000 LEVEL AMID PROLONGED GEOPOLITICAL UNCERTAINTIES

Gold in USD per ounce



U.S. Dollar Index (DXY)

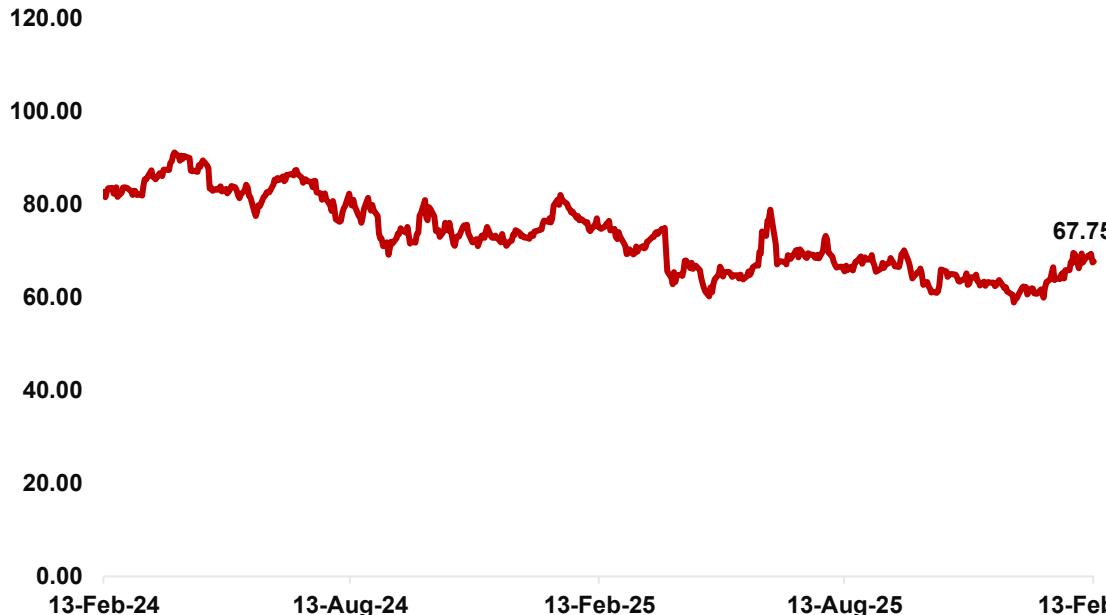


Sources: Bloomberg, CEIC Data

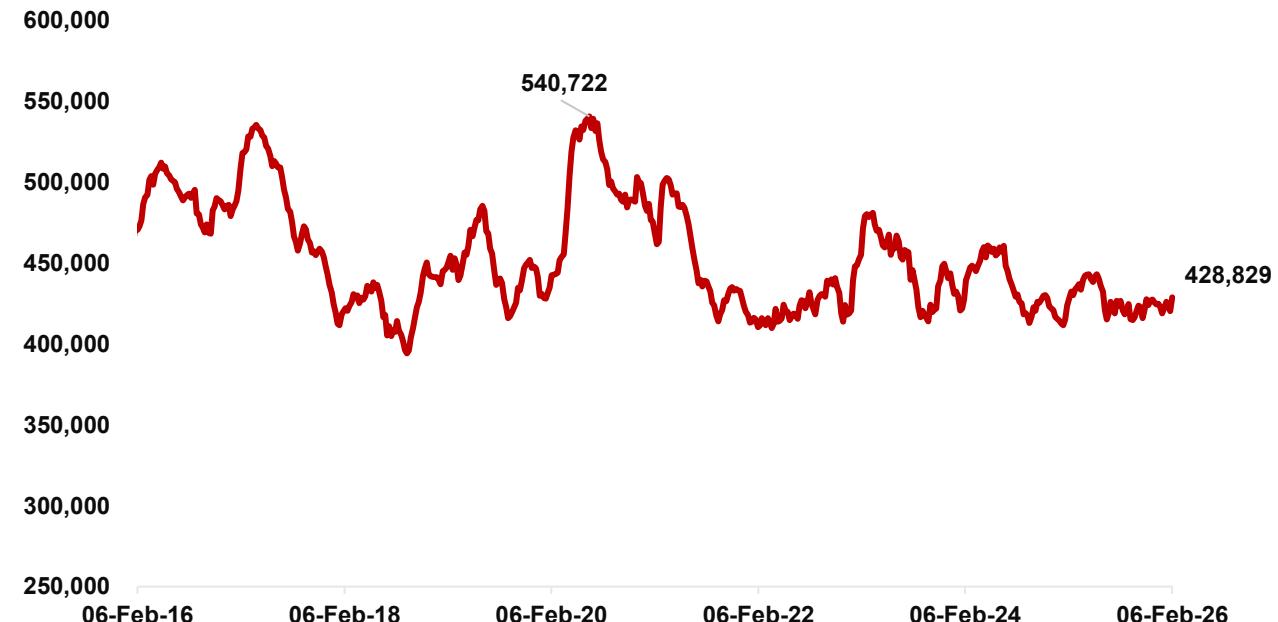
- Gold price jumped by 1.6% last week, climbing past the USD5,000-level, as prolonged uncertainties surrounding the U.S.-Iran tensions provided modest support to the XAU.
- Additionally, the XAU gained on the back of the USD's weakness as rising U.S.-specific risk premia led to cautious investors shedding related holdings. Geopolitical concerns had overshadowed heightened bets of the Fed maintaining the FFR between the 3.50-3.75%, of which had risen above the 90.8% at the time of writing.

COMMODITY: OIL PRICES RETREAT AS GEOPOLITICAL RISKS FADE AND SUPPLY SURPLUS LOOMS

Brent Crude in USD per barrel



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



Sources: Bloomberg, Energy Information Administration (EIA)

- Brent oil decreased marginally last week, ending the week (February 13) at USD67.75 per barrel, down 0.4% w-o-w, a second consecutive weekly drop as cooling U.S.-Iran tensions have significantly reduced the market's fear premium.
- This bearish trend was further accelerated by the International Energy Agency (IEA), which slashed its 2026 demand growth forecast to 850,000 barrels per day, triggering a price slide.
- U.S. weekly crude inventories increased by 8.5 million barrels to 428.8 million for the week ending February 6.

WHAT TO LOOK OUT FOR IN THE MARKETS THIS WEEK

- This week, central to market attention will be U.S.' preliminary 4Q2025 GDP and personal consumption expenditure (PCE) inflation figures. Thus far, the Fed appears comfortably positioned to keep its Federal Funds Rate (FFR) steady, backed by firmer hiring momentum in January while CPI numbers came in softer than expected. Of note, headline inflation eased to 2.4% (Dec: 2.7%) while core inflation moderated to 2.5% (Dec: 2.6%), the lowest since March 2021, underscoring the continued progress toward the Fed's 2.0% target. The ongoing disinflationary trend has also alleviated some concerns of a resurgence in underlying price pressures stemming from trade barriers enacted in 2025. On the other hand, January nonfarm payrolls surpassed expectations, easing fears of a notable labour market deterioration. Against this backdrop, the Fed is well-poised to hold steady in the near term to reassess the evolving balance of risks. The GDP growth and PCE inflation figures will contribute to the policy outlook. Should the economy remain firm and PCE reading indicate further progress, this will reinforce the case of a slower, more balanced pace of easing.
- In Japan, market focus this week will be on the upcoming January inflation readings, helping investors shape their Bank of Japan (BOJ) policy expectations. Latest figures showed that the economy recovered slightly as it grew by 0.1% q-o-q in 4Q2025 (3Q25: -0.7%), albeit slower than consensus estimates of a 0.4% growth. On an annualized basis, Japan's GDP rebounded by 0.2% from a 2.3% decline (Est: 1.6%). Although the economy recovered in the final quarter, the growth momentum is considerably weaker than expected, potentially causing delays to BOJ's tightening cycle. However, December inflation surprised to the downside, headline figure easing sharply to 2.1% (Nov: 2.9%), the lowest since March 2022, while core inflation to 2.4% from November's 3.0%. As such, the upcoming release will be pivotal in reinforcing the beginnings of a disinflation trend, providing the central bank some flexibility in addressing inflation without risking the growth momentum.
- Markets will also be eyeing Malaysia's January Consumer Price Index (CPI) release this week, which will offer more clarity on the impact of the Sales and Services Tax (SST) revision in July 2025. As of December, price dynamics has been increasingly skewed towards domestic demand factors, culminating in a more subdued headline reading while underlying price pressures mount. On one hand, global energy and commodity prices remained moderate, mitigating supply-side inflationary pressures. Evidently, the 2025 Producer Price Index (PPI) declined by 2.0% (2024: 0.3%) while headline inflation eased to 1.4% (2024: 1.8%). On the other hand, consumer demand is steadily channeled toward discretionary spending and essential services, leading to an uptick in annual core inflation (2025: 2.0% vs. 2024: 1.8%). However, a closer examination revealed that the impact of the SST revision has trickled into underlying price pressures, driving December headline inflation to an eleven-month high (1.6% vs. Nov: 1.4%) while core inflation increased to 2.3%.



THANK YOU