



# **WEEKLY ECONOMIC UPDATE**

**16 MARCH 2026**

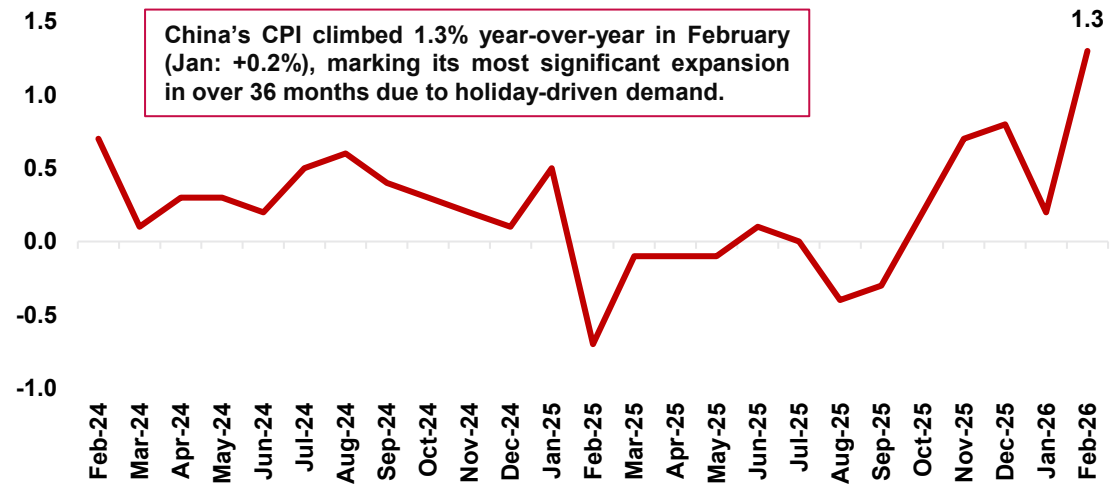
**ECONOMIC RESEARCH**

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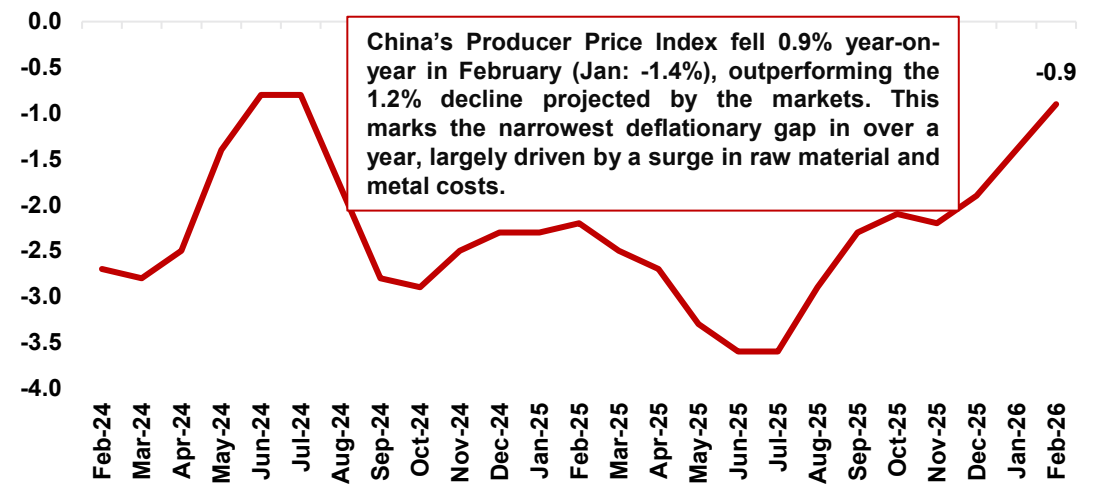
# WEEKLY HIGHLIGHT: CHINA'S CONSUMER INFLATION HITS THREE-YEAR HIGH AMID HOLIDAY-DRIVEN DEMAND

GLOBAL

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

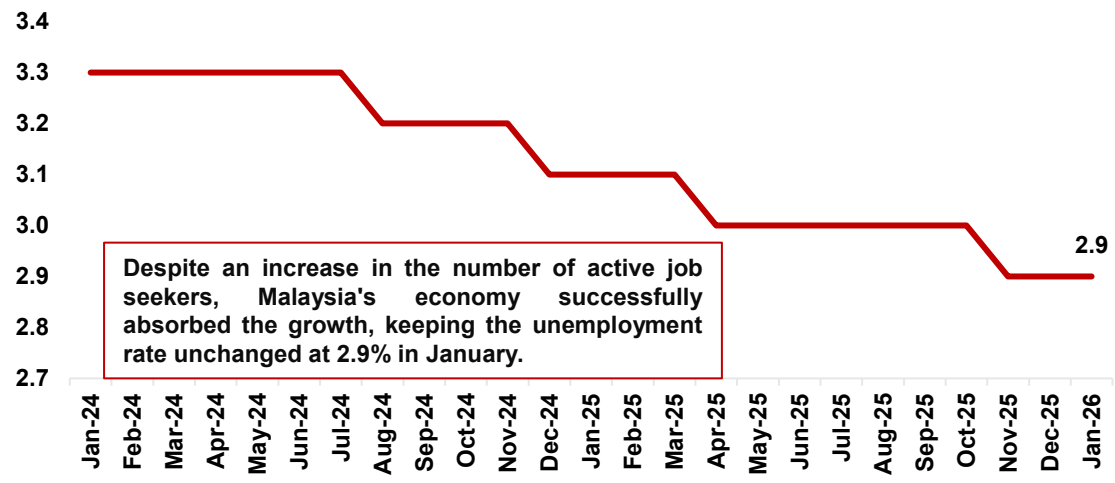


### China - Producer Price Index (PPI), y-o-y%

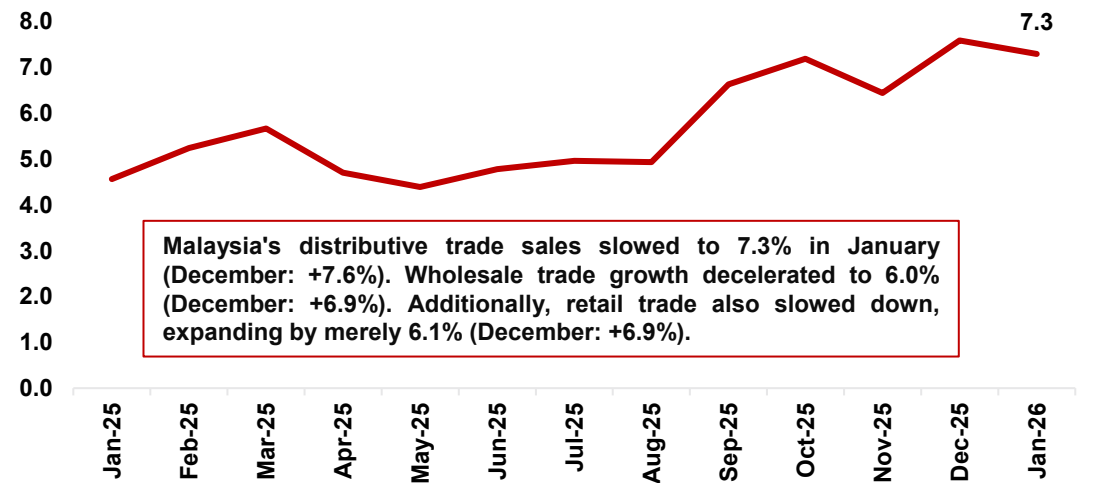


DOMESTIC

### Malaysia - Unemployment Rate, %

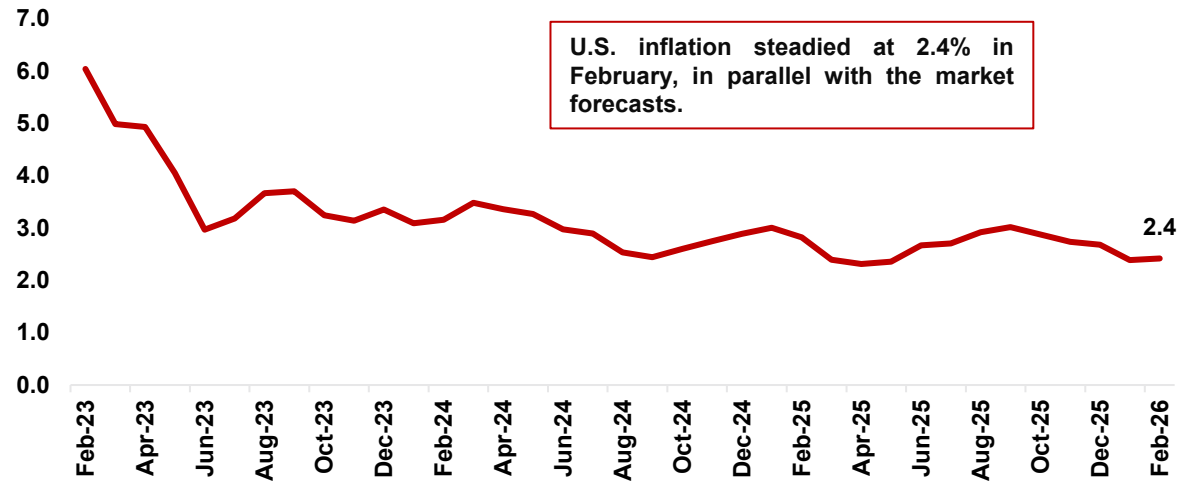


### Malaysia - Distributive Trade Sales, y-o-y%

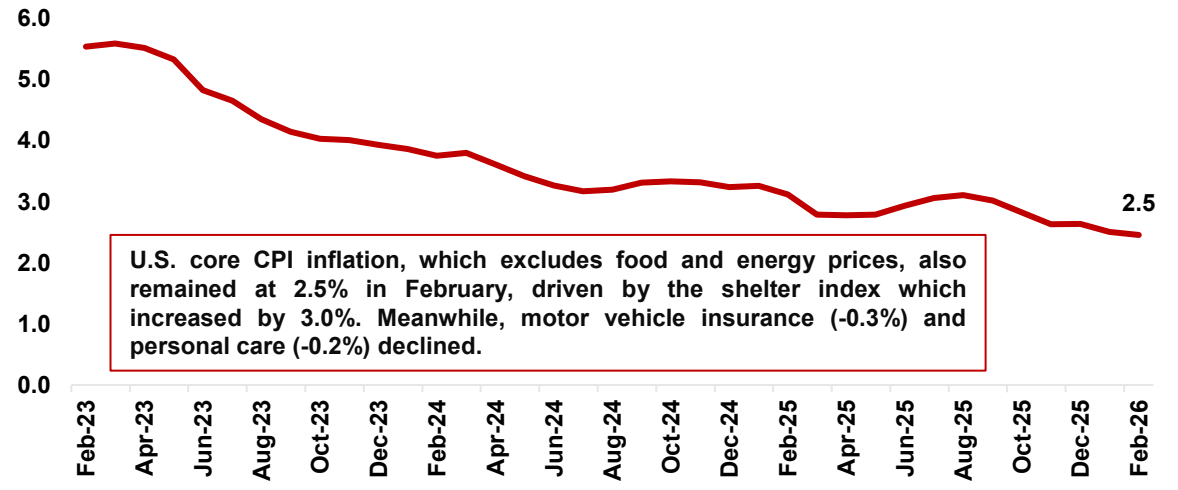


# U.S. WEEKLY HIGHLIGHT: U.S. INFLATION STABLE AHEAD OF U.S. – IRAN WAR

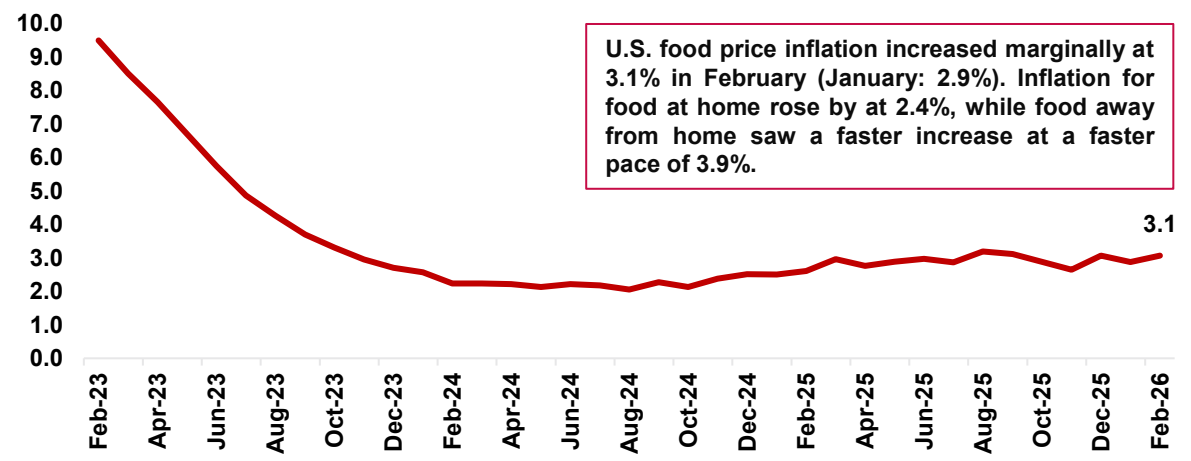
### U.S. CPI, y-o-y%



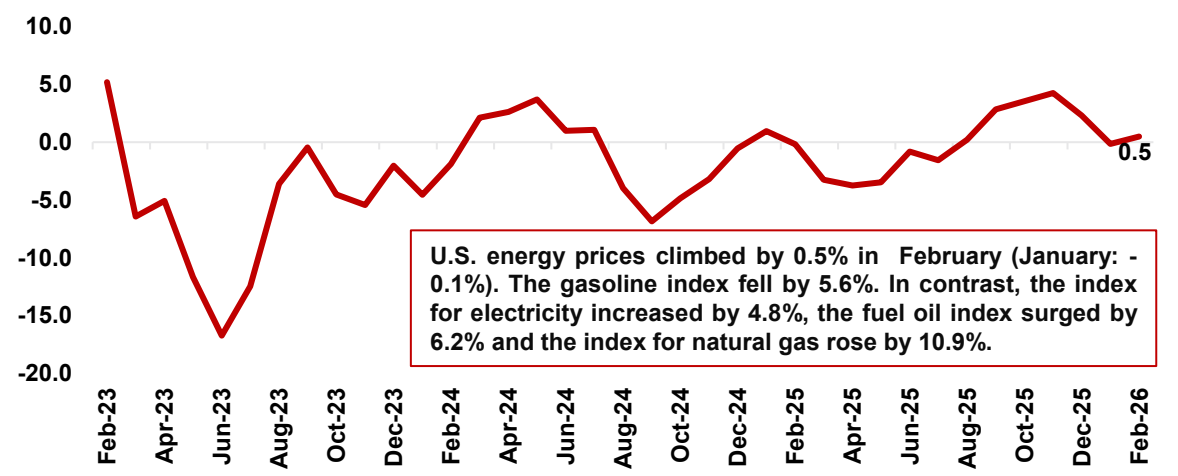
### U.S. CPI (All Items less Food and Energy), y-o-y%



### U.S. CPI (Food), y-o-y%

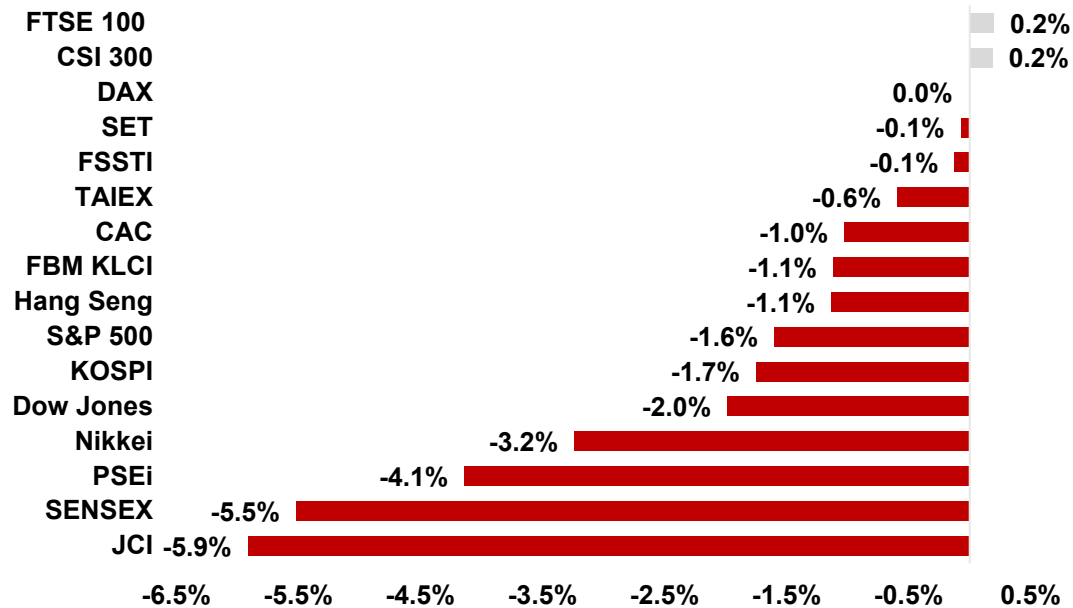


### U.S. CPI (Energy), y-o-y%

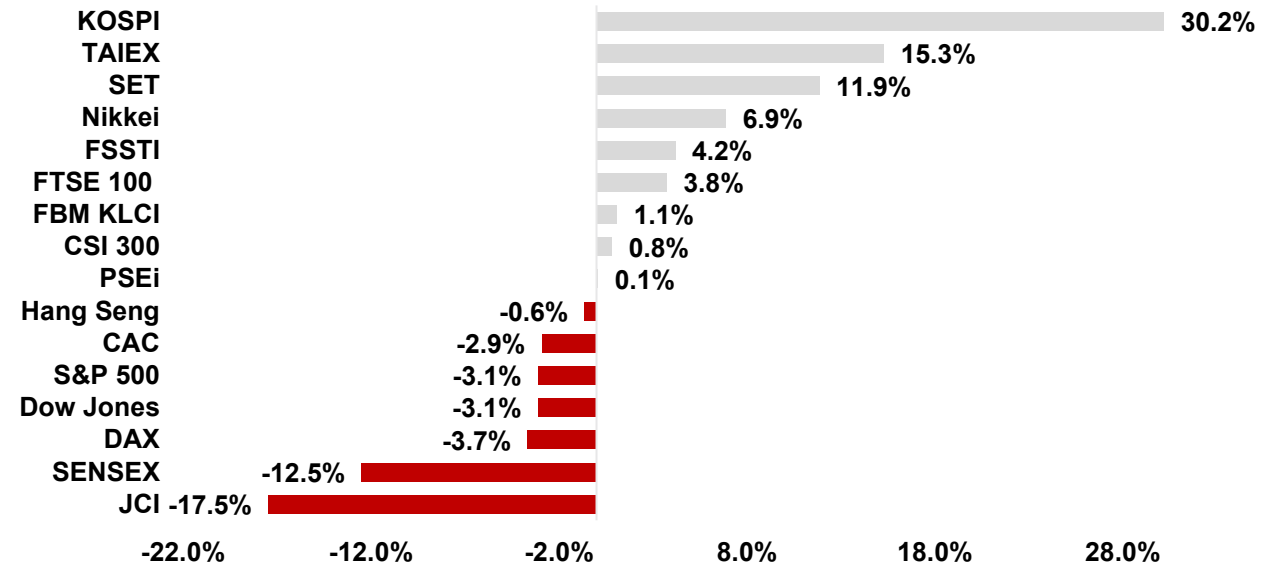


# REGIONAL EQUITY: HORMUZ BLOCKADE AND LOOMING TRADE WARS SEND GLOBAL EQUITIES INTO A TAILSPIN

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



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



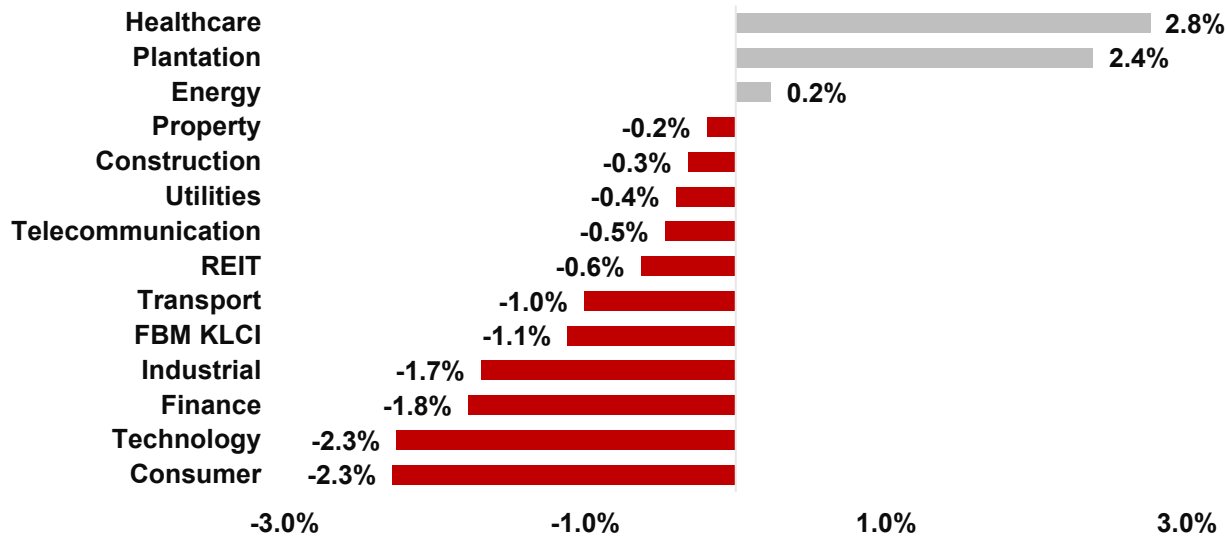
Sources: Bursa, CEIC Data

- The regional equity index mostly in the red for the week ending March 13 with Indonesia's JCI as the major loser, contracting by 5.9% amid stubbornly high oil prices driven by the dimming prospects of a ceasefire in the U.S.–Iran conflict continue to aggravate inflation fears. Compounding this, Washington has initiated investigations into industrial overcapacity and forced labor, signaling a potential wave of new tariffs targeting major economies like China, the E.U., India, and Japan.
- U.S stocks – Dow Jones (-2.0%) and S&P 500 (-1.6%) slumped as global markets struggled to find stability as regional hostilities intensified, and energy prices remained volatile. The outlook darkened when Defense Secretary Pete Hegseth announced the most significant wave of U.S. strikes against Iranian targets to date. This escalation has effectively solidified the blockade of the Strait of Hormuz, intensifying fears that the global economy is entering a period of deep, prolonged stagflation.
- In contrast, U.K's FTSE 100 (+0.2%) and China's CSI 300 (+0.2%) were the only gainers for the week ending March 13.

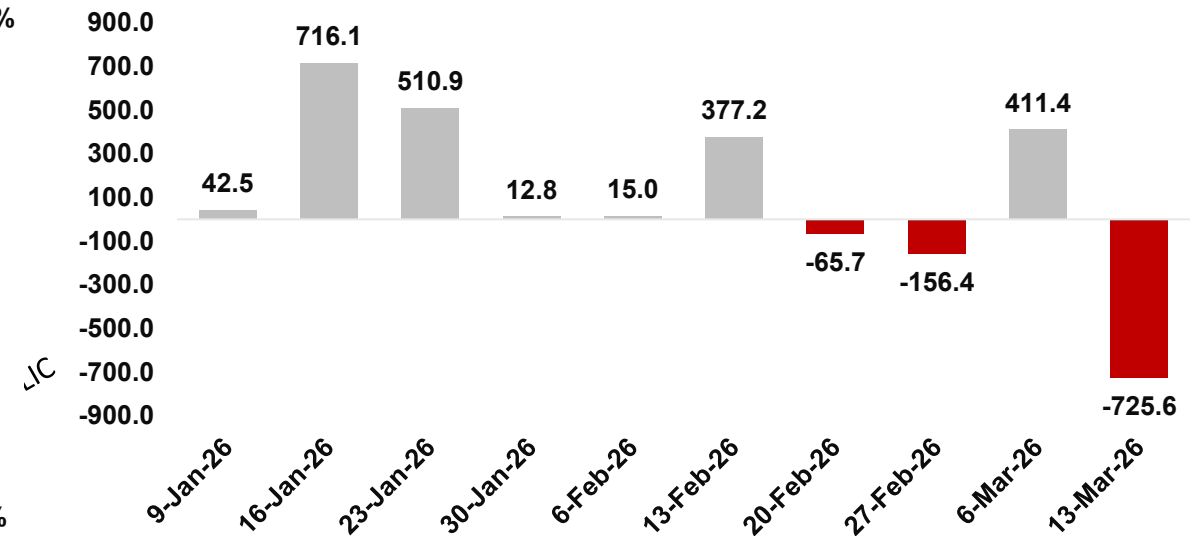
# DOMESTIC EQUITY: FBM KLCI DIPPED BELOW THE 1,700-LEVEL, MIRRORING SUBDUED REGIONAL PEERS



Weekly Bursa Sectoral Performance, w-o-w%



Weekly Foreign Fund Net Inflows/Outflows, RM Million

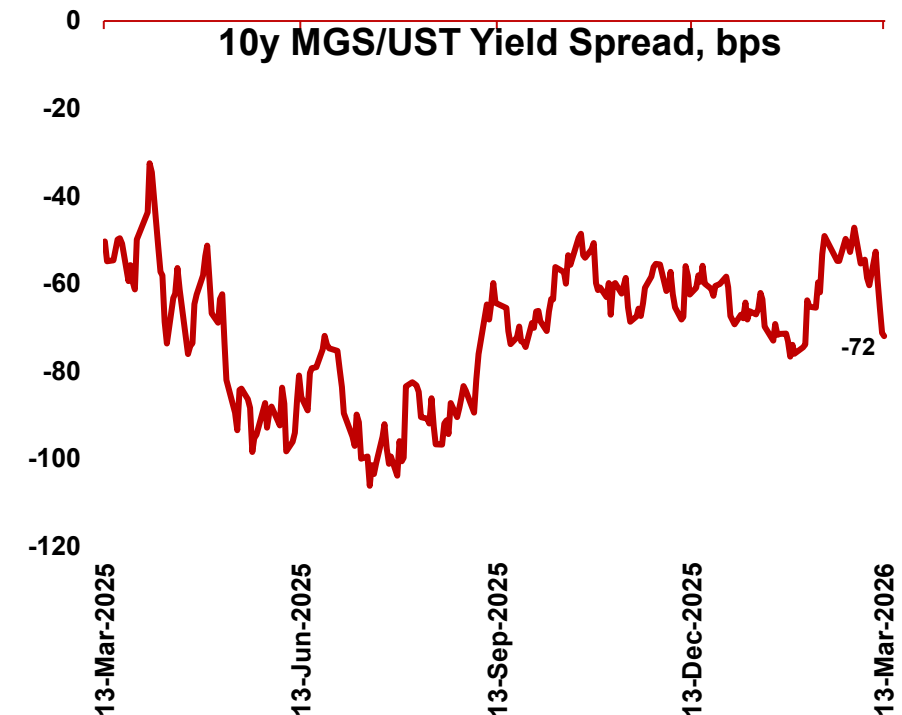


Sources: Bursa, CEIC Data

- The FBM KLCI declined by 1.1% w-o-w for the week ending March 13, slipping below the 1,700-level as geopolitical jitters persisted.
- With the armed clash between U.S.-Israel and Iran extending for the second week, investors remained on risk-off modes which saw sustained rotation out of volatile assets. Expectations of a slowing global growth, dragged by supply chain disruptions and weakening demand, weighed on investor sentiments and subdued buying interest in the local market.
- Most Bursa indices closed in the negative territory with both Consumer and Technology indices dipping by 2.3%, followed by the Finance (-1.8%) and Industrial (-1.7%) indices.
- Meanwhile, the Healthcare index was the biggest gainer, climbing by 2.8%. This was followed closely by the Plantation index (+2.4%) while the Energy index (+0.2%) trailed behind.
- Foreign investors shed a total of RM725.6 million worth of equities, marking the highest net outflow since November 2025. This reduced the cumulative net inflow thus far to RM905.8 million.

# FIXED INCOME: UST YIELDS SURGED AS ENERGY INFLATION AND WAR DEFICIT PRESSURE FED OUTLOOK

| Weekly Changes, basis points (bps) |            |           |              |
|------------------------------------|------------|-----------|--------------|
| UST                                | Yields (%) |           | Change (bps) |
|                                    | 6-Mar-26   | 13-Mar-26 |              |
| 3-Y UST                            | 3.59       | 3.74      | 15           |
| 5-Y UST                            | 3.72       | 3.87      | 15           |
| 7-Y UST                            | 3.93       | 4.07      | 14           |
| 10-Y UST                           | 4.15       | 4.28      | 13           |
| MGS                                | Yields (%) |           | Change (bps) |
|                                    | 6-Mar-26   | 13-Mar-26 |              |
| 3-Y MGS                            | 3.11       | 3.20      | 9            |
| 5-Y MGS                            | 3.35       | 3.37      | 2            |
| 7-Y MGS                            | 3.45       | 3.47      | 2            |
| 10-Y MGS                           | 3.55       | 3.56      | 1            |
| GII                                | Yields (%) |           | Change (bps) |
|                                    | 6-Mar-26   | 13-Mar-26 |              |
| 3-Y GII                            | 3.14       | 3.19      | 5            |
| 5-Y GII                            | 3.30       | 3.32      | 2            |
| 7-Y GII                            | 3.37       | 3.40      | 3            |
| 10-Y GII                           | 3.54       | 3.56      | 2            |

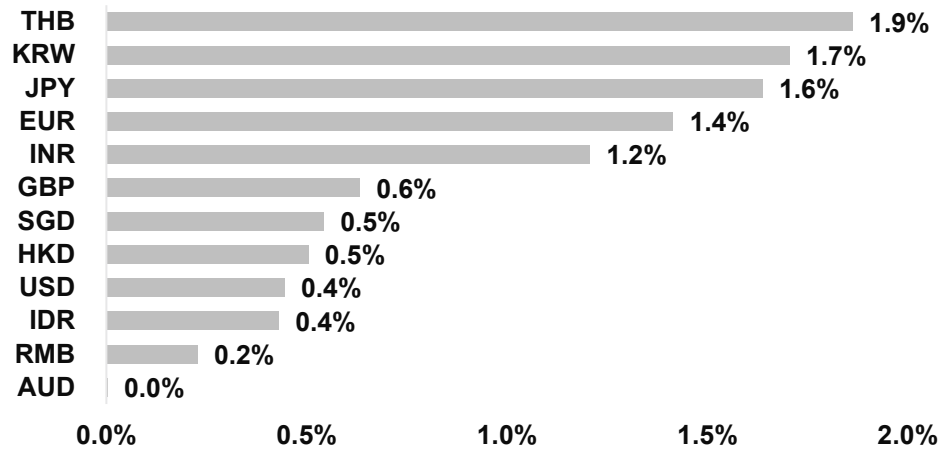


Sources: BNM, Federal Reserve Board

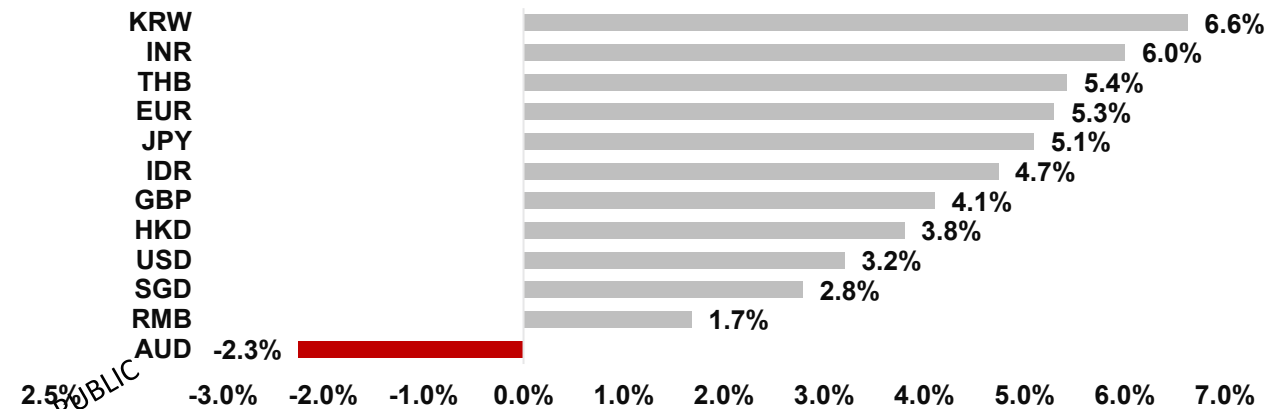
- The U.S. Treasury (UST) yields mostly edged higher by between 13bps and 15bps for the week ending March 13, as concerns over energy-led inflation and war-related fiscal deficits are mounting ahead of Federal Reserve (Fed) March Federal Open Market Committee (FOMC) meeting. While markets expect interest rates to remain unchanged, the focus will shift to the Fed's forward-looking guidance.
- Malaysian Government Securities (MGS) and Government Investment Issues (GII) yields also climbed in the range of 1bp and 9bps.
- The auction of 3-Y reopening of MGS worth RM5.0 billion which was issued on March 13 drew a strong demand with a bid-to-cover (BTC) ratio of 2.2x, significantly higher compared to the previous RM5.0 billion 15-Y reopening of MGS in September 2025 with a BTC ratio of 1.9x.
- The 10y MGS/UST yield spread widened in the negative territory at -72bps relative to -60bps in the previous week.

# FX MARKET: RINGGIT GAINED SUPPORT FROM DOMESTIC FACTORS WHILE THE USD BROKE ABOVE THE 100-LEVEL

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



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

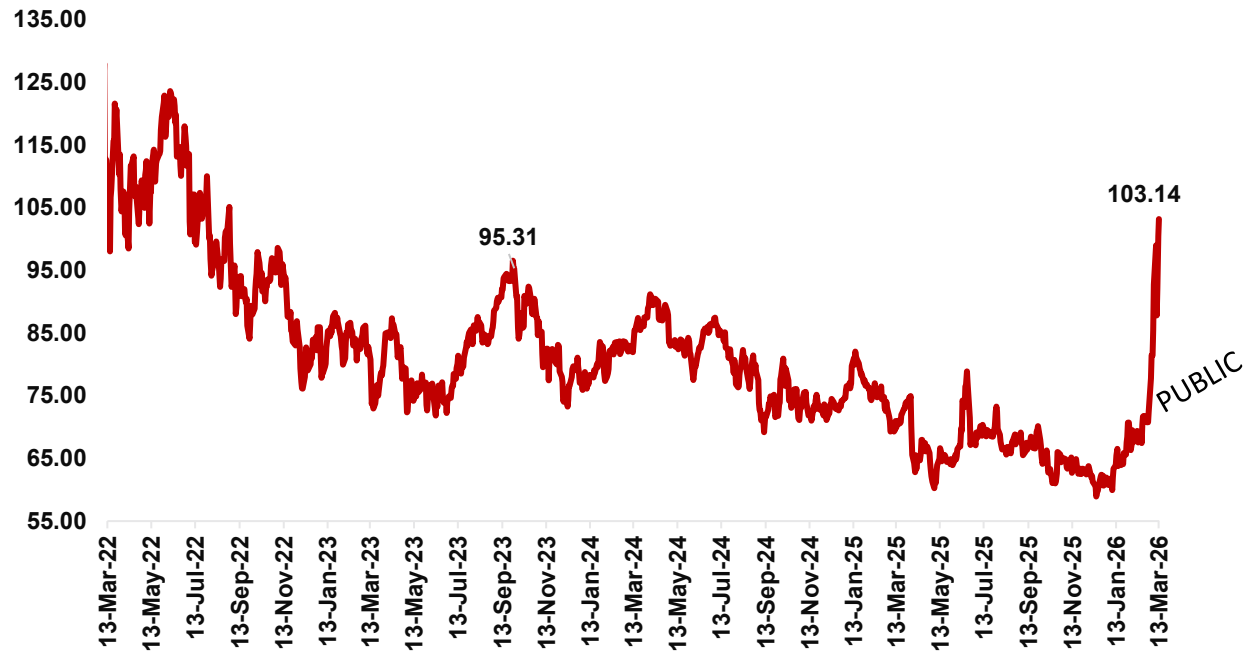


Sources: BNM, Federal Reserve Board (Fed), CEIC Data

- The Ringgit appreciated by 0.4% w-o-w against the USD for the week ending March 13 while the USD index climbed by 1.4%, touching the highest point this year.
- Domestically, the Ringgit gained modest support from heavy-hitting economic releases during the week, namely the industrial production, job market and distributive trade sales figures. In short, domestic demand is anticipated to remain strong against a backdrop of robust labour market conditions, subdued inflation and structural support, prevailing as the key growth pillar in the face of intensifying external headwinds.
- Meanwhile, the USD extended its bullish run to break decisively above the immediate resistance around 100.00 on Friday as tensions in the Middle East continued to fuel investor appetite for dollar-denominated assets.
- Additionally, energy prices rose further following Iran's strike on unauthorized vessels through the Strait of Hormuz and broader supply disruptions, heightening bets of an extended Fed pause and supporting the USD's climb.
- Further reinforcing the "higher-for-longer" narrative was the uptick in core Personal Consumption Expenditure (PCE) inflation, suggesting that underlying price pressures remain persistent which shifted investors' inflation and monetary policy expectations higher. Core PCE inflation marked the highest level in two years (Jan: 3.1% y-o-y vs. Dec: 3.0% y-o-y) while on a monthly basis, it rose by 0.4%.

# COMMODITY: BRENT CRUDE CLIMBS ABOVE USD100 AMID RISING MIDDLE EAST SUPPLY RISKS

## Brent Crude in USD per barrel



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

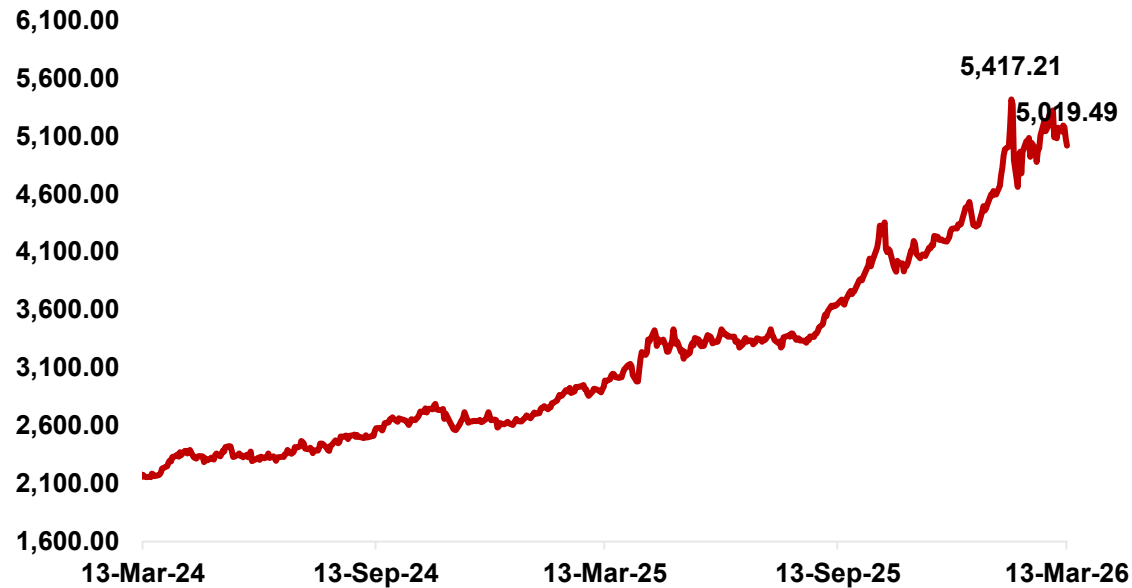


Sources: Bloomberg, Energy Information Administration (EIA)

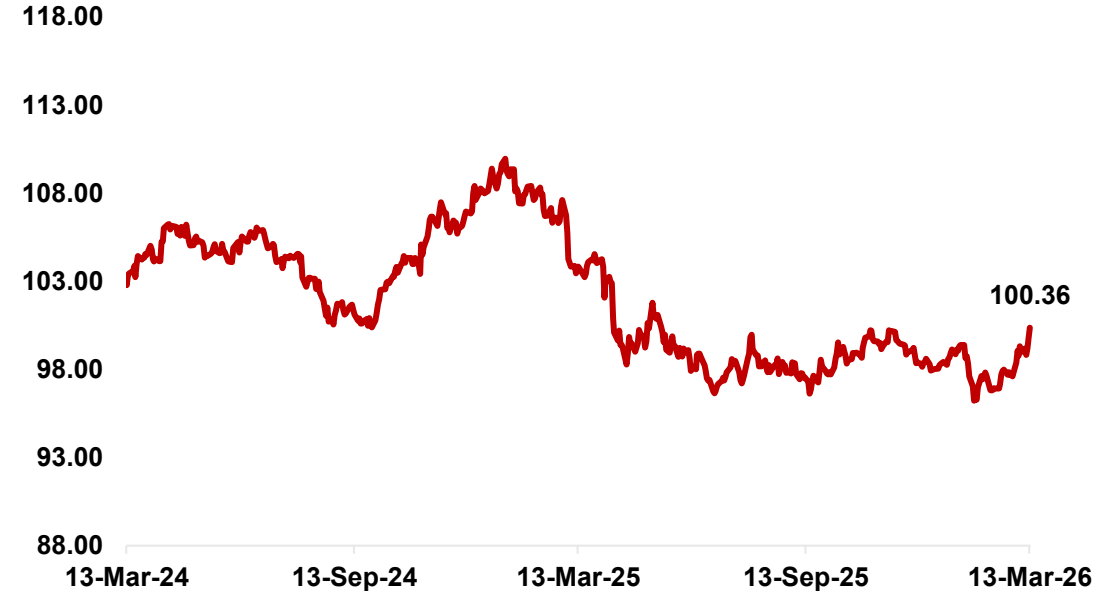
- Brent oil prices exceeded USD100/barrel for two consecutive days, closing at USD103.14/barrel on Friday (March 13), or 11.3% w-o-w gain.
- Escalating tensions between the U.S. and Iran have heightened concerns over disruption to oil production and exports across the Gulf. This has tightened global supply and pushed price higher, despite discussions about releasing strategic reserves to stabilize the market.
- According to the March Oil Market Report from the International Energy Agency (IEA), the Middle East conflict has caused a major disruption to global oil supply. Shipments through the Strait of Hormuz have fallen sharply from roughly 20 million barrels per day before the war. If tanker traffic does not recover soon, the loss of supply could grow further.
- Meanwhile, US crude oil inventories increased by 3.8 million barrels to 443.1 million for the week ending March 6.

# COMMODITY: GOLD PRICE ON TRACK FOR WEEKLY LOSS AS INVESTORS FLOCKED TOWARDS THE USD

## Gold in USD per ounce



## U.S. Dollar Index (DXY)



Sources: Bloomberg, CEIC Data

- Gold price (XAU) declined by 2.9% w-o-w, slipping below the support floor at USD5,100-level on Thursday before ended the week at USD5,019.49. The bullion price was under pressure as safe-haven flows were largely skewed towards the USD.
- Beyond safe-haven demand, the USD appeared more attractive as investors recalibrated their Fed policy expectations in anticipation of hotter inflation.
- Global energy prices continued to climb amid production and shipping disruptions across the Persian Gulf, which overshadowed the upcoming release of 400 million barrels of oil reserves coordinated by the International Energy Agency (IEA). At the time of writing, the probability of the Federal Funds Rate staying pat at 3.50-3.75% in October rising to almost 50.0%, compared to 19.0% a week prior.

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

- The spotlight for this week will be on the Federal Reserve's (The Fed) interest rate decision on March 18. While the central bank is widely expected to hold rates steady, investors will scrutinize the updated economic projections and Chair Jerome Powell's subsequent press conference for clues on future policy moves. Chair Powell's press conference will carry extra weight, as his chairmanship is scheduled to end in May. At the same time, investors are closely watching the inflation outlook as rising oil prices threaten to keep price pressure elevated. The recent surge in energy prices, driven by geopolitical tensions and supply disruptions could push headline inflation higher and complicate the Federal Reserve's policy path. The same day will bring the February Producer Price Index (PPI) report, offering a fresh look at wholesale inflation pressures. Adding to the corporate news flow, AI-darling Micron Technology is scheduled to report its fiscal second-quarter earnings, with investors watching for sustained demand. Overall, investors should prepare for a data-heavy week centered on central bank communication and key inflation indicators.
- All eyes will also be on the upcoming policy decision by the Reserve Bank of Australia (RBA) this week on March 17, with markets expecting a 25 bps increase in the cash rate as inflation remains above the central bank's 2-3% target. Policymakers are concerned that persistent price pressures and a tight labour market could keep inflation elevated. Rising global energy prices and geopolitical tensions may also add to inflationary pressures, which could influence the central bank's decision. Investors will closely watch the RBA's statement for signals on whether further tightening could follow in the coming months. A hawkish tone from the central bank could support the Australian dollar and push bond yields higher. However, higher borrowing costs may start to weigh on consumer spending and housing activity in Australia. Markets will also assess how the policy outlook could affect regional sentiment and risk appetite.
- In Indonesia, focus will be on the upcoming Bank Indonesia policy meeting on the same day as RBA, where the market expects the central bank to keep its benchmark interest rate unchanged at 4.75%. Policymakers are likely to stay cautious as the ongoing Middle East conflict continues to weigh on the rupiah and trigger volatility in emerging market currencies. The weaker rupiah has limited the central bank's room to ease monetary policy despite the need to support domestic economic growth. At the same time, inflation has recently moved above the central bank's target range, reinforcing expectations that rates will remain steady for now. Investors will be closely watching the policy statement for any signals on how authorities plan to stabilise the currency.

BANK ISLAM

**THANK YOU**