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WEEKLY ECONOMIC UPDATE

16 JUNE 2025

ECONOMIC RESEARCH

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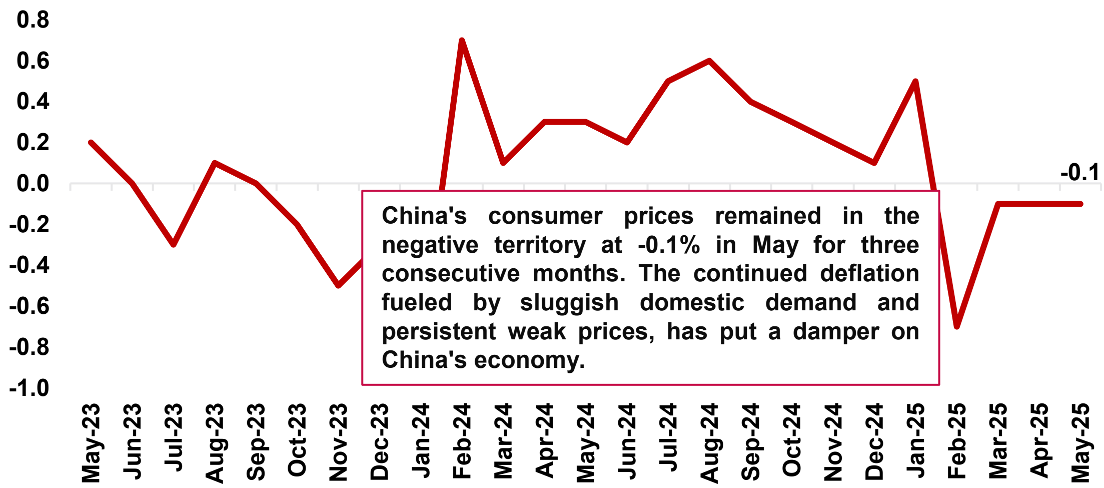
WEEKLY HIGHLIGHT: MALAYSIA'S JOBLESS RATE HIT 10-YEAR LOW IN APRIL

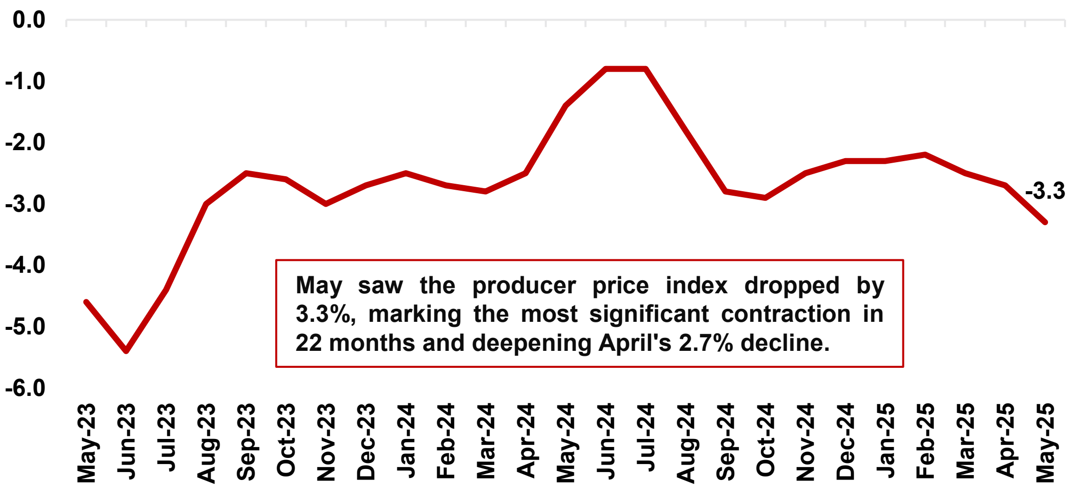
GLOBAL

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



China's consumer prices remained in the negative territory at -0.1% in May for three consecutive months. The continued deflation fueled by sluggish domestic demand and persistent weak prices, has put a damper on China's economy.

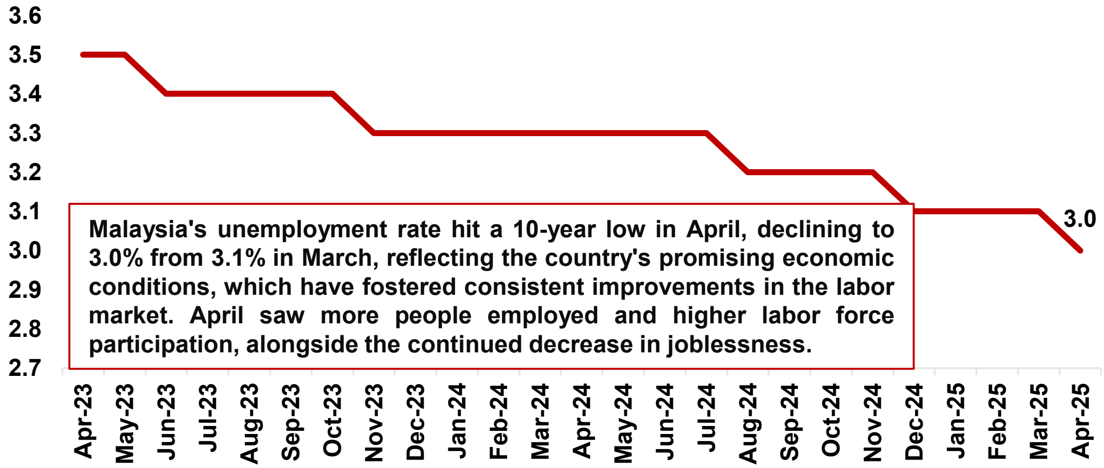
China - Producer Price Index (PPI), y-o-y%



May saw the producer price index dropped by 3.3%, marking the most significant contraction in 22 months and deepening April's 2.7% decline.

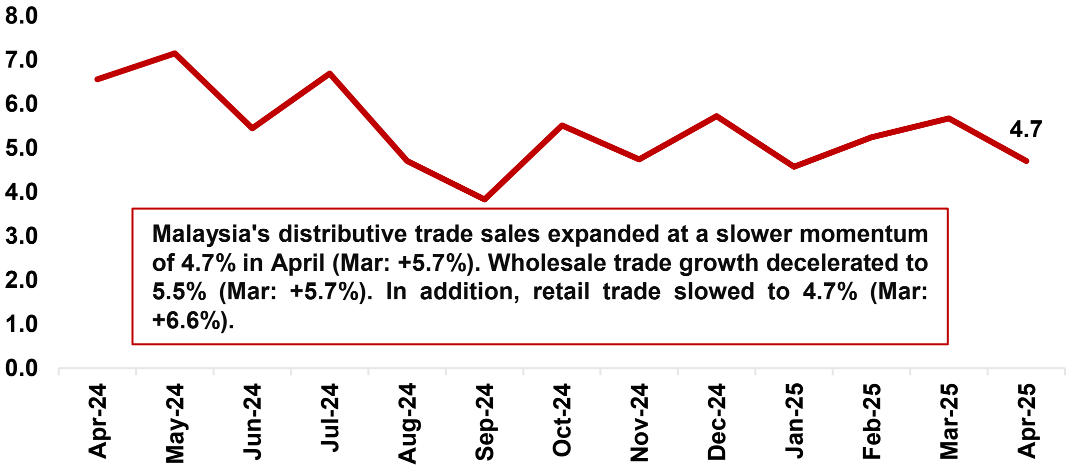
DOMESTIC

Malaysia - Unemployment Rate, %



Malaysia's unemployment rate hit a 10-year low in April, declining to 3.0% from 3.1% in March, reflecting the country's promising economic conditions, which have fostered consistent improvements in the labor market. April saw more people employed and higher labor force participation, alongside the continued decrease in joblessness.

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



Malaysia's distributive trade sales expanded at a slower momentum of 4.7% in April (Mar: +5.7%). Wholesale trade growth decelerated to 5.5% (Mar: +5.7%). In addition, retail trade slowed to 4.7% (Mar: +6.6%).

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

U.S. WEEKLY HIGHLIGHT: U.S. CPI ROSE AT A LOWER-THAN-EXPECTED LEVEL IN MAY

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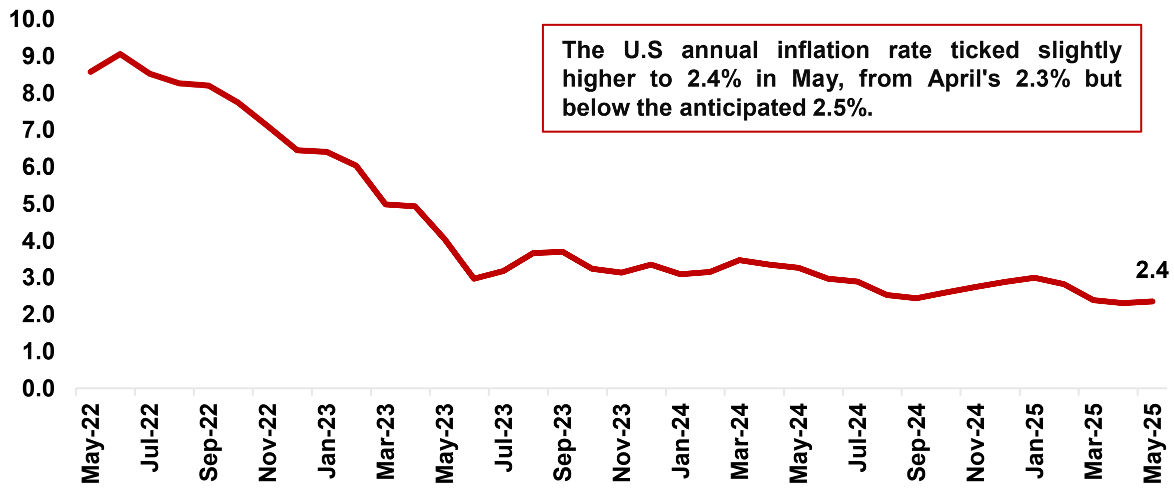
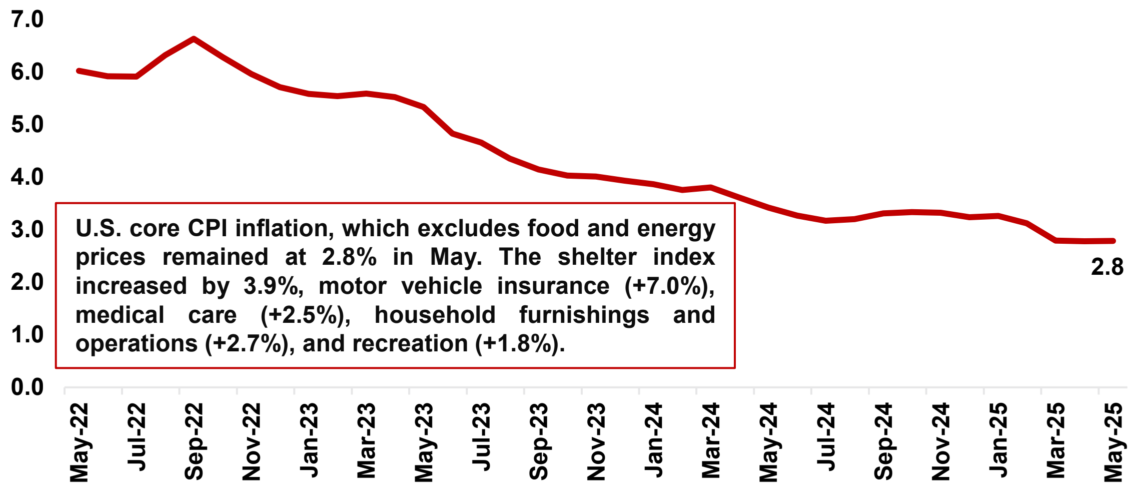
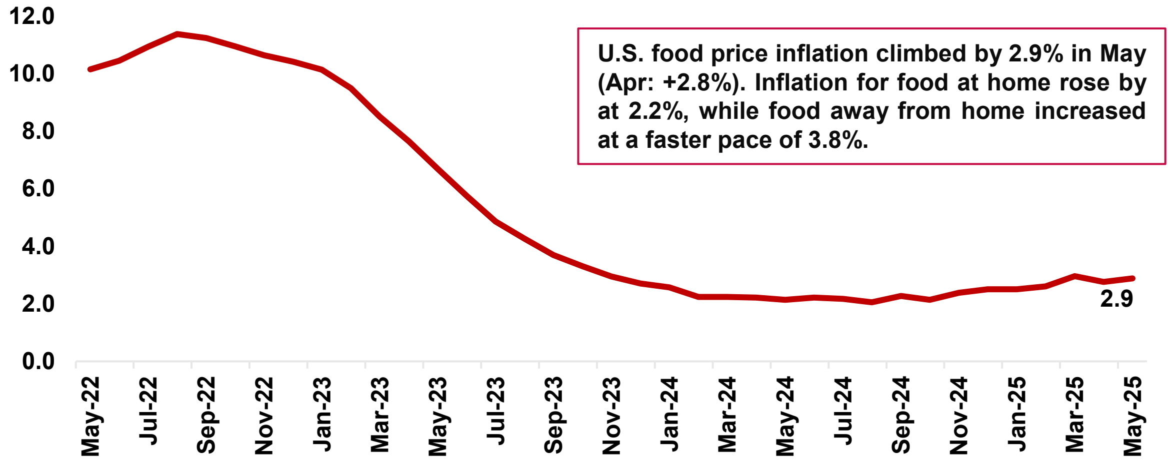
U.S. CPI, y-o-y%



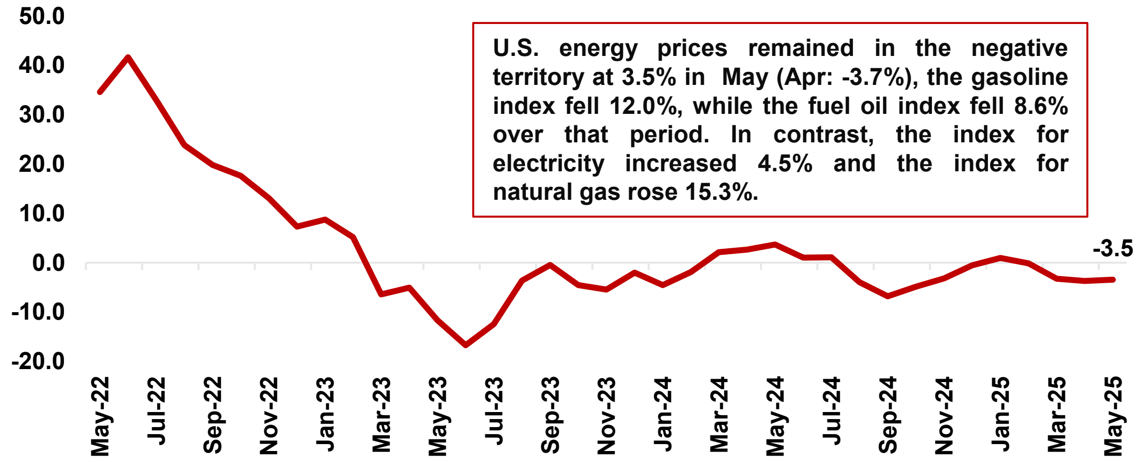
U.S. CPI (All Items less Food and Energy), y-o-y%



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

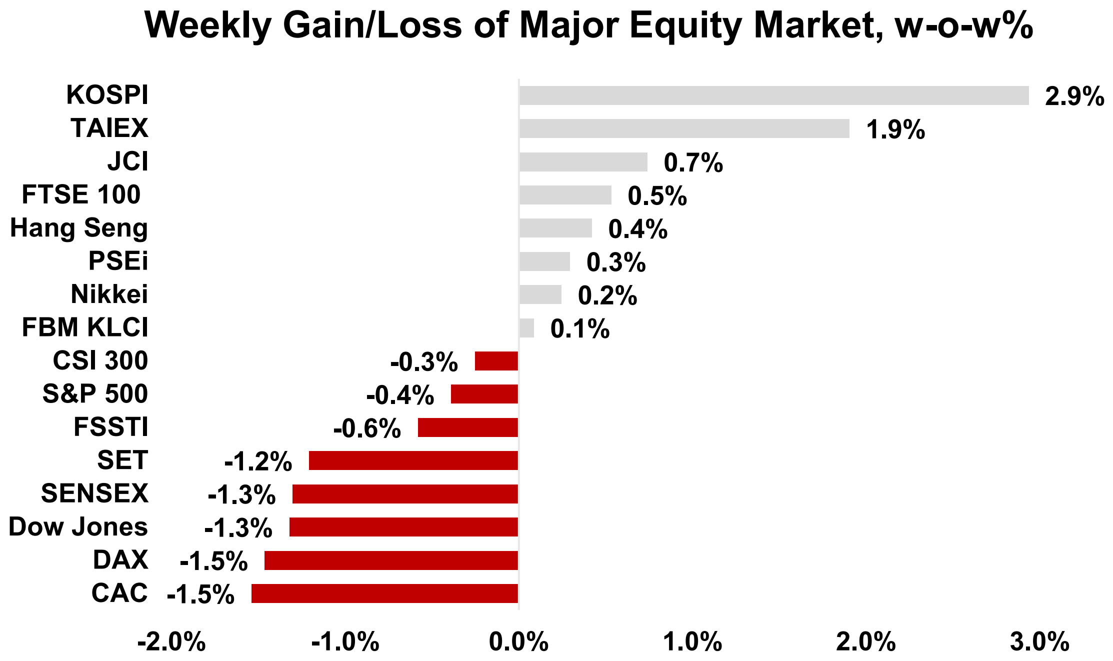


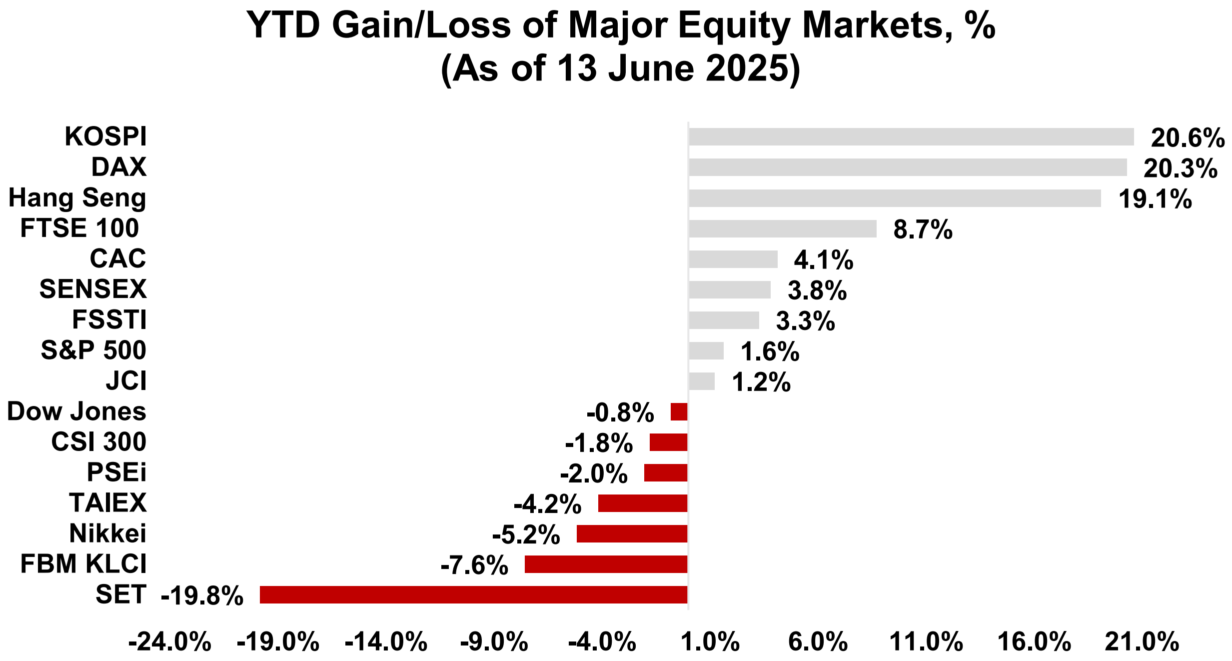
U.S. CPI (Energy), y-o-y%



Source: U.S. Bureau of Labor Statistics (BLS)

REGIONAL EQUITY: GLOBAL STOCKS MIXED ON SOFTER-THAN-EXPECTED INFLATION AND MIDDLE EAST TENSIONS





Sources: Bursa, CEIC Data

- The global stocks market closed mixed for the week ending June 13 with South Korea’s KOSPI as the major gainer, surging by 2.9% driven by strong foreign investment and investor optimism, due to President Lee Jae-Myung's economic reforms, which include plans for dividend tax cuts and a 'one-strike-out' policy to combat unfair trading, both designed to improve market transparency and attractiveness.
- On the other hand, U.S. stocks – Dow Jones (-1.3%) and S&P 500 (-0.4%) declined amid escalating Middle East tensions, following Israel's preemptive strike on Iran's nuclear facilities and its pledge to continue operations until the threat is neutralized, led to a surge in safe-haven asset demand.
- While the U.S. and China tentatively agreed to resume trade talks, covering issues such as China’s rare earth exports and relaxed U.S. student visa restrictions, investor sentiment remained cautious amid a lack of clarity on key matters like tariffs and export controls. President Trump described the framework as “done,” pending final approval, with Commerce Secretary Howard Lutnick indicating that a decision is expected soon.

DOMESTIC EQUITY: LOCAL MARKET ENDED MARGINALLY HIGHER, DRAGGED BY CONFLICT IN THE MIDDLE EAST

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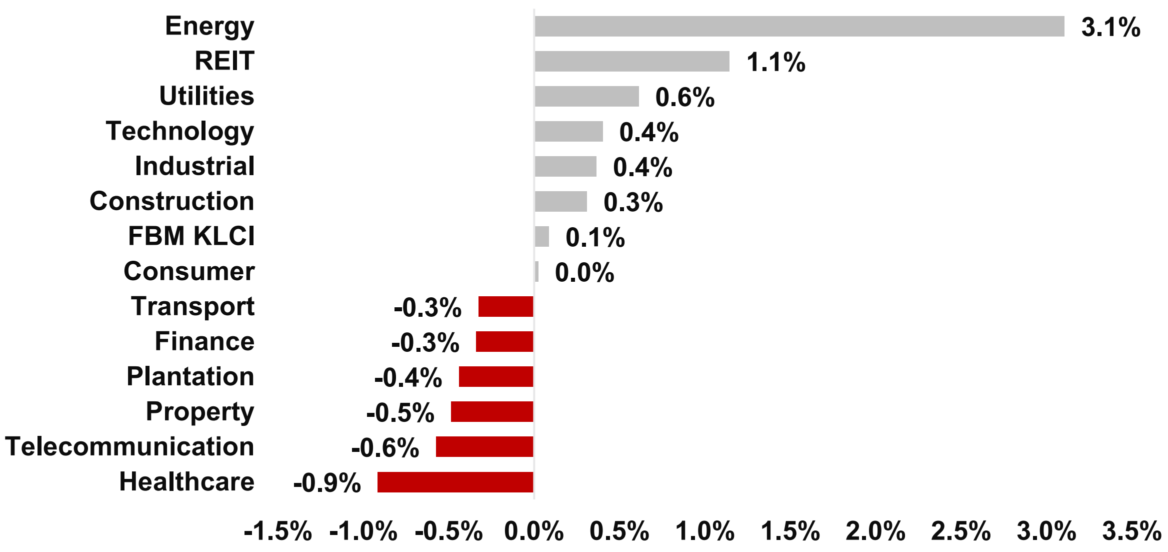

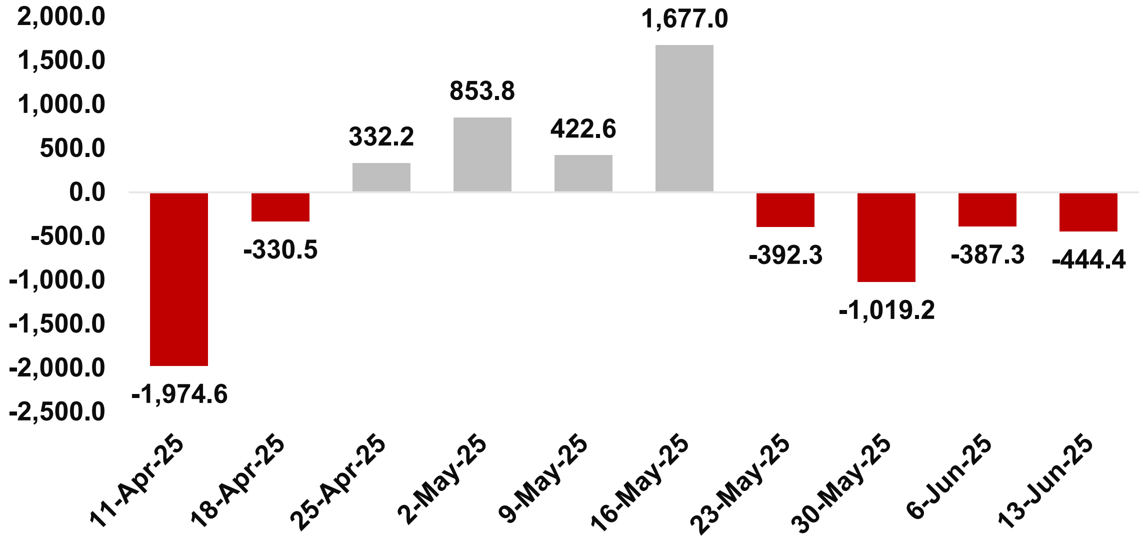

Sources: Bursa, CEIC Data

- The FBM KLCI closed slightly higher by 0.1% w-o-w for the week ending June 13, steered by geopolitical developments.
- In the first half of the week, the local market had gained on the back of rising investor confidence as the high-level U.S.-China talks in London had concluded on a positive note. However, market sentiments plunged on Friday amid resurfacing geopolitical tensions in the Middle East, erasing the FBM KLCI's earlier gains (12 June: 1,526.62 points, 13 June: 1,518.11 points).
- The Bursa indices closed mix last week with the Energy index increasing sharply by 3.1% as oil prices soared, followed by the REIT (+1.1%) and Utilities (+0.6%) indices.
- Meanwhile, the Healthcare index remained as the biggest loser for the second straight week, declining by 0.9%. This is followed by the Telecommunications and Property indices, which slipped by 0.6% and 0.5%, respectively.
- Foreign investors persisted as net sellers for the fourth straight week, shedding a total of RM444.4 million worth of equities. This had increased the cumulative net outflow thus far to RM12.2 billion.

FX MARKET: RINGGIT TO TRADE CAUTIOUSLY AHEAD OF THE FOMC MEETING ON 19 JUNE

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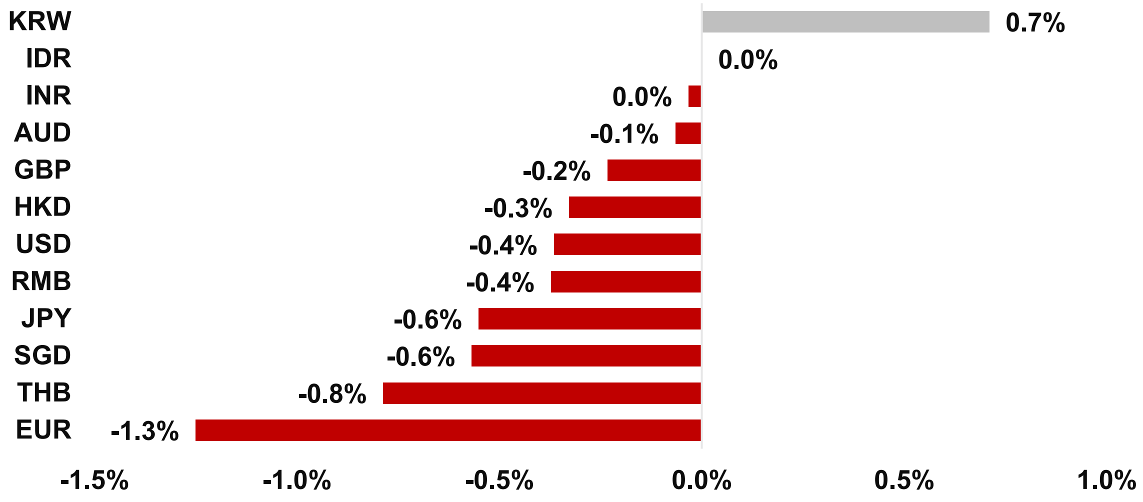
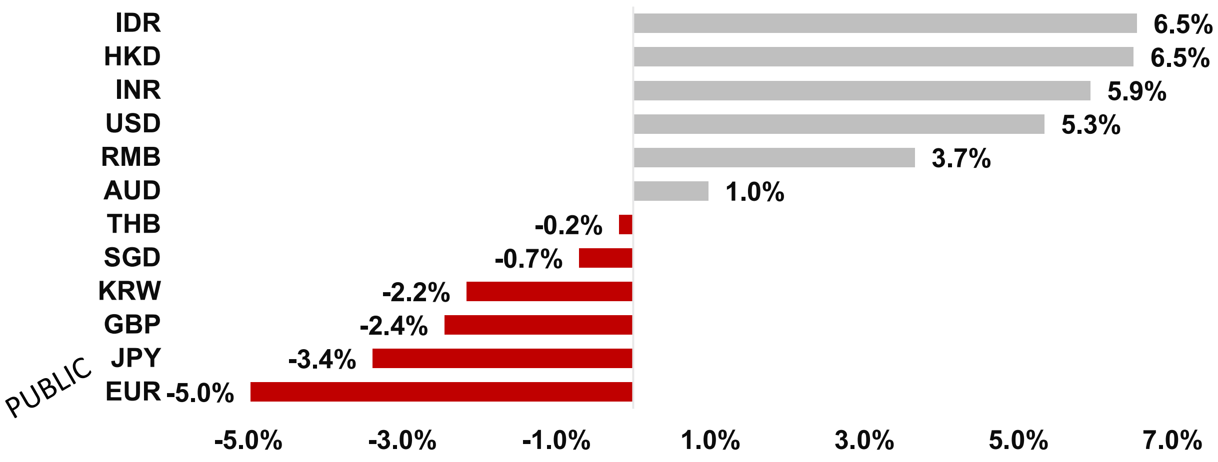
MYR Against Regional Currencies, w-o-w%



MYR Against Regional Currencies, YTD%
(As of 13 June 2025)



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

- The Ringgit had weakened against a basket of currencies for the week ending June 13, slipping by 0.4% w-o-w against the USD (RM4.24) as a key domestic policy reform dragged sentiments, exacerbated by the worsening conflict in the Middle East.
- Markets were unsettled last week amid intensifying concerns of rising prices following Finance Minister II, Datuk Seri Amir Hamzah, announcing that the revised Sales Tax rates and expanded Service Tax scope will take effect on 1st July.
- While the release of the updated sales tax list pointed to a wide array of essentials being exempt from the hike, consumer sentiments remained downbeat, which might translate into overall weaker household spending, especially during the current cost-of-living crisis.
- Additionally, the USD had rebounded (12 June: 97.92, 13 June: 98.18), driven by flight to safe haven assets following Israel's strike on Iran on Friday, thus further exerting pressure on Ringgit.
- Nevertheless, the rebound failed to erase earlier losses with the USD slipping by 1.0% w-o-w last week. Such performance was due to cooler than expected U.S. inflation figures with both headline (Act: 2.4% vs. Est: 2.5%) and core (Act: 2.8% vs. Est: 2.9%) missing estimates, leading markets to reprice their rate cut bets on a more dovish note.

FIXED INCOME: UST YIELDS RALLIED ON MILDER-THAN-ANTICIPATED INFLATION AND RENEWED MIDDLE-EAST TENSION

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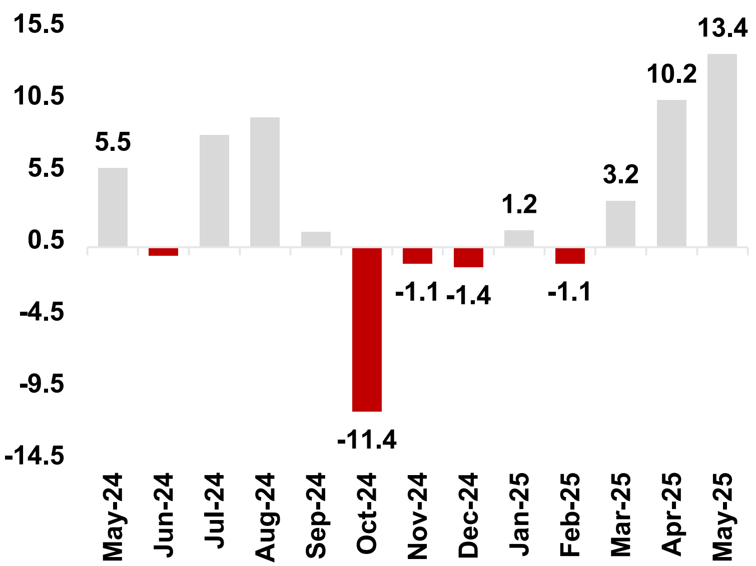
Weekly Changes, basis points (bps)

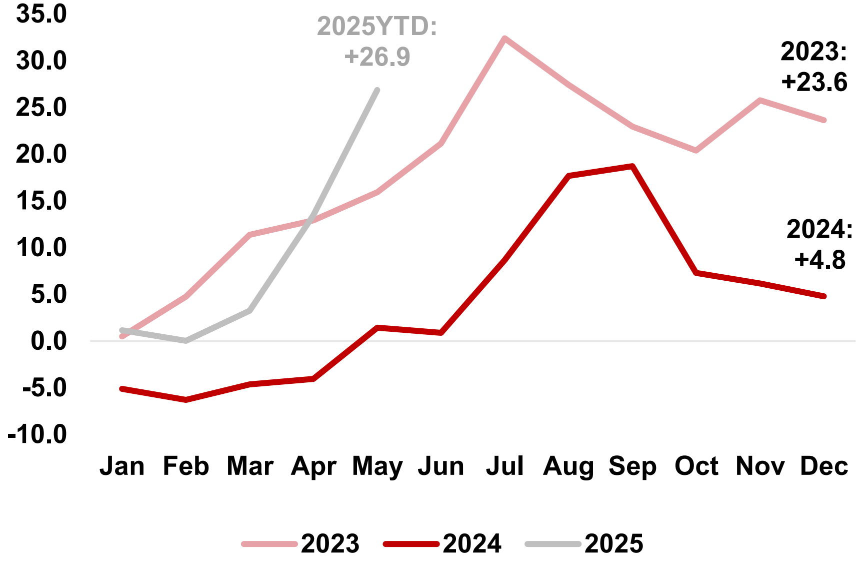
UST	Yields (%) 6-Jun-25	Yields (%) 13-Jun-25	Change (bps)
3-Y UST	4.02	3.90	-12
5-Y UST	4.13	4.02	-11
7-Y UST	4.31	4.20	-11
10-Y UST	4.51	4.41	-10
MGS	**Yields (%) 6-Jun-25**	**Yields (%) 13-Jun-25**	**Change (bps)**
3-Y MGS	3.15	3.17	1
5-Y MGS	3.20	3.25	4
7-Y MGS	3.40	3.46	6
10-Y MGS	3.53	3.55	2
GII	**Yields (%) 6-Jun-25**	**Yields (%) 13-Jun-25**	**Change (bps)**
3-Y GII	3.16	3.18	1
5-Y GII	3.29	3.32	3
7-Y GII	3.41	3.42	1
10-Y GII	3.53	3.55	3

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 dipped by between 10bps and 12bps fueled by softer-than-expected consumer and producer inflation data solidified expectations of additional Fed rate cuts this year. Additionally, a preemptive Israeli strike on Iranian nuclear facilities, followed by a pledge to neutralize the threat, has heightened Middle East tensions, prompting investor assessment. U.S. officials denied involvement, and President Trump called on Iran to make a nuclear deal now before it is too late.
- In contrast, Malaysian Government Securities (MGS) and Government Investment Issues (GII) yields climbed in the range of 1bp and 6bps.
- Foreign fund flows in the local bond market recorded a net foreign inflow of RM13.4 billion in May (Apr: +RM10.2 billion), the highest since May 2014. Consequently, local govvies' foreign shareholdings to total outstanding surged to 23.3% in May (Apr: 22.4%).
- As of the first five months of 2025, the local bond market recorded the cumulative net foreign inflows of RM26.9 billion, higher than the inflows of RM1.5 billion in the same period in the previous year.

COMMODITY: BRENT SURGES AS IRAN-ISRAEL CONFLICT ESCALATE, HITS HIGHEST SINCE JANUARY

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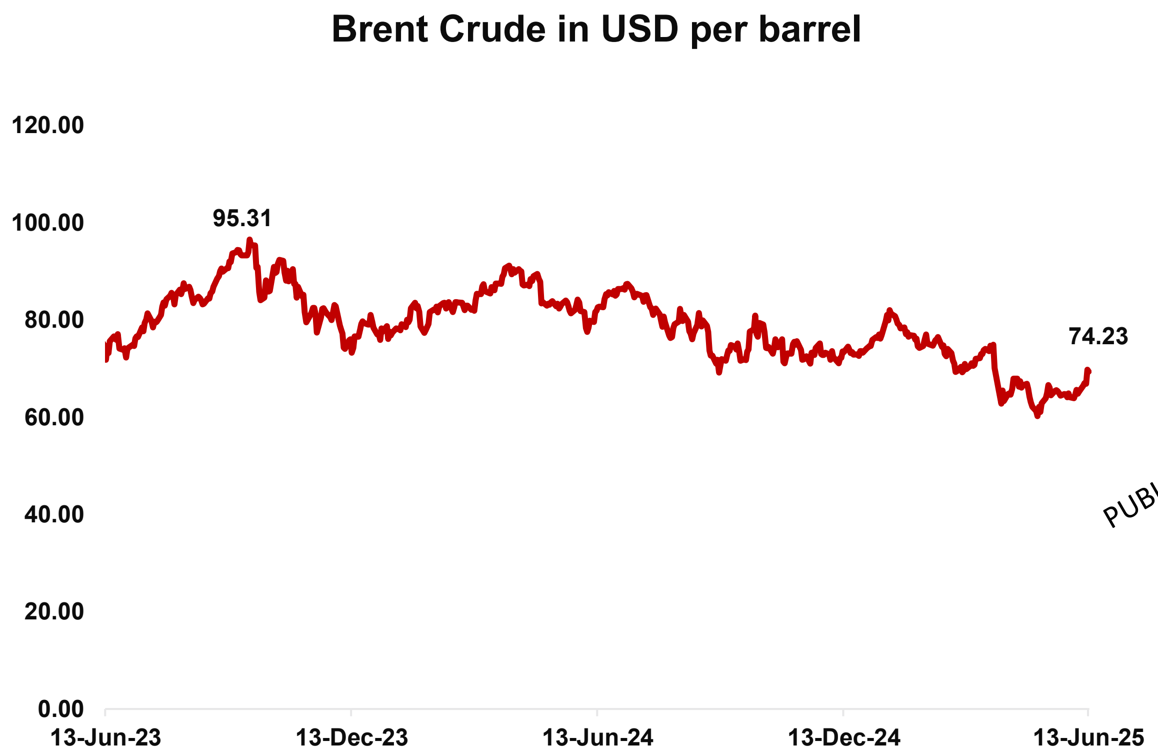

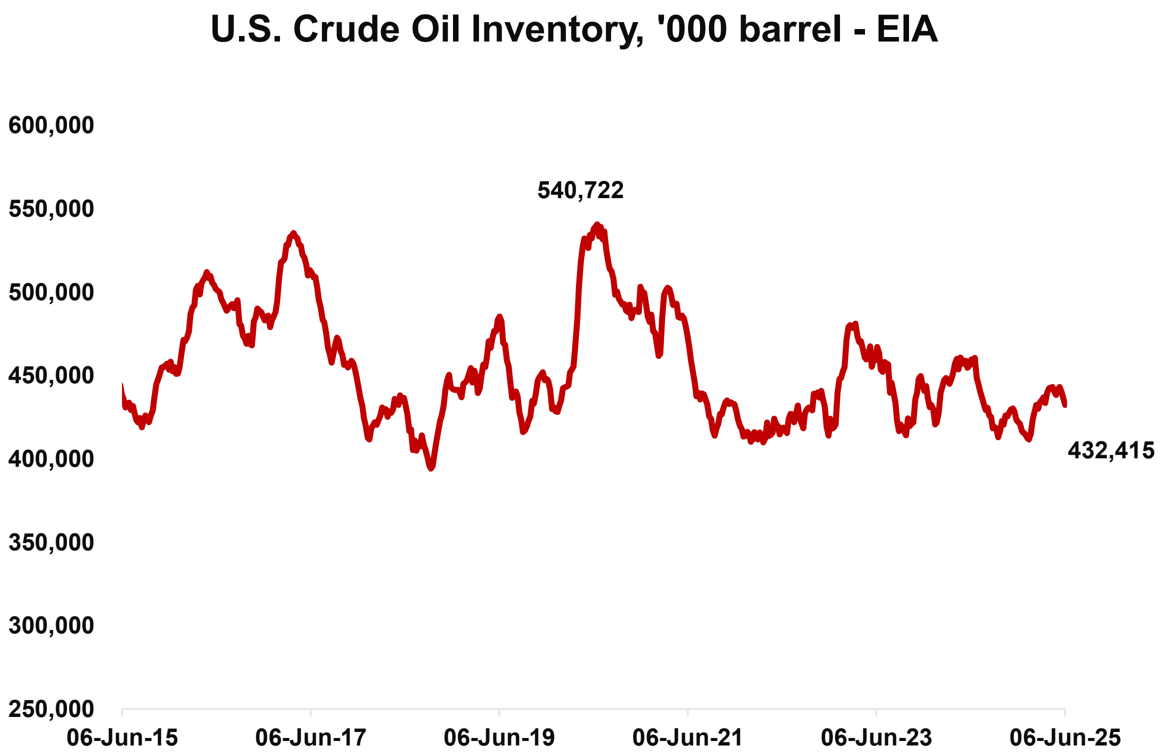

Sources: Bloomberg, Energy Information Administration (EIA)

- Brent crude oil closed at USD74.23 per barrel on Friday, rising as much as 7.0%, as the escalating conflict between Iran and Israel sparked fears of broader supply disruptions in the oil-rich Middle East. Earlier in the session, Brent surged over 13.0% to reach an intraday high of USD78.50 per barrel, marking its highest level since January 2025. Meanwhile, on a weekly basis, Brent posted an 11.7% gain, reflecting heightened geopolitical risk premiums.
- U.S. crude inventories declined for the third consecutive week, with the latest drop of 3.6 million barrels bringing total stockpiles to 432.4 million barrels for the week ending June 6.

COMMODITY: GOLD PRICE MARKED FRESH HIGH AMID RISING GEOPOLTICAL TENSIONS

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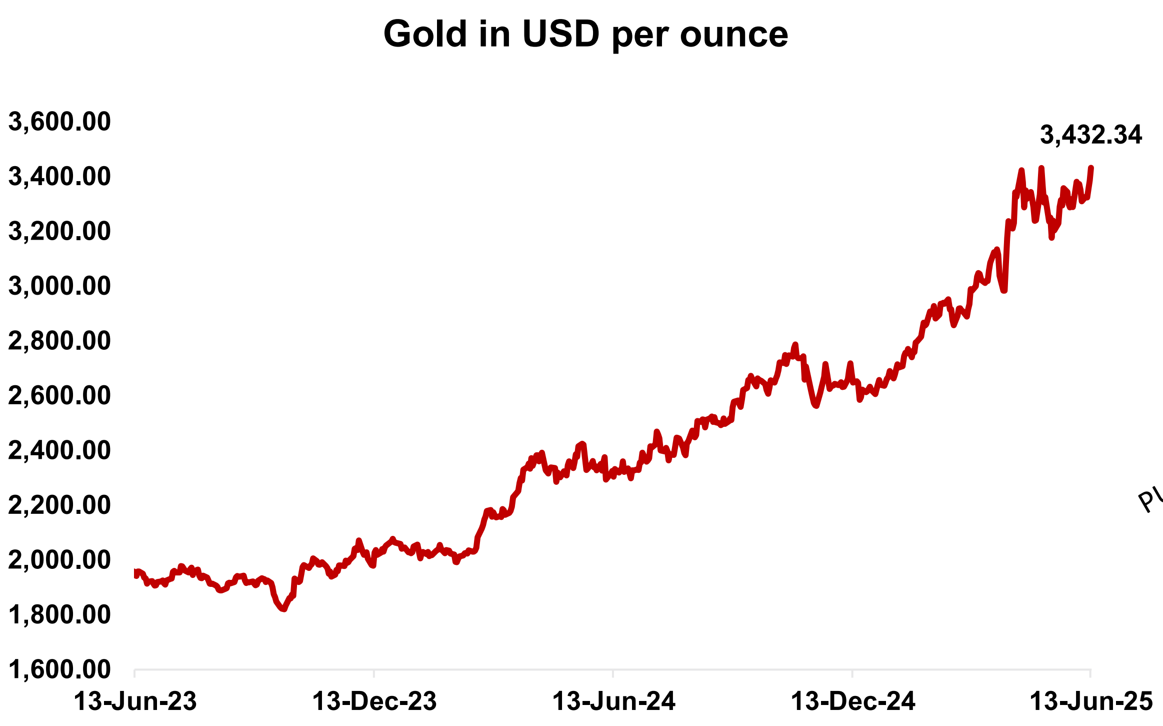

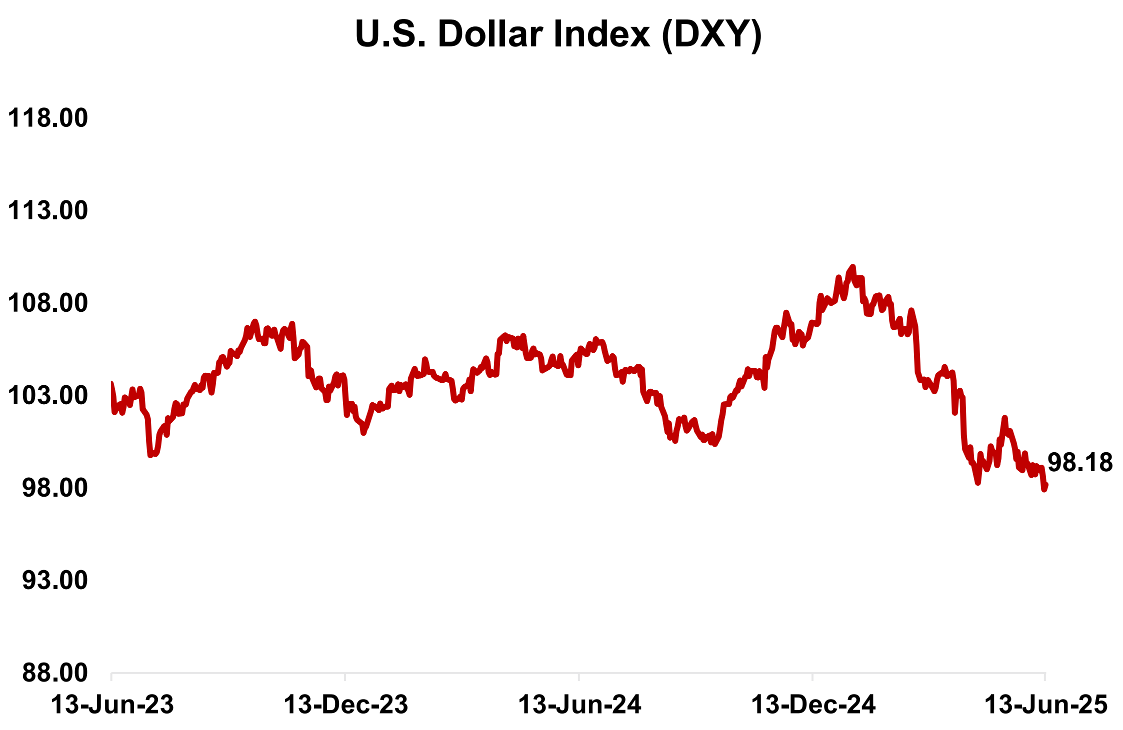

Sources: Bloomberg, CEIC Data

- The bullion price surged sharply by 3.7% w-o-w for the week ending June 13 to mark a record high of USD3,432.34 on Friday as investors flocked towards safe haven assets. Such demand had extended the bullion's momentum for the week where it previously rose on heightened expectations of further monetary easing by the U.S. Fed.
- Moving forward, markets are cautiously monitoring the Middle East conflict while also closely eyeing the FOMC meeting. While the probability of the Fed maintaining rates stands at more than 99% at the time of writing, markets are seeking further clues on its policy path plus the scheduled release of the Fed's economic projections.

WHAT TO LOOK OUT FOR IN THE MARKETS THIS WEEK

- Markets are likely to stay cautious this week as tensions between Israel and Iran show no signs of easing. Investors will closely monitor for any signs of retaliation, spillover effects in the region, or disruptions to key oil supply routes, particularly through the Strait of Hormuz, which handles around 20% of global oil flows. Any further escalation could push oil prices higher, intensifying inflation pressures and putting added pressure on energy-importing countries. Safe-haven assets such as gold and the U.S. dollar may attract stronger demand, while equities especially in emerging markets could come under pressure from rising risk aversion. The geopolitical backdrop may also factor into central bank policy decisions if energy shocks begin to weigh on inflation and growth outlooks.

- On the monetary policy front, all eyes are on the Federal Reserve's interest rate decision this week. The Fed is widely anticipated to keep rates steady, balancing persistent inflation concerns with rising geopolitical risks. The return of Trump-era tariffs adds upward pressure on consumer prices. These tariffs pose a dual challenge to the Fed's mandate of maintaining price stability and full employment. While import taxes could fuel inflation, they may also slow economic growth and raise unemployment. If inflation remains the greater threat, the Fed may hold rates higher for longer; however, should the labor market weaken meaningfully, rate cuts could be considered to support the economy.

- In China, the People's Bank of China (PBOC) is set to announce its interest rate decision on June 20. With the economy still facing headwinds, particularly in the property and consumer sectors, markets are anticipating a possible cut in the Loan Prime Rate (LPR). Although the central bank has maintained a cautious stance, recent signs of weak credit growth and subdued inflation may prompt a more accommodative policy to support domestic demand and investor sentiment. However, any rate adjustment will likely be modest to avoid further pressure on the yuan.

- Looking globally, the G7 Summit in Canada from June 20–22, 2025 will be another event to watch this week. With the rising geopolitical tensions and renewed trade uncertainty under the Trump administration, markets will be looking out for signals on how world leaders plan to handle global trade, energy security and inflation risks. Any strong commitments could influence market sentiment and sectoral performance.

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