



WEEKLY ECONOMIC UPDATE

19 MAY 2025

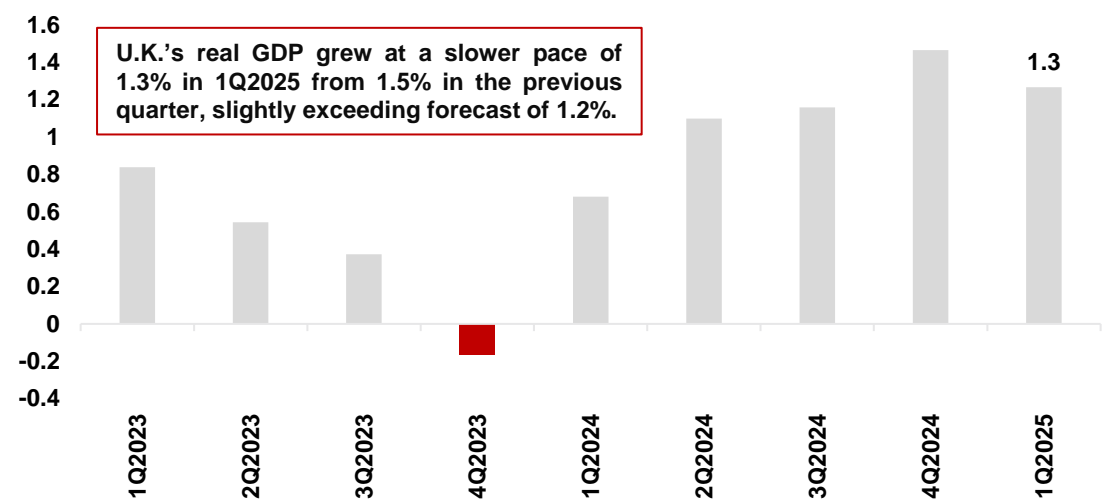
ECONOMIC RESEARCH

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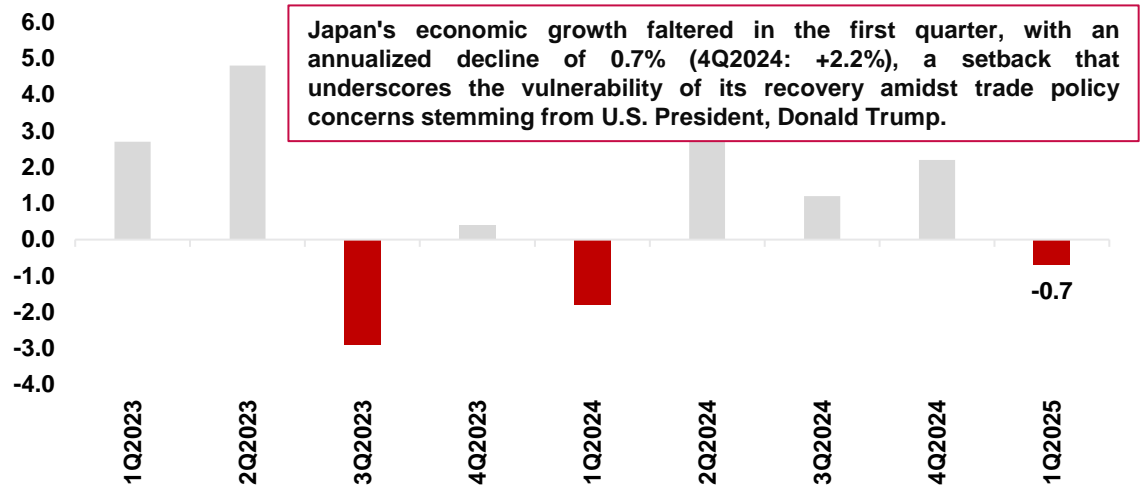
WEEKLY HIGHLIGHT: MALAYSIA'S REAL GDP GROWTH MODERATED TO 4.4%, MATCHING ADVANCE ESTIMATE

GLOBAL

U.K. - Real GDP, y-o-y%

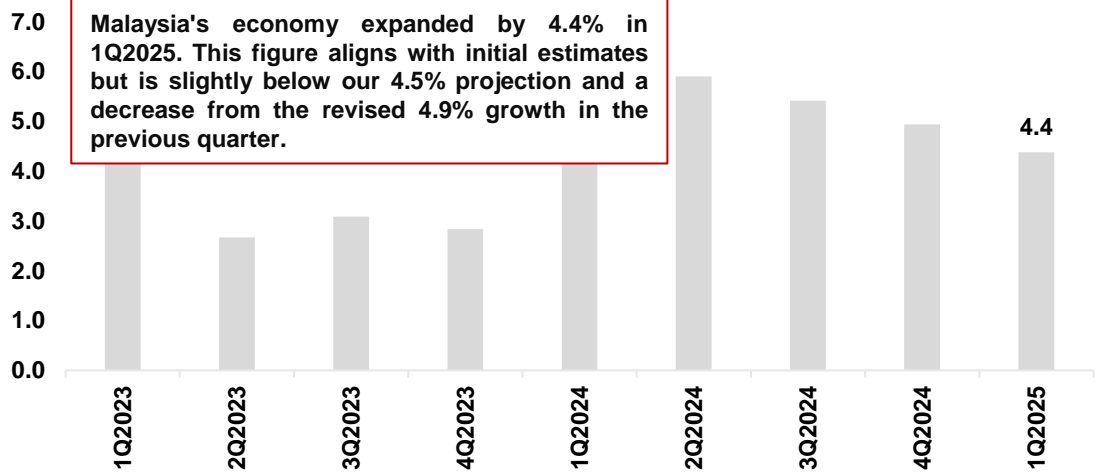


Japan - Real GDP, y-o-y%

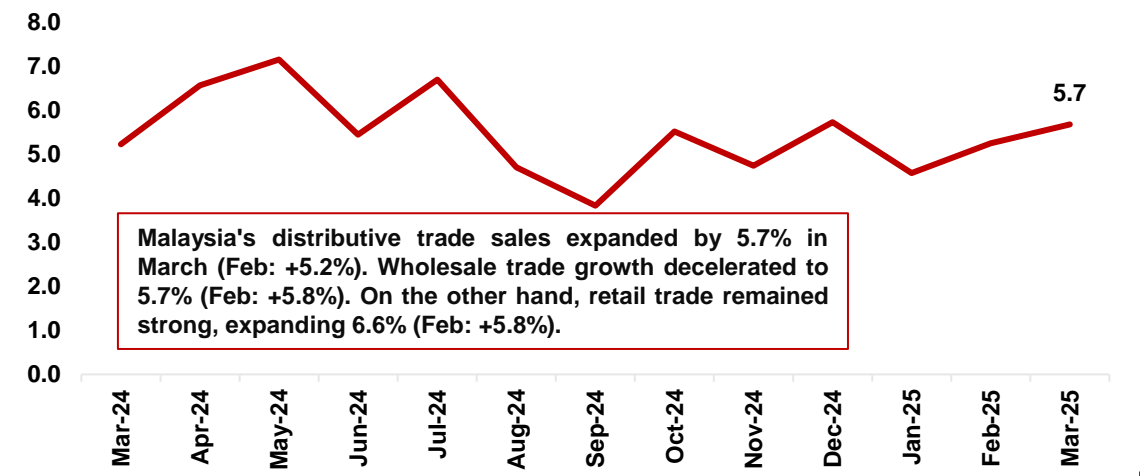


DOMESTIC

Malaysia - Real GDP, y-o-y%

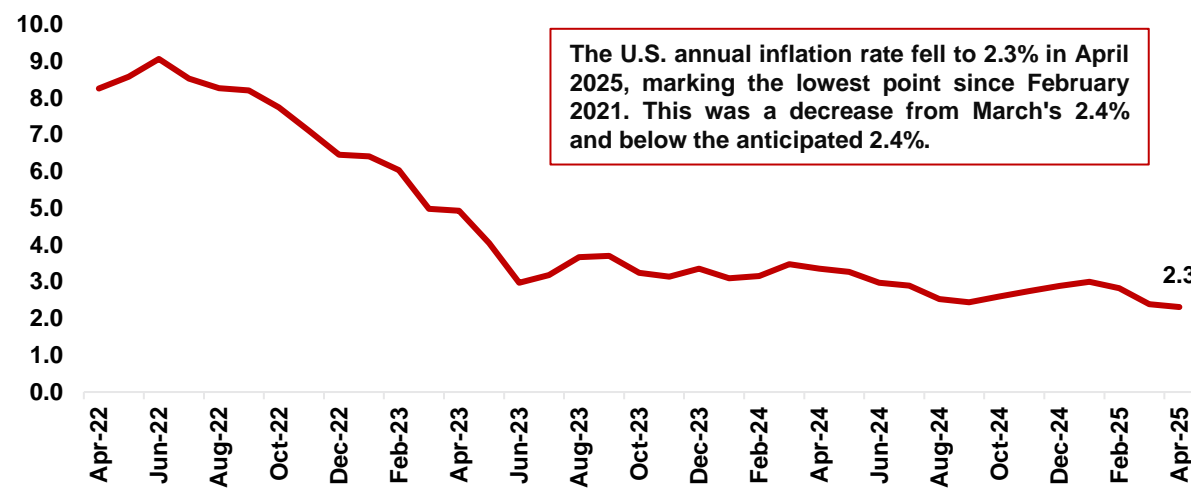


Malaysia - Distributive Trade Sales, y-o-y%

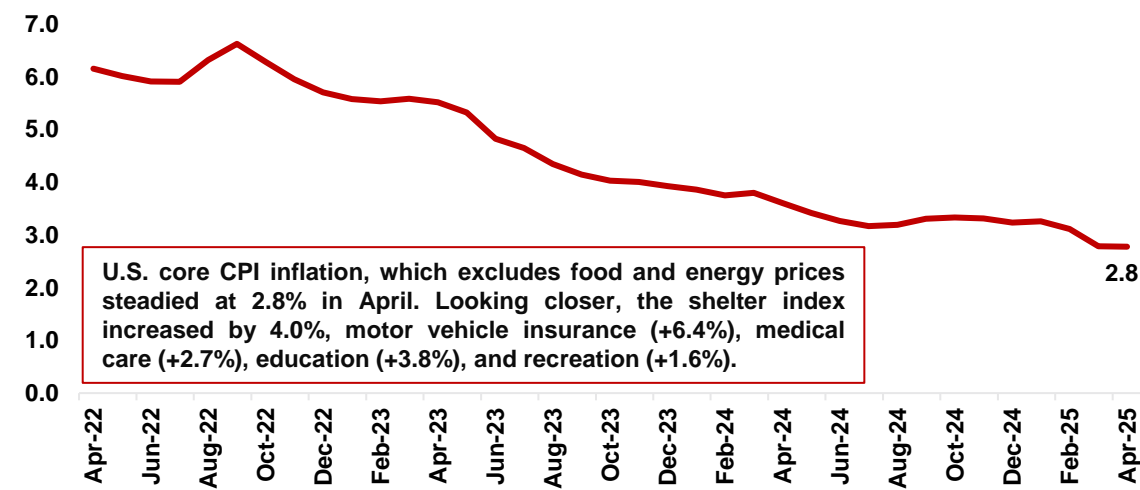


U.S. WEEKLY HIGHLIGHT: APRIL INFLATION UNDERSHOOTS EXPECTATION AS TARIFFS TAKE HOLD

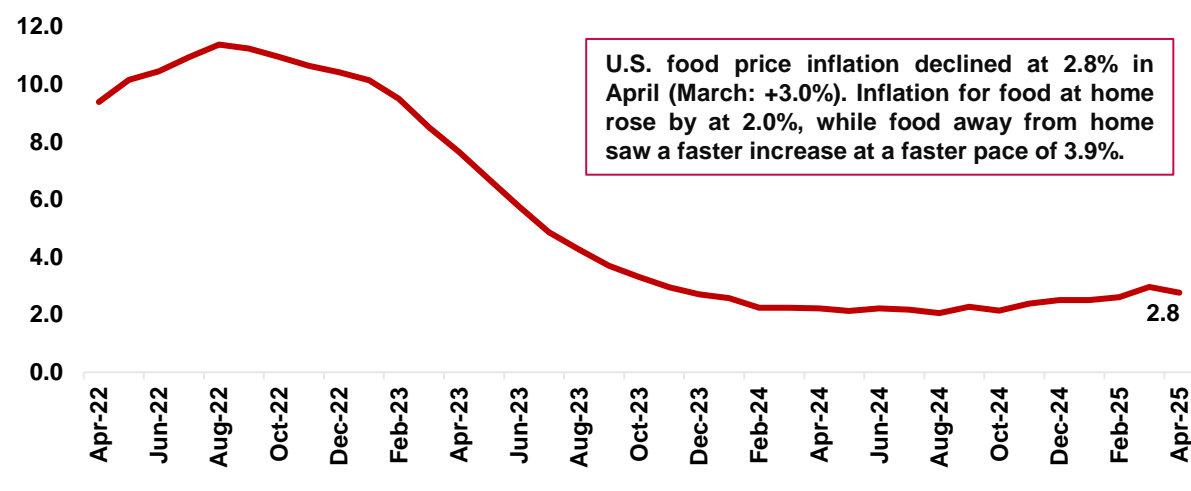
U.S. CPI, y-o-y%



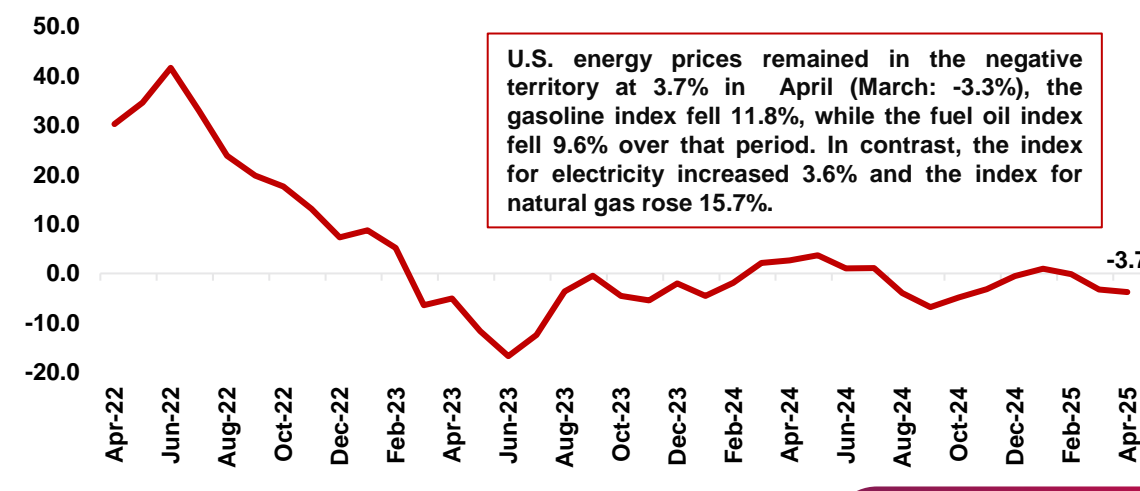
U.S. CPI (All Items less Food and Energy), y-o-y%



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

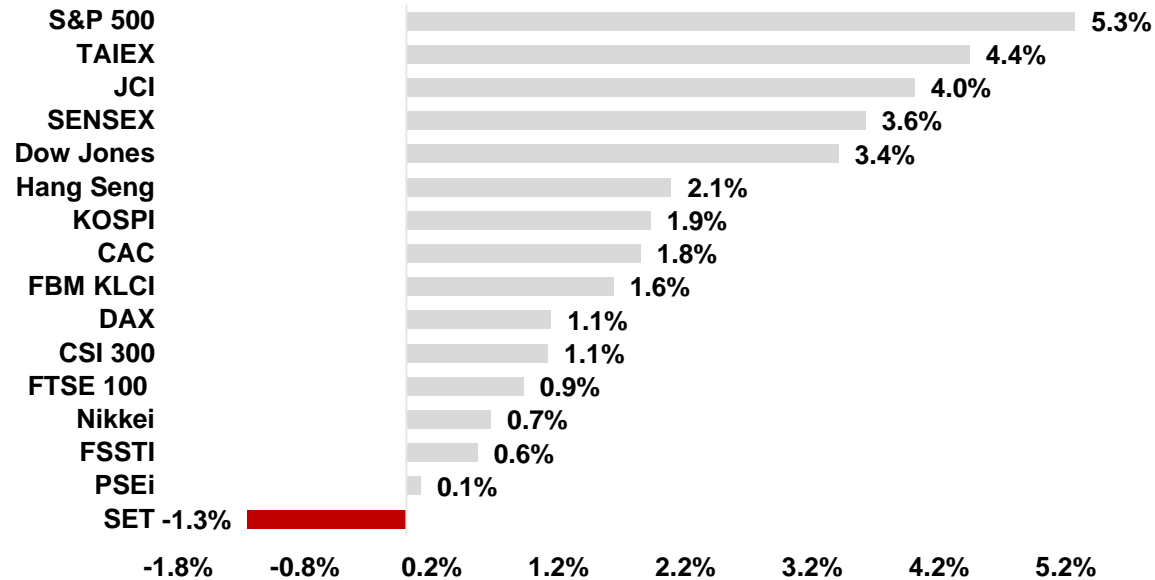


U.S. CPI (Energy), y-o-y%

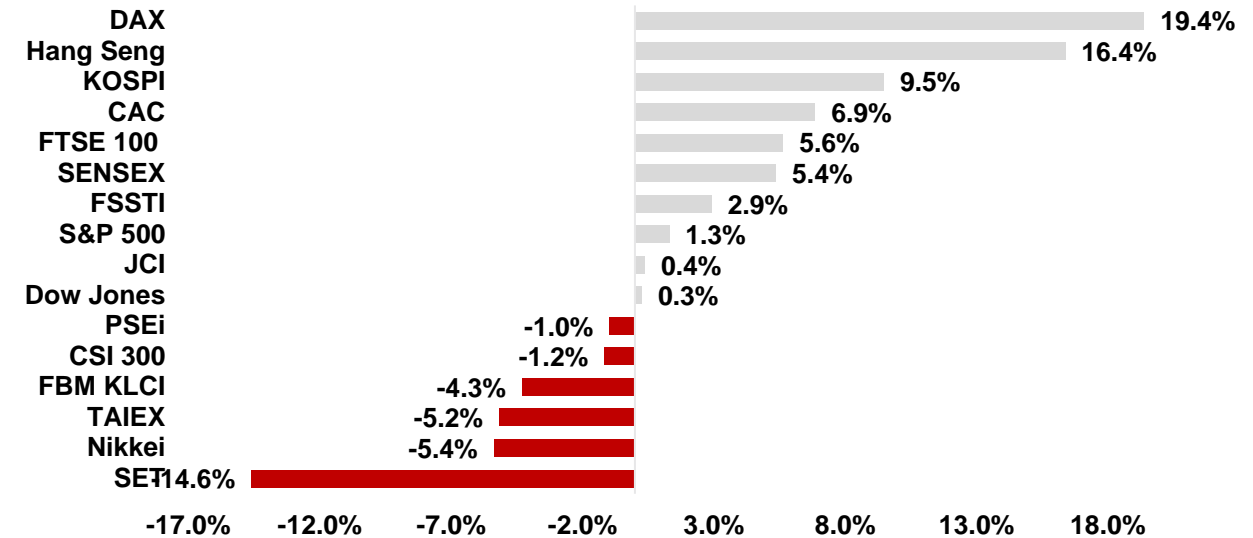


REGIONAL EQUITY: GLOBAL STOCKS MOSTLY UP ON U.S.-CHINA TARIFF TRUCE

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



YTD Gain/Loss of Major Equity Markets, %
(As of 16 May 2025)

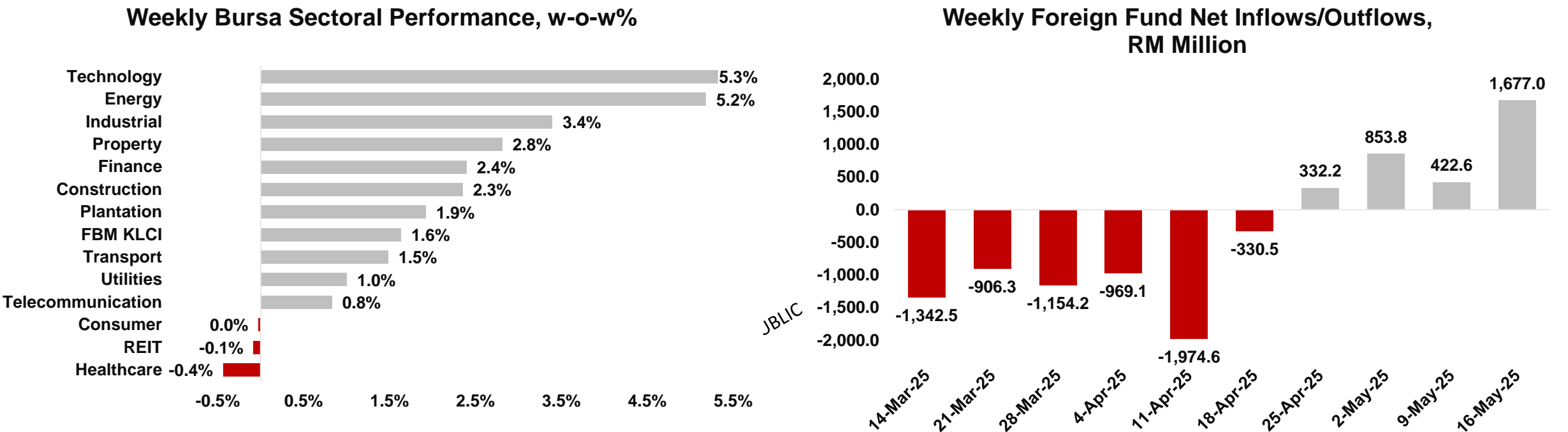


Sources: Bursa, CEIC Data

- The global stocks market were mostly in the green sea for the week ending May 16 with U.S.' S&P500 as the major gainer, expanding by 5.3% as market optimism surged following the U.S. and China's agreement to a 90-day tariff truce earlier in the week, which subsequently pushed the S&P 500 back into positive year-to-date performance.
- In addition, Taiwan's TAIEX also closed higher by 4.4.% propelled by advances in shipping and financial shares. Notably, shipping stocks surged after the Mediterranean Shipping Company, the top global container carrier, revealed on May 14 plans to raise freight rates in response to increased demand and constrained vessel space.
- On the other hand, Thailand's SET contracted by 1.3%, owing to a fragile economic recovery and increasing apprehension regarding potential U.S. tariffs.

DOMESTIC EQUITY: LOCAL MARKET MIRRORED REGIONAL OPTIMISM AS U.S.-CHINA TENSIONS EASE FURTHER

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Sources: Bursa, CEIC Data

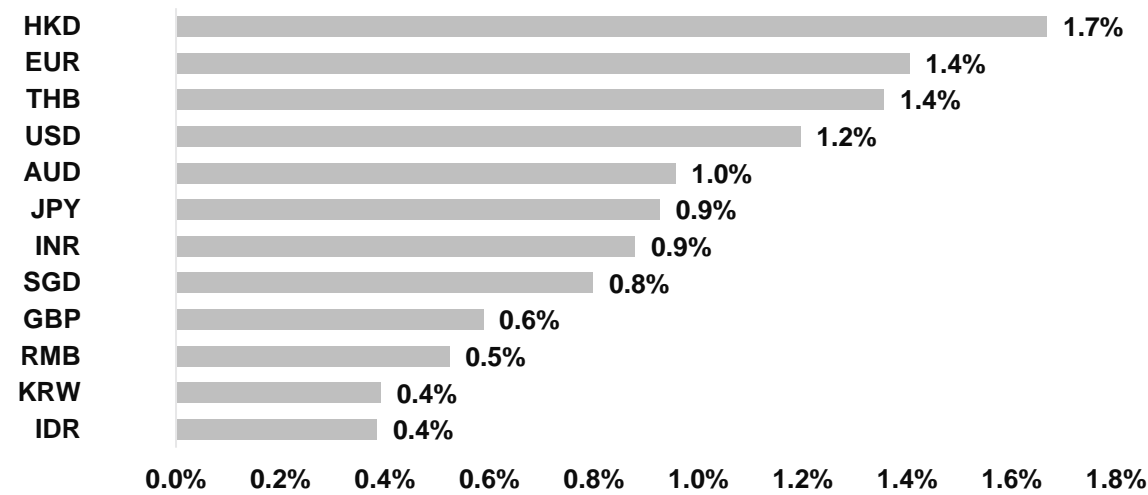
- The FBM KLCI ended 1.6% higher on a weekly basis for the week ending May 16 as foreign investors continued to flood the local market.
- Buying interest in the local market was spurred by recovering sentiments following the inking of new deals on the global trade front, namely between the U.S. and China as well as the UK. Such news bodes well for other U.S. trade partners who are currently undergoing negotiations with the relevant officials, sparking optimism that Trump is more receptive to roll back his protectionist policies.
- Nevertheless, FBM KLCI slid slightly on Friday when the Malaysian economy slowed down (1Q25: 4.4% vs. 4Q24: 4.9%) as global headwinds intensified. Notably, Bank Negara Malaysia (BNM) had signaled that it will revise official growth forecast lower in the near future.
- Bursa indices largely closed in the green with the Technology index (+5.3%) topping the gainers, followed closely by the Energy (+5.2%) and Industrial (+3.4%) indices. Meanwhile, the Healthcare index slipped by 0.4%, followed by the REIT index (-0.1%).
- Foreign investors net bought a total of RM1.7 billion worth of equities, marking the highest net inflow in 2025. This had reduced the cumulative net outflow thus far to RM10.0 billion.

ECONOMIC RESEARCH

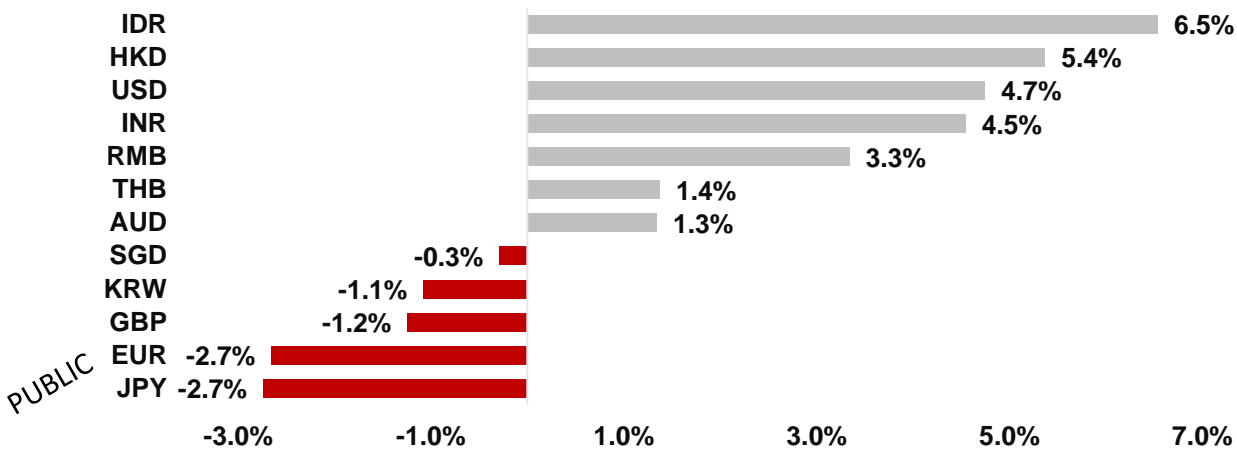
FX MARKET: RINGGIT APPRECIATED DESPITE US DOLLAR GAINING GROUND ON TRADE-FUELED OPTIMISM



MYR Against Regional Currencies, w-o-w%



MYR Against Regional Currencies, YTD%
(As of 16 May 2025)



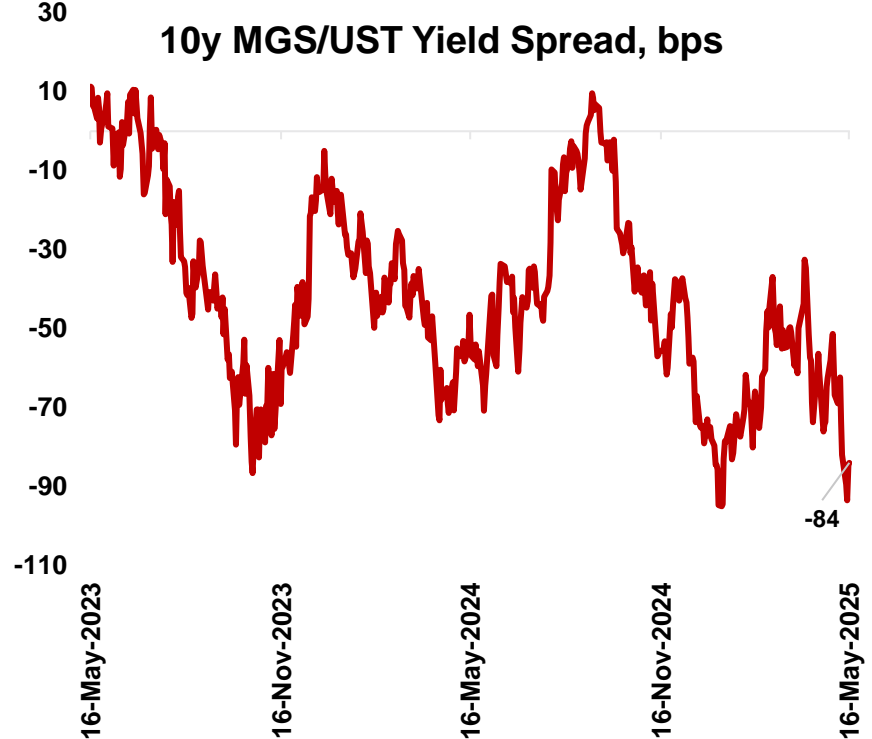
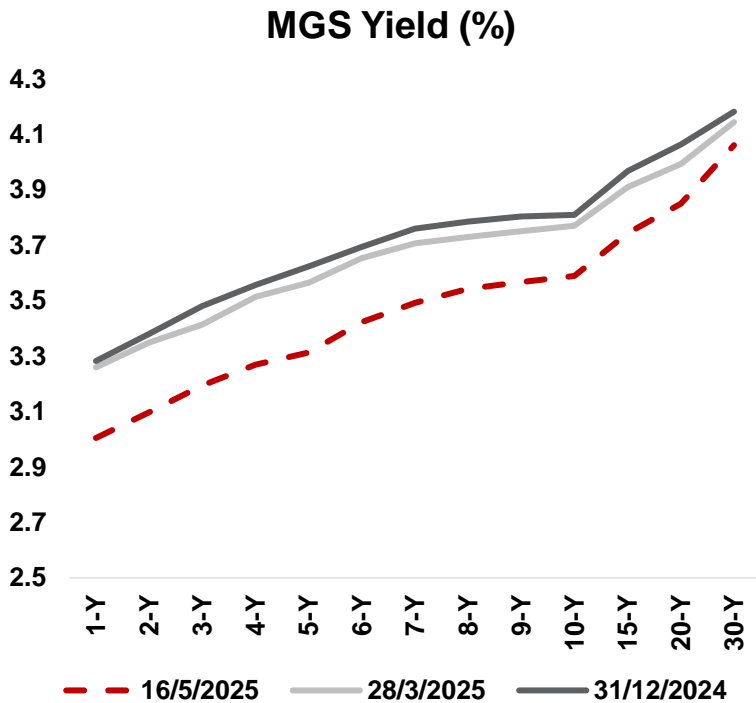
Sources: BNM, U.S. Bureau of Labor Statistics (BLS), CEIC Data

- Similar to the local market, the Ringgit benefitted from recovering investor sentiments, strengthening against a basket of regional currencies.
- In particular, Ringgit had appreciated by 1.2% w-o-w against the USD for the week ending May 16 despite the USD index returning above the 101-level, underpinned by increasing investor confidence which spurred buying interest into emerging market assets.
- Meanwhile, the greenback strengthened as the discussions in Geneva over the weekend culminated in a 90-day truce for U.S.-China trade war, making way for further trade talks between the two economic giants. As part of the joint agreement, both parties had significantly reduced their tariffs on the other which had previously reached whopping three-figure digits, with the U.S. slashing its tariffs on Chinese goods to 30% while China cut its tariffs on U.S. products to 10%, among other concessions underlined.
- This development had overshadowed weaker inflation figures from the U.S. with headline inflation slowing more than expected to 2.3% in April from 2.4% in March (Est: 2.4%) while core inflation remained steady at 2.8%. Nevertheless, on a monthly basis, core inflation also came in below estimates at 0.2% (Est: 0.3%).
- Price pressures on the producers' front was also seen to defy market expectations as it contracted 0.5% m-o-m (March: 0.2% m-o-m), the first decline since October 2023, signaling businesses absorbing impact of the higher tariffs.

FIXED INCOME: UST YIELDS ROSE ON EASING TRADE WAR FEARS

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Weekly Changes, basis points (bps)			
UST	Yields (%) 9-May-25	Yields (%) 16-May-25	Change (bps)
3-Y UST	3.85	3.95	10
5-Y UST	4.00	4.06	6
7-Y UST	4.18	4.24	6
10-Y UST	4.37	4.43	6
MGS	Yields (%) 9-May-25	Yields (%) 16-May-25	Change (bps)
3-Y MGS	3.16	3.20	3
5-Y MGS	3.30	3.31	2
7-Y MGS	3.43	3.49	6
10-Y MGS	3.55	3.59	4
GII	Yields (%) 9-May-25	Yields (%) 16-May-25	Change (bps)
3-Y GII	3.19	3.20	2
5-Y GII	3.37	3.36	-1
7-Y GII	3.46	3.50	4
10-Y GII	3.58	3.59	1



Sources: BNM, Federal Reserve Board

- The U.S. Treasury (UST) yields edged higher in the range of 6bps and 10bps for the week ending May 16 amid concerns that trade barriers would lead to a U.S. recession this year were eased when the U.S. and China jointly lowered their tariffs for the next 90 days, resulting in a sharp rebound in risk sentiment and an increase in UST yields. Trailing its rival credit rating agencies, Moody's downgraded the U.S. government's credit rating to Aa1 from Aaa on May 16. Moody's cited a widening budget deficit and a lack of progress in narrowing it, blaming successive presidents and Congress.
- Additionally, Malaysian Government Securities (MGS) and Government Investment Issues (GII) yields also increased by between 1bp and 6bps, except for 5-Y GII which dropped marginally by 1bp to end at 3.36%.
- The auction of 5-Y new issue of MGS worth RM5.0 billion which was issued on May 15 drew a strong demand with a bid-to-cover (BTC) ratio of 2.1x, albeit lower relative to the previous RM5.0 billion 5-Y reopening of MGS in July 2024 with a BTC ratio of 2.2x.
- The 10y MGS/UST yield spread widened slightly in the negative territory at 84bps relative to -82bps in the previous week.

COMMODITY: BRENT CRUDE OIL EXTENDS GAINS AMID EASING U.S.-CHINA TRADE TENSIONS

Brent Crude in USD per barrel



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

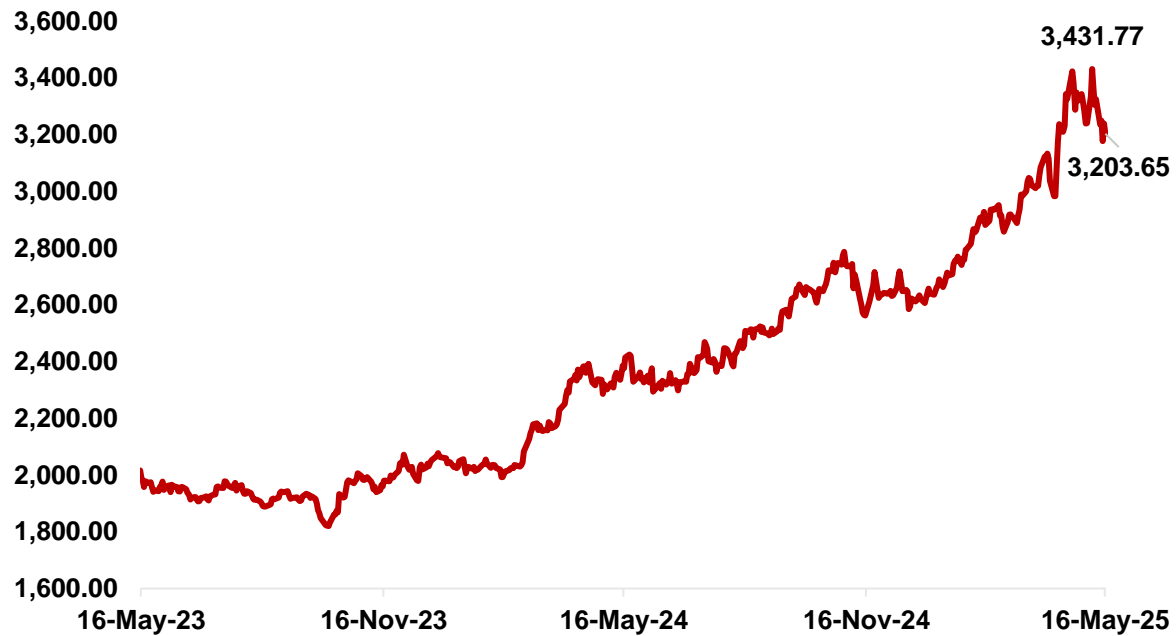


Sources: Bloomberg, Energy Information Administration (EIA)

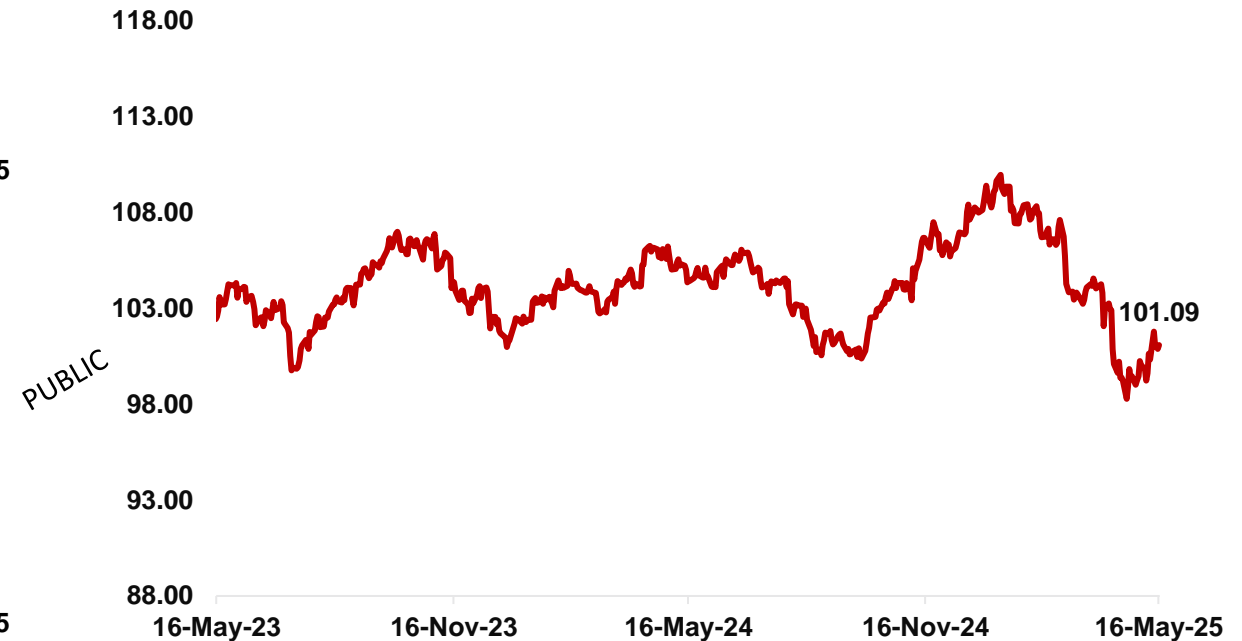
- Brent crude oil prices continued to climb for the week ending May 16, marking a second consecutive weekly gain with a rise of 2.3%. On Friday, Brent closed higher at USD 65.41 per barrel, up 88 cents from the previous day. The rally was supported by easing trade tension between the U.S. and China, following a 90-day hiatus in their trade dispute, which lifted market sentiment and boosted demand optimism. However, longer-term uncertainties remain, and the potential for renewed tensions could contribute to ongoing volatility in oil prices.
- Meanwhile, U.S. crude oil stockpiles rose by 3.5 million barrels in the week ending May 9, reaching a total of 441.8 million barrels, after two straight weeks of declines.

COMMODITY: GOLD PRICE ON TRACK FOR WEEKLY LOSS AS SAFE HAVEN DEMAND EBBED AWAY

Gold in USD per ounce



U.S. Dollar Index (DXY)



Sources: Bloomberg, CEIC Data

- The bullion price plunged by 3.6% w-o-w for the week ending May 16 amid receding fears of a trade-fueled global economic downturn.
- Such performance was attributed to the de-escalation of trade tensions between U.S. and its major trade partners, namely China and the U.K. As Trump had shown to be more receptive than expected to pare back his tariffs, markets are cautiously optimistic of more favourable developments of the global trade landscape.
- As risk sentiments shifted, demand for the bullion dipped, marking the lowest level in more than a month.

WHAT TO LOOK OUT FOR IN THE MARKETS THIS WEEK

- Several economic release in the U.S. will take center stage this week, including the retail earnings reports that are expected to provide insight into signs of consumer weakness amid declining sentiment and fears that tariffs could drive prices higher. Market attention for the week will also turn to several speeches from Federal Reserve (The Fed) officials after President Trump criticized the Fed's decision to keep its interest rate unchanged. With the central bank continuing to monitor inflation, labor market trends, and the broader impact of tariffs, market participants will be watching for any signals of a shift in policy tone. On the data front, housing market indicators will be in focus. Reports on both existing and new home sales are due, providing a snapshot of a sector that continues to struggle under the weight of elevated interest rates and low housing supply.
- At the same time, China's economic outlook is set to draw attention this week, as a series of key data releases are expected to offer fresh insights. Retail sales are projected to show stronger growth in April, signaling resilient consumer demand. In contrast, industrial production likely lost momentum, reflecting the lingering effects of recently imposed and briefly triple-digit tariffs by President Trump. The unemployment rate is forecast to remain steady, while property investment is anticipated to decline once again, underscoring the persistent struggles in the real estate sector. In response to these pressures, Beijing is widely anticipated to cut its benchmark one-year and five-year loan prime rates later in the week.
- In Indonesia, all eyes will be on Bank Indonesia's interest rate decision, with its next Board of Governors Meeting scheduled for May 20–21. While the central bank has suggested there may be room to lower rates to support the economy, much will depend on global developments—particularly the strength of the U.S. dollar and lingering uncertainty in international trade. These external pressures have made policymakers cautious, especially given the importance of maintaining currency stability. Some analysts believe a rate cut could be on the table as early as 2Q 2025 to spur growth, while others expect the central bank to keep rates steady for now, prioritizing the stability of the rupiah and guarding against potential inflation risks. The upcoming decision will provide important guidance on how the central bank intends to balance growth support, inflation control, and exchange rate management in an increasingly volatile global environment.

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