



WEEKLY ECONOMIC UPDATE

21 JULY 2025

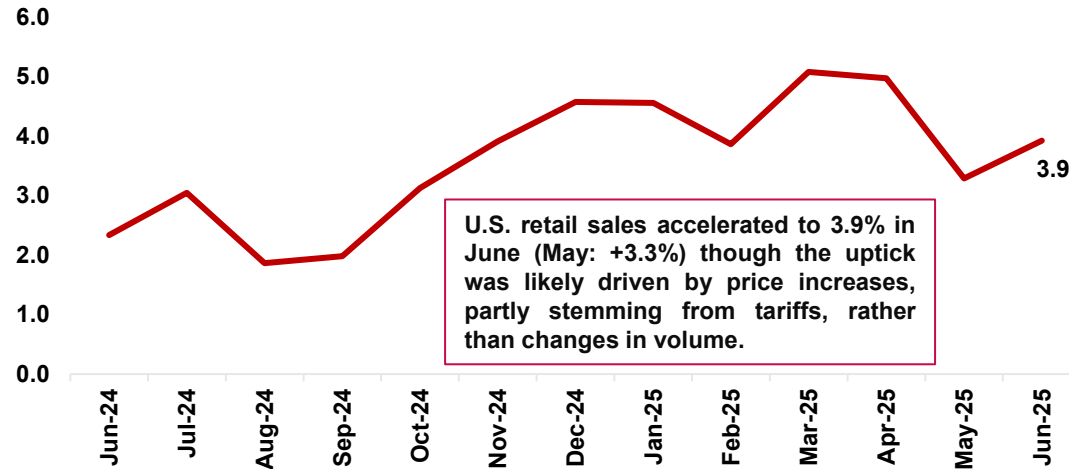
ECONOMIC RESEARCH

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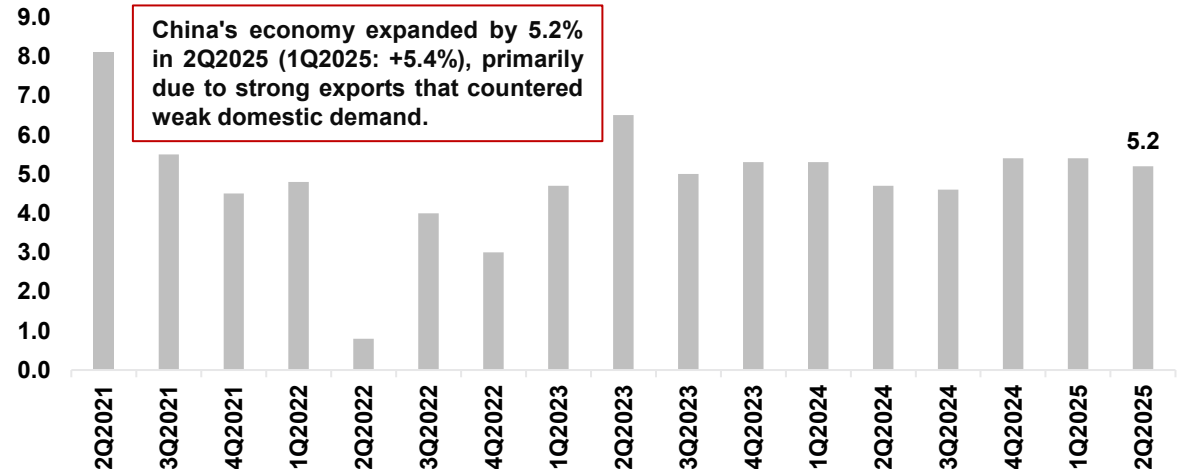
WEEKLY HIGHLIGHT: MALAYSIA MAINTAINS UPWARD GROWTH MOMENTUM DESPITE GLOBAL HEADWINDS

GLOBAL

U.S. - Retail Sales, y-o-y%

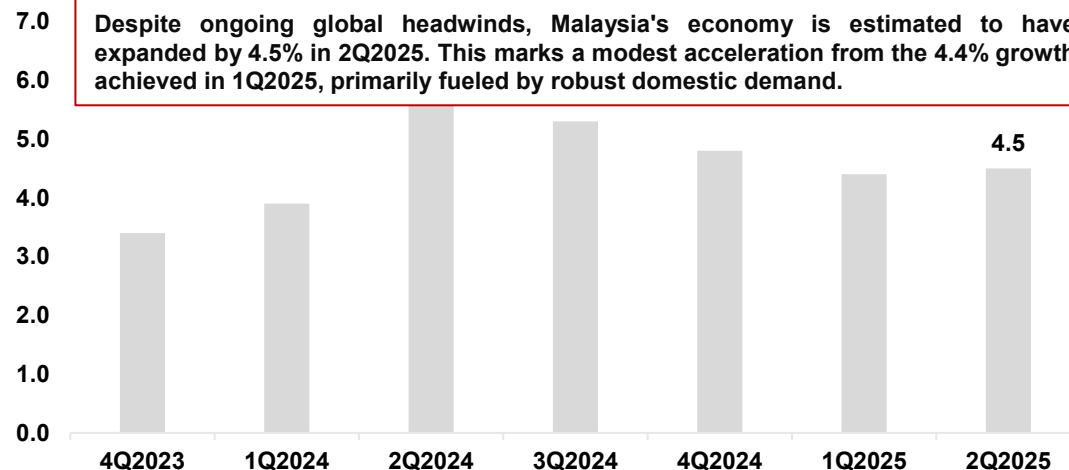


China - Real GDP Growth, y-o-y%

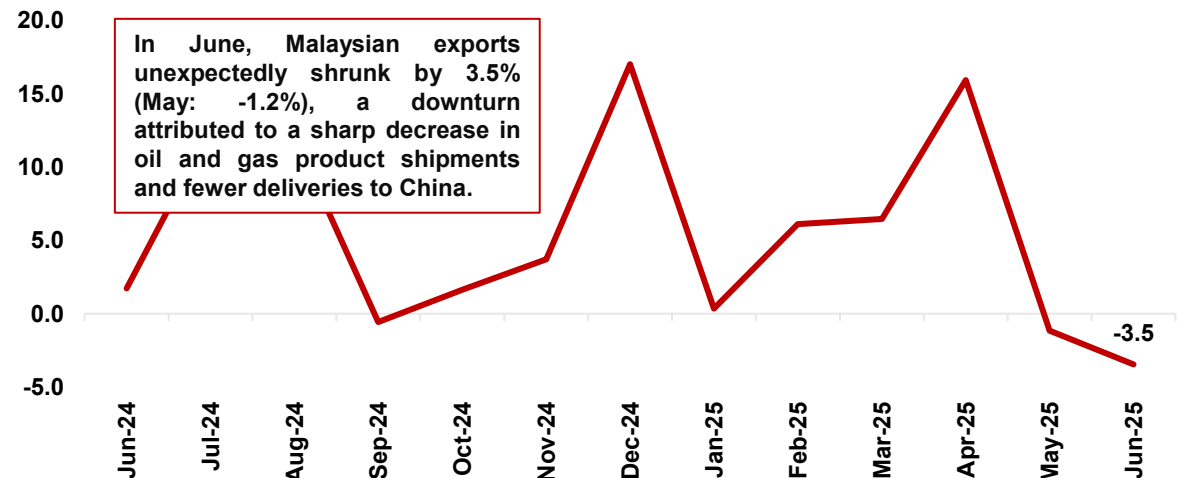


DOMESTIC

Malaysia - Real GDP, y-o-y%

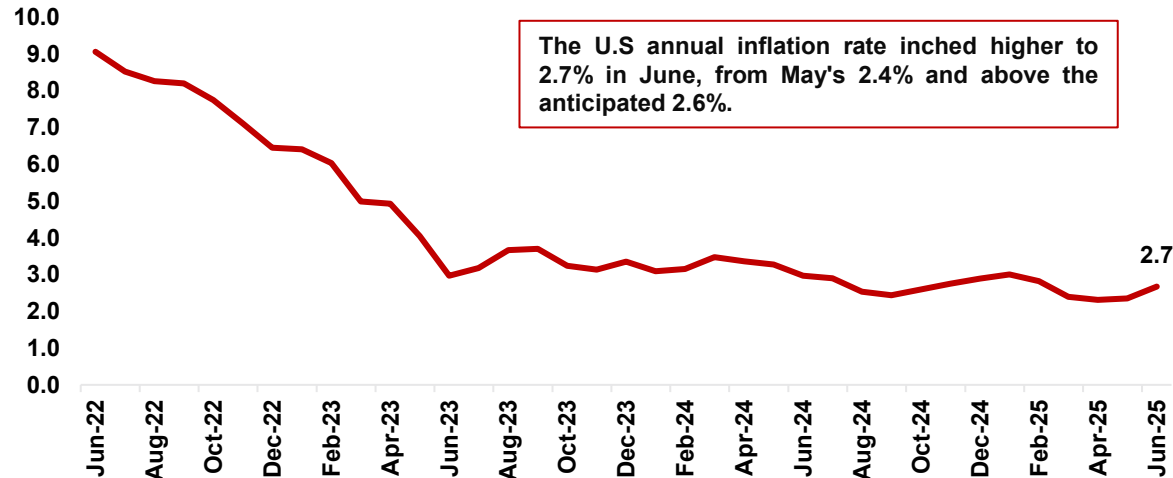


Malaysia - Exports, y-o-y%

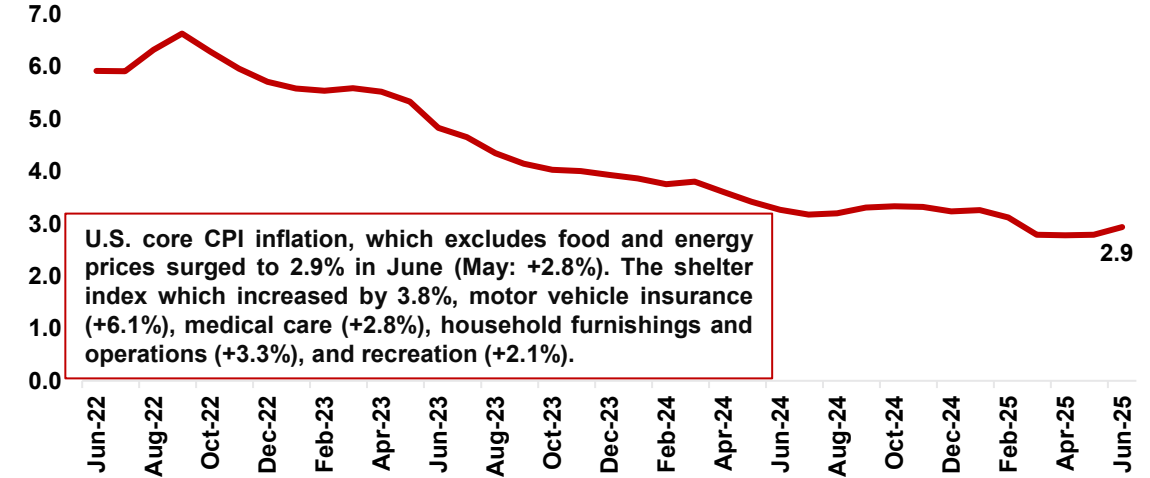


U.S. WEEKLY HIGHLIGHT: U.S. CPI ESCALATED IN JUNE, SIGNALLING THE INFLATIONARY EFFECT OF TRUMP'S TARIFF

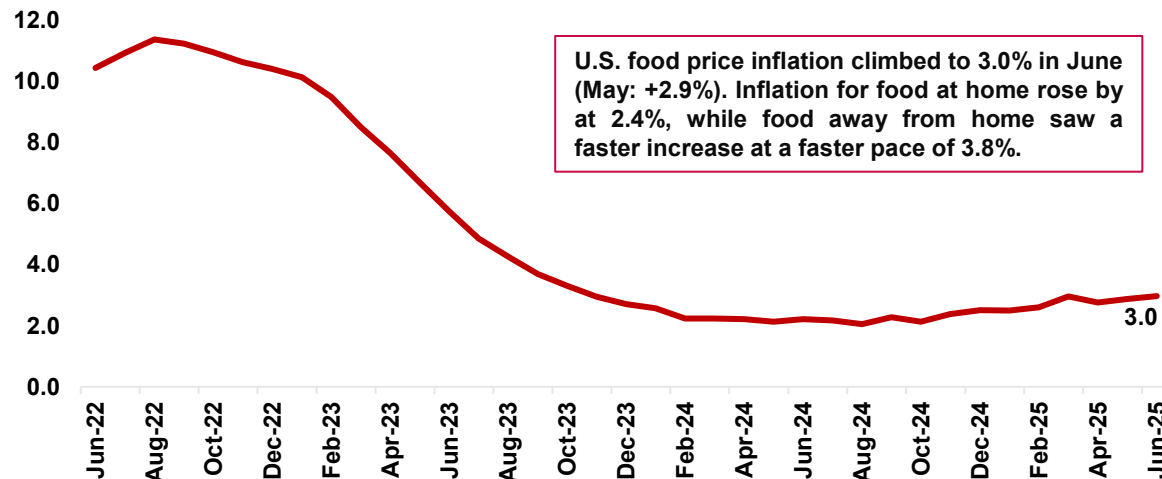
U.S. CPI, y-o-y%



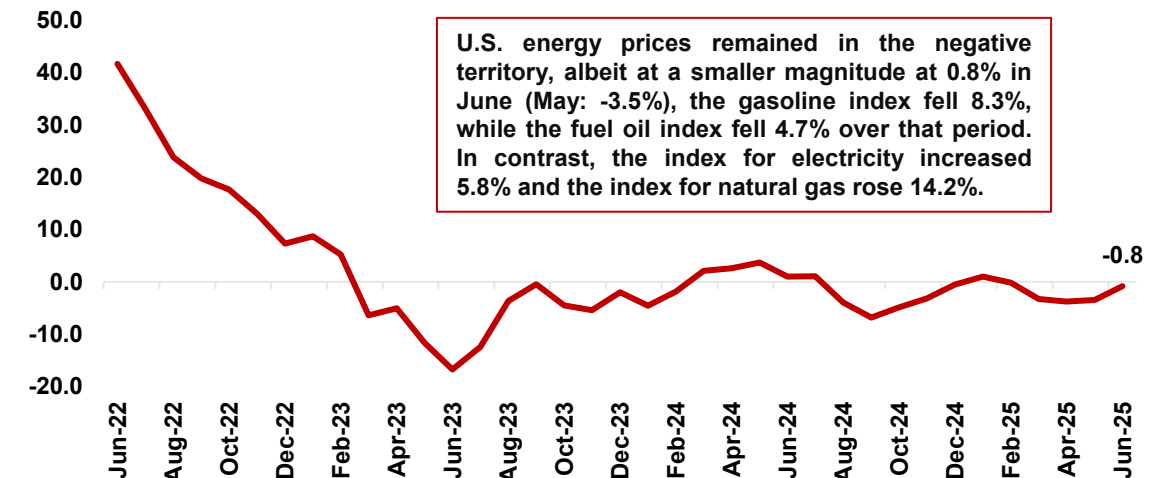
U.S. CPI (All Items less Food and Energy), y-o-y%



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



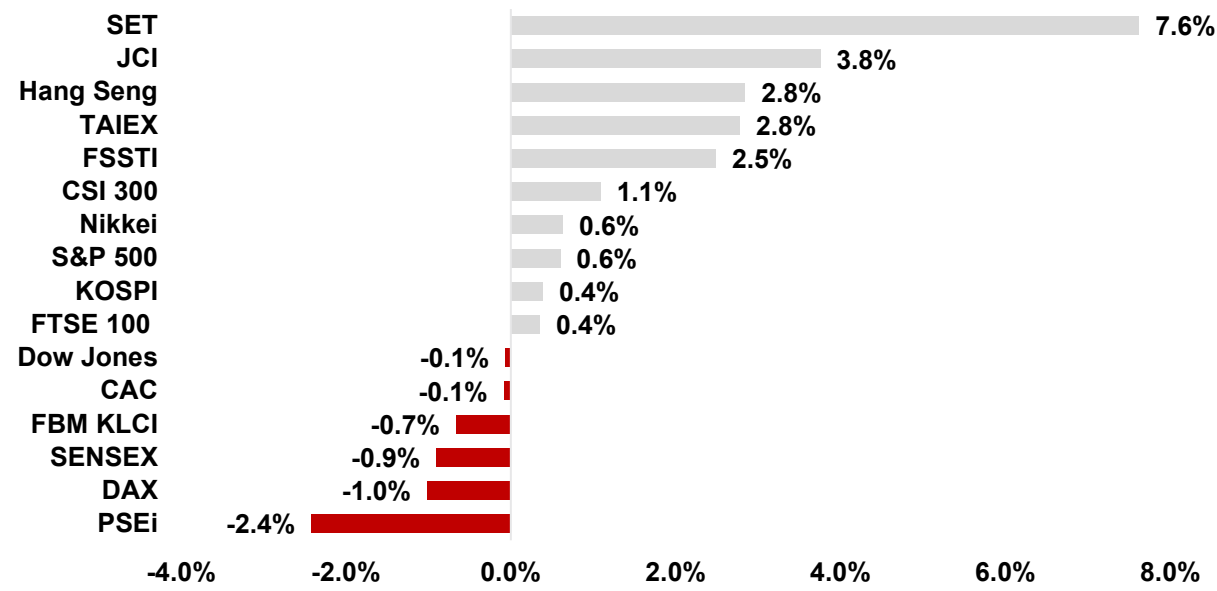
U.S. CPI (Energy), y-o-y%



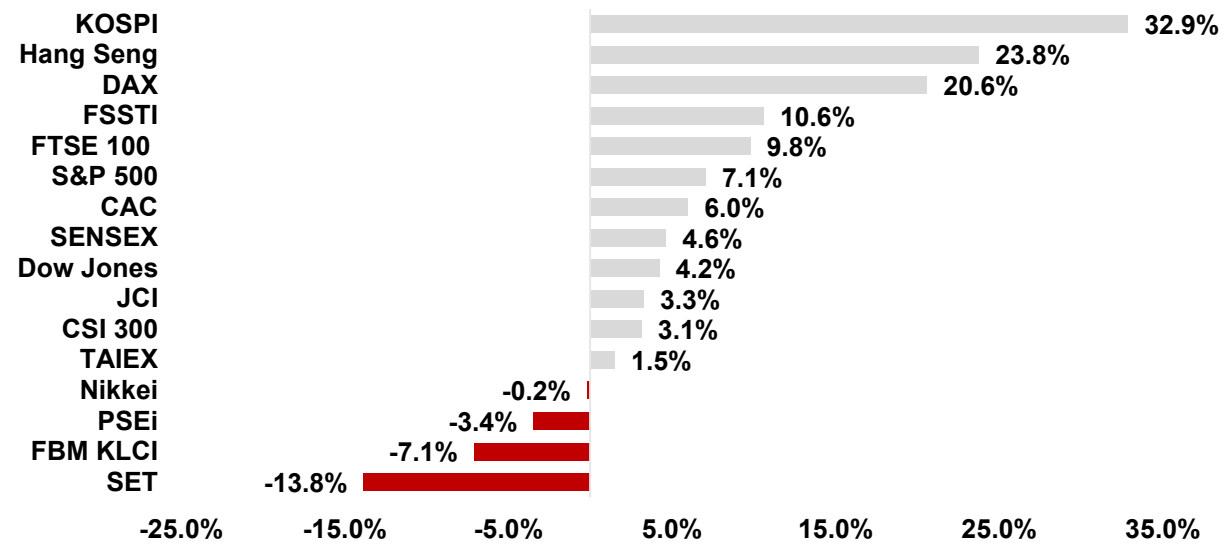
REGIONAL EQUITY: THAILAND LEADS GAINS, U.S. ECONOMIC DATA FUELS OPTIMISM



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



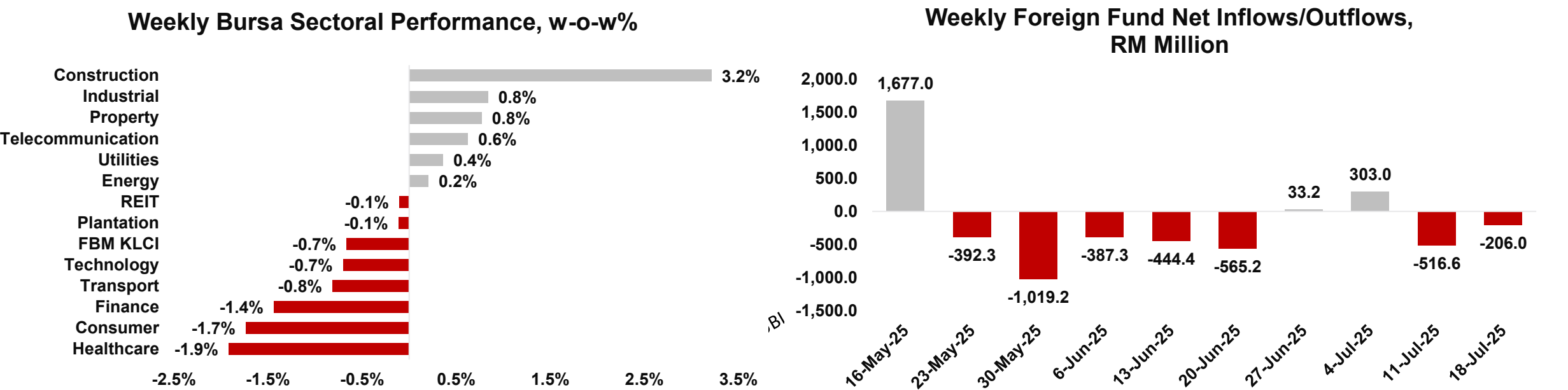
YTD Gain/Loss of Major Equity Markets, %
(As of 18 July 2025)



Sources: Bursa, CEIC Data

- The global stocks market were in the mostly in the green for the week ending July 18 with Thailand's SET as the major gainer, inching up by 7.6% as the positive momentum in the market continues, fueled by stronger-than-expected U.S. economic reports and outstanding earnings from many U.S. companies. Further signaling the recovering appeal of Thai stocks were significant buying forces from both foreign and institutional investors.
- Additionally, Indonesia's JCI climbed by 3.8% driven by robust corporate earnings and encouraging economic indicators, investor sentiment stayed upbeat after an interest rate cut by the central bank on July 16 and the signing of new trade agreements with the U.S. over the weekend.
- In contrast, Philippines' PSEi (-2.4%), Germany's DAX (-1.0%) and India's SENSEX were the biggest losers for the week ending July 18.

DOMESTIC EQUITY: LOCAL MARKET CLOSED MIX AS INVESTORS REMAINED CAUTIOUSLY OPTIMISTIC ON THE ECONOMY



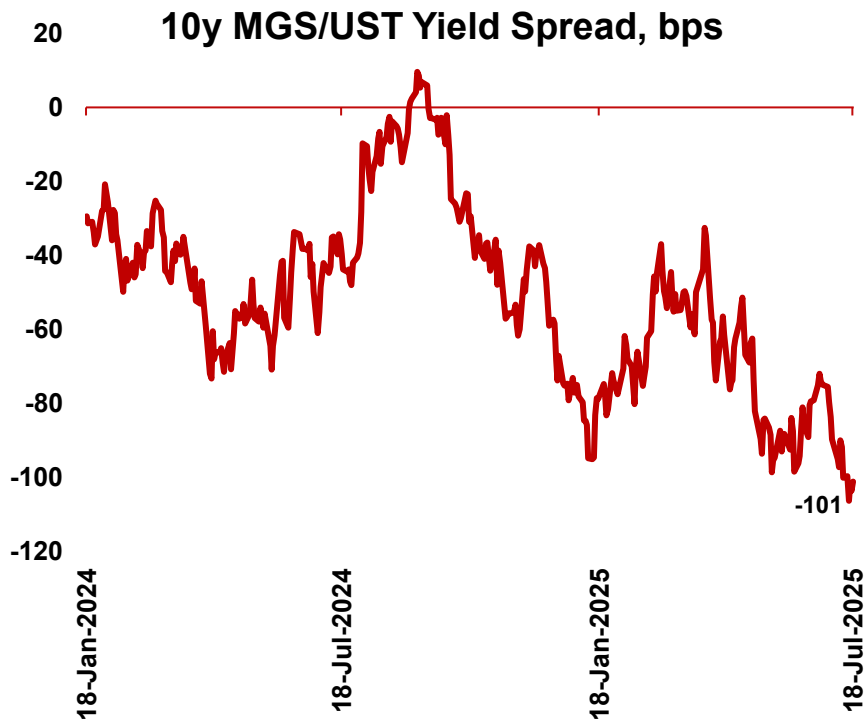
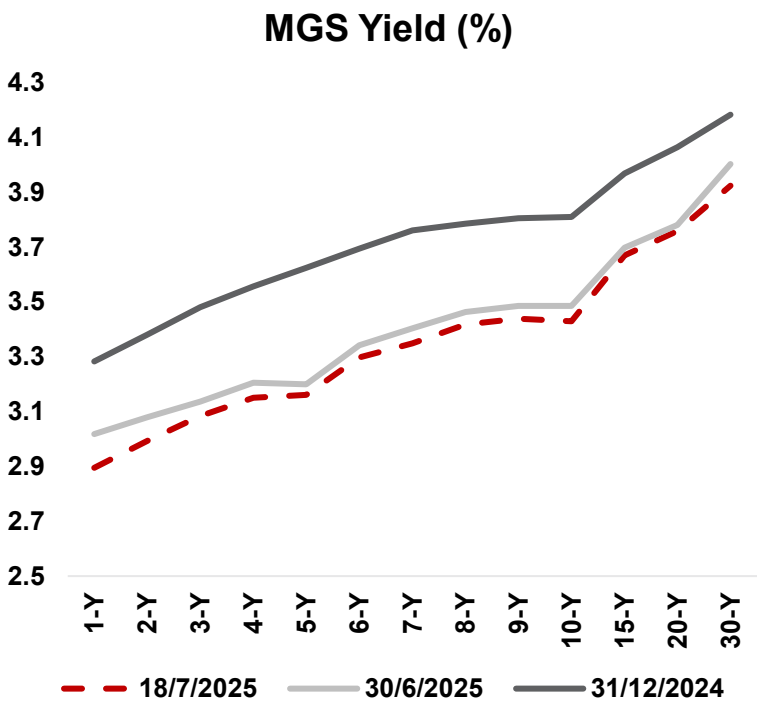
Sources: Bursa, CEIC Data

- The FBM KLCI slipped by 0.7% w-o-w for the week ending July 18 as investor sentiments remained muted throughout the week amid heightened concerns of the economy expanding slower than expected following Trump’s conditional 25% tariffs on Malaysian imports.
- Latest figures showed that Malaysia’s exports contracted by 3.5% in June (May: -1.2%) following a decline of the Manufacturing sector alongside persistent downturn in Mining exports.
- As such, while buying interest rebounded following the official 2Q2025 GDP estimates which showed the economy growing at a faster pace of 4.5% compared to 4.4% in 1Q2025, investors remained cautious on Malaysia’s outlook, limiting the rebound of the local market.
- Looking closer, the Healthcare index declined by 1.9%, followed by the Consumer and Finance indices which slipped by 1.7% and 1.4%, respectively. On the flipside, the Construction index had surged by 3.2%, marking the highest level in more than six months.
- Foreign investors remained as net sellers for the second straight week, shedding a total of RM206.0 million worth of equities. This had reduced the cumulative net outflow thus far to RM13.2 billion.

FIXED INCOME: UST YIELDS MIXED AS MARKETS WEIGH FED SIGNALS AND ECONOMIC DATA



Weekly Changes, basis points (bps)			
UST	Yields (%) 11-Jul-25	Yields (%) 18-Jul-25	Change (bps)
3-Y UST	3.86	3.84	-2
5-Y UST	3.99	3.96	-3
7-Y UST	4.19	4.18	-1
10-Y UST	4.43	4.44	1
MGS	Yields (%) 11-Jul-25	Yields (%) 18-Jul-25	Change (bps)
3-Y MGS	3.09	3.08	-1
5-Y MGS	3.16	3.16	0
7-Y MGS	3.34	3.35	1
10-Y MGS	3.43	3.43	0
GII	Yields (%) 11-Jul-25	Yields (%) 18-Jul-25	Change (bps)
3-Y GII	3.12	3.13	1
5-Y GII	3.22	3.21	0
7-Y GII	3.36	3.36	0
10-Y GII	3.48	3.48	0



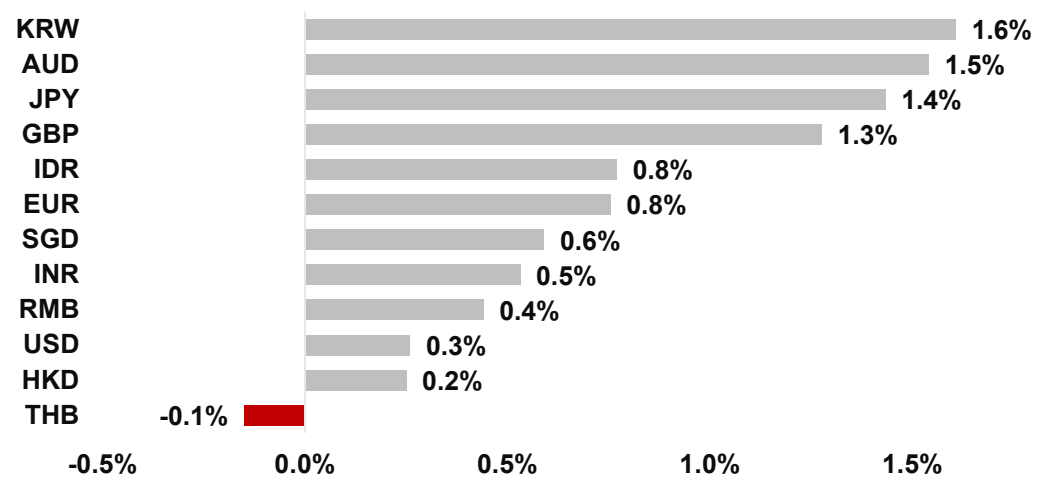
Sources: BNM, Federal Reserve Board

- The U.S. Treasury (UST) yields dipped in the range of 1bp and 3bps for the week ending July 18, except for 10-Y UST which edged marginally higher by 1bp to close at 4.44%. Markets are grappling with mixed signals after processing the latest economic data and Federal Reserve (Fed) commentary. While the University of Michigan's July Consumer Sentiment improved and inflation expectations eased, Fed Governor Christopher Waller's call for a July rate cut, even hinting at dissent if not implemented, contrasts with market pricing which still expects no change this month. Nevertheless, a quarter-point rate cut is still anticipated in September. This follows earlier reports of robust consumer spending, evidenced by strong retail sales, and unexpectedly softer core CPI and producer price index (PPI) figures.
- Malaysian Government Securities (MGS) and Government Investment Issues (GII) yields were little changed, moving by between -1bp and 1bp.
- The 10y MGS/UST yield spread widened slightly in the negative territory at 101bps relative to -100bps in the previous week.

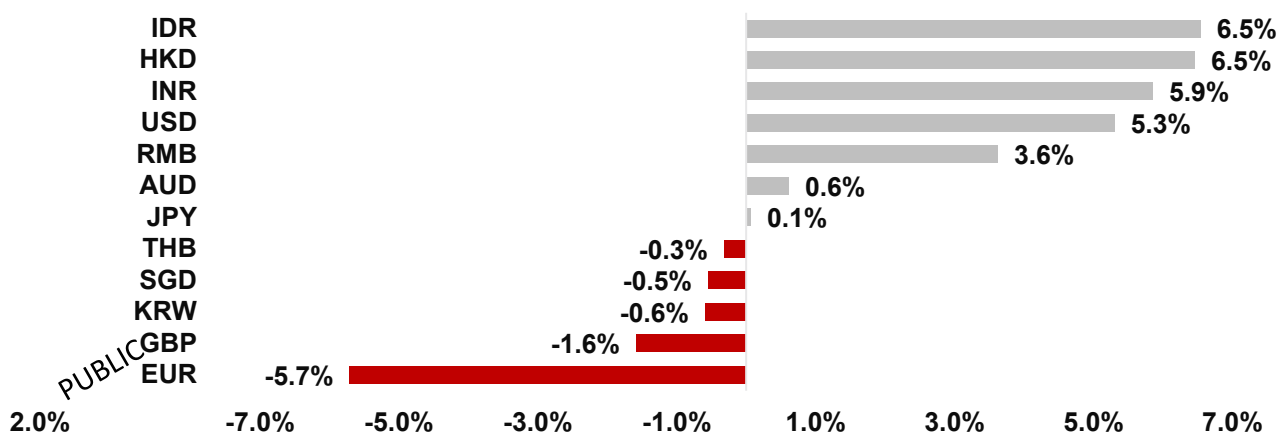
FX MARKET: RINGGIT TO TRADE CAUTIOUSLY AHEAD OF FED CHAIR POWELL SPEECH



MYR Against Regional Currencies, w-o-w%



MYR Against Regional Currencies, YTD%
(As of 18 July 2025)



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

- The Ringgit rebounded by 0.3% w-o-w against the USD for the week ending July 18 despite the USD index appreciating by 0.6%.
- Such performance was supported by the economy accelerating by 4.5% y-o-y in 2Q2025 (1Q2025: 4.4%), based on official estimates, tempering worried jitters of a significant hiccup in Malaysia’s growth trajectory.
- The expansion is underpinned by growths in the Services (2Q2025: 5.3% vs. 1Q2025: 5.0%) and Agriculture (2Q2025: 2.0% vs. 1Q2025: 0.6%) sectors while the Manufacturing (2Q2025: 3.8% vs. 1Q2025: 4.1%) and Construction (2Q2025: 11.0% vs. 1Q2025: 14.2%) sectors expanded at slower paces. However, the Mining sector continued to contract, marking a deeper decline of 7.4% (1Q2025: -2.7%).
- Meanwhile, the USD strengthened as markets further slashed their rate cut bets following the release of key U.S. CPI figures. Of note, headline inflation rose in line with estimates at 2.7% y-o-y in June (May: 2.4%) while core inflation grew at 2.9% y-o-y in June from 2.8% in May, missing expectations of a 3.0% rise. On a monthly basis, core inflation mirrored the same trend, edging up by 0.2% against estimates of 0.3%.
- The higher inflation readings gave weight to market concerns—that Trump’s slew of tariffs will gradually but undoubtedly lead to hotter price pressures, complicating the inflation outlook and U.S. Fed’s policy path moving forward.

COMMODITY: OIL PRICES STEADY AMID MIXED ECONOMIC SIGNALS AND EU SANCTIONS ON RUSSIA

Brent Crude in USD per barrel



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

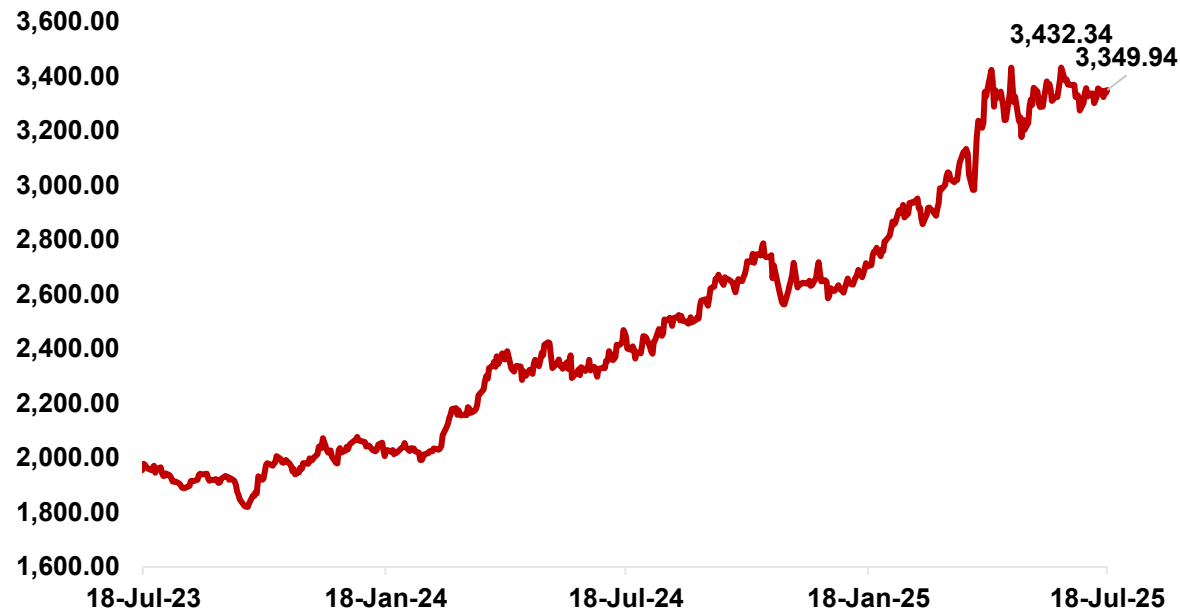


Sources: Bloomberg, Energy Information Administration (EIA)

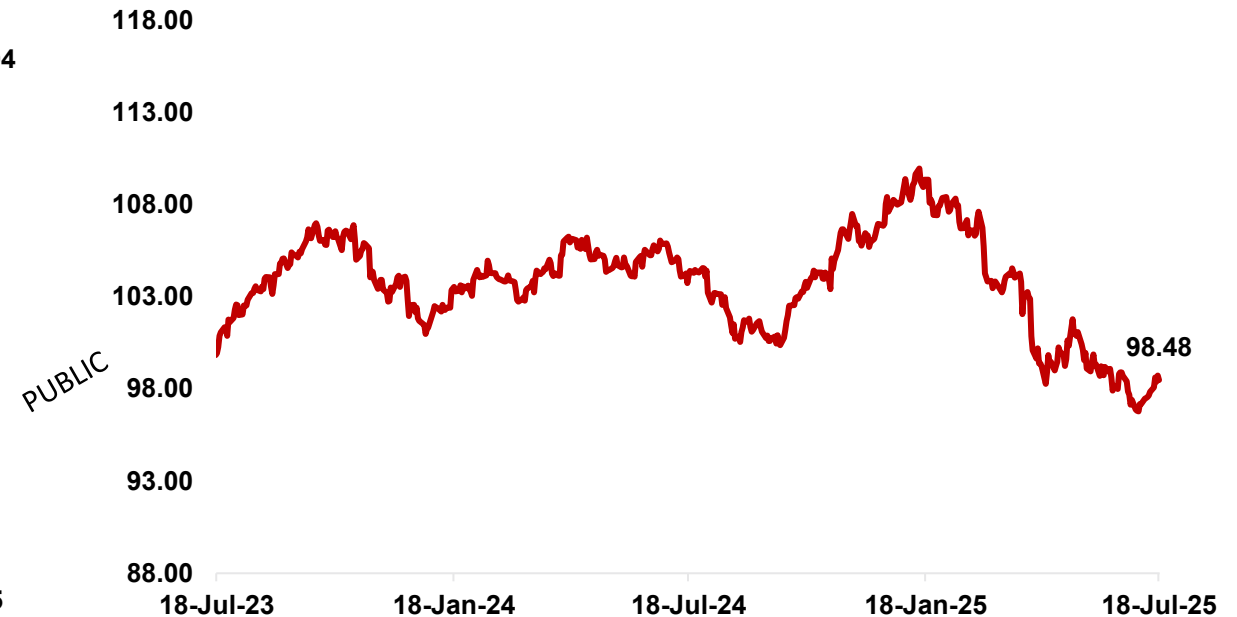
- On Friday (July 18), Brent oil price ended slightly lower, dipping 0.3% to USD69.28 per barrel, as mixed economic signals and geopolitical developments kept the market in balance. Meanwhile, on a weekly basis, the price fell by 1.5%. The U.S. housing data offset improving consumer sentiment, while EU sanctions on Russian energy raised supply concerns. Additionally, Trump's push for higher EU tariffs could fuel inflation, adding uncertainty to global demand and energy markets.
- U.S. crude oil inventories fell by 3.9 million barrels to 422.2 million barrels for the week ending July 11.

COMMODITY: GOLD PRICE ON TRACK FOR WEEKLY LOSS AS THE USD INDEX STRENGTHENED

Gold in USD per ounce



U.S. Dollar Index (DXY)



Sources: Bloomberg, CEIC Data

- The bullion price slipped by 0.2% w-o-w as investors shifted their focus towards U.S. assets following turmoil surrounding the U.S. Fed. Last week, Trump criticized the Fed, calling for the Federal Funds Rate (FFR) to be lowered to 1.0% from its range of 4.25-4.50% while threatening to remove Fed Chair Powell from his post. Jitters of a disruption in the Fed's posts fueled the rise of UST yields and the USD index.
- Furthermore, increasing odds of the Fed maintaining its interest rate in its July and September meeting, the cases which were solidified by hikes in inflation figures, had further supported the USD.

WHAT TO LOOK OUT FOR IN THE MARKETS THIS WEEK

- All eyes will be on Fed Chair Jerome Powell's speech on Tuesday, as markets look for clues on the Fed's next move amid rising inflation pressures and global trade tensions. Investors will closely monitor his tone on interest rates, economic resilience, and the impact of recent Trump tariffs, particularly their inflationary effects. Any shift in tone could trigger reactions in rate-sensitive sectors such as banks, technology and utilities. Powell's view on how the economy is holding up amid trade tensions and inflation risks could strongly shape market expectations for the rest of 2025. In June, the country's headline inflation spiked by 30bps to 2.7%, with tariffs driving up food, energy and core inflation which rose to 2.9%.
- The market will focus on China's loan prime rate (LPR) decision on Monday, where rates are widely expected to remain unchanged. China's central bank is likely to hold the one-year and five-year LPR steady, as recent economic data has reduced the urgency for further easing. A Reuters survey of 20 analysts showed expectations for no change, reflecting cautious optimism after 2Q2025 GDP slightly beat forecasts. Despite weak domestic demand and U.S. tariff risks, the PBOC may delay stimulus until a clearer economic window emerges. Traders are now looking ahead to China's Politburo meeting later this month for signals on future policy support. China's property sector remains under pressure, with June new home prices falling at the fastest pace in eight months. Policymakers face an uphill battle in reviving housing demand despite multiple support measures. The PBOC's cautious stance suggests it prefers incremental easing rather than aggressive rate cuts for now. Markets will watch for any shifts in tone from Chinese authorities, especially regarding property sector risks and growth targets.
- Meanwhile in the eurozone, the ECB is expected to hold interest rates steady at its July 24 meeting as inflation nears its 2.0% target. Trade tensions with the U.S. and a stronger euro are adding disinflationary risks, keeping policymakers cautious about further easing. September remains the most likely window for another rate cut, with fresh economic projections due that month. After eight cuts in just over a year, the ECB appears to be pausing to assess the impact of previous moves. A recent Reuters poll shows unanimous expectations for unchanged rates in July, with nearly 60% forecasting a September cut. Political uncertainty and global trade risks are clouding the outlook, making the ECB hesitant to commit to further easing now.

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THANK YOU