



WEEKLY ECONOMIC UPDATE

21 SEPTEMBER 2026

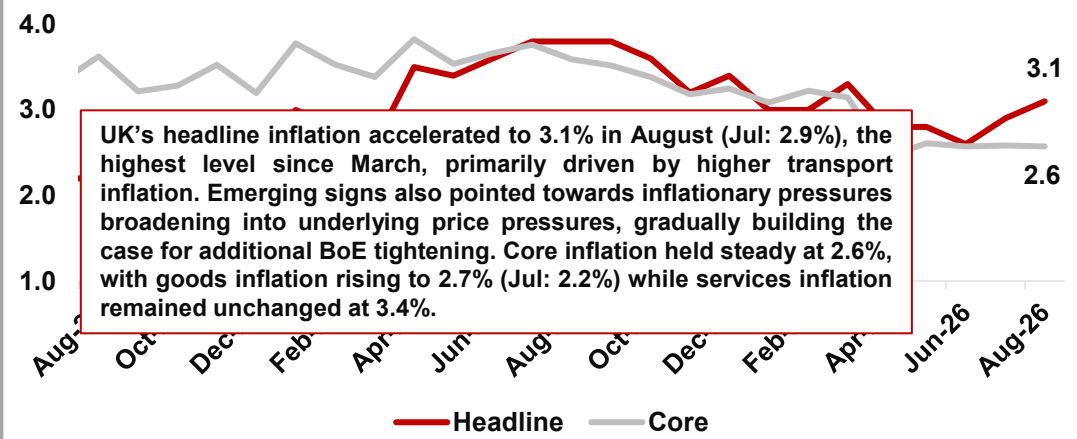
ECONOMIC RESEARCH

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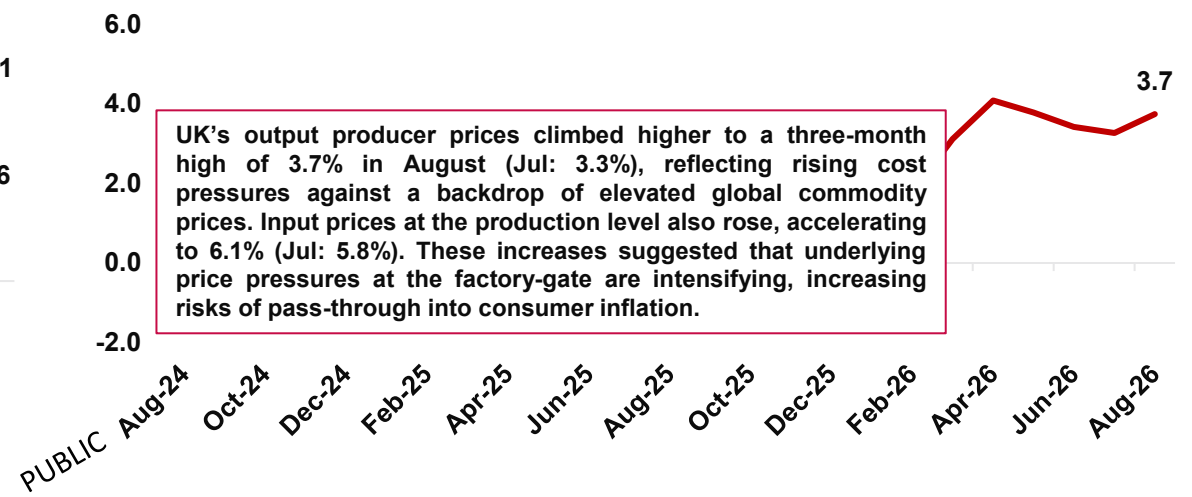
WEEKLY HIGHLIGHT: INTENSIFYING PRICE PRESSURES KEEP THE DOOR OPEN FOR A BANK OF ENGLAND (BOE) RATE HIKE BY YEAR-END

GLOBAL

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

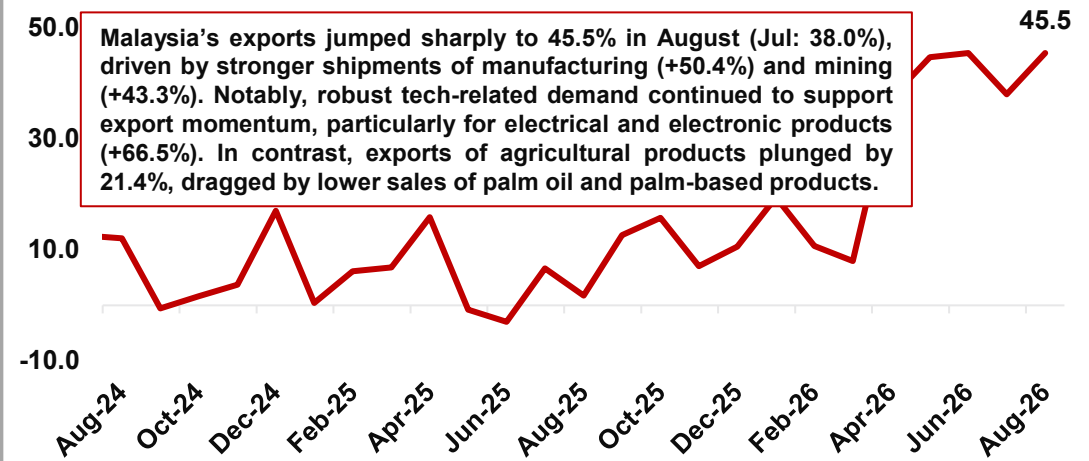


UK - Producer Price Index (PPI), y-o-y%

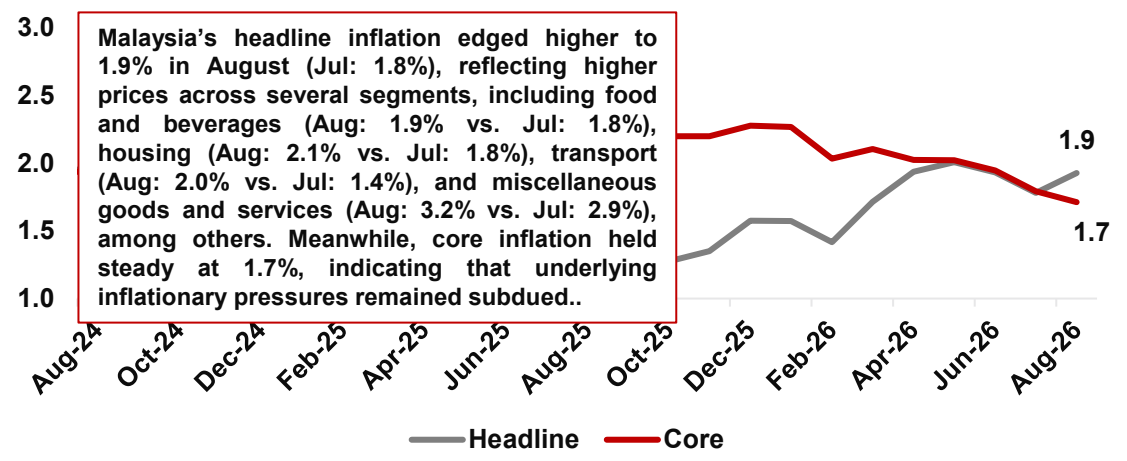


DOMESTIC

Malaysia - Exports, y-o-y%

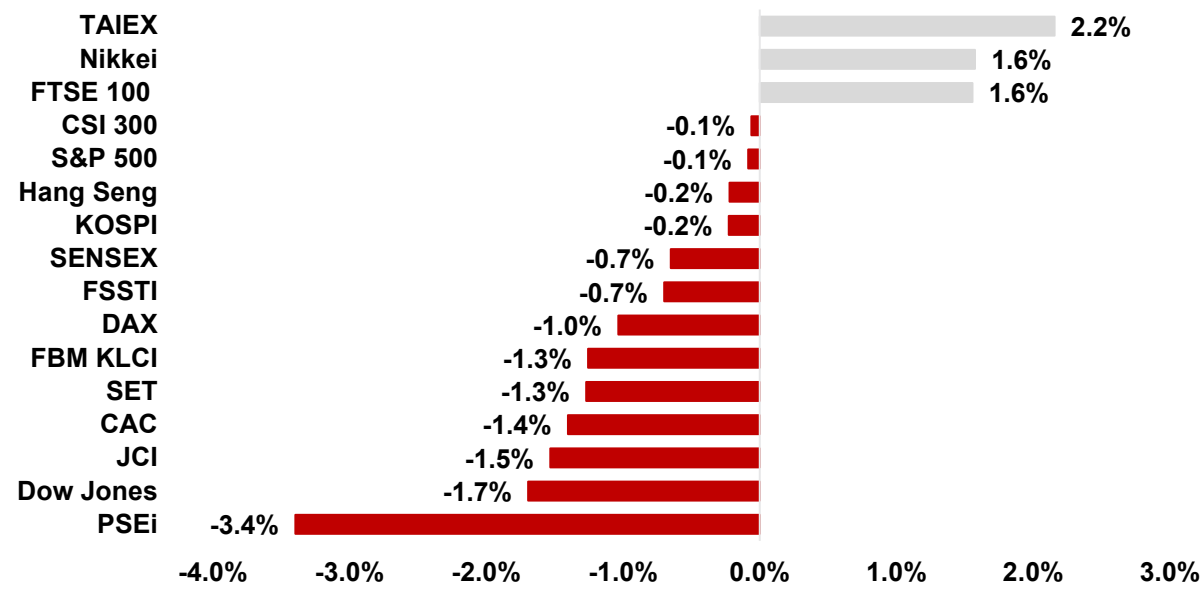


Malaysia - CPI, y-o-y%

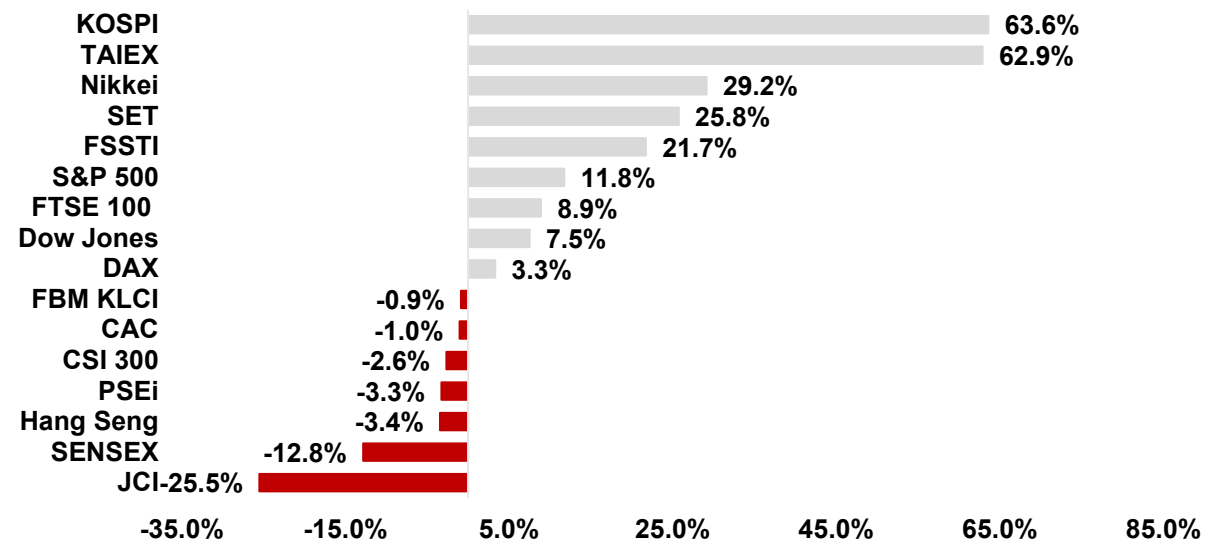


REGIONAL EQUITY: GLOBAL STOCKS CLOSE LOWER AS HIGHER RATES, BOND YIELDS AND OIL PRICES DAMPEN RISK APPETITE

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



YTD Gain/Loss of Major Equity Markets, %
(As of 18 September 2026)

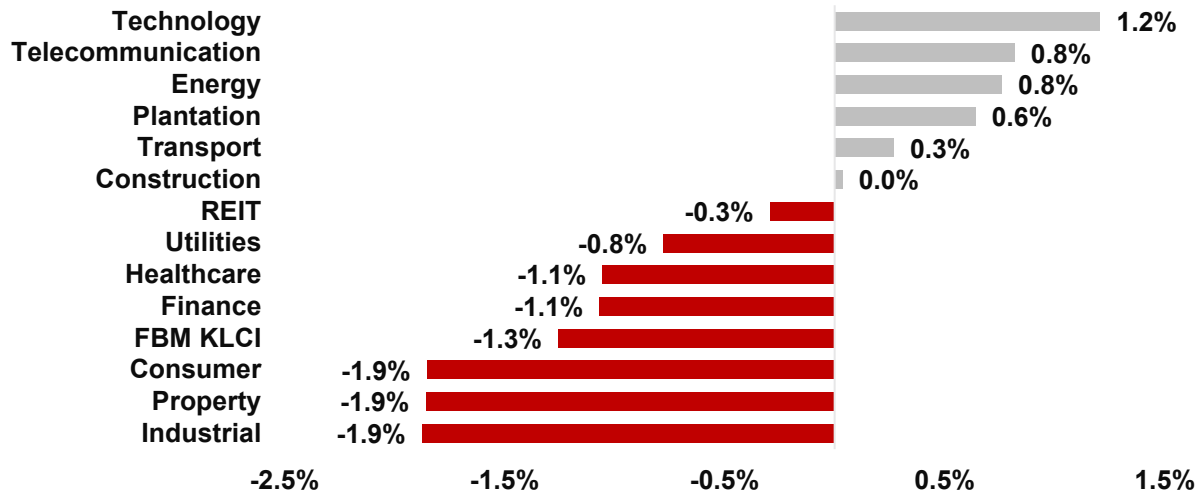


Sources: Bursa, CEIC Data

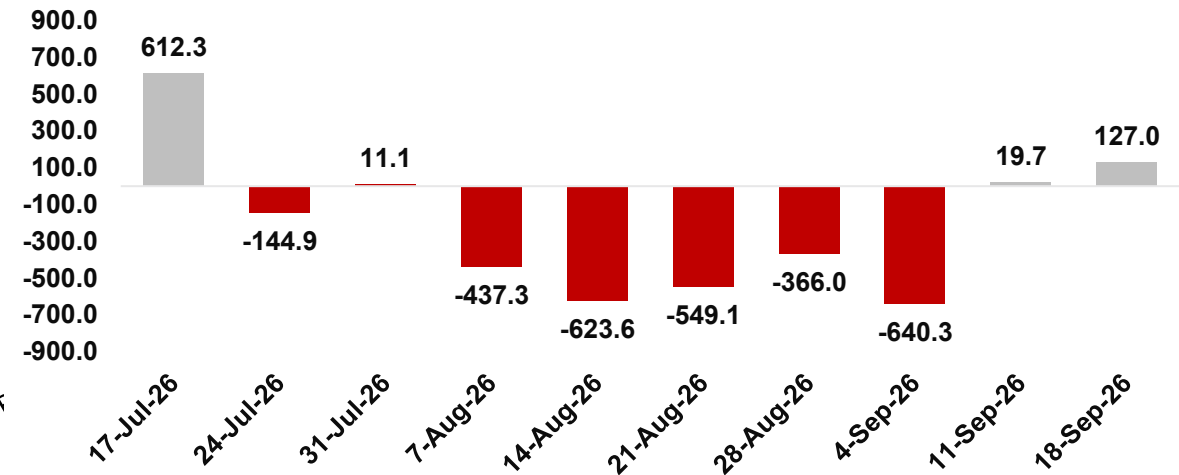
- Global equities largely ended lower in the week ended 18 September, led by declines in the Philippines' PSEi (-3.4%), the U.S. Dow Jones (-1.7%), and Indonesia's JCI (-1.5%). In contrast, the U.S. S&P 500 edged down by just 0.1% w-o-w, supported by the relative resilience of technology stocks. Meanwhile, broader market sentiment remained cautious, with rate-sensitive and cyclical sectors facing headwinds amid growing concerns over tighter financial conditions and a higher-for-longer interest rate environment.
- The Fed's 25bps rate hike, alongside the rise in the 10-year U.S. Treasury yield toward 5.0% and Brent crude oil prices hovering around USD100 per barrel, heightened concerns over higher borrowing costs and persistent inflationary pressures. Nevertheless, global equity markets remained relatively resilient, underpinned by robust corporate earnings and sustained investor optimism surrounding technology and AI-related sectors.
- Conversely, Taiwan's TAIEX led the gains with a 2.2% increase, followed by Japan's Nikkei and the UK's FTSE 100, both advancing 1.6% during the week ended September 18.

DOMESTIC EQUITY: BURSA CLOSED ON A NEGATIVE NOTE DESPITE ROBUST AUGUST EXPORT GROWTH

Weekly Bursa Sectoral Performance, w-o-w%



Weekly Foreign Fund Net Inflows/Outflows, RM Million



Sources: Bursa, CEIC Data

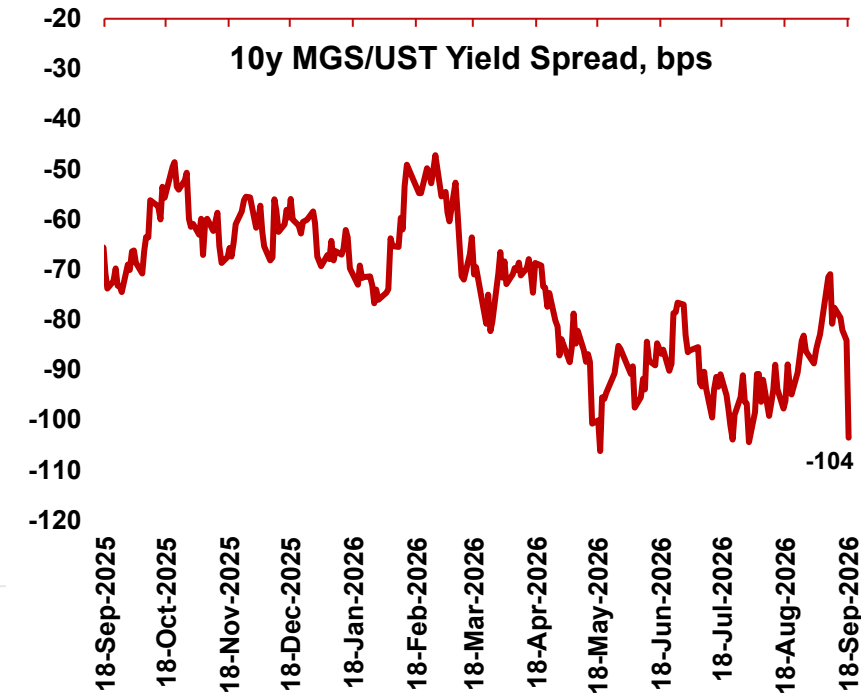
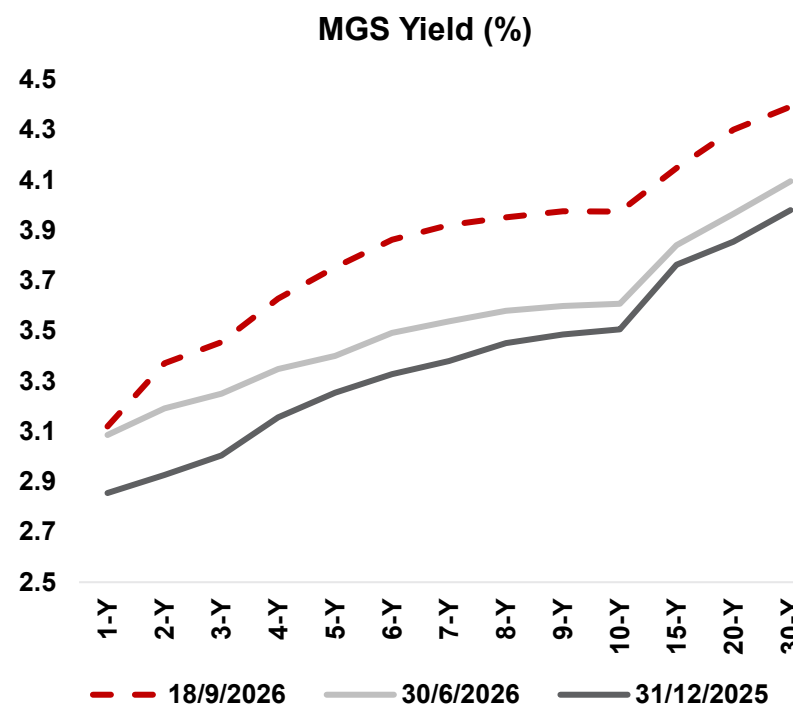
- The FBM KLCI declined by 1.3% w-o-w for the week ending 18 September as hawkish signals by the U.S. Fed reinforced market expectations of further policy tightening in 2026, enhancing the relative appeal of higher-yielding U.S. assets. This prompted a more hawkish reassessment of the Fed's policy outlook, supporting a capital rotation into U.S. assets and dampening demand for emerging market equities.
- Investor sentiments continued to be dominated by broader inflation and interest rate expectations, overshadowing incoming data which pointed towards Malaysia's resilient domestic fundamentals. Notably, export growth remained robust, rising to 45.5% y-o-y in August (Jul: 38.0%), driven by a surge in exports of electrical and electronic products (+66.5%).
- Looking closer, sectoral performance was mixed. The Technology index led the gainers, rising by 1.2% w-o-w amid bargain-hunting activities following recent weakness. The Telecommunications and Energy indices also climbed higher by 0.8% each.
- In contrast, the Industrial, Property and Consumers indices were the worst performers, declining by 1.9% w-o-w each.
- Foreign investors remained as net buyers for the second straight week, recording a net inflow of RM127 million. This reduces the cumulative net outflow in 2026 to RM6.4 billion.

FIXED INCOME: US TREASURY YIELDS RISE AS HAWKISH FED AND OIL SHOCK LIFT INFLATION RISKS

Weekly Changes, basis points (bps)			
UST	Yields (%) 11-Sep-26	Yields (%) 18-Sep-26	Change (bps)
3-Y UST	4.69	4.83	14
5-Y UST	4.78	4.86	8
7-Y UST	4.87	4.93	6
10-Y UST	4.96	5.01	5
MGS	Yields (%) 11-Sep-26	Yields (%) 18-Sep-26	Change (bps)
3-Y MGS	3.55	3.46	-9
5-Y MGS	3.86	3.75	-11
7-Y MGS	4.12	3.92	-20
10-Y MGS	4.18	3.98	-21
GII	Yields (%) 11-Sep-26	Yields (%) 18-Sep-26	Change (bps)
3-Y GII	3.56	3.48	-8
5-Y GII	3.82	3.74	-8
7-Y GII	4.11	3.89	-21
10-Y GII	4.17	3.94	-23

Sources: BNM, Federal Reserve Board

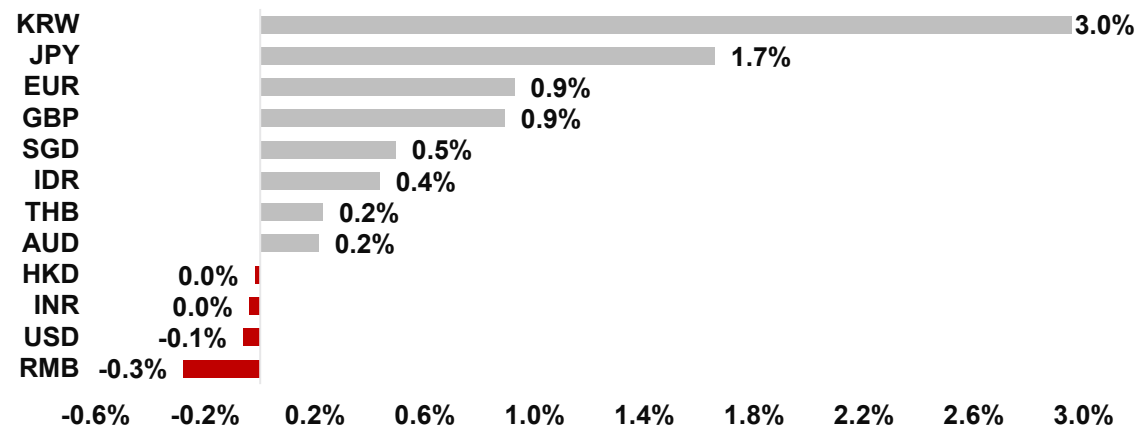
- U.S. Treasury (UST) yields rose sharply in the week ended 18 September as markets digested the Fed's 25bps rate hike and the renewed uptick in oil prices. Consequently, UST yields across the curve increased by between 5bps and 14bps over the week. The benchmark 10-year Treasury yield climbed back toward, and briefly exceeded, the 5.0% mark from around 4.96% at the end of the previous week, while the 3-year yield rose to approximately 4.83%, reflecting expectations of a prolonged period of restrictive monetary policy.
- The rise in yields was primarily driven by the Fed's hawkish guidance, with policymakers raising the target range to 3.75%–4.00% and indicating that additional rate hikes could still be warranted. At the same time, Brent crude oil prices hovering around USD100 per barrel heightened concerns over persistent inflationary pressures, raising the likelihood that interest rates will remain restrictive for longer.
- However, Malaysian Government Securities (MGS) and Government Investment Issues (GII) yields ended lower by between -23bps and -8bps.
- The 10y MGS/UST yield spread widened in the negative territory at 104bps relative to -78bps in a previous week.



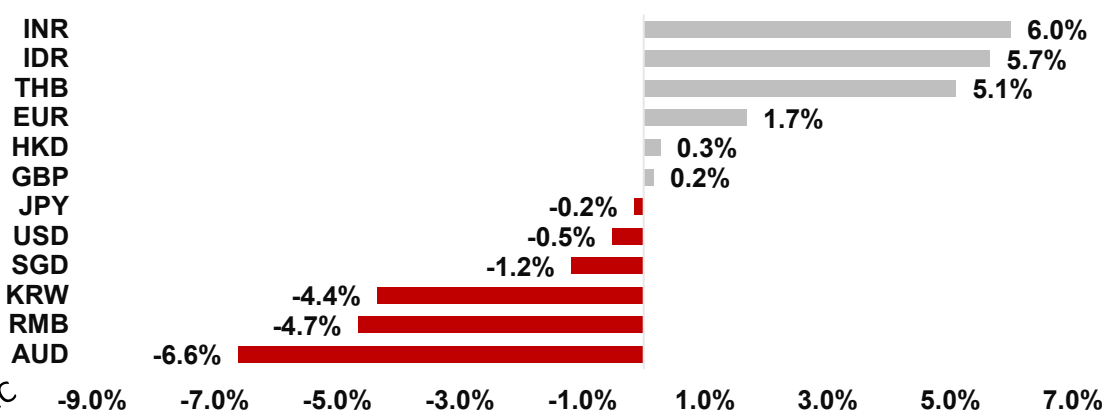
FX MARKET: RINGGIT SLIPPED AS INVESTORS PRICED IN THE POSSIBILITY OF AN OCTOBER RATE HIKE



MYR Against Regional Currencies, w-o-w%



MYR Against Regional Currencies, YTD%
(As of 18 September 2026)

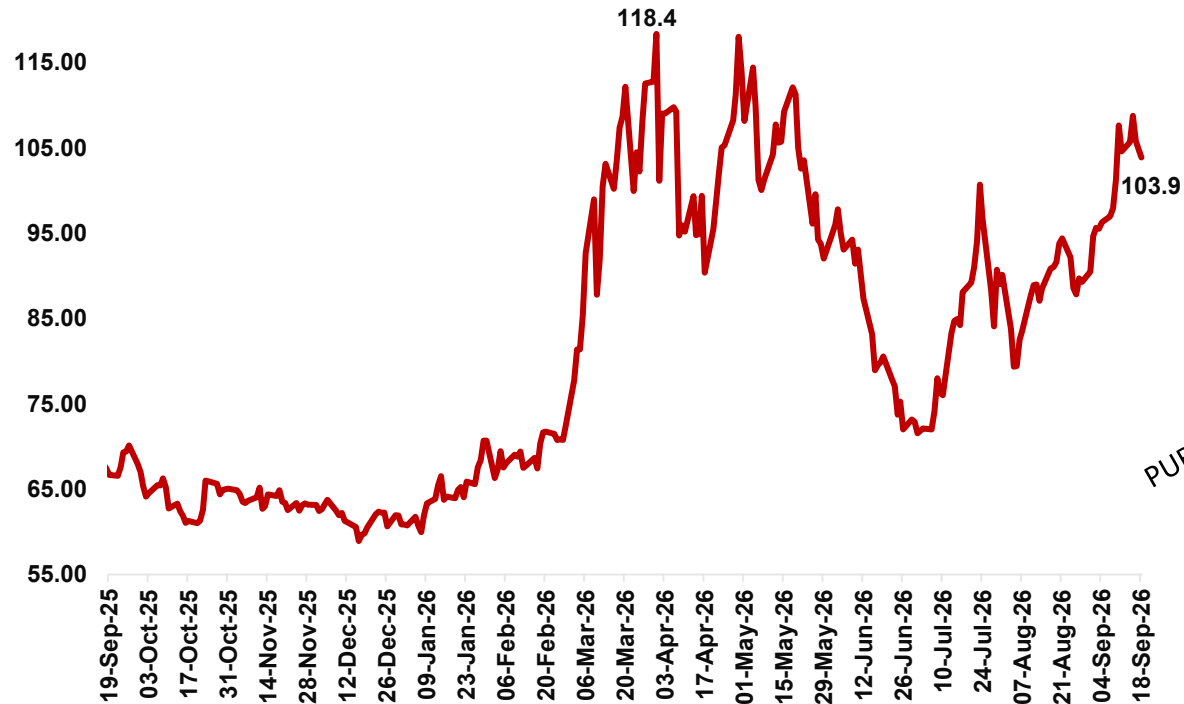


Sources: BNM, Federal Reserve Board (Fed), CEIC Data

- The Ringgit depreciated by 0.1% w-o-w for the week ending 18 September while the USD index strengthened by 0.2%, driven by increasingly hawkish U.S. Fed policy expectations.
- The Fed unanimously delivered a 25-bps rate increase last week, bringing the Federal Funds Rate (FFR) to the 3.75-4.00% range. The policy decision was primarily driven by persistently elevated inflation, with the policy statement highlighting that the hike will support a timelier return to the 2.0% target. Fed Chair Kevin Warsh also acknowledged that the balance of risks were biased towards additional tightening, with resilient economic activity and prolonged geopolitical uncertainties also shaping the policy outcome.
- The accompanying Summary of Economic Projections (SEP) reinforced a hawkish outlook, in which a majority of Board members are projecting another rate increase in 2026, bringing the FFR to 4.00-4.25%. Additionally, underlying price pressures proved more persistent than expected, with the median projection for 2026 PCE inflation revised higher to 3.7% (June est: 3.6%), while core PCE inflation was upgraded to 3.4% (June est: 3.3%). Both measures remain well beyond the Fed's 2.0% target, reinforcing the likelihood of a prolonged monetary policy tightness. Markets swiftly reassessed the Fed's policy expectations, now pricing in a 53.1% probability of a rate hike as soon as October.
- As a result, demand for U.S. assets strengthened and short-dated Treasury yields climbed higher, making the USD relatively more attractive. The USD subsequently appreciated, which in turn exerted pressure on the Ringgit.

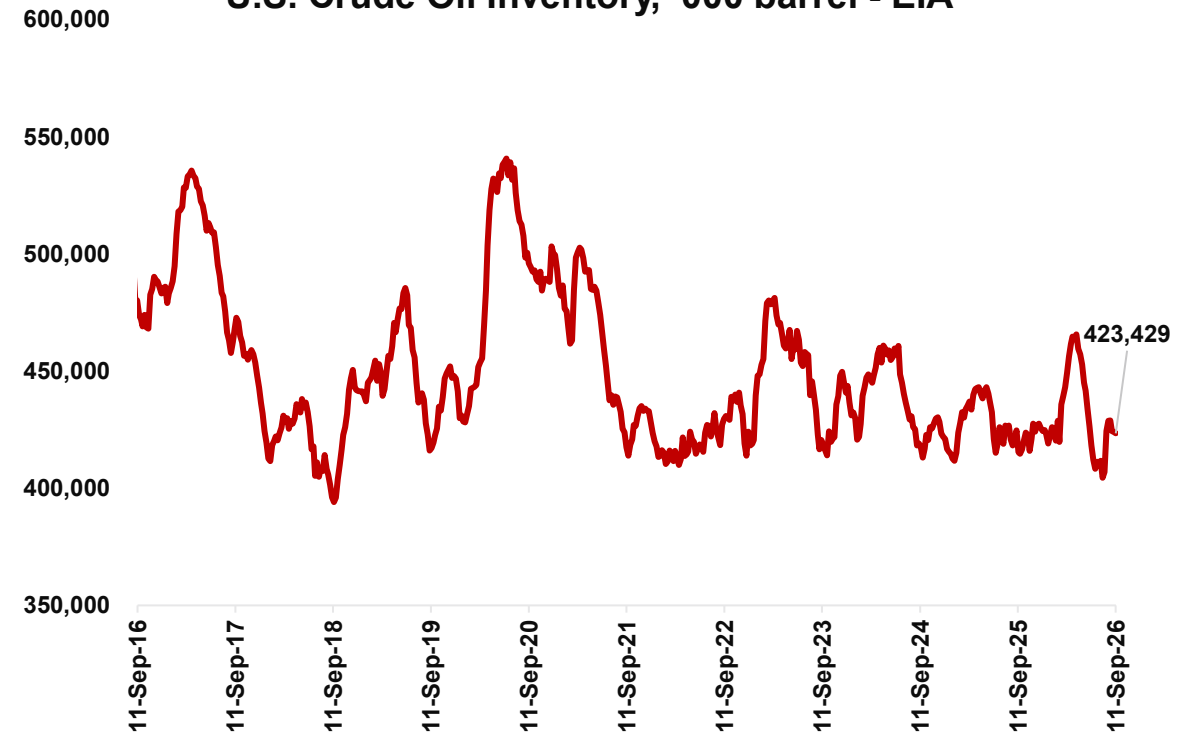
COMMODITY: BRENT OIL PRICES EASE AS SAUDI SUPPLY DISRUPTION FEARS SUBSIDE

Brent Crude in USD per barrel



PUBLIC

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



Sources: Bloomberg, Energy Information Administration (EIA)

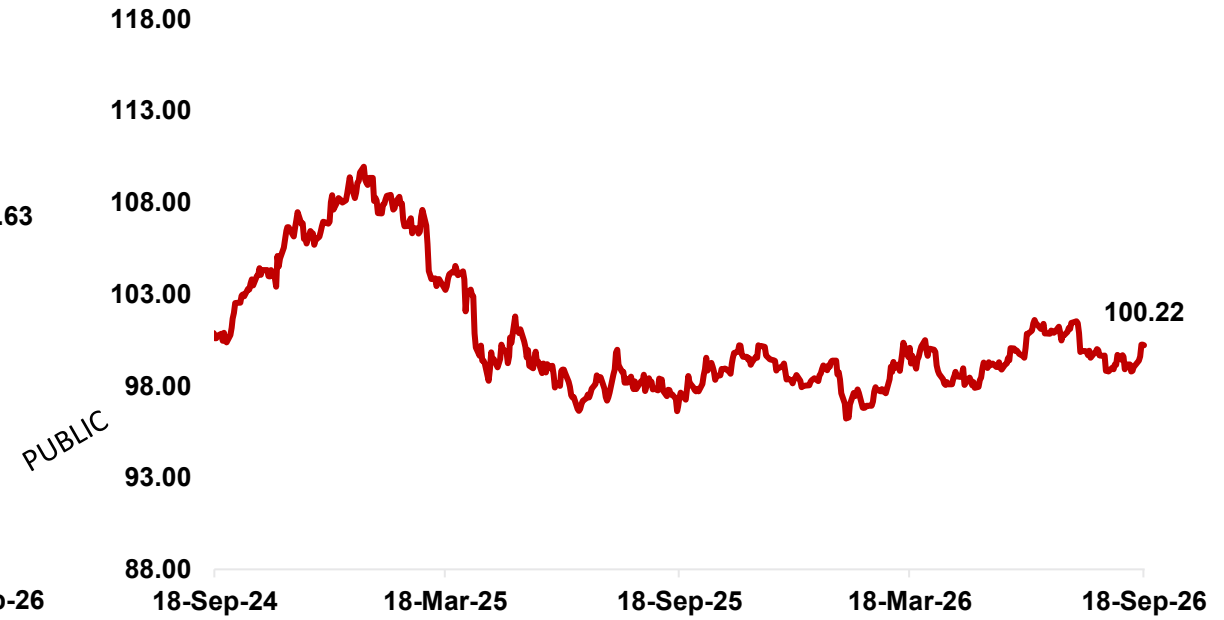
- Brent crude remained above US\$100 level last week but closing lower at US\$103.9/barrel on Friday (18 September), declining by a marginal 0.7% w-o-w. Attacks and disruptions involving Saudi Arabia infrastructure and the Strait of Hormuz initially pushed Brent higher, with prices briefly moving above USD107/barrel. However, the prices retreated after reports suggested that Saudi Arabia could partially restore disrupted pipeline flows, reducing immediate concerns about a prolonged supply shortage.
- Despite the late-week decline, continuing tensions involving Iran and the broader Middle East kept a substantial risk premium in oil prices, preventing Brent from moving significantly below US\$100.
- U.S. crude oil inventories decline by 0.6 million barrels to 423.4 million for the week ending September 11.

COMMODITY: GOLD PRICE APPRECIATED AMID A LATE-WEEK DEFENSIVE POSITIONING

Gold in USD per ounce



U.S. Dollar Index (DXY)



Sources: Bloomberg, CEIC Data

- Gold (XAU) strengthened by 0.7% w-o-w last week as investor sentiments remained largely influenced by external developments. Intermittent clashes in the Middle East and rising concerns over the status of the Red Sea continued to weigh on broader risk appetite, supporting demand for safe-haven assets.
- Additionally, given that the Fed's 25-bps rate hike had been widely priced in, investor attention was firmly trained on the central bank's forward guidance, which retained a notably hawkish tone. As such, investors are increasingly pricing in the possibility of another rate increase in October. This led to a broad-based strength in the USD, consequently limiting upside potential of the XAU.

WHAT TO LOOK OUT FOR IN THE MARKETS THIS WEEK

- The main event for the week is the Trump–Xi summit in Washington on 24 September, with trade, tariffs, critical minerals and AI expected to dominate discussions. The immediate issue for markets is whether both sides can preserve the current trade truce, which is scheduled to expire on 10 November. Negotiations are also focusing on China's purchases of U.S. agricultural products and Boeing aircraft, while Washington is seeking more reliable access to Chinese rare-earths and critical minerals. A concrete agreement could reduce near-term uncertainty around global supply chains, while limited progress could revive concerns over tariffs and trade fragmentation.
- The main U.S. release this week is the flash S&P Global Manufacturing and Services PMIs on Wednesday, 23 September, which will provide the first indication of how economic activity is developing in September. Current expectations are for manufacturing PMI to ease but remain above 50 level, suggesting continued expansion but some moderation. The data will be closely watched because the Federal Reserve raised the policy rate by 25bp last week to 3.75%–4.00%, while its latest projections point to a higher-for-longer policy path. The market will therefore be sensitive to any evidence that strong activity is keeping inflationary pressure elevated, particularly with energy prices still high.
- Likewise, the September flash PMI surveys on 23 September will provide the first indication of economic momentum entering 4Q26 across the Eurozone and UK. The employment, new-orders and price components will be particularly important because they provide clues about underlying demand and inflation pressure. In Europe, the data will help assess whether the manufacturing recovery is broadening and whether services can continue to support growth. The combination of PMI activity and price indicators should therefore influence both bond yields and expectations for the ECB and BoE monetary policy path.
- Asia will also have several policy events this week, particularly Bank Indonesia's rate decision, where the benchmark rate is expected to remain at 5.75%, although markets will watch the new governor's guidance on the rupiah, global yields and geopolitical risks. Singapore's August CPI, also due Wednesday, with higher electricity and gas tariffs and elevated oil prices potentially pushing inflation higher. Australia will release its September flash PMIs and August employment data, with employment expected to rebound after July's decline while unemployment is expected to remain at 4.5%.

BANK ISLAM

THANK YOU