



# **WEEKLY ECONOMIC UPDATE**

**22 SEPTEMBER 2025**

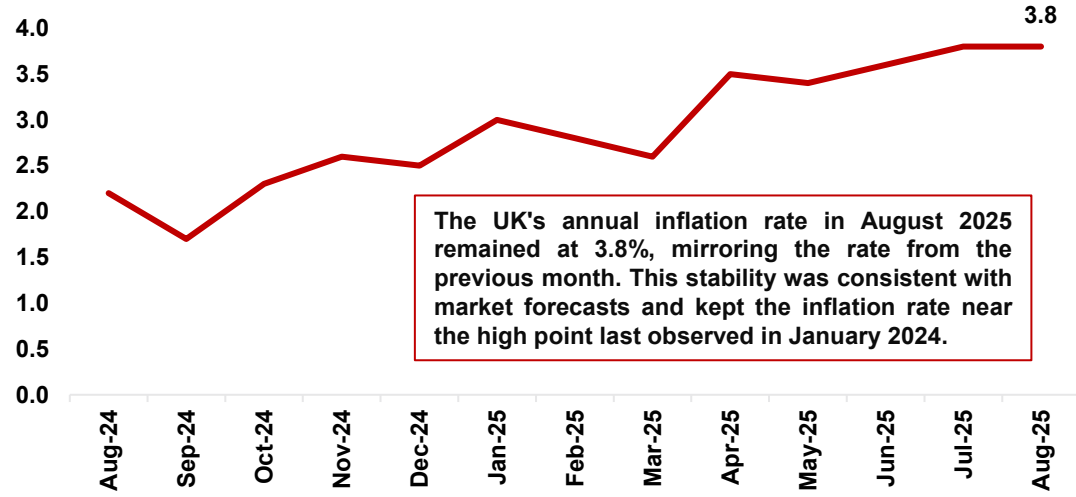
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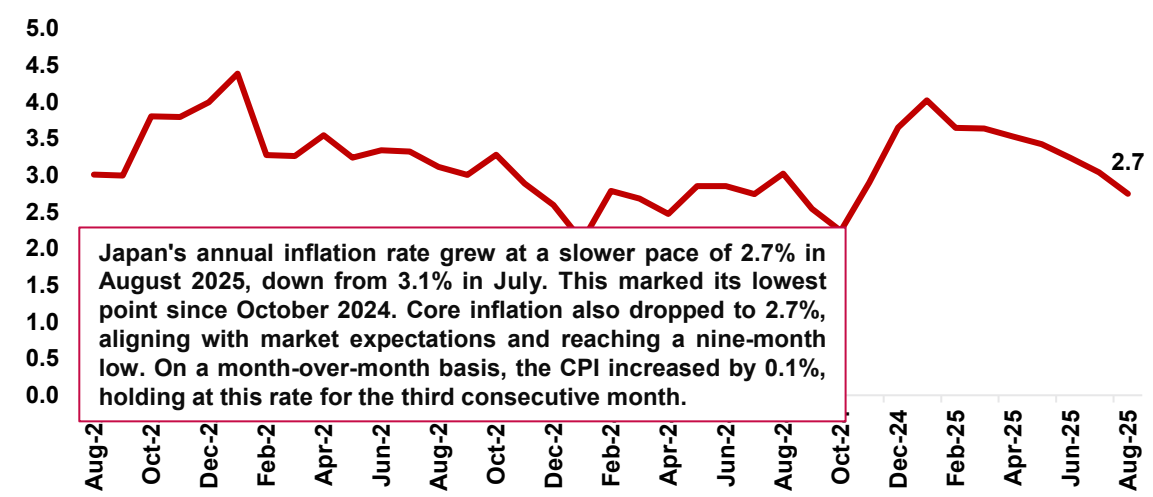
# WEEKLY HIGHLIGHT: WEAKER-THAN-EXPECTED MALAYSIA'S EXPORT GROWTH DUE TO A DECLINE IN TRADE WITH THE U.S.

GLOBAL

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



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

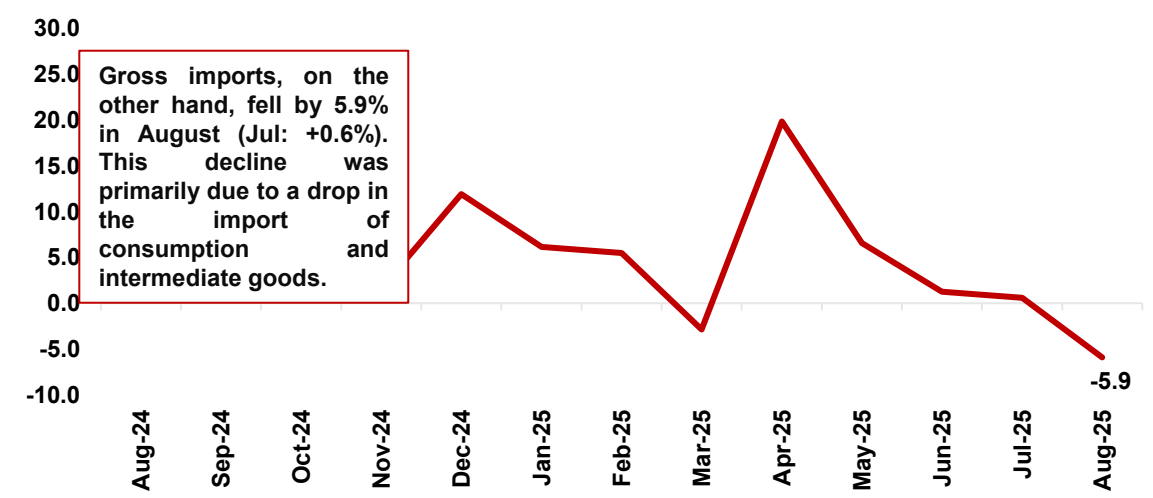


DOMESTIC

Malaysia - Exports, y-o-y%

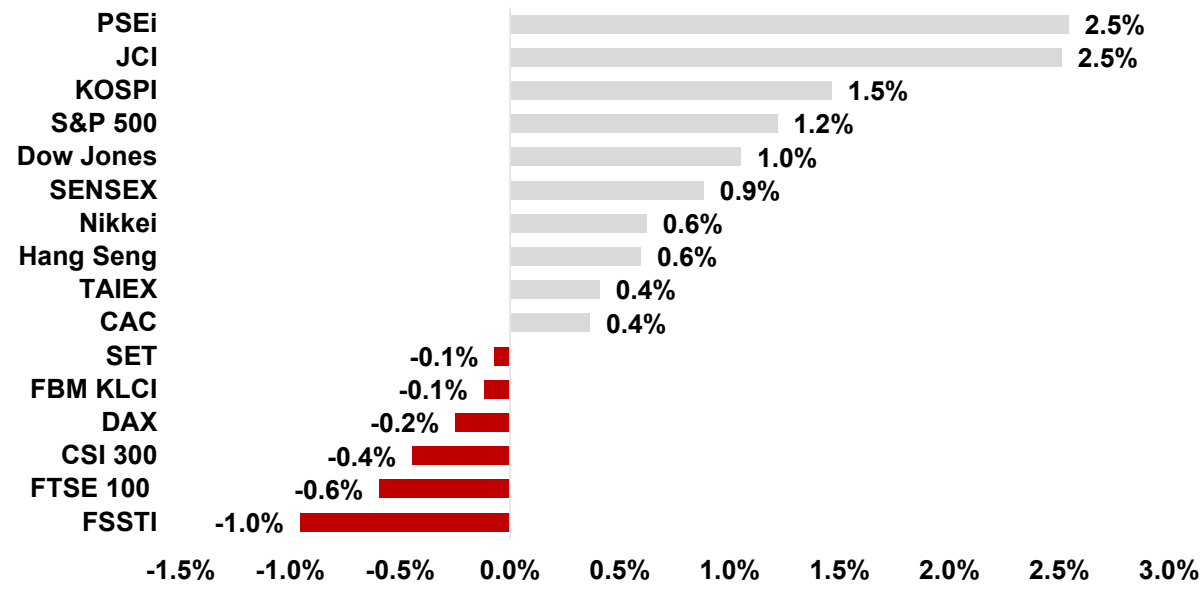


Malaysia - Imports, y-o-y%

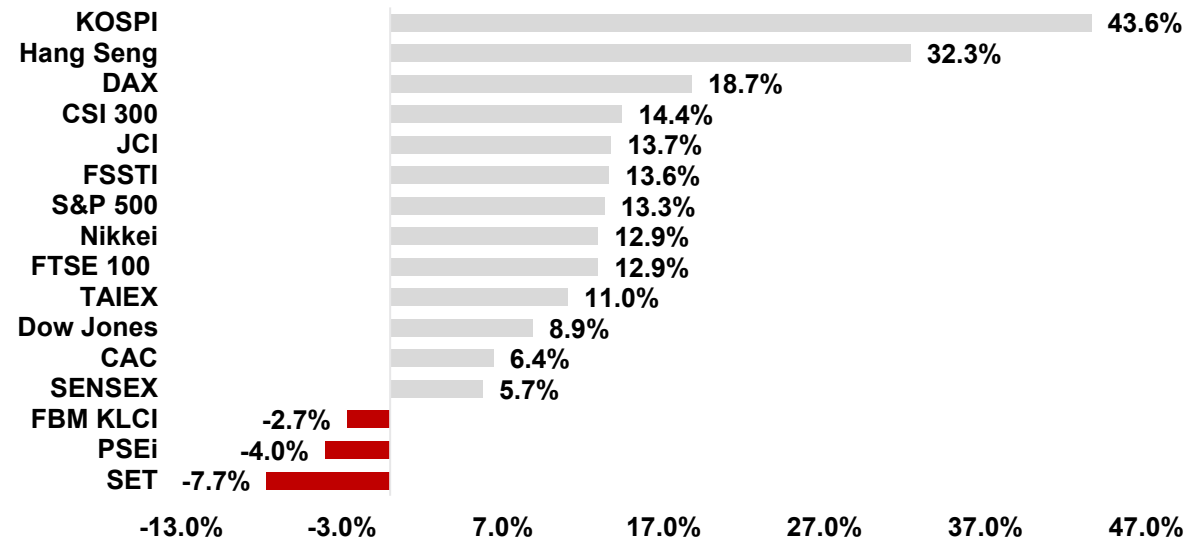


# REGIONAL EQUITY: GLOBAL STOCKS RALLY ON FED RATE CUT, POSITIVE U.S.-CHINA DEVELOPMENT

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



YTD Gain/Loss of Major Equity Markets, %  
(As of 19 September 2025)

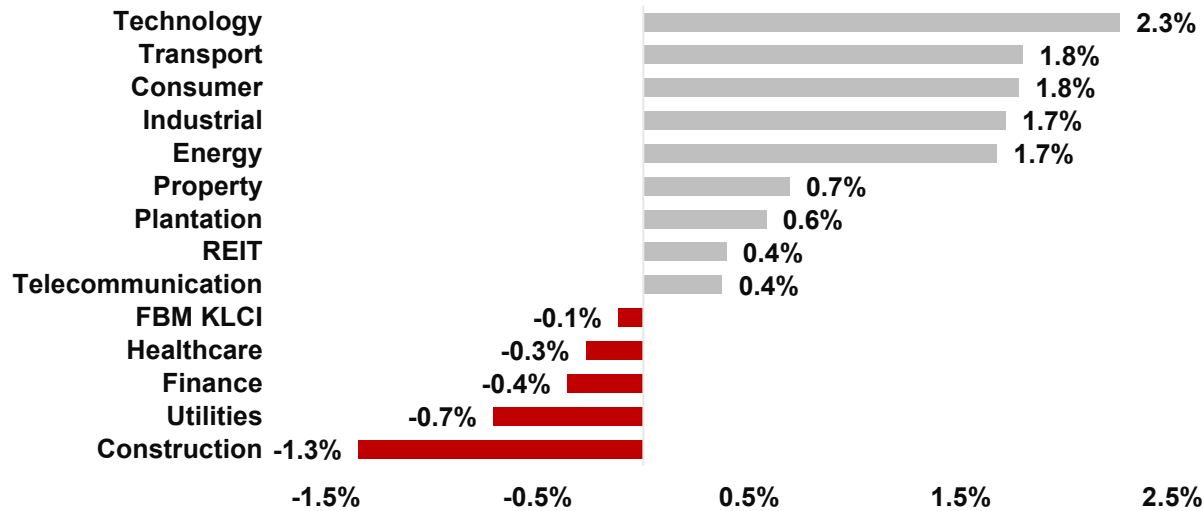


Sources: Bursa, CEIC Data

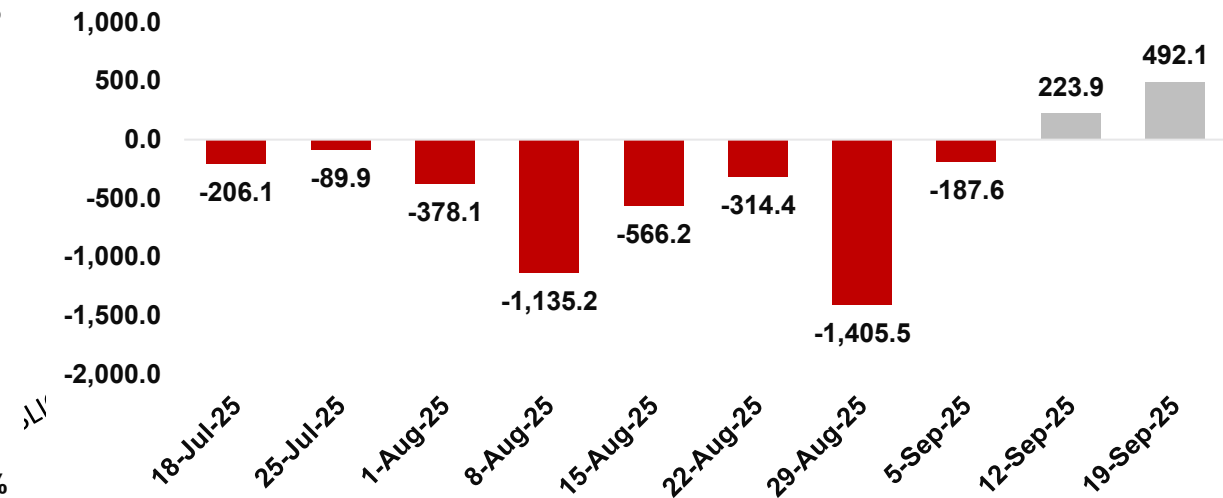
- The global stocks market were mostly closed on a positive note for the week ending September 19 with Philippine's PSEi leading the gainers, growing by 2.5% amid the U.S. Fed's first rate cut of the year fueled further optimism in global markets.
- U.S. stocks – S&P 500 (+1.2%) and Dow Jones (+1.0%) surged as investors responded positively to a combination of favorable factors, including strong corporate earnings reports, the Federal Reserve's initial interest rate cut of the year, and hopeful developments in U.S.-China relations. This optimism was further fueled by a significant call between Presidents Trump and Xi Jinping, during which Trump reported progress on key issues like trade, fentanyl, and a potential agreement concerning TikTok.
- In contrast, Singapore's FSSTI (-1.0%), U.K.'s FTSE 100 (-0.6%) and China's CSI 300 (-0.4%) were the biggest losers for the week ending September 19.

# DOMESTIC EQUITY: FBM KLCI CLOSED marginally lower, TECHNOLOGY STOCKS SAW HIGHEST DEMAND

Weekly Bursa Sectoral Performance, w-o-w%



Weekly Foreign Fund Net Inflows/Outflows, RM Million



Sources: Bursa, CEIC Data

- The FBM KLCI slipped by 0.1% w-o-w for the week ending September 19, dragged by profit taking activities as well as more subdued buying interest due to the shorter trading week.
- Additionally, investor confidence surrounding the economic outlook dipped slightly as Malaysia's trade performance was seen to decline, signaling cooling demand on both external and domestic fronts. Latest figures showed exports rising by 1.9% y-o-y in August compared to 6.5% y-o-y in July while imports plunged by 5.9% y-o-y from a marginal increase of 0.6% y-o-y in July.
- Looking closer, the Technology index extended its gains to surge by 2.3% w-o-w, marking the highest level since mid-February 2025 following the Malaysia Digital Xceleration (MDX) Summit 2025 last week. The summit highlighted the government's initiatives to transform Malaysia into an Artificial Intelligence (AI) nation by 2030, as charted in the AI Nation 2030 roadmap in the 13<sup>th</sup> Malaysia Plan (13<sup>th</sup> MP).
- Meanwhile, the Construction index dipped by 1.3%, followed by the Utilities and Finance indices which slipped by 0.7% and 0.4%, respectively.
- Foreign investors remained net buyers for the second straight week, acquiring a total of RM492.1 million worth of equities. This further reduced the cumulative net outflow thus far to RM16.5 billion.

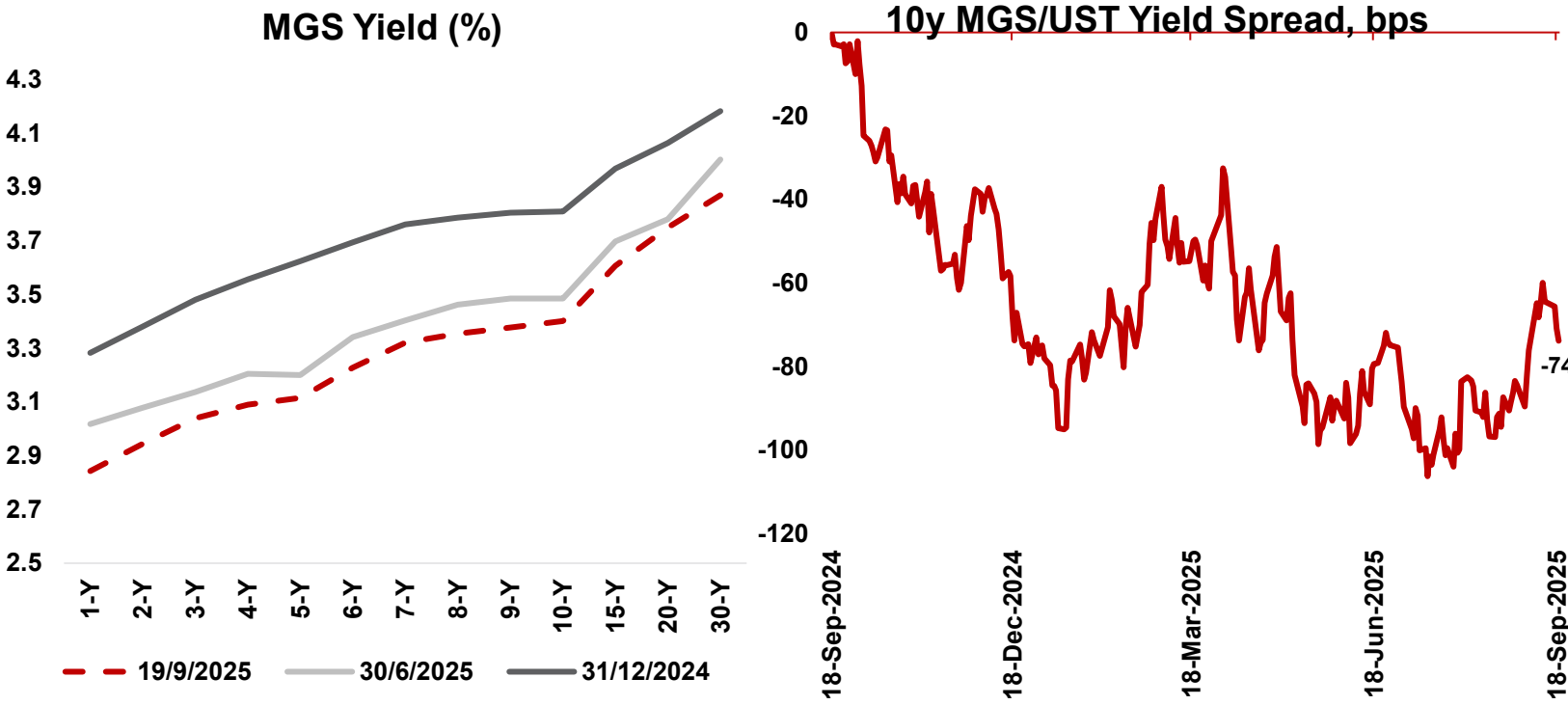
# FIXED INCOME: FED CUT RATES, SIGNALS MORE TO COME AMID CAUTIOUS OUTLOOK



Weekly Changes, basis points (bps)			
UST	Yields (%) 12-Sep-25	Yields (%) 19-Sep-25	Change (bps)
3-Y UST	3.52	3.56	4
5-Y UST	3.63	3.68	5
7-Y UST	3.81	3.88	7
10-Y UST	4.06	4.14	8
MGS	Yields (%) 12-Sep-25	Yields (%) 19-Sep-25	Change (bps)
3-Y MGS	3.05	3.04	-1
5-Y MGS	3.13	3.12	-1
7-Y MGS	3.34	3.32	-2
10-Y MGS	3.42	3.40	-2
GII	Yields (%) 12-Sep-25	Yields (%) 19-Sep-25	Change (bps)
3-Y GII	3.07	3.06	-1
5-Y GII	3.16	3.15	-1
7-Y GII	3.28	3.27	-1
10-Y GII	3.43	3.42	-1

Sources: BNM, Federal Reserve Board

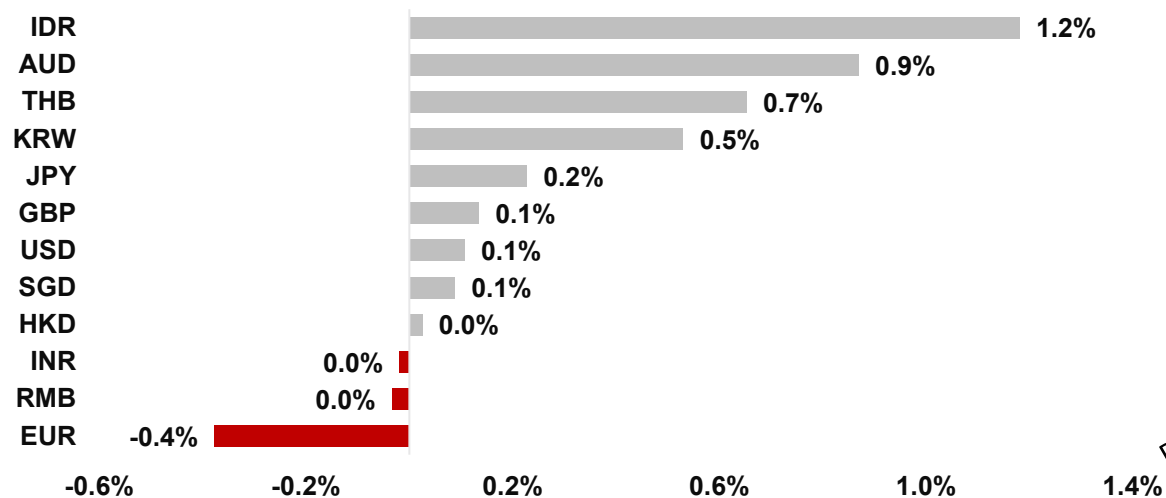
- The U.S. Treasury (UST) yields closed higher in the range of 4bps and 8bps for the week ending September 19 as investors were considering the Fed's recent interest rate cut and its revised economic outlook. On September 17, the Fed lowered the interest rate by 25bps, as anticipated. It also projected further cuts of 50bps in 2025 and 25bps in 2026. During the press conference, Fed Chair Powell took a cautious stance, describing the cut as a "risk management" action and noting that "there are no risk-free paths." The central bank also increased its GDP growth projections, indicating the economy's continued resilience. Meanwhile, initial jobless claims were lower than expected, which suggests the labor market might not be as weak as some had feared.
- Meanwhile, Malaysian Government Securities (MGS) and Government Investment Issues (GII) yields were little changed, moving by between -1bp and -2bps.
- The 10y MGS/UST yield spread widened marginally in the negative territory at 74bps relative to -64bps in the previous week.



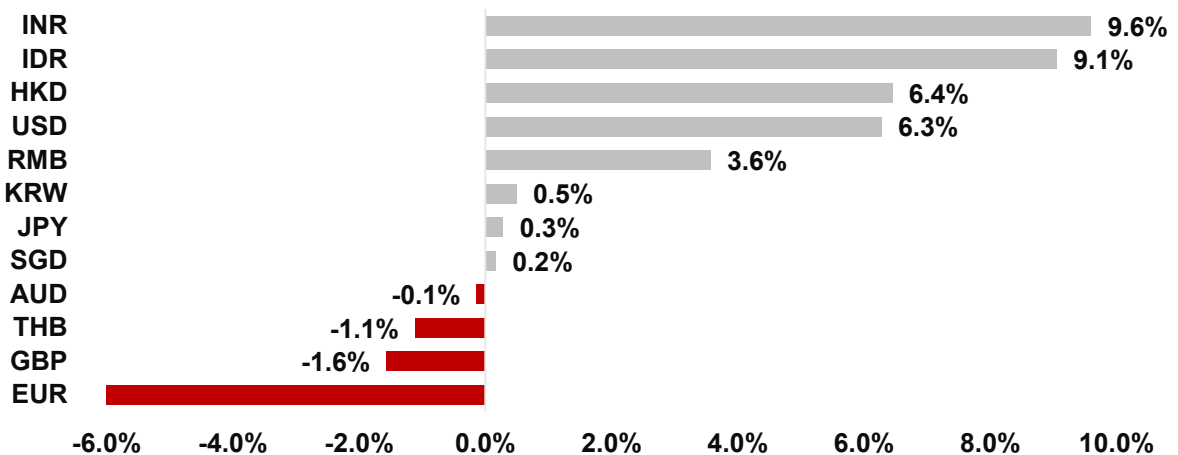
# FX MARKET: RINGGIT TO TRADE CAUTIOUSLY AHEAD OF KEY U.S. AND MALAYSIA'S INFLATION FIGURES



MYR Against Regional Currencies, w-o-w%



MYR Against Regional Currencies, YTD%  
(As of 19 September 2025)



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

- The Ringgit appreciated by 0.1% w-o-w for the week ending September 19 despite the USD index strengthening at a similar pace.
- During the week, the USD slipped to hover around the 96-level ahead of the Federal Open Market Committee (FOMC) meeting before regaining its ground following the Fed's decision to slash its Federal Funds Rate (FFR) by 25 bp to 4.0-4.25%, as widely anticipated. This marked the first rate cut of the year, signaling a shift towards a looser policy stance as the central bank reassessed the risks dawning over the economy whereby the rapidly cooling job market overwhelmed the more gradual inflationary trend.
- The decision was paired with the central bank's Summary of Economic Projections (SEP), showing that the Fed forecasted the FFR to be lowered by 50 bps by end-2025, potentially with a quarter-point cut each in October and December, while one 25 bp cut was penciled in for both 2026 and 2027.
- Additionally, the central bank revised its 2025 real GDP forecast upwards to 1.6% compared to 1.4% in its June projections, suggesting that the economy will gain momentum in 2H2025 amid easing trade tensions and more favourable financial conditions to support domestic demand.
- While the PCE and core PCE forecasts were maintained at 3.0% and 3.1%, updated projections revealed that the central bank expected lagged impacts from Trump's tariffs to persist well into next year with both measures of inflation averaging at 2.6% (June forecast: 2.4%).

# COMMODITY: OIL PRICES FALL DESPITE FED RATE CUT AS SUPPLY STAYS HIGH AND DEMAND WEAKENS

Brent Crude in USD per barrel



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



Sources: Bloomberg, Energy Information Administration (EIA)

- Brent crude oil prices declined by 1.1% on Friday (September 19), closing at USD66.68 per barrel. On a week-on-week basis, prices fell by 0.5%. The decline was driven by concerns over strong global supply and weakening demand, which overshadowed hopes that the U.S. interest rate cut would boost consumption. OPEC is easing its production cuts, while Russian oil exports remain steady despite sanctions.
- Although interest rate cuts usually support oil prices by stimulating demand, the recent 25 bps cut is seen as too small to have a significant impact, especially given weak signals from major energy agencies. This suggests that oil prices may remain under pressure unless global demand strengthens or more aggressive rate cuts are made.
- Meanwhile, for the week ending September 12, U.S. crude inventories dropped by 9.3 million barrels to 415.4 million.

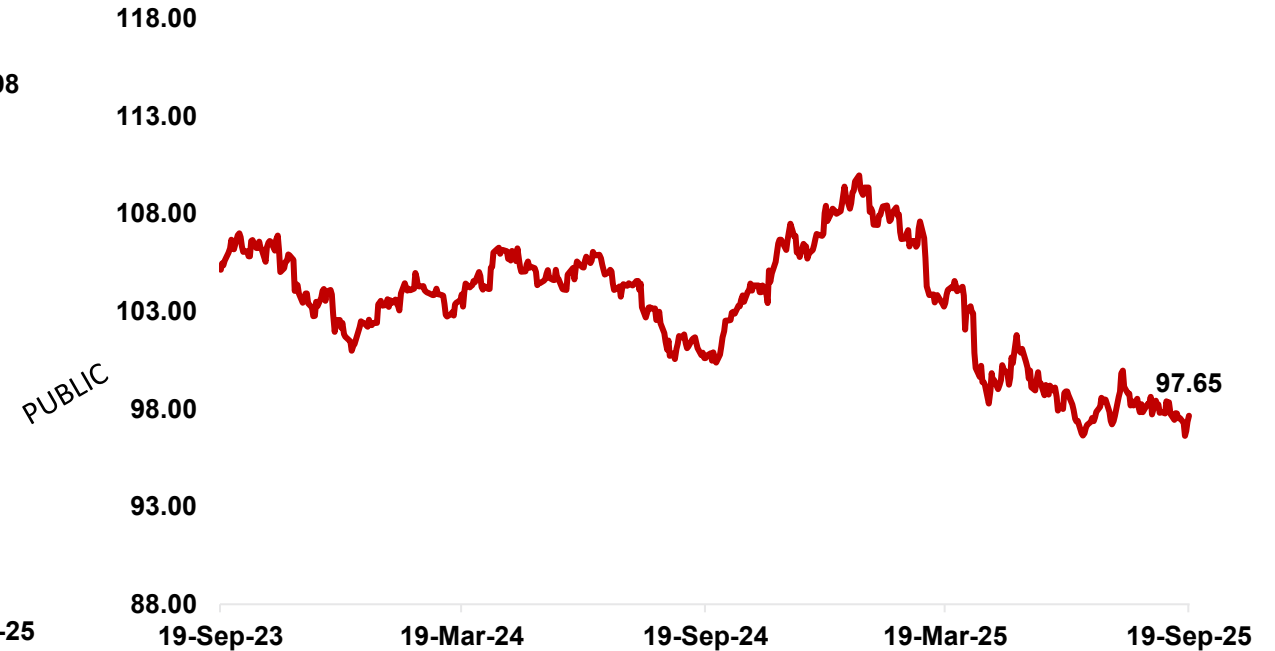


# COMMODITY: GOLD PRICE MAINTAINED ITS WINNING STREAK TO MARK FRESH HIGH OF USD3,689.98 ON TUESDAY

Gold in USD per ounce



U.S. Dollar Index (DXY)



Sources: Bloomberg, CEIC Data

- The bullion price continued its strong momentum, surging by 1.2% w-o-w last week where it marked a new high of USD3,689.98 on Tuesday before easing slightly after the U.S. Fed delivered its 25 bp rate cut.
- Looking ahead, demand for the bullion will likely remain strong as markets rallied behind further policy easing by the central bank, taking cues from the updated dot plot projections which suggested another 50 bp reduction staggered in the two remaining meetings.



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

- Following the Federal Reserve's (the Fed) first interest rate cut of the year last week, markets are entering this week with heightened anticipation around whether additional rate cuts are likely in the remaining two policy meetings of 2025. Attention will be focused on a key economic indicators that could offer clearer signals on the health of the U.S. economy and the Fed's next steps. The highlight will be the release of the August Personal Consumption Expenditures (PCE) index due Friday, which will be closely observed for any signs of inflation persistence or cooling, especially in the context of recently imposed tariffs that could start to influence consumer prices. Investors are also expected to monitor the final revision to 2Q2025 GDP growth, alongside data on jobless claims, new and pending home sales, durable goods orders, and consumer sentiment. These releases will provide a broader view of economic momentum heading into the final quarter of the year. Meanwhile, comments from Fed Chair Jerome Powell and other policymakers, including newly appointed Fed Governor Stephen Miran, will be parsed for any hints on the timing and likelihood of further monetary easing.
- Meanwhile, China's central bank is expected to keep its Loan Prime Rates (LPRs) unchanged this week, maintaining a cautious policy stance despite the U.S. Fed's recent rate cut. The People's Bank of China (PBOC) is likely to hold the one-year and five-year LPRs at 3.00% and 3.50% respectively, reflecting its preference for domestic stability over reacting to external monetary shifts. With the seven-day reverse repo rate also left unchanged, the PBOC appears focused on preserving financial stability amid softening economic momentum. Although China's economy continues to face headwinds, particularly in domestic consumption and property authorities remain hesitant to introduce aggressive stimulus. A stable export sector and a recent rebound in equities have provided some breathing room.
- Additionally, investors will closely be watching developments in geopolitical conflicts namely escalating friction between Russia and NATO, ongoing Israeli military actions in the Middle East, and renewed political uncertainty in Japan and France, which continue to cloud the global outlook. Any sharp spike in energy prices or instability in the markets could quickly trigger a reversal in optimism, especially with asset valuations already stretched. Amid this backdrop, the upcoming United Nations General Assembly (UNGA) will be closely followed for signals on the global diplomatic landscape. High-level meetings will likely address pressing issues such as conflict resolution, climate policy, global trade, and humanitarian crises.

BANK ISLAM

**THANK YOU**