



WEEKLY ECONOMIC UPDATE

23 FEBRUARY 2026

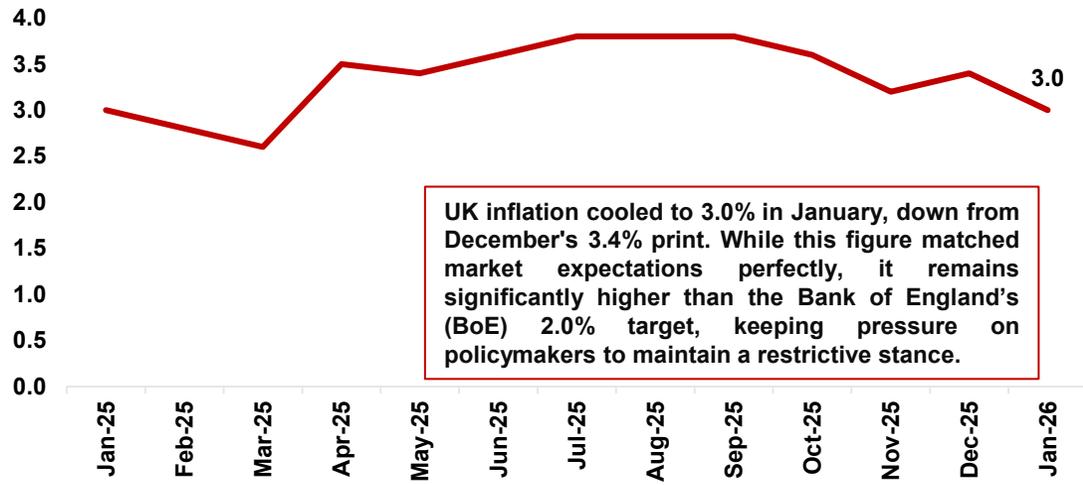
ECONOMIC RESEARCH

IMRAN NURGINIAS IBRAHIM
FARAH ZAZREEN ZAINUDIN
NOR LYANA ZAINAL ABIDIN
KHAYRIN FARZANA FAZLI

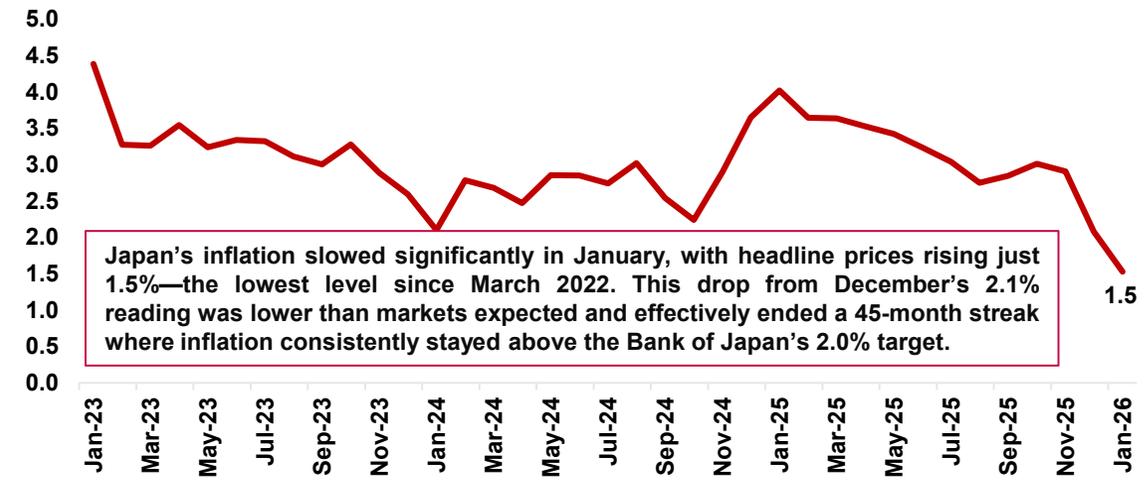
WEEKLY HIGHLIGHT: MALAYSIA'S EXPORT INCREASED BY 19.6% IN JANUARY, DRIVEN BY E&E SECTOR

GLOBAL

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

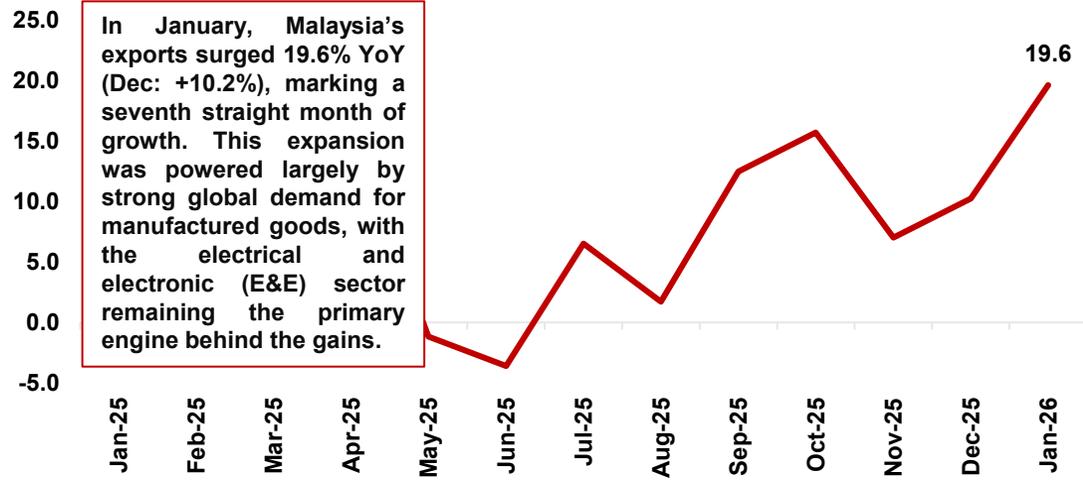


Japan - Consumer Price Index (CPI), y-o-y%

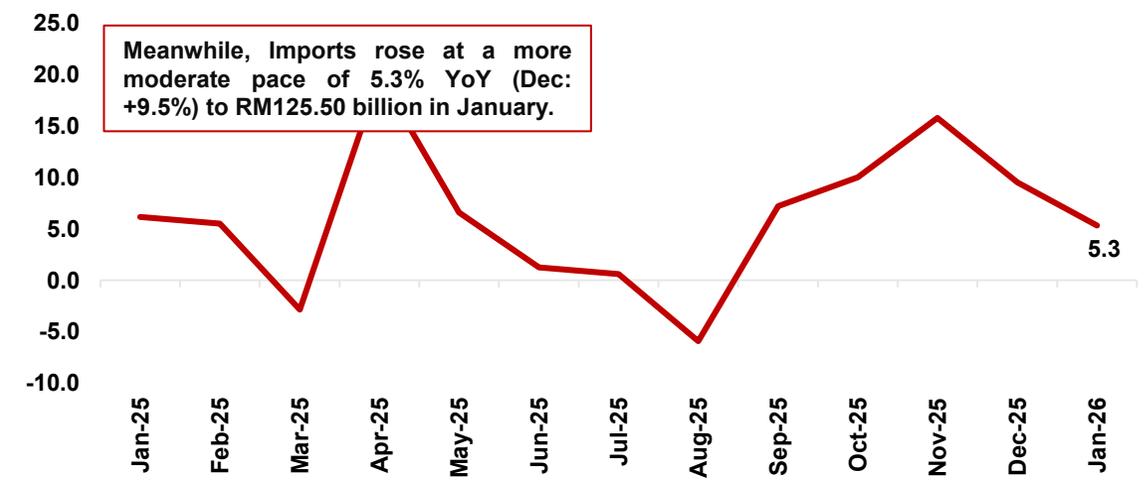


DOMESTIC

Malaysia - Exports, y-o-y%

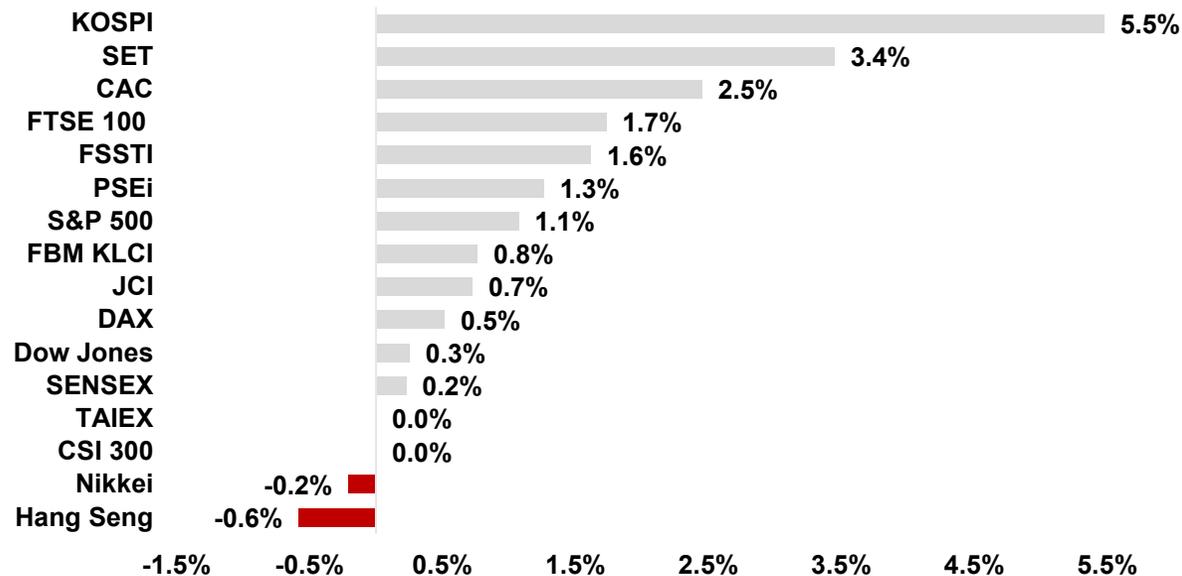


Malaysia - Imports, y-o-y%

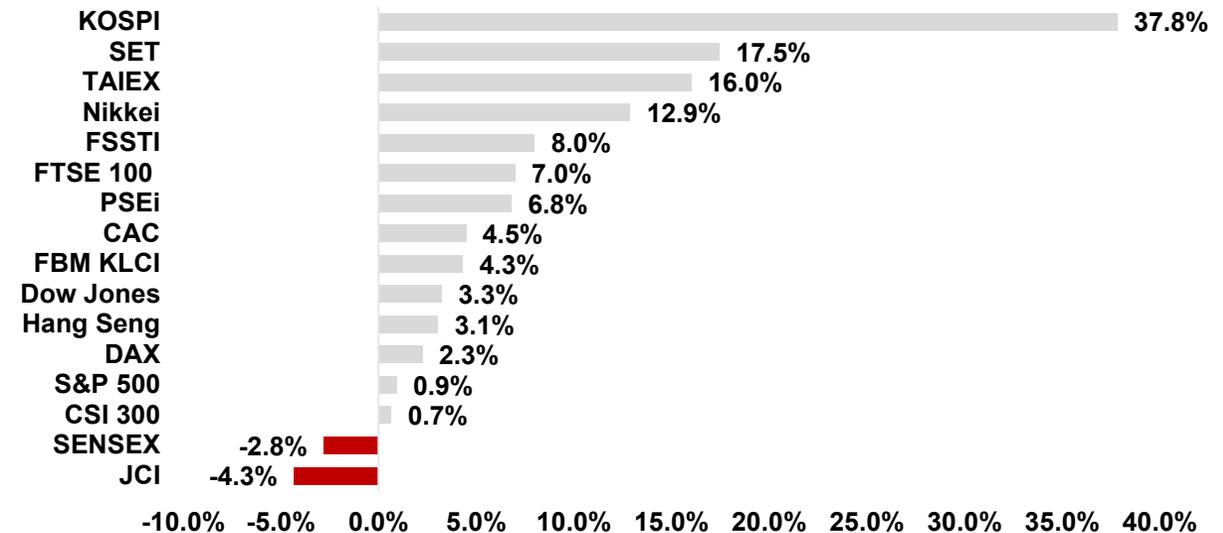


REGIONAL EQUITY: GLOBAL STOCKS RALLY DESPITE TRADE POLICY WHIPLASH

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



YTD Gain/Loss of Major Equity Markets, % (As of 20 February 2026)



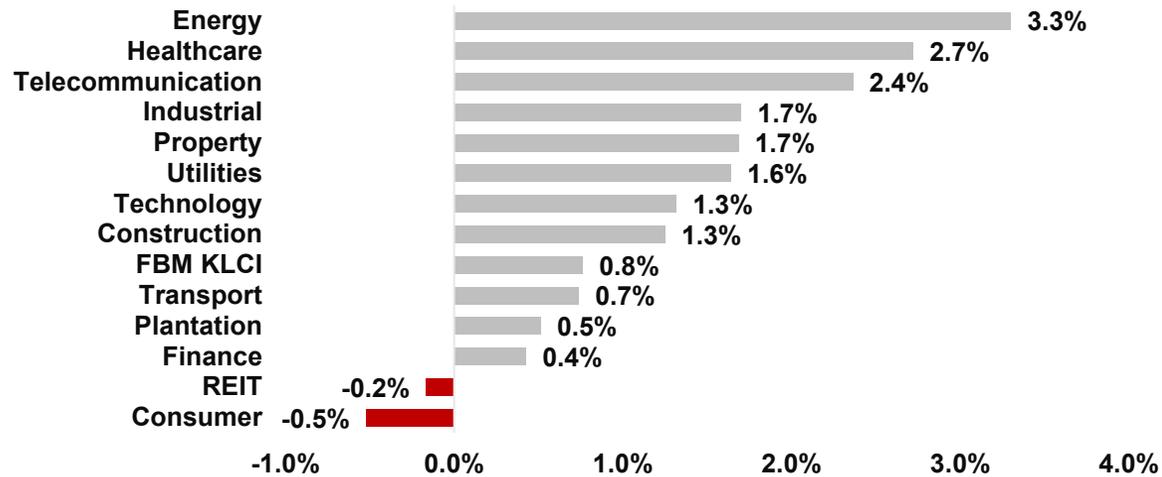
Sources: Bursa, CEIC Data

- The global stocks market mostly closed higher for the week ending February 20 with South Korea's KOSPI as the major winner, advancing by 5.5%. The market surge was fueled by widespread buying in the technology and industrial sectors. A combination of robust domestic demand and strong corporate earnings kept the momentum alive, bolstered by a wave of positive sentiment from global markets.
- U.S. stocks – S&P 500 (+1.1%) and Dow Jones (+0.3%) surged as the Supreme Court struck down President Trump's "reciprocal" tariffs, declaring that the administration overstepped its constitutional bounds by using emergency laws to bypass Congress's power to tax. In an immediate counter-move, the President invoked a separate 1974 trade law to sign an executive order for a new 10% global tariff effective February 24. While this pivot maintains his protectionist agenda, the new measure is legally restricted to a 150-day window and includes critical exemptions for items like medicine and energy to help manage the economic fallout.
- In contrast, Hong Kong's Hang Seng (-0.6%) and Japan's Nikkei (-0.2%) were the only losers for the week ending February 20.

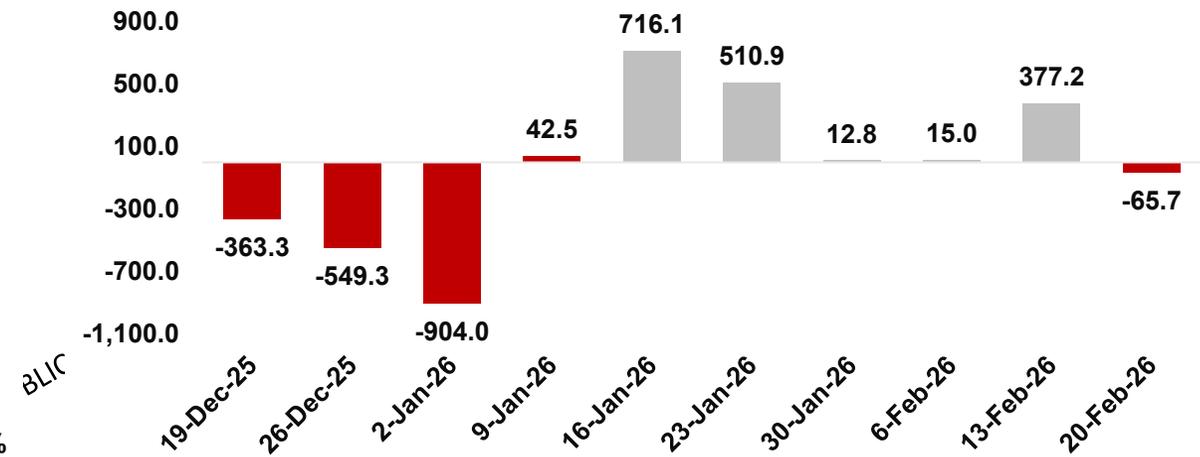
DOMESTIC EQUITY: LOCAL MARKET CLOSED IN A SEA OF GREEN FOLLOWING SOLID ECONOMIC DATA



Weekly Bursa Sectoral Performance, w-o-w%



Weekly Foreign Fund Net Inflows/Outflows, RM Million



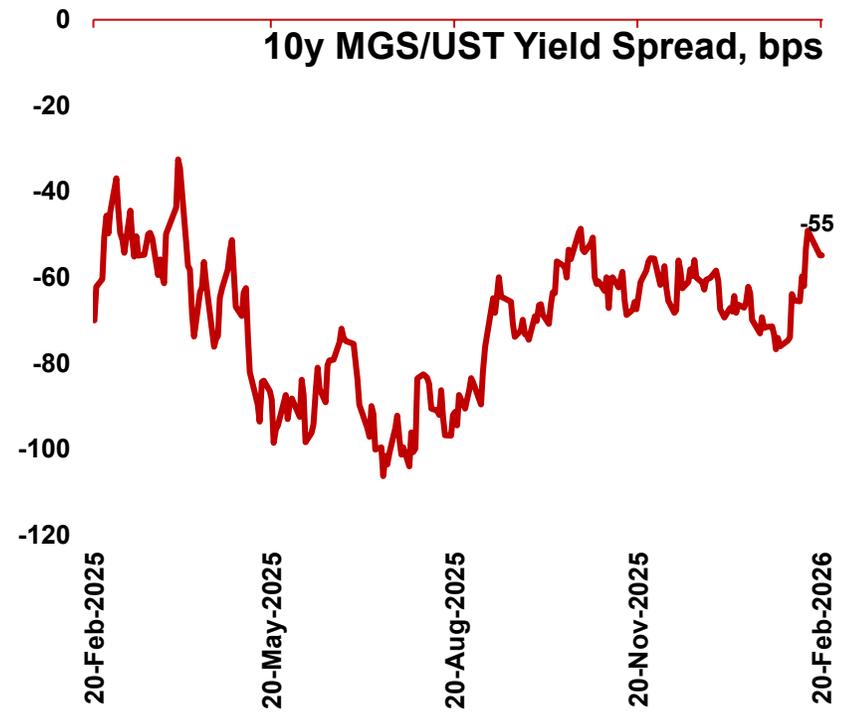
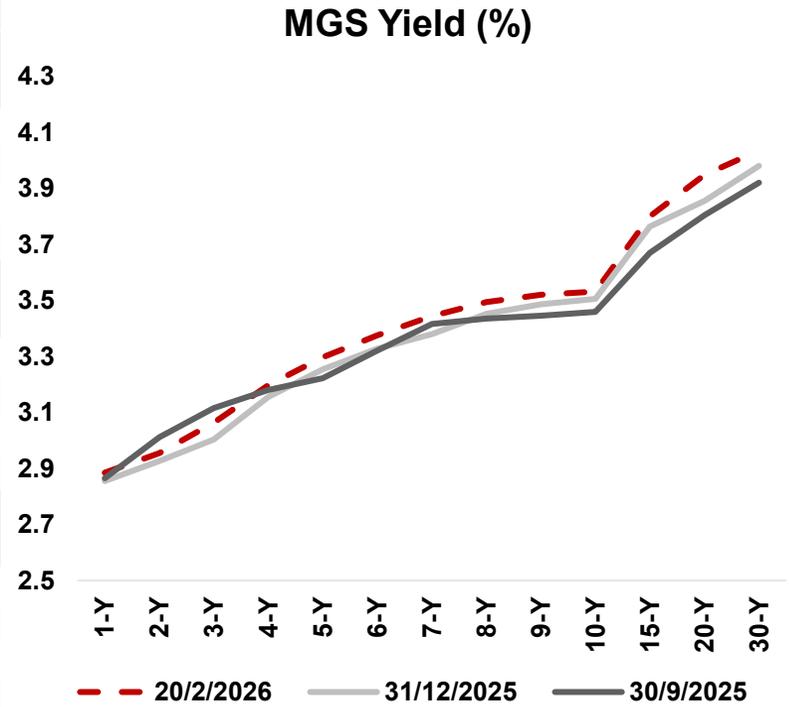
Sources: Bursa, CEIC Data

- The FBM KLCI jumped by 0.8% w-o-w for the week ending February 20, bolstered by modest profit-seeking activities amid a shorter trading week in conjunction with the Lunar New Year holiday.
- Investor confidence was underpinned by Malaysia's resilient macroeconomic fundamentals, reinforced by a series of supportive official data releases during the period. Trade performance remained robust, with total trade expanding by 12.6% in January. This was driven by a strong acceleration in exports (Jan: 19.6% vs. Dec: 10.2%) while imports eased to 5.3% compared to 9.5% in December 2025. At the same time, inflation dynamics remained stable, with both headline and core inflation holding steady at 1.6% and 2.3%, respectively, indicating that price pressures remains broadly contained.
- Most Bursa indices closed in the positive territory with the Energy index surging by 3.3%, followed by the Healthcare (+2.7%) and Telecommunications (+2.4%) indices. Of note, the Property index rose by 1.7% to mark the highest level since 2018.
- On the other hand, the Consumer and REIT indices emerged as the losers, slipping by 0.5% and 0.2%, respectively.
- Foreign investors turned net sellers after six straight weeks of buying, shedding a total of RM65.7 million worth of equities. This had reduced the cumulative net inflow thus far to RM1.4 billion.

FIXED INCOME: UST YIELDS CLIMB AMID TARIFF SHOCK AND FED POLICY FRACTURES



Weekly Changes, basis points (bps)			
UST	Yields (%) 13-Feb-26	Yields (%) 20-Feb-26	Change (bps)
3-Y UST	3.43	3.50	7
5-Y UST	3.61	3.65	4
7-Y UST	3.81	3.85	4
10-Y UST	4.04	4.08	4
MGS	Yields (%) 13-Feb-26	Yields (%) 20-Feb-26	Change (bps)
3-Y MGS	3.06	3.06	0
5-Y MGS	3.30	3.30	0
7-Y MGS	3.46	3.45	-1
10-Y MGS	3.55	3.53	-2
GII	Yields (%) 13-Feb-26	Yields (%) 20-Feb-26	Change (bps)
3-Y GII	3.10	3.10	0
5-Y GII	3.28	3.28	0
7-Y GII	3.37	3.37	0
10-Y GII	3.54	3.54	-1

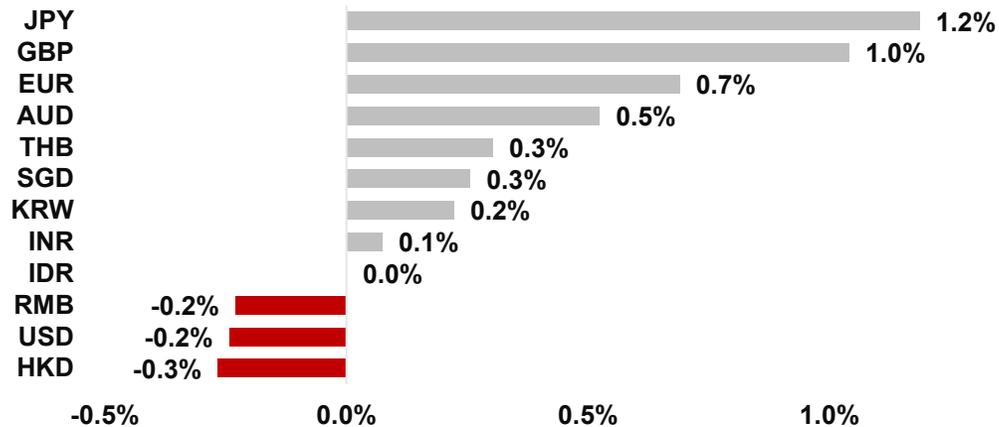


Sources: BNM, Federal Reserve Board

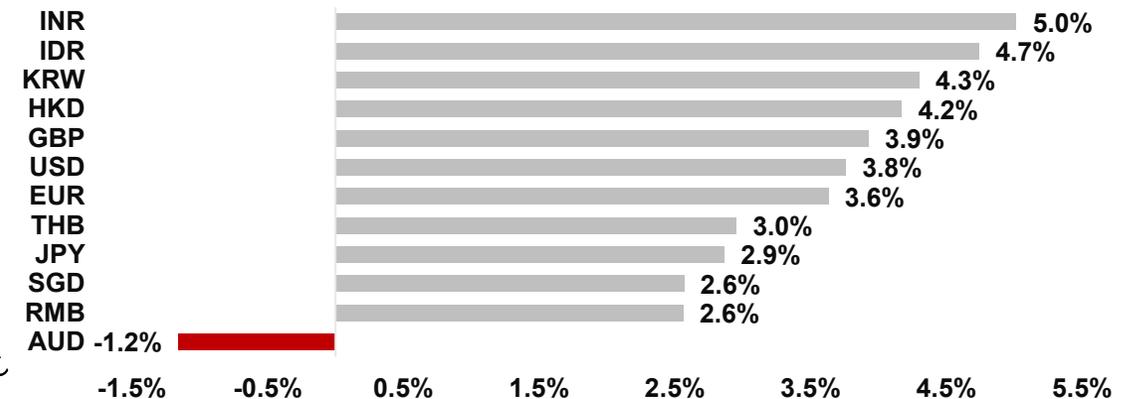
- The U.S. Treasury (UST) yields closed the week ended 20 February modestly higher, rising between 4bps and 7bps amid heightened market volatility. Investor sentiment was whipsawed by a significant Supreme Court ruling followed almost immediately by a sharp shift in trade policy from the White House. Although the Court’s decision to strike down reciprocal tariffs initially pushed yields lower, the relief proved fleeting as President Trump signaled plans to introduce a new executive order imposing a 10% global tariff. The renewed protectionist stance quickly reversed the rally in bonds. This return to aggressive protectionism effectively drowned out a weak 1.4% 4Q GDP reading, which had underscored the heavy economic toll of the recent government shutdown. The complexity for investors was further compounded by a 3% core PCE print—suggesting inflation remains stubbornly high—and FOMC minutes that revealed a central bank deeply fractured over future rate cuts.
- On the other hand, Malaysian Government Securities (MGS) and Government Investment Issues (GII) yields were little changed, moving by between -1bp and 0bp.
- The 10y MGS/UST yield spread widened marginally in the negative territory at 55bps relative to -49bps in the previous week.

FX MARKET: RINGGIT MARKED STRONG PERFORMANCE LAST MONDAY BEFORE SLIPPING AGAINST A STRONG USD

MYR Against Regional Currencies, w-o-w%



MYR Against Regional Currencies, YTD% (As of 20 February 2026)



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

- The USDMYR currency pair breached past the immediate support level of 3.90 on 16 February, touching the lowest point since April 2018 at 3.8995 midday.
- However, the Ringgit subsequently retreated on subdued investor sentiments amid the shorter trading week, slipping by 0.2% w-o-w against the USD for the week, while the USD index jumped by 1.1%.
- The USD regained crucial momentum as investors recalibrated their Federal Reserve (Fed) policy expectations, taking cues from a more hawkish than expected tone from the latest Federal Open Market Committee (FOMC) minutes. The minutes revealed an increasingly divided Committee against a delicate trade-off between addressing inflationary risks without risking the labor market and growth momentums. Several policymakers suggested further reductions would be appropriate if inflation makes sustainable progress towards the 2.0% target, while others argued that the policy rate should be maintained at the current levels for some time.
- In a surprising turn, some officials also raised the possibility that rate hikes could become necessary if inflation remains persistently above target, a scenario that appears likely given that the core Personal Consumption Expenditure (PCE) inflation – the Fed's preferred gauge of underlying price pressures – has remained persistently elevated since 2021. Furthermore, December core PCE inflation surprised to the upside at 3.0% (Nov: 2.8%, Est: 2.9%), reinforcing the hawkish view.

COMMODITY: BRENT CLOSES HIGHER ON ESCALATING U.S.–IRAN TENSIONS

Brent Crude in USD per barrel



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



Sources: Bloomberg, Energy Information Administration (EIA)

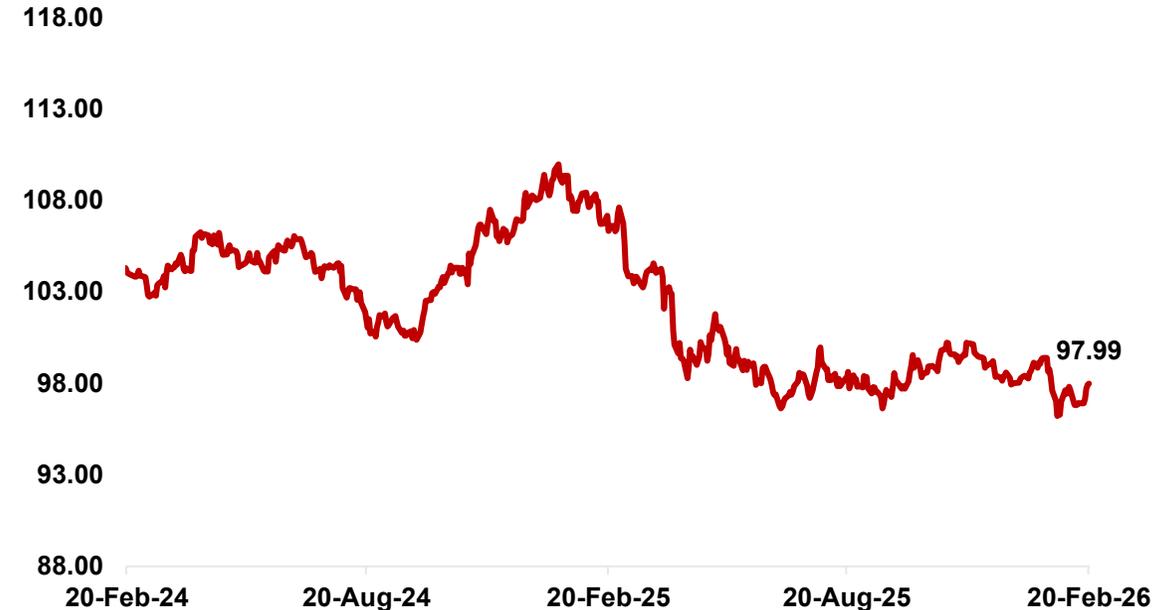
- Brent crude oil prices closed higher on Friday at USD71.76 per barrel, partly reversing earlier losses as investors reacted to escalating geopolitical tensions between the U.S. and Iran. On a weekly basis, Brent crude gained nearly 6.0%.
- Donald Trump gave Tehran a time limit over the nuclear dispute, raising concerns that potential supply disruptions or conflict could occur that pushed prices higher toward the end of the session. As Iran is a significant oil producer, any threat of tighter sanctions or military conflict in the region increases the risk of supply disruptions, thereby supporting oil prices.
- Meanwhile, the U.S. weekly crude inventories decreased by 9.0 million barrels to 419.8 million for the week ending February 13.

COMMODITY: GOLD PRICE ON TRACK FOR WEEKLY GAIN AMID BROADER UNCERTAINTIES

Gold in USD per ounce



U.S. Dollar Index (DXY)



Sources: Bloomberg, CEIC Data

- Gold price climbed by 1.3% last week, breaking above the USD5,100-level on Friday, despite the strength displayed by the USD.
- Gold (XAU) prices were supported last week by continued central bank purchases and cautious investor positioning amid persistent macroeconomic and geopolitical uncertainty. Risk sentiment remained fragile as tensions between the U.S. and Iran intensified, raising concerns over a potential military confrontation and reinforcing demand for safe-haven assets. Reports that U.S. military assets, including an aircraft carrier group and personnel, were moving closer to the Strait of Gibraltar heightened the risk of escalation. Adding to market anxiety, President Trump indicated he was “considering” a limited strike on Iran when questioned about the evolving situation. The remarks triggered a late-week rally in gold, as investors sought protection against rising geopolitical tail risks.

WHAT TO LOOK OUT FOR IN THE MARKETS THIS WEEK

- The markets will closely watch Donald Trump's annual State of the Union speech on Tuesday, as investors look for signals on how he plans to respond to the recent court ruling on his tariff policies. His comments could influence expectations for trade policy and its impact on U.S. businesses and global markets. Trump may also highlight other economic priorities, such as housing reforms and tax policies, which could affect consumer and corporate sentiment. Also, the comments from Fed Governor Christopher Waller, a proponent of faster rate cuts, could provide guidance on the central bank's policy path. Other Federal Reserve officials scheduled to speak may also add clarity on the timing and pace of future rate adjustments. Market volatility could increase if the speeches or data differ from investor expectations. Overall, the markets may react sharply to any signals regarding tariffs, monetary policy, or economic reforms. Investors are likely to position themselves carefully ahead of these events, balancing optimism about potential policy support with caution over uncertainty.
- This week, the markets will also focus on key corporate earnings, particularly from major tech and AI-related companies like Nvidia. Strong earnings could lift investor sentiment, while weaker results may put pressure on stock prices. Economic data will also be in the spotlight, including U.S. consumer confidence, Japan's industrial production and Australian inflation. These figures will help investors gauge the health of the global economy and expectations for central bank policy. Inflation concerns remain, as recent data and rising oil prices suggest price pressures may persist. Persistent inflation could make central banks less likely to cut interest rates soon, keeping borrowing costs higher for longer. Geopolitical tensions and energy price movements will also contribute to market volatility. Overall, markets are likely to be influenced by a mix of earnings, economic data, inflation signals, and geopolitical risks.
- Meanwhile, the Bank of Korea (BOK) is widely expected to keep its benchmark interest rate unchanged at 2.50%, marking a sixth consecutive rate freeze. This decision reflects continued uncertainty in global financial markets, particularly fluctuations in the dollar won exchange rate and U.S. monetary policy signals. Rising housing prices in Seoul and other metropolitan areas also make further easing unlikely, as the central bank seeks to prevent overheating in the property market. The BOK's updated economic forecasts will be closely watched, especially any revisions to the growth outlook, which could influence future policy decisions.

BANK ISLAM

THANK YOU