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WEEKLY ECONOMIC UPDATE

23 JUNE 2025

ECONOMIC RESEARCH

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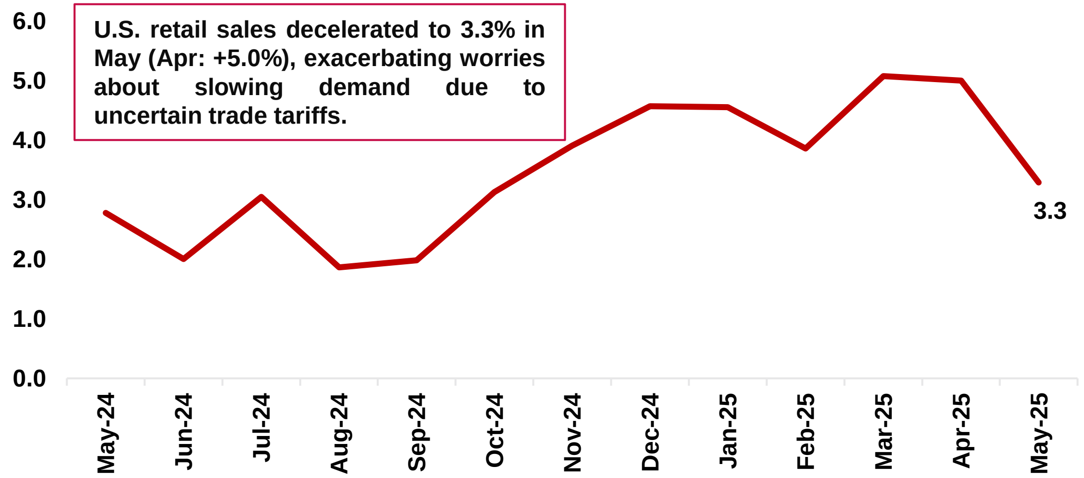
PUBLIC

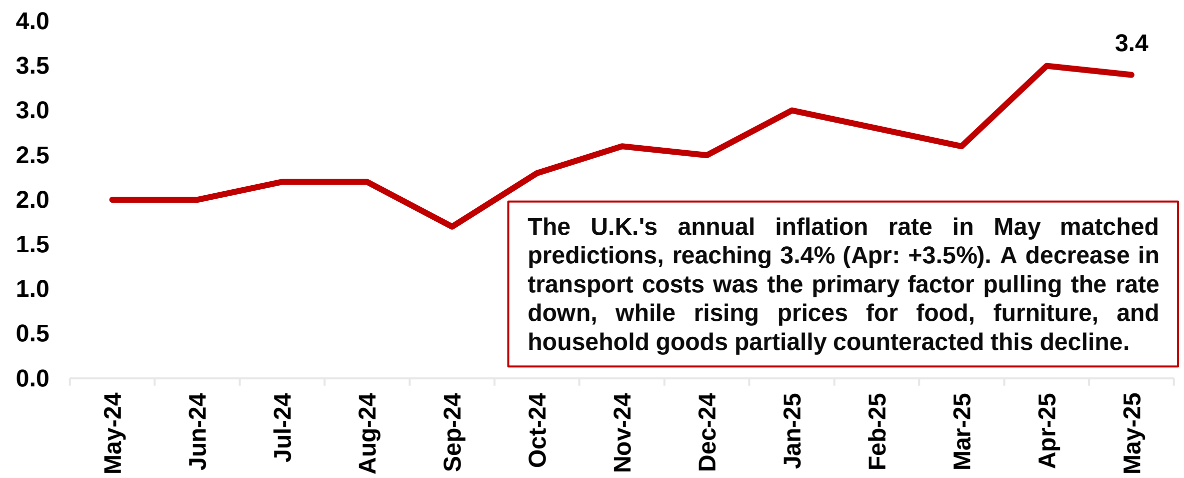
WEEKLY HIGHLIGHT: MALAYSIA’S EXPORTS SLUMPED INTO THE NEGATIVE TERRITORY IN MAY

GLOBAL

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

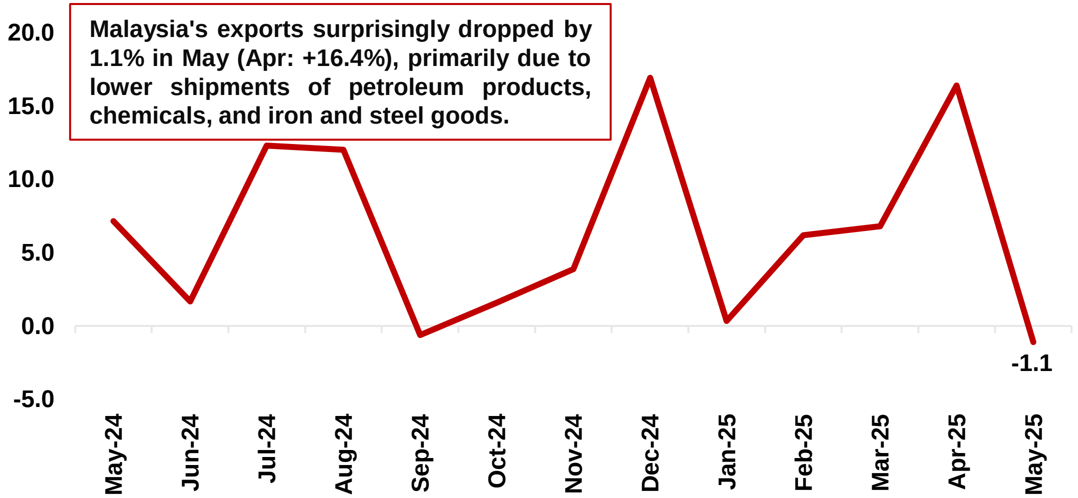


U.K. - CPI, y-o-y%

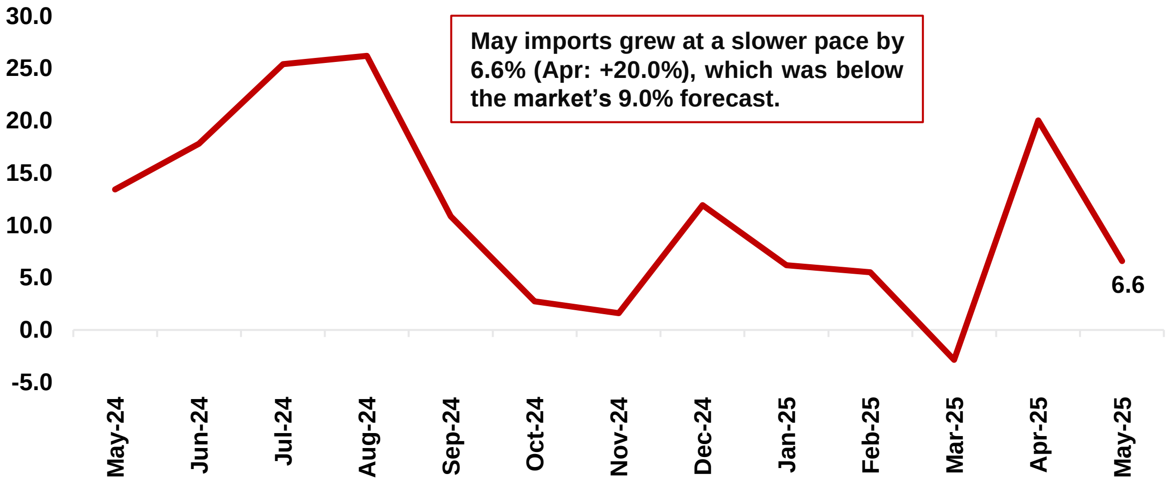


DOMESTIC

Malaysia - Exports, y-o-y%



Malaysia - Imports, y-o-y%



Sources: Office of the National Statistics, Department of Statistics Malaysia (DOSM), CEIC Data

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Central Bank Watch

- Last week featured a flurry of monetary policy decisions from major and regional central banks.
- As widely expected, the U.S. Federal Reserve (Fed), Bank of Japan, Bank of England, and Chile's central bank all opted to keep their policy rates unchanged.
- In contrast, Norges Bank surprised markets by cutting rates, diverging from its previous tightening bias. The Swiss National Bank and Riksbank (Sweden's central bank) also proceeded with rate cuts, reinforcing the trend among some developed economies toward policy easing amid moderating inflation.
- Meanwhile, Brazil's central bank bucked the global easing momentum by raising its benchmark Selic rate once again, continuing its aggressive tightening cycle in response to persistent inflationary pressures and a weakening currency.
- In Asia, the Bangko Sentral ng Pilipinas (BSP) delivered its second interest rate cut this year, lowering its policy rate by 25 basis points to 5.25% in a bid to support growth amid cooling inflation. On the other hand, Taiwan's central bank, the Central Bank of the Republic of China (CBC), kept its benchmark discount rate steady at 2.0%, reflecting a more cautious stance amid ongoing global uncertainties.

Central Bank Policy Rate

Central Bank	2024	YTD 2025	bps change (+/-)
Federal Reserve	4.25-4.50	4.25-4.50	0
Bank of England	4.75	4.25	-50
Bank of Japan	0.25	0.5	+25
Swiss National Bank (SNB)	0.50	0.0	-50
Norges Bank, Norway	4.50	4.25	-25
Riksbank, Sweden	2.50	2.00	-50
Brazilian Central Bank (BCB)	12.25	15.00	+275
Central Bank of Chile	5.00	5.00	0
Bangko Sentral ng Pilipinas (BSP)	5.75	5.25	-50
CBC-Taiwan	2.0	2.0	0

REGIONAL EQUITY: GLOBAL STOCKS DIPPED ON GEOPOLITICAL WOES AND FED STANCE

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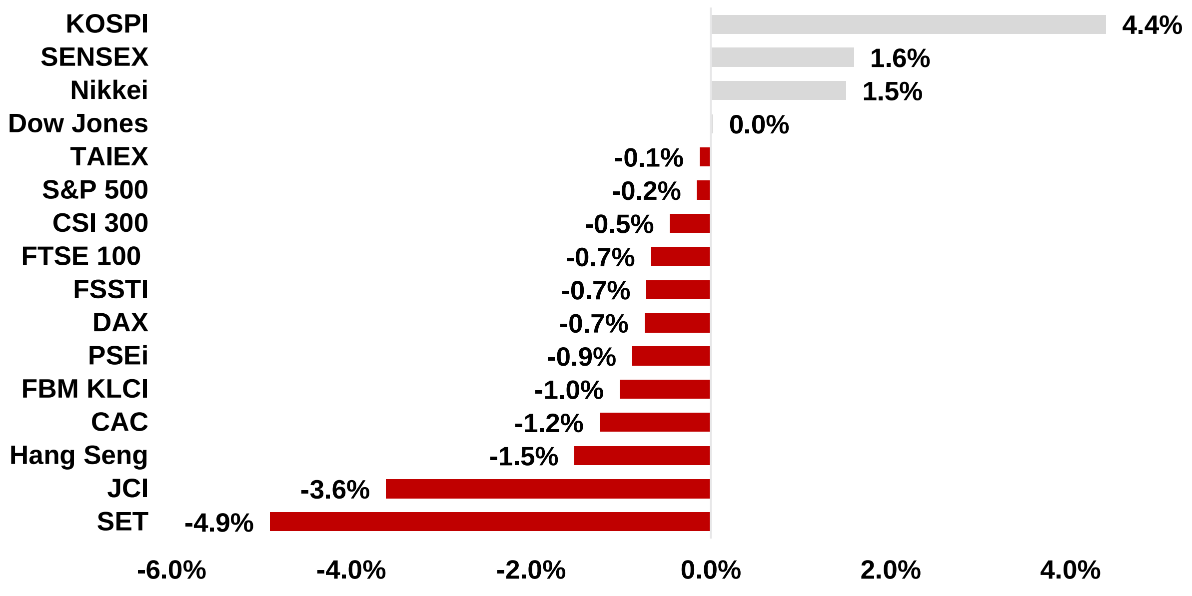
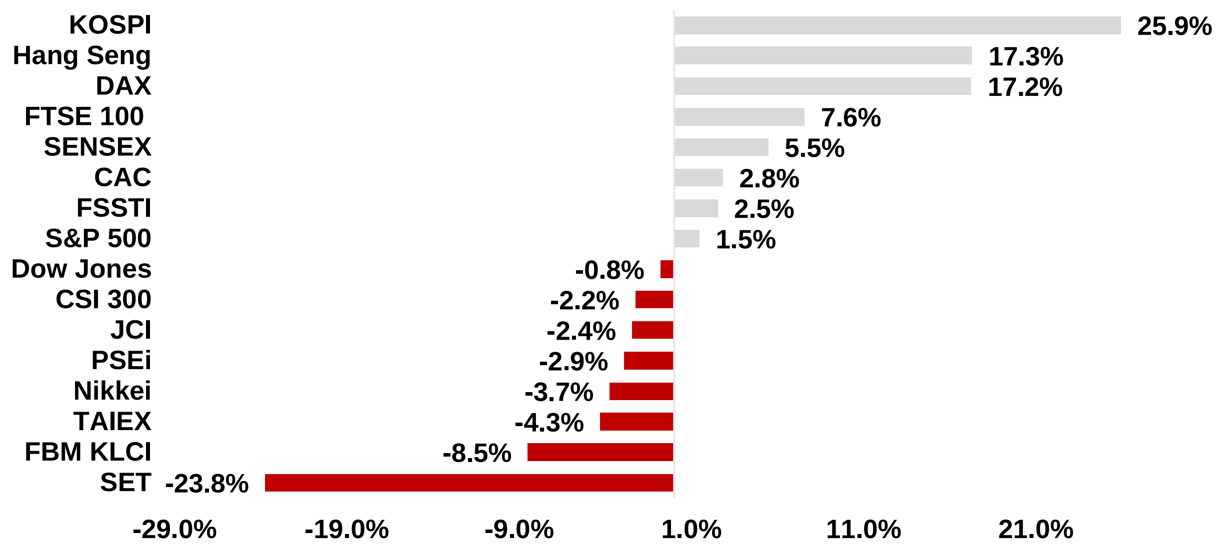
Weekly Gain/Loss of Major Equity Market, w-o-w%



YTD Gain/Loss of Major Equity Markets, % (As of 20 June 2025)



Sources: Bursa, CEIC Data

- The global stocks market were in the mostly in the red sea for the week ending June 20 with Thailand's SET as the major loser, contracting by 4.9% amid escalating political tensions, severely impacting public sentiment. Prime Minister Paetongtarn Shinawatra is under increased pressure to resign following the withdrawal of the coalition's second-largest party and accusations that her own military is instigating a border dispute with Cambodia.
- Additionally, Indonesia's JCI slumped by 3.6% as investors stayed cautious after the U.S. Fed held interest rates steady for the fourth consecutive time. This decision, combined with the Fed's lower GDP forecasts for 2025 and 2026 and higher inflation expectations, created pressure. Adding to this, persistent Middle East geopolitical tensions, particularly concerns about potential U.S. involvement in the Israel-Iran conflict, further dampened market sentiment.
- On the other hand, South Korea's KOSPI (+4.4%), India's Sensex (+1.6%) and Japan's Nikkei (+1.5%) were the biggest winners for the week ending June 20.

DOMESTIC EQUITY: LOCAL MARKET CLOSED IN A SEA OF RED AS MIDDLE EAST FEARS DOMINATED

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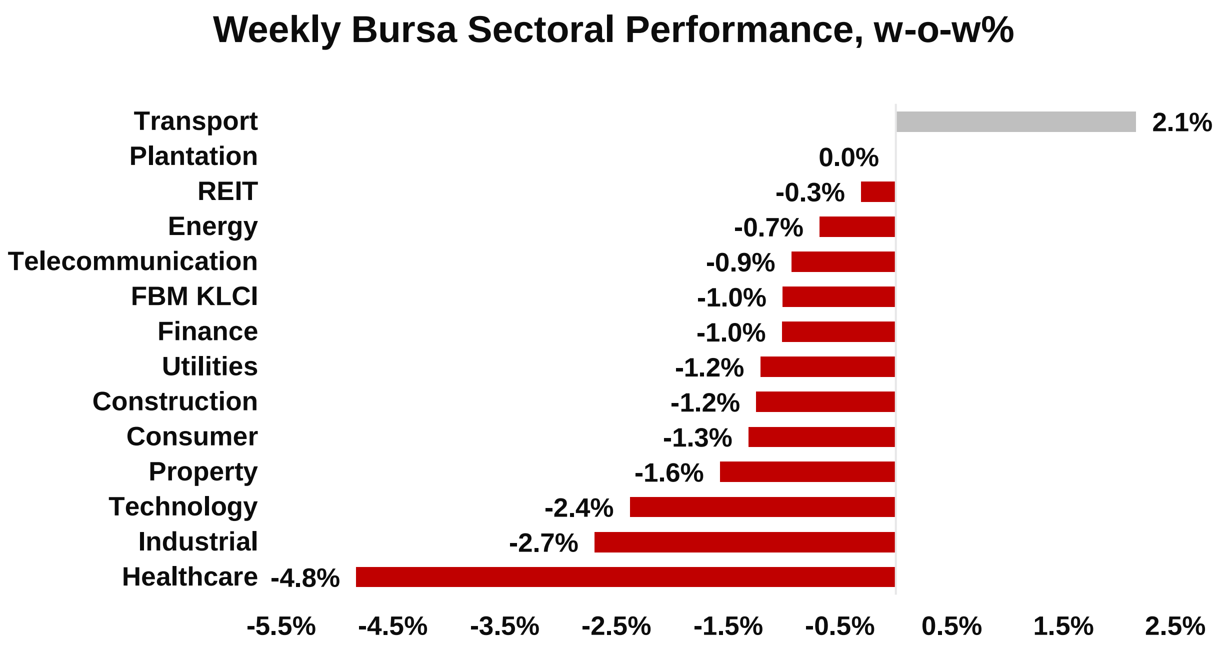

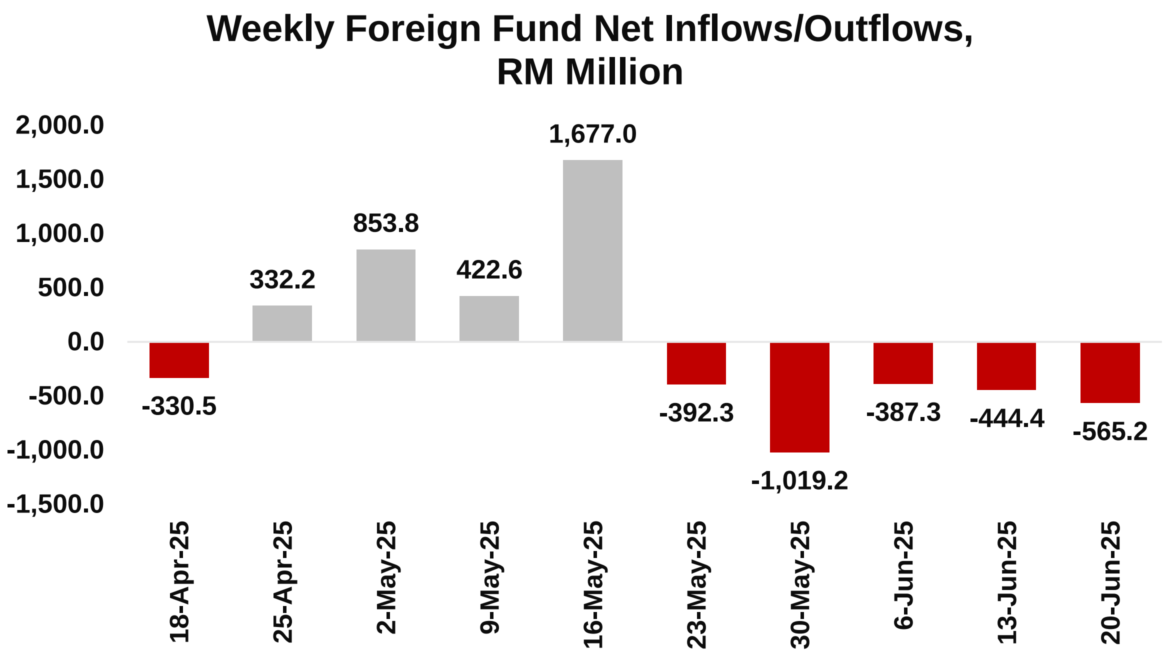

Sources: Bursa, CEIC Data

- The FBM KLCI dipped by 1.0% w-o-w for the week ending June 20, dragged by continuous foreign outflows from the market.
- Investor sentiments were largely cautious over the week following the intensifying geopolitical conflict in the Middle East, leading to muted buying interest in emerging market assets. Furthermore, markets were kept on their toes regarding the possibility of U.S. involvement in the conflict. In recent news, U.S. President Trump on his social media account announced that the U.S. had struck several nuclear sites in Iran.
- The Bursa indices closed broadly in the negative last week with the Healthcare index persisting in its downtrend (-4.8%), falling to the lowest level since November 2023. This is followed by the Industrial and Technology indices, which declined by 2.7% and 2.4%, respectively.
- On the flipside, the Transport index emerged as the only winner, rising by 2.1% w-o-w.
- Foreign investors persisted as net sellers for the fifth straight week, shedding a total of RM565.2 million worth of equities. This had increased the cumulative net outflow thus far to RM12.8 billion.

FIXED INCOME: UST YIELDS DROPPED AMID GEOPOLITICAL FEARS AND CAUTIOUS FED

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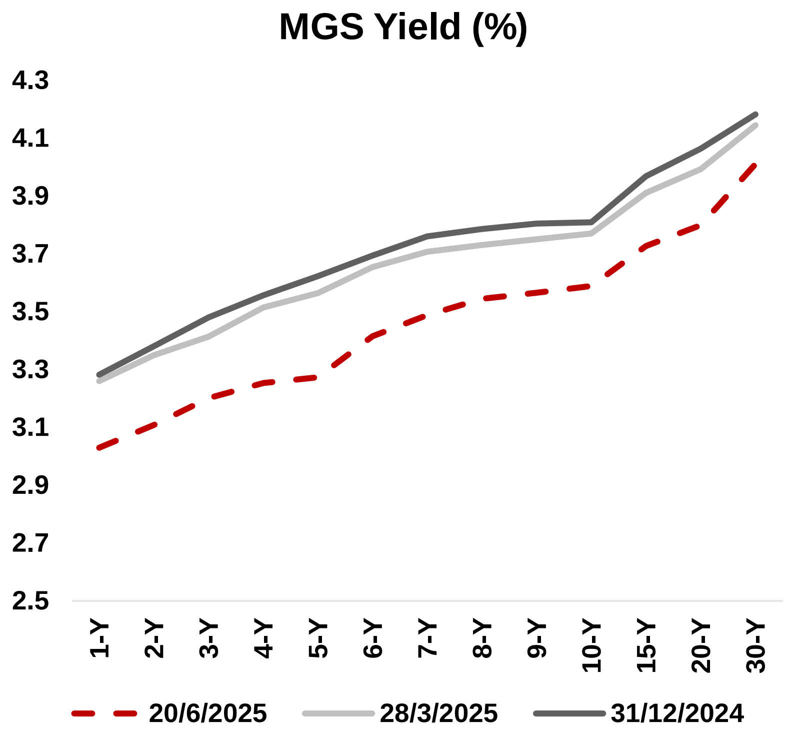
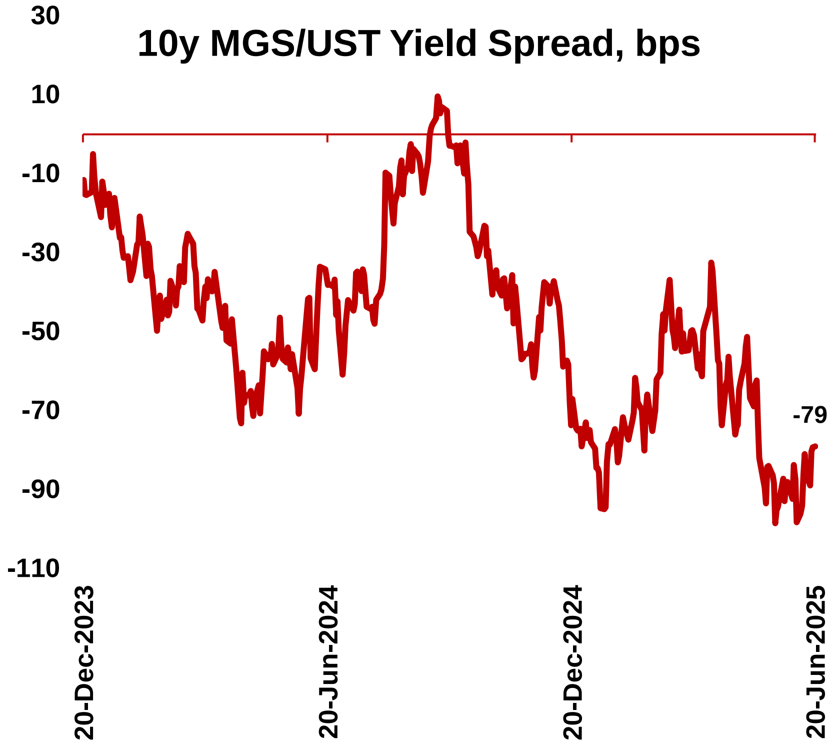
Weekly Changes, basis points (bps)

UST	Yields (%) 13-Jun-25	Yields (%) 20-Jun-25	Change (bps)
3-Y UST	3.90	3.86	-4
5-Y UST	4.02	3.96	-6
7-Y UST	4.20	4.16	-4
10-Y UST	4.41	4.38	-3
MGS	**Yields (%) 13-Jun-25**	**Yields (%) 20-Jun-25**	**Change (bps)**
3-Y MGS	3.17	3.20	4
5-Y MGS	3.25	3.27	3
7-Y MGS	3.46	3.49	3
10-Y MGS	3.55	3.59	4
GII	**Yields (%) 13-Jun-25**	**Yields (%) 20-Jun-25**	**Change (bps)**
3-Y GII	3.18	3.21	4
5-Y GII	3.32	3.34	2
7-Y GII	3.42	3.44	2
10-Y GII	3.55	3.57	2

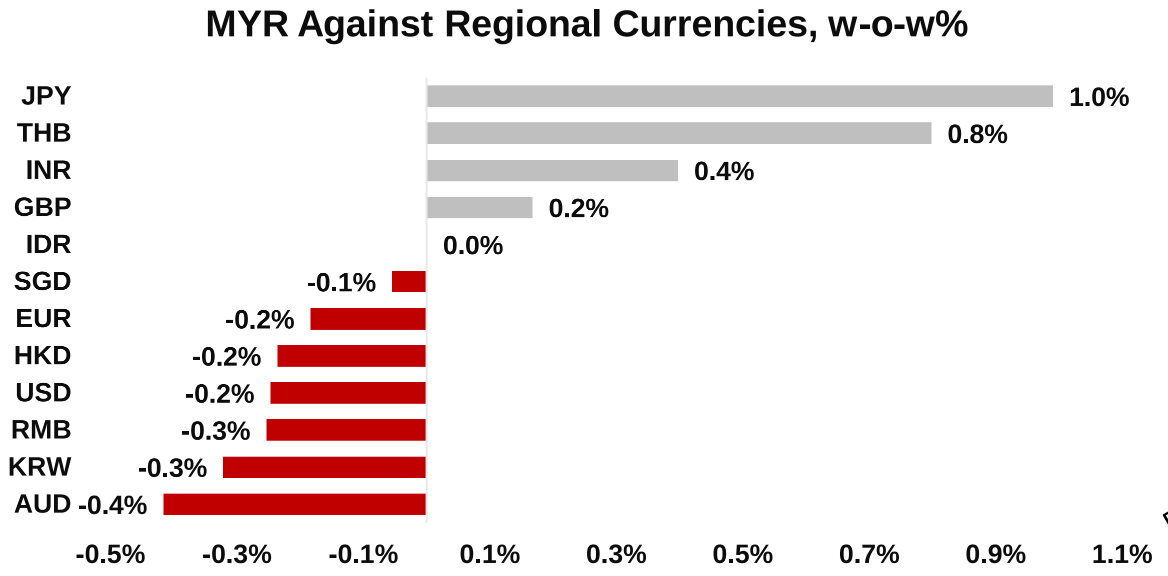
Sources: BNM, Federal Reserve Board

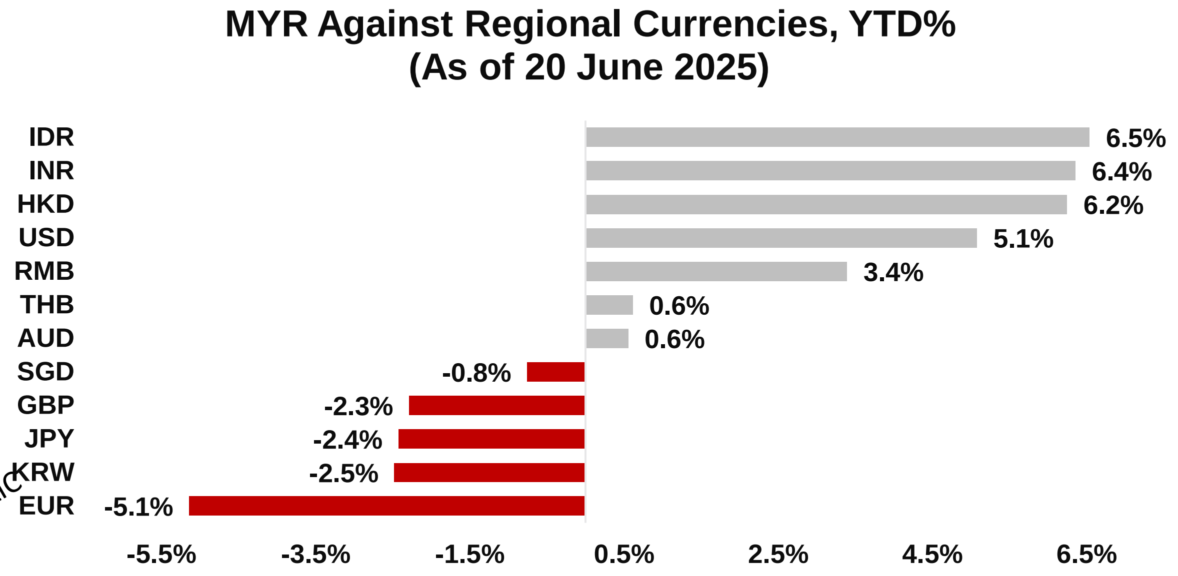




- The U.S. Treasury (UST) yields dipped in the range of 3bps and 6bps for the week ending June 20 as investors this week prioritized safe-haven assets, pushing yields down, as rising geopolitical risks, particularly escalating tensions between Israel and Iran and potential U.S. involvement, created an uncertain economic outlook.
- On the monetary policy front, the Fed maintained a cautious, data-dependent approach by keeping interest rates unchanged. While anticipating potential inflation hikes due to new tariffs, the Fed's revised 2025 projections signaled two 25bp rate cuts, alongside a weaker growth outlook, suggesting the Fed is balancing inflation concerns with a more subdued economic forecast.
- In contrast, Malaysian Government Securities (MGS) and Government Investment Issues (GII) yields edged higher by between 2bps and 4bps.
- The 10y MGS/UST yield spread narrowed in the negative territory at 79bps relative to -86bps in the previous week.

FX MARKET: RINGGIT TO TRADE CAUTIOUSLY FOLLOWING RAPID ESCALATION OF THE MIDDLE EAST CONFLICT OVER THE WEEKEND





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

- The Ringgit continued its downtrend, weakening by 0.2% w-o-w against the USD (RM4.25) for the week ending June 20 as the USD index rose by 0.5% w-o-w.
- The strength of the greenback was underpinned by markets repricing their Fed rate cut bets following the Fed's June meeting which was accompanied by the release of its Summary of Economic Projections (SEP). While the central bank had maintained the FFR at a range of 4.25-4.50%, the tone of the decision tilted towards more hawkish with Fed Chair Powell remarking that the central bank is "well positioned to wait".
- Looking closer, U.S. job market and economic activity was seen to remain solid despite consumer confidence being dragged by the policy shifts under the Trump administration. The exceptional case of resilient domestic demand–which had sailed the U.S. economy through turbulent times–provides some leeway for the Fed to navigate its policy path, enabling them to assess the impact of the evolving policy dynamics.
- In its SEP, the central bank had revised the headline PCE inflation upwards to average 3.0% in 2025 from 2.7% previously while core PCE inflation forecast is raised to 3.1% from 2.8% previously, signaling a more pronounced impact from the tariffs than anticipated.

COMMODITY: BRENT CLIMBS ON SUPPLY FEARS AMID ESCALATING MIDDLE EAST TENSIONS

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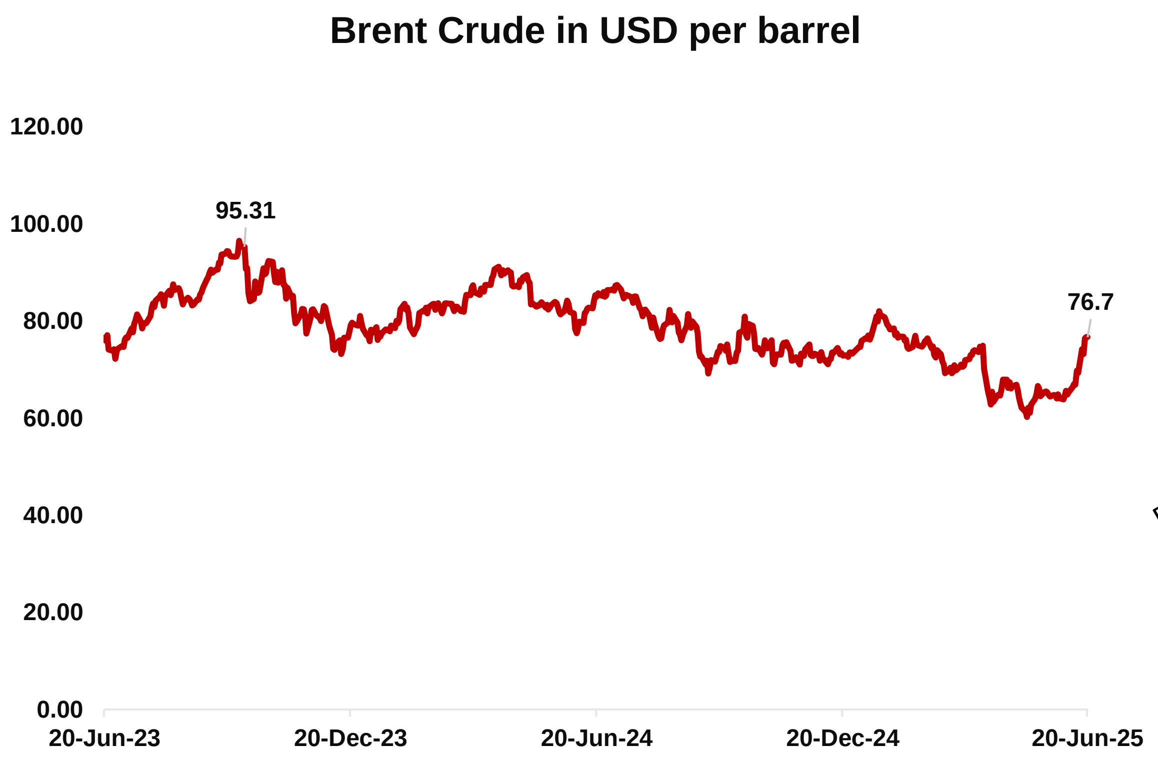

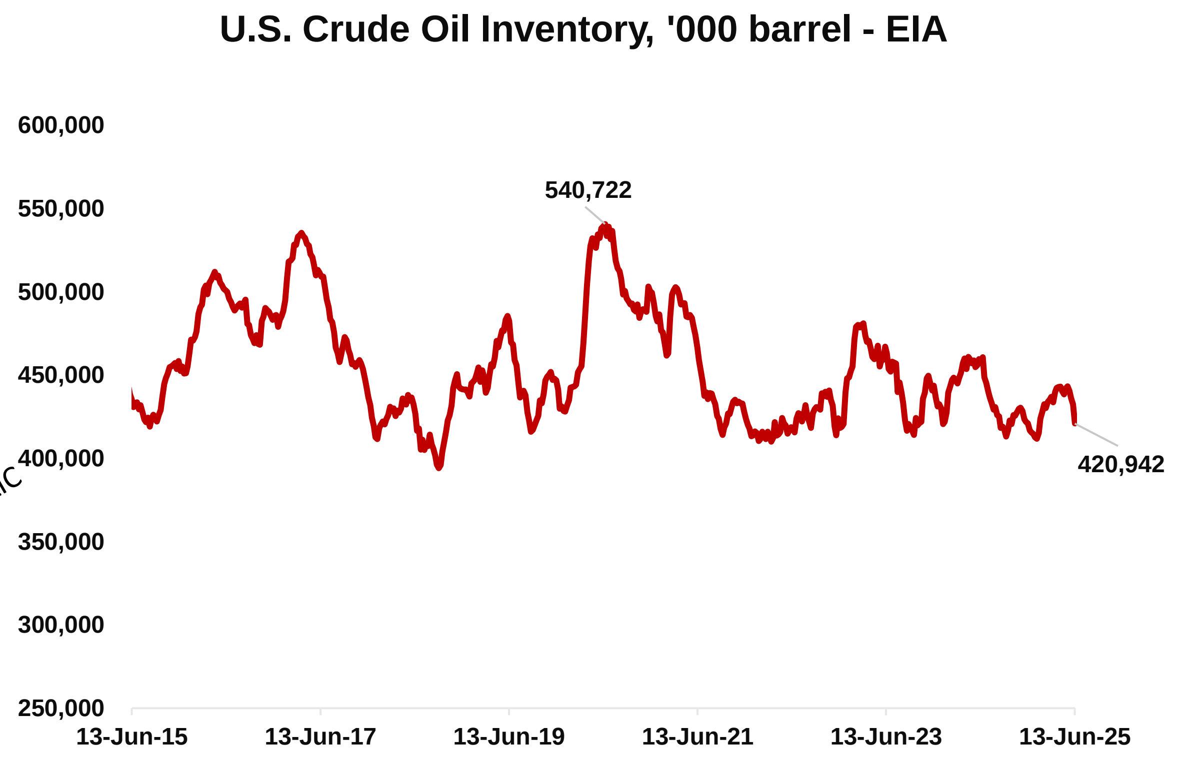

Sources: Bloomberg, Energy Information Administration (EIA)

- Brent crude oil settled at USD76.7 per barrel on Friday, marking its third consecutive weekly gain. Oil prices continued to be supported by escalating geopolitical tensions in the Middle East, which have raised concerns over potential supply disruptions. The main risk is the possibility of a blockade at the Strait of Hormuz, a critical chokepoint through which almost 20% of global daily output passes. As several key OPEC members rely on this route, any disruption could significantly impact global energy markets and trigger further price spikes.
- U.S. crude inventories recorded a sharp decline of 11.5 million barrel for the week ending June 13, the largest weekly drawdown in a year, bringing total stockpiles down to 420.9 million barrels. This substantial drop signals stronger reduced supply, reinforcing bullish sentiment in the oil market.

COMMODITY: GOLD PRICE ON TRACK FOR WEEKLY LOSS, DRAGGED BY A STRONG USD

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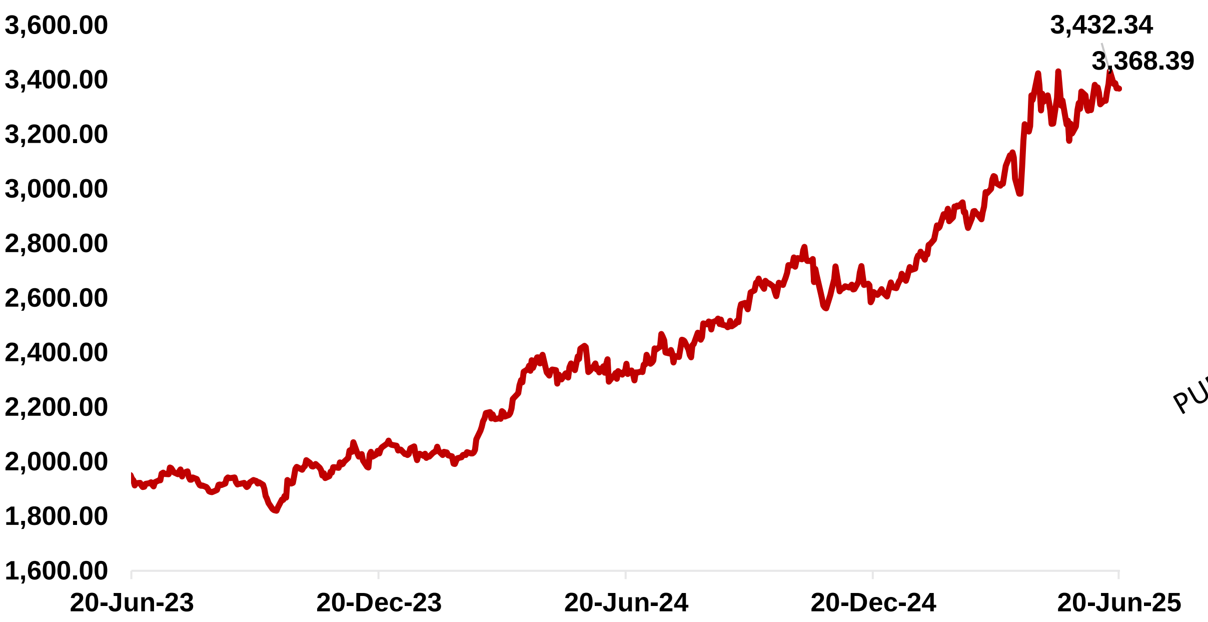
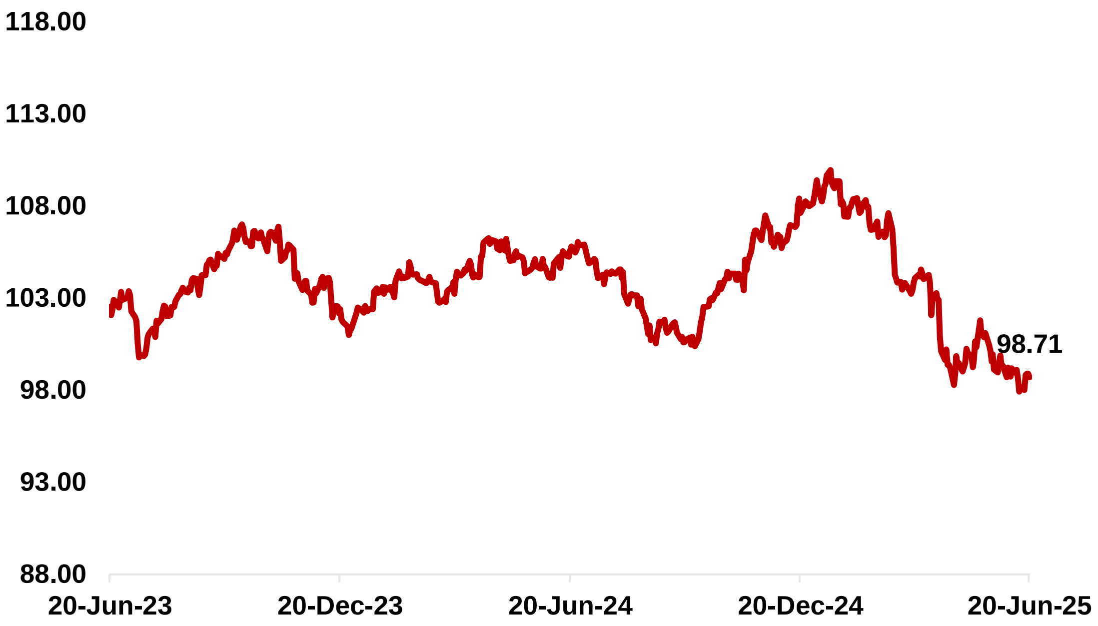
Gold in USD per ounce



U.S. Dollar Index (DXY)



Sources: Bloomberg, CEIC Data

- The bullion price plunged by 1.9% w-o-w for the week ending June 20 as the higher for longer FFR outlook overshadowed lingering geopolitical fears.
- Furthermore, Trump remarked on Friday that his decision on U.S. involvement in the Iran-Israel conflict will be made within the next two weeks, leading to further withdrawal from the bullion. However, over the weekend, he took to social media to announce that U.S. warplanes had struck three nuclear sites in Iran, which will rock markets come Monday.

WHAT TO LOOK OUT FOR IN THE MARKETS THIS WEEK

- Ongoing Israel-Iran tensions to keep risk sentiment in check. Markets were adrift last week as traders grappled with intensifying global risks. The unresolved twin threats of a full-blown trade war and escalating Middle East conflict kept investors on the defensive. Despite some tentative diplomatic efforts, neither front showed meaningful progress. The recent escalation in the Middle East, with neither Israel nor Iran appearing ready to back down in the week-long exchange of missiles. Although outside of energy markets, investors' response has been somewhat muted, the biggest worry now is that the U.S. might enter the conflict. There is intense speculation that Washington and Tel Aviv want to wipe out Iran's nuclear capabilities, risking triggering a wider regional war. Any further escalation could extend oil's and the dollar's latest rebounds, and the safe-haven gold might even join the rally too. But risk assets, particularly stocks, could come under pressure. The only relief for Wall Street in such a scenario would be the announcement of a new trade deal between the U.S. and one of its main trading partners.

- U.S. economic signals remain mixed, while tariffs have had limited impact on prices and the labour market stays resilient, consumer spending is softening; and this week's upcoming data on GDP, Personal Consumption Expenditure (PCE) inflation, and household income will be crucial for gauging underlying momentum and inflation trends. In April, personal consumption slowed to 0.2% m-o-m but is expected to have accelerated modestly to 0.3% m-o-m in May. Personal income growth, on the other hand, likely moderated to 0.4% m-o-m, down from the previous month. As for inflation, the Fed's preferred gauge, the PCE price index, is not expected to surprise markets but may reflect a slight uptick due to tariffs implemented in April. The Cleveland Fed's Nowcast model projects the headline PCE price index to increase from 2.1% to 2.25% y-o-y, while the core PCE measure is seen inching up from 2.5% to 2.58% y-o-y.

- The Bank of Thailand convenes for their June monetary policy meeting following two consecutive cuts. A subdued inflation and growth outlook underpins expectations for Thailand's central bank to lower rates further this year. Meanwhile inflation data are anticipated from Singapore and Malaysia. Taiwan and Singapore's industrial production data will also be tracked.

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WHAT TO LOOK OUT FOR IN THE MARKETS THIS WEEK

- In the Eurozone, the preliminary inflation data for June will be closely watched as it could influence the European Central Bank's (ECB) next policy moves. On 5 June, the ECB lowered its key interest rates by 25bps, bringing the deposit facility rate to 2.00% and the main refinancing rate to 2.15%. This marked the central bank's eighth rate cut over the past year, amounting to a cumulative 200 basis points (bps) since June 2024. The latest inflation figures will be key in determining whether the central bank continues its easing cycle or adopts a more cautious stance amid lingering price pressures. The flash CPI estimate will give an early indication of whether disinflation is on track, especially in core categories. If the report shows further cooling, particularly in countries like Germany and Spain, it will support the case for a more consistent easing cycle in 2H2025. However, any sign of reacceleration or stubbornness in core prices could raise doubts about additional cuts and prompt more hawkish messaging from the ECB. This data will also be important for assessing consumer purchasing power across the region, which is key to unlocking stronger domestic demand and sustained recovery momentum.

- China's official Purchasing Managers' Index (PMI) readings for June will offer a much-needed update on the state of the world's second-largest economy. The data will shed light on whether recent stimulus efforts by the Chinese government and PBOC are helping to stabilize the manufacturing and services sectors. In previous months, manufacturing PMIs have hovered near the contraction zone, weighed down by weak global demand, soft property investment, and tepid business confidence. A stronger-than-expected PMI reading could signal improving sentiment and recovery momentum, supporting broader risk appetite in regional markets. Conversely, continued sluggishness may reignite concerns about China's structural challenges, including debt risks and overcapacity. The non-manufacturing PMI will also be closely watched to gauge domestic consumption and services activity key areas of focus for China's ongoing economic rebalancing.

THANK YOU