



WEEKLY ECONOMIC UPDATE

25 MAY 2026

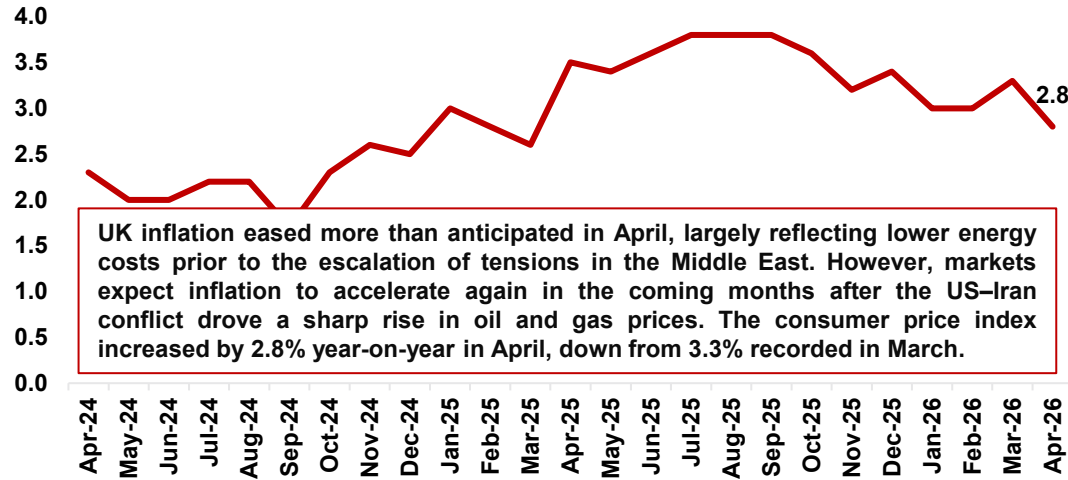
ECONOMIC RESEARCH

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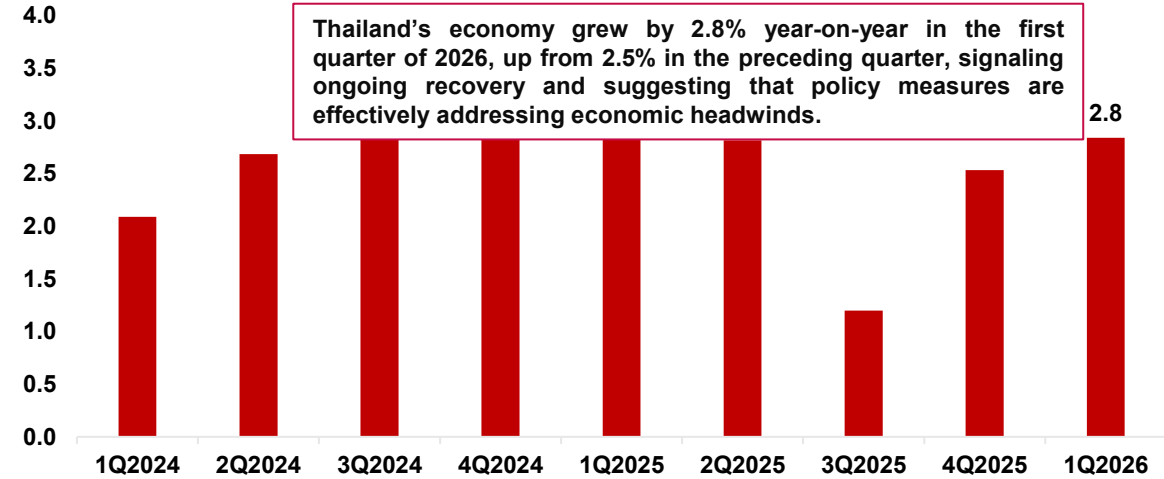
WEEKLY HIGHLIGHT: MALAYSIA'S EXPORTS SURGED IN APRIL TO AN ALL-TIME HIGH DRIVEN BY ROBUST E&E DEMAND

GLOBAL

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

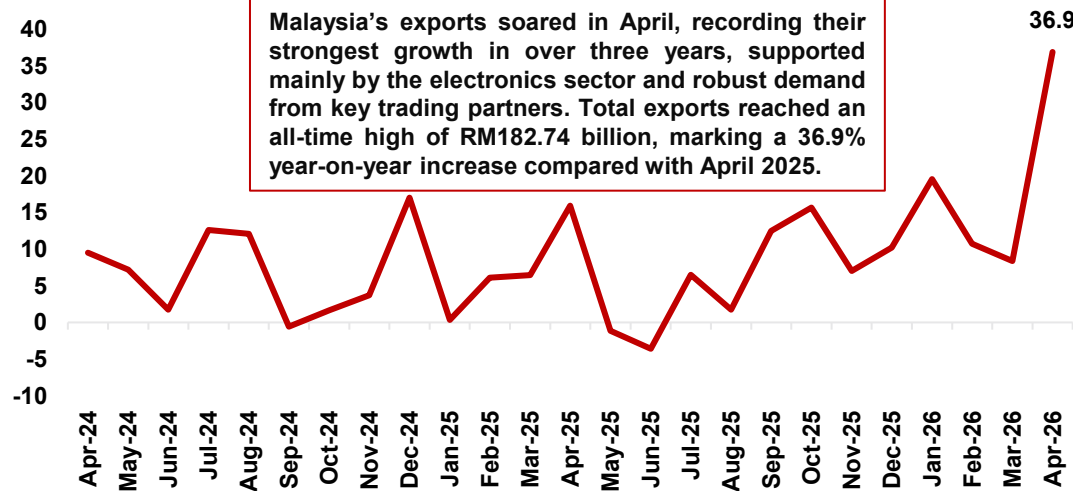


Thailand - Real GDP, y-o-y%

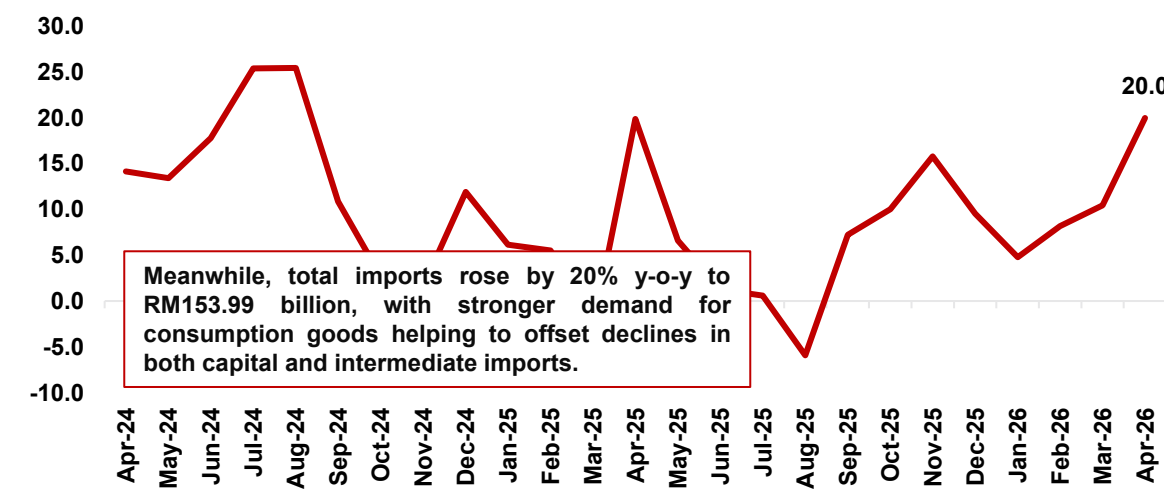


DOMESTIC

Malaysia - Exports, y-o-y%

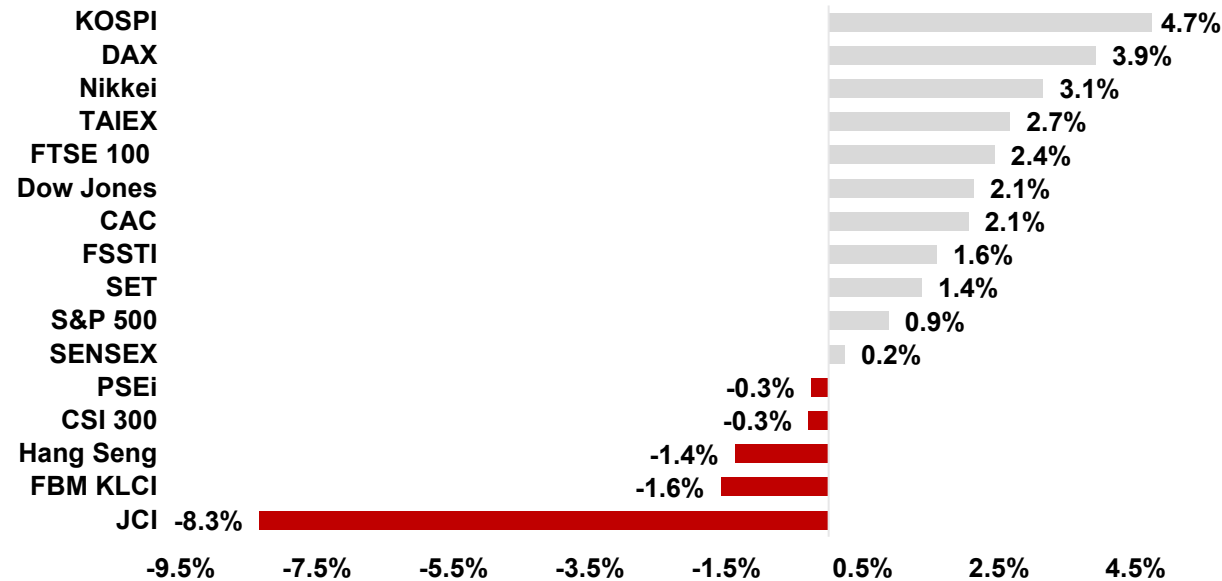


Malaysia - Imports, y-o-y%

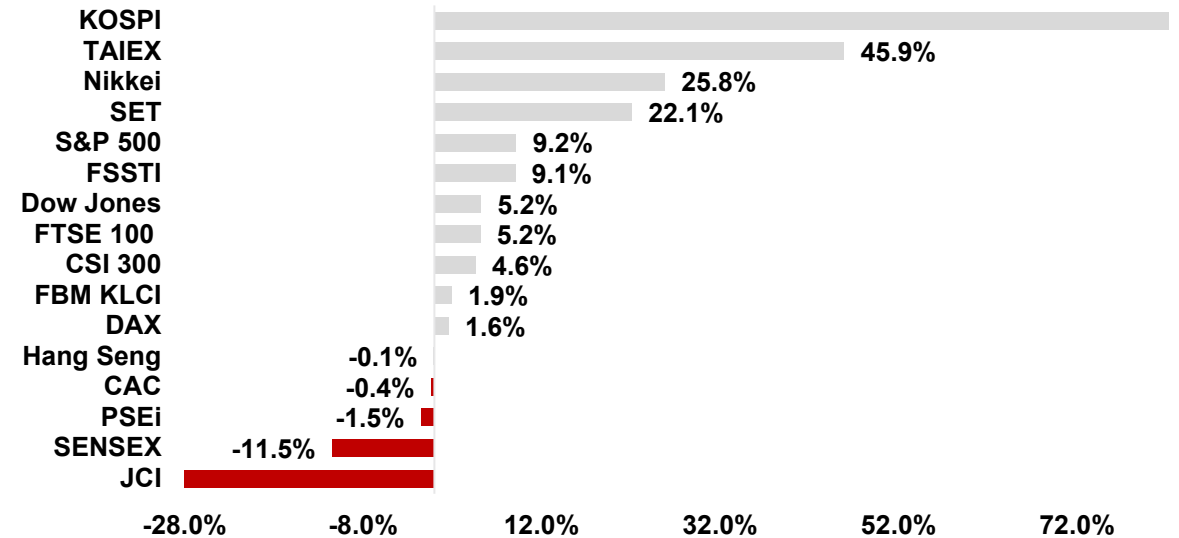


REGIONAL EQUITY: GLOBAL EQUITIES ADVANCE AS IRAN NEGOTIATIONS OPTIMISM LIFTS SENTIMENT

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



YTD Gain/Loss of Major Equity Markets, % (As of 22 May 2026)



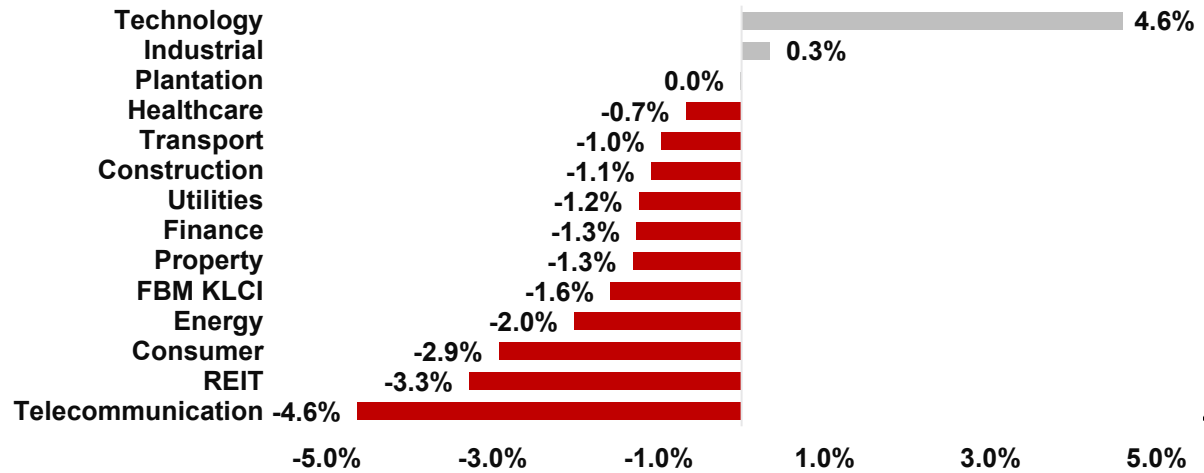
Sources: Bursa, CEIC Data

- Global equity markets closed mostly higher for the week ended May 22, led by South Korea's KOSPI which grew by 4.7%. Investor sentiment improved on the back of growing optimism surrounding US–Iran negotiations. Tehran indicated that Washington's latest proposal had helped reduce gaps between the two sides, raising expectations of a potential agreement and alleviating worries about possible disruptions to energy flows via the Strait of Hormuz. Meanwhile, the broader market was further supported by sustained momentum in South Korea's semiconductor industry, driven by strong chip export performance, persistent AI-led demand, and a gradual rebound in domestic confidence.
- U.S. stocks – Dow Jones (+2.1%) and S&P 500 (+0.9%) climbed buoyed by signs of progress in Middle East peace talks and a strong corporate earnings season. Secretary of State Marco Rubio noted that the US had made some progress toward a deal with Iran, though more work remains, while Iran's foreign ministry spokesman stated that differences between the two sides remained deep.
- In contrast, Indonesia's JCI (-8.3%) and Malaysia's FBM KLCI (-1.6%) were the major losers for the week ending May 22.

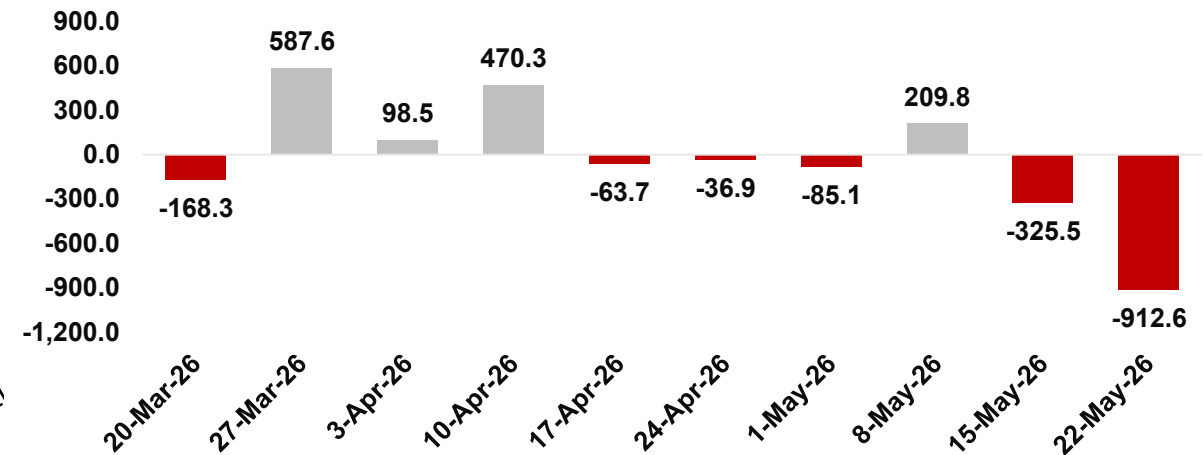
DOMESTIC EQUITY: BURSA ENDED IN A SEA OF RED AS INVESTOR RISK APPETITE REMAINED SUBDUED



Weekly Bursa Sectoral Performance, w-o-w%



Weekly Foreign Fund Net Inflows/Outflows, RM Million



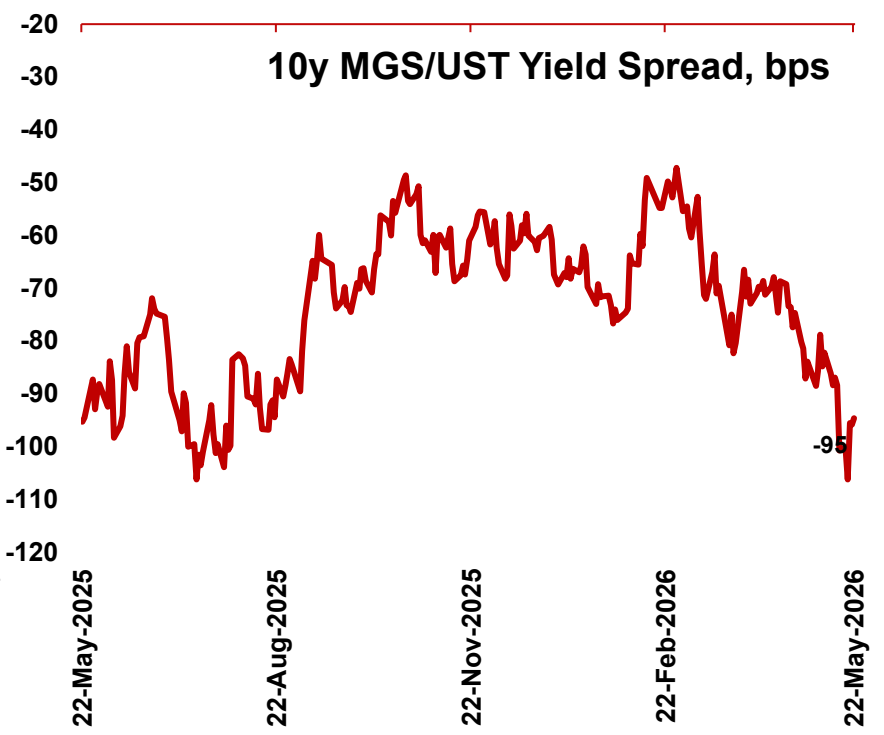
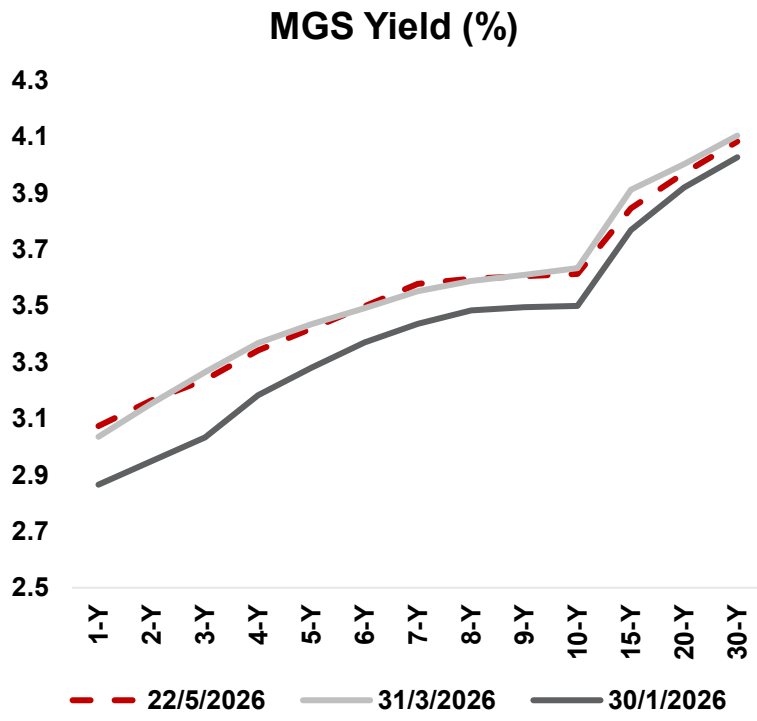
Sources: Bursa, CEIC Data

- The FBM KLCI declined by 1.6% w-o-w for the week ending May 22 amid profit-taking activities following its strong performance in the preceding week. Additionally, the lack of clarity on negotiations and mixed signals, particularly from the U.S., further weighed on broader risk appetite.
- During the week, U.S. and Iran reportedly engaged in continuous discussions on the proposed peace deal, which would typically improve optimism over a resolution of the conflict. However, Trump frequently signaled that talks were at risk of falling through and threatened a resumption military operations against Iran before later walking back on his remarks.
- Most Bursa indices closed in the negative with the Telecommunications index emerging as the biggest loser (-4.6%), followed by the REIT and Consumer indices, which declined by 3.3% and 2.9% respectively.
- In contrast, the Technology index rose sharply by 4.6% amid optimism surrounding the global AI landscape, marking the highest level since August 2024, while the Industrial index (+0.3%) climbed to a near two-year high at 200.63.
- Foreign investors shed a total of RM912.6 million worth of equities, reducing the cumulative net inflow thus far to RM679.9 million.

FIXED INCOME: UST YIELDS MIXED AS IRAN DEAL HOPES WEIGH ON OIL PRICES



Weekly Changes, basis points (bps)			
UST	Yields (%) 15-May-26	Yields (%) 22-May-26	Change (bps)
3-Y UST	4.14	4.18	4
5-Y UST	4.26	4.27	1
7-Y UST	4.43	4.41	-2
10-Y UST	4.59	4.56	-3
MGS	Yields (%) 15-May-26	Yields (%) 22-May-26	Change (bps)
3-Y MGS	3.21	3.24	3
5-Y MGS	3.37	3.42	5
7-Y MGS	3.49	3.58	9
10-Y MGS	3.58	3.61	3
GII	Yields (%) 15-May-26	Yields (%) 22-May-26	Change (bps)
3-Y GII	3.21	3.23	2
5-Y GII	3.35	3.37	2
7-Y GII	3.53	3.57	3
10-Y GII	3.60	3.62	2

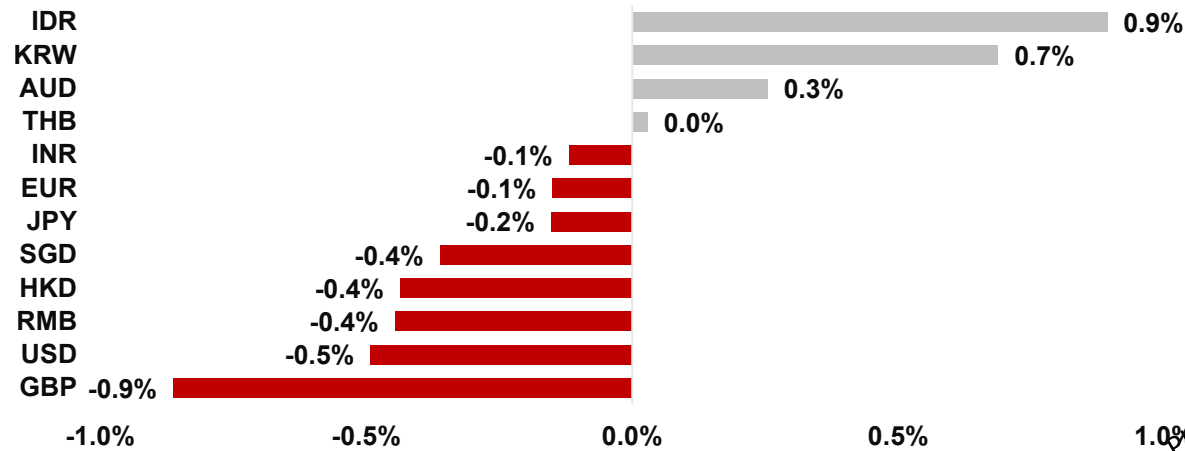


Sources: BNM, Federal Reserve Board

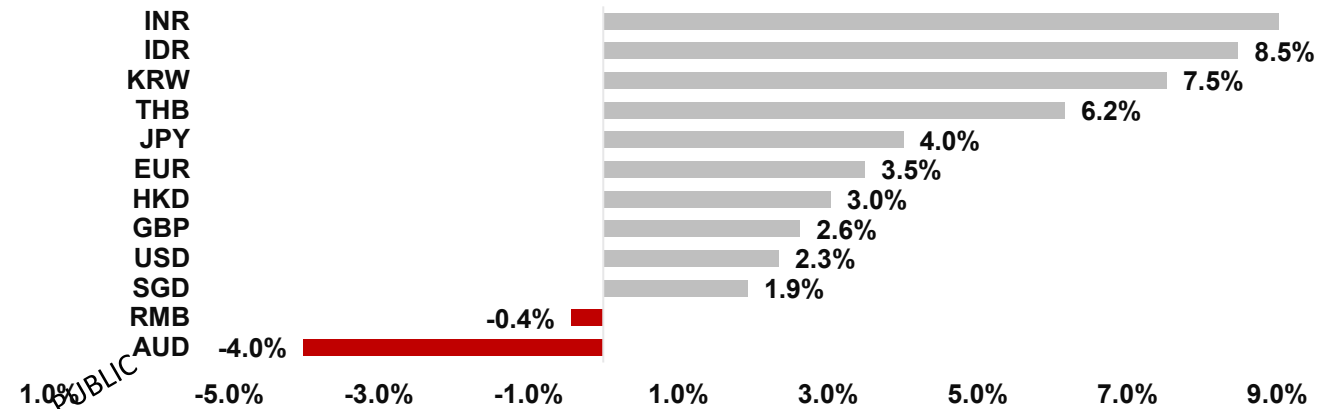
- The U.S. Treasury (UST) yields ended mixed in the range of -3bps and 4bps for the week ending May 22 as investor sentiment improved after renewed optimism that the US and Iran could reach an agreement and potentially reopen the Strait of Hormuz, helping oil prices retreat from recent highs. Nevertheless, the situation remains highly fragile and volatile.
- Malaysian Government Securities (MGS) and Government Investment Issues (GII) yields edged higher by between 3bps and 9bps.
- The auction of 7-Y reopening of MGS worth RM5.0 billion which was issued on May 22 drew a robust demand with a bid-to-cover (BTC) ratio of 2.6x, significantly higher relative to the previous RM4.0 billion 7-Y reopening of MGS in November 2025 with a BTC ratio of 1.9x
- The 10y MGS/UST yield spread widened marginally in the negative territory at 95bps relative to -101bps in the previous week.

FX MARKET: RINGGIT SLIPPED, USD TRADED RANGE-BOUND AS MARKET REACTIONS TO U.S.-IRAN REMAINED MUTED

MYR Against Regional Currencies, w-o-w⁰



MYR Against Regional Currencies, YTD% (As of 22 May 2026)

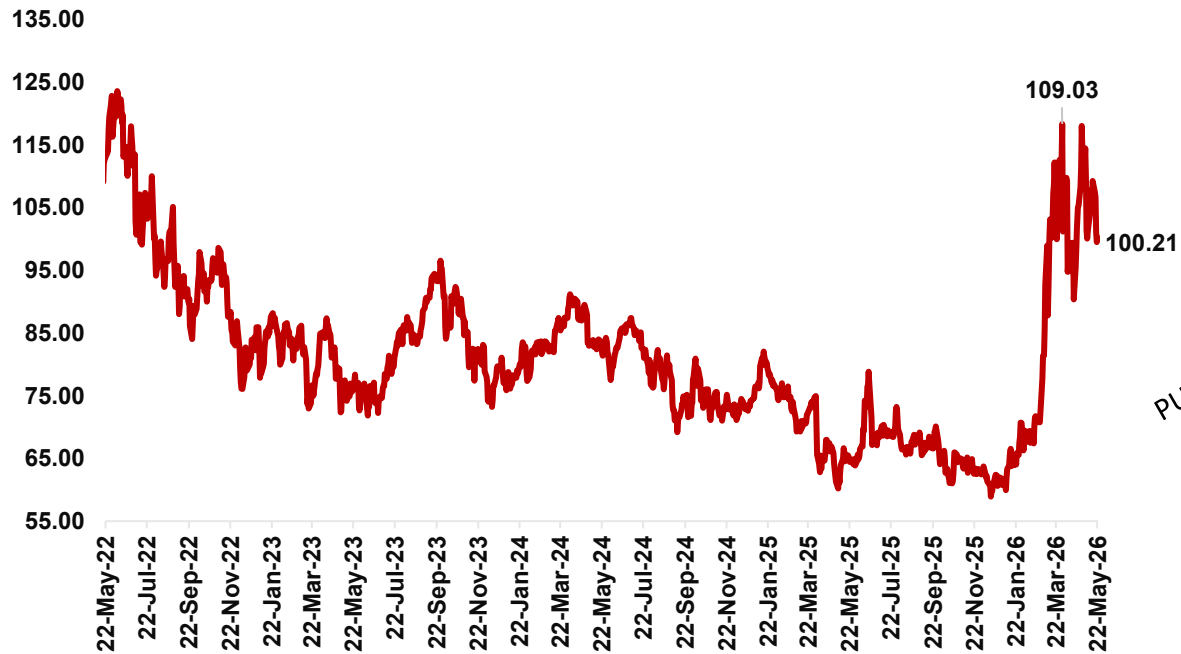


Sources: BNM, Federal Reserve Board (Fed), CEIC Data

- The Ringgit depreciated by 0.5% w-o-w against the USD for the week ending May 22 while the USD index traded range-bound within the 99.10-99.80 range, as investor sentiments remained largely subdued against a backdrop of persistent geopolitical uncertainties surrounding ongoing U.S.-Iran negotiations.
- Despite incoming reports that U.S. and Iran are actively engaging in discussions, conflicting signals from U.S. President Trump overshadowed prospects of a potential resolution. Through postings on his social account, Trump threatened to resume military operations against Iran if Iran does not agree to a deal within a specified timeframe, before subsequently announcing a postponement of the strikes.
- However, the volatility around Trump's rhetoric has become ironically predictable. Currency market reactions to these developments have been increasingly muted, with the USD index trading within a narrow range during the week.
- Domestically, the geopolitical developments continued to weigh on investor sentiments, overshadowing Malaysia's solid macroeconomic data. Of note, Malaysia's inflation remained manageable, with the headline figure rising to 1.9% in April (Mar: 1.7%) while core inflation ticked up to 2.1% (Mar: 2.0%). Meanwhile, exports accelerated significantly by 36.9% y-o-y in the same month, primarily driven by strong exports of refined petroleum products (Apr: 74.4% vs. Mar: 32.3%) amid elevated global oil prices. Additionally, exports of electrical and electronic (E&E) products remained a key driver, surging by 46.3% y-o-y (Mar: 15.1%).

COMMODITY: OIL REBOUNDS AMID IRAN PEACE TALK UNCERTAINTY

Brent Crude in USD per barrel



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



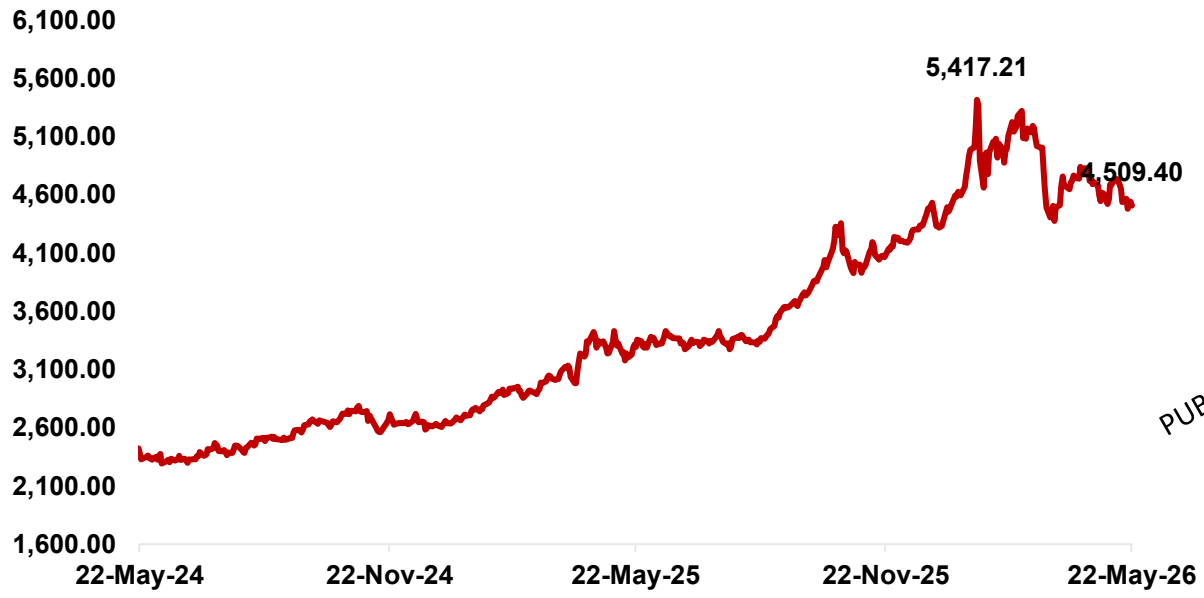
Sources: Bloomberg, Energy Information Administration (EIA)

- Brent oil prices closed at USD100.21/barrel on Friday (May 22), rising by 0.7% from the previous day. The market reacted cautiously, as optimism over peace negotiations was tempered by lingering fears that talks could still collapse, keeping geopolitical risk premium in oil prices.
- Traders remain worried about disruptions along the Strait of Hormuz, a key route for global oil shipments, which could tighten global crude supply. Oil prices may remain volatile as markets await clearer developments on the US-Iran negotiations and Middle East tensions and any successful peace agreement and smoother oil flows could push crude prices lower toward more stable levels.
- U.S. crude oil inventories dropped further by 7.9 million barrels to 445.0 million for the week ending May 15.

COMMODITY: GOLD PRICE REMAINED UNDER PRESSURE AS U.S. AND IRAN CONTINUED DISCUSSIONS



Gold in USD per ounce



U.S. Dollar Index (DXY)



Sources: Bloomberg, CEIC Data

- Gold price (XAU) depreciated by 0.7% w-o-w last week as investors continued to monitor the Middle East geopolitical conflict. Despite ongoing negotiations between U.S. and Iran, the lack of progress towards a near-term resolution weighed on investor sentiments and constrained demand for the bullion.
- From a technical perspective, the XAU briefly broke below the immediate support of 4,500.00 last Tuesday before staging a modest recovery. Overall, the XAU traded within a narrow range between 4,510-4,590 levels for the week, closing at 4,509.40 on Friday.

WHAT TO LOOK OUT FOR IN THE MARKETS THIS WEEK

- This week, markets will focus closely on the US second estimate of 1Q26 GDP and the Core PCE inflation report, as both could significantly shape the Federal Reserve's policy outlook. GDP data is expected to confirm that economic growth remains resilient, following the preliminary estimate of 2.0%, a notable rebound from 0.5% in 4Q25. A stronger-than-expected reading would likely reinforce expectations that the Fed will keep interest rates higher for longer, thereby supporting both the US dollar and Treasury yields. At the same time, Core PCE inflation—the Fed's preferred price gauge—is anticipated to remain elevated and above the 2% target. An upside surprise could strengthen market expectations of further policy tightening, including the potential for additional rate hikes. Conversely, a softer inflation reading may revive confidence in a soft-landing scenario and provide support to equities, particularly in growth and technology sectors. Overall, the combination of resilient growth and persistent inflation suggests the Fed will remain cautious, leaving markets highly sensitive to any upside surprises in inflation data this week.
- Elsewhere, markets expect the Reserve Bank of New Zealand (RBNZ) to maintain a cautious yet hawkish stance, as inflation risks remain elevated despite moderating economic momentum. With inflation at 3.1% in 1Q26, the RBNZ is likely to signal that interest rates need to remain restrictive for an extended period, even if no immediate hike is implemented. In Australia, attention will turn to the latest CPI data. A stronger inflation print could reinforce expectations that the RBA will keep rates higher for longer. However, signs of weakening consumer spending and slowing economic growth may constrain the central bank's scope for further tightening. Both central banks face the delicate challenge of containing inflation while avoiding a sharper slowdown in economic activity.
- Meanwhile, the Bank of Korea (BOK) is widely expected to leave interest rates unchanged at its meeting on Thursday. Nonetheless, policymakers may adopt a more hawkish tone amid rising inflation risks, particularly driven by higher global oil prices. Escalating tensions in the Middle East have heightened concerns over energy costs, which could push up headline inflation and erode consumer purchasing power in South Korea. Markets are increasingly pricing in the possibility that the BOK may prepare for rate hikes later this year if inflation continues to accelerate. At the same time, the central bank is likely to remain cautious given ongoing uncertainties around domestic growth and export performance. Investors will therefore focus on any upward revisions to the inflation outlook and changes in forward guidance that may signal the future direction of monetary policy.

BANK ISLAM

THANK YOU