



# **WEEKLY ECONOMIC UPDATE**

**25 AUGUST 2025**

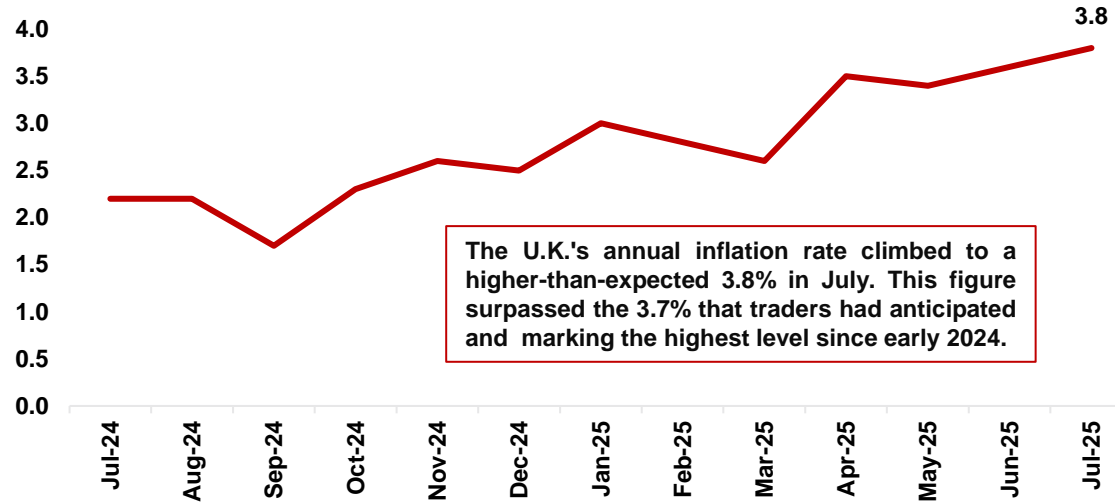
**ECONOMIC RESEARCH**

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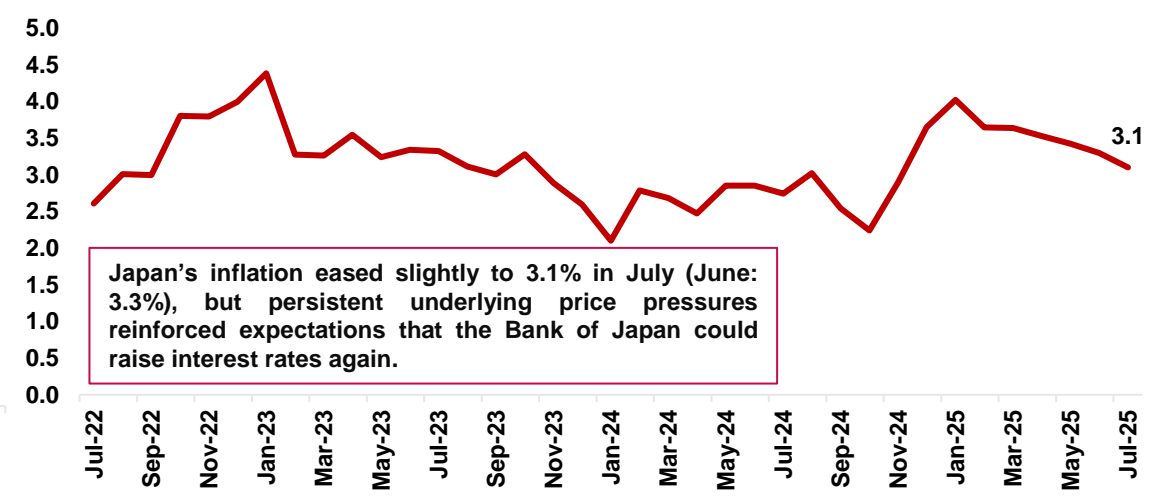
# WEEKLY HIGHLIGHT: MALAYSIA'S INFLATION RATE EDGED UP TO 1.2% IN JULY

GLOBAL

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

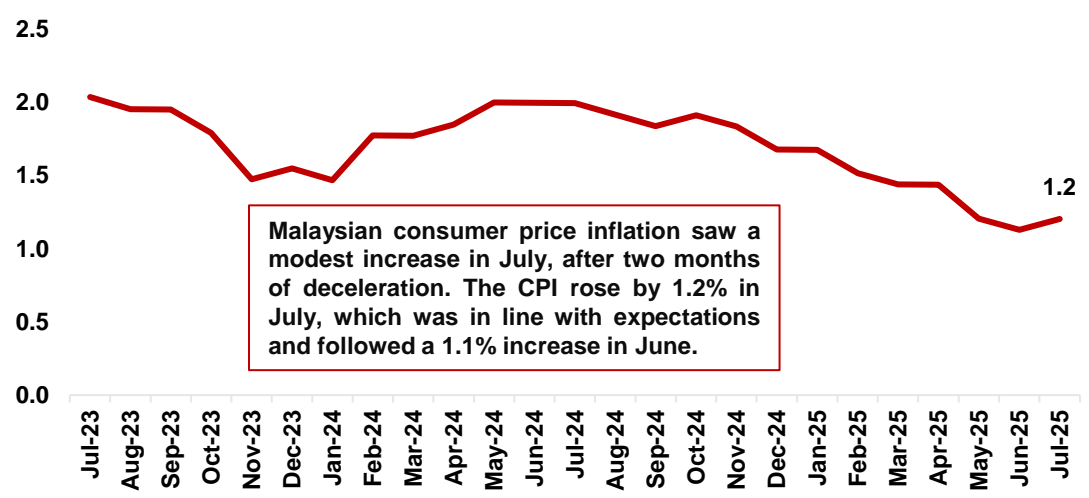


### Japan - Consumer Price Index (CPI), y-o-y%

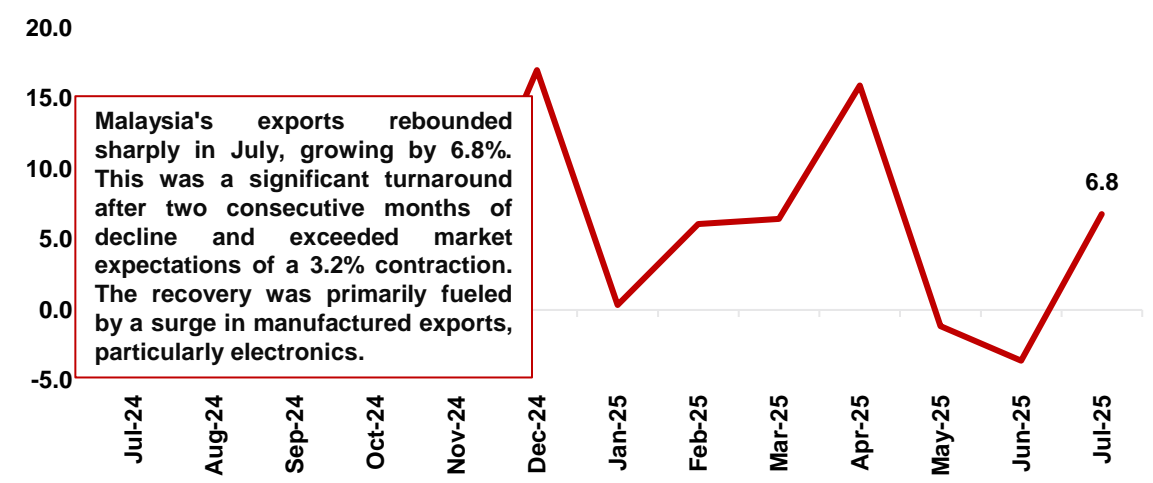


DOMESTIC

### Malaysia - Headline CPI, y-o-y%

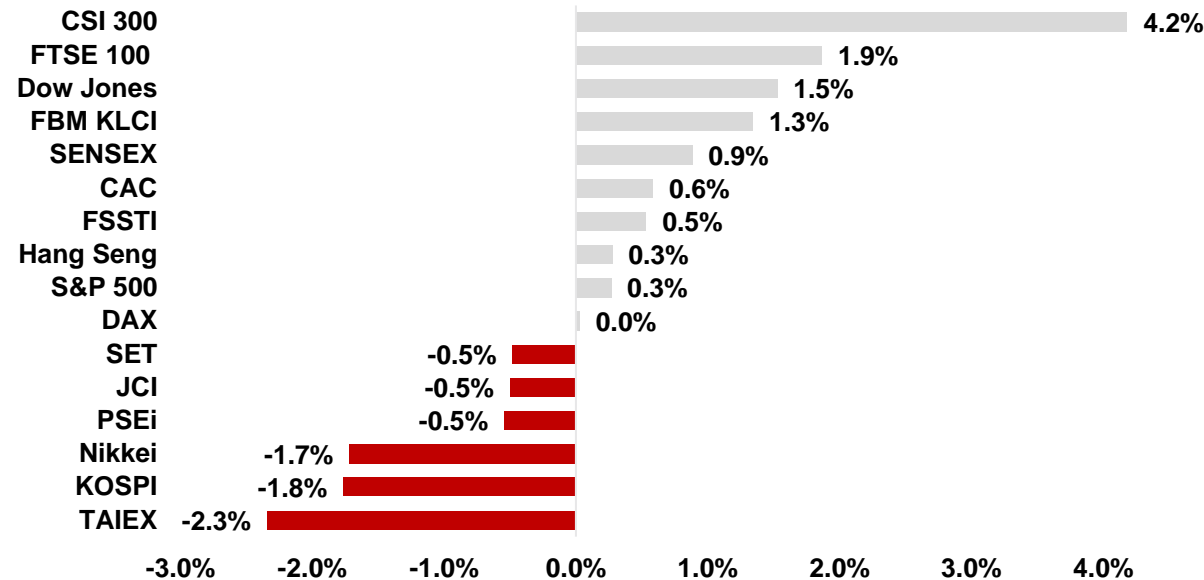


### Malaysia - Exports, y-o-y%

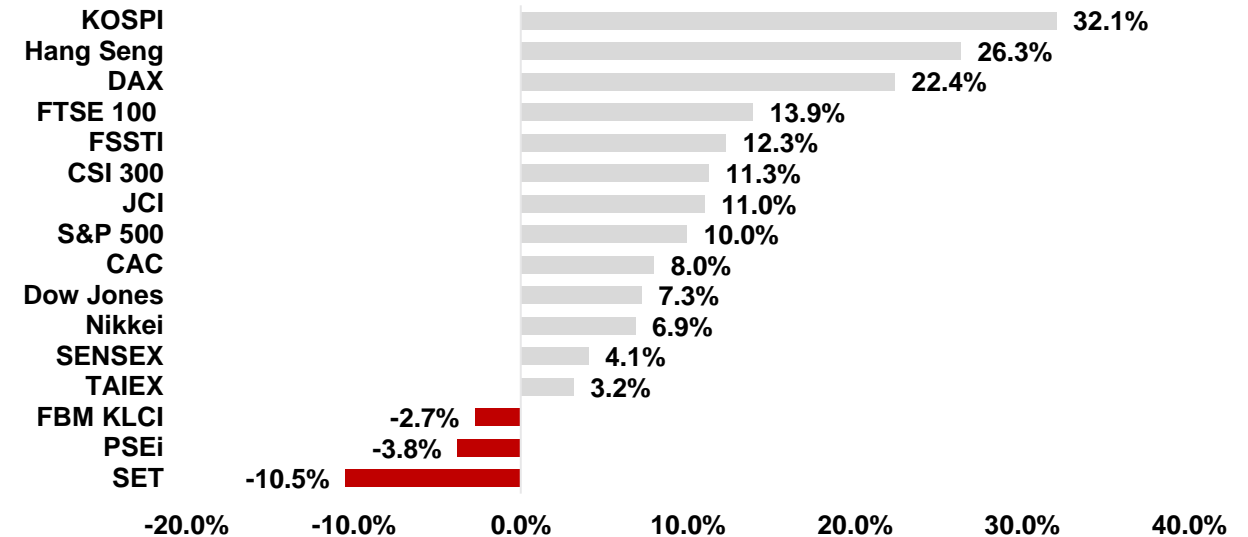


# REGIONAL EQUITY: FED'S DOVISH STANCE SPARKS A GLOBAL STOCK MARKET SURGE

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



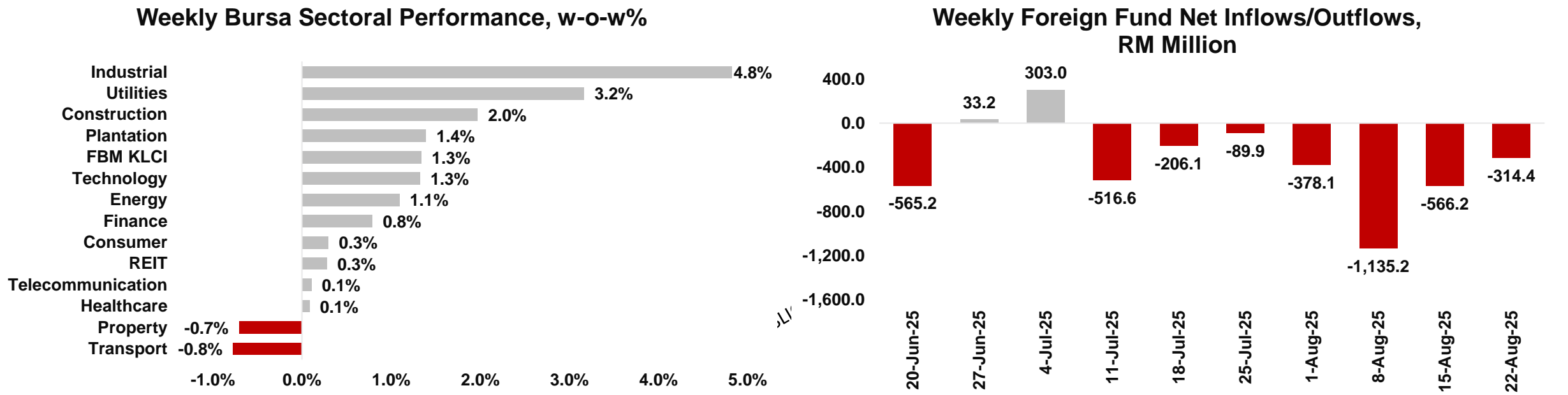
YTD Gain/Loss of Major Equity Markets, %  
(As of 22 August 2025)



Sources: Bursa, CEIC Data

- Global stock markets mostly ended the week on a positive note as of August 22, with China's CSI 300 leading the gains. The rally was driven in part by investors rotating from bonds into equities, supported by signs of improving U.S.–China trade relations and Beijing's measures to curb competition. This optimism came despite lingering concerns over weak domestic economic data and limited policy support in China.
- U.S. stocks advanced, with the Dow Jones up 1.5% and the S&P 500 gaining 0.3%, after Fed Chair Jerome Powell signaled at the Jackson Hole Symposium that a September rate cut remains possible, citing a shift in economic risks. While he acknowledged that inflation pressures persist, his remarks fueled the strongest cross-asset rally since April, with traders now pricing in a 87.2% chance of a 25bp rate cut in September.
- In contrast, Taiwan's TAIEX (-2.3%), South Korea's KOSPI (-1.8%) and Japan's Nikkei (-1.7%) were the biggest losers for the week ending August 22.

# DOMESTIC EQUITY: FBM KLCI MARKED SIX-MONTH HIGH ON RECOVERED CONFIDENCE



Sources: Bursa, CEIC Data

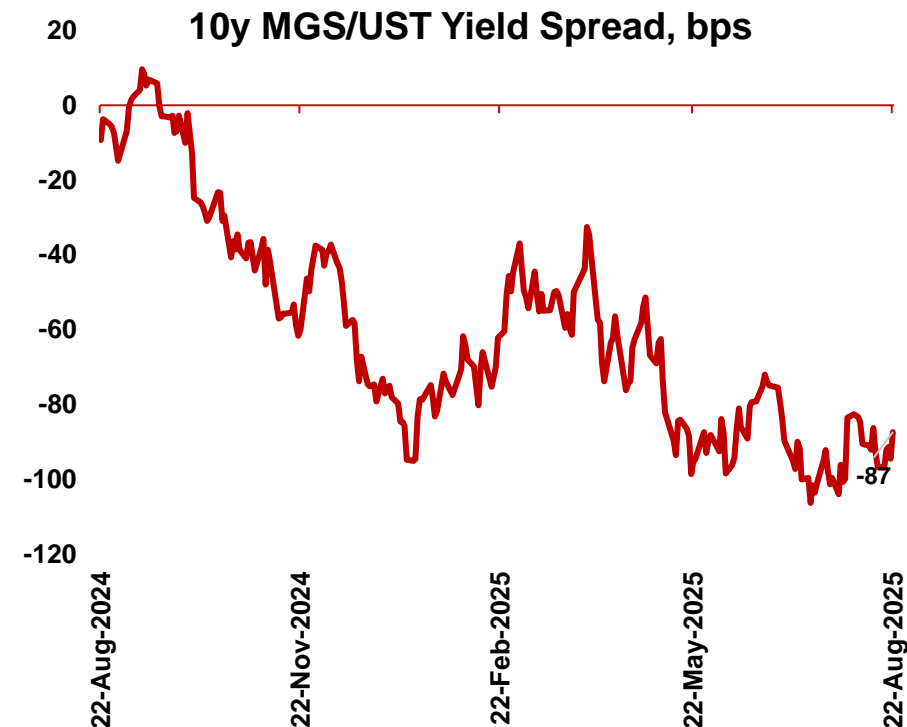
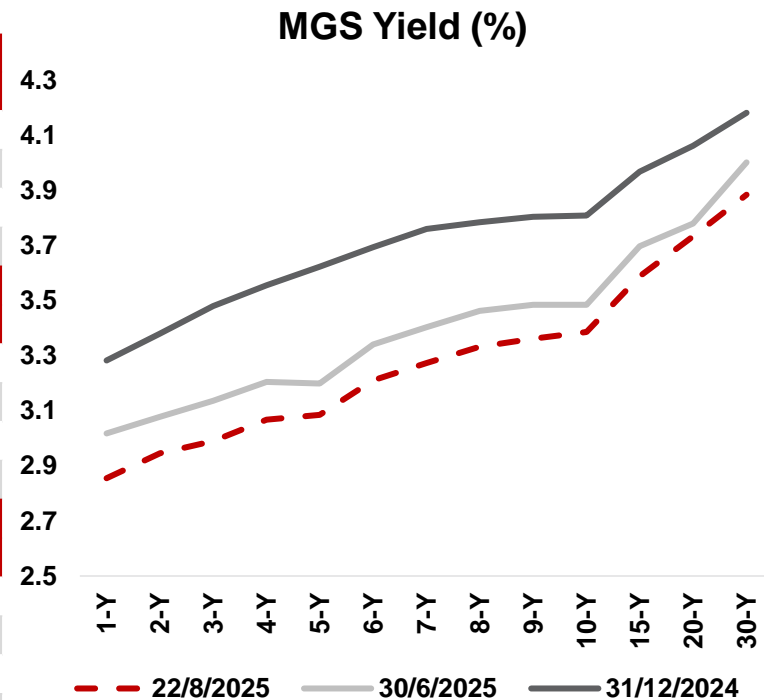
- The FBM KLCI increased by 1.3% w-o-w for the week ending August 22, marking the strongest level since early February at 1597.47 points on the back of bargain hunting activities.
- Buying interest remained firm as investors largely priced in the likelihood of a September U.S. Fed rate cut, prompting a shift of attention toward emerging market assets. Sentiment was further buoyed by the finalized trade agreement between the U.S. and Malaysia, which reduced tariffs on Malaysian imports to 19%. However, markets remain cautious ahead of Trump’s anticipated announcement on semiconductor tariffs, expected later this week.
- Most Bursa indices closed in the green with the Industrial index topping the gainers as it surged by 4.8%. This was followed by the Utilities (+3.2%) and Construction (+2.0%) indices, both rebounding strongly from the previous week’s low. Meanwhile, only losers were the Property (-0.7%) and Transport (-0.8%) indices.
- Foreign investors persisted as net sellers for the seventh straight week, shedding a total of RM314.4 million worth of equities. This had increased the cumulative net outflow thus far to RM15.7 billion.

# FIXED INCOME: FED POLICY SHIFT TRIGGERS LOWER UST YIELDS

Weekly Changes, basis points (bps)			
UST	Yields (%) 15-Aug-25	Yields (%) 22-Aug-25	Change (bps)
3-Y UST	3.73	3.64	-9
5-Y UST	3.85	3.76	-9
7-Y UST	4.07	3.98	-9
10-Y UST	4.33	4.26	-7
MGS	Yields (%) 15-Aug-25	Yields (%) 22-Aug-25	Change (bps)
3-Y MGS	2.98	2.99	-1
5-Y MGS	3.07	3.09	2
7-Y MGS	3.26	3.27	2
10-Y MGS	3.36	3.39	2
GII	Yields (%) 15-Aug-25	Yields (%) 22-Aug-25	Change (bps)
3-Y GII	3.02	3.02	0
5-Y GII	3.13	3.13	-1
7-Y GII	3.24	3.25	1
10-Y GII	3.38	3.41	2

Sources: BNM, Federal Reserve Board

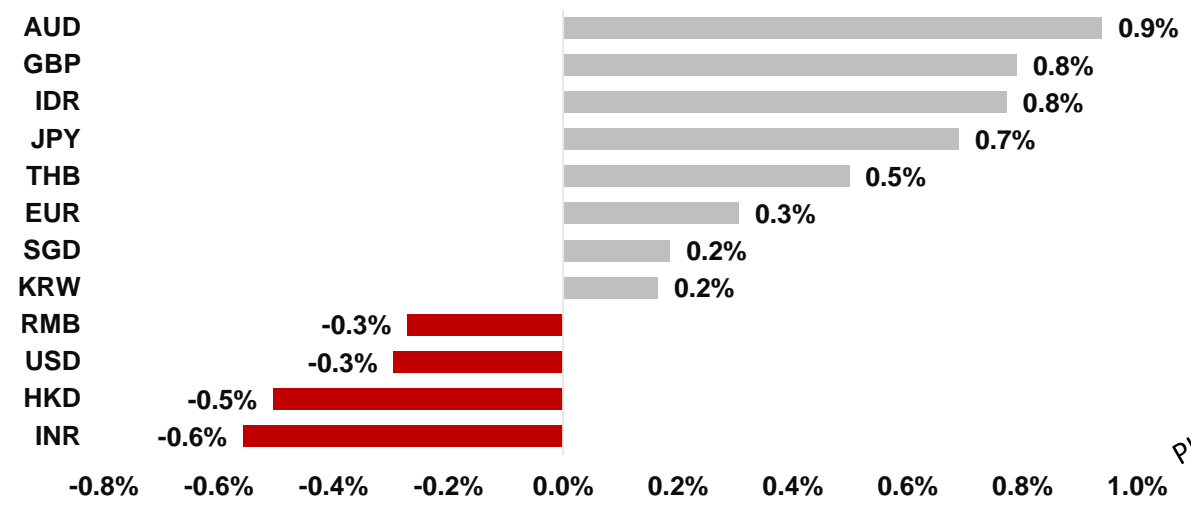
- The U.S. Treasury (UST) yield curve mostly ended lower in the range of 7bps and 9bps for the week ending August 22 following Fed Chair Powell's signal that an interest rate cut is likely at the next meeting, markets are now anticipating further policy easing later this year. Powell stated that a shift in the balance of risks between inflation and a weakening labor market justifies a change in monetary policy. This has paved the way for a 25bp point rate cut in September and led to increased bets on additional cuts in the fourth quarter.
- 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 narrowed slightly in the negative territory at 87bps relative to -97bps in the previous week.



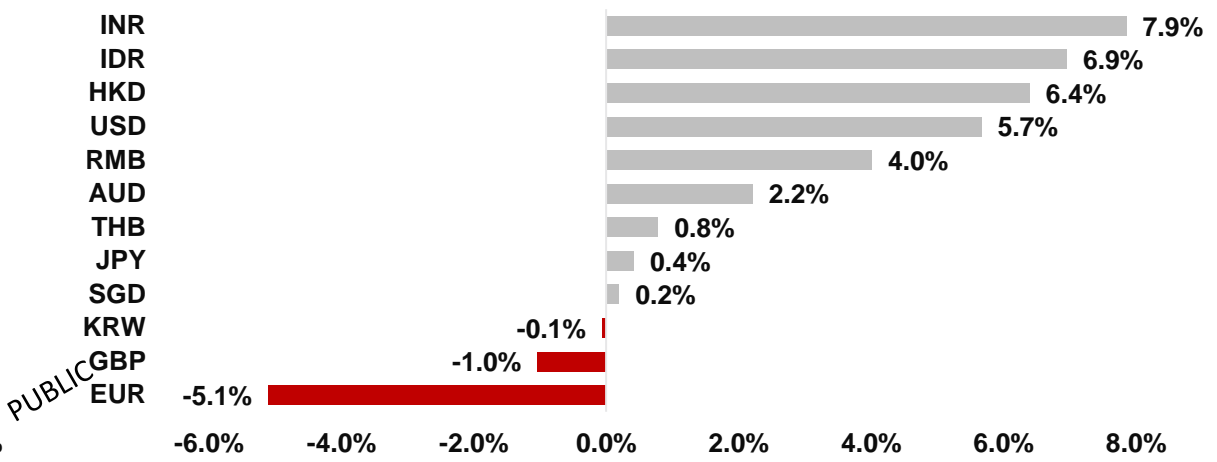
# FX MARKET: RINGGIT TO TRADE CAUTIOUSLY AHEAD OF U.S. PERSONAL CONSUMPTION EXPENDITURE (PCE) FIGURES



MYR Against Regional Currencies, w-o-w%



MYR Against Regional Currencies, YTD%  
(As of 22 August 2025)

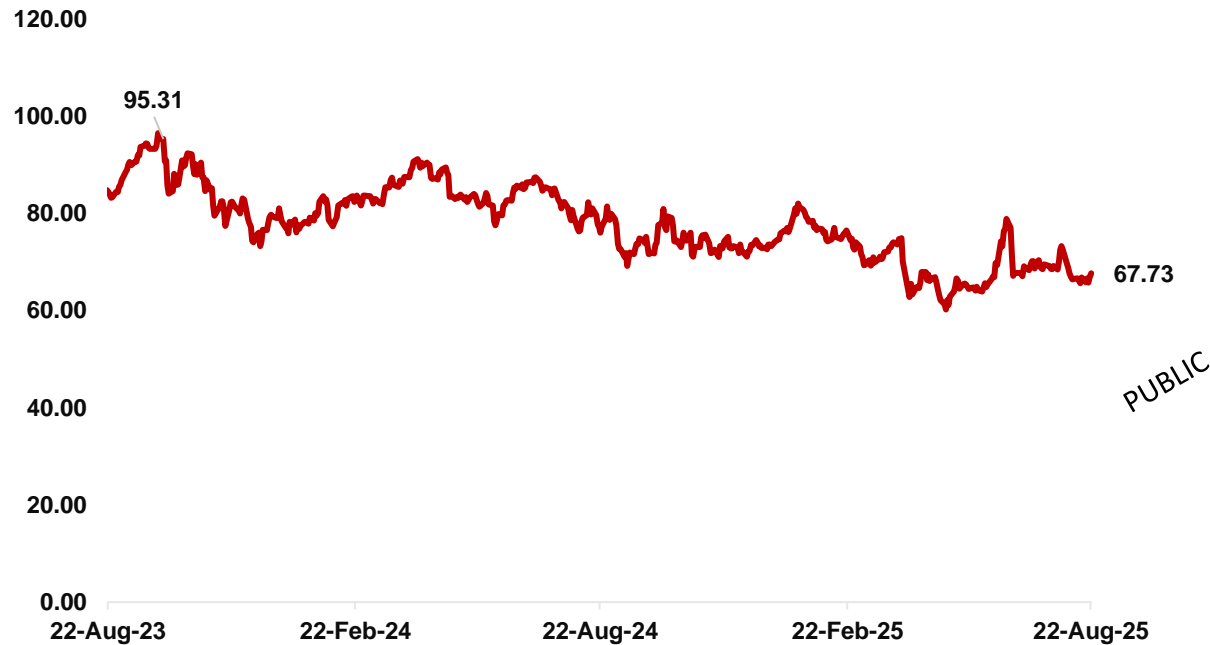


Sources: BNM, CEIC Data

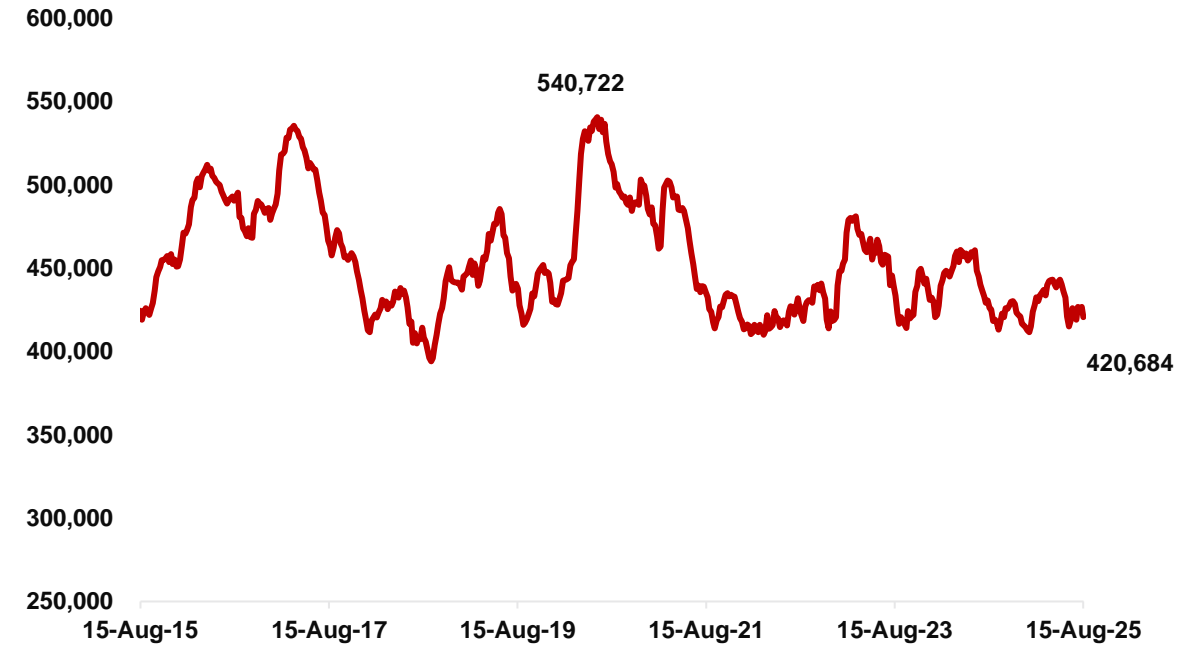
- The Ringgit weakened by 0.3% w-o-w for the week ending August 22 despite the USD index slipping by 0.1%, dragged by cautious sentiments ahead of Fed Chair Powell’s speech at the Jackson Hole Symposium.
- While Fed rate cut hopes had surged following significantly softer employment figures in the earlier half of the month, such expectations had begun to ease slightly as markets grapple between opposing risks to the Fed’s dual mandate, ie. the cooling job market against gradually rising tariff-driven price pressures. As such, markets were trading cautiously as they seek more clues on the central bank’s policy path, pressuring both the Ringgit and USD to end lower.
- Nevertheless, market participants are increasingly confident in their dovish view following Fed Chair Powell’s speech when he hinted at a potential cut, stating that the “shifting balance of risks may warrant adjusting our policy stance.”
- Looking back, the July Federal Open Market Committee (FOMC) minutes revealed that most policymakers viewed that the upside risk to inflation was larger than the downside risks to the job market. However, this meeting took place before the surprise slowdown in employment data and subsequently, several Fed policymakers had voiced their concerns surrounding the weakness.

# COMMODITY: BRENT CRUDE JUMPS ON PEACE TALK DELAYS, FED CHAIR COMMENTS AND U.S. CRUDE DRAWDOWN

Brent Crude in USD per barrel



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



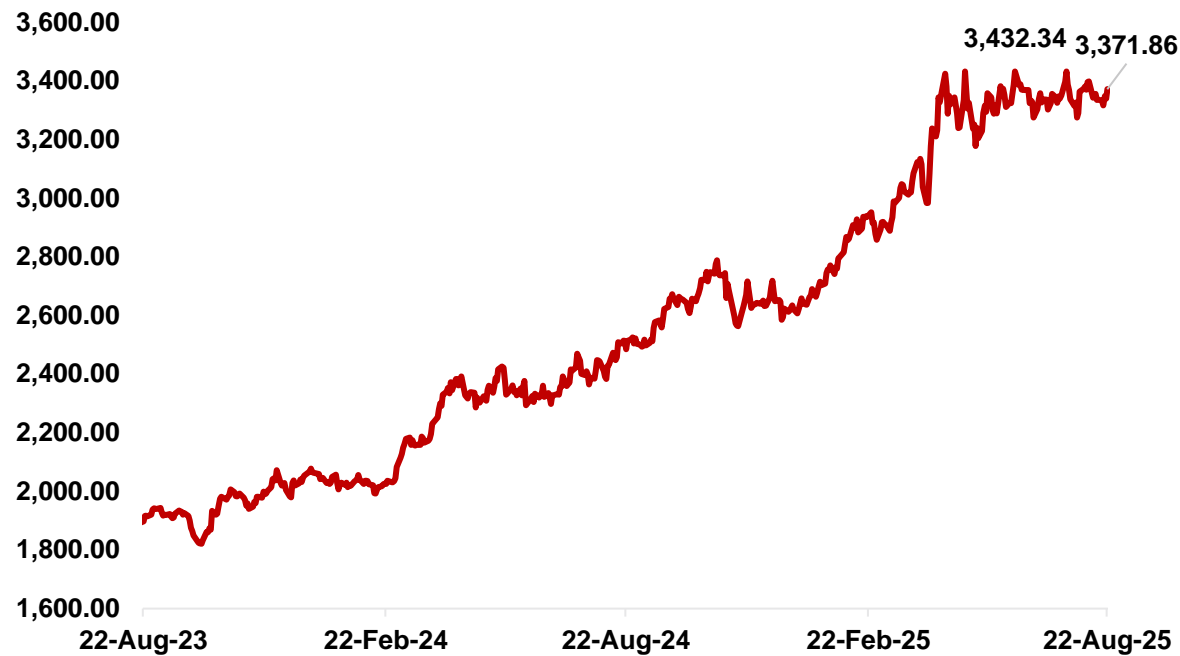
Sources: Bloomberg, Energy Information Administration (EIA)

- Brent crude oil prices rose by 2.9% w-o-w, closing at USD67.73 per barrel on Friday (August 22) after two consecutive weeks of decline. The price increase was fueled by growing uncertainty over the Russia-Ukraine peace talks, as negotiations appeared to stall and fell short of market expectations for swift progress.
- Comments by Fed Chair Jerome Powell at the Jackson Hole Symposium on potential interest rate cuts also boosted sentiment, with markets expecting looser monetary policy to stimulate economic activity and increase oil demand. Additionally, prices were lifted by a larger-than-expected drop in U.S. crude inventories, indicating stronger demand.
- U.S. crude stockpiles declined by 6.0 million barrels to 420.7 million barrels for the week ending August 15.

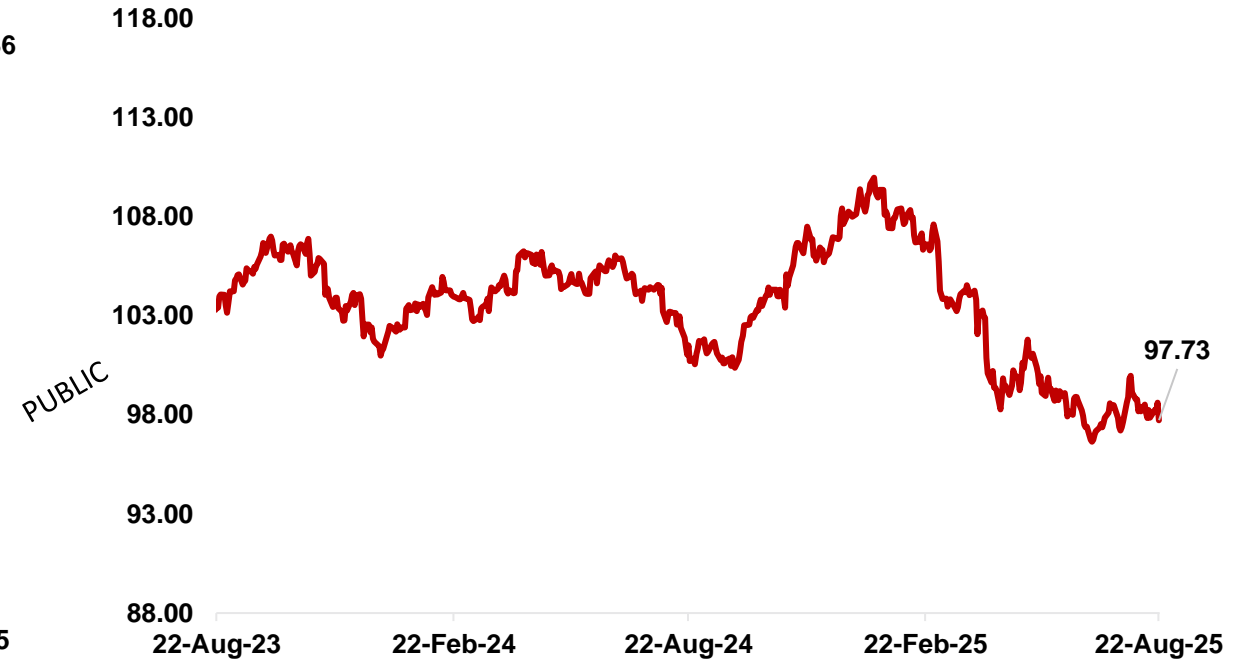


# COMMODITY: GOLD PRICE ON TRACK FOR WEEKLY GAIN AMID HEIGHTENED RATE CUT BETS

Gold in USD per ounce



U.S. Dollar Index (DXY)



Sources: Bloomberg, CEIC Data

- The bullion price soared by 1.1% w-o-w last week, underpinned by rising expectations of a September rate cut following Fed Chair Powell's dovish hints. He highlighted the risks, stating that inflationary pressures stemming from the tariffs could persist for longer than anticipated while the seemingly balanced job market belies a trend of equal weakening in labour supply and demand. As such, the shifting balance of risks may necessitate the central bank to adjust their monetary settings .
- Consequently, the probabilities of the central bank lowering its interest rate by 25 bp in September had climbed to nearly 90.0% from just above 75.0% previously.



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

- The market will focus on several key U.S. data releases this week, which could shape the Federal Reserve's policy path and investor sentiment. The main highlight is Thursday's 2Q2025 GDP revision, which the earlier estimate of 3.0% growth may be adjusted based on consumer spending and investment trends. Meanwhile on Friday, the focus would shift to Core PCE inflation, the Fed preferred gauge. A cooler-than-expected reading would support the case for a September rate cut, while any upside surprise could delay that timeline. Also due are personal income and spending data, which will reveal whether consumers are still supporting growth going into 3Q2025. The latest FOMC meeting minutes revealed a split among policy makers, some viewed the recent uptick in inflation as transitory, while others emphasized staying cautious and data-driven. Powell also signaled a possible shift toward interest rate cuts during his final appearance at the Jackson Hole symposium last Friday. His remarks boosted market optimism, fueling a rally as investors grew hopeful for a more accommodative monetary policy ahead. Overall, the outlook remains cautiously optimistic, which the economy continues a moderate growth path, and markets are largely pricing in a 25-bps rate cut in September, unless incoming data shows significant surprises.
- In South Korea, eyes will be on the interest rate decision that will be held on August 28. At its July meeting, the Bank of Korea (BOK) left its base rate unchanged at 2.50%, as widely expected after a 25-bps cut in May. The pause reflects the central bank's focus on maintaining financial stability amid rising household debt, elevated housing prices, and external risks, particularly from U.S. tariffs. Bond market experts are now divided ahead of the Bank of Korea's upcoming rate decision. Earlier this year, views were more aligned, but the tone has since shifted. Some analysts expect the central bank to hold rates steady, citing concerns over soaring property prices and rising household debt. Others, however, believe a rate cut is likely, as the Bank may focus on supporting growth, especially following the recent supplementary budget.
- Meanwhile, markets in the Philippines will be closely watching the upcoming interest rate decision on Thursday. The Bangko Sentral ng Philippines (BSP) is widely expected to implement a 25-bps cut during the meeting, reducing the benchmark rate from 5.25% to 5.0%. Ongoing global trade tensions continue to pose challenges to the economy, prompting the BSP to consider a more accommodative monetary policy stance. On July 22, 2025, the U.S. announced a 19% tariff on imports from the Philippines, particularly targeting electronics.

BANK ISLAM

**THANK YOU**