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WEEKLY ECONOMIC UPDATE

26 JANUARY 2026

ECONOMIC RESEARCH

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WEEKLY HIGHLIGHT: MALAYSIA'S EXPORTS ACCELERATED IN DECEMBER ON STRONG E&E SHIPMENTS

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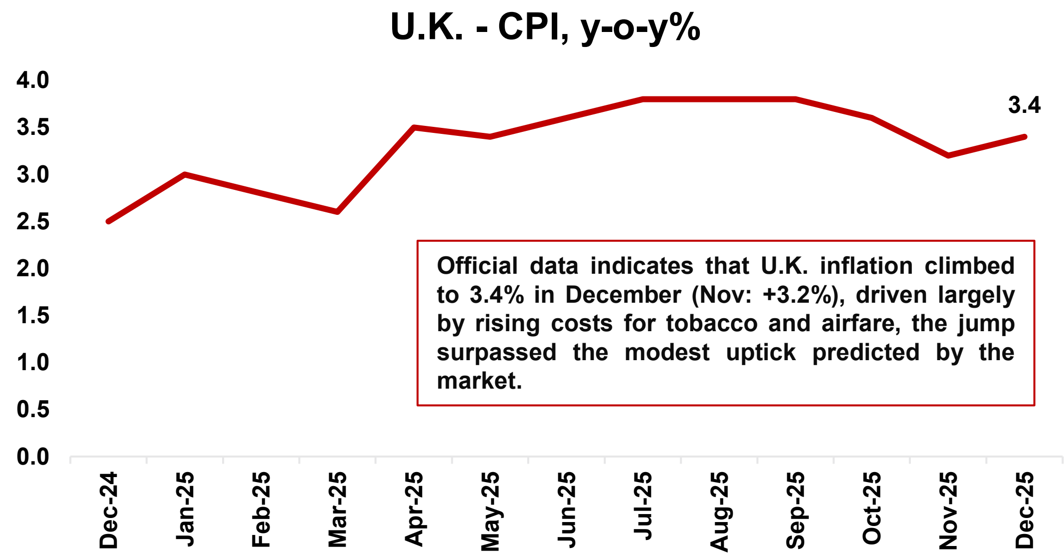
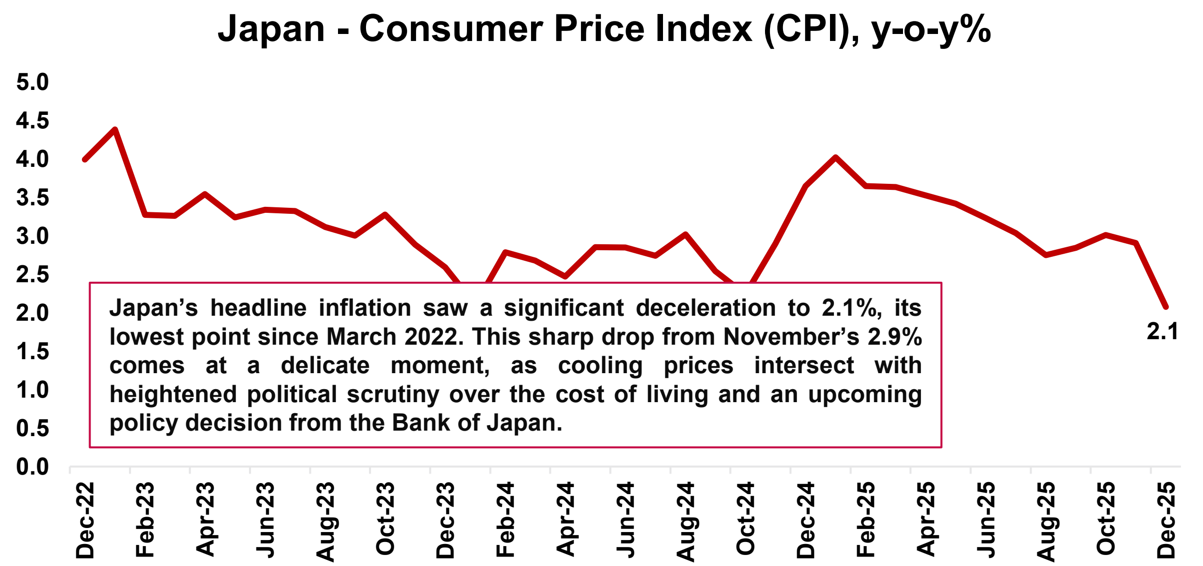
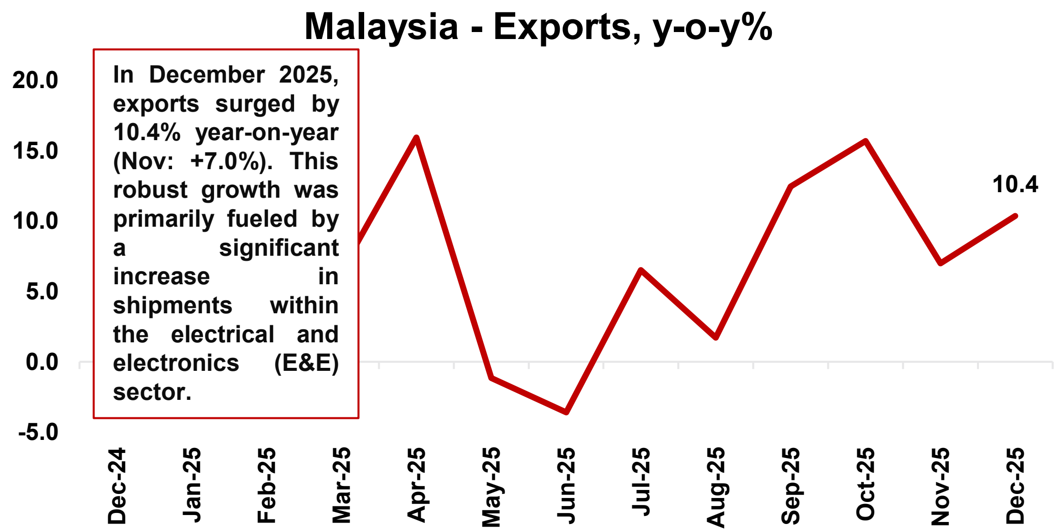
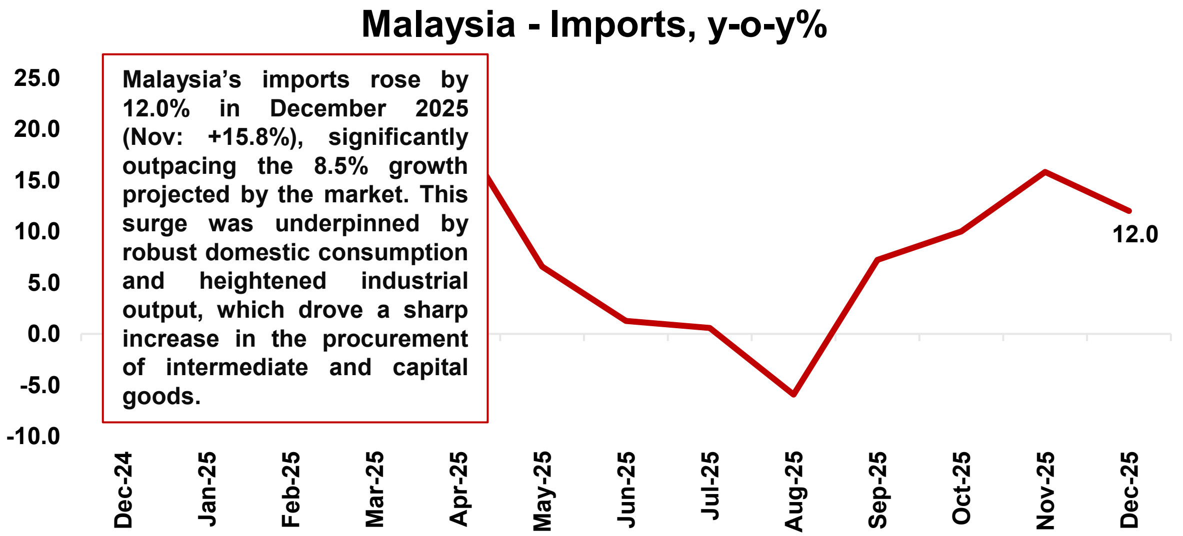
GLOBAL





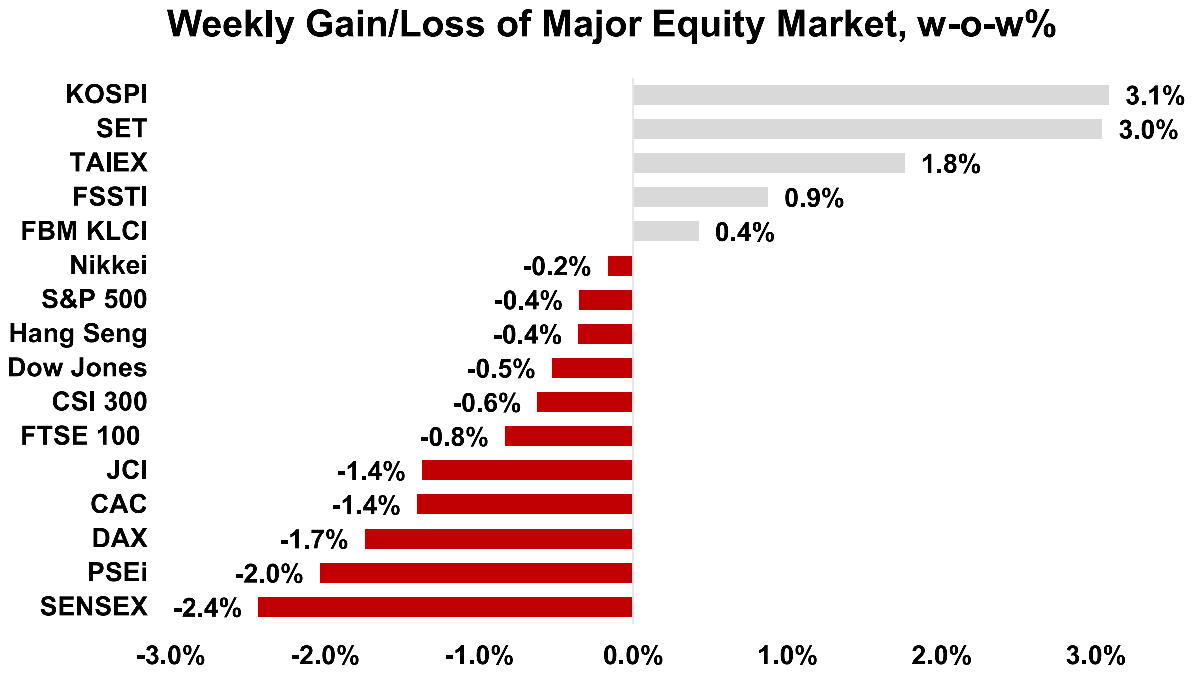
DOMESTIC

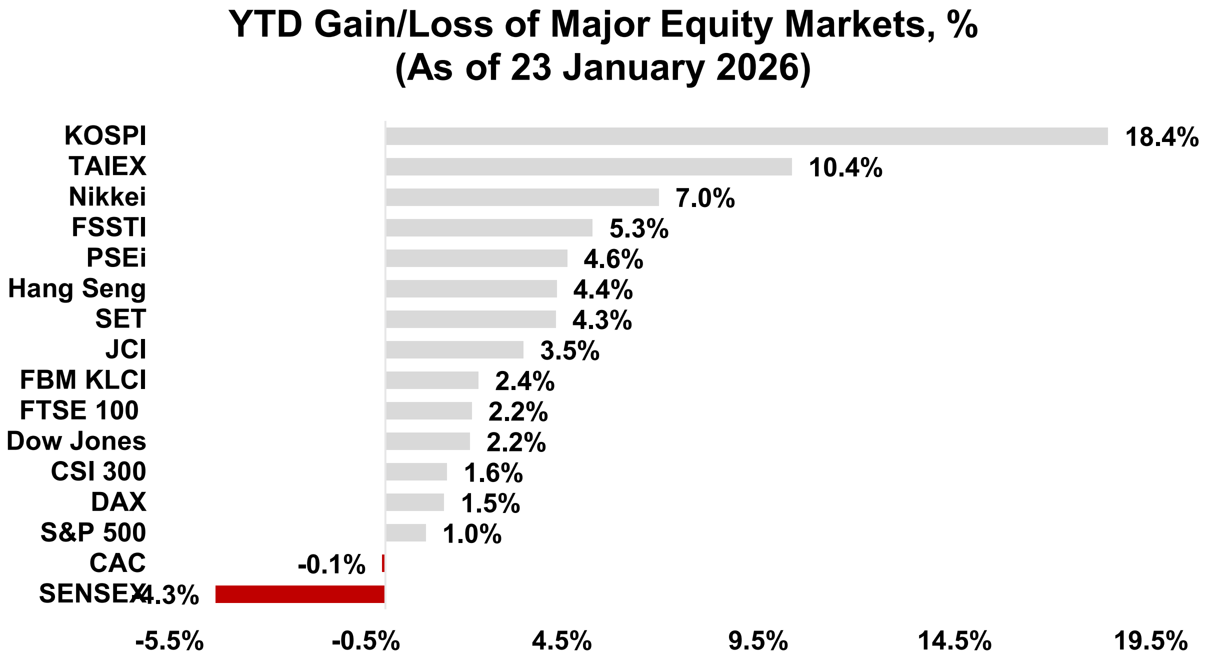




Sources: Office for National Statistics (ONS), Statistical Bureau, Department of Statistics Malaysia (DOSM), CEIC Data

REGIONAL EQUITY: GLOBAL EQUITIES RETREAT AS RISK APPETITE FADES AHEAD OF FED SIGNALS





Sources: Bursa, CEIC Data

- The global stocks market mostly closed lower for the week ending January 23 with India's SENSEX as the major loser, sliding by 2.4%. Even though global tensions eased, the market was held back by foreign investors pulling out their money and inconsistent company earnings.
- U.S. stocks – Dow Jones (-0.5%) and S&P 500 (-0.4%) dipped as investors lost their appetite for risk at the end of a rocky week, especially after Intel's stock crashed due to a disappointing financial forecast. While the Federal Reserve (Fed) is anticipated to keep interest rates between 3.5% and 3.75% at January's Federal Open Market Committee (FOMC) meeting, the focus will be on Jerome Powell's commentary for clues regarding future policy. Current data from the CME FedWatch Tool suggests that investors are positioning for an initial rate reduction in June 2026.
- In contrast, South Korea's KOSPI (+3.1%), Thailand's SET (+3.0%) and Taiwan's TAIEX (+1.8%) were the major winners for the week ending January 23.

DOMESTIC EQUITY: THE FBM KLCI MARKED HIGHEST LEVEL IN ALMOST SEVEN YEARS AMID STEADY OPR AT 2.75%

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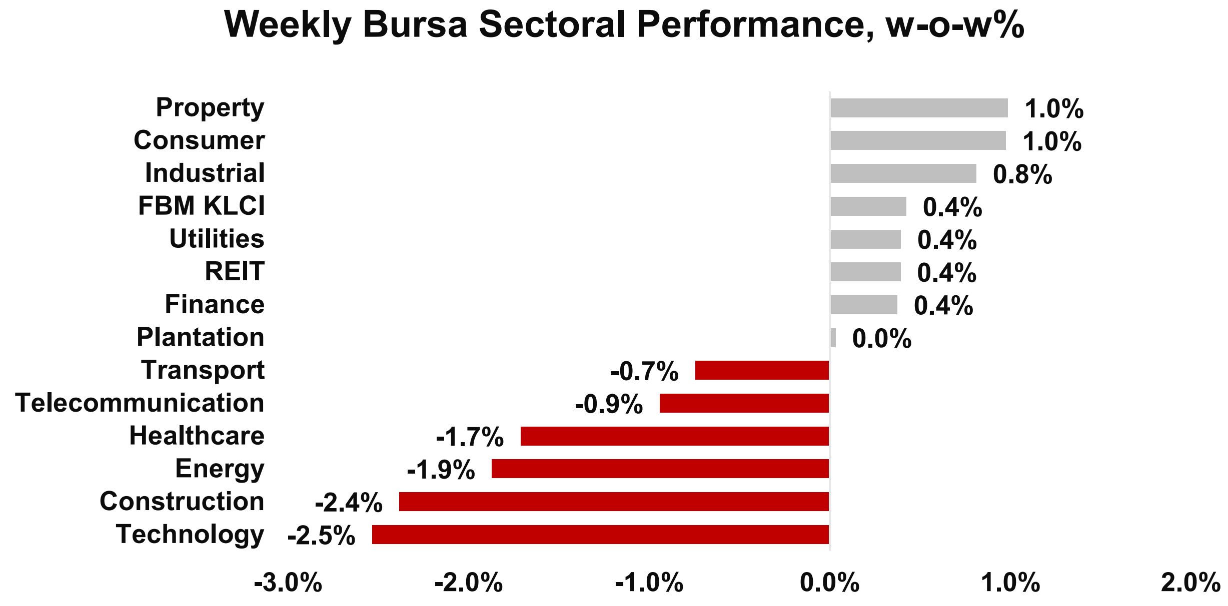

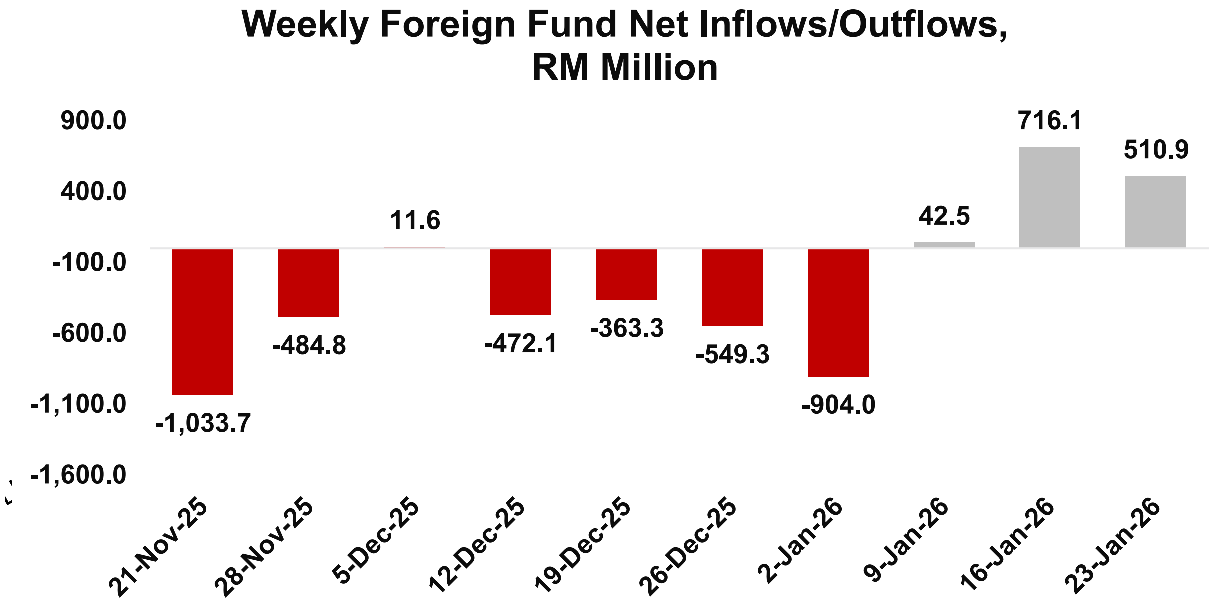

Sources: Bursa, CEIC Data

- The FBM KLCI closed 0.4% higher for the week ending January 23, marking the highest level in almost seven years on Friday at 1,719.99 points. Looking closer, Bursa indices closed mix as investors positioned themselves for the year ahead, supported by an optimistic outlook on Malaysia’s economy while also accounting for persistent geopolitical concerns and lingering global uncertainties alongside a.
- The Malaysian economy is projected to expand by 4.9% in 2025 and sustain the solid growth momentum through 2026, underpinned by robust household spending, structural support and growing tech-related demand. Reflecting the growth outlook, related indices such as the Property (+1.0%), Consumer (1.0%) and Industrial indices (+0.8%) recorded increases last week.
- Furthermore, Bank Negara Malaysia (BNM) maintained its Overnight Policy Rate (OPR) at 2.75% last Thursday, lifting buying interest into the Property and Finance (+0.4%) indices.
- However, geopolitical turmoil in the West also weighed on broader sentiments, resulting in more subdued trading across other indices.
- Foreign investors extended their net buying streak for the third week, acquiring a total of RM510.9 million worth of equities. This has increased the 2026 cumulative net inflow thus far to RM1.03 billion.

FIXED INCOME: BOND MARKETS STEADY AHEAD OF FED DECISION AS GEOPOLITICAL EASING SUPPORTS SENTIMENT

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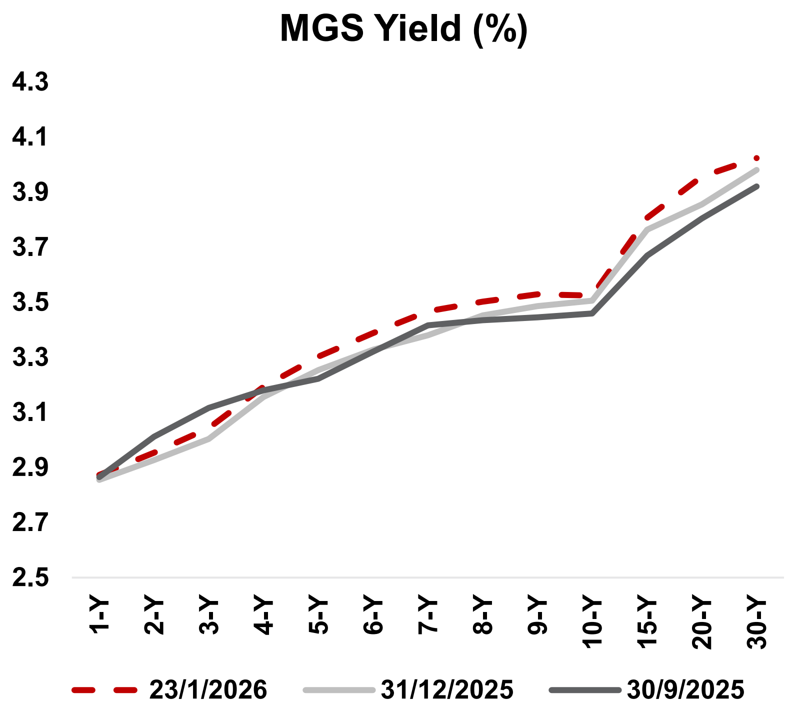
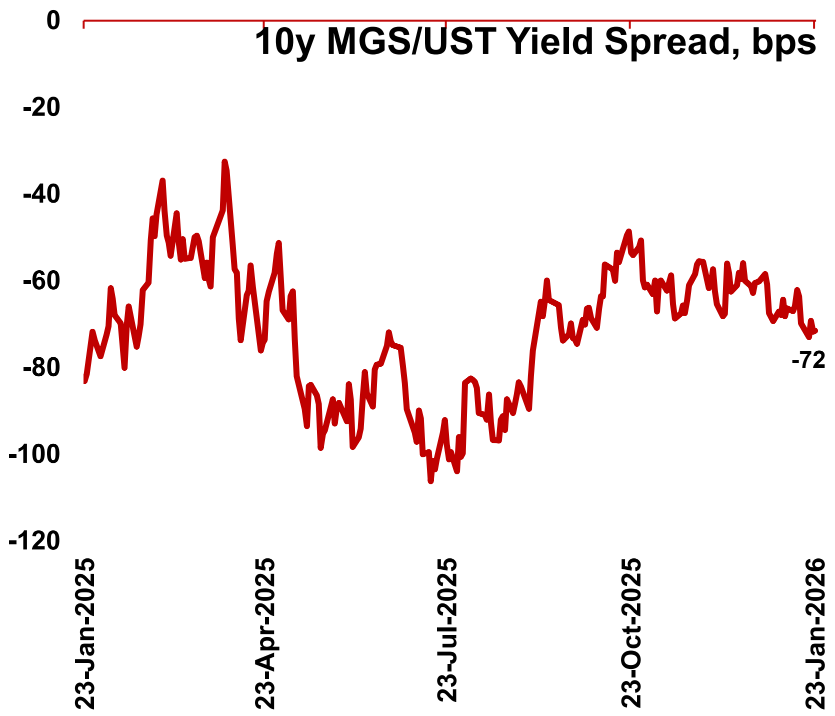
Weekly Changes, basis points (bps)

UST	Yields (%) 16-Jan-26	Yields (%) 23-Jan-26	Change (bps)
3-Y UST	3.67	3.67	0
5-Y UST	3.82	3.84	2
7-Y UST	4.02	4.03	1
10-Y UST	4.24	4.24	0
MGS	**Yields (%) 16-Jan-26**	**Yields (%) 23-Jan-26**	**Change (bps)**
3-Y MGS	3.01	3.04	3
5-Y MGS	3.28	3.30	2
7-Y MGS	3.45	3.47	2
10-Y MGS	3.54	3.53	-2
GII	**Yields (%) 16-Jan-26**	**Yields (%) 23-Jan-26**	**Change (bps)**
3-Y GII	3.11	3.13	2
5-Y GII	3.28	3.30	2
7-Y GII	3.36	3.39	3
10-Y GII	3.54	3.55	1

Sources: BNM, Federal Reserve Board





- The U.S. Treasury (UST) yields showed little movements, with yields moving merely in the range of 0bp and 2bps for the week ending January 23 as investors are eyeing Fed decision on January 28 while breathing a sigh of relief over geopolitical breakthroughs. The suspension of proposed tariffs on European allies and emerging signs of a deal over Greenland have provided a much-needed boost to market confidence, capping UST yield from moving much higher.
- Meanwhile, Malaysian Government Securities (MGS) and Government Investment Issues (GII) yields were also little changed, moving by between -2bp and 3bps.
- The 10y MGS/UST yield spread widened marginally in the negative territory at -72bps relative to -70bps in the previous week.

FX MARKET: RINGGIT TOUCHED RM3.99 FOLLOWING BNM'S POLICY DECISION

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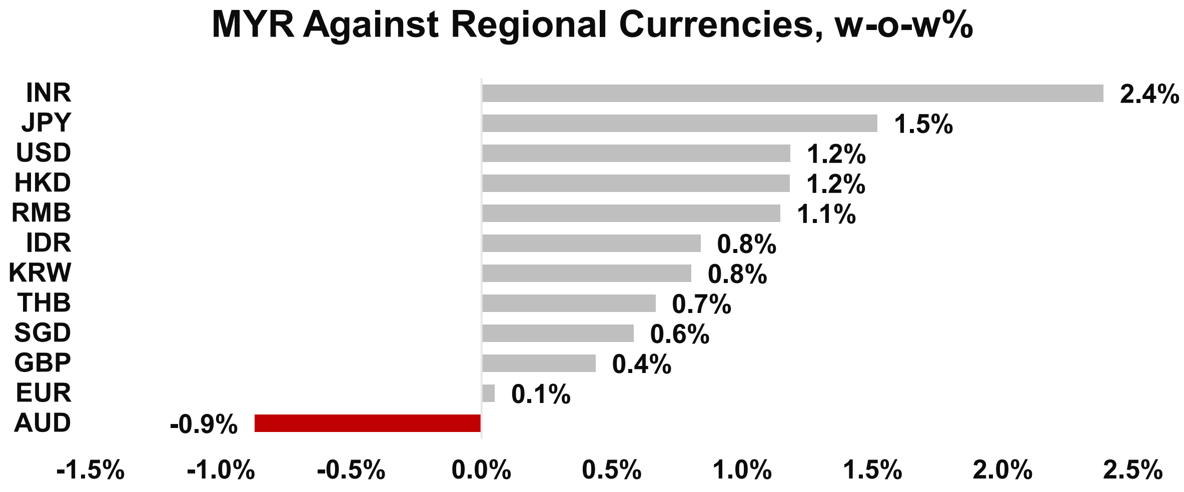

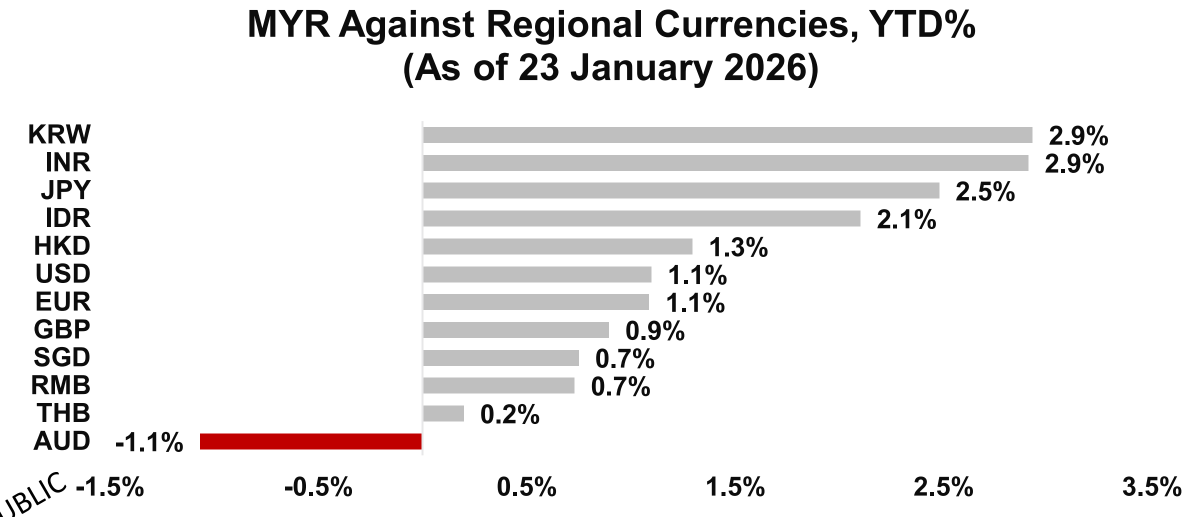

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Sources: Bank Negara Malaysia (BNM), Federal Reserve, CEIC Data

- The Ringgit appreciated by 1.2% w-o-w against the USD for the week ending January 23, touching the strongest level since 2021 at RM3.9992 on Friday before retreating to close at RM4.0062.
- In the first half of the week, the USDMYR pair was trading within a limited range of 4.04-4.06, testing the support level of 4.04 amid anticipation of BNM's policy decision on Thursday. As widely expected, the OPR was maintained at 2.75%, providing pivotal catalyst for the USDMYR to break below the immediate support and closed at 4.038. The bearish momentum persisted into the final day of the week with the USDMYR breaching below 4.00, underscoring the Ringgit's growing appeal against a backdrop of the Federal Reserve (Fed)'s easing cycle and BNM's stable policy outlook.
- The Ringgit also cashed in on the USD index's deprecation as it weakened by 1.8% w-o-w, the lowest level since September 2025 (Friday: 97.60), clouded by heightened geopolitical jitters. Over the previous weekend, U.S. President Donald Trump threatened to impose 10% tariffs on eight European countries, which would be hiked to 25% by June, until the "complete and total purchase" of Greenland is achieved. Global markets swiftly reacted with investors fleeing towards safe-haven assets and shedding USD-denominated holdings.
- However, Trump later announced a preliminary framework for cooperation over Greenland and the broader Arctic region following his meeting with NATO leadership in Davos, leading to some recalibration across markets. Nevertheless, lingering jitters remained given the fragility of the situation, exerting pressure on the USD.

COMMODITY: OIL PRICES REBOUND AS U.S.-IRAN TENSIONS REKINDLE SUPPLY CONCERN

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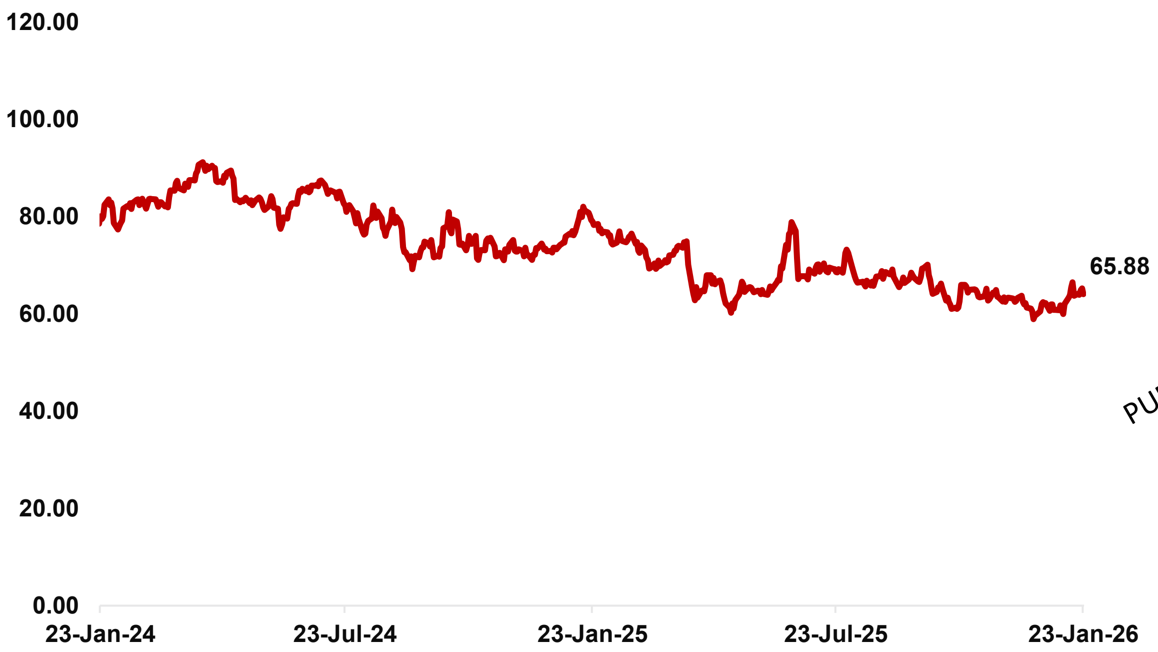
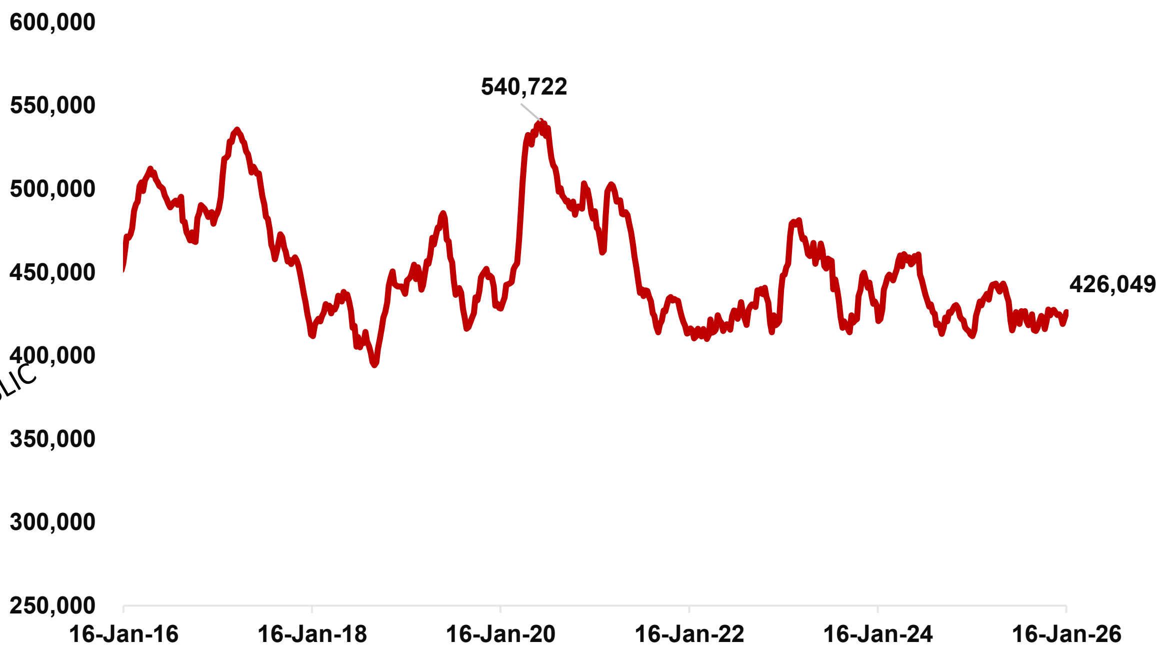
Brent Crude in USD per barrel



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



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Sources: Bloomberg, Energy Information Administration (EIA)

- Brent oil increased further last week, ending the week (January 23) at USD65.88 per barrel, up 2.7% w-o-w. Oil prices moved higher as geopolitical risks returned to the spotlight, with renewed concerns that rising tensions between the U.S. and Iran could threaten crude supply from the Middle East.
- Market sentiment shifted after strong signals of U.S. military positioning, prompting traders to price in a higher risk premium despite no immediate action taking place.
- U.S. weekly crude inventories rose by 3.6 million barrels to 426.0 million for the week ending January 16.

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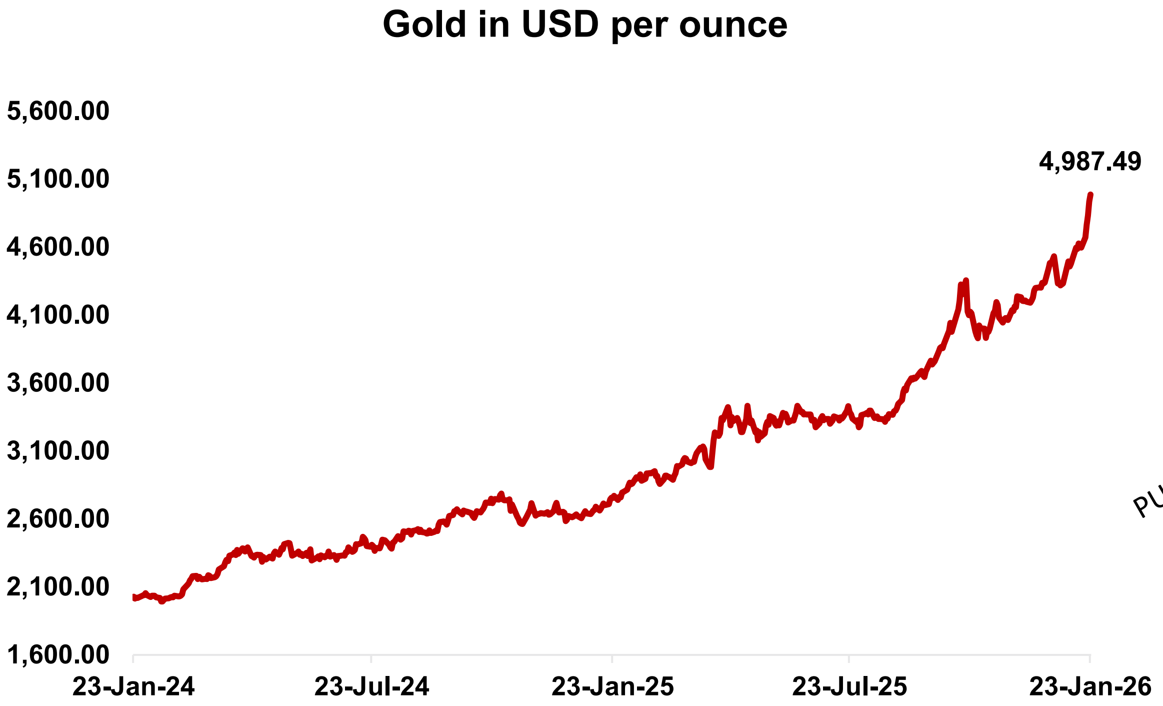
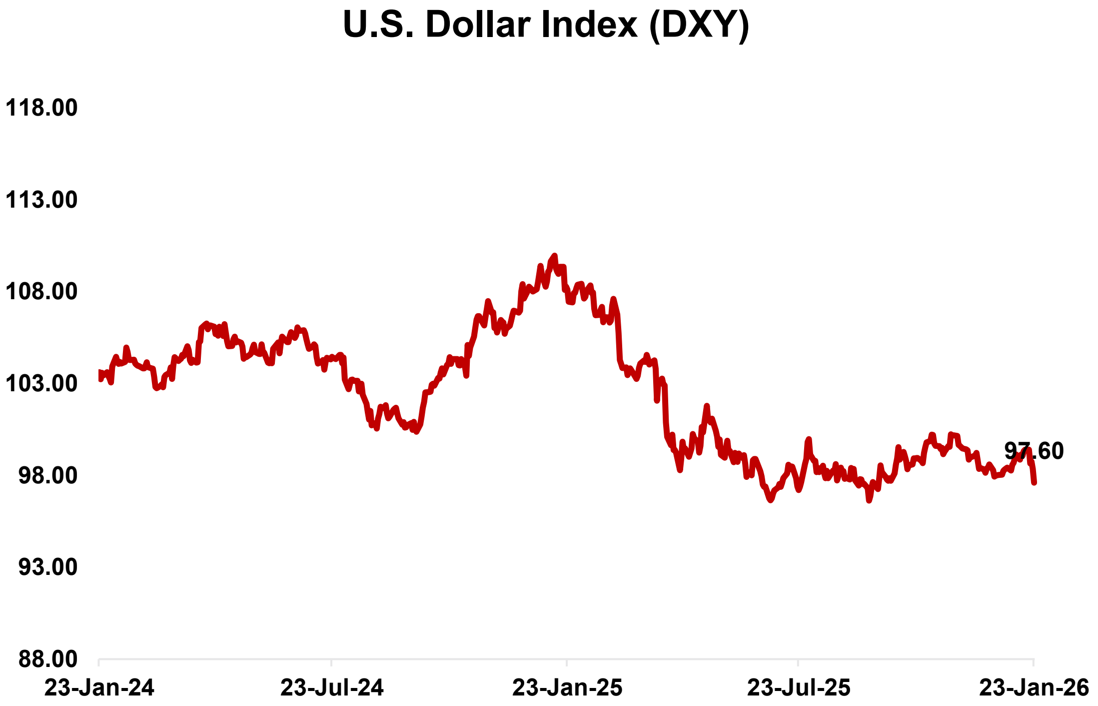
COMMODITY: GOLD PRICE MARKED RECORD HIGH AMID THE UNFOLDING U.S.-EU GEOPOLITICAL TENSIONS





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Sources: Bloomberg, CEIC Data

- The bullion price surged by 8.5% last week, closing at a fresh high of USD4,987.49 on Friday as fears of a further escalation over the Arctic region conflict had fueled growing risk aversion among investors, leading to a surge in safe-haven demand.
- In a matter of a week, U.S. President Donald Trump had whirled between leveraging tariff threats against eight European countries in his quest to acquire Greenland to announcing a framework deal for cooperation over the Arctic region following discussions with NATO leadership, effectively suspending the tariff threat earlier.
- As tensions dwindled down, investors began to unwind their defensive positions. Still, the XAU continued its bullish momentum, breaking above the USD5,000-level this morning.

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WHAT TO LOOK OUT FOR IN THE MARKETS THIS WEEK

- The Fed is widely expected to leave interest rates unchanged at its January 28 meeting, bringing last year's easing cycle to a pause, with markets assigning a 97% probability to no policy change. Chair Powell is likely to reiterate that the current policy stance remains appropriate for prevailing economic conditions. Following three consecutive 25bp cuts that concluded in December, policymakers appear inclined to pause, allowing time to evaluate the cumulative effects of earlier easing on growth, inflation and labor market dynamics. Rates are therefore expected to remain on hold for several months as the Fed continues to balance its dual mandate of returning inflation to its 2.0% target and sustaining maximum employment. This cautious approach persists even as inflation remains above target and hiring momentum shows signs of moderation. Little fresh guidance is expected from Powell on recent legal developments involving the Fed, shifting market attention instead to Friday's Producer Price Index release, which is expected to show a modest increase in wholesale inflation. Overall, the meeting is likely to reinforce a patient, data-dependent Fed, supporting a period of relatively subdued market volatility as policymakers remain in wait-and-see mode.

- Likewise, Bank of Canada (BoC) is set to hold its key interest rate steady at 2.25% at its upcoming policy announcement on January 28. Most forecasts from economists reflects a wait-and-see approach following the central bank's aggressive rate-cutting cycle last year. Recent economic data has sent mixed signals, with stalled job growth but higher-than-expected headline inflation. Given these crosscurrents, policymakers have ample reason to maintain their extended pause to assess the economic landscape. The overwhelming majority of analysts now believe rates will remain on hold not just this month, but all the way through 2026. While the next policy move is more likely to be a cut than a hike, no imminent change is expected. External risks, such as potential trade tensions ahead of the United States-Mexico-Canada Agreement (USMCA) review this summer, also argue for continued caution. Consequently, the Bank's message will emphasize stability and data-dependent patience for the foreseeable future.

- This week is likely to see continued diplomatic momentum following the recent U.S.-brokered talks between Ukraine and Russia, even though no ceasefire agreement was reached. Officials from all sides have described the discussions as constructive, suggesting another round of negotiations could be scheduled soon. Key sticking points, especially territorial control and the structure of any ceasefire, are likely to remain unresolved. Ukraine is expected to keep pressing for strong security guarantees, particularly involving the U.S. At the same time, Russia may continue military operations to maintain leverage at the negotiating table. This means fighting on the ground is unlikely to pause despite ongoing diplomacy.

THANK YOU