



WEEKLY ECONOMIC UPDATE

26 MAY 2025

ECONOMIC RESEARCH

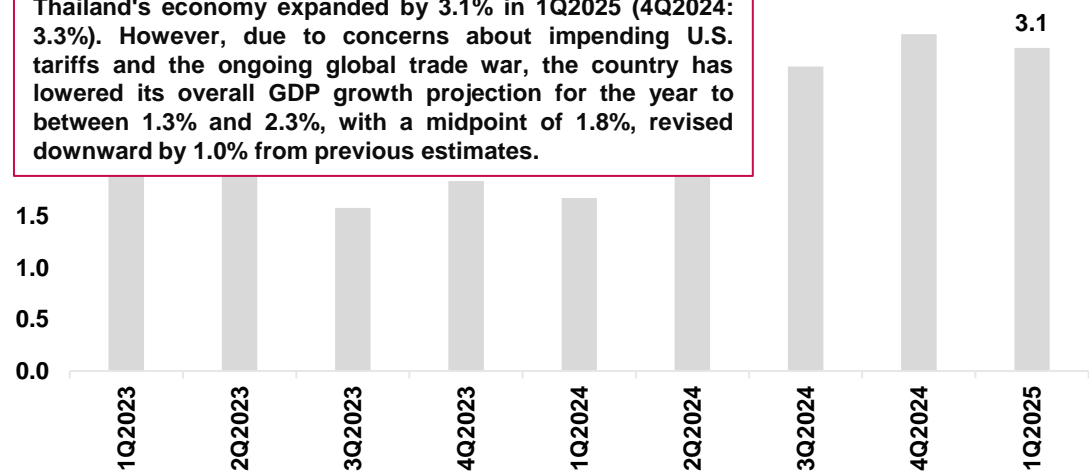
IMRAN NURGINIAS IBRAHIM
FARAH ZAZREEN ZAINUDIN
NOR LYANA ZAINAL ABIDIN
KHAYRIN FARZANA FAZLI

WEEKLY HIGHLIGHT: FACTORIES RUSH SHIPMENTS AS TRUMP'S TARIFF DELAY BOOSTS MALAYSIAN EXPORTS

GLOBAL

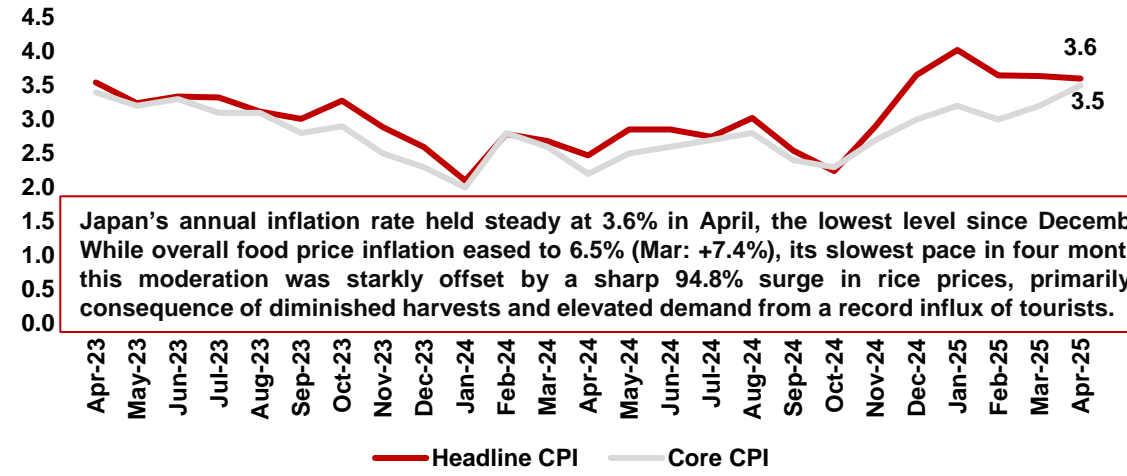
Thailand - Real GDP, y-o-y%

Thailand's economy expanded by 3.1% in 1Q2025 (4Q2024: 3.3%). However, due to concerns about impending U.S. tariffs and the ongoing global trade war, the country has lowered its overall GDP growth projection for the year to between 1.3% and 2.3%, with a midpoint of 1.8%, revised downward by 1.0% from previous estimates.



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

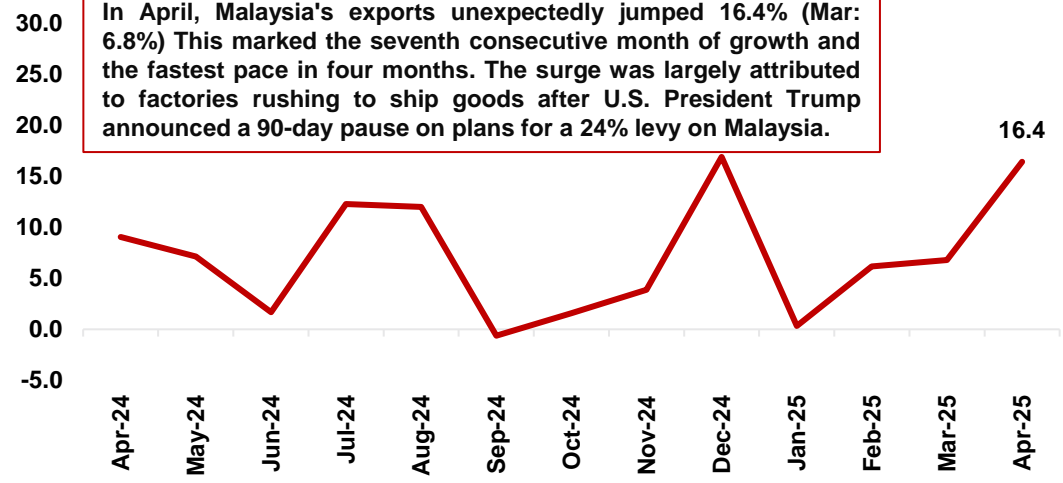
Japan's annual inflation rate held steady at 3.6% in April, the lowest level since December. While overall food price inflation eased to 6.5% (Mar: +7.4%), its slowest pace in four months, this moderation was starkly offset by a sharp 94.8% surge in rice prices, primarily a consequence of diminished harvests and elevated demand from a record influx of tourists.



DOMESTIC

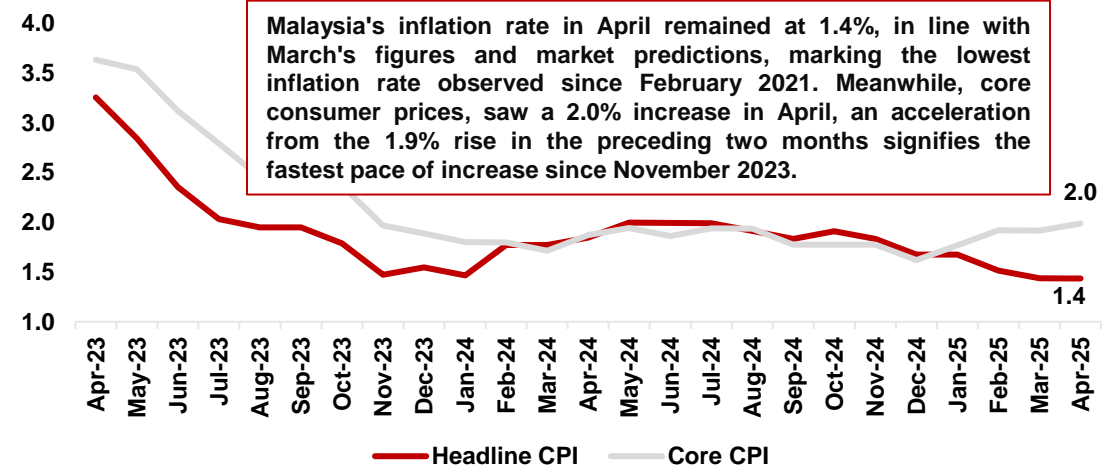
Malaysia - Exports, y-o-y%

In April, Malaysia's exports unexpectedly jumped 16.4% (Mar: 6.8%) This marked the seventh consecutive month of growth and the fastest pace in four months. The surge was largely attributed to factories rushing to ship goods after U.S. President Trump announced a 90-day pause on plans for a 24% levy on Malaysia.



Malaysia - CPI, y-o-y%

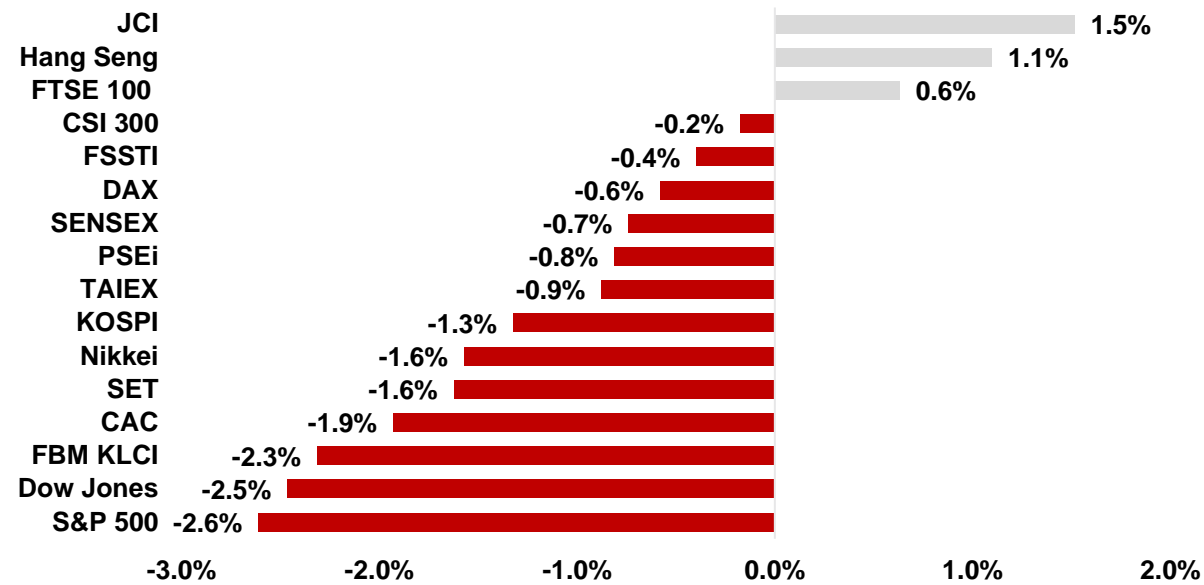
Malaysia's inflation rate in April remained at 1.4%, in line with March's figures and market predictions, marking the lowest inflation rate observed since February 2021. Meanwhile, core consumer prices, saw a 2.0% increase in April, an acceleration from the 1.9% rise in the preceding two months signifies the fastest pace of increase since November 2023.



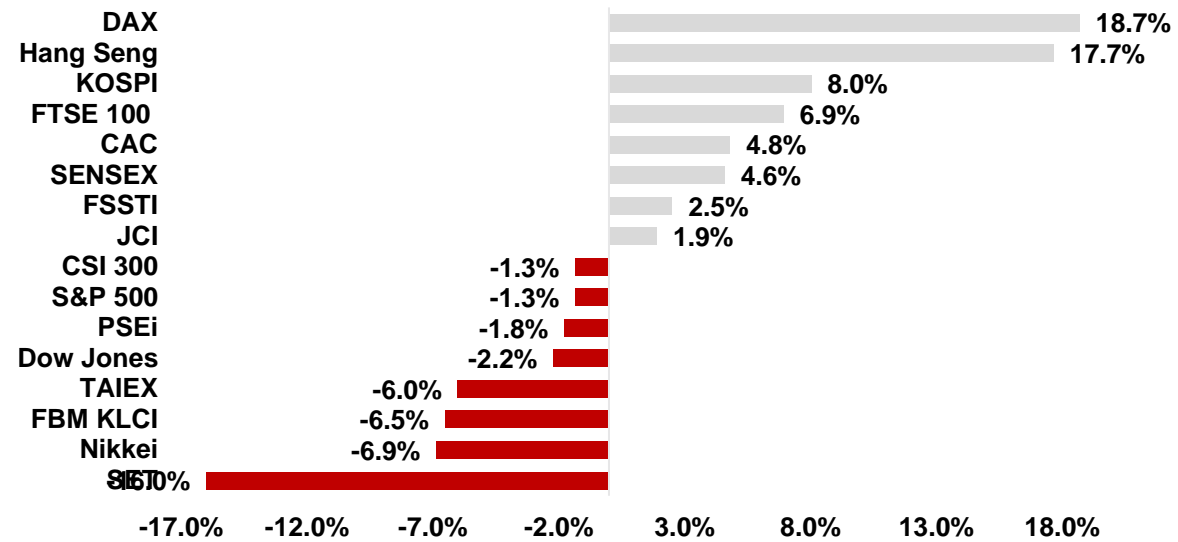
REGIONAL EQUITY: RENEWED TRUMP TARIFF THREATS SENT GLOBAL STOCKS PLUNGING



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



YTD Gain/Loss of Major Equity Markets, %
(As of 23 May 2025)

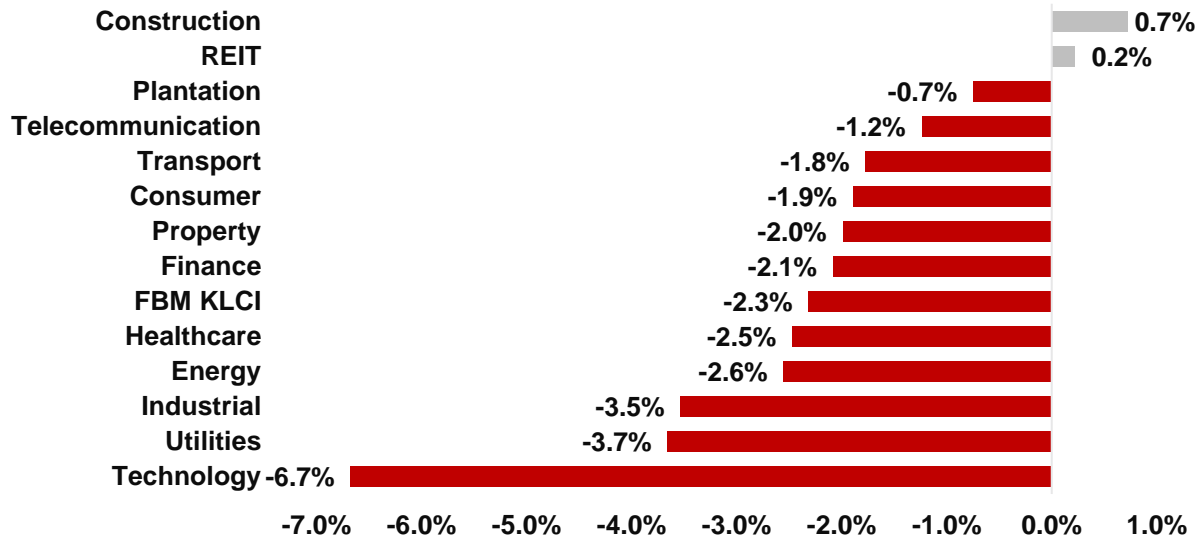


Sources: Bursa, CEIC Data

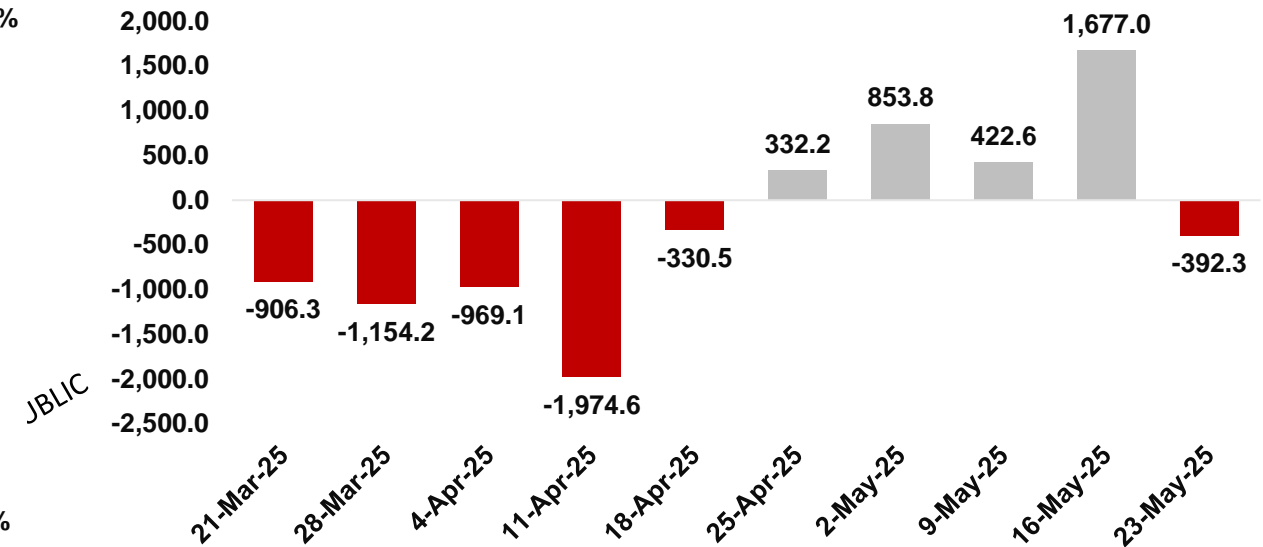
- The global stocks market were mostly in the red sea for the week ending May 23. U.S. stocks – S&P 500 (-2.6%) and Dow Jones (-2.5%) slumped the most as President Donald Trump has once again escalated trade tensions, announcing new tariff threats that target both Apple and the E.U. Apple's market value dipped below USD3 trillion, with shares falling over 2%, after President Trump announced on Truth Social that iPhones sold in the U.S. must be domestically manufactured or face a 25% tariff. He also proposed a 50% tariff on E.U. imports starting June 1 due to stalled negotiations, reigniting global trade concerns.
- These developments come as a blow to markets that were just beginning to rebound on hopes of easing trade tensions, following a 90-day tariff pause and progress in negotiations with the UK and China.
- On the other hand, Indonesia's JCI (+1.5%), Hong Kong's Hang Seng (+1.1%) and U.K.'s FTSE 100 were the biggest winners for the week ending May 23.

DOMESTIC EQUITY: LOCAL MARKET ENDED IN A SEA OF RED AS CAUTIOUS SENTIMENTS DOMINATED

Weekly Bursa Sectoral Performance, w-o-w%



Weekly Foreign Fund Net Inflows/Outflows, RM Million



Sources: Bursa, CEIC Data

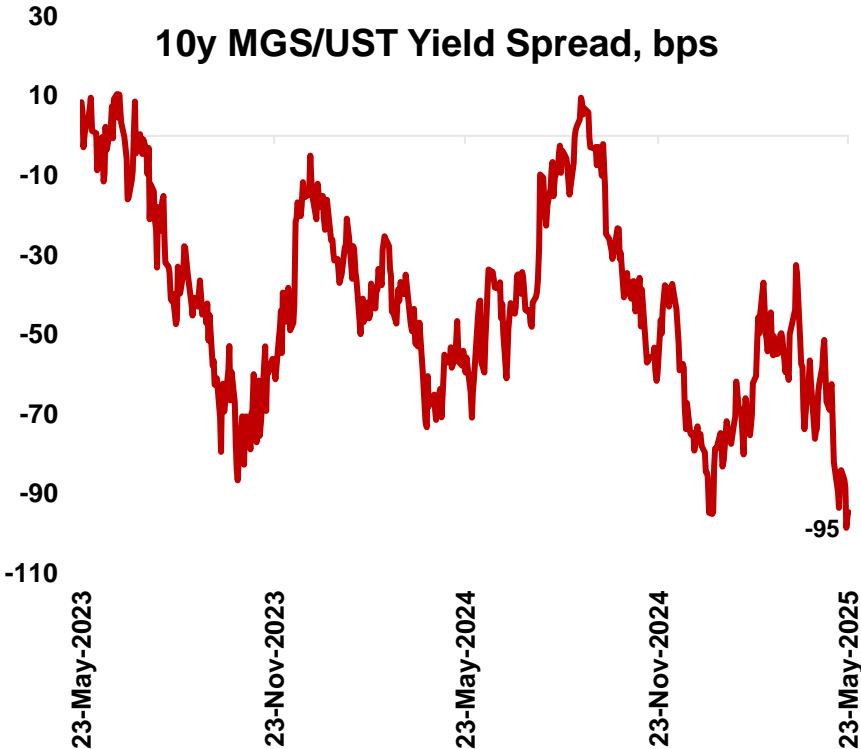
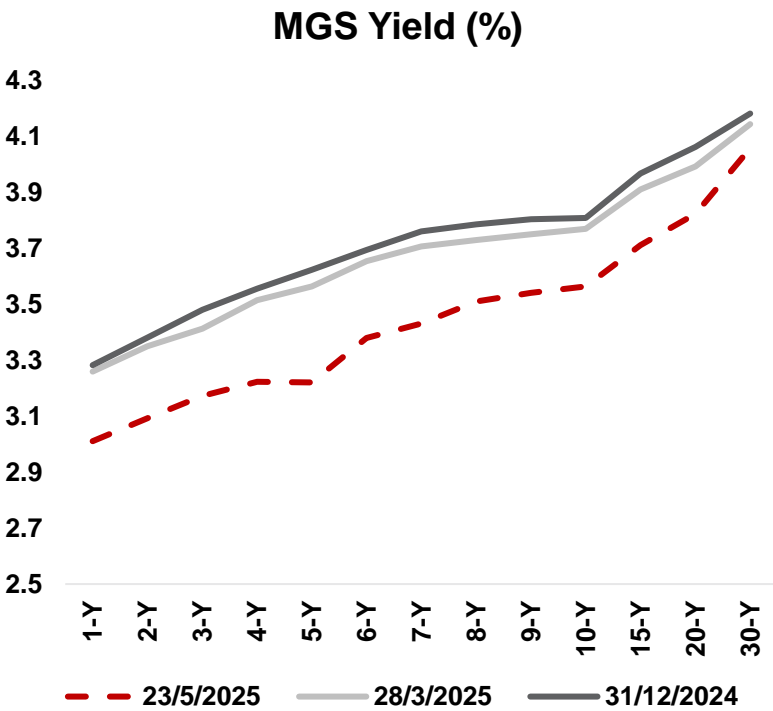
- The FBM KLCI slipped by 2.3% w-o-w for the week ending May 23 as risk-off sentiments dominated markets.
- Investor sentiments tilted towards cautious during the week, dragged by Moody downgrading the U.S. sovereign credit rating by one notch to Aa1, sparking unease throughout global markets. Furthermore, the downbeat sentiments persisted when the U.S. House of Representative passed a sweeping tax and spending bill which ramped up concerns of a worsening U.S. federal deficit.
- Domestically, buying interest was muted as investors awaited corporate results as the first-quarter earnings period kicked off.
- Most Bursa indices closed in the red with the Technology index plunging by 6.7% to erase last week's high, followed by the Utilities and Industrial indices which declined by 3.7% and 3.5%, respectively. Meanwhile, the Construction (+0.7%) and REIT (+0.2%) indices were the only gainers last week.
- Foreign investors turned net sellers after four weeks of net buying, shedding a total of RM392.3 million worth of equities. This had increased the cumulative net outflow thus far to RM10.4 billion.

FIXED INCOME: TRADE WAR FEARS AND FISCAL WOES

BANK ISLAM

STEEPENED UST YIELD CURVE

Weekly Changes, basis points (bps)			
UST	Yields (%) 16-May-25	Yields (%) 23-May-25	Change (bps)
3-Y UST	3.95	3.96	1
5-Y UST	4.06	4.08	2
7-Y UST	4.24	4.29	5
10-Y UST	4.43	4.51	8
MGS	Yields (%) 16-May-25	Yields (%) 23-May-25	Change (bps)
3-Y MGS	3.20	3.17	-2
5-Y MGS	3.31	3.22	-9
7-Y MGS	3.49	3.43	-6
10-Y MGS	3.59	3.57	-2
GII	Yields (%) 16-May-25	Yields (%) 23-May-25	Change (bps)
3-Y GII	3.20	3.18	-2
5-Y GII	3.36	3.34	-2
7-Y GII	3.50	3.46	-4
10-Y GII	3.59	3.55	-4



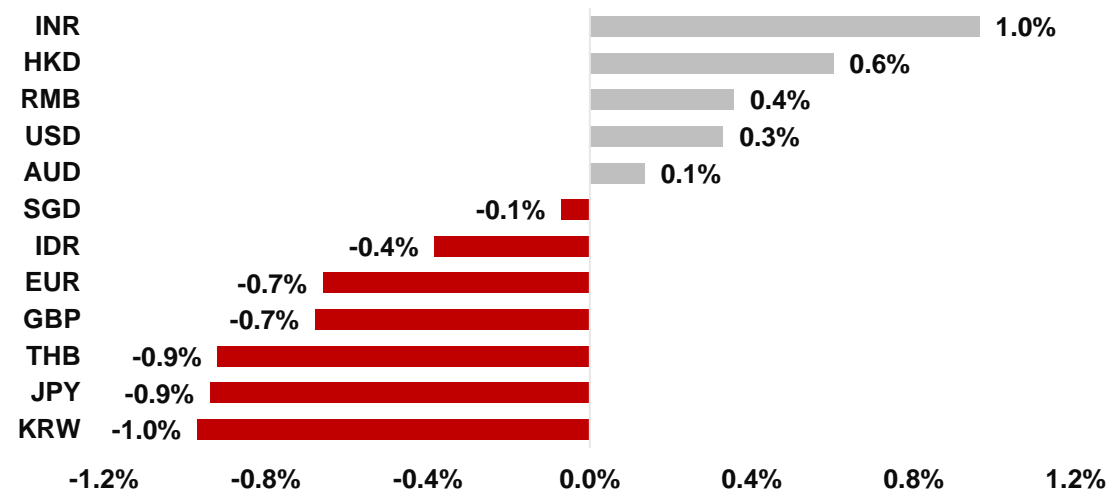
Sources: BNM, Federal Reserve Board

- The U.S. Treasury (UST) yield curve bearishly steepened in the range of 1bp and 8bps for the week ending May 23 as new tariff threats from President Trump have reignited market anxieties about economic growth, as investors now focus on the uncertain direction of trade policy, dampens prior expectations that the White House might be seeking to de-escalate trade tensions with China and a newly passed tax bill from the House of Representatives is projected to widen the federal budget deficit more than anticipated.
- This comes just days after a credit rating downgrade by Moody's highlighted concerns about the Treasury's unsustainable debt issuance. The Congressional Budget Office estimates the tax bill will add nearly USD4 trillion to the existing USD36 trillion Federal debt.
- In contrast, Malaysian Government Securities (MGS) and Government Investment Issues (GII) yields edged lower by between 2bps and 9bps, bolstered by steady demand for domestic debt.
- The 10y MGS/UST yield spread widened in the negative territory at 95bps relative to -84bps in the previous week.

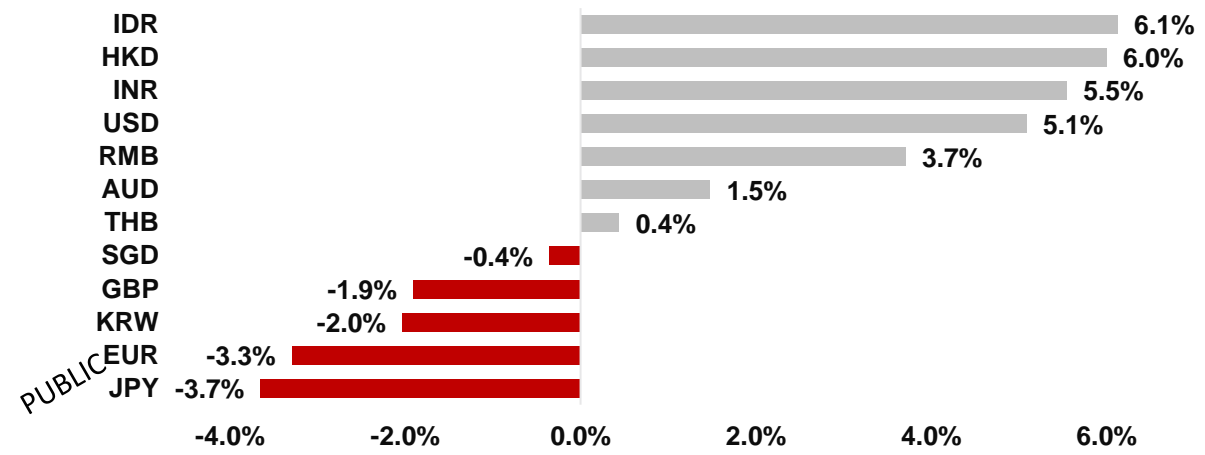
FX MARKET: RINGGIT TO TRADE CAUTIOUSLY AS TAX CUT BILL HEADS TO SENATE WHILE KEY INFLATION FIGURES LOOM



MYR Against Regional Currencies, w-o-w%



MYR Against Regional Currencies, YTD%
(As of 23 May 2025)

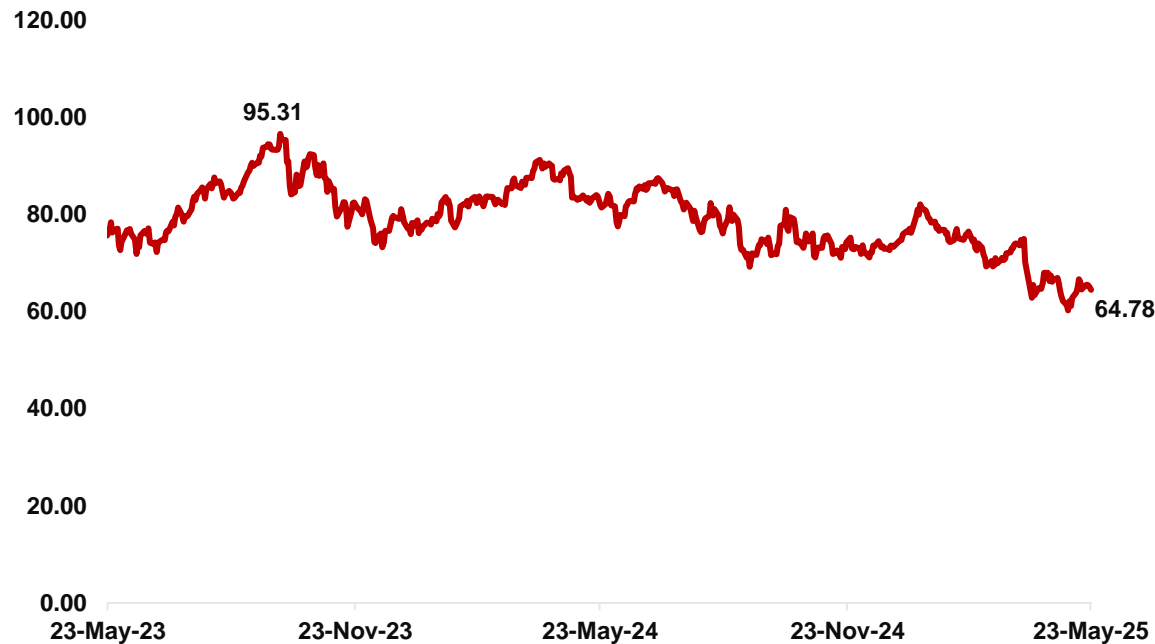


Sources: BNM, U.S. Bureau of Labor Statistics (BLS), CEIC Data

- The Ringgit continued its uptrend, strengthening by 0.3% w-o-w against the USD for the week ending May 23 as the USD index slipped to close just above the 99-level.
- The greenback came under sustained pressure throughout the week, dampening investor sentiment. Contributing to the decline was the Trump administration’s push for a new bill which notably 1) extended tax cuts which was previously passed in Trump’s first term, and 2) increased spending of almost USD150 billion for defense and national security.
- According to the Congressional Budget Office, this bill would add USD3.8 trillion to the U.S. government deficit over 10 years. As such, this had intensified fears of worsening U.S. fiscal outlook, leading investors to flee U.S. assets.
- Furthermore, Moody’s Ratings had downgraded the U.S.’ sovereign credit rating by a notch to Aa1 from Aaa, adding to the risk off caution.
- As such, we expect the Ringgit to trade cautiously amid ongoing external developments, particularly as the bill advances to the Senate. Nonetheless, domestic fundamentals are likely to remain a key source of support for the currency. Additionally, markets would also be eyeing the release of the U.S. core personal consumption expenditure figures for hints on the Fed’s monetary policy path.

COMMODITY: BRENT OIL PRICE SLIDES AMID OPEC+ OUTPUT HIKE AND U.S. TARIFF CONCERNS

Brent Crude in USD per barrel



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

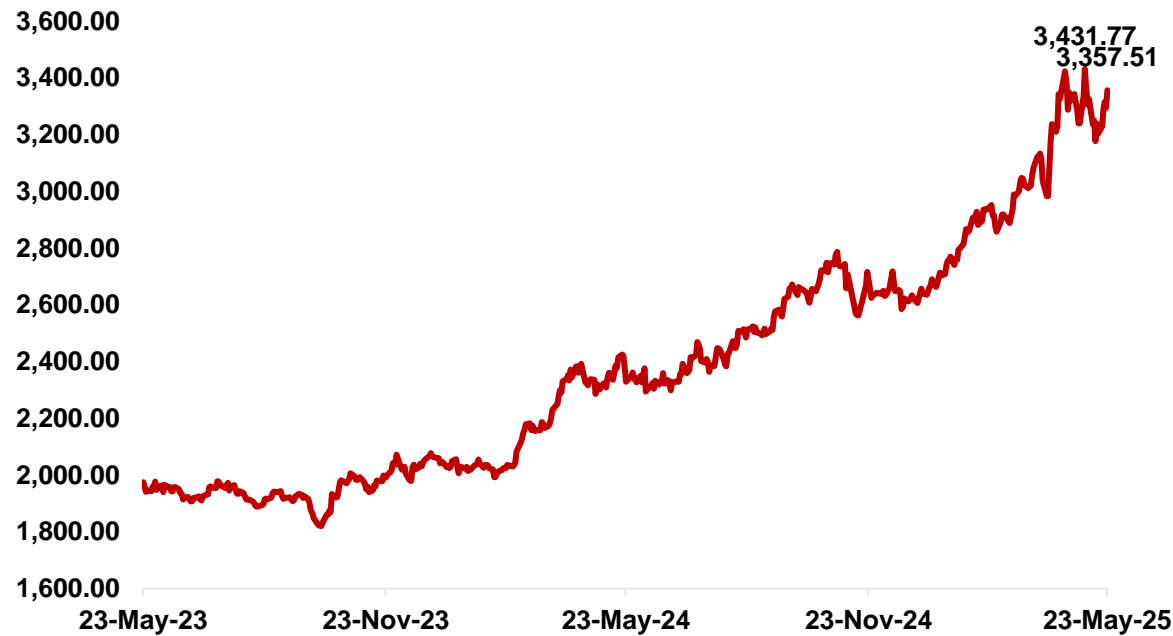


Sources: Bloomberg, Energy Information Administration (EIA)

- Brent crude oil price fell by 1.0% last week and settled at USD 64.78 per barrel on Friday (May 23), marking the first weekly decline in three weeks. The drop was triggered by OPEC+'s potential decision to increase output by 411,000 barrels per day in July, adding to concerns of oversupply. Furthermore, U.S. President Trump's announcement of a 50% tariff on EU goods starting June 1 raised fears of a global economic slowdown, further pressuring oil demand.
- U.S. crude stockpiles increased by 1.3 million barrels, reaching 443.2 million barrels for the week ending May 16.

COMMODITY: GOLD PRICE SOARED AMID INTENSIFYING CONCERNS OVER THE U.S. FISCAL OUTLOOK

Gold in USD per ounce



U.S. Dollar Index (DXY)



Sources: Bloomberg, CEIC Data

- The bullion price surged by 4.8% w-o-w for the week ending May 23, driven by increasing safe haven demand as concerns of a worsening U.S. debt intensified.
- Such fears had extended the rally in the bullion price, which was sparked by Moody's downgrading of U.S.' sovereign credit rating, to mark the highest level in more than two weeks (23 May: USD3,357.51 vs. 16 May: USD3,203.65).

WHAT TO LOOK OUT FOR IN THE MARKETS THIS WEEK

- The U.S. markets will closely monitor key economic indicators amid ongoing trade tensions and signs of slowing growth. The April Personal Consumption Expenditures (PCE) inflation report, due Friday, is expected to show a modest 0.1% monthly increase, keeping the annual rate at 2.6%, potentially influencing Federal Reserve policy decisions. The second estimate of Q1 2025 GDP will be released on Thursday with the initial estimate indicated a 0.3% annualized contraction, driven by a surge in imports and decreased government spending. Consumer confidence has declined sharply, with the University of Michigan's index preliminary reading dropping to 50.8 in May, the lowest since July 2022, reflecting heightened concerns over inflation and employment prospects. Additionally, the upcoming trade balance report will shed light on the impact of recent tariff implementations on trade flows. Collectively, these data points will be pivotal in assessing the U.S. economic outlook and guiding investor expectations.
- All eyes will be on the Bank of Korea (BoK) this week as it considers a potential rate cut in response to mounting economic pressures. The central bank had previously reduced the base rate to 2.75% in February, citing concerns over sluggish domestic demand and weakening exports. The recent imposition of U.S. tariffs on key South Korean exports, has further strained the trade-reliant economy, leading to a 2.4% yoy decline in exports during the first 20 days of May. Amid the external headwinds, the BoK now expecting GDP to grow by only 1.5% in 2025, down from earlier estimates of 1.9%. The political uncertainty following the impeachment of President Yoon Suk Yeol also adds complexity to the economic landscape.
- This week's ASEAN Summit is expected to draw significant attention as member countries address growing regional and external headwinds. A key focus will be the recent U.S. tariff hikes on several ASEAN exports, which could challenge trade performance and supply chain stability. In response, leaders may call for deeper regional cooperation, greater market diversification, and stronger policy alignment to cushion the impact. Other important agenda items include progress on the South China Sea Code of Conduct, with hopes of finalizing an agreement with China to maintain peace and stability in the disputed waters. Additionally, the summit will discuss the ASEAN Digital Economy Framework Agreement (DEFA), which aims to accelerate digital integration and support the region's long-term economic transformation. As discussions unfold, the outcome of this summit will be pivotal in shaping ASEAN's economic resilience and digital future.

BANK ISLAM

THANK YOU