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WEEKLY ECONOMIC UPDATE

26 OCTOBER 2026

ECONOMIC RESEARCH

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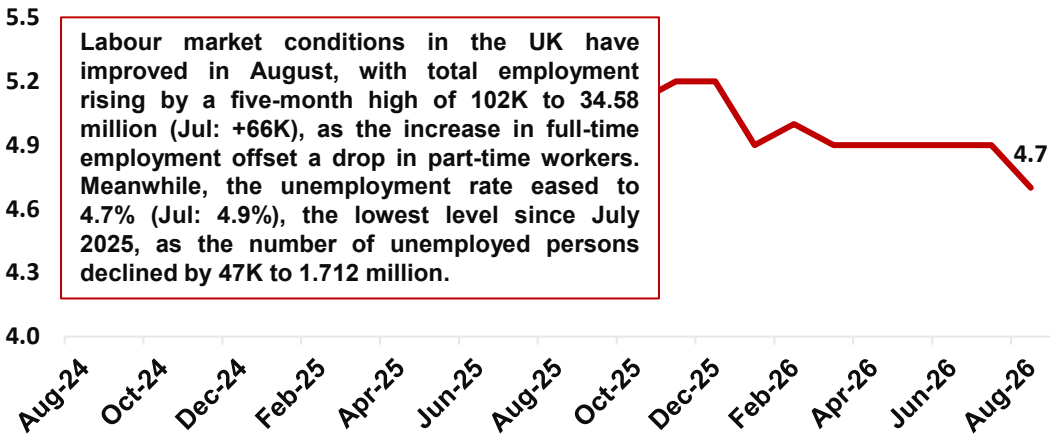
WEEKLY HIGHLIGHT: LATEST LABOUR MARKET AND INFLATION CLUES POINT TOWARDS ADDITIONAL BOE TIGHTENING

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GLOBAL

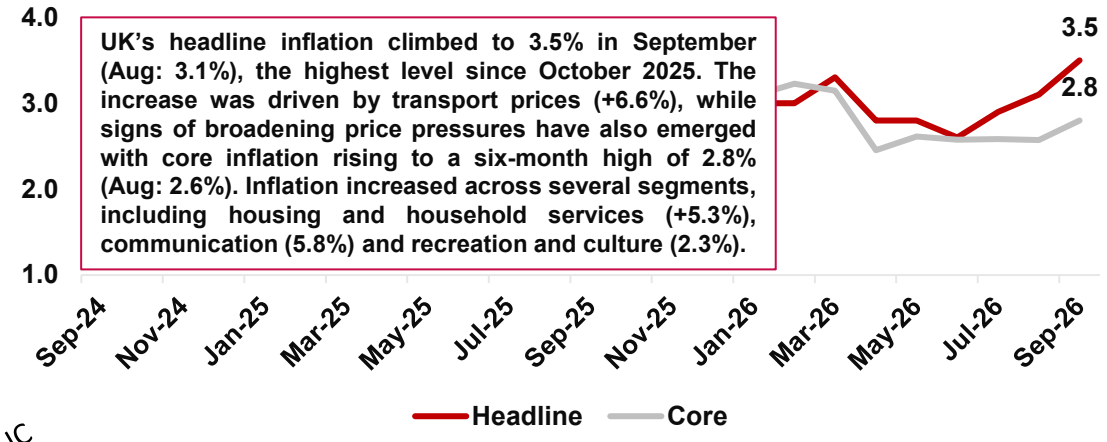
UK - Unemployment Rate sa, %

Labour market conditions in the UK have improved in August, with total employment rising by a five-month high of 102K to 34.58 million (Jul: +66K), as the increase in full-time employment offset a drop in part-time workers. Meanwhile, the unemployment rate eased to 4.7% (Jul: 4.9%), the lowest level since July 2025, as the number of unemployed persons declined by 47K to 1.712 million.



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

UK's headline inflation climbed to 3.5% in September (Aug: 3.1%), the highest level since October 2025. The increase was driven by transport prices (+6.6%), while signs of broadening price pressures have also emerged with core inflation rising to a six-month high of 2.8% (Aug: 2.6%). Inflation increased across several segments, including housing and household services (+5.3%), communication (5.8%) and recreation and culture (2.3%).

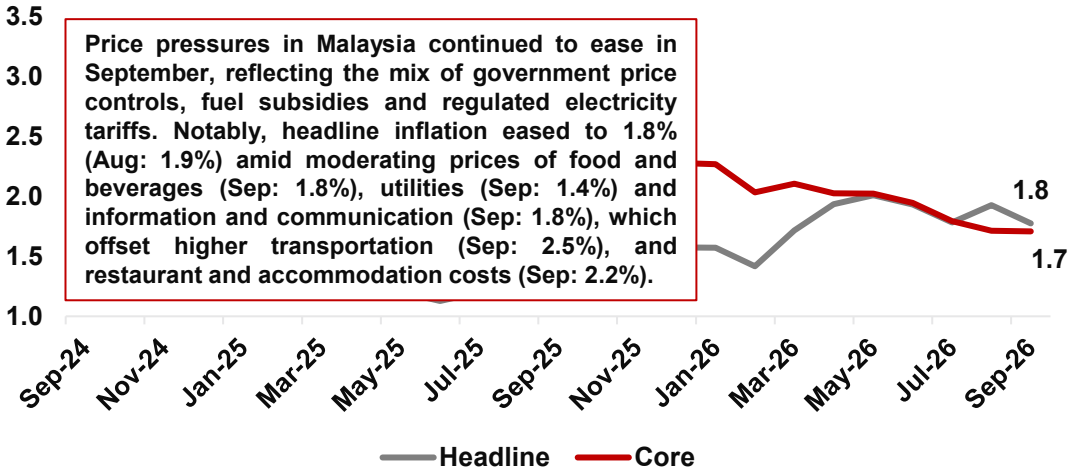


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DOMESTIC

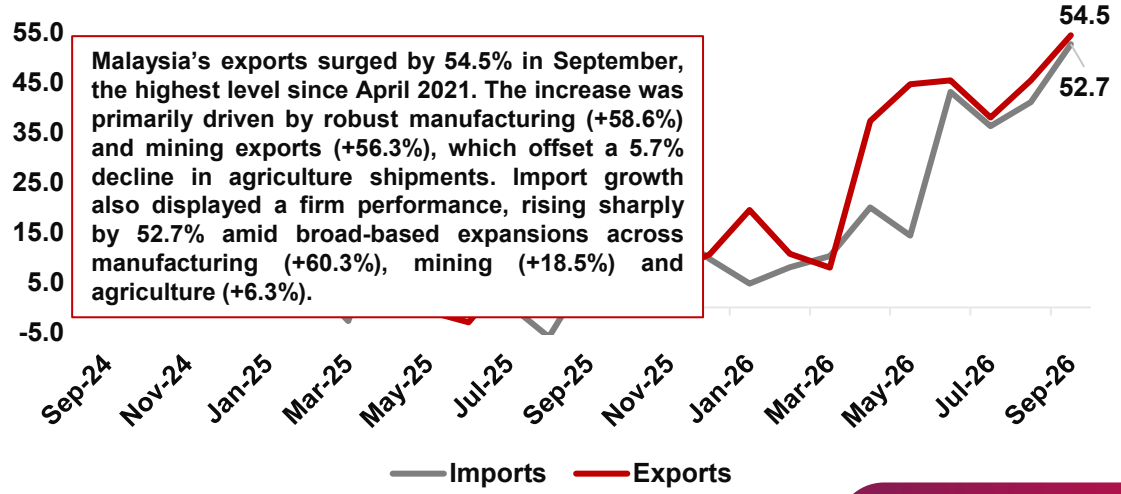
Malaysia - CPI y-o-y%

Price pressures in Malaysia continued to ease in September, reflecting the mix of government price controls, fuel subsidies and regulated electricity tariffs. Notably, headline inflation eased to 1.8% (Aug: 1.9%) amid moderating prices of food and beverages (Sep: 1.8%), utilities (Sep: 1.4%) and information and communication (Sep: 1.8%), which offset higher transportation (Sep: 2.5%), and restaurant and accommodation costs (Sep: 2.2%).



Malaysia - Exports vs. Imports, y-o-y%

Malaysia's exports surged by 54.5% in September, the highest level since April 2021. The increase was primarily driven by robust manufacturing (+58.6%) and mining exports (+56.3%), which offset a 5.7% decline in agriculture shipments. Import growth also displayed a firm performance, rising sharply by 52.7% amid broad-based expansions across manufacturing (+60.3%), mining (+18.5%) and agriculture (+6.3%).

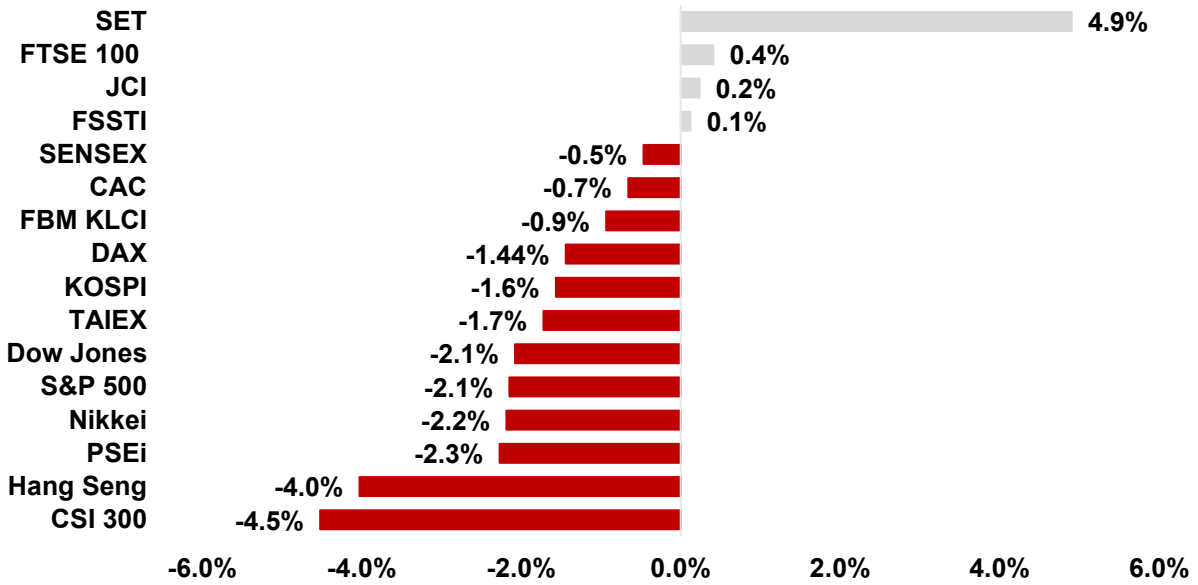


Sources: Office for National Statistics (ONS), Department of Statistics Malaysia (DOSM), CEIC Data

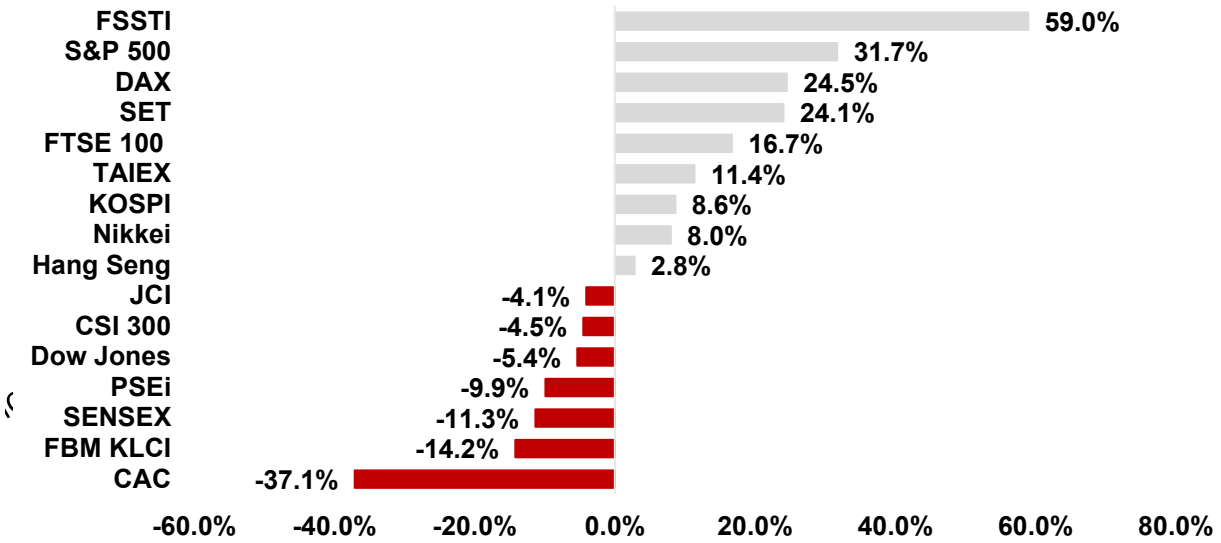
REGIONAL EQUITY: OIL SURGE AND AI CONCERNS WEIGH ON GLOBAL MARKET SENTIMENT

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



YTD Gain/Loss of Major Equity Markets, %
(As of 23 October 2026)



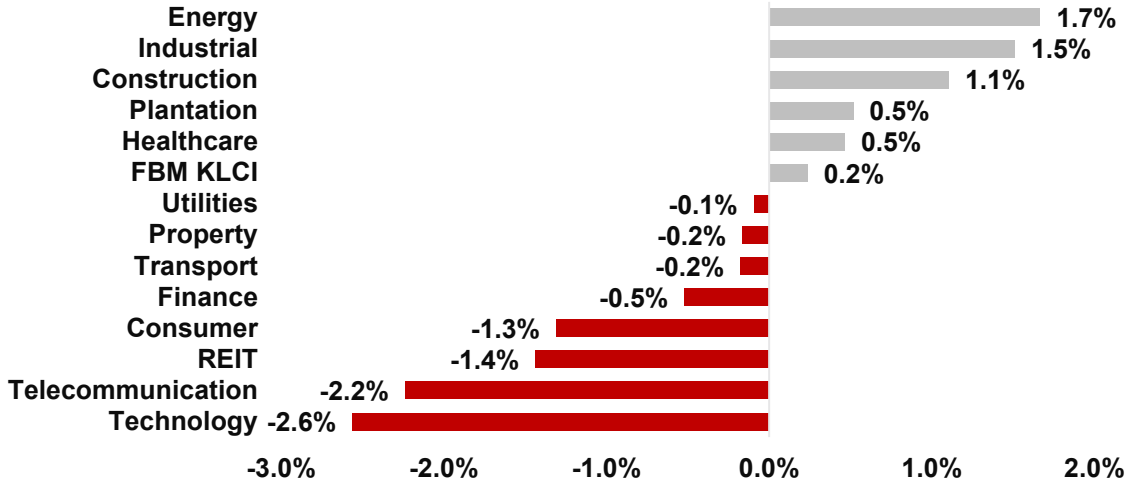
Sources: Bursa, CEIC Data

- Global equity markets mostly ended lower last week as investors adopted a more defensive stance amid a renewed oil-price surge, concerns over AI valuations, and elevated bond yields. The key market theme shifted from expectations of easier monetary policy towards concerns that higher energy prices could prolong inflation and complicate central-bank decisions.
- Investors increasingly focused on whether the oil shock could delay further monetary easing or even increase the possibility of a more hawkish Fed stance.
- Thailand's SET was the top gainer during the week, supported by improved risk sentiment and bargain hunting following earlier market weakness, followed by the UK's FTSE 100 and Indonesia's JCI, which posted modest gains of 0.4% and 0.2%, respectively.
- Meanwhile, China's CSI 300 (-4.5%), Hong Kong's Hang Seng (-4.0%) and the Philippines' PSEi (-2.3%) were the top losers last week.
- U.S. equity markets also ended lower with both the S&P 500 and Dow Jones declining 2.1%. Technology and semiconductor stocks came under pressure amid renewed concerns over the scale, financing and potential returns of AI-related investment.

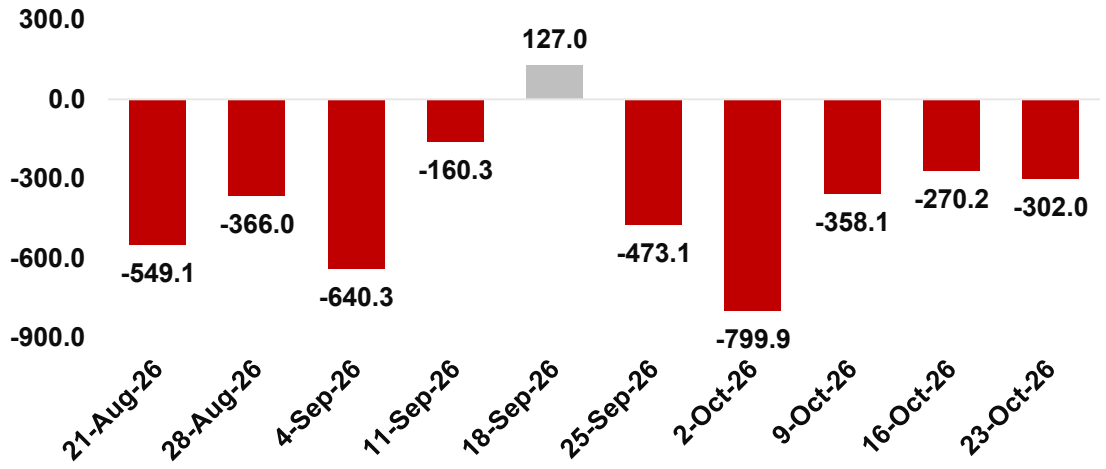
DOMESTIC EQUITY: FBM KLCI CLIMBED AS UPBEAT DOMESTIC GROWTH PROSPECTS OFFSET BROADER UNCERTAINTIES

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Weekly Bursa Sectoral Performance, w-o-w%



Weekly Foreign Fund Net Inflows/Outflows, RM Million



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Sources: Bursa, CEIC Data

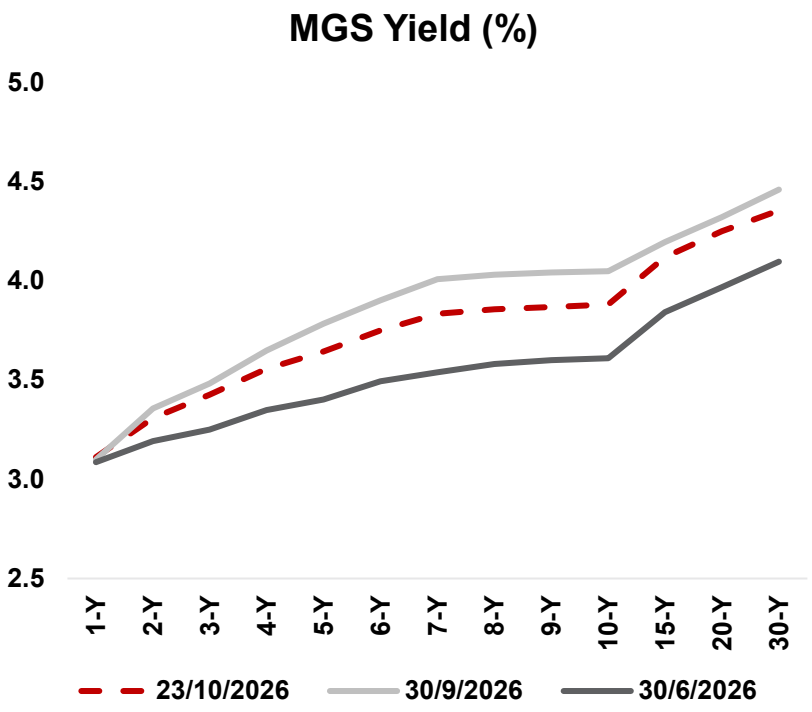
- The FBM KCLI edged higher by 0.2% w-o-w for the week ending 23 October, supported by sustained investor confidence over Malaysia's growth prospects, which mitigated the impact of rising geopolitical tensions in the Middle East.
- Investor sentiments were lifted by the release of Malaysia's trade figures, with exports soaring to 54.5% in September (Aug: 45.4%), the fastest pace since April 2021, while imports jumped sharply to 52.7% (Aug: 41.1%).
- Beyond robust external demand, domestic demand is anticipated to remain resilient amid stable labour market conditions, policy support and relatively low inflation. Notably, headline inflation had eased to 1.8% in the same month (Aug: 1.9%) while core inflation steadied at 1.7%.
- At the sectoral level, the Energy index led gains, rising by 1.7% w-o-w as global oil prices continued to climb amid heightened geopolitical uncertainties. This was followed by the Construction and Industrial indices, which rose by 1.5% and 1.1%, respectively.
- In contrast, the Technology index underperformed, declining by 2.6% w-o-w, in line with losses observed across regional technology stocks.
- Foreign investors remained as net sellers for the fifth straight week with a net outflow of RM302.0 million. This has increased the total net outflow thus far to RM8.8 billion.

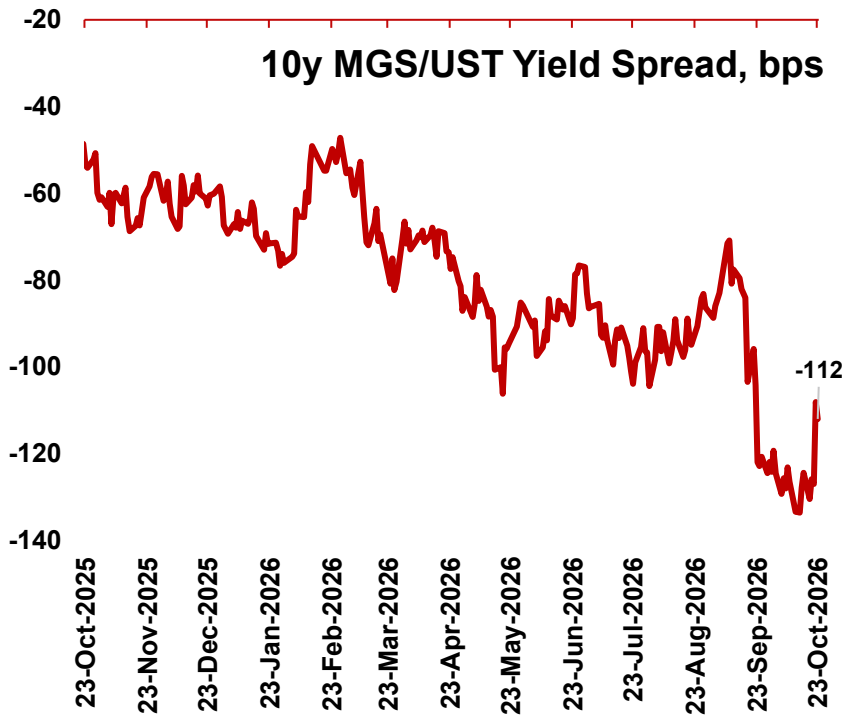
FIXED INCOME: GROWTH RISKS OUTWEIGH INFLATION CONCERNS IN TREASURY MARKET

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Weekly Changes, basis points (bps)			
UST	**Yields (%) 16-Oct-26**	**Yields (%) 23-Oct-26**	**Change (bps)**
3-Y UST	4.82	4.75	-7
5-Y UST	4.89	4.82	-7
7-Y UST	4.98	4.89	-9
10-Y UST	5.09	5.00	-9
MGS	**Yields (%) 16-Oct-26**	**Yields (%) 23-Oct-26**	**Change (bps)**
3-Y MGS	3.43	3.43	-1
5-Y MGS	3.65	3.64	-1
7-Y MGS	3.80	3.83	4
10-Y MGS	3.85	3.88	3
GII	**Yields (%) 16-Oct-26**	**Yields (%) 23-Oct-26**	**Change (bps)**
3-Y GII	3.45	3.45	0
5-Y GII	3.67	3.67	0
7-Y GII	3.79	3.82	2
10-Y GII	3.89	3.91	3

Sources: BNM, Federal Reserve Board

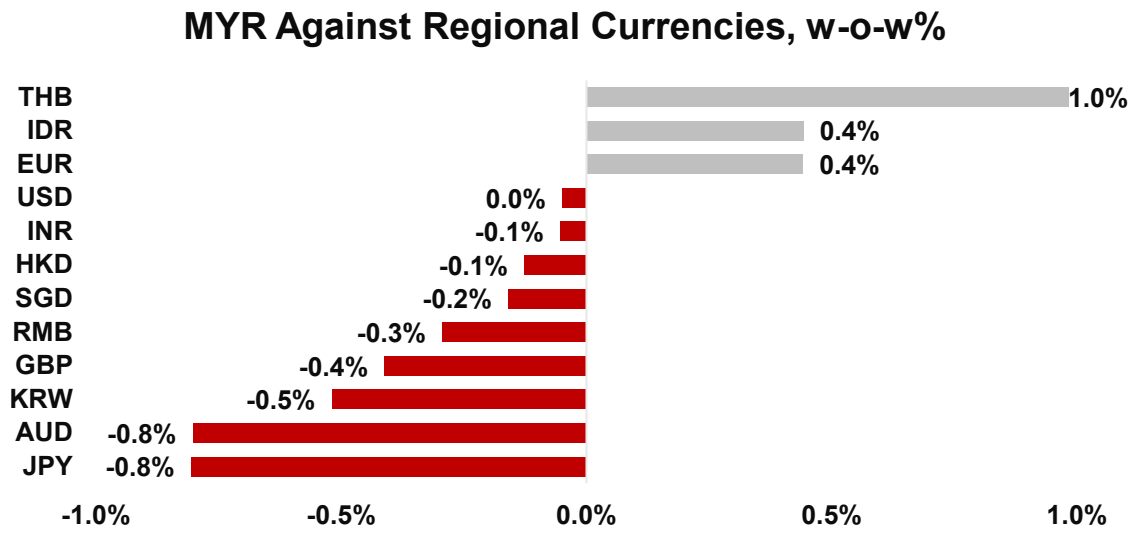


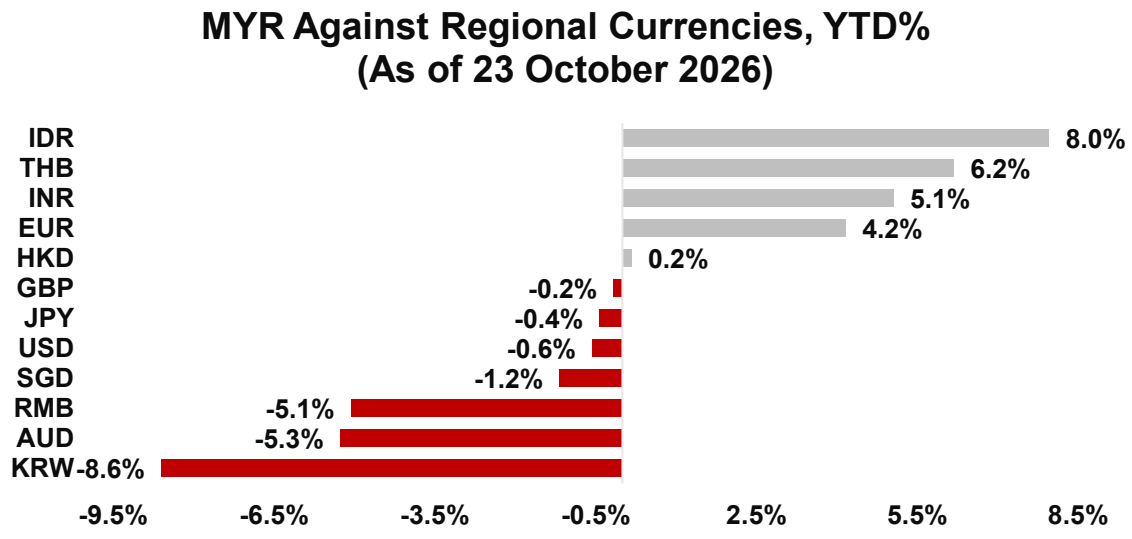


- U.S. Treasury yields declined by 7bps to 9bps during the week ended 23 October. The larger decline in long-tenure yields compared with short-tenure yields points to a modest bull-flattening of the yield curve, as concerns over the growth prospects and safe-haven demand outweighed inflation concerns.
- The most significant move came around Thursday, when the 10-year yield fell almost 20bps in a single session as investors sought safety amid the AI-related equity sell-off and rising concerns over the economic impact of elevated oil prices. However, yields recovered on Friday as Brent climbed sharply and markets reassessed the inflation implications of higher energy prices.
- Meanwhile, Malaysian Government Securities (MGS) and Government Investment Issues (GII) yields ended the week mixed, with movements ranging between -1bp and +4bps across maturities.
- The 10y MGS/UST yield spread narrowed in the negative territory at 112bps, compared with -124bps in the prior week.

FX MARKET: GLOBAL RISK AVERSION GREW AS MIDDLE EAST TENSIONS CONTINUED TO DETERIORATE

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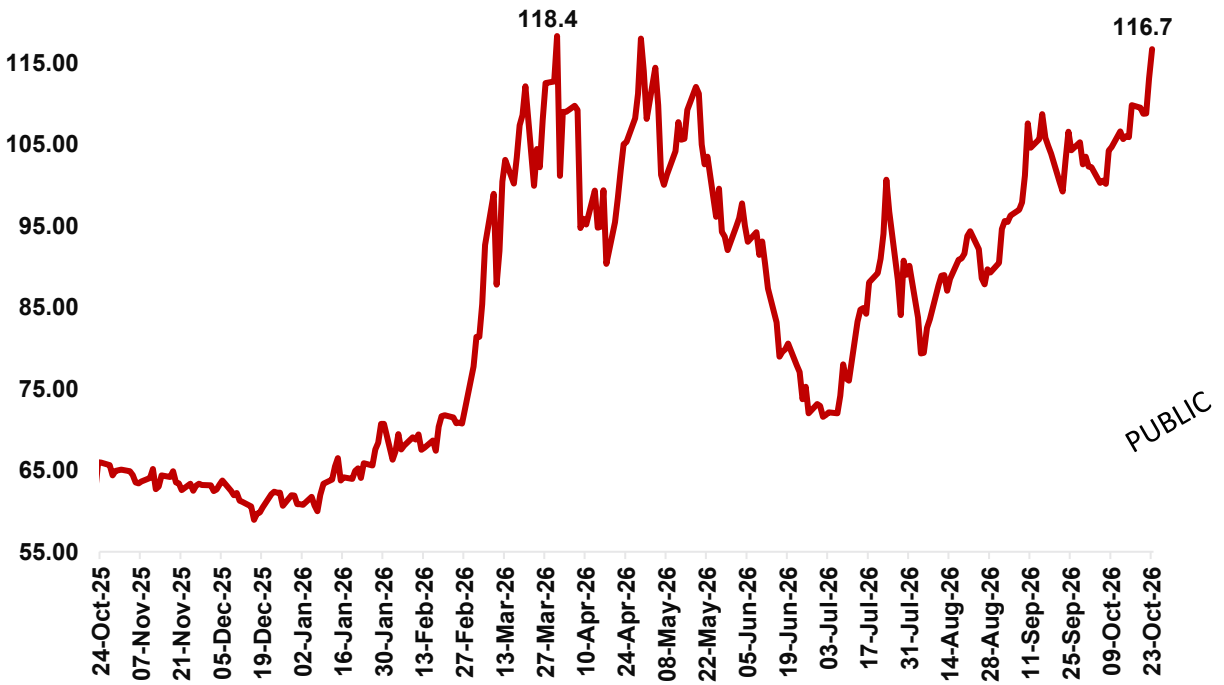
Sources: BNM, Federal Reserve Board (Fed), CEIC Data

- Currency markets traded cautiously last week as global risk appetite deteriorated further amid escalating Middle East tensions, ongoing uncertainties in Eastern Europe, and growing concerns surrounding the global AI investment cycle.
- While U.S. President Donald Trump earlier indicated that he would refrain from attacking Iran until after the U.S. midterm elections, reports of increased U.S. military deployments and a reduction in staffing levels at embassies across the region are fueling concerns that an escalation is approaching. Additionally, renewed tensions between Saudi Arabia and Yemen's Houthis have heightened fears of a broader regional conflict, particularly after Trump's comments suggesting potential support from Israel, which opened the door for Israel and U.S. involvement.
- Although the USD's recent movement pointed towards an appreciation on the back of rising oil prices, higher inflation concerns, and rising safe-haven demand, the past week observed a subversion of the trend. Despite heightened geopolitical risks, investors continued to rotate away from USD-denominated assets, reflecting the perceived involvement of the U.S. in the conflict landscape.
- Furthermore, investors have largely priced in the probability of the Federal Reserve (Fed) maintaining the Federal Funds Rate (FFR) at 3.75%-4.00% this, offering limited support to the USD. As a result, the USD index traded largely range-bound between 101.40 and 102.10 throughout the week.
- Similarly, the Ringgit also traded cautiously, moving within a relatively narrow range between 4.0750-4.0890 against the USD.

COMMODITY: BRENT SURGED ABOVE USD116/BARREL AS MIDDLE EAST TENSIONS INTENSIFIED

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Brent Crude in USD per barrel



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



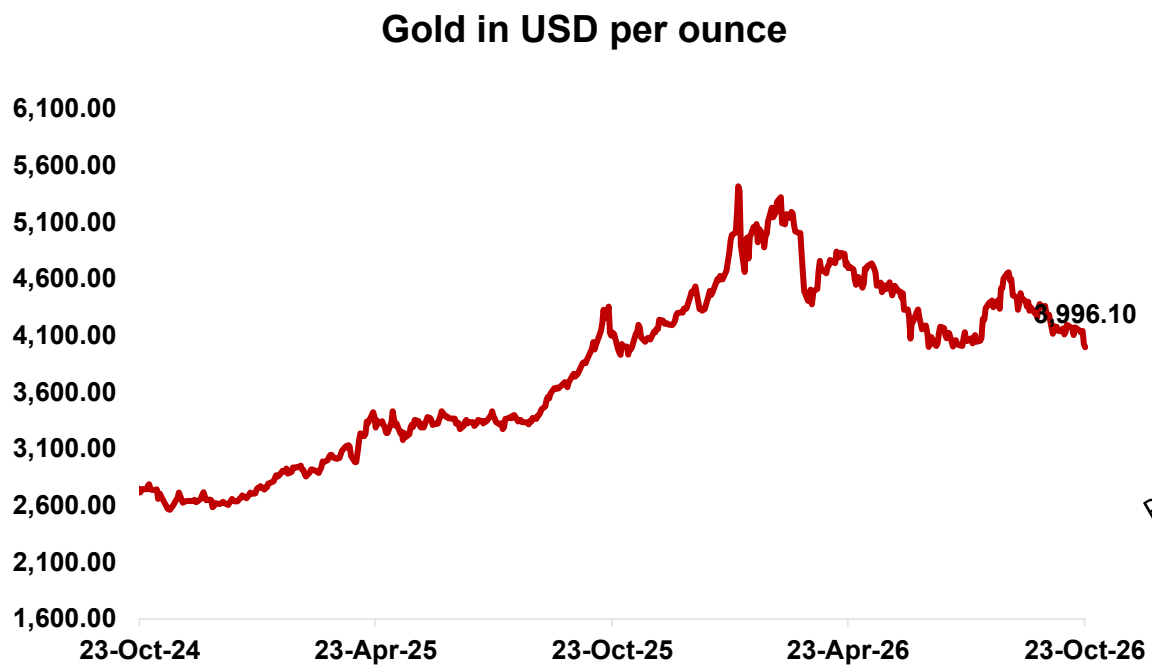
Sources: Bloomberg, Energy Information Administration (EIA)

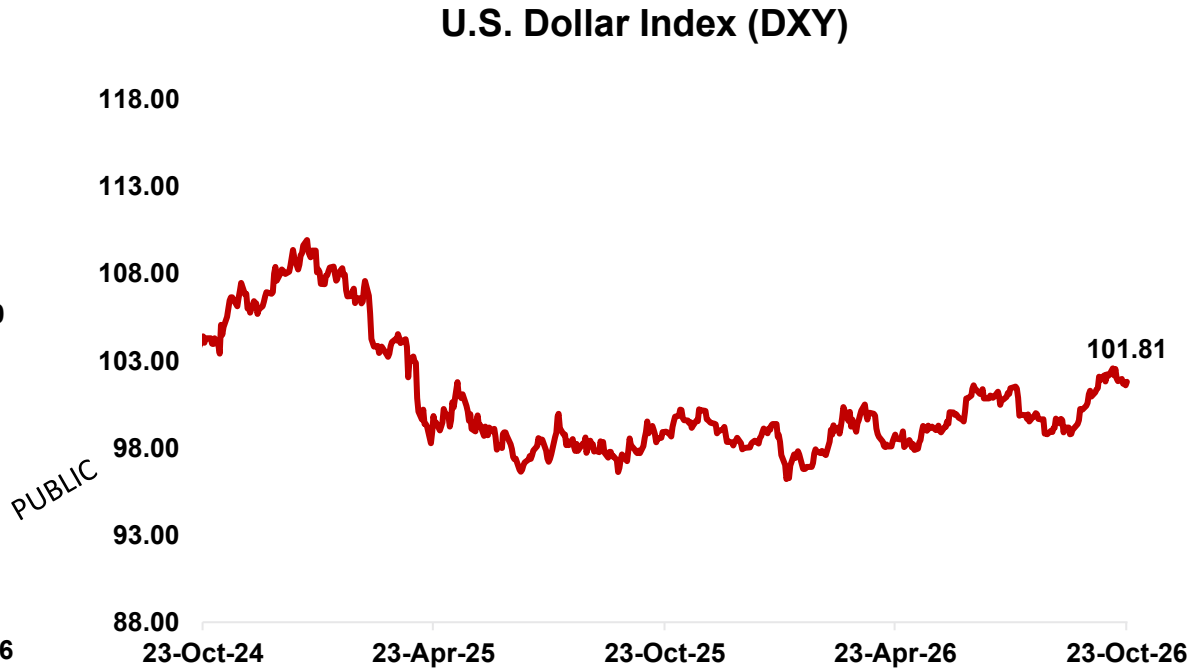
- Brent had another strong week last week, extending its rally to a third consecutive weekly gain and rising more than 6.0% w-o-w to settle at USD116.72/barrel on Friday. This marks its highest level since April 2026. The main catalyst was renewed geopolitical risk after Houthi attacks in Saudi Arabia, which raised concerns that the conflict could disrupt production, logistics and energy flows from the Middle East.
- Oil had already been supported earlier in the week by concerns over Middle East supply and declining U.S. inventories, while any signs of Russia-Ukraine de-escalation temporarily capped the upside.
- However, by the end of the week, the market was increasingly pricing a larger geopolitical risk premium, with the key concern being whether attacks could spread closer to critical Saudi energy infrastructure or disrupt regional shipping.
- U.S. crude oil inventories declined by 3.1 million barrels to 412.5 million for the week ending October 16.

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COMMODITY: GOLD PRICE SLIPPED UNDER THE KEY 4,000 PSYCHOLOGICAL LEVEL LAST FRIDAY

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Sources: Bloomberg, CEIC Data

- Gold (XAU) prices recorded a 4.1% w-o-w drop for the week ending 23 October, weighed by broad-based risk-off modes across currency markets, which led to subdued trading activity despite the bullion's traditional safe-haven appeal.
- More importantly, concerns of escalating Middle East tensions and potentially worsening disruptions to global trade flows has triggered a sharp increase in oil prices, fueling concerns of rising energy-driven price pressures. As such, this strengthens the case for more restrictive monetary policy across major central banks, which reduced the relative appeal of non-yielding gold.
- Consequently, the XAU broke decisively below the immediate support at 4,100 on Thursday, paving the way for a break below the critical 4,000-support level, with the XAU closing Friday's session at 3,996.

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WHAT TO LOOK OUT FOR IN THE MARKETS THIS WEEK

- The U.S. will be the main focus this week, with the Federal Open Market Committee (FOMC) meeting, 3Q26 GDP and September PCE inflation all due on 29 October. The advance GDP release is expected to provide a clearer insight on whether the U.S. economy remains resilient despite tighter financial conditions and elevated energy prices. At the same time, the September PCE deflator will be closely watched because higher Brent prices are increasing the risk of higher inflation. The market will focus not only on the headline GDP number but also on the composition of growth, particularly consumer spending and business investment, given concerns over the sustainability of AI-related capital expenditure. The Fed is widely expected to keep rates unchanged at 3.75% - 4.00% this month but the more important signal could come from its assessment of the inflation-growth trade-off following the sharp rise in oil prices.

- Europe also faces a busy week, with the European Central Bank (ECB) policy meeting on 29 October, followed by euro area 3Q26 GDP and national inflation data on 30 October. The ECB is expected to leave its deposit facility rate unchanged at 2.50%, with investors more interested in President Lagarde's guidance on the inflationary consequences of higher energy prices and the weakening growth backdrop. Euro area 3Q26 GDP is expected to show modest growth of around 0.2% q-o-q, suggesting that the region continues to expand but with limited momentum. German and French inflation releases will also be important as higher oil prices are likely to complicate the ECB's easing path if energy costs begin feeding into broader prices. In the UK, the 28 October Budget will be the major event, with investors watching the government's fiscal plans and their implications for the Bank of England's policy outlook. The combination of higher energy prices, fiscal uncertainty and already elevated borrowing costs means European fixed-income markets could remain volatile.

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- China and Japan will also provide important signals this week. China's October manufacturing PMI is due at the end of the week, while the conclusion of the Communist Party's Fifth Plenum will be watched for policy direction and details surrounding the next medium-term development plan. Investors will be looking for evidence that domestic demand and manufacturing activity are stabilising after concerns over weak consumption and the property sector. Japan will be more policy-sensitive, with the Bank of Japan (BOJ) meeting on 30 October and a new Outlook for Economic Activity and Prices scheduled alongside the decision. The key question is whether the BoJ retains its tightening bias despite weaker global risk appetite and higher oil prices, particularly given the yen's recent safe-haven strength.

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THANK YOU