



WEEKLY ECONOMIC UPDATE

27 OCTOBER 2025

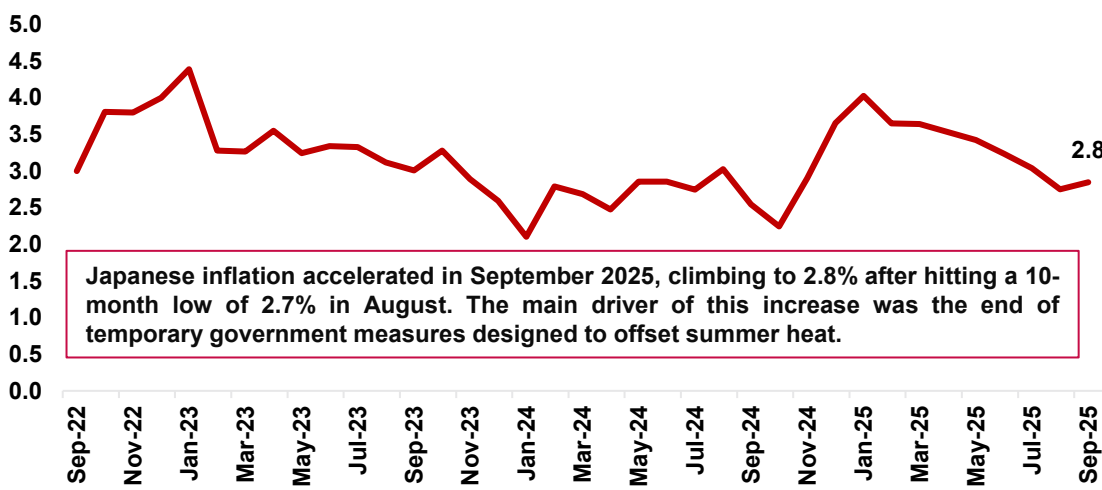
ECONOMIC RESEARCH

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

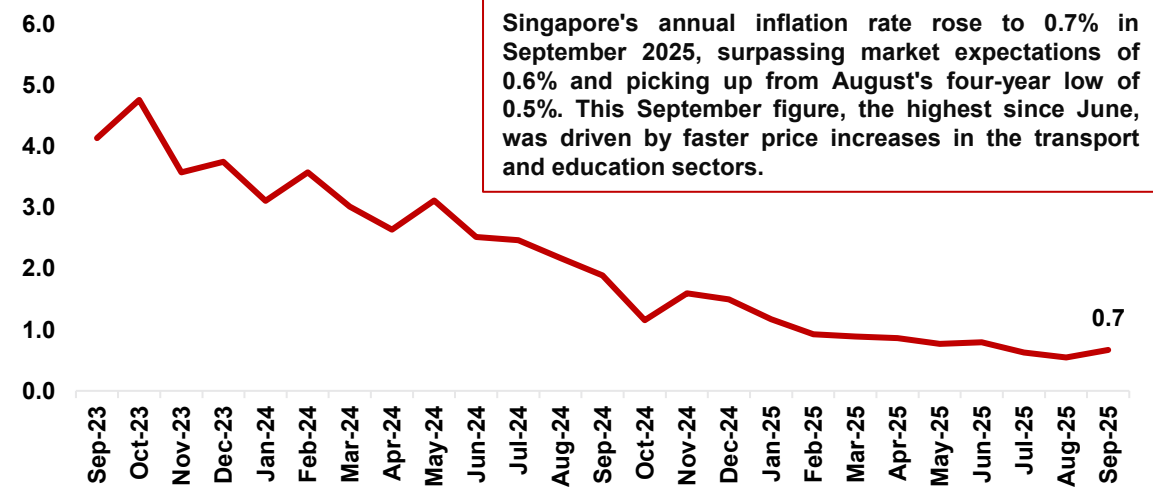
WEEKLY HIGHLIGHT: MALAYSIA'S INFLATION RATE ROSE ON HIGHER PERSONAL CARE AND FOOD COSTS

GLOBAL

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

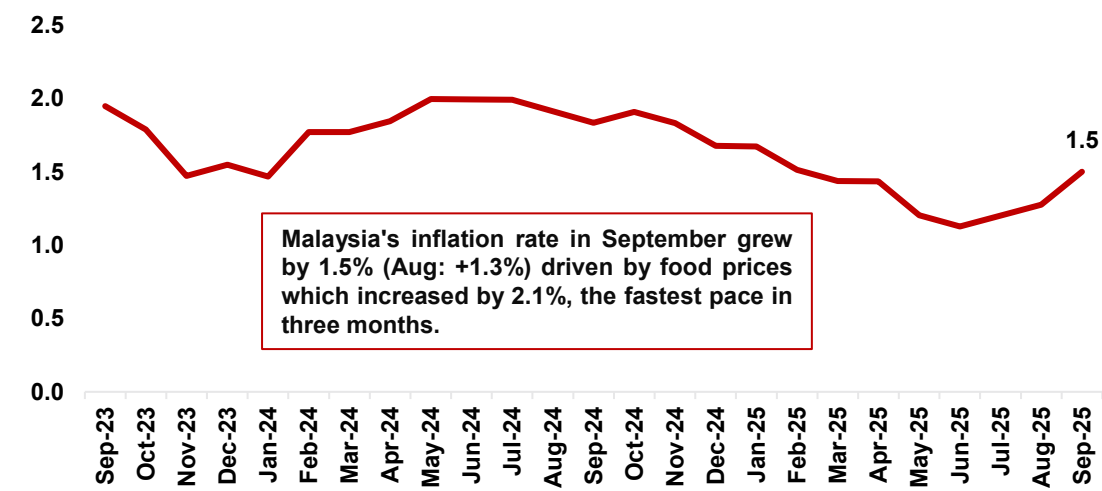


Singapore: CPI, y-o-y%

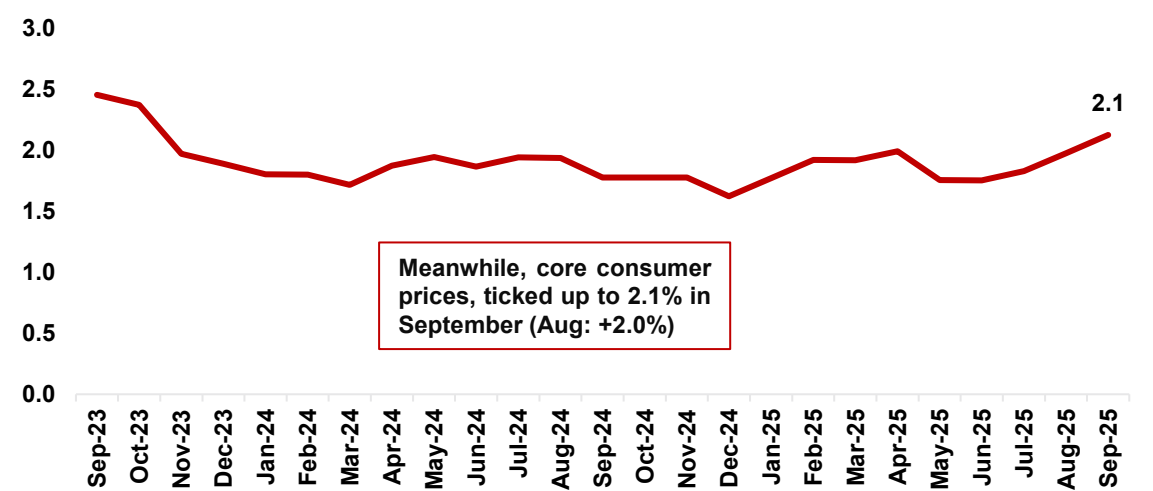


DOMESTIC

Malaysia - Headline CPI, y-o-y%

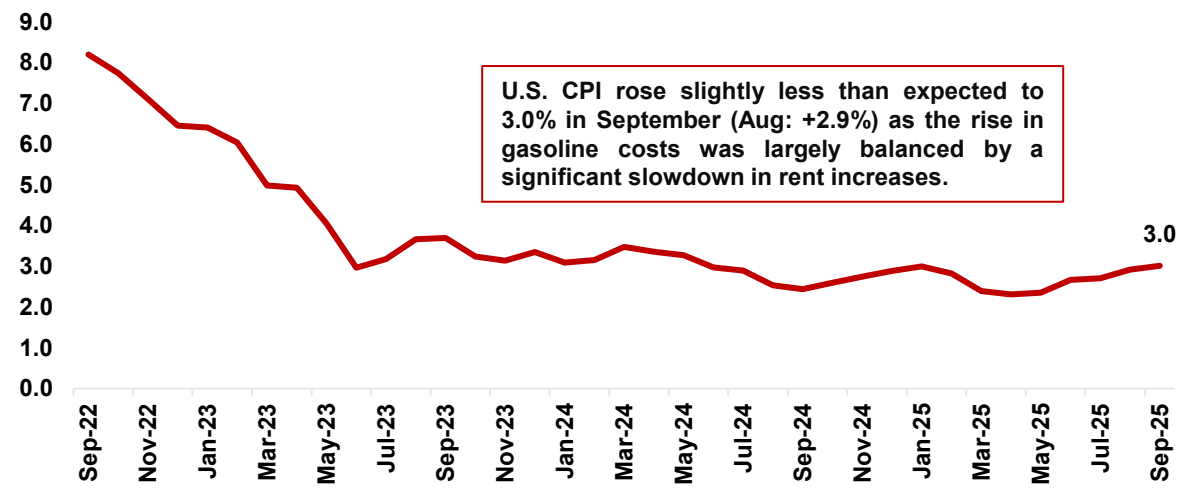


Malaysia - Core CPI, y-o-y%

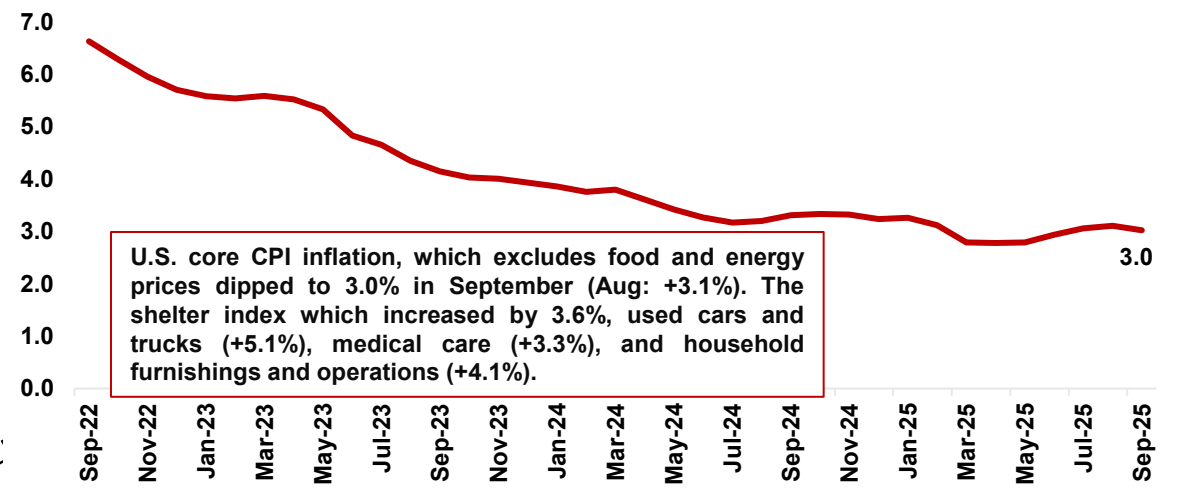


U.S. WEEKLY HIGHLIGHT: SOFTER THAN-EXPECTED U.S. CPI PAVES THE WAY FOR FURTHER RATE CUTS

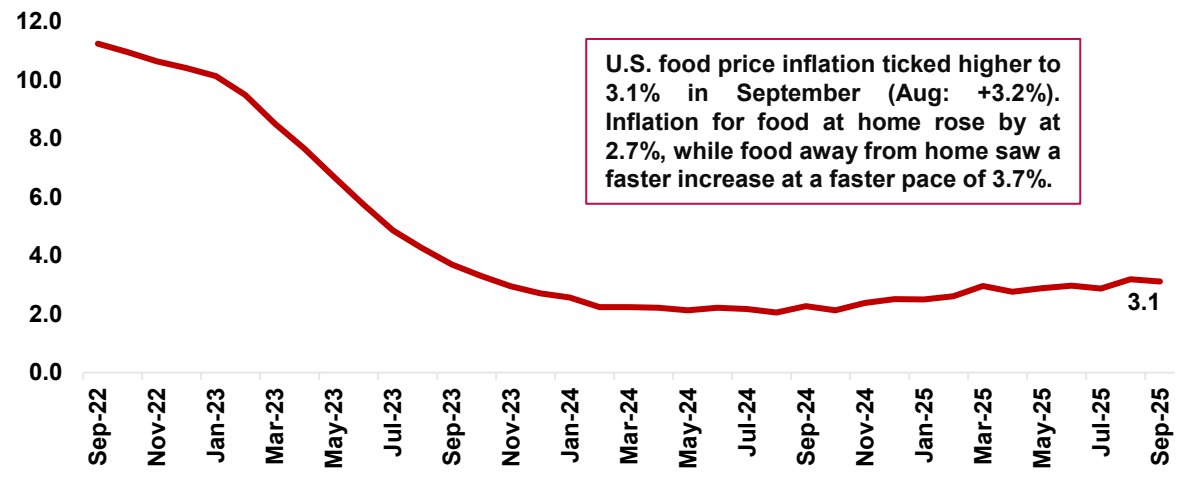
U.S. CPI, y-o-y%



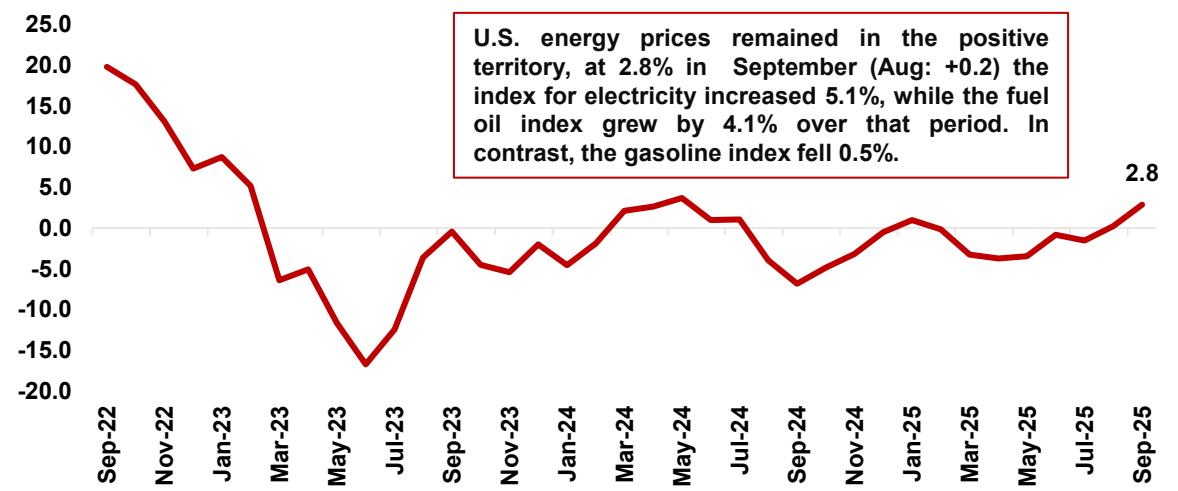
U.S. CPI (All Items less Food and Energy), y-o-y%



U.S. CPI (Food), y-o-y%

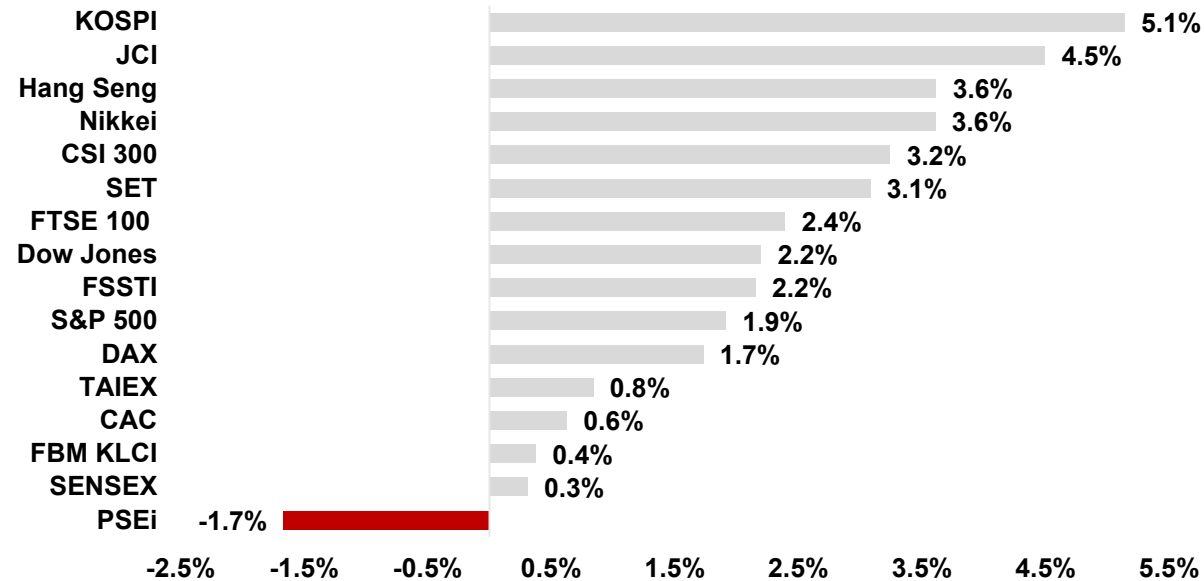


U.S. CPI (Energy), y-o-y%

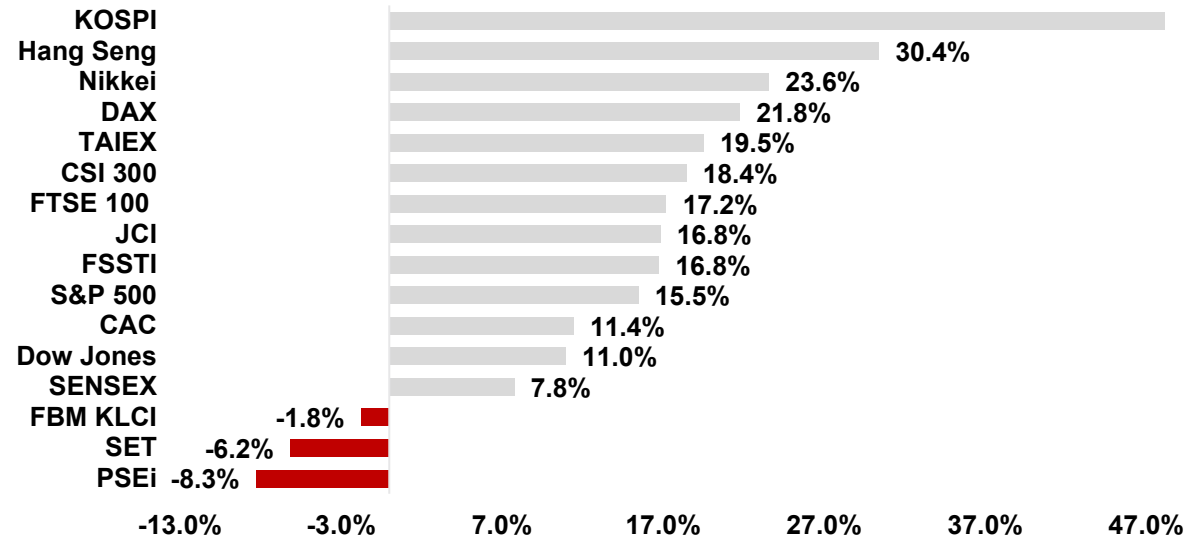


REGIONAL EQUITY: GLOBAL EQUITIES RALLY AS U.S. INFLATION REAFFIRMS FED EASING PATHS

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



YTD Gain/Loss of Major Equity Markets, %
(As of 24 October 2025)



Sources: Bursa, CEIC Data

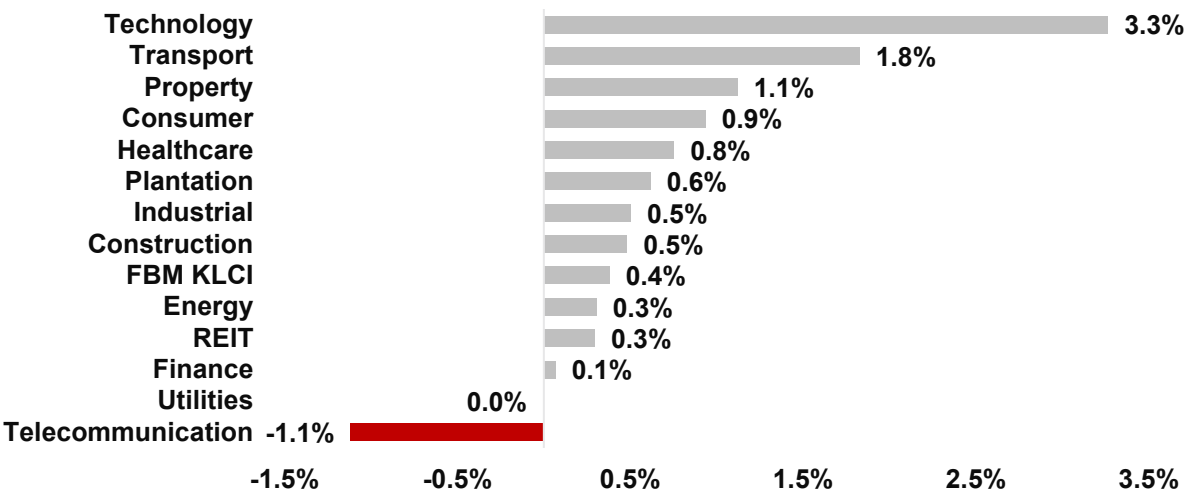
- Global equity markets ended broadly higher for the week ending October 24, with South Korea's KOSPI emerging as the top performer, surging 5.1%. The rally was driven by strong gains in major technology and financial stocks, pushing the index to new highs. Investor sentiment was further buoyed by optimism over potential progress in U.S.–China trade relations, ahead of Vice Premier He Lifeng's meetings with U.S. officials on the sidelines of the ASEAN summit in Malaysia.
- U.S. stocks – Dow Jones (+2.2%) and S&P 500 (+1.9%) surged as investors flocked to risk assets after a surprisingly mild inflation report increased the likelihood that the Federal Reserve (Fed) will cut interest rates later this year.
- In contrast, Philippines' PSEi was the only loser, shrinking by 1.7% for the week ending October 24.

DOMESTIC EQUITY: LOCAL MARKET CLOSED IN A SEA OF GREEN

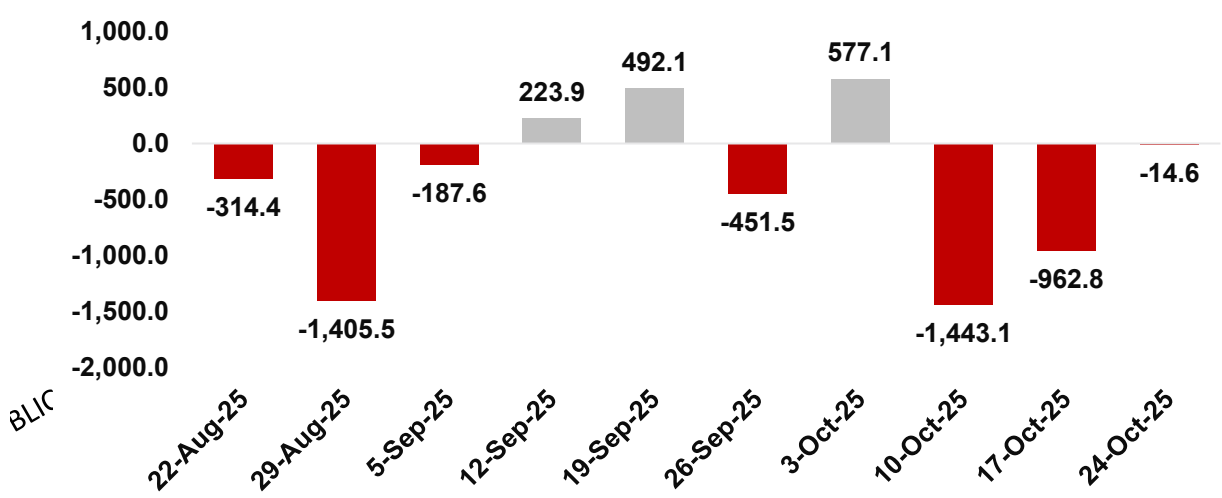
AHEAD OF THE 47TH ASEAN SUMMIT

BANK ISLAM

Weekly Bursa Sectoral Performance, w-o-w%



Weekly Foreign Fund Net Inflows/Outflows, RM Million

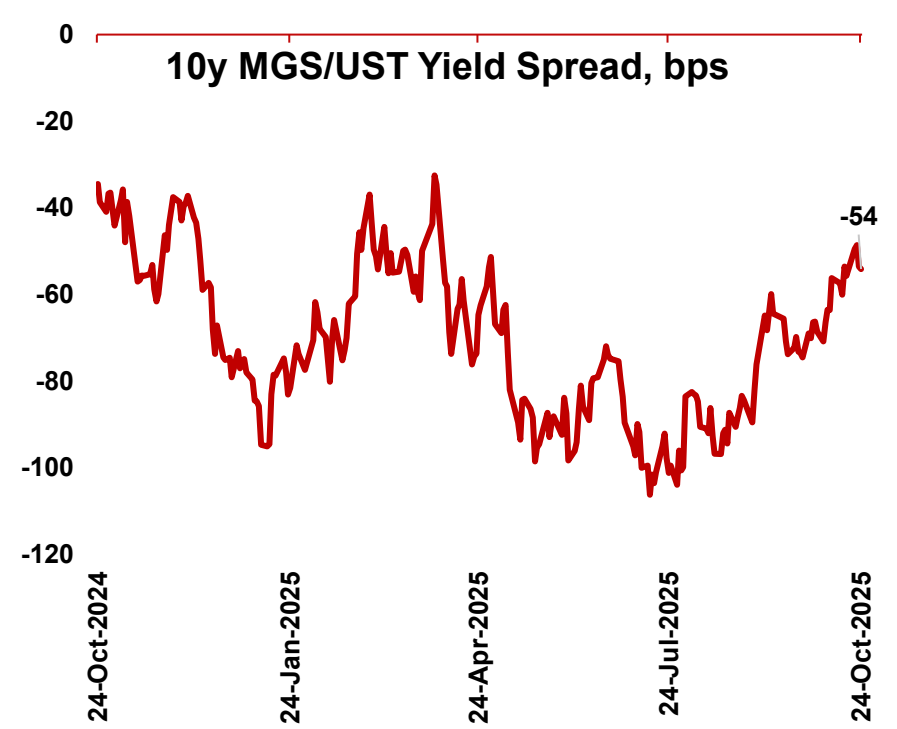
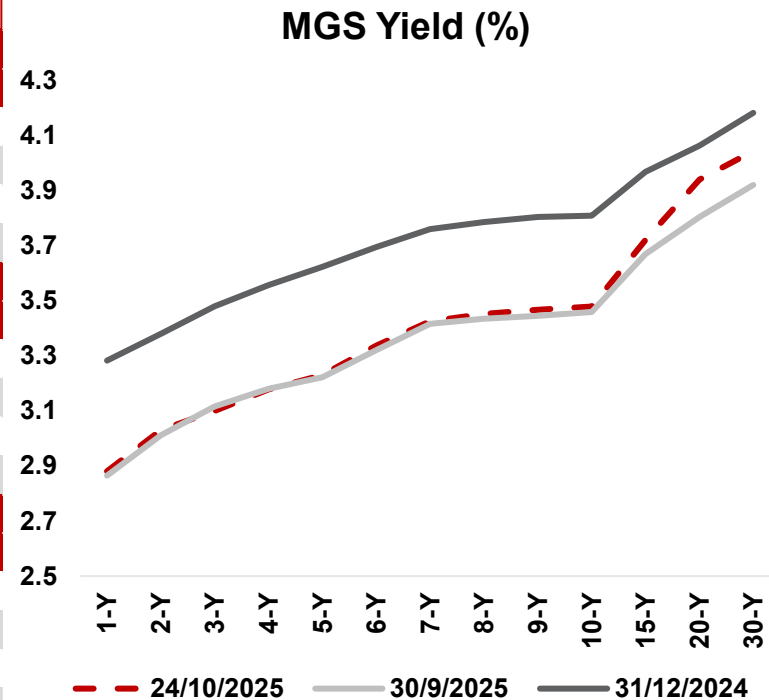


Sources: Bursa, CEIC Data

- The FBM KLCI climbed by 0.4% w-o-w for the week ending October 24, supported by optimism ahead of the 47th ASEAN Summit and Related Summits in Kuala Lumpur on the 26th to 28th October.
- The Summit will gather leaders from ASEAN member states and other notable countries, including U.S. President Donald Trump, Canadian Prime Minister Mark Carney, South Korean President Lee Jae-myung and Japanese Prime Minister Sanae Takaichi, raising hopes for renewed dialogues on trade relations and regional partnerships.
- The local market displayed a wide array of positive performance with the Technology index topping the gainers, surging by 3.3% w-o-w amid broader upbeat sentiments surrounding the global technology upcycle. This is followed by the Transport and Property indices, rising by 1.8% and 1.1%, respectively.
- Meanwhile, the Telecommunications index emerged as the only loser, slipping by 1.1% w-o-w.
- Foreign investors remained as net sellers for the third straight week, shedding a total of RM14.6 million worth of equities. This had increased the cumulative net outflow thus far to RM18.8 billion.

FIXED INCOME: UST YIELDS EDGED UP, BUT SOFTER INFLATION BOLSTERS FED EASING EXPECTATIONS

Weekly Changes, basis points (bps)			
UST	Yields (%) 17-Oct-25	Yields (%) 24-Oct-25	Change (bps)
3-Y UST	3.47	3.49	2
5-Y UST	3.59	3.61	2
7-Y UST	3.78	3.79	1
10-Y UST	4.02	4.02	0
MGS	Yields (%) 17-Oct-25	Yields (%) 24-Oct-25	Change (bps)
3-Y MGS	3.07	3.10	3
5-Y MGS	3.21	3.23	2
7-Y MGS	3.40	3.43	3
10-Y MGS	3.46	3.48	2
GII	Yields (%) 17-Oct-25	Yields (%) 24-Oct-25	Change (bps)
3-Y GII	3.09	3.11	2
5-Y GII	3.21	3.24	3
7-Y GII	3.33	3.36	4
10-Y GII	3.47	3.49	2



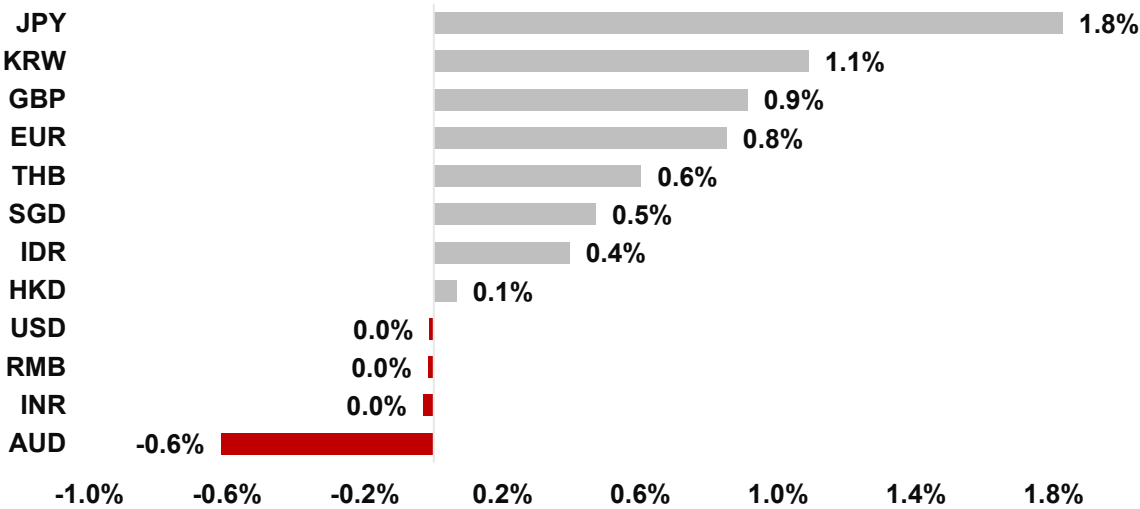
Sources: BNM, Federal Reserve Board

- The U.S. Treasury (UST) yields ended marginally higher in the range of 1bp and 2bps for the week ending October 24. Nevertheless, a softer-than-expected inflation report confirmed market expectations for another Fed rate cut this year. The data, amplified in importance as it was the first U.S. government release since the shutdown's onset, showed both headline and core inflation rising less than anticipated. This strengthened the case for the Fed to deliver a 25bp cut in October's meeting. The government shutdown and signs of bad loans at local banks further clouded the growth outlook in the U.S.
- Meanwhile, Malaysian Government Securities (MGS) and Government Investment Issues (GII) yields also rose by between 2bps and 4bps.
- The 10y MGS/UST yield spread narrowed slightly in the negative territory at 54bps relative to -56bps in the previous week.

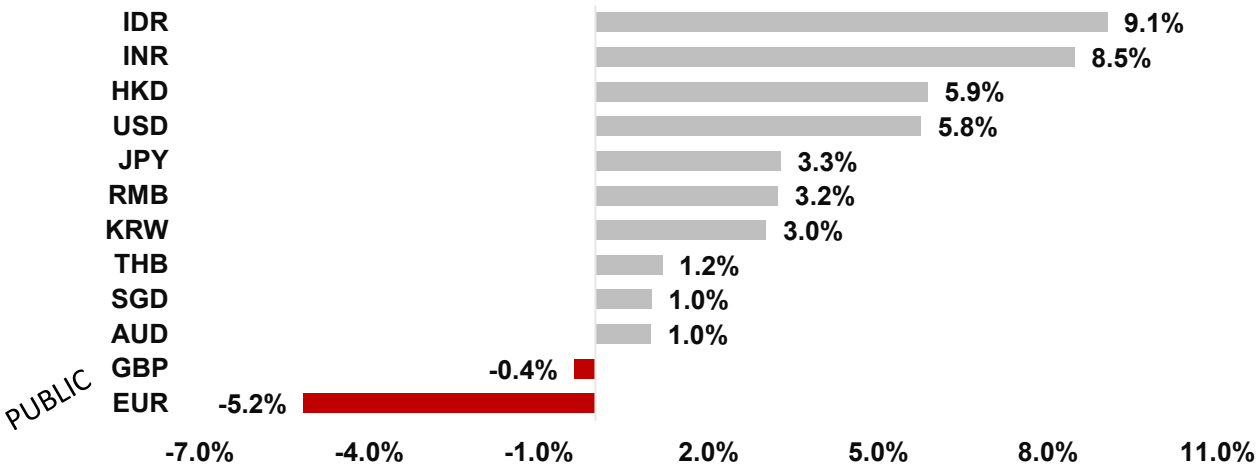
FX MARKET: RINGGIT TO TRADE CAUTIOUSLY AHEAD OF U.S. FEDERAL OPEN MARKET COMMITTEE (FOMC) MEETING



MYR Against Regional Currencies, w-o-w%



MYR Against Regional Currencies, YTD%
(As of 24 October 2025)

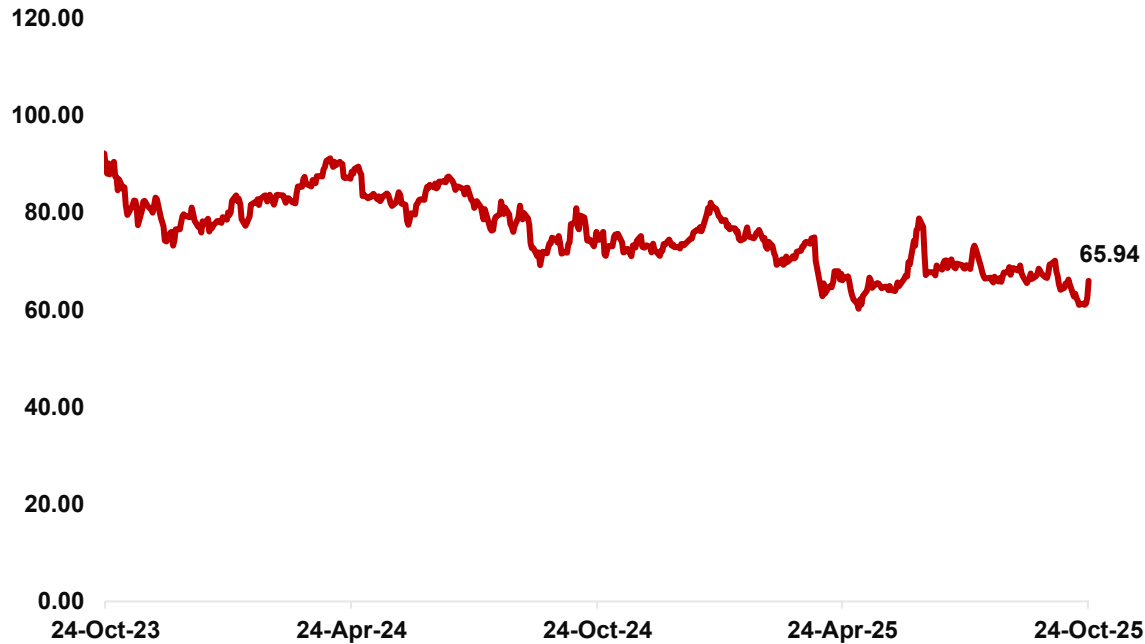


Sources: BNM, Federal Reserve Board (Fed), CEIC Data

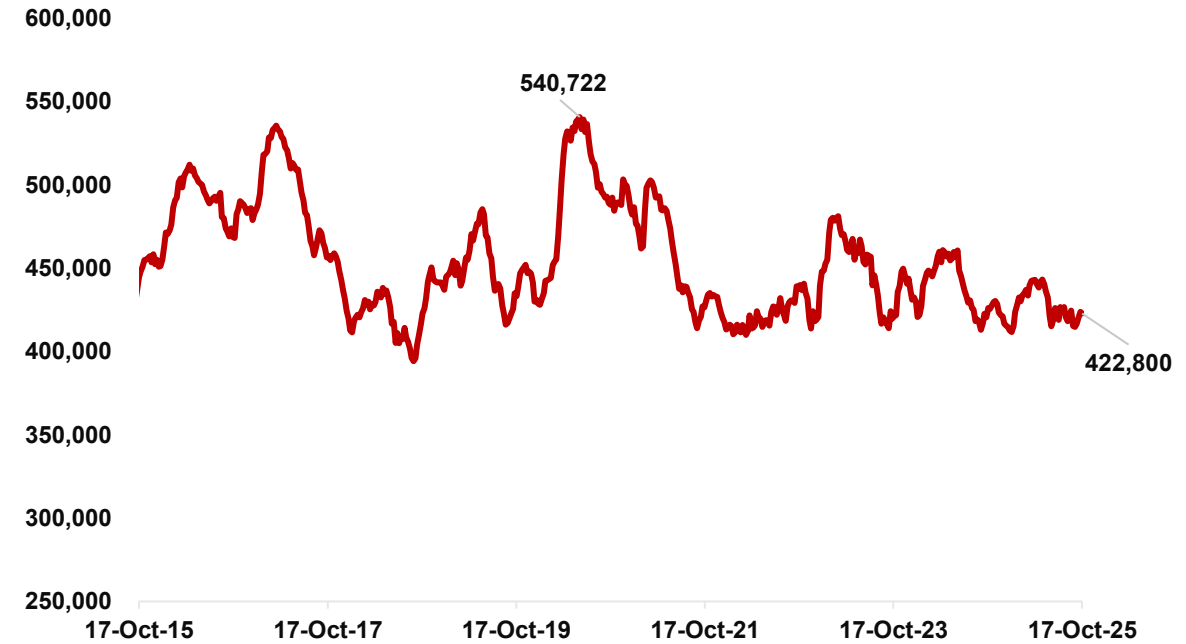
- The Ringgit remained flat against the USD for the week ending October 24 despite the USD index climbing by 0.4%, supported by solid domestic fundamentals.
- Meanwhile, the strength of the USD was driven by increased safe haven demand amid prolonged trade uncertainties as Trump announced that his administration will end “all trade negotiations” with Canada following the publication of an inflammatory Canadian ad against Trump’s trade agenda. Furthermore, reports added that Trump’s decision reflected the administration’s frustration with Canada’s strategy in their bilateral trade negotiations, suggesting that tensions are simmering underneath the surface.
- Additionally, U.S. Trade Representative Jamieson Greer announced a probe into China’s compliance with a 2020 limited trade agreement on Friday, hinting at possible repercussions and opening up room for an escalation of the U.S.-China trade conflict.
- On the flip side, the USD had pared back some gains with markets almost fully pricing in the probability of a 25 bp Fed rate cut this week following inflation data release, notwithstanding the government shutdown. Latest figures showed that headline inflation increased by 3.0% y-o-y in September from 2.9% in August (Est: 3.1%) while core inflation slipped to 3.0% compared to 3.1% recorded in the previous two months, signaling that the impact of tariffs on price pressures may be less severe than expected.

COMMODITY: BRENT CRUDE OIL HEADS FOR BIGGEST WEEKLY JUMP IN MONTHS AS SUPPLY FEARS RISE

Brent Crude in USD per barrel



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



Sources: Bloomberg, Energy Information Administration (EIA)

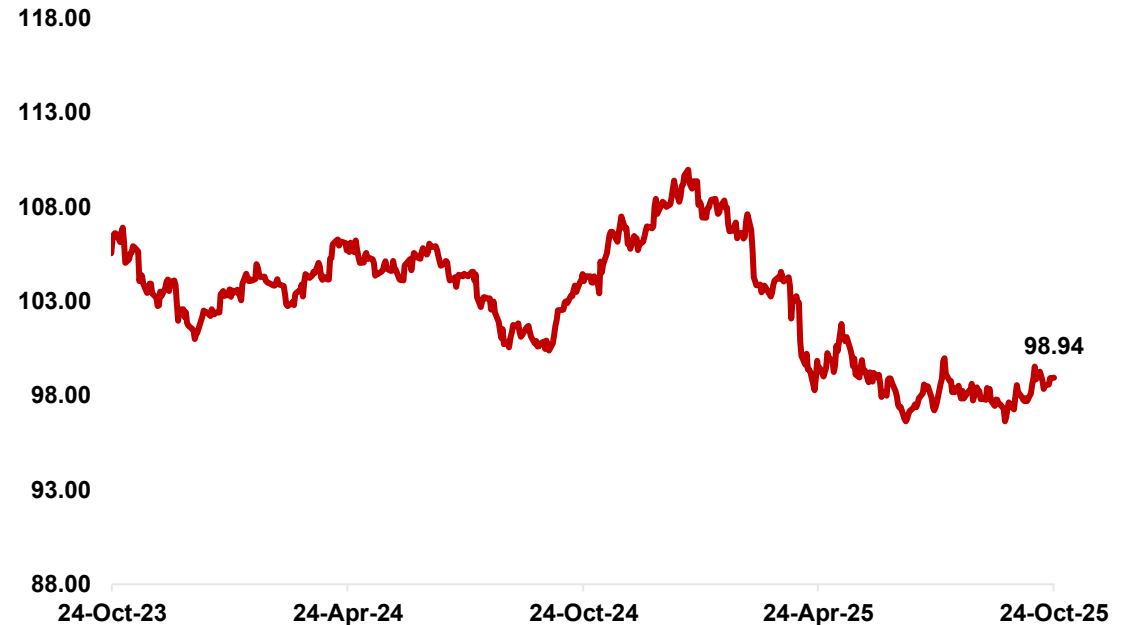
- Brent oil prices increased sharply by 7.6% w-o-w to settle at USD 65.94 per barrel on October 24th, the highest weekly gain since mid-June. The rally was mainly driven by supply-shock fears by U.S. sanctions on Russia's two biggest oil producers, Rosneft and Lukoil, which account for more than 5.0% of global oil production.
- Additionally, China's state-owned firms suspending Russian crude purchases and India potentially scaling back imports have tightened near-term supply.
- U.S. weekly crude inventories declined by 1.0 million barrels to 422.8 million barrels for the week ending October 17.

COMMODITY: GOLD PRICE ON TRACK FOR WEEKLY LOSS AMID GOLD FATIGUE

Gold in USD per ounce



U.S. Dollar Index (DXY)



Sources: Bloomberg, CEIC Data

- The bullion price marked a fresh all-time high of USD4,356.30 last Monday before retreating for the remainder of the week, plummeting by 3.4% on a weekly basis. The downtrend was underpinned by rising gold fatigue and rapid profit-taking activities given the remarkable demand pushing the bullion to new highs in the past months.
- As a result, gold prices struggled to gain traction despite escalating global trade uncertainties and growing expectations of a quarter-point rate cut at this week's FOMC meeting. Of note, U.S. headline inflation rose by 3.0% y-o-y in September (August: 2.9%), missing consensus estimates of 3.1%. More notably, core inflation had edged down to 3.0% compared to 3.1% recorded in the previous two months, solidifying the case for further policy easing.

WHAT TO LOOK OUT FOR IN THE MARKETS THIS WEEK

- Global markets are closely watching the upcoming high-level meeting between U.S. and Chinese officials this week, as investors gauge the prospects for easing trade tensions and geopolitical frictions. Market participants are hoping for signs of renewed cooperation, particularly in areas related to technology and trade. The outcome could significantly influence investor sentiment, especially if both sides signal commitments to reduce tariffs, ease supply chain constraints, or rebuild business confidence. Sectors such as semiconductors, electric vehicles, and agriculture are likely to respond swiftly to any positive developments. Beyond immediate trade implications, investors are also attentive to how the discussions fit within broader strategic priorities, namely China's drive for technological self-reliance and the U.S. push to strengthen its industrial base. Additionally, attention will be on potential signals of deeper cooperation between ASEAN and key partners, including China, the U.S., and Japan.
- All eyes will be on the Federal Reserve this week as markets await its interest rate decision, with widespread expectations that the FOMC will deliver a 25bps cut while maintaining a broadly balanced tone in its policy statement. Chair Jerome Powell's post-meeting remarks are anticipated to echo his October 14 comments, acknowledging progress toward policy normalization but stressing a cautious stance amid the twin challenges of slowing economic growth and lingering inflation risks. Market expectations are firmly aligned with this view, as the CME FedWatch Tool assigns a 98.3% probability of a 25bps reduction at the upcoming October meeting, which would lower the policy rate to the 3.75–4.00% range. In the aftermath of the decision, bond yields could ease further as markets price in the start of an easing cycle, while the USD may weaken modestly on a dovish tone. Equities, particularly rate-sensitive sectors such as technology and real estate, could extend gains if the Fed signals confidence in a soft-landing scenario without reigniting inflation concerns.
- The Bank of Japan (BOJ) is expected to keep its benchmark interest rate unchanged at 0.5% during this week's policy meeting. While inflation has stayed above the BOJ's 2% target, the central bank remains cautious, focusing on whether wage growth and domestic demand can support a more sustainable inflation path. Markets are not pricing in an immediate rate hike, but investors will pay close attention to the BOJ's tone, especially any hints about adjustments to its bond purchase programme or future tightening. With external risks like U.S. tariffs and slowing global growth weighing on Japan's export outlook, the BOJ may prefer to stay patient. Any unexpected hawkish signal could lift the yen and push Japanese government bond yields higher. However, a neutral or dovish message may keep the yen under pressure. Investors are also watching for commentary on inflation expectations and the timeline for normalising policy. While no major move is expected, the meeting could shape expectations for early 2026.

BANK ISLAM

THANK YOU