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WEEKLY ECONOMIC UPDATE

28 APRIL 2025

ECONOMIC RESEARCH

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WEEKLY HIGHLIGHT: MALAYSIA'S HEADLINE INFLATION HITS 4-YEAR LOW

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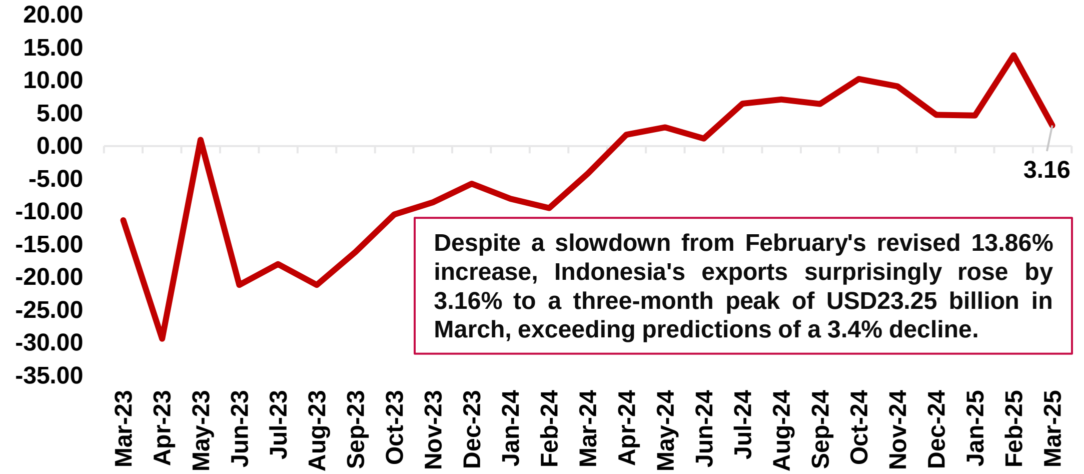
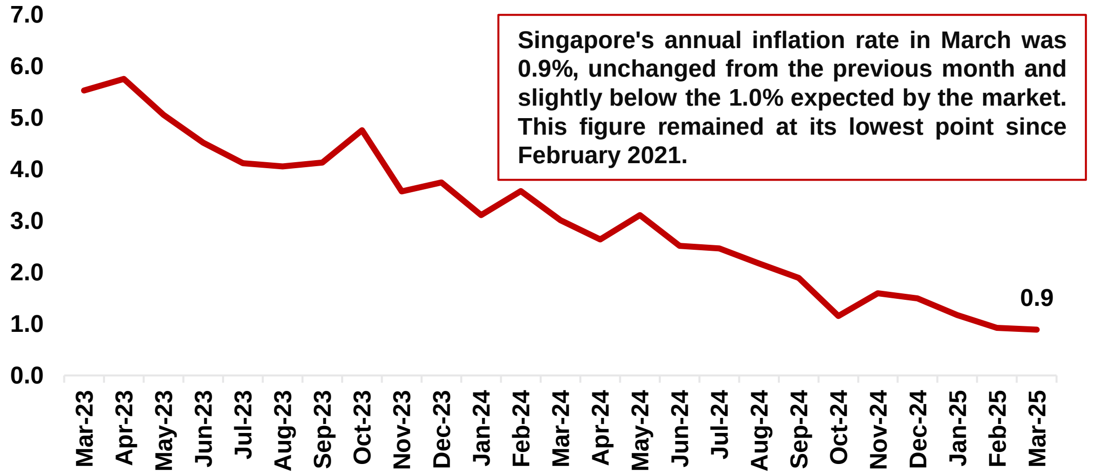
GLOBAL

Indonesia - Exports, y-o-y%

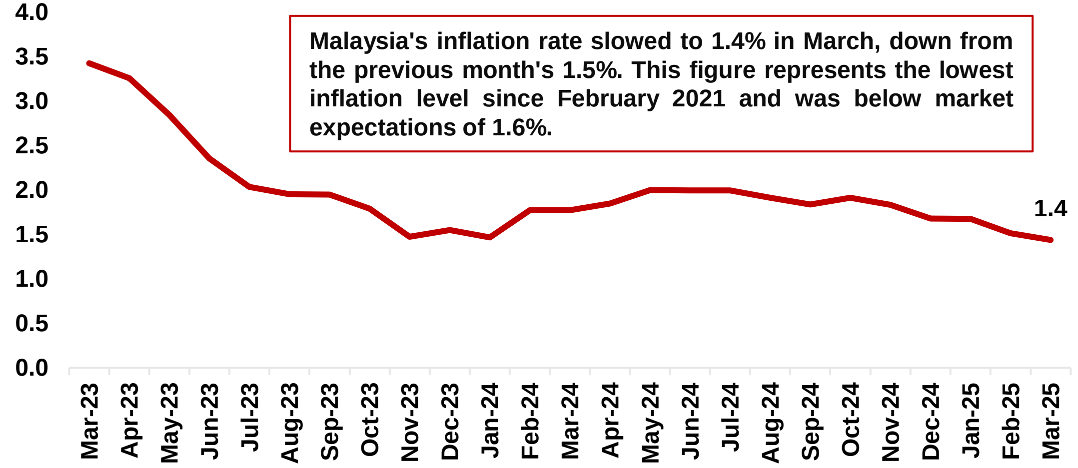


Singapore - Consumer Price Index (CPI), y-o-y%

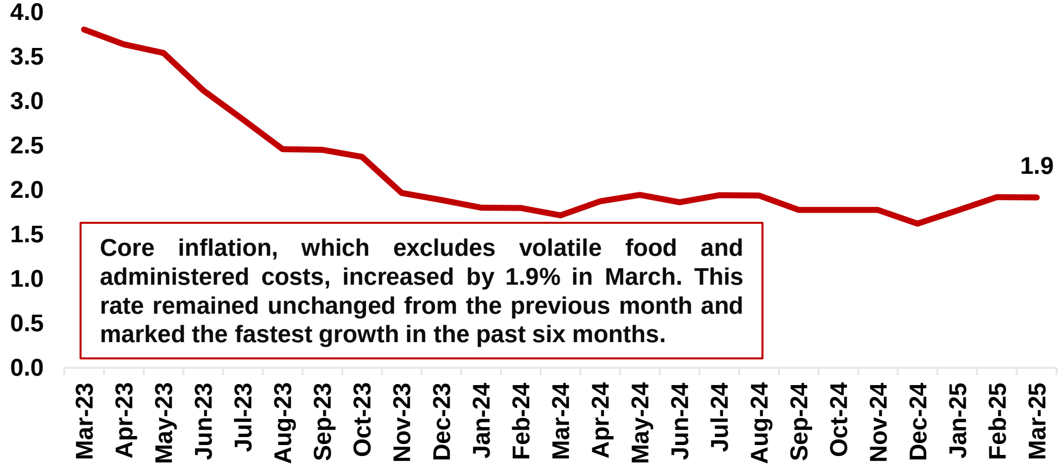


DOMESTIC

Malaysia - Headline CPI, y-o-y%

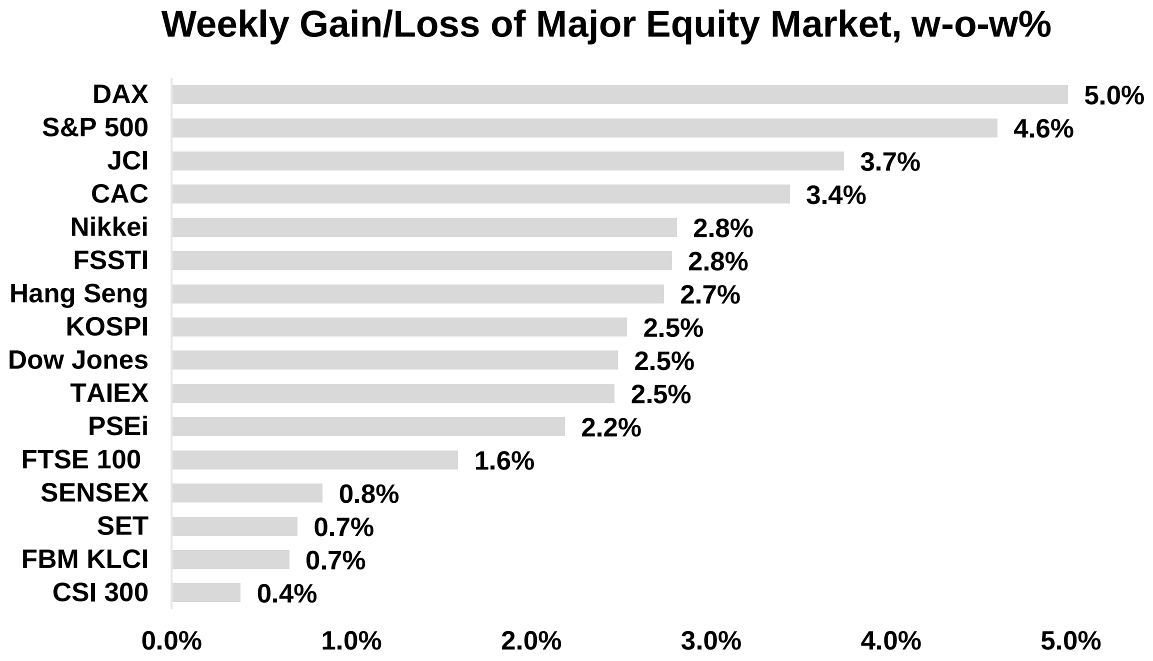


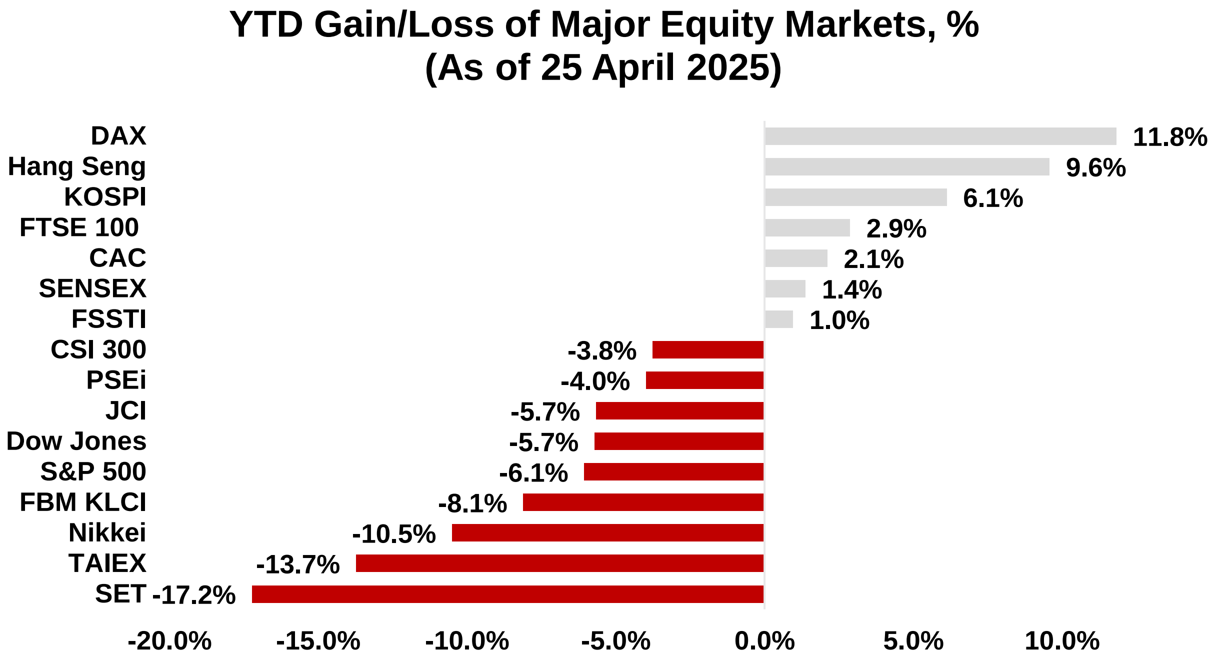
Malaysia - Core CPI, y-o-y%



Sources: Statistics Indonesia, Singapore Department of Statistics , Department of Statistics Malaysia (DOSM)

REGIONAL EQUITY: GAINS ACROSS REGIONS DESPITE TARIFF TALKS AND NEGOTIATION DISPUTES





Sources: Bursa, CEIC Data

- The regional stocks market was in the green sea last week (for the week ending April 25). Germany's DAX was the major gainer, closing higher by 5.0% where the European markets were lifted by strong company earnings reports.
- U.S. stocks – S&P 500 (+4.6%) and Dow Jones (+2.5%) climbed as Big Tech companies showed strong performance, driving the market higher. However, trade remained a key focus as President Trump discussed the possibility of significantly higher tariffs. His comment that 50% tariffs would be a "total victory" introduced more uncertainty. Meanwhile, China contradicted reports of ongoing trade negotiations, which countered the positive sentiment from their announcement to exclude certain US products from tariffs.
- China is considering eliminating its 125% tariff on specific US products, which has fueled optimism for a reduction in trade tensions. Furthermore, People's Bank of China Governor Pan Gongsheng stated that the central bank intends to maintain a "moderately accommodative" monetary policy to provide economic support. He also cautioned about the potential worldwide economic damage that tariffs could cause.

DOMESTIC EQUITY: THE FBM KLCI MARKED A RETURN ABOVE THE 1,500 LEVEL

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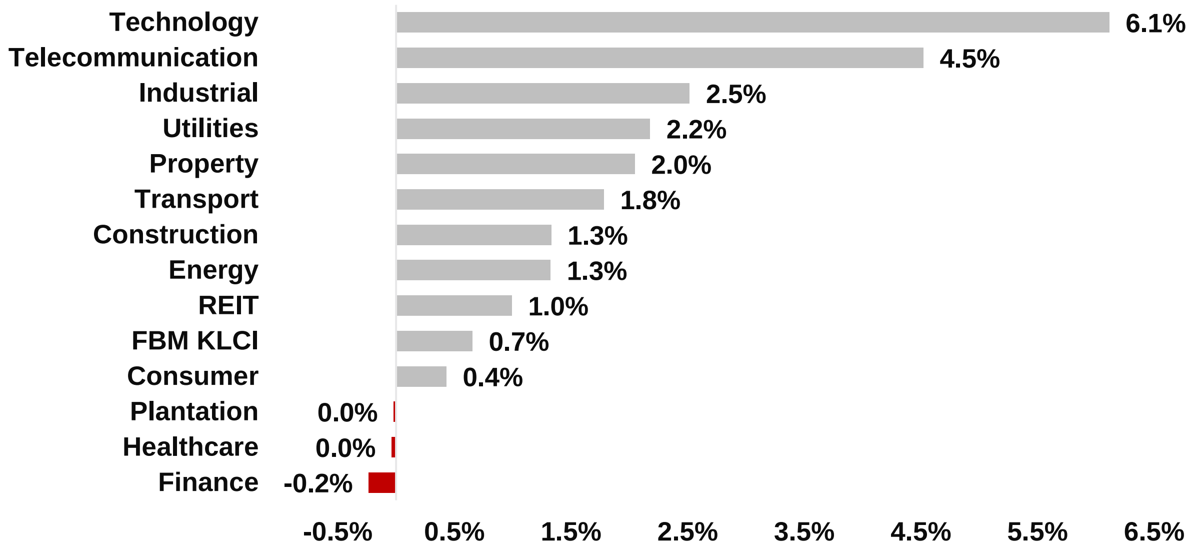
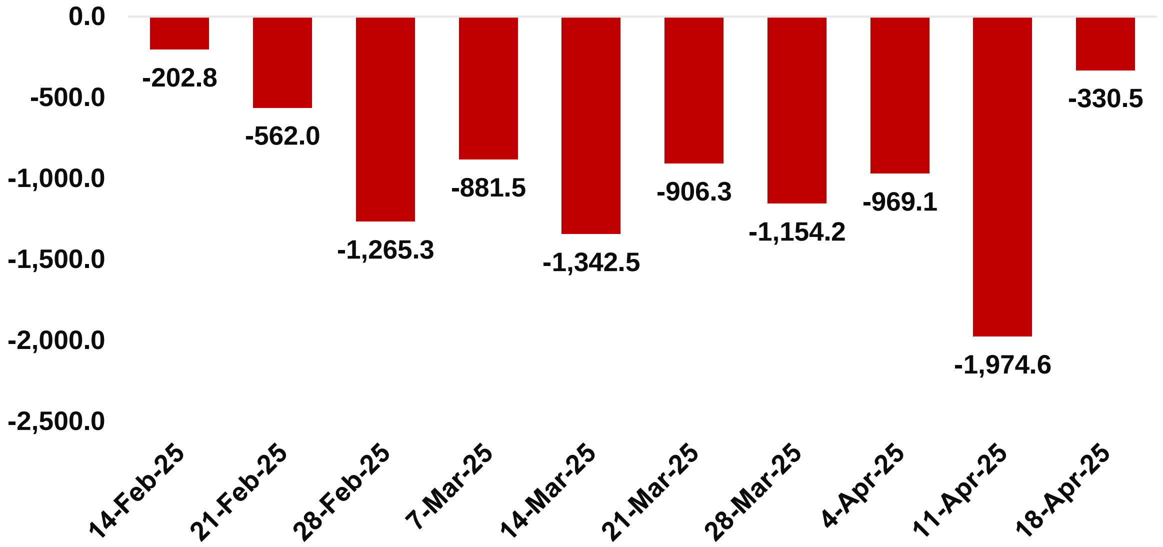
Weekly Bursa Sectoral Performance, w-o-w%



Weekly Foreign Fund Net Inflows/Outflows, RM Million



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Sources: Bursa, CEIC Data

- The FBM KLCI sustained its recovery momentum, rising by 0.7% w-o-w for the week ending April 25 amid an influx of foreign investors.
- Investor sentiments remained optimistic on the Malaysian economic outlook following China's President Xi visit last week, further supported by latest figures pointing to a favourable disinflation trend, with headline inflation easing to 1.4% in March (February: 1.5%).
- Most Bursa indices ended in the green, with the Technology index soaring by 6.1% as rosier prospects for the sector amid cooperation talks with China buoyed buying interest. This was followed by the Telecommunication (+4.5%) and Industrial (+2.5%) indices.
- Meanwhile, the Finance index slipped by 0.2% on a weekly basis, whereas the Healthcare and Plantation indices showed marginal declines.
- Foreign investors flocked back into the local market following twenty-six straight weeks of net outflow since October 2024, acquiring a total of RM332.3 million worth of equities. This reduced the cumulative net outflow thus far to RM12.9 billion.

FIXED INCOME: LOWER YIELDS AMID TRADE AND RATE CUT HOPES

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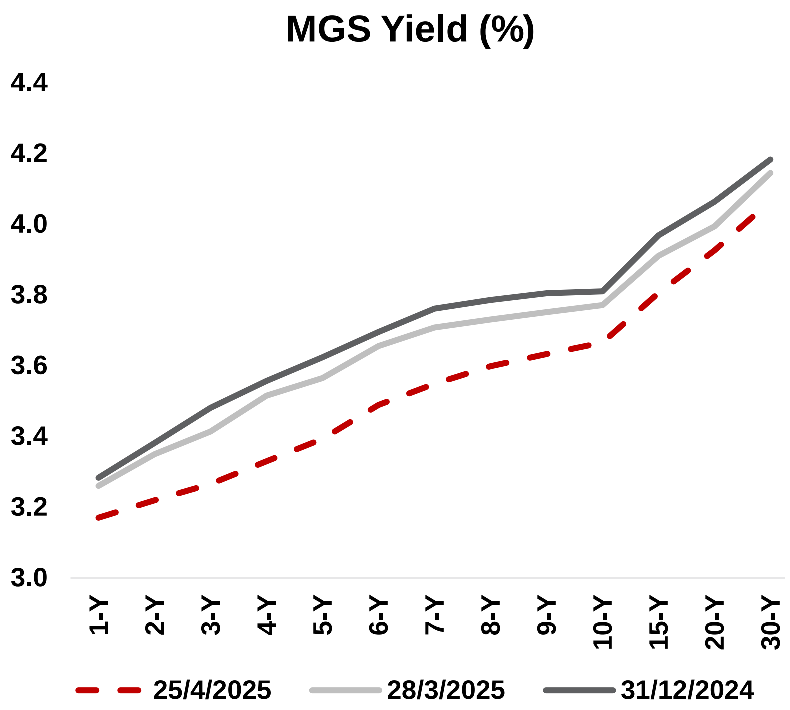
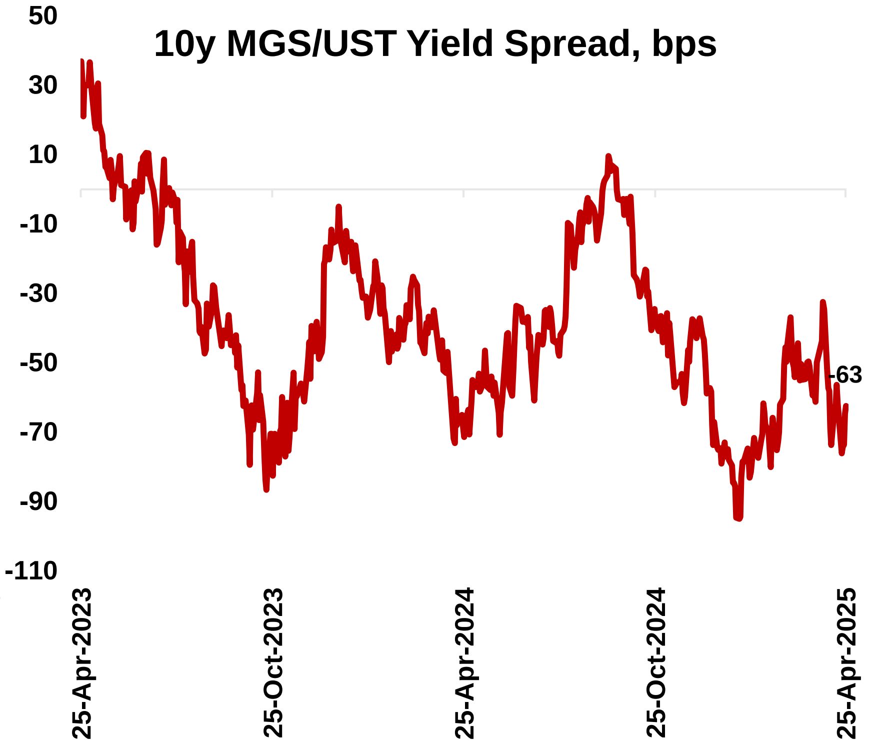
Weekly Changes, basis points (bps)

UST	Yields (%) 17-Apr-25	Yields (%) 25-Apr-25	Change (bps)
3-Y UST	3.82	3.76	-6
5-Y UST	3.95	3.88	-7
7-Y UST	4.13	4.06	-7
10-Y UST	4.34	4.29	-5
MGS	**Yields (%) 18-Apr-25**	**Yields (%) 25-Apr-25**	**Change (bps)**
3-Y MGS	3.38	3.27	-11
5-Y MGS	3.46	3.39	-7
7-Y MGS	3.62	3.55	-7
10-Y MGS	3.71	3.67	-4
GII	**Yields (%) 18-Apr-25**	**Yields (%) 25-Apr-25**	**Change (bps)**
3-Y GII	3.37	3.29	-8
5-Y GII	3.51	3.43	-8
7-Y GII	3.61	3.54	-7
10-Y GII	3.70	3.68	-3

Sources: BNM, Federal Reserve Board





- The U.S. Treasury (UST) yields trended lower in the range of 5bps and 7bps last week (for the week ending April 25). Traders kept a close watch on the evolving trade war, holding onto hopes for a potential easing of tensions. News reports indicated China might suspend its 125% tariff on some US goods, although Chinese officials denied any active tariff negotiations. Simultaneously, President Trump reaffirmed that his administration was engaged in discussions with Beijing.
- Adding to market dynamics, the increasing anticipation of earlier interest rate cuts by the Federal Reserve offered further support to bond markets. Currently, market expectations include a 25bp rate cut in June, with a total of three cuts anticipated by the end of the year.
- Additionally, Malaysian Government Securities (MGS) and Government Investment Issues (GII) yields edged down by 3bps and 11bps, tracking the movement of UST yields.
- The 10y MGS/UST yield spread expanded in the negative territory at 63bps relative to -61bps in the previous week.

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FX MARKET: RINGGIT OUTPERFORMED ITS REGIONAL PEERS AMID FAVOURABLE ECONOMIC UPDATES

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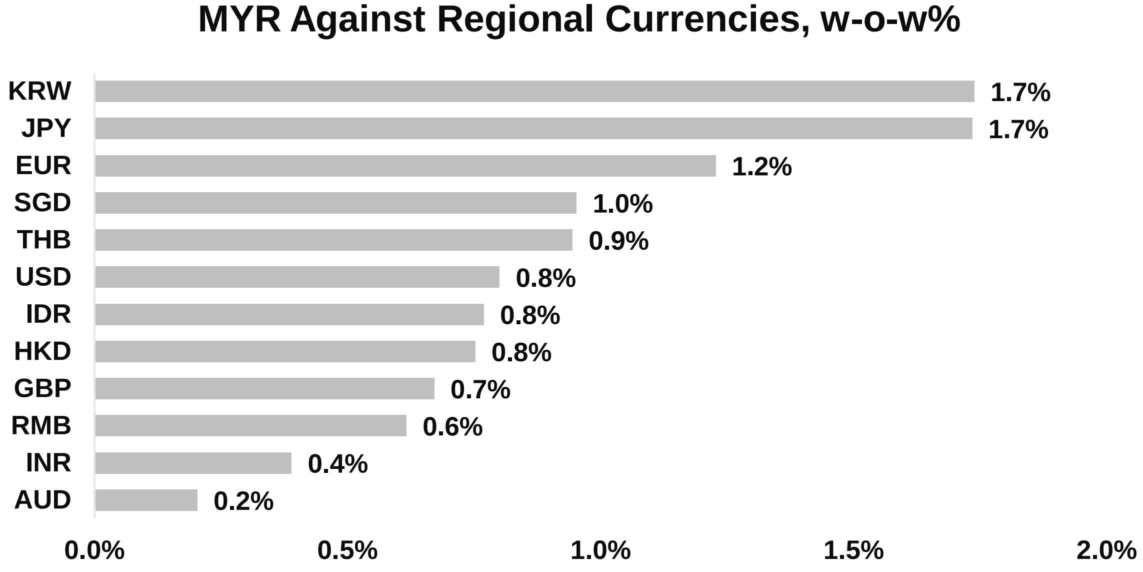

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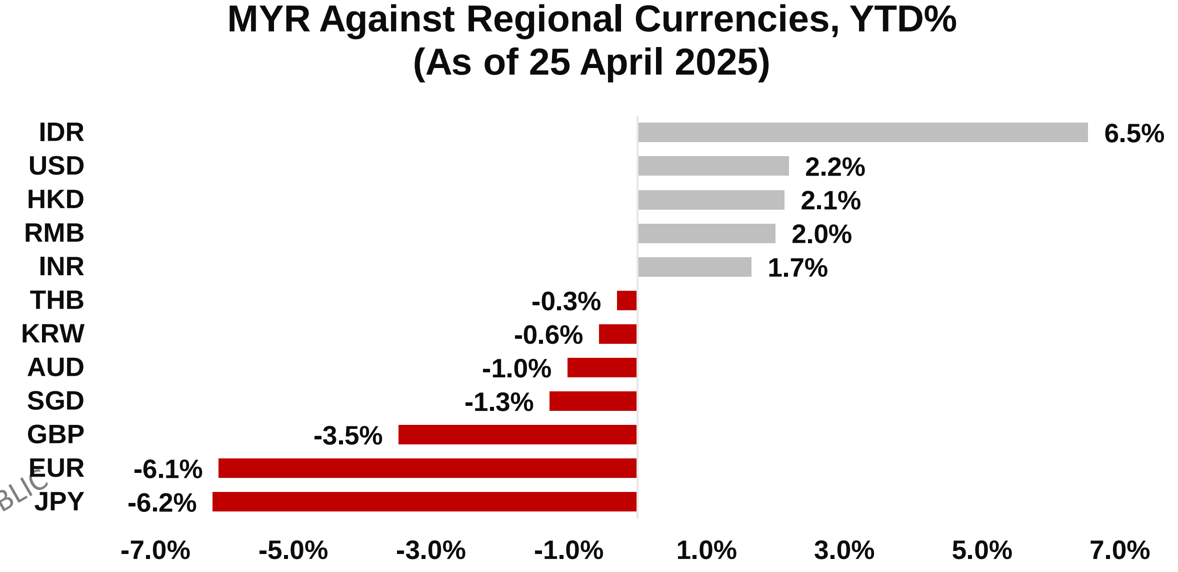

Sources: BNM, U.S. Bureau of Labor Statistics (BLS), CEIC Data

- The Ringgit strengthened by 0.8% w-o-w against the USD for the week ending April 25, marking its strongest level in three months (25th April: RM4.37 vs. 18th April: RM4.41). The sustained uptrend was underpinned by the Malaysia’s positive growth outlook in anticipation of stronger economic cooperation with China following the signing of 31 MoUs covering trade, technology and transportation.
- Furthermore, the Ministry of Investment, Trade and Industry Ministry (MITI) initiated negotiation talks regarding U.S.’ reciprocal tariffs on Malaysia. MITI’s minister, Tengku Datuk Seri Zafrul, led a delegation to engage with relevant U.S.’ officials in Washington last Thursday.
- Such developments buoyed the Ringgit despite the International Monetary Fund (IMF) downgrading Malaysia’s growth forecast to 4.1% from 4.7% previously, as stated in its April report titled ‘A Critical Juncture amid Policy Shifts’. The downgrade reflected a broader economic slowdown amid the tumultuous global trade landscape.
- Meanwhile, the dollar index rose by 0.2% w-o-w, regaining ground following cautiously improving sentiments after China granted exemptions from its 125% retaliatory tariffs on some U.S. imports, while U.S. President Trump rolled back his earlier threat of ousting Fed Chair Powell.

COMMODITY: OIL PRICE REBOUNDS SLIGHTLY, BUT LOGS WEEKLY LOSS ON SUPPLY PRESSURE, TRADE UNCERTAINTY

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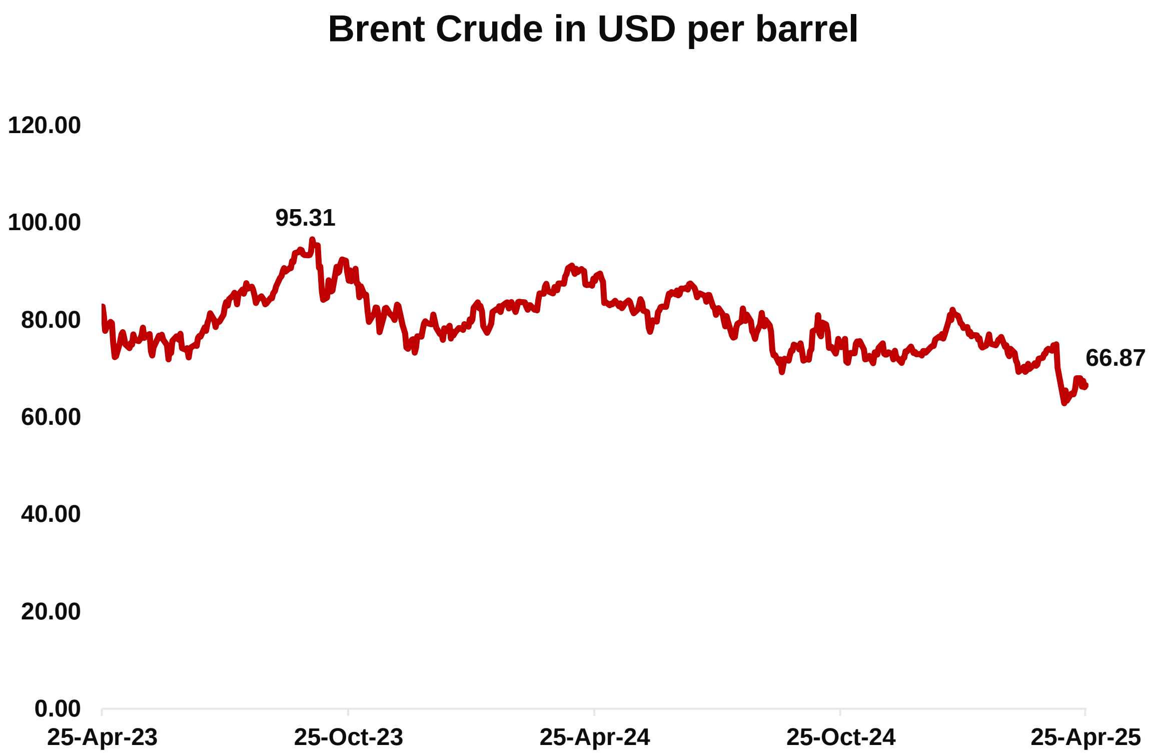

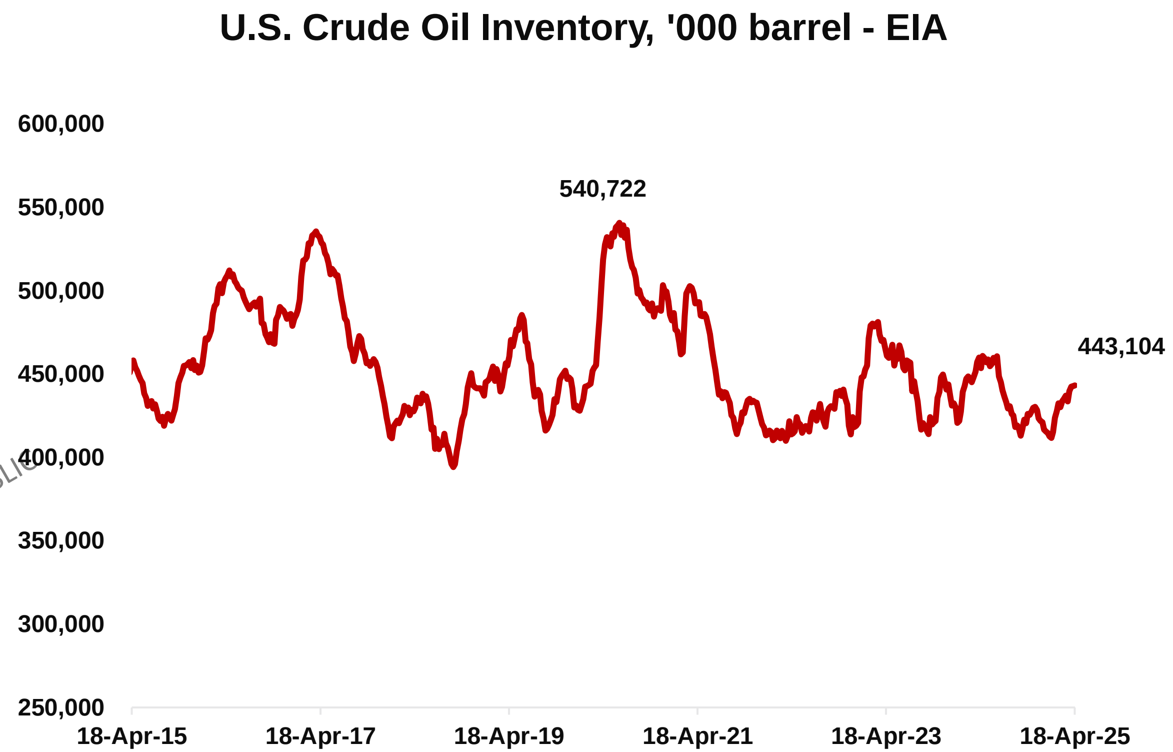

Sources: Bloomberg, Energy Information Administration (EIA)

- Global oil prices edged higher in Friday's session (April 25), gaining 32 cent to close at USD 66.87 per barrel but posted weekly losses, declining more than 1.0% w-o-w as market sentiment remained weighed down by rising inventories and ongoing U.S.-China trade disputes. The price recovery on Friday failed to offset earlier losses triggered by bearish supply indicators. Meanwhile, the lack of progress in U.S.-China tariff negotiations continues to cloud the demand outlook.
- U.S. crude oil stockpiles rose modestly by 0.2 million barrels, reaching a total of 443.1 million barrels for the week ending April 18.

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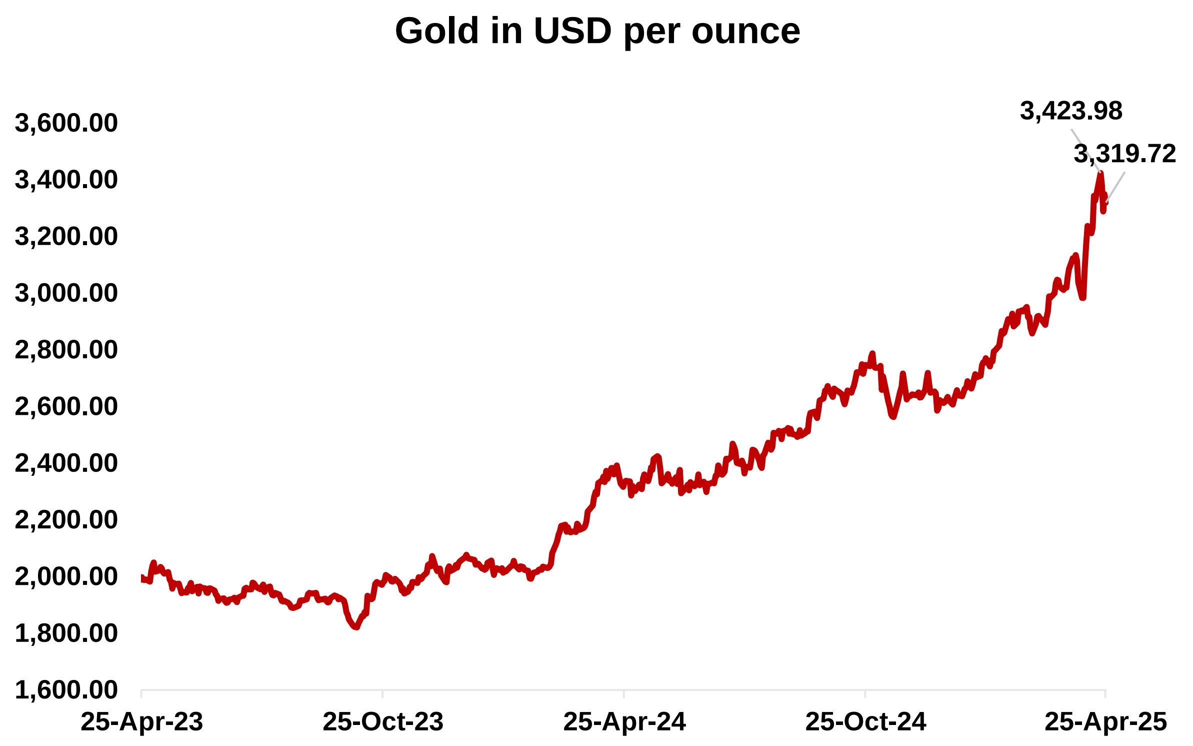
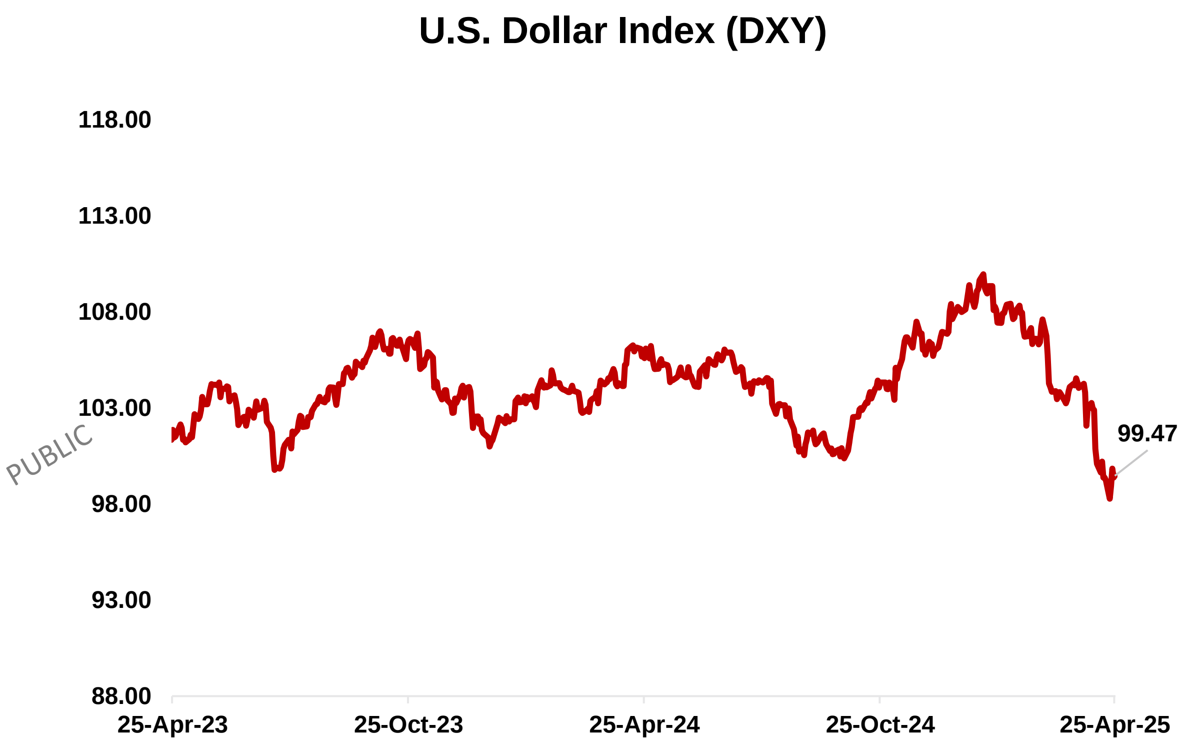
COMMODITY: GOLD PRICE MARKED A RECORD HIGH OF USD3,423.98 PER OUNCE ON MONDAY





Sources: Bloomberg, CEIC Data

- The bullion price recorded a fresh high of USD3,423.98 at the beginning of the week before slipping due to easing global trade tensions, declining by 0.2% w-o-w.
- Demand for the bullion slowed following President Trump's remarks that negotiations with China are underway in an interview, despite the latter denying the claims. Nevertheless, China had exempted some U.S. imports from its whopping 125% tariffs, sending a sigh of relief through the markets.

ECONOMIC RESEARCH

WHAT TO LOOK OUT FOR IN THE MARKETS THIS WEEK

- The spotlight for this week will be on growth data from Europe, with particular attention on how these figures might shape central bank policy in the coming months. The main event arrives on Wednesday, when Germany and the broader Eurozone release their preliminary 1Q2025 GDP estimates. Economists anticipate both will show modest 0.2% growth, reflecting continued but sluggish economic expansion. Should the actual figures disappoint and come in weaker, it could renew concerns about Europe's growth trajectory, potentially weighing on regional stock markets. The IMF recently revised downward its GDP growth forecast for the Eurozone to 0.8% for 2025 and 1.2% for 2026 - both 0.2 percentage points lower than earlier projections. Simultaneously, Germany will publish its April Harmonized Index of Consumer Prices (HICP), a critical inflation measure for the European Central Bank (ECB). Market reaction will hinge on whether price pressures appear to be easing as hoped. A higher inflation print could dampen expectations for imminent ECB rate cuts.

- In Japan, markets expect the Bank of Japan (BoJ) to keep interest rates unchanged at 0.5% as global trade risks and weak growth cloud the outlook. The central bank wants to raise rates to fight inflation, but new U.S. tariffs and slowing economic growth are making policymakers cautious. While prices are rising, the fear is that higher borrowing costs could hurt Japan's fragile recovery. The IMF recently cut Japan's 2025 growth forecast to just 0.6%, warning that trade tensions could weaken exports and business confidence. This puts the BoJ in a tough spot as it needs to control inflation but cannot afford to slow the economy too much. For now, investors believe rate hikes will be delayed until there is clearer evidence that inflation will stay elevated, and the economy can withstand tighter policy.

- Meanwhile, Thailand's central bank is likely to lower interest rates by 0.25% at its upcoming meeting, bringing the policy rate down to 1.75% as economic challenges mount. The move comes amid concerns over slowing growth, weaker tourism, and global trade tensions. The Bank of Thailand (BoT) faces increasing pressure to ease policy following recent shocks, including U.S. tariff policies that threatening export demand, lower tourist arrivals from key markets like China and South Korea, and March's earthquake, which disrupted economic activity. Inflation has also softened, staying below 1%, giving the BoT room to cut rates without sparking price surges.

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