



WEEKLY ECONOMIC UPDATE

28 JULY 2025

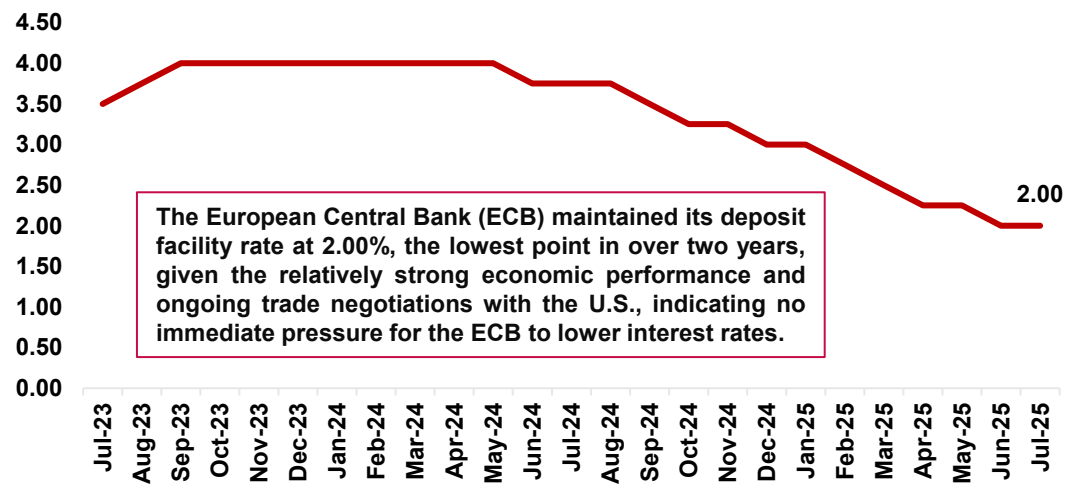
ECONOMIC RESEARCH

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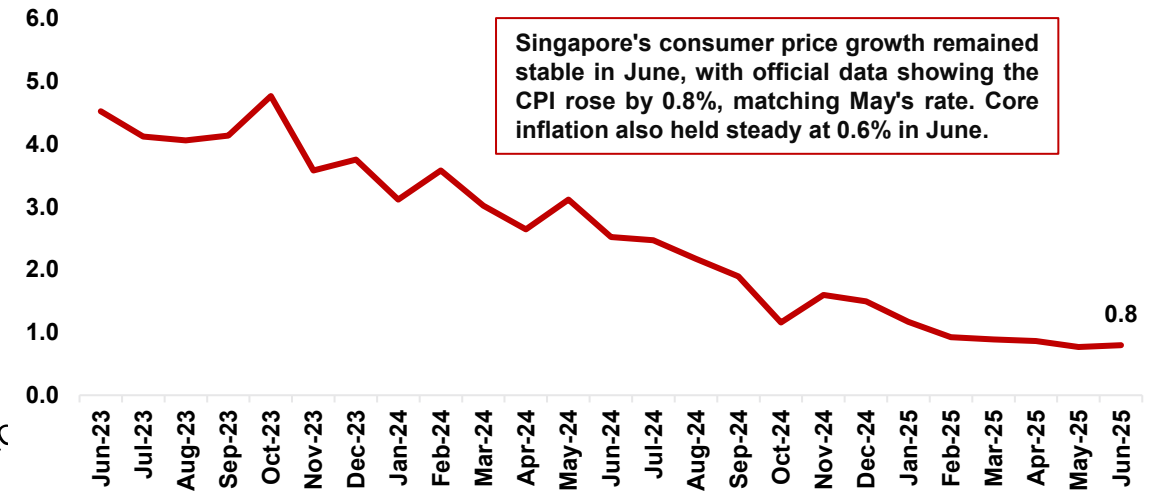
WEEKLY HIGHLIGHT: MALAYSIA'S INFLATION RATE EASED TO 1.1% IN JUNE

GLOBAL

E.U. - Deposit Facility Rate, %

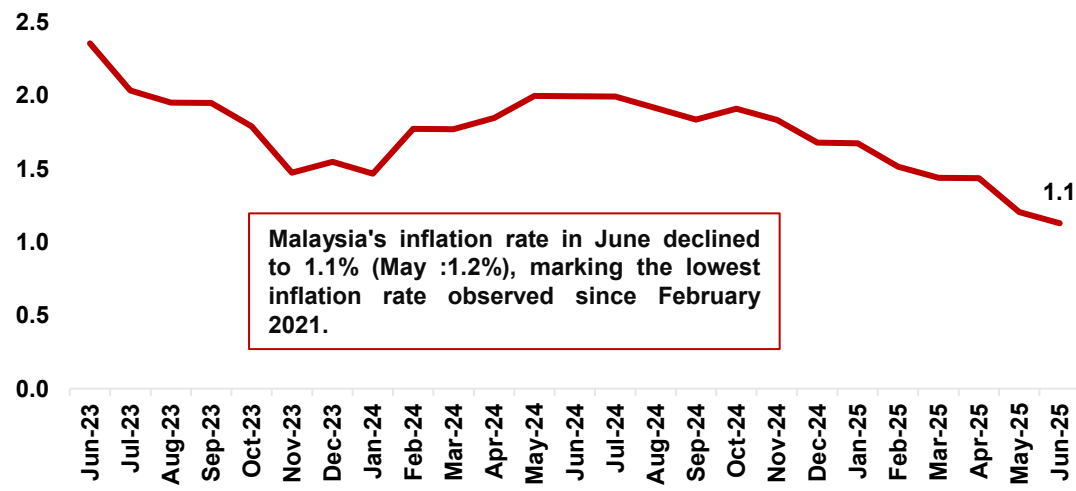


Singapore - CPI, y-o-y%

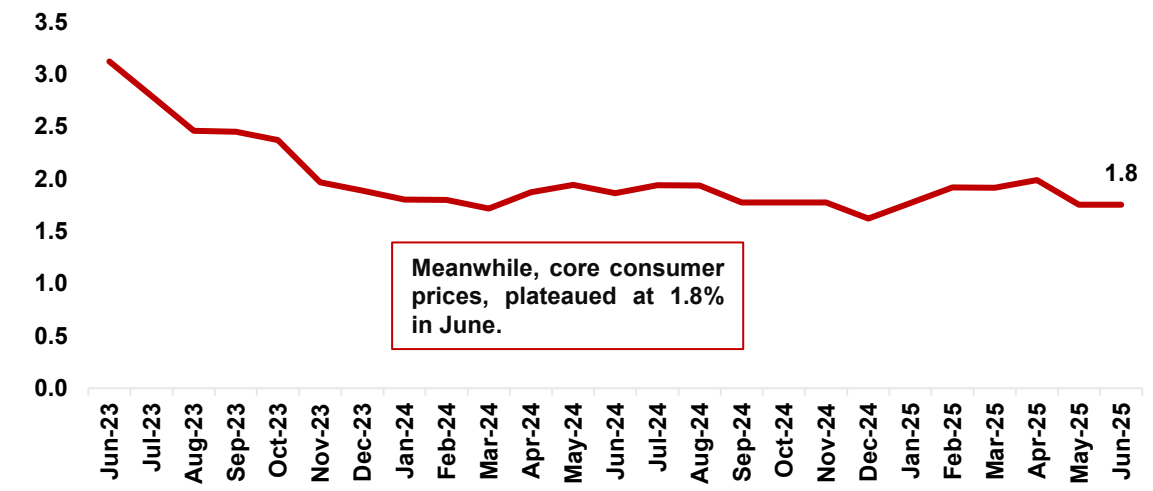


DOMESTIC

Malaysia - Headline CPI, y-o-y%



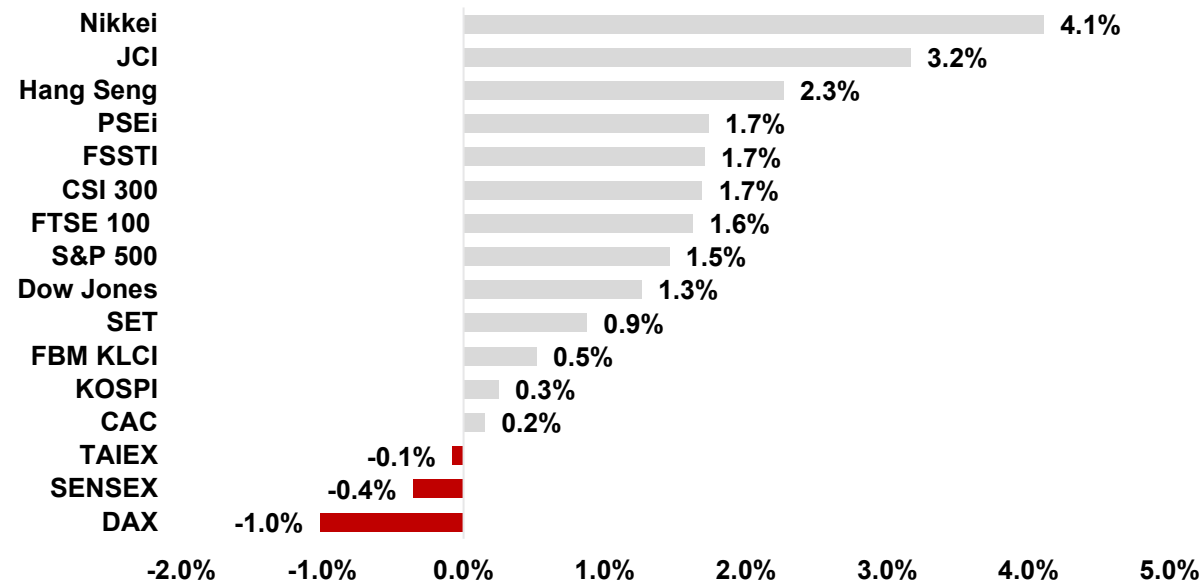
Malaysia - Core CPI, y-o-y%



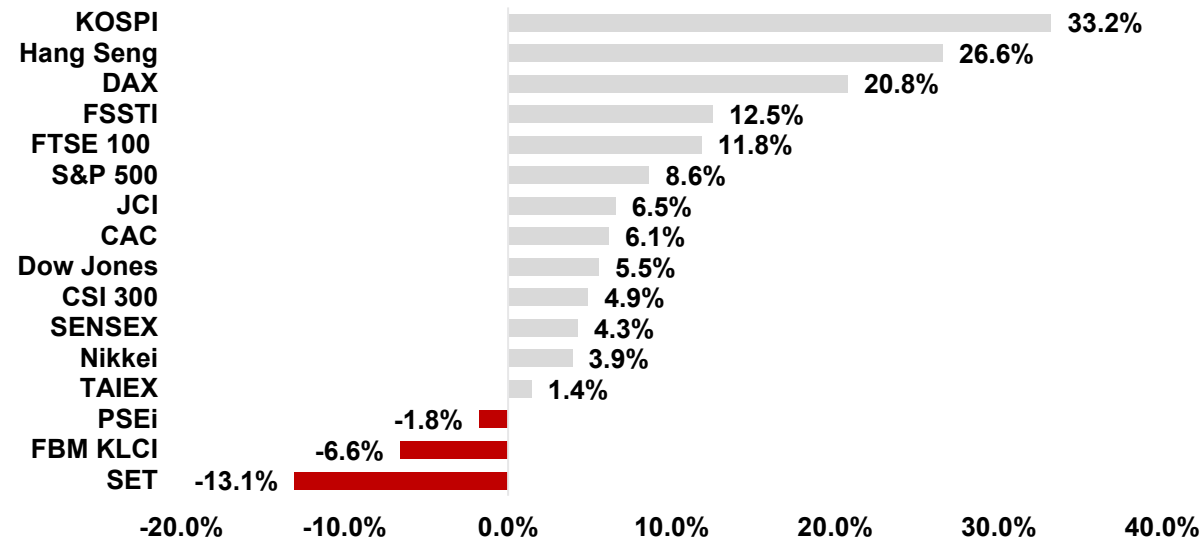
REGIONAL EQUITY: STOCKS MARKET CLIMBED AS U.S. TRADE DEALS SPUR OPTIMISM

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



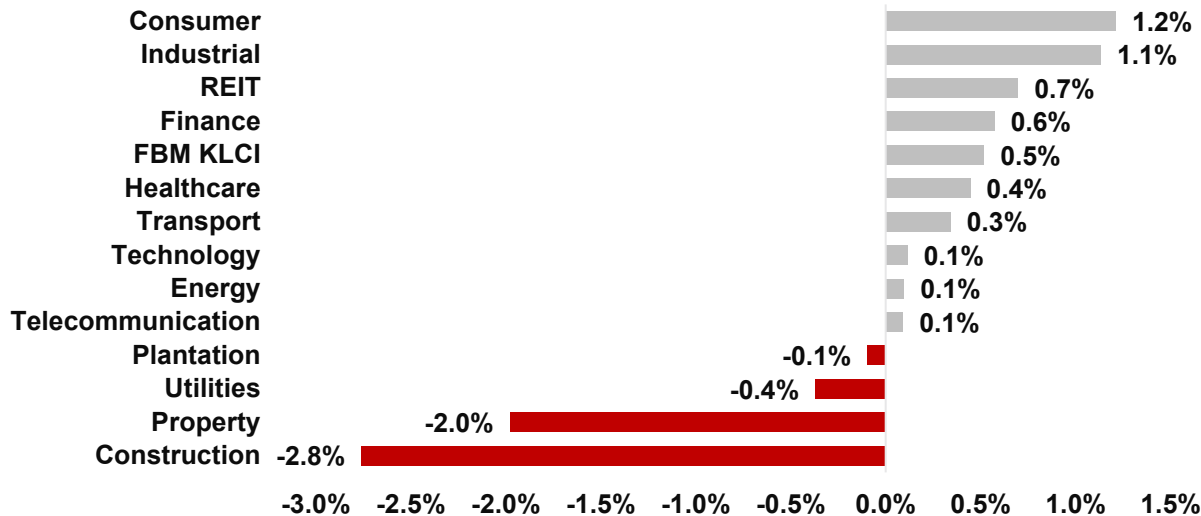
YTD Gain/Loss of Major Equity Markets, %
(As of 25 July 2025)



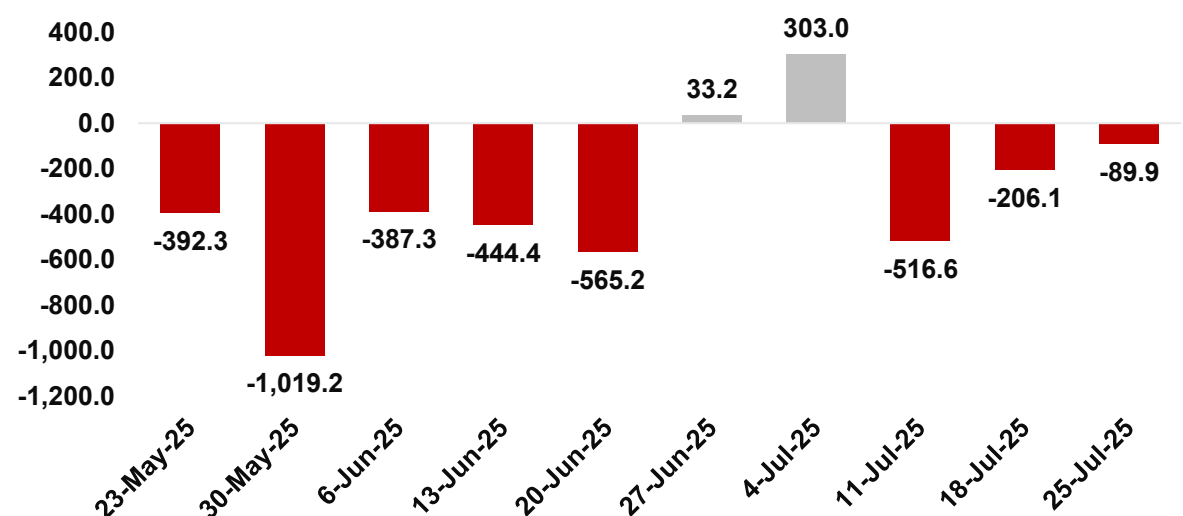
- Sources: Bursa, CEIC Data
- The global stocks market were mostly closed in a positive note for the week ending July 25 with Japan’s Nikkei leading the gainers, expanding by 4.1% amid the recent U.S.-Japan trade deal, which imposes a 15% tariff on Japanese exports to the U.S., lower than the previously threatened 25%, propelled the latter's market to all-time highs.
 - U.S. stocks – S&P 500 (+1.5%) and Dow Jones (+1.3%) surged as investors reacted to a flurry of trade developments and corporate earnings reports. The stock market rally was boosted by optimism surrounding trade talks, especially the upcoming meeting between President Trump and European Commission President Ursula von der Leyen, which raised hopes for a U.S.-E.U. agreement. Additionally, trade deals were finalized with Japan, Indonesia, and the Philippines before the August 1 tariff deadline, though negotiations with Canada have paused. Positive earnings from Alphabet and Verizon improved sentiment, while Intel's warning of losses and announced layoffs negatively impacted the tech sector.
 - In contrast, Germany’s DAX (-1.0%), India’s SENSEX (-0.4%) and Taiwan’s TAIEX were the biggest losers for the week ending July 25.

DOMESTIC EQUITY: FBM KLCI ENDED IN THE GREEN FOLLOWING SURPRISE ANNOUNCEMENT

Weekly Bursa Sectoral Performance, w-o-w%



Weekly Foreign Fund Net Inflows/Outflows, RM Million



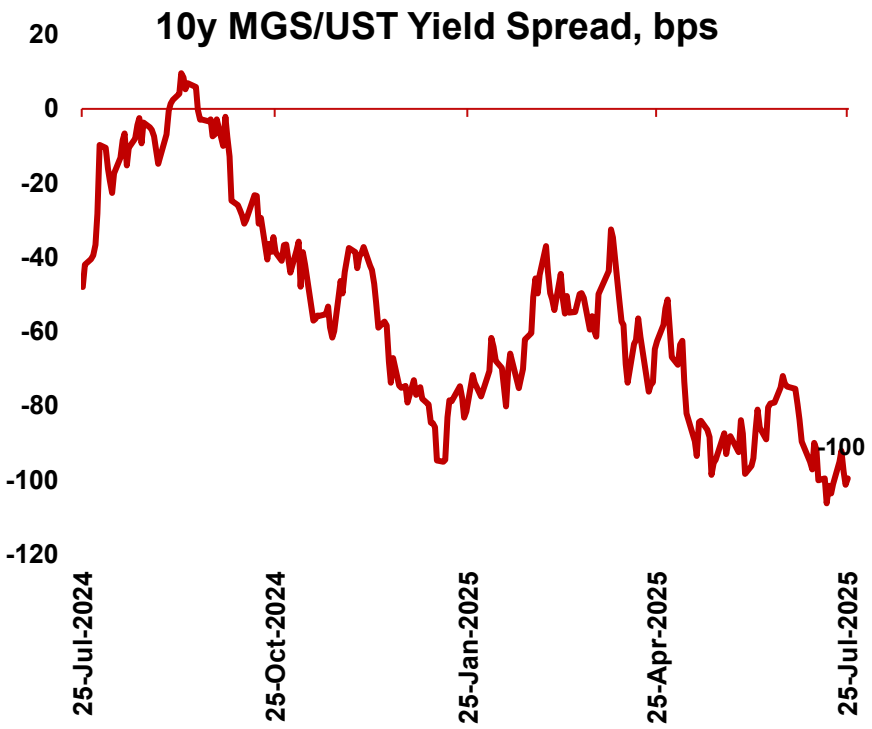
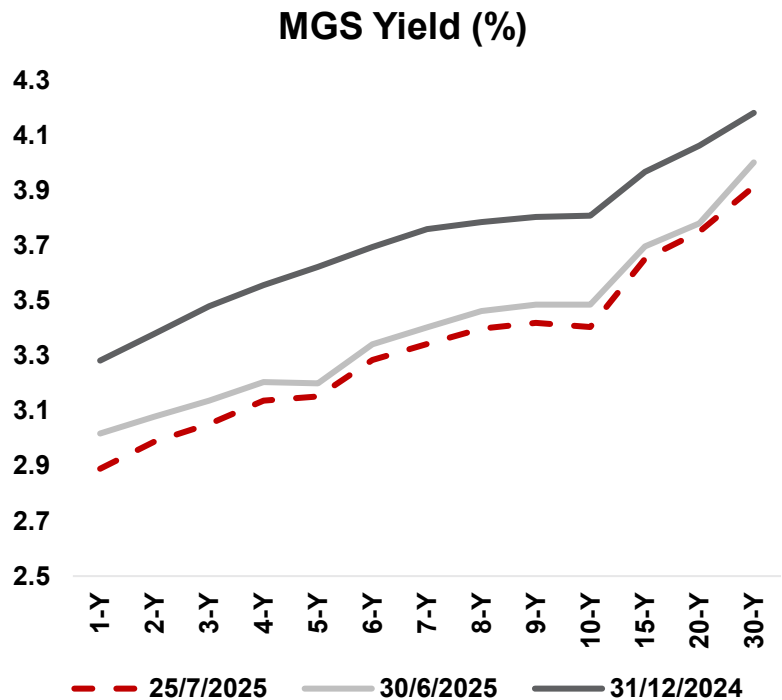
Sources: Bursa, CEIC Data

- The FBM KLCI rebounded by 0.5% w-o-w for the week ending July 25 following Prime Minister Datuk Seri Anwar Ibrahim's announcement on Wednesday where he unveiled several additional government measures to support domestic consumption.
- These include one-off RM100 cash handouts to all Malaysians above 18 years of age, RM600 million allocation for the 2025 MADANI Rahmah Sales (double the initial allocation of RM300 million), the postponement of the toll rate hikes across ten major highways and most notably, the reduction of the price of RON 95 fuel to RM1.99 from RM2.05 currently.
- Investor sentiments lifted following the announcement, leading to increased buying interest in the local market, especially in consumer-related stocks with the Consumer index rising by 1.2%. This is followed by the Industrial (+1.1%) and REIT (+0.7%) indices.
- On the flipside, the Construction index reversed last week's gains to plunge by 2.8%, followed by the Property index (-2.0%).
- Foreign investors extended their net selling for the third straight week, shedding a total of RM89.9 million worth of equities. This had increased the cumulative net outflow thus far to RM13.3 billion.

FIXED INCOME: UST YIELDS DIP AMID ROBUST LABOR DATA AND EASING TRADE TENSIONS

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Weekly Changes, basis points (bps)			
UST	Yields (%) 18-Jul-25	Yields (%) 25-Jul-25	Change (bps)
3-Y UST	3.84	3.86	2
5-Y UST	3.96	3.95	-1
7-Y UST	4.18	4.15	-3
10-Y UST	4.44	4.40	-4
MGS	Yields (%) 18-Jul-25	Yields (%) 25-Jul-25	Change (bps)
3-Y MGS	3.08	3.05	-1
5-Y MGS	3.16	3.15	-1
7-Y MGS	3.35	3.34	-1
10-Y MGS	3.43	3.41	-3
GII	Yields (%) 18-Jul-25	Yields (%) 25-Jul-25	Change (bps)
3-Y GII	3.13	3.11	-2
5-Y GII	3.21	3.19	-2
7-Y GII	3.36	3.34	-2
10-Y GII	3.48	3.46	-2



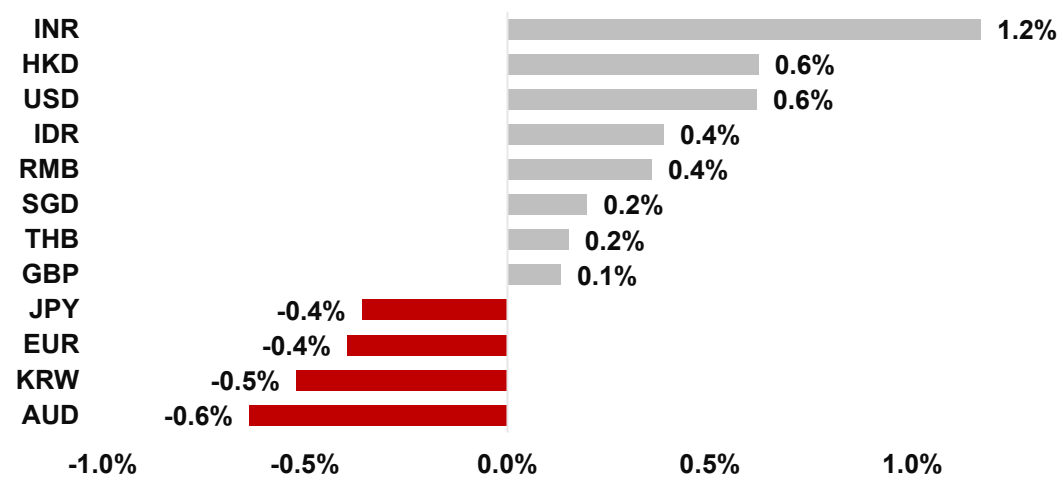
Sources: BNM, Federal Reserve Board

- The U.S. Treasury (UST) yield curve mostly ended lower in the range of 1bp and 4bps for the week ending July 25, except for 3-Y UST yield which rose by 2bps to close at 3.86%. Markets are currently analyzing how U.S. employment and trade policy might affect interest rates. Despite a perceived slowdown in hiring, new data showing fewer jobless claims indicates a robust U.S. labor market, reinforcing expectations of two rate cuts this year. On trade, U.S. and E.U. officials are reportedly nearing an agreement for a 15% tariff on E.U. imports, lower than previous threats. This follows similar deals with Japan, Indonesia, and the Philippines. Additionally, the U.S.-China tariff truce, set to expire on August 12, is likely to be extended.
- Meanwhile, Malaysian Government Securities (MGS) and Government Investment Issues (GII) yields dipped by between 1bp and 3bps.
- The 10y MGS/UST yield spread narrowed slightly in the negative territory at 100bps relative to -101bps in the previous week.

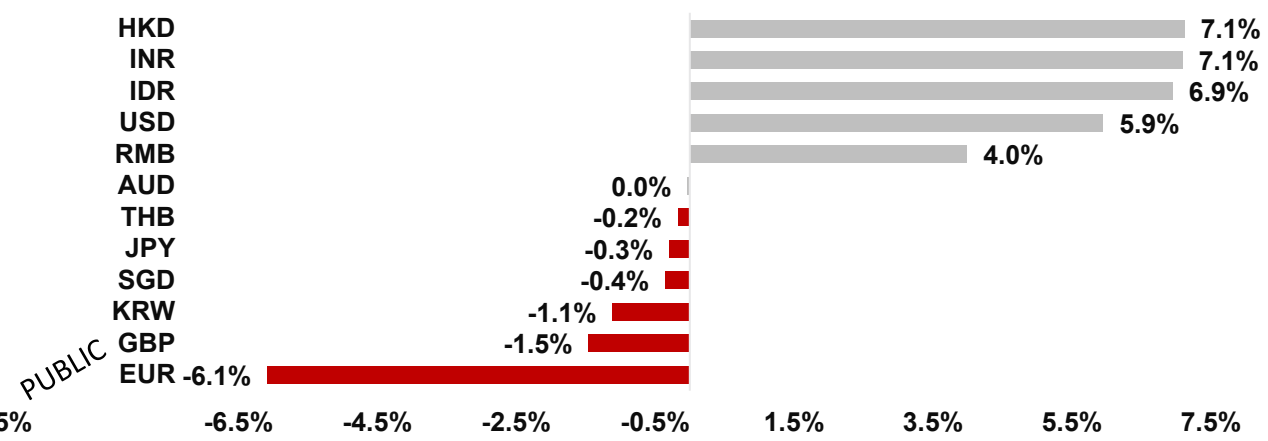
FX MARKET: RINGGIT TO TRADE CAUTIOUSLY AHEAD OF SEVERAL MONETARY POLICY DECISIONS THIS WEEK



MYR Against Regional Currencies, w-o-w%



MYR Against Regional Currencies, YTD%
(As of 25 July 2025)

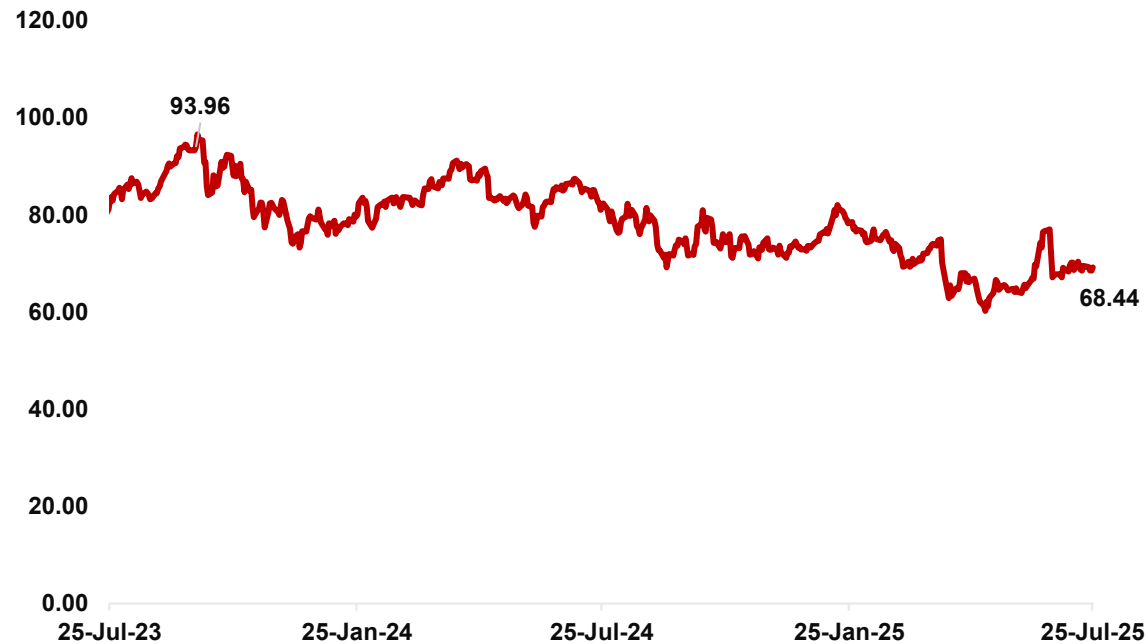


Sources: BNM, U.S. Bureau of Labor Statistics (BLS), CEIC Data

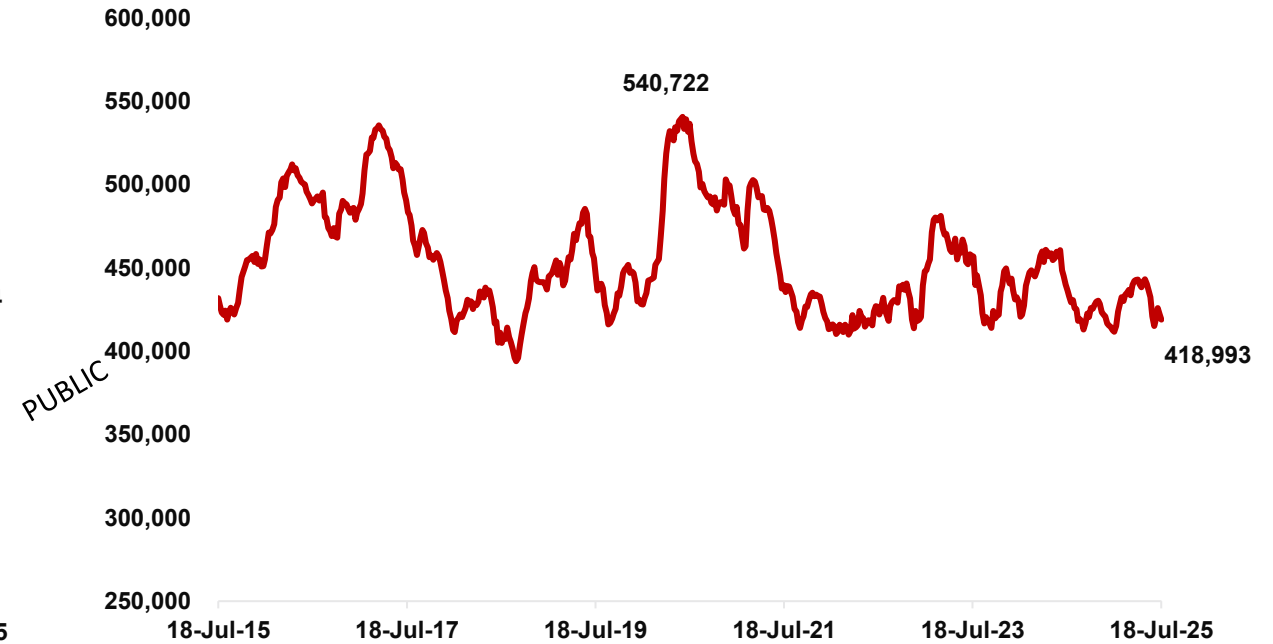
- The Ringgit appreciated by 0.6% w-o-w against the USD for the week ending July 25 amid the USD index slipping by 0.9%.
- Such performance was supported by the government’s recent announcement which lifted consumer confidence on Malaysia’s outlook as the outlined measures are expected to inject billions more into the economy via consumer spending. Previously, intensifying global headwinds amid Trump’s aggressive trade policies had raised jitters of the economy losing steam significantly in 2025 while Bank Negara Malaysia (BNM) had made a preemptive move to reduce its Overnight Policy Rate (OPR) by 25 bp to 2.75%.
- Meanwhile, the USD was weaker during the week amid Trump’s continuous calls for the Fed to further slash its Federal Funds Rate (FFR), stating that he thinks Fed Chair Powell is “going to start recommending lower rates” following his tour of the Fed’s building project.
- On the data front, U.S. preliminary Manufacturing Purchasing Managers’ Index (PMI) slipped to 49.5 points in July, well below estimates of 52.6 points and marking the sharpest drop since December 2024. This was underpinned by slower increases in production and new orders while employment fell for the first time since April, feeding into worries of an economic slowdown.
- Moving forward, the Ringgit is expected to trade cautiously ahead of the Federal Open Market Committee (FOMC) meeting on July 30 as well as well monetary decisions by the Bank of Japan (BOJ) and Bank of Canada (BOC).

COMMODITY: BRENT CRUDE SLIDES ON DEMAND CONCERNS AND SUPPLY PRESSURE

Brent Crude in USD per barrel



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

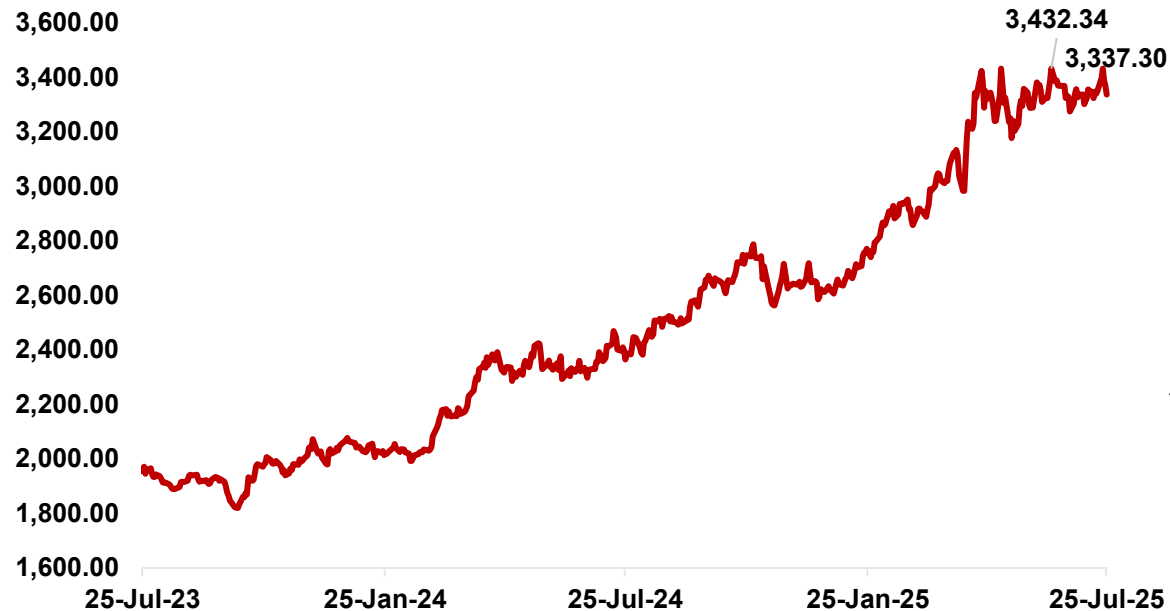


Sources: Bloomberg, Energy Information Administration (EIA)

- Brent crude oil prices slid to a three-week low on Friday, falling by 1.2% w-o-w to USD68.44 per barrel, as weaker economic data from the U.S. and China, along with signs of rising oil supply weighed on market sentiment. Slower business orders in the U.S. and weakening fiscal data in China raised concerns over global oil demand growth. Additionally, increased output from OPEC+, along with easing sanctions on Venezuela and Iran, may further add to global supply. Overall, the oil market is currently grappling with mixed signals.
- U.S. crude oil stocks declined by more than 3.0 million barrels to 419.0 million barrels for the week ending July 18.

COMMODITY: GOLD PRICE DIPPED AS TRUMP FINALIZED TRADE DEALS WITH SEVERAL TRADE PARTNERS

Gold in USD per ounce



U.S. Dollar Index (DXY)



Sources: Bloomberg, CEIC Data

- The bullion price slipped by 0.4% w-o-w last week as tensions on the global trade front eased with Japan finalizing its bilateral trade deal with the U.S. alongside positive signals from U.S. and European Union (EU) officials surrounding their discussions.
- On the former, Trump announced that the tariffs on Japanese goods will be lowered to 15% in exchange for a USD550 billion investment package into the U.S. Furthermore, Japan have agreed to import more U.S. agricultural products, aircrafts and autos. Furthermore, Indonesia and Philippines had also struck deals with the U.S., lowering tariffs imposed on them to 19%.
- In latest news, discussions between U.S. and EU proved fruitful when Trump stated on Sunday that tariffs on EU imports will be slashed to 15% in exchange for an investment and trade package similar to Japan's. However, finer details are yet to be announced.

WHAT TO LOOK OUT FOR IN THE MARKETS THIS WEEK

- This week, all eyes are on the Federal Reserve's upcoming interest rate decision on July 30, with markets widely expecting the Fed to maintain the federal funds rate at 4.25%–4.50%. According to the CME FedWatch Tool, over 97% of market participants anticipate no change. Most FOMC members favor holding rates steady, citing persistent inflationary pressures and a resilient labor market, despite calls from Trump-appointed governors advocating for earlier rate cuts. The Fed has also highlighted ongoing macroeconomic uncertainties—ranging from global trade disruptions to political volatility—as key reasons for maintaining a cautious stance. Meanwhile, growing political pressure from former President Trump has raised fresh concerns over the Fed's independence. Recent projections suggest the Fed may only implement two rate cuts in 2025, a reduction from earlier expectations. On the data front, economists expect a rebound in second-quarter economic activity, primarily driven by a sharp narrowing of the trade deficit. However, July's labor market data is likely to show a moderation in job growth. The government's advance estimate points to annualised GDP growth of 2.4% in 2Q2025, following a 0.5% contraction in the previous quarter.
- In Japan, markets are keeping a close eye on the Bank of Japan's (BOJ) upcoming decision, especially after the recent U.S.-Japan trade deal. This deal lowered tariffs from 25% to 15%, easing some of the uncertainty weighing on Japan's economy. While a rate hike is not guaranteed just yet, the BoJ now has more room to consider raising rates later this year if the economy holds up well despite ongoing trade challenges. In the next policy meeting, we can expect a more positive tone from the BoJ, with possible upward revisions to inflation forecasts and hints that they may start moving away from their very loose monetary policy. That said, the BoJ remains cautious, waiting to see if the economic recovery is steady before making any big moves.
- A key focus this week will also be the looming U.S. trade decision ahead of the August 1 deadline, where countries without finalized trade agreements risk facing steep tariffs ranging from 25% to 50%. Securing a deal before the deadline is crucial to prevent major disruptions to exports. Malaysia is among the countries on the list. According to Investment, Trade and Industry Minister Tengku Datuk Seri Zafrul Abdul Aziz, Malaysia remains on track to secure an agreement with the U.S., aiming for the lowest possible tariff rate. With Malaysia's economy heavily reliant on trade, any delay or failure to reach a deal could have broader implications for the export sector, investor sentiment, and overall economic outlook.

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THANK YOU