



WEEKLY ECONOMIC UPDATE

29 SEPTEMBER 2025

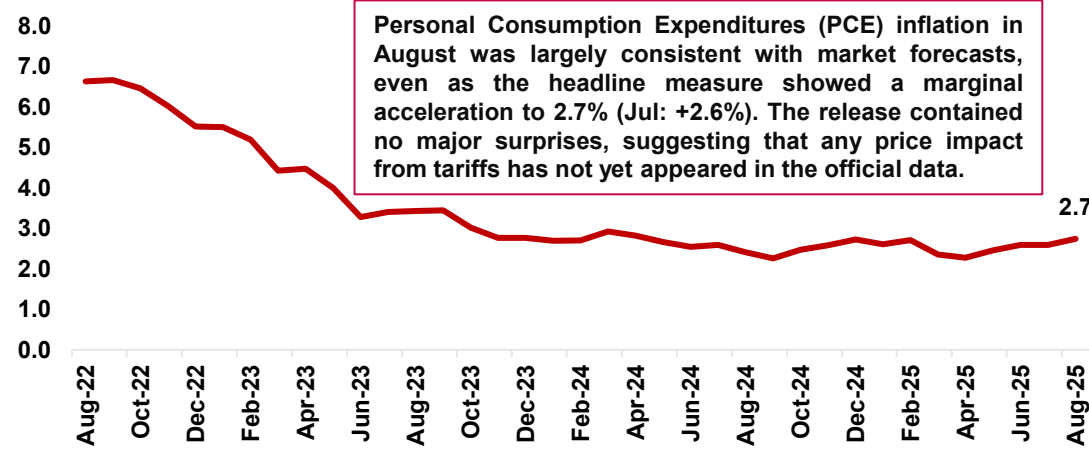
ECONOMIC RESEARCH

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

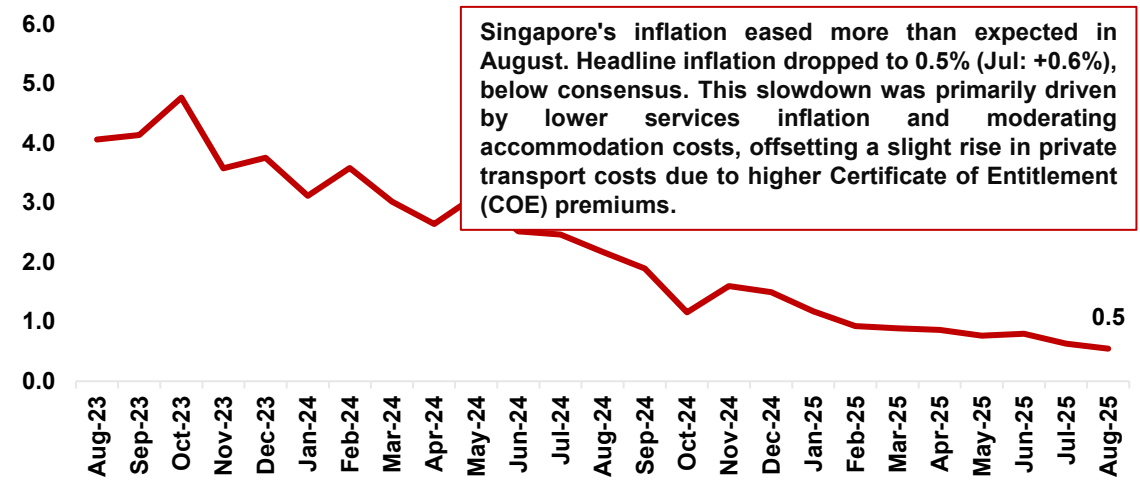
WEEKLY HIGHLIGHT: MALAYSIA'S INFLATION RATE ROSE TO 1.3% IN AUGUST

GLOBAL

U.S. Personal Consumption Expenditure (PCE) Inflation s.a., y-o-y%

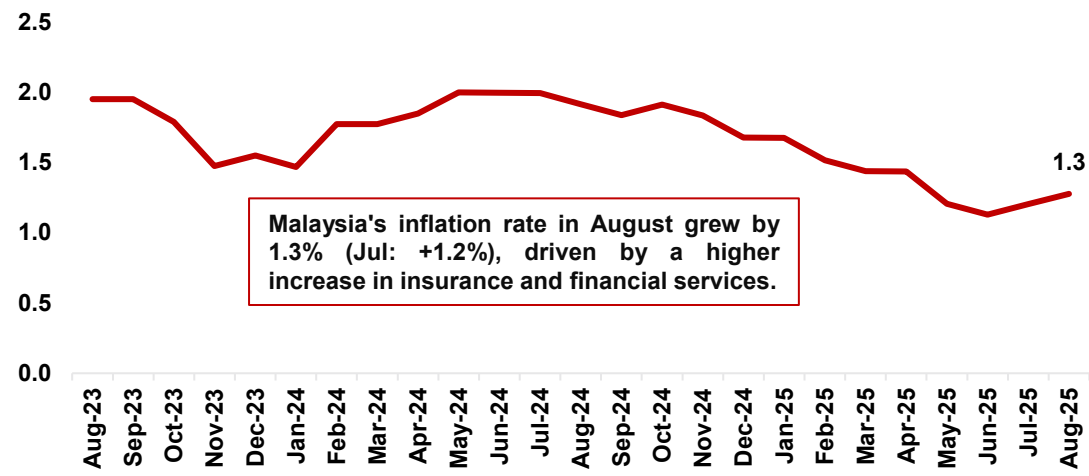


Singapore: CPI, y-o-y%

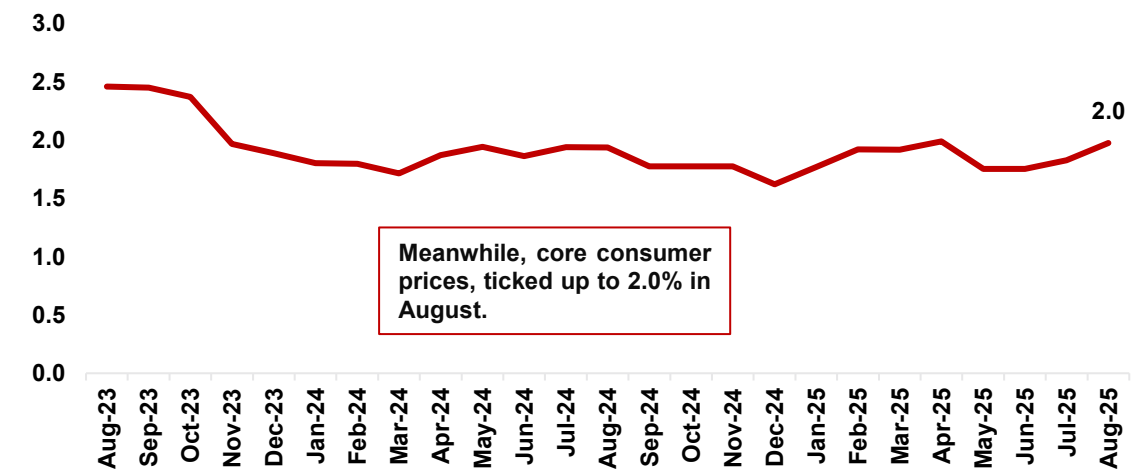


DOMESTIC

Malaysia - Headline CPI, y-o-y%



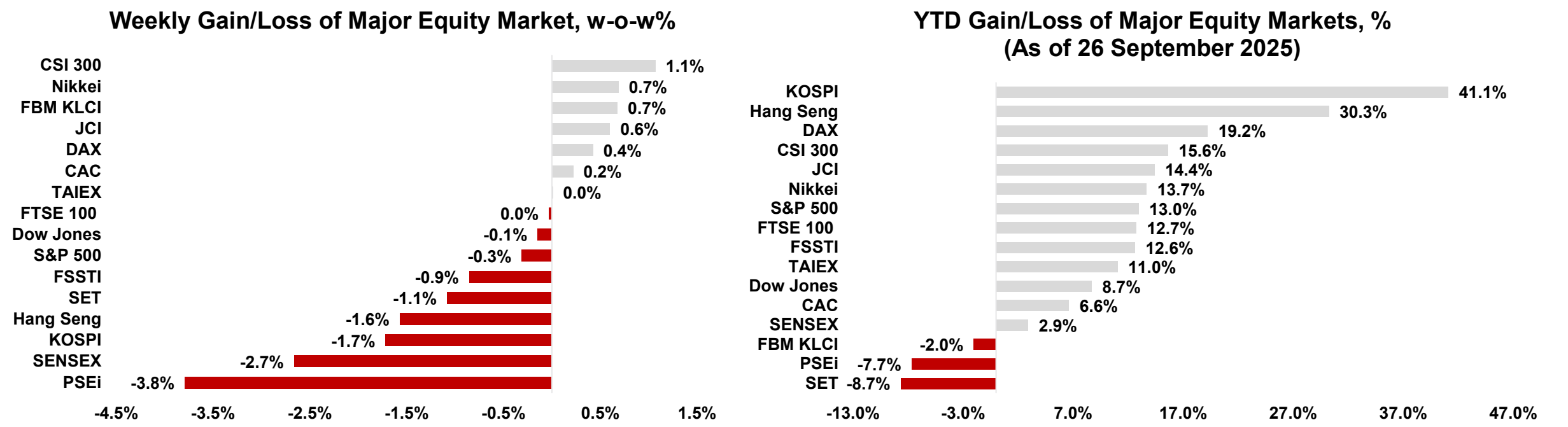
Malaysia - Core CPI, y-o-y%



REGIONAL EQUITY: RESILIENT
GLOBAL STOCKS WEAKNESS

U.S. ECONOMY TRIGGERS

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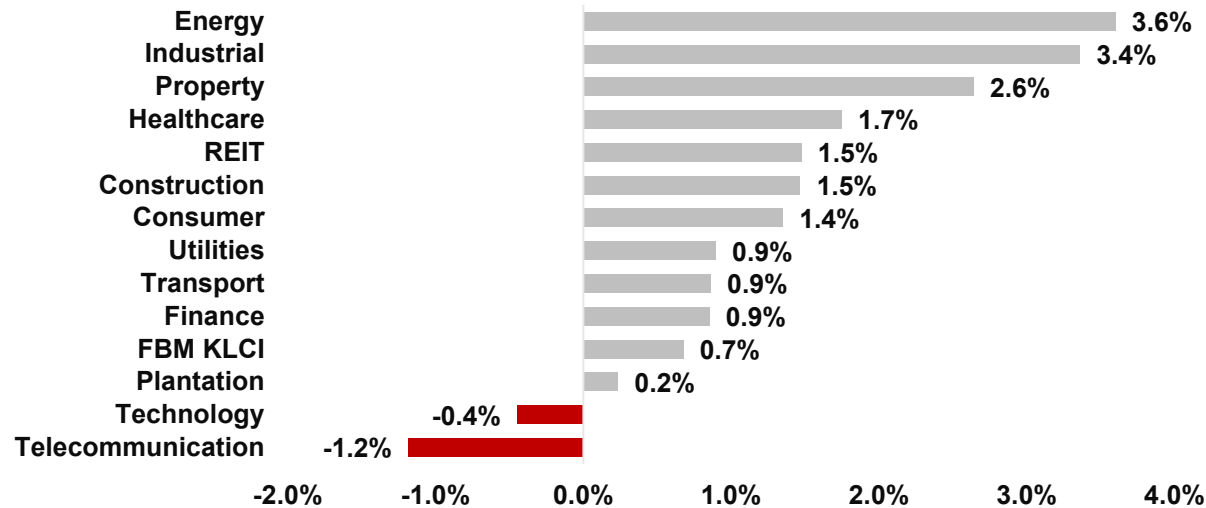


Sources: Bursa, CEIC Data

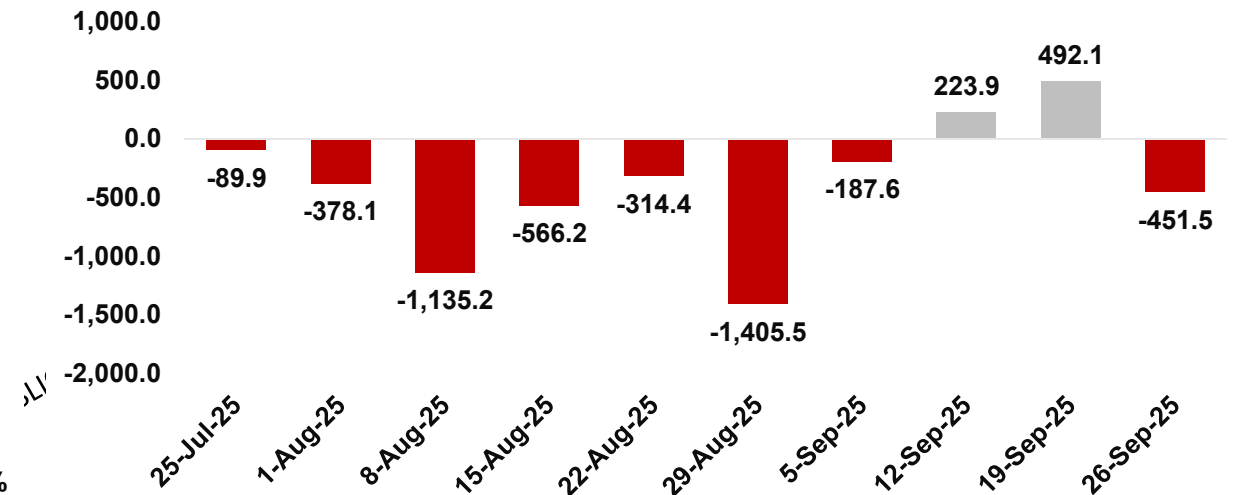
- Global equities ended mostly in the red for the week ending September 26, with the Philippines’ PSEi tumbling 3.8%. Sentiment in the Philippine market remains weighed down by the absence of near-term catalysts for recovery, while external headwinds, most notably the U.S. economic outlook, further cloud the prospects for a rebound.
- U.S. equities slipped last week – S&P 500 (-0.3%) and Dow Jones (-0.1%) as stronger-than-expected economic data prompted investors to reassess the likelihood of further Federal Reserve (Fed) rate cuts. The pullback followed a series of upbeat indicators: initial jobless claims fell to 218K, underscoring labor market resilience, while second-quarter GDP growth was revised sharply higher to an annualized 3.8% on the back of robust consumer spending and business investment. Consequently, market odds of an additional 25bp Fed cut in October fell significantly.
- In contrast, China’s CSI 300 (+1.1%), Japan’s Nikkei (+0.7%) and Malaysia’s FBM KLCI (+0.7%) were the biggest gainers for the week ending September 26.

DOMESTIC EQUITY: SEA OF GREEN IN THE LOCAL MARKET AHEAD OF BUDI95 ROLLOUT

Weekly Bursa Sectoral Performance, w-o-w%



Weekly Foreign Fund Net Inflows/Outflows, RM Million

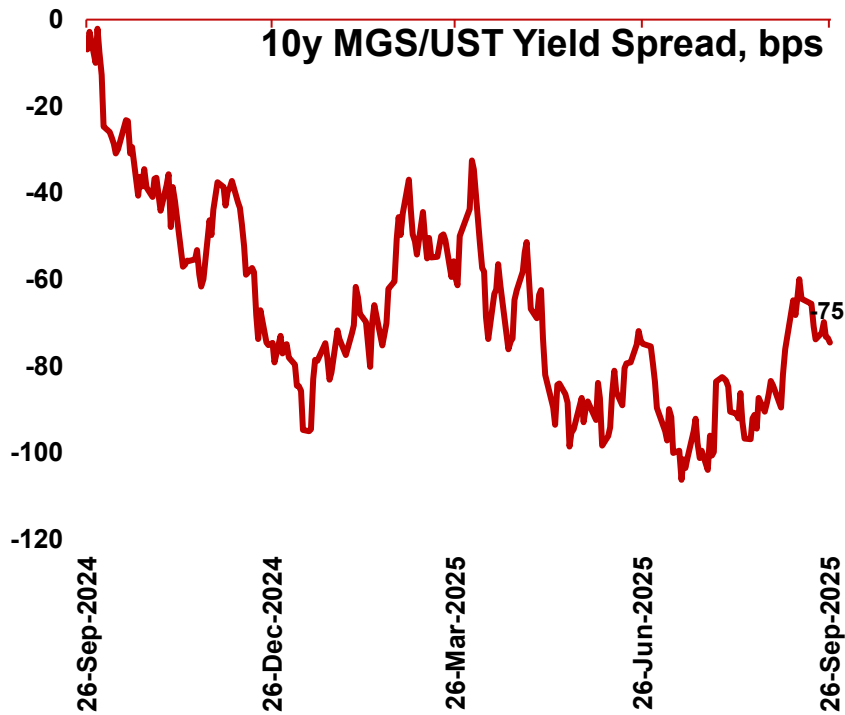
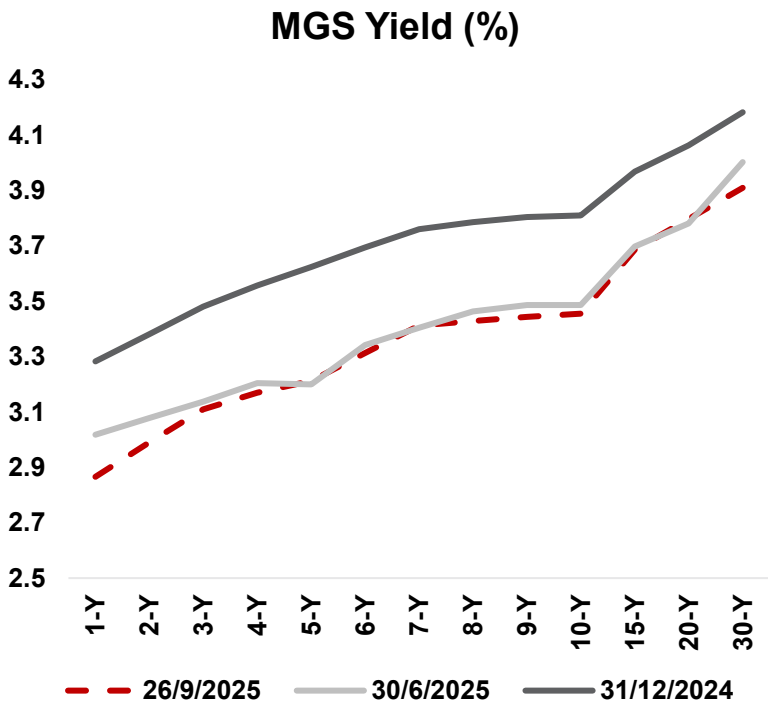


Sources: Bursa, CEIC Data

- The FBM KLCI rebounded from the previous week's loss as it expanded by 0.7% w-o-w, underpinned by rapid bargain hunting activities. Buying momentum in the local market remained robust as latest measures of U.S. inflation remained contained, reinforcing bets of further Fed easing and driving investors towards emerging market assets.
- Furthermore, investor sentiments were positive ahead of the implementation of the Budi Madani RON95 (BUDI95) programme, effective on 27th September for selected groups and 30th September for all eligible Malaysians. This initiative, reducing the RON95 pump price to RM1.99 from RM2.05 previously, is expected to ease household transport expenses and bolster spending in other areas, lifting the outlook across Malaysia's economic sectors.
- Most Bursa indices ended in the green with the Energy index surging by 3.6% w-o-w, followed by the Industrial (+3.4%) and Property (+2.6%) indices. Meanwhile, the Technology and Telecommunications indices emerged as the only losers, declining by 1.2% and 0.4%, respectively.
- Foreign investors ended their two-week net buying streak, shedding a total of RM451.5 million worth of equities. This had increased the cumulative net outflow thus far to RM17.0 billion.

FIXED INCOME: UST YIELDS JUMPED AS STRONG U.S ECONOMY LOWERS URGENCY FOR FED EASING

Weekly Changes, basis points (bps)			
UST	Yields (%) 19-Sep-25	Yields (%) 26-Sep-25	Change (bps)
3-Y UST	3.56	3.66	10
5-Y UST	3.68	3.76	8
7-Y UST	3.88	3.96	8
10-Y UST	4.14	4.20	6
MGS	Yields (%) 19-Sep-25	Yields (%) 26-Sep-25	Change (bps)
3-Y MGS	3.04	3.11	7
5-Y MGS	3.12	3.21	10
7-Y MGS	3.32	3.41	9
10-Y MGS	3.40	3.46	5
GII	Yields (%) 19-Sep-25	Yields (%) 26-Sep-25	Change (bps)
3-Y GII	3.06	3.15	9
5-Y GII	3.15	3.23	9
7-Y GII	3.27	3.37	10
10-Y GII	3.42	3.50	8



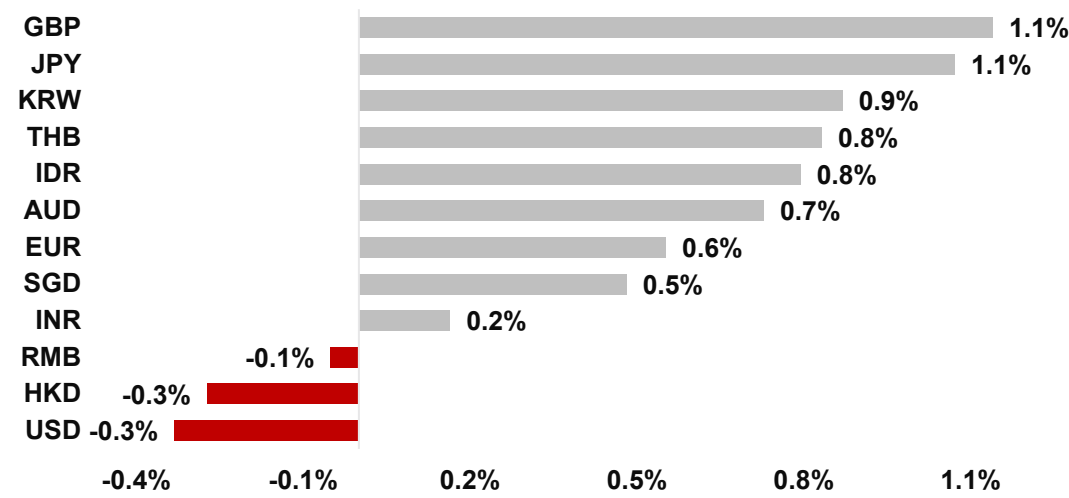
Sources: BNM, Federal Reserve Board

- The U.S. Treasury (UST) yields ended higher in the range of 6bp and 10bps for the week ending September 26 as stronger-than-expected economic data, showing acceleration in both personal income and spending in August, coupled with improved labor market metrics in September, lessened the need for further Fed rate cuts. Inflationary pressure remains a concern, as evidenced by the persistent strength in the headline and core PCE price indices. While markets still anticipate a second consecutive Federal Open Market Committee (FOMC) rate cut in October, the signs of economic resilience led traders to reduce bets on a December cut. This upward pressure on yields was compounded by the Fed's decision to maintain its quantitative tightening pace, even as its overnight reverse repo facility nears depletion.
- Meanwhile, Malaysian Government Securities (MGS) and Government Investment Issues (GII) yields also rose by between 5bps and 10bps.
- The 10y MGS/UST yield spread widened slightly in the negative territory at 75bps relative to -74bps in the previous week.

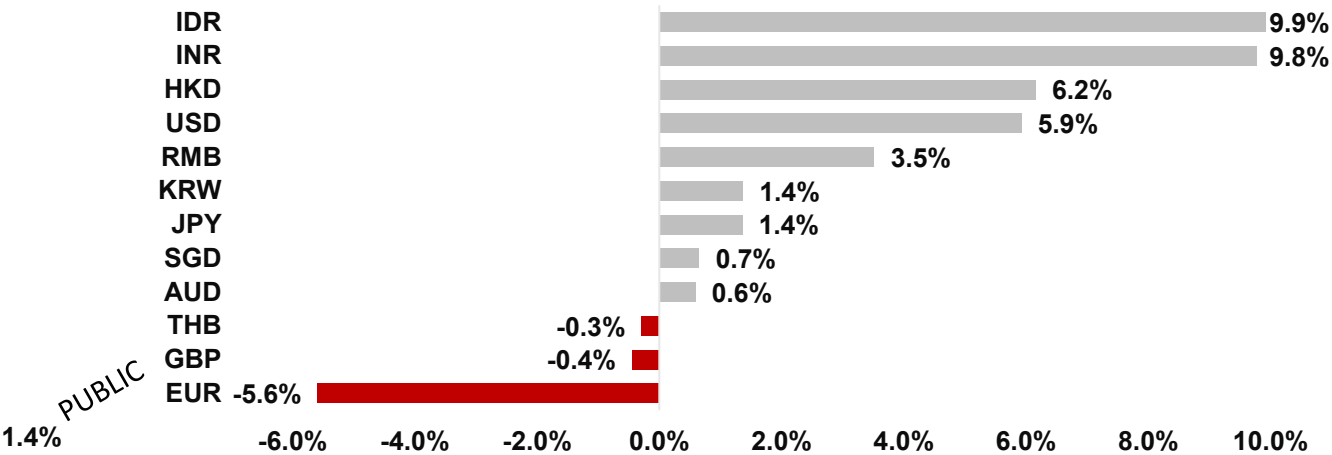
FX MARKET: RINGGIT TO TRADE CAUTIOUSLY AHEAD OF KEY U.S. JOB MARKET DATA

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MYR Against Regional Currencies, w-o-w%



MYR Against Regional Currencies, YTD%
(As of 26 September 2025)

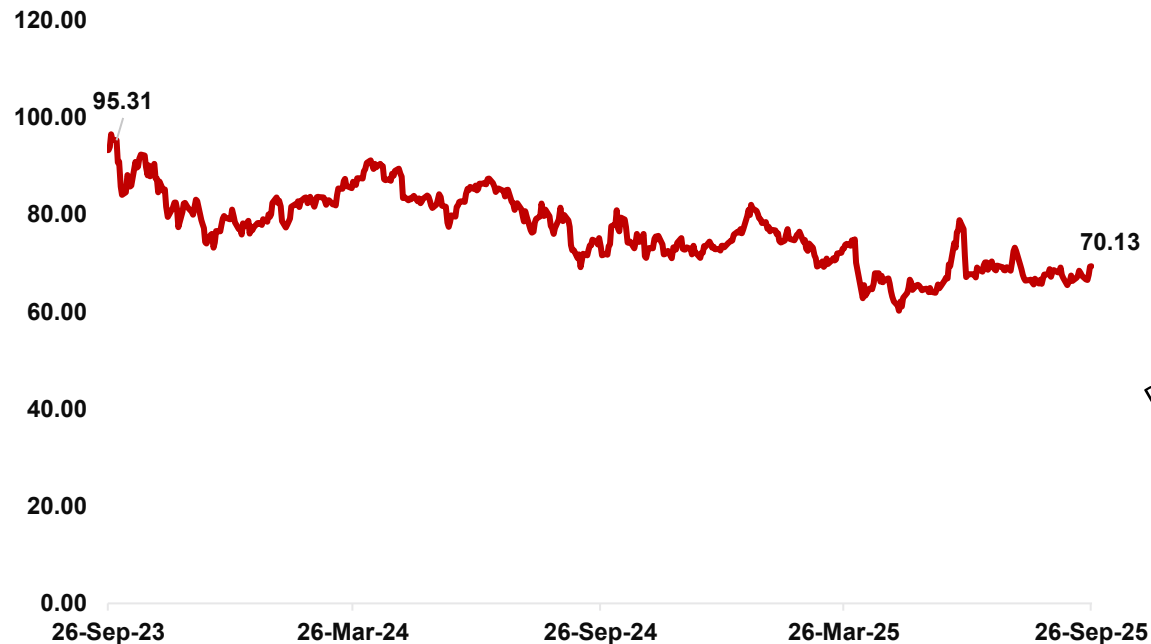


Sources: BNM, Federal Reserve Board (Fed), CEIC Data

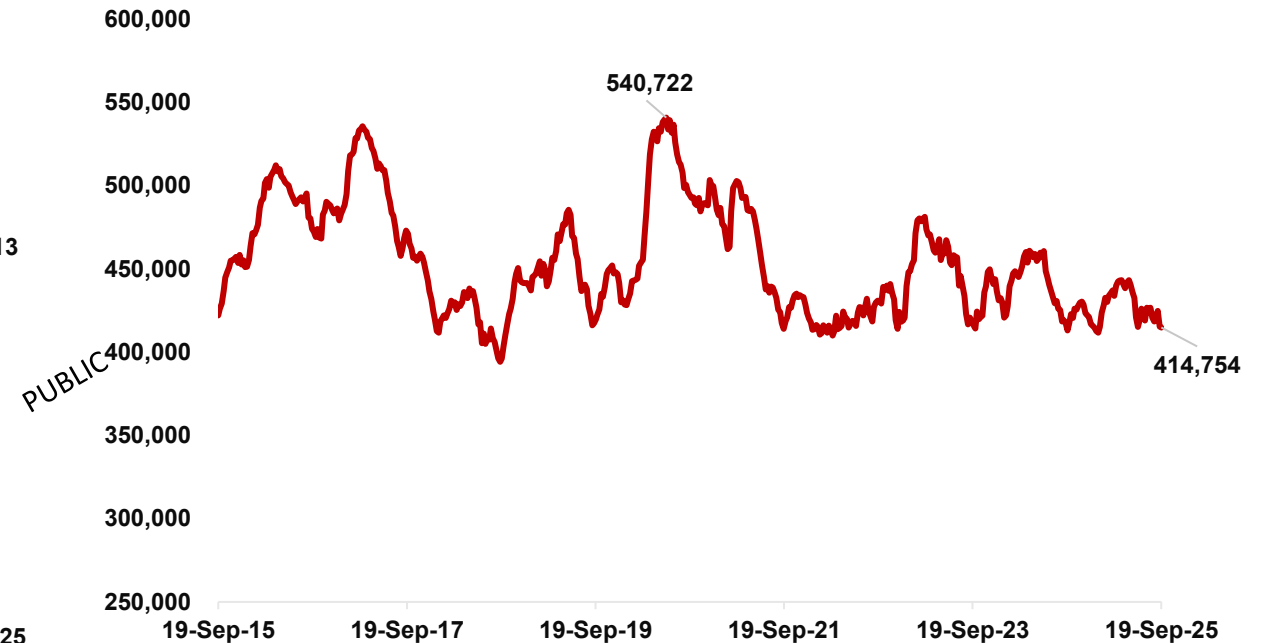
- The Ringgit depreciated by 0.3% w-o-w for the week ending September 26 as the USD index strengthened by 0.6%, underpinned by strong U.S. economic data.
- Latest figures showed that the U.S. economy expanded faster than expected by 3.8% q-o-q in 2Q2025 compared to the previous estimate of 3.3% q-o-q, marking the strongest pace since 3Q2023 and supporting the USD’s acceleration. Such performance reflected an upward revision to consumer spending with the personal consumption expenditure (PCE) increasing by 2.5% q-o-q (Est: 1.6%), suggesting that the drag from Trump’s tariffs and a cooling job market on domestic demand was less pronounced than expected. As such, concerns of rising underlying price pressures seeped through markets, casting doubt over the pace of the Fed’s policy easing.
- Nonetheless, this reading had not accounted for the steeper country-specific tariffs that went into effect in August, which would potentially weigh on demand further. Thus, the dovish view on the Fed’s policy path remains supported.
- Additionally, the core PCE price index remained on its gradual incline, edging up by 0.2% m-o-m in August (July: 0.2% m-o-m). On an annual basis, it rose by 2.9% y-o-y, matching consensus estimates.

COMMODITY: BRENT OIL PRICES CLIMB AS RUSSIA'S EXPORT BAN FUELS SUPPLY FEARS AMID GEOPOLITICAL TENSIONS

Brent Crude in USD per barrel



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

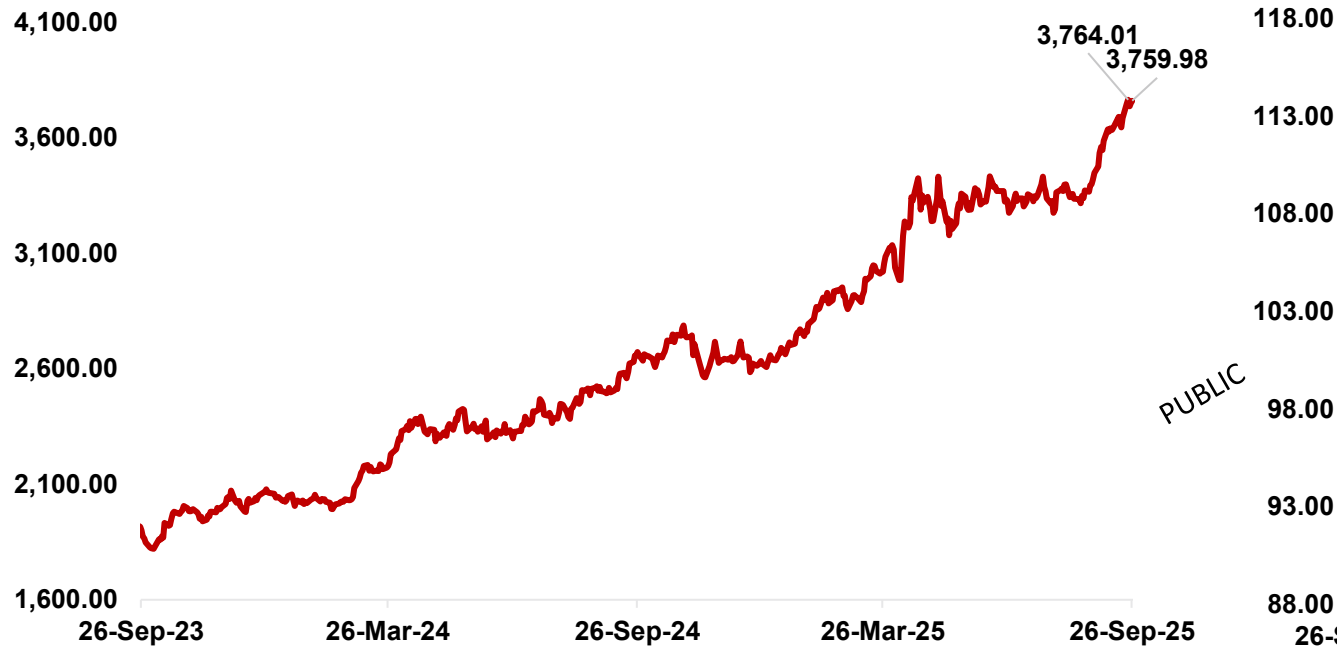


Sources: Bloomberg, Energy Information Administration (EIA)

- Brent crude oil prices jumped as much as 5.2% w-o-w to close at USD70.13 per barrel on September 26, following a marginal decline of 0.5% in the previous week. The price increase was driven by escalating geopolitical risks that fueled expectations of tighter supply. Ukraine's attack on Russian energy infrastructure prompted Moscow to introduce a partial ban on diesel exports and extend its existing gasoline export ban, creating supply constraints, especially in Europe.
- Additionally, a surprise drop in U.S. weekly crude inventories, down by 0.6 million barrels to 414.8 million for the week ending September 19, added further upward pressure on prices.

COMMODITY: GOLD PRICE SOARED TO NEW HIGHS, UNDERPINNED BY FED RATE CUT BETS

Gold in USD per ounce



U.S. Dollar Index (DXY)



Sources: Bloomberg, CEIC Data

- The bullion price remained on an uptrend as it climbed by 2.0% last week, marking a fresh high of USD3,764.01 on Tuesday before easing slightly following stronger than expected U.S. GDP print.
- Nonetheless, it recovered towards the end of the week amid renewed concerns surrounding a new round of Trump tariffs as well as expectations of the Fed slashing its Federal Funds Rate (FFR) in October with the probability of a 25 bp cut rising to almost 90.0% at the time of writing.

WHAT TO LOOK OUT FOR IN THE MARKETS THIS WEEK

- Markets will closely watch upcoming U.S. economic data, especially the latest employment report, following the Federal Reserve's first interest rate cut of the year. With just 22,000 jobs added in August and unemployment ticking higher, investors will look for signs of continued weakness in the labor market. The Bureau of Labor Statistics' next release will be key in shaping expectations for further Fed action. Several Fed officials, including New York Fed President John Williams and Cleveland Fed President Beth Hammack, are scheduled to speak this week. Their remarks will be scrutinized for insight into the Fed's policy outlook amid rising unemployment and persistent inflation. Beyond jobs data, updates on consumer confidence, home prices, factory orders, and construction spending will also offer a broader view of the U.S. economy's momentum. Together, these indicators will help determine whether the Fed stays on course for additional rate cuts in its upcoming meetings.
- In India, all eyes will be on the Reserve Bank of India's (RBI) Monetary Policy Committee (MPC) meeting from September 29 to October 1. Markets widely expect the central bank to maintain its current policy stance, with the repo rate likely to remain at 5.50% and a neutral tone retained. This comes amid global tariff tensions and fiscal concerns in advanced economies, which continue to shape policy decisions globally. Domestically, India's economy remains resilient, supported by strong consumption and recent GST rate cuts. However, lower tax collections could limit future government capital expenditure, potentially weighing on growth momentum. The RBI is also likely to assess the impact of earlier policy moves, including three rate cuts earlier this year and a 100-basis-point CRR reduction, before making further changes. With the U.S. Fed expected to cut rates again and global uncertainty persisting, India's central bank is expected to tread cautiously.
- Likewise, markets widely anticipate the Reserve Bank of Australia (RBA) will keep interest rates unchanged at 3.6% at its upcoming meeting on September 30, following a 25-bps cut in August. This expectation holds despite a recent drop in its preferred inflation measure, as the bank faces a mixed economic picture. While the trimmed mean inflation has fallen to 2.6%, placing it within the target range, concerning price rises persist in key sectors like hospitality and home building. Furthermore, recent GDP data showed the economy grew more than expected, and an increase in household spending on discretionary items suggests underlying economic strength. These factors signal to the RBA that the economy does not yet need the stimulus of a rate cut, as such spending could potentially re-ignite inflation.

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