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WEEKLY ECONOMIC UPDATE

6 JANUARY 2025

ECONOMIC RESEARCH

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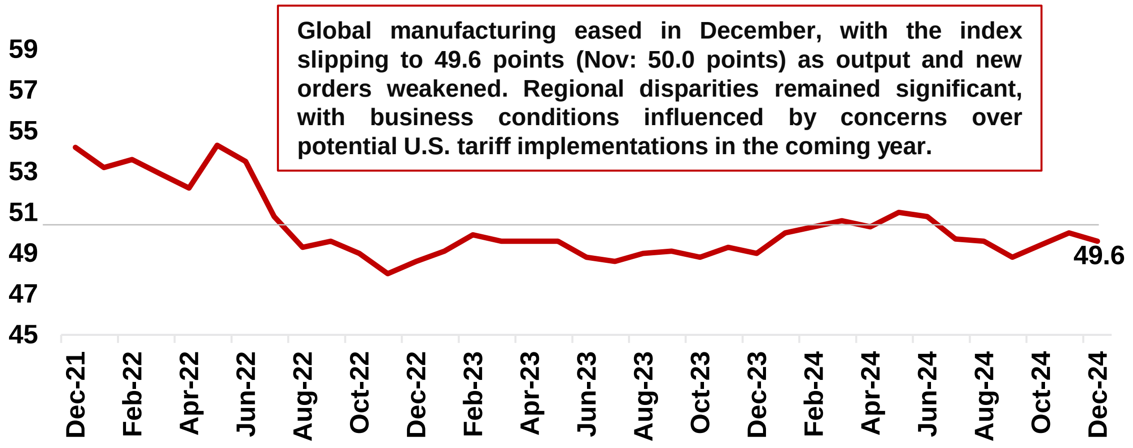
WEEKLY HIGHLIGHT: CHINA MANUFACTURING SUSTAINED GROWTH MOMENTUM

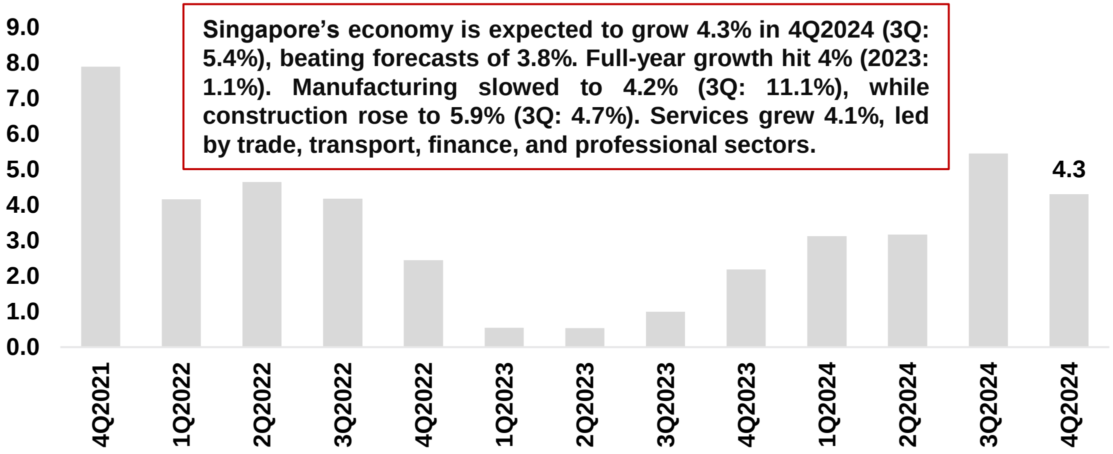
GLOBAL

Global Manufacturing Purchasing Managers' Index (PMI), points

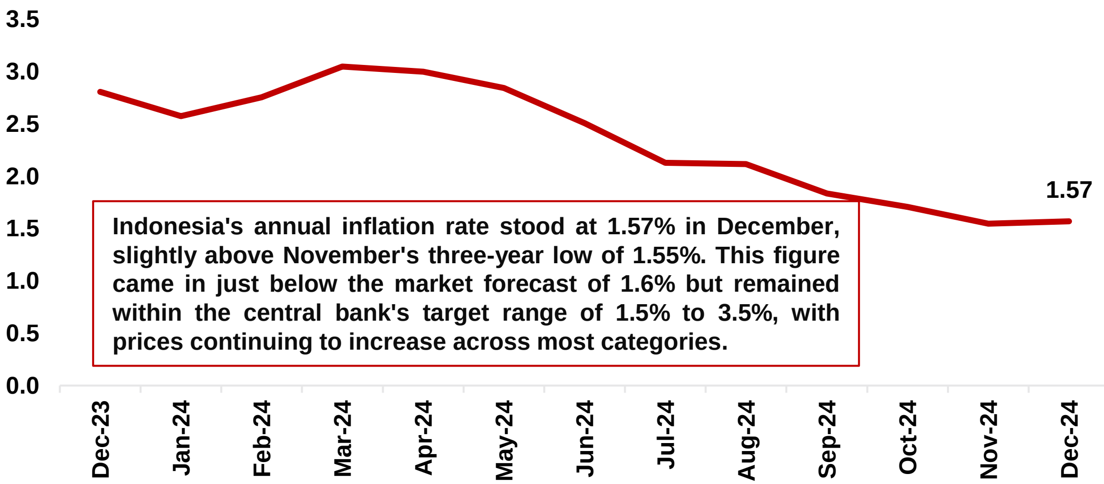


China Caixin Manufacturing PMI, points

Singapore - Real Gross Domestic Product (GDP), y-o-y%



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



Sources: S&P Global, Singapore Department of Statistics, Statistics Indonesia

ECONOMIC RESEARCH

REGIONAL EQUITY: CHINESE STOCKS DECLINED AMID ECONOMIC CONCERNS AND U.S.-CHINA TRADE TENSIONS

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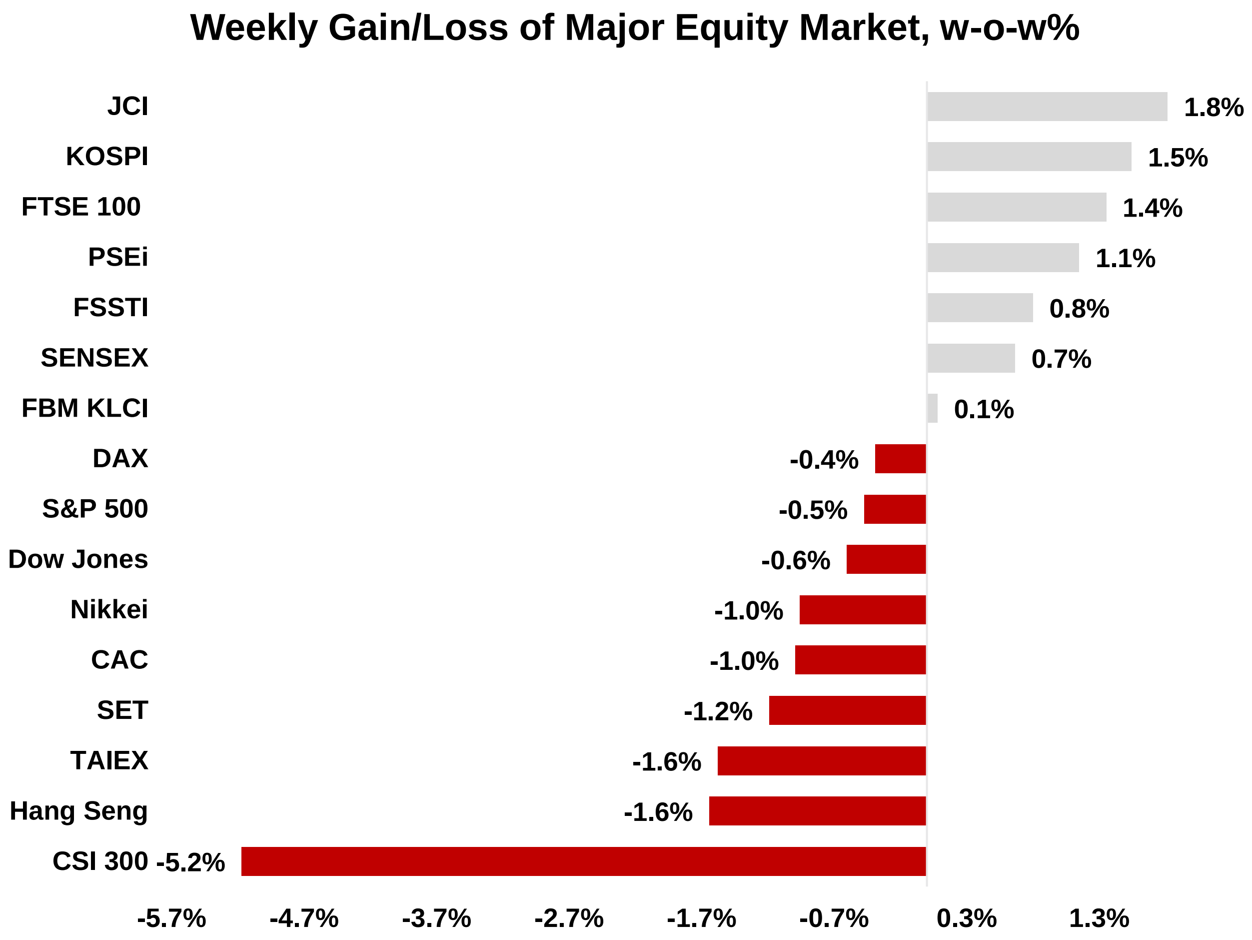
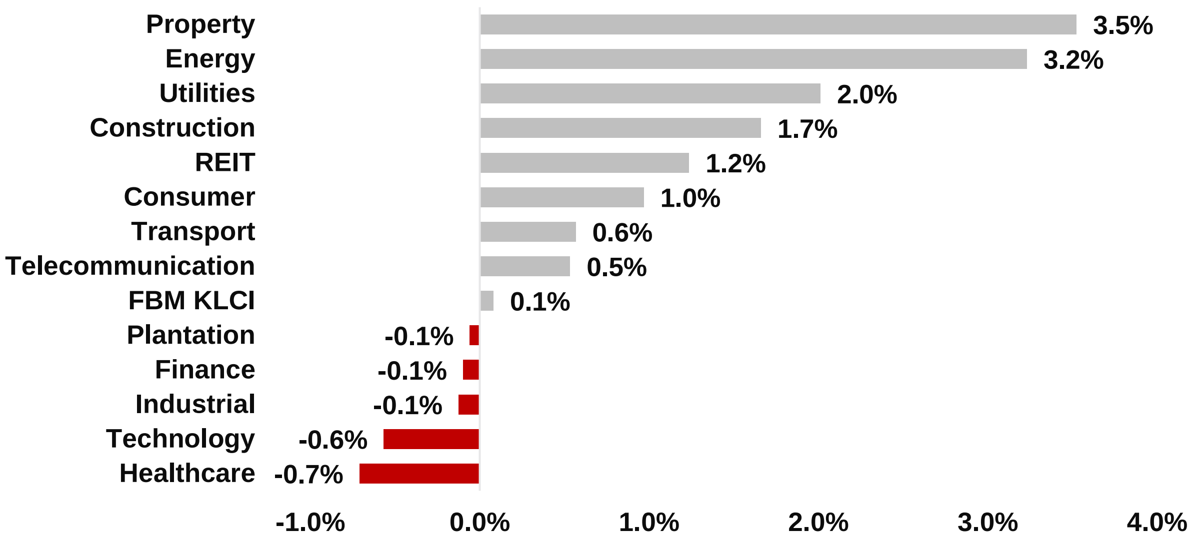
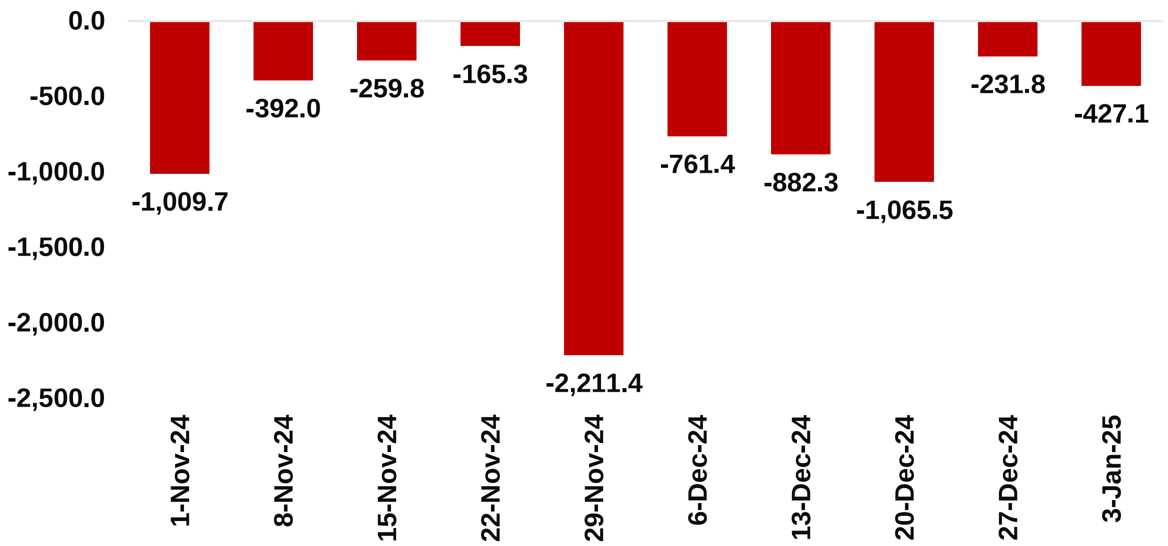


- The regional equity indexes were mixed last week with China's CSI 300 (-5.2%) as the major loser amid investors pointed to rising economic concerns as the main factor, overshadowing Beijing's recent attempts to stabilize market sentiment. The absence of clear policy announcements, along with the looming trade war with the U.S. ahead of Donald Trump's inauguration on January 20, added to the negative outlook.
- Hong Kong's Hang Seng also slid by 1.6%, weighed down by growing caution ahead of Donald Trump's presidential inauguration on January 20, which highlighted fears of a potential U.S.-China trade dispute.
- On the contrary, Indonesia's JCI (+1.8%), South Korea's KOSPI (1.5%) and U.K.'s FTSE 100 (+1.4%) were the major gainers last week.

DOMESTIC EQUITY: LOCAL MARKET KICKED OFF NEW YEAR ON A POSITIVE EDGE





Sources: Bursa, CEIC Data

- The FBM KLCI closed marginally higher by 0.1% w-o-w for the week ending January 3 on profit seeking activities.
- Investor sentiment remained cautiously optimistic heading into 2025, buoyed by an improving global outlook but tempered by concerns over the potential disruptions posed by Trump's administration to the fragile global recovery.
- Most Bursa indices ended in the green with the Property index (+3.5%) topping the gainers, followed by the Energy (+3.2%) and Utilities (+2.0%). The increased buying interest in the Energy and Utilities indices was spurred on by Tenaga Nasional Berhad’s announcement of a 14.2% hike on the base electricity tariff for Peninsular Malaysia effective July 2025 as a part of its Regulatory Period 4.
- Meanwhile, the Healthcare index (-0.7%) emerged as the biggest loser, followed by the Technology index (-0.6%).
- Foreign investors persisted as net sellers for the eleventh straight week, shedding a total of RM427.1 million worth of equities. The net selling kicked off 2025 with a cumulative net outflow of RM479.6 million.

FIXED INCOME: UST YIELDS DIPPED AS INVESTORS EVALUATED FED'S POLICY OUTLOOK

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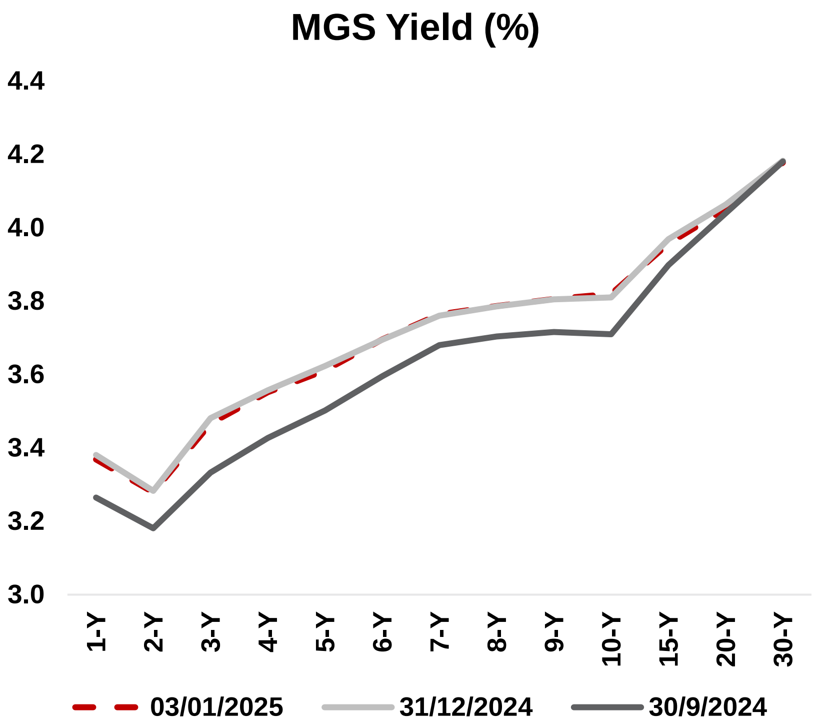
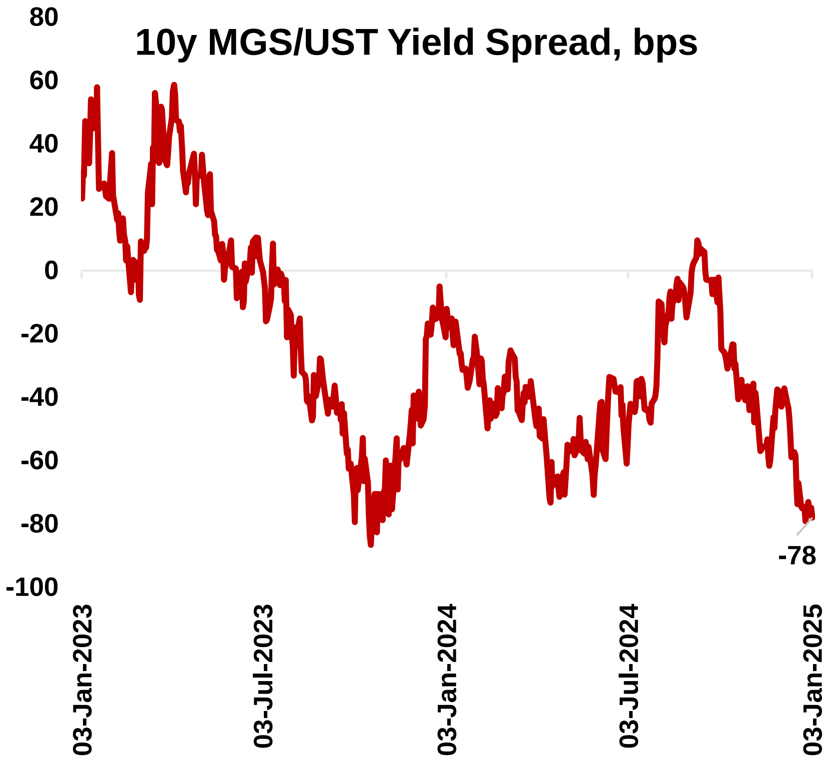
Weekly Changes, basis points (bps)

UST	Yields (%) 27-Dec-24	Yields (%) 3-Jan-25	Change (bps)
3-Y UST	4.36	4.32	-4
5-Y UST	4.45	4.41	-4
7-Y UST	4.53	4.51	-2
10-Y UST	4.62	4.60	-2
MGS	**Yields (%) 27-Dec-24**	**Yields (%) 3-Jan-25**	**Change (bps)**
3-Y MGS	3.50	3.47	-3
5-Y MGS	3.64	3.61	-3
7-Y MGS	3.78	3.76	-2
10-Y MGS	3.83	3.82	-1
GII	**Yields (%) 27-Dec-24**	**Yields (%) 3-Jan-25**	**Change (bps)**
3-Y GII	3.44	3.40	-4
5-Y GII	3.64	3.62	-2
7-Y GII	3.77	3.74	-3
10-Y GII	3.84	3.82	-2

Sources: BNM, Federal Reserve Board

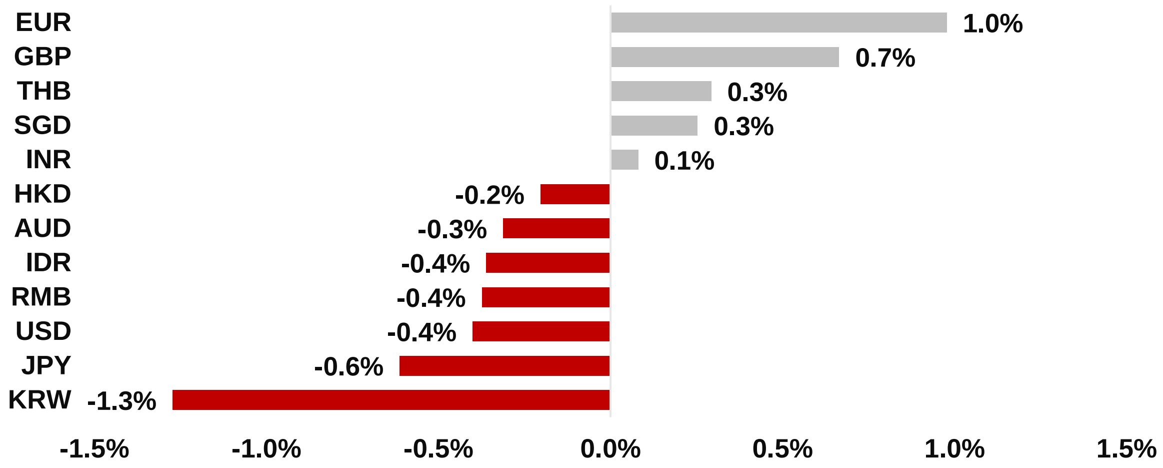




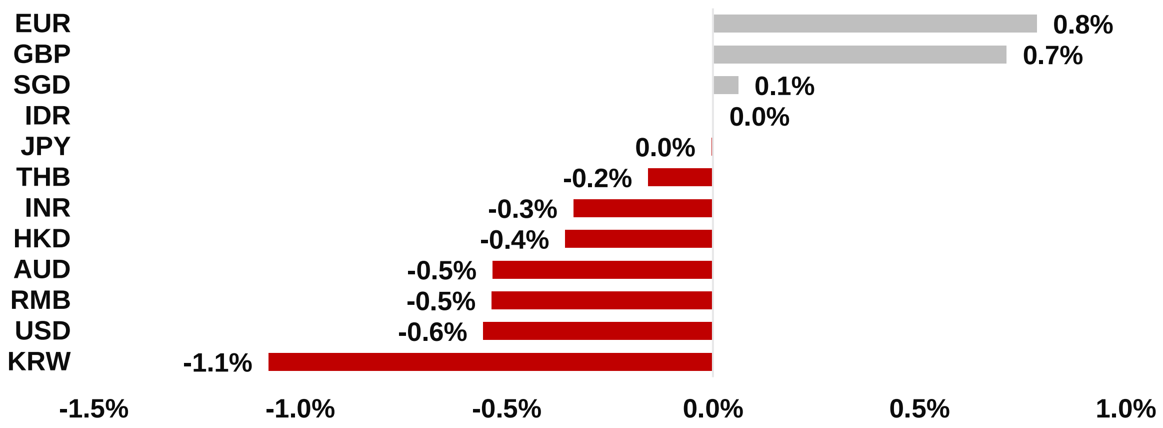
- The U.S. Treasury (UST) yields edged lower in the range of 2bps and 4bps as markets continued to evaluate the Federal Reserve's (Fed's) policy outlook for this year. Investors took note of hawkish signals, following upward revisions to projections for personal consumption expenditures (PCE) inflation and the target funds rate which led investors to price in only two rate cuts for 2025.
- Malaysian Government Securities (MGS) and Government Investment Issues (GII) yields also decreased between 1bp and 4bps.
- The 10y MGS/UST yield spread narrowed marginally in the negative territory at 78bps relative to -79bps in the previous week.
- On the issuance, the upcoming auction is the RM5.0 billion 7-Y reopening of MGS on January 8. The previous issuance of RM5.5 billion 7-Y MGS reopening in September 2024 garnered bid-to-cover (BTC) ratio of 1.7x.

FX MARKET: RINGGIT RETURNED TO THE RM4.50 LEVEL IN THE FIRST WEEK OF JANUARY

MYR Against Regional Currencies, w-o-w%



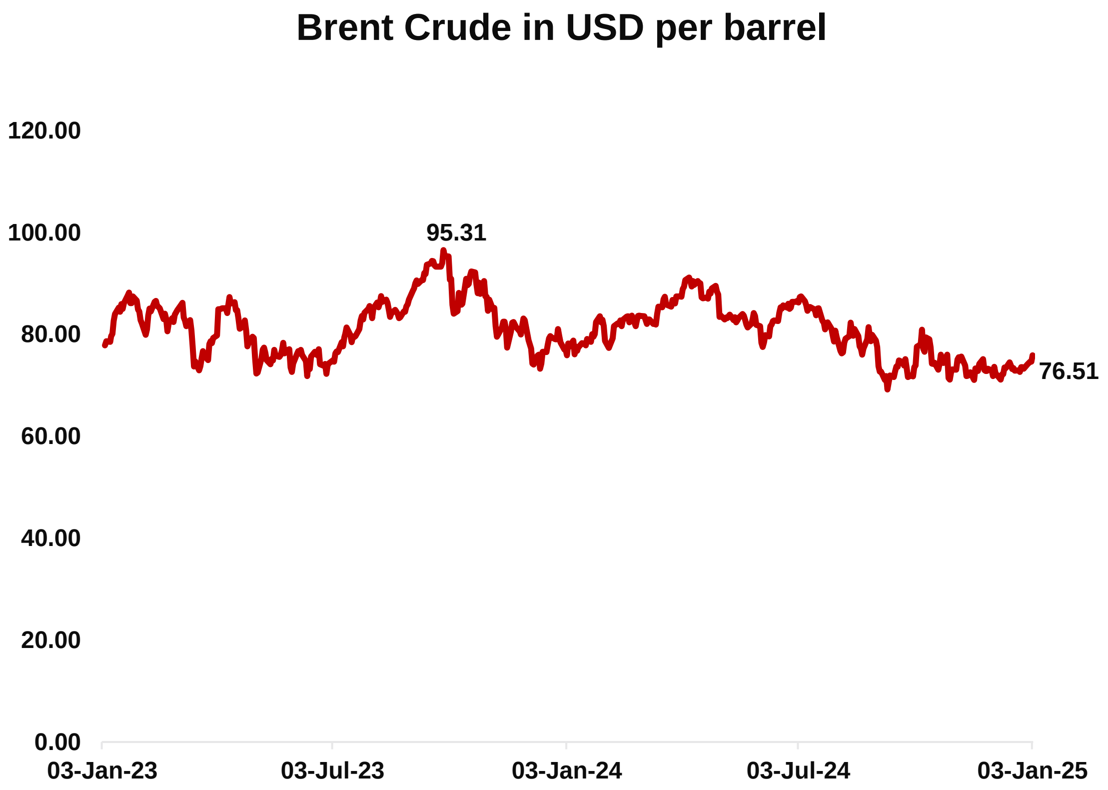
MYR Against Regional Currencies, YTD%
(As of 3 January 2025)

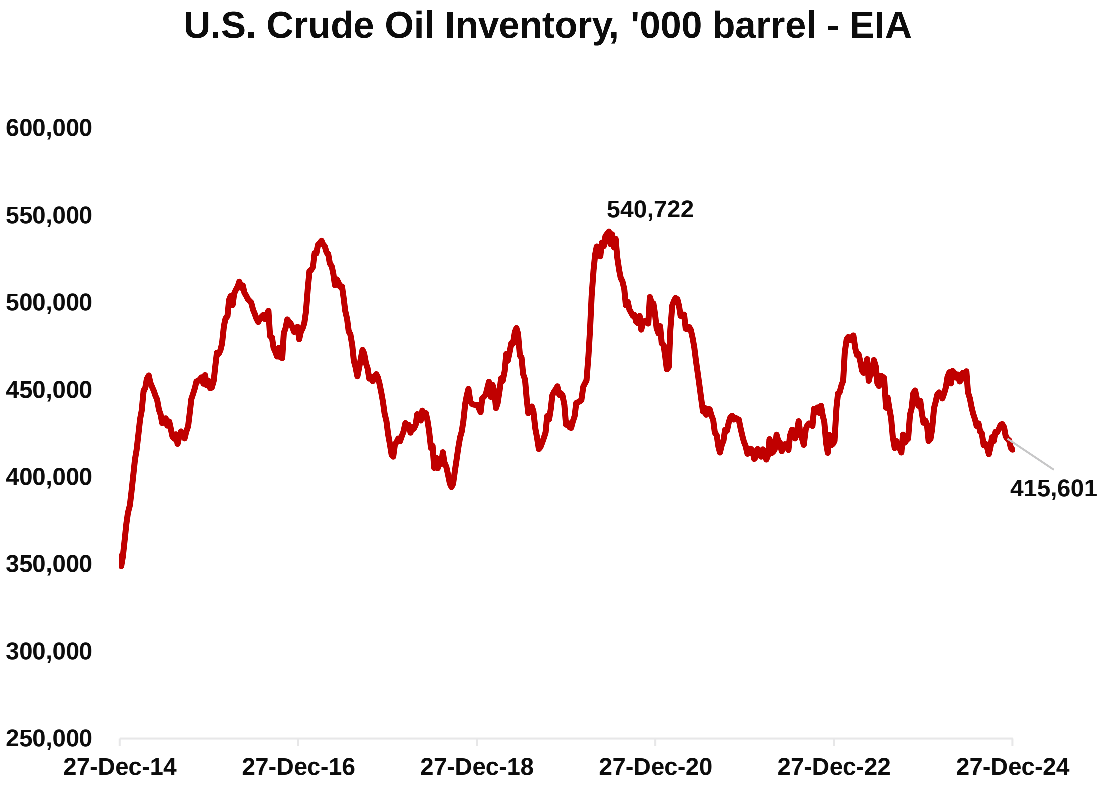


Sources: BNM, U.S. Bureau of Labor Statistics (BLS), CEIC Data

- Ringgit depreciated by 0.4% w-o-w against the USD for the week ending January 3 following the USD index's continuous climb, breaching above the 109-level for the first time since early November 2022 on Thursday.
- Such strength was driven by the latest data highlighting the resilience of the U.S. economy with its 3Q GDP growth beating expectations (Act: 3.1% q-o-q vs. Est: 2.8% q-o-q) and the job market remaining solid.
- With Trump's inauguration scheduled for January 20, heightened price pressures could reinforce a "higher for longer" approach to the Fed's monetary policy. The Federal Reserve had already adopted a more hawkish stance, as reflected in its December median dot plot projections, which now anticipate two fewer rate cuts in 2025 than previously expected.
- On the other hand, Ringgit appreciated by 1.0% against the Euro as markets await the release of the Eurozone's inflation figures this week.
- The local note will trade cautiously ahead of the Federal Open Market Committee (FOMC) minutes, scheduled to be released on Wednesday, for further hints on the Fed's policy decision. Furthermore, markets will also keep a close eye on the release of key U.S. job market figures on Friday.

COMMODITY: OIL HIT TO TWO-MONTH HIGHS ON GROWTH POLICY OPTIMISM





Sources: Bloomberg, Energy Information Administration (EIA)

- Brent oil prices rose 0.7% to USD76.51 per barrel for the week ending January 3, driven by cold weather in Europe and the US, along with optimism over Chinese economic stimulus. This rally pushed prices to a two-month high, resulting in a weekly gain of over 3%.
- Meanwhile, U.S. crude inventories fell by 1.2 million barrels to 415.6 million for the week ending December 27, supporting prices, while gasoline and distillate stocks rose. Colder weather is expected to boost heating oil demand, further supporting crude prices.

COMMODITY: GOLD PRICE ON TRACK FOR WEEKLY GAIN DUE TO FESTIVE DEMAND

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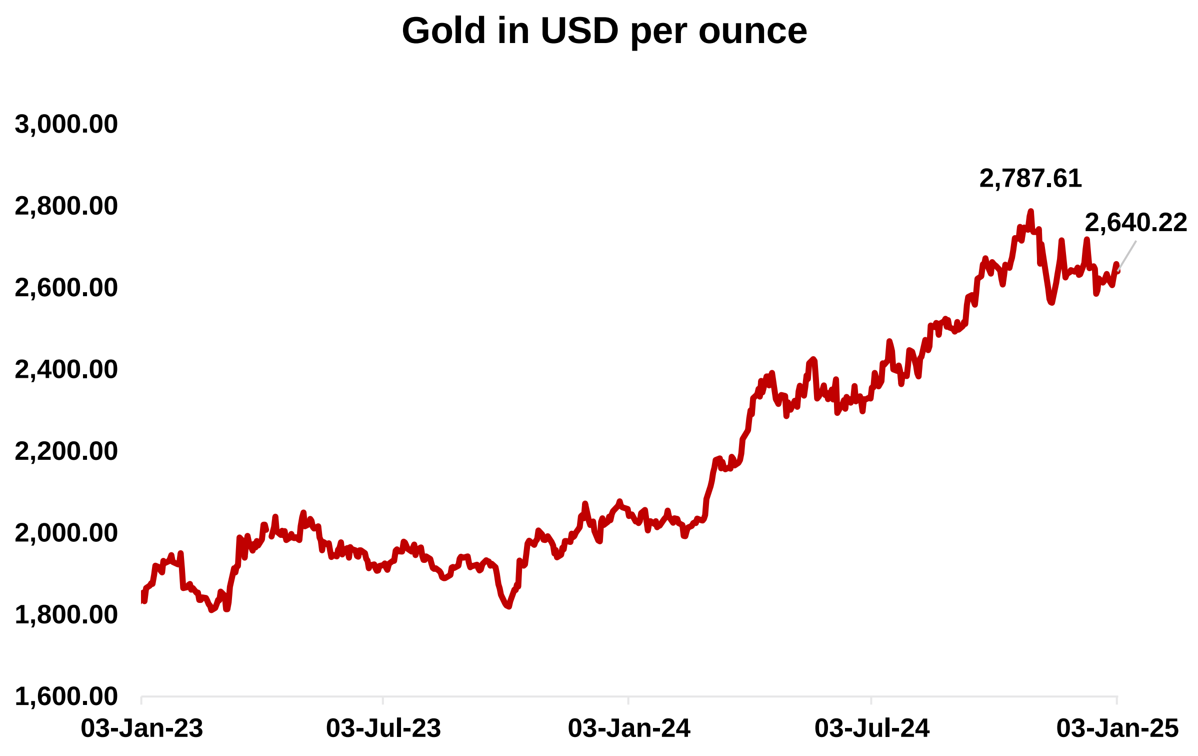

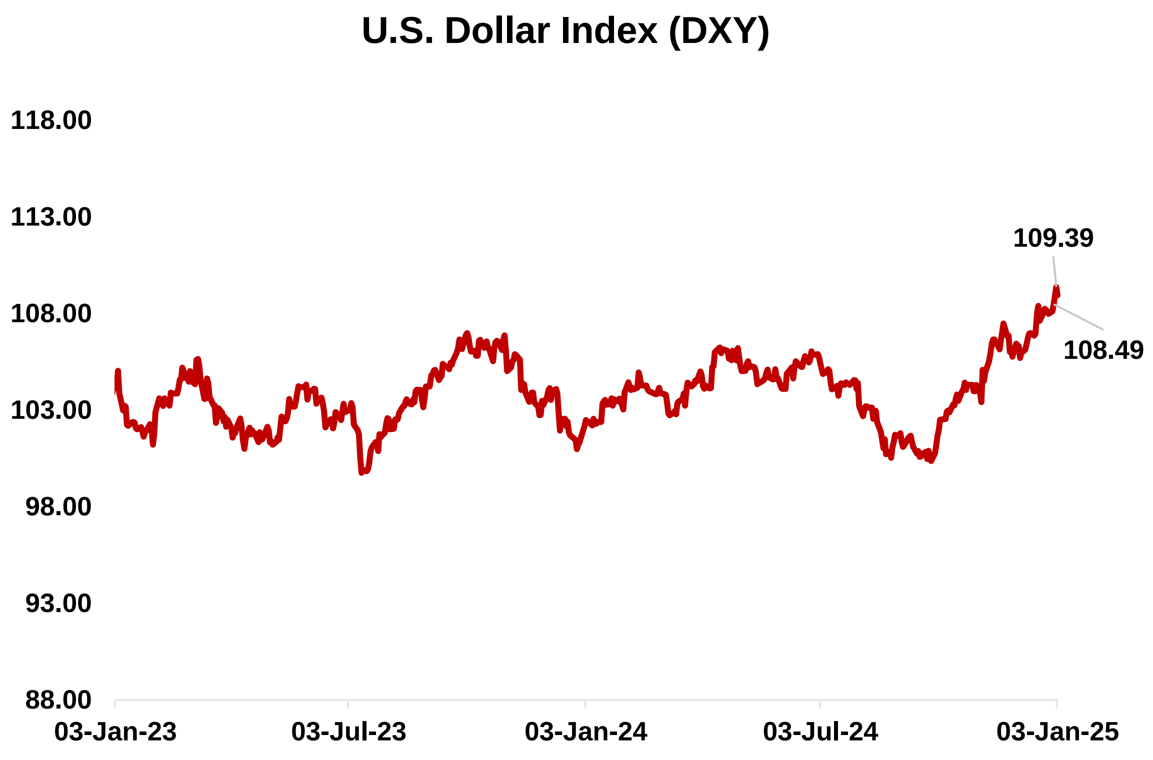

Sources: Bloomberg, CEIC Data

- The bullion price increased by 0.7% w-o-w last week due to cyclical buying as asset allocators open new long positions and higher demand due to the festive season.
- Nevertheless, it has been trending lower compared to the fervent run to mark record highs throughout October. Such movement was dragged by the expectations of slower rate cuts by the Fed which caused the greenback to outshine the bullion.

WHAT TO LOOK OUT FOR IN THE MARKETS THIS WEEK

- The focus in the U.S. will be on Wednesday's ADP private-sector employment data where the market expects slightly lower figure of 143K in December from 146K in November. Additionally, Thursday's initial jobless claims may offer an early insight into the state of the U.S. labor market. Meanwhile Monday's ISM non-manufacturing PMI for December could provide additional details on the overall performance of the U.S. economy, given that non-manufacturing activity represents over 80% of GDP.

- In the Eurozone, attention is likely to focus on the preliminary CPI data for December, set for release on Tuesday. During its December meeting, the European Central Bank (ECB) reduced interest rates by 25bps and indicated further cuts are likely by removing the reference to maintaining "sufficiently restrictive" rates. The following week after the meeting, President Lagarde reaffirmed that if incoming data continues to align with their baseline outlook, additional rate cuts will be implemented. She also expressed hope that the change in language from the previous week would now be clearer to those who had been uncertain about its meaning.

- Australia's monthly CPI for November is scheduled for release on Wednesday, with the consensus stands at 2.3% for November, marginally higher compared to the growth of 2.1% in the previous month. Meanwhile, Japan will publish wage data for November on Thursday. Given the emphasis Bank of Japan (BoJ) Governor Ueda placed on the upcoming spring wage negotiations during the press conference after the latest BoJ meeting, next week's data could influence market expectations about whether the Bank will raise rates in January. At present, the odds of a further 25bps rate cut or a hold decision are roughly equal.

THANK YOU