



WEEKLY ECONOMIC UPDATE

10 FEBRUARY 2025

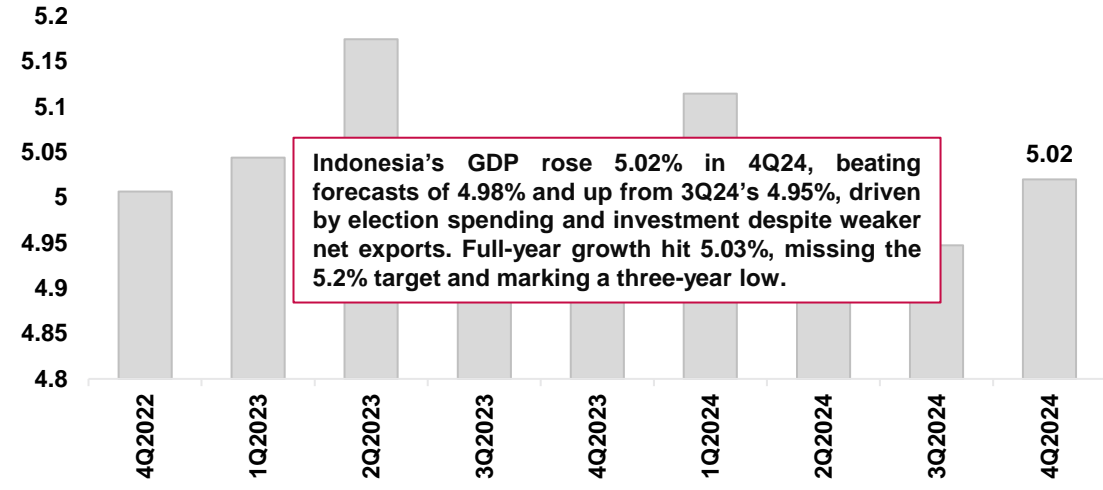
ECONOMIC RESEARCH

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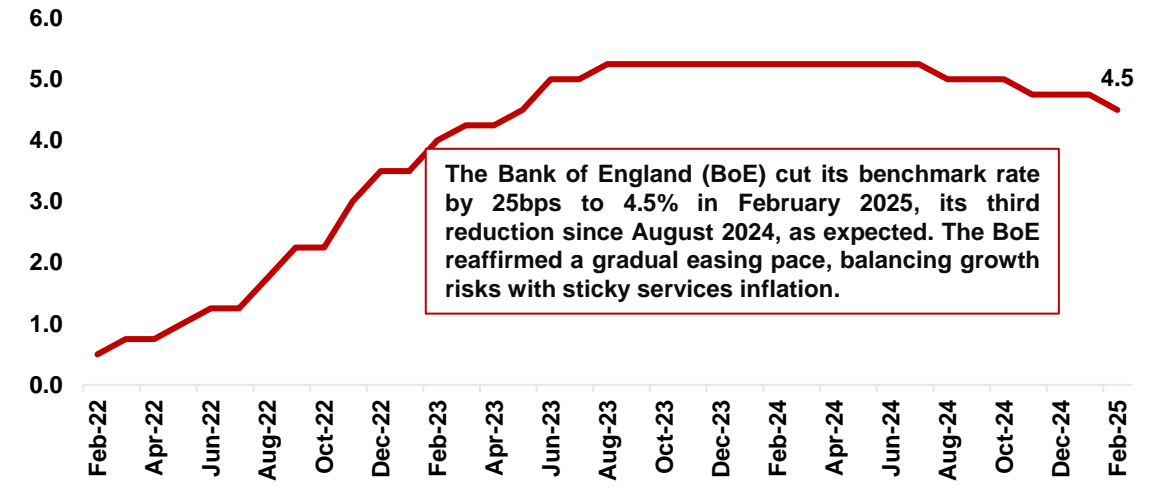
WEEKLY HIGHLIGHT: INDONESIA'S ECONOMY GROWS 5% IN 2024; RATE CUTS EXPECTED AMID 2025 UNCERTAINTY

GLOBAL

Indonesia - Real GDP, y-o-y%

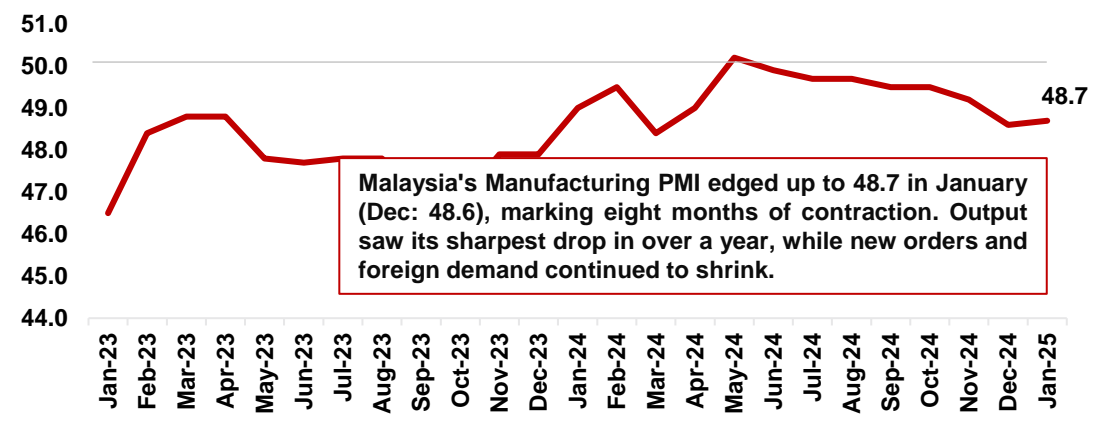


U.K. - Policy Base Rate, %

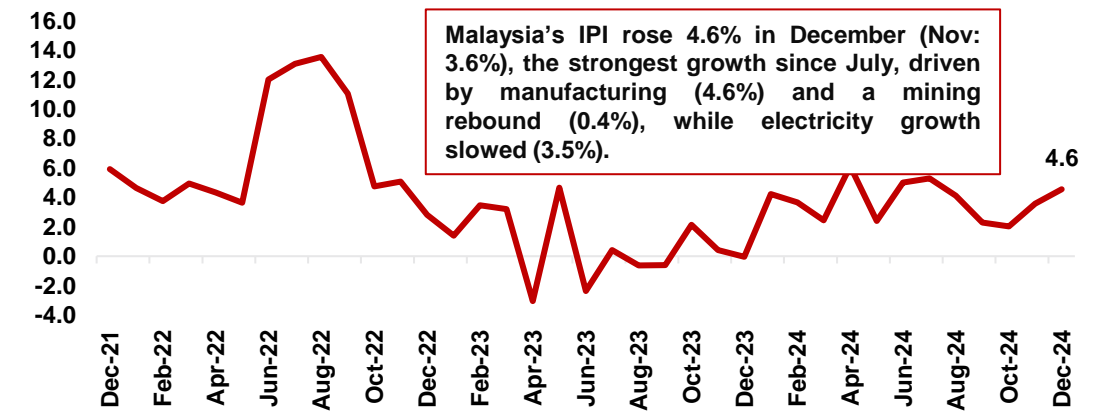


DOMESTIC

Malaysia Manufacturing Purchasing Managers' Index (PMI), points

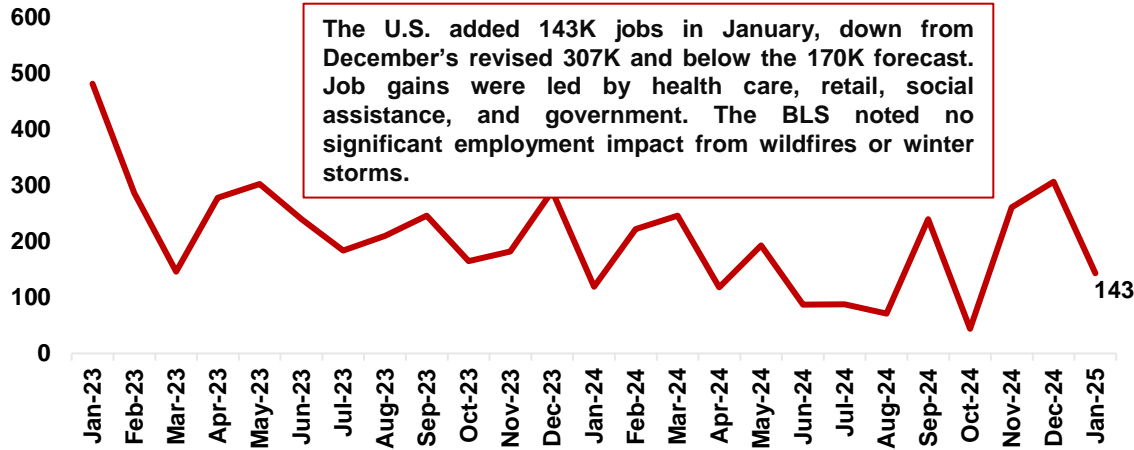


Malaysia - Industrial Production Index (IPI), y-o-y%

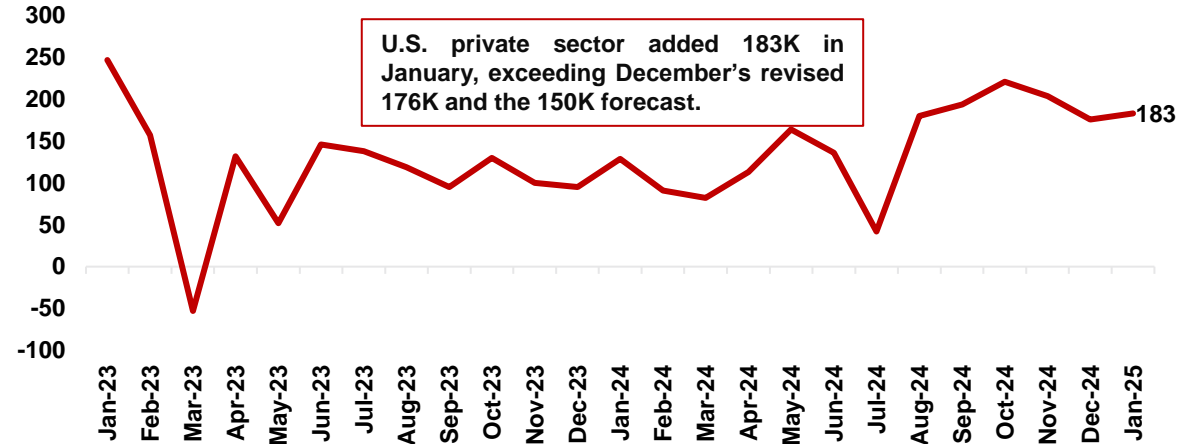


WEEKLY HIGHLIGHT: U.S. JOB GROWTH SLOWED IN JANUARY; UNEMPLOYMENT DIPPED TO 4.0%

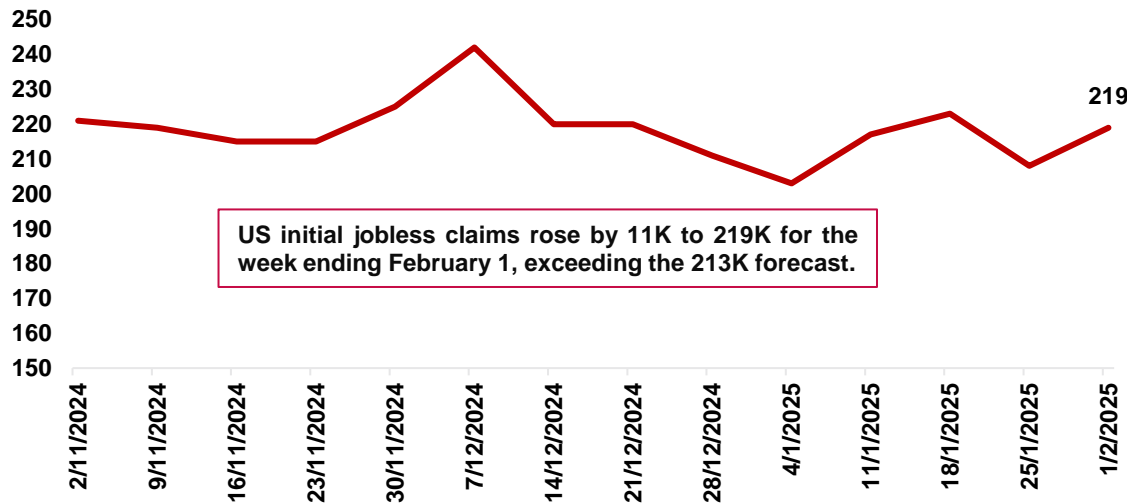
U.S. Non-Farm Payroll (NFP), m-o-m changes ('000)



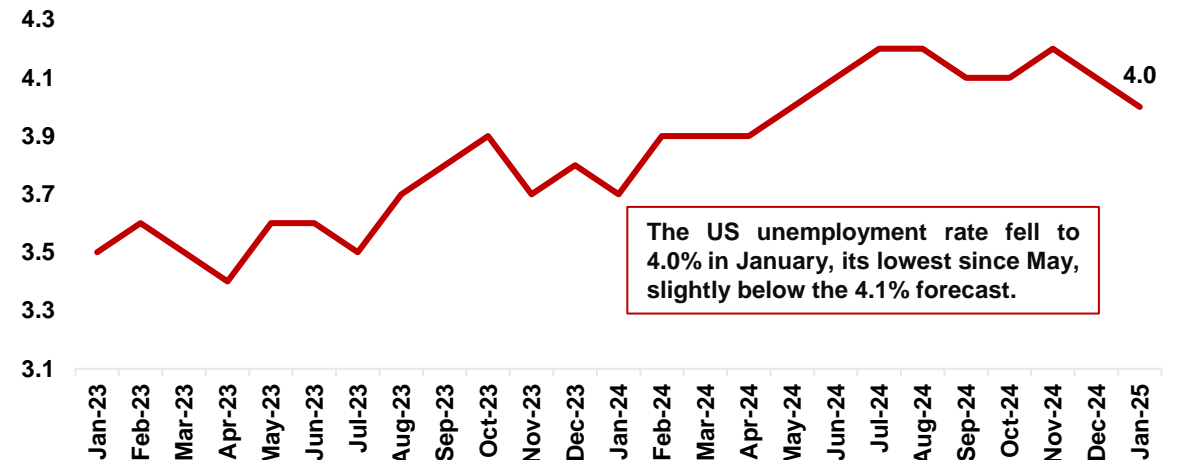
U.S. ADP Nonfarm Employment, m-o-m changes ('000)



U.S. Weekly Initial Jobless Claims (IJC), '000

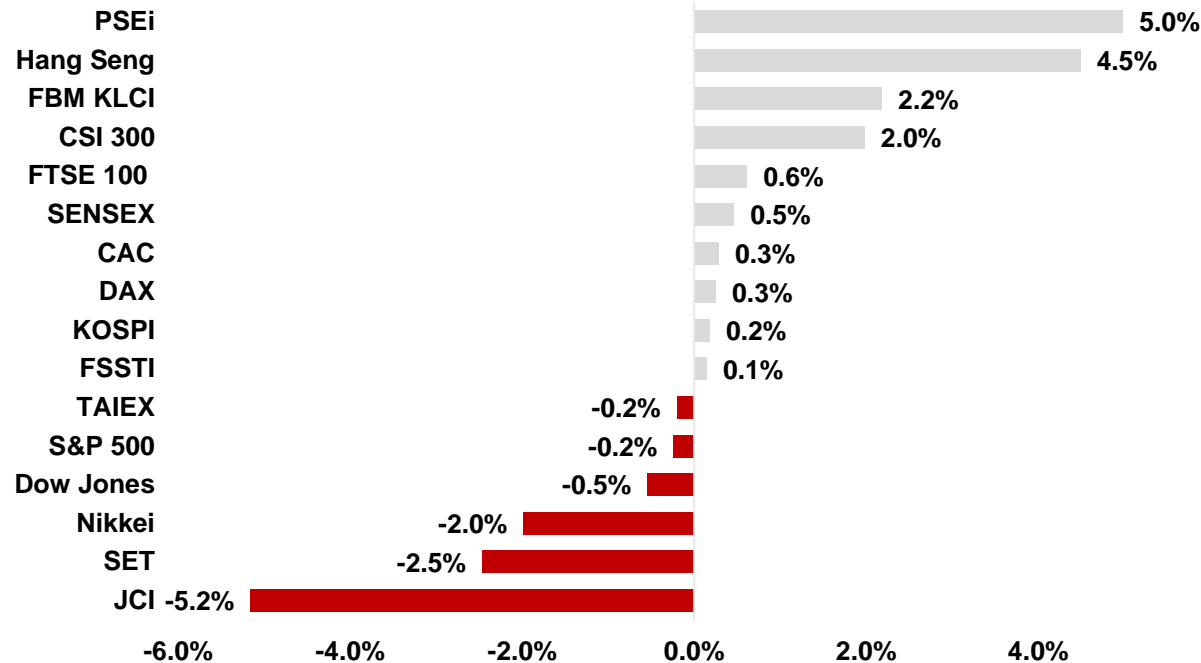


U.S. Unemployment Rate, %

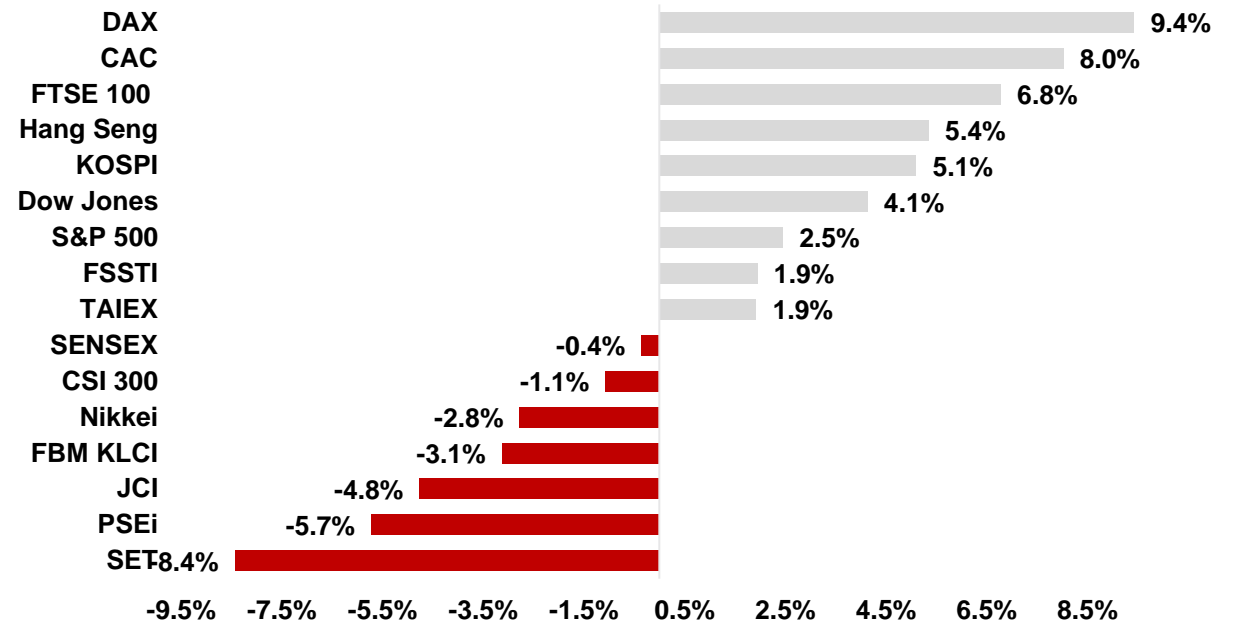


REGIONAL EQUITY: MIXED PERFORMANCE AS PHILIPPINES SOARS ON BARGAIN HUNTING, INDONESIA PLUMMETS ON TRADE WAR CONCERNS

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



YTD Gain/Loss of Major Equity Markets, % (As of 7 February 2025)

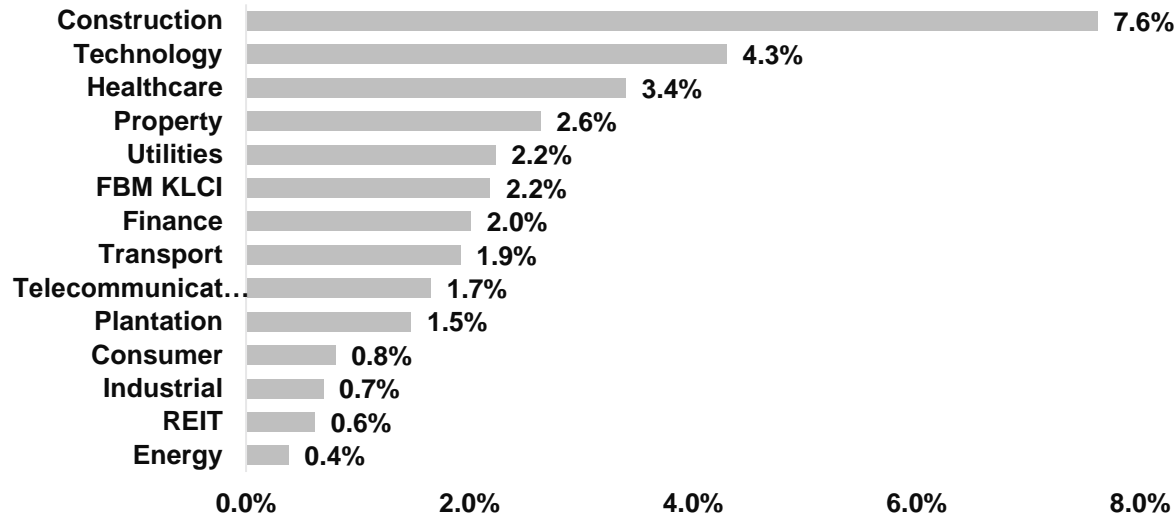


Sources: Bursa, CEIC Data

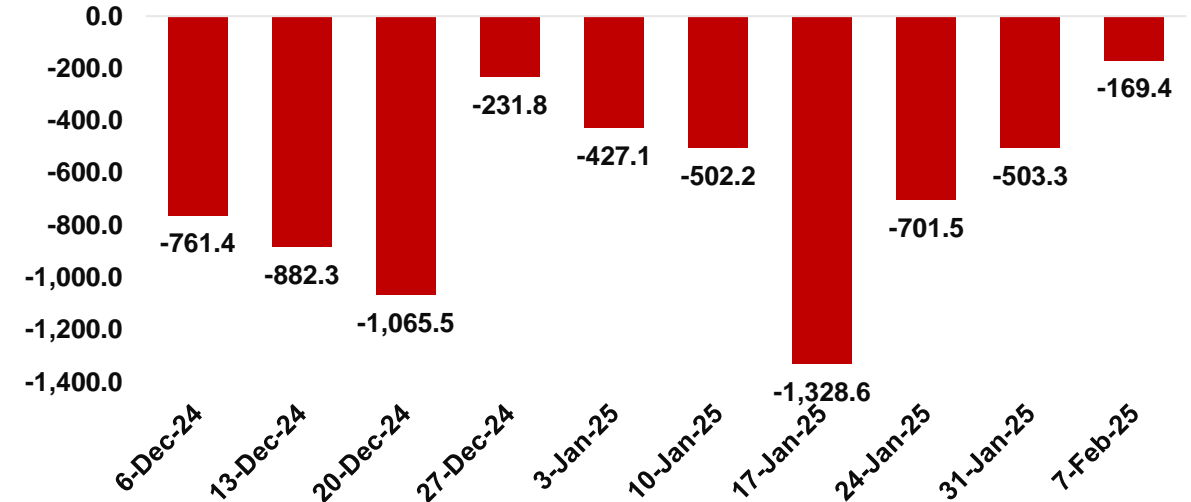
- The regional equity indices ended mixed last week, with the Philippines' PSEi (+5.0%) leading the gains. Bargain-hunting investors lifted Philippine shares back above the 6,000 mark, closing at 6,154.99.
- Meanwhile, Indonesia's JCI closed the week lower, slipping 5.2%, as concerns over the ongoing global trade war - particularly involving the U.S. - weighed on investor sentiment. The uncertainty made it challenging for foreign investors to sustain existing investments or attract new capital without significant political or economic shifts.
- In addition, U.S. stocks – Dow Jones (-0.5%) and S&P 500 (-0.2%) also slumped marginally driven by the investors' reaction to the possibility of new tariffs from the Trump administration, while also digesting a rise in inflation expectations and a jobs report.

DOMESTIC EQUITY: LOCAL MARKET ENDED IN A SEA OF GREEN AHEAD OF MALAYSIA'S GDP GROWTH FIGURES

Weekly Bursa Sectoral Performance, w-o-w%



Weekly Foreign Fund Net Inflows/Outflows, RM Million



Sources: Bursa, CEIC Data

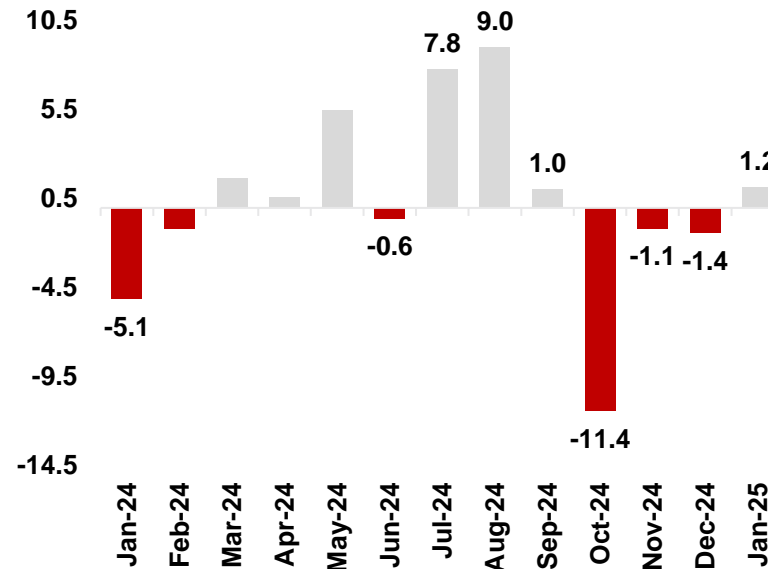
- The FBM KLCI recovered to close 2.2% higher on a weekly basis last week, marking its strongest level in almost a month on Friday, amid bargain hunting activities.
- Investor sentiments were rocky throughout the week following the introduction of China's DeepSeek as privacy concerns cloud the global AI landscape. Nevertheless, local technology stocks mirrored gains in China's and Hong Kong's stocks, rising by 4.3% w-o-w.
- Furthermore, buying interest into the local market was lifted ahead of the release of Malaysia's 4Q2024 growth numbers this week, which many are optimistic as latest data points to healthy rebounds across Malaysia's industrial production engines.
- All Bursa indices recorded gains with the Construction index surging by 7.6%, followed by the Technology and Healthcare indices (+3.4%).
- Foreign investors continued net selling every week of the year thus far, shedding a total of RM169.4 million worth of equities last week. This net selling has increased the cumulative net outflow for 2025 to RM3.7 billion.

FIXED INCOME: FOREIGNERS RETURNED AS NET BUYERS IN LOCAL BOND MARKET AFTER THREE CONSECUTIVE MONTHS OF NET FOREIGN OUTFLOWS

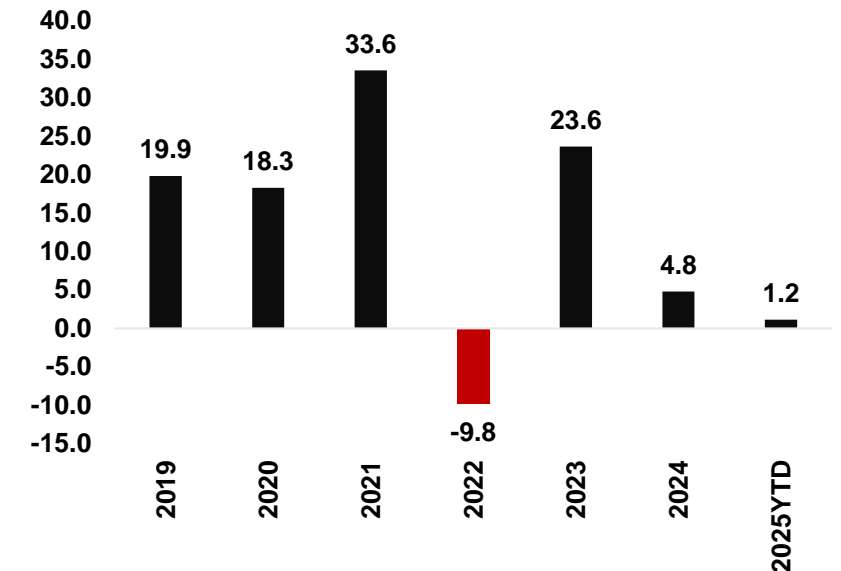
Weekly Changes, basis points (bps)			
UST	Yields (%) 31-Jan-25	Yields (%) 7-Feb-25	Change (bps)
3-Y UST	4.27	4.31	4
5-Y UST	4.36	4.34	-2
7-Y UST	4.47	4.42	-5
10-Y UST	4.58	4.49	-9
MGS	Yields (%) 31-Jan-25	Yields (%) 7-Feb-25	Change (bps)
3-Y MGS	3.46	3.47	1
5-Y MGS	3.61	3.62	1
7-Y MGS	3.77	3.78	1
10-Y MGS	3.81	3.81	0
GII	Yields (%) 31-Jan-25	Yields (%) 7-Feb-25	Change (bps)
3-Y GII	3.52	3.55	3
5-Y GII	3.62	3.62	0
7-Y GII	3.77	3.77	0
10-Y GII	3.82	3.82	0

Sources: BNM, Federal Reserve Board

Foreign Fund Flows in Local Bond Market, RM Billion



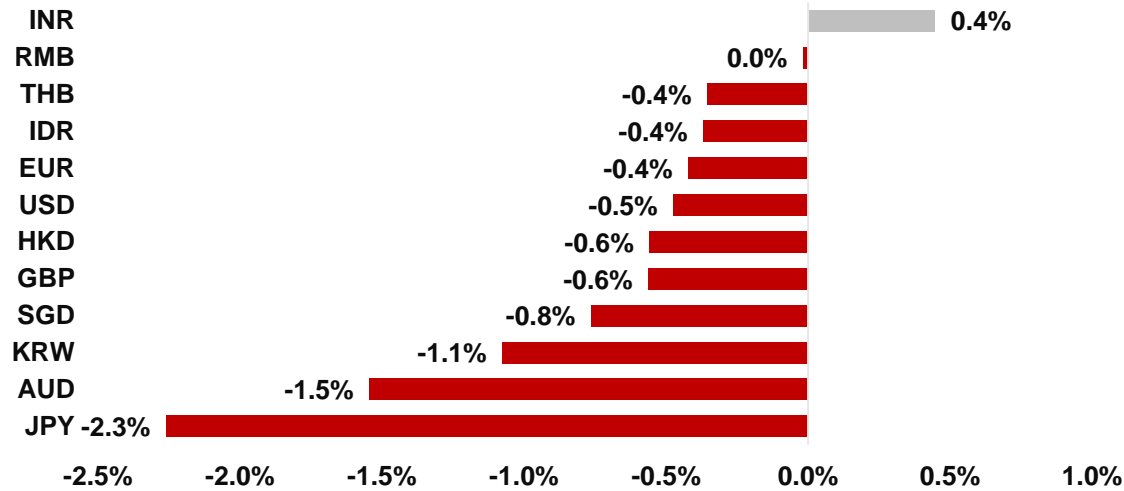
Cumulative Net Foreign Flows in Local Bonds (Yearly Comparison, RM Billion)



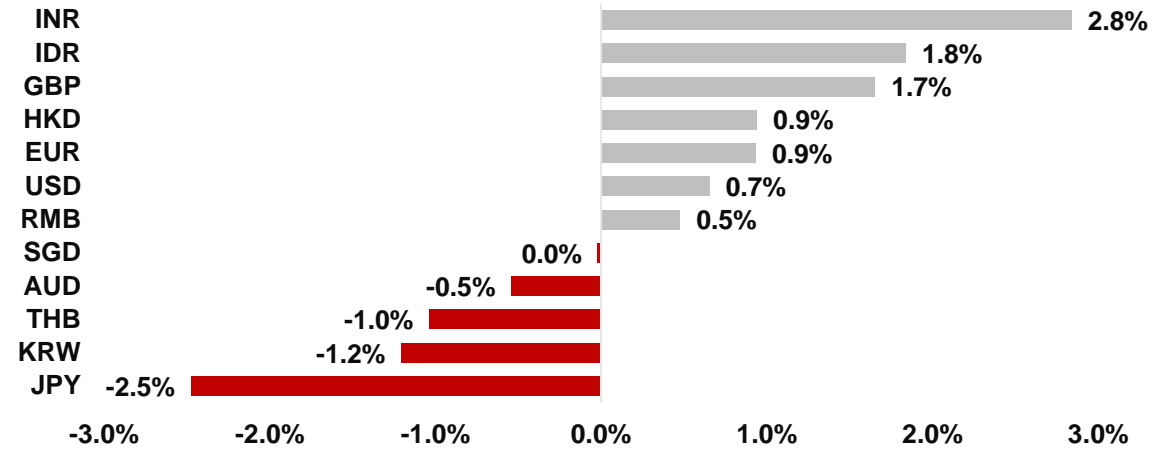
- The 3-Y U.S. Treasury (UST) yield surged by 4bps to close at 4.31%. In contrast, the belly to the longer-end of the yield curve bullishly steepened in the range of 2bps and 9bps. The recent decline in yields may have been driven by anticipated deregulation and Treasury Secretary Scott Bessent's focus on reducing 10-Y UST yields, rather than targeting the Fed's benchmark short-term interest rate.
- Malaysian Government Securities (MGS) yields climbed by 1bp from the short-end to the belly of the curve whilst 10-Y MGS yield plateaued at 3.81%. Meanwhile, Government Investment Issues (GII) yields were mostly unchanged except for 3-Y GII yield that edged up by 3bps to 3.55%.
- Foreign fund flows in the local bond market returned into positive territory with a net foreign inflow of RM1.2 billion in January (Dec: -RM1.4 billion), after three consecutive months of net foreign outflows. Nevertheless, local govvnies' foreign shareholdings to total outstanding declined to 21.1% in January (Dec: 21.3%).

FX MARKET: RINGGIT TO TRADE CAUTIOUSLY AHEAD KEY U.S. AND DOMESTIC RELEASES

MYR Against Regional Currencies, w-o-w%



MYR Against Regional Currencies, YTD% (As of 7 February 2025)

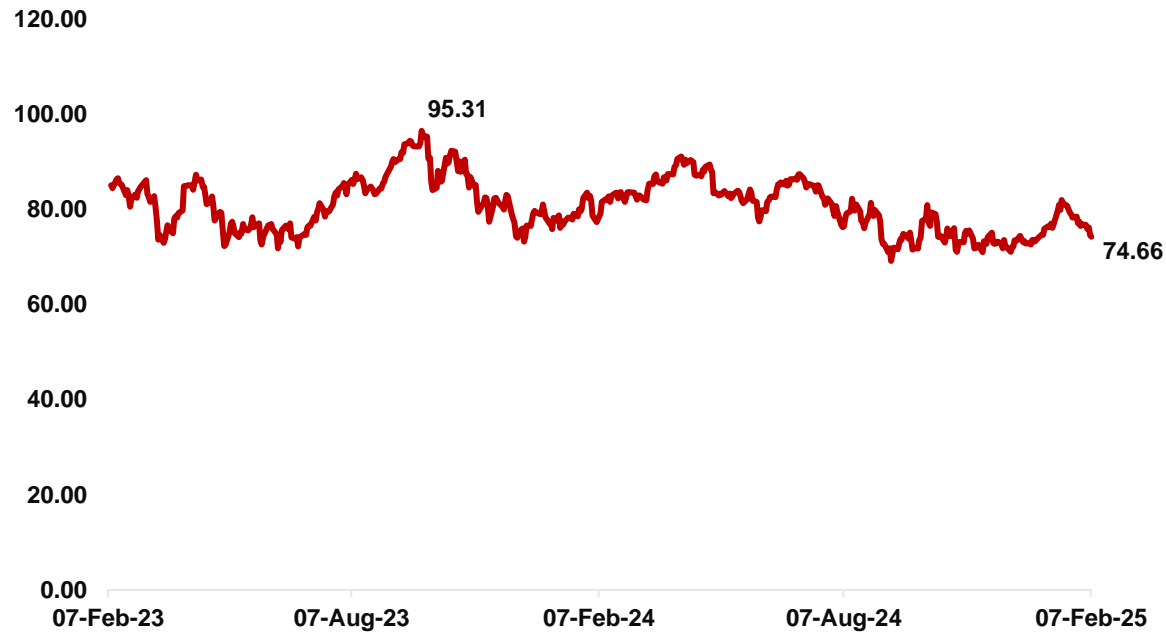


Sources: BNM, U.S. Bureau of Labor Statistics (BLS), CEIC Data

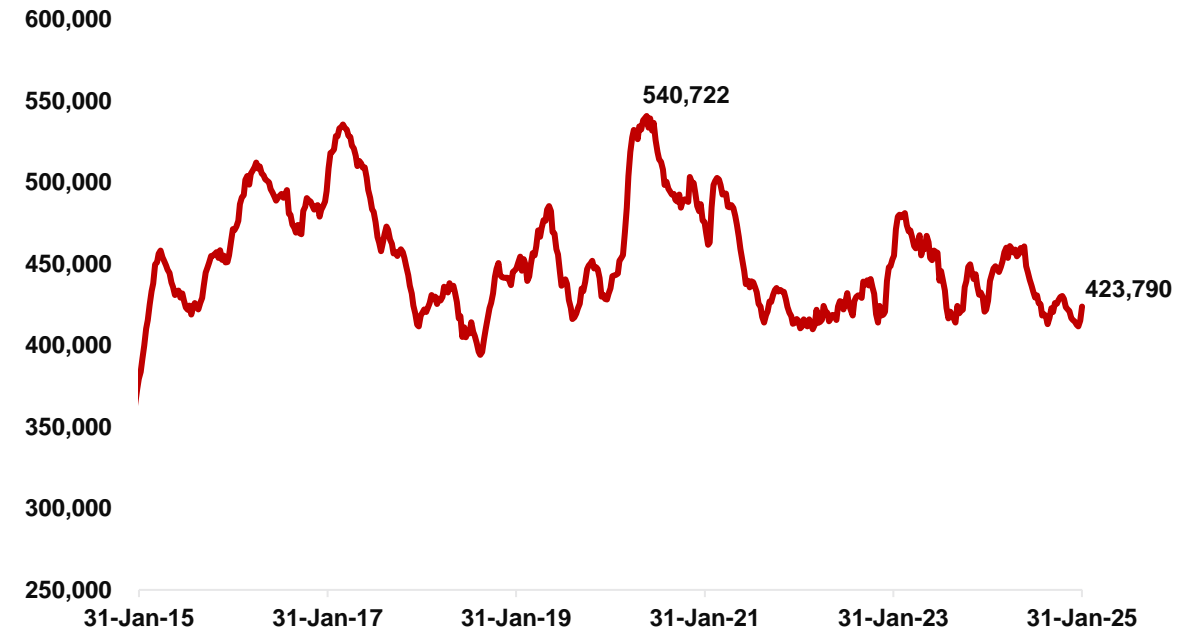
- The Ringgit depreciated by 0.5% w-o-w against the USD for the week ending February 7 despite the USD index slipping by 0.3% during the same period.
- Earlier in the week, the U.S. job market disappoints when the number of job openings fell by 556K to 7.6 million in December 2024 (Est: 8.0 million). The signs of the job market cooling dragged the greenback on a downtrend, further pressured by Trump agreeing to pause the implementation of tariffs on Canada and Mexico for 30 days.
- Furthermore, the economy was seen to add lesser than expected jobs in January (Act: 143K vs. Est: 170K), significantly lower than 307K added in the previous month. Similarly, private businesses added 111K jobs (December: 273K), missing the forecasts of 141K.
- Conflicting signals from both sides of the Fed's dual mandate have added to uncertainty over its policy outlook, fueling volatility in currency markets. Looking ahead, investors will closely watch Fed Chair Powell's testimony to Congress for any policy clues, along with the U.S. inflation data set for release on Wednesday.

COMMODITY: OIL FELL FOR THIRD WEEK AS TRUMP TARIFFS HIT DEMAND OUTLOOK

Brent Crude in USD per barrel



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



Sources: Bloomberg, Energy Information Administration (EIA)

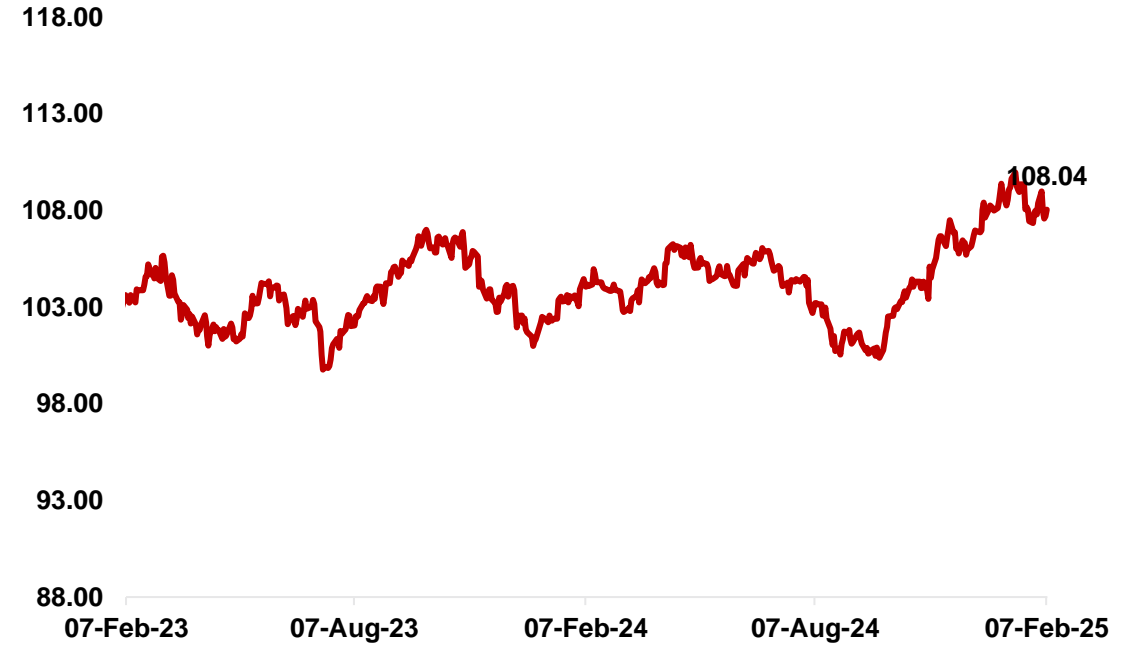
- Brent oil prices gained 0.5% to USD74.7 for the week ending February 7 amid Iran sanctions but posted a third weekly drop (-3%) on Trump's tariff concerns.
- Meanwhile, US crude oil inventories surged by 8.7 million barrels to 423.8 million for the week ending January 31, exceeding the forecast of 5.02 million barrels.

COMMODITY: GOLD PRICE SURGED TO MARKED FRESH HIGH LAST WEDNESDAY

Gold in USD per ounce



U.S. Dollar Index (DXY)



Sources: Bloomberg, CEIC Data

- The bullion price was on a winning streak, breaking above the USD2,800-level on Monday and reaching a record high of USD2,867.24 on Wednesday, while on a weekly basis, it had accelerated by 2.2%.
- Demand for the bullion surged following Trump's tariff on imports from China, intensifying trade frictions between the two economic giants. This was further exacerbated by Trump's remarks about more tariffs to be announced this week. Meanwhile, the People's Bank of China (PBoC) resumed its gold purchases to increase its reserves, spurring the uptrend.

WHAT TO LOOK OUT FOR IN THE MARKETS THIS WEEK

- The market is eagerly awaiting the January CPI report, set for release on February 12. Last Friday, the U.S. economy posted a weaker-than-expected jobs report, adding just 143,000 jobs in January, below the 175,000 forecast while the unemployment rate edged down to 4.0%. With inflation remaining the Fed's top concern, trade and tariff risks add another layer of market uncertainty. President Trump is expected to announce reciprocal tariffs this week, including a 25% blanket tariff on steel and aluminum imports. These measures could fuel inflation, complicating the Fed's efforts to bring it down to its 2.0% target. Meanwhile, consumer sentiment has weakened, with the University of Michigan's preliminary index falling from 71.1 in January to 67.8 in February, reflecting growing concerns over rising inflation.
- Malaysia's 4Q2024 GDP performance will be released on Friday, and we expect growth to be around 4.7%, bringing the overall growth for the year to 5.0%. This is slightly lower than 5.1% growth projected by the Department of Statistics Malaysia (DOSM) in its advanced estimate. Strong domestic demand and a notable improvement in overall investment activity—particularly private investment—are expected to drive growth in 2024. However, we anticipate economic growth to moderate to 4.7% in 2025, with risks skewed to the downside amid heightened global uncertainty, including geopolitical tensions and trade wars. That said, resilient domestic demand, supported by favorable market conditions, strong private investment with faster execution of projects, and a robust construction sector under the Public-Private Partnership Master Plan 2030 (PIKAS 2030), could present upside risks to growth this year.
- Attention will also be given to the decision of the Bangko Sentral ng Pilipinas (BSP) at its Monetary Board's first policy review meeting of the year on February 13th. The central bank is expected to cut its interest rate by 25bps, as the economy grew slower than expected in 4Q2024, dragged down by weak domestic demand and a decline in farm production amid serial typhoons. The country's GDP increased by only 5.6%, below the government's target of 6.0% to 6.5%. The central bank began its easing cycle since last August and has reduced the interest rate by a total of 75bps by the end of 2024, bringing the benchmark rate to 5.75%. The governor of the central bank has also hinted a 50bps cut in 2025, with 25bps in 1H2025 and another 25bps in the 2H2025.

BANK ISLAM

THANK YOU