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WEEKLY ECONOMIC UPDATE

13 JANUARY 2025

ECONOMIC RESEARCH

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WEEKLY HIGHLIGHT: CHINA INFLATION SLOWED FURTHER, HEIGHTENING DEFLATION CONCERNS

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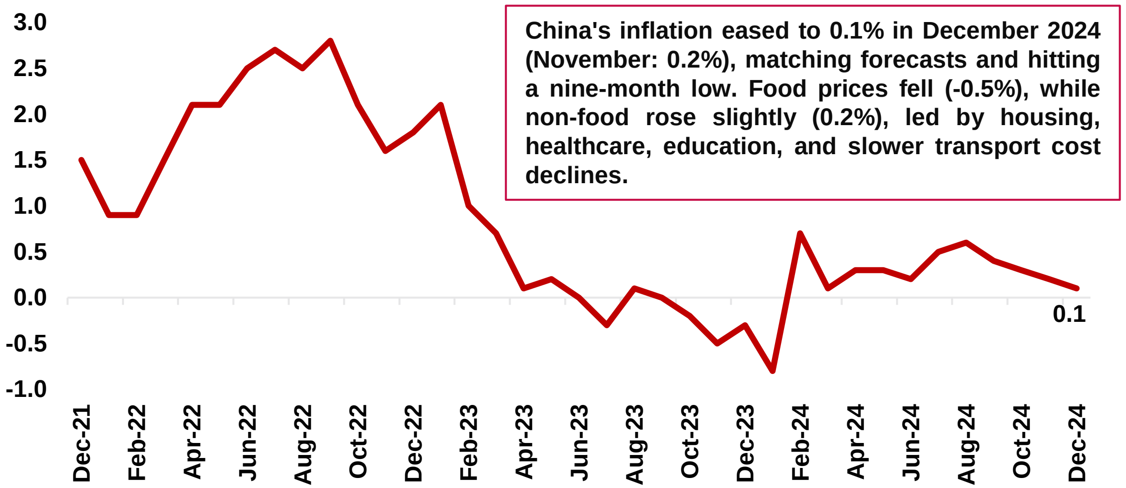
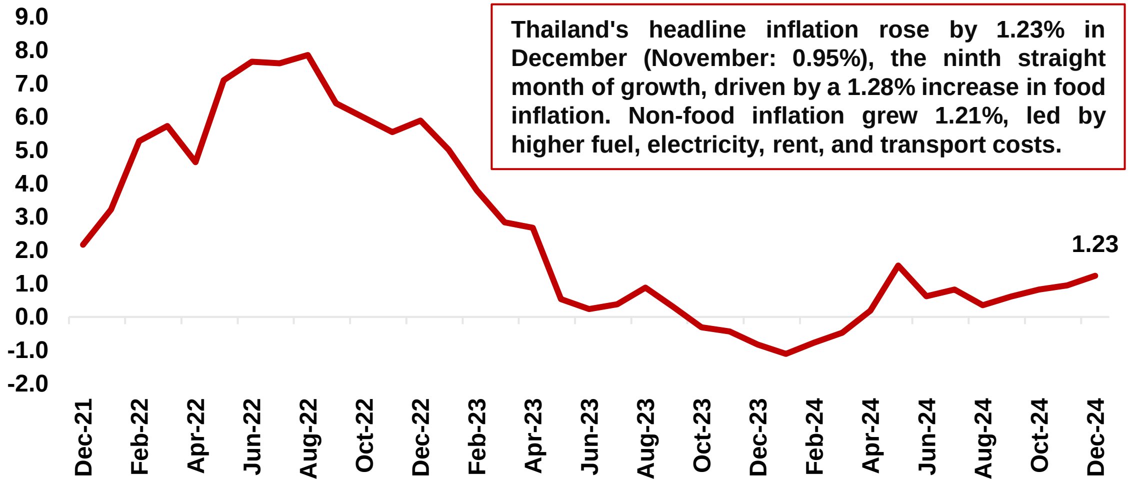
GLOBAL

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



China's inflation eased to 0.1% in December 2024 (November: 0.2%), matching forecasts and hitting a nine-month low. Food prices fell (-0.5%), while non-food rose slightly (0.2%), led by housing, healthcare, education, and slower transport cost declines.

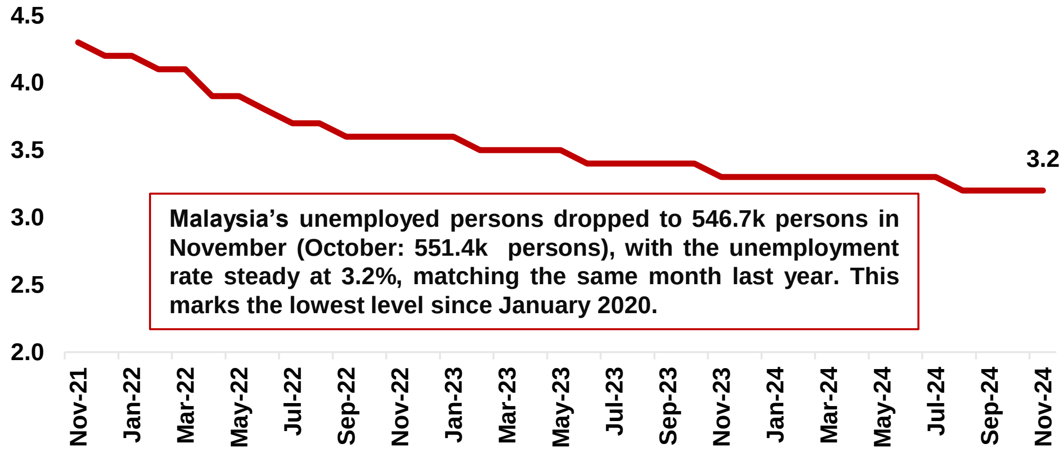
Thailand - Consumer Price Index (CPI), y-o-y%



Thailand's headline inflation rose by 1.23% in December (November: 0.95%), the ninth straight month of growth, driven by a 1.28% increase in food inflation. Non-food inflation grew 1.21%, led by higher fuel, electricity, rent, and transport costs.

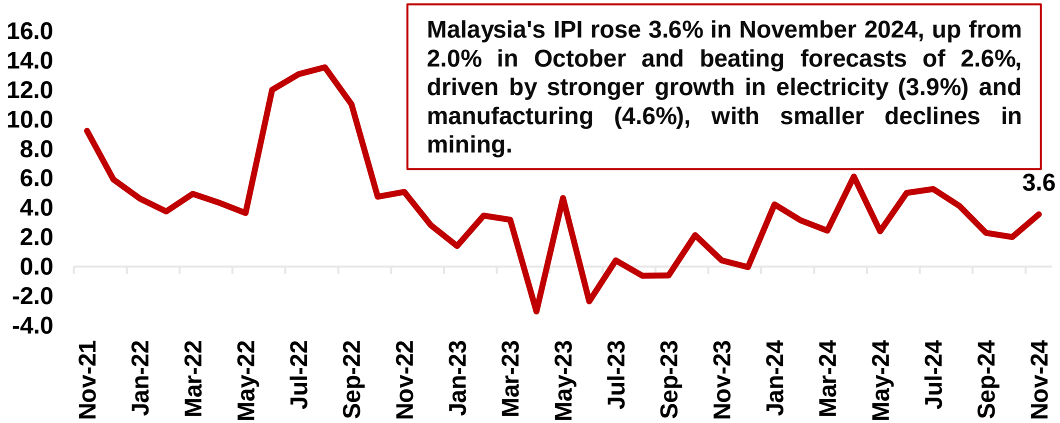
DOMESTIC

Malaysia - Unemployment Rate, y-o-y%



Malaysia's unemployed persons dropped to 546.7k persons in November (October: 551.4k persons), with the unemployment rate steady at 3.2%, matching the same month last year. This marks the lowest level since January 2020.

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



Malaysia's IPI rose 3.6% in November 2024, up from 2.0% in October and beating forecasts of 2.6%, driven by stronger growth in electricity (3.9%) and manufacturing (4.6%), with smaller declines in mining.

Sources: National Bureau of Statistics, Bureau of Trade and Economic Indices, Department of Statistics Malaysia (DOSM)

WEEKLY HIGHLIGHT: U.S. LABOR MARKET ENDED 2024 WITH ROBUST JOB GROWTH AND LOWER UNEMPLOYMENT

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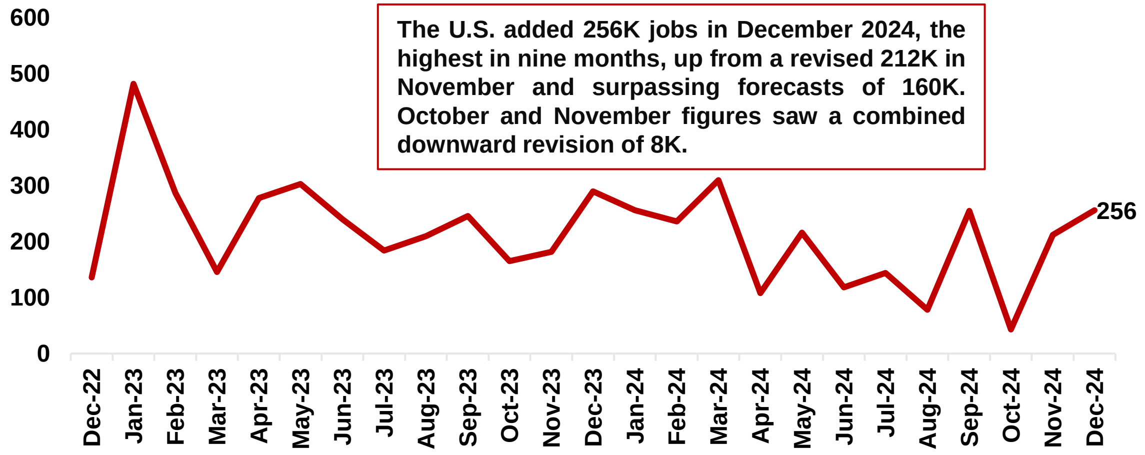
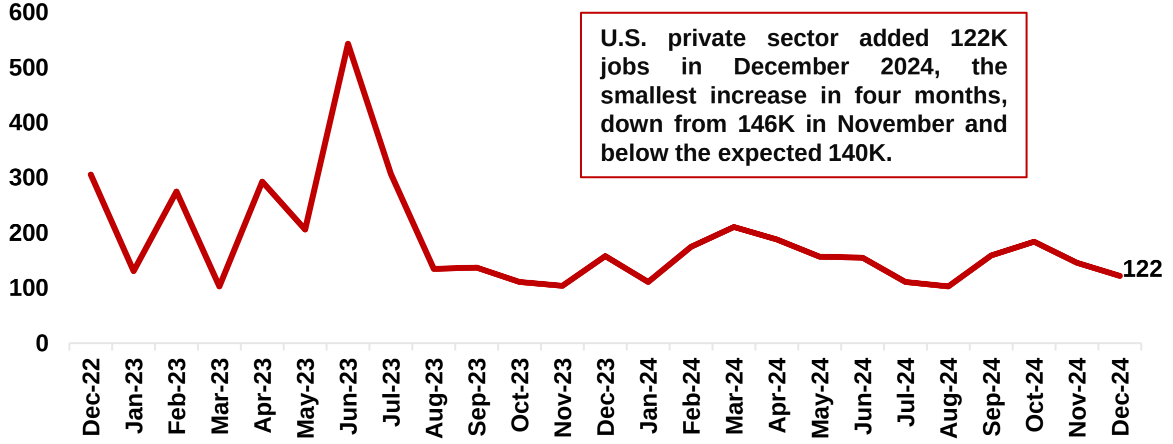
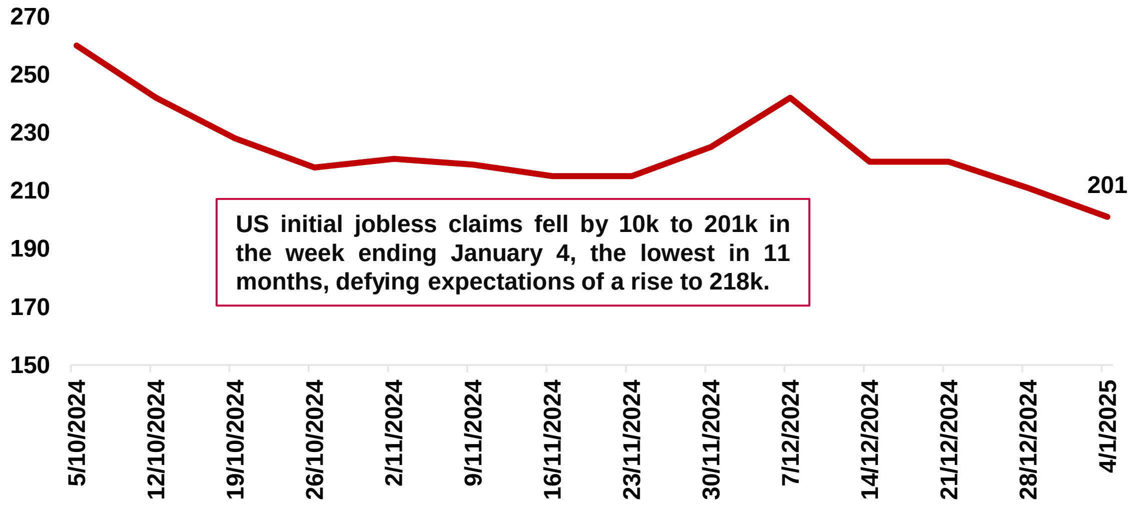
U.S. Non-Farm Payroll (NFP), m-o-m changes ('000)



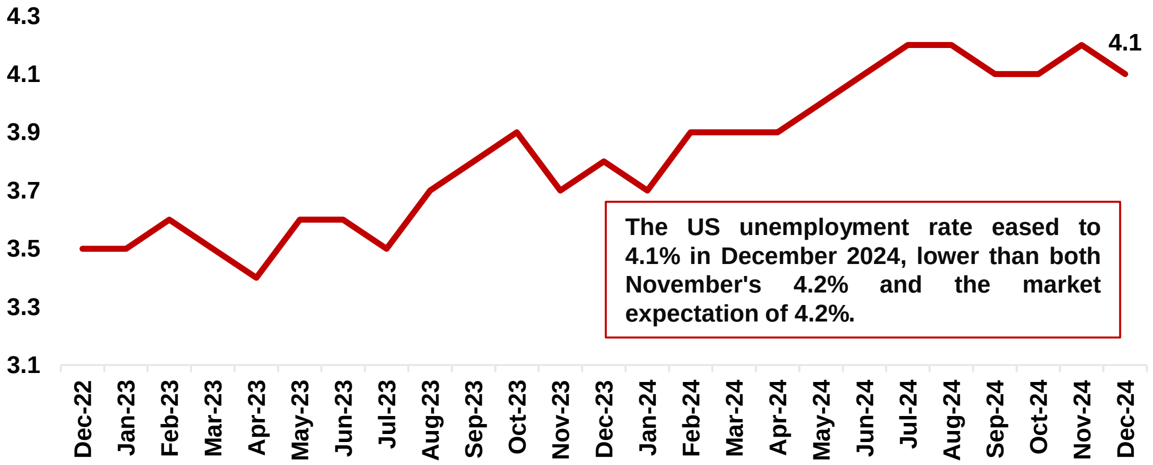
U.S. ADP Nonfarm Employment, m-o-m changes ('000)



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



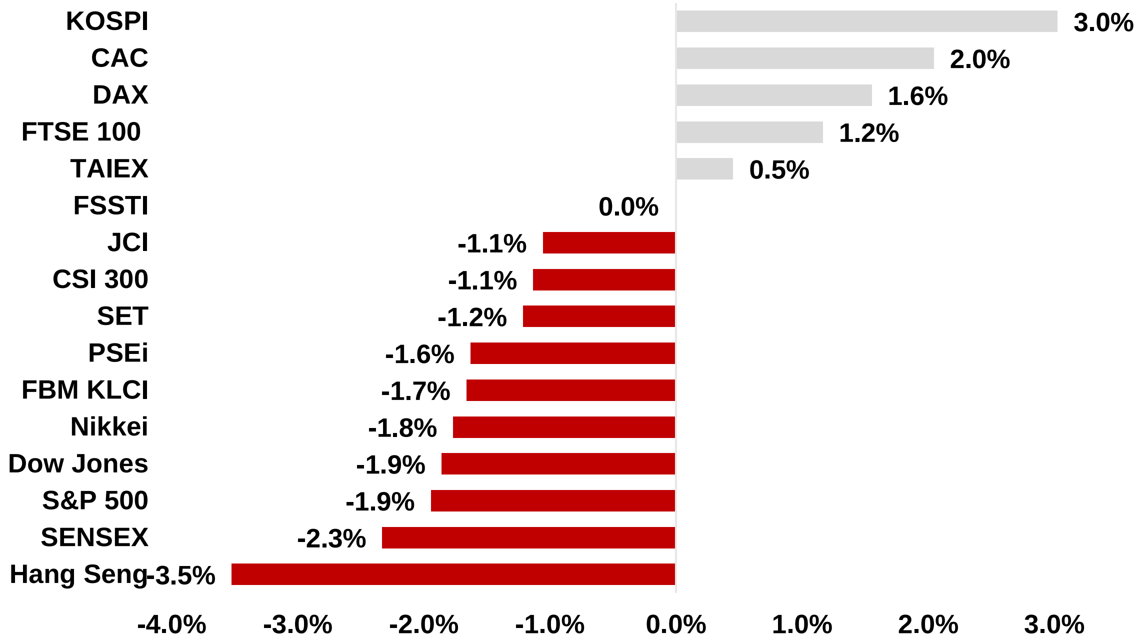
U.S. Unemployment Rate, %



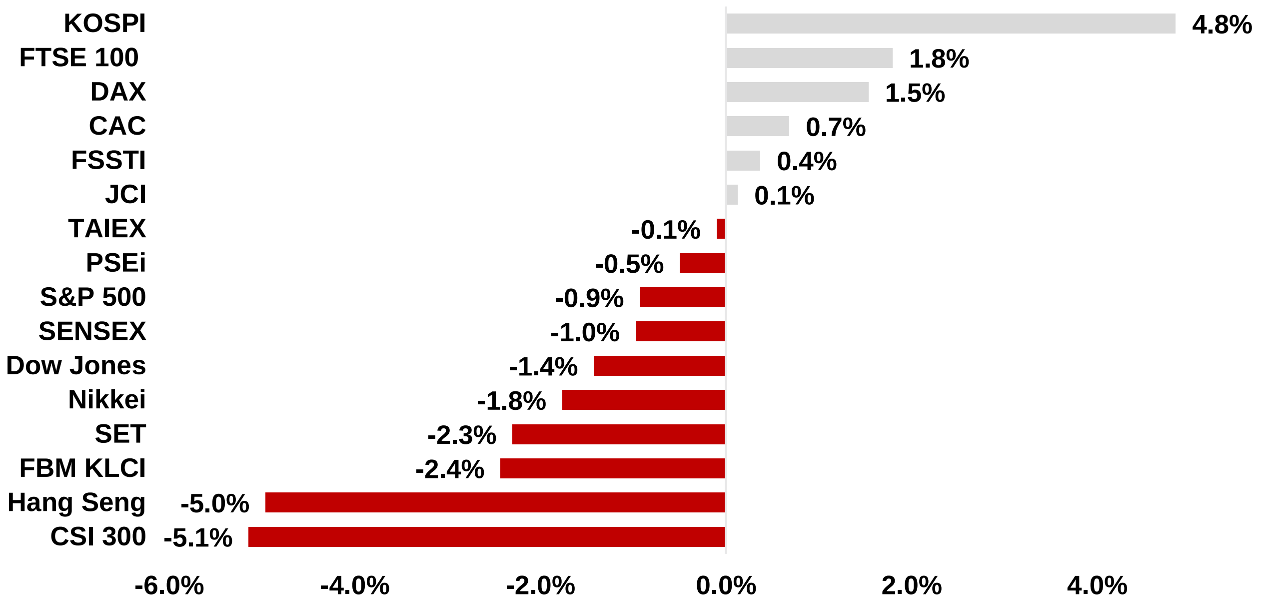
Sources: U.S Bureau of Labor Statistics (BLS), U.S. Department of Labor

REGIONAL EQUITY: SEA OF RED IN GLOBAL STOCKS MARKET AS STRONG U.S. JOBS DATA DAMPEN RATE CUT HOPES

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



YTD Gain/Loss of Major Equity Markets, % (As of 10 January 2025)



Sources: Bursa, CEIC Data

- The global stocks market were mostly in the red for the week ending January 10, with Hong Kong’s Hang Seng (-3.5%) as the major loser as anxious traders responded to the People Bank of China’s (PBoC’s) decision to halt its treasury bond purchases, leading to a spike in yields.
- U.S. stocks – S&P 500 (-1.9%) and Dow Jones (-1.9%) contracted after a stronger-than-expected jobs report, leading to expectations for additional interest rate cuts by the Federal Reserve (Fed) in 2025 were tempered.
- On the contrary, South Korea’s KOSPI gained by 3.0% as the republic’s acting president vowed to dedicate full efforts to stabilize the economy amid the political crisis, promising continuous monitoring of financial markets for prompt intervention. The government, along with the ruling People Power Party, also intends to take proactive steps to bolster trade relations with the U.S. and address potential effects of the upcoming Trump administration’s policies.

DOMESTIC EQUITY: FBM KLCI MIRRORED REGIONAL WEAKNESS ON RISK-OFF CAUTION

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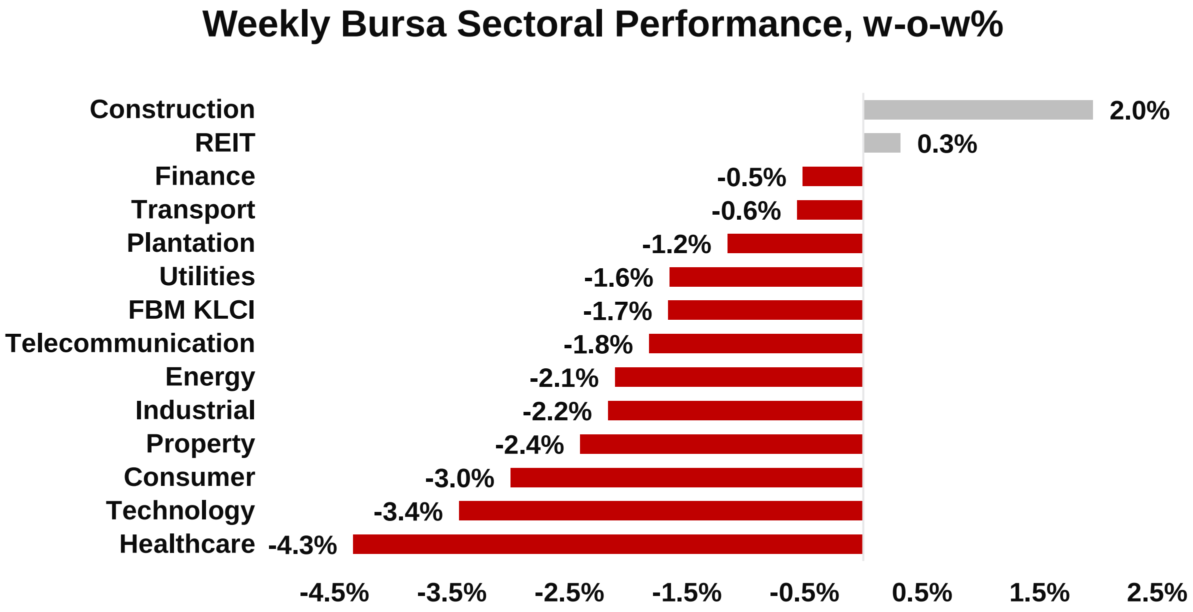

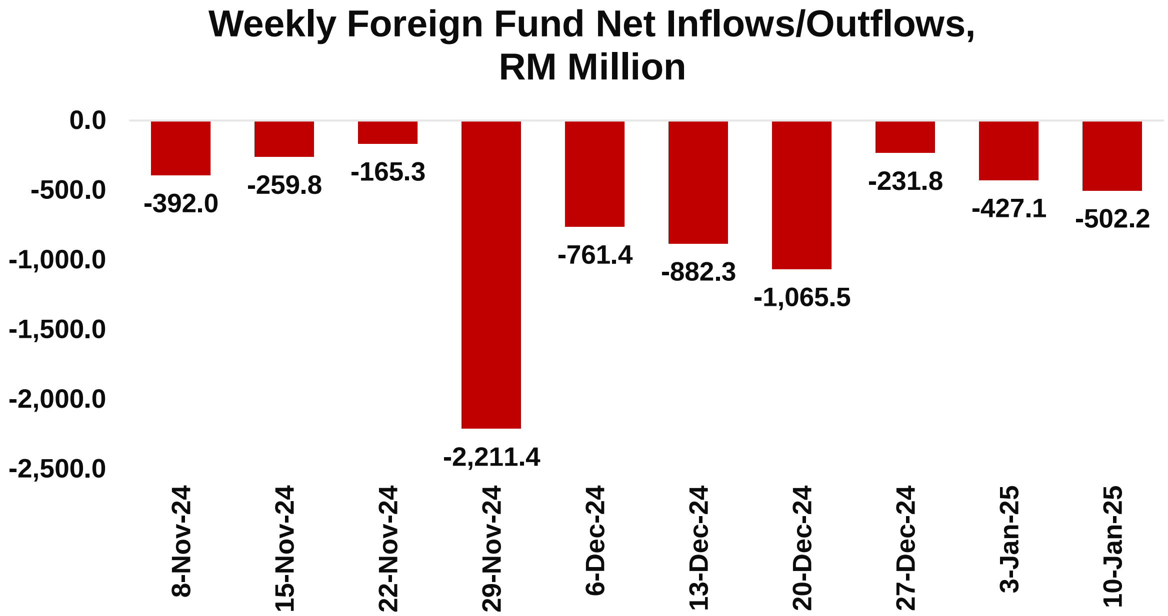

Sources: Bursa, CEIC Data

- The FBM KLCI ended in the red, declining by 1.7% w-o-w for the week ending January 10, on profit taking activities as well as dampened investor sentiments following global uncertainties.
- In the U.S., stronger than expected job market data triggered global market volatility as it solidified further the case of ‘higher for longer’ of the Fed’s Federal Funds Rate (FFR).
- The Healthcare index (-4.3%) closed as the biggest loser, followed by the Technology (-3.4%) and Consumer (-3.0%) indices.
- Nevertheless, some lift to the local market was provided by the formalisation of the Johor-Singapore Special Economic Zone (JS-SEZ) Agreement, casting an optimistic glow on Malaysia’s outlook in anticipation of an influx of investments and further expansions of infrastructure in the region. This had boosted the Construction and REIT indices to grow by 2.0% and 0.3%, respectively.
- Foreign investors persisted as net sellers for the twelfth straight week, shedding a total of RM502.2 million worth of equities. The net selling increased the cumulative net outflow of 2025 to RM981.8 million.

FIXED INCOME: UST SELL-OFF CONTINUED AMID ROBUST U.S. LABOUR DATA

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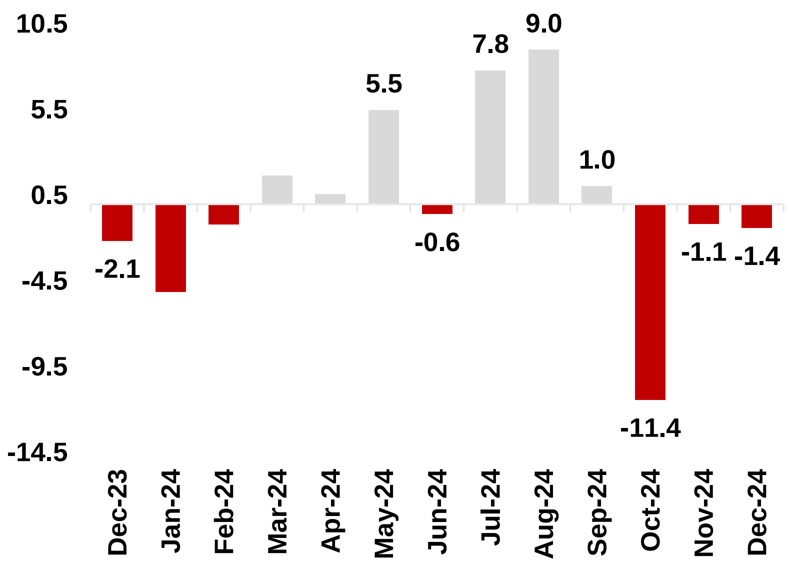
Weekly Changes, basis points (bps)

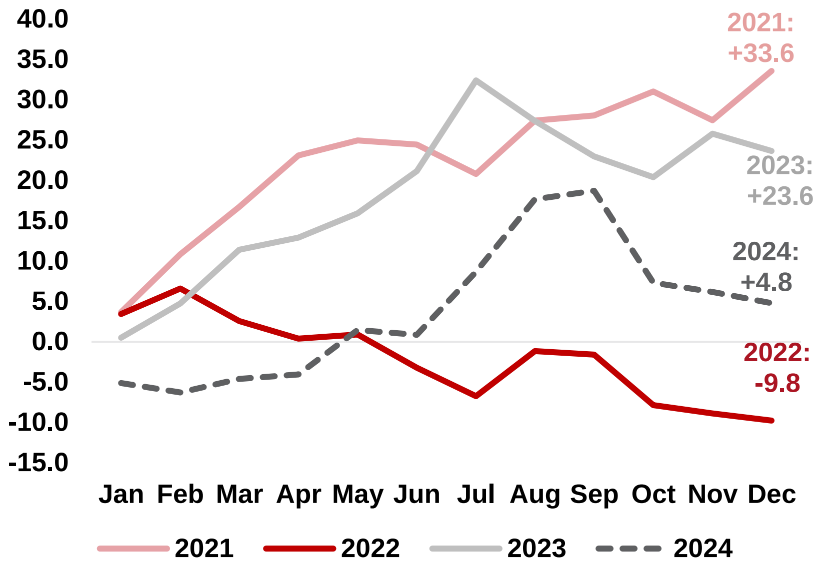
UST	Yields (%) 3-Jan-25	Yields (%) 10-Jan-25	Change (bps)
3-Y UST	4.32	4.46	14
5-Y UST	4.41	4.59	18
7-Y UST	4.51	4.70	19
10-Y UST	4.60	4.77	17
MGS	**Yields (%) 3-Jan-25**	**Yields (%) 10-Jan-25**	**Change (bps)**
3-Y MGS	3.47	3.45	-2
5-Y MGS	3.61	3.61	0
7-Y MGS	3.76	3.79	3
10-Y MGS	3.82	3.82	0
GII	**Yields (%) 3-Jan-25**	**Yields (%) 10-Jan-25**	**Change (bps)**
3-Y GII	3.40	3.40	0
5-Y GII	3.62	3.62	0
7-Y GII	3.74	3.76	2
10-Y GII	3.82	3.83	1

Sources: BNM, Federal Reserve Board

Foreign Fund Flows in Local Bond Market, RM Billion

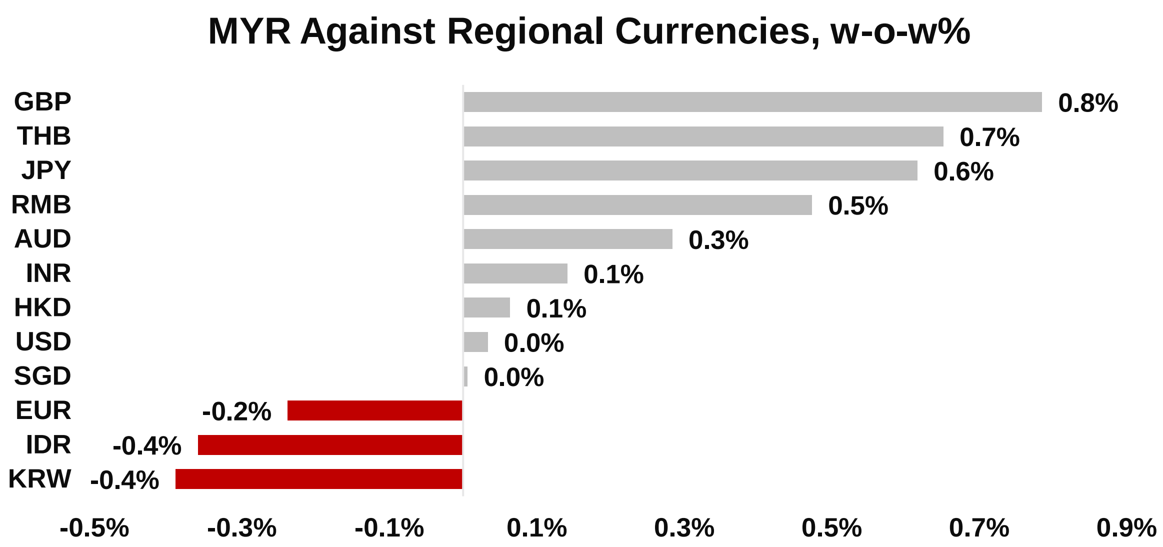


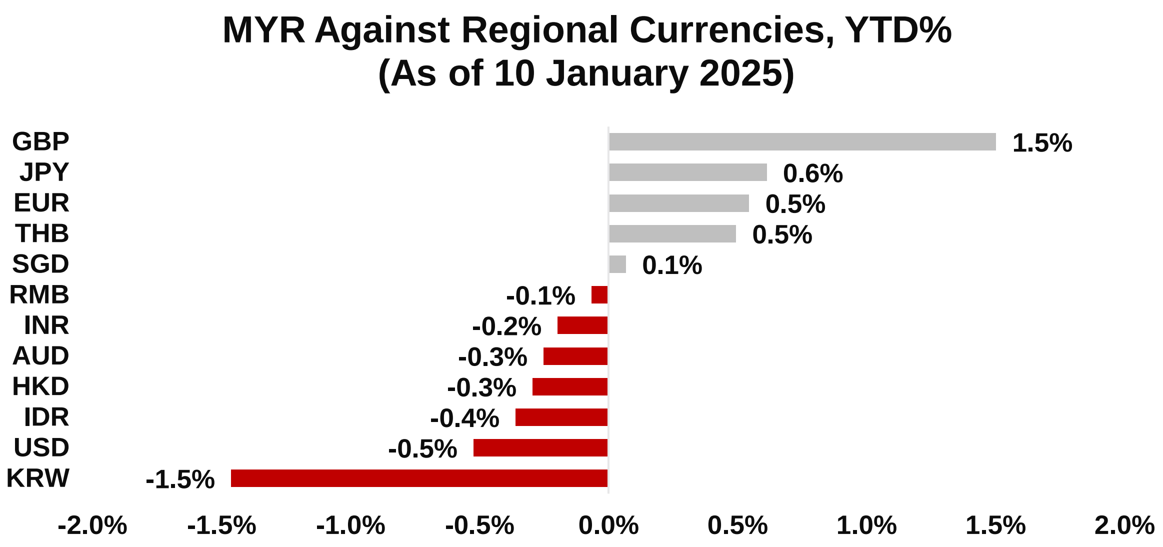
Cumulative Net Foreign Flows in Local Bonds (Yearly Comparison, RM Billion)



- The U.S. Treasury (UST) yields surged in the range of 14bps and 19bps last week amid the stronger-than-expected payrolls report reinforced the belief that the Fed may need to slow down on its rate cuts.
- On the domestic front, Malaysian Government Securities (MGS) and Government Investment Issues (GII) yields mostly ended unchanged except for 3-Y MGS which declined by 2bps. Meanwhile, 7-Y MGS, 7-Y GII and 10-Y GII surged between 1bp and 3bps.
- Foreign fund flows in the local bond market remained in the negative territory with a net foreign outflow of RM1.4 billion in December (Nov: -RM1.1 billion). Consequently, local govvies' foreign shareholdings to total outstanding decreased to 21.3% in December (Nov: 21.6%).
- In 2024, the local bond market recorded the cumulative net foreign inflows of RM4.8 billion, significantly lower than the inflows of RM23.6 billion in 2023.

FX MARKET: RINGGIT TO TRADE CAUTIOUSLY AHEAD OF U.S. CPI AND RETAIL SALES FIGURES





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

- The Ringgit edged up by 0.03% week-on-week against the USD for the week ending January 10, buoyed by the signing of the Johor-Singapore Special Economic Zone (JS-SEZ) agreement by Malaysian and Singaporean leaders, which helped offset pressure from a strong USD.
- By establishing the economic region, both countries committed to facilitating up to 100 projects within the first 10 years, aiming to attract substantial investments to enhance their economic capacities and drive further expansion of their national output.
- Meanwhile, the greenback's strength was propelled by stronger than expected U.S. job market and the latest Federal Open Market Committee (FOMC) minutes. On the latter, the FOMC revealed a more hawkish Fed, highlighting concerns from recent inflation readings and policy changes under Trump's administration which could delay the monetary easing process longer than previously anticipated.
- Furthermore, the job market proved to be sizzling hot as the slew of data kicked off with the number of job openings in November beating expectations (Act: 8.1 million vs. Est: 7.7 million). On Friday, latest figures show the economy added 256K jobs in December (Est: 160K), marking the highest level in nine months, while unemployment rate moderated to 4.1% (November: 4.2%).
- Such strong data had casted a cloud over the Fed's policy path with market participants more subdued, betting on only one cut in 2025 as per the CME FedWatch tool.

COMMODITY: OIL PRICES SURGED AS U.S. IMPOSED STRICTER SANCTIONS ON RUSSIAN OIL

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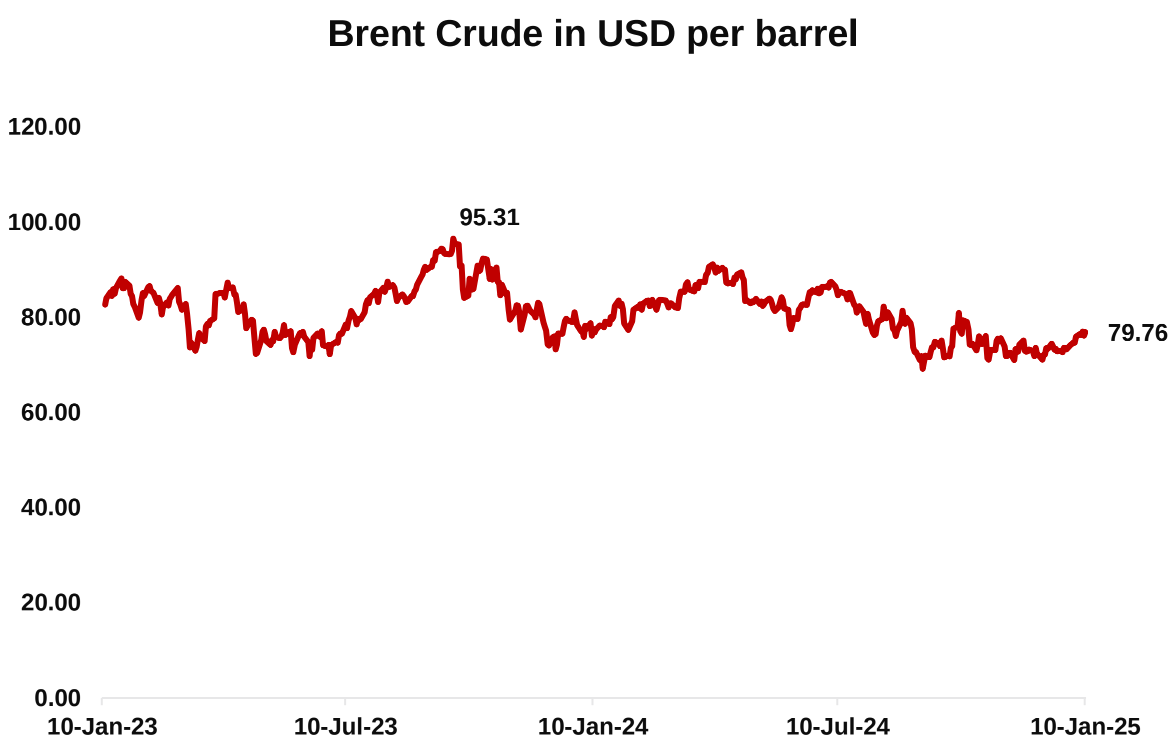
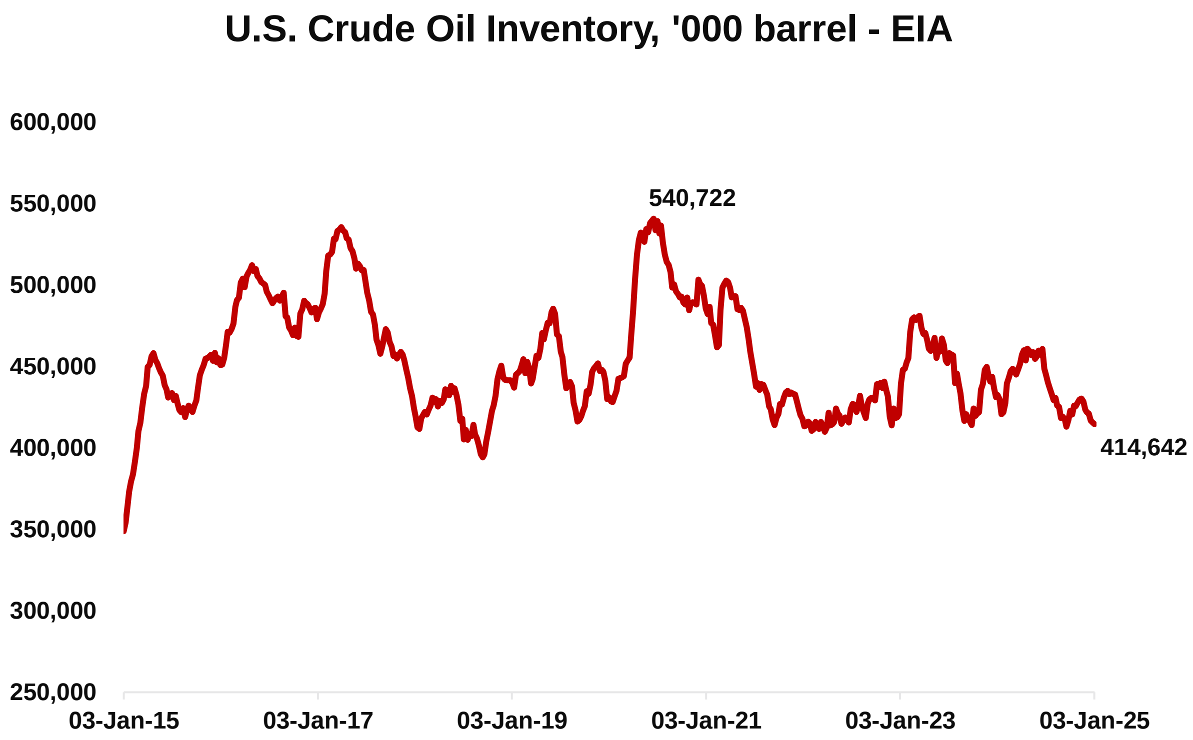
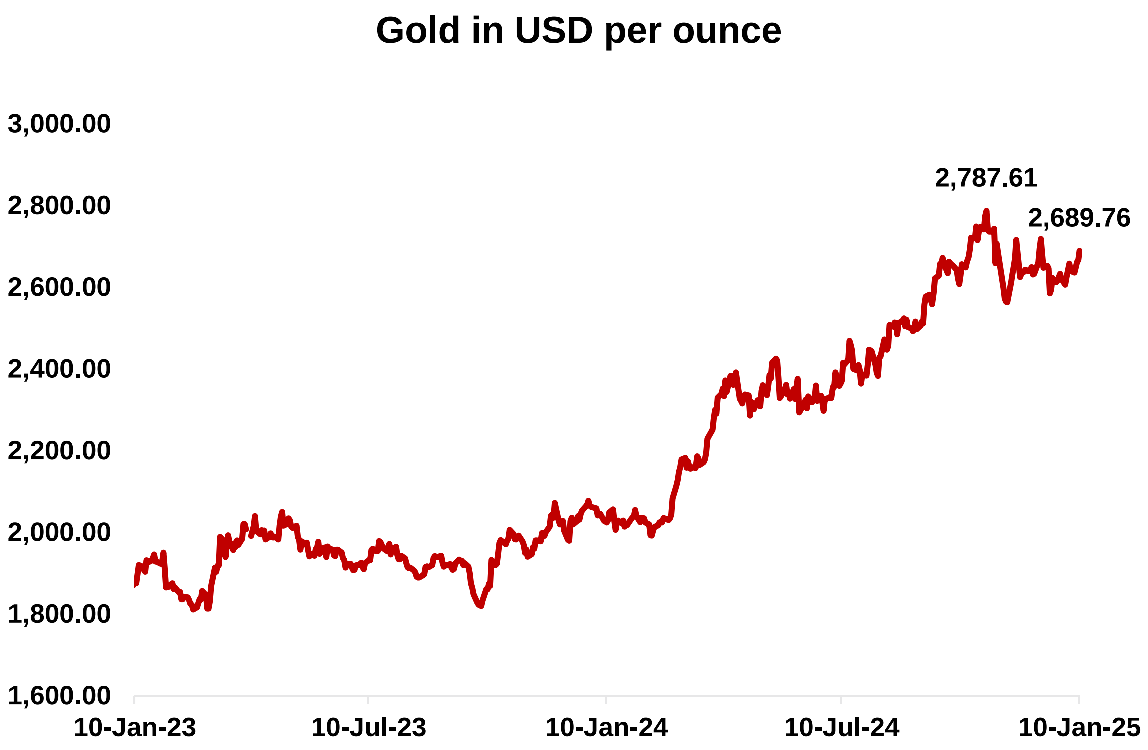


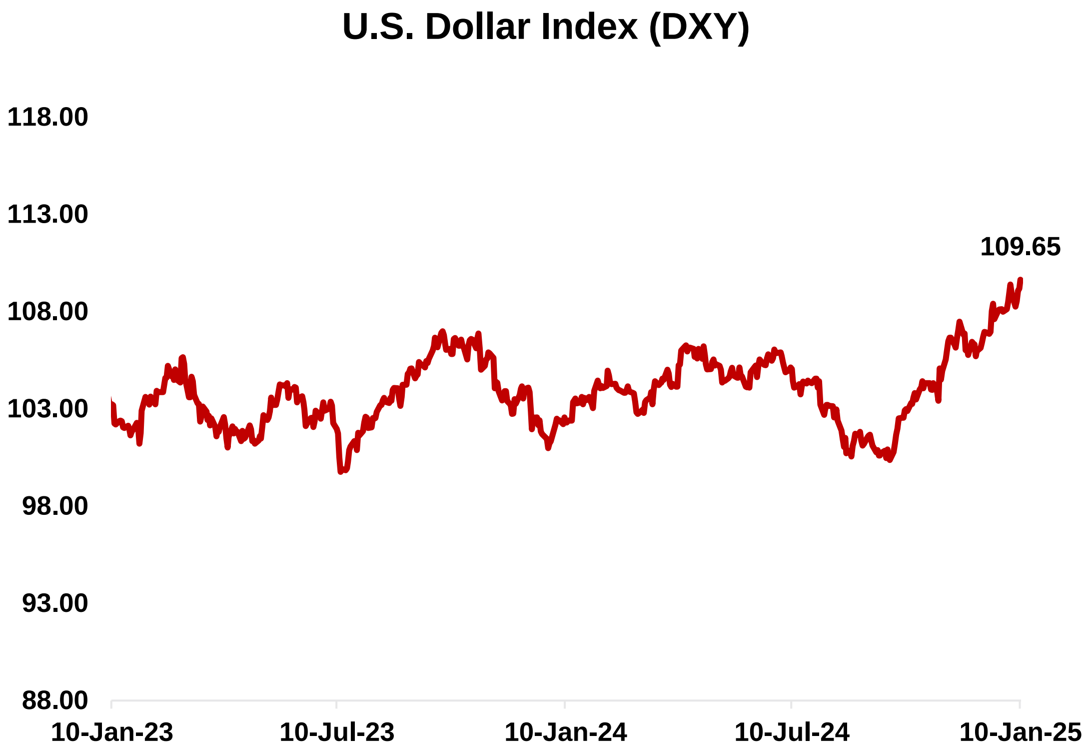


Sources: Bloomberg, Energy Information Administration (EIA)

- Brent oil prices surged 3.7% to close at USD 79.6 per barrel for the week ending January 10, reaching levels not seen since October, as new US sanctions on Russia's oil sector raised concerns over potential global supply disruptions.
- Meanwhile, US crude oil inventories fell by 1 million barrels to 414.6 million for the week ending January 3, exceeding expectations, marking the seventh straight decline and challenging the outlook for a market surplus due to low fuel demand.

COMMODITY: GOLD PRICE ON TRACK FOR WEEKLY GAIN ON SAFE HAVEN DEMAND





Sources: Bloomberg, CEIC Data

- The bullion price extended its gains to increase by 2.0% w-o-w last week despite the strength of the dollar.
- Demand for the bullion soared following reports of U.S. President-elect Trump considering declaring national economic emergency which would enable him to impose broader tariffs on imports. Furthermore, the U.S. had imposed wider sanctions on Russian oil, further contributing to the safe haven flight.

WHAT TO LOOK OUT FOR IN THE MARKETS THIS WEEK

- The release of the U.S. inflation for December 2024 will be the key focus this week. Inflation in the U.S. is expected to show only a modest slowdown towards the end of 2024, supported by a resilient job market and a steady economy, reinforcing the Federal Reserve's cautious approach to rate cuts. The CPI excluding food and energy is expected to rise by 0.2% in December, following four consecutive months of 0.3% increases, according to the median forecast in a Bloomberg survey of economists. Meanwhile, core CPI is anticipated to increase by 3.3% yoy. This indicates that efforts to curb inflation have made limited progress, as inflation remains persistent, while both the labour market and overall demand continue to show resilience. Employers added more than 250,000 jobs in December, significantly surpassing expectations, and the unemployment rate unexpectedly dropped, based on the latest data released on Friday.

- In the UK, the December CPI that will be released on Jan 15th is anticipated to rise from 2.6% in November to 2.7% in December. The key upward pressure will likely come from fuel prices due to low base effect, as fuel prices fell by 5.1% during the same period last year. Additionally, services inflation is projected to come in at 4.8%. Throughout 2025, UK's headline inflation is expected to remain above the central bank's 2.0% target, supporting the case for gradual easing of monetary policy.

- China's 4Q24 GDP data, set for release on Friday, is likely to show that China's economy hit the 5.0% full year growth target, although momentum softened toward the end of the year. China's GDP is projected to accelerate to 5.2% in 4Q24, up from 4.6% in 3Q24, bringing overall growth for 2024 to 5.0%. The country's IPI growth is predicted to slow to 5.2% in December down from 5.4% in November. At the same time, retail sales growth is anticipated to ease further to 2.8% from 3.0% in November. However, ahead of the Lunar New Year in January and with ongoing government measures, there could be a pickup in investment activity.

THANK YOU