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WEEKLY ECONOMIC UPDATE

14 APRIL 2025

ECONOMIC RESEARCH

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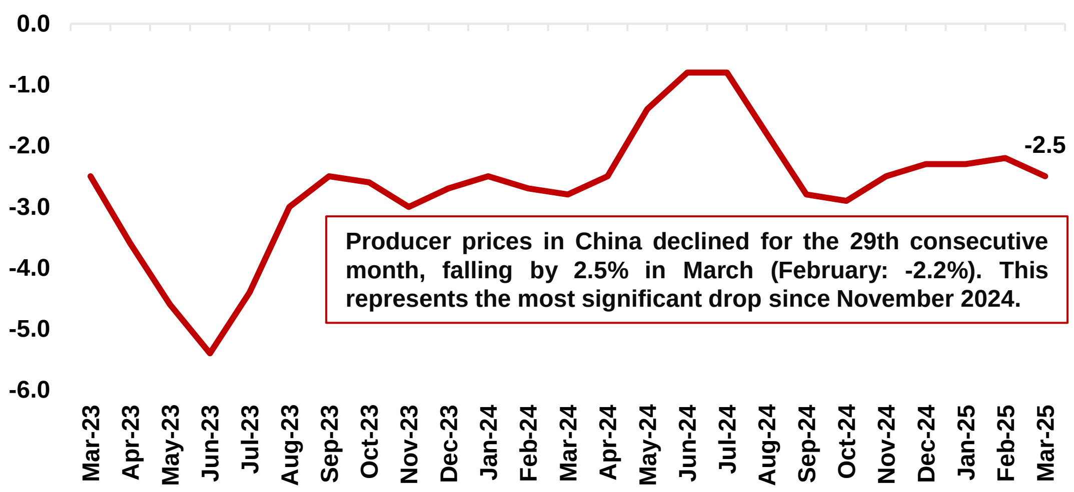
WEEKLY HIGHLIGHT: CHINA'S STRUGGLE WITH DEFLATION CONTINUES AS THE TRADE OUTLOOK DARKENS

GLOBAL

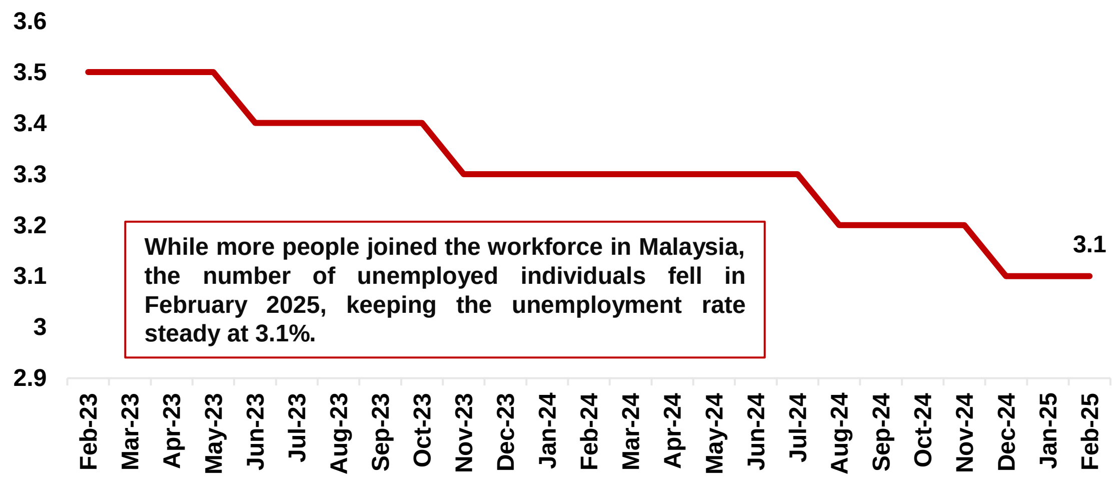
China - Consumer Price Index (CPI), y-o-y%

China - Producer Price Index (PPI), y-o-y%

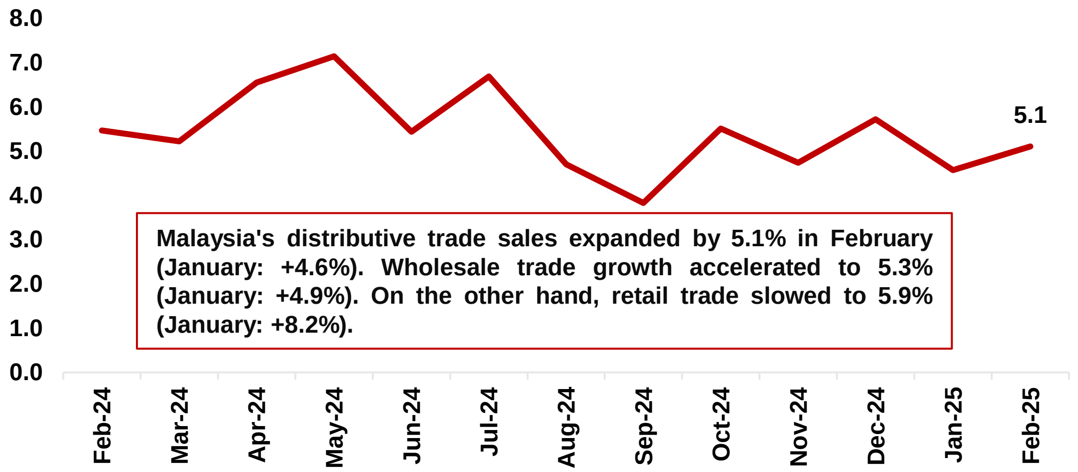


DOMESTIC

Malaysia - Unemployment Rate, %



Malaysia - Distributive Trade Sales, y-o-y%



Sources: National Bureau of Statistics, Department of Statistics Malaysia (DOSM)

U.S. WEEKLY HIGHLIGHT: COOLING INFLATION SIGNALS SOFTENING DEMAND FROM RECESSIONARY FEARS

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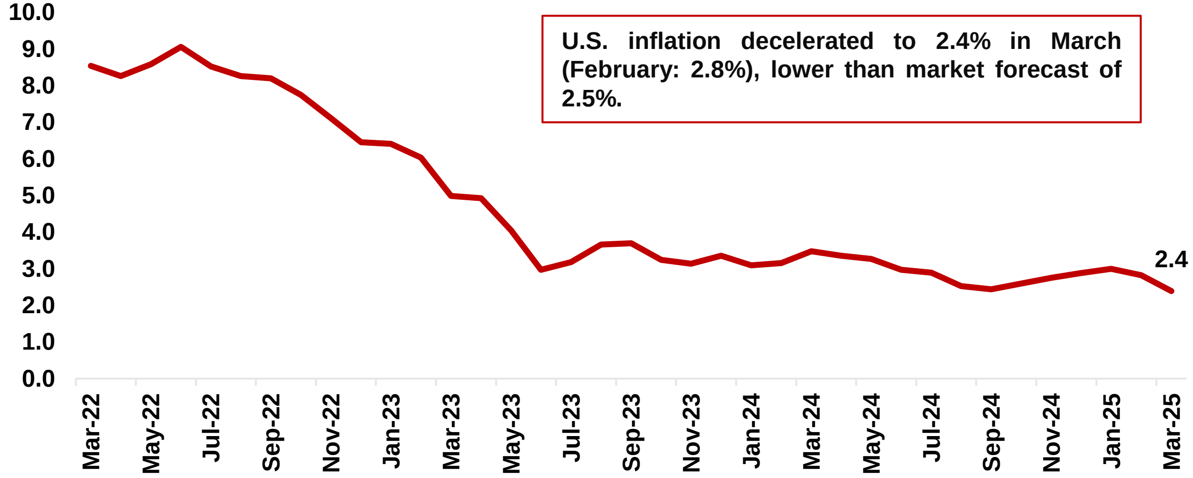
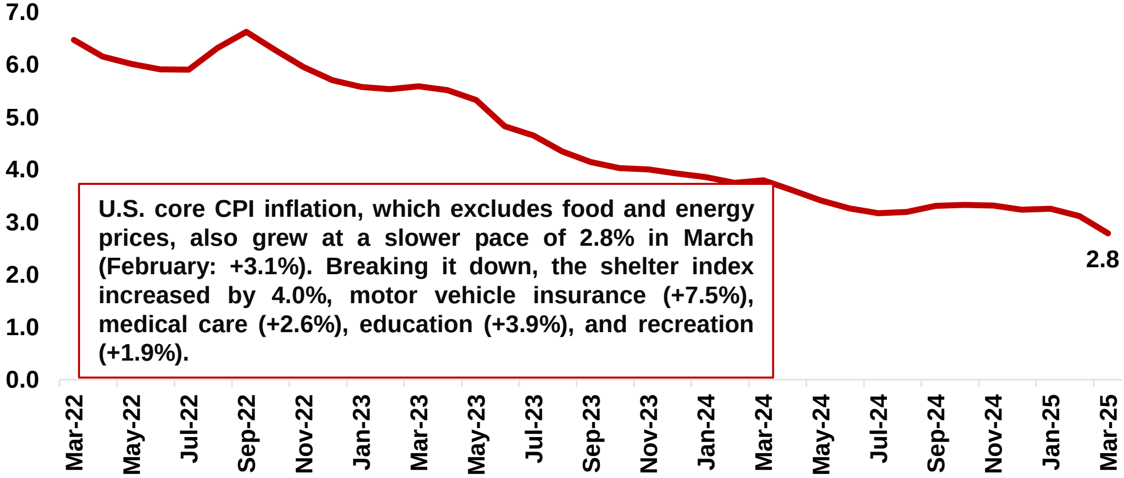
U.S. CPI, y-o-y%



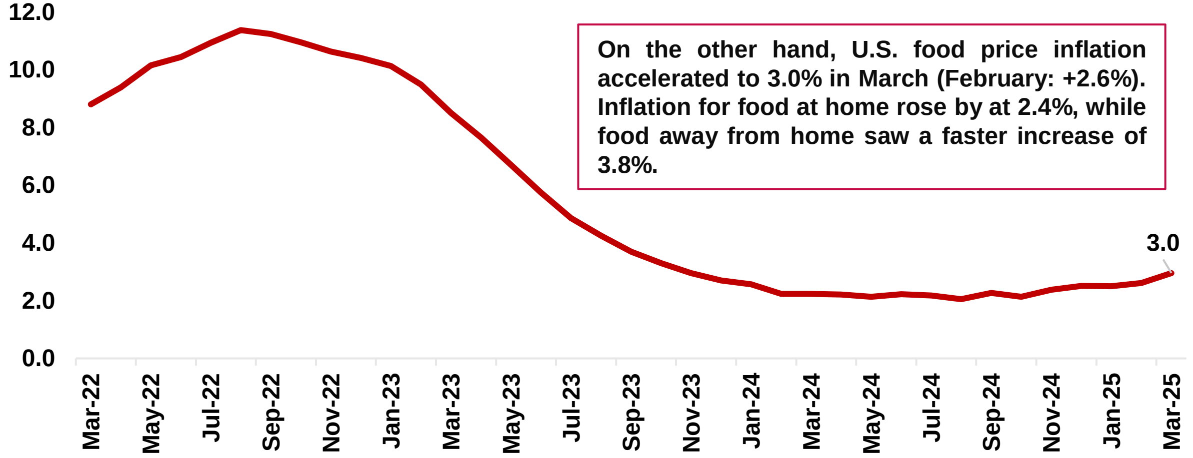
U.S. inflation decelerated to 2.4% in March (February: 2.8%), lower than market forecast of 2.5%.

U.S. CPI (All Items less Food and Energy), y-o-y%



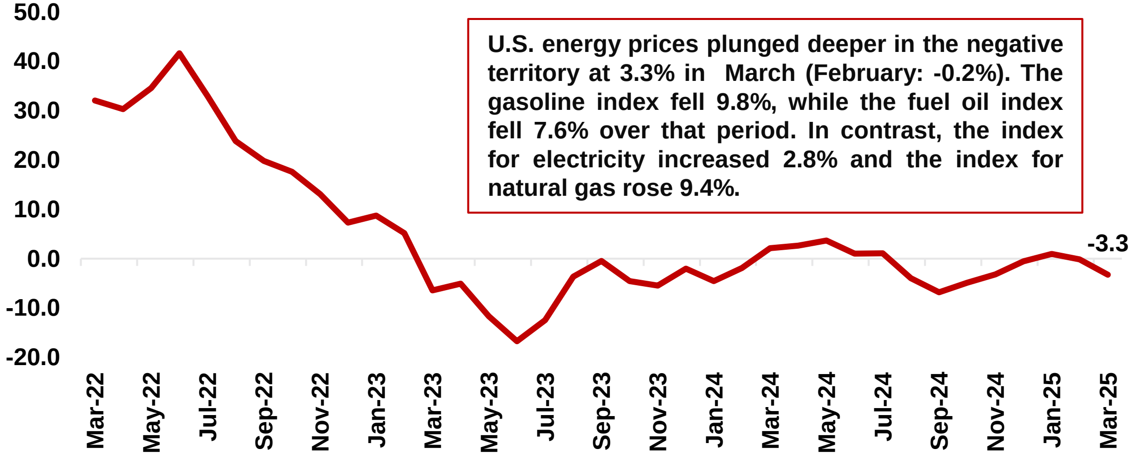
U.S. core CPI inflation, which excludes food and energy prices, also grew at a slower pace of 2.8% in March (February: +3.1%). Breaking it down, the shelter index increased by 4.0%, motor vehicle insurance (+7.5%), medical care (+2.6%), education (+3.9%), and recreation (+1.9%).

U.S. CPI (Food), y-o-y%



On the other hand, U.S. food price inflation accelerated to 3.0% in March (February: +2.6%). Inflation for food at home rose by at 2.4%, while food away from home saw a faster increase of 3.8%.

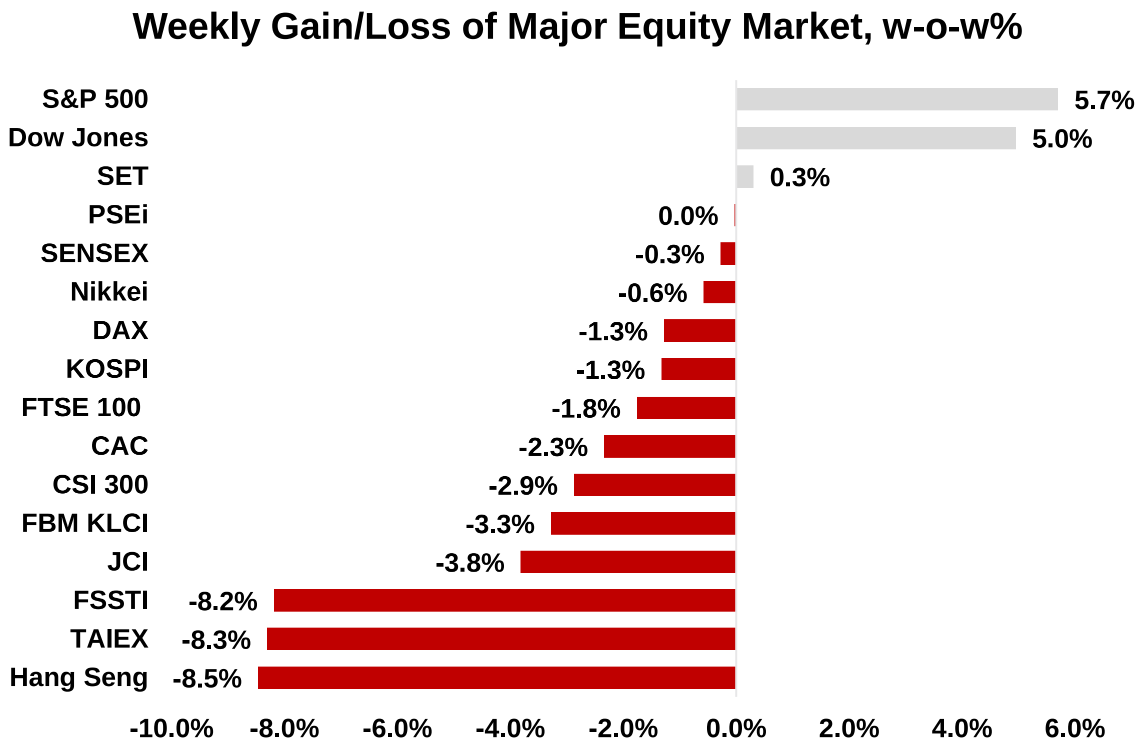
U.S. CPI (Energy), y-o-y%

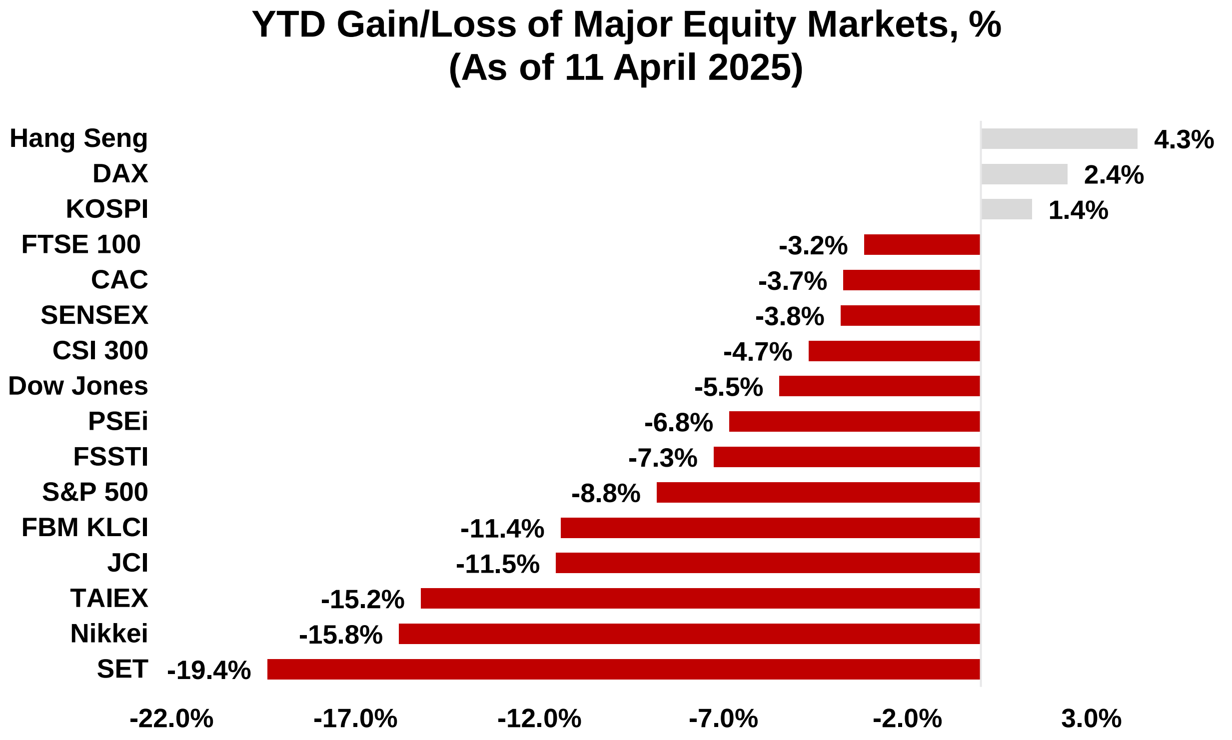


U.S. energy prices plunged deeper in the negative territory at 3.3% in March (February: -0.2%). The gasoline index fell 9.8%, while the fuel oil index fell 7.6% over that period. In contrast, the index for electricity increased 2.8% and the index for natural gas rose 9.4%.

Source: U.S. Bureau of Labor Statistics (BLS)

REGIONAL EQUITY: U.S. TARIFFS FLIP-FLOP TUMBLED GLOBAL STOCKS MARKET

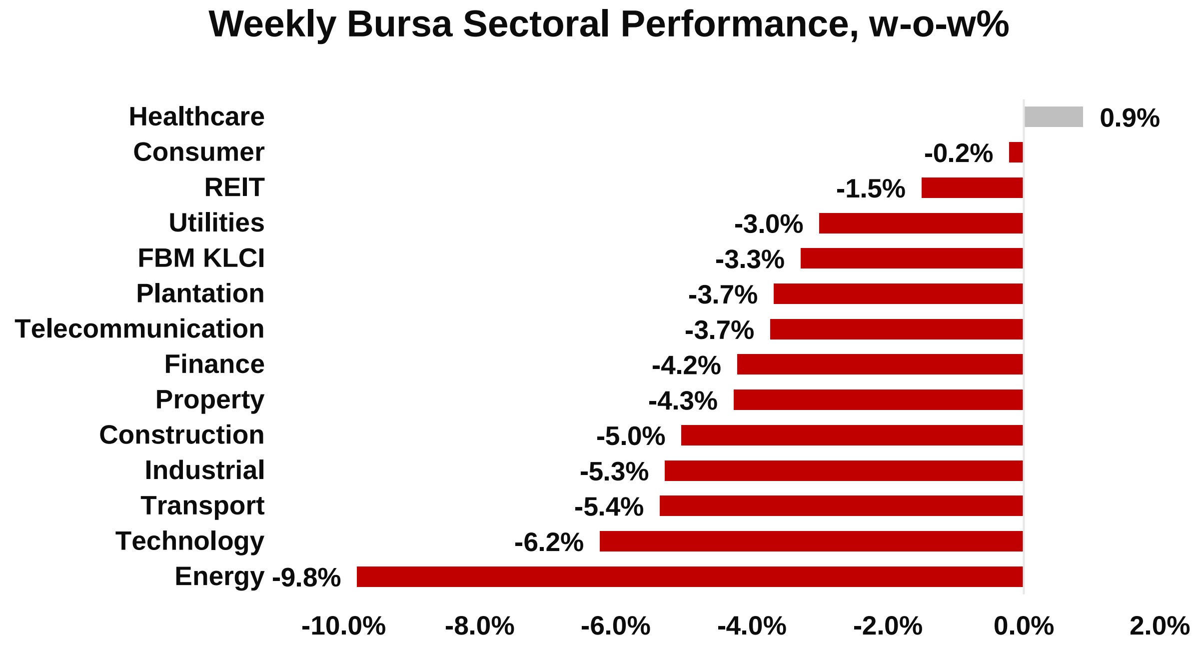


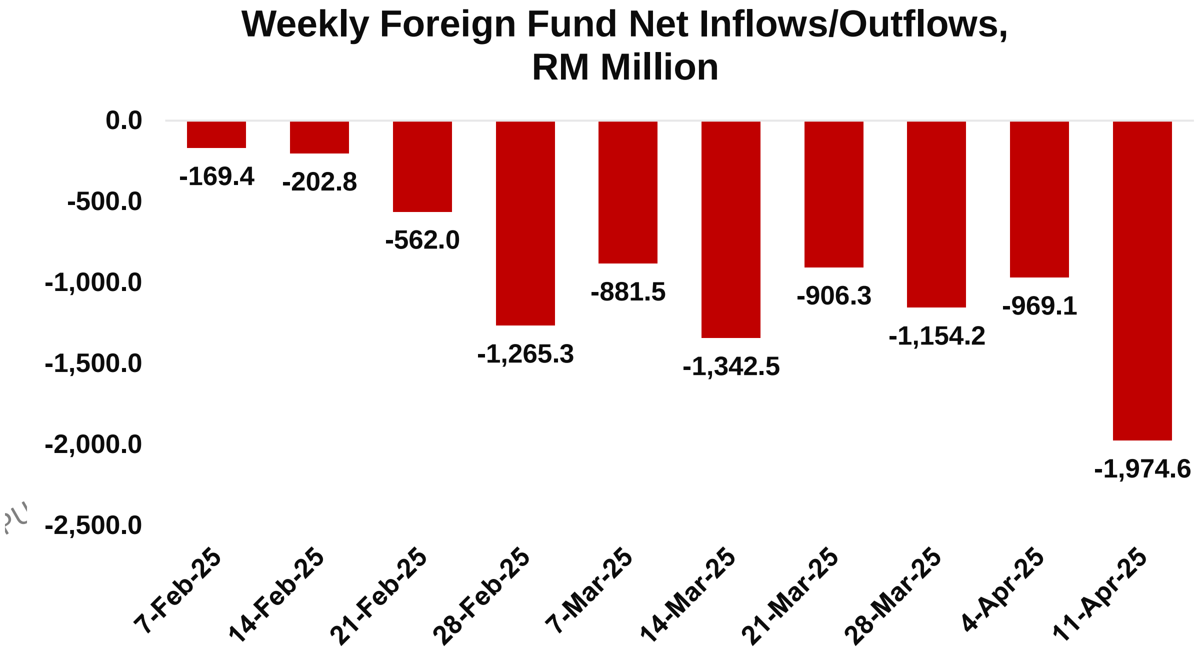


Sources: Bursa, CEIC Data

- Regional equity indices were mostly in the red last week, with Hong Kong’s Hang Seng Index leading the losses, plunging by 8.5% despite a recent rally spurred by the delay of certain US tariffs. Market sentiment turned sharply negative after the White House announced that US tariffs on Chinese goods have surged to a staggering 145%.
- Additionally, Taiwan’s TAIEX and Singapore’s FSSTI also contracted significantly last week, falling by 8.3% and 8.2%, respectively.
- On the other hand, U.S. stocks – S&P 500 (+5.7%) and Dow Jones (+5.0%) were the major winners, as investors sentiment improved on hopes of a potential U.S.-China trade agreement. Optimism was fueled after the White House stated that President Trump is “optimistic” that China will move forward with a deal, despite escalating trade tensions marked by Trump’s hike in tariffs on Chinese goods to 145% and China’s retaliatory 125% levy on U.S. imports.

DOMESTIC EQUITY: LOCAL MARKET TO REMAIN UNDER PRESSURE AS GLOBAL TRADE UNCERTAINTIES PERSIST





Sources: Bursa, CEIC Data

- The FBM KLCI continued its downtrend, weakening by 3.3% w-o-w for the week ending April 11 as foreign investors fled the market.
- Earlier in the week, downbeat investor sentiments ahead of the implementation of U.S.'s 24% reciprocal tariffs on Malaysia pressured the benchmark index to hover above the 1,400-level, a weakness last seen in July 2023. However, the local market pared back some losses after Trump partially rolled back the steep rate to a base tariff of 10% for 90-days, making way for negotiation talks.
- Most Bursa indices closed in the red sea with the Energy index plunging by 9.8% w-o-w to the softest level since 2022, followed by the Technology and Transport indices which declined by 6.2% and 5.4%, respectively.
- Meanwhile, the Healthcare index was the only gainer, climbing by 0.9% on a weekly basis.
- Foreign investors net sold a total of RM2.0 billion worth of equities last week, marking the highest net outflow since the week ending 29th November 2024. This had increased the cumulative net outflow thus far to RM12.9 billion.

FIXED INCOME: SURGING UST YIELDS SIGNALED WEAKENING CONFIDENCE IN U.S. ASSET

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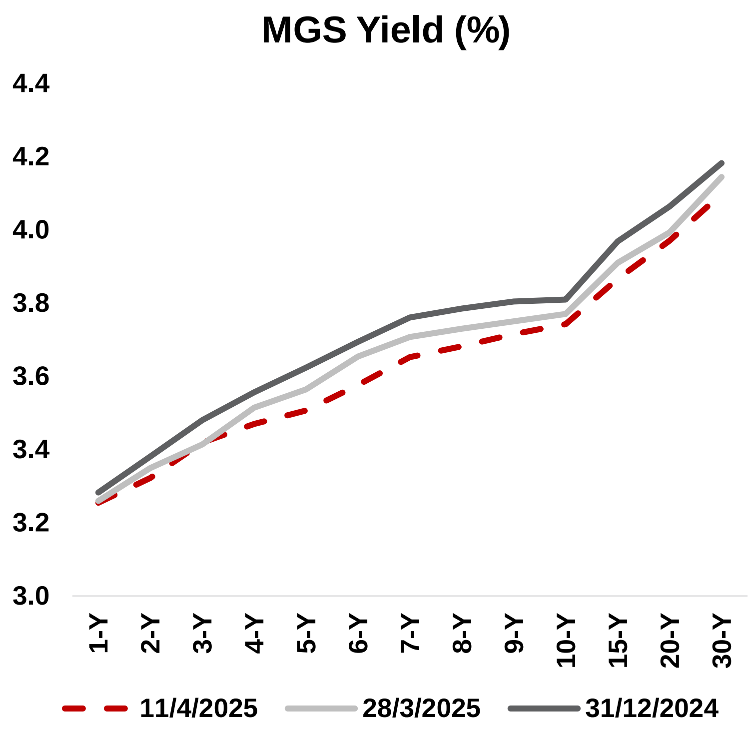
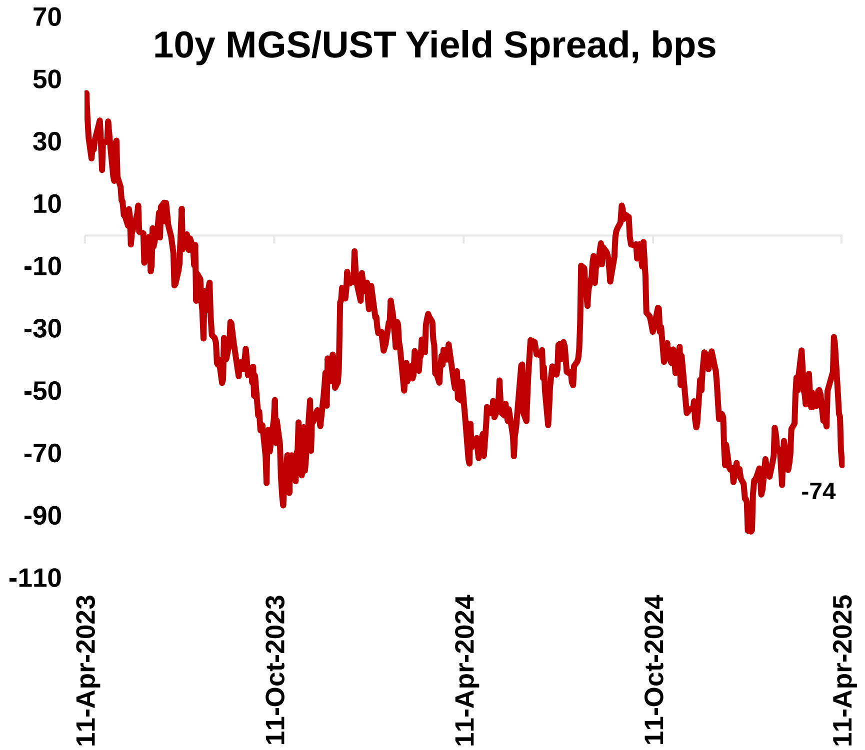
Weekly Changes, basis points (bps)

UST	Yields (%) 4-Apr-25	Yields (%) 11-Apr-25	Change (bps)
3-Y UST	3.66	3.98	32
5-Y UST	3.72	4.15	43
7-Y UST	3.84	4.32	48
10-Y UST	4.01	4.48	47
MGS	**Yields (%) 4-Apr-25**	**Yields (%) 11-Apr-25**	**Change (bps)**
3-Y MGS	3.34	3.42	8
5-Y MGS	3.47	3.51	4
7-Y MGS	3.60	3.65	5
10-Y MGS	3.66	3.74	8
GII	**Yields (%) 4-Apr-25**	**Yields (%) 11-Apr-25**	**Change (bps)**
3-Y GII	3.41	3.47	6
5-Y GII	3.48	3.56	9
7-Y GII	3.59	3.67	8
10-Y GII	3.66	3.73	7





Sources: BNM, Federal Reserve Board

- The U.S. Treasury (UST) yield curve bearishly steepened by between 32bps and 47bps amid the intensifying Treasury rout, signaling a potential weakening of U.S. assets as investors move away, challenging the traditional view of U.S. government debt as a secure investment. This flight from Treasuries is happening amidst worsening trade relations and increasing anxieties about the U.S. economic outlook, including the specter of recession and high inflation.
- Malaysian Government Securities (MGS) and Government Investment Issues (GII) yields trended upwards in the range of 4bps and 9bps, following the move in UST yields.
- The auction of 15-Y reopening of GII worth RM4.0 billion which was issued on April 8 drew a strong demand with a bid-to-cover (BTC) ratio of 3.4x, albeit lower compared to the previous RM4.0 billion 15.5-Y reopening of MGS in January with a BTC ratio of 4.3x.
- The 10y MGS/UST yield spread widened in the negative territory at 74bps relative to -35bps in the previous week.

FX MARKET: RINGGIT RECOUPED LOSSES FOLLOWING TARIFF PAUSE BUT REMAINED WEAK FOR THE WEEK

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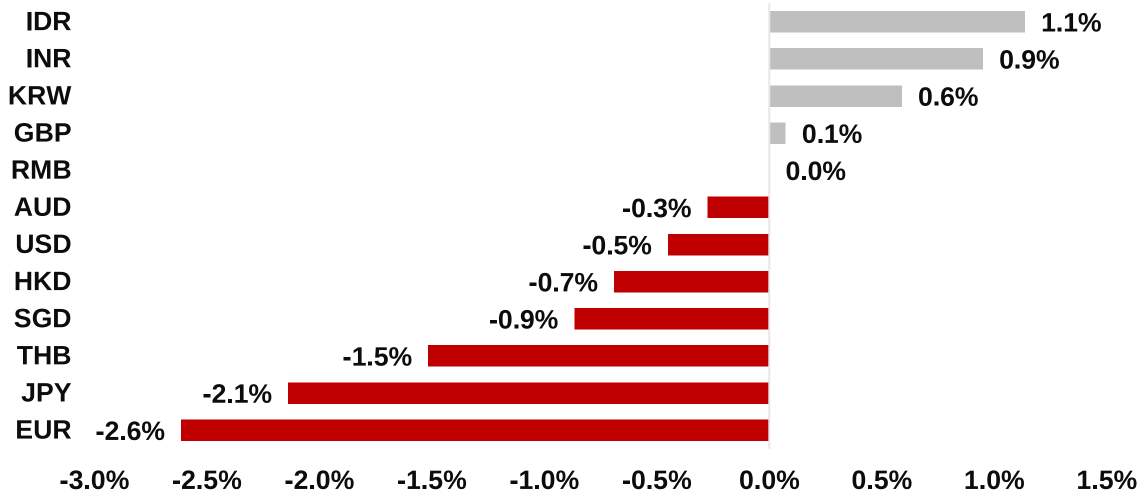
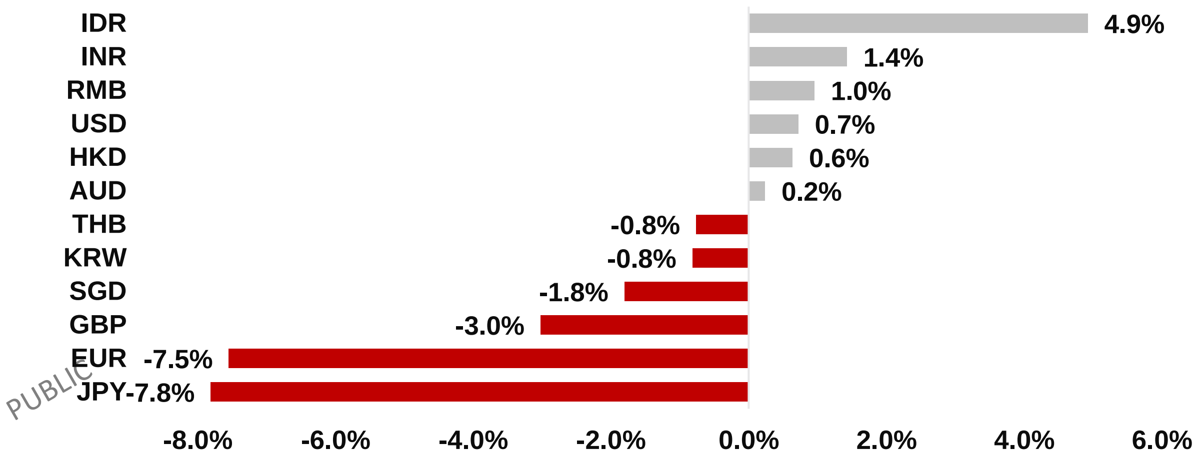
MYR Against Regional Currencies, w-o-w%



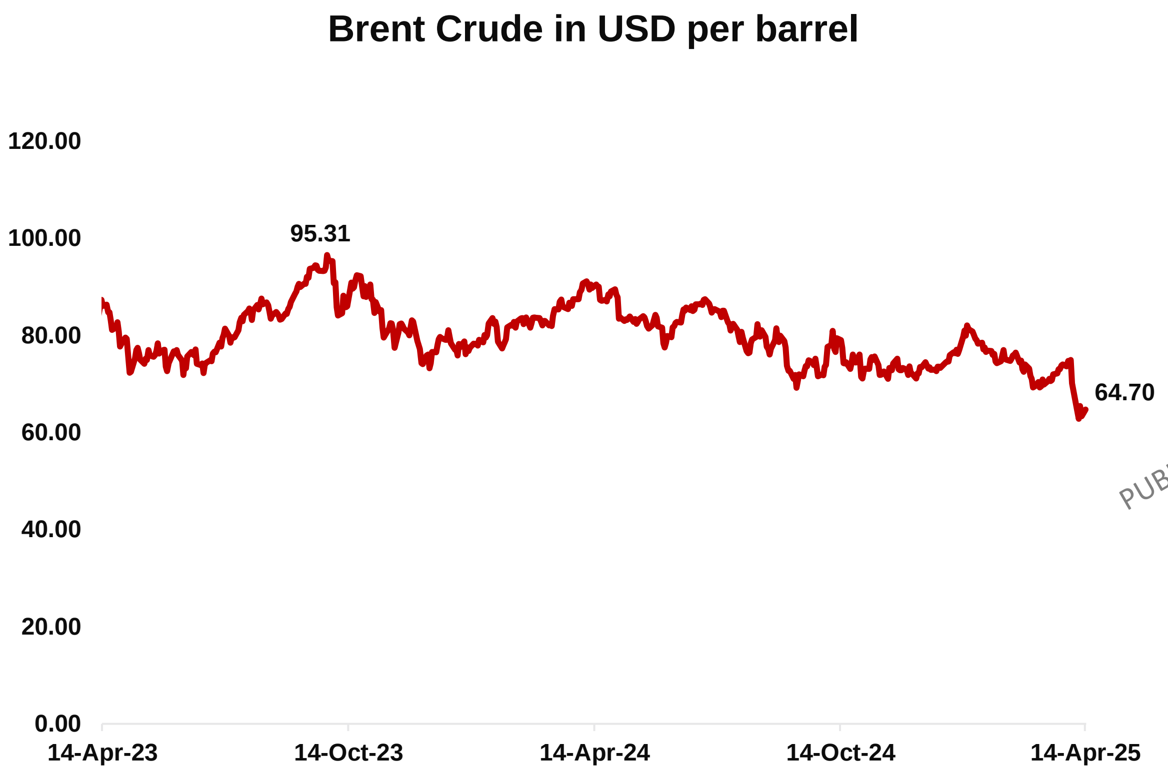
**MYR Against Regional Currencies, YTD%
(As of 11 April 2025)**

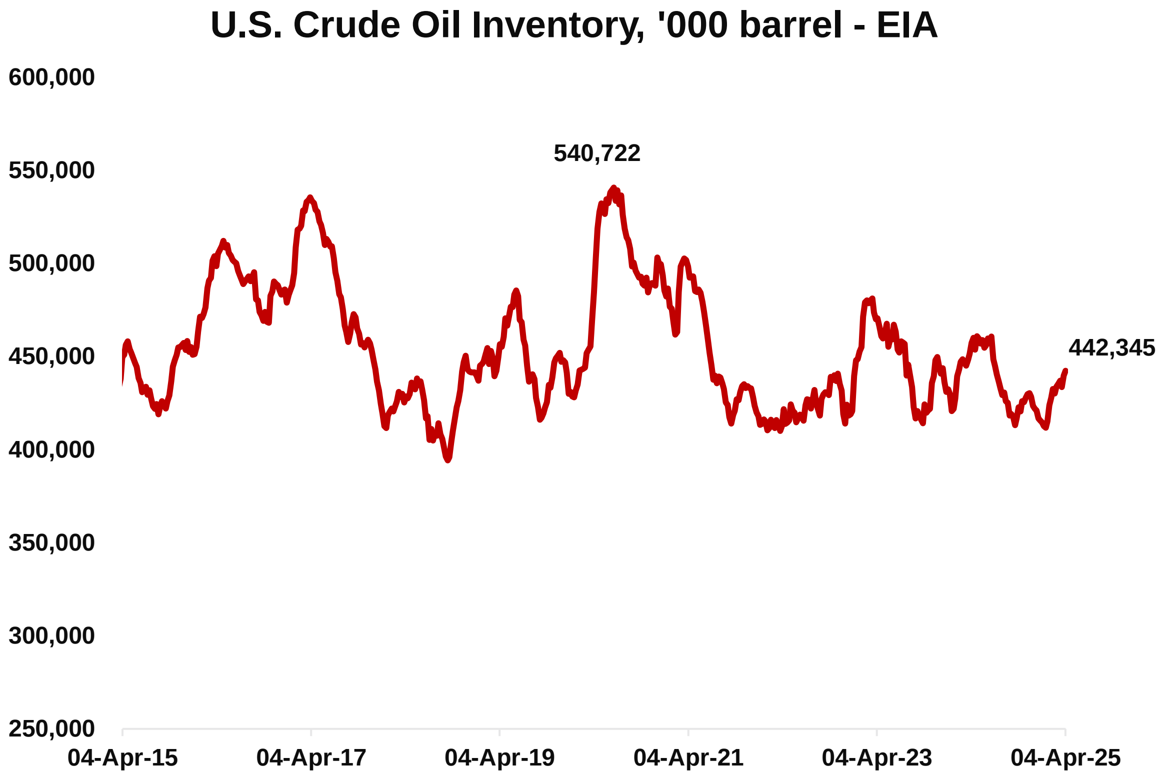


Sources: BNM, U.S. Bureau of Labor Statistics (BLS), CEIC Data

- The Ringgit depreciated by 0.5% w-o-w against the USD for the week ending April 11 despite the weakness of the USD index as it touched the lowest point since July 2023 (11th April: 100.1 vs. 4th April: 103.02).
- This weaknesses echoed through the currency markets as fears of a global slowdown mounted, clouded by the approaching implementation date of the U.S.' Liberation Day tariffs. Previously, on 2nd April, U.S. President Trump had declared a 10% across-the-board tariffs for all imports as well as differing higher rates for trade partners deemed to have unfair trade surpluses vis-à-vis the U.S.
- This had sparked widespread jitters as downside risks to growth for each affected partner became more pronounced, whilst respective officials reached out to the Trump administration for renegotiation efforts. With that, Trump proceeded to partially reverse his decision just hours after it went into effect, ultimately maintaining the 10% base tariff while placing the steeper levies on the shelf.
- Nevertheless, despite other currencies finding their footing following the decision, the US Dollar took a hit as it marked another Trump pivot, fueling the persistent uncertainties surrounding the global trade landscape. To further dunk on the greenback, China opted to retaliate, leading to an escalation of the U.S.-China trade war and driving investors to flee from U.S.' markets.

COMMODITY: BRENT OIL PRICES REBOUNDED BUT REMAIN UNDER PRESSURE DUE TO WEAK DEMAND AND HIGH SUPPLY

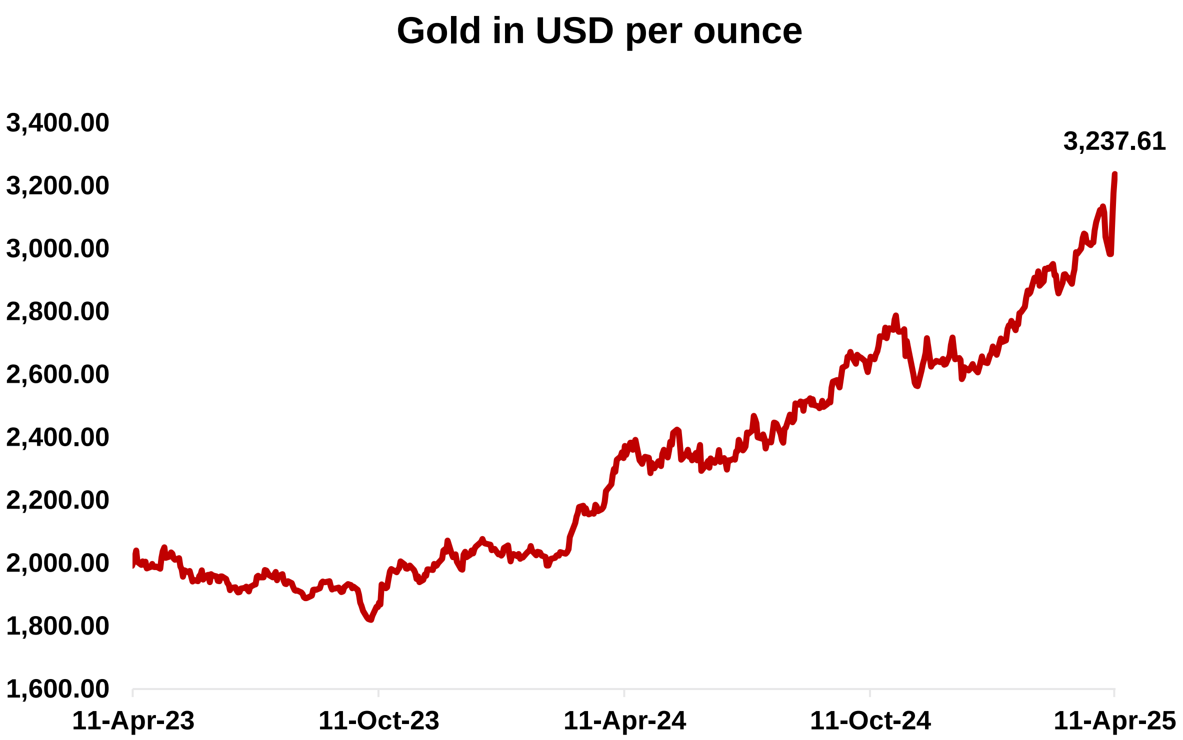


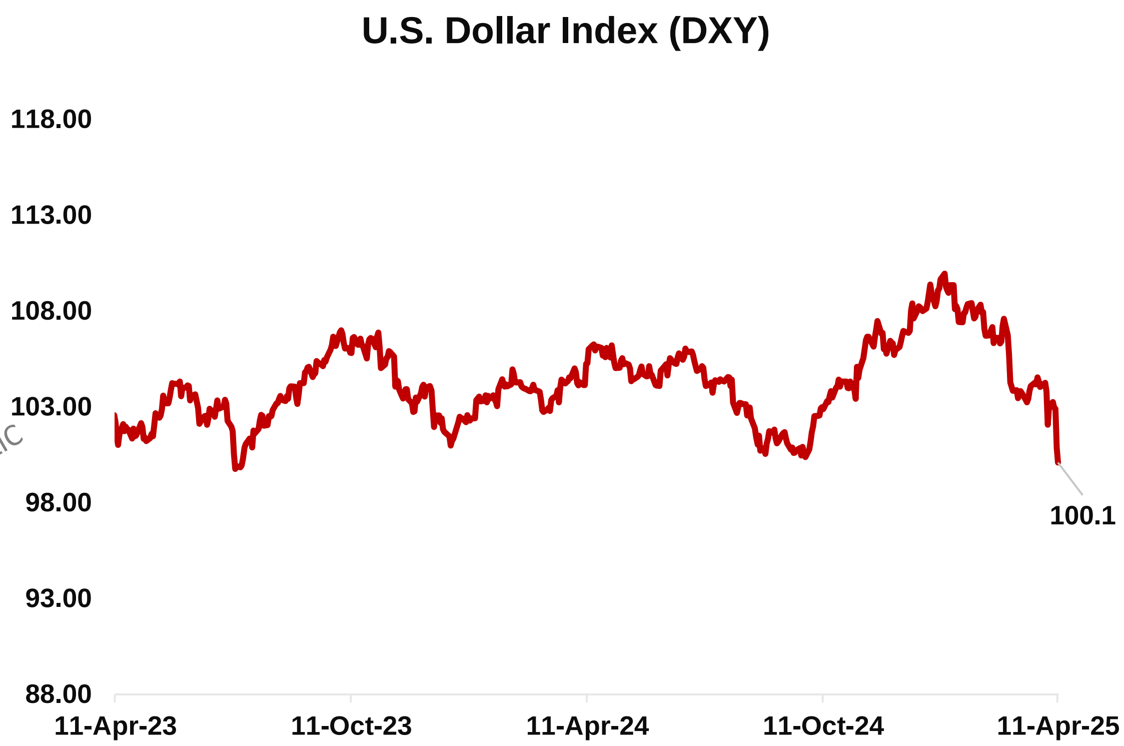


Sources: Bloomberg, Energy Information Administration (EIA)

- Brent oil prices rebounded on Friday (April 14), closing at USD 64.70 per barrel after falling sharply to USD62.82 per barrel on April 8. The earlier drop was triggered by China's announcement of retaliatory tariffs, which could escalate the trade war and potentially weaken global energy demand. The rebound on Friday was supported by the prospect of new restrictions on Iranian crude exports, which could reduce global supply. Despite the recovery, downside risks remain as Brent oil continues to face pressure due to a double whammy of weak demand and high U.S. oil supplies expected in the coming months.
- U.S. crude oil inventories rose further, increasing by 2.6 million barrels to reach 442.3 million for the week ending April 4.

COMMODITY: GOLD PRICE REACHES FRESH HIGH OF USD3,237.61 ON FRIDAY





Sources: Bloomberg, CEIC Data

- The bullion price soared by 6.6% for the week ending April 11 to reach a record high of USD3.237.61, underpinned by increasing safe-haven demand.
- This surge is attributed to heightened fears of a prolonged U.S.-China trade war and potential recession in the said countries, with negative impacts spilling over to the broader global economies. At the time of writing, Trump had announced a whopping 145% tariffs on China, while China retaliated with 84% levies on American imports, among a flurry of other countermeasures.

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WHAT TO LOOK OUT FOR IN THE MARKETS THIS WEEK

- China will remain in focus this week with the release of key economic indicators including GDP growth, industrial production, and retail sales on Wednesday. These figures will be critical in evaluating the outlook for oil demand, particularly amid ongoing trade tensions with the U.S. Recent escalations in tariffs with China imposing 125% duties on certain goods and the U.S. raising rates to 145% highlight the urgency of reaching a potential agreement. A slowdown in China's growth could weigh on global commodity demand, including demand on oil as weak Chinese economic indicators could pressure prices, while any signs of trade negotiation or progress in U.S.-China talks may ease market concerns. According to Reuters survey of 57 economists, the country's 1Q2025 GDP growth is expected to moderate to 5.1% y-o-y, down from 5.4% in the prior quarter. The slowdown comes as escalating U.S. tariffs including the recent significant tariffs hike on key Chinese goods raise concerns over a deeper economic hit.

- In the Eurozone, the European Central Bank (ECB) is anticipated to lower its deposit facility rate by 25 basis points (bps) to 2.25% at its upcoming meeting on April 17, responding to weakening eurozone growth momentum and heightened global trade uncertainties. Market pricing now suggests a terminal deposit rate of 1.50-1.75% by end-2025, down from prior prediction of 2.00%, implying three additional 25 bps cuts after April. Soft economic data and subdued demand across the Eurozone justify further monetary easing to support the economy. With eurozone inflation nearing the ECB's 2% target, the focus now is moving towards mitigating downside growth risks. If the U.S. Federal Reserve maintains higher-for-longer rates, the ECB's scope for cuts may narrow due to euro depreciation risks.

- In Canada, all eyes will focus on the Bank of Canada's (BoC) rate decision on April 16 amid trade uncertainty. The central bank has reduced its policy rate by 25bps in each of its last two meetings, bringing the benchmark rate to 2.75%. These cuts were implemented against the backdrop of escalating U.S.-Canada trade tensions, following the President Trump administration's imposition of 25% on Canadian goods and subsequent retaliatory measures by the country. Given the BoC's recent dovish tilt and rising external risks, the upcoming meeting is likely to move with the third consecutive 25bps cut, bringing the policy rate to 2.50% as pre-emptive action against trade-driven economic softening.

THANK YOU