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# WEEKLY ECONOMIC UPDATE

**17 FEBRUARY 2025**

**ECONOMIC RESEARCH**

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# WEEKLY HIGHLIGHT: CHINA’S CONSUMER INFLATION REACHED A 5-MONTH HIGH WHILE PRODUCER PRICES REMAINED IN DEFLATIONARY MODE

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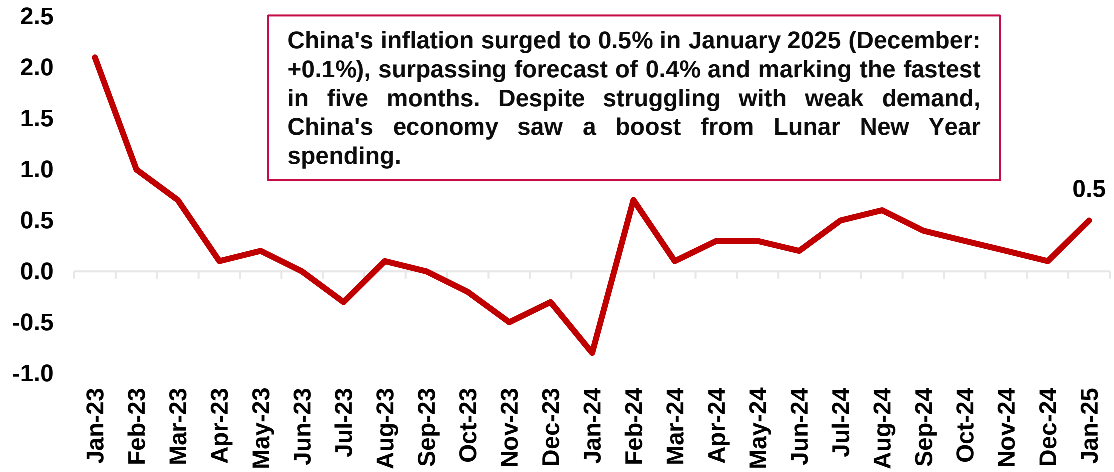
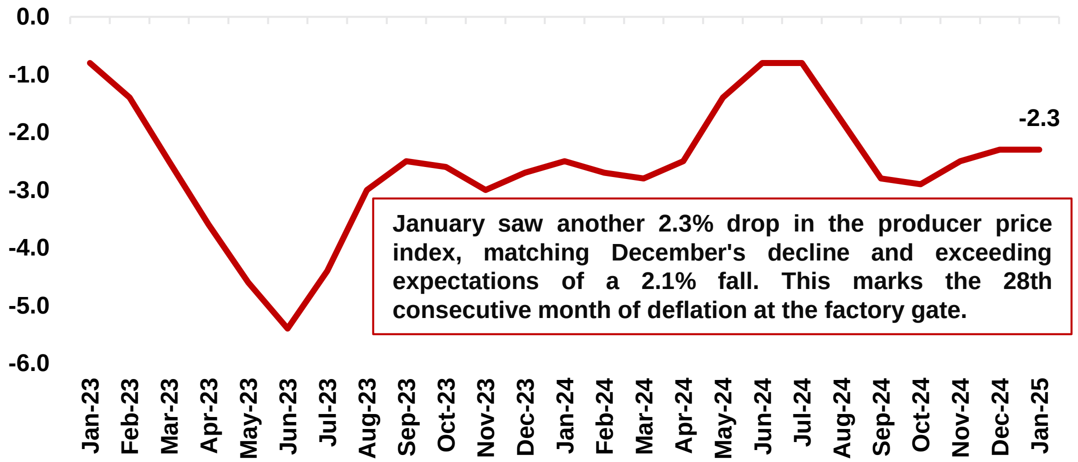
## GLOBAL

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

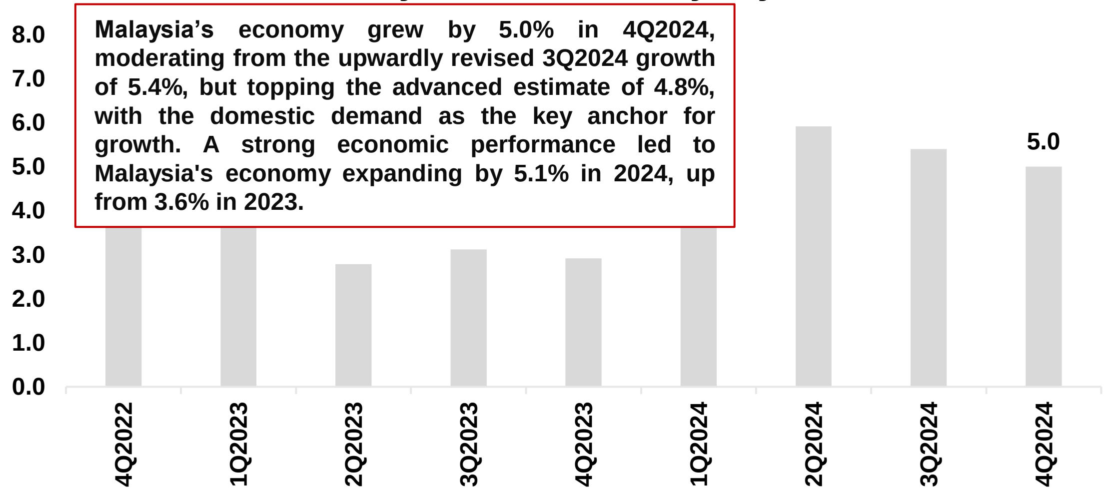



### China - Producer Price Index (PPI), y-o-y%

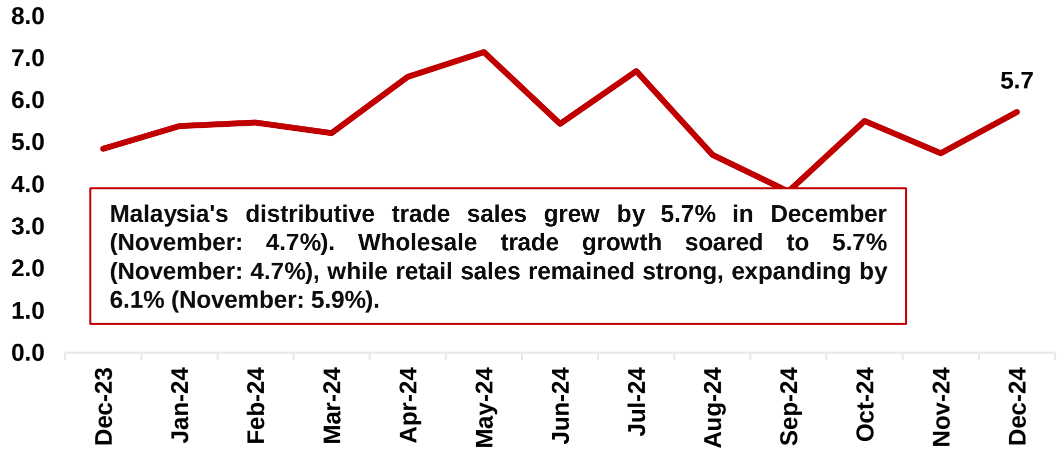



## DOMESTIC

### Malaysia - Real GDP, y-o-y%




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




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

# U.S. WEEKLY HIGHLIGHT: HOTTER-THAN-EXPECTED INFLATION FIGURE, LOWERING THE ODDS OF FED RATE CUTS

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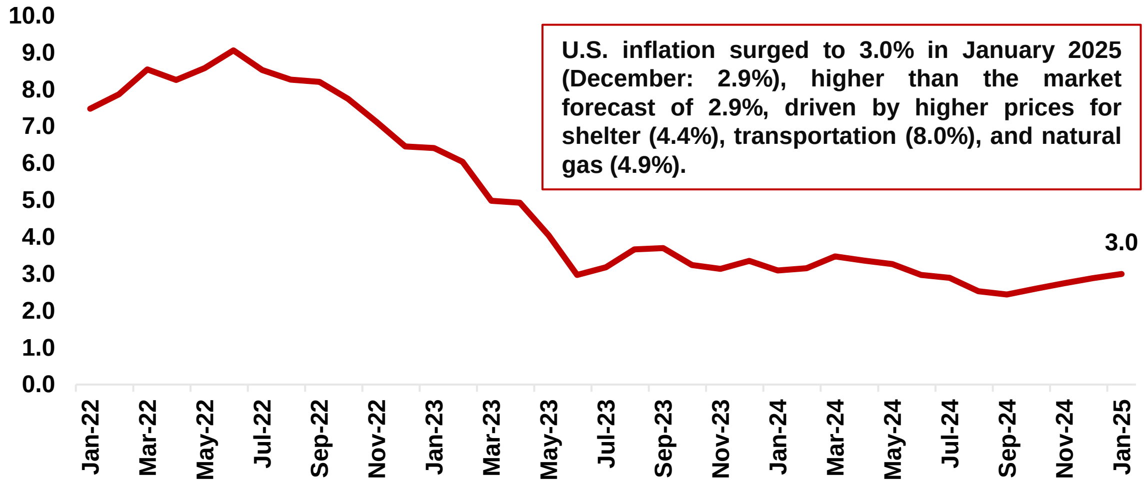
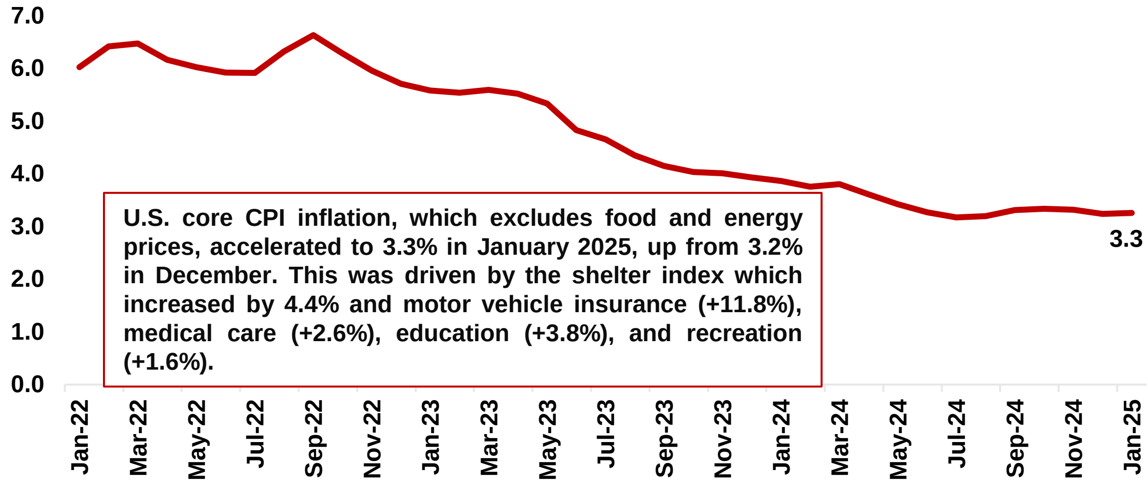
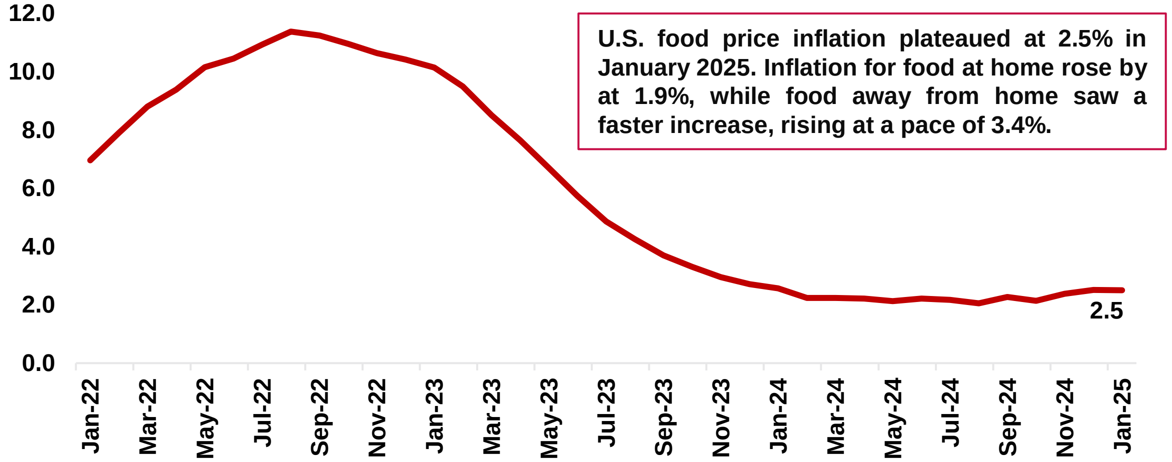
## U.S. CPI, y-o-y%



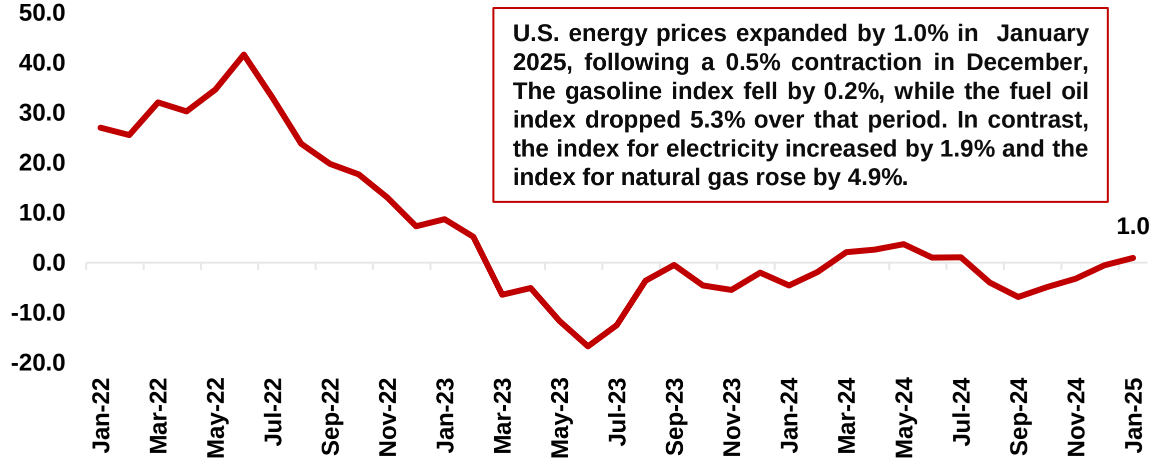

## U.S. CPI (All Items less Food and Energy), y-o-y%




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




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




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

# REGIONAL EQUITY: MIXED SIGNALS IN THE GLOBAL STOCKS MARKET

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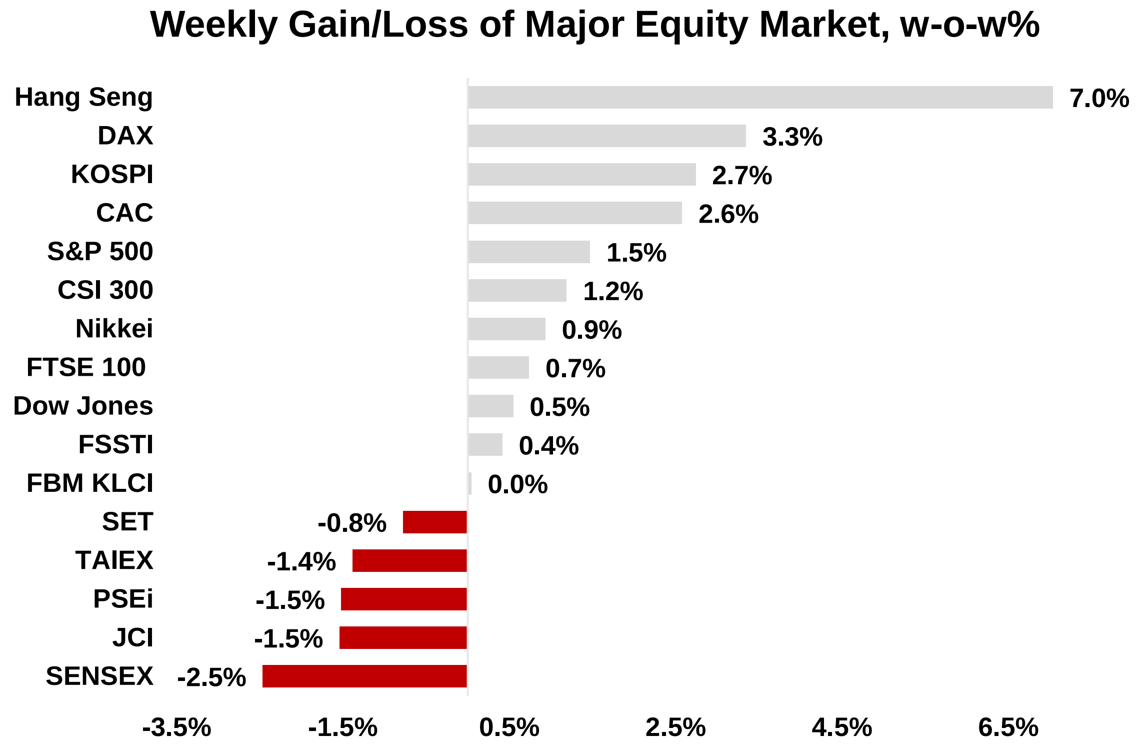


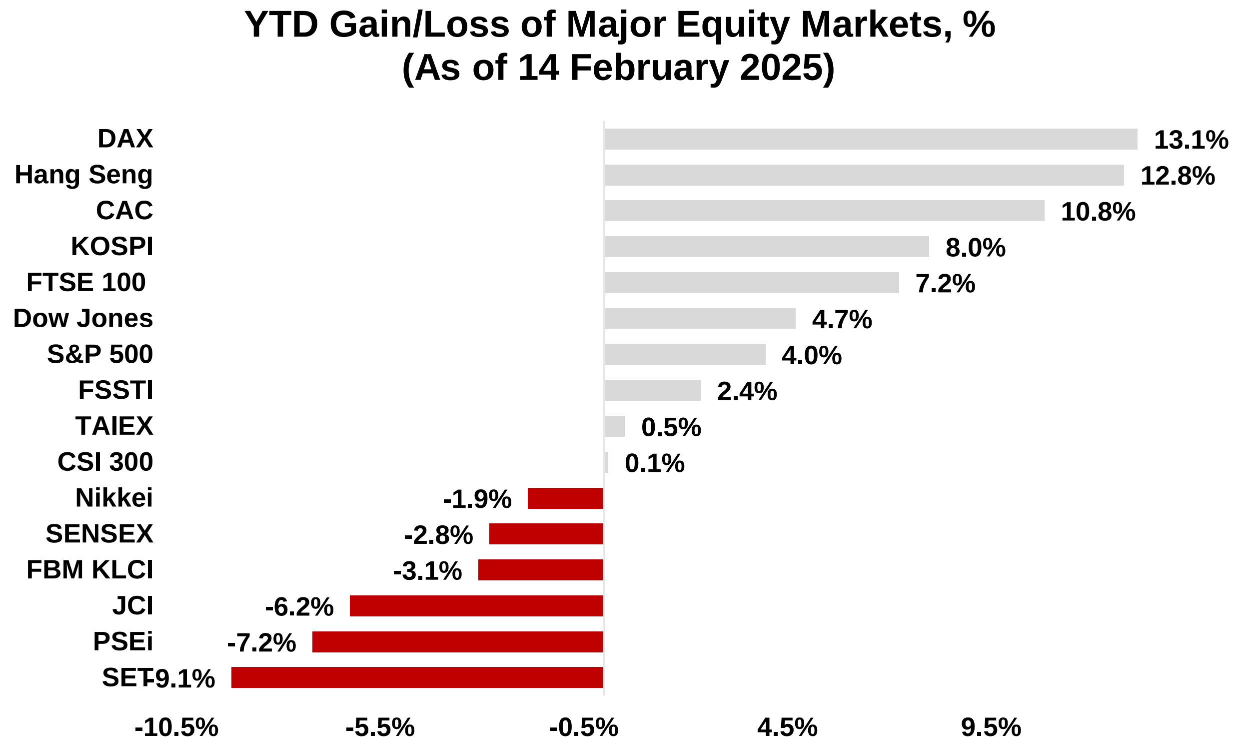


*Sources: Bursa, CEIC Data*

- The regional equity index was mostly in the green last week with Hong Kong's Hang Seng (+7.0%) as the major winner, driven by a fresh commitment from the People's Bank of China (PBoC) to adjust monetary policy in support of economic growth. The central bank also pledged to maintain sufficient liquidity and ensure that money supply growth aligns with economic and inflation goals.
- U.S. stocks – S&P 500 (+1.5%) and Dow Jones (+0.5%) also surged, as the delay in reciprocal tariffs provided a boost to stocks, leading to a solid week of gains.
- In contrast, India's SENSEX (-2.5%) plummeted as investors remained concerned about the potential impact of U.S. tariffs on India's economy. India's Prime Minister revealed plans to double U.S.-India bilateral trade to USD500 billion by 2030 and finalize a trade deal soon, with a focus on increasing US imports of oil, gas, and military equipment, while also tackling illegal immigration.

# DOMESTIC EQUITY: FBM KLCI ENDED FLAT AS MALAYSIA'S ROBUST GDP GROWTH OFFSETS DISAPPOINTING U.S. DATA

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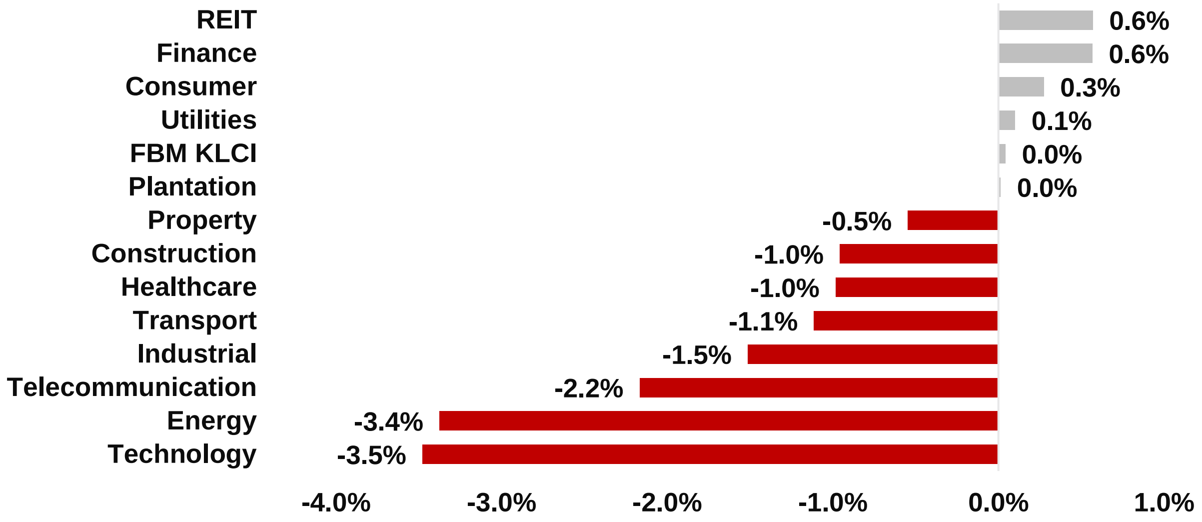
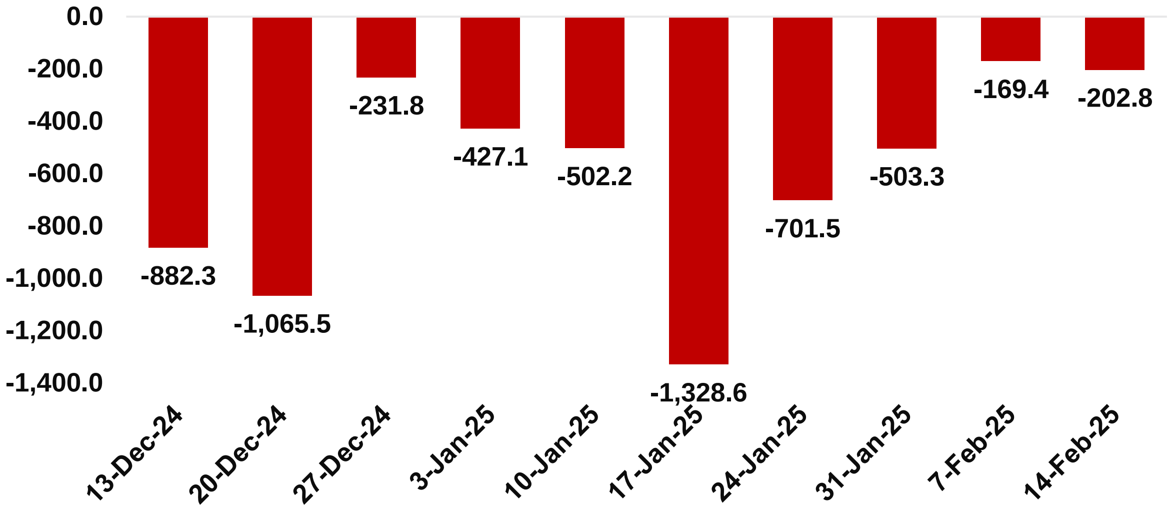
**Weekly Bursa Sectoral Performance, w-o-w%**




**Weekly Foreign Fund Net Inflows/Outflows, RM Million**




*Sources: Bursa, CEIC Data*

- The FBM KLCI ended flat for the week ending February 14 due to profit taking activities following robust trading during the week before.
- Investor sentiment was cautious after hotter-than-expected U.S. inflation data heightened concerns of a higher-for-longer interest rate environment, dampening interest in emerging market assets.
- Nevertheless, the slump in the benchmark index was mitigated as the Malaysian economy expanded at a solid pace of 5.1% in 2024, higher than the 3.6% growth in 2023.
- Looking closer, the REIT and Finance indices both rose by 0.6%, followed by the Consumer (+0.3%) and Utilities (+0.1%) indices.
- On the other hand, the Energy index led the losers, falling by 3.5% in the same week. Notably, the Energy index plunged by 3.4% to end below the 800-level, marking its lowest level since December 2023.
- Foreign investors continued as net sellers, shedding a total of RM202.8 million worth of equities last week. This net selling has increased the cumulative net outflow this year to RM3.9 billion.

# FIXED INCOME: UST YIELDS DROPPED AMID CONCERNS OVER WEAK CONSUMER SPENDING

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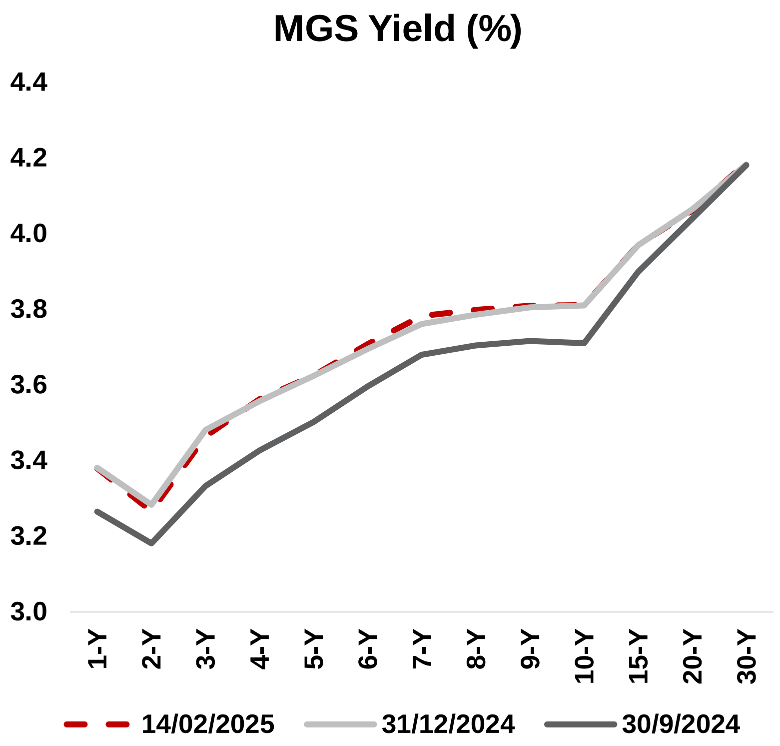
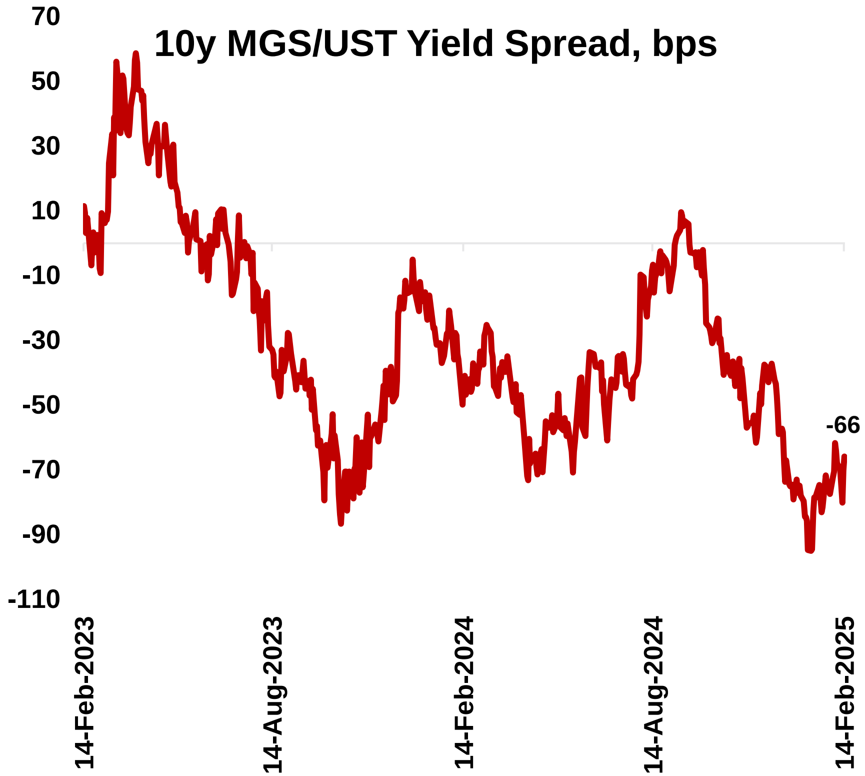
**Weekly Changes, basis points (bps)**

| UST | Yields (%) 7-Feb-25 | Yields (%) 14-Feb-25 | Change (bps) |
|---|---|---|---|
| 3-Y UST | 4.31 | 4.26 | -5 |
| 5-Y UST | 4.34 | 4.33 | -1 |
| 7-Y UST | 4.42 | 4.41 | -1 |
| 10-Y UST | 4.49 | 4.47 | -2 |
| **MGS** | **Yields (%) 7-Feb-25** | **Yields (%) 14-Feb-25** | **Change (bps)** |
| 3-Y MGS | 3.47 | 3.46 | -1 |
| 5-Y MGS | 3.62 | 3.63 | 1 |
| 7-Y MGS | 3.78 | 3.78 | 0 |
| 10-Y MGS | 3.81 | 3.81 | 0 |
| **GII** | **Yields (%) 7-Feb-25** | **Yields (%) 14-Feb-25** | **Change (bps)** |
| 3-Y GII | 3.55 | 3.56 | 1 |
| 5-Y GII | 3.62 | 3.63 | 1 |
| 7-Y GII | 3.77 | 3.78 | 1 |
| 10-Y GII | 3.82 | 3.82 | 0 |

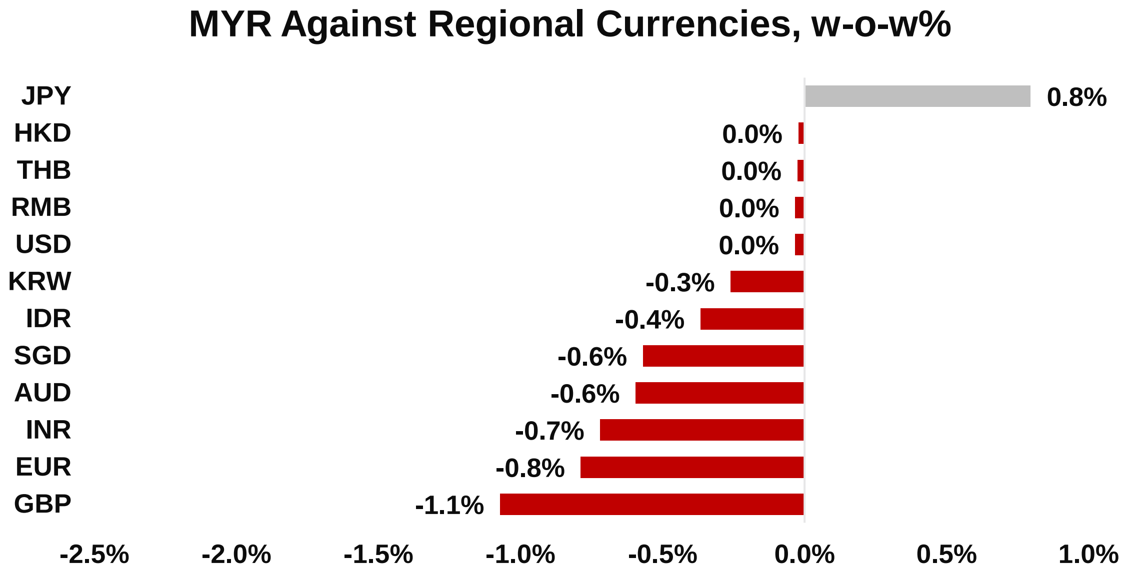
*Sources: BNM, Federal Reserve Board*

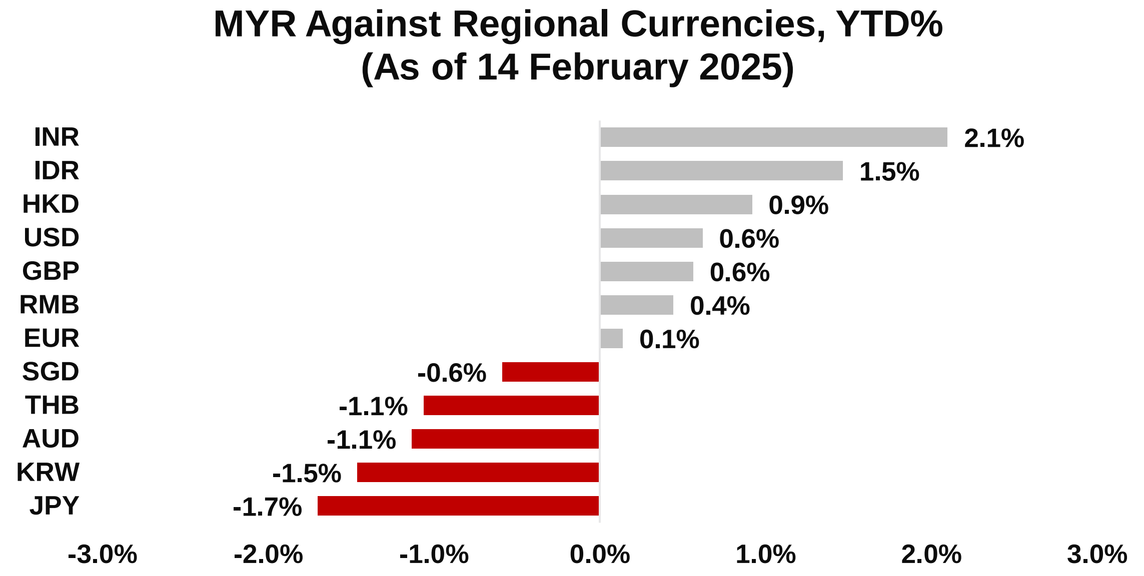



- The U.S. Treasury (UST) yields declined in the range of 1bp and 5bps last week, as new data has shaken the widely held belief in a strong U.S. consumer. Retail sales plummeted 0.9% in January, the biggest drop in a year, raising concerns that personal consumption expenditures (PCE) would not live up to the Federal Reserve's (Fed's) forecasts.
- Meanwhile, Malaysian Government Securities (MGS) and Government Investment Issues (GII) yields were mostly little changed in narrow trading as investors stayed on the sidelines.
- The auction of 7-Y reopening of GII worth RM5.0 billion which was issued on February 13 drew a strong demand with a bid-to-cover (BTC) ratio of 2.9x, significantly higher compared to the previous RM5.0 billion 7-Y reopening of GII in October 2024 with a BTC ratio of 2.0x.
- The 10y MGS/UST yield spread narrowed in the negative territory at 66bps relative to -68bps in the previous week.

# FX MARKET: RINGGIT TO TRADE CAUTIOUSLY AHEAD OF THE FOMC MINUTES




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

- The Ringgit depreciated marginally by 0.03% w-o-w against the USD for the week ending February 14, initially remaining under pressure due to the stronger Dollar before gaining grounds following the release of Malaysia's growth figures.
- Earlier in the week, Fed Chair Powell took on a hawkish stance on interest rates during his testimony to Congress, citing that the Fed is not in a hurry to cut rates as the U.S. economy has shown resilience and the job market remains solid. Such remarks have led markets to become increasingly confident that interest rates will be held higher for longer, which was further supported by the latest inflation figures, which rising hotter than expected.
- Nevertheless, the local note strengthened towards the end of the week as the Malaysian economy marked a strong 5.1% growth in 2024 (2023: 3.6%), underpinned by robust private consumption and a favourable investment upcycle. Furthermore, the Ringgit also gained from the greenback's subsequent weakness, hitting a yearly low around the 106-level as uncertainties over Trump's trade policies mounted.
- On another note, the Ringgit appreciated by 0.8% against the Japanese Yen as investors remained cautious ahead of Japan's 4Q2024 GDP growth data, slated to be released on Monday.

# COMMODITY: BRENT OIL PRICES DROP AMID A POTENTIAL PEACE DEAL BETWEEN RUSSIA AND UKRAINE

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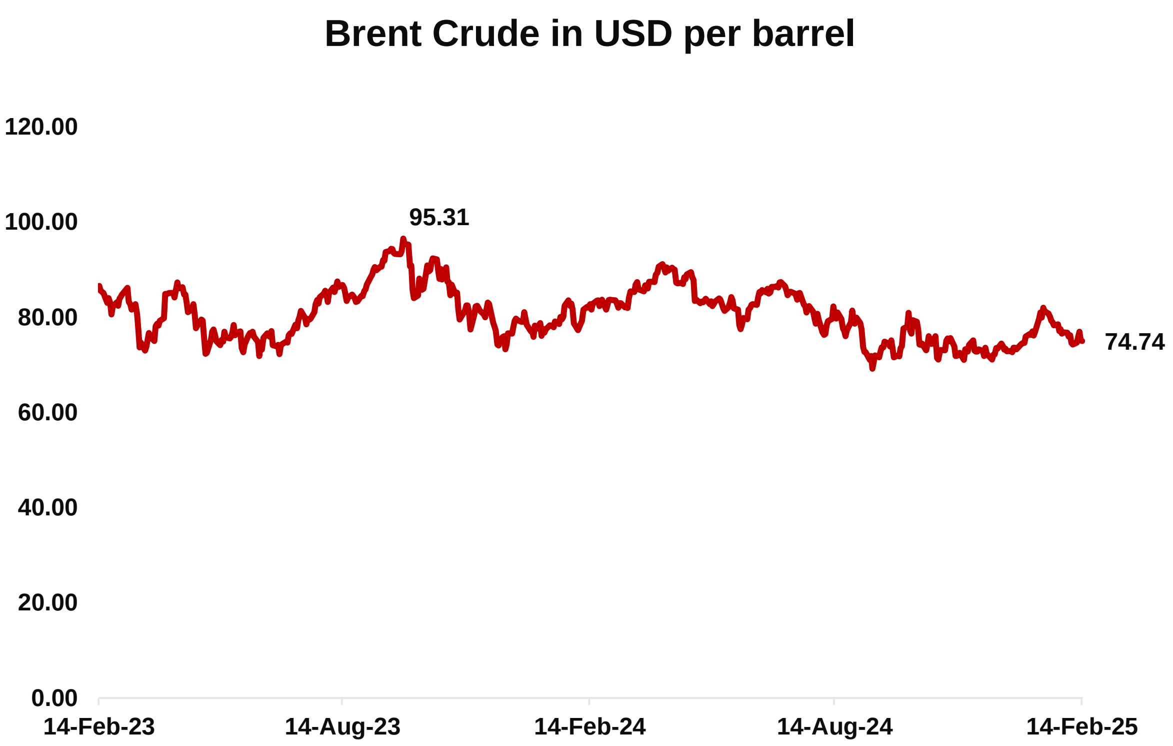
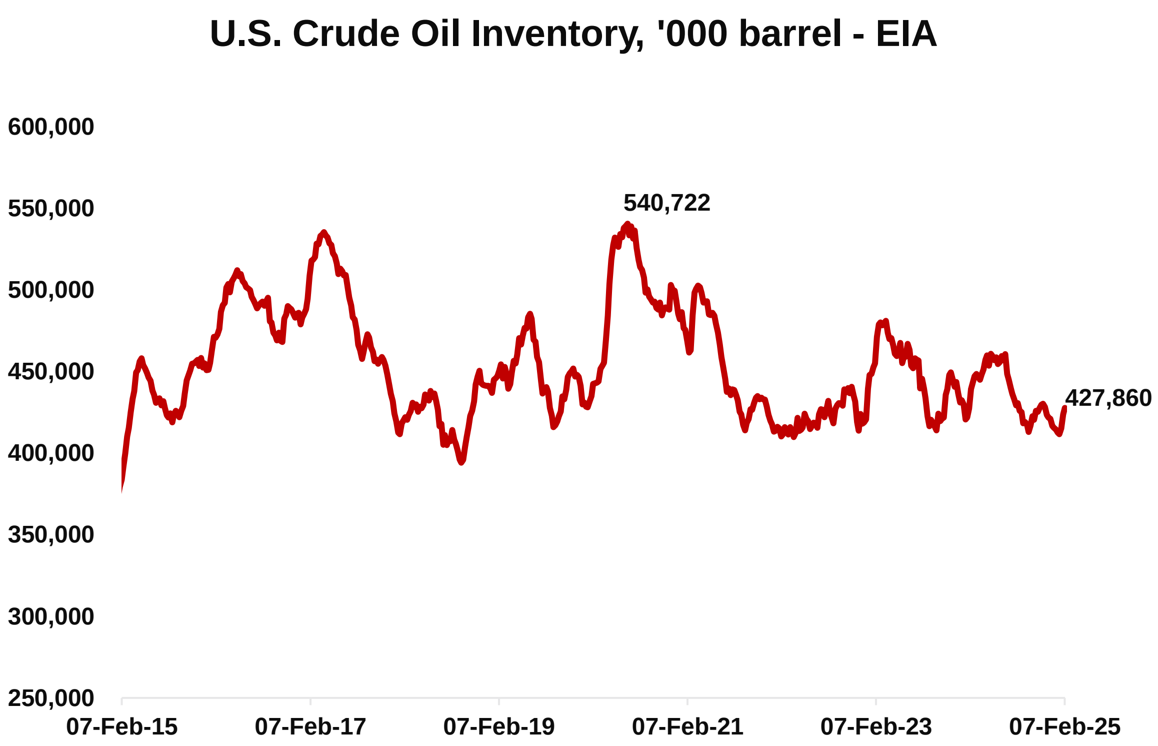


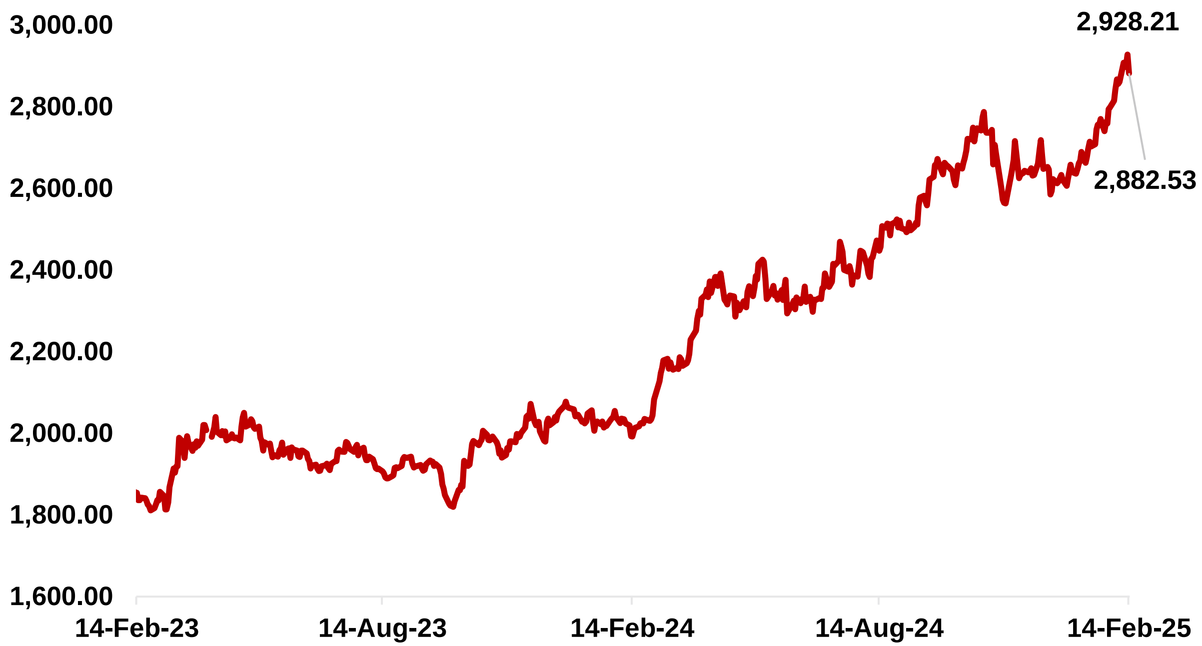




*Sources: Bloomberg, Energy Information Administration (EIA)*

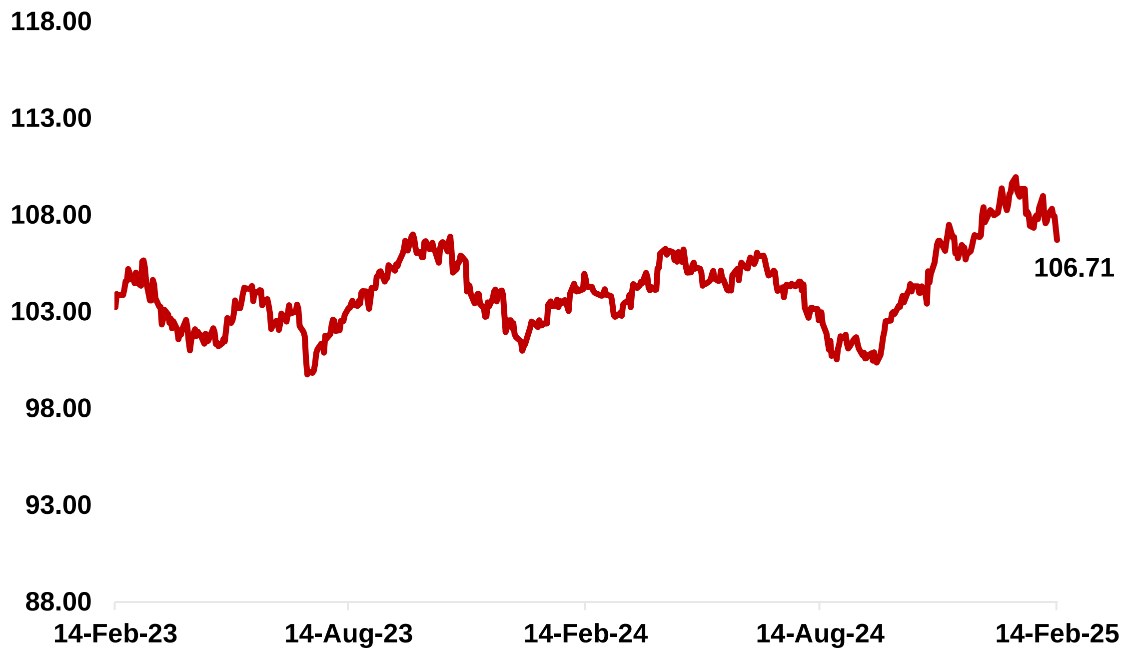
- Brent oil prices dropped by 0.4% to USD 74.7 per barrel for the week ending February 14. The likelihood of a potential peace deal between Russia and Ukraine is seen as the end of supply flow disruptions caused by sanctions and could boost global oil supplies. The delay in the reciprocal tariffs by Trump has halted the earlier price gains seen at the beginning of the week.
- US crude oil inventories increased by 4.1 million barrels to 427.9 million for the week ending February 7. According to the latest IEA Oil Market Report (OMR), global oil demand is forecasted to average 1.1 mb/d in 2025 from 870 kb/d in 2024, with China continuing to be the primary driver of growth.

# COMMODITY: GOLD PRICE HIT RECORD HIGH ON SAFE-HAVEN DRAW

**Gold in USD per ounce**




**U.S. Dollar Index (DXY)**




*Sources: Bloomberg, CEIC Data*

- The bullion price continued its uptrend, appreciating by 0.8% w-o-w for the week ending February 14, marking a fresh high of USD2,928.21 on Thursday.
- This strength was driven by heightened uncertainties surrounding U.S. trade policies, as Trump had come forward with another round of trade tariff threats. Additionally, demand for the bullion rose as investors took cues from the World Gold Council’s report, which highlighted that gold purchases by central banks surged following Trump’s electoral victory.

# WHAT TO LOOK OUT FOR IN THE MARKETS THIS WEEK

- This week, the focus will be on the Federal Reserve (Fed) decision regarding whether to cut rates or maintain the status quo. The U.S. central bank is anticipated to pause its rate-cutting cycle at the February meeting, which will be held on February 20. During the U.S. congress session, Powell commented that the central bank is in no rush to reduce interest rates sooner, as the U.S. economy remain resilient with strong labor market condition. He also stated that Trump's call to lower interest rates in conjunction with upcoming tariffs will not influence the Fed's decisions. On February 13, President Trump signed his plan for reciprocal tariffs but delayed their implementation until April 1, pending studies of each country.

- In Japan, all eyes will be on the release of the gross domestic product (GDP) for 4Q2024 on February 17. According to a Reuters poll, the economy is projected to expand in the final quarter, driven by strong business investment, which is expected to offset weak consumer spending. The median forecast suggests annualized GDP growth of 1.0% for the quarter, slightly down from 1.2% in the previous quarter. Private consumption is forecast to decline by 0.3%, primarily due to the impact of falling real wages, which are dampening household spending. On a quarter-on-quarter basis, before annualizing, fourth-quarter growth is expected to be at 0.3%, matching the rate recorded in the previous quarter.

- Bank Indonesia (BI) is expected to cut its benchmark rates by another 25bps to 5.50% at its policy meeting this week. Following the central bank's surprise move in January, when it slashed its rate by 25bps to 5.75%, there is a possibility of another quarter-point cut in the upcoming meeting scheduled for February 19. The rate cut aims to balance between controlling inflation and stimulating economic growth, while also aligning with the government's commitment to maintaining macroeconomic stability. In the last meeting, BI's governor also mention that the future monetary policy will focus on stabilizing inflation and the rupiah exchange rate, while fostering economic growth amid global and national dynamics.

# THANK YOU