



WEEKLY ECONOMIC UPDATE

17 MARCH 2025

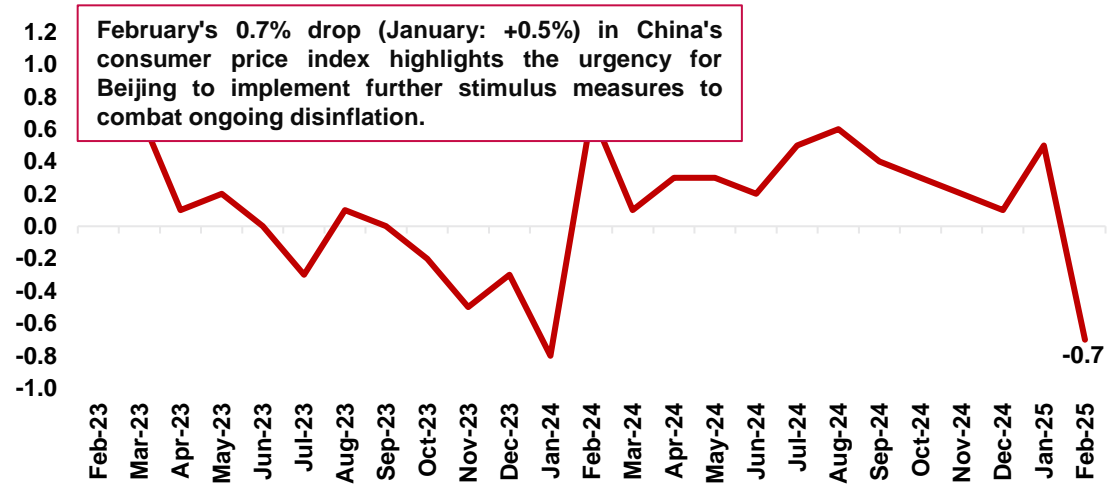
ECONOMIC RESEARCH

IMRAN NURGINIAS IBRAHIM
FARAH ZAZREEN ZAINUDIN
NOR LYANA ZAINAL ABIDIN
KHAYRIN FARZANA FAZLI

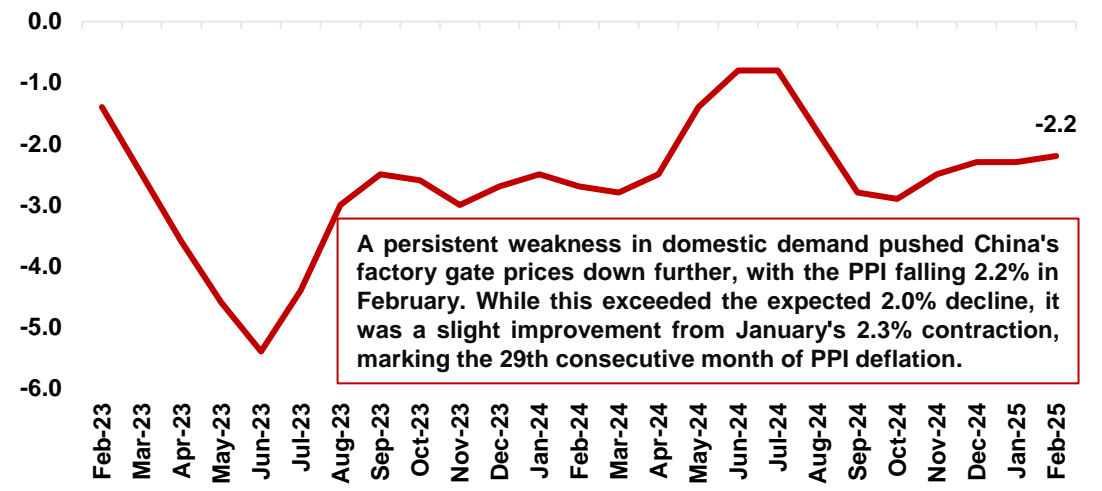
WEEKLY HIGHLIGHT: CHINA'S CONSUMER INFLATION PLUNGED, PROMPTING CALLS FOR ADDITIONAL GOVERNMENT STIMULUS

GLOBAL

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

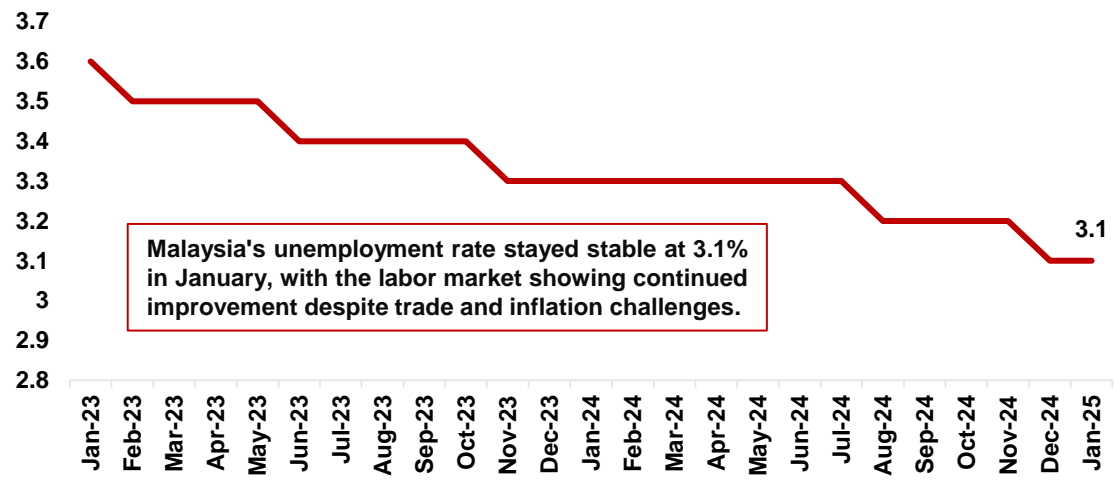


China - Producer Price Index (CPI), y-o-y%

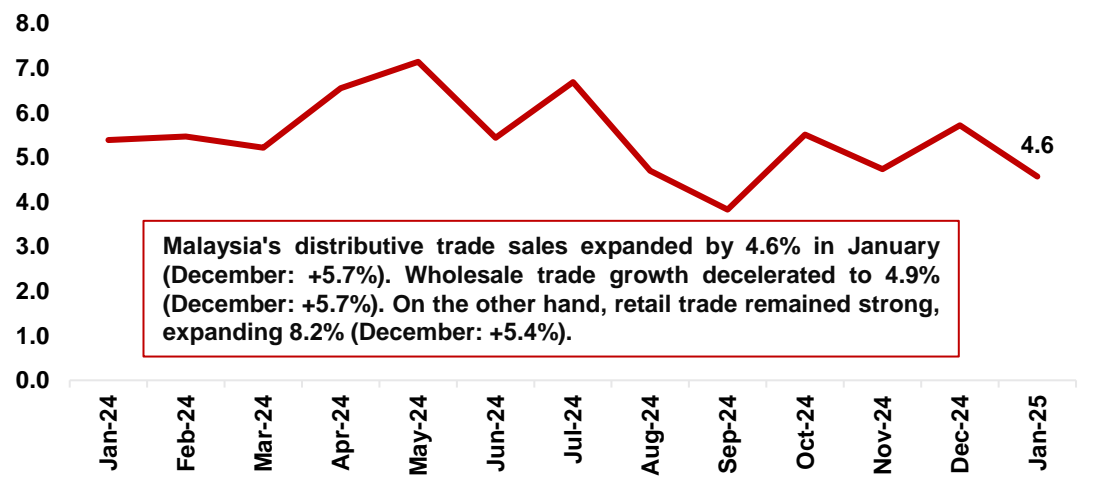


DOMESTIC

Malaysia - Unemployment Rate, %

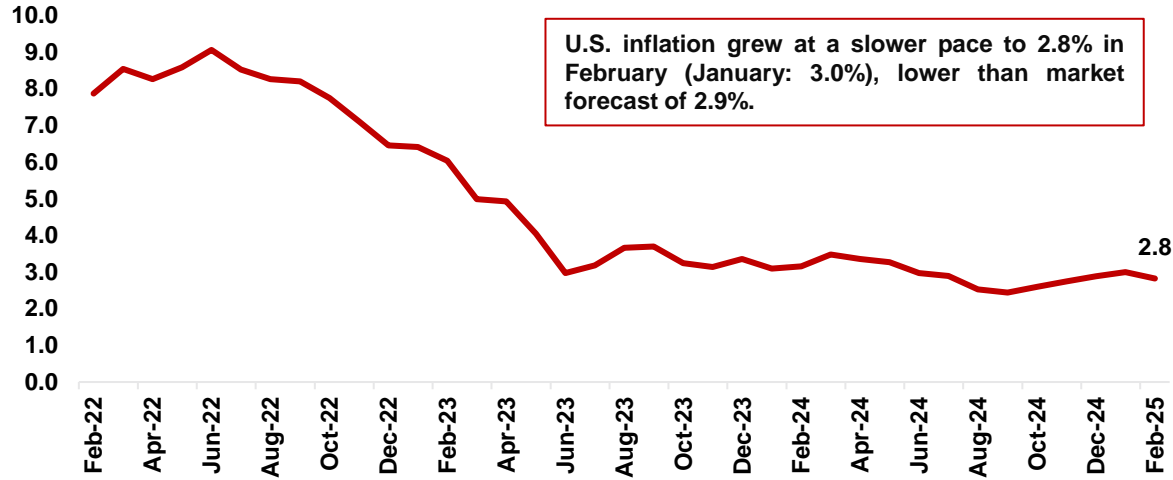


Malaysia - Distributive Trade Sales, y-o-y%

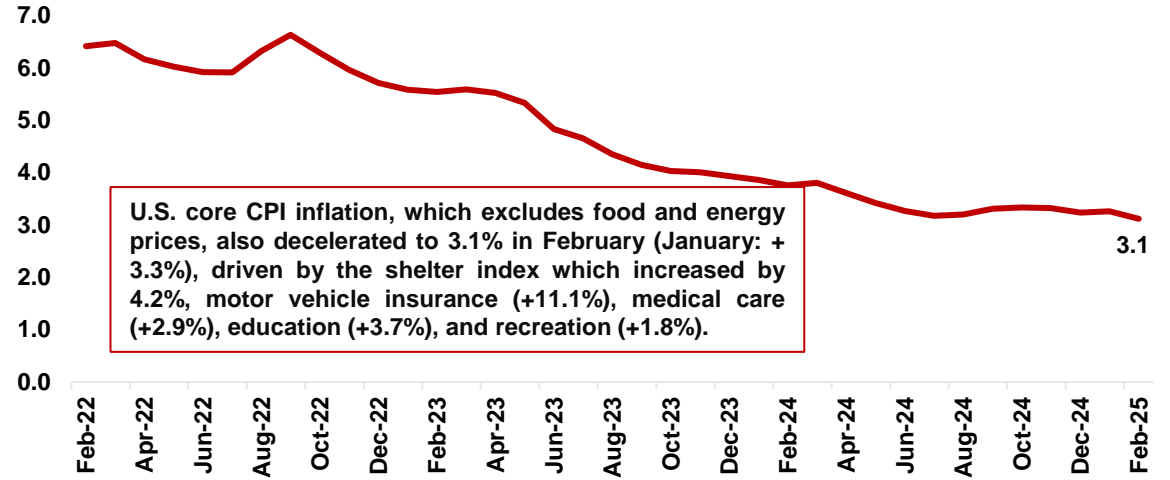


U.S. WEEKLY HIGHLIGHT: THE INFLATION RATE SLOWED IN FEBRUARY, BELOW EXPECTATIONS

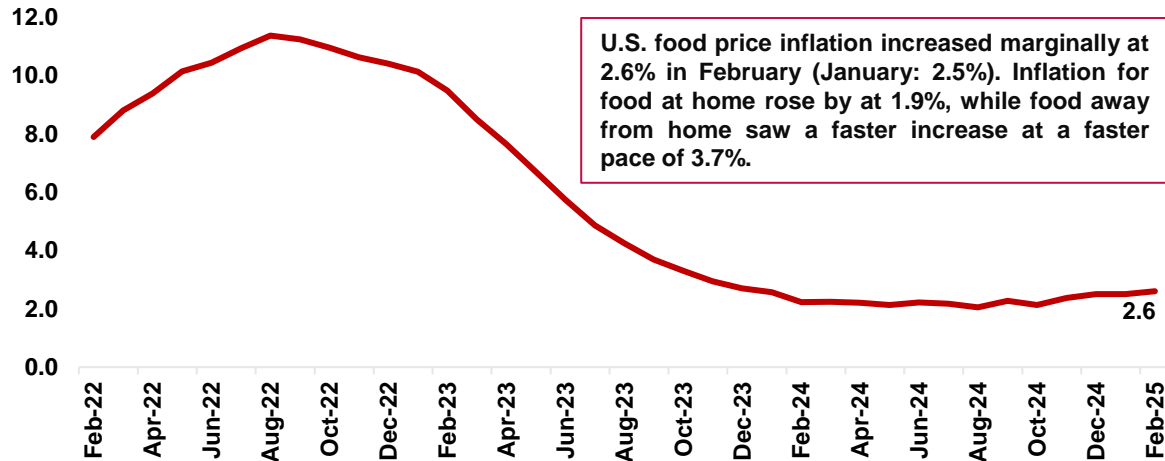
U.S. CPI, y-o-y%



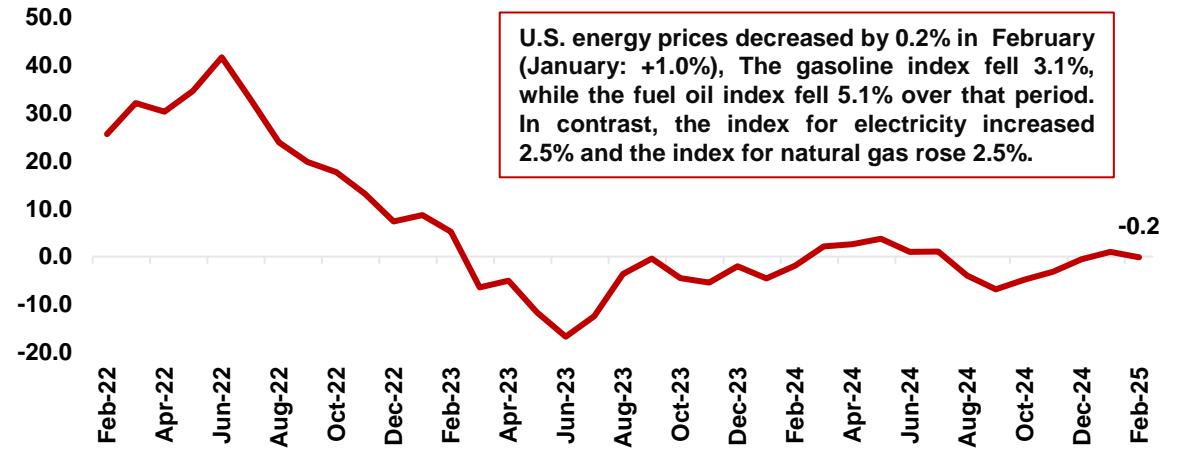
U.S. CPI (All Items less Food and Energy), y-o-y%



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



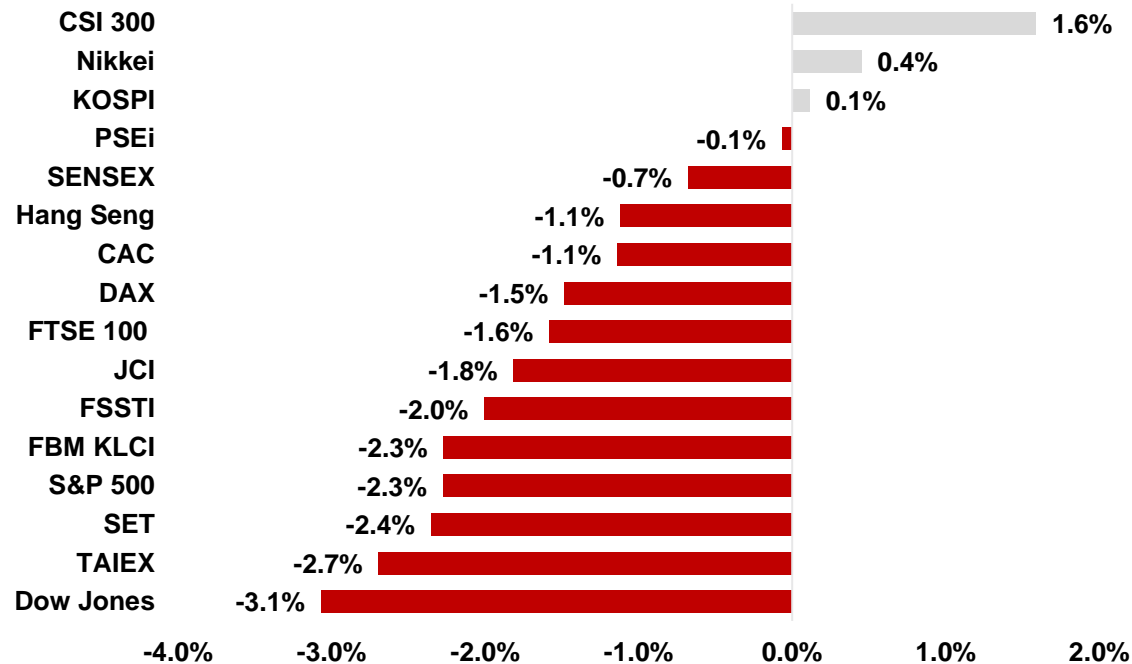
U.S. CPI (Energy), y-o-y%



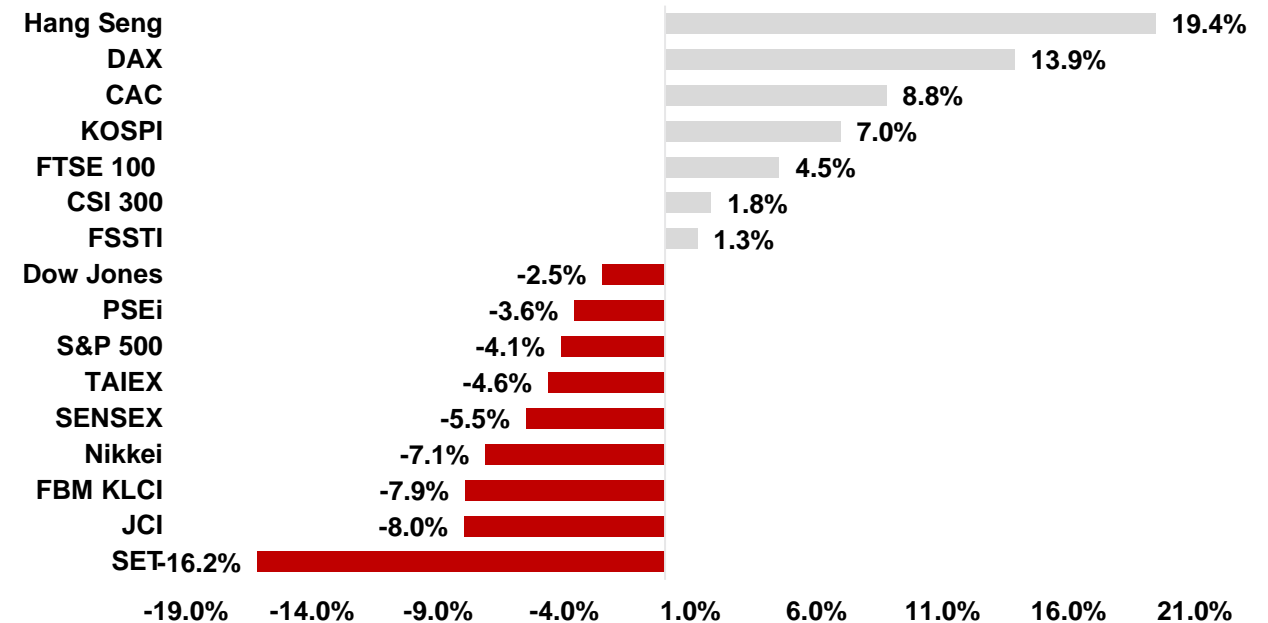
REGIONAL EQUITY: ECONOMIC STOCKS MARKET TO THE RED SEA

UNCERTAINTY DRAGGED

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



YTD Gain/Loss of Major Equity Markets, %
(As of 14 March 2025)

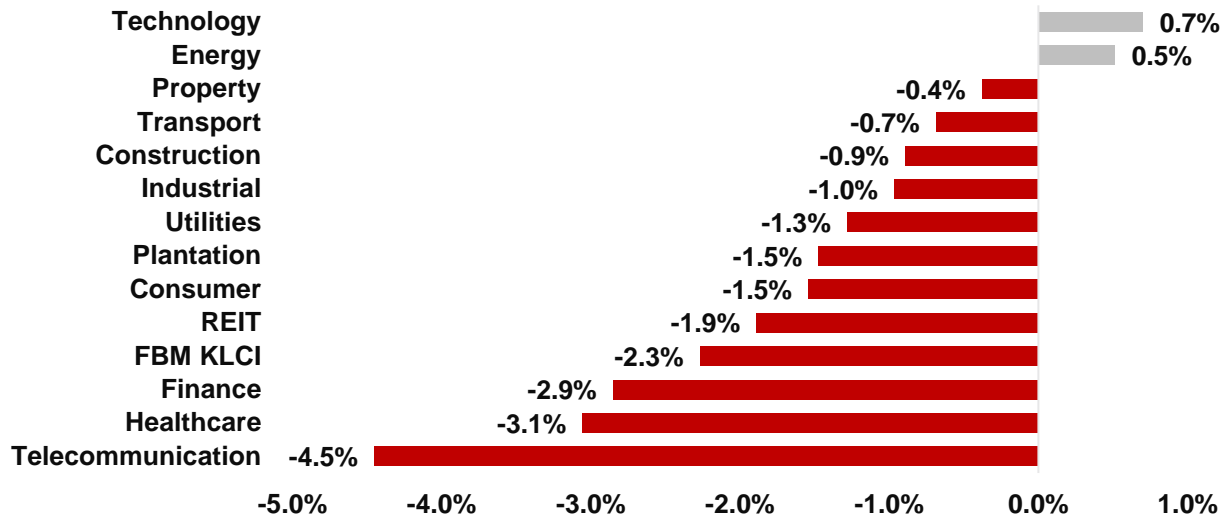


Sources: Bursa, CEIC Data

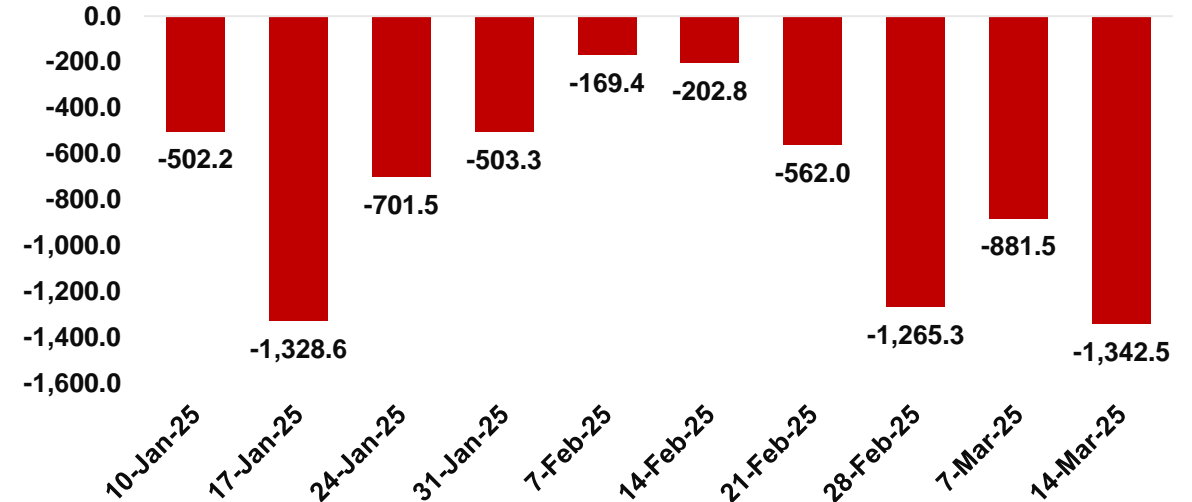
- The regional equity index mostly in the red last week with the U.S. Dow Jones as the major loser, contracting by 3.1% dragged down by economic uncertainty from trade policy changes, potential recession, and global political instability.
- Additionally, Taiwan's TAIEX also slumped by 2.7% amid investor enthusiasm for A.I. stocks, particularly Taiwan Semiconductor Manufacturing Co. (TSMC), has cooled due to concerns about high valuations and the unexpected A.I. advancements demonstrated by DeepSeek, which challenged assumptions about China's technological capabilities.
- In contrast, China's CSI 300 (+1.6%), Japan's Nikkei (+0.4%) and South Korea's KOSPI (+0.1%) were the only gainers for the week ending March 14.

DOMESTIC EQUITY: FBM KLCI PLUNGED TO LOWEST LEVEL IN NEARLY 14 MONTHS LAST WEDNESDAY

Weekly Bursa Sectoral Performance, w-o-w%



Weekly Foreign Fund Net Inflows/Outflows, RM Million

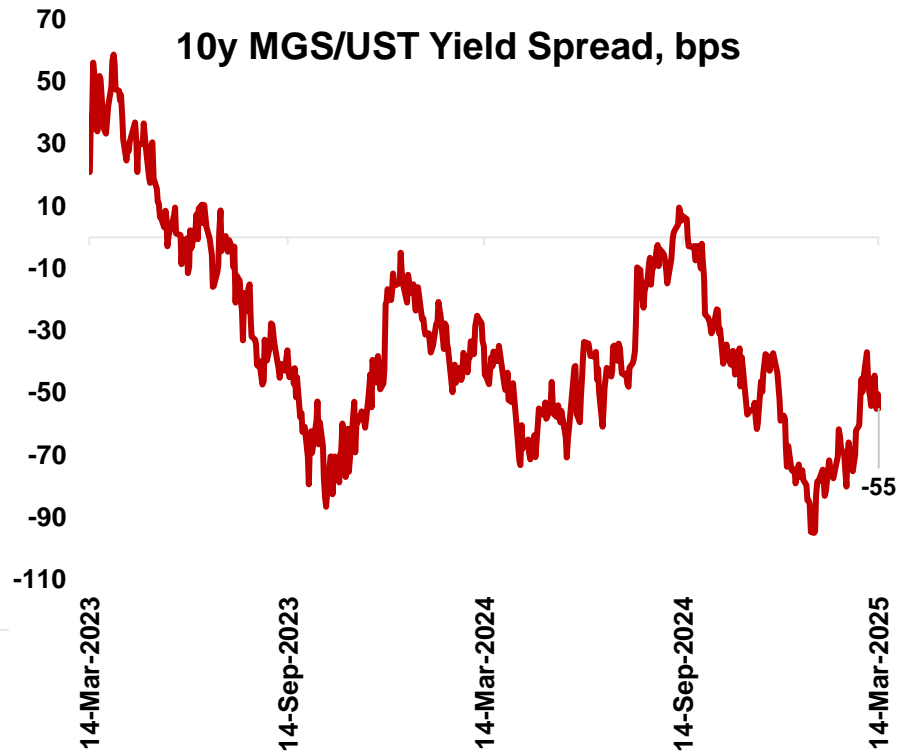
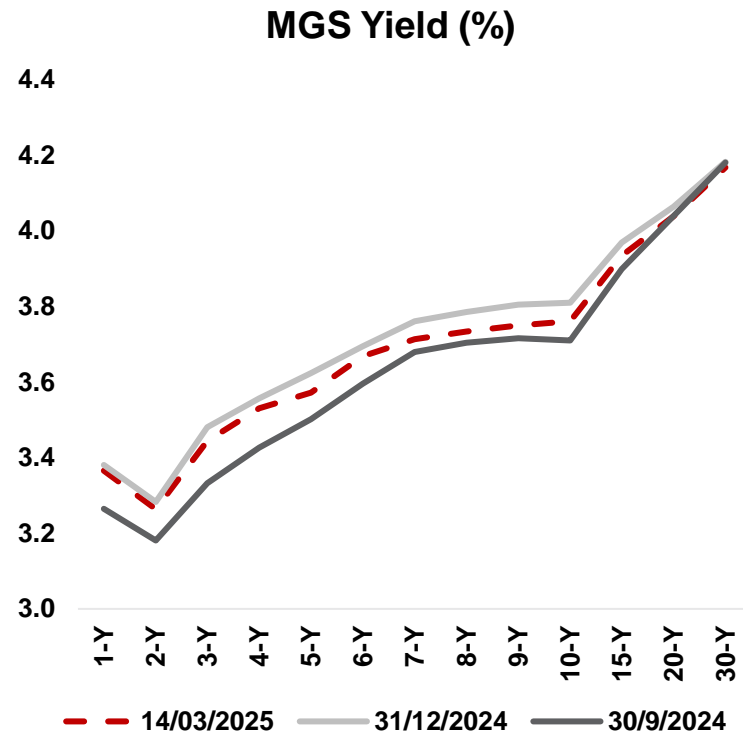


Sources: Bursa, CEIC Data

- The FBM KLCI continued to slide, slipping to the lowest point since January 2024 on Wednesday (March 12: 1,484.83) before climbing back above the 1,500-level. On a weekly basis, the benchmark index plunged by 2.3% for the week ending March 14.
- Such performance was attributable to cautious sentiments throughout the markets amid increasingly volatile global trade and economic conditions. Last week, U.S. President Donald Trump had once again sent shockwaves as he announced double the tariffs on Canadian metals, up to 50% from 25% set to come into effect, before reversing the decision soon after.
- The sea of red extended across the local market with the Telecommunications index falling by 4.5%, followed by the Healthcare (-3.1%) and Finance (-2.9%) indices.
- Meanwhile, the only gainers were the Technology (+0.7%) and Energy (+0.5%) indices on the back of bargain hunting activities.
- Foreign investors continued net selling for the eleventh straight week this year, shedding a total of RM1.3 billion worth of equities in the highest net outflow since November 2024. This had increased the cumulative net outflow thus far to RM7.9 billion.

FIXED INCOME: UST YIELDS DOWNTREND ON EASING INFLATION DATA

Weekly Changes, basis points (bps)			
UST	Yields (%)	Yields (%)	Change (bps)
	7-Mar-25	14-Mar-25	
3-Y UST	4.01	4.00	-1
5-Y UST	4.09	4.09	0
7-Y UST	4.21	4.20	-1
10-Y UST	4.32	4.31	-1
MGS	Yields (%)	Yields (%)	Change (bps)
	7-Mar-25	14-Mar-25	
3-Y MGS	3.43	3.44	1
5-Y MGS	3.59	3.57	-2
7-Y MGS	3.74	3.71	-3
10-Y MGS	3.78	3.76	-2
GII	Yields (%)	Yields (%)	Change (bps)
	7-Mar-25	14-Mar-25	
3-Y GII	3.55	3.54	-1
5-Y GII	3.60	3.59	-1
7-Y GII	3.74	3.72	-2
10-Y GII	3.79	3.77	-2

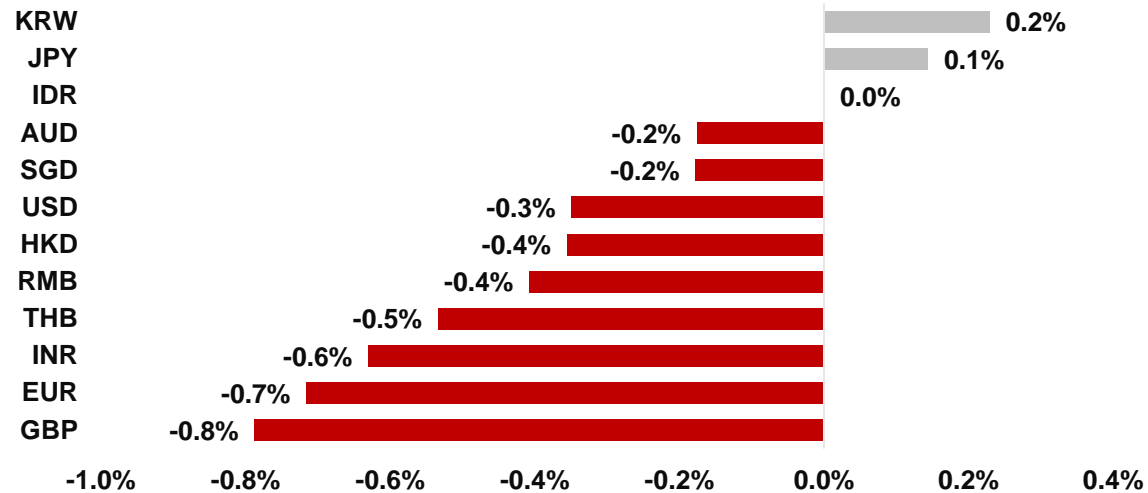


Sources: BNM, Federal Reserve Board

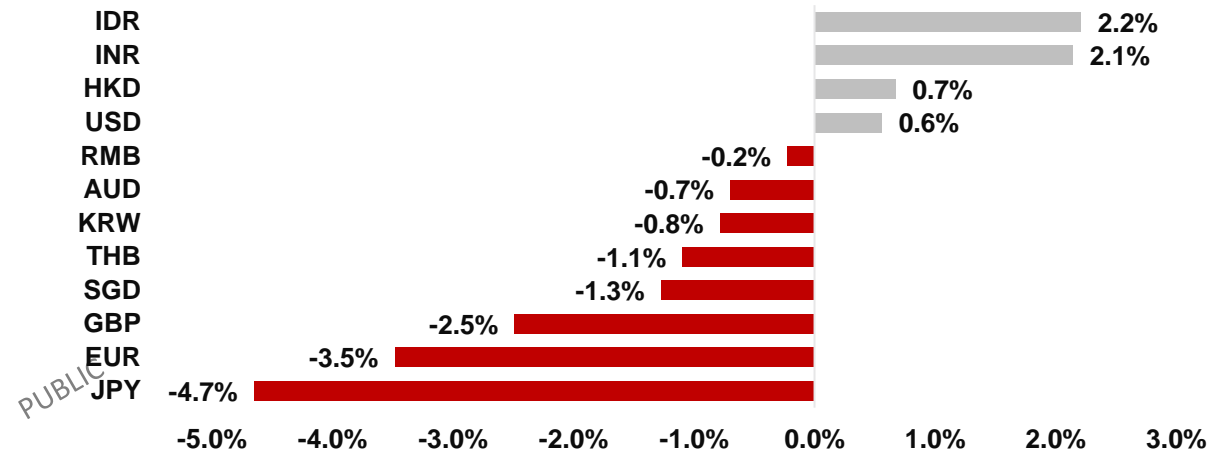
- The U.S. Treasury (UST) yields mostly edged marginally lower by 1bp last week, as easing inflation data has alleviated fears of stagflation, providing the Federal Reserve (Fed) with greater flexibility to prioritize economic growth this year.
- Malaysian Government Securities (MGS) and Government Investment Issues (GII) yields declined marginally in the range of 1bp and 3bps except for 3-Y MGS yield which increased by 1bp to end the week at 3.44%.
- The auction of 15-Y reopening of MGS worth RM4.0 billion which was issued on March 10 drew a strong demand with a bid-to-cover (BTC) ratio of 3.0x, significantly higher compared to the previous RM5.0 billion 15-Y reopening of MGS in November 2024 with a BTC ratio of 2.7x.
- The 10y MGS/UST yield spread widened slightly in the negative territory at 55bps relative to -54bps in the previous week.

FX MARKET: RINGGIT UNDER PRESSURE AS GLOBAL TRADE CONCERNS PERSISTED

MYR Against Regional Currencies, w-o-w%



MYR Against Regional Currencies, YTD% (As of 14 March 2025)



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

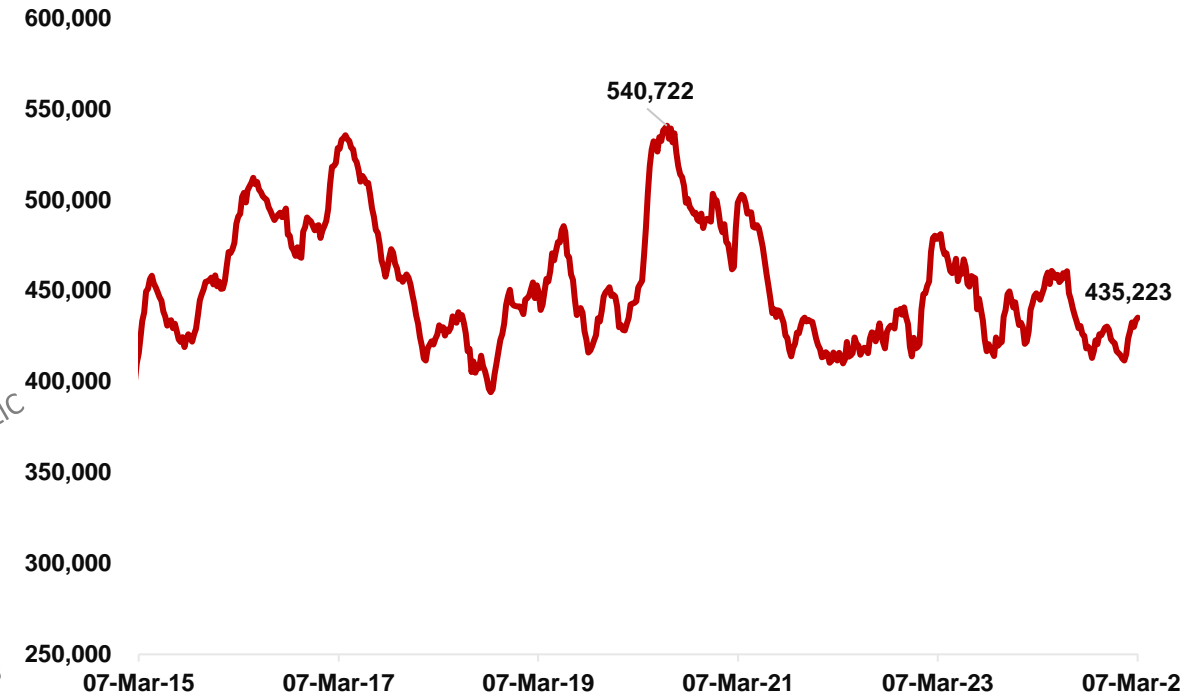
- The Ringgit depreciated by 0.3% w-o-w against the USD for the week ending March 14 despite similar weakness in the USD index, trending around the 103-level throughout the week.
- Inflation momentum in the U.S. had taken markets by surprise when both headline (Act: 2.8% vs. Est: 2.9%) and core (Act: 3.1% vs. Est: 3.2%) price pressures cooled at faster than expected paces in February. These figures had heightened market bets of Fed rate cuts, with the probability of the first cut this year to be delivered in June rising to nearly 60.0%, which in turn exerted pressure on the greenback. We believe the Ringgit will trade cautiously ahead of the Fed's meeting this Wednesday, where markets overwhelmingly believe rates to be held steady.
- Furthermore, the U.S. dollar was dragged by pressing confusion over Trump's trade policies as he made another significant pivot last week. Just hours after announcing 50% levies on Canadian aluminum and steel, the decision was reverted to only the 25% tariffs on all imports of said metals. The statement made by Trump was seemingly part of his retaliatory trade policies – driven by the 25% electricity surcharge imposed by Canada – sparking worries of further aggravating moves from this end, especially approaching the April 1 deadline in his America First Trade Policy memorandum. Already, Trump had warned of 200% levies on European alcohol.

COMMODITY: BRENT OIL PRICES CONTINUED HOVER AROUND USD70/BARREL AMID PROSPECT OF UKRAINE CEASEFIRE

Brent Crude in USD per barrel



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

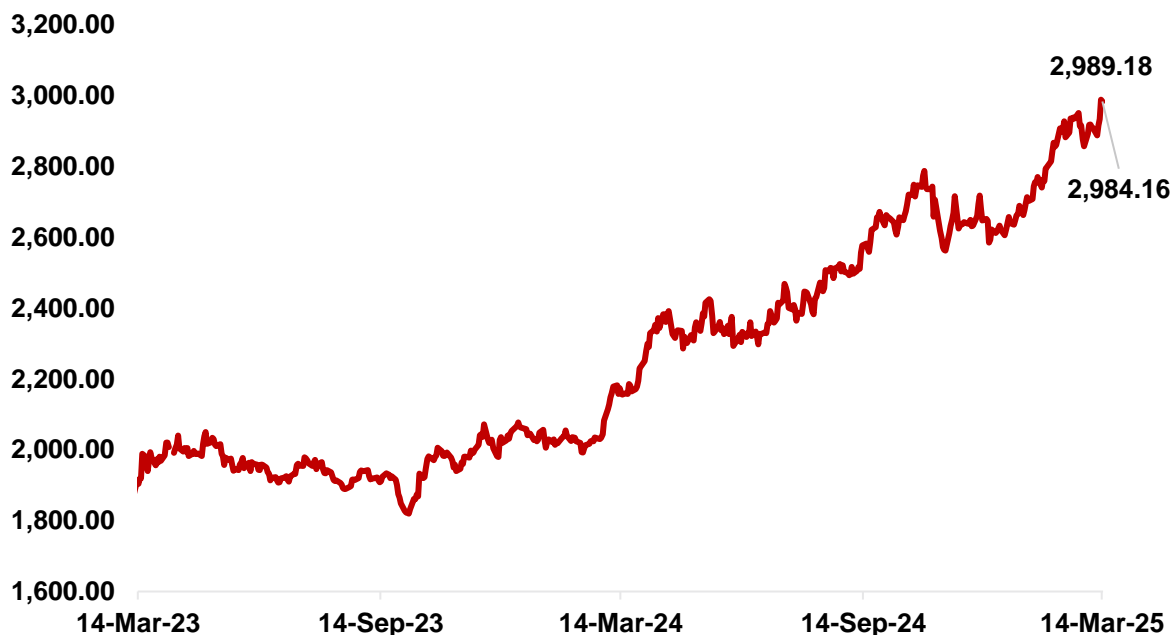


Sources: Bloomberg, Energy Information Administration (EIA)

- On Friday (March 14), Brent oil price rebounded by 1.0% to close the week at USD70.58 per barrel as investors reassessed the reduced chances of a quick end to the Ukraine war, which would delay the return of Russian energy supplies to Western markets. This followed a 1.5% decline the day before. However, the benchmark oil price rose only marginally by 0.3% w-o-w. Russian President Putin stated that Moscow was in principle supportive of a U.S. proposal for a ceasefire in Ukraine, but he outlined several clarification and conditions that seemed to rule out an immediate resolution to the conflict.
- US crude oil inventories continued to rise, increasing by 1.4 million barrels to 435.2 million for the week ending March 7.

COMMODITY: GOLD PRICE MARKED RECORD HIGH OF USD2,989, APPROACHES USD3,000

Gold in USD per ounce



U.S. Dollar Index (DXY)



Sources: Bloomberg, CEIC Data

- The intensifying global trade uncertainties had spurred the bullion price on a rapid uptrend amid increased safe haven demand, marking a fresh high of USD2,989.18 on Thursday. On a weekly basis, it had soared by 2.6% for the week ending March 14.
- Additionally, the bullion had rose on the back of a weaker dollar, following more dovish bets on the Fed's policy path.

WHAT TO LOOK OUT FOR IN THE MARKETS THIS WEEK

- The Federal Reserve's (Fed) upcoming interest rate decision on March 20 is set to dominate market attention this week. We expect the central bank to maintain its current policy rate range of 4.25% - 4.50%, before possibly cutting the rate in 2H2025. Financial markets have priced in a 97% probability that the Fed will hold rates steady, supported by recent economic data. However, the U.S. economy faces increasing uncertainty due to escalating trade tensions, with the imposition of new tariffs and retaliatory actions threatening to derail growth. This has raised concerns over a potential “Trumpcession”—a recession triggered by unpredictable policy decisions under President Trump. While inflation has shown signs of moderation in recent months, the ongoing trade disputes represent a significant upside risk to price stability. Disruptions in trade flows could lead to higher costs across a wide range of consumer goods, complicating the inflation outlook in the medium term. Given this backdrop, the Fed is likely to adopt a cautious stance, carefully balancing the need to sustain economic growth while managing the risks of rising inflationary pressures driven by trade-related disruptions.
- The Bank of England (BoE) is also expected to keep its benchmark interest rate at 4.5%, following a 25-basis point reduction in February. The central bank has significantly downgraded its economic growth projection for 2025 to just 0.75%, reflecting heightened concerns over subdued business and consumer sentiment. These challenges have been evident since the tax hikes introduced in the Autumn Budget, further exacerbated by the impact of global tariff developments. While these factors are dampening economic activity, they also pose upward risks to inflation, creating a complex policy dilemma for the BoE as it seeks to balance weak growth prospects against mounting inflationary pressures.
- Likewise, the Bank of Japan (BoJ) is also likely to maintain its policy rate unchanged this week. However, with signs of accelerating wage growth, the central bank is expected to consider a rate hike in the coming months. Nevertheless, the outlook for Japan's economy is increasingly clouded by uncertainty surrounding global trade dynamics. Recent data, including the February Purchasing Managers' Index (PMI), indicate a decline in business confidence to its lowest level in four years, despite relatively strong output growth. Similarly, the S&P Global Business Outlook Survey highlights a broader trend of heightened uncertainty among firms worldwide, underscoring the fragile nature of the global economic environment amid persistent trade-related risks.

BANK ISLAM

THANK YOU