



WEEKLY ECONOMIC UPDATE

20 JANUARY 2025

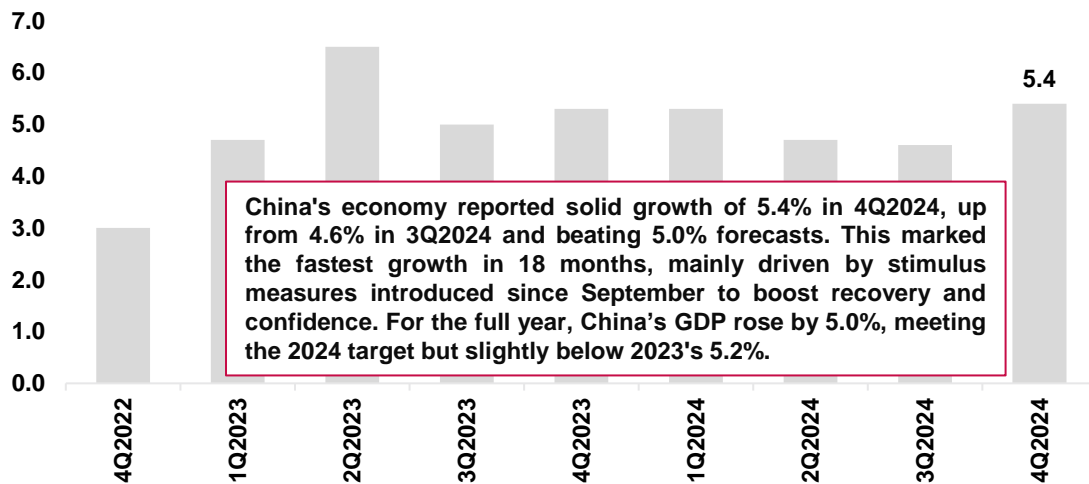
ECONOMIC RESEARCH

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WEEKLY HIGHLIGHT: CHINA'S GDP GREW 5.4% IN 4Q2024, HITS 2024 TARGET

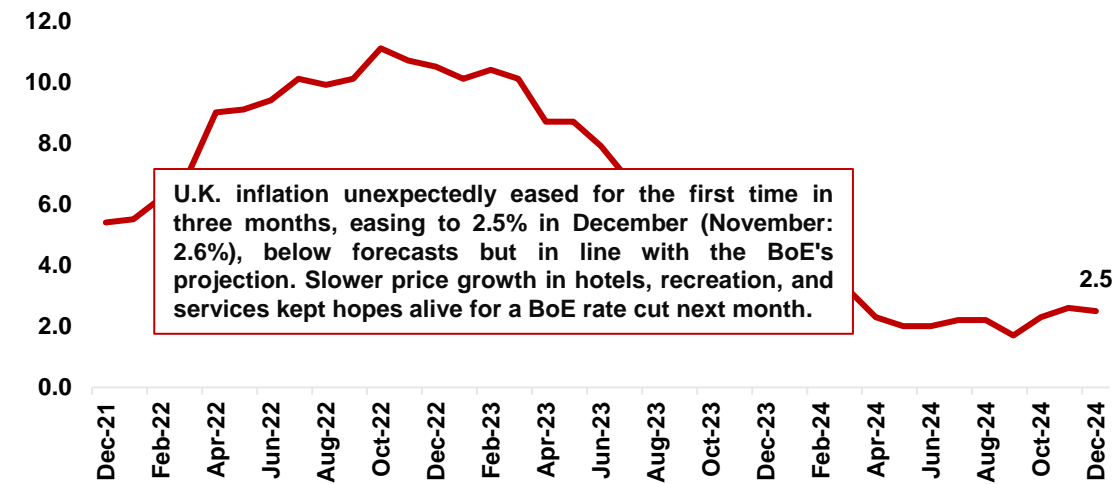
GLOBAL

China - Real GDP, y-o-y%



China's economy reported solid growth of 5.4% in 4Q2024, up from 4.6% in 3Q2024 and beating 5.0% forecasts. This marked the fastest growth in 18 months, mainly driven by stimulus measures introduced since September to boost recovery and confidence. For the full year, China's GDP rose by 5.0%, meeting the 2024 target but slightly below 2023's 5.2%.

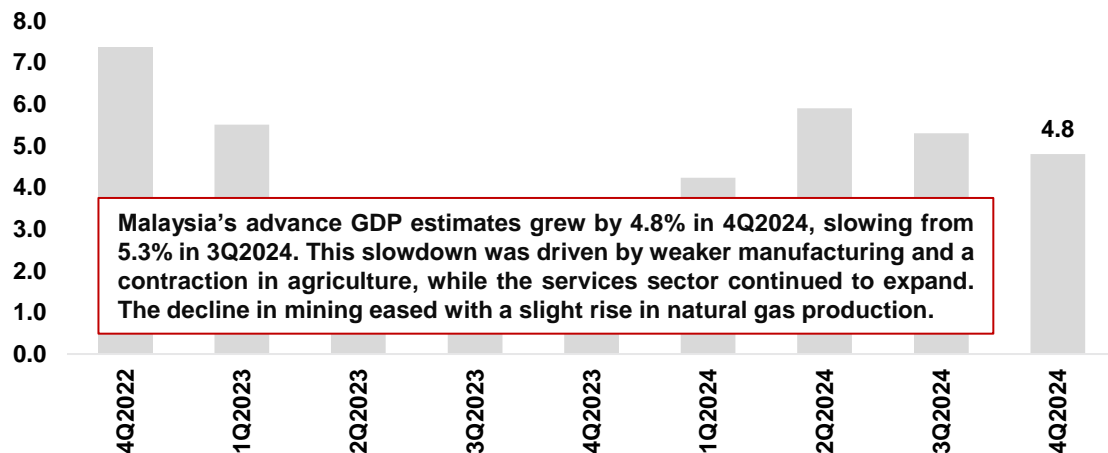
U.K. - Consumer Price Index (CPI), y-o-y%



U.K. inflation unexpectedly eased for the first time in three months, easing to 2.5% in December (November: 2.6%), below forecasts but in line with the BoE's projection. Slower price growth in hotels, recreation, and services kept hopes alive for a BoE rate cut next month.

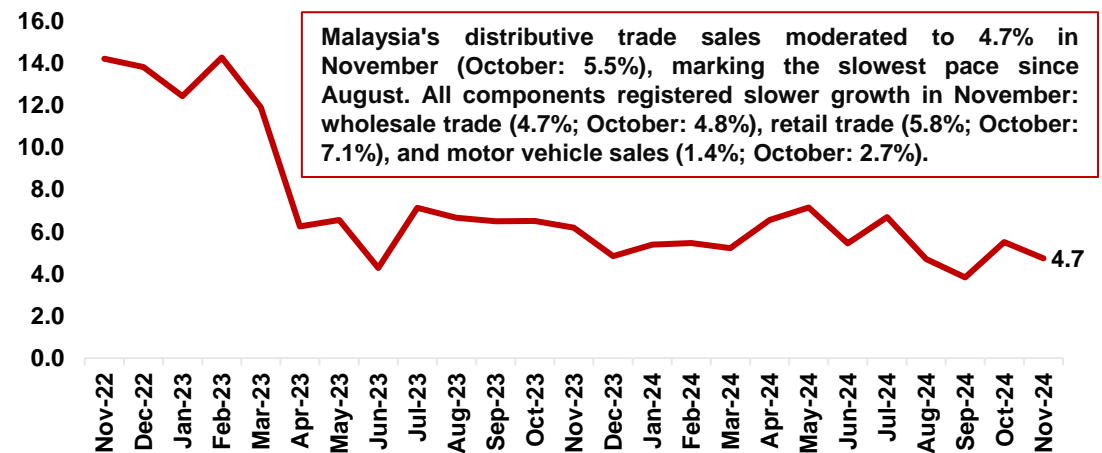
DOMESTIC

Malaysia - Real GDP, y-o-y%



Malaysia's advance GDP estimates grew by 4.8% in 4Q2024, slowing from 5.3% in 3Q2024. This slowdown was driven by weaker manufacturing and a contraction in agriculture, while the services sector continued to expand. The decline in mining eased with a slight rise in natural gas production.

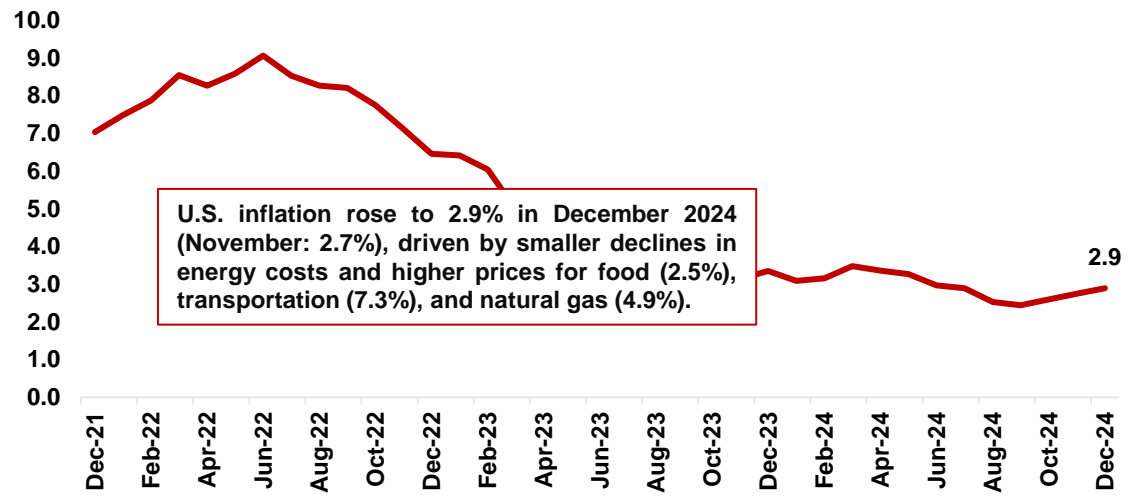
Malaysia - Wholesale & Retail Trade, y-o-y%



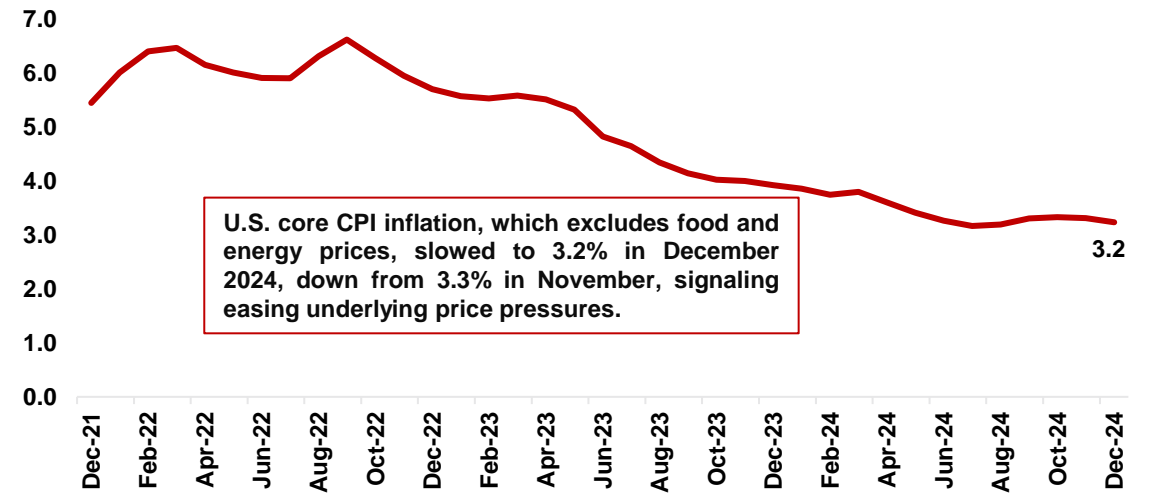
Malaysia's distributive trade sales moderated to 4.7% in November (October: 5.5%), marking the slowest pace since August. All components registered slower growth in November: wholesale trade (4.7%; October: 4.8%), retail trade (5.8%; October: 7.1%), and motor vehicle sales (1.4%; October: 2.7%).

U.S. WEEKLY HIGHLIGHT: ACCELERATED U.S. INFLATION DIMMED JANUARY FED RATE CUT PROSPECTS

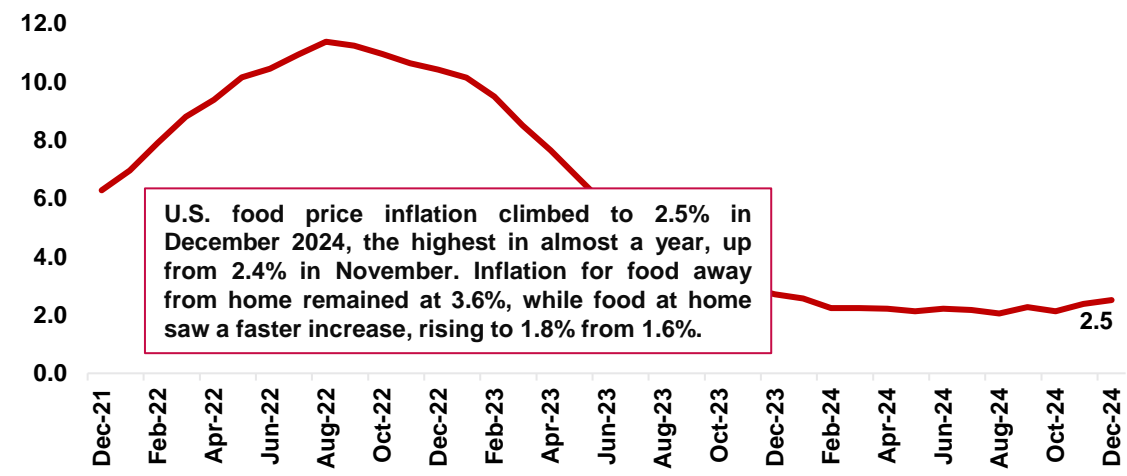
U.S. CPI, y-o-y%



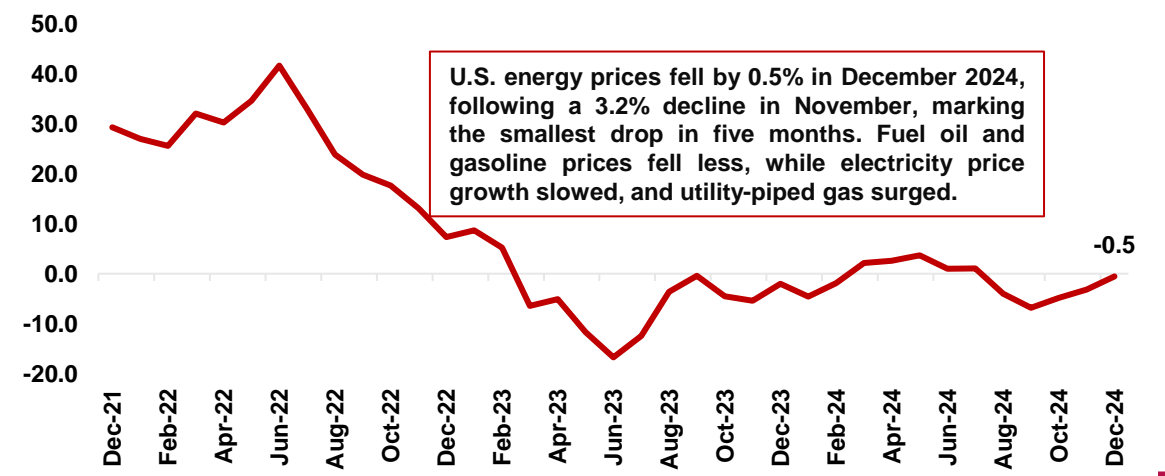
U.S. CPI (All Items less Food and Energy), y-o-y%



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

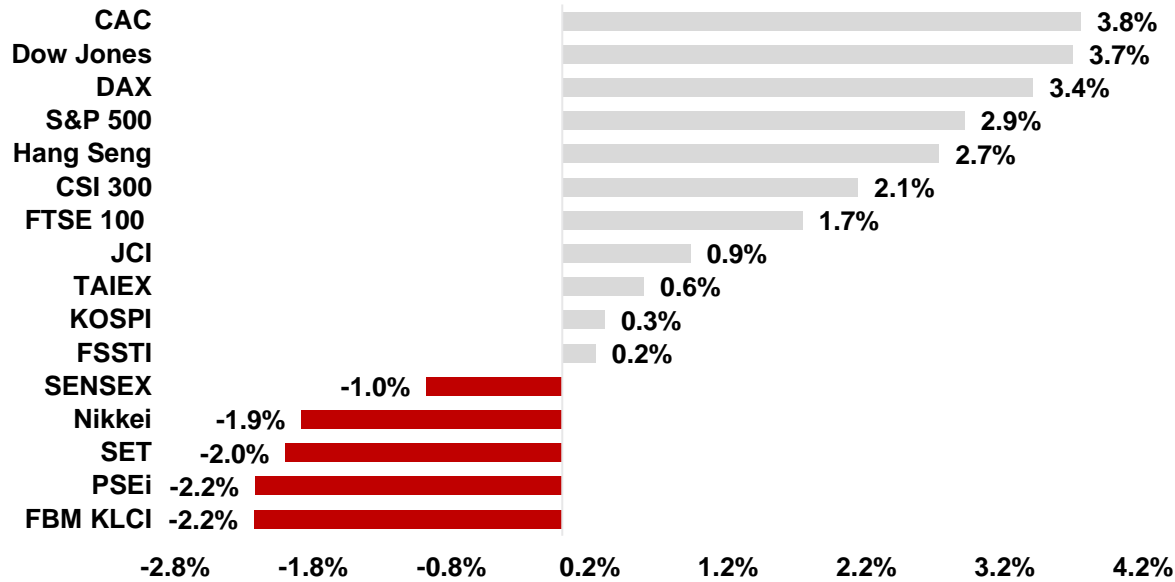


U.S. CPI (Energy), y-o-y%

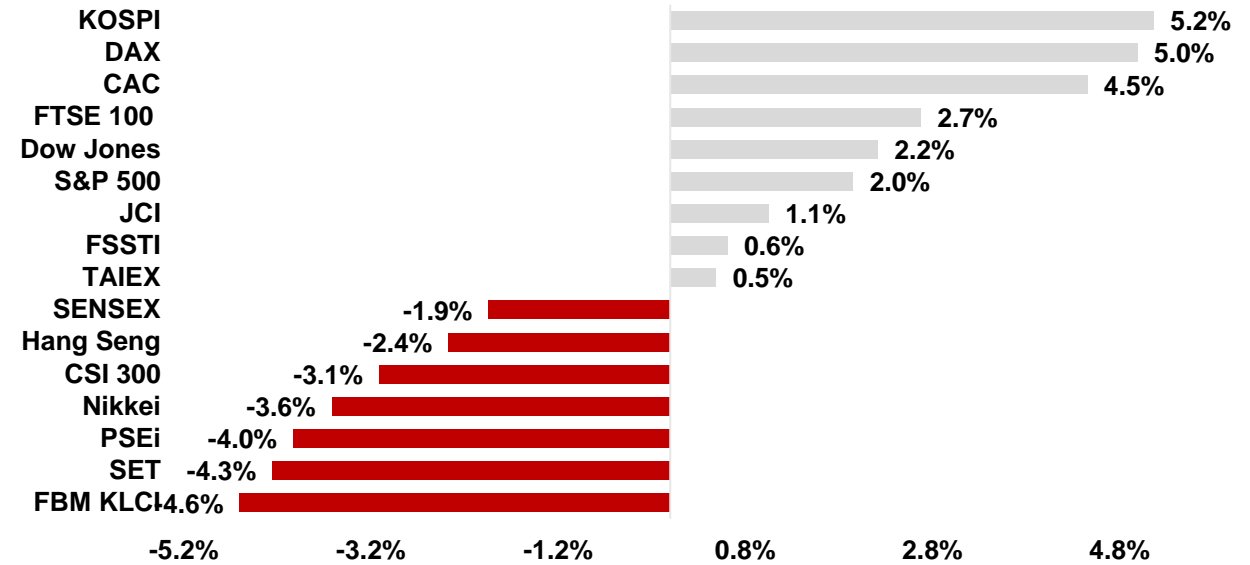


REGIONAL EQUITY: GLOBAL STOCKS RALLIED AS INFLATION COOLS AND FED CUTS PRICED IN

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



YTD Gain/Loss of Major Equity Markets, % (As of 17 January 2025)

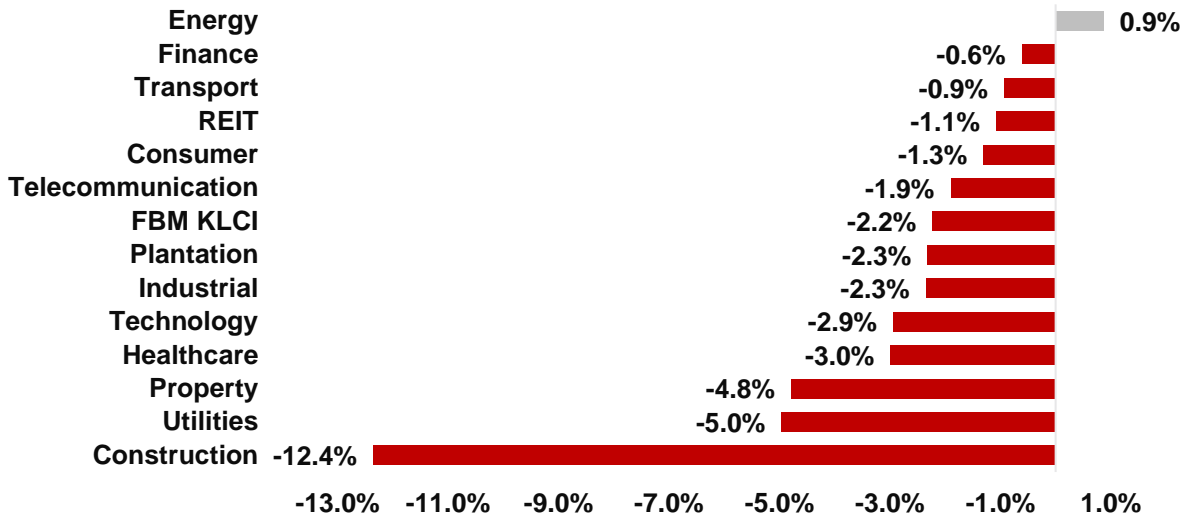


Sources: Bursa, CEIC Data

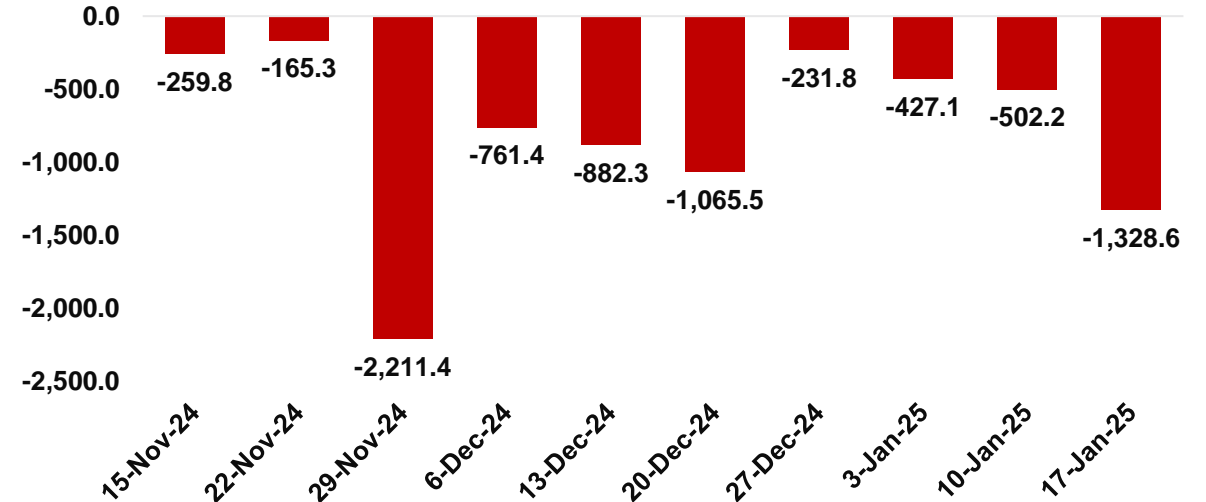
- The global stocks market were mostly in the green sea last week with France’s CAC as the major gainer, expanding by 3.8% amid the easing of inflation in Europe and the United States has heightened expectations of further interest rate reductions. Investors are increasingly anticipating a more accommodative monetary policy from the European Central Bank (ECB) relative to the Federal Reserve (Fed).
- U.S. stocks – Dow Jones (+3.7%) and S&P 500 (+2.9%) ticked higher, propelled by a recovery in the technology sector and substantial increases across key market indicators. Market sentiment experienced an uplift following reports of diminishing inflationary pressures and robust earnings from leading financial institutions, fostering optimism regarding potential interest rate reductions.
- In contrast, Malaysia’s FBM KLCI (-2.2%), Philippines’ PSEi (-2.2%) and Thailand’s SET (-2.0%) were the major losers last week.

DOMESTIC EQUITY: FLEEING FOREIGN INVESTORS LEADS LOCAL MARKET TO END IN A SEA OF RED

Weekly Bursa Sectoral Performance, w-o-w%



Weekly Foreign Fund Net Inflows/Outflows, RM Million

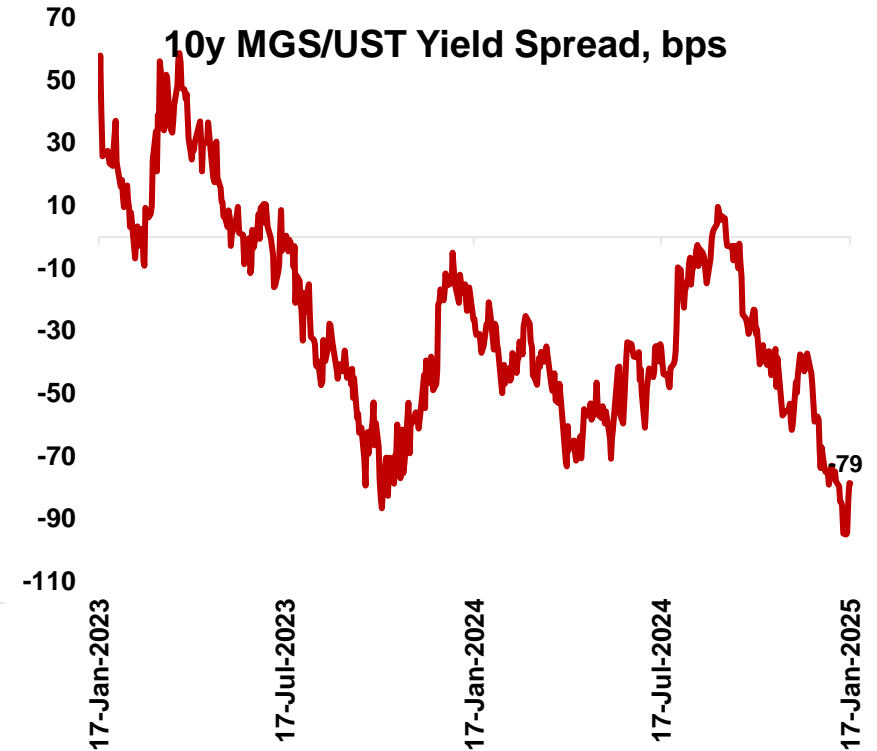
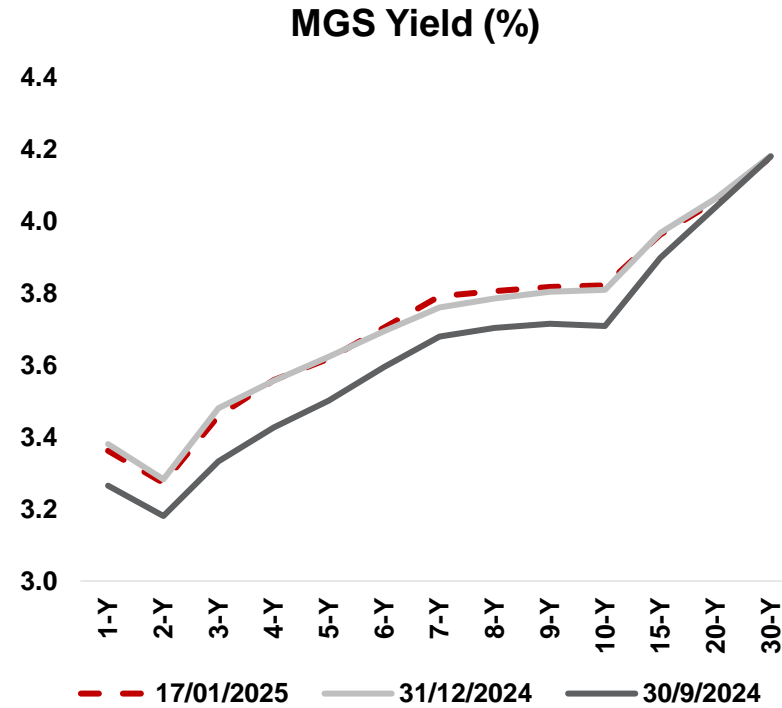


Sources: Bursa, DOSM, CEIC Data

- The FBM KLCI continued its downtrend throughout the week ending January 17, falling by 2.2% on a weekly basis to close below the 1,600-level. This subdued performance was due to markets repricing their Fed rate cut bets following U.S. inflation data, leading to heavy selling activities by foreign investors.
- Furthermore, the local market failed to attract buying interest following the release of the official estimates of Malaysia's GDP growth. The Malaysian economy is expected to expand by 4.8% y-o-y in 4Q2024, lower than 5.3% in 3Q2024, bringing full-year 2024 growth to 5.1% (2023: 3.6%). Nevertheless, the solid performance has yet to shift investor sentiments in favour of the local market.
- In the broader market, the Construction index plunged by 12.4% amid fervent profit taking activities, followed by the Utilities (-5.0%) and Property (-4.8%) indices. Meanwhile, the Energy index emerged as the only gainer, rising by 0.9%.
- Foreign investors persisted as net sellers, shedding a total of RM1.3 billion worth of equities, the highest in eight weeks. The net selling increased the cumulative net outflow for the year thus far to RM2.3 billion.

FIXED INCOME: UST YIELDS DIPPED AMID EASING INFLATION CONCERNS

Weekly Changes, basis points (bps)			
UST	Yields (%)	Yields (%)	Change (bps)
	10-Jan-25	17-Jan-25	
3-Y UST	4.46	4.33	-13
5-Y UST	4.59	4.42	-17
7-Y UST	4.70	4.52	-18
10-Y UST	4.77	4.61	-16
MGS	Yields (%)	Yields (%)	Change (bps)
	10-Jan-25	17-Jan-25	
3-Y MGS	3.45	3.46	1
5-Y MGS	3.61	3.62	1
7-Y MGS	3.79	3.79	0
10-Y MGS	3.82	3.82	0
GII	Yields (%)	Yields (%)	Change (bps)
	10-Jan-25	17-Jan-25	
3-Y GII	3.40	3.41	1
5-Y GII	3.62	3.63	1
7-Y GII	3.76	3.78	2
10-Y GII	3.83	3.84	1

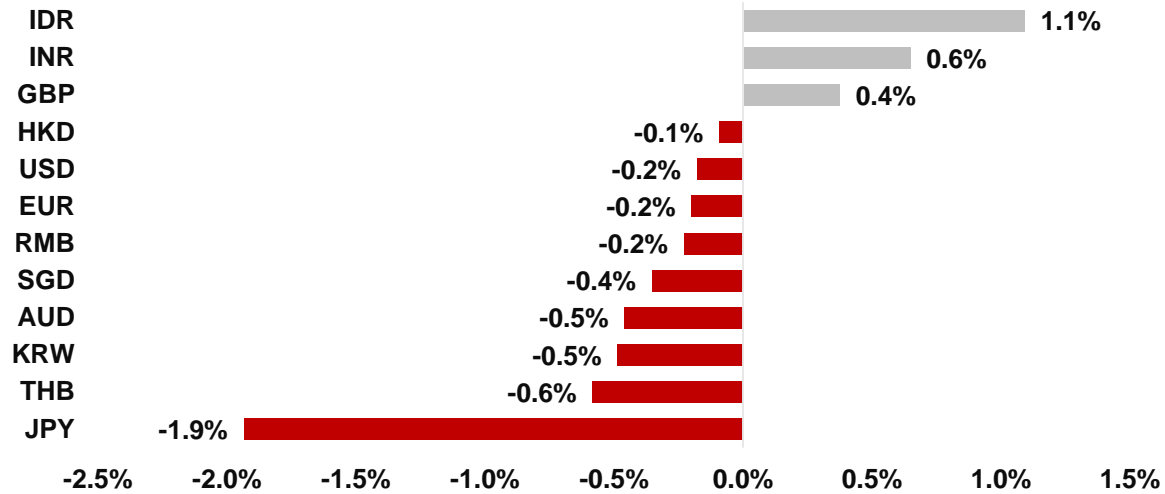


Sources: BNM, Federal Reserve Board

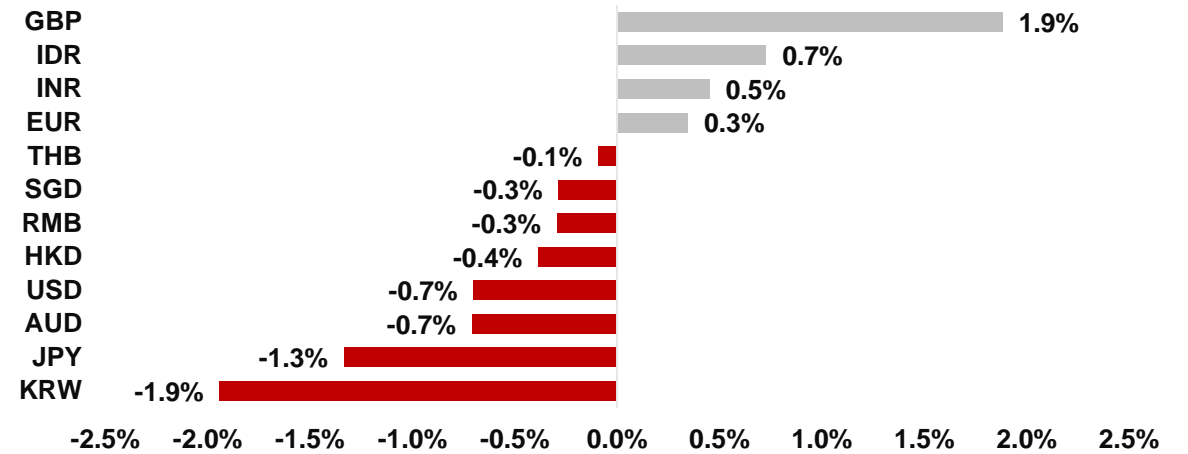
- The U.S. Treasury (UST) yields edged lower in the range of 13bps and 18bps for the week ending January 17, amid the anticipation of a forthcoming easing of monetary restrictions by the Fed gained traction, as December's price data revealed a modest deceleration in underlying inflation. This development fostered optimism regarding the emergence of disinflationary trends within sectors exhibiting persistent price growth.
- Meanwhile, Malaysian Government Securities (MGS) and Government Investment Issues (GII) yields were little changed with yields surging merely between 1bp and 2bps.
- The auction of 15.5-Y new issuance of GII worth RM3.0 billion which was issued on January 15 drew a strong demand with a bid-to-cover (BTC) ratio of 4.3x, significantly higher compared to the previous RM3.0 billion 15-Y reopening of GII in May 2024 with a BTC ratio of 3.0x.
- The 10y MGS/UST yield spread narrowed in the negative territory at 79bps relative to -95bps in the previous week.

FX MARKET: RINGGIT TO TRADE CAUTIOUSLY AHEAD TRUMP'S INAUGURATION

MYR Against Regional Currencies, w-o-w%



MYR Against Regional Currencies, YTD%
(As of 17 January 2025)



Sources: BNM, U.S. BLS, CEIC Data

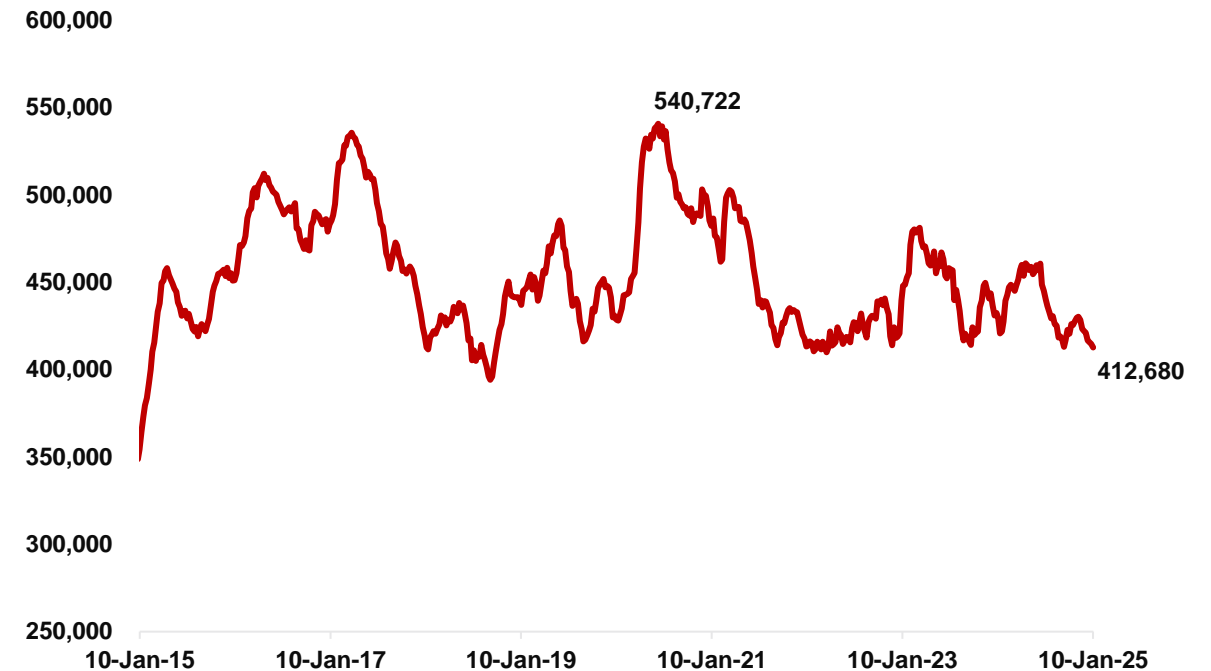
- Ringgit depreciated by 0.2% w-o-w against the USD for the week ending January 17 despite the USD slipping by 0.3% due to cautious trading ahead of Trump's inauguration on January 20.
- The greenback edged lower following the release of U.S.' inflation data as weaker than expected core inflation figures (Act: 3.2% vs. Est: 3.3%) renewed market bets of a less restrictive Fed's monetary policy environment. Although headline inflation was seen trending up (December: 2.9% vs. November: 2.7%), the surprise downside to underlying price pressures reassured markets that the Fed still has room to deliver the projected 2 cuts in 2025.
- Furthermore, inflation on the producer's front also tips the scale in favor of the dovish view as U.S.' Producers Price Index (PPI) rose by 0.2% m-o-m in the same month (November: 0.4%), lower than the expected 0.3% rise. Core PPI also misses estimates of a 3.8% y-o-y increase, steadying at 3.5% as in the previous month.
- Meanwhile, another weighing factor would be consumer spending with retail sales growing at the slowest pace in four months at 0.4% m-o-m in December (November: 0.8%). Nevertheless, many uncertainties still litter the Fed's policy path and markets will be keeping an eye out for Trump's policies once he steps into office.

COMMODITY: OIL SET FOR FOURTH WEEKLY GAIN AS MARKET BRACES FOR TRUMP IMPACT

Brent Crude in USD per barrel



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



Sources: Bloomberg, Energy Information Administration (EIA)

- Brent oil prices settled at USD 80.79 per barrel for the week ending January 17, marking a fourth consecutive weekly gain. The rise was driven by concerns over tighter supply due to U.S. sanctions on Russian oil producers and hints of possible interest rate cuts from a U.S. Federal Reserve official.
- Meanwhile, U.S. crude oil inventories fell by 0.5% for the week ending January 10, declining by 1.9 million barrels, surpassing the expected drop of 1.6 million barrels. This marked the eighth consecutive week of decreasing crude oil stocks.

COMMODITY: GOLD PRICE ON TRACK FOR WEEKLY GAIN ON REIGNITED FED RATE CUT HOPES

Gold in USD per ounce



U.S. Dollar Index (DXY)



Sources: Bloomberg, U.S. BLS, CEIC Data

- The bullion price rose by 0.5% w-o-w last week amid renewed expectations of Fed rate cuts.
- Latest figures points to easing underlying inflation in the U.S. (December: 3.2% vs. November: 3.3%). Core inflation reading on a monthly basis also fell short of market estimates (Act: 0.2% vs. Est: 0.3%), reigniting more dovish hopes for the Fed's policy path.

WHAT TO LOOK OUT FOR IN THE MARKETS THIS WEEK

- Markets are expected to closely monitor the events surrounding Trump's second-term inauguration on January 20th, with a primary focus on the economic policies and tax reform proposals he outlined following his election win. Investors are likely to focus on potential developments in corporate and individual tax cuts, as well as Trump's protectionist stance on trade. Additionally, market participants are anticipated to pay attention to any potential changes in the trajectory of monetary policy under Trump's administration. As uncertainty looms over his policy agenda and its implementation, markets may experience volatility.
- The key event of the week will be the release of the US S&P Global Flash Composite Purchasing Managers' Index (PMI), scheduled on Friday. The headline S&P Global Flash US PMI Composite is expected to expand in January 2025, though slightly moderating to 55.3 from 55.4 in December 2024. The S&P Global Flash PMI is projected to signal a continued contraction in the manufacturing sector, with a reading of 49.6 in January 2025, albeit slightly higher than December's 49.4. Meanwhile, growth in the services sector is anticipated to ease to 56.6 points in January 2025, down from 56.8 points in December 2024. This indicator is vital for providing early insights on the performance of the private sector.
- In the UK, the focus will be on the flash PMI, which is expected to show continued contraction in manufacturing at 47.1 points (Dec 24: 47.0 points) and slower growth in services at 50.6 points (Dec 24: 51.1 points). The persistence of this weakness is worrisome for the UK's overall economic growth, as manufacturing is considered a leading indicator of economic health.
- Malaysia is set to publish several key economic data this week, including external trade and inflation. Exports are projected to increase by 9.0% in December 2024, improving from 4.1% in November 2024. Likewise, imports are also expected to rise from 1.6% in November to 3.3% in December. For the full year 2024, both exports and imports are predicted to increase by 5.7% and 12.8%, respectively. Meanwhile, headline inflation is forecast to remain at 1.8% in December 2024, bringing the overall inflation for the year to 1.8%. The market is also expecting the BNM to keep the OPR unchanged at 3.0% in the upcoming first MPC meeting of the year on January 22nd.

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THANK YOU