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WEEKLY ECONOMIC UPDATE

24 FEBRUARY 2025

ECONOMIC RESEARCH

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WEEKLY HIGHLIGHT: MALAYSIA'S EXPORTS DECELERATED; HEADLINE INFLATION REMAINED LOW

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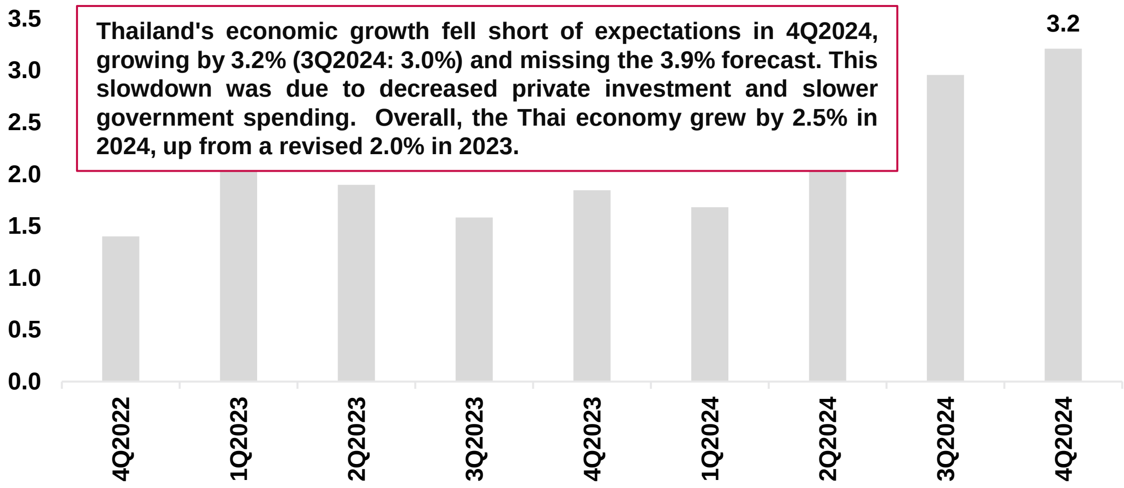
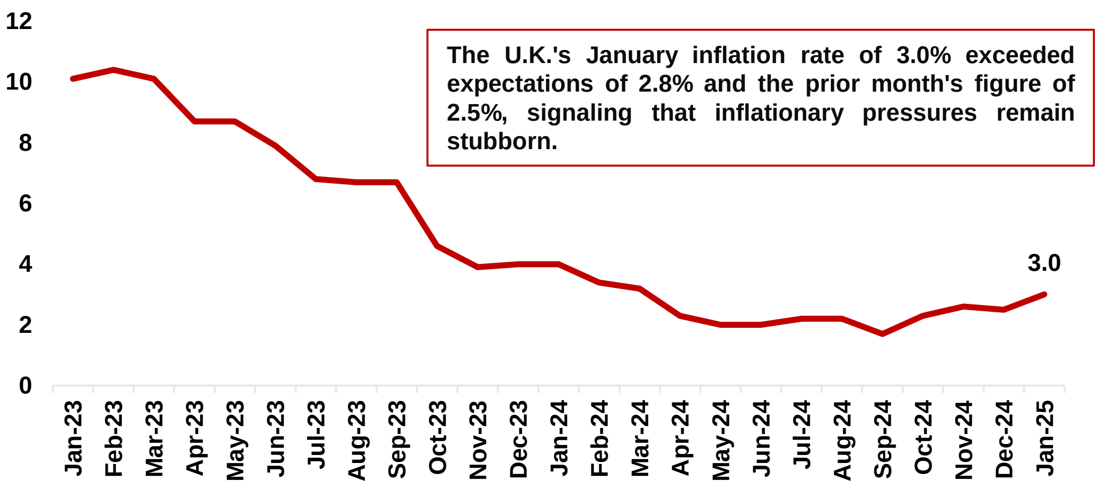
GLOBAL

Thailand - Real GDP, y-o-y%

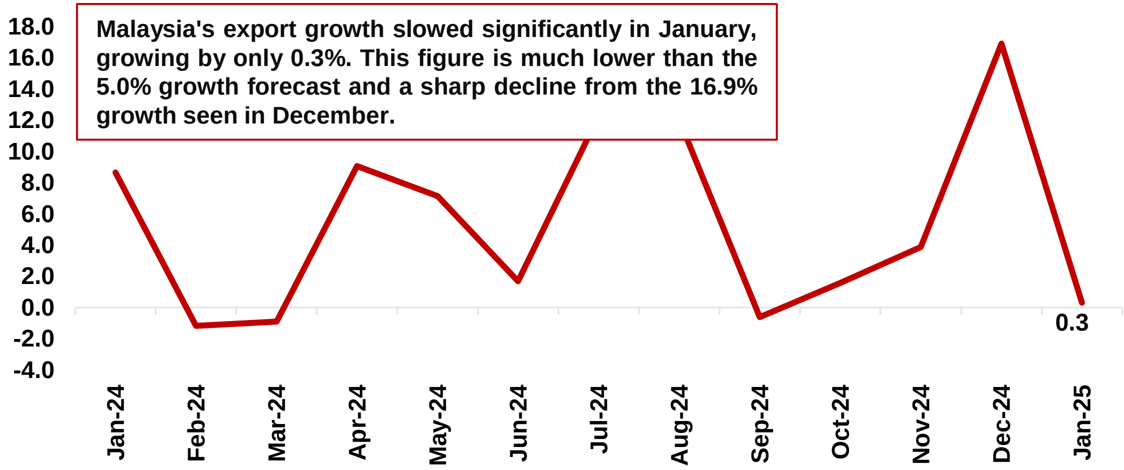


U.K. - Consumer Price Index (CPI), y-o-y%

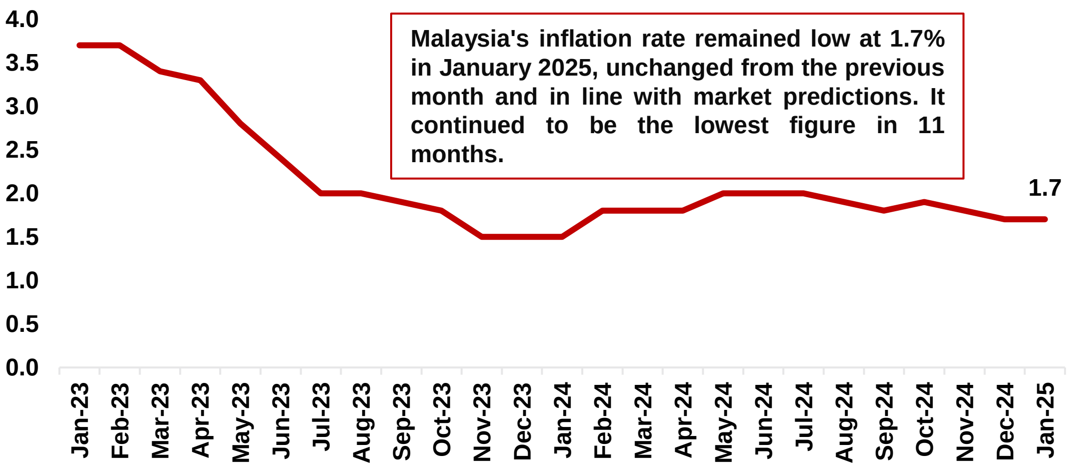


DOMESTIC

Malaysia - Exports, y-o-y%



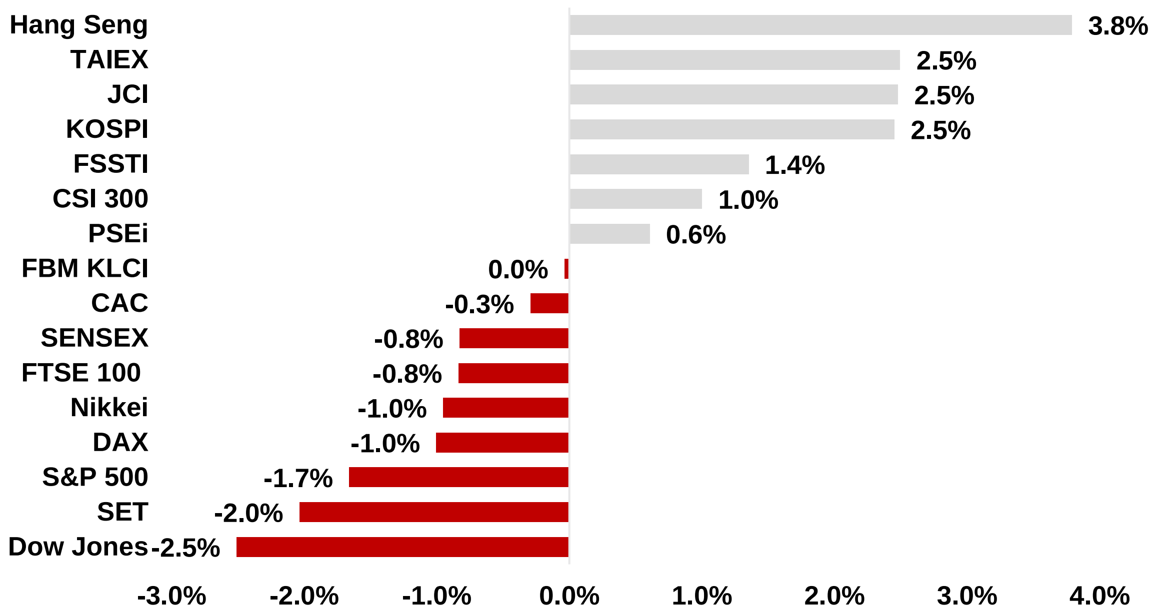
Malaysia - CPI, y-o-y%



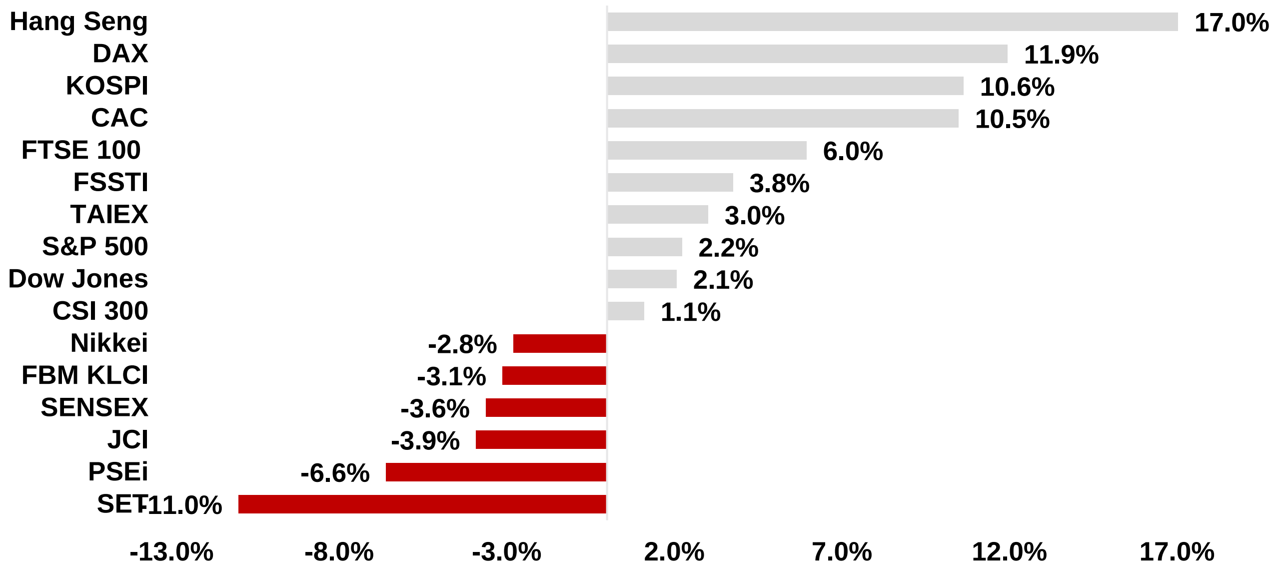
Sources: Office of the National Economic and Social Development Council, Office for National Statistics, Department of Statistics Malaysia (DOSM)

REGIONAL EQUITY: GLOBAL STOCKS MIXED AMID ECONOMIC WORRIES AND LIQUIDITY MEASURES

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



YTD Gain/Loss of Major Equity Markets, % (As of 21 February 2025)



Sources: Bursa, CEIC Data

- The global stocks market ended on a mixed note last week. Hong Kong's Hang Seng was the major gainer, closing higher by 3.8% as the People's Bank of China (PBoC) has injected a net 84 billion yuan into the financial system to ease a liquidity squeeze.
- Additionally, Taiwan's TAIEX surged by 2.5%, with stocks in the A.I. and industrial computer sectors attracted significant capital.
- In contrast, U.S. stocks – Dow Jones (-2.5%) and S&P 500 (-1.7%) slumped as fears of a weakening U.S. economy and continued high inflation drove investors towards safer investments, as economic data sparked concerns.
- Thailand's SET also declined by 2.0%, dragged down by the lower-than-expected real GDP figure of 3.2% (Est: +3.9%) in 4Q2024 due to decreased private investment and slower government spending.

DOMESTIC EQUITY: SEA OF RED IN THE LOCAL MARKET AS INVESTORS REMAIN ON RISK-OFF MODE

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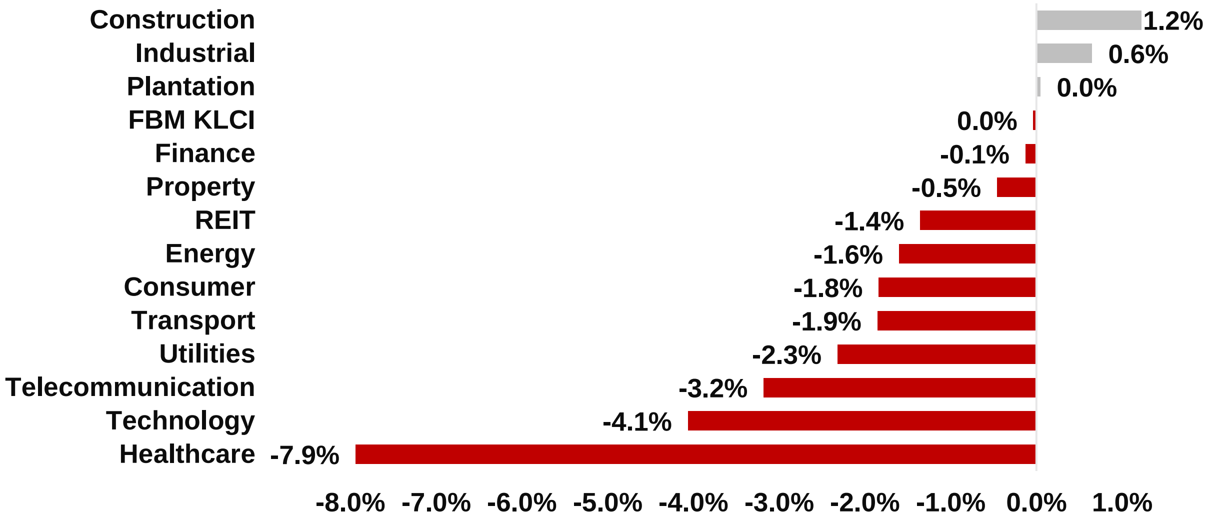
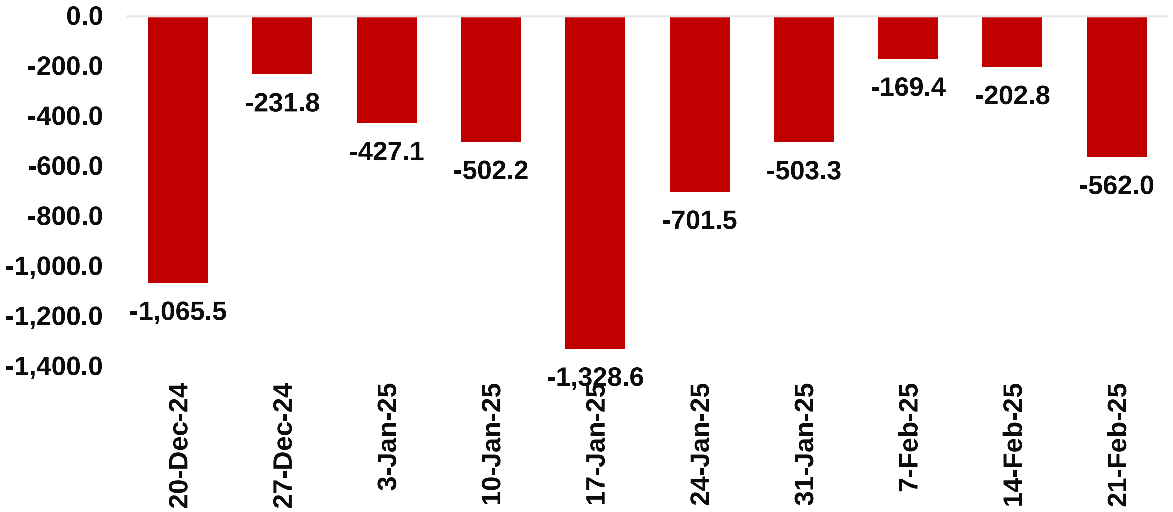
Weekly Bursa Sectoral Performance, w-o-w%



Weekly Foreign Fund Net Inflows/Outflows, RM Million



Sources: Bursa, CEIC Data

- The FBM KLCI ended marginally lower by 0.04% w-o-w for the week ending February 21 as foreign investors fled the market for the eighteenth consecutive week since October 2024.
- Investor sentiments remained subdued as there seemed to be no end to the trade concerns spurred by Trump's tariffs on imported goods. On Tuesday, Trump furthered his stance as he told reporters that there will be tariffs of around 25% on autos, semiconductors and pharmaceutical imports. Later in the week, he signed a memo to impose retaliatory tariffs on digital service taxes imposed on U.S. companies.
- Most Bursa indices ended in the red with the Healthcare index leading as the biggest loser, plunging by 7.9%. This is followed by the Technology and Telecommunications indices, slumping by 4.1% and 3.2% respectively.
- The only gainers were the Construction (+1.2%) and Industrial (+0.6%) indices while the Plantation index rose by a marginal 0.05%.
- Foreign investors net sold a total of RM562.0 million worth of equities last week, increasing the cumulative net outflow this year to RM4.4 billion.

FIXED INCOME: UST YIELDS SLUMPED ON ECONOMIC CONCERNS

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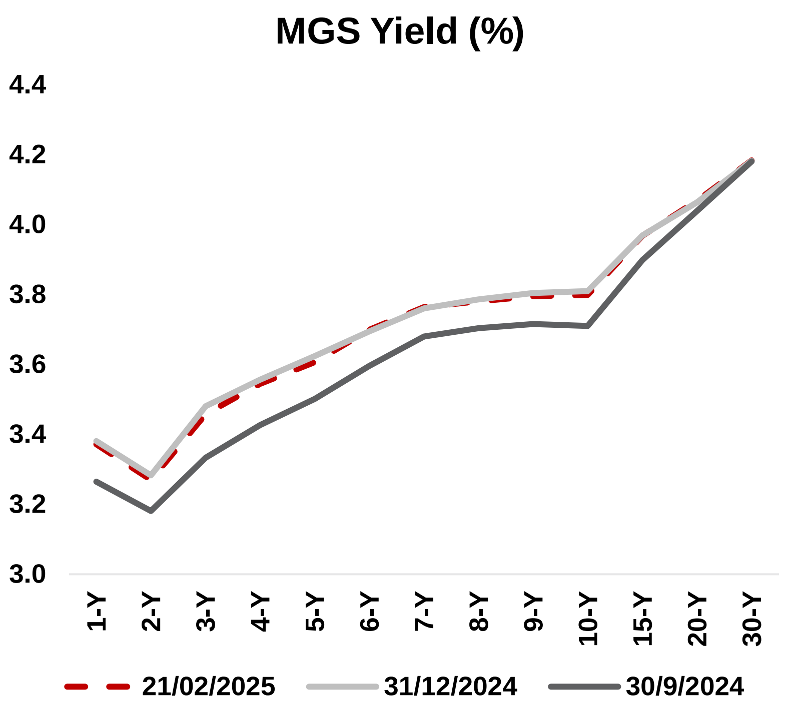
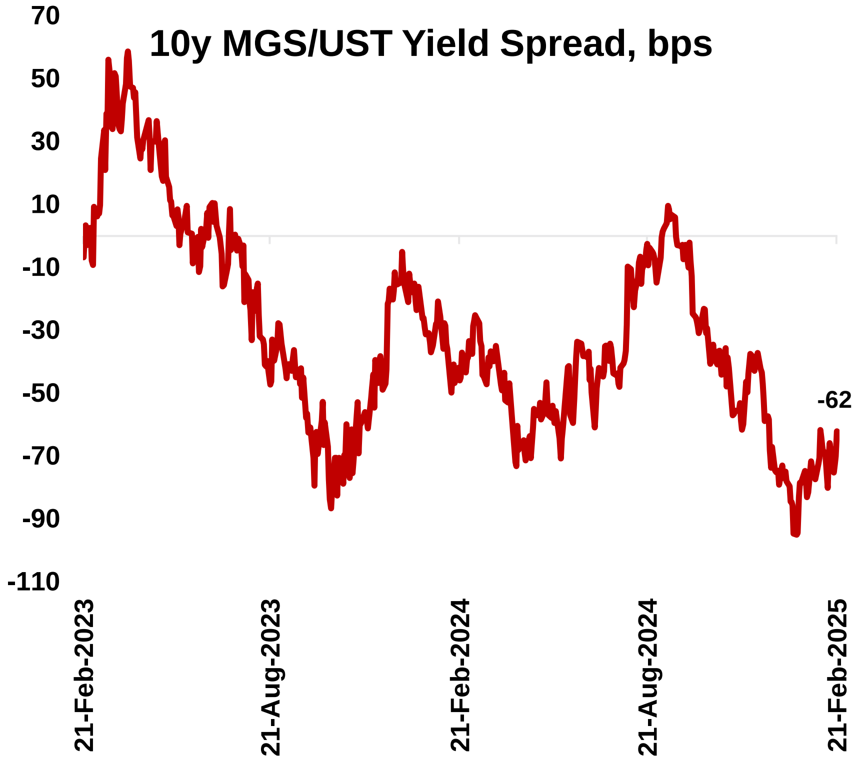
Weekly Changes, basis points (bps)			
UST	Yields (%) 14-Feb-25	Yields (%) 21-Feb-25	Change (bps)
3-Y UST	4.26	4.19	-7
5-Y UST	4.33	4.26	-7
7-Y UST	4.41	4.35	-6
10-Y UST	4.47	4.42	-5
MGS	Yields (%) 14-Feb-25	Yields (%) 21-Feb-25	Change (bps)
3-Y MGS	3.46	3.46	0
5-Y MGS	3.63	3.61	-2
7-Y MGS	3.78	3.76	-2
10-Y MGS	3.81	3.80	-1
GII	Yields (%) 14-Feb-25	Yields (%) 21-Feb-25	Change (bps)
3-Y GII	3.56	3.55	-1
5-Y GII	3.63	3.63	0
7-Y GII	3.78	3.77	-1
10-Y GII	3.82	3.81	-1

Sources: BNM, Federal Reserve Board





- The U.S. Treasury (UST) yield curve bullishly steepened in the range of 5bps and 7bps last week. A surprise contraction in the U.S. services sector in February, driven by concerns over government spending and new order cancellations, fueled speculation of Federal Reserve (Fed) interest rate cuts this year. In addition, the Treasury Department indicated it would not increase the proportion of long-term securities in the near term, thus limiting supply and combined with Federal Open Market Committee (FOMC) minutes suggesting a potential pause in asset selling pending resolution of the debt ceiling issue.
- Malaysian Government Securities (MGS) and Government Investment Issues (GII) yields were mostly little changed with MGS yields fell by between 1bp and 2bps. On the other hand, 3-Y MGS and 5-Y GII plateaued at 3.46% and 3.63%, respectively.
- The 10y MGS/UST yield spread narrowed in the negative territory at 62bps relative to -66bps in the previous week.

ECONOMIC RESEARCH

FX MARKET: RINGGIT TO TRADE CAUTIOUSLY AHEAD U.S.' CORE PCE FIGURES ON FRIDAY

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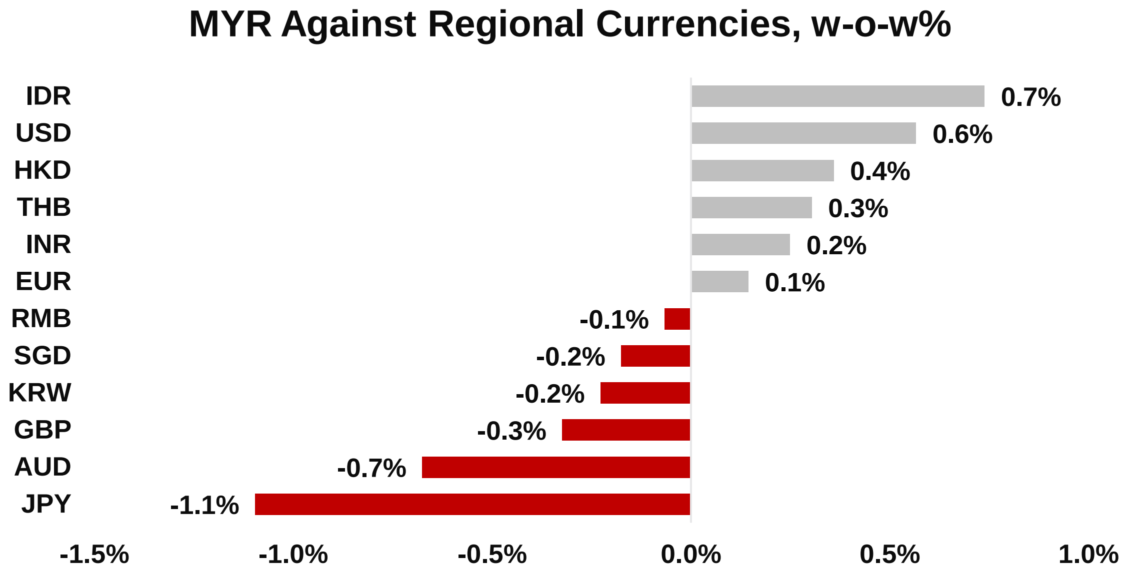
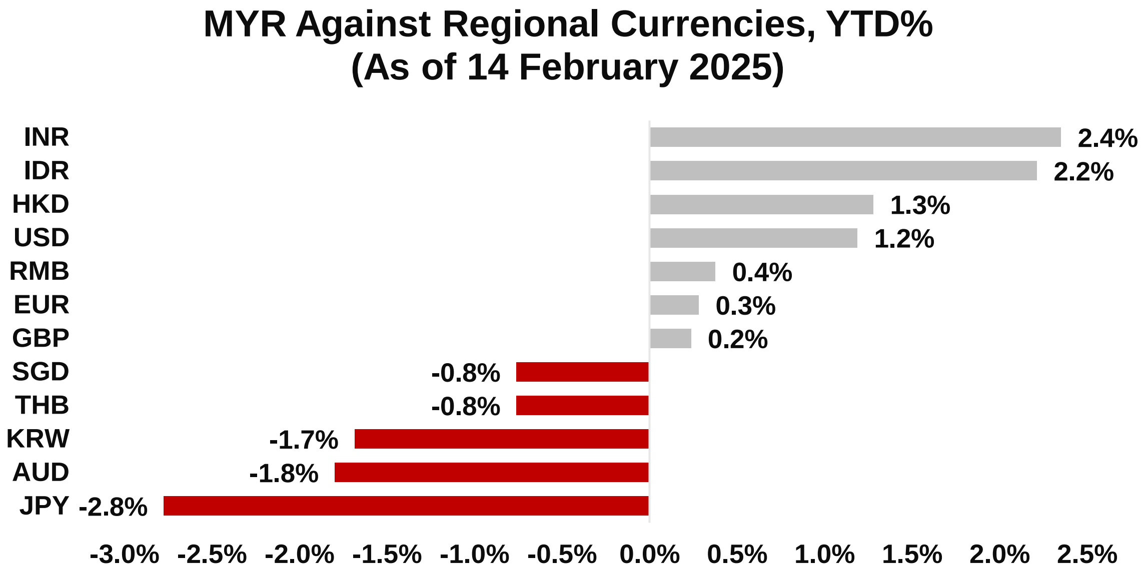
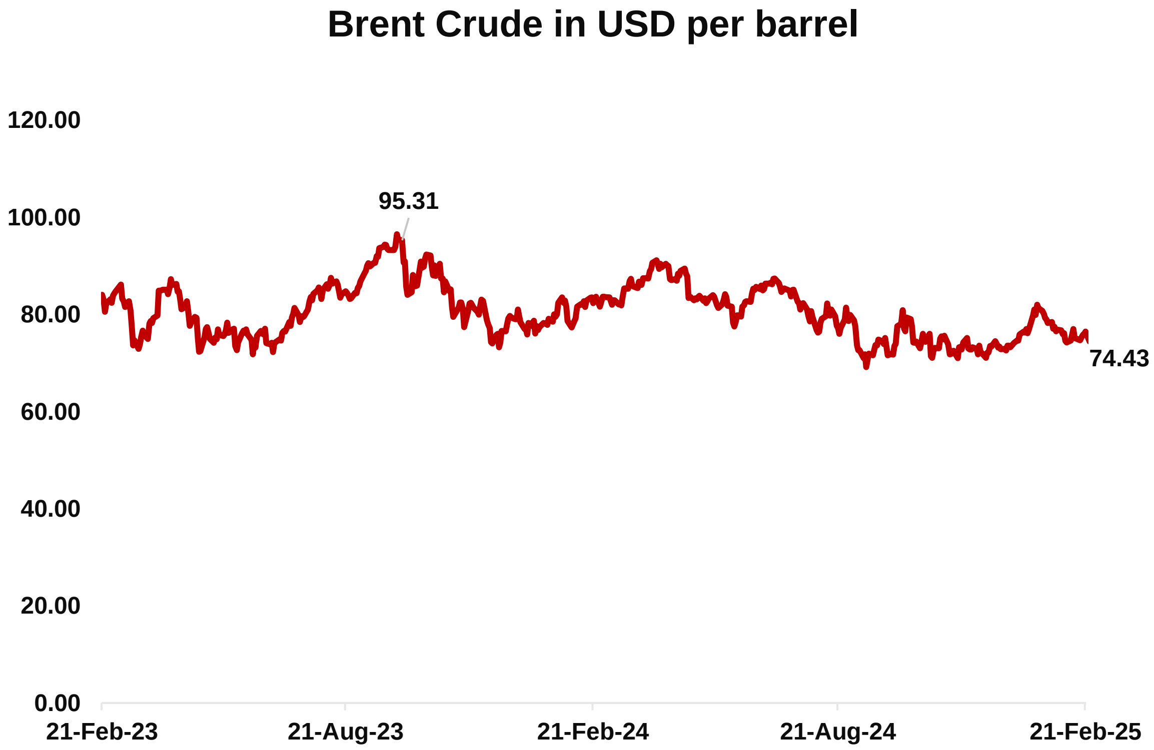


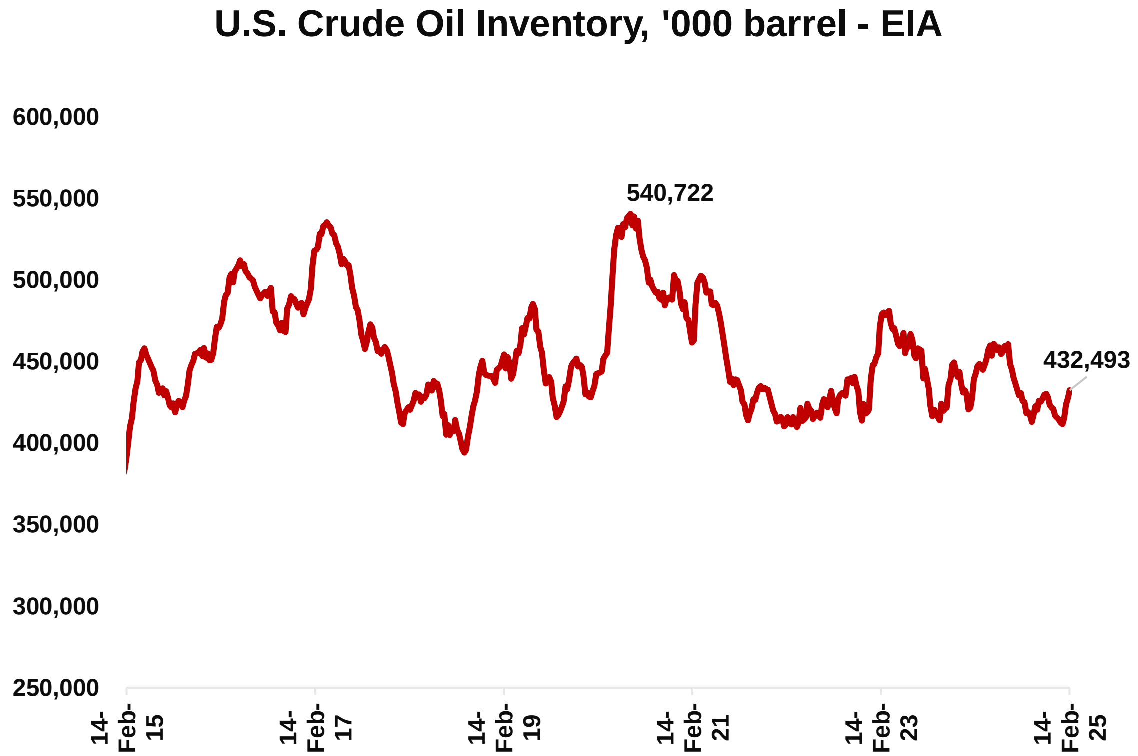


Sources: BNM, U.S. Bureau of Labor Statistics (BLS), CEIC Data

- The Ringgit appreciated by 0.6% w-o-w against the USD for the week ending February 21 as the USD index slipped by 0.1%.
- The greenback remained under pressure as further tariff moves from Trump and retaliatory tariffs set by trade partners casted a cloud of uncertainties over the U.S. economy. On one hand, hotter price pressures would necessitate higher interest rates, spurring a bullish run for the Dollar. However, the weight of more volatile global economic conditions proved to be heavier as the greenback continued on a downtrend. Furthermore, the tighter financial conditions would drag consumer spending which had already showed signs of cooling down as retail sales contracted at the fastest pace since March 2023.
- As such, it failed to gain from the hawkish signals from the Fed's latest Federal Open Market Committee (FOMC) minutes where the Fed seemed ready to hold the interest rates at the restrictive level longer than previously thought, citing the need to see additional evidence of sustained disinflation.
- Meanwhile, the Ringgit had depreciated by 0.7% against the Australian dollar as the latter strengthened on the back of the Reserve Bank of Australia (RBA)'s first rate cut of 25bp, bringing its cash rate down to 4.1% from 4.35% previously.

COMMODITY: BRENT OIL PRICES DECLINE AMID GAZA CEASEFIRE AND UKRAINE PEACE DEAL UNCERTAINTY

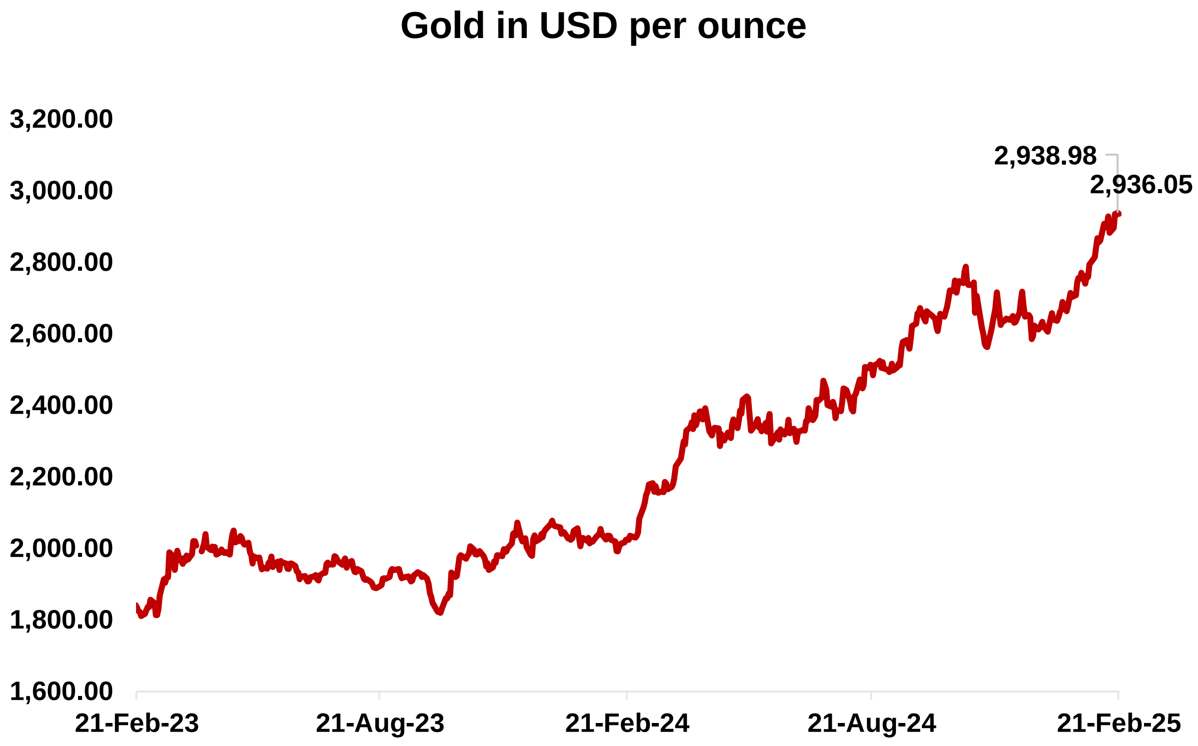


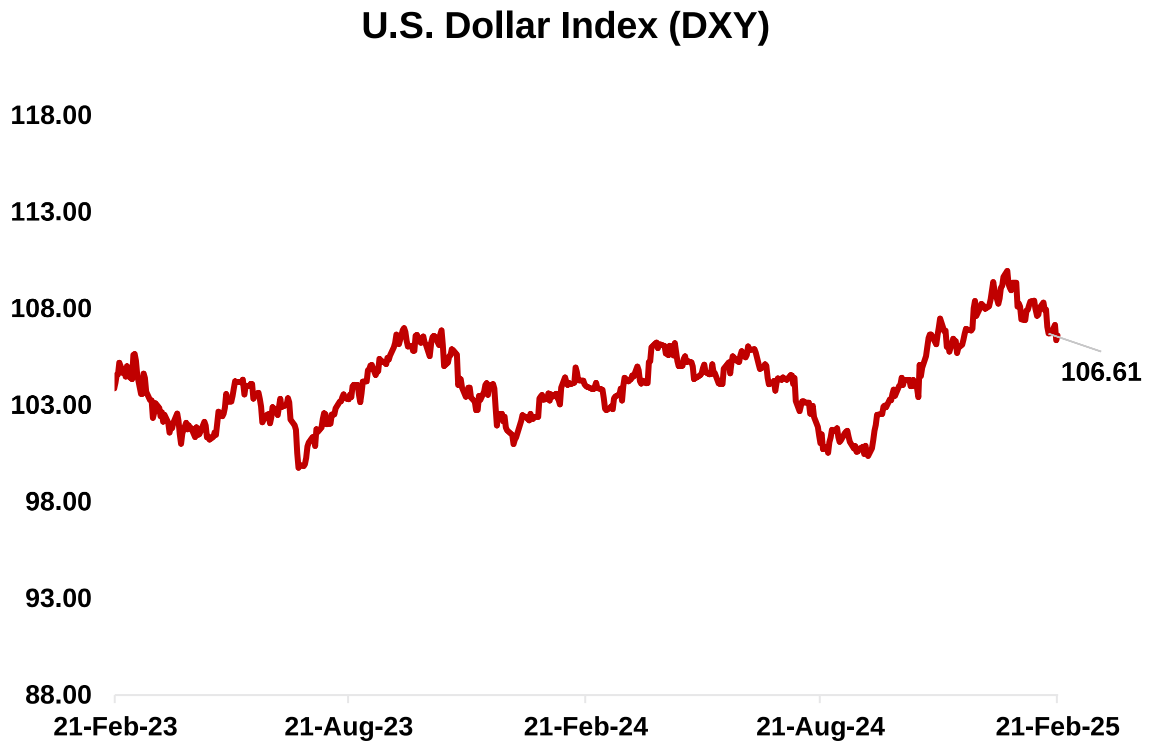


Sources: Bloomberg, Energy Information Administration (EIA)

- Brent oil prices dropped by 2.7% to settle at USD 74.43 on Friday (February 21), marking a w-o-w decline of 0.4%. The fall was influenced by easing geopolitical risks, particularly as the Gaza ceasefire remained in place and doubts persisted over the possibility of a peace agreement between Ukraine and Russia.
- US crude oil inventories rose by 4.6 million barrels to 432.5 million for the week ending February 14. In OPEC's latest monthly report, the organization expects global oil demand to increase by 1.45 million barrels per day (bpd) in 2025, higher than the EIA's forecast of 1.05 million bpd.

COMMODITY: GOLD PRICE REMAINED WINNING TO MARK A FRESH HIGH ON THURSDAY





Sources: Bloomberg, CEIC Data

- The bullion price soared by 1.9% w-o-w for the week ending February 21, to close at USD2,936.05 after hitting a record high of USD2,938.98 on Thursday.
- Demand for the bullion continued to surge amid heightened uncertainties around the global trade conditions following further tariff talks from Trump, spurring investors to flee to the safe haven asset.

WHAT TO LOOK OUT FOR IN THE MARKETS THIS WEEK

- Among the key highlights of this week is the release of the U.S. Personal Consumption Expenditures (PCE) inflation for January on Friday, as it is a preferred measure of inflation by the Fed to gauge the path of monetary policy decisions going forward. The Fed has pointed out that the central bank is looking for inflation to fall before making any decisions regarding further interest rate cuts. In January 2025, the U.S. CPI rose to 3.0%, marking its highest rate since June 2024. In addition to the PCE report, the market will be awaiting the latest consumer confidence survey, which includes insights into public perceptions of inflation. Other key economic data releases this week include revisions to U.S. 4Q 2024 GDP, updates on the housing market, and the U.S. trade balance.

- The Bank of Korea is widely expected to reduce its interest rate by 25 basis points to 2.75% this week in an effort to boost the economy. A central bank poll revealed that weak domestic demand and economic uncertainties have led to business sentiment falling to its lowest level in more than four years this month. The Composite Business Sentiment Index (CBSI) across all industries dropped to 85.3 in February, down from 85.9 in January 2025. The last time such a figure was registered was in September 2020, when the index stood at 83.0 due to the COVID-19 pandemic. The economy was overshadowed by the country's political turmoil after the president declared a shocking martial law last year. The potential impact of Trump's tariffs is also expected to dim the economic outlook for this year.

- In Thailand, the upcoming policy decision from Bank of Thailand (BoT) is set to become a key market driver this week, offering investors crucial signals on the country's economic trajectory. The central bank is expected to hold its policy rate steady at 2.25% during its meeting on February 27. This decision is likely to prioritize maintaining economic stability while also monitoring global economic developments before considering any rate adjustments. Thailand's inflation remain subdued in the previous year, averaging 0.4%. For 2025, resilient private consumption and tourism sectors are expected to be the key catalysts of growth for 2025. The International Monetary Fund (IMF) projects Thailand's economy to expand by 2.9% in 2025, up from 2.5% in 2024.

THANK YOU