10 July: BNM maintained OPR at 2.75% as expected

Global equity markets recovered; UST yields & DXY fell tracking oil prices
MYR closed flat after BNM's decision; more positive but still neutral tone
Malaysia's IPI growth accelerated and remained near a 4Y high on mining

- Global equity markets recovered on Thursday, bolstered by a jump in semiconductors and a fall in oil prices, the latter seeing Brent and the WTI falling at least 2% d/d each to $76.30/barrel and $72.08/barrel amid optimism that the US-Iran conflict will stay contained with US avoiding targeting Iranian energy infrastructure and after President Trump's comment that the does not expect a return to full-scale war.
- In Wall Street, Nasdaq outperformed with a 1.3% d/d gain, while the S&P 500 and Dow added 0.8% d/d and 0.3% d/d. Scandisk and Micron were notable gainers. Micron announced a $250bn investment into improving its US semiconductor ecosystem, while the broader tech sector also benefitted from optimism ahead of the highly anticipated US listing for SK Hynix.
- In Europe, tech and mining stocks pushed Stoxx 600 up 0.8% d/d, while in Asia, Nikkei 225 and CSI 300 closed 1.4% d/d and 2.5% d/d higher, while Hang Seng fell 0.7% d/d, correcting from gains a day earlier. Asian stocks are poised to gain today following overnight tech rally in the US and futures.
- The softer oil prices saw traders paring bets on inflation and rate hikes, and the benchmark 2Y and 10Y treasury yields closed the day lower at 4.18% (-4bps) and 4.55% (-3bps). Led by UK gilts, 10Y European bond yields fell 1-8bps.
- The DXY traded 0.1% d/d weaker at 100.90 tracking the crude oil prices, while NZD rallied 1.0% d/d after a hot PMI print and hawkish comment from RBNZ official saw traders firming bets of more rate hikes. EUR, GBP, JPY and AUD strengthened 0.1-0.2% d/d to 1.1430, 1.3408, 162.38 and 0.6941 respectively against the greenback.
- Regional FX traded mixed against the Dollar. CNH outperformed most of its Asian peers with a 0.2% d/d gain at 6.7960, SGD traded 0.1% d/d stronger at 1.2925, while MYR closed flat at 4.0773, the latter erasing early losses after the still robust IPI print and BNM's policy decision.

Key Market Metrics

	Level	d/d (%)
Equities		
Dow Jones	52,487.41	0.27
S&P 500	7,543.64	0.81
NASDAQ	26,206.89	1.30
Stoxx Eur 600	640.87	0.78
FTSE 100	10,472.45	-0.16
Nikkei 225	67,743.85	1.38
CSI 300	4,876.31	2.54
Hang Seng	24,030.18	-0.70
Straits Times	5,433.88	1.20
KLCI 30	1,677.64	-0.35
FX		
Dollar Index	100.90	-0.09
EUR/USD	1.1430	0.11
GBP/USD	1.3408	0.14
USD/JPY	162.38	-0.13
AUD/USD	0.6941	0.16
USD/CNH	6.7960	-0.15
USD/MYR	4.0773	0.00
USD/SGD	1.2925	-0.09
USD/KHR	4,033.45	0.04
USD/THB	33.43	-0.13
Commodities		
WTI ($/bbl)	72.08	-1.96
Brent ($/bbl)	76.30	-2.20
Gold ($/oz)	4,140.80	1.43
Copper ($/MT)	13,489.50	2.46
Aluminum($/MT)	3,200.50	2.19
CPO (RM/MT)	4,475.00	-0.16

Source: Bloomberg, HLBB Global Markets Research

BNM maintained OPR at 2.75%; IPI growth picked up less than expected

- BNM maintained its Overnight Policy Rate (OPR) at 2.75% for the 6th straight meeting at its July policy meeting. The policy statement sounded more positive surrounding growth assessment this time around but remained overall neutral in our view. We saw the positive twists from – resilient global growth, "strong" instead of "continued" global tech expansion, "stronger than expected" exports performance for Malaysia. In addition, what stood out was that BNM dropped the word "elevated" when assessing downside risks to global growth, and merely said downside risks to global growth remain. BNM also commented that the growth projection for 2026 is expected to be "firmly within" the forecast range of 4%–5% for Malaysia. This should certainly eliminate expectations for rate cut but not enough to signal a near term rate hike in our view. Refer to Research Alert "No change to OPR and neutral policy tone" dated 9th July.
- Data wise, growth in Industrial Production Index (IPI) picked up steam for the 2nd straight month, to 8.4% y/y in May (Apr: 8.2% y/y). This came in softer than what we and market expected, but still marked its best pace in nearly four years. Growth was driven by the mining sector (19.8% vs 6.8% y/y) entirely spurred by a 37.4% y/y jump in natural gas output, which more than offset the slower growth in manufacturing and electricity. In a separate release, manufacturing sales registered slower expansion of 8.9% y/y in May (Apr: 9.1% y/y), but still near its best pace in three years, underpinned by export-oriented sectors (12.5% vs 9.9% y/y) while the domestic-oriented sectors saw sharply slower growth (0.2% vs 7.4% y/y). Refer to Research Alert "IPI growth disappointed but remained robust in May" dated 9th July.

US existing home sales fell amid record-high home prices; initial jobless claims fell slightly

- Existing home sales unexpectedly dropped 2.4%m/m in June (prior: 3.7% m/m) with home prices (+1.8% y/y to $440.6k) hitting a record high and mortgage rates remained elevated, pushing potential buyers to the sidelines. At the current sales pace, it would take 4.6 months to exhaust the current inventory of existing homes (prior: 4.5 months).
- Initial jobless claims meanwhile, were little changed, and fell 2k to 215k for the week ended July 4 (prior: +1k), while continuing claims increased 8k to 1814k in the week ended June 27 (prior: -6k). Bottomline is that jobless claims remained low and stable, with the rise over the last couple of months probably reflects seasonality (summer shutdowns at many plants for retooling/maintenance, some states allow

non-teaching staff to apply for unemployment benefits during the long school holidays), rather than an increase in labour market slack.

China's CPI softened even as producer prices accelerated

- China's consumer prices slowed more than expected to 1.0% y/y in June (prior: 1.2% y/y), amid pullbacks in both energy and food prices, while producer prices accelerated to 4.1% y/y from 3.9% y/y previously. Despite the latter, we opine that broader reflation remains unlikely as factories are clearly struggling to pass on higher costs to consumers given sluggish domestic demand.

House View and Forecasts

FX	This Week	3Q-26	4Q-26	1Q-27	2Q-27
DXY	99-103	102.28	100.86	99.42	98.07
EUR/USD	1.13-1.16	1.13	1.14	1.16	1.18
GBP/USD	1.32-1.35	1.29	1.30	1.32	1.33
USD/CHF	0.78-0.82	0.81	0.81	0.80	0.79
USD/JPY	158-163	162	159	155	153
AUD/USD	0.68-0.71	0.68	0.70	0.71	0.72
NZD/USD	0.55-0.59	0.56	0.56	0.57	0.57
USD/CNY	6.77-6.81	6.85	6.78	6.72	6.65
USD/MYR	4.05-4.12	4.15	4.11	4.07	4.03
USD/SGD	1.28-1.31	1.31	1.30	1.28	1.27
USD/THB	32.64-33.60	32.50	32.30	32.0	32.0

FX	Last close	3Q-26	4Q-26	1Q-27	2Q-27
EUR/MYR	4.6605	4.68	4.71	4.73	4.75
GBP/MYR	5.4686	5.37	5.36	5.36	5.36
AUD/MYR	2.8286	2.83	2.86	2.87	2.89
CNY/MYR	0.6001	0.61	0.61	0.61	0.61
SGD/MYR	3.1537	3.18	3.17	3.17	3.17

Rates, %	Current	3Q26	4Q26	1Q27	2Q27
Fed	3.50-3.75	3.50-3.75	3.50-3.75	3.50-3.75	3.50-3.75
ECB	2.25	2.50	2.50	2.50	2.50
BOE	3.75	3.75	3.75	3.75	3.75
SNB	0.00	0.00	0.00	0.00	0.00
BOJ	1.00	1.00	1.25	1.25	1.25
RBA	4.35	4.35	4.35	4.35	4.35
RBNZ	2.50	2.50	2.50	2.50	2.50
BNM	2.75	2.75	2.75	2.75	2.75

Source: HLBB Global Markets Research

Up Next

Date	Events	
9-15 Jul	CH New Yuan Loans CNY YTD (Jun)	9110.0b
10-Jul	JN PPI YoY (Jun)	6.30%
11-17 Jul	CH FDI YTD YoY (Jun)	-8.60%

Source: Bloomberg

Hong Leong Bank Berhad
Fixed Income & Economic Research, Global Markets
Level 8, Hong Leong Tower
6, Jalan Damanlela
Bukit Damansara
50490 Kuala Lumpur
Tel: 603-2081 1221
Fax: 603-2081 8936
HLMarkets@hlbb.hongleong.com.my

DISCLAIMER

This report is for information purposes only and does not take into account the investment objectives, financial situation or particular needs of any particular recipient. The information contained herein does not constitute the provision of investment advice and is not intended as an offer or solicitation with respect to the purchase or sale of any of the financial instruments mentioned in this report and will not form the basis or a part of any contract or commitment whatsoever.

The information contained in this publication is derived from data obtained from sources believed by Hong Leong Bank Berhad ("HLBB") to be reliable and in good faith, but no warranties or guarantees, representations are made by HLBB with regard to the accuracy, completeness or suitability of the data. Any opinions expressed reflect the current judgment of the authors of the report and do not necessarily represent the opinion of HLBB or any of the companies within the Hong Leong Bank Group ("HLB Group"). The opinions reflected herein may change without notice and the opinions do not necessarily correspond to the opinions of HLBB. HLBB does not have an obligation to amend, modify or update this report or to otherwise notify a reader or recipient thereof in the event that any matter stated herein, or any opinion, projection, forecast or estimate set forth herein, changes or subsequently becomes inaccurate.

HLB Group, their directors, employees and representatives do not have any responsibility or liability to any person or recipient (whether by reason of negligence, negligent misstatement or otherwise) arising from any statement, opinion or information, expressed or implied, arising out of, contained in or derived from or omission from the reports or matter.

Potential and actual conflict of interest may arise from the activities of HLB Group. HLB Group constitute a diversified financial services group. These entities engage in a wide range of commercial and investment banking, brokerage, funds management, hedging transactions and other activities for their own account or the account of others. In the ordinary course of their business, HLB Group may effect transactions for their own account or for the account of their customers and hold long or short positions in the financial instruments. HLB Group, in connection with its business activities, may possess or acquire material information about the financial instruments. Such activities and information may involve or have an effect on the financial instruments. HLB Group have no obligation to disclose such information about the financial instruments or their activities.

The past performance of financial instruments is not indicative of future results. Whilst every effort is made to ensure that statements of facts made in this report are accurate, all estimates, projections, forecasts, expressions of opinion and other subjective judgments contained in this report are based on assumptions considered to be reasonable as of the date of the document in which they are contained and must not be construed as a representation that the matters referred to therein will occur. Any projections or forecasts mentioned in this report may not be achieved due to multiple risk factors including without limitation market volatility, sector volatility, corporate actions, the unavailability of complete and accurate information. No assurance can be given that any opinion described herein would yield favourable investment results. Recipients who are not market professional or institutional investor customer of HLBB should seek the advice of their independent financial advisor prior to taking any investment decision based on the recommendations in this report.

HLBB may provide hyperlinks to websites of entities mentioned in this report, however the inclusion of a link does not imply that HLBB endorses, recommends or approves any material on the linked page or accessible from it. Such linked websites are accessed entirely at your own risk. HLBB does not accept responsibility whatsoever for any such material, nor for consequences of its use.

This report is not directed to, or intended for distribution to or use by, any person or entity who is a citizen or resident of or located in any state, country or other jurisdiction where such distribution, publication, availability or use would be contrary to law or regulation. This report is for the use of the addressees only and may not be redistributed, reproduced or passed on to any other person or published, in part or in whole, for any purpose, without the prior, written consent of HLBB. The manner of distributing this report may be restricted by law or regulation in certain countries. Persons into whose possession this report may come are required to inform themselves about and to observe such restrictions. By accepting this report, a recipient hereof agrees to be bound by the foregoing limitations.