Global Markets Research

Weekly Market Highlights

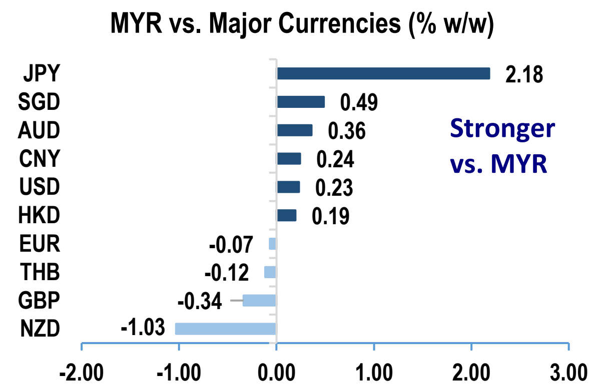
Market

	Last Price	WOW%	YTD %
Dow Jones Ind.	53,686.11	0.22	11.70
S&P 500	7,747.71	0.22	13.18
FTSE 100	10,831.52	0.36	9.06
Hang Seng	25,213.31	-1.38	0.41
KLCI	1,715.13	-1.53	1.76
STI	5,747.71	1.12	24.88
Dollar Index	98.91	-0.25	0.67
WTI oil ($/bbl)	91.30	9.30	59.00
Brent oil ($/bbl)	95.52	6.49	57.98
Gold (S/oz)	4,504.90	-2.27	3.25
CPO (RM/ MT)	4,635.00	0.91	15.81
Copper ($$/MT)	14,333.50	0.36	15.38
Aluminum($/MT)	3,311.50	2.38	10.55

Source: Bloomberg

- **Stocks rebounded mid-week amid easing Fed rate hike expectations; oil prices rose on heightened geopolitiical tension:** The flare-up in the Middle-east conflict sent chills to the markets again. This amplified inflation and policy tightening concerns which had already started making headlines last Friday after Fed Chair Kevin Warsh's comments at the annual Jackson Hole Symposium that more need to be done to bring inflation back to the 2.0% target. US equities were sold off for three consecutive days before regaining grounds on Wednesday (Trump downplayed a prolonged Iran war) and Thursday (easing bond rout and Fed Waller's comment) to end the week marginally higher. The three benchmark US stock indices closed the week up 0.2% w/w each. Global crude oil prices rallied and ended the week 7.3-9.7% w/w higher.
- **ECB policy meet, US CPI, Eurozone and Japan 2Q GDP, China exports and CPI in focus next**: After BNM and RBNZ this week, ECB policy meet will take center stage with market pricing in almost a certainty of a hike. In the US, August CPI will top investors' radar, along with other mostly second-tier data namely Uni Michigan consumer sentiments, PPI, existing home sales and the usual weekly jobless claims. On top of that, 2Q GDP from the Eurozone and Japan are in the pipeline. There will also be a slew of important Japan data, including BSI surveys, PPI, and machine tool orders. In the region, China's export will take center stage, followed by CPI. Malaysia will release its July IPI where we expect sustained growth, while Singapore retail sales are also on deck.

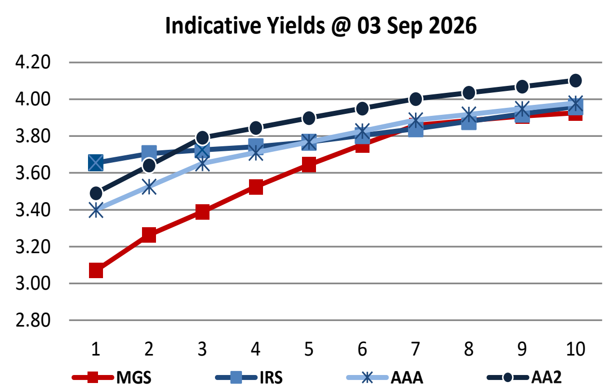
Forex



Source: Bloomberg

- **MYR:** MYR lost ground in trading against the USD for the first week in four, declining by 0.2% (prior: +0.3%) to 4.0423 from 4.0330 the week before, amidst BNM leaving the OPR unchanged for a seventh straight MPC meet while removing the description of current rates as "appropriate" in the accompanying monetary policy statement. Against the rest of the G10 and major regional currencies, the MYR was mixed for the week, firming up against the NZD (+1.0%) and PHP (+0.8%), but losing ground versus the JPY (-2.2%), KRW (-2.1%) and INR (-1.4%). We remain ***Neutral-to-Slightly Bullish*** on USD/MYR for the week ahead, looking at a likely trading range of 4.02 – 4.07. The coming week brings the release of the industrial production figures for July, which could give us further clues with regards to the economic momentum at the beginning of 3Q.
- **USD:** The DXY declined in trading this week, losing ground by 0.3% (prior: +0.3%) to 98.91 from 99.16 the prior week, amidst the US and Iran trading fire again in the Middle East with little prospects for a renewal of peace talks. Economic data for the week saw the ISM indices for August come in mixed with manufacturing easing but the services sector strengthening further, while the JOLTS job openings for July were softer than anticipated. We are ***Neutral-to-Slightly Bullish*** on the USD for the coming week, foreseeing a possible trading range of 97.75 – 100.25 for the DXY. The week ahead sees the release of the monthly employment report for August, with producer prices and existing home sales for the month also due before next Friday's much anticipated CPI report for August.

Fixed Income



Source: Bloomberg/ BPAM

- **UST:** US Treasuries declined in trading for the week in review, after a resumption of hostilities in the Middle East triggered a rise in oil prices that brought inflationary fears back to the fore and along with it, rising odds that the Fed will raise rates. The pricing of rate hikes by the Fed this year rose during the week, with 33bps of hikes priced in for 2026 (prior: 27bps). **Overall benchmark yields for the week were higher by between 5 to 11bps w/w** (prior: -5 to +4bps) as of the close of business on Thursday. The benchmark 2Y UST yield rose by 10bps for the week to 4.34% while the benchmark 10Y UST yield advanced by 9bps to 4.77%. **We expect USTs to trade with a bullish bias for the week ahead.** The coming week brings the release of two key reports, the employment report for August later tonight as well as the CPI figures for the month due next Friday, both of which will weigh heavily into the Fed's thinking for the upcoming FOMC, with producer prices and existing home sales for August also scheduled during the week.
- **MGS/GII:** Local government bonds were weaker for the shortened week in review, amidst BNM leaving its OPR unchanged for a seventh straight MPC meeting and in a perceived slightly hawkish twist, dropping the description of current rates as "appropriate" in the accompanying monetary policy statement, which otherwise retained its rather neutral tone. **Overall benchmark MGS/GII yields closed the week higher by between 2 to 10bps w/w** (prior: 1 to 10bps). The benchmark 5Y MGS 6/31 yield was 7bps higher for the week at 3.66%, while the benchmark 10Y MGS 7/35 yield advanced by 6bps to 3.92%. **For the coming week, we expect MGS/GII to trade with a more constructive tone,** with bonds in oversold territory after the marked decline over the past fortnight**.** The week ahead sees the release of the industrial production figures for July, and should also see government bond funding for the month commence, with the re-opening auction of the GII 7/36, which is set to take over as the new benchmark 10Y GII, where we expect an issuance size of RM5bn.

Macroeconomic Updates

- **Stocks rebounded mid-week amid easing Fed rate hike expectations; oil prices rose on heightened geopolitiical tension:** The flare-up in the Middle-east conflict as both the US and Iran exchanged fire again the last week for the first time in almost a month sent chills to the markets again. This amplified inflation and policy tightening concerns which had already started making headlines last Friday after Fed Chair Kevin Warsh's comments at the annual Jackson Hole Symposium that more need to be done to bring inflation back to the 2.0% target. US equities were sold off for three consecutive days before regaining all lost ground on Wednesday (Trump downplayed a prolonged Iran war) and Thursday (easing bond rout and Fed Waller's comment) to end the week marginally higher. The three benchmark US stock indices closed the week up 0.2% w/w each. Global crude oil prices rallied and ended the week 7.3-9.7% w/w higher. The WTI and Brent last settled at $91.67/ barrel and $95.92/ barrel respectivley as at Thursday's close.

- **No surprises from BNM's OPR pause and RBNZ's rate hike:** BNM maintained the OPR at 2.75% for the 7th straight meeting, as expected. The policy statement continued to strike a neutral tone even as it reaffirmed its relatively positive growth assessment. However, the key takeaway that struck us was the removal of "appropriate" when referencing to current monetary policy stance, offering hint that the central bank is preparing for an eventual policy adjustment. We are maintaining our view of a policy normalization in the first half of 2027, but will not discount odds of an earlier move especially if domestic growth continues to surprise on the upside, or inflationary pressure build up. RBNZ also met and decided to raise rates by 25bps for the 2nd straight meeting to 2.75% as expected. Although rate hike bias remains, RBNZ Governor guided for a slwoer pace of increase, suggesting the case of a pause in the next meeting to assess impact from earlier hikes.

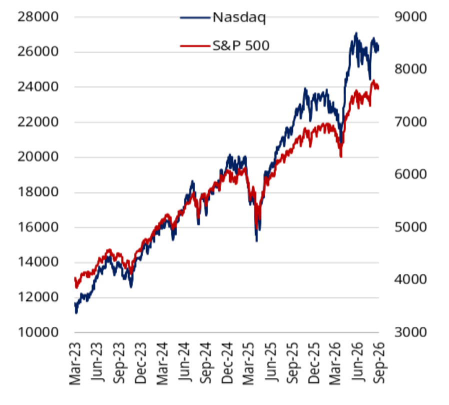
- **PMIs from the major economies point to improved activities; mixed in the region:** Final PMI readings from the major economies and China PMI and RatingDog PMIs, all confirmed expansion in overall economic activities for the month of August. Meanwhile, PMI from regional economies were mixed – slower expansion in Malaysia and Hong Kong, but acceleration in Singapore and Vietnam. Overall, August readings generally reflect limited fallout from the Middle-east conflict and higher inflationary pressure at this juncture, although concerns lie in the weaker forward-looking component like new orders and production. Similar gauges from US ISM also showed continued expansions, although manufacturing eased while the services print unexpectedly strengthened.

- **US job data reaffirmed subdued labour market condition:** The line-up of US job data over the week did little to change our view of a subdued labour market. Preliminary benchmark payrolls revision for the 12 months to March 2026 came in much smaller with a 79k cut (2023-2025: -911k), but was against expectations for a 183k gain suggesting a softer than initially reported and expected labour market. ADP employment rose less than expected by 38k in August (Jul: upwardly revised by 2k to 46k), and indicated private sector hiring has been losing momentum for the 3rd consecutive month now. JOLTS job openings came in softer than expected at 7271k in July, and June's print was revised lower from 7359k to 7182k. Challenger job cuts posted a hefty month-on-month increase and initial jobless claims rose more than expected to 206k. We expect prospect of a soft labour market to keep the Fed on toes in its monetary policy path, hence our extended rate pause view for now despite the hawkish rhetoric from Fed Chair Warsh.

- **Upside surprises in Australia 2Q GDP:** The Australian economy grew at a faster than expected pace of 0.4% q/q in 2Q (1Q: +0.3% q/q), mainly attributed to a turnaround in exports while imports exerted a smaller drag. Meanwhile, domestic demand contributed a much less 0.3ppt (1Q: +0.9ppt) as the sustained increase in household spending (+0.4% q/q) was offset by a decline in investment (-0.3% vs +3.1% q/q). On an annual comparison, growth moderated less than expected to 2.1% y/y, from 2.5% y/y in 1Q. The RBA next meets on September 28–29. We expect it to leave the cash rate unchanged again, but is prepared to hike should inflation prove more persistent than expected.

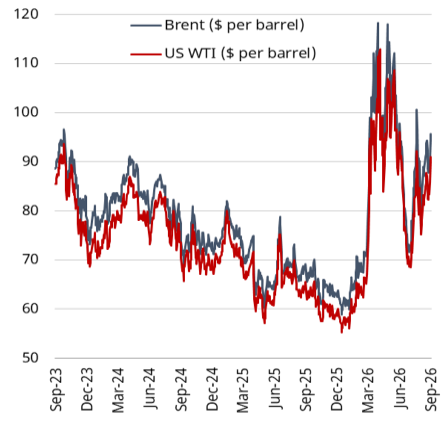
- **ECB policy meet, US CPI, Eurozone and Japan 2Q GDP, China exports and CPI in focus next**: In the week ahead, ECB policy meet will take center stage as the divergence between the headline and core CPI, and an increase in unemployment rate implied the ECB may decide to pause despite market pricing in almost a certainty of a hike. In the US, August CPI will top investors' radar to decipher inflation outlook and the Fed policy path going forward, along with other mostly second-tier data namely Uni Michigan consumer sentiments, PPI, existing home sales and the usual weekly jobless claims. On top of that, 2Q GDP from the Eurozone and Japan are in the pipeline and will offer better insights on how the economies had fared during the height of the geopolitical tussle. There will also be a slew of important Japan data, including BSI surveys, PPI, and machine tool orders. In the region, China's export will take center stage, followed by CPI. Malaysia will release its July IPI where we expect sustained growth, while Singapore retail sales are also on deck.

US equities rebounded mid-week following easing bond rout and tempered Fed rate hike expectations after Fed Waller's comments



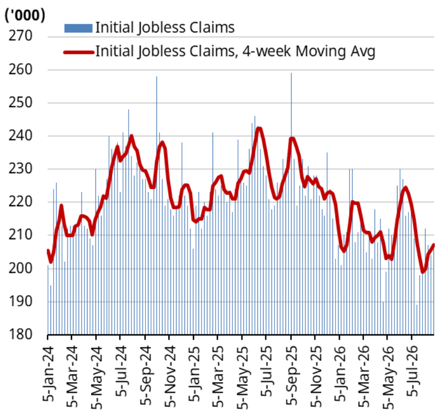
Source: Bloomberg

Global crude oil prices surged amid intensifying strikes between the US and Iran



Source: Bloomberg

Initial jobless claims rose again but continued to hover at the 200k level; four consecutive increases in 4-week moving average claims bears monitoring



Source: Bloomberg

Foreign Exchange

- **MYR:** MYR lost ground in trading against the USD for the first week in four, declining by 0.2% (prior: +0.3%) to 4.0423 from 4.0330 the week before, amidst BNM leaving the OPR unchanged for a seventh straight MPC meet while removing the description of current rates as "appropriate" in the accompanying monetary policy statement. Against the rest of the G10 and major regional currencies, the MYR was mixed for the week, firming up against the NZD (+1.0%) and PHP (+0.8%), but losing ground versus the JPY (-2.2%), KRW (-2.1%) and INR (-1.4%). We remain ***Neutral-to-Slightly Bullish*** on USD/MYR for the week ahead, looking at a likely trading range of 4.02 – 4.07. The coming week brings the release of the industrial production figures for July, which could give us further clues with regards to the economic momentum at the beginning of 3Q.

- **USD:** The DXY declined in trading this week, losing ground by 0.3% (prior: +0.3%) to 98.91 from 99.16 the prior week, amidst the US and Iran trading fire again in the Middle East with little prospects for a renewal of peace talks. Economic data for the week saw the ISM indices for August come in mixed with manufacturing easing but the services sector strengthening further, while the JOLTS job openings for July were softer than anticipated. We are ***Neutral-to-Slightly Bullish*** on the USD for the coming week, foreseeing a possible trading range of 97.75 – 100.25 for the DXY. The week ahead sees the release of the monthly employment report for August, with producer prices and existing home sales for the month also due before next Friday's much anticipated CPI report for August.

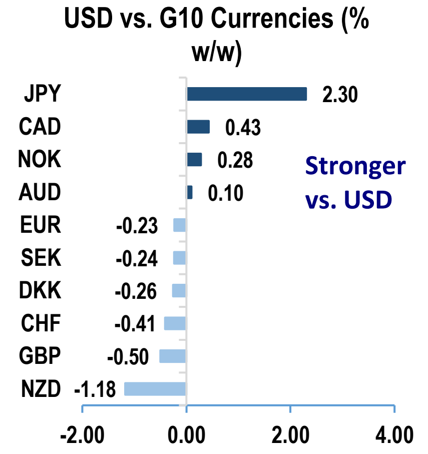
- **EUR**: EUR retreated in trading this week for a second straight week, easing by 0.2% (prior: -0.2%) against the USD to 1.1626 from 1.1653 the week before, amidst the preliminary Eurozone CPI estimate for August coming in as anticipated at the headline level but a touch cooler than expected at the core level, and the economic confidence index for the month rising by more than expected. We are ***Neutral*** on the EUR/USD for the week ahead, eyeing a probable trading range of 1.1500 – 1.1750 for the pair. The coming week brings the release of the Eurozone retail sales report for July and the third reading of 2Q GDP, and the ECB is also set to decide on policy, where the markets have priced in a 25bps increase in the policy rate this time round.

- **GBP**: The GBP depreciated against the greenback in trading this week for a second consecutive week, falling by 0.5% w/w (prior: -0.3% w/w) to 1.3525 from 1.3593 the prior week, amidst UK mortgage approvals for July unexpectedly declining in a sign that the housing market may be cooling. We are ***Neutral-to-Slightly Bearish*** on the Cable for the coming week, looking at a likely trading range of 1.3375 – 1.3650. The week ahead will be pretty light on economic numbers, with only the RICS House Price balance to look out for ahead of next Friday's monthly GDP and manufacturing production figures for July, but there is a scheduled speech by BoE Governor Bailey during the week to take heed of.

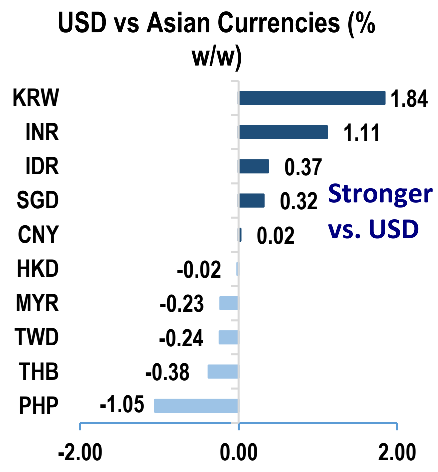
- **JPY**: The Japanese Yen advanced against USD in trading this week and was the best performing currency in the G10 space, surging by 2.3% (prior: -0.2%) to 155.81 from 159.39 the week before, after BoJ policy member Hajime Takata commented that a changing environment may require increasing the quantum and frequency of rate hikes by the Bank of Japan, triggering a reversal of carry trades funded by the JPY. Economic data for the week was positive, with Japanese capital spending for 2Q unexpectedly rising, retail sales for July growing by more than anticipated and an unexpected dip in the jobless rate for the month. We are ***Neutral*** on USD/JPY for the coming week with the pair in slight oversold territory, foreseeing a possible trading range of 152.75 – 158.75 for the currency pair. The coming week brings the release of the labour cash earning figures for July as well as the final 2Q GDP numbers.

- **AUD**: AUD advanced against the USD in trading this week for a sixth straight week, inching up by 0.1% (prior: +1.1%) to 0.7201 from 0.7194 the prior week, amidst Australian 2Q GDP coming in slightly ahead of expectations. We are ***Slightly Bearish*** on AUD/USD for the coming week with the pair creeping closer into overbought territory, eyeing a probable trading range of 0.7075 – 0.7300. It will be a relatively quieter week ahead for economic data releases, with only the latest business and consumer confidence numbers due, alongside consumer inflation expectations for September.

- **SGD**: SGD advanced against the greenback this week for a fourth week running, climbing by 0.3% (prior: +0.1%) to 1.2673 from 1.2713 the week before, amidst a rise seen in the PMI and Electronic Sector index for August. Against other G10 and major regional currencies, the SGD was mixed for the week, gaining against the NZD (+1.5%) and PHP (+1.4%), but losing ground versus the JPY (-2.0%) and KRW (-1.5%). We are ***Neutral-to-Slightly Bullish*** on USD/SGD for the week ahead, looking at a likely trading range of 1.2550 – 1.2800 for the pair. The coming week brings the release of the retail sales report for July, which will give a better indication on the state of the economy as we began 3Q.



Source: Bloomberg



Source: Bloomberg

Forecasts

	Q3-26	Q4-26	Q1-27	Q2-27
DXY	102.28	100.86	99.42	98.07
EUR/USD	1.13	1.14	1.16	1.18
GBP/USD	1.29	1.30	1.32	1.33
USD/JPY	162	159	155	153
AUD/USD	0.68	0.70	0.71	0.72
USD/MYR	4.15	4.11	4.07	4.03
USD/SGD	1.31	1.30	1.28	1.27
USD/CNY	6.85	6.78	6.72	6.65
	Q3-26	**Q4-26**	**Q1-27**	**Q2-27**
EUR/MYR	4.68	4.71	4.73	4.75
GBP/MYR	5.37	5.36	5.36	5.36
AUD/MYR	2.83	2.86	2.87	2.89
SGD/MYR	3.18	3.17	3.17	3.17
CNY/MYR	0.61	0.61	0.61	0.61

Source: HLBB Global Markets Research

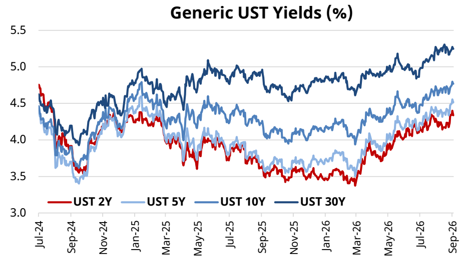
Fixed Income

- **UST:** US Treasuries declined in trading for the week in review, after a resumption of hostilities in the Middle East triggered a rise in oil prices that brought inflationary fears back to the fore and along with it, rising odds that the Fed will raise rates. Fed Chair Warsh continued to strike a hawkish tone at the Jackson Hole symposium, and economic data for the week was mixed, with the ISM Manufacturing index easing for August while the services measure rose, and the JOLTS job openings for July came in lower than anticipated. The pricing of rate hikes by the Fed this year rose during the week, with 33bps of hikes priced in for 2026 (prior: 27bps). **Overall benchmark yields for the week were higher by between 5 to 11bps w/w** (prior: -5 to +4bps) as of the close of business on Thursday. The benchmark 2Y UST yield rose by 10bps for the week to 4.34% while the benchmark 10Y UST yield advanced by 9bps to 4.77%. **We expect USTs to trade with a bullish bias for the week ahead.** The coming week brings the release of two key reports, the employment report for August later tonight as well as the CPI figures for the month due next Friday, both of which will weigh heavily into the Fed's thinking for the upcoming FOMC, with producer prices and existing home sales for August also scheduled during the week.

- **MGS/GII:** Local government bonds were weaker for the shortened week in review, amidst BNM leaving its OPR unchanged for a seventh straight MPC meeting and in a perceived slightly hawkish twist, dropping the description of current rates as "appropriate" in the accompanying monetary policy statement, which otherwise retained its rather neutral tone. Economic data for the week saw the S&P Global Malaysia manufacturing PMI for August decline versus the month before. **Overall benchmark MGS/GII yields closed the week higher by between 2 to 10bps w/w** (prior: 1 to 10bps), except for the 20Y GII which was correcting from previous off-market trades. The benchmark 5Y MGS 6/31 yield was 7bps higher for the week at 3.66%, while the benchmark 10Y MGS 7/35 yield advanced by 6bps to 3.92%. Secondary market activity rose slightly for the week, with the average daily secondary market volume for MGS/GII inching higher by 3% to RM4.83bn for the week in review versus the daily average of RM4.70bn seen the week before, driven by a 7% rise in the average daily MGS trading. Trading for the week was led by the off-the-run MGS 5/27, which saw RM2.92bn swapping hands, while decent interest was also seen in the off-the-run GII 9/26 and the off-the-run MGS 11/26, with RM2.87bn and RM1.86bn traded respectively. GII trades totalled 40% of government bond trading for the week, receding from the 43% seen the prior week. **For the coming week, we expect MGS/GII to trade with a more constructive tone,** with bonds in oversold territory after the marked decline over the past fortnight**.** The week ahead sees the release of the industrial production figures for July, and should also see government bond funding for the month commence, with the re-opening auction of the GII 7/36, which is set to take over as the new benchmark 10Y GII, where we expect an issuance size of RM5bn.

- **MYR Corporate bonds/ Sukuk**: Trading in the secondary corporate bond/sukuk market was better offered for the week in review. It was a rather quiet week, with the average daily volume traded declining by 51% to RM0.31bn (prior week: RM0.63bn). Trading for the week was led by the AA-rated segment of the market. In the GG universe, trading was rather sparse and the interest was led by PRASA 2/27, with RM35m traded for the week and the bond last changing hands at 3.20%. In the AAA-rated space, AIRSEL 8/49 led the activity for the week, with RM50m traded and last switching hands at 4.60%. Some interest was also seen in PASB 11/27, which saw RM40m swapping hands for the week and last being traded at 3.55%. Over in the AA-rated arena, trading was led by EXSIM 6/27, with RM90m changing hands for the week and last being traded at 4.74%. Decent interest was also seen in EXSIM 12/30, with RM75m traded and last switching hands at 4.80%. In the A-rated segment of the market, trading was led by CIMBG 4.03% Perps, where RM20m swapped hands for the week with the bond last traded at 4.32%. Issuance activity for the week shortened by the Merdeka holiday was nearly non-existent, with no issuance of note.

- **Singapore Government Securities:** SGS were softer in trading for the week in review, amidst the Singapore PMI and Electronic Sector index for August both registering rises versus the month before, and a backdrop of declines in the major government bond markets. Benchmark yields closed the week higher by between 5 to 8bps (prior week: 3 to 8bps lower) as at the end of business on Thursday. **The benchmark SGS 2Y yield rose by 5bps for the week to 1.69%, while the benchmark SGS 10Y yield advanced by 8bps to 2.38%**, resulting in the SGS 2s10s curve steepening by 3bps to 69bps. The decline in bond prices resulted in Bloomberg's Total Return Index unhedged SGD falling by 0.6% for the week (prior week: +0.5%). The week ahead sees the release of the retail sales report for July.



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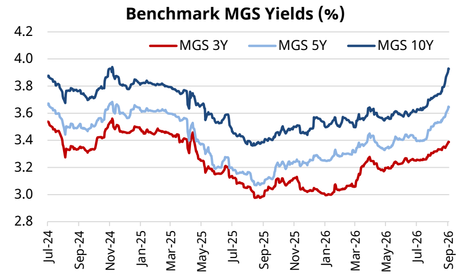

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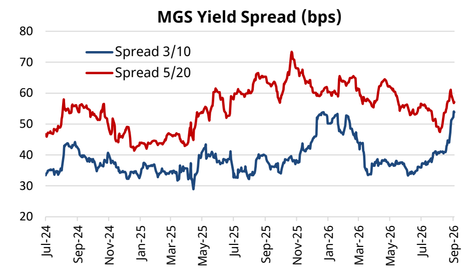

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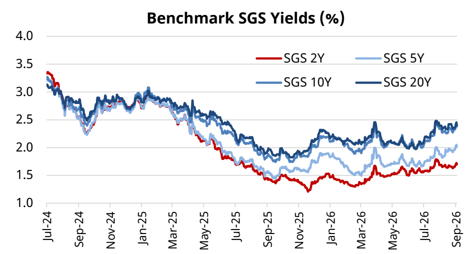


Source: Bloomberg

HongLeong Bank

Rating Actions

Issuer	PDS Description	Rating/Outlook	Action
Poseidon ABS Berhad	Outstanding RM350m Second Tranche Senior Class A Medium-Term Notes	AAA/Stable	Withdrawn
CIMB Thai Bank Public Company Limited	Financial institution rating	AA2/Positive/P1	Revised outlook
	RM2bn Tier-2 Subordinated Debt Programme	AA3/Positive	Revised outlook
Kuwait Finance House (Malaysia) Berhad	Financial institution rating	MARCWatch Developing	Extended
KIP REIT Capital Sdn Bhd	RM240m 2024-Issue 4 Class A Medium-Term Notes (MTN) under RM2bn Perpetual MTN Programme	AAA/Stable	Affirmed
Trusmadi Capital Sdn Bhd	Issue 1 Medium-Term Notes (MTN): RM235m Class A RM40m Class B RM25m Class C	 AAA/Stable AA/Stable A/Stable	Affirmed

Source: MARC/RAM

Equities

- **US**: The week was bookended by two Fed speeches that pulled markets in opposite directions, leaving the three major indices slightly changed on net but masking a volatile path in between. Fed Chair Warsh's Jackson Hole address set a hawkish tone, warning that inflation is not meaningfully slowing and that he would be "hard-pressed to describe broad financial conditions as restrictive", which drove September rate hike probability in swaps to approximately 60% and triggered bear-flattening in Treasuries. The week's decisive turn came yesterday, when Fed Governor Waller said he would be willing to support holding rates steady if inflation continues to show signs of easing, and that his September decision would be "heavily influenced" by August CPI data. Money markets rapidly pared hike bets, short-dated Treasuries rallied, and the S&P 500 posted its best single session in a month, gaining 1.1%. For the week, the S&P 500 edged up **+0.2%**, the Dow gained **+0.2%**, and the Nasdaq added **+0.2%**.

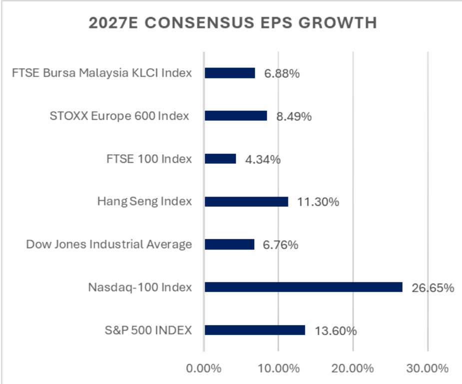
  Technology led the recovery: Meta surged **+6.9%** and Apple gained **+4.3%** on the week, while Nvidia was essentially flat at **+0.2%**, the prior week's earnings euphoria having faded, though the company announced the acquisition of Hugging Face for $12.93bn on 3 September, a deal that drove an intraday gain of up to 2.1% and contributed to the broader tech recovery on the day. Robinhood jumped **+16.6%** on 3 September on a wave of analyst upgrades and platform expansion news, and Tesla's outperformed on anticipation of the company's Cybercab launch event. Lululemon cut its full-year revenue and EPS outlook for the second consecutive quarter after the close on 3 September, a development that will weigh on the following week's trading. We are **cautiously neutral** as the Waller reprieve has stabilised sentiment, but the rate path remains genuinely unresolved and the NFP print today will set the tone heading into the September decision.

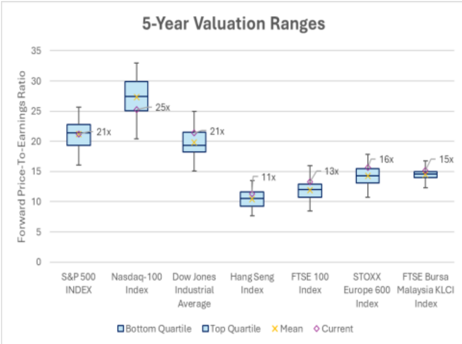
- **Asia**: The dominant theme across the region was the double shock of surging oil prices and rising global bond yields, which hit Asia's tech-heavy, energy-importing markets hard mid-week before a partial recovery on the back of Waller's dovish pivot on 3 September. The MSCI Asia Pacific Index fell as much as 2.1% on Wednesday, snapping a six-day rally, as the combination of Warsh's hawkish Jackson Hole speech and Brent crude's return to $95 handle compressed valuations across rate-sensitive technology names. Korea bore the brunt: the KOSPI fell as much as 3.5% in a single session, compounded by a delayed market reaction to the Bank of Korea's second consecutive rate hike, from 2.75% to 3.00%, with the stronger won adding a further headwind for exporters. Retail investors and corporate buybacks provided dip-buying support, and the index partially recovered into the close. For the week, the KOSPI fell **-4.8%,** the sharpest weekly decline in the region. Taiwan's TAIEX was the relative outperformer, slipping just **-0.3%**, as TSMC's resilience provided an anchor for the index. China's CSI 300 declined **-1.7%**; the RatingDog August manufacturing PMI rose to 51.5 against a 51.0 consensus, though the official composite PMI remained in contraction at 49.5, underscoring the uneven nature of China's recovery.

  The US August NFP report today and August CPI next week are the primary external drivers as any hawkish data surprise would likely renew pressure on the region's rate-sensitive markets, with Korea and Taiwan most exposed given their technology concentration and the BOK's active tightening cycle. In China, inflation data and trade figures are due, which will provide the next read on whether domestic demand is stabilising. The OPEC+ ministerial meeting on Sunday will be closely watched given Brent's sharp move this week and its implications for Asia's energy import bill. September has a notorious reputation for being weak which lends to our short-term **cautious** view.

- **Malaysia**: The KLCI declined **-1.5%** over the week, with the index touching an intraweek low of 1,700.54 before recovering into the close on 3 September. The defining domestic event was Bank Negara Malaysia's monetary policy decision: BNM held the overnight policy rate at 2.75%, as widely expected, but removed the characterisation of its stance as "appropriate" from the policy statement, a subtle hawkish signal that sent interest rate swaps higher and raised the prospect of a first rate hike since BNM last adjusted borrowing costs with a cut in July 2025. Separately, Malaysia's July producer price index rose 9.7% year-on-year, accelerating from 9.2% in June, reinforcing the inflationary backdrop that likely prompted BNM's language shift. Technology was the week's worst-performing sector at **-6.9%**, as the global rate and oil shock hit Malaysia's tech names hardest, consistent with the broader regional pattern. Energy was the standout gainer at **+3.2%**, directly benefiting from Brent crude's surge to $95.52 during the week, while Plantation added **+1.6%** and Construction rose **+1.1%**. Foreign fund selling remained a persistent headwind, with reported net selling reaching a nearly three-month high in recent weeks. The YTL complex, which had led the market higher for several consecutive weeks on AI data centre optimism, gave back ground, with YTL Corporation falling **-6.6%** and YTL Power slipping **-1.4%**. Tenaga Nasional extended its post-earnings decline, falling **-4.3%** as the market continued to digest its Q2 EPS miss. Sunway Healthcare eased **-1.8%**.

  The KLCI index expansion to 50 constituents (effective 21 December) continues to generate passive rebalancing discussions in the background. We are neutral given the likelihood of the local bourse **consolidating as markets mull over the likelihood of a** mid-September **US** rate hike. BNM's pivot signal, and the reversal of the YTL-led momentum trade are converging headwinds with limited near-term catalysts for a sustained recovery.





Economic Calendar

Date	Time	Country	Event	Period	Prior
7-Sep	13:00	SI	Retail Sales YoY	Jul	4.00%
	13:00	JN	Leading Index CI	Jul P	11650.00%
	13:00	JN	Coincident Index	Jul P	11850.00%
	15:00	MA	Foreign Reserves	28 Aug	$132.7b
	16:30	EC	Sentix Investor Confidence	Sep	90.00%
	17:00	EC	GDP SA QoQ	2Q T	0.40%
8-Sep	7:30	JN	Labor Cash Earnings YoY	Jul	3.40%
	7:50	JN	GDP Annualized SA QoQ	2Q F	1.10%
	7:50	JN	Trade Balance BoP Basis	Jul	-¥135.2b
	8:30	AU	Westpac Consumer Conf SA MoM	Sep	6.00%
	9:30	AU	NAB Business Confidence	Aug	-600.00%
	9:30	AU	NAB Business Conditions	Aug	400.00%
	13:00	JN	Eco Watchers Survey Outlook SA	Aug	4580.00%
	18:00	US	NFIB Small Business Optimism	Aug	9980.00%
	23:00	US	NY Fed 1-Yr Inflation Expectations	Aug	3.63%
9-Sep	-	CH	Exports YoY	Aug	23.90%
	3:00	US	Consumer Credit	Jul	$14.173b
	9:30	CH	PPI YoY	Aug	3.50%
	9:30	CH	CPI YoY	Aug	0.50%
	12:00	MA	Industrial Production YoY	Jul	6.50%
	12:00	MA	Manufacturing Sales Value YoY	Jul	9.80%
	14:00	JN	Machine Tool Orders YoY	Aug P	50.40%
	19:00	US	MBA Mortgage Applications	4 Sep	0.80%
10-Sep	7:01	UK	RICS House Price Balance	Aug	-30.00%
	9:00	AU	Consumer Inflation Expectation	Sep	4.90%
	20:15	EC	ECB Main Refinancing Rate		2.40%
	20:30	US	Initial Jobless Claims	5 Sep	206k
	20:30	US	PPI Final Demand MoM	Aug	0.00%
	22:00	US	Existing Home Sales	Aug	4.06m
11-Sep	7:50	JN	PPI MoM	Aug	0.10%
	7:50	JN	BSI Large All Industry QoQ	3Q	-50.00%
	7:50	JN	BSI Large Manufacturing QoQ	3Q	-180.00%
	14:00	UK	Monthly GDP (MoM)	Jul	0.30%
	14:00	UK	Industrial Production MoM	Jul	-0.20%
	14:00	UK	Index of Services MoM	Jul	0.40%
	14:00	UK	Visible Trade Balance GBP/Mn	Jul	-£23007m
	20:30	US	CPI MoM	Aug	0.10%
	22:00	US	U. of Mich. Sentiment	Sep P	5170.00%
	22:00	US	U. of Mich. 1 Yr Inflation	Sep P	4.00%
	22:00	US	U. of Mich. 5-10 Yr Inflation	Sep P	3.30%
11-17 Sep		CH	FDI YTD YoY CNY	Aug	-6.20%

Source: Bloomberg

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