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% YoY	2023	2024	4Q25F*
Real GDP	2.9	2.8	1.6
Core PCE	4.2	2.9	3.1
Unemployment (%)	3.6	4.0	4.5

*Fed projection

US FOMC Meeting

Fed cuts 25 bps, ends QT in December

- The Fed cut the policy rate by 25 bps to 3.75–4.00%, with Governor Stephen Miran dissenting in favour of a larger 50-bp cut, while Kansas City Fed President Jeffrey Schmid voted for no change.
- Chair Powell stressed that a December rate cut is not conclusive, highlighting diverging views within the Committee on inflation and employment risks.
- The Fed will conclude the reduction of its securities holdings on 1 December, citing tighter money market liquidity conditions, effectively marking an end to QT.
- We expect the Fed to deliver another 25-bp cut in December, while maintaining a general easing bias into 2026.
- UST yields should retain a mild downward bias, lending support to the ringgit. Given trade uncertainties, we maintain our projection that USDMYR will hover around 4.20 this year before strengthening modestly to 4.15 in 2026.

Fed easing continued amid some dissents

As widely expected, the Federal Reserve (Fed) voted 10–2 to lower the federal funds target range by 25 bps to 3.75–4.00%, marking the second rate cut this year following the September move. Dissenting votes included Governor Stephen Miran, who favoured a larger 50-bp cut, while Kansas City Fed President Jeffrey Schmid voted for no change. The diverging vote underscores the growing complexity in making policy decision amid elevated inflation risks and labour market weakness. As Chair Powell rightly noted during his remarks at the October FOMC press conference, “there is no risk-free path for policy.”

Fed rate trajectory remains fluid

As anticipated, the FOMC statement reiterated that “*the committee is attentive to the risks to both sides of its dual mandate*”, while highlighting downside risks to employment “*rose in recent months*”. Nonetheless, Chair Powell stressed that another rate cut in December “*is not a foregone conclusion*” amid vastly different views from committee members in achieving its dual mandate of maximum employment and price stability. Following his remarks, markets pared back expectations for a December cut, with futures now pricing in a 68% probability of easing, down from over 90% the previous day.

Fed navigating in a fog

The ongoing government shutdown has suspended several key economic releases, including the Bureau of Labor Statistics’ (BLS) nonfarm payrolls and unemployment data, leaving policymakers to navigate policy path with limited data availability. Chair Powell acknowledged that while the Fed can still gauge shifts in economic momentum through alternative sources, the absence of official data poses challenges for policymaking. Alternative indicator such as ADP private payrolls showed an average gain of 14,250 jobs in the four weeks ending 11 October, pointing to a positive labour market momentum. However, we caution that ADP data tend to be volatile and could differ materially from the official BLS releases, which offer broader coverage.

Meanwhile, the CPI report was released on 24 October to enable the Social Security Administration to calculate next year’s cost-of-living adjustment for beneficiaries, making it one of the few key data releases unaffected by the shutdown. Headline inflation came in softer than expected at 3.0% YoY (consensus: 3.1%; Aug: 2.9%), with much of the gain driven by higher gasoline prices, while underlying components remained relatively subdued. The softer-than-expected CPI print supports continued easing, though persistent price pressure could complicate the Fed’s pace of rate cuts in this easing cycle.

An end to QT in December

The Fed announced it will conclude the reduction of its securities holdings on 1 December, citing tighter money market liquidity conditions. Since the start of quantitative tightening (QT) in June

2022, the Fed's balance sheet has reduced from USD8.9tn to USD6.6tn as of September 2025. From December onward, the Fed will fully reinvest maturing Treasuries instead of allowing up to USD5bn to roll off monthly. It will, however, continue to let up to USD35bn in mortgage-backed securities holdings mature each month, with proceeds reinvested into Treasury bills.

Expect another cut in December; support for ringgit

We expect the Fed to maintain a gradual easing path as downside employment risks take precedence over inflation concerns. We continue to see another 25-bp cut in December, bringing total reductions to 75 bps in 2025. Looking ahead, the policy outlook for 2026 remains fluid given the mixed macro picture, notwithstanding the overall easing bias.

As such, UST yields should retain a mild downward bias, while MGS yields stay broadly stable, lending support to the ringgit. That said, gains in the ringgit are likely to be offset by lingering uncertainties in Malaysia's trade outlook, particularly tariff-related headwinds. **We maintain our projection that USDMYR will hover around 4.20 this year before strengthening modestly to 4.15 in 2026.**

We see limited implications for BNM's policy stance, with the **OPR forecasted to remain at 2.75% through 2025 and 2026**, as policy remains accommodative as seen in the stronger-than-expected advance GDP estimate of 5.2% YoY in 3Q25.

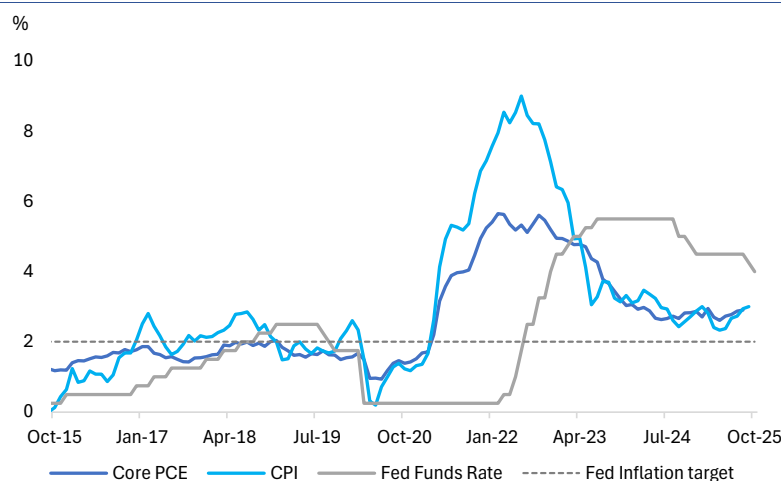
Figure 1: FOMC Meeting Schedule & Outlook for 2025

No. of Meetings	Date	In-house Projection	Fed Funds Future	Fed Decision
1st	28-29 Jan	Unchanged	Unchanged	Unchanged
2nd	18-19 Mar*	Unchanged	Unchanged	Unchanged
3rd	6-7 May	Unchanged	Unchanged	Unchanged
4th	17-18 Jun*	Unchanged	Unchanged	Unchanged
5th	29-30 Jul	Unchanged	Unchanged	Unchanged
6th	16-17 Sep*	25-bp cut	25-bp cut	25-bp cut
7th	28-29 Oct	25-bp cut	25-bp cut	25-bp cut
8th	9-10 Dec*	25-bp cut	25-bp cut	

Source: Federal Reserve, CME Group, Apex Securities

*Meeting associated with a Summary of Economic Projections

Figure 2: Inflation was softer than expected in September



Source: Bureau of Labor Statistics, Apex Securities

Recommendation Framework:

BUY: Total returns* are expected to exceed 10% within the next 12 months.

HOLD: Total returns* are expected to be within +10% to – 10% within the next 12 months.

SELL: Total returns* are expected to be below -10% within the next 12 months.

TRADING BUY: Total returns* are expected to exceed 10% within the next 3 months.

TRADING SELL: Total returns* are expected to be below -10% within the next 3 months.

*Capital gain + dividend yield

Sector Recommendations:

OVERWEIGHT: The industry defined by the analyst is expected to exceed 10% within the next 12 months.

NEUTRAL: The industry defined by the analyst is expected to be within +10% to – 10% within the next 12 months.

UNDERWEIGHT: The industry defined by the analyst, is expected to be below -10% within the next 12 months.

ESG Rating Framework:

★★★★★ : Appraised with 3% premium to fundamental fair value

★★★★ : Appraised with 1% premium to fundamental fair value

★★★ : Appraised with 0% premium/discount to fundamental fair value

★★ : Appraised with -1% discount to fundamental fair value

★ : Appraised with -5% discount to fundamental fair value

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(a) nil.
