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US economic summary

% YoY	2023	2024	4Q25F*	4Q26F*
Real GDP	2.9	2.8	1.7	2.3
Core PCE	4.2	2.9	3.0	2.5
Unemployment (%)	3.6	4.0	4.5	4.4

**Fed projection*

US FOMC Meeting

Fed cuts 25 bps, signalling a pause

- **The Fed cut the policy rate by 25 bps to 3.50–3.75%, with one dissenter favouring a larger 50-bp cut and two dissenters voting for no change.**
- **Powell highlighted that policy is now within the range of neutral estimates, signalling a likely pause. The dot plot shows only one 25-bp cut in both 2026 and 2027.**
- **The Fed will initiate USD40bn in monthly Treasury purchases beginning 12 December as part of its reserves management operations.**
- **While a potential Hassett chairmanship may set a more dovish tone, the broader committee composition is unlikely to shift materially.**
- **We maintain our baseline projection for two 25-bp cuts in April and June 2026.**
- **A more dovish Fed or a stronger-than-expected trade environment could provide upside to our 2026 USDMYR projection of 4.15, with the pair potentially reaching 4.05–4.10.**

'Hawkish' cut amid some dissents

As widely expected, the Federal Reserve (Fed) voted 9-3 to lower the federal funds target range by 25 bps to 3.50–3.75%, marking the third rate cut this year following the October move. In total, the Fed has reduced rates by 75 bps in 2025. Dissenting votes included Governor Stephen Miran, who favoured a larger 50-bp cut, while Kansas City Fed President Jeffrey Schmid and Chicago Fed President Austan Goolsbee voted for no change.

Following a series of rate cuts totalling 175 bps that brought the fed funds rate down from a high of 5.25–5.50% in 2024, Chair Powell highlighted that policy is now within the *"broad range of plausible estimates of neutral rate."* He noted that the Fed is now *"well positioned to see how the economy will unfold,"* signalling a likely pause as the Fed awaits fresh inflation and labour market data.

In addition, the Fed announced it will initiate USD40bn in monthly Treasury purchases beginning 12 December. Chair Powell guided that this is part of the Fed's reserves management operations to maintain an ample supply of reserves and to manage market liquidity, suggesting that the action is operational rather than a shift in the policy stance.

Sanguine outlook warrants a Fed pause

The dot plot signals just one additional 25-bp rate cut in 2026, followed by a further 25-bp cut in 2027, taking the policy rate down to 3.00–3.25% by end-2027. This is broadly unchanged from the September projection.

Meanwhile, the Fed's baseline outlook has improved relative to September. In particular, GDP growth for 2026 has been revised higher, supported by resilient consumer spending, sustained business spending on AI-related investment and supportive fiscal policy. The Fed's projection for 2026 PCE inflation has also been adjusted lower (Fig. 4). This reinforces the Fed's signal that it is well positioned to pause and assess incoming data.

A fine line on inflation and employment

The recent slew of data presents a mixed picture of the labour market. ADP private payrolls contracted by 32,000 in November (Oct: +47,000), weighed by small businesses, suggesting signs of softening in hiring. Initial jobless claims, however, fell to a three-year low of 191,000 (previous: 218,000), though we caution that holiday-related seasonality may have distorted the result. The upcoming November nonfarm payrolls report on 16 December will be key in assessing underlying momentum post-shutdown.

Meanwhile, the delayed September core PCE inflation, the Fed's preferred gauge, eased to 2.8% YoY (consensus: 2.9%; Aug: 2.9%), suggesting limited tariff impact on underlying price pressures. Inflation expectation also remained well anchored, with the latest University of

Michigan's 1-year inflation expectation fell to a near one-year low of 4.1% in December (Nov: 4.5%).

Overall, labour market weakness and contained inflation continue to support the case for further easing, though the risk of tariff-driven goods inflation remains a lingering concern for some Fed officials.

A potential dovish tilt in the FOMC

President Trump's indication that he has selected his preferred candidate for Fed Chair has placed Kevin Hassett as the frontrunner. Hassett has signalled preference for immediate rate cuts, implying a more dovish stance under his leadership. Based on our hypothetical 2026 FOMC composition (Figure 1), assuming a Hassett chairmanship, Powell remaining on the Board, Governor Cook remaining in place, and the scheduled rotation of regional Fed presidents, the overall hawk-dove balance shifts only modestly, with one hawkish member replaced by a centrist.

This suggests that while a Hassett chairmanship may set a more dovish tone, the broader committee composition is unlikely to shift materially. As the Chair plays a key role in forging consensus, it remains to be seen whether Hassett can bridge the committee's differing views on the inflation outlook and labour-market dynamics.

Figure 1: Inflation was softer than expected in September

2025	Stance	2026	Stance
Governors + New York Fed		**Governors + New York Fed**	
Jerome Powell (Chair)	Centrist	Kevin Hassett (Chair)	Dove
John Williams (New York, Vice Chair)	Centrist	John Williams (New York, Vice Chair)	Centrist
Michael Barr	Centrist	Michael Barr	Centrist
Michelle Bowman	Dove	Michelle Bowman	Dove
Lisa Cook	Centrist	Lisa Cook	Centrist
Philip Jefferson	Centrist	Philip Jefferson	Centrist
Stephen Miran	Dove	Jerome Powell	Centrist
Christopher Waller	Dove	Christopher Waller	Dove
Reserve Bank Presidents (rotating)		**Reserve Bank Presidents (rotating)**	
Susan Collins (Boston)	Hawkish	Beth Hammack (Cleveland)	Hawk
Austan Goolsbee (Chicago)	Hawkish	Anna Paulson (Philadelphia)	Centrist
Alberto Musalem (St. Louis)	Hawkish	Lorie Logan (Dallas)	Hawk
Jeffrey Schmid (Kansas City)	Hawk	Neel Kashkari (Minneapolis)	Hawkish
Hawkish: 4 | Centrist: 5 | Dovish:3		**Hawkish: 3 | Centrist: 6 | Dovish:3**	

Source: Federal Reserve, Reuters, Apex Securities
Note: Policy stances are based on Reuters classifications. Green shading highlights new members in the potential 2026 committee scenario, assuming a Hassett chairmanship (replacing Governor Stephen Miran), Powell remaining on the Board, Governor Cook remaining in place, and the scheduled rotation of regional Fed presidents.

Higher hurdle for easing next year

While inflation is relatively contained for now, tariff-driven goods inflation remains a concern for some committee members. This caution has also been reflected in the recent rise in UST yields, with the 10-year yield increasing 19 bps over the past two weeks to 4.19%, the highest since early September. In addition, support from tax cuts and earlier easing should keep US growth momentum relatively firm in 2026, implying that the bar for further cuts has been raised.

Thus, we expect the Fed to remain prudent and avoid being locked into a preset easing path. The more divided assessment within the committee, particularly on the risks surrounding goods inflation and weakening job market, suggests that policy decisions will stay highly data-dependent.

Expect two cuts in 2026; support for ringgit

Looking ahead, we expect the Fed to maintain a gradual easing path, as we see downside employment risks taking precedence over inflation. We maintain our baseline projection for two 25-bp cuts in 2026, likely in April and June, bringing the target range to 3.00-3.25%.

A mild downward bias in UST yields should lend support to the ringgit. Thus, we maintain our expectation of a firmer ringgit next year (2025F: 4.20; 2026F: 4.15). A more dovish Fed or a stronger-than-expected trade environment could provide upside, potentially pushing the USDMYR toward 4.05-4.10 in 2026.

We see limited implications for BNM's monetary policy, with the OPR expected to remain at 2.75% through 2026 as policy stays accommodative amid firmer domestic demand and improving external conditions.

Figure 2: 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	25-bp cut

Source: Federal Reserve, CME Group, Apex Securities
**Meeting associated with a Summary of Economic Projections*

Figure 3: FOMC Meeting Schedule & Outlook for 2026

No. of Meetings	Date	In-house Projection	Fed Funds Future	Fed Decision
1st	27-28 Jan	Unchanged	Unchanged	
2nd	17-18 Mar*	Unchanged	Unchanged	
3rd	28-29 Apr	25-bp cut	25-bp cut	
4th	16-17 Jun*	25-bp cut	Unchanged	
5th	28-29 Jul	Unchanged	Unchanged	
6th	15-16 Sep*	Unchanged	25-bp cut	
7th	27-28 Oct	Unchanged	Unchanged	
8th	8-9 Dec*	Unchanged	Unchanged	

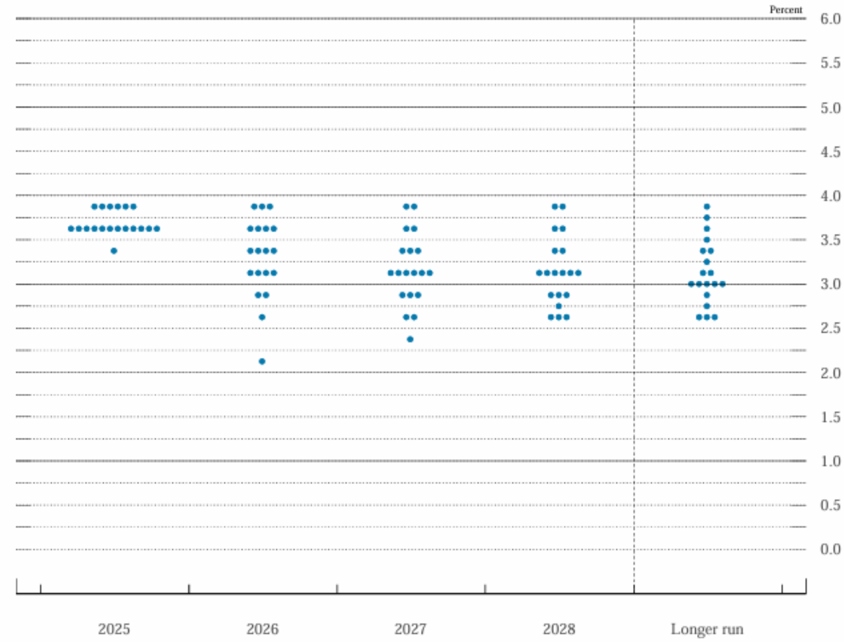
Source: Federal Reserve, CME Group, Apex Securities
**Meeting associated with a Summary of Economic Projections*

Figure 4: Fed's Summary of Economic Projections

Variable	Median[1]				
	2025	2026	2027	2028	Longer run
Change in real GDP	1.7	2.3	2.0	1.9	1.8
September projection	1.6	1.8	1.9	1.8	1.8
Unemployment rate	4.5	4.4	4.2	4.2	4.2
September projection	4.5	4.4	4.3	4.2	4.2
PCE inflation	2.9	2.4	2.1	2.0	2.0
September projection	3.0	2.6	2.1	2.0	2.0
Core PCE inflation[4]	3.0	2.5	2.1	2.0	
September projection	3.1	2.6	2.1	2.0	
Memo: Projected appropriate policy path					
Federal funds rate	3.6	3.4	3.1	3.1	3.0
September projection	3.6	3.4	3.1	3.1	3.0

Note: SEP projections reflect Q4 levels or Q4/Q4 changes, not full-year averages.
Source: Federal Reserve

Figure 5: Fed's Dot plot



Source: Federal Reserve

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

As of **Thursday, 11 Dec, 2025**, the analyst(s), whose name(s) appears on the front page, who prepared this report, has interest in the following securities covered in this report:
(a) nil.