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% 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 keeps rate unchanged; shifts to wait-and-see mode

- The Fed held the policy rate at 3.50–3.75%, with Governors Stephen Miran and Christopher Waller dissenting in favour of a 25-bp cut.
- The Fed noted that the unemployment rate has “shown some signs of stabilisation” and that risks to inflation and employment have become more balanced, supporting a pause and pushing back the timing of rate cuts.
- The divergence between strong economic data and softer consumer sentiment suggests growth may be increasingly uneven.
- We still expect two 25-bp rate cuts in 2026, now pencilled in for June and July (versus April and June previously), bringing the target range to 3.00–3.25% by end-2026.
- With markets increasingly pricing in tolerance for a weaker dollar, we expect the FOMC decision to have only a limited impact on the dollar. Continued USD weakness should provide room for further ringgit appreciation.
- We see limited implications for BNM policy, with the OPR expected to remain at 2.75% through 2026 amid firmer domestic demand and improving external conditions.

Fed kept policy rate steady

As widely expected, the Federal Reserve (Fed) voted 10-2 to maintain the federal funds target range at 3.50–3.75% in the first meeting of the year, following a series of rate cuts totalling 75 bps in 2025. Dissenting votes included Governor Stephen Miran and Governor Christopher Waller, who favoured a 25-bp cut.

The Fed noted that the unemployment rate has “shown some signs of stabilisation” and that upside risks to inflation and downside risks to employment have somewhat reduced. Chair Jerome Powell reiterated that the Fed is “well positioned to see how the economy will unfold,” reinforcing the view that policy remains data-dependent and that the Fed is likely to stay on hold for now.

Growth resilience contrasts with weaker sentiment

The US economy has remained more resilient than expected. Final 3Q25 GDP expanded at an annualised pace of +4.3% (2Q25: +3.8%), beating consensus estimate of +3.2%, supported by firmer consumer spending, exports and government spending. Growth momentum has held up despite earlier concerns that tariff headwinds would weigh on the economy.

In contrast, consumer sentiment paints a weaker picture. The Conference Board’s consumer confidence index fell to 84.5 in January (Dec: 94.2), marking the lowest level since May 2014. Consumers cited challenges in securing jobs, alongside continued pressure from elevated prices for essentials such as groceries and fuel.

The divergence between strong economic data and softer sentiment suggests growth may be increasingly uneven. Productivity gains linked to AI-related investment may allow firms to raise output with fewer hiring, while inflation and slower job growth weigh on household income. Powell emphasised that managing price stability is key to addressing affordability issues among lower-income group.

Balanced risks between inflation and the labour market

Core PCE inflation held steady at +2.8% YoY in November (Oct: +2.7%). We see risks to the inflation outlook tilted to the upside, mainly from delayed tariff pass-through as firms adjust prices to protect margins. Trade policy uncertainty under the Trump administration could add to goods inflation pressures. That said, the Fed was relatively optimistic on the inflation outlook, noting that the impact is likely one-off.

Labour market signals remain mixed. Nonfarm payrolls rose by 50k in December (consensus: 70k; Nov: 56k), pointing to softer hiring momentum, while the unemployment rate edged down to 4.4% (Nov: 4.6%). Markets will likely see the prevailing “no-fire, slow-hire” dynamic as a sign of labour market stabilisation, helping to support consumer spending, which accounts for c.68% of GDP.

Overall, the Fed sees risks to inflation and employment as more balanced, with broad support within the committee to hold rates at this meeting. Our baseline easing view remains intact, but we now see rate cuts pushed back toward mid-year.

Fed Chair succession remains in focus

Market attention has turned to potential candidates for the next Fed Chair, with Powell’s term ending in May. President Trump indicated that Kevin Hassett will remain in his current advisory role, while prediction markets increasingly point to BlackRock CIO Rick Rieder as a frontrunner. Rieder is widely seen as a dove, having signalled support for lowering policy rates to 3.00%.

Under our updated hypothetical 2026 FOMC composition (Figure 1), the hawk-dove balance would tilt slightly more dovish, with one hawkish member replaced by a dovish one. While a Rieder chairmanship may imply a more dovish-leaning consensus, the committee still hold diverse views on inflation and labour market dynamics.

Figure 1: Hypothetical FOMC composition in 2026

2025	Stance	2026	Stance
Governors + New York Fed		Governors + New York Fed	
Jerome Powell (Chair)	Centrist	Rick Rieder (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)	Dovish
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: 5 Dovish: 4	

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 Rieder chairmanship (replacing Governor Stephen Miran), Powell and Governor Cook remaining on the Board, and the scheduled rotation of regional Fed presidents.

Pushback in timing of rate cuts

We still expect two 25-bp rate cuts in 2026, now pencilled in for June and July (versus April and June previously), bringing the target range to 3.00–3.25% by end-2026. The Fed is likely to monitor both the evolving inflation and labour market conditions, as well as the monetary transmission of the 75 bps of rate cuts delivered in 2025.

Room for ringgit appreciation; steady OPR outlook

Despite a recent uptick in UST yields, the dollar index has weakened by 1.8% to 96.5, with markets increasingly speculating that Washington may be more comfortable with a weaker dollar. This has supported other currencies, including the ringgit, which has strengthened year-to-date by 3.4% to 3.92. As such, the FOMC meeting is likely to have only a limited impact on the dollar. Continued USD softness should provide room for further ringgit appreciation.

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 2026

No. of Meetings	Date	In-house Projection	Fed Funds Future	Fed Decision
1st	27-28 Jan	Unchanged	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

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.
