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% YoY	2023	2024	2025	4Q26F*
Real GDP	2.9	2.8	2.1	2.4
Core PCE	4.2	2.9	2.8	2.7
Unemployment (%)	3.6	4.0	4.3	4.4

\*Fed projection

## US FOMC Meeting

### Prolonged pause amid fluid global dynamics

- **The Fed kept the policy rate at 3.50-3.75%, with Governor Stephen Miran dissenting in favour of a 25-bp cut.**
- **The dot plot points to only one 25-bp cut in 2026. No member expects a rate hike, while fewer members pencilled in multiple cuts.**
- **As inflation risks may take precedence over growth concerns, we now expect only one 25-bp Fed rate cut in 2026 (previously two cuts).**
- **Reduced rate-cut expectations and safe-haven demand should keep the USD supported. We expect USD/MYR to trade within 3.90-4.00 in the near term.**
- **We maintain our view that the OPR will remain at 2.75% through 2026, supported by a stable domestic inflation outlook.**

### Fed kept policy rate steady

As expected, the Federal Reserve (Fed) voted 11-1 to maintain the federal funds target range at 3.50–3.75%, with Governor Stephen Miran dissenting in favour of a 25-bp cut. Governor Christopher Waller, who voted for a cut in January, supported no change this time. The shift in voting pattern underscores the fluid outlook amid the US-Iran conflict, with the FOMC statement noting that “the implications for the US economy are uncertain”.

### Uncertain outlook warrants a Fed pause

The dot plot signals just one additional 25-bp rate cut in 2026, followed by another 25-bp cut in 2027, bringing the policy rate to 3.00–3.25% by end-2027. While this is broadly unchanged from the December projection, the distribution has become more concentrated, with no member expecting rates to go up to 3.75–4.00% (previously three), and fewer members pencilling in multiple cuts (Fig. 2).

Meanwhile, the Fed revised its baseline GDP growth outlook slightly higher relative to December (Fig. 3). On the potential upside from higher oil prices, Chair Powell noted that a sustained increase in oil prices would likely be needed before oil producers ramp up output, although “some of that could happen over time”.

The Fed also revised its 2026 PCE inflation projection higher, reflecting the oil shock and tariff-related goods price pressures. Importantly, Powell guided that the easing path assumes tariff-driven goods inflation will prove one-off and temporary. Should goods inflation fail to moderate as expected, the case for rate cuts would weaken.

### Sticky inflation; cooling labour market

US inflation has remained sticky, rising +2.4% YoY in February (Jan: +2.4%). For context, inflation stayed within the 2.3-3.0% range throughout 2025, still above the Fed’s 2.0% target, partly reflecting the pass-through from President Trump’s tariff measures. February data showed persistent price pressures on necessity, with electricity, medical care and motor vehicle maintenance all recording inflation above 4.0%, suggesting firm underlying price momentum.

Labour market signals were mixed. Nonfarm payrolls unexpectedly declined by 92k in February (consensus: +59k; Jan: +126k), although part of the weakness may reflect temporary drivers, including the strike involving 31k healthcare workers at Kaiser Permanente and payback after strong January gains. The unemployment rate edged up to 4.4% (Jan: 4.3%), pointing to cooling labour market. On a positive note, initial jobless claims fell to 213k in early March, raising hopes that February’s weakness could prove to be short-lived.

### Oil shock complicates Fed’s dual mandate

The escalation in the US-Iran conflict has led to renewed inflation risks. The closure of the Strait of Hormuz has disrupted global supply chains, particularly for crude oil and industrial inputs. US

gasoline prices have risen sharply, with the national average climbing to USD3.84 per gallon, increasing by around 30% from pre-conflict levels. Higher pump prices could dampen household purchasing power and have spillover effects on the broader economy.

According to a Financial Times survey of economists, if crude oil prices remain near USD100/bbl, PCE inflation could rise by around 0.25-0.5 ppts (Fig. 4). Based on the Fed's pre-conflict projection of 2.6% in January, this would push inflation closer to 3%, delaying the return to target. However, the growth impact is less clear. While most respondents (68%) expect higher oil prices to trim GDP growth by around 0.25-0.50 ppts (Fig. 5), some see offsetting support likely from stronger domestic energy production and defence-related spending.

The geopolitical tensions and energy shock could widen divisions within the FOMC, with doves focusing on softer labour data while hawks remain concerned about persistent inflation. On balance, we think the inflation will take precedence, as energy-driven price pressures could quickly feed into consumer expectations even if growth impacts remain unclear.

### Trim to one rate cut in 2026; near-term USD supported

Taken together, the data supports the case for a prolonged pause, in which the Fed will likely adopt a wait-and-see approach in the near term. We now expect only one 25-bp rate cut in 2026, likely in September (previously two cuts). This is broadly in line with Fed funds futures, which currently price in one cut by December 2026.

Reduced expectations of rate cuts, together with safe-haven demand amid geopolitical tensions, should keep the US dollar supported in the near term. The dollar index has risen 2.2% MTD to 99.8, partially reversing the earlier decline this year. For Malaysia, the impact should remain manageable. As a net energy exporter, higher oil prices provide some buffer against global volatility, while continued political stability supports sustained capital flows. We expect USD/MYR to trade within the 3.90–4.00 range in the near term.

### BNM policy to remain steady

We see limited immediate impact on BNM's policy outlook despite the evolving Fed monetary policy trajectory. Domestic fuel subsidy mechanisms should cushion the pass-through from higher global oil prices, keeping inflation contained in the near term. That said, upside risks to inflation have increased, raising the prospect of BNM rate hike following its 25-bp pre-emptive cut last year. For now, we maintain our view that the OPR will remain at 2.75% through 2026.

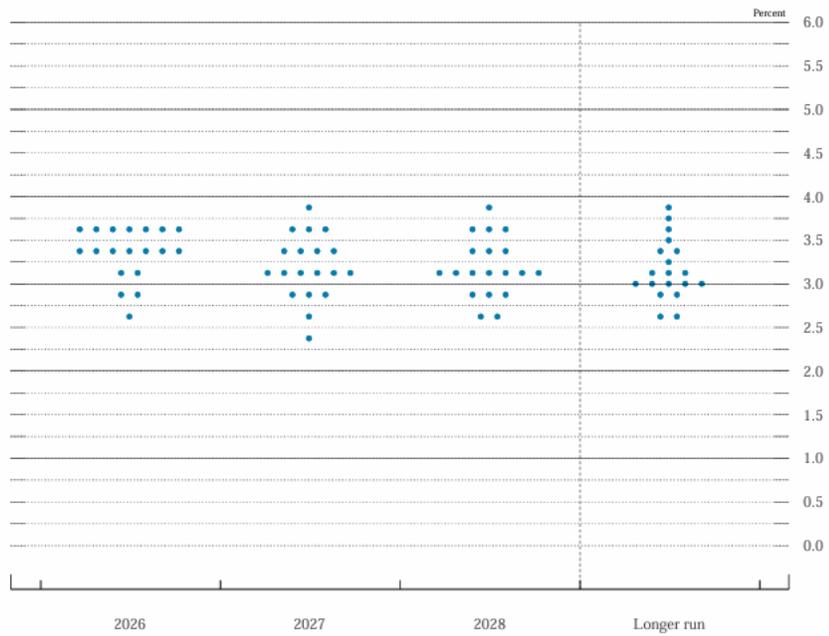
**Figure 1: FOMC Meeting Schedule & Outlook for 2026**

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	Unchanged
3rd	28-29 Apr	Unchanged	Unchanged	
4th	16-17 Jun*	Unchanged	Unchanged	
5th	28-29 Jul	Unchanged	Unchanged	
6th	15-16 Sep*	25-bp cut	Unchanged	
7th	27-28 Oct	Unchanged	Unchanged	
8th	8-9 Dec*	Unchanged	25-bp cut	

Source: Federal Reserve, CME Group, Apex Securities

\*Meeting associated with a Summary of Economic Projections

Figure 2: Fed's Dot plot



Source: Federal Reserve

Figure 3: Fed's Summary of Economic Projections

Variable	Median <sup>1</sup>			
	2026	2027	2028	Longer run
Change in real GDP	2.4	2.3	2.1	2.0
December projection	2.3	2.0	1.9	1.8
Unemployment rate	4.4	4.3	4.2	4.2
December projection	4.4	4.2	4.2	4.2
PCE inflation	2.7	2.2	2.0	2.0
December projection	2.4	2.1	2.0	2.0
Core PCE inflation <sup>4</sup>	2.7	2.2	2.0	
December projection	2.5	2.1	2.0	
Memo: Projected appropriate policy path				
Federal funds rate	3.4	3.1	3.1	3.1
December projection	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 4: Oil Shock Impact on Inflation**

\$100 oil will raise US inflation substantially

Share of polled economists who said higher oil prices will increase headline PCE inflation by:



Source: FT-Booth survey of 47 economists in March 2026 • Predicted change in headline PCE inflation relative to a baseline where oil stayed at \$75/barrel

FINANCIAL TIMES

Source: *Financial Times*

**Figure 5: Oil Shock Impact on GDP**

US GDP growth will fall significantly if oil stays at \$100

Share of polled economists who said higher oil prices will cause GDP growth to be:



Source: FT-Booth survey of 47 economists in March 2026 • Predicted change in real GDP growth from fourth quarter of 2025 to fourth quarter of 2026 relative to a baseline where oil stayed at \$75/barrel

FINANCIAL TIMES

Source: *Financial Times*

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#### 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.

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#### 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.

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