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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

### Fed wary of inflation risks

- **The Fed kept the policy rate at 3.50–3.75%, with one dissenter favouring a 25-bp cut. Notably, three members opposed retaining the easing bias in the statement.**
- **Focus now turns to the upcoming Fed chair transition and Kevin Warsh’s policy framework.**
- **With the Fed’s focus likely shifting towards containing inflation, we now expect the Fed to remain on hold through 2026 (one 25-bp cut previously).**
- **Expectations of a more neutral Fed, together with safe-haven demand, should keep the US dollar supported. We expect USD/MYR to trade within 3.95-4.05 in the near term.**
- **We keep our view that BNM will keep the OPR at 2.75% through 2026 to preserve growth.**

### Fed kept policy rate steady

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. Notably, three members supported keeping rates unchanged but opposed retaining the easing bias in the statement, particularly the reference to “additional adjustments” to the federal funds target range. This highlights a more cautious Fed amid rising inflation risks stemming from the US-Iran conflict.

### Moving closer to neutral stance

The FOMC statement acknowledged elevated inflation risks, noting that “developments in the Middle East are contributing to a high level of uncertainty.” Questions over whether the Fed is moving towards a neutral stance dominated the post-meeting press conference. Chair Powell noted that the Fed was much closer to changing its forward guidance, but sees no urgency to do so, preferring to wait for greater clarity on the economic implications of the conflict. Meanwhile, Powell indicated that he will stay on as Fed governor after his chairmanship ends in May.

### Rising inflation risks; labour market broadly steady

Recent inflation data has started to reflect the impact of the US-Iran conflict, with headline CPI rising to +3.3% YoY in March (Feb: +2.4%). On a month-on-month basis, inflation accelerated to +0.9% MoM (Feb: +0.3%), driven largely by a 21% spike in gasoline prices. Meanwhile, food prices (+0.0%) and shelter (+0.3%) remained stable, suggesting limited second-round effects for now. That said, higher transportation, fertiliser and industrial input costs could gradually broaden price pressures over time.

Labour market conditions remain steady. Nonfarm payrolls increased by 178k in March (consensus: +59k; Feb: -133k), partly reflecting the resolution of the 31k healthcare workers’ strike. The unemployment rate edged down to 4.3% (Feb: 4.4%), while more recent indicators such as ADP private payrolls showed average gains of 39,250 jobs in the four weeks ending 11 April, pointing to continued labour market stability. Nonetheless, a prolonged Middle East conflict could eventually weigh on business hiring sentiment.

### Fed chair transition in focus

Market attention is increasingly turning to the upcoming Fed chair transition. With Powell’s term ending in May, his policy guidance may be seen as less indicative of the future policy path, particularly as Kevin Warsh is widely expected to be confirmed as successor. Warsh’s policy framework will therefore be closely watched.

Notably, Warsh has expressed preference for trimmed mean inflation, a measure that strips out extreme price swings to better capture underlying price trends. By that gauge, trimmed mean core PCE stood at +2.3% YoY in February, below core PCE of +3.0%, potentially pointing to a more favourable assessment of inflation amid today’s supply-driven price pressures.

### Expect no cut in 2026; near-term USD supported

We concur with the Fed’s view that the US economy remains resilient, supported by the ongoing AI investment upcycle and sustained data centre demand. The wealth effect from resilient equity markets should also continue to underpin household spending. As reflected in the increasingly cautious tone from the Fed committee, the Fed’s focus may shift towards containing inflation.

Taken together, we now expect the Fed to remain on hold through 2026 (one 25-bp cut previously). This is broadly in line with Fed funds futures, which are pricing in no cut in 2026.

Growing expectations of a more neutral Fed stance, alongside safe-haven demand amid geopolitical tensions, should keep the US dollar supported in the near term. The dollar index has risen 1.4% to 98.9 since the onset of the conflict. We expect USD/MYR to trade within the 3.95-4.05 range in the near term.

### BNM policy to remain steady

Closer to home, we maintain our view that BNM will keep the OPR unchanged at 2.75% through 2026 to preserve growth. The extent of spillovers from elevated crude oil prices into broader inflation, alongside the strength of domestic demand, will remain key policy considerations.

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

Date	In-house Projection	Fed Funds Future	Fed Decision
27-28 Jan	Unchanged	Unchanged	Unchanged
17-18 Mar*	Unchanged	Unchanged	Unchanged
28-29 Apr	Unchanged	Unchanged	Unchanged
16-17 Jun*	Unchanged	Unchanged	
28-29 Jul	Unchanged	Unchanged	
15-16 Sep*	Unchanged	Unchanged	
27-28 Oct	Unchanged	Unchanged	
8-9 Dec*	Unchanged	Unchanged	

Source: Federal Reserve, CME Group, Apex Securities

\*Meeting associated with a Summary of Economic Projections

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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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