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US Economic Summary

% YoY	2023	2024	2025	4Q26F*
Real GDP	2.9	2.8	2.1	2.2
Core PCE	4.2	2.9	2.8	3.3
Unemployment (%)	3.6	4.0	4.3	4.3

**Fed projection*

Malaysia Economic Summary

2025 GDP Growth	**+5.2%**
2026 GDP Growth Forecast:	**+5.0%**
2025 Export Growth:	**+6.4%**
2026 Export Growth Forecast:	**+16.3%**
2025 Unemployment Rate	**3.0%**
2026 Unemployment Rate Forecast:	**3.0%**
2025 Headline Inflation:	**+1.4%**
2026 Headline Inflation Forecast:	**+2.0%**
End-2025 OPR	**2.75%**
End-2026 OPR Forecast:	**2.75%**

US FOMC Meeting

Hawkish hold as price stability takes precedence

- **The Fed held the policy rate at 3.50–3.75%, with three dissenters favouring a 25-bp hike.**
- **Chair Warsh reiterated the Fed's commitment to restoring price stability to its 2.0% inflation target, with policy decisions guided by broader inflation trends.**
- **We continue to expect one 25-bp rate hike in September 2026, as restoring price stability takes precedence over supporting economic growth.**
- **We maintain our view that BNM will keep the OPR unchanged at 2.75% through 2026 amid a benign inflation outlook.**

Fed kept policy rate steady

As expected, the Federal Reserve (Fed) voted 9-3 to maintain the federal funds target range at 3.50-3.75%. Notably, three members dissented in favour of a 25-bp rate hike, including Governor Beth Hammack, Governor Neel Kashkari and Governor Lorie Logan. The three dissents, compared with a unanimous decision in June, suggest that more FOMC members are becoming increasingly concerned about persistent inflationary pressures.

Fed remains committed to its 2.0% inflation target

Chair Warsh's key message centred on the Fed's unwavering commitment to restoring price stability. He stressed that the Fed has *"no tolerance"* for inflation that has remained above target for more than five years and reiterated that *"there's only a target, and it's 2%."*

While acknowledging the softer June inflation reading, Chair Warsh emphasised that the Fed would not overreact to a single month's data, with policy decisions continuing to depend on **broader inflation trends**. He also noted that the Fed would assess the appropriate *"extent and timing"* of policy actions based on incoming economic data. In addition, Chair Warsh described the recent rise in Treasury yields as markets *"playing the ball, not the referee",* reflecting investors' response to evolving economic fundamentals rather than the Fed's reaction function.

Separately, some Fed officials appear increasingly concerned that **inflationary pressures could broaden beyond energy prices**. Governor Beth Hammack recently noted that inflation risks could stem not only from supply disruptions and petrol prices, but also from sizeable AI-related capital expenditure, rising electricity demand from data centres and higher insurance costs. These remarks reinforce our expectation that the Fed will tighten policy, with the key question being the timing of the next rate hike.

Inflation eases; labour market broadly steady

The latest inflation data provided some relief to financial markets. Headline CPI moderated to +3.5% YoY in June (May: +4.2%), below market expectations of +3.8%, partly due to a slower increase in energy prices. Meanwhile, core inflation eased to +2.6% YoY (May: +2.9%), suggesting underlying price pressures have moderated modestly.

Labour market signals were mixed. Nonfarm payrolls increased by just 57k in June (consensus: +110k), following a downwardly revised gain of 129k in May. On a positive note, the unemployment rate edged lower to 4.2% (May: 4.3%), while initial jobless claims declined to 187k in the week ended 18 July. Although the lower unemployment rate may partly reflect reduced labour force participation amid tighter immigration policies, labour market conditions remain broadly resilient.

Maintain view of one rate hike in 2026

Taken together, the resilient US economy and the Fed's focus on restoring price stability suggest that bringing inflation back to its 2.0% target will continue to take precedence over supporting economic growth. While our Brent crude oil assumption of USD85/bbl for 2026 suggests energyrelated inflation should remain manageable in 2H26, broader inflationary pressures stemming from AI-related investment and rising producer costs warrant close monitoring.

As such, we continue to expect **one 25-bp rate hike in September 2026**. Following the Fed's shift away from forward guidance, incoming economic data and market reactions will play an even more important role in shaping the policy path. Key developments to monitor include the sustainability of labour market resilience and oil price movements, both of which could influence the timing of the anticipated rate hike.

BNM policy to remain steady

Closer to home, **we maintain our view that BNM will keep the OPR unchanged at 2.75%** through 2026 amid a benign inflation outlook. The extent to which higher producer costs and elevated energy prices feed through to broader consumer inflation, alongside the resilience of domestic demand, will remain key policy considerations.

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	Unchanged
4th	16-17 Jun*	Unchanged	Unchanged	Unchanged
5th	28-29 Jul	Unchanged	Unchanged	Unchanged
6th	15-16 Sep*	25-bp hike	25-bp hike	
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

As of **Thursday, 30 Jul, 2026**, 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.