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US Economic Summary

% YoY	2023	2024	2025	4Q26F*
Real GDP	2.9	2.8	2.1	2.3
Core PCE	4.2	2.9	2.8	3.4
Unemployment (%)	3.6	4.0	4.3	4.1

*Fed projection

Malaysia Economic Summary

2025 GDP Growth	**+5.2%**
2026 GDP Growth Forecast:	**+5.0%**
2025 Export Growth:	**+6.6%**
2026 Export Growth Forecast:	**+26.2%**
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

Fed raises 25 bps; tightening cycle into 2027

- **The Fed voted unanimously to raise the policy rate by 25bps to 3.75-4.00%, supporting a timelier return to its 2.0% inflation target.**
- **The dot plot signals another 25-bp rate hike this year, followed by a steady rate in 2027.**
- **We now expect another 25-bp hike in October, followed by one further rate hike in 2027.**
- **While we expect BNM to raise the OPR by 25 bps in 2027, the larger increase in the Fed funds rate would put some pressure on the ringgit. We maintain our projection for USDMYR to average 4.03 this year, before moderating modestly to 4.15 in 2027.**

The beginning of tightening cycle

The Federal Reserve (Fed) voted unanimously (12-0) to raise the federal funds target range by 25bps to 3.75-4.00%. This marks the first hike since Jul-23 and likely signals the start of a new tightening cycle, underscoring the Fed's pivot towards reining in elevated inflation pressures as the economy and labour market strengthened.

Fed's focus on quelling elevated inflation

The Fed's decision to hike was guided by its assessment that the economy has strengthened while inflation has remained *"too high and has been for too long"*, with today's rate hike *"supporting a timelier return"* to its 2.0% inflation target. While acknowledging that monetary policy cannot address supply-driven inflation shocks, Chair Warsh stressed that the Fed will prevent inflation from broadening and generating secondary effects.

He noted that fighting inflation does not require inflicting harm on the labour market, arguing that bringing inflation under control would support more sustainable growth. His remarks suggest that the Fed is **focused on the broader inflation trend, while willing to tolerate some slight moderation in economic activity in pursuit of more sustainable growth**, in our view.

Fed increasingly hawkish

The dot plot now signals another 25 bps of rate hike by end-2026 (median: 4.1%), taking the policy rate to 4.00%–4.25%, followed by no change in 2027 (median: 4.1%). This represents roughly one extra 25-bp hike in 2026 versus the July projection. The Fed's baseline outlook is also consistent with its policy action. GDP growth and inflation for 2026 have been revised up, while the unemployment forecasts are now lower (Fig. 3).

Labour market steady; inflation increasingly a concern

The labour market surprised on the upside. Nonfarm payrolls increased by +162k in August (consensus: +56k), while July job gains were revised higher to +21k. The stronger-than-expected job growth was driven mainly by a rebound in leisure and hospitality employment. Meanwhile, the unemployment rate remained steady at 4.1% (Jul: 4.1%), pointing to continued resilience in labour market conditions.

Meanwhile, inflation remains sticky. Headline CPI rose +0.4% MoM in August (Jul: +0.1%), reflecting a rebound in energy prices. Core CPI increased +0.3% (Jul: +0.2%), above market expectations of +0.2%, reinforcing concerns over underlying price pressures. With Brent price remaining above USD100/bbl, US diesel price has surged 71% YoY to USD6.31/gallon, raising business costs and concerns over broader pass-through to consumer prices.

Revise to two rate hikes in 2026

Inflation concerns alongside elevated Treasury and corporate bond supply have pushed the Treasury curve higher in recent weeks. The 10-year UST yield breached 5% on 15 September, the highest since October 2023, before retreating to around 4.97%. **The rise in long-end yields signals growing market concerns over the inflation outlook, putting pressure on the Fed to**

deliver on its commitment to tame inflation. Failure to act decisively risks undermining the Fed's credibility, in our view.

We therefore expect the Fed to shift to an increasingly hawkish stance, despite President Trump's calls for lower rates. The 25-bp rate hike in September is in line with our view, but recent developments in inflation and the yield curve strengthen our conviction that the Fed will remain hawkish beyond the September meeting. We therefore **do not expect the September hike to be a "one-and-done" move**, but rather the start of a tightening cycle extending into 2027.

We now expect two 25-bp rate hikes in 2026 (previously: one rate hike), with another hike in October taking the fed funds target range to 4.00-4.25%, **followed by one further rate hike in 2027** to 4.25-4.50%.

Slight moderation for ringgit in 2027

As such, UST yields should retain a mild upward bias. Together with safe-haven demand amid elevated geopolitical tensions, this should keep the US dollar supported. The dollar index has risen 2.2% MTD to 99.6, but remains below its 101.6 peak in June. We believe there is still room for the dollar index to move above 100 heading into 2027.

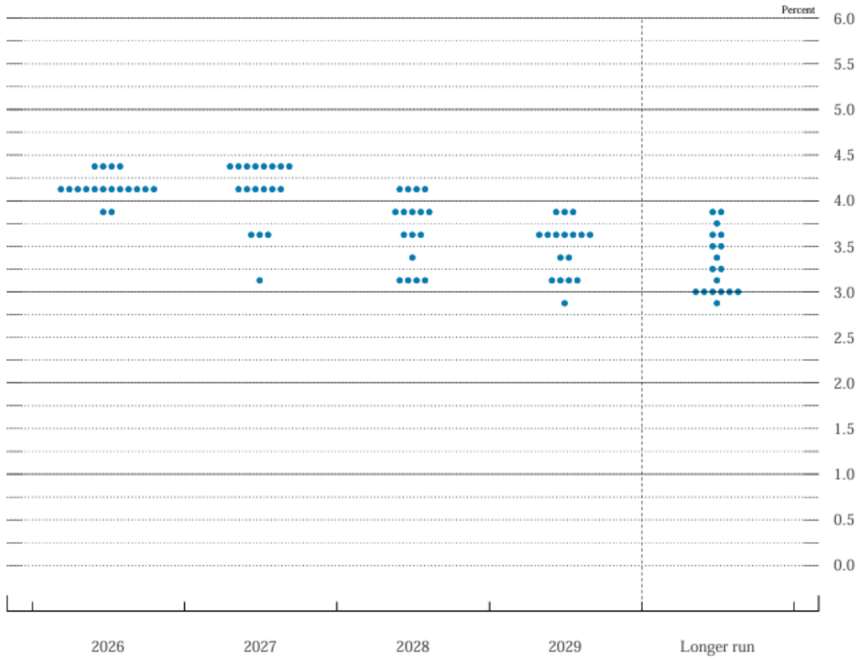
Closer to home, we expect BNM to raise the OPR by 25 bps in 2027, normalising the policy rate to 3.00%. While this should provide some support to the ringgit, the larger increase in the Fed funds rate would widen US-Malaysia interest rate differentials and put some pressure on the ringgit. We **maintain our projection for USDMYR to average 4.03 this year (2025: 4.28), before moderating modestly to 4.15 in 2027.**

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	25-bp hike
7th	27-28 Oct	25-bp hike	Unchanged	
8th	8-9 Dec*	Unchanged	25-bp hike	

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[1]				
	2026	2027	2028	2029	Longer run
Change in real GDP	2.3	2.4	2.2	2.1	2.0
June projection	2.2	2.3	2.2		2.0
Unemployment rate	4.1	4.1	4.1	4.1	4.2
June projection	4.3	4.3	4.2		4.2
PCE inflation	3.7	2.3	2.1	2.0	2.0
June projection	3.6	2.3	2.0		2.0
Core PCE inflation[4]	3.4	2.5	2.2	2.0	
June projection	3.3	2.5	2.1		
Memo: Projected appropriate policy path					
Federal funds rate	4.1	4.1	3.9	3.6	3.2
June projection	3.8	3.6	3.4		3.1

Note: SEP projections reflect Q4 levels or Q4/Q4 changes, not full-year averages.
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, 17 Sep, 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.