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23 OCTOBER 2025

US Shutdown Drags On, Markets Lean USD

It has now been **23 days since the US government entered shutdown on 1 October 2025**, extending risks of becoming the longest closure on record. As we highlighted before, prolonged standstills come with clear economic costs — lost federal output, weaker household confidence, and delayed contractor payments. The Congressional Budget Office's rule of thumb **suggests each additional week of closure could shave ~0.1ppt off annualised GDP growth**[1].

The more immediate impact, however, is the **data blackout**. With agencies like the Bureau of Labor Statistics (BLS) and Bureau of Economic Analysis (BEA) unable to publish reports, the Fed is forced to **navigate its next decision with limited visibility**. Historically, shutdowns have complicated the Fed's communication but not halted policy action — during the 2013 closure, for instance, FOMC proceeded with its October meeting, emphasising reliance on "soft indicators" until official data returned. This raises the risk of **policy miscalibration** in today's cycle, where the Fed is already balancing weaker job gains against still-sticky inflation.

The USD has weakened 9.6% year-to-date despite geopolitical tensions, with gold repeatedly breaking new highs. Yet the **current shutdown has triggered a short-lived rotation back into USD liquidity and Treasuries**, even as gold corrected. This may reflect shifting safe-haven preferences — less about long-term fiscal credibility, more about near-term cash and yield dynamics.

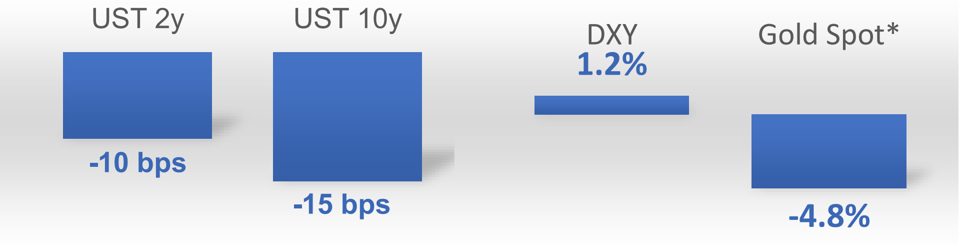
1 / The US Government Shutdown Adds Uncertainty To The Economic Outlook

History's Longest Government Shutdowns

President	Duration (days)	Dates	Reason
Donald Trump (R)	**35**	Dec 22, 2018 – Jan 25, 2019	Border wall funding
Bill Clinton (D)	**21**	Dec 16, 1995 – Jan 6, 1996	Medicare, education, public health funding disputes
Jimmy Carter (D)	**18**	Sept 30 – Oct 18, 1978	HEW (Health, Education, Welfare) funding
Ronald Reagan (R)	**17**	Sept 30 – Oct 17, 1982	Defense vs. social spending cuts
Barack Obama (D)	**16**	Oct 1 – Oct 17, 2013	Affordable Care Act dispute

Source: Congressional Research Service, Brookings, CBO

Market Moves Since US Government Shutdow



**Gold Spot move refers to last 5 trading days; data from MarketWatch*

Source: MarketWatch, CEIC, BMMB Economics

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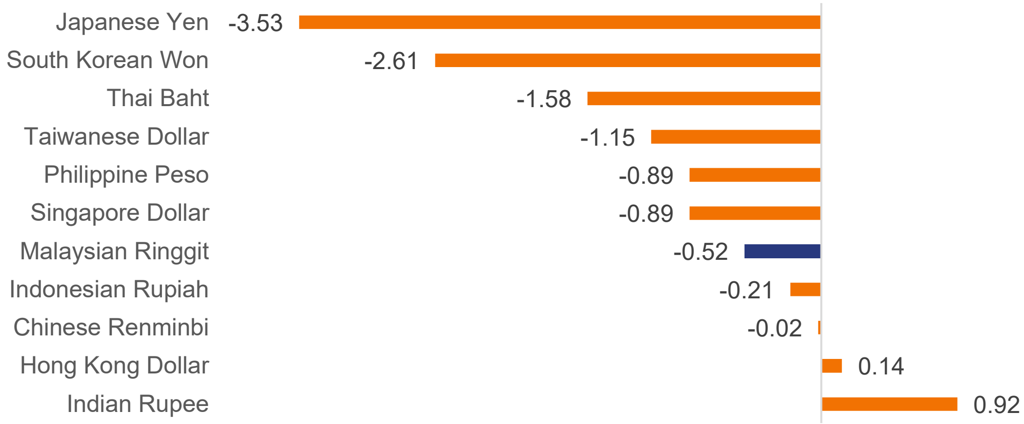
Shutdown Volatility Caps Ringgit, Fiscal Anchor Supports Year-End View

The ringgit has eased by roughly **0.52% since 1st Oct**, struggling to break below the 4.20-mark. That level has **acted as a resistance**, reflecting the broader **bid for the dollar across Asia** in recent weeks — with the won, baht and Taiwan dollar all retreating alongside. The difference is that **Malaysia's move has been relatively contained**, underscoring that the MYR is not severely underperforming against its peers. Still, near-term support from portfolio flows appears to have waned, MGS yields have edged higher month-to-date, while UST yields declined on safe-haven demand — highlighting weaker EM debt appetite for now.

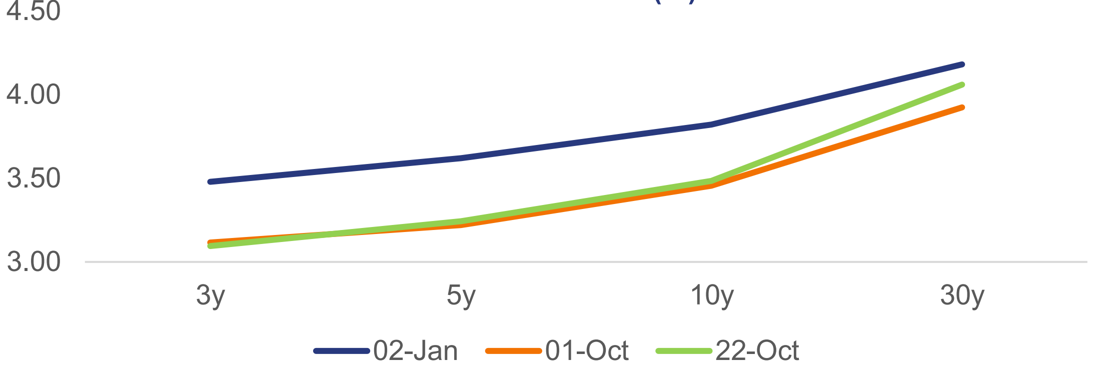
The medium-term differentiator remains **fiscal credibility**. Budget 2026 outlined meaningful steps in broadening revenue base, subsidy rationalisation, and a narrower deficit trajectory. These measures, alongside resilient growth prospects, continue to underpin investor confidence. Together, they form the policy anchor for our view that the ringgit will end the year firmer, within the **RM4.15–4.20/USD** range.

Key risks remain a **prolonged US fiscal standoff** that sustains USD strength and renewed geopolitical volatility, which could cap near-term gains but leave our year-end view intact.

Asian Currencies Spot returns (%) for 1–22 October 2025



MGS Yield Curve (%)



Source: Bloomberg, CEIC, BMMB Economics

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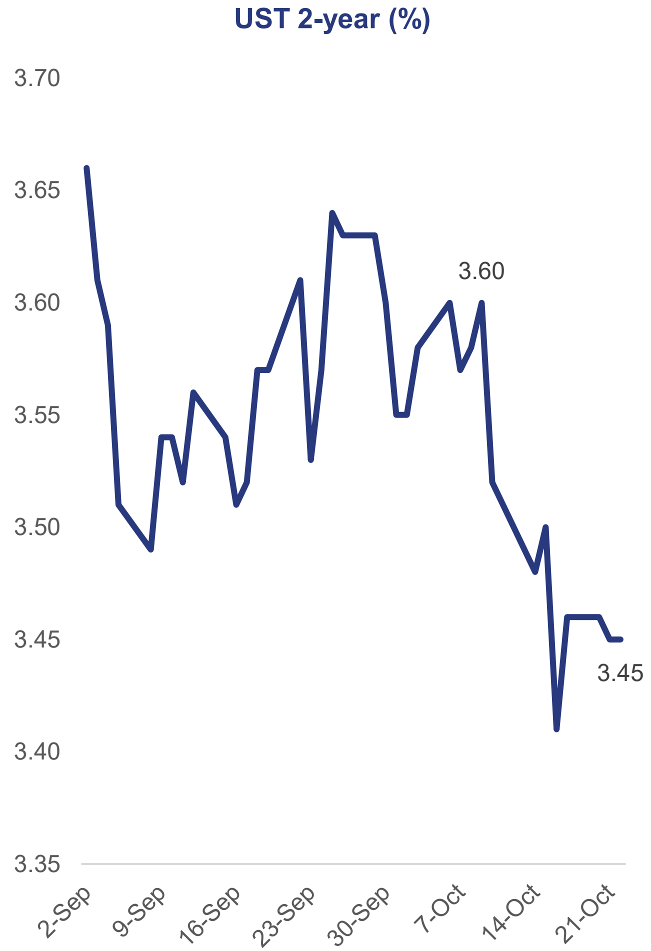
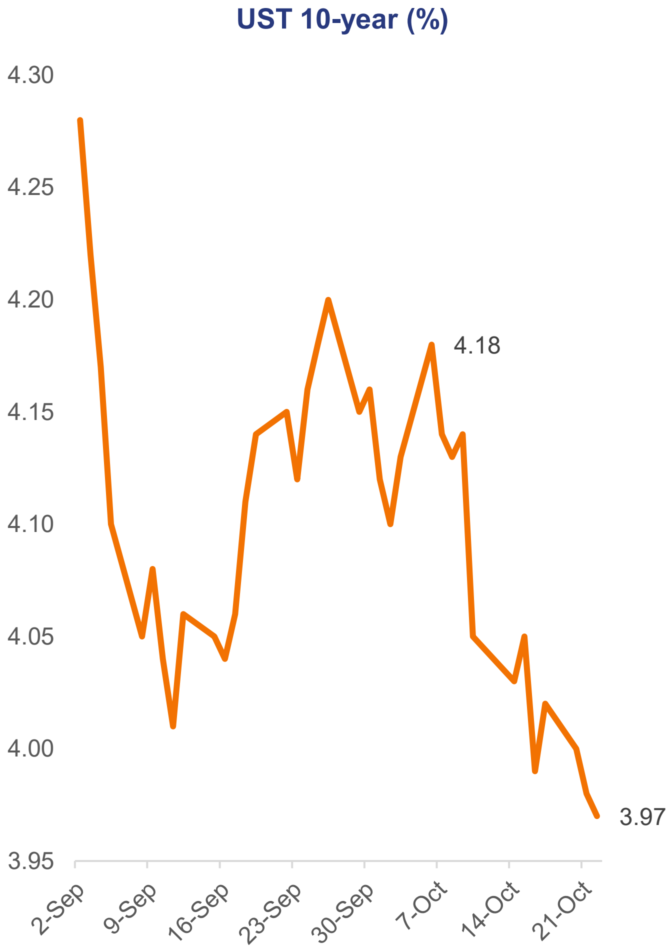
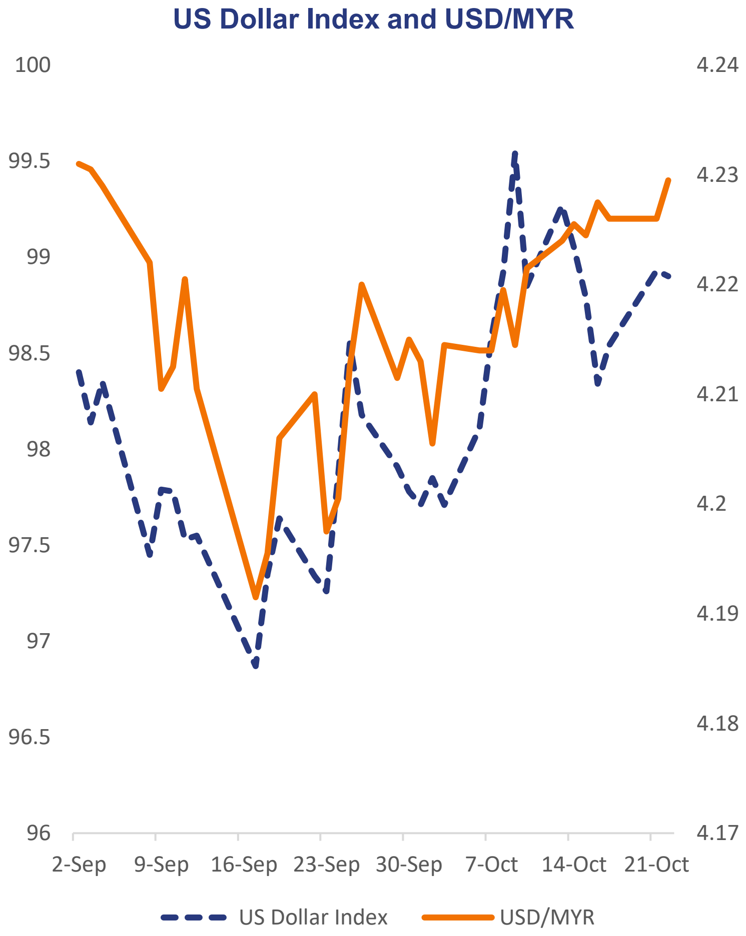
Appendix







CEIC, BMMB Economics