WEEKLY MONEY REVIEW

MIDF Strategy 21 July 2025

Week Ended 18 July 2025

- The UST market retreated for third consecutive week with benchmark 10-year yield ended the review week higher at 4.42% (prior week: 4.41%) attributable to resurgent concerns among investors about the inflationary impact of President Trump's tariffs. The 10y-3y yield spread expanded (yield curve steepened) to +58bp (prior week: +55bp) as the long-end underperformed. At week close, the interest rate futures market implied 2 rate cuts totaling -50bp (prior week: 2 cuts totaling -50bp) in 2025.

- Medium-term inflation expectation (MTIE) ended the review week higher at 2.52% (prior week: 2.46%). The MTIE has remained above the US Fed target level of 2.00% since the initial interest rate cut in September 2024. We nonetheless believe the market is still convinced that the underlying inflation trend is gradually easing despite the elevated MTIE.

- The price of MGS benchmark issues ended the review week mixed with the 3-year and 10-year yields added +2.0bp and shed -2.2bp to close at 3.08% and 3.42% respectively. The 10y-3y yield spread narrowed (yield curve flattened) to +34bp (prior week: +38bp) as the long-end outperformed.

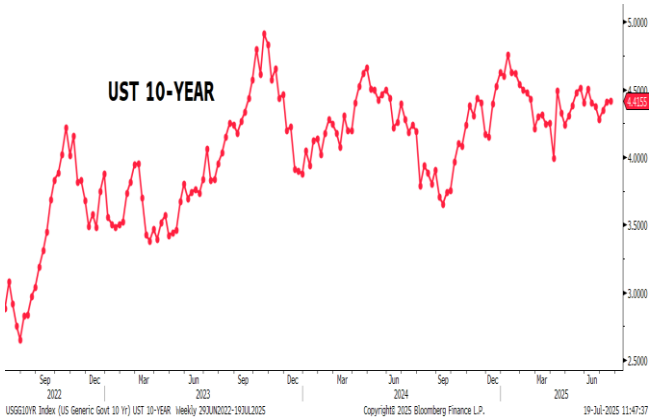
- MGS foreign holdings declined month-on-month to RM297b in June 2025 from RM302b in May 2025. However, it increased year-on-year from RM271b in June 2024. On Bursa Malaysia, the 12-month rolling sum of foreign net equities trade ended the review week at -RM16.8b. It declined week-on-week from -RM15.8b registered a week ago. Moreover, it declined year-on-year from +RM2.2b a year ago.

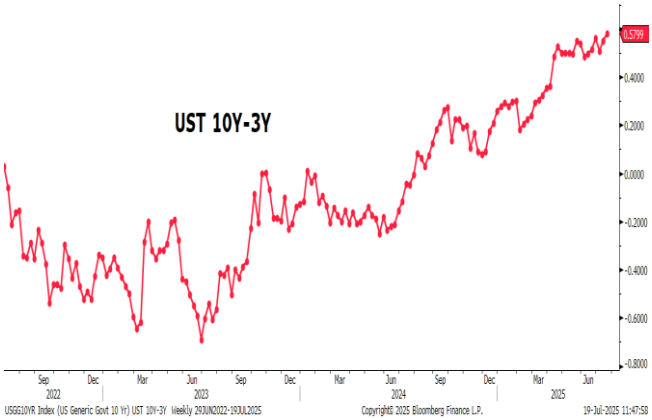
21 July 2025 | **Strategy** Strategy Team | research@midf.com.my

WEEKLY MONEY REVIEW

A. FIXED INCOME

- The UST market retreated for third consecutive week with benchmark 10-year yield ended the review week higher at 4.42% (prior week: 4.41%) attributable to resurgent concerns among investors about the inflationary impact of President Trump's tariffs. The 10y-3y yield spread expanded (yield curve steepened) to +58bp (prior week: +55bp) as the long-end underperformed. At week close, the interest rate futures market implied 2 rate cuts totaling -50bp (prior week: 2 cuts totaling -50bp) in 2025.

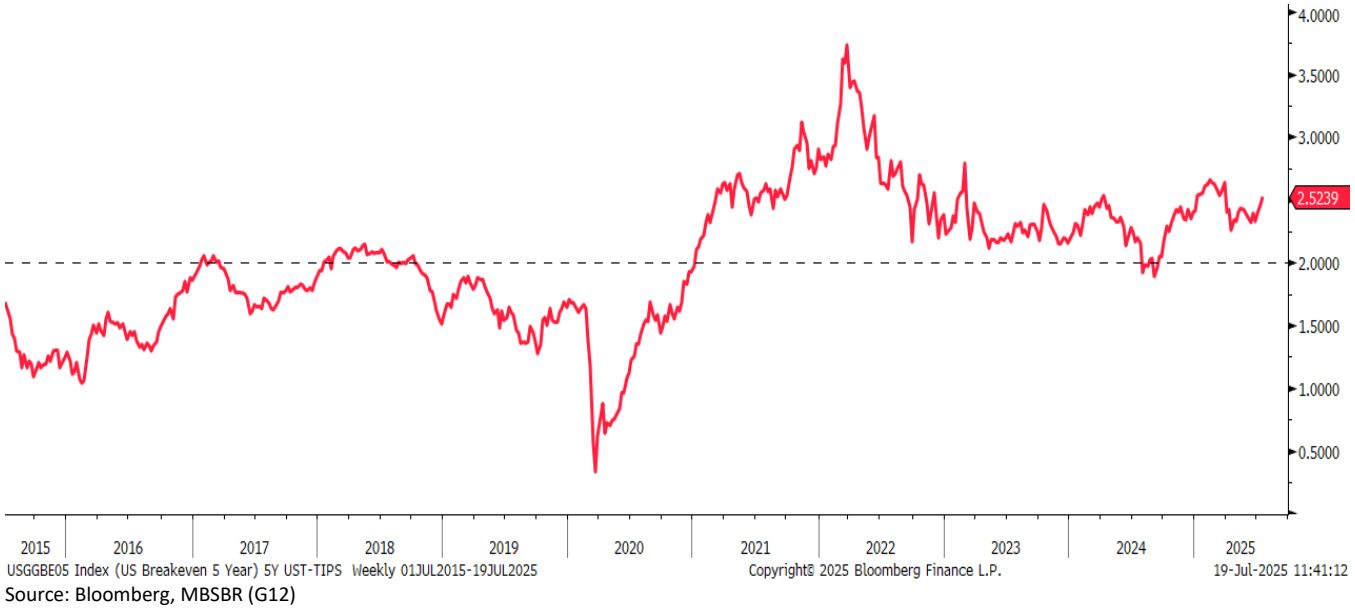




Source: Bloomberg, MBSBRR (G8, G9)

- Medium-term inflation expectation (MTIE) ended the review week higher at 2.52% (prior week: 2.46%). The MTIE has remained above the US Fed target level of 2.00% since the initial interest rate cut in September 2024. We nonetheless believe the market is still convinced that the underlying inflation trend is gradually easing despite the elevated MTIE.

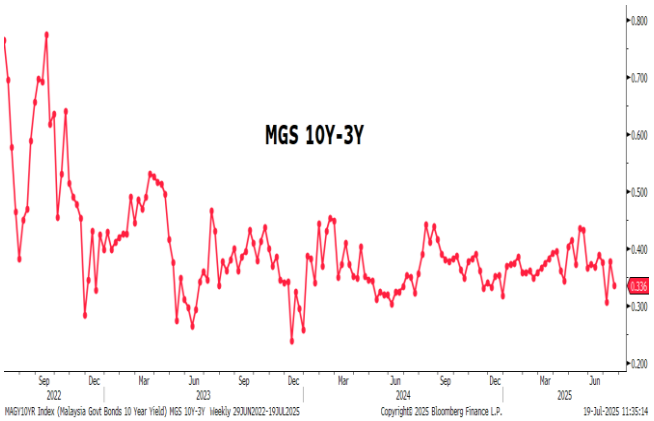
MEDIUM-TERM INFLATION EXPECTATION (MTIE): 5Y UST-TIPS SPREAD



Source: Bloomberg, MBSBR (G12)

- The price of MGS benchmark issues ended the review week mixed with the 3-year and 10-year yields added +2.0bp and shed -2.2bp to close at 3.08% and 3.42% respectively. The 10y-3y yield spread narrowed (yield curve flattened) to +34bp (prior week: +38bp) as the long-end outperformed.



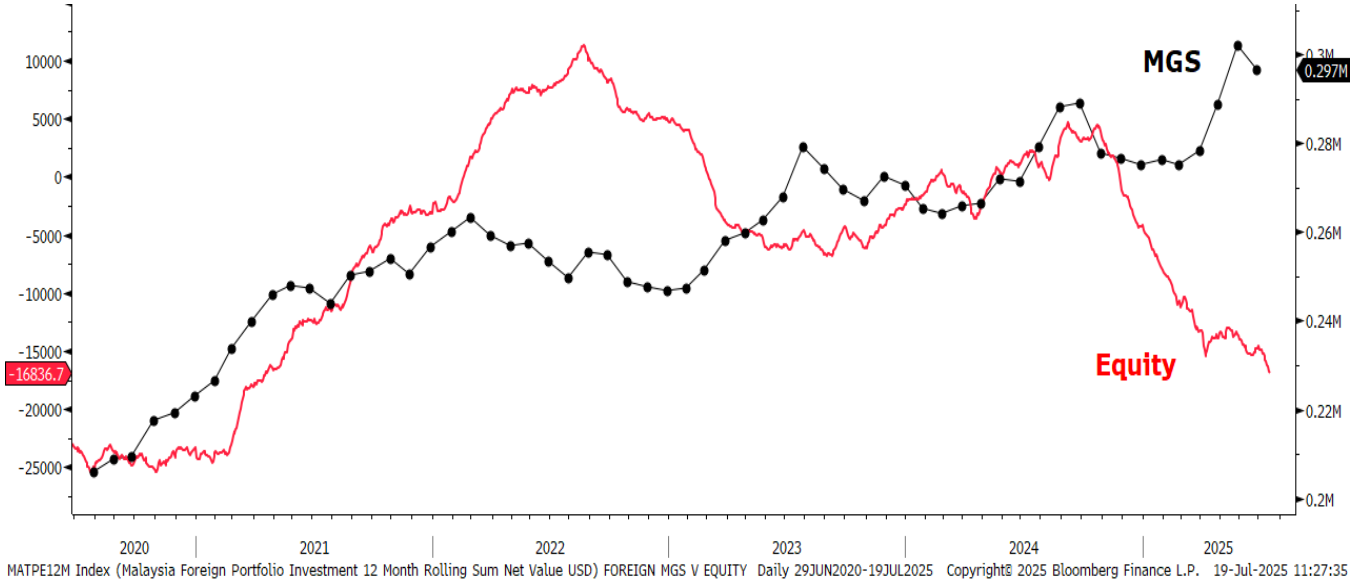


Source: Bloomberg, MBSBRR (G10, G11)

- Total trading value for Government Bonds (MGS/MII) declined to RM30.0b in the review week compared to RM33.6b in the prior week (based on Bloomberg data). The total trading value of the 10 most actively traded issues declined (higher trading breadth) to 49% from 52% of the overall Government Bonds trade. Moreover, 6 out of the 10 most actively traded bonds saw lower yields, hence higher prices during the review week.

- The top 3 actively traded Government Bonds were dominated by issues of short and mid residual tenor. The top 3 most actively traded were MGS 3.955% 9/15/25 at RM5.4b, MGS 4.642% 11/7/33 at RM1.9b and MII 3.599% 7/31/28 at RM1.7b.

FOREIGN: MGS HOLDINGS & 12-M ROLLING SUM NET EQUITIES TRADE



Source: Bloomberg, MBSBR (G13)

- MGS foreign holdings declined month-on-month to RM297b in June 2025 from RM302b in May 2025. However, it increased year-on-year from RM271b in June 2024. On Bursa Malaysia, the 12-month rolling sum of foreign net equities trade ended the review week at -RM16.8b. It declined week-on-week from -RM15.8b registered a week ago. Moreover, it declined year-on-year from +RM2.2b a year ago.

- Total trading value for Corporate Bonds (Conventional & Sukuk) increased to RM3.8b in the review week compared to RM3.6b in the prior week (based on Bloomberg data). The total trading value of the 10 most actively traded issues increased (lower trading breadth) to 25% from 24% of the overall Corporate Bonds trade.

- The top 3 actively traded Corporate Bonds were dominated by issues of short and long residual tenor. The top 3 most actively traded were Danainfra Nasional 4.34% 10/27/36 at RM130m, Sarawak Petchem 5.09% 7/26/30 at RM110m, and Cagamas 3.78% 3/24/28 at RM110m.

B. FOREIGN EXCHANGE

- USD strengthened on the back of higher inflation. The US dollar strengthened last week as the DXY increased by +0.6%wow to 98.48, on the back a combination of President Donald Trump's intensified trade tensions and rising inflation has recently shaped the macroeconomic landscape. The week commenced with President Donald Trump's heightened trade rhetoric, including a proposed 30% tariff on imports from the European Union and Mexico, set to take effect on 1-Aug. This was complemented by the US administration's broader initiative to implement a unified tariff rate across over 150 countries, alongside a specific threat of a 100% tariff on buyers of Russian exports should a Ukraine peace deal not be secured by September 2025. Simultaneously, US inflation registered its second consecutive monthly acceleration. This inflationary trend has led to a notable adjustment in market expectations regarding the Federal Reserve's monetary policy path, with current pricing suggesting the FOMC will forgo a rate cut at its July 2025 meeting and assigning only a 55% probability to a cut in September 2025. In the longer term, investors are expected to maintain vigilance over the US long-term credit outlook. While safe-haven demand is anticipated to persist, a moderated appetite for US assets is foreseen, likely leading to a redirection of capital towards alternative safe havens such as the euro, Japanese yen, and gold

- Euro and the GBP weakened last week. As the US dollar strengthened, the pound sterling weakened by -0.6%wow to USD1.348, added with the labour market signalling weakness as the unemployment rate inched higher. Meanwhile, the euro weakened by -0.5%wow to USD1.163, despite inflation picked up to +2.0%yoy.

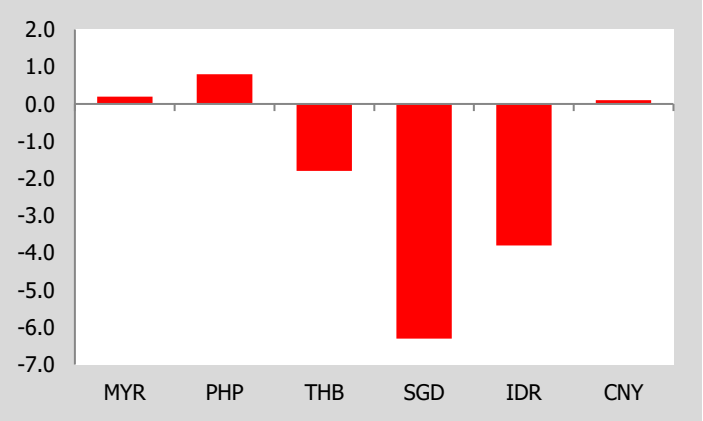
- Ringgit appreciated. The ringgit ended slightly higher last week, appreciating by +0.2%wow to RM4.244 on the back of the better-than-expected advance GDP release, added with the resilient retail spending, and the rebound in trade surplus surplus in the trade data recorded last Friday. In addition, the ringgit also strengthened against the currencies of Malaysia's trading partners as our Trade-Weighted Ringgit Index increase by +0.6%wow to 93.30, mainly strengthening against the Vietnam Dong (+0.35%wow), Thailand Baht (+0.288%wow), and the United Arab Emirates Dirham (+0.25%wow). We expect the ringgit's performance this week will continue to be influenced by the recent OPR rate change.

Currencies Changes (Week Ended 18 July 2025) and Quarterly Forecasts

	Close 18/07	Prev. Close 11/07	Weekly Change	Weekly Change (%)	1QCY25	2QCY25f	3QCY25f	4QCY25f
DXY Index	98.48	97.85	+0.629	+0.6	104.0	98.00	97.00	95.00
EURUSD	1.163	1.169	-0.006	-0.5	1.04	1.05	1.07	1.09
GBPUSD	1.342	1.349	-0.008	-0.6	1.26	1.28	1.30	1.32
USDJPY	148.8	147.4	-1.380	-0.9	150.00	147.80	146.70	143.94
USDMYR	4.244	4.254	+0.010	+0.2	4.43	4.28	4.27	4.25
GBPMYR	5.704	5.761	+0.057	+1.0	5.54	5.52	5.44	5.28
JPYMYR	2.851	2.883	+0.032	+1.1	2.93	2.93	2.88	2.83
MIDF TWRI	93.30	92.74	+0.562	+0.6	92.00	93.50	94.10	95.00

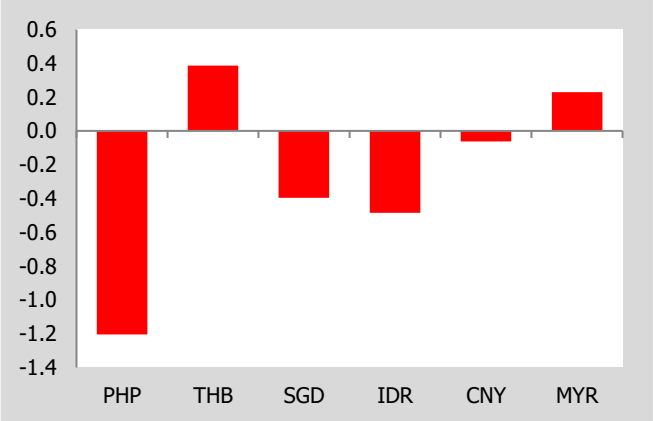
Note: "+" indicates appreciation, while "-"indicates depreciation. Quarterly figures are forecast by MBSBR
Source: Bloomberg, MBSBR

Yield Change in 10Y Government Bonds (bps)



Source: Bloomberg; Macrobond; MBSBR

Weekly Currencies Change vs Dollar (%)



Source: Bloomberg; MBSBR

Central Bank Policy Rate by Selected Economies (%)

	Nov-24	Dec-24	Jan-25	Feb-25	Mar-25	Apr-25	May-25	Jun-25	Jul-25
Malaysia	3.00	3.00	3.00	3.00	3.00	3.00	3.00	3.00	2.75
Indonesia	6.00	6.00	5.75	5.75	5.75	5.75	5.50	5.50	5.25
Philippines	6.00	5.75	5.75	5.75	5.75	5.50	5.50	5.25	5.25
Thailand	2.25	2.25	2.25	2.00	2.00	1.75	1.75	1.75	1.75
Vietnam	4.50	4.50	4.50	4.50	4.50	4.50	4.50	4.50	4.50
South Korea	3.00	3.00	3.00	2.75	2.75	2.75	2.50	2.50	2.50
India	6.50	6.50	6.25	6.25	6.25	6.00	6.00	5.50	5.50
Japan	0.25	0.25	0.50	0.50	0.50	0.50	0.50	0.50	0.50
UK	4.75	4.75	4.75	4.50	4.50	4.50	4.25	4.25	4.25
Euro area	3.40	3.15	2.90	2.90	2.90	2.40	2.25	2.00	2.00
USA	4.50-4.75	4.25-4.50	4.25-4.50	4.25-4.50	4.25-4.50	4.25-4.50	4.25-4.50	4.25-4.50	4.25-4.50

Source: Bloomberg, MBSBR

- US economic data released last week:
  - Inflation picked up. Consumer prices in the US grew at a slightly faster pace of +2.7%yoy in Jun-25 (May-25: +2.4%yoy), marking the fastest level since Feb-25 and in line with market consensus. The underlying price pressures were steady, with core CPI (excluding food and energy) accelerating slightly to +2.9%yoy after holding at +2.8%yoy for three consecutive months, the lowest since 2021.
  - Producer prices seem to soften. The US PPI inflation in Jun-25 moderated to +2.3%yoy (May-25: +2.7%yoy), slightly lower than market consensus of +2.5%yoy and hitting the lowest reading since Sep-25. The subdued producer prices during the month signal a potential cooling domestic demand. On a monthly basis, producer prices were unchanged (May-25: +0.2%mom), after rebounding in the previous month.
  - Factory activities continue to grow. US industrial production rose by +0.7%yoy in Jun-25, unchanged from the prior month, whereas on a monthly basis, it rose by +0.3%mom thanks to the sustained growth in manufacturing and utilities output. Manufacturing Production in the US increased +0.8%yoy in Jun-25, from the +0.6%yoy gain in May-25.
  - Unemployment claims soften again. Initial jobless claims weakened to 221K for the week ending 12-Jul (previous week: +228K), well below market expectation of an +8K rise to 235K.
  - Consumption remains robust. Domestic demand in the US improved in Jun-25 as retail sales rose slightly faster by +3.9%yoy (May-25: +3.3%yoy). On a monthly basis, retail trade rose by +0.6%mom (May-25: -0.9%mom), higher than market expectations of a +0.1%mom growth and reversing the declines seen in the previous two months.

- Interest rates update last week:
  - Bank Indonesia reduced its benchmark interest rate by -25bps to 5.25% at its Jul-25 policy meeting, a move consistent with market expectations. This decision reflects projected inflation for 2025–2026 remaining within the 2.5% ± 1% target range, a stable Rupiah exchange rate, and continued efforts to bolster economic growth.".

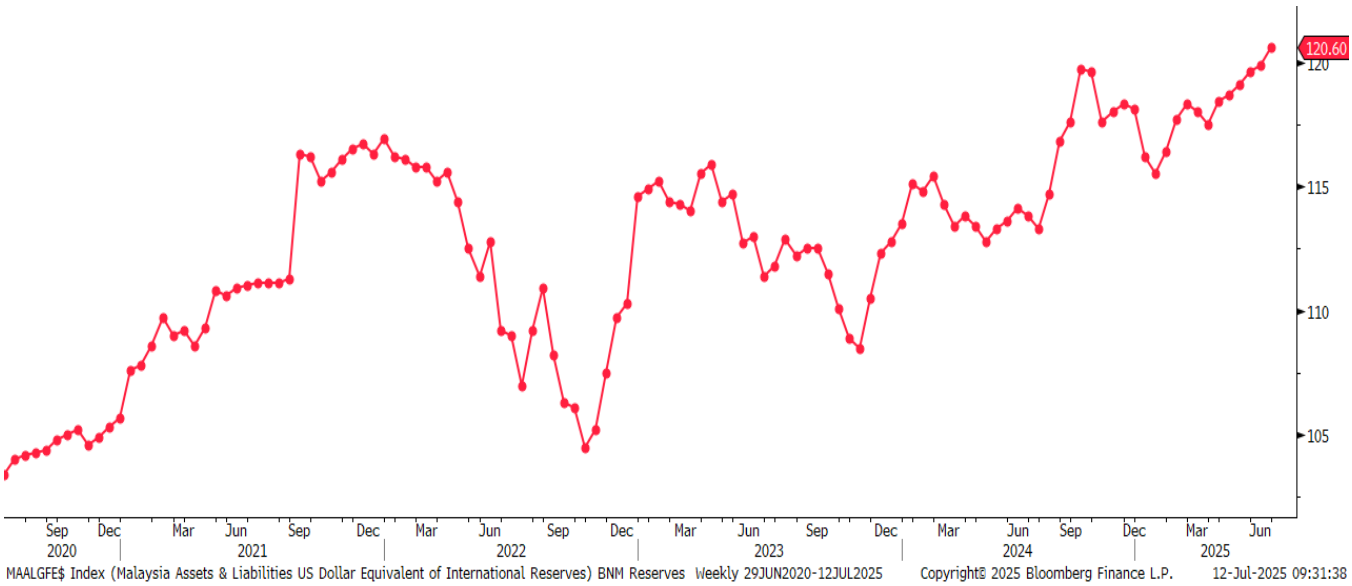
- Malaysia's economic update last week:

- Slight moderation in distributive trade. Malaysia's overall distributive trade recorded sustained growth albeit at a slower pace of +4.4%yoy in May-25 (Apr-25: +4.7%yoy), marking the softest pace since Sep-24. The moderation was broad-based, except for retail trade, which rose slightly to +4.9%yoy (Apr-25: +4.7%yoy). Motor vehicles sales and wholesale trade recorded softer expansion of +1.2%yoy; (Apr-25: +2.1%yoy) and +4.7%yoy (Apr-25: +5.5%yoy), respectively
- GDP growth expanded more than expected. Based on the advance estimate, Malaysia's GDP growth accelerated slightly to +4.5%yoy in the 2QCY25 (1QCY25: +4.4%yoy). The growth was stronger than expected vis-à-vis our estimate (+4.0%yoy) and market consensus (+4.1%yoy). Apart from the services and plantation sectors, most sectors experienced a moderation in growth during the quarter.
- Resilient trade performance in 1H2025, despite weaker export growth in Jun-25. Malaysia's trade performance remained resilient in 1H2025, expanding by +4.8% to RM1.5 trillion, though this marked a slower pace compared to the +8.4% growth recorded in 1H2024. Exports during the period increased by +3.8% (1H2024: +3.9%) to RM7602b, while imports rose by +5.9% (1H2024: +13.8%) to RM704.7b, resulting in a trade surplus of RM55.5b.

C. BNM INTERNATIONAL RESERVES

- As of 30 June 2025, compared to previous fortnight, Bank Negara Malaysia's international reserves were higher at USD120.6b (13 June 2025: USD119.9b).

BNM INTERNATIONAL RESERVES



Source: Bloomberg, MBSBR (G14)

- The number of reserves is sufficient to finance 4.8 months of imports of goods & services and is 0.9 times total short-term external debt.

APPENDIX

WEEKLY INTEREST RATE MONITOR

Tenor	11-Jul Fri	14-Jul Mon	15-Jul Tue	16-Jul Wed	17-Jul Thu	18-Jul Fri	Change (WoW bp)
MGS							
3-Y	3.062	3.069	3.108	3.095	3.084	3.082	2
5-Y	3.161	3.16	3.16	3.133	3.155	3.153	-0.8
7-Y	3.35	3.349	3.348	3.368	3.355	3.352	0.2
10-Y	3.44	3.422	3.446	3.436	3.421	3.418	-2.2
20-Y	3.766	3.752	3.751	3.75	3.755	3.755	-1.1
RINGGIT IRS							
1-Y	3.175	3.19	3.16	3.17	3.1475	3.15	-2.5
3-Y	3.1145	3.13	3.13	3.105	3.0975	3.075	-3.95
5-Y	3.215	3.22	3.2075	3.185	3.15	3.165	-5
7-Y	3.285	3.305	3.285	3.275	3.235	3.245	-4
10-Y	3.415	3.4325	3.413	3.405	3.35	3.44	2.5
KLIBOR							
1-M	3.01	3.01	3.01	3.01	3.01	3.01	0
3-M	3.23	3.23	3.23	3.23	3.23	3.23	0
UST							
3-Y	3.8611	3.875	3.9196	3.8666	3.8749	3.8356	-2.55
5-Y	3.9727	3.9886	4.0414	3.9921	3.9887	3.9465	-2.62
7-Y	4.1746	4.193	4.2484	4.2089	4.2063	4.1644	-1.02
10-Y	4.4093	4.4333	4.4813	4.4553	4.4513	4.4155	0.62
30-Y	4.9491	4.977	5.0198	5.0104	5.0072	4.9875	3.84

Source: Bloomberg

10 MOST ACTIVELY TRADED GOVERNMENT BONDS

Name	Coupon	Maturity	11-Jul Yield	18-Jul Yield	Change (WoW bp)	Weekly Volume (RM mn)
MALAYSIA GOVERNMENT	3.955	09/15/25	2.838	2.841	0.3	5,384.9
MALAYSIA GOVERNMENT	4.642	11/07/33	3.496	3.469	-2.7	1,872.4
MALAYSIA INVESTMNT ISSUE	3.599	07/31/28	3.114	3.124	1.0	1,664.2
MALAYSIA INVESTMNT ISSUE	3.804	10/08/31	3.352	3.336	-1.6	1,064.6
MALAYSIA GOVERNMENT	3.906	07/15/26	2.873	2.854	-1.9	846.8
MALAYSIA INVESTMNT ISSUE	4.193	10/07/32	3.423	3.414	-0.9	831.6
MALAYSIA INVESTMNT ISSUE	3.612	04/30/35	3.472	3.468	-0.4	756.4
MALAYSIA INVESTMNT ISSUE	5.357	05/15/52	3.976	3.957	-1.9	755.0
MALAYSIA GOVERNMENT	3.519	04/20/28	3.062	3.082	2.0	729.9
MALAYSIA GOVERNMENT	3.582	07/15/32	3.350	3.352	0.2	717.5
TOTAL VOLUME (TOP 10)						14,623.2
TOTAL VOLUME (Overall)						29,975.6

Source: Bloomberg

10 MOST ACTIVELY TRADED CORPORATE BONDS

Name	Coupon	Maturity	11-Jul Yield	18-Jul Yield	Change (WoW bp)	Weekly Volume (RM mn)
DANAINFRA NASIONAL	4.34	10/27/36	N/A	3.619	N/A	130.0
SARAWAK PETCHEM SDN BHD	5.09	07/26/30	N/A	3.698	N/A	110.0
CAGAMAS BERHAD	3.78	03/24/28	3.450	3.367	-8.3	110.0
PENGURUSAN AIR SELANGOR	4.02	08/19/39	3.801	3.749	-5.2	110.0
PERBADANAN TABUNG PENDI	4.17	03/10/36	N/A	3.638	N/A	100.0
SUNWAY HEALTHCARE TREA	4	03/26/32	N/A	3.698	N/A	95.0
SARAWAK ENERGY BHD	3.65	06/15/35	3.682	3.624	-5.8	90.0
CAGAMAS BERHAD	4	06/28/34	3.657	3.639	-1.8	90.0
PENGURUSAN AIR SPV BHD	4.14	02/07/34	3.679	3.668	-1.1	70.0
DANAINFRA NASIONAL	4.06	07/15/39	3.771	3.719	-5.2	60.0
TOTAL VOLUME (TOP 10)						965.0
TOTAL VOLUME (Overall)						3,819.4

Source: Bloomberg

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STOCK RECOMMENDATIONS	
BUY	Total return is expected to be >10% over the next 12 months.
TRADING BUY	Stock prices are expected to *rise* by >10% within 3 months after a Trading Buy rating has been assigned due to positive newsflow.
NEUTRAL	Total return is expected to be between -10% and +10% over the next 12 months.
SELL	Total return is expected to be <-10% over the next 12 months.
TRADING SELL	Stock prices are expected to *fall* by >10% within 3 months after a Trading Sell rating has been assigned due to negative newsflow.
SECTOR RECOMMENDATIONS	
POSITIVE	The sector is expected to outperform the overall market over the next 12 months.
NEUTRAL	The sector is to perform in line with the overall market over the next 12 months.
NEGATIVE	The sector is expected to underperform the overall market over the next 12 months.
ESG RECOMMENDATIONS* - source Bursa Malaysia and FTSE Russell	
☆☆☆☆	Top 25% by ESG Ratings amongst PLCs in FBM EMAS that have been assessed by FTSE Russell
☆☆☆	Top 26-50% by ESG Ratings amongst PLCs in FBM EMAS that have been assessed by FTSE Russell
☆☆	Top 51%- 75% by ESG Ratings amongst PLCs in FBM EMAS that have been assessed by FTSE Russell
☆	Bottom 25% by ESG Ratings amongst PLCs in FBM EMAS that have been assessed by FTSE Russell