WEEKLY MONEY REVIEW

MBSBR Strategy 28 July 2025

Week Ended 25 July 2025

- The UST benchmark 10-year yield ended the review week lower at 4.39% (prior week: 4.42%) as investors reacted to several key trade announcements (US-Japan deal in particular) with lowered tariff levels. The 10y-3y yield spread narrowed (yield curve flattened) to +52bp (prior week: +58bp) as the long-end outperformed. 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 lower at 2.49% (prior week: 2.52%). 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 sanguine that the underlying inflation trend is gradually easing despite the still elevated MTIE.
- The price of MGS benchmark issues ended the review week higher with the 3-year and 10-year yields shed -1.1bp and -1.4bp to close at 3.07% and 3.40% respectively. The 10y-3y yield spread narrowed (yield curve flattened) to +33bp (prior week: +34bp) 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 -RM16.3b. It improved week-on-week from -RM16.8b registered a week ago. However, it declined year-on-year from +RM1.9b a year ago.

28 July 2025 | **Strategy**

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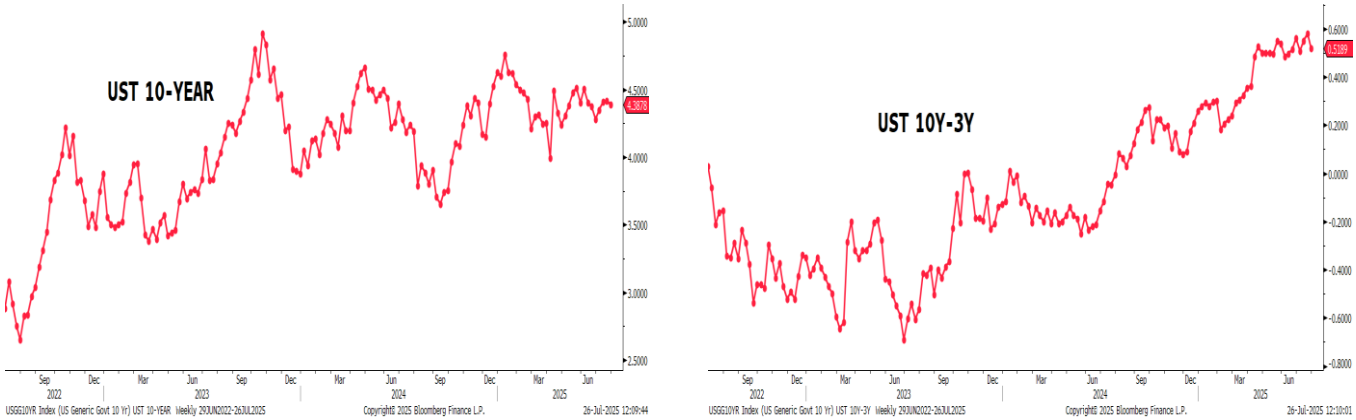
WEEKLY MONEY REVIEW

A. FIXED INCOME

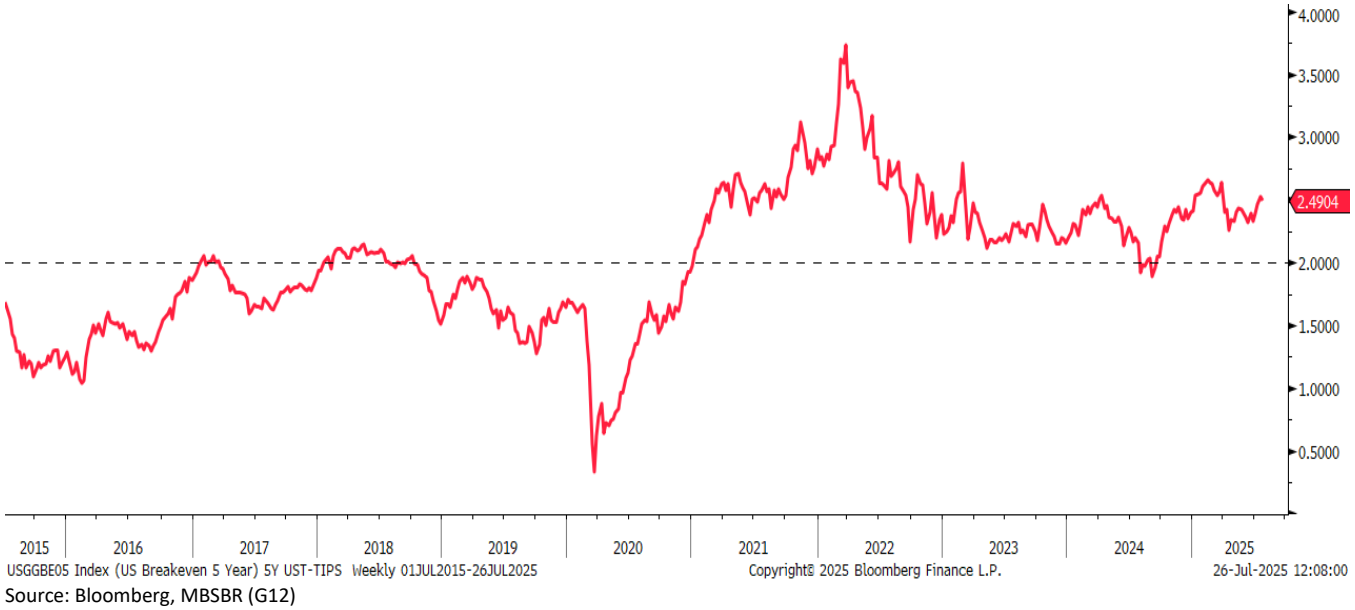
- The UST benchmark 10-year yield ended the review week lower at 4.39% (prior week: 4.42%) as investors reacted to several key trade announcements (US-Japan deal in particular) with lowered tariff levels. The 10y-3y yield spread narrowed (yield curve flattened) to +52bp (prior week: +58bp) as the long-end outperformed. At week close, the interest rate futures market implied 2 rate cuts totaling -50bp (prior week: 2 cuts totaling -50bp) in 2025.



Source: Bloomberg, MBSBR (G8, G9)

- Medium-term inflation expectation (MTIE) ended the review week lower at 2.49% (prior week: 2.52%). 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 sanguine that the underlying inflation trend is gradually easing despite the still elevated MTIE.

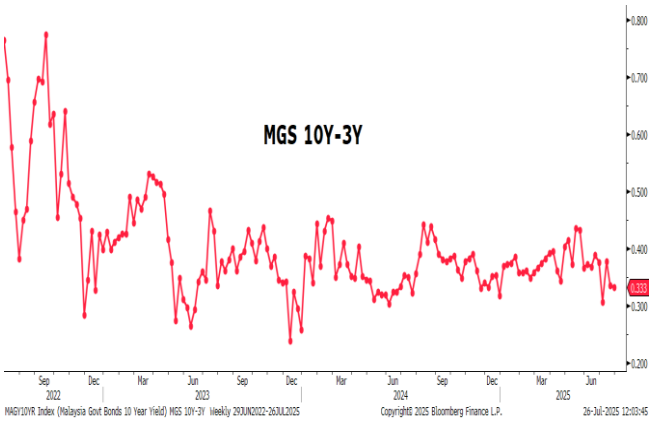
MEDIUM-TERM INFLATION EXPECTATION (MTIE): 5Y UST-TIPS SPREAD



Source: Bloomberg, MBSBR (G12)

- The price of MGS benchmark issues ended the review week higher with the 3-year and 10-year yields shed -1.1bp and -1.4bp to close at 3.07% and 3.40% respectively. The 10y-3y yield spread narrowed (yield curve flattened) to +33bp (prior week: +34bp) as the long-end outperformed.



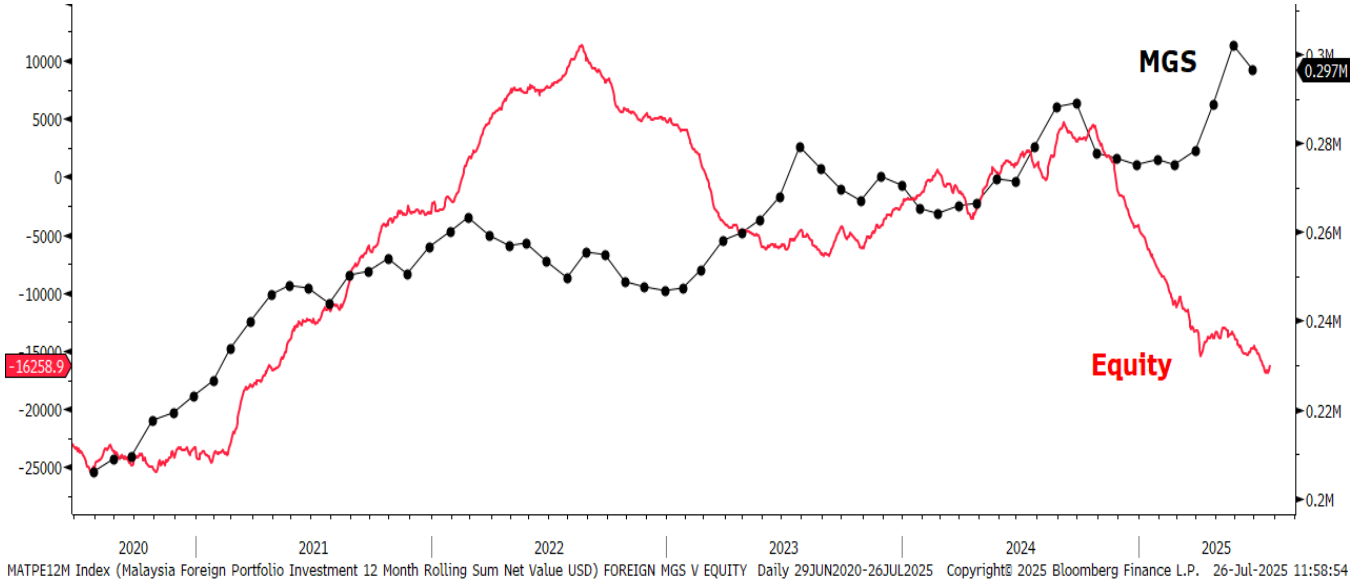


Source: Bloomberg, MBSBR (G10, G11)

- Total trading value for Government Bonds (MGS/MII) increased to RM39.8b in the review week compared to RM30.0b in the prior week (based on Bloomberg data). The total trading value of the 10 most actively traded issues declined (higher trading breadth) to 48% from 49% of the overall Government Bonds trade. Moreover, 9 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 long residual tenor. The top 3 most actively traded were MGS 3.955% 9/15/25 at RM3.0b, MII 3.612% 4/30/35 at RM2.4b and MII 3.599% 7/31/28 at RM2.1b.

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



MATPE12M Index (Malaysia Foreign Portfolio Investment 12 Month Rolling Sum Net Value USD) FOREIGN MGS V EQUITY Daily 29JUN2020-26JUL2025 Copyright© 2025 Bloomberg Finance L.P. 26-Jul-2025 11:58:54
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 -RM16.3b. It improved week-on-week from -RM16.8b registered a week ago. However, it declined year-on-year from +RM1.9b a year ago.

- Total trading value for Corporate Bonds (Conventional & Sukuk) increased to RM5.1b in the review week compared to RM3.8b in the prior week (based on Bloomberg data). The total trading value of the 10 most actively traded issues was unchanged at 25% of the overall Corporate Bonds trade.

- The top 3 actively traded Corporate Bonds were dominated by issues of mid and long residual tenor. The top 3 most actively traded were Infracap Resources 4.4% 4/15/31 at RM150m, Infracap Resources 4.9% 4/15/36 at RM150m, and Danainfra Nasional 4.06% 7/15/39 at RM150m.

B. FOREIGN EXCHANGE

- USD weakened last week. The US dollar weakened last week as the DXY declined by -0.8%wow to 97.65, despite the labour market data remain robust, while the S&P Composite PMI moved higher, despite the Manufacturing PMI ease lower. Meanwhile, Optimism surrounding a potential trade deal between President Donald Trump and European Commission President Ursula Von Der Leyen has led to a softening in demand for safe-haven assets. Markets are expected to remain volatile this week ahead of the 1-Aug tariff deadline, with added pressure from the release of key labour market data, advanced GDP figures, and the Federal Reserve's upcoming policy decision. Market pricing currently suggests the FOMC will forgo a rate cut at its July meeting, with a 97% probability of rates remaining unchanged. 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

- The euro and the GBP strengthened last week. As the US dollar weakened, the euro strengthened by +1.0%wow to USD1.174, as the ECB left interest rates unchanged, ending the rate cut cycle. Meanwhile, the GBP strengthened by +0.2%wow to USD1.344, despite the UK Composite PMI easing lower to 51.0.

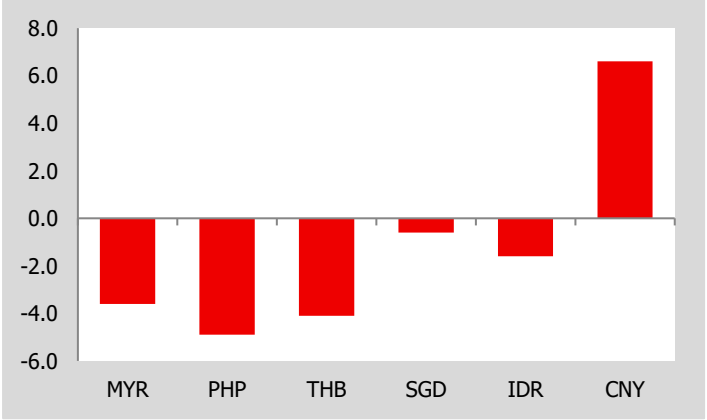
- Ringgit appreciated. The ringgit ended higher last week, appreciating by +0.6%wow to RM4.220, continuing positive sentiment from the better-than-expected GDP release, despite the weaker-than-expected inflation data release, while the leading and coincident indicator signals Malaysia's potential growth to remain positive. At the moment, we expect the ringgit to end the month between the range of RM4.20 - RM4.25 against the US dollar. In addition, the ringgit also strengthened against the currencies of Malaysia's trading partners as our Trade-Weighted Ringgit Index increased by +0.3%wow to 93.60, mainly strengthening against the Indian rupee (+0.96%wow), Taiwan dollar (+0.70%wow), and the Indonesia rupiah (+0.58%wow). We expect the ringgit's performance this week will continue to be influenced by the recent OPR rate change and the differentials between the OPR and the Fed Fund Rate.

Currencies Changes (Week Ended 25 July 2025) and Quarterly Forecasts

	Close 25/07	Prev. Close 18/07	Weekly Change	Weekly Change (%)	1QCY25	2QCY25f	3QCY25f	4QCY25f
DXY Index	97.65	98.48	-0.837	-0.8	104.0	98.00	97.00	95.00
EURUSD	1.174	1.163	+0.012	+1.0	1.04	1.05	1.07	1.09
GBPUSD	1.344	1.342	+0.002	+0.2	1.26	1.28	1.30	1.32
USDJPY	147.7	148.8	+1.120	+0.8	150.00	147.80	146.70	143.94
USDMYR	4.220	4.244	+0.024	+0.6	4.43	4.28	4.27	4.25
GBPMYR	5.685	5.704	+0.019	+0.3	5.54	5.52	5.44	5.28
JPYMYR	2.859	2.851	-0.008	-0.3	2.93	2.93	2.88	2.83
MIDF TWRI	93.60	93.31	+0.288	+0.3	92.00	93.50	94.10	95.00

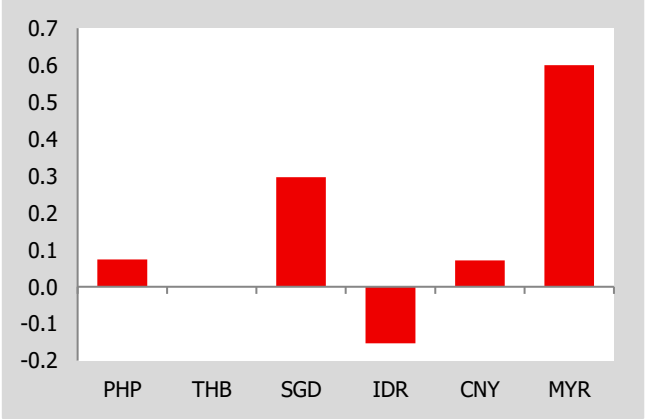
Note: "+" indicates appreciation, while "-" indicates depreciation. Quarterly figures are forecast by MIDFR
Source: Bloomberg, MIDFR

Yield Change in 10Y Government Bonds (bps)



Source: Bloomberg; Macrobond; MIDFR

Weekly Currencies Change vs Dollar (%)



Source: Bloomberg; MIDFR

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, MIDFR

- US economic data released last week:
  - Unemployment claims continue to soften. Initial jobless claims weakened to 217k for the week ending 19-Jul (previous week: 221k), well below the market expectation of a +7k rise to +227k.
  - The S&P Global US Composite PMI rose to 54.6 in July 2025 from 52.9 in June, marking the fastest pace of growth in 2025 and the 30th consecutive month of expansion. Meanwhile, the S&P Global US Services jumped to 55.2 in Jul-25 (previous: 52.9), and the manufacturing PMI fell to 49.5 (previous: 52.6).

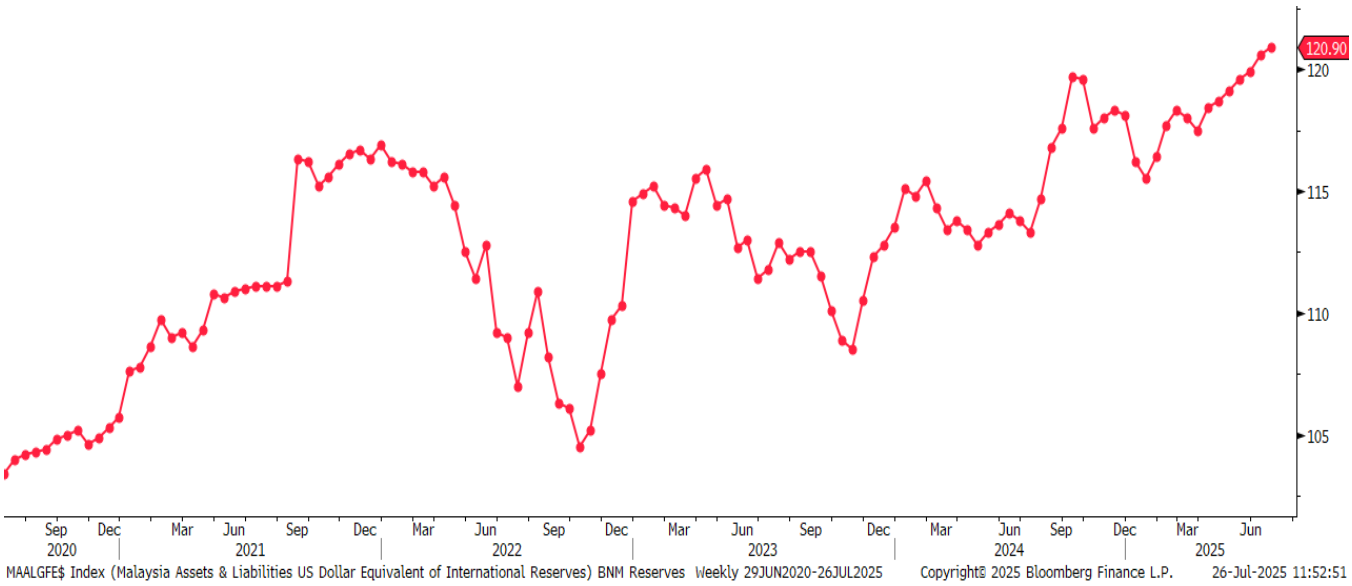
- Interest rates update last week:
  - The European Central Bank (ECB) held its key interest rates steady in July, signaling the end of its easing cycle after a year of cuts. With the main refinancing rate at 2.15% and the deposit facility rate at 2.0%, policymakers adopted a cautious "wait-and-see" approach to evaluate the economic impact of ongoing trade uncertainty and proposed US tariffs.
  - China's central bank is holding firm on its interest rates. The People's Bank of China (PBoC) kept its key lending rates at all-time lows in July, which was exactly what analysts predicted. The one-year rate for corporate loans stayed at 3.0%, while the five-year rate for mortgages remained at 3.5%.

- Malaysia's economic update last week:
  - Inflation eased to the slowest pace in 52 months. Headline inflation edged lower to +1.1%yoy in Jun-25. Malaysia's headline CPI inflation moderated to +1.1%yoy in Jun-25, below our estimate of +1.1%yoy and marking the lowest print since Mar-21.
  - Leading index slowed in May-25. Malaysia's economy is expected to record sustained growth albeit at a slower pace as the leading index (LI) was unchanged in May-25 (Apr-25: +0.6%yoy). Resilient double-digit expansions were seen in Real Imports of Semi-Conductors (+19.1%yoy). On the other hand, the coincidence index (CI), which reflects current economic performance recorded a softer growth of +1.3%yoy in May-25 (Apr-25: +1.9%yoy).

C. BNM INTERNATIONAL RESERVES

- As of 15 July 2025, compared to previous fortnight, Bank Negara Malaysia's international reserves were higher at USD120.9b (30 June 2025: USD120.6b).

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	18-Jul Fri	21-Jul Mon	22-Jul Tue	23-Jul Wed	24-Jul Thu	25-Jul Fri	Change (WoW bp)
MGS							
3-Y	3.082	3.085	3.077	3.073	3.052	3.071	-1.1
5-Y	3.153	3.157	3.166	3.155	3.143	3.15	-0.3
7-Y	3.352	3.355	3.37	3.356	3.349	3.334	-1.8
10-Y	3.418	3.42	3.417	3.416	3.396	3.404	-1.4
20-Y	3.755	3.747	3.747	3.751	3.754	3.751	-0.4
RINGGIT IRS							
1-Y	3.15	3.145	3.14	3.125	3.1245	3.1265	-2.35
3-Y	3.075	3.085	3.07	3.07	3.0525	3.05	-2.5
5-Y	3.165	3.155	3.155	3.14	3.14	3.126	-3.9
7-Y	3.245	3.23	3.23	3.225	3.21	3.205	-4
10-Y	3.44	3.365	3.36	3.35	3.34	3.34	-10
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	3.8356	3.8132	3.7796	3.827	3.8634	3.8689	3.33
5-Y	3.9465	3.9167	3.8851	3.9325	3.9589	3.9573	1.08
7-Y	4.1644	4.1303	4.0962	4.1382	4.1619	4.1541	-1.03
10-Y	4.4155	4.3777	4.344	4.3798	4.3957	4.3878	-2.77
30-Y	4.9875	4.944	4.9173	4.9347	4.9347	4.9296	-5.79

Source: Bloomberg

10 MOST ACTIVELY TRADED GOVERNMENT BONDS

Name	Coupon	Maturity	18-Jul Yield	25-Jul Yield	Change (WoW bp)	Weekly Volume (RM mn)
MALAYSIA GOVERNMENT	3.955	09/15/25	2.841	2.836	-0.5	2,989.9
MALAYSIA INVESTMNT ISSUE	3.612	04/30/35	3.468	3.441	-2.7	2,434.9
MALAYSIA INVESTMNT ISSUE	3.599	07/31/28	3.124	3.102	-2.2	2,092.3
MALAYSIA INVESTMNT ISSUE	3.99	10/15/25	2.841	2.853	1.2	2,091.0
MALAYSIA GOVERNMENT	3.582	07/15/32	3.352	3.334	-1.8	1,793.0
MALAYSIA GOVERNMENT	3.906	07/15/26	2.854	2.827	-2.7	1,748.1
MALAYSIA GOVERNMENT	4.054	04/18/39	3.657	3.648	-0.9	1,621.3
MALAYSIA GOVERNMENT	3.828	07/05/34	3.492	3.448	-4.4	1,545.8
MALAYSIA INVESTMNT ISSUE	3.804	10/08/31	3.336	3.322	-1.4	1,445.0
MALAYSIA INVESTMNT ISSUE	3.726	03/31/26	2.880	2.852	-2.8	1,326.6
TOTAL VOLUME (TOP 10)						19,087.9
TOTAL VOLUME (Overall)						39,852.2

Source: Bloomberg

10 MOST ACTIVELY TRADED CORPORATE BONDS

Name	Coupon	Maturity	18-Jul Yield	25-Jul Yield	Change (WoW bp)	Weekly Volume (RM mn)
INFRACAP RESOURCES S B	4.4	04/15/31	3.644	3.598	-4.6	150.0
INFRACAP RESOURCES S B	4.9	04/15/36	3.712	3.778	6.6	150.0
DANAINFRA NASIONAL	4.06	07/15/39	3.719	3.720	0.1	150.0
INFRACAP RESOURCES S B	4.12	04/14/28	N/A	3.516	N/A	140.0
MALAYSIA RAIL LINK	ZERO	08/07/25	3.096	3.053	-4.3	131.5
MALAYSIA RAIL LINK	FLOAT	07/16/26	N/A	N/A	N/A	130.0
PENGURUSAN AIR SPV BHD	3.32	06/04/27	3.531	3.475	-5.6	115.0
MALAYSIA RAIL LINK	ZERO	10/28/25	3.336	3.084	-25.2	110.0
SARAWAK PETCHEM SDN BHD	5.05	07/27/29	3.698	3.647	-5.1	93.3
DANAINFRA NASIONAL	5.25	04/21/34	N/A	3.557	N/A	90.0
TOTAL VOLUME (TOP 10)						1,259.8
TOTAL VOLUME (Overall)						5,111.7

Source: Bloomberg

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MBSB INVESTMENT BANK (FORMERLY KNOWN AS MIDF AMANAH INVESTMENT BANK): GUIDE TO RECOMMENDATIONS	
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