WEEKLY MONEY REVIEW

MIDF Strategy 4 August 2025

Week Ended 1 August 2025

- The UST market rallied with benchmark 10-year yield ended the review week lower at 4.22% (prior week: 4.39%) as investors reacted to weaker-than-expected July jobs data and (arguably more so) to the massive downward revisions in May (-85%) and June (-90%) numbers. The 10y-3y yield spread expanded (yield curve steepened) to +56bp (prior week: +52bp) as the short-end outperformed due to its sensitivity to policy rate action. At week close, the interest rate futures market implied 3 rate cuts totaling -75bp (prior week: 2 cuts totaling -50bp) in 2025.

- Medium-term inflation expectation (MTIE) ended the review week lower at 2.42% (prior week: 2.49%). 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 mixed with the 3-year and 10-year yields added +1.2bp and shed -0.3bp to close at 3.08% and 3.40% respectively. The 10y-3y yield spread narrowed (yield curve flattened) to +32bp (prior week: +33bp) 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 -RM17.1b. It declined week-on-week from -RM16.3b registered a week ago. Moreover, it declined year-on-year from +RM1.1b a year ago.

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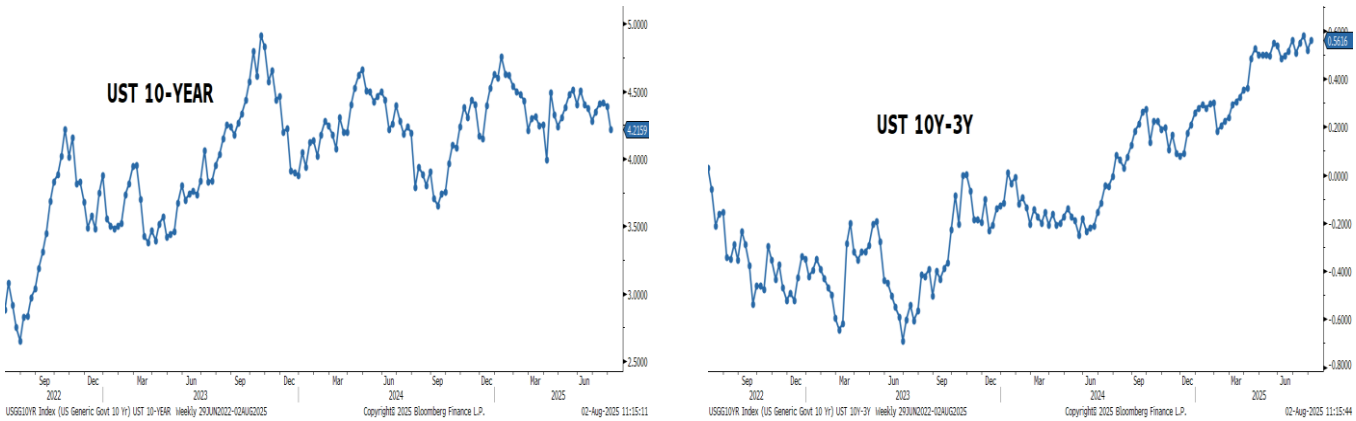
4 August 2025 | Strategy

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WEEKLY MONEY REVIEW

A. FIXED INCOME

- The UST market rallied with a benchmark 10-year yield and ended the review week lower at 4.22% (prior week: 4.39%) as investors reacted to weaker-than-expected July jobs data and (arguably more so) to the massive downward revisions in May (-85%) and June (-90%) numbers. The 10y-3y yield spread expanded (yield curve steepened) to +56bp (prior week: +52bp) as the short-end outperformed due to its sensitivity to policy rate action. At week close, the interest rate futures market implied 3 rate cuts totaling -75bp (prior week: 2 cuts totaling -50bp) in 2025.



Source: Bloomberg, MBSBR (G8, G9)

- Medium-term inflation expectation (MTIE) ended the review week lower at 2.42% (prior week: 2.49%). 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 and that the underlying inflation trend is gradually easing despite the still elevated MTIE.

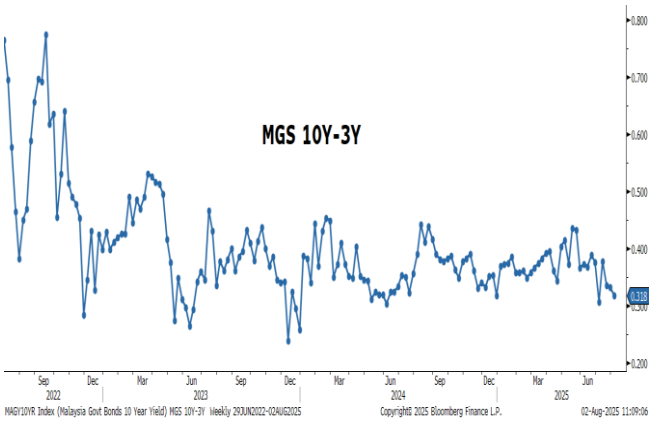
MEDIUM-TERM INFLATION EXPECTATION (MTIE): 5Y UST-TIPS SPREAD



Source: Bloomberg, MBSBR (G12)

- The price of MGS benchmark issues ended the review week mixed with the 3-year and 10-year yields added +1.2bp and shed -0.3bp to close at 3.08% and 3.40% respectively. The 10y-3y yield spread narrowed (yield curve flattened) to +32bp (prior week: +33bp) as the long-end outperformed.



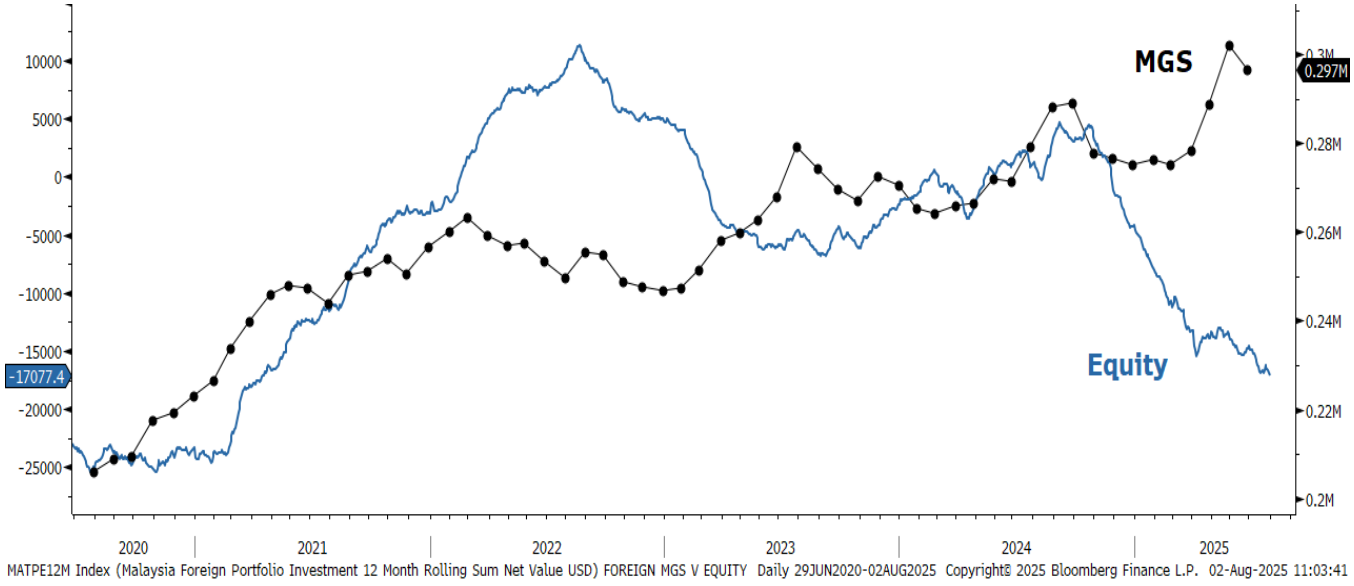


Source: Bloomberg, MBSBR (G10, G11)

- Total trading value for Government Bonds (MGS/MII) declined to RM35.1b in the review week compared to RM39.8b in the prior week (based on Bloomberg data). The total trading value of the 10 most actively traded issues declined (higher trading breadth) to 42% from 48% 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 long residual tenor. The top 3 most actively traded were MGS 3.955% 9/15/25 at RM2.8b, MGS 3.906% 7/15/26 at RM2.3b and MII 3.612% 4/30/35 at RM1.6b.

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 -RM17.1b. It declined week-on-week from -RM16.3b registered a week ago. Moreover, it declined year-on-year from +RM1.1b a year ago.

- Total trading value for Corporate Bonds (Conventional & Sukuk) declined to RM4.7b in the review week compared to RM5.1b in the prior week (based on Bloomberg data). The total trading value of the 10 most actively traded issues increased (lower trading breadth) to 31% from 25% 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 PLUS 4.86% 1/12/38 at RM340m, Ambank Malaysia 4.33% 11/6/26 at RM240m, and Danainfra Nasional 4.32% 11/26/25 at RM185m.

B. FOREIGN EXCHANGE

- USD strengthened last week. The US dollar strengthened last week as the DXY increased by +1.5%wow to 99.15, on the back of the stronger-than-expected GDP growth data, FOMC decision to leave rate unchanged, added with the uplift stemming from the trade tariff revision. However, the movement was limited due to the weaker job openings. On top of that, over the weekend, the DXY took a beating as it breached the 100 level momentarily but took a nosedive to around the 98.0 range after the news broke out that President Donald Trump fired the director of the Bureau of Labour Statistics following sharp downward revision to the jobs gains indicating weaker-than-expected labour market in recent months. This led to market pricing for higher chance for a rate cut in the Sep-25. 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 weakened last week. As the US dollar strengthened, the euro weakened by -1.3%wow to USD 1.159 as the GDP moderated slightly lower to 1.4%yoy. Meanwhile, the GBP weakened by -1.2%wow to USD 1.328.

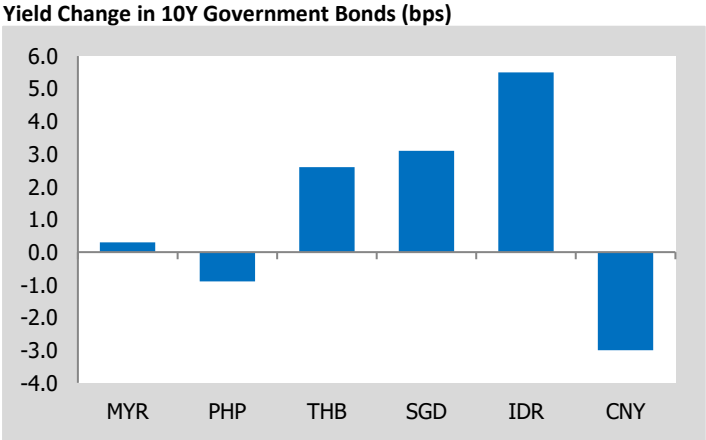
- Ringgit depreciated. The ringgit ended lower last week, depreciating by -1.3%wow to RM4.279, on the back of the stronger dollar. Investors remained cautious despite the positive news from lower US tariffs at 19% on goods from Malaysia and some optimism from the tabling of 13th Malaysia Plan. The ringgit also weakened against the currencies of Malaysia's trading partners as our Trade-Weighted Ringgit Index fell by -0.2%wow to 93.43, mainly against Saudi riyal (-1.34%wow), United Arab Emirates dirham (-1.32%wow), and Vietnamese dong (-1.07%wow). We expect that the ringgit's performance this week will continue to be influenced by the expectations on the upcoming Fed rate decision.

Currencies Changes (Week Ended 1 Aug 2025) and Quarterly Forecasts

	Close 01/08	Prev. Close 25/07	Weekly Change	Weekly Change (%)	1QCY25	2QCY25f	3QCY25f	4QCY25f
DXY Index	99.14	97.65	+1.496	+1.5	104.0	98.00	97.00	95.00
EURUSD	1.159	1.174	-0.015	-1.3	1.04	1.05	1.07	1.09
GBPUSD	1.328	1.344	-0.016	-1.2	1.26	1.28	1.30	1.32
USDJPY	147.4	147.7	+0.290	+0.2	150.00	147.80	146.70	143.94
USDMYR	4.279	4.223	-0.056	-1.3	4.43	4.28	4.27	4.25
GBPMYR	5.626	5.685	+0.059	+1.1	5.54	5.52	5.44	5.28
JPYMYR	2.902	2.859	-0.043	-1.5	2.93	2.93	2.88	2.83
MIDF TWRI	93.43	93.65	-0.218	-0.2	92.00	93.50	94.10	95.00

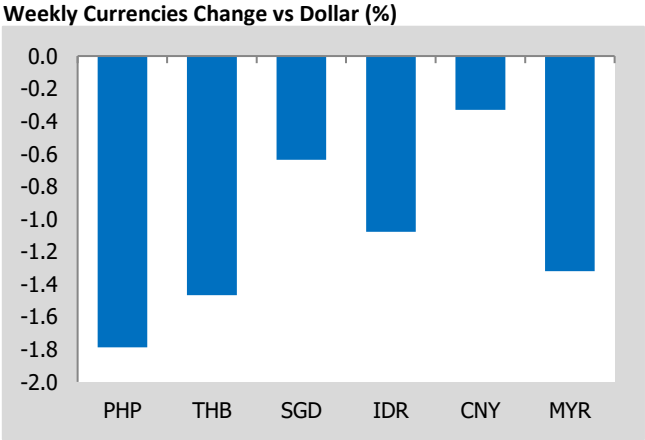
Note: "+" indicates appreciation, while "- "indicates depreciation. Quarterly figures are forecast by MBSBR
Source: Bloomberg, MBSBR

Yield Change in 10Y Government Bonds (bps)



Source: Bloomberg; Macrobond; MBSBR

Weekly Currencies Change vs Dollar (%)



Source: Bloomberg; 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, MBSBR

- US economic data released last week:
  - Higher inflation in Jun-25. The US Personal Consumption Expenditures (PCE) price index rose 2.6%yoy in Jun-25, while the core PCE increased by 2.8%yoy, with both figures surpassing market expectations.
  - Mixed signal on manufacturing but improvement in services sector activities.
    - The S&P Global US Manufacturing PMI for July 2025 was revised to a final reading of 49.8, slightly higher than the 49.5 preliminary estimate, but still indicated a contraction in the manufacturing sector and was the lowest reading since December 2024.
    - The S&P Global US Composite PMI rose to 54.6 in Jul-25 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).
  - Rebound in GDP growth. The US economy grew by an annualized 3.0%qoq in 2QCY25 (1QCY25: -0.5%qoq). The unexpected growth, which beat a +2.4%qoq market forecast, was largely driven by a sharp drop in imports.
  - Data revision suggests conditions in the job market are weaker than expected:
    - Jobs openings declined. The number of job openings decreased by -275K to 7.437m, falling short of the expected 7.55m. The most significant declines were in the accommodation and food services, and health care and social assistance sectors.
    - Private sector signs of strength. Private businesses added +104K jobs, exceeding market expectations of +75k. This followed a downwardly revised loss of 23,000 jobs in June, suggesting a rebound in the private sector, according to the ADP.
    - NFP increased, but the downward previous month's revisions is a concern. Nonfarm payrolls increased by 73k, which was well below the forecast of 110,000. Significant downward revisions to the May and June figures showed that employment was 258,000 lower than previously reported, indicating a more rapid cooling of the labor market.
    - The unemployment rate remains robust. The unemployment rate saw a slight increase to 4.2% from 4.1% in June, which was in line with market expectations. The number of unemployed individuals rose by 221k to 7.236 million, while the labour force contracted slightly.
    - Unemployment claims inched slightly higher. Initial jobless claims moved slightly higher to 218k for the week ending 26-Jul (previous week: 217k), well below the market expectation of a +7k rise to +224k).

- Interest rates update last week:
  - The Fed held its benchmark interest rates steady at 4.25%–4.50% for the fifth consecutive meeting. However, two governors dissented in favour of a rate cut, which was the first dual dissent since 1993. Policymakers noted that economic activity had moderated in the first half of the year, a contrast to previous assessments. They also highlighted that while the unemployment rate remains low, inflation is still somewhat elevated, and the economic outlook is uncertain.
  - The BoJ kept its short-term benchmark rate steady at 0.5% for the fourth consecutive meeting, a level it has held since rising it in Jan-25. This decision was unanimous. The central bank's cautious approach was also reflected in a slightly higher GDP growth forecast for fiscal year 2025, from 0.5% to 0.6%, following a recent trade agreement with the U.S.
  - The Bank of Canada held its benchmark interest rate unchanged at 2.75% in its Jul-25 decision, as expected by markets. This was the third consecutive event, following 2.25 percentage points of cuts over seven consecutive decisions. The

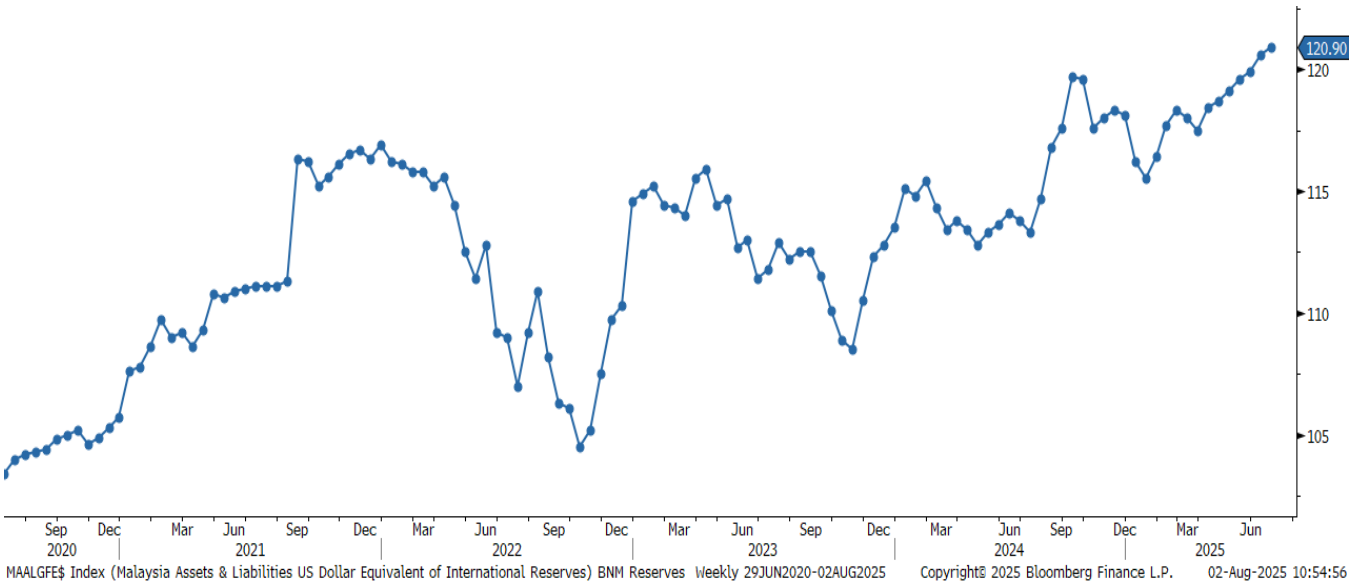
Governing Council stated that the unpredictability in the magnitude of tariffs disabled policymakers from offering any guidance on the economy and the BoC's reaction function, as sectoral and baseline tariffs from the U.S. maintained volatility in global trade.

- Malaysia's economic update last week:
  - PPI continued to deflate. The downward pressure in Malaysia's producer prices recorded a sharper deflation of -4.2%yoy in Jun-25 (May-25: -3.6%yoy), marking the fourth consecutive month of decline and recording the steepest fall since Jun-23. This was due to a broad-based decline across all sectors, with persistent price weakness in the mining sector (-8.0%yoy; May-25: -15.0%yoy) as prices continue to contract for crude petroleum (-6.7%yoy) and natural gas (-12.0%yoy).
  - Better activities in the manufacturing sector. The S&P Global Malaysia Manufacturing PMI increased to 49.7 in Jul-25 (Jun-25: 49.3), recording the highest level since Feb-25. This signals a slower pace of contraction in Malaysia's manufacturing sector, indicating a gradual move toward stabilisation. New orders fell at the softest rate in five months, whereas output moderation was the softest since Feb-25.

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	25-Jul Fri	28-Jul Mon	29-Jul Tue	30-Jul Wed	31-Jul Thu	1-Aug Fri	Change (WoW bp)
MGS							
3-Y	3.071	3.059	3.047	3.049	3.059	3.083	1.2
5-Y	3.15	3.143	3.143	3.143	3.154	3.183	3.3
7-Y	3.334	3.44	3.341	3.337	3.341	3.36	2.6
10-Y	3.404	3.368	3.362	3.368	3.374	3.401	-0.3
20-Y	3.751	3.772	3.751	3.758	3.759	3.777	2.6
RINGGIT IRS							
1-Y	3.1265	3.1425	3.15	3.125	3.133	3.14	1.35
3-Y	3.05	3.07	3.062	3.0512	3.0615	3.085	3.5
5-Y	3.126	3.14	3.1375	3.125	3.1287	3.1675	4.15
7-Y	3.205	3.215	3.213	3.205	3.195	3.225	2
10-Y	3.34	3.34	3.345	3.325	3.33	3.34	0
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	3.22	-1
UST							
3-Y	3.8689	3.8773	3.8154	3.8858	3.8999	3.6543	-21.46
5-Y	3.9573	3.9696	3.8993	3.9636	3.9724	3.7571	-20.02
7-Y	4.1541	4.1753	4.0885	4.1479	4.1558	3.9612	-19.29
10-Y	4.3878	4.4098	4.3204	4.37	4.374	4.2159	-17.19
30-Y	4.9296	4.9585	4.8563	4.8989	4.9	4.8221	-10.75

Source: Bloomberg

10 MOST ACTIVELY TRADED GOVERNMENT BONDS

Name	Coupon	Maturity	25-Jul Yield	1-Aug Yield	Change (WoW bp)	Weekly Volume (RM mn)
MALAYSIA GOVERNMENT	3.955	09/15/25	2.836	2.920	8.4	2,835.1
MALAYSIA GOVERNMENT	3.906	07/15/26	2.827	2.865	3.8	2,308.5
MALAYSIA INVESTMNT ISSUE	3.612	04/30/35	3.441	3.427	-1.4	1,653.2
MALAYSIA INVESTMNT ISSUE	3.726	03/31/26	2.852	2.850	-0.2	1,444.3
MALAYSIA INVESTMNT ISSUE	3.599	07/31/28	3.102	3.112	1.0	1,282.2
MALAYSIA INVESTMNT ISSUE	4.582	08/30/33	3.440	3.417	-2.3	1,201.5
MALAYSIA GOVERNMENT	3.476	07/02/35	3.404	3.401	-0.3	1,126.1
MALAYSIA INVESTMNT ISSUE	3.804	10/08/31	3.322	3.352	3.0	1,111.7
MALAYSIA GOVERNMENT	4.642	11/07/33	3.452	3.424	-2.8	1,026.1
MALAYSIA GOVERNMENT	3.828	07/05/34	3.448	3.435	-1.3	828.8
TOTAL VOLUME (TOP 10)						14,817.6
TOTAL VOLUME (Overall)						35,139.6

Source: Bloomberg

10 MOST ACTIVELY TRADED CORPORATE BONDS

Name	Coupon	Maturity	25-Jul Yield	1-Aug Yield	Change (WoW bp)	Weekly Volume (RM mn)
PROJEK LEBUHRAYA USAHASA	4.86	01/12/38	3.719	3.650	-6.9	340.0
AMBANK M BHD	4.33	11/06/26	3.592	3.602	1.0	240.0
DANAINFRA NASIONAL	4.32	11/26/25	N/A	2.968	N/A	185.0
PRASARANA MALAYSIA BHD	4.65	12/11/25	N/A	2.974	N/A	110.0
PRASARANA MALAYSIA BHD	3.75	03/23/40	3.759	3.715	-4.4	110.0
PRASARANA MALAYSIA BHD	4.26	10/11/39	3.748	3.699	-4.9	110.0
DANAINFRA NASIONAL	4.78	10/18/41	3.788	3.761	-2.7	100.0
PENGURUSAN AIR SPV BHD	4.19	02/06/32	N/A	3.588	N/A	90.0
DANAINFRA NASIONAL	4.53	04/01/37	3.655	3.617	-3.8	80.0
SARAWAK PETCHEM SDN BHD	5.19	07/27/33	3.818	3.764	-5.4	80.0
TOTAL VOLUME (TOP 10)						1,445.0
TOTAL VOLUME (Overall)						4,706.7

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