WEEKLY MONEY REVIEW

MIDF Strategy 11 August 2025

Week Ended 8 August 2025

- The UST market retreated with the benchmark 10-year yield ended the review week higher at 4.28% (prior week: 4.22%) as investors weighed the effect of higher tariffs on the outlook for inflation despite concerns over US economic growth in view of the recent underwhelming economic data. The 10y-3y yield spread narrowed (yield curve flattened) to +55bp (prior week: +56bp) as the short-end underperformed. At week close, the interest rate futures market implied (conditional probabilities) 3 rate cuts totaling -75bp (prior week: 3 cuts totaling -75bp) in 2025.

- Medium-term inflation expectation (MTIE) ended the review week higher at 2.47% (prior week: 2.42%). 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 -6.8bp and -3.9bp to close at 3.02% and 3.36% respectively. The 10y-3y yield spread expanded (yield curve steepened) to +35bp (prior week: +32bp) as the short-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 -RM17.4b. It declined week-on-week from -RM17.1b registered a week ago. Moreover, it declined year-on-year from +RM503m a year ago.

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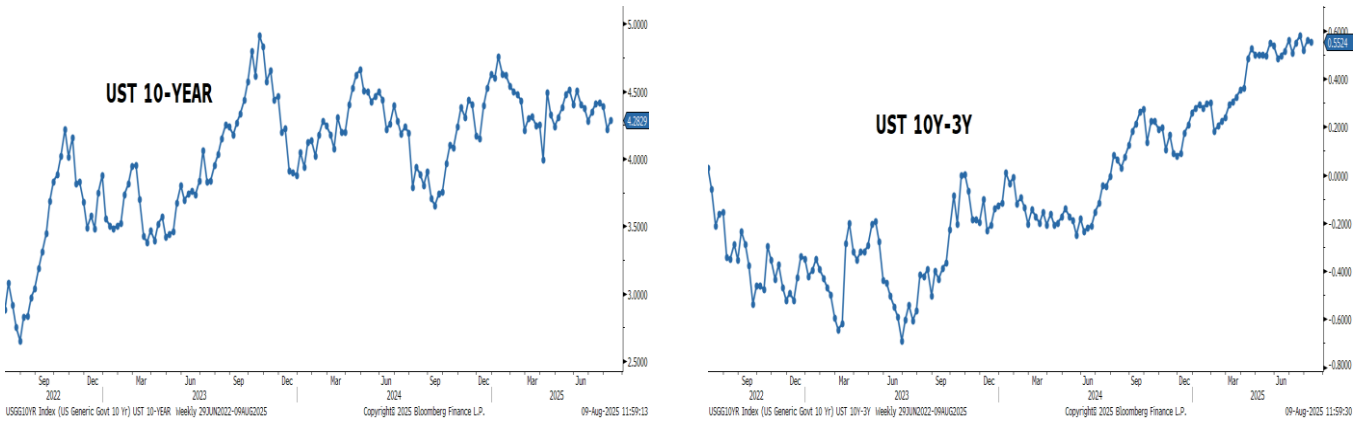
11 August 2025 | Strategy

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WEEKLY MONEY REVIEW

A. FIXED INCOME

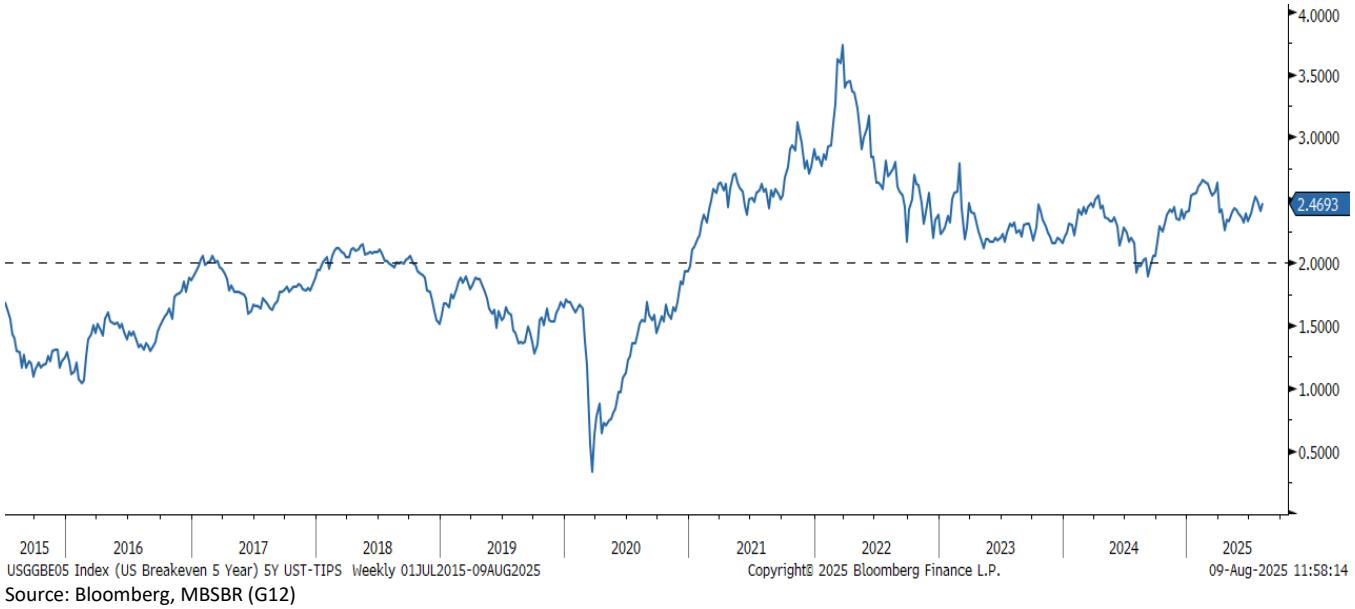
- The UST market retreated with the benchmark 10-year yield and ended the review week higher at 4.28% (prior week: 4.22%) as investors weighed the effect of higher tariffs on the outlook for inflation despite concerns over US economic growth in view of the recent underwhelming economic data. The 10y-3y yield spread narrowed (yield curve flattened) to +55bp (prior week: +56bp) as the short-end underperformed. At week close, the interest rate futures market implied (conditional probabilities) 3 rate cuts totaling -75bp (prior week: 3 cuts totaling -75bp) in 2025.



Source: Bloomberg, MBSBR (G8, G9)

- Medium-term inflation expectation (MTIE) ended the review week higher at 2.47% (prior week: 2.42%). 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.

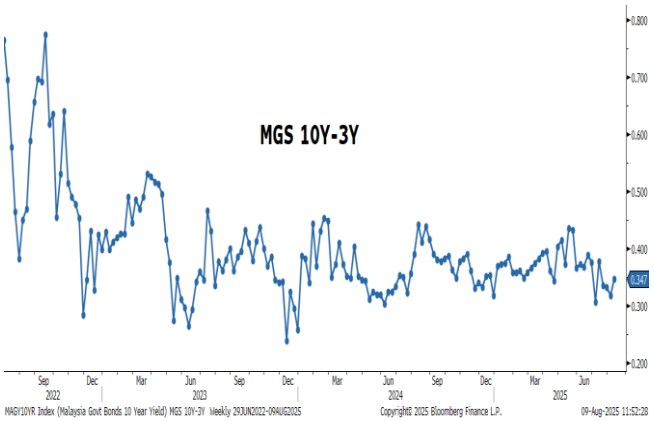
MEDIUM-TERM INFLATION EXPECTATION (MTIE): 5Y UST-TIPS SPREAD



Source: Bloomberg, MBSBR (G12)

- The price of MGS benchmark issues ended the review week higher with the 3-year and 10-year yields shed -6.8bp and -3.9bp to close at 3.02% and 3.36% respectively. The 10y-3y yield spread expanded (yield curve steepened) to +35bp (prior week: +32bp) as the short-end outperformed.



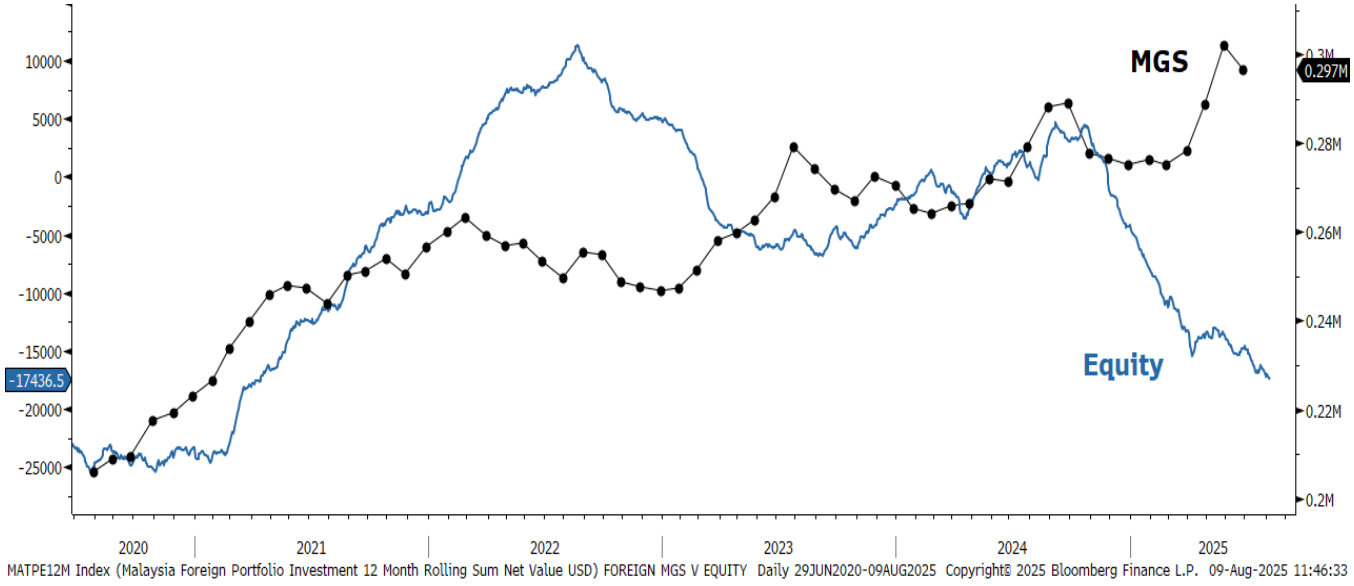


Source: Bloomberg, MBSBR (G10, G11)

- Total trading value for Government Bonds (MGS/MII) increased to RM36.9b in the review week compared to RM35.1b in the prior week (based on Bloomberg data). The total trading value of the 10 most actively traded issues increased (lower trading breadth) to 47% from 42% of the overall Government Bonds trade. Moreover, 10 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 MII 3.804% 10/8/31 at RM3.5b, MGS 3.955% 9/15/25 at RM2.8b, and MII 3.599% 7/31/28 at RM1.8b.

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 -RM17.4b. It declined week-on-week from -RM17.1b registered a week ago. Moreover, it declined year-on-year from +RM503m a year ago.

- Total trading value for Corporate Bonds (Conventional & Sukuk) declined to RM4.2b in the review week compared to RM4.7b in the prior week (based on Bloomberg data). The total trading value of the 10 most actively traded issues increased (lower trading breadth) to 39% from 31% 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 Pengurusan Air SPV 4.63% 2/5/26 at RM470m, Prasarana Malaysia 5.07% 2/26/41 at RM245m, and Pengurusan Air SPV 4.15% 2/6/26 at RM215m.

B. FOREIGN EXCHANGE

- USD weakened last week. The US dollar weakened last week as the DXY declined by -1.0%wow to 98.13, on the back of a weakening labour market, investors are now taking a more dovish stance than they did in July. They are currently anticipating three rate cuts this year, with one expected at each of the remaining FOMC meetings in September, October, and December. However, we believe that inflationary pressures in the US will continue to persist. This is partly due to new tariff measures, which will likely be reflected in this week's upcoming CPI and PPI data releases. A higher-than-expected inflation reading could cause investors to revise their expectations for the number of rates cuts this year. The market is also expected to remain volatile as President Donald Trump attempts to impose a 100% tariff on imported semiconductors. 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 GBP strengthened last week. As the US dollar weakened, the GBP strengthened by +1.2%wow to USD1.344 despite the rate by the BOE. Meanwhile, the euro strengthened by +0.6%wow to USD1.166.

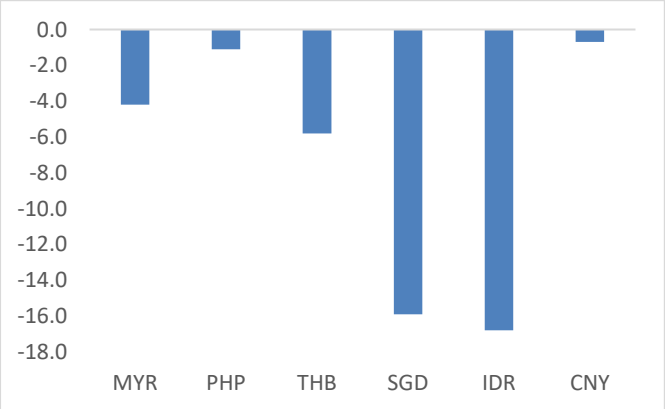
- Ringgit appreciated. The ringgit ended higher last week, appreciating by +0.9%wow to RM4.231, on the back of the weaker US dollar, supported by the stronger industrial production and distributive trade, on top of the positive sentiment of the 13th Malaysian plan and the recent 19% tariff, which was lower than previously announced. The ringgit weakened against the currencies of Malaysia's trading partners as our Trade-Weighted Ringgit Index fell by -0.1%wow to 93.36, mainly against the euro (-2.20%wow), Singapore dollar (-1.1%wow), and Japanese yen (-1.0%wow). We expect the ringgit's performance this week will be influenced by the sentiment on the US dollar for this week.

Currencies Changes (Week Ended 8 Aug 2025) and Quarterly Forecasts

	Close 08/08	Prev. Close 01/08	Weekly Change	Weekly Change (%)	1QCY25	2QCY25f	3QCY25f	4QCY25f
DXY Index	98.13	99.14	-1.010	-1.0	104.0	98.00	97.00	95.00
EURUSD	1.166	1.159	+0.007	+0.6	1.04	1.05	1.07	1.09
GBPUSD	1.344	1.328	+0.016	+1.2	1.26	1.28	1.30	1.32
USDJPY	147.3	147.4	+0.090	+0.1	150.00	147.80	146.70	143.94
USDMYR	4.241	4.279	+0.039	+0.9	4.43	4.28	4.27	4.25
GBPMYR	5.700	5.626	-0.074	-1.3	5.54	5.52	5.44	5.28
JPYMYR	2.878	2.902	+0.024	+0.8	2.93	2.93	2.88	2.83
MIDF TWRI	93.36	93.43	-0.067	-0.1	92.00	93.50	94.10	95.00

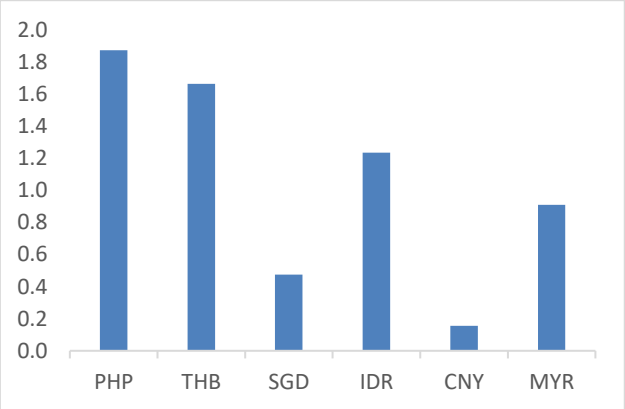
Note: "+" indicates appreciation, while "- "indicates depreciation. Quarterly figures are forecast by MBSBR
Source: Bloomberg, MBSBR

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 (%)

	Dec-24	Jan-25	Feb-25	Mar-25	Apr-25	May-25	Jun-25	Jul-25	Aug-25
Malaysia	3.00	3.00	3.00	3.00	3.00	3.00	3.00	2.75	2.75
Indonesia	6.00	5.75	5.75	5.75	5.75	5.50	5.50	5.25	5.25
Philippines	5.75	5.75	5.75	5.75	5.50	5.50	5.25	5.25	5.25
Thailand	2.25	2.25	2.00	2.00	1.75	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	2.75	2.75	2.75	2.50	2.50	2.50	2.50
India	6.50	6.25	6.25	6.25	6.00	6.00	5.50	5.50	5.50
Japan	0.25	0.50	0.50	0.50	0.50	0.50	0.50	0.50	0.50
UK	4.75	4.75	4.50	4.50	4.50	4.25	4.25	4.25	4.00
Euro area	3.15	2.90	2.90	2.90	2.40	2.25	2.00	2.00	2.00
USA	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	4.25-4.50

Source: Bloomberg, MBSBR

- US economic data released last week:
  - Narrowing the deficit. The US trade deficit significantly narrowed to -USD60.2b in Jun-25, marking its lowest point since Sept-23 and falling below both May's revised USD71.7b gap and the forecasted USD61.6b shortfall. This improvement was largely due to a -3.7%yoy decline in imports to USD337.5b. Exports also saw a -0.5%yoy decrease to USD277.3b, marking the lowest since Jan-25.
  - PMI increased higher. In Jul-25, the S&P Global US Composite PMI rose to 55.1, exceeding both the preliminary estimate of 54.6 and June's reading of 52.9. This latest figure indicates a strong monthly expansion in business activity, marking the fastest growth pace since Dec-24. The acceleration was predominantly fueled by the services sector, while manufacturing output experienced a more moderate increase.
  - Unemployment levels inched higher. Initial jobless claims moved slightly higher to 226K for the week ending 2-Aug (previous week: 219K), well below the market expectation of a +3K rise to +221K).

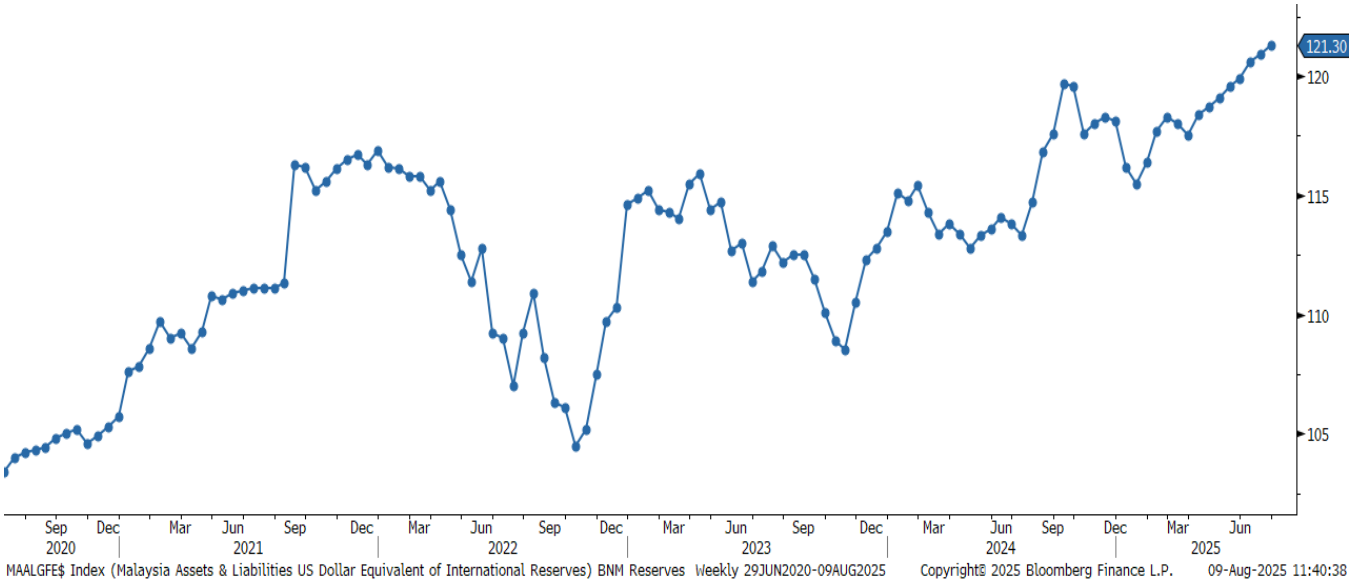
- Interest rates update last week:
  - The Bank of England has reduced its interest rate by -25bps to 4.0%, the lowest level since Mar-23. This decision was the result of a rare two-round vote that highlighted significant internal disagreement on how to handle persistent inflation and a weakening economy. Five of the nine Monetary Policy Committee (MPC) members supported the cut, while four voted to keep rates unchanged. Governor Andrew Bailey described the decision as "finely balanced" and stated that any future cuts would be "gradual and careful."
  - The Reserve Bank of India (RBI) maintained its key repo rate at 5.50%, as was widely anticipated. The decision to keep a neutral stance follows a larger-than-expected 50bps cut in Jun-25 and leaves the rate at its lowest level since Aug-22.
  - The Bank of Mexico lowered its key interest rate by -25bps to 7.75%. This decision was influenced by a decline in annual inflation, which fell from 4.51% in mid-June to 3.51% in July. Additionally, the domestic economy expanded at a slightly faster pace in the second quarter than in the first, although the central bank noted that some slack persists in the economy.

- Malaysia's economic update last week:
  - Distributive trade expanded. Malaysia's distributive trade rose at a faster pace of +4.8%yoy in Jun-25 (May-25: +4.4%yoy), supported by the stronger expansion seen in retail trade (+5.4%yoy) and wholesale trade (+5.2%yoy).
  - Industrial production picked up. Malaysia's IPI increased faster by +3.0%yoy in Jun-25 (May-25: +0.3%yoy), underpinned by the stronger manufacturing output as well as a rebound in the electricity generation. Sales of manufactured goods rose faster by +3.3%yoy in Jun-25 (May-25: +2.4%yoy), extending the year-on-year expansion for the 18th straight month. Products which recorded higher sales growth include consumer electronics, iron & steel, and electrical capacitor resistor, circuit board & display components.

C. BNM INTERNATIONAL RESERVES

- As of 31 July 2025, compared to previous fortnight, Bank Negara Malaysia's international reserves were higher at USD121.3b (15 July 2025: USD120.9b).

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	1-Aug Fri	4-Aug Mon	5-Aug Tue	6-Aug Wed	7-Aug Thu	8-Aug Fri	Change (WoW bp)
MGS							
3-Y	3.083	3.052	3.045	3.04	3.027	3.015	-6.8
5-Y	3.183	3.165	3.153	3.153	3.108	3.089	-9.4
7-Y	3.36	3.341	3.332	3.314	3.279	3.281	-7.9
10-Y	3.401	3.39	3.386	3.38	3.379	3.362	-3.9
20-Y	3.777	3.764	3.765	3.749	3.747	3.739	-3.8
RINGGIT IRS							
1-Y	3.14	3.13	3.105	3.1	3.0625	3.075	-6.5
3-Y	3.085	3.055	3.015	3.005	2.9675	2.985	-10
5-Y	3.1675	3.125	3.09	3.08	3.035	3.08	-8.75
7-Y	3.225	3.202	3.16	3.15	3.1175	3.13	-9.5
10-Y	3.34	3.33	3.305	3.29	3.2375	3.245	-9.5
KLIBOR							
1-M	3.01	3	3	3	3	3	-1
3-M	3.22	3.22	3.22	3.21	3.21	3.21	-1
UST							
3-Y	3.6543	3.6428	3.6905	3.6666	3.686	3.7305	7.62
5-Y	3.7571	3.7381	3.7777	3.7759	3.7915	3.8312	7.41
7-Y	3.9612	3.9406	3.9715	3.9792	3.9895	4.0283	6.71
10-Y	4.2159	4.1923	4.21	4.2257	4.25	4.2829	6.7
30-Y	4.8221	4.7912	4.7802	4.8201	4.8261	4.8494	2.73

Source: Bloomberg

10 MOST ACTIVELY TRADED GOVERNMENT BONDS

Name	Coupon	Maturity	1-Aug Yield	8-Aug Yield	Change (WoW bp)	Weekly Volume (RM mn)
MALAYSIA INVESTMNT ISSUE	3.804	10/08/31	3.352	3.253	-9.9	3,461.8
MALAYSIA GOVERNMENT	3.955	09/15/25	2.920	2.878	-4.2	2,746.8
MALAYSIA INVESTMNT ISSUE	3.599	07/31/28	3.112	3.045	-6.7	1,759.4
MALAYSIA INVESTMNT ISSUE	3.726	03/31/26	2.850	2.840	-1.0	1,633.1
MALAYSIA GOVERNMENT	3.582	07/15/32	3.360	3.281	-7.9	1,571.8
MALAYSIA INVESTMNT ISSUE	3.635	08/30/30	3.215	3.139	-7.6	1,367.5
MALAYSIA GOVERNMENT	3.519	04/20/28	3.083	3.015	-6.8	1,295.9
MALAYSIA GOVERNMENT	3.476	07/02/35	3.401	3.362	-3.9	1,249.2
MALAYSIA GOVERNMENT	4.18	05/16/44	3.777	3.739	-3.8	1,153.1
MALAYSIA INVESTMNT ISSUE	3.612	04/30/35	3.427	3.393	-3.4	1,143.3
TOTAL VOLUME (TOP 10)						17,382.0
TOTAL VOLUME (Overall)						36,944.0

Source: Bloomberg

10 MOST ACTIVELY TRADED CORPORATE BONDS

Name	Coupon	Maturity	1-Aug Yield	8-Aug Yield	Change (WoW bp)	Weekly Volume (RM mn)
PENGURUSAN AIR SPV BHD	4.63	02/05/26	N/A	2.976	N/A	470.0
PRASARANA MALAYSIA BHD	5.07	02/26/41	3.785	3.729	-5.6	245.0
PENGURUSAN AIR SPV BHD	4.15	02/06/26	N/A	2.980	N/A	215.0
CAGAMAS BERHAD	3.4	08/07/28	N/A	3.400	N/A	200.0
PRASARANA MALAYSIA BHD	4.2	09/12/31	N/A	3.372	N/A	100.0
DANAINFRA NASIONAL	4.58	10/20/32	3.552	3.435	-11.7	100.0
AMBANK ISLAMIC BHD	3.75	09/20/27	3.581	3.573	-0.8	100.0
MERC BENZ SVC MALAYSIA	3.76	03/12/29	3.628	3.591	-3.7	90.0
PRASARANA MALAYSIA BHD	4.75	02/26/31	3.349	3.329	-2.0	75.0
MALAYSIA RAIL LINK	ZERO	09/11/25	3.071	3.059	-1.2	70.0
TOTAL VOLUME (TOP 10)						1,665.0
TOTAL VOLUME (Overall)						4,252.1

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