WEEKLY MONEY REVIEW

MIDF Strategy 25 August 2025

Week Ended 22 August 2025

- The UST market rebounded with the benchmark 10-year yield ended the review week lower at 4.25% (prior week: 4.32%) as investors reacted to US Fed Chair Jerome Powell's speech in Jackson Hole signaling an impending rate cut. The 10y-3y yield spread expanded (yield curve steepened) to +61bp (prior week: +60bp) as the short-end outperformed due to its greater sensitivity to policy rate action. At week close, the interest rate futures market (based on conditional probabilities) 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 2.51% (prior week: 2.45%). 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 lower with the 3-year and 10-year yields added +3bp and +2.7bp to close at 2.98% and 3.38% respectively. The 10y-3y yield spread was unchanged at +41bp (prior week: +41bp).

- MGS foreign holdings declined month-on-month to RM291b in July 2025 from RM297b in June 2025. However, it increased year-on-year from RM279b in July 2024. On Bursa Malaysia, the 12-month rolling sum of foreign net equities trade ended the review week at -RM20.1b. It declined week-on-week from -RM17.8b registered a week ago. Moreover, it declined year-on-year from +RM1.5b a year ago.

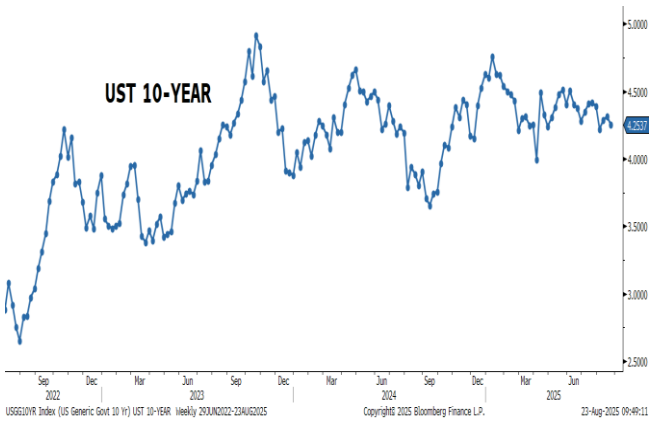
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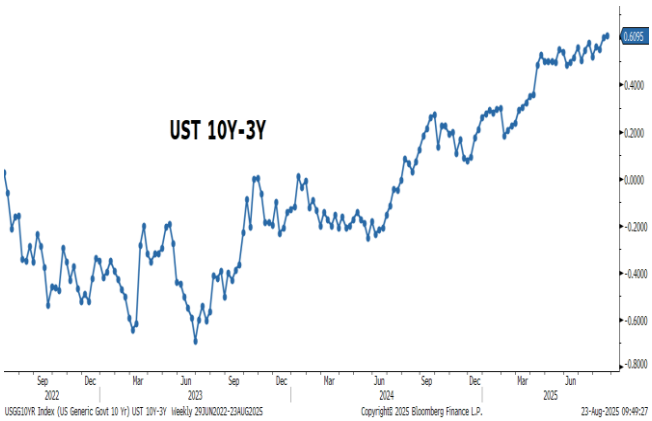
25 August 2025 | Strategy Strategy Team | research@midf.com.my

WEEKLY MONEY REVIEW

A. FIXED INCOME

- The UST market rebounded with the benchmark 10-year yield ended the review week lower at 4.25% (prior week: 4.32%) as investors reacted to US Fed Chair Jerome Powell's speech in Jackson Hole signaling an impending rate cut. The 10y-3y yield spread expanded (yield curve steepened) to +61bp (prior week: +60bp) as the short-end outperformed due to its greater sensitivity to policy rate action. At week close, the interest rate futures market (based on conditional probabilities) implied 2 rate cuts totaling -50bp (prior week: 2 cuts totaling -50bp) in 2025.

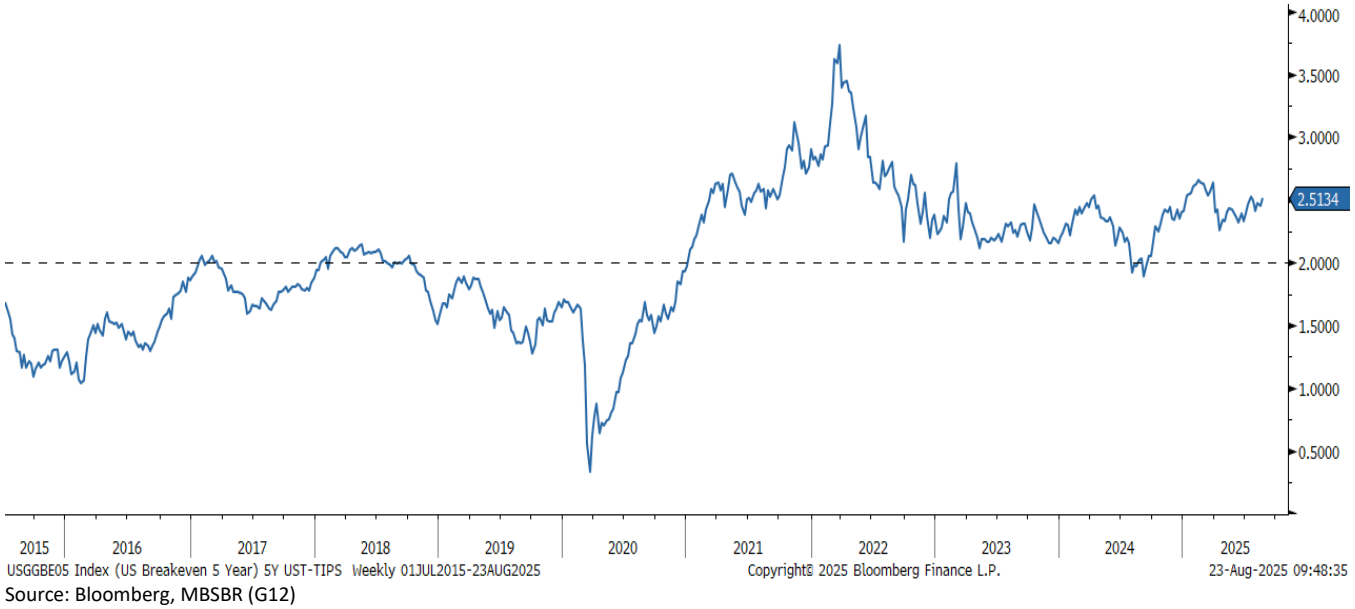




Source: Bloomberg, MBSBR (G8, G9)

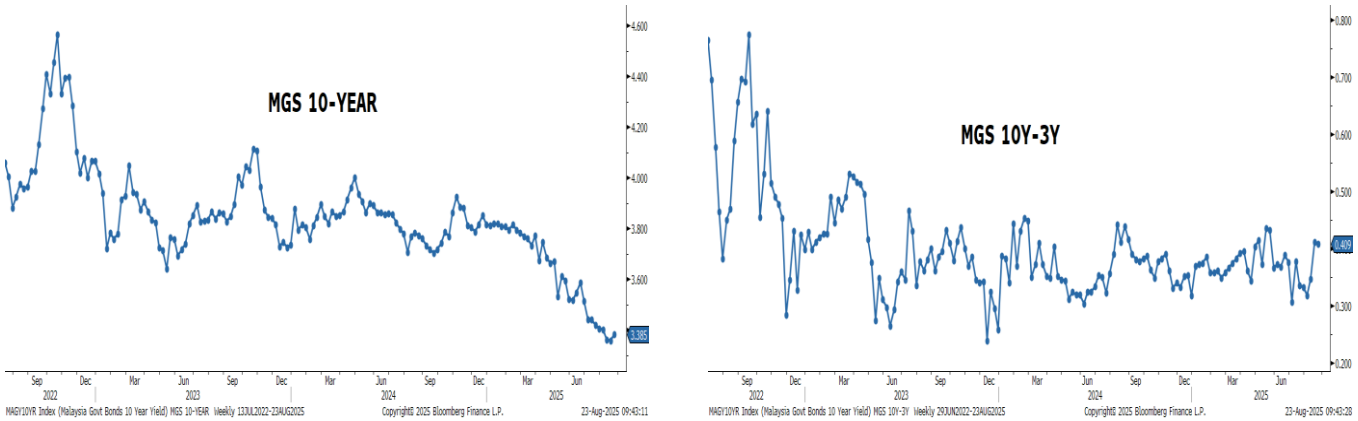
- Medium-term inflation expectation (MTIE) ended the review week higher at 2.51% (prior week: 2.45%). The MTIE has remained above the US Fed target level of 2.00% since the initial interest rate cut in September 2024. We nonetheless believe the market is sanguine and that the underlying inflation trend 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 lower with the 3-year, and 10-year yields added +3bp and +2.7bp to close at 2.98% and 3.38% respectively. The 10y-3y yield spread was unchanged at +41bp (prior week: +41bp).

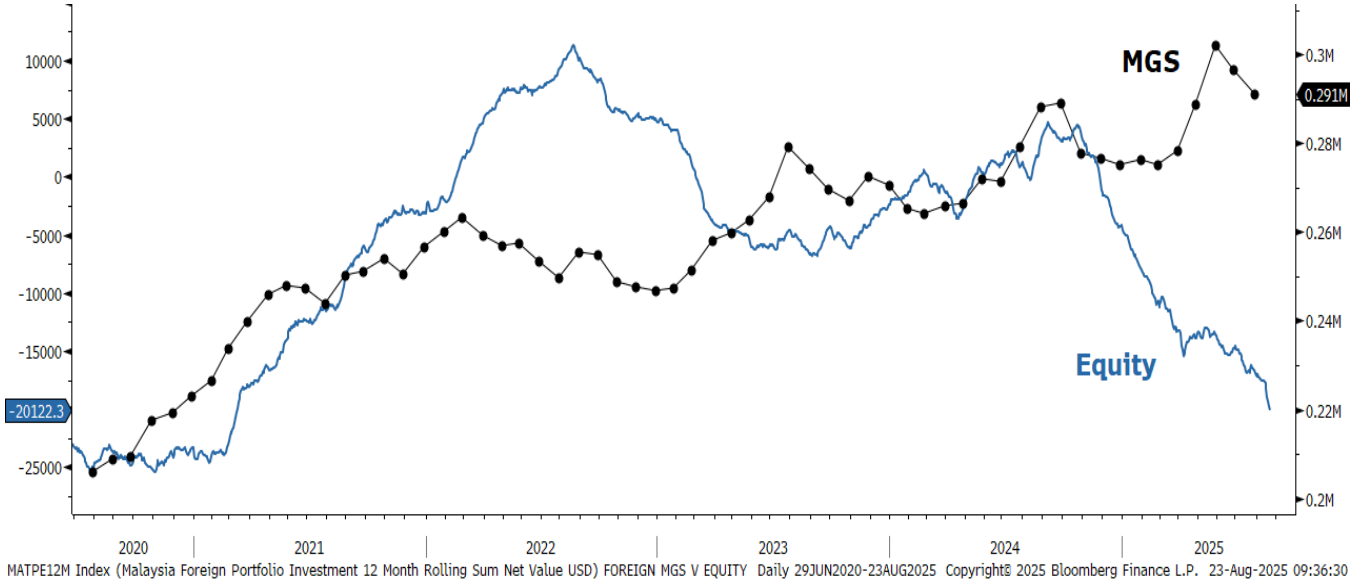


Source: Bloomberg, MBSBR (G10, G11)

- Total trading value for Government Bonds (MGS/MII) declined to RM30.3b in the review week compared to RM44.3b in the prior week (based on Bloomberg data). The total trading value of the 10 most actively traded issues increased, i.e. lower trading breadth, to 56% (prior week: 54%) of the overall Government Bonds trade. Moreover, 4 out of the 10 most actively traded bonds saw higher yields, hence lower prices during the review week.

- The top 3 actively traded Government Bonds were dominated by issues of short residual tenor. The top 3 most actively traded were MGS 3.955% 9/15/25 at RM3.8b, MGS 3.906% 7/15/26 at RM2.9b, and MII 3.599% 7/31/28 at RM2.5b.

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



Source: Bloomberg, MBSBR (G13)

- MGS foreign holdings declined month-on-month to RM291b in July 2025 from RM297b in June 2025. However, it increased year-on-year from RM279b in July 2024. On Bursa Malaysia, the 12-month rolling sum of foreign net equities trade ended the review week at -RM20.1b. It declined week-on-week from -RM17.8b registered a week ago. Moreover, it declined year-on-year from +RM1.5b a year ago.

- Total trading value for Corporate Bonds (Conventional & Sukuk) increased to RM5.0b in the review week compared to RM4.4b in the prior week (based on Bloomberg data). The total trading value of the 10 most actively traded issues was unchanged at 29% (prior week: 29%) 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 Danainfra Nasional 4.06% 7/15/39 at RM200m, RHB Bank 4.4% 9/28/32 at RM190m, and Pengurusan Air SPV 3.99% 11/29/30 at RM180m.

B. FOREIGN EXCHANGE

- USD weakened again last week. The US dollar weakened last week as the DXY declined by -0.1%wow to 97.72 on the back of the continued sentiment supporting the view for a rate cut by the Fed in the Sep-25 meeting, which led to the DXY plunge late Friday. In the early part of the week the DXY to steadily increase towards 98.8 on Friday, which later saw it plunged to 97.7, after the Fed Chair Jerome Powell signaled a possible interest rate cut in the next meeting. Jerome Powell stated that risks to the job market are increasing, even as he highlighted that inflation remains a significant threat. Despite these persistent risks, he indicated that the Federal Open Market Committee (FOMC) will need to proceed carefully when cutting the fed funds rate. Powell also indicated that the impact of tariffs on US inflation is expected to accumulate over the coming months, though the exact timing and amount remain highly uncertain. He also noted that these higher prices may ultimately cause only a one-time shift in overall price levels. We think that the market performance is expected to remain volatile as investors digest and strategize given the new outlook. While safe-haven demand is anticipated to persist, appetite for US assets is expected to moderate, likely leading to a redirection of capital towards alternative safe havens such as the euro, Japanese yen, and gold

- The euro strengthened last week. As the US dollar weakened, the euro strengthened by +0.1%wow to 1.172, on the back of better flash PMI reading in for the euro area. Meanwhile, the GBP weakened against the US dollar by -0.2%wow to USD1.353.

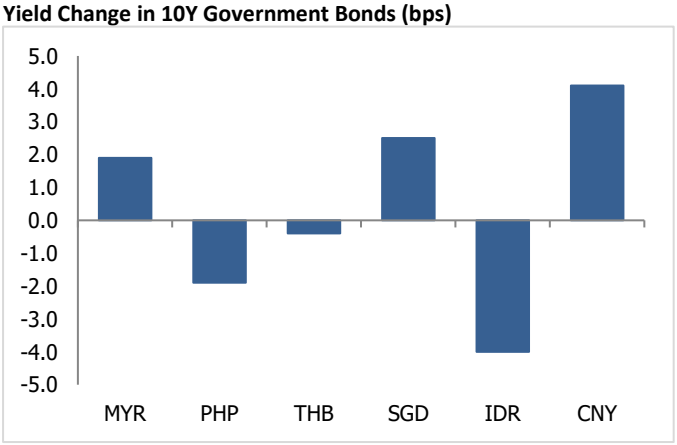
- Ringgit weakened. The ringgit depreciated by -0.3%wow to RM4.227, on the back of the strengthening of the dollar before the speech by Jerome Powell was delivered at Jackson Hole Symposium, which later led to the dollar to weaken. Meanwhile, domestic data releases remained robust with strong trade release in the early of the week, while inflation remained mild despite edging slightly higher. At the moment, we expect the ringgit to end the month between the range of RM4.20 - RM4.25 against the US dollar. Despite weakening against dollar, ringgit strengthened against the currencies of Malaysia's trading partners as our Trade-Weighted Ringgit Index increased by +1.2%wow to 95.14, mainly strengthening against the Taiwan dollar (+1.7%wow), Australian dollar (+0.9%wow), and Indonesian rupiah (+0.8%wow).

Currencies Changes (Week Ended 22 Aug 2025) and Quarterly Forecasts

	Close 22/08	Prev. Close 15/08	Weekly Change	Weekly Change (%)	1QCY25	2QCY25f	3QCY25f	4QCY25f
DXY Index	97.72	97.85	-0.136	-0.1	104.0	98.00	97.00	95.00
EURUSD	1.172	1.170	+0.002	+0.1	1.04	1.05	1.07	1.09
GBPUSD	1.353	1.355	-0.003	-0.2	1.26	1.28	1.30	1.32
USDJPY	146.9	147.2	+0.250	+0.2	150.00	147.80	146.70	143.94
USDMYR	4.227	4.213	-0.013	-0.3	4.43	4.28	4.27	4.25
GBPMYR	5.669	5.712	+0.043	+0.8	5.54	5.52	5.44	5.28
JPYMYR	2.877	2.862	-0.015	-0.5	2.93	2.93	2.88	2.83
MIDF TWRI	95.14	94.02	+1.121	+1.2	92.00	93.50	94.10	95.00

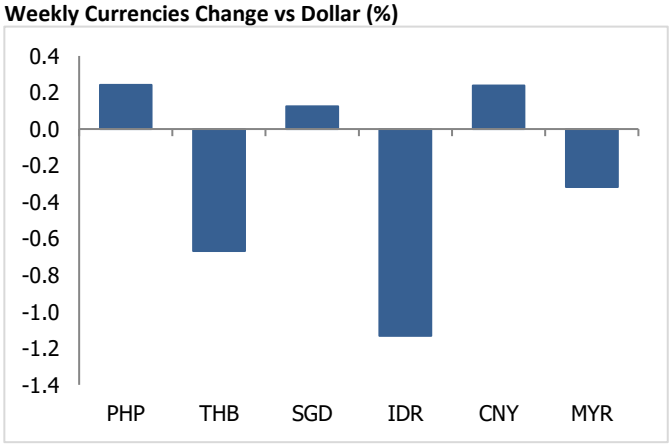
Note: "+" indicates appreciation, while "- "indicates depreciation. Quarterly figures are forecast by MBSBR
Source: Bloomberg, MBSBR

Yield Change in 10Y Government Bonds (bps)



Source: Bloomberg; Macrobond; MBSBR

Weekly Currencies Change vs Dollar (%)



Source: Bloomberg; 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	5.00
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	1.50
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:
  - Activities showed resilience. Flash estimates showed the S&P Global US Composite PMI rising to 55.4 in Aug-2025, up from 55.1 in Jul-25, extending the growth streak to 31 consecutive months. This figure represents the strongest pace of expansion recorded this year. The services PMI economy continued its solid expansion of 55.7 in Aug-25 (Jul-25: 55.4), even though its business activity slightly pulled back from July's year-to-date high. Meanwhile, manufacturing PMI climbed to 53.3 in Aug-25 (Jul-25: 49.8).
  - Unemployment demand picked up. Initial jobless claim moved higher to 235K, increasing by +11K, for the week ending 16th August (previous: 224K), being the sharpest one week increase in eight weeks, in contrast to market expectations to rise to +235k.

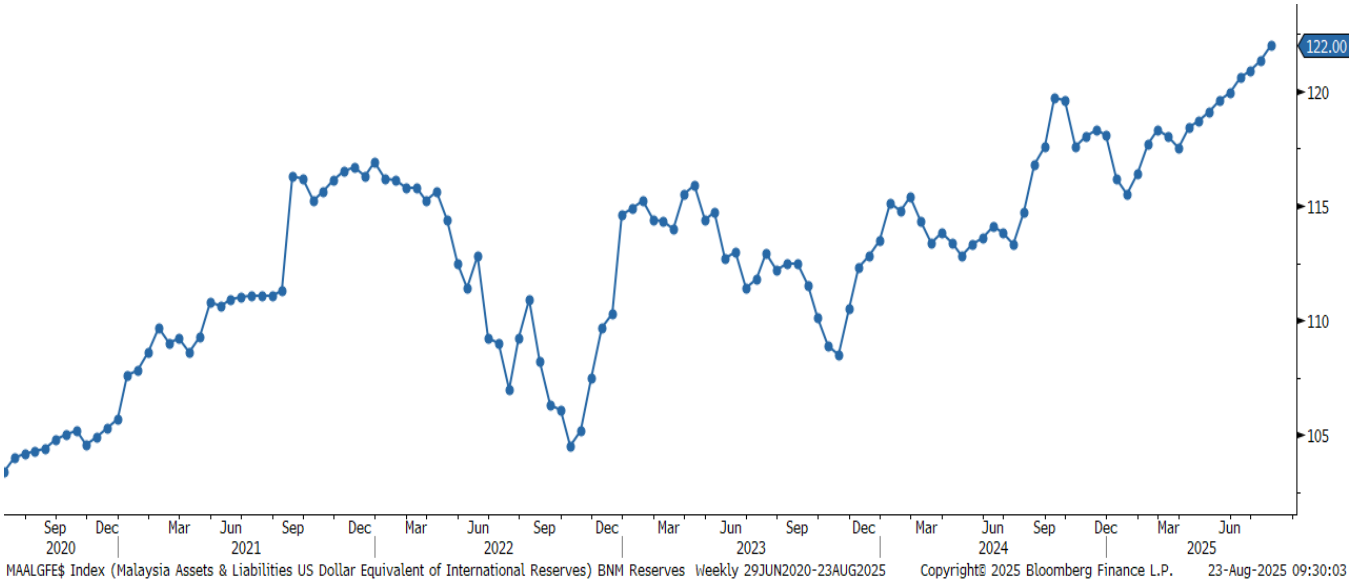
- Interest rates update last week:
  - The People's Bank of China (PBOC) kept its key lending rates at their record lows for the third consecutive month during its August fixing, which was consistent with market expectations. This decision was made even as recent economic data suggested that the economy was losing momentum. The one-year Loan Prime Rate (LPR) remained unchanged at 3.0%.
  - The Reserve Bank of New Zealand reduced its Official Cash Rate (OCR) by -25bps to 3.0% at its Aug-25 meeting, as was widely expected by the market. This cut, which brings borrowing costs to their lowest level since Aug-22, was decided by a 4-2 majority. The Committee acknowledged that both upside and downside risks remain in the economic outlook.
  - Bank Indonesia unexpectedly lowered its benchmark interest rate by -25bps to 5.0% at its Aug-25 policy meeting. This move, which defied market expectations for rates to hold steady, followed a similar -25bps cut in the previous month. It marked the fifth rate cut from Sept-24, bringing the benchmark to its lowest level since Oct-22.

- Malaysia's economic update last week:
  - Malaysia's total trade rose by +3.8%yoy in Jul-25 (Jun-25: -1.3%yoy), marking the first uptrend since Mar-25. The improvement stemmed from rebound in exports (+6.8%yoy; Jun-25: -3.6%yoy), reversing the decline in the previous two months. By sector, manufacturing exports (share: 87% of total exports) increased by +9.0%yoy (Jun-25: -3.3%yoy), recovering from two months of decline. Imports growth slowed to +0.6%yoy in Jul-25 (Jun-25: +1.3%yoy), the slowest expansion since Mar-25.
  - Malaysia's headline CPI inflation increased to +1.2%yoy in Jul-25 (Jun-25: +1.1%yoy), within our estimate, a slight acceleration from the lowest print since Mar-21. The inflation for food away from home eased to +4.3%yoy (Jun-25: +4.7%yoy), in contrast, to lower prices of foods at home which contracted by -0.3%yoy (Jun-25: -0.4%yoy).

C. BNM INTERNATIONAL RESERVES

- As of 15 August 2025, compared to previous fortnight, Bank Negara Malaysia's international reserves were higher at USD122.0b (31 July 2025: USD121.3b).

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	15-Aug Fri	18-Aug Mon	19-Aug Tue	20-Aug Wed	21-Aug Thu	22-Aug Fri	Change (WoW bp)
MGS							
3-Y	2.946	2.96	2.983	2.975	2.985	2.976	3
5-Y	3.039	3.061	3.072	3.082	3.083	2.214	-82.5
7-Y	3.26	3.259	3.275	3.285	3.273	3.263	0.3
10-Y	3.358	3.368	3.382	3.38	3.388	3.385	2.7
20-Y	3.728	3.71	3.733	3.71	3.74	3.71	-1.8
RINGGIT IRS							
1-Y	3.07	3.08	3.08	3.0775	3.08	3.0875	1.75
3-Y	2.98	2.985	3.005	3.003	2.995	3.015	3.5
5-Y	3.055	3.055	3.08	3.075	3.0785	3.085	3
7-Y	3.115	3.135	3.155	3.147	3.15	3.16	4.5
10-Y	3.245	3.245	3.28	3.2575	3.265	3.275	3
KLIBOR							
1-M	3	3	3	3	3	3	0
3-M	3.21	3.21	3.21	3.21	3.21	3.21	0
UST							
3-Y	3.714	3.7224	3.7085	3.7001	3.7449	3.6443	-6.97
5-Y	3.8362	3.8466	3.8239	3.8116	3.8553	3.759	-7.72
7-Y	4.0491	4.0648	4.0387	4.0205	4.0648	3.9736	-7.55
10-Y	4.316	4.3335	4.3062	4.2907	4.3277	4.2537	-6.23
30-Y	4.9183	4.9336	4.9081	4.8948	4.9172	4.8755	-4.28

Source: Bloomberg

10 MOST ACTIVELY TRADED GOVERNMENT BONDS

Name	Coupon	Maturity	15-Aug Yield	22-Aug Yield	Change (WoW bp)	Weekly Volume (RM mn)
MALAYSIA GOVERNMENT	3.955	09/15/25	2.949	2.890	-5.9	3,751.7
MALAYSIA GOVERNMENT	3.906	07/15/26	2.777	2.773	-0.4	2,905.4
MALAYSIA INVESTMNT ISSUE	3.599	07/31/28	3.010	3.020	1.0	2,462.0
MALAYSIA GOVERNMENT	3.336	05/15/30	3.039	2.214	-82.5	1,287.6
MALAYSIA GOVERNMENT	3.582	07/15/32	3.260	3.263	0.3	1,218.2
MALAYSIA GOVERNMENT	3.828	07/05/34	3.375	3.380	0.5	1,193.6
MALAYSIA GOVERNMENT	2.632	04/15/31	3.226	3.208	-1.8	1,191.6
MALAYSIA GOVERNMENT	3.892	03/15/27	2.960	2.943	-1.7	1,020.1
MALAYSIA INVESTMNT ISSUE	3.726	03/31/26	2.817	2.805	-1.2	1,019.7
MALAYSIA INVESTMNT ISSUE	3.804	10/08/31	3.224	3.236	1.2	946.0
TOTAL VOLUME (TOP 10)						16,995.8
TOTAL VOLUME (Overall)						30,277.8

Source: Bloomberg

10 MOST ACTIVELY TRADED CORPORATE BONDS

Name	Coupon	Maturity	15-Aug Yield	22-Aug Yield	Change (WoW bp)	Weekly Volume (RM mn)
DANAINFRA NASIONAL	4.06	07/15/39	3.670	3.646	-2.4	200.0
RHB BANK	4.4	09/28/32	3.641	3.625	-1.6	190.0
PENGURUSAN AIR SPV BHD	3.99	11/29/30	N/A	3.198	N/A	180.0
PENGURUSAN AIR SPV BHD	4.07	06/03/39	3.665	3.660	-0.5	170.0
SP SETIA BERHAD	3.85	06/25/26	3.609	3.524	-8.5	145.1
AEON CREDIT SERVICE M	3.8	02/10/27	3.493	3.472	-2.1	140.4
SARAWAK PETCHEM SDN BHD	5.09	07/26/30	3.669	3.664	-0.5	120.0
PENGURUSAN AIR SPV BHD	4.06	04/29/39	3.728	3.708	-2.0	110.0
AMBANK MALAYSIA BHD	4.3	03/08/32	3.666	3.678	1.2	100.0
DANAINFRA NASIONAL	4.78	10/18/41	3.761	3.719	-4.2	100.0
TOTAL VOLUME (TOP 10)						1,455.5
TOTAL VOLUME (Overall)						5,013.4

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