WEEKLY MONEY REVIEW

MIDF Strategy 2 September 2025

Week Ended 29 August 2025

- The UST market advanced for second consecutive week with benchmark 10-year yield ended the latest week lower at 4.23% (prior week: 4.25%) as investors continued to price-in US Fed Chair Jerome Powell's cautiously dovish remarks in Jackson Hole. The 10y-3y yield spread expanded (yield curve steepened) to +65bp (prior week: +61bp) 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 2.52% (prior week: 2.51%). 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 +2bp and +0.5bp to close at 3.00% and 3.39% respectively. The 10y-3y yield spread narrowed (yield curve flattened) to +39bp (prior week: +41bp) as the short-end underperformed.

- 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 -RM22.0b. It declined week-on-week from -RM20.1b registered a week ago. Moreover, it declined year-on-year from +RM2.6b a year ago.

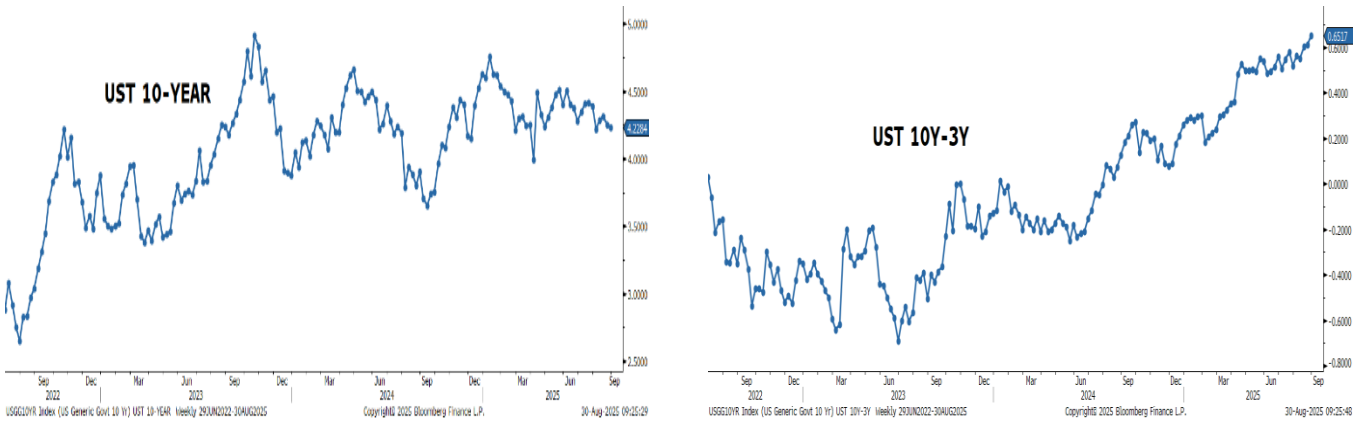
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WEEKLY MONEY REVIEW

A. FIXED INCOME

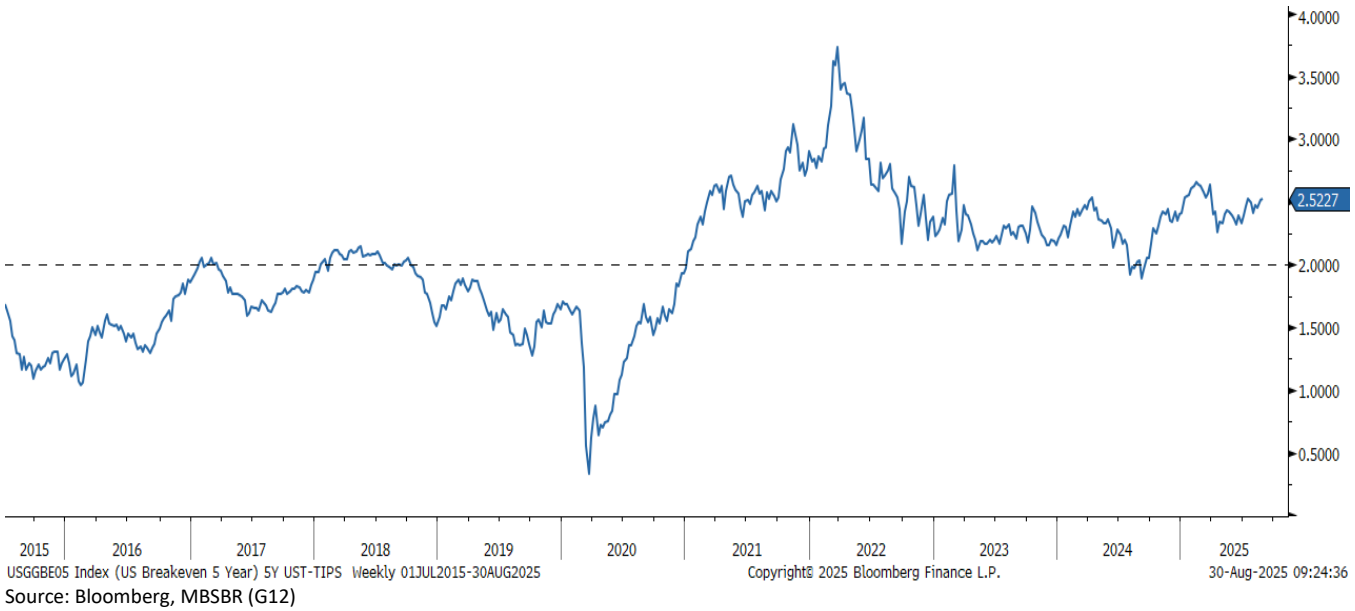
- The UST market advanced for second consecutive week with a benchmark 10-year yield ended the latest week lower at 4.23% (prior week: 4.25%) as investors continued to price-in US Fed Chair Jerome Powell's cautiously dovish remarks in Jackson Hole. The 10y-3y yield spread expanded (yield curve steepened) to +65bp (prior week: +61bp) 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)

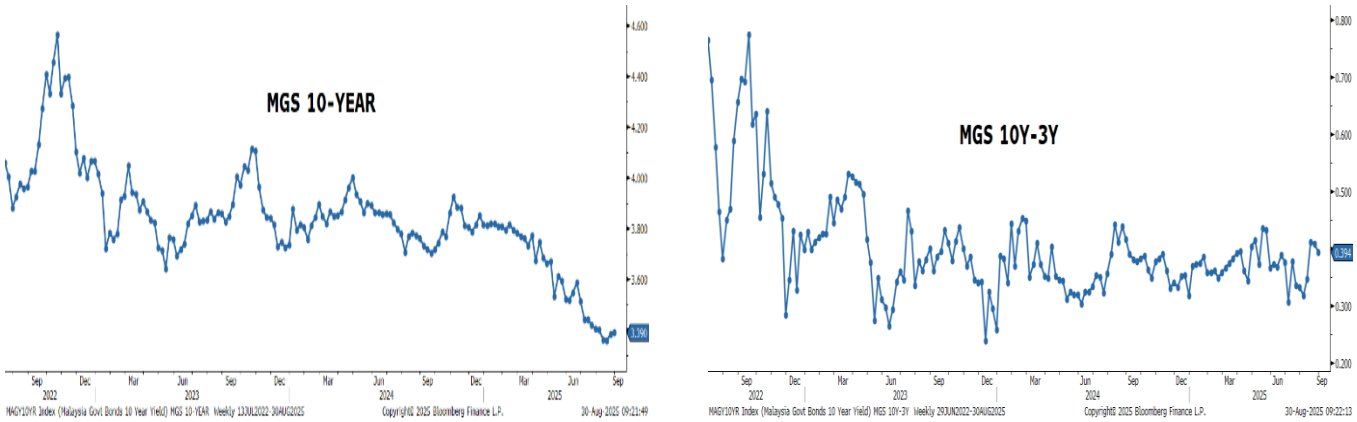
- Medium-term inflation expectation (MTIE) ended the review week higher at 2.52% (prior week: 2.51%). The MTIE has remained above the US Fed target level of 2.00% since the initial interest rate cut in September 2024. We nonetheless believe the market is sanguine and that the underlying inflation trend 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 +2bp and +0.5bp to close at 3.00% and 3.39% respectively. The 10y-3y yield spread narrowed (yield curve flattened) to +39bp (prior week: +41bp) as the short-end underperformed.

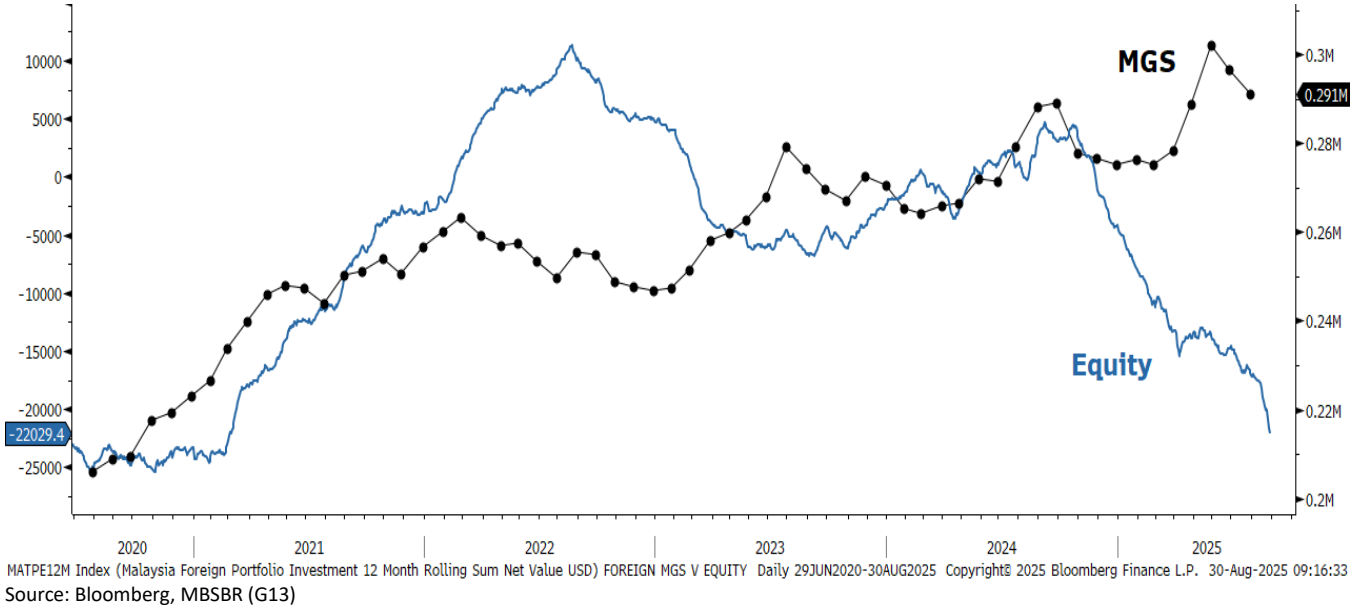


Source: Bloomberg, MBSBR (G10, G11)

- Total trading value for Government Bonds (MGS/MII) increased to RM35.8b in the review week compared to RM30.3b in the prior week (based on Bloomberg data). The total trading value of the 10 most actively traded issues declined (higher trading breadth) to 52% (prior week: 56%) of the overall Government Bonds trade. Moreover, 7 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 RM3.9b, MGS 3.906% 7/15/26 at RM2.7b, and MII 3.599% 7/31/28 at RM2.2b.

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 -RM22.0b. It declined week-on-week from -RM20.1b registered a week ago. Moreover, it declined year-on-year from +RM2.6b a year ago.

- Total trading value for Corporate Bonds (Conventional & Sukuk) increased to RM6.1b in the review week compared to RM5.0b 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% (prior week: 29%) of the overall Corporate Bonds trade.

- The top 3 actively traded Corporate Bonds were dominated by issues of long residual tenor. The top 3 most actively traded were Danainfra Nasional 4.78% 10/18/41 at RM400m, Pengurusan Air SPV 4.06% 4/29/39 at RM205m, and Danainfra Nasional 4.85% 5/3/41 at RM200m.

B. FOREIGN EXCHANGE

- The USD strengthened after 3 weeks of declines. The US dollar slightly strengthened last week as the DXY increased by +0.1%wow to 97.72. Demand for US dollars as stronger-than-expected 2QCY25 GDP growth eased expectations for quicker rate cuts as well as stronger underlying price pressures as shown by the Jul-25 PCE inflation, in contrast to the dovish speech by Fed Governor Christopher Waller, who has been advocating for a rate cut. Meanwhile, investors were slightly rattled by the move by President Donald Trump to force out Governor Cook from the Fed, which may lead to the US President inserting his chosen representative as the replacement. We think that market performance will remain volatile on the back of policy uncertainty, especially on the tariff front, while monitoring President Donald Trump's move to further influence the Fed. While safe-haven demand is anticipated to persist, appetite for the 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.

- EUR and GBP weakened last week. As the US dollar strengthened, the euro weakened by -0.3%wow to USD1.169, as sentiment was also influenced by the political uncertainty in France. Meanwhile, the pound sterling also weakened against the US dollar by -0.2%wow to USD1.350, despite recovering from the low closing at USD1.346 on Monday on the back of reduced market expectations for more rate cuts by the BOE.

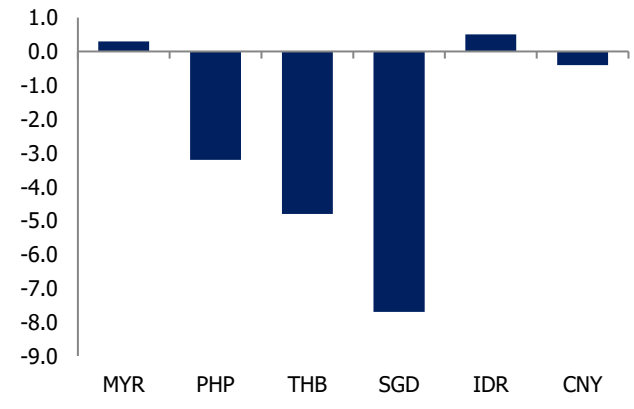
- Ringgit saw a minor strengthening. The ringgit was generally stable last week but saw a slight appreciation by +0.04%wow to RM4.225. Nevertheless, the domestic data releases last week indicated a potential slowdown in economic activity and continued producer price deflation. Despite the stability against the dollar, Malaysian ringgit weakened against the currencies of Malaysia's major trading partners as our Trade-Weighted Ringgit Index weakened by -0.2%wow to 93.97, mainly against the Australian dollar (-1.6%wow), Japanese yen (-1.0%wow), and Singapore dollar (-0.2%wow).

Currencies Changes (Week Ended 29 Aug 2025) and Quarterly Forecasts

	Close 29/08	Prev. Close 22/08	Weekly Change	Weekly Change (%)	1QCY25	2QCY25f	3QCY25f	4QCY25f
DXY Index	97.77	97.72	+0.055	+0.1	104.0	98.00	97.00	95.00
EURUSD	1.169	1.172	-0.003	-0.3	1.04	1.05	1.07	1.09
GBPUSD	1.350	1.353	-0.002	-0.2	1.26	1.28	1.30	1.32
USDJPY	147.1	146.9	-0.110	-0.1	150.00	147.80	146.70	143.94
USDMYR	4.225	4.227	+0.002	+0.0	4.43	4.28	4.27	4.25
GBPMYR	5.687	5.669	-0.018	-0.3	5.54	5.52	5.44	5.28
JPYMYR	2.874	2.877	+0.003	+0.1	2.93	2.93	2.88	2.83
MBSB TWRI	93.97	94.13	-0.161	-0.2	92.00	93.50	94.10	95.00

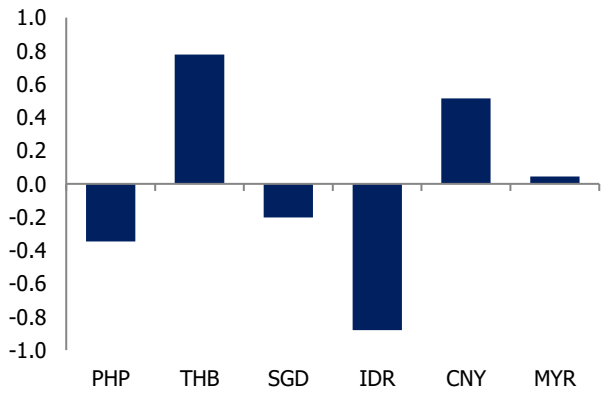
Note: "+" indicates appreciation, while "- "indicates depreciation. Quarterly figures are forecast by MBSBR. MBSB TWRI was previously known as MIDF TWRI.
Source: Bloomberg, MBSBR

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	5.00
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:
  - Consumer confidence deteriorated in Aug-25. According to The Conference Board consumer confidence fell to 97.4 in Aug-25 (Jul-25: 98.7). Although the reading was above the market consensus of 96.2, the decline signalled weaker confidence amid job prospects concerns. The Present Situation Index, which reflects consumers' assessment of current business and labour market conditions, also fell by 1.6 points to 131.2, while the Expectations Index, which measures the short-term outlook for income, business, and labour market conditions— decreased by 1.2 points to 74.8.
  - Stronger GDP rebound in 2QCY25. The US economy experienced a strong rebound in the 2QCY25, growing at +3.3%qoq on annualised basis (advance estimate: +3.0%qoq). This marks a significant recovery from the -0.5% contraction in 1QCY25. The upward revision was primarily in investment (+5.7%qoq; advance estimate: +1.9%qoq) and consumer spending (+1.6%qoq; advance estimate: +1.4%qoq).
  - Stronger underlying price pressure. PCE prices in the US increased by +2.6%yoy in Jul-25, the same as in Jun-25 and in line with market expectations. Meanwhile, the US core PCE rose slightly faster by +2.9%yoy (Jun-25: +2.8%yoy), the highest reading in five months and also in line with market expectations.
  - Signs of job market resilience. Initial jobless claims moved lower by 5k to 229K for the week ending 23rd August (previous: 229K), slightly below the market consensus of 230K. The US labour market shows signs of softening but not accelerating deterioration amid lingering concerns of softening and slower hiring.

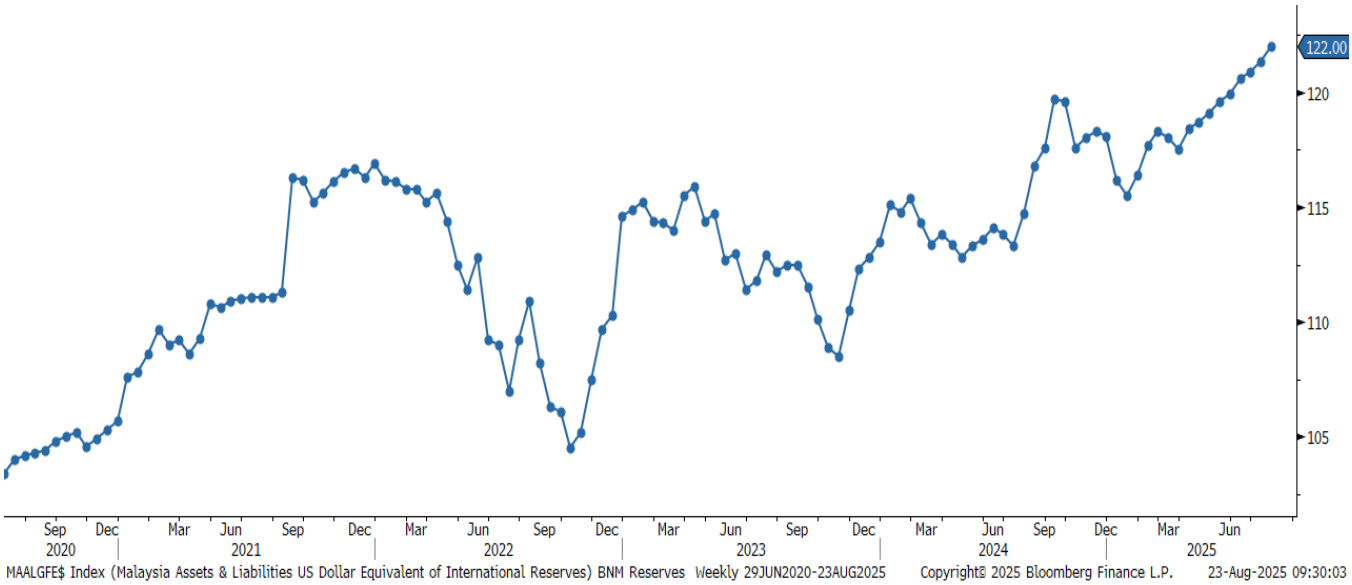
- Interest rates update last week:
  - The Bank of Korea kept its base rate at 2.50% in Aug-25, a decision that was widely expected after a rate cut in May-25. The central bank's officials stated they are closely monitoring potential risks from rising household debt and the housing market, particularly in Seoul, where property price expectations rebounded slightly before moderating.
  - The Central Bank of the Philippines (BSP) reduced its benchmark interest rate by -25bps to 5.00% during its Aug-25 meeting. This move was widely anticipated and represents the lowest rate since Nov-22. The decision was supported by an easing in the annual inflation rate, which slowed to +0.9%yoy in Jul-25 (Jun-25: +1.4%yoy).

- Malaysia's economic update last week:
  - Growth momentum to ease in the short run. Malaysia's economy is expected to grow at a softer pace as the leading index (LI) declined by -0.2%yoy in Jun-25 (May-25: +0.3%yoy). On the other hand, the coincidence index (CI), which reflects current economic performance, recorded a faster growth of +1.7%yoy in Jun-25 (May-25: +1.3%yoy).
  - PPI is still in deflation. The downward pressure in Malaysia's producer prices persisted although the pace of deflation eased to slightly to -3.8%yoy in Jul-25 (Jun-25: -4.2%yoy), marking the fifth consecutive month of declines. By sector, the deflation was due to broad-based declines across all sectors.

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	22-Aug Fri	25-Aug Mon	26-Aug Tue	27-Aug Wed	28-Aug Thu	29-Aug Fri	Change (WoW bp)
MGS							
3-Y	2.976	2.964	2.97	2.983	2.989	2.996	2
5-Y	2.214	3.062	3.065	3.053	3.075	3.082	86.8
7-Y	3.263	3.258	3.276	3.284	3.288	3.296	3.3
10-Y	3.385	3.365	3.374	3.391	3.391	3.39	0.5
20-Y	3.71	3.724	3.731	3.733	3.742	3.736	2.6
RINGGIT IRS							
1-Y	3.0875	3.075	3.095	3.1	3.101	3.1	1.25
3-Y	3.015	3.001	3.01	3.0287	3.015	3.03	1.5
5-Y	3.085	3.08	3.09	3.1	3.09	3.095	1
7-Y	3.16	3.14	3.155	3.16	3.16	3.17	1
10-Y	3.275	3.28	3.285	3.28	3.29	3.29	1.5
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	3.6443	3.6723	3.6218	3.5798	3.5881	3.5767	-6.76
5-Y	3.759	3.7851	3.7414	3.696	3.6906	3.6958	-6.32
7-Y	3.9736	4.0022	3.9736	3.932	3.9086	3.9265	-4.71
10-Y	4.2537	4.2751	4.2615	4.2343	4.2033	4.2284	-2.53
30-Y	4.8755	4.8897	4.9193	4.9213	4.8755	4.9274	5.19

Source: Bloomberg

10 MOST ACTIVELY TRADED GOVERNMENT BONDS

Name	Coupon	Maturity	22-Aug Yield	29-Aug Yield	Change (WoW bp)	Weekly Volume (RM mn)
MALAYSIA GOVERNMENT	3.955	09/15/25	2.890	2.949	5.9	3,941.6
MALAYSIA GOVERNMENT	3.906	07/15/26	2.773	2.759	-1.4	2,712.1
MALAYSIA INVESTMNT ISSUE	3.599	07/31/28	3.020	3.019	-0.1	2,214.1
MALAYSIA INVESTMNT ISSUE	3.726	03/31/26	2.805	2.838	3.3	2,047.7
MALAYSIA INVESTMNT ISSUE	3.804	10/08/31	3.236	3.250	1.4	1,912.2
MALAYSIA GOVERNMENT	3.502	05/31/27	2.926	2.945	1.9	1,537.0
MALAYSIA INVESTMNT ISSUE	3.99	10/15/25	2.796	2.810	1.4	1,365.8
MALAYSIA GOVERNMENT	3.336	05/15/30	2.214	3.082	86.8	1,036.6
MALAYSIA INVESTMNT ISSUE	4.28	03/23/54	3.909	3.895	-1.4	1,027.7
MALAYSIA GOVERNMENT	3.733	06/15/28	3.015	3.026	1.1	881.8
TOTAL VOLUME (TOP 10)						18,676.6
TOTAL VOLUME (Overall)						35,808.5

Source: Bloomberg

10 MOST ACTIVELY TRADED CORPORATE BONDS

Name	Coupon	Maturity	22-Aug Yield	29-Aug Yield	Change (WoW bp)	Weekly Volume (RM mn)
DANAINFRA NASIONAL	4.78	10/18/41	3.719	3.717	-0.2	400.0
PENGURUSAN AIR SPV BHD	4.06	04/29/39	3.708	3.749	4.1	205.0
DANAINFRA NASIONAL	4.85	05/03/41	3.730	3.710	-2.0	200.0
DANAINFRA NASIONAL	4.72	04/01/43	3.822	3.775	-4.7	200.0
MALAYSIA RAIL LINK	3.94	08/20/32	N/A	3.363	N/A	200.0
PENGURUSAN AIR SPV BHD	4.34	02/07/29	3.187	3.151	-3.6	140.0
CAGAMAS BERHAD	4.5	12/13/27	3.353	3.327	-2.6	140.0
CAGAMAS BERHAD	3.8	12/06/27	N/A	3.328	N/A	140.0
BANK ISLAM MALAYSIA BHD	3.85	07/23/32	3.676	3.697	2.1	130.0
PROJEK LEBUHRAYA USAHASA	4.86	01/12/38	3.650	3.618	-3.2	120.0
TOTAL VOLUME (TOP 10)						1,875.0
TOTAL VOLUME (Overall)						6,143.1

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