WEEKLY MONEY REVIEW

MIDF Strategy 8 September 2025

Week Ended 5 September 2025

- The UST market rallied for third consecutive week with benchmark 10-year yield ended the latest week lower at 4.07% (prior week: 4.23%) as investors reacted to the weaker-than-expected US payroll data. The 10y-3y yield spread narrowed (yield curve flattened) to +59bp (prior week: +65bp) as the long-end outperformed. At week close, the interest rate futures market (based on conditional probabilities) 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 2.46% (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 lower with the 3-year and 10-year yields added +4.4bp and +1.3bp to close at 3.04% and 3.40% respectively. The 10y-3y yield spread narrowed (yield curve flattened) to +36bp (prior week: +39bp) 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 -RM23.4b. It declined week-on-week from -RM22.0b registered a week ago. Moreover, it declined year-on-year from +RM3.8b a year ago.

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8 September 2025 | Strategy

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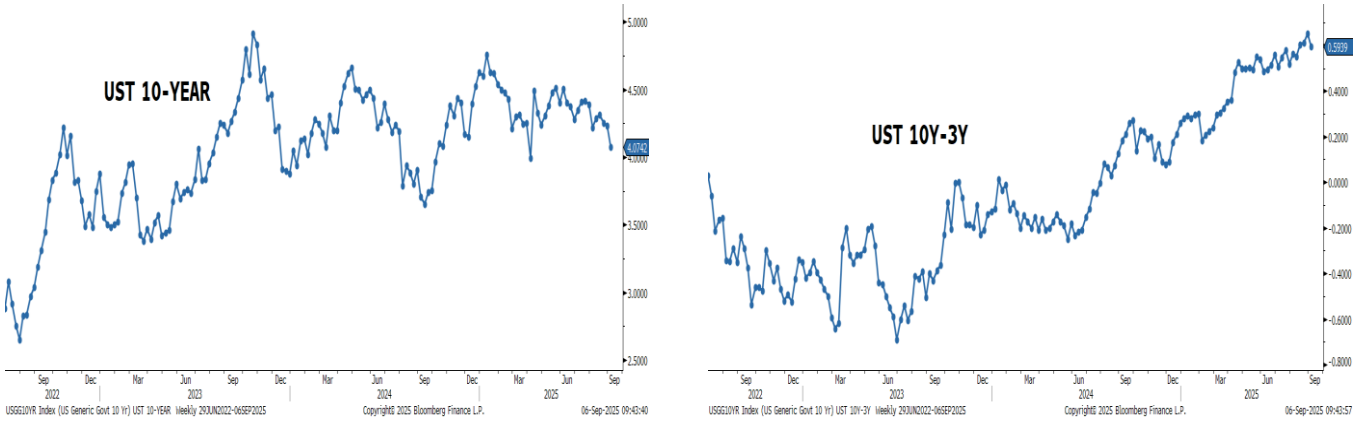
WEEKLY MONEY REVIEW

A. FIXED INCOME

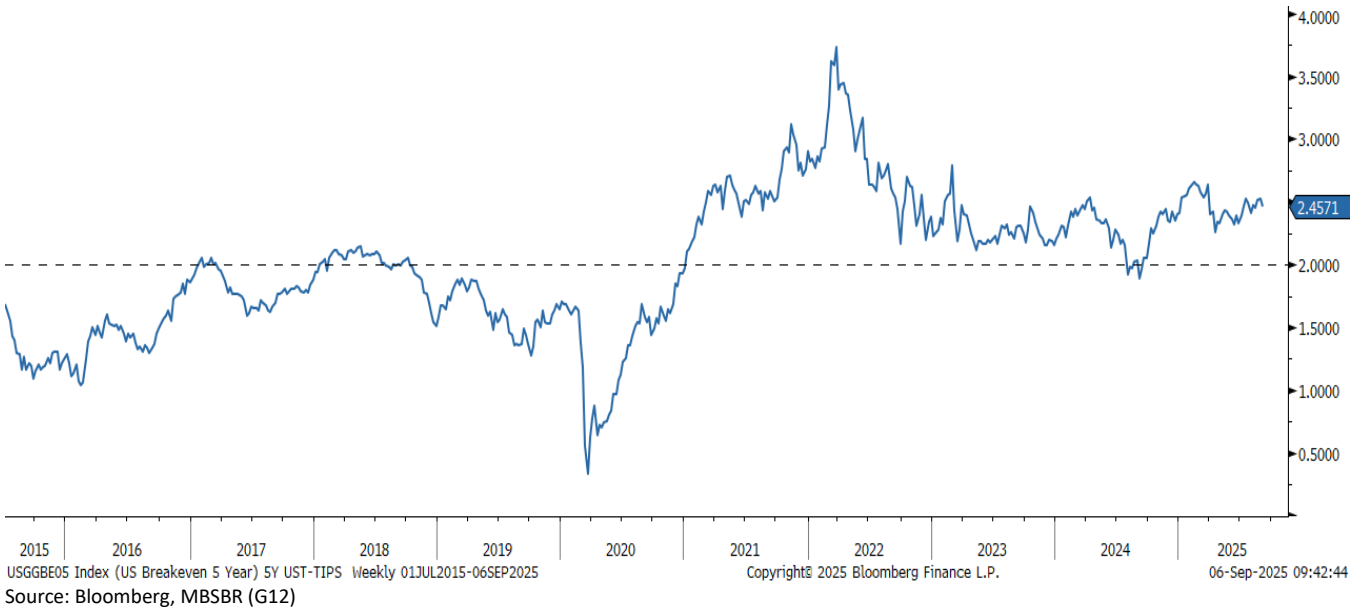
- The UST market rallied for third consecutive week with benchmark 10-year yield ending the latest week lower at 4.07% (prior week: 4.23%) as investors reacted to the weaker-than-expected US payroll data. The 10y-3y yield spread narrowed (yield curve flattened) to +59bp (prior week: +65bp) as the long-end outperformed. At week close, the interest rate futures market (based on conditional probabilities) implied 3 rate cuts totaling -75bp (prior week: 2 cuts totaling -50bp) in 2025.



Source: Bloomberg, MBSBR (G8, G9)

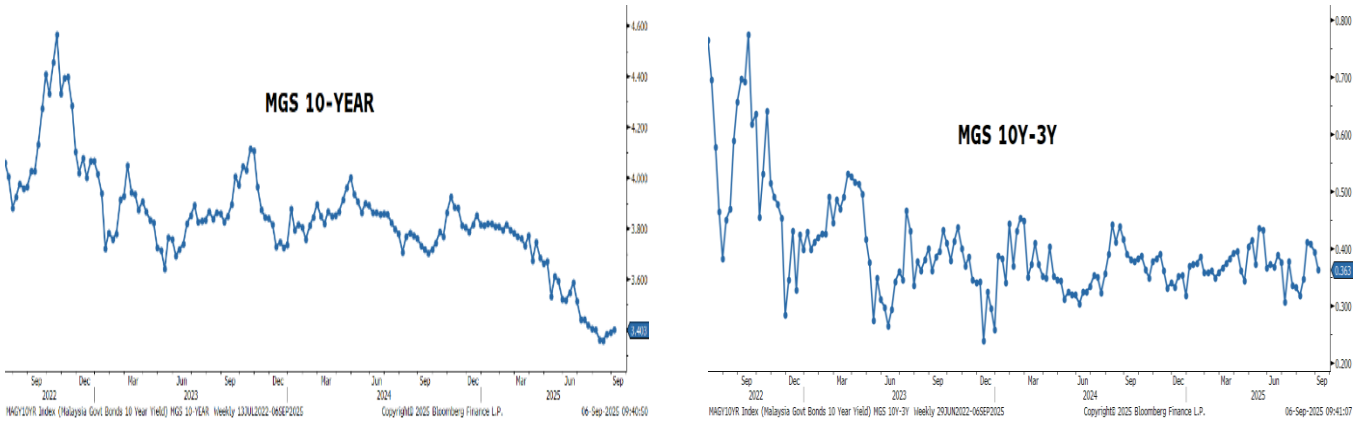
- Medium-term inflation expectation (MTIE) ended the review week lower at 2.46% (prior week: 2.52%). The MTIE has remained above the US Fed target level of 2.00% since the initial interest rate cut in September 2024. We nonetheless believe the market is sanguine and that the underlying inflation trend 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 +4.4bp and +1.3bp to close at 3.04% and 3.40% respectively. The 10y-3y yield spread narrowed (yield curve flattened) to +36bp (prior week: +39bp) as the short-end underperformed.

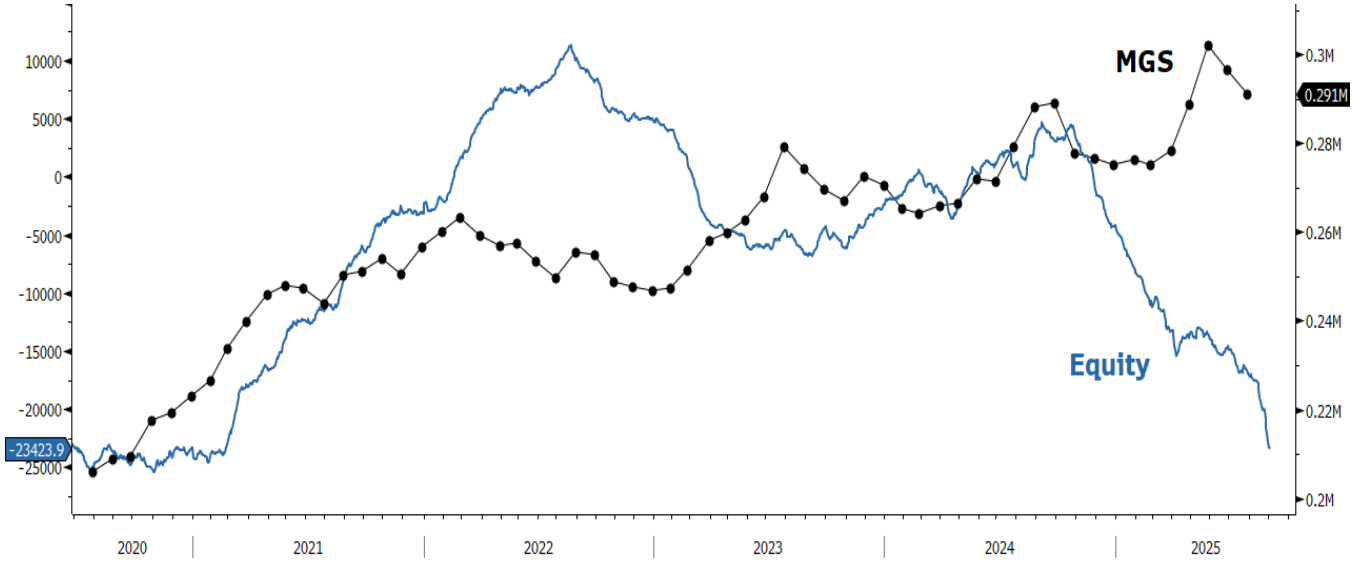


Source: Bloomberg, MBSBR (G10, G11)

- Total trading value for Government Bonds (MGS/MII) declined to RM22.5b in the review week compared to RM35.8b in the prior week (based on Bloomberg data). The total trading value of the 10 most actively traded issues increased (lower trading breadth) to 58% (prior week: 52%) of the overall Government Bonds trade. Moreover, 9 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 and mid residual tenor. The top 3 most actively traded were MGS 3.955% 9/15/25 at RM2.3b, MII 3.599% 7/31/28 at RM2.2b, and MII 3.804% 10/8/31 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 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 -RM23.4b. It declined week-on-week from -RM22.0b registered a week ago. Moreover, it declined year-on-year from +RM3.8b a year ago.

- Total trading value for Corporate Bonds (Conventional & Sukuk) declined to RM2.0b in the review week compared to RM6.1b in the prior week (based on Bloomberg data). The total trading value of the 10 most actively traded issues increased (lower trading breadth) to 55% (prior week: 31%) 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 4.47% 5/3/41 at RM200m, Danainfra Nasional 3.84% 6/30/45 at RM200m, and Danainfra Nasional 4.08% 3/30/29 at RM155m.

B. FOREIGN EXCHANGE

- USD was stable last week. The US dollar was virtually unchanged last week as the DXY Dollar Index ended at 97.77, the same closing in the previous week. The US Dollar Index initially strengthened and moved above the 98.5 level early in the week but later eased up as data showed signs of a softening labour market. A rise in the unemployment rate and weaker non-farm payrolls in Aug-25 reinforced market expectations for a rate cut at the upcoming September 2025 FOMC meeting. We believe that market performance will remain volatile, driven by ongoing policy uncertainty, particularly regarding new tariffs and the approaching FOMC meeting. 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 strengthened last week. Despite the stability in US dollar, the euro strengthened by +0.3%wow to USD1.172, as the flash inflation in the euro area picked up to +2.1%yoy in Aug-25. Meanwhile, the pound sterling also strengthened against the US dollar by +0.04%wow to USD1.351, with the improvement in the S&P Composite PMI to 53.5 (Jul-25: 51.5) indicating a stronger expansion in economic activities in Aug-25.

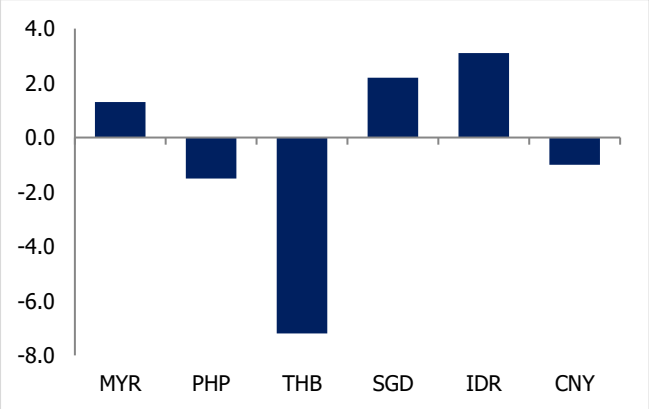
- Ringgit slightly weakened. The ringgit was generally stable last week but saw a slight drop of -0.1%wow to RM4.229. The domestic data remains steady, with the BNM leaving the OPR unchanged last week at 2.75%, while indicating that growth remaining robust, but still highlighting downside risks to growth outlook from a potential slowdown in global trade, weaker overall market sentiment, and lower-than-expected commodity production. Despite the slight weakening against the US dollar, the Malaysian ringgit strengthened against the currencies of Malaysia's major trading partners as our Trade-Weighted Ringgit Index strengthened by -0.1%wow to 93.99, mainly against the Japanese yen (+0.7%wow), Singapore dollar (+0.4%wow), and the euro (+0.3%wow).

Currencies Changes (Week Ended 5 Sept 2025) and Quarterly Forecasts

	Close 05/09	Prev. Close 29/08	Weekly Change	Weekly Change (%)	1QCY25	2QCY25f	3QCY25f	4QCY25f
DXY Index	97.77	97.77	-0.003	-0.0	104.0	98.00	97.00	95.00
EURUSD	1.172	1.169	+0.003	+0.3	1.04	1.05	1.07	1.09
GBPUSD	1.351	1.350	+0.000	+0.0	1.26	1.28	1.30	1.32
USDJPY	147.4	147.1	-0.380	-0.3	150.00	147.80	146.70	143.94
USDMYR	4.229	4.225	-0.004	-0.1	4.43	4.28	4.27	4.25
GBPMYR	5.701	5.687	-0.015	-0.3	5.54	5.52	5.44	5.28
JPYMYR	2.869	2.874	+0.005	+0.2	2.93	2.93	2.88	2.83
MBSB TWRI	93.99	93.90	+0.082	+0.1	92.00	93.50	94.10	95.00

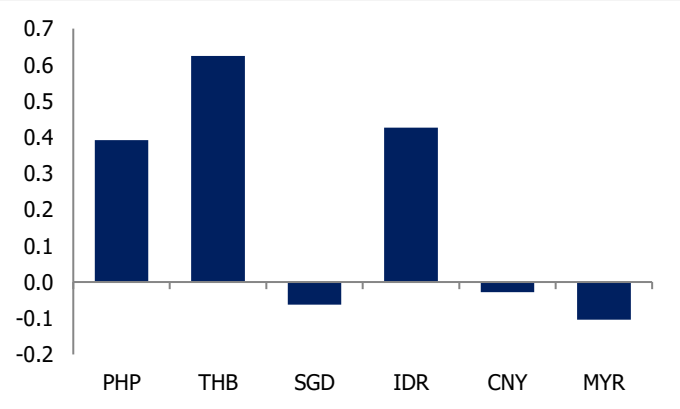
Note: "+" indicates appreciation, while "- "indicates depreciation. Quarterly figures are forecast by MBSBR. MBSB TWRI was previously known as MIDF TWRI.
Source: Bloomberg, MBSBR

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 (%)

	Jan-25	Feb-25	Mar-25	Apr-25	May-25	Jun-25	Jul-25	Aug-25	Sep-25
Malaysia	3.00	3.00	3.00	3.00	3.00	3.00	2.75	2.75	2.75
Indonesia	5.75	5.75	5.75	5.75	5.50	5.50	5.25	5.50	5.00
Philippines	5.75	5.75	5.75	5.50	5.50	5.25	5.25	5.25	5.00
Thailand	2.25	2.00	2.00	1.75	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	2.75	2.75	2.75	2.50	2.50	2.50	2.50	2.50
India	6.25	6.25	6.25	6.00	6.00	5.50	5.50	5.50	5.50
Japan	0.50	0.50	0.50	0.50	0.50	0.50	0.50	0.50	0.50
UK	4.75	4.50	4.50	4.50	4.25	4.25	4.25	4.25	4.00
Euro area	2.90	2.90	2.90	2.40	2.25	2.00	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:
  - Slower expansion in overall activities. S&P Global US Composite PMI was revised down to 54.6 in Aug-25, falling from the preliminary reading of 55.4 and below Jul-25's seven-month high of 55.1. This signals a moderation in overall business expansion as the US S&P Global US Services PMI declined to 54.5 in Aug-25, down from the year-to-date high of 55.7 in Jul-25.
  - Mixed signal for the manufacturing sector.
    - The S&P Global US Manufacturing PMI showed significant improvement to 53.0 in Aug-25 (Jul-25: 49.8 in Jul-25), signaling the strongest improvement in operating conditions since May-22.
    - In contrast, the ISM US Manufacturing PMI remained below 50 despite the index increased marginally to 48.7 in Aug-25 (Jul-25: 48.0), below market expectations of 49.0. This reading signaled the sixth straight month of contraction for the US manufacturing sector.
  - Labour market indicates further cooling.
    - Slower than expected job openings. Job openings in the US declined by -176K to 7.2m in Jul-25 (Jun-25: 7.4m), the lowest openings since Sep-24 and adding to signs that the US labour market is losing momentum.
    - ADP payroll report for Aug-25 was weaker than expected. Private businesses in the US added +54K jobs in Aug-25, well below +106K in Jul-25 and the market forecast of +65K. This slowdown in hiring was widespread, though some sectors, like leisure and hospitality and construction, still performed well.
    - NFP also pointed to slower job growth in Aug-25. US nonfarm payrolls increased by a modest +22K in Aug-25 (Jul-25: +79K), well below market forecasts of +75K. This slowdown, along with a combined downward revision to the Jun-25 and Jul-25 employment figures, underscores signs of a cooling labour market.
    - Unemployment rate inched higher. The US unemployment rate rose to 4.3% in Aug-25, up from 4.2% the previous month and reached its highest level since Oct-21. This increase was in line with market expectations.
    - Unemployment claims moved higher. Initial jobless claims moved higher to 237K for the week ending 30th August (previous week: 229K), above the market expectation of 230K.

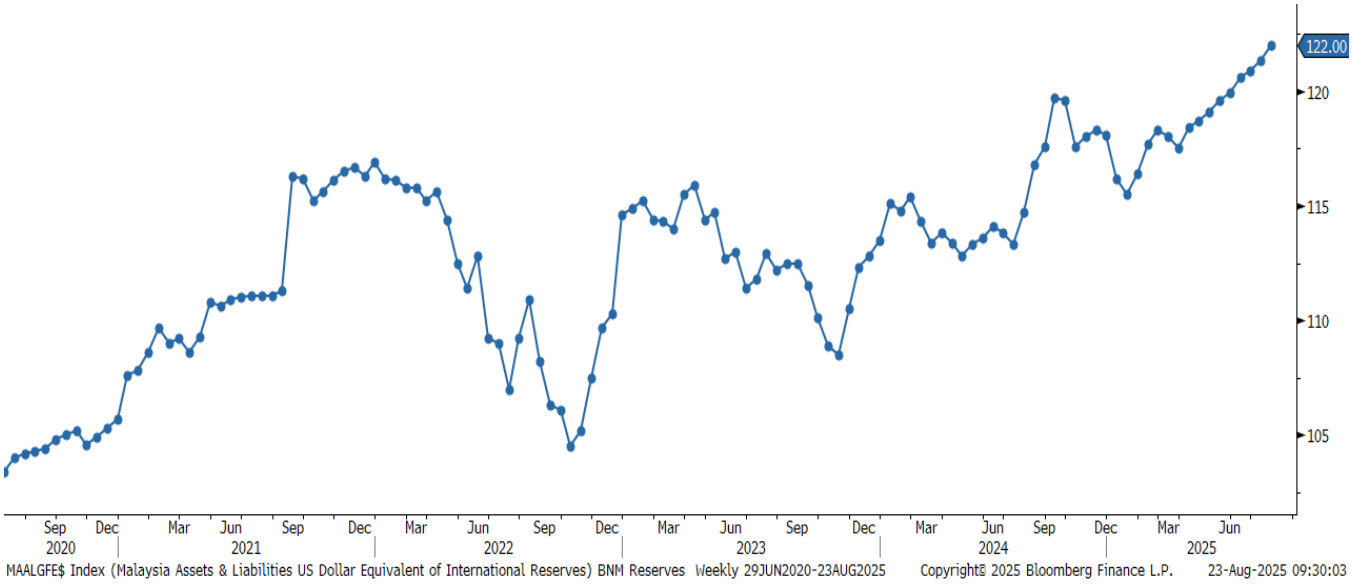
- Interest rates update last week:
  - BNM left the Overnight Policy Rate (OPR) unchanged at 2.75% in the Sep-25 Monetary Policy Meeting as the current rate remains appropriate and supportive of the economy. The decision to maintain OPR was in line with our and market expectations. According to BNM, the latest indicators showed a continued expansion in global growth, driven by the robust consumer spending and front-loading activities.

- Malaysia's economic update last week:
  - Sign of stability in the manufacturing activities. The S&P Global Malaysia Manufacturing PMI edged up to 49.9 in Aug-25 (Jul-25: 49.7), recording the highest level since Jun-24. Output expanded for the first time in 15 months, driven by the first increase in new orders in six months, with demand growth reaching a three-year high. Export sales remained positive for the second consecutive month, while purchasing activity strengthened further.

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	29-Aug Fri	1-Sep Mon	2-Sep Tue	3-Sep Wed	4-Sep Thu	5-Sep Fri	Change (WoW bp)
MGS							
3-Y	2.996	2.996	3.003	3.037	3.04	3.04	4.4
5-Y	3.082	3.082	3.086	3.127	3.127	3.127	4.5
7-Y	3.296	3.296	3.319	3.33	3.322	3.322	2.6
10-Y	3.39	3.39	3.403	3.421	3.403	3.403	1.3
20-Y	3.736	3.736	3.738	3.756	3.756	3.756	2
RINGGIT IRS							
1-Y	3.1	3.1	3.11	3.125	3.13	3.128	2.8
3-Y	3.03	3.03	3.04	3.0725	3.058	3.065	3.5
5-Y	3.095	3.095	3.1125	3.15	3.135	3.1325	3.75
7-Y	3.17	3.17	3.1925	3.22	3.202	3.205	3.5
10-Y	3.29	3.29	3.3025	3.34	3.315	3.32	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	3.5767	3.5767	3.6047	3.5822	3.5483	3.4804	-9.63
5-Y	3.6958	3.6958	3.7218	3.6924	3.6456	3.5817	-11.41
7-Y	3.9265	3.9265	3.9601	3.9213	3.8646	3.7875	-13.9
10-Y	4.2284	4.2284	4.2614	4.2168	4.1607	4.0742	-15.42
30-Y	4.9274	4.9274	4.9614	4.8968	4.8533	4.7587	-16.87

Source: Bloomberg

10 MOST ACTIVELY TRADED GOVERNMENT BONDS

Name	Coupon	Maturity	29-Aug Yield	5-Sep Yield	Change (WoW bp)	Weekly Volume (RM mn)
MALAYSIA GOVERNMENT	3.955	09/15/25	2.949	2.917	-3.2	2,344.1
MALAYSIA INVESTMNT ISSUE	3.599	07/31/28	3.019	3.059	4.0	2,160.0
MALAYSIA INVESTMNT ISSUE	3.804	10/08/31	3.250	3.259	0.9	1,771.0
MALAYSIA INVESTMNT ISSUE	3.99	10/15/25	2.810	2.823	1.3	1,267.1
MALAYSIA GOVERNMENT	3.502	05/31/27	2.945	2.979	3.4	1,255.2
MALAYSIA GOVERNMENT	3.582	07/15/32	3.296	3.322	2.6	1,025.3
MALAYSIA INVESTMNT ISSUE	3.726	03/31/26	2.838	2.849	1.1	941.6
MALAYSIA GOVERNMENT	3.9	11/30/26	2.833	2.855	2.2	820.9
MALAYSIA GOVERNMENT	3.906	07/15/26	2.759	2.773	1.4	719.7
MALAYSIA GOVERNMENT	4.392	04/15/26	2.703	2.709	0.6	682.7
TOTAL VOLUME (TOP 10)						12,987.6
TOTAL VOLUME (Overall)						22,489.3

Source: Bloomberg

10 MOST ACTIVELY TRADED CORPORATE BONDS

Name	Coupon	Maturity	29-Aug Yield	5-Sep Yield	Change (WoW bp)	Weekly Volume (RM mn)
DANAINFRA NASIONAL	4.47	05/03/41	N/A	3.710	N/A	200.0
DANAINFRA NASIONAL	3.84	06/30/45	3.819	3.816	-0.3	200.0
DANAINFRA NASIONAL	4.08	03/30/29	3.183	3.166	-1.7	155.0
DANAINFRA NASIONAL	4.15	01/31/30	3.185	3.231	4.6	125.0
DANAINFRA NASIONAL	4.48	10/20/31	N/A	3.401	N/A	120.0
DANAINFRA NASIONAL	4.58	10/20/32	3.370	3.401	3.1	85.0
ALLIANCE ISLAMIC BANK	4.16	09/20/34	3.775	3.736	-3.9	80.0
RHB BANK	3.84	10/18/29	N/A	3.570	N/A	60.0
DANAINFRA NASIONAL	3.99	04/06/29	N/A	3.176	N/A	50.0
SMALL MEDIUM ENT BANK	ZERO	02/26/26	N/A	3.353	N/A	50.0
TOTAL VOLUME (TOP 10)						1,125.0
TOTAL VOLUME (Overall)						2,036.7

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