WEEKLY MONEY REVIEW

MIDF Strategy 17 September 2025

Week Ended 12 September 2025

- The UST market rallied for the fourth consecutive month with benchmark 10-year yield ended the review week slightly lower at 4.03% (prior week: 4.07%) as investors reacted to the latest labour market and inflation data, which support the view for further rate cuts by the Fed. The 10y-3y yield spread narrowed (yield curve flattened) to +53.3bps (prior week: +65.1bps). At week close, the 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 2.45% (prior week: 2.46%). The MTIE has remained above the US Fed target level of 2.00% since the initial interest rate cut in Sep-24. 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 increased by +1.7bps and +1.2bps to close at 3.05% and 3.41% respectively. The 10y-3y yield spread narrowed (yield curve flattened) slightly to +35bps (prior week: +36bp) as the short-end underperformed.
- MGS foreign holdings increased month-on-month to RM294.2b in Aug-25 from RM291b in Jul-25. However, it increased year-on-year from RM288b in Aug-25.

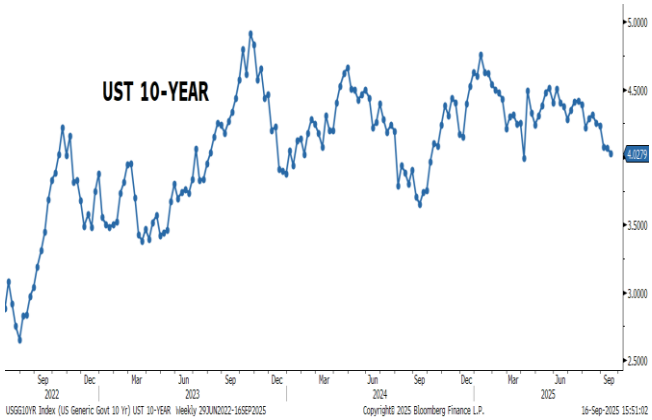
MBSB RESEARCH is a unit of MBSB INVESTMENT BANK
Kindly refer to the last page of this publication for important disclosures

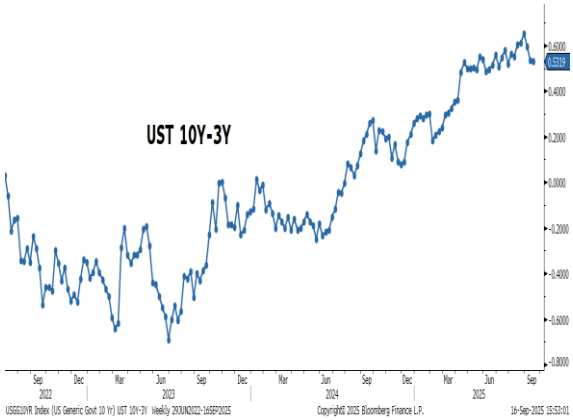
17 September 2025 | **Strategy** Strategy Team | research@midf.com.my

WEEKLY MONEY REVIEW

A. FIXED INCOME

- The UST market rallied for the fourth consecutive month with benchmark 10-year yield and ended the review week slightly lower at 4.03% (prior week: 4.07%) as investors reacted to the latest labour market and inflation data, which support the view for further rate cuts by the Fed. The 10y-3y yield spread narrowed (yield curve flattened) to +53.3bps (prior week: +65.1bps). At week close, the 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 2.45% (prior week: 2.46%). The MTIE has remained above the US Fed target level of 2.00% since the initial interest rate cut in Sep-24. We nonetheless believe the market is sanguine and that the underlying inflation trend is gradually easing despite the still elevated MTIE.

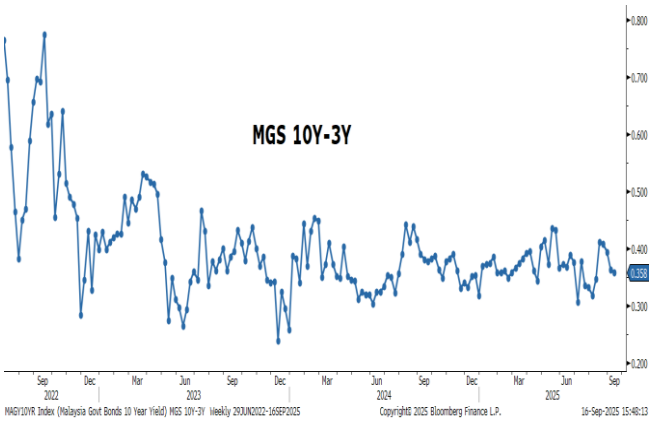
MEDIUM-TERM INFLATION EXPECTATION (MTIE): 5Y UST-TIPS SPREAD



Source: Bloomberg, MBSBR (G12)

- The price of MGS benchmark issues ended the review week lower with the 3-year, and 10-year yields increased by +1.7bps and +1.2bps to close at 3.05% and 3.41% respectively. The 10y-3y yield spread narrowed (yield curve flattened) slightly to +35bps (prior week: +36bp) as the short-end underperformed.





Source: Bloomberg, MBSBR (G10, G11)

- Total trading value for Government Bonds (MGS/MII) increased to RM32.1b in the review week compared to RM22.5b in the prior week (based on Bloomberg data). The total trading value of the 10 most actively traded issues increased (lower trading breadth) to 62% (prior week: 58%) 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 residual tenor. The top 3 most actively traded were MGS 3.955% 9/15/25 at RM4.6b, MGS 3.906% 7/15/26 at RM3.6b, and MGS 3.519% 07/15/26 at RM2.3b.

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



Source: Bloomberg, MBSBR (G13)

- MGS foreign holdings increased month-on-month to RM294.2b in Aug-25 from RM291b in Jul-25. However, it increased year-on-year from RM288b in Aug-25.

- Total trading value for Corporate Bonds (Conventional & Sukuk) declined to RM1.7b in the review week compared to RM2.0b in the prior week (based on Bloomberg data). The total trading value of the 10 most actively traded issues increased (lower trading breadth) to 50% (prior week: 55%) 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 4.17% 11/25/44 at RM360m, Danainfra Nasional 4.14% 11/28/41 at RM300m, and Prasarana Malaysia 4.11% 3/7/45 at RM260m.

B. FOREIGN EXCHANGE

- USD weakened last week. The US dollar moved lower by -2.8%wow to 97.55 last week, on the back of the weaker job market data and the inflation release, which reinforced pressure on the Fed to resume its easing cycle in the Sep-25 FOMC meeting this week. The US dollar initially strengthened to above the 98.0 level early part of the week, but later eased and tracked lower, closing the week lower. At the moment, market players are now pricing in a strong rate cut scenario with more than 90% probability for a -25bps rate cut in the Sep-25 meeting. We think that investors will pay close attention to the dot plot and the statements by the FOMC members for hints on the forward guidance. We anticipate continued market volatility, primarily due to ongoing policy uncertainty, especially concerning new tariffs and the upcoming FOMC decisions. As a result, there will likely be sustained demand for safe-haven assets, but interest in US assets is expected to decline. This could prompt a shift in capital toward alternative safe havens like the euro, Japanese yen, and gold.

- EUR and GBP strengthened last week. On the back of the weaker US dollar, the euro strengthened by +4.3%wow to USD1.173, as the ECB decided to keep interest rates unchanged, with expectations for stronger growth for this year. Meanwhile, the pound sterling also strengthened against the US dollar by +1.9%wow to USD1.356, despite the UK GDP data being slightly lower than market expectations.

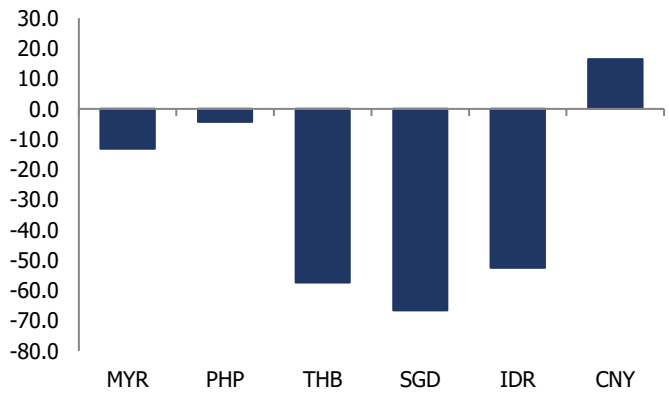
- Ringgit strengthened last week. The ringgit traded in a tight range last week as the DXY weakened but ended the review week stronger by +2.3%wow at USD4.20, only breaching the 4.20 level momentarily. The domestic releases were slightly positive with a stronger IPI and distributive trade, in addition to the still healthy labour market conditions. Malaysian ringgit also strengthened against the currencies of Malaysia's major trading partners, as our Trade-Weighted Ringgit Index rose by +1.6%wow to 94.18, mainly against the Philippines peso (+0.9%wow), Korean won (+0.7%wow), and Indian rupee (+0.7%wow).

Currencies Changes (Week Ended 12 Sept 2025) and Quarterly Forecasts

	Close 12/09	Prev. Close 05/09	Weekly Change	Weekly Change (%)	1QCY25	2QCY25f	3QCY25f	4QCY25f
DXY Index	97.55	100.34	-2.789	-2.8	104.0	98.00	97.00	95.00
EURUSD	1.173	1.125	+0.048	+4.3	1.04	1.05	1.07	1.09
GBPUSD	1.356	1.331	+0.025	+1.9	1.26	1.28	1.30	1.32
USDJPY	147.7	145.4	-2.310	-1.6	150.00	147.80	146.70	143.94
USDMYR	4.203	4.301	+0.098	+2.3	4.43	4.28	4.27	4.25
GBPMYR	5.694	5.707	+0.013	+0.2	5.54	5.52	5.44	5.28
JPYMYR	2.846	2.961	+0.115	+4.0	2.93	2.93	2.88	2.83
MBSB TWRI	94.18	92.68	+1.498	+1.6	92.00	93.50	94.10	95.00

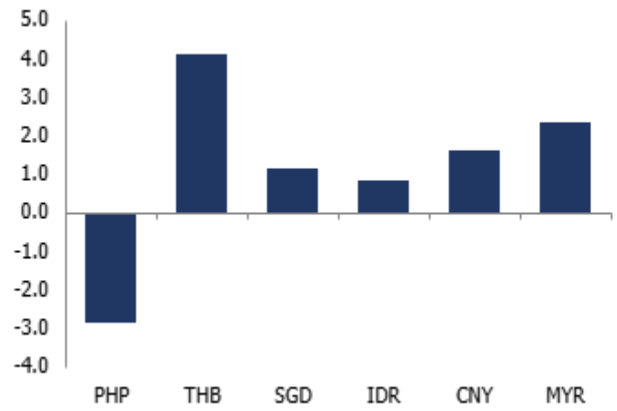
Note: "+" indicates appreciation, while "- "indicates depreciation. Quarterly figures are forecast by MBSBR. MBSB TWRI was previously known as MIDF TWRI.
Source: Bloomberg, MBSBR

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:
  - Headline CPI inflation accelerated in Aug-25. The annual inflation rate in the U.S. rose to +2.9%yoy in Aug-25 (Jul-25: +2.7%yoy), its highest level since Jan-25. The monthly CPI increased by +0.4%mom in Aug-25 (Jul-25: +0.3%mom), exceeding market forecasts of +0.3%mom and marking the largest gain since Jan-25. The core CPI inflation, however, was steady at +3.1%yoy and monthly change of +0.3%mom, in line with market expectations.
  - Labour market weaker than estimated:
    - Job growth was significantly overstated in the year ending Mar-25. According to a preliminary benchmark revision by the Bureau of Labor Statistics (BLS), the US economy added +911K fewer jobs than initially reported. This is the largest downward revision since at least the year 2000. The adjustment represents a -0.6% change to total non-farm employment, a stark contrast to the average decade-long adjustment of -0.2%.
    - Filings for unemployment benefits increased as the initial jobless claims rose by +27K to 273K for the week ending 6th September (previous week: 236K), above market expectation of 235K and the highest reading since Oct-21.
  - Consumer sentiment weakened. American consumer sentiment deteriorated in Sep-25, with the preliminary reading of the University of Michigan Consumer Sentiment index falling to a preliminary 55.4 (Aug-25: 58.2) and below market expectations of 58. This marks the second straight monthly decline, pushing sentiment to its lowest point since May-25. The drop was particularly pronounced among lower- and middle-income households.

- Interest rates update last week:
  - The ECB held its three key interest rates steady as anticipated. The deposit facility rate is maintained at 2.00%, the main refinancing rate at 2.15%, and the marginal lending rate at 2.40%. The ECB's decision was based on a stable inflation outlook, which remains close to its 2.0% medium-term target. According to new staff projections, headline inflation is expected to average +2.1% in 2025, before easing to +1.7% in 2026 and then slightly increasing to +1.9% in 2027. Core inflation, which excludes food and energy prices, is projected to reach +2.4% in 2025, easing to +1.9% in 2026 and +1.8% in 2027. Regarding economic growth, projections now show a stronger +1.2% in 2025 (up from +0.9%) and expected to moderate to +1.0% in 2026 before picking up to +1.3% in 2027.
  - The Central Bank of Turkey lowered its benchmark interest rate by -250bps to 40.5%, a more aggressive easing than the 41% expected by the market consensus. This decision comes amid signs that underlying inflation is beginning to slow, even as food and services prices continue to drive inflation. Despite stronger-than-expected economic growth in the second quarter, domestic demand remains weak, helping to keep inflationary pressures in check.

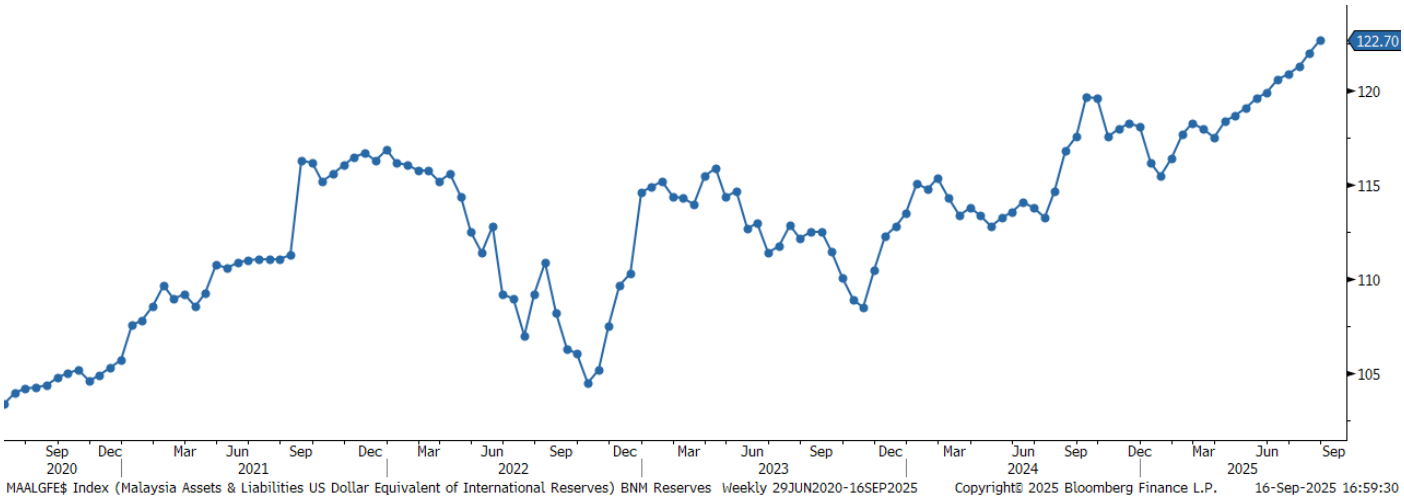
- Malaysia's economic update last week:
  - Stronger distributive trade. Malaysia's distributive trade increased by +5.0%yoy in Jul-25 (Jun-25: +4.8%yoy), bolstered by the higher expansion in all major components: retail trade (+5.6%yoy), wholesale trade (+5.4%yoy) and motor vehicles sales (+1.6%yoy).
  - Labour market remains healthy. Malaysia's labour market remained healthy in Jul-25 as the unemployment rate was sustained at 10-year low of 3.0%, with slight improvement in employment growth (+3.1%yoy) which continued to outpace labour force growth (+2.8%yoy) for the 48th consecutive month.

- Stronger IPI. Malaysia's IPI expanded faster by +4.2%yoy in Jul-25 (Jun-25: +2.9%yoy), supported by a more robust expansion in manufacturing and mining output. Sales of manufactured goods rose at a sustained pace of + 3.5%yoy in Jul-25 (Jun-25: +3.3%yoy), expanding for the 19th straight month.

C. BNM INTERNATIONAL RESERVES

- As of 29 August 2025, compared to the previous fortnight, Bank Negara Malaysia's international reserves were higher at USD122.7b (16 August 2025: USD122.0b).

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	5-Sep Fri	8-Sep Mon	9-Sep Tue	10-Sep Wed	11-Sep Thu	12-Sep Fri	Change (WoW bp)
MGS							
3-Y	3.04	3.036	3.038	3.051	3.062	3.057	1.7
5-Y	3.127	3.123	3.115	3.122	3.126	3.115	-1.2
7-Y	3.322	3.444	3.33	3.329	3.337	3.331	0.9
10-Y	3.403	3.399	3.398	3.397	3.427	3.415	1.2
20-Y	3.756	3.731	3.746	3.749	3.763	3.756	0
RINGGIT IRS							
1-Y	3.128	3.125	3.125	3.14	3.175	3.149	2.1
3-Y	3.065	3.05	3.063	3.075	3.1075	3.084	1.9
5-Y	3.1325	3.12	3.1375	3.145	3.1675	3.1625	3
7-Y	3.205	3.19	3.205	3.205	3.243	3.225	2
10-Y	3.32	3.32	3.345	3.34	3.365	3.35	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	3.4804	3.452	3.5168	3.4967	3.5022	3.53	4.96
5-Y	3.5817	3.5609	3.6162	3.5954	3.5953	3.6334	5.17
7-Y	3.7875	3.767	3.8157	3.7848	3.7694	3.8155	2.8
10-Y	4.0742	4.0398	4.0875	4.0454	4.0206	4.0643	-0.99
30-Y	4.7587	4.6922	4.7311	4.696	4.6535	4.6805	-7.82

Source: Bloomberg

10 MOST ACTIVELY TRADED GOVERNMENT BONDS

Name	Coupon	Maturity	5-Sep Yield	12-Sep Yield	Change (WoW bp)	Weekly Volume (RM mn)
MALAYSIA GOVERNMENT	3.955	09/15/25	2.917	2.917	0.0	4,641.7
MALAYSIA GOVERNMENT	3.906	07/15/26	2.773	2.789	1.6	3,672.9
MALAYSIA GOVERNMENT	3.519	04/20/28	3.040	3.057	1.7	2,348.2
MALAYSIA INVESTMNT ISSUE	3.804	10/08/31	3.259	3.283	2.4	2,069.1
MALAYSIA INVESTMNT ISSUE	4.28	03/23/54	3.880	3.894	1.4	1,537.9
MALAYSIA INVESTMNT ISSUE	3.599	07/31/28	3.059	3.071	1.2	1,421.1
MALAYSIA GOVERNMENT	3.502	05/31/27	2.979	2.959	-2.0	1,383.0
MALAYSIA GOVERNMENT	3.582	07/15/32	3.322	3.331	0.9	1,208.8
MALAYSIA GOVERNMENT	3.476	07/02/35	3.403	3.415	1.2	953.1
MALAYSIA INVESTMNT ISSUE	3.726	03/31/26	2.849	2.858	0.9	734.7
TOTAL VOLUME (TOP 10)						19,970.4
TOTAL VOLUME (Overall)						32,152.0

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	4.17	11/25/44	#N/A N/A	3.813	#VALUE!	360.0
DANAINFRA NASIONAL	4.14	11/28/41	#N/A N/A	3.726	#VALUE!	300.0
PRASARANA MALAYSIA BHD	4.11	03/07/45	#N/A N/A	3.825	#VALUE!	260.0
DANAINFRA NASIONAL	4.06	03/11/43	3.785	3.772	-1.3	180.0
DANAINFRA NASIONAL	3.84	06/30/45	3.816	3.817	0.1	140.0
PENGURUSAN AIR SPV BHD	4.38	02/25/26	3.319	3.328	0.9	130.0
DANAINFRA NASIONAL	4.89	05/25/32	3.368	3.404	3.6	110.0
CIMB ISLAMIC BANK BHD	4.02	11/30/28	3.494	3.488	-0.6	100.0
MALAYSIA RAIL LINK	3.77	06/01/40	3.696	3.679	-1.7	100.0
MALAYSIA RAIL LINK	FLOAT	09/10/27	#N/A N/A	#N/A N/A	#VALUE!	100.0
TOTAL VOLUME (TOP 10)						1,780.0
TOTAL VOLUME (Overall)						3,587.8

Source: Bloomberg

MBSB RESEARCH is part of MBSB Investment Bank Berhad (formerly known as MIDF Amanah Investment Bank Berhad) (197501002077 (23878-X)). (Bank Pelaburan)
(A Participating Organisation of Bursa Malaysia Securities Berhad)

DISCLOSURES AND DISCLAIMER

This report has been prepared by MBSB INVESTMENT BANK BERHAD (197501002077 (23878-X)). It is for distribution only under such circumstances as may be permitted by applicable law.

Readers should be fully aware that this report is for information purposes only. The opinions contained in this report are based on information obtained or derived from sources that we believe are reliable. MBSB INVESTMENT BANK BERHAD makes no representation or warranty, expressed or implied, as to the accuracy, completeness or reliability of the information contained therein and it should not be relied upon as such.

This report is not, and should not be construed as, an offer to buy or sell any securities or other financial instruments. The analysis contained herein is based on numerous assumptions. Different assumptions could result in materially different results. All opinions and estimates are subject to change without notice. The research analysts will initiate, update and cease coverage solely at the discretion of MBSB INVESTMENT BANK BERHAD.

The directors, employees and representatives of MBSB INVESTMENT BANK BERHAD may have an interest in any of the securities mentioned and may benefit from the information provided herein. Members of the MBSB Group and their affiliates may provide services to any company and affiliates of such companies whose securities are mentioned herein. This document may not be reproduced, distributed or published in any form or for any purpose.

MBSB INVESTMENT BANK BERHAD (FORMERLY KNOWN AS MIDF AMANAH INVESTMENT BANK BERHAD): GUIDE TO RECOMMENDATIONS	
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