WEEKLY MONEY REVIEW

MIDF Strategy 22 September 2025

Week Ended 19 September 2025

- The UST market shifted higher with benchmark 10-year yield ended the review week at 4.12% (prior week: 4.06%). Bond yields initially fell early in the week on expectations of an FOMC rate cut. However, after the Fed's decision to cut interest rates, the 10-year yield rose again. This shift was a reaction to Fed Chair Jerome Powell's comments, which highlighted that inflation remains a key risk, dampening more dovish market sentiment. The 10y-3y yield spread widened (yield curve steepening) to +57.1bps (prior week: +53.4bps). At week close, the market implied (based on conditional probabilities) 2 more rate cuts for this year, or a total of -75bps cut for 2025.

- Medium-term inflation expectation (MTIE) ended the review week higher at 2.46% (prior week: 2.45%). 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 yields of MGS benchmark issues ended the review week lower with the 3-year and 10-year yields declined by -1.7bps and -1.2bps to close at 3.04% and 3.31%, respectively. The 10y-3y yield spread slightly widened (yield curve steepened) to +36.3bps (prior week: +35bps) as the mid- and longer-end yields tracked lower.

- 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.

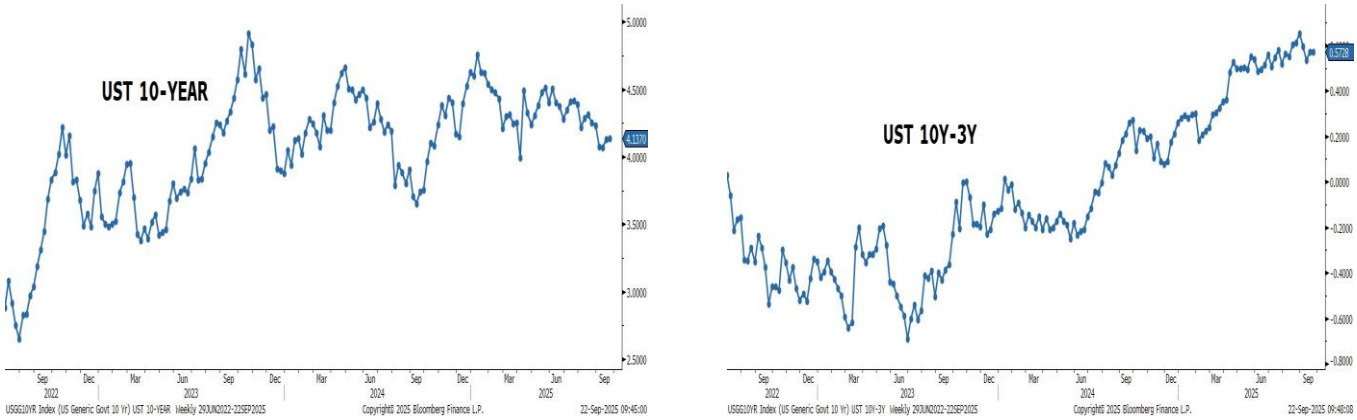
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WEEKLY MONEY REVIEW

A. FIXED INCOME

- The UST market shifted higher with benchmark 10-year yield ended the review week at 4.12% (prior week: 4.06%). Bond yields initially fell early in the week on expectations of an FOMC rate cut. However, after the Fed's decision to cut interest rates, the 10-year yield rose again. This shift was a reaction to Fed Chair Jerome Powell's comments, which highlighted that inflation remains a key risk, dampening more dovish market sentiment. The 10y-3y yield spread widened (yield curve steepening) to +57.1bps (prior week: +53.4bps). At week close, the market implied (based on conditional probabilities) 2 more rate cuts for this year, or a total of -75bps cut for 2025.



Source: Bloomberg, MBSBR (G8, G9)

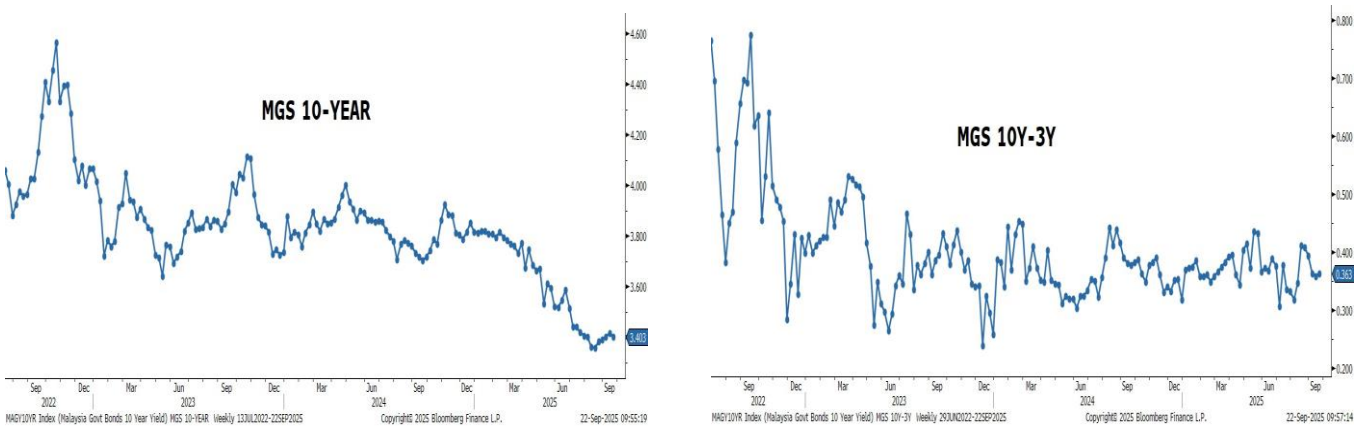
- Medium-term inflation expectation (MTIE) ended the review week higher at 2.46% (prior week: 2.45%). The MTIE has remained above the US Fed target level of 2.00% since the initial interest rate cut in Sep-24. We nonetheless believe the market is sanguine and that the underlying inflation trend is gradually easing despite the still elevated MTIE.

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



Source: Bloomberg, MBSBR (G12)

- The yields of MGS benchmark issues ended the review week lower with the 3-year and 10-year yields declined by -1.7bps and -1.2bps to close at 3.04% and 3.31%, respectively. The 10y-3y yield spread slightly widened (yield curve steepened) to +36.3bps (prior week: +35bps) as the mid- and longer-end yields tracked lower.

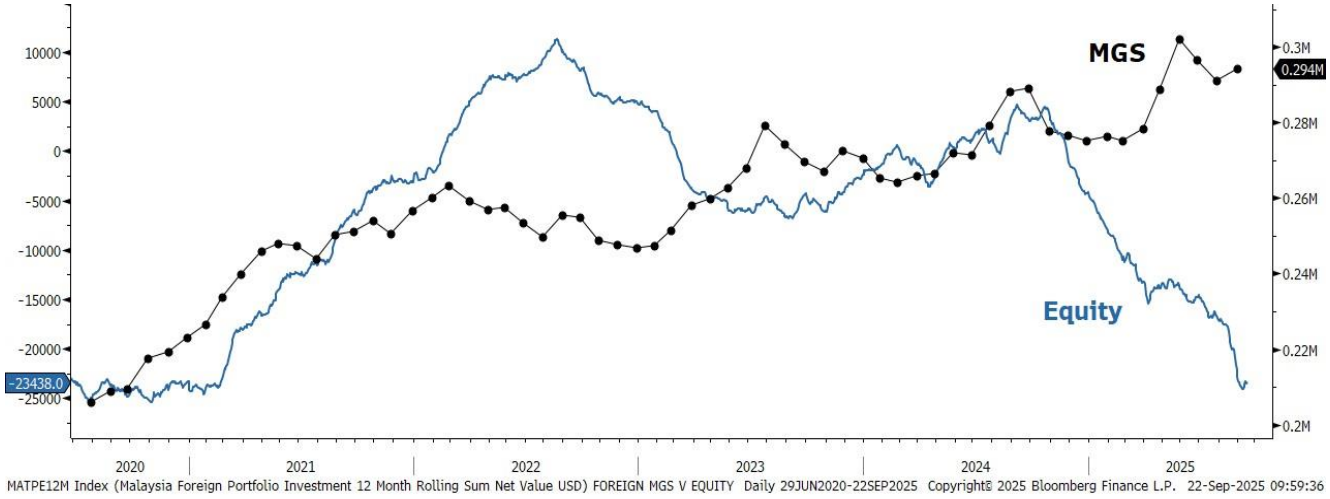


Source: Bloomberg, MBSBR (G10, G11)

- Total trading value for Government Bonds (MGS/MII) declined to RM13.6b in the review week compared to RM32.1b in the prior week (based on Bloomberg data). The total trading value of the 10 most actively traded issues increased (lower trading breadth) to 66% (prior week: 62%) of the overall Government Bonds trade. Moreover, 9 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 residual tenor. The top 3 most actively traded were MGS 3.906% 7/15/26 at RM3.0b, MGS 3.726% 3/31/26 at RM1.4b, and MGS 3.599% 07/31/28 at RM0.8b.

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 on Aug-24.

- Total trading value for Corporate Bonds (Conventional & Sukuk) declined to RM1.69b in the review week compared to RM1.7b in the prior week (based on Bloomberg data). The total trading value of the 10 most actively traded issues fell lower (lower trading breadth) to 42% (prior week: 50%) 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 Prasarana 4.26% 10/11/39 at RM260m, Ambank Malaysia 4.18% 3/28/31 at RM100m, and Bank Pembangunan 4.18% 3/28/31 at RM50m.

B. FOREIGN EXCHANGE

- USD strengthened last week. The US dollar appreciated against major currencies last week as the DXY dollar index rose by +0.1%wow to 97.64, despite the FOMC's decision to cut the fed funds rate by -25bps and dovish forward guidance signaling for two more rate cuts later this year as shown by the updated dot plot. However, market also took note from Fed Chair of Jerome Powell's speech which indicated that the rate decision was a risk management cut in response to the weakening labour market conditions, while balancing concerns that inflation will remain elevated. Later in the review week saw the unemployment claims eased from the strong number in the previous week. We think that the Fed will continue its rate cut cycle for the remainder of the year, shifting more towards growth concerns. 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 the US assets is expected to decline. This could prompt a shift in capital flows toward alternative safe havens like the euro, Japanese yen, and gold.

- EUR gained but GBP weakened. On the back of the weaker US dollar, the euro strengthened by +0.1%wow to USD1.175 as the ECB left interest rates unchanged in the previous week and the latest data release showed stronger-than-expected industrial production in Jul-25. On the other hand, the GBP weakened by -0.6%wow to USD1.347, although the latest reading of CPI inflation was unchanged at 1.5-year high of +3.8%yoy in Aug-25.

- Ringgit slightly weakened last week. Although the ringgit initially appreciated and broke below the 4.20 level ahead of the FOMC meeting decision, the local currency later reversed the gains and closed weaker at RM4.207 last week. The domestic economic releases continue to show resilience as overall exports continued to show expansion in Aug-25 despite weaker shipments to the US following tariff adjustments. At the moment, we expect the ringgit to end the month between the range of RM4.17 - RM4.23 against the US dollar. Malaysian ringgit also weakened against the currencies of Malaysia's major trading partners, as our Trade-Weighted Ringgit Index fell by -0.1%wow to 94.10, mainly against the euro (-0.5%wow), Chinese yuan (-0.3%wow), and Indian rupee (-0.3%wow).

Currencies Changes (Week Ended 19 Sept 2025) and Quarterly Forecasts

	Close 19/09	Prev. Close 12/09	Weekly Change	Weekly Change (%)	1QCY25	2QCY25f	3QCY25f	4QCY25f
DXY Index	97.64	97.55	+0.094	+0.1	104.0	98.00	97.00	95.00
EURUSD	1.175	1.173	+0.001	+0.1	1.04	1.05	1.07	1.09
GBPUSD	1.347	1.356	-0.008	-0.6	1.26	1.28	1.30	1.32
USDJPY	148.0	147.7	-0.270	-0.2	150.00	147.80	146.70	143.94
USDMYR	4.207	4.203	-0.004	-0.1	4.43	4.28	4.27	4.25
GBPMYR	5.681	5.694	+0.013	+0.2	5.54	5.52	5.44	5.28
JPYMYR	2.843	2.846	+0.003	+0.1	2.93	2.93	2.88	2.83
MBSB TWRI	94.10	94.18	-0.077	-0.1	92.00	93.50	94.10	95.00

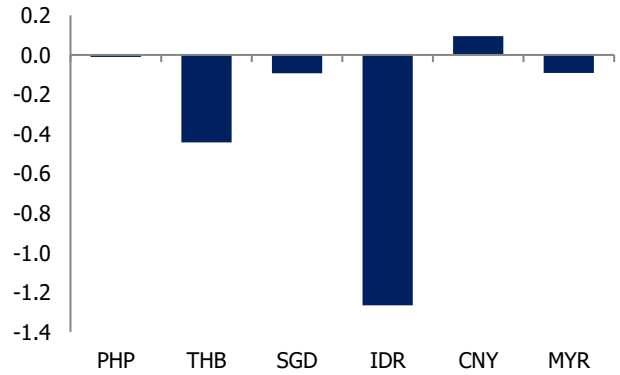
Note: "+" indicates appreciation, while "- "indicates depreciation. Quarterly figures are forecast by MBSBR. MBSB TWRI was previously known as MIDF TWRI.
Source: Bloomberg, MBSBR

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	4.75
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	4.00-4.25

Source: Bloomberg, MBSBR

- US economic data released last week:
  - Industrial production improved. In Aug-25, industrial production in the US saw a modest monthly increase of +0.1%mom (Jul-25: -0.4%mom), which was better than the expected -0.1%mom. On a yearly basis, industrial production grew by +0.9%yoy, a slight moderation from the revised +1.3%yoy increase in Jul-25. A key driver of the monthly growth was manufacturing output, which accounts for about 78% of total industrial production. It rose by +0.2%mom in Aug-25 (Jul-25: -0.1%mom).
  - Retail sales improved. The US retail sales outperformed expectations, rising +0.6%mom in Aug-25 on a monthly basis, the same pace in Jul-25 and surpassed the market forecast of a +0.2%mom gain. On a yearly basis, retail sales were up +5.0%yoy in Aug-25, following a revised +4.1%yoy increase in Jul-25.
  - Unemployment claims are eased. Initial jobless claims move lower by -33K to 231K for the week ending 13th September (previous week: 264K), below the market expectation of 240K.

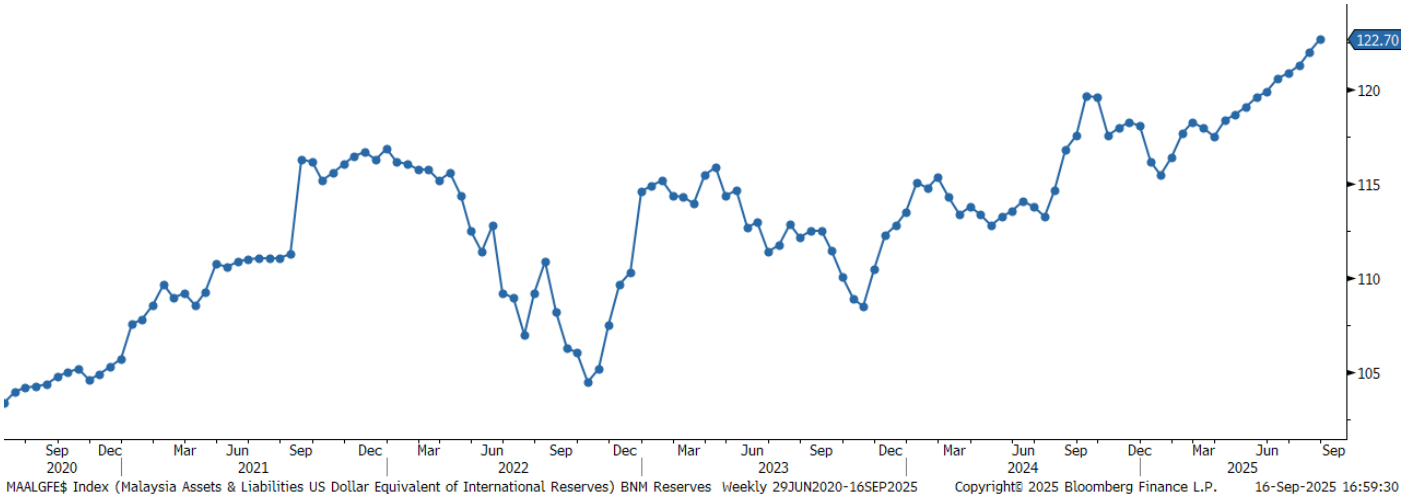
- Interest rates update last week:
  - The Fed's FOMC decided to cut the fed funds rate by -25bps to 4.00-4.25%. The Fed shared the updated FOMC projection with little adjustments to the forecasts for GDP growth and fed funds rate. The US GDP is projected to grow at +1.6% this year (Jun-25 projection: +1.4%) and accelerate slightly to +1.8% in 2026 (Jun-25 projection: +1.6%). Meanwhile, the FOMC expects quicker rate cuts, which will bring the fed funds rate to 3.6% this year (Jun-25 projection: 3.9%).
  - In its Sep-25 decision, the Bank of Canada, as widely anticipated by the markets, lowered its benchmark interest rate by 25bps to 2.5%. This move, which follows three consecutive holds, marks the resumption of the central bank's cutting cycle. The Bank of Canada cited growing signs of fragility within the Canadian economy in response to tariffs imposed by the United States, following an initial period of resilience.
  - The Hong Kong Monetary Authority cut its base interest rates by -25bps in its Sep-25 decision marking the first cut since last Dec-24 and signalled further easing through year-end. The new base rate marks the lowest reading since Dec-22.
  - The Bank of England's MPC voted 7–2 to hold the Bank Rate at 4.00%, with two members dissenting in favour of a -25bps cut. The MPC also decided, by the same 7–2 vote, to slow its quantitative tightening program. They will now reduce their gilt holdings by GBP70b over the next year, bringing the total to GBP488b. The policymakers noted the progress made in reducing inflation following recent shocks, attributing it to their restrictive policy, while acknowledging that inflation remains above their target.
  - In a move that defied market expectations, Bank Indonesia (BI) cut its benchmark interest rate by -25bps to 4.75% in its Sep-25 decision. This marks the central bank's sixth rate cut since it began its easing cycle in Sep-24, bringing borrowing costs to their lowest level since Oct-22.
  - The Bank of Japan held its benchmark short-term rate at 0.50% during its Sep-25 policy meeting, a decision that is aligned with market expectations. This action keeps borrowing costs at their highest level since 2008.

- Malaysia's economic update last week:
  - Malaysia's total trade fell by -1.9%yoy in Aug-25 (Jul-25: +3.6%yoy), reversing growth seen in the previous month and marking the second decline for the year. The weaker trade performance stemmed from the decrease in imports (-5.9%yoy; Jul-25: +0.6%yoy), marking the lowest reading since Sep-23, and the moderation in exports (+1.9%yoy; Jul-25: +6.5%yoy).

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	12-Sep Fri	15-Sep Mon	16-Sep Tue	17-Sep Wed	18-Sep Thu	19-Sep Fri	Change (WoW bp)
MGS							
3-Y	3.057	3.057	3.057	3.036	3.039	3.04	-1.7
5-Y	3.115	3.115	3.115	3.121	3.11	3.126	1.1
7-Y	3.331	3.331	3.331	3.321	3.312	3.315	-1.6
10-Y	3.415	3.415	3.415	3.404	3.403	3.403	-1.2
20-Y	3.756	3.756	3.756	3.749	3.75	3.753	-0.3
RINGGIT IRS							
1-Y	3.149	3.149	3.149	3.14	3.165	3.1687	1.97
3-Y	3.084	3.084	3.084	3.0775	3.075	3.08	-0.4
5-Y	3.1625	3.1625	3.1625	3.14	3.145	3.15	-1.25
7-Y	3.225	3.225	3.225	3.2175	3.227	3.225	0
10-Y	3.35	3.35	3.35	3.335	3.34	3.345	-0.5
KLIBOR							
1-M	3	3	3	3	3	3	0
3-M	3.22	3.22	3.22	3.22	3.22	3.22	0
UST							
3-Y	3.53	3.5023	3.4719	3.5359	3.5471	3.5559	2.59
5-Y	3.6334	3.6056	3.5848	3.6542	3.663	3.6769	4.35
7-Y	3.8155	3.7872	3.7717	3.8386	3.8515	3.8721	5.66
10-Y	4.0643	4.0375	4.0279	4.0872	4.1044	4.1274	6.31
30-Y	4.6805	4.6602	4.6486	4.6901	4.7242	4.7438	6.33

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	3.906	07/15/26	2.789	2.733	-5.6	3,011.2
MALAYSIA GOVERNMENT	3.726	03/31/26	2.858	2.865	0.7	1,496.5
MALAYSIA GOVERNMENT	3.599	07/31/28	3.071	3.062	-0.9	800.0
MALAYSIA INVESTMNT ISSUE	3.502	05/31/27	2.959	2.930	-2.9	734.5
MALAYSIA INVESTMNT ISSUE	3.99	10/15/25	2.881	2.906	2.5	639.0
MALAYSIA INVESTMNT ISSUE	3.9	11/30/26	2.838	2.809	-2.9	597.1
MALAYSIA GOVERNMENT	3.519	04/20/28	3.057	3.040	-1.7	528.1
MALAYSIA GOVERNMENT	3.804	10/08/31	3.283	3.256	-2.7	498.3
MALAYSIA GOVERNMENT	3.612	04/30/35	3.424	3.414	-1.0	385.8
MALAYSIA INVESTMNT ISSUE	4.119	11/30/34	3.418	3.428	1.0	360.0
TOTAL VOLUME (TOP 10)						9,050.4
TOTAL VOLUME (Overall)						13,670.3

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	4.26	10/11/39	3.701	3.700	-0.1	260.0
DANAINFRA NASIONAL	4.18	03/28/31	4.007	3.607	-40.0	100.0
PRASARANA MALAYSIA BHD	4.5	11/04/26	3.411	2.845	-56.6	50.0
DANAINFRA NASIONAL	3.62	03/18/26	3.460	3.446	-1.4	50.0
DANAINFRA NASIONAL	4.005	08/26/31	3.617	3.617	0.0	50.0
PENGURUSAN AIR SPV BHD	3.69	04/15/26	#N/A N/A	3.296	#VALUE!	40.0
DANAINFRA NASIONAL	3.1	07/31/26	3.545	3.481	-6.4	40.0
CIMB ISLAMIC BANK BHD	5.01	07/27/28	#N/A N/A	3.586	#VALUE!	40.0
MALAYSIA RAIL LINK	3.99	03/27/35	#N/A N/A	3.729	#VALUE!	40.0
MALAYSIA RAIL LINK	4.02	06/24/41	3.799	3.789	-1.0	40.0
TOTAL VOLUME (TOP 10)						710.0
TOTAL VOLUME (Overall)						1,699.9

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