WEEKLY MONEY REVIEW

MIDF Strategy 29 September 2025

Week Ended 26 September 2025

- The UST market saw another week of selling with benchmark 10-year yield ended the latest week higher at 4.18% (prior week: 4.13%) as investors reacted to signs of a resilient economy with higher-than-expected GDP figure and weaker-than-expected initial jobless claims. The 10y-3y yield spread narrowed (yield curve flattened) to +52bp (prior week: +57bp) as the short-end underperformed. At week close, the interest rate futures market (based on conditional probabilities) still implied 2 rate cuts totaling -50bp (prior week: 2 cuts totaling -50bp) in 4Q25.

- Medium-term inflation expectation (MTIE) ended the review week higher at 2.47% (prior week: 2.46%). The MTIE rebounded above the US Fed target level of 2.00% since September last year. We nonetheless believe the market is sanguine that the underlying price pressure is easing as attested by the recent resumption (after a 9-month hiatus) of Fed rate cut.

- The price of MGS benchmark issues ended the review week lower with the 3-year and 10-year yields added +4.4bp and +6.6bp to close at 3.08% and 3.47% respectively. The 10y-3y yield spread expanded (yield curve steepened) to +38bp (prior week: +36bp) as the long-end underperformed.

- MGS foreign holdings increased month-on-month to RM294b in August 2025 from RM291b in July 2025. Moreover, it increased year-on-year from RM288b in August 2024. On Bursa Malaysia, the 12-month rolling sum of foreign net equities trade ended the review week at -RM23.4b. It improved week-on-week from -RM23.5b registered a week ago. However, it declined year-on-year from +RM3.4b a year ago.

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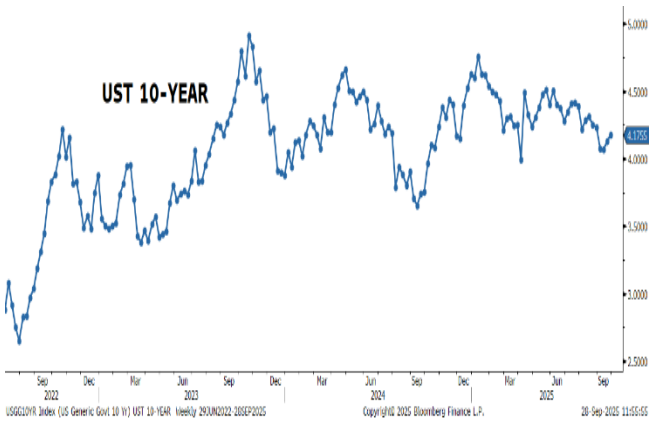
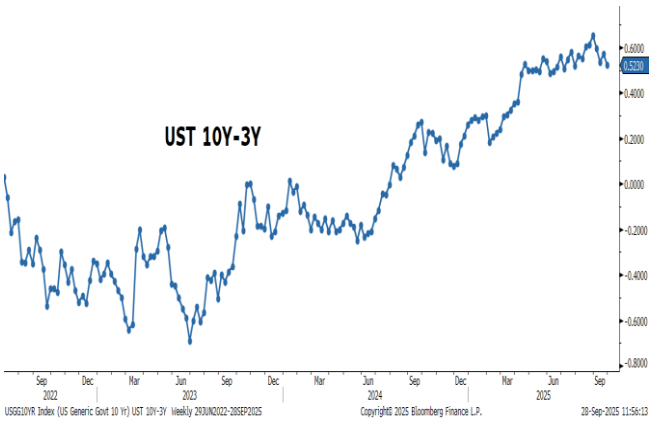
WEEKLY MONEY REVIEW

A. FIXED INCOME

- The UST market saw another week of selling with benchmark 10-year yield ended the latest week higher at 4.18% (prior week: 4.13%) as investors reacted to signs of a resilient economy with higher-than-expected GDP figure and weaker-than-expected initial jobless claims. The 10y-3y yield spread narrowed (yield curve flattened) to +52bp (prior week: +57bp) as the short-end underperformed. At week close, the interest rate futures market (based on conditional probabilities) still implied 2 rate cuts totaling -50bp (prior week: 2 cuts totaling -50bp) in 4Q25.

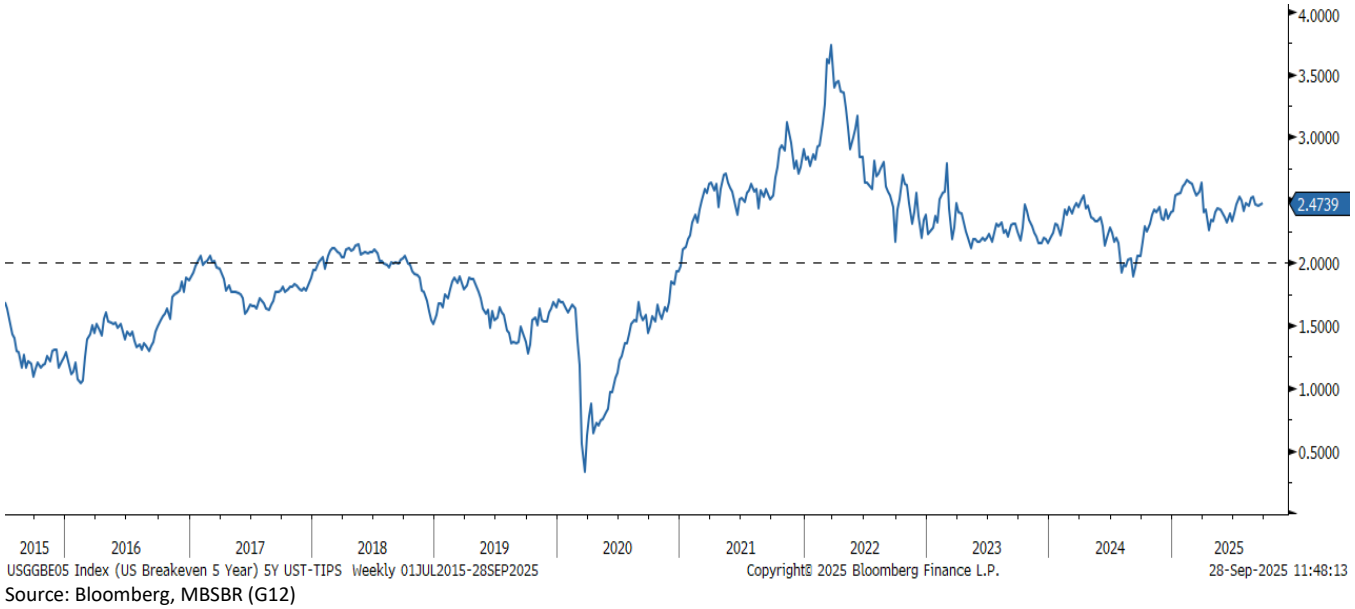




Source: Bloomberg, MBSBR (G8, G9)

- Medium-term inflation expectation (MTIE) ended the review week higher at 2.47% (prior week: 2.46%). The MTIE rebounded above the US Fed target level of 2.00% since September last year. We nonetheless believe the market is sanguine that the underlying price pressure is easing as attested by the recent resumption (after a 9-month hiatus) of Fed rate cut.

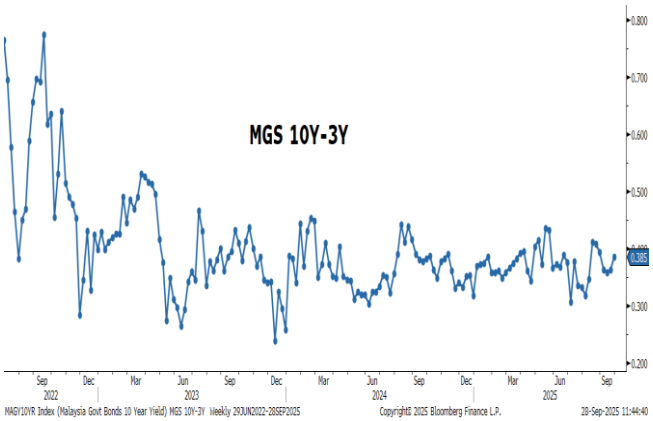
MEDIUM-TERM INFLATION EXPECTATION (MTIE): 5Y UST-TIPS SPREAD



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 +6.6bp to close at 3.08% and 3.47% respectively. The 10y-3y yield spread expanded (yield curve steepened) to +38bp (prior week: +36bp) as the long-end underperformed.



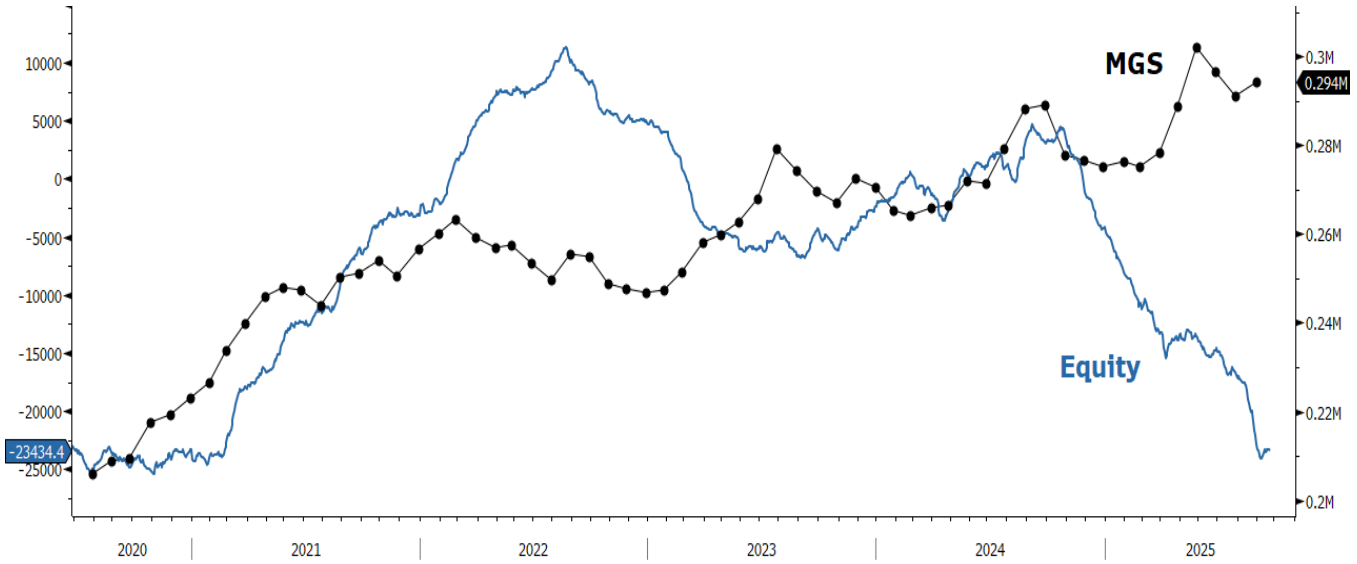


Source: Bloomberg, MBSBR (G10, G11)

- Total trading value for Government Bonds (MGS/MII) increased to RM38.6b in the review week compared to RM18.8b 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: 63%) 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 varied residual tenor. The top 3 most actively traded were MGS 3.906% 7/15/26 at RM3.2b, MGS 3.582% 7/15/32 at RM2.5b, and MGS 4.054% 4/18/39 at RM2.4b.

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



Source: Bloomberg, MBSBR (G13)

- MGS foreign holdings increased month-on-month to RM294b in August 2025 from RM291b in July 2025. Moreover, it increased year-on-year from RM288b in August 2024. On Bursa Malaysia, the 12-month rolling sum of foreign net equities trade ended the review week at -RM23.4b. It improved week-on-week from -RM23.5b registered a week ago. However, it declined year-on-year from +RM3.4b a year ago.

- Total trading value for Corporate Bonds (Conventional & Sukuk) increased to RM5.4b 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 declined (higher trading breadth) to 41% (prior week: 42%) 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 4.19% 10/24/35 at RM400m, Danainfra Nasional 4.23% 11/23/35 at RM330m, and Danainfra Nasional 4.06% 3/11/43 at RM300m.

B. FOREIGN EXCHANGE

- USD strengthened and closed at 7-week high. The US dollar appreciated against major currencies last week as the DXY dollar index rose by +0.5%wow to 98.15, the strongest weekly closing in 7 weeks. Demand for the greenback picked up as strong economic releases, which include robust labour market data, a higher headline PCE inflation, and a stronger 2QCY25 GDP growth, eased expectations for a quicker rate cut. This was reinforced by less dovish commentary from FOMC members, supporting the view of fewer rate cuts this year. Markets also took note of Fed Chair Jerome Powell's speech, which reiterated his stance that near-term risks are tilted to the upside and uncertainty around the path of inflation remains high. 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 higher demand for other safe-haven assets, with reduced interest in the US assets. which could prompt a shift in capital flows toward alternative safe havens like the euro, Japanese yen, and gold.

- The euro and the GBP both weakened last week. On the back of the stronger US dollar, the euro weakened by -0.4%wow to USD1.170, with the flash reading of the PMI report signalling a renewed contraction in factory activities in Sep-25. Meanwhile, the GBP weakened by -0.5%wow to USD1.340, with the preliminary PMI data also showing manufacturing activities remained in contractionary in Sep-25.

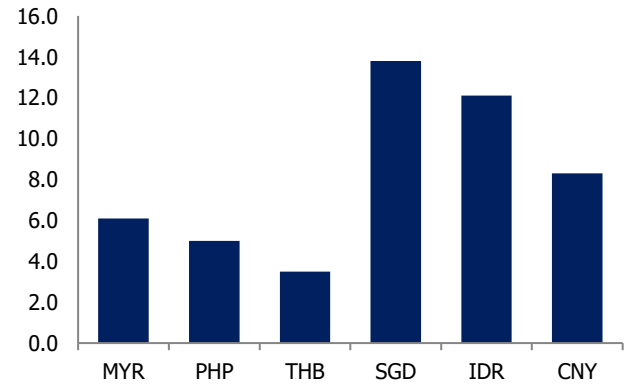
- Ringgit weakened back to above RM4.20. Like other regional currencies, the ringgit ended -0.4%wow weaker at RM4.222 last week. The local currency initially strengthened and broke below the 4.20 level in the early part of the week and later weakened towards the end of the week on the back of a stronger dollar. The domestic economic releases showed inflation creep slightly higher in Aug-25, but the updated leading index continued to signal growth momentum will moderate in the near term. On the contrary, Malaysian ringgit strengthened against the currencies of Malaysia's major trading partners, as shown by the increase in our MBSB Trade-Weighted Ringgit Index by +0.4%wow to 94.47, mainly against the Indian rupee (+1.7%wow), the Philippines peso (+1.3%wow), and the Australian dollar (+1.3%wow).

Currencies Changes (Week Ended 26 Sep 2025) and Quarterly Forecasts

	Close 26/09	Prev. Close 19/09	Weekly Change	Weekly Change (%)	1QCY25	2QCY25f	3QCY25f	4QCY25f
DXY Index	98.15	97.64	+0.508	+0.5	104.0	98.00	97.00	95.00
EURUSD	1.170	1.175	-0.004	-0.4	1.04	1.05	1.07	1.09
GBPUSD	1.340	1.347	-0.007	-0.5	1.26	1.28	1.30	1.32
USDJPY	149.5	148.0	-1.540	-1.0	150.00	147.80	146.70	143.94
USDMYR	4.222	4.207	-0.015	-0.4	4.43	4.28	4.27	4.25
GBPMYR	5.638	5.681	+0.044	+0.8	5.54	5.52	5.44	5.28
JPYMYR	2.824	2.843	+0.019	+0.7	2.93	2.93	2.88	2.83
MBSB TWRI	94.47	94.10	+0.362	+0.4	92.00	93.50	94.10	95.00

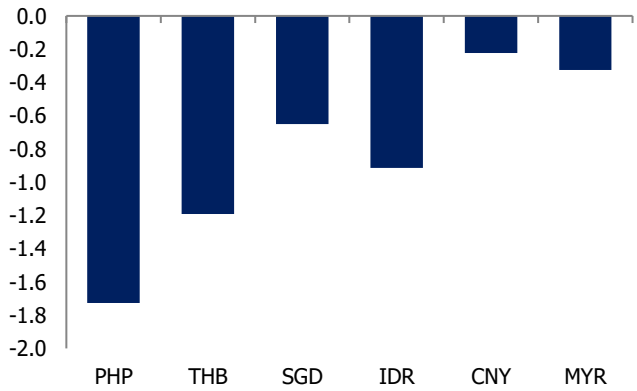
Note: "+" indicates appreciation, while "- "indicates depreciation. Quarterly figures are forecast by MBSBR. MBSB TWRI was previously known as MIDF TWRI.
Source: Bloomberg, MBSBR

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:
  - Overall activity eased in Sep-25. The flash reading of the US S&P Global Composite PMI dropped to 53.6 in Sep-25 from 54.6 in Aug-25, missing market expectations. This marked the second straight month of slower growth, though the quarter still saw the strongest overall expansion since late 2024. The slowdown was noted across sectors; with the Manufacturing PMI easing to 52.0 (Aug-25: 53.0), and the Services PMI falling to 53.9 (Aug-25: 54.5), the softest expansion since Jun-25.
  - Stronger GDP recorded. The US economy expanded faster by an annualised +3.8%qoq in 2QCY25, an upward revision from the previous estimate of +3.3%qoq mainly due to stronger consumer spending. The update exceeded market expectations and marked the strongest growth since 3QCY23.
  - Resilience in the job market. Initial jobless claims moved lower by -14K to 218K for the week ending 20th September (previous week: 232K), against the market expectations for an increase to 235K.
  - Headline inflation increased. The US PCE price inflation accelerated to +2.7%yoy in Aug-25 (Jul-25: +2.6%yoy), the highest in 6 months in line with market expectations. Meanwhile, the core PCE price index, which excludes food and energy, held steady at +2.9%yoy for the second consecutive month, also aligning with market forecasts.

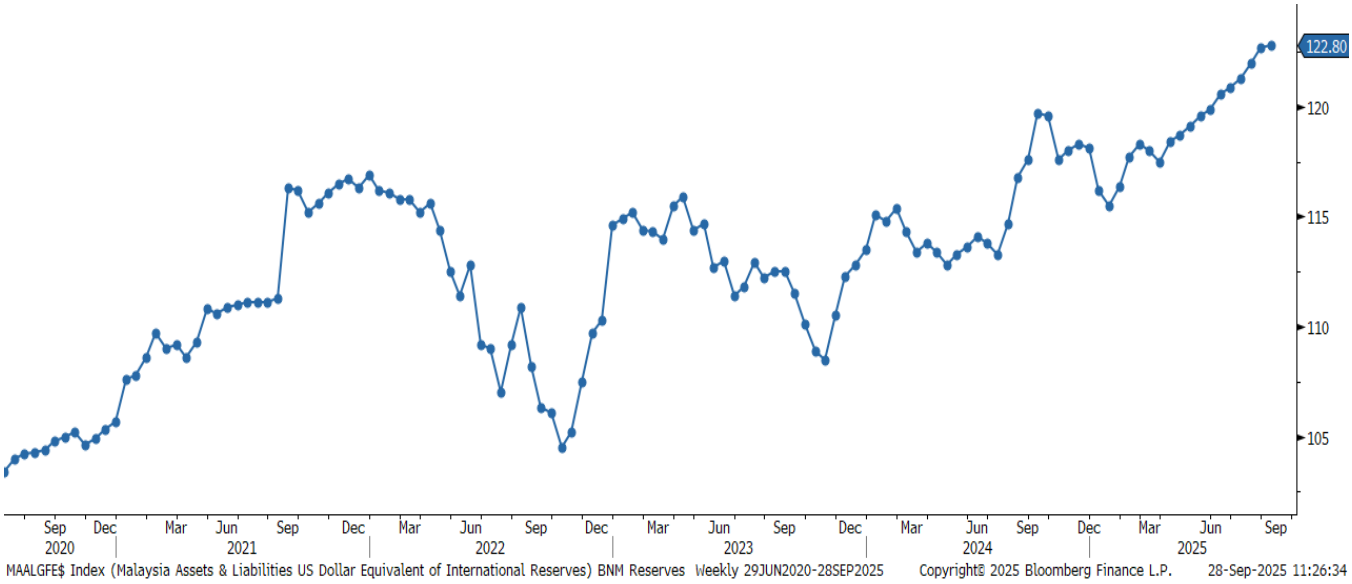
- Interest rates update last week:
  - The People's Bank of China (PBoC) left the five-year Loan Prime Rate (LPR) unchanged at a record low of 3.5% after its Sep-25 meeting. This benchmark mortgage rate has now been held steady for the fourth consecutive month, following a -10bps reduction in May-25.
  - The Central Bank of Sri Lanka (CBSL) maintained its benchmark interest rate at 7.75% during its Sep-25 meeting. The decision aims to balance supporting economic growth while guiding inflation toward the medium-term target of 5.0%. Headline inflation returned to positive territory in Aug-25 after 11 months of deflation and is projected to gradually reach the 5% target by mid-2026, with core inflation expected to stabilise around that same level.
  - The Bank of Mexico (Banxico) cut its benchmark interest rate by -25bps to 7.50% in its Sep-25 meeting, aligning with market expectations. The move, which brings the rate to its lowest level since May-22, was driven by concerns over global trade tensions and weak domestic economic growth. Banxico indicated it is open to considering further rate reductions in future meetings.

- Malaysia's economic update last week:
  - Malaysia's headline CPI inflation edged higher to +1.3%yoy in Aug-25 (Jul-25: +1.2%yoy), signaling inflation continued to accelerate gradually from +1.1%yoy in Jun-25. Meanwhile, core CPI picked up to +2.0%yoy in Aug-25 (Jul-25: +1.8%yoy), marking the fastest reading in 4 months but still signaling mild underlying price pressures.
  - Growth momentum to moderate. Malaysia's economy is expected to record slower growth in the near term as the leading index (LI) declined by -0.5%yoy in Jul-25 (Jun-25: +0.1%yoy). This was driven by weaknesses in two components, led by a sharp double-digit contraction in Real Imports of Other Basic Precious & Non-Ferrous Metals (-16.3%yoy) and a notable drop in the Bursa Malaysia Industrial Index (-13.4%yoy). On the other hand, the coincidence index (CI) rose faster at +2.2%yoy (Jun-25: +1.7%yoy), indicating more encouraging growth in recent economic activities.

C. BNM INTERNATIONAL RESERVES

- As of 12 September 2025, compared to previous fortnight, Bank Negara Malaysia's international reserves were higher at USD122.8b (29 August 2025: USD122.7b).

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	19-Sep Fri	22-Sep Mon	23-Sep Tue	24-Sep Wed	25-Sep Thu	26-Sep Fri	Change (WoW bp)
MGS							
3-Y	3.04	3.058	3.049	3.061	3.059	3.084	4.4
5-Y	3.126	3.172	3.16	3.176	3.209	3.253	12.7
7-Y	3.315	3.338	3.361	3.374	3.393	3.425	11
10-Y	3.403	3.421	3.421	3.427	3.445	3.469	6.6
20-Y	3.753	3.772	3.774	3.768	3.803	3.847	9.4
RINGGIT IRS							
1-Y	3.1687	3.21	3.205	3.215	3.225	3.2475	7.88
3-Y	3.08	3.12	3.11	3.125	3.155	3.175	9.5
5-Y	3.15	3.1925	3.1725	3.1925	3.225	3.2575	10.75
7-Y	3.225	3.265	3.245	3.255	3.295	3.32	9.5
10-Y	3.345	3.37	3.355	3.375	3.415	3.44	9.5
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	3.5559	3.584	3.5617	3.6039	3.6547	3.6525	9.66
5-Y	3.6769	3.7014	3.6682	3.7172	3.7598	3.765	8.81
7-Y	3.8721	3.8954	3.8565	3.9032	3.9396	3.9575	8.54
10-Y	4.1274	4.1467	4.1061	4.1466	4.1698	4.1755	4.81
30-Y	4.7438	4.7625	4.7193	4.7507	4.7477	4.7487	0.49

Source: Bloomberg

10 MOST ACTIVELY TRADED GOVERNMENT BONDS

Name	Coupon	Maturity	19-Sep Yield	26-Sep Yield	Change (WoW bp)	Weekly Volume (RM mn)
MALAYSIA GOVERNMENT	3.906	07/15/26	2.733	2.846	11.3	3,150.5
MALAYSIA GOVERNMENT	3.582	07/15/32	3.315	3.425	11.0	2,491.0
MALAYSIA GOVERNMENT	4.054	04/18/39	3.610	3.697	8.7	2,366.5
MALAYSIA INVESTMNT ISSUE	3.726	03/31/26	2.865	2.914	4.9	2,274.0
MALAYSIA INVESTMNT ISSUE	3.804	10/08/31	3.256	3.373	11.7	1,894.2
MALAYSIA INVESTMNT ISSUE	3.599	07/31/28	3.062	3.148	8.6	1,778.0
MALAYSIA INVESTMNT ISSUE	3.422	09/30/27	2.975	3.084	10.9	1,682.3
MALAYSIA INVESTMNT ISSUE	3.612	04/30/35	3.414	3.507	9.3	1,530.0
MALAYSIA INVESTMNT ISSUE	4.07	09/30/26	2.852	2.340	-51.2	1,403.2
MALAYSIA GOVERNMENT	2.632	04/15/31	2.327	3.319	99.2	1,310.4
TOTAL VOLUME (TOP 10)						19,880.0
TOTAL VOLUME (Overall)						38,584.3

Source: Bloomberg

10 MOST ACTIVELY TRADED CORPORATE BONDS

Name	Coupon	Maturity	19-Sep Yield	26-Sep Yield	Change (WoW bp)	Weekly Volume (RM mn)
DANAINFRA NASIONAL	4.19	10/24/35	N/A	3.524	N/A	400.0
DANAINFRA NASIONAL	4.23	11/23/35	3.518	3.526	0.8	330.0
DANAINFRA NASIONAL	4.06	03/11/43	3.772	3.784	1.2	300.0
DANAINFRA NASIONAL	4.3	03/31/34	N/A	3.509	N/A	280.0
YTL POWER INTERNATIONAL	5.05	05/03/27	3.516	3.498	-1.8	220.2
PRASARANA MALAYSIA BHD	5.07	09/28/29	3.175	3.206	3.1	190.0
DANAINFRA NASIONAL	4.89	05/25/32	3.404	3.443	3.9	180.0
PENGURUSAN AIR SPV BHD	4.4	06/03/27	N/A	3.376	N/A	110.0
DANAINFRA NASIONAL	4.95	03/19/32	N/A	3.431	N/A	100.0
CAGAMAS BERHAD	4.23	10/25/30	N/A	3.479	N/A	100.0
TOTAL VOLUME (TOP 10)						2,210.2
TOTAL VOLUME (Overall)						5,373.8

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