WEEKLY MONEY REVIEW

MIDF Strategy 6 October 2025

Week Ended 3 October 2025

- The UST market rebounded (after 2 weeks of selling) with benchmark 10-year yield ended the review week lower at 4.12% (prior week: 4.18%) as investors reacted to weaker-than-expected ADP private payrolls data and US government shutdown. The 10y-3y yield spread expanded (yield curve steepened) to +53bp (prior week: +52bp) as the short-end outperformed. 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 4Q25.

- Medium-term inflation expectation (MTIE) ended the review week lower at 2.41% (prior week: 2.47%). 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 mixed with the 3-year and 10-year yields added +0.1bp and shed -2.6bp to close at 3.08% and 3.44% respectively. The 10y-3y yield spread narrowed (yield curve flattened) to +36bp (prior week: +38bp) as the short-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 -RM21.9b. It improved week-on-week from -RM23.4b registered a week ago. However, it declined year-on-year from +RM3.2b a year ago.

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Kindly refer to the last page of this publication for important disclosures

6 October 2025 | Strategy

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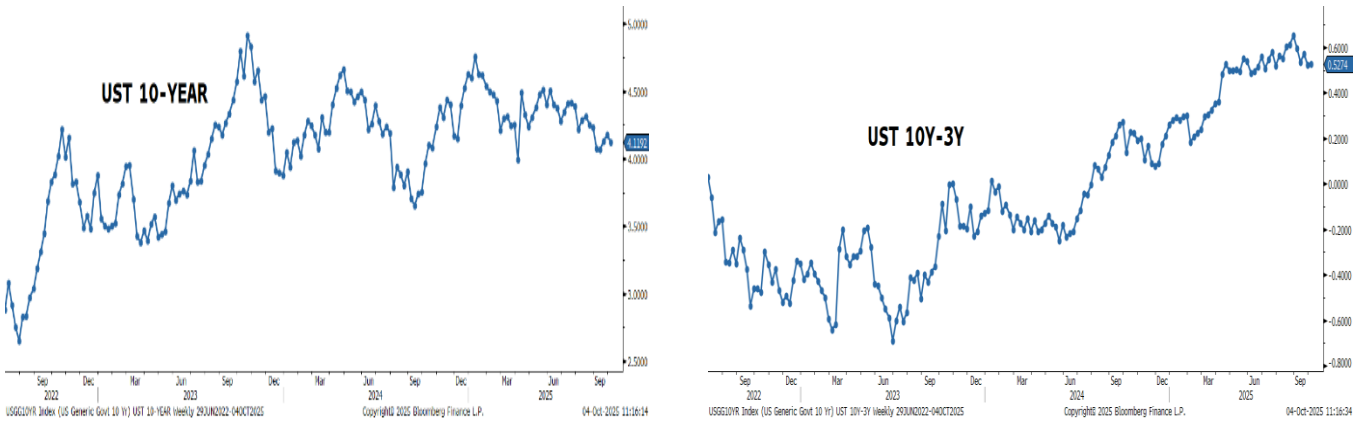
WEEKLY MONEY REVIEW

A. FIXED INCOME

- The UST market rebounded (after 2 weeks of selling) with benchmark 10-year yield ended the review week lower at 4.12% (prior week: 4.18%) as investors reacted to weaker-than-expected ADP private payrolls data and US government shutdown. The 10y-3y yield spread expanded (yield curve steepened) to +53bp (prior week: +52bp) as the short-end outperformed. 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 4Q25.



Source: Bloomberg, MBSBR (G8, G9)

- Medium-term inflation expectation (MTIE) ended the review week lower at 2.41% (prior week: 2.47%). 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.

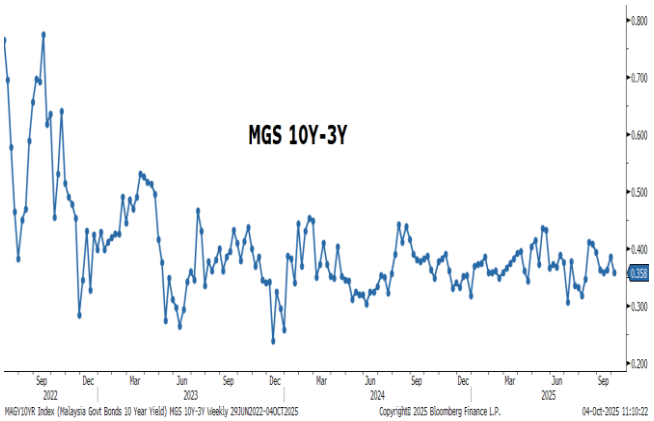
MEDIUM-TERM INFLATION EXPECTATION (MTIE): 5Y UST-TIPS SPREAD



Source: Bloomberg, MBSBR (G12)

- The price of MGS benchmark issues ended the review week mixed with the 3-year and 10-year yields added +0.1bp and shed -2.6bp to close at 3.08% and 3.44% respectively. The 10y-3y yield spread narrowed (yield curve flattened) to +36bp (prior week: +38bp) as the short-end underperformed.



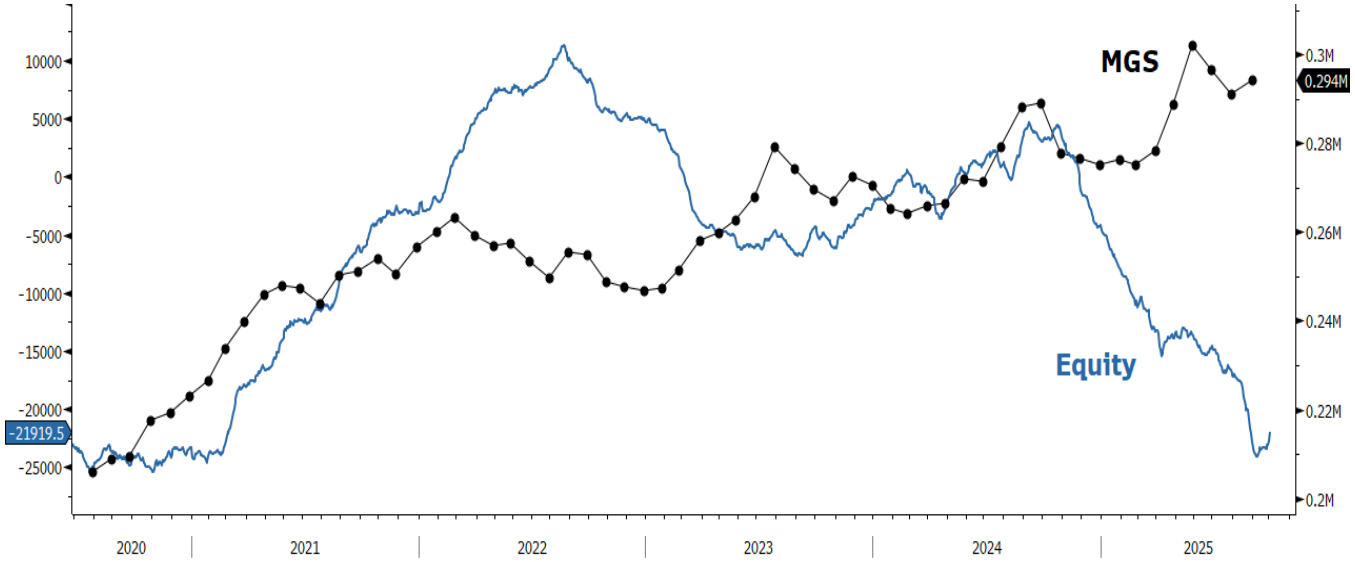


Source: Bloomberg, MBSBR (G10, G11)

- Total trading value for Government Bonds (MGS/MII) declined to RM35.4b in the review week compared to RM38.6b in the prior week (based on Bloomberg data). The total trading value of the 10 most actively traded issues increased (lower trading breadth) to 60% (prior week: 52%) of the overall Government Bonds trade. Moreover, 6 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 MII 3.99% 10/15/25 at RM7.2b, MII 3.599% 7/31/28 at RM3.9b, and MII 3.726% 3/31/26 at RM2.0b.

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



MATPE12M Index (Malaysia Foreign Portfolio Investment 12 Month Rolling Sum Net Value USD) FOREIGN MGS V EQUITY Daily 29JUN2020-04OCT2025 Copyright© 2025 Bloomberg Finance L.P. 04-Oct-2025 11:03:59
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 -RM21.9b. It improved week-on-week from -RM23.4b registered a week ago. However, it declined year-on-year from +RM3.2b a year ago.

- Total trading value for Corporate Bonds (Conventional & Sukuk) declined to RM3.7b in the review week compared to RM5.4b in the prior week (based on Bloomberg data). The total trading value of the 10 most actively traded issues declined (higher trading breadth) to 26% (prior week: 41%) of the overall Corporate Bonds trade.

- The top 3 actively traded Corporate Bonds were dominated by issues of short and mid residual tenor. The top 3 most actively traded were Malayan Banking 4.03% 1/31/34 at RM110m, Prasarana Malaysia 4.32% 9/7/28 at RM105m, and Prasarana Malaysia 4.75% 2/26/31 at RM100m.

B. FOREIGN EXCHANGE

- USD weakened again last week. The US dollar weakened against major currencies last week as the DXY dollar index declined by -0.4%wow to 97.72, coming down from the 7-week high recorded in the previous week. The dollar retreated lower towards the end of the week on the back of the uncertainty stemming from the federal government shutdown, which also led to uncertainty for investors due to the delayed key data releases, such as the non-farm payrolls, unemployment rate, and initial jobless claims, that is used to gauge the economic performance. However, the market took notice of the weak ADP private payroll report, which caused sentiment on the dollar to weaken. We expect continued market volatility in the near term, driven primarily by short-term policy headwinds like the ongoing US government shutdown uncertainty, new tariffs, and forthcoming FOMC decisions. This environment will likely trigger a flight to safety, weakening the appeal of US assets. We anticipate a resulting shift of capital flows toward traditional safe-haven alternatives such as the euro, Japanese yen, and gold.

- The euro and the GBP both strengthened last week. On the back of the weaker dollar, the euro strengthened by +0.3%wow to USD1.174, with inflation edge higher to +2.2%yoy in Sep-25 easing expectations for further policy easing. Meanwhile, the pound sterling strengthened by +0.6%wow to USD1.348, despite the moderate UK GDP growth of +1.4%yoy (1QCY25: +1.7%yoy).

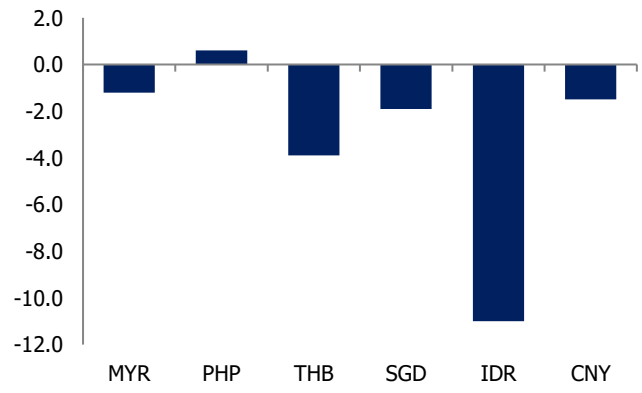
- Ringgit strengthened but remained above the RM4.20. The ringgit ended slightly stronger by +0.3%wow to RM4.208 last week. The local currency saw a gradual strengthening throughout the week, which saw the ringgit break below the RM4.21 level in the early part of the week and remained between RM4.20 – RM4.21. The domestic economic releases showed the producer price index (PPI) remained in deflation for the sixth month, but at a softer decline, while the manufacturing PMI remained unchanged from Aug-25. Meanwhile, the Malaysian ringgit was stable against the currencies of Malaysia's major trading partners, as shown by our MBSB Trade-Weighted Ringgit Index, which was flat compared to the previous week, closing at 94.44; however, the ringgit weakened mainly against the Japanese yen (-1.2%wow) but strengthened against the Thai baht (+0.7%wow).

Currencies Changes (Week Ended 03 Oct 2025) and Quarterly Forecasts

	Close 03/10	Prev. Close 26/09	Weekly Change	Weekly Change (%)	1QCY25	2QCY25f	3QCY25f	4QCY25f
DXY Index	97.72	98.15	-0.429	-0.4	104.0	98.00	97.00	95.00
EURUSD	1.174	1.170	+0.004	+0.3	1.04	1.05	1.07	1.09
GBPUSD	1.348	1.340	+0.008	+0.6	1.26	1.28	1.30	1.32
USDJPY	147.5	149.5	+2.020	+1.4	150.00	147.80	146.70	143.94
USDMYR	4.208	4.222	+0.014	+0.3	4.43	4.28	4.21	4.09
GBPMYR	5.661	5.638	-0.023	-0.4	5.54	5.52	5.44	5.28
JPYMYR	2.854	2.824	-0.030	-1.0	2.93	2.93	2.88	2.83
MBSB TWRI	94.44	94.47	-0.031	-0.0	92.00	93.50	94.10	95.00

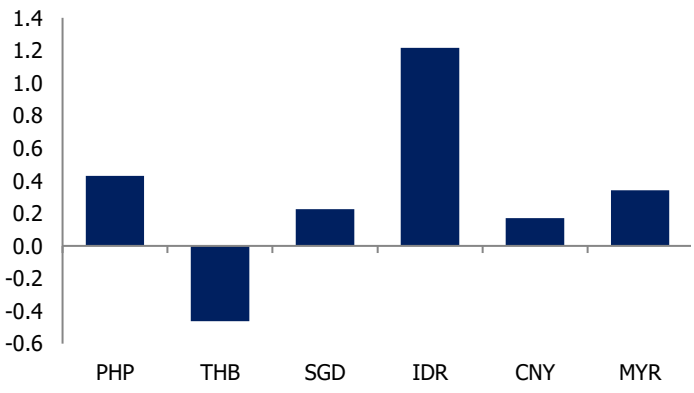
Note: "+" indicates appreciation, while "- "indicates depreciation. Quarterly figures are forecast by MBSBR. MBSB TWRI was previously known as MIDF TWRI.
Source: Bloomberg, MBSBR

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 (%)

	Feb-25	Mar-25	Apr-25	May-25	Jun-25	Jul-25	Aug-25	Sep-25	Oct-25
Malaysia	3.00	3.00	3.00	3.00	3.00	2.75	2.75	2.75	2.75
Indonesia	5.75	5.75	5.75	5.50	5.50	5.25	5.50	4.75	4.75
Philippines	5.75	5.75	5.50	5.50	5.25	5.25	5.25	5.00	5.00
Thailand	2.00	2.00	1.75	1.75	1.75	1.75	1.75	1.50	1.50
Vietnam	4.50	4.50	4.50	4.50	4.50	4.50	4.50	4.50	4.50
South Korea	2.75	2.75	2.75	2.50	2.50	2.50	2.50	2.50	2.50
India	6.25	6.25	6.00	6.00	5.50	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	4.50	4.50	4.50	4.25	4.25	4.25	4.25	4.00	4.00
Euro area	2.90	2.90	2.40	2.25	2.00	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	4.00-4.25	4.00-4.25

Source: Bloomberg, MBSBR

- US economic data released last week:
  - The pace of layoffs temporarily eased in Sep-25. The US employers announced 54,064 job cuts, the fewest in three months and down -25.8% from the previous year. Yet, the overall workforce reduction remains near historic heights. Planned layoffs for the third quarter alone totalled 202,118, marking the highest Q3 since 2020. The year-to-date total of 946,426 job cuts represents the highest annual tally since 2020 and ranks as the fifth highest in 36 years.
  - Higher job openings. The US job opening edged up by 19K to 7.23m in Aug-25, meeting market expectations. This marginal increase from July's revised 7.21m indicates stable employer demand. Crucially, measures of labour market churn remained steady, as both voluntary quits (3.1m) and involuntary layoffs and discharges (1.7m) showed little month-over-month change.
  - Private employment declined. According to ADP, private employment in the US contracted by -32K in Sep-25, falling well below the +50K job gain projected by the market. This decline accelerates the cooling trend seen in Aug-25 (-3K) and signifies the first back-to-back monthly job cuts for the private sector since 2020. Overall, the report confirms that job creation continues to lose momentum across most industries.

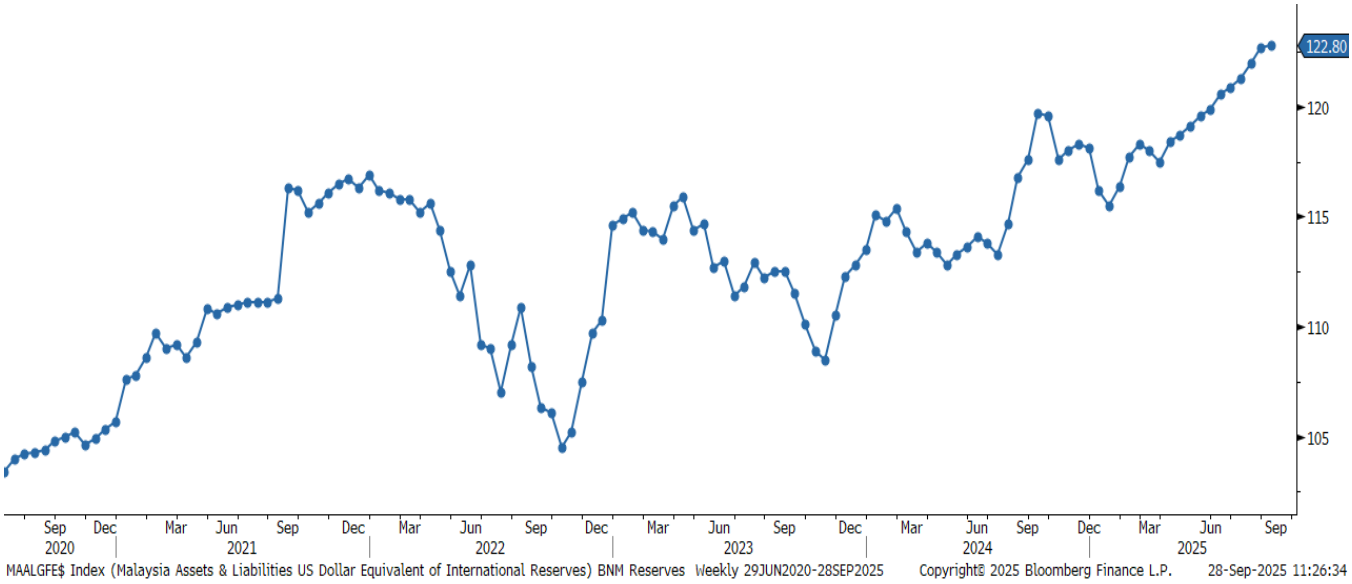
- Interest rates update last week:
  - The Reserve Bank of Australia (RBA) maintained its cash rate at 3.6% at its Sep-25 meeting, pausing after the 25bps cut in Aug-25. The decision, which held borrowing costs at their lowest since Apr-23, was driven by caution. Although both headline and trimmed mean inflation were within the RBA's +2.0-3.0% target range in the 2QCY25, the Board noted that early and volatile data suggests 3QCY25 Inflation may be higher than previously expected.
  - The Reserve Bank of India delivered a non-surprise in Oct-25 by holding its key repo rate at 5.50%. This status quo decision, which was fully expected by the market, aims to give the central bank time to evaluate how prior rate reductions and recent tax cuts are affecting the economy, balancing domestic inflation relief against persistent global trade headwinds.

- Malaysia's economic update last week:
  - PPI remained in deflation. The downward pressure in Malaysia's producer prices persisted with a softer decline of -2.8%yoy in Aug-25 (Jul-25: -3.8%yoy), marking the sixth straight month of deflation but the mildest fall since Mar-25. The moderation was however explained by a slower drop in mining PPI (-3.4%yoy; Jul-25: -8.7%yoy), largely reflecting a smaller contraction in crude petroleum extraction. On a monthly basis, producer prices edged up by +0.1%mom (Jul-25: +0.3%mom), the second consecutive month of increases.
  - Manufacturing activities nearly unchanged in Sep-25. Malaysia's S&P Global Manufacturing PMI slightly edged down to 49.8 (Aug-25: 49.9), still near the previous month's 14-month peak. The reading points to a modest pace of contraction in Malaysia's manufacturing sector, suggesting a gradual path toward stabilisation, consistent with the resilient GDP growth recorded so far this year. Output eased slightly, while new orders rose for a second straight month, though at a slower pace than Aug-25.

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	26-Sep Fri	29-Sep Mon	30-Sep Tue	1-Oct Wed	2-Oct Thu	3-Oct Fri	Change (WoW bp)
MGS							
3-Y	3.084	3.128	3.102	3.107	3.077	3.085	0.1
5-Y	3.253	3.226	3.223	3.227	3.23	3.199	-5.4
7-Y	3.425	3.415	3.418	3.415	3.383	3.393	-3.2
10-Y	3.469	3.463	3.454	3.451	3.457	3.443	-2.6
20-Y	3.847	3.795	3.804	3.821	3.804	3.858	1.1
RINGGIT IRS							
1-Y	3.2475	3.245	3.243	3.2375	3.225	3.225	-2.25
3-Y	3.175	3.18	3.17	3.18	3.16	3.165	-1
5-Y	3.2575	3.25	3.25	3.255	3.225	3.235	-2.25
7-Y	3.32	3.32	3.32	3.33	3.305	3.3	-2
10-Y	3.44	3.435	3.4325	3.435	3.415	3.43	-1
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	3.6525	3.6217	3.6191	3.5459	3.5517	3.5917	-6.08
5-Y	3.765	3.7338	3.7408	3.6716	3.6698	3.7149	-5.01
7-Y	3.9575	3.9188	3.9291	3.8673	3.8595	3.9033	-5.42
10-Y	4.1755	4.1387	4.1503	4.0981	4.0827	4.1192	-5.63
30-Y	4.7487	4.7037	4.731	4.7095	4.6881	4.7114	-3.73

Source: Bloomberg

10 MOST ACTIVELY TRADED GOVERNMENT BONDS

Name	Coupon	Maturity	26-Sep Yield	3-Oct Yield	Change (WoW bp)	Weekly Volume (RM mn)
MALAYSIA INVESTMNT ISSUE	3.99	10/15/25	2.863	2.972	10.9	7,240.9
MALAYSIA INVESTMNT ISSUE	3.599	07/31/28	3.148	3.127	-2.1	3,916.5
MALAYSIA INVESTMNT ISSUE	3.726	03/31/26	2.914	2.880	-3.4	1,981.2
MALAYSIA GOVERNMENT	3.519	04/20/28	3.084	3.085	0.1	1,795.1
MALAYSIA GOVERNMENT	3.906	07/15/26	2.846	2.846	0.0	1,585.6
MALAYSIA GOVERNMENT	4.642	11/07/33	3.472	3.476	0.4	1,322.2
MALAYSIA GOVERNMENT	2.632	04/15/31	3.319	3.329	1.0	891.1
MALAYSIA INVESTMNT ISSUE	3.422	09/30/27	3.084	3.055	-2.9	889.8
MALAYSIA INVESTMNT ISSUE	4.07	09/30/26	2.340	2.893	55.3	860.6
MALAYSIA GOVERNMENT	3.336	05/15/30	3.253	3.199	-5.4	818.2
TOTAL VOLUME (TOP 10)						21,301.1
TOTAL VOLUME (Overall)						35,388.9

Source: Bloomberg

10 MOST ACTIVELY TRADED CORPORATE BONDS

Name	Coupon	Maturity	26-Sep Yield	3-Oct Yield	Change (WoW bp)	Weekly Volume (RM mn)
MALAYAN BANKING BHD	4.03	01/31/34	3.699	3.675	-2.4	110.0
PRASARANA MALAYSIA BHD	4.32	09/07/28	N/A	3.194	N/A	105.0
PRASARANA MALAYSIA BHD	4.75	02/26/31	N/A	3.398	N/A	100.0
PENGURUSAN AIR SPV BHD	3.32	06/04/27	3.383	3.383	0.0	100.0
CIMB GROUP HOLDINGS BHD	4	08/12/38	N/A	3.919	N/A	100.0
SMALL MEDIUM ENT BANK	ZERO	02/26/26	3.295	3.344	4.9	100.0
MALAYSIA RAIL LINK	ZERO	12/12/25	N/A	3.047	N/A	90.0
CAGAMAS BERHAD	4.5	12/13/27	3.327	3.380	5.3	85.0
CAGAMAS BERHAD	3.8	11/29/27	N/A	3.381	N/A	85.0
UEM SUNRISE BHD	4.04	08/23/33	N/A	3.752	N/A	80.0
TOTAL VOLUME (TOP 10)						955.0
TOTAL VOLUME (Overall)						3,734.9

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