WEEKLY MONEY REVIEW

MIDF Strategy 21 October 2025

Week Ended 17 October 2025

- The UST market rebounded further last week with benchmark 10-year yield ended lower at 4.01% (prior week: 4.03%) as investors bought bonds for a safe haven from re-escalating US-China trade tension and potential credit crisis in the banking sector. The 10y-3y yield spread expanded (yield curve steepened) to +54bp (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 2.33% (prior week: 2.38%). While the MTIE has remained 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 higher with the 3-year and 10-year yields shed -3.3bp and -3.2bp to close at 3.07% and 3.46% respectively. The 10y-3y yield spread was unchanged at +39bp (prior week: +39bp).

- MGS foreign holdings declined month-on-month to RM287b in September 2025 from RM294b in August 2025. Moreover, it declined year-on-year from RM289b in September 2024. On Bursa Malaysia, the 12-month rolling sum of foreign net equities trade ended the review week at -RM24.1b. It declined week-on-week from -RM22.9b registered a week ago. Moreover, it declined year-on-year from +RM3.5b a year ago.

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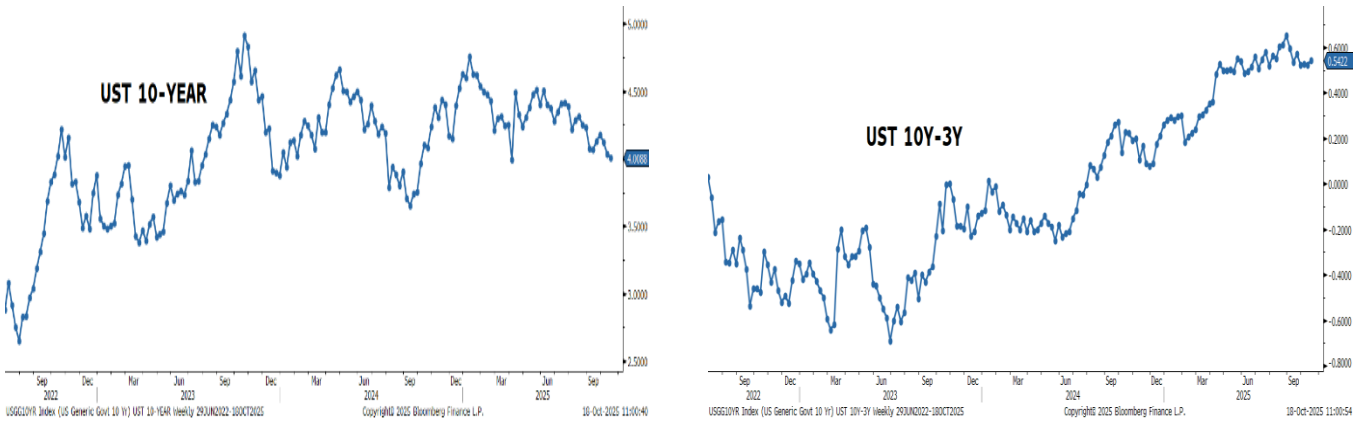
21 October 2025 | Strategy

Strategy Team | research@midf.com.my

WEEKLY MONEY REVIEW

A. FIXED INCOME

- The UST market rebounded further last week with benchmark 10-year yield ended lower at 4.01% (prior week: 4.03%) as investors bought bonds for a haven from re-escalating US-China trade tension and potential credit crisis in the banking sector. The 10y-3y yield spread expanded (yield curve steepened) to +54bp (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 2.33% (prior week: 2.38%). While the MTIE has remained 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.

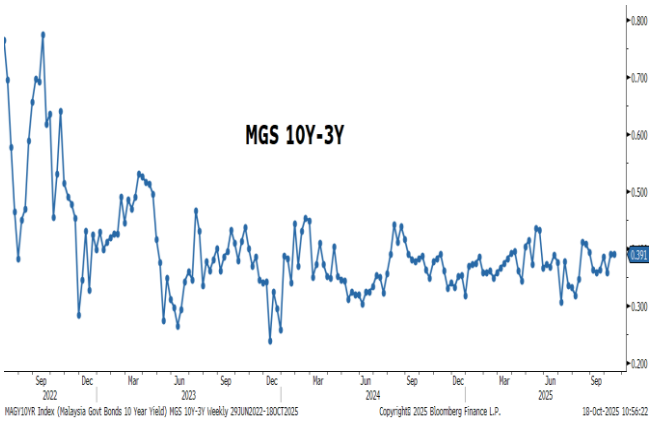
MEDIUM-TERM INFLATION EXPECTATION (MTIE): 5Y UST-TIPS SPREAD



Source: Bloomberg, MBSBR (G12)

- The price of MGS benchmark issues ended the review week higher with the 3-year, and 10-year yields shed -3.3bp and -3.2bp to close at 3.07% and 3.46% respectively. The 10y-3y yield spread was unchanged at +39bp (prior week: +39bp).



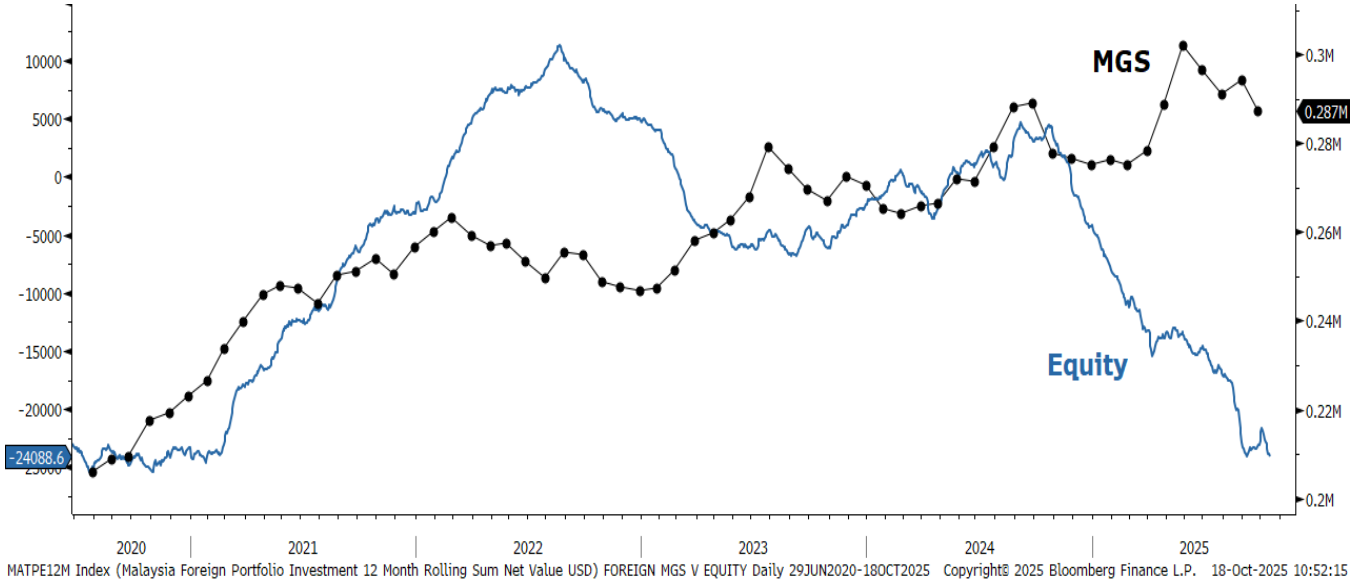


Source: Bloomberg, MBSBR (G10, G11)

- Total trading value for Government Bonds (MGS/MII) declined to RM23.3b in the review week compared to RM25.4b in the prior week (based on Bloomberg data). The total trading value of the 10 most actively traded issues increased (lower trading breadth) to 61% (prior week: 58%) of the overall Government Bonds trade. Moreover, 10 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 RM2.4b, MII 3.599% 7/31/28 at RM2.0b, and MII 3.726% 3/31/26 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 RM287b in September 2025 from RM294b in August 2025. Moreover, it declined year-on-year from RM289b in September 2024. On Bursa Malaysia, the 12-month rolling sum of foreign net equities trade ended the review week at -RM24.1b. It declined week-on-week from -RM22.9b registered a week ago. Moreover, it declined year-on-year from +RM3.5b a year ago.

- Total trading value for Corporate Bonds (Conventional & Sukuk) increased to RM6.4b in the review week compared to RM4.9b in the prior week (based on Bloomberg data). The total trading value of the 10 most actively traded issues was unchanged at 31% (prior week: 31%) of the overall Corporate Bonds trade.

- The top 3 actively traded Corporate Bonds were dominated by issues of short residual tenor. The top 3 most actively traded were Malaysia Rail Link 0% 10/28/25 at RM520m, Danga Capital 4.52% 9/6/27 at RM320m, and Malaysia Rail Link 0% 12/16/25 at RM240m.

B. FOREIGN EXCHANGE

- USD ended lower last week. The US dollar weakened against major currencies last week as the DXY dollar index declined by -0.6%wow to 98.43, the weakest level for the week. The US dollar turned lower last week on the back of weak sentiment stemming from renewed US-China trade tensions, which led to the stock market to be volatile. Meanwhile, several speeches from the FOMC members signalled a dovish stance, with the Fed Chair Jerome Powell indicating the Fed is nearing a point to stop reducing the size of its bond holdings and hinted at further rate cuts. Furthermore, Fed Governor Stephen Miran mentioned that the impasse in trade talks between the US and China creates a weaker economic outlook for the US, making further rate cuts more urgent, which he signalled another -125bps rate cuts. Meanwhile, the Beige book indicated stability in economic activity and employment, but some signs of labour market weakness, while prices were reported to be on the upside. On a positive note, the US Bureau of Labor Statistics will resume work to publish the Sep-25 Consumer Price Index (CPI) data, now scheduled for release on 24th October, providing crucial, timely inflation update just ahead of the FOMC meeting at the end of this month. 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.

- EUR and GBP appreciated. On the back of the weaker dollar, the euro strengthened by +0.3%wow to USD1.166, on the back of the continuous growth in industrial production. Meanwhile, the pound sterling strengthened by +0.5%wow to USD1.343, with the UK GDP growth registering a slight moderation in Aug-25.

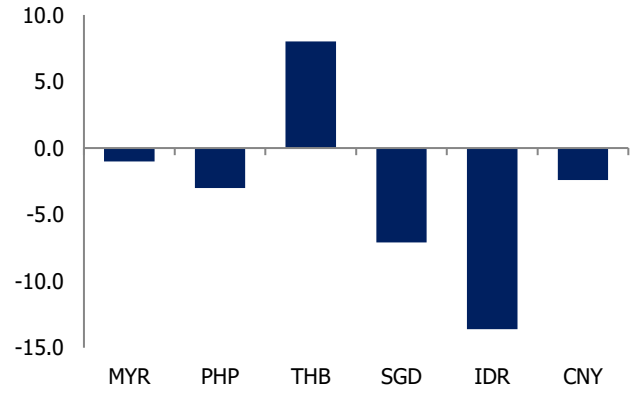
- Ringgit weakened further. The ringgit also ended weaker last week, depreciating by -0.1%wow to RM4.227. The local currency traded within a tight range this week between RM4.22-4.23. Ringgit's exchange rate movement was mainly influenced by the strength in the dollar because data releases last week pointed to continued resilience in Malaysia's economy, given the stronger trade performance in Sep-25 and the better-than-expected GDP growth in 3QCY25 as shown by the advance estimate. The Malaysian ringgit also weakened against the currencies of major trading partners, as shown by the decline in our MBSB Trade-Weighted Ringgit Index by -0.2%wow to 94.53, mainly against the euro (-2.2%wow), Japanese yen (-1.4%wow), Indian rupee (-0.96%wow).

Currencies Changes (Week Ended 17 Oct 2025) and Quarterly Forecasts

	Close 17/10	Prev. Close 10/10	Weekly Change	Weekly Change (%)	1QCY25	2QCY25	3QCY25	4QCY25f
DXY Index	98.43	98.98	-0.545	-0.6	104.0	98.00	97.00	95.00
EURUSD	1.166	1.162	+0.004	+0.3	1.04	1.05	1.07	1.09
GBPUSD	1.343	1.336	+0.007	+0.5	1.26	1.28	1.30	1.32
USDJPY	150.6	151.2	+0.580	+0.4	150.00	147.80	146.70	143.94
USDMYR	4.227	4.223	-0.004	-0.1	4.43	4.28	4.21	4.09
GBPMYR	5.679	5.612	-0.066	-1.2	5.54	5.52	5.44	5.28
JPYMYR	2.806	2.793	-0.013	-0.4	2.93	2.93	2.88	2.83
MBSB TWRI	94.53	94.67	-0.148	-0.2	92.00	93.50	94.10	95.00

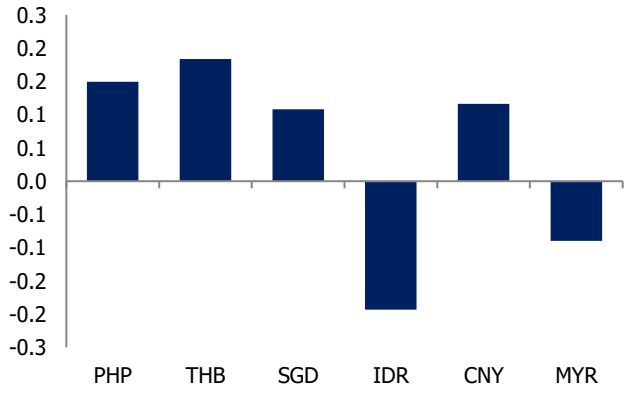
Note: "+" indicates appreciation, while "- "indicates depreciation. Quarterly figures are forecast by MBSBR. MBSB TWRI was previously known as MIDF TWRI.
Source: Bloomberg, MBSBR

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	4.75
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

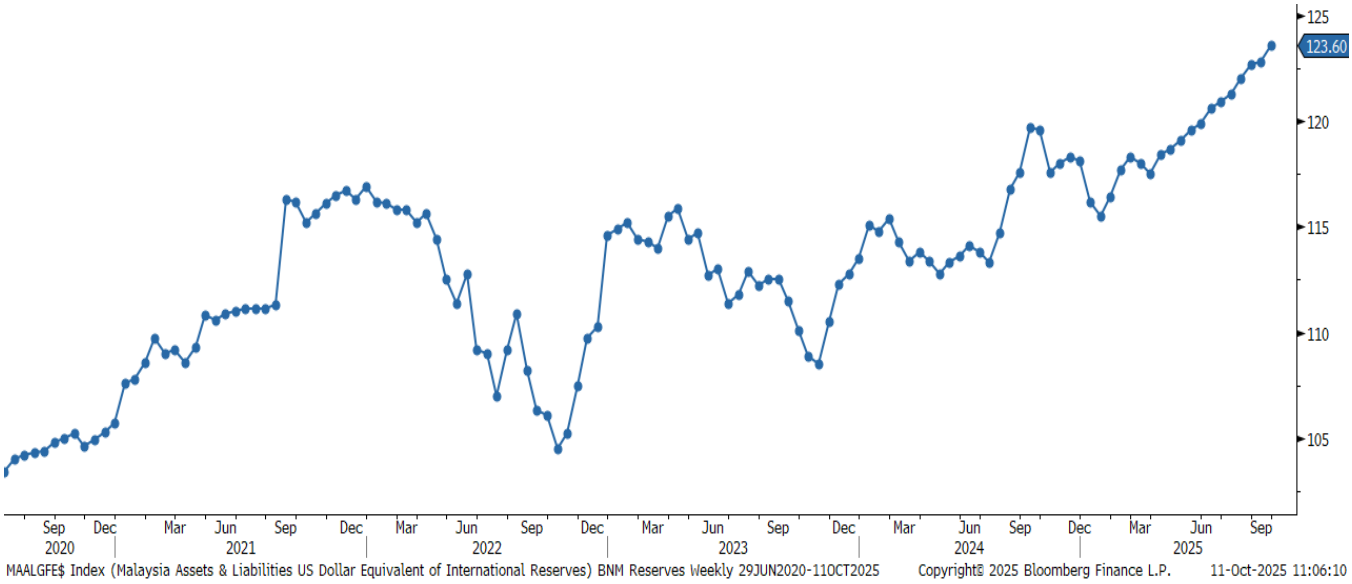
- US economic data released last week:
  - Beige book showing stability. The release of the beige book indicated that US economic activity was little changed, and employment was largely stable in recent weeks, but there were emerging signs of weakness, including more layoffs and middle to low income. However, the tariff measures the report indicated that prices rose further during the reporting period due to the tariff impacting input costs increases were reported in several districts, but the extent of the higher costs passing through to final prices varies.

- Malaysia's economic update last week:
  - Malaysia's total trade expanded by +9.8%yoy in Sep-25 (Aug-25: -2.0%yoy), rebounding from the decline in the previous month and marking the fastest growth since Apr-25. The stronger trade stemmed from higher exports (+12.2%yoy; Aug-25: +1.7%yoy), and the rebound in imports (+7.3%yoy; Aug-25: -5.9%yoy).
  - Based on the advance estimate, Malaysia's GDP growth accelerated to +5.2%yoy in the 3QCY25 (2QCY25: +4.4%yoy), largely supported by the sustained growth in services sector (+5.1%yoy; 2QCY25: +5.1%yoy), stronger manufacturing output (+4.0%yoy; 2QCY25: +3.7%yoy) and recovery in the mining & quarrying sector (+10.9%yoy; 2QCY25: -5.2%yoy).

C. BNM INTERNATIONAL RESERVES

- As of 30 September 2025, compared to previous fortnight, Bank Negara Malaysia's international reserves were higher at USD123.6b (12 September 2025: USD122.8b).

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	10-Oct Fri	13-Oct Mon	14-Oct Tue	15-Oct Wed	16-Oct Thu	17-Oct Fri	Change (WoW bp)
MGS							
3-Y	3.103	3.073	2.772	3.077	3.081	3.07	-3.3
5-Y	3.229	3.194	3.189	3.184	3.219	3.213	-1.6
7-Y	3.448	3.398	3.401	3.392	3.406	3.391	-5.7
10-Y	3.493	3.461	3.449	3.451	3.457	3.461	-3.2
20-Y	3.883	3.848	3.855	3.857	3.863	3.891	0.8
RINGGIT IRS							
1-Y	3.225	3.195	3.185	3.19	3.2	3.205	-2
3-Y	3.155	3.135	3.1025	3.1125	3.118	3.155	0
5-Y	3.235	3.1875	3.19	3.18	3.185	3.21	-2.5
7-Y	3.305	3.2775	3.245	3.2475	3.252	3.285	-2
10-Y	3.441	3.3875	3.37	3.37	3.385	3.43	-1.1
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	3.5111	3.5111	3.4889	3.5	3.428	3.4665	-4.46
5-Y	3.6247	3.6247	3.6074	3.616	3.5467	3.5916	-3.31
7-Y	3.8078	3.8078	3.7975	3.8026	3.7384	3.7819	-2.59
10-Y	4.0322	4.0322	4.0321	4.0282	3.9745	4.0088	-2.34
30-Y	4.6187	4.6187	4.6321	4.6254	4.5844	4.6053	-1.34

Source: Bloomberg

10 MOST ACTIVELY TRADED GOVERNMENT BONDS

Name	Coupon	Maturity	10-Oct Yield	17-Oct Yield	Change (WoW bp)	Weekly Volume (RM mn)
MALAYSIA GOVERNMENT	3.906	07/15/26	2.852	2.823	-2.9	2,427.4
MALAYSIA INVESTMNT ISSUE	3.599	07/31/28	3.112	3.079	-3.3	2,049.5
MALAYSIA INVESTMNT ISSUE	3.726	03/31/26	2.866	2.844	-2.2	1,753.3
MALAYSIA INVESTMNT ISSUE	3.635	08/30/30	3.241	3.220	-2.1	1,639.7
MALAYSIA INVESTMNT ISSUE	4.582	08/30/33	3.484	3.452	-3.2	1,538.0
MALAYSIA GOVERNMENT	3.582	07/15/32	3.448	3.391	-5.7	1,283.5
MALAYSIA GOVERNMENT	3.336	05/15/30	3.229	3.213	-1.6	922.0
MALAYSIA INVESTMNT ISSUE	4.119	11/30/34	3.500	3.461	-3.9	905.5
MALAYSIA INVESTMNT ISSUE	4.07	09/30/26	2.890	2.873	-1.7	822.8
MALAYSIA INVESTMNT ISSUE	3.612	04/30/35	3.482	3.481	-0.1	816.7
TOTAL VOLUME (TOP 10)						14,158.3
TOTAL VOLUME (Overall)						23,307.7

Source: Bloomberg

10 MOST ACTIVELY TRADED CORPORATE BONDS

Name	Coupon	Maturity	10-Oct Yield	17-Oct Yield	Change (WoW bp)	Weekly Volume (RM mn)
MALAYSIA RAIL LINK	ZERO	10/28/25	3.045	3.021	-2.4	520.0
DANGA CAPITAL BHD	4.52	09/06/27	3.338	3.425	8.7	320.0
MALAYSIA RAIL LINK	ZERO	12/16/25	3.066	3.065	-0.1	240.0
MALAYAN BANKING BHD	3.41	08/05/31	3.553	3.426	-12.7	162.0
PRASARANA MALAYSIA BHD	5.07	09/28/29	3.206	3.367	16.1	160.0
PRASARANA MALAYSIA BHD	4.93	12/28/32	3.597	3.578	-1.9	140.0
GENM CAPITAL BHD	5.58	07/11/33	N/A	5.577	N/A	140.0
PONSB CAPITAL BHD	5.31	06/29/29	3.602	3.637	3.5	130.0
PRASARANA MALAYSIA BHD	4.05	10/11/33	N/A	3.589	N/A	110.0
KUALA LUMPUR KEPONG	3.75	09/27/29	3.621	3.574	-4.7	100.0
TOTAL VOLUME (TOP 10)						2,022.0
TOTAL VOLUME (Overall)						6,422.3

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