WEEKLY MONEY REVIEW

MIDF Strategy 27 October 2025

Week Ended 24 October 2025

- The UST benchmark 10-year yield fell further last week to close at 4.00% (prior week: 4.01%) as investors reacted to mild inflation figures and growing optimism on a resolution of the ongoing government shutdown. The 10y-3y yield spread narrowed (yield curve flattened) to +51bp (prior week: +54bp) as the long-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 higher at 2.40% (prior week: 2.33%). 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 lower with the 3-year and 10-year yields shed +2.9bp and +2.7bp to close at 3.10% and 3.49% 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 -RM24.3b. It declined week-on-week from -RM24.1b registered a week ago. Moreover, it declined year-on-year from +RM4.4b a year ago.

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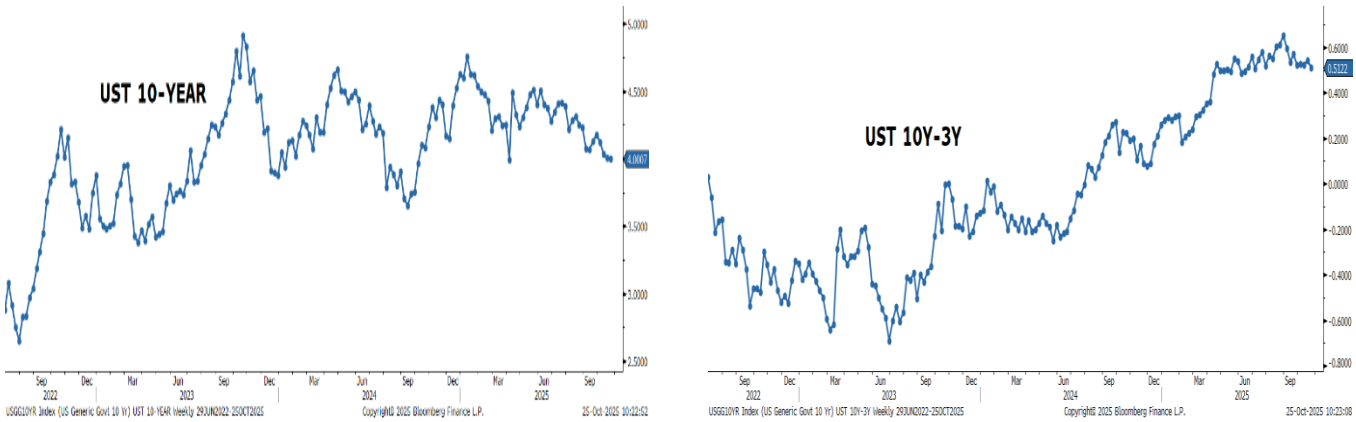
27 October 2025 | Strategy

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WEEKLY MONEY REVIEW

A. FIXED INCOME

- The UST benchmark 10-year yield fell further last week to close at 4.00% (prior week: 4.01%) as investors reacted to mild inflation figures and growing optimism on a resolution of the ongoing government shutdown. The 10y-3y yield spread narrowed (yield curve flattened) to +51bp (prior week: +54bp) as the long-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 higher at 2.40% (prior week: 2.33%). 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.

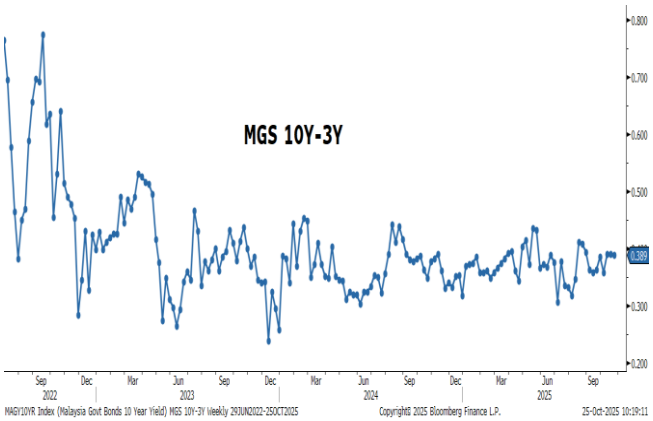
MEDIUM-TERM INFLATION EXPECTATION (MTIE): 5Y UST-TIPS SPREAD



Source: Bloomberg, MBSBR (G12)

- The price of MGS benchmark issues ended the review week lower with the 3-year and 10-year yields shed +2.9bp and +2.7bp to close at 3.10% and 3.49% respectively. The 10y-3y yield spread was unchanged at +39bp (prior week: +39bp).



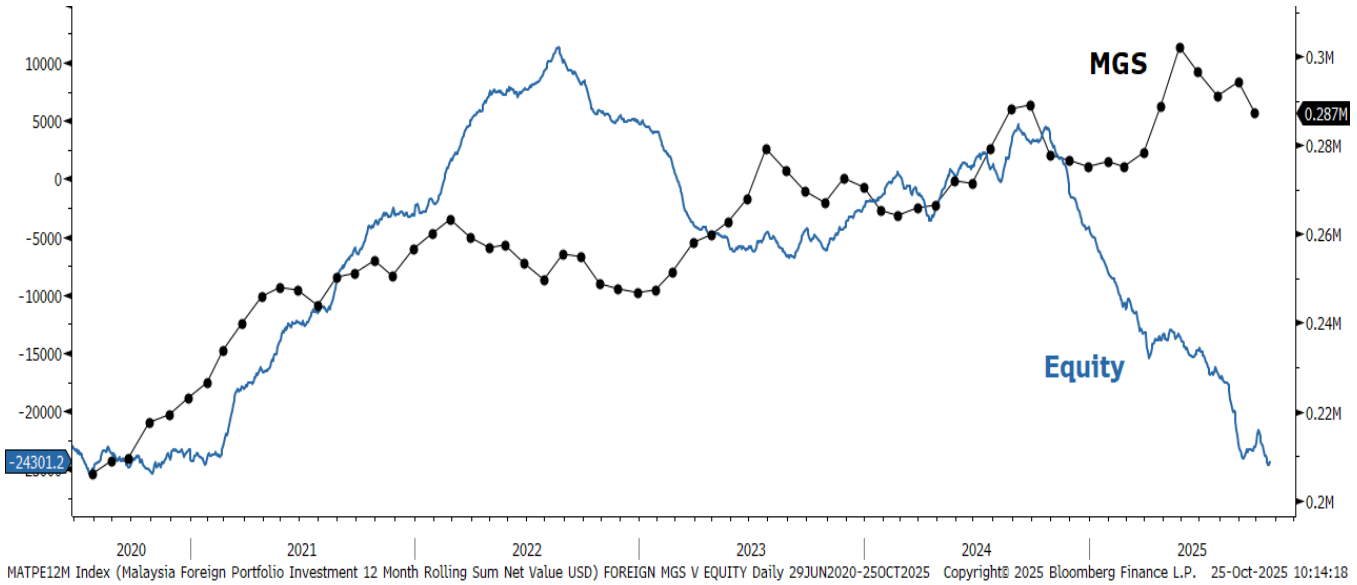


Source: Bloomberg, MBSBR (G10, G11)

- Total trading value for Government Bonds (MGS/MII) declined to RM16.6b in the review week compared to RM23.3b in the prior week (based on Bloomberg data). The total trading value of the 10 most actively traded issues declined (higher trading breadth) to 58% (prior week: 61%) of the overall Government Bonds trade. Moreover, 10 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 and mid residual tenor. The top 3 most actively traded were MGS 3.906% 7/15/26 at RM1.3b, MGS 4.642% 11/7/33 at RM1.2b, and MII 3.726% 3/31/26 at RM1.1b.

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 -RM24.3b. It declined week-on-week from -RM24.1b registered a week ago. Moreover, it declined year-on-year from +RM4.4b a year ago.

- Total trading value for Corporate Bonds (Conventional & Sukuk) declined to RM3.6b in the review week compared to RM6.4b in the prior week (based on Bloomberg data). The total trading value of the 10 most actively traded issues declined (higher trading breadth) to 28% (prior week: 31%) of the overall Corporate Bonds trade.

- The top 3 actively traded Corporate Bonds were dominated by issues of varied residual tenor. The top 3 most actively traded were Prasarana 4.18% 8/27/32 at RM220m, Malayan Banking 4.13% PERP at RM170m, and Danainfra 3.7% 10/27/28 at RM100m.

B. FOREIGN EXCHANGE

- USD ended higher last week. The US dollar strengthened against major currencies last week as the DXY dollar index increased by +0.5%wow to 98.95, the strongest level for the week. The US dollar turned higher last week as investor attention centered on the end of last week Consumer Price Index (CPI) release to solidify expectations for a potential rate cut for this week's FOMC meeting. The headline inflation increase remained within market consensus, suggesting that the current inflationary pressures are unlikely to derail the Federal Reserve's projected rate path. Further supporting the USD was increased geopolitical uncertainty stemming from the latest US sanctions imposed on Russian oil, which notably saw participation from major economies like China and India. Ongoing US-China trade negotiations remain a critical risk factor, contributing to potential market volatility. 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 depreciated. On the back of the stronger dollar, the pound sterling weakened by -0.9%wow to USD1.331 with the inflation data remained elevated at +3.5%, despite the moderation. Meanwhile, the euro weakened by -0.2%wow to USD1.163 as France's credit rating was maintained at Aa3 but it was downgraded to negative from stable.

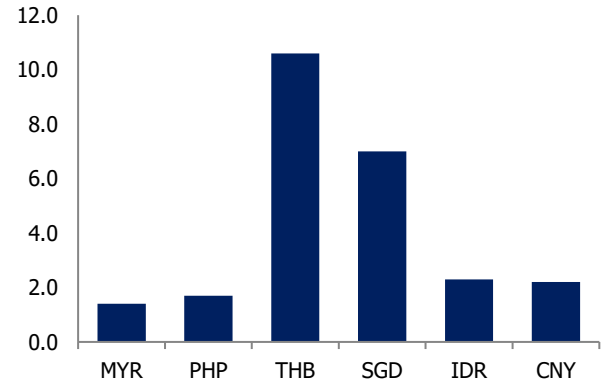
- Ringgit strengthened. The ringgit ended slightly higher last week, appreciating by +0.1%wow to RM4.223. The local currency traded within a tight range this week between RM4.22-4.23. The ringgit rate movement was mainly influenced by the stronger than expected advance GDP data released in the previous week, added with the slightly higher inflation, signalling the continued resilience in Malaysia's economy. Meanwhile, expectations to finalise Malaysia's trade deal with the US over the weekend supported the ringgit performance. At the moment, we expect the ringgit to end the month between the range of RM4.19 - RM4.23 against the US dollar. The Malaysian ringgit also strengthened against the currencies of major trading partners, as shown by the increase in our MBSB Trade-Weighted Ringgit Index by +0.5%wow to 94.80, mainly against the Japanese yen (+2.32%wow), Korean won (+1.42%wow), and the Philippines peso (+0.9%wow).

Currencies Changes (Week Ended 24 Oct 2025) and Quarterly Forecasts

	Close 24/10	Prev. Close 17/10	Weekly Change	Weekly Change (%)	1QCY25	2QCY25	3QCY25	4QCY25f
DXY Index	98.95	98.43	+0.519	+0.5	104.0	98.00	97.00	95.00
EURUSD	1.163	1.166	-0.003	-0.2	1.04	1.05	1.07	1.09
GBPUSD	1.331	1.343	-0.012	-0.9	1.26	1.28	1.30	1.32
USDJPY	152.9	150.6	-2.250	-1.5	150.00	147.80	146.70	143.94
USDMYR	4.223	4.227	+0.003	+0.1	4.43	4.28	4.21	4.09
GBPMYR	5.626	5.679	+0.053	+0.9	5.54	5.52	5.44	5.28
JPYMYR	2.763	2.806	+0.043	+1.6	2.93	2.93	2.88	2.83
MBSB TWRI	94.80	94.36	+0.442	+0.5	92.00	93.50	94.10	95.00

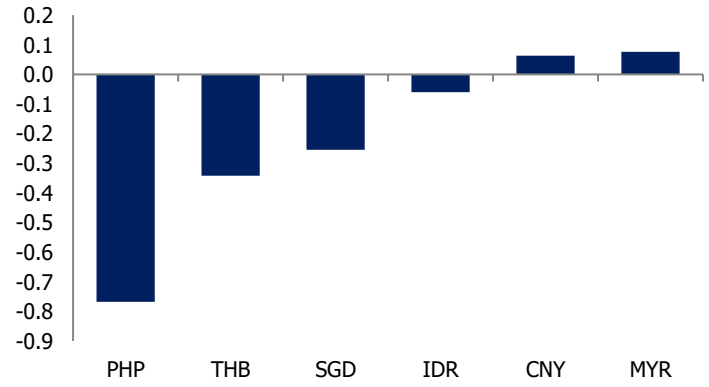
Note: "+" indicates appreciation, while "- "indicates depreciation. Quarterly figures are forecast by MBSBR. MBSB TWRI was previously known as MIDF TWRI.
Source: Bloomberg, MBSBR

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:
  - Business activity remains robust. The S&P Global US Composite PMI climbed to 54.8 in Oct-25, up from 53.9 in Sep-25, achieving the highest reading since Jul-25 and signaling growth slightly above the 3QCY25 average. This expansion marks the 33rd consecutive month of rising business activity, driven by simultaneous growth in the Services (54.2) and Manufacturing (52.2) sectors. October notably saw the sharpest increase in new business orders so far this year. However, the data revealed a critical divergence within manufacturing: while new business was strong, factory operators reported reduced input purchases and falling backlogs, leading directly to a record accumulation of unsold finished goods inventories.
  - Inflation remains higher. US annual inflation accelerated to +3.0%yoy in Sep-25, the highest reading since Jan-25, slightly lower of the market expectation of +3.1%yoy. The underlying trend moderated as annual core inflation unexpectedly eased to +3.0% in Sep-25, falling from +3.1%yoy in Aug-25 and missing the market forecast for stability.

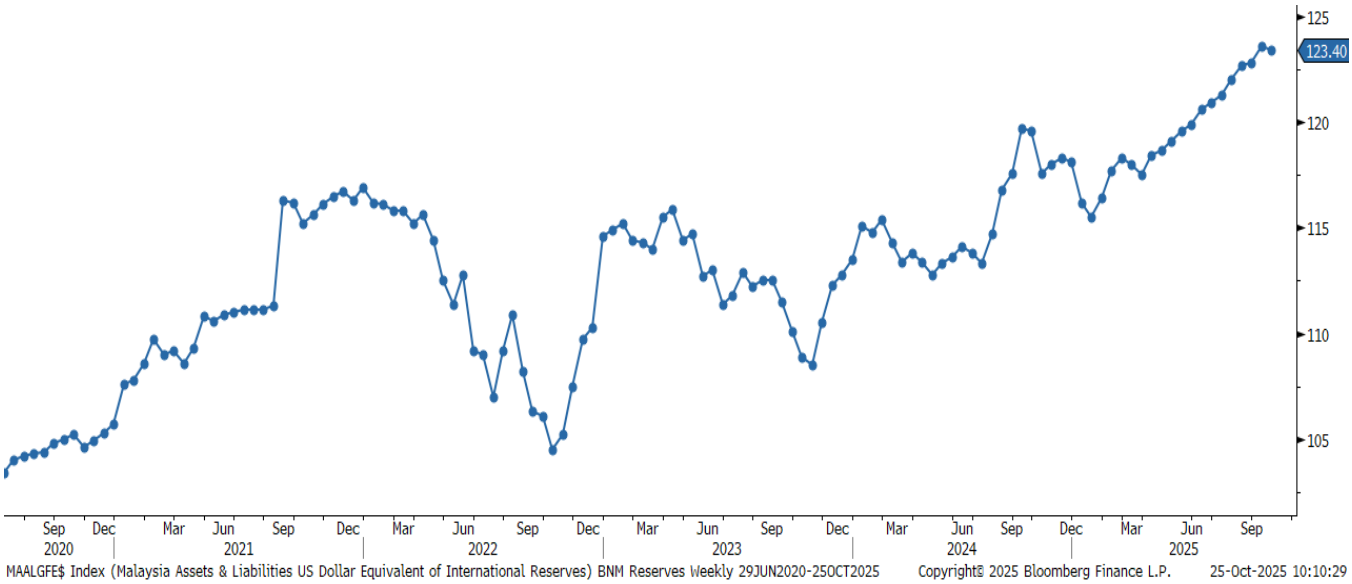
- Interest rates update last week:
  - The People's Bank of China (PBoC) extended its policy pause through October, holding key lending rates steady at historic lows for the fifth straight month, as widely anticipated. This stability, which mirrored the hold on the primary policy rate (the seven-day reverse repo rate) last week, signals the PBoC's calculated approach amid a renewed monetary easing bias from the U.S. Federal Reserve.
  - Bank of Indonesia (BI) left its benchmark interest rates unchanged at 4.75% in its Oct-25 decision, defying market expectations for a -25bps cut. The rate now stands at its lowest level since Oct-22, after cumulative cuts of -150 bps since Sep-24, including consecutive reductions over the past three months. BI concurrently maintained the rates for its overnight deposit and lending facilities at 3.75% and 5.50%,
  - Bank of Korea (BoK) left its benchmark interest rates unchanged at 2.50% in its Oct-25 decision, keeping it unchanged for the third consecutive meeting following a rate cut in May-25 and in line with market expectations. The rate now stands at its lowest level since Sep-22, after the cumulative cuts of 100 bps since Oct-24. The decision was made against a backdrop of mounting concerns over an overheating housing market, uncertainty surrounding trade negotiations with the US, rising household debt, and a weakening currency

- Malaysia's economic update last week:
  - Malaysia's headline CPI inflation edged higher to +1.5%yoy in Sep-25 (Aug-25: +1.3%yoy), within our estimate and slightly above market consensus of +1.4%yoy. The faster reading indicates that inflation continued its gradual uptrend from +1.1%yoy in Jun-25, which was the lowest print since Feb-21. Meanwhile, core CPI inflation accelerated marginally to +2.1%yoy (Aug-25: +2.0%yoy), marking the fastest reading since Nov-23. Despite the higher reading, the rate still signals mild underlying price pressures.
  - Malaysia's leading economic index fell -0.8%mom in Aug-25, reversing an upwardly revised +0.8%mom rise in Jul-25. Three of the seven components declined, led by real imports of semiconductors (-0.7%mom vs 0.3%mom in Jul-25), new company registrations (-0.5%mom vs 0.3%mom), and real money supply (-0.1%mom vs 0.2%mom). The leading index declined -0.5yoy% in Sep-25, after a downwardly revised -0.3%yoy fall in Jul-25. Meanwhile, the coincident index in Malaysia, which reflects current economic conditions, grew +2.1%yoy in Aug-25 (Jul-25: +2.2%yoy).

C. BNM INTERNATIONAL RESERVES

- As of 15 October 2025, compared to previous fortnight, Bank Negara Malaysia's international reserves were lower at USD123.4b (30 September 2025: USD123.6b).

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	17-Oct Fri	20-Oct Mon	21-Oct Tue	22-Oct Wed	23-Oct Thu	24-Oct Fri	Change (WoW bp)
MGS							
3-Y	3.07	3.07	3.086	3.107	3.101	3.099	2.9
5-Y	3.213	3.213	3.241	3.241	3.226	3.226	1.3
7-Y	3.391	3.391	3.408	3.414	3.4	3.43	3.9
10-Y	3.461	3.461	3.469	3.482	3.476	3.488	2.7
20-Y	3.891	3.891	3.98	3.947	3.943	3.938	4.7
RINGGIT IRS							
1-Y	3.205	3.205	3.225	3.22	3.2235	3.215	1
3-Y	3.155	3.155	3.188	3.17	3.17	3.175	2
5-Y	3.21	3.21	3.2725	3.24	3.245	3.235	2.5
7-Y	3.285	3.285	3.329	3.31	3.32	3.305	2
10-Y	3.43	3.43	3.49	3.44	3.439	3.42	-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	3.4665	3.4582	3.4581	3.4441	3.4942	3.4885	2.2
5-Y	3.5916	3.5725	3.5638	3.5533	3.6089	3.6053	1.37
7-Y	3.7819	3.7561	3.7432	3.7303	3.7868	3.7867	0.48
10-Y	4.0088	3.98	3.9627	3.9493	4.0009	4.0007	-0.81
30-Y	4.6053	4.5692	4.5428	4.5306	4.5786	4.5928	-1.25

Source: Bloomberg

10 MOST ACTIVELY TRADED GOVERNMENT BONDS

Name	Coupon	Maturity	17-Oct Yield	24-Oct Yield	Change (WoW bp)	Weekly Volume (RM mn)
MALAYSIA GOVERNMENT	3.906	07/15/26	2.823	2.862	3.9	1,293.9
MALAYSIA GOVERNMENT	4.642	11/07/33	3.459	3.504	4.5	1,180.3
MALAYSIA INVESTMNT ISSUE	3.726	03/31/26	2.844	2.880	3.6	1,120.0
MALAYSIA GOVERNMENT	4.18	05/16/44	3.891	3.938	4.7	972.0
MALAYSIA GOVERNMENT	3.336	05/15/30	3.213	3.226	1.3	935.8
MALAYSIA GOVERNMENT	3.582	07/15/32	3.391	3.430	3.9	899.3
MALAYSIA GOVERNMENT	4.457	03/31/53	3.992	4.076	8.4	870.9
MALAYSIA GOVERNMENT	2.632	04/15/31	3.326	3.358	3.2	838.8
MALAYSIA INVESTMNT ISSUE	4.582	08/30/33	3.452	3.488	3.6	772.0
MALAYSIA INVESTMNT ISSUE	3.635	08/30/30	3.220	3.241	2.1	706.0
TOTAL VOLUME (TOP 10)						9,589.0
TOTAL VOLUME (Overall)						16,571.4

Source: Bloomberg

10 MOST ACTIVELY TRADED CORPORATE BONDS

Name	Coupon	Maturity	17-Oct Yield	24-Oct Yield	Change (WoW bp)	Weekly Volume (RM mn)
PRASARANA MALAYSIA BHD	4.18	08/27/32	3.547	3.579	3.2	220.0
MALAYAN BANKING BHD	4.13	PERP	3.750	3.726	-2.4	170.0
DANAINFRA NASIONAL	3.7	10/27/28	3.281	3.230	-5.1	100.0
PERBADANAN TABUNG PENDI	4.11	03/29/35	N/A	3.650	N/A	90.0
SUNWAY HEALTHCARE TREA	4	03/26/32	3.669	3.686	1.7	90.0
DANGA CAPITAL BHD	4.52	09/06/27	3.425	3.446	2.1	80.0
DANGA CAPITAL BHD	2.96	01/25/28	3.446	3.468	2.2	80.0
MALAYSIAN RESOURCES CORP	4.66	10/16/26	N/A	3.682	N/A	70.0
RHB BANK	4.38	11/17/28	N/A	3.591	N/A	65.0
DANAINFRA NASIONAL	4.82	11/12/30	N/A	3.428	N/A	60.0
TOTAL VOLUME (TOP 10)						1,025.0
TOTAL VOLUME (Overall)						3,629.0

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