WEEKLY MONEY REVIEW

MIDF Strategy 15 December 2025

Week Ended 12 December 2025

- The UST benchmark 10-year yield rebounded further last week to close at 4.18% (prior week: 4.14%) as investors reacted to a US Fed President cautioning against further lowering interest rates after making three cuts since September this year. The 10y-3y yield spread expanded (yield curve steepened) to +61bp (prior week: +55bp) as the long-end underperformed. At last week close, the interest rate futures market however implied another 2 rate cuts totaling -50bp in 2026.
- Medium-term inflation expectation (MTIE) ended the review week lower at 2.33% (prior week: 2.35%). 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 ongoing series of Fed rate cuts.
- The price of MGS benchmark issues ended the review week lower with the 3-year and 10-year yields added +3.6bp and +9.1bp to close at 3.05% and 3.58% respectively. The 10y-3y yield spread expanded (yield curve steepened) to +52bp (prior week: +47bp) as the long-end underperformed.
- MGS foreign holdings increased month-on-month to RM298b in November 2025 from RM292b in October 2025. Moreover, it increased year-on-year from RM277b in November 2024. On Bursa Malaysia, the 12-month rolling sum of foreign net equities trade ended the review week at -RM21.4b. It declined week-on-week from -RM21.2b registered a week ago. Moreover, it declined year-on-year from -RM2.1b a year ago.

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15 December 2025 | **Strategy**

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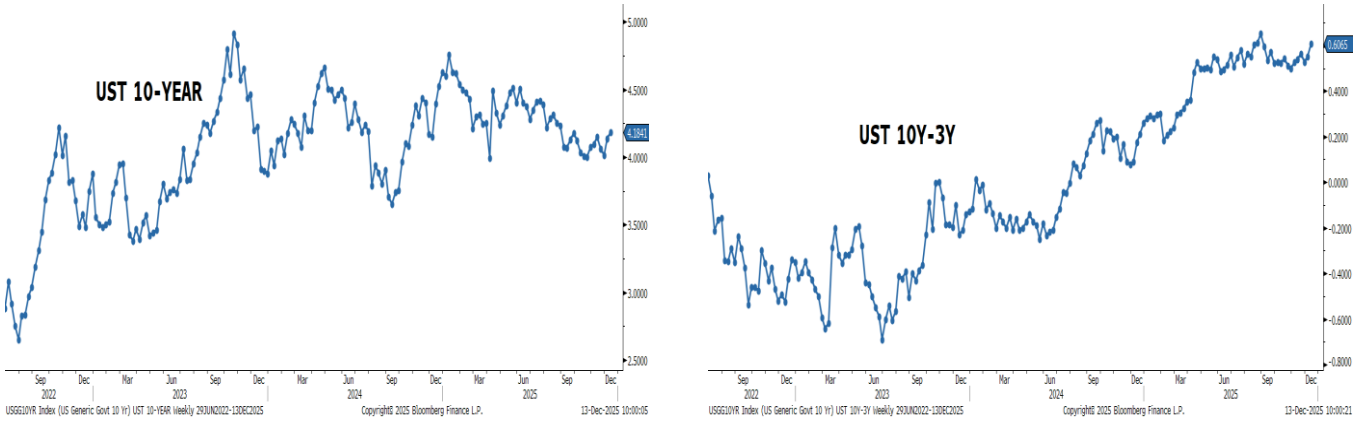
WEEKLY MONEY REVIEW

A. FIXED INCOME

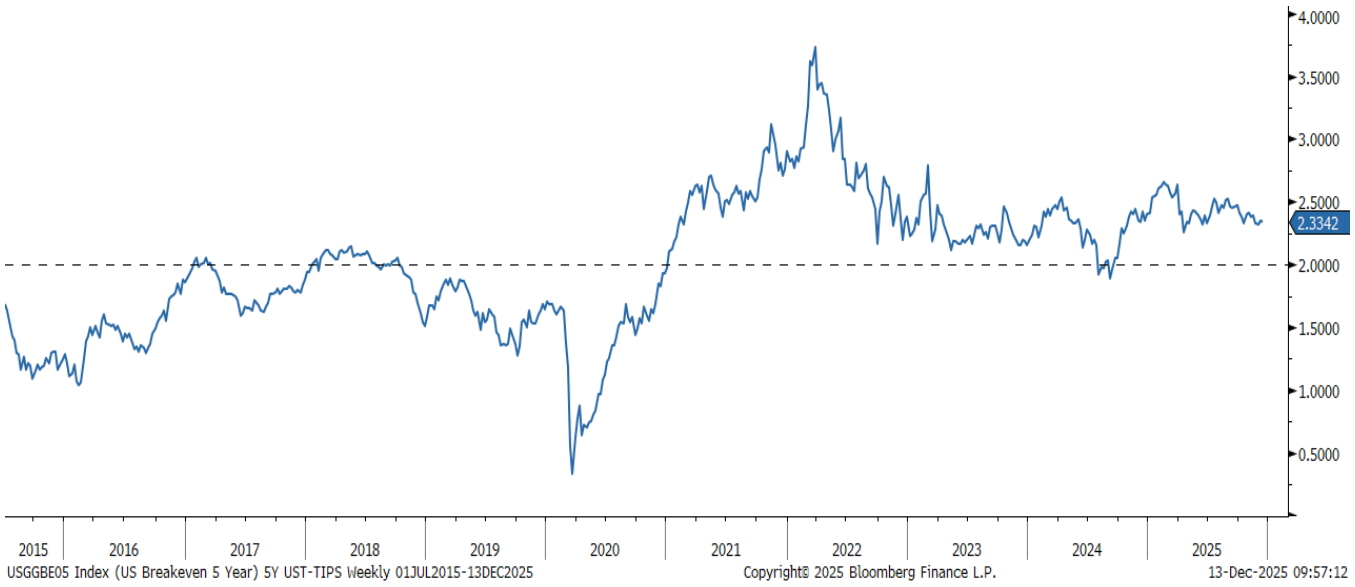
- The UST benchmark 10-year yield rebounded further last week to close at 4.18% (prior week: 4.14%) as investors reacted to a US Fed President cautioning against further lowering interest rates after making three cuts since September this year. The 10y-3y yield spread expanded (yield curve steepened) to +61bp (prior week: +55bp) as the long-end underperformed. At last week close, the interest rate futures market however implied another 2 rate cuts totaling -50bp in 2026.



Source: Bloomberg, MBSBR (G8, G9)

- Medium-term inflation expectation (MTIE) ended the review week lower at 2.33% (prior week: 2.35%). 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 ongoing series of Fed rate cuts.

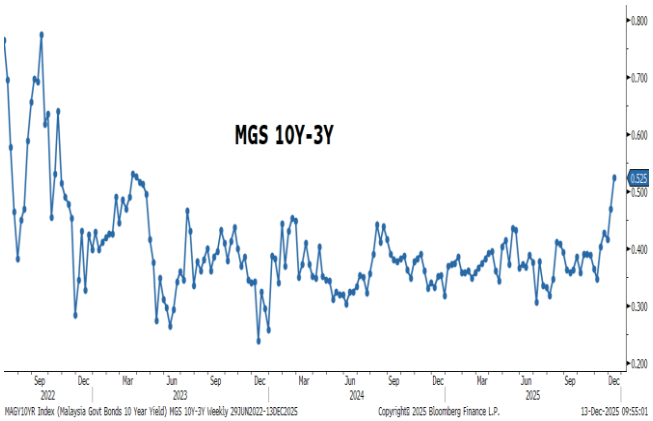
MEDIUM-TERM INFLATION EXPECTATION (MTIE): 5Y UST-TIPS SPREAD



Source: Bloomberg, MBSBR (G12)

- The price of MGS benchmark issues ended the review week lower with the 3-year and 10-year yields added +3.6bp and +9.1bp to close at 3.05% and 3.58% respectively. The 10y-3y yield spread expanded (yield curve steepened) to +52bp (prior week: +47bp) as the long-end underperformed.



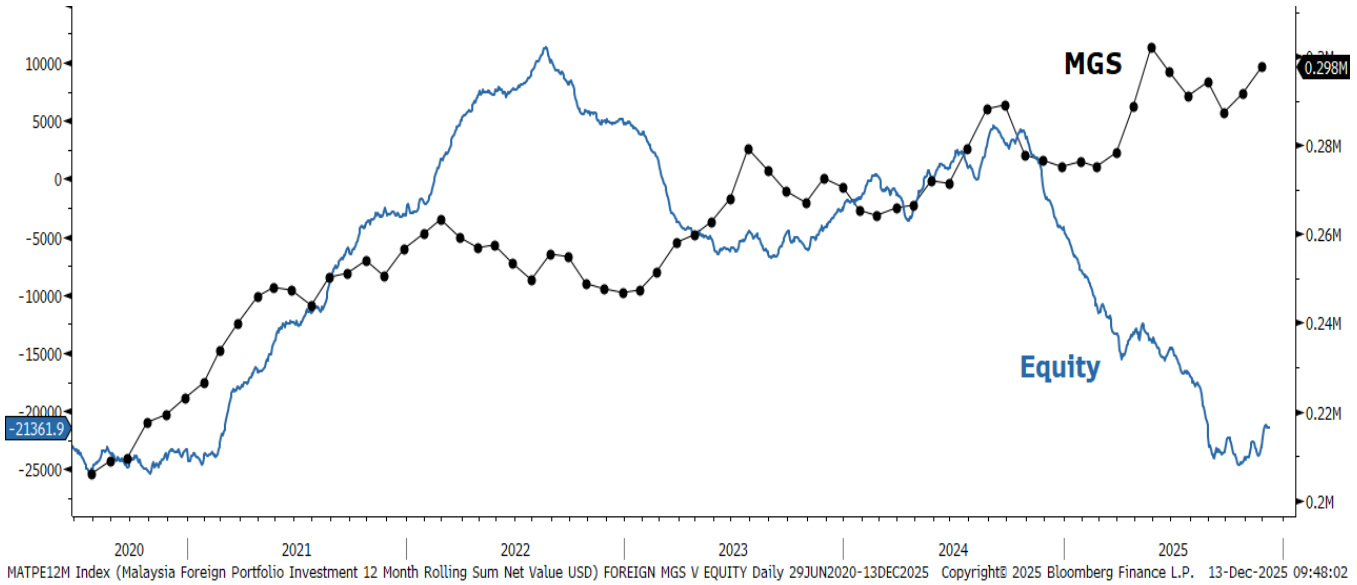


Source: Bloomberg, MBSBR (G10, G11)

- Total trading value for Government Bonds (MGS/MII) increased to RM25.7b in the review week compared to RM22.6b in the prior week (based on Bloomberg data). The total trading value of the 10 most actively traded issues declined (higher trading breadth) to 56% (prior week: 65%) of the overall Government Bonds trade. Moreover, 7 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 3.726% 3/31/26 at RM3.9b, MGS 3.906% 7/15/26 at RM2.7b, and MGS 3.502% 5/31/27 at RM1.4b.

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



Source: Bloomberg, MBSBR (G13)

- MGS foreign holdings increased month-on-month to RM298b in November 2025 from RM292b in October 2025. Moreover, it increased year-on-year from RM277b in November 2024. On Bursa Malaysia, the 12-month rolling sum of foreign net equities trade ended the review week at -RM21.4b. It declined week-on-week from -RM21.2b registered a week ago. Moreover, it declined year-on-year from -RM2.1b a year ago.

- Total trading value for Corporate Bonds (Conventional & Sukuk) declined to RM2.2b in the review week compared to RM3.2b in the prior week (based on Bloomberg data). The total trading value of the 10 most actively traded issues was unchanged at 36% (prior week: 36%) 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 Danga Capital 2.96% 1/25/28 at RM170m, DRB-Hicom 5.1% 12/12/29 at RM120m, and Danainfra Nasional 5.24% 2/20/43 at RM80m.

B. FOREIGN EXCHANGE

- USD weakened last week. The USD weakened against major currencies last week as the DXY dollar index continued its weekly decline by -0.7%wow to 98.40. The weakness of the dollar was mostly driven by the FOMC's decision to cut its interest rate by -25bps in the Dec-25 meeting, in addition to the announcement of purchases of short-term treasury securities. However, investors were focusing on the dot plot, which indicated a mere 1 rate for 2026. On top of that, concerns of weakness in the labour market arise as the initial jobless claims spiked higher, indicating a weaker labour market condition. Speculation that Kevin Hassett, an economist known for his dovish stance, will succeed Jerome Powell as Federal Reserve Chair has led markets to anticipate a more accommodative monetary policy trajectory in the medium term. Given the still uncertain medium-term view that may cause market volatility, we think 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 strengthened. Both the euro and the pound sterling strengthened last week, appreciating by +0.8%wow to USD1.17 and +0.3%wow to USD1.33, respectively. The GBP performed better on the back of the robust 3Q25 GDP release.

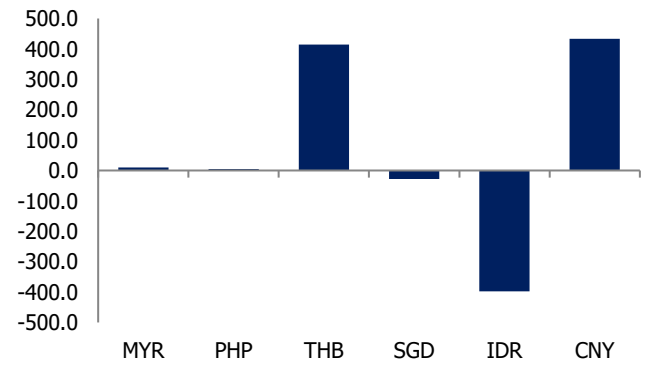
- Ringgit strengthened amid a weaker dollar. Malaysia ringgit appreciated by +0.5%wow and ended at RM4.097 last week, within our expectation, and marking the strongest level since Apr-21. The ringgit traded between RM4.097 – RM 4.118, as the ringgit strengthened towards the end of the week on the back of stronger-than-expected Industrial production and distributive trade performance. The ringgit's performance was mainly driven by the weakening of the US dollar. On the broader picture, the ringgit continued to strengthen against the currencies of Malaysia's major trading partners, with our MBSB Trade-Weighted Ringgit Index (TWRI) rising by -0.4%wow to 97.84, mainly appreciating against the Japanese yen (+1.2wow), Indian rupee (+0.9%wow), and the Korean won (+0.8%wow). On a separate, foreign holdings of both government and corporate bonds were higher at +RM1.6b between 1-Dec to 8-Dec 2025 (previous week: +RM0.6b)

Currencies Changes (Week Ended 12 Dec-2025) and Quarterly Forecasts

	Close 12/12	Prev. Close 5/12	Weekly Change	Weekly Change (%)	1QCY25	2QCY25	3QCY25	4QCY25f
DXY Index	98.40	99.04	-0.645	-0.7	104.0	98.00	97.00	95.00
EURUSD	1.174	1.165	+0.009	+0.8	1.04	1.05	1.07	1.09
GBPUSD	1.337	1.333	+0.004	+0.3	1.26	1.28	1.30	1.32
USDJPY	155.8	155.1	-0.700	-0.4	150.00	147.80	146.70	155.0
USDMYR	4.097	4.116	+0.019	+0.5	4.43	4.28	4.21	4.09
GBPMYR	5.483	5.486	+0.003	+0.1	5.54	5.52	5.44	5.40
JPYMYR	2.630	2.654	+0.024	+0.9	2.93	2.93	2.88	2.70
MBSB TWRI	97.84	97.48	+0.361	+0.4	92.00	93.50	94.10	95.00

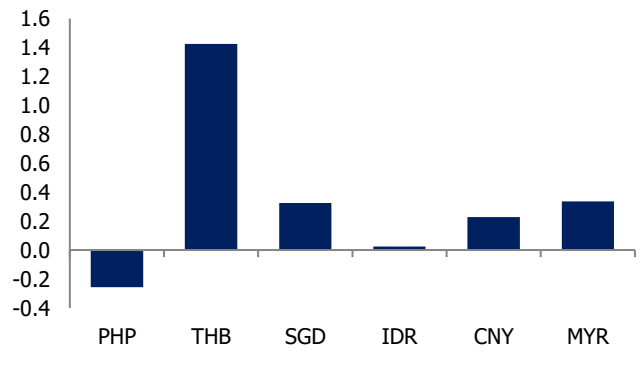
Note: "+" indicates appreciation, while "- "indicates depreciation. Quarterly figures are forecast by MBSBR. MBSB TWRI was previously known as MIDF TWRI.
Source: Bloomberg, MBSBR

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 (%)

	Apr-25	May-25	Jun-25	Jul-25	Aug-25	Sep-25	Oct-25	Nov-25	Dec-25
Malaysia	3.00	3.00	3.00	2.75	2.75	2.75	2.75	2.75	2.75
Indonesia	5.75	5.50	5.50	5.25	5.50	4.75	4.75	4.75	4.75
Philippines	5.50	5.50	5.25	5.25	5.25	5.00	4.75	4.75	4.50
Thailand	1.75	1.75	1.75	1.75	1.75	1.50	1.50	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	2.50	2.50	2.50	2.50	2.50	2.50	2.50	2.50
India	6.00	6.00	5.50	5.50	5.50	5.50	5.50	5.50	5.25
Japan	0.50	0.50	0.50	0.50	0.50	0.50	0.50	0.50	0.50
UK	4.50	4.25	4.25	4.25	4.25	4.00	4.00	4.00	4.00
Euro area	2.40	2.40	2.15	2.15	2.15	2.15	2.15	2.15	2.15
USA	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	4.00-4.25	4.00-4.25

Source: Bloomberg, MBSBR

- US economic data released last week:
  - US job openings remain elevated, rising by 12K to reach 7.670m in Oct-25. This strength follows a revised, massive surge of 431K recorded in Sep-25. Both Oct-25 and Sep-25 job opening levels came in well above the widely anticipated 7.2m figure, signalling persistent demand for labour despite macroeconomic uncertainty.
  - US Private Payrolls increased. US private employers added an average of +4.75K jobs per week in the four weeks ending 22 Nov following three consecutive periods of declines.
  - Unemployment claims spiked. Initial jobless claims increased to 236K for the week ending 6-Dec (previous: 191K), breaking a four-week streak of declines (consensus: 220K).
  - Exports grew. The size of the US trade deficit decreased further to -USD52.8b in Sep-25 (Aug-25: -USD59.3b), the smallest deficit since Jun-20. The reduction in net exports was attributable to stronger exports, which jumped by +3%yoy, driven by stronger shipments of nonmonetary gold, pharmaceutical preparations, and financial services.

- On monetary policy decision last week:
  - The Federal Open Market Committee (FOMC) announced the third rate cut this year, slashing the fed funds rate target by -25bps to 3.50-3.75%, the lowest level since 2022. The balancing act between supporting the job market and containing inflation supported another rate cut, moving closer to a neutral level. The Fed also announced after the Dec-25 FOMC meeting that the Fed will initiate the purchases of short-term treasury securities as deemed necessary to ensure "ample supply of reserves".
  - The Reserve Bank of Australia unanimously kept the cash rate unchanged at 3.6% for a third straight meeting in its final policy decision of 2025. This decision was in line with market estimates and maintains borrowing costs at their lowest level since Apr-23.
  - The Bank of Canada held its target overnight rate at 2.25% in Dec-25, keeping the Bank Rate at 2.50% and the deposit rate at 2.20%. This decision follows the bank's signal in Oct-25 that the policy rate was already considered appropriate.
  - The Central Bank of Bahrain reduced its one-week deposit facility rate by 25 bps to 4.5% in Dec-25, mirroring the recent rate cut by the US Federal Reserve. These actions aim to support monetary and financial stability in Bahrain amid global financial market shifts.
  - The Central Bank of Kuwait set its key discount rate at 3.5% in Dec-25, marking the third and final rate cut of the year. The move followed the US Federal Reserve's reduction and signals that rates could potentially hold at the current level.
  - Qatar's Central Bank announced a -25bps cut in its key interest rates in Oct-25, following the US Federal Reserve's recent 25bps reduction. Consequently, the deposit rate was lowered to 3.85%, the lending rate to 4.35%, and the repo rate to 4.10%.
  - The Central Bank of the United Arab Emirates lowered its overnight deposit facility base rate by -25bps to 3.65% in December 2025.
  - The Central Bank of Oman reduced its key repo rate by -25bps to 4.25% in Dec-25. This move mirrors the US Federal Reserve's recent rate cut and is designed to assist in maintaining the rial's peg to the US dollar.
  - The Hong Kong Monetary Authority (HKMA) slashed its base rate by -25bps to 4.0% on Dec-25. This decision mirrored the U.S. Federal Reserve's move hours prior and brought borrowing costs to their lowest level since Oct-22, marking the HKMA's third rate reduction this year.

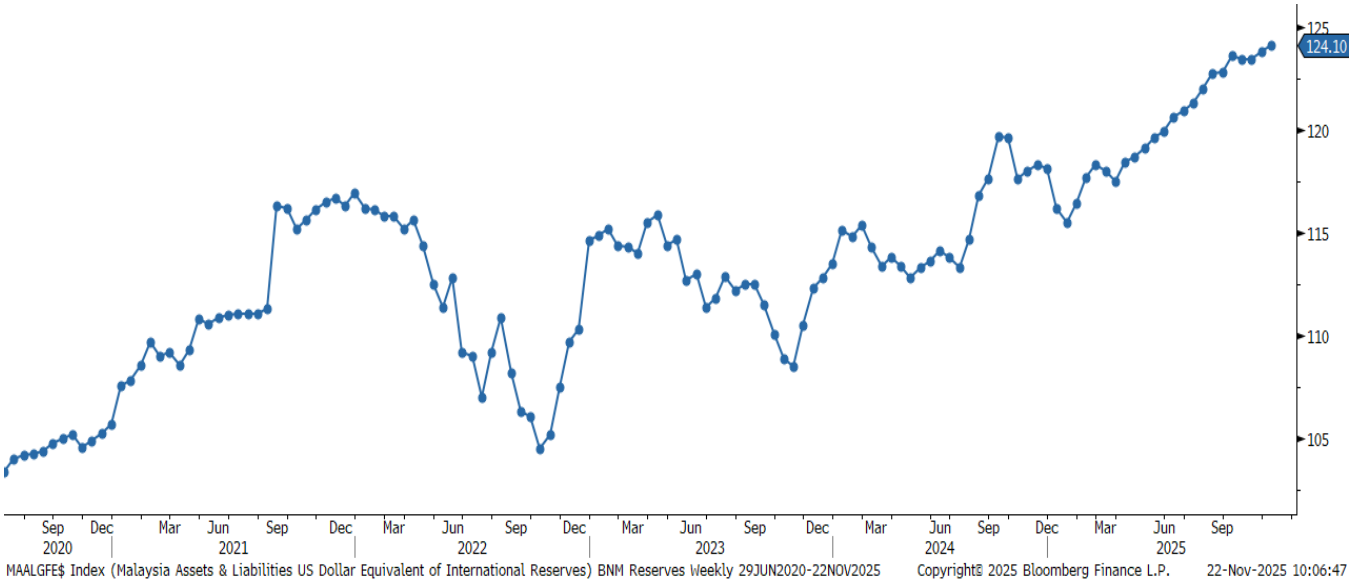
- The Bangko Sentral ng Pilipinas (BSP) capped 2025 with another -25bps rate cut, as concerns about weakening economic growth outweighed the risks of peso depreciation. The latest decision by the policy-making Monetary Board brought the overnight borrowing rate, which guided bank lending costs down to 4.5%.
- The Swiss National Bank left its policy rate at 0% in its final meeting of the year and maintained the 0.25ppts charge on sight deposits above the set threshold. It also reaffirmed its readiness to intervene in the foreign exchange market if needed.
- The Central Bank of Turkey reduced its policy rate by -150bps to 38% from 39.5% in Dec-25, marking a fourth consecutive cut that exceeded market expectations of 38.5% amid softer-than-expected conditions.

- Malaysia's economic update last week:
  - Malaysia's labour market remained resilient in Oct-25, with the unemployment rate held steady at 3.0% for the sixth consecutive month, remaining at the lowest level in a decade. This stemmed from steady employment growth (+3.1%yoy), which has outpaced labour force expansion (+2.8%yoy) since Aug-21.
  - Malaysia's IPI growth accelerated further to +6.0%yoy in Oct-25 (Sep-25: +5.7%yoy), marking the fastest expansion in 3 years and surpassing market consensus (+5.2%yoy). The stronger IPI growth in Oct-25 was driven mainly by more robust manufacturing output, in line with more encouraging export performance during the month
  - Malaysia's distributive trade surged to +7.2%yoy in Oct-25 (Sep-25: +6.6%yoy), stemming from stronger expansion in wholesale trade (+7.3%yoy; Sep-25: +6.8%yoy) and motor vehicles (+8.2%yoy; Sep-25: +4.3%yoy). Retail trade remained resilient, rising by +6.8%yoy (Sep-25: +7.0%yoy). Retail trade surged by +7.0%yoy in Sep-25 (Aug-25: +5.6%yoy).

C. BNM INTERNATIONAL RESERVES

- As of 28 November 2025, compared to previous fortnight, Bank Negara Malaysia's international reserves were unchanged at USD124.1b (14 November 2025: USD124.1b).

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	5-Dec Fri	8-Dec Mon	9-Dec Tue	10-Dec Wed	11-Dec Thu	12-Dec Fri	Change (WoW bp)
MGS							
3-Y	3.014	3.021	3.019	3.055	3.044	3.05	3.6
5-Y	3.25	3.267	3.284	3.306	3.282	3.299	4.9
7-Y	3.454	3.465	3.479	3.499	3.479	3.486	3.2
10-Y	3.484	3.485	3.532	3.569	3.56	3.575	9.1
20-Y	3.835	3.85	3.872	3.885	3.881	3.865	3
RINGGIT IRS							
1-Y	3.228	3.22	3.24	3.236	3.235	3.235	0.7
3-Y	3.2575	3.26	3.305	3.3	3.32	3.32	6.25
5-Y	3.3435	3.355	3.4	3.3875	3.405	3.415	7.15
7-Y	3.405	3.409	3.4787	3.47	3.47	3.485	8
10-Y	3.555	3.565	3.62	3.605	3.63	3.635	8
KLIBOR							
1-M	3	3	3	3	3	3	0
3-M	3.26	3.26	3.26	3.26	3.26	3.26	0
UST							
3-Y	3.5842	3.6097	3.6525	3.5859	3.5859	3.5775	-0.67
5-Y	3.7113	3.7463	3.7867	3.7308	3.7344	3.7417	3.04
7-Y	3.9021	3.9359	3.9724	3.9256	3.9308	3.944	4.19
10-Y	4.1351	4.1643	4.1878	4.1468	4.1566	4.1841	4.9
30-Y	4.7918	4.8019	4.808	4.7868	4.7999	4.8445	5.27

Source: Bloomberg

10 MOST ACTIVELY TRADED GOVERNMENT BONDS

Name	Coupon	Maturity	5-Dec Yield	12-Dec Yield	Change (WoW bp)	Weekly Volume (RM mn)
MALAYSIA INVESTMNT ISSUE	3.726	03/31/26	2.853	2.782	-7.1	3,897.9
MALAYSIA GOVERNMENT	3.906	07/15/26	2.755	2.768	1.3	2,722.6
MALAYSIA GOVERNMENT	3.502	05/31/27	2.898	2.899	0.1	1,435.1
MALAYSIA INVESTMNT ISSUE	3.599	07/31/28	3.114	3.130	1.6	1,204.4
MALAYSIA GOVERNMENT	3.476	07/02/35	3.484	3.575	9.1	1,157.8
MALAYSIA GOVERNMENT	3.9	11/30/26	2.842	2.831	-1.1	1,051.9
MALAYSIA INVESTMNT ISSUE	3.612	04/30/35	3.530	3.569	3.9	772.0
MALAYSIA INVESTMNT ISSUE	3.635	08/30/30	3.259	3.294	3.5	760.8
MALAYSIA GOVERNMENT	4.392	04/15/26	2.785	2.764	-2.1	721.4
MALAYSIA INVESTMNT ISSUE	4.07	09/30/26	2.874	2.904	3.0	705.0
TOTAL VOLUME (TOP 10)						14,428.9
TOTAL VOLUME (Overall)						25,673.9

Source: Bloomberg

10 MOST ACTIVELY TRADED CORPORATE BONDS

Name	Coupon	Maturity	5-Dec Yield	12-Dec Yield	Change (WoW bp)	Weekly Volume (RM mn)
DANGA CAPITAL BHD	2.96	01/25/28	3.508	3.505	-0.3	170.0
DRB-HICOM BHD	5.1	12/12/29	3.716	3.711	-0.5	120.5
DANAINFRA NASIONAL	5.24	02/20/43	N/A	3.948	N/A	80.0
PERBADANAN KEMAJUAN SEL	4.55	03/24/34	N/A	3.889	N/A	80.0
MALAYSIA RAIL LINK	4.01	02/28/40	3.829	3.859	3.0	75.0
PERBADANAN KEMAJUAN SEL	4.14	08/09/34	N/A	3.898	N/A	60.0
DANAINFRA NASIONAL	4.06	06/30/55	N/A	4.119	N/A	60.0
PRASARANA MALAYSIA BHD	5.12	03/08/38	N/A	3.779	N/A	50.0
PUBLIC BANK BERHAD	4.27	10/25/33	3.568	3.618	5.0	50.0
SABAH CREDIT CORP	3.5	08/12/26	N/A	3.449	N/A	50.0
TOTAL VOLUME (TOP 10)						795.5
TOTAL VOLUME (Overall)						2,192.4

Source: Bloomberg

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MBSB INVESTMENT BANK BERHAD (FORMERLY KNOWN AS MIDF AMANAH INVESTMENT BANK BERHAD): GUIDE TO RECOMMENDATIONS	
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