WEEKLY MONEY REVIEW

MIDF Strategy 22 December 2025

Week Ended 19 December 2025

- The UST benchmark 10-year yield declined last week to close at 4.15% (prior week: 4.18%) as investors reacted to shaky labor data and lower-than-expected inflation figures. The 10y-3y yield spread expanded (yield curve steepened) to +62bp (prior week: +61bp) as short-end outperformed. At last week close, the interest rate futures market implied another 2 rate cuts totaling -50bp in 2026.
- Medium-term inflation expectation (MTIE) ended the review week lower at 2.28% (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 the underlying price pressure is easing as attested by the ongoing resumption of Fed rate cuts.
- The price of MGS benchmark issues ended the review week higher with the 3-year and 10-year yields shed -2.6bp and -2.4bp to close at 3.02% and 3.55% respectively. The 10y-3y yield spread expanded (yield curve steepened) to +53bp (prior week: +52bp) as the short-end outperformed.
- 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 -RM20.5b. It improved week-on-week from -RM21.4b registered a week ago. However, it declined year-on-year from -RM3.4b a year ago.

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22 December 2025 | **Strategy**

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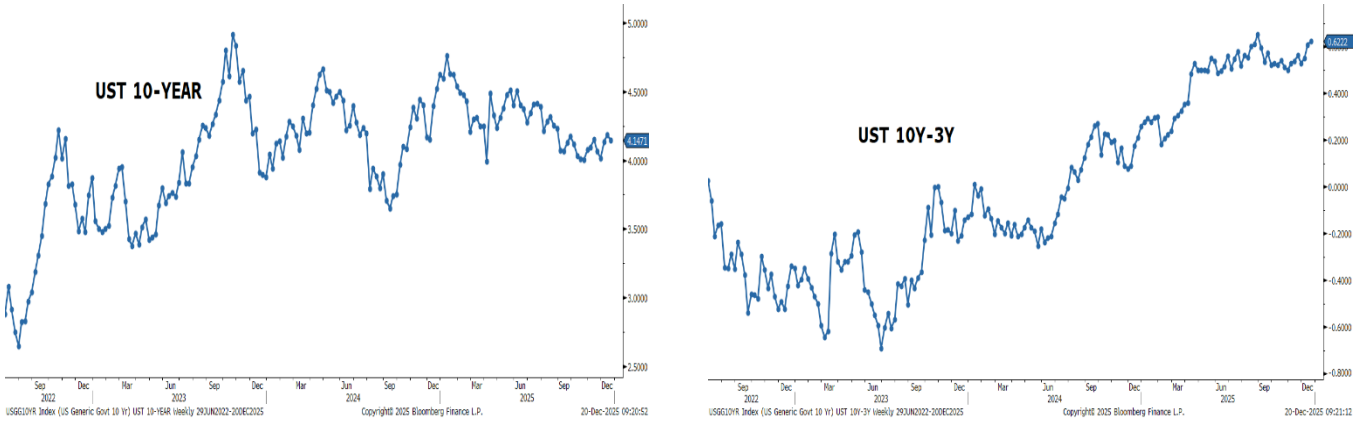
WEEKLY MONEY REVIEW

A. FIXED INCOME

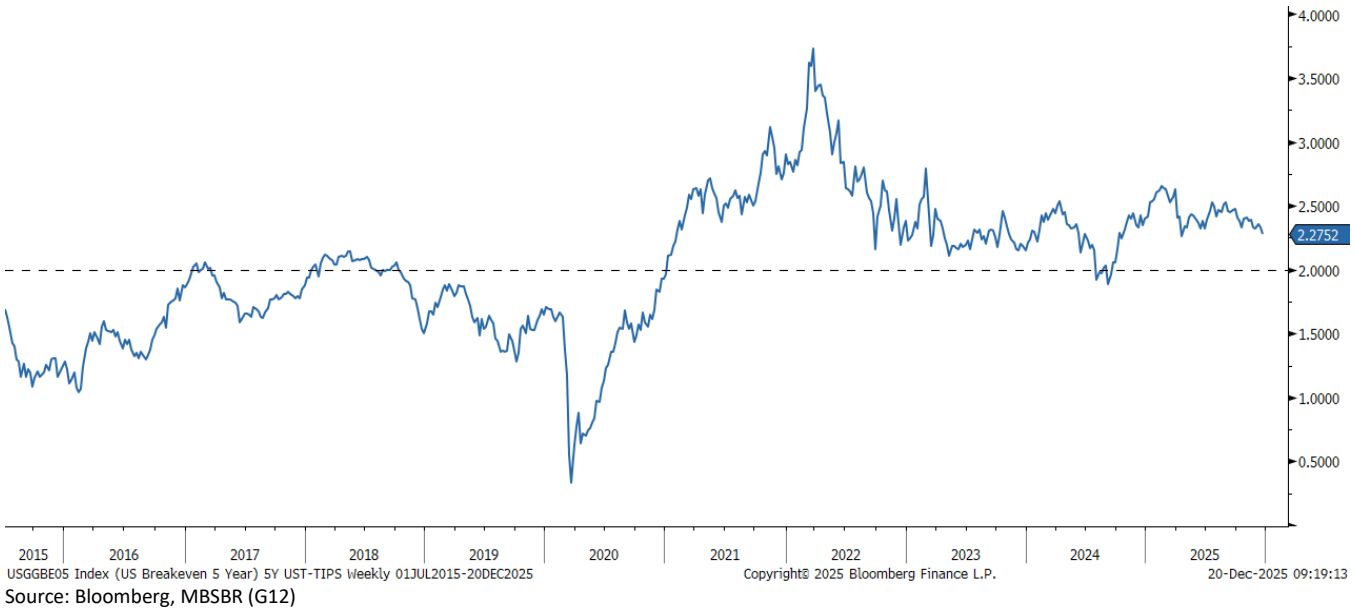
- The UST benchmark 10-year yield declined last week to close at 4.15% (prior week: 4.18%) as investors reacted to shaky labor data and lower-than-expected inflation figures. The 10y-3y yield spread expanded (yield curve steepened) to +62bp (prior week: +61bp) as short-end outperformed. At last week close, the interest rate futures market implied another 2 rate cuts totaling -50bp in 2026.



Source: Bloomberg, MBSBR (G8, G9)

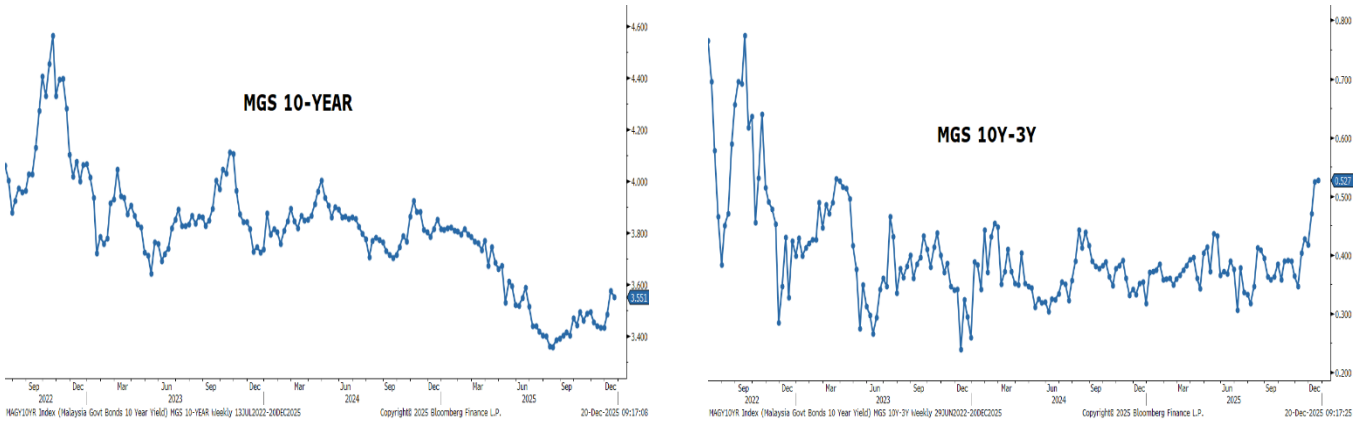
- Medium-term inflation expectation (MTIE) ended the review week lower at 2.28% (prior week: 2.33%). While the MTIE has remained above the US Fed target level of 2.00% since September last year, we nonetheless believe the market is sanguine and the underlying price pressure is easing as attested by the ongoing resumption 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 higher with the 3-year, and 10-year yields shed -2.6bp and -2.4bp to close at 3.02% and 3.55% respectively. The 10y-3y yield spread expanded (yield curve steepened) to +53bp (prior week: +52bp) as the short-end outperformed.

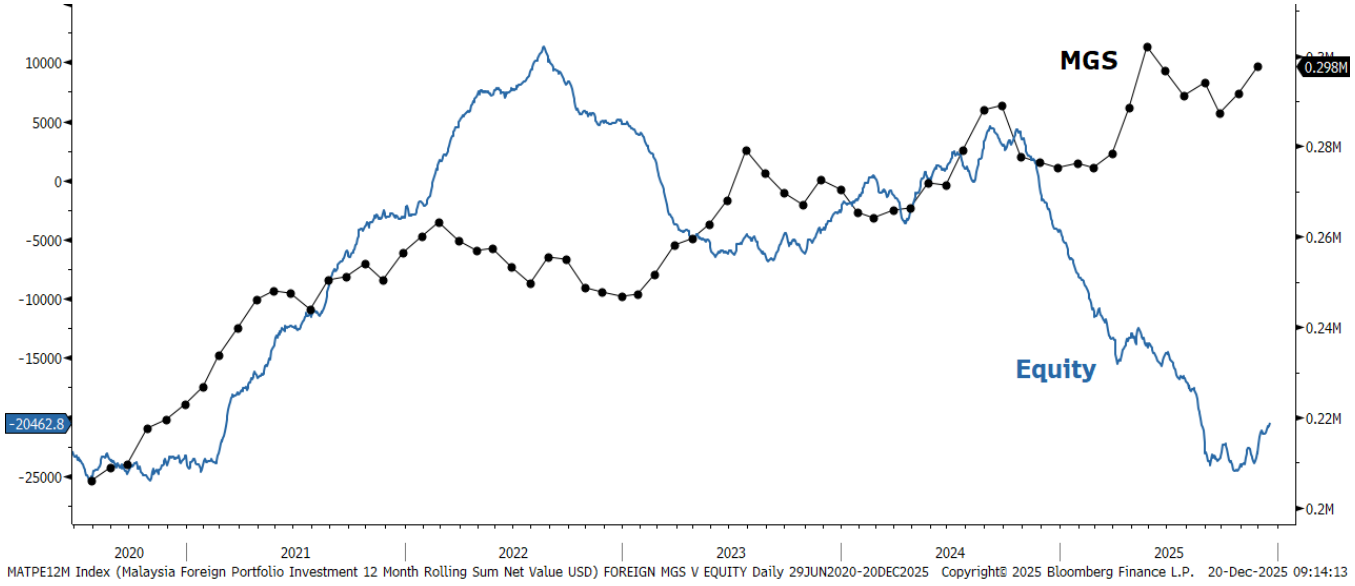


Source: Bloomberg, MBSBR (G10, G11)

- Total trading value for Government Bonds (MGS/MII) declined to RM17.0b in the review week compared to RM25.7b 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: 56%) of the overall Government Bonds trade. Moreover, 8 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 3.9% 11/30/26 at RM1.5b, MGS 3.906% 7/15/26 at RM1.4b, and MII 3.726% 3/31/26 at RM1.3b.

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 -RM20.5b. It improved week-on-week from -RM21.4b 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 RM3.4b in the review week compared to RM2.2b in the prior week (based on Bloomberg data). The total trading value of the 10 most actively traded issues declined (higher trading breadth) to 34% (prior week: 36%) of the overall Corporate Bonds trade.

- The top 3 actively traded Corporate Bonds were dominated by issues of short and long residual tenor. The top 3 most actively traded were Bank Pembangunan 4.02% 12/1/28 at RM250m, PLUS 5.017% 1/12/38 at RM180m, and Bank Pembangunan 4.5% 11/4/26 at RM150m.

B. FOREIGN EXCHANGE

- USD strengthened last week. The USD strengthened against major currencies last week as the DXY dollar index moved higher by +0.3%mom to 98.72. The strength of the dollar was partially driven by the data released in the US, which saw a higher unemployment rate and slower inflation, which is technically supportive of a further rate cut scenario; however, due to the distortion of the data releases, market players remain vigilant. This domestic uncertainty coincided with a period of intense global monetary activity by other major central banks adjusting their interest rate, the BoE cut its rate by -25bps, while the BOJ hiked its rate by +25bps, and the ECB upgraded its economic outlook. Given the still uncertain medium-term outlook, which may cause market volatility, we believe 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 EUR weakened. The euro weakened last week, declining by -0.3%wow to USD1.171, despite the ECB's decision to leave its rates unchanged, but upgraded its economic outlook. Meanwhile, the GBP movement was flat last week at USD1.337, as the BOE implemented a -25bps cut to the Bank Rate.

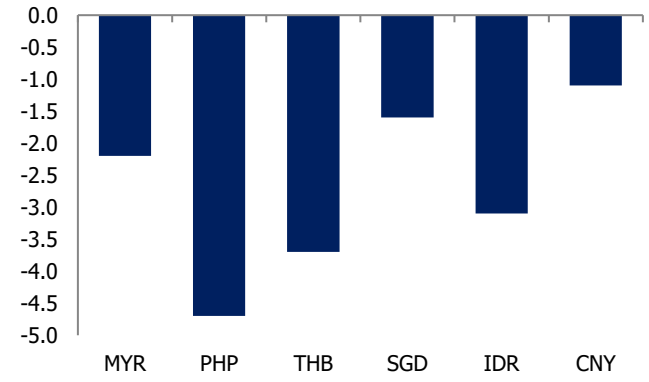
- Ringgit strengthened despite a stronger dollar. Malaysia ringgit appreciated by +0.6%wow and ended at RM4.074 last week, within expectation, and marking the strongest level since Mar-21. The ringgit traded between RM 4.076 – RM 4.097, as the ringgit strengthened towards the end of the week on the back of stronger-than-expected trade data, on the back of milder exports and robust imports. We expect the ringgit to close the month between the range of 4.05 – RM 4.09. 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 +0.5%wow to 98.34, mainly appreciating against the Japanese yen (+1.6%wow), Taiwan dollar (+0.9%wow), and Indonesian rupiah (+0.8%wow). On a separate release, foreign holdings of both government and corporate bonds moderated to RM0.5b between 8-Dec to 15-Dec 2025 (previous week: +RM1.6b)

Currencies Changes (Week Ended 19 Dec-2025) and Quarterly Forecasts

	Close 19/12	Prev. Close 12/12	Weekly Change	Weekly Change (%)	1QCY25	2QCY25	3QCY25	4QCY25f
DXY Index	98.72	98.40	+0.319	+0.3	104.0	98.00	97.00	95.00
EURUSD	1.171	1.174	-0.003	-0.3	1.04	1.05	1.07	1.09
GBPUSD	1.337	1.337	+0.000	+0.0	1.26	1.28	1.30	1.32
USDJPY	157.7	155.8	-1.890	-1.2	150.00	147.80	146.70	155.0
USDMYR	4.074	4.097	+0.023	+0.6	4.43	4.28	4.21	4.09
GBPMYR	5.452	5.483	+0.031	+0.6	5.54	5.52	5.44	5.40
JPYMYR	2.580	2.630	+0.050	+1.9	2.93	2.93	2.88	2.70
MBSB TWRI	98.34	97.84	+0.499	+0.5	92.00	93.50	94.10	95.00

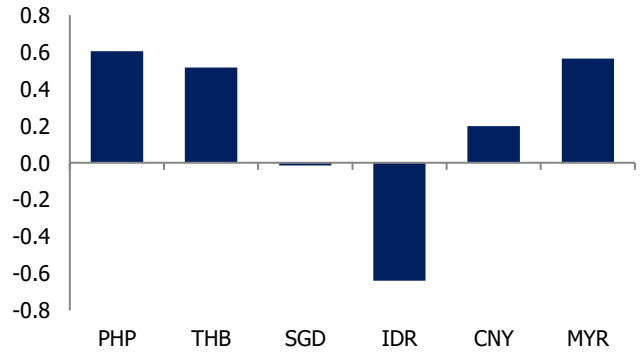
Note: "+" indicates appreciation, while "- "indicates depreciation. Quarterly figures are forecast by MBSBR. MBSB TWRI was previously known as MIDF TWRI.
Source: Bloomberg, MBSBR

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 (%)

	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	1.25
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	0.75
UK	4.50	4.25	4.25	4.25	4.25	4.00	4.00	4.00	3.75
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	3.75-4.00	3.75-4.00	3.50-3.75

Source: Bloomberg, MBSBR

- US economic data released last week:
  - US Private Sector Moderation. The S&P Global US Flash Composite PMI retreated to a six-month low of 53 in Dec-25, signalling a notable deceleration in private sector activity from Nov-25 of 54.2. This cooling was broad-based, as both the services and manufacturing sectors eased to multi-month lows of 52.9 and 51.8, respectively.
  - November Payroll Recovery. The US labour market staged a meaningful turnaround in November 2025, with non-farm payrolls increasing by 64,000. This result significantly reversed the 105,000-job loss recorded in Oct-25 and comfortably cleared the market consensus of a 50,000 gain. This rebound indicates that the sharp contraction in the previous month may have been a transitory shock rather than the start of a prolonged downturn.
  - Rising Unemployment Levels. Despite the positive payroll gains, the US unemployment rate climbed to 4.6% in Nov-25, up from 4.4% in Sep-25. This figure exceeded market expectations and represented the highest level of joblessness since Sep-21.
  - Resilient Core Consumer Spending. Headline US retail sales remained flat in Oct-25, missing the modest +0.1%mom growth forecast and following a similarly weak performance in Sep-25. However, the underlying "control group" sales—which exclude volatile categories like food services, autos, and gasoline to better reflect GDP impacts soared by 0.8mom%.
  - Significant Disinflationary Progress. The US annual inflation rate cooled to +2.7%yoy in Dec-25, marking its lowest level since July and arriving significantly below the 3.1% forecast. Core inflation also registered a major milestone, falling to +2.6%yoy, its lowest point since Mar-21.
  - Unemployment claims are eased. Initial jobless claims declined to 224K for the week ending 13-Dec (previous: 237K), reversing the prior week's upward movements (consensus: 225K).
  - US private employers added an average of 16,250 jobs per week in the four weeks ending 29 November 2025, following a downwardly revised average gain of 2,750 jobs in the previous period.

- On monetary policy decision last week:
  - The Bank of Thailand (BoT) reduced its benchmark interest rate by -25bps to 1.25% at its Dec-25 meeting, aligning with market consensus and marking its lowest policy level since late 2022. This move signals a proactive shift toward supporting domestic demand as the economy faces persistent external headwinds and high household debt. By lowering borrowing costs, the BoT aims to mitigate the impact of a sluggish recovery and maintain financial stability during a period of transition.
  - Bank Indonesia (BI) opted to maintain its benchmark rate at 4.75% for the third consecutive session, a hold that was widely anticipated by investors. This decision underscores the central bank's commitment to providing a "buffer" for the Rupiah, ensuring currency stability amidst global volatility and signs of a domestic economic cooling. BI's cautious stance reflects a balanced approach, weighing the need for growth support against the imperative of anchoring capital flows.
  - The Bank of England (BoE) implemented a -25bps cut to the Bank Rate, bringing it down to 3.75% and the lowest level in three years. This first reduction since August was facilitated by a favourable disinflationary trend, as headline inflation cooled to 3.2% in Nov-25, notably undershooting the Bank's own projection of 3.4%. The decision reflects the Monetary Policy Committee's pivot toward addressing signs of economic strain as price pressures begin to align more closely with target levels.

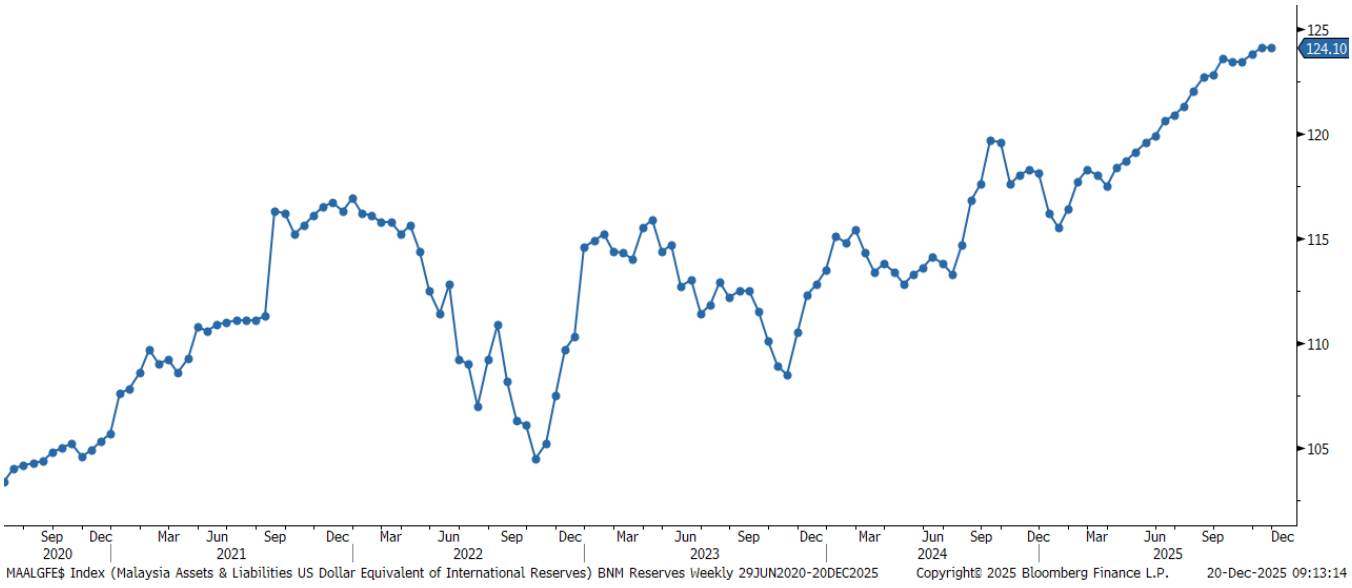
- The European Central Bank (ECB) held its main refinancing and deposit facility rates steady at 2.15% and 2.0%, respectively, for the fourth consecutive meeting. While the aggressive tightening cycle has clearly concluded, policymakers signalled that they are not yet prepared to enter a full throttle easing phase. The "steady-as-she-goes" approach emphasises the Governing Council's data-dependent strategy as it monitors the resilience of Eurozone growth and the final descent of inflation toward its medium-term goal.
- Norges Bank left its key policy rate unchanged at 4.0% for a second straight meeting in December, reinforcing its hawkish stance despite easing pressures elsewhere in Europe. Policymakers indicated they are in no immediate hurry to lower rates, prioritising the full containment of inflation over short-term growth considerations. This hold ensures that monetary conditions remain sufficiently restrictive to anchor long-term expectations in the Norwegian economy.
- Sweden's Riksbank maintained its policy rate at 1.75%, signalling a likely plateau in borrowing costs that could extend through the entirety of next year. The decision is supported by an encouraging outlook for both growth and inflation, allowing the central bank to maintain a neutral stance. Should the current macroeconomic stability persist, the Riksbank anticipates no further adjustments will be necessary to keep the Swedish economy on its projected recovery path.
- The Bank of Mexico (Banxico) continued its proactive easing cycle by cutting its benchmark rate by -25bps to 7.0%, the lowest level since May-22. This marks the twelfth consecutive reduction since the cycle began in early 2024, as the central bank maneuvers to stimulate a sluggish economy. The move is specifically designed to counteract weak GDP performance and provide a cushion against the mounting uncertainty surrounding US trade tariffs and their impact on Mexican exports.
- The Bank of Japan (BOJ) hiked its short-term rate by +25 bps to 0.75%, reaching its highest level since Sep-95. This is the second rate increase in 2025 that aligned with market expectations and underscores the central bank's steady departure from its long-standing ultra-loose monetary regime.

- Malaysia's economic update last week:
  - Malaysia's total trade remained steady, though expanded softer by +11.1%yoy in Nov-25 (Oct-25: +13.0%yoy), marking three consecutive months of double-digit growth. The softer reading stemmed from the moderation in exports (+7.0%yoy; Oct-25: +15.7%yoy). Imports, however, surged by +15.8%yoy (Oct-25: +10.0%yoy), recording the highest reading since Apr-25.

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	12-Dec Fri	15-Dec Mon	16-Dec Tue	17-Dec Wed	18-Dec Thu	19-Dec Fri	Change (WoW bp)
MGS							
3-Y	3.05	3.027	3.023	3.02	3.018	3.024	-2.6
5-Y	3.299	3.291	3.296	3.279	3.276	3.259	-4
7-Y	3.486	3.496	3.475	3.448	3.448	3.419	-6.7
10-Y	3.575	3.562	3.554	3.564	3.563	3.551	-2.4
20-Y	3.865	3.876	3.878	3.863	3.87	3.863	-0.2
RINGGIT IRS							
1-Y	3.235	3.22	3.25	3.225	3.23	3.215	-2
3-Y	3.32	3.29	3.3	3.31	3.3	3.295	-2.5
5-Y	3.415	3.38	3.385	3.407	3.39	3.3725	-4.25
7-Y	3.485	3.47	3.46	3.473	3.46	3.455	-3
10-Y	3.635	3.605	3.605	3.61	3.61	3.595	-4
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	3.5775	3.5526	3.5277	3.5277	3.4999	3.5249	-5.26
5-Y	3.7417	3.7243	3.6964	3.6982	3.6616	3.6933	-4.84
7-Y	3.944	3.9284	3.8998	3.9077	3.8739	3.9052	-3.88
10-Y	4.1841	4.1723	4.145	4.1528	4.1217	4.1471	-3.7
30-Y	4.8445	4.8466	4.813	4.8262	4.8029	4.8242	-2.03

Source: Bloomberg

10 MOST ACTIVELY TRADED GOVERNMENT BONDS

Name	Coupon	Maturity	12-Dec Yield	19-Dec Yield	Change (WoW bp)	Weekly Volume (RM mn)
MALAYSIA GOVERNMENT	3.9	11/30/26	2.831	2.831	0.0	1,469.9
MALAYSIA GOVERNMENT	3.906	07/15/26	2.768	2.749	-1.9	1,436.8
MALAYSIA INVESTMNT ISSUE	3.726	03/31/26	2.782	2.674	-10.8	1,290.7
MALAYSIA INVESTMNT ISSUE	4.07	09/30/26	2.904	2.866	-3.8	1,217.9
MALAYSIA GOVERNMENT	3.582	07/15/32	3.486	3.419	-6.7	1,093.7
MALAYSIA INVESTMNT ISSUE	3.599	07/31/28	3.130	3.117	-1.3	973.3
MALAYSIA GOVERNMENT	3.502	05/31/27	2.899	2.829	-7.0	871.3
MALAYSIA GOVERNMENT	4.498	04/15/30	3.267	3.281	1.4	797.2
MALAYSIA GOVERNMENT	3.476	07/02/35	3.575	3.551	-2.4	792.9
MALAYSIA INVESTMNT ISSUE	3.804	10/08/31	3.374	3.344	-3.0	487.3
TOTAL VOLUME (TOP 10)						10,430.9
TOTAL VOLUME (Overall)						17,036.5

Source: Bloomberg

10 MOST ACTIVELY TRADED CORPORATE BONDS

Name	Coupon	Maturity	12-Dec Yield	19-Dec Yield	Change (WoW bp)	Weekly Volume (RM mn)
BANK PEMBANGUNAN MALAY	4.02	12/01/28	3.488	3.484	-0.4	250.0
PROJEK LEBUHRAYA USAHASA	5.017	01/12/38	N/A	3.899	N/A	180.0
BANK PEMBANGUNAN MALAY	4.5	11/04/26	3.440	3.383	-5.7	150.0
CIMB ISLAMIC BANK BHD	4.13	03/27/34	3.778	3.787	0.9	110.0
MALAYSIA RAIL LINK	ZERO	04/28/26	N/A	3.124	N/A	100.0
PENGURUSAN AIR SPV BHD	3.07	02/04/28	N/A	3.470	N/A	90.0
BENIH RESTU BHD	4.08	07/28/34	3.850	3.839	-1.1	80.0
DANAINFRA NASIONAL	4.13	03/09/46	N/A	4.019	N/A	80.0
ZETRIX AI BHD	5.8	02/08/27	N/A	5.339	N/A	75.0
PROJEK LEBUHRAYA USAHASA	3.73	01/12/33	3.699	3.702	0.3	70.0
TOTAL VOLUME (TOP 10)						1,185.0
TOTAL VOLUME (Overall)						3,450.8

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