WEEKLY MONEY REVIEW

MIDF Strategy 5 January 2026

Week Ended 2 January 2026

- The UST benchmark 10-year yield rose last week to close at 4.19% (prior week: 4.13%) as investors reacted to the latest Fed minutes which showed FOMC members were in tight split. The 10y-3y yield spread expanded (yield curve steepened) to +64bp (prior week: +60bp) as long-end underperformed. At last week close, the interest rate futures market still implied another 2 rate cuts totaling -50bp in 2026.
- Medium-term inflation expectation (MTIE) ended the review week higher at 2.29% (prior week: 2.25%). 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 Fed rate cuts.
- The price of MGS benchmark issues ended the review week higher with the 3-year and 10-year yields shed -0.5bp and -3.8bp to close at 3.00% and 3.50% respectively. The 10y-3y yield spread narrowed (yield curve flattened) to +50bp (prior week: +54bp) as the long-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 -RM20.9b. It worsened week-on-week from -RM20.1b registered a week ago. Moreover, it declined year-on-year from -RM4.2b a year ago.

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5 January 2026 | **Strategy**

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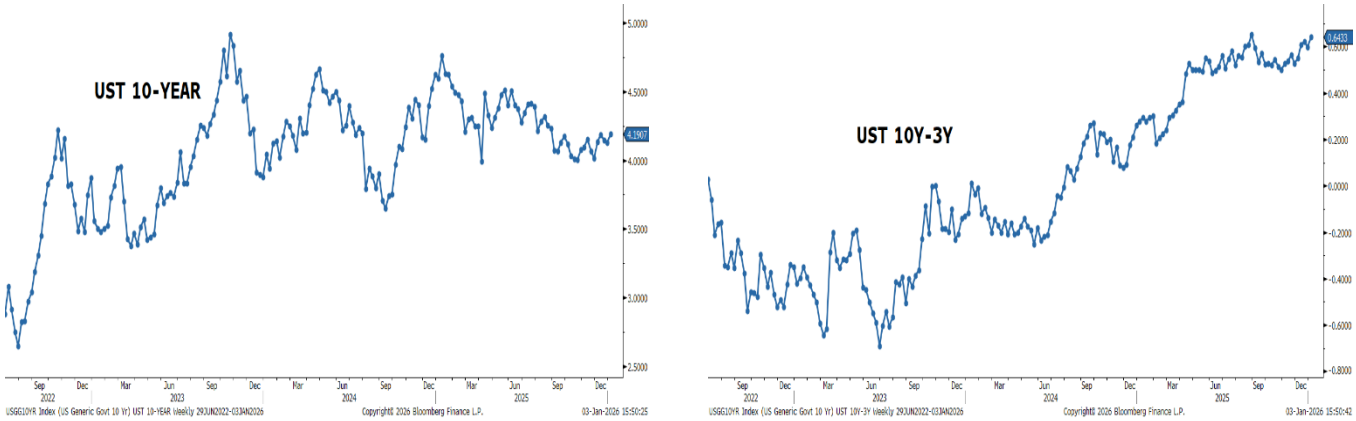
WEEKLY MONEY REVIEW

A. FIXED INCOME

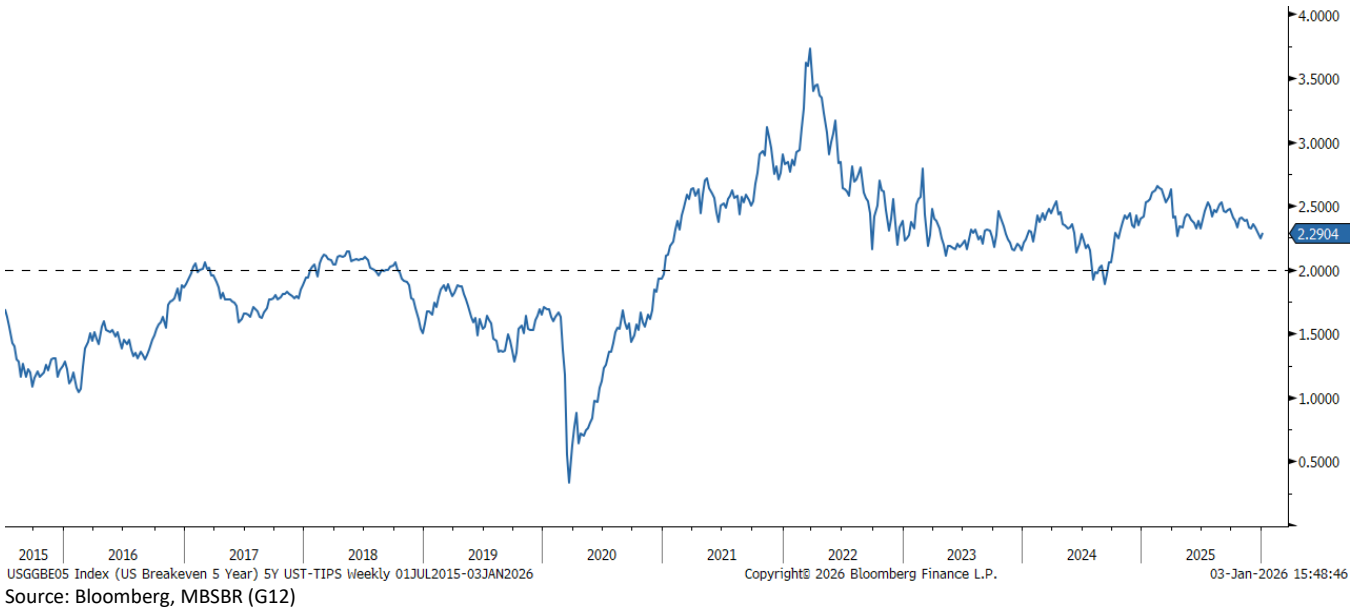
- The UST benchmark 10-year yield rose last week to close at 4.19% (prior week: 4.13%) as investors reacted to the latest Fed minutes which showed FOMC members were in tight split. The 10y-3y yield spread expanded (yield curve steepened) to +64bp (prior week: +60bp) as long-end underperformed. At last week close, the interest rate futures market still implied another 2 rate cuts totaling -50bp in 2026.



Source: Bloomberg, MBSBR (G8, G9)

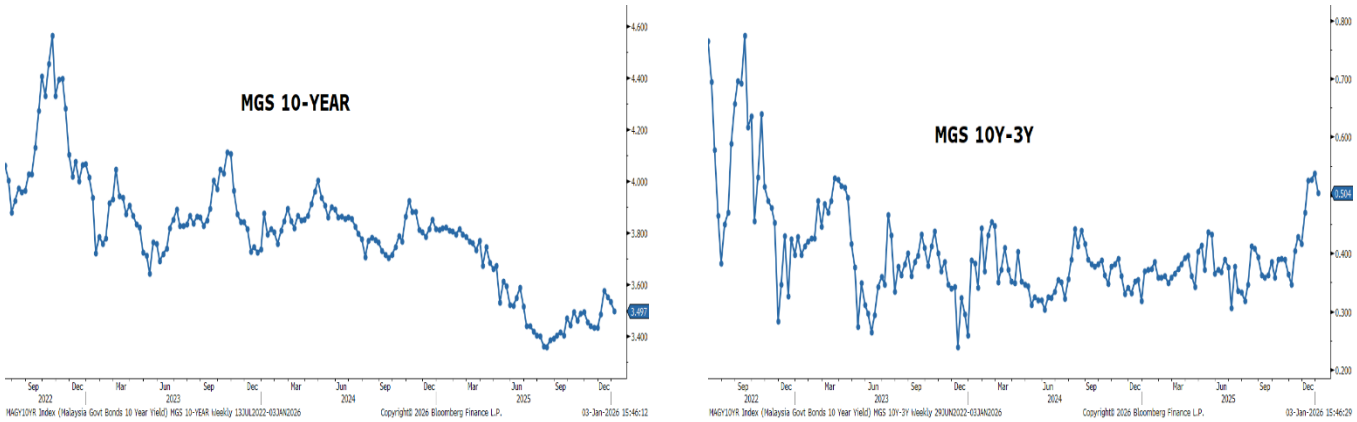
- Medium-term inflation expectation (MTIE) ended the review week higher at 2.29% (prior week: 2.25%). While the MTIE has remained above the US Fed target level of 2.00% since September last year, we nonetheless believe the market is sanguine that the underlying price pressure is easing as attested by the recent 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 -0.5bp and -3.8bp to close at 3.00% and 3.50% respectively. The 10y-3y yield spread narrowed (yield curve flattened) to +50bp (prior week: +54bp) as the long-end outperformed.

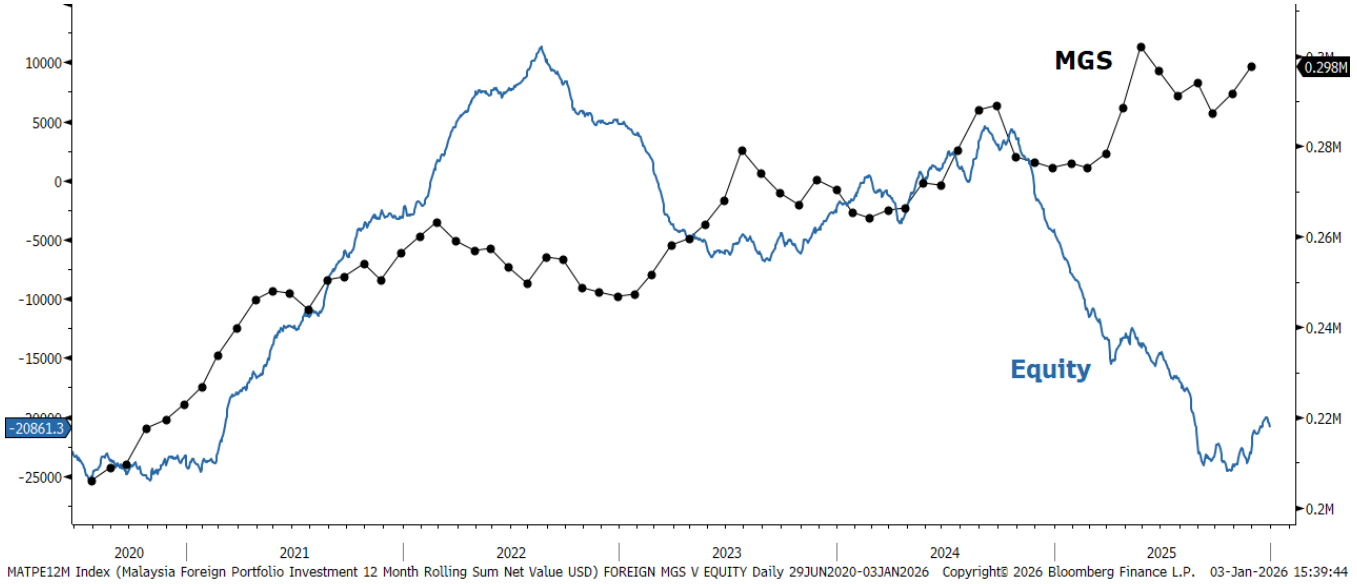


Source: Bloomberg, MBSBR (G10, G11)

- Total trading value for Government Bonds (MGS/MII) increased to RM12.9b in the review week compared to RM11.0b in the prior week (based on Bloomberg data). The total trading value of the 10 most actively traded issues declined (higher trading breadth) to 61% (prior week: 70%) of the overall Government Bonds trade. Moreover, 7 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 RM1.2b, MII 3.726% 3/31/26 at RM1.2b, and MGS 3.9% 11/30/26 at RM900m.

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 -RM20.9b. It worsened week-on-week from -RM20.1b registered a week ago. Moreover, it declined year-on-year from -RM4.2b a year ago.

- Total trading value for Corporate Bonds (Conventional & Sukuk) declined to RM1.3b in the review week compared to RM1.6b in the prior week (based on Bloomberg data). The total trading value of the 10 most actively traded issues declined (higher trading breadth) to 36% (prior week: 38%) 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 Danum Capital 3.29% 5/13/30 at RM80m, Bank Pembangunan 4.5% 11/4/26 at RM60m, and CIMB Islamic Bank 4.13% 3/27/34 at RM60m.

B. FOREIGN EXCHANGE

- USD strengthened last week. The US dollar strengthened against major currencies last week as the DXY dollar index increased by +0.4%mom to 98.42. The strength of the dollar was partially driven by the release of initial jobless claims, which fell below the 200K mark, indicating a robust labour market conditions and potentially limiting the weakening of the USD in the near term. The FOMC minutes also indicated that the FOMC members were displaying greater concerns that inflation may remain high, which may cause higher borrowing costs, but some members were biased towards more rate cuts to support the labour market. As a yearly recap, the US dollar Index ended the year at 98.32, below the year high of 109.95 recorded back in Jan-25 (End-2024: 108.48). This reflects the transition from a strong dollar to an easing cycle, which was primarily driven by the Fed's rate cut movements throughout the year. In the short term, the DXY may pick up as demand for safe assets increases due to the geopolitical uncertainty between the US and Venezuela. However, in the medium term, market players continue to expect two rate cuts for 2026. 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.

- EUR and GBP weakened. The GBP weakened last week, declining by -0.3%wow to USD1.34, a continuation of the weaker sentiment stemming from the latest BOE rate cut decision, as investors are still pricing for another rate cut by the BOE, potentially in the early part of the 2QCY26. Meanwhile, the euro weakened by -0.5%wow to USD1.17.

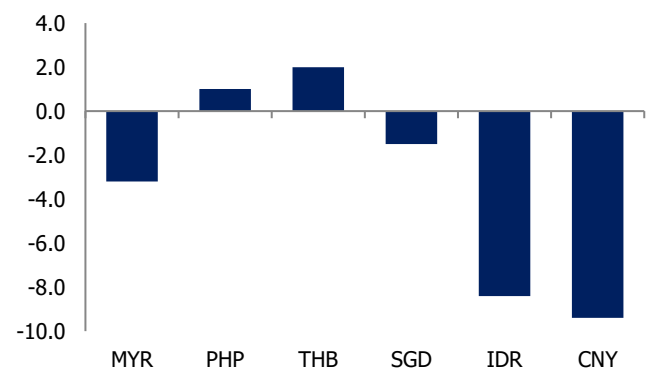
- Ringgit weakened on the back of a stronger dollar. Malaysia ringgit depreciated by -0.1%wow and ended at RM 4.054 last week. The ringgit initially strengthened to RM4.048, but later closed slightly weaker, despite the release of the strong manufacturing PMI. On a broader picture, the ringgit continued to strengthen against the currencies of Malaysia's major trading partners, with our MBSB Trade-Weighted Ringgit Index (TWRI) increased by +0.2%wow to 98.51, mainly appreciating against the Thai baht (+1.3%wow), euro (+0.3%wow), and Indian rupee (+0.2%wow). On a separate release, foreign holdings of both government and corporate bonds increased slightly by +RM0.16b between 22nd to 29th December 2025 (previous week: +RM3.3b)

Currencies Changes (Week Ended 2 Jan-2026) and Quarterly Forecasts

	Close 02/01	Prev. Close 26/12	Weekly Change	Weekly Change (%)
DXY Index	98.42	98.02	+0.402	+0.4
EURUSD	1.172	1.177	-0.005	-0.5
GBPUSD	1.346	1.350	-0.004	-0.3
USDJPY	156.8	156.6	-0.270	-0.2
USDMYR	4.054	4.049	-0.006	-0.1
GBPMYR	5.455	5.460	+0.005	+0.1
JPYMYR	2.585	2.587	+0.002	+0.1
MBSB TWRI	98.51	98.34	+0.167	+0.2

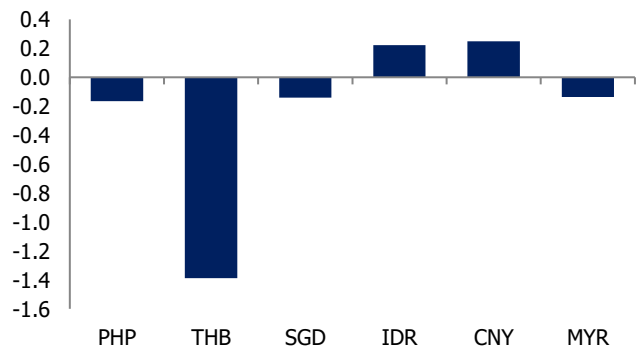
Note: "+" indicates appreciation, while "- "indicates depreciation. Quarterly figures are forecast by MBSBR. MBSB TWRI was previously known as MIDF TWRI.
Source: Bloomberg, MBSBR

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 (%)

	May-25	Jun-25	Jul-25	Aug-25	Sep-25	Oct-25	Nov-25	Dec-25	Jan-25
Malaysia	3.00	3.00	2.75	2.75	2.75	2.75	2.75	2.75	2.75
Indonesia	5.50	5.50	5.25	5.50	4.75	4.75	4.75	4.75	4.75
Philippines	5.50	5.25	5.25	5.25	5.00	4.75	4.75	4.50	4.50
Thailand	1.75	1.75	1.75	1.75	1.50	1.50	1.50	1.25	1.25
Vietnam	4.50	4.50	4.50	4.50	4.50	4.50	4.50	4.50	4.50
South Korea	2.50	2.50	2.50	2.50	2.50	2.50	2.50	2.50	2.50
India	6.00	5.50	5.50	5.50	5.50	5.50	5.50	5.25	5.25
Japan	0.50	0.50	0.50	0.50	0.50	0.50	0.50	0.75	0.75
UK	4.25	4.25	4.25	4.25	4.00	4.00	4.00	3.75	3.75
Euro area	2.40	2.15	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	4.00-4.25	3.75-4.00	3.75-4.00	3.50-3.75	3.50-3.75

Source: Bloomberg, MBSBR

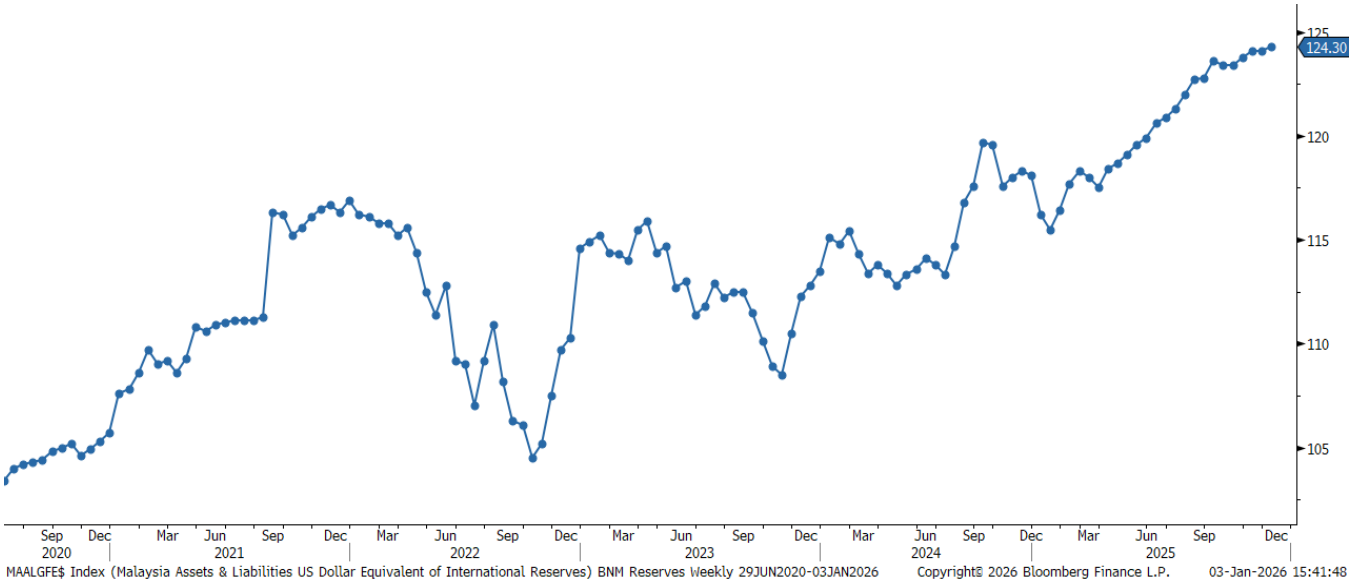
- US economic data released last week:
  - Broad consensus for a rate cut, based on the FOMC minutes. The December FOMC minutes revealed a broad consensus that a reduction in the federal funds rate would be appropriate next year, provided inflation continues to moderate. Nevertheless, the Committee remained divided on the weighting of risks relative to its dual mandate. Some participants highlighted the upside risks of inflation persistence, suggesting borrowing costs may need to remain elevated, whereas others prioritised downside risks to employment, arguing for a greater magnitude of easing to support a softening labour market.
  - US manufacturing PMI weakened. The S&P Global US Manufacturing PMI retreated to 51.8 in Dec-25 from 52.2 in Nov-25, signalling a deceleration in activity to the slowest rate in five months. The slowdown was underpinned by a contraction in new orders, being the first in a year and a sustained slump in exports. The latter marked a seventh straight month of decline, reflecting the continued impact of tariffs and trade-related headwinds
  - Unemployment claims continue to ease lower. Initial jobless claims declined to 199K for the week ending 27 Dec (previous: 215K), marking the third week of decline and well below market consensus. (Consensus: 220K).

- Malaysia's economic update last week:
  - Malaysia's producer prices fell faster by -1.8%yoy in Nov-25 (Oct-25: -0.1%yoy), marking the steepest decline since Aug-25 and extending nine-month streak of deflation. This largely reflected a sharp deceleration in prices for the agriculture, forestry & fishing sector (-9.7%yoy; Oct-25: +2.7%yoy), weighed by the growing of perennial crops index (-16.2%yoy). The deflation in the mining sector also fell steeper by -7.2%yoy (Oct-25: -1.0%yoy). The manufacturing sector posted a steady price decline of -0.6%yoy, unchanged from the prior month.
  - The S&P Global Malaysia Manufacturing PMI was steady at 50.1 in Dec-25, unchanged from the previous month and remaining at the highest level since May-24. This marks two straight months of expansion after a 17-month contraction. Employment increased for a second consecutive month, registering the strongest gain in more than seven years. Output showed further signs of stabilisation, while growth in new orders moderated slightly. Export orders contracted for a fourth straight month, with the rate of decline marginally steeper than in Nov-25.

C. BNM INTERNATIONAL RESERVES

- As of 15 December 2025, compared to previous fortnight, Bank Negara Malaysia's international reserves were higher at USD124.3b (28 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	26-Dec Fri	29-Dec Mon	30-Dec Tue	31-Dec Wed	1-Jan Thu	2-Jan Fri	Change (WoW bp)
MGS							
3-Y	2.998	2.988	2.991	2.998	2.998	2.993	-0.5
5-Y	3.261	3.247	3.236	3.256	3.256	3.231	-3
7-Y	3.448	3.384	3.371	3.367	3.367	3.369	-7.9
10-Y	3.535	3.52	3.516	3.492	3.492	3.497	-3.8
20-Y	3.875	3.859	3.87	3.84	3.84	3.832	-4.3
RINGGIT IRS							
1-Y	3.235	3.205	3.2	3.205	3.21	3.213	-2.2
3-Y	3.295	3.276	3.275	3.265	3.27	3.285	-1
5-Y	3.375	3.36	3.3525	3.35	3.35	3.375	0
7-Y	3.448	3.445	3.425	3.41	3.425	3.44	-0.8
10-Y	3.58	3.57	3.565	3.555	3.535	3.588	0.8
KLIBOR							
1-M	3	3	3	3	3	3	0
3-M	3.27	3.28	3.28	3.28	3.28	3.28	1
UST							
3-Y	3.5304	3.5024	3.5024	3.5389	3.5389	3.5474	1.7
5-Y	3.6958	3.6681	3.6767	3.7252	3.7252	3.7427	4.69
7-Y	3.9007	3.8776	3.8879	3.9394	3.9394	3.9575	5.68
10-Y	4.1277	4.1102	4.1219	4.167	4.167	4.1907	6.3
30-Y	4.8141	4.7969	4.807	4.8436	4.8436	4.8702	5.61

Source: Bloomberg

10 MOST ACTIVELY TRADED GOVERNMENT BONDS

Name	Coupon	Maturity	26-Dec Yield	2-Jan Yield	Change (WoW bp)	Weekly Volume (RM mn)
MALAYSIA GOVERNMENT	3.906	07/15/26	2.765	2.841	7.6	1,244.3
MALAYSIA INVESTMNT ISSUE	3.726	03/31/26	2.814	2.804	-1.0	1,158.9
MALAYSIA GOVERNMENT	3.9	11/30/26	2.864	2.875	1.1	902.9
MALAYSIA INVESTMNT ISSUE	3.635	08/30/30	3.255	3.244	-1.1	820.6
MALAYSIA INVESTMNT ISSUE	3.599	07/31/28	3.094	3.092	-0.2	811.4
MALAYSIA INVESTMNT ISSUE	3.804	10/08/31	3.345	3.324	-2.1	751.1
MALAYSIA INVESTMNT ISSUE	4.07	09/30/26	2.844	2.844	0.0	598.8
MALAYSIA GOVERNMENT	3.885	08/15/29	3.184	3.161	-2.3	581.5
MALAYSIA GOVERNMENT	3.476	07/02/35	3.525	3.497	-2.8	531.1
MALAYSIA GOVERNMENT	3.582	07/15/32	3.448	3.369	-7.9	476.0
TOTAL VOLUME (TOP 10)						7,876.6
TOTAL VOLUME (Overall)						12,855.8

Source: Bloomberg

10 MOST ACTIVELY TRADED CORPORATE BONDS

Name	Coupon	Maturity	26-Dec Yield	2-Jan Yield	Change (WoW bp)	Weekly Volume (RM mn)
DANUM CAPITAL BHD	3.29	05/13/30	3.628	3.614	-1.4	80.0
BANK PEMBANGUNAN MALAY	4.5	11/04/26	3.383	3.417	3.4	60.0
CIMB ISLAMIC BANK BHD	4.13	03/27/34	3.782	3.789	0.7	60.0
UEM SUNRISE BHD	4.02	07/30/37	N/A	3.880	N/A	60.0
DANUM CAPITAL BHD	3.42	02/21/35	3.787	3.780	-0.7	40.0
PENGURUSAN AIR SELANGOR	4.74	10/29/36	3.809	3.779	-3.0	40.0
YTL CORPORATION BERHAD	4.97	04/10/31	N/A	3.802	N/A	40.0
BANK ISLAM MALAYSIA BHD	3.85	07/23/32	3.792	3.768	-2.4	40.0
SABAH DEVELOPMENT BANK	5.5	02/27/26	N/A	4.217	N/A	30.0
TANJUNG BIN ENERGY SDN	6.15	09/15/31	N/A	4.015	N/A	30.0
TOTAL VOLUME (TOP 10)						480.0
TOTAL VOLUME (Overall)						1,319.6

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