WEEKLY MONEY REVIEW

MIDF Strategy 12 January 2026

Week Ended 9 January 2026

- The UST benchmark 10-year yield fell last week to close at 4.16% (prior week: 4.19%) as investors weighed geopolitical risks (i.e. Venezuela attack) and softer than expected economic data (i.e. ISM Manufacturing, PMI Services, ADP payrolls, Initial jobless claims, NFP). The 10y-3y yield spread narrowed (yield curve flattened) to +58bp (prior week: +64bp) as long-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 higher at 2.34% (prior week: 2.29%). 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 lower with the 3-year and 10-year yields added +1.0bp and +1.0bp to close at 3.00% and 3.51% respectively. The 10y-3y yield spread was unchanged at +50bp (prior week: +50bp).

- MGS foreign holdings increased month-on-month to RM301b in December 2025 from RM298b in November 2025. Moreover, it increased year-on-year from RM275b in December 2024. On Bursa Malaysia, the 12-month rolling sum of foreign net equities trade ended the review week at -RM21.1b. It worsened week-on-week from -RM20.9b registered a week ago. Moreover, it declined year-on-year from -RM5.2b a year ago.

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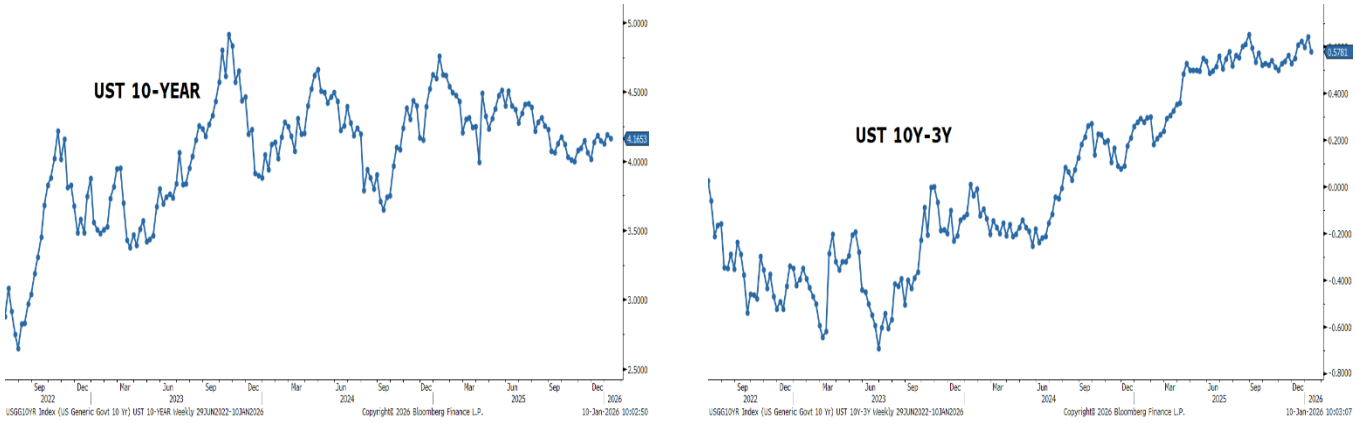
12 January 2026 | **Strategy**

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WEEKLY MONEY REVIEW

A. FIXED INCOME

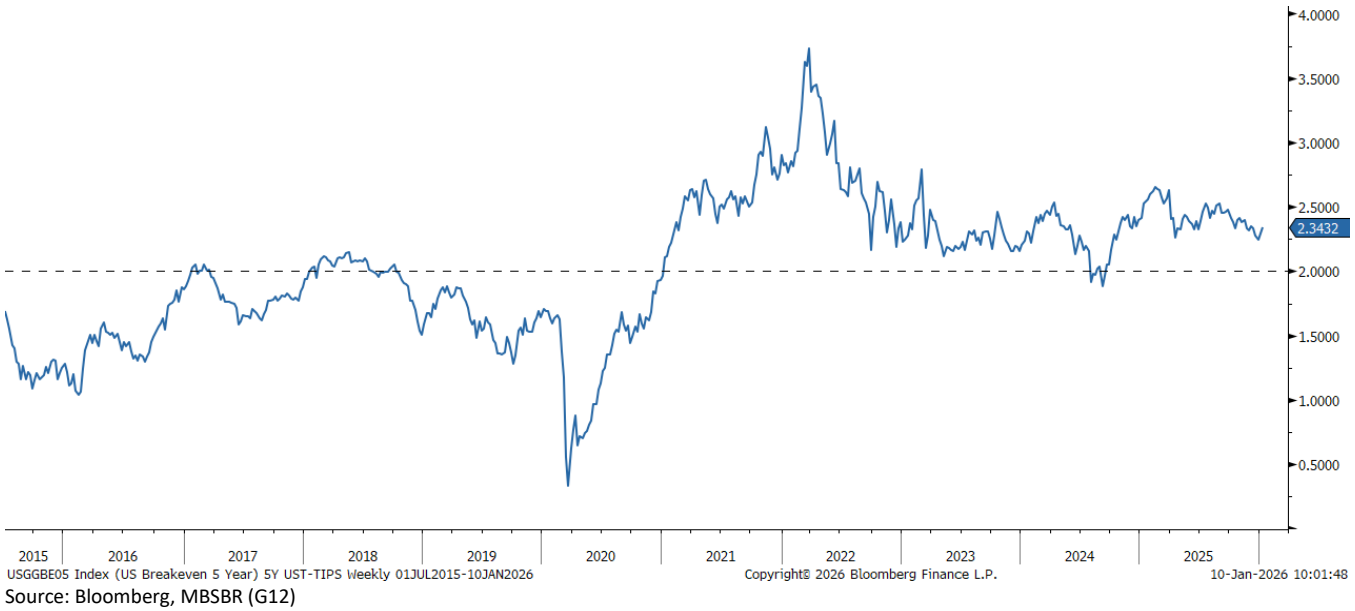
- The UST benchmark 10-year yield fell last week to close at 4.16% (prior week: 4.19%) as investors weighed geopolitical risks (i.e. Venezuela attack) and softer than expected economic data (i.e. ISM Manufacturing, PMI Services, ADP payrolls, Initial jobless claims, NFP). The 10y-3y yield spread narrowed (yield curve flattened) to +58bp (prior week: +64bp) as long-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 higher at 2.34% (prior week: 2.29%). 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.

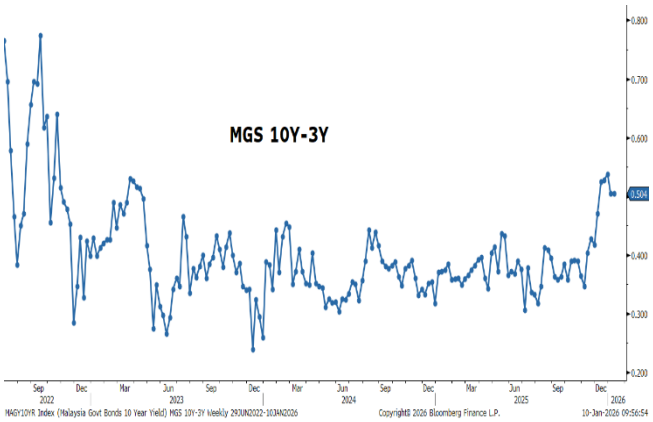
MEDIUM-TERM INFLATION EXPECTATION (MTIE): 5Y UST-TIPS SPREAD



Source: Bloomberg, MBSBR (G12)

- The price of MGS benchmark issues ended the review week lower with the 3-year, and 10-year yields added +1.0bp and +1.0bp to close at 3.00% and 3.51% respectively. The 10y-3y yield spread was unchanged at +50bp (prior week: +50bp).



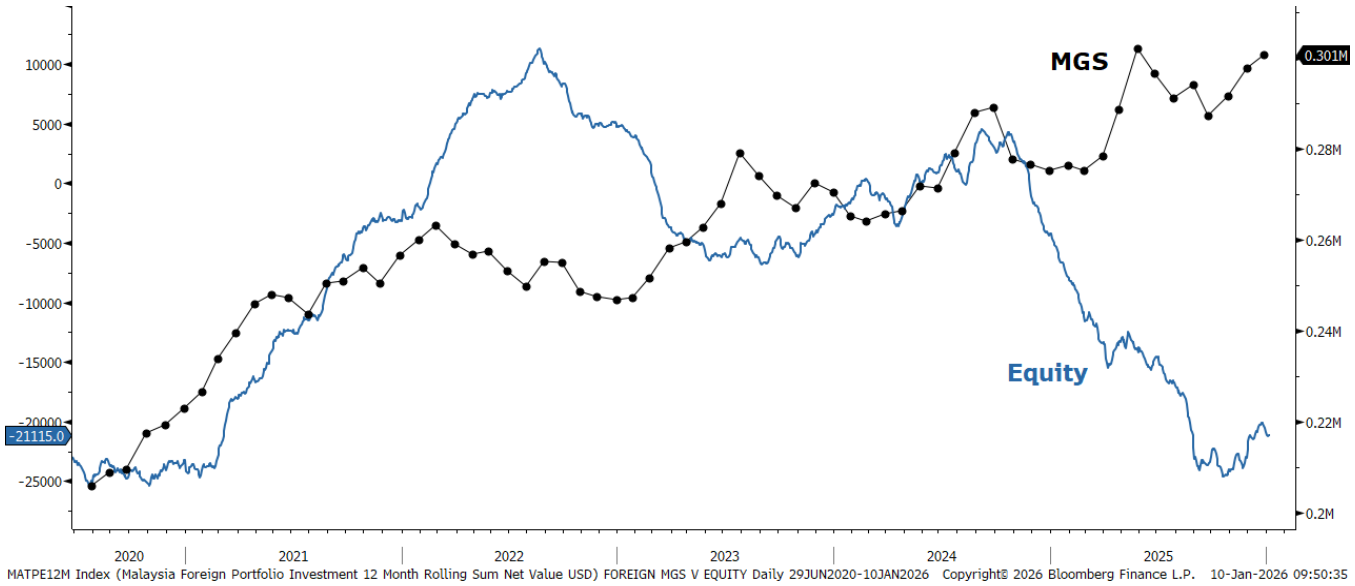


Source: Bloomberg, MBSBR (G10, G11)

- Total trading value for Government Bonds (MGS/MII) increased to RM33.6b in the review week compared to RM12.9b in the prior week (based on Bloomberg data). The total trading value of the 10 most actively traded issues was unchanged at 61% (prior week: 61%) of the overall Government Bonds trade. Moreover, 8 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 MGS 3.906% 7/15/26 at RM2.9b, MII 4.07% 9/30/26 at RM2.7b, and MII 3.726% 3/31/26 at RM2.6b.

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



Source: Bloomberg, MBSBR (G13)

- MGS foreign holdings increased month-on-month to RM301b in December 2025 from RM298b in November 2025. Moreover, it increased year-on-year from RM275b in December 2024. On Bursa Malaysia, the 12-month rolling sum of foreign net equities trade ended the review week at -RM21.1b. It worsened week-on-week from -RM20.9b registered a week ago. Moreover, it declined year-on-year from -RM5.2b a year ago.

- Total trading value for Corporate Bonds (Conventional & Sukuk) increased to RM5.6b in the review week compared to RM1.3b in the prior week (based on Bloomberg data). The total trading value of the 10 most actively traded issues declined (higher trading breadth) to 27% (prior week: 36%) 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 Pengurusan Air SPV 4.63% 2/5/26 at RM220m, PTPTN 3.95% 7/29/33 at RM200m, and Prasarana Malaysia 4.16% 3/2/35 at RM170m.

B. FOREIGN EXCHANGE

- USD strengthened last week. The US dollar strengthened against major currencies last week as the DXY dollar index increased by +0.6%mom to 99.06. The US dollar gained from higher demand for safe assets on the back of the geopolitical uncertainty between the US and Venezuela, which we think would support the greenback in the near term. However, towards the end of the week, market sentiment was influenced by the release of the NFP and the US labour market data which continued to indicate that labour market conditions remain robust despite the total jobs added in the economy having weakened compared to the 2024 performance. At the moment, market players continue to expect rate cuts for this year, which is expected to be in the 3QCY26. Given the still uncertain medium-term outlook, which may cause market volatility, we believe this environment will likely trigger a flight to safety but weaken 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 euro weakened last week, declining by -0.7%wow to USD1.164 as the slight easing of the inflation in Dec-25 to +2.0%yoy signals no further rate cuts by the ECB. Meanwhile, the pound sterling also weakened by -0.3%wow to USD1.342.

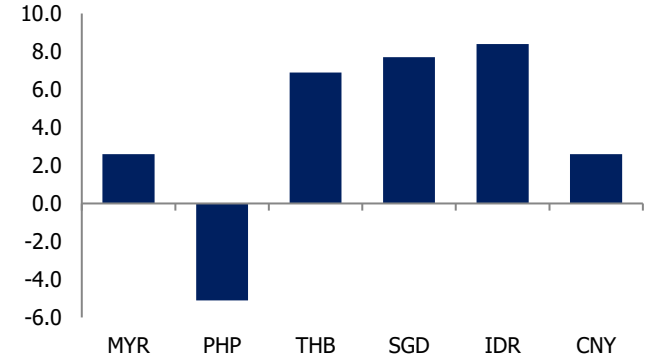
- Ringgit weakened on the back of a stronger dollar. The Malaysian ringgit depreciated by -0.5%wow and ended at RM4.073 last week. The ringgit initially strengthened to RM4.047 but later closed slightly weaker towards the end of the week despite data updates pointing to better-than-expected Malaysia's labour market conditions. Meanwhile, the IPI and retail sales releases showed some moderation of growth, but overall, still robust. 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) declined by -0.2%wow to 98.30, mainly depreciating against the Thai baht (-1.2%wow), Indian rupee (-0.5%wow), and Vietnamese dong (-0.4%wow). On a separate release, foreign holdings of both government and corporate bonds declined slightly by -RM1.7b between 29th December 2025 to 5th January 2026 (previous week: RM+0.61b)

Currencies Changes (Week Ended 9 Jan-2026) and Quarterly Forecasts

	Close 09/01	Prev. Close 02/01	Weekly Change	Weekly Change (%)	1QCY25	2QCY25	3QCY25	4QCY25f
DXY Index	99.06	98.42	+0.634	+0.6	98.8	97.2	96.6	96
EURUSD	1.164	1.172	-0.008	-0.7	1.18	1.19	1.2	1.21
GBPUSD	1.342	1.346	-0.004	-0.3	1.34	1.36	1.36	1.36
USDJPY	157.7	156.8	-0.820	-0.5	152	150	148	147
USDMYR	4.073	4.054	-0.018	-0.5	4.03	3.99	3.97	3.95
GBPMYR	5.462	5.455	-0.007	-0.1	5.45	5.43	5.41	5.4
JPYMYR	2.583	2.585	+0.002	+0.1	2.6	2.61	2.62	2.63
MBSB TWRI	98.30	98.51	-0.209	-0.2	98.6	99.73	100.87	102

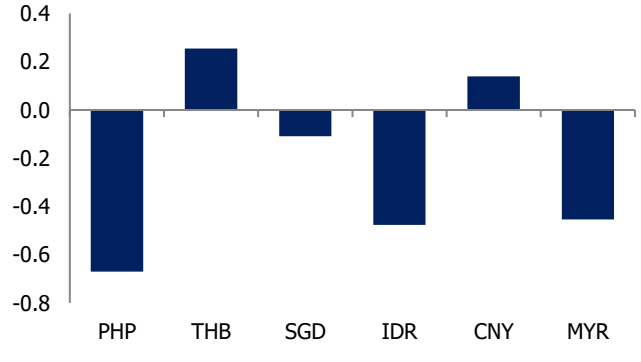
Note: "+" indicates appreciation, while "- "indicates depreciation. Quarterly figures are forecast by MBSBR. MBSB TWRI was previously known as MIDF TWRI.
Source: Bloomberg, MBSBR

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:
  - ISM PMI hits 14-Month Low. The US manufacturing sector faced intensifying headwinds in Dec-25 as the ISM Manufacturing PMI fell for the third straight month to 47.9. Missing market forecasts of 48.3, this reading represents the sharpest contraction since Oct-24, signaling a sustained downturn in industrial activity.
  - ISM Services PMI reaches multi-month high. In contrast to the industrial slump, the US services sector demonstrated robust resilience, with the ISM Services PMI climbing to 54.4 in Dec-25. Surpassing the expected 52.3, this third consecutive monthly increase marks the strongest expansion for the sector since late 2024.
  - Composite PMI signals broad slowdown. The S&P Global US Composite PMI retreated to an eight-month low of 52.7 in Dec-25, down from Nov-25 of 54.2. While the economy remains in expansion territory, the data indicates a synchronised cooling across both manufacturing (51.8) and services (52.5) compared to earlier in the quarter.
  - ADP employment sees modest recovery. Private sector payrolls grew by 41k in Dec-25 according to ADP data, recovering from a revised loss of 29k in the previous month. Although the figure fell slightly short of the 47,000 forecasts, it indicates a stabilisation in private sector hiring following November's unexpected dip.
  - Job openings plunge to 2024 levels. US job openings saw a significant decline in Nov-25, falling by 303K to a total of 7.146 million. This sharp drop, which far exceeded market expectations, was driven primarily by the accommodation, food services, and transportation sectors, bringing labour demand to its lowest point since Sep-24.
  - Trade deficit barrows to 16-year low. The US trade deficit narrowed significantly to USD29.4b in Oct-25, the smallest gap since Jun-09. This improvement was fueled by record-high exports of USD302b, which grew by +2.6%yoy and a -3.2%yoy decline in imports, reflecting a shift in global trade flows and domestic consumption patterns.
  - December hiring underperforms expectations. The US economy added 50K jobs in Dec-25, trailing the forecasted 60K and the downwardly revised Nov-25 figure of 56K. While healthcare and food services continued to lead job creation, a substantial loss of 25,000 positions in the retail sector weighed down the overall headline growth.
  - Jobless rate unexpectedly edges downward. The US unemployment rate improved slightly to 4.4% in December, down from a high of 4.5% in November. This decline defied market expectations of a steady hold, suggesting that the labor market remains relatively tight even as the pace of monthly job addition slows.
  - Unemployment claims continue to ease lower. Initial jobless claims rose marginally to 208K for the week ending 3-Jan (previously: 199K), turning higher after three weeks of decline and well below market consensus. (Consensus: 210K).

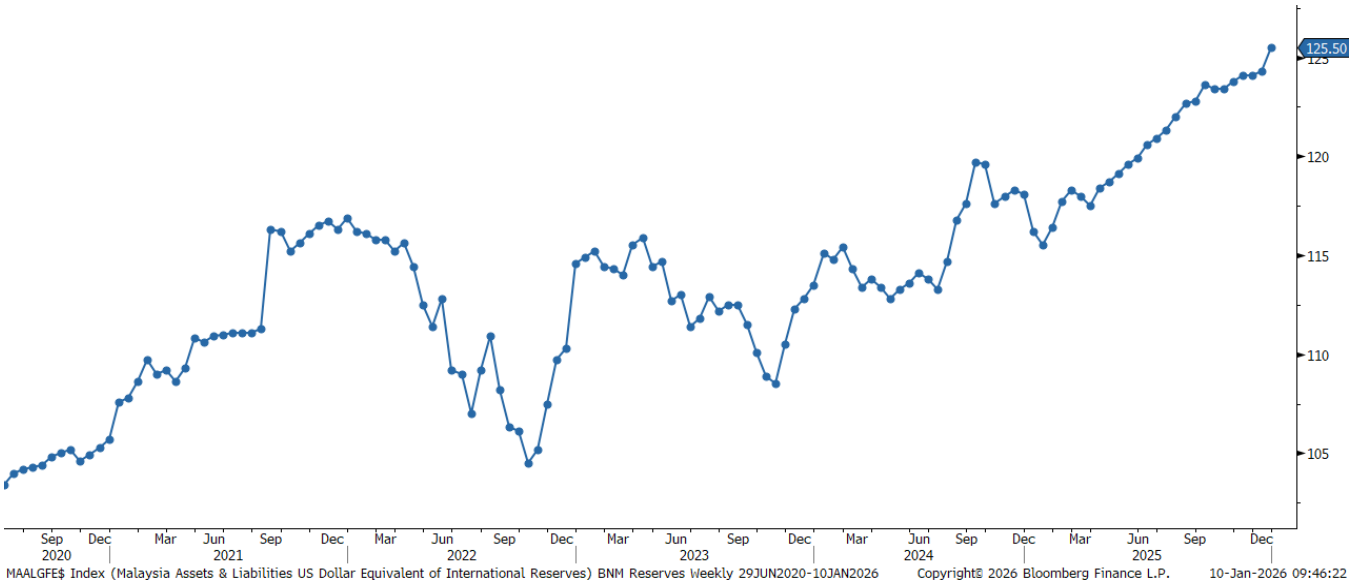
- Malaysia's economic update last week:
  - Malaysia's labour market remained resilient in Nov-25, with the unemployment rate easing lower to 2.9%, breaking the recent trend after remaining at 3.0% for six consecutive months, being the lowest level in a decade. The improvements were driven by steady employment growth (+3.1%yoy), which continued to outpace the labour force expansion (+2.8%yoy) since Aug-21.
  - Malaysia's IPI growth eased to +4.3%yoy in Nov-25 (Oct-25: +6.0%yoy), reflecting a sharper moderation compared to our estimate (+5.1%yoy) and market consensus (+5.3%yoy). We anticipate some moderation in IPI growth in Nov-25, taking into account the slower export growth during the month. Nevertheless, the sustained expansion in IPI for the 23rd consecutive month was underpinned by increased output across all major sectors.
  - Malaysia's distributive trade growth maintained resilient growth above +6%yoy for the third straight month although the pace of expansion moderated to +6.4%yoy in Nov-25 (Oct-25: +7.2%yoy), stemming from slower expansion across all

segments, including wholesale trade (+6.0%yoy; Oct-25: +7.3%yoy), retail trade (+6.4%yoy; Oct-25: +6.8%yoy), and motor vehicles (+8.0%yoy; Oct-25: +8.2%yoy).

C. BNM INTERNATIONAL RESERVES

- As of 31 December 2025, compared to previous fortnight, Bank Negara Malaysia's international reserves were higher at USD125.5b (15 December 2025: USD124.3b).

BNM INTERNATIONAL RESERVES



Source: Bloomberg, MBSBR (G14)

- The number of reserves is sufficient to finance 4.7 months of imports of goods & services and is 0.9 times total short-term external debt.

APPENDIX

WEEKLY INTEREST RATE MONITOR

Tenor	2-Jan Fri	5-Jan Mon	6-Jan Tue	7-Jan Wed	8-Jan Thu	9-Jan Fri	Change (WoW bp)
MGS							
3-Y	2.993	2.984	3.006	2.991	2.987	3.003	1
5-Y	3.231	3.229	3.261	3.264	3.248	3.256	2.5
7-Y	3.369	3.379	3.39	3.392	3.392	3.418	4.9
10-Y	3.497	3.504	3.507	3.512	3.508	3.507	1
20-Y	3.832	3.829	3.826	3.828	3.836	3.847	1.5
RINGGIT IRS							
1-Y	3.213	3.22	3.2275	3.22	3.2125	3.222	0.9
3-Y	3.285	3.2925	3.29	3.28	3.28	3.295	1
5-Y	3.375	3.391	3.405	3.3825	3.3725	3.4125	3.75
7-Y	3.44	3.465	3.475	3.4525	3.455	3.475	3.5
10-Y	3.588	3.605	3.625	3.605	3.595	3.615	2.7
KLIBOR							
1-M	3	3	3	3	3	2.99	-1
3-M	3.28	3.28	3.27	3.27	3.26	3.26	-2
UST							
3-Y	3.5474	3.5192	3.5276	3.5248	3.5474	3.5873	3.99
5-Y	3.7427	3.7045	3.7132	3.7046	3.7272	3.7499	0.72
7-Y	3.9575	3.9187	3.9291	3.911	3.9343	3.9472	-1.03
10-Y	4.1907	4.1612	4.173	4.1475	4.1672	4.1653	-2.54
30-Y	4.8702	4.8497	4.8651	4.8314	4.8365	4.8121	-5.81

Source: Bloomberg

10 MOST ACTIVELY TRADED GOVERNMENT BONDS

Name	Coupon	Maturity	2-Jan Yield	9-Jan Yield	Change (WoW bp)	Weekly Volume (RM mn)
MALAYSIA GOVERNMENT	3.906	07/15/26	2.841	2.832	-0.9	2,944.4
MALAYSIA INVESTMNT ISSUE	4.07	09/30/26	2.844	2.851	0.7	2,658.6
MALAYSIA INVESTMNT ISSUE	3.726	03/31/26	2.804	2.816	1.2	2,610.2
MALAYSIA INVESTMNT ISSUE	3.635	08/30/30	3.244	3.271	2.7	2,353.5
MALAYSIA INVESTMNT ISSUE	3.804	10/08/31	3.324	3.340	1.6	1,888.1
MALAYSIA GOVERNMENT	3.9	11/30/26	2.875	2.876	0.1	1,884.6
MALAYSIA GOVERNMENT	4.498	04/15/30	3.261	3.254	-0.7	1,847.7
MALAYSIA INVESTMNT ISSUE	3.599	07/31/28	3.092	3.093	0.1	1,728.4
MALAYSIA GOVERNMENT	2.632	04/15/31	3.331	3.336	0.5	1,391.8
MALAYSIA GOVERNMENT	3.519	04/20/28	2.993	3.003	1.0	1,100.1
TOTAL VOLUME (TOP 10)						20,407.2
TOTAL VOLUME (Overall)						33,605.5

Source: Bloomberg

10 MOST ACTIVELY TRADED CORPORATE BONDS

Name	Coupon	Maturity	2-Jan Yield	9-Jan Yield	Change (WoW bp)	Weekly Volume (RM mn)
PENGURUSAN AIR SPV BHD	4.63	02/05/26	2.948	2.675	-27.3	220.0
PERBADANAN TABUNG PENDI	3.95	07/29/33	N/A	3.555	N/A	200.0
PRASARANA MALAYSIA BHD	4.16	03/02/35	N/A	3.614	N/A	170.0
RHB BANK	3.95	05/25/26	N/A	3.439	N/A	150.0
SARAWAK ENERGY BHD	4.27	07/04/33	3.740	3.703	-3.7	150.0
PERBADANAN TABUNG PENDI	4.11	03/29/35	N/A	3.608	N/A	150.0
PERBADANAN TABUNG PENDI	4.17	03/10/36	N/A	3.659	N/A	130.0
PERBADANAN TABUNG PENDI	4.93	08/17/32	N/A	3.523	N/A	120.0
KHAZANAH NASIONAL BHD	ZERO	10/12/27	N/A	3.210	N/A	120.0
PNB MERDEKA VENTURES SDN	3.79	11/05/32	3.716	3.711	-0.5	110.0
TOTAL VOLUME (TOP 10)						1,520.0
TOTAL VOLUME (Overall)						5,603.1

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