WEEKLY MONEY REVIEW

MIDF Strategy 19 January 2026

Week Ended 16 January 2026

- The UST benchmark 10-year yield rose last week to close at 4.22% (prior week: 4.16%) as investors weighed geopolitical uncertainties (i.e. Iran and Greenland) and better than expected economic data (i.e. initial jobless claims). The 10y-3y yield spread narrowed (yield curve flattened) to +57bp (prior week: +58bp) as short-end underperformed. 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 2.40% (prior week: 2.34%). 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 +0.5bp and +3.8bp to close at 3.01% and 3.54% respectively. The 10y-3y yield spread expanded (yield curve steepened) to +54bp (prior week: +50bp) as long-end underperformed.
- 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 -RM19.5b. It improved week-on-week from -RM21.1b registered a week ago. However, it declined year-on-year from -RM6.2b a year ago.

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Kindly refer to the last page of this publication for important disclosures

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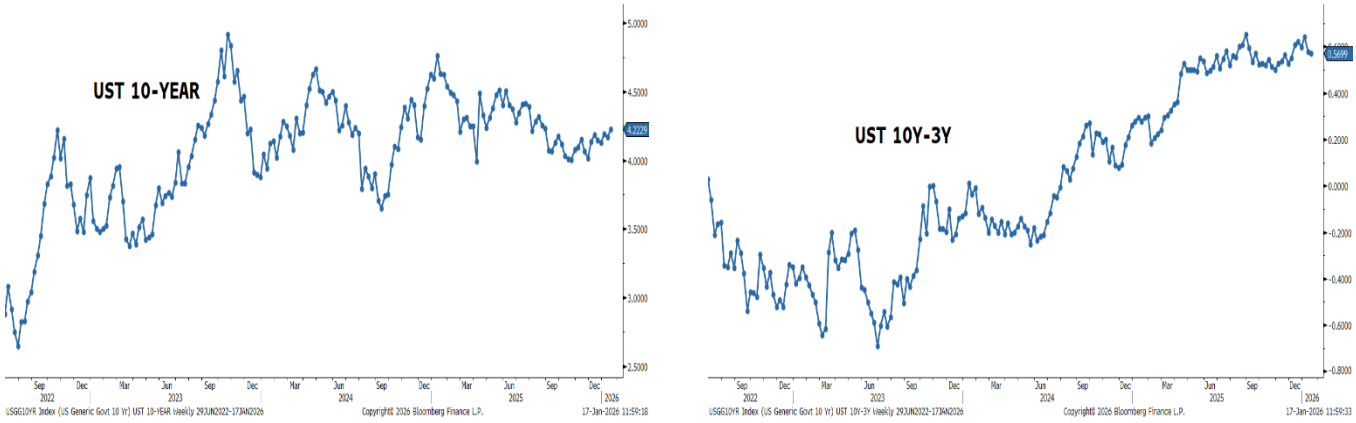
WEEKLY MONEY REVIEW

A. FIXED INCOME

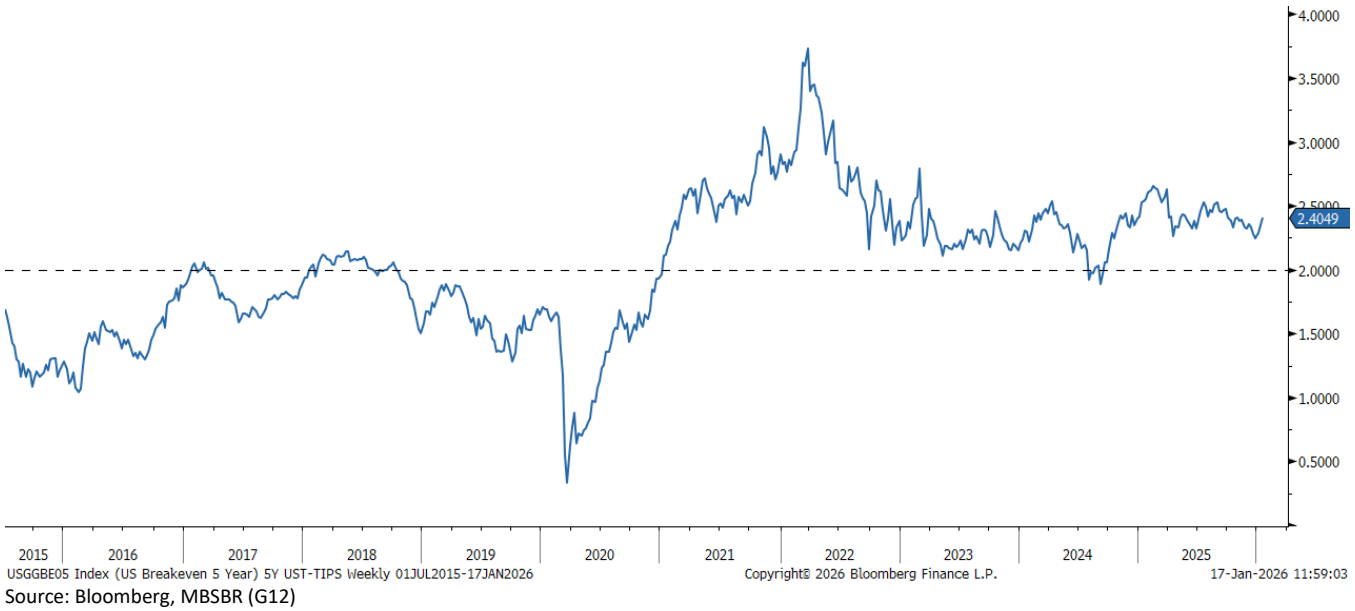
- The UST benchmark 10-year yield rose last week to close at 4.22% (prior week: 4.16%) as investors weighed geopolitical uncertainties (i.e. Iran and Greenland) and better than expected economic data (i.e. initial jobless claims). The 10y-3y yield spread narrowed (yield curve flattened) to +57bp (prior week: +58bp) as short-end underperformed. 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 2.40% (prior week: 2.34%). 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.

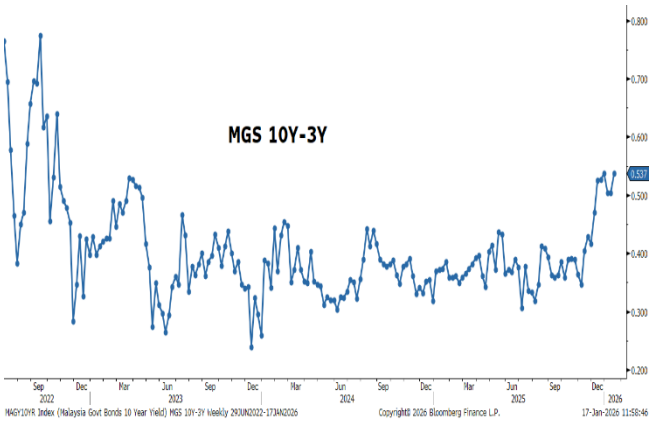
MEDIUM-TERM INFLATION EXPECTATION (MTIE): 5Y UST-TIPS SPREAD



Source: Bloomberg, MBSBR (G12)

- The price of MGS benchmark issues ended the review week lower with the 3-year and 10-year yields added +0.5bp and +3.8bp to close at 3.01% and 3.54% respectively. The 10y-3y yield spread expanded (yield curve steepened) to +54bp (prior week: +50bp) as long-end underperformed.



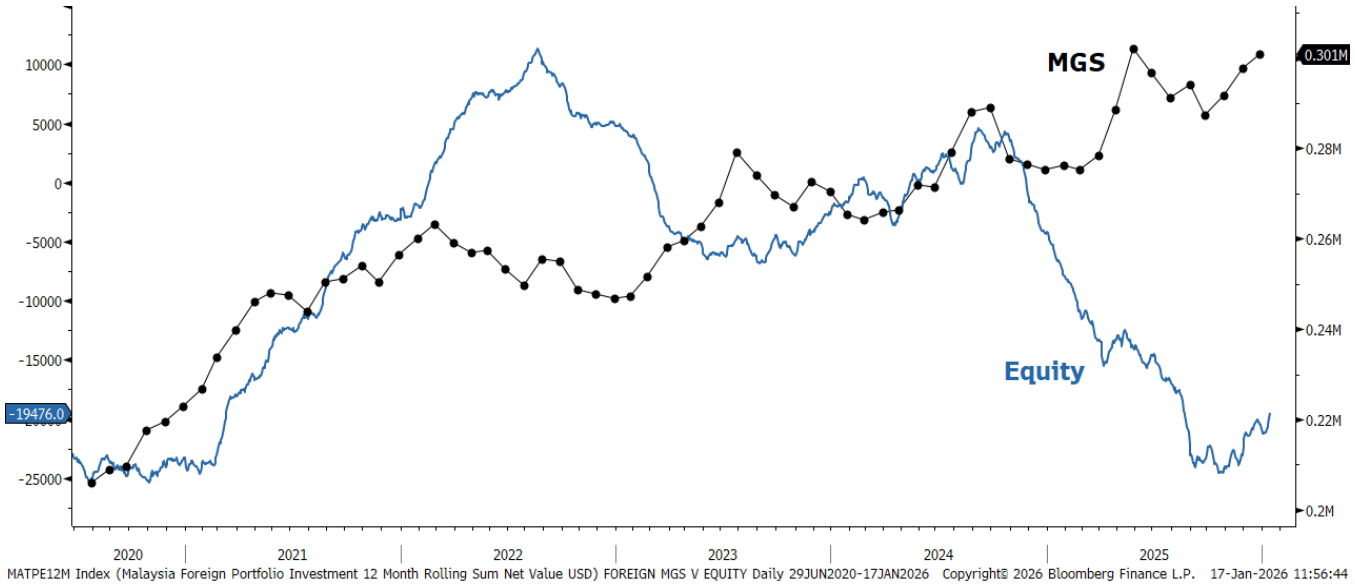


Source: Bloomberg, MBSBR (G10, G11)

- Total trading value for Government Bonds (MGS/MII) declined to RM32.9b in the review week compared to RM33.6b in the prior week (based on Bloomberg data). The total trading value of the 10 most actively traded issues declined (higher trading breadth) to 54% (prior week: 61%) 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 RM3.1b, MGS 3.906% 7/15/26 at RM2.9b, and MII 4.07% 9/30/26 at RM1.9b.

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 -RM19.5b. It improved week-on-week from -RM21.1b registered a week ago. However, it declined year-on-year from -RM6.2b a year ago.

- Total trading value for Corporate Bonds (Conventional & Sukuk) declined to RM5.1b in the review week compared to RM5.6b in the prior week (based on Bloomberg data). The total trading value of the 10 most actively traded issues increased (lower trading breadth) to 28% (prior week: 27%) of the overall Corporate Bonds trade.

- The top 3 actively traded Corporate Bonds were dominated by issues of mid and long residual tenor. The top 3 most actively traded were Danainfra Nasional 4% 3/9/40 at RM230m, Pengurusan Air SPV 3.98% 6/4/31 at RM195m, and Pengurusan Air SPV 4.06% 4/29/39 at RM180m.

B. FOREIGN EXCHANGE

- USD strengthened last week. The US dollar strengthened against major currencies last week as the DXY dollar index increased by +0.3%wow to 99.39. The US dollar traded lower at the start of the week as news of subpoenas targeting the Fed Chairman sparked concerns over central bank independence, perceived as an effort to influence the Fed's interest rate decisions. However, the US dollar tracked back higher throughout the week with economic releases indicating softer-than-expected CPI inflation, improved economic activity in recent weeks as reported in the latest Beige Book, slight improvement in retail activities, and no further signs of weakness in the US job market. Initial jobless claims even tracked lower, again breaking below the 200K mark. Geopolitical risk also weighed on sentiment on the back of a fresh tension between the US and Europe over Greenland. At the moment, market players continue to expect rate cuts for this year, likely 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 the appeal of US assets could soften because of reduced confidence. 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 -0.2%wow to USD1.338, despite the stronger-than-expected GDP figure. Meanwhile, the euro also weakened by -0.3%wow to USD1.160.

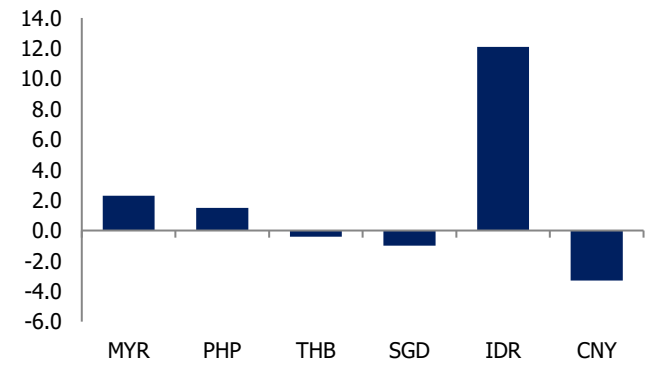
- Ringgit strengthened despite stronger dollar. The Malaysian ringgit appreciated by +0.4%wow and ended at RM4.058 last week. The ringgit traded between RM4.049 and RM4.070 range, with the strongest level recorded during mid-week, and closed slightly weaker towards end-week. Economic fundamental remained positive following the release of stronger-than-expected advance 4QCY25 GDP estimate. 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 +0.5%wow to 98.78, mainly appreciating against the Korean won (+1.3%wow), Indian rupee (+1.2%wow), and Thai baht (+0.8%wow). On a separate release, foreign holdings of both government and corporate bonds declined by -RM3.1b between 5th January 2026 to 12th January 2026 (previous week: -RM1.7b).

Currencies Changes (Week Ended 16 Jan-2026) and Quarterly Forecasts

	Close 16/01	Prev. Close 09/01	Weekly Change	Weekly Change (%)	1QCY25	2QCY25	3QCY25	4QCY25f
DXY Index	99.39	99.13	+0.260	+0.3	98.8	97.2	96.6	96.0
EURUSD	1.160	1.164	-0.004	-0.3	1.18	1.19	1.2	1.21
GBPUSD	1.338	1.340	-0.002	-0.2	1.34	1.36	1.36	1.36
USDJPY	158.1	157.9	-0.230	-0.1	152	150	148	147
USDMYR	4.058	4.073	+0.015	+0.4	4.03	3.99	3.97	3.95
GBPMYR	5.436	5.462	+0.026	+0.5	5.45	5.43	5.41	5.4
JPYMYR	2.567	2.579	+0.012	+0.5	2.6	2.61	2.62	2.63
MBSB TWRI	98.78	98.28	+0.498	+0.5	98.6	99.73	100.87	102

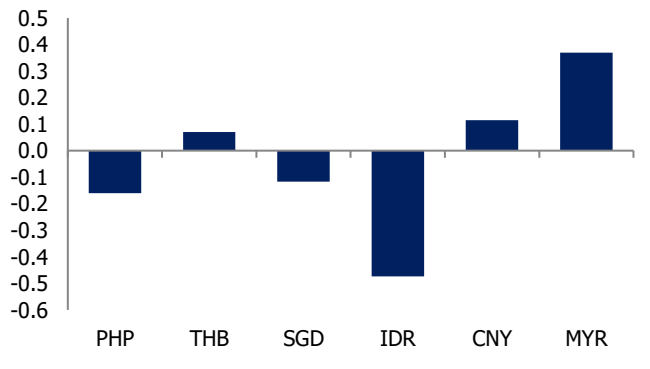
Note: "+" indicates appreciation, while "- "indicates depreciation. Quarterly figures are forecast by MBSBR. MBSB TWRI was previously known as MIDF TWRI.
Source: Bloomberg, MBSBR

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

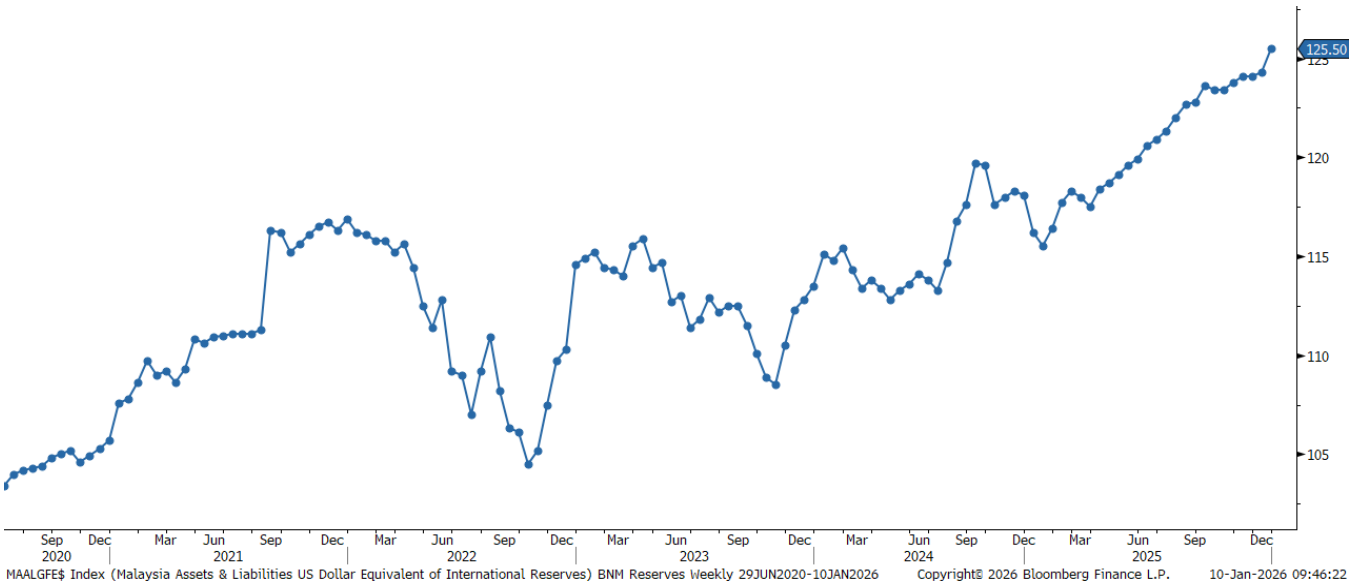
Key Economic Data Releases Last Week

Economic Indicators	Period	Actual	Previous	Consensus
United States				
ADP Employment Change	4-week to 20th Dec-25	+11.75K	+11.0K	-
Inflation rate (yoy)	Dec-25	+2.7%	+2.7%	+2.6%
Inflation rate (mom)	Dec-25	+0.3%	-	+0.3%
Core inflation (yoy)	Dec-25	+2.6%	+2.6%	+2.7%
Core inflation (mom)	Dec-25	+0.2%	-	+0.3%
PPI (mom)	Nov-25	+0.2%	+0.1%	+0.4%
Retail sales (mom)	Nov-25	+0.6%	-0.1%	+0.4%
Retail sales (yoy)	Nov-25	+3.3%	+3.3%	-
Initial jobless claims	Week ending 10th Jan	198K	207K	215K
Industrial production (yoy)	Dec-25	+0.4%	+0.4%	+0.1%
Industrial production (yoy)	Dec-25	+2.0%	+2.7%	-
Monetary Policy Decisions: Benchmark Interest rates				
Bank of Korea	Jan-26	2.50%	2.50%	Unchanged
Malaysia				
Advance GDP growth rate	4QCY25	5.7%	5.2%	5.4

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	9-Jan Fri	12-Jan Mon	13-Jan Tue	14-Jan Wed	15-Jan Thu	16-Jan Fri	Change (WoW bp)
MGS							
3-Y	3.003	2.988	2.997	2.996	3.01	3.008	0.5
5-Y	3.256	3.265	3.265	3.267	3.273	3.293	3.7
7-Y	3.418	3.418	3.445	3.44	3.44	3.466	4.8
10-Y	3.507	3.526	3.539	3.543	3.539	3.545	3.8
20-Y	3.847	3.862	3.858	3.877	3.869	3.886	3.9
RINGGIT IRS							
1-Y	3.222	3.2225	3.2305	3.23	3.23	3.278	5.6
3-Y	3.295	3.32	3.325	3.3175	3.334	3.365	7
5-Y	3.4125	3.4125	3.41	3.4063	3.435	3.465	5.25
7-Y	3.475	3.475	3.4875	3.48	3.5125	3.545	7
10-Y	3.615	3.625	3.625	3.635	3.65	3.685	7
KLIBOR							
1-M	2.99	2.99	2.99	2.99	2.99	2.98	-1
3-M	3.26	3.26	3.25	3.25	3.25	3.25	-1
UST							
3-Y	3.5873	3.5902	3.5914	3.5609	3.6165	3.653	6.57
5-Y	3.7499	3.7552	3.7518	3.7117	3.7676	3.8152	6.53
7-Y	3.9472	3.955	3.9551	3.9084	3.9577	4.0125	6.53
10-Y	4.1653	4.1752	4.1792	4.132	4.1694	4.2229	5.76
30-Y	4.8121	4.8273	4.8355	4.7838	4.7959	4.8365	2.44

Source: Bloomberg

10 MOST ACTIVELY TRADED GOVERNMENT BONDS

Name	Coupon	Maturity	9-Jan Yield	16-Jan Yield	Change (WoW bp)	Weekly Volume (RM mn)
MALAYSIA INVESTMNT ISSUE	3.726	03/31/26	2.816	2.753	-6.3	3,103.0
MALAYSIA GOVERNMENT	3.906	07/15/26	2.832	2.820	-1.2	2,870.7
MALAYSIA INVESTMNT ISSUE	4.07	09/30/26	2.851	2.854	0.3	1,920.5
MALAYSIA GOVERNMENT	3.9	11/30/26	2.876	2.877	0.1	1,759.9
MALAYSIA INVESTMNT ISSUE	3.599	07/31/28	3.093	3.118	2.5	1,525.9
MALAYSIA INVESTMNT ISSUE	3.804	10/08/31	3.340	3.358	1.8	1,511.6
MALAYSIA INVESTMNT ISSUE	3.422	09/30/27	2.997	2.995	-0.2	1,417.7
MALAYSIA GOVERNMENT	2.632	04/15/31	3.336	3.373	3.7	1,220.4
MALAYSIA GOVERNMENT	3.476	07/02/35	3.507	3.545	3.8	1,174.7
MALAYSIA GOVERNMENT	3.582	07/15/32	3.418	3.466	4.8	1,124.5
TOTAL VOLUME (TOP 10)						17,628.9
TOTAL VOLUME (Overall)						32,945.2

Source: Bloomberg

10 MOST ACTIVELY TRADED CORPORATE BONDS

Name	Coupon	Maturity	9-Jan Yield	16-Jan Yield	Change (WoW bp)	Weekly Volume (RM mn)
DANAINFRA NASIONAL	4	03/09/40	N/A	3.843	N/A	340.0
PENGURUSAN AIR SPV BHD	3.98	06/04/31	N/A	3.586	N/A	195.0
PENGURUSAN AIR SPV BHD	4.06	04/29/39	3.874	3.874	0.0	180.0
RHB BANK	ZERO	05/08/26	N/A	3.260	N/A	150.0
PRASARANA MALAYSIA BHD	4.11	08/27/36	3.663	3.651	-1.2	100.0
IMTIAZ SUKUK II BHD	3.98	05/05/32	3.768	3.739	-2.9	100.0
HONG LEONG BANK	3.78	06/20/35	N/A	3.763	N/A	100.0
AFFIN ISLAMIC BANK BHD	4.66	10/13/33	3.705	3.704	-0.1	90.3
PROJEK LEBUHRAYA USAHASA	4.8	01/12/27	3.448	3.404	-4.4	90.0
PERBADANAN TABUNG PENDI	4.03	03/07/36	3.679	3.662	-1.7	90.0
TOTAL VOLUME (TOP 10)						1,435.3
TOTAL VOLUME (Overall)						5,086.9

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