WEEKLY MONEY REVIEW

MIDF Strategy 3 February 2026

Week Ended 30 January 2026

- The UST benchmark 10-year yield ended higher last week at 4.24% (prior week: 4.22%) as the US Fed upped its macro assessment with "economic activity has been expanding at a solid pace" and "unemployment rate has shown some signs of stabilization". The 10y-3y yield spread expanded (yield curve steepened) to +65bp (prior week: +57bp) 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 higher at 2.56% (prior week: 2.47%). 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 and expectation of more Fed rate cuts.
- The price of MGS benchmark issues ended the review week mixed with the 3-year and 10-year yields added +0.5bp and unchanged +0.0bp to close at 2.99% and 3.50% respectively. The 10y-3y yield spread was unchanged at +51bp (prior week: +51bp).
- 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 -RM16.4b. It improved week-on-week from -RM18.1b registered a week ago. However, it declined year-on-year from -RM7.8b a year ago.

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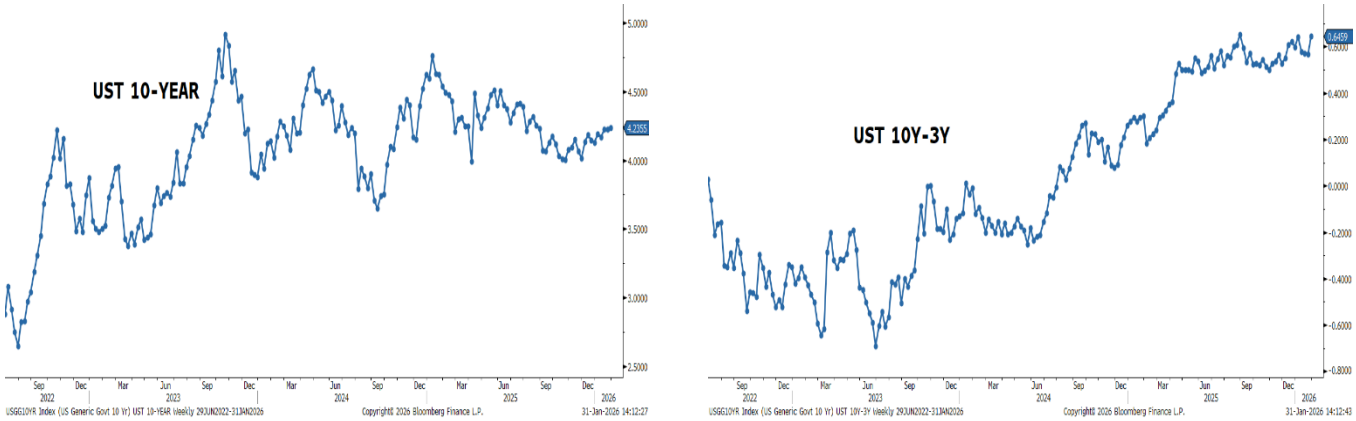
3 February 2026 | **Strategy**

Strategy Team | research@mbsb.com

WEEKLY MONEY REVIEW

A. FIXED INCOME

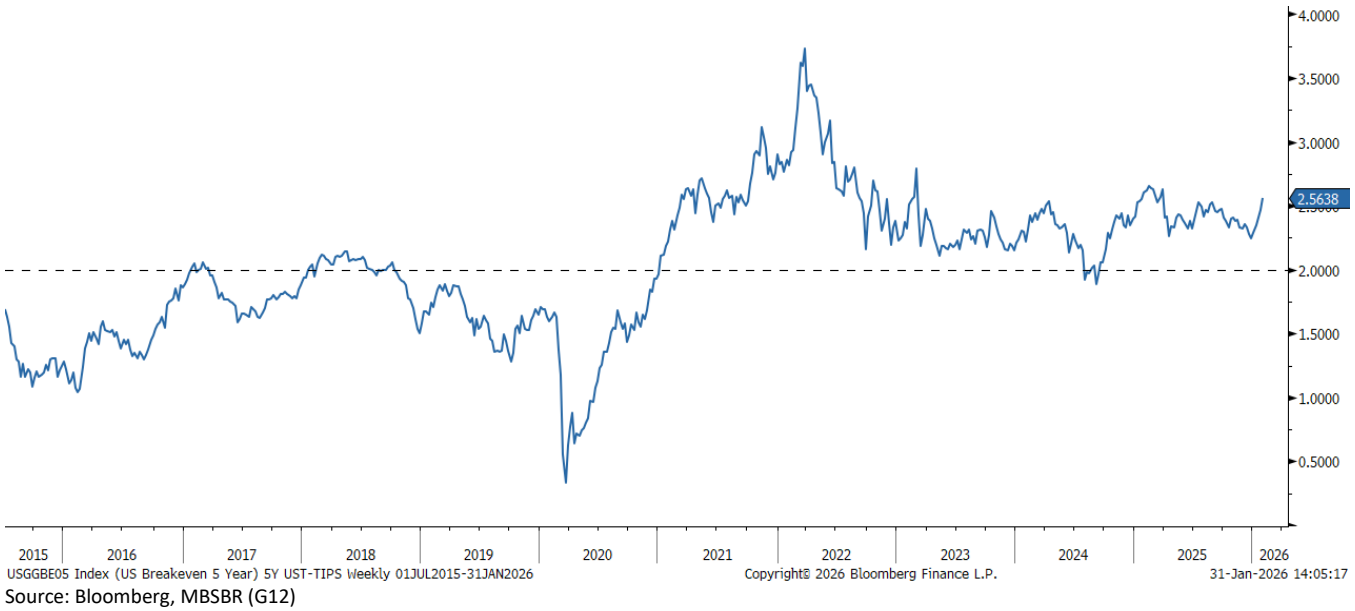
- The UST benchmark 10-year yield ended higher last week at 4.24% (prior week: 4.22%) as the US Fed upped its macro assessment with "economic activity has been expanding at a solid pace" and "unemployment rate has shown some signs of stabilization". The 10y-3y yield spread expanded (yield curve steepened) to +65bp (prior week: +57bp) 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)

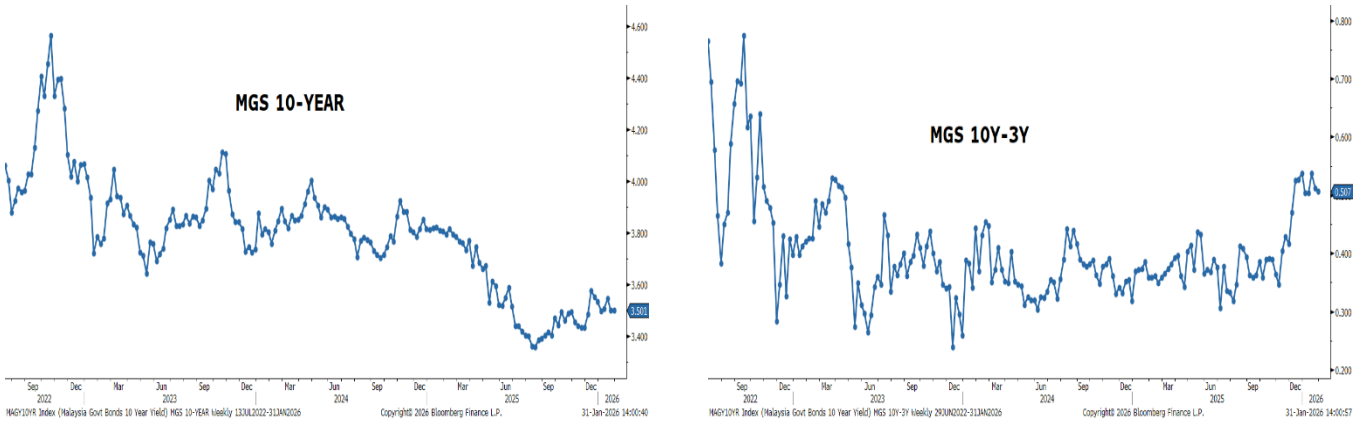
- Medium-term inflation expectation (MTIE) ended the review week higher at 2.56% (prior week: 2.47%). While the MTIE has remained above the US Fed target level of 2.00% since September last year, we nonetheless believe the market is sanguine that the underlying price pressure is easing as attested by the recent and expectation of more 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 mixed with the 3-year and 10-year yields added +0.5bp and unchanged +0.0bp to close at 2.99% and 3.50% respectively. The 10y-3y yield spread was unchanged at +51bp (prior week: +51bp).

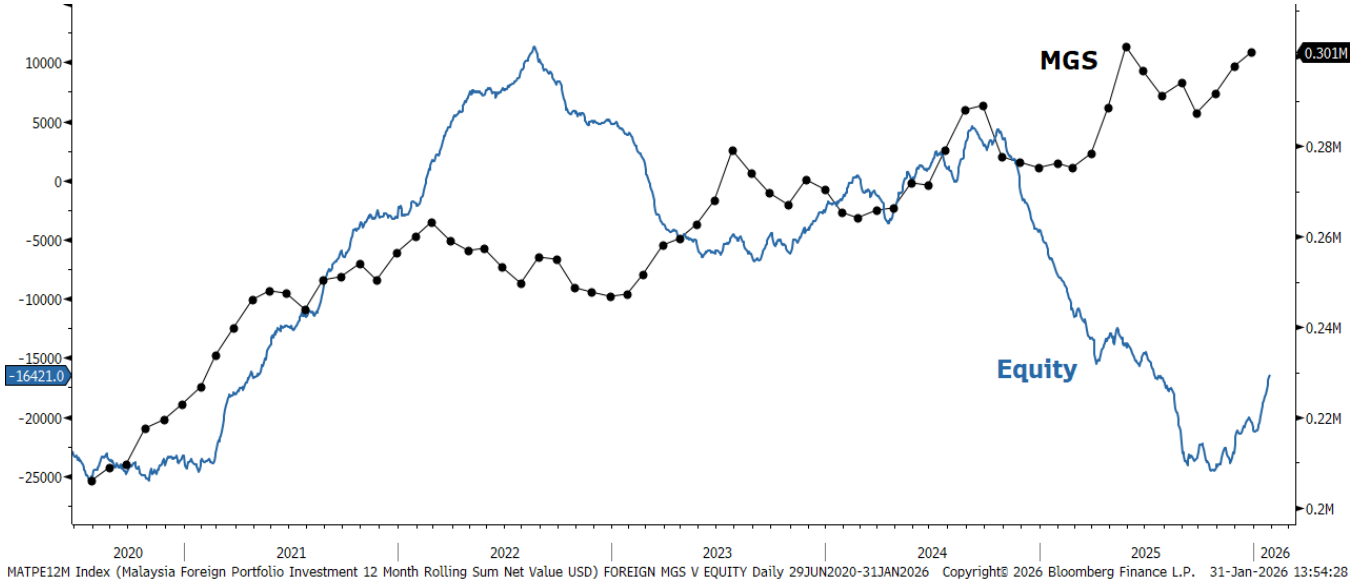


Source: Bloomberg, MBSBR (G10, G11)

- Total trading value for Government Bonds (MGS/MII) declined to RM44.8b in the review week compared to RM45.0b in the prior week (based on Bloomberg data). The total trading value of the 10 most actively traded issues was unchanged at 56% (prior week: 56%) 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 MII 3.726% 3/31/26 at RM5.8b, MGS 3.9% 11/30/26 at RM4.4b, and MGS 3.906% 7/15/26 at RM3.6b.

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 -RM16.4b. It improved week-on-week from -RM18.1b registered a week ago. However, it declined year-on-year from -RM7.8b a year ago.

- Total trading value for Corporate Bonds (Conventional & Sukuk) increased to RM5.8b in the review week compared to RM5.4b in the prior week (based on Bloomberg data). The total trading value of the 10 most actively traded issues declined (higher trading breadth) to 28% (prior week: 47%) 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 Prasarana Malaysia 4.18% 8/27/32 at RM230m, Pengurusan Air SPV 4.63% 2/5/26 at RM210m, and Prasarana Malaysia 4.2% 9/12/31 at RM200m.

B. FOREIGN EXCHANGE

- USD depreciated to nearly 4-year low. The US dollar weakened against major currencies last week as the DXY dollar index fell further by -0.6%wow to 96.99, the lowest weekly closing since late Feb-22. The dollar index even closed at 96.22 on 27th Jan-26 ahead of the decision by the FOMC to keep the target for fed funds rate unchanged at 3.50-3.75%. The reduced division among the FOMC members, with only 2 members calling for further easing, and the FOMC's better assessment of the US economy sent a less dovish signal. As a result, the greenback reversed some of the declines after the FOMC meeting as some observers repriced the timing of the rate cut by the Fed to a later time. 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 strengthened. Following further weakness in the US dollar, the euro appreciated by +0.2%wow to USD1.185, the strongest closing since Sep-21, as more encouraging economic updates supported no further easing by the ECB (later this week), with inflation hovering around the ECB's target of +2.0%. Meanwhile, the GBP also strengthened by +0.3%wow to USD1.369, the strongest weekly closing in 6 months, with market anticipating the BOE to maintain its policy rate (this week).

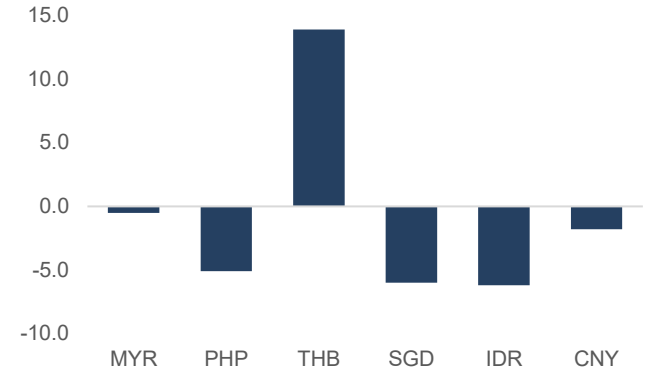
- The ringgit closed at the strongest in 7 years. The Malaysian ringgit appreciated further by +1.6%wow to RM3.945, level last seen in May 2018. The magnitude of the gains in ringgit outperformed other currencies, reflecting greater confidence on the local currencies vis-à-vis other regional currencies. While more foreign flows will be supportive of ringgit, uncertainties affecting the global financial markets and delayed rate cuts by the Fed could support dollar and therefore limit the ringgit's appreciation. 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 +0.8%wow to 100.60, mainly appreciating against Thai baht (+3.2%wow), Hong Kong dollar (+1.7%wow), and Indian rupee (+1.5%wow). In a separate release, foreign holdings of both Malaysian government and corporate bonds continued to decrease by -RM0.43b between 19th to 26th January 2026 (previous week: -RM0.22b).

Currencies Changes (Week Ended 30-Jan-2026) and Quarterly Forecasts

	Close 30/01	Prev. Close 23/01	Weekly Change	Weekly Change (%)	1QCY25	2QCY25	3QCY25	4QCY25f
DXY Index	96.99	97.60	-0.608	-0.6	98.8	97.2	96.6	96.0
EURUSD	1.185	1.183	+0.002	+0.2	1.18	1.19	1.2	1.21
GBPUSD	1.369	1.364	+0.004	+0.3	1.34	1.36	1.36	1.36
USDJPY	154.78	155.70	+0.920	+0.6	152.0	150.0	14.08	147
USDMYR	3.945	4.007	+0.062	+1.6	4.03	3.99	3.97	3.95
GBPMYR	5.419	5.421	+0.002	+0.0	5.45	5.43	5.41	5.40
JPYMYR	2.550	2.574	+0.023	+0.9	2.6	2.61	2.62	2.63
MBSB TWRI	100.60	99.79	+0.811	+0.8	98.6	99.73	100.87	102.00

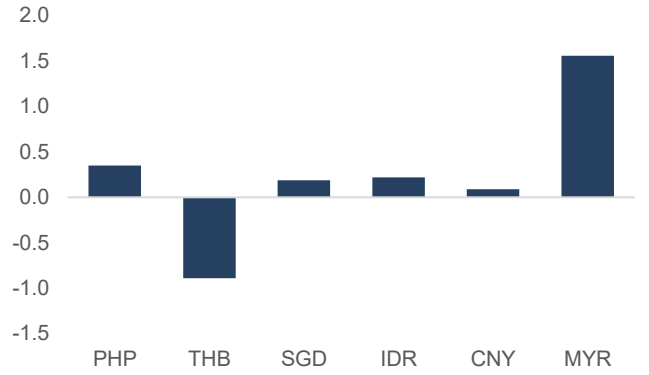
Note: "+" indicates appreciation, while "- "indicates depreciation. Quarterly figures are forecast by MBSBR. MBSB TWRI was previously known as MIDF TWRI.
Source: Bloomberg, MBSBR

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 (%)

	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

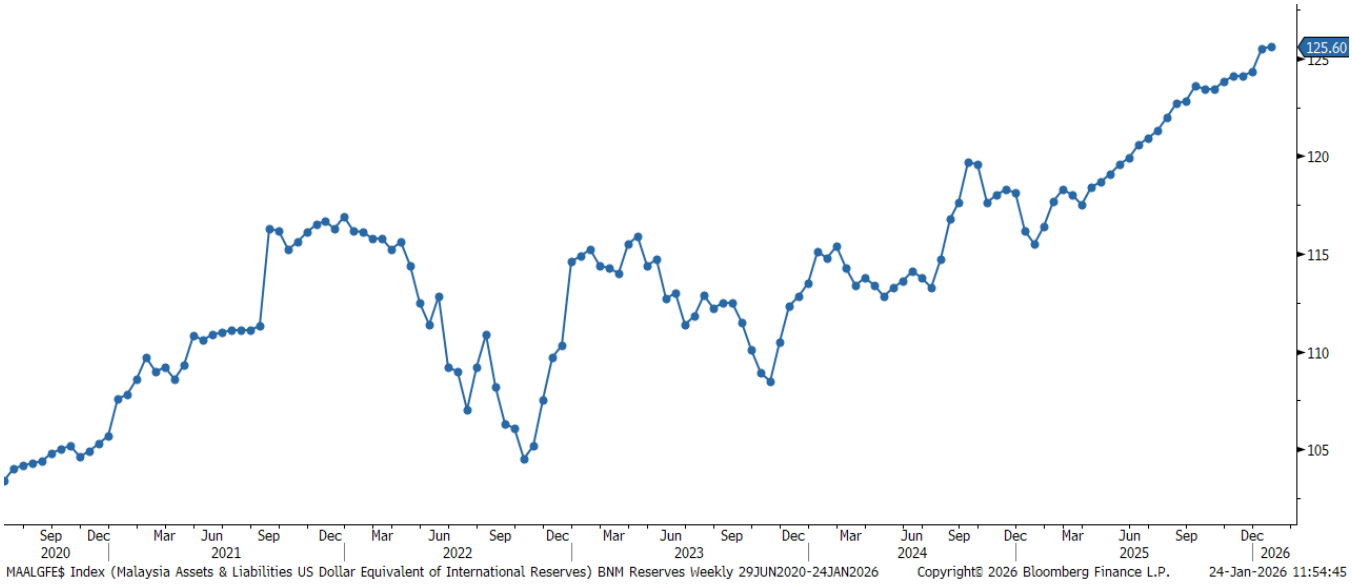
Economic Indicators	Period	Actual	Previous	Consensus
United States				
ADP Employment Change	4-week to 3rd Jan-26	+7.75K	+8.0K	-
Balance of Trade (USD b)	Nov-26	-56.8	-29.2	-40.5
Exports (USD b)	Nov-26	292.1	303.0	n.a.
Imports (USD b)	Nov-26	348.9	332.1	n.a.
Initial jobless claims	Week ending 24th Jan	209K	210K	205K
Producer Price Index (yoy)	Dec-25	+3.0	+3.0	+2.7
Core PPI (yoy)	Dec-25	+3.3	+3.1	+2.9
Producer Price Index (mom)	Dec-25	+0.5	+0.2	+0.2
Core PPI (mom)	Dec-25	+0.7	0.0	+0.2
Monetary Policy Decisions: Benchmark Interest rates				
US Federal Reserve	Jan-26	3.50 - 375%	3.50 – 3.75%	Unchanged
Central Bank of Sri Lanka	Jan-26	7.75%	7.75%	Unchanged
Malaysia				
Producer Price Index (yoy)	Dec-25	-2.7%	-1.8%	n.a.

Source: Macrobond, MBSBR

C. BNM INTERNATIONAL RESERVES

- As of 15 January 2026, compared to previous fortnight, Bank Negara Malaysia's international reserves were higher at USD125.6b (31 December 2025: USD125.5b).

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	23-Jan Fri	26-Jan Mon	27-Jan Tue	28-Jan Wed	29-Jan Thu	30-Jan Fri	Change (WoW bp)
MGS							
3-Y	2.989	2.977	2.981	3.016	3.022	2.994	0.5
5-Y	3.275	3.257	3.258	3.25	3.255	3.269	-0.6
7-Y	3.448	3.438	3.432	3.417	3.434	3.43	-1.8
10-Y	3.501	3.501	3.49	3.488	3.498	3.501	0
20-Y	3.955	3.935	3.914	3.91	3.917	3.911	-4.4
RINGGIT IRS							
1-Y	3.25	3.23	3.247	3.24	3.259	3.27	2
3-Y	3.355	3.345	3.34	3.33	3.365	3.363	0.8
5-Y	3.455	3.43	3.435	3.435	3.46	3.4625	0.75
7-Y	3.5475	3.525	3.535	3.535	3.5388	3.54	-0.75
10-Y	3.69	3.67	3.68	3.66	3.7	3.717	2.7
KLIBOR							
1-M	2.98	2.98	2.98	2.98	2.98	2.98	0
3-M	3.23	3.23	3.23	3.23	3.23	3.23	0
UST							
3-Y	3.6593	3.6538	3.6455	3.6399	3.626	3.5896	-6.97
5-Y	3.8245	3.8193	3.8282	3.828	3.8158	3.7881	-3.64
7-Y	4.0206	4.0127	4.0311	4.0285	4.0155	4.0103	-1.03
10-Y	4.2252	4.2113	4.2432	4.2432	4.2313	4.2355	1.03
30-Y	4.8264	4.802	4.8591	4.855	4.853	4.8725	4.61

Source: Bloomberg

10 MOST ACTIVELY TRADED GOVERNMENT BONDS

Name	Coupon	Maturity	23-Jan Yield	30-Jan Yield	Change (WoW bp)	Weekly Volume (RM mn)
MALAYSIA INVESTMNT ISSUE	3.726	03/31/26	2.706	2.838	13.2	5,800.0
MALAYSIA GOVERNMENT	3.9	11/30/26	2.842	2.838	-0.4	4,389.7
MALAYSIA GOVERNMENT	3.906	07/15/26	2.720	2.638	-8.2	3,546.2
MALAYSIA INVESTMNT ISSUE	4.07	09/30/26	2.848	2.812	-3.6	3,021.0
MALAYSIA INVESTMNT ISSUE	3.599	07/31/28	3.099	3.105	0.6	2,015.7
MALAYSIA GOVERNMENT	3.476	07/02/35	3.501	3.501	0.0	1,437.4
MALAYSIA GOVERNMENT	3.582	07/15/32	3.448	3.430	-1.8	1,369.0
MALAYSIA INVESTMNT ISSUE	3.612	04/30/35	3.535	3.525	-1.0	1,283.6
MALAYSIA GOVERNMENT	4.498	04/15/30	3.293	3.280	-1.3	1,253.3
MALAYSIA GOVERNMENT	2.632	04/15/31	3.346	3.340	-0.6	1,143.0
TOTAL VOLUME (TOP 10)						25,258.8
TOTAL VOLUME (Overall)						44,757.8

Source: Bloomberg

10 MOST ACTIVELY TRADED CORPORATE BONDS

Name	Coupon	Maturity	23-Jan Yield	30-Jan Yield	Change (WoW bp)	Weekly Volume (RM mn)
PRASARANA MALAYSIA BHD	4.18	08/27/32	3.543	3.507	-3.6	230.0
PENGURUSAN AIR SPV BHD	4.63	02/05/26	2.675	2.148	-52.7	210.0
PRASARANA MALAYSIA BHD	4.2	09/12/31	N/A	3.427	N/A	200.0
DANAINFRA NASIONAL	4.95	03/19/32	N/A	3.492	N/A	190.0
TNB POWER GENERATION	5.2	06/02/42	4.069	4.029	-4.0	170.0
PENGURUSAN AIR SPV BHD	4.15	02/06/26	2.959	3.092	13.3	155.0
GOVCO HOLDINGS BHD	4.95	02/20/32	N/A	3.576	N/A	140.0
TENAGA NASIONAL BERHAD	4.73	06/29/29	3.527	3.527	0.0	130.0
PENGURUSAN AIR SPV BHD	3.32	06/04/27	N/A	3.438	N/A	110.0
JAMBATAN KEDUA SDN BHD	4.2	07/28/26	N/A	3.140	N/A	105.0
TOTAL VOLUME (TOP 10)						1,640.0
TOTAL VOLUME (Overall)						5,797.4

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