WEEKLY MONEY REVIEW

# MIDF Strategy 18 May 2026

## Week Ended 15 May 2026

- The UST benchmark 10-year yield ended higher last week at 4.59% (prior week: 4.35%) in reaction to hotter than expected April CPI, PPI, and export/import prices data. The 10y-3y yield spread expanded (yield curve steepened) to +46bp (prior week: +45bp) as long-end underperformed. At week close, the interest rate futures market implied (as per CME FedWatch aggregated probabilities) 1 rate hike (prior week: 0 hike) in 2026.
- Medium-term inflation expectation (MTIE) ended the review week higher at 2.71% (prior week: 2.63%). The MTIE has remained above the US Fed target level of 2.00% since September 2024. Recently, the outlook has become more hawkish as attested by prevailing expectation of one Fed rate hike later this year.
- The price of MGS benchmark issues ended the review week lower with the 3-year and 10-year yields added +2.7bp and +1.3bp to close at 3.22% and 3.57% respectively. The 10y-3y yield spread narrowed (yield curve flattened) to +35bp (prior week: +36bp) as short-end underperformed.
- MGS foreign holdings increased month-on-month to an all-time high RM309b in April 2026 from RM305b in March 2026. Moreover, it increased year-on-year from RM289b in April 2025. On Bursa Malaysia, the 12-month rolling sum of foreign net equities trade ended the review week at -RM9.9b. It declined week-on-week from -RM8.5b registered a week ago. However, it increased year-on-year from -RM12.6b a year ago.

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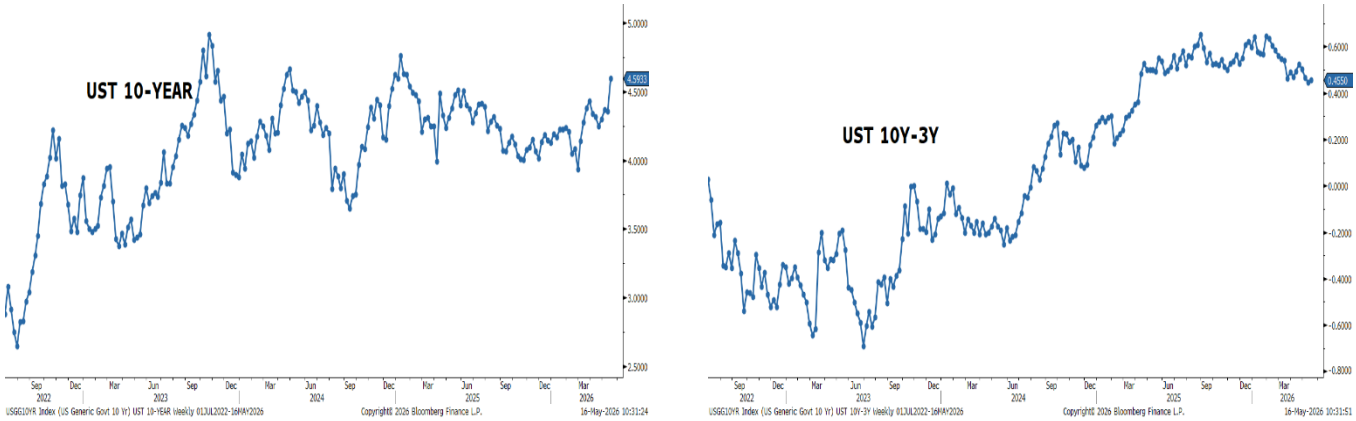
**18 May 2026 | Strategy**

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# WEEKLY MONEY REVIEW

## A. FIXED INCOME

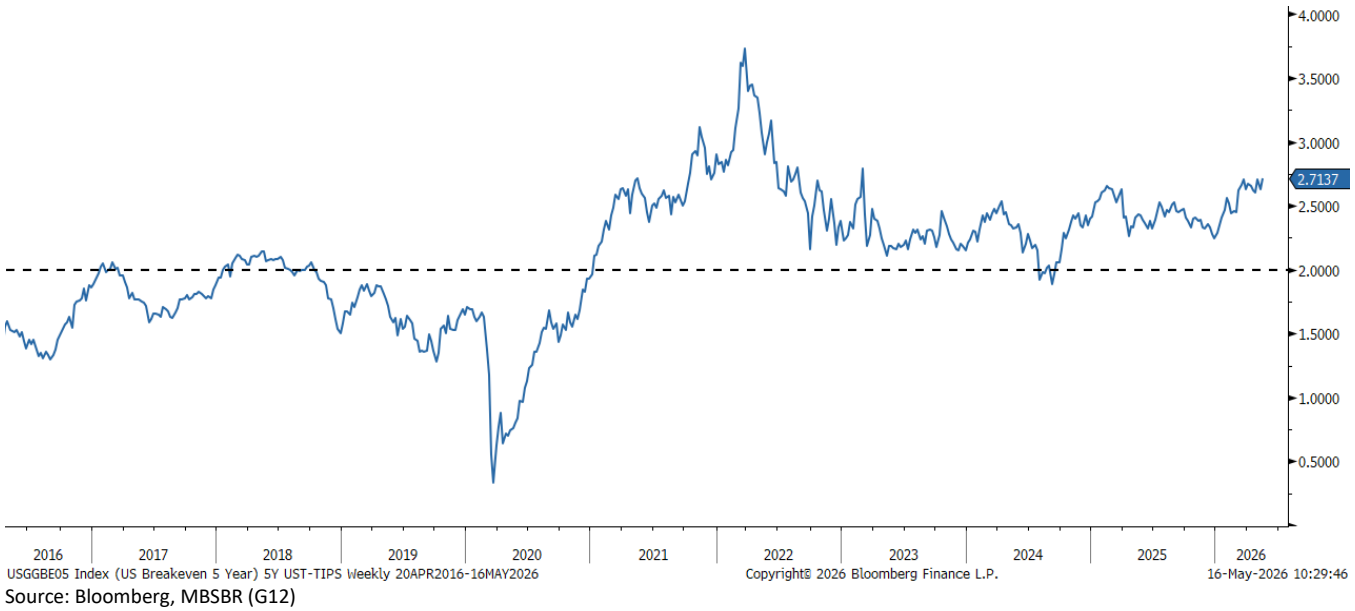
- The UST benchmark 10-year yield ended higher last week at 4.59% (prior week: 4.35%) in reaction to hotter than expected April CPI, PPI, and export/import prices data. The 10y-3y yield spread expanded (yield curve steepened) to +46bp (prior week: +45bp) as long-end underperformed. At week close, the interest rate futures market implied (as per CME FedWatch aggregated probabilities) 1 rate hike (prior week: 0 hike) in 2026.




Source: Bloomberg, MBSBR (G8, G9)

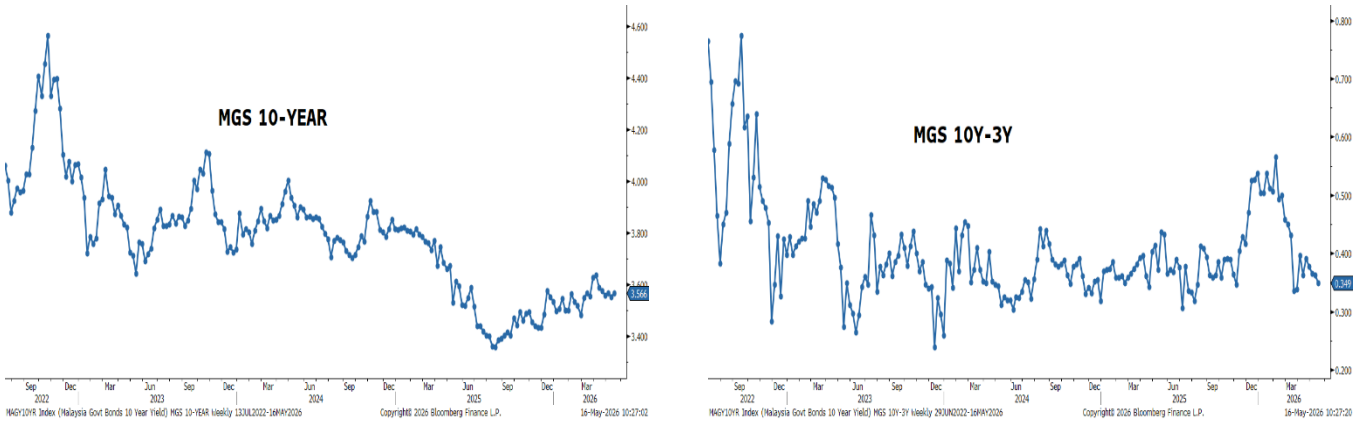
- Medium-term inflation expectation (MTIE) ended the review week higher at 2.71% (prior week: 2.63%). The MTIE has remained above the US Fed target level of 2.00% since September 2024. Recently, the outlook has become more hawkish as attested by prevailing expectation of one Fed rate hike later this year.

**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 +2.7bp and +1.3bp to close at 3.22% and 3.57% respectively. The 10y-3y yield spread narrowed (yield curve flattened) to +35bp (prior week: +36bp) as short-end underperformed.

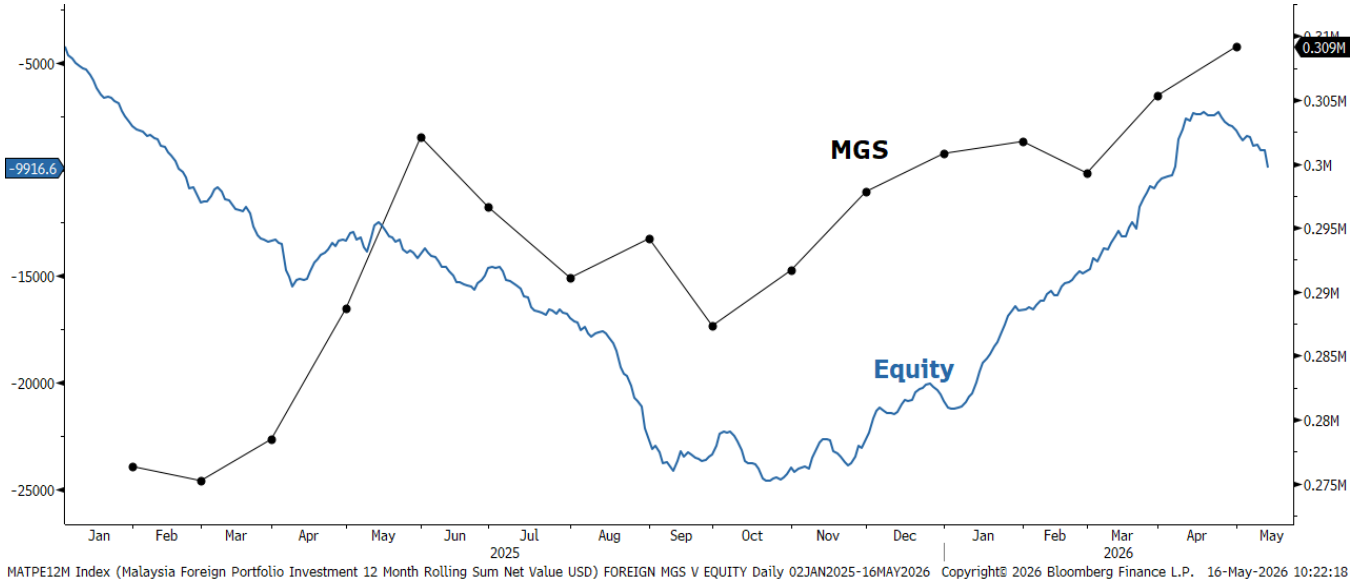



Source: Bloomberg, MBSBR (G10, G11)

- Total trading value for Government Bonds (MGS/MII) declined to RM31.1b in the review week compared to RM33.7b in the prior week (based on Bloomberg data). The total trading value of the 10 most actively traded issues was unchanged at 65% (prior week: 65%) 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 MII 4.07% 9/30/26 at RM4.2b, MGS 3.906% 7/15/26 at RM3.8b, and MGS 3.9% 11/30/26 at RM3.6b.

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




MATPE12M Index (Malaysia Foreign Portfolio Investment 12 Month Rolling Sum Net Value USD) FOREIGN MGS V EQUITY Daily 02JAN2025-16MAY2026 Copyright© 2026 Bloomberg Finance L.P. 16-May-2026 10:22:18
Source: Bloomberg, MBSBR (G13)

- MGS foreign holdings increased month-on-month to an all-time high RM309b in April 2026 from RM305b in March 2026. Moreover, it increased year-on-year from RM289b in April 2025. On Bursa Malaysia, the 12-month rolling sum of foreign net equities trade ended the review week at -RM9.9b. It declined week-on-week from -RM8.5b registered a week ago. However, it increased year-on-year from -RM12.6b a year ago.

- Total trading value for Corporate Bonds (Conventional & Sukuk) declined to RM2.7b in the review week compared to RM4.3b in the prior week (based on Bloomberg data). The total trading value of the 10 most actively traded issues declined (higher trading breadth) to 25% (prior week: 32%) of the overall Corporate Bonds trade.

- The top 3 actively traded Corporate Bonds were dominated by issues of mid residual tenor. The top 3 most actively traded were Sunway Treasury Sukuk 4% 8/15/31 at RM120m, DRB-Hicom 5.05% 8/6/31 at RM100m, and SP Setia 3.91% 1/26/33 at RM90m.

## B. FOREIGN EXCHANGE

- USD appreciated. The US dollar strengthened against major currencies last week as the DXY dollar index closed up +1.4%wow at 99.28. The dollar index has been trending higher throughout the week, as investors reacted to the higher-than-expected inflation data for both headline and core readings, alongside the higher PPI data, causing market participants to reprice their FFR expectations this year. Investors are now pricing in a slightly more hawkish trajectory towards the end of this year, while the UST10Y yield hit the highest level since Sep-26, with the yield curve shifting higher. Meanwhile, investors reacted positively to the US-China Summit developments. We expect investors will remain focused on Straits of Hormuz developments this week. While volatility continues to drive a flight to safety, waning appetite for US assets could redirect safe haven flows elsewhere. We expect the Japanese yen, euro, and gold to gain traction as investors rotate out of the US dollar in the medium term.

- EUR and GBP weakened last week. Following the stronger US dollar, the euro weakened by -1.4%wow to USD1.163, as GDP growth estimates were lower than expected. Meanwhile, the pound sterling weakened by -2.2%wow to USD1.333, despite GDP growth being stronger than expected.

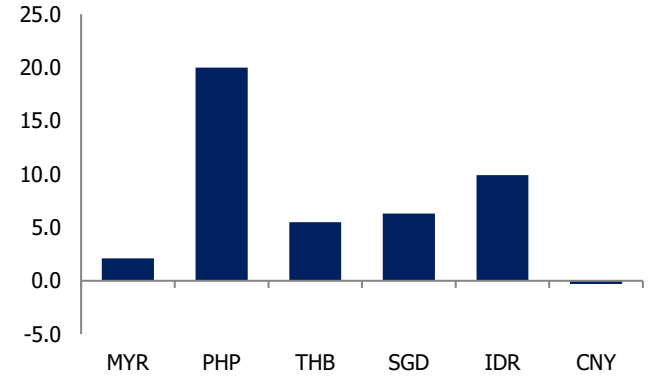
- The ringgit depreciated. The Malaysian ringgit weakened last week by +0.9%wow to RM3.957. It remained below the RM4.00 mark and traded between RM3.915 and RM3.957 last week. The weaker ringgit was partly driven by the stronger US dollar, but with some supports from encouraging data releases: the domestic GDP growth in 1QCY26 came in stronger than market expectations and the advance estimates; retail sales were still robust supported by the festive season demand; and the labour market condition remained stable. On a broader picture, the ringgit was virtually unchanged against the currencies of Malaysia's major trading partners, with our MBSB Trade-Weighted Ringgit Index (TWRI) being rather flat and closing at 101.85, mainly appreciating against the Korean won (+1.7%wow), the Philippines peso (+1.0%wow), and the Indian rupee (+0.7%wow). In a separate release, foreign holdings of both Malaysian government and corporate bonds fell by -RM1.48b between 4th to 11th May 2026, reversing the +RM1.5b inflow recorded in the previous week; as a result, the outstanding value declined to RM309.7b (Previous: RM308.2b).

**Currencies Changes (Week Ended 15-May-2026) and Quarterly Forecasts**

| | Close 15/05 | Prev. Close 08/05 | Weekly Change | Weekly Change (%) | 1QCY25 | 2QCY25 | 3QCY25 | 4QCY25f |
|---|---|---|---|---|---|---|---|---|
| DXY Index | 99.28 | 97.90 | +1.384 | +1.4 | 98.5 | 97.2 | 96.6 | 96.0 |
| EURUSD | 1.163 | 1.179 | -0.016 | -1.4 | 1.18 | 1.19 | 1.2 | 1.21 |
| GBPUSD | 1.333 | 1.363 | -0.031 | -2.2 | 1.34 | 1.36 | 1.36 | 1.36 |
| USDJPY | 158.7 | 156.7 | -2.060 | -1.3 | 152.0 | 150.0 | 14.08 | 147 |
| USDMYR | 3.957 | 3.921 | -0.035 | -0.9 | 3.96 | 3.95 | 3.91 | 3.87 |
| GBPMYR | 5.281 | 5.339 | +0.057 | +1.1 | 5.45 | 5.43 | 5.41 | 5.40 |
| JPYMYR | 2.491 | 2.503 | +0.012 | +0.5 | 2.6 | 2.61 | 2.62 | 2.63 |
| MBSB TWRI | 101.85 | 101.84 | +0.013 | +0.0 | 98.6 | 99.73 | 100.87 | 102.00 |

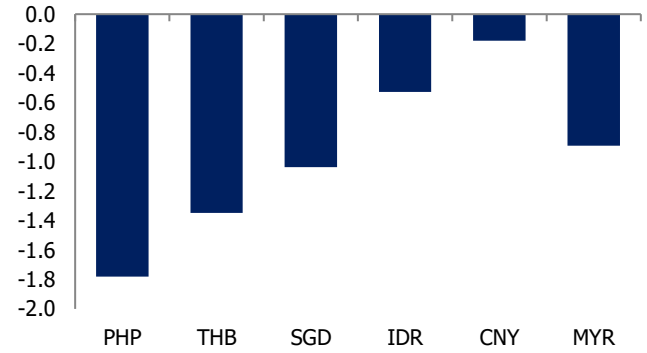
Note: "+" indicates appreciation, while "- "indicates depreciation. Quarterly figures are forecast by MBSBR. MBSB TWRI was previously known as MIDF TWRI.
Source: Bloomberg, MBSBR

**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 (%)**

| | Sep-25 | Oct-25 | Nov-25 | Dec-25 | Jan-25 | Feb-25 | Mar-25 | Apr-25 | May-25 |
|---|---|---|---|---|---|---|---|---|---|
| Malaysia | 2.75 | 2.75 | 2.75 | 2.75 | 2.75 | 2.75 | 2.75 | 2.75 | 2.75 |
| Indonesia | 4.75 | 4.75 | 4.75 | 4.75 | 4.75 | 4.75 | 4.75 | 4.75 | 4.75 |
| Philippines | 5.00 | 4.75 | 4.75 | 4.50 | 4.50 | 4.25 | 4.25 | 4.25 | 4.25 |
| Thailand | 1.50 | 1.50 | 1.50 | 1.25 | 1.25 | 1.00 | 1.00 | 1.00 | 1.00 |
| 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 | 5.50 | 5.50 | 5.50 | 5.25 | 5.25 | 5.25 | 5.25 | 5.25 | 5.25 |
| Japan | 0.50 | 0.50 | 0.50 | 0.75 | 0.75 | 0.75 | 0.75 | 0.75 | 0.75 |
| UK | 4.00 | 4.00 | 4.00 | 3.75 | 3.75 | 3.75 | 3.75 | 3.75 | 3.75 |
| Euro area | 2.15 | 2.15 | 2.15 | 2.15 | 2.15 | 2.15 | 2.15 | 2.15 | 2.15 |
| USA | 4.00-4.25 | 3.75-4.00 | 3.75-4.00 | 3.50-3.75 | 3.50-3.75 | 3.50-3.75 | 3.50-3.75 | 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 | Ending-Apr-26 | 33K | 30.25K | n.a |
| Initial Jobless Claims | Week ending 4th Apr | 211K | 199K | 205K |
| Inflation (yoy) | Apr-26 | 3.8 | 3.3 | 3.7 |
| Core inflation (yoy) | Apr-26 | 2.8 | 2.6 | 2.7 |
| Producer price index (yoy) | Apr-26 | 6.0 | 4.3 | 4.9 |
| Core producer price index (yoy) | Apr-26 | 5.2 | 4.0 | 4.3 |
| Initial Jobless Claims | Apr-26 | 200K | 190K | 205.0K |
| Retail sales (yoy) | Apr-26 | 4.9 | 4.2 | 3.3 |
| Manufacturing production (yoy) | Apr-26 | 1.3 | 0.6 | n.a |
| Industrial production (yoy) | Apr-26 | 1.4 | 0.7 | n.a |
| **Malaysia** | | | | |
| Retail sales (yoy) | Mar-26 | 7.5 | 7.7 | - |
| Unemployment Rate (%) | Mar-26 | 2.9 | 2.9 | 2.9 |
| Construction output (%) | 1Q26 | 8.5 | 10.3 | 7.6 |
| GDP (yoy) | 1Q26 | 5.4 | 6.2 | 5.3 |
| Current account | 1Q26 | +RM15.2b | +RM2.7B | n.a |

Source: Macrobond, MBSBR

## C. BNM INTERNATIONAL RESERVES

- As of 30 April 2026, compared to previous fortnight, Bank Negara Malaysia's international reserves were higher at USD129.7b (15 April 2026: USD128.8b).

**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 | 8-May Fri | 11-May Mon | 12-May Tue | 13-May Wed | 14-May Thu | 15-May Fri | Change (WoW bp) |
|---|---|---|---|---|---|---|---|
| MGS | | | | | | | |
| 3-Y | 3.19 | 3.199 | 3.21 | 3.214 | 3.206 | 3.217 | 2.7 |
| 5-Y | 3.337 | 3.345 | 3.356 | 3.371 | 3.361 | 3.38 | 4.3 |
| 7-Y | 3.434 | 3.448 | 3.447 | 3.481 | 3.472 | 3.491 | 5.7 |
| 10-Y | 3.553 | 3.553 | 3.573 | 3.579 | 3.579 | 3.566 | 1.3 |
| 20-Y | 3.947 | 3.944 | 3.951 | 3.95 | 3.947 | 3.95 | 0.3 |
| RINGGIT IRS | | | | | | | |
| 1-Y | 3.345 | 3.355 | 3.36 | 3.375 | 3.37 | 3.39 | 4.5 |
| 3-Y | 3.395 | 3.395 | 3.405 | 3.418 | 3.415 | 3.44 | 4.5 |
| 5-Y | 3.455 | 3.46 | 3.475 | 3.48 | 3.4775 | 3.5 | 4.5 |
| 7-Y | 3.545 | 3.55 | 3.555 | 3.555 | 3.565 | 3.58 | 3.5 |
| 10-Y | 3.675 | 3.68 | 3.6875 | 3.695 | 3.6925 | 3.695 | 2 |
| KLIBOR | | | | | | | |
| 1-M | 3 | 3 | 3 | 3 | 3 | 3 | 0 |
| 3-M | 3.35 | 3.35 | 3.35 | 3.35 | 3.35 | 3.35 | 0 |
| UST | | | | | | | |
| 3-Y | 3.9084 | 3.9769 | 4.0257 | 4.0201 | 4.0593 | 4.1384 | 23 |
| 5-Y | 4.0024 | 4.0728 | 4.1259 | 4.1171 | 4.1526 | 4.258 | 25.56 |
| 7-Y | 4.1756 | 4.2411 | 4.2937 | 4.2872 | 4.3109 | 4.4252 | 24.96 |
| 10-Y | 4.3541 | 4.4134 | 4.463 | 4.4688 | 4.4816 | 4.5934 | 23.93 |
| 30-Y | 4.9338 | 4.9855 | 5.0242 | 5.0337 | 5.0264 | 5.1157 | 18.19 |

Source: Bloomberg

## 10 MOST ACTIVELY TRADED GOVERNMENT BONDS

| Name | Coupon | Maturity | 8-May Yield | 15-May Yield | Change (WoW bp) | Weekly Volume (RM mn) |
|---|---|---|---|---|---|---|
| MALAYSIA INVESTMNT ISSUE | 4.07 | 09/30/26 | 2.886 | 2.922 | 3.6 | 4,156.6 |
| MALAYSIA GOVERNMENT | 3.906 | 07/15/26 | 2.847 | 2.910 | 6.3 | 3,789.1 |
| MALAYSIA GOVERNMENT | 3.9 | 11/30/26 | 2.923 | 2.914 | -0.9 | 3,620.0 |
| MALAYSIA INVESTMNT ISSUE | 3.612 | 04/30/35 | 3.572 | 3.594 | 2.2 | 2,220.0 |
| MALAYSIA GOVERNMENT | 2.632 | 04/15/31 | 3.350 | 3.380 | 3.0 | 1,620.7 |
| MALAYSIA GOVERNMENT | 3.502 | 05/31/27 | 3.043 | 3.085 | 4.2 | 1,291.9 |
| MALAYSIA INVESTMNT ISSUE | 3.599 | 07/31/28 | 3.165 | 3.180 | 1.5 | 1,044.1 |
| MALAYSIA GOVERNMENT | 3.519 | 04/20/28 | 3.197 | 3.167 | -3.0 | 868.9 |
| MALAYSIA GOVERNMENT | 3.733 | 06/15/28 | 3.148 | 3.195 | 4.7 | 855.1 |
| MALAYSIA INVESTMNT ISSUE | 3.804 | 10/08/31 | 3.354 | 3.358 | 0.4 | 766.5 |
| TOTAL VOLUME (TOP 10) | | | | | | 20,232.7 |
| TOTAL VOLUME (Overall) | | | | | | 31,098.9 |

Source: Bloomberg

## 10 MOST ACTIVELY TRADED CORPORATE BONDS

| Name | Coupon | Maturity | 8-May Yield | 15-May Yield | Change (WoW bp) | Weekly Volume (RM mn) |
|---|---|---|---|---|---|---|
| SUNWAY TREASURY SUKUK SD | 4 | 08/15/31 | 3.838 | 3.819 | -1.9 | 125.0 |
| DRB-HICOM BHD | 5.05 | 08/06/31 | 4.296 | 3.809 | -48.7 | 100.0 |
| SP SETIA BERHAD | 3.91 | 01/26/33 | 3.779 | 3.798 | 1.9 | 90.0 |
| PENGURUSAN AIR SPV BHD | 4.02 | 02/05/37 | 3.867 | 3.958 | 9.1 | 65.0 |
| SUNWAY TREASURY SUKUK SD | 3.96 | 04/23/32 | 3.860 | 3.846 | -1.4 | 60.0 |
| SARAWAK ENERGY BHD | 4.85 | 01/19/27 | 3.397 | 3.360 | -3.7 | 50.0 |
| DANAINFRA NASIONAL | 4.89 | 05/25/32 | N/A | 3.617 | N/A | 50.0 |
| DANAINFRA NASIONAL | 4.15 | 01/31/30 | N/A | 3.404 | N/A | 50.0 |
| SMALL MEDIUM ENT BANK | 4.05 | 05/30/28 | 3.529 | 3.526 | -0.3 | 50.0 |
| IJM TREASURY MANAGEMENT | 4.4 | 03/21/39 | 4.051 | 4.079 | 2.8 | 50.0 |
| TOTAL VOLUME (TOP 10) | | | | | | 690.0 |
| TOTAL VOLUME (Overall) | | | | | | 2,722.0 |

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 |