WEEKLY MONEY REVIEW

MBSB Strategy 25 May 2026

Week Ended 22 May 2026

- The UST benchmark 10-year yield ended lower last week at 4.56% (prior week: 4.59%) as crude oil prices dropped after President Trump said that the US was in the "final stages" of negotiations with Iran. The 10y-3y yield spread narrowed (yield curve flattened) to +39bp (prior week: +46bp) as long-end outperformed. At week close, the interest rate futures market implied (as per CME FedWatch aggregated probabilities) 1 rate hike (prior week: 1 hike) in 2026.
- Medium-term inflation expectation (MTIE) ended the review week lower at 2.54% (prior week: 2.71%). 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 +1.3bp and +4.0bp to close at 3.23% and 3.61% respectively. The 10y-3y yield spread expanded (yield curve steepened) to +38bp (prior week: +35bp) as long-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 -RM11.8b. It declined week-on-week from -RM9.9b registered a week ago. However, it increased year-on-year from -RM13.2b a year ago.

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

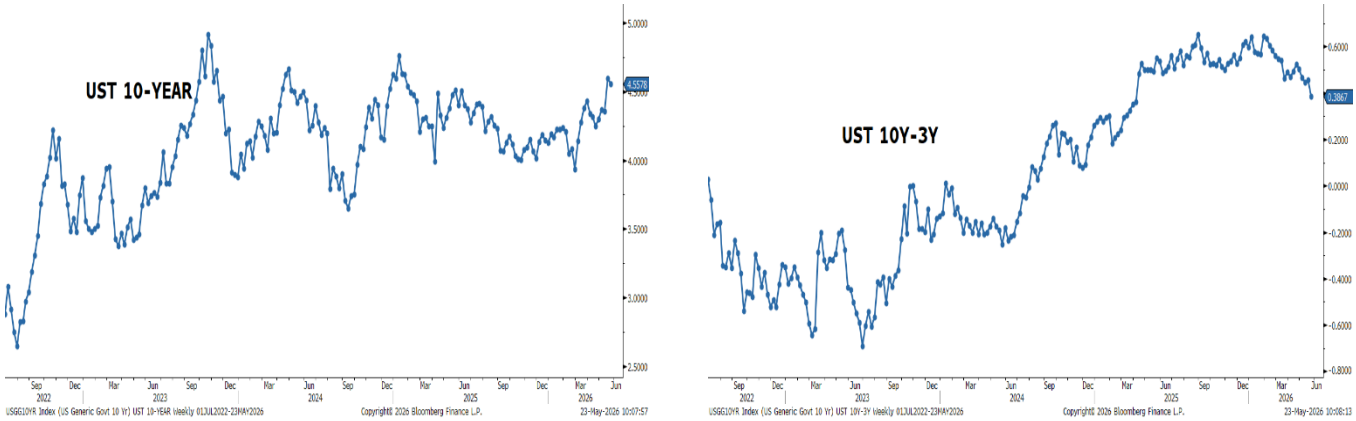
25 May 2026 | Strategy

Strategy Team | research@mbsb.com

WEEKLY MONEY REVIEW

A. FIXED INCOME

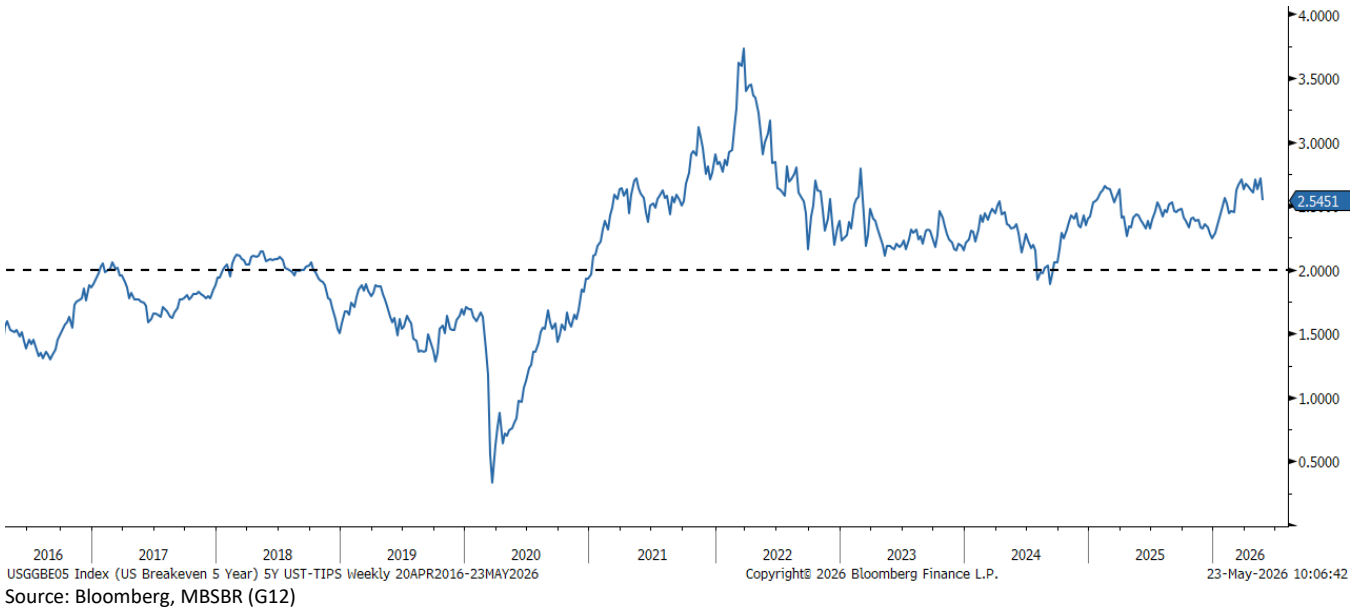
- The UST benchmark 10-year yield ended lower last week at 4.56% (prior week: 4.59%) as crude oil prices dropped after President Trump said that the US was in the "final stages" of negotiations with Iran. The 10y-3y yield spread narrowed (yield curve flattened) to +39bp (prior week: +46bp) as long-end outperformed. At week close, the interest rate futures market implied (as per CME FedWatch aggregated probabilities) 1 rate hike (prior week: 1 hike) in 2026.



Source: Bloomberg, MBSBR (G8, G9)

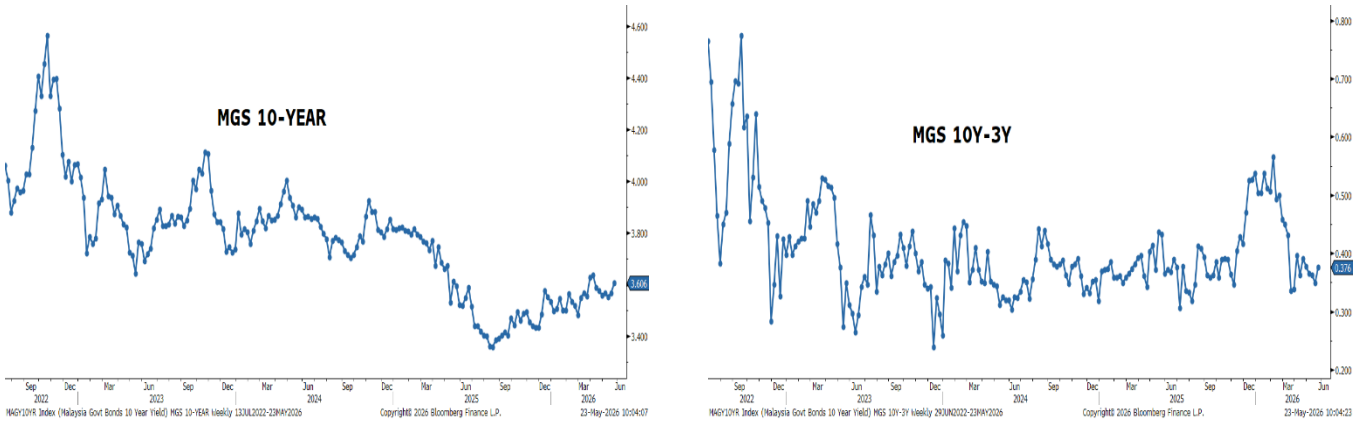
- Medium-term inflation expectation (MTIE) ended the review week lower at 2.54% (prior week: 2.71%). The MTIE has remained above the US Fed target level of 2.00% since September 2024. Recently, the outlook has become more hawkish as attested by prevailing expectation of one Fed rate hike later this year.

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 +1.3bp and +4.0bp to close at 3.23% and 3.61% respectively. The 10y-3y yield spread expanded (yield curve steepened) to +38bp (prior week: +35bp) as long-end underperformed.

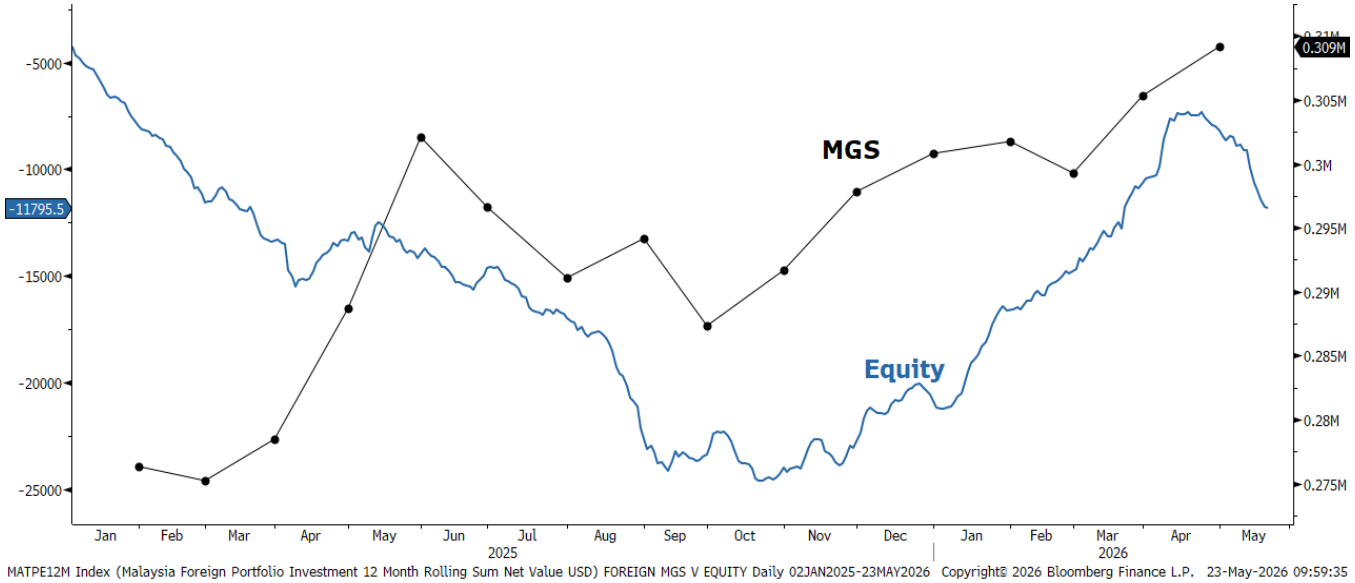


Source: Bloomberg, MBSBR (G10, G11)

- Total trading value for Government Bonds (MGS/MII) increased to RM36.4b in the review week compared to RM31.1b in the prior week (based on Bloomberg data). The total trading value of the 10 most actively traded issues declined (higher trading breadth) to 63% (prior week: 65%) of the overall Government Bonds trade. Moreover, 6 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 and mid residual tenor. The top 3 most actively traded were MII 4.07% 9/30/26 at RM4.2b, MGS 2.632% 4/15/31 at RM3.7b, and MII 3.612% 4/30/35 at RM2.5b.

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



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 -RM11.8b. It declined week-on-week from -RM9.9b registered a week ago. However, it increased year-on-year from -RM13.2b a year ago.

- Total trading value for Corporate Bonds (Conventional & Sukuk) increased to RM5.2b in the review week compared to RM2.7b in the prior week (based on Bloomberg data). The total trading value of the 10 most actively traded issues increased (lower trading breadth) to 27% (prior week: 25%) 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 Prasarana Malaysia 4.11% 8/27/36 at RM270m, SP Setia 4.0% 1/25/36 at RM160m, and MRCB 4.24% 4/10/31 at RM160m.

B. FOREIGN EXCHANGE

- USD depreciated. The US dollar weakened against major currencies last week as the DXY dollar index closed relatively lower at 99.24. The dollar index movements were rather volatile, as investors weighed the possibility of a near-term deal to end the Middle East war. On top of that, initial jobless claims data continue to indicate resilient labour market conditions. However, the Michigan Consumer Sentiment Index recorded the third straight monthly decline in May-26, signalling weaker sentiment. While the market expectations priced in 40% probability for a rate hike at the end of the year due to higher inflation concerns, the UST10Y yield eased lower towards the end of the week due to optimism that the potential US-Iran agreement will allow the Strait of Hormuz to reopen soon. We expect investors will continue to focus on the Straits of Hormuz developments for this week, especially any development of a deal between the US and Iran. While volatility continues to drive a flight to safety, diminished appetite for US assets may redirect safe-haven flows. We expect the Japanese yen, euro, and gold to gain traction as investors rotate out of the US dollar in the medium term.

- GBP strengthened but EUR weakened. As the US dollar weakened, the GBP strengthened by +0.8%wow to USD1.343, despite the UK inflation easing lower to +2.8%wow. Meanwhile, the euro weakened by -0.2%wow to USD1.160 with the latest data euro area Composite PMI indicating weaker activities, as both services and manufacturing PMIs declined.

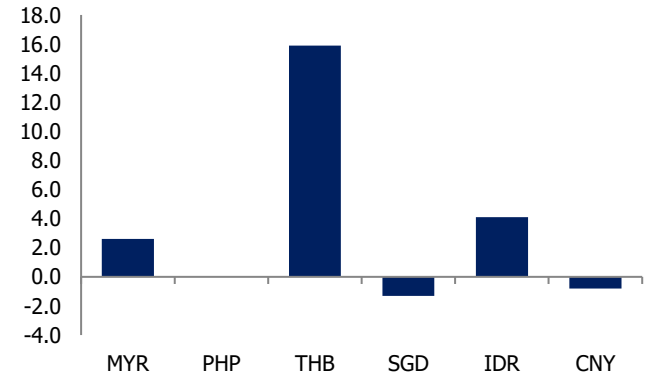
- Ringgit depreciated. The Malaysian ringgit declined last week by -0.3%wow to RM3.969, remaining below the RM4.00 mark and traded between RM3.90 to RM3.98 last week. The stronger ringgit was partly influenced by the performance of the domestic data, as external trade data grew stronger than expected, and the inflation figures were higher but within expectations. The weakening of ringgit in general reflected some strengthening in US dollar due to heightened expectations for rate hike. On a broader picture, the ringgit also weakened against the currencies of Malaysia's major trading partners, with our MBSB Trade-Weighted Ringgit Index (TWRI) declining by -0.2%wow, mainly weakening against the Indian rupee (-0.6%wow), Chinese yuan (-0.5%wow), and the Philippine peso (-0.4%wow). We expect that the ringgit would average around RM3.94 for this month and ending the month within the RM3.95 to RM3.98 range. In a separate release, foreign holdings of both the Malaysian government and corporate bonds declined by -2.0b (previous: -RM1.4b) between 11th to 18th May, another weekly outflow which led to the outstanding value declining to RM307.9b (previous: RM308.1b).

Currencies Changes (Week Ended 22-May-2026) and Quarterly Forecasts

	Close 22/05	Prev. Close 15/05	Weekly Change	Weekly Change (%)	1QCY25	2QCY25	3QCY25	4QCY25f
DXY Index	99.24	99.28	-0.045	-0.0	98.5	97.2	96.6	96.0
EURUSD	1.160	1.163	-0.002	-0.2	1.18	1.19	1.2	1.21
GBPUSD	1.343	1.333	+0.011	+0.8	1.34	1.36	1.36	1.36
USDJPY	159.2	158.7	-0.440	-0.3	152.0	150.0	14.08	147
USDMYR	3.969	3.957	-0.012	-0.3	3.96	3.95	3.91	3.87
GBPMYR	5.329	5.281	-0.047	-0.9	5.45	5.43	5.41	5.40
JPYMYR	2.492	2.491	-0.001	-0.1	2.6	2.61	2.62	2.63
MBSB TWRI	101.67	101.85	-0.180	-0.2	98.6	99.73	100.87	102.00

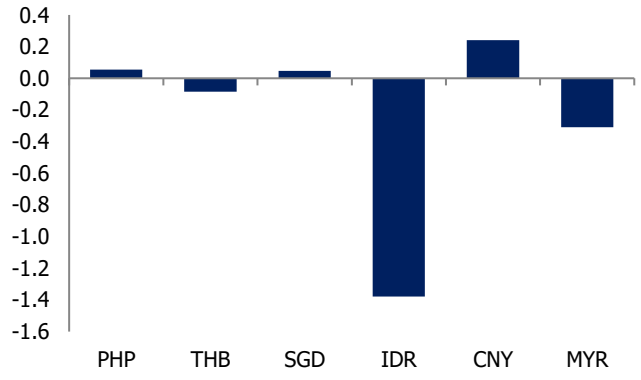
Note: "+" indicates appreciation, while "- "indicates depreciation. Quarterly figures are forecast by MBSBR. MBSB TWRI was previously known as MBSB TWRI.
Source: Bloomberg, MBSBR

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	5.25
Philippines	5.00	4.75	4.75	4.50	4.50	4.25	4.25	4.50	4.50
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

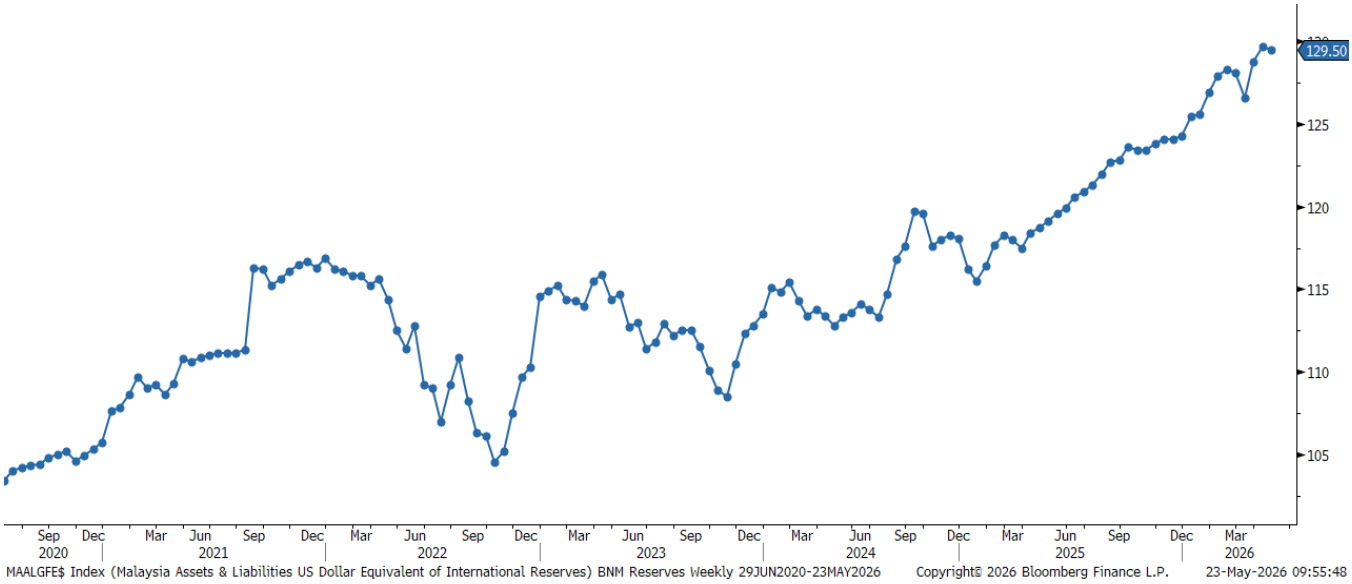
Economic Indicators	Period	Actual	Previous	Consensus
United States				
ADP Employment Change	May-26	42.2K	33K	n.a
Initial Jobless Claims	Week ending 15th May	209K	212K	210K
S&P Global Composite PMI	May-26	51.7	51.7	52.0
S&P Global Manufacturing PMI	May-26	55.3	54.5	53.8
S&P Global Services PMI	May-26	50.9	51.0	51.1
Michigan Consumer Sentiment	May-26	48.2	49.8	49.5
Monetary Policy Decisions: Benchmark Interest rates				
People's Bank of China (1 year)	May-26	3.00%	3.00%	Unchanged
Bank of Indonesia	May-26	5.25% (+50bps)	4.75%	5.00% (+25bps)
Central Bank of Egypt	May-26	19.0%	19.0%	Unchanged
Malaysia				
Inflation rate (yoy %)	Apr-26	1.9	1.7	1.9
Exports (yoy %)	Apr-26	36.5	8.4	9.0
Imports (yoy %)	Apr-26	20.0	10.4	2.5

Source: Macrobond, MBSBR

C. BNM INTERNATIONAL RESERVES

- As of 15 May 2026, compared to previous fortnight, Bank Negara Malaysia's international reserves were lower at USD129.5b (30 April 2026: USD129.7b).

BNM INTERNATIONAL RESERVES



Source: Bloomberg, MBSBR (G14)

- The number of reserves is sufficient to finance 4.6 months of imports of goods & services and is 0.9 times total short-term external debt.

APPENDIX

WEEKLY INTEREST RATE MONITOR

Tenor	15-May Fri	18-May Mon	19-May Tue	20-May Wed	21-May Thu	22-May Fri	Change (WoW bp)
MGS							
3-Y	3.217	3.236	3.223	3.227	3.228	3.23	1.3
5-Y	3.38	3.405	3.42	3.425	3.407	3.407	2.7
7-Y	3.491	3.529	3.532	3.536	3.536	3.571	8
10-Y	3.566	3.595	3.605	3.612	3.605	3.606	4
20-Y	3.95	3.954	3.965	3.972	3.968	3.969	1.9
RINGGIT IRS							
1-Y	3.39	3.395	3.39	3.4037	3.4025	3.4	1
3-Y	3.44	3.44	3.45	3.4725	3.472	3.4813	4.13
5-Y	3.5	3.515	3.528	3.56	3.56	3.55	5
7-Y	3.58	3.597	3.615	3.63	3.645	3.6425	6.25
10-Y	3.695	3.731	3.7	3.775	3.765	3.765	7
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	4.1384	4.1189	4.2009	4.1248	4.1391	4.1711	3.27
5-Y	4.258	4.235	4.3263	4.2442	4.2444	4.2576	-0.04
7-Y	4.4252	4.4079	4.4961	4.4108	4.4042	4.4018	-2.34
10-Y	4.5934	4.5874	4.6663	4.5855	4.5696	4.5578	-3.56
30-Y	5.1157	5.123	5.1806	5.123	5.0919	5.0641	-5.16

Source: Bloomberg

10 MOST ACTIVELY TRADED GOVERNMENT BONDS

Name	Coupon	Maturity	15-May Yield	22-May Yield	Change (WoW bp)	Weekly Volume (RM mn)
MALAYSIA INVESTMNT ISSUE	4.07	09/30/26	2.922	2.911	-1.1	4,186.9
MALAYSIA GOVERNMENT	2.632	04/15/31	3.380	3.433	5.3	3,711.6
MALAYSIA INVESTMNT ISSUE	3.612	04/30/35	3.594	3.635	4.1	2,495.3
MALAYSIA GOVERNMENT	3.9	11/30/26	2.914	2.931	1.7	2,436.5
MALAYSIA GOVERNMENT	3.582	07/15/32	3.491	3.528	3.7	2,156.9
MALAYSIA GOVERNMENT	3.502	05/31/27	3.085	3.075	-1.0	2,067.6
MALAYSIA GOVERNMENT	4.893	06/08/38	3.819	3.857	3.8	1,511.3
MALAYSIA INVESTMNT ISSUE	3.599	07/31/28	3.180	3.196	1.6	1,479.1
MALAYSIA GOVERNMENT	3.906	07/15/26	2.910	2.905	-0.5	1,421.9
MALAYSIA GOVERNMENT	3.844	04/15/33	3.572	3.571	-0.1	1,366.3
TOTAL VOLUME (TOP 10)						22,833.3
TOTAL VOLUME (Overall)						36,388.9

Source: Bloomberg

10 MOST ACTIVELY TRADED CORPORATE BONDS

Name	Coupon	Maturity	15-May Yield	22-May Yield	Change (WoW bp)	Weekly Volume (RM mn)
PRASARANA MALAYSIA BHD	4.11	08/27/36	N/A	3.799	N/A	270.0
SP SETIA BERHAD	4	01/25/36	3.928	3.968	4.0	160.0
MALAYSIAN RESOURCES CORP	4.24	04/10/31	N/A	3.977	N/A	160.0
IJM TREASURY MANAGEMENT	4.18	03/20/40	4.139	4.125	-1.4	140.0
IMTIAZ SUKUK II BHD	3.98	05/05/32	3.859	3.870	1.1	135.0
AXIS REIT SUKUK TWO BHD	3.95	01/05/33	N/A	3.846	N/A	130.0
MR DIY GROUP M BHD	3.92	05/08/36	3.899	3.895	-0.4	110.0
DANAINFRA NASIONAL	4.1	05/05/36	N/A	3.798	N/A	100.0
GOVCO HOLDINGS BHD	4.55	02/22/27	N/A	3.217	N/A	90.0
MKD KENCANA SDN BHD	4.53	04/12/41	N/A	4.051	N/A	90.0
TOTAL VOLUME (TOP 10)						1,385.0
TOTAL VOLUME (Overall)						5,168.9

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