FIXED INCOME AND FX WEEKLY

# MBSB Strategy 8 June 2026

## Week Ended 5 June 2026

- The UST benchmark 10-year yield ended higher last week at 4.53% (prior week: 4.44%) as investors reacted to stronger-than-expected May jobs data which reinforced the likelihood of a Fed rate hike later this year. The 10y-3y yield spread narrowed (yield curve flattened) to +33bp (prior week: +38bp) as short-end underperformed due to its higher sensitivity to potential policy rate action. 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 2.48% (prior week: 2.54%). 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 +2.1bp and +1.0bp to close at 3.25% and 3.57% respectively. The 10y-3y yield spread narrowed (yield curve flattened) to +32bp (prior week: +33bp) 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 -RM12.3b. It was unchanged week-on-week from -RM12.3b registered a week ago. However, it improved year-on-year from -RM14.3b a year ago.

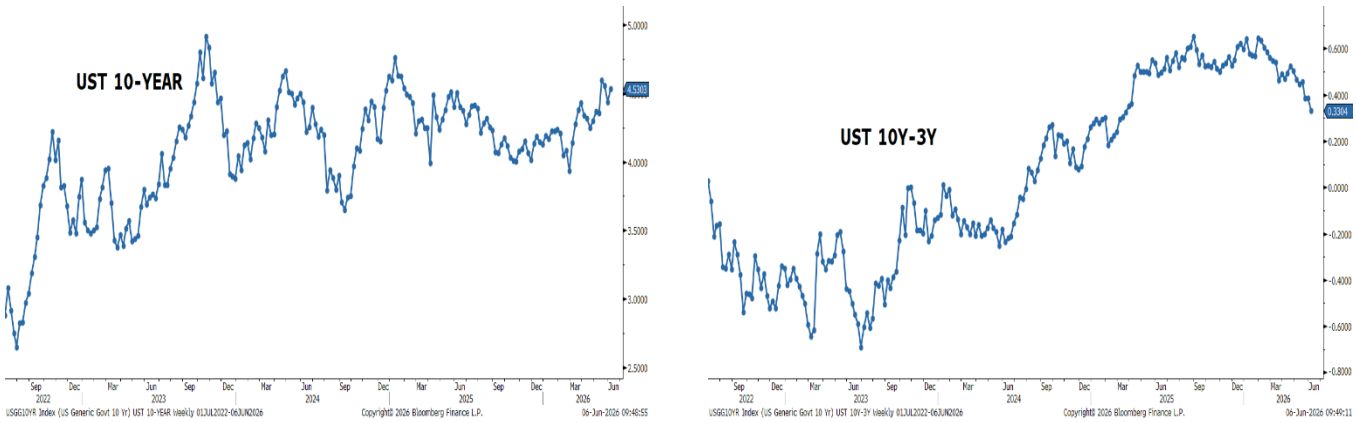
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**8 June 2026** | **Strategy** Strategy Team | research@mbsb.com

# FIXED INCOME AND FX WEEKLY REVIEW

## A. FIXED INCOME

- The UST benchmark 10-year yield ended higher last week at 4.53% (prior week: 4.44%) as investors reacted to stronger-than-expected May jobs data which reinforced the likelihood of a Fed rate hike later this year. The 10y-3y yield spread narrowed (yield curve flattened) to +33bp (prior week: +38bp) as short-end underperformed due to its higher sensitivity to potential policy rate action. 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)

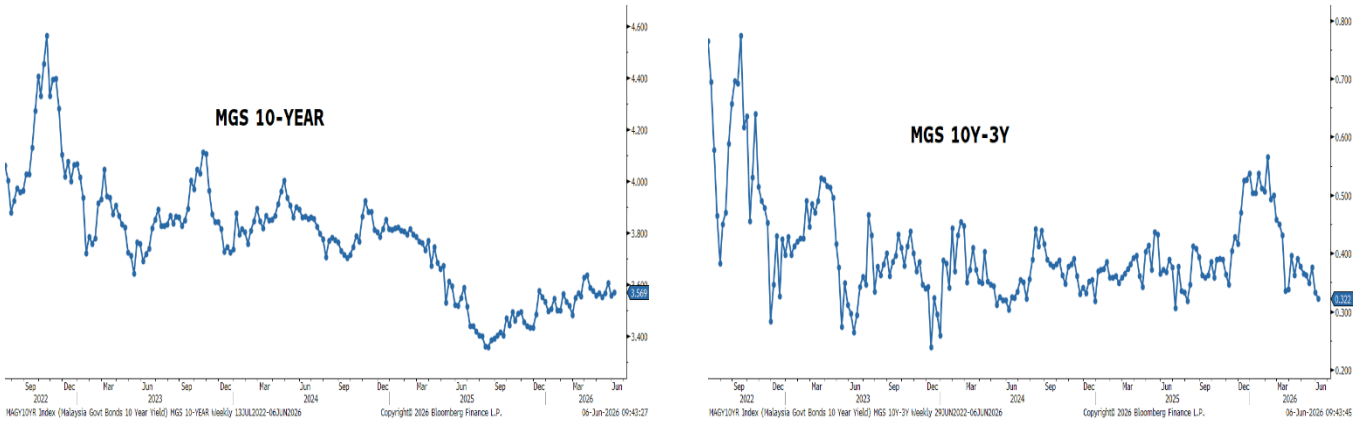
- Medium-term inflation expectation (MTIE) ended the review week lower at 2.48% (prior week: 2.54%). The MTIE has remained above the US Fed target level of 2.00% since September 2024. Recently, the outlook has become more hawkish as attested by prevailing expectation of one Fed rate hike later this year.

**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 +2.1bp and +1.0bp to close at 3.25% and 3.57% respectively. The 10y-3y yield spread narrowed (yield curve flattened) to +32bp (prior week: +33bp) as short-end underperformed.

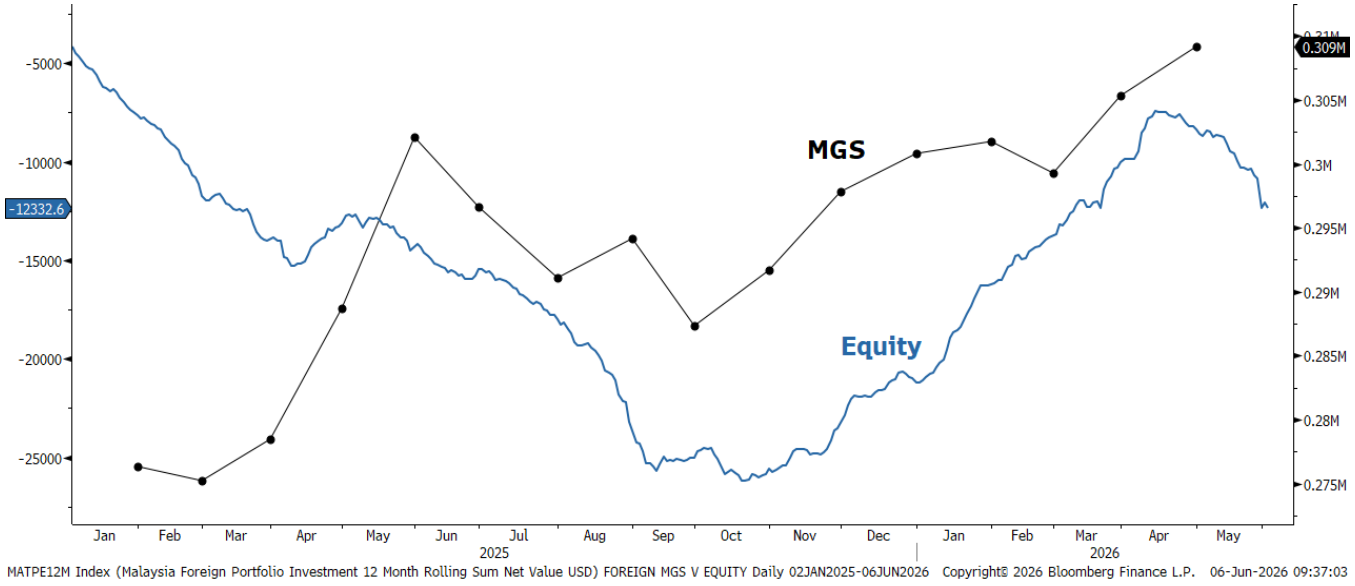



Source: Bloomberg, MBSBR (G10, G11)

- Total trading value for Government Bonds (MGS/MII) declined to RM20.5b in the review week compared to RM23.6b 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: 63%) of the overall Government Bonds trade. Moreover, 10 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 RM2.0b, MGS 3.9% 11/30/26 at RM1.7b, and MGS 3.237% 3/15/29 at RM1.4b.

**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 -RM12.3b. It was unchanged week-on-week from -RM12.3b registered a week ago. However, it improved year-on-year from -RM14.3b a year ago.

- Total trading value for Corporate Bonds (Conventional & Sukuk) declined to RM2.2b 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: 64%) 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 SMJ Energy 4.67% 10/26/38 at RM70m, OSK Rated Bond 4.59% 9/15/33 at RM61m, and Maybank 3.1% 10/8/32 at RM60m.

## B. FOREIGN EXCHANGE

- USD appreciated. The US dollar appreciated against major currencies last week as the DXY dollar index closed higher by +1.1%wow to 100.07, back to above the 100 level on the final day of the week. The dollar index traced higher at the end of the week, driven by the resilient labour market data, which boosted market expectations for the Fed to keep rates unchanged or take into account the possibility of a rate hike scenario for this year. The non-farm payroll (NFP) more than doubled against the market expectations (NFP: +172K vs consensus: +85K), and the unemployment rate was unchanged at 4.3%. The CME Fed watch currently indicated a potential upside risk to the FFR by +25bps in Dec-26 (probability: 47%). Additionally, demand for safe-haven assets remained strong due to ongoing uncertainty surrounding the stagnant US-Iran ceasefire negotiations. We expect that the Strait of Hormuz continues to dominate the narrative this week, as the market looks for signs of a breakthrough in US-Iran negotiations. While volatility typically favours the dollar, diminishing demand for US-denominated assets could redefine the current flight to safety. As investors rotate their portfolios, we look for gold, the yen, and the euro to capture safe haven flows over the medium term.

- Both the GBP and EUR weakened. As the US dollar strengthened, the GBP weakened by -0.8%wow to USD1.334, while the EUR weakened by -1.2%wow to USD1.152, weighed down by the weaker 3rd GDP estimate despite the higher inflation.

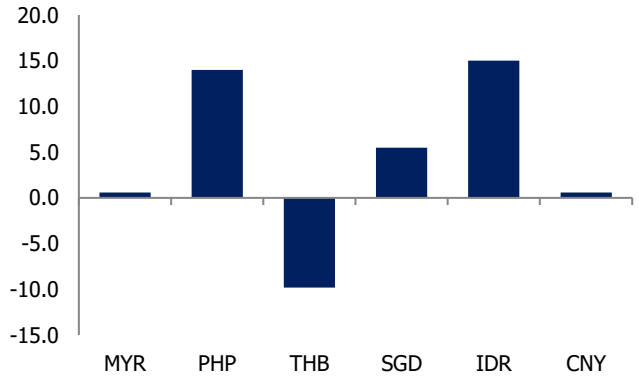
- The ringgit depreciated. The Malaysian ringgit weakened last week by -1.6%wow to RM4.030, breaking back above the RM4.00 level and traded between RM3.96 to RM4.03 last week. The weaker ringgit was driven by stronger demand of the USD, as the market priced in higher odds for the FFR hike. On top of that, the ringgit performance was also influenced by the May-26 PMI data that signalled a slight contraction in manufacturing activities from the 4-year high in Apr-26, amid subdued demand. On a broader picture, the ringgit weakened against the currencies of Malaysia's major trading partners, with our MBSB Trade-Weighted Ringgit Index (TWRI) declining by -1.2%wow to 100.2, mainly weakening against the Philippine peso (-2.1%wow), United Arab Emirates Dirham (-1.6%wow), and Vietnamese Dong (-1.6%wow). In a separate release, foreign holdings of both the Malaysian government and corporate bonds declined by -RM0.9b (previous: -RM2.0b) between the 26th of May to 1st June 2026, another weekly outflow which led to the outstanding value increasing to RM304.9b (previous: 305.8b).

**Currencies Changes (Week Ended 6-June-2026) and Quarterly Forecasts**

| | Close 06/05 | Prev. Close 29/05 | Weekly Change | Weekly Change (%) | 1QCY25 | 2QCY25 | 3QCY25 | 4QCY25f |
|---|---|---|---|---|---|---|---|---|
| DXY Index | 100.07 | 98.94 | +1.127 | +1.1 | 98.5 | 97.2 | 96.6 | 96.0 |
| EURUSD | 1.152 | 1.166 | -0.014 | -1.2 | 1.18 | 1.19 | 1.2 | 1.21 |
| GBPUSD | 1.334 | 1.346 | -0.011 | -0.8 | 1.34 | 1.36 | 1.36 | 1.36 |
| USDJPY | 160.3 | 159.3 | -1.020 | -0.6 | 152.0 | 150.0 | 14.08 | 147 |
| USDMYR | 4.030 | 3.965 | -0.066 | -1.6 | 3.96 | 3.95 | 3.91 | 3.87 |
| GBPMYR | 5.426 | 5.319 | -0.107 | -2.0 | 5.45 | 5.43 | 5.41 | 5.40 |
| JPYMYR | 2.514 | 2.490 | -0.024 | -1.0 | 2.6 | 2.61 | 2.62 | 2.63 |
| MBSB TWRI | 100.20 | 101.46 | -1.261 | -1.2 | 98.6 | 99.73 | 100.87 | 102.00 |

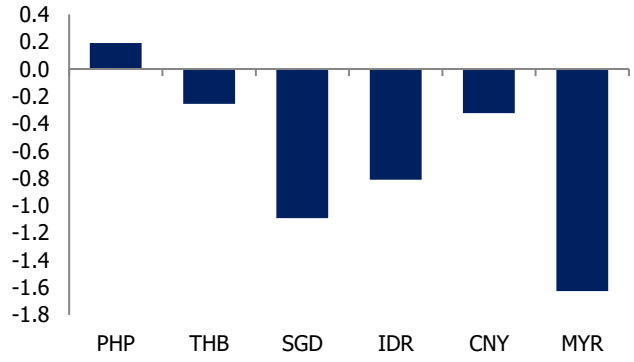
Note: "+" indicates appreciation, while "- "indicates depreciation. Quarterly figures are forecast by MBSBR. MBSB TWRI was previously known as MIDF TWRI.
Source: Bloomberg, MBSBR

**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 (%)**

| | Oct-25 | Nov-25 | Dec-25 | Jan-26 | Feb-26 | Mar-26 | Apr-26 | May-26 | Jun-26 |
|---|---|---|---|---|---|---|---|---|---|
| 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 | 5.25 | 5.25 |
| Philippines | 4.75 | 4.75 | 4.50 | 4.50 | 4.25 | 4.25 | 4.50 | 4.50 | 4.50 |
| Thailand | 1.50 | 1.50 | 1.25 | 1.25 | 1.00 | 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 | 5.25 | 5.25 | 5.25 | 5.25 | 5.25 | 5.25 | 5.25 |
| Japan | 0.50 | 0.50 | 0.75 | 0.75 | 0.75 | 0.75 | 0.75 | 0.75 | 0.75 |
| UK | 4.00 | 4.00 | 3.75 | 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 | 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 | 3.50-3.75 |

Source: Bloomberg, MBSBR

**Key Economic Data Releases Last Week**

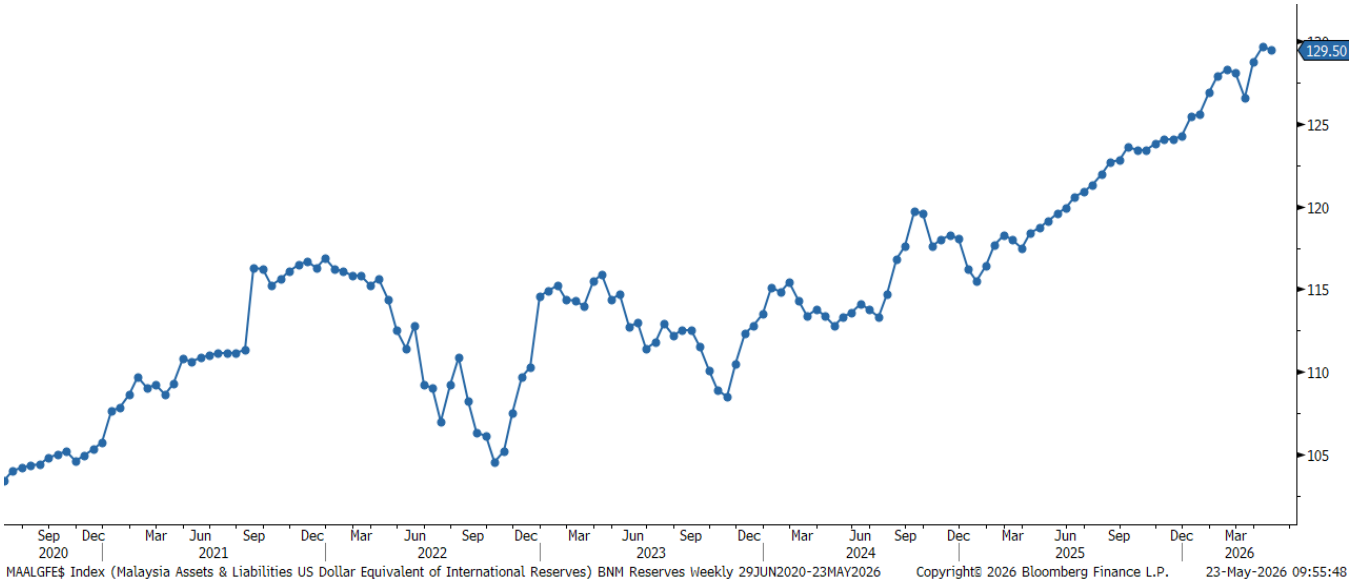
| Economic Indicators | Period | Actual | Previous | Consensus |
|---|---|---|---|---|
| **United States** | | | | |
| ADP Employment Change | May-26 | +122K | +105K | +117K |
| Initial Jobless Claims | Week ending May | 225K | 210K | 212K |
| S&P Global Manufacturing PMI | May-26 | 55.1 | 54.5 | 55.3 |
| S&P Global Composite PMI | May-26 | 51.5 | 51.7 | 51.7 |
| S&P Global Services PMI | May-26 | 50.7 | 51.0 | 50.9 |
| ISM Manufacturing PMI | May-26 | 48.6 | 46.4 | n.a |
| JOLTS Job openings | Apr-26 | 7.61M | 6.88M | 6.88M |
| ISM Manufacturing PMI | May-26 | 48.6 | 46.4 | n.a |
| Non-farm Payrolls | 1QCY26 | +172K | +179K | +85K |
| Unemployment rate (%) | May-26 | 4.3 | 4.3 | 4.3 |
| **Monetary Policy Decisions: Benchmark Interest rates** | | | | |
| Reserve Bank of India | Jun-26 | 5.25% | 5.25% | Unchanged |
| Central Bank of Kazakhstan | Jun-26 | 17.0% | 18.0% | Cut (-100bps) |
| **Malaysia** | | | | |
| S&P Global Manufacturing PMI | May-26 | 49.9 | 51.6 | n.a |

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 | 29-May Fri | 1-Jun Mon | 2-Jun Tue | 3-Jun Wed | 4-Jun Thu | 5-Jun Fri | Change (WoW bp) |
|---|---|---|---|---|---|---|---|
| MGS | | | | | | | |
| 3-Y | 3.226 | 3.226 | 3.226 | 3.236 | 3.244 | 3.247 | 2.1 |
| 5-Y | 3.399 | 3.399 | 3.399 | 3.407 | 3.401 | 3.414 | 1.5 |
| 7-Y | 3.513 | 3.513 | 3.513 | 3.508 | 3.529 | 3.55 | 3.7 |
| 10-Y | 3.559 | 3.559 | 3.559 | 3.547 | 3.56 | 3.569 | 1 |
| 20-Y | 3.954 | 3.954 | 3.954 | 3.946 | 3.965 | 3.953 | -0.1 |
| RINGGIT IRS | | | | | | | |
| 1-Y | 3.4 | 3.4 | 3.4 | 3.401 | 3.4 | 3.4135 | 1.35 |
| 3-Y | 3.465 | 3.465 | 3.465 | 3.465 | 3.45 | 3.465 | 0 |
| 5-Y | 3.525 | 3.525 | 3.525 | 3.535 | 3.5375 | 3.5375 | 1.25 |
| 7-Y | 3.62 | 3.62 | 3.62 | 3.615 | 3.61 | 3.605 | -1.5 |
| 10-Y | 3.745 | 3.745 | 3.745 | 3.735 | 3.735 | 3.725 | -2 |
| KLIBOR | | | | | | | |
| 1-M | 3 | 3 | 3 | 3 | 3 | 3 | 0 |
| 3-M | 3.35 | 3.35 | 3.35 | 3.35 | 3.35 | 3.36 | 1 |
| UST | | | | | | | |
| 3-Y | 4.0501 | 4.0815 | 4.0873 | 4.1331 | 4.0962 | 4.1999 | 14.98 |
| 5-Y | 4.1407 | 4.1652 | 4.1687 | 4.216 | 4.1844 | 4.2672 | 12.65 |
| 7-Y | 4.2813 | 4.3022 | 4.3009 | 4.352 | 4.3257 | 4.3929 | 11.16 |
| 10-Y | 4.4355 | 4.4532 | 4.4433 | 4.4946 | 4.4729 | 4.5303 | 9.48 |
| 30-Y | 4.9716 | 4.9696 | 4.9555 | 4.9917 | 4.9746 | 4.9957 | 2.41 |

Source: Bloomberg

## 10 MOST ACTIVELY TRADED GOVERNMENT BONDS

| Name | Coupon | Maturity | 29-May Yield | 5-Jun Yield | Change (WoW bp) | Weekly Volume (RM mn) |
|---|---|---|---|---|---|---|
| MALAYSIA GOVERNMENT | 3.906 | 07/15/26 | 2.888 | 2.942 | 5.4 | 1,980.0 |
| MALAYSIA GOVERNMENT | 3.9 | 11/30/26 | 2.914 | 2.969 | 5.5 | 1,729.2 |
| MALAYSIA GOVERNMENT | 3.237 | 03/15/29 | 3.226 | 3.247 | 2.1 | 1,428.9 |
| MALAYSIA GOVERNMENT | 3.476 | 07/02/35 | 3.559 | 3.569 | 1.0 | 1,043.2 |
| MALAYSIA GOVERNMENT | 3.502 | 05/31/27 | 3.070 | 3.103 | 3.3 | 1,012.1 |
| MALAYSIA INVESTMNT ISSUE | 3.599 | 07/31/28 | 3.192 | 3.218 | 2.6 | 981.6 |
| MALAYSIA INVESTMNT ISSUE | 3.804 | 10/08/31 | 3.401 | 3.413 | 1.2 | 788.7 |
| MALAYSIA INVESTMNT ISSUE | 4.07 | 09/30/26 | 2.922 | 2.968 | 4.6 | 782.8 |
| MALAYSIA GOVERNMENT | 4.642 | 11/07/33 | 3.572 | 3.581 | 0.9 | 705.4 |
| MALAYSIA GOVERNMENT | 3.885 | 08/15/29 | 3.254 | 3.281 | 2.7 | 678.8 |
| TOTAL VOLUME (TOP 10) | | | | | | 11,130.8 |
| TOTAL VOLUME (Overall) | | | | | | 20,492.7 |

Source: Bloomberg

## 10 MOST ACTIVELY TRADED CORPORATE BONDS

| Name | Coupon | Maturity | 29-May Yield | 5-Jun Yield | Change (WoW bp) | Weekly Volume (RM mn) |
|---|---|---|---|---|---|---|
| SMJ ENERGY SDN BHD | 4.67 | 10/26/38 | 4.137 | 4.159 | 2.2 | 70.0 |
| OSK RATED BOND SDN BHD | 4.59 | 09/15/33 | N/A | 3.888 | N/A | 61.6 |
| MALAYAN BANKING BHD | 3.1 | 10/08/32 | N/A | 3.219 | N/A | 60.0 |
| PENGURUSAN AIR SPV BHD | 4.56 | 01/31/30 | 3.626 | 3.693 | 6.7 | 60.0 |
| CAGAMAS BERHAD | 4.03 | 05/02/31 | N/A | 3.657 | N/A | 60.0 |
| TNB POWER GENERATION | 5.05 | 06/02/37 | 3.879 | 3.879 | 0.0 | 50.0 |
| JOHOR CORPORATION | 4.8 | 07/06/38 | 3.966 | 3.968 | 0.2 | 50.0 |
| CAGAMAS BERHAD | 3.67 | 05/07/31 | 3.667 | 3.658 | -0.9 | 50.0 |
| MALAYAN BANKING BHD | 3.41 | 08/05/31 | N/A | 3.412 | N/A | 40.0 |
| MALAYSIAN RESOURCES CORP | 5.09 | 10/18/28 | N/A | 3.823 | N/A | 40.0 |
| TOTAL VOLUME (TOP 10) | | | | | | 541.6 |
| TOTAL VOLUME (Overall) | | | | | | 2,135.7 |

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 |