FIXED INCOME AND FX WEEKLY

MBSB Strategy 15 June 2026

Week Ended 12 June 2026

- The UST benchmark 10-year yield ended lower last week at 4.48% (prior week: 4.53%) as investors reacted to tumbling crude oil prices on heightened likelihood of a Middle East peace deal. The 10y-3y yield spread expanded (yield curve steepened) to +35bp (prior week: +33bp) as short-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 2.41% (prior week: 2.48%). The MTIE has remained above the US Fed target level of 2.00% since September 2024. Since mid-May this year, the more hawkish Fed rate outlook arguably helped to lower the MTIE.
- The price of MGS benchmark issues ended the review week mixed with the 3-year and 10-year yields shed -0.4bp and added +1.5bp to close at 3.24% and 3.58% respectively. The 10y-3y yield spread expanded (yield curve steepened) to +34bp (prior week: +32bp) as short-end outperformed.
- MGS foreign holdings declined month-on-month to RM305b in May 2026 from RM309b in April 2026. However, it increased year-on-year from RM302b in May 2025. On Bursa Malaysia, the 12-month rolling sum of foreign net equities trade ended the review week at -RM12.9b. It was lower from -RM12.3b registered a week ago. However, it improved year-on-year from -RM15.2b a year ago.

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

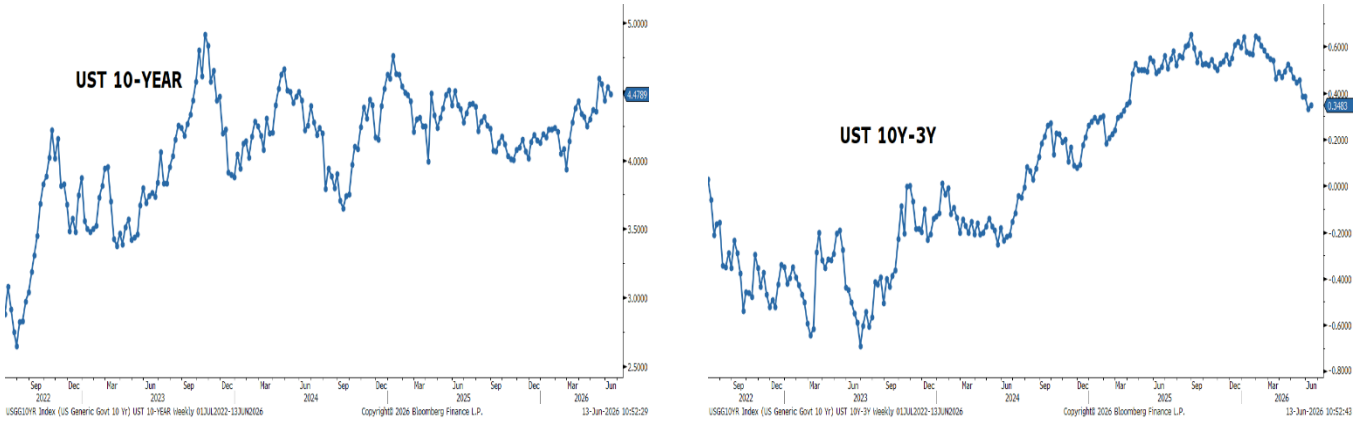
15 June 2026 | **Strategy**

Strategy Team | research@mbsb.com

FIXED INCOME AND FX WEEKLY REVIEW

A. FIXED INCOME

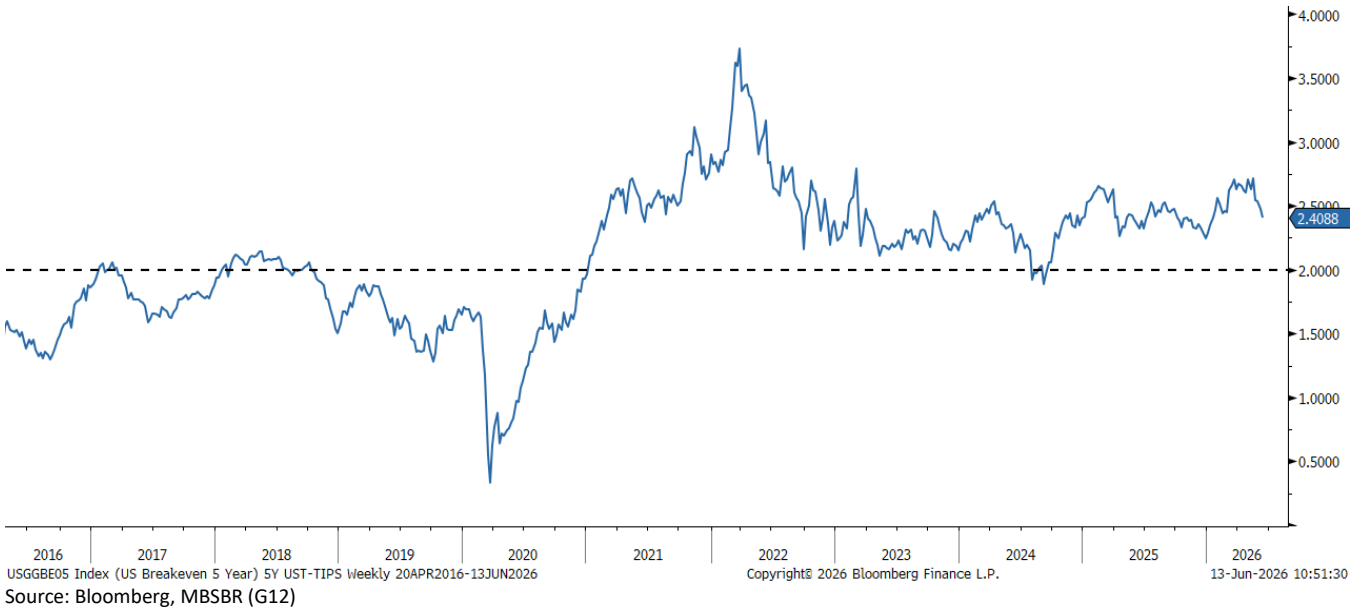
- The UST benchmark 10-year yield ended lower last week at 4.48% (prior week: 4.53%) as investors reacted to tumbling crude oil prices on heightened likelihood of a Middle East peace deal. The 10y-3y yield spread expanded (yield curve steepened) to +35bp (prior week: +33bp) as short-end outperformed. 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)

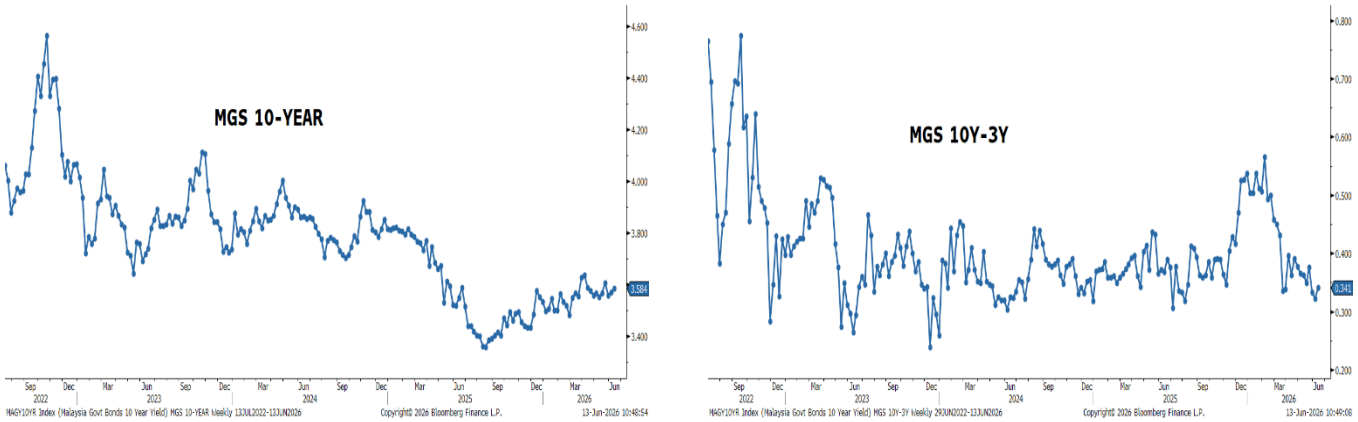
- Medium-term inflation expectation (MTIE) ended the review week lower at 2.41% (prior week: 2.48%). The MTIE has remained above the US Fed target level of 2.00% since September 2024. Since mid-May this year, the more hawkish Fed rate outlook arguably helped to lower the MTIE.

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 shed -0.4bp and added +1.5bp to close at 3.24% and 3.58% respectively. The 10y-3y yield spread expanded (yield curve steepened) to +34bp (prior week: +32bp) as short-end outperformed.

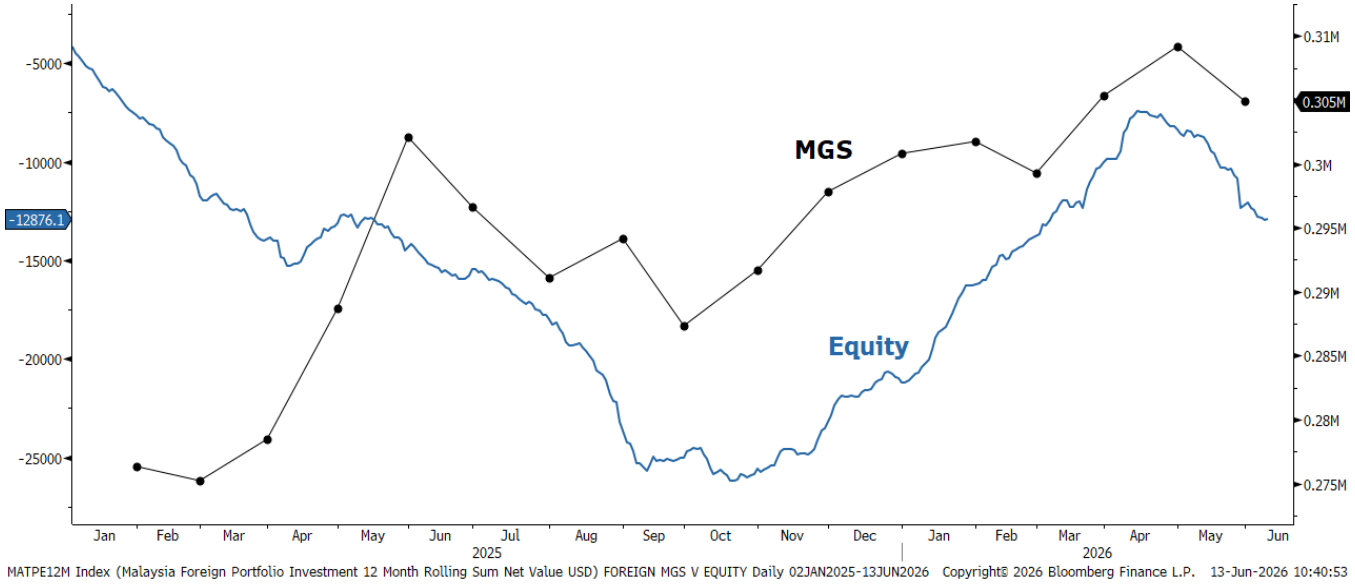


Source: Bloomberg, MBSBR (G10, G11)

- Total trading value for Government Bonds (MGS/MII) declined to RM20.3b in the review week compared to RM20.5b in the prior week (based on Bloomberg data). The total trading value of the 10 most actively traded issues increased (lower trading breadth) to 69% (prior week: 54%) of the overall Government Bonds trade. Moreover, 5 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 4.07% 9/30/26 at RM3.6b , MGS 3.906% 7/15/26 at RM3.2b, and MGS 3.9% 11/30/26 at RM1.9b.

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



Source: Bloomberg, MBSBR (G13)

- MGS foreign holdings declined month-on-month to RM305b in May 2026 from RM309b in April 2026. However, it increased year-on-year from RM302b in May 2025. On Bursa Malaysia, the 12-month rolling sum of foreign net equities trade ended the review week at -RM12.9b. It was lower from -RM12.3b registered a week ago. However, it improved year-on-year from -RM15.2b a year ago.

- Total trading value for Corporate Bonds (Conventional & Sukuk) increased to RM4.3b in the review week compared to RM2.2b in the prior week (based on Bloomberg data). The total trading value of the 10 most actively traded issues increased (lower trading breadth) to 43% (prior week: 25%) 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 Cagamas Berhad 3.82% 3/7/30 at RM400m, Cagamas Berhad 3.45% 10/24/28 at RM300m, and Cagamas Berhad 3.51% 5/7/29 at RM300m.

B. FOREIGN EXCHANGE

- USD depreciated. The US dollar depreciated against major currencies last week as the DXY dollar index fell -0.3%wow to 99.75. The dollar index traced lower during the mid-week but edged slightly higher on the final day of the week as investors received announcements on US-Iran peace deal with some cautious optimism despite the Iranian government endorsing Trump's message. Sentiment somewhat eased amid continued uncertainty surrounding a new deal without a clear deadline, in addition to improved consumer sentiment. However, the elevated CPI and PPI readings fueled investor concerns of a hawkish Fed stance. Reflecting this inflationary pressure, market expectations tilted further towards possible tightening, with futures pricing in a 44% chance of a rate hike in Dec-26. We expect that developments surrounding 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 GBP and EUR strengthened. As the US dollar weakened, the GBP strengthened by +0.5%wow to USD1.341 as investors remained focus for the upcoming BOE policy meeting. Meanwhile, the EUR strengthened by +0.4%wow to USD1.157 as the ECB raised the interest rate by +25bps to 2.4% in its Jun-26 meeting. The ECB revised its inflation forecasts upward, expecting headline inflation to reach +3.0% in 2026 (up from 2.6%) and core inflation to +2.5%, while GDP growth was slightly lowered.

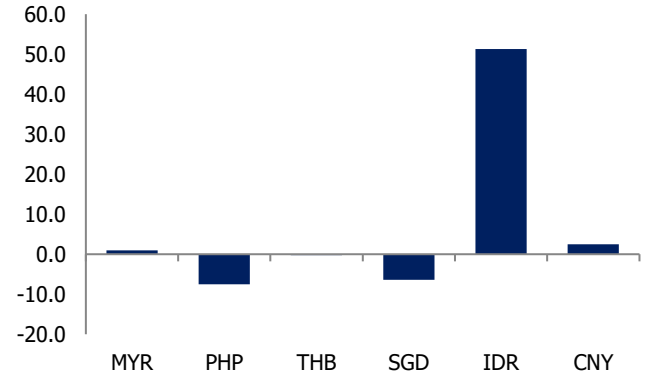
- Ringgit depreciated. The Malaysian ringgit weakened last week by -0.7%wow to RM4.06, remaining above the RM4.00 level. Ringgit weakened amid heightened expectations for the Fed rate hike which led to stronger demand for the greenback, despite the DXY easing lower last Friday over a potential deal between the US and Iran this week. In addition, the weaker ringgit was also influenced by the moderation in retail sales, in contrast to other such as the labour market and IPI which indicate continued positive fundamentals. On a broader picture, the ringgit depreciated against the currencies of Malaysia's major trading partners, with our MBSB Trade-Weighted Ringgit Index (TWRI) declining by -0.7% wow to 99.46, mainly weakening against the Korean won (-2.1%wow), Indonesian rupiah (-1.7%wow), and Philippine peso (-1.2%wow). In a separate release, foreign holdings of both the Malaysian government and corporate bonds declined by -RM1.27b (previous: -RM0.9b) between the 2-Jun to 8-Jun, another weekly outflow which led to the outstanding value declining to RM303.6b (previous: RM304.9b).

Currencies Changes (Week Ended 12-June-2026) and Quarterly Forecasts

	Close 12/05	Prev. Close 06/05	Weekly Change	Weekly Change (%)	1QCY25	2QCY25	3QCY25	4QCY25f
DXY Index	99.75	100.07	-0.322	-0.3	98.5	97.2	96.6	96.0
EURUSD	1.157	1.152	+0.005	+0.4	1.18	1.19	1.2	1.21
GBPUSD	1.341	1.334	+0.006	+0.5	1.34	1.36	1.36	1.36
USDJPY	160.2	160.3	+0.050	+0.0	152.0	150.0	14.08	147
USDMYR	4.060	4.030	-0.029	-0.7	3.96	3.95	3.91	3.87
GBPMYR	5.448	5.426	-0.022	-0.4	5.45	5.43	5.41	5.40
JPYMYR	2.533	2.514	-0.019	-0.7	2.6	2.61	2.62	2.63
MBSB TWRI	99.46	100.21	-0.749	-0.7	98.6	99.73	100.87	102.00

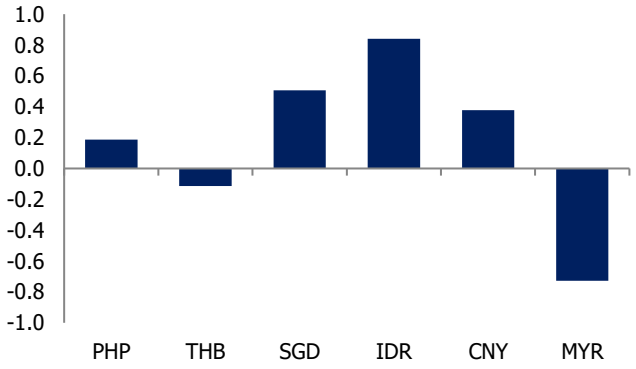
Note: "+" indicates appreciation, while "- "indicates depreciation. Quarterly figures are forecast by MBSBR. MBSB TWRI was previously known as MIDF TWRI.
Source: Bloomberg, MBSBR

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	5.50
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	2.40
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 (average)	4-week to 23rd May	+29K	+30.5K	n.a
Initial Jobless Claims	First Week June	229K	225K	219K
Balance of Trade (USD b)	Apr-26	55.9	56.6	56.1
Exports (USD b)	Apr-26	327.1	318.8	n.a
Imports (USD b)	Apr-26	383.0	375.4	n.a
CPI Inflation (yoy)	May-26	+4.2	+3.8	+4.2
Core CPI inflation (yoy)	May-26	+2.9	+2.8	+2.9
Producer price index (yoy)	May-26	+6.5	+5.7	+6.4
Michigan Consumer Sentiment prelim	Jun-26	48.9	44.8	46
Monetary Policy Decisions: Benchmark Interest rates				
Bank of Indonesia	Jun-26	5.50	5.25	Hike (+25bps)
Bank of Canada	Jun-26	2.25	2.25%	Unchanged
European Central Bank	Jun-26	2.40	2.15	Hike (+25bps)
Turkish Central Bank	Jun-26	37.0	37.0	Unchanged
Malaysia				
Unemployment rate	Apr-26	3.0	2.9	n.a
Industrial production (yoy)	Apr-26	8.2	3.1	4.0
Retail sales	Apr-26	6.3	7.5	n.a

Source: Macrobond, MBSBR

C. BNM INTERNATIONAL RESERVES

- As of 29 May 2026, compared to previous fortnight, Bank Negara Malaysia's international reserves were higher at USD130.6b (15 May 2026: USD129.5b).

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	5-Jun Fri	8-Jun Mon	9-Jun Tue	10-Jun Wed	11-Jun Thu	12-Jun Fri	Change (WoW bp)
MGS							
3-Y	3.247	3.27	3.266	3.259	3.255	3.243	-0.4
5-Y	3.414	3.437	3.438	3.438	3.439	3.443	2.9
7-Y	3.55	3.583	3.581	3.573	3.577	3.562	1.2
10-Y	3.569	3.615	3.611	3.608	3.6	3.584	1.5
20-Y	3.953	3.963	3.968	3.972	3.968	3.979	2.6
RINGGIT IRS							
1-Y	3.4135	3.425	3.43	3.425	3.4125	3.4	-1.35
3-Y	3.465	3.48	3.485	3.48	3.465	3.44	-2.5
5-Y	3.5375	3.565	3.555	3.5525	3.53	3.4862	-5.13
7-Y	3.605	3.635	3.635	3.63	3.595	3.575	-3
10-Y	3.725	3.77	3.755	3.75	3.732	3.7	-2.5
KLIBOR							
1-M	3	3	3	3	3	3	0
3-M	3.36	3.36	3.36	3.36	3.36	3.36	0
UST							
3-Y	4.1999	4.2145	4.1688	4.2006	4.111	4.1306	-6.93
5-Y	4.2672	4.2903	4.2444	4.2798	4.1845	4.2057	-6.15
7-Y	4.3929	4.4233	4.3771	4.4128	4.3127	4.335	-5.79
10-Y	4.5303	4.5622	4.5165	4.5523	4.4611	4.4789	-5.14
30-Y	4.9957	5.0353	4.9967	5.0292	4.9554	4.9664	-2.93

Source: Bloomberg

10 MOST ACTIVELY TRADED GOVERNMENT BONDS

Name	Coupon	Maturity	5-Jun Yield	12-Jun Yield	Change (WoW bp)	Weekly Volume (RM mn)
MALAYSIA INVESTMNT ISSUE	4.07	09/30/26	2.968	2.931	-3.7	3,630.7
MALAYSIA GOVERNMENT	3.906	07/15/26	2.942	2.969	2.7	3,212.5
MALAYSIA GOVERNMENT	3.9	11/30/26	2.969	2.929	-4.0	1,916.3
MALAYSIA GOVERNMENT	4.232	06/30/31	3.414	3.443	2.9	901.2
MALAYSIA GOVERNMENT	3.844	04/15/33	3.550	3.562	1.2	782.2
MALAYSIA GOVERNMENT	3.502	05/31/27	3.103	3.080	-2.3	754.8
MALAYSIA GOVERNMENT	3.237	03/15/29	3.247	3.243	-0.4	749.5
MALAYSIA INVESTMNT ISSUE	4.582	08/30/33	3.584	3.605	2.1	720.8
MALAYSIA INVESTMNT ISSUE	3.612	04/30/35	3.612	3.605	-0.7	663.3
MALAYSIA INVESTMNT ISSUE	4.28	03/23/54	4.089	4.103	1.4	662.0
TOTAL VOLUME (TOP 10)						13,993.3
TOTAL VOLUME (Overall)						20,295.2

Source: Bloomberg

10 MOST ACTIVELY TRADED CORPORATE BONDS

Name	Coupon	Maturity	5-Jun Yield	12-Jun Yield	Change (WoW bp)	Weekly Volume (RM mn)
CAGAMAS BERHAD	3.82	03/07/30	3.552	3.548	-0.4	400.0
CAGAMAS BERHAD	3.45	10/24/28	N/A	3.462	N/A	300.0
CAGAMAS BERHAD	3.51	05/07/29	N/A	3.550	N/A	300.0
PERBADANAN TABUNG PENDI	4.31	03/27/37	N/A	3.855	N/A	145.0
CAGAMAS BERHAD	3.4	08/04/28	N/A	3.440	N/A	145.0
DANAINFRA NASIONAL	4.34	11/10/36	3.801	3.839	3.8	135.0
PRASARANA MALAYSIA BHD	4.64	03/22/30	3.422	3.460	3.8	120.0
AMBANK M BHD	4.33	11/06/26	N/A	3.560	N/A	120.0
CAGAMAS BERHAD	3.89	11/02/29	3.516	3.517	0.1	100.0
TENAGA NASIONAL BERHAD	4.19	05/29/41	4.137	4.149	1.2	85.0
TOTAL VOLUME (TOP 10)						1,850.0
TOTAL VOLUME (Overall)						4,294.0

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