FIXED INCOME AND FX WEEKLY

MBSB Strategy 22 June 2026

Week Ended 19 June 2026

- The UST benchmark 10-year yield rebounded midweek in reaction to hawkish Fed but ended the week lower at 4.45% (prior week: 4.48%) as investors reacted to the actual signing of US-Iran MOU by their respective Presidents. The 10y-3y yield spread narrowed (yield curve flattened) to +26bp (prior week: +35bp) as long-end outperformed. At week close, the interest rate futures market implied (as per CME FedWatch aggregated probabilities) 2 rate hikes (prior week: 1 hike) in 2026.

- Medium-term inflation expectation (MTIE) ended the review week lower at 2.33% (prior week: 2.41%). The MTIE has remained above the US Fed target level of 2.00% since September 2024. Since mid-May this year, the increasingly hawkish Fed rate outlook arguably helped to lower the MTIE.

- The price of MGS benchmark issues ended the review week lower with the 3-year and 10-year yields added +1.2bp and +2.3bp to close at 3.26% and 3.61% respectively. The 10y-3y yield spread expanded (yield curve steepened) to +35bp (prior week: +34bp) as long-end underperformed.

- 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 -RM12.2b. It improved from -RM12.9b registered a week ago. Moreover, it improved year-on-year from -RM14.5b a year ago.

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

22 June 2026 | **Strategy**

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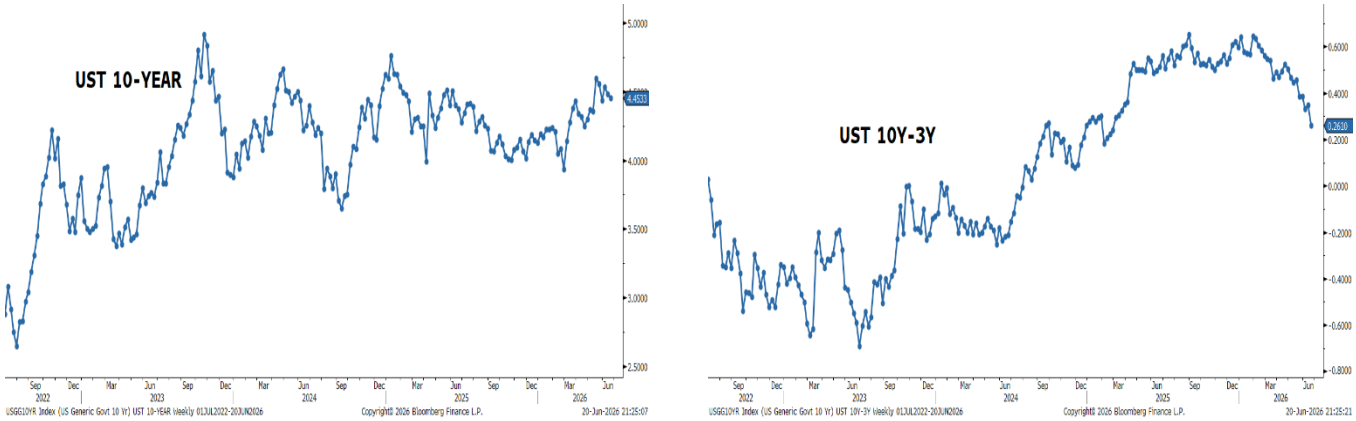
FIXED INCOME AND FX WEEKLY REVIEW

A. FIXED INCOME

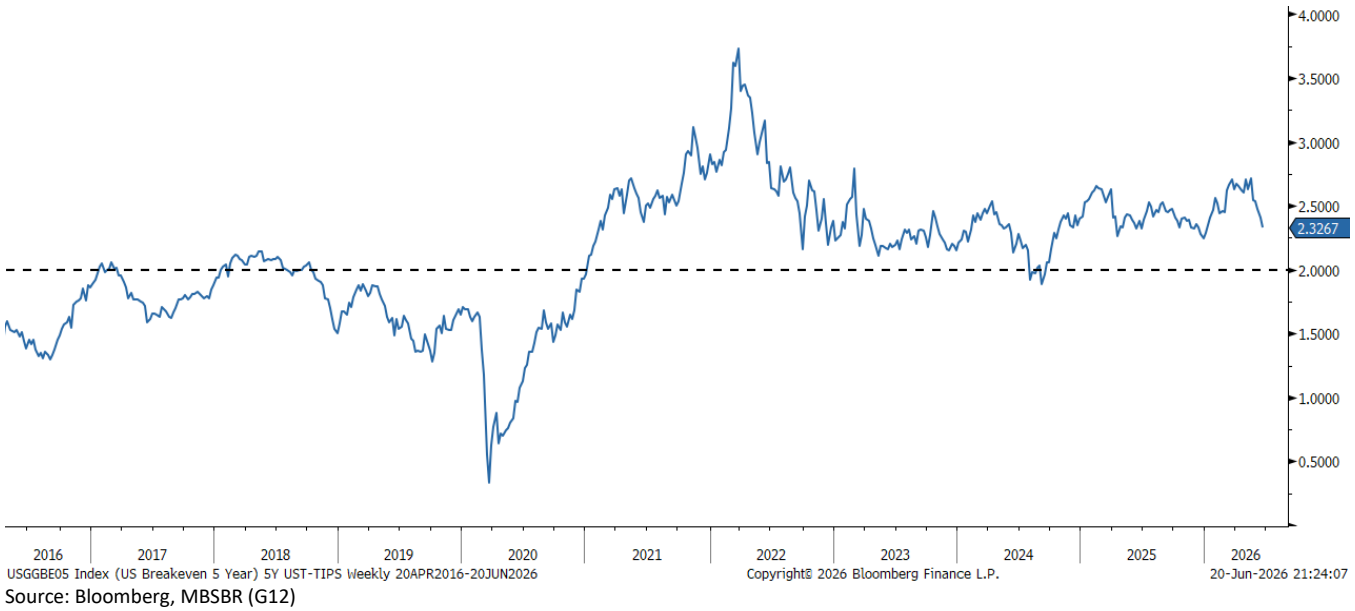
- The UST benchmark 10-year yield rebounded midweek in reaction to hawkish Fed but ended the week lower at 4.45% (prior week: 4.48%) as investors reacted to the actual signing of US-Iran MOU by their respective Presidents. The 10y-3y yield spread narrowed (yield curve flattened) to +26bp (prior week: +35bp) as long-end outperformed. At week close, the interest rate futures market implied (as per CME FedWatch aggregated probabilities) 2 rate hikes (prior week: 1 hike) in 2026.



Source: Bloomberg, MBSBR (G8, G9)

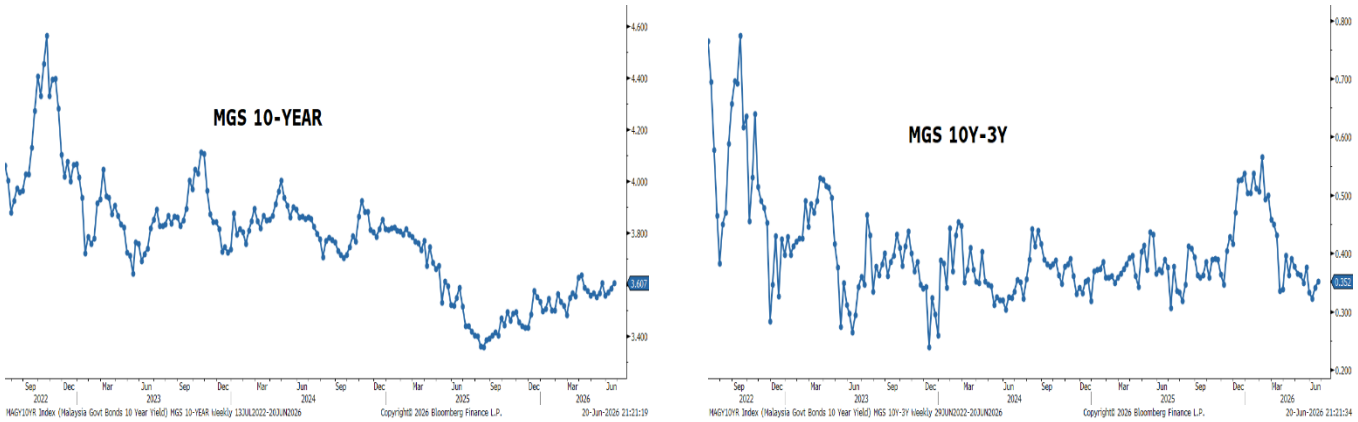
- Medium-term inflation expectation (MTIE) ended the review week lower at 2.33% (prior week: 2.41%). The MTIE has remained above the US Fed target level of 2.00% since September 2024. Since mid-May this year, the increasingly hawkish Fed rate outlook arguably helped to lower the MTIE.

MEDIUM-TERM INFLATION EXPECTATION (MTIE): 5Y UST-TIPS SPREAD



Source: Bloomberg, MBSBR (G12)

- The price of MGS benchmark issues ended the review week lower with the 3-year and 10-year yields added +1.2bp and +2.3bp to close at 3.26% and 3.61% respectively. The 10y-3y yield spread expanded (yield curve steepened) to +35bp (prior week: +34bp) as long-end underperformed.

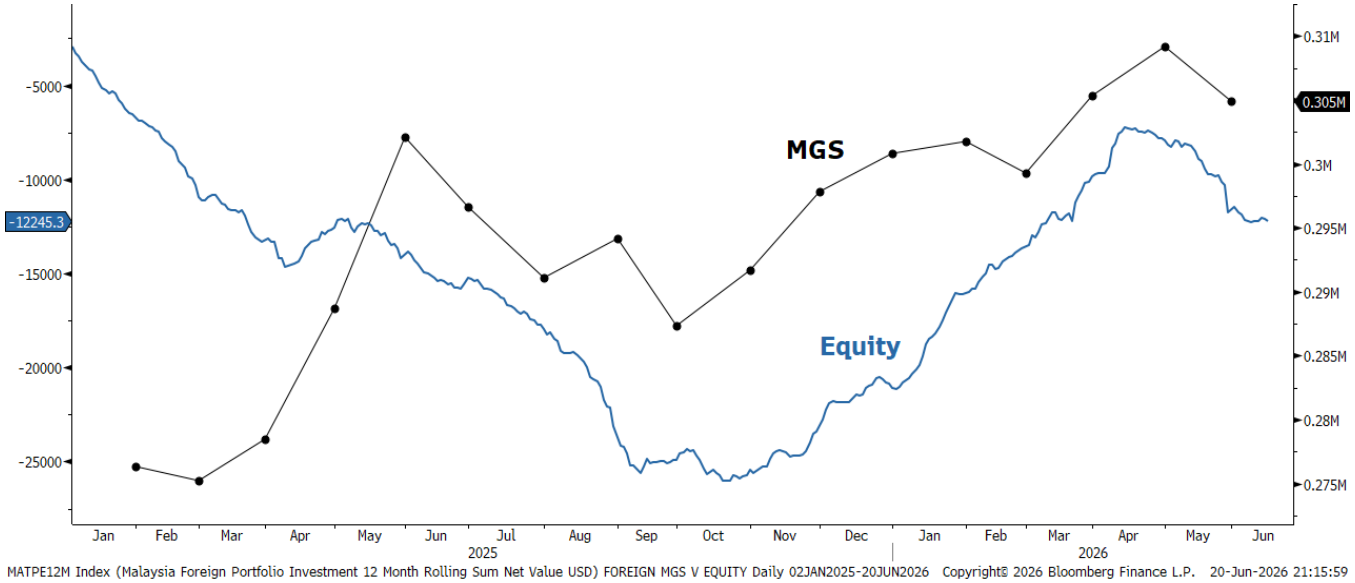


Source: Bloomberg, MBSBR (G10, G11)

- Total trading value for Government Bonds (MGS/MII) increased to RM24.2b in the review week compared to RM20.3b in the prior week (based on Bloomberg data). The total trading value of the 10 most actively traded issues increased (lower trading breadth) to 79% (prior week: 69%) of the overall Government Bonds trade. Moreover, 9 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 MGS 3.906% 7/15/26 at RM5.0b, MII 4.07% 9/30/26 at RM4.9b, and MGS 4.232% 6/30/31 at RM2.5b.

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 02JAN2025-20JUN2026 Copyright© 2026 Bloomberg Finance L.P. 20-Jun-2026 21:15:59
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 -RM12.2b. It improved from -RM12.9b registered a week ago. Moreover, it improved year-on-year from -RM14.5b a year ago.

- Total trading value for Corporate Bonds (Conventional & Sukuk) declined to RM3.8b 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 37% (prior week: 43%) of the overall Corporate Bonds trade.

- The top 3 actively traded Corporate Bonds were dominated by issues of short residual tenor. The top 3 most actively traded were Public Bank 0% 11/4/26 at RM250m, Malaysia Rail Link 0% 10/30/26 at RM230m, and Imtiaz Sukuk II 4.05% 10/2/26 at RM200m.

B. FOREIGN EXCHANGE

- USD depreciated. The US dollar appreciated against major currencies last week, with the DXY Dollar Index rising by +1.1% wow to 100.85, remaining near a one-year high amid a hawkish Federal Reserve signalling potential policy tightening ahead. While the Fed held interest rates steady at 3.50%–3.75% as expected, its post-meeting communication revealed growing momentum for rate hikes later this year. This hawkish tilt was reinforced by the June dot plot, which showed that half of the FOMC participants now project at least one +25bps rate increase this year. According to the CME FedWatch Tool, market expectations are pricing in a 51.7% probability of a +25bps rate hike as early as Sep-26. Meanwhile, market sentiment was also influenced by developments surrounding the Strait of Hormuz. Geopolitical risks resurfaced following the abrupt cancellation of scheduled US-Iran talks in Geneva, creating a diplomatic setback. The Strait of Hormuz is expected to remain a key market focus this week as investors monitor developments in the US-Iran diplomatic framework. While geopolitical volatility typically supports the greenback, any structural decline in demand for USD-denominated assets could fundamentally alter traditional safe-haven dynamics. As investors rebalance their portfolios, we expect gold, the Japanese yen, and the euro to attract safe haven flows over the medium term.

- Both GBP and EUR strengthened. As the US dollar strengthened, the euro weakened by -0.8% wow to USD1.147, despite headline and core inflation continuing to accelerate. Meanwhile, the pound sterling depreciated by -1.3% wow to USD1.323, although the BOE kept its policy rate unchanged at 3.75%. The BOE also indicated that inflation could rise further later this year as higher energy prices continue to feed through to consumer prices.

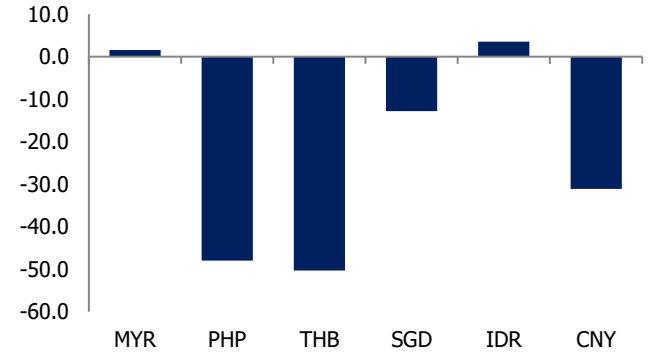
- Ringgit depreciated. The Malaysian ringgit weakened by -1.9% wow to RM4.13 last week, moving further away from the RM4.00 level and breaching RM4.10, its weakest level since Nov-25. The depreciation was partly driven by the strengthening US dollar, as expectations of a more hawkish Fed could widen the interest rate differential between ringgit-denominated and US dollar-denominated assets going forward. The ringgit was largely unaffected by Malaysia's higher inflation and stronger trade data released last week, as local macroeconomic updates were overshadowed by external factors, particularly the hawkish shift in Fed expectations that triggered broad-based US dollar buying. On a broader basis, the ringgit weakened against the currencies of Malaysia's major trading partners, with the MBSB Trade-Weighted Ringgit Index (TWRI) declining by -1.8% wow to 97.74. The ringgit recorded its largest declines against the Indian rupee (-2.72% wow), Indonesian rupiah (-2.16% wow), and Vietnamese dong (-1.88% wow). In a separate development, foreign holdings of Malaysian government and corporate bonds surprisingly recorded a strong inflow of +RM7.48 billion (previous: -RM0.9 billion) between 8th and 15th June 2026, lifting total foreign holdings to a record high of RM311.0 billion (previous: RM304.9 billion).

Currencies Changes (Week Ended 19-June-2026) and Quarterly Forecasts

	Close 19/06	Prev. Close 12/06	Weekly Change	Weekly Change (%)	1QCY25	2QCY25	3QCY25	4QCY25f
DXY Index	100.85	99.75	+1.102	+1.1	98.5	97.2	96.6	96.0
EURUSD	1.147	1.157	-0.010	-0.8	1.18	1.19	1.2	1.21
GBPUSD	1.323	1.341	-0.017	-1.3	1.34	1.36	1.36	1.36
USDJPY	161.3	160.2	-1.060	-0.7	152.0	150.0	14.08	147
USDMYR	4.136	4.060	-0.077	-1.9	3.96	3.95	3.91	3.87
GBPMYR	5.475	5.448	-0.026	-0.5	5.45	5.43	5.41	5.40
JPYMYR	2.565	2.533	-0.032	-1.2	2.6	2.61	2.62	2.63
MBSB TWRI	97.74	99.49	-1.754	-1.8	98.6	99.73	100.87	102.00

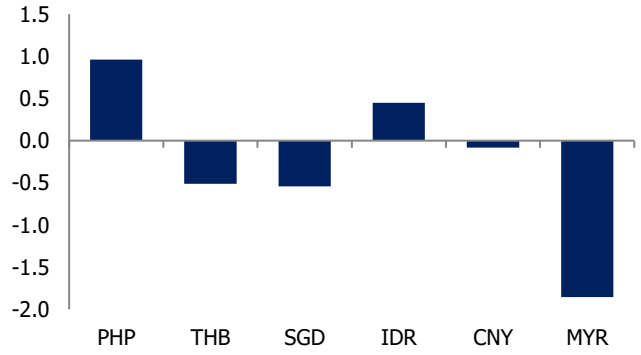
Note: "+" indicates appreciation, while "- "indicates depreciation. Quarterly figures are forecast by MBSBR. MBSB TWRI was previously known as MIDF TWRI.
Source: Bloomberg, MBSBR

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 (%)

	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	5.75
Philippines	4.75	4.75	4.50	4.50	4.25	4.25	4.50	4.50	4.75
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	1.00
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	Jun-26	25.5K	29K	n.a
Initial Jobless Claims	First Week June	226K	230K	225K
Industrial production (yoy)	May-26	0.1	0.9	0.3
Retail sales (yoy)	May-26	6.9	4.8	n.a
Monetary Policy Decisions: Benchmark Interest rates				
Bank of Japan	Jun-26	1.00	0.75	Hike (+25bps)
Reserve Bank of Australia	Jun-26	4.35	4.35	Unchanged
US Federal Reserve	Jun-26	3.75	3.75	Unchanged
Bangko Sentral Ng Pilipinas	Jun-26	4.75	4.50	Hike (+25bps)
Bank of Indonesia	Jun-26	5.75	5.50	Hike (+25bps)
Central Bank of Republic of China (Taiwan)	Jun-26	2.00	2.00	Unchanged
Bank of England	Jun-26	3.75	3.75	Unchanged
Riksbank	Jun-26	1.75	1.75	Unchanged
Swiss National Bank	Jun-26	0.00	0.00	Unchanged
Norges Bank	Jun-26	4.25	4.25	Unchanged
Malaysia				
CPI inflation rate	May-26	2.0	1.9	2.1
Balance of trade (RM b)	May-26	40.4	37.3	32.4
Exports (yoy)	May-26	45.3	37.3	32.4
Imports (yoy)	May-26	14.1	20.0	15.5

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	12-Jun Fri	15-Jun Mon	16-Jun Tue	17-Jun Wed	18-Jun Thu	19-Jun Fri	Change (WoW bp)
MGS							
3-Y	3.243	3.232	3.243	3.243	3.251	3.255	1.2
5-Y	3.443	3.415	3.427	3.427	3.445	3.432	-1.1
7-Y	3.562	3.536	3.541	3.541	3.565	3.568	0.6
10-Y	3.584	2.876	3.607	3.607	3.596	3.607	2.3
20-Y	3.979	3.964	3.963	3.963	3.966	3.959	-2
RINGGIT IRS							
1-Y	3.4	3.385	3.395	3.3925	3.395	3.415	1.5
3-Y	3.44	3.425	3.435	3.435	3.4475	3.4625	2.25
5-Y	3.4862	3.4837	3.4913	3.4913	3.5075	3.525	3.88
7-Y	3.575	3.56	3.57	3.57	3.585	3.595	2
10-Y	3.7	3.695	3.7	3.7	3.705	3.725	2.5
KLIBOR							
1-M	3	3	3	3	3.01	3.01	1
3-M	3.36	3.36	3.36	3.36	3.36	3.36	0
UST							
3-Y	4.1306	4.111	4.0941	4.2147	4.1923	4.1923	6.17
5-Y	4.2057	4.1898	4.1634	4.2624	4.2324	4.2324	2.67
7-Y	4.335	4.3245	4.2916	4.3694	4.3378	4.3378	0.28
10-Y	4.4789	4.473	4.4394	4.4869	4.4533	4.4533	-2.56
30-Y	4.9664	4.9785	4.9434	4.9314	4.8976	4.8976	-6.88

Source: Bloomberg

10 MOST ACTIVELY TRADED GOVERNMENT BONDS

Name	Coupon	Maturity	12-Jun Yield	19-Jun Yield	Change (WoW bp)	Weekly Volume (RM mn)
MALAYSIA GOVERNMENT	3.906	07/15/26	2.969	2.981	1.2	5,019.7
MALAYSIA INVESTMNT ISSUE	4.07	09/30/26	2.931	2.969	3.8	4,921.6
MALAYSIA GOVERNMENT	4.232	06/30/31	3.443	3.432	-1.1	2,462.1
MALAYSIA GOVERNMENT	3.9	11/30/26	2.929	2.989	6.0	1,941.2
MALAYSIA INVESTMNT ISSUE	3.599	07/31/28	3.220	3.234	1.4	1,666.7
MALAYSIA GOVERNMENT	3.237	03/15/29	3.243	3.255	1.2	883.5
MALAYSIA INVESTMNT ISSUE	3.974	07/16/40	3.890	3.895	0.5	611.9
MALAYSIA GOVERNMENT	3.844	04/15/33	3.562	3.568	0.6	571.9
MALAYSIA INVESTMNT ISSUE	4.044	01/31/56	4.099	4.141	4.2	528.1
MALAYSIA GOVERNMENT	3.502	05/31/27	3.080	3.086	0.6	487.9
TOTAL VOLUME (TOP 10)						19,094.6
TOTAL VOLUME (Overall)						24,181.2

Source: Bloomberg

10 MOST ACTIVELY TRADED CORPORATE BONDS

Name	Coupon	Maturity	12-Jun Yield	19-Jun Yield	Change (WoW bp)	Weekly Volume (RM mn)
PUBLIC BANK BERHAD	ZERO	11/04/26	N/A	3.357	N/A	250.0
MALAYSIA RAIL LINK	ZERO	10/30/26	3.254	3.288	3.4	235.0
IMTIAZ SUKUK II BHD	4.05	10/02/26	3.459	3.471	1.2	200.0
DANAINFRA NASIONAL	4.07	04/07/32	N/A	3.701	N/A	160.0
TENAGA NASIONAL BERHAD	3.55	08/10/40	N/A	4.094	N/A	140.0
UNITED OVERSEAS BANK MAL	3.85	07/03/37	3.890	3.879	-1.1	100.0
GUAN CHONG BERHAD	3.84	12/03/27	N/A	4.455	N/A	90.0
PENGURUSAN AIR SPV BHD	3.86	04/30/32	3.820	3.788	-3.2	86.9
PENGURUSAN AIR SPV BHD	4.56	01/31/30	3.693	3.677	-1.6	70.0
PENGURUSAN AIR SPV BHD	3.9	10/30/29	3.617	3.657	4.0	60.0
TOTAL VOLUME (TOP 10)						1,391.9
TOTAL VOLUME (Overall)						3,746.2

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