FIXED INCOME AND FX WEEKLY

MBSB Strategy 29 June 2026

Week Ended 26 June 2026

- The UST benchmark 10-year yield ended lower last week at 4.37% (prior week: 4.45%) primarily driven by continued drop in energy prices as well as in-line inflation data which led investors to scale back expectations for future Fed rate hikes. The 10y-3y yield spread expanded (yield curve steepened) to +28bp (prior week: +26bp) as short-end outperformed. At week close, the interest rate futures market implied (as per CME FedWatch aggregated probabilities) 1 rate hike (prior week: 2 hikes).

- Medium-term inflation expectation (MTIE) ended the review week lower at 2.22% (prior week: 2.33%). The MTIE has remained above the US Fed target level of 2.00% since September 2024. However, since mid-May this year, the increasingly hawkish Fed rate outlook has arguably helped to lower the MTIE.

- The price of MGS benchmark issues ended the review week higher with the 3-year and 10-year yields shed -0.2bp and -12.7bp to close at 3.25% and 3.48% respectively. The 10y-3y yield spread narrowed (yield curve flattened) to +23bp (prior week: +35bp) as long-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 -RM12.2b. It was unchanged from -RM12.2b registered a week ago. However, it improved year-on-year from -RM15.8b a year ago.

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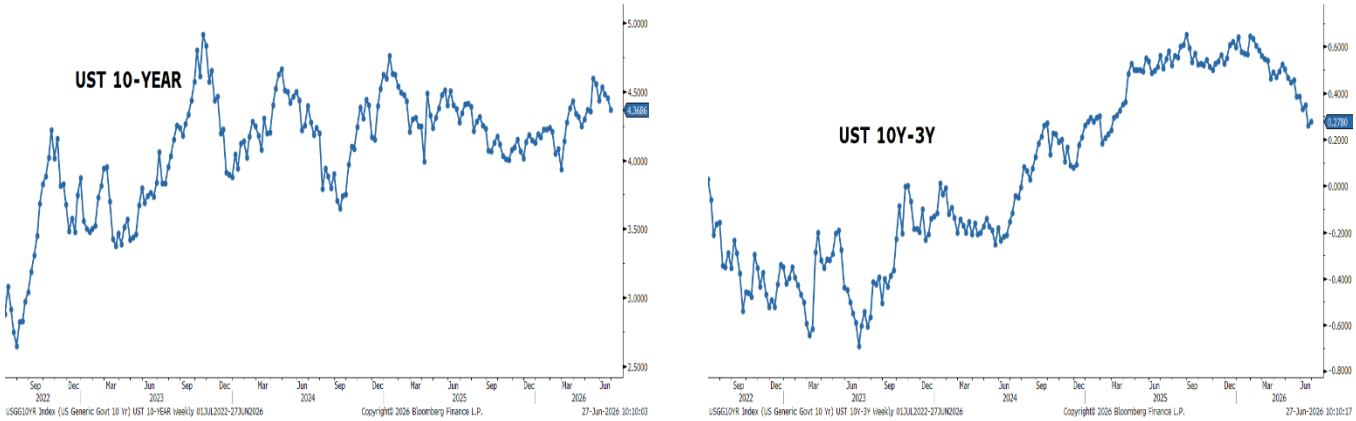
29 June 2026 | **Strategy**

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FIXED INCOME AND FX WEEKLY REVIEW

A. FIXED INCOME

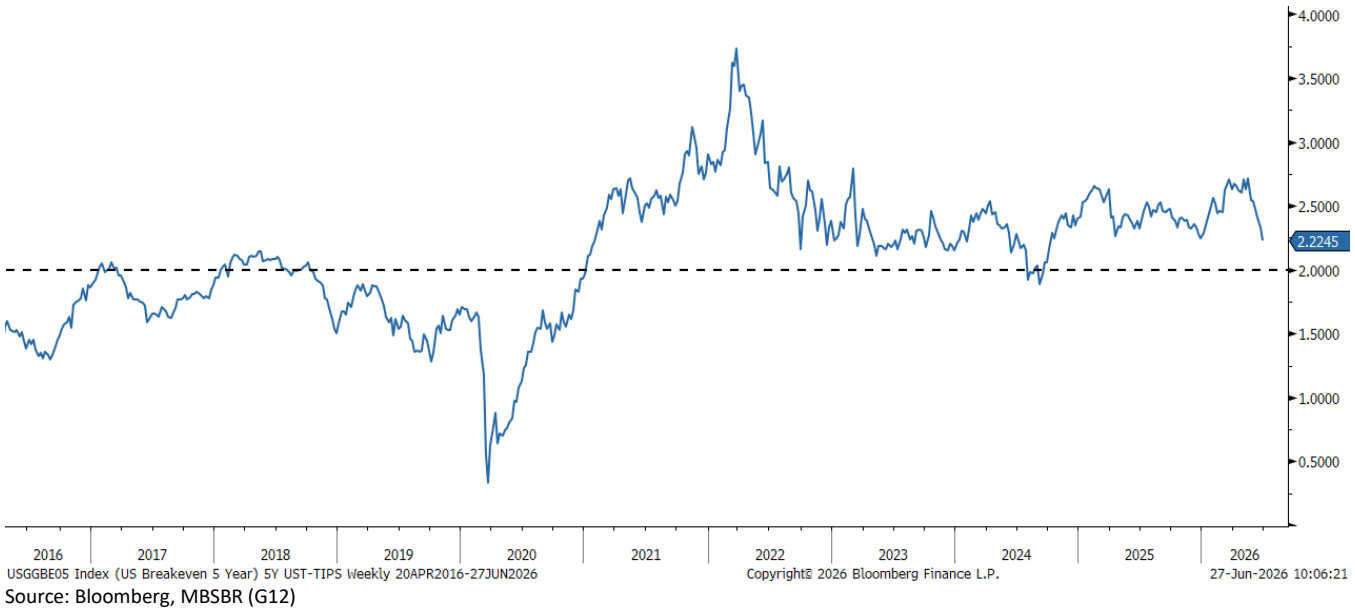
- The UST benchmark 10-year yield ended lower last week at 4.37% (prior week: 4.45%) primarily driven by continued drop in energy prices as well as in-line inflation data which led investors to scale back expectations for future Fed rate hikes. The 10y-3y yield spread expanded (yield curve steepened) to +28bp (prior week: +26bp) as short-end outperformed. At week close, the interest rate futures market implied (as per CME FedWatch aggregated probabilities) 1 rate hike (prior week: 2 hikes).



Source: Bloomberg, MBSBR (G8, G9)

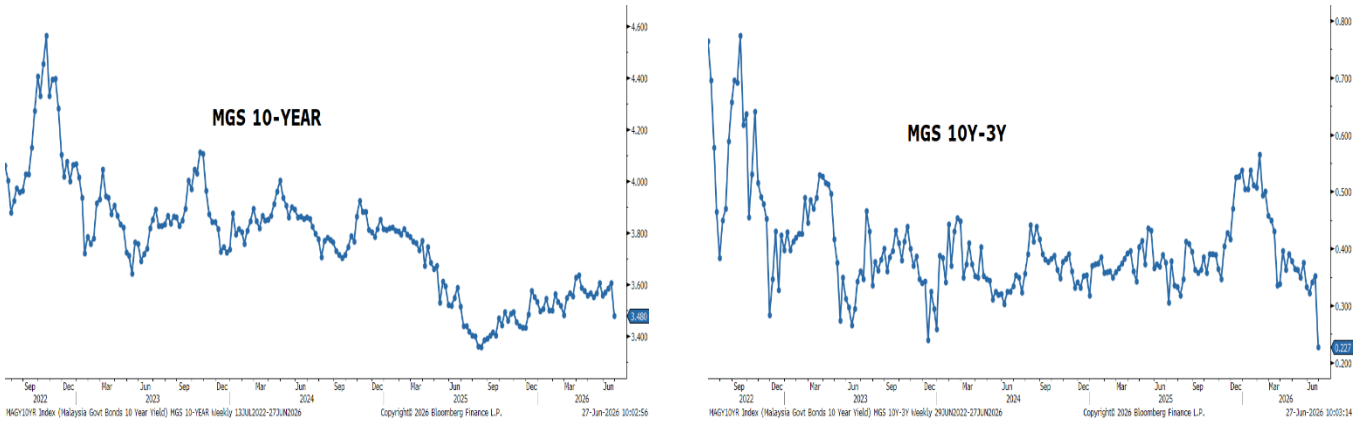
- Medium-term inflation expectation (MTIE) ended the review week lower at 2.22% (prior week: 2.33%). The MTIE has remained above the US Fed target level of 2.00% since September 2024. However, since mid-May this year, the increasingly hawkish Fed rate outlook has arguably helped to lower the MTIE.

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



Source: Bloomberg, MBSBR (G12)

- The price of MGS benchmark issues ended the review week higher with the 3-year, and 10-year yields shed -0.2bp and -12.7bp to close at 3.25% and 3.48% respectively. The 10y-3y yield spread narrowed (yield curve flattened) to +23bp (prior week: +35bp) as long-end outperformed.

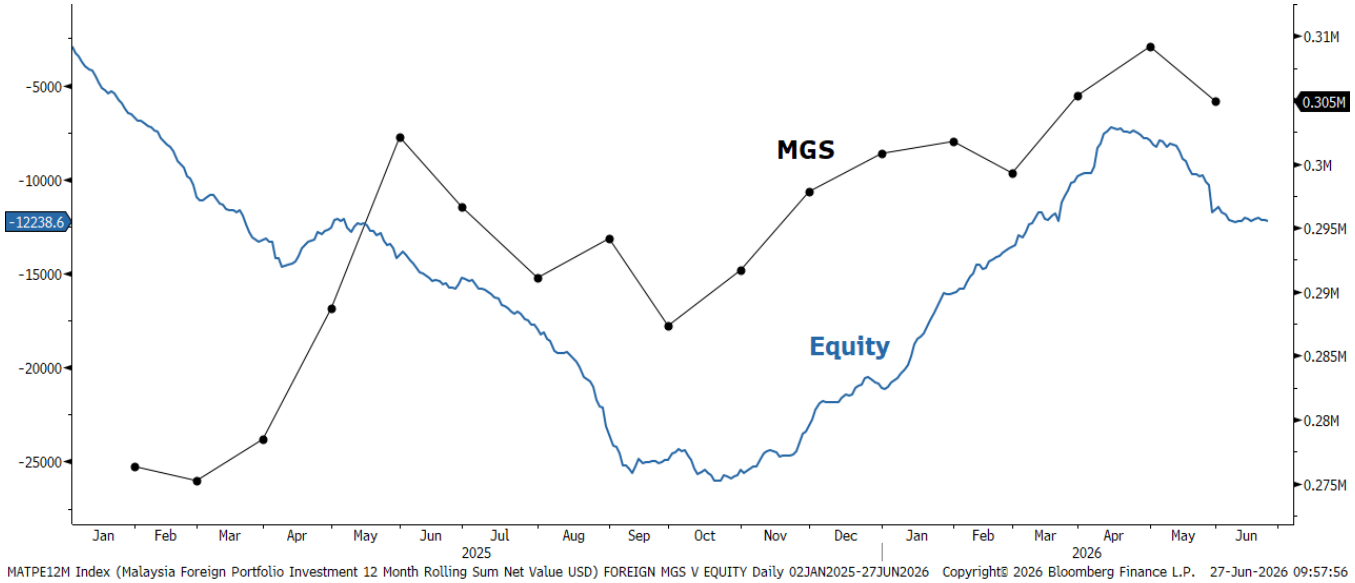


Source: Bloomberg, MBSBR (G10, G11)

- Total trading value for Government Bonds (MGS/MII) declined to RM12.9b in the review week compared to RM24.2b in the prior week (based on Bloomberg data). The total trading value of the 10 most actively traded issues declined (higher trading breadth) to 76% (prior week: 79%) of the overall Government Bonds trade. Moreover, 8 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 RM3.0b, MGS 3.906% 7/15/26 at RM2.0b, and MGS 3.9% 11/30/26 at RM1.4b.

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 -RM12.2b. It was unchanged from -RM12.2b registered a week ago. However, it improved year-on-year from -RM15.8b a year ago.

- Total trading value for Corporate Bonds (Conventional & Sukuk) declined to RM2.2b in the review week compared to RM3.8b in the prior week (based on Bloomberg data). The total trading value of the 10 most actively traded issues declined (higher trading breadth) to 34% (prior week: 37%) 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 DRB-Hicom 5.08% 8/30/30 at RM100m, DRB-Hicom 5.57% 4/26/30 at RM100m, and CIMB Group Holdings 4.95% 12/2/32 at RM88m.

B. FOREIGN EXCHANGE

- USD appreciated further to more than 1-year high. The US dollar appreciated against major currencies last week, with the DXY Dollar Index rising by +0.5%wow to 101.36, the highest weekly closing last seen in Apr-25. The dollar strength continued to reflect market hawkish expectations in the Fed's future policy direction, which was further reinforced by elevated inflation expectations and continued uptrend in the PCE price inflation amid resilient economic growth. Based on the CME FedWatch, market expectations continued to price in high probability for the Fed to hike fed funds rate in Sep-26. On the other hand, easing oil prices following the US-Iran peace agreement and reopening of Strait of Hormuz may have reduced rate hike expectations, but we expect geopolitical risks will continue to influence volatility in the financial markets. 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 weakened. Euro depreciated by -0.8%wow to USD1.138, the weakest weekly closing since Jun-25. Euro weakened due to stronger US dollar, although data update pointed to easing inflation expectations, improved consumer confidence and slower fall in services activity. Meanwhile, the pound sterling also depreciated by -0.2% wow to USD1.320, the lowest weekly closing last seen in late Nov-25. The depreciation was relatively limited, despite the pound sterling was initially under pressure following the resignation of the UK Prime Minister and less hawkish expectations on the Bank of England's future policy setting.

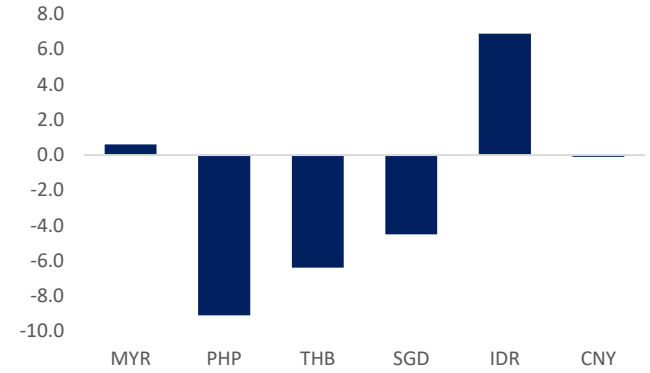
- Ringgit gained despite stronger dollars. The Malaysian ringgit ended the week stronger, appreciating by +1.2% wow to RM4.09, the strongest closing in one week and returning to below RM4.10. Despite the continued strength in US dollar, the ringgit's appreciation was supported by improved sentiment with easing concerns about the geopolitical risk. In addition, ringgit also gained underpinned by encouraging economic data as the leading index signaled better growth momentum for Malaysia's economy. On a broader basis, the ringgit strengthened against the currencies of Malaysia's major trading partners, with the MBSB Trade-Weighted Ringgit Index (TWRI) rising by +1.5%wow to 99.23, mainly appreciating against Australian dollar (+2.8% wow), Thai baht (+2.7% wow), and Philippine peso (+2.0%wow). In a separate development, foreign holdings of Malaysian government and corporate bonds experienced an outflow of -RM1.1b (previous week: +RM7.5b) between 15th and 22th June 2026, as a result total foreign holdings decreased to RM310.0b (previous: RM311.1b).

Currencies Changes (Week Ended 26-June-2026) and Quarterly Forecasts

	Close 26/06	Prev. Close 19/06	Weekly Change	Weekly Change (%)	1QCY25	2QCY25	3QCY25	4QCY25f
DXY Index	101.36	100.85	+0.508	+0.5	98.5	97.2	96.6	96.0
EURUSD	1.138	1.147	-0.009	-0.8	1.18	1.19	1.2	1.21
GBPUSD	1.320	1.323	-0.003	-0.2	1.34	1.36	1.36	1.36
USDJPY	161.74	161.30	-0.440	-0.3	152.0	150.0	14.08	147
USDMYR	4.089	4.136	+0.047	+1.2	3.96	3.95	3.91	3.87
GBPMYR	5.406	5.475	+0.069	+1.3	5.45	5.43	5.41	5.40
JPYMYR	2.528	2.565	+0.037	+1.5	2.6	2.61	2.62	2.63
MBSB TWRI	99.28	97.84	+1.436	+1.5	98.6	99.73	100.87	102.00

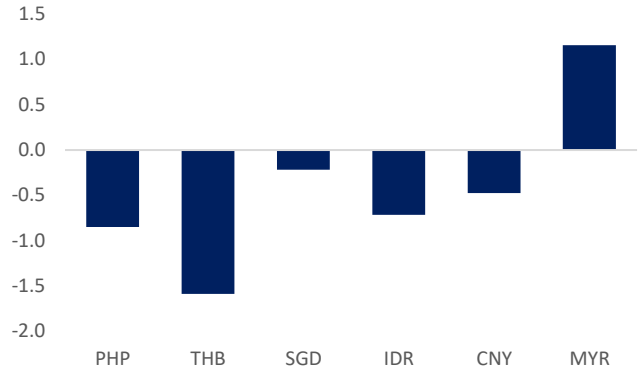
Note: "+" indicates appreciation, while "- "indicates depreciation. Quarterly figures are forecast by MBSBR. MBSB TWRI was previously known as MIDF TWRI.
Source: Bloomberg, MBSBR

Yield Change in 10Y Government Bonds (bps)



Source: Bloomberg, 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 Weekly Change	Jun-26	+30.75K	+26.5K	n.a
S&P Global Manufacturing PMI	Jun-26	55.7	55.1	54.8
S&P Global Services PMI	Jun-26	51.3	50.7	51.0
Initial Jobless Claims	Week ending 20th June	215K	227K	225K
Real GDP growth (annualised qoq)	1QCY26	+2.1%	+0.5%	+1.6%
PCE Price Index (yoy)	May-26	+4.1%	+3.8%	+4.1%
Core PCE Price Index (yoy)	May-26	+3.4%	+3.3%	+3.4%
U. of Michigan Consumer Sentiment	Jun-26	49.5	44.8	50.0
Monetary Policy Decisions: Benchmark Interest rates				
People's Bank of China	Jun-26	3.00	3.00	Unchanged
Bank of Thailand	Jun-26	1.00	1.00	Unchanged
Malaysia				
Leading Index (yoy)	Apr-26	1.3	0.7	n.a.
Coincident Index (yoy)	Apr-26	2.6	2.0	n.a.

Source: Macrobond, MBSBR

C. BNM INTERNATIONAL RESERVES

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

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	19-Jun Fri	22-Jun Mon	23-Jun Tue	24-Jun Wed	25-Jun Thu	26-Jun Fri	Change (WoW bp)
MGS							
3-Y	3.255	3.272	3.263	3.263	3.257	3.253	-0.2
5-Y	3.432	3.434	3.429	3.429	3.421	3.412	-2
7-Y	3.568	3.573	3.568	3.568	3.559	3.544	-2.4
10-Y	3.607	3.613	3.62	3.62	3.631	3.48	-12.7
20-Y	3.959	3.962	3.976	3.976	3.976	3.972	1.3
RINGGIT IRS							
1-Y	3.415	3.445	3.45	3.465	3.46	3.4588	4.38
3-Y	3.4625	3.4925	3.49	3.495	3.502	3.485	2.25
5-Y	3.525	3.535	3.5237	3.535	3.5325	3.5175	-0.75
7-Y	3.595	3.605	3.59	3.6105	3.59	3.575	-2
10-Y	3.725	3.725	3.715	3.725	3.725	3.705	-2
KLIBOR							
1-M	3.01	3.01	3.01	3.01	3.01	3.01	0
3-M	3.36	3.37	3.38	3.4	3.42	3.44	8
UST							
3-Y	4.1923	4.2459	4.2177	4.1444	4.1218	4.0905	-10.18
5-Y	4.2324	4.2875	4.268	4.1757	4.1652	4.1285	-10.39
7-Y	4.3378	4.392	4.3748	4.2719	4.2653	4.2383	-9.95
10-Y	4.4533	4.5088	4.4969	4.3922	4.3922	4.3686	-8.47
30-Y	4.8976	4.9483	4.9453	4.8396	4.8611	4.864	-3.36

Source: Bloomberg

10 MOST ACTIVELY TRADED GOVERNMENT BONDS

Name	Coupon	Maturity	19-Jun Yield	26-Jun Yield	Change (WoW bp)	Weekly Volume (RM mn)
MALAYSIA INVESTMNT ISSUE	4.07	09/30/26	2.969	2.930	-3.9	2,975.5
MALAYSIA GOVERNMENT	3.906	07/15/26	2.981	2.959	-2.2	2,034.0
MALAYSIA GOVERNMENT	3.9	11/30/26	2.989	2.920	-6.9	1,418.0
MALAYSIA GOVERNMENT	3.582	07/15/32	3.533	3.530	-0.3	1,094.2
MALAYSIA INVESTMNT ISSUE	3.974	07/16/40	3.895	3.893	-0.2	481.5
MALAYSIA INVESTMNT ISSUE	3.422	09/30/27	3.123	3.128	0.5	412.4
MALAYSIA GOVERNMENT	3.237	03/15/29	3.255	3.251	-0.4	401.8
MALAYSIA INVESTMNT ISSUE	3.599	07/31/28	3.234	3.226	-0.8	342.9
MALAYSIA GOVERNMENT	4.232	06/30/31	3.432	3.400	-3.2	330.0
MALAYSIA GOVERNMENT	3.502	05/31/27	3.086	3.120	3.4	327.6
TOTAL VOLUME (TOP 10)						9,817.9
TOTAL VOLUME (Overall)						12,891.5

Source: Bloomberg

10 MOST ACTIVELY TRADED CORPORATE BONDS

Name	Coupon	Maturity	19-Jun Yield	26-Jun Yield	Change (WoW bp)	Weekly Volume (RM mn)
DRB-HICOM BHD	5.08	08/30/30	N/A	3.796	N/A	100.0
DRB-HICOM BHD	5.57	04/26/30	N/A	3.777	N/A	100.0
CIMB GROUP HOLDINGS BHD	4.95	12/02/32	3.647	3.669	2.2	88.0
DANAINFRA NASIONAL	4.76	05/02/36	N/A	3.842	N/A	70.0
TENAGA NASIONAL BERHAD	4.73	06/29/29	3.547	3.570	2.3	70.0
PENGURUSAN AIR SPV BHD	3.82	09/30/38	4.014	4.050	3.6	70.0
DANAINFRA NASIONAL	4.65	10/20/36	3.799	3.844	4.5	60.0
MALAYAN BANKING BHD	3.41	08/05/31	3.412	3.413	0.1	60.0
MALAYSIAN RESOURCES CORP	4.49	04/10/37	N/A	4.199	N/A	60.0
TENAGA NASIONAL BERHAD	4.19	05/29/41	4.118	4.119	0.1	59.5
TOTAL VOLUME (TOP 10)						737.5
TOTAL VOLUME (Overall)						2,165.9

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