WEEKLY MONEY REVIEW

MBSB Strategy 3 June 2026

Week Ended 29 May 2026

- The UST benchmark 10-year yield ended lower last week at 4.44% (prior week: 4.56%) as crude oil prices fell on reports that US and Iran have largely agreed on the terms of a 60-day memorandum of understanding to extend the ceasefire. The 10y-3y yield spread narrowed (yield curve flattened) to +38bp (prior week: +39bp) 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 unchanged at 2.54% (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 higher with the 3-year and 10-year yields shed -0.4bp and -4.7bp to close at 3.23% and 3.56% respectively. The 10y-3y yield spread narrowed (yield curve flattened) to +33bp (prior week: +38bp) as long-end outperformed.
- 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 declined week-on-week from -RM11.8b registered a week ago. However, it increased year-on-year from -RM13.8b a year ago.

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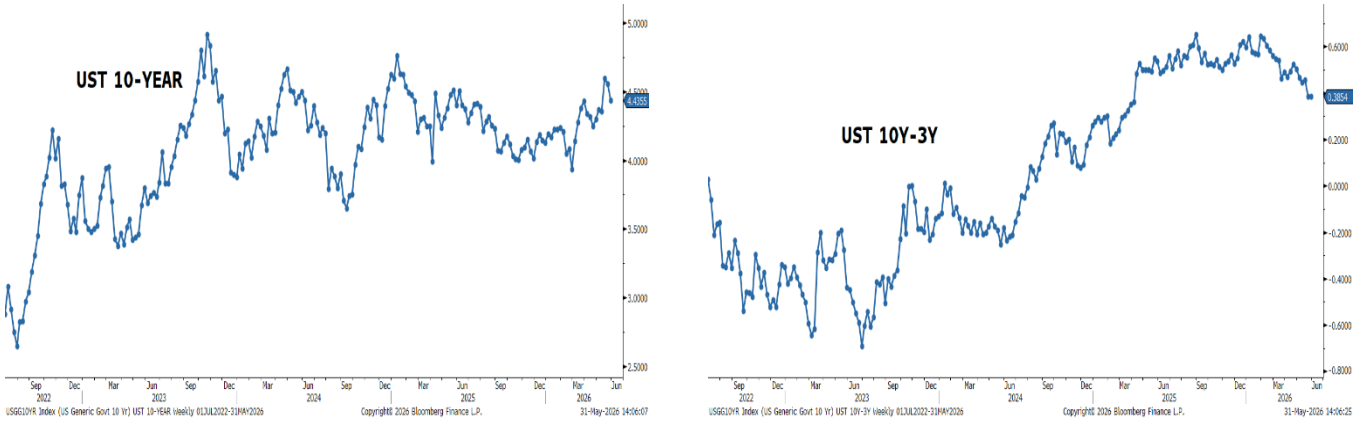
3 June 2026 | **Strategy**

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WEEKLY MONEY REVIEW

A. FIXED INCOME

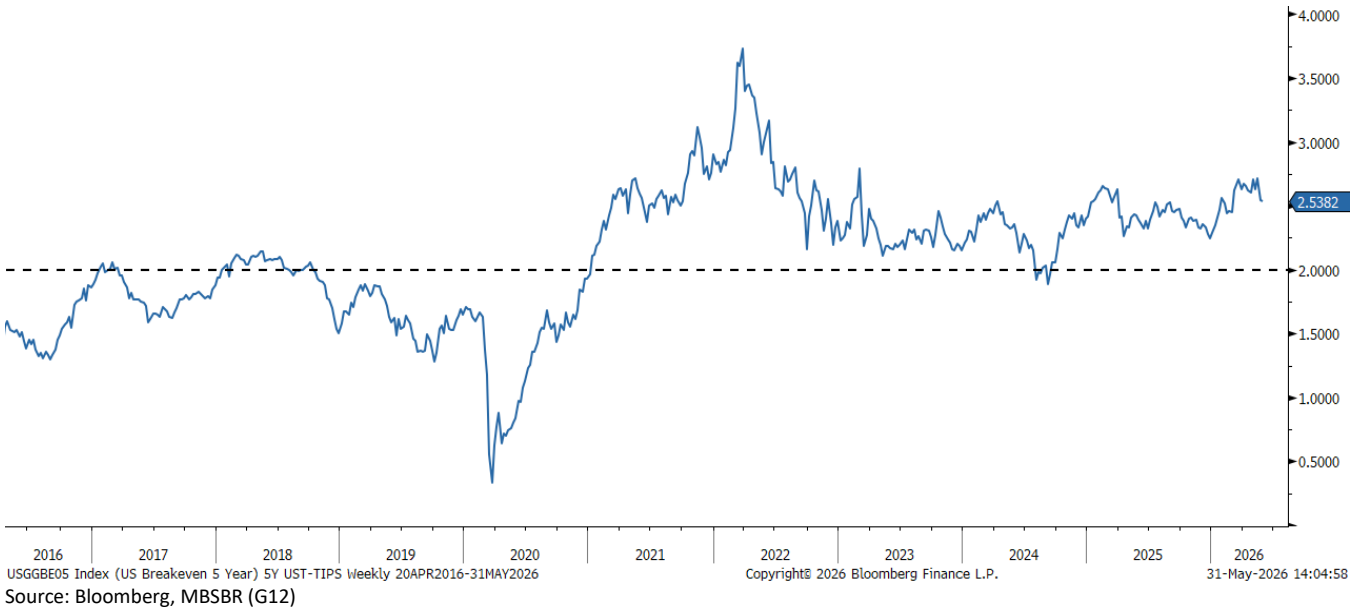
- The UST benchmark 10-year yield ended lower last week at 4.44% (prior week: 4.56%) as crude oil prices fell on reports that US and Iran have largely agreed on the terms of a 60-day memorandum of understanding to extend the ceasefire. The 10y-3y yield spread narrowed (yield curve flattened) to +38bp (prior week: +39bp) 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)

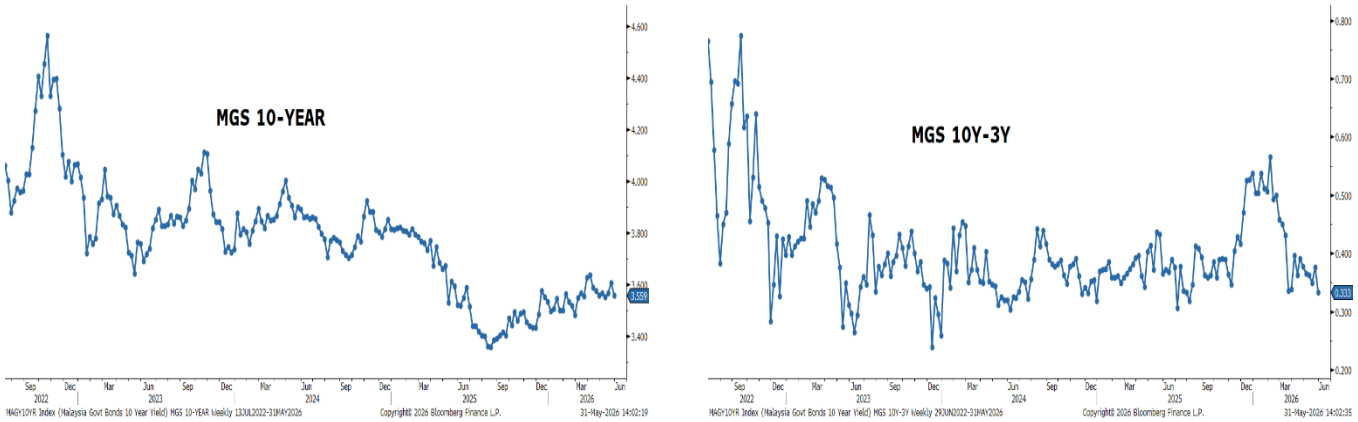
- Medium-term inflation expectation (MTIE) ended the review week unchanged at 2.54% (prior week: 2.54%). The MTIE has remained above the US Fed target level of 2.00% since September 2024. Recently, the outlook has become more hawkish as attested by prevailing expectation of one Fed rate hike later this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

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



Source: Bloomberg, MBSBR (G12)

- The price of MGS benchmark issues ended the review week higher with the 3-year, and 10-year yields shed -0.4bp and -4.7bp to close at 3.23% and 3.56% respectively. The 10y-3y yield spread narrowed (yield curve flattened) to +33bp (prior week: +38bp) as long-end outperformed.

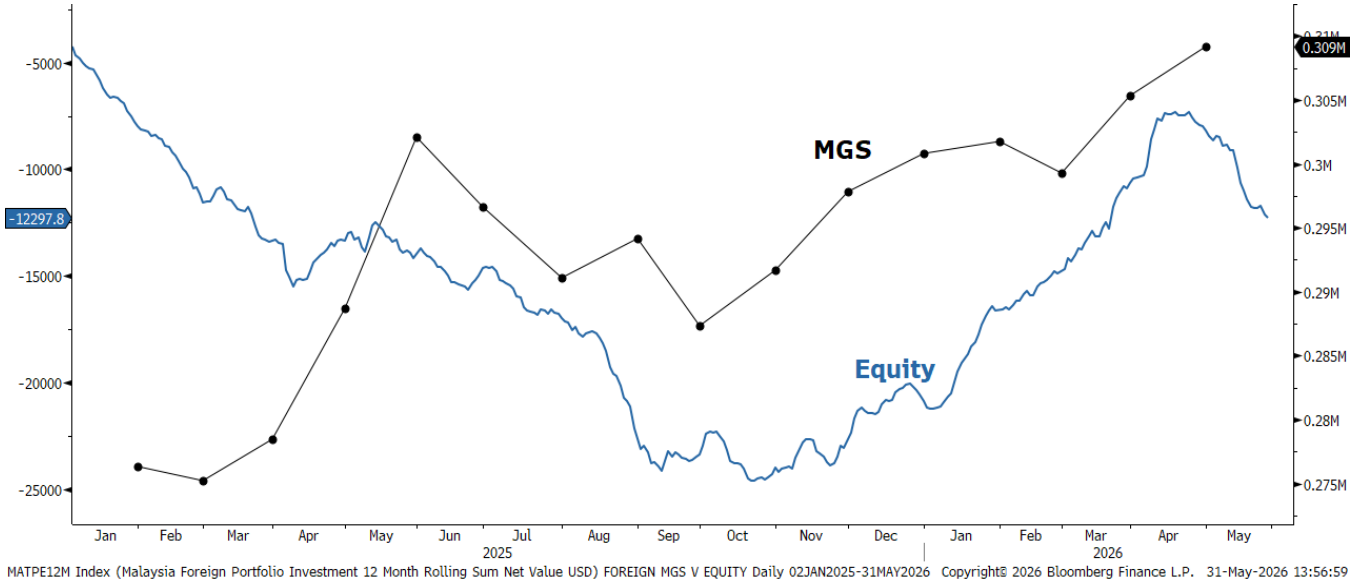


Source: Bloomberg, MBSBR (G10, G11)

- Total trading value for Government Bonds (MGS/MII) declined to RM23.6b in the review week compared to RM36.4b in the prior week (based on Bloomberg data). The total trading value of the 10 most actively traded issues was unchanged at 63% (prior week: 63%) of the overall Government Bonds trade. Moreover, 9 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 3.502% 5/31/27 at RM2.5b, and MGS 3.9% 11/30/26 at RM2.1b.

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

- Total trading value for Corporate Bonds (Conventional & Sukuk) declined to RM4.3b in the review week compared to RM5.2b in the prior week (based on Bloomberg data). The total trading value of the 10 most actively traded issues increased (lower trading breadth) to 64% (prior week: 27%) of the overall Corporate Bonds trade.

- The top 3 actively traded Corporate Bonds were dominated by issues of short and long residual tenor. The top 3 most actively traded were Berjaya Yokohama 7% 1/28/27 at RM602m, Public Bank 0% 11/20/26 at RM500m, and Prasarana Malaysia 4.16% 10/10/36 at RM400m.

B. FOREIGN EXCHANGE

- USD depreciated. The US dollar weakened against major currencies last week as the DXY dollar index closed relatively lower by -0.3%wow at 98.94. The US dollar traded within a tight range last week as investors continued to be influenced by the developments in the Middle East, but uncertainty remains a key driver as both Iran and the US are returning to air strikes while President Donald Trump delayed a two-month ceasefire. On the data front, PCE data inflation came in stronger by +3.8%yoy in Apr-26, marking the highest since May-23, while core inflation also picked up by +3.3%yoy. However, based on the second estimate, the US GDP recorded much weaker expansion in 1QCY26 compared to previous estimates, but still indicating growing spending activity despite inflationary concerns. Market attention this week will likely remain centered on the Strait of Hormuz, especially regarding any progress toward a US-Iran agreement. 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 and EUR strengthened. As the US dollar weakened, the GBP strengthened by +0.2%wow to USD1.346, while the euro strengthened steeper by +0.5%wow to USD1.166 with improvement in the euro area consumer sentiment.

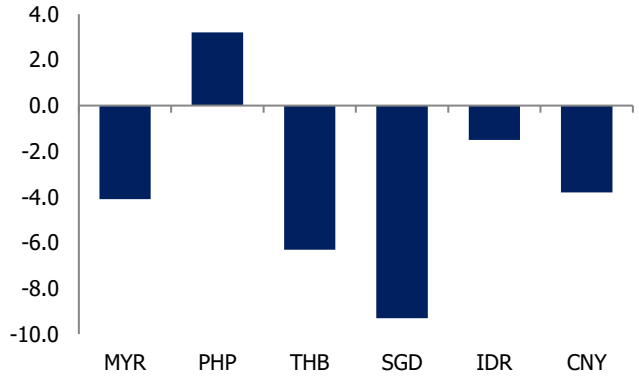
- The ringgit appreciated. The Malaysian ringgit slightly strengthened last week by +0.1% wow to RM3.965 and continued to remain below the RM4.00 level and traded within a tighter range between RM3.95 and RM3.98. The stronger ringgit was partly backed by the economic fundamentals, despite the coincident index weakening and concerns about higher inflationary pressure impacting producers and the potential translation risk to consumers. Like other currencies, the strengthening of the ringgit in general reflected some weakening in the US dollar due to easing expectations for a rate hike this year. 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 -0.1%wow, mainly weakening against the Taiwan dollar (-0.7%wow), Korean won (-0.6%wow), and Indian rupee (-0.6%wow). In a separate release, foreign holdings of both the Malaysian government and corporate bonds declined by -RM2.2b (previous: -RM2.0b between 18th May to 26th May, marking another weekly outflow which led to the outstanding value declining to RM305.8b (previous: RM307.9b).

Currencies Changes (Week Ended 29-May-2026) and Quarterly Forecasts

	Close 29/05	Prev. Close 22/05	Weekly Change	Weekly Change (%)	1QCY25	2QCY25	3QCY25	4QCY25f
DXY Index	98.94	99.24	-0.297	-0.3	98.5	97.2	96.6	96.0
EURUSD	1.166	1.160	+0.006	+0.5	1.18	1.19	1.2	1.21
GBPUSD	1.346	1.343	+0.002	+0.2	1.34	1.36	1.36	1.36
USDJPY	159.3	159.2	-0.090	-0.1	152.0	150.0	14.08	147
USDMYR	3.965	3.969	+0.004	+0.1	3.96	3.95	3.91	3.87
GBPMYR	5.319	5.329	+0.009	+0.2	5.45	5.43	5.41	5.40
JPYMYR	2.490	2.492	+0.003	+0.1	2.6	2.61	2.62	2.63
MBSB TWRI	101.46	101.59	-0.130	-0.1	98.6	99.73	100.87	102.00

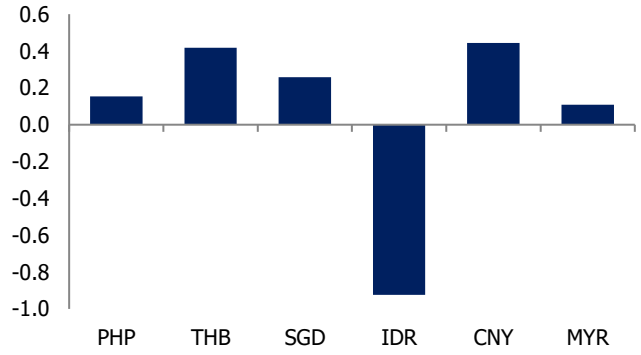
Note: "+" indicates appreciation, while "- "indicates depreciation. Quarterly figures are forecast by MBSBR. MBSB TWRI was previously known as MIDF TWRI.
Source: Bloomberg, MBSBR

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 (%)

	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

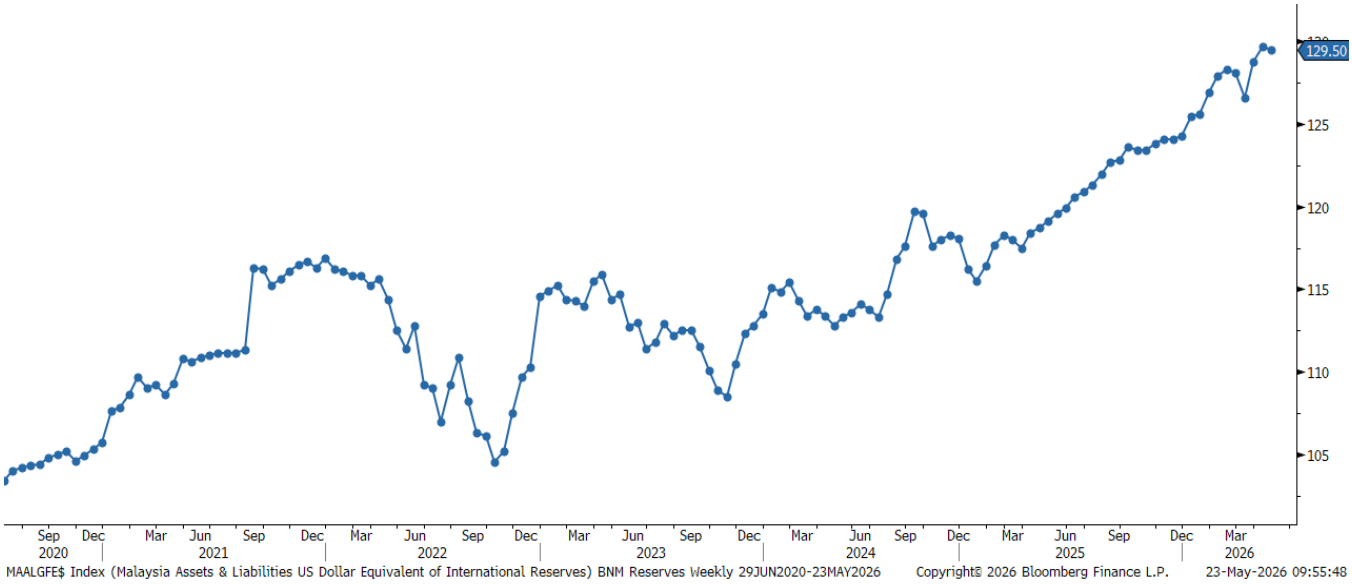
Economic Indicators	Period	Actual	Previous	Consensus
United States				
ADP Employment Change	Four weeks to 9th May	35.75K	40.75K	n.a
Initial Jobless Claims	Week ending 15th May	215K	210K	211K
US PCE (%yoy)	Apr-26	+3.8	+3.5	+3.8
US Core PCE (%yoy)	Apr-26	+3.3	+3.2	+3.3
US GDP growth rate (%qoq annualised)	1QCY26	+1.6	+0.5	+2.0
Monetary Policy Decisions: Benchmark Interest rates				
Central Bank of Sri Lanka	May-26	8.75%	7.75%	Hiked (+100bps)
Reserve Bank of New Zealand	May-26	2.25%	2.25%	Unchanged
Bank of Korea	May-26	2.50%	2.50%	Unchanged
Malaysia				
Coincident index (%mom)	Mar-26	+0.8	+1.4	n.a
Leading index (%mom)	Mar-26	-0.1	-0.3	n.a
Producer Price Index	Apr-26	+5.4	+1.1	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	22-May Fri	25-May Mon	26-May Tue	27-May Wed	28-May Thu	29-May Fri	Change (WoW bp)
MGS							
3-Y	3.23	3.213	3.238	3.238	3.224	3.226	-0.4
5-Y	3.407	3.399	3.405	3.405	3.393	3.399	-0.8
7-Y	3.571	3.538	3.533	3.533	3.579	3.513	-5.8
10-Y	3.606	3.58	3.59	3.59	3.573	3.559	-4.7
20-Y	3.969	3.961	3.958	3.958	3.959	3.954	-1.5
RINGGIT IRS							
1-Y	3.4	3.3975	3.4	3.4	3.4075	3.4	0
3-Y	3.4813	3.45	3.458	3.458	3.47	3.465	-1.63
5-Y	3.55	3.53	3.5325	3.5325	3.54	3.525	-2.5
7-Y	3.6425	3.615	3.61	3.61	3.62	3.62	-2.25
10-Y	3.765	3.7375	3.735	3.745	3.75	3.745	-2
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	4.1711	4.1711	4.0834	4.0836	4.0695	4.0501	-12.1
5-Y	4.2576	4.2576	4.1719	4.1774	4.1529	4.1407	-11.69
7-Y	4.4018	4.4018	4.3168	4.3195	4.2917	4.2813	-12.05
10-Y	4.5578	4.5578	4.4846	4.4827	4.4473	4.4355	-12.23
30-Y	5.0641	5.0641	5.0181	5.011	4.9726	4.9716	-9.25

Source: Bloomberg

10 MOST ACTIVELY TRADED GOVERNMENT BONDS

Name	Coupon	Maturity	22-May Yield	29-May Yield	Change (WoW bp)	Weekly Volume (RM mn)
MALAYSIA INVESTMNT ISSUE	4.07	09/30/26	2.911	2.922	1.1	3,024.1
MALAYSIA GOVERNMENT	3.502	05/31/27	3.075	3.070	-0.5	2,475.7
MALAYSIA GOVERNMENT	3.9	11/30/26	2.931	2.914	-1.7	2,097.0
MALAYSIA GOVERNMENT	3.844	04/15/33	3.571	3.513	-5.8	1,896.9
MALAYSIA GOVERNMENT	3.906	07/15/26	2.905	2.888	-1.7	1,604.2
MALAYSIA GOVERNMENT	4.232	06/30/31	3.407	3.399	-0.8	1,070.3
MALAYSIA INVESTMNT ISSUE	3.612	04/30/35	3.635	3.600	-3.5	748.8
MALAYSIA INVESTMNT ISSUE	4.044	01/31/56	4.109	4.093	-1.6	722.4
MALAYSIA INVESTMNT ISSUE	3.447	07/15/36	3.663	3.625	-3.8	640.2
MALAYSIA GOVERNMENT	3.828	07/05/34	3.642	3.583	-5.9	624.6
TOTAL VOLUME (TOP 10)						14,904.2
TOTAL VOLUME (Overall)						23,578.6

Source: Bloomberg

10 MOST ACTIVELY TRADED CORPORATE BONDS

Name	Coupon	Maturity	22-May Yield	29-May Yield	Change (WoW bp)	Weekly Volume (RM mn)
BERJAYA YOKOHAMA SDN BHD	7	01/28/27	N/A	7.134	N/A	601.8
PUBLIC BANK BERHAD	ZERO	11/20/26	N/A	3.379	N/A	500.0
PRASARANA MALAYSIA BHD	4.16	10/10/36	N/A	3.804	N/A	400.0
DANAINFRA NASIONAL	4.46	08/18/37	N/A	3.856	N/A	380.0
TURUS PESAWAT SDN BHD	4.36	11/19/32	N/A	3.637	N/A	300.0
DANAINFRA NASIONAL	4.3	03/31/34	N/A	3.749	N/A	150.0
PRASARANA MALAYSIA BHD	4.11	08/27/36	3.799	3.801	0.2	130.0
PENGURUSAN AIR SPV BHD	3.7	06/06/28	N/A	3.280	N/A	130.0
PENGURUSAN AIR SPV BHD	3.85	02/04/33	3.782	3.779	-0.3	90.0
PRASARANA MALAYSIA BHD	4.44	12/03/27	N/A	3.249	N/A	75.0
TOTAL VOLUME (TOP 10)						2,756.8
TOTAL VOLUME (Overall)						4,320.9

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