FIXED INCOME AND FX WEEKLY

MBSB Strategy 6 July 2026

Week Ended 3 July 2026

- The UST benchmark 10-year yield ended higher last week at 4.48% (prior week: 4.37%) as investors reacted to higher-than-expected JOLTS data and the US Fed Chair's remark that 'prices are too high'. The 10y-3y yield spread expanded (yield curve steepened) to +32bp (prior week: +28bp) as long-end underperformed. At week close, the interest rate futures market implied (as per CME FedWatch aggregated probabilities) 1 rate hike (prior week: 1 hike).

- Medium-term inflation expectation (MTIE) ended the review week higher at 2.25% (prior week: 2.22%). The MTIE has remained above the US Fed target level of 2.00% since September 2024. However, since mid-May this year, the more hawkish Fed rate outlook has arguably contributed to the declining MTIE.

- The price of MGS benchmark issues ended the review week lower with the 3-year and 10-year yields added +1.0bp and +14.0bp to close at 3.26% and 3.62% respectively. The 10y-3y yield spread expanded (yield curve steepened) to +36bp (prior week: +23bp) 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 -RM12.9b. It was lower from -RM12.2b registered a week ago. However, it improved year-on-year from -RM15.4b a year ago.

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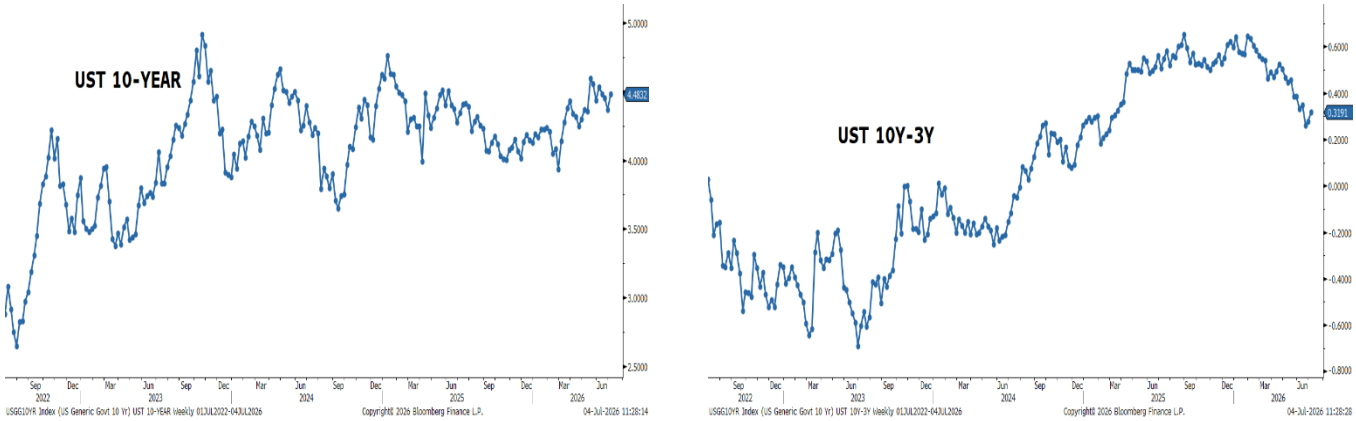
FIXED INCOME AND FX WEEKLY REVIEW

A. FIXED INCOME

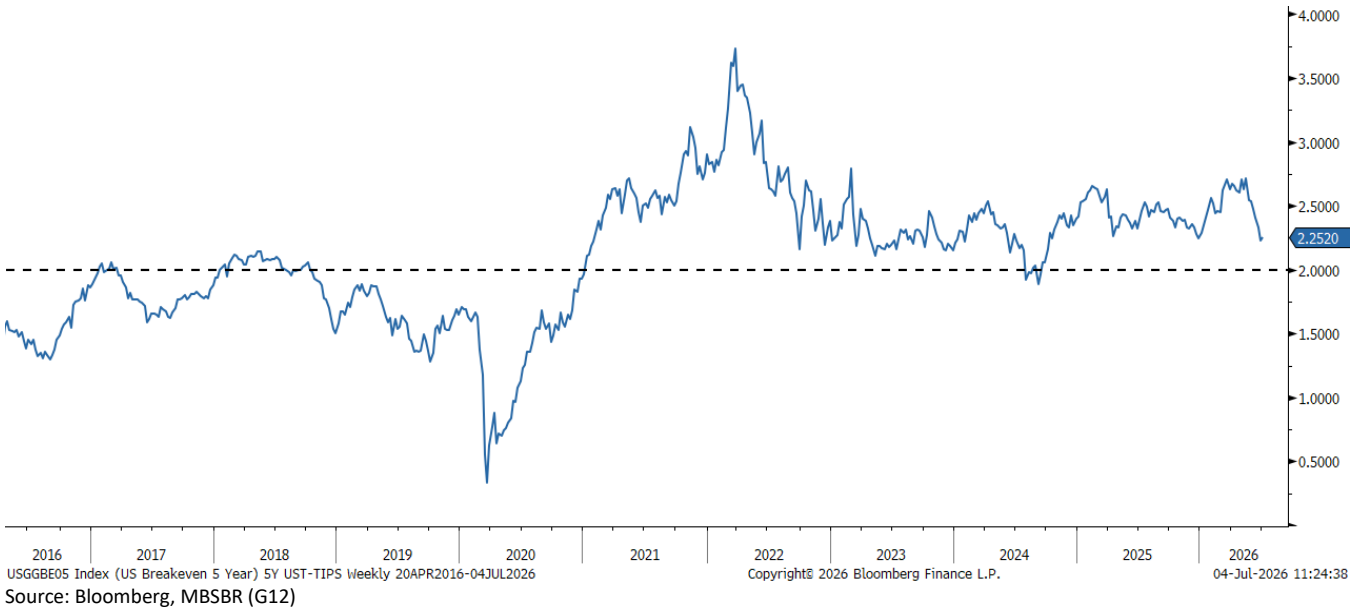
- The UST benchmark 10-year yield ended higher last week at 4.48% (prior week: 4.37%) as investors reacted to higher-than-expected JOLTS data and the US Fed Chair's remark that 'prices are too high'. The 10y-3y yield spread expanded (yield curve steepened) to +32bp (prior week: +28bp) as long-end underperformed. At week close, the interest rate futures market implied (as per CME FedWatch aggregated probabilities) 1 rate hike (prior week: 1 hike).



Source: Bloomberg, MBSBR (G8, G9)

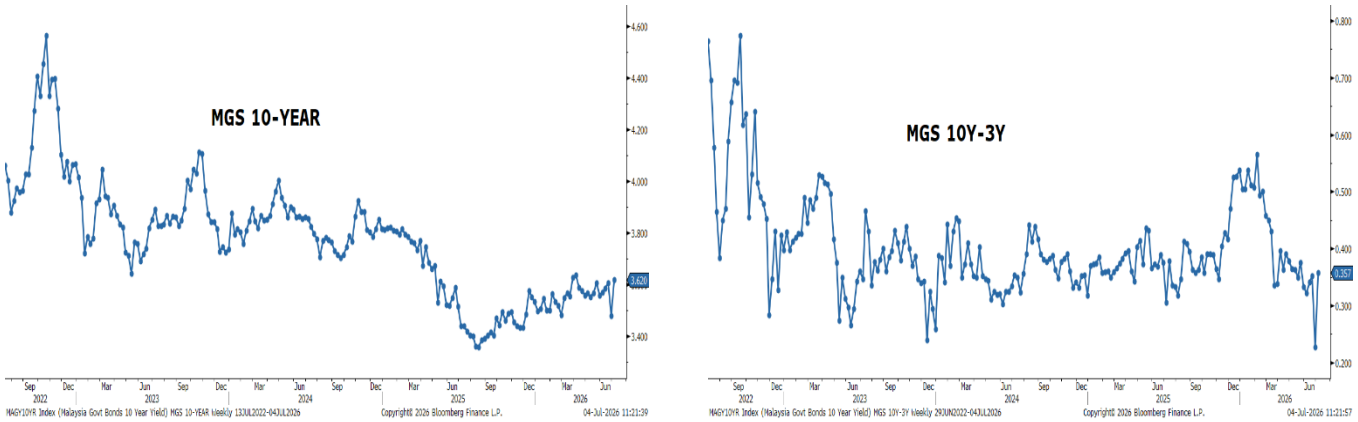
- Medium-term inflation expectation (MTIE) ended the review week higher at 2.25% (prior week: 2.22%). The MTIE has remained above the US Fed target level of 2.00% since September 2024. However, since mid-May this year, the more hawkish Fed rate outlook has arguably contributed to the declining MTIE.

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 +1.0bp and +14.0bp to close at 3.26% and 3.62% respectively. The 10y-3y yield spread expanded (yield curve steepened) to +36bp (prior week: +23bp) as long-end underperformed.

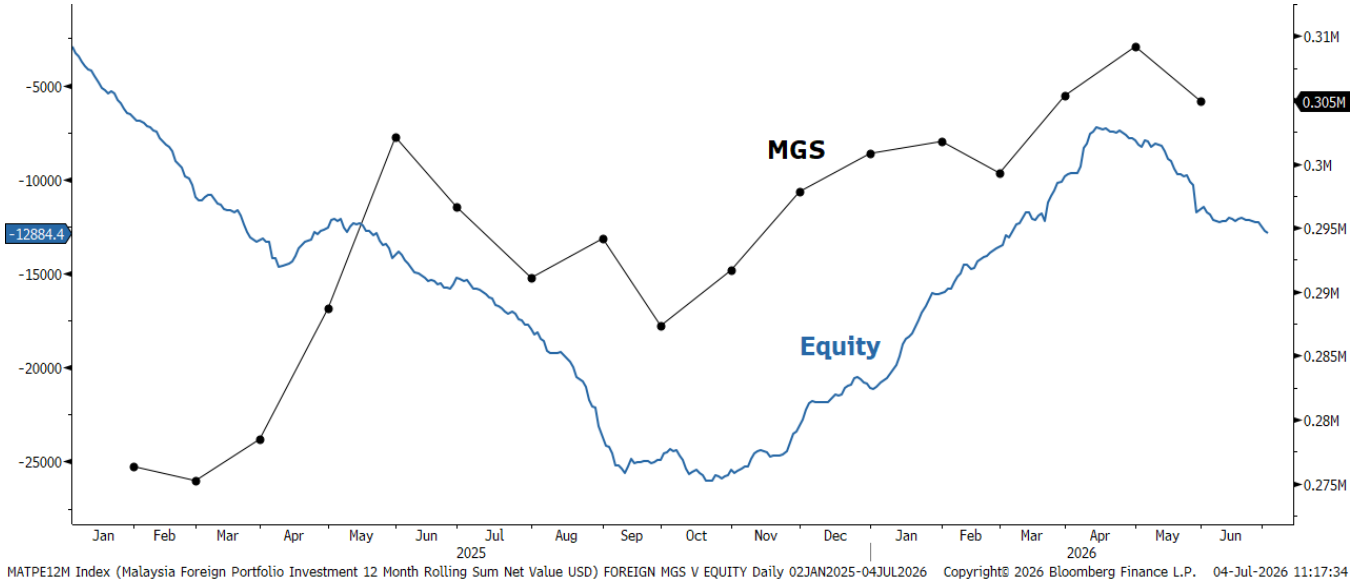


Source: Bloomberg, MBSBR (G10, G11)

- Total trading value for Government Bonds (MGS/MII) increased to RM35.9b in the review week compared to RM12.9b in the prior week (based on Bloomberg data). The total trading value of the 10 most actively traded issues declined (higher trading breadth) to 63% (prior week: 76%) of the overall Government Bonds trade. Moreover, 7 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 RM4.5b, MGS 3.906% 7/15/26 at RM4.1b, and MGS 3.9% 11/30/26 at RM3.8b.

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 02JAN2025-04JUL2026 Copyright© 2026 Bloomberg Finance L.P. 04-Jul-2026 11:17:34
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 -RM12.2b registered a week ago. However, it improved year-on-year from -RM15.4b a year ago.

- Total trading value for Corporate Bonds (Conventional & Sukuk) increased to RM6.2b 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 35% (prior week: 34%) 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 Cagamas 0% 6/28/27 at RM363m, RHB Bank 0% 7/1/27 at RM300m, and Danainfra Nasional 3.98% 3/18/36 at RM300m.

B. FOREIGN EXCHANGE

- USD depreciated with weaker-than-expected job data. The US dollar depreciated against major currencies last week as the DXY dollar index moved lower last week by -0.5%wow to 100.86, going back to near one-year highs. The recent US dollar volatility stems primarily from a cooling in US macroeconomic data. Job creation slowed as the non-farm payrolls only rose by +57K in Jun-26 (May-26: +129K), well below the consensus of +110K and confirming a sharp deceleration in labour market momentum. Although the unemployment rate technically ticked down to 4.2%, the underlying contraction did little to shift the broader economic slowdown. This data combination has reinforced concerns over softening US growth, easing expectations for further Fed rate hikes which resulted in lower demand for the US dollar. However, medium-term uncertainty over the US inflation outlook persists, and Fed officials' continued emphasis on price stability prevents the dollar from experiencing a more significant depreciation. Changes to global commodity supply with the reopening of Strait of Hormuz and the geopolitical developments will continue to dominate the narrative this week as markets monitor the US-Iran talks. While geopolitical volatility typically boosts the greenback, any structural decline in demand for USD-denominated assets could fundamentally alter traditional safe-haven dynamics. As investors rotate their portfolios, we believe gold, yen, and euro to potentially capture safe haven flows over the medium term.

- Both GBP and EUR strengthened. As the US dollar weakened, the euro strengthened by +0.5%wow to USD1.144, despite the euro inflation easing lower and tracking below the 3.0% level. The pound sterling strengthened by +1.1%wow to USD1.335, with data indicating a more encouraging economic growth as the UK GDP rose stronger at +0.6%qoq in 1QCY25 (4QCY25: +0.1%qoq), well within market expectations.

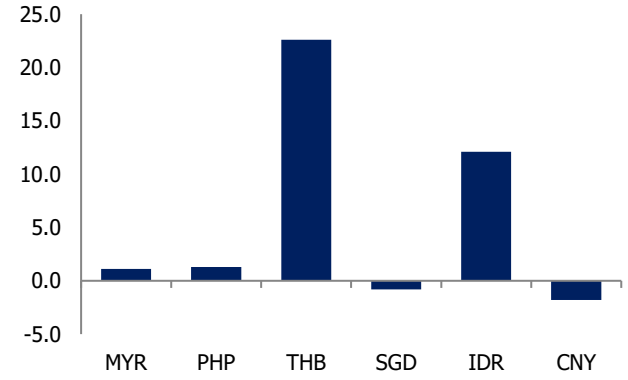
- The ringgit also appreciated. The Malaysian ringgit strengthened by +0.4%wow to RM 4.07 last week, still hovering above the RM4.00 level. Like other currencies, ringgit gained amid weakness in the US dollar. On the domestic front, data update presents a mixed narrative as the higher manufacturing PMI underscores sustained economic resilience, while the upward trend in PPI inflation signals continued cost pressures that could eventually feed into elevated inflation outlook. On a broader basis, the ringgit also appreciated against the currencies of Malaysia's major trading partners as our MBSB Trade-Weighted Ringgit Index (TWRI) increased by +0.3%wow to 99.62, mainly strengthening against the Indian rupee (+2.0%wow), Indonesian rupiah (+0.65% wow), and the Philippine peso (+0.63%wow). In separate data, foreign holdings of Malaysian government and corporate bonds recorded an inflow of +RM3.29b (previous: -RM1.1b) between 22nd and 29th June, lifting total foreign holdings to a record high of RM313.3b (previous: RM310.8b).

Currencies Changes (Week Ended 3-Jul-2026) and Quarterly Forecasts

	Close 03/07	Prev. Close 26/06	Weekly Change	Weekly Change (%)	1QCY25	2QCY25	3QCY25	4QCY25f
DXY Index	100.86	101.36	-0.500	-0.5	98.5	97.2	96.6	96.0
EURUSD	1.144	1.138	+0.005	+0.5	1.18	1.19	1.2	1.21
GBPUSD	1.335	1.320	+0.015	+1.1	1.34	1.36	1.36	1.36
USDJPY	161.3	161.7	+0.400	+0.2	152.0	150.0	14.08	147
USDMYR	4.072	4.089	+0.017	+0.4	4.04	4.13	4.05	4.03
GBPMYR	5.437	5.406	-0.031	-0.6	5.45	5.43	5.41	5.40
JPYMYR	2.523	2.528	+0.005	+0.2	2.6	2.61	2.62	2.63
MBSB TWRI	99.62	99.28	+0.340	+0.3	98.6	99.73	100.87	102.00

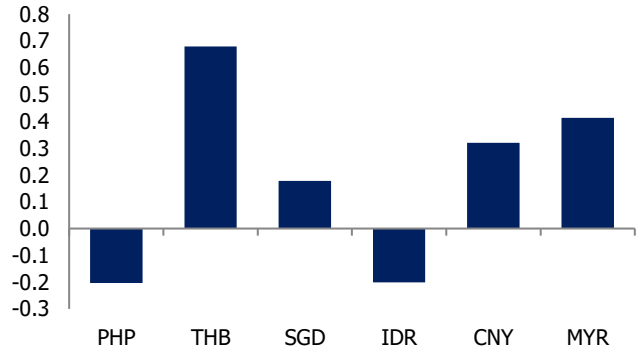
Note: "+" indicates appreciation, while "- "indicates depreciation. Quarterly figures are forecast by MBSBR. MBSB TWRI was previously known as MIDF TWRI.
Source: Bloomberg, MBSBR

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 (%)

	Nov-25	Dec-25	Jan-26	Feb-26	Mar-26	Apr-26	May-26	Jun-26	Jul-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	5.25	5.75	5.75
Philippines	4.75	4.50	4.50	4.25	4.25	4.50	4.50	4.75	4.75
Thailand	1.50	1.25	1.25	1.00	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	5.25	5.25	5.25	5.25	5.25	5.25	5.25	5.25
Japan	0.50	0.75	0.75	0.75	0.75	0.75	0.75	1.00	1.00
UK	4.00	3.75	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	2.40	2.40
USA	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	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	+98K	+113K	n.a
Initial Jobless Claims	First Week June	215K	216K	220K
JOLTS job openings	May-26	7.59M	7.58M	7.3M
Non-Farm Payroll	May-26	+57K	+129K	+110K
Unemployment rate	Jun-26	4.2	4.3	4.3
Factory orders mom	May-26	5.3	-1.8	-1.7
Monetary Policy Decisions: Benchmark Interest rates				
Central Bank Colombia	Jun-26	12.00	11.25	Hike (+75bps)
Malaysia				
Producer price index	May-26	+7.8	+5.4	n.a
S&P Manufacturing PMI	May-26	50.7	49.9	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	26-Jun Fri	29-Jun Mon	30-Jun Tue	1-Jul Wed	2-Jul Thu	3-Jul Fri	Change (WoW bp)
MGS							
3-Y	3.253	3.255	3.255	3.259	3.259	3.263	1
5-Y	3.412	3.388	3.398	3.398	3.399	3.392	-2
7-Y	3.544	3.551	3.529	3.534	3.539	3.53	-1.4
10-Y	3.48	3.6	3.6	3.607	3.63	3.62	14
20-Y	3.972	3.968	3.939	3.95	3.965	3.946	-2.6
RINGGIT IRS							
1-Y	3.4588	3.455	3.45	3.46	3.45	3.4425	-1.63
3-Y	3.485	3.49	3.475	3.493	3.48	3.4725	-1.25
5-Y	3.5175	3.5175	3.5125	3.53	3.53	3.525	0.75
7-Y	3.575	3.59	3.5795	3.6	3.5915	3.595	2
10-Y	3.705	3.7	3.69	3.735	3.72	3.72	1.5
KLIBOR							
1-M	3.01	3.01	3.01	3.01	3.01	3.01	0
3-M	3.44	3.45	3.45	3.46	3.45	3.45	1
UST							
3-Y	4.0905	4.1074	4.1811	4.1868	4.1641	4.1641	7.36
5-Y	4.1285	4.1425	4.2265	4.2371	4.2302	4.2302	10.17
7-Y	4.2383	4.2487	4.3362	4.3506	4.3533	4.3533	11.5
10-Y	4.3686	4.3744	4.4652	4.4791	4.4832	4.4832	11.46
30-Y	4.864	4.863	4.9513	4.9703	4.9854	4.9854	12.14

Source: Bloomberg

10 MOST ACTIVELY TRADED GOVERNMENT BONDS

Name	Coupon	Maturity	26-Jun Yield	3-Jul Yield	Change (WoW bp)	Weekly Volume (RM mn)
MALAYSIA INVESTMNT ISSUE	4.07	09/30/26	2.915	2.954	3.9	4,482.3
MALAYSIA GOVERNMENT	3.906	07/15/26	2.836	2.990	15.4	4,120.7
MALAYSIA GOVERNMENT	3.9	11/30/26	2.917	2.900	-1.7	3,816.7
MALAYSIA GOVERNMENT	3.502	05/31/27	3.117	3.086	-3.1	3,467.3
MALAYSIA GOVERNMENT	3.476	07/02/35	3.480	3.620	14.0	2,295.1
MALAYSIA GOVERNMENT	2.632	04/15/31	3.422	3.412	-1.0	1,046.6
MALAYSIA GOVERNMENT	3.582	07/15/32	3.517	3.506	-1.1	944.2
MALAYSIA INVESTMNT ISSUE	3.599	07/31/28	3.231	3.225	-0.6	888.1
MALAYSIA GOVERNMENT	4.054	04/18/39	3.889	3.884	-0.5	748.0
MALAYSIA INVESTMNT ISSUE	3.974	07/16/40	3.910	3.899	-1.1	694.7
TOTAL VOLUME (TOP 10)						22,503.6
TOTAL VOLUME (Overall)						35,886.8

Source: Bloomberg

10 MOST ACTIVELY TRADED CORPORATE BONDS

Name	Coupon	Maturity	26-Jun Yield	3-Jul Yield	Change (WoW bp)	Weekly Volume (RM mn)
CAGAMAS BERHAD	ZERO	06/28/27	N/A	3.498	N/A	363.0
RHB BANK	ZERO	07/01/27	N/A	3.548	N/A	300.0
DANAINFRA NASIONAL	3.98	03/18/36	N/A	3.825	N/A	300.0
DANAINFRA NASIONAL	4.53	04/07/37	N/A	3.856	N/A	240.0
PERBADANAN TABUNG PENDI	4.03	03/07/36	N/A	3.798	N/A	200.0
PENGURUSAN AIR SPV BHD	4.07	06/03/39	N/A	3.954	N/A	170.0
PRASARANA MALAYSIA BHD	4.41	08/28/37	N/A	3.869	N/A	150.0
DANAINFRA NASIONAL	4.1	05/05/36	3.842	3.826	-1.6	150.0
YTL POWER INTERNATIONAL	5.05	05/03/27	3.409	3.439	3.0	140.6
PRASARANA MALAYSIA BHD	4.35	03/04/37	N/A	3.854	N/A	140.0
TOTAL VOLUME (TOP 10)						2,153.6
TOTAL VOLUME (Overall)						6,195.9

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