FIXED INCOME AND FX WEEKLY

MBSB Strategy 13 July 2026

Week Ended 10 July 2026

- The UST benchmark 10-year yield ended higher last week at 4.56% (prior week: 4.48%) as investors reacted to heightened tensions in the Middle East after a blow-up in hostilities, with both the US and Iran blaming each other of violating the ceasefire. The 10y-3y yield spread was unchanged at +32bp (prior week: +32bp). At week close, the interest rate futures market implied (as per CME FedWatch aggregated probabilities) 1 rate hike (prior week: 1 hike) this year.

- Medium-term inflation expectation (MTIE) ended the review week higher at 2.30% (prior week: 2.25%). 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 declining MTIE.

- The price of MGS benchmark issues ended the review week higher with the 3-year and 10-year yields shed -1.0bp and -0.3bp to close at 3.25% and 3.62% respectively. The 10y-3y yield spread was unchanged at +36bp (prior week: +36bp).

- MGS foreign holdings increased month-on-month to RM310b in June 2026 from RM305b in May 2026. Moreover, it increased year-on-year from RM297b in June 2025. On Bursa Malaysia, the 12-month rolling sum of foreign net equities trade ended the review week at -RM12.7b. It improved from -RM12.9b registered a week ago. Morever, it improved year-on-year from -RM15.9b a year ago.

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13 July 2026 | Strategy

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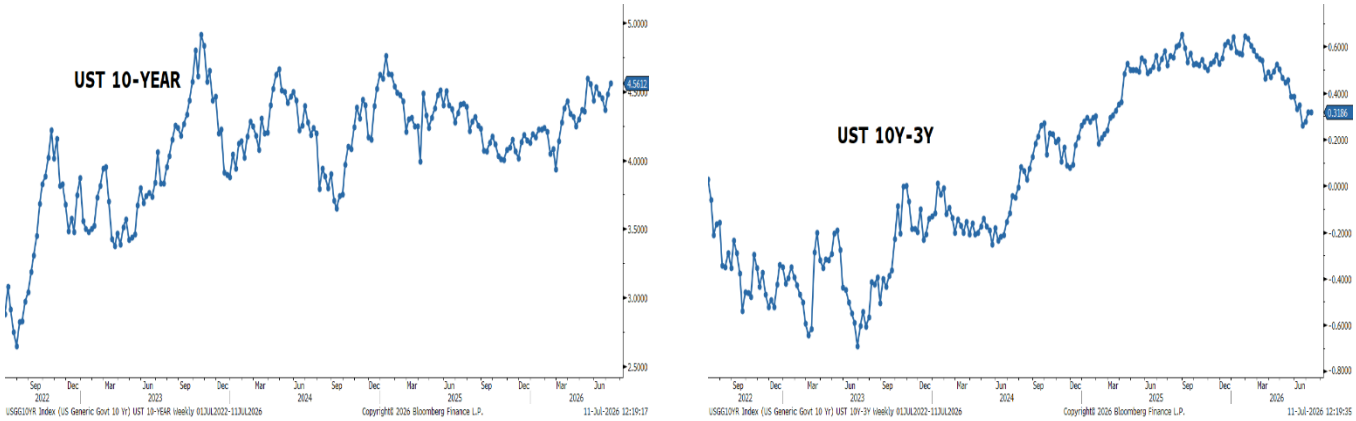
FIXED INCOME AND FX WEEKLY REVIEW

A. FIXED INCOME

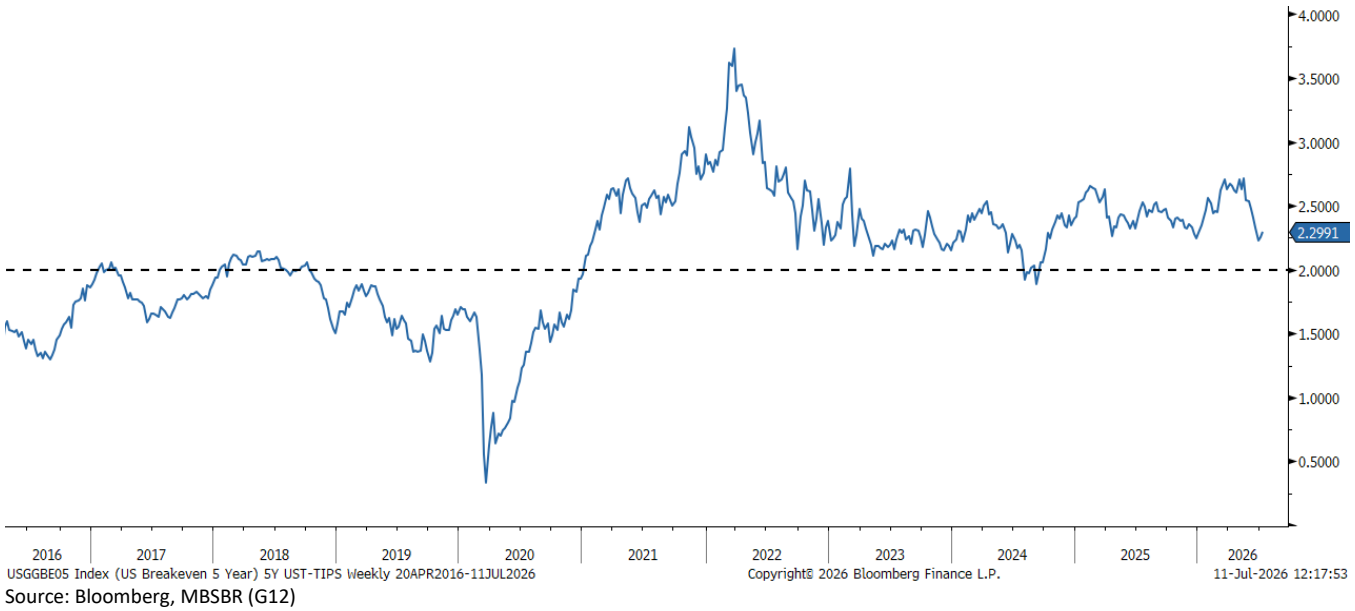
- The UST benchmark 10-year yield ended higher last week at 4.56% (prior week: 4.48%) as investors reacted to heightened tensions in the Middle East after a blow-up in hostilities, with both the US and Iran blaming each other of violating the ceasefire. The 10y-3y yield spread was unchanged at +32bp (prior week: +32bp). At week close, the interest rate futures market implied (as per CME FedWatch aggregated probabilities) 1 rate hike (prior week: 1 hike) this year.



Source: Bloomberg, MBSBR (G8, G9)

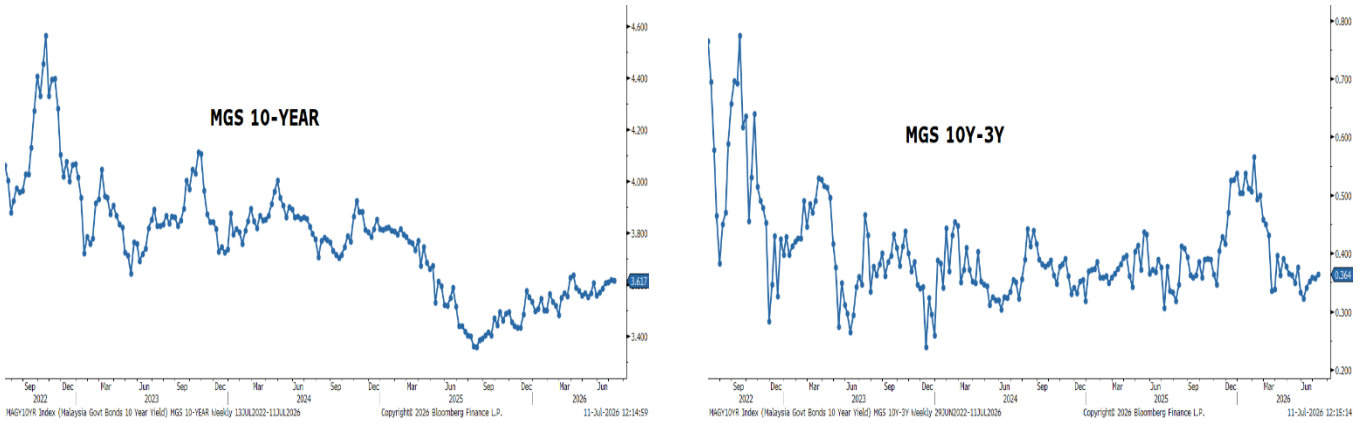
- Medium-term inflation expectation (MTIE) ended the review week higher at 2.30% (prior week: 2.25%). The MTIE has remained above the US Fed target level of 2.00% since September 2024. However, since mid-May this year, the more hawkish Fed rate outlook has arguably contributed to declining MTIE.

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



Source: Bloomberg, MBSBR (G12)

- The price of MGS benchmark issues ended the review week higher with the 3-year and 10-year yields shed -1.0bp and -0.3bp to close at 3.25% and 3.62% respectively. The 10y-3y yield spread was unchanged at +36bp (prior week: +36bp).

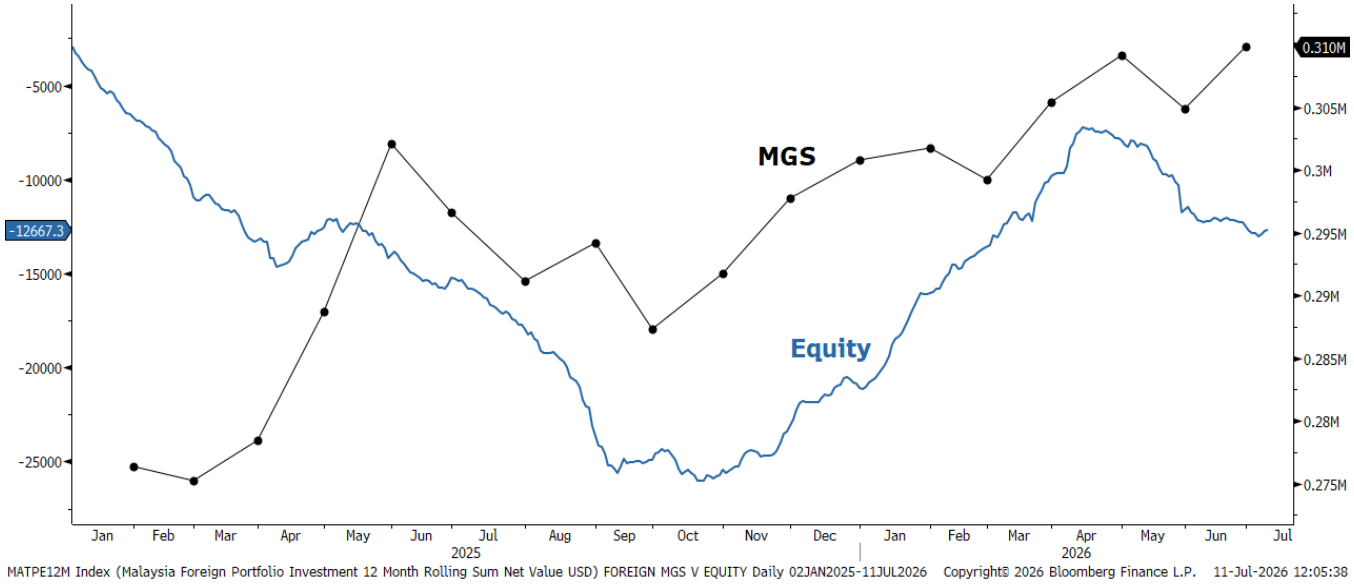


Source: Bloomberg, MBSBR (G10, G11)

- Total trading value for Government Bonds (MGS/MII) declined to RM33.0b in the review week compared to RM35.9b in the prior week (based on Bloomberg data). The total trading value of the 10 most actively traded issues declined (higher trading breadth) to 62% (prior week: 63%) of the overall Government Bonds trade. Moreover, 6 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 RM3.4b, MGS 3.906% 7/15/26 at RM2.8b, and MGS 3.9% 11/30/26 at RM1.5b.

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



Source: Bloomberg, MBSBR (G13)

- MGS foreign holdings increased month-on-month to RM310b in June 2026 from RM305b in May 2026. Moreover, it increased year-on-year from RM297b in June 2025. On Bursa Malaysia, the 12-month rolling sum of foreign net equities trade ended the review week at -RM12.7b. It improved from -RM12.9b registered a week ago. Moreover, it improved year-on-year from -RM15.9b a year ago.

- Total trading value for Corporate Bonds (Conventional & Sukuk) declined to RM3.1b in the review week compared to RM6.2b in the prior week (based on Bloomberg data). The total trading value of the 10 most actively traded issues declined (higher trading breadth) to 31% (prior week: 35%) 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 Malaysia Rail Link 0% 10/30/26 at RM210m, Imitiaz Sukuk II 3.98% 5/5/32 at RM110m, and Malaysia Rail Link 3.94% 8/20/32 at RM100m.

B. FOREIGN EXCHANGE

- USD strengthened marginally. The US dollar appreciated marginally against major currencies last week as the DXY dollar index inched higher by +0.1%wow to 100.95. The US dollar performance was partly influenced by investors monitoring the volatile swings and market players calibrating risk premiums amid a fragile backdrop in the Middle East. A brief price retreat, triggered by headlines that US-Iran peace negotiations would persist, was swiftly erased by a fresh round of retaliatory strikes that cast doubt over the durability of the current truce. From a macro perspective, these renewed hostilities threaten to unleash fresh supply-side inflation shocks; this geopolitical friction reinforces hawkish market expectations that the Fed will maintain a tight monetary policy for a longer period. 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.

- The GBP strengthened. As the US dollar remained roughly stable, the GBP strengthened by +0.4%wow to USD1.34, as key takeaways indicated that the UK banking system, households, and corporates remained broadly resilient, but flagged some vulnerabilities. Meanwhile, the euro weakened by -0.2%wow to USD1.142, with the PPI data coming out higher than expected.

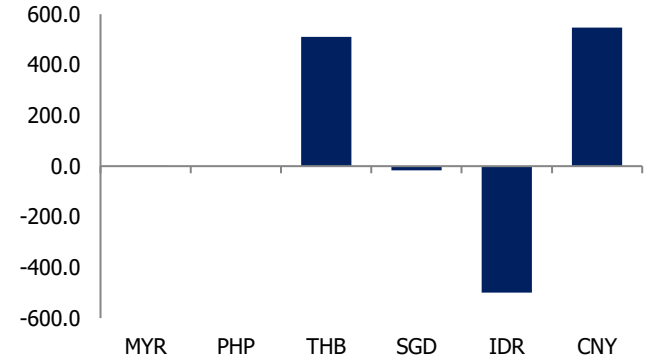
- Ringgit traded sideways. The Malaysian ringgit was roughly unchanged and ended the week at RM 4.07 last week, and still hovering above the RM4.00 level. The ringgit remained steady last week despite the uncertainty in the Middles East situation weighing on sentiment. On the domestic front, the ringgit was supported by robust IPI release, while the labour market remained steady albeit with some signs of softening. Ringgit was also little change after BNM maintained OPR at 2.75% last week, while warning the upside risk to inflation from cost pressures, despite remaining well-contained thus far. In another release, distributive trade expanded at a more moderate pace in May-26, but retail sales recorded stronger growth. 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 +0.1%wow to 99.75, mainly strengthening against the Taiwan dollar (+0.4), Indonesia rupiah (+0.5%wow), and the Japanese yen (+0.4%wow). In a separate release, foreign holdings of Malaysian government and corporate bonds recorded an outflow of RM3.62b (previous: RM3.29b) between 29th June and 5th July, pushing down total foreign holdings lower to RM309.7b.

Currencies Changes (Week Ended 10-Jul-2026) and Quarterly Forecasts

	Close 10/07	Prev. Close 03/07	Weekly Change	Weekly Change (%)	1QCY25	2QCY25	3QCY25	4QCY25f
DXY Index	100.95	100.86	+0.095	+0.1	98.5	97.2	96.6	96.0
EURUSD	1.142	1.144	-0.002	-0.2	1.18	1.19	1.2	1.21
GBPUSD	1.340	1.335	+0.005	+0.4	1.34	1.36	1.36	1.36
USDJPY	161.7	161.3	-0.340	-0.2	152.0	150.0	14.08	147
USDMYR	4.073	4.072	-0.001	-0.0	4.04	4.13	4.05	4.03
GBPMYR	5.457	5.437	-0.020	-0.4	5.45	5.43	5.41	5.40
JPYMYR	2.518	2.523	+0.005	+0.2	2.6	2.61	2.62	2.63
MBSB TWRI	99.75	99.61	+0.144	+0.1	98.6	99.73	100.87	102.00

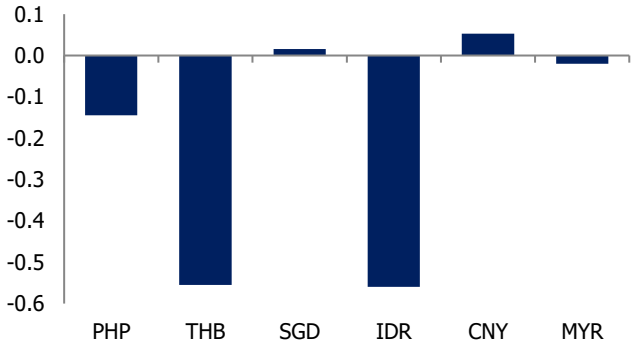
Note: "+" indicates appreciation, while "- "indicates depreciation. Quarterly figures are forecast by MBSBR. MBSB TWRI was previously known as MIDF TWRI.
Source: Bloomberg, MBSBR

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 (%)

	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	20-Jun	+21.0K	+24.25K	n.a
Initial Jobless Claims	First Week June	215K	217K	218K
S&P Global Composite PMI	Jun-26	51.9	51.5	52.2
S&P Global Services PMI	Jun-26	51.2	50.7	51.4
ISM Services PMI	Jun-26	54.0	54.5	54.0
Balance of Trade	May-26	-77.6b	--54.6b	-78.5b
Exports (yoy)	May-26	-3.2%	+2.6%	n.a
Imports (yoy)	May-26	+3.2%	+2.0%	n.a
Monetary Policy Decisions: Benchmark Interest rates				
Bank Negara Malaysia	Jun-26	2.75	2.75	Unchanged
Central Bank of Egypt	Jun-26	19.0	19.0	Unchanged
Reserve Bank of New Zealand	Jun-26	2.50	2.25	+2.5bps (hike)
Malaysia				
Industrial production (yoy)	May-26	+8.4%	+8.2%	+9.5
Retail sales (yoy)	May-26	+7.2%	+6.3%	n.a
Unemployment rate	May-26	3.0%	3.0%	3.0%

Source: Macrobond, MBSBR

C. BNM INTERNATIONAL RESERVES

- As of 30 June 2026, compared to previous fortnight, Bank Negara Malaysia's international reserves were higher at USD132.6b (15 June 2026: USD130.5b).

BNM INTERNATIONAL RESERVES



Source: Bloomberg, MBSBR (G14)

- The number of reserves is sufficient to finance 4.7 months of imports of goods & services and is 0.9 times total short-term external debt.

APPENDIX

WEEKLY INTEREST RATE MONITOR

Tenor	3-Jul Fri	6-Jul Mon	7-Jul Tue	8-Jul Wed	9-Jul Thu	10-Jul Fri	Change (WoW bp)
MGS							
3-Y	3.263	3.243	3.248	3.255	3.257	3.253	-1
5-Y	3.392	3.394	3.391	3.406	3.409	3.393	0.1
7-Y	3.53	3.534	3.537	3.552	3.541	3.533	0.3
10-Y	3.62	3.614	3.62	3.626	3.629	3.617	-0.3
20-Y	3.946	3.943	3.946	3.946	3.947	3.926	-2
RINGGIT IRS							
1-Y	3.4425	3.45	3.4625	3.4675	3.465	3.455	1.25
3-Y	3.4725	3.4763	3.4825	3.5	3.5	3.49	1.75
5-Y	3.525	3.5325	3.5375	3.5525	3.5425	3.5338	0.88
7-Y	3.595	3.595	3.6025	3.62	3.6115	3.6205	2.55
10-Y	3.72	3.715	3.725	3.725	3.731	3.73	1
KLIBOR							
1-M	3.01	3.01	3.01	3.01	3.01	3.01	0
3-M	3.45	3.45	3.45	3.45	3.45	3.45	0
UST							
3-Y	4.1641	4.1327	4.2155	4.2595	4.2146	4.2426	7.85
5-Y	4.2302	4.2003	4.2884	4.3274	4.2832	4.3047	7.45
7-Y	4.3533	4.3297	4.414	4.4484	4.4101	4.4247	7.14
10-Y	4.4832	4.4693	4.5511	4.5792	4.5511	4.5612	7.8
30-Y	4.9854	4.9844	5.0557	5.0721	5.0649	5.0587	7.33

Source: Bloomberg

10 MOST ACTIVELY TRADED GOVERNMENT BONDS

Name	Coupon	Maturity	3-Jul Yield	10-Jul Yield	Change (WoW bp)	Weekly Volume (RM mn)
MALAYSIA INVESTMNT ISSUE	4.07	09/30/26	2.954	2.959	0.5	3,417.2
MALAYSIA GOVERNMENT	3.906	07/15/26	2.990	3.122	13.2	2,774.7
MALAYSIA GOVERNMENT	3.9	11/30/26	2.900	2.941	4.1	1,503.7
MALAYSIA INVESTMNT ISSUE	3.422	09/30/27	3.136	3.129	-0.7	1,374.3
MALAYSIA INVESTMNT ISSUE	3.227	10/15/29	3.258	3.265	0.7	1,134.5
MALAYSIA GOVERNMENT	3.502	05/31/27	3.086	3.081	-0.5	907.8
MALAYSIA INVESTMNT ISSUE	4.291	08/14/43	3.951	3.946	-0.5	853.7
MALAYSIA GOVERNMENT	3.476	07/02/35	3.620	3.617	-0.3	792.1
MALAYSIA GOVERNMENT	3.582	07/15/32	3.506	3.481	-2.5	755.9
MALAYSIA GOVERNMENT	3.237	03/15/29	3.263	3.253	-1.0	681.9
TOTAL VOLUME (TOP 10)						14,195.9
TOTAL VOLUME (Overall)						22,950.4

Source: Bloomberg

10 MOST ACTIVELY TRADED CORPORATE BONDS

Name	Coupon	Maturity	3-Jul Yield	10-Jul Yield	Change (WoW bp)	Weekly Volume (RM mn)
MALAYSIA RAIL LINK	ZERO	10/30/26	3.294	3.353	5.9	210.0
IMTIAZ SUKUK II BHD	3.98	05/05/32	3.898	3.892	-0.6	110.0
MALAYSIA RAIL LINK	3.94	08/20/32	N/A	3.646	N/A	100.0
KHAZANAH NASIONAL BHD	ZERO	09/03/32	3.702	3.697	-0.5	100.0
PRASARANA MALAYSIA BHD	4.32	01/30/37	3.849	3.849	0.0	90.0
DANAINFRA NASIONAL	4.65	10/20/36	3.844	3.828	-1.6	75.0
MALAYSIAN RESOURCES CORP	4.25	01/30/36	4.149	4.147	-0.2	70.0
MALAYSIAN RESOURCES CORP	4.41	04/10/35	4.128	4.115	-1.3	70.0
YINSON HOLDINGS BERHAD	5.8	12/07/26	4.810	3.840	-97.0	60.0
DANAINFRA NASIONAL	4.32	03/18/37	3.850	3.853	0.3	60.0
TOTAL VOLUME (TOP 10)						945.0
TOTAL VOLUME (Overall)						3,077.7

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