FIXED INCOME AND FX WEEKLY

MBSB Strategy 27 July 2026

Week Ended 24 July 2026

- The UST benchmark 10-year yield ended higher last week at 4.68% (prior week: 4.55%) as investors reacted to spiking crude oil prices (i.e. Brent back at triple-digit intraweek) due to heightened tensions in the Middle East. The 10y-3y yield spread narrowed (yield curve flattened) to +31bp (prior week: +33bp) as short-end underperformed due to its higher sensitivity to potential policy rate movement. At week close, the interest rate futures market implied (as per CME FedWatch aggregated probabilities) 2 rate hikes (prior week: 1 hike) this year.

- Medium-term inflation expectation (MTIE) ended the review week lower at 2.26% (prior week: 2.28%). 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 lower with the 3-year and 10-year yields added +3.4bp and +5.5bp to close at 3.29% and 3.70% respectively. The 10y-3y yield spread expanded (yield curve steepened) to +41bp (prior week: +39bp) as long-end underperformed.

- 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 -RM11.3b. It improved from -RM11.8b registered a week ago. Moreover, it improved year-on-year from -RM17.0b a year ago.

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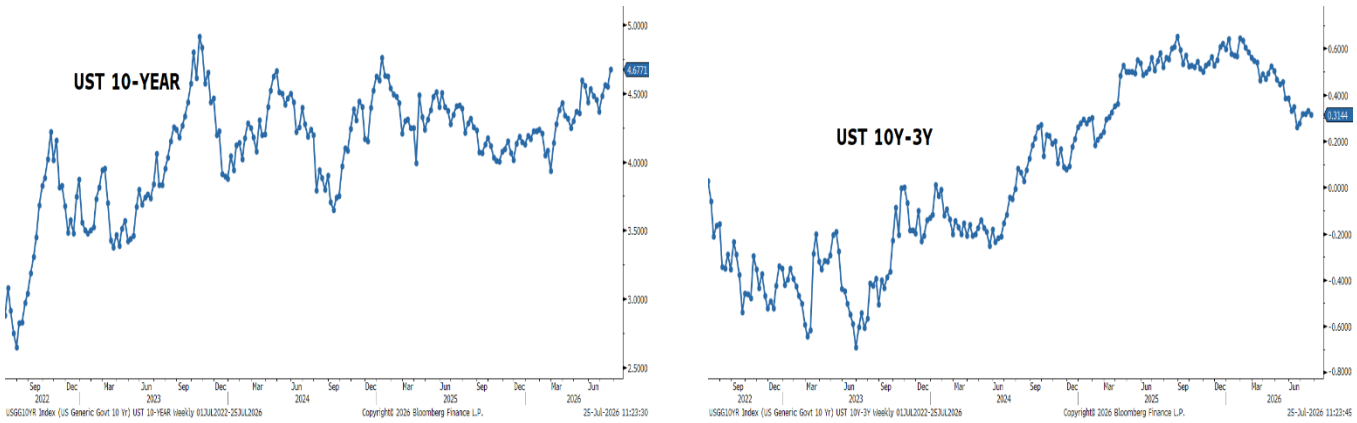
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FIXED INCOME AND FX WEEKLY REVIEW

A. FIXED INCOME

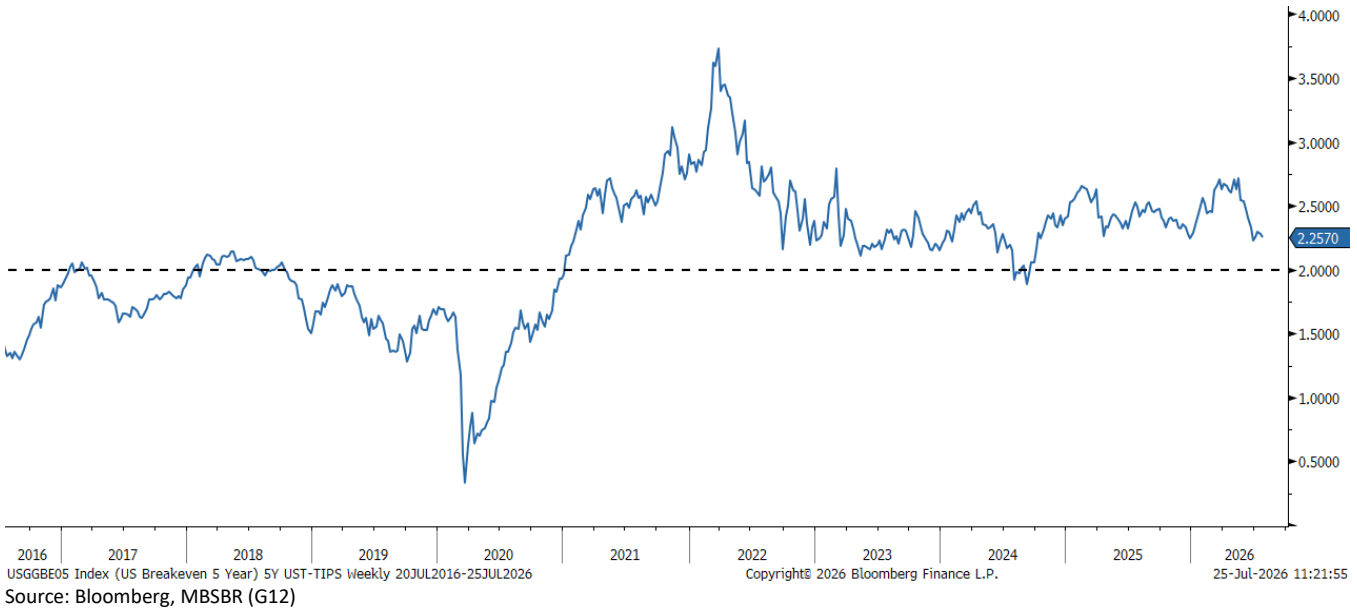
- The UST benchmark 10-year yield ended higher last week at 4.68% (prior week: 4.55%) as investors reacted to spiking crude oil prices (i.e. Brent back at triple-digit intraweek) due to heightened tensions in the Middle East. The 10y-3y yield spread narrowed (yield curve flattened) to +31bp (prior week: +33bp) as short-end underperformed due to its higher sensitivity to potential policy rate movement. At week close, the interest rate futures market implied (as per CME FedWatch aggregated probabilities) 2 rate hikes (prior week: 1 hike) this year.



Source: Bloomberg, MBSBR (G8, G9)

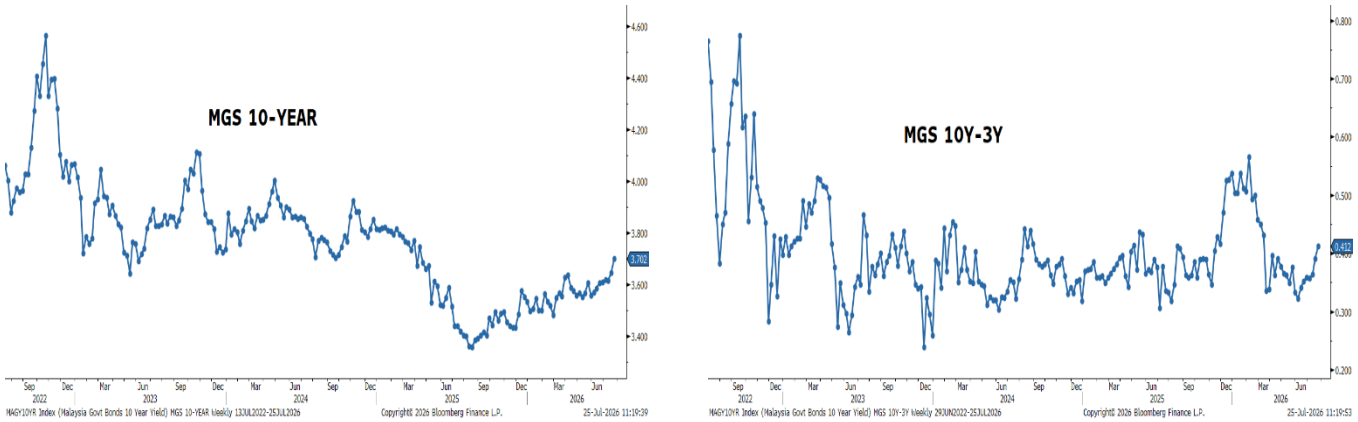
- Medium-term inflation expectation (MTIE) ended the review week lower at 2.26% (prior week: 2.28%). The MTIE has remained above the US Fed target level of 2.00% since September 2024. However, since mid-May this year, the more hawkish Fed rate outlook has arguably contributed to declining MTIE.

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



Source: Bloomberg, MBSBR (G12)

- The price of MGS benchmark issues ended the review week lower with the 3-year, and 10-year yields added +3.4bp and +5.5bp to close at 3.29% and 3.70% respectively. The 10y-3y yield spread expanded (yield curve steepened) to +41bp (prior week: +39bp) as long-end underperformed.

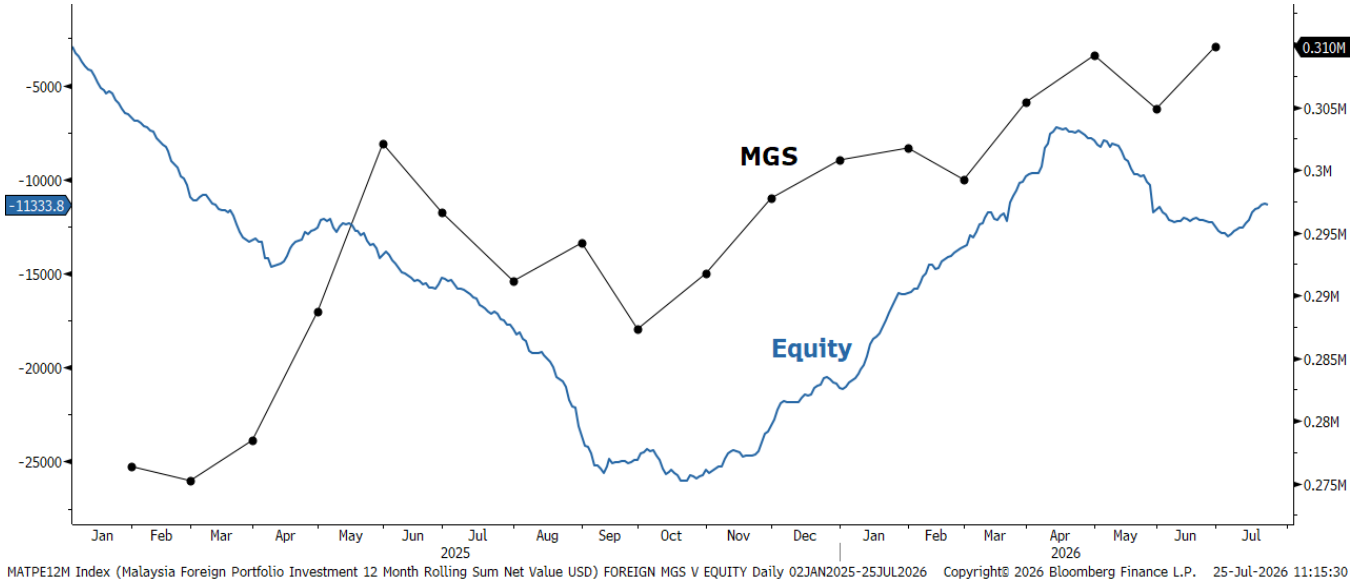


Source: Bloomberg, MBSBR (G10, G11)

- Total trading value for Government Bonds (MGS/MII) declined to RM23.2b in the review week compared to RM24.5b in the prior week (based on Bloomberg data). The total trading value of the 10 most actively traded issues declined (higher trading breadth) to 57% (prior week: 70%) of the overall Government Bonds trade. Moreover, 10 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 residual tenor. The top 3 most actively traded were MII 3.227% 10/15/29 at RM3.2b, MII 4.07% 9/30/26 at RM1.8b, 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 -RM11.3b. It improved from -RM11.8b registered a week ago. Moreover, it improved year-on-year from -RM17.0b a year ago.

- Total trading value for Corporate Bonds (Conventional & Sukuk) declined to RM2.9b in the review week compared to RM4.7b in the prior week (based on Bloomberg data). The total trading value of the 10 most actively traded issues increased (lower trading breadth) to 46% (prior week: 31%) of the overall Corporate Bonds trade.

- The top 3 actively traded Corporate Bonds were dominated by issues of mid and long residual tenor. The top 3 most actively traded were TNB 5.18% 8/3/37 at RM315m, Sarawak Energy 4.95% 11/25/33 at RM225m, and Danainfra Nasional 4.53% 4/7/37 at RM170m.

B. FOREIGN EXCHANGE

- USD climbed to 4-week high. The USD appreciated against major currencies last week as the DXY dollar index edged higher by +0.7%wow to 101.47. The greenback strengthened throughout the week amid heightened geopolitical uncertainty in the Middle East, while the risk also widened as Iran-backed Houthi rebels escalated tensions in the Red Sea by declaring a blockade on Saudi Arabia and attacking Saudi oil tankers. In turn, global oil prices edged higher, closing at USD96.78pb last week. The higher oil prices reignited global inflationary concerns and within the US, and the expectations for rate hike supported the US dollar. Geopolitical tensions between the US and Iran will remain a central focus for financial markets; potential diplomatic negotiations continue to be counterbalanced by ongoing strikes and naval blockades across key maritime routes, maintaining upward pressure on global energy prices and inflation expectations. Although geopolitical shocks historically trigger a safe-haven bid for the US dollar, any structural erosion in global demand for USD assets could reshape traditional capital flows. As institutional investors diversify their portfolios, gold, the yen, and the euro will likely emerge as the primary beneficiaries of safe-haven rotation over the medium-term horizon.

- GBP and EUR weakened. As the US dollar strengthened, the pound sterling depreciated by -0.9%wow to USD1.333, despite latest data update for Jun-26 showing increased retail spending and easing CPI and PPI inflation, and flash PMI data pointing to stronger activities in the manufacturing and service sectors. Meanwhile, the euro weakened by -0.6%wow to USD1.137, with the ECB keeping its policy interest rates unchanged amid cooling inflation. Nevertheless, the ECB President left the door open for possible hike in Sep-26, as the decision may be shaped by the recent surge in oil prices.

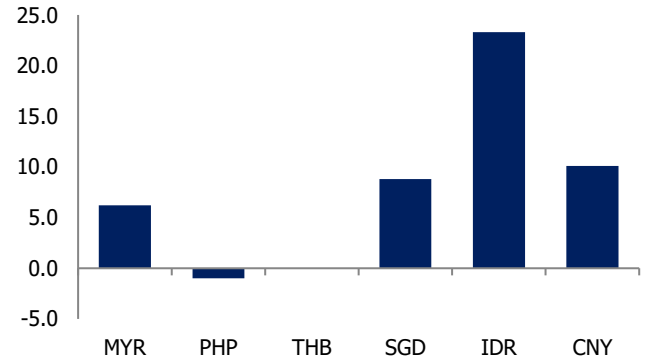
- Ringgit traded sideways with a slight increase. The Malaysian ringgit strengthened slightly by +0.1%wow to RM 4.091, generally was traded sideways and remained between the RM4.080 and RM4.095 trading range. Towards last Friday, the ringgit reversed some gains earlier in the week as heightened geopolitical risks resulted in the stronger US dollar. Ringgit previously closed at RM4.088 last Tuesday, underpinned by the continued resilience in Malaysia's export performance in Jun-26. A sharp pickup in imports, however, led to narrower trade and current account surplus. On a broader basis, the ringgit depreciated against the currencies of Malaysia's major trading partners, with our MBSB Trade-Weighted Ringgit Index (TWRI) declining by -0.2%wow to 99.17, mainly due to the weakness against the Korean won (-1.6%wow), Australian dollar (-0.2%wow), and Taiwan dollar (-0.1%wow). We expect that the ringgit would average around RM4.081 for this month and end the month within the RM4.08 to RM4.10 range. In a separate release, foreign holdings of Malaysian government and corporate bonds recorded an outflow of -RM2.2b between the 13th and 20th July (previous: -RM4.4b), reducing the total foreign holdings to RM303.7b. This marks three weeks of continuous foreign outflows from the domestic bond market.

Currencies Changes (Week Ended 24-Jul-2026) and Quarterly Forecasts

	Close 24/07	Prev. Close 07/07	Weekly Change	Weekly Change (%)	1QCY26	2QCY26	3QCY26f	4QCY26f
DXY Index	101.47	100.77	+0.703	+0.7	98.5	101.1	102.3	100.5
EURUSD	1.137	1.144	-0.007	-0.6	1.18	1.14	1.12	1.15
GBPUSD	1.333	1.345	-0.013	-0.9	1.34	1.33	1.30	1.34
USDJPY	163.8	162.4	-1.430	-0.9	152.0	162.55	165.0	162.0
USDMYR	4.091	4.097	+0.006	+0.1	4.04	4.09	4.13	4.03
GBPMYR	5.449	5.507	+0.059	+1.1	5.45	5.41	5.36	5.40
JPYMYR	2.497	2.522	+0.025	+1.0	2.6	2.51	2.50	2.49
MBSB TWRI	99.17	99.36	-0.195	-0.2	98.6	99.65	100.87	102.00

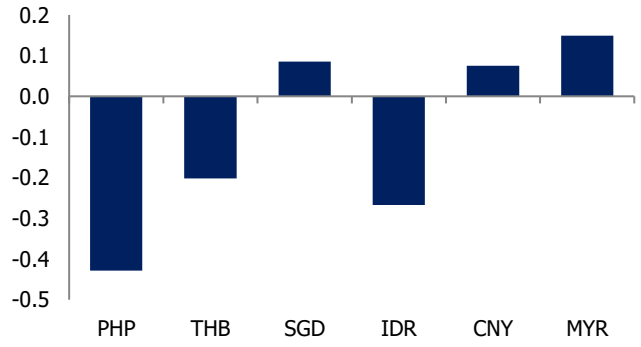
Note: "+" indicates appreciation, while "- "indicates depreciation. Quarterly figures are forecast by MBSBR.
Source: Bloomberg, MBSBR

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	2.75
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 Weekly	Week Ending 4th July	+16.5K	+19.25K	n.a
Initial Jobless Claims	Week Ending 18th July	187K	209K	212K
S&P Global Composite PMI (flash)	Jul-26	53.6	51.9	n.a
S&P Global Manufacturing PMI (flash)	Jul-26	53.8	53.9	54.3
S&P Global Services PMI (flash)	Jul-26	53.6	51.2	51.5
Monetary Policy Decisions: Benchmark Interest rates				
Bank of Korea	Jun-26	2.50	2.75	+25bps (hike)
Bank of Canada	Jun-26	2.25	2.25	Unchanged
European Central Bank	Jun-26	2.40	2.40	Unchanged
Malaysia				
Balance of trade (RM)	Jun-26	14.9b	39.9b	n.a
Exports (yoy)	Jun-26	45.4	+44.7	n.a
Imports (yoy)	Jun-26	43.9	14.4	n.a
Coincident index (mom)	May-26	-0.3	0.9	n.a
Leading index (mom)	May-26	-0.5	1.25	n.a

Source: Macrobond, MBSBR

C. BNM INTERNATIONAL RESERVES

- As of 15 July 2026, compared to previous fortnight, Bank Negara Malaysia's international reserves were lower at USD131.8b (30 June 2026: USD132.6b).

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	17-Jul Fri	20-Jul Mon	21-Jul Tue	22-Jul Wed	23-Jul Thu	24-Jul Fri	Change (WoW bp)
MGS							
3-Y	3.256	3.264	3.268	3.272	3.284	3.29	3.4
5-Y	3.39	3.427	3.424	3.45	3.455	3.485	9.5
7-Y	3.552	3.564	3.57	3.589	3.597	3.632	8
10-Y	3.647	3.647	3.656	3.67	3.688	3.702	5.5
20-Y	3.946	3.954	3.954	3.946	3.985	3.975	2.9
RINGGIT IRS							
1-Y	3.4875	3.51	3.515	3.512	3.514	3.525	3.75
3-Y	3.54	3.5425	3.555	3.565	3.575	3.5825	4.25
5-Y	3.5863	3.6	3.6	3.615	3.6275	3.64	5.37
7-Y	3.66	3.6645	3.675	3.685	3.685	3.7	4
10-Y	3.755	3.77	3.78	3.793	3.8	3.815	6
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	4.2148	4.2486	4.2996	4.3365	4.3878	4.3627	14.79
5-Y	4.2785	4.3212	4.3695	4.4036	4.4521	4.4256	14.71
7-Y	4.4038	4.4503	4.4916	4.5224	4.568	4.5455	14.17
10-Y	4.5474	4.5917	4.6281	4.6545	4.6932	4.6771	12.97
30-Y	5.069	5.1125	5.1312	5.1448	5.1595	5.1574	8.84

Source: Bloomberg

10 MOST ACTIVELY TRADED GOVERNMENT BONDS

Name	Coupon	Maturity	17-Jul Yield	24-Jul Yield	Change (WoW bp)	Weekly Volume (RM mn)
MALAYSIA INVESTMNT ISSUE	3.227	10/15/29	3.285	3.332	4.7	3,252.4
MALAYSIA INVESTMNT ISSUE	4.07	09/30/26	2.955	2.967	1.2	1,793.6
MALAYSIA GOVERNMENT	3.9	11/30/26	2.945	2.979	3.4	1,526.8
MALAYSIA GOVERNMENT	3.766	01/15/41	3.830	3.944	11.4	1,352.6
MALAYSIA GOVERNMENT	2.632	04/15/31	3.432	3.489	5.7	1,060.0
MALAYSIA INVESTMNT ISSUE	4.13	07/09/29	3.290	3.326	3.6	995.0
MALAYSIA GOVERNMENT	4.232	06/30/31	3.390	3.485	9.5	895.2
MALAYSIA GOVERNMENT	3.476	07/02/35	3.647	3.702	5.5	850.9
MALAYSIA INVESTMNT ISSUE	4.582	08/30/33	3.587	3.638	5.1	810.0
MALAYSIA GOVERNMENT	3.828	07/05/34	3.638	3.676	3.8	702.2
TOTAL VOLUME (TOP 10)						13,238.7
TOTAL VOLUME (Overall)						23,201.3

Source: Bloomberg

10 MOST ACTIVELY TRADED CORPORATE BONDS

Name	Coupon	Maturity	17-Jul Yield	24-Jul Yield	Change (WoW bp)	Weekly Volume (RM mn)
TENAGA NASIONAL BERHAD	5.18	08/03/37	3.949	3.949	0.0	315.0
SARAWAK ENERGY BHD	4.95	11/25/33	N/A	3.869	N/A	225.0
DANAINFRA NASIONAL	4.53	04/07/37	3.860	3.839	-2.1	170.0
AEON CO. (M) BHD	4.41	07/05/28	N/A	3.729	N/A	120.0
GENM CAPITAL BHD	5.35	05/03/30	N/A	4.295	N/A	100.0
CIMB ISLAMIC BANK BHD	4.13	03/27/34	N/A	3.838	N/A	90.0
YTL POWER INTERNATIONAL	5.05	05/03/27	3.447	3.500	5.3	80.0
YINSON HOLDINGS BERHAD	5.8	12/07/26	3.840	3.840	0.0	80.0
CIMB ISLAMIC BANK BHD	4.07	07/30/35	3.821	3.886	6.5	80.0
MALAYSIAN RESOURCES CORP	4.24	04/10/31	3.978	3.995	1.7	80.0
TOTAL VOLUME (TOP 10)						1,340.0
TOTAL VOLUME (Overall)						2,886.3

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