FIXED INCOME AND FX WEEKLY

MBSB Strategy 3 August 2026

Week Ended 31 July 2026

- The UST benchmark 10-year yield ended higher last week at 4.74% (prior week: 4.68%) after FOMC decided to keep interest rate unchanged. Investors deemed the wait-and-see approach could result in higher-for-longer rates. The 10y-3y yield spread expanded (yield curve steepened) to +38bp (prior week: +31bp) as long-end underperformed. At week close, the interest rate futures market implied (as per CME FedWatch aggregated probabilities) 1 rate hike (prior week: 2 hikes) this year.

- Medium-term inflation expectation (MTIE) ended the review week higher at 2.29% (prior week: 2.26%). 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 mixed with the 3-year and 10-year yields added +1.2bp and shed -0.1bp to close at 3.30% and 3.70% respectively. The 10y-3y yield spread narrowed (yield curve flattened) to +40bp (prior week: +41bp) as short-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 -RM11.2b. It improved from -RM11.3b registered a week ago. Moreover, it improved year-on-year from -RM17.7b a year ago.

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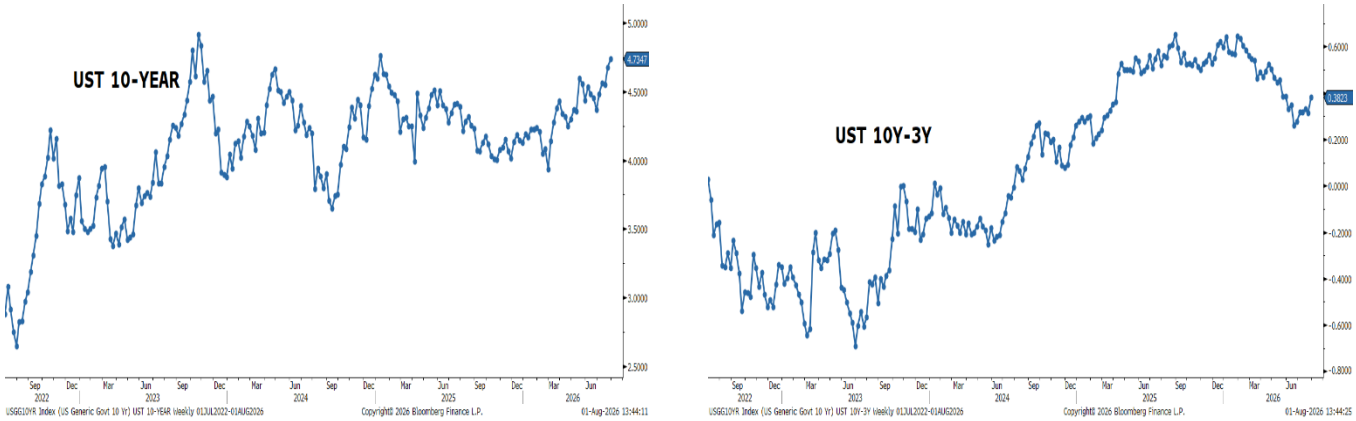
3 August 2026 | Strategy

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FIXED INCOME AND FX WEEKLY REVIEW

A. FIXED INCOME

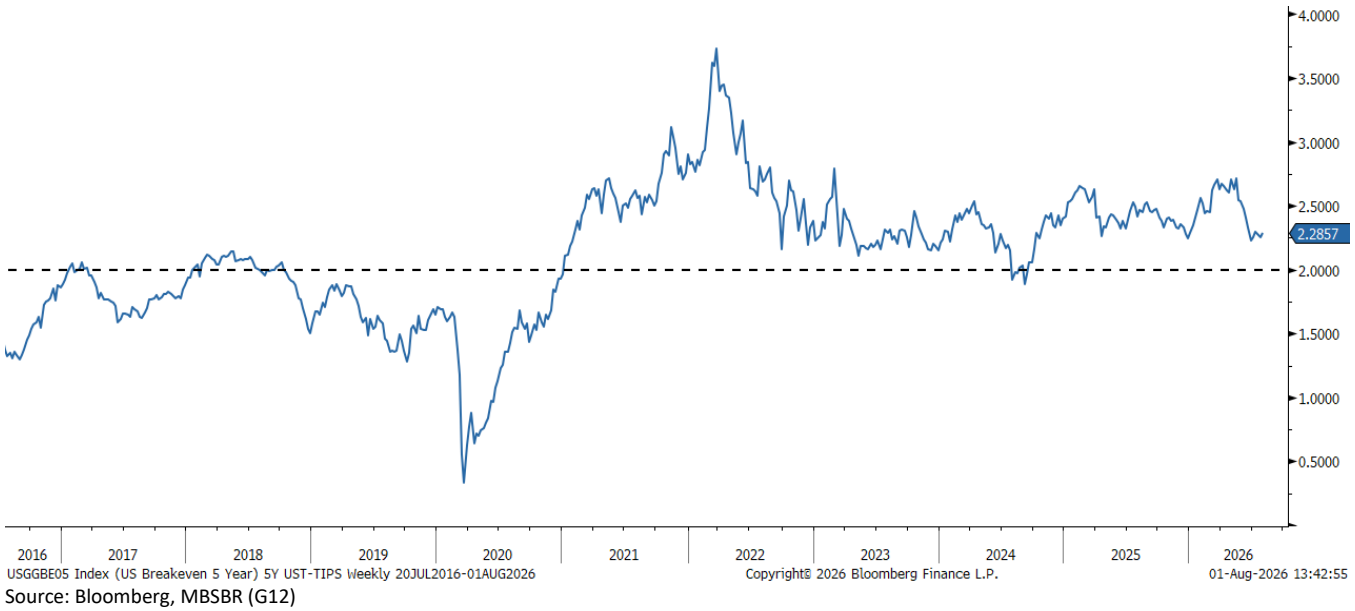
- The UST benchmark 10-year yield ended higher last week at 4.74% (prior week: 4.68%) after FOMC decided to keep interest rate unchanged. Investors deemed the wait-and-see approach could result in higher-for-longer rates. The 10y-3y yield spread expanded (yield curve steepened) to +38bp (prior week: +31bp) as long-end underperformed. At week close, the interest rate futures market implied (as per CME FedWatch aggregated probabilities) 1 rate hike (prior week: 2 hikes) this year.



Source: Bloomberg, MBSBR (G8, G9)

- Medium-term inflation expectation (MTIE) ended the review week higher at 2.29% (prior week: 2.26%). 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.

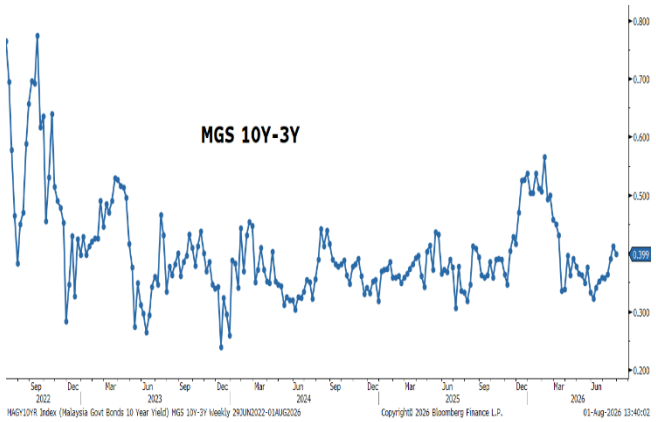
5Y UST-TIPS SPREAD: MEDIUM-TERM INFLATION EXPECTATION (MTIE)



Source: Bloomberg, MBSBR (G12)

- The price of MGS benchmark issues ended the review week mixed with the 3-year and 10-year yields added +1.2bp and shed -0.1bp to close at 3.30% and 3.70% respectively. The 10y-3y yield spread narrowed (yield curve flattened) to +40bp (prior week: +41bp) as short-end underperformed.



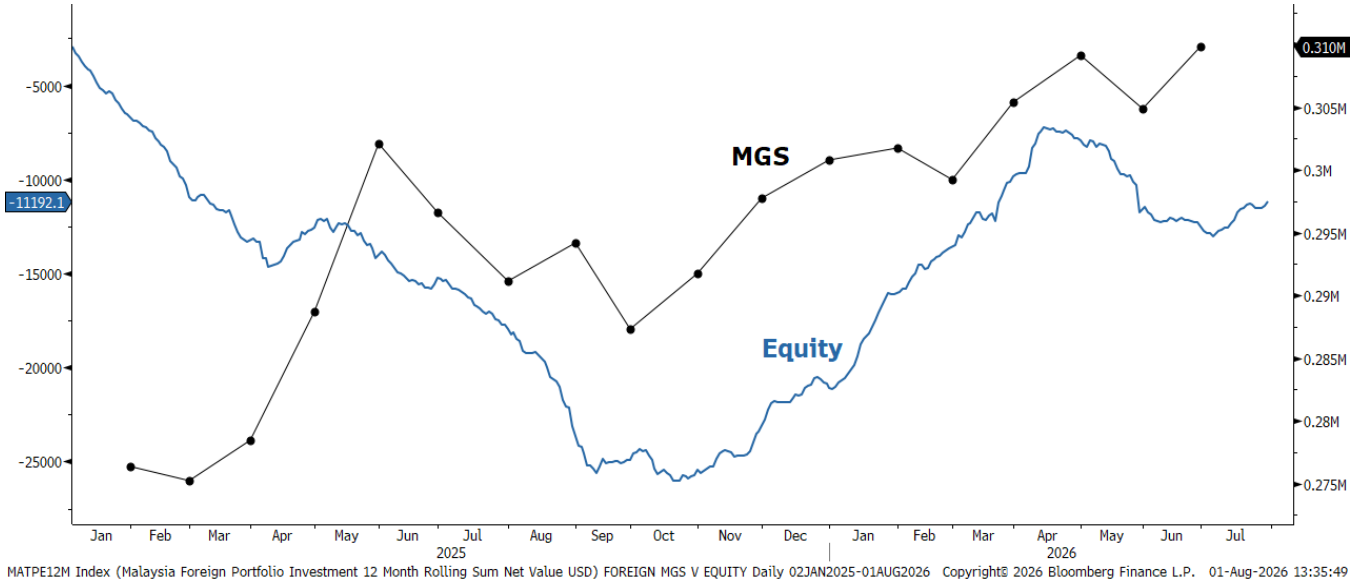


Source: Bloomberg, MBSBR (G10, G11)

- Total trading value for Government Bonds (MGS/MII) increased to RM27.1b in the review week compared to RM23.2b in the prior week (based on Bloomberg data). The total trading value of the 10 most actively traded issues increased (lower trading breadth) to 58% (prior week: 57%) of the overall Government Bonds trade. Moreover, 7 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 4.07% 9/30/26 at RM4.7b, MGS 3.9% 11/30/26 at RM2.4b, and MII 3.227% 10/15/29 at RM2.2b.

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 -RM11.2b. It improved from -RM11.3b registered a week ago. Moreover, it improved year-on-year from -RM17.7b a year ago.

- Total trading value for Corporate Bonds (Conventional & Sukuk) increased to RM4.7b in the review week compared to RM2.9b in the prior week (based on Bloomberg data). The total trading value of the 10 most actively traded issues declined (higher trading breadth) to 30% (prior week: 46%) 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 Maybank 3.1% 10/8/32 at RM200m, Petros 3.7% 8/7/35 at RM200m, and TNB 3.81% 5/27/33 at RM185m.

B. FOREIGN EXCHANGE

- US dollar weakened. The US dollar depreciated against major currencies last week as the DXY dollar index fell by -1.5%wow to 99.91. The DXY dropped considerably towards the end of the week on the back of the FOMC decision to keep the fed funds rate unchanged, despite the outcome of the meeting which still indicated a hawkish bias. In particular, the US dollar continued to weaken post-FOMC meeting as data update showing the PCE price inflation eased in Jun-26, on top of the weaker-than-expected GDP growth in 2QCY26. This, in turn, supported the view that the current monetary stance remains appropriate for now. The moderating of inflation reading may be temporary as escalating geopolitical uncertainty in the Middle East would result in higher price pressures, and persistently elevated inflation supports for rate hikes later this year. As diplomatic efforts continue to be offset by recurring military strikes and key maritime blockades, ongoing US-Iran tensions remain a primary focus for markets. Although geopolitical shocks would normally trigger a flight for safety in favour of the US dollar, any structural erosion in confidence and global demand for USD assets could reshape capital flows. As investors diversify their portfolios, gold, the yen, and the euro will likely emerge as beneficiaries of safe-haven rotation over the medium term.

- GBP and EUR strengthened. As the US dollar weakened, the pound sterling appreciated by +1.2%wow to USD1.348, also supported by a hawkish tone by the Bank of England, where three MPC members voted in favor of a rate hike despite the committee ultimately maintained the benchmark policy rate at 3.75%. Meanwhile, the euro strengthened by +1.4%wow to USD1.153, as inflation picked up again in Jul-26.

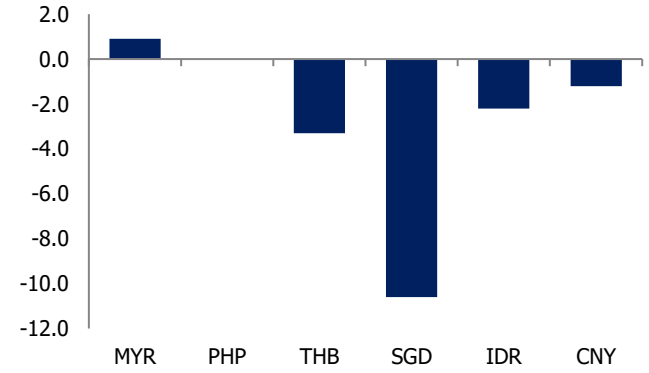
- Ringgit traded sideways again this week. The Malaysian ringgit strengthened slightly by +0.1%wow to RM4.086, generally traded sideways and remained between the RM4.07 and RM4.09 trading range. Despite the weaker US dollar performance, the gain in ringgit was rather limited. Domestic market momentum was constrained by a lack of positive catalysts, as higher-than-expected PPI inflation in Jun-26 signaled upside risks to general prices. On another note, market participants maintained a cautious stance focusing on the outcome of the Negeri Sembilan state election over the weekend. On a broader basis, the ringgit depreciated against the currencies of Malaysia's major trading partners, with our MBSB Trade-Weighted Ringgit Index (TWRI) fell by -0.6%wow to 98.59, mainly due to the weakness against the Japanese yen (-2.0%wow), Korean won (-2.0%wow), and Indian rupee (-1.1%wow). In a separate release, foreign holdings of Malaysian government and corporate bonds recorded a minor inflow of +RM0.3b between the 20th and 29th July (previous: -RM4.4b), increasing the total foreign holdings to RM303.3b. This marks a reversal from the three weeks of continuous outflows from the domestic bond market.

Currencies Changes (Week Ended 31-Jul-2026) and Quarterly Forecasts

	Close 31/07	Prev. Close 24/07	Weekly Change	Weekly Change (%)	1QCY26	2QCY26	3QCY26f	4QCY26f
DXY Index	99.91	101.47	-1.554	-1.5	98.5	101.1	102.3	100.5
EURUSD	1.153	1.137	+0.016	+1.4	1.18	1.14	1.12	1.15
GBPUSD	1.348	1.333	+0.016	+1.2	1.34	1.33	1.30	1.34
USDJPY	157.4	163.8	+6.430	+4.1	152.0	162.55	165.0	162.0
USDMYR	4.086	4.091	+0.005	+0.1	4.04	4.09	4.13	4.03
GBPMYR	5.496	5.449	-0.047	-0.9	5.45	5.41	5.36	5.40
JPYMYR	2.592	2.497	-0.095	-3.7	2.6	2.51	2.50	2.49
MBSB TWRI	98.59	99.18	-0.597	-0.6	98.6	99.65	100.87	102.00

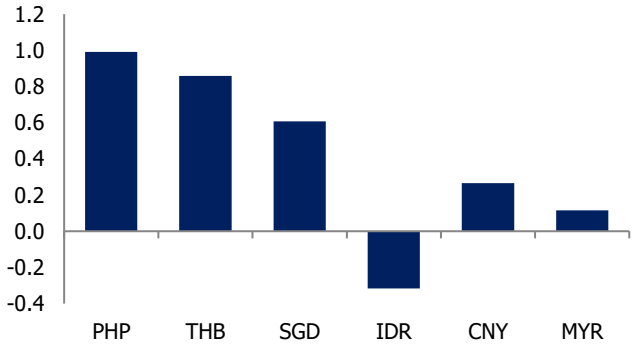
Note: "+" indicates appreciation, while "- "indicates depreciation. Quarterly figures are forecast by MBSBR.
Source: Bloomberg, MBSBR

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 (%)

	Dec-25	Jan-26	Feb-26	Mar-26	Apr-26	May-26	Jun-26	Jul-26	Aug-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	5.25	5.75	5.75	5.75
Philippines	4.50	4.50	4.25	4.25	4.50	4.50	4.75	4.75	4.75
Thailand	1.25	1.25	1.00	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	2.75	2.75
India	5.25	5.25	5.25	5.25	5.25	5.25	5.25	5.25	5.25
Japan	0.75	0.75	0.75	0.75	0.75	0.75	1.00	1.00	1.00
UK	3.75	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	2.40	2.40	2.40
USA	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	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 11th July	+15K	+16.25K	n.a
Initial Jobless Claims	Week Ending 25th July	197K	188K	200K
GDP Growth Rate (annualised qoq)	2QCY26	+1.5%	+2.1%	+2.1%
PCE Price Index (yoy)	Jun-26	+3.7%	+4.1%	+4.1%
Core PCE Price Index (yoy)	Jun-26	+3.3%	+3.4%	+3.4%
Michigan Consumer Sentiment	Jul-26	55.4	49.5	54.0
Monetary Policy Decisions: Benchmark Interest rates				
US Federal Reserve	Jun-26	3.50-3.75	3.50-3.75	Unchanged
Bank of England	Jun-26	3.75	3.75	Unchanged
Bank of Japan	Jun-26	1.00	1.00	Unchanged
Malaysia				
Producer Price Index (yoy)	Jun-26	+9.2	7.8	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	24-Jul Fri	27-Jul Mon	28-Jul Tue	29-Jul Wed	30-Jul Thu	31-Jul Fri	Change (WoW bp)
MGS							
3-Y	3.29	3.285	3.29	3.316	3.31	3.302	1.2
5-Y	3.485	3.474	3.478	3.506	3.558	3.494	0.9
7-Y	3.632	3.615	3.632	3.665	3.64	3.648	1.6
10-Y	3.702	3.69	3.701	3.715	3.714	3.701	-0.1
20-Y	3.975	3.987	3.99	3.994	3.99	3.985	1
RINGGIT IRS							
1-Y	3.525	3.515	3.514	3.5225	3.53	3.528	0.3
3-Y	3.5825	3.57	3.5675	3.57	3.575	3.5675	-1.5
5-Y	3.64	3.62	3.615	3.6275	3.6275	3.6175	-2.25
7-Y	3.7	3.6795	3.68	3.68	3.6875	3.6875	-1.25
10-Y	3.815	3.795	3.76	3.795	3.8	3.8025	-1.25
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	4.3627	4.3543	4.3146	4.329	4.2977	4.3524	-1.03
5-Y	4.4256	4.4042	4.3697	4.4084	4.3873	4.4489	2.33
7-Y	4.5455	4.5188	4.4787	4.5421	4.5262	4.5899	4.44
10-Y	4.6771	4.6487	4.6062	4.6773	4.6733	4.7347	5.76
30-Y	5.1574	5.1365	5.0886	5.2007	5.2135	5.2724	11.5

Source: Bloomberg

10 MOST ACTIVELY TRADED GOVERNMENT BONDS

Name	Coupon	Maturity	24-Jul Yield	31-Jul Yield	Change (WoW bp)	Weekly Volume (RM mn)
MALAYSIA INVESTMNT ISSUE	4.07	09/30/26	2.967	2.970	0.3	4,719.9
MALAYSIA GOVERNMENT	3.9	11/30/26	2.979	2.978	-0.1	2,367.4
MALAYSIA INVESTMNT ISSUE	3.227	10/15/29	3.332	3.349	1.7	2,189.6
MALAYSIA GOVERNMENT	3.476	07/02/35	3.702	3.701	-0.1	1,416.6
MALAYSIA GOVERNMENT	3.885	08/15/29	3.322	3.350	2.8	1,097.4
MALAYSIA GOVERNMENT	3.844	04/15/33	3.632	3.648	1.6	1,002.4
MALAYSIA INVESTMNT ISSUE	3.599	07/31/28	3.255	3.280	2.5	944.7
MALAYSIA GOVERNMENT	3.519	04/20/28	3.263	3.235	-2.8	734.7
MALAYSIA GOVERNMENT	3.336	05/15/30	3.400	3.443	4.3	687.2
MALAYSIA GOVERNMENT	3.766	01/15/41	3.944	3.952	0.8	653.4
TOTAL VOLUME (TOP 10)						15,813.2
TOTAL VOLUME (Overall)						27,084.2

Source: Bloomberg

10 MOST ACTIVELY TRADED CORPORATE BONDS

Name	Coupon	Maturity	24-Jul Yield	31-Jul Yield	Change (WoW bp)	Weekly Volume (RM mn)
MALAYAN BANKING BHD	3.1	10/08/32	3.212	3.213	0.1	200.0
PETROLEUM SARAWAK EXPLO	3.7	08/07/35	N/A	3.932	N/A	200.0
TENAGA NASIONAL BERHAD	3.81	05/27/33	N/A	3.799	N/A	185.0
PETROLEUM SARAWAK EXPLO	3.9	05/24/27	3.444	3.463	1.9	180.0
MALAYSIAN RESOURCES CORP	4.35	07/08/33	4.018	3.984	-3.4	130.0
OSK RATED BOND SDN BHD	4.12	03/02/35	3.991	4.006	1.5	120.0
MALAYSIAN RESOURCES CORP	4.39	04/10/34	4.059	3.965	-9.4	110.0
MEX I CAPITAL BHD	5.8	01/21/38	N/A	4.120	N/A	106.0
PERBDN BKLM AIR PL PNNG	3.57	09/04/35	N/A	3.931	N/A	100.0
MALAYSIAN RESOURCES CORP	4.39	07/10/34	4.079	3.986	-9.3	91.0
TOTAL VOLUME (TOP 10)						1,422.0
TOTAL VOLUME (Overall)						4,678.6

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