FIXED INCOME AND FX WEEKLY

MBSB Strategy 10 August 2026

Week Ended 7 August 2026

- The UST benchmark 10-year yield ended lower last week at 4.64% (prior week: 4.74%) as investors reacted to (1) falling oil prices on US-Iran conflict de-escalation and hopes of a deal to open the Strait of Hormuz, as well as (2) surprise US jobs loss in July. The 10y-3y yield spread expanded (yield curve steepened) to +39bp (prior week: +38bp) as short-end outperformed. 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 lower at 2.23% (prior week: 2.29%). 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 interest 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 +1.5bp and +2.5bp to close at 3.32% and 3.73% respectively. The 10y-3y yield spread expanded (yield curve steepened) to +41bp (prior week: +40bp) as long-end underperformed.

- MGS foreign holdings declined month-on-month to RM304b in July 2026 from RM310b in June 2026. However, it increased year-on-year from RM291b in July 2025. On Bursa Malaysia, the 12-month rolling sum of foreign net equities trade ended the review week at -RM10.6b. It improved from -RM11.2b registered a week ago. Moreover, it improved year-on-year from -RM18.6b a year ago.

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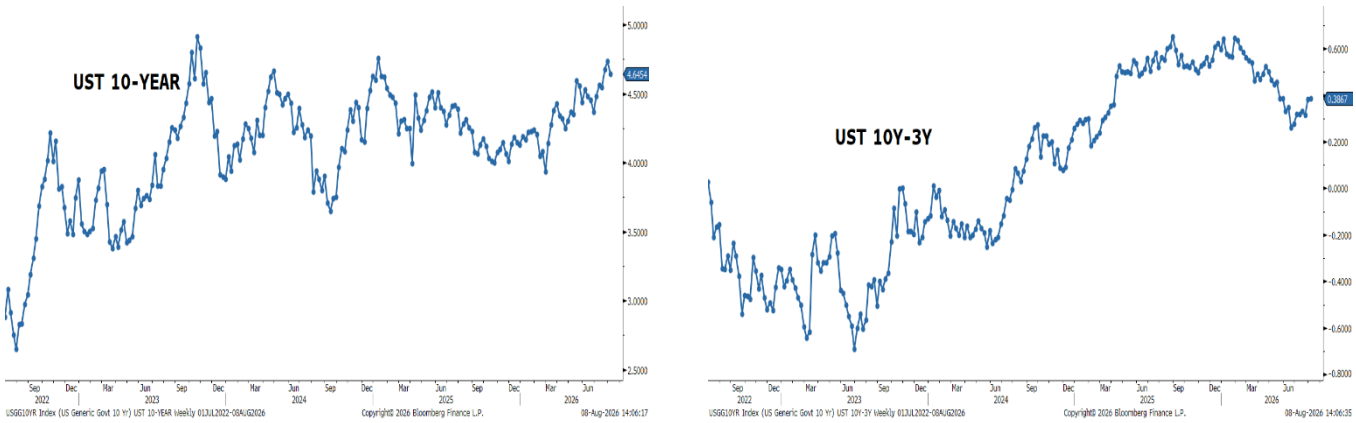
FIXED INCOME AND FX WEEKLY REVIEW

A. FIXED INCOME

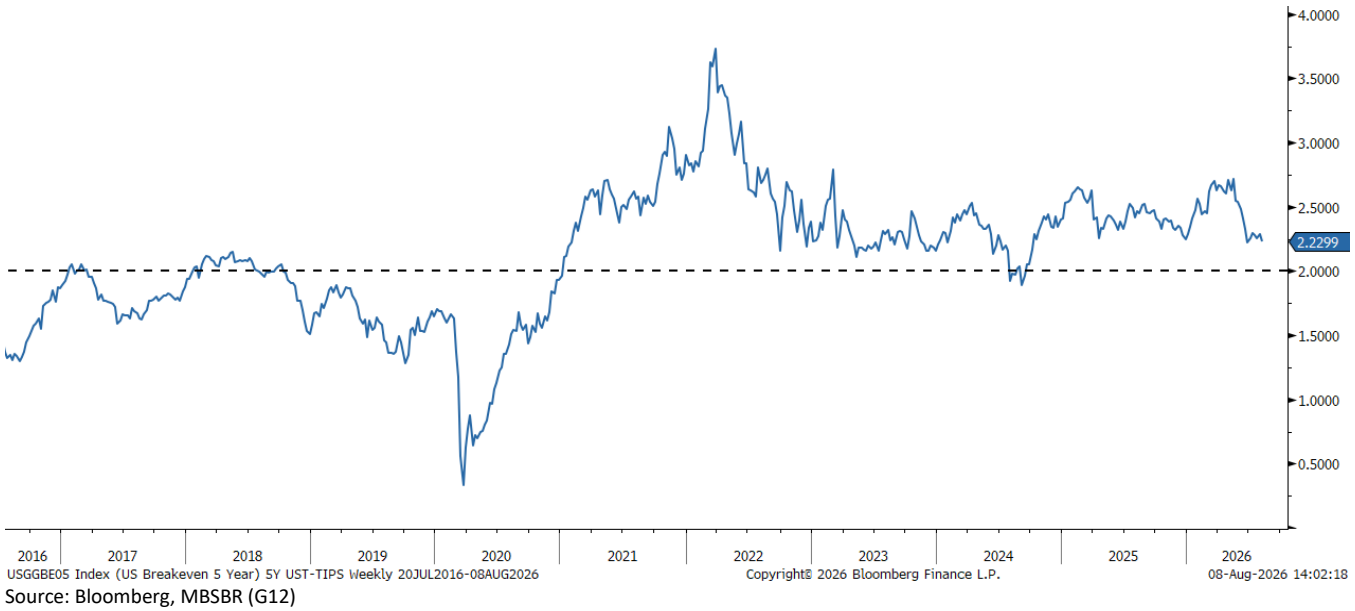
- The UST benchmark 10-year yield ended lower last week at 4.64% (prior week: 4.74%) as investors reacted to (1) falling oil prices on US-Iran conflict de-escalation and hopes of a deal to open the Strait of Hormuz, as well as (2) surprise US jobs loss in July. The 10y-3y yield spread expanded (yield curve steepened) to +39bp (prior week: +38bp) as short-end outperformed. 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)

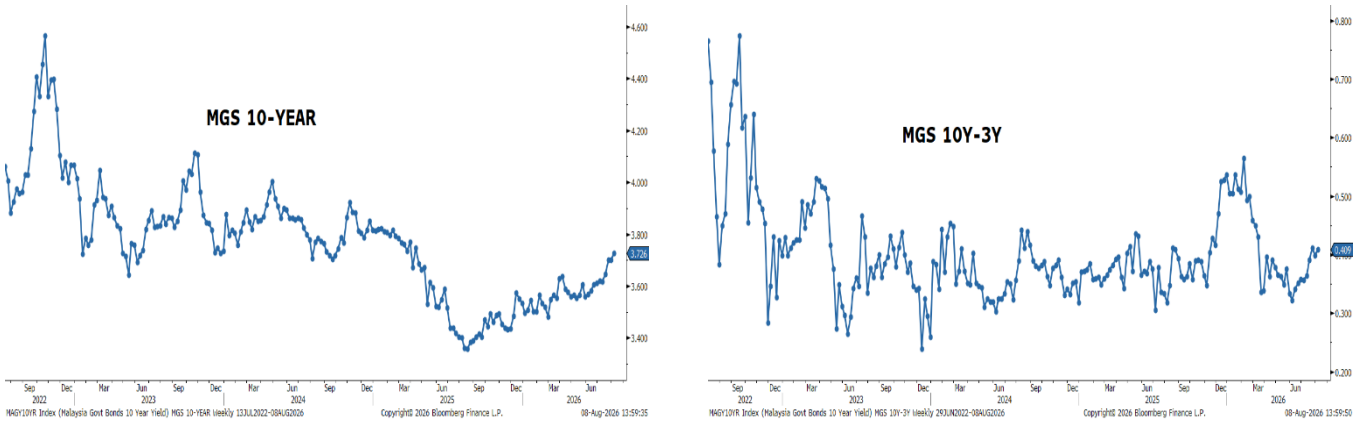
- Medium-term inflation expectation (MTIE) ended the review week lower at 2.23% (prior week: 2.29%). The MTIE has remained above the US Fed target level of 2.00% since September 2024. However, since mid-May this year, the more hawkish interest rate outlook has arguably contributed to declining MTIE.

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 +1.5bp and +2.5bp to close at 3.32% and 3.73% respectively. The 10y-3y yield spread expanded (yield curve steepened) to +41bp (prior week: +40bp) as long-end underperformed.

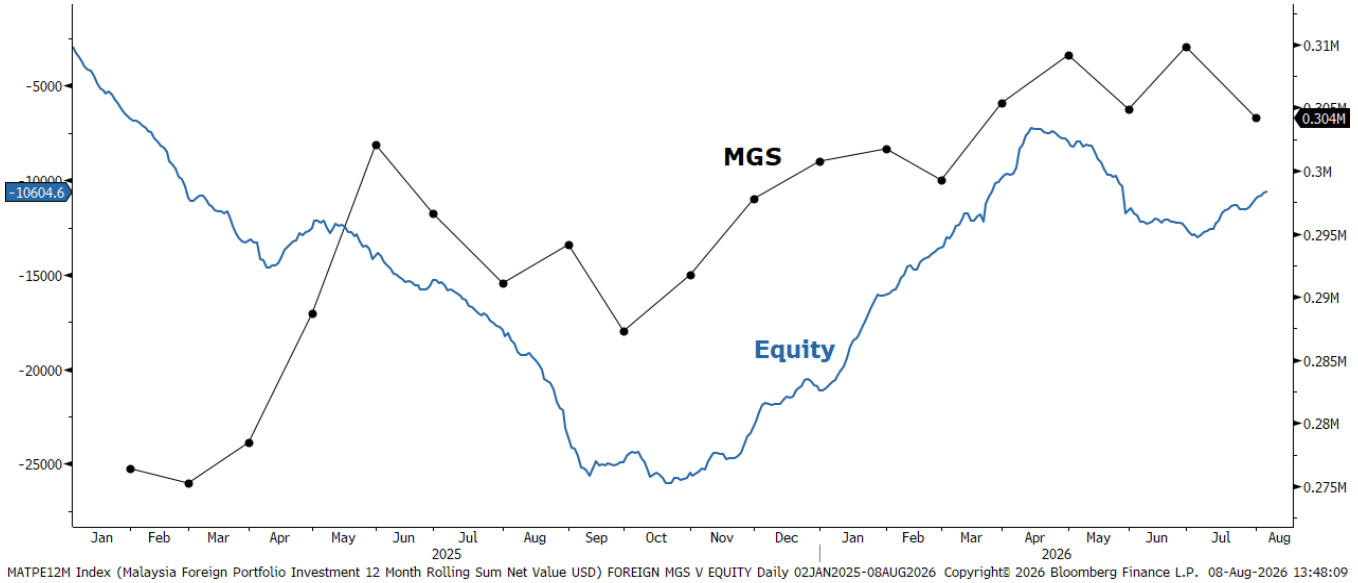


Source: Bloomberg, MBSBR (G10, G11)

- Total trading value for Government Bonds (MGS/MII) remained unchanged at RM27.1b in the review week, matching the prior week's figure (based on Bloomberg data). The total trading value of the 10 most actively traded issues increased (lower trading breadth) to 62% (prior week: 58%) 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 RM5.2b, MGS 3.9% 11/30/26 at RM2.9b, and MGS 3.502% 5/31/27 at RM1.8b.

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



Source: Bloomberg, MBSBR (G13)

- MGS foreign holdings declined month-on-month to RM304b in July 2026 from RM310b in June 2026. However, it increased year-on-year from RM291b in July 2025. On Bursa Malaysia, the 12-month rolling sum of foreign net equities trade ended the review week at -RM10.6b. It improved from -RM11.2b registered a week ago. Moreover, it improved year-on-year from -RM18.6b a year ago.

- Total trading value for Corporate Bonds (Conventional & Sukuk) declined to RM3.6b 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 33% (prior week: 30%) 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 Cagamas 3.45% 2/26/29 at RM200m, WM Senibong Capital 4.7% 11/15/30 at RM175m, and Sarawak Energy 4.95% 11/25/33 at RM140m.

B. FOREIGN EXCHANGE

- US dollar weakened. The US dollar depreciated against major currencies last week as the DXY dollar index fell by -0.4%wow to 99.54. The DXY dropped considerably on Friday on the back of the weaker-than-expected US labor data, which dampened expectations for near-term Fed rate hikes. The nonfarm payrolls declined by -23K in Jul-26, in addition to the substantial downward revisions to the past two months that signal broader labor market softening. While the unemployment rate ticked down to 4.1%, labor force participation continued its slide. The mixed reading highlights a deteriorating job market conditions alongside persistent inflationary pressures and heightened geopolitical uncertainty surrounding the US-Iran conflict. As a result, investors dialed back bets on a Sep-26 policy tightening, with probability falling to 44.4% for a +25bps hike. On the geopolitical front, President Donald Trump noted that negotiations between Iran and Oman regarding the Strait of Hormuz are progressing, though no formal agreement has been reached. We believe 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 appreciated by +0.1%wow to USD1.349, a continuation from the hawkish tone by the BOE in the recent meeting. Meanwhile, the euro strengthened by +0.3%wow to USD1.153, on the back of the better S&P Composite PMI figure.

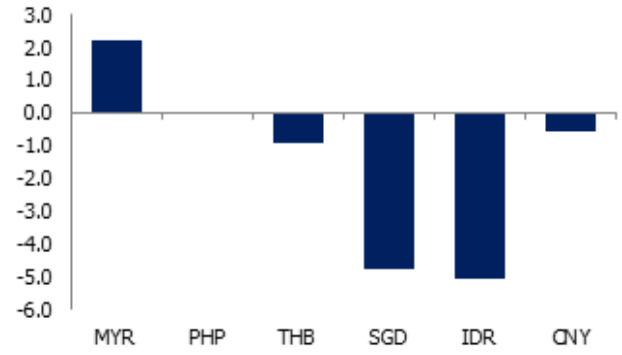
- Ringgit to trade sideways. The Malaysian ringgit weakened slightly by -0.1%wow to RM4.091, generally traded sideways and remained between RM4.08 and RM4.09 trading range, despite the weak US dollar performance. However, the ringgit may open stronger this week as the dollar weakened after the release of the Jul-26 labour market data. The domestic market catalyst was also limited due to the lack of positive catalyst last week, given the S&P Global Manufacturing PMI were unchanged in Jul-26. 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 -0.3%wow to 98.26, mainly weakening against the Korean won (-1.8%wow), Thai baht (-1.2%wow), and Japanese yen (-1.2%wow). In a separate release, foreign holdings of Malaysian government and corporate bonds recorded an outflow of -RM0.3b between the 27th of July to 3rd August (previous: +RM0.3b), decreasing the total foreign holdings to RM303.1b.

Currencies Changes (Week Ended 07-Aug-2026) and Quarterly Forecasts

	Close 07/08	Prev. Close 31/07	Weekly Change	Weekly Change (%)	1QCY26	2QCY26	3QCY26f	4QCY26f
DXY Index	99.54	99.91	-0.375	-0.4	98.5	101.1	102.3	100.5
EURUSD	1.156	1.153	+0.003	+0.3	1.18	1.14	1.12	1.15
GBPUSD	1.349	1.348	+0.001	+0.1	1.34	1.33	1.30	1.34
USDJPY	157.8	157.4	-0.360	-0.2	152.0	162.55	165.0	162.0
USDMYR	4.091	4.086	-0.005	-0.1	4.04	4.09	4.13	4.03
GBPMYR	5.499	5.496	-0.004	-0.1	5.45	5.41	5.36	5.40
JPYMYR	2.592	2.592	-0.000	-0.0	2.6	2.51	2.50	2.49
MBSB TWRI	98.26	98.59	-0.325	-0.3	98.6	99.65	100.87	102.00

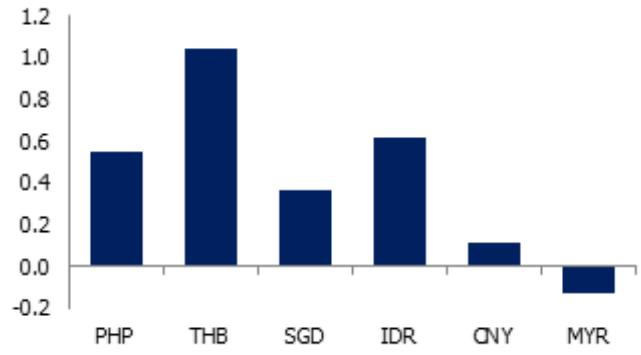
Note: "+" indicates appreciation, while "- "indicates depreciation. Quarterly figures are forecast by MBSBR
Source: Bloomberg, MBSBR

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	Jul-26	+44K	+95K	70K
Initial Jobless Claims	Week Ending 1st Aug	199K	198K	202K
US Composite PMI	Jul-26	54.5	51.9	n.a
US Manufacturing PMI	Jul-26	53.9	53.9	53.8
US Services PMI	Jul-26	54.6	51.2	n.a
US ISM Manufacturing PMI	Jul-26	55.6	53.3	54.0
US ISM Services PMI	Jul-26	54.1	54.0	54.5
JOLTS Job openings	Jun-26	7.359m	7.54m	7.40m
Non-farm payroll	Jul-26	-23K	+20K	+80K
Unemployment rate (%)	Jul-26	4.1	4.2	
US ISM Services PMI	Jul-26	54.1	54.0	54.5
Monetary Policy Decisions: Benchmark Interest rates				
Reserve Bank of India	Aug-26	5.25	5.25	Unchanged
Central Bank of Mexico	Aug-26	6.50	6.50	Unchanged
Malaysia				
Malaysia Manufacturing PMI	Jun-26	50.70	50.70	n.a

Source: Macrobond, MBSBR

C. BNM INTERNATIONAL RESERVES

- As of 31 July 2026, compared to previous fortnight, Bank Negara Malaysia's international reserves were higher at USD132.1b (15 July 2026: USD131.8b).

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	31-Jul Fri	3-Aug Mon	4-Aug Tue	5-Aug Wed	6-Aug Thu	7-Aug Fri	Change (WoW bp)
MGS							
3-Y	3.302	3.305	3.319	3.317	3.32	3.317	1.5
5-Y	3.494	3.506	3.515	3.519	3.533	3.539	4.5
7-Y	3.648	3.648	3.673	3.67	3.666	3.669	2.1
10-Y	3.701	3.712	3.734	3.728	3.722	3.726	2.5
20-Y	3.985	3.987	3.994	3.996	4.013	4.002	1.7
RINGGIT IRS							
1-Y	3.528	3.5275	3.555	3.556	3.55	3.5575	2.95
3-Y	3.5675	3.59	3.613	3.605	3.6025	3.595	2.75
5-Y	3.6175	3.64	3.6675	3.646	3.635	3.647	2.95
7-Y	3.6875	3.7	3.725	3.705	3.71	3.7045	1.7
10-Y	3.8025	3.81	3.83	3.835	3.83	3.81	0.75
KLIBOR							
1-M	3.01	3.01	3.01	3.01	3.01	3.01	0
3-M	3.45	3.46	3.46	3.46	3.46	3.46	1
UST							
3-Y	4.3524	4.2953	4.2411	4.2355	4.3043	4.2587	-9.37
5-Y	4.4489	4.3872	4.3256	4.3256	4.396	4.3518	-9.71
7-Y	4.5899	4.5276	4.4616	4.4616	4.5317	4.492	-9.79
10-Y	4.7347	4.6755	4.6126	4.6127	4.6778	4.6454	-8.93
30-Y	5.2724	5.2274	5.1743	5.168	5.2242	5.2008	-7.16

Source: Bloomberg

10 MOST ACTIVELY TRADED GOVERNMENT BONDS

Name	Coupon	Maturity	31-Jul Yield	7-Aug Yield	Change (WoW bp)	Weekly Volume (RM mn)
MALAYSIA INVESTMNT ISSUE	4.07	09/30/26	2.970	2.961	-0.9	5,166.1
MALAYSIA GOVERNMENT	3.9	11/30/26	2.978	2.969	-0.9	2,922.9
MALAYSIA GOVERNMENT	3.502	05/31/27	3.101	3.080	-2.1	1,813.9
MALAYSIA INVESTMNT ISSUE	3.804	10/08/31	3.516	3.534	1.8	1,570.6
MALAYSIA INVESTMNT ISSUE	3.599	07/31/28	3.280	3.282	0.2	1,437.6
MALAYSIA GOVERNMENT	3.476	07/02/35	3.701	3.726	2.5	982.0
MALAYSIA INVESTMNT ISSUE	3.227	10/15/29	3.349	3.360	1.1	851.4
MALAYSIA GOVERNMENT	3.844	04/15/33	3.648	3.669	2.1	842.1
MALAYSIA GOVERNMENT	3.917	07/15/55	4.101	4.159	5.8	685.0
MALAYSIA INVESTMNT ISSUE	3.447	07/15/36	3.738	3.767	2.9	592.1
TOTAL VOLUME (TOP 10)						16,863.7
TOTAL VOLUME (Overall)						27,082.6

Source: Bloomberg

10 MOST ACTIVELY TRADED CORPORATE BONDS

Name	Coupon	Maturity	31-Jul Yield	7-Aug Yield	Change (WoW bp)	Weekly Volume (RM mn)
CAGAMAS BERHAD	3.45	02/26/29	N/A	3.561	N/A	200.0
WM SENIBONG CAPITAL BHD	4.7	11/15/30	N/A	4.697	N/A	175.0
SARAWAK ENERGY BHD	4.95	11/25/33	3.887	3.888	0.1	140.0
DANAINFRA NASIONAL	4.3	03/31/34	3.757	3.819	6.2	105.0
DANAINFRA NASIONAL	4.06	06/30/55	4.228	4.240	1.2	105.0
TENAGA NASIONAL BERHAD	5.18	08/03/37	3.949	3.949	0.0	100.0
TNB POWER GENERATION	4.84	03/27/43	N/A	4.129	N/A	100.0
MALAYSIAN RESOURCES CORP	4.39	04/10/34	3.965	3.949	-1.6	100.0
SARAWAK ENERGY BHD	3.88	10/15/40	N/A	4.128	N/A	80.0
TOYOTA CAPITAL MALAYSIA	4.05	06/24/33	N/A	3.999	N/A	72.8
TOTAL VOLUME (TOP 10)						1,177.8
TOTAL VOLUME (Overall)						3,555.0

Source: Bloomberg

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MBSB INVESTMENT BANK BERHAD: GUIDE TO RECOMMENDATIONS	
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