FIXED INCOME AND FX WEEKLY

MBSB Strategy 17 August 2026

Week Ended 14 August 2026

- The UST benchmark 10-year yield ended higher last week at 4.69% (prior week: 4.64%) in reaction to rebounding crude oil prices as doubts grew that the US and Iran would reach a deal to reopen the Strait of Hormuz anytime soon. The 10y-3y yield spread expanded (yield curve steepened) to +44bp (prior week: +39bp) 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) this year.

- Medium-term inflation expectation (MTIE) ended the review week higher at 2.25% (prior week: 2.23%). The MTIE has remained above the US Fed target level of 2.00% since September 2024. However, since mid-May this year, the emerging prospect of a Fed rate hike 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 +1.3bp and +1.0bp to close at 3.33% and 3.74% respectively. The 10y-3y yield spread was unchanged at +41bp (prior week: +41bp).

- 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 was unchanged from -RM10.6b registered a week ago. However, it improved year-on-year from -RM19.2b a year ago.

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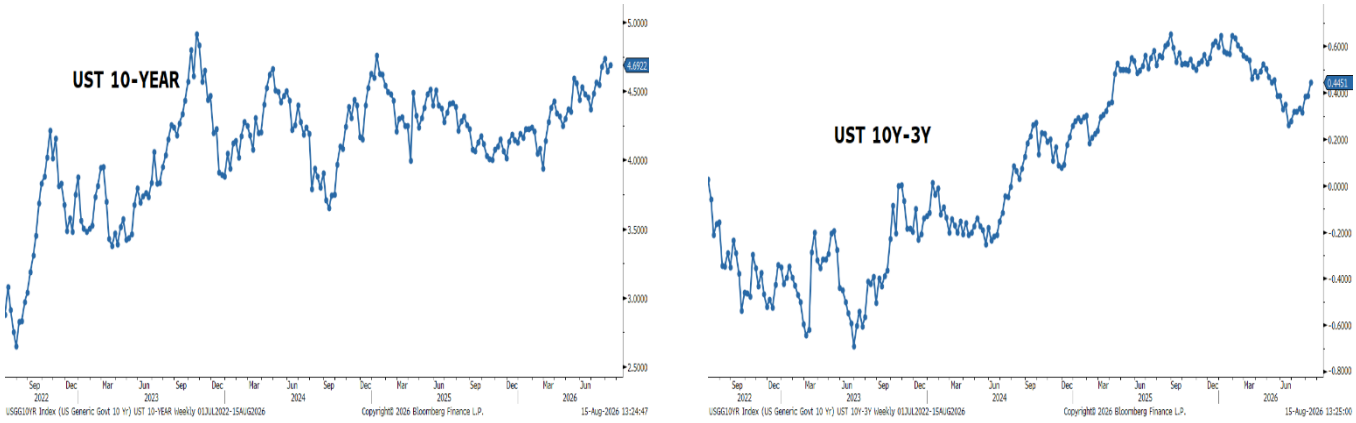
17 August 2026 | Strategy Strategy Team | research@mbsb.com

FIXED INCOME AND FX WEEKLY REVIEW

A. FIXED INCOME

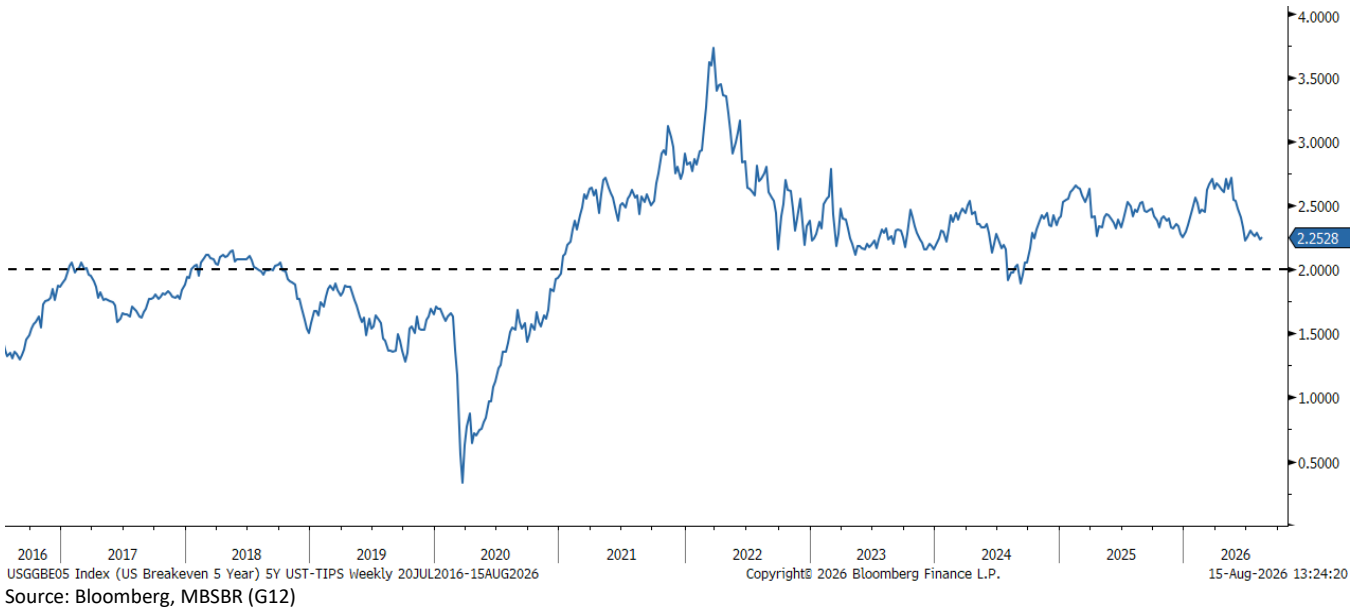
- The UST benchmark 10-year yield ended higher last week at 4.69% (prior week: 4.64%) in reaction to rebounding crude oil prices as doubts grew that the US and Iran would reach a deal to reopen the Strait of Hormuz anytime soon. The 10y-3y yield spread expanded (yield curve steepened) to +44bp (prior week: +39bp) 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) this year.



Source: Bloomberg, MBSBR (G8, G9)

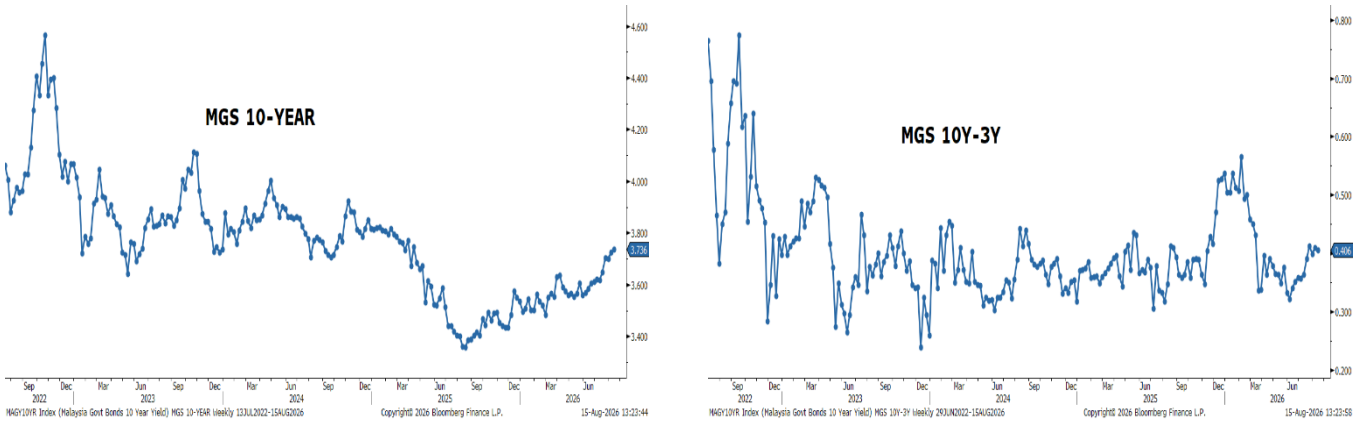
- Medium-term inflation expectation (MTIE) ended the review week higher at 2.25% (prior week: 2.23%). The MTIE has remained above the US Fed target level of 2.00% since September 2024. However, since mid-May this year, the emerging prospect of a Fed rate hike has arguably contributed to declining MTIE.

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 +1.3bp and +1.0bp to close at 3.33% and 3.74% respectively. The 10y-3y yield spread was unchanged at +41bp (prior week: +41bp).

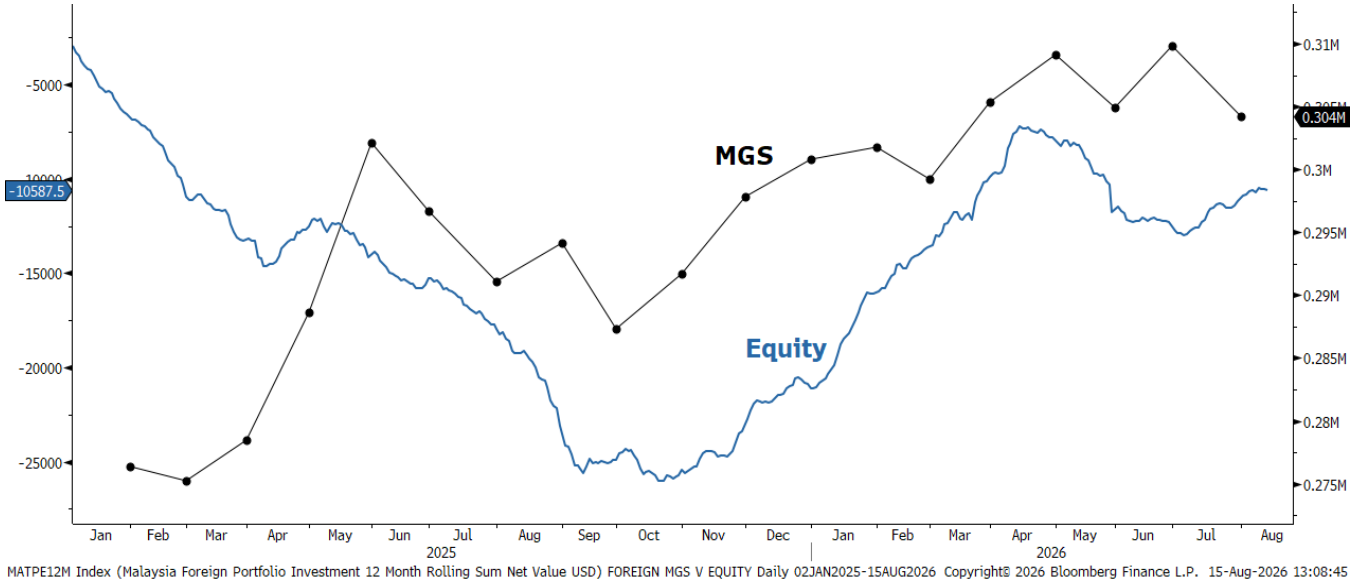


Source: Bloomberg, MBSBR (G10, G11)

- Total trading value for Government Bonds (MGS/MII) declined to RM14.3b in the review week compared to RM27.1b in the prior week (based on Bloomberg data). The total trading value of the 10 most actively traded issues increased (lower trading breadth) to 65% (prior week: 62%) 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 and long residual tenor. The top 3 most actively traded were MII 4.07% 9/30/26 at RM3.8b, MGS 3.9% 11/30/26 at RM871m, and MGS 3.917% 7/15/55 at RM819m.

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 02JAN2025-15AUG2026 Copyright© 2026 Bloomberg Finance L.P. 15-Aug-2026 13:08:45
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 was unchanged from -RM10.6b registered a week ago. However, it improved year-on-year from -RM19.2b a year ago.

- Total trading value for Corporate Bonds (Conventional & Sukuk) declined to RM2.7b in the review week compared to RM3.6b in the prior week (based on Bloomberg data). The total trading value of the 10 most actively traded issues increased (lower trading breadth) to 40% (prior week: 33%) 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 0% 2/5/27 at RM400m, Sarawak Energy 5.04% 4/25/31 at RM100m at RM175m, and Genm Capital 4.98% 3/31/27 at RM100m.

B. FOREIGN EXCHANGE

- US dollar strengthened. The US dollar appreciated against major currencies last week as the DXY dollar index increased by +0.1%wow to 99.67. The DXY actually traded higher in the early part of the week, but reversed some of the gains towards Friday, on the back of easing expectations for near-term hikes by the Fed. The rate hike expectations weakened after the easing of inflation concerns, as the US CPI inflation moderated for the second consecutive month to +3.4%yoy in Jul-26 (Jun-26: +3.5%yoy), while core inflation also eased lower. The PPI inflation also moderated to +4.7%yoy in Jul-26 (Jun-26: +5.5%yoy). Meanwhile, other data releases, indicating the weakening of retail sales in Jul-26 and the deterioration of consumer sentiment in Aug-26, further eased the rate hike expectations on Friday. On the geopolitical front, ongoing US-Iran tensions remain a central focus for financial markets. While President Donald Trump noted that negotiations brokered by Oman regarding the Strait of Hormuz are progressing, a formal agreement has yet to materialise. Although geopolitical shocks typically trigger a classic flight-to-safety toward the US dollar, any structural erosion in market confidence or global demand for USD-denominated assets could fundamentally alter capital flows. As investors seek to diversify their portfolios, gold, the Japanese yen, and the euro are positioned as the primary beneficiaries of safe-haven rotation over the medium term.

- GBP and EUR strengthened. Despite the stronger US dollar, the pound appreciated by +0.3%wow to USD1.354, with the UK GDP growing stronger at +1.2%yoy in the 2QCY26 (1QCY26: +0.9%wow). Meanwhile, the euro also strengthened by +0.1%wow to USD1.157, also gaining on the back of stronger 2QCY26 GDP growth (+1.0%yoy; 1QCY26: +0.5yoy).

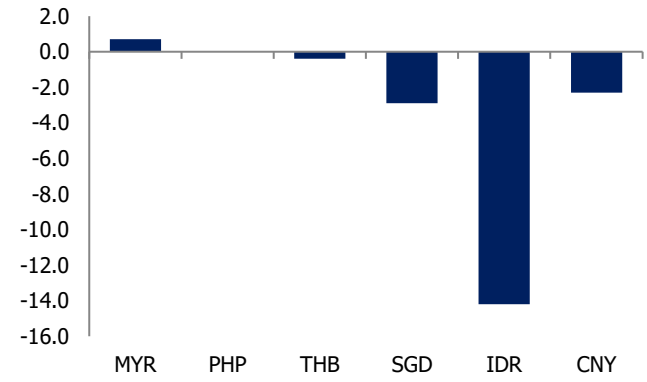
- Ringgit also strengthened slightly. The Malaysian ringgit appreciated slightly by +0.1%wow to RM4.086, generally traded sideways and remained between RM4.08 and RM4.92 trading range. The appreciation of ringgit, despite the strength in dollar, was supported by positive fundamentals. In particular, Malaysia's GDP growth was stronger than expected, accelerating to +6.0%yoy in the 2QCY26 (1QCY26: +5.4%yoy; advance estimate: +5.8%yoy). In other releases, monthly data for industrial production and retail sales continued to grow steadily albeit moderating relative to May-26, while the unemployment rate was unchanged at 3.0% despite some signs of softening. On a broader basis, the ringgit was virtually stable against the currencies of Malaysia's major trading partners, with our MBSB Trade-Weighted Ringgit Index (TWRI) only falling slightly by -0.03%wow to 98.26, mainly due to the weakness against the Taiwan dollar (-0.7%wow), Indonesian rupiah (-0.3%wow), and Korean won (-0.2%wow). In a separate release, foreign holding of Malaysian government and corporate bonds picked up, with a significant inflows of +RM4.8b between the 3rd to 10th August (previous: -RM0.3b), increasing the total foreign holdings to RM307.9b.

Currencies Changes (Week Ended 14-Aug-2026) and Quarterly Forecasts

	Close 14/08	Prev. Close 07/08	Weekly Change	Weekly Change (%)	1QCY26	2QCY26	3QCY26f	4QCY26f
DXY Index	99.67	99.54	+0.128	+0.1	98.5	101.1	102.3	100.5
EURUSD	1.157	1.156	+0.001	+0.1	1.18	1.14	1.12	1.15
GBPUSD	1.354	1.349	+0.005	+0.3	1.34	1.33	1.30	1.34
USDJPY	159.3	157.8	-1.560	-1.0	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	5.527	5.499	-0.028	-0.5	5.45	5.41	5.36	5.40
JPYMYR	2.565	2.592	+0.027	+1.1	2.6	2.51	2.50	2.49
MBSB TWRI	98.23	98.26	-0.032	-0.0	98.6	99.65	100.87	102.00

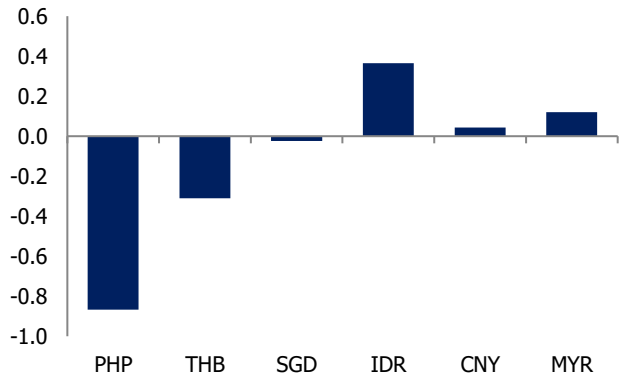
Note: "+" indicates appreciation, while "- "indicates depreciation. Quarterly figures are forecast by MBSBR.
Source: Bloomberg, MBSBR

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	25-Jul	+8.25k	+15K	n.a
Initial Jobless Claims	Week Ending 1st Aug	209K	200K	202K
Inflation (yoy)	Jul-26	3.4	3.5	3.4
Core inflation (yoy)	Jul-26	2.5	2.6	2.5
PPI (yoy)	Jul-26	4.7	5.5	4.9
Core PPI (yoy)	Jul-26	4.2	4.7	4.2
Retail sales (yoy)	Jul-26	5.0	6.8	n.a
Michigan Consumer Sentiment	Aug-26	51.0	55.4	55.2
Monetary Policy Decisions: Benchmark Interest rates				
Reserve Bank of Australia	Aug-26	4.35	4.35	Unchanged
Malaysia				
Industrial production (yoy)	Jun-26	6.5	8.5	2.0
Unemployment rate	Jun-26	3.0	3.0	n.a
Retail sales	Jun-26	6.6	7.2	n.a
GDP (yoy)	2QCY26	6.0	5.4	5.8

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	7-Aug Fri	10-Aug Mon	11-Aug Tue	12-Aug Wed	13-Aug Thu	14-Aug Fri	Change (WoW bp)
MGS							
3-Y	3.317	3.31	3.328	3.336	3.336	3.33	1.3
5-Y	3.539	3.532	3.534	3.545	3.529	3.52	-1.9
7-Y	3.669	3.676	3.681	3.673	3.688	3.681	1.2
10-Y	3.726	3.73	3.742	3.736	3.743	3.736	1
20-Y	4.002	4.02	4.039	4.039	4.083	4.091	8.9
RINGGIT IRS							
1-Y	3.5575	3.552	3.555	3.552	3.555	3.55	-0.75
3-Y	3.595	3.582	3.6	3.59	3.5875	3.585	-1
5-Y	3.647	3.625	3.6475	3.64	3.6385	3.635	-1.2
7-Y	3.7045	3.69	3.7055	3.705	3.705	3.695	-0.95
10-Y	3.81	3.8	3.815	3.815	3.81	3.813	0.3
KLIBOR							
1-M	3.01	3.01	3.01	3.01	3.01	3.01	0
3-M	3.46	3.46	3.46	3.46	3.46	3.46	0
UST							
3-Y	4.2587	4.3105	4.2819	4.278	4.2135	4.2471	-1.16
5-Y	4.3518	4.4118	4.3888	4.3817	4.3164	4.3639	1.21
7-Y	4.492	4.5557	4.5332	4.5292	4.4657	4.5161	2.41
10-Y	4.6454	4.7067	4.6883	4.6925	4.6427	4.6922	4.68
30-Y	5.2008	5.251	5.2403	5.2574	5.2125	5.2593	5.85

Source: Bloomberg

10 MOST ACTIVELY TRADED GOVERNMENT BONDS

Name	Coupon	Maturity	7-Aug Yield	14-Aug Yield	Change (WoW bp)	Weekly Volume (RM mn)
MALAYSIA INVESTMNT ISSUE	4.07	09/30/26	2.961	2.973	1.2	3,798.6
MALAYSIA GOVERNMENT	3.9	11/30/26	2.969	2.952	-1.7	870.7
MALAYSIA GOVERNMENT	3.917	07/15/55	4.159	4.199	4.0	819.2
MALAYSIA GOVERNMENT	3.502	05/31/27	3.080	3.082	0.2	734.7
MALAYSIA INVESTMNT ISSUE	3.227	10/15/29	3.360	3.353	-0.7	693.8
MALAYSIA GOVERNMENT	3.519	04/20/28	3.241	3.241	0.0	520.8
MALAYSIA GOVERNMENT	3.476	07/02/35	3.726	3.736	1.0	515.7
MALAYSIA GOVERNMENT	3.582	07/15/32	3.646	3.648	0.2	494.2
MALAYSIA GOVERNMENT	3.844	04/15/33	3.669	3.681	1.2	432.5
MALAYSIA GOVERNMENT	3.237	03/15/29	3.317	3.330	1.3	430.2
TOTAL VOLUME (TOP 10)						9,310.2
TOTAL VOLUME (Overall)						14,282.1

Source: Bloomberg

10 MOST ACTIVELY TRADED CORPORATE BONDS

Name	Coupon	Maturity	7-Aug Yield	14-Aug Yield	Change (WoW bp)	Weekly Volume (RM mn)
CAGAMAS BERHAD	ZERO	02/05/27	N/A	3.468	N/A	400.0
SARAWAK ENERGY BHD	5.04	04/25/31	3.804	3.777	-2.7	100.0
GENM CAPITAL BHD	4.98	03/31/27	3.939	4.047	10.8	100.0
CELCOMDIGI TELECOM SDN	4.05	05/30/30	3.707	3.747	4.0	90.0
TNB POWER GENERATION	4.58	03/29/33	3.782	3.783	0.1	81.0
PRASARANA MALAYSIA BHD	5.07	09/28/29	N/A	3.497	N/A	80.0
AEON CO. (M) BHD	3.97	06/19/31	3.883	3.898	1.5	70.0
SARAWAK ENERGY BHD	4.85	01/19/27	3.420	3.402	-1.8	60.0
PRASARANA MALAYSIA BHD	3.93	03/04/31	3.600	3.638	3.8	60.0
TOYOTA CAPITAL MALAYSIA	4.08	11/19/29	N/A	3.795	N/A	60.0
TOTAL VOLUME (TOP 10)						1,101.0
TOTAL VOLUME (Overall)						2,728.5

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