FIXED INCOME AND FX WEEKLY

MBSB Strategy 24 August 2026

Week Ended 21 August 2026

- The UST benchmark 10-year yield ended higher last week at 4.73% (prior week: 4.69%) as investors reacted to fears over soaring national debt which officially hit a record USD40 trillion, the Middle East geopolitical tensions, and elevated inflation. The 10y-3y yield spread narrowed (yield curve flattened) to +42bp (prior week: +44bp) as short-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 2.34% (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 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 +2.6bp and +3.7bp to close at 3.36% and 3.77% respectively. The 10y-3y yield spread expanded (yield curve steepened) to +42bp (prior week: +41bp) 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 -RM10.8b. It declined from -RM10.6b registered a week ago. However, it increased year-on-year from -RM20.5b a year ago.

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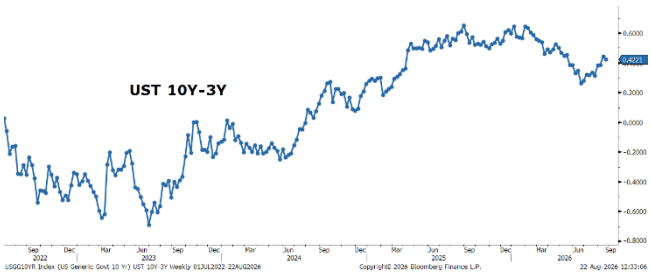
24 August 2026 | **Strategy** Strategy Team | research@mbsb.com

FIXED INCOME AND FX WEEKLY REVIEW

A. FIXED INCOME

- The UST benchmark 10-year yield ended higher last week at 4.73% (prior week: 4.69%) as investors reacted to fears over soaring national debt which officially hit a record USD40 trillion, the Middle East geopolitical tensions, and elevated inflation. The 10y-3y yield spread narrowed (yield curve flattened) to +42bp (prior week: +44bp) as short-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.

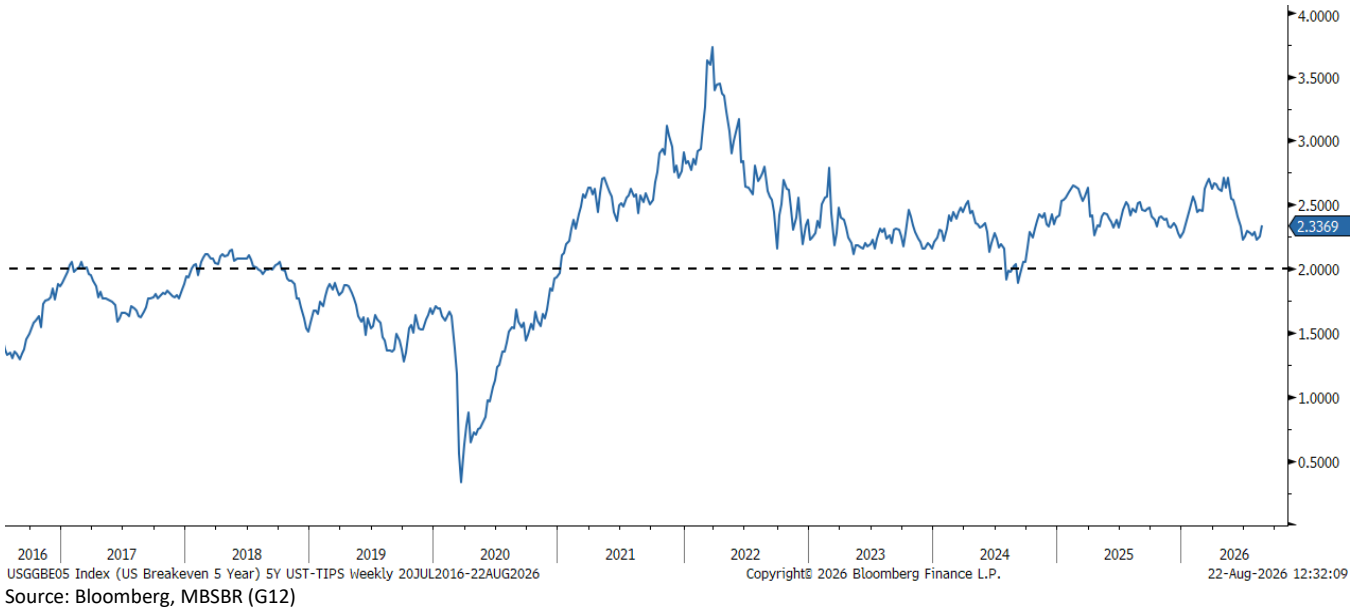




Source: Bloomberg, MBSBR (G8, G9)

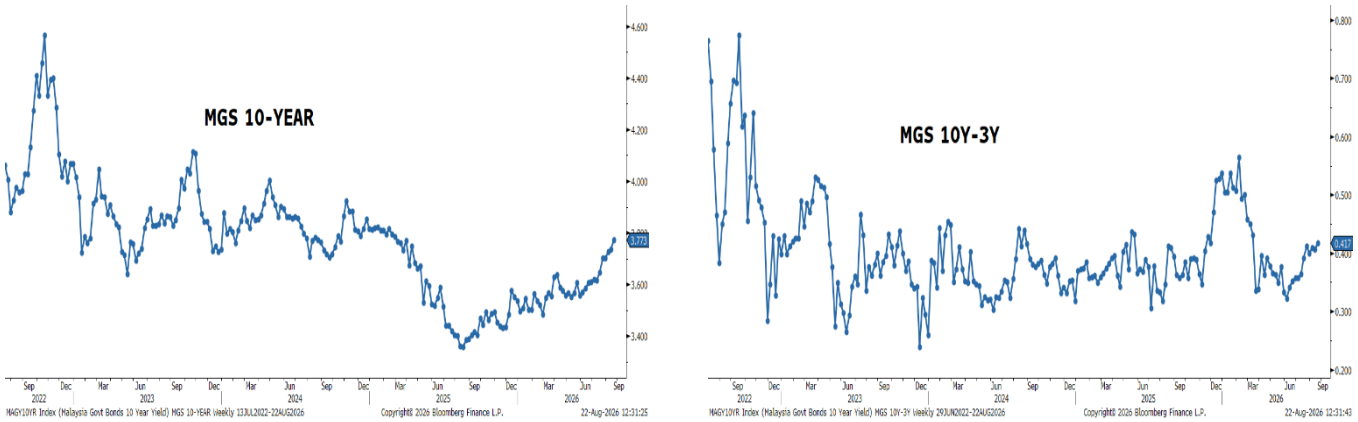
- Medium-term inflation expectation (MTIE) ended the review week higher at 2.34% (prior week: 2.25%). The MTIE has remained above the US Fed target level of 2.00% since September 2024. However, since mid-May this year, the prospect of a Fed rate hike has arguably contributed to declining MTIE.

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 +2.6bp and +3.7bp to close at 3.36% and 3.77% respectively. The 10y-3y yield spread expanded (yield curve steepened) to +42bp (prior week: +41bp) as long-end underperformed.

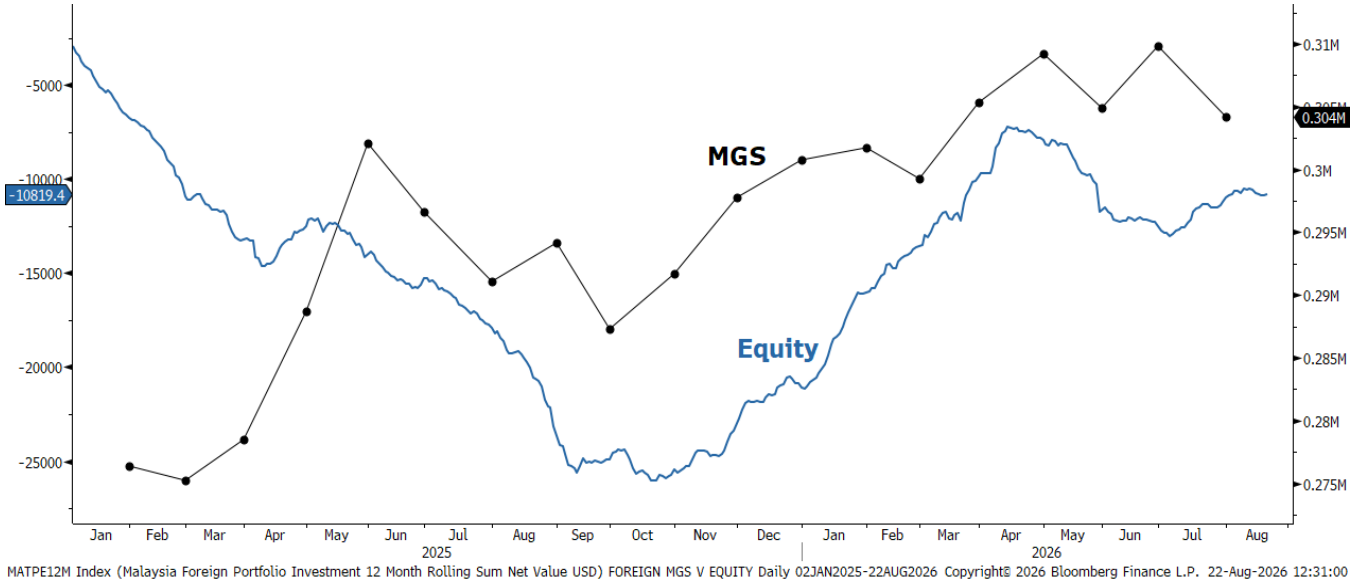


Source: Bloomberg, MBSBR (G10, G11)

- Total trading value for Government Bonds (MGS/MII) increased to RM28.5b in the review week compared to RM14.3b in the prior week (based on Bloomberg data). The total trading value of the 10 most actively traded issues increased (lower trading breadth) to 67% (prior week: 65%) 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 mid residual tenor. The top 3 most actively traded were MII 4.07% 9/30/26 at RM5.8b, MGS 3.9% 11/30/26 at RM5.3b, and MII 3.624% 3/31/33 at RM1.6b.

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 02JAN2025-22AUG2026 Copyright© 2026 Bloomberg Finance L.P. 22-Aug-2026 12:31:00
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 -RM10.8b. It declined from -RM10.6b registered a week ago. However, it increased year-on-year from -RM20.5b a year ago.

- Total trading value for Corporate Bonds (Conventional & Sukuk) declined to RM2.0b in the review week compared to RM2.7b in the prior week (based on Bloomberg data). The total trading value of the 10 most actively traded issues increased (lower trading breadth) to 48% (prior week: 40%) of the overall Corporate Bonds trade.

- The top 3 actively traded Corporate Bonds were dominated by issues of short and long residual tenor. The top 3 most actively traded were Danainfra Nasional 3.98% 8/27/55 at RM280m, Bank Pembangunan 4.5% 11/4/26 at RM100m at RM175m, and Genm Capital 4.98% 3/31/27 at RM100m.

B. FOREIGN EXCHANGE

- US dollar weakened. The US dollar depreciated against major currencies last week, with the DXY Dollar Index falling -0.9%wow to 98.80. The index initially strengthened early in the week before reversing, particularly around mid-week, following the US Treasury Department's announcement that it will scale up buybacks of longer-dated coupon securities to at least twice the current size from 9 September 2026, signalling an effort to stabilise the bond market amid the recent sell-off. Meanwhile, the Jul-26 FOMC minutes did little to arrest the broader market weakness, although they confirmed that Fed officials continue to view inflation as uncomfortably high, with three members voting for an immediate rate hike, underscoring persistent monetary policy headwinds. The DXY continued to weaken towards the end of the week despite positive US data, including stronger-than-expected initial jobless claims and the S&P Global Composite PMI signalling a faster expansion in Aug-26. Looking ahead, the dollar will remain influenced by geopolitical developments in the Middle East, with the US to announce tougher sanctions, as well as elevated global bond yields. We maintain that while geopolitical shocks typically trigger a flight-to-safety into the US dollar, any structural erosion in market confidence or demand for USD-denominated assets could alter capital flows, with gold, the Japanese yen and the euro potentially emerging as key beneficiaries of safe-haven rotation over the medium term.

- GBP and EUR strengthened. On the back of a weaker US dollar, the pound appreciated by +0.8%wow to USD1.364, supported by relatively stable UK headline inflation and easing producer price pressures. Meanwhile, the euro strengthened by +0.9%wow to USD1.168, supported by an improvement in the ZEW Economic Sentiment Index and stronger S&P Global Manufacturing PMI.

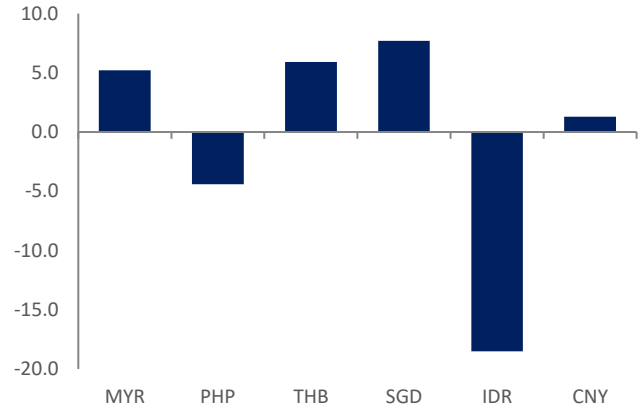
- Ringgit strengthened last week. The Malaysian ringgit appreciated by +1.2%wow to RM4.039 last week. The ringgit traded sideways early in the week before strengthening from mid-week, supported by a weaker dollar and positive domestic catalysts. Inflation came in below expectations, while Malaysia's trade performance remained resilient, underpinned by strong E&E exports. On a broader basis, the ringgit also appreciated against the currencies of Malaysia's major trading partners, with our MBSB Trade-Weighted Ringgit Index (TWRI) rising by +0.5%wow to 98.74, mainly reflecting gains against the Indonesian rupiah (+1.5%wow), Vietnamese dong (+1.1%wow) and Hong Kong dollar (+1.1%wow). We expect the ringgit to average around RM4.078 this month and end the month within the RM4.02–RM4.05 range. Separately, foreign holdings of Malaysian government and corporate bonds increased further, with another RM1.4b of inflows between 10 and 17 August (previous: +RM4.8b), lifting total foreign holdings to RM309.3b.

Currencies Changes (Week Ended 21-Aug-2026) and Quarterly Forecasts

	Close 21/08	Prev. Close 14/08	Weekly Change	Weekly Change (%)	1QCY26	2QCY26	3QCY26f	4QCY26f
DXY Index	98.80	99.67	-0.867	-0.9	98.5	101.1	102.3	100.5
EURUSD	1.168	1.157	+0.011	+0.9	1.18	1.14	1.12	1.15
GBPUSD	1.364	1.354	+0.011	+0.8	1.34	1.33	1.30	1.34
USDJPY	159.0	159.3	+0.370	+0.2	152.0	162.55	165.0	162.0
USDMYR	4.039	4.086	+0.048	+1.2	4.04	4.09	4.13	4.03
GBPMYR	5.515	5.527	+0.012	+0.2	5.45	5.41	5.36	5.40
JPYMYR	2.541	2.565	+0.025	+1.0	2.6	2.51	2.50	2.49
MBSB TWRI	98.74	98.23	+0.512	+0.5	98.6	99.65	100.87	102.00

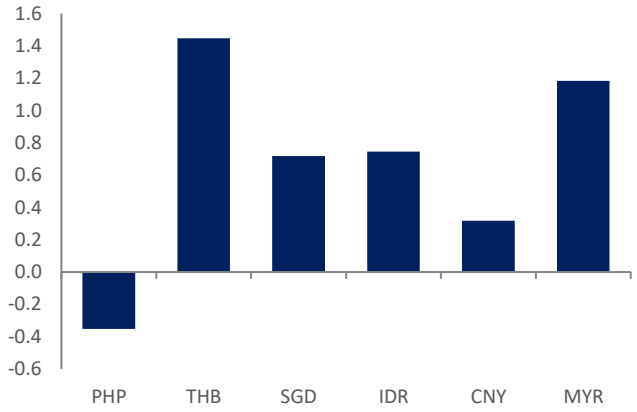
Note: "+" indicates appreciation, while "- "indicates depreciation. Quarterly figures are forecast by MBSBR.
Source: Bloomberg, MBSBR

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

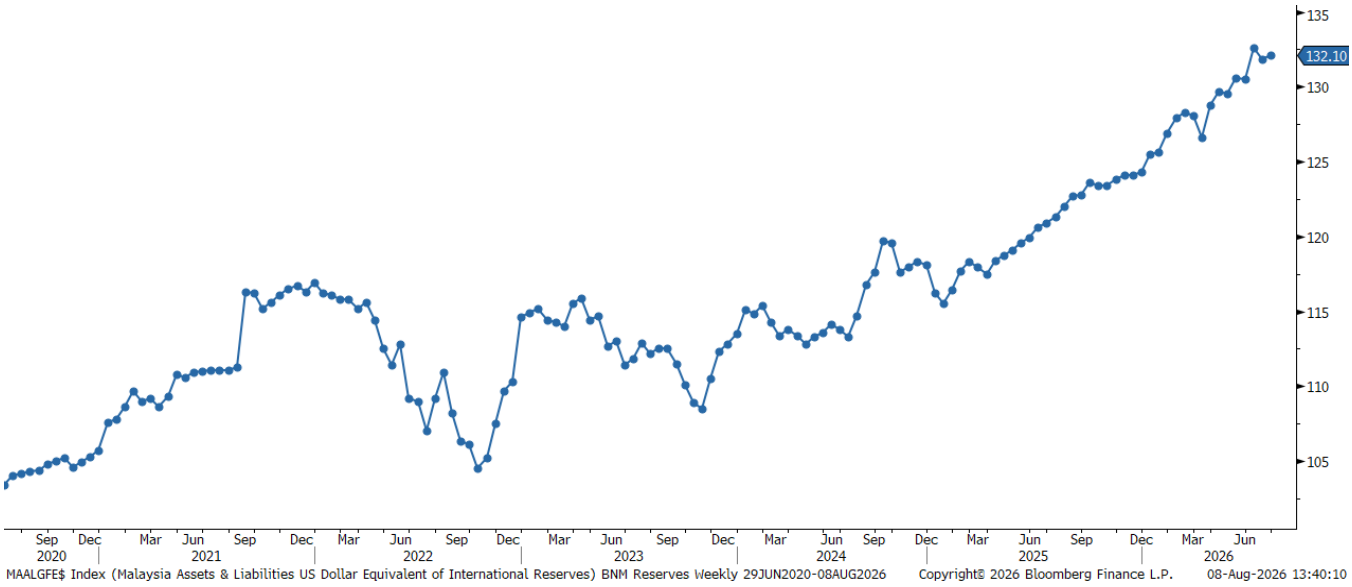
Economic Indicators	Period	Actual	Previous	Consensus
United States				
ADP Employment Change Weekly	4-week average to 1st Aug	+9.5k	+8.25K	n.a
Initial Jobless Claims	Week ending 15th Aug	206K	212K	210K
Industrial production (yoy)	Jul-26	+1.1%	+1.3%	n.a
Manufacturing production (yoy)	Jul-26	+1.2%	+1.1%	n.a
S&P Global Composite PMI	Aug-26	56.0	54.5	n.a
Monetary Policy Decisions: Benchmark Interest rates				
Bank of Indonesia	Aug-26	5.75	5.75	Unchanged
People's Bank of China	Aug-26	3.00	3.00	Unchanged
Malaysia				
Inflation rate (yoy)	Aug-26	+1.8%	+1.9%	+2.0%
Balance of Trade (RM b)	Jul-26	22.5	15.8	22.0
Exports (yoy)	Jul-26	+38.0%	+45.5%	+34.3%
Imports (yoy)	Jul-26	+36.4%	+43.1%	+32.4%

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	14-Aug Fri	17-Aug Mon	18-Aug Tue	19-Aug Wed	20-Aug Thu	21-Aug Fri	Change (WoW bp)
MGS							
3-Y	3.33	3.322	3.335	3.333	3.335	3.356	2.6
5-Y	3.52	3.53	3.537	3.549	3.542	3.574	5.4
7-Y	3.681	3.683	3.698	3.72	3.713	3.74	5.9
10-Y	3.736	3.743	3.757	3.763	3.763	3.773	3.7
20-Y	4.091	4.086	4.084	4.117	4.102	4.121	3
RINGGIT IRS							
1-Y	3.55	3.5425	3.558	3.55	3.546	3.56	1
3-Y	3.585	3.5925	3.61	3.595	3.595	3.625	4
5-Y	3.635	3.6415	3.663	3.6575	3.6575	3.6775	4.25
7-Y	3.695	3.7085	3.7175	3.715	3.7035	3.731	3.6
10-Y	3.813	3.819	3.84	3.828	3.83	3.86	4.7
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	4.2471	4.2527	4.247	4.2385	4.2695	4.3118	6.47
5-Y	4.3639	4.3745	4.3656	4.3426	4.3904	4.4242	6.03
7-Y	4.5161	4.5347	4.5214	4.479	4.5361	4.5656	4.95
10-Y	4.6922	4.7219	4.7041	4.6466	4.7041	4.7339	4.17
30-Y	5.2593	5.306	5.2826	5.1911	5.2476	5.2709	1.16

Source: Bloomberg

10 MOST ACTIVELY TRADED GOVERNMENT BONDS

Name	Coupon	Maturity	14-Aug Yield	21-Aug Yield	Change (WoW bp)	Weekly Volume (RM mn)
MALAYSIA INVESTMNT ISSUE	4.07	09/30/26	2.973	2.941	-3.2	5,825.4
MALAYSIA GOVERNMENT	3.9	11/30/26	2.952	2.840	-11.2	5,280.3
MALAYSIA INVESTMNT ISSUE	3.624	03/31/33	3.690	3.727	3.7	1,547.3
MALAYSIA GOVERNMENT	3.502	05/31/27	3.082	3.070	-1.2	1,160.5
MALAYSIA GOVERNMENT	3.844	04/15/33	3.681	3.740	5.9	1,083.6
MALAYSIA GOVERNMENT	2.632	04/15/31	3.528	3.587	5.9	1,077.9
MALAYSIA INVESTMNT ISSUE	3.227	10/15/29	3.353	3.362	0.9	891.7
MALAYSIA GOVERNMENT	3.582	07/15/32	3.648	3.696	4.8	878.5
MALAYSIA INVESTMNT ISSUE	3.447	07/15/36	3.760	3.808	4.8	801.1
MALAYSIA GOVERNMENT	3.476	07/02/35	3.736	3.773	3.7	673.2
TOTAL VOLUME (TOP 10)						19,219.5
TOTAL VOLUME (Overall)						28,544.2

Source: Bloomberg

10 MOST ACTIVELY TRADED CORPORATE BONDS

Name	Coupon	Maturity	14-Aug Yield	21-Aug Yield	Change (WoW bp)	Weekly Volume (RM mn)
DANAINFRA NASIONAL	3.98	08/27/55	N/A	4.419	N/A	280.0
BANK PEMBANGUNAN MALAY	4.5	11/04/26	N/A	3.490	N/A	100.0
GENM CAPITAL BHD	4.98	03/31/27	4.047	4.069	2.2	100.0
DANAINFRA NASIONAL	4.57	11/25/50	N/A	4.269	N/A	100.0
DANGA CAPITAL BHD	5.02	09/21/33	3.947	3.989	4.2	80.0
PENGURUSAN AIR SPV BHD	3.32	06/04/27	3.428	3.446	1.8	80.0
PROJEK LEBUHRAYA USAHASA	4.8	01/12/27	3.436	3.486	5.0	70.0
ECO WORLD PERPETUAL CAPI	4.5	PERP	4.488	4.163	-32.5	60.0
SARAWAK ENERGY BHD	4.85	01/19/27	3.402	3.409	0.7	40.0
YTL POWER INTERNATIONAL	4.99	03/24/33	3.900	3.850	-5.0	40.0
TOTAL VOLUME (TOP 10)						950.0
TOTAL VOLUME (Overall)						1,971.0

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