FIXED INCOME AND FX WEEKLY

MBSB Strategy 1 September 2026

Week Ended 28 August 2026

- The UST benchmark 10-year yield ended slightly lower last week at 4.72% (prior week: 4.73%). A mid-week bond market rally sparked by reports of larger US Treasury buybacks was mostly reversed late in the week due to hawkish comments from Fed Chair Kevin Warsh at Jackson Hole. The 10y-3y yield spread narrowed (yield curve flattened) to +32bp (prior week: +42bp) 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 lower at 2.32% (prior week: 2.34%). 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 mixed with the 3-year and 10-year yields shed -0.7bp and added +10.1bp to close at 3.35% and 3.87% respectively. The 10y-3y yield spread expanded (yield curve steepened) to +52bp (prior week: +42bp) 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 -RM10.3b. It increased from -RM10.8b registered a week ago. Moreover, it increased year-on-year from -RM22.1b a year ago.

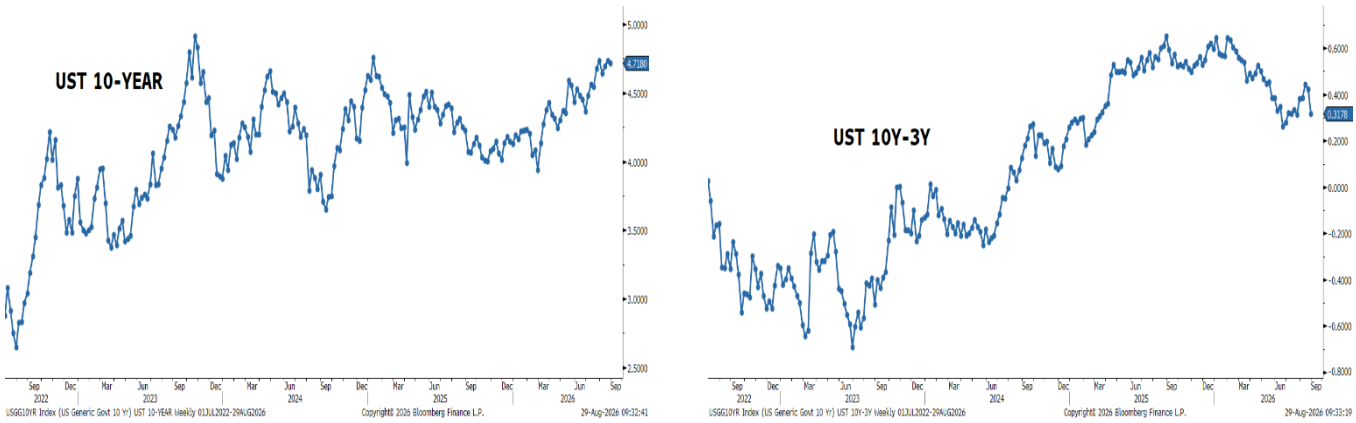
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FIXED INCOME AND FX WEEKLY REVIEW

A. FIXED INCOME

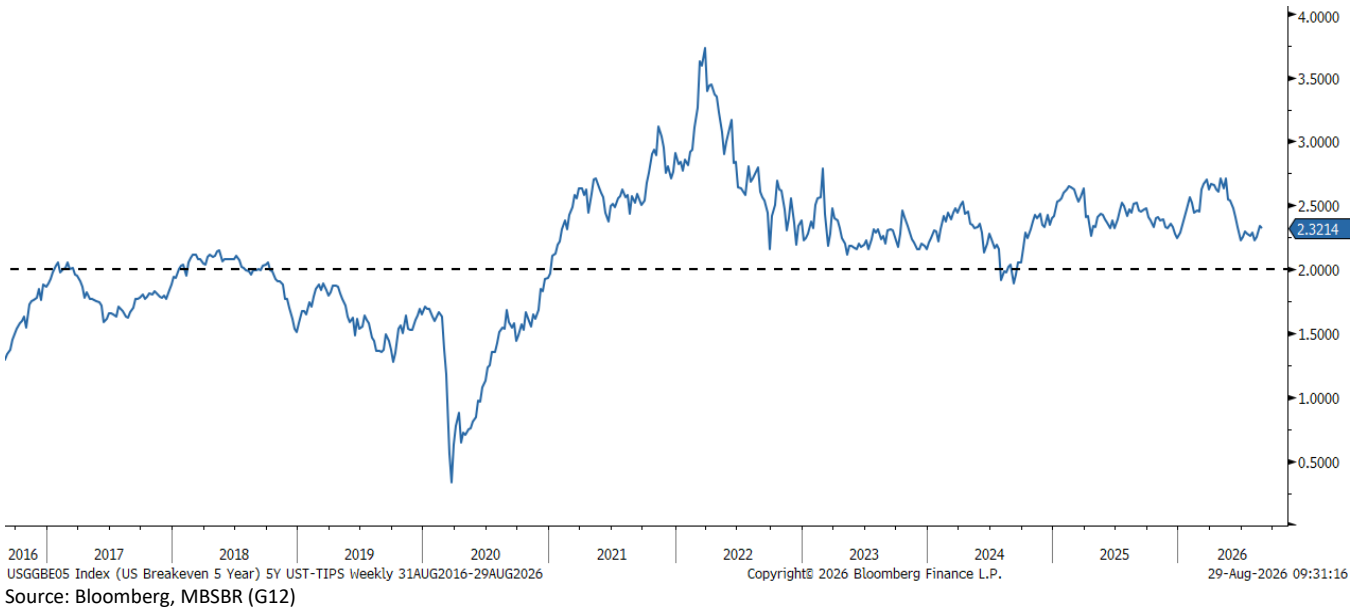
- The UST benchmark 10-year yield ended slightly lower last week at 4.72% (prior week: 4.73%). A mid-week bond market rally sparked by reports of larger US Treasury buybacks was mostly reversed late in the week due to hawkish comments from Fed Chair Kevin Warsh at Jackson Hole. The 10y-3y yield spread narrowed (yield curve flattened) to +32bp (prior week: +42bp) 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)

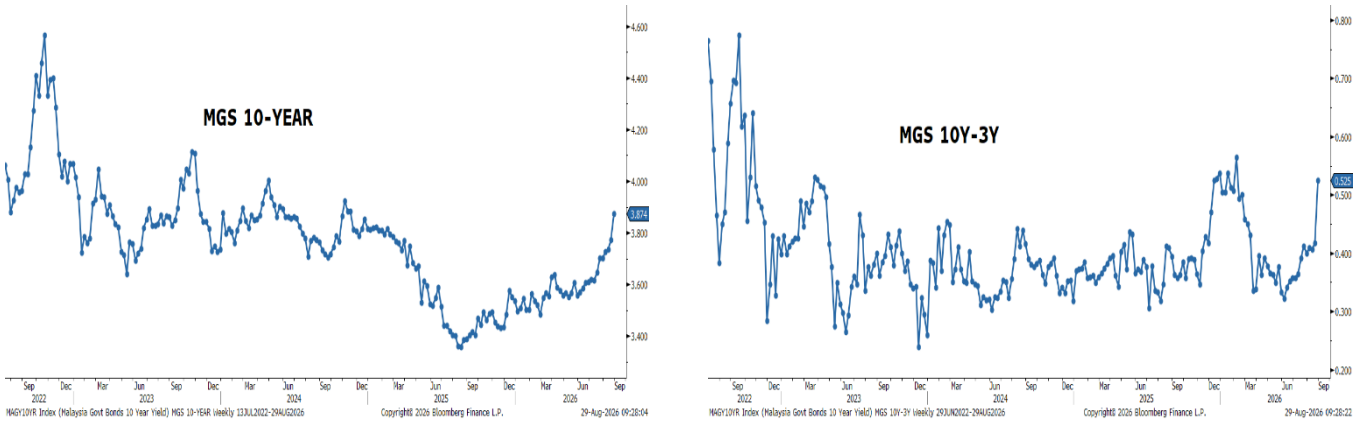
- Medium-term inflation expectation (MTIE) ended the review week lower at 2.32% (prior week: 2.34%). The MTIE has remained above the US Fed target level of 2.00% since September 2024. However, since mid-May this year, the prospect of a Fed rate hike has arguably contributed to declining MTIE.

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



Source: Bloomberg, MBSBR (G12)

- The price of MGS benchmark issues ended the review week mixed with the 3-year and 10-year yields shed -0.7bp and added +10.1bp to close at 3.35% and 3.87% respectively. The 10y-3y yield spread expanded (yield curve steepened) to +52bp (prior week: +42bp) as long-end underperformed.

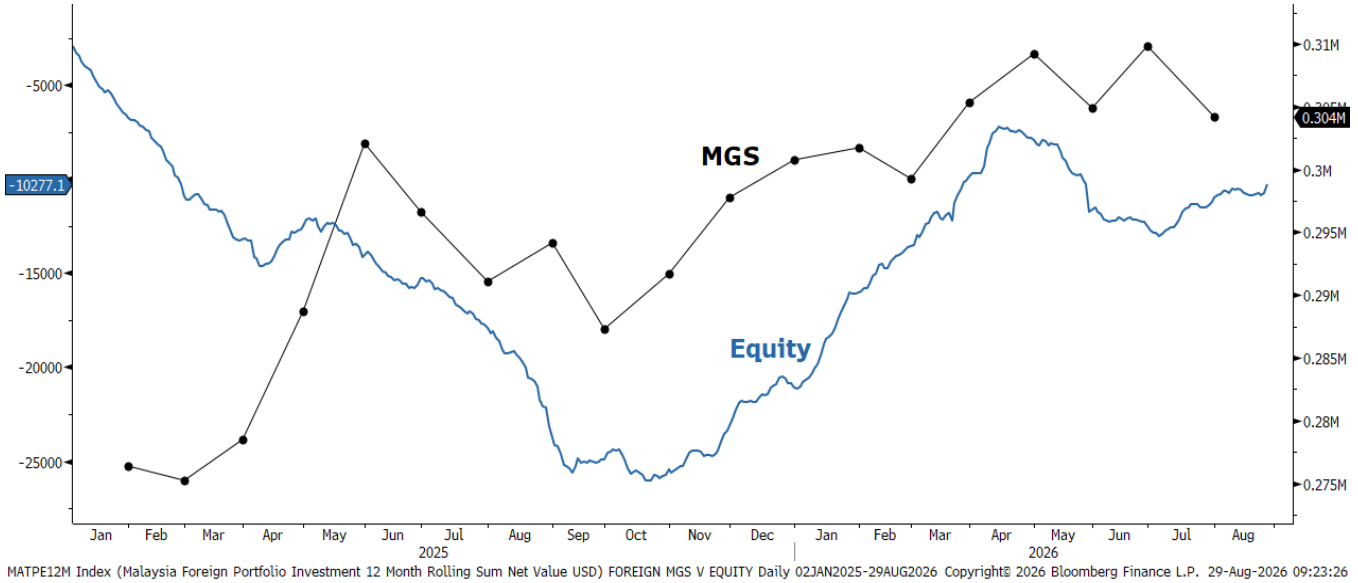


Source: Bloomberg, MBSBR (G10, G11)

- Total trading value for Government Bonds (MGS/MII) declined to RM18.5b in the review week compared to RM28.5b in the prior week (based on Bloomberg data). The total trading value of the 10 most actively traded issues increased (lower trading breadth) to 69% (prior week: 67%) of the overall Government Bonds trade. Moreover, 6 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 RM4.2b, MGS 3.9% 11/30/26 at RM2.3b, and MGS 3.502% 5/31/27 at RM1.3b.

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 -RM10.3b. It increased from -RM10.8b registered a week ago. Moreover, it increased year-on-year from -RM22.1b a year ago.

- Total trading value for Corporate Bonds (Conventional & Sukuk) increased to RM2.6b in the review week compared to RM2.0b in the prior week (based on Bloomberg data). The total trading value of the 10 most actively traded issues declined (higher trading breadth) to 41% (prior week: 48%) 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% 2/26/27 at RM306m, Khazanah Nasional 0% 10/12/27 at RM130m at RM175m, and Danainfra Nasional 3.93% 11/27/34 at RM100m.

B. FOREIGN EXCHANGE

- The dollar index strengthened. The US dollar appreciated last week as the DXY dollar index increased by +0.9%wow to 99.70. The DXY trended sideways in the early part of the week but later spiked higher on Friday, in line with the higher UST yields. This was driven by increased expectations for a near-term interest rate hike following hawkish remarks from the Fed Chair Kevin Warsh at the Jackson Hole symposium. He warned that inflation remained stubborn and reiterated the Fed's firm commitment to its +2% inflation target. In response, financial markets now price in a 61% probability, a notable jump from roughly 40% a week ago, for a +25bps rate increase at the upcoming meeting in Sep-26. Meanwhile, apart from the upward revision to the University of Michigan consumer sentiment index, the US dollar also gained from the escalating geopolitical situation in the Middle East. We maintain our view that while the geopolitical shocks are typically supportive of dollar due to flight-to-safety, 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 among the beneficiaries of safe-haven rotation over the medium term.

- GBP and EUR weakened. On the back of the stronger US dollar, the pound depreciated by -0.8%wow to USD1.354. The euro also weakened by -0.8%wow to USD1.159, despite improvements in the euro area economic sentiment and consumer confidence.

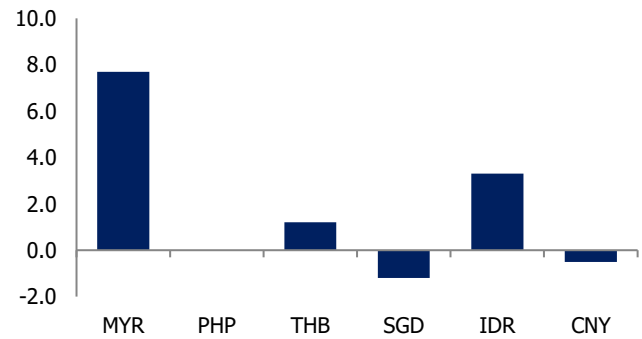
- Ringgit also gained. Despite the stronger dollar, the ringgit appreciated last week by +0.3%wow to RM4.025. The ringgit traded stronger throughout the week and is expected to be well supported ahead of BNM policy meeting this week, with further acceleration in PPI inflation in Jul-26 signalling still strong cost pressures. On a broader basis, the ringgit appreciated against the currencies of Malaysia's trading partners, with our MBSB Trade-Weighted Ringgit Index (TWRI) increasing by +0.3%wow to 99.07, strengthening mainly against the Philippine peso (+1.3%wow), Thai baht (+0.9%wow), and Japanese yen (+0.8%wow). In a separate release, foreign holdings of Malaysian government and corporate bonds picked up to RM315.7b, reflecting the third consecutive week of inflows by +RM6.4b between 17th to 21st August 2026 (previous week: +RM1.38b).

Currencies Changes (Week Ended 28-Aug-2026) and Quarterly Forecasts

	Close 28/08	Prev. Close 21/08	Weekly Change	Weekly Change (%)	1QCY26	2QCY26	3QCY26f	4QCY26f
DXY Index	99.70	98.80	+0.902	+0.9	98.5	101.1	102.3	100.5
EURUSD	1.159	1.168	-0.009	-0.8	1.18	1.14	1.12	1.15
GBPUSD	1.354	1.364	-0.011	-0.8	1.34	1.33	1.30	1.34
USDJPY	160.1	159.0	-1.140	-0.7	152.0	162.55	165.0	162.0
USDMYR	4.025	4.039	+0.014	+0.3	4.04	4.09	4.13	4.03
GBPMYR	5.466	5.515	+0.048	+0.9	5.45	5.41	5.36	5.40
JPYMYR	2.515	2.541	+0.026	+1.0	2.6	2.51	2.50	2.49
MBSB TWRI	99.07	98.74	+0.327	+0.33	98.6	99.65	100.87	102.00

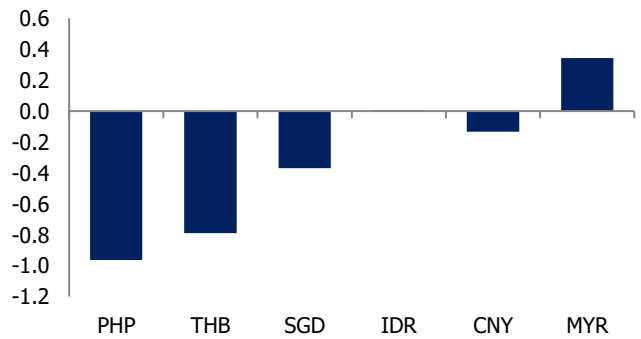
Note: "+" indicates appreciation, while "- "indicates depreciation. Quarterly figures are forecast by MBSBR.
Source: Bloomberg, MBSBR

Yield Change in 10Y Government Bonds (bps)



Source: Bloomberg; Macrobond; MBSBR

Weekly Currencies Changes vs USD (%)



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	5.00
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	3.00
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 ending 8th August	+11.75k	+9.5K	n.a
Conference Board Consumer Confidence	Aug-26	89.4	90.2	90.2
Initial Jobless Claims	Week Ending 22nd August	203K	207K	208K
Gross Domestic Product (qoq saar)	2QCY26	1.5	2.1	1.5
Headline PCE (yoy)	Jul-26	3.7	3.7	3.6
Core Headline PCE (yoy)	Jul-26	3.3	3.3	3.3
Michigan Consumer Sentiment	Aug-26	51.7	55.2	55.4
Monetary Policy Decisions: Benchmark Interest rates				
Bank of Thailand	Aug-26	1.00	1.00	Unchanged
Bank of Korea	Aug-26	3.00	2.75	Hike (+25bps)
Bangko Sentral ng Pilipinas	Aug-26	5.00	4.75	Hike (+25bps)
Malaysia				
Coincident Index (mom)	Jun-26	+0.3	-0.3	n.a
Leading Index (mom)	Jun-26	+0.02	-0.5	n.a
PPI (yoy)	Jul-26	+9.7	+9.2	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	21-Aug Fri	24-Aug Mon	25-Aug Tue	26-Aug Wed	27-Aug Thu	28-Aug Fri	Change (WoW bp)
MGS							
3-Y	3.356	3.348	3.348	3.356	3.353	3.349	-0.7
5-Y	3.574	3.562	3.562	3.567	3.589	3.61	3.6
7-Y	3.74	3.749	3.749	3.744	3.766	3.8	6
10-Y	3.773	3.804	3.804	3.832	3.859	3.874	10.1
20-Y	4.121	4.155	4.155	4.19	4.194	4.194	7.3
RINGGIT IRS							
1-Y	3.56	3.5635	3.5635	3.554	3.575	3.575	1.5
3-Y	3.625	3.615	3.615	3.61	3.635	3.645	2
5-Y	3.6775	3.6725	3.6725	3.66	3.6875	3.6865	0.9
7-Y	3.731	3.735	3.735	3.7355	3.75	3.76	2.9
10-Y	3.86	3.86	3.86	3.85	3.865	3.8775	1.75
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	3.47	3.47	1
UST							
3-Y	4.3118	4.3005	4.2354	4.2693	4.2977	4.4002	8.84
5-Y	4.4242	4.4011	4.3353	4.3619	4.3996	4.4789	5.47
7-Y	4.5656	4.5336	4.4632	4.4884	4.5217	4.5896	2.4
10-Y	4.7339	4.6961	4.6288	4.6465	4.6762	4.718	-1.59
30-Y	5.2709	5.2245	5.1651	5.1671	5.1931	5.2056	-6.53

Source: Bloomberg

10 MOST ACTIVELY TRADED GOVERNMENT BONDS

Name	Coupon	Maturity	21-Aug Yield	28-Aug Yield	Change (WoW bp)	Weekly Volume (RM mn)
MALAYSIA INVESTMNT ISSUE	4.07	09/30/26	2.941	2.842	-9.9	4,182.4
MALAYSIA GOVERNMENT	3.9	11/30/26	2.840	2.734	-10.6	2,334.0
MALAYSIA GOVERNMENT	3.502	05/31/27	3.070	2.997	-7.3	1,257.4
MALAYSIA GOVERNMENT	3.476	07/02/35	3.773	3.874	10.1	1,128.0
MALAYSIA INVESTMNT ISSUE	3.624	03/31/33	3.727	3.812	8.5	945.2
MALAYSIA GOVERNMENT	3.844	04/15/33	3.740	3.800	6.0	862.4
MALAYSIA GOVERNMENT	3.987	04/23/46	4.121	4.194	7.3	736.7
MALAYSIA INVESTMNT ISSUE	3.227	10/15/29	3.362	3.383	2.1	510.3
MALAYSIA GOVERNMENT	3.237	03/15/29	3.356	3.349	-0.7	471.4
MALAYSIA INVESTMNT ISSUE	3.447	07/15/36	3.808	3.877	6.9	404.4
TOTAL VOLUME (TOP 10)						12,832.0
TOTAL VOLUME (Overall)						18,493.5

Source: Bloomberg

10 MOST ACTIVELY TRADED CORPORATE BONDS

Name	Coupon	Maturity	21-Aug Yield	28-Aug Yield	Change (WoW bp)	Weekly Volume (RM mn)
CAGAMAS BERHAD	ZERO	02/26/27	N/A	3.469	N/A	306.0
KHAZANAH NASIONAL BHD	ZERO	10/12/27	N/A	3.313	N/A	130.0
DANAINFRA NASIONAL	3.93	11/27/34	3.948	3.957	0.9	100.0
PENGURUSAN AIR SELANGOR	5.16	09/18/37	N/A	4.124	N/A	90.0
EXSIM CAPITAL RESOURCES	5.6	12/11/26	N/A	4.741	N/A	90.0
PENGURUSAN AIR SPV BHD	2.91	09/28/27	N/A	3.530	N/A	80.0
SIME DARBY PROPERTY BHD	4.14	08/21/28	N/A	3.699	N/A	80.0
EXSIM CAPITAL RESOURCES	4.8	06/12/30	4.793	4.795	0.2	75.0
PENGURUSAN AIR SELANGOR	5.45	07/25/42	N/A	4.272	N/A	70.0
MALAYSIAN RESOURCES CORP	4.22	11/28/35	4.026	4.069	4.3	60.0
TOTAL VOLUME (TOP 10)						1,081.0
TOTAL VOLUME (Overall)						2,653.2

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