FIXED INCOME AND FX WEEKLY

MBSB Strategy 7 September 2026

Week Ended 4 September 2026

- The UST benchmark 10-year yield ended higher last week at 4.78% (prior week: 4.72%) as investors reacted to higher energy prices and stronger-than-expected jobs data. The 10y-3y yield spread expanded (yield curve steepened) to +34bp (prior week: +32bp) 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 2.38% (prior week: 2.32%). 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 +6.3bp and +11.1bp to close at 3.41% and 3.98% respectively. The 10y-3y yield spread expanded (yield curve steepened) to +57bp (prior week: +52bp) 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 -RM10.2b. It increased from -RM10.3b registered a week ago. Moreover, it increased year-on-year from -RM24.2b a year ago.

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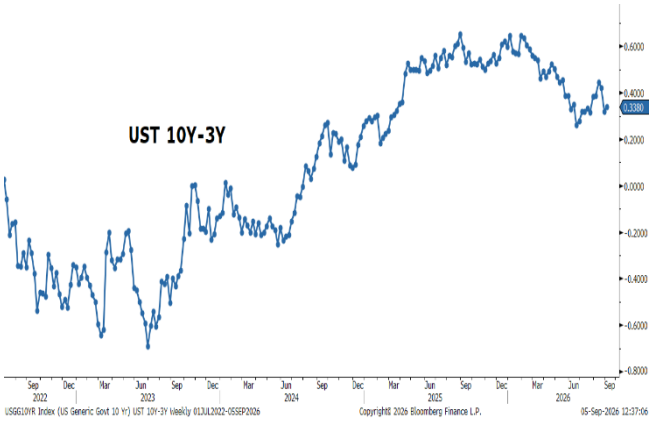
7 September 2026 | **Strategy** Strategy Team | research@mbsb.com

FIXED INCOME AND FX WEEKLY REVIEW

A. FIXED INCOME

- The UST benchmark 10-year yield ended higher last week at 4.78% (prior week: 4.72%) as investors reacted to higher energy prices and stronger-than-expected jobs data. The 10y-3y yield spread expanded (yield curve steepened) to +34bp (prior week: +32bp) 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.

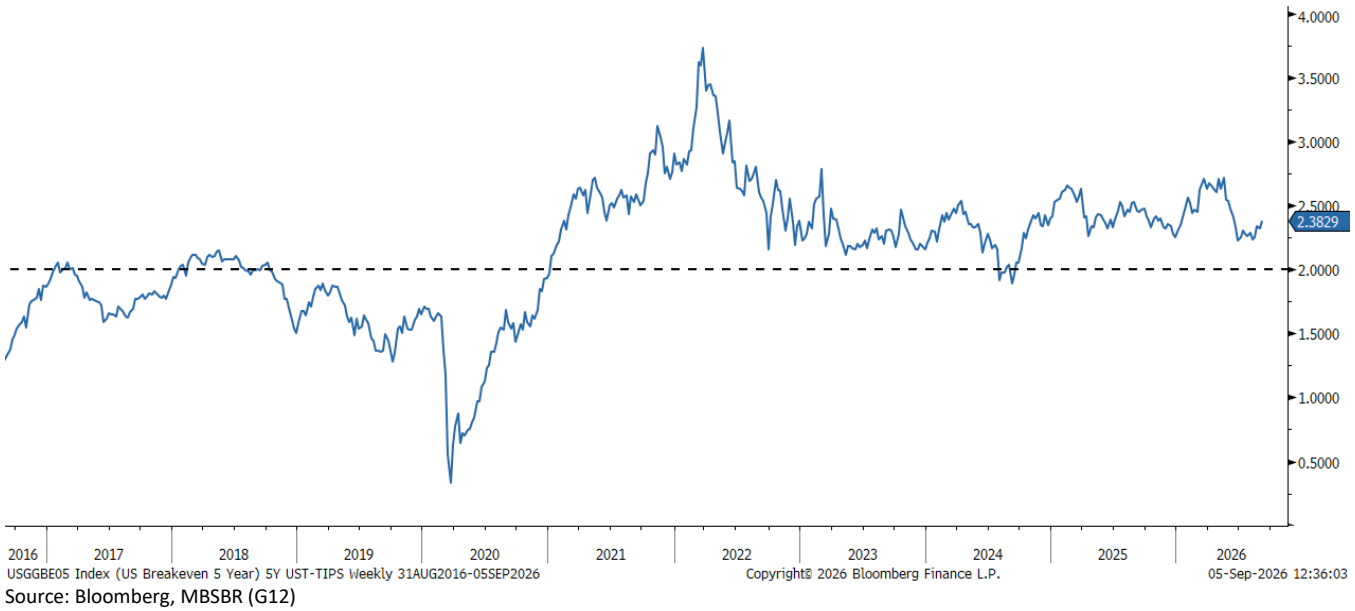




Source: Bloomberg, MBSBR (G8, G9)

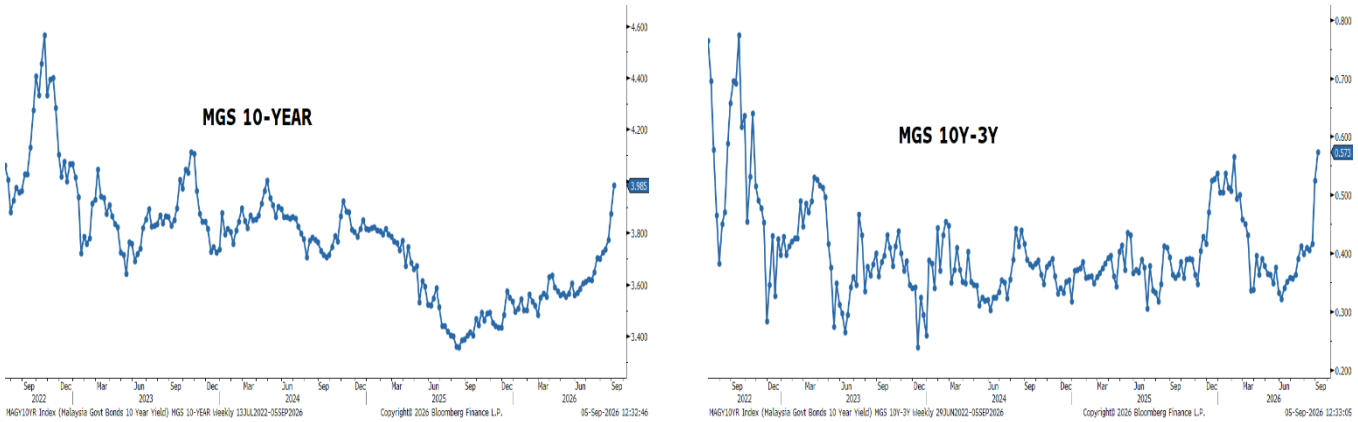
- Medium-term inflation expectation (MTIE) ended the review week higher at 2.38% (prior week: 2.32%). The MTIE has remained above the US Fed target level of 2.00% since September 2024. However, since mid-May this year, the prospect of a Fed rate hike has arguably contributed to declining MTIE.

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 +6.3bp and +11.1bp to close at 3.41% and 3.98% respectively. The 10y-3y yield spread expanded (yield curve steepened) to +57bp (prior week: +52bp) as long-end underperformed.

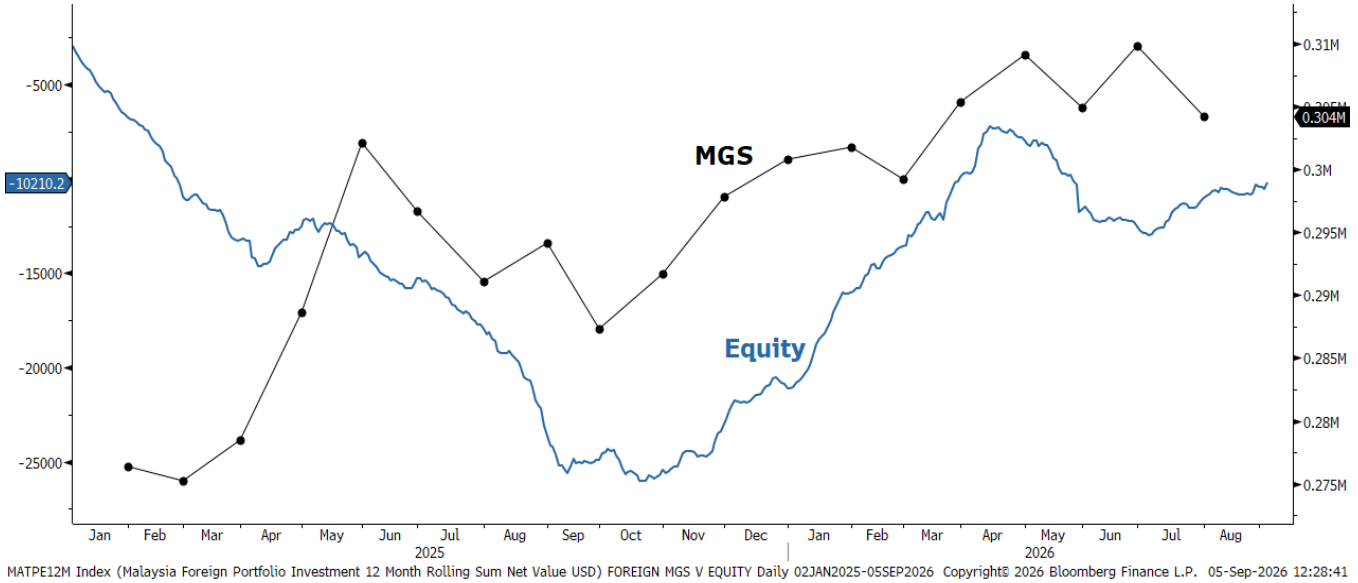


Source: Bloomberg, MBSBR (G10, G11)

- Total trading value for Government Bonds (MGS/MII) increased to RM20.5b in the review week compared to RM18.5b in the prior week (based on Bloomberg data). The total trading value of the 10 most actively traded issues declined (higher trading breadth) to 62% (prior week: 69%) of the overall Government Bonds trade. Moreover, 10 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 RM2.9b, MGS 3.502% 5/31/27 at RM2.8b, and MGS 3.9% 11/30/26 at RM2.1b.

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 -RM10.2b. It increased from -RM10.3b registered a week ago. Moreover, it increased year-on-year from -RM24.2b a year ago.

- Total trading value for Corporate Bonds (Conventional & Sukuk) declined to RM1.7b in the review week compared to RM2.6b in the prior week (based on Bloomberg data). The total trading value of the 10 most actively traded issues declined (higher trading breadth) to 39% (prior week: 41%) 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 MMC Port Holdings 4.83% 4/8/32 at RM120m, Amislamic Bank 4.25% 3/8/32 at RM90m at RM175m, and Celcomdigi Telecom 4.05% 5/30/30 at RM75m.

B. FOREIGN EXCHANGE

- The US dollar index weakened. The US dollar depreciated against major currencies last week as the DXY dollar index declined by -0.5%wow to 99.18. The greenback came under notable downward pressure following dovish comments from Fed Governor Christopher Waller. Waller indicated a preference for keeping interest rates on hold at the upcoming Sep-26 meeting, provided the upcoming inflation data brings no major surprises. However, towards the end of last week, the US dollar slightly rebounded as employment data boosted expectations for tighter monetary policy. The labor market showed unexpected resilience in Aug-26, with nonfarm payrolls surging by +162K, well above +56K expected by the market consensus. Coupled with an upward revision to July's job growth (from -23K to +21K) and a steady unemployment rate of 4.1%, the data highlights continued labor market stability. Financial markets are now pricing in around 58% probability for a +25bps rate hike in the Sep-26 meeting. Meanwhile, the escalating geopolitical situation in the Middle East also supported the greenback. 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.

- EUR strengthened but GBP weakened slightly. On the back of the weaker US dollar, the euro appreciated by +0.3%wow to USD1.161, with the higher inflation heightened expectations that the ECB could lift its policy rates in the near term. In contrast, the GBP weakened slightly by -0.1%wow to USD1.352.

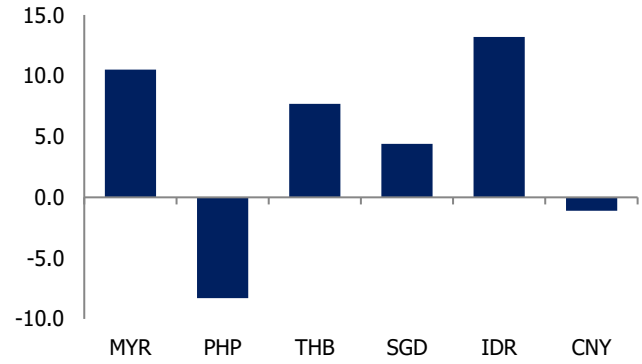
- The ringgit strengthened last week. Despite weaker US dollar, the ringgit depreciated last week by -0.5%wow to RM 4.045 against the dollar. Following a robust performance the previous week, the ringgit drifted lower across the trading week. Pressure on the currency came as Bank Negara Malaysia kept its benchmark OPR unchanged at 2.75%, accompanied by ongoing cautions from the central bank regarding persistent cost-push price pressures. On a broader basis, the ringgit also depreciated against the currencies of Malaysia's trading partners, with our MBSB Trade-Weighted Ringgit Index (TWRI) decreasing by -0.5%wow to 98.34, weakening mainly against the Japanese yen (-2.4%wow), Korean won (-1.6%wow), and Indian rupee (-1.2%wow). In a separate release, foreign holdings of Malaysian government and corporate bonds picked up, marking the fourth week of inflows, recording another robust inflow of +RM4.4b between the 24th to 31st August (previous week: +RM6.4b), increasing the total foreign holdings to RM320.1b.

Currencies Changes (Week Ended 04-Sep-2026) and Quarterly Forecasts

	Close 04/09	Prev. Close 28/08	Weekly Change	Weekly Change (%)	1QCY26	2QCY26	3QCY26f	4QCY26f
DXY Index	99.18	99.70	-0.526	-0.5	98.5	101.1	102.3	100.5
EURUSD	1.161	1.159	+0.003	+0.3	1.18	1.14	1.12	1.15
GBPUSD	1.352	1.354	-0.002	-0.1	1.34	1.33	1.30	1.34
USDJPY	156.3	160.1	+3.830	+2.5	152.0	162.55	165.0	162.0
USDMYR	4.045	4.025	-0.020	-0.5	4.04	4.09	4.13	4.03
GBPMYR	5.470	5.466	-0.003	-0.1	5.45	5.41	5.36	5.40
JPYMYR	2.588	2.515	-0.074	-2.8	2.6	2.51	2.50	2.49
MBSB TWRI	98.34	99.07	-0.727	-0.73	98.6	99.65	100.87	102.00

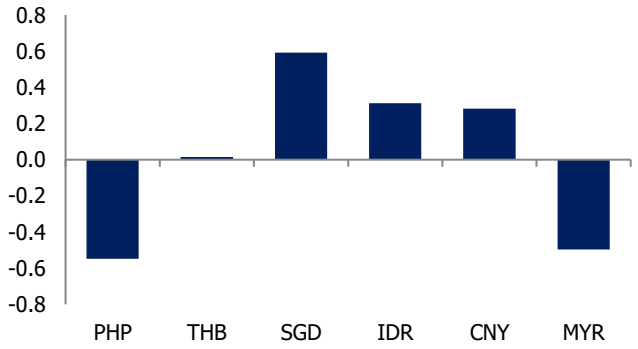
Note: "+" indicates appreciation, while "- "indicates depreciation. Quarterly figures are forecast by MBSBR.
Source: Bloomberg, MBSBR

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 (%)

	Jan-26	Feb-26	Mar-26	Apr-26	May-26	Jun-26	Jul-26	Aug-26	Sep-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	5.25	5.75	5.75	5.75	5.75
Philippines	4.50	4.25	4.25	4.50	4.50	4.75	4.75	5.00	5.00
Thailand	1.25	1.00	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	2.75	3.00	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	1.00	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	2.40	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

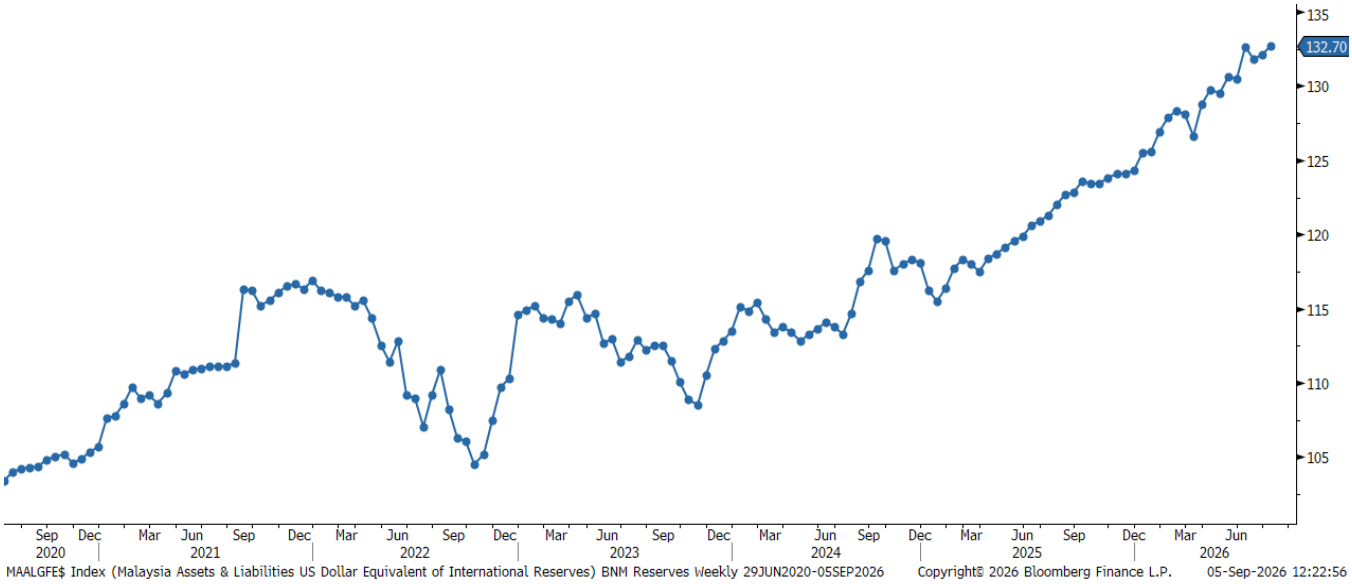
Economic Indicators	Period	Actual	Previous	Consensus
United States				
ADP Employment Change	Aug-26	+38k	+46K	+47K
Initial Jobless Claims	Week Ending 22nd Aug	206K	204K	205K
JOLTS Jobs opening	Jul-26	7.27m	7.18m	7.30m
S&P Global Manufacturing PMI	Aug-26	53.9	53.9	53.2
ISM Manufacturing PMI	Aug-26	54.6	55.6	55.2
ISM Services PMI	Aug-26	55.4	54.1	54.1
Balance of Trade (USD b)	Jul-26	-USD88.6b	-USD71.2b	-USD90b
Non-farm payrolls	Aug-26	+162K	+21K	+56K
Unemployment rate	Aug-26	4.1	4.1	4.1
Monetary Policy Decisions: Benchmark Interest rates				
Bank of Canada	Sep-26	2.25	2.25	Unchanged
Bank Negara Malaysia	Sep-26	2.75	2.75	Unchanged
Reserve Bank of New Zealand	Sep-26	2.75	2.75	Unchanged
Malaysia				
S&P Global Manufacturing PMI	Aug-26	+50.2	50.7	n.a

Source: Macrobond, MBSBR

C. BNM INTERNATIONAL RESERVES

- As of 14 August 2026, compared to previous fortnight, Bank Negara Malaysia's international reserves were higher at USD132.7b (31 July 2026: USD132.1b).

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	28-Aug Fri	31-Aug Mon	1-Sep Tue	2-Sep Wed	3-Sep Thu	4-Sep Fri	Change (WoW bp)
MGS							
3-Y	3.349	3.349	3.388	3.388	3.383	3.412	6.3
5-Y	3.61	3.61	3.632	3.654	3.662	3.686	7.6
7-Y	3.8	3.8	3.849	3.861	3.871	3.904	10.4
10-Y	3.874	3.874	3.935	3.931	3.919	3.985	11.1
20-Y	4.194	4.194	4.228	4.214	4.205	4.272	7.8
RINGGIT IRS							
1-Y	3.575	3.575	3.605	3.6225	3.635	3.64	6.5
3-Y	3.645	3.645	3.68	3.685	3.72	3.72	7.5
5-Y	3.6865	3.6865	3.74	3.7425	3.765	3.77	8.35
7-Y	3.76	3.76	3.8145	3.8	3.845	3.83	7
10-Y	3.8775	3.8775	3.925	3.915	3.955	3.945	6.75
KLIBOR							
1-M	3.01	3.01	3.01	3.01	3.01	3.01	0
3-M	3.47	3.47	3.47	3.47	3.47	3.47	0
UST							
3-Y	4.4002	4.4032	4.4605	4.4349	4.4092	4.4441	4.39
5-Y	4.4789	4.5002	4.5551	4.5339	4.5144	4.5448	6.59
7-Y	4.5896	4.6147	4.6679	4.6479	4.632	4.6534	6.38
10-Y	4.718	4.75	4.7981	4.778	4.768	4.7821	6.41
30-Y	5.2056	5.2423	5.273	5.2571	5.2465	5.2423	3.67

Source: Bloomberg

10 MOST ACTIVELY TRADED GOVERNMENT BONDS

Name	Coupon	Maturity	28-Aug Yield	4-Sep Yield	Change (WoW bp)	Weekly Volume (RM mn)
MALAYSIA INVESTMNT ISSUE	4.07	09/30/26	2.842	2.934	9.2	2,927.4
MALAYSIA GOVERNMENT	3.502	05/31/27	2.997	3.042	4.5	2,746.5
MALAYSIA GOVERNMENT	3.9	11/30/26	2.734	2.805	7.1	2,099.3
MALAYSIA GOVERNMENT	4.232	06/30/31	3.610	3.686	7.6	1,262.4
MALAYSIA GOVERNMENT	3.885	08/15/29	3.412	3.415	0.3	847.0
MALAYSIA GOVERNMENT	3.844	04/15/33	3.800	3.904	10.4	615.8
MALAYSIA INVESTMNT ISSUE	3.599	07/31/28	3.288	3.309	2.1	584.3
MALAYSIA GOVERNMENT	3.476	07/02/35	3.874	3.985	11.1	576.5
MALAYSIA INVESTMNT ISSUE	3.624	03/31/33	3.812	3.902	9.0	521.2
MALAYSIA GOVERNMENT	3.582	07/15/32	3.739	3.839	10.0	487.7
TOTAL VOLUME (TOP 10)						12,668.2
TOTAL VOLUME (Overall)						20,534.5

Source: Bloomberg

10 MOST ACTIVELY TRADED CORPORATE BONDS

Name	Coupon	Maturity	28-Aug Yield	4-Sep Yield	Change (WoW bp)	Weekly Volume (RM mn)
MMC PORT HOLDING SDN BH	4.83	04/08/32	N/A	4.276	N/A	120.0
AMISLAMIC BANK BHD	4.25	03/08/32	N/A	3.726	N/A	90.0
CELCOMDIGI TELECOM SDN	4.05	05/30/30	3.747	3.834	8.7	75.0
PENGURUSAN AIR SPV BHD	3.72	08/22/40	4.105	4.275	17.0	65.0
GENM CAPITAL BHD	4.98	03/31/27	4.069	4.325	25.6	60.0
SARAWAK ENERGY BHD	4.19	07/04/30	3.755	3.853	9.8	60.0
DANAINFRA NASIONAL	3.66	06/30/37	N/A	4.149	N/A	60.0
SABAH CREDIT CORP	3.91	01/25/27	3.691	3.704	1.3	55.0
IJM TREASURY MANAGEMENT	ZERO	12/04/26	N/A	3.733	N/A	50.0
TENAGA NASIONAL BERHAD	5.57	06/28/47	N/A	4.595	N/A	40.0
TOTAL VOLUME (TOP 10)						675.0
TOTAL VOLUME (Overall)						1,718.0

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