FIXED INCOME AND FX WEEKLY

MBSB Strategy 14 September 2026

Week Ended 11 September 2026

- The UST benchmark 10-year yield ended higher last week at 4.97% (prior week: 4.78%) as rising energy prices (with Brent crude back at triple-digit) stoke inflation worries and heightened likelihood of a policy rate hike. The 10y-3y yield spread narrowed (yield curve flattened) to +25bp (prior week: +34bp) as short-end underperformed due to its sensitivity to policy rate action. At week close, the interest rate futures market implied (as per CME FedWatch aggregated probabilities) 2 rate hikes (prior week: 1 hike) this year.

- Medium-term inflation expectation (MTIE) ended the review week higher at 2.41% (prior week: 2.38%). 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 lower MTIE.

- The price of MGS benchmark issues ended the review week lower with the 3-year and 10-year yields added +14.5bp and +19.9bp to close at 3.56% and 4.18% respectively. The 10y-3y yield spread expanded (yield curve steepened) to +63bp (prior week: +57bp) as long-end underperformed.

- MGS foreign holdings increased month-on-month to RM320b in August 2026 from RM304b in July 2026. Moreover, it increased year-on-year from RM294b in August 2025. On Bursa Malaysia, the 12-month rolling sum of foreign net equities trade ended the review week at -RM10.0b. It increased from -RM10.2b registered a week ago. Moreover, it increased year-on-year from -RM25.4b a year ago.

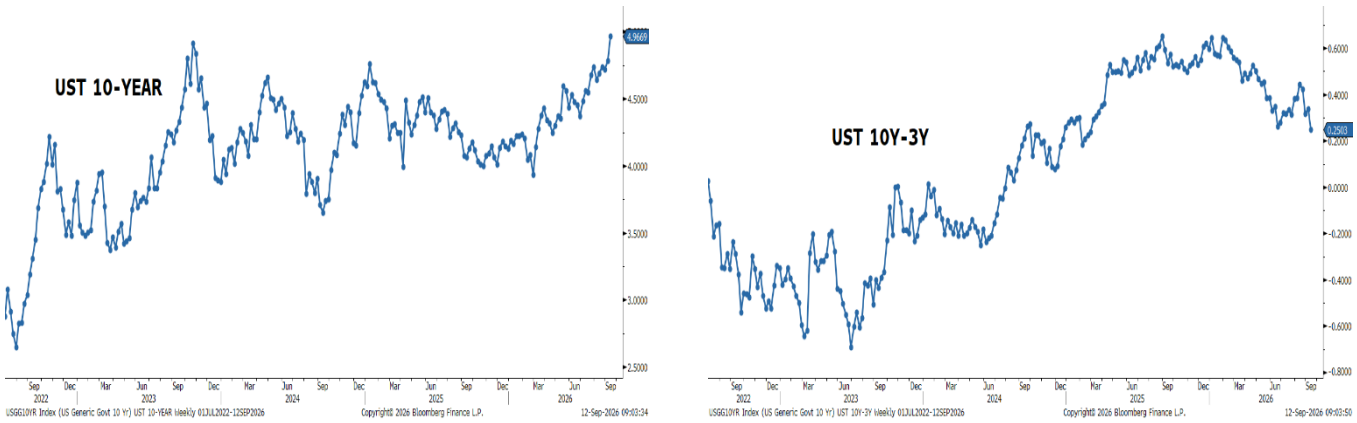
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FIXED INCOME AND FX WEEKLY REVIEW

A. FIXED INCOME

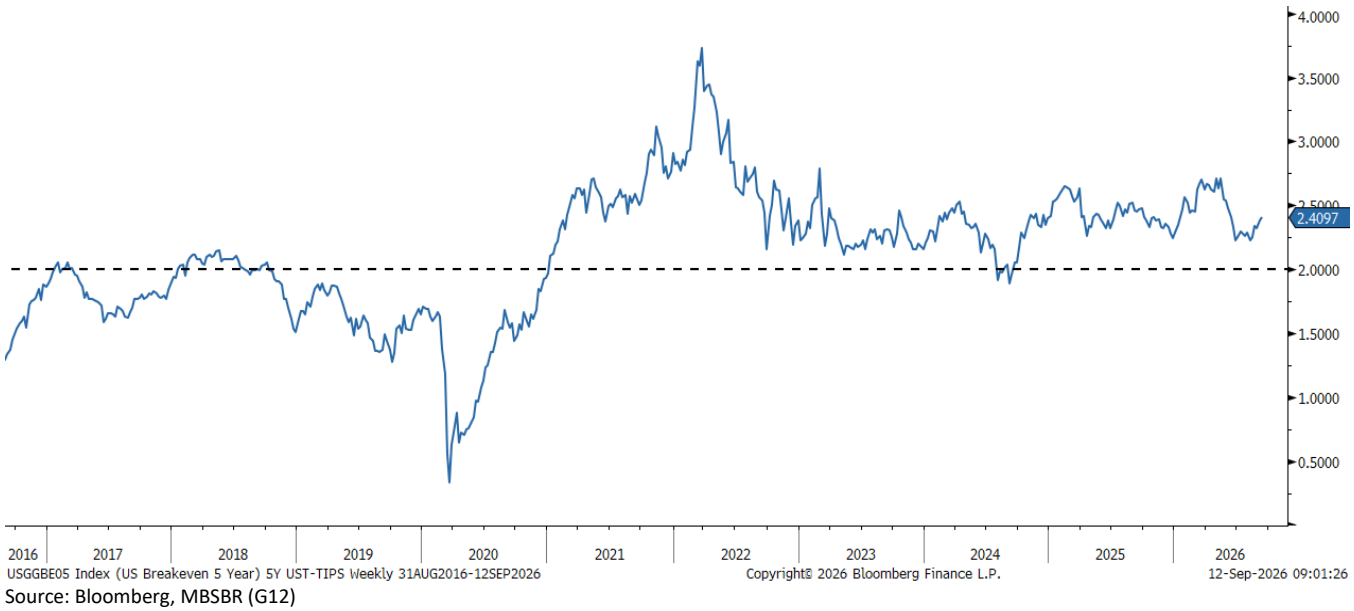
- The UST benchmark 10-year yield ended higher last week at 4.97% (prior week: 4.78%) as rising energy prices (with Brent crude back at triple-digit) stoke inflation worries and heightened likelihood of a policy rate hike. The 10y-3y yield spread narrowed (yield curve flattened) to +25bp (prior week: +34bp) as short-end underperformed due to its sensitivity to policy rate action. At week close, the interest rate futures market implied (as per CME FedWatch aggregated probabilities) 2 rate hikes (prior week: 1 hike) this year.



Source: Bloomberg, MBSBR (G8, G9)

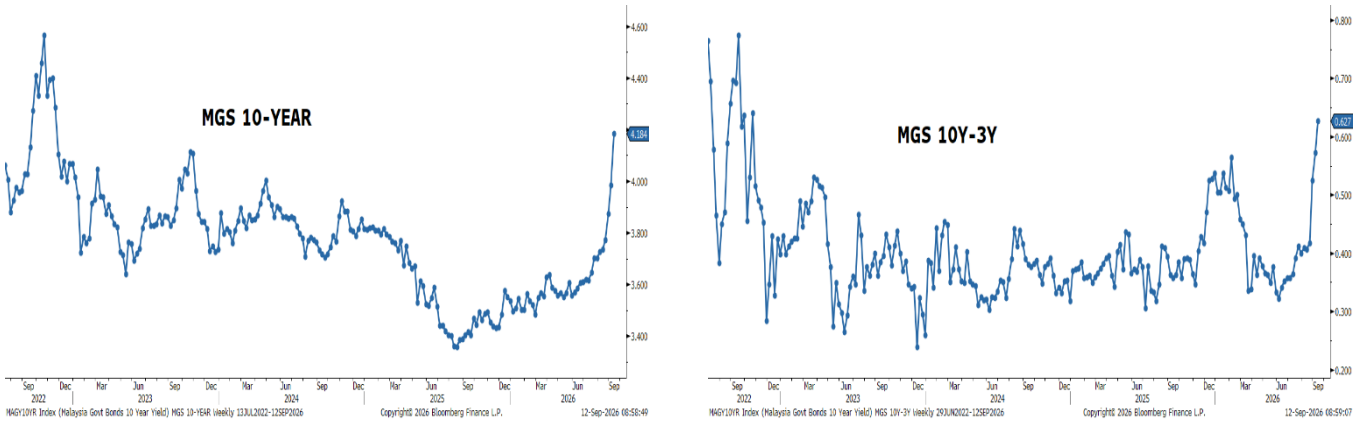
- Medium-term inflation expectation (MTIE) ended the review week higher at 2.41% (prior week: 2.38%). The MTIE has remained above the US Fed target level of 2.00% since September 2024. However, since mid-May this year, the prospect of a Fed rate hike has arguably contributed to lower MTIE.

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 +14.5bp and +19.9bp to close at 3.56% and 4.18% respectively. The 10y-3y yield spread expanded (yield curve steepened) to +63bp (prior week: +57bp) as long-end underperformed.

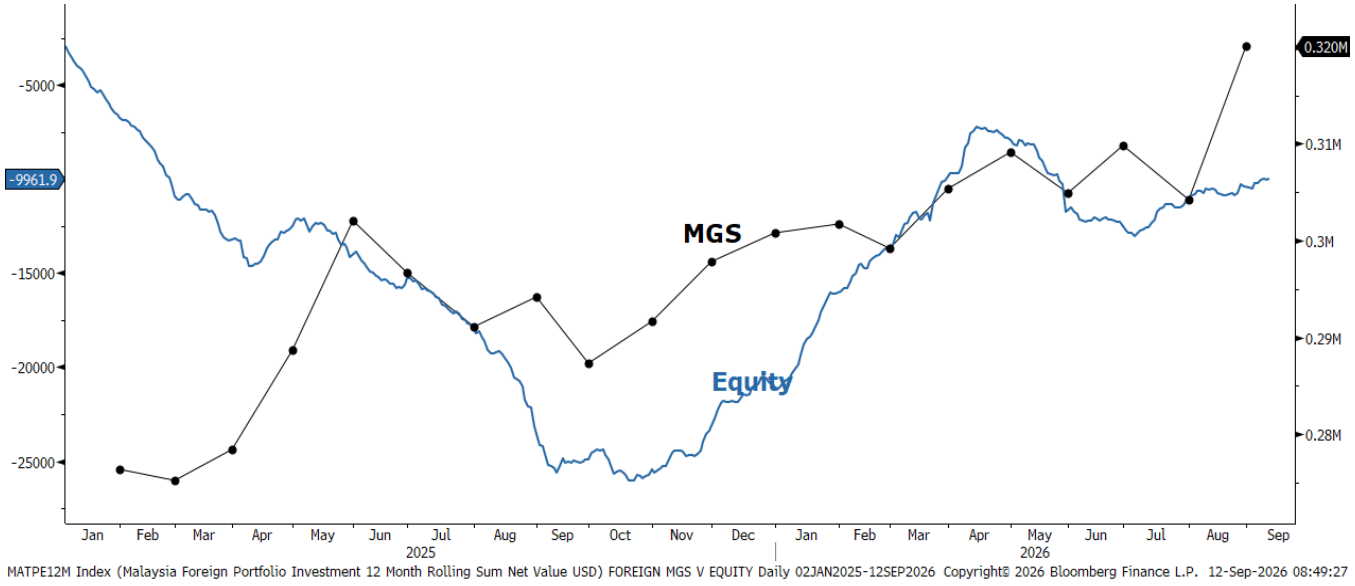


Source: Bloomberg, MBSBR (G10, G11)

- Total trading value for Government Bonds (MGS/MII) increased to RM33.7b in the review week compared to RM20.5b in the prior week (based on Bloomberg data). The total trading value of the 10 most actively traded issues increased (lower trading breadth) to 66% (prior week: 62%) of the overall Government Bonds trade. Moreover, 9 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 RM4.1b, MGS 3.9% 11/30/26 at RM3.7b, and MGS 3.519% 4/20/28 at RM2.8b.

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



Source: Bloomberg, MBSBR (G13)

- MGS foreign holdings increased month-on-month to RM320b in August 2026 from RM304b in July 2026. Moreover, it increased year-on-year from RM294b in August 2025. On Bursa Malaysia, the 12-month rolling sum of foreign net equities trade ended the review week at -RM10.0b. It increased from -RM10.2b registered a week ago. Moreover, it increased year-on-year from -RM25.4b a year ago.

- Total trading value for Corporate Bonds (Conventional & Sukuk) increased to RM3.4b in the review week compared to RM1.7b in the prior week (based on Bloomberg data). The total trading value of the 10 most actively traded issues declined (higher trading breadth) to 27% (prior week: 39%) 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 Yinson Holdings 5.8% 12/7/26 at RM140m, Bank Simpanan Nasional 3.82% 11/5/27 at RM130m at RM175m, and CIMB Group Holdings 4.03% PERP at RM110m.

B. FOREIGN EXCHANGE

- Dollar weakened modestly. The US dollar depreciated against major currencies last week as the DXY dollar index declined by -0.1%wow to 99.12. The greenback initially slipped below the 99.0 level but recovered towards the end of the week as firmer US inflation and the surge in global oil prices reinforced expectations that the Federal Reserve could maintain a hawkish stance. Nevertheless, the recovery remained relatively contained amid persistent geopolitical uncertainty in the Middle East, which continued to drive demand for alternative safe-haven assets and encouraged some portfolio diversification away from the greenback. Looking ahead, the upcoming FOMC decision and developments in the Middle East will likely remain the key drivers of near-term dollar movements. While a more hawkish Fed could provide support, any further erosion in investor confidence or reduced demand for USD-denominated assets could limit the dollar's upside over the medium term.

- EUR weakened but GBP virtually unchanged. On the back of a weaker US dollar, the pound sterling was virtually unchanged, closing at USD1.352 last week as expectations that the BOE will keep rates unchanged at its upcoming meeting were balanced by still-elevated inflation risks from higher energy prices. The BOE Governor Andrew Bailey also pushed back against expectations that further rate hikes are inevitable, reiterating that future policy decisions will remain dependent on incoming economic and geopolitical developments. Meanwhile, the euro weakened by -0.1%wow to USD1.160 despite the ECB raising its interest rates by +25bps last week which was widely anticipated but concerns over the growth impact of further monetary tightening weighed on sentiment.

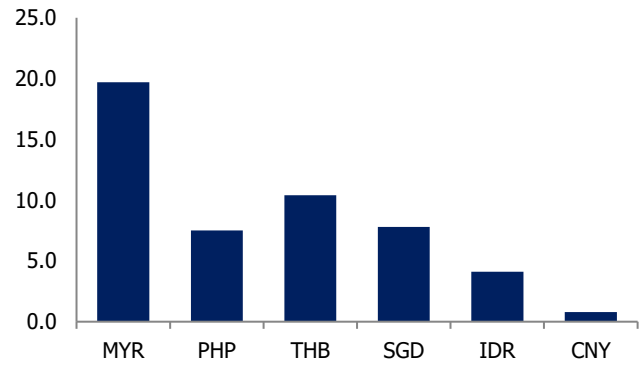
- Ringgit also depreciated. Despite the weaker US dollar, the ringgit depreciated last week by -0.6%wow to RM 4.071, the weakest closing in 4 weeks. The ringgit drifted lower across the trading week, partly driven by less encouraging Jul-26 data releases i.e. steeper moderation in industrial production and slower growth in retail sales. Nevertheless, the labour market remained healthy, keeping the unemployment rate stable at 3.0% in Jul-26. On another note, the surge in crude oil above USD100pb and escalating tensions in the Middle East also weighed down on the ringgit performance last week. On a broader basis, the ringgit weakened against the currencies of Malaysia's trading partners, with our MBSB Trade-Weighted Ringgit Index (TWRI) decreasing by -0.6%wow to 97.74, depreciating mainly against the Japanese yen (-2.2%wow), Korean won (-1.3%wow), and Vietnam dong (1.3%wow). In a separate release, foreign holdings of Malaysian government and corporate bonds picked up, following the fifth week of inflows of +RM1.27b between the 31st August to 7th September (previous week: +RM4.4b), increasing the total foreign holdings to RM321.3b.

Currencies Changes (Week Ended 11-Sep-2026) and Quarterly Forecasts

	Close 11/09	Prev. Close 04/09	Weekly Change	Weekly Change (%)	1QCY26	2QCY26	3QCY26f	4QCY26f
DXY Index	99.12	99.18	-0.054	-0.1	98.5	101.1	102.3	100.5
EURUSD	1.160	1.161	-0.002	-0.1	1.18	1.14	1.12	1.15
GBPUSD	1.352	1.352	+0.001	+0.0	1.34	1.33	1.30	1.34
USDJPY	153.6	156.3	+2.650	+1.7	152.0	162.55	165.0	162.0
USDMYR	4.071	4.045	-0.026	-0.6	4.04	4.09	4.13	4.03
GBPMYR	5.499	5.470	-0.029	-0.5	5.45	5.41	5.36	5.40
JPYMYR	2.650	2.588	-0.062	-2.3	2.6	2.51	2.50	2.49
MBSB TWRI	97.74	98.34	-0.600	-0.61	98.6	99.65	100.87	102.00

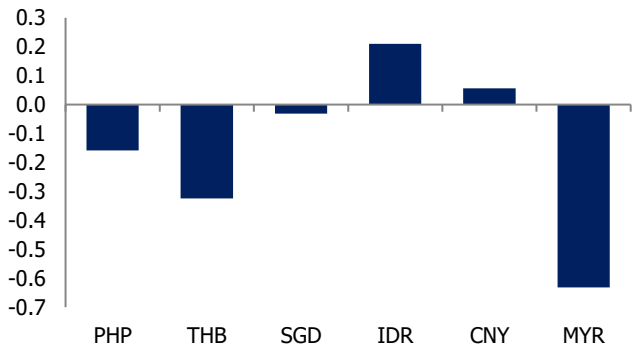
Note: "+" indicates appreciation, while "- "indicates depreciation. Quarterly figures are forecast by MBSBR
Source: Bloomberg, MBSBR

Yield Change in 10Y Government Bonds (bps)



Source: Bloomberg; Macrobond; MBSBR

Weekly Currencies Change vs 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	2.65
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	+38k	+10K	n.a
Initial Jobless Claims	Week Ending 5th Sep	206K	207.5K	205K
Producer Price Index (yoy)	Jul-26	+5.4	+4.8	n.a
Consumer Price Index (yoy)	Jul-26	+3.4	+3.4	3.4
Michigan Consumer Sentiment	Sep-26	47.8	51.7	51.0
Monetary Policy Decisions: Benchmark Interest rates				
European Central Bank	Sep-26	2.65	2.40	Hike (+25bps)
Turkish Central Bank	Sep-26	37.00	37.00	Unchanged
Peru Central Bank	Sep-26	4.25	4.25	Unchanged
Malaysia				
Industrial Production (yoy)	Jul-26	+4.7	+6.5	n.a
Retail Sales (yoy)	Jul-26	+6.4	+6.6	+6.0
Unemployment rate (%)	Jul-26	3.0	3.0	3.0

Source: Macrobond, MBSBR

C. BNM INTERNATIONAL RESERVES

- As of 28 August 2026, compared to previous fortnight, Bank Negara Malaysia's international reserves were lower at USD132.0b (14 August 2026: USD132.7b).

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	4-Sep Fri	7-Sep Mon	8-Sep Tue	9-Sep Wed	10-Sep Thu	11-Sep Fri	Change (WoW bp)
MGS							
3-Y	3.412	3.461	3.492	3.501	3.502	3.557	14.5
5-Y	3.686	3.725	3.772	3.76	3.816	3.852	16.6
7-Y	3.904	3.96	4.009	4.035	4.078	4.145	24.1
10-Y	3.985	4.043	4.096	4.117	4.134	4.184	19.9
20-Y	4.272	4.314	4.369	4.442	4.45	4.525	25.3
RINGGIT IRS							
1-Y	3.64	3.645	3.66	3.6575	3.676	3.705	6.5
3-Y	3.72	3.71	3.725	3.73	3.755	3.785	6.5
5-Y	3.77	3.76	3.7825	3.785	3.815	3.8575	8.75
7-Y	3.83	3.8275	3.845	3.8625	3.885	3.935	10.5
10-Y	3.945	3.94	3.96	3.965	3.99	4.06	11.5
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	4.4441	4.4441	4.4644	4.5242	4.6854	4.7166	27.25
5-Y	4.5448	4.5448	4.5627	4.6163	4.7618	4.7821	23.73
7-Y	4.6534	4.6534	4.6694	4.7229	4.8534	4.8672	21.38
10-Y	4.7821	4.7821	4.7882	4.8406	4.9626	4.9669	18.48
30-Y	5.2423	5.2423	5.2454	5.2889	5.3652	5.3522	10.99

Source: Bloomberg

10 MOST ACTIVELY TRADED GOVERNMENT BONDS

Name	Coupon	Maturity	4-Sep Yield	11-Sep Yield	Change (WoW bp)	Weekly Volume (RM mn)
MALAYSIA INVESTMNT ISSUE	4.07	09/30/26	2.934	2.916	-1.8	4,118.7
MALAYSIA GOVERNMENT	3.9	11/30/26	2.805	2.850	4.5	3,732.5
MALAYSIA GOVERNMENT	3.519	04/20/28	3.315	3.425	11.0	2,833.2
MALAYSIA GOVERNMENT	4.232	06/30/31	3.686	3.852	16.6	2,528.8
MALAYSIA GOVERNMENT	3.502	05/31/27	3.042	3.047	0.5	2,257.5
MALAYSIA INVESTMNT ISSUE	3.447	07/15/36	3.978	4.157	17.9	2,101.7
MALAYSIA INVESTMNT ISSUE	3.804	10/08/31	3.690	3.834	14.4	1,243.2
MALAYSIA GOVERNMENT	3.237	03/15/29	3.412	3.557	14.5	1,222.7
MALAYSIA GOVERNMENT	3.476	07/02/35	3.985	4.184	19.9	1,144.9
MALAYSIA GOVERNMENT	3.844	04/15/33	3.904	4.145	24.1	903.2
TOTAL VOLUME (TOP 10)						22,086.4
TOTAL VOLUME (Overall)						33,673.2

Source: Bloomberg

10 MOST ACTIVELY TRADED CORPORATE BONDS

Name	Coupon	Maturity	4-Sep Yield	11-Sep Yield	Change (WoW bp)	Weekly Volume (RM mn)
YINSON HOLDINGS BERHAD	5.8	12/07/26	N/A	4.090	N/A	140.0
BANK SIMPANAN NASIONAL	3.82	11/05/27	N/A	3.670	N/A	130.0
CIMB GROUP HOLDINGS BHD	4.03	PERP	4.320	4.497	17.7	110.0
SP SETIA BERHAD	4.67	04/20/29	N/A	4.221	N/A	105.0
TANJUNG BIN ENERGY SDN	5.9	03/16/29	N/A	4.036	N/A	80.0
SP SETIA BERHAD	4.41	06/23/28	N/A	3.987	N/A	80.0
YTL POWER INTERNATIONAL	5.05	05/03/27	3.525	3.786	26.1	70.0
BAKUN HYDRO POWER SDN	4.6	08/18/28	N/A	3.473	N/A	60.0
PROJEK LEBUHRAYA USAHASA	4.8	01/12/27	3.486	3.616	13.0	60.0
MALAYAN BANKING BHD	4.03	01/31/34	4.061	3.851	-21.0	60.0
TOTAL VOLUME (TOP 10)						895.0
TOTAL VOLUME (Overall)						3,357.7

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