FIXED INCOME AND FX WEEKLY

# MBSB Strategy 21 September 2026

## Week Ended 18 September 2026

- The UST benchmark 10-year yield ended higher last week at 5.00% (prior week: 4.97%) due to the prospect of more interest rate hikes after the widely anticipated rate hike last week. The 10y-3y yield spread narrowed (yield curve flattened) to +16bp (prior week: +25bp) 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) 1 additional rate hike this year and a further 2 hikes next year.

- Medium-term inflation expectation (MTIE) ended the review week lower at 2.34% (prior week: 2.41%). The MTIE has remained above the US Fed's target level of 2.00% since September 2024. However, since mid-May this year, expectations of Fed rate hikes have arguably contributed to a declining MTIE.

- The price of MGS benchmark issues ended the review week higher with the 3-year and 10-year yields fell -12.9bp and -26.7bp to close at 3.43% and 3.92% respectively. The 10y-3y yield spread narrowed (yield curve flattened) to +49bp (prior week: +63bp) as long-end outperformed.

- MGS foreign holdings increased month-on-month to RM320b (all-time high) 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 -RM10.1b. It declined from -RM10.0b registered a week ago. However, it increased year-on-year from -RM24.9b a year ago.

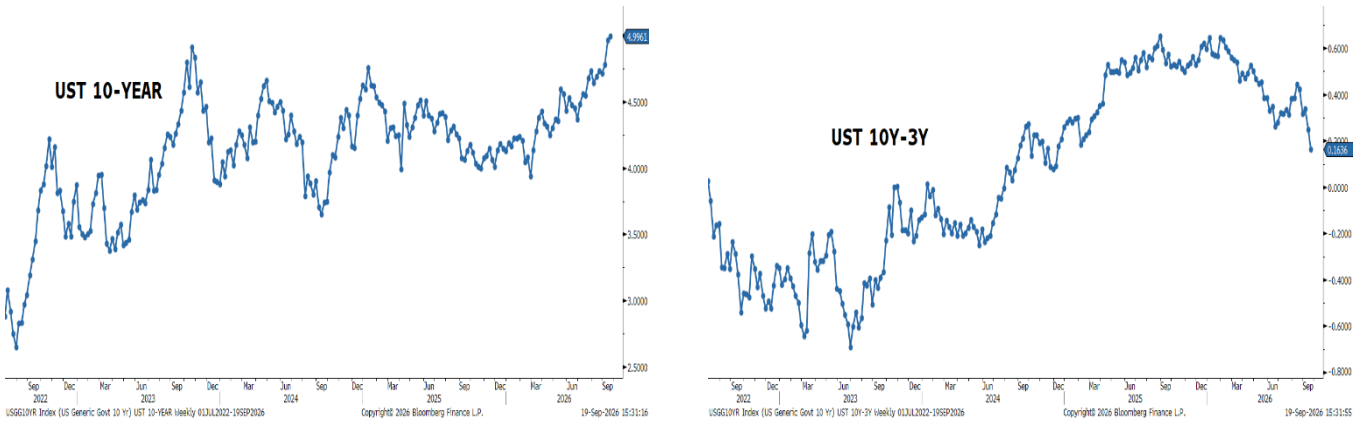
**MBSB RESEARCH is a unit of MBSB INVESTMENT BANK**
**Kindly refer to the last page of this publication for important disclosures**

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

# FIXED INCOME AND FX WEEKLY REVIEW

## A. FIXED INCOME

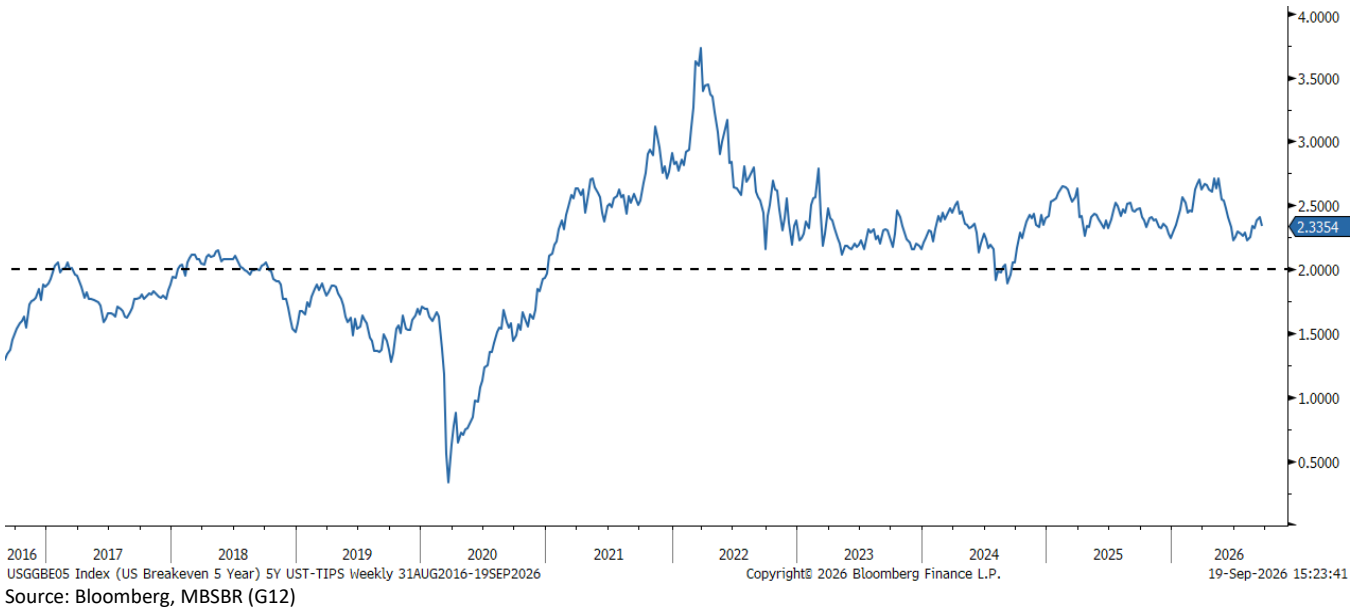
- The UST benchmark 10-year yield ended higher last week at 5.00% (prior week: 4.97%) due to the prospect of more interest rate hikes after the widely anticipated rate hike last week. The 10y-3y yield spread narrowed (yield curve flattened) to +16bp (prior week: +25bp) as short-end underperformed due to its sensitivity to policy rate action. At week close, the interest rate futures market implied (as per CME FedWatch aggregated probabilities) 1 additional rate hike this year and a further 2 hikes next year.




Source: Bloomberg, MBSBR (G8, G9)

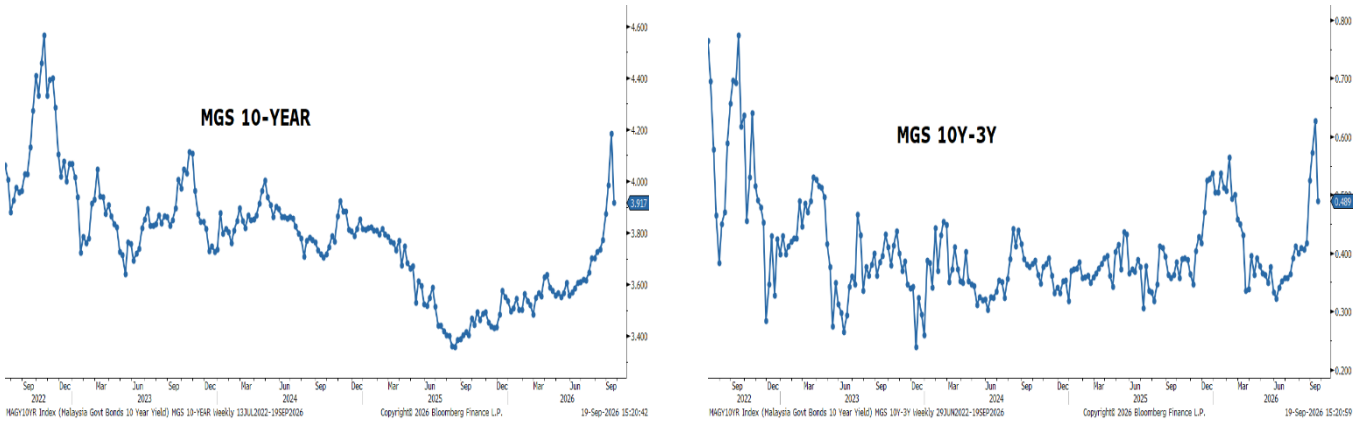
- Medium-term inflation expectation (MTIE) ended the review week lower at 2.34% (prior week: 2.41%). The MTIE has remained above the US Fed's target level of 2.00% since September 2024. However, since mid-May this year, expectations of Fed rate hikes have arguably contributed to a declining MTIE.

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




Source: Bloomberg, MBSBR (G12)

- The price of MGS benchmark issues ended the review week higher with the 3-year and 10-year yields fell -12.9bp and -26.7bp to close at 3.43% and 3.92% respectively. The 10y-3y yield spread narrowed (yield curve flattened) to +49bp (prior week: +63bp) as long-end outperformed.

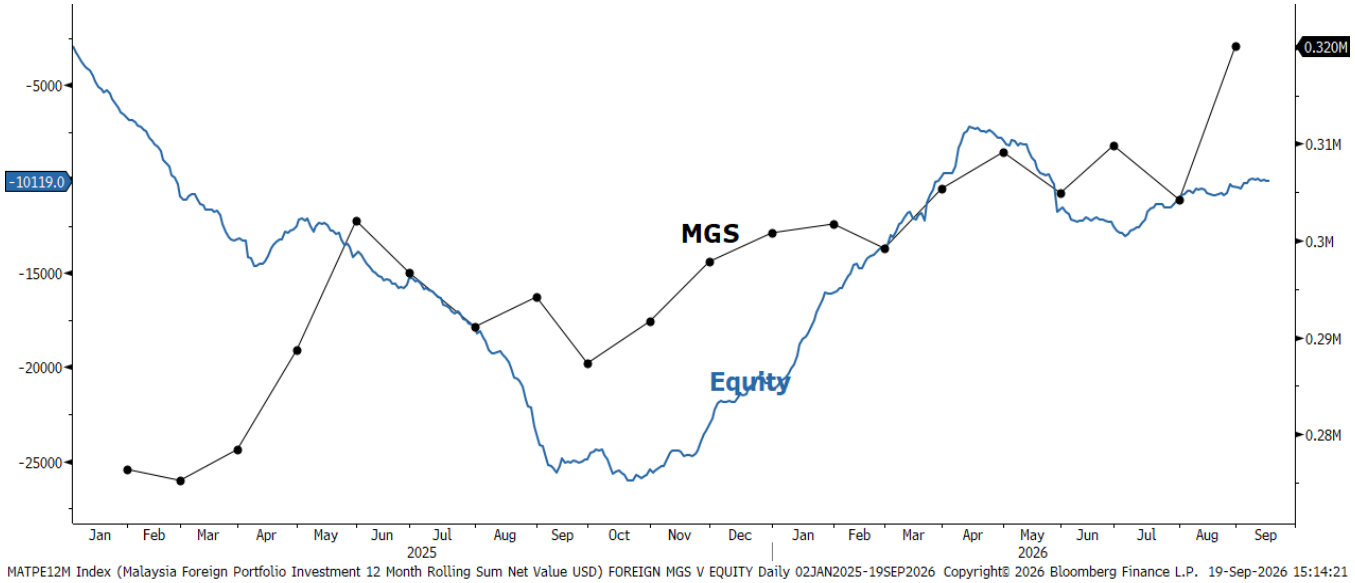



Source: Bloomberg, MBSBR (G10, G11)

- Total trading value for Government Bonds (MGS/MII) declined to RM31.1b in the review week compared to RM33.7b in the prior week (based on Bloomberg data). The total trading value of the 10 most actively traded issues increased (lower trading breadth) to 74% (prior week: 66%) of the overall Government Bonds trade. Moreover, 8 out of the 10 most actively traded bonds saw lower yields, hence higher prices during the review week.

- The top 3 actively traded Government Bonds were dominated by issues of varied residual tenor. The top 3 most actively traded were MII 4.662% 3/31/38 at RM8.3b, MGS 3.476% 7/2/35 at RM3.0b, and MGS 3.9% 11/30/26 at RM2.3b.

**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 02JAN2025-19SEP2026 Copyright© 2026 Bloomberg Finance L.P. 19-Sep-2026 15:14:21
Source: Bloomberg, MBSBR (G13)

- MGS foreign holdings increased month-on-month to RM320b (all-time high) 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 -RM10.1b. It declined from -RM10.0b registered a week ago. However, it increased year-on-year from -RM24.9b a year ago.

- Total trading value for Corporate Bonds (Conventional & Sukuk) declined to RM2.7b in the review week compared to RM3.4b in the prior week (based on Bloomberg data). The total trading value of the 10 most actively traded issues increased (lower trading breadth) to 33% (prior week: 27%) of the overall Corporate Bonds trade.

- The top 3 actively traded Corporate Bonds were dominated by issues of short residual tenor. The top 3 most actively traded were RHB Bank 4.38% 11/17/28 at RM210m, Amanat Lebuhraya Rakyat 4.66% 10/13/26 at RM150m, and Sarawak Energy 4.03% 1/19/27 at RM90m.

## B. FOREIGN EXCHANGE

- The US dollar index strengthened. The US dollar appreciated against major currencies last week as the DXY dollar index increased by +1.1%wow to 100.22, breaking above the 100-level threshold during mid-week after the FOMC meeting. The Federal Reserve raised the FFR by +25bps higher to 3.75% to 4.00% range. Market players reacted to the hawkish tilt by the FOMC, with the FOMC's latest projections pointed to a firmer economic projection, while the elevated inflation trajectory remained a concern. In addition, the updated projections showed the possibility of at least one more +25bps rate hike this year, a slight surprise to investors. Apart from the rate hike, domestic US data releases last week continued to show robust economic activity as retail sales and industrial production continued to grow. On another note, 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 and GBP weakened. On the back of a stronger US dollar, the GBP weakened by -1.0%wow to USD1.149 last week as the BOE left rates unchanged but showed signs of a hawkish bias. Meanwhile, the EUR also weakened by -1.0%wow to USD1.149, despite the ECB hiking its deposits rate in the previous week.

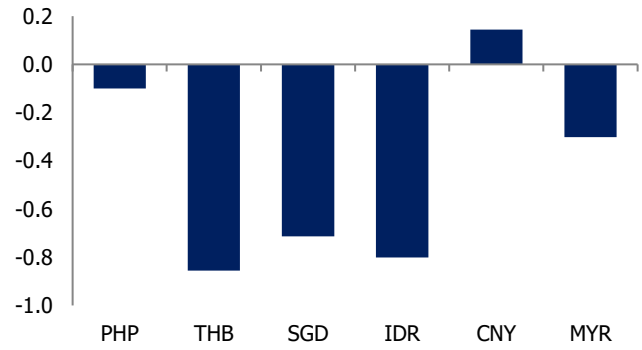
- The ringgit weakened last week. On the back of a stronger US dollar, the ringgit weakened by -0.3%wow to RM4.083 against the dollar. Ringgit weakened nearly RM4.10 following the dollar strength after the Fed's rate hike and hawkish signal, although the local currency reversed some of the depreciation on Friday after economic update showing Malaysia's inflation inched higher to +1.9%yoy in Jul-26 and external trade performed stronger than expected in Aug-26. On a broader basis, the ringgit appreciated against the currencies of Malaysia's trading partners as our MBSB Trade-Weighted Ringgit Index (TWRI) increased by +0.4%wow to 98.09, appreciating mainly against the Korean won (+3.1%wow), Japanese yen (+2.2%wow), and the euro (+0.9%wow). In a separate release, foreign holdings of Malaysian government and corporate bonds moved lower, reversing the five weeks of outflows, recording an outflow of -RM0.77b between 7th to 14th September (previous week: +RM1.27b), as a result foreign holdings of local bonds eased to RM320.5b.

**Currencies Changes (Week Ended 18-Sep-2026) and Quarterly Forecasts**

| | Close 18/09 | Prev. Close 11/09 | Weekly Change | Weekly Change (%) | 1QCY26 | 2QCY26 | 3QCY26f | 4QCY26f |
|---|---|---|---|---|---|---|---|---|
| DXY Index | 100.22 | 99.12 | +1.100 | +1.1 | 98.5 | 101.1 | 102.3 | 100.5 |
| EURUSD | 1.149 | 1.160 | -0.011 | -1.0 | 1.18 | 1.14 | 1.12 | 1.15 |
| GBPUSD | 1.340 | 1.352 | -0.013 | -1.0 | 1.34 | 1.33 | 1.30 | 1.34 |
| USDJPY | 156.9 | 153.6 | -3.270 | -2.1 | 152.0 | 162.55 | 165.0 | 162.0 |
| USDMYR | 4.083 | 4.071 | -0.012 | -0.3 | 4.04 | 4.09 | 4.13 | 4.03 |
| GBPMYR | 5.459 | 5.499 | +0.040 | +0.7 | 5.45 | 5.41 | 5.36 | 5.40 |
| JPYMYR | 2.602 | 2.650 | +0.049 | +1.9 | 2.6 | 2.51 | 2.50 | 2.49 |
| MBSB TWRI | 98.09 | 97.74 | +0.353 | +0.36 | 98.6 | 99.65 | 100.87 | 102.00 |

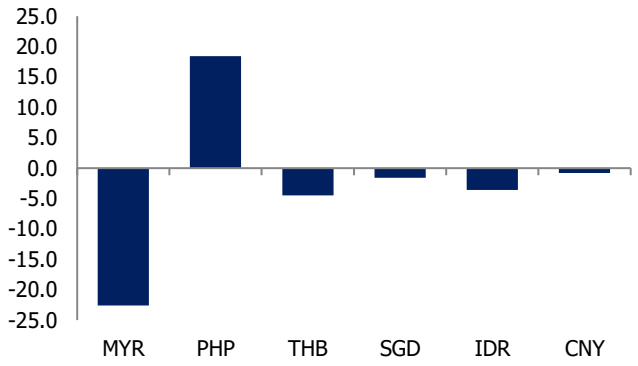
Note: "+" indicates appreciation, while "- "indicates depreciation. Quarterly figures are forecast by MBSBR..
Source: Bloomberg, MBSBR

**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 | 1.25 |
| 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 | 3.75-4.00 |

Source: Bloomberg, MBSBR

**Key Economic Data Releases Last Week**

| Economic Indicators | Period | Actual | Previous | Consensus |
|---|---|---|---|---|
| **United States** | | | | |
| ADP Employment Change | Aug | +16.25k | +12.25K | n.a |
| Initial Jobless Claims | Week Ending 12th Sep | 196K | 206K | 205K |
| Retail sales (yoy) | Aug-26 | 6.0 | 5.0 | n.a |
| Industrial production (yoy) | Aug-26 | 1.4 | 1.1 | n.a |
| Manufacturing production (yoy) | Aug-26 | 0.9 | 1.2 | n.a |
| **Monetary Policy Decisions: Benchmark Interest rates** | | | | |
| Federal Reserve | Sep-26 | 3.75 | 3.50 | Hike (+25bps) |
| Bank of England | Sep-26 | 3.75 | 3.75 | Unchanged |
| Bank of Japan | Sep-26 | 1.25 | 1.00 | Hike (+25bps) |
| Bank of Taiwan | Sept-26 | 2.0 | 2.0 | Unchanged |
| Uzbekistan Central Bank | Sep-26 | 4.00 | 3.75 | Hike (+25bps) |
| Bahrain Central Bank | Sep-26 | 4.75 | 4.00 | Hike (+25bps) |
| Central Bank of Oman | Sep-26 | 4.50 | 4.25 | Hike (+25bps) |
| Saudi Central Bank | Sep-26 | 4.50 | 4.25 | Hike (+25bps) |
| Central Bank of UAE | Sep-26 | 3.65 | 3.90 | Hike (+25bps) |
| Central Bank of Kuwait | Sep-26 | 3.50 | 3.50 | Unchanged |
| Hong Kong Monetary Authority | Sep-26 | 4.25 | 4.00 | Hike (+25bps) |
| **Malaysia** | | | | |

| | | | | |
|---|---|---|---|---|
| Inflation Rate (yoy) | Aug-26 | 1.9 | 1.8 | 1.8 |
| Exports (yoy) | Aug-26 | 45.5 | 38.0 | 38.0 |
| Imports (yoy) | Aug-26 | 41.1 | 36.3 | 32.4 |

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 | 11-Sep Fri | 14-Sep Mon | 15-Sep Tue | 16-Sep Wed | 17-Sep Thu | 18-Sep Fri | Change (WoW bp) |
|---|---|---|---|---|---|---|---|
| MGS | | | | | | | |
| 3-Y | 3.557 | 3.586 | 3.575 | 3.575 | 3.542 | 3.428 | -12.9 |
| 5-Y | 3.852 | 3.852 | 3.919 | 3.919 | 3.907 | 3.769 | -8.3 |
| 7-Y | 4.145 | 4.141 | 4.168 | 4.168 | 3.999 | 3.905 | -24 |
| 10-Y | 4.184 | 4.139 | 4.168 | 4.168 | 4.126 | 3.917 | -26.7 |
| 20-Y | 4.525 | 4.501 | 4.504 | 4.504 | 4.369 | 4.252 | -27.3 |
| RINGGIT IRS | | | | | | | |
| 1-Y | 3.705 | 3.72 | 3.73 | 3.73 | 3.71 | 3.7 | -0.5 |
| 3-Y | 3.785 | 3.82 | 3.87 | 3.87 | 3.765 | 3.76 | -2.5 |
| 5-Y | 3.8575 | 3.885 | 3.965 | 3.965 | 3.85 | 3.81 | -4.75 |
| 7-Y | 3.935 | 3.965 | 4.0375 | 4.0375 | 3.925 | 3.8935 | -4.15 |
| 10-Y | 4.06 | 4.075 | 4.13 | 4.17 | 4.04 | 4 | -6 |
| 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 | 3.48 | 1 |
| UST | | | | | | | |
| 3-Y | 4.7166 | 4.7564 | 4.7652 | 4.8254 | 4.7373 | 4.8325 | 11.59 |
| 5-Y | 4.7821 | 4.8221 | 4.8277 | 4.8806 | 4.7792 | 4.856 | 7.39 |
| 7-Y | 4.8672 | 4.9012 | 4.9108 | 4.9491 | 4.8541 | 4.9237 | 5.65 |
| 10-Y | 4.9669 | 4.9875 | 5.0019 | 5.0225 | 4.9304 | 4.9961 | 2.92 |
| 30-Y | 5.3522 | 5.3446 | 5.3662 | 5.3608 | 5.2835 | 5.3252 | -2.7 |

Source: Bloomberg

## 10 MOST ACTIVELY TRADED GOVERNMENT BONDS

| Name | Coupon | Maturity | 11-Sep Yield | 18-Sep Yield | Change (WoW bp) | Weekly Volume (RM mn) |
|---|---|---|---|---|---|---|
| MALAYSIA INVESTMNT ISSUE | 4.662 | 03/31/38 | 4.274 | 4.123 | -15.1 | 8,292.8 |
| MALAYSIA GOVERNMENT | 3.476 | 07/02/35 | 4.184 | 3.917 | -26.7 | 3,022.7 |
| MALAYSIA GOVERNMENT | 3.9 | 11/30/26 | 2.850 | 2.947 | 9.7 | 2,288.7 |
| MALAYSIA INVESTMNT ISSUE | 4.07 | 09/30/26 | 2.916 | 3.543 | 62.7 | 2,244.2 |
| MALAYSIA INVESTMNT ISSUE | 3.447 | 07/15/36 | 4.157 | 3.961 | -19.6 | 1,652.7 |
| MALAYSIA GOVERNMENT | 3.844 | 04/15/33 | 4.145 | 3.905 | -24.0 | 1,316.2 |
| MALAYSIA GOVERNMENT | 3.519 | 04/20/28 | 3.425 | 3.400 | -2.5 | 1,258.2 |
| MALAYSIA GOVERNMENT | 3.502 | 05/31/27 | 3.047 | 3.015 | -3.2 | 1,062.8 |
| MALAYSIA GOVERNMENT | 4.232 | 06/30/31 | 3.852 | 3.769 | -8.3 | 942.3 |
| MALAYSIA GOVERNMENT | 3.828 | 07/05/34 | 4.152 | 3.933 | -21.9 | 865.1 |
| TOTAL VOLUME (TOP 10) | | | | | | 22,945.8 |
| TOTAL VOLUME (Overall) | | | | | | 31,118.9 |

Source: Bloomberg

## 10 MOST ACTIVELY TRADED CORPORATE BONDS

| Name | Coupon | Maturity | 11-Sep Yield | 18-Sep Yield | Change (WoW bp) | Weekly Volume (RM mn) |
|---|---|---|---|---|---|---|
| RHB BANK | 4.38 | 11/17/28 | 3.931 | 4.196 | 26.5 | 210.0 |
| AMANAT LEBUHRAYA RAKYAT | 4.66 | 10/13/26 | N/A | 3.719 | N/A | 150.0 |
| SARAWAK ENERGY BHD | 4.85 | 01/19/27 | 3.464 | 3.746 | 28.2 | 90.0 |
| UEM SUNRISE BHD | 5.45 | 06/18/27 | N/A | 3.899 | N/A | 90.0 |
| SP SETIA BERHAD | 4.56 | 06/21/30 | 4.297 | 4.426 | 12.9 | 71.0 |
| BANK PEMBANGUNAN MALAY | 4.5 | 11/04/26 | 3.490 | 3.669 | 17.9 | 70.0 |
| SP SETIA BERHAD | 4.67 | 04/20/29 | 4.221 | 4.403 | 18.2 | 60.0 |
| IMTIAZ SUKUK II BHD | 4.05 | 10/02/26 | N/A | 3.843 | N/A | 60.0 |
| SUNWAY TREASURY SUKUK SD | 3.63 | 07/24/28 | N/A | 4.056 | N/A | 60.0 |
| YINSON HOLDINGS BERHAD | 5.8 | 12/07/26 | 4.090 | N/A | N/A | 50.0 |
| TOTAL VOLUME (TOP 10) | | | | | | 911.0 |
| TOTAL VOLUME (Overall) | | | | | | 2,720.1 |

Source: Bloomberg

MBSB RESEARCH is part of MBSB Investment Bank Berhad
(197501002077 (23878-X)). (Bank Pelaburan)
(A Participating Organisation of Bursa Malaysia Securities Berhad)

## DISCLOSURES AND DISCLAIMER

This report is prepared by MBSB Investment Bank Berhad (Company Registration No.: 197501002077 (23878-X)) and is for distribution only to the intended readers and under such circumstances as may be permitted by applicable law. Readers should be fully aware that this report is provided solely for informational purposes and does not constitute a Shariah advice nor constitute an investment recommendation or basis for any credit or other evaluation in any manner whatsoever.

The opinions and analyses contained in this report are based on information obtained or derived from sources that MBSB Investment Bank Berhad believes to be reliable. Any forward-looking statements in this report speak only as of the date of such statements. However, MBSB Investment Bank Berhad makes no representation or warranty, expressed or implied, as to the accuracy, completeness, or reliability of such information, and it should not be relied upon as such.

While the information presented in this report may include references to Shariah -compliant and non-compliant securities or other financial instruments, this report is not, and should not be construed as, an offer to buy or sell any securities or other financial instruments or to promote or endorse any specific investment. Investors are strongly advised to conduct their own due diligence and to consult licensed Shariah or financial advisors before making any investment decisions. Any action taken based on this report is at the sole discretion and risk of the investor.

The analyses in this report are based on numerous assumptions, and different assumptions could yield different results. All opinions and estimates in this report are subject to change without notice.

The research analysts will initiate, update, and cease coverage solely at the discretion of MBSB Investment Bank Berhad. The directors, employees, and representatives of MBSB Investment Bank Berhad and MBSB Berhad may have interests in any of the securities mentioned and may benefit from the information contained herein. Members of MBSB Berhad and their affiliates may provide services to any company or its affiliates whose securities are mentioned in this report. This report shall not be reproduced, distributed, or published in any form or for any purpose without the prior written consent of MBSB Investment Bank Berhad.

| **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 |