FIXED INCOME AND FX WEEKLY

MBSB Strategy 28 September 2026

Week Ended 25 September 2026

- The UST benchmark 10-year yield ended higher last week at 5.16% (prior week: 5.00%) attributable to a combination of factors, namely (1) elevated energy prices, (2) strong PMI data, (3) hawkish Fed remarks, and (4) lackluster UST 5-year auction. The 10y-3y yield spread expanded (yield curve steepened) to +23bp (prior week: +16bp) as long-end underperformed. At week close, the interest rate futures market implied (as per CME FedWatch aggregated probabilities) 1 additional rate hike this year and a further 3 hikes next year.

- Medium-term inflation expectation (MTIE) ended the review week higher at 2.36% (prior week: 2.34%). 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 lower with the 3-year and 10-year yields added +2.2bp and +2.1bp to close at 3.45% and 3.94% respectively. The 10y-3y yield spread was unchanged at +49bp (prior week: +49bp).

- 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 -RM10.4b. It declined from -RM10.1b registered a week ago. However, it increased year-on-year from -RM25.0b a year ago.

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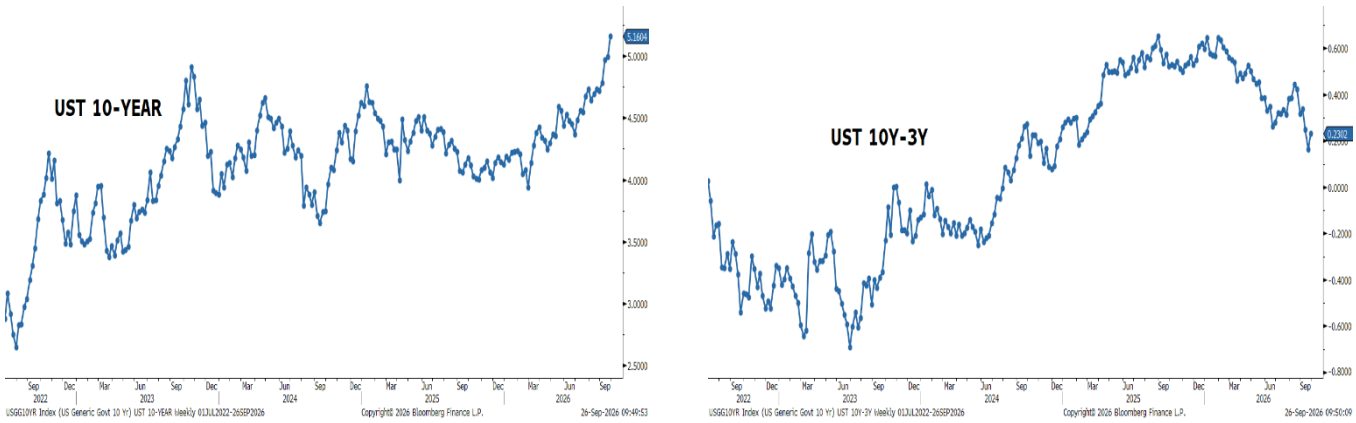
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FIXED INCOME AND FX WEEKLY REVIEW

A. FIXED INCOME

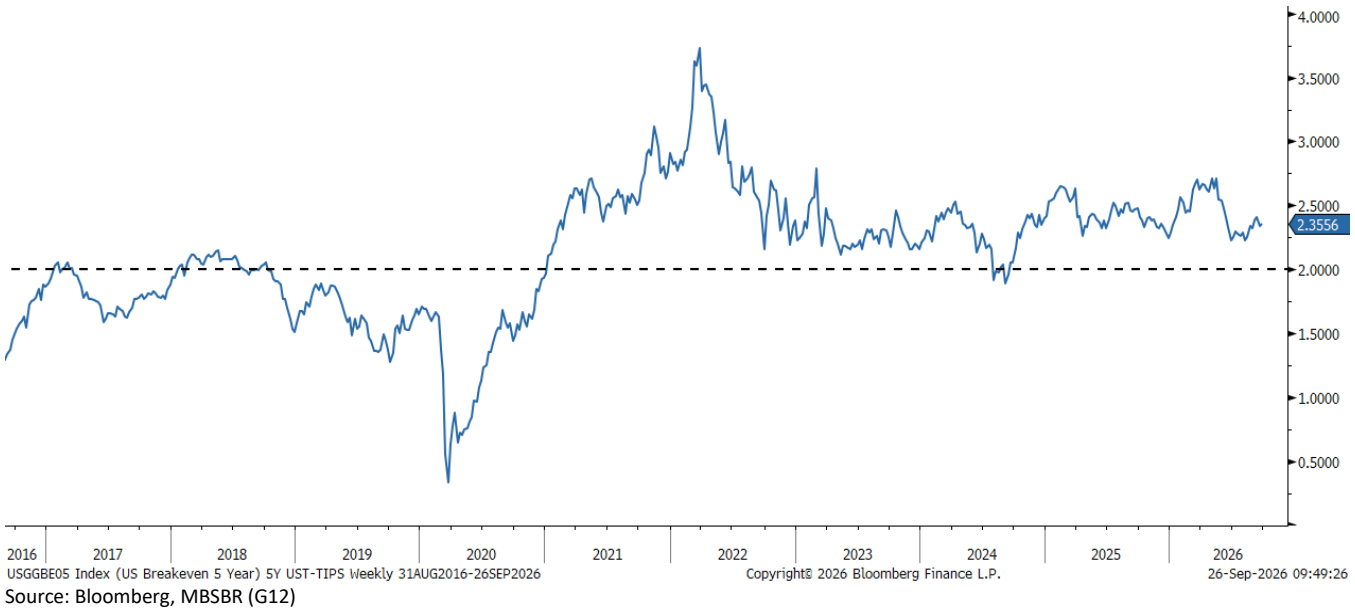
- The UST benchmark 10-year yield ended higher last week at 5.16% (prior week: 5.00%) attributable to a combination of factors, namely (1) elevated energy prices, (2) strong PMI data, (3) hawkish Fed remarks, and (4) lackluster UST 5-year auction. The 10y-3y yield spread expanded (yield curve steepened) to +23bp (prior week: +16bp) as long-end underperformed. At week close, the interest rate futures market implied (as per CME FedWatch aggregated probabilities) 1 additional rate hike this year and a further 3 hikes next year.



Source: Bloomberg, MBSBR (G8, G9)

- Medium-term inflation expectation (MTIE) ended the review week higher at 2.36% (prior week: 2.34%). 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.

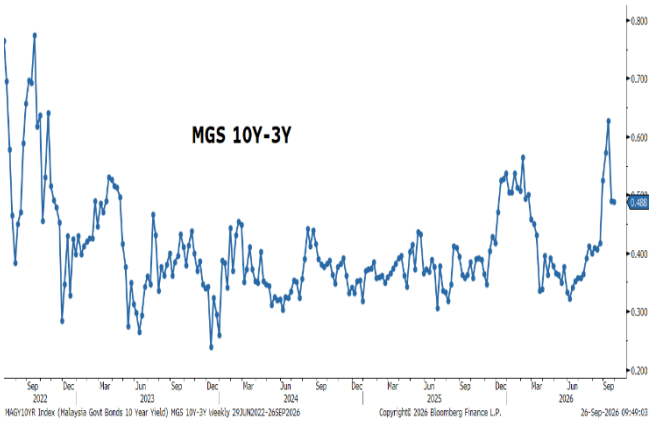
5Y UST-TIPS SPREAD: MEDIUM-TERM INFLATION EXPECTATION (MTIE)



Source: Bloomberg, MBSBR (G12)

- The price of MGS benchmark issues ended the review week lower with the 3-year and 10-year yields added +2.2bp and +2.1bp to close at 3.45% and 3.94% respectively. The 10y-3y yield spread was unchanged at +49bp (prior week: +49bp).



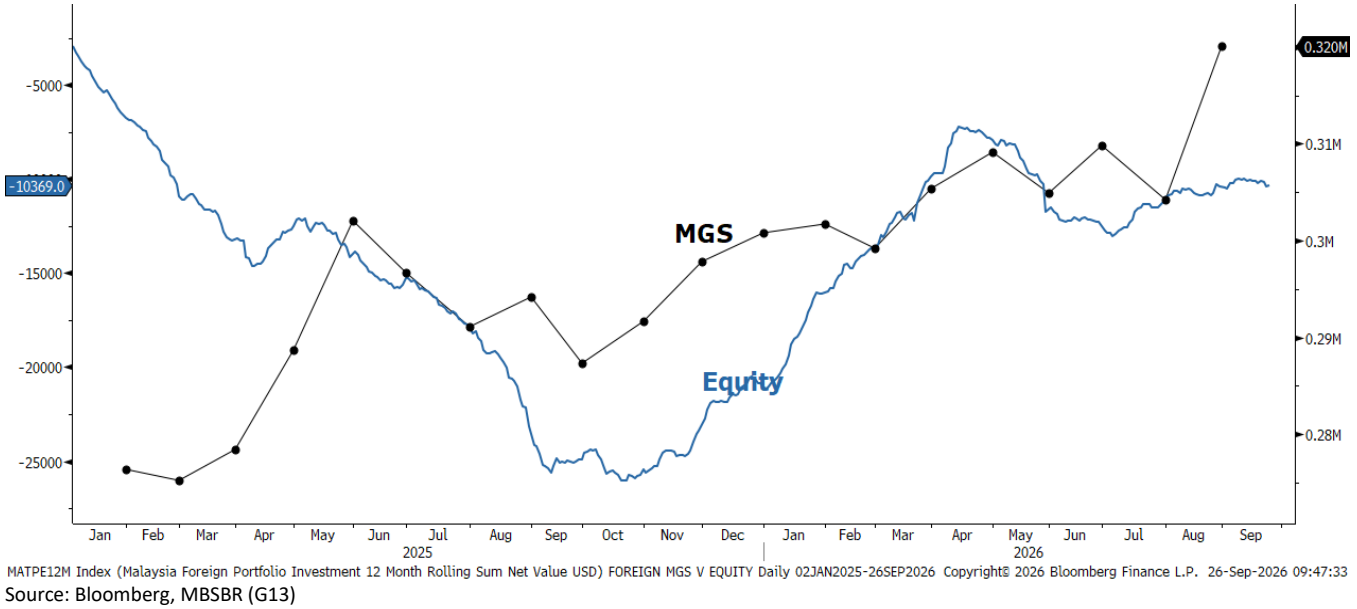


Source: Bloomberg, MBSBR (G10, G11)

- Total trading value for Government Bonds (MGS/MII) declined to RM29.9b in the review week compared to RM31.1b in the prior week (based on Bloomberg data). The total trading value of the 10 most actively traded issues was unchanged at 74% (prior week: 74%) 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 and mid residual tenor. The top 3 most actively traded were MGS 3.9% 11/30/26 at RM4.7b, MGS 3.844% 4/15/33 at RM3.9b, and MII 3.227% 10/15/29 at RM2.8b.

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 02JAN2025-26SEP2026 Copyright© 2026 Bloomberg Finance L.P. 26-Sep-2026 09:47:33
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 -RM10.4b. It declined from -RM10.1b registered a week ago. However, it increased year-on-year from -RM25.0b a year ago.

- Total trading value for Corporate Bonds (Conventional & Sukuk) increased to RM3.3b 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 declined (higher trading breadth) to 25% (prior week: 33%) 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 Cagamas 4.62% 11/4/27 at RM200m, CIMB Group 4.08% 9/26/36 at RM135m, and PTPTN 4.95% 3/13/37 at RM70m.

B. FOREIGN EXCHANGE

- The US dollar index strengthened. The US dollar appreciated against major currencies last week, with the DXY dollar index rising by +0.7%wow to 100.97 and remaining above the 100 level throughout the week. The greenback was supported by increasingly hawkish expectations for the FFR trajectory, as markets continued to price in the possibility of another rate hike at the upcoming Oct-26 FOMC meeting following the Fed's September rate increase and relatively hawkish policy signals. Resilient US economic activity and persistent geopolitical uncertainty in the Middle East provided additional support to the dollar, while elevated crude oil prices reinforced concerns over inflationary pressures. Towards the end of the week, however, market sentiment improved modestly as oil prices pulled back following reports that the US and Iran were exploring a phased framework to reopen the Strait of Hormuz, temporarily easing concerns over global energy supply and inflation. 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. Against a stronger US dollar, the GBP depreciated by -1.1%wow to USD1.325 last week, weighed down further by growing domestic fiscal concerns ahead of the upcoming UK Budget. UK public sector borrowing rose to GBP18.27b in Aug-26, higher than the market expectation of around GBP15.7b, while cumulative borrowing for Apr–Aug remained above the Office for Budget Responsibility's projection. Meanwhile, the EUR weakened by -0.8%wow to USD1.139, mainly reflecting broad-based US dollar strength.

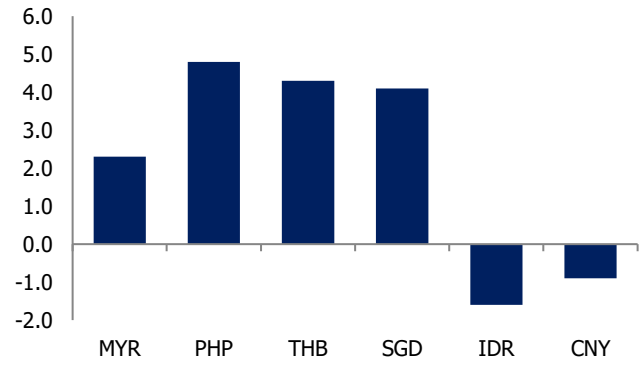
- The ringgit strengthened last week. Despite a stronger US dollar, the ringgit appreciated by +0.2%wow to RM4.074 against the greenback. The ringgit weakened during the middle of the week, reaching RM4.091, before reversing towards the end of the week as the US dollar weakened from its intra-week highs and oil prices fell amid hopes of renewed US-Iran negotiations and a potential phased reopening of the Strait of Hormuz. On a broader basis, the ringgit also strengthened against the currencies of Malaysia's major trading partners, with our MBSB Trade-Weighted Ringgit Index (TWRI) rising by +0.2%wow to 98.33, driven mainly by appreciation against the Korean won (+3.1%wow), Japanese yen (+2.2%wow) and euro (+0.9%wow). We expect the ringgit to average around RM4.070 in Sep-26 and end the month within the RM4.05–4.08 range. Separately, foreign holdings of Malaysian bonds resumed their upward trajectory, reversing the previous week's brief outflow. Foreign holdings increased by +RM2.05b between 14th to 21st September to RM322.6b (previous week: RM320.6b).

Currencies Changes (Week Ended 25-Sep-2026) and Quarterly Forecasts

	Close 25/09	Prev. Close 18/09	Weekly Change	Weekly Change (%)	1QCY26	2QCY26	3QCY26f	4QCY26f
DXY Index	100.97	100.22	+0.749	+0.7	98.5	101.1	102.3	100.5
EURUSD	1.139	1.149	-0.010	-0.8	1.18	1.14	1.12	1.15
GBPUSD	1.325	1.340	-0.015	-1.1	1.34	1.33	1.30	1.34
USDJPY	157.3	156.9	-0.400	-0.3	152.0	162.55	165.0	162.0
USDMYR	4.074	4.083	+0.009	+0.2	4.04	4.09	4.07	4.03
GBPMYR	5.394	5.459	+0.065	+1.2	5.45	5.41	5.36	5.40
JPYMYR	2.590	2.602	+0.011	+0.4	2.6	2.51	2.50	2.49
MBSB TWRI	98.33	98.09	+0.238	+0.24	98.6	99.65	100.87	102.00

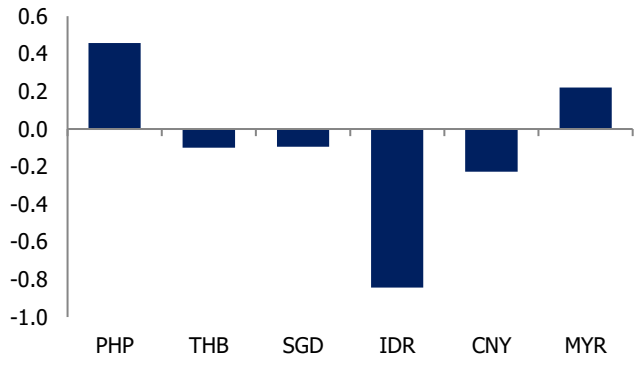
Note: "+" indicates appreciation, while "- "indicates depreciation. Quarterly figures are forecast by MBSBR. MBSB TWRI .
Source: Bloomberg, MBSBR

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 weekly	5-Sep	+20k	+16.25K	n.a
Initial Jobless Claims	Week Ending 19th Sep	197K	198K	201K
US Composite PMI (Flash)	Sep-26	58.4	56.0	n.a
US Manufacturing PMI (Flash)	Sep-26	57.0	53.9	n.a
US Services PMI (Flash)	Sep-26	58.7	56.5	n.a
US Michigan Consumer Sentiment	Sep-26	48.1	51.7	n.a
Monetary Policy Decisions: Benchmark Interest rates				
People Bank of China (1-year Prime Rate)	Sep-26	3.00	3.00	Unchanged
Bank of Indonesia	Sep-26	5.75	5.75	Unchanged
Riksbank	Sep-26	1.75	1.75	Unchanged
Swiss National Bank	Sep-26	0.00	0.00	Unchanged
Norges Bank	Sep-26	4.50	4.25	Hike (+25bps)
Central Bank of Egypt	Sep-26	19.00	19.00	Unchanged
Mexico Central Bank	Sep-26	6.50	6.50	Unchanged
Malaysia				
Coincident Index (mom)	Jul-26	-0.1	0.3	0.5
Leading Index (mom)	Jul-26	0.3	0.3	0.2

Source: Macrobond, MBSBR

C. BNM INTERNATIONAL RESERVES

- As of 15 September 2026, compared to previous fortnight, Bank Negara Malaysia's international reserves were lower at USD131.7b (28 August 2026: USD132.0b).

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	18-Sep Fri	21-Sep Mon	22-Sep Tue	23-Sep Wed	24-Sep Thu	25-Sep Fri	Change (WoW bp)
MGS							
3-Y	3.428	3.441	3.466	3.435	3.467	3.45	2.2
5-Y	3.769	3.735	3.727	3.693	3.722	3.7	-6.9
7-Y	3.905	3.959	3.879	3.844	3.948	3.949	4.4
10-Y	3.917	3.958	3.903	3.907	3.952	3.938	2.1
20-Y	4.252	4.229	4.261	4.213	4.229	4.291	3.9
RINGGIT IRS							
1-Y	3.7	3.718	3.67	3.716	3.72	3.73	3
3-Y	3.76	3.81	3.755	3.775	3.785	3.804	4.4
5-Y	3.81	3.853	3.785	3.8255	3.8575	3.8585	4.85
7-Y	3.8935	3.9165	3.85	3.891	3.925	3.9275	3.4
10-Y	4	4.038	3.955	3.993	4.06	4.0475	4.75
KLIBOR							
1-M	3.01	3.02	3.02	3.02	3.02	3.02	1
3-M	3.48	3.48	3.49	3.49	3.5	3.51	3
UST							
3-Y	4.8325	4.8099	4.816	4.9717	5.0069	4.9302	9.77
5-Y	4.856	4.8271	4.8364	5.003	5.059	4.9875	13.15
7-Y	4.9237	4.8844	4.894	5.0542	5.1233	5.071	14.73
10-Y	4.9961	4.951	4.9613	5.1142	5.1978	5.1604	16.43
30-Y	5.3252	5.2835	5.2995	5.3989	5.476	5.4905	16.53

Source: Bloomberg

10 MOST ACTIVELY TRADED GOVERNMENT BONDS

Name	Coupon	Maturity	18-Sep Yield	25-Sep Yield	Change (WoW bp)	Weekly Volume (RM mn)
MALAYSIA GOVERNMENT	3.9	11/30/26	2.947	2.972	2.5	4,712.0
MALAYSIA GOVERNMENT	3.844	04/15/33	3.905	3.949	4.4	3,919.4
MALAYSIA INVESTMNT ISSUE	3.227	10/15/29	3.522	3.488	-3.4	2,806.0
MALAYSIA GOVERNMENT	3.519	04/20/28	3.400	3.339	-6.1	2,422.5
MALAYSIA INVESTMNT ISSUE	4.07	09/30/26	3.543	0.940	-260.3	2,096.1
MALAYSIA GOVERNMENT	3.502	05/31/27	3.015	3.072	5.7	2,093.0
MALAYSIA INVESTMNT ISSUE	3.447	07/15/36	3.961	3.962	0.1	1,765.5
MALAYSIA GOVERNMENT	3.476	07/02/35	3.917	3.938	2.1	962.6
MALAYSIA GOVERNMENT	4.232	06/30/31	3.769	3.700	-6.9	721.5
MALAYSIA INVESTMNT ISSUE	3.624	03/31/33	3.825	3.944	11.9	650.7
TOTAL VOLUME (TOP 10)						22,149.4
TOTAL VOLUME (Overall)						29,930.9

Source: Bloomberg

10 MOST ACTIVELY TRADED CORPORATE BONDS

Name	Coupon	Maturity	18-Sep Yield	25-Sep Yield	Change (WoW bp)	Weekly Volume (RM mn)
CAGAMAS BERHAD	4.62	11/04/27	N/A	3.516	N/A	200.0
CIMB GROUP HOLDINGS BHD	4.08	09/26/36	N/A	4.261	N/A	135.0
PERBADANAN TABUNG PENDI	4.95	03/13/37	N/A	4.218	N/A	70.0
YTL POWER INTERNATIONAL	5.05	05/03/27	3.856	4.368	51.2	67.9
TENAGA NASIONAL BERHAD	4.73	06/29/29	4.724	4.018	-70.6	60.0
PETROLEUM SARAWAK EXPLO	5.22	11/09/29	N/A	4.088	N/A	60.0
SP SETIA BERHAD	4.41	06/23/28	3.987	4.145	15.8	60.0
PETROLEUM SARAWAK EXPLO	3.9	05/24/27	N/A	3.694	N/A	60.0
DANGA CAPITAL BHD	4.94	01/26/33	N/A	4.294	N/A	55.0
PROJEK LEBUHRAYA USAHASA	5	12/31/38	N/A	4.398	N/A	50.0
TOTAL VOLUME (TOP 10)						817.9
TOTAL VOLUME (Overall)						3,328.8

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