FIXED INCOME AND FX WEEKLY

MBSB Strategy 5 October 2026

Week Ended 2 October 2026

- The UST benchmark 10-year yield ended higher last week at 5.27% (prior week: 5.16%) attributable to a combination of factors, namely (1) elevated energy prices, (2) inflation worries, (3) recent lackluster UST auctions, and (4) a burgeoning fiscal deficit situation to be worsened by the prospect of a prolonged war. The 10y-3y yield spread expanded (yield curve steepened) to +32bp (prior week: +23bp) 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 2 hikes next year.

- Medium-term inflation expectation (MTIE) ended the review week higher at 2.38% (prior week: 2.36%). 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 lower MTIE.

- The price of MGS benchmark issues ended the review week mixed with the 3-year and 10-year yields shed -2bp and added +6.4bp to close at 3.43% and 4.00% respectively. The 10y-3y yield spread expanded (yield curve steepened) to +57bp (prior week: +49bp) as short-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 -RM10.7b. It declined from -RM10.4b registered a week ago. However, it increased year-on-year from -RM24.6b a year ago.

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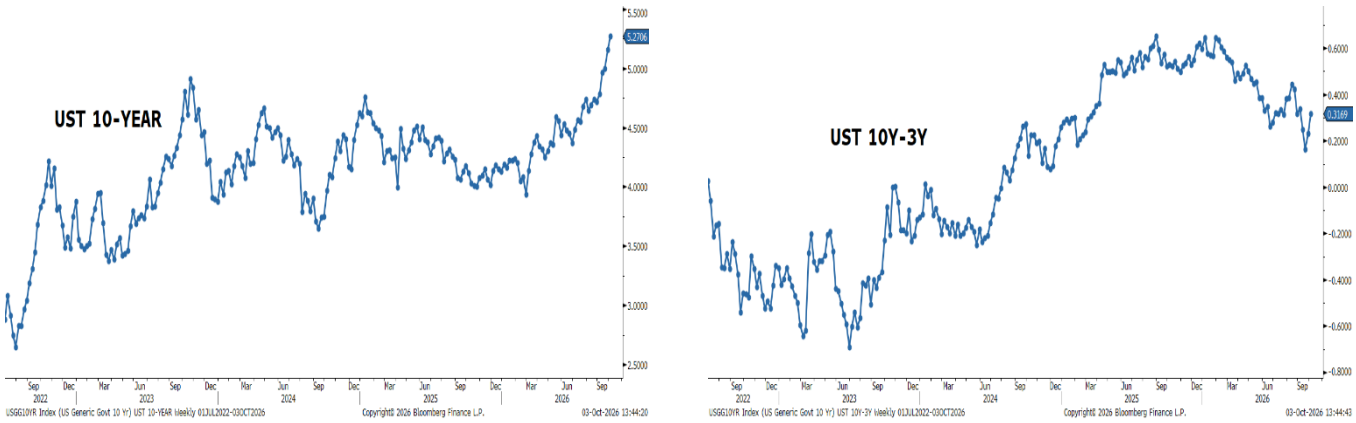
FIXED INCOME AND FX WEEKLY REVIEW

A. FIXED INCOME

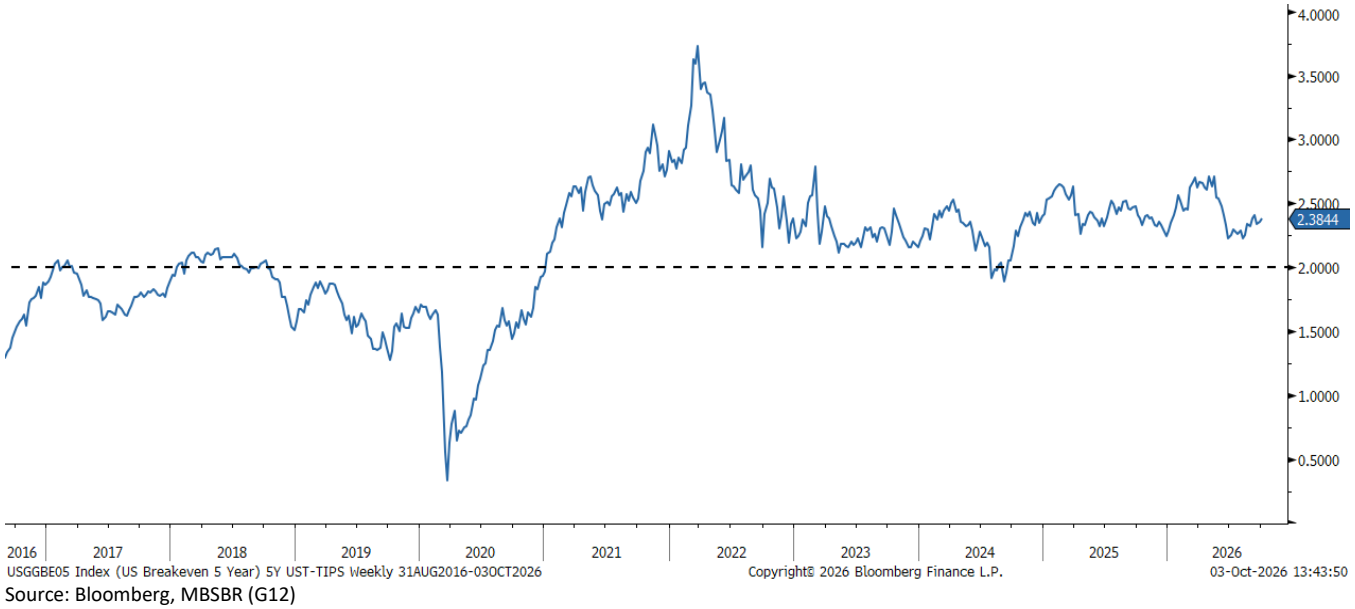
- The UST benchmark 10-year yield ended higher last week at 5.27% (prior week: 5.16%) attributable to a combination of factors, namely (1) elevated energy prices, (2) inflation worries, (3) recent lackluster UST auctions, and (4) a burgeoning fiscal deficit situation to be worsened by the prospect of a prolonged war. The 10y-3y yield spread expanded (yield curve steepened) to +32bp (prior week: +23bp) 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 2 hikes next year.



Source: Bloomberg, MBSBR (G8, G9)

- Medium-term inflation expectation (MTIE) ended the review week higher at 2.38% (prior week: 2.36%). 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 lower MTIE.

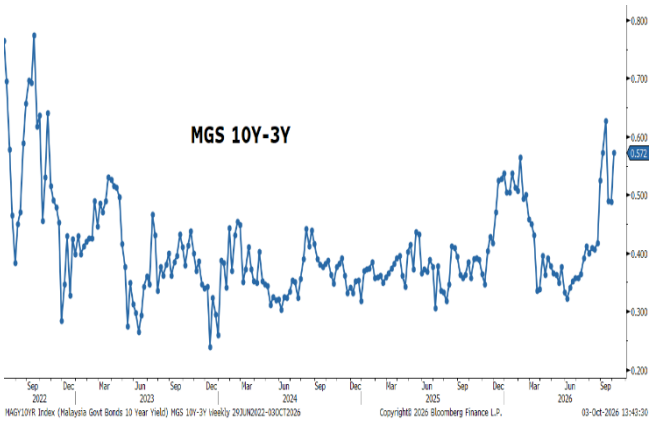
5Y UST-TIPS SPREAD: MEDIUM-TERM INFLATION EXPECTATION (MTIE)



Source: Bloomberg, MBSBR (G12)

- The price of MGS benchmark issues ended the review week mixed with the 3-year and 10-year yields shed -2bp and added +6.4bp to close at 3.43% and 4.00% respectively. The 10y-3y yield spread expanded (yield curve steepened) to +57bp (prior week: +49bp) as short-end outperformed.



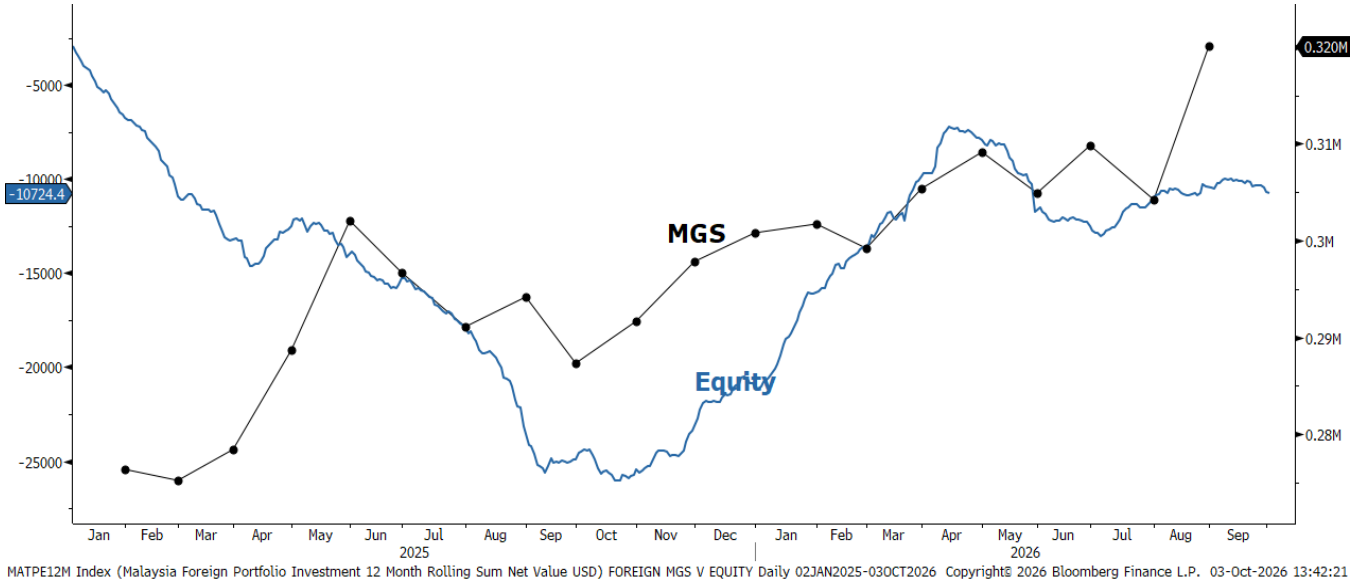


Source: Bloomberg, MBSBR (G10, G11)

- Total trading value for Government Bonds (MGS/MII) declined to RM22.0b in the review week compared to RM29.9b in the prior week (based on Bloomberg data). The total trading value of the 10 most actively traded issues declined (higher trading breadth) to 69% (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 RM5.4b, MGS 3.844% 4/15/33 at RM2.6b, and MGS 3.502% 5/31/27 at RM1.5b.

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 02JAN2025-03OCT2026 Copyright© 2026 Bloomberg Finance L.P. 03-Oct-2026 13:42:21
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 -RM10.7b. It declined from -RM10.4b registered a week ago. However, it increased year-on-year from -RM24.6b a year ago.

- Total trading value for Corporate Bonds (Conventional & Sukuk) declined to RM3.0b in the review week compared to RM3.3b in the prior week (based on Bloomberg data). The total trading value of the 10 most actively traded issues increased (lower trading breadth) to 44% (prior week: 25%) 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 Cagamas 3.78% 3/24/28 at RM615m, Malaysia Rail Link 0% 10/28/26 at RM120m, and Exsim Capital Resources 4.8% 7/17/29 at RM105m.

B. FOREIGN EXCHANGE

- USD strengthened further. The US dollar appreciated against major currencies last week as the DXY dollar index increased by +1.0%wow to 101.93, remaining consistently above the key 100 threshold. The greenback's advance was supported by persistent market anxiety over global sovereign debt levels, sticky inflation, and growing expectations of prolonged US Fed rate hikes. On the macro front, resilient US economic data update, in particular steady inflation metrics and an upwardly revised 2QCY26 GDP growth, further underpinned dollar strength. Meanwhile, a sharp Treasury sell-off drove the 10-year US Treasury yield to a 24-year high of 5.342%, reaching its highest level since 2002 before pulling back slightly. The increase was also driven by the hawkish signal by Fed policymakers last week. However, late-week market sentiment experienced mild relief as oil prices saw a modest pullback amid reports that US and Iranian negotiators may come to a potential deal to reopen the Strait of Hormuz, temporarily easing broader inflationary concerns. Meanwhile, labour market data released indicated moderation in the nonfarm payroll figure in Sep-26, with unemployment rate moving slightly higher to 4.2%. Broadly, the escalating geopolitical situation in the Middle East remained a factor supporting 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 weakened, GBP stabilized. On the back of stronger US dollar, the EUR depreciated by -1.2%wow to USD1.126 last week against the USD. Meanwhile, with markets pricing in further tightening by the Bank of England by year end, the GBP were relatively unchanged from the previous week, closing at USD1.324 last Friday.

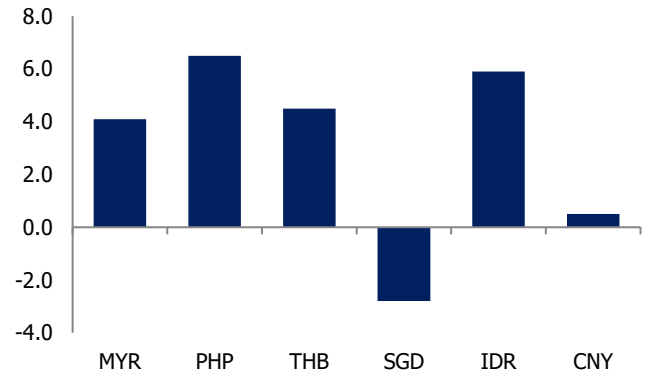
- Ringgit also weakened. On the back of a stronger US dollar, the ringgit depreciated by -0.3%wow to RM4.084 against the dollar. The local currency slid gradually throughout the week, touching a low of RM4.091 before stabilising and trading sideways between RM4.060 and RM4.086. This movement came despite volatile oil prices, driven by developments in US-Iran negotiations and growing expectations of a more aggressive rate hike by the Fed. On a broader basis, the ringgit strengthened against the currencies of Malaysia's trading partners as our MBSB Trade-Weighted Ringgit Index (TWRI) declined by +0.09%wow to 98.24, depreciating mainly against the Korean won (-0.6%wow), Japanese yen (-0.6%wow), and Indonesia rupiah (-0.4%wow).

Currencies Changes (Week Ended 02-Oct-2026) and Quarterly Forecasts

	Close 02/10	Prev. Close 25/09	Weekly Change	Weekly Change (%)	1QCY26	2QCY26	3QCY26	4QCY26f
DXY Index	101.93	100.97	+0.961	+1.0	98.5	101.1	101.5	100.5
EURUSD	1.126	1.139	-0.014	-1.2	1.18	1.14	1.13	1.15
GBPUSD	1.324	1.325	-0.001	-0.0	1.34	1.33	1.33	1.34
USDJPY	157.9	157.3	-0.570	-0.4	152.0	162.55	157.4	162.0
USDMYR	4.084	4.074	-0.010	-0.3	4.04	4.09	4.08	4.03
GBPMYR	5.396	5.394	-0.002	-0.0	5.45	5.41	5.42	5.40
JPYMYR	2.587	2.590	+0.003	+0.1	2.6	2.51	2.59	2.49
MBSB TWRI	98.24	98.33	-0.090	-0.09	98.6	99.65	98.2	102.00

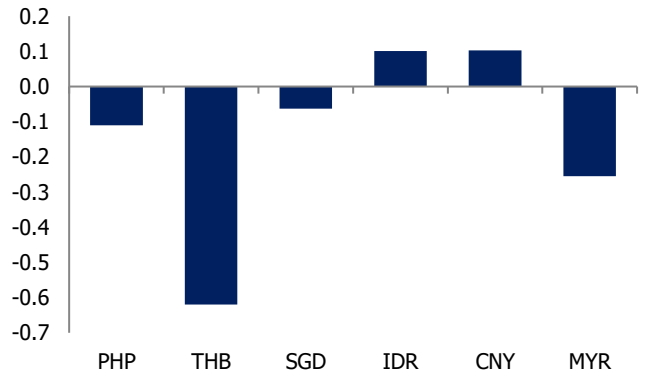
Note: "+" indicates appreciation, while "- "indicates depreciation. Quarterly figures are forecast by MBSBR.
Source: Bloomberg, MBSBR

Yield Change in 10Y Government Bonds (bps)



Source: Bloomberg; Macrobond; MBSBR

Weekly Currencies Changes vs USD (%)



Source: Bloomberg; Macrobond; MBSBR

Central Bank Policy Rate by Selected Economies (%)

	Feb-26	Mar-26	Apr-26	May-26	Jun-26	Jul-26	Aug-26	Sep-26	Oct-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	5.25	5.75	5.75	5.75	5.75	5.75
Philippines	4.25	4.25	4.50	4.50	4.75	4.75	5.00	5.00	5.00
Thailand	1.00	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	2.75	3.00	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	1.00	1.00	1.00	1.25	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	2.40	2.40	2.40	2.65	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	3.75-4.00	3.75-4.00

Source: Bloomberg, MBSBR

Key Economic Data Releases Last Week

Economic Indicators	Period	Actual	Previous	Consensus
United States				
ADP Employment Change	Sep-26	+90k	+36K	+70K
Initial Jobless Claims	Week Ending 26th Sep	197K	198K	200K
JOLTS Jobs Opening	Aug-26	7.079	7.335	7.23
PCE (yoy)	Sep-26	+3.4	+3.4	+3.7
Core PCE (yoy)	Sep-26	+3.0	+3.0	+3.3
GDP growth (qoq)	2Q26	+2.2	+2.5	+1.5
S&P Global Manufacturing PMI	Sep-26	55.9	53.9	57.0
ISM Manufacturing PMI	Sep-26	54.5	54.6	55
Unemployment rate	Sep-26	4.2	4.1	4.1
Non-Farm Payrolls	Sep-26	+29K	+133K	+90K
Monetary Policy Decisions: Benchmark Interest rates				
Reserve Bank of Australia	Sep-26	4.60	4.35	Hike (+25bps)
Central Bank of Sri Lanka	Sep-26	8.75	8.75	Unchanged
Malaysia				
PPI	Jul-26	+10.7	+9.7	+10.3
S&P Manufacturing PMI	Jul-26	49.9	50.2	n.a

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	25-Sep Fri	28-Sep Mon	29-Sep Tue	30-Sep Wed	1-Oct Thu	2-Oct Fri	Change (WoW bp)
MGS							
3-Y	3.45	3.485	3.451	3.468	3.482	3.43	-2
5-Y	3.7	3.778	3.82	3.744	3.773	3.766	6.6
7-Y	3.949	4.001	4.028	3.984	4.028	3.988	3.9
10-Y	3.938	4.022	4.085	3.997	4.03	4.002	6.4
20-Y	4.291	4.213	4.35	4.319	4.342	4.343	5.2
RINGGIT IRS							
1-Y	3.73	3.74	3.74	3.7225	3.7375	3.73	0
3-Y	3.804	3.82	3.83	3.8	3.85	3.8	-0.4
5-Y	3.8585	3.9	3.9035	3.87	3.9075	3.86	0.15
7-Y	3.9275	3.965	3.9595	3.9405	3.9615	3.9225	-0.5
10-Y	4.0475	4.05	4.085	4.06	4.087	4.05	0.25
KLIBOR							
1-M	3.02	3.02	3.02	3.02	3.02	3.03	1
3-M	3.51	3.52	3.53	3.53	3.54	3.54	3
UST							
3-Y	4.9302	5.0089	4.9717	4.9983	4.9088	4.9537	2.35
5-Y	4.9875	5.0698	5.0483	5.0859	5.0106	5.0536	6.61
7-Y	5.071	5.1491	5.1424	5.1884	5.1276	5.1614	9.04
10-Y	5.1604	5.2361	5.2362	5.2849	5.2407	5.2706	11.02
30-Y	5.4905	5.5466	5.5658	5.6286	5.6126	5.6195	12.9

Source: Bloomberg

10 MOST ACTIVELY TRADED GOVERNMENT BONDS

Name	Coupon	Maturity	25-Sep Yield	2-Oct Yield	Change (WoW bp)	Weekly Volume (RM mn)
MALAYSIA GOVERNMENT	3.9	11/30/26	2.972	2.727	-24.5	5,391.6
MALAYSIA GOVERNMENT	3.844	04/15/33	3.949	3.988	3.9	2,618.2
MALAYSIA GOVERNMENT	3.502	05/31/27	3.072	3.050	-2.2	1,476.7
MALAYSIA INVESTMNT ISSUE	3.422	09/30/27	3.087	3.068	-1.9	1,206.5
MALAYSIA GOVERNMENT	4.232	06/30/31	3.700	3.766	6.6	998.2
MALAYSIA INVESTMNT ISSUE	3.227	10/15/29	3.488	3.501	1.3	839.9
MALAYSIA INVESTMNT ISSUE	4.044	01/31/56	4.533	4.520	-1.3	788.4
MALAYSIA GOVERNMENT	2.632	04/15/31	3.730	3.784	5.4	645.1
MALAYSIA INVESTMNT ISSUE	3.447	07/15/36	3.962	4.040	7.8	610.2
MALAYSIA GOVERNMENT	3.828	07/05/34	3.933	4.064	13.1	501.4
TOTAL VOLUME (TOP 10)						15,076.1
TOTAL VOLUME (Overall)						21,990.8

Source: Bloomberg

10 MOST ACTIVELY TRADED CORPORATE BONDS

Name	Coupon	Maturity	25-Sep Yield	2-Oct Yield	Change (WoW bp)	Weekly Volume (RM mn)
CAGAMAS BERHAD	3.78	03/24/28	N/A	3.577	N/A	615.0
MALAYSIA RAIL LINK	ZERO	10/28/26	N/A	3.409	N/A	120.0
EXSIM CAPITAL RESOURCES	4.8	07/17/29	N/A	5.159	N/A	105.0
PROJEK LEBUHRAYA USAHASA	4.86	01/12/38	N/A	4.396	N/A	100.0
PERBADANAN TABUNG PENDI	4.8	03/01/39	4.358	4.394	3.6	80.0
DANUM CAPITAL BHD	3.82	02/15/36	N/A	4.547	N/A	65.0
YTL POWER INTERNATIONAL	4.88	03/22/30	N/A	4.200	N/A	60.0
AFFIN ISLAMIC BANK BHD	5.1	PERP	4.008	4.899	89.1	51.0
YTL POWER INTERNATIONAL	5.05	05/03/27	4.368	3.960	-40.8	50.0
MALAYAN BANKING BHD	5.11	PERP	N/A	4.854	N/A	45.3
TOTAL VOLUME (TOP 10)						1,291.3
TOTAL VOLUME (Overall)						2,955.6

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