FIXED INCOME AND FX WEEKLY

MBSB Strategy 12 October 2026

Week Ended 9 October 2026

- The UST benchmark 10-year yield ended lower last week at 5.24% (prior week: 5.27%) on bargain hunting driven by multi-decade high yields, while a solid bond auction eased demand fears. The 10y-3y yield spread was unchanged at +32bp (prior week: +32bp). 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 2.37% (prior week: 2.38%). 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 added +4.5bp and shed -6.9bp to close at 3.48% and 3.93% respectively. The 10y-3y yield spread narrowed (yield curve flattened) to +46bp (prior week: +57bp) as long-end outperformed.

- MGS foreign holdings declined month-on-month to RM318b in September 2026 from RM320b in August 2026. However, it increased year-on-year from RM287b in September 2025. On Bursa Malaysia, the 12-month rolling sum of foreign net equities trade ended the review week at -RM10.8b. It declined from -RM10.7b registered a week ago. However, it increased year-on-year from -RM24.7b a year ago.

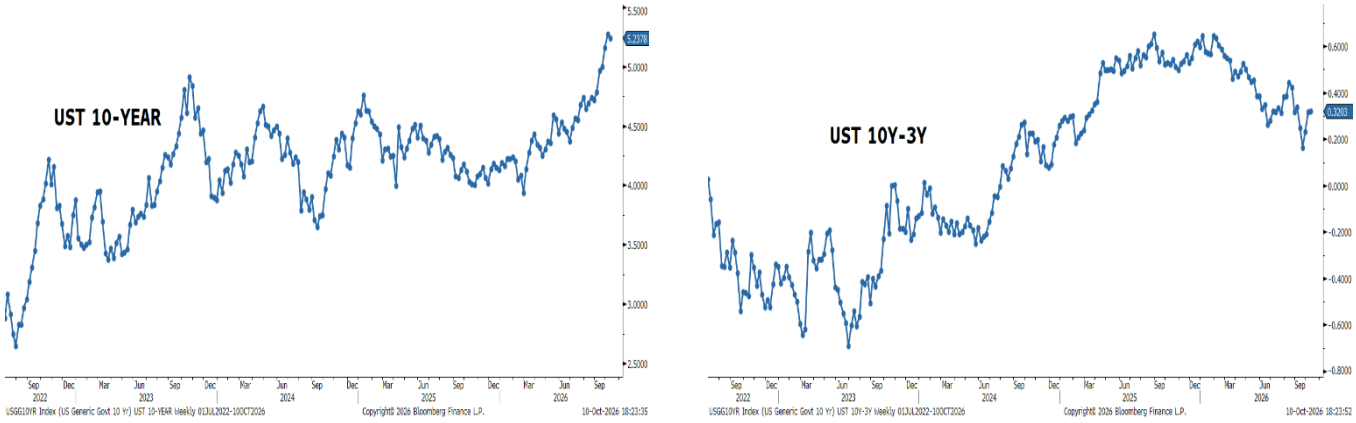
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FIXED INCOME AND FX WEEKLY REVIEW

A. FIXED INCOME

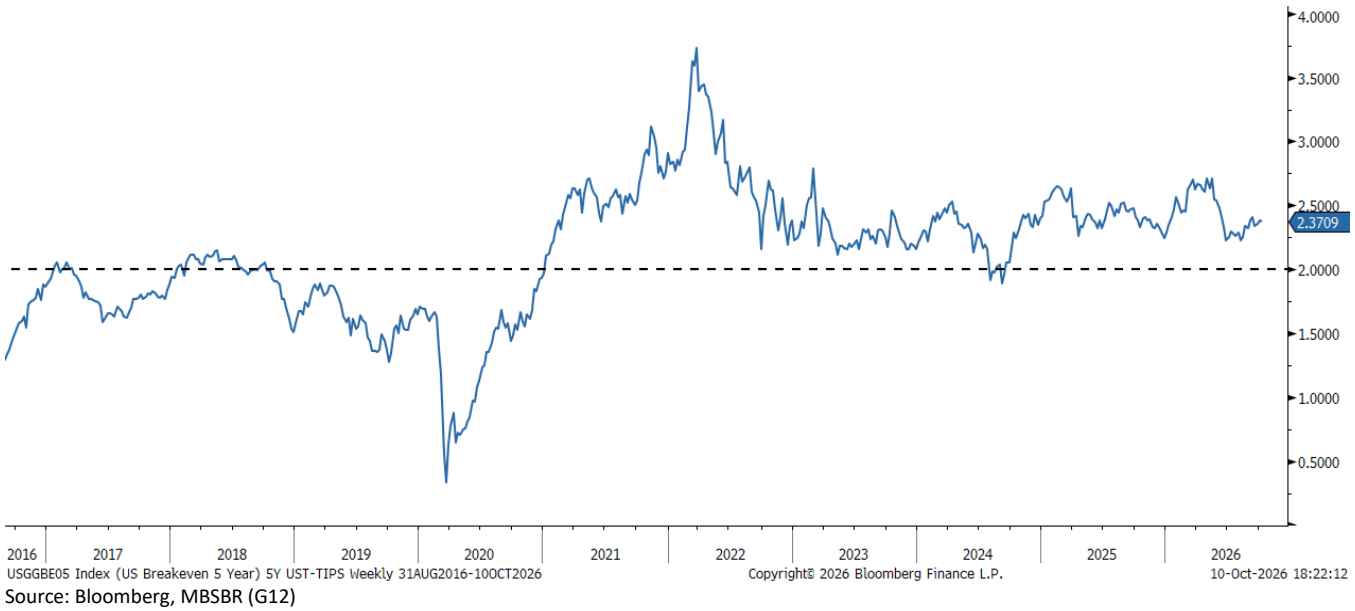
- The UST benchmark 10-year yield ended lower last week at 5.24% (prior week: 5.27%) on bargain hunting driven by multi-decade high yields, while a solid bond auction eased demand fears. The 10y-3y yield spread was unchanged at +32bp (prior week: +32bp). At week close, the interest rate futures market 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 2.37% (prior week: 2.38%). 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.

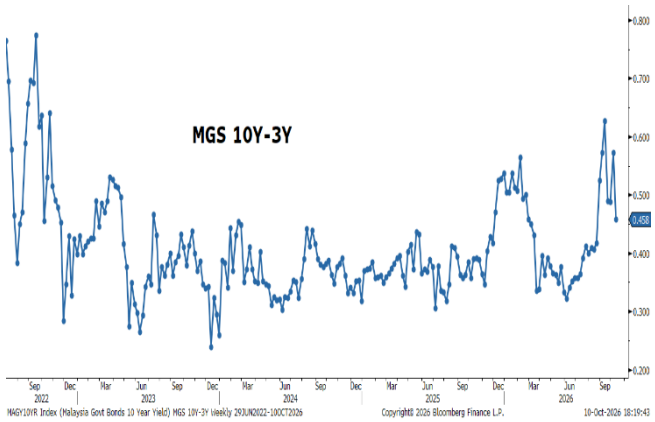
5Y UST-TIPS SPREAD: MEDIUM-TERM INFLATION EXPECTATION (MTIE)



Source: Bloomberg, MBSBR (G12)

- The price of MGS benchmark issues ended the review week mixed with the 3-year and 10-year yields added +4.5bp and shed -6.9bp to close at 3.48% and 3.93% respectively. The 10y-3y yield spread narrowed (yield curve flattened) to +46bp (prior week: +57bp) as long-end outperformed.



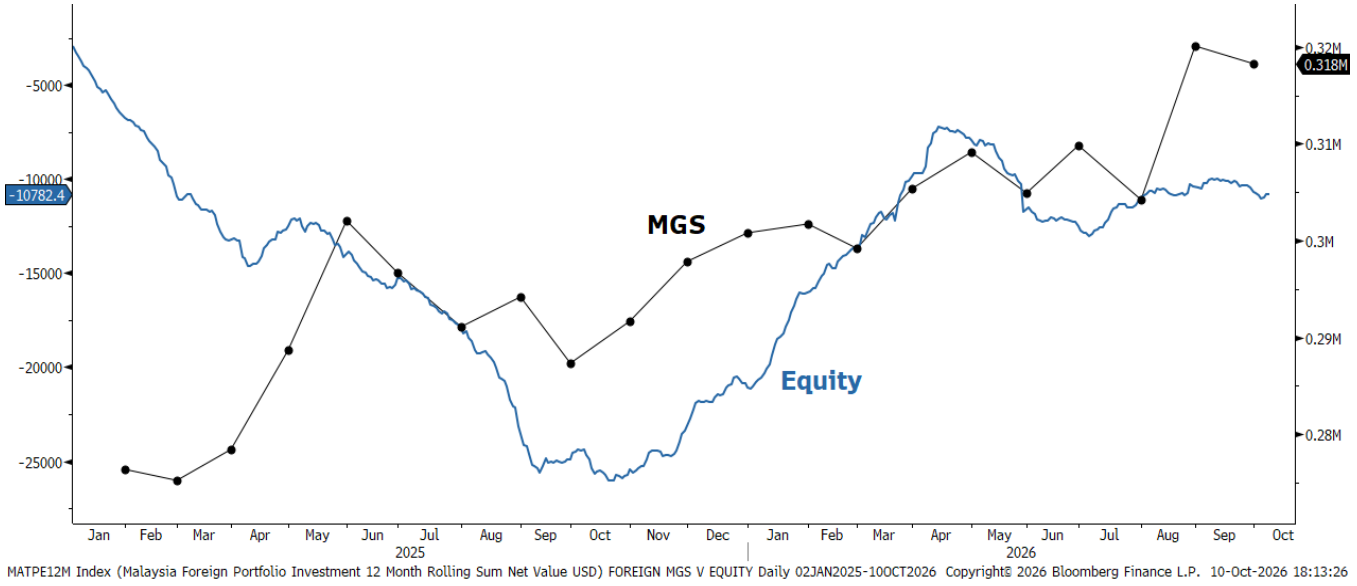


Source: Bloomberg, MBSBR (G10, G11)

- Total trading value for Government Bonds (MGS/MII) increased to RM22.4b in the review week compared to RM22.0b 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: 69%) 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 short residual tenor. The top 3 most actively traded were MII 3.227% 10/15/29 at RM3.9b, MGS 3.9% 11/30/26 at RM2.9b, and MGS 3.502% 5/31/27 at RM2.5b.

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 02JAN2025-10OCT2026 Copyright© 2026 Bloomberg Finance L.P. 10-Oct-2026 18:13:26
Source: Bloomberg, MBSBR (G13)

- MGS foreign holdings declined month-on-month to RM318b in September 2026 from RM320b in August 2026. However, it increased year-on-year from RM287b in September 2025. On Bursa Malaysia, the 12-month rolling sum of foreign net equities trade ended the review week at -RM10.8b. It declined from -RM10.7b registered a week ago. However, it increased year-on-year from -RM24.7b a year ago.

- Total trading value for Corporate Bonds (Conventional & Sukuk) declined to RM2.6b in the review week compared to RM3.0b in the prior week (based on Bloomberg data). The total trading value of the 10 most actively traded issues declined (higher trading breadth) to 34% (prior week: 44%) 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 Danainfra Nasional 4.95% 4/6/40 at RM150m, Danga Capital 2.96% 1/25/28 at RM120m, and Press Metal Aluminium 4.81% 12/7/28 at RM110m.

B. FOREIGN EXCHANGE

- US dollar strengthened for the fourth consecutive week. The US Dollar Index (DXY) rose by +0.3%wow to 102.21 last week, supported by expectations of further Fed rate hikes amid persistent inflation concerns. The minutes of the September FOMC meeting reinforced the Fed's cautious stance towards inflation, keeping expectations of additional tightening before year-end intact. Strength in the job market, with the low reading of initial jobless claims, and elevated inflation expectations also supported the hawkish expectations. Meanwhile, geopolitical uncertainties surrounding the US-Iran conflict continued to underpin safe-haven demand for 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 EUR depreciated by -0.5%wow to USD1.120 last week, partly weighed down by concerns over France's fiscal position and political uncertainty. Meanwhile, the GBP edged down by -0.1%wow to USD1.323, remaining relatively stable as expectations of further rate hikes by the Bank of England helped offset concerns over rising UK government borrowing costs and fiscal sustainability.

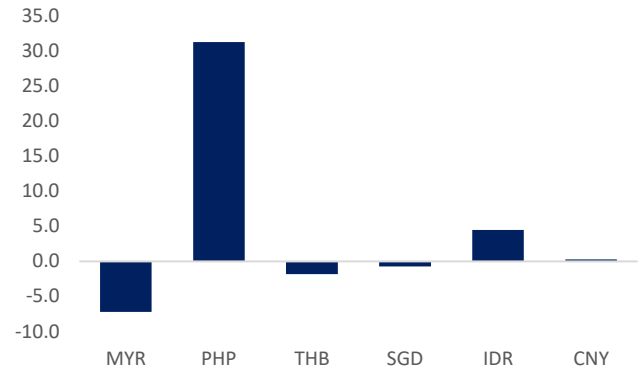
- Ringgit remained relatively stable. Despite the stronger US dollar, the ringgit was broadly unchanged from the previous week, closing at RM4.085 against the greenback. The local currency traded within a narrow range throughout the week, supported by Malaysia's resilient economic fundamentals and sustained strength in external trade. Meanwhile, encouraging economic data releases and positive sentiment surrounding Budget 2027, particularly the government's continued commitment to fiscal consolidation, provided additional support towards the end of the week. Nevertheless, the stronger dollar, driven by expectations of further Fed rate hikes, and uncertainties surrounding US-Iran developments continued to exert pressure on the ringgit. On a broader basis, the ringgit was virtually unchanged against the currencies of Malaysia's trading partners as our MBSB Trade-Weighted Ringgit Index (TWRI) on fell by -0.04%wow to 98.23, depreciating mainly against the Korean won (-0.6%wow), Australian dollar (-0.6%wow), and Vietnam dong (-0.5%wow) but almost offset by appreciation against Japanese yen (+0.5%wow), Indian rupee (-0.4%wow), and Philippine peso (-0.4%wow). In another release, debt market recorded an outflow of -RM3.6b in the week ending 2nd October 2026 (previous: +RM0.2b), as a result foreign holdings of Malaysian bonds fell to RM318.8b (previous: RM322.4b).

Currencies Changes (Week Ended 09-Oct-2026) and Quarterly Forecasts

	Close 09/10	Prev. Close 02/10	Weekly Change	Weekly Change (%)	1QCY26	2QCY26	3QCY26	4QCY26f
DXY Index	102.21	101.93	+0.281	+0.3	98.5	101.1	101.5	100.5
EURUSD	1.120	1.126	-0.005	-0.5	1.18	1.14	1.13	1.15
GBPUSD	1.323	1.324	-0.001	-0.1	1.34	1.33	1.33	1.34
USDJPY	158.31	157.85	-0.460	-0.3	152.0	162.55	157.4	162.0
USDMYR	4.085	4.084	-0.001	-0.0	4.04	4.09	4.08	4.03
GBPMYR	5.4079	5.396	-0.012	-0.2	5.45	5.41	5.42	5.40
JPYMYR	2.5804	2.587	+0.007	+0.3	2.6	2.51	2.59	2.49
MBSB TWRI	98.23	98.27	-0.040	-0.0	98.6	99.65	98.2	102.00

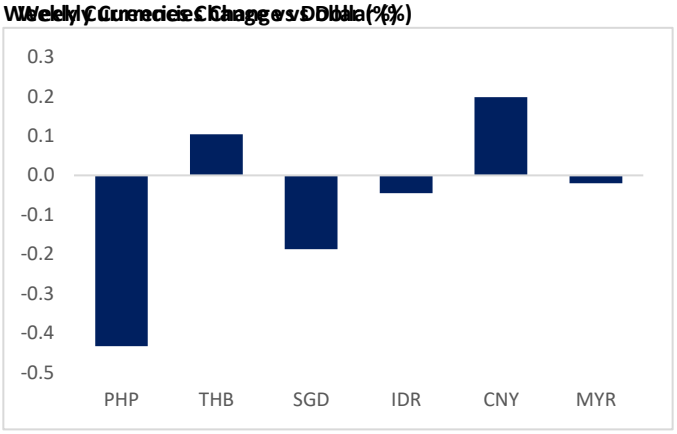
Note: "+" indicates appreciation, while "- "indicates depreciation. Quarterly figures are forecast by MBSBR.
Source: Bloomberg, MBSBR

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	5.50
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				
ISM Services PMI	Sep-26	54.9	55.4	55.0
S&P Global Services PMI	Sep-26	58.8	56.5	58.7
ADP Weekly Employment Change	Week Ending 19th Sep	+23.8k	+22.5K	n.a.
Balance of trade (USD b)	Aug-26	-USD105.6b	-USD92.8b	-USD102b
Initial Jobless Claims	Week Ending 3rd Oct	197K	199K	200K
Uni. Of Mich. Consumer Sentiment Index	Oct-26	46.3	48.1	47.6
Monetary Policy Decisions: Benchmark Interest rates				
Reserve Bank of India	Oct-26	5.50	5.25	Hike (+25bps)
Malaysia				
Industrial Production (yoy)	Aug-26	+5.0%	+4.7%	+3.5%
Retail Trade (yoy)	Aug-26	+6.5%	+6.4%	+6.0%
Unemployment rate (%)	Aug-26	2.9%	3.0%	3.0%

Source: Macrobond, MBSBR

C. BNM INTERNATIONAL RESERVES

- As of 30 September 2026, compared to previous fortnight, Bank Negara Malaysia's international reserves were higher at USD131.8b (18 September 2026: USD131.7b).

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	2-Oct Fri	5-Oct Mon	6-Oct Tue	7-Oct Wed	8-Oct Thu	9-Oct Fri	Change (WoW bp)
MGS							
3-Y	3.43	3.486	3.482	3.478	3.475	3.475	4.5
5-Y	3.766	3.765	3.752	3.76	3.762	3.727	-3.9
7-Y	3.988	3.977	3.953	3.942	3.934	3.879	-10.9
10-Y	4.002	3.996	3.993	3.97	3.947	3.933	-6.9
20-Y	4.343	4.307	4.284	4.252	4.306	4.284	-5.9
RINGGIT IRS							
1-Y	3.73	3.745	3.725	3.725	3.7275	3.715	-1.5
3-Y	3.8	3.8075	3.8	3.8	3.795	3.76	-4
5-Y	3.86	3.8475	3.84	3.849	3.85	3.8125	-4.75
7-Y	3.9225	3.9195	3.915	3.925	3.925	3.875	-4.75
10-Y	4.05	4.05	4.04	4.05	4.05	4.008	-4.2
KLIBOR							
1-M	3.03	3.03	3.03	3.03	3.03	3.03	0
3-M	3.54	3.55	3.55	3.55	3.55	3.55	1
UST							
3-Y	4.9537	4.9454	4.9226	4.9118	4.8892	4.9175	-3.62
5-Y	5.0536	5.0572	5.0338	5.0266	4.9889	5.0157	-3.79
7-Y	5.1614	5.1804	5.1547	5.1533	5.1074	5.1277	-3.37
10-Y	5.2706	5.3046	5.2793	5.2837	5.2268	5.2378	-3.28
30-Y	5.6195	5.6622	5.6575	5.6703	5.6001	5.5956	-2.39

Source: Bloomberg

10 MOST ACTIVELY TRADED GOVERNMENT BONDS

Name	Coupon	Maturity	2-Oct Yield	9-Oct Yield	Change (WoW bp)	Weekly Volume (RM mn)
MALAYSIA INVESTMNT ISSUE	3.227	10/15/29	3.501	3.469	-3.2	3,875.8
MALAYSIA GOVERNMENT	3.9	11/30/26	2.727	2.939	21.2	2,867.0
MALAYSIA GOVERNMENT	3.502	05/31/27	3.050	3.048	-0.2	2,474.1
MALAYSIA GOVERNMENT	3.844	04/15/33	3.988	3.879	-10.9	2,070.2
MALAYSIA INVESTMNT ISSUE	3.599	07/31/28	3.186	3.386	20.0	1,201.8
MALAYSIA INVESTMNT ISSUE	3.447	07/15/36	4.040	3.966	-7.4	1,080.1
MALAYSIA GOVERNMENT	4.498	04/15/30	3.680	3.634	-4.6	800.7
MALAYSIA GOVERNMENT	3.519	04/20/28	3.390	3.335	-5.5	795.5
MALAYSIA GOVERNMENT	3.582	07/15/32	3.933	3.865	-6.8	736.9
MALAYSIA INVESTMNT ISSUE	4.044	01/31/56	4.520	4.451	-6.9	608.5
TOTAL VOLUME (TOP 10)						16,510.7
TOTAL VOLUME (Overall)						22,404.9

Source: Bloomberg

10 MOST ACTIVELY TRADED CORPORATE BONDS

Name	Coupon	Maturity	2-Oct Yield	9-Oct Yield	Change (WoW bp)	Weekly Volume (RM mn)
DANAINFRA NASIONAL	4.95	04/06/40	N/A	4.459	N/A	150.0
DANGA CAPITAL BHD	2.96	01/25/28	3.892	4.000	10.8	120.0
PRESS METAL ALUMINIUM	4.81	12/07/28	4.098	4.034	-6.4	110.0
JIMAH EAST POWER SDN	5.77	12/04/29	4.231	4.415	18.4	100.0
YTL POWER INTERNATIONAL	5.05	05/03/27	3.960	3.977	1.7	80.0
INFRACAP RESOURCES S B	4.12	04/14/28	4.010	4.003	-0.7	80.0
DANAINFRA NASIONAL	5.05	04/06/45	N/A	4.609	N/A	60.0
PETROLEUM SARAWAK EXPLO	3.8	03/17/28	3.891	4.019	12.8	60.0
CELCOMDIGI TELECOM SDN	3.93	06/27/31	4.350	4.368	1.8	60.0
DANAINFRA NASIONAL	5.25	05/24/47	N/A	4.650	N/A	40.0
TOTAL VOLUME (TOP 10)						860.0
TOTAL VOLUME (Overall)						2,564.7

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