FIXED INCOME AND FX WEEKLY

MBSB Strategy 19 October 2026

Week Ended 16 October 2026

- The UST benchmark 10-year yield ended lower last week at 5.07% (prior week: 5.24%) on continued bargain hunting driven by multi-decade high yields. The 10y-3y yield spread narrowed (yield curve flattened) to +28bp (prior week: +32bp) as long-end outperformed. 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 2.39% (prior week: 2.37%). 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 lower MTIE.

- The price of MGS benchmark issues ended the review week higher with the 3-year and 10-year yields shed -4.7bp and -10.3bp to close at 3.43% and 3.83% respectively. The 10y-3y yield spread narrowed (yield curve flattened) to +40bp (prior week: +46bp) 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 -RM9.7b. It increased from -RM10.8b registered a week ago. Moreover, it increased year-on-year from -RM25.5b a year ago.

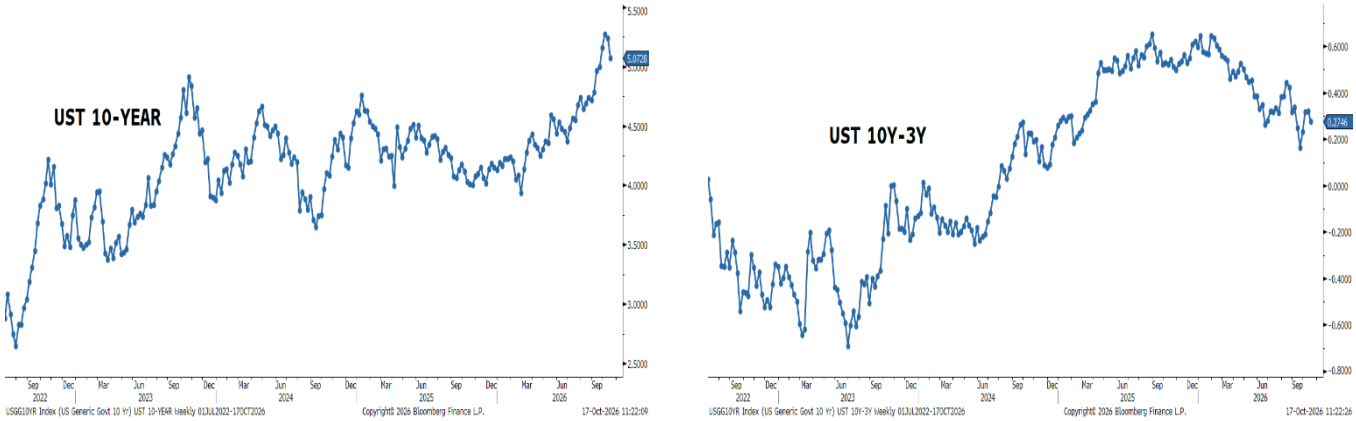
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19 October 2026 | Strategy Strategy Team | research@mbsb.com

FIXED INCOME AND FX WEEKLY REVIEW

A. FIXED INCOME

- The UST benchmark 10-year yield ended lower last week at 5.07% (prior week: 5.24%) on continued bargain hunting driven by multi-decade high yields. The 10y-3y yield spread narrowed (yield curve flattened) to +28bp (prior week: +32bp) as long-end outperformed. 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)

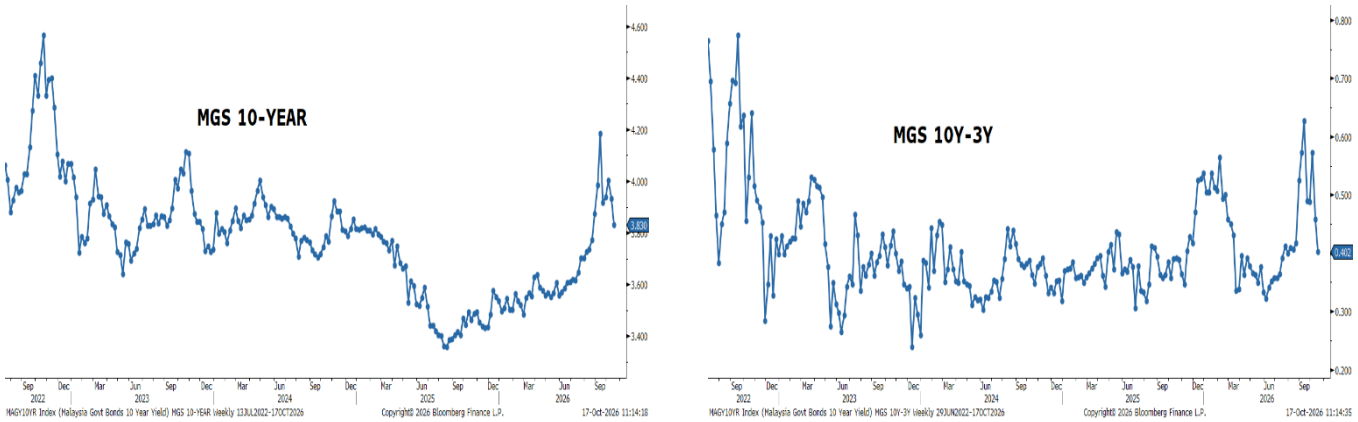
- Medium-term inflation expectation (MTIE) ended the review week higher at 2.39% (prior week: 2.37%). The MTIE has remained above the US Fed's target level of 2.00% since September 2024. However, since mid-May this year, expectations of Fed rate hikes have arguably contributed to lower MTIE.

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



Source: Bloomberg, MBSBR (G12)

- The price of MGS benchmark issues ended the review week higher with the 3-year, and 10-year yields shed -4.7bp and -10.3bp to close at 3.43% and 3.83% respectively. The 10y-3y yield spread narrowed (yield curve flattened) to +40bp (prior week: +46bp) as long-end outperformed.

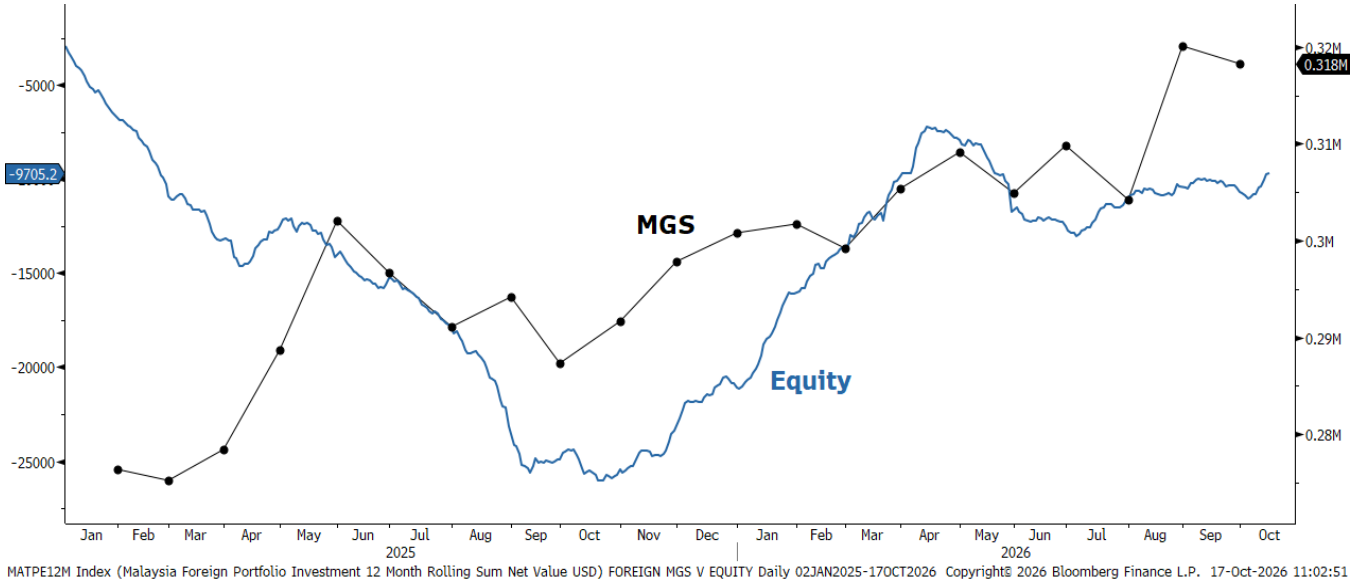


Source: Bloomberg, MBSBR (G10, G11)

- Total trading value for Government Bonds (MGS/MII) increased to RM26.3b in the review week compared to RM22.4b in the prior week (based on Bloomberg data). The total trading value of the 10 most actively traded issues declined (higher trading breadth) to 66% (prior week: 74%) of the overall Government Bonds trade. Moreover, 9 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 and long residual tenor. The top 3 most actively traded were MGS 3.9% 11/30/26 at RM3.3b, MGS 3.502% 5/31/27 at RM2.5b, and MII 3.447% 7/15/36 at RM2.2b.

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 02JAN2025-17OCT2026 Copyright© 2026 Bloomberg Finance L.P. 17-Oct-2026 11:02:51
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 -RM9.7b. It increased from -RM10.8b registered a week ago. Moreover, it increased year-on-year from -RM25.5b a year ago.

- Total trading value for Corporate Bonds (Conventional & Sukuk) increased to RM3.0b in the review week compared to RM2.6b in the prior week (based on Bloomberg data). The total trading value of the 10 most actively traded issues declined (higher trading breadth) to 23% (prior week: 34%) 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 Danainfra Nasional 2.86% 5/20/27 at RM100m, Sarawak Energy 4.85% 1/19/27 at RM80m, and Pengurusan Air SPV 4.54% 2/23/29 at RM70m.

B. FOREIGN EXCHANGE

- The US dollar index weakened. The US dollar depreciated against major currencies last week as the DXY dollar index declined by -0.4%wow to 101.8 but consistently remaining above 100 since mid-Sep-26. Despite the stronger-than-expected US CPI print, investors remain confident that the Fed will hold interest rates steady at its upcoming policy meeting. Meanwhile, market reports regarding potential backdoor purchasing channels by China via Canadian custodians caused a rally in the US treasuries, driving yields sharply lower. Nevertheless, futures pricing still reflects an over 85% probability of a rate hike before year-end, driven by energy inflation risks. Compounding these pressures, geopolitical friction in the Middle East and the escalating US-Iran standoff near the Strait of Hormuz continue to underpin safe-haven demand. Meanwhile, other indicators remained supportive, with retail sales and industrial production remaining robust. 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 strengthened. On the back of a weaker US dollar, the euro strengthened by +0.3%wow to USD1.124 against the USD, as inflation increased to +3.8%yoy in Sep-26 (Aug-26: +3.2%yoy). Meanwhile, the pound sterling appreciated relatively steeper by +0.7%wow to USD1.333, with the UK 3-month GDP growth strengthening to +0.7% in Aug-26 (Jul-26: +0.5%).

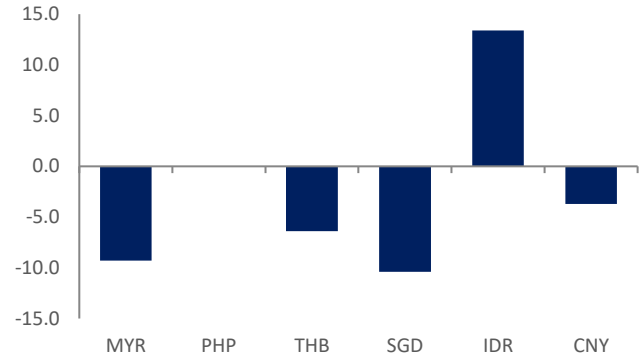
- Ringgit also strengthened last week. The ringgit also strengthened by +0.1%wow to RM4.081 against the dollar. The local currency traded in a stable range between RM4.070 to RM4.085, moving sideways throughout the week, while the MGS tracking lower, mirroring the UST yield movements. The ringgit performance last week was rather stable, while at the end of the week saw the Malaysian GDP growth still remained resilient, albeit moderating to +5.3%yoy in 3QCY26, still stronger than expected. On a broader basis, the ringgit strengthened against the currencies of Malaysia's traded partner as our MBSB Trade-Weighted Ringgit Index (TWRI) increased by +0.05%wow to 98.25, appreciating mainly against the Taiwan dollar (+1.7%wow), Indonesian rupiah (+0.8%wow), and Philippine peso (+0.4%wow). In a separate release, foreign holdings of Malaysian government and corporate bonds turned higher, recording an inflow of +RM0.5b between the 5th to 12th October (previous week: -RM3.6b), consequently, foreign holdings of local bonds increased to RM320.4b.

Currencies Changes (Week Ended 16-Oct-2026) and Quarterly Forecasts

	Close 16/10	Prev. Close 09/10	Weekly Change	Weekly Change (%)	1QCY26	2QCY26	3QCY26	4QCY26f
DXY Index	101.84	102.21	-0.376	-0.4	98.5	101.1	101.5	100.5
EURUSD	1.124	1.120	+0.004	+0.3	1.18	1.14	1.13	1.15
GBPUSD	1.333	1.323	+0.009	+0.7	1.34	1.33	1.33	1.34
USDJPY	158.0	158.3	+0.290	+0.2	152.0	162.55	157.4	162.0
USDMYR	4.081	4.085	+0.004	+0.1	4.04	4.09	4.08	4.03
GBPMYR	5.442	5.408	-0.034	-0.6	5.45	5.41	5.42	5.40
JPYMYR	2.583	2.580	-0.003	-0.1	2.6	2.51	2.59	2.49
MBSB TWRI	98.25	98.20	+0.048	+0.1	98.6	99.65	98.2	102.00

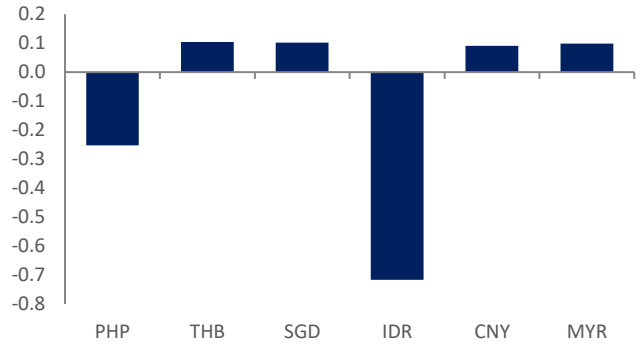
Note: "+" indicates appreciation, while "- "indicates depreciation. Quarterly figures are forecast by MBSBR.
Source: Bloomberg, MBSBR

Yield Change in 10Y Government Bonds (bps)



Source: Bloomberg; Macrobond; MBSBR

Weekly Currencies Change 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				
ADP Employment Change weekly	Sep-26	+24.75k	+23.75K	n.a
Initial Jobless Claims	Week Ending 26th Sep	199K	198K	200K
Inflation (yoy)	Sep-26	+3.7	+3.4	+3.6
Core inflation (yoy)	Sep-26	+2.6	+2.4	+2.5
PPI (yoy)	2Q26	+6.3	+5.6	n.a
Core PPI (yoy)	Sep-26	+5.0	+4.8	+4.4
Retail sales (yoy)	Sep-26	+6.3	+5.6	+5.3
Industrial production (yoy)	Sep-26	+2.2	+1.6	n.a
Manufacturing production (yoy)	Sep-26	+1.1	+0.9	n.a
Monetary Policy Decisions: Benchmark Interest rates				
Central Bank of Uganda	Sep-26	12.00	9.75	Hike (+225bps)
Malaysia				
GDP (yoy) advance estimate	3Q26	+5.3	+6.0	+4.9

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	9-Oct Fri	12-Oct Mon	13-Oct Tue	14-Oct Wed	15-Oct Thu	16-Oct Fri	Change (WoW bp)
MGS							
3-Y	3.475	3.449	3.432	3.419	3.433	3.428	-4.7
5-Y	3.727	3.695	3.649	3.659	3.643	3.624	-10.3
7-Y	3.879	3.818	3.8	3.791	3.753	3.8	-7.9
10-Y	3.933	3.877	3.831	3.833	3.795	3.83	-10.3
20-Y	4.284	4.268	4.246	4.222	4.199	4.199	-8.5
RINGGIT IRS							
1-Y	3.715	3.71	3.7	3.7	3.6765	3.6725	-4.25
3-Y	3.76	3.76	3.748	3.754	3.6775	3.705	-5.5
5-Y	3.8125	3.815	3.7914	3.787	3.735	3.7475	-6.5
7-Y	3.875	3.885	3.86	3.8575	3.8145	3.8215	-5.35
10-Y	4.008	4.01	4.015	3.985	3.945	3.945	-6.3
KLIBOR							
1-M	3.03	3.03	3.02	3.02	3.02	3.02	-1
3-M	3.55	3.55	3.55	3.55	3.55	3.55	0
UST							
3-Y	4.9175	4.9175	4.9118	4.909	4.824	4.7982	-11.93
5-Y	5.0157	5.0157	5.0013	4.9869	4.8775	4.8683	-14.74
7-Y	5.1277	5.1277	5.1061	5.0845	4.9607	4.9659	-16.18
10-Y	5.2378	5.2378	5.2084	5.1854	5.058	5.0728	-16.5
30-Y	5.5956	5.5956	5.5569	5.5231	5.4056	5.4209	-17.47

Source: Bloomberg

10 MOST ACTIVELY TRADED GOVERNMENT BONDS

Name	Coupon	Maturity	9-Oct Yield	16-Oct Yield	Change (WoW bp)	Weekly Volume (RM mn)
MALAYSIA GOVERNMENT	3.9	11/30/26	2.939	2.871	-6.8	3,302.0
MALAYSIA GOVERNMENT	3.502	05/31/27	3.048	3.058	1.0	2,481.0
MALAYSIA INVESTMNT ISSUE	3.447	07/15/36	3.966	3.888	-7.8	2,185.5
MALAYSIA GOVERNMENT	3.844	04/15/33	3.879	3.800	-7.9	2,145.3
MALAYSIA GOVERNMENT	3.766	01/15/41	4.198	4.078	-12.0	1,805.4
MALAYSIA INVESTMNT ISSUE	3.227	10/15/29	3.469	3.440	-2.9	1,575.2
MALAYSIA GOVERNMENT	3.519	04/20/28	3.335	3.295	-4.0	1,244.3
MALAYSIA INVESTMNT ISSUE	3.599	07/31/28	3.386	3.337	-4.9	1,153.7
MALAYSIA GOVERNMENT	3.582	07/15/32	3.865	3.763	-10.2	737.9
MALAYSIA GOVERNMENT	3.899	11/16/27	3.165	3.124	-4.1	697.6
TOTAL VOLUME (TOP 10)						17,327.9
TOTAL VOLUME (Overall)						26,279.7

Source: Bloomberg

10 MOST ACTIVELY TRADED CORPORATE BONDS

Name	Coupon	Maturity	9-Oct Yield	16-Oct Yield	Change (WoW bp)	Weekly Volume (RM mn)
DANAINFRA NASIONAL	2.86	05/20/27	N/A	3.400	N/A	100.0
SARAWAK ENERGY BHD	4.85	01/19/27	3.746	3.876	13.0	80.0
PENGURUSAN AIR SPV BHD	4.54	02/23/29	4.009	4.046	3.7	70.0
PETROLEUM SARAWAK EXPLO	3.8	03/17/28	4.019	5.497	147.8	70.0
SARAWAK ENERGY BHD	5.5	07/04/29	N/A	4.190	N/A	70.0
DANAINFRA NASIONAL	4.44	10/19/29	N/A	3.717	N/A	70.0
PRASARANA MALAYSIA BHD	4.32	09/07/28	N/A	3.608	N/A	60.0
PETROLEUM SARAWAK EXPLO	4.1	03/19/31	4.300	4.287	-1.3	60.0
MKD KENCANA SDN BHD	4.53	04/12/41	N/A	4.439	N/A	60.0
SOUTHERN POWER GENERATI	5.25	04/30/31	N/A	4.403	N/A	50.0
TOTAL VOLUME (TOP 10)						690.0
TOTAL VOLUME (Overall)						3,035.1

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