FIXED INCOME AND FX WEEKLY

MBSB Strategy 26 October 2026

Week Ended 23 October 2026

- The UST benchmark 10-year yield ended lower last week at 4.99% (prior week: 5.07%) on continued bargain hunting driven by recent multi-decade high yields. The 10y-3y yield spread narrowed (yield curve flattened) to +25bp (prior week: +28bp) 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 2.47% (prior week: 2.39%). 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 mixed with the 3-year and 10-year yields shed -2.5bp and added +5.6bp to close at 3.40% and 3.89% respectively. The 10y-3y yield spread expanded (yield curve steepened) to +48bp (prior week: +40bp) as long-end underperformed.

- 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 -RM9.6b. It increased from -RM9.7b registered a week ago. Moreover, it increased year-on-year from -RM26.0b a year ago.

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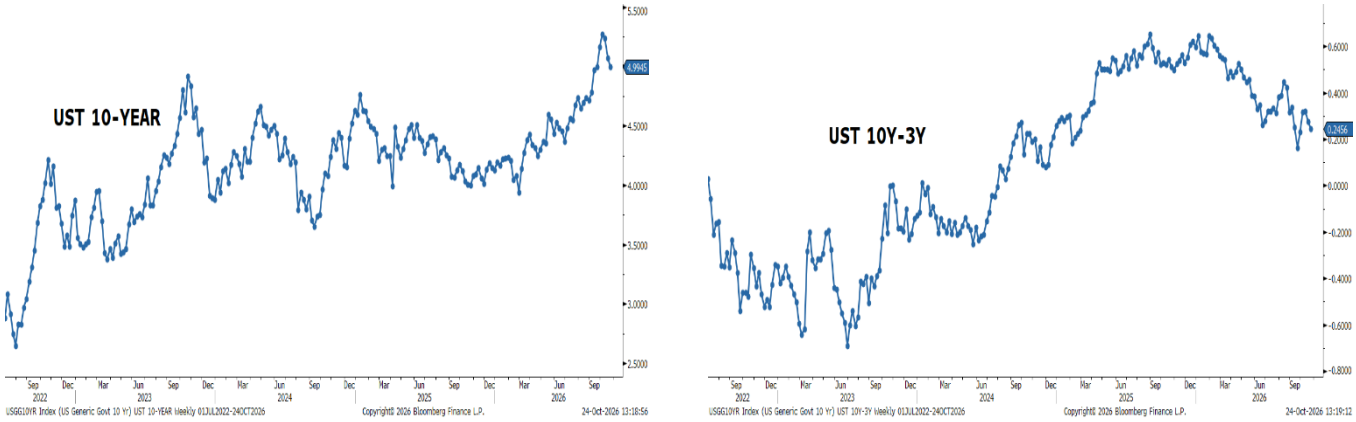
FIXED INCOME AND FX WEEKLY REVIEW

A. FIXED INCOME

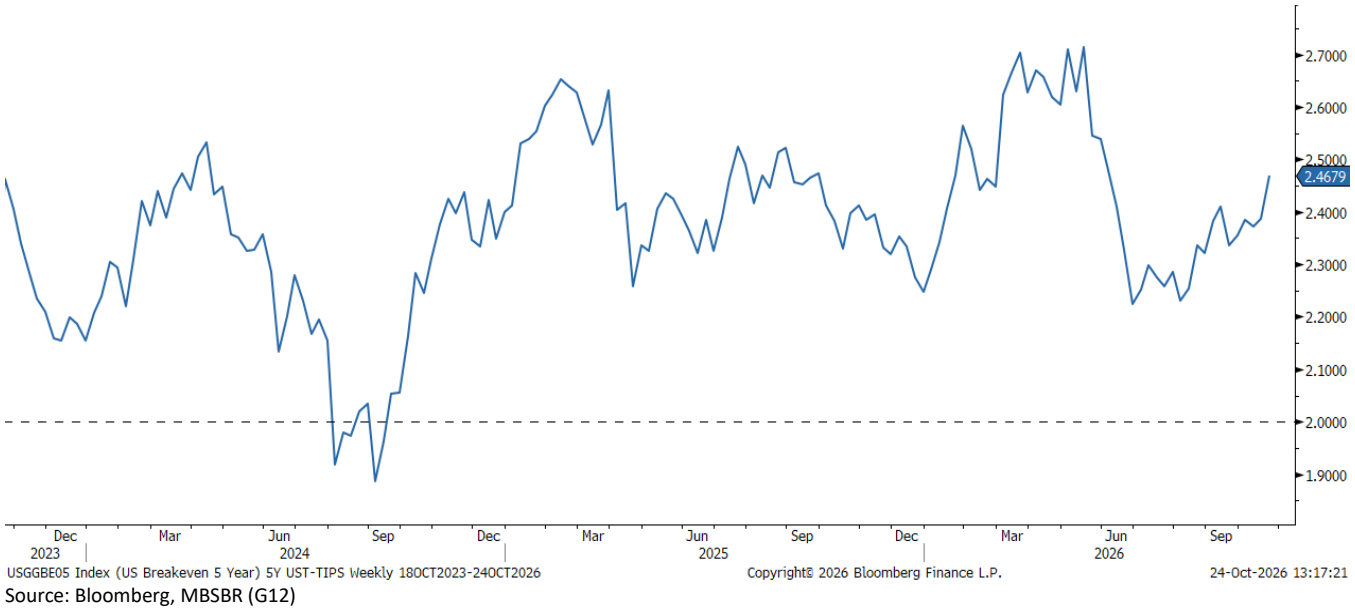
- The UST benchmark 10-year yield ended lower last week at 4.99% (prior week: 5.07%) on continued bargain hunting driven by recent multi-decade high yields. The 10y-3y yield spread narrowed (yield curve flattened) to +25bp (prior week: +28bp) as long-end outperformed. At week close, the interest rate 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)

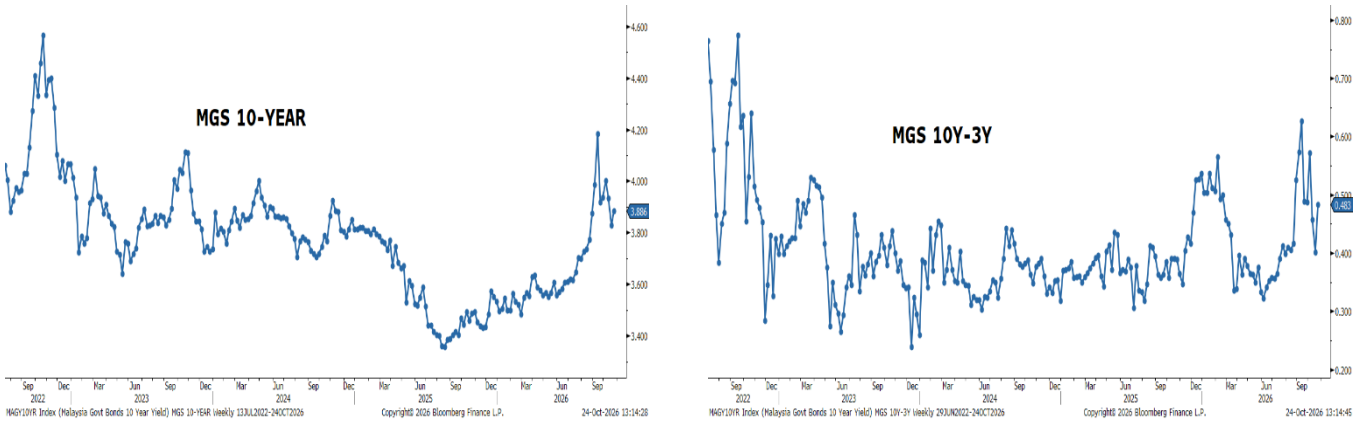
- Medium-term inflation expectation (MTIE) ended the review week higher at 2.47% (prior week: 2.39%). The MTIE has remained above the US Fed's target level of 2.00% since September 2024. However, since mid-May this year, expectations of Fed rate hikes have arguably contributed to lower MTIE.

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



Source: Bloomberg, MBSBR (G12)

- The price of MGS benchmark issues ended the review week mixed with the 3-year and 10-year yields shed -2.5bp and added +5.6bp to close at 3.40% and 3.89% respectively. The 10y-3y yield spread expanded (yield curve steepened) to +48bp (prior week: +40bp) as long-end underperformed.

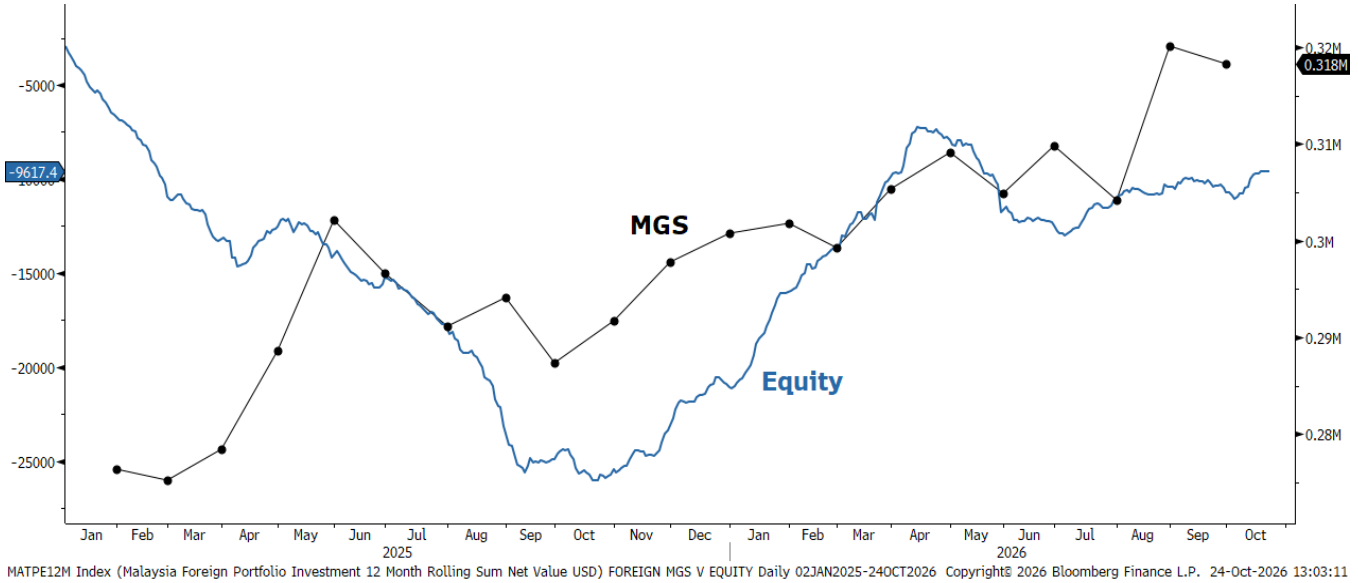


Source: Bloomberg, MBSBR (G10, G11)

- Total trading value for Government Bonds (MGS/MII) declined to RM17.3b in the review week compared to RM26.3b in the prior week (based on Bloomberg data). The total trading value of the 10 most actively traded issues declined (higher trading breadth) to 62% (prior week: 66%) 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 RM3.2b, MGS 3.502% 5/31/27 at RM1.3b, and MGS 3.844% 4/15/33 at RM1.3b.

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 02JAN2025-24OCT2026 Copyright© 2026 Bloomberg Finance L.P. 24-Oct-2026 13:03:11
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 -RM9.6b. It increased from -RM9.7b registered a week ago. Moreover, it increased year-on-year from -RM26.0b a year ago.

- Total trading value for Corporate Bonds (Conventional & Sukuk) declined to RM2.0b 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 increased (lower trading breadth) to 35% (prior week: 23%) of the overall Corporate Bonds trade.

- The top 3 actively traded Corporate Bonds were dominated by issues of varied residual tenor. The top 3 most actively traded were Malaysia Rail Link 3.92% 8/22/31 at RM160m, Prasarana Malaysia 4.28% 1/30/36 at RM120m, and IJM Treasury Management 0% 11/18/26 at RM80m.

B. FOREIGN EXCHANGE

- US dollar weakened marginally. The US dollar depreciated against major currencies last week, with the DXY Index edging down by -0.03%wow to 101.81 while remaining above the key 100 threshold. The DXY traded sideways within a tight range of 101.5 to 102.2, remaining subdued amid a lack of significant macro catalysts. The US dollar faced renewed selling pressure amid investor scepticism over the sustainability of the AI-led technology rally. Concurrently, US Treasury yields declined across the curve as market participants rotated into safe-haven assets following a sharp equity sell-off and rising crude oil prices. Broader risk aversion was further exacerbated by escalating geopolitical tensions in the Middle East, with reports of potential military escalation after the US midterm elections prompting defensive positioning. Against this volatile backdrop, Federal Reserve officials maintained a measured tone and showed little urgency for an immediate policy adjustment. According to the CME FedWatch Tool, futures markets priced in a 90.6% probability that the FOMC would keep rates unchanged at its upcoming meeting this week. Although geopolitical shocks typically trigger a flight to safety towards the US dollar, any structural erosion in market confidence or global demand for USD-denominated assets could alter capital flows. As investors diversify their portfolios, gold, the Japanese yen and the euro could be the primary beneficiaries of safe-haven rotation over the medium term.

- EUR weakened; GBP strengthened. The euro depreciated by -0.3%wow last week, falling to USD1.120 amid protests across Europe, while markets continued to expect the ECB to keep its policy rate unchanged this week. Meanwhile, the pound sterling appreciated by +0.4%wow to USD1.337 following stronger-than-expected inflation, although traders remained on the sidelines ahead of the UK Autumn Budget 2026.

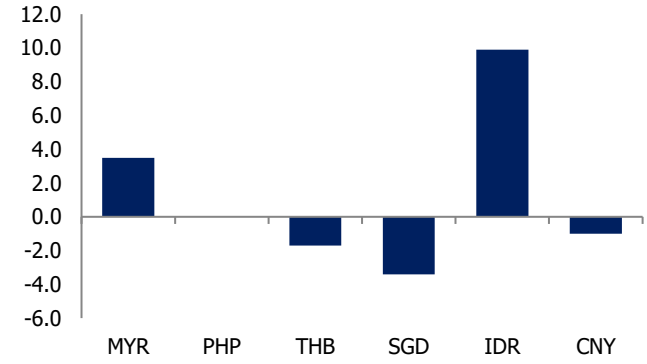
- Ringgit weakened last week. Despite the softer US dollar, the ringgit depreciated by -0.1%wow to RM4.086 against the US dollar, consistent with the increase in USDMYR from RM4.081 in the previous week. The local currency traded within a narrow range of RM4.075 to RM4.086 and weakened over the course of the week. The ringgit's movement was relatively stable despite strong domestic macroeconomic releases early in the week, as inflation remained well-contained and trade data continued to show strong performance. On a broader basis, the ringgit weakened against the currencies of Malaysia's trading partners, with the MBSB Trade-Weighted Ringgit Index declining by -0.1%wow to 98.14. The ringgit depreciated mainly against the Australian dollar (-0.9%wow), Japanese yen (-0.7%wow) and Korean won (-0.4%wow). Separately, foreign holdings of Malaysian government and corporate bonds recorded an inflow of +RM1.3b between 13th and 19th October, reversing the previous week's -RM3.6b outflow. Consequently, foreign holdings of local bonds increased to RM321.9b.

Currencies Changes (Week Ended 23-Oct-2026) and Quarterly Forecasts

	Close 23/10	Prev. Close 16/09	Weekly Change	Weekly Change (%)	1QCY26	2QCY26	3QCY26	4QCY26f
DXY Index	101.81	101.84	-0.027	-0.03	98.5	101.1	101.5	100.5
EURUSD	1.120	1.124	-0.004	-0.3	1.18	1.14	1.13	1.15
GBPUSD	1.337	1.333	+0.005	+0.4	1.34	1.33	1.33	1.34
USDJPY	156.9	158.0	+1.150	+0.7	152.0	162.55	157.4	162.0
USDMYR	4.086	4.081	-0.005	-0.1	4.04	4.09	4.08	4.03
GBPMYR	5.467	5.442	-0.025	-0.5	5.45	5.41	5.42	5.40
JPYMYR	2.604	2.583	-0.021	-0.8	2.6	2.51	2.59	2.49
MBSB TWRI	98.14	98.25	-0.110	-0.1	98.6	99.65	98.2	102.00

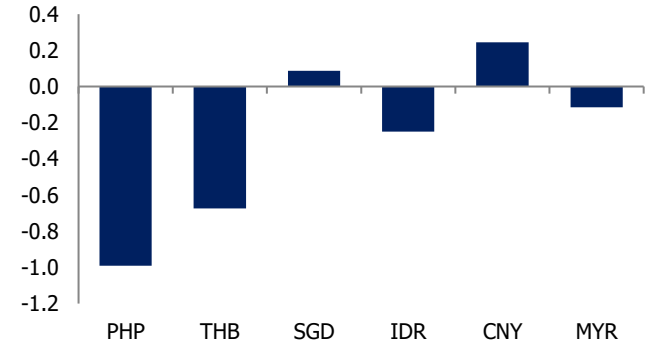
Note: "+" indicates appreciation, while "- "indicates depreciation. Quarterly figures are forecast by MBSBR.
Source: Bloomberg, MBSBR

Yield Change in 10Y Government Bonds (bps)



Source: Bloomberg; Macrobond; MBSBR

Weekly Currencies Changes vs USD (%)



Source: Bloomberg; 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	5.50
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	+18.50k	+24.75K	n.a
Initial Jobless Claims	Week Ending 26th Sep	194K	200K	200K
S&P Composite PMI (Flash)	Oct-26	57.6	58.4	57.6
S&P Manufacturing PMI (Flash)	Oct-26	56.0	55.9	55.5
S&P Services PMI (Flash)	Oct-26	57.9	58.8	58.0
Michigan Consumer Sentiment	Oct-26	48.0	48.1	46.3
Monetary Policy Decisions: Benchmark Interest rates				
PBOC	Oct-26	3.0	3.0	Unchanged
Bank of Korea	Oct-26	3.0	3.0	Unchanged
Bangko Sentral ng Pilipinas	Oct-26	5.5	5.0	Hike (+50bps)
Turkish Central Bank	Oct-26	36.0	37.0	Cut (-10bps)
Malaysia				
Inflation rate (yoy)	Sep-26	1.8	1.9	1.9
Exports (yoy)	Sep-26	54.5	45.5	n.a
Imports (yoy)	Sep-26	52.7	41.1	n.a
Coincident Index (mom)	Aug-26	-0.1	-0.1	n.a
Leading Index (mom)	Aug-26	+0.2	0.6	0.4

Source: Macrobond, MBSBR

C. BNM INTERNATIONAL RESERVES

- As of 15 October 2026, compared to previous fortnight, Bank Negara Malaysia's international reserves were higher at USD132.1b (30 September 2026: USD131.8b).

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	16-Oct Fri	19-Oct Mon	20-Oct Tue	21-Oct Wed	22-Oct Thu	23-Oct Fri	Change (WoW bp)
MGS							
3-Y	3.428	3.42	3.437	3.425	3.425	3.403	-2.5
5-Y	3.624	3.631	3.656	3.651	3.643	3.635	1.1
7-Y	3.8	3.798	3.825	3.845	3.817	3.844	4.4
10-Y	3.83	3.857	3.864	3.878	3.886	3.886	5.6
20-Y	4.199	4.199	4.249	4.26	4.251	4.247	4.8
RINGGIT IRS							
1-Y	3.6725	3.675	3.642	3.663	3.647	3.6675	-0.5
3-Y	3.705	3.7	3.69	3.664	3.665	3.701	-0.4
5-Y	3.7475	3.7505	3.7475	3.728	3.7135	3.753	0.55
7-Y	3.8215	3.825	3.815	3.7965	3.795	3.825	0.35
10-Y	3.945	3.94	3.95	3.9179	3.92	3.94	-0.5
KLIBOR							
1-M	3.02	3.02	3.02	3.02	3.02	3.02	0
3-M	3.55	3.55	3.55	3.55	3.55	3.55	0
UST							
3-Y	4.7982	4.8633	4.8661	4.8888	4.7154	4.7489	-4.93
5-Y	4.8683	4.9399	4.9291	4.9506	4.7713	4.8067	-6.16
7-Y	4.9659	5.0372	5.0129	5.0304	4.8494	4.8906	-7.53
10-Y	5.0728	5.1397	5.1085	5.119	4.953	4.9945	-7.83
30-Y	5.4209	5.4673	5.4198	5.4089	5.2804	5.3221	-9.88

Source: Bloomberg

10 MOST ACTIVELY TRADED GOVERNMENT BONDS

Name	Coupon	Maturity	16-Oct Yield	23-Oct Yield	Change (WoW bp)	Weekly Volume (RM mn)
MALAYSIA GOVERNMENT	3.9	11/30/26	2.871	2.947	7.6	3,218.2
MALAYSIA GOVERNMENT	3.502	05/31/27	3.058	3.037	-2.1	1,330.0
MALAYSIA GOVERNMENT	3.844	04/15/33	3.800	3.844	4.4	1,326.6
MALAYSIA INVESTMNT ISSUE	3.775	05/31/45	4.200	4.269	6.9	960.2
MALAYSIA GOVERNMENT	3.237	03/15/29	3.428	3.403	-2.5	847.9
MALAYSIA GOVERNMENT	3.582	07/15/32	3.763	3.748	-1.5	724.4
MALAYSIA INVESTMNT ISSUE	3.599	07/31/28	3.337	3.320	-1.7	675.1
MALAYSIA GOVERNMENT	4.232	06/30/31	3.624	3.635	1.1	621.3
MALAYSIA INVESTMNT ISSUE	3.624	03/31/33	3.800	3.809	0.9	574.6
MALAYSIA GOVERNMENT	3.828	07/05/34	3.895	3.905	1.0	529.6
TOTAL VOLUME (TOP 10)						10,807.8
TOTAL VOLUME (Overall)						17,334.6

Source: Bloomberg

10 MOST ACTIVELY TRADED CORPORATE BONDS

Name	Coupon	Maturity	16-Oct Yield	23-Oct Yield	Change (WoW bp)	Weekly Volume (RM mn)
MALAYSIA RAIL LINK	3.92	08/22/31	3.904	3.958	5.4	160.0
PRASARANA MALAYSIA BHD	4.28	01/30/36	N/A	4.205	N/A	120.0
IJM TREASURY MANAGEMENT	ZERO	11/18/26	3.686	3.649	-3.7	80.0
PRASARANA MALAYSIA BHD	4.38	01/29/38	N/A	4.299	N/A	60.0
PRASARANA MALAYSIA BHD	4.32	01/30/37	N/A	4.239	N/A	60.0
DRB-HICOM BHD	5.57	04/26/30	4.226	4.505	27.9	50.0
DANAINFRA NASIONAL	5.05	04/06/45	4.609	4.530	-7.9	45.0
PERBADANAN TABUNG PENDI	4.93	08/17/32	4.059	4.087	2.8	45.0
PUBLIC BANK BERHAD	ZERO	10/14/27	N/A	3.724	N/A	45.0
CELCOMDIGI TELECOM SDN	4.65	04/14/27	N/A	3.863	N/A	40.0
TOTAL VOLUME (TOP 10)						705.0
TOTAL VOLUME (Overall)						1,999.0

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