FIXED INCOME AND FX WEEKLY

MBSB Strategy 2 November 2026

Week Ended 30 October 2026

- The UST benchmark 10-year yield ended lower last week at 4.93% (prior week: 4.99%). During the week, the FOMC kept the policy rate unchanged, while the PCE data came in slightly softer than expected. The 10y-3y yield spread expanded (yield curve steepened) to +27bp (prior week: +25bp) as short-end outperformed. At week close, the interest rate futures market implied (as per CME FedWatch aggregated probabilities) additional 1 hike (prior week: 1 hike) this year and a further 1 hike (prior week: 2 hikes) next year.

- Medium-term inflation expectation (MTIE) ended the review week unchanged at 2.47% (prior week: 2.47%). 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 -0.1bp and added +2.7bp to close at 3.40% and 3.91% respectively. The 10y-3y yield spread expanded (yield curve steepened) to +51bp (prior week: +48bp) 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 -RM9.1b. It increased from -RM9.6b registered a week ago. Moreover, it increased year-on-year from -RM25.8b a year ago.

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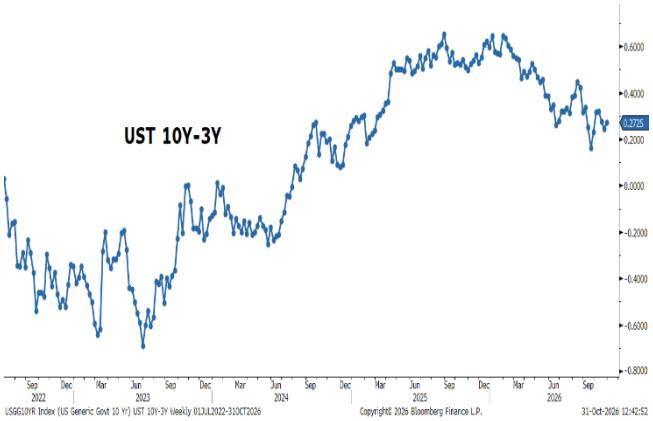
2 November 2026 | Strategy Strategy Team | research@mbsb.com

FIXED INCOME AND FX WEEKLY REVIEW

A. FIXED INCOME

- The UST benchmark 10-year yield ended lower last week at 4.93% (prior week: 4.99%). During the week, the FOMC kept the policy rate unchanged, while the PCE data came in slightly softer than expected. The 10y-3y yield spread expanded (yield curve steepened) to +27bp (prior week: +25bp) as short-end outperformed. At week close, the interest rate futures market implied (as per CME FedWatch aggregated probabilities) additional 1 hike (prior week: 1 hike) this year and a further 1 hike (prior week: 2 hikes) next year.

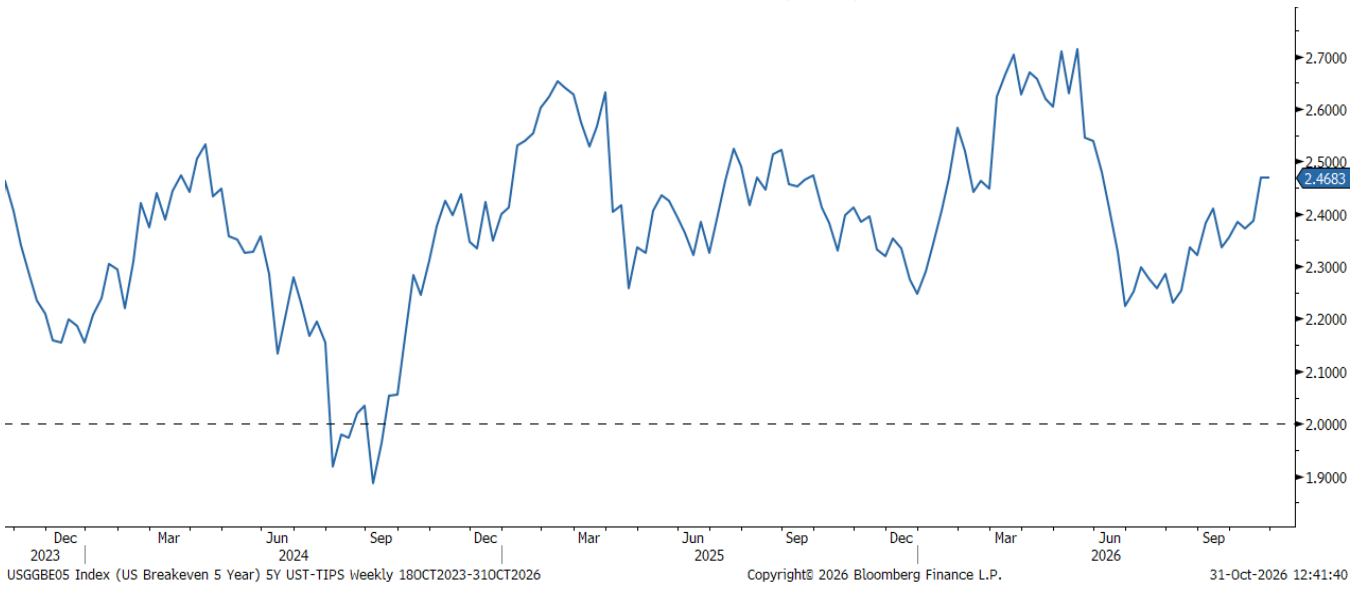




Source: Bloomberg, MBSBR (G8, G9)

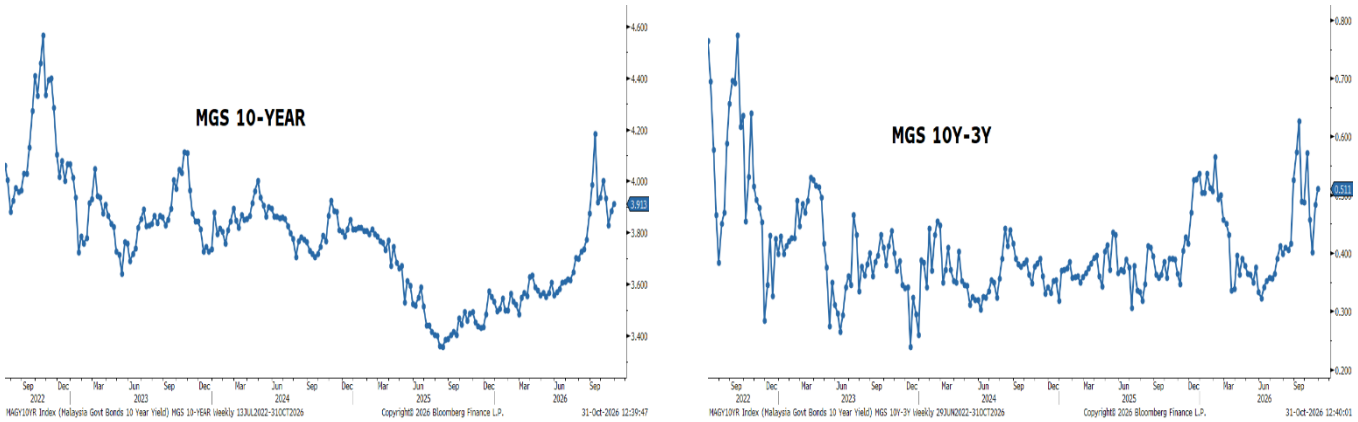
- Medium-term inflation expectation (MTIE) ended the review week unchanged at 2.47% (prior week: 2.47%). The MTIE has remained above the US Fed's target level of 2.00% since September 2024. However, since mid-May this year, expectations of Fed rate hikes have arguably contributed to lower MTIE.

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 -0.1bp and added +2.7bp to close at 3.40% and 3.91% respectively. The 10y-3y yield spread expanded (yield curve steepened) to +51bp (prior week: +48bp) as long-end underperformed.

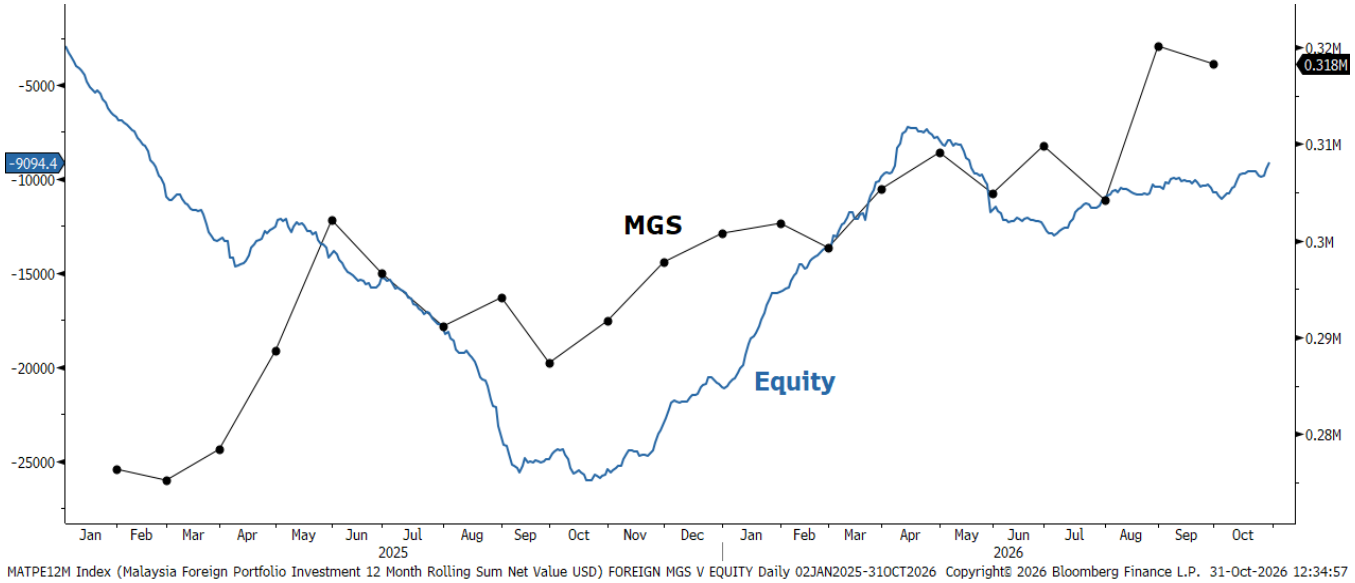


Source: Bloomberg, MBSBR (G10, G11)

- Total trading value for Government Bonds (MGS/MII) increased to RM28.8b in the review week compared to RM17.3b in the prior week (based on Bloomberg data). The total trading value of the 10 most actively traded issues increased (lower trading breadth) to 72% (prior week: 62%) of the overall Government Bonds trade. Moreover, 5 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 residual tenor. The top 3 most actively traded were MGS 3.9% 11/30/26 at RM6.3b, MGS 3.502% 5/31/27 at RM4.8b, and MII 3.227% 10/15/29 at RM1.8b.

FOREIGN: MGS HOLDINGS & 12-M ROLLING SUM NET EQUITIES TRADE



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 -RM9.1b. It increased from -RM9.6b registered a week ago. Moreover, it increased year-on-year from -RM25.8b a year ago.

- Total trading value for Corporate Bonds (Conventional & Sukuk) increased to RM3.3b in the review week compared to RM2.0b in the prior week (based on Bloomberg data). The total trading value of the 10 most actively traded issues increased (lower trading breadth) to 39% (prior week: 35%) 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 Gamuda 0% 3/5/27 at RM266m, RHB Bank 0% 4/29/27 at RM207m, and Malayan Banking 0% 4/29/27 at RM190m.

B. FOREIGN EXCHANGE

- US dollar strengthened marginally. The US dollar appreciated against major currencies last week, with the DXY Index edging slightly higher by +0.07%wow to 101.88, remaining above the 100 thresholds for the 7th straight week. The DXY traded sideways within a narrow range of 101.5–102.5, strengthening ahead of the FOMC meeting before retreating slightly after the Fed's hawkish hold. The FOMC maintained the fed funds rate target at 3.75–4.00%, with a 10–2 split vote as two members favoured additional +25bps hike. In line with the FOMC assessment that the US economic growth remained strong amid elevated inflation, data released last week also indicated the headline PCE inflation rising to +3.6%yoy in Sep-26 (Aug-26: +3.4%yoy), alongside higher core inflation of +3.1%yoy, and the 3Q26 GDP was stronger than expected at annualized +3.4%qoq (2QCY26: +2.2%), reinforcing expectations of further monetary tightening. However, the DXY subsequently weakened last Friday as a technology-led equity sell-off drove demand for US Treasuries, pushing yields lower, while uncertainty ahead of the US midterm elections added to investors' cautious sentiment. According to the CME FedWatch Tool, futures markets priced in a 72% probability of a +25bps rate hike at the upcoming Dec-26 FOMC meeting. 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 again. The euro depreciated by -0.4%wow to USD1.116 last week, weighed down by political and fiscal uncertainty in France, alongside the unexpected announcement of ECB President Christine Lagarde's early departure. Meanwhile, the ECB kept its policy rates unchanged, although concerns over tightening financial conditions and weaker growth prospects added to downward pressure on the euro. In contrast, the pound sterling appreciated by +0.1%wow to USD1.339, strengthening for the second consecutive week, supported by expectations of further BoE rate hikes and a relatively positive market response to the UK Autumn Budget 2026, which maintained fiscal discipline while introducing measures to ease household cost pressures.

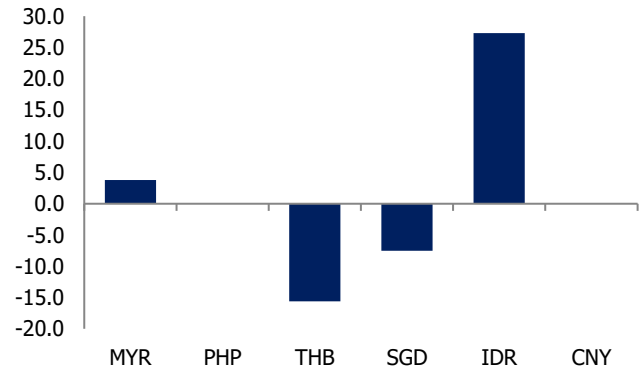
- Ringgit strengthened despite the stronger dollar. The ringgit also appreciated by +0.7%wow to RM4.058 against the US dollar. The local currency traded within a range of RM4.039 to RM4.086 last week. The ringgit's movement strengthened towards the end of the week, supported by a softer US dollar and declining US Treasury yields last Friday. Despite limited domestic macroeconomic catalysts, with Malaysia's PPI inflation accelerating to +12.0%yoy in Sep-26 (Aug-26: +10.7%yoy), market sentiment may have received additional support from improved perceptions of political stability and policy continuity following an agreement signed by several opposition MPs to support Budget 2027. On a broader basis, the ringgit also strengthened against the currencies of Malaysia's trading partners, with our MBSB Trade-Weighted Ringgit Index increasing by +0.7wow to 98.87, appreciating mainly against the Taiwan dollar (+2.7%wow), Indonesian rupiah (+2.0%wow), and Philippine peso (+2.3%wow). Separately, foreign holdings of Malaysian government and corporate bonds recorded an outflow of -RM0.97b between 19th and 26th October, reversing the previous week's +RM1.5b inflow. Consequently, the value of foreign holdings of local bonds declined to RM320.9b (previous week: USD321.9b).

Currencies Changes (Week Ended 30-Oct-2026) and Quarterly Forecasts

	Close 30/10	Prev. Close 23/09	Weekly Change	Weekly Change (%)	1QCY26	2QCY26	3QCY26	4QCY26f
DXY Index	101.88	101.81	+0.069	+0.07	98.5	101.1	101.5	100.5
EURUSD	1.116	1.120	-0.004	-0.4	1.18	1.14	1.13	1.15
GBPUSD	1.339	1.337	+0.002	+0.1	1.34	1.33	1.33	1.34
USDJPY	157.6	156.9	-0.690	-0.4	152.0	162.55	157.4	162.0
USDMYR	4.058	4.086	+0.027	+0.7	4.04	4.09	4.08	4.03
GBPMYR	5.450	5.467	+0.017	+0.3	5.45	5.41	5.42	5.40
JPYMYR	2.575	2.604	+0.029	+1.1	2.6	2.51	2.59	2.49
MBSB TWRI	98.87	98.14	+0.729	+0.7	98.6	99.65	98.2	102.00

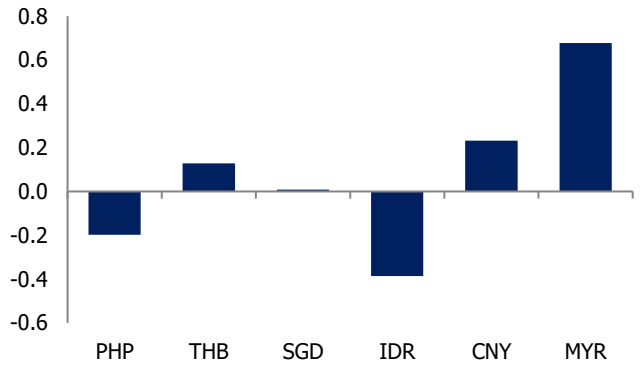
Note: "+" indicates appreciation, while "- "indicates depreciation. Quarterly figures are forecast by MBSBR. .
Source: Bloomberg, MBSBR

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	+16.8k	+17.5K	n.a.
Initial Jobless Claims	Week Ending 24th Oct	194K	195K	200K
House price (yoy)	Aug-26	+2.4	+2.5	n.a.
PCE Price Index (yoy)	Sep-26	+3.6	+3.4	+3.6
Core PCE (yoy)	Sep-26	+3.1	+3.0	+3.1
GDP Advance estimate (qoq)	3QCY26	+3.4	+2.2	+3.2
Monetary Policy Decisions: Benchmark Interest rates				
FOMC	Oct-26	3.75-4.00	3.75-4.00	Unchanged
Reserve Bank of New Zealand	Oct-26	2.75	2.75	Unchanged
Bank of Thailand	Oct-26	1.00	1.00	Unchanged
Bank of Canada	Oct-26	2.50	2.25	Hike (+25bps)
European Central Bank	Oct-26	2.65	2.65	Unchanged
Bank of Egypt	Oct-26	20.00	19.00	Hike (+100bps)
Bank of Japan	Oct-26	1.25	1.25	Unchanged
Malaysia				
Producer Price Index (yoy)	Sep-26	+12.0	+10.7	n.a.

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	23-Oct Fri	26-Oct Mon	27-Oct Tue	28-Oct Wed	29-Oct Thu	30-Oct Fri	Change (WoW bp)
MGS							
3-Y	3.403	3.421	3.408	3.399	3.405	3.402	-0.1
5-Y	3.635	3.644	3.679	3.706	3.701	3.663	2.8
7-Y	3.844	3.876	3.914	3.93	3.9	3.87	2.6
10-Y	3.886	3.896	3.942	3.97	3.928	3.913	2.7
20-Y	4.247	4.263	4.282	4.301	4.281	4.231	-1.6
RINGGIT IRS							
1-Y	3.6675	3.6625	3.6625	3.689	3.66	3.6425	-2.5
3-Y	3.701	3.685	3.7	3.712	3.6725	3.6625	-3.85
5-Y	3.753	3.7375	3.7525	3.7635	3.7238	3.71	-4.3
7-Y	3.825	3.815	3.835	3.8375	3.805	3.785	-4
10-Y	3.94	3.94	3.9525	3.945	3.9	3.882	-5.8
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	3.56	3.56	1
UST							
3-Y	4.7489	4.7773	4.8	4.7741	4.6742	4.6564	-9.25
5-Y	4.8067	4.8262	4.8441	4.8371	4.7428	4.7198	-8.69
7-Y	4.8906	4.8986	4.9119	4.9186	4.8262	4.8112	-7.94
10-Y	4.9945	4.9884	4.9967	5.0175	4.9369	4.9289	-6.56
30-Y	5.3221	5.3028	5.3103	5.3437	5.2996	5.3082	-1.39

Source: Bloomberg

10 MOST ACTIVELY TRADED GOVERNMENT BONDS

Name	Coupon	Maturity	23-Oct Yield	30-Oct Yield	Change (WoW bp)	Weekly Volume (RM mn)
MALAYSIA GOVERNMENT	3.9	11/30/26	2.947	2.714	-23.3	6,251.5
MALAYSIA GOVERNMENT	3.502	05/31/27	3.037	3.028	-0.9	4,805.4
MALAYSIA INVESTMNT ISSUE	3.227	10/15/29	3.423	3.432	0.9	1,764.1
MALAYSIA GOVERNMENT	3.92	10/31/36	N/A	3.890	N/A	1,723.3
MALAYSIA GOVERNMENT	3.844	04/15/33	3.844	3.870	2.6	1,383.6
MALAYSIA GOVERNMENT	3.766	01/15/41	4.103	4.155	5.2	1,096.5
MALAYSIA INVESTMNT ISSUE	3.447	07/15/36	3.928	3.917	-1.1	992.7
MALAYSIA GOVERNMENT	3.476	07/02/35	3.886	3.913	2.7	883.2
MALAYSIA GOVERNMENT	3.519	04/20/28	3.286	3.308	2.2	861.7
MALAYSIA INVESTMNT ISSUE	3.599	07/31/28	3.320	3.304	-1.6	846.9
TOTAL VOLUME (TOP 10)						20,608.8
TOTAL VOLUME (Overall)						28,790.7

Source: Bloomberg

10 MOST ACTIVELY TRADED CORPORATE BONDS

Name	Coupon	Maturity	23-Oct Yield	30-Oct Yield	Change (WoW bp)	Weekly Volume (RM mn)
GAMUDA BERHAD	ZERO	03/05/27	N/A	3.748	N/A	266.0
RHB BANK	ZERO	04/29/27	N/A	3.613	N/A	207.5
MALAYAN BANKING BHD	ZERO	04/29/27	N/A	3.528	N/A	190.0
ECO WORLD CAPITAL BHD	4.9	08/10/28	4.410	4.317	-9.3	145.8
DRB-HICOM BHD	5.1	12/12/29	4.476	4.537	6.1	100.0
MMC CORP BHD	5.95	11/12/27	4.259	4.238	-2.1	90.0
SP SETIA BERHAD	4.22	04/21/27	4.035	4.020	-1.5	75.0
MMC CORP BHD	5.4	11/30/29	4.476	4.497	2.1	70.0
YTL POWER INTERNATIONAL	4.165	07/22/33	4.319	4.465	14.6	70.0
DANAINFRA NASIONAL	3.72	09/21/40	N/A	4.459	N/A	60.0
TOTAL VOLUME (TOP 10)						1,274.3
TOTAL VOLUME (Overall)						3,288.0

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