



Weekly Fixed Income & FX Research Commentary

Tariffs uncertainties plague USD again ...

Monday, 26 May 2025

Snapshot Summary...

Global Rates: Friday's closing reignited market uncertainty, prompting a risk-off approach.

MYR Bonds: MYR government bonds were supported by heightened expectations of an OPR cut and Malaysia's inflation print.

Global FX: DXY weakness continues as markets wary of US tariffs plans.

USD/MYR: MYR up alongside USD weakness.

Fixed Income

Global Bonds The week began on a downnote as Moody's downgraded the US credit rating from Aaa to Aa1. UST yields rose on potential rising government debt and a widening budget deficit. The impact was most pronounced in longer-dated Treasuries, with the 30Y yield breaching 5.0% before easing from earlier highs. Sentiment was further shaped by Trump's tax-cut proposal, which narrowly passed the House by a single vote (215-214), contributing to heightened debt concerns. The 20Y UST bond auction garnered a lower BTC ratio of 2.46x compared to 2.63x in the previous auction. However, Friday's announcement of Trump's proposed 50% tariff on the European Union (EU) reignited market uncertainty, prompting traders to adopt a more cautious, risk-off approach. Meanwhile, the 10Y bund yield declined despite Germany's mixed economic data, as the upward revision of 1Q2025 GDP growth to 0.4% q/q was offset by a weaker-than-expected May manufacturing PMI survey.

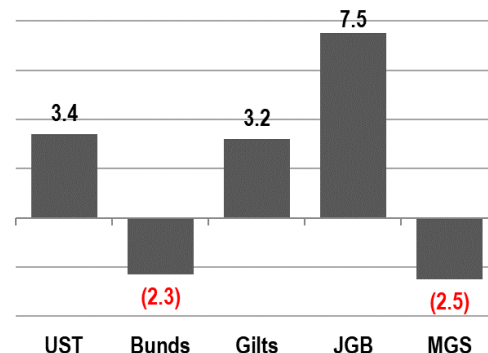
Malaysia Government Bonds: MYR government bonds was supported by heightened expectations of an OPR cut by BNM in 2H2025. This was further boosted by Malaysia's subdued inflation of 1.4% y/y in April, pushing the yields across the curve down with the 5Y benchmark MGS 05/30 leading the curve during midweek. KLIBOR fell further, with 3-month KLIBOR down 7 bps w/w, reflecting the SRR cut and expectations of lower interest rates.

Malaysia Government Bonds View: With a lack of key economic data releases in Malaysia this week, traders are likely to turn their attention to global developments for clearer market direction.

Malaysia Corporate Bonds: The corporate bond market remained supported in tandem with the MGS. Yields fell further but lagging MGS decline.

Malaysia Corporate Bonds View: As MGS rally, we see trading opportunity for shorter Cagamas tenor, specifically the 12/27 at 3.59% for a potential yield pickup.

Weekly Major 10Y Sovereign Yield Changes (bps)



Weekly Major Bond Yields (%)

Major Bond Yields	23-May-25	16-May-25	w/w (bps)
2-year UST	3.99	4.00	(1)
10-year UST	4.51	4.48	3
2-year Bund	1.76	1.86	(9)
10-year Bund	2.57	2.59	(2)
2-year Gilt	3.98	4.01	(2)
10-year Gilt	4.68	4.65	3
2-year JGB	0.73	0.72	1
10-year JGB	1.54	1.46	8
2-year AGB	3.40	3.55	(16)
10-year AGB	4.42	4.45	(3)

Weekly MGS Yields (%)

MGS Yields	23-May-25	16-May-25	w/w (bps)
3-year	3.17	3.20	(2)
5-year	3.22	3.31	(9)
7-year	3.43	3.49	(6)
10-year	3.57	3.59	(2)
15-year	3.71	3.75	(3)
20-year	3.82	3.85	(3)
30-year	4.06	4.06	(0)

Weekly GII Yields (%)

GII Yields	23-May-25	16-May-25	w/w (bps)
3-year	3.18	3.20	(2)
5-year	3.34	3.36	(2)
7-year	3.46	3.50	(4)
10-year	3.55	3.59	(4)
15-year	3.73	3.76	(3)
20-year	3.85	3.87	(2)

MYR Swap & KLIBOR Rates (%)

IRS & KLIBOR	23-May-25	16-May-25	w/w (bps)
IRS 3-Year	3.17	3.20	(3)
IRS 5-Year	3.26	3.26	(0)
IRS 7-Year	3.36	3.36	1
IRS 10-Year	3.50	3.49	1
3-Month KLIBOR	3.52	3.59	(7)
6-Month KLIBOR	3.56	3.64	(8)

Forex

DXY Index: USD fell 2% w/w last week and DXY falling further in early Asian trading today to below 99.0. Trump announcing of imposition of 50% tariffs on the EU pressured the dollar. However, latest news of Trump's seemingly hopeful conversation with EU president von der Leyen and the US delaying the tariffs pending further talks till 9 July did not support the USD from dipping below 99. Also pressuring the dollar last week was concerns of tax cuts blowing out US government debt in the coming years. The House last week approved Trump's fiscal proposal by 1 vote (215-214).

Europe: EUR rallied vs weak USD despite mixed data, including Eurozone HCOB manufacturing PMI at 49.4 in May, up from 49.0 in April though HCOB services PMI fell to 48.9 from 50.1 in April. Germany revised up its 1Q2025 GDP to 0.4% q/q. GBP posted 2% rise last week, rallying decisively over the weak USD. Versus the EUR, the GBP was riding on comparatively less tariff threat but also aided by the firm April CPI of +3.5% (March: +2.6%) when Eurozone April CPI was sluggish at 2.2% vs. 2.2% in March.

Asia: This month so far, China has reported mainly weak economic data, including retail sales, exports, CPI and PPI. Meanwhile, PBOC cut its 1Y and 5Y loan prime rates by 10bps each to 3.00% and 3.50% last week. However, USD/CNY was down as USD fell. JPY found support after on firm expectations of for rate hikes in the medium to longer term, after Japan reported the strongest core inflation rise in the past two years. AUD rose as China and rest of Asia also strengthened vs. the USD, though the RBA cut its Cash Rate by 25 bps to 3.85% (second cut this year after the cut in January). Policymakers expect more risks to Australia's growth and inflation. RBNZ policy meeting is Wednesday, anticipated to lower by 25bps.

Malaysia: Amid the USD weakness, the MYR rallied last week with USD/MYR down 1.4% and closing at 4.232. The pair fell further as we opened today, finding support at 4.200 and breaking below our previous support level of 4.230. Ringgit has been riding high on hopes for lower US tariffs on the country going forward, and the currency's sentiment was buoyed despite weak GDP, benign CPI numbers, and anticipation of easier BNM policy going forward.

Indicative PDS Yields (%)

PDS Indicative Yields	23-May-25	16-May-25	w/w (bps)
3-Year AAA	3.71	3.72	(1)
3-Year AA	3.86	3.86	0
3-Year A	4.48	4.48	(0)
5-Year AAA	3.77	3.79	(2)
5-Year AA	3.93	3.93	(0)
5-Year A	4.60	4.60	(0)
10-Year AAA	3.92	3.92	(0)
10-Year AA	4.07	4.07	0
10-Year A	4.95	4.95	(0)

FX Weekly – vs. USD


FX Against USD	23-May-25	16-May-25	w/w (%)
DXY Index	99.11	101.09	(2.0)
Euro	1.136	1.116	1.8
Aussie Dollar	0.649	0.641	1.3
Pound Sterling	1.354	1.328	1.9
Japanese Yen	142.6	145.7	(2.2)
NZ Kiwi	0.599	0.588	1.8
Ringgit	4.232	4.294	(1.4)
Rupiah	16,222	16,440	(1.3)
Thai Baht	32.58	33.24	(2.0)
Sing Dollar	1.285	1.300	(1.2)
China Yuan	7.181	7.214	(0.5)
Korea Won	1,366	1,402	(2.6)
India Rupee	85.22	85.52	(0.4)
Philippine Peso	55.27	55.65	(0.7)


FX Weekly – Cross Rates vs. MYR


Cross FX Against MYR	23-May-25	16-May-25	w/w (%)
Euro	4.80	4.81	(0.1)
Pound Sterling	5.71	5.71	0.1
Aussie Dollar	2.74	2.76	(0.8)
Japanese Yen	2.97	2.94	0.9
Sing Dollar	3.29	3.31	(0.5)
10 China Yuan	5.89	5.96	(1.2)
1 million Rupiah	260.90	261.20	(0.1)
Thai Baht	12.98	12.89	0.7
100 India Rupee	4.96	5.03	(1.4)
100 Philippine Peso	7.66	7.71	(0.6)


Sources: Bank Negara Malaysia (BNM), Bloomberg, Trading Economics, AmBank Economics


Technical Pair Summary

DXY 	Resistance Level			
	R1	99.80	R2	100.70
	Support Level			
	S1	98.30	S2	97.80
	Outlook: Mildly bearish			

EUR/USD 	Resistance Level			
	R1	1.145	R2	1.150
	Support Level			
	S1	1.128	S2	1.120
	Outlook: Mildly bearish			

USD/JPY 	Resistance Level			
	R1	144.00	R2	146.00
	Support Level			
	S1	140.5	S2	139.50
	Outlook: Mildly bullish			

USD/MYR 	Resistance Level			
	R1	4.310	R2	4.330
	Support Level			
	S1	4.200	S2	4.150
	Outlook: Mildly bearish MYR			

GBP/USD 	Resistance Level			
	R1	1.385	R2	1.425
	Support Level			
	S1	1.345	S2	1.325
	Outlook: Mildly bearish			


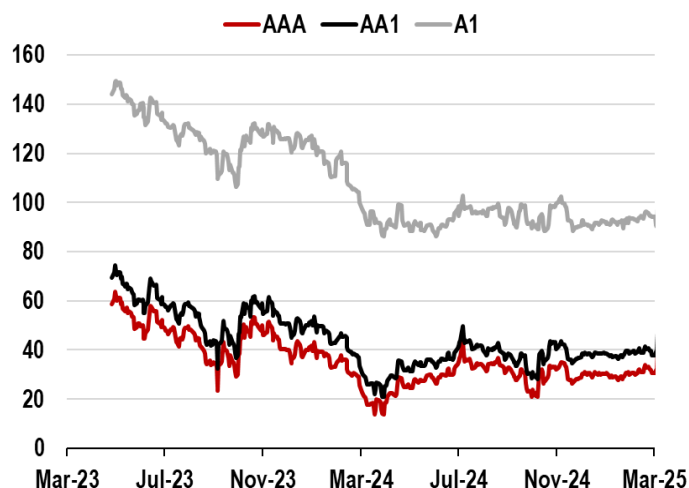
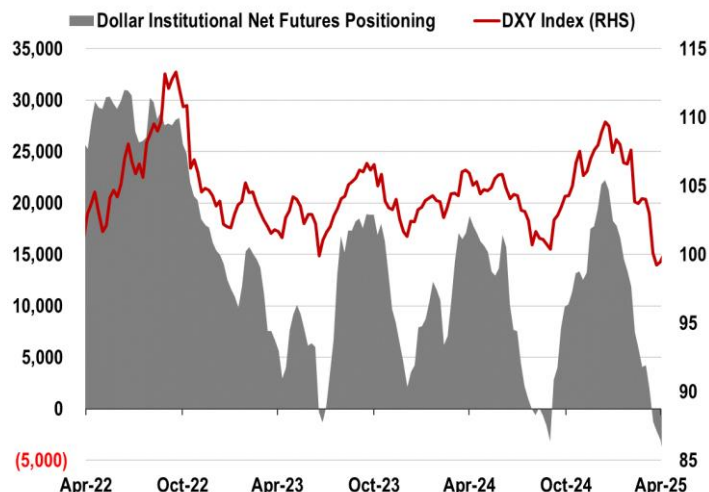
AUD/USD 	Resistance Level			
	R1	0.655	R2	0.665
	Support Level			
	S1	0.645	S2	0.640
	Outlook: Neutral			

Exhibit 1: Credit Spreads vs. MGS (5Y tenor) (bps)



Sources: BPAM, AmBank Economics

Exhibit 2: CFTC Dollar Insti. Net Fut. Positioning vs. DXY



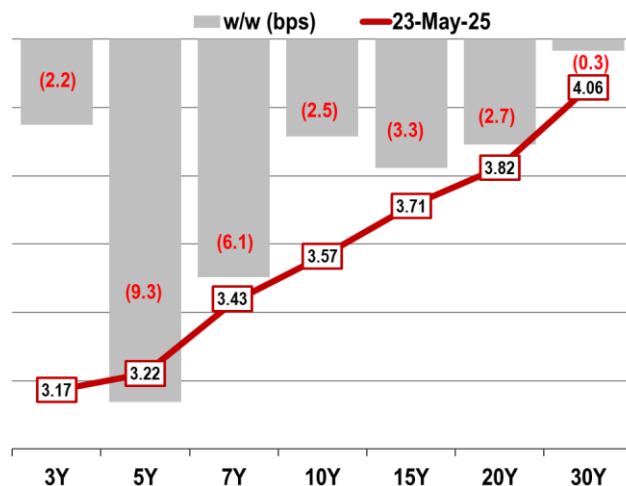
Sources: Bloomberg, AmBank Economics

Exhibit 3: MSCI AC Asia Ex-JP Currency Index



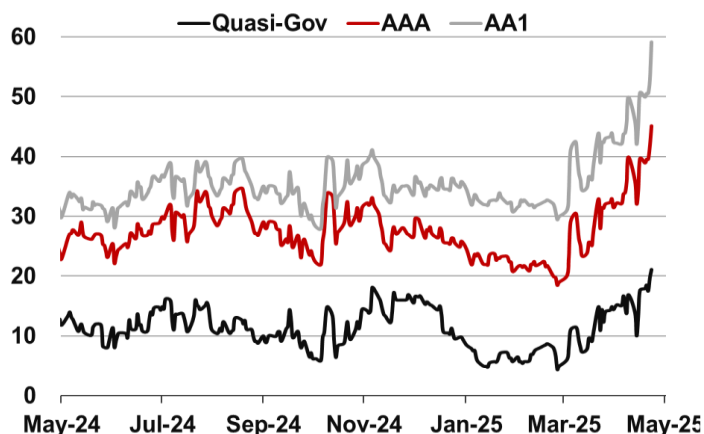
Sources: Bloomberg, AmBank Economics

Exhibit 4: MGS yield curve changes (1w)*



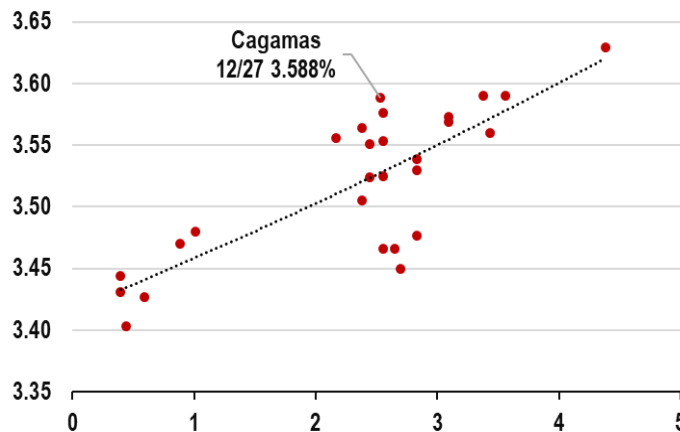
Sources: BNM, BPAM, Bloomberg, AmBank Economics
Using the MGIY ticker on Bloomberg

Exhibit 5: Credit Spreads vs. MGS (5Y tenor) (bps)



Sources: Bloomberg, AmBank Economics

Exhibit 6: Cagamas (AAA) latest curve



Sources: BNM, BPAM, Bloomberg, AmBank Economics
Using the MGIY ticker on Bloomberg

Calendar Events/Data (26th – 30th May 2025)

Monday May 26 2025			Consensus	Previous
2:40 AM	US	Fed Chair Powell Speech		
1:00 PM	JP	Coincident Index Final MAR		117.3
1:00 PM	JP	Leading Economic Index Final MAR	107.7	108.2
9:20 PM	EA	ECB President Lagarde Speech		
Tuesday May 27 2025			Consensus	Previous
9:30 AM	CN	Industrial Profits (YTD) YoY APR		0.80%
2:00 PM	DE	GfK Consumer Confidence JUN	-19.7	-20.6
4:00 PM	GB	BoE Hauser Speech		
4:00 PM	US	Fed Kashkari Speech		
5:00 PM	EA	Economic Sentiment MAY	94	93.6
5:00 PM	EA	Consumer Confidence Final MAY	-15.2	-16.6
5:00 PM	EA	Consumer Inflation Expectations MAY		29.6
6:00 PM	GB	CBI Distributive Trades MAY	-14	-8
8:30 PM	US	Durable Goods Orders MoM APR	-8%	7.50%
8:30 PM	US	Durable Goods Orders Ex Transp MoM APR	0%	-0.40%
8:30 PM	US	Durable Goods Orders ex Defense MoM APR		8.90%
8:30 PM	US	Non Defense Goods Orders Ex Air APR		-0.20%
9:00 PM	US	S&P/Case-Shiller Home Price YoY MAR	4.50%	4.50%
9:00 PM	US	House Price Index MAR		437.3
9:00 PM	US	House Price Index MoM MAR	0.20%	0.10%
9:00 PM	US	House Price Index YoY MAR		3.90%
9:00 PM	US	S&P/Case-Shiller Home Price MoM MAR		0.70%
10:00 PM	US	CB Consumer Confidence MAY	88	86
10:30 PM	US	Dallas Fed Manufacturing Index MAY		-35.8
Wednesday May 28 2025			Consensus	Previous
1:00 AM	US	2-Year Note Auction		3.80%
1:00 AM	US	Money Supply APR		\$21.76T
8:00 AM	US	Fed Williams Speech		
11:35 AM	JP	40-Year JGB Auction		2.71%
12:00 PM	MY	PPI YoY APR		-1.90%
2:00 PM	DE	Import Prices MoM APR		-1%
2:00 PM	DE	Import Prices YoY APR		2.10%
3:55 PM	DE	Unemployed Persons MAY		2.922M
3:55 PM	DE	Unemployment Change MAY	10K	4K
3:55 PM	DE	Unemployment Rate MAY	6.30%	6.30%
4:00 PM	EA	ECB Consumer Inflation Expectations APR		2.90%
4:00 PM	US	Fed Kashkari Speech		
5:00 PM	GB	8-Year Green Gilt Auction		
5:30 PM	DE	15-Year Bund Auction		2.83%
10:00 PM	US	Richmond Fed Manufacturing Index MAY	-9	-13
10:00 PM	US	Richmond Fed Manufacturing Shipments Index MAY		-17
10:00 PM	US	Richmond Fed Services Revenues Index MAY		-7
10:30 PM	US	Dallas Fed Services Index MAY		-19.4
10:30 PM	US	Dallas Fed Services Revenues Index MAY		3.8
11:00 PM	GB	BoE Pill Speech		

Thursday May 29 2025			Consensus	Previous
1:00 AM	US	5-Year Note Auction		4.00%
2:00 AM	US	FOMC Minutes		
4:30 AM	US	API Crude Oil Stock Change MAY/23		2.499M
7:50 AM	JP	Foreign Bond Investment MAY/24		¥2824.6B
1:00 PM	JP	Consumer Confidence MAY	31.8	31.2
8:30 PM	US	GDP Growth Rate QoQ 2nd Est Q1	-0.30%	2.40%
8:30 PM	US	Corporate Profits QoQ Prel Q1	5.90%	5.90%
8:30 PM	US	Fed Barkin Speech		
8:30 PM	US	GDP Price Index QoQ 2nd Est Q1	3.70%	2.30%
8:30 PM	US	Initial Jobless Claims MAY/24	230K	227K
8:30 PM	US	Continuing Jobless Claims MAY/17		1903K
8:30 PM	US	Core PCE Prices QoQ 2nd Est Q1	3.50%	2.60%
8:30 PM	US	GDP Sales QoQ 2nd Est Q1	-2.50%	3.30%
8:30 PM	US	Jobless Claims 4-week Average MAY/24		231.5K
8:30 PM	US	PCE Prices QoQ 2nd Est Q1	3.60%	2.40%
8:30 PM	US	Real Consumer Spending QoQ 2nd Est Q1	1.80%	4%
10:00 PM	US	Pending Home Sales MoM APR	-1%	6.10%
10:00 PM	US	Pending Home Sales YoY APR		-0.60%
10:30 PM	US	EIA Natural Gas Stocks Change MAY/23		120Bcf
10:40 PM	US	Fed Goolsbee Speech		

Friday May 30 2025			Consensus	Previous
12:00 AM	US	EIA Crude Oil Stocks Change MAY/23		1.328M
12:00 AM	US	EIA Gasoline Stocks Change MAY/23		0.816M
1:00 AM	US	7-Year Note Auction		4.12%
2:00 AM	US	Fed Kugler Speech		
4:00 AM	US	Fed Daly Speech		
4:30 AM	US	Fed Balance Sheet MAY/28		\$6.69T
7:01 AM	GB	Car Production YoY APR		17.10%
7:30 AM	JP	Unemployment Rate APR	2.50%	2.50%
7:30 AM	JP	Jobs/applications ratio APR	1.26	1.26
7:30 AM	JP	Tokyo Core CPI YoY MAY	3.50%	3.40%
7:30 AM	JP	Tokyo CPI Ex Food and Energy YoY MAY		2%
7:30 AM	JP	Tokyo CPI YoY MAY		3.50%
7:50 AM	JP	Industrial Production MoM Prel APR	-1.40%	0.20%
7:50 AM	JP	Retail Sales YoY APR	3.10%	3.10%
7:50 AM	JP	Industrial Production YoY Prel APR		1.00%
7:50 AM	JP	Retail Sales MoM APR		-1.20%
8:00 AM	US	Fed Logan Speech		
11:35 AM	JP	2-Year JGB Auction		0.69%
1:00 PM	JP	Housing Starts YoY APR	-18.30%	39.10%
1:00 PM	JP	Construction Orders YoY APR		3.50%
2:00 PM	DE	Retail Sales MoM APR	0.30%	-0.20%
2:00 PM	DE	Retail Sales YoY APR		2.20%
3:00 PM	MY	M3 Money Supply YoY APR		2.30%
4:00 PM	EA	Loans to Companies YoY APR		2.30%
4:00 PM	EA	Loans to Households YoY APR	1.80%	1.70%
4:00 PM	EA	M3 Money Supply YoY APR	3.70%	3.60%
8:00 PM	DE	Inflation Rate YoY Prel MAY		2.10%
8:00 PM	DE	Inflation Rate MoM Prel MAY	0.10%	0.40%
8:30 PM	US	Core PCE Price Index MoM APR	0.10%	0.00%
8:30 PM	US	Personal Income MoM APR	0.30%	0.50%
8:30 PM	US	Personal Spending MoM APR	0.20%	0.70%
8:30 PM	US	Goods Trade Balance Adv APR	-\$141.8B	-\$161.99B
8:30 PM	US	PCE Price Index MoM APR		0%
8:30 PM	US	PCE Price Index YoY APR		2.30%
8:30 PM	US	Retail Inventories Ex Autos MoM Adv APR		0.40%
8:30 PM	US	Wholesale Inventories MoM Adv APR	0.40%	0.40%
8:30 PM	US	Core PCE Price Index YoY APR		2.60%
9:45 PM	US	Chicago PMI MAY	45.1	44.6
10:00 PM	US	Michigan Consumer Sentiment Final MAY	50.8	52.2
10:00 PM	US	Michigan 5 Year Inflation Expectations Final MAY	4.60%	4.40%
10:00 PM	US	Michigan Consumer Expectations Final MAY	46.5	47.3
10:00 PM	US	Michigan Current Conditions Final MAY	57.6	59.8
10:00 PM	US	Michigan Inflation Expectations Final MAY	7.30%	6.50%

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