



Weekly Fixed Income & FX Research Commentary

Tariff reckoning comes... later

Monday, 07 July 2025

Snapshot Summary...

Global Rates: UST closed weaker w/w amid solid NFP and ISM services data. Other DM bonds fared mixed amid a myriad of idiosyncratic events.

MYR Bonds: Onshore bonds are supported despite volatility in the US, with front-end dominating interest ahead of BNM's MPC meeting.

Global FX: DXY found stable footing around 97.0-98.0 after earlier declines. AUD was slightly firmer for the week ahead of the RBA policy meeting.

USD/MYR: MYR rose 0.2% w/w, though FX turnover was subdued.

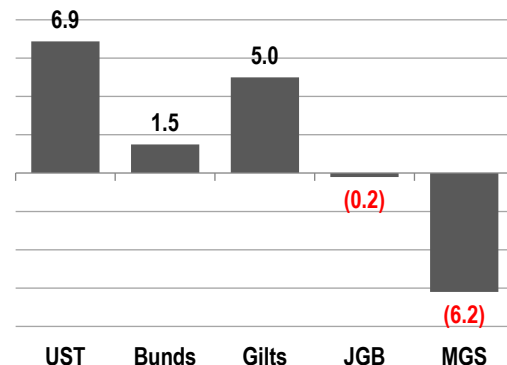
Fixed Income

Global Bonds: Mixed performance across DM bonds, given idiosyncratic developments and data for each country. Bearish UST sentiment was led by declines on the front-end as markets pared back FFR expectations, following the release of solid NFP labour and ISM services data that challenged recent market narratives of dwindling US economic exceptionalism. Passage of Trump's fiscal bill also added to headwinds, which is expected to add USD3.3 trillion to US deficits over a decade, though this had already been largely priced in previously. Gilts saw sharp volatility mid-week given UK fiscal/political developments, with the 5 bps w/w uptick on 10Y Gilts indicating some risk premiums priced in. Bunds and JGB were better supported for the week. Ahead, markets are likely to stay attuned to trade talk developments. Though Trump signaled that tariff letters will be sent to trade partners soon, the new rates will also take effect from 1 August.

Malaysia Government Bonds: MGS and GII bonds closed firmer for the week as yields fell 1-3bps across the yield curve – with bonds seeing a lower beta to UST selloffs. Ultra-front end saw better bidding interests, as markets position for BNM's 25bps OPR cut in either the upcoming July or September MPC meeting. Meanwhile, the 7Y GII 10/31 reopening auction saw solid demand with a BTC of 2.91x on the MYR5.0 billion public issuance size.

Malaysia Government Bonds View: Besides global trade-related developments and spillover effect from DM bonds, BNM's MPC meeting this week will be a key focus. Consensus is split to a tie, with 12 out of 23 economists polled expecting a 25bps cut to the OPR (remaining polled: no cut). While we believe the timing is appropriate for a rate cut during the upcoming July meeting, a decision to stand pat will likely be accompanied with dovish signaling on the outlook ahead - thereby suggesting instead a potential rate cut later on its 4 September meeting, after the release of Malaysia's 2Q25 final GDP data (post-US tariffs) on 15 August, and July CPI data (post-SST expansion and electricity tariffs reform) on 22 August. Meanwhile, BNM is also expected to announce details for the new issuance of the next 30Y MGS benchmark (07/55), for which we expect firm demand for the auction given the lacklustre domestic equity performance and supportive flows from foreign portfolios.

Weekly Major 10Y Sovereign Yield Changes (bps)



Weekly Major Bond Yields (%)

Major Bond Yields	4-Jul-25	27-Jun-25	w/w (bps)
2-year UST	3.88	3.75	13
10-year UST	4.35	4.28	7
2-year Bund	1.82	1.86	(4)
10-year Bund	2.61	2.59	2
2-year Gilt	3.85	3.84	1
10-year Gilt	4.55	4.50	5
2-year JGB	0.74	0.75	(1)
10-year JGB	1.44	1.44	(0)
2-year AGB	3.27	3.19	8
10-year AGB	4.19	4.13	6

Weekly MGS Yields (%)

MGS Yields	4-Jul-25	27-Jun-25	w/w (bps)
3-year	3.12	3.13	(0)
5-year	3.18	3.20	(1)
7-year	3.38	3.39	(2)
10-year	3.45	3.51	(6)
15-year	3.68	3.70	(2)
20-year	3.78	3.79	(1)
30-year	4.00	4.01	(1)

Weekly GII Yields (%)

GII Yields	4-Jul-25	27-Jun-25	w/w (bps)
3-year	3.15	3.15	0
5-year	3.26	3.28	(2)
7-year	3.37	3.39	(1)
10-year	3.50	3.52	(2)
15-year	3.70	3.70	(1)
20-year	3.76	3.77	(1)

MYR Swap & KLIBOR Rates (%)

IRS & KLIBOR	4-Jul-25	27-Jun-25	w/w (bps)
IRS 3-Year	3.13	3.13	(1)
IRS 5-Year	3.19	3.22	(2)
IRS 7-Year	3.29	3.32	(3)
IRS 10-Year	3.41	3.43	(2)
3-Month KLIBOR	3.49	3.50	(1)
6-Month KLIBOR	3.52	3.54	(2)

Forex

DXY Index: 3Q2025 began with the dollar index finding a stable footing around the 97.0-98.0 level, after a 2.5% m/m decline in June. Trading was slightly choppy within range last week, given the twists and turns of piecemeal US labour market data releases over the week, with the solid NFP and ISM services data standing in contrast to weaknesses in private employment. Though swap markets have pared FFR cut expectations to 99 bps for Fed meetings up to June 2026 (prior week: 113 bps), dollar sentiment still slanted negative (-0.2% w/w), as Trump's 'One Big Beautiful Bill' passed through Senate and House readings. Meanwhile, US Treasury Secretary Scott Bessent also dismissed concerns on recent dollar weaknesses, saying the administration's 'strong dollar policy' is about ensuring it remains the global reserve currency, while highlighting issues with possible replacement candidates – the euro and the yuan.

Majors: Mixed performance for majors. As EUR (+0.5% w/w) and CHF (+0.6%) continued with their rally, GBP valuation was hit (-0.5%) amid some uncertainties in British political stability and fiscal outlook – adding to market concerns given the recent budget retreat and limited fiscal headroom, even as BOE policymaker Alan Taylor called for accelerated rate cuts – warning of rising risks of a hard economic landing.

Asia: AUD closed 0.4% firmer for the week, though closed consecutively weaker over the past three sessions, ahead of an expected 25bps policy rate cut by the RBA on 8 July – its third rate cut this year. JPY remained above water (+0.1% w/w) after earlier-week declines, as solid household spending data in May suggest more hawkish guidance ahead for the BOJ amid sustained inflation risks. Due to mounting economic challenges, CNY held steady, with markets expecting new stimulus measures ahead during this month's Politburo meeting.

Malaysia: MYR rose 0.2% w/w, extending solid June gains of 1.1% m/m. Trading levels remained tight within the 4.21-4.23 range (excluding a temporary drop on 1 July on USD and TWD weaknesses), while daily trading volumes were also subdued during the week. Given US trade developments, cautious sentiment is expected to prevail for the week ahead, while we expect BNM's MPC meeting on 9 July to be largely uneventful, in which we also expect a 25bps OPR cut.

Indicative PDS Yields (%)

PDS Indicative Yields	4-Jul-25	27-Jun-25	w/w (bps)
3-Year AAA	3.61	3.62	(1)
3-Year AA	3.76	3.77	(1)
3-Year A	4.58	4.55	3
5-Year AAA	3.68	3.69	(1)
5-Year AA	3.85	3.85	(0)
5-Year A	4.70	4.68	3
10-Year AAA	3.83	3.84	(2)
10-Year AA	4.00	4.01	(1)
10-Year A	5.04	5.02	2

FX Weekly – vs. USD


FX Against USD	4-Jul-25	27-Jun-25	w/w (%)
DXY Index	97.18	97.40	(0.2)
Euro	1.178	1.172	0.5
Aussie Dollar	0.656	0.653	0.4
Pound Sterling	1.365	1.372	(0.5)
Japanese Yen	144.5	144.7	(0.1)
NZ Kiwi	0.606	0.606	0.1
Ringgit	4.223	4.231	(0.2)
Rupiah	16,185	16,205	(0.1)
Thai Baht	32.36	32.62	(0.8)
Sing Dollar	1.274	1.276	(0.1)
China Yuan	7.166	7.173	(0.1)
Korea Won	1,363	1,362	0.1
India Rupee	85.40	85.49	(0.1)
Philippine Peso	56.43	56.56	(0.2)


FX Weekly – Cross Rates vs. MYR


Cross FX Against MYR	4-Jul-25	27-Jun-25	w/w (%)
Euro	4.97	4.96	0.3
Pound Sterling	5.77	5.82	(0.8)
Aussie Dollar	2.77	2.77	0.0
Japanese Yen	2.92	2.93	(0.1)
Sing Dollar	3.31	3.32	(0.1)
10 China Yuan	5.89	5.90	(0.1)
1 million Rupiah	260.90	261.40	(0.2)
Thai Baht	13.05	13.00	0.4
100 India Rupee	4.95	4.95	0.0
100 Philippine Peso	7.48	7.48	0.0


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


Technical Pair Summary

DXY 	Resistance Level			
	R1	98.43	R2	99.92
	Support Level			
	S1	96.11	S2	95.28
Outlook: Bullish				

EUR/USD 	Resistance Level			
	R1	1.192	R2	1.205
	Support Level			
	S1	1.153	S2	1.129
Outlook: Slightly bearish				

USD/JPY 	Resistance Level			
	R1	145.9	R2	147.4
	Support Level			
	S1	143.2	S2	141.9
Outlook: Neutral				

USD/MYR 	Resistance Level			
	R1	4.278	R2	4.333
	Support Level			
	S1	4.182	S2	4.141
Outlook: Slightly bearish				

GBP/USD 	Resistance Level			
	R1	1.379	R2	1.393
	Support Level			
	S1	1.346	S2	1.328
Outlook: Slightly bearish				


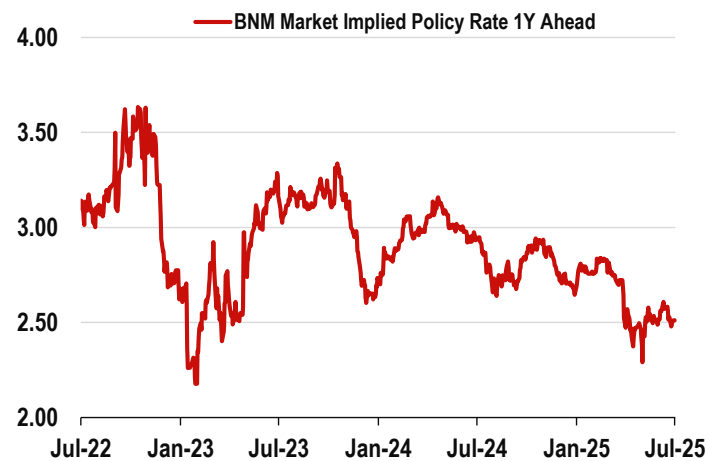
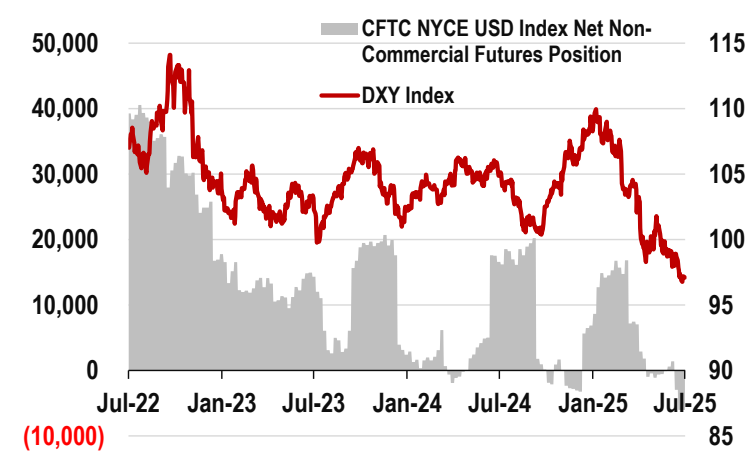
AUD/USD 	Resistance Level			
	R1	0.660	R2	0.666
	Support Level			
	S1	0.646	S2	0.639
Outlook: Bearish				

Exhibit 1: BNM BBG MIPR 1Y Ahead (%)



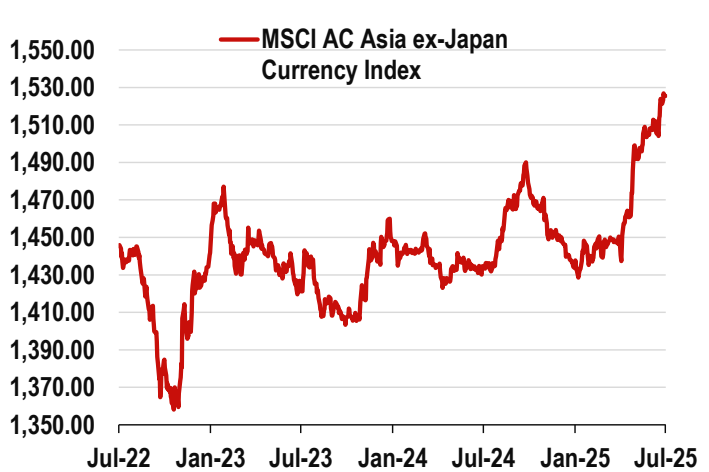
Sources: BPAM, AmBank Economics

Exhibit 2: CFTC Net Dollar Positioning vs. DXY



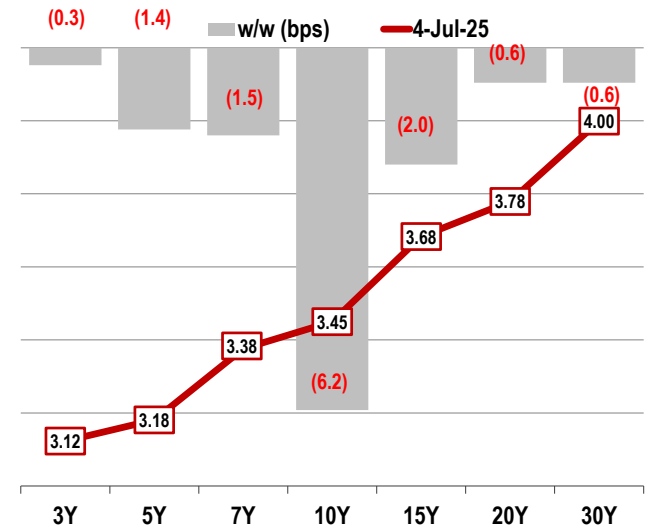
Sources: Bloomberg, AmBank Economics

Exhibit 3: MSCI AC Asia Ex-JP Currency Index



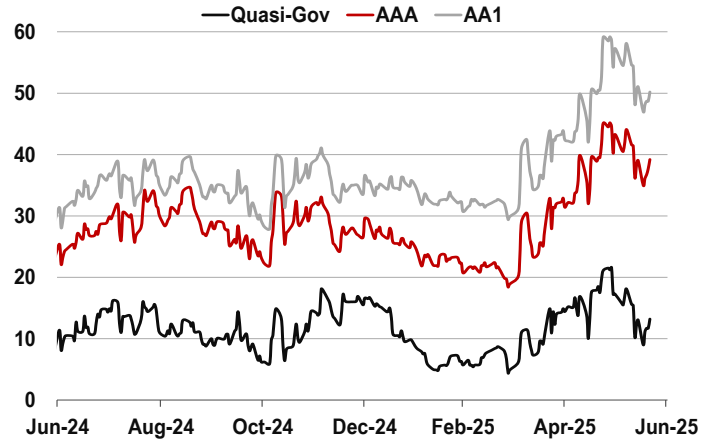
Sources: Bloomberg, AmBank Economics

Exhibit 4: MGS yield curve changes (1w)



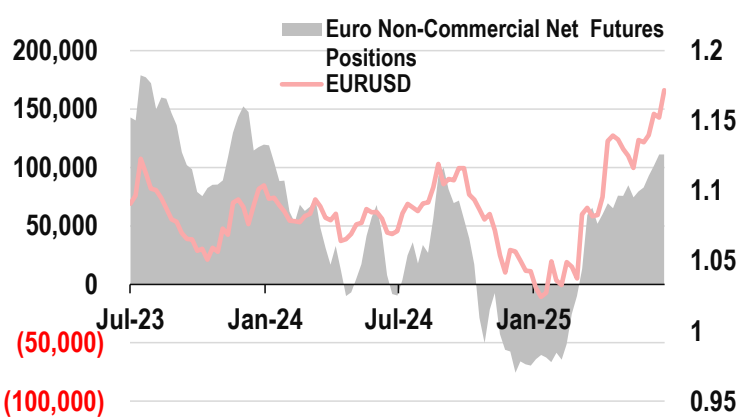
Sources: BNM, BPAM, Bloomberg, AmBank Economics
Using the MGIY ticker on Bloomberg

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



Sources: Bloomberg, AmBank Economics

Exhibit 6: CFTC Net EUR Positioning vs. EUR



Sources: BNM, BPAM, Bloomberg, AmBank Economics

Calendar Events/Data (7th – 11th July 2025)

Date	Time (+8 GMT)	Country	Indicator	Period	Survey	Prior
07 Jul 2025	7:30	JN	Labor Cash Earnings YoY	May	2.4%	2.3%
07 Jul 2025	7:30	JN	Real Cash Earnings YoY	May	-1.7%	-1.8%
07 Jul 2025	13:00	JN	Leading Index CI	May P	105.2	104.2
07 Jul 2025	13:00	JN	Coincident Index	May P	115.9	116
07 Jul 2025	15:00	MA	Foreign Reserves	Jun-25	–	\$119.9b
07 Jul 2025	16:00	EC	ECB's Nagel Speaks in Tallinn			
07 Jul 2025	16:30	EC	Sentix Investor Confidence	Jul	1	0.2
07 Jul 2025	17:00	EC	Retail Sales MoM	May	-0.6%	0.1%
07 Jul 2025	17:00	EC	Retail Sales YoY	May	1.4%	2.3%
07 Jul 2025	21:00	EC	ECB's Holzmann Speaks in Vienna			
08 Jul 2025	7:50	JN	Trade Balance BoP Basis	May	¥517.2b	¥32.8b
08 Jul 2025	12:30	AU	RBA Cash Rate Target	45846	3.6%	3.9%
08 Jul 2025	22:00	EC	ECB's Nagel Speaks in Frankfurt			
09 Jul 2025	9:30	CH	PPI YoY	Jun	-3.2%	-3.3%
09 Jul 2025	9:30	CH	CPI YoY	Jun	-0.1%	-0.1%
09 Jul 2025	14:00	JN	Machine Tool Orders YoY	Jun P	–	3.4%
09 Jul 2025	15:00	MA	BNM Overnight Policy Rate	45847	2.8%	3.0%
09 Jul 2025	19:00	EC	ECB's Guindos Speaks in El Escorial			
09 Jul 2025	20:15	EC	ECB's Nagel Speaks			
10 Jul 2025	2:00	US	FOMC Meeting Minutes	45826	–	–
10 Jul 2025	7:50	JN	PPI YoY	Jun	2.9%	3.2%
10 Jul 2025	7:50	JN	PPI MoM	Jun	-0.1%	-0.2%
10 Jul 2025	7:50	JN	Japan Buying Foreign Bonds	45842	–	¥182.8b
10 Jul 2025	7:50	JN	Japan Buying Foreign Stocks	45842	–	¥190.6b
10 Jul 2025	7:50	JN	Foreign Buying Japan Bonds	Jul-25	–	¥1052.6b
10 Jul 2025	7:50	JN	Foreign Buying Japan Stocks	Jul-25	–	¥651.3b
10 Jul 2025	15:00	EC	ECB's Cipollone Speaks in Ljubljana			
10 Jul 2025	16:00	EC	ECB's Villeroy Speaks in Paris			
10 Jul 2025	20:30	US	Initial Jobless Claims	Jul-25	–	233k
10 Jul 2025	20:30	US	Initial Claims 4-Wk Moving Avg	Jul-25	–	241.50k
10 Jul 2025	20:30	US	Continuing Claims	Jun-25	–	1964k
10 Jul 2025	21:00	US	Fed's Musalem Speaks on US Economy and Monetary Policy			
11 Jul 2025	2:30	US	Fed's Daly Speaks on US Economic Outlook			
11 Jul 2025	12:00	MA	Industrial Production YoY	May	2.3%	2.7%
11 Jul 2025	12:00	MA	Manufacturing Sales Value YoY	May	–	4.8%
11 Jul 2025	16:00	EC	ECB's Fabio Panetta speaks in Milan			

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