

**AmBank Group**

AmBank Economics

Weekly Fixed Income & FX Research Commentary

Fed FOMC meeting on watch for rate cut and 2026 outlook.

Snapshot Summary...

Global Rates: UST reacted to data and sentiment even as futures trading pricing a 95% probability of a rate cut this week.

MYR Bonds: Sentiment set to remain largely guided by global yields.

Global FX: DXY slips for second week, ahead of Fed meeting. AUD outperforms on bullish macro data, ahead of RBA meeting tomorrow. BOJ, BOE meetings also on watch next week.

USD/MYR breached past September 2024 low of 4.124 to hit fresh four-year lows at 4.11. Resistance at 4.10 is expected to hold, prior to Fed meeting.

Fixed Income

Global Bonds: US Treasury closed weaker last week with the 10Y UST up 12 bps w/w at 4.14%. The market largely reacted to firm data and sentiment even as futures trading pricing a 95% probability of a rate cut this week. Particular attention was given to PCE prices up 0.3% m/m in September (August: +0.3%), reflecting higher prices for goods (+0.5%). Challenger data showing fewer job cuts, weekly jobless claims down to lowest in three years (191k in week ended 29 November) and resilient ISM services index added to UST pressure. This week, if Fed cuts as expected and Powell leans dovish, UST players will price in inflation concerns; providing lessened impetus for sub-4.10% 10Y yield level this week, in our opinion.

Malaysia Government Bonds: Local govvies were in range and volume was light (MYR4.4 billion per day vs. MYR5.8 billion the week before). Sentiment was guarded amid a lack of fresh onshore market drivers and influenced by higher global bond yields last week (especially JGBs) as most central banks were looking less dovish other than the Fed.

Malaysia Government Bonds View: Sentiment to remain guided by global yields with the Fed rate cut on tap. But like we said above, a rate cut and continued dovish Fed may instead lift UST yields. As for local drivers, industrial production data for October is on tap, but MGS likely to ignore what figures are released so long as they don't shift too much away from consensus of +5.2% y/y. Our year-end target remains 10Y MGS at 3.50%.

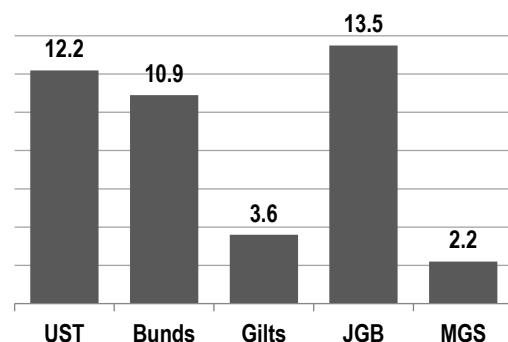
Malaysia Corporate Bonds: Corporate bond volume remained light at MYR730 million per day. Cautious sentiment in MGS affected credit trading and we noted a lack of AAA names being traded and more AAs instead. However, there was decent flows in GGs though yields moved mixed.

Malaysia Corporate Bonds View: We note there is some caution on the oil and gas (O&G) sector outlook amidst lower oil prices (-15% YTD), threat of global surplus supply, and overcapacity in the local petrochemicals sector. However, in the bond segment, we see select AAA Petroleum Sarawak Exploration (PSEP) and SMJ Energy <10 maturity offers short-term pickup vis-à-vis the rich AAA Pengerang LNG (Two) (PLNG2) (Exhibits 6).

Market Wrap-up for the Week ended 05 December 2025

Monday, 08 December 2025

Weekly Major 10Y Sovereign Yield Changes (bps)



Weekly Major Bond Yields (%)

Major Bond Yields	5-Dec-25	28-Nov-25	w/w (bps)
2-year UST	3.56	3.49	7
10-year UST	4.14	4.01	12
2-year Bund	2.10	2.03	7
10-year Bund	2.80	2.69	11
2-year Gilt	3.78	3.75	4
10-year Gilt	4.48	4.44	4
2-year JGB	1.05	0.98	7
10-year JGB	1.95	1.81	14
2-year AGB	3.95	3.81	14
10-year AGB	4.68	4.51	17

Weekly MGS Yields (%)

MGS Yields	5-Dec-25	28-Nov-25	w/w (bps)
3-year	3.03	3.03	0
5-year	3.25	3.24	2
7-year	3.45	3.44	1
10-year	3.49	3.46	2
15-year	3.74	3.73	1
20-year	3.86	3.86	(0)
30-year	3.99	3.98	1

Weekly GII Yields (%)

GII Yields	5-Dec-25	28-Nov-25	w/w (bps)
3-year	3.12	3.11	1
5-year	3.26	3.25	1
7-year	3.35	3.35	0
10-year	3.53	3.53	0
15-year	3.76	3.75	1
20-year	3.89	3.88	1

MYR Swap & KLIBOR Rates (%)

IRS & KLIBOR	5-Dec-25	28-Nov-25	w/w (bps)
IRS 3-Year	3.26	3.26	(0)
IRS 5-Year	3.34	3.33	1
IRS 7-Year	3.41	3.41	(1)
IRS 10-Year	3.56	3.55	1
3-Month KLIBOR	3.26	3.26	0
6-Month KLIBOR	3.29	3.29	0

Forex

DXY Index: The DXY (-0.5% w/w) fell for a second consecutive week to close at the 99.0 level. Market conviction for a 25 bps Fed rate cut on 10 December has tightened, as data releases for the week supports such a move. ADP private payrolls saw employers slashing 32k jobs in November (consensus: +10k; October: +47k), its biggest decline since March 2023, with a rift seen among tariff- and AI-impacted industries such as manufacturing, information, and professional services (which saw job declines), while labour-intensive sectors such as education, healthcare, and hospitality saw job gains. Easing core PCE inflation (on slower services' price gains), as well as intensifying talks of NEC Director Kevin Hassett becoming the next Fed chair, further fueled expectations of a more dovish Fed pathway ahead, with swap markets seeing an additional two rate cuts in 2026. Markets will look to the December dot plot projections to affirm their views, though do expect Fed messaging to be less clear in the weeks/months ahead, given their divergent views on how future data will play out, and other changes expected on Fed composition (besides Powell).

Majors: GBP (+0.7% w/w) continued to outperform the EUR (+0.4%) post-UK budget, as UK Chancellor Reeves' autumn budget has bolstered the country's fiscal credibility, despite the slower growth prospects ahead. Markets are also wary of the BOE's MPC meeting on 18 December given the sharp split in opinions, as four hawkish members remain cautious of persistent inflationary pressures, while dovish colleagues argue the need for easing amid a slowing economy and loosening labor markets. Governor Bailey is expected to cast the deciding vote in favour of a rate cut. Meanwhile, the EUR was supported by robust economic indicators (upward revision to 3Q2025 GDP, and Eurozone PMI at its highest since May 2023) and Eurozone inflation remaining close to ECB targets, leading to no changes in market assessment of a steady ECB policy rate next week, and also in 2026.

Asia: JPY (+0.5%) saw a second weekly advance, supported by growing expectations that the BOJ will lift policy rates this month. This followed BOJ Governor Ueda's hawkish tilt, noting the bank will weigh the "pros and cons" of a Dec hike, while swap markets now price in a 90% chance of a 25bps hike (prior week: 58%). Key members of PM Takaichi's government, including the finance and economy ministers, have also not voiced opposition on this move; though confirmation of a weak 3Q2025 GDP reading this morning suggests that this rate hike will be a one-off move. AUD rose a sharp 1.4% w/w, after Australia's 3Q2025 growth came in strong at 2.1% y/y (consensus: 2.2%; 2Q2025: 2.0%). Other datapoints also suggested inflationary pressure persisting, including accelerating unit labour costs at 4.9% y/y (RBA target: 2-3%), surging household spending (which accounts for half of economic output) at 1.3% y/y in October (its fastest pace since early-2024). RBA Governor Bullock has already warned that it is closely monitoring inflationary pressures ahead, ahead of the RBA's final policy meeting tomorrow (9 December). Though no policy moves are expected, markets are expecting a hawkish tone in the policy statement, while also pricing in a 50% chance of a rate hike by May 2026.

Indicative PDS Yields (%)

PDS Indicative Yields	5-Dec-25	28-Nov-25	w/w (bps)
3-Year AAA	3.52	3.52	0
3-Year AA	3.68	3.68	0
3-Year A	4.55	4.55	0
5-Year AAA	3.59	3.59	0
5-Year AA	3.76	3.76	0
5-Year A	4.70	4.70	0
10-Year AAA	3.76	3.76	(0)
10-Year AA	3.91	3.91	0
10-Year A	5.10	5.10	0

FX Weekly – vs. USD

FX Against USD	5-Dec-25	28-Nov-25	w/w (%)
DXY Index	98.99	99.46	(0.5)
EUR/USD	1.164	1.160	0.4
AUD/USD	0.664	0.655	1.4
GBP/USD	1.333	1.324	0.7
USD/JPY	155.3	156.2	(0.5)
NZD/USD	0.578	0.574	0.7
USD/MYR	4.111	4.133	(0.5)
USD/IDR	16,644	16,660	(0.1)
USD/THB	32.04	32.20	(0.5)
USD/SGD	1.296	1.297	(0.1)
USD/CNY	7.071	7.075	(0.0)
USD/KRW	1,472	1,467	0.3
USD/INR	89.99	89.46	0.6
USD/PHP	58.94	58.64	0.5

FX Weekly – Cross Rates vs. MYR

Cross FX Against MYR	5-Dec-25	28-Nov-25	w/w (%)
EUR/MYR	4.79	4.78	0.3
GBP/MYR	5.49	5.46	0.5
AUD/MYR	2.73	2.70	1.1
JPY/MYR	2.65	2.65	0.0
SGD/MYR	3.18	3.18	(0.2)
10 CNY/MYR	5.82	5.84	(0.4)
1 million IDR/MYR	247.00	247.80	(0.3)
THB/MYR	12.91	12.83	0.6
100 INR/MYR	4.57	4.62	(1.1)
100 PHP/MYR	6.98	7.05	(1.0)

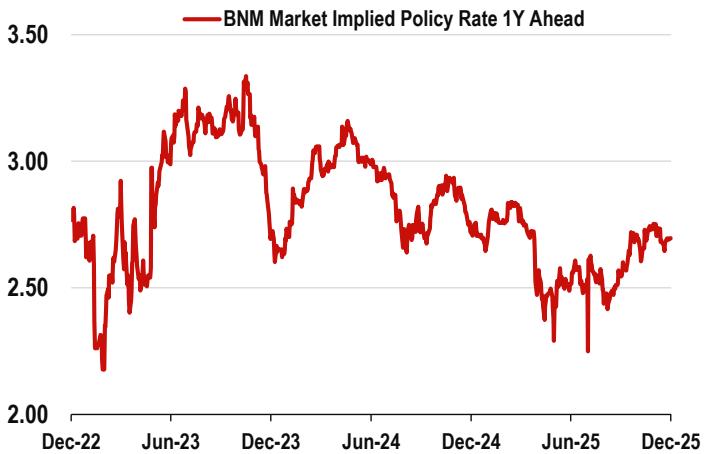
Sources: Bank Negara Malaysia (BNM), Bloomberg, Trading Economics, AmBank Economics

Malaysia: MYR rose 0.5% w/w, breaching past its USD/MYR low of 4.124 in September 2024 to reach fresh four-year lows at 4.111 amid further USD weaknesses and a strengthening yuan. After testing a resistance at 4.103 on Friday, we think the 4.10 handle will hold for the next few sessions, given recent action by the PBOC and state banks to halt the yuan's advance, as well as pending the final bit of assurance from a Fed cut (and median dot plot projections) on 10 December. Meanwhile, BNM international reserves held unchanged at USD124.1 billion for the two weeks ending 28 November, suggesting that BNM intervention against a strengthening ringgit has ceased, for now.

Technical Pair Summary

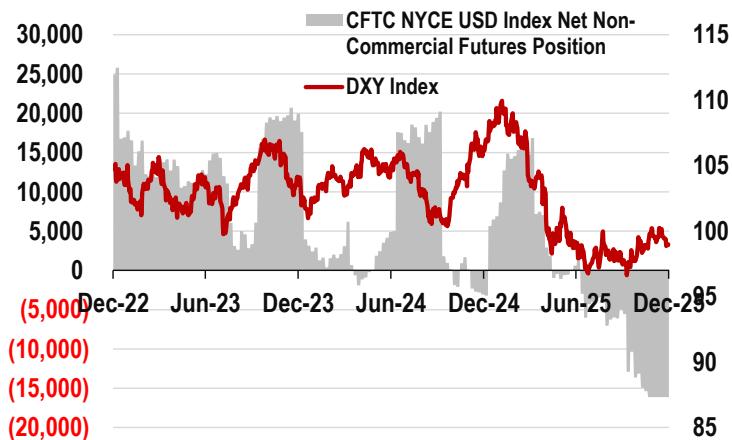
Resistance Level		Resistance Level		Resistance Level	
DXY	R1 99.87	R2 100.73	EUR/USD	R1 1.171	R2 1.177
	Support Level			Support Level	
Outlook: Slightly bearish					
USD/MYR	R1 4.171	R2 4.230	GBP/USD	R1 1.344	R2 1.354
	Support Level			Support Level	
Outlook: Slightly bullish					
USD/JPY	R1 157.0	R2 158.9	AUD/USD	R1 0.671	R2 0.677
	Support Level			Support Level	
Outlook: Slightly bullish					

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



Sources: BPAM, AmBank Economics

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



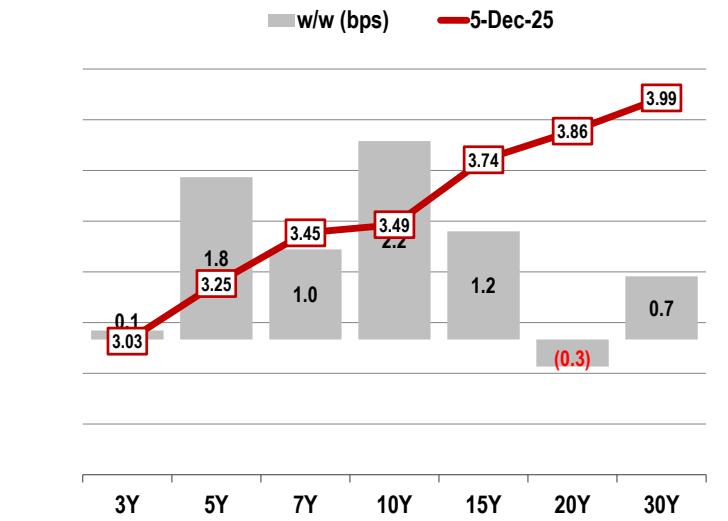
Sources: Bloomberg, AmBank Economics

Exhibit 3: MSCI AC Asia Ex-JP Currency Index



Sources: Bloomberg, AmBank Economics

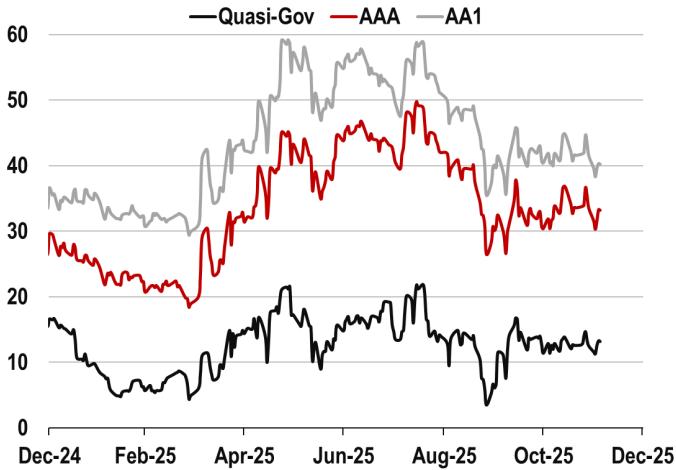
Exhibit 4: MGS w/w yield curve changes



Sources: BNM, BPAM, Bloomberg, AmBank Economics

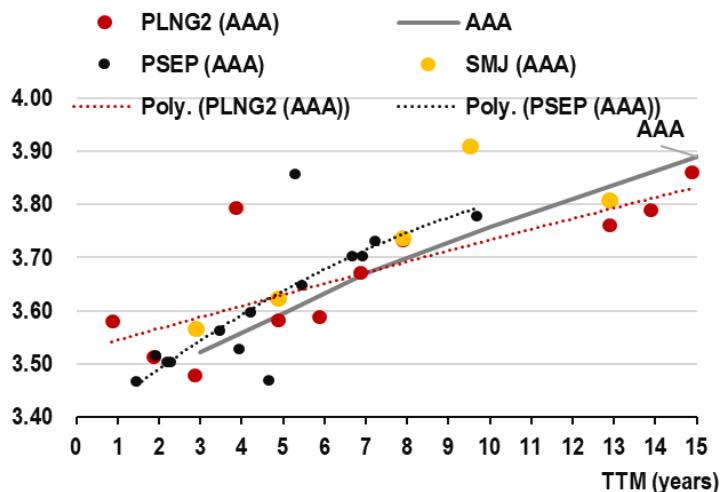
Using the MG1Y ticker on Bloomberg

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



Sources: Bloomberg, AmBank Economics

Exhibit 6: PLNG2, SMJ and PSEP latest curves vs. AAA (%)



Sources: BNM, BPAM, Bloomberg, AmBank Economics

Macroeconomic Data/Events Calendar (08 December 2025 – 12 December 2025)

Date	Time (+8 GMT)	Country	Indicator	Period	Unit	Survey Median	Prior
2025-12-08	07:50	JP	GDP Annualized SA QoQ	3Q F	%	(2.0)	(1.8)
2025-12-08	07:50	JP	GDP SA QoQ	3Q F	%	(0.5)	(0.4)
2025-12-08	07:50	JP	GDP Deflator YoY	3Q F	%	2.8	2.8
2025-12-08	07:50	JP	BoP Current Account Balance	Oct	b	3129.90	4483.30
2025-12-09	-	CH	Money Supply M2 YoY	Nov	%	8.2	8.2
2025-12-09	11:30	AU	RBA Cash Rate Target	Dec 9	%	3.6	3.6
2025-12-10	20:00	US	MBA Mortgage Applications	Dec 5	%	-	(1.4)
2025-12-10	09:30	CH	PPI YoY	Nov	%	(2.0)	(2.1)
2025-12-10	09:30	CH	CPI YoY	Nov	%	0.7	0.2
2025-12-10	07:50	JP	PPI YoY	Nov	%	2.7	2.7
2025-12-11	03:00	US	FOMC Rate Decision (Upper Bound)	Dec 10	%	3.8	4.0
2025-12-11	21:30	US	Initial Jobless Claims	Dec 6	k	220.0	191.0
2025-12-11	21:30	US	Trade Balance	Sep	b	(63.1)	(59.6)
2025-12-11	23:00	US	Wholesale Inventories MoM	Sep F	%	0.1	-
2025-12-11	08:30	AU	Employment Change	Nov	k	20.0	42.2
2025-12-11	08:30	AU	Unemployment Rate	Nov	%	4.4	4.3
2025-12-12	12:30	JP	Industrial Production MoM	Oct F	%	-	1.4
2025-12-12	05:30	NZ	BusinessNZ Manufacturing PMI	Nov	-	-	51.4
2025-12-12	15:00	UK	Industrial Production MoM	Oct	%	1.0	(2.0)
2025-12-12	15:00	UK	Manufacturing Production MoM	Oct	%	1.2	(1.7)

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