AmBank Economics

Market Wrap-up for the Week ended 15 May 2026

Weekly Fixed Income & FX Research Commentary

USD rebounding amid US-Iran negotiation impasse and uptick in oil prices.

Monday, 18 May 2026

Snapshot Summary…

Global Rates: UST sees a sharp selloff amid rising oil prices and inflation expectations, hot CPI/PPI data and selloff in UK gilts.

MYR Bonds: MGS yields closed just 1-2bps higher amid continued appetite from local investors. 10Y GII 04/35 auction saw solid BTC of 2.87x.

Global FX: USD rose 0.5-2.5% w/w. vs G10 peers, as oil prices closed up 8-11% w/w. GBP underperformed amid elevated political/fiscal risks.

USD/MYR: MYR decline (-0.9% w/w) in line with Asian peers. Growth risks are to come alongside election risks in the months ahead.

Fixed Income

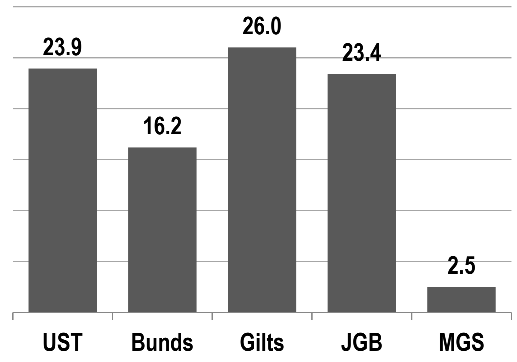
Global Bonds: UST saw a sharp selloff with yields closing 18-26 bps higher w/w in a steepening fashion. Markets' rosy outlook for a resolution to the US-Iran conflict and the Strait of Hormuz blockade continues to be upended amid stalled US-Iran talks, leading to upward repricing of oil prices and the Fed's interest rate pathway. Rising inflation expectations and the hot US CPI/PPI data also contributed to markets' higher term premia, leading to underperformance for belly-to-tail end bonds, and within the primary UST auction space. Sharp losses were also felt across other DM bonds – in particular UK Gilts, which come amid rising political and fiscal risks.

Malaysia Government Bonds: Similar to DM bonds, MGS also closed weaker for the week, with losses (and repricing activity) concentrated around the bellies amid inflation risks. However, unlike DM bonds, overall yields on the MGS curve merely closed 1-2bps higher, while the 7Y tenor saw slight underperformance as yields ticked up 5bps instead. We think demand continues to be supported by liquidity and appetite from local investors, while recent data also showed healthy demand from foreign investors, with inflows into local government bonds recorded at USD945 billion and USD1,553 billion for March and April, respectively.

Malaysia Government Bonds View: The reopening auction for the 10Y GII 04/35 last week saw robust demand, attracting a BTC of 2.87x the MYR5.0 billion issuance size, driven by domestic institutional buyers and banking books. Meanwhile, the 7Y MGS 04/33 auction will likely take place this week (expected size: MYR5.0 billion). Recent weakness in the 7Y MGS tenor suggests some market repricing ahead of upcoming supply issuances, indicating that appetite may be stronger given the now-higher yields. However, the 4bps yield gap with its GII counterpart, coupled with recent stronger interest in the GII bellies, suggests that demand may be slightly weaker for the coming auction (albeit still solid).

Malaysia Corporate Bonds: PDS closed mixed w/w, though fared better overall than Malaysia govvies, as per our expectations. Given weaknesses across global government bonds during the week, we think there was selective rotation into corporate bonds to evade the selloff, while the outperformance seen on lower-grade 'A' papers (compared to 'AA' or 'AAA'-

Weekly Major 10Y Sovereign Yield Changes (bps)



Weekly Major Bond Yields (%)

Major Bond Yields	15-May-26	8-May-26	w/w (bps)
2-year UST	4.07	3.88	18
10-year UST	4.59	4.35	24
2-year Bund	2.74	2.60	14
10-year Bund	3.17	3.01	16
2-year Gilt	4.55	4.38	17
10-year Gilt	5.17	4.91	26
2-year JGB	1.42	1.38	4
10-year JGB	2.72	2.48	23
2-year AGB	4.75	4.69	5
10-year AGB	5.07	4.99	8

Weekly MGS Yields (%)

MGS Yields	15-May-26	8-May-26	w/w (bps)
3-year	3.21	3.19	2
5-year	3.37	3.35	2
7-year	3.49	3.46	4
10-year	3.58	3.56	3
15-year	3.83	3.82	1
20-year	3.96	3.95	0
30-year	4.07	4.06	1

Weekly GII Yields (%)

GII Yields	15-May-26	8-May-26	w/w (bps)
3-year	3.21	3.19	2
5-year	3.34	3.33	2
7-year	3.53	3.51	2
10-year	3.61	3.57	4
15-year	3.86	3.85	1
20-year	3.97	3.96	0

MYR Swap & KLIBOR Rates (%)

IRS & KLIBOR	15-May-26	8-May-26	w/w (bps)
IRS 3-Year	3.44	3.40	4
IRS 5-Year	3.50	3.46	4
IRS 7-Year	3.58	3.55	4
IRS 10-Year	3.70	3.68	2
3-Month KLIBOR	3.35	3.35	0
6-Month KLIBOR	3.39	3.39	0

rated issuances) suggest market confidence remains intact on firms' creditworthiness, as the selloff across government bonds were also driven more by inflation concerns – risks that higher-yielding corporate papers offer a buttress against.

Forex

DXY Index: DXY rose 1.4% w/w, with the dollar appreciating 0.5-2.5% w/w vs G10 currency peers. With US-Iran negotiations at an impasse, oil prices were seen up 8-11% w/w, as markets reversed earlier optimism-related bearish positioning. The greenback gained as the US is expected to benefit from higher oil prices, given its net O&G export surplus. US data indicating rising inflationary pressures were also seen in April, including in core CPI (2.8% vs 2.6% in March) and core PPI (5.2% vs 4.0% in March). Alongside resilient US consumer spending, this suggests the Fed is likely to hold rates unchanged (or possibly hike once) in 2026. Ahead this week, markets await the release of the FOMC minutes for its April meeting for further details – in particular, individual members' assessment on the inflation outlook, given their differing views on inflation/labour risks and rising likelihood to challenge and vote against consensus – especially amid the new incoming Fed chairman, Kevin Warsh.

Europe: Underperformance of the GBP (-2.2% w/w) relative to the EUR (-1.4% w/w) continued for another week, with downside bias to persist in our opinion amid unresolved political uncertainties. With PM Keir Starmer struggling to remain in power after his Labour Party's poor election results the prior week, investors worry that successful challenges from Andy Burnham and Wes Streeting would lead to sharply higher fiscal spending and gilt issuance. Policy uncertainties are also boosting risk premia – such as the prospect of the UK rejoining the EU.

APAC: The **JPY's 1.3% w/w decline** vs the USD was mostly in line with G10 peers. Multi-week strength (after earlier suspected interventions) allowed markets to maintain a similarly bearish stance on JPY as on other currencies. However, bearish appetite is likely to wane, as USD/JPY rapidly retraces to the 160.0 handle – especially as several episodes of suspected (smaller) official intervention were seen over the past several sessions. While Japan's wholesale inflation data and the BOJ's Summary of Opinions were all positive for the JPY during the week (due to rate hike considerations for June), data also showed Japan's inflation-adjusted household spending declining 2.9% y/y in March, suggesting a tough balancing act for the BOJ. Coupled with persistent current account pressure (from high energy prices), we hence continue to expect USD/JPY to hover around 159-160 for the coming months. Meanwhile, the **AUD fell 1.3% w/w**, with losses concentrated in the Thursday-Friday sessions amid a rapidly receding market risk appetite. The AUD initially held little changed after the unveiling of Australia's FY2026-2027 budget, which, while showing wider-than-expected budget deficits of 1% of GDP (estimate: 0.8%), also placed the task of controlling inflation largely on the RBA, suggesting persistent inflationary pressures and higher-for-longer policy interest rates.

Malaysia: MYR fell 0.9% w/w vs the USD, a performance broadly in line with Asian peers. Weekly traded FX volumes continued to normalise (to around USD100 billion/week) after an earlier rise, amid greater turmoil across global bonds and rising political risks domestically, with PM Anwar reportedly considering calling for snap general elections amid tensions

Indicative PDS Yields (%)

PDS Indicative Yields	15-May-26	8-May-26	w/w (bps)
3-Year AAA	3.57	3.56	1
3-Year AA	3.70	3.69	1
3-Year A	4.45	4.48	(3)
5-Year AAA	3.65	3.64	1
5-Year AA	3.78	3.78	1
5-Year A	4.62	4.66	(4)
10-Year AAA	3.82	3.80	2
10-Year AA	3.96	3.94	1
10-Year A	5.03	5.08	(5)

FX Weekly – vs. USD

FX Against USD	15-May-26	8-May-26	w/w (%)
DXY Index	99.28	97.90	1.4
EUR/USD	1.163	1.179	(1.4)
AUD/USD	0.715	0.725	(1.3)
GBP/USD	1.333	1.363	(2.2)
USD/JPY	158.7	156.7	1.3
NZD/USD	0.584	0.597	(2.1)
USD/MYR	3.957	3.921	0.9
USD/IDR	17,465	17,373	0.5
USD/THB	32.65	32.21	1.4
USD/SGD	1.281	1.267	1.0
USD/CNY	6.813	6.801	0.2
USD/KRW	1,498	1,462	2.5
USD/INR	95.97	94.48	1.6
USD/PHP	61.73	60.63	1.8

FX Weekly – Cross Rates vs. MYR

Cross FX Against MYR	15-May-26	8-May-26	w/w (%)
EUR/MYR	4.60	4.61	(0.3)
GBP/MYR	5.28	5.34	(1.1)
AUD/MYR	2.83	2.84	(0.3)
JPY/MYR	2.49	2.50	(0.5)
SGD/MYR	3.09	3.09	(0.1)
10 CNY/MYR	5.81	5.76	0.8
1 million IDR/MYR	224.80	225.50	(0.3)
THB/MYR	12.14	12.18	(0.3)
100 INR/MYR	4.12	4.15	(0.7)
100 PHP/MYR	6.41	6.46	(0.8)

Sources: Bank Negara Malaysia (BNM), Bloomberg, Trading Economics, AmBank Economics among political parties in the coalition government. Meanwhile, Malaysia's final 1Q2026 GDP data came in at 5.4% y/y (consensus: 5.3%; AmBank: 5.4%; 4Q2025: 6.2%), slightly better than advance estimates of 5.3%, driven by firmer expansions in both the manufacturing and services sectors. However, Economy Minister Akmal Nasrullah warned that the prolonged energy crisis (and continued subsidies) is straining the government's fiscal capacity, suggesting spending cuts and slower government-driven growth in the coming quarters. Economic Adviser to the PM Nurhisham Hussein also indicated that Malaysian factories could begin to see production stoppages in June as raw materials and inputs dry up, suggesting weaker growth readings in the coming quarters.

Technical Pair Summary

DXY	Resistance Level			
	R1	99.88	R2	100.38
	Support Level			
	S1	98.40	S2	97.41
	Outlook: Slightly bullish			

EUR/USD	Resistance Level			
	R1	1.173	R2	1.185
	Support Level			
	S1	1.155	S2	1.150
	Outlook: Slightly bearish			

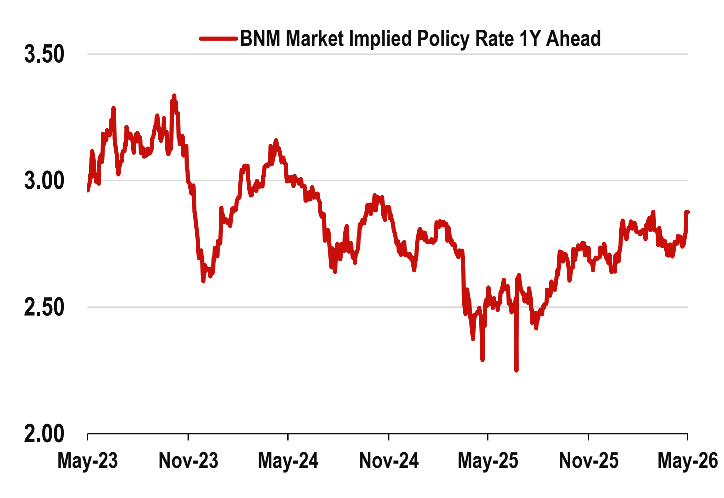
USD/JPY	Resistance Level			
	R1	160.8	R2	162.6
	Support Level			
	S1	156.7	S2	154.6
	Outlook: Slightly bearish			

USD/MYR	Resistance Level			
	R1	4.035	R2	4.094
	Support Level			
	S1	3.914	S2	3.850
	Outlook: Slightly bearish			

GBP/USD	Resistance Level			
	R1	1.352	R2	1.374
	Support Level			
	S1	1.320	S2	1.309
	Outlook: Bearish			

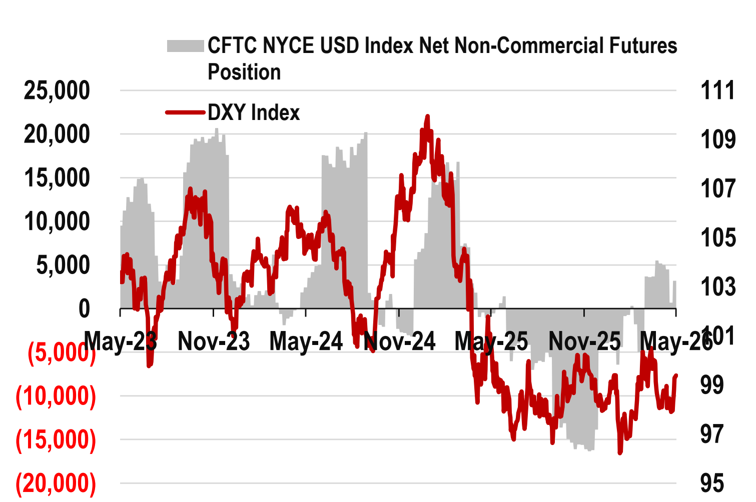
AUD/USD	Resistance Level			
	R1	0.721	R2	0.731
	Support Level			
	S1	0.707	S2	0.702
	Outlook: Slightly bearish			

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



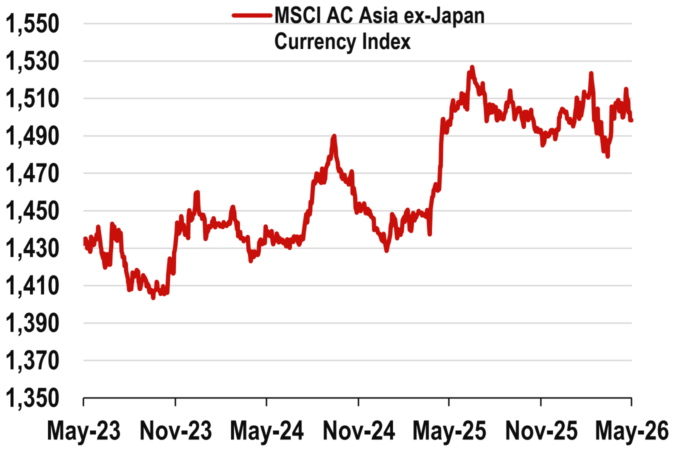
Sources: BPAM, AmBank Economics

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



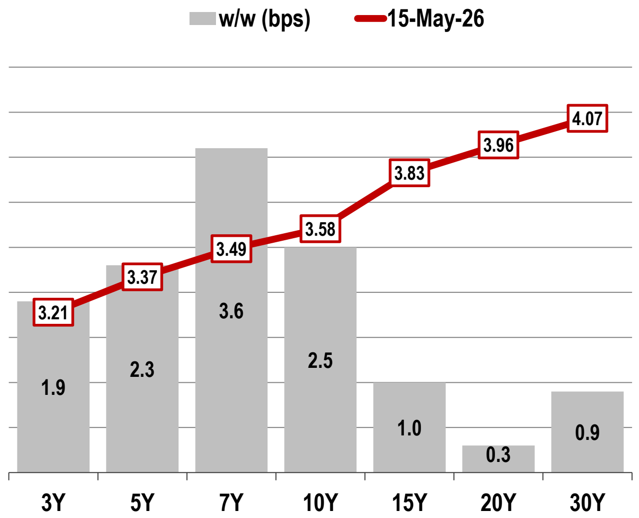
Sources: Bloomberg, AmBank Economics

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 MGIY ticker on Bloomberg

Macroeconomic Data/Events Calendar (18 May 2026 – 25 May 2026)

Date	Time (+8 GMT)	Country	Indicator	Period	Unit	Survey Median	Prior
2026-05-18	10:00	CH	Retail Sales YoY	Apr	%	2.0	1.7
2026-05-18	**10:00**	**CH**	**Industrial Production YoY**	**Apr**	**%**	**6.0**	**5.7**
2026-05-19	**07:50**	**JP**	**GDP Annualized SA QoQ**	**1Q P**	**%**	**1.7**	**1.3**
2026-05-19	07:50	JP	GDP SA QoQ	1Q P	%	0.4	0.3
2026-05-19	07:50	JP	GDP Deflator YoY	1Q P	%	3.1	3.4
2026-05-19	12:30	JP	Industrial Production MoM	Mar F	%	-	(0.5)
2026-05-19	12:30	JP	Tertiary Industry Index MoM	Mar	%	(0.5)	(0.4)
2026-05-19	**08:30**	**AU**	**Westpac Consumer Conf SA MoM**	**May**	**%**	**-**	**(12.5)**
2026-05-19	14:00	UK	ILO Unemployment Rate 3Mths	Mar	%	4.9	4.9
2026-05-19	14:00	UK	Claimant Count Rate	Apr	%	-	4.4
2026-05-19	**14:00**	**UK**	**Jobless Claims Change**	**Apr**	**k**	**-**	**26.8**
2026-05-20	14:00	UK	CPI MoM	Apr	%	0.9	0.7
2026-05-20	**14:00**	**UK**	**CPI YoY**	**Apr**	**%**	**3.0**	**3.3**
2026-05-20	14:00	UK	CPI Core YoY	Apr	%	2.6	3.1
2026-05-20	**17:00**	**EU**	**CPI YoY**	**Apr F**	**%**	**3.0**	**3.0**
2026-05-20	17:00	EU	CPI MoM	Apr F	%	1.0	1.0
2026-05-20	19:00	US	MBA Mortgage Applications	May 15	%	-	1.7
2026-05-21	07:50	JP	Core Machine Orders MoM	Mar	%	(8.6)	13.6
2026-05-21	08:30	JP	S&P Global Japan PMI Mfg	May P		-	55.1
2026-05-21	**09:30**	**AU**	**Employment Change**	**Apr**	**k**	**15.0**	**17.9**
2026-05-21	09:30	AU	Unemployment Rate	Apr	%	4.3	4.3
2026-05-21	16:30	UK	S&P Global UK Manufacturing PMI	May P		53.0	53.7
2026-05-21	16:30	UK	S&P Global UK Services PMI	May P		51.70	52.7
2026-05-21	16:00	EU	S&P Global Eurozone Manufacturing PMI	May P		51.8	52.2
2026-05-21	20:30	US	Initial Jobless Claims	May 16	k	210.0	211.0
2026-05-21	20:30	US	Housing Starts	Apr	k	1410.0	1502.0
2026-05-21	21:45	US	S&P Global US Manufacturing PMI	May P		53.8	54.5
2026-05-21	06:45	NZ	Trade Balance NZD	Apr	m	-	698.0
2026-05-22	**-**	**SG**	**GDP YoY**	**1Q F**	**%**	**5.2**	**4.6**
2026-05-22	07:30	JP	Natl CPI YoY	Apr	%	1.6	1.5
2026-05-22	14:00	UK	Retail Sales Inc Auto Fuel MoM	Apr	%	(0.6)	0.7
2026-05-22	22:00	US	U. of Mich. Sentiment	May F		48.2	48.2

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