Monthly Manifests

September 2026 Edition

1 September

AmBank Economics

AmBank Group

Executive Summary

Global inflationary pressures remain persistent, with US core PCE inflation holding at 3.3% y/y in July, while inflation in the UK and Eurozone edged higher to 2.9%, suggesting stalled progress towards central banks' 2.0% targets. Japan's inflation also accelerated to 1.9%, nearing its target. Despite these pressures, recession risks remain limited due to resilient economic activity, AI-driven demand, and supportive fiscal measures. As a result, major central banks are expected to maintain a hawkish stance, with markets increasingly pricing in rate hikes by the Federal Reserve (Fed), the European Central Bank (ECB), and the Bank of Japan (BoJ) in September, as policymakers prioritise inflation containment over growth concerns.

Malaysia's GDP growth accelerated to 6.0% y/y in 2Q2026 from 5.4% in the previous quarter, bringing 1H2026 growth to 5.7%, supported mainly by strong external demand and broad-based sectoral expansion, excluding agriculture. However, softer private consumption, which remained below 5.0% growth for a second consecutive quarter, suggests that export-related activities continue to be the primary driver of growth, leaving the economy exposed to global trade, geopolitical, and commodity price risks.

The DXY index fell 0.5% m/m, with most G10 currencies rallying against the USD in July, reversing their earlier depreciation in June. Broad-based USD weakness can be primarily attributed to the US Treasury's announcement that it will raise liquidity support for long-dated USTs, which would presumably lead to larger issuance of short-dated bonds and bills, though reports suggest the Treasury may also tap its nearly USD1.0 trillion cash at the Fed to finance the buybacks. The Treasury's move raises the outlook for dollar liquidity in the global financial system, thereby reducing its value, while active intervention efforts to suppress yields also place pressure on the USD via higher risk premiums on fiscal dominance and via carry channels.

Exhibit 1: AmBank Economics' Projections (%)

	Actual Data		Forecast
	2024	2025	2026F
GDP, y/y%	5.2	5.2	4.8
Inflation rate	1.8	1.4	2.0
Unemployment rate	3.3*	3.0*	3.1*
OPR	3.00*	2.75*	2.75*

Sources BNM, DOSM, AmBank Economics
*Notes: *Year-end figures*

Exhibit 2: Policy Rates Calendar

Central Bank Rates	Current	Next Policy Meeting Date
US Fed Funds	3.75%	17-Sep
ECB Deposit Rate	2.25%	10-Sep
BOE Base Rate	3.75%	17-Sep
RBA Cash Rate	4.35%	19-Sep
BOJ Cash Rate	1.00%	18-Sep
BNM OPR	2.75%	03-Sep

Sources: AmBank Economics

Global: Persistent Inflation Raises Prospects for September Rate Hike

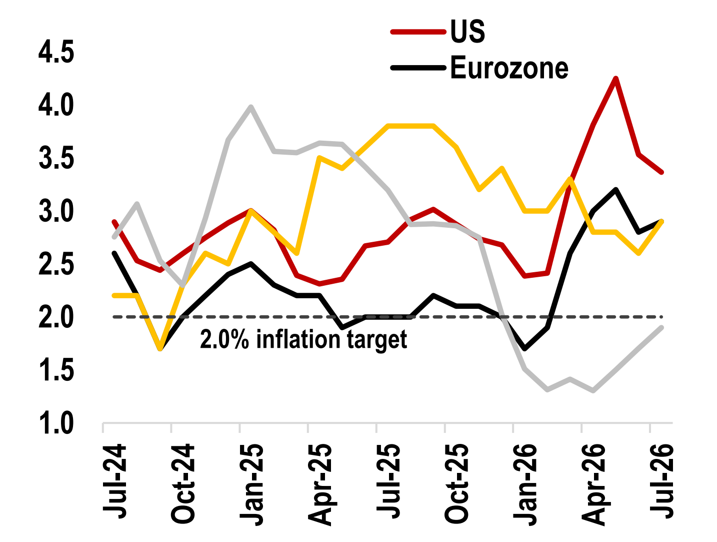
Sticky inflation, with no imminent recessionary risks

Global inflationary pressures continue to prove more persistent than expected. The US core Personal Consumption Expenditures (PCE) inflation, the Federal Reserve's (Fed) preferred inflation gauge, remained sticky at 3.3% y/y in July, while inflation in both the UK and Eurozone edged higher to 2.9%, indicating that progress towards the 2.0% target may have stalled. Meanwhile, Japan's inflation accelerated to 1.9% in July, bringing it closer to the 2.0% target.

Despite lingering inflation risks, the current environment does not yet point to imminent recessionary concerns, thanks to positive demand shock from AI. Moreover, recent economic data suggest that the US and European economies remain resilient to disruptions stemming from the West Asia conflict, supported in part by long-announced fiscal stimulus. Against this backdrop, expectations of further rate hikes have strengthened, particularly following Fed Chair Kevin Warsh's latest remarks that persistent inflation remains the central bank's priority over employment concerns. Markets are currently pricing in nearly a two-thirds chance of a Fed rate hike at the upcoming Federal Open Market Committee (FOMC) meeting on 15-16 September, up from around 40% a week earlier.

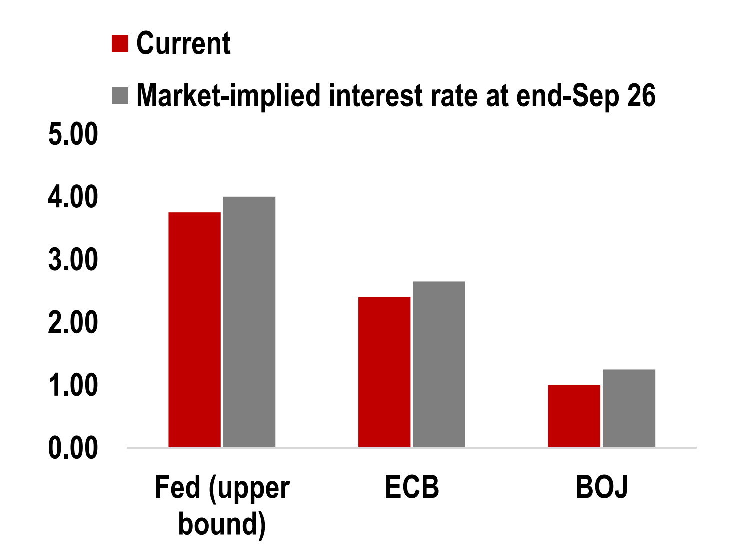
Likewise, the European Central Bank (ECB) is widely expected to raise interest rates at its 9-10 September policy meeting, with market pricing implying near certainty, given hawkish signals from policymakers. The BOJ is also expected to deliver a rate hike at its 17-18 September meeting amid mounting pressure to support the JPY, including calls from US Treasury Secretary Scott Bessent for Japan to continue normalising monetary policy.

Exhibit 3: Inflation in selected countries, y/y%



Sources: Respective official statistics, AmBank Economics

Exhibit 4: Major central banks' current and market-implied policy rates at end-September, %



Sources: Respective central banks, Bloomberg, AmBank Economics

External demand drives stronger 2Q growth

Growth in 1H2026 came in at 5.7%, with 2Q2026 likely to be the best-performing quarter of the year

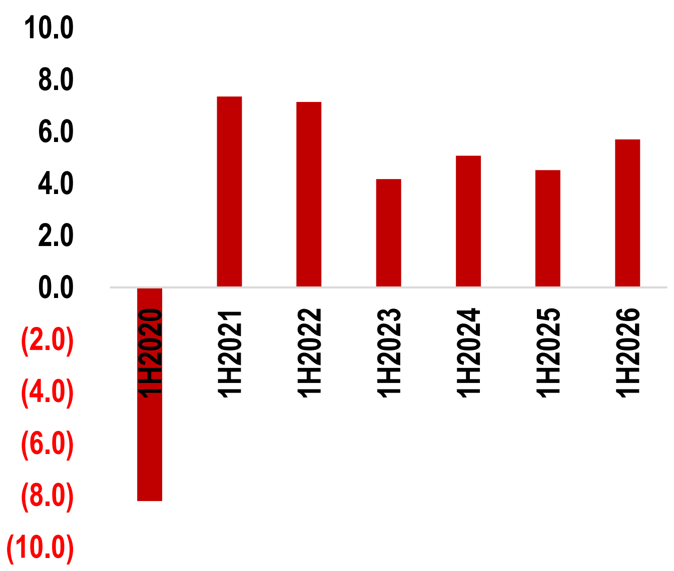
Malaysia's gross domestic product (GDP) expanded by 6.0% y/y in 2Q2026, in line with our in-house projection and above both the advance estimate and market consensus of 5.8%. This marks an acceleration from the 5.4% growth recorded in the previous quarter, bringing first-half growth to 5.7%. The strong performance, which we believe could be the best-performing quarter of the year, was underpinned by expansions across all major sectors except agriculture, which contracted during the period. Nevertheless, we note that private consumption remained relatively soft, growing below the 5.0% threshold for a second consecutive quarter, suggesting that external demand continues to be the primary driver of economic growth. As such, risks remain tied to global trade conditions, geopolitical developments and commodity price movements.

BNM may maintain OPR at 2.75%

We expect BNM to keep rates steady at 2.75% despite external uncertainties

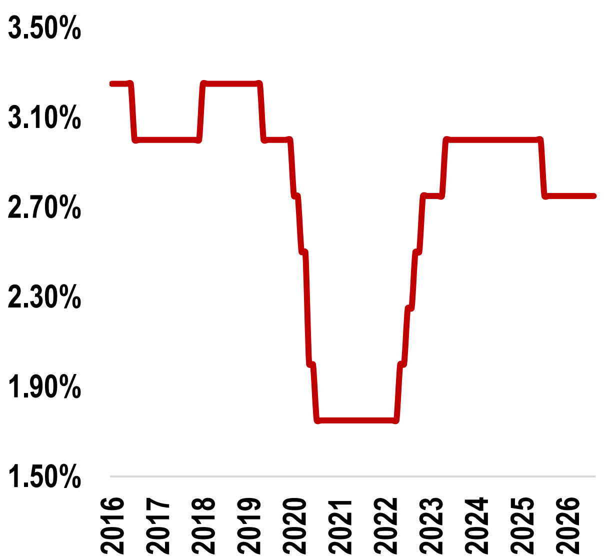
This week, Bank Negara Malaysia's (BNM) Monetary Policy Committee (MPC) will convene on September 3 to deliberate on the Overnight Policy Rate (OPR). From a monetary policy perspective, we are of the view that the prevailing environment of moderate inflation and resilient economic growth reinforces expectations that BNM will keep the OPR unchanged at 2.75% this year. While the external environment remains uncertain, firm domestic demand and ongoing investment expansion should enable BNM to preserve its current policy stance as it gauges the trajectory of growth and inflation.

Exhibit 5: Malaysia's 1H economic growth trend, y/y%



Sources: DOSM, AmBank Economics

Exhibit 6: OPR, %



Sources: BNM, AmBank Economics

Robust manufacturing performance amid strong investment approval

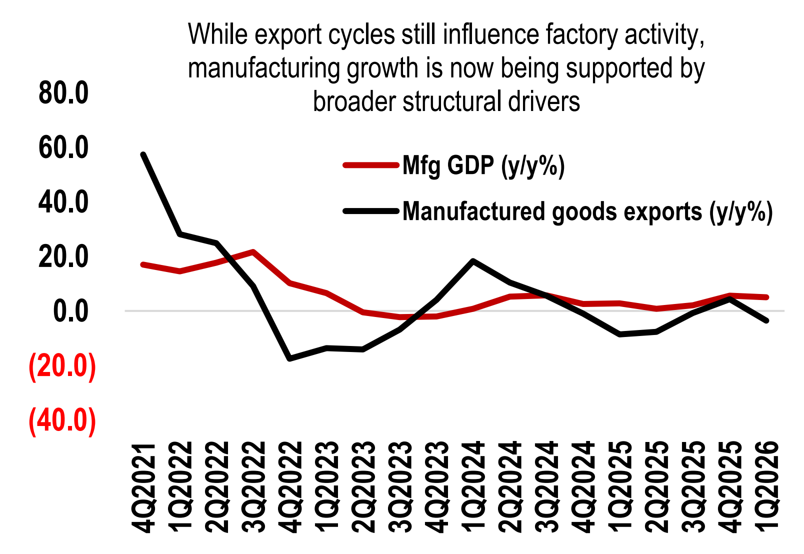
Strong external demand lifted Malaysia's growth in 2Q2026. We see carryover momentum in 2H2026

Malaysia's manufacturing sector remained a key engine of economic growth, expanding by 7.3% y/y in 2Q2026 and outperforming overall GDP growth, driven primarily by robust demand for electrical and electronics (E&E) products, particularly semiconductor-related output, driven by the global adoption of artificial intelligence (AI) technologies. Manufacturing remained one of the largest contributors to national economic performance, with export-oriented industries serving as the primary growth driver amid resilient global demand for technology.

The manufacturing sector remains cautiously positive in the coming quarter

Investment momentum also remained encouraging, with the manufacturing sector attracting MYR51.3 billion in approved investments during 1H2026 across 973 projects, reflecting continued confidence from both foreign and domestic investors. Although investment values moderated from the exceptionally high levels recorded in 2025, the significant increase in project numbers suggests broader-based industrial expansion across multiple manufacturing segments. These projects are expected to generate approximately 64,555 jobs, accounting for more than 65% of all jobs created from approved investments nationwide. Looking ahead, the outlook for Malaysia's manufacturing sector remains cautiously positive, supported by strong global demand for technology products, continued investment inflows, expanding semiconductor capacity, and growing digital infrastructure investments such as data centres and cloud computing facilities. However, manufacturers continue to face challenges, including talent shortages, rising production costs, and increasing automation requirements amid ongoing geopolitical tensions.

Exhibit 7: Manufacturing Growth vs Manufactured Exports (y/y%)



Sources: DOSM, AmBank Economics

Exhibit 8: Manufacturing Growth Continues to Outpace Malaysia's Overall Economic Expansion

Sources: DOSM, AmBank Economics

FX Overview

USD on weaker footing as greenback faces liquidity challenge and mixed rates outlook

USD weakness was driven by the US Treasury's announcement of liquidity support for long-dated USTs, while other US data readings presented a more nuanced Fed outlook

The DXY index fell 0.5% m/m, with most G10 currencies rallying against the USD in July, reversing their earlier depreciation in June. Broad-based USD weakness can be primarily attributed to the US Treasury's announcement that it will raise liquidity support for long-dated USTs, which would presumably lead to larger issuance of short-dated bonds and bills, though reports suggest the Treasury may also tap its nearly USD1.0 trillion cash at the Fed to finance the buybacks. The Treasury's move raises the outlook for dollar liquidity in the global financial system, thereby reducing its value, while active intervention efforts to suppress yields also place pressure on the USD via higher risk premiums on fiscal dominance and via carry channels. Meanwhile, US data points presented traders with a mixed outlook. While July labour market readings (such as nonfarm payrolls), retail sales, and UOM consumer sentiment all pointed to a cooling economy, sticky headline and core PCE inflation at +3.7% and +3.3% y/y, respectively, suggest little room for lower Fed rates in the near term. Meanwhile, against a backdrop of hawkish Fed FOMC minutes (for its July meeting) and diverging assessments on the economic/inflation outlook by FOMC members, Fed chairman Warsh, at the Jackson Hole symposium, sounded hawkish in his emphasis that persistent inflation remains the Fed's priority over employment concerns, tilting market bets in favour of a Fed hike in September.

EUR sees slight outperformance against GBP amid market expectations of an ECB rate hike at the September meeting

EUR (+0.8%) and **GBP (+0.5%)** rebounded amid USD weakness. The EUR's slight outperformance may be attributed to supportive manufacturing activity and sentiment in the Eurozone, as well as inflation inching up to 2.9% y/y in July (June: 2.8%). Comparatively, while the UK also saw persistent inflation readings in July, the labour market backdrop remained soft, with tentative signs of stabilisation. As such, markets are fully pricing in an ECB rate hike for its 10 September meeting – in contrast to the BOE, whereby markets only expect the next BOE hike to occur in December, as investors assess the BOE to adopt a more cautious stance amid UK PM Burnham's first budget (Autumn Budget 2026) on 28 October.

AUD outperformed G10 peers on USD weaknesses and bullish data in Australia

AUD (+2.1%) significantly outperformed G10 currencies for the month, supported by the AUD's relatively greater sensitivity to shifts in USD sentiment. Developments in Australia were also generally bullish for the AUD, including a hawkish rate hold by the RBA, hot headline and trimmed-mean inflation readings for July, as well as other domestic data that leaned resilient (a six-month high in services PMI, a return to manufacturing growth, and resilient household spending). While there were slight weaknesses in Australia's employment data in July, they were not considered sufficient to sway markets' pricing of a potential RBA rate hike this year (with one hike fully priced in by the RBA's November meeting), given continued warnings of upside inflation risks from RBA policymakers. Conversely, the **JPY (-1.5%)** was the underperforming currency among G10 majors. A sharp repricing earlier in the month indicates that intervention efforts have not brought a sustainable rally, with structural bearish factors still abounding, such as sharp yield differentials relative to other countries and continued fiscal concerns (most recently, the sharp cut to food consumption taxes with no offsetting revenue measures elsewhere). Nevertheless,

JPY underperformed peers amid sharp repricing, as earlier FX intervention efforts failed to correct underlying structural bearish factors for JPY the JPY has performed relatively well in recent sessions, given growing market expectations of a hawkish BOJ (driven by signals from BOJ and MOF officials, hot PPI readings, among others). The next BOJ hike is expected at its 18 September meeting; failure to do so may trigger a sharp JPY correction in the ensuing sessions.

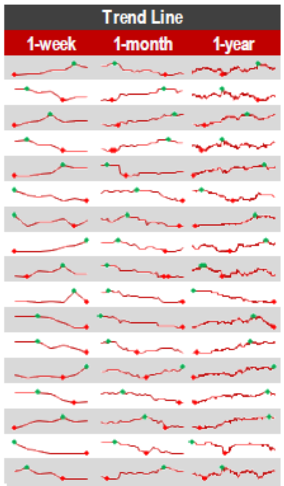
MYR performance is in line with regional peers, suggesting that US-centric developments remain the primary driver for USD/MYR

The **MYR** strengthened 1.5% vs. the USD in July – a performance comparable with regional peers for the month, including the THB (+0.7%), IDR (+1.6%) and SGD (+0.9%), suggesting that US-centric developments remain the primary driver of the Ringgit's performance. Nevertheless, domestic developments were plentiful. The final 2Q2026 GDP reading was revised upward to 6.0% y/y (from a preliminary 5.8% y/y), with the upside surprise primarily driven by services. BNM later noted that growth has exceeded its estimates over the past three quarters, prompting it to adjust its 2026 full-year growth forecast to around 5%. Headline inflation eased to 1.8% y/y in July (June: 1.8%), though BNM also warned that Malaysian businesses are still absorbing a larger proportion of higher input costs rather than passing them on, which has helped to keep consumer inflation contained. Meanwhile, PM Anwar indicated that studies are underway for a more progressive and efficient taxation system – including whether elements of GST can be incorporated into the current SST system. However, the PM said a wholesale return for GST won't be done as it would affect even the poorest. With the OPR to remain unchanged at 2.75% on 3 September, as expected, the next major domestic catalyst will be the announcement of Budget 2027 on 9 October.

Exhibit 9: FX Performance Table

Currencies

	Latest	1-day	1 week	1-Month	1-Year	Percentage Change				
	31-Aug-26	28-Aug-26	24-Aug-26	1-Aug-26	31-Aug-25	1-day	1-week	1-month	1-year	YTD
DXY Dollar Index	99.43	99.70	99.00	99.91	97.77	(0.3)	0.4	(0.5)	1.7	1.1
EUR/USD	1.162	1.159	1.166	1.153	1.169	0.3	(0.4)	0.8	(0.6)	(1.1)
AUD/USD	0.717	0.716	0.715	0.702	0.654	0.0	0.2	2.1	9.6	7.4
GBP/USD	1.355	1.354	1.363	1.348	1.350	0.1	(0.6)	0.5	0.3	0.5
USD/JPY	159.74	160.09	159.11	157.4	147.05	(0.2)	0.4	1.5	8.6	1.9
USD/MYR	4.025	4.025	4.043	4.086	4.225	0.0	(0.4)	(1.5)	(4.7)	(0.9)
USD/IDR	17,720	17,692	17,712	18,000	16,490	0.2	0.0	(1.6)	7.5	6.2
USD/THB	33.16	32.94	32.69	33.39	32.39	0.7	1.4	(0.7)	2.4	5.3
USD/SGD	1.271	1.274	1.271	1.283	1.284	(0.3)	0.0	(0.9)	(1.0)	(1.1)
USD/CNY	6.718	6.731	6.722	6.752	7.122	(0.2)	(0.1)	(0.5)	(5.7)	(3.7)
USD/KRW	1,368	1,375	1,384	1,439	1,390	(0.5)	(1.1)	(4.9)	(1.5)	(5.0)
USD/INR	95.17	95.39	95.75	95.39	88.21	(0.2)	(0.6)	(0.2)	7.9	5.9
USD/PHP	62.26	62.26	61.72	61.25	57.14	0.0	0.9	1.7	9.0	5.8
USD/TWD	31.68	31.62	31.87	32.31	30.60	0.2	(0.6)	(1.9)	3.5	0.8
USD/HKD	7.839	7.840	7.836	7.842	7.796	(0.0)	0.0	(0.0)	0.6	0.7
USD/VND	26,075	26,078	26,168	26,296	26,345	(0.0)	(0.4)	(0.8)	(1.0)	(0.8)
NZD/USD	0.592	0.592	0.596	0.588	0.589	0.0	(0.7)	0.6	0.4	2.8



Sources: Bloomberg, AmBank Economics

Long bonds suffer from inflation and policy outlook

DM bond yields weakened last month amid expectations of interest rate hikes, with the longest-tenor UST yields reaching their 2006 highs

Global bonds: DM bonds, led by US Treasuries, weakened last month amid expectations of interest rate hikes, with yields on the longest-tenor USTs reaching their 2006 highs.

Highly followed by the market was the month-end Jackson Hole symposium of central bankers. Fed's Warsh spoke and was hawkish, warning that inflation has not shown a firm slowdown. Warsh also indicated that financial conditions are not currently restrictive and that interest rates are the predominant tool for monetary policy. Either a September or an October FOMC rate hike remains possible, with WIRP pricing a 67% probability of a September hike. The ECB may also be on track for a September hike.

Bonds are priced lower amid large corporate debt issuances, fiscal concerns, and inflationary pressures

On top of the hawkish Fed tone, UST yields were also driven higher by large corporate debt issuances, continued US fiscal concerns, and inflationary pressures.

The US budget balance had increased again to 5.6% of GDP by June 2026, up from 5.1% in March and 5.3% December 2025. Despite the US CPI and PPI trending lower and reports of a potential peace deal, threats of economic blockades against Iran and a rise in oil prices kept the bond market weaker.

The US Treasury is targeting UST support via buybacks while announcing a stable funding requirement for next quarter

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However, there was some support for bonds mid-month, when the US Treasury Department announced it would at least double the monthly maximum size of its long-end liquidity-support buybacks, increasing from USD2.0 billion to at least USD4.0 billion. This comes at a time when the long end of 30Y UST yields had reached their highest level since 2007. The support program targets off-the-run securities of 10Y up to 30Y. Increased buybacks would presumably lead to greater issuance of short-dated bonds and bills, though reports suggest the Treasury may also tap cash funding at the Fed to finance the buybacks.

Another plus point for UST: the Treasury projects USD628 billion in borrowing of privately held net marketable debt during the October through December 2026 period, vs USD739 billion during the July-September 2026 quarter, assuming an end-of-September cash balance of $950 billion.

Malaysia's bonds fell in August, driven by rising global rates and very upbeat local economic data. However, shorter tenors are supported by expectations that the BNM will maintain a neutral stance

Malaysia's bonds: Malaysian bonds fell in August as yields shot up 15-20 bps across most benchmark MGS and GII papers, except the 3Y benchmark, which rose a more muted 3-5 bps for the month. Generally, driving yields were higher due to external influences from the rise in global rates, as well as pressure from the release of very upbeat local economic data. We think shorter tenors are supported by expectations that the BNM will maintain a neutral stance on its interest rate policy. The weak sentiment on longer tenors was reflected in a weak auction for the longer-tenor 20Y MGS, held last, where the MYR3.5 billion public tender received total bids of MYR5.7 billion. Also, the MYR3.0 billion 30Y MGS auction (there was an additional MYR2.0 billion private placement) garnered a tempered 2.02x BTC. Meanwhile, PDS trading was noticeably weaker as well; the weakness was mostly seen in late months, affected by the govvies movement. Credit trading was focused on infrastructure-related names, property names, and bank papers. Indicative yields on GG, AAA, and AA1 bonds were up 2 bps w/w, though credit spreads were mixed purely because MGS yields climbed faster.

Exhibit 10: MYR Bonds Latest Performance Table

Malaysia Government Securities

	Latest	1-day	1 week	1-Month	1-Year	Basis Points Change					Trend Line		
	31-Aug-26	28-Aug-26	24-Aug-26	1-Aug-26	31-Aug-25	1-day	1-week	1-month	1-year	YTD	1-week	1-month	1-year
3-Year	3.36	3.36	3.35	3.30	2.99	0	0	5	37	36			
5-Year	3.60	3.60	3.58	3.51	3.08	0	2	9	52	35			
7-Year	3.79	3.79	3.74	3.64	3.30	0	5	15	50	41			
10-Year	3.86	3.86	3.80	3.71	3.39	0	7	16	48	36			
15-Year	4.04	4.04	4.01	3.95	3.59	0	3	9	45	27			
20-Year	4.20	4.20	4.17	3.98	3.73	0	3	21	46	35			
30-Year	4.26	4.26	4.25	4.11	3.88	0	1	15	37	28			

Malaysia Government Investment Issues

	Latest	1-day	1 week	1-Month	1-Year	Basis Points Change					Trend Line		
	31-Aug-26	28-Aug-26	24-Aug-26	1-Aug-26	31-Aug-25	1-day	1-week	1-month	1-year	YTD	1-week	1-month	1-year
3-Year	3.38	3.38	3.38	3.35	3.03	0	0	3	35	28			
5-Year	3.60	3.60	3.57	3.49	3.13	0	3	10	47	34			
7-Year	3.80	3.80	3.73	3.63	3.25	0	6	17	55	45			
10-Year	3.85	3.85	3.80	3.70	3.42	0	5	15	43	33			
15-Year	4.04	4.04	4.01	3.95	3.59	0	3	9	45	29			
20-Year	4.17	4.17	4.13	4.00	3.74	0	5	18	43	31			

Indicative PDS yields

	Latest	1-day	1 week	1-Month	1-Year	Basis Points Change					Trend Line		
	31-Aug-26	28-Aug-26	24-Aug-26	1-Aug-26	31-Aug-25	1-day	1-week	1-month	1-year	YTD	1-week	1-month	1-year
3-Year AAA	3.65	3.65	3.62	3.61	3.52	0	3	4	13	15			
3-Year AA	3.78	3.78	3.76	3.74	3.68	0	2	4	10	11			
3-Year A	4.42	4.42	4.42	4.43	4.54	0	0	(1)	(12)	(12)			
5-Year AAA	3.77	3.77	3.72	3.70	3.60	0	5	6	17	18			
5-Year AA	3.88	3.88	3.85	3.83	3.77	0	3	5	12	13			
5-Year A	4.59	4.59	4.57	4.59	4.68	0	2	0	(9)	(11)			
10-Year AAA	3.97	3.97	3.91	3.89	3.75	0	6	8	22	20			
10-Year AA	4.09	4.09	4.03	4.01	3.92	0	6	8	17	17			
10-Year A	5.00	5.00	4.96	4.99	5.06	0	4	1	(6)	(11)			

Sources: Bloomberg, AmBank Economics.

Exhibit 11: Recent and upcoming MGS+GII auctions (July- September 2026)

Issue	Target Month	Issue Date	Maturity Date	MGS/GII	Amount (MYR billion)	BTC (times)	Avg yield (%)
10Y Reopening of MGS 7/35 3.476%	July	3-Jul-26	2-Jul-35	MGS	5.0	1.867	3.630
3.5Y Reopening of MGII 10/29	July	15-Jul-26	15-Oct-29	GII	5.0	2.260	3.287
15Yr Reopening of MGS 1/41	July	22-Jul-26	15-Jan-41	MGS	3.5	2.056	3.903
15Y Reopening of MGS 1/41 Private Placement	July	22-Jul-26	15-Jan-41	MGS	1.5		
5Yr Reopening of MGII 10/31 3.804%	August	5-Aug-26	8-Oct-31	GII	5.0	2.402	3.529
30Y Reopening of MGS 7/55 3.917%	August	12-Aug-26	15-Jul-55	MGS	3.0	2.017	4.213
30Y Reopening of MGS 7/55 3.917% Private Placement	August	12-Aug-26	15-Jul-55	MGS	2.0		
7Y Reopening of MGII 3/33	August	19-Aug-26	31-Mar-33	GII	5.0	2.147	3.696
20Y Reopening of MGS 4/46	August	27-Aug-26	23-Apr-46	MGS	3.5	1.635	4.189
20Y Reopening of MGS 4/46 Private Placement	August	27-Aug-26	23-Apr-46	MGS	1.5		
10Yr Reopening of MGII 7/36 3.447%	September						
7Y Reopening of MGS 4/33 3.844%	September						
30Y Reopening of MGII 1/56	September						

Sources: BNM, AmBank Economics

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