

Bond Market Weekly Outlook

Strong domestic demand anchors yields despite foreign outflows

Malaysian Government Securities (MGS) and Government Investment Issues (GII)

- Yield Movement:** MGS and GII yields continued to decline this week, falling between 0.4 and 3.1 basis points (bps). The 10-year MGS dipped 1.7 bps to 3.758%, while the 10-year GII fell 1.8 bps to 3.775%.
- Key drivers:** The 10-year yield edged lower, likely supported by a shift toward fixed income among domestic investors amid rising market uncertainty. Bursa Malaysia slipped below 1,500 as global economic concerns weighed on sentiment. However, escalating trade tensions prompted foreign investors to offload RM3.8b in government bonds yesterday, limiting further yield declines.
- Flows and yields:** Local yields are expected to remain steady within the 3.75–3.80% range, supported by prospects of trade expansion and stable domestic inflation data due next week. This should help offset headwinds from Fed rate uncertainty and global trade volatility.

United States Treasuries (UST)

- Yield Movement:** UST yields were mixed this week, fluctuating between -2.7 and 1.1 bps. The 10-year UST fell by 1.0 bps to 4.268%, while the 2-year UST decreased marginally by 0.2 bps to 3.957%.
- Key drivers:** The 10-year UST oscillated between 4.20% and 4.30% as investor sentiment remained mixed amid cooler-than-expected inflation data and escalating tariff tensions. A stock market sell-off drove demand for Treasuries, but concerns persist over the economic impact of Trump's tariffs and the Fed's policy stance.
- Outlook:** UST yields are expected to remain range-bound between 4.20% and 4.30%, with market focus on the Fed's economic projections, policy signals, and trade war developments. US retail sales data will be crucial in shaping economic sentiment. While unlikely, we are also monitoring developments related to a potential US government shutdown.

Auction Result (10/03/2025)

- The 15-yr MGII 04/39 reopened with at an expected total issuance of RM4.0b, yielding an average of 3.956 %
- Demand was strong, with a bid-to-cover (BTC) ratio of 3.02x.

Table 1: 10Y MGS, 10Y UST, Ringgit and OPR Outlook

	Long Term*				
	Q4-24	Q1-25F	Q2-25F	Q3-25F	Q4-25F
MGS	3.81	3.84	3.79	3.81	3.83
UST	4.57	4.30	4.36	4.43	4.50
USDMYR	4.472	4.480	4.530	4.490	4.449
OPR	3.00	3.00	3.00	3.00	3.00

*F=Forecasts for end of period
Source: Kenanga Research, Bloomberg

Table 2: Annual Issuances of MGS and GII

	MGS (RM b)		GII (RM b)	
	2024	2025	2024	2025
Reopening	82.5	16.0	78.0	21.0
New Issuances	10.0	-	9.5	4.0

Source: Kenanga Research, BNM, Macrobond

Graph 1: USDMYR and 10Y MGS-UST Yield Differential



Source: Kenanga Research, Bloomberg

Auction Result (14/03/2025)

- The 30-yr MGII 03/54 reopened with a larger-than-expected total issuance of RM5.0b, yielding an average of 4.169%.
- Demand was robust, with a bid-to-cover (BTC) ratio of 3.08x.
- The next auction will be the reopening of 10-yr MGS 07/34 at an expected issuance of RM5.0b, without private placement.

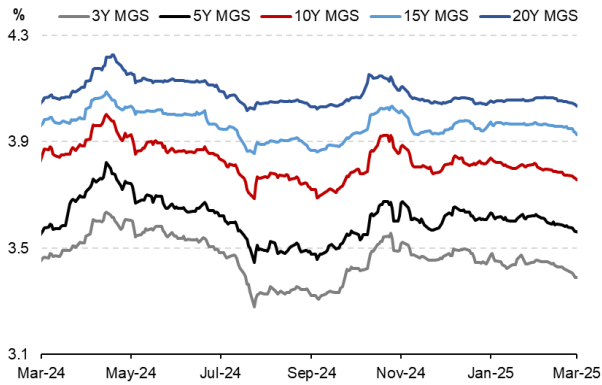
Table 3: 2025 Auction Calendar

Month	Issues	Issue Date	Auction (RM Mil)	PP* (RM Mil)	Total (RM Mil)	BTC* (x)	Average Yield (%)	Highest Yield (%)	Lowest Yield (%)
Feb	30-yr Reopening of MGS 03/53 4.457%	06/02/2025	2,500.00	-	2,500.00	2.36	4.186%	4.191%	4.160%
	7-yr Reopening of MGII 10/31 3.804%	13/02/2025	5,000.00	-	5,000.00	2.87	3.785%	3.790%	3.777%
	20-yr Reopening of MGS 05/44 4.180%	21/02/2025	2,500.00	2,000.00	4,500.00	2.99	4.068%	4.071%	4.060%
	5.5-yr New Issue of MGII (Mat on 08/30)	28/02/2025	5,500.00	-	5,500.00	3.16	3.635%	3.639%	3.620%
Mar	15-yr Reopening of MGS 04/39 4.054%	10/03/2025	3,000.00	1,000.00	4,000.00	3.02	3.956%	3.960%	3.950%
	30-yr Reopening of MGII 03/54 4.280%	14/03/2025	3,000.00	2,000.00	5,000.00	3.08	4.169%	4.171%	4.164%
	10-yr Reopening of MGS 07/34 3.828%				5,000.00				

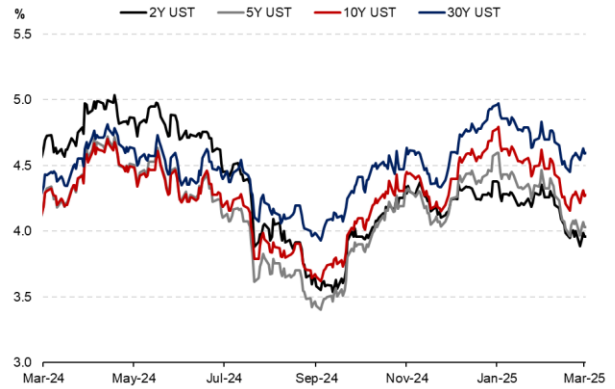
Source: Kenanga Research, BNM FAST, *PP= Private Placement, *BTC= Bid-to-cover ratio

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Graph 2: MGS Yield Trend

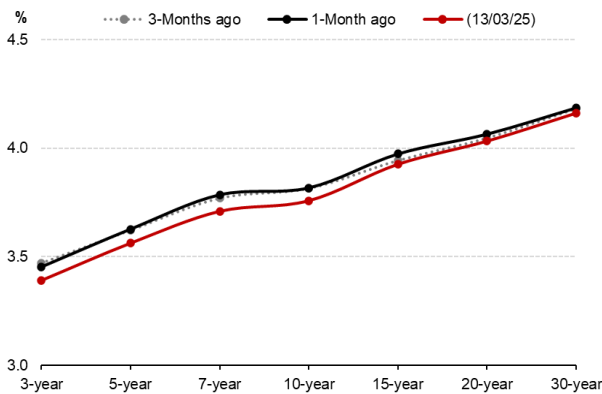


Graph 3: UST Yield Trend



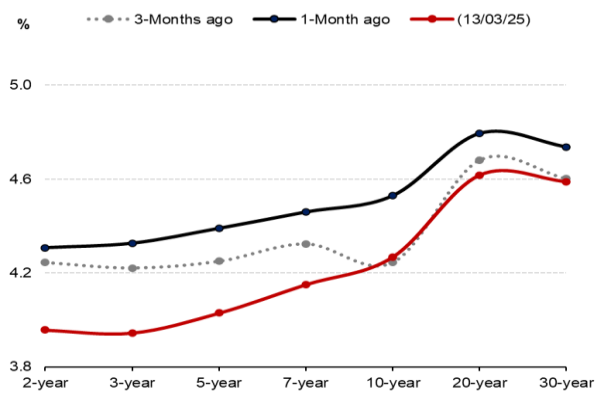
Source: Kenanga Research, Bloomberg

Graph 4: MGS Yield Curve



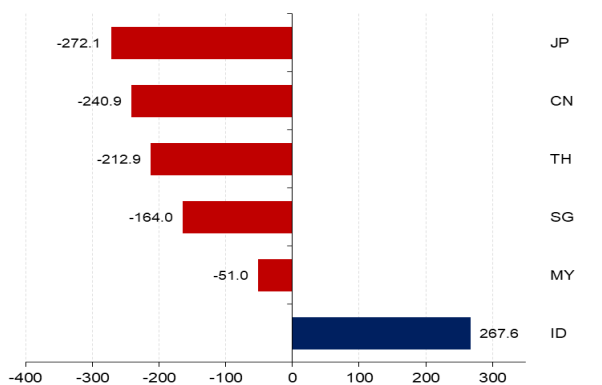
Source: Kenanga Research, Bloomberg

Graph 5: UST Yield Curve



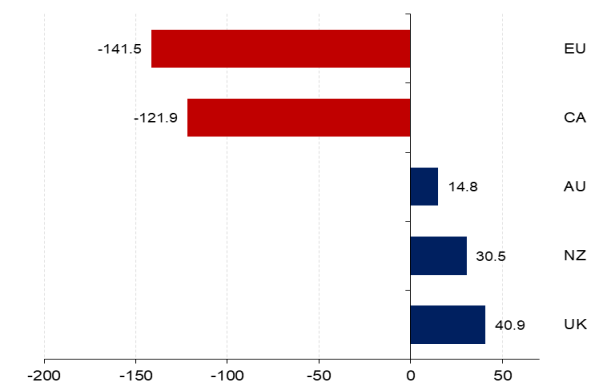
Source: Kenanga Research, Bloomberg

Graph 6: Selected Asian 10-Year Bond Yield Spread (bps)



Source: Kenanga Research, Bloomberg
Note: Yield spread with 10-year UST

Graph 7: Selected Global 10-Year Bond Yield Spread (bps)



Source: Kenanga Research, Bloomberg
Note: Yield spread with 10-year UST

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Table 3: Bond Yield Movements

Bonds	01/01/25 YTD	13/03/24 Last Year	13/02/25 Last Month	06/03/25 Last Week	13/03/25 Yesterday	ytd (bps)	yoy (bps)	mom (bps)	wow (bps)
MGS									
30Y MGS	4.183	4.175	4.185	4.171	4.162	-2.10	-1.30	-2.30	-0.90
20Y MGS	4.060	4.047	4.064	4.050	4.033	-2.70	-1.40	-3.10	-1.70
15Y MGS	3.969	3.964	3.973	3.957	3.926	-4.30	-3.80	-4.70	-3.10
10Y MGS	3.814	3.839	3.817	3.775	3.758	-5.60	-8.10	-5.90	-1.70
7Y MGS	3.768	3.740	3.785	3.729	3.709	-5.90	-3.10	-7.60	-2.00
5Y MGS	3.621	3.555	3.627	3.583	3.562	-5.90	0.70	-6.50	-2.10
3Y MGS	3.479	3.453	3.453	3.418	3.390	-8.90	-6.30	-6.30	-2.80
GII									
20Y GII	4.084	4.105	4.078	4.063	4.051	-3.30	-5.40	-2.70	-1.20
10Y GII	3.830	3.848	3.829	3.793	3.775	-5.50	-7.30	-5.40	-1.80
7Y GII	3.742	3.750	3.782	3.740	3.717	-2.50	-3.30	-6.50	-2.30
3Y GII	3.423	3.442	3.553	3.545	3.541	11.80	9.90	-1.20	-0.40
UST									
30Y UST	4.781	4.340	4.737	4.579	4.589	-19.21	24.93	-14.78	1.05
20Y UST	4.858	4.443	4.795	4.621	4.617	-24.11	17.43	-17.77	-0.37
10Y UST	4.569	4.190	4.529	4.278	4.268	-30.08	7.83	-26.06	-1.02
7Y UST	4.479	4.203	4.459	4.169	4.151	-32.81	-5.19	-30.83	-1.83
5Y UST	4.382	4.199	4.389	4.056	4.030	-35.25	-16.91	-35.99	-2.63
3Y UST	4.273	4.385	4.326	3.971	3.945	-32.79	-44.01	-38.11	-2.65
2Y UST	4.242	4.635	4.307	3.959	3.957	-28.45	-67.74	-34.96	-0.19
MAJOR 10Y GOVERNMENT BONDS									
10Y EU	2.364	2.366	2.417	2.832	2.853	48.90	48.70	43.60	2.10
10Y UK	4.568	4.021	4.490	4.660	4.677	10.90	65.60	18.70	1.70
10Y JP	1.101	0.767	1.353	1.541	1.547	44.60	78.00	19.40	0.60
10Y CN	1.675	2.339	1.633	1.787	1.859	18.40	-48.00	22.60	7.20
10Y SG	2.861	3.022	2.893	2.754	2.628	-23.28	-39.32	-26.47	-12.51
10Y ID	6.997	6.633	6.836	6.873	6.944	-5.30	31.10	10.80	7.10
10Y TH	2.305	2.497	2.293	2.217	2.139	-16.57	-35.85	-15.40	-7.81

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