

Bond Market Weekly Outlook

Local bond yields to remain stable, but external risks loom

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

- **Yield Movement:** MGS and GII yields were mixed this week, ranging between -3.7 to 1.1 basis points (bps) across the curve. The 10-Y MGS rose by 1.1 bps to 3.383%, while the 10-Y GII edged up slightly by 0.3 bps to 3.415%.
- **Key drivers:** Trump's proposed 100.0% tariff on semiconductors dampened sentiment, nudging the 10-Y MGS yield slightly higher. Escalating trade tensions, particularly between the US and India, added to the cautious tone. However, stronger domestic macro helped offset some of the pressure. Investors also drew confidence from clearer signals on fiscal reform and the announcement of the 13th Malaysia Plan.
- **Flows and outlook:** Yields are likely to stay rangebound this week as markets await key economic releases from both Malaysia and the US. Domestically, the steady June retail trade data, may reinforce the bullish outlook. Upcoming 2Q25 GDP and labour market prints, would also support this view if they beat expectations. However, lingering uncertainty around US economic outlook and ongoing tariff risks, especially on semiconductors, may cap further yield compression.

United States Treasuries (UST)

- **Yield Movement:** UST yields fell sharply across the curve, declining between -22.9 to -7.4 bps. The 10-Y dropped -12.4 bps to 4.250%, while the 2-Y tumbled 22.9 bps to 3.728%.
- **Key drivers:** Weaker-than-expected payrolls, and a soft ISM Services print signalled growing cracks in the US economy, driving yields lower. Dovish remarks from Fed officials further boosted expectations of multiple rate cuts, prompting a reassessment of the Fed's policy trajectory. While Trump's removal of the BLS chief and escalating US-India trade tensions added uncertainty, markets instead focused on the ongoing state of the US economy, pricing in three cuts now from just one last week. Notably, the latest 10-Y UST auction saw weak foreign participation, potentially hinting at fading international demand.
- **Outlook:** UST yields are poised to drift modestly higher ahead of key inflation data, with any upside surprise likely to lift yields further. Meanwhile, persistent volatility from tariff headlines and speculation around Trump's next moves, particularly regarding the Fed, could inject fresh uncertainty into the rates outlook.

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

	Long Term*				
	Q2-25	Q3-25F	Q4-25F	Q1-26F	Q2-26F
MGS	3.51	3.35	3.43	3.45	3.45
UST	4.23	4.53	4.50	4.38	4.30
USDMYR	4.21	4.16	4.08	4.05	4.02
OPR	3.00	2.75	2.75	2.75	2.75

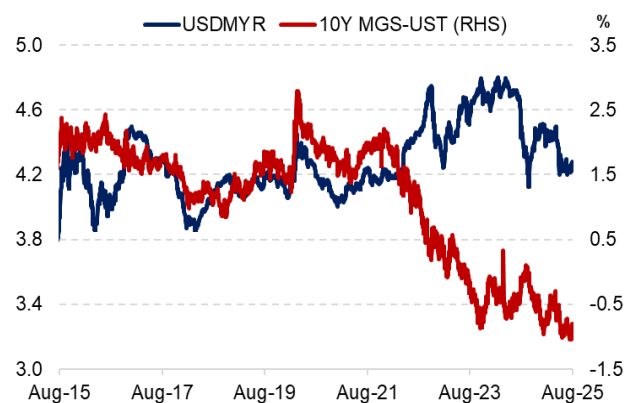
*F=Forecasts for end of period
Source: Kenanga Research, Bloomberg

Table 2: Annual Issuances of MGS and GII

	MGS (RM b)		GII (RM b)	
	2024	2025	2024	2025
Reopening	82.5	33.5	78.0	40.0
New Issuances	10.0	15.0	9.5	19.5

Source: Kenanga Research, BNM, Macrobond

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



Source: Kenanga Research, Bloomberg

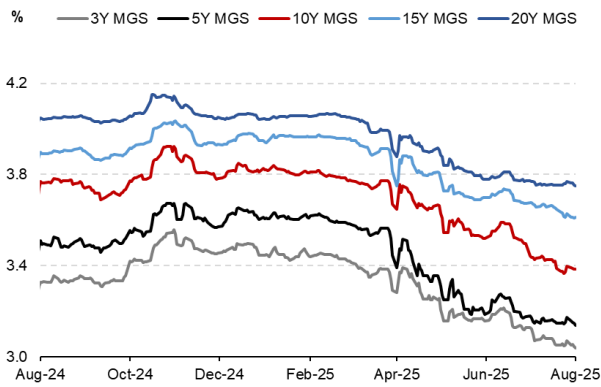
Auction Result

- The 20-yr MGS 05/44 reopened with a total issuance of RM4.5b, averaging a yield of 3.750%. Demand was solid, with a bid-to-cover (BTC) ratio of 2.73X.
- The next auction will be the reopening of 15y MGII 07/40 with an expected issuance of RM2.0b, with an additional RM2.0b to be privately placed.

Table 3: 2025 Auction Calendar

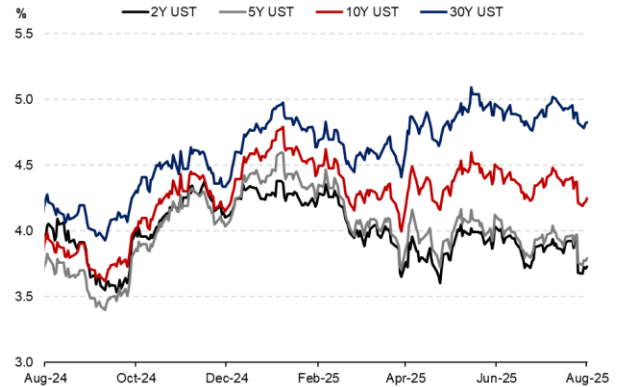
Month	Issues	Issue Date	Auction (RM Mil)	PP* (RM Mil)	Total (RM Mil)	BTC* (x)	Average Yield (%)	Highest Yield (%)	Lowest Yield (%)
July	7-yr Reopening of MGII 10/31 3.804%	04/07/2025	-	-	5,000.00	2.92	3.367%	3.370%	3.360%
	30-yr New Issue of MGS (Mat on 07/55)	15/07/2025	3,000.00	2,000.00	5,000.00	2.00	3.917%	3.926%	3.903%
	10-yr Reopening of MGII 04/35	21/07/2025	5,000.00	-	5,000.00	2.73	3.468%	3.470%	3.461%
Aug	20-yr Reopening of MGS 05/44 4.180%	08/08/2025	2,500.00	2,000.00	4,500.00	2.73	3.750%	3.753%	3.740%
	15-yr Reopening of MGII 07/40	-	2,000.00	2,000.00	4,000.00	-	-	-	-
	5-yr Reopening of MGS 5/30	-	-	-	-	-	-	-	-
	20-yr Reopening of MGII 05/45	-	-	-	-	-	-	-	-

Graph 2: MGS Yield Trend



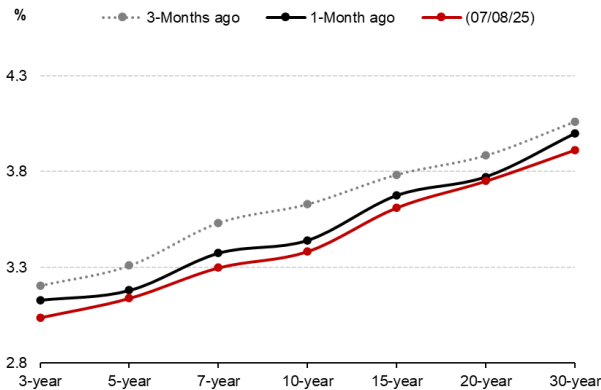
Source: Kenanga Research, Bloomberg

Graph 3: UST Yield Trend



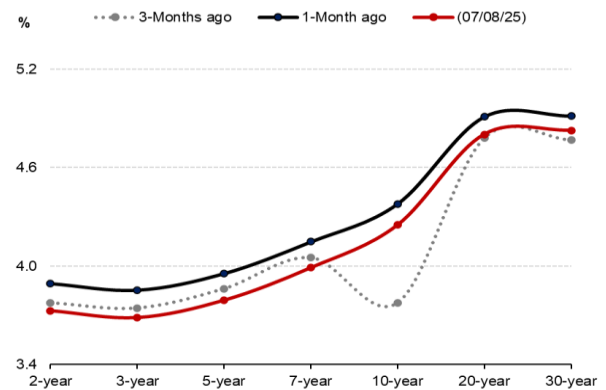
Source: Kenanga Research, Bloomberg

Graph 4: MGS Yield Curve



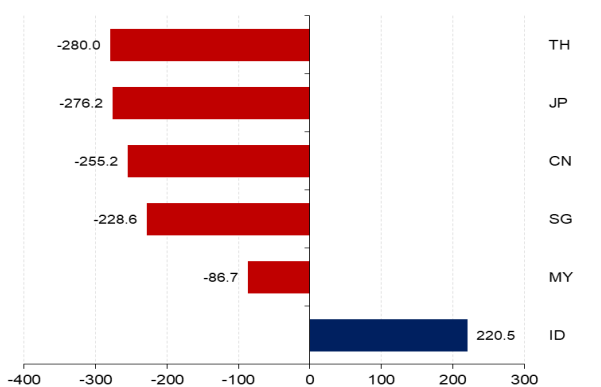
Source: Kenanga Research, Bloomberg

Graph 5: UST Yield Curve



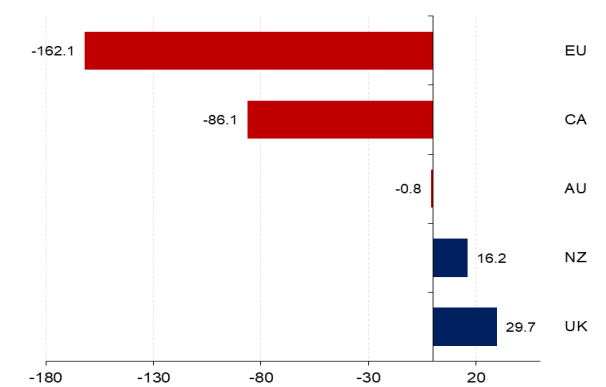
Source: Kenanga Research, Bloomberg

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

08 August 2025

Table 3: Bond Yield Movements

Bonds	01/01/25 YTD	07/08/24 Last Year	07/07/25 Last Month	31/07/25 Last Week	07/08/25 Yesterday	ytd (bps)	yoy (bps)	mom (bps)	wow (bps)
MGS									
30Y MGS	4.183	4.152	3.998	3.910	3.912	-27.10	-24.00	-8.60	0.20
20Y MGS	4.060	4.048	3.772	3.760	3.750	-31.00	-29.80	-2.20	-1.00
15Y MGS	3.969	3.897	3.675	3.613	3.611	-35.80	-28.60	-6.40	-0.20
10Y MGS	3.814	3.769	3.441	3.372	3.383	-43.10	-38.60	-5.80	1.10
7Y MGS	3.768	3.702	3.374	3.335	3.298	-47.00	-40.40	-7.60	-3.70
5Y MGS	3.621	3.510	3.180	3.151	3.139	-48.20	-37.10	-4.10	-1.20
3Y MGS	3.479	3.325	3.129	3.050	3.038	-44.10	-28.70	-9.10	-1.20
GII									
20Y GII	4.084	4.062	3.761	3.734	3.736	-34.80	-32.60	-2.50	0.20
10Y GII	3.830	3.776	3.495	3.412	3.415	-41.50	-36.10	-8.00	0.30
7Y GII	3.742	3.717	3.372	3.327	3.301	-44.10	-41.60	-7.10	-2.60
3Y GII	3.423	3.342	3.154	3.098	3.085	-33.80	-25.70	-6.90	-1.30
UST									
30Y UST	4.781	4.246	4.915	4.900	4.826	4.49	57.98	-8.91	-7.39
20Y UST	4.858	4.332	4.910	4.895	4.802	-5.58	47.03	-10.80	-9.29
10Y UST	4.569	3.943	4.379	4.374	4.250	-31.90	30.69	-12.94	-12.40
7Y UST	4.479	3.824	4.148	4.156	3.990	-48.94	16.56	-15.87	-16.63
5Y UST	4.382	3.762	3.955	3.972	3.792	-59.05	2.94	-16.36	-18.09
3Y UST	4.273	3.797	3.854	3.900	3.686	-58.66	-11.13	-16.84	-21.39
2Y UST	4.242	3.962	3.895	3.957	3.728	-51.37	-23.42	-16.67	-22.92
MAJOR 10Y GOVERNMENT BONDS									
10Y EU	2.364	2.267	2.642	2.693	2.629	26.50	36.20	-1.30	-6.40
10Y UK	4.568	3.949	4.586	4.569	4.547	-2.10	59.80	-3.90	-2.20
10Y JP	1.101	0.897	1.462	1.557	1.488	38.70	59.10	2.60	-6.90
10Y CN	1.675	2.141	1.644	1.712	1.698	2.30	-44.30	5.40	-1.40
10Y SG	2.861	2.877	2.061	2.093	1.965	-89.67	-91.24	-9.66	-12.84
10Y ID	6.997	6.811	6.580	6.567	6.455	-54.20	-35.60	-12.50	-11.20
10Y TH	2.305	2.607	1.584	1.503	1.450	-85.47	-115.72	-13.43	-5.35

Source: Kenanga Research, Bloomberg

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