

# Bond Market Weekly Outlook

Domestic bond yields may edge slightly higher amid global uncertainty

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

- Yield Movement:** MGS and GII yields displayed mixed movement this week, moving between -0.9 to 2.3 basis points (bps) across the curve. The 10-Y MGS increased by 2.3 bps to 3.386%, while the 10-Y GII rose by 2.2 bps to 3.404%.
- Key drivers:** Local yields climbed after Trump threatened a sweeping 300.0% tariffs on the global semiconductor industry, souring investor sentiment. The threat raised fears of trade disruptions, though the much stronger-than-expected MY's export growth helped offset pressure. Lack of progress in Ukraine peace talks also led investors to trim exposure to emerging-market debt.
- Flows and outlook:** Domestic yields are poised for a modest uptick as markets await clarity on Trump's tariff stance, especially on semiconductor. Attention will also centre on the Jackson Hole symposium, where Powell is expected to reaffirm a data-dependent approach. Geopolitical risks, particularly the slow-moving Russia-Ukraine negotiations, continue to cloud the global outlook. Onshore, steady inflation data should help anchor yields and provide a buffer against external volatility.

## United States Treasuries (UST)

- Yield Movement:** UST yields extended their climb this week, rising 4.2 to 5.9 bps across the curve. The 10-Y gained 4.3 bps to 4.328%, while the 2-Y climbed 5.9 bps to 3.792%.
- Key drivers:** The 10-year yield moved higher as investors looked ahead to Powell's speech at Jackson Hole. The latest FOMC minutes offered little new information, noting only that policymakers remained concerned about both inflation and the labour market. Fed officials showed little appetite for cuts, while Trump's call for Governor Lisa Cook's resignation added political noise. Strong US business activity supported yields, though labour-market softness and progress on a US-EU trade deal capped gains.
- Outlook:** UST yields may edge higher next week, with Powell's speech likely to keep investors cautious ahead of upcoming jobs data. Markets will also watch next week's releases of core PCE and jobless claims for policy signals. On the global front, geopolitical risk remains prominent, with progress in Russia-Ukraine negotiations under close scrutiny.

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	15/08/2025	3,000.00	1,000.00	4,000.00	2.85	3.577%	3.580%	3.568%
	5-yr Reopening of MGS 5/30	22/08/2025	-	-	5,000.00	1.87	3.086%	3.092%	3.077%
	20-yr Reopening of MGII 05/45	-	3,000.00	2,000.00	5,000.00	-	-	-	-

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	38.5	78.0	44.0
New Issuances	10.0	15.0	9.5	19.5

Source: Kenanga Research, BNM, Macrobond

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

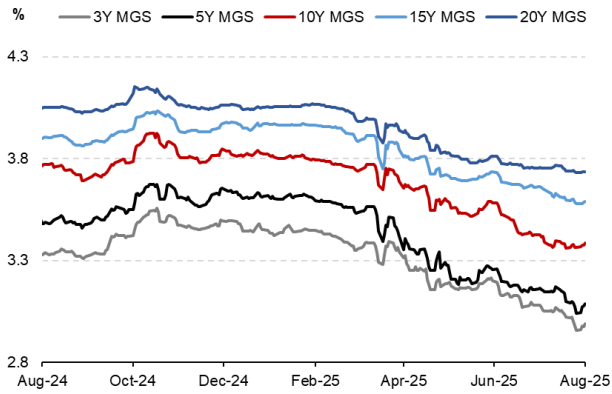


Source: Kenanga Research, Bloomberg

## Auction Result

- The 5y MGS 05/30 reopened with a total issuance of RM5.0b, averaging a yield of 3.086%. Demand was weak, with a bid-to-cover (BTC) ratio of 1.87x (YTD BTC: 2.80x).
- The next auction will be the reopening of 20y MGII 05/45 with an expected issuance of RM3.0b, with an additional RM2.0b to be privately placed.

**Graph 2: MGS Yield Trend**



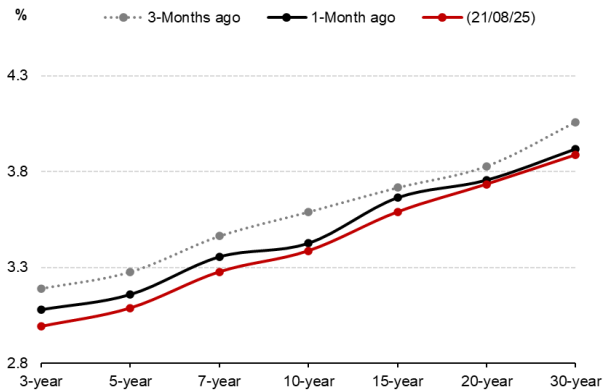
Source: Kenanga Research, Bloomberg

**Graph 3: UST Yield Trend**



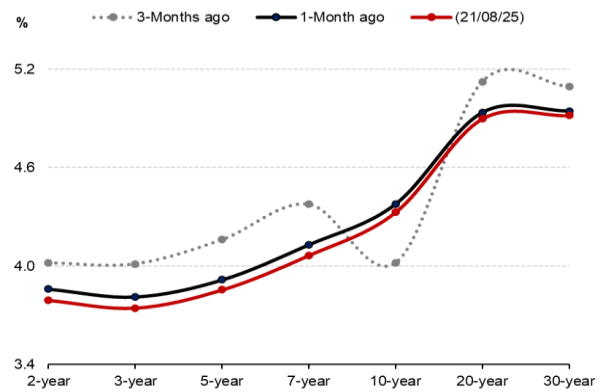
Source: Kenanga Research, Bloomberg

**Graph 4: MGS Yield Curve**



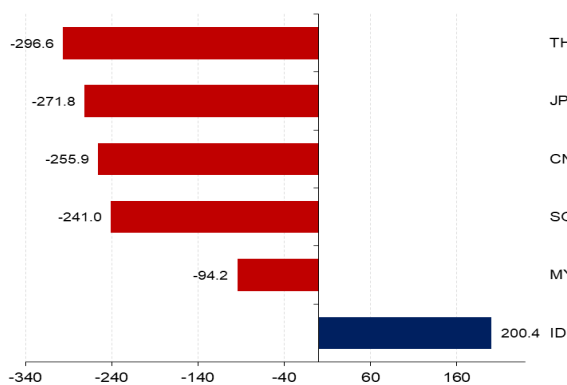
Source: Kenanga Research, Bloomberg

**Graph 5: UST Yield Curve**



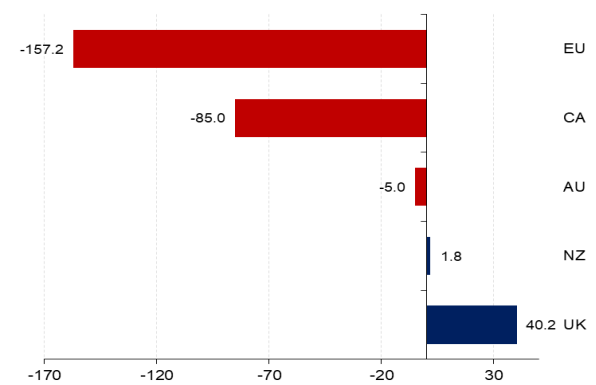
Source: Kenanga Research, Bloomberg

**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

22 August 2025

Table 3: Bond Yield Movements

Bonds	01/01/25 YTD	21/08/24 Last Year	21/07/25 Last Month	14/08/25 Last Week	21/08/25 Yesterday	ytd (bps)	yoy (bps)	mom (bps)	wow (bps)
<b>MGS</b>									
30Y MGS	4.183	4.171	3.917	3.896	3.887	-29.60	-28.40	-3.00	-0.90
20Y MGS	4.060	4.048	3.755	3.734	3.734	-32.60	-31.40	-2.10	0.00
15Y MGS	3.969	3.899	3.663	3.586	3.589	-38.00	-31.00	-7.40	0.30
10Y MGS	3.814	3.766	3.426	3.363	3.386	-42.80	-38.00	-4.00	2.30
7Y MGS	3.768	3.677	3.355	3.259	3.276	-49.20	-40.10	-7.90	1.70
5Y MGS	3.621	3.480	3.159	3.074	3.087	-53.40	-39.30	-7.20	1.30
3Y MGS	3.479	3.328	3.080	2.980	2.991	-48.80	-33.70	-8.90	1.10
<b>GII</b>									
20Y GII	4.084	4.062	3.742	3.730	3.732	-35.20	-33.00	-1.00	0.20
10Y GII	3.830	3.781	3.476	3.382	3.404	-42.60	-37.70	-7.20	2.20
7Y GII	3.742	3.699	3.356	3.242	3.248	-49.40	-45.10	-10.80	0.60
3Y GII	3.423	3.326	3.127	3.027	3.025	-39.80	-30.10	-10.20	-0.20
<b>UST</b>									
30Y UST	4.781	4.078	4.944	4.873	4.917	13.60	83.97	-2.68	4.46
20Y UST	4.858	4.176	4.935	4.847	4.897	3.90	72.07	-3.77	4.99
10Y UST	4.569	3.801	4.378	4.285	4.328	-24.13	52.67	-5.00	4.28
7Y UST	4.479	3.703	4.130	4.023	4.065	-41.41	36.22	-6.55	4.17
5Y UST	4.382	3.656	3.917	3.814	3.855	-52.67	19.91	-6.14	4.16
3Y UST	4.273	3.741	3.813	3.697	3.745	-52.77	0.35	-6.83	4.77
2Y UST	4.242	3.931	3.861	3.732	3.792	-44.98	-13.87	-6.90	5.94
<b>MAJOR 10Y GOVERNMENT BONDS</b>									
10Y EU	2.364	2.189	2.612	2.711	2.756	39.18	56.68	14.38	4.48
10Y UK	4.568	3.891	4.603	4.641	4.729	16.13	83.83	12.63	8.83
10Y JP	1.101	0.880	1.541	1.547	1.610	50.90	73.00	6.90	6.30
10Y CN	1.675	2.170	1.678	1.738	1.769	9.40	-40.10	9.10	3.10
10Y SG	2.861	2.736	2.073	1.893	1.917	-94.38	-81.82	-15.59	2.40
10Y ID	6.997	6.611	6.523	6.379	6.332	-66.50	-27.90	-19.10	-4.70
10Y TH	2.305	2.570	1.531	1.374	1.361	-94.32	-120.86	-16.94	-1.24

Source: Kenanga Research, Bloomberg

For further information, please contact:

**Wan Suhaimie Wan Mohd Saidie**  
Head of Economic Research  
[wansuhaimi@kenanga.com.my](mailto:wansuhaimi@kenanga.com.my)

**Muhammad Saifuddin Sapuan**  
Economist  
[saifuddin.sapuan@kenanga.com.my](mailto:saifuddin.sapuan@kenanga.com.my)

**Afiq Asyraf Syazwan Abd. Rahim**  
Economist  
[afiqasyraf@kenanga.com.my](mailto:afiqasyraf@kenanga.com.my)

**Nurul Hanees Hairulkama**  
Economist  
[nurulhanees@kenanga.com.my](mailto:nurulhanees@kenanga.com.my)

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**KENANGA INVESTMENT BANK BERHAD (15678-H)**  
Level 17, Kenanga Tower, 237, Jalan Tun Razak, 50400 Kuala Lumpur, Malaysia  
Telephone: (603) 2172 0880 Website: [www.kenanga.com.my](http://www.kenanga.com.my) E-mail: [research@kenanga.com.my](mailto:research@kenanga.com.my)