

Bond Market Weekly Outlook

Local and UST yields lean lower as December Fed-cut bets set the tone next week

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

- Yield Movement:** MGS and GII yields moved in a narrow, mixed range of -3.0 to 2.5 basis points (bps). The 10-Y MGS rose 2.5 bps to 3.451%, while the 10-Y GII slipped 0.7 bps to 3.514%.
- Key drivers:** MGS yields drifted higher as lingering China-Taiwan tensions kept sentiment cautious and markets continued to reprice the odds of a December Fed cut. Domestic factors added a mild drag, as monsoon flooding in parts of Malaysia and the region raised concerns over near-term disruptions to economic activity. Still, the upward move was contained, supported by resilient domestic fundamentals. Inflation remains stable, and prospects for stronger bilateral ties, particularly with India, Botswana, and South Africa continue to support confidence. Solid demand at the latest MGII auction, with a bid-to-cover (BTC) ratio of 2.34x, also helped limit the rise in yields
- Flows and outlook:** We expect local yields to stay broadly stable next week, with the PMI release acting as the key catalyst. Persistent expectations of a December Fed cut should continue to ease pressure on domestic yields. We are monitoring the scheduled December reopening of the 10-Y MGS, which may be cancelled. If this happens, tighter supply should offer marginal support to MGS. Geopolitical risks around the China-Taiwan and Russia-Ukraine conflicts remain key swing factors. Ongoing flood risks could disrupt agriculture and broader economic activity.

United States Treasuries (UST)

- Yield Movement:** UST yields declined across the curve, falling between 5.8 to 9.0 bps. The 10-Y fell 9.0 bps to 3.994%, while the 2-Y declined 5.8 bps to 3.475%.
- Key drivers:** Dovish remarks from Federal Reserve officials Williams and Waller revived expectations of a December rate cut. Signs of softening economic activity supported the move: September retail sales slowed, consumer confidence weakened in November and the Beige Book pointed to softer employment and cooling spending. With the 3Q25 GDP release delayed, these indicators have effectively become the market's proxy for growth.
- Outlook:** UST yields may continue to ease next week as markets maintain conviction in a December cut. Investors will focus on the ADP employment reading and initial jobless claims data for clarity on labour market momentum. Additional catalysts include the ISM Manufacturing PMI and the core PCE Price data, will offer insight into inflation and the health of manufacturing activity. These releases are unlikely to materially shift the prevailing narrative that the Fed remains on track for a December cut.

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 (%)
Nov	10-yr Reopening of MGII 04/35	11/11/2025	5,000.00	-	5,000.00	2.57	3.554%	3.559%	3.545%
	7-yr Reopening of MGS 07/32 3.582%	18/11/2025	4,000.00	-	4,000.00	1.91	3.455%	3.468%	3.437%
	20-yr Reopening of MGII 05/45	25/11/2025	3,000.00	-	3,000.00	2.34	3.878%	3.885%	3.860%
Dec	10-yr Reopening of MGS 07/35	-	4,000.00	-	4,000.00	-	-	-	-

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

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

	Long Term*				
	Q3-25	Q4-25F	Q1-26F	Q2-26F	Q3-26F
MGS	3.45	3.43	3.44	3.38	3.33
UST	4.15	4.50	4.38	4.25	4.13
USDMYR	4.21	4.08	4.05	4.02	3.99
OPR	2.75	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	79.2	61.0	78.0	67.0
New Issuances	10.0	15.0	9.5	22.5

Source: Kenanga Research, BNM, Macrobond

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

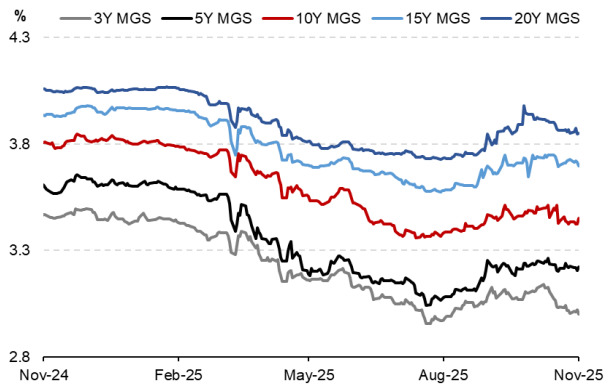


Source: Kenanga Research, Bloomberg

Auction Result

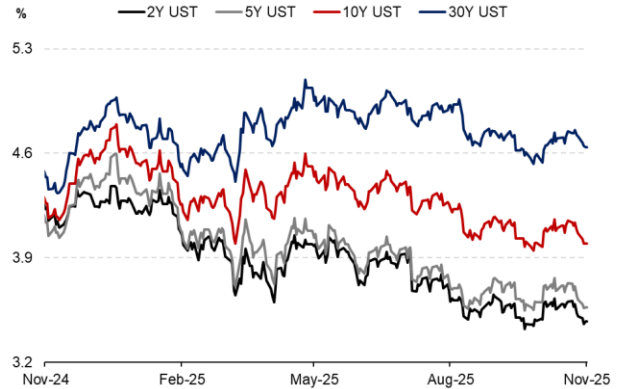
- The reopening of 20yr MGII 05/45 drew solid demand, with RM3.0b issued at an average yield of 3.878%. The bid-to-cover ratio rebounded to 2.34x, with the YTD average of 2.60x.
- The next auction will be the reopening of 10yr MGS 07/35, with an expected RM4.0b total issuance without any private placement. Note that the tender is likely to be cancelled, which would place full-year gross MGS+GII supply at RM165.5 (2024: RM176.7).

Graph 2: MGS Yield Trend



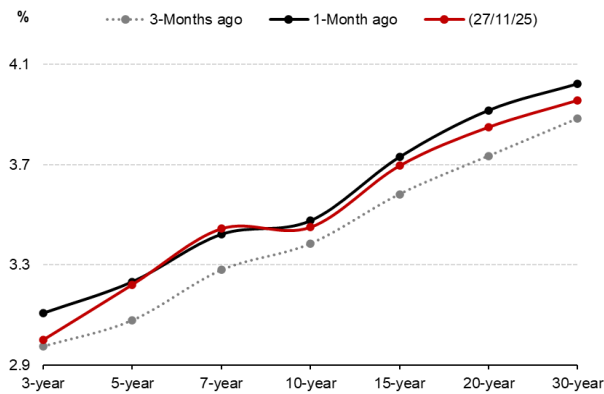
Source: Kenanga Research, Bloomberg

Graph 3: UST Yield Trend



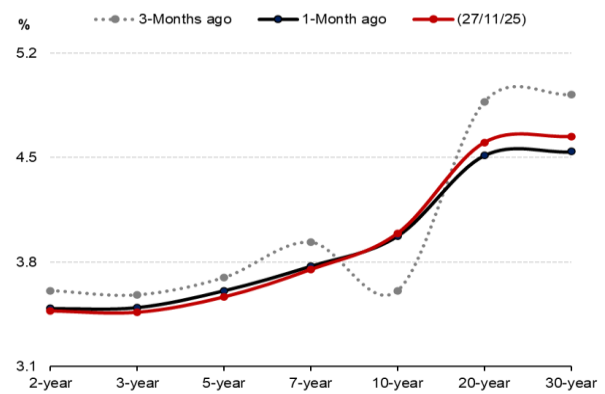
Source: Kenanga Research, Bloomberg

Graph 4: MGS Yield Curve



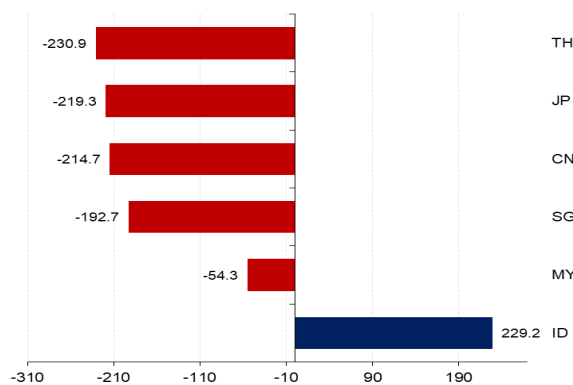
Source: Kenanga Research, Bloomberg

Graph 5: UST Yield Curve



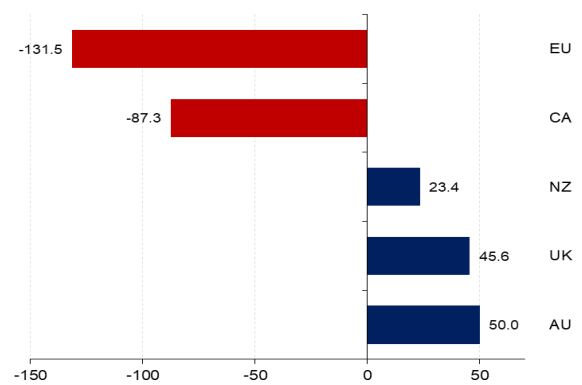
Source: Kenanga Research, Bloomberg

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

Table 3: Bond Yield Movements

Bonds	01/01/25 YTD	27/11/24 Last Year	28/10/25 Last Month	20/11/25 Last Week	27/11/25 Yesterday	ytd (bps)	yoy (bps)	mom (bps)	wow (bps)
MGS									
30Y MGS	4.183	4.174	4.022	3.954	3.957	-22.60	-21.70	-6.50	0.30
20Y MGS	4.060	4.059	3.916	3.866	3.850	-21.00	-20.90	-6.60	-1.60
15Y MGS	3.969	3.935	3.730	3.726	3.696	-27.30	-23.90	-3.40	-3.00
10Y MGS	3.814	3.806	3.476	3.426	3.451	-36.30	-35.50	-2.50	2.50
7Y MGS	3.768	3.775	3.422	3.444	3.445	-32.30	-33.00	2.30	0.10
5Y MGS	3.621	3.610	3.233	3.220	3.222	-39.90	-38.80	-1.10	0.20
3Y MGS	3.479	3.468	3.108	3.019	3.002	-47.70	-46.60	-10.60	-1.70
GII									
20Y GII	4.084	4.083	3.935	3.882	3.872	-21.20	-21.10	-6.30	-1.00
10Y GII	3.830	3.817	3.488	3.521	3.514	-31.60	-30.30	2.60	-0.70
7Y GII	3.742	3.775	3.364	3.347	3.328	-41.40	-44.70	-3.60	-1.90
3Y GII	3.423	3.400	3.108	3.108	3.097	-32.60	-30.30	-1.10	-1.10
UST									
30Y UST	4.781	4.438	4.540	4.723	4.641	-13.98	20.31	10.15	-8.15
20Y UST	4.858	4.530	4.515	4.688	4.601	-25.73	7.05	8.57	-8.73
10Y UST	4.569	4.263	3.976	4.085	3.994	-57.49	-26.93	1.85	-9.04
7Y UST	4.479	4.193	3.774	3.840	3.752	-72.67	-44.06	-2.15	-8.80
5Y UST	4.382	4.135	3.610	3.646	3.569	-81.32	-56.66	-4.07	-7.67
3Y UST	4.273	4.173	3.497	3.525	3.466	-80.65	-70.65	-3.07	-5.88
2Y UST	4.242	4.227	3.490	3.533	3.475	-76.66	-75.22	-1.48	-5.77
MAJOR 10Y GOVERNMENT BONDS									
10Y EU	2.364	2.159	2.623	2.715	2.679	31.48	51.98	5.63	-3.66
10Y UK	4.568	4.295	4.400	4.586	4.450	-11.82	15.48	4.96	-13.60
10Y JP	1.101	1.071	1.646	1.824	1.801	70.00	73.00	15.50	-2.30
10Y CN	1.675	2.051	1.813	1.811	1.847	17.24	-20.36	3.43	3.60
10Y SG	2.861	2.829	1.833	1.878	2.067	-79.45	-76.22	23.38	18.84
10Y ID	6.997	6.933	6.000	6.169	6.286	-71.10	-64.70	28.60	11.70
10Y TH	2.305	2.393	1.692	1.726	1.686	-61.90	-70.72	-0.63	-4.01

Source: Kenanga Research, Bloomberg

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