

Bond Market Weekly Outlook

Key macro releases and the upcoming US Fed rate cut to support MGS/GII yields

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

- Yield Movement:** MGS and GII yields moved higher by between -0.4 to 4.6 basis points (bps). The 10-Y MGS added 3.1 bps to 3.482%, while the 10-Y GII increased 1.5 bps to 3.529%.
- Key drivers:** Local yields tracked the upward drift in UST yields. Hawkish remarks from BOJ Governor Ueda lifted Japanese bond yields and added global upward pressure. The rise in domestic yields stayed modest, supported by steady onshore demand. November's PMI climbed to 50.1, an 18-month high driven by stronger new orders. Foreign interest also continued to build, with nearly RM4.0b flowing into government bonds in November. Bilateral developments lifted sentiment, including China's signal of deeper trade and investment cooperation through a proposed MoU, and the completion of arrangements for co-located immigration facilities under the Johor Bahru-Singapore RTS Link.
- Flows and outlook:** Malaysia's resilient macro backdrop should continue to anchor yields, with upcoming labour, IPI, and retail data as key catalysts to watch. Stronger prints may support investor confidence and lift demand for local bonds. On the global front, markets remain positioned for a Fed rate cut next week, which could pull domestic yields lower.

United States Treasuries (UST)

- Yield Movement:** UST yields rose across the curve, between 4.8 to 11.4 bps. The 10-Y rose 10.4 bps to 4.098%, while the 2-Y increased 4.8 bps to 3.523%.
- Key drivers:** Yields climbed despite the negative ADP print, which strengthened expectations for a December rate cut. Investors see little incentive to push yields below 4.000% level, but they are also reluctant to drive them meaningfully higher. Hawkish guidance from Governor Ueda lifted JGB yields higher, prompting portfolio rebalancing away from Treasuries and adding further upward pressure. These factors outweighed speculation that Kevin Hassett could replace Powell as Fed chair, a development that would imply a more dovish Fed.
- Outlook:** UST yields may drift lower next week as markets stay firmly positioned for a rate cut. Investors will focus on the core PCE release and upcoming JOLTS job-openings data for signs of labour-market momentum. Speculation that Kevin Hassett could replace Powell as Fed Chair adds a dovish tilt to sentiment and reinforces the downside bias for yields

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

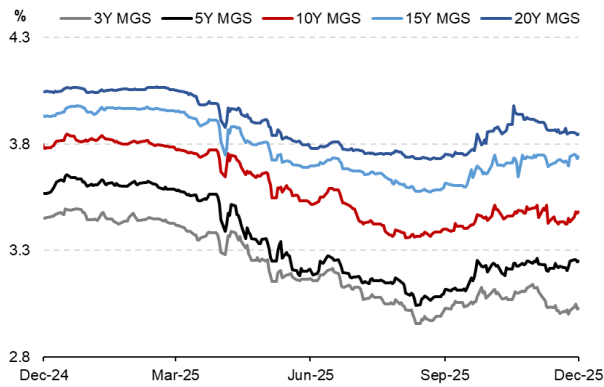
- There was no new issuance or reopening this week.
- The next auction will be the reopening of 10yr MGS 07/35, with an expected RM4.0b total issuance without any private placement. Note that the tender may be cancelled, which would place full-year gross MGS+GII supply at RM165.5b (2024: RM176.7b).

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

Graph 2: MGS Yield Trend



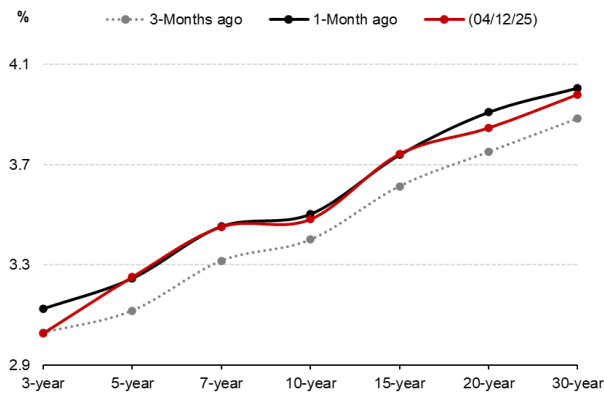
Source: Kenanga Research, Bloomberg

Graph 3: UST Yield Trend



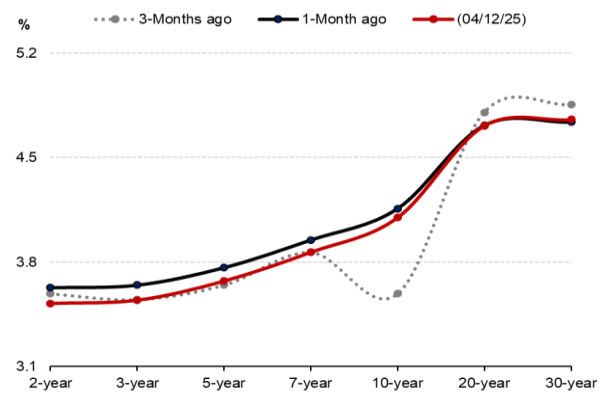
Source: Kenanga Research, Bloomberg

Graph 4: MGS Yield Curve



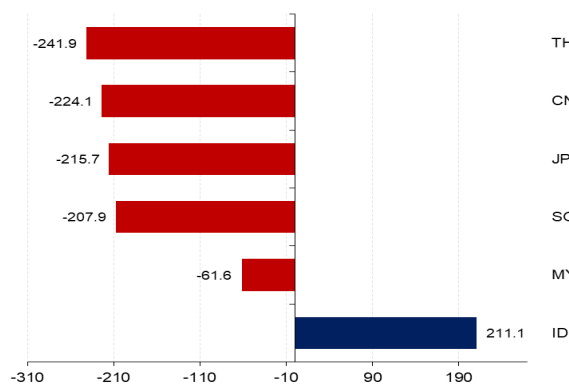
Source: Kenanga Research, Bloomberg

Graph 5: UST Yield Curve



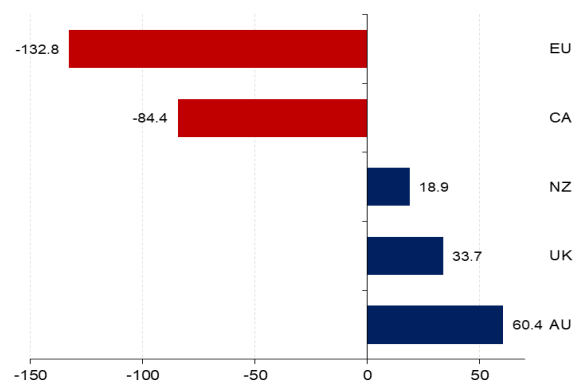
Source: Kenanga Research, Bloomberg

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	04/12/24 Last Year	05/11/25 Last Month	27/11/25 Last Week	04/12/25 Yesterday	ytd (bps)	yoy (bps)	mom (bps)	wow (bps)
MGS									
30Y MGS	4.183	4.177	4.006	3.957	3.979	-20.40	-19.80	-2.70	2.20
20Y MGS	4.060	4.046	3.909	3.850	3.846	-21.40	-20.00	-6.30	-0.40
15Y MGS	3.969	3.933	3.739	3.696	3.742	-22.70	-19.10	0.30	4.60
10Y MGS	3.814	3.789	3.503	3.451	3.482	-33.20	-30.70	-2.10	3.10
7Y MGS	3.768	3.726	3.454	3.445	3.452	-31.60	-27.40	-0.20	0.70
5Y MGS	3.621	3.566	3.247	3.222	3.252	-36.90	-31.40	0.50	3.00
3Y MGS	3.479	3.453	3.126	3.002	3.028	-45.10	-42.50	-9.80	2.60
GII									
20Y GII	4.084	4.082	3.906	3.872	3.886	-19.80	-19.60	-2.00	1.40
10Y GII	3.830	3.805	3.539	3.514	3.529	-30.10	-27.60	-1.00	1.50
7Y GII	3.742	3.748	3.381	3.328	3.354	-38.80	-39.40	-2.70	2.60
3Y GII	3.423	3.386	3.140	3.097	3.115	-30.80	-27.10	-2.50	1.80
UST									
30Y UST	4.781	4.344	4.738	4.641	4.755	-2.65	41.05	1.69	11.33
20Y UST	4.858	4.438	4.717	4.601	4.714	-14.44	27.54	-0.30	11.29
10Y UST	4.569	4.180	4.159	3.994	4.098	-47.09	-8.19	-6.10	10.40
7Y UST	4.479	4.122	3.949	3.752	3.866	-61.32	-25.66	-8.30	11.35
5Y UST	4.382	4.067	3.764	3.569	3.673	-70.92	-39.44	-9.08	10.40
3Y UST	4.273	4.087	3.646	3.466	3.545	-72.81	-54.28	-10.19	7.84
2Y UST	4.242	4.126	3.630	3.475	3.523	-71.90	-60.30	-10.69	4.76
MAJOR 10Y GOVERNMENT BONDS									
10Y EU	2.364	2.059	2.672	2.679	2.770	40.59	71.09	9.78	9.11
10Y UK	4.568	4.249	4.463	4.450	4.435	-13.34	18.56	-2.81	-1.52
10Y JP	1.101	1.066	1.664	1.801	1.941	84.00	87.50	27.70	14.00
10Y CN	1.675	1.975	1.797	1.847	1.857	18.17	-11.83	5.94	0.93
10Y SG	2.861	2.709	1.842	2.067	2.019	-84.19	-68.94	17.70	-4.74
10Y ID	6.997	6.897	6.175	6.286	6.209	-78.80	-68.80	3.40	-7.70
10Y TH	2.305	2.324	1.748	1.686	1.679	-62.53	-64.52	-6.87	-0.63

Source: Kenanga Research, Bloomberg

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