

# Bond Market Weekly Outlook

Local yields to remain rangebound ahead of US labour data

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

- Yield Movement:** MGS and GII mostly eased across the curve between -4.2 to 0.9 basis points (bps). The 10-Y MGS declined 1.5 bps to 3.498%, while the 10-Y GII fell 3.4 bps to 3.529%.
- Key drivers:** MGS yields softened modestly amid persistent global risks. The recent 30-year MGII auction attracted solid demand, achieving a 2.07x bid-to-cover (BTC) ratio, supporting appetite for long-duration risk. Domestic confidence was further anchored by resilient tourism. External sentiment improved on progress in the EFTA-Malaysia free trade agreement and France's push for deeper rare-earth value-chain collaboration. That said, the decline in yields remained limited as recent Fed signals kept a slightly hawkish tone, while heightened US-Iran tensions capped risk appetite.
- Flows and outlook:** Domestic yields are likely to remain largely rangebound in the near term as foreign investors trimmed Malaysian government bond holdings by around RM1.5b last week, bringing year-to-date outflows to roughly RM5.1b, while foreign equity investors remained net buyers. Underlying domestic strength, supported by upcoming PMI readings and a stable ringgit, should help anchor yields. Global focus will remain on US labour data and President Trump's announcement of the next Fed chair nominee, which could inject additional volatility into rates.

## United States Treasuries (UST)

- Yield Movement:** UST yields showed mixed movement, moving between -5.0 to 1.5 bps. The 10-Y fell 1.4 bps to 4.231%, while the 2-Y declined 4.7 bps to 3.559%.
- Key drivers:** UST yields reacted modestly despite a widening US trade deficit and weaker-than-expected consumer confidence, both pointing to cooling demand. Initial jobless claims remained low, signalling labour market resilience. FOMC commentary reinforced a "wait and see" approach, with Chair Powell emphasising data uncertainty in the data and no immediate policy shift. A slightly less negative tone in the statement lifted the curve, with the 10-year yield rising from 4.20% on Monday to around 4.25% post-FOMC, reflecting market pricing that rate cuts are off the table for now. In the plumbing, policy actions remained unchanged. Geopolitical tensions between the US and Iran added caution.
- Outlook:** UST yields may edge slightly higher next week as markets digest a heavy slate of US labour and activity data that will guide expectations for the Fed's policy path into March. A firm NFP print, steady unemployment rate and insights from JOLTs and ADP will shape sentiment. Upcoming PPI, PMI and ISM readings will clarify growth momentum. Trump's Fed chair announcement, expected to favour Kevin Warsh, may bolster the USD and influence market rates. Geopolitical developments and US shutdown risk could trigger temporary bouts of volatility, keeping an upward bias in UST yields.

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

	Long Term*				
	Q4-25	Q1-26F	Q2-26F	Q3-26F	Q4-26F
MGS	3.49	3.44	3.38	3.33	3.30
UST	4.17	4.15	4.18	4.20	4.20
USDMYR	4.06	4.05	4.02	3.99	3.95
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)	
	2025	2026	2025	2026
Reopening	67.5	-	61.5	5.0
New Issuances	15.0	5.0	24.5	5.0

Source: Kenanga Research, BNM, Macrobond

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



Source: Kenanga Research, Bloomberg

## Auction Result

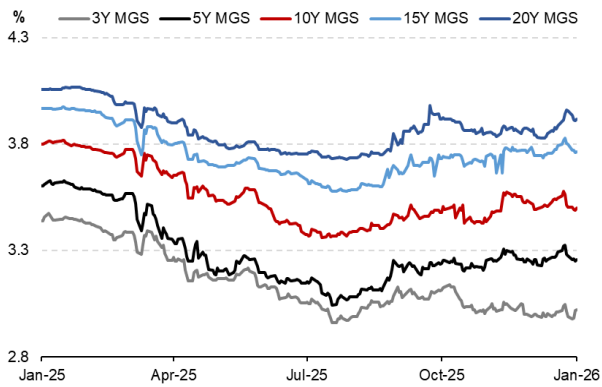
- The new issuance of 30-year MGII maturing in January 2056 saw solid demand, with RM5.0b issued at an average yield of 4.044% and a BTC of 2.07x. The issuance remains structured under murabahah rather than wakalah bi al-khadamat, which disappointed some market participants.
- The next auction will be a reopening 10-year MGS, with RM5.0b without any 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 (%)
Jan	5-yr Reopening of MGII 8/30 3.635%	8/1/2026	5,000.00	-	5,000.00	2.30	3.268%	3.272%	3.260%
	15-yr New Issue of MGS (Mat on 01/41)	14/1/2026	3,500.00	1,500.00	5,000.00	1.94	3.766%	3.775%	3.750%
	30-yr New Issue of MGII (Mat on 01/56)	29/1/2026	3,000.00	2,000.00	5,000.00	2.07	4.044%	4.055%	4.020%
Feb	10-yr Reopening of MGS 7/35 3.476%	-	-	-	5,000.00	-	-	-	-
	20-yr Reopening of MGII 5/45 3.775%	-	-	-	-	-	-	-	-
	5-yr Reopening of MGS 6/31 4.232%	-	-	-	-	-	-	-	-

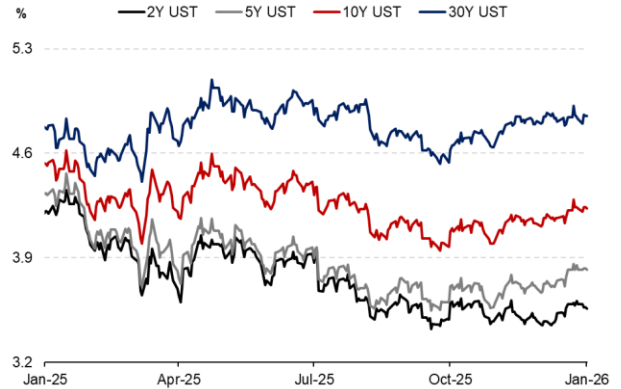
Source: Kenanga Research, BNM FAST, \*PP= Private Placement, \*BTC= Bid-to-cover ratio

**Graph 2: MGS Yield Trend**



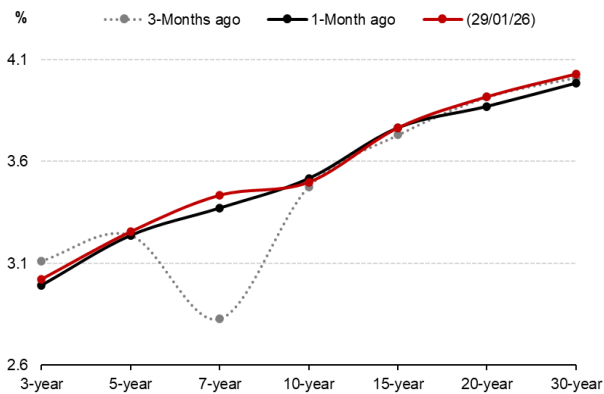
Source: Kenanga Research, Bloomberg

**Graph 3: UST Yield Trend**



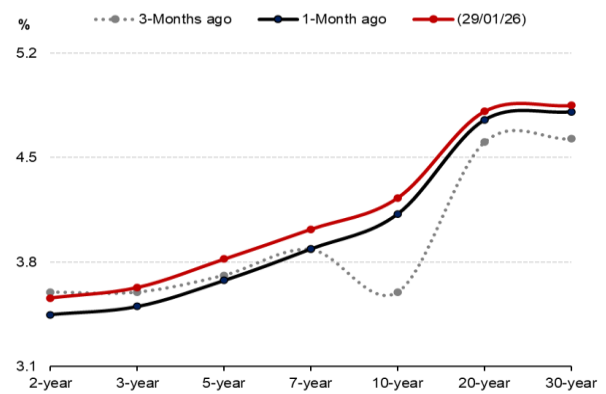
Source: Kenanga Research, Bloomberg

**Graph 4: MGS Yield Curve**



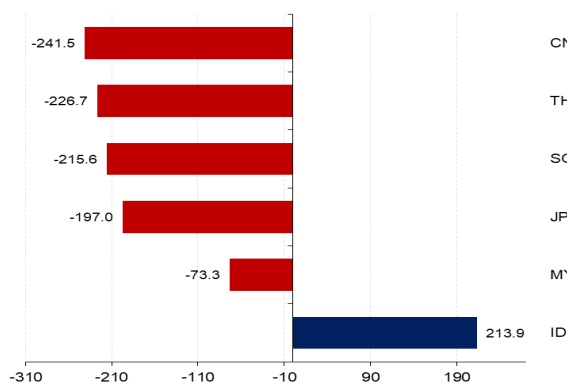
Source: Kenanga Research, Bloomberg

**Graph 5: UST Yield Curve**



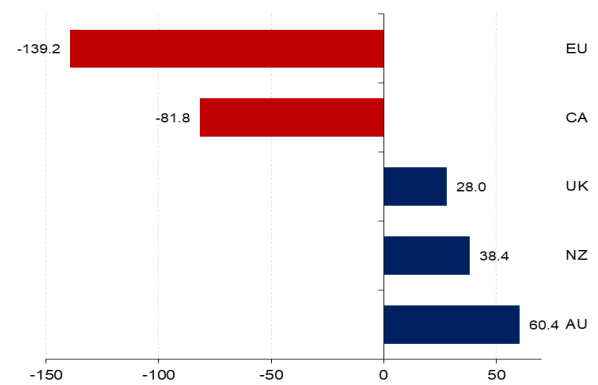
Source: Kenanga Research, Bloomberg

**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

30 January 2026

Table 3: Bond Yield Movements

Bonds	01/01/26 YTD	29/01/25 Last Year	30/12/25 Last Month	22/01/26 Last Week	29/01/26 Yesterday	ytd (bps)	yoy (bps)	mom (bps)	wow (bps)
<b>MGS</b>									
30Y MGS	3.980	4.176	3.984	4.024	4.028	4.80	-14.80	4.40	0.40
20Y MGS	3.840	4.057	3.870	3.959	3.917	7.70	-14.00	4.70	-4.20
15Y MGS	3.746	3.965	3.765	3.801	3.764	1.80	-20.10	-0.10	-3.70
10Y MGS	3.492	3.799	3.516	3.513	3.498	0.60	-30.10	-1.80	-1.50
7Y MGS	3.367	3.768	3.371	3.469	3.434	6.70	-33.40	6.30	-3.50
5Y MGS	3.256	3.602	3.236	3.280	3.255	-0.10	-34.70	1.90	-2.50
3Y MGS	2.998	3.438	2.991	3.013	3.022	2.40	-41.60	3.10	0.90
<b>GII</b>									
20Y GII	3.862	4.078	3.870	3.919	3.899	3.70	-17.90	2.90	-2.00
10Y GII	3.524	3.830	3.540	3.563	3.529	0.50	-30.10	-1.10	-3.40
7Y GII	3.341	3.770	3.351	3.403	3.362	2.10	-40.80	1.10	-4.10
3Y GII	3.101	3.513	3.101	3.134	3.113	1.20	-40.00	1.20	-2.10
<b>UST</b>									
30Y UST	4.844	4.769	4.807	4.838	4.853	0.94	8.37	4.60	1.50
20Y UST	4.793	4.828	4.752	4.799	4.809	1.62	-1.92	5.71	1.00
10Y UST	4.167	4.528	4.122	4.245	4.231	6.40	-29.74	10.91	-1.40
7Y UST	3.939	4.430	3.888	4.041	4.015	7.56	-41.50	12.71	-2.60
5Y UST	3.725	4.333	3.677	3.845	3.816	9.08	-51.65	13.93	-2.90
3Y UST	3.539	4.252	3.502	3.676	3.626	8.71	-62.62	12.36	-5.00
2Y UST	3.473	4.214	3.448	3.606	3.559	8.60	-65.45	11.06	-4.70
<b>MAJOR 10Y GOVERNMENT BONDS</b>									
10Y EU	2.854	2.582	2.854	2.887	2.839	-1.49	25.69	-1.48	-4.76
10Y UK	4.479	4.621	4.498	4.474	4.511	3.24	-10.99	1.29	3.73
10Y JP	2.066	1.197	2.066	2.246	2.261	19.50	106.40	19.50	1.50
10Y CN	1.855	1.630	1.856	1.835	1.816	-3.86	18.60	-4.03	-1.94
10Y SG	2.117	2.889	2.161	2.141	2.076	-4.11	-81.35	-8.59	-6.57
10Y ID	6.086	7.051	6.086	6.343	6.370	28.40	-68.10	28.40	2.70
10Y TH	1.659	2.276	1.659	1.937	1.964	30.49	-31.22	30.49	2.70

Source: Kenanga Research, Bloomberg

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