Bond Market Weekly Outlook

Local yields likely rangebound ahead of the holiday shortened week

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

- **Yield Movement:** MGS and GII showed mixed moves across the curve between -2.9 to 5.2 basis points (bps). The 10-Y MGS fell 1.7 bps to 3.548%, while the 10-Y GII decreased 0.9 bps to 3.545%.
- **Key drivers**: The 10-Y MGS eased on solid domestic data. Distributive trade sales surged 7.6% YoY, the fastest since March 2023, while December IPI grew 4.8%, supporting the economic resilience narrative. Externally, Malaysia and India advanced efforts to expand ringgit-rupee trade and potential broader collaboration with Brazil in agriculture and technology signalled deeper strategic ties. Momentum was further underpinned by progress on structural initiatives, including the Johor-Singapore SEZ blueprint scheduled for launch on March 30.
- **Flows and outlook**: Foreign appetite for Malaysian bonds softened last week, with government bond holdings declining by RM2.5b, though equity net buying persisted. Looking ahead, local yields are expected to stay rangebound over the Chinese New Year period due to muted trading activity and lower buying momentum. Today's better-than-expected 4Q25 GDP growth of 6.3% may offer a near-term anchor, while next week's trade data could provide additional support to market sentiment.

United States Treasuries (UST)

- **Yield Movement:** UST yields mostly declined, ranging between -10.8 to 0.6 bps. The 10-Y declined 8.2 bps to 4.098%, while the 2-Y showed marginal rise by 0.6 bps to 3.456%.
- **Key drivers**: UST yields eased amid mixed data and dovish signals. December retail sales were flat, pointing to slower consumption, while rising household delinquencies and projected fiscal widening for 2026 added pressure. Fed commentary leaned dovish, with Daly flagging a precarious labour market and Miran signalling scope for further easing. These headwinds outweighed the upside surprise in January payrolls, which added 130.0k jobs and saw unemployment fall to 4.3%. Global sentiment improved as the US House voted to end Canada tariffs, further anchoring yields.
- **Outlook:** UST yields may remain anchored next week as markets navigate a dense data calendar, including tonight's CPI, FOMC minutes, jobless claims, 4Q25 advance GDP and the core PCE price data. Stability is reinforced by the New York Fed's Remache guidance that elevated bond purchases will continue through mid-April to maintain ample liquidity.

Auction Result

- There was no reopening or issuance this week.
- The next auction will be a 20-year MGII reopening, with RM3.0b to be issued and an additional RM2.0b to be privately placed.

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

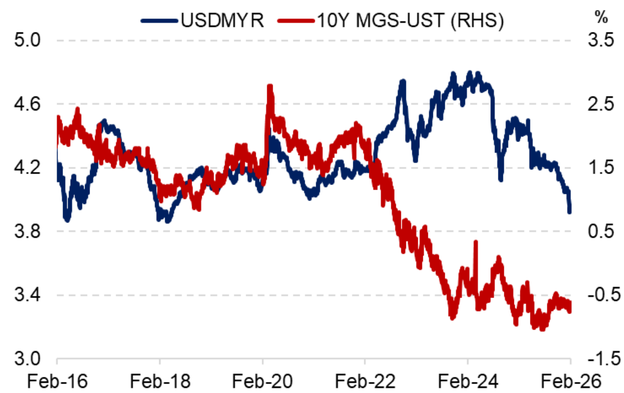
**F=Forecasts for end of period*
Source: Kenanga Research, Bloomberg

Table 2: Annual Issuances of MGS and GII

	MGS (RM b)		GII (RM b)	
	2025	2026	2025	2026
Reopening	67.5	5.0	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



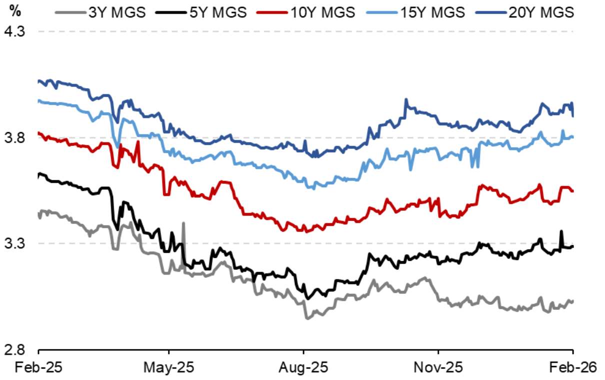
Source: Kenanga Research, Bloomberg

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 (%)
Feb	10-yr Reopening of MGS 7/35 3.476%	05/02/2026	5,000.00	-	5,000.00	1.60	3.572	3.581	3.559
	20-yr Reopening of MGII 5/45 3.775%	16/02/2026	4,000.00	1,000.00	5,000.00	-	-	-	-
	5-yr Reopening of MGS 6/31 4.232%	-	-	-	-	-	-	-	-
Mar	15-yr Reopening of MGII 7/40 3.974%	-	-	-	-	-	-	-	-
	3-yr New Issue of MGS (Mat on 03/29)	-	-	-	-	-	-	-	-
	7-yr New Issue of MGII (Mat on 03/33)	-	-	-	-	-	-	-	-

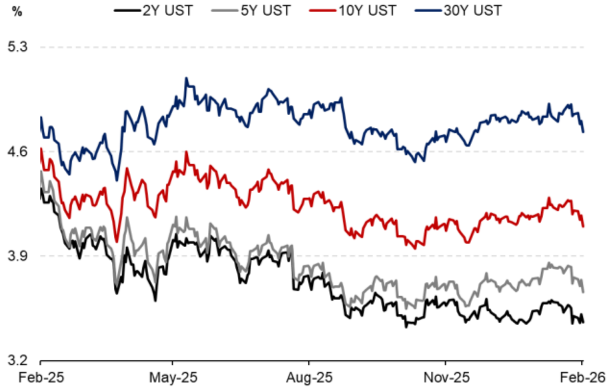
*Source: Kenanga Research, BNM FAST, *PP= Private Placement, *BTC= Bid-to-cover ratio*

Graph 2: MGS Yield Trend



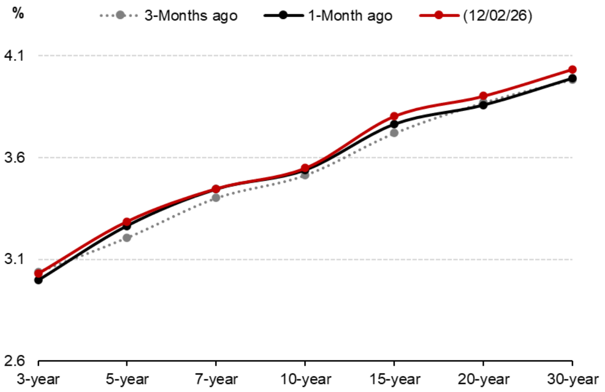
Source: Kenanga Research, Bloomberg

Graph 3: UST Yield Trend



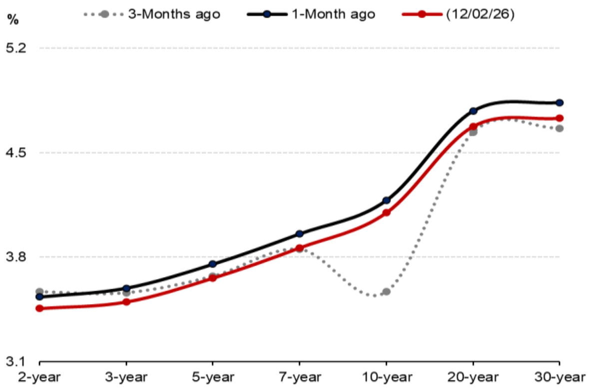
Source: Kenanga Research, Bloomberg

Graph 4: MGS Yield Curve



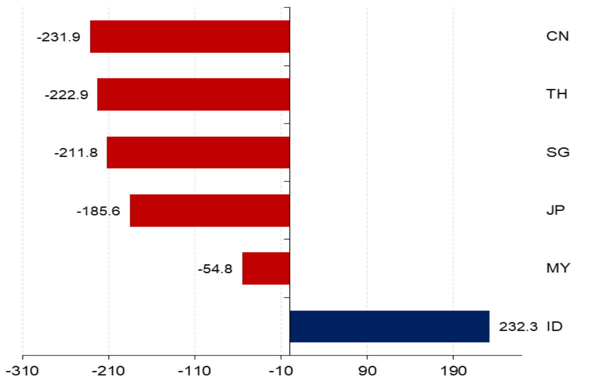
Source: Kenanga Research, Bloomberg

Graph 5: UST Yield Curve



Source: Kenanga Research, Bloomberg

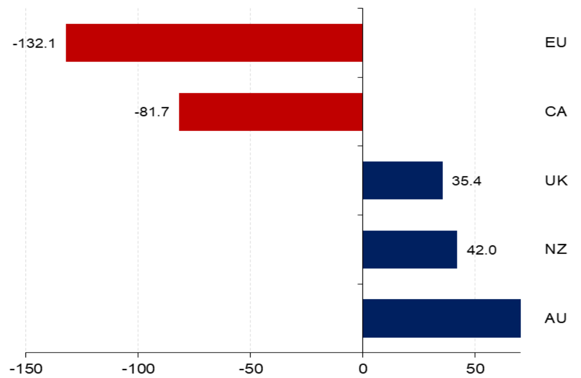
Graph 6: Selected Asian 10-Year Bond Yield Spread (bps)



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	01/01/26 YTD	12/02/25 Last Year	13/01/26 Last Month	05/02/26 Last Week	12/02/26 Yesterday	ytd (bps)	yoy (bps)	mom (bps)	wow (bps)
MGS									
30Y MGS	3.980	4.184	3.990	4.026	4.034	5.40	-15.00	4.40	0.80
20Y MGS	3.840	4.066	3.858	3.921	3.902	6.20	-16.40	4.40	-1.90
15Y MGS	3.746	3.974	3.764	3.832	3.803	5.70	-17.10	3.90	-2.90
10Y MGS	3.492	3.822	3.539	3.565	3.548	5.60	-27.40	0.90	-1.70
7Y MGS	3.367	3.787	3.445	3.433	3.447	8.00	-34.00	0.20	1.40
5Y MGS	3.256	3.628	3.265	3.285	3.286	3.00	-34.20	2.10	0.10
3Y MGS	2.998	3.441	2.997	3.005	3.029	3.10	-41.20	3.20	2.40
GII									
20Y GII	3.862	4.078	3.856	3.922	3.974	11.20	-10.40	11.80	5.20
10Y GII	3.524	3.826	3.518	3.554	3.545	2.10	-28.10	2.70	-0.90
7Y GII	3.341	3.783	3.351	3.381	3.374	3.30	-40.90	2.30	-0.70
3Y GII	3.101	3.549	3.092	3.122	3.103	0.20	-44.60	1.10	-1.90
UST									
30Y UST	4.844	4.832	4.836	4.841	4.733	-11.08	-9.93	-10.27	-10.79
20Y UST	4.793	4.892	4.778	4.780	4.677	-11.58	-21.46	-10.10	-10.25
10Y UST	4.167	4.621	4.179	4.180	4.098	-6.89	-52.27	-8.11	-8.20
7Y UST	3.939	4.547	3.955	3.941	3.863	-7.64	-68.35	-9.21	-7.75
5Y UST	3.725	4.468	3.752	3.719	3.660	-6.57	-80.81	-9.23	-5.92
3Y UST	3.539	4.385	3.591	3.522	3.500	-3.90	-88.51	-9.15	-2.21
2Y UST	3.473	4.355	3.532	3.450	3.456	-1.71	-89.89	-7.65	0.55
MAJOR 10Y GOVERNMENT BONDS									
10Y EU	2.854	2.476	2.846	2.842	2.777	-7.70	30.10	-6.90	-6.50
10Y UK	4.479	4.543	4.398	4.559	4.452	-2.70	-9.10	5.40	-10.70
10Y JP	2.066	1.343	2.173	2.241	2.242	17.60	89.90	6.90	0.10
10Y CN	1.855	1.631	1.855	1.812	1.779	-7.60	14.80	-7.60	-3.30
10Y SG	2.117	2.876	0.000	2.020	1.980	-13.65	-89.61	198.01	-4.03
10Y ID	6.070	6.835	6.197	6.326	6.421	35.10	-41.40	22.40	9.50
10Y TH	1.659	2.272	1.832	1.881	1.869	20.96	-40.30	3.64	-1.22

Source: Kenanga Research, Bloomberg

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