

Bond Market Weekly Outlook

Local yields to remain anchored as global risk rebalancing unfolds

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

- Yield Movement:** MGS and GII traded mixed, with yields moving between -3.1 and 6.5 basis points (bps). The 10-Y MGS fell 1.9 bps to 3.505%, while the 10-Y GII declined 0.7 bps to 3.528%.
- Key drivers:** Local yields drifted lower, supported primarily by strong auction demand. The 5Y MGS reopening cleared at a firm 2.92x bid-to-cover (BTC) ratio, anchoring the front end. Domestic data reinforced stability, with January exports surging 19.6% YoY, the fastest pace in 40 months, driven by E&E shipments and steady tourism flows. Investment commitments also lifted confidence. Global dynamics also supported local bonds. Renewed tariff tensions and AI-related equity volatility compressed global yields and encouraged defensive allocation into rates. While tariff uncertainty clouds sentiment, its macro impact remains uneven.
- Flows and outlook:** Local yields should remain anchored despite marginal foreign outflows (-RM0.1b) from government bonds last week and a pause in equity inflows after seven straight weeks of buying. Risk sentiment will guide direction, with markets tracking PMIs, tariff developments and US-Iran diplomatic tension. US labour data will be key, but unless conditions weaken materially, markets are unlikely to price early Fed easing. MGS should stay range-bound, supported by solid domestic demand and contained external volatility.

United States Treasuries (UST)

- Yield Movement:** UST yields declined 2.9 to 7.2 bps across the curve. The 10-Y decreased 6.3 bps to 4.004%, while the 2-Y fell 2.9 bps to 3.428%.
- Key drivers:** UST yields fell after softer 4Q25 GDP and weaker activity indicators, including slower business output, softer housing data and higher jobless claims. Incoming Fed Chair Christopher Waller warned hiring could weaken further, while other policymakers flagged risks from AI-driven productivity shifts and tariff uncertainty under President Trump's renewed 15.0% tariff push. AI-related equity volatility increased risk aversion. Relative to euro rates, US volatility appears elevated, raising the prospect of global portfolio rebalancing into duration. Such flows may ease upward yield pressure even as fiscal and tariff uncertainty persist.
- Outlook:** UST yields may hold within a tight range next week as markets digest a heavy slate of US data, including tonight's PPI, ISM manufacturing and services PMIs, retail sales, February ADP employment, Challenger job cuts, jobless claims, NFP and the unemployment rate. These indicators may reinforce a mixed macro narrative of slower growth but sticky inflation. Risk sentiment will remain decisive. Any escalation in US-Iran tensions could trigger safe haven demand for Treasuries, while stabilising equities may limit further downside in 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	3.92	3.88	3.90	3.95
OPR	2.75	2.75	2.75	2.75	2.75

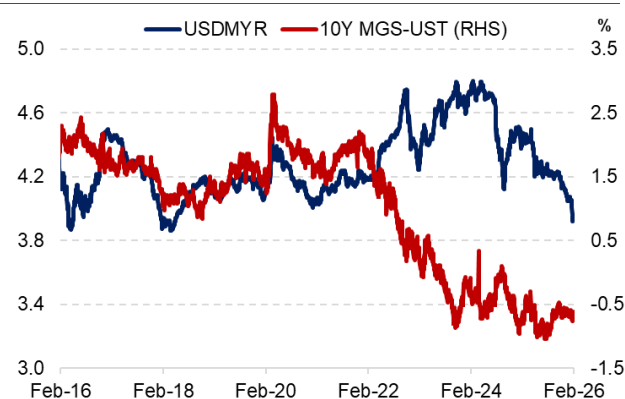
*F=Forecasts for end of period
Source: Kenanga Research, Bloomberg

Table 2: Annual Issuances of MGS and GII

	MGS (RM b)		GII (RM b)	
	2025	2026	2025	2026
Reopening	67.5	10.0	61.5	10.0
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

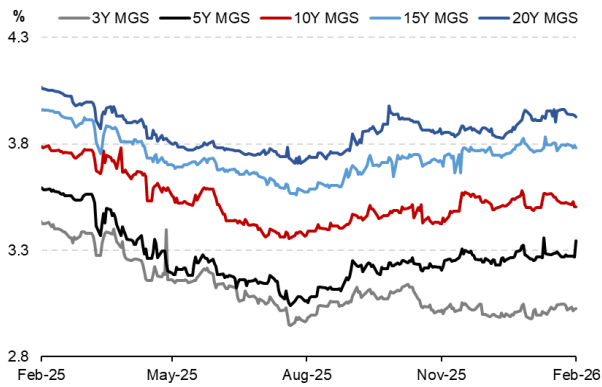
- The 5-year MGS 6/31 reopening saw strong demand, with RM5.0b issued at an average yield of 3.359% and a 2.92x BTC ratio (2025 average: 2.55x).
- The next auction will be a 15-year MGII reopening, with RM3.0b to be issued and an additional RM2.0b in private placement.

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 (%)
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	3,000.00	2,000.00	5,000.00	2.90	3.990	3.994	3.959
	5-yr Reopening of MGS 6/31 4.232%	26/02/2026	-	-	5,000.00	2.92	3.359	3.361	3.350
Mar	15-yr Reopening of MGII 7/40 3.974%	-	3,000.00	2,000.00	5,000.00	-	-	-	-
	3-yr New Issue of MGS (Mat on 03/29)	-	-	-	-	-	-	-	-
	7-yr New Issue of MGII (Mat on 03/33)	-	-	-	-	-	-	-	-

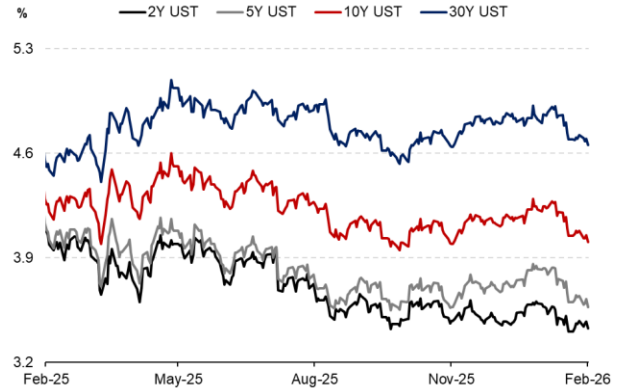
Source: Kenanga Research, BNM FAST, *PP= Private Placement, *BTC= Bid-to-cover ratio

Graph 2: MGS Yield Trend



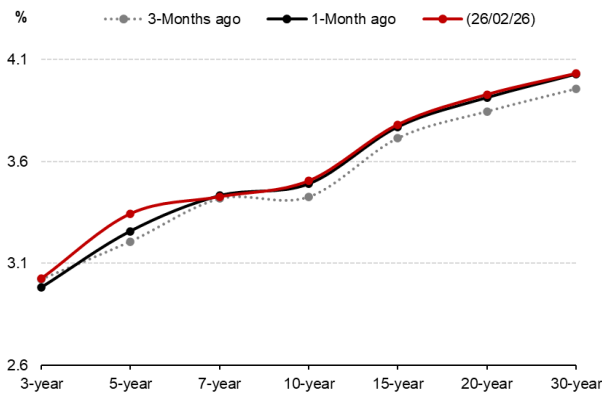
Source: Kenanga Research, Bloomberg

Graph 3: UST Yield Trend



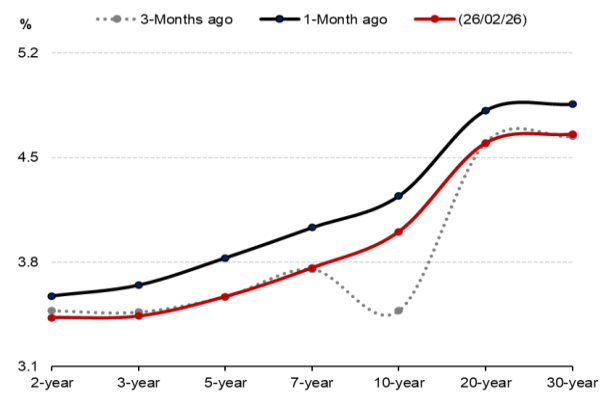
Source: Kenanga Research, Bloomberg

Graph 4: MGS Yield Curve



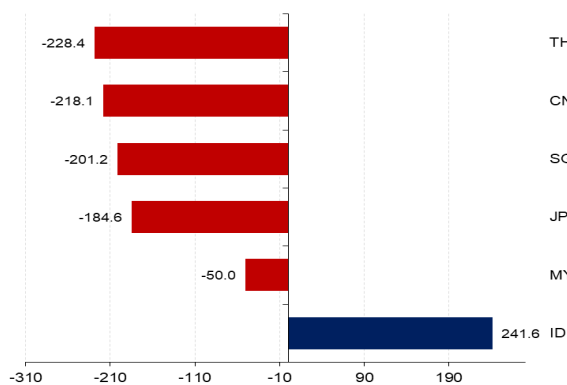
Source: Kenanga Research, Bloomberg

Graph 5: UST Yield Curve



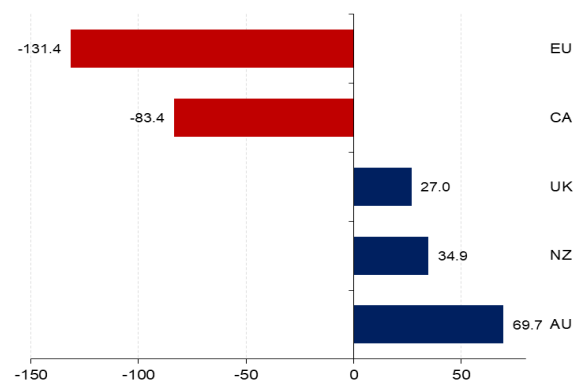
Source: Kenanga Research, Bloomberg

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

27 February 2026

Table 3: Bond Yield Movements

Bonds	01/01/26 YTD	26/02/25 Last Year	27/01/26 Last Month	19/02/26 Last Week	26/02/26 Yesterday	ytd (bps)	yoy (bps)	mom (bps)	wow (bps)
MGS									
30Y MGS	3.980	4.175	4.029	4.035	4.031	5.10	-14.40	0.20	-0.40
20Y MGS	3.840	4.064	3.914	3.951	3.928	8.80	-13.60	1.40	-2.30
15Y MGS	3.746	3.959	3.770	3.792	3.781	3.50	-17.80	1.10	-1.10
10Y MGS	3.492	3.790	3.490	3.524	3.505	1.30	-28.50	1.50	-1.90
7Y MGS	3.367	3.754	3.432	3.441	3.427	6.00	-32.70	-0.50	-1.40
5Y MGS	3.256	3.594	3.258	3.279	3.344	8.80	-25.00	8.60	6.50
3Y MGS	2.998	3.431	2.981	3.039	3.026	2.80	-40.50	4.50	-1.30
GII									
20Y GII	3.862	4.071	3.901	3.976	3.945	8.30	-12.60	4.40	-3.10
10Y GII	3.524	3.806	3.534	3.535	3.528	0.40	-27.80	-0.60	-0.70
7Y GII	3.341	3.764	3.366	3.374	3.379	3.80	-38.50	1.30	0.50
3Y GII	3.101	3.549	3.116	3.099	3.103	0.20	-44.60	-1.30	0.40
UST									
30Y UST	4.844	4.509	4.859	4.698	4.657	-18.71	14.72	-20.26	-4.17
20Y UST	4.793	4.554	4.817	4.645	4.597	-19.57	4.28	-21.98	-4.83
10Y UST	4.167	4.256	4.243	4.067	4.004	-16.29	-25.21	-23.91	-6.32
7Y UST	3.939	4.170	4.031	3.834	3.762	-17.75	-40.82	-26.92	-7.24
5Y UST	3.725	4.084	3.828	3.638	3.569	-15.64	-51.48	-25.94	-6.94
3Y UST	3.539	4.044	3.646	3.486	3.438	-10.07	-60.54	-20.73	-4.78
2Y UST	3.473	4.072	3.573	3.457	3.428	-4.50	-64.36	-14.51	-2.93
MAJOR 10Y GOVERNMENT BONDS									
10Y EU	2.854	2.432	2.874	2.742	2.690	-16.40	25.80	-18.40	-5.20
10Y UK	4.479	4.502	4.525	4.368	4.274	-20.50	-22.80	-25.10	-9.40
10Y JP	2.066	1.367	2.291	2.150	2.158	9.20	79.10	-13.30	0.80
10Y CN	1.855	1.768	1.830	1.788	1.823	-3.20	5.50	-0.70	3.50
10Y SG	2.117	2.795	0.000	1.946	1.992	-12.48	-80.32	199.18	4.56
10Y ID	6.070	6.857	6.359	6.457	6.420	35.00	-43.70	6.10	-3.70
10Y TH	1.659	2.173	1.920	1.901	1.720	6.15	-45.25	-19.95	-18.08

Source: Kenanga Research, Bloomberg

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