

Bond Market Weekly Outlook

Yields to edge higher as energy shock lifts inflation risk

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

- Yield Movement:** MGS and GII traded mixed between -0.8 and 6.4 basis points (bps). The 10-Y MGS increased 3.4 bps to 3.539%, while the 10-Y GII rose 0.6 bps to 3.534%.
- Key drivers:** The rise in 10Y MGS mirrored higher global yields as Middle East tensions lifted energy prices and inflation expectations. However, the increase remained contained given stable domestic fundamentals and BNM's steady OPR stance. Export performance stayed resilient, with shipments to CPTPP partners rising 4.7% in 2025. Tourism also remained strong with 42.19m visitors. Fiscal consolidation continued as RON95 subsidies declined to RM1.8b in 4Q25 from RM3.0b a year earlier.
- Flows and outlook:** Local yields may edge higher next week, despite MYR1.7b inflows into govies last week (pre-conflict). However, February registered outflows estimated at MYR2.5b. Equity sentiment stayed soft, with net selling for a second week. The US–Iran conflict will remain the main driver of global risk sentiment. Domestic releases including IPI, labour and retail data should provide support, suggesting any upward pressure on yields should remain modest.

United States Treasuries (UST)

- Yield Movement:** UST yields increased sharply, rising between 9.6 to 15.8 bps across the curve. The 10-Y climbed 13.2 bps to 4.136%, while the 2-Y surged 14.8 bps to 3.576%.
- Key drivers:** The move reflected rising geopolitical risk and the energy shock following renewed US–Iran tensions. Oil price gains lifted near term inflation expectations and pushed nominal yields higher. Real yields initially rose as markets priced stronger inflation without a clear growth shock, but later retraced as investors began to consider potential activity risks from the conflict. The Fed Beige Book pointed to mixed growth and persistent price pressures, reinforcing policy uncertainty.
- Outlook:** Yields may remain volatile as markets balance energy driven inflation risks against potential growth concerns. Geopolitics and oil price movements will likely dominate near term market direction over macro data. However, the February payrolls report will be a key release, with consensus expecting a 60.0k gain and unemployment steady at 4.3%. Any downside surprise could briefly ease yields, though persistent energy risks may keep inflation expectations elevated.

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	3.95	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

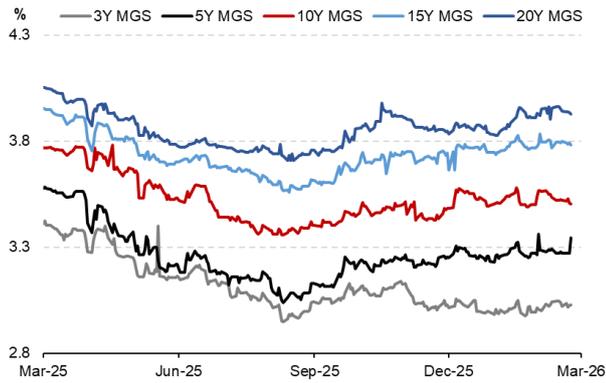
- There was no reopening or issuance this week
- The next auction will be a 15-year MGII reopening, with RM3.0b to be issued and an additional RM2.0b through private placement.

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



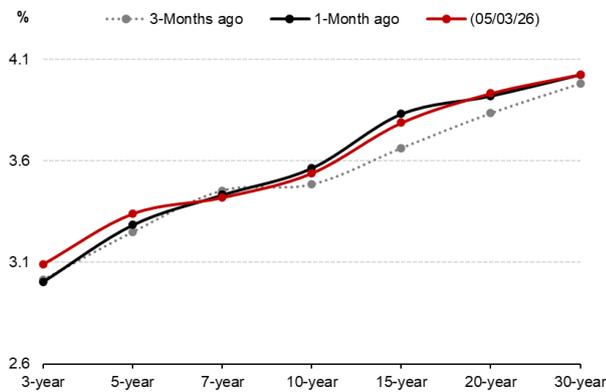
Source: Kenanga Research, Bloomberg

Graph 3: UST Yield Trend



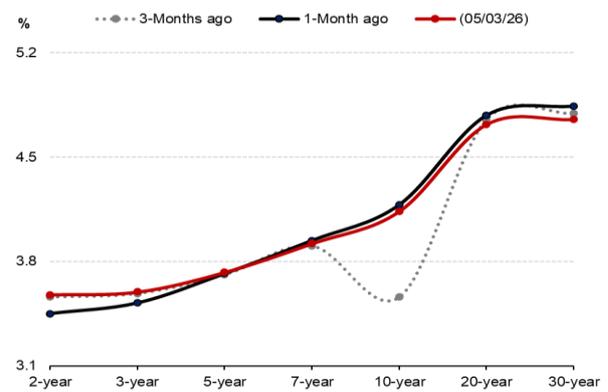
Source: Kenanga Research, Bloomberg

Graph 4: MGS Yield Curve



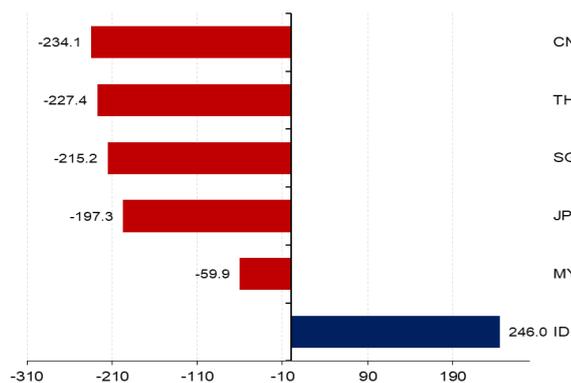
Source: Kenanga Research, Bloomberg

Graph 5: UST Yield Curve



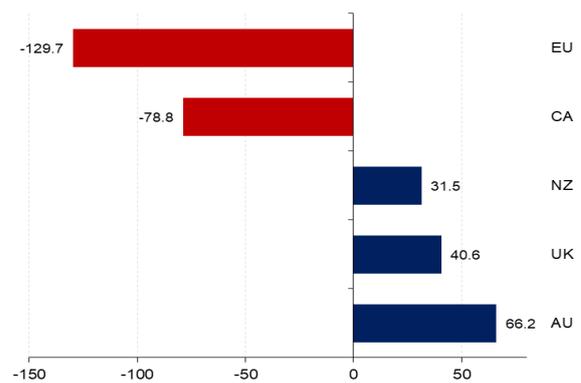
Source: Kenanga Research, Bloomberg

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

Table 3: Bond Yield Movements

Bonds	01/01/26 YTD	05/03/25 Last Year	05/02/26 Last Month	26/02/26 Last Week	05/03/26 Yesterday	ytd (bps)	yoy (bps)	mom (bps)	wow (bps)
MGS									
30Y MGS	3.980	4.173	4.026	4.031	4.026	4.60	-14.70	0.00	-0.50
20Y MGS	3.840	4.052	3.921	3.928	3.933	9.30	-11.90	1.20	0.50
15Y MGS	3.746	3.955	3.832	3.781	3.788	4.20	-16.70	-4.40	0.70
10Y MGS	3.492	3.766	3.565	3.505	3.539	4.70	-22.70	-2.60	3.40
7Y MGS	3.367	3.723	3.433	3.427	3.419	5.20	-30.40	-1.40	-0.80
5Y MGS	3.256	3.578	3.285	3.344	3.339	8.30	-23.90	5.40	-0.50
3Y MGS	2.998	3.411	3.005	3.026	3.090	9.20	-32.10	8.50	6.40
GII									
20Y GII	3.862	4.065	3.922	3.945	3.942	8.00	-12.30	2.00	-0.30
10Y GII	3.524	3.798	3.554	3.528	3.534	1.00	-26.40	-2.00	0.60
7Y GII	3.341	3.746	3.381	3.379	3.374	3.30	-37.20	-0.70	-0.50
3Y GII	3.101	3.547	3.122	3.103	3.134	3.30	-41.30	1.20	3.10
UST									
30Y UST	4.844	4.572	4.841	4.657	4.753	-9.08	18.09	-8.79	9.63
20Y UST	4.793	4.609	4.780	4.597	4.720	-7.30	11.11	-5.97	12.27
10Y UST	4.167	4.279	4.180	4.004	4.136	-3.07	-14.22	-4.38	13.22
7Y UST	3.939	4.180	3.941	3.762	3.920	-1.93	-25.94	-2.04	15.82
5Y UST	3.725	4.079	3.719	3.569	3.727	0.16	-35.17	0.81	15.80
3Y UST	3.539	4.011	3.522	3.438	3.595	5.64	-41.57	7.33	15.71
2Y UST	3.473	4.005	3.450	3.428	3.576	10.34	-42.83	12.60	14.84
MAJOR 10Y GOVERNMENT BONDS									
10Y EU	2.854	2.791	2.842	2.690	2.839	-1.50	4.80	-0.30	14.90
10Y UK	4.479	4.682	4.559	4.274	4.542	6.30	-14.00	-1.70	26.80
10Y JP	2.066	1.448	2.241	2.158	2.163	9.70	71.50	-7.80	0.50
10Y CN	1.855	1.757	1.812	1.823	1.795	-6.00	3.80	-1.70	-2.80
10Y SG	2.117	2.717	2.020	1.992	1.984	-13.26	-73.27	-3.64	-0.78
10Y ID	6.070	6.861	6.326	6.420	6.596	52.60	-26.50	27.00	17.60
10Y TH	1.659	2.190	1.881	1.720	1.863	20.38	-32.72	-1.81	14.23

Source: Kenanga Research, Bloomberg

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