

# Bond Market Weekly Outlook

Local yields to edge higher as US-Iran war and inflation risks keep markets cautious

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

- **Yield Movement:** MGS and GII trended, rising between 1.3 to 4.6 basis points (bps). The 10-Y MGS edged up 1.3 bps to 3.552%, while the 10-Y GII rose 2.1 bps to 3.555%.
- **Key drivers:** The modest rise in 10-Y MGS tracked firmer global yields as the escalating US–Iran conflict lifted energy prices and revived inflation concerns. Softer distributive trade in January added mild selling pressure, but robust industrial activity supported sentiment. The IPI rose 5.9% YoY, driven by strong E&E output. The government also stabilised sentiment by reaffirming a steady 2026 GDP outlook of 4.0%–4.5%. Additionally, the rollout of the New Incentive Framework (NIF) from 1 March signals a shift toward attracting high-quality investments for an innovation-driven economy.
- **Flows and outlook:** Foreigners remained net buyers of government bonds, injecting about RMO.3b last week despite the US–Israel strike on Iran. Foreign buying also returned to the equity market after a two-week hiatus. Local yields may stay elevated next week as the conflict persists and a hawkish FOMC meeting looms. However, domestic fundamentals should cap the upside. Upcoming trade and CPI data could provide support and prevent a sharp yield surge.

## United States Treasuries (UST)

- **Yield Movement:** UST yields moved sharply higher, increasing between 12.5 to 16.4 bps across the curve. The 10-Y climbed 12.5 bps to 4.261%, while the 2-Y rose 16.4 bps to 3.741%.
- **Key drivers:** : Rising energy prices and war-related uncertainty revived inflation worries and raised questions over the fiscal costs of a prolonged conflict. Although February CPI met expectations, markets trimmed Fed rate-cut expectations on fears of an energy-driven inflation rebound. Labour data reinforced this bias. Weekly jobless claims edged lower, which easing recession fears despite the earlier rise in the unemployment rate to 4.4% and a 92.0k drop in non-farm payrolls.
- **Outlook:** Yields may continue to grind higher as the war sustains energy price pressure and keeps inflation expectations firm. The 2-year breakeven rate has reached 3.2%, suggesting inflation could approach 3.5% or higher. The Treasury sell-off signals that investors are pricing in fiscal strain and fading rate cut expectations rather than rejecting US assets outright. Unless a massive equity sell-off triggers a "flight to quality" that depresses real yields, the path of least resistance for yields remains higher. Focus will turn to upcoming core PCE, PPI and global central bank decisions.

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	3.54	3.48	3.43	3.40
UST	4.17	4.25	4.28	4.30	4.30
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

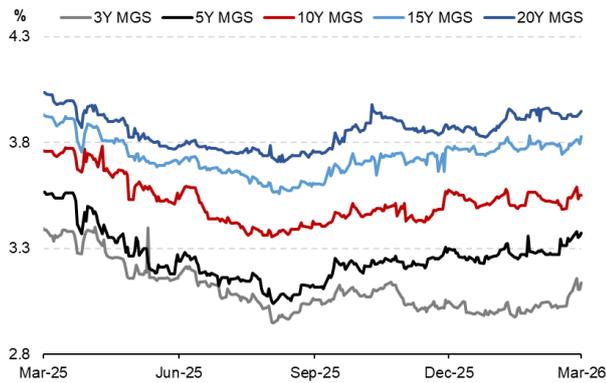
- There was no reopening or issuance this week
- The next auction will be a 15-year MGII reopening, with RM3.0b to be issued and an additional RM2.0b through private placement.

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)	-	-	-	-	-	-	-	-

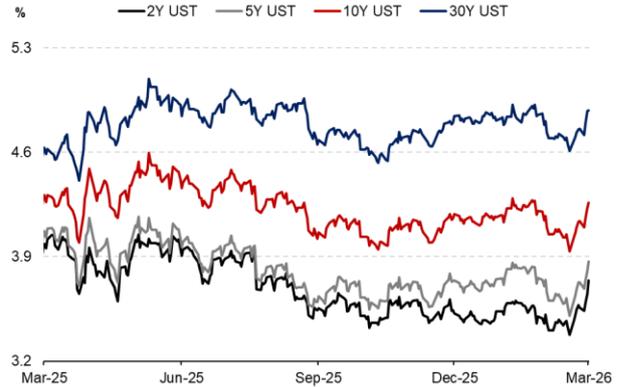
Source: Kenanga Research, BNM FAST, \*PP= Private Placement, \*BTC= Bid-to-cover ratio

**Graph 2: MGS Yield Trend**



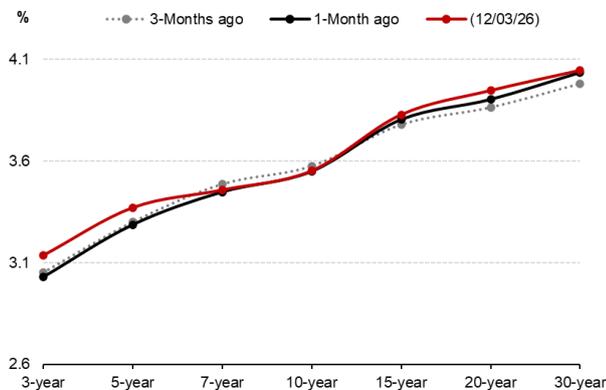
Source: Kenanga Research, Bloomberg

**Graph 3: UST Yield Trend**



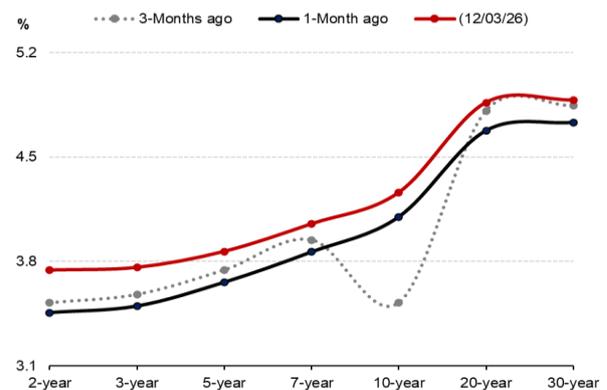
Source: Kenanga Research, Bloomberg

**Graph 4: MGS Yield Curve**



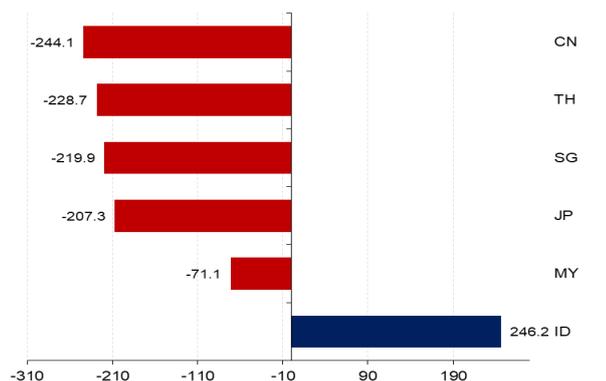
Source: Kenanga Research, Bloomberg

**Graph 5: UST Yield Curve**



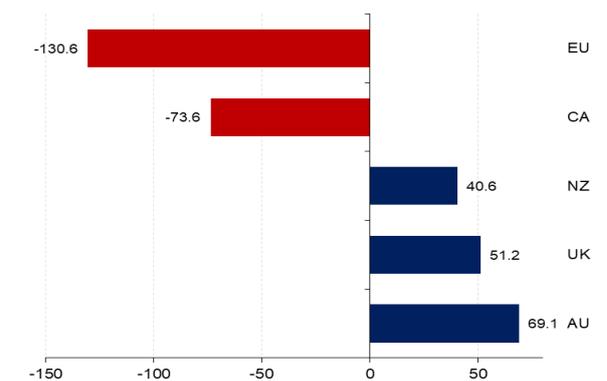
Source: Kenanga Research, Bloomberg

**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

13 March 2026

Table 3: Bond Yield Movements

Bonds	01/01/26 YTD	12/03/25 Last Year	12/02/26 Last Month	05/03/26 Last Week	12/03/26 Yesterday	ytd (bps)	yoy (bps)	mom (bps)	wow (bps)
<b>MGS</b>									
30Y MGS	3.980	4.164	4.034	4.027	4.046	6.60	-11.80	1.20	1.90
20Y MGS	3.840	4.036	3.902	3.933	3.947	10.70	-8.90	4.50	1.40
15Y MGS	3.746	3.931	3.803	3.788	3.828	8.20	-10.30	2.50	4.00
10Y MGS	3.492	3.763	3.548	3.539	3.552	6.00	-21.10	0.40	1.30
7Y MGS	3.367	3.715	3.447	3.419	3.458	9.10	-25.70	1.10	3.90
5Y MGS	3.256	3.564	3.286	3.339	3.371	11.50	-19.30	8.50	3.20
3Y MGS	2.998	3.392	3.029	3.090	3.136	13.80	-25.60	10.70	4.60
<b>GII</b>									
20Y GII	3.862	4.054	3.974	3.942	3.958	9.60	-9.60	-1.60	1.60
10Y GII	3.524	3.777	3.545	3.534	3.555	3.10	-22.20	1.00	2.10
7Y GII	3.341	3.719	3.374	3.374	3.388	4.70	-33.10	1.40	1.40
3Y GII	3.101	3.543	3.103	3.134	3.168	6.70	-37.50	6.50	3.40
<b>UST</b>									
30Y UST	4.844	4.631	4.733	4.753	4.882	3.80	25.10	14.88	12.88
20Y UST	4.793	4.662	4.677	4.720	4.865	7.25	20.29	18.83	14.55
10Y UST	4.167	4.312	4.098	4.136	4.261	9.39	-5.15	16.28	12.46
7Y UST	3.939	4.193	3.863	3.920	4.051	11.17	-14.15	18.81	13.10
5Y UST	3.725	4.070	3.660	3.727	3.866	14.09	-20.38	20.66	13.93
3Y UST	3.539	3.984	3.500	3.595	3.759	21.97	-22.53	25.87	16.33
2Y UST	3.473	3.987	3.456	3.576	3.741	26.77	-24.59	28.48	16.43
<b>MAJOR 10Y GOVERNMENT BONDS</b>									
10Y EU	2.854	2.876	2.777	2.840	2.955	10.10	7.90	17.80	11.50
10Y UK	4.479	4.722	4.452	4.542	4.773	29.40	5.10	32.10	23.10
10Y JP	2.066	1.524	2.242	2.163	2.188	12.20	66.40	-5.40	2.50
10Y CN	1.855	1.851	1.779	1.795	1.820	-3.50	-3.10	4.10	2.50
10Y SG	2.117	2.635	1.980	1.984	2.062	-5.46	-57.33	8.19	7.80
10Y ID	6.070	6.925	6.421	6.596	6.723	65.30	-20.20	30.20	12.70
10Y TH	1.659	2.141	1.869	1.863	1.974	31.47	-16.75	10.51	11.10

Source: Kenanga Research, Bloomberg

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