Bond Market Weekly Outlook

Local yields to stay range-bound as holiday-thinned trading offsets global rate pressure

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

- **Yield Movement:** MGS and GII were mixed this week, moving between -2.4 to 10.0 basis points (bps). The 10-Y MGS edged up 0.5 bps to 3.556%, while the 10-Y GII fell 1.7 bps to 3.541%.
- **Key drivers**: The modest uptick in 10-Y MGS yields reflected firmer global rates, as persistent Middle East tensions kept energy prices elevated and inflation risks in focus. Domestically, data softened. Distributive trade sales slowed to 7.3% YoY in January, signalling weaker retail momentum despite festive demand. The March US FOMC meeting this morning left rates unchanged and maintained a cautious stance, which is likely to keep some upward pressure on local yields.
- **Flows and outlook:** Foreign investors remained net buyers of government bonds, adding around RM1.1b last week, reflecting continued confidence in Malaysia's rate outlook and macro stability. By contrast, foreign equities flows reversed to net selling after the previous week's rebound, pointing to a more cautious risk posture amid geopolitical uncertainty. In the near term, MGS yields may hinge on upcoming trade and CPI data. Overall, local yields are likely to see limited movement in the coming week, with market activity subdued ahead of the Eid holiday period. Geopolitical developments will remain the primary external risk.

United States Treasuries (UST)

- **Yield Movement:** UST yields moved higher across the curve, rising between 0.2 to 12.0 bps. The 10-Y increased 3.5 bps to 4.265%, while the 2-Y rose more sharply by 12.0 bps to 3.773%.
- **Key drivers**: The 10-Y yield extended its uptrend after stronger-than-expected February producer prices, driven mainly by services, alongside firmer consumer spending that signalled resilient demand and persistent inflation pressures. Industrial production also rose, while job openings increased and layoffs declined, easing concerns about growth. Still, the rise in yields remained contained by steady foreign demand. Foreign holdings of US Treasuries climbed to USD9.305t in January from USD9.271t previously.
- **Outlook:** Yields may drift higher after the Fed held policy rates steady while signalling persistent inflation risks. Energy-driven inflation stemming from the US–Iran conflict should reinforce a cautious policy stance and keep upward pressure on yields. Near term direction will be guided by key releases, including tonight's jobless claims, Chair Powell's speech and ADP employment data. Flash PMI readings for US manufacturing and services will also be watched for signals on demand and pricing momentum.

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

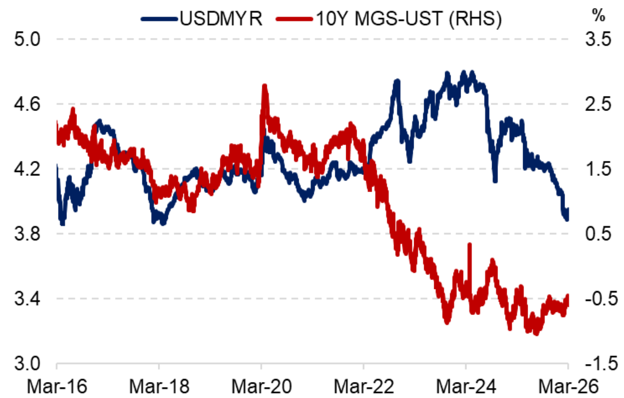
**F=Forecasts for end of period*
Source: Kenanga Research, Bloomberg

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	15.0
New Issuances	15.0	10.0	24.5	5.0

Source: Kenanga Research, BNM, Macrobond

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



Source: Kenanga Research, Bloomberg

Auction Result

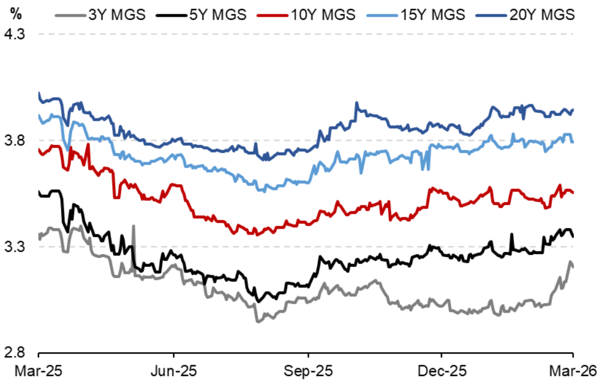
- The 3-year MGS 3/29 new issuance saw strong demand, with RM5.0b issued at an average yield of 3.237% and a 2.22x bid-to-cover ratio (2025 average: 2.55x).
- The next auction will be a new 7-year MGII issuance, with RM5.0b to be issued and no private placement.

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%	09/03/2026	3,000.00	2,000.00	5,000.00	2.30	3.895	3.905	3.875
	3-yr New Issue of MGS (Mat on 03/29)	13/03/2026	-	-	5,000.00	2.22	3.237	3.242	3.230
	7-yr New Issue of MGII (Mat on 03/33)	-	-	-	-	-	-	-	-

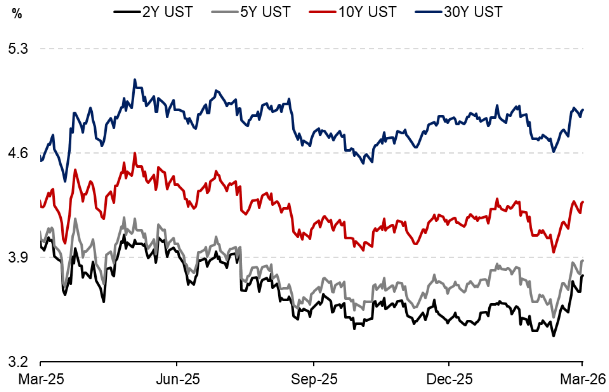
*Source: Kenanga Research, BNM FAST, *PP= Private Placement, *BTC= Bid-to-cover ratio*

Graph 2: MGS Yield Trend



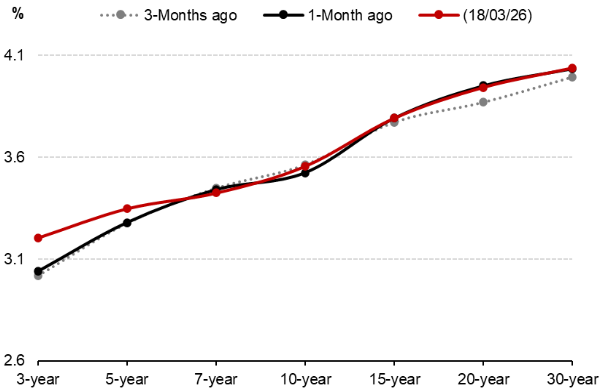
Source: Kenanga Research, Bloomberg

Graph 3: UST Yield Trend



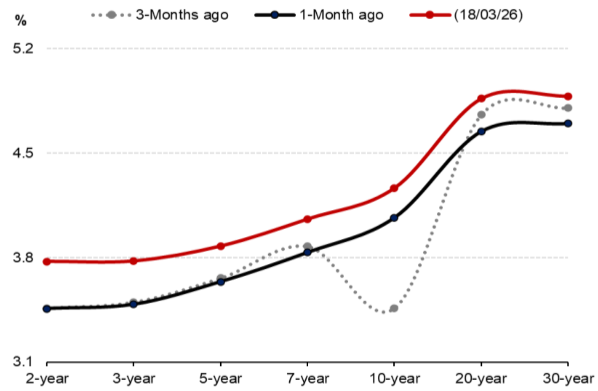
Source: Kenanga Research, Bloomberg

Graph 4: MGS Yield Curve



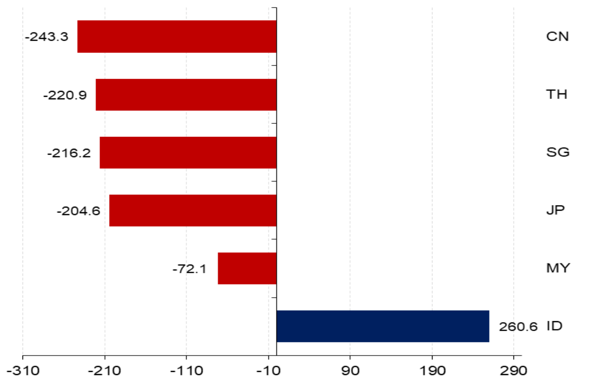
Source: Kenanga Research, Bloomberg

Graph 5: UST Yield Curve



Source: Kenanga Research, Bloomberg

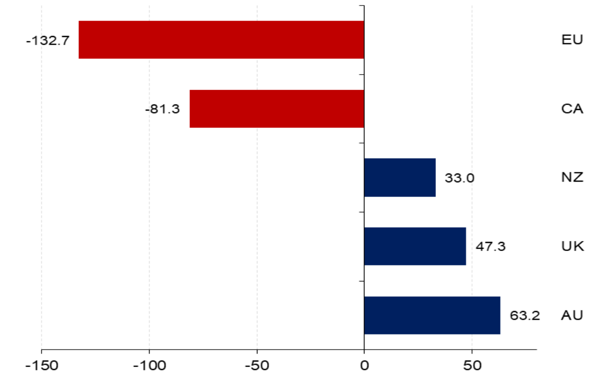
Graph 6: Selected Asian 10-Year Bond Yield Spread (bps)



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	18/03/25 Last Year	19/02/26 Last Month	11/03/26 Last Week	18/03/26 Yesterday	ytd (bps)	yoy (bps)	mom (bps)	wow (bps)
MGS									
30Y MGS	3.980	4.160	4.035	4.042	4.038	5.80	-12.20	0.30	-0.40
20Y MGS	3.840	4.025	3.951	3.939	3.943	10.30	-8.20	-0.80	0.40
15Y MGS	3.746	3.919	3.792	3.792	3.792	4.60	-12.70	0.00	0.00
10Y MGS	3.492	3.758	3.524	3.551	3.556	6.40	-20.20	3.20	0.50
7Y MGS	3.367	3.704	3.441	3.440	3.425	5.80	-27.90	-1.60	-1.50
5Y MGS	3.256	3.557	3.279	3.360	3.348	9.20	-20.90	6.90	-1.20
3Y MGS	2.998	3.358	3.039	3.105	3.205	20.70	-15.30	16.60	10.00
GII									
20Y GII	3.862	4.048	3.976	3.955	3.952	9.00	-9.60	-2.40	-0.30
10Y GII	3.524	3.773	3.535	3.558	3.541	1.70	-23.20	0.60	-1.70
7Y GII	3.341	3.715	3.374	3.414	3.390	4.90	-32.50	1.60	-2.40
3Y GII	3.101	3.539	3.099	3.176	3.186	8.50	-35.30	8.70	1.00
UST									
30Y UST	4.844	4.585	4.698	4.879	4.881	3.70	29.54	18.24	0.21
20Y UST	4.793	4.623	4.645	4.848	4.864	7.13	24.13	21.87	1.65
10Y UST	4.167	4.283	4.067	4.230	4.265	9.80	-1.81	19.77	3.54
7Y UST	3.939	4.182	3.834	4.004	4.057	11.75	-12.53	22.26	5.31
5Y UST	3.725	4.074	3.638	3.804	3.876	15.08	-19.75	23.78	7.16
3Y UST	3.539	4.015	3.486	3.675	3.776	23.70	-23.89	28.99	10.10
2Y UST	3.473	4.040	3.457	3.653	3.773	29.99	-26.69	31.56	12.02
MAJOR 10Y GOVERNMENT BONDS									
10Y EU	2.854	2.809	2.742	2.931	2.938	8.40	12.90	19.60	0.70
10Y UK	4.479	4.643	4.368	4.686	4.738	25.90	9.50	37.00	5.20
10Y JP	2.066	1.507	2.150	2.172	2.219	15.30	71.20	6.90	4.70
10Y CN	1.855	1.894	1.788	1.823	1.832	-2.30	-6.20	4.40	0.90
10Y SG	2.117	2.683	1.946	0.000	0.000	-211.66	-268.31	-194.62	0.00
10Y ID	6.070	7.029	6.457	6.709	6.871	80.10	-15.80	41.40	16.20
10Y TH	1.659	2.133	1.901	1.934	2.056	39.74	-7.64	15.51	12.21

Source: Kenanga Research, Bloomberg

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