

# Bond Market Weekly Outlook

Local yields to hold firm as Iran fears recede and IMF upgrades Malaysia's outlook

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

- Yield Movement:** MGS and GII yields continued their downward trend this week, falling 0.3 to 8.0 bps. The benchmark 10-Y MGS decreased 2.3 bps to 3.577%, while the 10-Y GII fell 4.4 bps to 3.586%.
- Key drivers:** Domestic fundamentals remained supportive. Local yields eased following the well absorbed issuance of a new 3.5-year GII, which achieved a solid bid-to-cover (BTC) ratio of 2.92x. The IMF's upgraded Malaysia's GDP growth outlook for 2026 and 2027, and combined with supportive fiscal measures and expanded market access, this bolstered confidence in the medium-term macro outlook. While global energy costs remain volatile, markets viewed the US blockade more as a diplomatic lever than a precursor to a supply disruption, anchoring local demand.
- Flows and outlook:** Foreign investors recorded RM0.7b in net inflows into government bonds, improving offshore demand modestly. Foreign institutions extended their net equity buying streak for a third consecutive week. Local yields are expected to remain stable as markets focus on today's CPI and 1Q26 advance GDP releases. Attention shifts to next week's trade data. MGS is expected to remain insulated from geopolitical noise as long as escalation remains contained.

## United States Treasuries (UST)

- Yield Movement:** UST yields increased modestly across most of the curve during the week, increasing between 0.7 to 5.2 bps. The 10-Y yield increased 3.6 bps to 4.311%, while the 2-Y yield edged up 0.7 bps to 3.774%.
- Key drivers:** Yields edged higher as headline fatigue regarding the Gulf conflict set in. Investors took a pragmatic view of the US blockade, treating the naval intervention as a strategic catalyst for diplomacy rather than a precursor to broader conflict. This perspective allowed market to refocus on persistent price pressures. Structural yield curve repricing has effectively offset softer producer price data and prevailing optimism regarding geopolitical tensions.
- Outlook:** UST yields are expected to remain elevated near term. We expect the 10-Y yield to gravitate toward 4.4-4.5% as inflation remains the immediate concern for duration. Market will centre on incoming Fed Chair Kevin Warsh's confirmation hearing for any dovish signals, though the key constraints remain the absence of delivered rate hikes and unprotected long-duration positions.

Table 1: 10Y MGS, 10Y UST, Ringgit and OPR Outlook

	Long Term*				
	Q1-26	Q2-26F	Q3-26F	Q4-26F	Q1-27F
MGS	3.64	3.48	3.43	3.40	3.43
UST	4.32	4.28	4.30	4.30	4.21
USDMYR	4.05	4.05	4.00	3.95	4.00
OPR	2.75	2.75	2.75	2.75	2.75

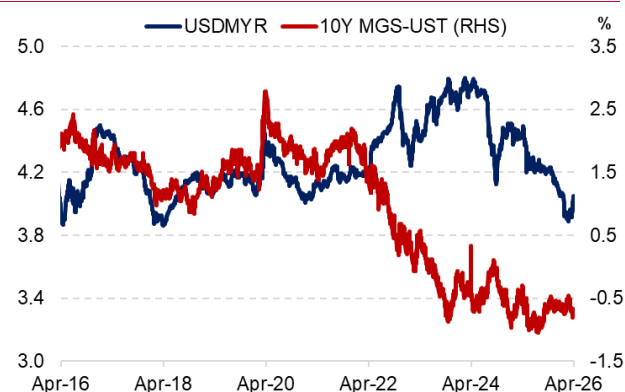
\*F=Forecasts for end of period  
Source: Kenanga Research, Bloomberg

Table 2: Annual Issuances of MGS and GII

	MGS (RM b)		GII (RM b)	
	2025	2026	2025	2026
Reopening	67.5	15.0	61.5	15.0
New Issuances	15.0	10.0	24.5	10.0

Source: Kenanga Research, BNM, Macrobond

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



Source: Kenanga Research, Bloomberg

## Auction Result

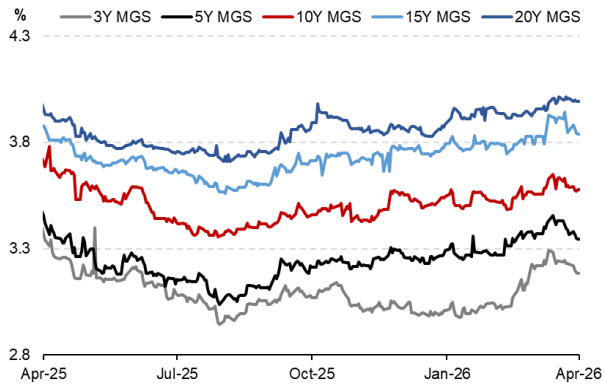
- 3.5-Year MGII 10/29:** The new issuance drew strong demand, with RM5.0b issued at an average yield of 3.227% and bid-to-cover ratio of 2.92x (2025 average: 2.55x).
- Upcoming Auction:** New issue of the 20-year MGS, with total issuance of RM5.0b and additional RM2.0b to be privately placed.

Table 3: 2026 Auction Calendar

Month	Issues	Issue Date	Auction (RM Mil)	PP* (RM Mil)	Total (RM Mil)	BTC* (x)	Average Yield (%)	Highest Yield (%)	Lowest Yield (%)
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)	30/03/2026	-	-	5,000.00	1.69	3.624	3.643	3.590
Apr	30-yr Reopening of MGS 7/55 3.917%	07/04/2026	3,000.00	2,000.00	5,000.00	2.03	4.197	4.209	4.180
	3.5-yr New Issue of MGII (Mat on 10/29)	14/04/2026	-	-	5,000.00	2.92	3.227	3.230	3.220
	20-yr New Issue of MGS (Mat on 04/46)	-	-	-	-	-	-	-	-

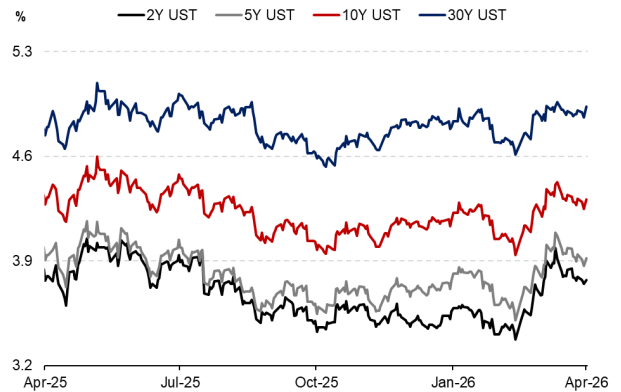
Source: Kenanga Research, BNM FAST, \*PP= Private Placement, \*BTC= Bid-to-cover ratio

**Graph 2: MGS Yield Trend**



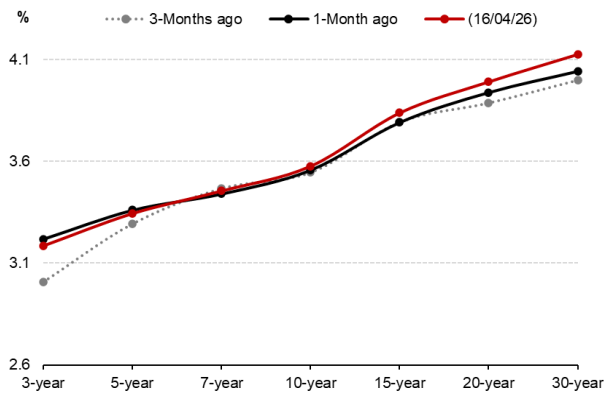
Source: Kenanga Research, Bloomberg

**Graph 3: UST Yield Trend**



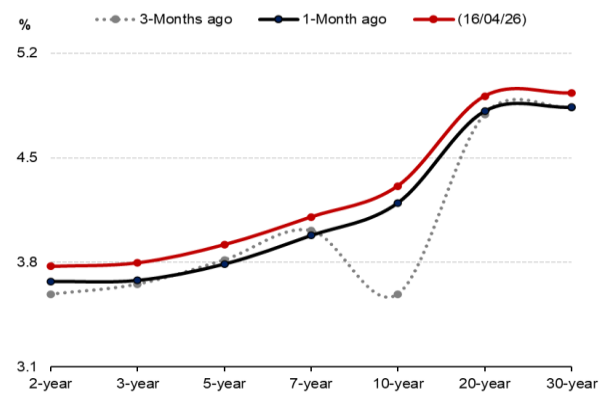
Source: Kenanga Research, Bloomberg

**Graph 4: MGS Yield Curve**



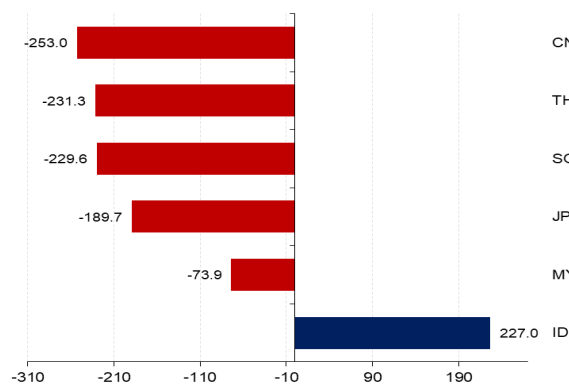
Source: Kenanga Research, Bloomberg

**Graph 5: UST Yield Curve**



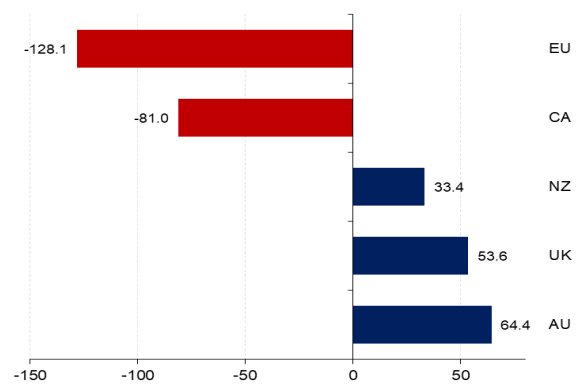
Source: Kenanga Research, Bloomberg

**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

17 April 2026

Table 3: Bond Yield Movements

Bonds	01/01/26 YTD	16/04/25 Last Year	17/03/26 Last Month	09/04/26 Last Week	16/04/26 Yesterday	ytd (bps)	yoy (bps)	mom (bps)	wow (bps)
<b>MGS</b>									
30Y MGS	3.980	4.099	4.043	4.130	4.127	14.70	2.80	8.40	-0.30
20Y MGS	3.840	3.977	3.939	4.001	3.992	15.20	1.50	5.30	-0.90
15Y MGS	3.746	3.872	3.792	3.846	3.839	9.30	-3.30	4.70	-0.70
10Y MGS	3.492	3.724	3.558	3.600	3.577	8.50	-14.70	1.90	-2.30
7Y MGS	3.367	3.638	3.441	3.508	3.455	8.80	-18.30	1.40	-5.30
5Y MGS	3.256	3.474	3.361	3.388	3.344	8.80	-13.00	-1.70	-4.40
3Y MGS	2.998	3.399	3.219	3.229	3.185	18.70	-21.40	-3.40	-4.40
<b>GII</b>									
20Y GII	3.862	3.969	3.960	4.018	4.007	14.50	3.80	4.70	-1.10
10Y GII	3.524	3.726	3.545	3.630	3.586	6.20	-14.00	4.10	-4.40
7Y GII	3.341	3.644	3.396	3.597	3.517	17.60	-12.70	12.10	-8.00
3Y GII	3.101	3.423	3.192	3.234	3.218	11.70	-20.50	2.60	-1.60
<b>UST</b>									
30Y UST	4.844	4.739	4.840	4.881	4.933	8.90	19.39	9.24	5.20
20Y UST	4.793	4.774	4.813	4.863	4.911	11.86	13.73	9.87	4.83
10Y UST	4.167	4.277	4.199	4.275	4.311	14.42	3.44	11.27	3.58
7Y UST	3.939	4.073	3.981	4.078	4.104	16.44	3.11	12.31	2.54
5Y UST	3.725	3.903	3.789	3.898	3.918	19.32	1.50	12.90	2.09
3Y UST	3.539	3.769	3.681	3.786	3.797	25.81	2.76	11.63	1.09
2Y UST	3.473	3.770	3.674	3.767	3.774	30.07	0.42	10.01	0.70
<b>MAJOR 10Y GOVERNMENT BONDS</b>									
10Y EU	2.854	2.506	2.904	2.986	3.030	17.60	52.40	12.60	4.40
10Y UK	4.479	4.603	4.694	4.749	4.847	36.80	24.40	15.30	9.80
10Y JP	2.066	1.269	2.276	2.392	2.414	34.80	114.50	13.80	2.20
10Y CN	1.855	1.646	1.841	1.814	1.781	-7.40	13.50	-6.00	-3.30
10Y SG	2.117	2.547	0.000	2.123	2.015	-10.12	-53.17	201.54	-10.76
10Y ID	6.070	6.949	6.894	6.618	6.581	51.10	-36.80	-31.30	-3.70
10Y TH	1.659	1.953	2.115	2.014	1.998	33.95	4.51	-11.63	-1.60

Source: Kenanga Research, Bloomberg

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