

Bond Market Weekly Outlook

Holds firm but higher-for-longer keeps upward pressure on rates

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

- **Yield Movement:** MGS and GII yields mostly increased this week, rising between 1.2 and 6.4 bps range. The 10-Y MGS edged up 2.6 bps to 3.605%, while the 10-Y GII rose 1.7 bps to 3.622%.
- **Key drivers:** MGS yields edged higher as persistent geopolitical uncertainty and elevated oil prices kept global bond markets under pressure. Higher UST yields, driven by resilient US macro data and rising inflation concerns, continued to spill over into local rates markets. Markets also increasingly saw the Fed as focused on inflation risks, reinforcing the higher-for-longer narrative globally. However, the rise in local yields was limited by resilient domestic growth, strong export momentum, and confidence in Malaysia's macro fundamentals.
- **Flows and outlook:** Foreign flows turned mixed, with RMO.7b net inflows into government bonds while Bursa Malaysia recorded RMO.3b equity outflows amid cautious risk sentiment. Domestically, focus shifts toward the upcoming PPI release, although reduced trading activity ahead of the Raya Haji holidays may keep market movements subdued. Externally, unresolved US-Iran tensions and elevated global yields are likely to maintain upward pressure on local rates, although stable domestic liquidity and macro resilience should continue to limit any aggressive sell-off in MGS.

United States Treasuries (UST)

- **Yield Movement:** UST yields remained on an upward trend this week, increasing between 6.6 and 9.3 bps. The 10-Y yield rose 8.8 bps to 4.570%, while the 2-Y increased 6.6 bps to 4.083%.
- **Key drivers:** UST yields continued trending higher as markets reassessed the persistence of inflation risks amid elevated energy prices and resilient US macro data. Strong labour market conditions, firm activity indicators, and equities trading near record highs reinforced expectations that the Fed could maintain a restrictive stance for longer. Markets also increasingly priced in renewed Fed tightening risks rather than rate cuts, supporting higher front-end and real yields. Still, foreign demand for Treasuries remained resilient, helping contain the pace of the sell-off despite ongoing geopolitical uncertainty.
- **Outlook:** UST yields are likely to remain biased higher next week as unresolved Middle East tensions continue to support oil prices and inflation expectations. Markets will closely monitor labour market indicators, core PCE inflation, and growth data for confirmation that macro resilience remains intact. As long as economic activity and risk sentiment stay firm, the Fed is likely to retain flexibility to prioritise inflation risks, keeping upward pressure on real yields and longer-duration bonds.

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	4.00	3.98	3.95	4.00
OPR	2.75	2.75	2.75	2.75	2.75

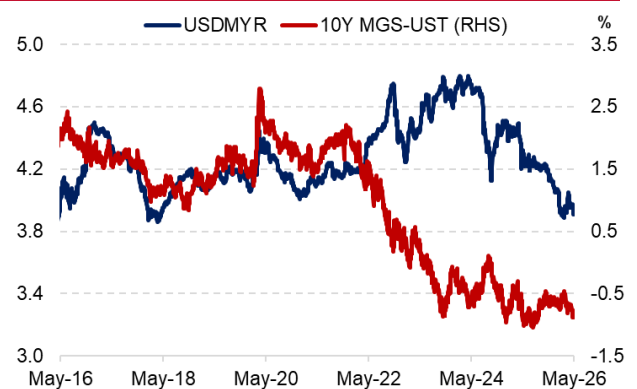
*F=Forecasts for end of period
Source: Kenanga Research, Bloomberg

Table 2: Annual Issuances of MGS and GII

	MGS (RM b)		GII (RM b)	
	2025	2026	2025	2026
Reopening	67.5	20.0	61.5	20.0
New Issuances	15.0	15.0	24.5	10.0

Source: Kenanga Research, BNM, Macrobond

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



Source: Kenanga Research, Bloomberg

Auction Result

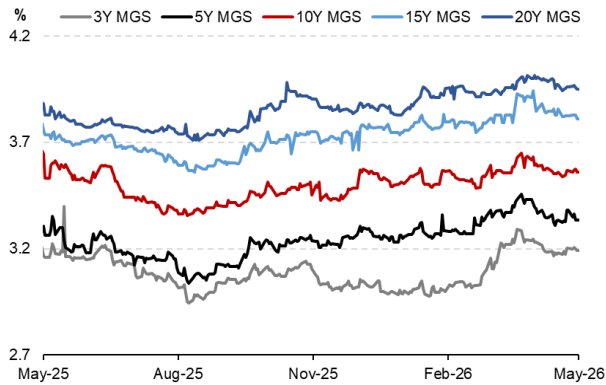
- **7-Y MGS 04/33:** The reopening saw strong demand, with RM5.0b issued at an average yield of 3.580% and a bid-to-cover ratio of 2.59x (2025 average: 2.55x).
- **Upcoming Auction:** Reopening of the 30-Y MGII with RM3.0b issuance, and additional RM2.0b to be privately placed.

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 (%)
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	-	5,000.00	2.92	3.227	3.230	3.220
	20-yr New Issue of MGS (Mat on 04/46)	22/04/2026	3,500.00	1,500.00	5,000.00	2.88	3.987	3.992	3.972
May	10-yr Reopening of MGII 4/35 3.612%	15/05/2026	5,000.00	-	5,000.00	2.87	3.600	3.607	3.593
	7-yr Reopening of MGS 4/33 3.844%	21/05/2026	5,000.00	-	5,000.00	2.59	3.580	3.583	3.570
	30-yr Reopening of MGII 1/56	-	-	-	-	-	-	-	-

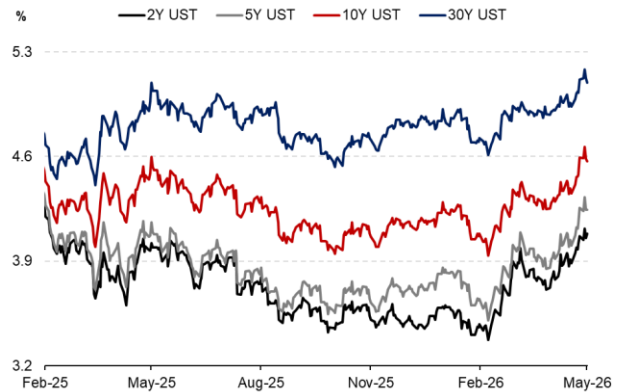
Source: Kenanga Research, BNM FAST, *PP= Private Placement, *BTC= Bid-to-cover ratio

Graph 2: MGS Yield Trend



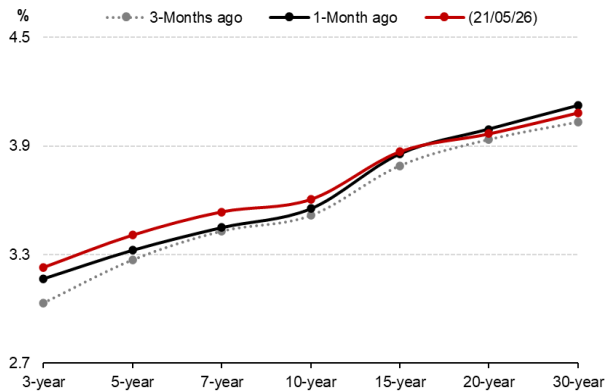
Source: Kenanga Research, Bloomberg

Graph 3: UST Yield Trend



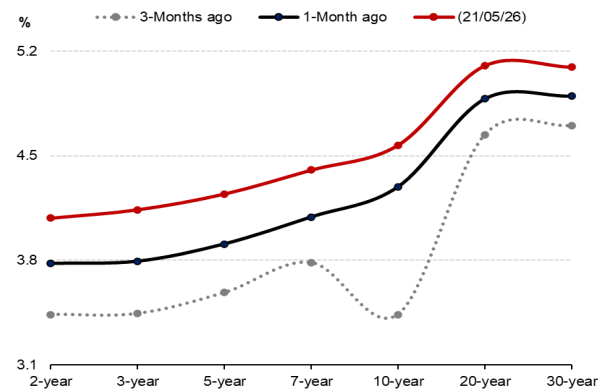
Source: Kenanga Research, Bloomberg

Graph 4: MGS Yield Curve



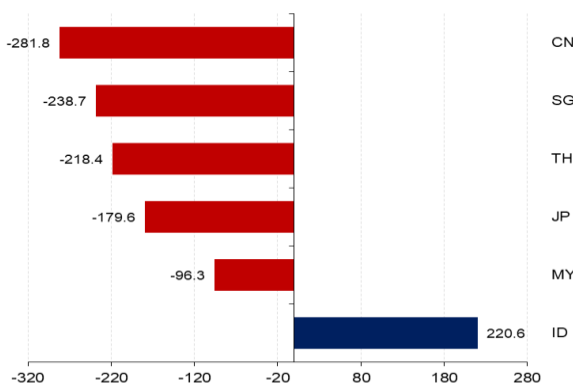
Source: Kenanga Research, Bloomberg

Graph 5: UST Yield Curve



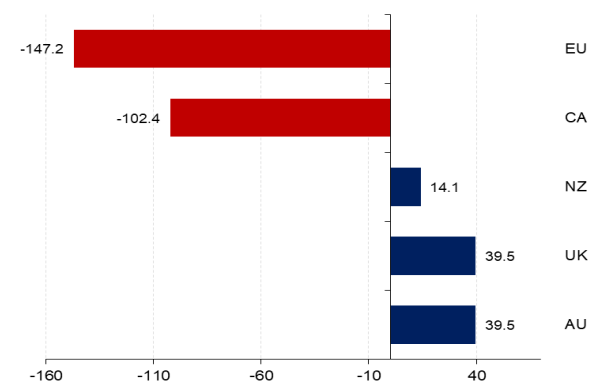
Source: Kenanga Research, Bloomberg

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

22 May 2026

Table 3: Bond Yield Movements

Bonds	01/01/26 YTD	21/05/25 Last Year	21/04/26 Last Month	14/05/26 Last Week	21/05/26 Yesterday	ytd (bps)	yoy (bps)	mom (bps)	wow (bps)
MGS									
30Y MGS	3.980	4.058	4.122	4.069	4.084	10.40	2.60	-3.80	1.50
20Y MGS	3.840	3.822	3.992	3.947	3.968	12.80	14.60	-2.40	2.10
15Y MGS	3.746	3.711	3.855	3.815	3.869	12.30	15.80	1.40	5.40
10Y MGS	3.492	3.588	3.553	3.579	3.605	11.30	1.70	5.20	2.60
7Y MGS	3.367	3.462	3.449	3.472	3.536	16.90	7.40	8.70	6.40
5Y MGS	3.256	3.298	3.324	3.361	3.407	15.10	10.90	8.30	4.60
3Y MGS	2.998	3.185	3.167	3.206	3.228	23.00	4.30	6.10	2.20
GII									
20Y GII	3.862	3.860	3.997	3.969	3.981	11.90	12.10	-1.60	1.20
10Y GII	3.524	3.591	3.572	3.605	3.622	9.80	3.10	5.00	1.70
7Y GII	3.341	3.475	3.493	3.528	3.572	23.10	9.70	7.90	4.40
3Y GII	3.101	3.197	3.191	3.207	3.238	13.70	4.10	4.70	3.10
UST									
30Y UST	4.844	5.092	4.900	5.026	5.092	24.83	-0.04	19.20	6.55
20Y UST	4.793	5.123	4.881	5.029	5.100	30.76	-2.29	21.94	7.12
10Y UST	4.167	4.599	4.292	4.482	4.570	40.26	-2.89	27.80	8.80
7Y UST	3.939	4.376	4.091	4.311	4.404	46.48	2.78	31.37	9.33
5Y UST	3.725	4.161	3.910	4.153	4.244	51.92	8.38	33.48	9.18
3Y UST	3.539	4.014	3.794	4.059	4.139	60.02	12.55	34.54	7.98
2Y UST	3.473	4.019	3.779	4.017	4.083	61.00	6.36	30.39	6.58
MAJOR 10Y GOVERNMENT BONDS									
10Y EU	2.854	2.644	3.002	3.042	3.098	24.40	45.40	9.60	5.60
10Y UK	4.479	4.757	4.884	4.994	4.965	48.60	20.80	8.10	-2.90
10Y JP	2.066	1.527	2.397	2.634	2.774	70.80	124.70	37.70	14.00
10Y CN	1.855	1.676	1.754	1.752	1.752	-10.30	7.60	-0.20	0.00
10Y SG	2.117	2.517	0.000	2.080	2.183	6.62	-33.38	218.28	10.32
10Y ID	6.070	6.828	6.595	6.691	6.776	70.60	-5.20	18.10	8.50
10Y TH	1.659	1.881	2.103	2.175	2.385	72.64	50.44	28.21	21.06

Source: Kenanga Research, Bloomberg

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