Bond Market Weekly Outlook

Local yields to hold steady as domestic resilience offsets global noise

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

- **Yield Movement:** MGS and GII yields edged higher this week, ranging between -2.5 bps to 2.9 bps. The 10-Y MGS yield rose 0.8 bps to 3.722%, while the 10-Y GII yield increased 1.4 bps to 3.723%.
- **Key drivers**: Domestic yields edged higher as investors remained cautious amid political developments, though resilient domestic fundamentals contained the move. The reopened 5Y MGII 10/31 auction drew strong demand with a bid-to-cover (BTC) ratio of 2.40x, reinforcing constructive local bond sentiment. Improving economic indicators, including Malaysia's return to manufacturing expansion and positive 2Q26 growth expectations, also supported the market. Progress towards a US-Iran diplomatic resolution eased global energy concerns further and limited upward pressure on yields.
- **Flows and outlook**: Foreign investors remained marginal net buyers of Malaysian government bonds last week, recording RM0.1b in net inflows, reflecting steady demand for local duration. Looking ahead, domestic yields are expected to remain range-bound as resilient growth fundamentals and stable inflation offset external uncertainties. Investors will watch upcoming 2Q26 GDP, IPI, labour market, and retail sales data for signals on growth momentum. Globally, West Asia developments and US labour and inflation data remain key drivers of rate expectations.

Auction Result

- **5-Y MGII 10/31 (reopening):** Solid demand with a BTC ratio of 2.40x, issuing RM5.0b at an average yield of 3.529%.
- **Upcoming Auction:** Reopening of the 30-Y MGS, with RM3.0b to be issued and an additional RM2.0b via private placement.

United States Treasuries (UST)

- **Yield Movement:** UST yields were broadly higher, with movements ranging between -0.1 bps and 1.1 bps. The 10-Y UST yield rose 0.5 bps to 4.678%, while the 2-Y UST yield edged lower by 0.1 bps to 4.245%.
- **Key drivers**: UST yields edged higher as resilient US data reinforced market expectations of a possible September Fed hike. Strong services activity and improved manufacturing momentum supported the growth outlook, though softer ADP employment data tempered expectations for further policy tightening. Progress towards a US-Iran diplomatic resolution also lowered oil prices and reduced inflation concerns, limiting the upside in Treasury yields.
- **Outlook:** Market attention will centre on tonight's nonfarm payrolls and unemployment data, followed by CPI and PPI releases for further clues on inflation trends. We expect inflation pressures to remain contained, supporting our view of an extended Fed pause. Meanwhile, easing West Asia risks should reduce energy-driven inflation concerns. UST yields are expected to remain range-bound, with risks tilted mildly lower if labour market conditions continue to soften.

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

	Long Term*				
	Q2-26	Q3-26F	Q4-26F	Q1-27F	Q2-27F
MGS	3.60	3.70	3.63	3.70	3.60
UST	4.47	4.53	4.50	4.41	4.39
USDMYR	4.08	4.03	3.95	4.00	4.02
OPR	2.75	2.75	2.75	2.75	2.75

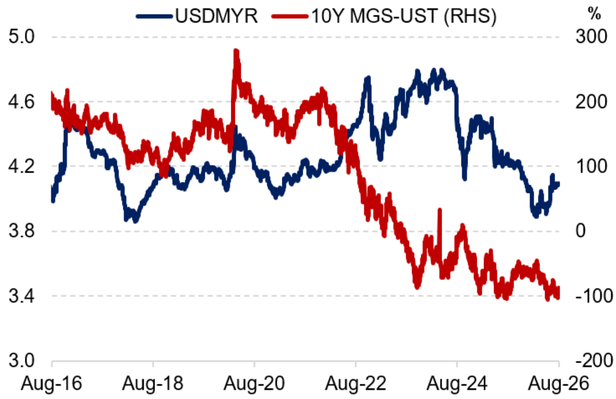
**F=Forecasts for end of period*
Source: Kenanga Research, Bloomberg

Table 2: Annual Issuances of MGS and GII

	MGS (RM b)		GII (RM b)	
	2025	2026	2025	2026
Reopening	67.5	40.0	61.5	45.0
New Issuances	15.0	15.0	24.5	15.0

Source: Kenanga Research, BNM, Macrobond

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



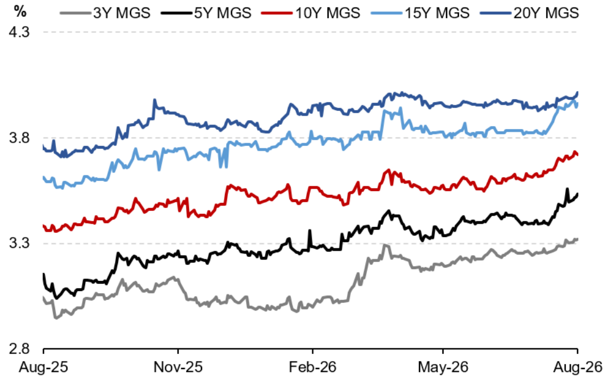
Source: Kenanga Research, Bloomberg

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 (%)
Jun	10-yr Reopening of MGS 7/35 3.476%	03/07/2026	5,000.00	-	5,000.00	1.87	3.630	3.638	3.613
	3.5-yr Reopening of MGII 10/29	15/07/2026			5,000.00	2.26	3.287	3.289	3.280
	15-yr Reopening of MGS 1/41	21/07/2026	3,500.00	1,500.00	5,000.00	2.06	3.903	3.910	3.890
Aug	5-yr Reopening of MGII 10/31 3.804%	05/08/2026	-	-	5,000.00	2.40	3.529	3.534	3.518
	30-yr Reopening of MGS 7/55 3.917%	-	-	-	-	-	-	-	-
	7-yr Reopening of MGII 3/33								
	20-yr Reopening of MGS 4/46	-	-	-	-	-	-	-	-

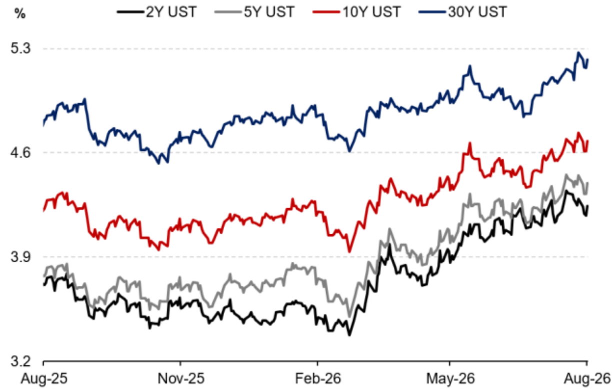
*Source: Kenanga Research, BNM FAST, *PP= Private Placement, *BTC= Bid-to-cover ratio*

Graph 2: MGS Yield Trend



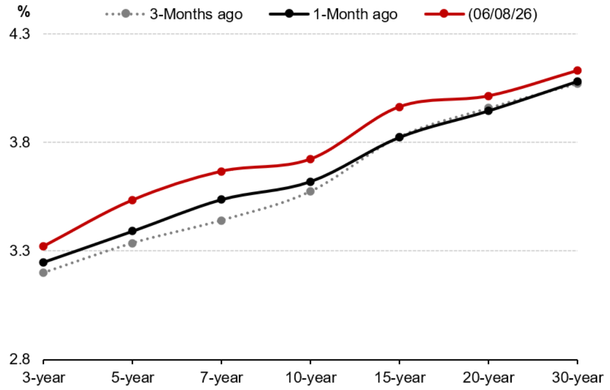
Source: Kenanga Research, Bloomberg

Graph 3: UST Yield Trend



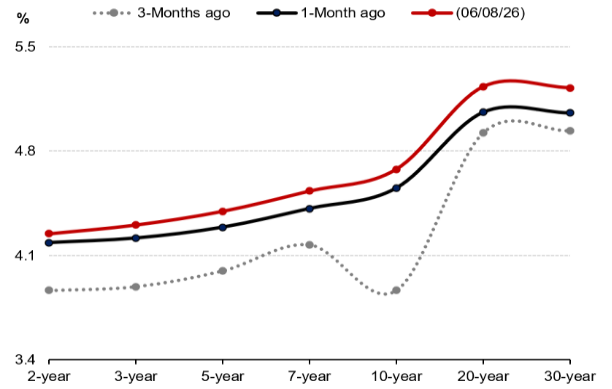
Source: Kenanga Research, Bloomberg

Graph 4: MGS Yield Curve



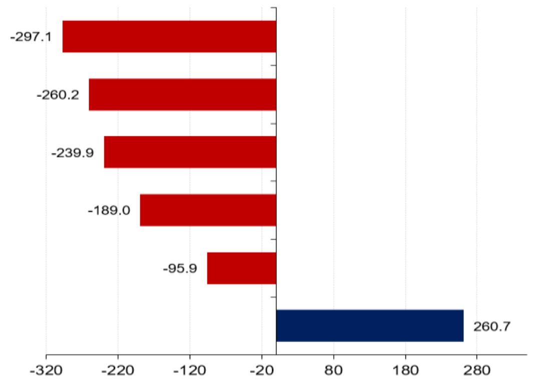
Source: Kenanga Research, Bloomberg

Graph 5: UST Yield Curve



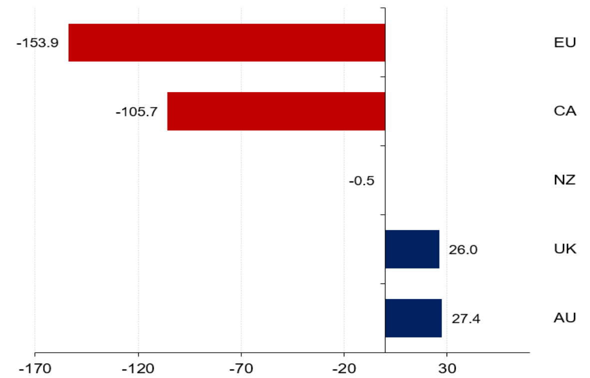
Source: Kenanga Research, Bloomberg

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

Table 3: Bond Yield Movements

Bonds	01/01/26 YTD	06/08/25 Last Year	07/07/26 Last Month	30/07/26 Last Week	06/08/26 Yesterday	ytd (bps)	yoy (bps)	mom (bps)	wow (bps)
MGS									
30Y MGS	3.980	3.911	4.082	4.110	4.130	15.00	21.90	4.80	2.00
20Y MGS	3.840	3.749	3.946	3.990	4.013	17.30	26.40	6.70	2.30
15Y MGS	3.746	3.612	3.824	3.949	3.963	21.70	35.10	13.90	1.40
10Y MGS	3.492	3.380	3.620	3.714	3.722	23.00	34.20	10.20	0.80
7Y MGS	3.367	3.314	3.537	3.640	3.666	29.90	35.20	12.90	2.60
5Y MGS	3.256	3.153	3.391	3.558	3.533	27.70	38.00	14.20	-2.50
3Y MGS	2.998	3.040	3.248	3.310	3.320	32.20	28.00	7.20	1.00
GII									
20Y GII	3.862	3.736	3.973	3.996	4.012	15.00	27.60	3.90	1.60
10Y GII	3.524	3.420	3.619	3.709	3.723	19.90	30.30	10.40	1.40
7Y GII	3.341	3.329	3.542	3.625	3.654	31.30	32.50	11.20	2.90
3Y GII	3.101	3.094	3.258	3.352	3.359	25.80	26.50	10.10	0.70
UST									
30Y UST	4.844	4.820	5.056	5.214	5.224	38.06	40.41	16.85	1.07
20Y UST	4.793	4.799	5.060	5.225	5.231	43.78	43.21	17.08	0.53
10Y UST	4.167	4.226	4.551	4.673	4.678	51.08	45.21	12.67	0.45
7Y UST	3.939	3.979	4.414	4.526	4.532	59.23	55.25	11.77	0.55
5Y UST	3.725	3.776	4.288	4.387	4.396	67.08	62.01	10.76	0.87
3Y UST	3.539	3.667	4.216	4.298	4.304	76.54	63.77	8.88	0.66
2Y UST	3.473	3.714	4.185	4.246	4.245	77.24	53.17	6.06	-0.05
MAJOR 10Y GOVERNMENT BONDS									
10Y EU	2.854	2.649	2.993	3.154	3.139	28.50	49.00	14.60	-1.50
10Y UK	4.479	4.526	4.848	4.984	4.938	45.90	41.20	9.00	-4.60
10Y JP	2.066	1.497	2.859	2.813	2.788	72.20	129.10	-7.10	-2.50
10Y CN	1.855	1.704	1.735	1.715	1.707	-14.80	0.30	-2.80	-0.80
10Y SG	2.117	2.018	2.130	2.421	2.279	16.26	26.11	14.90	-14.16
10Y ID	6.070	6.475	7.189	7.344	7.285	121.50	81.00	9.60	-5.90
10Y TH	1.659	1.467	1.967	2.094	2.076	41.70	60.94	10.86	-1.76

Source: Kenanga Research, Bloomberg

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