

Bond Market Weekly Outlook

Range-bound local yields; US-Iran ceasefire talks and Warsh's debut drive sentiment

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

- Yield Movement:** MGS and GII yields mostly declined this week, moving between -6.2 to +4.3 bps range. The 10-Y MGS fell 3.2 bps to 3.573%, while the 10-Y GII decreased 1.3 bps to 3.609%.
- Key drivers:** Yields trended lower on easing global and domestic risks. A strong 30-year GII auction (bid-to-cover ratio of 2.29x) confirmed sustained investor demand. Softer UST added further downward pressure on the local curve. Sentiment also improved following the proposed 60-day US-Iran ceasefire extension, which compressed geopolitical risk premia. Domestically, Malaysia's deepening engagement with the Global South via BRICS, alongside stable fuel supply assurances, supported confidence in macro fundamentals.
- Flows and outlook:** Foreign flows turned negative, with government bonds recording RM3.6b in outflows. Bursa Malaysia extended its selling streak to a second week, with RMO.9b in equity outflows amid cautious investor positioning. Upcoming PMI releases will be key domestic data point, though shorter trading days next week may dampen activity. Externally, US labour market data and US-Iran ceasefire developments remain primary watch items. Stable domestic conditions are likely to keep MGS yields broadly range-bound.

United States Treasuries (UST)

- Yield Movement:** UST yields decreased significantly this week, declining between 6.3 and 12.8 bps. The 10-Y yield fell 12.2 bps to 4.447%, while the 2-Y decreased 6.3 bps to 4.021%.
- Key drivers:** The tentative 60-day US-Iran ceasefire extension eased risk premia and boosted Treasury demand. Softer macro data reinforced the move: first-quarter GDP was revised down, and jobless claims signalled early labour market cooling. Moderating PCE readings also eased yield pressure, though the Fed is likely to hold a hawkish bias given lingering energy-driven inflation risks. Markets are also watching the new Fed leadership dynamic closely. Kevin Warsh officially took over as Fed Chair on 15 May following Senate confirmation, succeeding Jerome Powell. While Trump expects Warsh to cut rates, elevated energy-driven inflation narrows his room to manoeuvre in the near term, keeping policy uncertainty elevated.
- Outlook:** UST yields are likely to stay range-bound next week as markets balance easing geopolitical tensions against sticky inflation. Key data to watch: JOLTs, ADP employment, nonfarm payrolls, unemployment rate, and ISM manufacturing PMI. The proposed US-Iran ceasefire extension may cap risk premia, but fragile negotiations and elevated oil prices could keep sentiment cautious. With inflation concerns persisting and Warsh yet to signal a clear policy direction, the Fed is expected to move cautiously, anchoring yields within a narrow band.

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	25.0
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

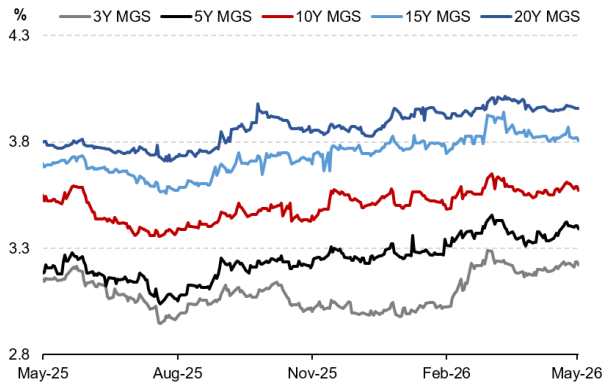
- 30-Y MGII 01/56 (reopening):** The reopening saw solid demand, with RM5.0b issued at an average yield of 4.103%; bid-to-cover ratio of 2.29x (2025 average: 2.55x).
- Upcoming Auction:** Reopening of the 3-Y MGS; RM5.0b to be issued, with no private placement.

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 (%)
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	28/05/2026	3,000.00	2,000.00	5,000.00	2.29	4.103	4.110	4.095
Jun	3-yr Reopening of MGS 3/29	-	-	-	-	-	-	-	-
	15-yr Reopening of MGII 7/40 3.974%	-	-	-	-	-	-	-	-
	5-yr Reopening of MGS 6/31 4.232%	-	-	-	-	-	-	-	-
	20-yr Reopening of MGII 5/45 3.775%	-	-	-	-	-	-	-	-

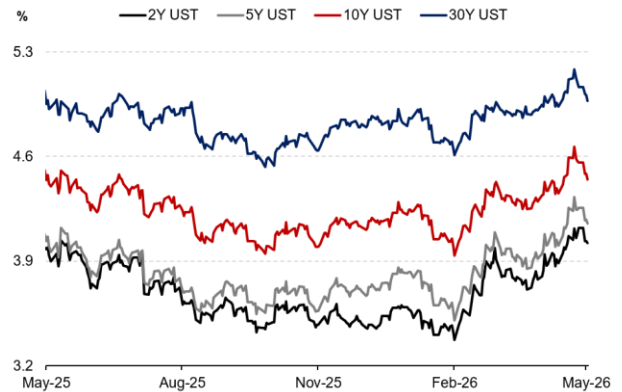
Source: Kenanga Research, BNM FAST, *PP= Private Placement, *BTC= Bid-to-cover ratio

Graph 2: MGS Yield Trend



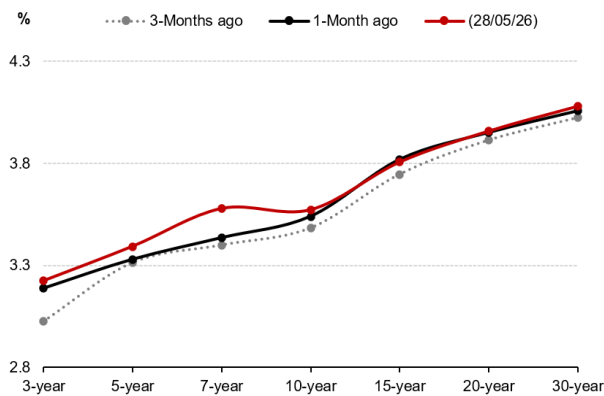
Source: Kenanga Research, Bloomberg

Graph 3: UST Yield Trend



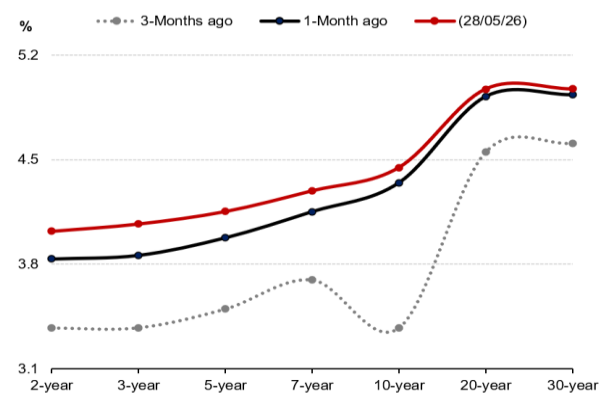
Source: Kenanga Research, Bloomberg

Graph 4: MGS Yield Curve



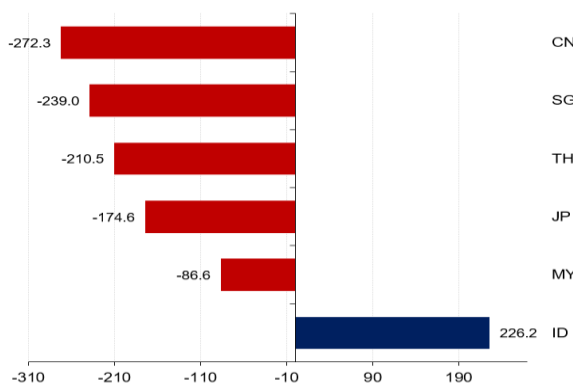
Source: Kenanga Research, Bloomberg

Graph 5: UST Yield Curve



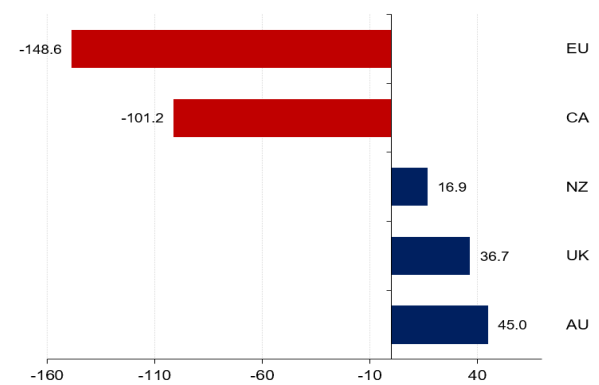
Source: Kenanga Research, Bloomberg

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

29 May 2026

Table 3: Bond Yield Movements

Bonds	01/01/26 YTD	28/05/25 Last Year	28/04/26 Last Month	21/05/26 Last Week	28/05/26 Yesterday	ytd (bps)	yoy (bps)	mom (bps)	wow (bps)
MGS									
30Y MGS	3.980	4.039	4.057	4.084	4.081	10.10	4.20	2.40	-0.30
20Y MGS	3.840	3.804	3.951	3.968	3.959	11.90	15.50	0.80	-0.90
15Y MGS	3.746	3.683	3.819	3.869	3.807	6.10	12.40	-1.20	-6.20
10Y MGS	3.492	3.524	3.540	3.605	3.573	8.10	4.90	3.30	-3.20
7Y MGS	3.367	3.389	3.435	3.536	3.579	21.20	19.00	14.40	4.30
5Y MGS	3.256	3.186	3.329	3.407	3.393	13.70	20.70	6.40	-1.40
3Y MGS	2.998	3.146	3.187	3.228	3.224	22.60	7.80	3.70	-0.40
GII									
20Y GII	3.862	3.827	3.958	3.981	3.973	11.10	14.60	1.50	-0.80
10Y GII	3.524	3.537	3.553	3.622	3.609	8.50	7.20	5.60	-1.30
7Y GII	3.341	3.408	3.481	3.572	3.557	21.60	14.90	7.60	-1.50
3Y GII	3.101	3.169	3.178	3.238	3.221	12.00	5.20	4.30	-1.70
UST									
30Y UST	4.844	4.976	4.934	5.092	4.973	12.90	-0.32	3.89	-11.93
20Y UST	4.793	4.994	4.922	5.100	4.972	17.96	-2.12	5.06	-12.80
10Y UST	4.167	4.477	4.346	4.570	4.447	28.03	-3.00	10.18	-12.23
7Y UST	3.939	4.260	4.153	4.404	4.292	35.23	3.18	13.92	-11.25
5Y UST	3.725	4.062	3.978	4.244	4.153	42.77	9.11	17.53	-9.15
3Y UST	3.539	3.958	3.860	4.139	4.070	53.06	11.12	20.91	-6.96
2Y UST	3.473	3.990	3.836	4.083	4.021	54.75	3.04	18.45	-6.25
MAJOR 10Y GOVERNMENT BONDS									
10Y EU	2.854	2.553	3.066	3.098	2.961	10.70	40.80	-10.50	-13.70
10Y UK	4.479	4.727	5.006	4.965	4.814	33.50	8.70	-19.20	-15.10
10Y JP	2.066	1.515	2.477	2.774	2.701	63.50	118.60	22.40	-7.30
10Y CN	1.855	1.709	1.760	1.752	1.724	-13.10	1.50	-3.60	-2.80
10Y SG	2.117	2.423	2.142	2.183	2.057	-5.93	-36.52	-8.46	-12.55
10Y ID	6.070	6.838	6.794	6.776	6.709	63.90	-12.90	-8.50	-6.70
10Y TH	1.659	1.827	2.151	2.385	2.342	68.31	51.56	19.13	-4.33

Source: Kenanga Research, Bloomberg

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