Bond Market Weekly Outlook

Domestic bonds steady as strong growth anchors yields, external risks in focus

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

- **Yield Movement:** MGS and GII showed mixed trends across the curve, ranging from -2.4 to 4.9 basis points (bps). The 10-Y MGS declined 2.4 bps to 3.524%, while the 10-Y GII fell 1.0 bps to 3.535%.
- **Key drivers**: Despite a strong 4Q25 GDP print of 6.3% YoY and full-year growth at 5.2%, the 10-year MGS moved only marginally. The muted response suggests a curve twist rather than classic growth-driven bear steepening. Market appear to have reaffirmed policy credibility without aggressively repricing rates. Yields edged lower following firm demand at the 20-year GII auction (2.90x BTC). Stable inflation (1.6% YoY in January) and Prime Minister Anwar's reaffirmation of timely execution under the 13MP also supported sentiment. MGS continues to trade within the global rates environment. Stable UST yields, measured foreign inflows and positioning helped anchor the curve. Strong growth has compressed term premium, particularly in the belly.
- **Flows and outlook**: Foreign appetite for Malaysian bonds improved at a measured pace, while equity inflows continued to build. Into next week, yields should remain anchored as the domestic macro narrative stays firm. Today's trade data will offer further validation. External risks remain. Ongoing Iran–US tensions continue to elevate geopolitical uncertainty. Markets will also watch for signs that Takaichi's administration may raise debt issuance to fund spending and tax measures, which could lift JGB yields and affect regional rate dynamics.

United States Treasuries (UST)

- **Yield Movement:** UST yields were mostly lower, moving between -3.5 to 0.1 bps. The 10-Y fell 3.1 bps to 4.067%, while the 2-Y edged up 0.1 bps to 3.457%.
- **Key drivers**: UST yields eased after January inflation came in softer than expected, led by lower energy prices. This reinforced expectations for further Fed cuts this year. A wider US trade deficit weighed on sentiment. Endorsement of Fed chair nominee Kevin Warsh by Fed's Kashkari signalled policy continuity. However, markets remained cautious as January FOMC minutes showed several members open to hikes if disinflation stalls. Notably, foreigners sold USD88.4b UST bonds in December, but strong domestic buying largely offset the outflows, keeping yields broadly stable.
- **Outlook:** UST yields may drift higher next week as US–Iran tensions escalates and markets parse today's core PCE for inflation signals. The advance 4Q25 GDP print and labour indicators, such as jobless claims and ADP, will help gauge underlying momentum. Upcoming Fed speeches and the PPI report would offer additional cues that may keep yields biased upward.

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	3.44	3.38	3.33	3.30
UST	4.17	4.15	4.18	4.20	4.20
USDMYR	4.06	3.92	3.88	3.90	3.95
OPR	2.75	2.75	2.75	2.75	2.75

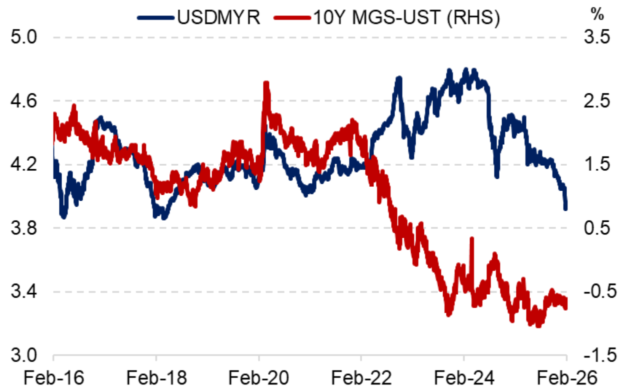
**F=Forecasts for end of period*
Source: Kenanga Research, Bloomberg

Table 2: Annual Issuances of MGS and GII

	MGS (RM b)		GII (RM b)	
	2025	2026	2025	2026
Reopening	67.5	5.0	61.5	10.0
New Issuances	15.0	5.0	24.5	5.0

Source: Kenanga Research, BNM, Macrobond

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



Source: Kenanga Research, Bloomberg

Auction Result

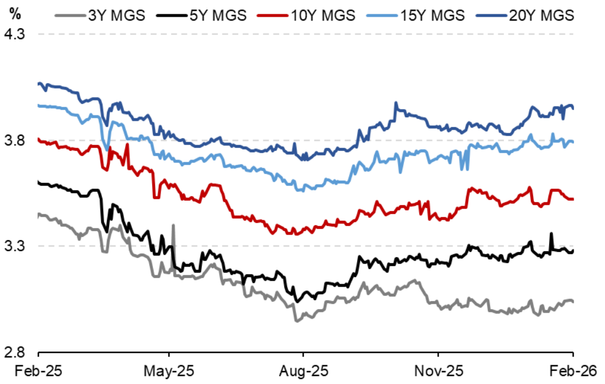
- The 20-year MGII 5/45 reopening saw solid demand, with RM5.0b issued at an average yield of 3.990% with a 2.90x BTC ratio (2025 average: 2.55x).
- The next auction will be a 5-year MGS reopening, with RM5.0b to be issued without any private placement.

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%	-	-	-	5,000.00	-	-	-	-
Mar	15-yr Reopening of MGII 7/40 3.974%	-	-	-	-	-	-	-	-
	3-yr New Issue of MGS (Mat on 03/29)	-	-	-	-	-	-	-	-
	7-yr New Issue of MGII (Mat on 03/33)	-	-	-	-	-	-	-	-

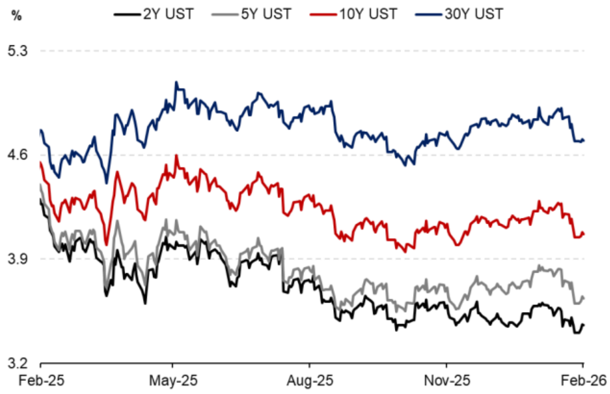
*Source: Kenanga Research, BNM FAST, *PP= Private Placement, *BTC= Bid-to-cover ratio*

Graph 2: MGS Yield Trend



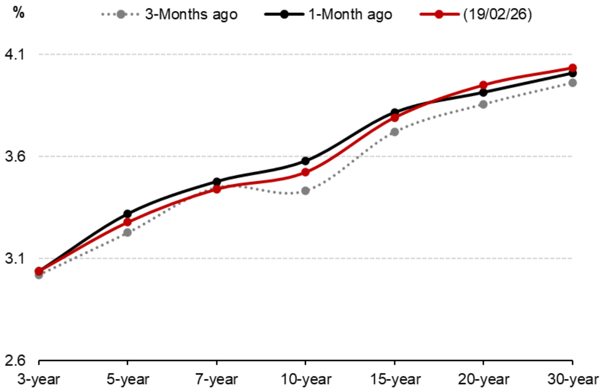
Source: Kenanga Research, Bloomberg

Graph 3: UST Yield Trend



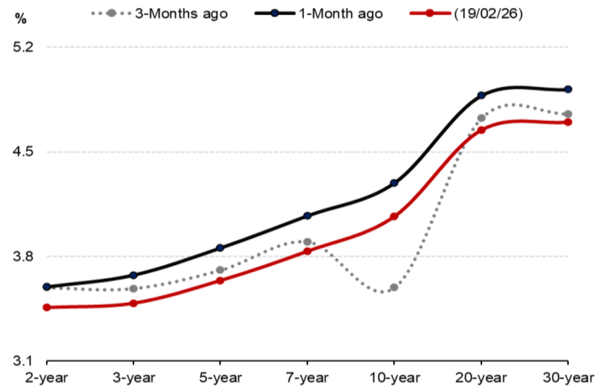
Source: Kenanga Research, Bloomberg

Graph 4: MGS Yield Curve



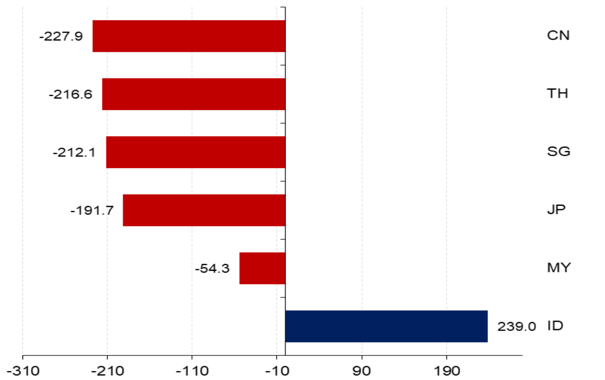
Source: Kenanga Research, Bloomberg

Graph 5: UST Yield Curve



Source: Kenanga Research, Bloomberg

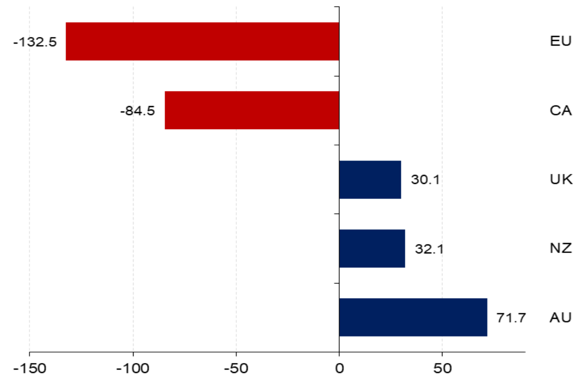
Graph 6: Selected Asian 10-Year Bond Yield Spread (bps)



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	19/02/25 Last Year	20/01/26 Last Month	12/02/26 Last Week	19/02/26 Yesterday	ytd (bps)	yoy (bps)	mom (bps)	wow (bps)
MGS									
30Y MGS	3.980	4.183	4.008	4.034	4.035	5.50	-14.80	2.70	0.10
20Y MGS	3.840	4.066	3.914	3.902	3.951	11.10	-11.50	3.70	4.90
15Y MGS	3.746	3.965	3.816	3.803	3.792	4.60	-17.30	-2.40	-1.10
10Y MGS	3.492	3.805	3.579	3.548	3.524	3.20	-28.10	-5.50	-2.40
7Y MGS	3.367	3.773	3.478	3.447	3.441	7.40	-33.20	-3.70	-0.60
5Y MGS	3.256	3.600	3.320	3.286	3.279	2.30	-32.10	-4.10	-0.70
3Y MGS	2.998	3.454	3.039	3.029	3.039	4.10	-41.50	0.00	1.00
GII									
20Y GII	3.862	4.076	3.893	3.974	3.976	11.40	-10.00	8.30	0.20
10Y GII	3.524	3.813	3.572	3.545	3.535	1.10	-27.80	-3.70	-1.00
7Y GII	3.341	3.776	3.393	3.374	3.374	3.30	-40.20	-1.90	0.00
3Y GII	3.101	3.555	3.139	3.103	3.099	-0.20	-45.60	-4.00	-0.40
UST									
30Y UST	4.844	4.766	4.919	4.733	4.698	-14.54	-6.75	-22.07	-3.46
20Y UST	4.793	4.822	4.877	4.677	4.645	-14.74	-17.69	-23.18	-3.16
10Y UST	4.167	4.533	4.293	4.098	4.067	-9.97	-46.54	-22.52	-3.08
7Y UST	3.939	4.451	4.073	3.863	3.834	-10.51	-61.69	-23.85	-2.87
5Y UST	3.725	4.365	3.858	3.660	3.638	-8.70	-72.66	-21.93	-2.13
3Y UST	3.539	4.286	3.676	3.500	3.486	-5.29	-80.04	-18.95	-1.39
2Y UST	3.473	4.268	3.597	3.456	3.457	-1.57	-81.03	-13.95	0.14
MAJOR 10Y GOVERNMENT BONDS									
10Y EU	2.854	2.556	2.858	2.777	2.742	-11.20	18.60	-11.60	-3.50
10Y UK	4.479	4.611	4.458	4.452	4.368	-11.10	-24.30	-9.00	-8.40
10Y JP	2.066	1.435	2.359	2.242	2.150	8.40	71.50	-20.90	-9.20
10Y CN	1.855	1.688	1.840	1.779	1.788	-6.70	10.00	-5.20	0.90
10Y SG	2.117	2.903	0.000	1.980	1.946	-17.04	-95.71	194.62	-3.39
10Y ID	6.070	6.824	6.321	6.421	6.457	38.70	-36.70	13.60	3.60
10Y TH	1.659	2.298	1.929	1.869	1.901	24.22	-39.63	-2.82	3.26

Source: Kenanga Research, Bloomberg

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