

Bond Market Weekly Outlook

MGS yields hold firm as energy risk keep global repricing biased higher

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

- Yield Movement:** MGS and GII yields were broadly stable this week, moving within -5.7 to +1.7 bps range. The 10-Y MGS edged lower by 0.7 bps to 3.546%, while the 10Y GII was unchanged at 3.570%, reflecting a still well-anchored local curve despite external volatility.
- Key drivers:** Domestic fundamentals continue to anchor Malaysian rates, underpinned by resilient export diversification and steady macro conditions. However, the pace of yield compression remains capped by global forces. Persistent Middle East tensions and elevated risks around the Strait of Hormuz have kept oil prices firm, sustaining upside pressure on global inflation expectations. Combined with sticky UST yields near 4.40% and cautious BoJ signalling, this has reinforced a “higher-for-longer” global yield backdrop that limits further downside in local yields.
- Flows and outlook:** Foreign participation was soft, with net government bond outflows of RM1.8b last week, alongside continued equity outflows, reflecting cautious positioning amid global uncertainty. Domestically, upcoming PMI, IPI, and the BNM MPC meeting are expected to provide near-term support and help anchor yields. Externally, ECB and BoE policy decisions, together with Fed inflation signalling and fragile US–Iran ceasefire, remain key upside risks to yield volatility.

United States Treasuries (UST)

- Yield Movement:** UST yields rose sharply across the curve, up between 9.7 and 15.5 bps. The 10-Y yield climbed 12.7 bps to 4.430%, while the 2-Y surged 14.9 bps to 3.947%, reflecting a broad repricing higher in policy expectations and risk premia.
- Key drivers:** Markets continue to reprice the Fed’s reaction function following its hawkish hold and upgraded inflation assessment. Policymakers have explicitly flagged energy-driven price pressures and heightened uncertainty from Middle East developments. Despite resilient US activity data, including firmer consumer confidence, market pricing remains driven by supply-side inflation risks rather than demand strength. Stalled progress in US–Iran negotiations and persistently elevated oil prices have reinforced inflation stickiness concerns. Hawkish undertones from other major central banks, including the BoJ, have further contributed to global yield rigidity, keeping UST yields elevated across the curve.
- Outlook:** UST yields are expected to remain biased higher in the near term, driven by sustained geopolitical uncertainty, elevated energy prices, and a more cautious Fed stance on easing. Upcoming US data will be critical in shaping expectations, particularly JOLTS, ADP, non-farm payrolls, and ISM services. Global policy signals from the ECB and BoE will also influence cross-market rate dynamics, but the near-term bias remains skewed higher.

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

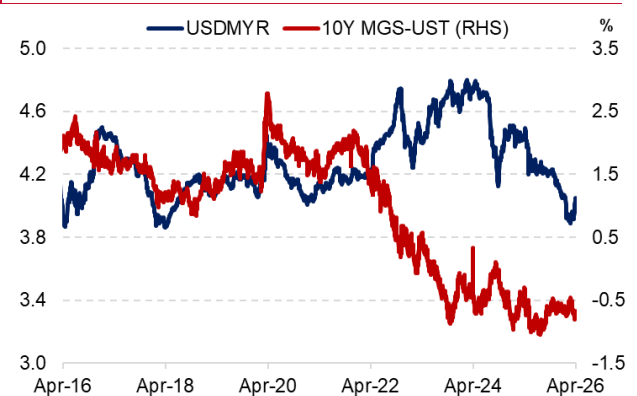
*F=Forecasts for end of period
Source: Kenanga Research, Bloomberg

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	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

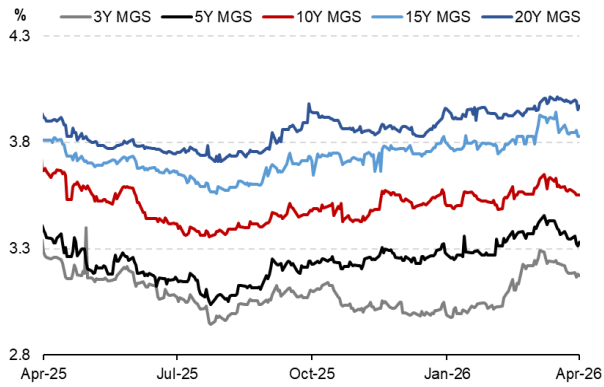
- No MGS/GII issuance or reopening took place this week.
- Upcoming Auction: Reopening of the 10-Y MGII with a total issuance of RM5.0b, with no private placement.

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 (%)
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)	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%	-	-	-	-	-	-	-	-
	7-yr Reopening of MGS 4/33 3.844%	-	-	-	-	-	-	-	-
	30-yr Reopening of MGII 1/56	-	-	-	-	-	-	-	-

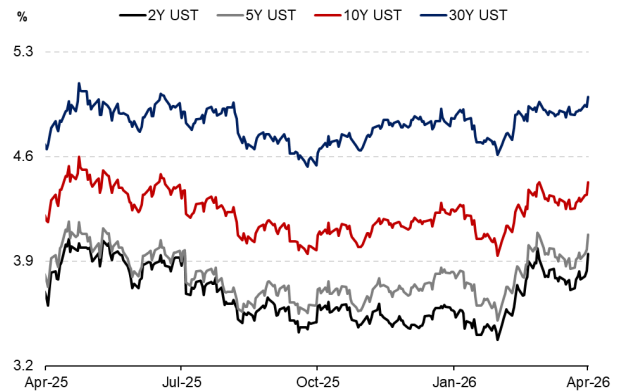
Source: Kenanga Research, BNM FAST, *PP= Private Placement, *BTC= Bid-to-cover ratio

Graph 2: MGS Yield Trend



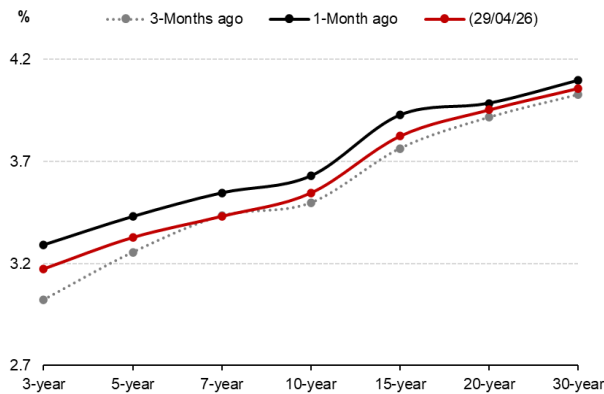
Source: Kenanga Research, Bloomberg

Graph 3: UST Yield Trend



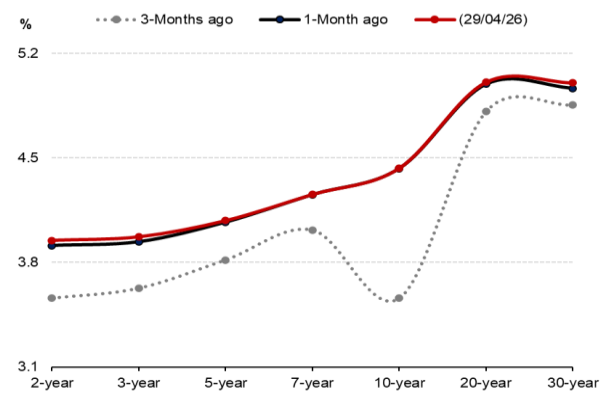
Source: Kenanga Research, Bloomberg

Graph 4: MGS Yield Curve



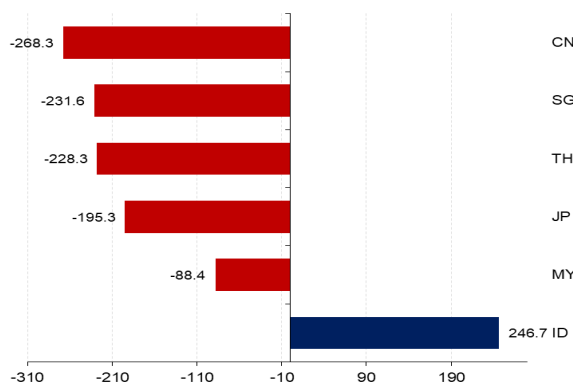
Source: Kenanga Research, Bloomberg

Graph 5: UST Yield Curve



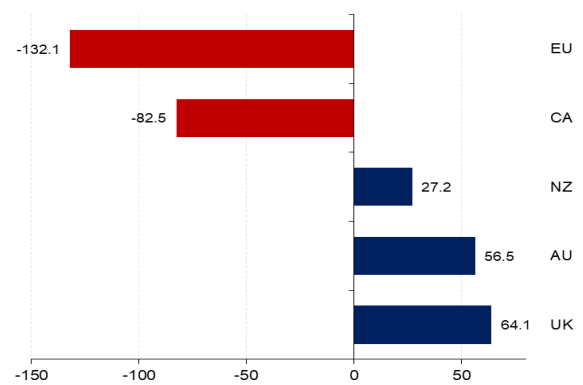
Source: Kenanga Research, Bloomberg

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

Table 3: Bond Yield Movements

Bonds	01/01/26 YTD	29/04/25 Last Year	27/03/26 Last Month	22/04/26 Last Week	29/04/26 Yesterday	ytd (bps)	yoy (bps)	mom (bps)	wow (bps)
MGS									
30Y MGS	3.980	4.052	4.097	4.115	4.058	7.80	0.60	-3.90	-5.70
20Y MGS	3.840	3.903	3.985	3.954	3.953	11.30	5.00	-3.20	-0.10
15Y MGS	3.746	3.798	3.927	3.829	3.824	7.80	2.60	-10.30	-0.50
10Y MGS	3.492	3.650	3.629	3.553	3.546	5.40	-10.40	-8.30	-0.70
7Y MGS	3.367	3.539	3.546	3.438	3.432	6.50	-10.70	-11.40	-0.60
5Y MGS	3.256	3.345	3.430	3.311	3.328	7.20	-1.70	-10.20	1.70
3Y MGS	2.998	3.255	3.291	3.182	3.174	17.60	-8.10	-11.70	-0.80
GII									
20Y GII	3.862	3.904	3.988	3.992	3.987	12.50	8.30	-0.10	-0.50
10Y GII	3.524	3.639	3.609	3.570	3.570	4.60	-6.90	-3.90	0.00
7Y GII	3.341	3.528	3.508	3.492	3.495	15.40	-3.30	-1.30	0.30
3Y GII	3.101	3.293	3.230	3.193	3.188	8.70	-10.50	-4.20	-0.50
UST									
30Y UST	4.844	4.649	4.965	4.904	5.001	15.75	35.21	3.66	9.71
20Y UST	4.793	4.670	4.992	4.889	5.005	21.26	33.51	1.38	11.68
10Y UST	4.167	4.172	4.428	4.303	4.430	26.28	25.82	0.20	12.73
7Y UST	3.939	3.964	4.253	4.105	4.254	31.45	29.00	0.13	14.92
5Y UST	3.725	3.766	4.068	3.926	4.079	35.37	31.28	1.05	15.34
3Y UST	3.539	3.640	3.937	3.816	3.971	43.16	33.05	3.34	15.46
2Y UST	3.473	3.650	3.912	3.798	3.947	47.38	29.69	3.49	14.89
MAJOR 10Y GOVERNMENT BONDS									
10Y EU	2.854	2.496	3.092	3.007	3.109	25.50	61.30	1.70	10.20
10Y UK	4.479	4.480	4.974	4.909	5.071	59.20	59.10	9.70	16.20
10Y JP	2.066	1.319	2.388	2.404	2.477	41.10	115.80	8.90	7.30
10Y CN	1.855	1.632	1.818	1.729	1.747	-10.80	11.50	-7.10	1.80
10Y SG	2.117	2.517	0.000	0.000	0.000	-211.66	-251.68	0.00	0.00
10Y ID	6.070	6.888	6.858	6.613	6.897	82.70	0.90	3.90	28.40
10Y TH	1.659	1.899	2.325	2.111	2.147	48.81	24.81	-17.80	3.59

Source: Kenanga Research, Bloomberg

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