

# Bond Market Weekly Outlook

MGS/GII yields to remain supported by sustained foreign demand

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

- Yield Movement:** MGS and GII yields mostly declined this week, ranging between -5.5 to 0.5 basis points (bps). The 10-Y MGS eased 3.8 bps to 3.525%, while the 10-Y GII fell 1.8 bps to 3.548%.
- Key drivers:** Local yields eased this week, supported by sustained foreign demand and improving sentiment. The IMF reaffirmed Malaysia's robust 2025 growth outlook, citing resilient domestic demand and sound macro fundamentals. External engagement also improved, with deeper ties with the UAE and stronger trade links with Australia, reinforcing investor confidence and underpinning Malaysia's medium-term prospects.
- Flows and outlook:** Yields are expected to remain stable next week, supported by a firm ringgit and continued foreign interest. Trading activity is likely to stay subdued ahead of the New Year's holiday, limiting volatility. That said, risks remain from expectations of gradual Bank of Japan policy normalisation, which could support higher JGB yields and influence global investor positioning. The upcoming PMI release may provide a near-term catalyst by offering fresh insights into manufacturing momentum. Overall, steady macro fundamentals and a resilient currency performance should anchor local bonds and attract sustained inflows.

## United States Treasuries (UST)

- Yield Movement:** UST yields showed mixed movements this week, moving between -0.9 to 5.6 bps. The 10-Y increased 1.2 bps to 4.134%, while the 2-Y rose 4.1 bps to 3.501%.
- Key drivers:** UST yields edged higher this week, underpinned by hawkish undertones from Federal Reserve officials. Fed's Williams reiterated there is no urgency to adjust rates further, while Hammack signalled a prolonged hold, reinforcing expectations of a higher-for-longer interest rates. Strong macro data added upward pressure, with industrial production rising 0.2% in November and 3Q25 GDP accelerating to 4.3%, the fastest pace in two years. Weekly jobless claims also declined, underscoring labour market resilience and further exerting upward pressures to the yields. These moves were partly offset by positioning ahead of the shortened trading week.
- Outlook:** UST yields are expected to see a modest uptick next week, supported by firm economic momentum. The release of FOMC minutes will be closely watched, with a hawkish tone likely to push yields higher. Weekly jobless claims remain a key gauge of labour market conditions. Trading activity is likely to stay subdued ahead of the New Year's holiday, helping to contain volatility. Elevated term premia should continue to keep long yields high.

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

	Long Term*				
	Q3-25	Q4-25F	Q1-26F	Q2-26F	Q3-26F
MGS	3.45	3.43	3.44	3.38	3.33
UST	4.15	4.50	4.38	4.25	4.13
USDMYR	4.21	4.08	4.05	4.02	3.99
OPR	2.75	2.75	2.75	2.75	2.75

\*F=Forecasts for end of period

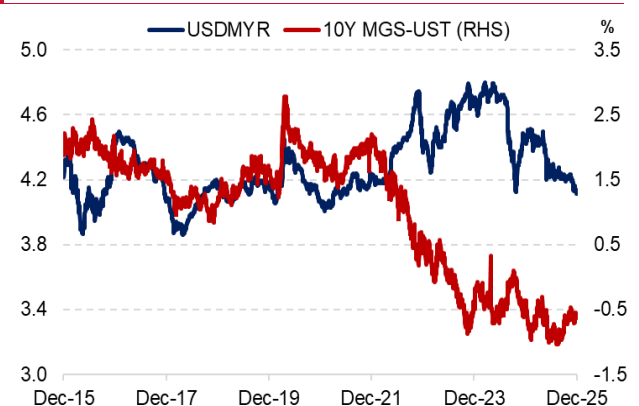
Source: Kenanga Research, Bloomberg

Table 2: Annual Issuances of MGS and GII

	MGS (RM b)		GII (RM b)	
	2024	2025	2024	2025
Reopening	79.2	67.5	78.0	61.5
New Issuances	10.0	15.0	9.5	24.5

Source: Kenanga Research, BNM, Macrobond

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



Source: Kenanga Research, Bloomberg

## Auction Result

- There was no new issuance or reopening this week.
- The next auction will be a new 30-yr MGII (Mat on 01/56), with RM3.0b on offer and an additional RM1.0b expected to be privately placed.

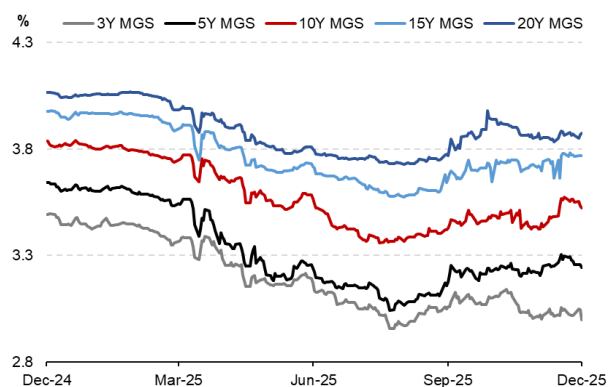
Table 3: 2025 Auction Calendar

Month	Issues	Issue Date	Auction (RM Mil)	PP* (RM Mil)	Total (RM Mil)	BTC* (x)	Average Yield (%)	Highest Yield (%)	Lowest Yield (%)
Dec	10-yr Reopening of MGS 07/35	12/12/2025	3,000.00	-	3,000.00	1.92	3.572%	3.579%	3.560%
Jan	30-yr New Issue of MGII (Mat on 01/56)	-	3,000.00	1,000.00	4,000.00	-	-	-	-
	15-yr New Issue of MGS (Mat on 01/41)	-	-	-	-	-	-	-	-
	5-yr Reopening of MGII 8/30 3.635%	-	-	-	-	-	-	-	-

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

26 December 2025

Graph 2: MGS Yield Trend



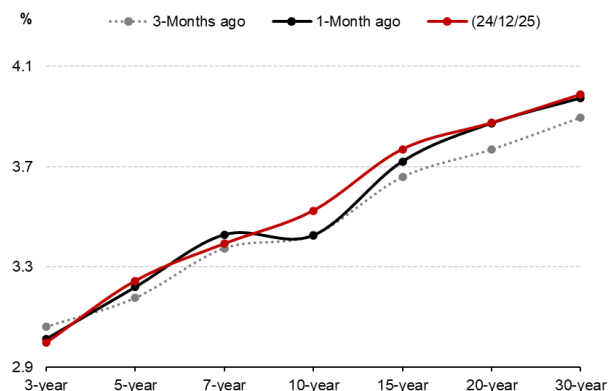
Source: Kenanga Research, Bloomberg

Graph 3: UST Yield Trend



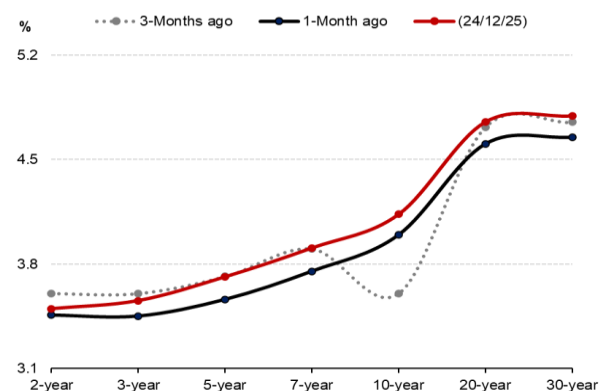
Source: Kenanga Research, Bloomberg

Graph 4: MGS Yield Curve



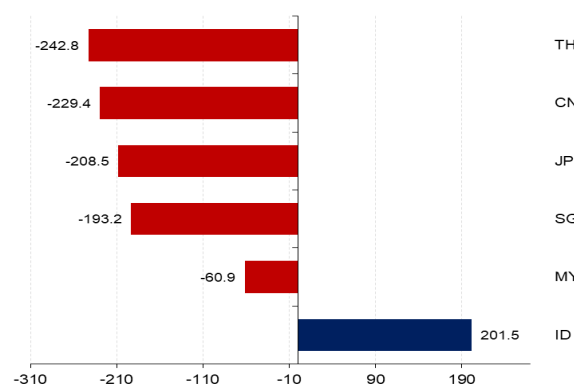
Source: Kenanga Research, Bloomberg

Graph 5: UST Yield Curve



Source: Kenanga Research, Bloomberg

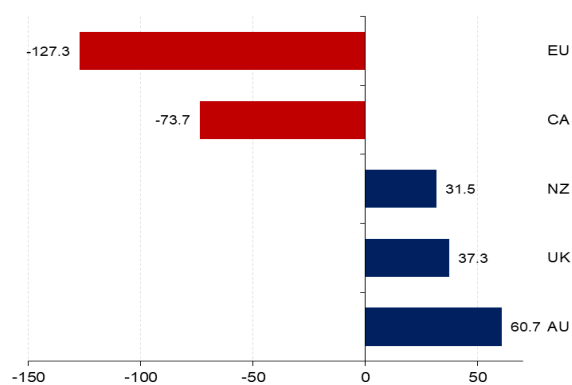
Graph 6: Selected Asian 10-Year Bond Yield Spread (bps)



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

26 December 2025

Table 3: Bond Yield Movements

Bonds	01/01/25 YTD	24/12/24 Last Year	25/11/25 Last Month	18/12/25 Last Week	24/12/25 Yesterday	ytd (bps)	yoy (bps)	mom (bps)	wow (bps)
<b>MGS</b>									
30Y MGS	4.183	4.184	3.973	3.994	3.988	-19.50	-19.60	1.50	-0.60
20Y MGS	4.060	4.064	3.873	3.870	3.875	-18.50	-18.90	0.20	0.50
15Y MGS	3.969	3.977	3.721	3.772	3.770	-19.90	-20.70	4.90	-0.20
10Y MGS	3.814	3.838	3.426	3.563	3.525	-28.90	-31.30	9.90	-3.80
7Y MGS	3.768	3.783	3.429	3.448	3.393	-37.50	-39.00	-3.60	-5.50
5Y MGS	3.621	3.642	3.220	3.276	3.245	-37.60	-39.70	2.50	-3.10
3Y MGS	3.479	3.494	3.013	3.018	2.998	-48.10	-49.60	-1.50	-2.00
<b>GII</b>									
20Y GII	4.084	4.098	3.876	3.895	3.873	-21.10	-22.50	-0.30	-2.20
10Y GII	3.830	3.846	3.513	3.566	3.548	-28.20	-29.80	3.50	-1.80
7Y GII	3.742	3.788	3.336	3.368	3.347	-39.50	-44.10	1.10	-2.10
3Y GII	3.423	3.440	3.100	3.123	3.106	-31.70	-33.40	0.60	-1.70
<b>UST</b>									
30Y UST	4.781	4.762	4.649	4.803	4.794	1.26	3.20	14.46	-0.91
20Y UST	4.858	4.842	4.604	4.759	4.753	-10.49	-8.84	14.88	-0.61
10Y UST	4.569	4.589	3.996	4.122	4.134	-43.55	-45.52	13.75	1.18
7Y UST	4.479	4.522	3.752	3.874	3.908	-57.09	-61.43	15.58	3.41
5Y UST	4.382	4.436	3.564	3.662	3.715	-66.72	-72.15	15.12	5.32
3Y UST	4.273	4.362	3.452	3.500	3.556	-71.70	-80.66	10.33	5.57
2Y UST	4.242	4.332	3.459	3.460	3.501	-74.02	-83.10	4.28	4.14
<b>MAJOR 10Y GOVERNMENT BONDS</b>									
10Y EU	2.364	2.320	2.671	2.849	2.861	49.66	54.06	18.92	1.21
10Y UK	4.568	4.575	4.494	4.481	4.507	-6.11	-6.81	1.27	2.61
10Y JP	1.101	1.083	1.805	1.971	2.049	94.80	96.60	24.40	7.80
10Y CN	1.675	1.736	1.819	1.836	1.840	16.45	10.35	2.02	0.38
10Y SG	2.861	2.995	2.005	2.208	2.201	-66.00	-79.35	19.63	-0.67
10Y ID	6.997	7.048	6.200	6.160	6.148	-84.90	-90.00	-5.20	-1.20
10Y TH	2.305	2.266	1.656	1.683	1.705	-59.94	-56.09	4.96	2.21

Source: Kenanga Research, Bloomberg

For further information, please contact:

**Wan Suhaimie Wan Mohd Saidie**  
Head of Economic Research  
[wansuhaimi@kenanga.com.my](mailto:wansuhaimi@kenanga.com.my)

**Muhammad Saifuddin Sapuan**  
Economist  
[saifuddin.sapuan@kenanga.com.my](mailto:saifuddin.sapuan@kenanga.com.my)

**Afiq Asyraf Syazwan Abd. Rahim**  
Economist  
[afiqasyraf@kenanga.com.my](mailto:afiqasyraf@kenanga.com.my)

**Nurul Hanees Hairulkama**  
Economist  
[nurulhanees@kenanga.com.my](mailto:nurulhanees@kenanga.com.my)

This document has been prepared for general circulation based on information obtained from sources believed to be reliable but we do not make any representations as to its accuracy or completeness. Any recommendation contained in this document does not have regard to the specific investment objectives, financial situation and the particular needs of any specific person who may read this document. This document is for the information of addressees only and is not to be taken in substitution for the exercise of judgement by addressees. Kenanga Investment Bank Berhad accepts no liability whatsoever for any direct or consequential loss arising from any use of this document or any solicitations of an offer to buy or sell any securities. Kenanga Investment Bank Berhad and its associates, their directors, and/or employees may have positions in, and may affect transactions in securities mentioned herein from time to time in the open market or otherwise, and may receive brokerage fees or act as principal or agent in dealings with respect to these companies. Kenanga Investment Bank Berhad being a full-service investment bank offers investment banking products and services and acts as issuer and liquidity provider with respect to a security that may also fall under its research coverage.

Published by:

**KENANGA INVESTMENT BANK BERHAD (15678-H)**  
Level 17, Kenanga Tower, 237, Jalan Tun Razak, 50400 Kuala Lumpur, Malaysia  
Telephone: (603) 2172 0880 Website: [www.kenanga.com.my](http://www.kenanga.com.my) E-mail: [research@kenanga.com.my](mailto:research@kenanga.com.my)