

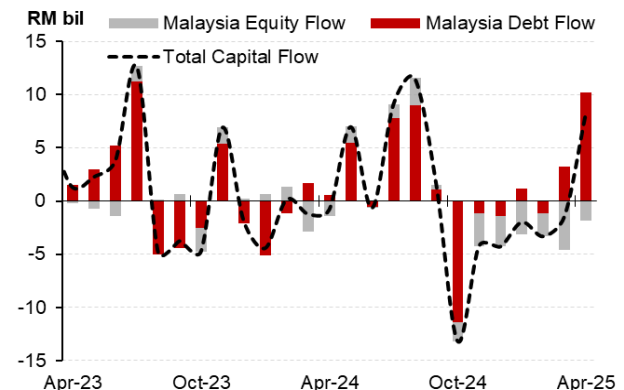
09 May 2025

Malaysia Bond Flows

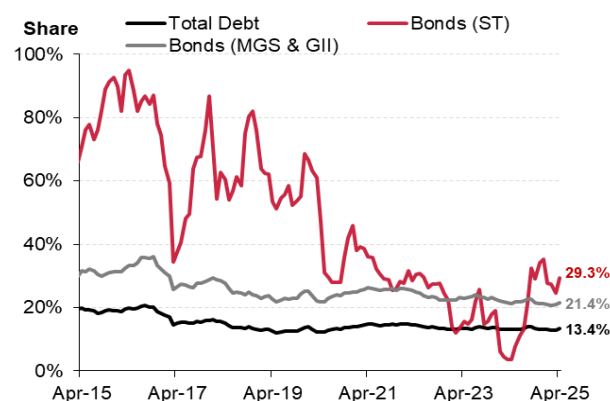
Bond inflows surge to 21-month high as global funds flee US assets

- Foreign appetite for Malaysia's local debt surged in April, with net inflows hitting RM10.2b (Mar: RM3.2b), a 21-month high. Robust demand for Malaysian Government Securities (MGS) led the rally and drove a sharp increase in foreign participation**
 - Foreign debt holdings** increased substantially to RM288.7b in April (Mar: RM278.5b), lifting the share of total outstanding debt to 13.4% (Mar: 13.0%), a seven-month high.
 - Key drivers:** A global rotation out of US assets, driven by waning confidence in US exceptionalism, spurred demand. While flows shifted toward the euro area and Japan, Malaysia emerged as a quiet outperformer, backed by macro resilience, stable monetary policy, and stronger trade ties, especially with Japan, Vietnam, and through initiatives like the Johor-Singapore Special Economic Zone.
- Bond market movements: April saw the first double-digit bond inflow since mid-2023, largely led by MGS, followed by Government Investment Issues (GII) and Malaysian Islamic Treasury Bills (MITB)**
 - MGS (RM9.1b; Mar: RM1.7b): accounting for nearly 90.0% of total bond inflows, with foreign holdings increasing to 33.6% (Mar: 32.5%).
 - GII (RM0.6b; Mar: RM1.4b): inflows softened, with foreign ownership steady at 8.5% (Mar: 8.5%).
 - MITB (RM0.5b; Mar: -RM0.4b): reversed March outflows. Foreign ownership surged to 18.3% (March: 8.6%) on lower outstanding stock (RM7.0b; Mar: RM9.0b).
- Equity market trends:** Malaysian equities saw milder outflows in April (-RM1.9; Mar: -RM4.6b), lifted by a late-month buying spree. Foreign investors net purchased over RM1.0b in the final six trading days, encouraged by signs of economic resilience and hopes Malaysia may weather global tariff headwinds better than peers.
- The capital market recorded its first net inflow of the year in April, totalling RM8.3b (Mar: -RM1.4b)**
- Capital market outlook: Resilient but not without risks**
 - Near-term outlook:** Malaysia's capital markets look set to attract continued foreign interest, supported by credible fiscal management, macro stability, and relatively attractive yields. A firmer ringgit could further enhance local assets appeal.
 - Yet risks linger.** Rising global trade frictions and potential domestic growth risk could pressure the central bank to ease policy. While not our base case, a rate cut could dent bond market momentum and slow future inflows.

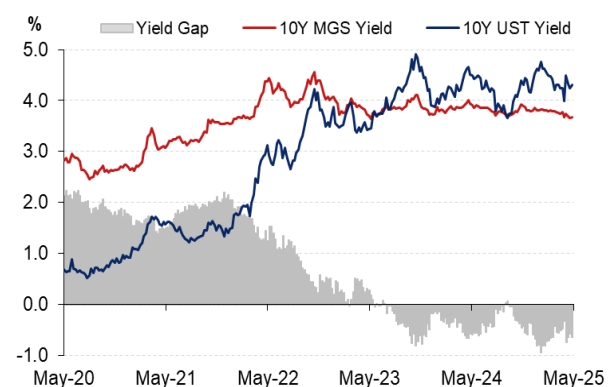
Graph 1: Monthly Net Foreign Capital Flows



Graph 2: Foreign Holdings of Malaysian Debt



Graph 3: 10-year US Treasury vs. MGS Yield



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Table 1: Foreign Holdings of Malaysian Bonds

		Nov-24	Dec -24	Jan-25	Feb-25	Mar-25	Apr-25
MGS	Value (MYR billion)	206.6	204.7	206.2	206.1	207.7	216.8
	% of Total MGS	32.7%	32.3%	32.3%	31.8%	32.5%	33.6%
GII	Value (MYR billion)	50.3	50.3	50.7	49.2	50.6	51.3
	% of Total GII	8.8%	8.8%	8.7%	8.3%	8.5%	8.5%
MTB	Value (MYR billion)	2.5	2.6	2.5	2.4	2.6	2.5
	% of Total MTB	50.4%	51.4%	49.5%	52.7%	56.9%	42.2%
MITB	Value (MYR billion)	4.0	2.7	1.3	1.2	0.8	1.3
	% of Total MITB	28.5%	27.2%	14.7%	14.3%	8.6%	18.3%
Corporate Bond and/or Sukuk (CBS)	Value (MYR billion)	13.2	15.0	15.7	16.3	16.8	16.8
	% of Total CBS	1.5%	1.7%	1.8%	1.9%	1.9%	1.9%
Total Foreign Debt Holdings	Value (MYR billion)	276.6	275.2	276.4	275.2	278.5	288.7
	% of Total Securities	13.2%	13.1%	13.1%	12.9%	13.0%	13.4%

Source: BNM, Kenanga Research

For further information, please contact:

Wan Suhaimie Wan Mohd Saidie
Head of Economic Research
wansuhaimi@kenanga.com.my

Muhammad Saifuddin Sapuan
Economist
saifuddin.sapuan@kenanga.com.my

Afiq Asyraf Syazwan Abd. Rahim
Economist
afiqasyraf@kenanga.com.my

Nurul Hanees Hairulkama
Economist
nurulhanees@kenanga.com.my

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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 E-mail: research@kenanga.com.my

