

Bond Market Weekly Outlook

Domestic yields biased modestly higher ahead of US FOMC

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

- **Yield Movement:** MGS and GII moved broadly higher across the curve, with the exception of the 10-Y MGS. Weekly changes ranged -2.6 to 9.0 basis points (bps). The 10-Y MGS decreased 2.6 bps to 3.513%, while the 10-Y GII rose 4.0 bps to 3.563%.
- **Key drivers:** The modest decline in the 10-Y MGS reflected improving confidence in Malaysia's near-term macro outlook. The 4Q25 advance GDP print of 5.7% surpassed expectations, while a wider-than-anticipated monthly trade surplus, signalled resilient external momentum. Fiscal consolidation efforts also underpinned sentiment. BNM's decision to keep the OPR at 2.75% further anchored rate expectations, offering stability for duration positions. These supportive domestic factors were partially offset by external headwinds. A sharp sell-off in JGBs, triggered by renewed fiscal expansion rhetoric, lifted global term premia, while rising EU-US geopolitical frictions weighed on broader risk sentiment. As a result, the decline in the 10-Y MGS remained contained, even as shorter and intermediate tenors faced mild upward pressure.
- **Flows and outlook:** Foreign investors recorded net sales of approximately RM1.4b in Malaysian government bonds last week, bringing year-to-date outflows to around RM3.6b. In contrast, foreign participation in Bursa Malaysia increased for a second consecutive week this month, suggesting a selective risk-on bias. Ahead of the upcoming FOMC meeting, domestic yields are likely to exhibit a modest upward bias as global rates remain sensitive to policy signals and external volatility. That said, upside pressure should remain limited. A stable OPR, credible fiscal consolidation and resilient macro fundamentals should continue to anchor medium- to long-end yields.

United States Treasuries (UST)

- **Yield Movement:** UST yields showed upward trend, increasing from 4.4 to 8.2 bps. The 10-Y rose 7.1 bps to 4.240%, while the 2-Y increased 4.6 bps to 3.610%.
- **Key drivers:** The rise in yields reflected firmer US macro that reinforced the narrative of a resilient economy. Weekly jobless claims rose by less than expected, while consumer spending remained solid, signalling resilient household demand. Core PCE rose in line with expectations. External developments added to the upward drift in yields. Renewed EU-US tensions kept risk sentiment cautious, while a sharp rise in JGB yields, following proposals linked to tax cuts and fiscal expansion in Japan, spilled over into global bond markets and pushed Treasury term premia higher. To note, the exit by Danish pension funds from UST have not gained traction, given the relatively small scale of their holdings.
- **Outlook:** UST yields may continue drifting higher ahead of the FOMC meeting, where no rate cuts are expected and markets look to the press conference for clearer policy signals. Key labour readings, including ADP employment and jobless claims, along with the upcoming PPI, will guide expectations on economic momentum. Uncertainty may also rise as President Donald Trump is expected to announce his nominee for the next Fed Chair soon. Together with persistent EU-US tensions and ongoing volatility in JGBs, these factors support a mild upward bias in Treasury yields

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	5-yr Reopening of MGII 8/30 3.635%	8/1/2026	5,000.00	-	5,000.00	2.30	3.268%	3.272%	3.260%
	15-yr New Issue of MGS (Mat on 01/41)	-	3,500.00	1,500.00	5,000.00	1.94	3.766%	3.775%	3.750%
	30-yr New Issue of MGII (Mat on 01/56)	-	-	-	-	-	-	-	-

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

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	4.05	4.02	3.99	3.95
OPR	2.75	2.75	2.75	2.75	2.75

*F=Forecasts for end of period

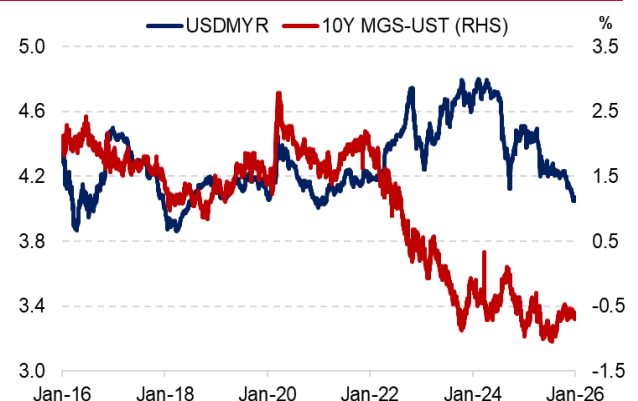
Source: Kenanga Research, Bloomberg

Table 2: Annual Issuances of MGS and GII

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

Source: Kenanga Research, BNM, Macrobond

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



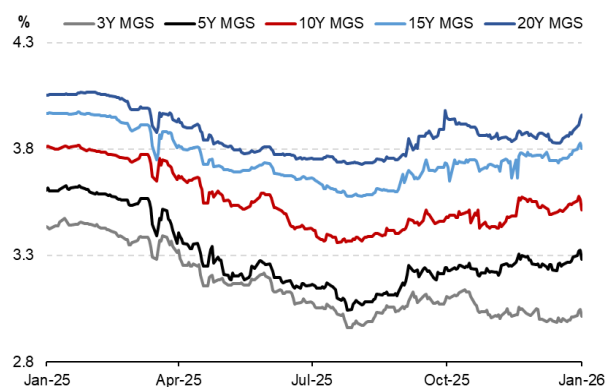
Source: Kenanga Research, Bloomberg

Auction Result

- There was no new issuance or reopening this week. The next supply event will be a new 30-year MGII, with RM3.0b on offer and an additional RM2.0b expected to be privately placed. Market focus will be on whether the issuance is structured under the Khadamat framework, following last year's postponement.

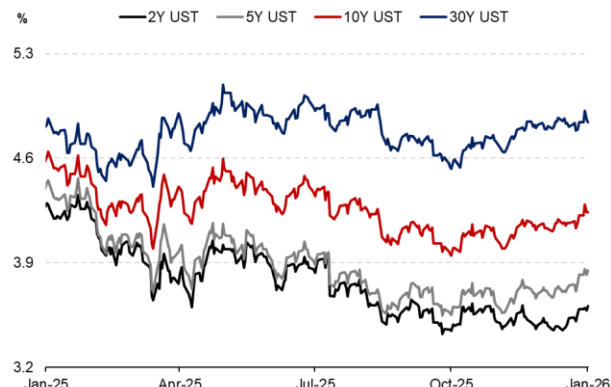
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Graph 2: MGS Yield Trend



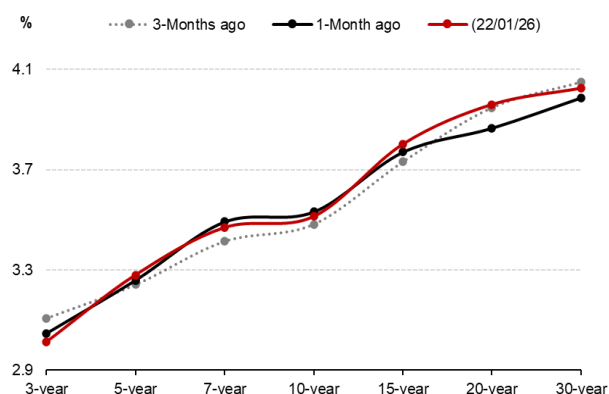
Source: Kenanga Research, Bloomberg

Graph 3: UST Yield Trend



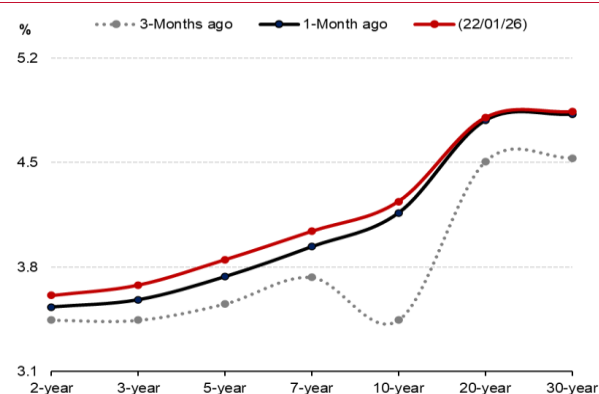
Source: Kenanga Research, Bloomberg

Graph 4: MGS Yield Curve



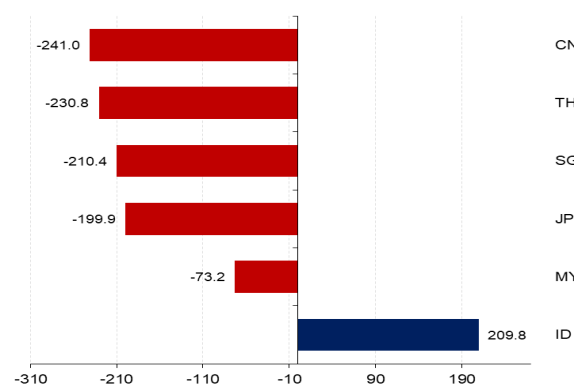
Source: Kenanga Research, Bloomberg

Graph 5: UST Yield Curve



Source: Kenanga Research, Bloomberg

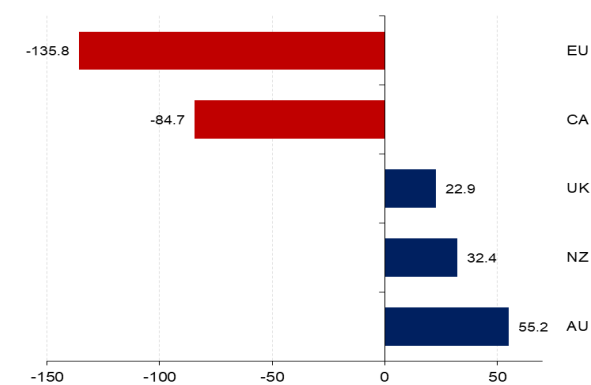
Graph 6: Selected Asian 10-Year Bond Yield Spread (bps)



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

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Table 3: Bond Yield Movements

Bonds	01/01/26 YTD	22/01/25 Last Year	23/12/25 Last Month	15/01/26 Last Week	22/01/26 Yesterday	ytd (bps)	yoy (bps)	mom (bps)	wow (bps)
MGS									
30Y MGS	3.980	4.175	3.987	3.993	4.024	4.40	-15.10	3.70	3.10
20Y MGS	3.840	4.052	3.866	3.869	3.959	11.90	-9.30	9.30	9.00
15Y MGS	3.746	3.967	3.770	3.773	3.801	5.50	-16.60	3.10	2.80
10Y MGS	3.492	3.811	3.532	3.539	3.513	2.10	-29.80	-1.90	-2.60
7Y MGS	3.367	3.785	3.492	3.440	3.469	10.20	-31.60	-2.30	2.90
5Y MGS	3.256	3.606	3.259	3.273	3.280	2.40	-32.60	2.10	0.70
3Y MGS	2.998	3.435	3.047	3.010	3.013	1.50	-42.20	-3.40	0.30
GII									
20Y GII	3.862	4.079	3.875	3.860	3.919	5.70	-16.00	4.40	5.90
10Y GII	3.524	3.838	3.553	3.523	3.563	3.90	-27.50	1.00	4.00
7Y GII	3.341	3.779	3.348	3.352	3.403	6.20	-37.60	5.50	5.10
3Y GII	3.101	3.403	3.110	3.096	3.134	3.30	-26.90	2.40	3.80
UST									
30Y UST	4.844	4.825	4.824	4.796	4.840	-0.36	1.54	1.58	4.41
20Y UST	4.793	4.900	4.783	4.745	4.800	0.72	-10.01	1.72	5.55
10Y UST	4.167	4.611	4.163	4.169	4.240	7.30	-37.09	7.72	7.06
7Y UST	3.939	4.523	3.937	3.958	4.040	10.06	-48.34	10.34	8.23
5Y UST	3.725	4.435	3.736	3.768	3.850	12.48	-58.49	11.44	8.24
3Y UST	3.539	4.351	3.581	3.617	3.680	14.11	-67.14	9.93	6.35
2Y UST	3.473	4.298	3.532	3.564	3.610	13.70	-68.75	7.79	4.59
MAJOR 10Y GOVERNMENT BONDS									
10Y EU	2.854	2.529	2.861	2.818	2.887	3.27	35.75	2.60	6.88
10Y UK	4.479	4.633	4.509	4.388	4.474	-0.49	-15.92	-3.55	8.61
10Y JP	2.066	1.201	2.034	2.163	2.246	18.00	104.50	21.20	8.30
10Y CN	1.855	1.663	1.839	1.849	1.835	-1.92	17.24	-0.40	-1.36
10Y SG	2.117	2.942	2.194	2.185	2.141	2.46	-80.07	-5.30	-4.37
10Y ID	6.086	7.092	6.147	6.249	6.343	25.70	-74.90	19.60	9.40
10Y TH	1.659	2.348	1.692	1.791	1.937	27.79	-41.10	24.47	14.55

Source: Kenanga Research, Bloomberg

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