

QUARTERLY REPORT

3Q26 (July - Sep 2026)



3Q2026 – Malaysian Bond and Sukuk Market Surges to RM2.376 trillion

Malaysia's bond and sukuk market maintained solid growth momentum in Q3 2026, with outstanding totalling RM2.376 trillion. Domestic institutional demand remains robust, with strong participation from banks, asset managers, and pension funds like the Employees Provident Fund, anchoring the government bond curve. The US Federal Reserve's 25-basis-point rate hike puts Malaysian banks' bond portfolios under scrutiny as higher global yields threaten to erode fixed-income valuations. The unanimous move where the Fed's first-rate increase since 2023 has already been reflected to some extent in Malaysia, according to Kenanga Research.

GLOBAL MARKET

Overview

US Treasury 3-year & 10-year yields increased by 85 bps while 5-year yields up by 90 bps compared to previous quarter. Treasury yields have been rising as the U.S. the Federal Reserve raised its benchmark interest rates for the first time since 2023 in September 2026 in a move aimed at slowing inflation that picked up again last month. The Fed's hike of 0.25% brings the central bank's flagship rate to between 3.75% and 4.00%.

MY Government Bond

Overview

MGS 3-year and 10-year yields increased by 22 bps and 42 bps respectively over the previous quarter. MGS have climbed over the past year amid higher global interest rates, a bigger bond supply and expectations that stronger domestic growth and higher oil prices could eventually revive the risk of rate hikes. Bank Negara Malaysia held the Overnight Policy Rate (OPR) at 2.75% in its monetary policy announcement in September 2026. It has remained at that level since it was cut by 25 basis points in July 2025.

MY Corporate Bond & Sukuk

Overview

AAA-rated corporate bond and Sukuk yields rose throughout the third quarter of 2026. 3-year, 5-year, 7-year and 10-year yields expanded by 48 bps, 52 bps, 59 bps and 55 bps respectively q-o-q.

Dec-25	Jun-26	UST	Jul-26	MTM	Aug-26	MTM	Sep-26	MTM	QTD	YTD
Close(%)	Close(%)		Close(%)	(bps)	Close(%)	(bps)	Close(%)	(bps)	(bps)	(bps)
3.55	4.15	3 YEAR	4.34	19	4.41	7	5.00	59	85	145
3.73	4.19	5 YEAR	4.45	26	4.48	3	5.09	61	90	136
3.94	4.30	7 YEAR	4.59	29	4.59	0	5.19	60	89	125
4.18	4.44	10 YEAR	4.75	31	4.73	-2	5.29	56	85	111

Dec-25	Jun-26	MGS	Jul-26	MTM	Aug-26	MTM	Sep-26	MTM	QTD	YTD
Close(%)	Close(%)		Close(%)	(bps)	Close(%)	(bps)	Close(%)	(bps)	(bps)	(bps)
3.00	3.25	3 YEAR	3.30	5	3.36	6	3.47	11	22	47
3.26	3.37	5 YEAR	3.49	12	3.61	12	3.74	13	37	48
3.37	3.53	7 YEAR	3.65	12	3.80	15	3.98	18	45	61
3.49	3.60	10 YEAR	3.70	10	3.87	17	4.02	15	42	53

Dec-25	Jun-26	GII	Jul-26	MTM	Aug-26	MTM	Sep-26	MTM	QTD	YTD
Close(%)	Close(%)		Close(%)	(bps)	Close(%)	(bps)	Close(%)	(bps)	(bps)	(bps)
3.09	3.24	3 YEAR	3.35	11	3.38	3	3.49	11	25	40
3.25	3.35	5 YEAR	3.48	13	3.61	13	3.76	15	41	51
3.32	3.53	7 YEAR	3.63	10	3.81	18	3.98	17	45	66
3.52	3.61	10 YEAR	3.70	9	3.87	17	4.03	16	42	51

Dec-25	Jun-26	BOND AAA	Jul-26	MTM	Aug-26	MTM	Sep-26	MTM	QTD	YTD
Close(%)	Close(%)		Close(%)	(bps)	Close(%)	(bps)	Close(%)	(bps)	(bps)	(bps)
3.56	3.65	3 YEAR	3.68	3	3.72	4	4.13	41	48	57
3.64	3.76	5 YEAR	3.77	1	3.88	11	4.28	40	52	64
3.72	3.83	7 YEAR	3.87	4	4.02	15	4.42	40	59	70
3.81	3.95	10 YEAR	3.99	4	4.19	20	4.50	31	55	69

Dec-25	Jun-26	SUKUK AAA	Jul-26	MTM	Aug-26	MTM	Sep-26	MTM	QTD	YTD
Close(%)	Close(%)		Close(%)	(bps)	Close(%)	(bps)	Close(%)	(bps)	(bps)	(bps)
3.56	3.65	3 YEAR	3.68	3	3.72	4	4.13	41	48	57
3.64	3.76	5 YEAR	3.77	1	3.88	11	4.28	40	52	64
3.72	3.83	7 YEAR	3.87	4	4.02	15	4.42	40	59	70
3.81	3.95	10 YEAR	3.99	4	4.19	20	4.50	31	55	69

GOVERNMENT BOND AUCTION

Overview

Government bond auction for 3Q26 garnered an average BTC of 2.086x, decreased from the previous quarter (2Q26: 2.570x). Reopening of MGII 10/31 marked the highest BTC at 2.402x. The new and reopening issuances of MGS/GII amounted to RM50.0 billion in Q3 2026, reflecting same number of new and reopening issuances compared to the previous quarter (2Q26: RM50.0 billion). The outstanding amount of MGS/GII stood at RM1.349 trillion and declined by 0.15% in Q3 2026 (2Q26: RM1.351 trillion).

3Q26 AUCTION

No	Stock	Tenure	Type	Tender Date	Issuance (RM mil)	Amt Issued YTD	Bid/Cover	Yield		
		Year						Low	Average	High
1	MGS 07/35	10	Reopening	Jul	5,000	100,000	1.867	3.613	3.630	3.638
2	MGII 10/29	3	Reopening	Jul	5,000	105,000	2.260	3.280	3.287	3.289
3	MGS 01/41	15	Reopening	Jul	5,000	110,000	2.056	3.890	3.903	3.910
4	MGII 10/31	5	Reopening	Aug	5,000	115,000	2.402	3.518	3.529	3.534
5	MGS 07/55	30	Reopening	Aug	5,000	120,000	2.017	4.225	4.213	4.199
6	MGII 03/33	7	Reopening	Aug	5,000	125,000	2.147	3.685	3.696	3.704
7	MGS 04/46	20	Reopening	Aug	5,000	130,000	1.635	4.169	4.189	4.200
8	MGII 07/36	10	Reopening	Sep	5,000	135,000	2.292	4.138	4.149	4.160
9	MGS 04/33	7	Reopening	Sep	5,000	140,000	2.168	3.959	3.983	3.999
10	MGII 01/56	30	Reopening	Sep	5,000	145,000	2.013	4.495	4.508	4.520

Sources: BNM and BIX Malaysia

In the upcoming 4Q26, there will be three (3) reopenings and one (1) new issue of MGS. There will be four (4) reopenings of GII, totalling to seven (7) reopenings and one (1) new issue of MGS and GII. RAM Ratings said Malaysian Government Securities (MGS) and Government Investment Issues (GII) attracted combined net foreign purchases of RM10.6 billion, the largest monthly inflow into the segment since May 2025.

UPCOMING ISSUANCE 4Q26

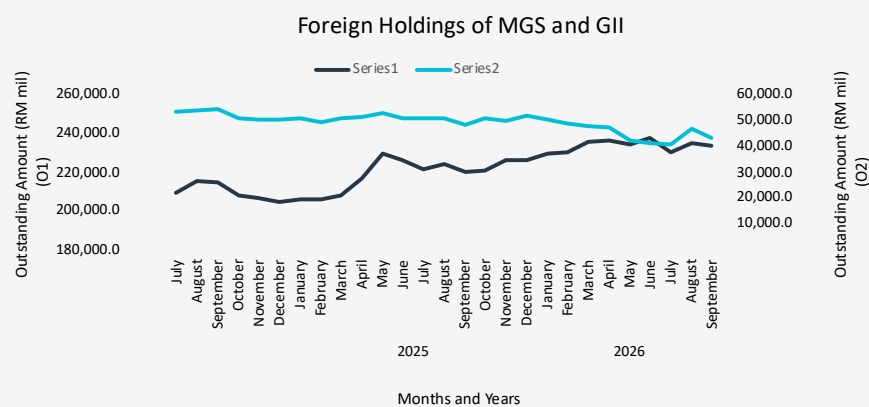
No	Stock	Tenure	Type	Tender Date	Issuance (RM mil)	Amt Issued YTD	Bid/Cover	Yield		
		Year						Low	Average	High
1	MGII 10/29	3	Reopening	Oct	5,000	150,000				
2	MGS 01/41	15	Reopening	Oct	5,000	155,000				
3	MGII 05/45	20	Reopening	Oct	5,000	160,000				
4	MGS 10/36	10	New Issue	Oct	5,000	165,000				
5	MGII 07/40	15	Reopening	Nov	5,000	170,000				
6	MGS 03/29	3	Reopening	Nov	5,000	175,000				
7	MGII 07/36	10	Reopening	Nov	5,000	180,000				
8	MGS 07/55	30	Reopening	Dec	5,000	185,000				

Sources: BNM and BIX Malaysia

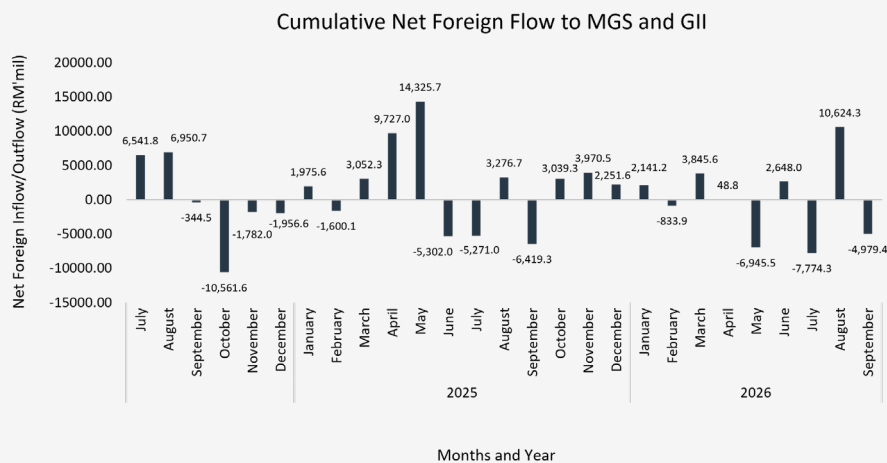
FOREIGN HOLDINGS OF MGS AND GII

Overview

The foreign net flow to MGS and GII in 3Q26 amounted to -RM7.77 billion, RM10.62 billion and -RM4.98 billion in July, August and September respectively, with foreign investors turn to net seller. As of September 2026, the total foreign holdings of MGS and GII stood at RM276.73 billion (June 2026: RM278.86 billion), 0.76% lower from the previous quarter.



Source: BNM



Source: BNM

CORPORATE BOND & SUKUK

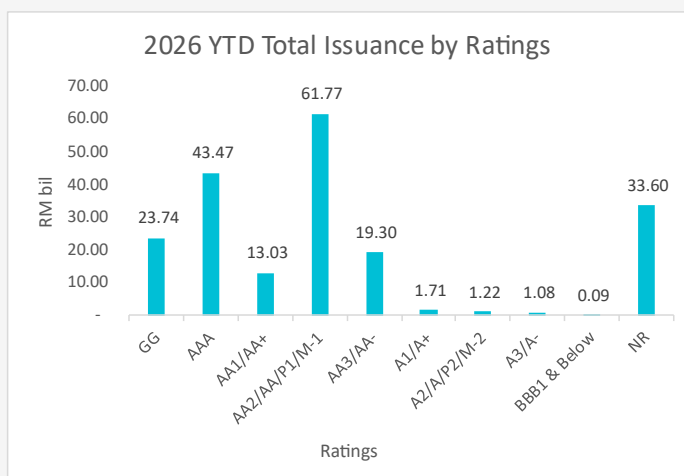
Overview

RM68.50 billion corporate bonds and sukuk were issued in 3Q26 (2Q26: RM73.22 billion), 6.89% lower than the previous quarter. AA2/AA/P1/M1-rated bonds and sukuk recorded the biggest issuance at RM22.84 billion issuances, followed by AAA-rated bonds at RM17.39 billion issuances.

For 3Q26, the largest corporate issuances were issued by MAYBANK AGEAS HOLDINGS BERHAD, namely AGEAS S2 4.590% 25.09.2036 worth RM2.10 billion.

Issuance 3Q26

Month/Rating	July 26 (RM bil)	Aug 26 (RM bil)	Sep 26 (RM bil)	Total (RM bil)
GG	5.93	1.05	2.33	9.31
AAA	10.21	2.28	4.90	17.39
AA1/AA+	0.50	5.84	0.20	6.54
AA2/AA/P1/M1	4.14	9.01	9.69	22.84
AA3/AA-	1.01	1.46	2.76	5.23
A1/A+		0.31		0.31
A2/A/P2/M2	0.23	0.01	0.02	0.26
A3/A-	0.40		0.18	0.58
BBB1 & Below			0.10	0.10
NR	1.86	2.18	1.91	5.95
Total	24.28	22.13	22.09	68.50
Total Issuance				68.50



Sources: BNM and BIX Malaysia

Rating Outlook

There were zero (0) defaults recorded in 3Q26. However, there were seven (7) upgrades and one (1) downgrade for bonds/sukuk in the quarter.

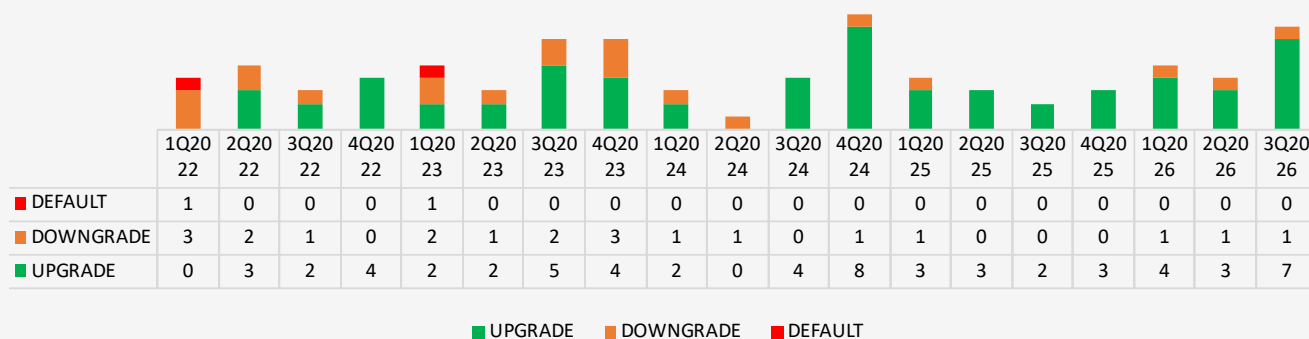
↑ Upgrade

1. China Construction Bank (Malaysia) Berhad
2. Sunway Group
3. Sunway REIT
4. FGV Holdings Berhad
5. UEM Olive Capital Berhad
6. SHC Capital Sdn Bhd
7. SAJ Capital Sdn Bhd

↓ Downgrade

1. Telekomang Hydro One Sdn Bhd

Rating Movements



Sources: MARC, RAM, FAST and BIX Malaysia

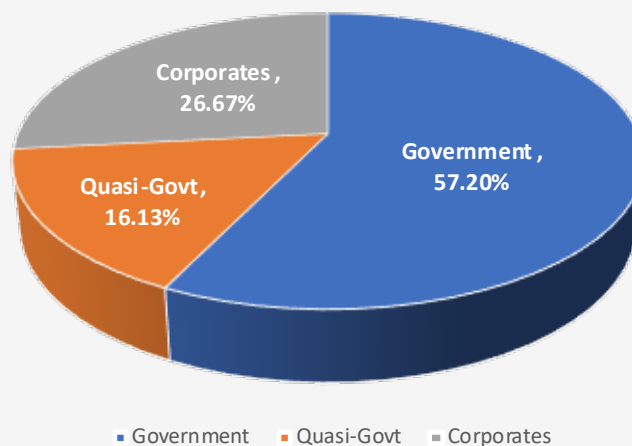
BOND STATISTICS

Overview

Outstanding Amount by Bond Classes

As of September 2026, the outstanding amount of the Malaysian bond market stood at RM2.376 trillion, an increase of 0.935% compared to the end of 2Q26 (June 2026: RM2.354 trillion). The largest outstanding bonds were from government issuances which consist of 57.20% of total issuances at RM1.359 trillion, followed by corporate issuances of 26.67% at RM633.75 billion, and Quasi-government issuances of 16.13% at RM383.35 billion.

Outstanding Amount by Class



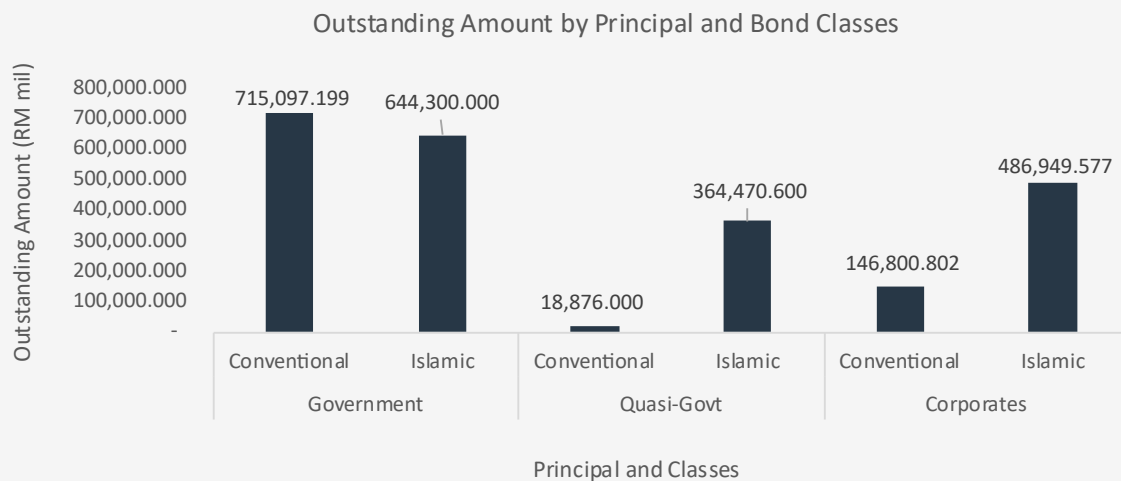
Sources: BNM and BIX Malaysia

BOND STATISTICS

Overview

Outstanding Amount by Principal and Bond Classes

As of September 2026, the outstanding amount of Government conventional bond and Government Sukuk stood at RM715.10 billion and RM644.30 billion, respectively. The conventional quasi-govt outstanding amount stood at RM18.88 billion, much smaller compared to its Shariah-compliant counterpart of RM364.47 billion. For corporate issuances, the conventional bond outstanding amounted to RM146.80 billion while the corporate Sukuk was recorded higher at RM486.95 billion.



Sources: BNM and BIX Malaysia

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feedback@bixmalaysia.com