

Bond Market Weekly Outlook

Domestic yields to remain anchored despite continued US-Iran conflict

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

- **Yield Movement:** MGS and GII yields continued to fall this week, declining 1.1 to 2.7 bps. The benchmark 10-Y MGS fell 2.4 bps to 3.553%, while the 10-Y GII fell 1.6 bps to 3.570%.
- **Key drivers:** Strong domestic demand and a robust 20Y MGS auction (bid-to-cover 2.88x) drove local yields lower. S&P Global's positive rating outlook reinforced confidence in narrowing fiscal deficits and stable macro fundamentals. These domestic tailwinds offset global pressures from elevated oil prices and lingering US-Iran tensions in the Strait of Hormuz.
- **Flows and outlook:** Foreign investors added RM1.4b to government bond holdings last week, underscoring offshore support. Domestic fundamentals will keep MGS and GII yields anchored next week despite geopolitical risks. Attention shifts to the BoJ, Fed, ECB and BoE meetings, where forward guidance on oil-shock management will shape EM bond sentiment. Trading activity is expected to stay light ahead of the FOMC.

United States Treasuries (UST)

- **Yield Movement:** UST yields mostly rose across the curve during the week, moving between -2.1 to 6.0 bps. The 10-Y yield increased 1.3 bps to 4.324%, while the 2-Y yield rose 6.0 bps to 3.834%.
- **Key drivers:** Renewed Strait of Hormuz tensions, despite the ceasefire extension, stoked safe-haven selling and inflation concerns. Elevated energy prices and fertiliser-driven food price risks reinforced duration aversion. Resilient US retail sales further weighed on Treasuries. Kevin Warsh's Senate testimony reaffirmed Fed independence but offered no near-term easing signals, further curbing demand for Treasuries.
- **Outlook:** UST yields will stay elevated as the US-Iran conflict sustains inflation risks and delays rate-cut pricing. Markets will scrutinise ADP employment, core PCE, 1Q26 GDP, jobless claims and manufacturing data for confirmation that growth and price pressures remain incompatible with early easing. We expect the FOMC to hold rates, with oil above USD100.0/bbl and sticky inflation set to dominate the policy narrative.

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 |

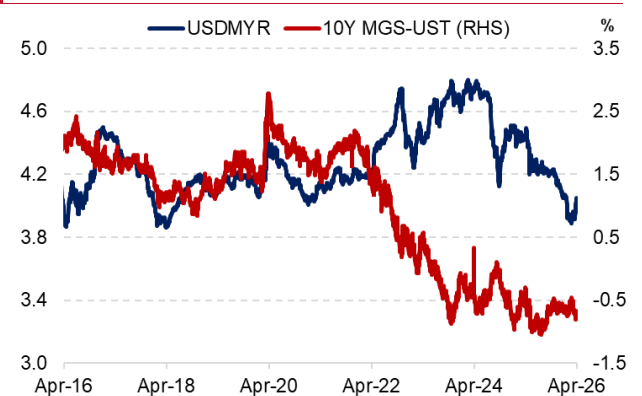
*F=Forecasts for end of period
Source: Kenanga Research, Bloomberg

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

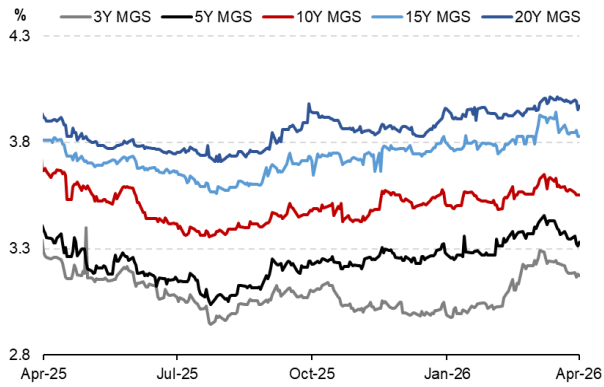
- **20-Year MGS 04/46:** The new issuance drew solid demand, with total RM5.0b issued at an average yield of 3.987% and bid-to-cover ratio of 2.88x (2025 average: 2.55x).
- **Upcoming Auction:** Reopening of the 10-year MGII, with total issuance of RM5.0b without any private placement.

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 | 3,5000.00 | 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 | - | - | - | - | - | - | - | - |

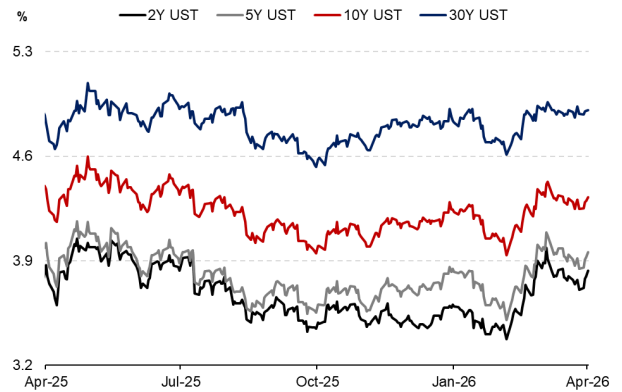
Source: Kenanga Research, BNM FAST, *PP= Private Placement, *BTC= Bid-to-cover ratio

Graph 2: MGS Yield Trend



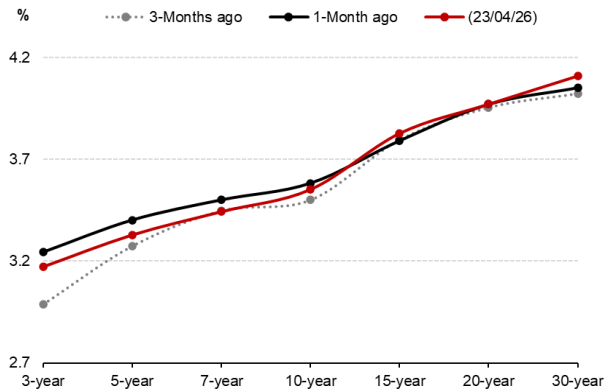
Source: Kenanga Research, Bloomberg

Graph 3: UST Yield Trend



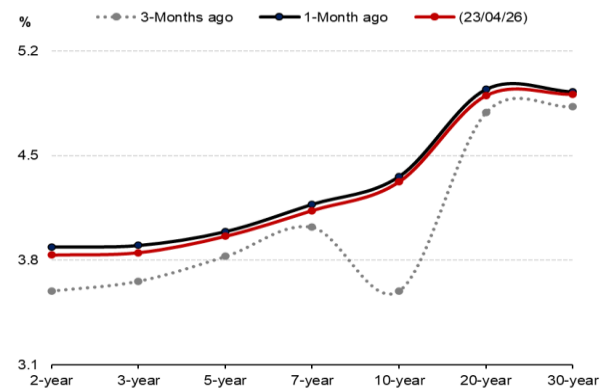
Source: Kenanga Research, Bloomberg

Graph 4: MGS Yield Curve



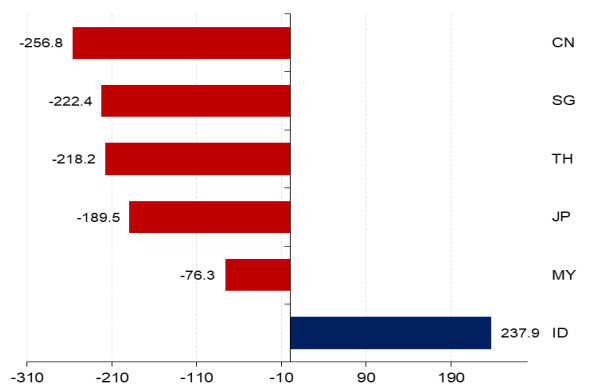
Source: Kenanga Research, Bloomberg

Graph 5: UST Yield Curve



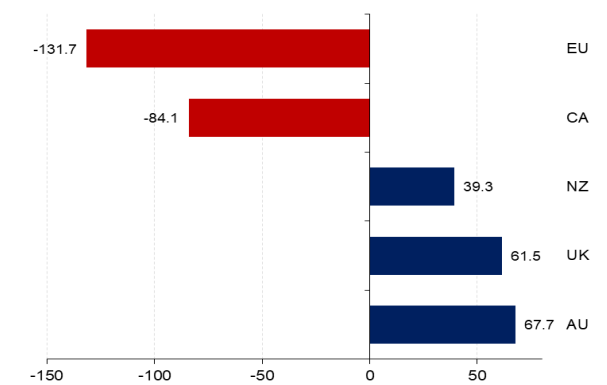
Source: Kenanga Research, Bloomberg

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 | 23/04/25 Last Year | 24/03/26 Last Month | 16/04/26 Last Week | 23/04/26 Yesterday | ytd (bps) | yoy (bps) | mom (bps) | wow (bps) |
|-----------------------------------|-----------------|-----------------------|------------------------|-----------------------|-----------------------|-----------|-----------|-----------|-----------|
| MGS | | | | | | | | | |
| 30Y MGS | 3.980 | 4.065 | 4.052 | 4.127 | 4.109 | 12.90 | 4.40 | 5.70 | -1.80 |
| 20Y MGS | 3.840 | 3.917 | 3.971 | 3.992 | 3.971 | 13.10 | 5.40 | 0.00 | -2.10 |
| 15Y MGS | 3.746 | 3.811 | 3.792 | 3.839 | 3.828 | 8.20 | 1.70 | 3.60 | -1.10 |
| 10Y MGS | 3.492 | 3.666 | 3.583 | 3.577 | 3.553 | 6.10 | -11.30 | -3.00 | -2.40 |
| 7Y MGS | 3.367 | 3.556 | 3.501 | 3.455 | 3.444 | 7.70 | -11.20 | -5.70 | -1.10 |
| 5Y MGS | 3.256 | 3.389 | 3.402 | 3.344 | 3.330 | 7.40 | -5.90 | -7.20 | -1.40 |
| 3Y MGS | 2.998 | 3.285 | 3.244 | 3.185 | 3.174 | 17.60 | -11.10 | -7.00 | -1.10 |
| GII | | | | | | | | | |
| 20Y GII | 3.862 | 3.916 | 3.958 | 4.007 | 3.989 | 12.70 | 7.30 | 3.10 | -1.80 |
| 10Y GII | 3.524 | 3.682 | 3.561 | 3.586 | 3.570 | 4.60 | -11.20 | 0.90 | -1.60 |
| 7Y GII | 3.341 | 3.557 | 3.416 | 3.517 | 3.493 | 15.20 | -6.40 | 7.70 | -2.40 |
| 3Y GII | 3.101 | 3.326 | 3.202 | 3.218 | 3.191 | 9.00 | -13.50 | -1.10 | -2.70 |
| UST | | | | | | | | | |
| 30Y UST | 4.844 | 4.822 | 4.927 | 4.933 | 4.911 | 6.76 | 8.89 | -1.62 | -2.14 |
| 20Y UST | 4.793 | 4.852 | 4.944 | 4.911 | 4.903 | 10.98 | 5.05 | -4.14 | -0.88 |
| 10Y UST | 4.167 | 4.381 | 4.360 | 4.311 | 4.324 | 15.74 | -5.68 | -3.55 | 1.32 |
| 7Y UST | 3.939 | 4.198 | 4.174 | 4.104 | 4.132 | 19.25 | -6.61 | -4.20 | 2.81 |
| 5Y UST | 3.725 | 4.022 | 3.991 | 3.918 | 3.959 | 23.37 | -6.35 | -3.19 | 4.05 |
| 3Y UST | 3.539 | 3.884 | 3.899 | 3.797 | 3.850 | 31.06 | -3.49 | -4.90 | 5.25 |
| 2Y UST | 3.473 | 3.871 | 3.889 | 3.774 | 3.834 | 36.07 | -3.72 | -5.50 | 6.00 |
| MAJOR 10Y GOVERNMENT BONDS | | | | | | | | | |
| 10Y EU | 2.854 | 2.496 | 3.026 | 3.030 | 3.007 | 15.30 | 51.10 | -1.90 | -2.30 |
| 10Y UK | 4.479 | 4.552 | 4.958 | 4.847 | 4.939 | 46.00 | 38.70 | -1.90 | 9.20 |
| 10Y JP | 2.066 | 1.339 | 2.266 | 2.414 | 2.429 | 36.30 | 109.00 | 16.30 | 1.50 |
| 10Y CN | 1.855 | 1.662 | 1.837 | 1.781 | 1.756 | -9.90 | 9.40 | -8.10 | -2.50 |
| 10Y SG | 2.117 | 2.525 | 0.000 | 2.015 | 2.101 | -1.57 | -42.42 | 210.09 | 8.55 |
| 10Y ID | 6.070 | 6.958 | 6.865 | 6.581 | 6.703 | 63.30 | -25.50 | -16.20 | 12.20 |
| 10Y TH | 1.659 | 1.902 | 2.235 | 1.998 | 2.142 | 48.30 | 23.96 | -9.31 | 14.36 |

Source: Kenanga Research, Bloomberg

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