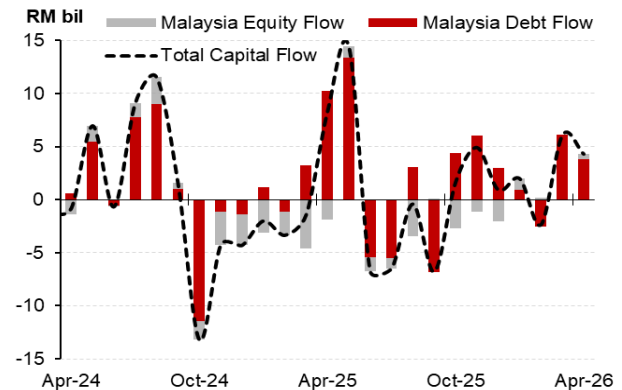


# Malaysia Bond Flows

Smaller inflows in April amid persistent geopolitical uncertainties

- **Foreign investors** continued to register net inflows into the local bond market, albeit at a slower pace of RM3.8b in April (Mar: RM6.1b). Persistent geopolitical tensions continued to weigh on sentiment, although sustained demand for Corporate Bonds and Sukuk (CBS) helped support the broader debt market.
- **Foreign holdings:** Total foreign holdings increased to RM309.2b (Mar: RM305.4b), while the foreign share of total outstanding debt remained unchanged at 13.4%.
  - **Key drivers:** Malaysia’s resilient macro fundamentals and diversified export base continued to anchor domestic rates. Demand remained healthy, with April auctions averaging a solid 2.61x bid-to-cover ratio, reflecting firm onshore participation. Upward revisions to Malaysia’s 2026–2027 growth outlook by the IMF and World Bank, alongside supportive fiscal measures, reinforced medium-term duration appeal. However, external headwinds continued to limit foreign inflows. While the temporary US–Iran ceasefire provided brief relief and eased energy prices, persistent Middle East tensions, firm oil prices, Fed hawkishness and cautious BoJ signalling reaffirmed the “higher-for-longer” global rates environment.

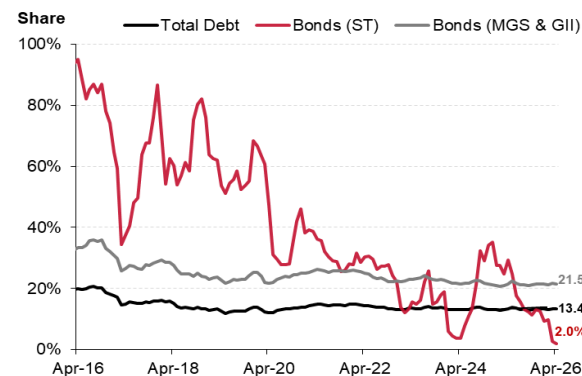
Graph 1: Monthly Net Foreign Capital Flows



Source: BNM, Kenanga Research

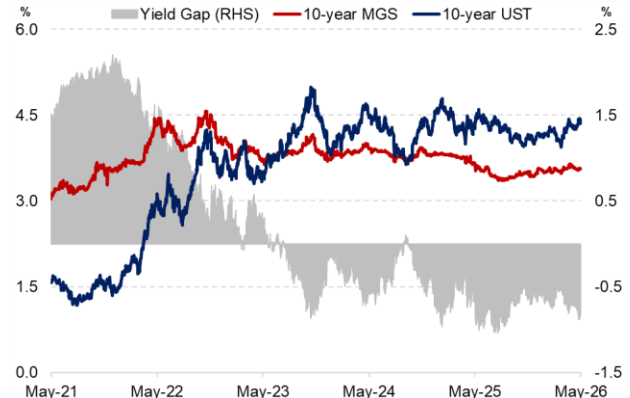
- **Bond market movements:** Strong demand for CBS and Malaysian Government Securities (MGS) continued to support inflows, partially offset by persistent Government Investment Issues (GII) outflows.
  - **CBS:** Inflows rose to RM3.7b (Mar: RM2.8b), lifting foreign ownership to 2.6%, led by corporate bond demand.
  - **MGS:** Inflows moderated to RM0.7b (Mar: RM5.1b), while foreign ownership remained stable at 34.1%.
  - **GII:** Outflows continued albeit smaller at RM0.7b (Mar: -RM1.2b), reducing foreign ownership to 7.5% (Mar: 7.7%).
- **Equity market trends:** Equity flows turned positive in April, recording net inflows of RM0.5b after marginal outflows in March (-RM42.0m). Sentiment weakened in late March and early April amid unresolved geopolitical tensions and a temporary spike in crude oil prices toward USD112.0/barrel. However, risk sentiment improved by mid-April following the temporary US–Iran ceasefire, while Malaysia’s relative market resilience and strong financial sector performance supported renewed investor participation.
- **Capital market trends:** Overall net inflows eased to RM4.3b in April (Mar: RM6.1b).
- **Debt market outlook: stable bond flows to continue on strong fundamentals**
  - Although recent US–Iran peace efforts have provided limited relief, lingering geopolitical tensions continue to amplify energy supply risks and sustain a hawkish repricing along the Treasury yield curve. Reduced expectations for Fed easing, alongside cautious BoJ signalling, are likely to keep upward pressure on global yields and present near-term headwinds for regional debt markets.
  - Nevertheless, Malaysia’s bond market remains supported by solid macro buffers, including a firm ringgit backed by stable sovereign credit profile, manageable inflation and BNM’s decision to keep the OPR unchanged at 2.75%. While elevated global yields continue exposing local rates to US duration risks, Malaysia’s strong fundamentals and net energy exporter status should help sustain foreign interest as global risk premiums gradually normalise.

Graph 2: Foreign Holdings of Malaysian Debt



Source: BNM, Kenanga Research

Graph 3: US Treasury Yield vs. MGS Yield



Source: Bloomberg, Kenanga Research

11 May 2026

**Table 1: Foreign Holdings of Malaysian Bonds**

		Nov-25	Dec-25	Jan-26	Feb-26	Mar-26	Apr-26
<b>MGS</b>	Value (MYR billion)	226.1	225.9	229.8	230.4	235.4	236.1
	% of Total MGS	33.9%	33.7%	34.1%	33.9%	34.1%	34.1%
<b>GII</b>	Value (MYR billion)	49.6	52.0	50.3	48.9	47.7	47.0
	% of Total GII	8.0%	8.4%	8.0%	7.8%	7.7%	7.5%
<b>MTB</b>	Value (MYR billion)	0.6	0.5	0.4	0.4	0.3	0.3
	% of Total MTB	13.9%	12.0%	8.7%	8.6%	5.5%	5.5%
<b>MITB</b>	Value (MYR billion)	0.8	0.7	0.4	0.4	0.0	0.0
	% of Total MITB	12.5%	13.2%	7.2%	9.9%	0.0%	0.0%
<b>Corporate Bond and/or Sukuk (CBS)</b>	Value (MYR billion)	20.6	21.6	20.9	19.2	22.0	25.7
	% of Total CBS	2.2%	2.3%	2.2%	2.0%	2.3%	2.6%
<b>Total Foreign Debt Holdings</b>	Value (MYR billion)	297.8	300.8	301.7	299.2	305.4	309.2
	% of Total Securities	13.3%	13.4%	13.3%	13.1%	13.4%	13.4%

Source: BNM, Kenanga Research

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