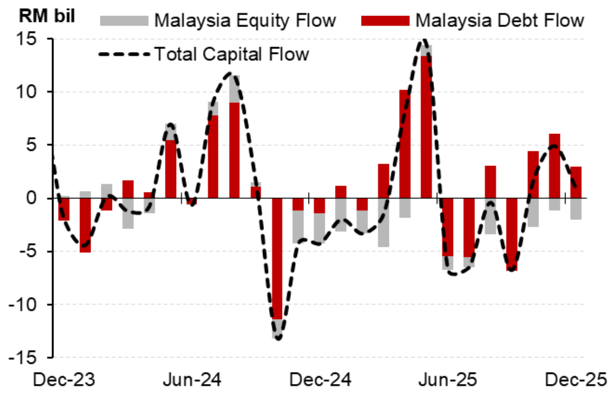
Malaysia Bond Flows

Foreign inflows persist into December as confidence holds, momentum cools

- **Foreign appetite for Malaysian debt extended into December, though momentum moderated.** Net inflows eased to RM3.0b (Nov: RM6.1b), bringing total foreign inflows to RM25.6b in 2025. This marked a sharp increase from RM4.8b in 2024 and underscored renewed confidence in Malaysia's macroeconomic framework, particularly as major central banks embarked on their most pronounced easing cycle in over a decade in 2025
  - **Foreign holdings** rose to RM300.8b (Nov: RM297.8b), increasing the share of total outstanding debt to 13.4% (Nov: 13.3%).
  - **Key drivers:** Investors continued to respond to resilient domestic fundamentals, steady investment activity, and deeper external engagement. Confidence strengthened after the IMF reaffirmed Malaysia's growth outlook and Fitch maintained its BBB+ rating with a stable outlook. Bilateral developments, including China's proposed trade and investment MoU and progress on the Johor Bahru–Singapore RTS Link, further lifted sentiment. Despite tighter policy signals across parts of the G10 outside the US, the ringgit's relative strength, improved governance, and macro stability continued to anchor demand.

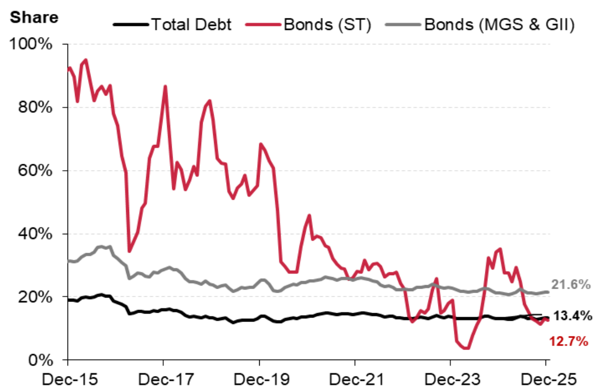
Graph 1: Monthly Net Foreign Capital Flows



Source: BNM, Kenanga Research

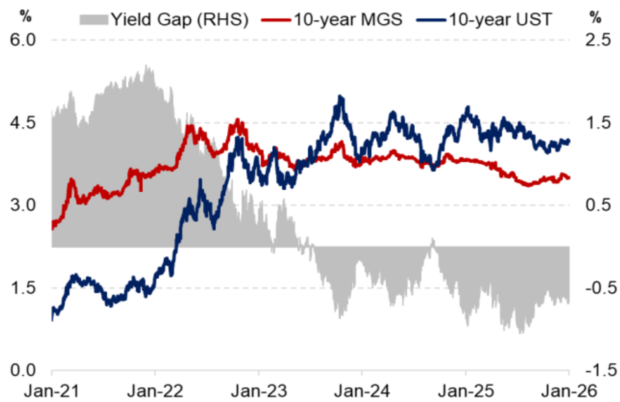
- **Bond market movements: Inflows were driven by purchases of Government Investment Issues (GII) and corporate bonds and sukuk (CBS), which more than offset modest outflows from Malaysian Government Securities (MGS)**
  - **GII:** Recorded net inflows of RM2.4b (Nov: -RM1.1b), lifting foreign holdings to 8.4% (Nov: 8.0%).
  - **CBS:** Continued inflows of RM0.9b, albeit at a slower pace, supported mainly by RM1.1b of corporate bond purchases, while sukuk recorded marginal outflows. Foreign holdings rose to 2.3% (Nov: 2.2%), the highest level since April 2018.
  - **MGS:** Modest outflows of RM0.2b (Nov: RM5.0b), reducing foreign holdings to 33.7% (Nov: 33.9%).
- **Equity market trends**: Foreign investors extended their selling streak on the local bourse in December, with net outflows widening to RM2.0b (Nov: -RM1.1). Pressure was concentrated in financial services and utilities as global rate uncertainty and lingering external risks kept positioning defensive, while profit-taking added to the cautious tone. Overall, the equity market recorded higher outflows, totalling RM22.3b (2024: -RM4.2b), the biggest since the onset of the pandemic in 2020 (-RM25.1b), reflecting volatile global conditions rather than domestic stress.
- **Capital market trends:** Overall, capital market inflows softened to RM1.0b (Nov: RM4.9b), weighed down by persistent equity outflows. Even so, cumulative inflows for the year reached RM3.3b, a notable improvement from RM0.6b in 2024.
- **Local debt market outlook: Domestic bonds poised to attract inflows despite heightened global risks**
  - Global risks remain elevated, pose challenges for fixed income markets. Political uncertainty, including concerns over Fed independence, could unsettle sentiment, while rising JGB yields are likely to keep upward pressure on global long-end rates. Geopolitical tensions would add further volatility to the outlook, amplifying uncertainty across markets.
  - Despite these headwinds, Malaysian bonds remain well placed to attract inflows. Strong domestic fundamentals, optimism around the ringgit and a stable sovereign rating outlook continue to support demand. BNM's decision to hold the policy rate at 2.75%, resilient growth aided by fiscal measures, looser financial condition and strengthening trade linkages reinforce Malaysia's appeal. Structural reforms and renewed fiscal discipline further enhance credibility, positioning Malaysian bonds to remain resilient amid global uncertainty.

Graph 2: Foreign Holdings of Malaysian Debt



Source: BNM, Kenanga Research

Graph 3: US Treasury Yield vs. MGS Yield



Source: Bloomberg, Kenanga Research

Table 1: Foreign Holdings of Malaysian Bonds

		Jul-25	Aug-25	Sep-25	Oct-25	Nov-25	Dec-25
MGS	Value (MYR billion)	221.2	224.1	220.3	221.1	226.1	225.9
	% of Total MGS	33.5%	33.4%	33.7%	33.3%	33.9%	33.7%
GII	Value (MYR billion)	50.6	51.1	48.4	50.7	49.6	52.0
	% of Total GII	8.1%	8.2%	7.7%	8.3%	8.0%	8.4%
MTB	Value (MYR billion)	0.5	0.2	0.3	0.7	0.6	0.5
	% of Total MTB	22.5%	8.2%	6.7%	17.1%	13.9%	12.0%
MITB	Value (MYR billion)	0.6	0.7	0.8	0.8	0.8	0.7
	% of Total MITB	12.6%	16.5%	17.2%	8.8%	12.5%	13.2%
Corporate Bond and/or Sukuk (CBS)	Value (MYR billion)	18.3	18.1	17.6	18.5	20.6	21.6
	% of Total CBS	2.0%	2.0%	1.9%	2.0%	2.2%	2.3%
Total Foreign Debt Holdings	Value (MYR billion)	291.1	294.2	287.3	291.7	297.8	300.8
	% of Total Securities	13.2%	13.3%	12.9%	13.1%	13.3%	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

Published by:

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