

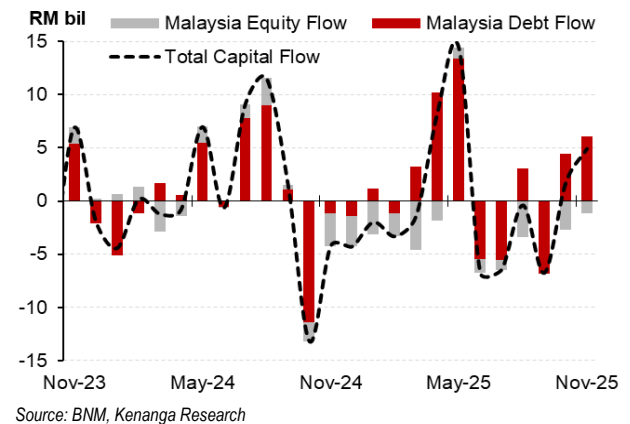
8 December 2025

Malaysia Bond Flows

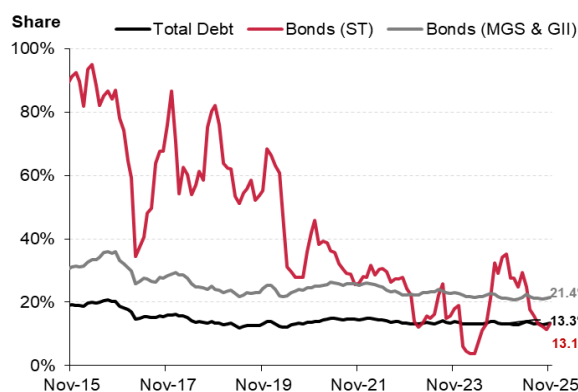
Foreign demand hit a six-month high in November as domestic momentum strengthened

- Foreign investors extended their buying streak in November, lifting net inflows into Malaysian bonds to RM6.1b (Oct: RM4.4b), the strongest gain in six months.** Rising allocations to Malaysian Government Securities (MGS) and firmer demand for Corporate Bond and Sukuk (CBS) reflected confidence in Malaysia's solid economic footing
 - Foreign holdings** rose to RM297.8b (Oct: RM291.7b), increasing their share of total outstanding debt to 13.3% (Oct: 13.1%).
 - Key drivers:** The momentum drew strength from Bank Negara Malaysia's (BNM) steady policy stance, with the OPR held at 2.75% and from a more resilient ringgit. Macro indicators reinforced the narrative: industrial activity firmed, retail data pointed to sustained demand, and unemployment held at 3.0%. 3Q25 GDP grew 5.2%, while exports in October surged 15.7%, comfortably beating expectations. Approved investments reached MYR285.2b in the first nine months, signalling durable capital formation. Inflation remained stable, and Malaysia's push to deepen ties with India, Botswana, and South Africa added a further tailwind.
- Bond market movements:** Foreign inflows were concentrated in MGS and CBS, more than offsetting outflows from Government Investment Issues (GII).
 - MGS:** Substantial inflows of RM5.0b (Oct: RM0.7b), lifting foreign ownership rising to 33.9% (Oct: 33.3%).
 - CBS:** Net inflows rose significantly to RM2.1b (Oct: RM0.9b), comprising RM1.4b in sukuk and RM0.7b in bonds, pushing foreign holdings to 2.2% (Oct: 2.0%).
 - GII:** Shifted to outflows of RM1.1b (Oct: RM2.3b), with foreign ownership easing to 8.0% (Oct: 8.3%).
- Equity market trends:** Foreign investors slowed their selling on the local bourse. Net outflows eased to RM1.1b in November (Oct: -RM2.7b). Geopolitical tensions involving Japan, China, and Taiwan continued to cloud regional sentiment, although domestic catalysts softened the impact. Selling pressure was largely concentrated in utilities and industrial products and services, while flows elsewhere were more balanced.
- Capital market trends:** Overall, Malaysia recorded a higher net capital inflow of RM4.9b (Oct: RM1.7b), as bond inflows continued to offset equity outflows. Year-to-date, the debt market attracted RM22.6b, while the equity market saw RM20.3b in outflows, leaving net capital flows at RM2.3b.
- Local debt market outlook: Fed cuts and domestic resilience to sustain foreign demand**
 - Demand for Malaysian bonds is likely to stay firm in the near term, as the Fed is expected to cut by around 75 bps in the coming six months and weaker US data nudges investors toward more stable markets. Malaysia remains one of the better-positioned emerging markets, supported by strong macro fundamentals.
 - Domestically, solid growth prospects, a stable sovereign rating outlook and BNM's decision to maintain the policy rate at 2.75% have anchored confidence. Strengthening bilateral trade links and expectations of a firmer ringgit further enhance the appeal of Malaysian debt. Structural reforms and a renewed commitment to fiscal discipline reinforce this support. With attractive yields and improving global liquidity, Malaysia is well-placed to capture further foreign inflows into the bond market.

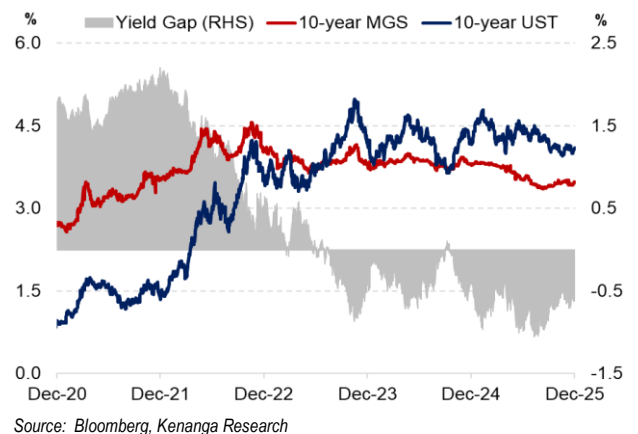
Graph 1: Monthly Net Foreign Capital Flows



Graph 2: Foreign Holdings of Malaysian Debt



Graph 3: US Treasury Yield vs. MGS Yield



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Table 1: Foreign Holdings of Malaysian Bonds

		Jun -25	Jul-25	Aug-25	Sep-25	Oct-25	Nov-25
MGS	Value (MYR billion)	226.5	221.2	224.1	220.3	221.1	226.1
	% of Total MGS	34.4%	33.5%	33.4%	33.7%	33.3%	33.9%
GII	Value (MYR billion)	50.6	50.6	51.1	48.4	50.7	49.6
	% of Total GII	8.2%	8.1%	8.2%	7.7%	8.3%	8.0%
MTB	Value (MYR billion)	0.5	0.5	0.2	0.3	0.7	0.6
	% of Total MTB	22.5%	22.5%	8.2%	6.7%	17.1%	13.9%
MITB	Value (MYR billion)	0.9	0.6	0.7	0.8	0.8	0.8
	% of Total MITB	15.8%	12.6%	16.5%	17.2%	8.8%	12.5%
Corporate Bond and/or Sukuk (CBS)	Value (MYR billion)	18.2	18.3	18.1	17.6	18.5	20.6
	% of Total CBS	2.0%	2.0%	2.0%	1.9%	2.0%	2.2%
Total Foreign Debt Holdings	Value (MYR billion)	296.7	291.1	294.2	287.3	291.7	297.8
	% of Total Securities	13.6%	13.2%	13.3%	12.9%	13.1%	13.3%

Source: BNM, Kenanga Research

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