

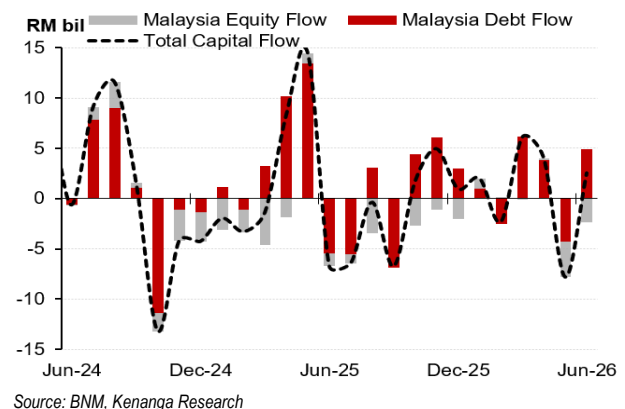
09 July 2026

Malaysia Bond Flows (Jun-26)

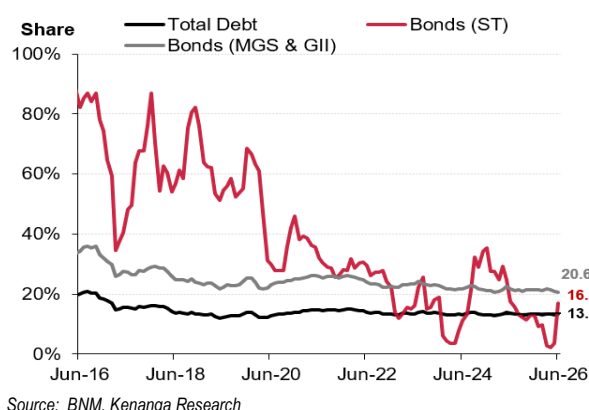
Foreign buying returns as Hormuz risks eases, Fed caution caps upside

- Foreign investors returned to Malaysian bonds in June, with net inflows of RM4.9b (May: -RM4.3b), as easing geopolitical tensions and continued confidence in Malaysia's sound economic fundamentals lifted demand.**
 - Foreign holdings:** Total foreign holdings increased to RM309.8b (May: RM304.9b), with foreign share of total outstanding debt up 13.2% (May: 13.1%).
 - Key drivers:** Foreign inflows surged during 10–16 June, with more than RM8.0b entering government bonds after the easing of US–Iran tensions and reopening of the Strait of Hormuz. The RM3.7b of government bond outflows on 30 June moderated the overall June inflow. Stronger domestic data and resilient fundamentals supported sentiment, but the FOMC's shift towards a more cautious, higher-for-longer stance remained a headwind for emerging-market bond demand.
- Bond market movements:** Strong demand for Malaysian Government Securities (MGS), Malaysian Treasury Bills (MTB) and Corporate Bonds and Sukuk (CBS) drove the inflows, while Government Investment Issues (GII) continued to see outflows.
 - MGS:** Reverted to inflows of RM3.4b (May: -RM2.0b), while foreign ownership remained at 33.6%.
 - MTB:** Inflows reached a 19-month high of RM1.0b (May: RM0.0b), lifting foreign ownership to 27.7% (May: 5.6%).
 - CBS:** Inflows moderated to RM0.9b (May: RM2.5b), though foreign ownership rose to 3.0% on continued corporate bond demand.
 - GII:** Outflows persisted but slowed to -RM0.8b (May: -RM5.0b), lowering foreign ownership to 6.4% (May: 6.6%).
- Equity market trends:** Foreign institutional investors remained net sellers of Malaysian equities in June, albeit at a slower pace of RM2.4b (May: -RM3.6b), as sentiment stayed cautious amid US–Iran uncertainty, oil price volatility and higher-for-longer Fed expectations. Outflows were concentrated in the financial Services and consumer products & services sectors, though sentiment improved mid-month.
- Capital market trends:** Malaysia's capital market registered net inflows of RM2.5b in June (May: -RM7.8b).
- Local debt market outlook: Domestic resilience to support bond inflows near term**
 - Geopolitical developments and Fed expectations remain the key drivers of regional capital flows. The de-escalation of US–Iran tensions and reopening of the Strait of Hormuz have reduced immediate supply disruption risks and improved sentiment. But the FOMC's cautious tone and expectations of a prolonged higher-for-longer stance may keep global yields elevated and limit emerging-market bond demand in the near term.
 - That said, Malaysia remains well-positioned to attract foreign inflows, supported by resilient growth, contained inflation, stable sovereign ratings, a predictable monetary policy framework and deep domestic liquidity. Despite early July outflows, we stay constructive on the local debt outlook. Improving ringgit prospects and lower geopolitical risks should support investor demand and reinforce Malaysia's appeal as a relative safe haven.

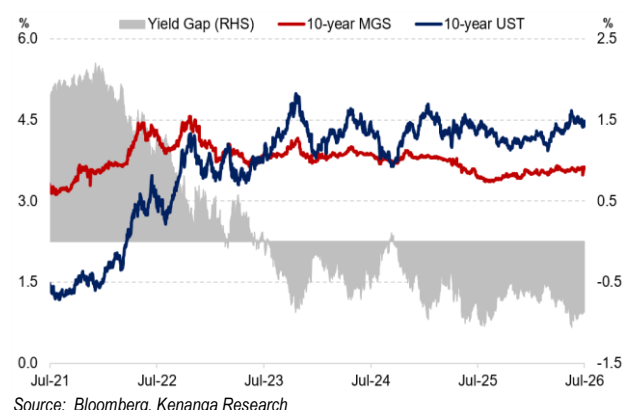
Graph 1: Monthly Net Foreign Capital Flows



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

		Jan-26	Feb-26	Mar-26	Apr-26	May-26	Jun-26
MGS	Value (MYR billion)	229.8	230.4	235.4	236.1	234.1	237.6
	% of Total MGS	34.1%	33.9%	34.1%	34.1%	33.6%	33.6%
GII	Value (MYR billion)	50.3	48.9	47.7	47.0	42.1	41.3
	% of Total GII	8.0%	7.8%	7.7%	7.5%	6.6%	6.4%
MTB	Value (MYR billion)	0.4	0.4	0.3	0.3	0.3	1.3
	% of Total MTB	8.7%	8.6%	5.5%	5.5%	5.6%	27.7%
MITB	Value (MYR billion)	0.4	0.4	0.0	0.0	0.3	0.7
	% of Total MITB	7.2%	9.9%	0.0%	0.0%	2.5%	9.9%
Corporate Bond and/or Sukuk (CBS)	Value (MYR billion)	20.9	19.2	22.0	25.7	28.2	29.0
	% of Total CBS	2.2%	2.0%	2.3%	2.6%	2.9%	3.0%
Total Foreign Debt Holdings	Value (MYR billion)	301.7	299.2	305.4	309.2	304.9	309.8
	% of Total Securities	13.3%	13.1%	13.4%	13.4%	13.1%	13.2%

Source: BNM, Kenanga Research

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