

07 September 2026

Bond Market Weekly Outlook

Payrolls beat, but CPI decides: September Fed call sets the curve

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

- Yield Movement:** MGS and GII yields rose across the curve, up between 1.3 bps and 11.1 bps. The 10-Y MGS yield rose 11.1 bps to 3.985%, and the 10-Y GII yield rose 10.1 bps to 3.953%. The selloff was concentrated in the 7-Y to 10-Y segment.
- Key drivers:** External rates led the move. Cautious remarks from Warsh at Jackson Hole tempered expectations for near-term Fed rate cuts, while escalating US-Iran tensions lifted front-end UST yields and oil prices. Domestic factors mattered less: the Manufacturing PMI eased to 50.2 in August (Jul: 50.7) and BNM kept the OPR unchanged for a seventh consecutive MPC meeting. The local market closed before Friday's US payrolls release, so the MGS curve has yet to price in the beat.
- Flows and outlook:** Foreign investors turned net buyers of Malaysian government bonds, with RM11.1b of inflows in August and RM5.6b of that in the final week. Foreign institutions extended their net selling streak on Bursa Malaysia to four weeks, with RM366.0m of net outflows. We expect the 10-Y MGS to test higher early in the week as the curve catches up with Friday's UST move, with IPI, retail sales and labour market data providing support. US CPI on 11 September remains the decisive external input.

United States Treasuries (UST)

- Yield Movement:** UST yields rose across the curve, increasing between 2.3 bps and 6.6 bps. The 10-Y UST yield rose 6.4 bps to 4.782%, and the 2-Y UST yield rose 2.3 bps to 4.366%. The belly led the move, with the 5-Y up 6.6 bps against 3.7 bps at the 30-Y, consistent with a Fed repricing rather than a rise in term premium.
- Key drivers:** August nonfarm payrolls rose 162k against a 55k consensus. The unemployment rate held at 4.1% and average hourly earnings grew a benign 3.1% YoY. Ahead of the print, the Fed's signals pulled in different directions: Fed Governor Waller's favoured holding rates steady as long as inflation moderates, while Fed Chair Warsh's cautious Jackson Hole remarks still leaned toward a possible hike. Escalating US-Iran tensions added further pressure through front-end yields and oil prices.
- Outlook:** We keep the Fed on hold at the 15-16 September FOMC meeting, with the first cut pencilled in for 2Q27. The payrolls beat raises the bar but does not clear it, as wage growth stays benign and job gains remain narrowly concentrated. US CPI on 11 September will decide the outcome. Our 0.2% MoM core CPI forecast keeps the Fed on hold, while a print above 0.3% MoM tips September toward a hike and could push the 10-Y UST toward 5.0%. We expect yields rangebound, with an upward bias in the front end and belly.

Table 1: 10Y MGS, 10Y UST, Ringgit and OPR Outlook

	Long Term*				
	Q2-26	Q3-26F	Q4-26F	Q1-27F	Q2-27F
MGS	3.60	3.70	3.63	3.70	3.60
UST	4.47	4.53	4.50	4.41	4.39
USDMYR	4.08	4.03	3.95	4.00	4.02
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	50.0	61.5	50.0
New Issuances	15.0	15.0	24.5	15.0

Source: Kenanga Research, BNM, Macrobond

Graph 1: USDMYR and 10Y MGS-UST Yield Differential



Source: Kenanga Research, Bloomberg

Auction Result

- There was no reopening or issuance this week.
- Upcoming Auction:** Reopening of the 10-Y MGII, with RM5.0b to be issued without any private placement.

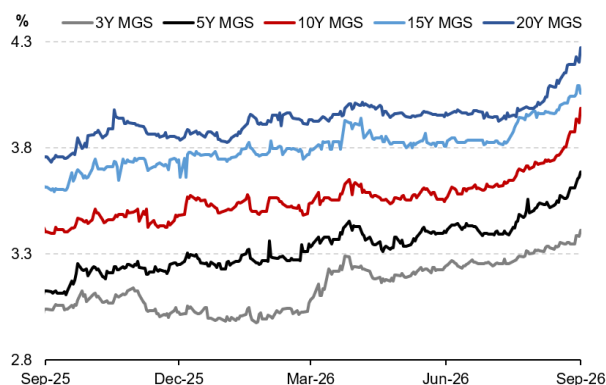
Table 3: 2026 Auction Calendar

Month	Issues	Issue Date	Auction (RM Mil)	PP* (RM Mil)	Total (RM Mil)	BTC* (x)	Average Yield (%)	Highest Yield (%)	Lowest Yield (%)
Aug	5-yr Reopening of MGII 10/31 3.804%	05/08/2026	-	-	5,000.00	2.40	3.529	3.534	3.518
	30-yr Reopening of MGS 7/55 3.917%	12/08/2026	3,000.00	2,000.00	5,000.00	2.02	4.213	4.225	4.199
	7-yr Reopening of MGII 3/33	19/08/2026	-	-	5,000.00	2.15	3.696	3.704	3.685
	20-yr Reopening of MGS 4/46	27/08/2026	3,500.00	1,500.00	5,000.00	1.64	4.189	4.200	4.169
Sep	10-yr Reopening of MGII 7/36 3.447%	-	-	-	-	-	-	-	-
	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

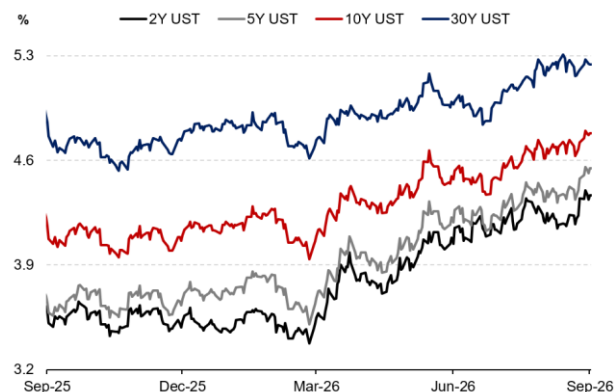
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Graph 2: MGS Yield Trend



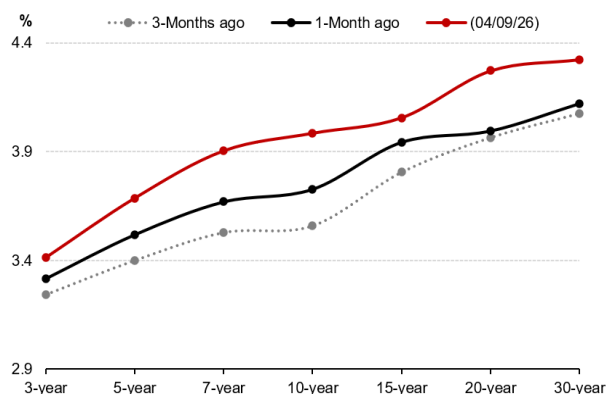
Source: Kenanga Research, Bloomberg

Graph 3: UST Yield Trend



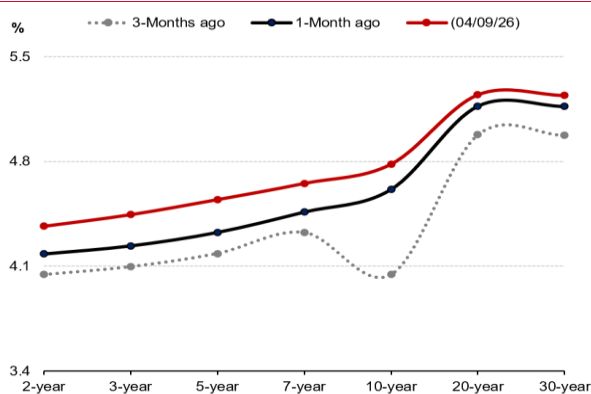
Source: Kenanga Research, Bloomberg

Graph 4: MGS Yield Curve



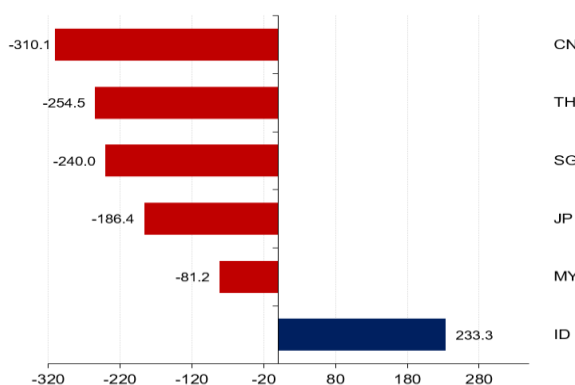
Source: Kenanga Research, Bloomberg

Graph 5: UST Yield Curve



Source: Kenanga Research, Bloomberg

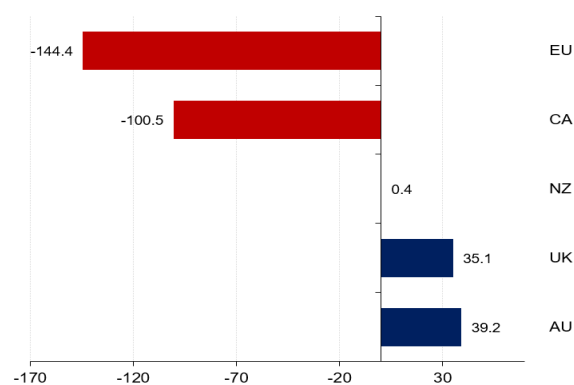
Graph 6: Selected Asian 10-Year Bond Yield Spread (bps)



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

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Table 3: Bond Yield Movements

Bonds	01/01/26 YTD	04/09/25 Last Year	05/08/26 Last Month	28/08/26 Last Week	04/09/26 Yesterday	ytd (bps)	yoy (bps)	mom (bps)	wow (bps)
MGS									
30Y MGS	3.980	3.884	4.122	4.256	4.324	34.40	44.00	20.20	6.80
20Y MGS	3.840	3.756	3.996	4.194	4.272	43.20	51.60	27.60	7.80
15Y MGS	3.746	3.615	3.944	4.043	4.056	31.00	44.10	11.20	1.30
10Y MGS	3.492	3.403	3.728	3.874	3.985	49.30	58.20	25.70	11.10
7Y MGS	3.367	3.322	3.670	3.800	3.904	53.70	58.20	23.40	10.40
5Y MGS	3.256	3.127	3.519	3.610	3.686	43.00	55.90	16.70	7.60
3Y MGS	2.998	3.040	3.317	3.349	3.412	41.40	37.20	9.50	6.30
GII									
20Y GII	3.862	3.761	4.003	4.174	4.215	35.30	45.40	21.20	4.10
10Y GII	3.524	3.432	3.723	3.852	3.953	42.90	52.10	23.00	10.10
7Y GII	3.341	3.281	3.650	3.795	3.878	53.70	59.70	22.80	8.30
3Y GII	3.101	3.060	3.360	3.377	3.424	32.30	36.40	6.40	4.70
UST									
30Y UST	4.844	4.853	5.168	5.206	5.242	39.87	38.90	7.43	3.67
20Y UST	4.793	4.804	5.170	5.203	5.247	45.41	44.33	7.72	4.35
10Y UST	4.167	4.161	4.613	4.718	4.782	61.51	62.14	16.94	6.41
7Y UST	3.939	3.865	4.462	4.590	4.653	71.40	78.88	19.18	6.38
5Y UST	3.725	3.646	4.326	4.479	4.545	81.96	89.92	21.92	6.59
3Y UST	3.539	3.548	4.236	4.400	4.444	90.52	89.58	20.86	4.39
2Y UST	3.473	3.588	4.181	4.343	4.366	89.31	77.83	18.49	2.27
MAJOR 10Y GOVERNMENT BONDS									
10Y EU	2.854	2.718	3.110	3.277	3.338	48.40	62.00	22.80	6.10
10Y UK	4.479	4.720	4.890	5.063	5.133	65.40	41.30	24.30	7.00
10Y JP	2.066	1.598	2.829	2.931	2.918	85.20	132.00	8.90	-1.30
10Y CN	1.855	1.757	1.708	1.696	1.681	-17.40	-7.60	-2.70	-1.50
10Y SG	2.117	1.858	2.286	2.337	2.382	26.54	52.41	9.60	4.47
10Y ID	6.070	6.396	7.293	7.004	7.115	104.50	71.90	-17.80	11.10
10Y TH	1.659	1.261	2.082	2.155	2.237	57.78	97.57	15.48	8.22

Source: Kenanga Research, Bloomberg

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

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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