

Monthly Fixed Income Market Outlook

Global Markets
January 2026

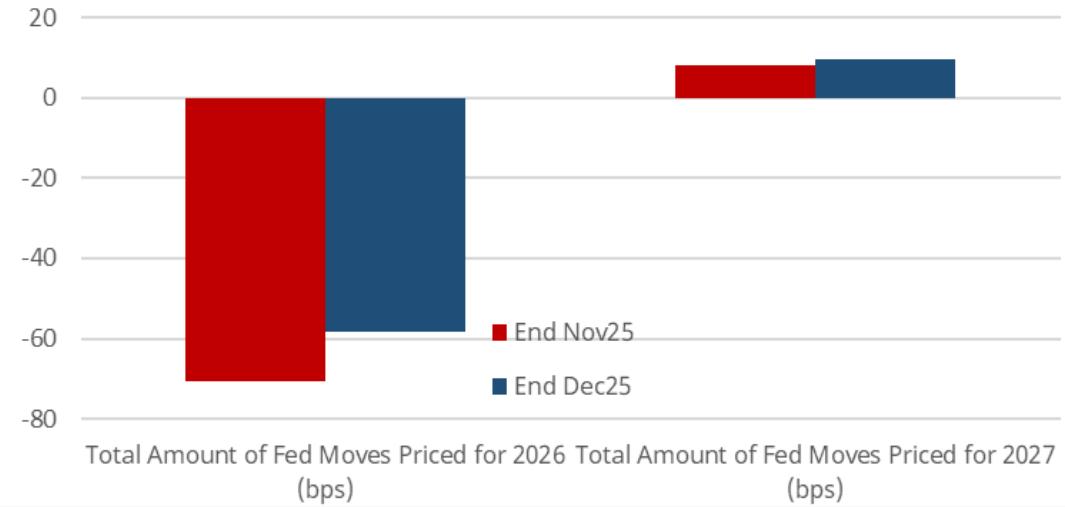
December 2025 US Bond Market Review



Source: Bloomberg, HLBB Global Markets Research

- USTs were softer in December, amidst the Fed reducing the Funds Rate by a further 25bps on Dec 10 in a 9-3 majority vote, the third consecutive reduction to address growing concerns about labour market conditions.
- The delayed release of the Oct and Nov monthly jobs report revealed a net loss of jobs over the two months, coupled with a rise in the unemployment rate to 4.6% in Nov from 4.4% in Sep. Meanwhile, the Oct CPI report was cancelled and the Nov numbers surprising came in cooler than expected with the headline CPI falling to 2.7% y/y (Sep: 3.0% y/y) while the core measure eased to 2.6% (Sep: 3.0 y/y).
- Retail sales numbers for October came in about as expected, and the ISM indices for the November were little changed versus the month before.
- The UST curve continued to steepen during the month, with the longer-dated maturities underperforming in the sell off:
 - 2yr yield declined by 2bps to 3.48%
 - 10yr yield rose by 15bps to 4.17%

December saw the futures markets pricing of 2026 cuts ease slightly

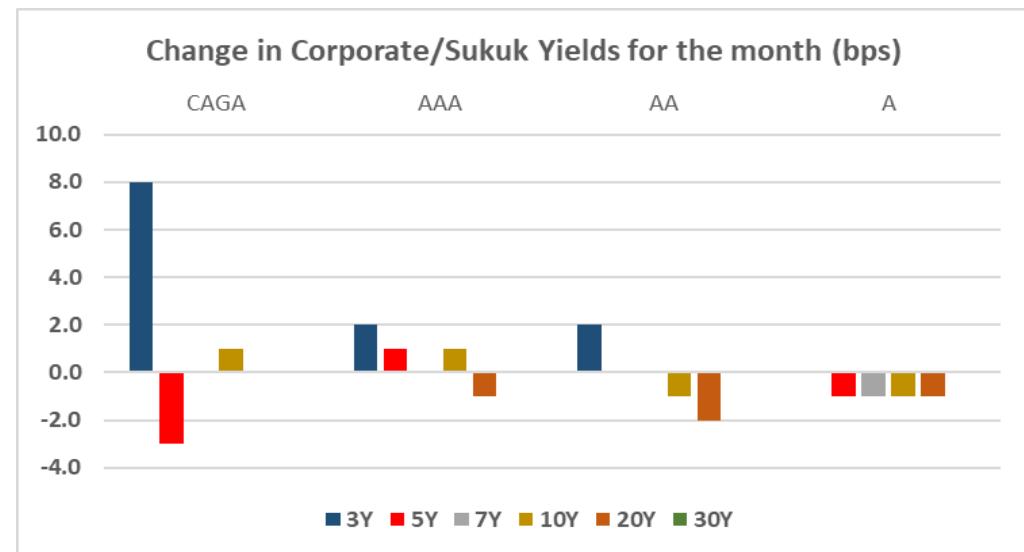
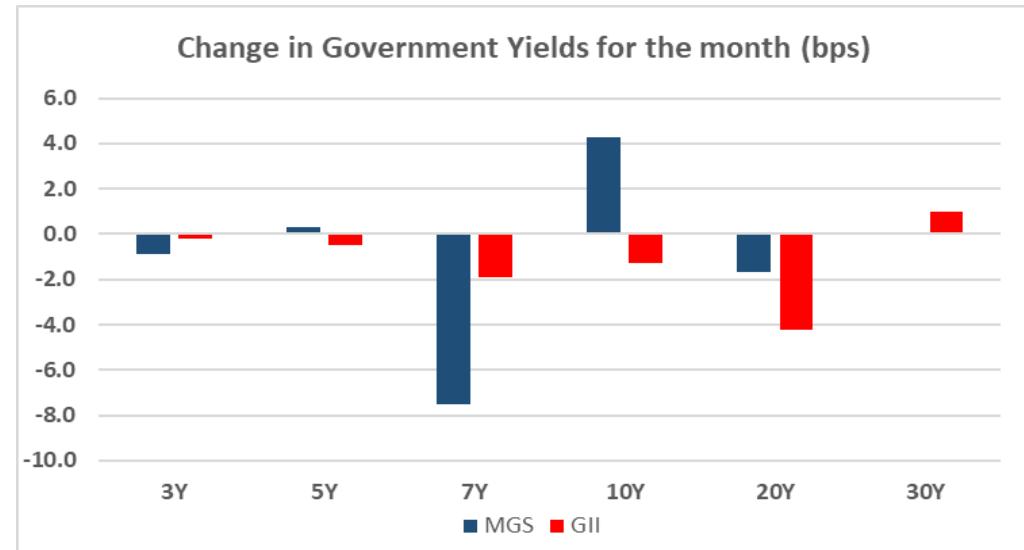


- The minutes of the Dec 10 FOMC meeting revealed the decision to be even tighter than expected, with a few members who supported lowering the policy rate indicating that the decision was finely balanced or that they could have supported keeping the target rate unchanged.
- The updated dot plot continued to point to a solitary reduction of 25bps in 2026. Futures markets pricing of 2026 cuts eased during the month, but continue to indicate that there would be at least 2 cuts in the year ahead.
- Futures markets pricing of Fed moves as at the end of December stood as follows:
 - 2026 rate moves priced eased to -59bps (from -71bps at end Nov)
 - 2027 rate moves priced rose to +10bps (from +8bps as at end Nov)

December 2025 MYR Bond Market Review

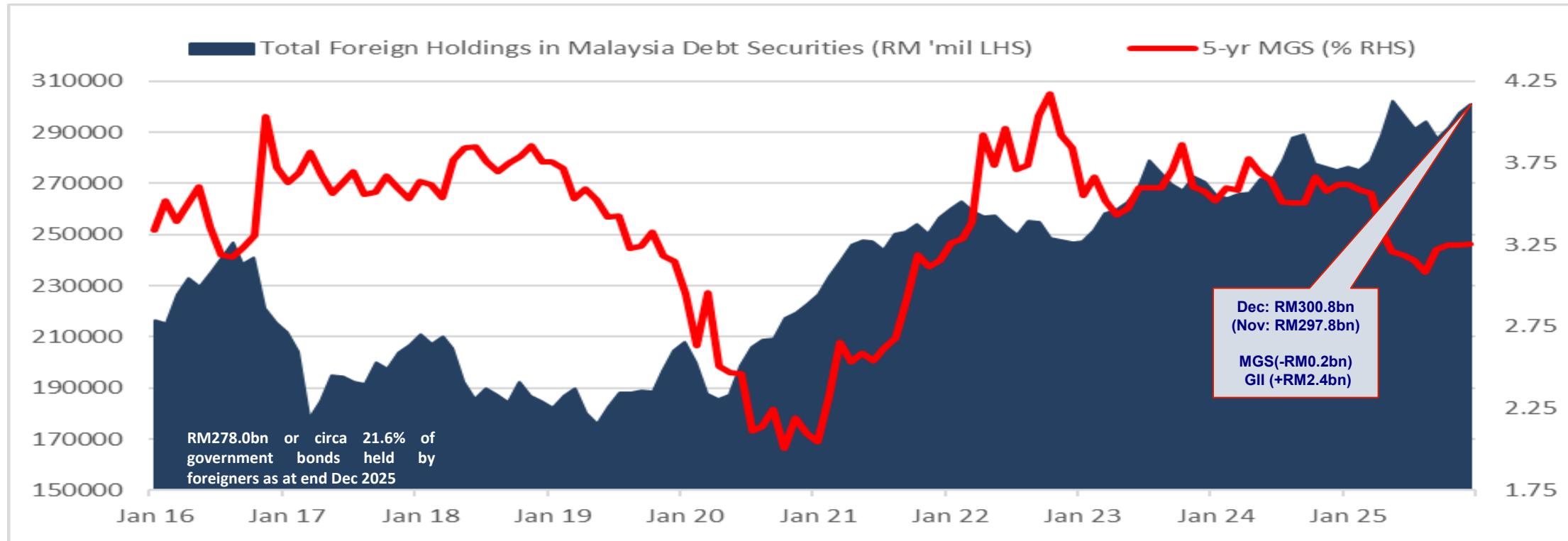


- MYR govt bonds were mixed in December, amidst a continued rise in the amount of foreign buying of MYR bonds, as the MYR continued its outperformance for the year, reaching a 14-month high versus the USD.
- Economic data during the month was again mixed, with industrial production for October coming in above expectations, but exports for November surprising on the downside. Inflation for November meanwhile registered a smaller than anticipated rise at 1.4% y/y from the previous month's reading of 1.3% y/y.
- Benchmark government bond yields ended the month mixed by between -8 to +4bps, with the 7Y and 20Y segments of the market outperforming for the month.
- Corporate bonds were mixed in December, with the shorter dated tenors of the market generally underperforming for the month and small gains being seen in the longer-dated maturities across the credit spectrum.



Source: BPAM, HLBB Global Markets Research

Offshore foreign holdings climbed for a third month in December; driven by GII and Corporate Bonds



Source: BNM, Bloomberg, HLBB Global Markets Research

- Offshore foreign holdings of Malaysian debt securities climbed for a third month on the trot in December, advancing by RM3.0bn to RM300.8bn versus the RM297.8bn held at the end of November
- The rise was driven largely by an increase in the holdings of GII (+RM2.4bn), with an advance also seen in the holdings of Corporate Bonds (+RM1.1bn)
- MGS (-RM0.2bn), Sukuk (-RM0.1bn), MTBs (-RM0.1bn) and MITBs (-RM0.1bn) saw marginal reductions in foreign holdings for the month

RM3.0bn of gross MGS/GII issuance in December; RM15.0bn of issuance expected in January

MGS/GII issuance pipeline in 2025														
No	Stock	Tenure (yrs)	Tender Month	Quarter	Tender Date	Projected Issuance Size (RM mil)	Actual Auction Issuance (RM mil)	Actual Private Placement	Total Issuance YTD	BTC (times)	Low	Average	High	Cut-off
1	7-yr Reopening of MGS 07/32	7	Jan	Q1	7/1/2025	4,000	5,000		5,000	2.808	3.791	3.799	3.803	51.7%
2	15.5-yr New Issue of MGII (Mat on 07/40)	15	Jan	Q1	14/1/2025	5,000	3,000	1,000	9,000	4.289	3.960	3.974	3.978	57.9%
3	3-yr Reopening of MGII 07/28	3	Jan	Q1	23/1/2025	4,000	5,500		14,500	2.623	3.549	3.561	3.564	90.6%
4	30-yr Reopening of MGS 03/53	30	Feb	Q1	5/2/2025	4,000	2,500	2,000	19,000	2.360	4.160	4.186	4.191	74.6%
5	7-yr Reopening of MGII 10/31	7	Feb	Q1	12/2/2025	5,000	5,000		24,000	2.867	3.777	3.785	3.790	56.9%
6	20-yr Reopening of MGS 05/44	20	Feb	Q1	20/2/2025	4,000	2,500	2,000	28,500	2.987	4.060	4.068	4.071	45.0%
7	5.5-yr New Issue of MGII (Mat on 08/30)	5	Feb	Q1	27/2/2025	5,000	5,500		34,000	3.165	3.620	3.635	3.639	27.2%
8	15-yr Reopening of MGS 04/39	15	Mar	Q1	7/3/2025	4,000	3,000	1,000	38,000	3.018	3.950	3.956	3.960	6.3%
9	30-yr Reopening of MGII 03/54	30	Mar	Q1	13/3/2025	4,500	3,000	2,000	43,000	3.077	4.164	4.169	4.171	50.0%
10	10-yr Reopening of MGS 07/34	10	Mar	Q1	27/3/2025	4,000	5,000		48,000	1.670	3.750	3.764	3.772	12.5%
11	15-yr Reopening of MGII 07/40	15	Apr	Q2	7/4/2025	4,000	3,000	1,000	52,000	3.362	3.735	3.748	3.754	41.7%
12	3-yr Reopening of MGS 04/28	3	Apr	Q2	14/4/2025	5,000	5,000		57,000	3.177	3.459	3.467	3.473	6.1%
13	10-yr New Issue of MGII (Mat on 04/35)	10	Apr	Q2	29/4/2025	4,500	5,000		62,000	1.995	3.578	3.612	3.625	31.4%
14	5-yr New Issue of MGS (Mat on 05/30)	5	May	Q2	14/5/2025	5,000	5,000		67,000	2.133	3.318	3.336	3.345	91.3%
15	20-yr New Issue of MGII (Mat on 05/45)	20	May	Q2	29/5/2025	4,500	3,000	2,000	72,000	3.318	3.770	3.775	3.780	45.2%
16	15-yr Reopening of MGS 04/39	15	Jun	Q2	9/6/2025	4,000	3,000	1,000	76,000	2.857	3.704	3.712	3.717	68.4%
17	30-yr Reopening of MGII 03/54	30	Jun	Q2	13/6/2025	5,000	3,000	2,000	81,000	3.295	4.000	4.010	4.018	62.0%
18	10-yr New Issue of MGS (Mat on 07/35)	10	Jun	Q2	26/6/2025	5,000	5,000		86,000	3.008	3.463	3.476	3.480	88.3%
19	7-yr Reopening of MGII 10/31	7	Jul	Q3	3/7/2025	5,000	5,000		91,000	2.922	3.360	3.367	3.370	15.0%
20	30-yr New Issue of MGS (Mat on 07/55)	30	Jul	Q3	14/7/2025	5,000	3,000	2,000	96,000	2.000	3.903	3.917	3.926	2.3%
21	10-yr Reopening of MGII 04/35	10	Jul	Q3	21/7/2025	4,000	5,000		101,000	2.728	3.461	3.468	3.470	95.6%
22	20-yr Reopening of MGS 05/44	20	Aug	Q3	7/8/2025	4,500	2,500	2,000	105,500	2.725	3.740	3.750	3.753	6.1%
23	15-yr Reopening of MGII 07/40	15	Aug	Q3	14/8/2025	4,000	3,000	1,000	109,500	2.848	3.568	3.577	3.580	81.6%
24	5-yr Reopening of MGS 5/30	5	Aug	Q3	21/8/2025	5,000	5,000		114,500	1.867	3.077	3.086	3.092	85.0%
25	20-yr Reopening of MGII 05/45	20	Aug	Q3	28/8/2025	4,500	3,000	2,000	119,500	1.841	3.739	3.755	3.762	37.0%
26	3-yr Reopening of MGS 04/28	3	Sep	Q3	8/9/2025	5,000	5,000		124,500	1.928	3.025	3.036	3.041	75.7%
27	30-yr Reopening of MGII 3/54	30	Sep	Q3	12/9/2025	5,000	3,000	2,000	129,500	1.928	3.918	3.927	3.930	100.0%
28	15-yr Reopening of MGS 04/39	15	Sep	Q3	22/9/2025	4,000	3,500	1,000	134,000	1.520	3.619	3.638	3.674	50.0%
29	3-yr Reopening of MGII 07/28	3	Sep	Q3	29/9/2025	5,000	5,000		139,000	2.876	3.152	3.162	3.166	39.8%
30	30-yr Reopening of MGS 07/55	30	Oct	Q4	6/10/2025	5,000	3,000	2,000	144,000	1.380	3.977	4.019	4.085	40.0%
31	5-yr Reopening of MGII 08/30	5	Oct	Q4	14/10/2025	5,000	5,000		149,000	2.814	3.210	3.217	3.222	35.7%
32	20-yr Reopening of MGS 05/44	20	Oct	Q4	21/10/2025	4,500	2,500	2,000	153,500	1.697	3.948	3.978	4.011	12.5%
33	10-yr Reopening of MGII 04/35	10	Nov	Q4	11/11/2025	5,000	5,000		158,500	2.565	3.545	3.554	3.559	90.0%
34	7-yr Reopening of MGS 07/32	7	Nov	Q4	18/11/2025	5,000	4,000		162,500	1.909	3.437	3.455	3.468	100.0%
35	20-yr Reopening of MGII 05/45	20	Nov	Q4	25/11/2025	5,000	3,000		165,500	2.339	3.860	3.878	3.885	83.8%
36	10-yr Reopening of MGS 07/35	10	Dec	Q4	12/12/2025	3,000	3,000		168,500	1.924	3.560	3.572	3.579	79.0%

Gross MGS/GII supply in 2025

168,500

140,500

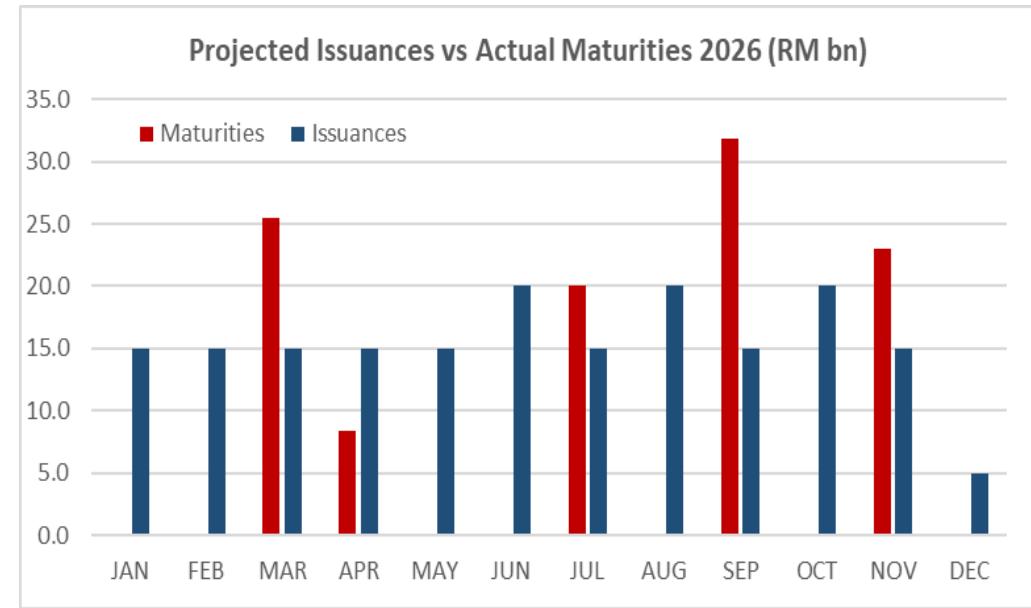
28,000

168,500

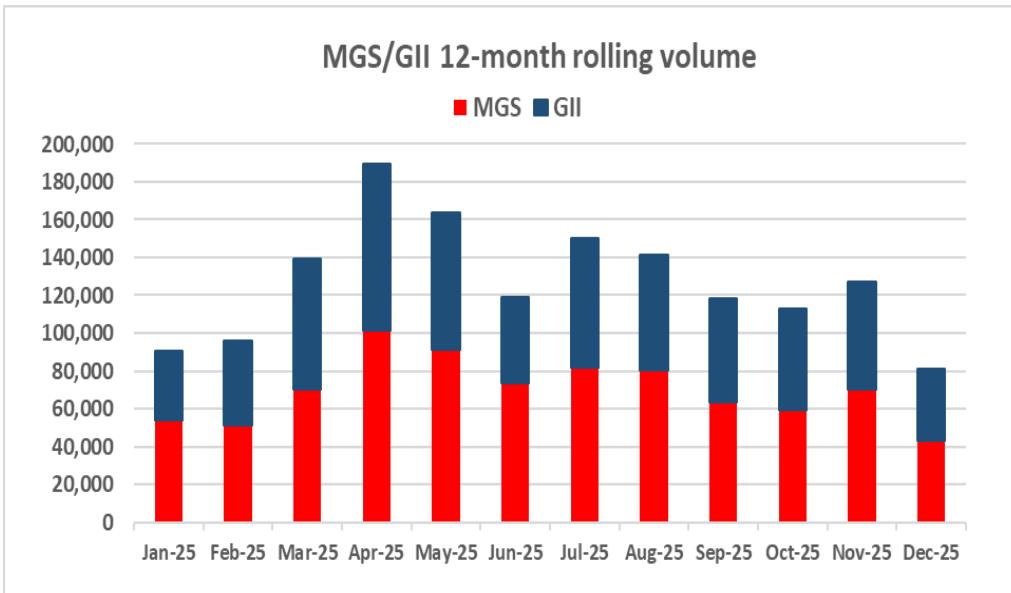
PROJECTED TOTAL ISSUANCE = RM170.5bn

Source: Bloomberg, BNM, HLBB Global Markets Research

- Gross issuance of RM3bn was seen in December from the sole scheduled auction – a re-opening of RM3bn 10yr MGS, bringing the total gross issuance for the year to RM168.5bn
- The solitary auction in December was on the soft side, with a BTC of only 1.924x (Nov: 2.290x)
- In January, we are likely to see gross issuance of RM15.0bn from the three scheduled auctions to kick off government bond funding for the year – RM5bn of a 15yr MGS new issuance and RM5bn of a 30yr GII new issuance, after the RM5bn 5yr GII reopening that we already had.
- Total gross issuance for 2026 projected to come in at RM185bn, largely due to higher bond maturities for the year



MGS/GII trading volume eased in December; expected to climb higher in January



- Secondary trading in MGS/GII declined to RM80.9bn in December (Nov: RM127.1bn), with both MGS and GII trading easing for the month
- The off-the-run MGS 7/26 and GII 3/26 again led trading for the month in the MGS and GII markets respectively
- Decent interest for the month was also seen in the benchmark 3Y GII and 7Y MGS, as well as in the off-the-run GII 9/26, MGS 11/26 and MGS 5/27
- Secondary trading in government bonds is expected to head higher in January

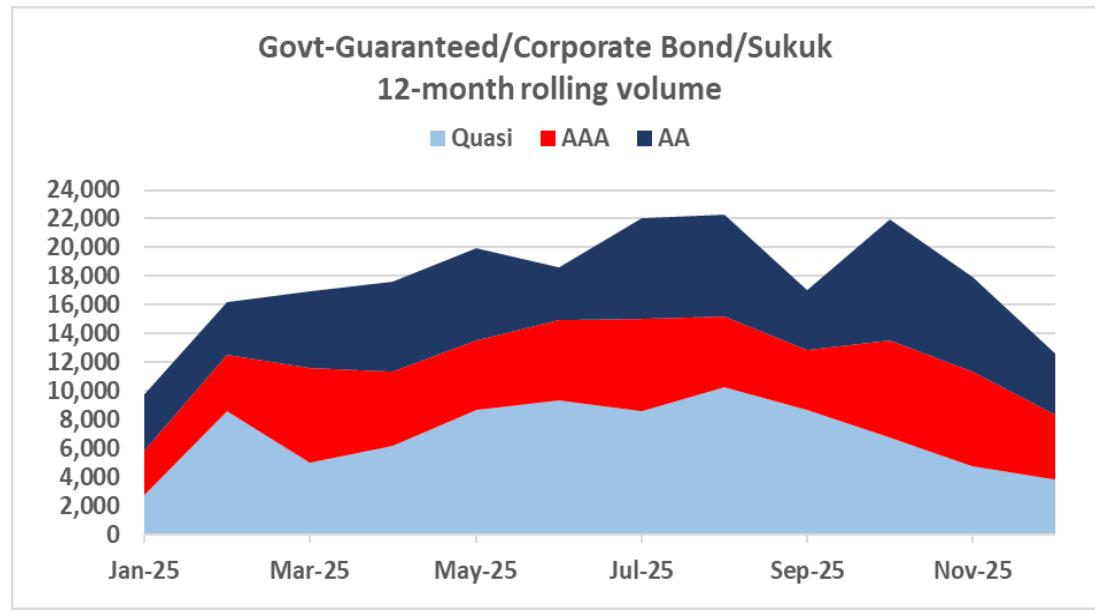
Top Traded MGS in December 25	Volume (RM 'mil)
MGS 7/26	8,586.3
MGS 11/26	4,956.6
MGS 7/32 (7Y)	3,730.9
MGS 5/27	3,001.1
MGS 7/35 (10Y)	2,600.3
MGS 5/30 (5Y)	1,863.5
MGS 7/34	1,698.1
MGS 8/29	1,534.9
MGS 4/30	1,497.6
MGS 11/27	1,288.0

Source: BPAM, HLBB Global Markets Research

Note: (brackets) denotes benchmark

Top Traded GII in December 25	Volume (RM 'mil)
GII 3/26	10,869.9
GII 9/26	4,278.7
GII 7/28 (3Y)	3,594.0
GII 8/30 (5Y)	2,904.6
GII 4/35 (10Y)	1,994.3
GII 5/45 (20Y)	1,918.7
GII 10/31 (7Y)	1,718.0
GII 3/54 (30Y)	1,516.4
GII 9/27	1,421.9
GII 9/41	1,072.3

Corporate/Sukuk secondary trading declined in December; new issuances rise



- Trading in Corps/Sukuk receded to RM12.6bn in December (Nov: RM17.9bn), driven by declines across the different segments of the market
- New issuances for the month rose to RM22.9bn in December (Nov: RM18.9bn), driven by an increase in government guaranteed issuance for the month; we expect issuance in the corporate/sukuk space to ease off in January
- Among the possible notable issuances in the pipeline this month include new issues from PASB (RM1.6bn), DANAINFRA (RM1.2bn) and SP SETIA (RM1.0bn)

Top Traded Corporate Bonds/Sukuk in Dec 25	Volume (RM mil)	Last Done Yield (%)
BPMB IMTN 4.020% 01.12.2028	280	3.484
CIMBI IMTN 4.130% 27.03.2034 - Series 3 Tranche 4	260	3.789
LPPSA IMTN 4.270% 02.09.2039 - Tranche No 58	240	3.832
DANAINFRA IMTN 4.950% 06.04.2040 - Tranche No 35	210	3.862
PLUS BERHAD IMTN 5.017% 12.01.2038 -Sukuk PLUS T29	205	3.899
LPPSA IMTN 3.540% 16.04.2027 - Tranche No 80	200	3.166
DANGA IMTN 2.960% 25.01.2028 - Tranche 11	190	3.506
DANAINFRA IMTN 4.060% 30.06.2055	180	4.089
BPMB IMTN 4.50% 04.11.2026 - Issue No 7	160	3.383
LPPSA IMTN 4.190% 09.04.2055 - Tranche No. 14	140	4.100
GOVCO IMTN 4.950% 20.02.2032	140	3.587

Source: BNM, BPAM, HLBB Global Markets Research

Top Corporate/Sukuk Issuance in Dec 25	Rating	Amount Issued (RM 'mil)
GENTING RMTN MTN 367D 07.12.2026 - Tranche 8	AA1	1,350
DANAINFRA IMTN 4.120% 17.12.2053 - Tranche No 169	GG	1,200
DANAINFRA IMTN 4.110% 17.12.2052 - Tranche No 168	GG	1,000
MSS MTN Series 4 1096D 22.12.2028	NR	1,000
GVB MTN Sr 1 Tr E 30.12.2030	NR	900
CIMBBANK 3.930% 03.12.2037-T2 Sukuk Wakalah S10T2	AA2	775
CIMB 3.930% 03.12.2037-T2 Sukuk Wakalah S10 T2	AA2	775
GVB MTN Sr 1 Tr D 28.12.2029	NR	750
YHB Series 1 Tranche 2 IMTN 5.20% 10.12.2032	A1	750
DANAINFRA IMTN 4.000% 15.12.2045 - Tranche No 165	GG	700
DANAINFRA IMTN 4.090% 16.12.2050 - Tranche No 167	GG	700

US Bonds Outlook Jan 2025 – bullish with a steepening bias

	Current @ 08 Jan	Q1 2026	Q2 2026	Q3 2026	Q4 2026
Fed Funds Rate (upper bound)	3.75%	3.75%	3.50%	3.25%	3.00%
UST yields (%)	Current @ 08 Jan	Q1 2026	Q2 2026	Q3 2026	Q4 2026
2Y	3.49%	3.30%	3.10%	2.90%	2.75%
5Y	3.72%	3.55%	3.40%	3.25%	3.15%
10Y	4.17%	4.00%	3.85%	3.75%	3.70%
30Y	4.85%	4.75%	4.65%	4.60%	4.60%

Source: HLBB Global Markets Research

- Bonds have been little changed so far in January, with growing expectations that the Fed will take a pause at the upcoming FOMC meet on Jan 28, with policy makers split on the amount and timing of further reductions. The rise in geopolitical tensions in Latin America with the US maneuvers there have had little impact on the markets thus far.
- Economic data that we have got thus far in the new year paint a mixed picture – the ISM manufacturing index for December dipped slightly, but the services index surged to the highest since Oct 2024. Labour market indicators have also been mixed – with the JOLTS and ADP coming in poorer than expected, but the latest weekly jobless claims and monthly Challenger job cuts report were better than anticipated.
- The markets are currently pricing in only a 14% chance of a 25bps reduction in the Fed Funds rate on Jan 28. We feel that the Fed will indeed pause on policy in 1Q26 and that they will resume reductions in a more gradual manner for the coming quarters, with the focus of the markets likely shifting to the appointment of a new Fed Chair soon, with Jerome Powell's term coming to an end at mid-year.
- **We are bullish on USTs and expect government bond yields to decline**, with the curve likely to have a steepening bias.

Key Events for the Month

Date	Event
09 Jan	Non-Farm Payrolls
13 Jan	CPI
14 Jan	Retail Sales
22 Jan	Core PCE Index
22 Jan	3Q GDP (T)
28 Jan	FOMC Decision

MYR Bonds Outlook Jan 2026 – slightly constructive

	Current @ 08 Jan	Q1 2026	Q2 2026	Q3 2026	Q4 2026
OPR	2.75%	2.75%	2.75%	2.75%	2.75%
MGS yields (%)	Current @ 08 Jan	Q1 2025	Q2 2026	Q3 2026	Q4 2026
3Y	2.99%	2.95%	2.90%	2.90%	2.90%
5Y	3.25%	3.15%	3.10%	3.05%	3.05%
10Y	3.51%	3.40%	3.35%	3.30%	3.30%
20Y	3.98%	3.95%	3.90%	3.85%	3.85%

Source: HLBB Global Markets Research

- MYR government bonds have also been little changed thus far in January, with the industrial production figures for November coming in south of expectations, limiting upside risk for the upcoming advanced release of 4Q25 GDP, while the S&P Global Malaysia manufacturing PMI for December holding steady from the month before.
- We continue to foresee no change to the BNM policy rate in 2026 for the duration of the horizon period, with the central bank appearing comfortable with the current growth trajectory and in the absence of significant price pressures.
- **Government bonds yields are expected to grind lower**, with the recent trend of foreign inflows into the market likely to continue and the weaker than expected data for the month of November adding some downward pressure to bond yields. Corporate spreads are expected to remain stable amidst continued firm demand, with bond supply expected to slow down to begin the year.

Key Events for the Month	
Date	Event
16 Jan	GDP 2025 and 4Q25 (A)
20 Jan	Exports and Trade Balance
20 Jan	CPI
22 Jan	BNM MPC

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