HongLeong Bank

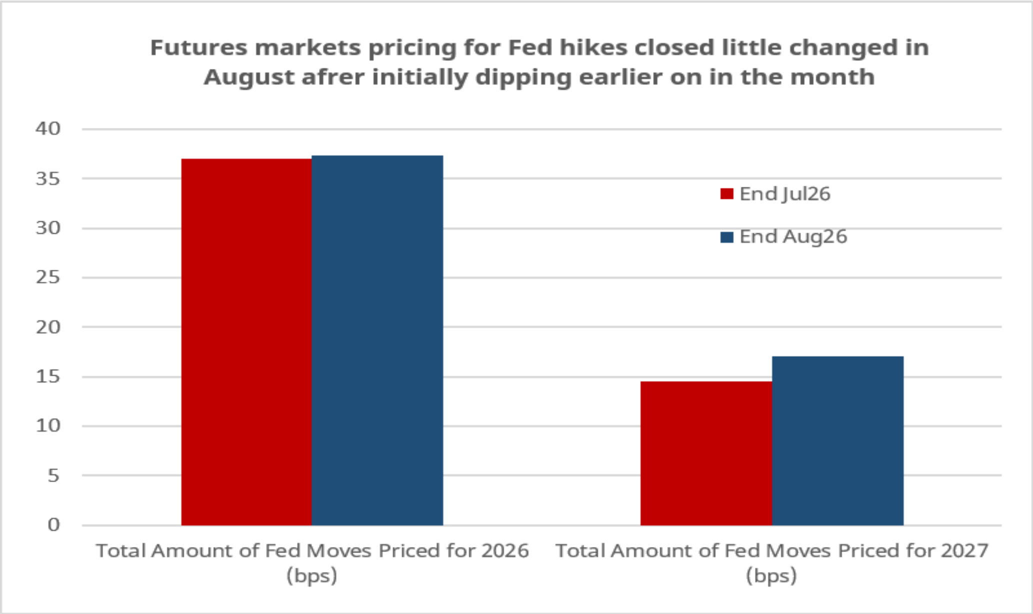
Monthly Fixed Income Market Outlook

Global Markets

September 2026

August 2026 US Bond Market Review

Source: *Bloomberg, HLBB Global Markets Research*



- US Treasuries were slightly softer in August, with the exception of the longer-dated part of the curve, amidst oil prices remaining elevated during the month after initially declining early in the month as the path to a peaceful resolution in the Middle East remained murky.

- 2Q GDP remain unrevised at 1.5% q/q annualized in its second reading, while price indices came in as anticipated, with the core CPI for July edging lower while the core PCE remained stable. Other key economic data were poor, with retail sales for the month unexpectedly contracting while the monthly employment report was also weak.

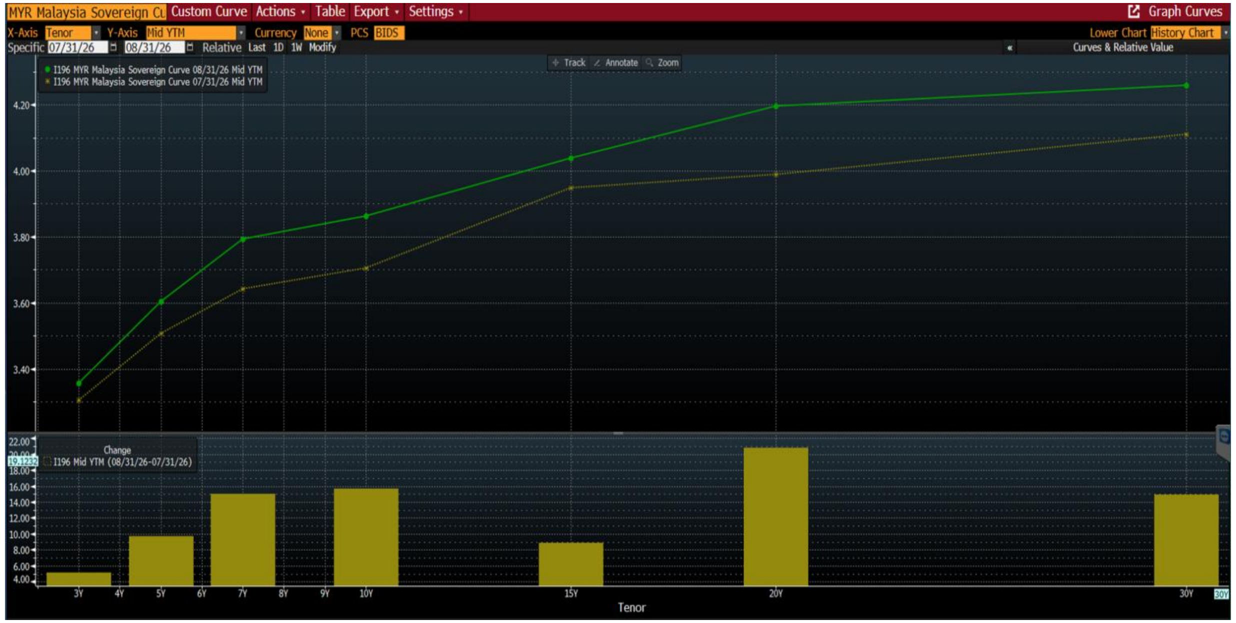
- The UST curve flattened for the month as the longer-dated maturities outperformed following the Treasury department's announcement on increased buybacks for the longer dated sector:
  - 2yr UST yields rose by 5bps to 4.34%
  - 10yr UST yields advanced by 2bps to 4.75%

- The Fed continued to remain on the hawkish side. The minutes of the July FOMC meeting, which saw a 9-3 majority vote to leave rates on hold, detailed that the debate over raising rates extended beyond the three official dissenters, with many participants noting that policy tightening would be required if inflation continued to remain stubborn.

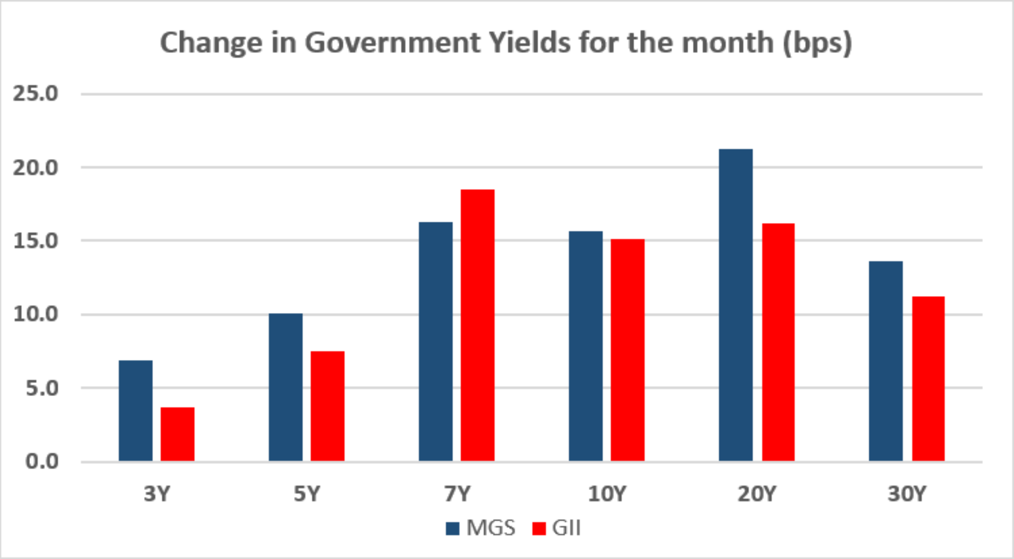
- Fed Chair Kevin Warsh also struck a hawkish tone at the Fed’s annual Jackson Hole symposium, noting that the recent summer data showed underlying inflation trends have not improved enough, and that broad financial conditions are not restrictive.

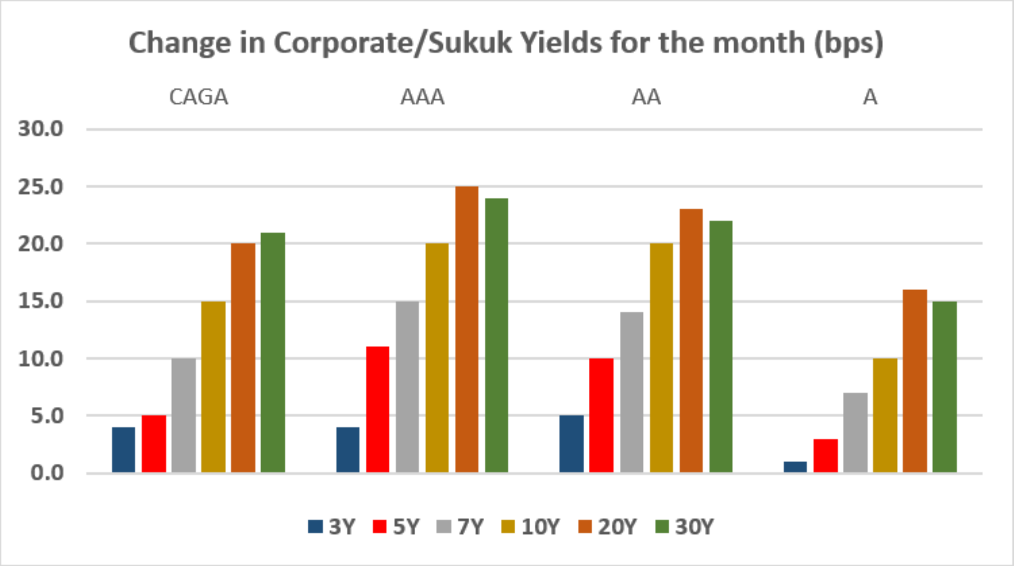
- Futures markets pricing of Fed hikes were little changed for the month:
  - For 2026, 37bps of hikes priced at end Aug (versus 37bps end July)
  - For 2027, 17bps of hikes priced at end Aug (versus 15bps end July)

August 2026 MYR Bond Market Review



Source: Bloomberg, HLBB Global Markets Research





Source: BPAM, HLBB Global Markets Research

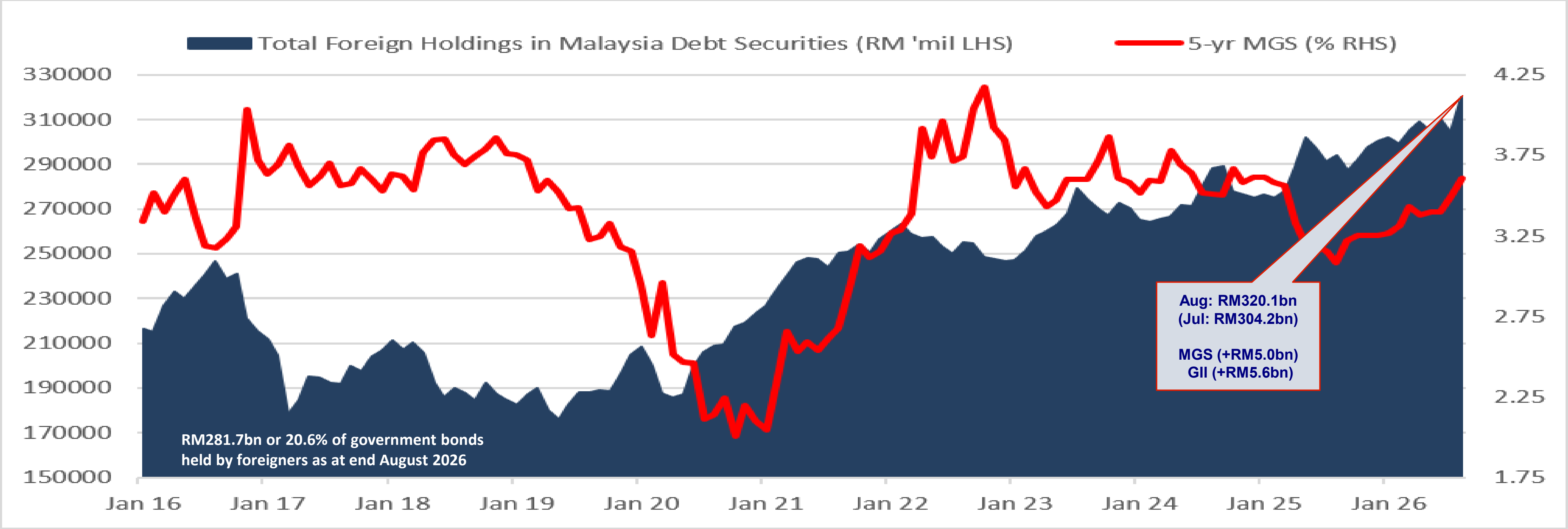
- MYR govt bonds were weaker across the board in August with the 10yr MGS yield rising by 16bps for the month, the most since October of 2024, driven by a confluence of better-than-expected economic data, energy prices that continued to remain elevated, long-dated bond supply adding additional pressure, and a global bearish government bond backdrop.

- Final 2Q GDP was revised up to 6.0% y/y (advanced print: 5.8% y/y), while export figures for July surpassed expectations. Industrial production for June pulled back by more than anticipated, and CPI for July unexpectedly dipped again for a second month to 1.8% y/y.

- The decline in bonds occurred despite a record monthly inflow of foreign funds into the Malaysian bond markets, which seemingly went to the short end of the curve, with longer dated bonds underperforming for the month, resulting in a bear-steepening of the MGS and GII curves.

- Benchmark government bond yields closed the month higher by between 0 to 21bps, while corporate bonds/sukuk were also softer across, led by the longer-dated papers.

Offshore foreign holdings rose at a record pace in August to an all-time high



Source: BNM, Bloomberg, HLBB Global Markets Research

- Offshore foreign holdings of Malaysian debt securities climbed in August at a record pace to an all-time high, advancing by RM15.9bn to RM320.1bn versus the RM304.2bn held at the end of July
- The rise in holdings was broad based, and occurred amongst all the categories of fixed income instruments, led by increases in holdings of GII (+RM5.6bn) and MGS (+RM5.0bn)
- Holdings of Corporate Bonds (+RM2.7bn) and Sukuks (+RM2.0bn) also recorded strong gains for the month, while holdings of MTBs (+RM0.4bn) and MITBs (+RM0.1bn) crept higher

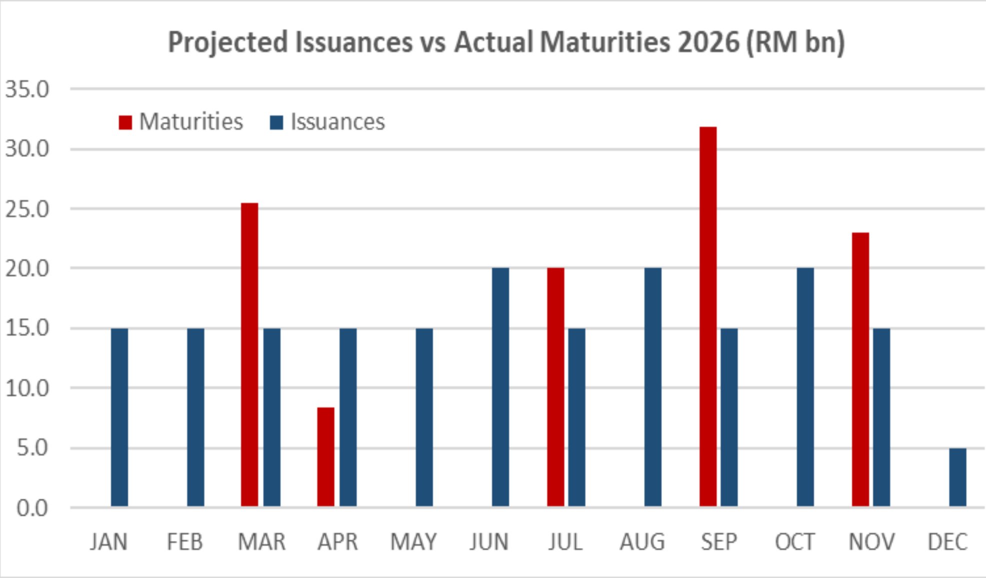
RM20.0bn of gross MGS/GII issuance in August; RM15.0bn of issuance likely in September

MGS/GII issuance pipeline in 2026

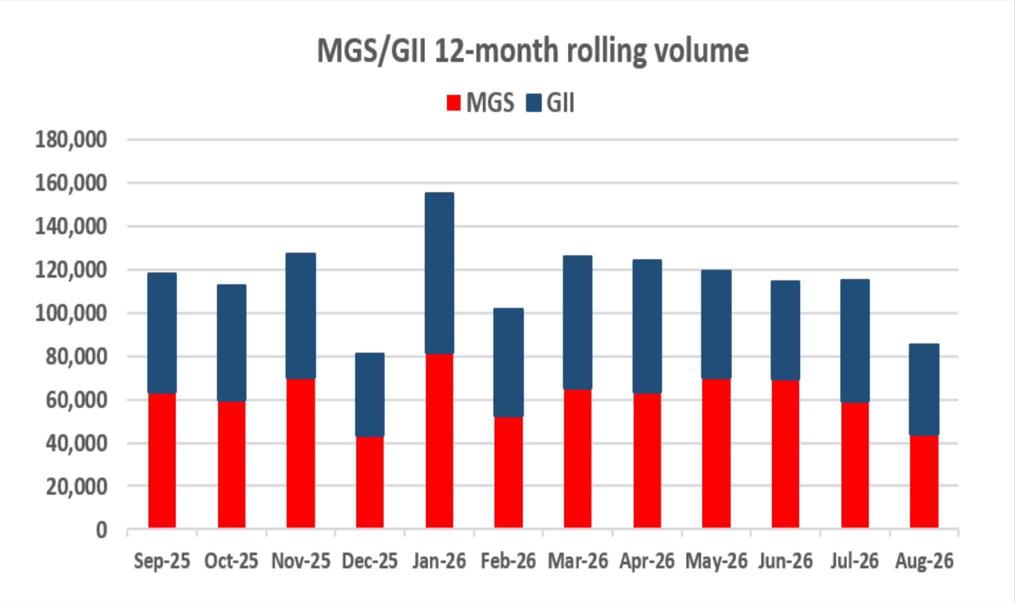
No	Stock	Tenure (yrs)	Tender Month	Quarter	Tender Date	Projected Issuance Size (RM mil)	Actual Auction Issuance (RM mil)	Actual Private Placement	Total Issuance YTD	BTC (times)	Low	Average	High	Cut-off
1	5-yr Reopening of MGII 08/30	5	Jan	Q1	7/1/2026	5,000	5,000		5,000	2.296	3.260	3.268	3.272	7.1%
2	15-yr New Issue of MGS (Mat on 01/41)	15	Jan	Q1	14/1/2026	5,000	3,500	1,500	10,000	1.944	3.750	3.766	3.775	100.0%
3	30-yr New Issue of MGII (Mat on 01/56)	30	Jan	Q1	29/1/2026	5,000	3,000	2,000	15,000	2.071	4.020	4.044	4.055	15.6%
4	10-yr Reopening of MGS 07/35	10	Feb	Q1	5/2/2026	5,000	5,000		20,000	1.603	3.559	3.572	3.581	83.3%
5	20-yr Reopening of MGII 5/45	20	Feb	Q1	13/2/2026	5,000	3,000	2,000	25,000	2.896	3.959	3.990	3.994	4.2%
6	5-yr Reopening of MGS 06/31	5	Feb	Q1	26/6/2026	5,000	5,000		30,000	2.921	3.350	3.359	3.361	4.6%
7	15-yr Reopening of MGII 7/40	15	Mar	Q1	9/3/2026	5,000	3,500	1,500	35,000	2.295	3.875	3.895	3.905	38.8%
8	3-yr New Issue of MGS (Mat on 03/29)	3	Mar	Q1	13/3/2026	5,000	5,000		40,000	2.218	3.230	3.237	3.242	0.7%
9	7-yr New Issue of MGII (Mat on 3/33)	7	Mar	Q1	30/3/2026	5,000	5,000		45,000	1.688	3.590	3.624	3.643	60.0%
10	30-yr Reopening of MGS 07/55	30	Apr	Q2	7/4/2026	5,000	3,000	2,000	50,000	2.029	4.180	4.197	4.209	98.6%
11	3.5-yr New Issue of MGII (Mat on 10/29)	3	Apr	Q2	14/4/2026	5,000	5,000		55,000	2.921	3.220	3.227	3.230	56.3%
12	20-yr New Issue of MGS (Mat on 04/46)	20	Apr	Q2	22/4/2026	5,000	3,500	1,500	60,000	2.880	3.972	3.987	3.992	92.2%
13	10-yr Reopening of MGII 4/35	10	May	Q2	14/5/2026	5,000	5,000		65,000	2.868	3.593	3.600	3.607	20.0%
14	7-yr Reopening of MGS 4/33	7	May	Q2	21/5/2026	5,000	5,000		70,000	2.592	3.570	3.580	3.583	67.8%
15	30-yr Reopening of MGII 1/56	30	May	Q2	28/5/2026	5,000	3,000	2,000	75,000	2.285	4.095	4.103	4.110	52.2%
16	3-yr Reopening of MGS 3/29	3	Jun	Q2	4/6/2026	5,000	5,000		80,000	1.928	3.228	3.243	3.249	52.9%
17	15-yr Reopening of MGII 7/40	15	Jun	Q2	12/6/2026	5,000	3,500	1,500	85,000	3.410	3.891	3.898	3.902	75.0%
18	5-yr Reopening of MGS 6/31	5	Jun	Q2	19/6/2026	5,000	5,000		90,000	2.282	3.432	3.439	3.445	32.5%
19	20-yr Reopening of MGII 5/45	20	Jun	Q2	25/6/2026	5,000	3,000	2,000	95,000	3.136	3.980	3.995	4.000	90.3%
20	10-yr Reopening of MGS 07/35	10	Jul	Q3	2/7/2026	5,000	5,000		100,000	1.867	3.613	3.630	3.638	66.7%
21	3.5-yr Reopening of MGII 10/29	3	Jul	Q3	14/7/2026	5,000	5,000		105,000	2.260	3.280	3.287	3.289	95.3%
22	15-yr Reopening of MGS 01/41	15	Jul	Q3	21/7/2026	5,000	3,500	1,500	110,000	2.056	3.890	3.903	3.910	50.0%
23	5-yr Reopening of MGII 10/31	5	Aug	Q3	4/8/2026	5,000	5,000		115,000	2.402	3.518	3.529	3.534	80.0%
24	30-yr Reopening of MGS 7/55	30	Aug	Q3	11/8/2026	5,000	3,000	2,000	120,000	2.017	4.225	4.213	4.199	30.0%
25	7-yr Reopening of MGII 3/33	7	Aug	Q3	18/8/2026	5,000	5,000		125,000	2.147	3.685	3.696	3.704	51.3%
26	20-yr Reopening of MGS 4/46	20	Aug	Q3	26/8/2026	5,000	3,500	1,500	130,000	1.635	4.169	4.189	4.200	59.3%
27	10-yr Reopening of MGII 7/36	10	Sep	Q3	9/9/2026	5,000	5,000		135,000	2.292	4.138	4.149	4.160	60.0%
28	7-yr Reopening of MGS 04/33	7	Sep	Q3		5,000			135,000					
29	30-yr Reopening of MGII 1/56	30	Sep	Q3		5,000			135,000					
30	3.5-yr Reopening of MGII 10/29	3	Oct	Q4		5,000			135,000					
31	15-yr Reopening of MGS 1/41	15	Oct	Q4		5,000			135,000					
32	20-yr Reopening of MGII 5/45	20	Oct	Q4		5,000			135,000					
33	10-yr New Issue of MGS (Mat on 10/36)	10	Oct	Q4		5,000			135,000					
34	15-yr Reopening of MGII 7/40	15	Nov	Q4		5,000			135,000					
35	3-yr Reopening of MGS 3/29	3	Nov	Q4		5,000			135,000					
36	10-yr Reopening of MGII 7/36	10	Nov	Q4		5,000			135,000					
37	30-yr Reopening of MGS 07/55	11	Dec	Q1		5,000			135,000					
	Gross MGS/GII supply in 2026					185,000	114,000	21,000	135,000	PROJECTED TOTAL ISSUANCE = RM185bn				

Source: Bloomberg, BNM, HLBB Global Markets Research

- A total of RM20.0bn of gross issuance was seen in August from the four scheduled auctions – a re-opening of RM5.0bn 5yr GII, a re-opening of RM3.0bn 30yr MGS (plus RM2.0bn PP), a re-opening of RM5.0bn 7yr GII and a re-opening of RM3.5bn 20yr MGS (plus RM1.5bn PP).
- The bond auctions in August overall were slightly better received compared to July, with an average BTC of 2.092x (Jul: 2.061x) for the month.
- For September, we should get gross issuance of RM15.0bn from the three scheduled auctions – a re-opening of RM5.0bn 7yr MGS and a re-opening of RM3.0bn 30yr GII (plus RM2.0bn PP), after the re-opening of RM5.0bn of the 10yr GII that we have already had.



MGS/GII trading volume headed lower in August; expected to rise in September



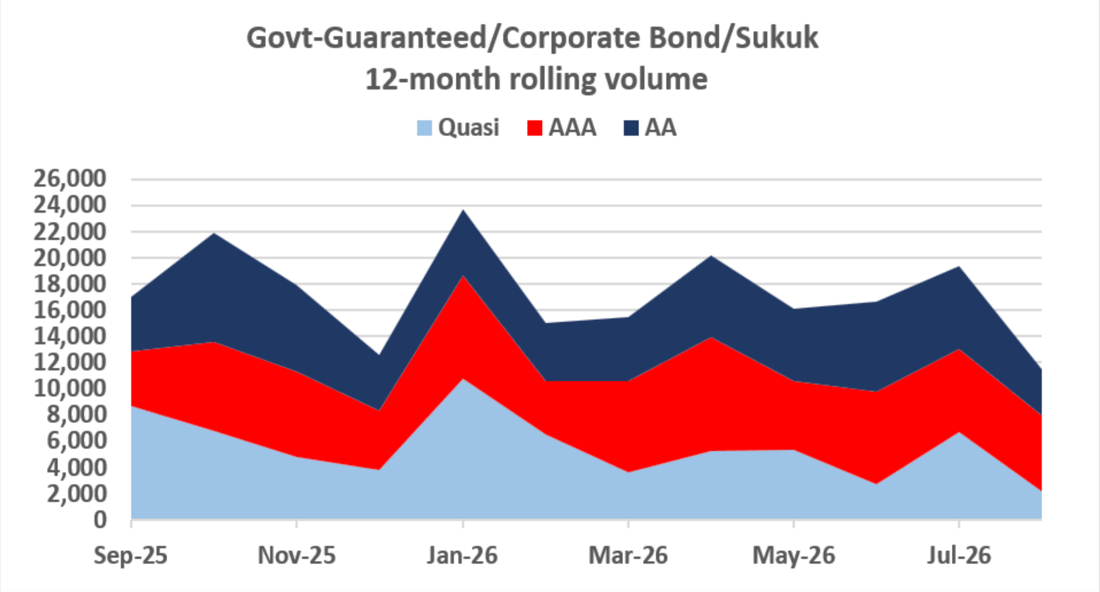
- Secondary trading in MGS/GII declined to RM85.0bn in August (Jul: RM115.4bn), with both MGS and GII trading easing for the month
- The off-the-run MGS 11/26 and off-the-run GII 9/26 again led trading for the month in the MGS and GII markets respectively
- Decent interest was also seen in the benchmark 3Y GII, 5Y GII, 7Y MGS/GII and 10Y MGS, as well as in the off-the-run MGS 5/27
- Secondary trading in government bonds is expected to pick up pace in September.

Top Traded MGS in Aug 26	Volume (RM 'mil)
MGS 11/26	11,322.8
MGS 5/27	4,853.5
MGS 4/33 (7Y)	3,151.6
MGS 7/35 (10Y)	3,026.8
MGS 7/55 (30Y)	2,149.7
MGS 3/29 (3Y)	1,864.6
MGS 4/31	1,735.3
MGS 7/32	1,667.6
MGS 4/46 (20Y)	1,380.1
MGS 11/27	1,249.3

Top Traded GII in Aug 26	Volume (RM 'mil)
GII 9/26	18,482.2
GII 3/33 (7Y)	2,862.7
GII 10/29 (3Y)	2,790.1
GII 10/31 (5Y)	2,540.1
GII 7/28	2,290.3
GII 7/36	2,100.9
GII 10/32	1,096.6
GII 7/40 (15Y)	855.7
GII 4/35 (10Y)	819.2
GII 9/27	771.4

Source: BPAM, HLBB Global Markets Research
Note: (brackets) denotes benchmark

Corporate/Sukuk secondary trading plunged in August; new issuances receded



- Trading in Corps/Sukuk plunged to RM11.5bn in August (Jul: RM19.4bn), the lowest in 2026 thus far, driven by a sizable decrease in the trading of GG bonds for the month, while also falling for AAA and AA-rated paper

- New issuances for the month receded to RM12.8bn in August (Jul: RM20.7bn), driven by large declines in issuance in the GG space and the corporate guaranteed segment of the market, while issuance by financials and corporates rose for the month; we expect issuance in corporate/sukuks to remain light in September, likely declining further

- Among the possible notable issuances in the pipeline this month include new issues from PTPTN (RM1.875bn), Press Metal (RM1.0bn), Air Selangor (RM0.75bn), Pelaburan Hartanah (RM0.45bn), and MRL (RM0.4bn)

Top Traded Corporate Bonds/Sukuk in Aug 26	Volume (RM mil)	Last Done Yield (%)
PUBLIC MTN 1826D 21.7.2031	800	3.780
DANAINFRA IMTN 3.980% 27.08.2055 - Tranche No 163	280	4.419
CAGAMAS IMTN 3.450% 26.02.2029	220	3.596
GENM CAPITAL MTN 3652D 31.3.2027	200	4.069
WMSCB IMTN 4.700% 15.11.2030 - S4 T1	175	4.697
SEB IMTN 5.040% 25.04.2031	165	3.777
SEB IMTN 4.850% 19.01.2027	160	3.409
SEB IMTN 4.950% 25.11.2033	140	3.888
TNBPGSB IMTN 4.580% 29.03.2033	135	3.759
DANAINFRA IMTN 3.930% 27.11.2034 - Tranche No 93	130	3.957
AEON CO. IMTN 3.970% 19.06.2031	130	3.898

Top Corporate/Sukuk Issuance in Aug 26	Rating	Amount Issued (RM 'mil)
MAYBANK SUBORDINATED SUKUK 4.170% 11.08.2038	AA1	1,800
MAYBANK SUBORDINATED SUKUK 4.330% 11.08.2043	AA1	1,400
MAYBANK SUBORDINATED SUKUK 4.230% 09.08.2041	AA1	1,200
CIMBI IMTN 4.080% 26.08.2033 - Series 8 Tranche 2	AAA	800
CIMBI IMTN 4.370% 27.08.2041 - Series 8 Tranche 4	AAA	480
MAYBANK SUBORDINATED SUKUK 4.050% 11.08.2036	AA1	400
TIME DOTCOM IMTN 3.920% 05.08.2033 - Tranche 3	AA1	400
GAMUDA IMTN S80 4.090% 27.08.2032	AA3	350
GAMUDA IMTN S81 4.140% 26.08.2033	AA3	300
SUNREIT MTN MTN 733D 28.8.2028	AA1	300

Source: BNM, BPAM, HLBB Global Markets Research

US Bonds Outlook September 2026 – bullish bias on USTs

	Current @ 08 Sep	Q3 2026	Q4 2026	Q1 2027	Q2 2027
Fed Funds Rate (upper bound)	3.75%	3.75%	3.75%	3.75%	3.75%

UST yields (%)	Current @ 08 Sep	Q3 2026	Q4 2026	Q1 2027	Q2 2027
2Y	4.39%	4.30%	4.20%	4.10%	4.00%
5Y	4.56%	4.45%	4.35%	4.25%	4.20%
10Y	4.79%	4.70%	4.60%	4.55%	4.50%
30Y	5.25%	5.20%	5.15%	5.10%	5.05%

Source: HLBB Global Markets Research

Key Events for the Month

Date	Event
10 Sep	PPI
11 Sep	CPI
16 Sep	Retail Sales
16 Sep	FOMC Decision
23 Sep	Preliminary US PMIs
29 Sep	JOLTS Job Openings
30 Sep	ADP Employment Change
30 Sep	Core PCE Index
30 Sep	2Q26 GDP (T)

- Bonds have edged lower thus far in September, with oil prices continuing to rise on a resumption of hostilities in the Middle East with fresh strikes over the past week.

- The monthly employment report for August came in quite a bit better than anticipated, with non-farm job gains for the month nearly tripling expectations coupled with back month revisions higher. The ISM indices for August were mixed, with manufacturing easing slightly more than expected, and services unexpectedly growing at a quicker pace for the month.

- The FOMC meets to decide on policy on Sep 16, and after the hawkish speech by Fed Chair Warsh at the Jackson Hole symposium, the markets are expecting the Fed to follow through on the hawkishness, with futures markets implying a 62% chance of a 25bps rate hike at present. The upcoming August CPI prints on Sep 11 now carry extra weight, where expectations are for the headline CPI to hold steady at 3.4% y/y while core CPI is expected to ease a notch to 2.4% y/y.

- **We think that USTs are likely to trade with a bullish bias for the remainder of the month**, and that the Fed are likely to keep rates steady in a close majority decision.

HongLeong Bank

MYR Bonds Outlook September 2026 – constructive on MGS/GII

	Current @ 08 Sep	Q3 2026	Q4 2026	Q1 2027	Q2 2027
OPR	2.75%	2.75%	2.75%	3.00%	3.00%

MGS yields (%)	Current @ 08 Sep	Q3 2026	Q4 2026	Q1 2027	Q2 2027
3Y	3.49%	3.45%	3.40%	3.35%	3.35%
5Y	3.77%	3.65%	3.55%	3.50%	3.50%
10Y	4.10%	4.00%	3.90%	3.80%	3.75%
20Y	4.37%	4.25%	4.20%	4.15%	4.10%

Source: HLBB Global Markets Research

Key Events for the Month

Date	Event
18 Sep	CPI
18 Sep	Exports and Trade Balance

- MYR government bonds have plunged thus far in September with the 10yr yield rising by a massive 23bps since the end of August, as the markets re-adjusted to a possible rate hike scenario domestically while still struggling to absorb the longer-dated supply that we had the month before.

- BNM left policy on hold for a seventh straight MPC meet on Sep 03, and although the accompanying policy statement still painted a neutral outlook, the description of current rates as “appropriate” was removed from the statement, in what was seen as a precursor to a possible regularization of rates, with the “insurance cut” undertaken last July likely to be reversed in the 1H of next year if the economy holds up between now and then.

- Industrial production growth for July eased by more than expected for a second month in a broad-based easing across all categories in a signal that the economy could ease in the second half of the year, while the S&P Global Malaysia manufacturing PMI for August receded slightly from the level seen in July.

- **We are constructive on bonds from here for the remainder of the month and see government bonds yields retracing lower from here** – the government bond markets are oversold and with the magnitude of the sell-off, current yields present rather attractive entry levels across the entire maturity spectrum.

DISCLAIMER

This report is for information purposes only and does not take into account the investment objectives, financial situation or particular needs of any particular recipient. The information contained herein does not constitute the provision of investment advice and is not intended as an offer or solicitation with respect to the purchase or sale of any of the financial instruments mentioned in this report and will not form the basis or a part of any contract or commitment whatsoever.

The information contained in this publication is derived from data obtained from sources believed by Hong Leong Bank Berhad ("HLBB") to be reliable and in good faith, but no warranties or guarantees, representations are made by HLBB with regard to the accuracy, completeness or suitability of the data. Any opinions expressed reflect the current judgment of the authors of the report and do not necessarily represent the opinion of HLBB or any of the companies within the Hong Leong Bank Group ("HLB Group"). The opinions reflected herein may change without notice and the opinions do not necessarily correspond to the opinions of HLBB. HLBB does not have an obligation to amend, modify or update this report or to otherwise notify a reader or recipient thereof in the event that any matter stated herein, or any opinion, projection, forecast or estimate set forth herein, changes or subsequently becomes inaccurate.

HLB Group, their directors, employees and representatives do not have any responsibility or liability to any person or recipient (whether by reason of negligence, negligent misstatement or otherwise) arising from any statement, opinion or information, expressed or implied, arising out of, contained in or derived from or omission from the reports or matter. HLBB may, to the extent permitted by law, buy, sell or hold significantly long or short positions; act as investment and/or commercial bankers; be represented on the board of the issuers; and/or engage in 'market making' of securities mentioned herein. The past performance of financial instruments is not indicative of future results. Whilst every effort is made to ensure that statements of facts made in this report are accurate, all estimates, projections, forecasts, expressions of opinion and other subjective judgments contained in this report are based on assumptions considered to be reasonable as of the date of the document in which they are contained and must not be construed as a representation that the matters referred to therein will occur. Any projections or forecasts mentioned in this report may not be achieved due to multiple risk factors including without limitation market volatility, sector volatility, corporate actions the unavailability of complete and accurate information. No assurance can be given that any opinion described herein would yield favorable investment results. Recipients who are not market professional or institutional investor customer of HLBB should seek the advice of their independent financial advisor prior to taking any investment decision based on the recommendations in this report.

HLBB may provide hyperlinks to websites of entities mentioned in this report, however the inclusion of a link does not imply that HLBB endorses, recommends or approves any material on the linked page or accessible from it. Such linked websites are accessed entirely at your own risk. HLBB does not accept responsibility whatsoever for any such material, nor for consequences of its use.

This report is not directed to, or intended for distribution to or use by, any person or entity who is a citizen or resident of or located in any state, country or other jurisdiction where such distribution, publication, availability or use would be contrary to law or regulation. This report is for the use of the addressees only and may not be redistributed, reproduced or passed on to any other person or published, in part or in whole, for any purpose, without the prior, written consent of HLBB. The manner of distributing this report may be restricted by law or regulation in certain countries. Persons into whose possession this report may come are required to inform themselves about and to observe such restrictions. By accepting this report, a recipient hereof agrees to be bound by the foregoing limitations.