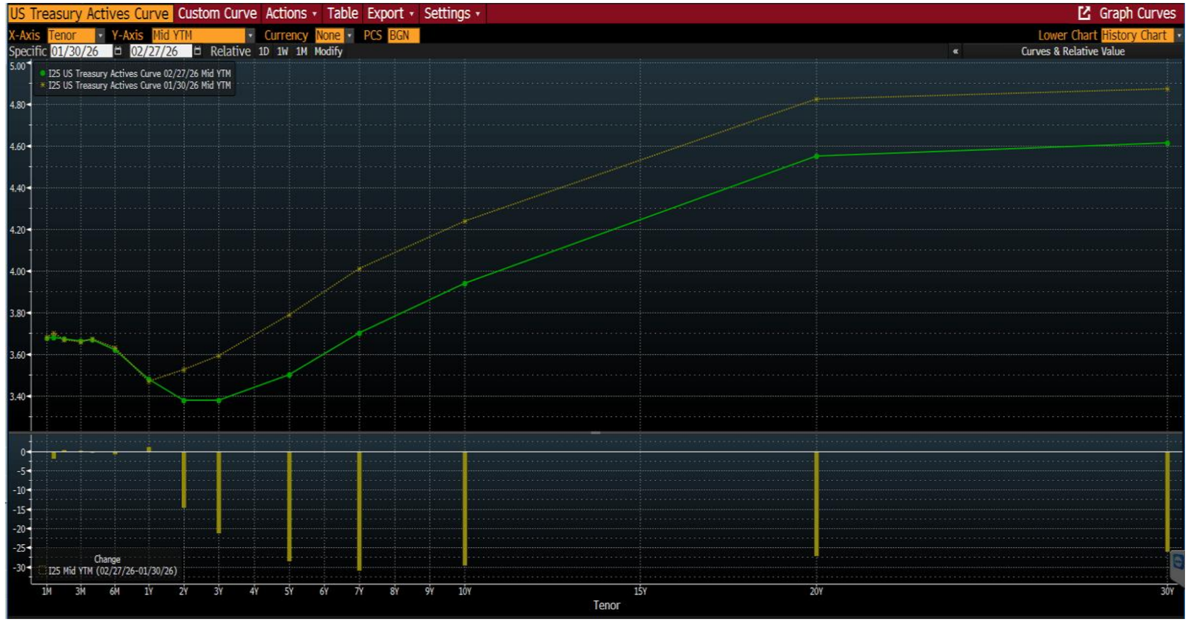
Monthly Fixed Income Market Outlook

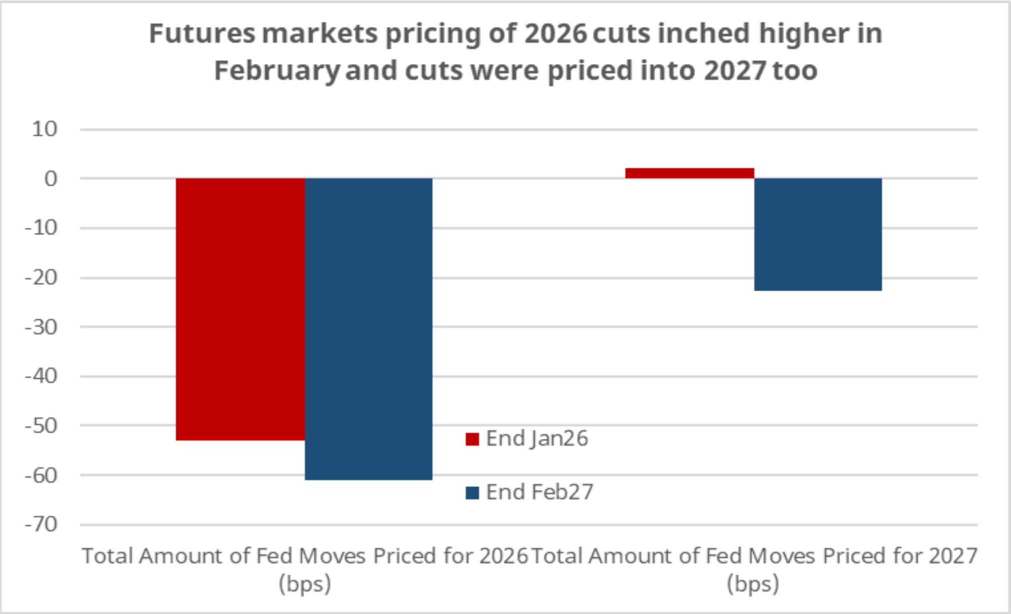
Global Markets

March 2026

February 2026 US Bond Market Review



Source: Bloomberg, HLBB Global Markets Research



- USTs rallied in February, with yields declining by between 15-31bps for the month amidst continuing concerns over AI displacement and the rising geopolitical temperature with talks between the US and Iran not making any substantial progress. The US supreme court voted against the legality of Trump's reciprocal tariffs, with Trump responding by introducing further temporary tariffs and clouding the outlook further for global trade.

- The monthly January jobs report was better than expected, with double the pace of jobs gains anticipated and an unexpected further dip in the unemployment rate. Core CPI for January firmed slightly as expected, while the core PCE reading for December was hotter than anticipated.

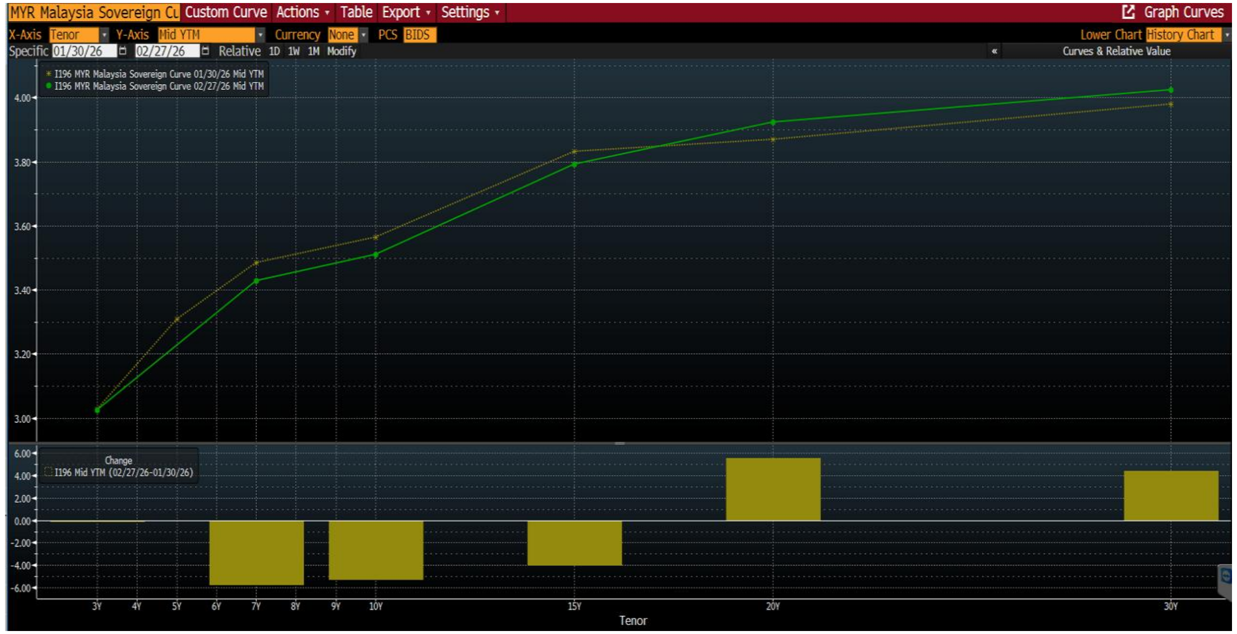
- The UST curve bull flattened during the month as yields headed south:
  - 2yr yield declined by 15bps to 3.38%
  - 10yr yield fell by 30bps to 3.94%

- The minutes of the Jan 28 FOMC meeting, where the Fed left rates on hold for the first time in four meetings in a 10-2 vote, revealed that officials were divided on future moves, with some officials warning that rate increases could be necessary if inflation remains sticky.

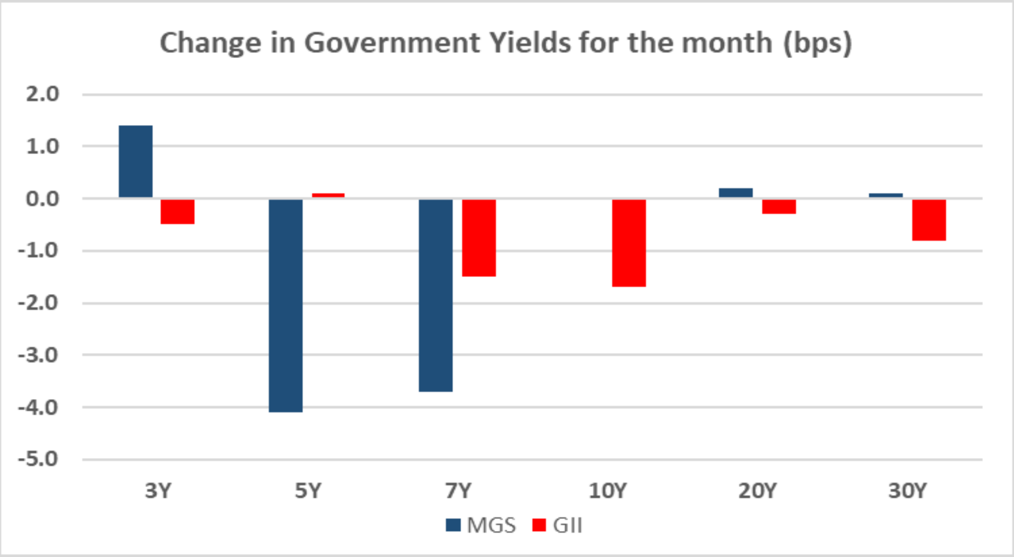
- Futures markets pricing of 2026 cuts rose slightly during the month, and pointed to between 2 to 3 cuts for the year, while pricing for 2027 saw a swing to cuts being built in from roughly unchanged policy expected the year at the end of the previous month.

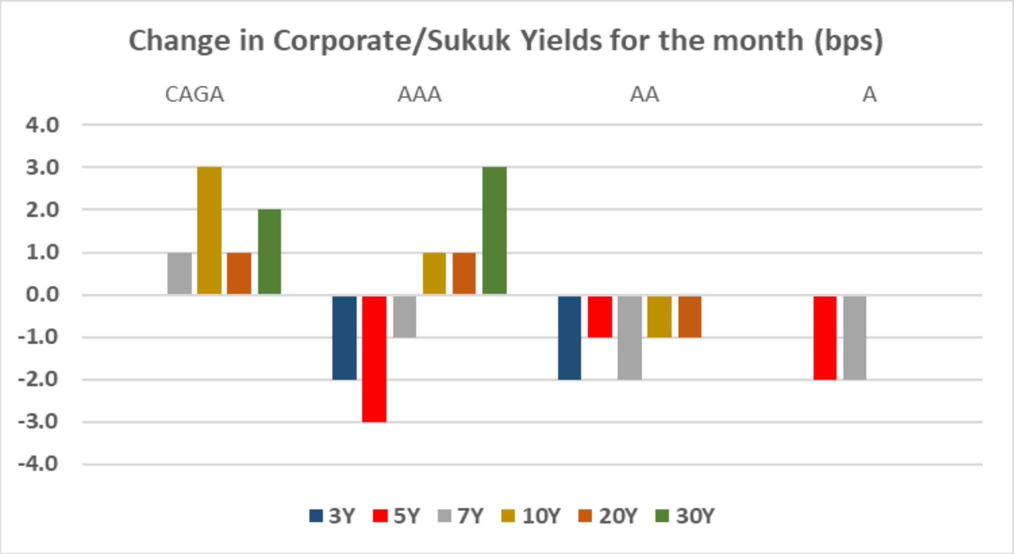
- Futures markets pricing of Fed moves as at the end of February stood as follows:
  - 2026 rate cuts priced rose to 61bps (from 53bps at end Jan)
  - 2027 rate moves priced moved to -23bps (from +2bps at end Jan)

February 2026 MYR Bond Market Review



Source: Bloomberg, HLBB Global Markets Research





Source: BPAM, HLBB Global Markets Research

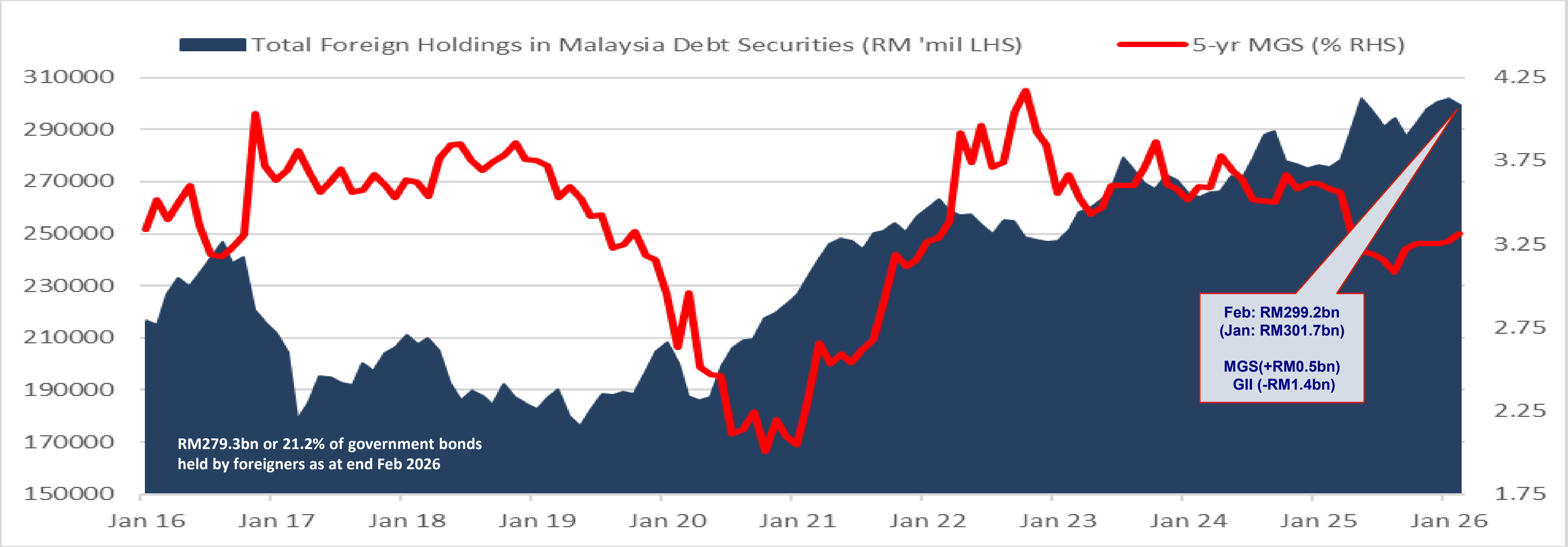
- MYR govt bonds were slightly firmer for the most part in February, amidst final 4Q and 2025 GDP coming in stronger than expected, registering a further improvement from the already higher than anticipated advanced numbers the month before.

- Other economic data we get during February saw exports for January surpass expectations while imports fell short of estimates, while industrial production for December was slightly firmer than anticipated, and CPI for January held steady as expected at 1.6% y/y

- Benchmark government bond yields ended February mixed by between -4 to +1bp, with the 5Y and 7Y segments of the MGS market outperforming for the month.

- Corporate bonds were mixed in February, with the lower-rated segments of the credit spectrum generally doing better for the month, and shorter-dated maturities outperforming their longer-dated counterparts

Offshore foreign holdings fell for the first month in five in February; driven by declines in GII and Corps



Source: BNM, Bloomberg, HLBB Global Markets Research

- Offshore foreign holdings of Malaysian debt securities declined for the first month in five in February, falling by RM2.5bn to RM299.2bn versus the RM301.7bn held at the end of January
- The fall was driven largely by decreases in the holdings of Corporate Bonds (-RM1.5bn) and GII (-RM1.4bn), with a reduction also seen in the holdings of Sukuk (-RM0.2bn)
- MGS (+RM0.5bn) saw a rise in foreign holdings for the month, while holdings of MTB and MITBs were little changed

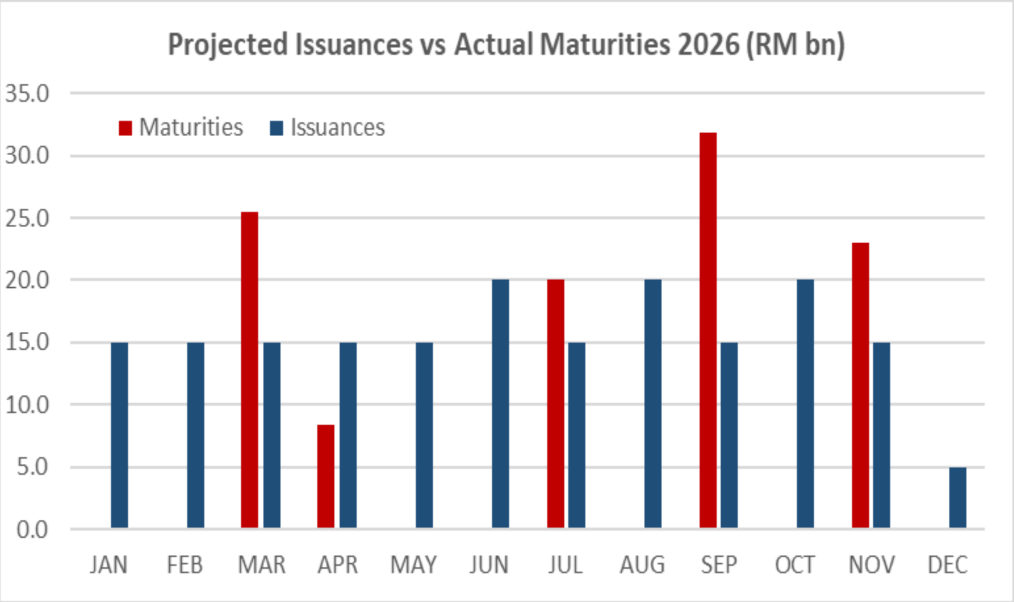
RM15.0bn of gross MGS/GII issuance seen in Feb; another RM15.0bn of issuance expected in Mar

MGS/GII issuance pipeline in 2026

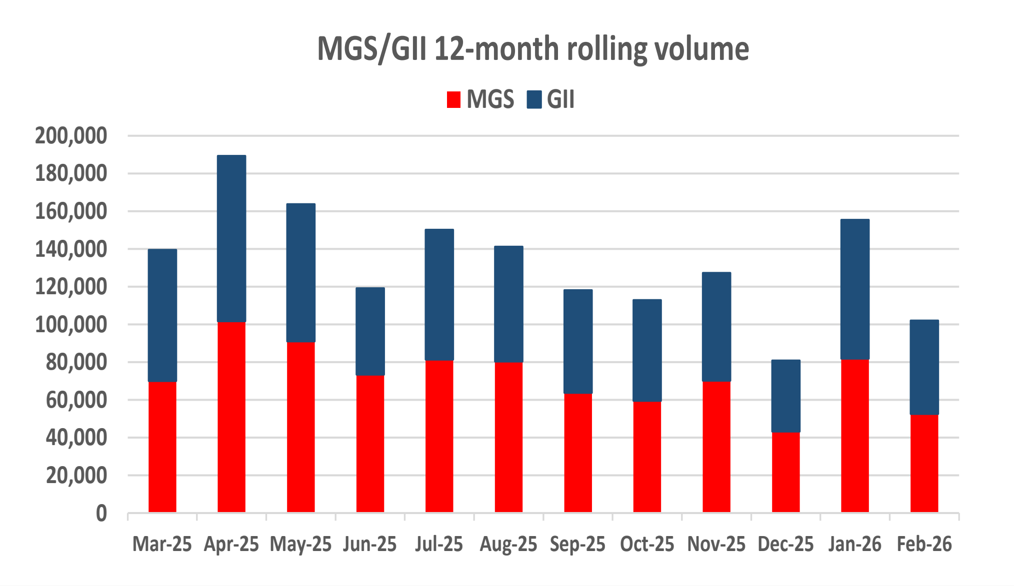
No	Stock	Tenure (yrs)	Tender Month	Quarter	Tender Date	Projected Issuance Size (RM mil)	Actual Auction Issuance (RM mil)	Actual Private Placement	Total Issuance YTD	BTC (times)	Low	Average	High	Cut-off
1	5-yr Reopening of MGII 08/30	5	Jan	Q1	7/1/2026	5,000	5,000		5,000	2.296	3.260	3.268	3.272	7.1%
2	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		5,000			35,000					
9	7-yr New Issue of MGII (Mat on 3/33)	7	Mar	Q1		5,000			35,000					
10	30-yr Reopening of MGS 07/55	30	Apr	Q2		5,000			35,000					
11	3.5-yr New Issue of MGII (Mat on 10/29)	3	Apr	Q2		5,000			35,000					
12	20-yr New Issue of MGS (Mat on 04/46)	20	Apr	Q2		5,000			35,000					
13	10-yr Reopening of MGII 4/35	10	May	Q2		5,000			35,000					
14	7-yr Reopening of MGS 4/33	7	May	Q2		5,000			35,000					
15	30-yr Reopening of MGII 1/56	30	May	Q2		5,000			35,000					
16	3-yr Reopening of MGS 3/29	3	Jun	Q2		5,000			35,000					
17	15-yr Reopening of MGII 7/40	15	Jun	Q2		5,000			35,000					
18	5-yr Reopening of MGS 6/31	5	Jun	Q2		5,000			35,000					
19	20-yr Reopening of MGII 5/45	20	Jun	Q2		5,000			35,000					
20	10-yr Reopening of MGS 07/35	10	Jul	Q3		5,000			35,000					
21	3.5-yr Reopening of MGII 10/29	3	Jul	Q3		5,000			35,000					
22	15-yr Reopening of MGS 01/41	15	Jul	Q3		5,000			35,000					
23	5-yr Reopening of MGII 10/31	5	Aug	Q3		5,000			35,000					
24	30-yr Reopening of MGS 7/55	30	Aug	Q3		5,000			35,000					
25	7-yr Reopening of MGII 3/33	7	Aug	Q3		5,000			35,000					
26	20-yr Reopening of MGS 4/46	20	Aug	Q3		5,000			35,000					
27	10-yr Reopening of MGII 7/36	10	Sep	Q3		5,000			35,000					
28	7-yr Reopening of MGS 04/33	7	Sep	Q3		5,000			35,000					
29	30-yr Reopening of MGII 1/56	30	Sep	Q3		5,000			35,000					
30	3.5-yr Reopening of MGII 10/29	3	Oct	Q4		5,000			35,000					
31	15-yr Reopening of MGS 1/41	15	Oct	Q4		5,000			35,000					
32	20-yr Reopening of MGII 5/45	20	Oct	Q4		5,000			35,000					
33	10-yr New Issue of MGS (Mat on 10/36)	10	Oct	Q4		5,000			35,000					
34	15-yr Reopening of MGII 7/40	15	Nov	Q4		5,000			35,000					
35	3-yr Reopening of MGS 3/29	3	Nov	Q4		5,000			35,000					
36	10-yr Reopening of MGII 7/36	10	Nov	Q4		5,000			35,000					
37	30-yr Reopening of MGS 07/55	11	Dec	Q1		5,000			35,000					
	Gross MGS/GII supply in 2026					185,000	28,000	7,000	35,000	PROJECTED TOTAL ISSUANCE = RM185bn				

Source: Bloomberg, BNM, HLBB Global Markets Research

- Gross issuance of RM15bn was seen in February from the three scheduled auctions – a re-opening of RM5bn 10yr MGS, a re-opening of RM3bn 20yr GII (plus RM2bn PP), and a re-opening of RM5bn of the MGS 6/31, which took over as the benchmark 5Y MGS
- The bond auctions in February were on balance decently received, with an average BTC of 2.408x (Jan: 2.130x) for the month, in spite of the weak 10yr MGS re-opening at the start of the month
- In March, we are likely to see gross issuance of RM15.0bn from the three scheduled auctions – a new issuance of RM5bn of a fresh 3yr MGS and a new issuance of RM5bn of a fresh 7yr GII, after the RM3.5bn re-opening of the 15yr GII (plus RM1.5bn PP) that we have already had
- The supply dynamics improve this month with the scheduled maturity of RM25.5bn of the GII 3/26 at the end of the month



MGS/GII trading volume declined in February; expected to pick up in March



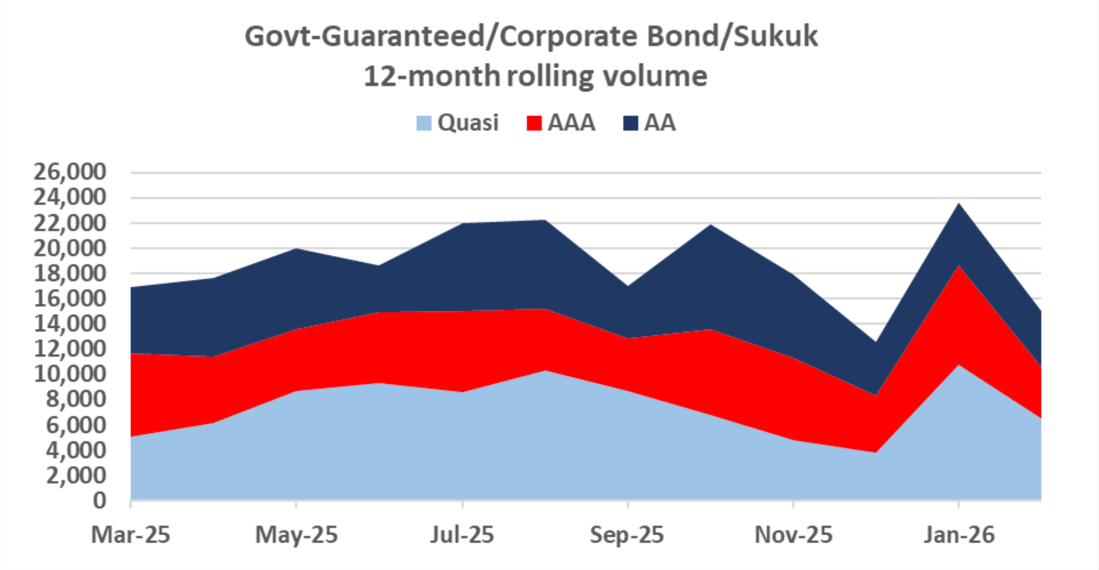
- Secondary trading in MGS/GII receded to RM102.0bn in February (Jan: RM155.3bn), with both MGS and GII trading coming off during the holiday-shortened month
- The benchmark 10Y MGS 7/35 and GII 3/26 led trading for the month in the MGS and GII markets respectively
- Good interest for the month was also seen in the off-the-run MGS 7/26, GII 9/26 and MGS 11/26, as well as in the benchmark 3Y GII 7/28 and 7Y GII 10/31
- Secondary trading in government bonds is expected to pick up in March

Top Traded MGS in February 26	Volume (RM 'mil)
MGS 7/35 (10Y)	9,090.7
MGS 7/26	6,830.2
MGS 11/26	6,073.4
MGS 4/31	3,793.8
MGS 6/31 (5Y)	3,392.2
MGS 7/32 (7Y)	2,570.1
MGS 11/33	2,458.9
MGS 5/27	2,401.6
MGS 4/28 (3Y)	2,259.0
MGS 5/30	2,050.6

Top Traded GII in February 26	Volume (RM 'mil)
GII 3/26	12,142.4
GII 9/26	8,080.6
GII 10/31 (7Y)	5,101.4
GII 7/28 (3Y)	4,472.9
GII 4/35 (10Y)	2,079.7
GII 5/45 (20Y)	1,850.1
GII 11/34	1,448.7
GII 8/30 (5Y)	1,403.7
GII 8/43	1,261.8
GII 9/30	1,240.0

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

Corporate/Sukuk secondary trading declined in February; surge in new issuances



- Trading in Corps/Sukuk declined to RM15.0bn in February (Jan: RM23.6bn), driven by a reduction in the trading of GG and AAA-rated bonds during the holiday-shortened month

- New issuances for the month surged to RM20.1bn in February (Jan: RM7.4bn), with all segments of the market recording increases after the lull the month before; we expect issuance in the corporate/sukuk space to decline in March

- Among the possible notable issuances in the pipeline this month include new issues from TNBPG (RM1.5bn), PLNG2 (RM0.8bn), Sunway Treasury (RM0.7bn) and AmBank (RM0.5bn)

Top Traded Corporate Bonds/Sukuk in Feb 26	Volume (RM mil)	Last Done Yield (%)
MRL IMTN 10.12.2027 - Series 24	600	3.238
MRL IMTN 4.060% 25.07.2036	400	3.679
JAMB.KEDUA IMTN 4.200% 28.07.2026	390	3.147
LPPSA IMTN 3.740% 09.04.2032 - Tranche No. 7	280	3.505
LPPSA IMTN 4.900% 05.04.2033 - Tranche No 21	230	3.567
PRASARANA SUKUK MURABAHAH 4.84% 02.12.2033 - S10	220	3.584
DANAINFRA IMTN 4.950% 19.03.2032 - Tranche No 58	210	3.504
DANAINFRA IMTN 4.530% 07.04.2037 - Tranche No 119	210	3.728
DANAINFRA IMTN 3.600% 16.12.2033 - Tranche No 164	210	3.589
PASB IMTN 4.020% 05.02.2037 - Issue No. 55	210	3.871

Top Corporate/Sukuk Issuance in Feb 26	Rating	Amount Issued (RM 'mil)
MAYBANKISLM IMTN 3.750% 07.02.2033	AAA	2,000
LPPSA IMTN 4.190% 11.02.2056 - Tranche No. 29	GG	1,100
LPPSA IMTN 3.420% 13.02.2031 - Tranche No. 23	GG	1,000
LPPSA IMTN 4.160% 13.02.2053 - Tranche No. 28	GG	1,000
MAYBANKISLM IMTN 3.610% 24.02.2031	AAA	1,000
DANUM IMTN 3.820% 15.02.2036 - Tranche 22	AAA	1,000
PASB IMTN 4.020% 05.02.2037 - Issue No. 55	AAA	900
CAGAMAS IMTN 3.450% 26.02.2029	AAA	800
CAGAMAS IMTN 3.320% 09.02.2027	AAA	760
LDF3 IMTN Tr 8 21.02.2053	AA3	730

Source: BNM, BPAM, HLBB Global Markets Research

HongLeong Bank

US Bonds Outlook Mar 2026 – bullish on bonds from here

	Current @ 09 Mar	Q1 2026	Q2 2026	Q3 2026	Q4 2026
Fed Funds Rate (upper bound)	3.75%	3.75%	3.50%	3.50%	3.25%

UST yields (%)	Current @ 09 Mar	Q1 2026	Q2 2026	Q3 2026	Q4 2026
2Y	3.60%	3.45%	3.30%	3.15%	3.00%
5Y	3.76%	3.65%	3.50%	3.35%	3.25%
10Y	4.17%	4.05%	3.90%	3.80%	3.75%
30Y	4.79%	4.75%	4.65%	4.60%	4.60%

Source: HLBB Global Markets Research

Key Events for the Month

Date	Event
11 Mar	CPI
13 Mar	Core PCE Index
13 Mar	4Q GDP (S)
18 Mar	PPI
18 Mar	FOMC Decision
31 Mar	Conf Board Consumer Confidence

- Bonds have sold off markedly thus far in March, with the start of the conflict in Iran over the turn of the month resulting in fears over the inflationary impact of higher energy prices and possible supply chain disruptions, as well as its impact of a long-drawn out conflict on the finances of the US government. The 10yr UST yield has risen by 23bps to 4.17% amidst a surge in oil prices, with Brent futures climbing to $106 versus $72 at the end of last month before the conflict began.

- The much weaker than expected monthly jobs report for February, which saw non-farm job losses of 92k for the month versus a gain of 55k jobs anticipated and an unexpected rise in the unemployment rate to 4.4%, largely took a back seat given the focus on rising energy prices amidst a growing concern of stagflation. Other economic data we have had thus far for the month were positive, with the ISM indices for February both coming in higher than anticipated, and retail sales for January printing largely as expected.

- The Fed fund futures markets have dialed back on 2026 rate cuts in March thus far, and are currently pricing in only a 5% chance of a 25bps reduction in the Fed Funds rate at the next FOMC on Mar 18, and pricing in only a total of 41bps of cuts for the year as a whole. We continue to foresee a pause on policy in 1Q26, before the Fed resumes reductions in a more gradual manner for the coming quarters.

- **We are bullish on USTs at these levels and expect government bond yields to decline from here**, with concerns of inflation likely to give way to broader economic worries as a quick diplomatic solution to the conflict does not appear visible at this juncture.

MYR Bonds Outlook Mar 2026 – mildly constructive

	Current @ 09 Mar	Q1 2026	Q2 2026	Q3 2026	Q4 2026
OPR	2.75%	2.75%	2.75%	2.75%	2.75%

MGS yields (%)	Current @ 09 Mar	Q1 2025	Q2 2026	Q3 2026	Q4 2026
3Y	3.16%	3.10%	3.05%	3.00%	3.00%
5Y	3.38%	3.30%	3.25%	3.20%	3.15%
10Y	3.59%	3.50%	3.45%	3.40%	3.35%
20Y	4.03%	4.00%	3.95%	3.95%	3.95%

Source: HLBB Global Markets Research

Key Events for the Month

Date	Event
10 Mar	Industrial Production
19 Mar	CPI
19 Mar	Exports and Trade Balance

- MYR government bonds have been weaker thus far in March amidst some speculation that growth forecasts were going to be upgraded, with the government eventually deciding to err on the side of caution and leave them unchanged given the events in Iran and the Middle East over the turn of the month

- The S&P Malaysia manufacturing PMI slid in February after being in expansionary territory for the previous three months, with the index sliding to the lowest level since June 2025, signaling a possible slowing of momentum in 1Q

- BNM left rates on hold for the fourth consecutive MPC meeting on Mar 05, and continued to sound out a neutral tone in the accompanying monetary policy statement, highlighting the downside risks to growth from the rise in geopolitical temperature in the Middle East. We continue to foresee no change to the BNM policy rate in 2026 for the duration of the horizon period

- **We are mildly constructive on bonds from here and see government bonds yields heading lower** for the remainder of the month. Corporate spreads are expected to remain stable amidst continued firm demand, with bond supply expected to ease in March

DISCLAIMER