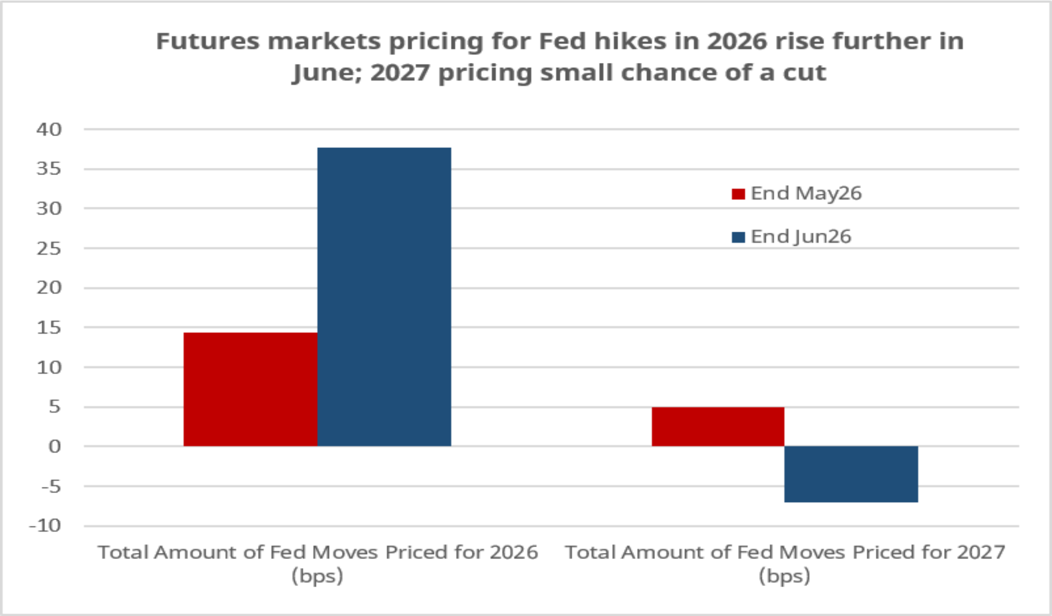
Monthly Fixed Income Market Outlook

Global Markets

July 2026

June 2026 US Bond Market Review



Source: Bloomberg, HLBB Global Markets Research

- USTs mostly declined in June, save for the longer-dated maturities, as a temporary 60-day truce was agreed to in the Middle East while the two sides pursue a permanent peace deal, and the Fed moved away from their easing bias amidst heightened inflationary risks.

- 1Q GDP growth was revised slightly higher to 2.1% q/q annualized in its third reading, and economic data we had during the month continued to be robust with retail sales for May beating estimates and job gains for the month coming in at about double what was anticipated. Inflation for May quickened versus the previous month's numbers but were in line with expectations, with both the core PCE and core CPI coming out as anticipated.

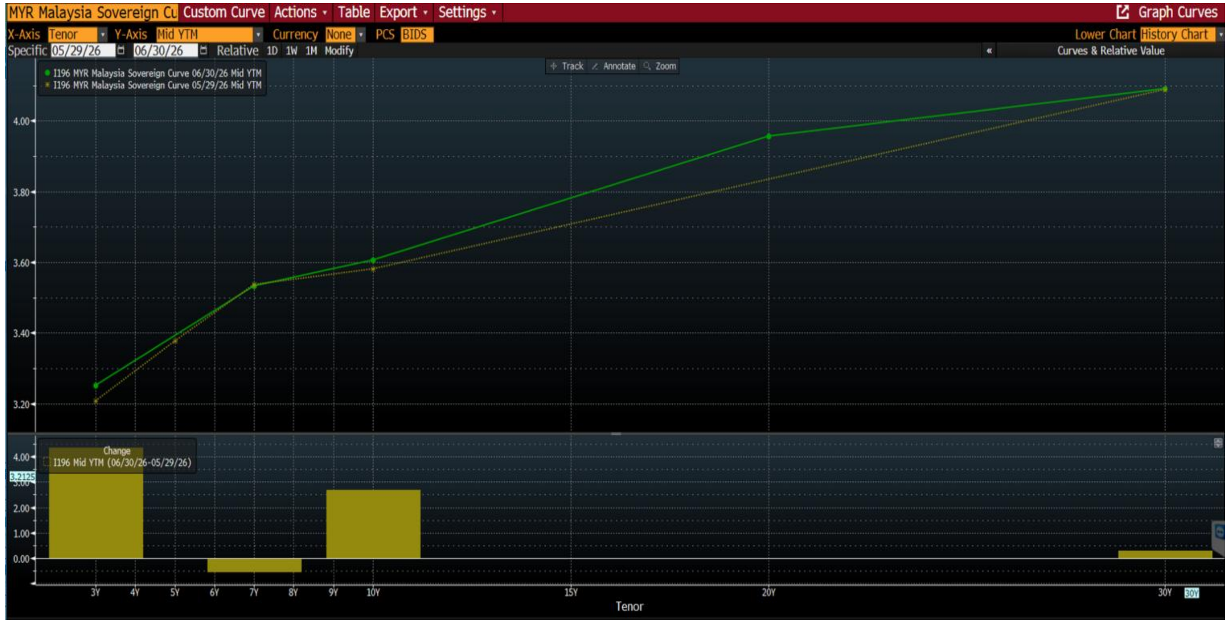
- The UST curve flattened for the month as the shorter-dated maturities underperformed amidst rising Fed hike expectations:
  - 2yr yield rose by 17bps to 4.08%
  - 10yr yield advanced by 3bps to 4.47%

- The FOMC left policy unchanged at their policy meeting on June 17 in a unanimous vote and dropped their easing bias in what was Kevin Warsh's first meeting as the new Fed Chair. Growth was characterized by the Fed as "solid" and inflation was said to remain elevated and the Committee will deliver price stability. The dot plot also signaled a shift to a hawkish stance but Fed Chair Warsh notably did not provide his forecast in line with his views of being critical of the so-called forward guidance.

- Futures markets pricing of rate hikes for 2026 moved higher during the month, with more than a single rate hike for the year now implied.

- Futures markets pricing of Fed moves at the end of June were as follows:
  - For 2026, 38bps of hikes priced (from 14bps of hikes at end May)
  - For 2027, 7bps of cuts priced (from 5bps of hikes at end May)

June 2026 MYR Bond Market Review



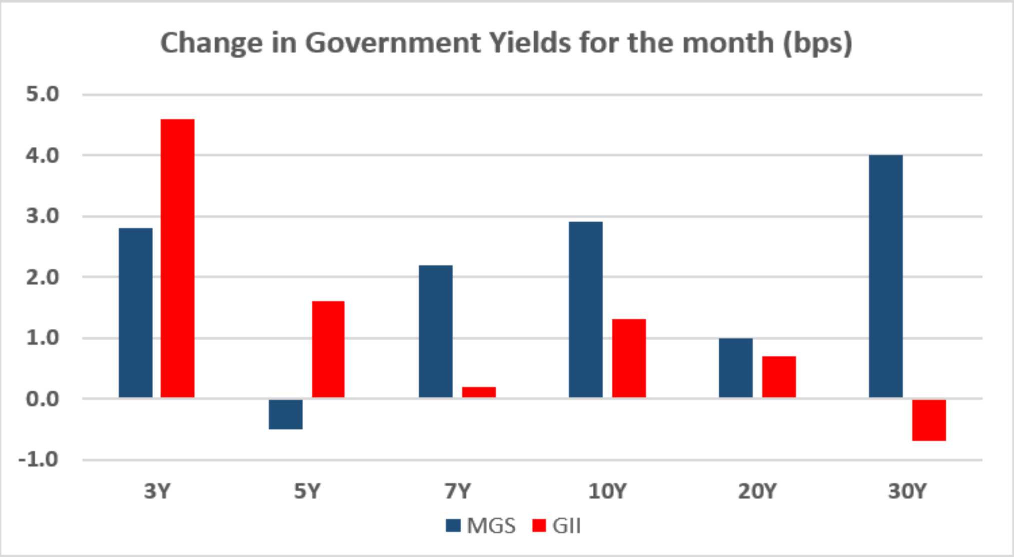
Source: Bloomberg, HLBB Global Markets Research

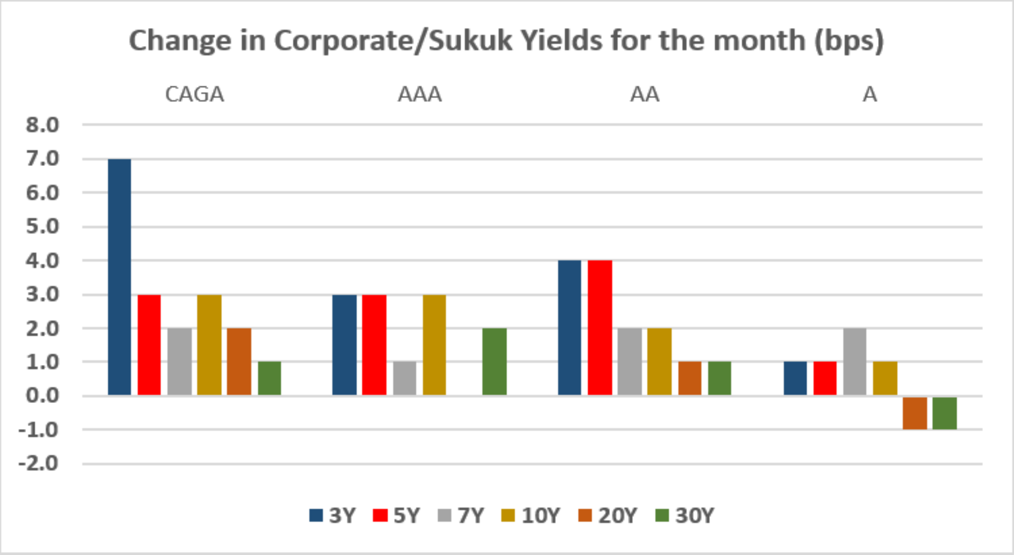
- MYR govt bonds were mostly lower in June amidst a continued bearish backdrop for global government bonds, with Johor and Negeri Sembilan dissolving their state assemblies during the month and opting for early elections.

- Economic data we got during the month was strong, with industrial production for April rising by more than expected to the highest annual rate since 2022 in a broad-based increase, and exports for May also unexpectedly grew further from the lofty levels in April in a positive sign for 2Q growth. Meanwhile, inflation for May quickened but by less than anticipated, signaling an absence of significant price pressures for now.

- There were no BNM MPC meetings in June, but the central bank released a statement during the month that they were going to intensify efforts to encourage the repatriation and conversion of foreign income and ensure orderly market conditions.

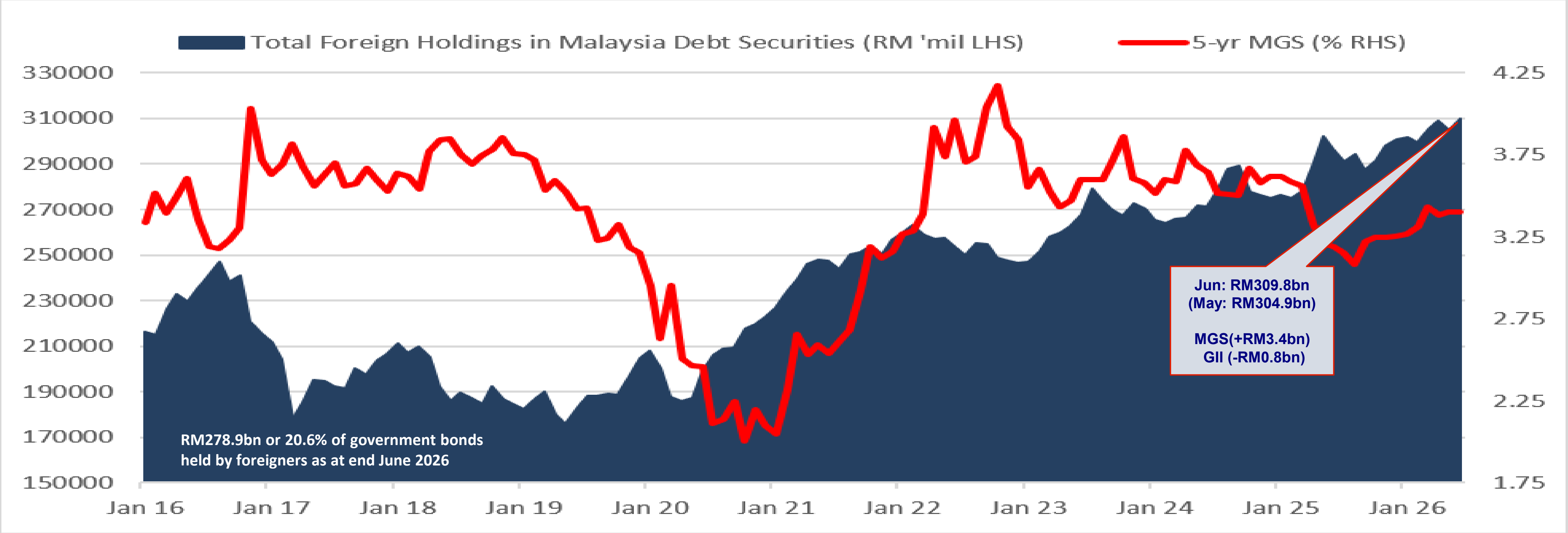
- Benchmark government bond yields closed the month mixed by between -1 to +5bps, while corporate bonds/sukuk were also softer for the month.





Source: BPAM, HLBB Global Markets Research

Offshore foreign holdings climbed to a record in June; driven by an advance in MGS holdings



Source: BNM, Bloomberg, HLBB Global Markets Research

- Offshore foreign holdings of Malaysian debt securities rose to a record in June, advancing by RM4.9bn to RM309.8bn versus the RM304.9bn held at the end of May
- The advance was driven by an increase in the holdings of MGS (+RM3.4bn), while the holdings of Corporate Bonds (+RM1.2bn), MTBs (+RM1.0bn) and MITBs (+RM0.4bn) also rose for the month
- This was offset slightly by declines in the holdings of GII (-RM0.8bn) and Sukuk (-RM0.3bn) for the month

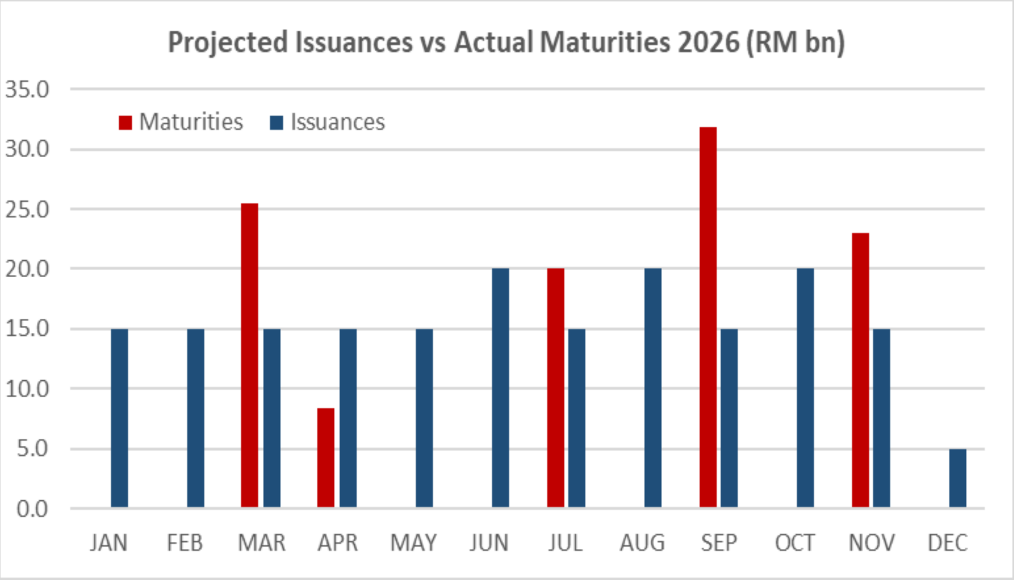
RM20.0bn of gross MGS/GII issuance in June; RM15.0bn of issuance likely in July

MGS/GII issuance pipeline in 2026

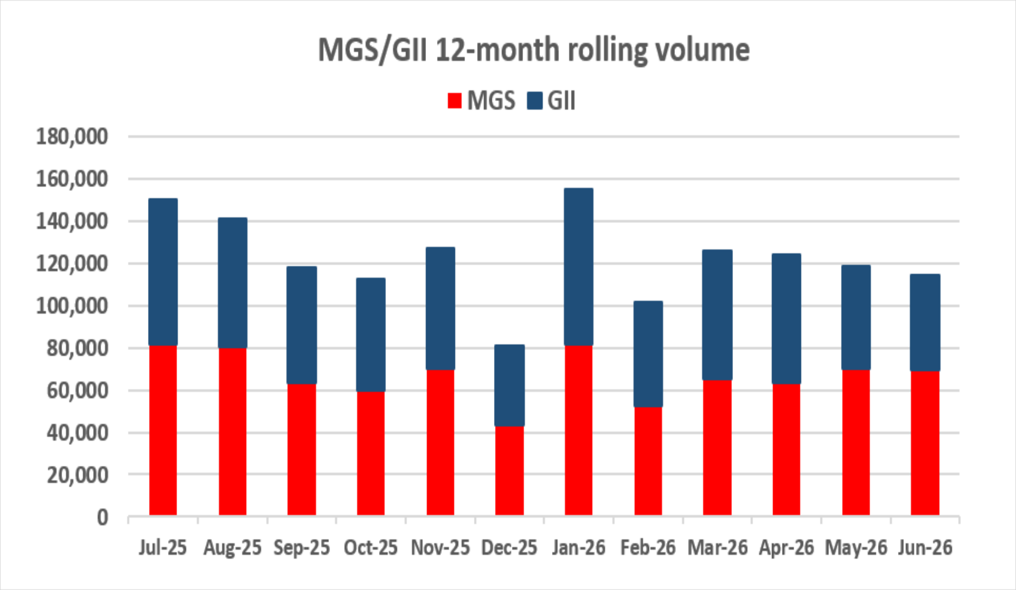
No	Stock	Tenure (yrs)	Tender Month	Quarter	Tender Date	Projected Issuance Size (RM mil)	Actual Auction Issuance (RM mil)	Actual Private Placement	Total Issuance YTD	BTC (times)	Low	Average	High	Cut-off
1	5-yr Reopening of MGII 08/30	5	Jan	Q1	7/1/2026	5,000	5,000		5,000	2.296	3.260	3.268	3.272	7.1%
2	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		5,000			100,000					
22	15-yr Reopening of MGS 01/41	15	Jul	Q3		5,000			100,000					
23	5-yr Reopening of MGII 10/31	5	Aug	Q3		5,000			100,000					
24	30-yr Reopening of MGS 7/55	30	Aug	Q3		5,000			100,000					
25	7-yr Reopening of MGII 3/33	7	Aug	Q3		5,000			100,000					
26	20-yr Reopening of MGS 4/46	20	Aug	Q3		5,000			100,000					
27	10-yr Reopening of MGII 7/36	10	Sep	Q3		5,000			100,000					
28	7-yr Reopening of MGS 04/33	7	Sep	Q3		5,000			100,000					
29	30-yr Reopening of MGII 1/56	30	Sep	Q3		5,000			100,000					
30	3.5-yr Reopening of MGII 10/29	3	Oct	Q4		5,000			100,000					
31	15-yr Reopening of MGS 1/41	15	Oct	Q4		5,000			100,000					
32	20-yr Reopening of MGII 5/45	20	Oct	Q4		5,000			100,000					
33	10-yr New Issue of MGS (Mat on 10/36)	10	Oct	Q4		5,000			100,000					
34	15-yr Reopening of MGII 7/40	15	Nov	Q4		5,000			100,000					
35	3-yr Reopening of MGS 3/29	3	Nov	Q4		5,000			100,000					
36	10-yr Reopening of MGII 7/36	10	Nov	Q4		5,000			100,000					
37	30-yr Reopening of MGS 07/55	11	Dec	Q1		5,000			100,000					
	Gross MGS/GII supply in 2026					185,000	84,000	16,000	100,000	PROJECTED TOTAL ISSUANCE = RM185bn				

Source: Bloomberg, BNM, HLBB Global Markets Research

- A total of RM20.0bn of gross issuance was seen in June from the four scheduled auctions – a re-opening of RM5.0bn 3yr MGS, a re-opening of RM3.5bn 15yr GII (plus RM1.5bn PP), a re-opening of RM5.0bn 5yr MGS and a re-opening of RM3.0bn 20yr GII (plus RM2.0bn PP).
- The bond auctions in June overall were decently received, with an average BTC of 2.569x (May: 2.627x) for the month.
- For July, we should get gross issuance of RM15.0bn from the three scheduled auctions – a re-opening of RM5.0bn 3yr GII and a re-opening of RM3.5bn 15yr MGS (plus RM1.5bn PP), after the re-opening of RM5.0bn of the 10yr MGS that we have already got.
- The supply dynamics improve from July onwards with the maturity of RM20.0bn of the MGS 7/26 resulting in negative net supply for the month, and more maturities due in September and November.



MGS/GII trading volume receded slightly in June; expected to head higher in July



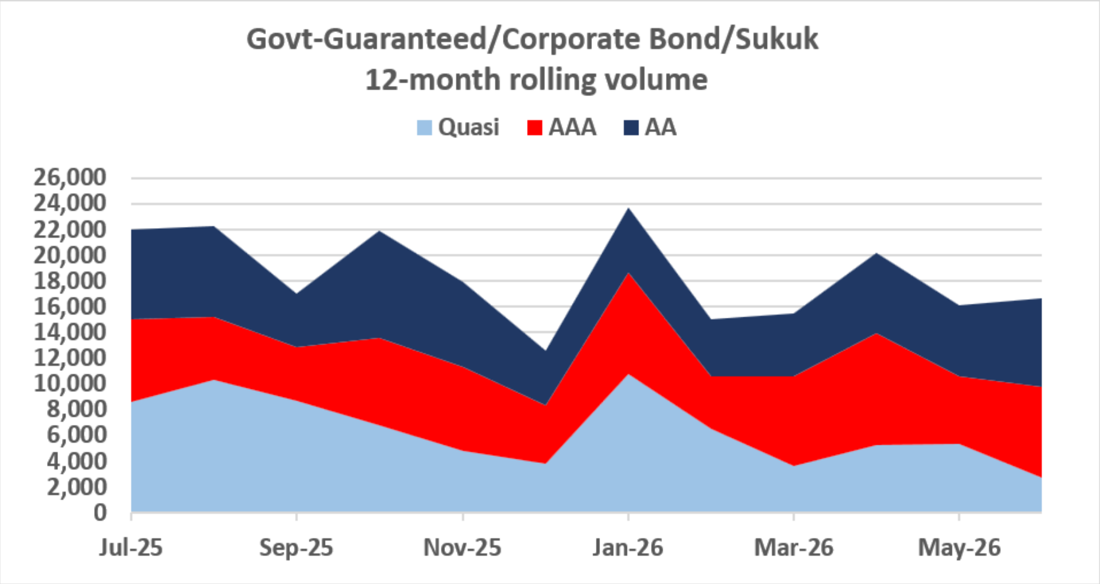
- Secondary trading in MGS/GII receded slightly to RM114.4bn in May (May: RM119.0bn), driven by a reduction in trading of GII for the month
- The off-the-run MGS 7/26 and off-the-run GII 9/26 again led trading for the month in the MGS and GII markets respectively
- Decent interest was also seen in the off-the-run MGS 11/26, MGS 5/27, and GII 7/28, as well as in the benchmark 3Y MGS 3/29 and 5Y MGS 6/31
- Secondary trading in government bonds is expected to head higher in July

Top Traded MGS in Jun 26	Volume (RM 'mil)
MGS 7/26	17,923.7
MGS 11/26	12,904.3
MGS 5/27	5,579.9
MGS 6/31 (5Y)	4,393.9
MGS 3/29 (3Y)	4,334.2
MGS 4/33 (7Y)	3,640.9
MGS 7/32	2,521.3
MGS 7/35 (10Y)	2,285.8
MGS 11/27	1,575.9
MGS 8/29	1,473.7

Top Traded GII in Jun 26	Volume (RM 'mil)
GII 9/26	16,872.9
GII 7/28	4,718.9
GII 7/40 (15Y)	3,760.0
GII 5/45 (20Y)	2,227.3
GII 3/54	2,172.2
GII 10/32	1,443.2
GII 4/35 (10Y)	1,440.5
GII 8/33	1,284.8
GII 9/27	1,234.8
GII 10/31	1,202.2

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

Corporate/Sukuk secondary trading inched higher in June; new issuances plunged



- Trading in Corps/Sukuk inched higher to RM16.6bn in June (May: RM16.1bn), driven by an increase in the trading of AAA-rated and AA-rated paper, while the trading of GG bonds declined
- New issuances for the month plunged to RM9.8bn in June (May: RM32.1bn), driven by a large decline in issuance in the corporate space and a fall in the issuance by financials, while issuance in the corporate guaranteed segment rose for the month; we expect issuance in the corporate/sukuk space to head higher in July
- Among the possible notable issuances in the pipeline this month include new issues from Infracap (RM4.0bn), Prasarana (RM2.7bn), PTPTN (RM1.5bn), and Bank Pembangunan (RM1.0bn)

Top Traded Corporate Bonds/Sukuk in Jun 26	Volume (RM mil)	Last Done Yield (%)
CAGAMAS IMTN 3.820% 07.03.2030	400	3.548
CAGAMAS IMTN 3.450% 24.10.2028	300	3.462
TENAGA IMTN 4.190% 29.05.2041	237	4.058
PTPTN IMTN 4.030% 07.03.2036 (Series 14)	200	3.798
DANAINFRA IMTN 4.070% 07.04.2032 - Tranche No 118	160	3.702
DANAINFRA IMTN 4.760% 02.05.2036 - Tranche No 46	150	3.798
CAGAMAS ASEAN SOCIAL SRI SUKUK 3.400% 04.08.2028	145	3.440
TENAGA IMTN 4.310% 29.05.2046	145	4.169
AMBANK MTN 1096D 06.11.2026	140	3.485
IMTIAZ II IMTN 3.980% 05.05.2032	140	3.898
IMTIAZ II IMTN10 4.050% 02.10.2026	140	3.471

Top Corporate/Sukuk Issuance in Jun 26	Rating	Amount Issued (RM 'mil)
ABRAJ T1S4 4.00% 24.06.2031	AAA	640
CIMBBANK MTN 2557D 24.6.2033 - SERIES 7 TRANCHE 2	AAA	515
PASB IMTN 3.870% 03.06.2032 - Issue No. 56	AAA	485
PASB IMTN 4.000% 03.06.2036 - Issue No. 57	AAA	485
CIMB MTN 367D 14.6.2027 - Tranche 12	NR	450
RHBBANK MTN 3653D 30.6.2036 (Series 4 Tranche 1)	AA2	410
HLBANK 3.900% 26.06.2036 (Tranche 7 Series 1)	AA1	350
ACFGB IMTN Tranche 2 Class A10 EM: 30.06.2033	NR	310
ACFGB IMTN Tranche 2 Class A5 EM: 30.06.2033	NR	310
CIMBI 3.880% 26.06.2036 - Issue No 7	AA1	300
MUMTAZ IMTN 3.960% 19.06.2036	AA3	300
DRB-HICOM 4.850% Perpetual Sukuk - Tranche 9	A2	300
DRB-HICOM 4.950% Perpetual Sukuk - Tranche 10	A2	300

Source: BNM, BPAM, HLBB Global Markets Research

Hong Leong Bank

US Bonds Outlook July 2026 – cautious tone for USTs in the near term

	Current @ 09 July	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 @ 09 July	Q3 2026	Q4 2026	Q1 2027	Q2 2027
2Y	4.18%	4.15%	4.05%	3.95%	3.85%
5Y	4.28%	4.20%	4.05%	3.95%	3.90%
10Y	4.55%	4.50%	4.35%	4.20%	4.15%
30Y	5.07%	5.05%	4.95%	4.85%	4.85%

Source: HLBB Global Markets Research

Key Events for the Month

Date	Event
14 Jul	CPI
14 Jul	Warsh Semi-Annual Testimony
15 Jul	Fed Beige Book
16 Jul	Retail Sales
29 Jul	FOMC Rate Decision
30 Jul	Core PCE Index
30 Jul	2Q26 GDP (A)

- Bonds have been softer in July thus far, with the renewed tensions in the Gulf causing another rise in energy prices and bringing inflationary concerns back to the fore.

- The monthly non-farm payrolls report for June was softer than expected, with only about half the number of expected jobs added to the economy, but the separate household survey showed an improvement to the unemployment rate. The ISM indices for June eased slightly for both manufacturing and services, with both indices continuing to remain firmly in expansionary territory.

- The Fed minutes of the June 17 FOMC meeting revealed more about the hawkish twist in Kevin Warsh' first meet as new Fed Chair, with some committee members said to be inclined to hike rates due to concerns over inflation but ultimately voting along with the rest of the committee to keep rates unchanged in a unanimous vote. The Fed Chair is due to testify before Congress in the semi-annual monetary policy report, which could provide more clues as to monetary policy going forward, with hikes now priced in to the Fed Fund futures markets for 2026.

- **We think that USTs are likely to trade with a cautious tone for the month**, with the recent heightened tensions in the Gulf likely to lead to more volatility.

MYR Bonds Outlook July 2026 – MYR government bonds likely to trade in a range

	Current @ 09 July	Q3 2026	Q4 2026	Q1 2027	Q2 2027
OPR	2.75%	2.75%	2.75%	2.75%	2.75%

MGS yields (%)	Current @ 09 July	Q3 2026	Q4 2026	Q1 2027	Q2 2027
3Y	3.26%	3.20%	3.15%	3.10%	3.10%
5Y	3.41%	3.40%	3.30%	3.25%	3.20%
10Y	3.63%	3.60%	3.50%	3.45%	3.40%
20Y	3.95%	4.00%	4.00%	3.95%	3.90%

Source: HLBB Global Markets Research

Key Events for the Month

Date	Event
17 Jul	2Q26 GDP (A)
17 Jul	CPI
20 Jul	Exports and Trade Balance

- MYR government bonds have been a touch weaker thus far in July, amidst BNM leaving policy unchanged for a sixth straight MPC meet on July 09, while continuing to sound out a neutral tone in the accompanying monetary policy statement.
- Industrial production growth for May firmed further albeit coming in slightly below what was anticipated, while the S&P Global Malaysia manufacturing PMI rebounded in June, heading back into expansionary territory with a 50.7 reading recorded.
- Bond supply dynamics improve for the rest of the year beginning this month, with large bond maturities due in July, September and November resulting in negative net supply for those months. The expected rise in the fiscal deficit as a result of higher subsidies is not expected to result in higher MGS/GII supply at this juncture, with the shortfall in finances likely to be met by cost savings and the issuance of a new sovereign sukuk
- The upcoming two early state elections in Johor (Jul 11) and Negeri Sembilan (Aug 01) have increased the perceived political risk domestically, with the results possibly having an implication on the stability of the government at the federal level, with key coalition partners running against one another in the two states.
- **We are neutral on bonds for the month and see government bonds yields trading in a range**

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