Hong Leong Bank

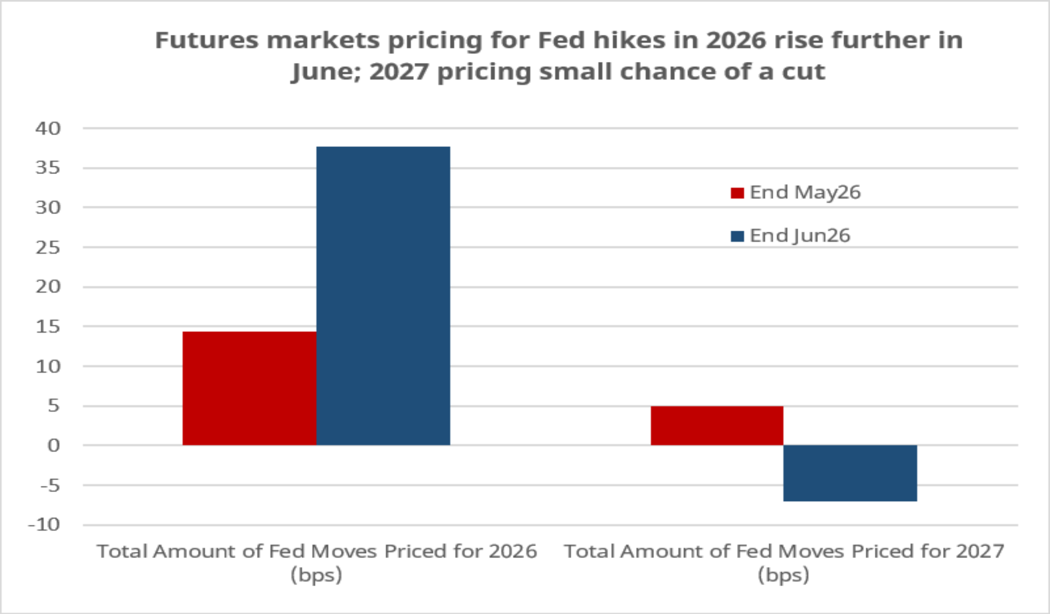
Monthly Fixed Income Market Outlook

Global Markets

August 2026

July 2026 US Bond Market Review

Source: Bloomberg, HLBB Global Markets Research



- USTs declined in July, with the losses led by the longer-dated maturities, as ongoing disruptions related to the hostilities in the Middle East kept oil prices volatile and triggered inflationary concerns, amidst the Fed keeping policy on hold in a 9-3 majority vote.

- 2Q advanced GDP growth came in a touch softer than anticipated at 1.5% q/q annualized as rising imports dampened the strong showing from consumer spending and business investments. Retail sales for June matched expectations, while the monthly jobs report showed a slower pace of job creation versus what was anticipated. Inflation for the month cooled by more than expected, with both the core CPI and core CPE seeing downside surprises on a monthly basis.

- The UST curve bear-steepened for the month as the longer-dated maturities underperformed:
  - 2yr yield rose by 12bps to 4.29%
  - 10yr yield advanced by 27bps to 4.74%

- The FOMC left policy unchanged at their policy meeting on July 29 in a 9-3 majority vote, with the three dissenters preferring a 25bps hike in the Funds Rate, with little change in the abbreviated accompanying statement that the Fed has recently switched to under Kevin Warsh' chairmanship. The markets had been pricing in about a one in three chance of a 25bps hike at this FOMC prior to the decision.

- Futures markets pricing of rate hikes for 2026 as a whole inched lower during the month, with the chance of hikes being priced into the following year as well now.

- Futures markets pricing of Fed moves at the end of July were as follows:
  - For 2026, 37bps of hikes priced (from 38bps of hikes at end June)
  - For 2027, 15bps of hikes priced (from 7bps of cuts at end June)

July 2026 MYR Bond Market Review

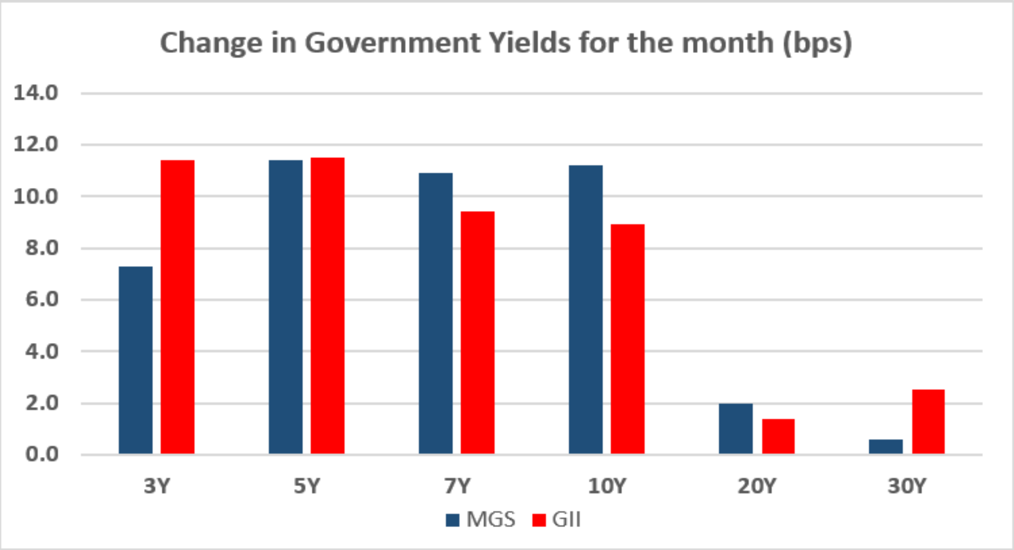
Source: Bloomberg, HLBB Global Markets Research

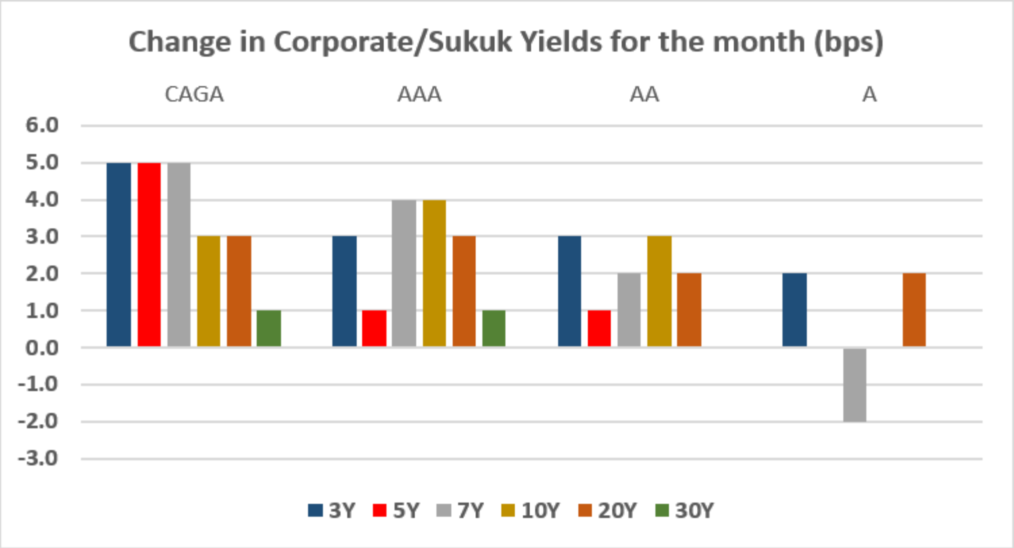
- MYR govt bonds were weaker in July amidst a continued bearish backdrop for global government bonds, with BNM holding policy steady for a sixth straight MPC meeting on Jul 09 while continuing to espouse a neutral tone in the accompanying monetary policy statement.

- Advanced 2Q GDP firmed by more than expected to 5.8% y/y (prior: 5.2% y/y), while industrial production for May improved but by less than anticipated, with slower growth in manufacturing and electricity for the month. Export numbers for June remained robust, but a large jump in imports resulted in a narrower than expected trade surplus.

- CPI for June unexpectedly dipped to 1.9% y/y (prior: 2.0% y/y), with stable to lower inflation observed in eight out of the thirteen key categories, painting a picture of a benign inflationary environment with limited cost pass-through in the system.

- Benchmark government bond yields closed the month higher by between 0 to 12bps, while corporate bonds/sukuk were also softer for the month.





Source: BPAM, HLBB Global Markets Research

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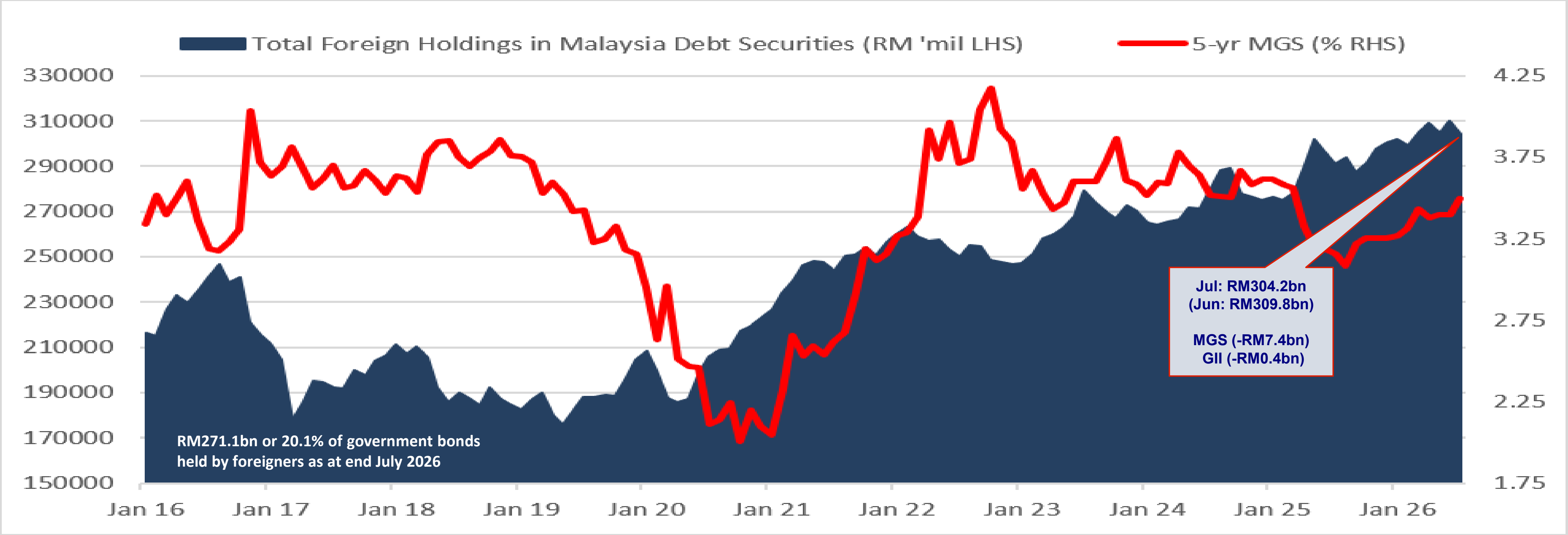
Offshore foreign holdings fell in July; driven by a decline in MGS holdings



Source: BNM, Bloomberg, HLBB Global Markets Research

- Offshore foreign holdings of Malaysian debt securities fell in July from a record high the previous month, declining by RM5.6bn to RM304.2bn versus the RM309.8bn held at the end of June
- The decline was driven by a pullback in the holdings of MGS (-RM7.4bn), while the holdings of Sukuk (-RM0.8bn) and GII (-RM0.4bn) also fell for the month
- This was offset slightly by increases in the holdings of Corporate Bonds (+RM1.6bn) and MTBs (+RM1.4bn) for the month, while holdings of MITBs were little changed.

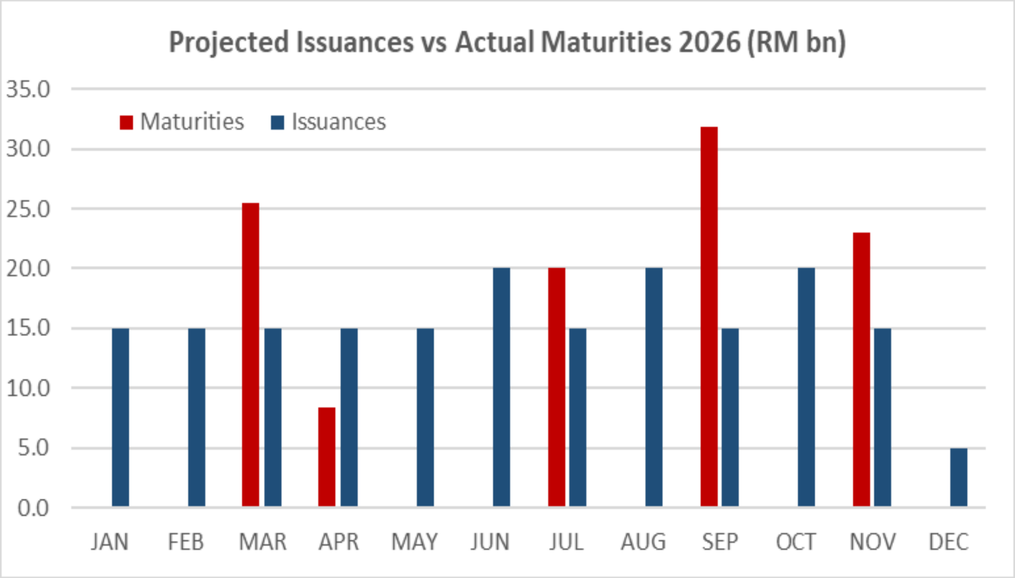
RM15.0bn of gross MGS/GII issuance in July; RM20.0bn of issuance likely in August

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		5,000			120,000					
26	20-yr Reopening of MGS 4/46	20	Aug	Q3		5,000			120,000					
27	10-yr Reopening of MGII 7/36	10	Sep	Q3		5,000			120,000					
28	7-yr Reopening of MGS 04/33	7	Sep	Q3		5,000			120,000					
29	30-yr Reopening of MGII 1/56	30	Sep	Q3		5,000			120,000					
30	3.5-yr Reopening of MGII 10/29	3	Oct	Q4		5,000			120,000					
31	15-yr Reopening of MGS 1/41	15	Oct	Q4		5,000			120,000					
32	20-yr Reopening of MGII 5/45	20	Oct	Q4		5,000			120,000					
33	10-yr New Issue of MGS (Mat on 10/36)	10	Oct	Q4		5,000			120,000					
34	15-yr Reopening of MGII 7/40	15	Nov	Q4		5,000			120,000					
35	3-yr Reopening of MGS 3/29	3	Nov	Q4		5,000			120,000					
36	10-yr Reopening of MGII 7/36	10	Nov	Q4		5,000			120,000					
37	30-yr Reopening of MGS 07/55	11	Dec	Q1		5,000			120,000					
	Gross MGS/GII supply in 2026					185,000	100,500	19,500	120,000	PROJECTED TOTAL ISSUANCE = RM185bn				

Source: Bloomberg, BNM, HLBB Global Markets Research

- A total of RM15.0bn of gross issuance was seen in July from the three scheduled auctions – a re-opening of RM5.0bn 10yr MGS, a re-opening of RM5.0bn 3yr GII and a re-opening of RM3.5bn 15yr GII (plus RM1.5bn PP).
- The bond auctions in June overall were not as well received compared to May, with an average BTC of 2.061x (Jun: 2.569x) for the month.
- For August, we should get gross issuance of RM20.0bn from the four scheduled auctions – a re-opening of RM5.0bn 7yr GII and a re-opening of RM3.5bn 20yr MGS (plus RM1.5bn PP), after the re-opening of RM5.0bn of the 5yr GII and re-opening of RM3.0bn of the 30yr MGS (plus RM2.0bn PP) that has already taken place.



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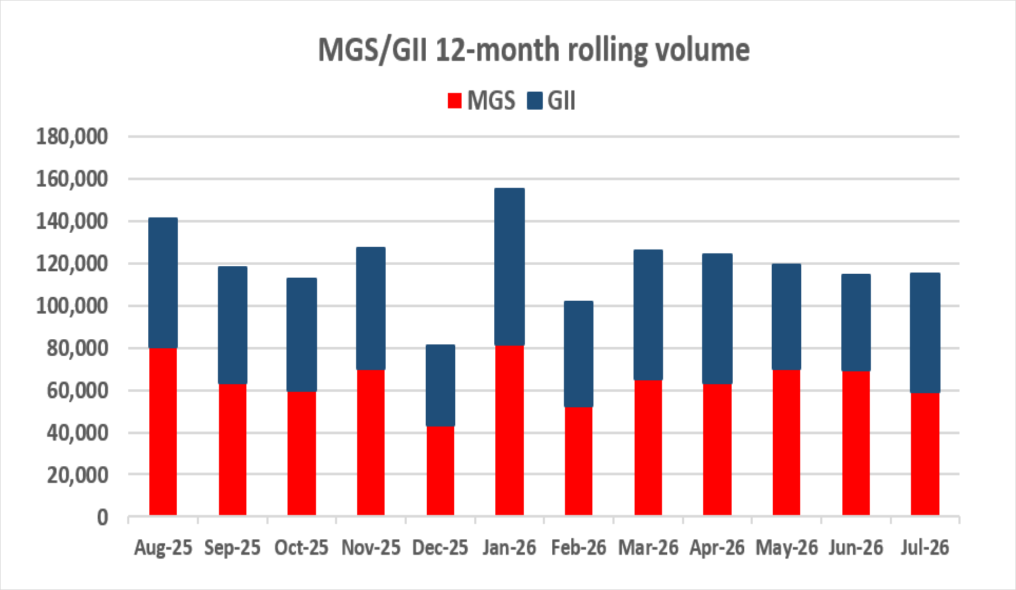
MGS/GII trading volume inched higher in July; expected to fall in August



- Secondary trading in MGS/GII inched higher to RM115.4bn in July (Jun: RM114.4bn), driven by an increase in GII trading while MGS trading volumes eased for the month

- The off-the-run MGS 11/26 and off-the-run GII 9/26 led trading for the month in the MGS and GII markets respectively

- Decent interest was also seen in the benchmark 3Y GII 10/29 and 10Y MGS 7/35, as well as in the recently matured off-the-run MGS 7/26, MGS 5/27 and MGS 4/31

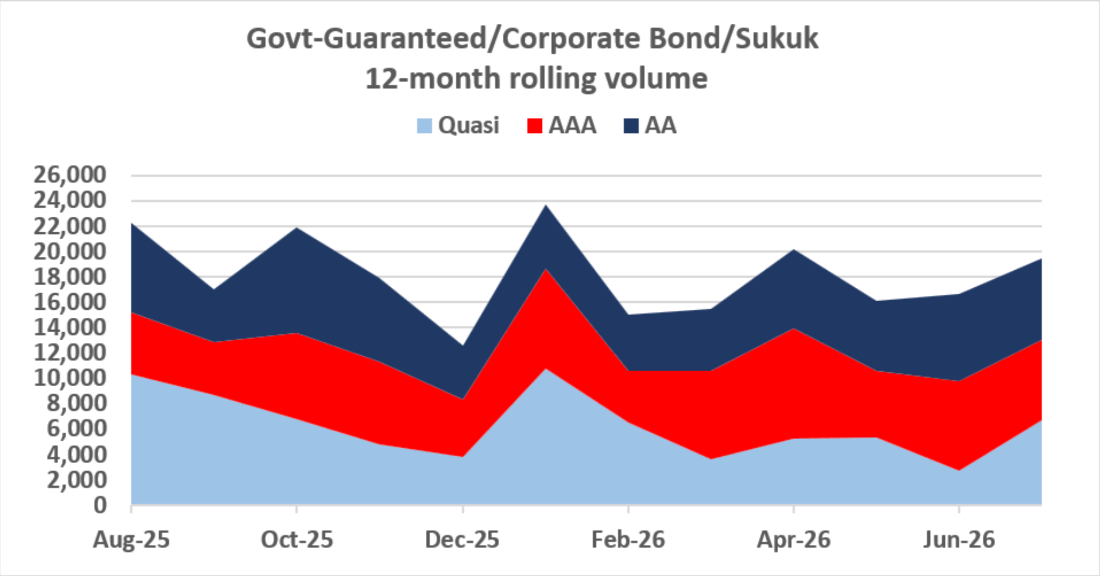
- Secondary trading in government bonds is expected to head lower in August

Top Traded MGS in Jul 26	Volume (RM 'mil)
MGS 11/26	8,976.6
MGS 7/35 (10Y)	6,106.5
MGS 5/27	5,638.3
MGS 7/26	3,989.9
MGS 4/31	3,378.6
MGS 7/32	2,835.8
MGS 4/33 (7Y)	2,564.7
MGS 3/29 (3Y)	2,376.0
MGS 4/39	2,066.6
MGS 1/41 (15Y)	1,968.9

Top Traded GII in Jul 26	Volume (RM 'mil)
GII 9/26	18,842.4
GII 10/29 (3Y)	9,604.8
GII 9/27	3,099.1
GII 7/28	2,917.2
GII 8/43	2,386.3
GII 7/29	1,873.6
GII 8/33	1,650.8
GII 10/32	1,632.5
GII 5/45 (20Y)	1,576.0
GII 7/40 (15Y)	1,547.5

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

Corporate/Sukuk secondary trading rose in July; new issuances surged



- Trading in Corps/Sukuk rose to RM19.4bn in July (Jun: RM16.7bn), driven by a large increase in the trading of GG bonds, while trading of AAA and AA-rated paper for the month receded
- New issuances for the month surged to RM20.7bn in July (Jun: RM9.8bn), driven by a large rise in issuance in the GG space and an increase in the issuance by financials and the corporate guaranteed segment of the market, while issuance in the corporate universe fell; we expect issuance in corporate/sukuks to recede in August
- Among the possible notable issuances in the pipeline this month include new issues from MBB (RM3.0bn), SEB (RM2.0bn), CIMBI (RM1.68bn), Genting (RM1.0bn), and Public Islamic (RM0.5bn)

Top Traded Corporate Bonds/Sukuk in Jul 26	Volume (RM mil)	Last Done Yield (%)
PRASARANA IMTN 3.620% 31.07.2031 (SERIES 30)	600	3.620
DANAINFRA IMTN 4.530% 07.04.2037 - Tranche No 119	550	3.839
MRCB20PERP IMTN Issue 9-S2 4.350% 08.07.2033	480	3.984
BPMB IMTN 3.710% 27.07.2029	360	3.710
TENAGA IMTN 03.08.2037	330	3.949
DANAINFRA IMTN 3.980% 18.03.2036	300	3.825
PRASARANA IMTN 4.320% 30.01.2037 (Series 13)	270	3.839
YTL POWER IMTN 5.050% 03.05.2027	270	3.500
MAYBANK IMTN 3.100% 08.10.2032	223	3.651
PSEP IMTN 3.900% 24.05.2027 (Tr4 Sr1)	220	3.463

Top Corporate/Sukuk Issuance in Jul 26	Rating	Amount Issued (RM 'mil)
MRL IMTN 16.07.2027 - Series 28	GG	2,000
CIMBBANK MTN 5479D 15.7.2041 - SERIES 8 TRANCHE 1	AAA	1,450
PRASARANA IMTN 4.140% 29.07.2044 (SERIES 32)	GG	950
PTPTN IMTN 4.150% 23.07.2046 (Series 7)	GG	865
Infracap Resources Sukuk 4.21% 31.07.2040 (T2 S11)	AAA	850
Infracap Resources Sukuk 4.16% 29.07.2039 (T2 S10)	AAA	800
PTPTN IMTN 4.030% 23.07.2041 (Series 6)	GG	730
ENVICO PROP MTN SERIES NO. 1 - 01.7.2038	NR	700
Infracap Resources Sukuk 3.70% 31.07.2029 (T2 S1)	AAA	600
PRASARANA IMTN 4.160% 31.07.2046 (SERIES 33)	GG	560

Source: BNM, BPAM, HLBB Global Markets Research

US Bonds Outlook August 2026 – getting more constructive

	Current @ 11 Aug	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 @ 11 Aug	Q3 2026	Q4 2026	Q1 2027	Q2 2027
2Y	4.22%	4.20%	4.10%	4.00%	3.90%
5Y	4.39%	4.30%	4.20%	4.10%	4.05%
10Y	4.69%	4.60%	4.50%	4.45%	4.40%
30Y	5.24%	5.20%	5.15%	5.10%	5.05%

Source: HLBB Global Markets Research

Key Events for the Month

Date	Event
12 Aug	CPI
14 Aug	Retail Sales
19 Aug	FOMC Meeting Minutes
21 Aug	Preliminary US PMIs
26 Aug	Core PCE Index
26 Aug	2Q26 GDP (S)
27 Aug	Jackson Hole Symposium
28 Aug	Prelim Benchmark Payrolls Revision

- Bonds have traded higher thus far in August, driven by a softer than expected monthly employment report for July that showed that the labour market may be weaker than previously perceived, and resulting in the pricing of rate hikes for the year being dialed back slightly.

- The monthly employment report for July revealed that the economy unexpectedly lost 23k jobs for the month versus expectations of an addition of 80k jobs. In addition to the poor headline number, the previous two months' job gains numbers were revised lower by 103k, and accompanying data on wages showed hourly earnings growth unexpectedly cooling to the lowest level since May 2021, drawing attention to the sustainability of consumer spending going forward. The ISM indices for July remained firmly in expansionary territory, with the manufacturing gauge surging and the services index edging higher for the month.

- There is no FOMC meeting scheduled for the month ahead with the next one scheduled for Sep 16, but the minutes of the latest FOMC could reveal more about the dissents during that decision. Additionally, the upcoming Fed symposium at Jackson Hole towards the end of the month could possibly provide a little more clarity on the Fed's current thinking and clues on monetary policy going forward.

- **We think that USTs are likely to trade with a more constructive tone for the month ahead**, with the recent inflationary concerns possibly giving way to growing concerns over the sustainability of consumer spending.

MYR Bonds Outlook August 2026 – neutral in the near term

	Current @ 11 Aug	Q3 2026	Q4 2026	Q1 2027	Q2 2027
OPR	2.75%	2.75%	2.75%	2.75%	2.75%

MGS yields (%)	Current @ 11 Aug	Q3 2026	Q4 2026	Q1 2027	Q2 2027
3Y	3.31%	3.25%	3.20%	3.15%	3.15%
5Y	3.53%	3.50%	3.40%	3.35%	3.30%
10Y	3.74%	3.70%	3.60%	3.55%	3.50%
20Y	4.04%	4.05%	4.05%	4.00%	3.95%

Source: HLBB Global Markets Research

Key Events for the Month

Date	Event
14 Aug	2Q26 GDP (F)
17 Aug	CPI
20 Aug	Exports and Trade Balance

- MYR government bonds were softer in August so far amidst mixed economic data and continued concerns over the political risk domestically, after a change of government in the Negeri Sembilan state elections at the beginning of the month.

- Industrial production growth for June eased by more than expected, dragged down by the mining sector, while the S&P Global Malaysia manufacturing PMI remained stable for July.

- Foreign investor participation in the government bond market receded in July, but the bulk of the reductions in holdings were related to the maturity of the MGS 7/26 and is coming off a historical high for foreign holdings at the end of June. Notwithstanding, this space will continue to be watched closely for signs of any marked changes in holdings, with the numbers that we have got thus far in August showing little change from the end of July.

- The final 2Q GDP figures coming out mid-month will reveal more about the state of the economy, with expectations for an unchanged reading from the stronger than expected advanced print that was released last month, and inflation is expected to edge higher again in July after surprisingly edging lower in June.

- **We are neutral on bonds for August and think that government bonds yields will trade in a range for the month**

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