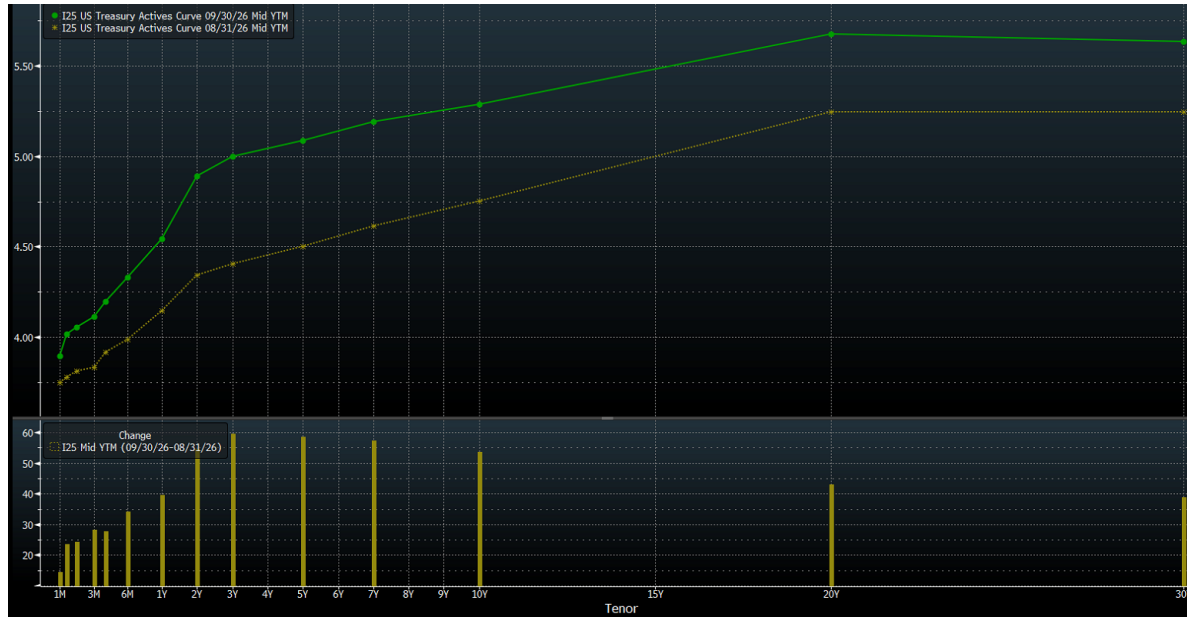


Monthly Fixed Income Market Outlook

Global Markets
October 2026

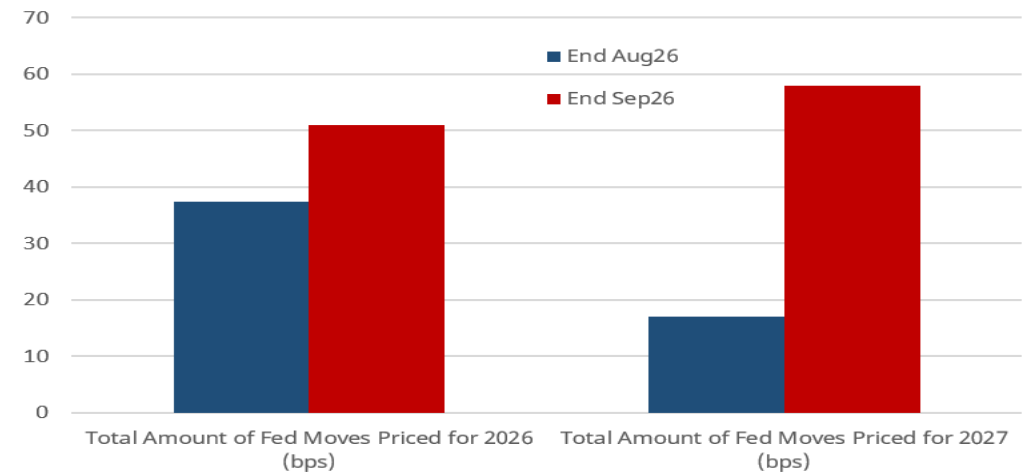
September 2026 US Bond Market Review



Source: Bloomberg, HLBB Global Markets Research

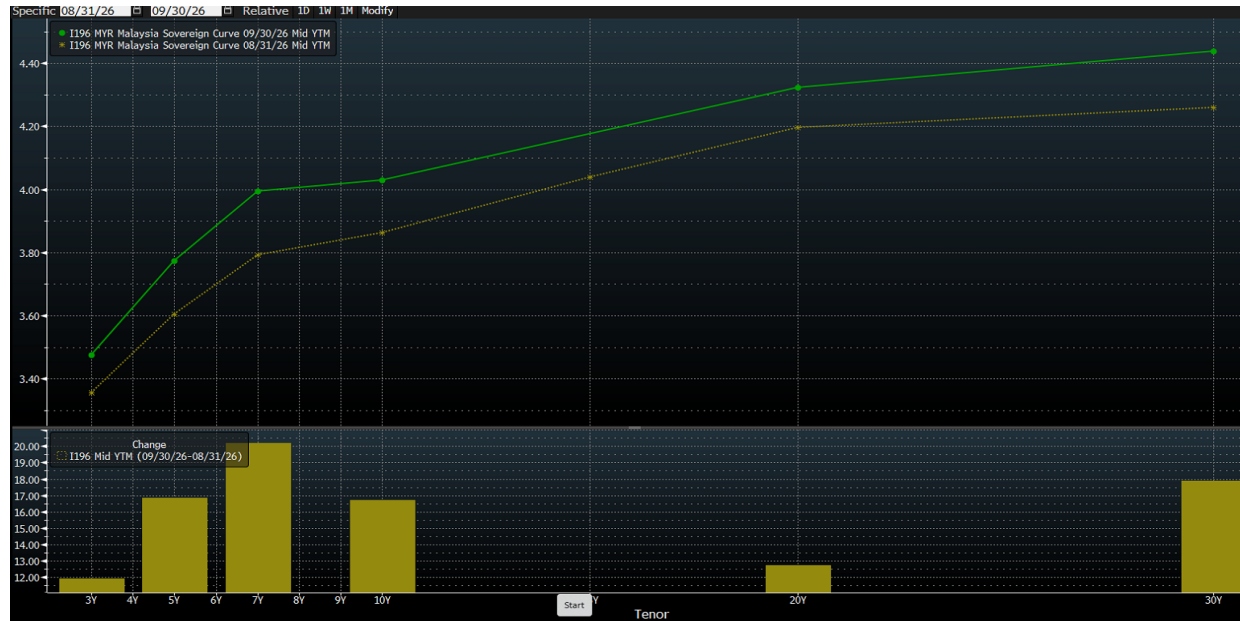
- US Treasuries plunged in September, amidst the Fed hiking the Funds Rate by 25bps during the FOMC meeting on 16 Sep aiming to bring inflation down to target in a timelier manner, and a renewed surge in oil prices during the month as the conflict in the Middle East persisted.
- 2Q GDP growth was revised higher to 2.2% q/q annualized in its third reading, while price indices came in largely as anticipated, with the core CPI for August edging lower while the core PCE held steady versus the month before. Other key economic data were firm, with retail sales for August gaining by more than anticipated, and the monthly jobs report also came in better than expected.
- The UST curve moved up in a rather parallel fashion for the month, with the short end influenced by rising Fed rate hike expectations, while the longer-dated bonds were hit by a confluence of worries over inflation and fiscal concerns:
 - 2yr UST yields surged by 55bps to 4.89%
 - 10yr UST yields advanced by 54bps to 5.29%

Futures markets pricing for Fed hikes soared in September for both 2026 and 2027



- The Fed followed through on the hawkish tone by Kevin Warsh during the Jackson Hole symposium, delivering a unanimous decision to raise the Funds Rate by 25bps at the FOMC meeting during the month to support a timelier return to 2% inflation.
- The updated dot plot was on the hawkish side as well, with 16 of the 18 contributing members (Fed Chair Kevin Warsh again did not contribute to the dot plot) expecting at least one further hike in the Funds Rate for 2026.
- Futures markets pricing of Fed hikes soared during for the month, with the markets pricing in further hikes in the coming year as well:
 - For 2026, 51bps of hikes priced at end Sep (versus 37bps end Aug)
 - For 2027, 58bps of hikes priced at end Sep (versus 17bps end Aug)

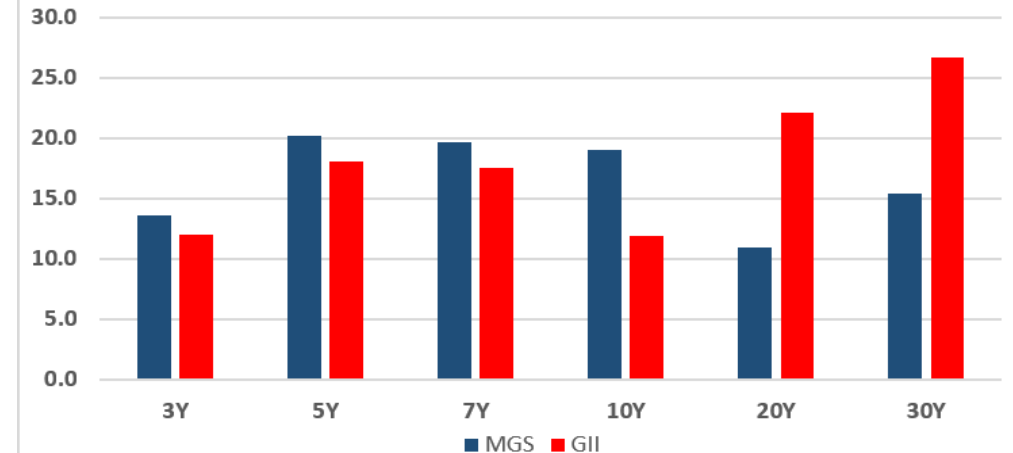
September 2026 MYR Bond Market Review



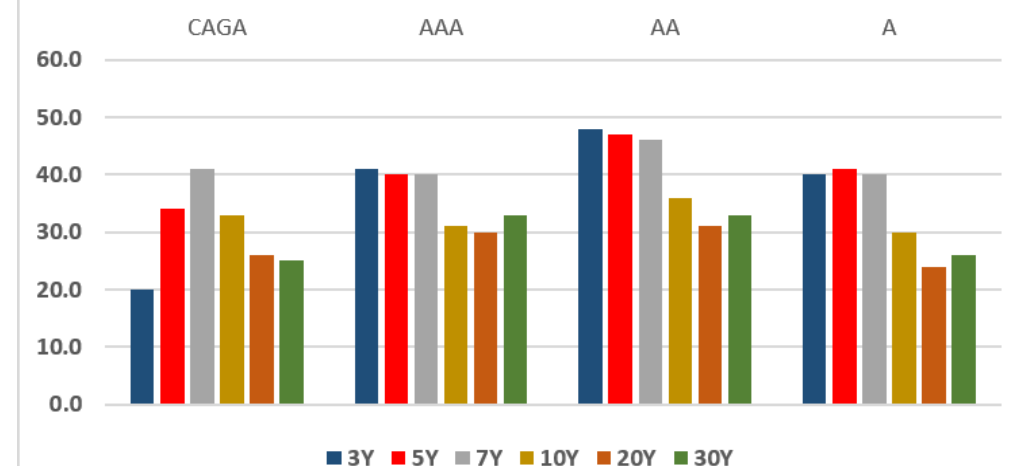
Source: Bloomberg, HLBB Global Markets Research

- MYR govt bonds plunged again in September, with the 10yr MGS yield surging by 19bps for the month, amidst a bearish tone in global government bond markets, and a slight hawkish change of tone from BNM during the MPC decision to leave rates unchanged on Sep 03, dropping the description of current rates as being “appropriate”.
- Industrial production for July recorded a larger than anticipated easing in July, while export figures for August surpassed expectations. Inflation for the month unexpectedly moved higher by a notch to 1.9% y/y.
- Longer dated bonds bore the brunt of the sell-off in September, resulting in a steeper government yield curve, with continued longer end supply weighing on the markets, with the 30yr GII performing the worst amidst a re-opening during the month.
- Benchmark government bond yields closed the month higher by between 11 to 27bps, while corporate bonds/sukuk were also softer across the board in terms of tenor and segments, with a marked spread widening seen for the month.

Change in Government Yields for the month (bps)

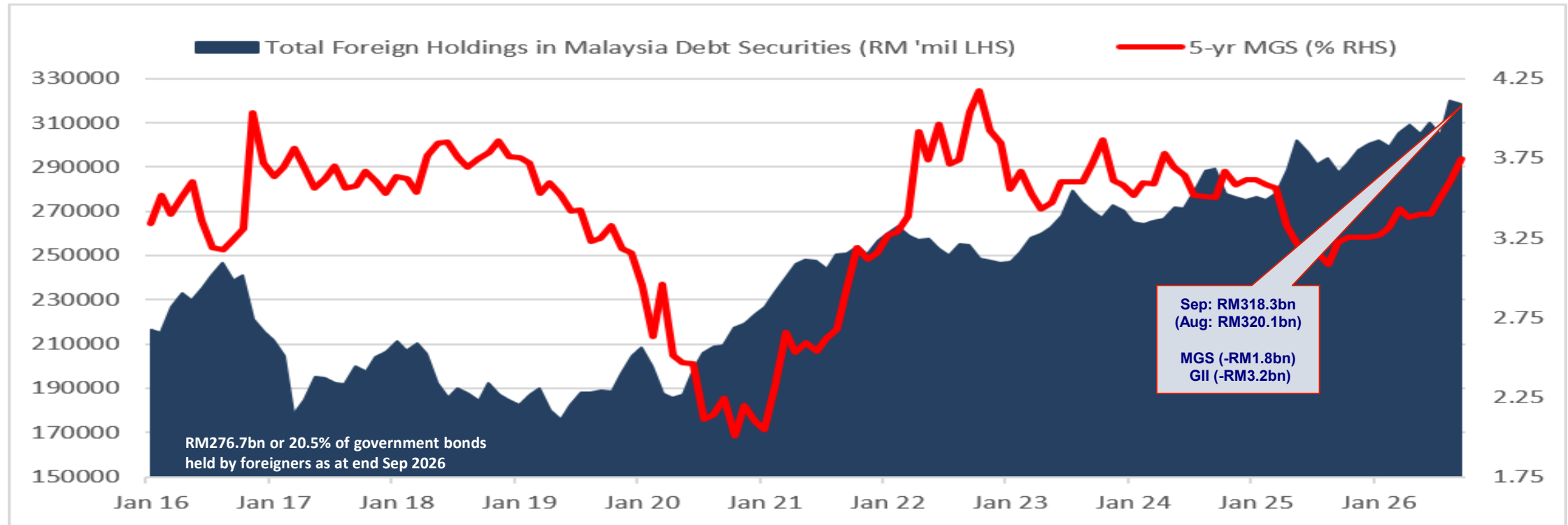


Change in Corporate/Sukuk Yields for the month (bps)



Source: BPAM, HLBB Global Markets Research

Offshore foreign holdings registered a mild pullback in September from a record high



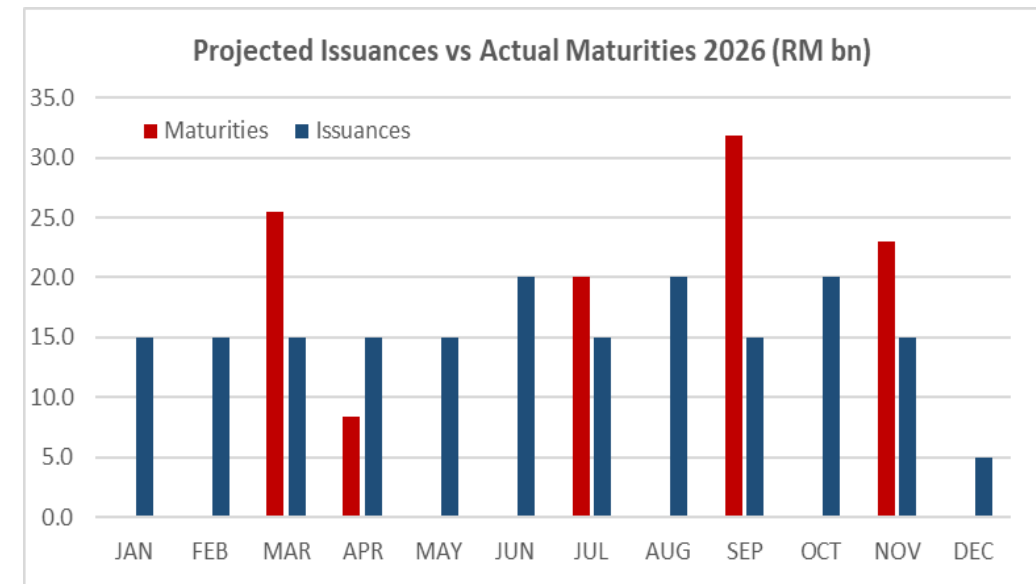
Source: BNM, Bloomberg, HLBB Global Markets Research

- Offshore foreign holdings of Malaysian debt securities pulled back in September from the all-time high registered the month before, declining by RM1.8bn to RM318.3bn versus the RM320.1bn held at the end of August
- A reduction in holdings of government bonds drove the decline, with pullback seen in both the holdings of GII (-RM3.2bn) and MGS (-RM1.8bn)
- Holdings of Sukuks (+RM2.0bn), MITBs (+RM0.7bn) and MTBs (+RM0.6bn) advanced for the month, while holdings of Corporate Bonds were little changed

RM15.0bn of gross MGS/GII issuance in September; RM20.0bn of issuance in the line-up in October

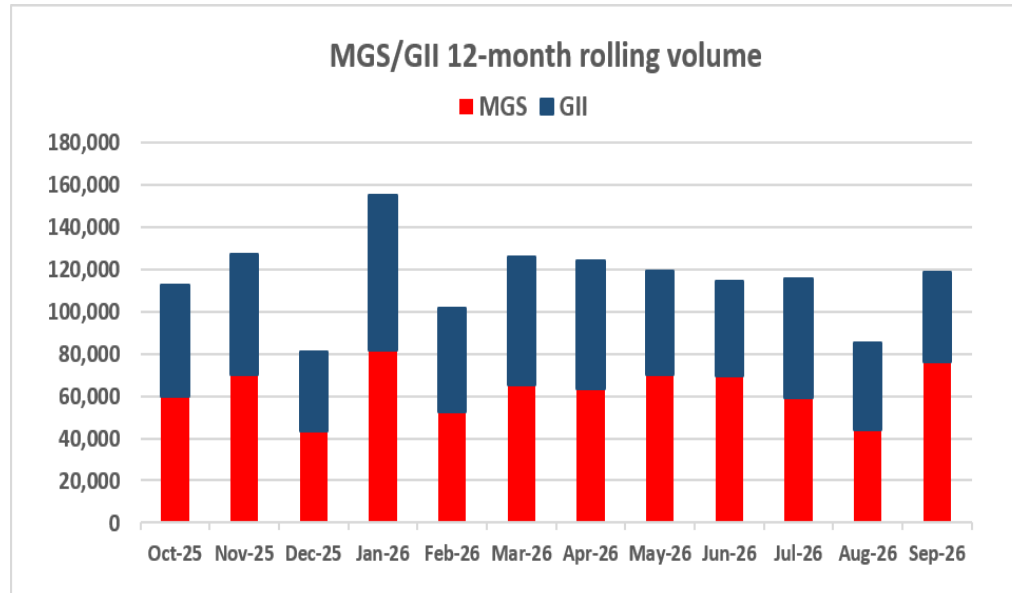
MGS/GII issuance pipeline in 2026														
No	Stock	Tenure (yrs)	Tender Month	Quarter	Tender Date	Projected Issuance Size (RM mil)	Actual Auction Issuance (RM mil)	Actual Private Placement	Total Issuance YTD	BTC (times)	Low	Average	High	Cut-off
1	5-yr Reopening of MGII 08/30	5	Jan	Q1	7/1/2026	5,000	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	21/9/2026	5,000	5,000		140,000	2.168	3.959	3.983	3.999	6.4%
29	30-yr Reopening of MGII 1/56	30	Sep	Q3	29/9/2026	5,000	3,000	2,000	145,000	2.013	4.495	4.508	4.520	100.0%
30	3.5-yr Reopening of MGII 10/29	3	Oct	Q4	8/10/2026	5,000	5,000		150,000	3.016	3.493	3.506	3.519	88.9%
31	15-yr Reopening of MGS 1/41	15	Oct	Q4		5,000			150,000					
32	20-yr Reopening of MGII 5/45	20	Oct	Q4		5,000			150,000					
33	10-yr New Issue of MGS (Mat on 10/36)	10	Oct	Q4		5,000			150,000					
34	15-yr Reopening of MGII 7/40	15	Nov	Q4		5,000			150,000					
35	3-yr Reopening of MGS 3/29	3	Nov	Q4		5,000			150,000					
36	10-yr Reopening of MGII 7/36	10	Nov	Q4		5,000			150,000					
37	30-yr Reopening of MGS 07/55	11	Dec	Q1		5,000			150,000					
Gross MGS/GII supply in 2026						185,000	127,000	23,000	150,000	PROJECTED TOTAL ISSUANCE = RM185bn				

- A total of RM15.0bn of gross issuance was seen in September from the three scheduled auctions – a re-opening of RM5.0bn 10yr GII, a re-opening of RM5.0bn 7yr MGS and a re-opening of RM3.0bn 30yr GII (plus RM2.0bn PP).
- The bond auctions in September overall were slightly better received compared to August, with an average BTC of 2.180x (Aug: 2.092x) for the month.
- For October, we should get gross issuance of RM20.0bn from the four scheduled auctions – a re-opening of RM3.5bn 15yr MGS (plus RM1.5bn PP), a reopening of RM3.0bn 20yr GII (plus RM2.0bn PP), and a new issuance of RM5.0bn of a fresh benchmark 10yr MGS, after the re-opening of RM5.0bn of the 3yr GII that had already taken place earlier in the month.



Source: Bloomberg, BNM, HLBB Global Markets Research

MGS/GII trading picked up the pace in September; likely to ease in October



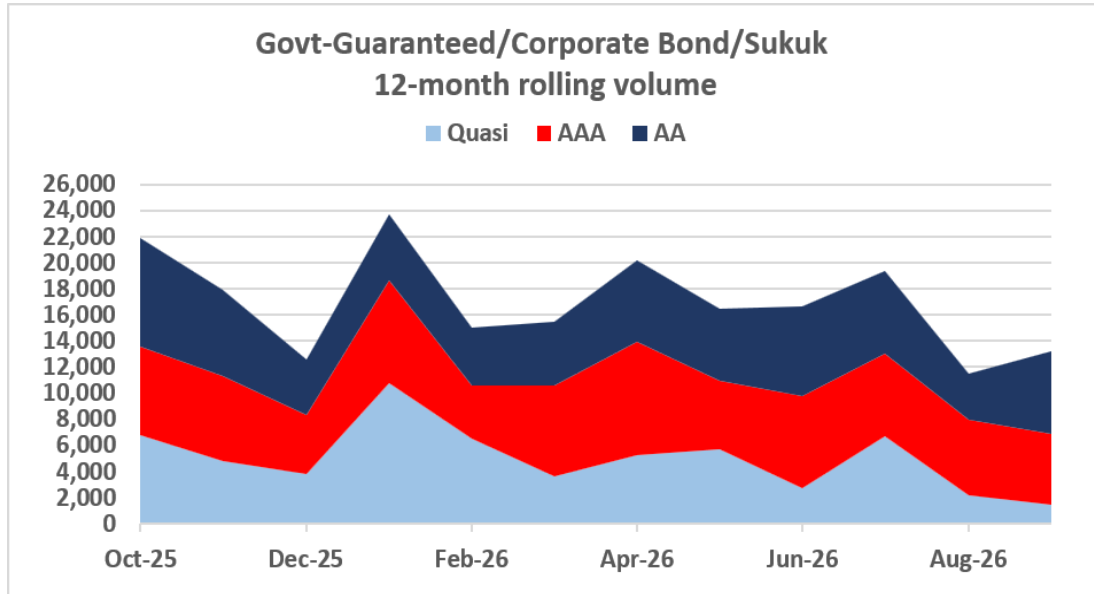
- Secondary trading in MGS/GII advanced to RM118.5bn in September (Aug: RM85.0bn), driven by a surge in MGS trading while GII trading for the month remained little changed.
- The off-the-run MGS 11/26 and recently matured off-the-run GII 9/26 again led trading for the month in the MGS and GII markets respectively
- Decent interest was also seen in the benchmark 5Y MGS, 7Y MGS and 10Y MGS/GII, as well as in the off-the-run MGS 5/27 and MGS 4/28
- Secondary trading in government bonds is likely to pull back in October

Top Traded MGS in Sep 26	Volume (RM 'mil)
MGS 11/26	16,286.5
MGS 4/33 (7Y)	9,032.4
MGS 5/27	8,921.8
MGS 4/28	6,941.4
MGS 6/31 (5Y)	5,689.4
MGS 7/35 (10Y)	5,660.2
MGS 3/29 (3Y)	2,845.9
MGS 7/34	2,791.5
MGS 7/32	2,327.7
MGS 4/31	2,096.1

Top Traded GII in Sep 26	Volume (RM 'mil)
GII 9/26	11,206.2
GII 7/36 (10Y)	5,795.2
GII 10/29 (3Y)	4,772.3
GII 10/31 (5Y)	2,374.4
GII 3/33 (7Y)	2,198.7
GII 7/28	2,062.3
GII 9/27	1,831.4
GII 4/35 (10Y)	1,291.7
GII 10/30	932.0
GII 7/27	919.4

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

Corporate/Sukuk secondary rebounded slightly in September; new issuances picked up



- Trading in Corps/Sukuk rose to RM13.2bn in September (Aug: RM11.5bn), driven by a surge in the trading of AA-rated bonds for the month, while trading of GG paper fell and the trading of AAA-rated securities was little changed
- New issuances for the month picked up slightly to RM14.0bn in September (Aug: RM12.8bn), driven by an advance in the issuance of bonds in the GG space, while issuance in the corporate space inched higher for the month, while issuances by financials eased; we expect issuance in corporate/sukuks to ease in October
- Among the possible notable issuances in the pipeline this month include new issues from DANAINFRA (RM3.0bn), LPPSA (RM2.0bn), CAGAMAS (RM0.5bn), Mah Sing (RM0.5bn), and PASB (RM0.47bn)

Top Traded Corporate Bonds/Sukuk in Sep 26	Volume (RM mil)	Last Done Yield (%)
CAGAMAS IMTN 3.780% 24.03.2028	420	3.577
RHBBANK IMTN 4.380% 17.11.2028	225	4.152
S P SETIA IMTN 4.670% 20.04.2029	201	4.298
CAGAMAS IMTN 4.620% 04.11.2027	200	3.516
YHB SUKUK WAKALAH 5.55% 07.12.2026	175	4.183
MAYBANK (AT1 SUKUK MUDHARABAH) 4.850% PERPETUAL	159	4.759
YTL POWER IMTN 5.050% 03.05.2027	155	3.964
ALR IMTN TRANCHE 3 13.10.2026	150	3.719
WCT HOLDINGS PERP SUKUK WAKALAH - TR 5 SERIES 1	145	6.597
MAYBANK (AT1 SUKUK MUDHARABAH) 5.110% PERPETUAL	142	4.999

Top Corporate/Sukuk Issuance in Sep 26	Rating	Amount Issued (RM 'mil)
AGEAS S2 4.590% 25.09.2036	AA2	2,100
SEB IMTN 4.140% 10.09.2036 (Series 24)	AAA	1,500
SEB IMTN 4.360% 10.09.2041 (Series 25)	AAA	1,500
MAYBANK (AT1 SUKUK MUDHARABAH) 5.110% PERPETUAL	AA3	1,100
PTPTN IMTN 4.170% 29.09.2034 (Series 8)	GG	1,000
MAYBANK (AT1 SUKUK MUDHARABAH) 4.850% PERPETUAL	AA3	750
MAYBANK (AT1 SUKUK MUDHARABAH) 5.150% PERPETUAL	AA3	650
CAGAMAS ASEAN Social SRI Sukuk 3.710% 18.09.2029	AAA	500
CAGAMAS ASEAN Social SRI Sukuk 4.050% 22.09.2031	AAA	500
PTPTN IMTN 4.520% 28.09.2046 (Series 11)	GG	500

Source: BNM, BPAM, HLBB Global Markets Research

US Bonds Outlook October 2026 – constructive on USTs

	Current @ 09 Oct	Q4 2026	Q1 2027	Q2 2027	Q3 2027
Fed Funds Rate (upper bound)	4.00%	4.25%	4.50%	4.50%	4.50%

UST yields (%)	Current @ 09 Oct	Q4 2026	Q1 2027	Q2 2027	Q3 2027
2Y	4.79%	4.60%	4.65%	4.60%	4.55%
5Y	5.02%	4.80%	4.70%	4.65%	4.60%
10Y	5.24%	5.00%	4.90%	4.80%	4.70%
30Y	5.60%	5.40%	5.30%	5.25%	5.20%

Source: HLBB Global Markets Research

- Bonds have traded slightly higher thus far in October, with the hostilities in the Middle East broadening with the Houthis launching strikes on Riyadh, threatening a wider regional conflict, and concerns over the supply of diesel being seemingly alleviated with Trump's deal with Russia.
- The monthly employment report for September was weaker than anticipated, with non-farm job gains for the month falling short of expectation, and unexpected uptick in the unemployment rate to 4.2%. The ISM indices for September eased slightly from the elevated levels seen in August, suggesting a slight loss of economic momentum, while the preliminary consumer sentiment index from the University of Michigan for October declined by more than expected, with the current conditions sub-index hitting a historical low.
- The FOMC is likely to continue hiking the Funds Rate by 25bps in the fourth quarter, but may wait till the December meeting to do so to better assess inflationary trends and the impact of their recent rate hike, leaving the upcoming FOMC later this month on Oct 28 likely to result in an unchanged decision, but probably not a unanimous one.
- We think that USTs are likely to trade on a constructive note for the remainder of the month**, with the significantly higher yield levels likely to attract strong demand, especially in the longer-dated segment of the markets.

Key Events for the Month

Date	Event
14 Oct	CPI
15 Oct	Retail Sales
23 Sep	Preliminary US PMIs
28 Oct	FOMC Decision
29 Oct	Core PCE Index
30 Oct	3Q26 GDP (A)

MYR Bonds Outlook October 2026 – slightly bullish on government bonds

	Current @ 09 Oct	Q4 2026	Q1 2027	Q2 2027	Q3 2027
OPR	2.75%	2.75%	3.00%	3.00%	3.00%

MGS yields (%)	Current @ 09 Oct	Q4 2026	Q1 2027	Q2 2027	Q3 2027
3Y	3.48%	3.45%	3.40%	3.40%	3.40%
5Y	3.73%	3.70%	3.65%	3.60%	3.60%
10Y	3.93%	3.90%	3.85%	3.80%	3.80%
20Y	4.28%	4.35%	4.30%	4.25%	4.20%

Source: HLBB Global Markets Research

Key Events for the Month	
Date	Event
16 Oct	3Q26 GDP (A)
19 Oct	CPI
19 Oct	Exports and Trade Balance

- MYR government bonds have rallied thus far in October with the 10yr yield easing by 7bps since the end of September, with the Budget 2027 tabling being generally well-received.
- The 2027 Budget saw an increase in the amount of planned spending versus the present year, but a smaller estimated 3.3% fiscal deficit target as a percent of GDP for 2027, in line with the consolidation seen in the recent years. Although there was a slight increase for the fiscal deficit for the present year to 3.6% versus the 3.5% laid out previously in Budget 2026, there was a general sense of relief that the increase in subsidies seen this year from the increase in energy prices was nearly matched by an increase in revenue too, such that the deterioration in the deficit versus that planned was minimal.
- Industrial production growth for August grew by more than anticipated, while the S&P Global Malaysia manufacturing PMI for September registered a decline from the level seen the month before.
- **We are slightly bullish on bonds from here for the remainder of the month** – the government bond markets are likely to continue drawing interest at these elevated yield levels, although there is quite a bit of duration for the market to absorb this month, with longer-dated auctions (15yr MGS and 20yr GII) taking place later this month.

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