Monthly Fixed Income Market Outlook

Global Markets

February 2026

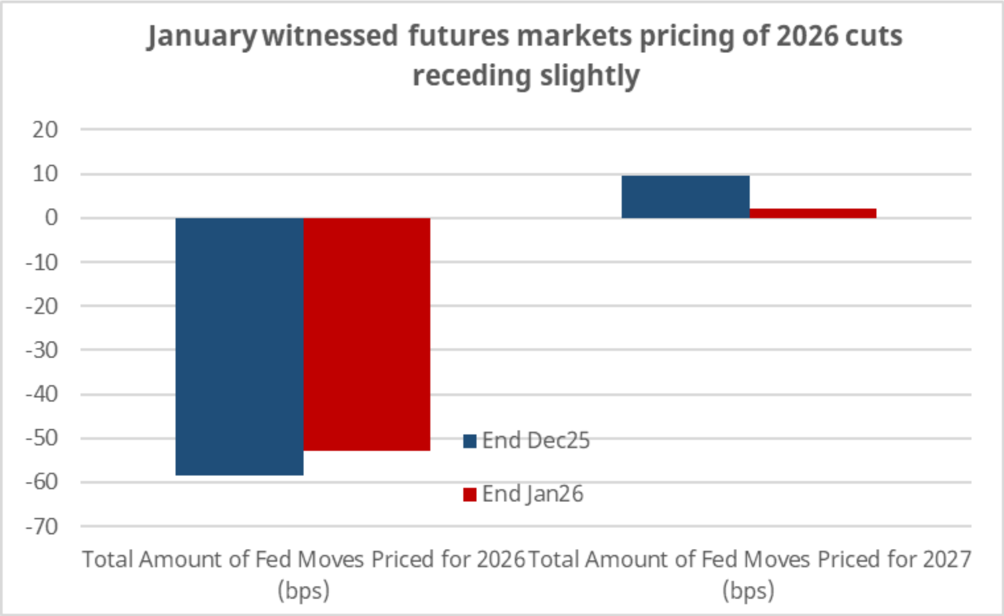
January 2026 US Bond Market Review

Source: Bloomberg, HLBB Global Markets Research

- USTs were slightly weaker in January, with yields rising between 3-7bps for the month amidst the Fed holding the Funds Rate steady on Jan 28 in a 10-2 majority vote, after three consecutive 25bps reductions to address growing concerns about the labour market.

- The monthly Dec jobs report was mixed, with jobs gains coming in slightly lower than anticipated, but the unemployment rate unexpectedly dipped to 4.4% from a downwardly revised 4.5% in Nov. Meanwhile, core CPI for Dec was a notch cooler than expected, holding steady at 2.6% y/y, while the delayed core PCE readings for October and November matched expectations.

- The UST curve was relatively steady during the month as yields saw a gentle rise for the month:
  - 2yr yield advanced by 5bps to 3.52%
  - 10yr yield rose by 7bps to 4.24%

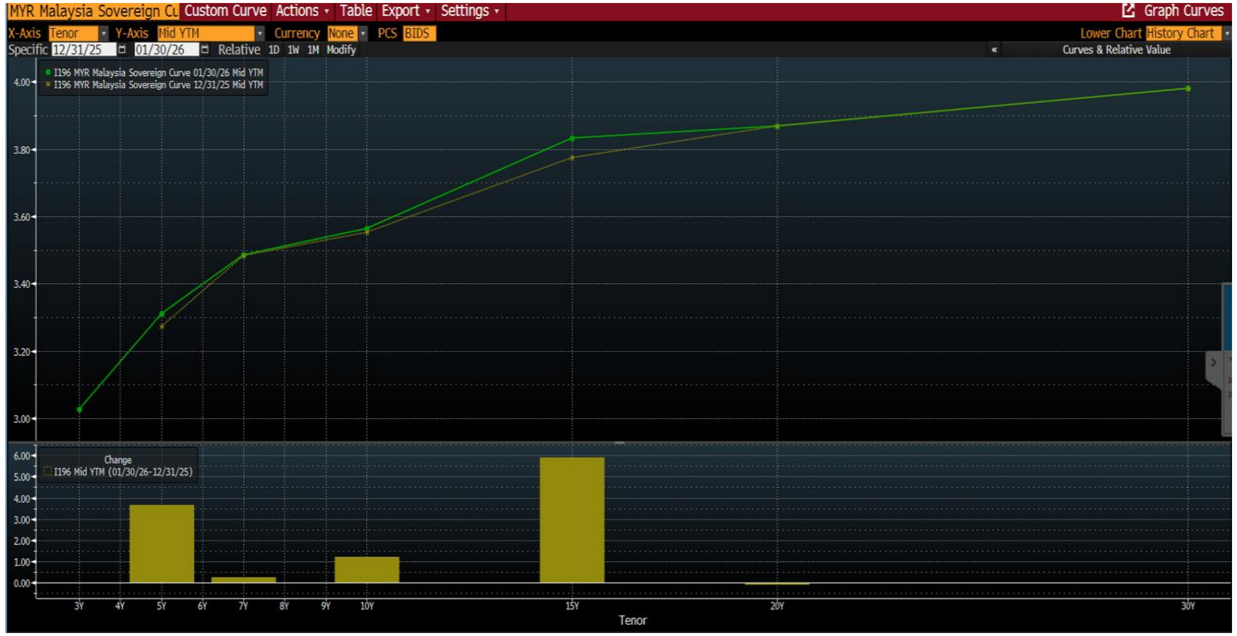


- Fed Chair Jerome Powell released an unprecedented statement during the month accusing the administration of seeking to influence Fed decisions. In a bit of surprise, ex Fed Governor Kevin Warsh was nominated by Trump to be the new Fed Chair, with his nomination welcomed by the markets and seen to be a credible choice for the post.

- Futures markets pricing of 2026 cuts eased during the month, and indicate that there would be around 2 cuts for the new year, while indicating that policy rates would be little changed in 2027.

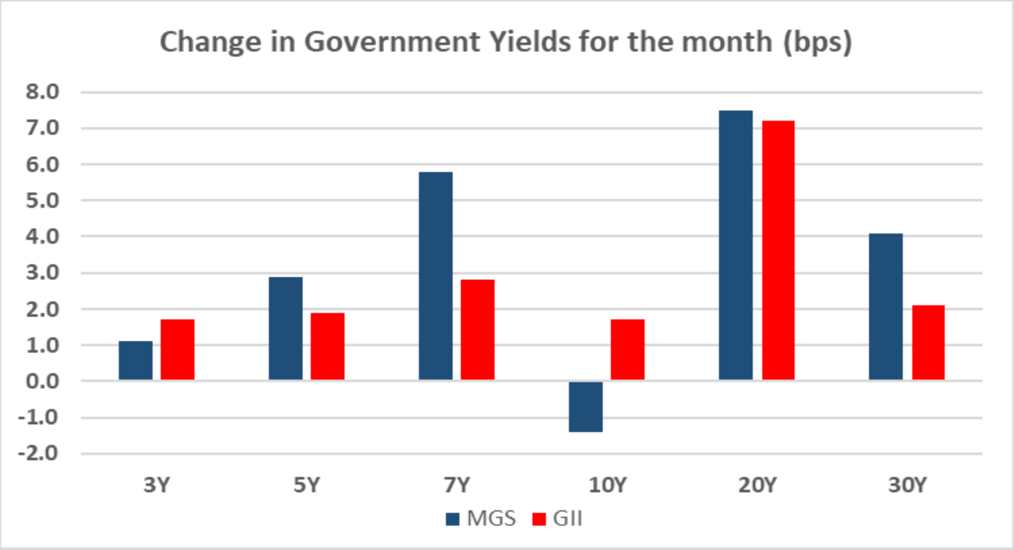
- Futures markets pricing of Fed moves as at the end of January stood as follows:
  - 2026 rate moves priced eased to -53bps (from -59bps at end Dec)
  - 2027 rate moves priced eased to +2bps (from +10bps at end Dec)

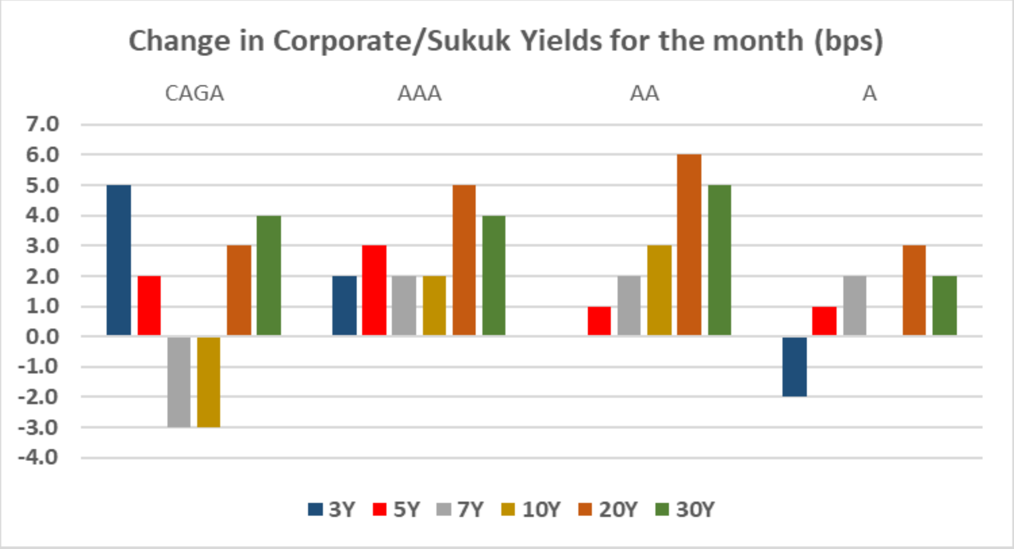
January 2026 MYR Bond Market Review



Source: Bloomberg, HLBB Global Markets Research

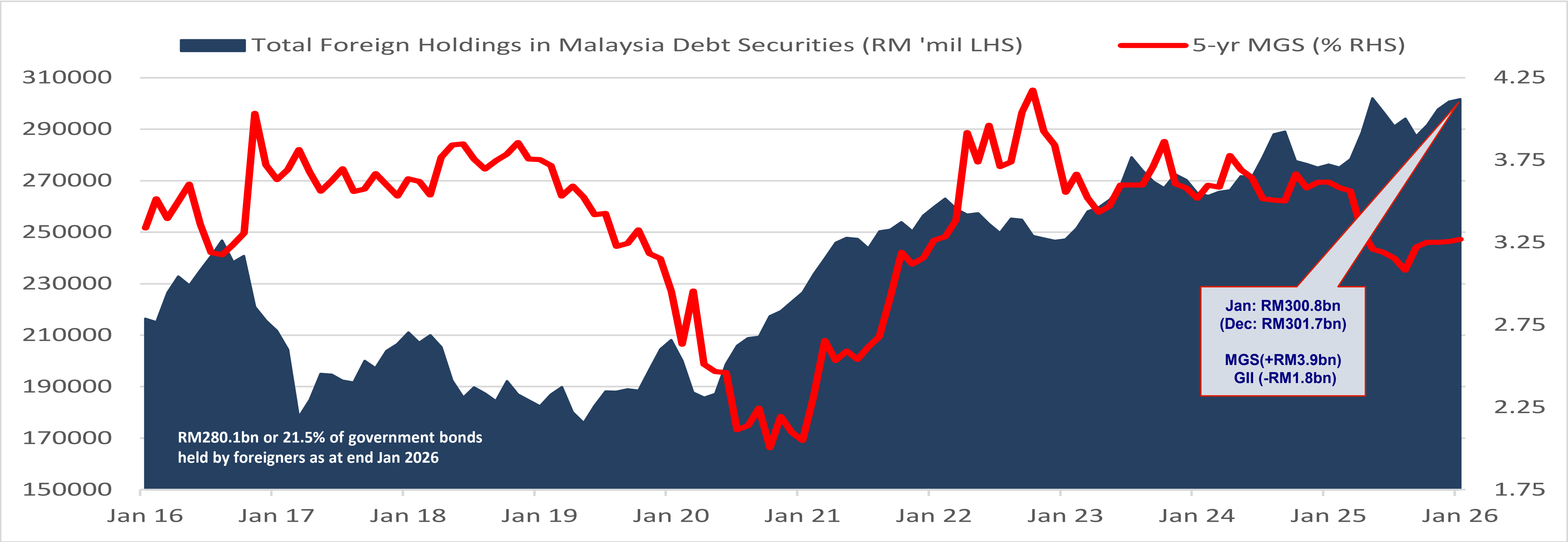
- MYR govt bonds were softer in January, amidst advanced 4Q and 2025 GDP coming in north of expectations, and a surprising faster pace of export growth in December.
- Other economic data released during the month saw industrial production for November come in slightly softer than anticipated, while CPI for December unexpectedly climbed by 2 notches to 1.6% versus the 1.4% seen the month before.
- BNM left rates unchanged for a third consecutive MPC on Jan 22, and continued to signal a rather neutral outlook in its accompanying monetary policy statement.
- Benchmark government bond yields ended the month mixed by between -1 to +8bps, with the 20Y segment of the market underperforming for the month.
- Corporate bonds were mixed in January, with the belly of the government guaranteed segment and front end of the A-rated curve outperforming for the month.





Source: BPAM, HLBB Global Markets Research

Offshore foreign holdings climbed for a fourth straight month in January; driven by rise in MGS holdings



Source: BNM, Bloomberg, HLBB Global Markets Research

- Offshore foreign holdings of Malaysian debt securities climbed for a fourth straight month in January, rising by RM0.9bn to RM301.7bn versus the RM300.8bn held at the end of 2025
- The rise was driven largely by an increase in the holdings of MGS (+RM3.9bn), with an increase also seen in the holdings of Sukuk (+RM0.2bn)
- GII (-RM1.8bn), Corporate Bonds (-RM0.9bn), MITBs (-RM0.3bn) and MTBs (-RM0.2bn) all saw reductions in foreign holdings for the month

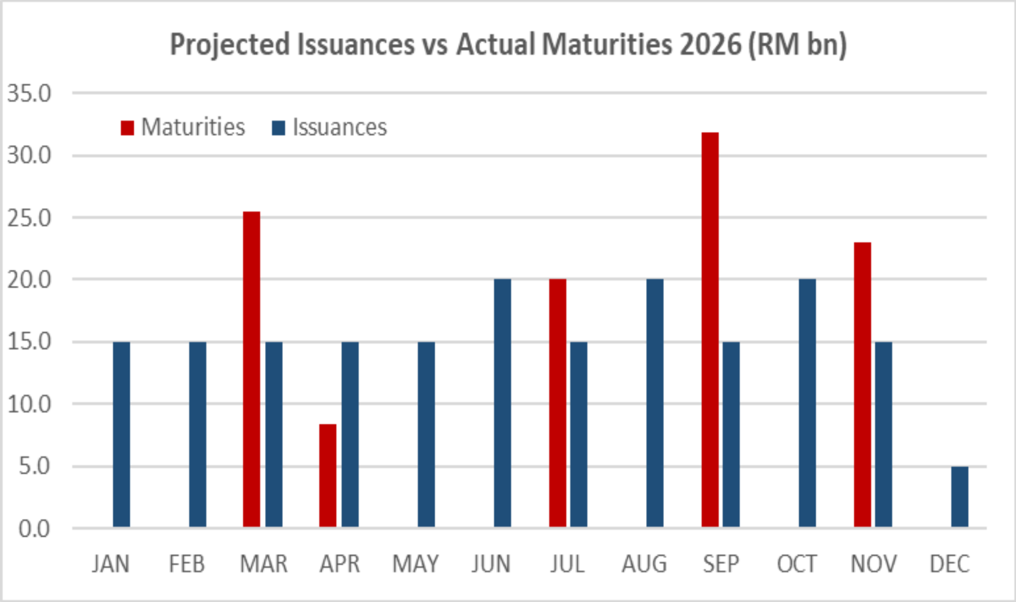
RM15.0bn of gross MGS/GII issuance in January; another RM15.0bn of issuance expected in February

MGS/GII issuance pipeline in 2026

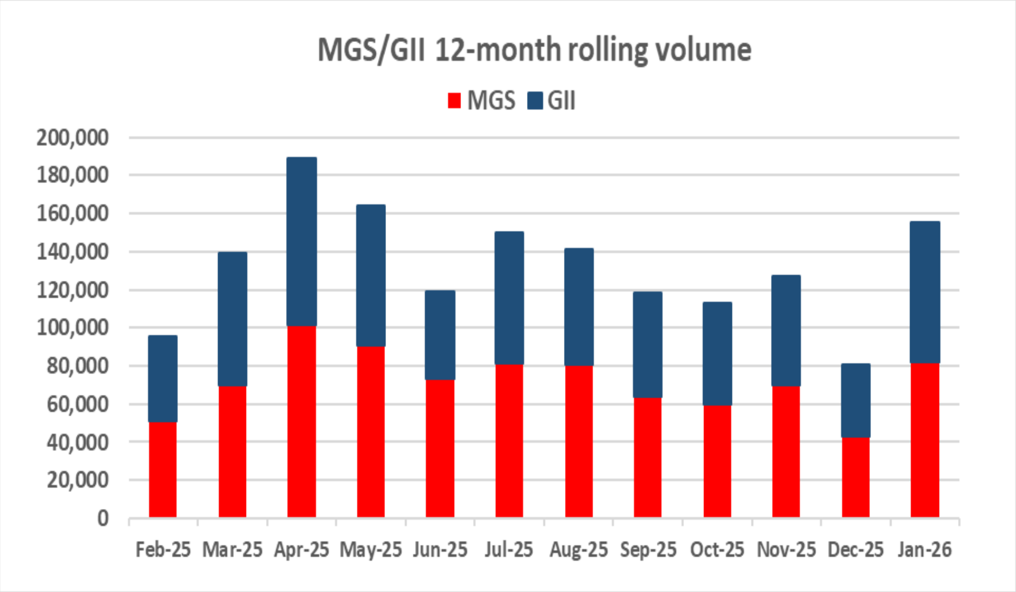
No	Stock	Tenure (yrs)	Tender Month	Quarter	Tender Date	Projected Issuance Size (RM mil)	Actual Auction Issuance (RM mil)	Actual Private Placement	Total Issuance YTD	BTC (times)	Low	Average	High	Cut-off
1	5-yr Reopening of MGII 08/30	5	Jan	Q1	7/1/2026	5,000	5,000		5,000	2.296	3.260	3.268	3.272	7.1%
2	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		5,000			25,000					
7	15-yr Reopening of MGII 7/40	15	Mar	Q1		5,000			25,000					
8	3-yr New Issue of MGS (Mat on 03/29)	3	Mar	Q1		5,000			25,000					
9	7-yr New Issue of MGII (Mat on 3/33)	7	Mar	Q1		5,000			25,000					
10	30-yr Reopening of MGS 07/55	30	Apr	Q2		5,000			25,000					
11	3.5-yr New Issue of MGII (Mat on 10/29)	3	Apr	Q2		5,000			25,000					
12	20-yr New Issue of MGS (Mat on 04/46)	20	Apr	Q2		5,000			25,000					
13	10-yr Reopening of MGII 4/35	10	May	Q2		5,000			25,000					
14	7-yr Reopening of MGS 4/33	7	May	Q2		5,000			25,000					
15	30-yr Reopening of MGII 1/56	30	May	Q2		5,000			25,000					
16	3-yr Reopening of MGS 3/29	3	Jun	Q2		5,000			25,000					
17	15-yr Reopening of MGII 7/40	15	Jun	Q2		5,000			25,000					
18	5-yr Reopening of MGS 6/31	5	Jun	Q2		5,000			25,000					
19	20-yr Reopening of MGII 5/45	20	Jun	Q2		5,000			25,000					
20	10-yr Reopening of MGS 07/35	10	Jul	Q3		5,000			25,000					
21	3.5-yr Reopening of MGII 10/29	3	Jul	Q3		5,000			25,000					
22	15-yr Reopening of MGS 01/41	15	Jul	Q3		5,000			25,000					
23	5-yr Reopening of MGII 10/31	5	Aug	Q3		5,000			25,000					
24	30-yr Reopening of MGS 7/55	30	Aug	Q3		5,000			25,000					
25	7-yr Reopening of MGII 3/33	7	Aug	Q3		5,000			25,000					
26	20-yr Reopening of MGS 4/46	20	Aug	Q3		5,000			25,000					
27	10-yr Reopening of MGII 7/36	10	Sep	Q3		5,000			25,000					
28	7-yr Reopening of MGS 04/33	7	Sep	Q3		5,000			25,000					
29	30-yr Reopening of MGII 1/56	30	Sep	Q3		5,000			25,000					
30	3.5-yr Reopening of MGII 10/29	3	Oct	Q4		5,000			25,000					
31	15-yr Reopening of MGS 1/41	15	Oct	Q4		5,000			25,000					
32	20-yr Reopening of MGII 5/45	20	Oct	Q4		5,000			25,000					
33	10-yr New Issue of MGS (Mat on 10/36)	10	Oct	Q4		5,000			25,000					
34	15-yr Reopening of MGII 7/40	15	Nov	Q4		5,000			25,000					
35	3-yr Reopening of MGS 3/29	3	Nov	Q4		5,000			25,000					
36	10-yr Reopening of MGII 7/36	10	Nov	Q4		5,000			25,000					
37	30-yr Reopening of MGS 07/55	11	Dec	Q1		5,000			25,000					
	Gross MGS/GII supply in 2026					185,000	19,500	5,500	25,000	PROJECTED TOTAL ISSUANCE = RM185bn				

Source: Bloomberg, BNM, HLBB Global Markets Research

- Gross issuance of RM15bn was seen in January from the three scheduled auctions – a re-opening of RM5bn 5yr GII, a new issuance of RM3.5bn of a new 15yr MGS (plus RM1.5bn PP), and a new issuance of RM3bn of a new 30yr GII (plus RM2bn PP)
- The bond auctions in January were moderately received, with an average BTC of 2.130x (Dec: 1.924x) for the month
- In February, we are likely to see gross issuance of RM15.0bn from the three scheduled auctions – a RM5bn re-opening of MGS 6/31 (will take over as 5yr MGS benchmark), after the RM5bn 10yr MGS re-opening and RM3bn re-opening of the 20yr GII (plus RM2bn PP) that we already had



MGS/GII trading volume surged in January; expected to decline markedly in February



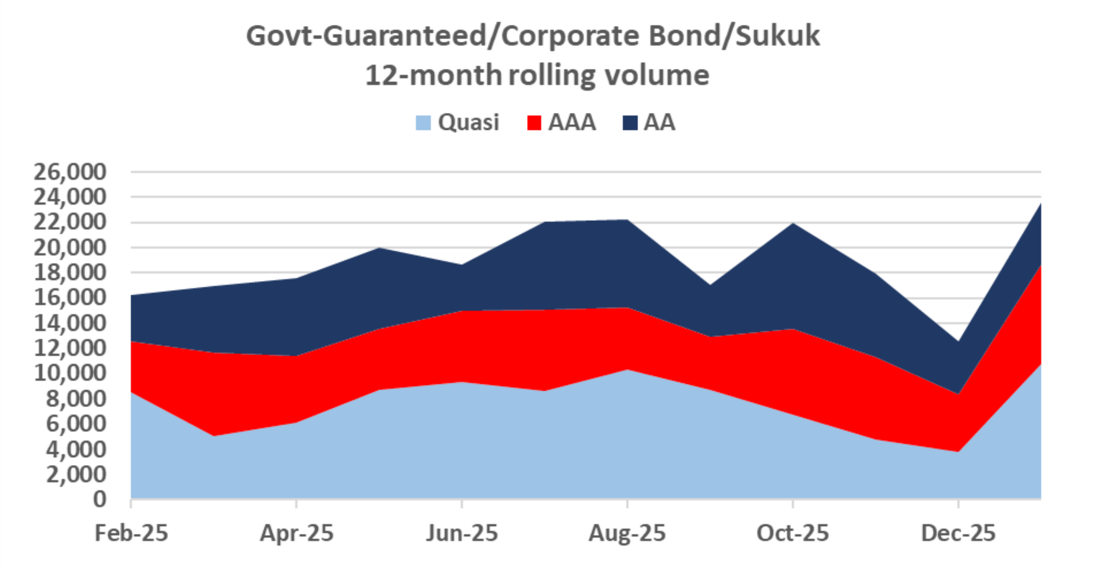
- Secondary trading in MGS/GII surged to RM155.3bn in January (Dec: RM80.9bn) to kick off the year, with both MGS and GII trading seen climbing sharply
- The off-the-run MGS 7/26 and GII 3/26 again led trading for the month in the MGS and GII markets respectively
- Good interest for the month was also seen in the benchmark 3Y GII and 7Y GII, as well as in the off-the-run GII 9/26, MGS 11/26 and MGS 4/31
- Secondary trading in government bonds is expected to declined markedly in February given the holidays during the month

Top Traded MGS in January 26	Volume (RM 'mil)
MGS 7/26	12,491.0
MGS 11/26	12,330.8
MGS 4/31	4,904.0
MGS 4/30	4,635.6
MGS 7/35 (10Y)	4,436.5
MGS 4/39	3,979.1
MGS 4/28 (3Y)	3,970.9
MGS 7/32 (7Y)	3,910.2
MGS 7/34	3,430.5
MGS 5/44 (20Y)	3,117.9

Top Traded GII in January 26	Volume (RM 'mil)
GII 3/26	14,709.0
GII 9/26	10,159.1
GII 7/28 (3Y)	9,450.4
GII 10/31 (7Y)	6,314.5
GII 8/30 (5Y)	4,669.8
GII 4/35 (10Y)	4,072.2
GII 9/27	2,467.0
GII 8/33	2,250.5
GII 11/34	2,246.5
GII 9/41	2,201.6

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

Corporate/Sukuk secondary trading climbed sharply in January; new issuances tumble



- Trading in Corps/Sukuk rose sharply to RM12.6bn in December (Dec: RM12.6bn), driven by a surge in the trading of GG and AAA-rated paper

- New issuances for the month tumbled to RM7.4bn in January (Dec: RM22.9bn), as all categories recorded reductions for the month, with an absence of any issuances from the financials; we expect issuance in the corporate/sukuk space to pick up in February

- Among the possible notable issuances in the pipeline this month include new issues from LPPSA (RM2bn), TNBPG (RM1.5bn), DANUM (RM1.4bn), CAGA (RM0.5bn) and Maybank Islamic (RM0.5bn)

Top Traded Corporate Bonds/Sukuk in Jan 26	Volume (RM mil)	Last Done Yield (%)
PANTAI IMTN 3.510% 31.10.2030 - IMTN Series 2 - 3	885	3.648
LPPSA IMTN 3.790% 10.04.2035 - Tranche No. 8	530	3.639
PASB IMTN (GG) 4.63% 05.02.2026 - Issue No. 23	430	2.580
DANAINFRA IMTN 4.320% 18.03.2037 - Tranche 25	340	3.728
DANAINFRA IMTN 4.000% 09.03.2040 - Tranche No 154	340	3.843
SEB IMTN 4.270% 04.07.2033 (Tranche 21)	319	3.749
PRASARANA IMTN 4.410% 28.08.2037 (Series 10)	260	3.749
DANAINFRA IMTN 4.310% 24.10.2039 - Tranche No 137	240	3.834
PTPTN IMTN 4.170% 10.03.2036	230	3.649
PRASARANA IMTN 4.180% 27.08.2032 (Series 9)	230	3.507

Top Corporate/Sukuk Issuance in Jan 26	Rating	Amount Issued (RM 'mil)
DANAINFRA IMTN 4.120% 27.01.2054 - Tranche 32	GG	870
PRASARANA IMTN 3.900% 29.01.2041 (SERIES 27)	GG	800
S P SETIA IMTN SENIOR SUKUK T3 4.000% 25.01.2036	AA2	700
S P SETIA IMTN SENIOR SUKUK T2 3.910% 26.01.2033	AA2	650
PTPTN IMTN 3.940% 28.01.2042 (Series 17)	GG	620
PRASARANA IMTN 4.010% 29.01.2046 (SERIES 28)	GG	500
PRASARANA IMTN 4.030% 29.01.2048 (SERIES 29)	GG	500
PCHSB MTN 30.1.2034 (T1/S1)	NR	394
PTPTN IMTN 3.780% 28.01.2038 (Series 16)	GG	380
MRCB20PERP IMTN Issue 7-15 4.250% 30.01.2036	AA3	250

Source: BNM, BPAM, HLBB Global Markets Research

US Bonds Outlook Feb 2026 – mildly constructive

	Current @ 13 Feb	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 @ 13 Feb	Q1 2026	Q2 2026	Q3 2026	Q4 2026
2Y	3.41%	3.30%	3.10%	2.90%	2.75%
5Y	3.60%	3.55%	3.40%	3.25%	3.15%
10Y	4.05%	4.00%	3.85%	3.75%	3.70%
30Y	4.69%	4.70%	4.65%	4.60%	4.60%

Source: HLBB Global Markets Research

Key Events for the Month

Date	Event
18 Feb	FOMC Minutes of Jan 28 meeting
20 Feb	Core PCE Index
20 Feb	4Q GDP (A)
24 Feb	Consumer Confidence
27 Feb	Producer Price Index

- Bonds have rallied thus far in February, despite a better-than-expected monthly employment report for January, which saw job gains come in at twice the pace anticipated and a further unexpected decline in the unemployment rate by a notch to 4.3%. The ISM Manufacturing index for January also saw a surge into expansionary territory.

- The yield declines were driven by a poor retail sales report for December, where sales were flattish versus the month before, and headline inflation coming in a touch cooler than expected. Outside of the monthly jobs report, labour indicators have been weak, with the JOLTS and Challenger reports continuing to paint a picture of a cooling labour market, with weekly jobless claims also registering a rise from December levels. The ongoing questions on tech stock valuations have also exerted some downward pressure on UST yields.

- The markets are currently pricing in only a 10% chance of a 25bps reduction in the Fed Funds rate at the next FOMC on Mar 18, and we continue to see a pause on policy in 1Q26, before the Fed resumes reductions in a more gradual manner for the coming quarters.

- **We are still mildly constructive on USTs at these levels and expect government bond yields to continue to decline**, with the curve likely to steepen from here.

MYR Bonds Outlook Feb 2026 – bullish bias

	Current @ 08 Jan	Q1 2026	Q2 2026	Q3 2026	Q4 2026
OPR	2.75%	2.75%	2.75%	2.75%	2.75%

MGS yields (%)	Current @ 13 Feb	Q1 2026	Q2 2026	Q3 2026	Q4 2026
3Y	3.04%	2.95%	2.90%	2.90%	2.90%
5Y	3.29%	3.15%	3.10%	3.05%	3.05%
10Y	3.54%	3.40%	3.35%	3.30%	3.30%
20Y	3.96%	3.90%	3.85%	3.80%	3.80%

Source: HLBB Global Markets Research

Key Events for the Month

Date	Event
19 Feb	CPI
20 Jan	Exports and Trade Balance

- MYR government bonds have been softer thus far in February, with the final 4Q GDP and 2025 annual GDP coming in stronger than expected and above the flash readings last month, with 3Q readings also being revised higher.

- Industrial production for December also came in higher than anticipated, buoyed by manufacturing and electricity production while the S&P Malaysia manufacturing PMI for January climbed further from the month before, signaling that the economic momentum could be sustained in the new year.

- We continue to foresee no change to the BNM policy rate in 2026 for the duration of the horizon period, with the central bank continuing to appear comfortable with the current growth trajectory and in the absence of significant price pressures.

- **We are bullish on bonds and government bonds yields are expected to head lower from here**. Corporate spreads are expected to remain stable amidst continued firm demand, with bond supply expected to pick up slightly from that seen in January.

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