MGS Yields Eased, Tracking the Fall in UST Ahead of Uncertain FOMC Decision

Nov-25 Fixed Income Review



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Economic Review

- The US Treasury (UST) yield curve bull steepened in Nov-25 as the 2-year yield fell by -8bps to 3.49% while the 30-year yield declined at a smaller pace by -2bps to 3.98% (Oct-25: 4.00%). In the first 19 days of the month, the UST10Y yield was trading at a higher range between 4.08% to 4.12%, which later moved lower towards the end of the month and breached the 4.00% level and hit the lowest level for the month at 3.99%.
- The MGS yield curve moved slightly lower last month, tracking the movement of the UST yield movement. The MGS10Y yield hovered between the range of 3.431% to 3.524% for the month. The MGS10Y was rather stable throughout the month compared to the UST10Y.
- Foreign funds registered inflows into Malaysia's debt securities in Nov-25 as the foreign holdings of Malaysian bonds increased by +RM6.1b to RM297.7b (Oct-25: RM291.7b). The size of inflows in Nov-25 is the highest inflows in the 2HCY25.

US TREASURY & MALAYSIAN GOVERNMENT BONDS

UST yield curve shifted lower last month as investors' sentiment turned around and priced in further cuts

The US Treasury (UST) yield curve bull steepened in Nov-25 as the 2-year yield fell by -8bps to 3.49% while the 30-year yield declined at a smaller pace by -2bps to 3.98% (Oct-25: 4.00%). In the first 19 days of the month, the UST10Y yield was trading at a higher range between 4.08% to 4.12%, which later moved lower towards the end of the month and breached the 4.00% level and hit the lowest level for the month at 3.99%, on the back of improving sentiment due to the US government lifting the shutdown and added with the release of the FOMC minutes which suggest a diverging views on additional rate cuts. However, in the final week of the month, the dovish statement from the US Federal Reserve President John Williams and weaker economic data releases drove market probability for the Dec-25 rate cut higher from around 30% to around 86.4%, which led to the UST yields trending higher. On top of that, the de-escalation of geopolitical uncertainty and trade tensions following a positive outcome from the US-China trade negotiations also eased the demand for safe-haven assets, particularly the UST.

Longer term continues to remain a concern

US bond investors remained cautious due to long-term debt concerns (debt-to-GDP projected at 134% by 2035) and new trade tariffs that risk slowing growth and keeping inflation elevated. However, on the back of the reversal of market expectation to a more dovish tone for the Dec-25 FOMC meeting, we continue to expect that the Treasury yield would continue to ease lower in the medium term.

MGS10Y eased lower towards the end of last month

The MGS yield curve moved slightly lower last month, tracking the movement of the UST yield movement. The MGS10Y yield hovered between the range of 3.431% to 3.524% for the month. The MGS10Y was rather stable throughout the month compared to the UST10Y. Meanwhile, the UST10Y was trading between the range of 4.07% to 4.16% in the first 10 days of the month, which later saw the yields trended lower towards the end of the month and closed at 4.01%. the movement of the yields was influenced by the renewed expectations for another policy easing by the Fed at the upcoming Dec-25 FOMC meeting. The MGS tracked

the downward trend in UST yields but at a more moderate pace. In particular, there was a rapid decline in the 10-year UST yield between 19th – 25th Nov-25, which saw the yields decline from 4.14% to 4.00%. Market views shifted back to another rate cut following a dovish signal by a Fed governor and weaker economic releases, such as slower growth in retail sales and weaker consumer confidence. This was in contrast to optimism in the financial market in the middle of the month following the lifting of the US government shutdown and the job market update, which indicated strong hirings in Sep-25 despite a further rise in the jobless rate. On the back of foreign fund outflows, positive net issuance, and the decline in yields due to the latest increase in the rate cut sentiment, the volume of government bonds traded increased to RM to RM128.7b in Nov-25 (Oct-25: RM114.6b).

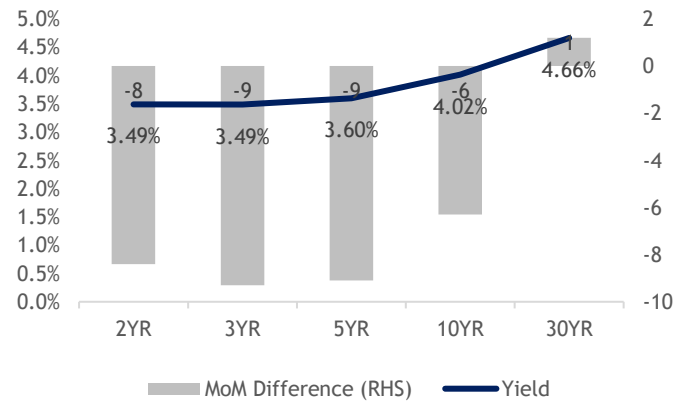
Lower new MGS/GII issuance, but no additional issuances.

Gross issuance of MGS/GII was higher at RM12.0b in Nov-25 (Oct-25: RM10.5b), and no additional issuance last month (Oct-25: RM4.0b). Auction demand was relatively higher with the average BTC of 2.27x (Oct-25: 1.96x), which was increased by the two strong demand auctions for the GII issuance of the 10-year (2.57x) and 20-year (2.34x) respectively. Meanwhile, the value of the outstanding government bond was slightly higher at RM1.30t at the end of Nov-25. The volume of government bonds traded in Nov-25 was higher at RM128.7m (Oct-25: RM114.6), much lower than the current year high of RM190.4m recorded in Apr-25.

We maintain our view 10-year MGS to end the year around 3.40%

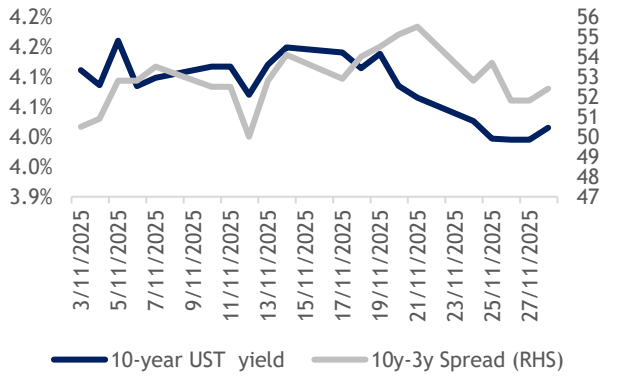
We are maintaining our year-end 2025 forecast for the 10-year Malaysian Government Securities (MGS) yield at 3.40%**.** The projection is fundamentally anchored to the expected modest expansion of the MGS-OPR spread. Given the spread is currently compressed at +50 to +60 basis points, we foresee a slight reversion to a level marginally above +60 bps. We think that the recent MGS yield moving higher was temporary as market players are reacting to the possibility of the Fed of a no rate cut scenario in Dec-25, which was the case in the early part of last month. However, later in the month, market probability for Dec-25 rate cut turned higher, causing the UST yield yields to track lower, as MGS tracked towards our year-end view. This maintains an anchor effect on MGS yields due to the persistent, though more moderate, correlation with the movement in UST yields. The resulting divergence in monetary policy settings will gradually narrow the interest rate differential, thereby limiting significant upward pressure on MGS yields.

Chart 1: UST Yields and MoM Difference (bps) end Nov-25



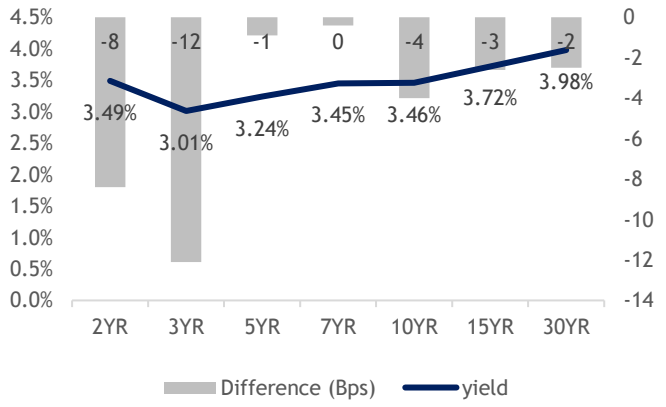
Source: Macrobond, MBSBR

Chart 2: 10y UST Yield vs 10y-3y Yield Spread (bps) in Nov-25



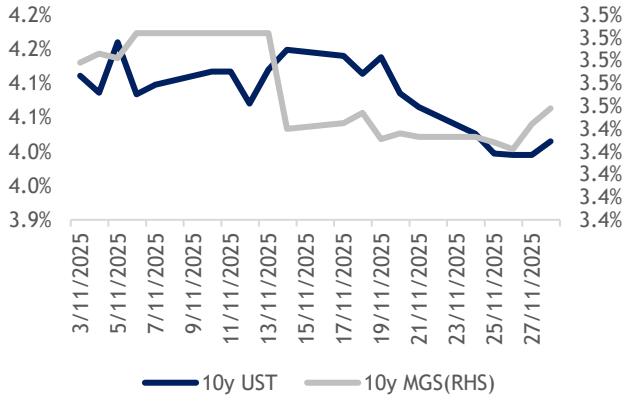
Source: Macrobond, MBSBR

Chart 3: MGS Yield Curve and MoM Difference (bps) as at end-Nov-25



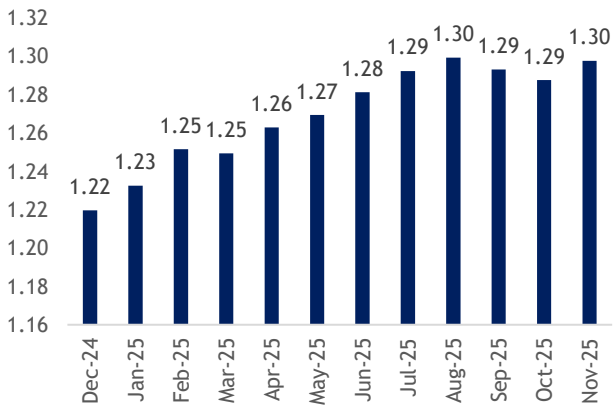
Source: Bloomberg, MBSBR

Chart 4: 10y MGS vs 10y UST Yields (%) in Nov-25



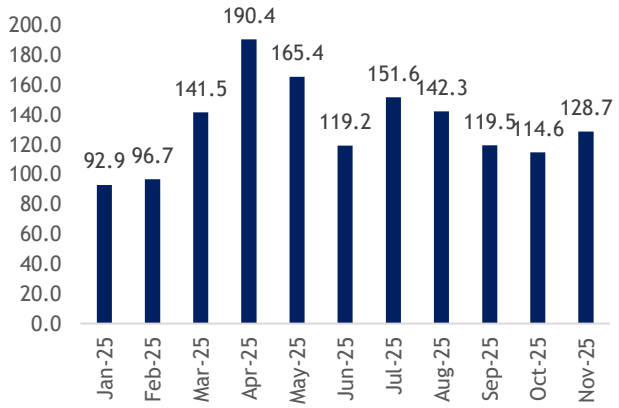
Source: Bloomberg, MBSBR

Chart 5: Outstanding Malaysia Government Bonds (RM t)



Source: Bondstream, MBSBR

Chart 6: MGS Volume of Government Bonds Traded (RM b)



Source: Bondstream, MBSBR

Table 1: Quarterly Forecast for MYR and MGS 10-year yield

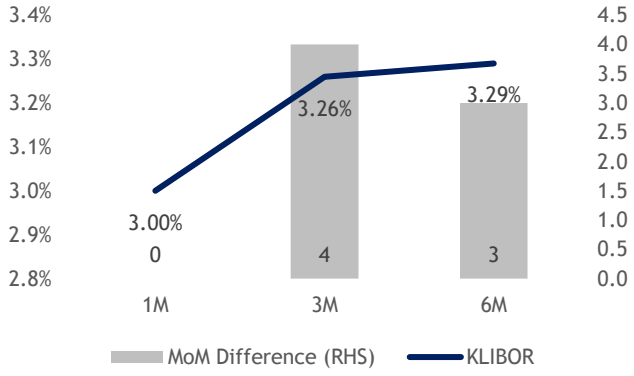
	1Q25	2Q25f	3Q25f	4Q25f
Exchange Rate, vs USD (average)	4.44	4.32	4.21	4.10
Exchange Rate, vs USD (end-period)	4.43	4.38	4.20	4.09
10Y Government Bond Yield (average)	3.79	3.57	3.51	3.45
10Y Government Bond Yield (end-period)	3.77	3.55	3.35	3.40

INTERBANK MONEY MARKET

KLIBOR was slightly higher in Nov-25

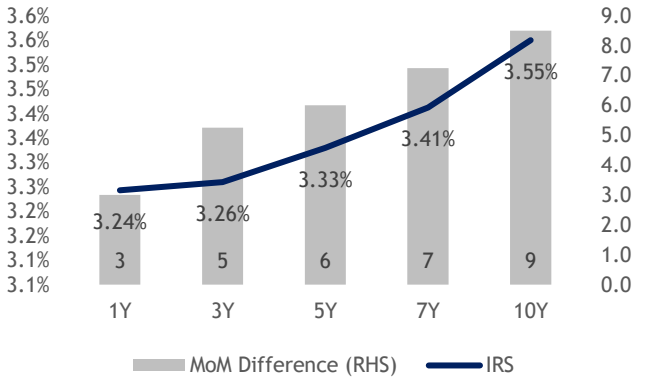
KLIBOR interbank rate for the 1M remained unchanged at 3.00%, meanwhile, the 3M and the 6M increased by +4bps and 3bps, respectively. Also, the Nov-25 IRS market continued to pick up slightly from last month, where the 1-year, 3-year, 5-year, 7-year, and 10-year all increased by +3bps, +5bps, +6bps, +7bps, and +10bps, respectively. The movement of the IRS continued to trend higher again last month but did not track the movement in the MGS yields.

Chart 7: KLIBOR and MOM Difference (bps)



Source: Macrobond, MBSBR

Chart 8: IRS and MOM Difference (bps)



Source: Macrobond, MBSBR

CORPORATE BONDS

Lower volume of corporate bonds traded last month

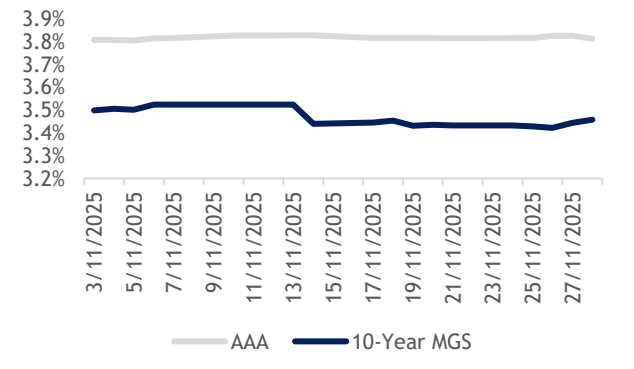
The value of the traded corporate bonds was lower at RM18.8b in Nov-25 (Oct-25: RM22.7B), still more active than the average of RM15.4b a month back in 2025. This contributed to the total traded corporate bond of RM208.4b in the first 11 months of this year. The corporate bond yield declined across the yield curve last month, with the yield for rate securities between the medium to longer end of the curve moving lower than the shorter term, especially for the BBB1-rated bonds, which fell by -91bps in the 10-year space. Within the non-rated securities, the yield also moved lower, with the 5-year yield declining the most by -73bps to 5.97%.

Table 2: Corporate Bond Yield and MOM Yield Change as at End-Nov-25

	1Y	2Y	3Y	5Y	7Y	10Y
AAA	3.431	3.477	3.542	3.626	3.729	3.813
AA1	3.471	3.517	3.582	3.666	3.764	3.86
A1	3.941	4.053	4.17	4.346	4.513	4.75
BBB1	5.4	5.897	6.337	6.956	7.519	8.278
Non-rated	5.38	5.625	5.294	5.242	5.322	5.785
MOM Difference (bps)						
AAA	-20	-20	-19	-19	-18	-17
AA1	-22	-23	-22	-22	-20	-23
A1	-40	-50	-56	-65	-78	-90
BBB1	-35	-41	-52	-56	-76	-91
Non-rated	-9	-72	-4	-73	-11	-19

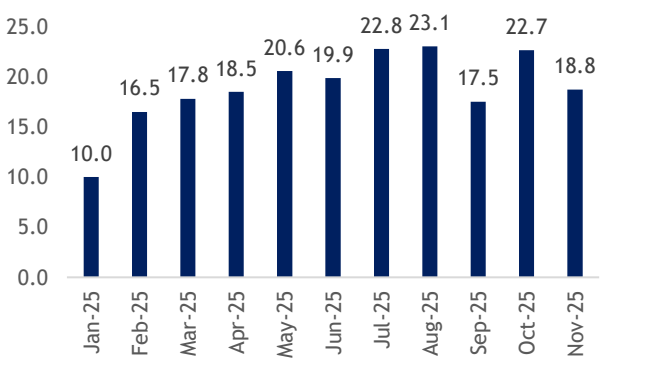
Source: Bondstream, MBSBR

Chart 9: 10-Year AAA vs 10-Year MGS Yields (%)



Source: Macrobond, MBSBR

Chart 10: Volume of Corporate Bond Traded (RM b)



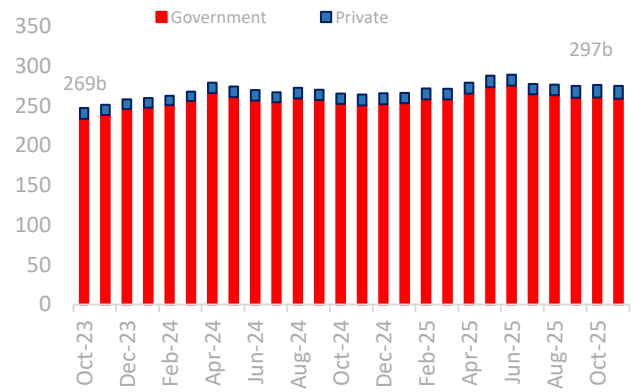
Source: Macrobond, MBSBR

FOREIGN HOLDINGS OF MALAYSIAN BONDS

Foreign holdings of Malaysian bonds increased in Nov-25

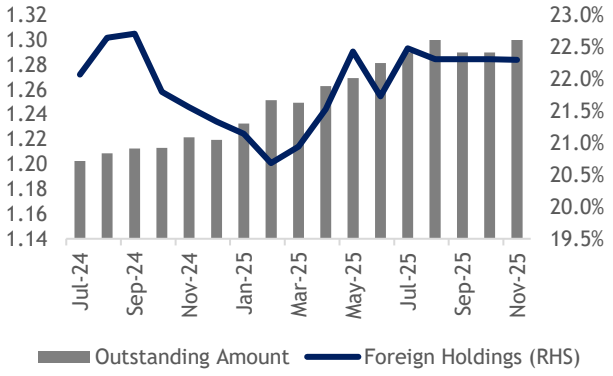
Foreign funds registered inflows into Malaysia's debt securities in Nov-25 as the foreign holdings of Malaysian bonds increased by +RM6.1b to RM297.7b (Oct-25: RM291.7b). The size of inflows in Nov-25 is the highest inflows in the 2HCY25. As a result, we estimate that the ratio for foreign holdings out of the total outstanding government bonds, including the MGS and sukuk, was unchanged at 22.5% in Nov-25, still below the pre-pandemic level (2018 average: 23.1%) but higher than 21.6% a year ago.

Chart 11: Foreign Holdings of Malaysian Bonds (RM b)



Source: Macrobond, MBSBR

Chart 12: Share of Foreign Holdings of MGS/GII



Source: Macrobond, MBSBR

APPENDICES

Table 4: MGS/GII Auctions Calendar

Tender Date	Issues	Quarter	Month	Issue Date	Issuance (RM mil)	Private Placement (RM million)	BTC (Times)
8/1/2025	7-yr Reopening of MGS 07/32 3.582%	1QCY25	January	8/1/2025	5,000.00		2.80
15/1/2025	15.5-yr New Issue of MGII (Mat on 07/40)	1QCY25	January	15/1/2025	3,000.00	1,000.00	4.28
24/1/2025	3-yr Reopening of MGII 07/28 3.599%	1QCY25	January	24/1/2025	5,500.00		2.62
6/2/2025	30-yr Reopening of MGS 03/53 4.457%	1QCY25	February	6/2/2025	2,500.00	2,000.00	2.36
13/2/2025	7-yr Reopening of MGII 10/31 3.804%	1QCY25	February	13/2/2025	5,000.00		2.86
21/2/2025	20-yr Reopening of MGS 05/44 4.180%	1QCY25	February	21/02/2025	2,500.00	2,000.00	2.99
28/02/2025	5.5-yr New Issue of MGII (Mat on 08/30)	1QCY25	February	28/02/2025	5,500.00		3.16
10/03/2025	15-yr Reopening of MGS 04/39 4.054%	1QCY25	March	10/03/2025	3,000.00	1,000.00	3.02
14/03/2025	30-yr Reopening of MGII 03/54 4.280%	1QCY25	March	14/03/2025	3,000.00	2,000.00	3.08
28/03/2025	10-yr Reopening of MGS 07/34 3.828%	1QCY25	March	28/03/2025	5,000.00		1.67
08/04/2025	15-year Reopening of MGII 07/40	2QCY25	April	08/04/2025	3,000.00	1,000.00	2.89
15/04/2025	3-year Reopening of MGS 04/28	2QCY25	April	15/04/2025	5,000.00	-	3.46
30/04/2025	10-year New Issue of MGII 05/30	2QCY25	April	30/04/2025	5,000.00	-	2.00
14/05/2025	5-year New issue of MGS 04/35	2QCY25	May	15/05/2025	5,000.00		2.13
23/05/2025	20-year New issue of MGII 05/45	2QCY25	May	30/05/2025	3,000.00	2,000.00	3.32
10/06/2025	15-year Reopening of MGS 04/39	2QCY25	June	10/06/2025	3,000.00		2.86
16/06/2025	30-year Reopening of MGII 03/54	3QCY25	June	16/06/2025	3,000.00	2,000.00	3.30
30/06/2025	10-year New Issue of MGS 07/35	3QCY25	June	30/06/2025	5,000.00		3.01
04/07/2025	7-year Reopening of MGII 10/31	3QCY25	July	04/07/2025	5,000.00		2.92
15/07/2025	30-year New Issue of MGS 07/55	3QCY25	July	15/07/2025	3,000.00	2,000.00	2.00
22/07/2025	10-year Reopening of MGS 04/35	3QCY25	July	22/07/2025	5,000.00		2.73
08/08/2025	20-year Reopening of MGS 05/44	3QCY25	August	08/08/2025	2,500.00	2,000.00	2.73
15/08/2025	15-year Reopening of MGII 07/40	3QCY25	August	15/08/2025	3,000.00	1,000.00	2.85
22/08/2025	5-year Reopening of MGS 05/40	3QCY25	August	22/08/2025	5,000.00		1.87
29/08/2025	20-year Reopening of MGII 05/45	3QCY25	August	29/06/2025	3,000.00	2,000.00	1.84
09/09/2025	3-year Reopening of MGS 04/28	3QCY25	Sep	09/09/2025	5,000.00		1.93
17/09/2025	30-year Reopening of MGII 03/54	3QCY25	Sep	17/09/2025	3,00000	2,000.00	1.93
23/09/2025	15-year Reopening of MGS 04/39	3QCY25	Sep	23/09/2025	3, 500.00	1,000.00	1.52
30/09/2025	3-year Reopening of MGII 07/28	3QCY25	Sep	30/09/2025	5, 000.00		2.88
07/10/2025	30-year Reopening of MGS 07/55	4QCY25	October	07/10/2025	3,000.00	2,000.00	1.38
15/10/2025	5-year Reopening of MGII 08/30	4QCY25	October	15/10/2025	5,000.00		2.81
22/10/2025	20-year Reopening of MGS 05/44	4QCY25	October	22/10/2025	2,500.00	2,000.00	1.70
12/11/2025	10-year Reopening of MGII 04/35	4QCY25	Nov	12/11/2025	5,000.00		2.57
19/11/2025	7-year Reopening of MGS 07/32	4QCY25	Nov	19/11/2025	4,000.00		1.91
26/11/2025	20-year Reopening of MGII 05/45	4QCY25	Nov	26/11/2025	3,000.00		2.57

Table 5: Top Traded Government Bonds

Stock Name	Traded amount (RM m)
MGS 3/2016 3.900% 30.11.2026	2,654.17
MGS 3/2016 3.900% 30.11.2026	1,877.00
MGS 1/2019 3.906% 15.07.2026	1,779.78
MGS 1/2019 3.906% 15.07.2026	1,500.00
GII MURABAHAH 3/2019 3.726% 31.03.2026	1,415.19
GII MURABAHAH 3/2019 3.726% 31.03.2026	1,369.44
GII MURABAHAH 3/2019 3.726% 31.03.2026	1,360.78
MGS 1/2019 3.906% 15.07.2026	1,345.31
MGS 1/2019 3.906% 15.07.2026	1,273.80
MGS 3/2007 3.502% 31.05.2027	1,148.22
Total	15,723.69

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