Media Release

Foreign selloff of bonds seen easing since late October

Foreign fund outflow from the bond market persisted for the third consecutive month in October, albeit more moderate than in September. Overall net outflow amounted to RM2.6 bil last month (September: RM4.4 bil), led by MGS and GII (RM1.8 bil) and MTB and MITB (RM0.3 bil). The selling pressure was largely attributed to the still hawkish US Federal Reserve (Fed) and stronger than expected US economic growth.

The weak market sentiment led to another month of broad-based rise in bond yields. Upward pressure was more pronounced on the longer end of the curve, as demand for a 'term premium' in return for holding longer-duration bonds grew given current market uncertainties. The 10-year UST and MGS yields respectively jumped 29.0 bps and 12.3 bps m-o-m to 4.88% and 4.10% as of end-October. In contrast, the 1-year UST fell 2.0 bps m-o-m to 5.44% while the 1-year MGS yields charted a smaller increase of 9.5 bps m-o-m to 3.39%.

Negative sentiment, however, appears to have waned somewhat since late October as 10-year UST and MGS yields respectively retreated to 4.45% and 3.86% as of 16 November. The ringgit also saw a marked appreciation to 4.66 against the USD on 7 November (end-October: 4.77) before retracing some gains to 4.71 on 16 November. The still elevated macro risk and geopolitical uncertainty are expected to continue to weigh on investor sentiment, likely capping further gains in the near term.

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