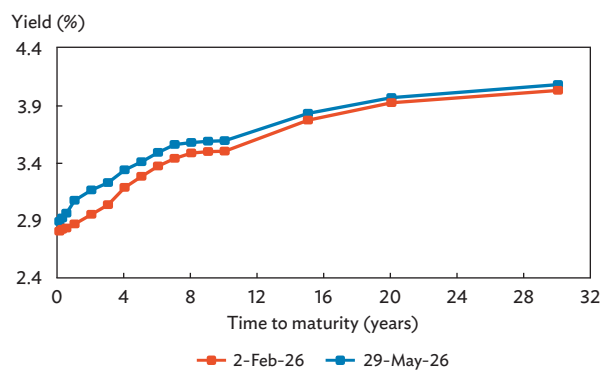


Malaysia

Yield Movements

Between 2 February and 29 May, Malaysia’s local currency (LCY) government bond yield curve rose 12 basis points on average across all maturities as escalating tensions in the Middle East heightened inflation concerns and pushed oil prices higher (Figure 1). Consumer price inflation quickened to 1.9% year-on-year in April from 1.7% year-on-year in March, reflecting increased cost pressures from higher energy prices. Despite external inflationary risks, Bank Negara Malaysia kept its overnight policy rate unchanged at 2.75% on 7 May, supported by resilient domestic demand and manageable inflation conditions.

Figure 1: Local Currency Government Bond Yields in Malaysia



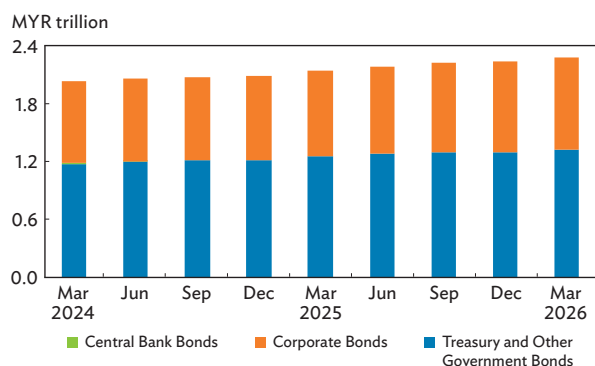
Source: Based on data from Bloomberg LP.

Local Currency Bond Market Size and Issuance

Malaysia’s LCY bond market reached a size of MYR2.3 trillion at the end of March following a 1.6% quarter-on-quarter (q-o-q) expansion in the first quarter of 2026, up from 0.8% q-o-q in the previous quarter. Growth was underpinned by a 1.6% q-o-q increase in outstanding Treasury bonds due to increased

issuance and a 1.5% q-o-q rise in corporate bonds on fewer maturities during the quarter (Figure 2). Sukuk (Islamic bonds) continued to account for most of the market, comprising 62.8% of total LCY bonds outstanding at the end of March. Total LCY bond issuance fell 2.5% q-o-q as weaker corporate issuance (-24.2% q-o-q) offset a 44.9% q-o-q surge in Treasury bond issuance (Figure 3).

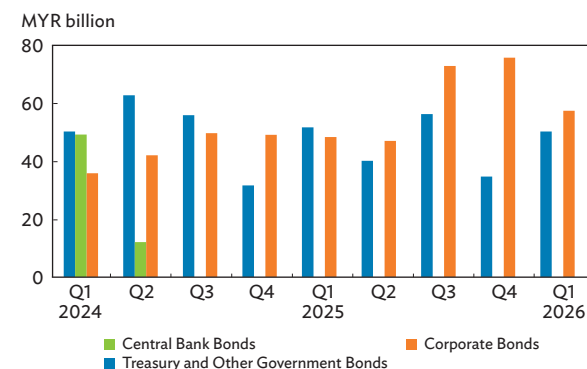
Figure 2: Composition of Local Currency Bonds Outstanding in Malaysia



MYR = Malaysian ringgit.

Source: Bank Negara Malaysia Fully Automated System for Issuing/Tendering.

Figure 3: Composition of Local Currency Bond Issuance in Malaysia



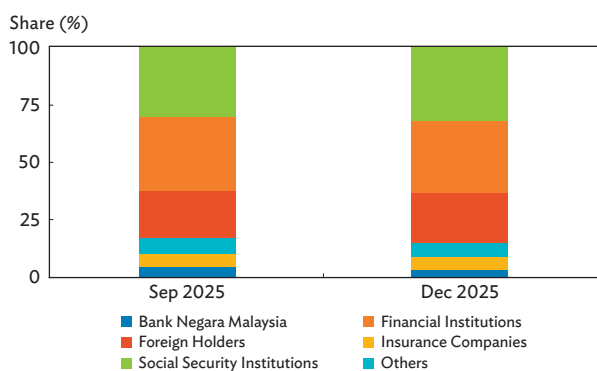
MYR = Malaysian ringgit, Q1 = first quarter, Q2 = second quarter, Q3 = third quarter, Q4 = fourth quarter.

Source: Bank Negara Malaysia Fully Automated System for Issuing/Tendering.

Investor Profile

Domestic investors continued to dominate Malaysia’s LCY government bond market, accounting for 78.6% of total holdings at the end of December. Financial institutions and social security institutions remained the largest domestic investor groups in the fourth quarter of 2025, with their combined share rising to 63.6% from 62.3% in the previous quarter (Figure 4). Meanwhile, the foreign investor share inched up to 21.4% from 20.8% in September 2025, supported by improved market sentiment following the announcement of the government’s fiscal consolidation plans outlined in the 2026 budget on 10 October 2025.

Figure 4: Local Currency Government Bonds Investor Profile



Note: “Others” include statutory bodies, nominees and trustee companies, and cooperatives and unclassified items.
Source: Bank Negara Malaysia.

Sustainable Bond Market

Malaysia’s sustainable bond market expanded 3.1% q-o-q to reach USD20.2 billion at the end of March. Malaysia’s market share among its emerging East Asian peers continued to rise, comprising 2.6% of the region’s sustainable bond market at the end of March, edging up from a 2.5% share in the previous quarter. More than two-thirds (69.0%) of Malaysia’s sustainable bond market is made up of sustainability bonds (Figure 5A). In the private sector, which accounted for 82.6% of sustainable bonds outstanding at the end of March, over half of all bonds carried tenors of over 5 years (Figure 5B). As a result, the size-weighted average tenor of Malaysia’s sustainable bond market sat at 8.0 years.

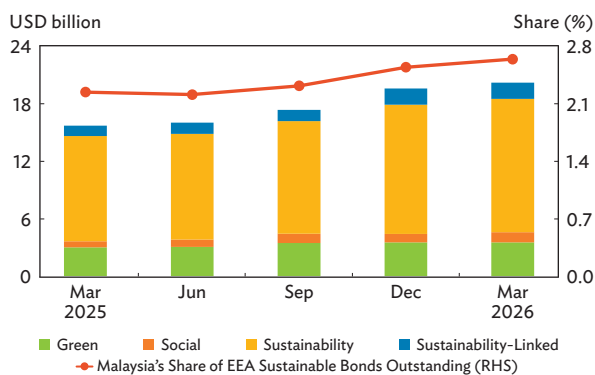
Policy and Regulatory Developments

Securities Commission Malaysia Launches Capital Market Masterplan

In March 2026, the Securities Commission Malaysia launched its Capital Market Masterplan, 2026–2030 to strengthen Malaysia’s capital market and support long-term market development. The master plan targets an expansion of Malaysia’s capital market size to between MYR5.8 trillion and MYR6.3 trillion by 2030, while also promoting greater investor participation, enhancing sustainability-focused financing, and reinforcing Malaysia’s position as a regional fundraising and investment hub.

Figure 5: Sustainable Bonds Outstanding in Malaysia

A. Sustainable Bonds Outstanding by Bond Type



EEA = emerging East Asia, RHS = right-hand side, USD = United States dollar.

Notes:

- Emerging East Asia is defined to include the member states of ASEAN plus the People’s Republic of China; Hong Kong, China; and the Republic of Korea.
- Data include both local currency and foreign currency sustainable bonds.
- Sustainability-linked bonds include transition-linked bonds.

Source: AsianBondsOnline calculations based on Bloomberg LP data.

B. Maturity Profile by Sector

