

MYR Corporate Bonds: Promising outlook but
spreads need careful navigating

24 July 2026

Summary

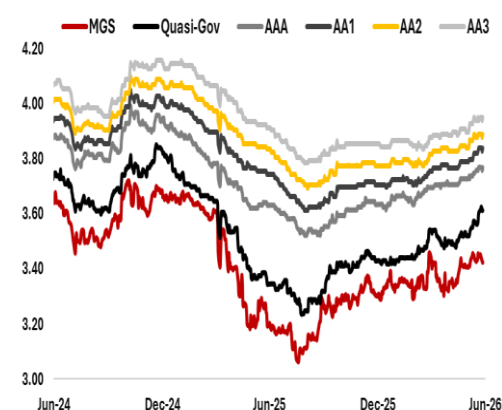
As medium- to longer-tenor MGS yields are likely to remain elevated in 2H2026 and possibly into the early part of 2027, ringgit Private Debt Securities (PDS) yields will remain on the high side, tracking the MGS. We foresee credit conditions will continue to improve in the next few quarters, while continued positive GDP growth and controlled inflation will spur activity in the industrial, construction, and services sectors. Credit spreads are likely to remain narrow, but some modest widening could emerge in 2026 and 2027, driven by valuation considerations. High-grade credits appear slightly rich at current spread levels, especially if MGS yields continue to trend higher.

PDS market outlook remains promising, but pricing needs careful navigation.

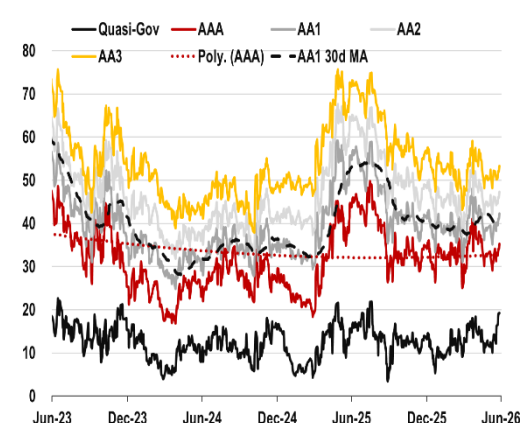
We account for the constructive outlook for MGS+GII. We recently published our medium-term outlook for the MGS+GII market, which we view as still constructive. Our view considers recent conditions in global markets, the impact of the war in West Asia, fallout from recent crude supply disruptions, global inflation data showing elevated levels relative to pre-war conditions, and the remarks from global central banks, which are more hawkish in bias. In addition, we consider domestic Malaysian macroeconomic and market conditions, particularly the latest BNM MPC statement, which we view as neutral. As a recap, due to the war, MGS yields shot up in 1H2026, with the 10Y closing 1H2026 at 3.60%, up 10 bps, and the 3Y MGS at 3.25%, up 25 bps. Our forecast for the 3Y MGS is 3.15% by end-3Q2026, 3.15% by 4Q2026, and 3.10% by end 1H2027. Our forecast for the 10Y MGS is 3.64% by end-3Q2026, 3.66% by 4Q2026, and towards 3.64% in 1H2027.

PDS yields are likely to follow elevated MGS. As medium- to longer-tenor MGS yields are likely to remain elevated in 2H2026 and possibly into the early part of 2027, Malaysia's Private Debt Securities (PDS) yields will remain on the high side, tracking MGS yields. We found that 5Y indicative yields for AAA issuers, as per Bond Pricing Agency Malaysia (BPAM) data, rose to around 3.75% by June 2026, up from 3.64% at the end of December 2025. Meanwhile, for 5Y AA1 issuers, indicative yields were 3.83% at the end of June 2026, up from 3.71% at the end of December 2025. Indicative 5Y quasi-government yields were 3.60% at the end of June 2026, or up from 3.43% end of December 2025.

Spreads reflect improving credit risks on the back of Malaysia's economic performance since last year. 5Y quasi spread vs MGS remains tight by May-June 2026 at about 15-20 bps, vs 13 bps end December 2025. For 5Y AAAs, the indicative spread from MGS was 37 bps in June 2026, from a narrower 34 bps at the end of December 2025. A widening to 41 bps was seen in mid-April

Exhibit 1: MGS and PDS yields,
5Y tenors (%)

Sources: AmBank Economics, Bloomberg

Exhibit 2: PDS spread against MGS,
5Y tenors (bps)

Source: AmBank Economics, Bloomberg

Exhibit 3: AAA spread against MGS,
5Y tenors (bps)

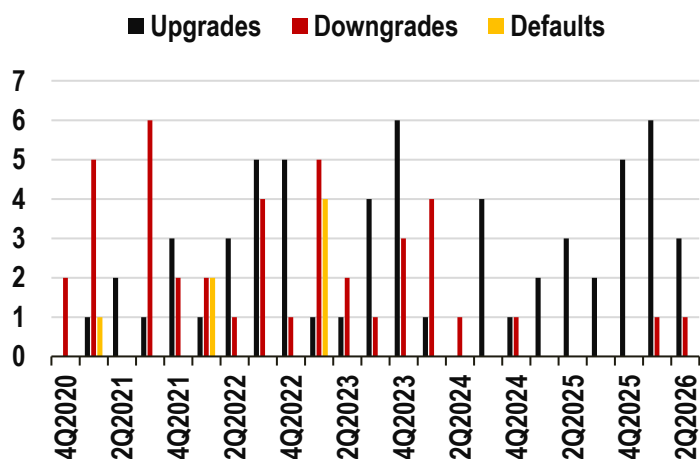
Source: AmBank Economics, Bloomberg

2026 in the thick of the US-Iran war, but the spread then narrowed as geopolitical risks (and thus credit risks) improved. If we go back further to mid-2025, i.e., end June 2025, spreads have continued to improve, as evidenced by 5Y AAA spreads now 35-40 bps vs. 45 bps in June 2025. Narrow spreads reflect improving credit conditions. The level of credit rating migration in Malaysia, going back to 2025, attests to this assumption. In 2024 and 2025, there were no ringgit corporate bond defaults, compared with the four recorded in 2023. The no-default occurrence has persisted into 2026. As for credit rating upgrades, the total in 2023 was 12, down to 6 in 2024, then up to 12 in 2025, and so far in 2026 (up to 13 May 2026), the total was nine (9). Rating upgrades in 2026 include various YTL Corp/YTL Power debt securities, which are now rated AAA. Of interest, Country Garden MYR1.5 billion sukuk was upgraded to a B1 long-term rating. For downgrades, in 2023 there were 11, down to 6 in 2024, and zero in 2025, but there have been 2 rating downgrades in 2026 so far: 1) MCIS Insurance RM200 million Tier-2 Sub debt down to A3 rating, and SPR Energy RM580 million senior sukuk down to C1 rating.

In sum, credit spreads are set to remain narrow, but there is potential for modest widening, as we think certain spreads on higher-grade paper may be a tad rich now.

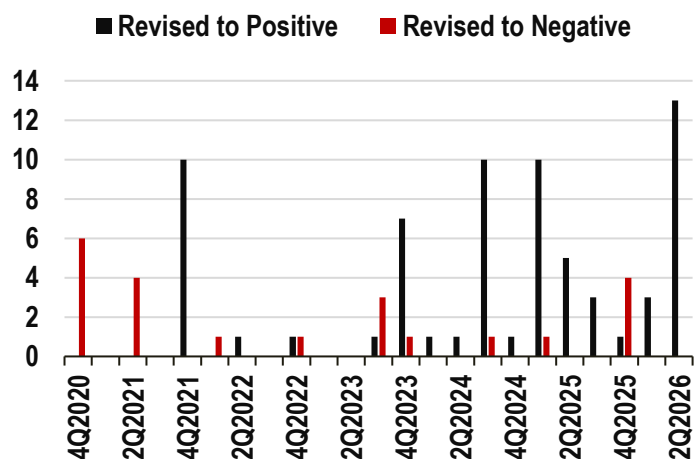
- We foresee credit conditions will continue to improve in the next few quarters, up to mid-to late 2027. We think continued positive GDP growth and controlled inflation will spur activity in the industrial, construction, and services sectors. That said, we expect marginal widening of spreads in 2026 and into 2027, based more on relative valuation, where high-grade levels may be a tad rich, especially *if MGS yields continue to post upside*. As it is, technical levels largely point to relatively tight credit spreads, only just moving wider after approaching -2 sd. against the five-year mean (Exhibits 2 and 3). Higher inflation and risks to Malaysia's GDP, assuming continued geopolitical risks in West Asia that affect the global growth trend, may negatively impact local credit conditions.
- Issuances will not matter much as we think spreads will remain competitive and demand/liquidity likely to be supportive. Gross PDS issuance had maintained pace in 1H2026 at around RM104.0 billion, according to BPAM data, compared with RM192.9 billion in 2025 and RM136.6 billion in 2024 (Exhibit 7). Continued gross issuance, set to continue to comprise mainly better credits comprising AAA-rated papers and quasi-names so far this year (Exhibit 9), should maintain competitive yields as well, in our opinion.

Exhibit 4: RAM and MARC ratings upgrade vs downgrades
(number of facilities)



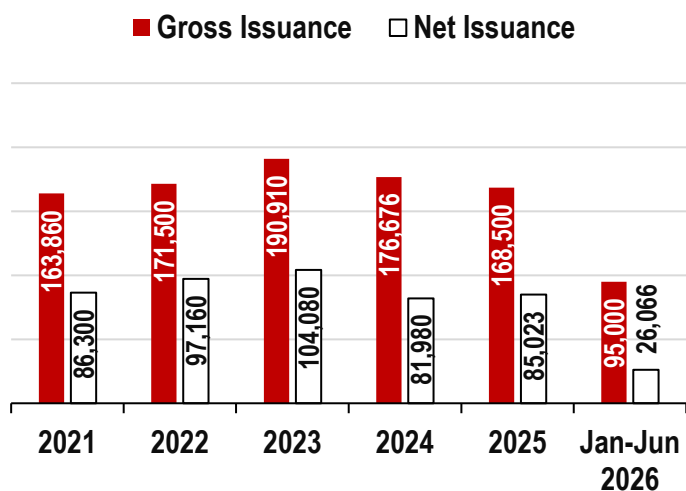
Sources: Bond Pricing Agency Malaysia (BPAM), AmBank Economics

Exhibit 5: RAM and MARC ratings Outlook changes
(number of facilities)



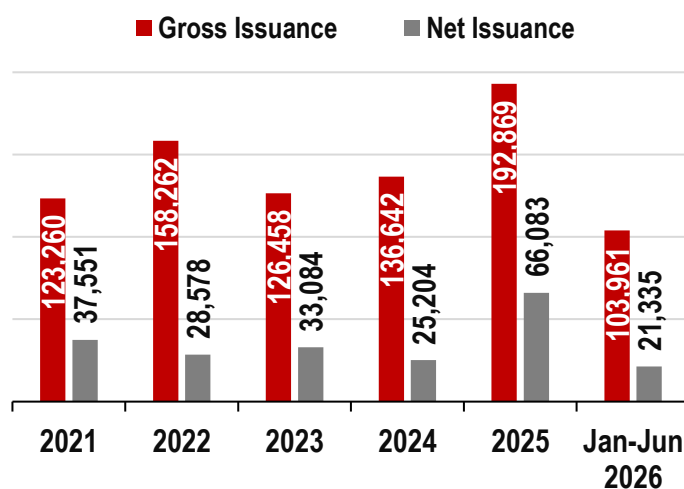
Sources: Bond Pricing Agency Malaysia (BPAM), AmBank Economics

Exhibit 6: Gross and Net Issuances,
MGS+GII (MYR billion)



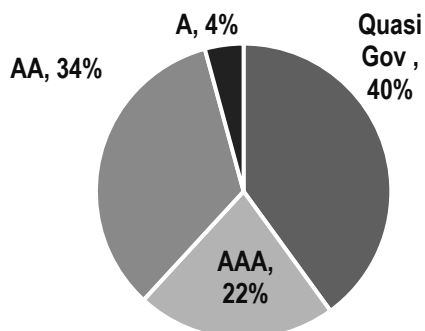
Sources: BNM, BPAM, AmBank Economics, Bloomberg

Exhibit 7: Gross and Net Issuances,
Private Debt Securities (MYR billion)



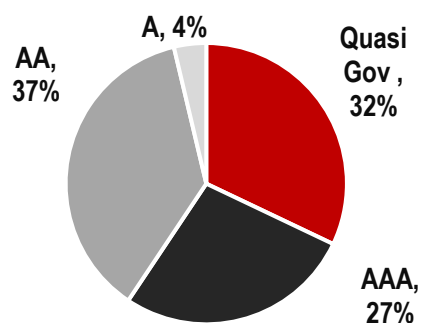
Sources: BNM, BPAM, AmBank Economics, Bloomberg

Exhibit 8: Gross Issuances of MYR PDS (by Rating segment)
(% of total) (2025)



Sources: BPAM, AmBank Economics

Exhibit 9: Gross Issuances of MYR PDS (by Rating segment)
(% of total) (January-June 2026)



Sources: BPAM, AmBank Economics

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