

**Global Markets Research**
**Fixed Income**

## Auction Calendar 2025

BNM has released the auction calendar for the coming year, and there will be a total of 36 auctions (comprising 18 issuances of GII and 18 issuances of MGS) in 2025; similar to the number of MGS/GII issuances which also totaled 36 in 2024. **To recap, gross MGS/GII supply in 2024 was RM175.0b (2023: RM185.0bn), less than our initial projection of RM178.5bn** after the government cancelled the final auction of the year on reduced funding requirements towards the end of the year. Net issuance for the year consequentially declined to RM82.0bn (2023: RM93.2bn).

Looking into 2025, total maturities of MGS/GII will decline to about RM83.5bn (2024: RM93.0bn). **Gross MGS/GII supply is expected to fall to circa RM164.0bn.** With major central banks expected to continue to reduce policy rates in the new year, with the exception of Japan, and BNM expected to stand pat on rates amidst continued muted inflation domestically, the year ahead is shaping up to be a constructive one for fixed income markets. **We think that the shorter-dated maturities could have some room to outperform as the government looks to continue to its debt management approach of terming out maturities, with the expected reduction in gross supply for the year likely to be reflected in smaller issuance sizes for the shorter-dated bond auctions.** The table below summarizes our projected sizes for upcoming MGS/GII auctions in 2025.

### MGS/GII scheduled issuance pipeline for 2025

MGS/GII issuance pipeline in 2025						
No	Stock	Tenure (yrs)	Tender Month	Quarter	Projected Issuance Size (RM mil)	Private Placement
1	7-yr Reopening of MGS 07/32	7	Jan	Q1	4,000	
2	15.5-yr New Issue of MGII (Mat on 07/40)	15	Jan	Q1	5,000	*
3	3-yr Reopening of MGII 07/28	3	Jan	Q1	4,000	
4	30-yr Reopening of MGS 03/53	30	Feb	Q1	5,000	*
5	7-yr Reopening of MGII 10/31	7	Feb	Q1	4,000	
6	20-yr Reopening of MGS 05/44	20	Feb	Q1	5,000	*
7	5.5-yr New Issue of MGII (Mat on 08/30)	5	Feb	Q1	4,500	
8	15-yr Reopening of MGS 04/39	15	Mar	Q1	5,000	*
9	30-yr Reopening of MGII 03/54	30	Mar	Q1	5,000	*
10	10-yr Reopening of MGS 07/34	10	Mar	Q1	4,000	
11	15-yr Reopening of MGII 07/40	15	Apr	Q2	5,000	*
12	3-yr Reopening of MGS 04/28	3	Apr	Q2	4,000	
13	10-yr New Issue of MGII (Mat on 04/35)	10	Apr	Q2	4,500	
14	5-yr New Issue of MGS (Mat on 05/30)	5	May	Q2	4,500	
15	20-yr New Issue of MGII (Mat on 05/45)	20	May	Q2	5,000	*
16	15-yr Reopening of MGS 04/39	15	Jun	Q2	5,000	*
17	30-yr Reopening of MGII 03/54	30	Jun	Q2	5,000	*
18	10-yr New Issue of MGS (Mat on 07/35)	10	Jun	Q2	4,500	
19	7-yr Reopening of MGII 10/31	7	Jul	Q3	4,000	
20	30-yr New Issue of MGS (Mat on 07/55)	30	Jul	Q3	5,000	*
21	10-yr Reopening of MGII 04/35	10	Jul	Q3	4,000	
22	20-yr Reopening of MGS 05/44	20	Aug	Q3	5,000	*
23	15-yr Reopening of MGII 07/40	15	Aug	Q3	5,000	*
24	5-yr Reopening of MGS 5/30	5	Aug	Q3	4,000	
25	20-yr Reopening of MGII 05/45	20	Aug	Q3	5,000	*
26	3-yr Reopening of MGS 04/28	3	Sep	Q3	4,000	
27	30-yr New Issue of MGII (Mat on 09/55) (Kha	30	Sep	Q3	5,000	*
28	15-yr Reopening of MGS 04/39	15	Sep	Q3	5,000	*
29	3-yr Reopening of MGII 07/28	3	Sep	Q3	4,000	
30	30-yr Reopening of MGS 07/55	30	Oct	Q4	5,000	*
31	5-yr Reopening of MGII 08/30	5	Oct	Q4	4,000	
32	20-yr Reopening of MGS 05/44	20	Oct	Q4	5,000	*
33	10-yr Reopening of MGII 04/35	10	Nov	Q4	4,000	
34	7-yr Reopening of MGS 07/32	7	Nov	Q4	4,000	
35	20-yr Reopening of MGII 05/45	20	Nov	Q4	5,000	*
36	10-yr Reopening of MGS 07/35	10	Dec	Q4	4,000	
Gross MGS/GII supply in 2025					164,000	

\* Private Placement

Source: BNM, HLBB Global Markets Research

### Continued fiscal consolidation expected in 2025

As we progress to 2025, the Federal Government's fiscal consolidation is expected to gather steam, with a projected budget deficit of 3.8% of GDP narrowing from 2024's expected deficit of 4.3% of GDP as laid out during Budget 2025. The Federal Government's revenue is expected to increase by 5.5% to RM339.7bn, from the expected RM322.1bn in 2024. Development expenditure (DE) is expected to remain steady at RM86.0bn in 2025, while operating expenditure (OPEX) is expected to rise in 2025 by 4.2% to RM335.0bn from the expected RM321.5bn for 2024. Fiscal discipline is likely to continue to be a theme in the upcoming year, with the actual fiscal deficit in 2024 likely to come in narrower than what the government projected in mid-October, as reflected by the cancelled final government bond auction for the year due to reduced funding needs. (Note: The government had projected 2024 bond issuance of RM182.5bn during the Budget 2025 announcement; actual issuance was RM175.0bn, which could translate into a positive surprise of up to 0.4% of GDP for the 2024 deficit).

FEDERAL GOVT REVENUE & EXPENDITURE	2023	2024E	2025F
RM (Billion)			
Revenue	315.0	322.1	339.7
Operating Expenditure	311.3	321.5	335.0
Current balance Surplus/(Deficit)	3.7	0.6	4.7
Gross Development Expenditure	96.1	86.0	86.0
less: loan recoverables	1.0	1.2	1.3
Net Development Expenditure	95.1	84.8	84.7
Overall surplus/(deficit)	(91.4)	(84.3)	(80.0)
<b>Fiscal Deficit as a % of GDP</b>	<b>5.0</b>	<b>4.3</b>	<b>3.8</b>

Source: MOF Updates on Economic & Fiscal Outlook and Revenue Estimates 2025 Report

### Expect lower gross MGS/GII supply in 2025 at RM164.0bn, amidst maturities amounting to RM83.5bn

RM ( Billion)	2023	2024E	2025E
Federal Govt deficit	91.4	84.3	80.0
MGS/GII Maturities	78.2	93.0	83.5
Net Govt Bond Supply (MGS/GII)	93.3	82.0	80.5
<b>Gross Supply (MGS+ GII only)</b>	<b>171.5</b>	<b>175.0</b>	<b>164.0</b>

Source: MOF Fiscal Outlook 2025, HLBB Global Markets Research

For 2025, we project **gross MGS/GII supply to come down to circa RM164.0bn versus the lower than expected issuance of RM175.0bn for 2024**. We have taken cognizance of the following in arriving at the abovementioned figures:

- There is a scheduled maturity of USD1bn of the MALAYS 25, which we expect will be refunded with a new similar size foreign currency issuance, in line with continued efforts to support the global sukuk market.
- Outstanding bills (MITB and MTB) issuances amounts to RM15.0bn as at the time of writing compared to RM20.0bn as at the end of 2023. We think that the amount of bill funding will remain relatively stable in 2025 with no major changes in the amount outstanding.

On a net MGS/GII supply perspective, the estimated net supply of circa RM80.5bn is expected to be slightly lower compared to previous years (2024: RM82.0bn and 2023: RM93.3bn).

**MGS/GII Issuance pipeline in 2025 versus maturities: Our key takeaways....**

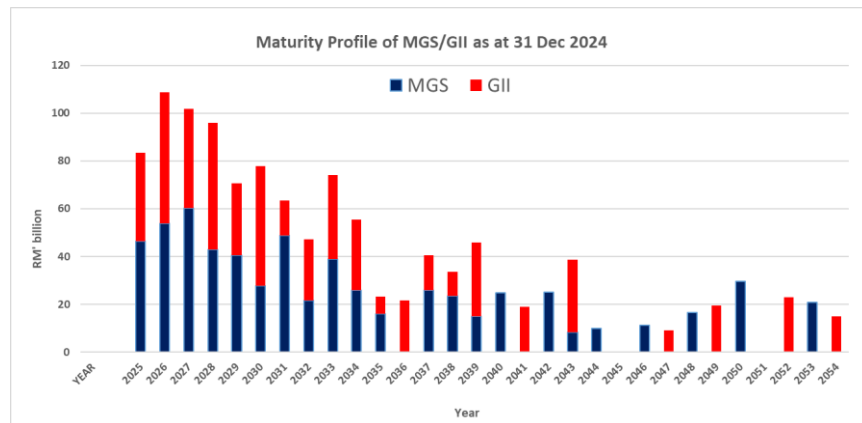
Based on the maturity profiles tables below; **most of the maturities are scheduled to take place in the second half of the year with peak maturities between July through October. Issuance for 2025 will be more concentrated in the first and third quarter of the year, before tapering off in the final quarter:**

- Q1-RM45.5bn**
- Q2-RM37.5bn**
- Q3-RM50.0bn**
- Q4-RM31.0bn**

Quarter	2025	Stock	Monthly Maturity (RM'm)	Quarterly Maturity (RM'm)
1	JAN			
	FEB			
	MAR	MGS 3/25	16,720	16,720
2	APR			
	MAY			
	JUN			0
3	JUL	MGS 7/25	3,000	
	AUG	GII 8/25	12,500	
	SEP	MGS 9/25	26,757	42,257
4	OCT	GII 10/25	24,500	
	NOV			
	DEC			24,500
<b>Total</b>			<b>83,477</b>	<b>83,477</b>

Source: Bloomberg, HLBB Global Markets Research

With little in terms of maturities, the **supply dynamics are seen to be more challenging for the first half of 2025, before becoming more favorable in the second half of the year** as the bulk of the scheduled maturities start to come due.



Source: Bloomberg, HLBB Global Markets Research

From the profile of planned issuances, the government appears to be continuing to smoothen out the maturity profile extending out from 2029 as the current maturity profile of government bonds weighs heavier on the shorter-end of the curve (2026-2028). The number of longer-dated issuances will increase in 2025, with 24 issuances of 10yrs maturity and above out of the planned 36 issuances, compared to 21 out of 36 issuances that were 10yrs maturity and above in 2024.

Number of Issuances			
Tenure	2024	2025	Change
3Y	4	4	0
5Y	5	4	-1
7Y	6	4	-2
10Y	6	6	0
15Y	5	6	1
20Y	5	6	1
30Y	5	6	1
<b>Total</b>	<b>36</b>	<b>36</b>	<b>0</b>

Source: BNM, HLBB Global Markets Research

The rise in longer-dated issuance and reduction in shorter-dated ones should see some steepening bias in government bond yield curves, with the front end of the maturity spectrum likely to see some outperformance. **The 7Y sector in particular is seen to have some scope to do well this coming year**, with 4 auctions planned in 2025 only versus the 6 we had in 2024. Looking at the expected issuance amounts by bucket as per the table below shows a similar picture:

Expected Amount of Issuance by Bucket (RM'm)			
Tenure	2024	2025	Change
3Y	19,500	16,000	(3,500)
5Y	23,500	17,000	(6,500)
7Y	30,000	16,000	(14,000)
10Y	27,000	25,000	(2,000)
15Y	25,000	30,000	5,000
20Y	25,000	30,000	5,000
30Y	25,000	30,000	5,000
<b>Total</b>	<b>175,000</b>	<b>164,000</b>	<b>-</b>

Source: BNM, HLBB Global Markets Research

We expect a more constructive environment for government bond markets in general in the coming year, with major central banks still looking to ease policy, and BNM expected to hold policy steady in the absence of inflationary pressures domestically. The expected reduction in MGS and GII issuance in 2025 will lend further support to the constructive tone especially in the second half of the year when the supply dynamics are more favourable. We see a scope for possible outperformance in the shorter dated maturities as the profile of issuance veers more towards longer maturities, with the 7Y sector likely to benefit the most from the reduced supply in that bucket this year compared to last. The continued retargeting of subsidies will likely see inflation being more of an issue compared to 2024, but the impact is likely to be limited, allowing BNM to continue to hold rates steady as growth continues to remain on the strong side.

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