

Monthly Fixed Income Market Outlook

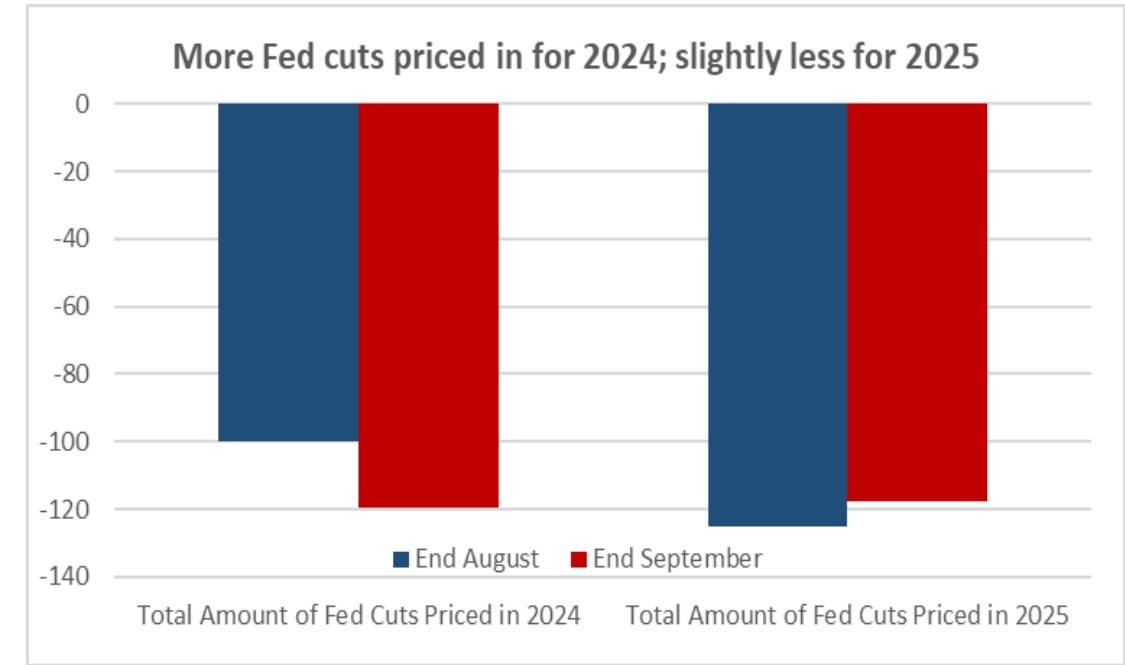
Global Markets
October 2024

September 2024 US Bond Market Review



Source: Bloomberg, HLBB Global Markets Research

- UST yields plunged further in September, declining for a fifth consecutive month, with the front end of the yield curve seeing the largest yield falls.
- Yields were initially driven lower by the poor JOLTS jobs opening number, soft Beige Book and a weaker than expected monthly employment report for August. The aggressive start to the rate reduction cycle of 50bps by the Fed in a 11-1 majority vote during the Sep 18th FOMC meeting then exacerbated the move in the shorter-dated maturities, with the 2yr and 10yr USTs trading to as low as 3.54% and 3.62% respectively during the month.
- UST curve bull steepened in September:
 - 2yr yield declined by 28bps to 3.64%
 - 10yr yield declined by 12bps to 3.78%



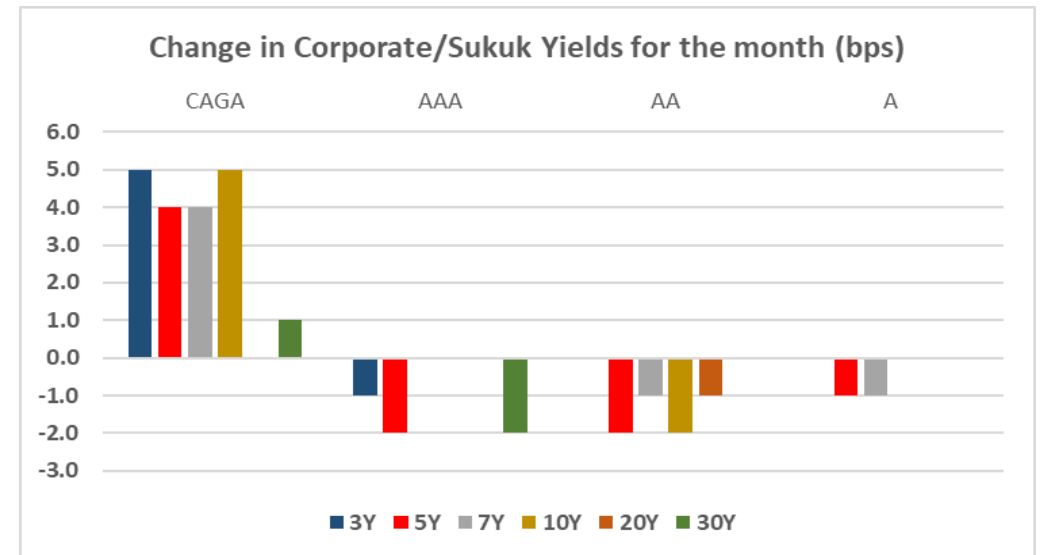
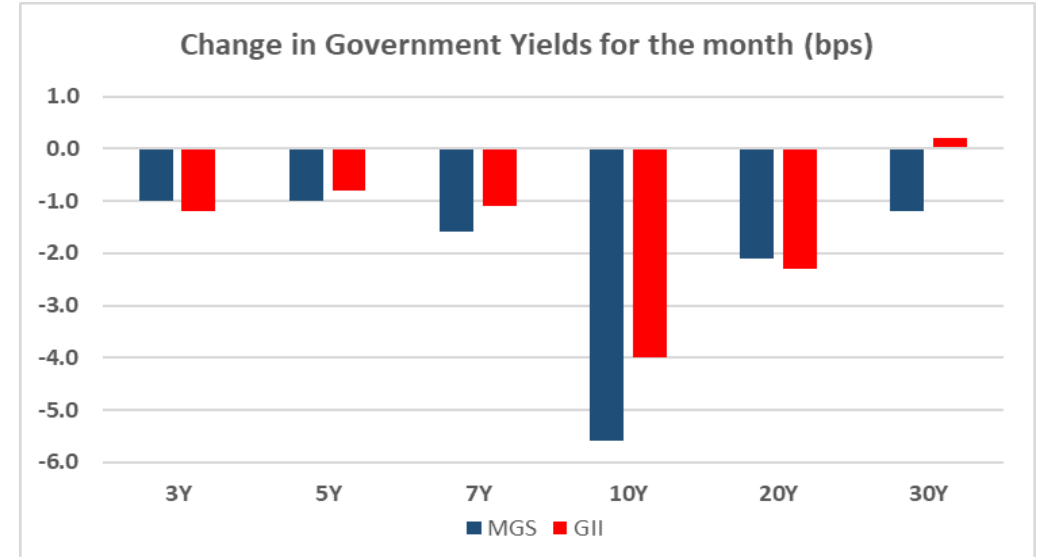
- The larger than usual cut by the FOMC to kick off the rate cut cycle raised expectations of further cuts, with the market pricing in 125bps in total for 2024 shortly after the FOMC move. By the end of the month, futures markets were pricing in 120bps of cuts by the Fed in 2024 (inclusive of the 50bps already delivered), meaning 70bps of cuts priced for the remaining 2 FOMC meets of the year:
 - 2024 rate cuts priced rose to 120bps (from 100bps at end Aug)
 - 2025 rate cuts priced fell slightly to 118bps (from 125bps at end Aug)
- The latest dot plot released by the Fed during the September FOMC revealed that Fed members were looking at 100bps in reductions for 2024 in total, up sharply from the 25bps reduction for 2024 that was penciled in at the June FOMC.

September 2024 MYR Bond Market Review



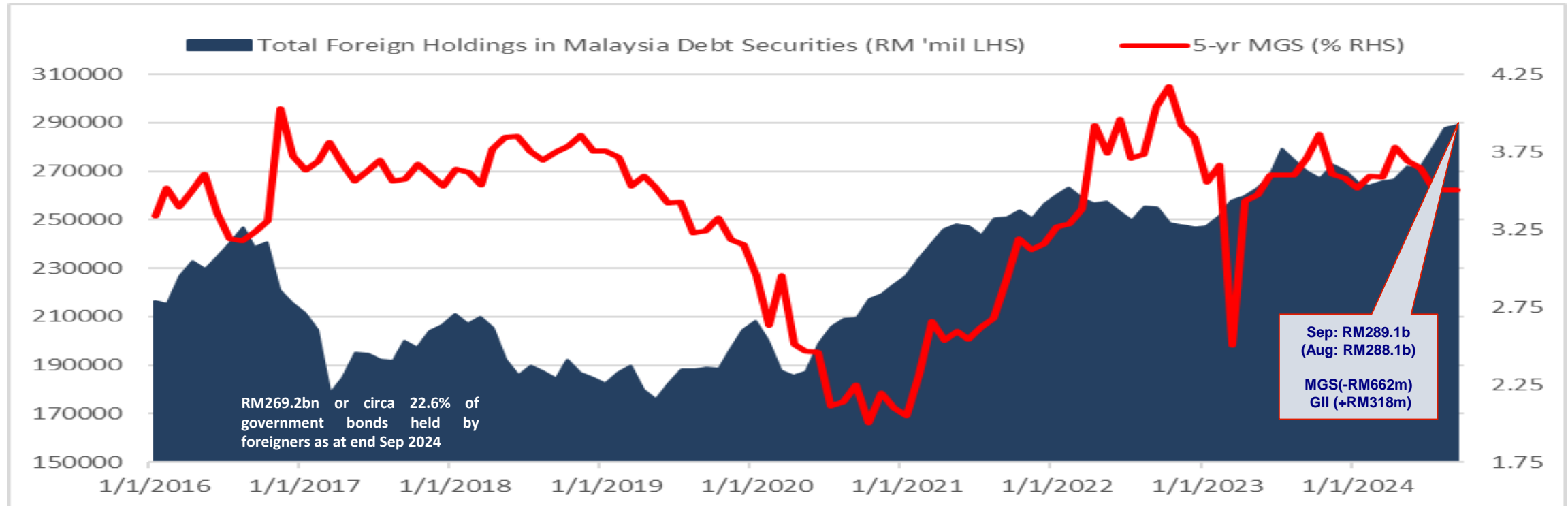
Source: Bloomberg, HLBB Global Markets Research

- MYR government bonds were stronger in September amidst BNM standing pat on policy for an eighth straight meeting and continuing to strike a neutral tone in their accompanying statement, and August inflation unexpectedly inching lower by a notch to 1.9% y/y. Yields ended lower between 0 and 6bps, with the 10Y MGS being the best performing sector for the month.
- With the outperformance of the 10Y sector, 2s10s were flatter for the month, whilst 10s30s steepened. There was no discernible trend for GII performance relative to MGS for the month, with a mixed outcome across the government yield curves.
- Corporate bonds were slightly better bid for the month, with yield declines seen across the different segments, except for CAGA bonds which saw yield increases across the curve.



Source: BPAM, HLBB Global Markets Research

Offshore foreign holdings inched higher in September, driven by increase in bills



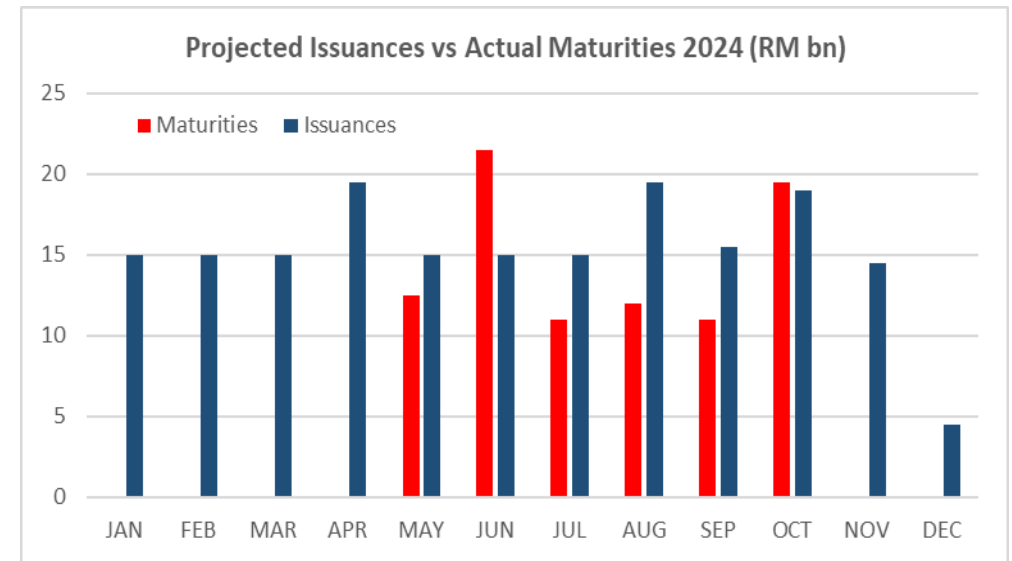
Source: BNM, Bloomberg, HLBB Global Markets Research

- Offshore foreign holdings of Malaysian debt securities continued to rise, inching higher by RM1.0bn in September to RM289.1bn, from the RM288.1bn in August
- The increase was driven by advances in the holdings of MITB (+RM1.4bn), MTB (+RM0.7bn) and GII (+RM0.3bn)
- Meanwhile, declines were seen in the foreign holdings of MGS (-RM0.7bn), Corporate bonds (-RM0.5bn) and Sukuks (-RM0.1bn) for the month

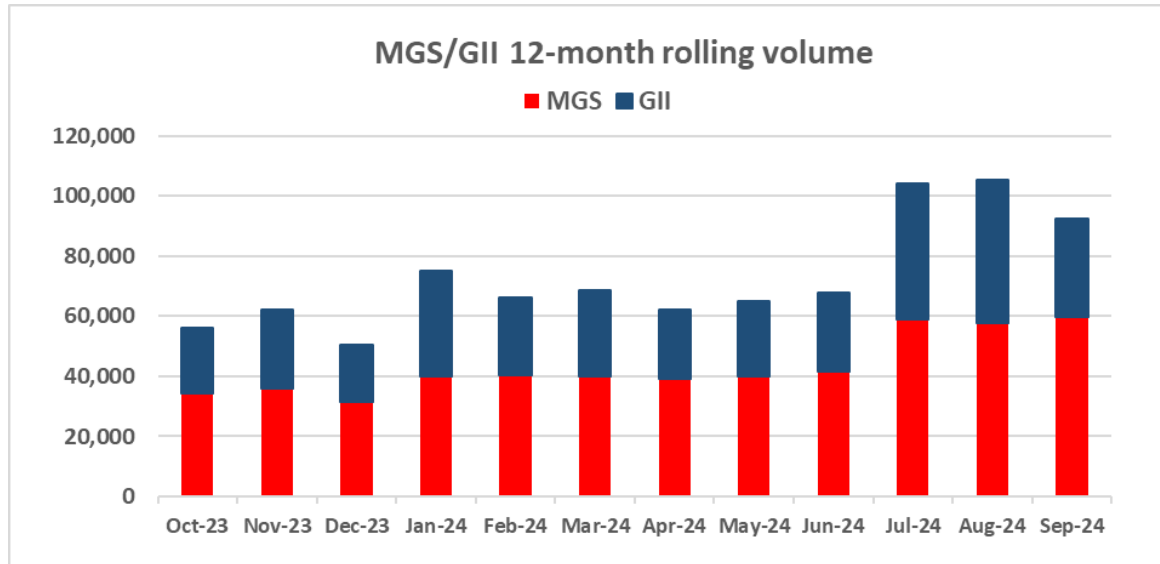
RM15.5b of gross MGS/GII issuance in September; RM19.0 expected in October

MGS/GII issuance pipeline in 2024														
No	Stock	Tenure (yrs)	Tender Month	Quarter	Tender Date	Projected Issuance Size (RM mil)	Actual Auction Issuance (RM mil)	Actual Private Placement	Total Issuance YTD	BTC (times)	Low	Average	High	Cut-off
1	10-yr Reopening of MGII 8/33	10	Jan	Q1	5/1/2024	5,000	5,000		5,000	2.445	3.880	3.908	3.920	83.3%
2	30-yr Reopening of MGS 3/53	30	Jan	Q1	12/1/2024	5,000	3,000	2,000	10,000	2.990	4.223	4.243	4.250	84.8%
3	5-yr Reopening of MGII 7/28	5	Jan	Q1	19/1/2024	4,500	5,000		15,000	4.402	3.610	3.620	3.624	51.3%
4	7-yr Reopening of MGS 4/31	7	Feb	Q1	5/2/2024	4,500	5,000		20,000	2.155	3.760	3.779	3.790	6.9%
5	20-yr Reopening of MGII 8/43	20	Feb	Q1	14/2/2024	5,000	3,000	2,000	25,000	3.037	4.144	4.163	4.171	60.0%
6	3-yr Reopening of MGS 5/27	3	Feb	Q1	21/2/2024	4,500	5,000		30,000	1.703	3.470	3.488	3.499	85.0%
7	15-yr Reopening of MGII 9/39	15	Mar	Q1	29/2/2024	5,000	3,000	2,000	35,000	2.973	3.972	3.990	3.998	52.3%
8	10-yr Reopening of MGS 11/33	10	Mar	Q1	14/3/2024	4,500	5,000		40,000	2.046	3.830	3.854	3.865	27.1%
9	30-yr New Issue of MGII (Mat on 3/54)	30	Mar	Q1	21/3/2024	5,000	3,000	2,000	45,000	3.187	4.254	4.280	4.286	90.0%
10	5-yr Reopening of MGS 8/29	5	Apr	Q2	29/3/2024	5,000	5,000		50,000	1.797	3.665	3.681	3.690	11.4%
11	7.5-yr New Issue of MGII (Mat on 10/31)	7	Apr	Q2	5/4/2024	5,000	4,500		54,500	3.333	3.780	3.804	3.815	41.3%
12	15-yr New Issue of MGS (Mat on 4/39)	15	Apr	Q2	16/4/2024	5,000	3,000	2,000	59,500	2.159	4.016	4.054	4.069	82.2%
13	3-yr Reopening of MGII 9/26	3	Apr	Q2	25/4/2024	5,000	5,000		64,500	1.746	3.547	3.574	3.599	40.0%
14	20-yr New Issue of MGS (Mat on 05/44)	20	May	Q2	14/5/2024	5,000	3,000	2,000	69,500	3.085	4.160	4.180	4.188	98.4%
15	15-yr Reopening of MGII 9/39	15	May	Q2	21/5/2024	5,000	3,000	2,000	74,500	3.024	4.005	4.021	4.027	83.8%
16	7-yr Reopening of MGS 4/31	7	May	Q2	29/5/2024	5,000	5,000		79,500	1.965	3.843	3.852	3.860	81.4%
17	20-yr Reopening of MGII 8/43	20	Jun	Q2	6/6/2024	5,000	3,000	2,000	84,500	3.475	4.123	4.133	4.137	15.3%
18	3-yr Reopening of MGS 5/27	3	Jun	Q2	13/6/2024	4,500	5,000		89,500	1.682	3.487	3.545	3.553	88.6%
19	30-yr Reopening of MGII 3/54	30	Jun	Q2	21/6/2024	5,000	3,000	2,000	94,500	2.504	4.220	4.241	4.249	36.0%
20	5-yr Reopening of MGS 8/29	5	Jul	Q3	1/7/2024	4,500	5,000		99,500	2.187	3.663	3.672	3.679	63.5%
21	10-yr Reopening of MGII 11/34	10	Jul	Q3	12/7/2024	4,500	5,000		104,500	2.422	3.813	3.819	3.827	52.4%
22	15-yr Reopening of MGS 4/39	15	Jul	Q3	19/7/2024	5,000	3,000	2,000	109,500	3.101	3.959	3.972	3.975	34.3%
23	7-yr Reopening of MGII 10/31	7	Aug	Q3	7/8/2024	4,500	5,000		114,500	2.331	3.710	3.726	3.735	66.7%
24	30-yr Reopening of MGS 3/53	30	Aug	Q3	14/8/2024	5,000	3,000	2,000	119,500	1.952	4.150	4.172	4.188	53.3%
25	5-yr Reopening of MGII 7/29	5	Aug	Q3	21/8/2024	4,500	4,000		123,500	3.683	3.476	3.488	3.494	74.4%
26	10-yr Reopening of MGS 7/34	10	Aug	Q3	28/8/2024	5,000	5,500		129,000	1.996	3.750	3.760	3.769	42.9%
27	20-yr Reopening of MGII 8/43	20	Sep	Q3	9/9/2024	5,000	3,000	2,000	134,000	1.922	4.071	4.084	4.091	42.9%
28	7-yr Reopening of MGS 4/31	7	Sep	Q3	20/9/2024	4,500	5,500		139,500	1.729	3.674	3.687	3.695	87.0%
29	30-yr Reopening of MGII 3/54	30	Sep	Q3	27/9/2024	5,000	3,000	2,000	144,500	1.860	4.185	4.198	4.208	59.0%
30	3-yr Reopening of MGS 5/27	3	Oct	Q4	7/10/2024	4,500	4,500		149,000	1.606	3.414	3.426	3.440	40.0%
31	10-yr Reopening of MGII 11/34	10	Oct	Q4		4,500								
32	20-yr Reopening of MGS 5/44	20	Oct	Q4		5,000		x						
33	7-yr Reopening of MGII 10/31	7	Oct	Q4		5,000								
34	15-yr Reopening of MGS 4/39	15	Nov	Q4		5,000		x						
35	5-yr Reopening of MGII 7/29	5	Nov	Q4		4,500								
36	10-yr Reopening of MGS 7/34	10	Nov	Q4		5,000								
37	3-yr Reopening of GII 9/27	3	Dec	Q4		4,500								
Gross MGS/GII supply in 2024						178,000	123,000	26,000	-	PROJECTED TOTAL ISSUANCE = RM180b				

- Gross issuance of RM15.5bn in September – an issuance of RM5.5bn and two issuances of RM5bn each (which included private placements of RM2.0bn each)
- Significantly weaker auctions overall in September with average BTC of 1.813x (Aug: 2.470x), dragged down by the 7Y MGS reopening, which recorded a poor BTC of 1.729x on a larger than expected issuance size of RM5.5bn
- For October, gross issuance likely totaling RM19.0bn from the four scheduled auctions for the month
- Slightly net negative issuance expected in October with RM19.5bn of the GII 10/25 maturing, after which the supply dynamics turn less favorable with no more bond maturities for the rest of the year



MGS/GII trading Volume ebbed in September; expected to increase in October



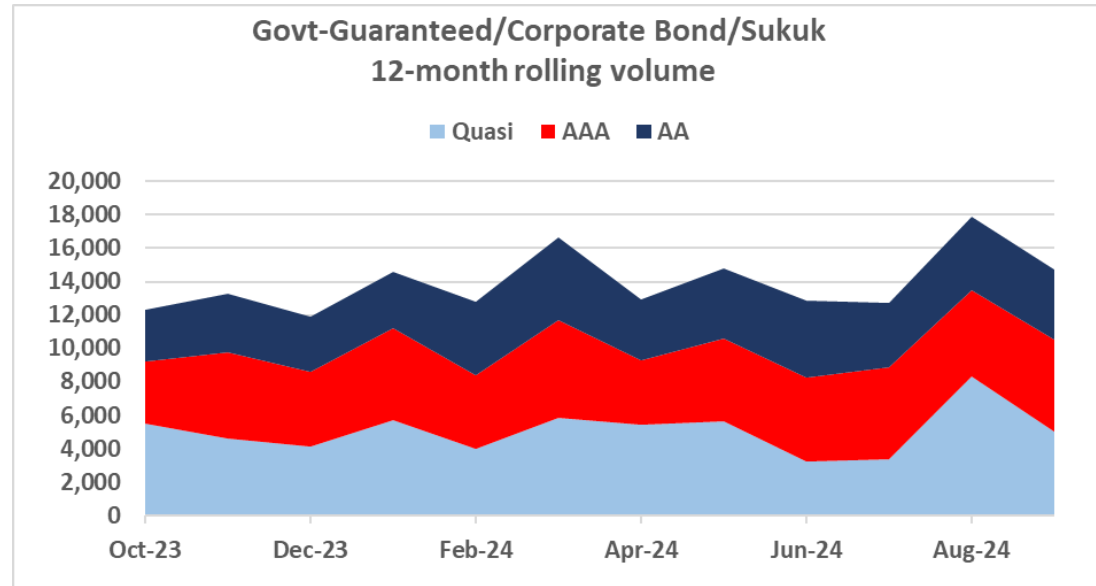
- Secondary trading in MGS/GII receded to RM92.5bn in Sep (Aug: RM105.2bn), driven by a sharp decline in GII trading
- The off-the-run MGS 3/25 and benchmark 3Y GII 9/26 led trading for the month in the MGS and GII markets respectively
- Notable trading interest was also seen in the benchmark 5Y MGS, 7Y MGS and 10Y MGS, as well as in the off-the-run MGS 9/24 and MGS 9/25

Top Traded MGS in September 24	Volume (RM 'mil)
MGS 3/25	9,332.0
MGS 4/31 (7Y)	6,864.5
MGS 8/29 (5Y)	4,950.1
MGS 7/34 (10Y)	4,575.6
MGS 9/25	4,333.7
MGS 9/24	4,232.8
MGS 5/27 (3Y)	3,374.3
MGS 11/33	3,128.9
MGS 4/30	2,541.9
MGS 4/28	2,066.0

Top Traded GII in September 24	Volume (RM 'mil)
GII 9/26 (3Y)	3,260.3
GII 10/24	2,536.6
GII 8/43 (20Y)	2,494.5
GII 9/39 (15Y)	1,739.2
GII 7/29 (5Y)	1,663.9
GII 10/25	1,617.6
GII 9/30	1,572.6
GII 10/32	1,565.8
GII 10/31 (7Y)	1,516.7
GII 11/34 (10Y)	1,436.8

Source: BPAM, HLBB Global Markets Research
 Note: (brackets) denotes benchmark

Corporate/Sukuk secondary trading volumes receded in Sep; new issuances surge



- Trading in Corps/Sukuk declined to RM14.8bn in September (Aug: RM17.9bn), driven by a sizeable decrease in trading of GG paper
- New issuances for the month surged to RM14.1bn in September (Aug: RM7.4bn), with sizable issuances seen from financials (mostly from CIMB and related entities) as well as Pelaburan Hartanah and Johor Plantation; we expect issuance in the corporate space to edge lower in October
- Sizeable issues in the pipeline this month include possible issuance from SK Nexilis (RM1.4bn), Berapit Mobility (RM1.3bn), DANAINFRA (RM1.1bn), BSN (RM500m), Tropicana (RM450m), Ambank (RM400m) and GMD (RM350m)

Top Traded Corporate Bonds/Sukuk in September 24	Volume (RM mil)	Last Done Yield (%)
DANAINFRA IMTN 4.500% 16.11.2027 - Tranche No 69	350	3.441
DANAINFRA IMTN 4.530% 12.11.2025 - Tranche No 38	260	3.325
BENIH RESTU IMTN 28.07.2034	251	3.984
DANAINFRA IMTN 4.890% 25.05.2032 - Tranche No 64	240	3.788
DANAINFRA IMTN 4.850% 03.05.2041 - Tranche No 47	235	4.009
MAYBANK IMTN 4.130% PERPETUAL	211	4.041
CAGAMAS IMTN 3.920% 17.07.2029	190	3.778
MAYBANK SUBORDINATED SUKUK 4.030% 31.01.2034	190	3.936
DANAINFRA IMTN 4.150% 31.01.2030 - Tranche No 134	180	3.612
PRASARANA IMTN 0% 04.08.2026 - MTN 4	180	3.334

Top Corporate/Sukuk Issuance in September 24	Rating	Amount Issued (RM 'm)
CIMBBANK 4.080% 26.09.2036-T2 Sukuk Wakalah S7 T2	AA2	1,850
CIMB 4.080% 26.09.2036-T2 Sukuk Wakalah S7 T2	AA2	1,850
CIMBI 3.840% 25.09.2034 - Issue No 5	AA1	1,200
PELABURAN HARTANAH IMTN5 02.09.2031	AAA	600
JOHOR PLANT IMTN 4.040% 26.09.2034	AA1	600
HLBB Green Senior MTN 3.80% 28.9.2029 (T2)	AAA	500
CIMB MTN 1095D 30.9.2027 - Tranche 6	NR	500
CIMB MTN 1824D 28.9.2029 - Tranche 7	NR	500
ARA BINTANG FOURTH SENIOR MTN 2372D 17.3.2031	NR	500
PELABURAN HARTANAH IMTN4 30.08.2029	AAA	400
JOHOR PLANT IMTN 4.190% 26.09.2039	AA1	400
CIMB MTN 365D 18.9.2025 - Tranche 5	NR	400

Source: BNM, BPAM, HLBB Global Markets Research

US Bonds Outlook Oct 2024 – yields to be range-bound from here; curve to steepen

	Current @ 7 Oct	Q4 2024	Q1 2025	Q2 2025	Q3 2025
Fed Funds Rate (upper bound)	5.00%	4.50%	4.00%	3.75%	3.50%

UST yields (%)	Current @ 07 Oct	Q4 2024	Q1 2025	Q2 2025	Q3 2025
2Y	4.00%	3.90%	3.75%	3.65%	3.55%
5Y	3.87%	3.80%	3.70%	3.65%	3.60%
10Y	4.03%	4.00%	3.90%	3.80%	3.75%
30Y	4.30%	4.30%	4.20%	4.10%	4.05%

Key Events for the Month

Date	Event
09 Oct	FOMC Minutes of Sep18 meeting
10 Oct	CPI
17 Oct	Retail Sales
23 Oct	Fed Beige Book
29 Oct	JOLTS Job Openings
30 Oct	ADP Employment Change
30 Oct	3Q GDP (A)
31 Oct	Core PCE Deflator

Source: HLBB Global Markets Research

- A stronger than anticipated September labour market report, which saw more jobs than expected being added and an unexpected dip in the unemployment rate, led to renewed questions about whether or not a slowdown is actually on the cards, with the 10yr UST yield surging by 25bps to 4.03% at present, from the 3.78% at the end of September. A larger than expected rise in the ISM Services reading at the beginning of the month also supported the notion that the engine of the US economy remains firm.
- This led to a significant dialing back of the aggressive rate cuts priced into the futures markets, with the market now pricing in only 51bps of cuts for the remaining two FOMC meetings of the year, compared to the 70bps of cuts priced in a week ago at month end.
- **Yields are expected to trade in a range for the remainder of the month**, with the pricing of the future cuts having moderated on the strong jobs report but the volatile geopolitical situation in the Middle East is likely to keep a cap on any further yield rises resulting from the more optimistic economic outlook. The yield curve is likely to steepen from current levels.

MYR Bonds Outlook Oct 2024 – bond yields expected to inch higher

	Current @ 07 Oct	Q4 2024	Q1 2025	Q2 2025	Q3 2025
OPR	3.00%	3.00%	3.00%	3.00%	3.00%

MGS yields (%)	Current @ 07 Oct	Q3 2024	Q1 2025	Q2 2025	Q3 2025
3Y	3.43%	3.50%	3.55%	3.50%	3.45%
5Y	3.55%	3.60%	3.65%	3.60%	3.55%
10Y	3.77%	3.80%	3.85%	3.80%	3.75%
20Y	4.06%	4.08%	4.10%	4.05%	4.00%

Source: HLBB Global Markets Research

Key Events for the Month

Date	Event
11 Oct	Industrial Production
18 Oct	Trade Balance & Exports
18 Oct	GDP 3Q A
18 Oct	2025 Budget
24 Oct	CPI

- MYR bonds have not been spared either in the sharp correction in USTs seen post the September jobs report, with domestic govt bond yields edging higher by about 5-10bps since end Sep. In terms of supply, RM19bn is expected in the four reopening auctions scheduled for the month, the first of which (3Y MGS) was poorly received with the lowest BTC for the year thus far. Supply dynamics remain favorable for the month with net supply to be marginally negative with the maturity of RM19.5bn of the GII 10/24 at mid month, after which it gets a little bit trickier for the market with no further bond maturities due this year.
- BNM maintained both rates and their neutral tone last month as widely expected, and we continue to see them being on hold for the rest of 2024 and into 2025 as well with price pressures continuing to be rather muted. Recent economic data continues to paint a positive picture, with the advanced 3Q GDP numbers expected to continue the strong momentum from 2Q, and 2024 growth as a whole is expected around 5.4%, above the official 4.0 - 5.0% government estimate.
- **Government bonds yields are expected to inch higher for the remainder of the month**, on the positive growth picture domestically and the end of bond maturities expected to weigh slightly on the demand supply dynamics of the bond market. Continued strong demand seen in Corporates/Sukuks should keep credit spreads supported here.

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