

# Monthly Fixed Income Market Outlook

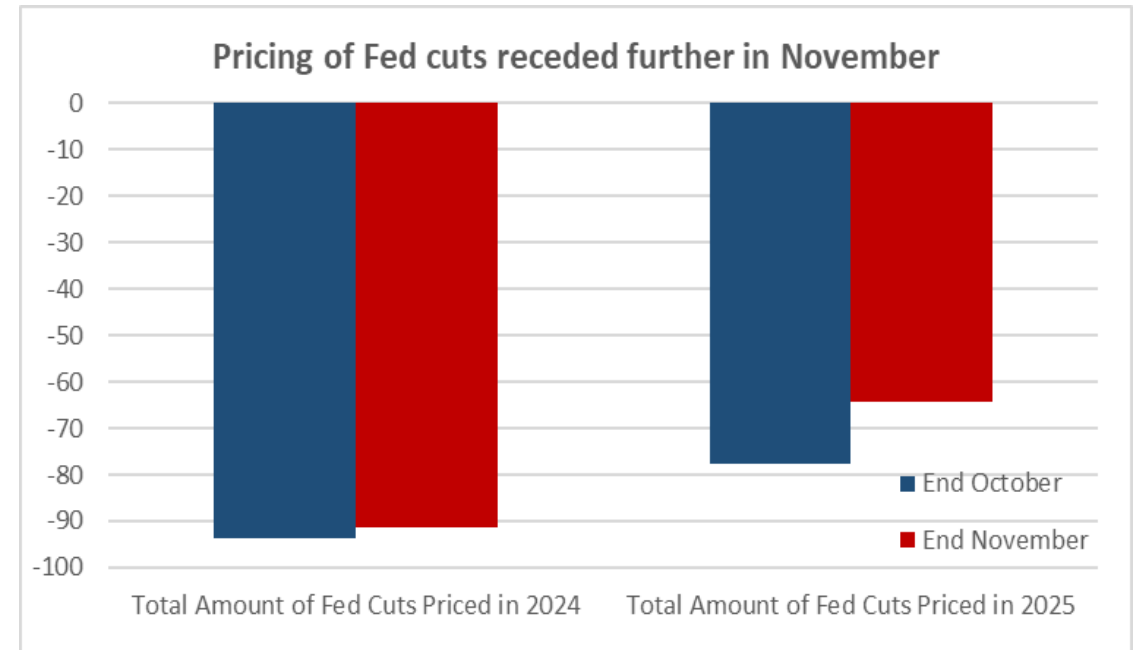
Global Markets  
December 2024

# November 2024 US Bond Market Review



Source: Bloomberg, HLBB Global Markets Research

- UST yields fell in November, with the longer end of the curve outperforming for the month, with the 20Y UST leading the gains.
- Yields initially headed higher during the month, driven by a Trump election victory, which saw the Republicans capture the Senate and retain the House, leading to expectations of an expansionary fiscal policy (extension and deepening of tax cuts) and the inflationary impact of it. The 10yr UST traded as high as 4.45% before retreating back amidst generally positive economic data, save for a weak jobs report that was likely adversely impacted by the hurricanes and Boeing strikes.
- The UST curve bull flattened for the month:
  - 2yr yield declined by 2bps to 4.15%
  - 10yr yield declined by 12bps to 4.17%



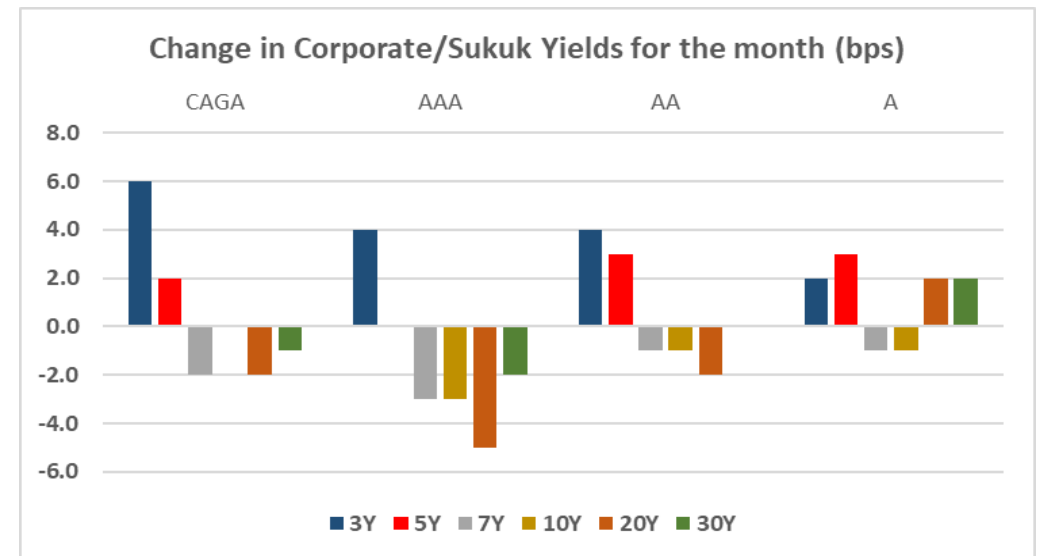
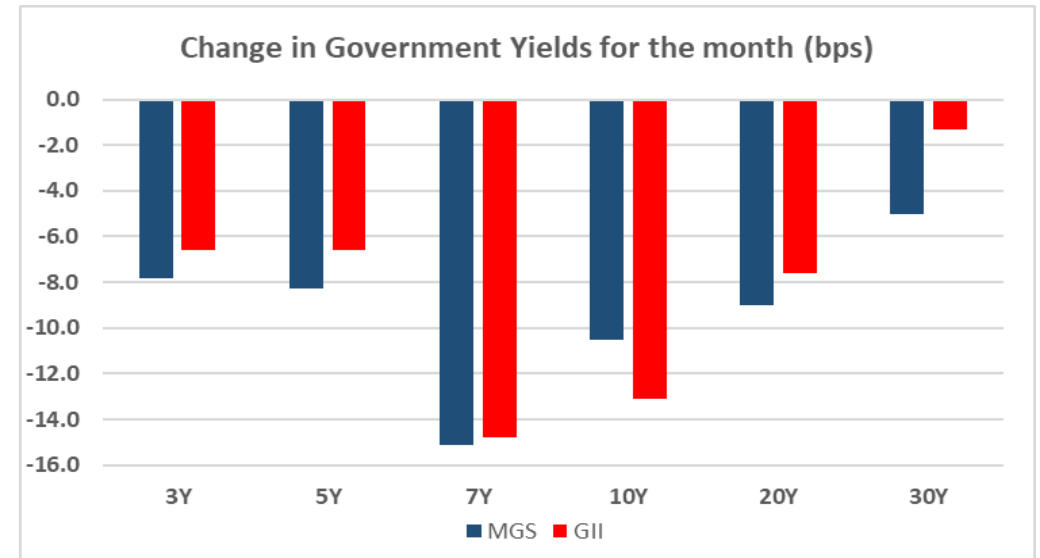
- The FOMC cut its policy rate by 25bps as expected on Nov 07, and signaled gradual cuts to come. Expectations of further cuts by the Fed receded further in November, with the futures markets pricing in 92bps of cuts by the Fed in 2024 (inclusive of the 75bps already delivered), suggesting a further possible cut in December:
  - 2024 rate cuts priced fell to 92bps (from 94bps as at end Oct)
  - 2025 rate cuts priced fell further to 64bps (from 78bps at end Oct)
- The terminal rate for this Fed cut cycle is likely to be higher than previously penciled in as a result of the election results. The latest dot plot released during the September FOMC showed 100bps in reductions for 2025 in total, but this is likely to be pared at the next dot plot during the December FOMC.

# November 2024 MYR Bond Market Review



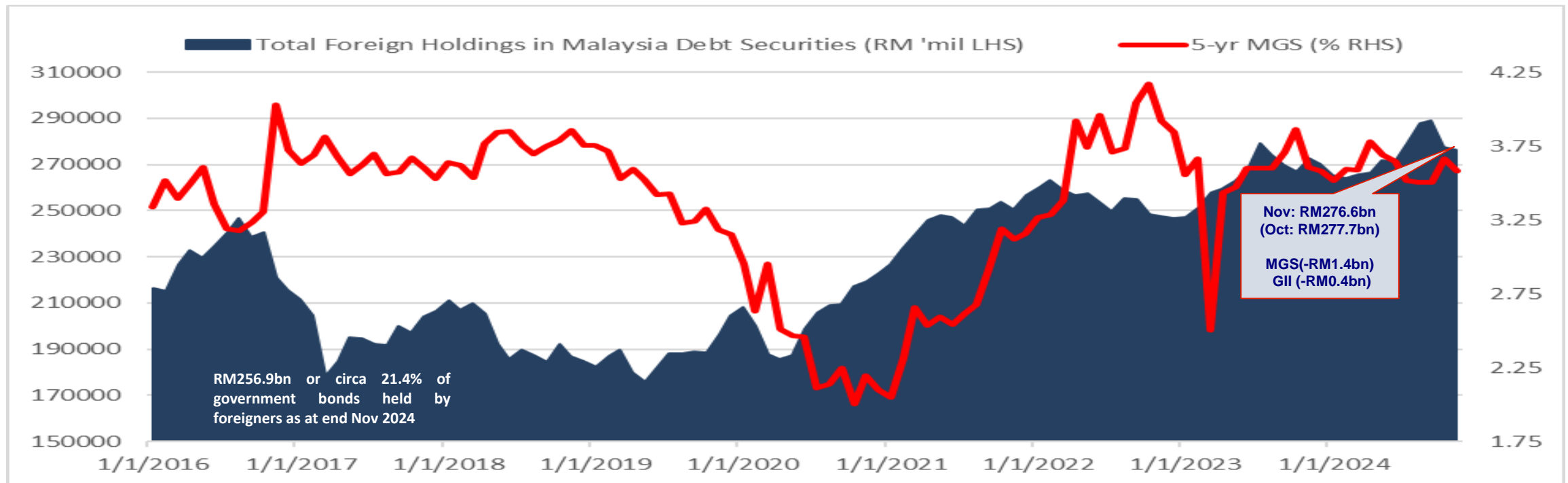
Source: Bloomberg, HLBB Global Markets Research

- MYR gov bonds were firmer in November amidst the volatile global bond backdrop. Final 3Q growth came in as per the advanced estimate at 5.3% y/y, but economic data for the month was generally soft, with both September industrial production and October exports coming in south of expectations. October inflation unexpectedly inched higher by a notch to 1.9% y/y, the first rise in 6 months, driven by higher food prices.
- BNM continued to strike a neutral tone as it left rates unchanged on Nov 06. Yields ended lower by between 1 and 15bps, with the 7Y sector outperforming on the curve, with the surprising postponement of the 10Y MGS reopening and cancellation of the 3Y GII reopening due in December lending support to the bond market.
- Corporate bonds were mixed for the month, with longer dated maturities generally doing better. Sector wise, the AAA-rated segment outperformed for the month.



Source: BPAM, HLBB Global Markets Research

## Offshore foreign holdings inched lower in November, driven by decline in MGS holdings



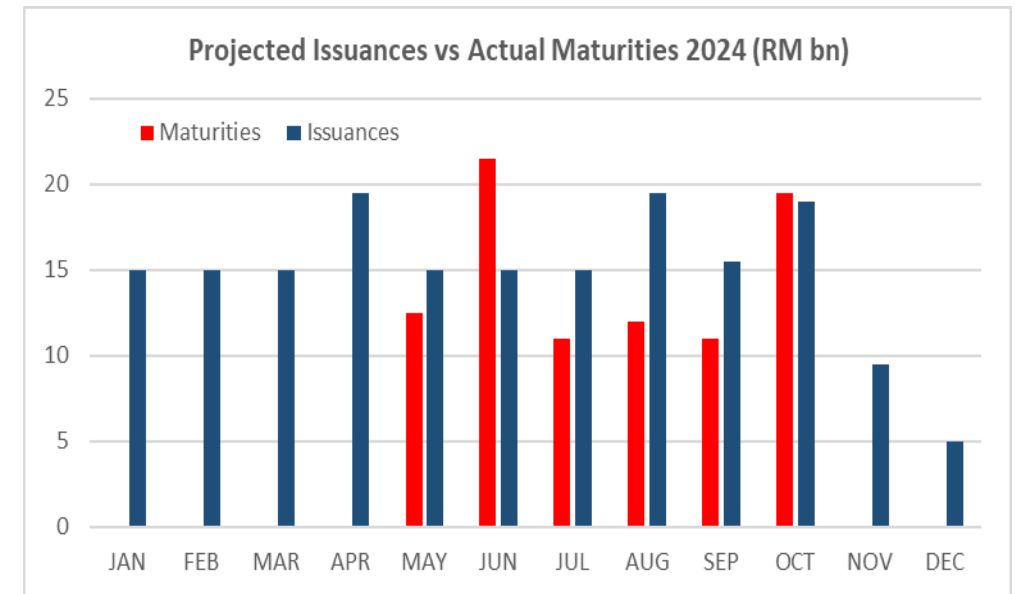
Source: BNM, Bloomberg, HLBB Global Markets Research

- Offshore foreign holdings of Malaysian debt securities inched lower in November, falling by RM1.1bn to RM276.6bn, versus the RM277.7bn seen at the end of October
- The reduction was driven by declines in the holdings of MGS (-RM1.4bn), MITB (-RM0.6bn), Sukuks (-RM0.5bn) and GII (-RM0.4bn)
- This was partially offset by advances seen in the foreign holdings of MTB (+RM1.3bn) and Corporate bonds (+RM0.5bn)

# RM9.5bn of gross MGS/GII issuance in November; and only RM2.0bn for December

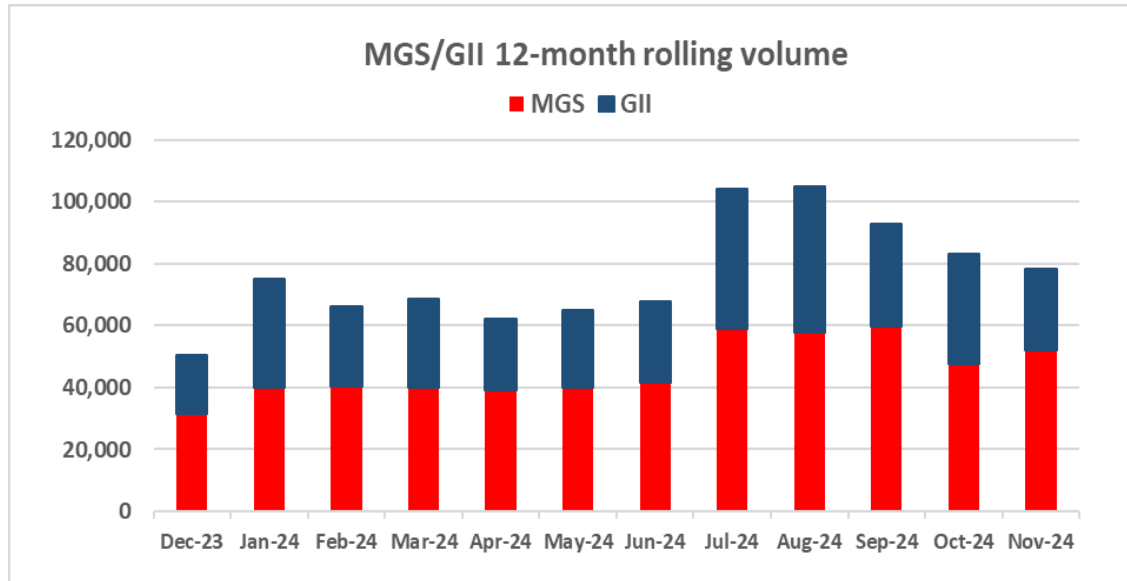
MGS/GII issuance pipeline in 2024														
No	Stock	Tenure (yrs)	Tender Month	Quarter	Tender Date	Projected Issuance Size (RM mil)	Actual Auction Issuance (RM mil)	Actual Private Placement	Total Issuance YTD	BTC (times)	Low	Average	High	Cut-off
1	10-yr Reopening of MGII 8/33	10	Jan	Q1	5/1/2024	5,000	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	14/10/2024	4,500	4,500		153,500	1.602	3.800	3.832	3.845	18.3%
32	20-yr Reopening of MGS 5/44	20	Oct	Q4	21/10/2024	5,000	3,000	2,000	158,500	2.039	4.120	4.136	4.149	13.3%
33	7-yr Reopening of MGII 10/31	7	Oct	Q4	29/10/2024	5,000	5,000		163,500	1.997	3.900	3.914	3.925	65.0%
34	15-yr Reopening of MGS 4/39	15	Nov	Q4	11/11/2024	5,000	3,000	2,000	168,500	2.672	3.999	4.015	4.026	50.0%
35	5-yr Reopening of MGII 7/29	5	Nov	Q4	18/11/2024	4,500	4,500		173,000	2.005	3.642	3.657	3.665	53.1%
36	10-yr Reopening of MGS 7/34	10	Dec	Q4	6/12/2024	5,000	2,000		175,000	2.015	3.760	3.776	3.781	80.0%
Gross MGS/GII supply in 2024						178,000	145,000	30,000	175,000	PROJECTED TOTAL ISSUANCE = RM178bn				

- Gross issuance of RM9.5bn was seen in November – an issuance of RM4.5bn and RM5bn each. The scheduled issuance of the 10yr MGS reopening was postponed to December amidst reduced government funding needs.
- Well received auctions overall in November, with BTC averaging 2.272x (Oct: 1.796x), driven by a strong 15yr MGS reopening
- For December, issuance totaled RM2.0bn from the sole remaining auction of the year (10Y MGS) that was postponed from November. The scheduled reopening of the GII 9/27 in December, which was meant to take over as the new 3Y GII benchmark, has been cancelled, so we are likely to see this bond kick off auctions for 2025.



Source: Bloomberg, BNM, HLBB Global Markets Research

## MGS/GII trading Volume declined further in November; expected to head lower into year-end



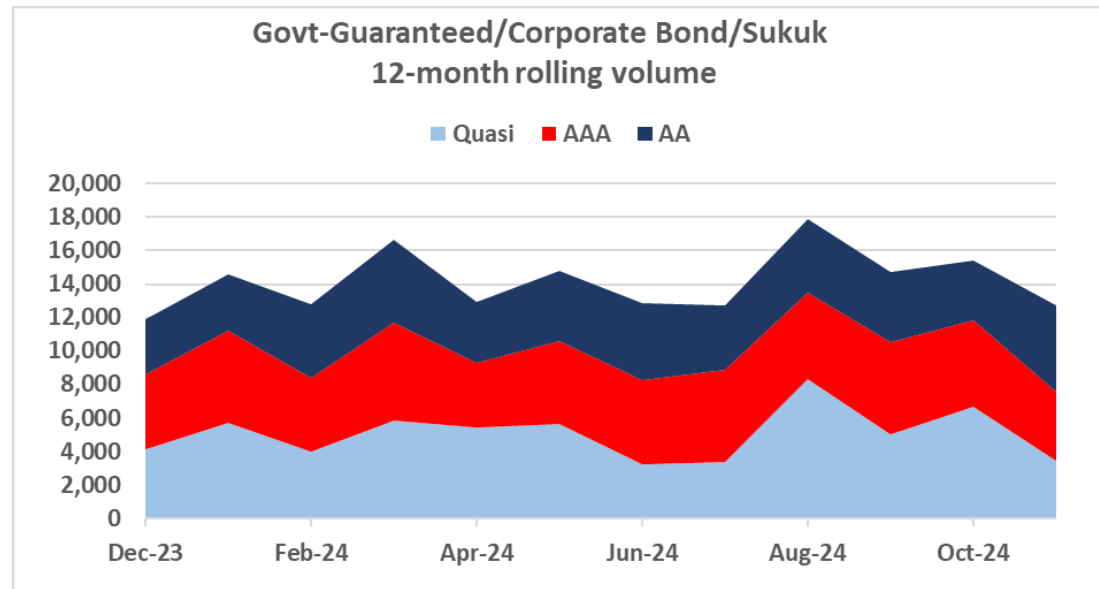
- Secondary trading in MGS/GII declined to RM78.1bn in Nov (Oct: RM83.1bn), driven by a marked decline in GII trading
- The off-the-run MGS 3/25 and benchmark 7Y GII 10/31 led trading for the month in the MGS and GII markets respectively
- Notable trading interest was also seen in the benchmark 3Y MGS, 5Y MGS, 7Y MGS, as well as in the off-the-run MGS 9/25 and MGS 11/33

Top Traded MGS in November 24	Volume (RM 'mil)
MGS 3/25	11,092.7
MGS 4/31 (7Y)	5,464.4
MGS 9/25	4,857.1
MGS 8/29 (5Y)	3,508.9
MGS 5/27 (3Y)	3,147.9
MGS 11/33	3,022.3
MGS 4/39 (15Y)	2,644.1
MGS 7/34 (10Y)	2,149.6
MGS 5/44 (20Y)	2,102.1
MGS 11/27	1,844.1

Top Traded GII in November 24	Volume (RM 'mil)
GII 10/31 (7Y)	3,254.0
GII 11/34 (10Y)	2,649.8
GII 7/29 (5Y)	2,251.2
GII 8/43 (20Y)	1,865.7
GII 3/54 (30Y)	1,753.2
GII 9/39 (15Y)	1,602.6
GII 8/33	1,593.9
GII 10/25	1,529.6
GII 9/26 (3Y)	1,174.1
GII 5/52	1,144.8

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

# Corporate/Sukuk secondary trading volumes tumbled in Nov; new issuances inched higher



- Trading in Corps/Sukuk declined to RM12.7bn in November (Oct: RM15.4bn), driven by a plunge in the trading of government guaranteed bonds
- New issuances for the month increased to RM13.6bn in November (Oct: RM12.5bn), with a rise in issuances seen in the corporate universe, especially in the unrated segment; we expect issuance in the corporate space to head lower in December
- There is little in the way of sizable issues in the pipeline this month as we approach year end, with possible issuances to come from RHB Bank (RM300m), LBS Bina (RM300m) and Keyfield International (RM250m)

Top Traded Corporate Bonds/Sukuk in November 24	Volume (RM mil)	Last Done Yield (%)
GENTING CAP MTN 4.86% 08.6.2027 - Issue No. 2	818	4.800
CAGAMAS MTN 3.780% 28.3.2025	240	3.491
LPPSA IMTN 4.250% 06.07.2039 - Tranche No 77	180	4.049
DANAINFRA IMTN 5.100% 29.10.2038 - Tranche No 13	175	4.031
PTPTN IMTN 2.770% 27.10.2028	150	3.720
LPPSA IMTN 4.910% 24.03.2051 - Tranche No 53	150	4.219
DANAINFRA IMTN 4.190% 24.10.2035 - Tranche No 136	140	4.014
PRASARANA IMTN 4.58% 29.08.2028 - Tranche 2	140	3.704
CAGAMAS IMTN 3.890% 02.11.2029	130	3.890
YTL POWER IMTN 4.300% 11.10.2039	125	4.181

Top Corporate/Sukuk Issuance in November 24	Rating	Amount Issued (RM 'm)
CAGAMAS IMTN 3.920% 29.11.2029	AAA	1,000
PANTAI IMTN 0% 30.10.2026	NR	960
MAHB SENIOR SUKUK WAKALAH 4.02% 21.11.2031	AAA	600
MAHB SENIOR SUKUK WAKALAH 4.08% 22.11.2034	AAA	600
PANTAI IMTN 0% 30.10.2026	NR	530
PANTAI IMTN 0% 01.11.2027	NR	510
PANTAI IMTN 0% 30.10.2026	NR	510
SHB IMTN 3652D 06.11.2034	NR	500
BSN IMTN 4.000% 07.11.2031	AAA	400
MAHB SENIOR SUKUK WAKALAH 3.950% 22.11.2029	AAA	400

Source: BNM, BPAM, HLBB Global Markets Research

## US Bonds Outlook Dec 2024 – yields expected to head higher; curve to steepen

	Current @ 09 Dec	Q4 2024	Q1 2025	Q2 2025	Q3 2025
Fed Funds Rate (upper bound)	4.75%	4.50%	4.25%	4.00%	4.00%

UST yields (%)	Current @ 09 Dec	Q4 2024	Q1 2025	Q2 2025	Q3 2025
2Y	4.12%	4.30%	4.15%	4.00%	3.90%
5Y	4.07%	4.35%	4.20%	4.05%	4.00%
10Y	4.20%	4.45%	4.40%	4.30%	4.20%
30Y	4.39%	4.60%	4.55%	4.45%	4.35%

Source: HLBB Global Markets Research

### Key Events for the Month

Date	Event
11 Dec	CPI
17 Dec	Retail Sales
18 Dec	FOMC
19 Dec	3Q GDP (T)
20 Dec	Core PCE Price Index

- Bonds continued to trade higher in the early part of December, with a mixed November employment report, which saw a rebound in the number of jobs added but a rise in the unemployment rate. The ISM indices were mixed, with the manufacturing index showing a larger than expected rise but a sharp pullback was seen in the services sector index.
- Fed Chair Powell continued to signal gradual reductions in the Fed Funds Rate going forward, but importantly did not push back against market expectations for a possible 25bps cut in the upcoming Dec meeting. Futures prices currently indicate a 87% chance of 25bps cut and we think that the Fed delivers. However, we do expect the tone of the statement to be on the hawkish side, with indications of a more gradual pace of reductions going forward, and also a higher terminal rate through a sizable shift in the dot plot.
- **Yields are expected to head higher for the remainder of the month**, with the “hawkish cut” by the Fed likely, and as we move closer towards President-elect Trump taking office again.



## MYR Bonds Outlook Dec 2024 – bond yields expected to head higher

	Current @ 09 Dec	Q4 2024	Q1 2025	Q2 2025	Q3 2025
OPR	3.00%	3.00%	3.00%	3.00%	3.00%

MGS yields (%)	Current @ 09 Dec	Q4 2024	Q1 2025	Q2 2025	Q3 2025
3Y	3.46%	3.55%	3.50%	3.45%	3.40%
5Y	3.57%	3.70%	3.65%	3.60%	3.60%
10Y	3.79%	3.95%	3.90%	3.85%	3.85%
20Y	4.04%	4.15%	4.15%	4.10%	4.05%

Source: HLBB Global Markets Research

### Key Events for the Month

Date	Event
10 Dec	Industrial Production
18 Dec	Trade Balance & Exports
20 Dec	CPI

- MYR bonds have been slightly firmer for December thus far, partially driven by a much lower than expected size for the 10Y MGS reopening auction (RM2bn issued versus expectations of RM5bn) that was concluded early in the month. We think however, that further upside in domestic govt bonds could be limited from here and that MGS/GII yields will head higher into year end, with some signs of tightness in the domestic funding markets starting to be visible – the domestic 3m KLIBOR fixing has risen by 8bps to 3.70% since the end of November.
- BNM maintained both rates and their neutral tone at the MPC in November, and we continue to see them being on hold into 2025 as well with an absence of price pressures for the foreseeable future, with the implementation of further major subsidy reforms only due in the middle of the year. Recent economic data continues to paint a decent picture, with the final 3Q GDP numbers matching the advanced estimate of 5.3% y/y.
- **Government bonds yields are expected to head higher for the remainder of the month**, on the backdrop of expected weaker global government bond markets heading into year end. Corporates/Sukuks should continue to do well into year end with limited issuance seen this month.

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