

Monthly Fixed Income Market Outlook

Global Markets

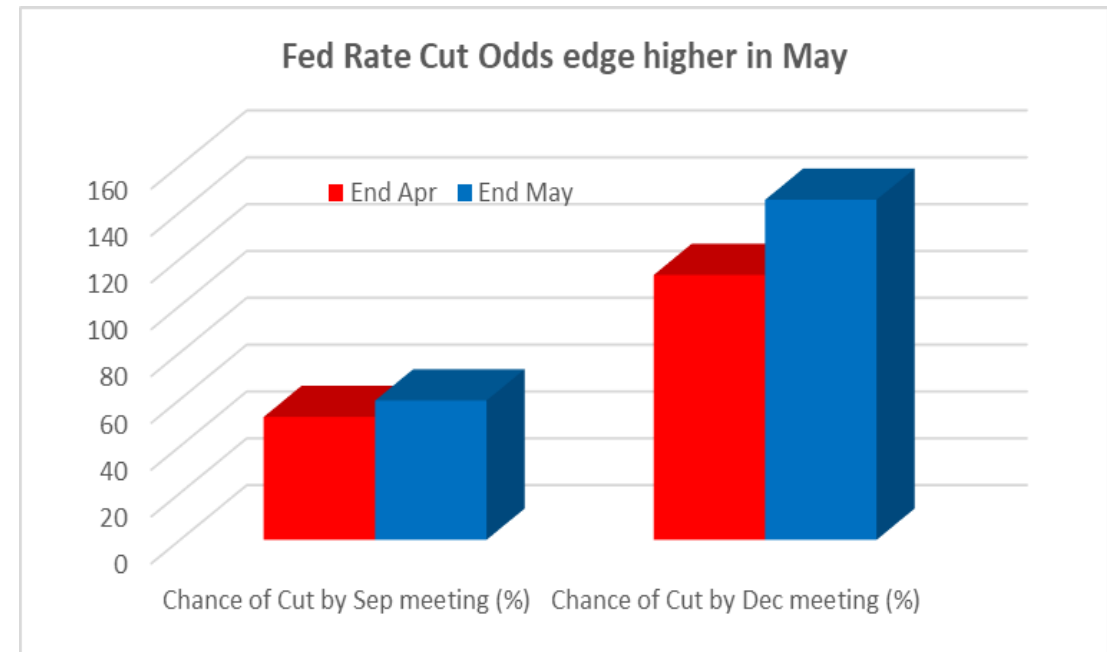
June 2024

May 2024 US Bond Market Review



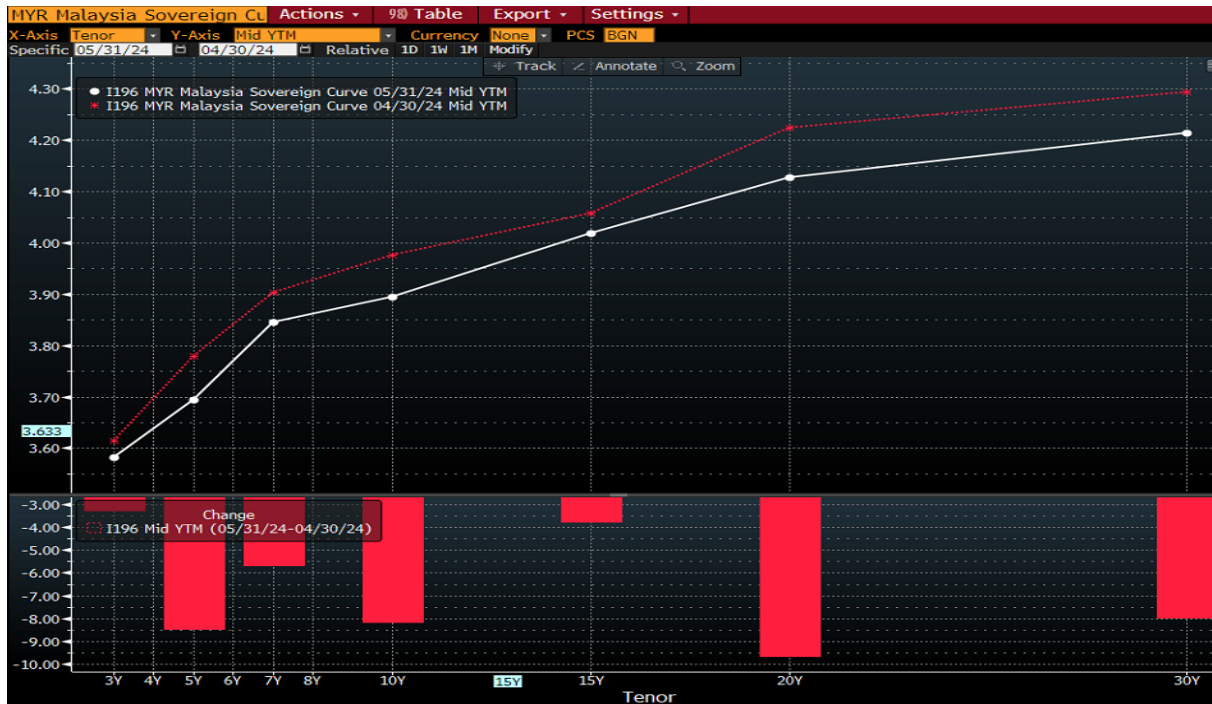
Source: Bloomberg, HLBB Global Markets Research

- UST yields were lower in May, after the sell off seen in April, with the move more pronounced in the belly of the curve.
- The lower yields were driven by weaker than expected economic data (weaker than expected April monthly employment report, April ISM indices going into contractionary territory and an unexpectedly weak April retail sales print), amidst inflation prints that were as expected.
- Mild bull flattening of the UST curve
 - 2yr yield down 16bps to 4.87%
 - 10yr yield down 18bps to 4.50%



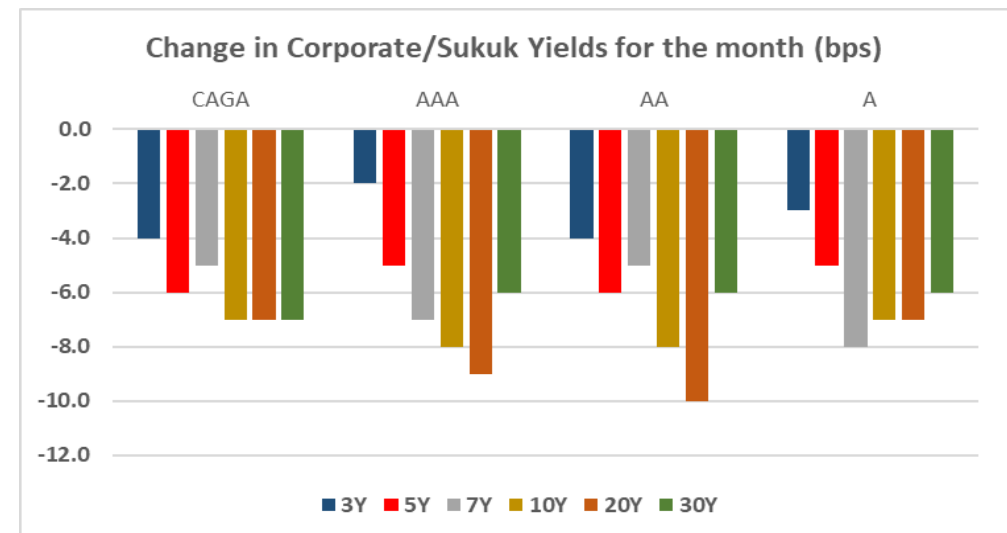
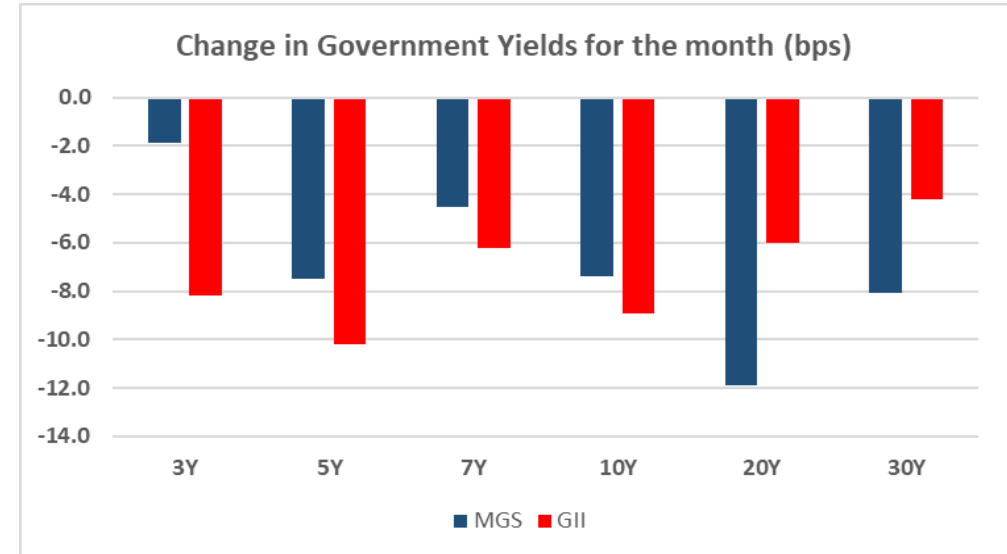
- Some repricing of Fed cuts was seen in Fed Funds futures during the month, with the market pricing in slightly more rate cuts (36bps) for 2024 as a whole as at end May, from slightly over 1 cut (28bps) priced at the end of April
 - Chance of a cut by September up to 59.5% (from 52.5%)
 - Chance of a cut by December up to 145.2% (from 113.1%)
- Fed-speak in May was mixed, with some Fed members continuing to lean on the hawkish side. The minutes of the May 01 FOMC meeting revealed a discord between members of the FOMC as to whether current monetary policy was restrictive enough, and that “various” FOMC members are willing to tighten policy more if needed.

May 2024 MYR Bond Market Review



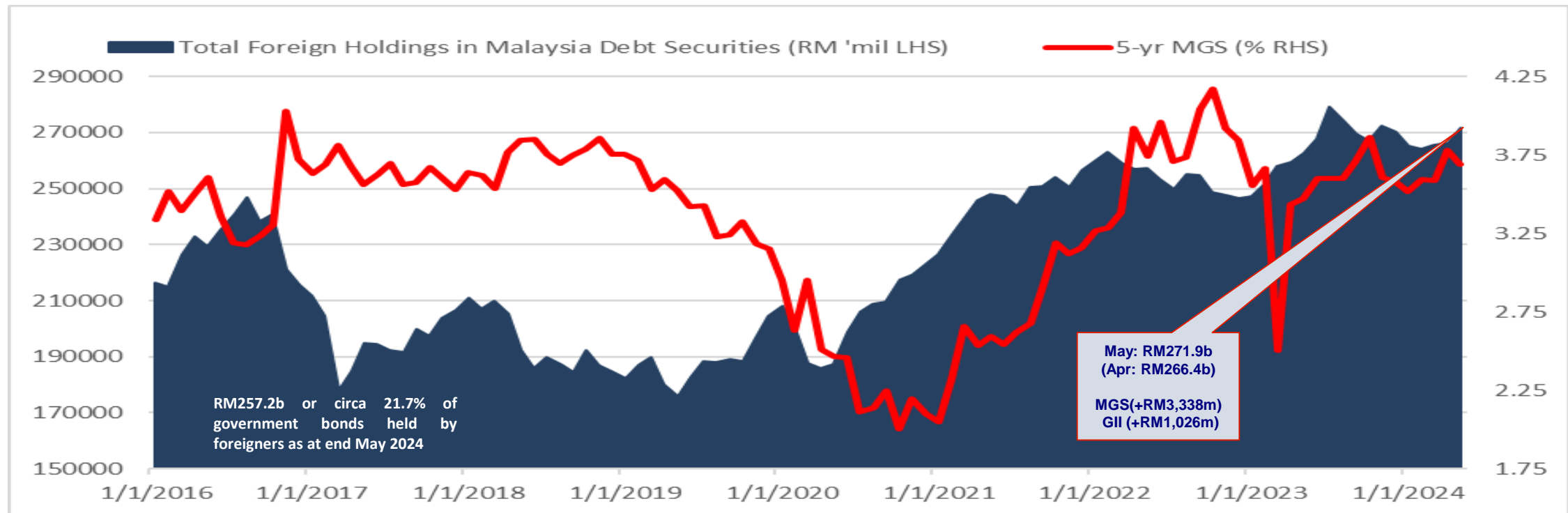
Source: Bloomberg, HLBB Global Markets Research

- MYR government bonds also performed for the month, led by the rally in global bonds, with yields ending lower across the curve by between 2-12 bps, amidst 1Q GDP being revised slightly higher and April CPI unexpectedly staying unchanged from Mar at 1.8% y/y. BNM left rates unchanged as expected at their May 9 MPC meeting, and maintained their neutral tone in the accompanying statement.
- GII bonds outperformed MGS up to the 10yr maturity space, but MGS did better in the longer end of the maturity spectrum, with 20Y MGS seeing the best performance for the month
- Corporate yields lower for the month too, with AA segment seeing some outperformance versus the other sectors



Source: BPAM, HLBB Global Markets Research

Offshore foreign holdings rose further in May, driven by an increase in MGS holdings



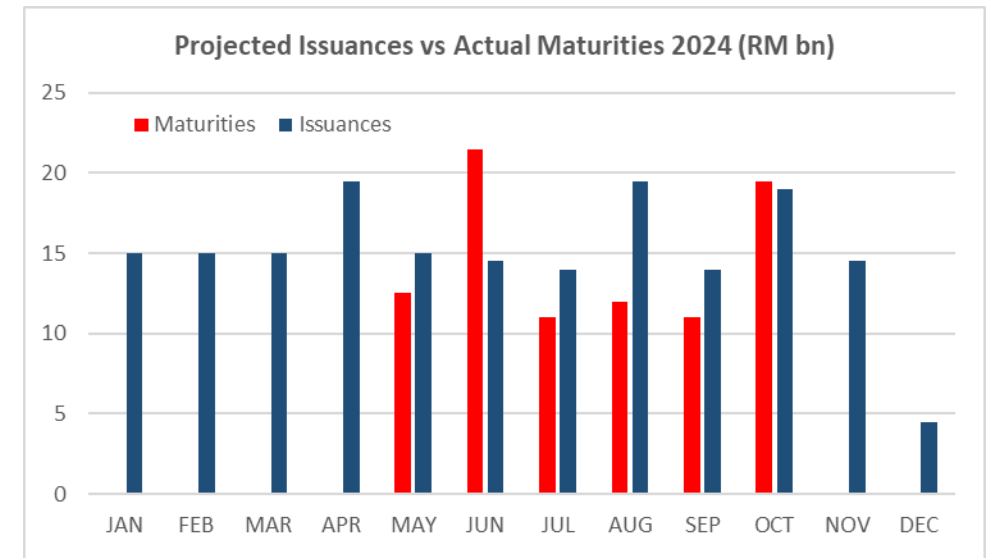
Source: BNM, Bloomberg, HLBB Global Markets Research

- Offshore foreign holdings of Malaysian debt securities rose for a third month on the trot in May, by RM5.5b to RM271.9b, from RM266.4b in April
- Increase led by higher holdings of MGS securities, which rose by over RM3.3b
- Increases of holdings also seen in GII, Islamic Bills & conventional corporate Bonds

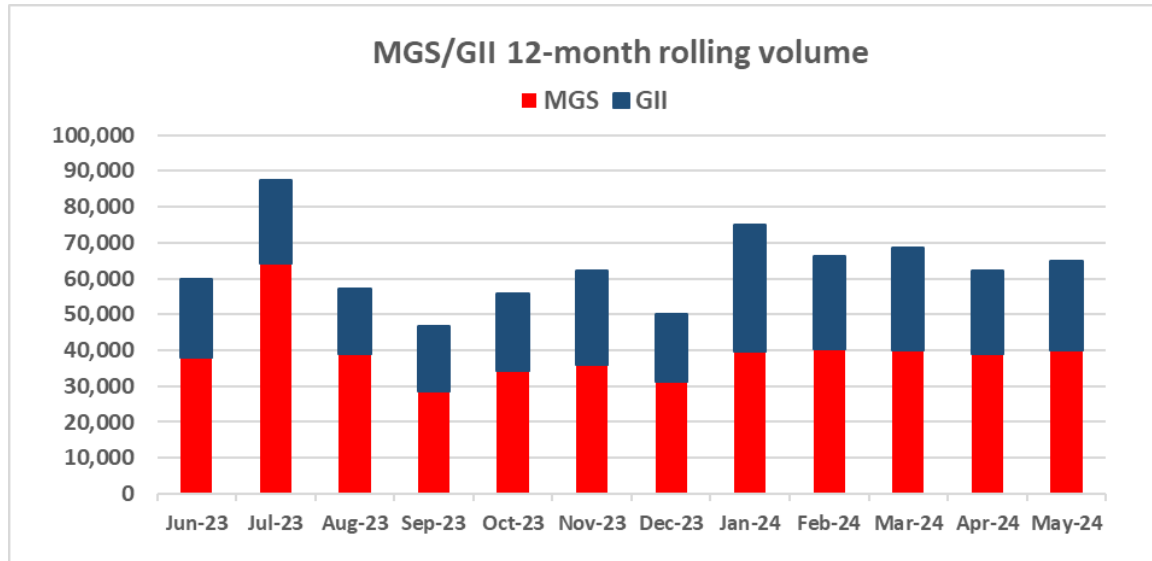
RM15.0b of gross MGS/GII issuance in May; another RM15.0b expected in June

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		4,500								
19	30-yr Reopening of MGII 3/54	30	Jun	Q2		5,000								
20	5-yr Reopening of MGS 8/29	5	Jul	Q3		4,500								
21	10-yr Reopening of MGII 11/34	10	Jul	Q3		4,500								
22	15-yr Reopening of MGS 4/39)	15	Jul	Q3		5,000								
23	7-yr Reopening of MGII 10/31	7	Aug	Q3		5,000								
24	30-yr Reopening of MGS 3/53	30	Aug	Q3		5,000								
25	5-yr Reopening of MGII 7/29	5	Aug	Q3		4,500								
26	10-yr Reopening of MGS 7/34	10	Aug	Q3		5,000								
27	20-yr Reopening of MGII 8/43	20	Sep	Q3		4,500								
28	7-yr Reopening of MGS 4/31	7	Sep	Q3		4,500								
29	30-yr Reopening of MGII 3/54	30	Sep	Q3		5,000								
30	3-yr Reopening of MGS 5/27	3	Oct	Q4		4,500								
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								
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								
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	68,500	16,000	-	PROJECTED TOTAL ISSUANCE = RM180b				

- Gross issuance of RM15.0b in May – three issuances of RM5bn each (inclusive of 2 auction with private placements or RM2.0b each)
- Better auctions overall in May with average BTC of 2.56x, (Apr: 2.24x), aided by the smaller auction sizes due to the private placements for 2 of the issuances
- For June, gross issuance likely totaling RM15.0b from the three scheduled auctions
- Negative net issuance this month, with the maturity of RM21.5b of MGS 6/24, with maturities continuing for the next 4 months as well through October



MGS/GII Trading Volume picked up in May; expected to rise further in June



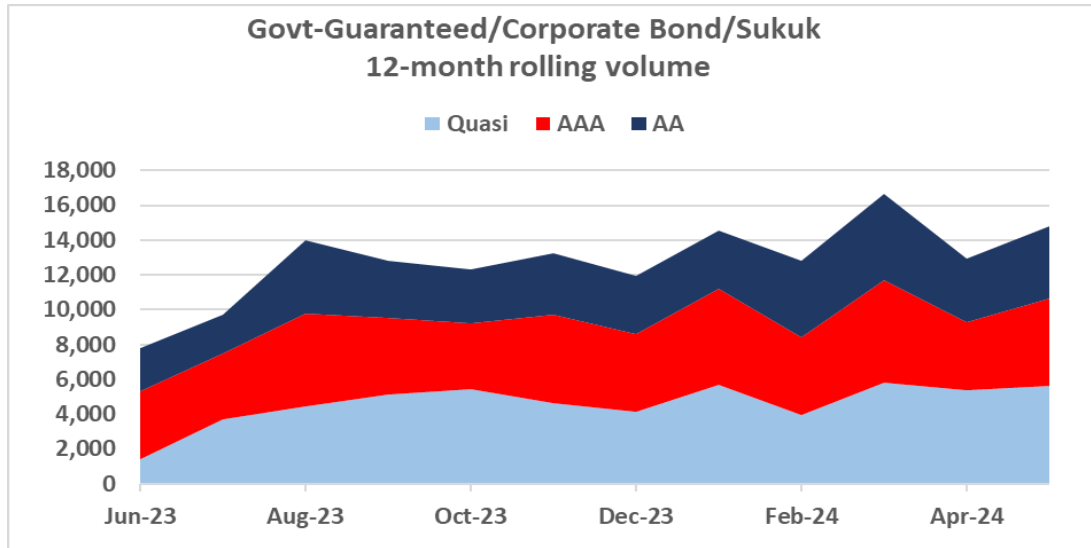
- Secondary trading in MGS/GII rose to RM64.8b in May (Apr: RM62.2b), with the rise being driven by an increase in GII trades to RM24.7b (Apr: RM23.1b)
- The soon to mature off-the-run MGS 6/24 and 3Y benchmark GII 9/26 led trading for the month in the respective markets
- Notable trading interest also seen in the benchmark 5Y MGS, 7Y MGS and 10Y MGS and GII bonds

Top Traded MGS in May 24	Volume (RM 'mil)
MGS 6/24	5,009.6
MGS 11/33 (10Y)	3,151.3
MGS 8/29 (5Y)	3,006.3
MGS 4/31 (7Y)	2,989.3
MGS 7/24	2,820.3
MGS 5/27 (3Y)	2,552.8
MGS 3/25	2,530.1
MGS 9/24	1,966.1
MGS 9/25	1,928.6
MGS 10/42	1,310.4

Top Traded GII in May 24	Volume (RM 'mil)
GII 9/26 (3Y)	4,855.8
GII 8/33 (10Y)	2,668.7
GII 10/31 (7Y)	1,688.1
GII 9/39 (15Y)	1,675.6
GII 9/30	1,420.1
GII 7/28 (3Y)	1,264.6
GII 8/43 (20Y)	1,167.7
GII 10/24	1,114.7
GII 10/32	1,015.1
GII 8/24	944.3

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

Corporate/Sukuk secondary trading volumes rose in May; reduced new issuance



- Trading in Corps/Sukuk rose to RM14.8b in May (Apr: RM12.9b), driven by increases in the trading of AAA and AA rated paper for the month.
- New issuances plunged further to RM7.8b in May (Apr: RM10.7b), with PSEP tapping the primary market with decent sized issuances and a few issuances in financials; we expect issuance in the corporate space to increase in June, on the lower yields and tight credit spreads
- Sizeable issues in the pipeline this month include a possible AMBB Senior (RM1.6bn), PBB Sub (RM1.5bn), CIMB AT1 Perp (RM1bn), DIGI Senior (RM1bn), SunREIT (RM400m) and Sunway Perp (RM200-400m)

Top Traded Corporate Bonds/Sukuk in May 24	Volume (RM mil)	Last Done Yield (%)
PLUS BERHAD IMTN 5.000% 31.12.2038 - Series 2	500	4.038
DANAINFRA IMTN 5.070% 20.10.2042	300	4.164
LPPSA IMTN 4.580% 11.04.2039 - Tranche No 31	260	4.066
PRASARANA IMTN 4.390% 07.03.2025 - Series 4	245	3.435
UDA IMTN 4.980% 09.05.2031 Series 002 Tranche 002	244	4.847
TPSB IMTN 3.970% 05.02.2025 - Tranche No 6	200	3.507
DANAINFRA IMTN 5.290% 22.07.2044 - Tranche No 25	190	4.209
WESTPORTS IMTN 4.290% 13.05.2039	180	4.110
DANAINFRA IMTN 4.630% 23.11.2029 - Tranche No 128	155	3.798
PRASARANA IMTN 4.540% 03.03.2042 (Series 7)	150	4.156

Top Corporate/Sukuk Issuance in May 24	Rating	Amount Issued (RM 'm)
PSEP IMTN 3.930% 24.05.2029 (Tr4 Sr2)	AAA	700
CAGAMAS MTN 4.030% 02.5.2031	AAA	670
AFFINBANK MTN4 SENIOR 8.5.2029	AA3	500
AISL 4.100% 09.05.2031	AA2	500
RHBA 4.00% 15.05.2034 (Series 5)	AA2	500
GENM CAPITAL MTN 1826D 31.5.2029	AA1	500
PSEP IMTN 3.900% 24.05.2027 (Tr4 Sr1)	AAA	400
PSEP IMTN 4.010% 23.05.2031 (Tr4 Sr3)	AAA	400
WESTPORTS IMTN 4.290% 13.05.2039	AAA	355
PONSB IMTN 4.100% 28.05.2031 - Series 3 Tranche 2	AA2	350

Source: BNM, BPAM, HLBB Global Markets Research

US Bonds Outlook June 2024 – yields likely to inch higher

	Current @ 11 Jun	Q2 2024	Q3 2024	Q4 2024	Q1 2025
Fed Funds Rate (upper bound)	5.50%	5.50%	5.50%	5.25%	4.75%

UST yields (%)	Current @ 11 Jun	Q2 2024	Q3 2024	Q4 2024	Q1 2025
2Y	4.83%	4.80%	4.65%	4.45%	4.30%
5Y	4.42%	4.50%	4.40%	4.30%	4.25%
10Y	4.40%	4.50%	4.40%	4.30%	4.20%
30Y	4.54%	4.65%	4.55%	4.50%	4.45%

Source: HLBB Global Markets Research

- A weak ISM Manufacturing and JOLTS report to start the month gave a bid tone to the market, with the 10yr UST yield falling by as much as 22bps to 4.28% from the 4.50% seen at the end of May. The market then turned on a strong monthly payroll report (where both jobs added and wages came in higher than expected) and solid ISM Services index, with yields heading back higher to stand at 4.40% at the point of writing.
- The FOMC meets on 12 Jun, where they will leave rates unchanged, and update the dot plot which last stood at 3 cuts for the year in the March FOMC. Market expectations are for a move lower in the dot plot down to 2 cuts, but given recent Fed-speak which has been on the hawkish side and the continued resiliency seen in the labour market, we feel the risk is that it gets reduced down to a single cut.
- **Expect yields to have an upward bias from here for the rest of the month**, given the continued robustness of the data, with the UST curve expected to steepen slightly in the bearish environment. No change to our view that policy easing by the Fed will begin in 4Q.

Key Events for the Month

Date	Event
12 Jun	CPI
12 Jun	FOMC
13 Jun	PPI
18 Jun	Retail Sales
25 Jun	Conference Board Consumer Confidence
27 Jun	1Q GDP Third Reading
28 Jun	PCE Core Deflator

MYR Bonds Outlook June 2024 – higher yields on the horizon as inflation risks grow

	Current @ 11 Jun	Q2 2024	Q3 2024	Q4 2024	Q1 2025
OPR	3.00%	3.00%	3.00%	3.00%	3.00%

MGS yields (%)	Current @ 11 Jun	Q2 2024	Q3 2024	Q4 2024	Q1 2025
3Y	3.56%	3.60%	3.70%	3.70%	3.70%
5Y	3.66%	3.75%	3.85%	3.90%	3.90%
10Y	3.87%	3.95%	4.05%	4.10%	4.10%
20Y	4.17%	4.20%	4.25%	4.25%	4.25%

Source: HLBB Global Markets Research

Key Events for the Month	
Date	Event
20 Jun	Trade Balance
25 Jun	CPI

- We continue to see no change in OPR for the next BNM MPC meeting on Jul 11, and for the remainder of 2024. However, inflation risks appear to be growing with the recent ending of the diesel price subsidies on Jun 10. Although the direct impact on CPI is limited as diesel only constitutes a very small percentage of the CPI basket, there is likely to be some price adjustments by businesses to cope with the higher diesel prices. There are some news reports already of price hikes by sectors that are not entitled for the revised diesel assistance subsidy.
- In terms of supply, three auctions are scheduled for this month (20yr GII reopening, 3yr MGS reopening and 30yr GII reopening) after the three we had in May. The supply dynamics are favorable with net supply to be negative for the month with the upcoming maturity of the MGS 6/24, so the auctions are likely to see rather decent participation.
- **Government bonds are expected to trade with a bearish tone for the rest of month**, in view of the yields heading higher in major markets, and on the intensifying inflation risks domestically. Continued decent demand seen in Corporates/Sukuks expected to keep credit spreads on the tight side, but some pressure is expected as issuance picks up.

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