

Monthly Fixed Income Market Outlook

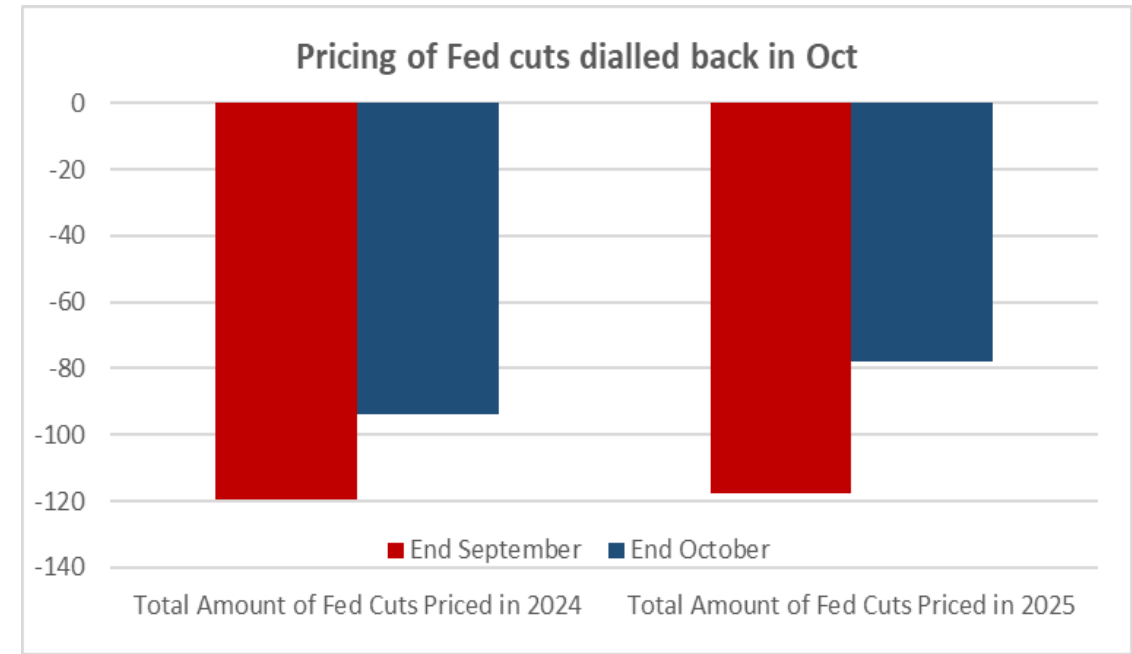
Global Markets
November 2024

October 2024 US Bond Market Review



Source: Bloomberg, HLBB Global Markets Research

- UST yields surged in October, rising for the first month in six, with the belly of the curve getting hit the hardest.
- Yields were driven higher by solid economic data for the month. The September payroll report showed quite a few more jobs added than expected, with the unemployment rate unexpectedly ticking lower. The ISM Services index saw a sharper than expected rise, and US retail sales also came in better than anticipated in a strong close to 3Q. Core CPI and core PCE both printed higher than expected, suggestive that the recent progress in disinflation may not persist.
- The UST curve saw a pretty parallel rise for the month:
 - 2yr yield advanced by 53bps to 4.17%
 - 10yr yield rose by 50bps to 4.29%



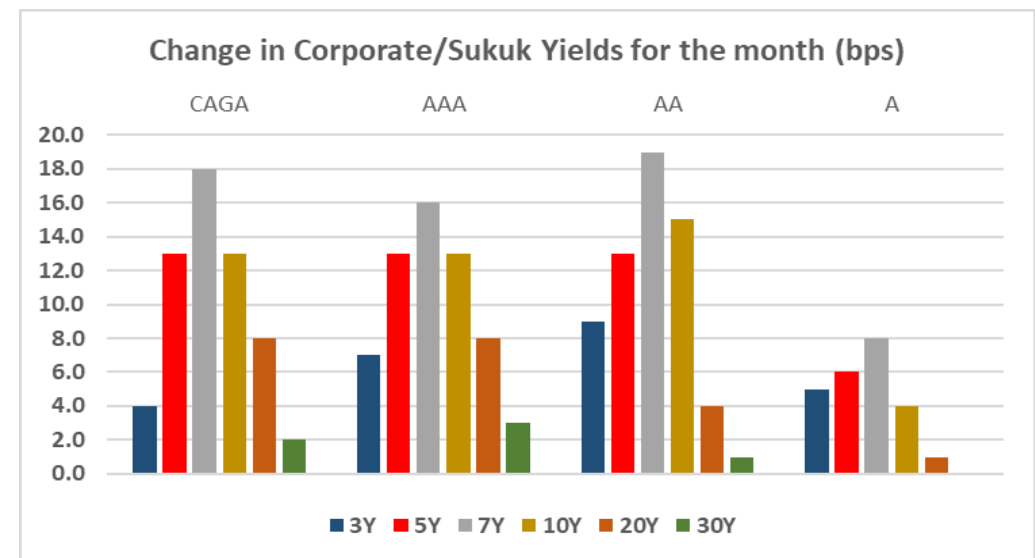
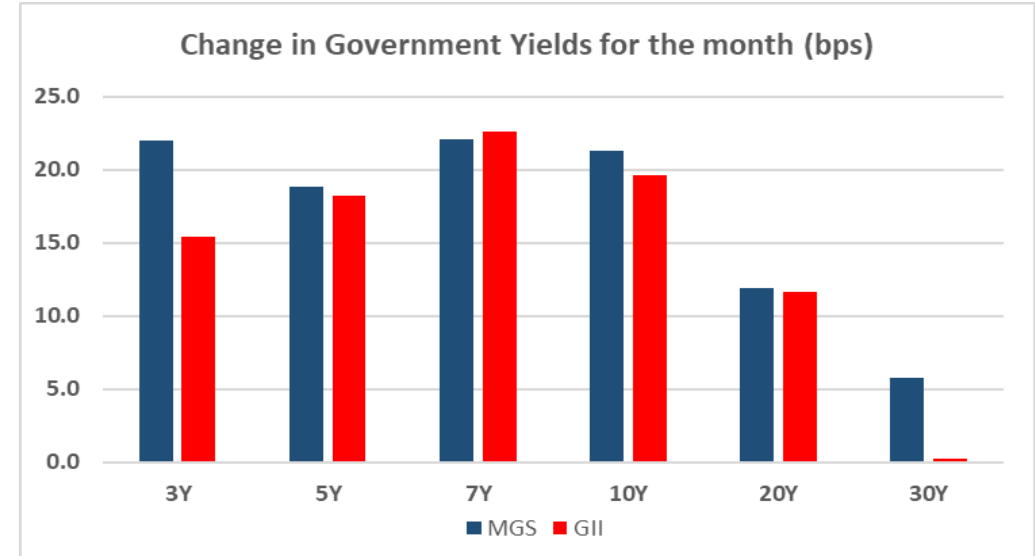
- Expectations of further cuts by the Fed were dialed back given the strong economic backdrop, with futures markets pricing in 94bps of cuts by the Fed in 2024 (inclusive of the 50bps already delivered in September), suggesting possibly 2 further cuts for the remaining 2 FOMC meetings for the year:
 - 2024 rate cuts priced fell to 94bps (from 120bps at end Sep)
 - 2025 rate cuts priced fell significantly to 78bps (from 118bps at end Sep)
- With the sizable movement in futures prices, the markets are now expecting less than the Fed themselves in terms of rates cuts for next year. The latest dot plot released during the September FOMC showed that Fed members were projecting 100bps in reductions for 2025 in total.

October 2024 MYR Bond Market Review



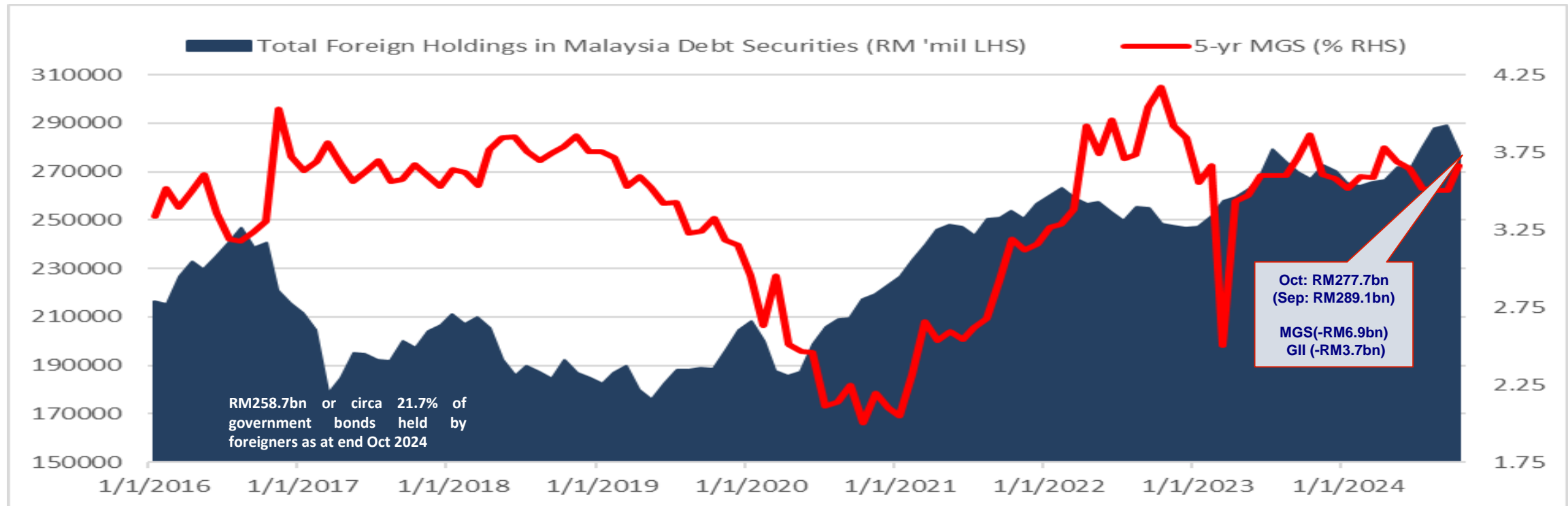
Source: Bloomberg, HLBB Global Markets Research

- MYR gov bonds were weaker in October amidst the global bond backdrop. Advanced 3Q growth came in slightly higher than expected at 5.3% y/y after the 5.9% y/y in 2Q, but economic data for the month was generally weaker, with August industrial production softer than expected, while September exports unexpectedly dived to register a contraction on an annual basis. September inflation unexpectedly inched lower by a notch to 1.8% y/y.
- Yields ended higher by between 0 and 23bps, with maturities up to 10Y getting hit the worst. The long end outperformed in the sell off, leaving 3s10s about par-ish for the month, whilst 10s30s consequentially flattened.
- Corporate bonds were also better offered for the month, with yield increases seen across the different segments, and the 7Y sector seeing the largest yield rises.



Source: BPAM, HLBB Global Markets Research

Offshore foreign holdings plunged in October, driven by falls in MGS and GII holdings



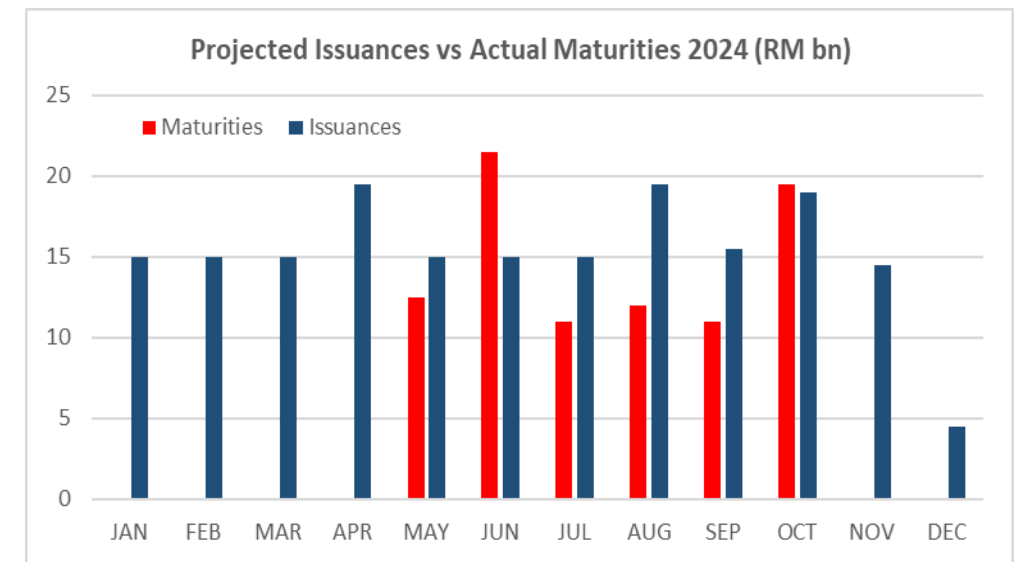
Source: BNM, Bloomberg, HLBB Global Markets Research

- Offshore foreign holdings of Malaysian debt securities plunged in October, falling by RM11.4bn to RM277.7bn, versus the RM289.1bn as at the end of September
- The reduction was driven by declines in the holdings of MGS (-RM6.9bn), GII (-RM3.7bn), Sukuks (-RM1.0bn) and MTB (-RM0.8bn)
- This was partially offset by advances seen in the foreign holdings of Corporate bonds (+RM0.5bn) and MITB (+RM0.5bn)

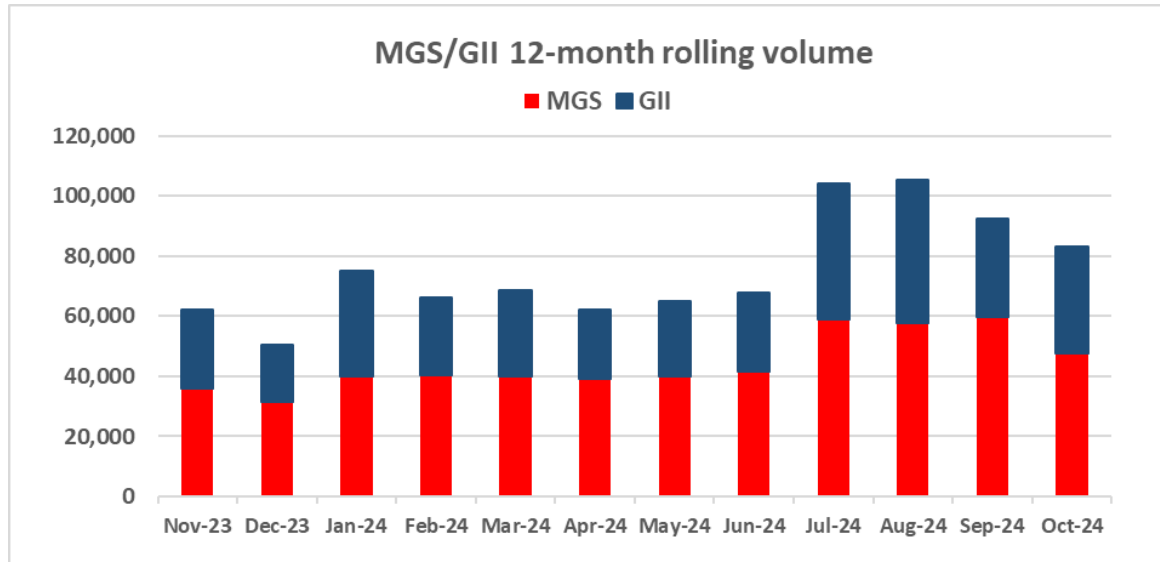
RM19.0bn of gross MGS/GII issuance in October; RM14.5bn expected in November

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	14-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		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						182,500	138,500	30,000	-	PROJECTED TOTAL ISSUANCE = RM182.5bn				

- Gross issuance of RM19.0bn was seen in October – two issuances of RM4.5bn and two issuances of RM5bn each (which included one with a private placement of RM2.0bn)
- Slightly weaker auctions overall in October given the bearish backdrop, with BTC averaging 1.796x (Sep: 1.813x), dragged down by the weak 10Y GII reopening, which recorded the lowest BTC of government bond auctions this year at 1.602x
- For November, issuance is expected to total RM14.5bn from the three scheduled auctions for the month (15Y MGS, 5Y GII & 10Y MGS)
- The supply dynamics turn less favorable for the two remaining months of the year, with no more upcoming bond maturities



MGS/GII trading Volume moderated further in October; expected to remain low in November



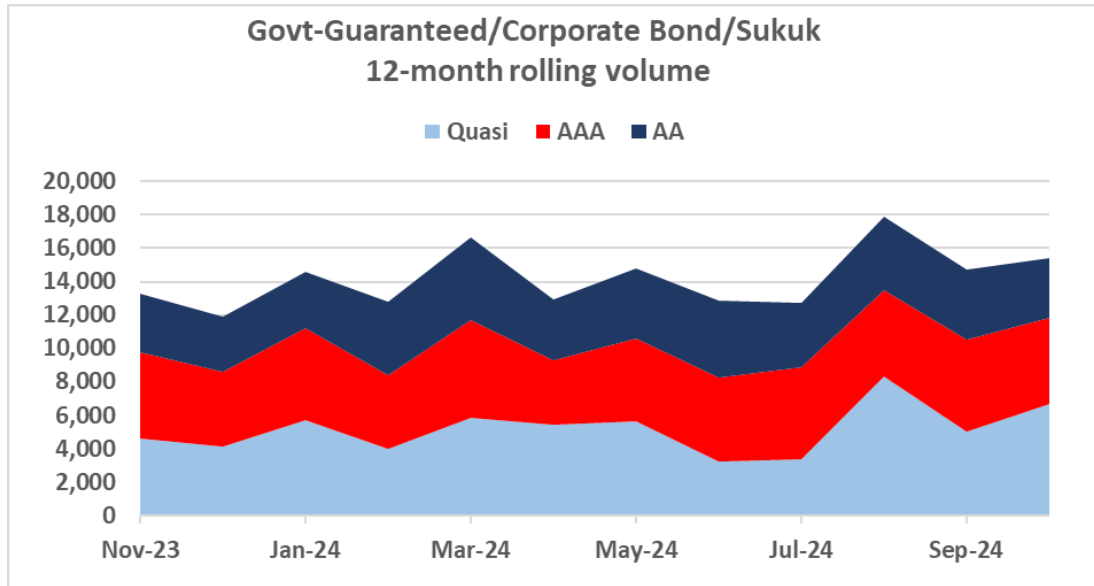
- Secondary trading in MGS/GII receded to RM83.1bn in Oct (Sep: RM92.5bn) in the bearish environment, driven by a sizable decline in MGS trading
- The off-the-run MGS 3/25 and off-the-run GII 10/25 led trading for the month in the MGS and GII markets respectively
- Notable trading interest was also seen in the benchmark 7Y MGS & GII and 10Y MGS & GII, as well as in the off-the-run MGS 9/25

Top Traded MGS in October 24	Volume (RM 'mil)
MGS 3/25	8,820.5
MGS 4/31 (7Y)	5,905.0
MGS 9/25	5,238.2
MGS 7/34 (10Y)	4,525.0
MGS 5/27 (3Y)	3,946.9
MGS 8/29 (5Y)	3,817.3
MGS 11/33	1,688.7
MGS 4/30	1,533.7
MGS 6/28	1,476.1
MGS 5/44 (20Y)	1,223.0

Top Traded GII in October 24	Volume (RM 'mil)
GII 10/25	6,421.8
GII 11/34 (10Y)	5,137.4
GII 10/31 (7Y)	4,048.1
GII 10/24	3,106.8
GII 10/32	1,998.5
GII 9/26 (3Y)	1,971.8
GII 8/43 (20Y)	1,754.5
GII 7/29 (5Y)	1,400.6
GII 8/25	1,330.4
GII 8/33	1,231.0

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

Corporate/Sukuk secondary trading volumes inched higher in Oct; new issuances recede



- Trading in Corps/Sukuk inched higher to RM15.4bn in October (Sep: RM14.8bn), driven up by a decent increase in the trading of GG paper
- New issuances for the month ebbed to RM12.5bn in October (Sep: RM14.1bn), with a rise in issuances seen in the government guaranteed universe; we expect issuance in the corporate space to edge lower further in November.
- Sizeable issues in the pipeline this month include possible issuances from MAHB (RM1.6bn), SK Nexilis (RM1.4bn), Berapit Mobility (RM1.3bn), BSN (RM500m) and Ambank (RM400m)

Top Traded Corporate Bonds/Sukuk in October 24	Volume (RM mil)	Last Done Yield (%)
DANAINFRA IMTN 4.780% 18.10.2041 - Tranche No 53	800	4.081
PRASARANA IMTN 0% 28.09.2029 - MTN 2	500	3.669
LPPSA IMTN 4.250% 06.07.2039 - Tranche No 77	460	4.028
LPPSA IMTN 4.000% 06.07.2033 - Tranche No 73	390	3.976
DANAINFRA IMTN 4.470% 18.03.2042 - Tranche 26	350	4.099
DANAINFRA IMTN 4.480% 25.11.2041 - Tranche No 115	300	4.089
DANAINFRA IMTN 4.150% 31.01.2030 - Tranche No 134	290	3.693
PASB IMTN 3.900% 30.10.2029 - Issue No. 18	220	3.849
PBB Tranche 2 Sub-Notes 4.00% 25.07.2034	190	3.997
CAGAMAS IMTN 3.790% 11.10.2029	180	3.790

Top Corporate/Sukuk Issuance in October 24	Rating	Amount Issued (RM 'm)
PRASARANA IMTN 4.090% 07.10.2044 (Series 20)	GG	1,100
DANAINFRA IMTN 4.000% 21.10.2041 - Tranche No 148	GG	900
PR1MA IMTN 3.850% 17.10.2031	GG	750
DANAINFRA IMTN 4.270% 21.10.2054 - Tranche No 151	GG	600
PIBB T5 Sub-Sukuk Murabahah 3.90% 23.10.2034	AA1	500
YTL POWER IMTN 4.300% 11.10.2039	AA1	490
CAGAMAS IMTN 3.790% 11.10.2029	AAA	400
PRASARANA IMTN 4.040% 08.10.2042 - S25	GG	400
PRASARANA IMTN 4.070% 08.10.2043 - S26	GG	400
RHBBANK IMTN 3.960% 17.10.2031 (Series 5)	AA1	400

Source: BNM, BPAM, HLBB Global Markets Research

US Bonds Outlook Nov 2024 – yields expected to be range bound; curve to steepen

	Current @ 12 Nov	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 @ 12 Nov	Q4 2024	Q1 2025	Q2 2025	Q3 2025
2Y	4.35%	4.30%	4.15%	4.00%	3.90%
5Y	4.32%	4.35%	4.20%	4.05%	4.00%
10Y	4.43%	4.50%	4.40%	4.30%	4.20%
30Y	4.30%	4.35%	4.25%	4.20%	4.10%

Key Events for the Month

Date	Event
13 Nov	CPI
15 Nov	Retail Sales
26 Nov	FOMC Minutes of Nov07 meeting
27 Nov	3Q GDP (S)
27 Nov	Core PCE Price Index

Source: HLBB Global Markets Research

- The convincing election win by Donald Trump and the Republican party at the beginning of the month saw yields surge further, with the policies of the incoming government seen as likely to be pro-cyclical (extension and deepening of take cuts) and also result in higher inflation going forward. During the decision to reduce the Funds Rate by a further 25bps on Nov 07, Fed Chair Powell mentioned that the elections results will not alter Fed policy in the near-term. We do feel however, that cuts going forward will be more gradual and also that the terminal rate from the current rate cut cycle will be higher than previously envisaged.
- The rate cuts priced into the futures markets for this year and next have been dialed back further, with the market now seeing only a 59% chance of a further 25bps cut in the final Dec meeting, and only 55bps of cuts in total for 2025 (compared to 118bps of cuts priced for 2025 as at end Sep), which contrasts with Fed members' projection of 100bps of rate reductions during the last dot plot at the September FOMC.
- **Yields are expected to trade in a range for the remainder of the month**, with the shorter dated maturities likely to outperform, resulting in a steeper UST curve going forward.

MYR Bonds Outlook Nov 2024 – bond yields expected to edge higher

	Current @ 12 Nov	Q4 2024	Q1 2025	Q2 2025	Q3 2025
OPR	3.00%	3.00%	3.00%	3.00%	3.00%

MGS yields (%)	Current @ 12 Nov	Q4 2024	Q1 2025	Q2 2025	Q3 2025
3Y	3.50%	3.55%	3.50%	3.45%	3.40%
5Y	3.62%	3.70%	3.65%	3.60%	3.60%
10Y	3.87%	3.95%	3.90%	3.85%	3.85%
20Y	4.10%	4.15%	4.15%	4.10%	4.05%

Source: HLBB Global Markets Research

Key Events for the Month

Date	Event
15 Nov	GDP 3Q F
19 Nov	Trade Balance & Exports
22 Nov	CPI

- MYR bonds have been slightly firmer for November thus far, with yields heading lower. We think however, that further upside in domestic govt bonds from here could be limited with the backdrop of rising UST and global yields post Trump's victory, and that MGS/GII yields will edge higher going forward. In terms of supply, RM14.5bn of gross issuance is expected in the three reopening auctions scheduled for the month, with supply dynamics turning unfavorable for the rest of the year with no more bond maturities for the final 2 months.
- BNM maintained both rates and their neutral tone at the MPC earlier this 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 muted. Recent economic data continues to paint a positive picture, with the advanced 3Q GDP numbers coming in slightly better than expected at 5.1% y/y (vs expectation of 5.3%, and 5.9% in 2Q) and 2024 growth as a whole is expected around 5.4%.
- **Government bonds yields are expected to inch higher for the remainder of the month**, on the backdrop of weak global government bond markets and the less favourable supply dynamics of the bond market. Corporates/Sukuks should perform from here as the recent sell off likely to be used by investors as an opportunity to buy, keeping credit spreads supported going forward.

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