

Monthly Fixed Income Market Outlook

Global Markets

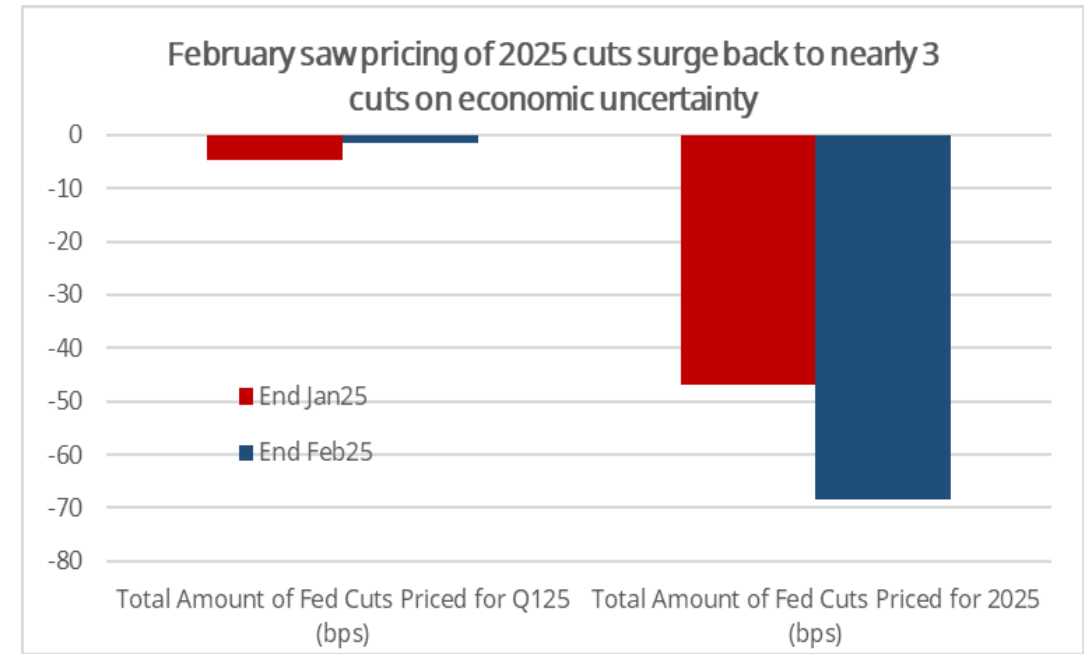
March 2025

February 2025 US Bond Market Review



Source: Bloomberg, HLBB Global Markets Research

- USTs staged a sizable rally in February, initially selling off post a decent January employment report which saw the unemployment rate unexpectedly dipping, and CPI numbers for the month that were hotter than what was anticipated, driving the 10yr UST yield higher to 4.65%.
- The markets then turned more constructive after US retail sales for January unexpectedly contracted for the month, and the rally extended after the preliminary S&P Global US Services PMI for Feb, which was expected to rise marginally, registered a sharp fall into contractionary territory, bring fears of a slowdown to the fore, with the equity markets then starting to give up significant ground too, which added to the bid tone for USTs.
- The long end outperformed in the rally, resulting in the UST curve bull-flattening:
 - 2yr yield declined by 21bps to 3.99%
 - 10yr yield declined by 33bps to 4.21%



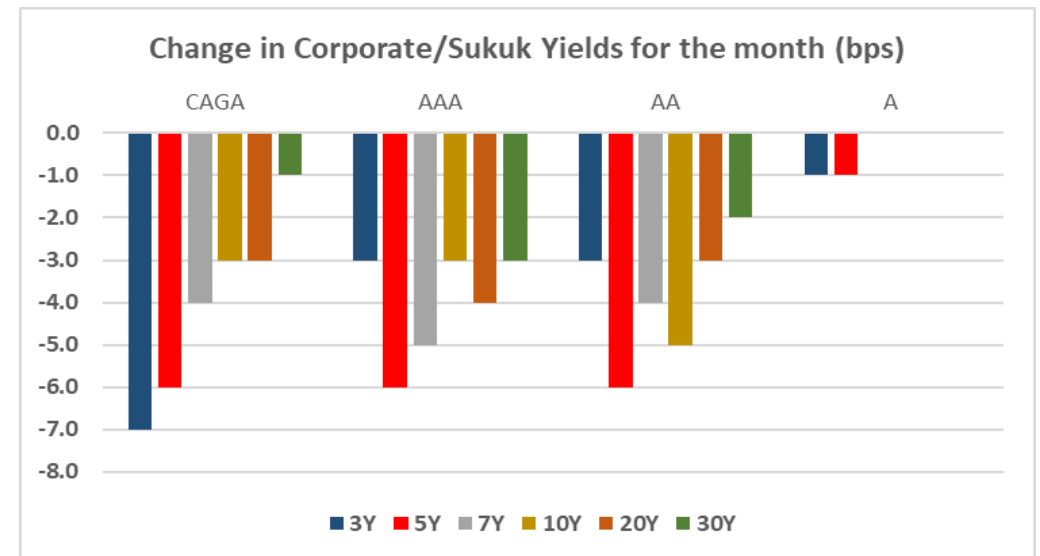
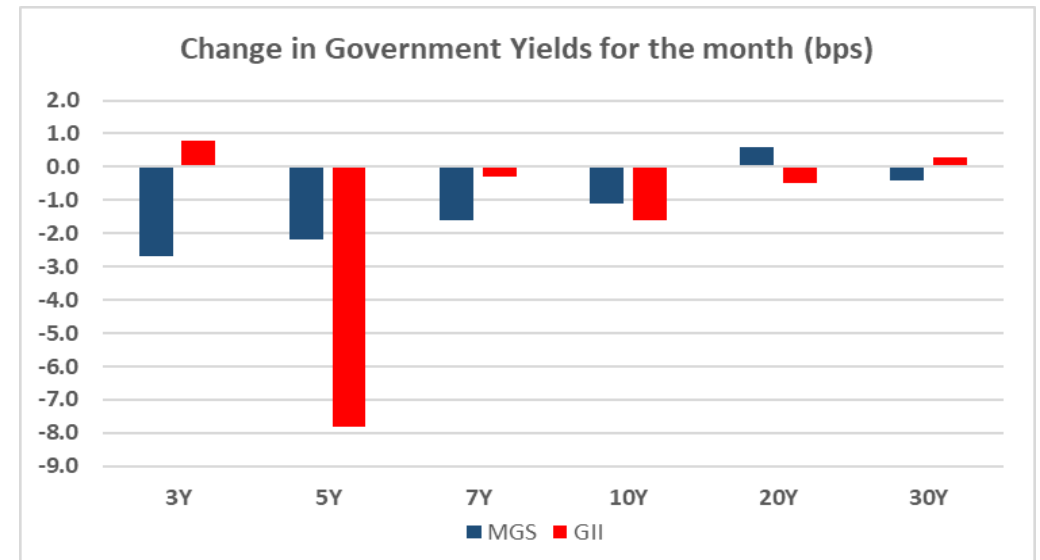
- Fed Chair Powell’s semi-annual testimony to Congress and the minutes of the Jan 30 FOMC meeting both reinforced the Fed’s messaging that they would like to see continued progress made on inflation before adjusting rates further.
- This resulted in the futures markets initially pricing out Fed cuts to just slightly more than a single 25bps reduction for the year, but the amount of cuts priced for 2025 rose again after the weak economic data in the second half of the month, and ended February pricing in nearly 3 cuts for the year.
- Futures markets pricing of Fed cuts as at the end of Feb stood as follows:
 - Q125 rate cuts priced fell to 2bps (from 5bps as at end Jan)
 - 2025 rate cuts priced rose to 69bps (from 47bps at end Jan)

February 2025 MYR Bond Market Review



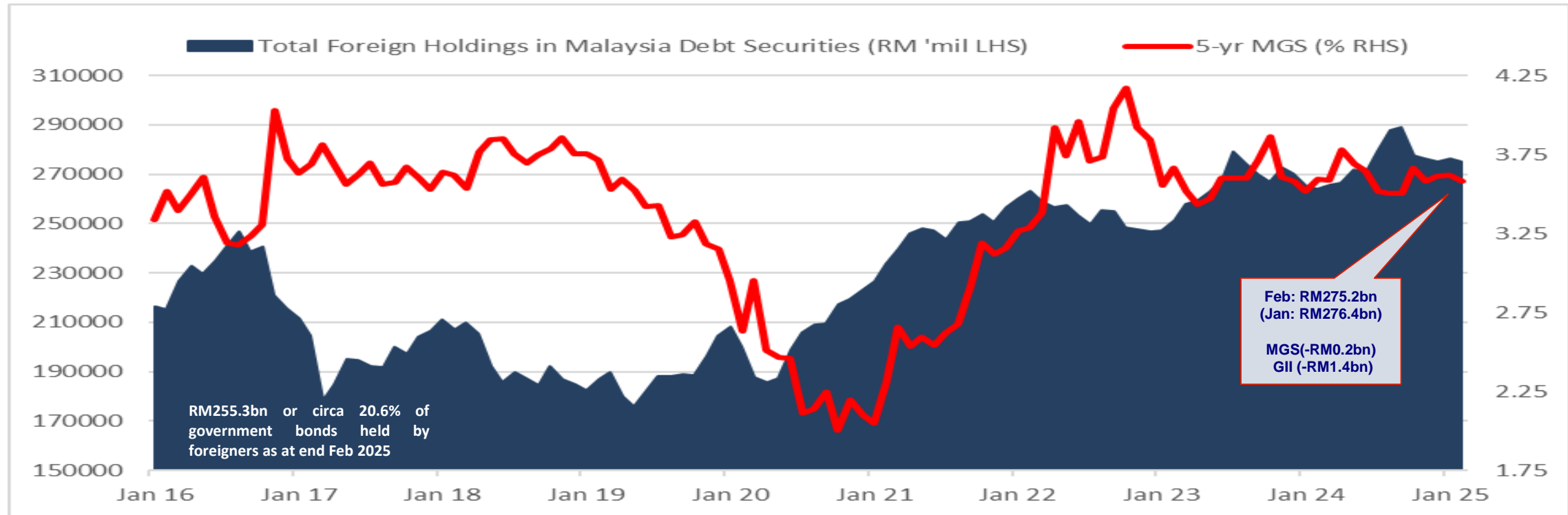
Source: Bloomberg, HLBB Global Markets Research

- MYR govt bonds were firmer in February. Economic data during the month was mixed, with final 4Q GDP coming in slightly higher at 5.0% y/y versus expectations and the advanced estimate of 4.8% y/y, but December industrial production and January exports both came in softer than anticipated, highlighting the more challenging growth environment expected this year. January inflation unexpectedly held steady at 1.7% y/y versus expectations of a slight rise to 1.8% y/y.
- Benchmark yields ended the month mixed between -8 and +1bps, with the shorter end of the maturity spectrum generally outperforming for the month, leading to government curves steepening mildly.
- Corporate bonds were stronger in February, with the shorter dated maturities doing relatively better in the rally. Sector wise, the higher grade segment of the market outperformed for the month.



Source: BPAM, HLBB Global Markets Research

Offshore foreign holdings inched lower in February, mainly driven by reduction in GII holdings



Source: BNM, Bloomberg, HLBB Global Markets Research

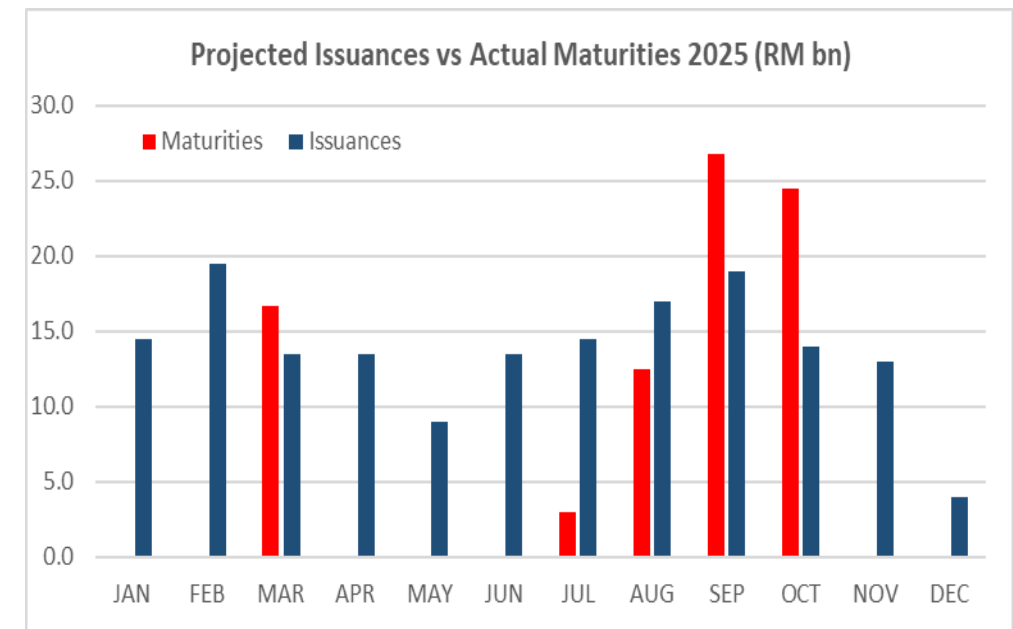
- Offshore foreign holdings of Malaysian debt securities declined in February, inching lower by RM1.2bn to RM275.2bn, versus the RM276.4bn at the end of January
- The decrease was driven by reductions in the holdings of GII (-RM1.4bn), while holdings of MGS (-RM0.2bn), Sukuk (-RM0.2bn) and MTBs (-RM0.1bn) also saw declines
- This was partially offset by an increase seen in the foreign holdings of Corporate Bonds (+RM0.8bn), while the foreign holdings of MITBs was little changed for the month

RM19.5bn of gross MGS/GII issuance in February; RM12.5bn of issuance likely in March

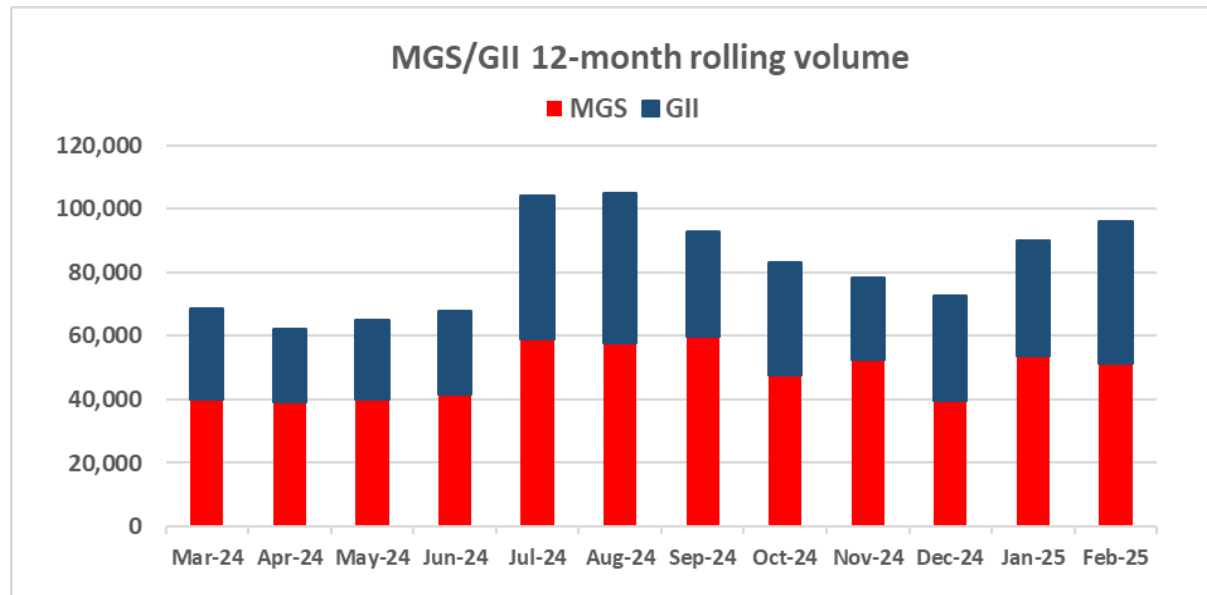
MGS/GII issuance pipeline in 2025

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	7-yr Reopening of MGS 07/32	7	Jan	Q1	7/1/2025	4,000	5,000		5,000	2.808	3.791	3.799	3.803	51.7%
2	15.5-yr New Issue of MGII (Mat on 07/40)	15	Jan	Q1	14/1/2025	5,000	3,000	1,000	9,000	4.289	3.960	3.974	3.978	57.9%
3	3-yr Reopening of MGII 07/28	3	Jan	Q1	23/1/2025	4,000	5,500		14,500	2.623	3.549	3.561	3.564	90.6%
4	30-yr Reopening of MGS 03/53	30	Feb	Q1	5/2/2025	4,000	2,500	2,000	19,000	2.360	4.160	4.186	4.191	74.6%
5	7-yr Reopening of MGII 10/31	7	Feb	Q1	12/2/2025	5,000	5,000		24,000	2.867	3.777	3.785	3.790	56.9%
6	20-yr Reopening of MGS 05/44	20	Feb	Q1	20/2/2025	4,000	2,500	2,000	28,500	2.987	4.060	4.068	4.071	45.0%
7	5.5-yr New Issue of MGII (Mat on 08/30)	5	Feb	Q1	27/2/2025	5,000	5,500		34,000	3.165	3.620	3.635	3.639	27.2%
8	15-yr Reopening of MGS 04/39	15	Mar	Q1	7/3/2025	4,000	3,000	1,000	38,000	3.018	3.950	3.956	3.960	6.3%
9	30-yr Reopening of MGII 03/54	30	Mar	Q1		4,500			38,000					
10	10-yr Reopening of MGS 07/34	10	Mar	Q1		4,000			38,000					
11	15-yr Reopening of MGII 07/40	15	Apr	Q2		4,000			38,000					
12	3-yr Reopening of MGS 04/28	3	Apr	Q2		5,000			38,000					
13	10-yr New Issue of MGII (Mat on 04/35)	10	Apr	Q2		4,500			38,000					
14	5-yr New Issue of MGS (Mat on 05/30)	5	May	Q2		5,000			38,000					
15	20-yr New Issue of MGII (Mat on 05/45)	20	May	Q2		4,500			38,000					
16	15-yr Reopening of MGS 04/39	15	Jun	Q2		4,000			38,000					
17	30-yr Reopening of MGII 03/54	30	Jun	Q2		4,500			38,000					
18	10-yr New Issue of MGS (Mat on 07/35)	10	Jun	Q2		4,500			38,000					
19	7-yr Reopening of MGII 10/31	7	Jul	Q3		5,000			38,000					
20	30-yr New Issue of MGS (Mat on 07/55)	30	Jul	Q3		4,500			38,000					
21	10-yr Reopening of MGII 04/35	10	Jul	Q3		4,000			38,000					
22	20-yr Reopening of MGS 05/44	20	Aug	Q3		4,500			38,000					
23	15-yr Reopening of MGII 07/40	15	Aug	Q3		4,000			38,000					
24	5-yr Reopening of MGS 5/30	5	Aug	Q3		5,000			38,000					
25	20-yr Reopening of MGII 05/45	20	Aug	Q3		4,500			38,000					
26	3-yr Reopening of MGS 04/28	3	Sep	Q3		5,000			38,000					
27	30-yr New Issue of MGII (Mat on 09/55)	30	Sep	Q3		4,500			38,000					
28	15-yr Reopening of MGS 04/39	15	Sep	Q3		4,000			38,000					
29	3-yr Reopening of MGII 07/28	3	Sep	Q3		5,000			38,000					
30	30-yr Reopening of MGS 07/55	30	Oct	Q4		4,500			38,000					
31	5-yr Reopening of MGII 08/30	5	Oct	Q4		5,000			38,000					
32	20-yr Reopening of MGS 05/44	20	Oct	Q4		4,500			38,000					
33	10-yr Reopening of MGII 04/35	10	Nov	Q4		4,000			38,000					
34	7-yr Reopening of MGS 07/32	7	Nov	Q4		5,000			38,000					
35	20-yr Reopening of MGII 05/45	20	Nov	Q4		4,500			38,000					
36	10-yr Reopening of MGS 07/35	10	Dec	Q4		4,000			38,000					
Gross MGS/GII supply in 2025						164,000	32,000	6,000	38,000	PROJECTED TOTAL ISSUANCE = RM164bn				

- Gross issuance of RM19.5bn was seen in February from 4 issuances – RM2.5bn 30yr MGS (plus RM2bn PP), RM5bn 7yr GII, RM2.5bn 20yr MGS (plus RM2bn PP) and RM 5.5bn 5yr GII
- Auctions for the month were well received, with an average BTC of 2.910x (Jan: 3.062x), buoyed by a solid 5yr GII auction
- For March, we are likely to see gross issuance reduce to RM12.5bn from 3 issuances – after the RM3bn 15yr MGS (plus RM1bn PP) that we had on Mar 07, we expect a RM2.5bn 30yr GII (plus RM2bn PP) and RM4bn 10yr MGS for the remainder of the month



MGS/GII trading volume picked up slightly in February; expected to remain firm in March



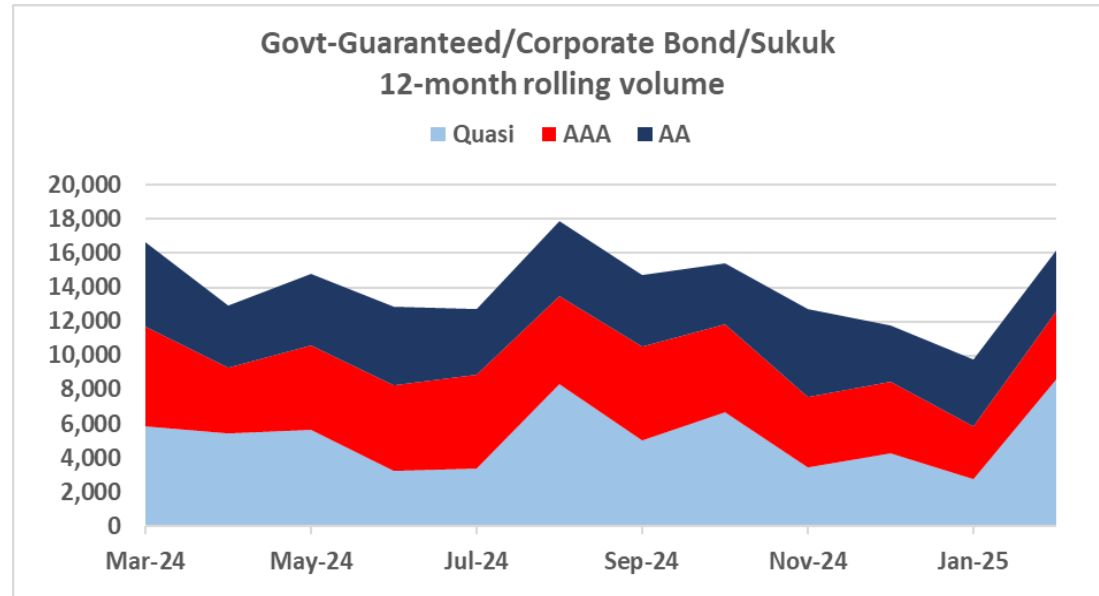
- Secondary trading in MGS/GII rose slightly to RM96.1bn in February (Jan: RM90.1bn), driven by an uptick in GII trading for the month
- The off-the-run MGS 9/25 and benchmark 7Y GII 10/31 led trading for the month in the MGS and GII markets respectively
- Notable trading interest was also seen in the benchmark 3Y MGS/GII and 7Y MGS, as well as in the off-the-run MGS 3/25 and GII 9/30

Top Traded MGS in February 25	Volume (RM 'mil)
MGS 9/25	7,099.6
MGS 7/32 (7Y)	5,165.2
MGS 3/25	5,101.8
MGS 5/27 (3Y)	3,797.3
MGS 8/29 (5Y)	3,429.1
MGS 11/33	3,159.1
MGS 4/31	2,507.1
MGS 5/44 (20Y)	2,262.5
MGS 3/53 (30Y)	2,141.7
MGS 7/34 (10Y)	2,128.8

Top Traded GII in February 25	Volume (RM 'mil)
GII 10/31 (7Y)	6,537.6
GII 7/28 (3Y)	6,083.6
GII 9/30	3,818.4
GII 8/33	2,716.4
GII 11/34 (10Y)	2,689.3
GII 8/43 (20Y)	2,548.5
GII 10/32	2,189.1
GII 8/25	1,996.2
GII 7/29	1,989.3
GII 3/54 (30Y)	1,442.4

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

Corporate/Sukuk secondary trading surged in February; new issuances rebounded from Jan



- Trading in Corps/Sukuk surged to RM16.2bn in February (Jan: RM9.7bn), driven by a sharp increase in the trading of government-guaranteed bonds, which more than tripled from the month before
- New issuances for the month rebounded to RM8.7bn in February (Jan: RM4.1bn), driven by a marked increase in GG issuance; we expect issuance in the corporate/sukuk space to pick up further in March
- We have already seen issuances from CAGA (RM1.35bn), PRASA (RM1bn), OSK (RM750m) and AEON Credit (RM600m) thus far in March, and among the possible further issuances in the pipeline this month include new issues from Sime Darby (RM1.2bn), UDA Holdings (RM200m), AME Elite (RM200m) and Sabah Credit Corp (RM150m)

Top Traded Corporate Bonds/Sukuk in February 25	Volume (RM mil)	Last Done Yield (%)
PRASARANA IMTN 4.180% 27.08.2032 (Series 9)	940	3.814
CAGAMAS MTN 3.780% 28.3.2025	745	3.473
PTPTN IMTN 4.030% 07.03.2036 (Series 14)	465	3.869
LPPSA IMTN 4.200% 25.08.2032 - Tranche No 67	400	3.814
PTPTN IMTN 4.110% 07.03.2039 (Series 15)	270	3.969
PTPTN IMTN 4.580% 28.02.2034	240	3.839
CIMBBANK MTN 3652D 18.5.2027 - SERIES 1 TRANCHE 3	210	3.729
PRASARANA IMTN 3.970% 28.06.2034 (Series 18)	205	3.831
JAMB.KEDUA IMTN 4.300% 28.05.2025	170	3.299
YTL POWER IMTN 4.300% 11.10.2039	166	4.075

Top Corporate/Sukuk Issuance in February 25	Rating	Amount Issued (RM 'm)
CAGAMAS IMTN 3.810% 04.02.2028	AAA	1,000
TG TREASURY IMTN 4.220% 20.02.2030 - S1T1	AA3	800
LPPSA IMTN 4.050% 06.02.2042 - Tranche No. 5	GG	600
LPPSA IMTN 4.020% 06.02.2040 - Tranche No. 4	GG	400
MRL IMTN 4.120% 28.02.2045	GG	400
POSEIDON ABS CLASS A SENIOR MTN T3 25.8.2027	AA2	350
MRL IMTN 4.010% 28.02.2040	GG	320
LPPSA IMTN 4.110% 06.02.2045 - Tranche No. 6	GG	250
PKNS IMTN 21.02.2035	AA3	250
MRL IMTN 3.910% 27.02.2037	GG	240
MRL IMTN 3.980% 28.02.2039	GG	240

Source: BNM, BPAM, HLBB Global Markets Research

US Bonds Outlook Mar 2025 – likely to trade with a bearish bias on inflationary concerns

	Current @ 07Mar	Q1 2025	Q2 2025	Q3 2025	Q4 2025
Fed Funds Rate (upper bound)	4.50%	4.50%	4.50%	4.50%	4.25%

UST yields (%)	Current @ 07Mar	Q1 2025	Q2 2025	Q3 2025	Q4 2025
2Y	4.00%	4.10%	4.00%	3.90%	3.80%
5Y	4.09%	4.20%	4.10%	4.00%	3.90%
10Y	4.30%	4.35%	4.30%	4.20%	4.15%
30Y	4.60%	4.65%	4.60%	4.50%	4.45%

Date	Event
11 Mar	JOLTS Job Opening
12 Mar	CPI
17 Mar	Retail Sales
19 Mar	FOMC Decision
24 Mar	Preliminary Mar PMIs
27 Mar	4Q GDP (T)
28 Mar	Core PCE Price Index

Source: HLBB Global Markets Research

- Bonds have slightly weakened thus far in March, with the curve bear steepening slightly since the end of February, amidst a monthly employment report for February that came in roughly in line with market expectations signaling that the health of the labour market remains intact, with the unemployment rate rising by a notch to 4.1%. The ISM indices for February were mixed, with the manufacturing index falling by more than expected while the services sector index unexpectedly registered an improvement.
- Fed Chair Powell acknowledged increased uncertainty in his final comments before the pre-FOMC communications blackout came into effect, but mentioned that the US economy continues to be a good place. The FOMC are widely expected to hold rates steady and not signal any imminent moves during their upcoming policy meet on 19 March.
- Bonds are likely to remain volatile on the evolving US tariff situation and news flow, with a framework for reciprocal tariffs expected to be announced before the end of the month. **Bond yields are expected to edge higher for the rest of the month on worries about the inflationary aspects of the announced tariffs, and those to come.**

MYR Bonds Outlook Mar 2025 – bond yields expected to remain in a range

	Current @ 07 Mar	Q1 2025	Q2 2025	Q3 2025	Q4 2025
OPR	3.00%	3.00%	3.00%	3.00%	3.00%

MGS yields (%)	Current @ 07 Mar	Q1 2025	Q2 2025	Q3 2025	Q4 2025
3Y	3.40%	3.40%	3.35%	3.35%	3.35%
5Y	3.58%	3.60%	3.55%	3.55%	3.50%
10Y	3.77%	3.80%	3.75%	3.70%	3.65%
20Y	4.05%	4.05%	4.00%	3.95%	3.90%

Source: HLBB Global Markets Research

Key Events for the Month	
Date	Event
12 Mar	Industrial Production
20 Mar	Trade Balance & Exports
21 Mar	CPI

- MYR bonds have been little changed in March thus far, amidst BNM maintaining their policy rate for an eleventh straight meeting, and their neutral tone in the accompanying monetary policy statement at the MPC on Mar 06. We continue to see them maintaining the OPR at the current level through the rest of 2025.
- The supply dynamics of the market turn a bit more positive this month, with negative net supply for March with the upcoming maturity of RM16.7bn of the MGS 3/25 on Mar 14, and three auctions scheduled for the month expected to total RM12.5bn versus the RM19.5bn supply from four auctions in February.
- **Government bonds yields are expected to trade in a range for the remainder of the month.** Corporate/Sukuk spreads should see a bit more pressure with corporate supply expected to pick up, but continued strong demand will mean that any widening of spreads should be marginal.

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