

Monthly Fixed Income Market Outlook

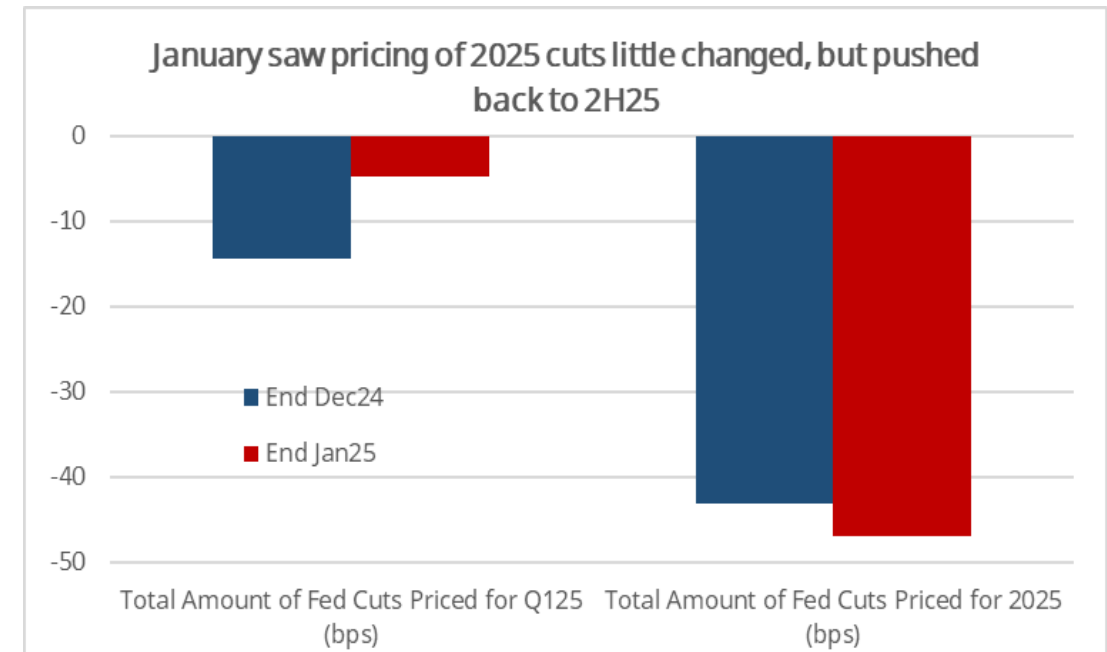
Global Markets
February 2025

January 2025 US Bond Market Review



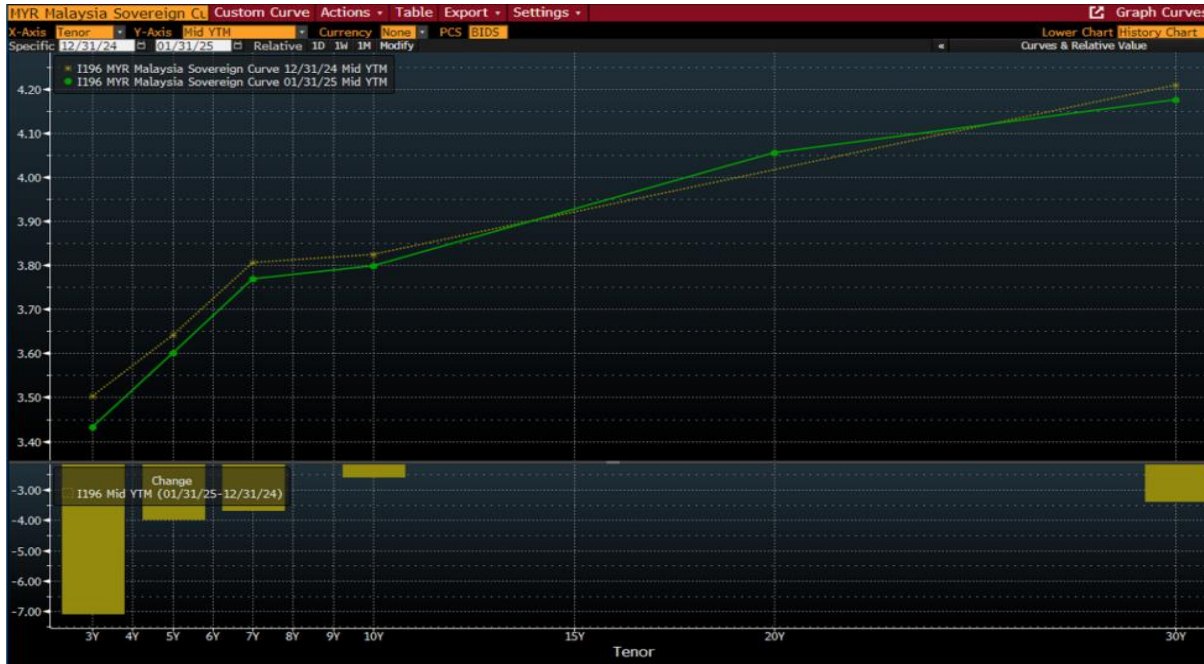
Source: Bloomberg, HLBB Global Markets Research

- USTs closed marginally higher in January, having initially sold off prior to the inauguration of President Trump on fears that he would imminently announce policies seen as inflationary. When these did not materialize, the market rallied back and ended the month slightly lower in yield.
- The 10yr UST traded in a narrow range of 4.52% to 4.79% for the month, and economic data was on the positive side, with a larger than expected addition of jobs for December and the unemployment rate dipping a notch. The ISM indices rose both on the manufacturing and services front, and the core CPI came in slightly cooler than expected, calming fears of a renewed bout of price pressures
- The shape of the UST curve was little changed during the month:
 - 2yr yield declined by 4bps to 4.20%
 - 10yr yield declined by 3bps to 4.54%



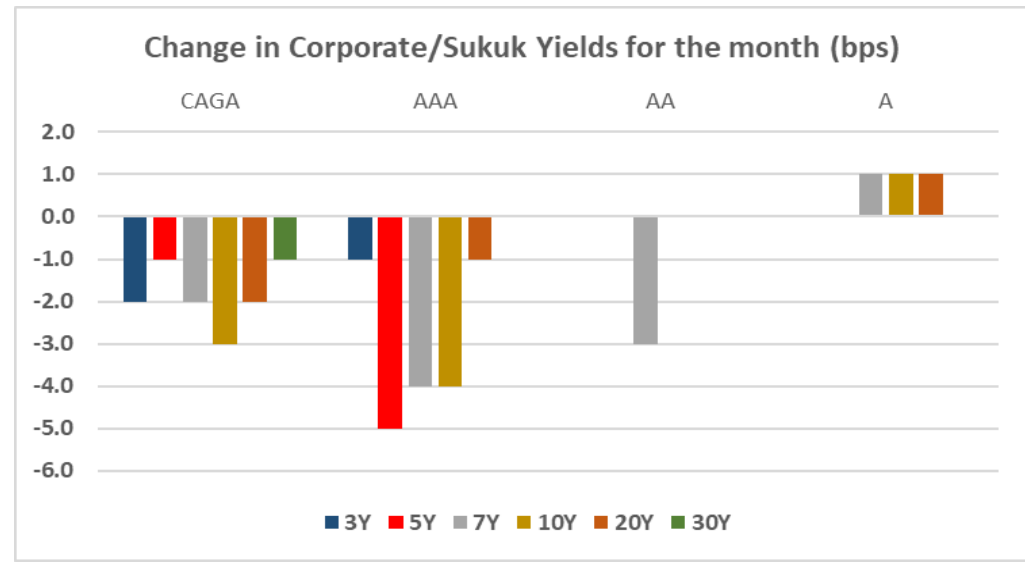
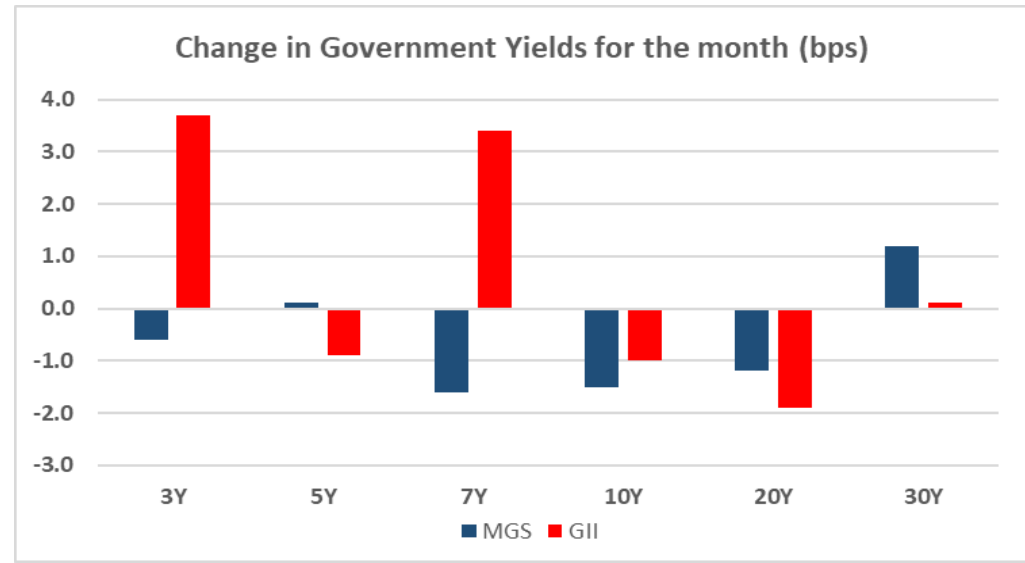
- The FOMC stood pat on the Fed Funds Rate at their meeting on Jan 30, after three consecutive reductions, and signaled that they were not in a hurry to reduce rates further, given the uncertainty with regards to policies from the new US administration and the economic implication of the policies.
- This resulted in a push back of Fed cuts to the later part of the year, with a full Fed cut only priced in by July as at month end, but the amount of cuts priced for 2025 remained relatively stable, edging up slightly from the previous month.
- Futures markets pricing of Fed cuts as at the end of Jan stood as follows:
 - Q125 rate cuts priced fell to 5bps (from 14bps as at end Dec)
 - 2025 rate cuts priced inched higher to 47bps (from 43bps at end Dec)

January 2025 MYR Bond Market Review



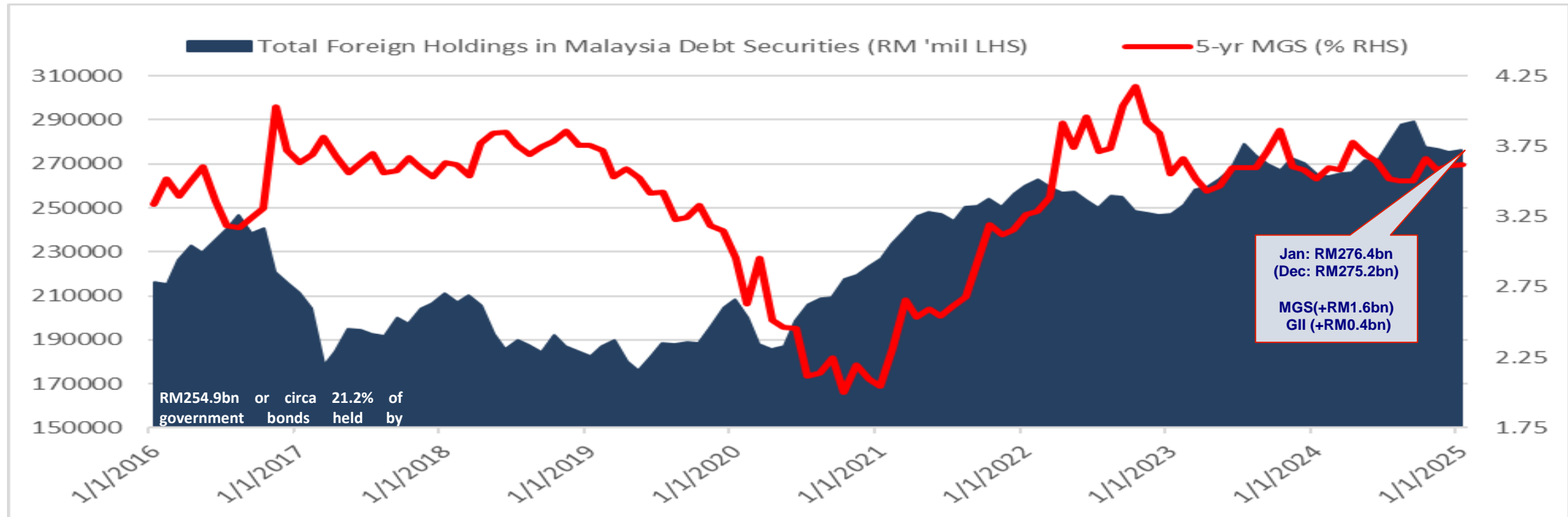
Source: Bloomberg, HLBB Global Markets Research

- MYR gov't bonds were mixed to start the year in January. Economic data for the month was positive, with November industrial production and December exports both coming in north of expectations, but advanced 4Q GDP printed at 4.8% y/y versus expectations of 5.2% y/y. December inflation unexpectedly declined by a notch to 1.7% y/y from 1.8% y/y, underscoring the absence of price pressures.
- Benchmark yields ended the month mixed between -2 and +4bps, with the 3Y and 7Y GII sector underperforming for the month, alongside the longer dated (30Y) end of the maturity spectrum.
- Corporate bonds were generally stronger in January, with the exception of the lower end of the credit spectrum (A-rated). Sector wise, the AAA-rated segment of the market outperformed for the month.



Source: BPAM, HLBB Global Markets Research

Offshore foreign holdings inched higher in January for the first month in four, driven by rise in MGS holdings



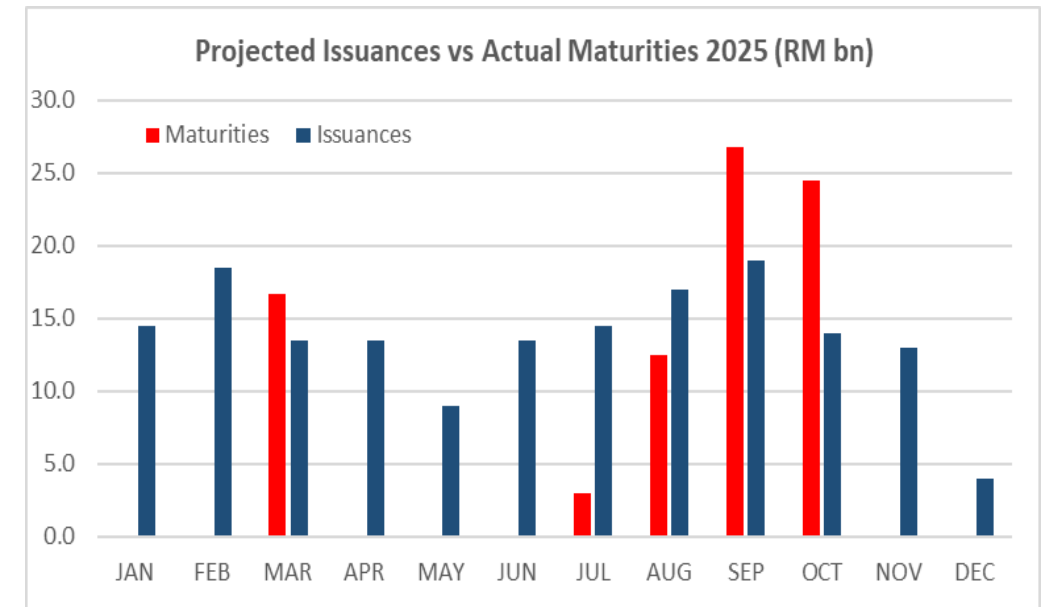
Source: BNM, Bloomberg, HLBB Global Markets Research

- Offshore foreign holdings of Malaysian debt securities rose in January for the first month in four, inching higher by RM1.2bn to RM276.4bn, versus the RM275.2bn at the end of 2024
- The increase was driven by advances in the holdings of MGS (+RM1.6bn), Corporate Bonds (+RM0.7bn) and GII (+RM0.4bn)
- This was partially offset by reductions seen in the foreign holdings of MITBs (-RM1.5bn) and MTBs (-RM0.1bn), while the foreign holdings of Sukuks was little changed for the month

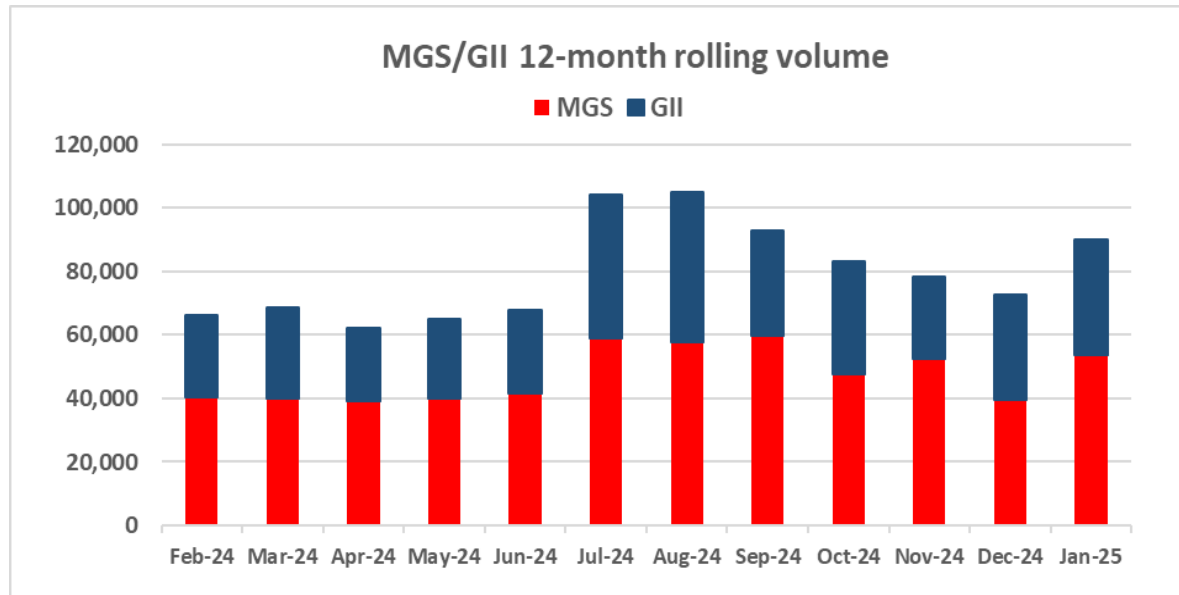
RM14.5bn of gross MGS/GII issuance in January; RM18.5bn likely for February

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		4,000			24,000					
7	5.5-yr New Issue of MGII (Mat on 08/30)	5	Feb	Q1		5,000			24,000					
8	15-yr Reopening of MGS 04/39	15	Mar	Q1		4,000			24,000					
9	30-yr Reopening of MGII 03/54	30	Mar	Q1		5,000			24,000					
10	10-yr Reopening of MGS 07/34	10	Mar	Q1		4,500			24,000					
11	15-yr Reopening of MGII 07/40	15	Apr	Q2		4,000			24,000					
12	3-yr Reopening of MGS 04/28	3	Apr	Q2		5,000			24,000					
13	10-yr New Issue of MGII (Mat on 04/35)	10	Apr	Q2		4,500			24,000					
14	5-yr New Issue of MGS (Mat on 05/30)	5	May	Q2		5,000			24,000					
15	20-yr New Issue of MGII (Mat on 05/45)	20	May	Q2		4,000			24,000					
16	15-yr Reopening of MGS 04/39	15	Jun	Q2		4,000			24,000					
17	30-yr Reopening of MGII 03/54	30	Jun	Q2		5,000			24,000					
18	10-yr New Issue of MGS (Mat on 07/35)	10	Jun	Q2		4,500			24,000					
19	7-yr Reopening of MGII 10/31	7	Jul	Q3		5,000			24,000					
20	30-yr New Issue of MGS (Mat on 07/55)	30	Jul	Q3		5,000			24,000					
21	10-yr Reopening of MGII 04/35	10	Jul	Q3		4,500			24,000					
22	20-yr Reopening of MGS 05/44	20	Aug	Q3		4,000			24,000					
23	15-yr Reopening of MGII 07/40	15	Aug	Q3		4,000			24,000					
24	5-yr Reopening of MGS 5/30	5	Aug	Q3		5,000			24,000					
25	20-yr Reopening of MGII 05/45	20	Aug	Q3		4,000			24,000					
26	3-yr Reopening of MGS 04/28	3	Sep	Q3		5,000			24,000					
27	30-yr New Issue of MGII (Mat on 09/55) (H)	30	Sep	Q3		5,000			24,000					
28	15-yr Reopening of MGS 04/39	15	Sep	Q3		4,000			24,000					
29	3-yr Reopening of MGII 07/28	3	Sep	Q3		5,000			24,000					
30	30-yr Reopening of MGS 07/55	30	Oct	Q4		5,000			24,000					
31	5-yr Reopening of MGII 08/30	5	Oct	Q4		5,000			24,000					
32	20-yr Reopening of MGS 05/44	20	Oct	Q4		4,000			24,000					
33	10-yr Reopening of MGII 04/35	10	Nov	Q4		4,000			24,000					
34	7-yr Reopening of MGS 07/32	7	Nov	Q4		5,000			24,000					
35	20-yr Reopening of MGII 05/45	20	Nov	Q4		4,000			24,000					
36	10-yr Reopening of MGS 07/35	10	Dec	Q4		4,000			24,000					
Gross MGS/GII supply in 2025						164,000	21,000	3,000	24,000	PROJECTED TOTAL ISSUANCE = RM164bn				

- Gross issuance of RM14.5bn was seen in January from 3 issuances – RM5bn 7yr MGS, RM3bn 15yr GII (plus RM1bn privately placed) and RM 5.5bn 4yr GII.
- Auctions were well received, with an average BTC of 3.062x (Dec: 2.015x), buoyed by a very well received 15yr GII auction.
- For February, we are likely to see gross issuance of RM 18.5bn from 4 issuances, 2 of which should come with RM1bn private placements.
- The pattern of issuance thus far this year suggests that government will be issuing more in the shorter dated maturities (3 to 7yrs) and 30yr, and possibly scaling back on the 15yr and 20yr issuances, with only RM1bn in private placements for these maturities (versus 2024's private placements of RM2bn for all longer dated issuances => 15yrs)



MGS/GII trading Volume surged in January; expected to ease slightly in February



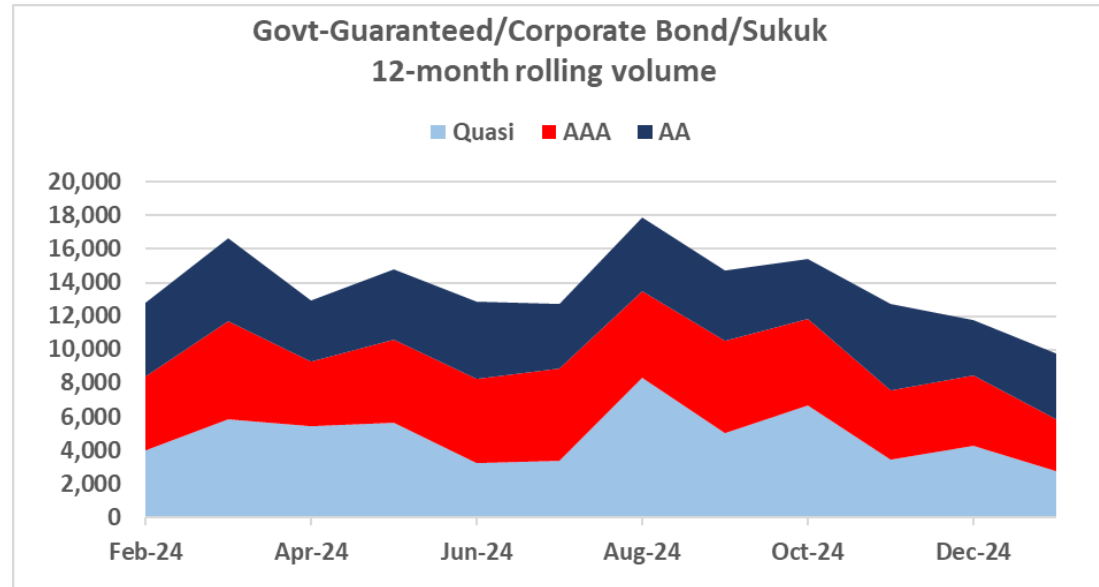
- Secondary trading in MGS/GII surged to RM90.0bn in January (Dec: RM72.7bn), driven by a large rise in MGS trading
- The off-the-run MGS 3/25 and benchmark 3Y GII 7/28 led trading for the month in the MGS and GII markets respectively
- Notable trading interest was also seen in the benchmark 3Y MGS, 7Y MGS and 10Y MGS, as well as in the off-the-run MGS 9/25

Top Traded MGS in January 25	Volume (RM 'mil)
MGS 3/25	7,599.4
MGS 7/32 (7Y)	7,074.7
MGS 5/27 (3Y)	5,657.6
MGS 9/25	5,511.6
MGS 7/34 (10Y)	3,424.2
MGS 4/31	3,223.9
MGS 4/39 (15Y)	2,807.3
MGS 8/29 (5Y)	2,703.8
MGS 4/26	1,584.8
MGS 11/33	1,524.0

Top Traded GII in January 25	Volume (RM 'mil)
GII 7/28 (3Y)	5,261.0
GII 10/32	2,950.0
GII 11/34 (10Y)	2,499.1
GII 10/25	2,464.1
GII 9/26	2,246.5
GII 7/29 (5Y)	2,008.9
GII 8/25	1,797.3
GII 10/31 (7Y)	1,634.7
GII 9/30	1,615.0
GII 8/33	1,538.4

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

Corporate/Sukuk secondary trading volumes fell in Dec; new issuances tumbled



- Trading in Corps/Sukuk declined further to RM9.7bn in January (Dec: RM11.8bn), driven by declines in the trading of GG and AAA-rated paper
- New issuances for the month tumbled further to RM4.1bn in January (Dec: RM8.4bn), with a sharp decline in issuances seen in the corporate-guaranteed segment of the market, and a complete absence of paper printed in the financial space; we expect issuance in the corporate/sukuk space to pick up slightly in February.
- There is not much in terms of sizable issues in the pipeline this month, with possible issuances to come from Qualitas (RM950m) and Sime Property (TBD)

Top Traded Corporate Bonds/Sukuk in January 25	Volume (RM mil)	Last Done Yield (%)
MAYBANK IMTN 4.130% PERPETUAL	227	3.995
PRASARANA IMTN 3.970% 28.06.2034 (Series 18)	220	3.845
UEMS IMTN 5.450% 18.06.2027	180	3.907
DANAINFRA IMTN 4.300% 31.03.2034 - Tranche No 87	160	3.844
LPPSA IMTN 3.850% 25.03.2031 - Tranche No 48	150	3.798
JOHOR PLANT IMTN 4.040% 26.09.2034	150	3.992
DANAINFRA IMTN 4.360% 24.02.2051 - Tranche 20	130	4.169
AIR SELANGOR IMTN T2 S3 SRI SUKUK KAS 29.10.2036	130	4.033
IMTIAZ II IMTN11 4.150% 02.10.2028	120	3.848
EWCB IMTN 4.900% 10.08.2028	120	3.987

Top Corporate/Sukuk Issuance in January 25	Rating	Amount Issued (RM 'm)
DANUM IMTN 4.000% 23.01.2035 - Tranche 17	AAA	2,500
LBS BINA IMTN 4.810% 23.01.2032 (S1 T2)	AA3	400
PLUS BERHAD IMTN 4.030% 10.01.2035 -Sukuk PLUS T35	AAA	250
PLUS BERHAD IMTN 4.010% 09.01.2032 -Sukuk PLUS T34	AAA	150
MEX I IMTN 0.100% 21.07.2042	NR	150
HAP SENG MGT MTN 1826D 23.1.2030	NR	135
OSKICMSB MTN 2894D 30.12.2032 Tranche 6 Series 2	NR	100
HAP SENG MGT MTN 1461D 23.1.2029	NR	90
HAP SENG MGT MTN 1093D 21.1.2028	NR	75
NTTDI CAP IMTN 7.500% 16.01.2030	NR	75

Source: BNM, BPAM, HLBB Global Markets Research

US Bonds Outlook Feb 2025 – likely to trade in a range

	Current @ 12 Feb	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 @ 12 Feb	Q1 2025	Q2 2025	Q3 2025	Q4 2025
2Y	4.35%	4.30%	4.25%	4.20%	4.10%
5Y	4.47%	4.35%	4.25%	4.15%	4.05%
10Y	4.62%	4.50%	4.40%	4.30%	4.20%
30Y	4.83%	4.75%	4.65%	4.50%	4.40%

Source: HLBB Global Markets Research

- Bonds have been weaker thus far in February, amidst core CPI for January coming in hotter than expected and Fed cuts being pushed back further out to December. The ISM indices for January were mixed, with the manufacturing index improving and a decline in the services sector index. The monthly employment report was generally positive despite the smaller than expected non-farm jobs gain, with higher back months' revisions, an unexpected decline in the unemployment rate, and wages that were higher than anticipated signaling a labour market that continues to remain robust.
- Fed Chair Powell delivered similar messaging during his semi-annual testimony to Congress, as he did during the January FOMC decision to leave rates unchanged, mentioning that the Fed does not need to rush to adjust interest rates, signaling that the Fed will be patient before lowering rates any further. We see a Fed cut happening only in 4Q with the Fed likely to react once inflation tames further and the economy begins to moderate.
- Bonds are likely to continue to be whipped about on news flow about yet more US tariffs, and likely retaliatory moves by the target nations of those tariffs. **Bond yields are expected to trade in a range for the rest of the month.**

Key Events for the Month

Date	Event
14 Feb	Retail Sales
19 Feb	FOMC Minutes of 29 Jan meeting
27 Feb	4Q GDP (S)
28 Feb	Core PCE Price Index

MYR Bonds Outlook Feb 2025 – bond yields expected to edge higher

	Current @ 12 Feb	Q1 2025	Q2 2025	Q3 2025	Q4 2025
OPR	3.00%	3.00%	3.00%	3.00%	3.00%

MGS yields (%)	Current @ 12 Feb	Q1 2025	Q2 2025	Q3 2025	Q4 2025
3Y	3.44%	3.45%	3.45%	3.40%	3.40%
5Y	3.63%	3.65%	3.60%	3.55%	3.55%
10Y	3.82%	3.85%	3.80%	3.75%	3.70%
20Y	4.07%	4.10%	4.05%	4.00%	3.95%

Source: HLBB Global Markets Research

Key Events for the Month	
Date	Event
14 Feb	4Q GDP and 2024 GDP (F)
20 Feb	Trade Balance & Exports
21 Feb	CPI

- MYR bonds have been little changed in February thus far. Industrial production numbers for December was lower than market expectations, but still registered an improvement versus the previous month, and will likely result in upward revisions to the final 4Q GDP and 2024 GDP numbers due mid-month.
- With BNM maintaining both their policy rate and their neutral tone at the MPC in January amidst a continued absence of price pressures domestically, we continue to see them maintaining rates for the rest of the year.
- The supply dynamics of the market are negative with bond supply picking up this month versus January, with a likely RM18.5bn from 4 scheduled auctions and no redemptions on the radar for the month.
- **Government bonds yields are expected to trade with a slight upward bias for the remainder of the month.** Corporate/Sukuk spreads should continue to remain on the tight side, with supply expected to pick up marginally.

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