Quarterly Market Outlook 4Q2024

Global Markets

October 2024

HongLeong Bank

Content

- Macro Landscape
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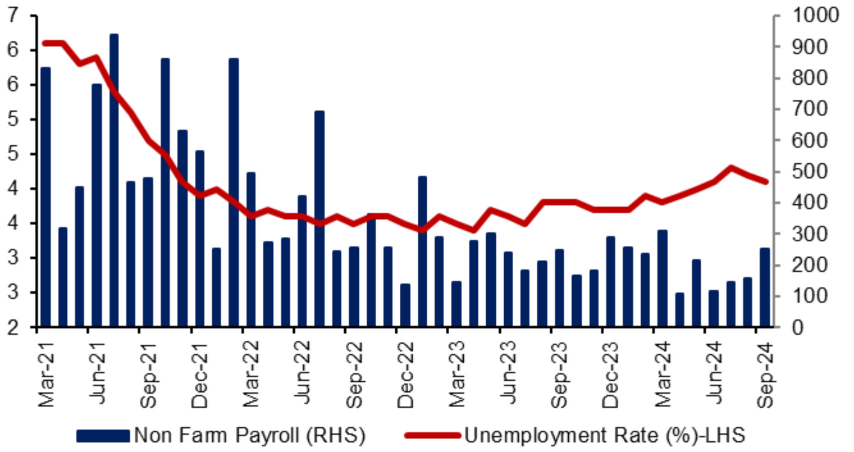
Global Central Banks Policy Rates Outlook

	Current	4Q24	1Q25	2Q25	3Q25	Remarks (Total change in 4Q 2024)
United States Federal Reserve *Fed Funds Rate*	4.75-5.00	4.25-4.50 (-50bps)	3.50-4.00 (-50bps)	3.50-3.75 (-25bps)	3.25-3.50 (-25bps)	**-50bps**
Eurozone European Central Bank *Deposit Rate*	3.50	3.25 (-25bps)	3.00 (-25bps)	2.75 (-25bps)	2.50 (-25bps)	**-25bps**
United Kingdom Bank of England *Bank Rate*	5.00	4.75 (-25bps)	4.50 (-25bps)	4.25 (-25bps)	4.00 (-25bps)	**-25bps**
Japan Bank of Japan *Policy Balance Rate*	0.25	0.25	0.50 (+25bps)	0.50	0.50	**No change**
Australia Reserve Bank of Australia *Cash Rate*	4.35	4.35	4.10 (-25bps)	3.85 (-25bps)	3.60 (-25bps)	**No change**
New Zealand Reserve Bank of New Zealand *Official Cash Rate*	4.75	4.75 (-50bps)	4.50 (-25bps)	4.00 (-50bps)	3.75 (-25bps)	**-50bps**
Malaysia Bank Negara Malaysia *Overnight Policy Rate*	3.00	3.00	3.00	3.00	3.00	**No change**
Thailand The Bank of Thailand *1-Day Repurchase Rate*	2.50	2.50	2.25 (-25bps)	2.25	2.00 (-25bps)	**No change**
Indonesia Bank Indonesia *7-day Reverse Repo Rate*	6.00	5.75 (-25bps)	5.50 (-25bps)	5.25 (-25bps)	5.00 (-25bps)	**-25bps**

Source: Bloomberg, HLBB Global Markets Research

US – Resilient job markets reaffirmed our view for measured rate cuts

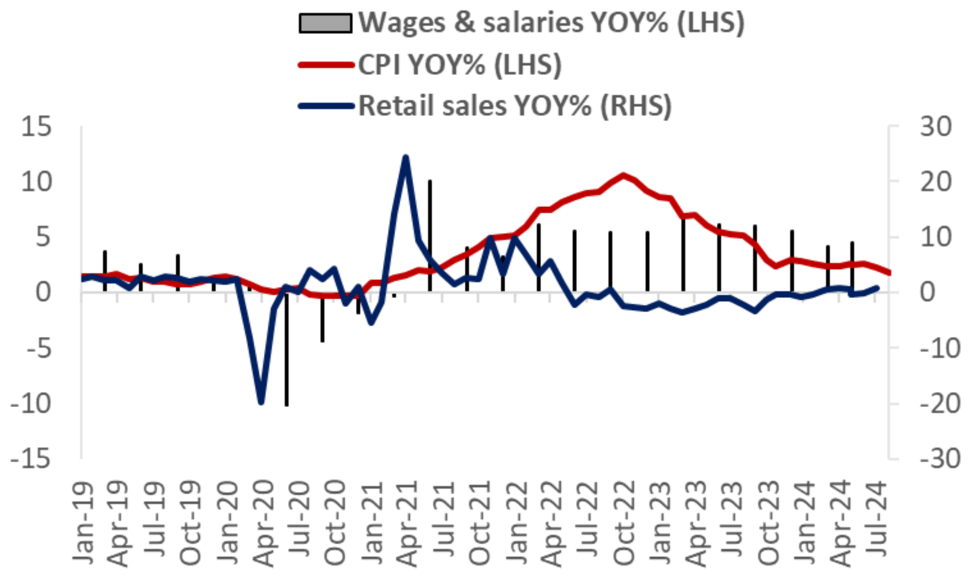


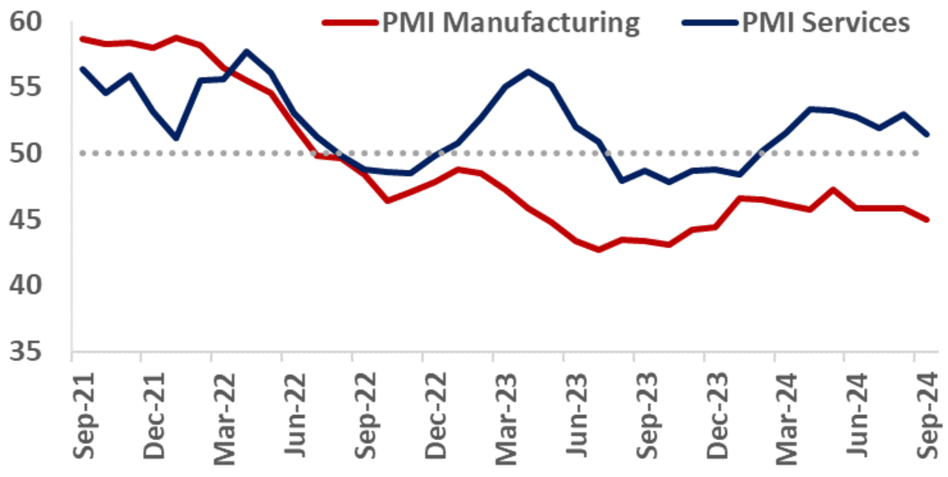
	2022	2023	2024F
GDP (%)	2.5	2.9	2.0
Core PCE Inflation (%)	5.4	4.2	2.6
Fed Funds Rate (%)	4.25-4.50	5.25-5.50	4.25-4.50
Dollar Index (End of period)	103.52	101.33	101.56

Source: Fed, Bloomberg, HLBB Global Markets Research

- Labour market has cooled from its overheated position; **earlier increase in unemployment rate because of increased supply and slower hiring, not layoffs; and has since fallen again (Sept: 4.1%)**
- Sahm rule triggered but short-lived, leading index does not point to a recession in the next 3-6 months; Market is penciling in only a 30% chance of a recession
- **Sustained income and spending growth**; stocks and home equity, real wage growth remain supportive of consumption

Eurozone – Deterioration in short-term outlook



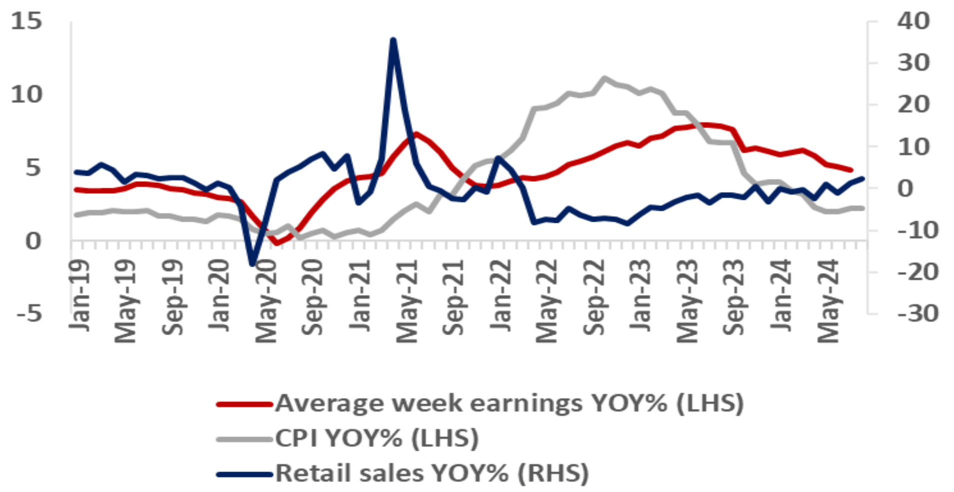


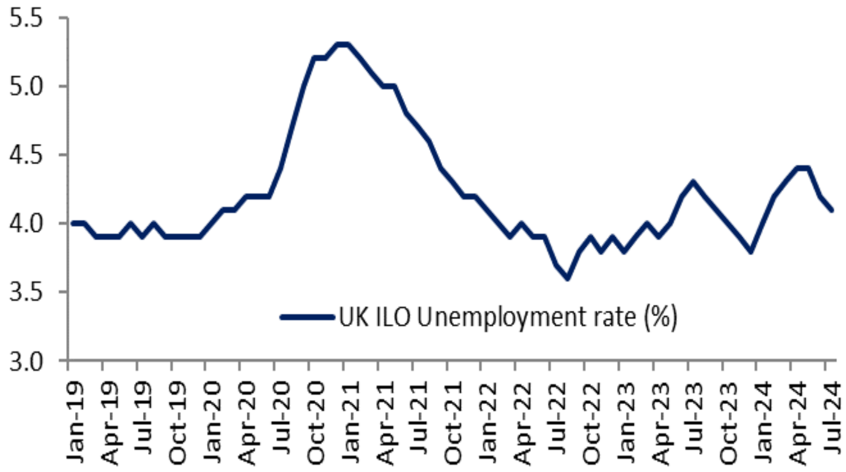
	2022	2023	2024F
GDP (%)	3.4	0.4	0.8
Inflation (%)	8.4	5.5	2.5
Deposit Facility Rate (%)	2.00	4.00	3.25
EUR/USD (End of period)	1.0705	1.1039	1.11

Source: ECB, Bloomberg, HLBB Global Markets Research

- Short-term outlook **stagflationary**, lopsided economy driven by services - tourism has played an important role but remains questionable if this is sustainable; temporary bump from construction sector is over; manufacturing is showing renewed signs of weakness; goods exports has remained weak
- **Consumer-led recovery**, supported by moderate recovery in consumer confidence; savings and real income growth
- **Still elevated wage pressures** but focused on specific sectors and countries – negotiated wage agreements for wholesales, retail and chemicals sectors

UK – All eyes on Autumn Budget in end October



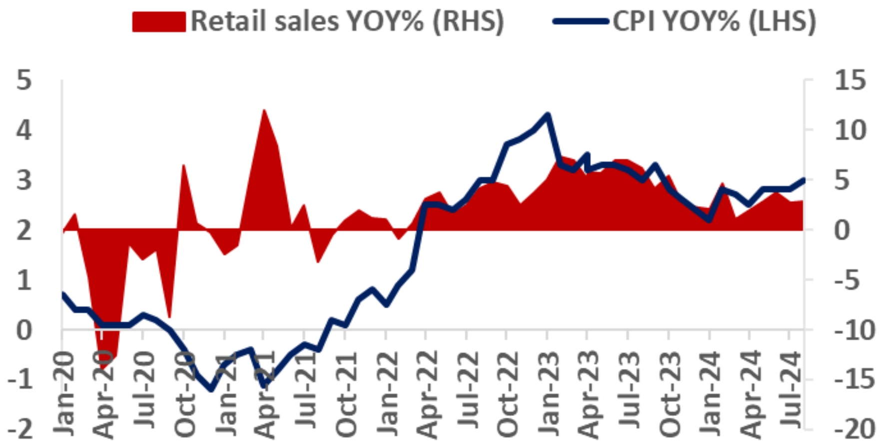


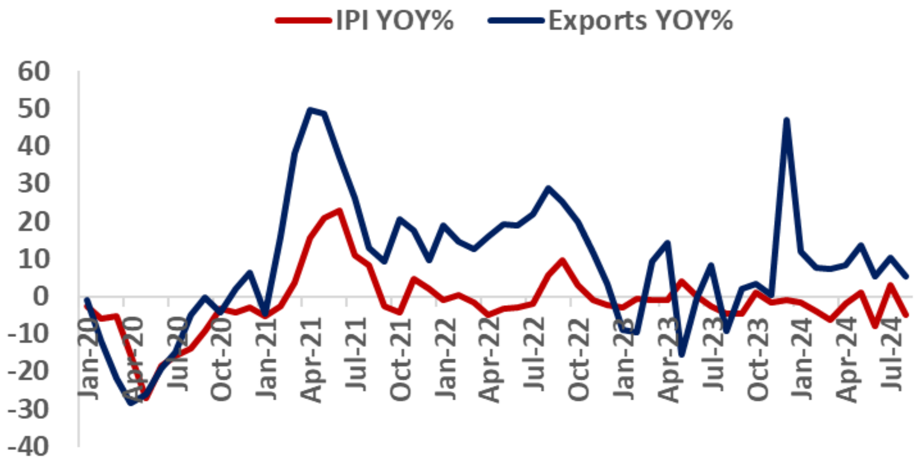
	2022	2023	2024F
GDP (%)	5.0	0.4	1.3
Inflation (%)	9.1	7.4	2.8
Bank Rate (%)	3.50	5.25	4.75
GBP/USD (End of Period)	1.2083	1.2731	1.33

Source: BOE, Bloomberg, HLBB Global Markets Research

- Focus on the Autumn Budget, the first under the Labour Party – all eyes on **potentially higher taxes yet business friendly measures**
- Monetary policy wise, BOE voted by a majority of 8–1 to maintain policy rate at its September meeting; **future rate cuts will be gradual**
- BOE expects **GDP to grow at around 0.3% per quarter in the 2H** and overall demand and supply to be broadly in balance; **Inflation is expected to increase to 2.5% end year** owing to the smaller drag from domestic energy bills.
- Normalisation in inflation expectations, easing in labour market tightness, had supported continued moderation in pay growth; job vacancies had fallen back gradually and any pick-up in unemployment rate to 4.3% is well within forecasts

Japan – Upside risks to inflation and economic growth



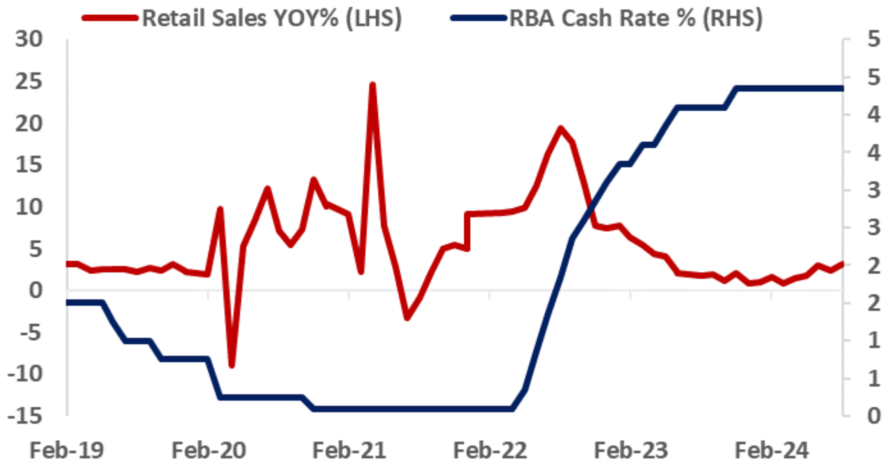


	2022	2023	2024F
GDP (%)	1.2	1.7	0.6
Core Inflation (%)	3.0	2.8	2.5
Policy Balance Rate	-0.1	-0.1	0.25
USD/JPY	131.12	141.04	146

Source: BOJ, Bloomberg, HLBB Global Markets Research

- BOJ assumed that price stability target will be achieved in 2H of fiscal 2025 – one policy member opined that the **policy rate should be increased gradually to 1.0%**
- **Private consumption is expected to stay resilient** on favourable wages and summer bonus payments, cuts in income tax and inhabitant tax
- **Upward pressures on prices** driven by the spring labour-management wage negotiations, tight labour market conditions, upper limits of working hours, imported inflation due to depreciation of the JPY
- Highly vigilant to market and foreign exchange developments

Australia – RBA has no urgency to cut

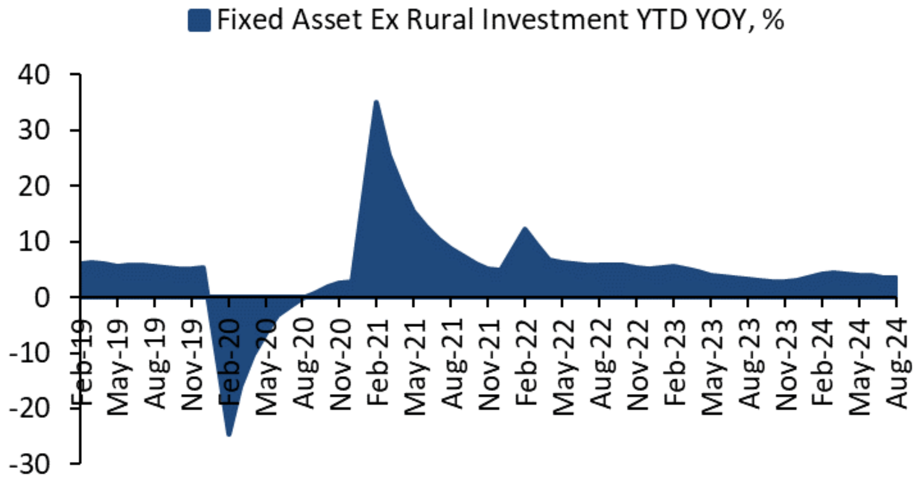


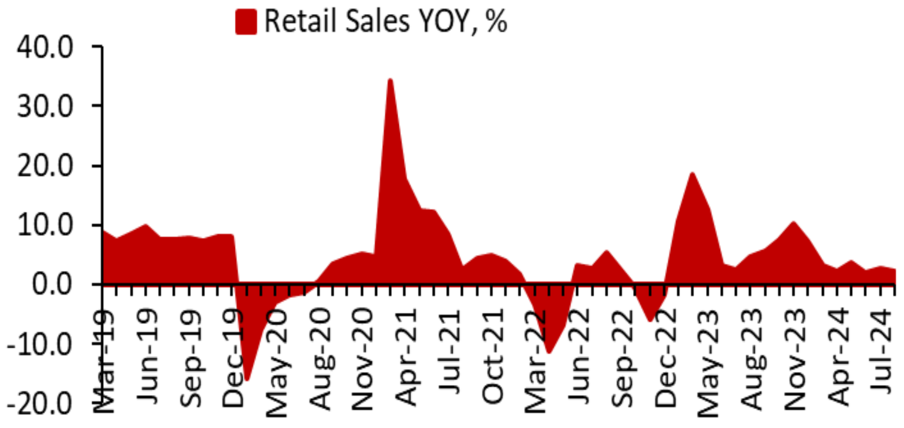
	2022	2023	2024F
GDP (%)	3.9	2.0	1.2
Inflation (%)	6.6	5.6	3.0
Cash Rate (%)	3.10	4.35	4.35
AUD/USD	0.6813	0.6812	0.68

Source: RBA, Bloomberg, HLBB Global Markets Research

- **Economic growth expected to pick up in 2025** - upgrade due to public sector spending, higher real income; still tight labour market although expected to ease gradually and stabilize in 2026
- The risk of inflation not returning to target within a reasonable timeframe had increased – demand is still too strong; headline could ease temporarily due to cost of living support; wage growth remained elevated although appeared to have plateau
- **A 25bps basis point cut in cash rate priced in by early 2025,** in line with our house view. RBA expects rates to decline to around 3.30% by end-2026

China – An uphill task to meet 5.0% GDP growth target



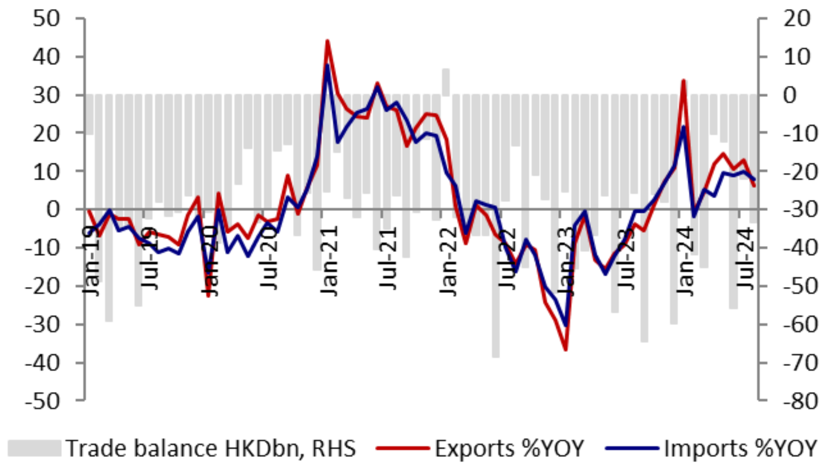


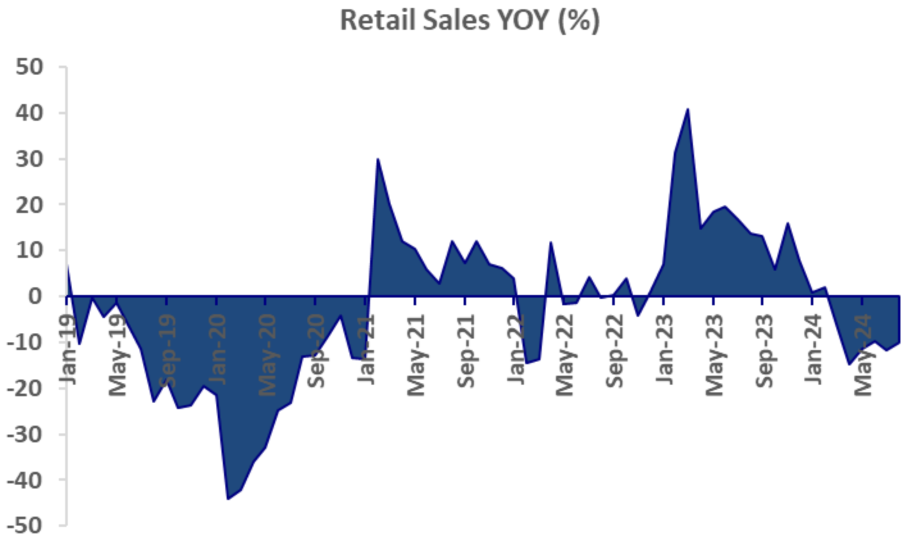
	2022	2023	2024F
GDP (%)	3.0	5.2	5.0
Inflation (%)	2.0	0.2	0.5
1Y LPR (%)	3.65	3.45	3.35
USD/CNY	6.9220	7.1258	7.12

Source: National People's Congress, Bloomberg, HLBB Global Markets Research

- **Still weak domestic demand** due to structural issues, subdued sentiment, rising indebtedness, high youth unemployment, persistent deflation risks; **housing demand may not see a meaningful revival** due to its limited price gains, no longer a preferred asset class
- **Exporters front loading shipment and favourable base effect will support export growth**; Tariff hikes by the US will only kick in from 1 Jan 2025 onwards
- PBoC Governor said that authorities will **avoid "drastic" interest rate cuts**, in a tug of war to support the economy vs protecting bank profit margins/health of the financial institutions; The recent **stimulus package** is welcomed but may fall short of expectations – cuts in RRR, more fiscal stimulus, faster disbursement of funds are expected and needed

Hong Kong – Weak domestic demand; strong exports ahead of tariff hikes by the US on China products



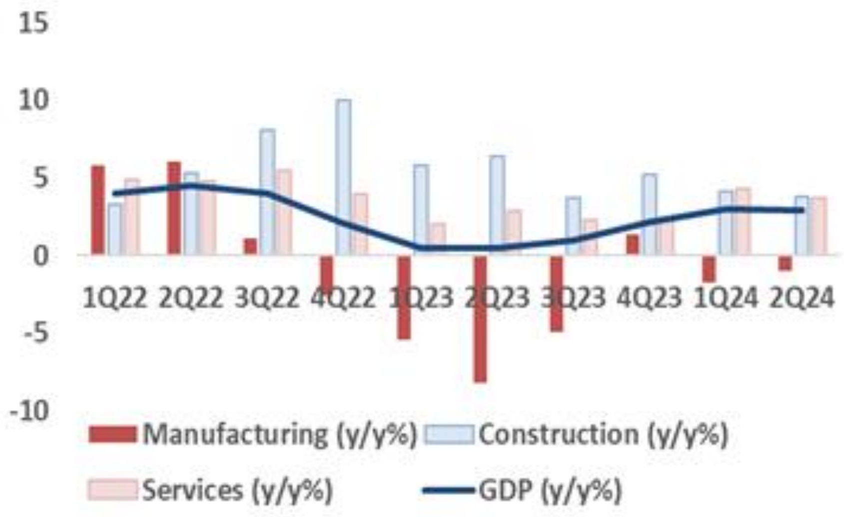


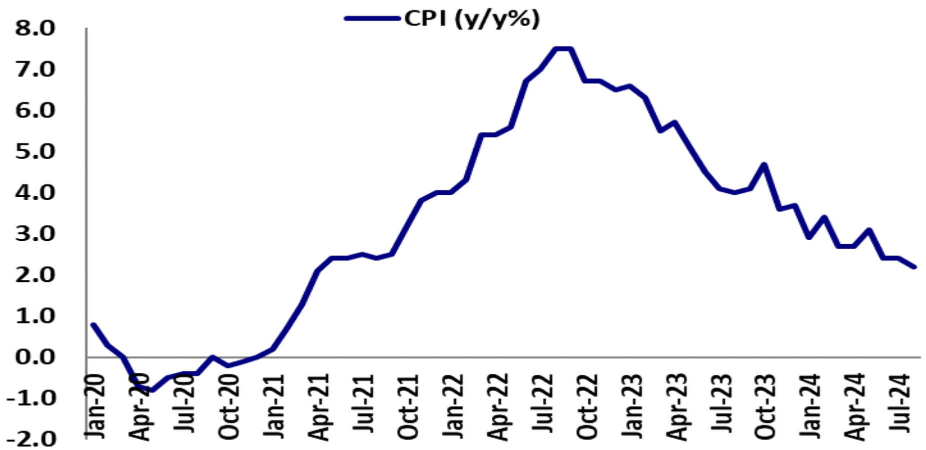
	2022	2023	2024F
GDP (%)	-3.7	3.2	2.5-3.5
Inflation (%)	1.9	2.1	1.9
3-month Hibor	4.99	5.15	4.19
USD/HKD	7.8016	7.8115	7..79

Source: HK Economy, Bloomberg, HLBB Global Markets Research

- **Strong exports** until year-end as exporters ramp up volume/shipment before the tariff hikes imposed by US on China kicks-in.
- **Strong HKD has hampered consumer spending**, both in terms of inbound tourist spending and encouraging residents to spend outside the city, but consumer spending will benefit from tight labour market (unemployment rate low and steady at 3.0%), the Government's various measures to boost consumer sentiment and earnings
- Residential property transactions jumped at the beginning of 2Q following the cancellation of the DSMMs, softened thereafter – signaling fading pent-up demand

Singapore – No change in MAS policy stance expected near term; easing bias remains





	2022	2023	2024F
GDP (%)	3.8	1.1	2.0-3.0
Inflation (%)	6.1	4.8	2.0-3.0
3m SIBOR (%)	4.25	4.06	3.70
USD/SGD	1.3395	1.3203	1.31

Source: MTI, Bloomberg, HLBB Global Markets Research

- **Broadening tech upturn, easier monetary policies globally bodes well for Singapore's exports and manufacturing sector** – Electronics exports, NODX recorded double digit growth; the narrowing of full-year exports outlook to 4-5% for 2024 (initial: 4-6%), was largely due to sluggish biomedical sector.
- **Soft domestic demand**, possibly due to a strong SGD which weighed on tourist spending & encouraged locals to spend/travel overseas. Expect a pickup in 4Q due to major events/concerts and Government's enhanced Assurance Package to help Singaporeans cope with the higher cost of living.
- Slowdown in core CPI in line with MAS' outlook for gradual moderating trend. Thus, we **do not expect any change in MAS monetary policy stance** but any steeper disinflation will give leeway to loosen its monetary policy if needed.

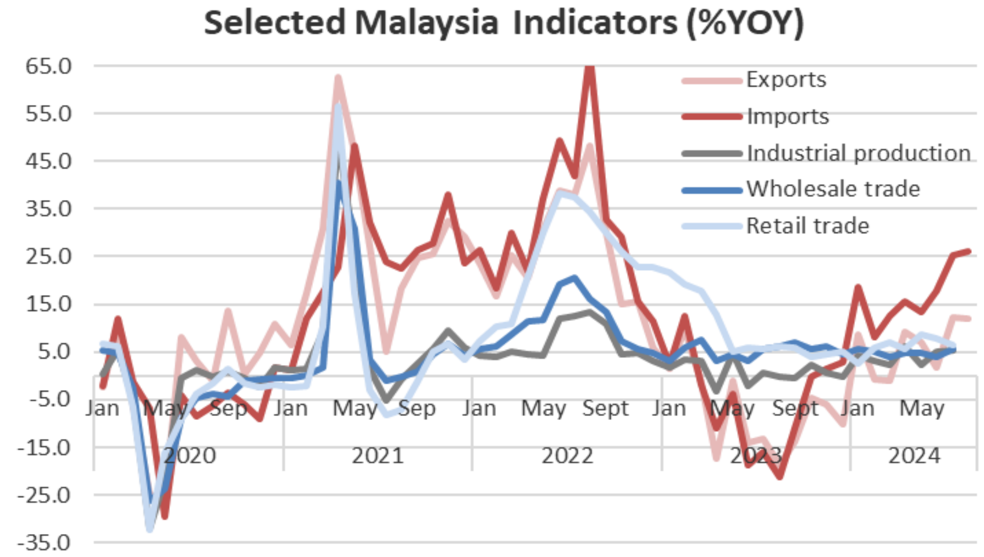
Vietnam – remarkable 6.8% growth YTD September; downside risk in 4Q due to aftermath effects from Typhoon Yagi

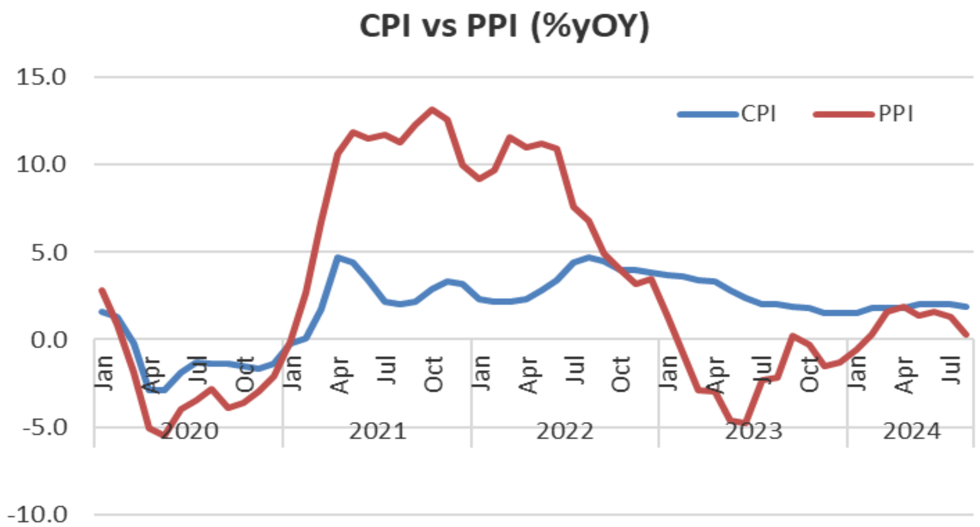
	2022	2023	2024F
GDP (%)	8.0	5.1	6.8-7.0
Inflation (%)	3.2	3.3	3.5
SBV Refinancing Rate (%)	6.00	4.50	4.50
USD/VND	23,633	24,269	24, 700

Source: Bloomberg, HLBB Global Markets Research

- **Positive outlook** on moderate growth for manufactured exports and tourism, recovery in consumer spending and investment
- **Downside risk in 4Q** from uncertainty to global growth, geopolitical tensions, continuous impact from the storm (-0.2ppts to GDP growth). Hence, the Government's upwardly revised growth target of 6.8-7.0% appears challenging
- **Inflation has and should stay tame** despite elevated higher food prices; marginal impact from the public wages and pensions revisions

Malaysia – Firing on all cylinders; commendable pick-up on the investment front





	2022	2023	2024F
GDP (%)	8.7	3.7	5.4
Inflation (%)	3.4	2.5	1.9
OPR (%)	2.75	3.00	3.00
USD/MYR	4.4040	4.5940	4.25

Source: Bloomberg, HLBB Global Markets Research

- **Sustained growth in domestic demand** supported by improving labour market, cash handouts and investment activities – business loans has gained traction
- **Exports recovery** to be underpinned by upswing in global tech cycle and favourable commodity prices
- **Well-contained inflation** despite recent diesel and electricity subsidy rationalization measures; Likely postponement of the roll-out of RON95 subsidy retargeting is expected to further alleviate upside inflationary risks, reaffirming our view for an **extended pause in the OPR** probably through next year.

Markets Outlook - FX

FX – USD to consolidate higher before resuming decline in 2025; JPY to be supported on continued BoJ policy normalization; MYR to continue strengthening albeit at a slower pace

	12-month Outlook
+	**EUR & GBP:** Economies likely to benefit from previous rate cuts, but forward looking indicators suggest a slowdown ahead, particularly in the Eurozone, which may cap gains for the pairs **JPY:** Reduced policy rate differential will be positive for the JPY as other major central banks ease policy; BoJ to hike further as real wages growth continue to remain in positive territory. **AUD:** Likely to benefit from hopes for a brighter outlook for China post stimulus, and on reduced interest rate differentials as the RBA is likely to lag the Fed in terms of rate reductions, with inflation still a concern domestically **CNY**: Property sector and negative consumer sentiment domestically likely to be given a reprieve by the recently announced government stimulus measures, while external sector remains a growth contributor **MYR**: Reduced policy rate differential as BNM stands pat amidst a continued robust economy, supported by a rebound in exports and resilient domestic demand and an improvement in the government finances; likely to continue to appreciate but in a more gradual manner
-	**USD:** After a reprieve in the near term, likely to continue to remain under pressure in the year ahead as the Fed continues to reduce policy gradually. Economic slowdown has been more gradual than generally anticipated, and labour market and services sector continue to remain healthy, limiting losses in the USD.

FX Forecasts

	27-Sep	Q4-24	Q1-25	Q2-25	Q3-25
DXY	100.55	101.56	100.54	99.53	99.04
USD/CAD	1.34	1.36	1.34	1.33	1.31
EUR/USD	1.11	1.11	1.12	1.13	1.14
GBP/USD	1.34	1.33	1.35	1.36	1.37
USD/CHF	0.85	0.86	0.85	0.84	0.83
AUD/USD	0.69	0.68	0.69	0.70	0.71
NZD/USD	0.63	0.62	0.63	0.64	0.64
USD/JPY	143	146	142	138	135
USD/MYR	4.13	4.25	4.20	4.15	4.10
USD/SGD	1.28	1.31	1.29	1.27	1.25
USD/CNY	7.01	7.12	7.03	6.94	6.85

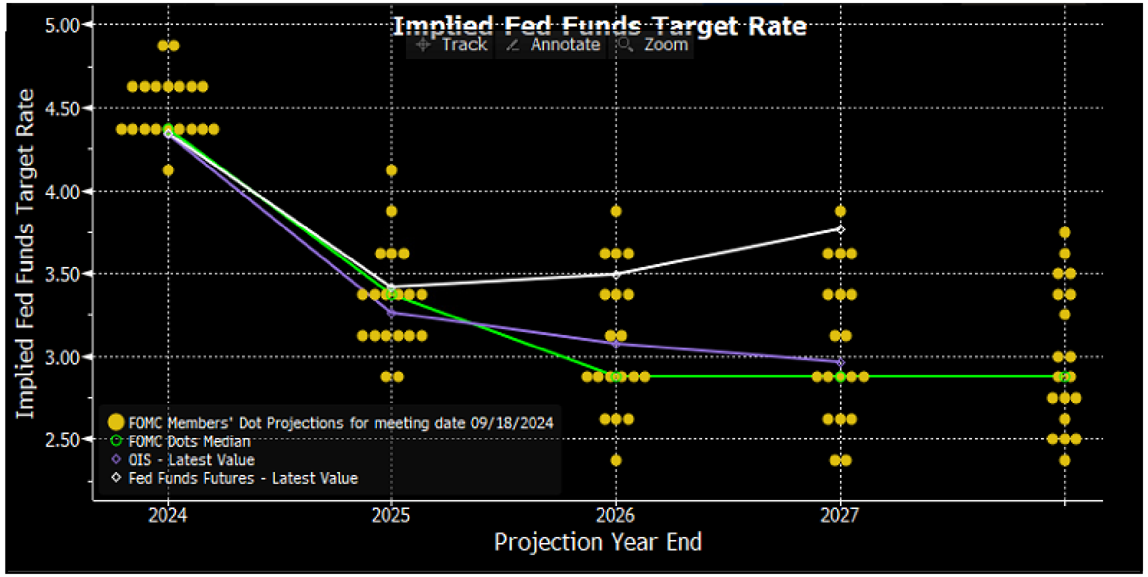
Markets Outlook – Fixed Income

	CURRENT	4Q2024	1Q2025	2Q2025	3Q2025
UST 10Y	4.03%	3.90-4.10%	3.80-4.00%	3.70-3.90%	3.65-3.85%
MGS 10Y	3.77%	3.70-3.90%	3.75-3.95%	3.70-3.90%	3.65-3.85%
SGS 10Y	2.89%	2.80-3.00%	2.75-2.95%	2.70-2.90%	2.65-2.85%

Sovereigns – Bonds seen to be range bound in 4Q as major global central banks continue to ease policy. Further out, yields seen heading lower. MGS/GII to underperform in the near term on profit taking

UST	Yields set to trade in a range in 4Q, as market expectations and current economic situation more aligned after recent sell off. Further out, yields likely to head lower as the US economy continues to moderate and the Fed continues to ease policy. Risks – Trump 2.0 likely to result in higher yields and increased volatility. A worsening of the various geopolitical conflicts may cause a faster pace of and more pronounced yield declines.
MGS	Strong growth amidst low inflation will allow BNM to keep OPR stable. Possible slight divergence from USTs in the near-term, but yields should head lower further out. Risks – subsidy removals that have a larger impact on inflation; improvement in export sector loses momentum.
SGS	Positive correlation with USTs likely to result in SGS yields gradually declining. MAS is expected to stand pat on policy at its Oct meeting. Risks – Sharper than expected US slowdown; serious escalation in geopolitical tensions that affects trade

US Fixed Income – To trade in a range in 4Q and grind lower in 2025, as the Fed cuts more



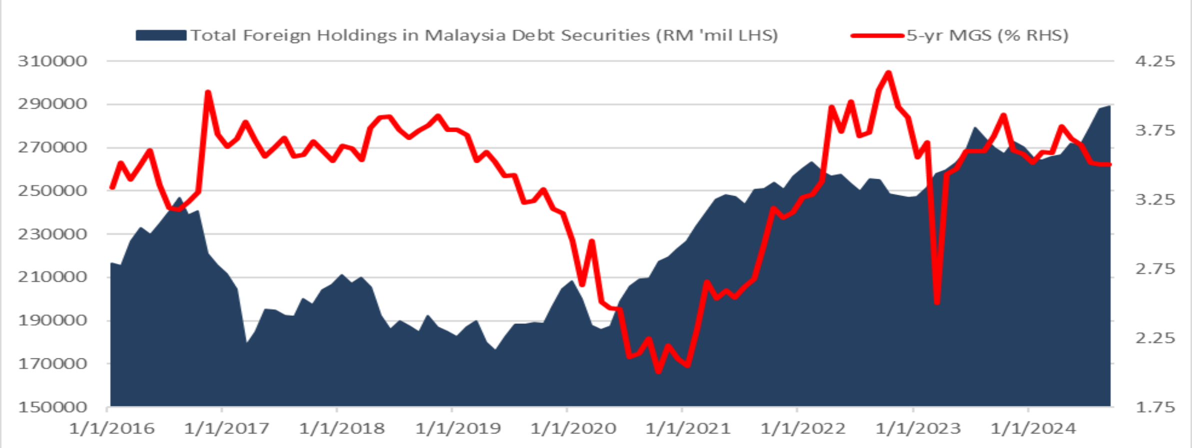
Source: Bloomberg, HLBB Global Markets Research

- **UST** -- USTs rallied sharply in 3Q, with the US Federal Reserve beginning their interest rate reduction cycle with a 50bps reduction in the Fed Funds Rate on Sep 18, amidst a deterioration in the labor market, with the number of jobs being added generally falling short of expectations during the quarter, and the annual benchmark revisions by the BLS revealing that the US actually added less jobs than previously reported over the past year.
- Benchmark yields plunged by 39-111bps for the quarter (2Q24: 13-22bps higher) as the market aggressively built in expectations of more rate cuts, with Fed Fund Futures pointing to 120bps of Fed cuts for 2024 at the end of 3Q, versus 44bps of cuts priced for 2024 as at end of 2Q.
- The curve bull-steepened significantly for the quarter, with the UST 2s10s curve finishing 3Q back in positive territory at +14bps (2Q24: -36bps)
- The Fed's Dot plot median projection during the Sep FOMC pointed to a further 50bps cut in total for the 2 remaining FOMC meetings (100bps total for 2024 as a whole), a large shift from the 25bps they indicated for 2024 in the June Dot plot.
- **We expect the FOMC to reduce the Fed Funds Rate by 50bps in 4Q, and to continue easing policy in 1H25.**
- A strong September jobs report eased fears of sharp slowdown of the labour market and the US economy, and resulted in the market dialing back expectations of further aggressive cuts by the Fed, with the 10yr UST yield surging by 24bps to 4.03% from the 3.79% close at the end of 3Q24.
- **Looking ahead, we see bonds being range bound for 4Q, and expect the 10Y UST yield to be around 4.00% by the end of 2024**. With recent economic data having quelled fears of a sharp slowdown in the economy, the focus shifts over to the US elections on Nov 05 with the latest polls showing Kamala Harris in a slender lead over Donald Trump.

- **Corporates** –Investment-grade corporate bonds were also firmer for the quarter with the Bloomberg US Corporate Bond Index posting a gain of 5.8% in 3Q24 (2Q24: -0.1%). USD Corporate issuance rose in 3Q24, with issuance of IG bonds for the quarter rising to USD462.2b (2Q24: USD362.2b).

Malaysia Fixed Income – Yields to inch higher amidst continued robust growth

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		4,500								
32	20-yr Reopening of MGS 5/44	20	Oct	Q4		5,000		x						
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		x						
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	123,000	26,000	-	PROJECTED TOTAL ISSUANCE = RM180b				

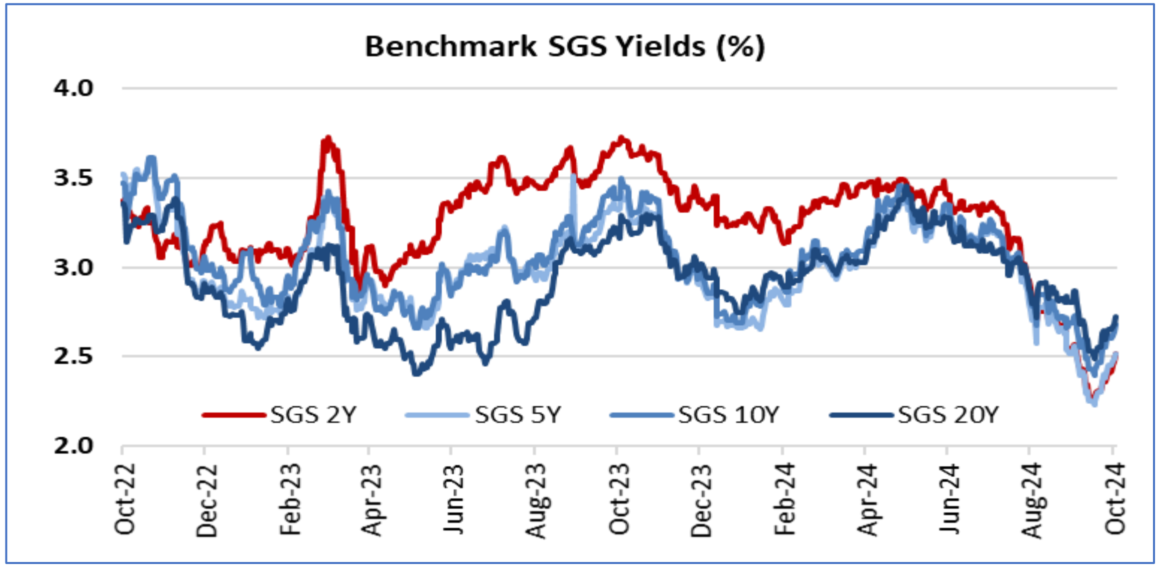


Source: Bloomberg, BNM, HLBB Global Markets Research

- **Government Bonds** – MGS and GII were firmer q/q as overall benchmark yields closed lower between 4 and 19bps (2Q24: -3 to +5bps) with the shorter end of the maturity spectrum leading the move amidst the positive global bond backdrop. MGS generally outperformed GII for the quarter.
- Foreign holdings of MYR bonds rose significantly by RM17.8b during the quarter to RM289.1bn as at end 3Q24, from the RM271.3bn at the end of 2Q24
- Government auctions in 3Q24 saw poorer bidding metrics amidst a higher gross issuance of RM50.0bn, with an average BTC of 2.30x across 10 auctions (2Q24: 10 auctions; average BTC 2.37x; gross issuances RM49.5bn).
- BNM left interest rates unchanged during their policy meet on Sep 05, and continued to strike a rather neutral tone in the monetary policy statement; we expect rates to continue to be held steady in 4Q24 and into 2025.
- Growth surprised on the upside in 2Q24 at 5.9% y/y, and we foresee continued momentum in 2H24 with full year growth expected at 5.4% compared to the government official estimate of 4.0-5.0%. Inflation meanwhile has surprised on the downside, with the latest CPI number in August at 1.9% y/y, signaling an absence of price pressures domestically.
- Bonds are expected to be slightly on the defensive this quarter, with growth expected to remain robust, amidst an adverse shift in the supply dynamics with no more bond maturities for the year after the GII 10/24 matures in mid October. **We expect 10Y MGS yields to inch higher in 4Q24 to the 3.80% area.**

- **Corporate Bonds/Sukuk** – Corporate spreads inched wider in 3Q24, with AAA and AA2 spreads in 10Y space closing at 27 and 44bps respectively (2Q24: 22 and 39bps) amidst an increase in supply and a fall in govt bond yields. Corporate bonds/sukuk issuances (including GG bonds) picked up further to RM37.8bn in 3Q24 (2Q24: RM30.3bn). We expect issuance to ebb slightly in 4Q24.

Singapore Fixed Income – Range trade in tandem with USTs



Source: Bloomberg, HLBB Global Markets Research

- **SGS** – Singapore Government Securities surged higher q/q, taking cue from the strong rally in the quarter for USTs, as overall benchmark yields plunged between 44 and 91bps (2Q24: -2 to +15bps), with the shorter end of the maturity spectrum leading the rally.
- The SGS yield curve headed back into positive territory during the quarter, with 2s10s standing at +19bps as at the end of 3Q24 (2Q24: -13bps)
- The Bloomberg Global Singapore Bond Total Return Index registered a sharp rise of 5.4% for 3Q24 (2Q24: -0.1%), reflecting the sharp rally in bonds for the quarter.
- Total SGS issuances for 3Q24 fell to SGD6.0bn (2Q24: SGD8.4bn).
- The Monetary Authority of Singapore is expected to maintain an unchanged policy stance at its upcoming quarterly meeting on Oct 14
- After the sharp UST led sell-off in early Q4, which saw the 10yr SGS yield rise to 2.89% from the 2.60% seen at the end of Q3, **we expect SGS yields to trade in a range for the rest of the quarter, in line with UST yields. The SGS 10Y is expected to close the year around the 2.90% level**.

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