

Monthly Fixed Income Market Outlook

Global Markets

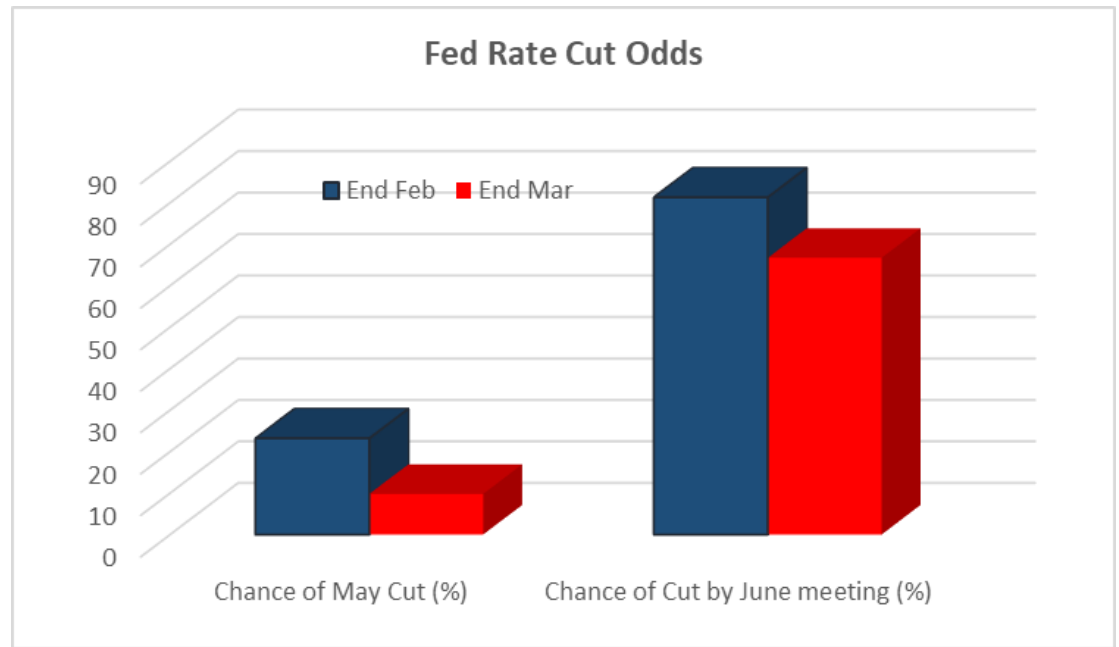
April 2024

March 2024 US Bond Market Review



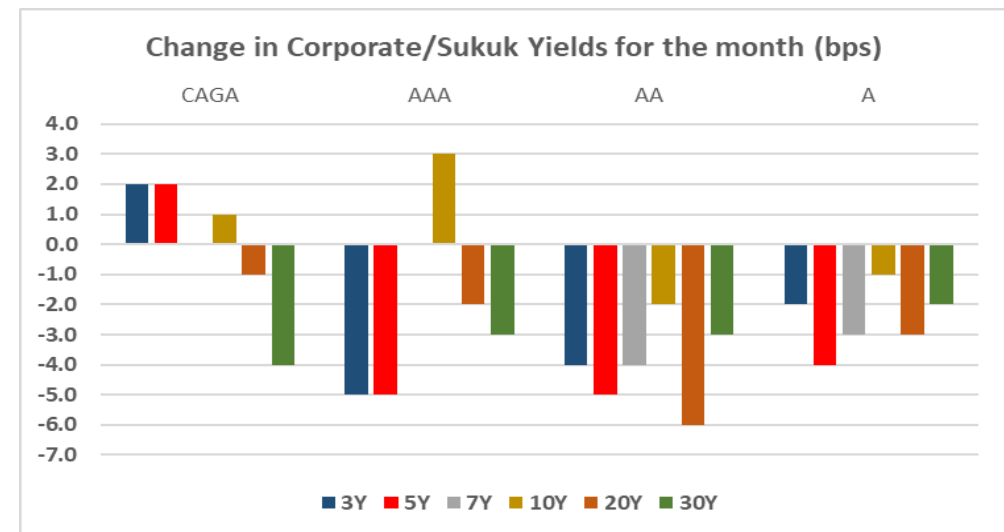
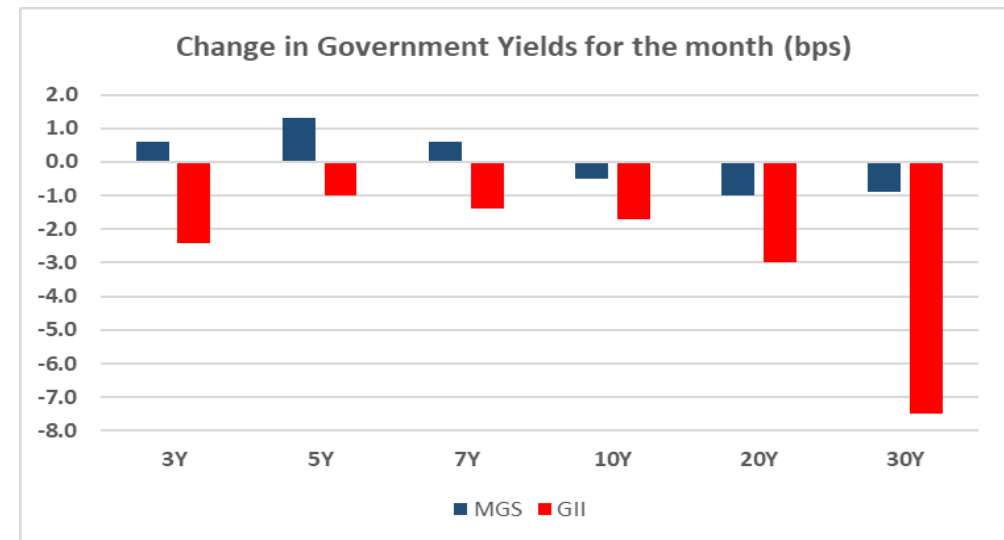
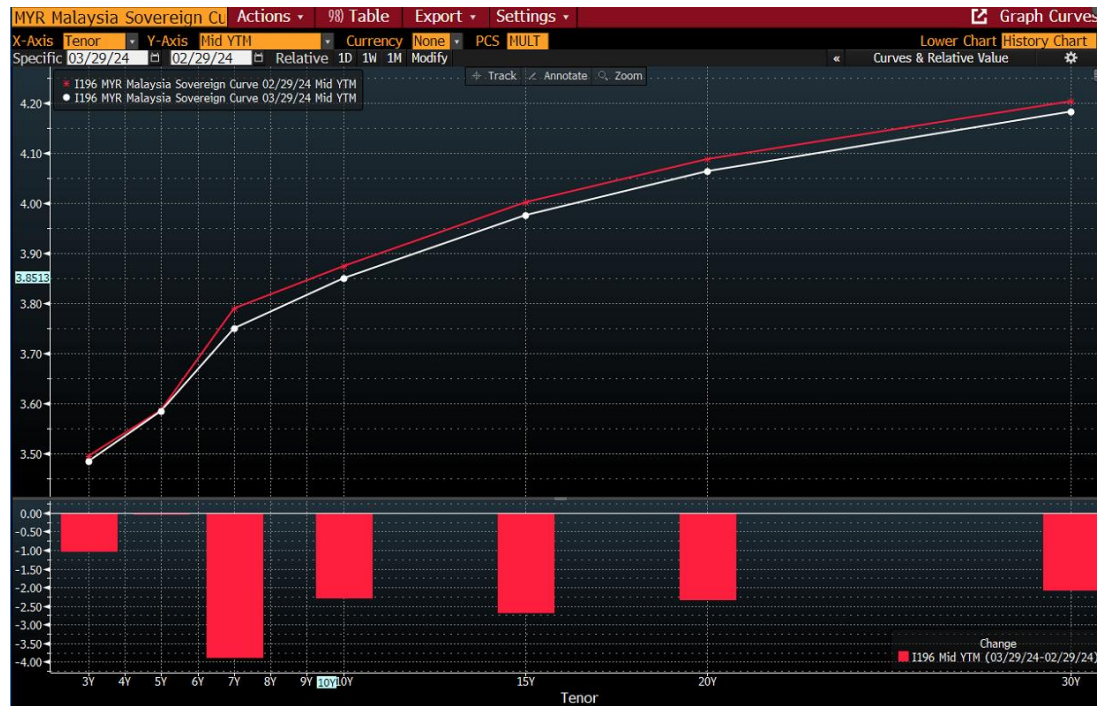
Source: Bloomberg, HLBB Global Markets Research

- UST yields consolidated in March and were little changed to slightly lower for the month after the sharp sell off seen in February.
- Mild bull flattening of the UST curve
 - 2yr yield unchanged at 4.62%
 - 10yr yield down 5bps to 4.20%



- Continued repricing seen in Fed Funds futures, with market only pricing in 2-3 hikes in 2024 as at end Mar (from 3-4 hikes at the end of Feb)
 - Chance of May cut recedes to 9.8% (from 23.2%)
 - Chance of a cut by June down to 66.7% (from 81.3%)
- The dot plot during the FOMC meeting on 20 Mar revealed that Fed members continue to see three cuts in 2024

March 2024 MYR Bond Market Review

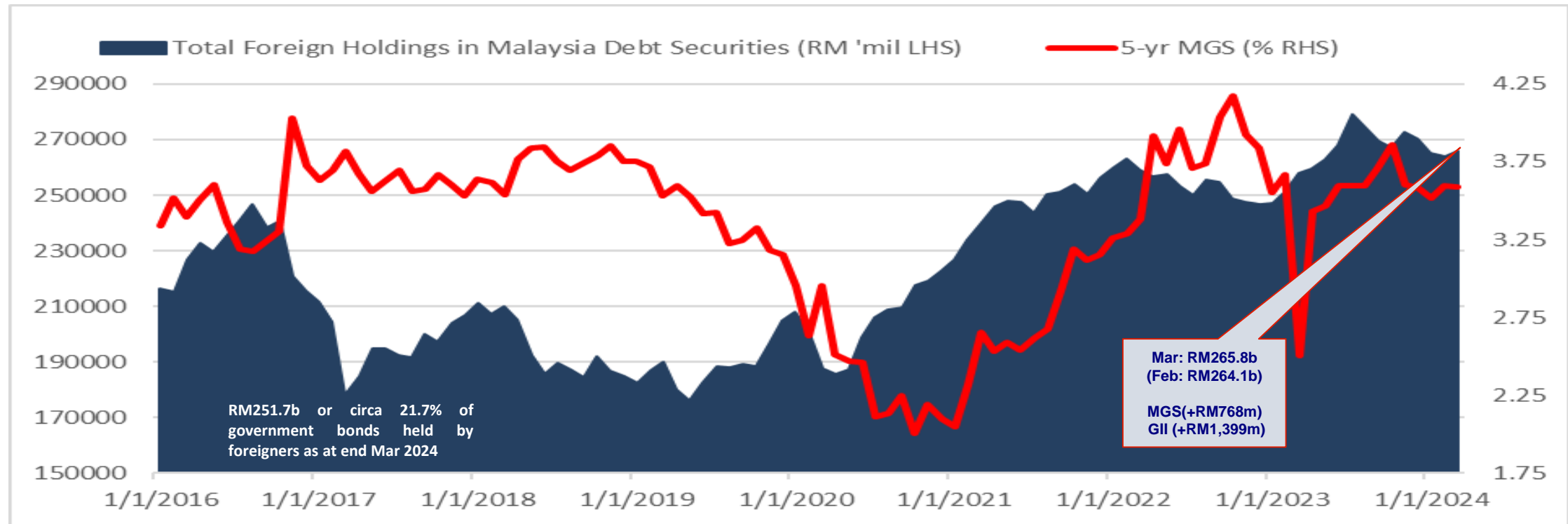


Source: Bloomberg, HLBB Global Markets Research

- Decent month for MYR government bonds, with yields mostly edging lower, with longer end of the maturity spectrum performing best, despite Feb CPI coming in a few notches higher than expected.
- GII outperformed MGS across all benchmark tenors; flatter government and CAGA curves.
- Corporate yields mostly lower for the month, with AA segment seeing notable decline across tenors.

Source: BPAM, HLBB Global Markets Research

Offshore Foreign Holdings rose in March, driven by an uptick in GII holdings



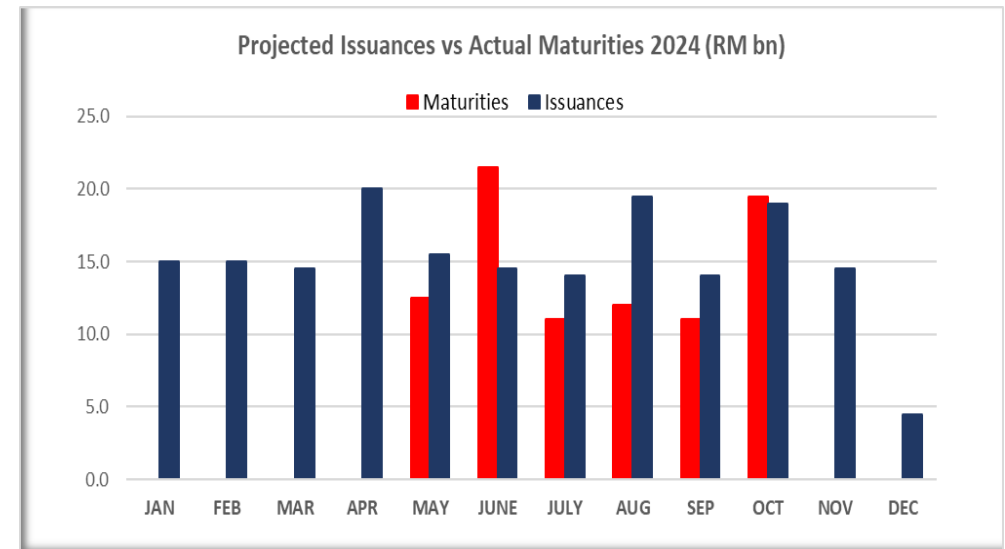
Source: BNM, Bloomberg, HLBB Global Markets Research

- Offshore foreign holding of debt securities rose for the first month in four in March, to RM265.8bn from RM264.1bn in February
- Increase led by higher holdings of GII securities, which rose by almost RM1.4bn, while MGS holdings rose by nearly RM0.8bn
- Partially offset by decrease of holdings in MTB's, Corporate Bonds, and Sukuks

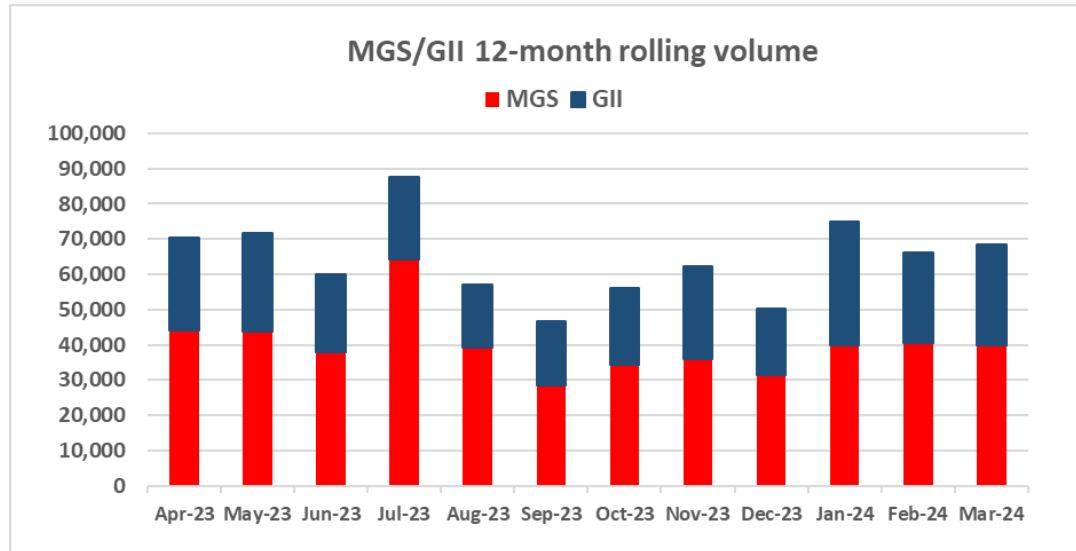
RM15bn of gross MGS/GII issuance in March; RM19.5bn expected in April with 4 auctions

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		5,000								
13	3-yr Reopening of MGII 9/26	3	Apr	Q2		5,000								
14	20-yr New Issue of MGS (Mat on 05/44)	20	May	Q2		5,500								
15	15-yr Reopening of MGII 9/39	15	May	Q2		5,000								
16	7-yr Reopening of MGS (4/31)	7	May	Q2		5,000								
17	20-yr Reopening of MGII 8/43	20	Jun	Q2		5,000								
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						178,500	46,500	8,000	-	PROJECTED TOTAL ISSUANCE = RM180b				

- Gross issuance of RM15bn in March as per revised estimate – all 3 issuances for the month were RM5bn each, similar to auctions in November through February.
- Decent auctions overall in March with average BTC of 2.61x, (Feb: 2.18x), buoyed by strong reception for new 30yr GII
- For April, we see downside risks to RM20bn previously projected; likely totaling RM19.5bn for the 4 auctions. Gross issuance for 2024 as a whole tracking RM180bn
- Net issuance will decline in May as maturities begin



MGS/ GII Trade Volumes edged up in March; expected to be ebb in April on Raya holidays



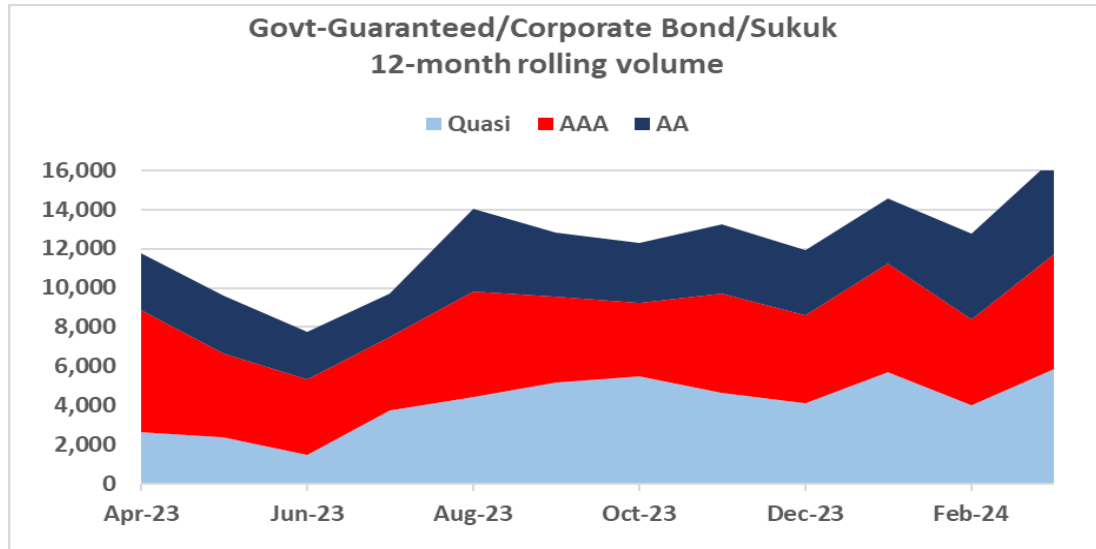
- Secondary trading in MGS/ GII in Mar rises to RM68.4b (Feb: RM66.1b), with the rise being driven by an increase in GII trades to RM28.5b (Feb: RM25.6b)
- 10Y benchmark MGS and 5Y benchmark GII led trading for the month for the respective markets
- Notable trading interest also seen in the off-the-run MGS 24s and 25s

Top Traded MGS in Mar 24	Volume (RM 'mil)
MGS 11/33 (10Y)	5,302.5
MGS 6/24	3,813.5
MGS 8/29 (5Y)	3,582.7
MGS 3/25	1,960.7
MGS 4/30	1,937.9
MGS 4/28	1,933.8
MGS 5/27 (3Y)	1,896.8
MGS 9/25	1,837.6
MGS 4/31 (7Y)	1,780.8
MGS 10/42 (20Y)	1,632.2

Top Traded GII in Mar 24	Volume (RM 'mil)
GII 7/28 (5Y)	4,063.7
GII 9/26 (3Y)	3,012.5
GII 9/30 (7Y)	2,553.2
GII 8/43 (20Y)	2,224.2
GII 7/29	2,012.2
GII 9/39 (15Y)	1,564.0
GII 8/33 (10Y)	1,218.0
GII 10/24	998.9
GII 10/32	752.7
GII 3/38	693.8

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

Corporate/Sukuk Primary Issuance surged in March; secondary trading volumes rose



- Trading in Corps/Sukuk rose to RM16.6b in March (Feb: RM12.8b), driven by substantial increases in trading of GG and AAA rated paper
- Issuance surged to RM11.9b in March (Feb: RM6.5b) as CIMB Islamic and PTPTN tapped the market with decent sized issuances; expected to recede slightly in April on the Raya holidays
- Sizeable issues in the pipeline this month include a possible LPPSA (RM1.6b-3.0b), UDA (RM300m) and Sunway Healthcare (RM300m)

Top Traded Corporate Bonds/Sukuk in Mar 24	Volume (RM mil)	Last Done Yield (%)
CAGAMAS IMTN 4.120% 05.10.2028	360	3.817
STJ IMTN 27.09.2029 - Series 1 Tranche 3	328	6.170
LPPSA IMTN 4.850% 29.10.2038 - Tranche No 25	320	4.000
PRASARANA IMTN 4.260% 11.10.2039 - Series 3	310	4.019
PRASARANA IMTN 0% 28.09.2029 - MTN 2	300	3.677
PBB Tranche 1 Sub-Notes 4.27% 25.10.2033	290	3.863
STJ IMTN 27.09.2028 - Series 1 Tranche 2	277	6.150
STJ IMTN 27.09.2027 - Series 1 Tranche 1	277	6.140
TPSB IMTN 4.360% 19.11.2032 - Tranche No 4	270	3.919
MAYBANK IMTN 4.130% PERPETUAL	270	3.995

Top Corporate/Sukuk Issuance in Mar 24	Rating	Amount Issued (RM 'm)
CIMBI IMTN 4.130% 27.03.2034 - Series 3 Tranche 4	AAA	1,500
CIMBI IMTN 4.030% 27.03.2031 - Series 3 Tranche 3	AA1	1,450
PTPTN IMTN 4.110% 07.03.2039 (Series 15)	AAA	900
YHB IMTN 02.11.2122	AAA	640
PTPTN IMTN 4.030% 07.03.2036 (Series 14)	AAA	550
YTL POWER IMTN 4.180% 18.03.2036	AAA	500
YTL POWER IMTN 4.210% 18.03.2037	NR	500
MNRB HLDGS IMTN (Series 2) 22.03.2034	NR	420
HLBB Perpetual Capital Securities 4.25% (T5)	AAA	400
MERCEDES MTN 1460D 24.3.2028	AAA	350

Source: BNM, BPAM, HLBB Global Markets Research

US Bonds Outlook April 2024 – yields to remain elevated

	Current @ 08 Apr	Q2 2024	Q3 2024	Q4 2024	Q1 2025
Fed Funds Rate (upper bound)	5.50%	5.50%	5.00%	4.75%	4.75%

UST yields (%)	Current @ 08 Apr	Q2 2024	Q3 2024	Q4 2024	Q1 2025
2Y	4.77%	4.55%	4.50%	4.45%	4.40%
5Y	4.41%	4.25%	4.15%	4.10%	4.05%
10Y	4.42%	4.25%	4.15%	4.05%	3.95%
30Y	4.76%	4.30%	4.25%	4.15%	4.15%

Source: HLBB Global Markets Research

- Another strong US jobs report released in early April has seen yields march higher to begin the month, with the 10yr UST yield up 22bps from the 4.20% at the end of March.
- Core CPI and PCE are expected to moderate further this month, to pave the way for tweaks lower in the Funds rate by the Fed to less restrictive territory, possibly beginning in the summer.
- **Expect yields to remain elevated this month**, with some reprieve expected towards month-end upon confirmation of a moderation in core PCE prices, the Fed's preferred price gauge.
- UST curve to trade with a steepening bias

Date	Event
05 Apr	Monthly Employment Report
10 Apr	CPI
11 Apr	PPI
15 Apr	Retail Sales
25 Apr	1Q Advance GDP
26 Apr	PCE Core Deflator
30 Apr	FOMC begins 2-day policy meet

MYR Bonds Outlook April 2024 – looking vulnerable

	Current @ 08 Apr	Q2 2024	Q3 2024	Q4 2024	Q1 2025
OPR	3.00%	3.00%	3.00%	3.00%	3.00%

MGS yields (%)	Current @ 08 Apr	Q2 2024	Q3 2024	Q4 2024	Q1 2025
3Y	3.52%	3.55%	3.55%	3.55%	3.60%
5Y	3.68%	3.73%	3.75%	3.80%	3.85%
10Y	3.87%	3.95%	4.00%	4.05%	4.05%
20Y	4.09%	4.15%	4.15%	4.15%	4.15%

Source: HLBB Global Markets Research

Key Events for the Month

Date	Event
08 Apr	Industrial Production
19 Apr	Trade Balance
19 Apr	1Q Advance GDP
25 Apr	CPI

- BNM MPC left OPR unchanged during the March MPC meet, with no material changes to the statement. We continue to see no change in OPR for the next meeting on May 09 and for the remainder of 2024.
- February CPI came in a few notches higher than expected at 1.8% on a revision in water rates, and with low base effects, a continued rise in CPI cannot be ruled out with the planned removal of more subsidies, with diesel subsidy removals next in line.
- In terms of supply, four auctions are on the cards this month versus three each in January through March. Two auctions already carried out, but with no maturities due this month, more duration hitting the market in the form of a new 15yr MGS and reopening of the 3yr GII may put some pressure on yields amidst a weak backdrop in major global bond markets.
- Continued decent demand seen in Corporates/Sukuks expected to keep credit spreads on the tight side.

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