

# Monthly Fixed Income Market Outlook

Global Markets

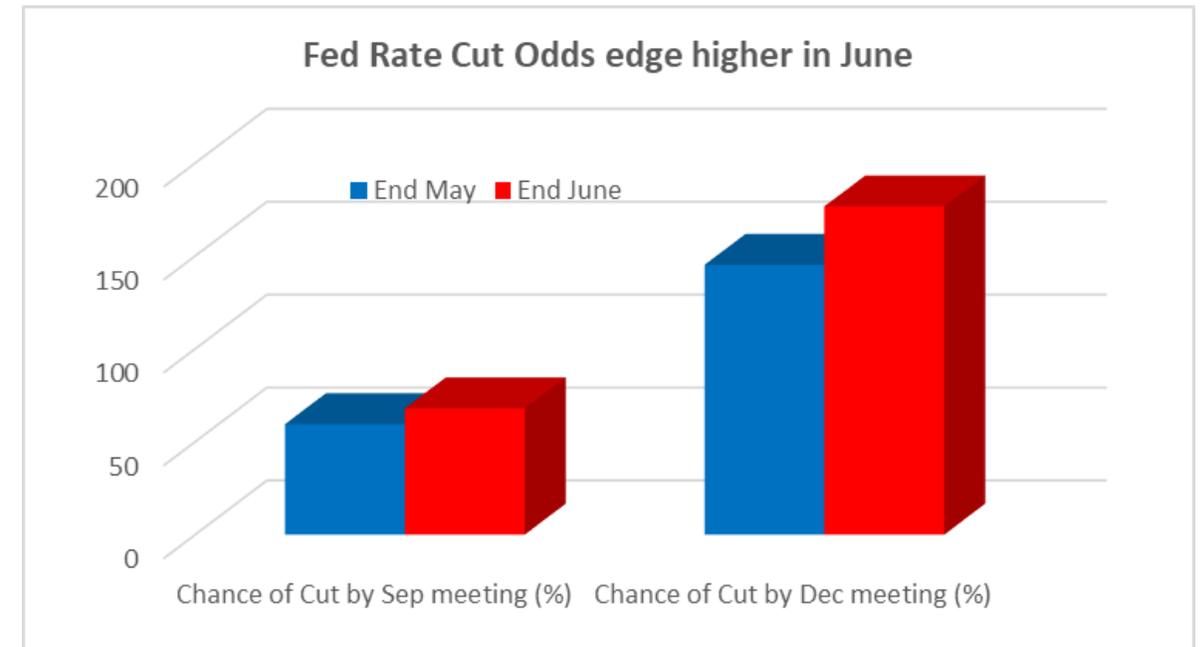
July 2024

# June 2024 US Bond Market Review



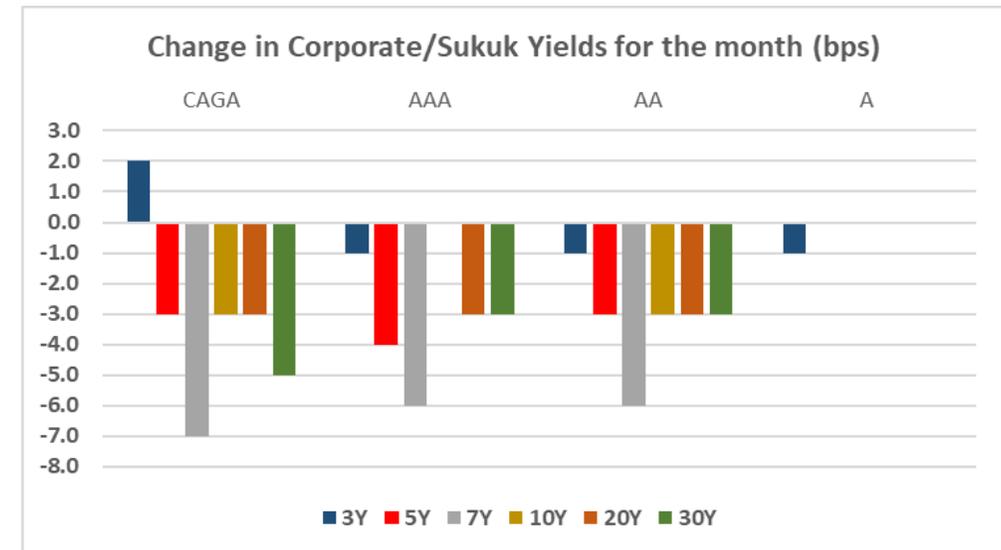
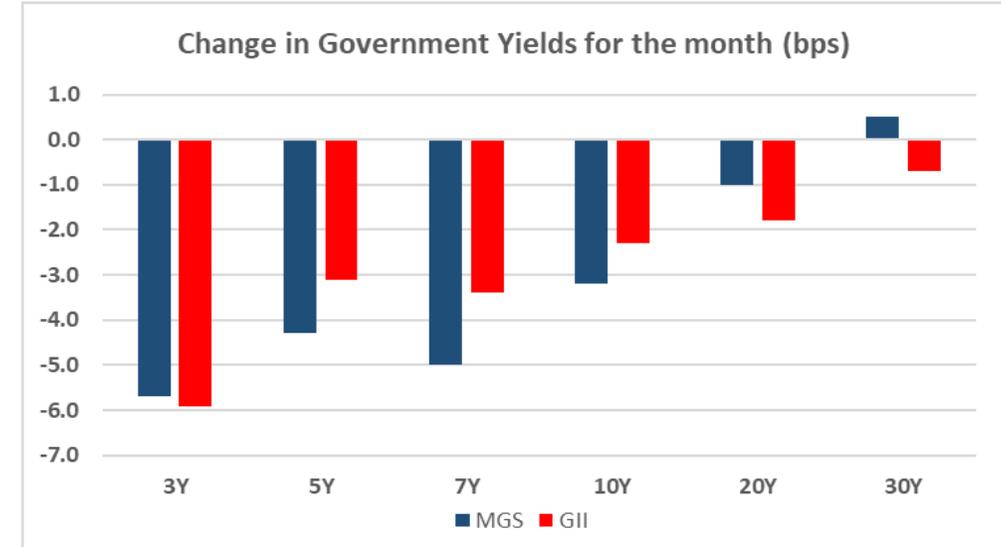
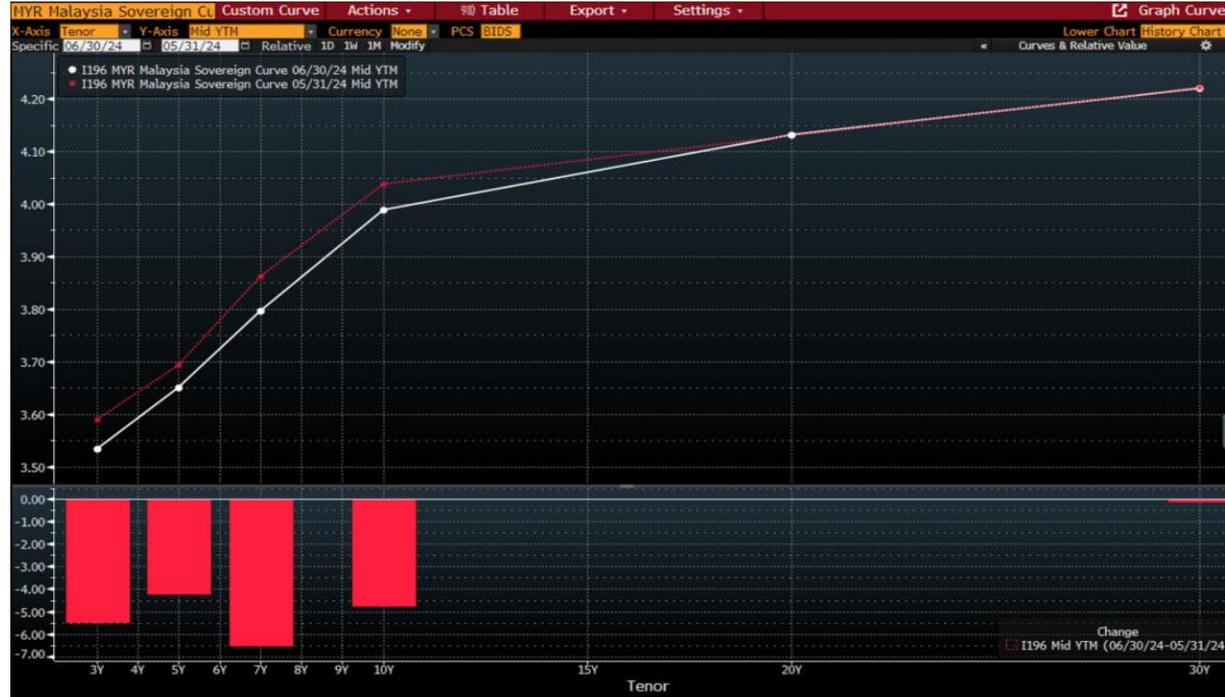
Source: Bloomberg, HLBB Global Markets Research

- UST yields headed lower in June for a second straight month, with the belly of the curve (3Y – 7Y) seeing the largest yield moves.
- The lower yields were driven by softer than expected May CPI prints amidst mixed economic data. The monthly employment report and ISM Services indices were both stronger than anticipated, while retail sales and ISM Manufacturing saw weaker than expected outcomes. 1Q GDP was revised up a notch to 1.4% in its third reading, despite an adjustment lower in consumer spending numbers for the quarter.
- Very mild bull steepening of the UST curve for the month:
  - 2yr yield down 12bps to 4.76%
  - 10yr yield down 10bps to 4.40%



- The softer inflation data prompted some repricing of Fed moves in Fed Funds futures, with the market pricing in slightly more rate cuts (44bps) for 2024 as a whole as at end June, from the 36bps priced as at the end of May
  - Chance of a cut by September increased to 68.0% (from 59.5%)
  - Chance of a cut by December increased to 176.7% (from 145.2%)
- The June 12 FOMC meeting saw the Fed maintain rates, whilst re-iterating that inflation has only made modest progress towards their 2% objective, and that greater confidence of achieving this is required before any reduction of rates. The revised dot plot showed only a 25bps cut penciled in for 2024, as opposed to the 75bps cuts that was signaled in the March dot plot.

# June 2024 MYR Bond Market Review

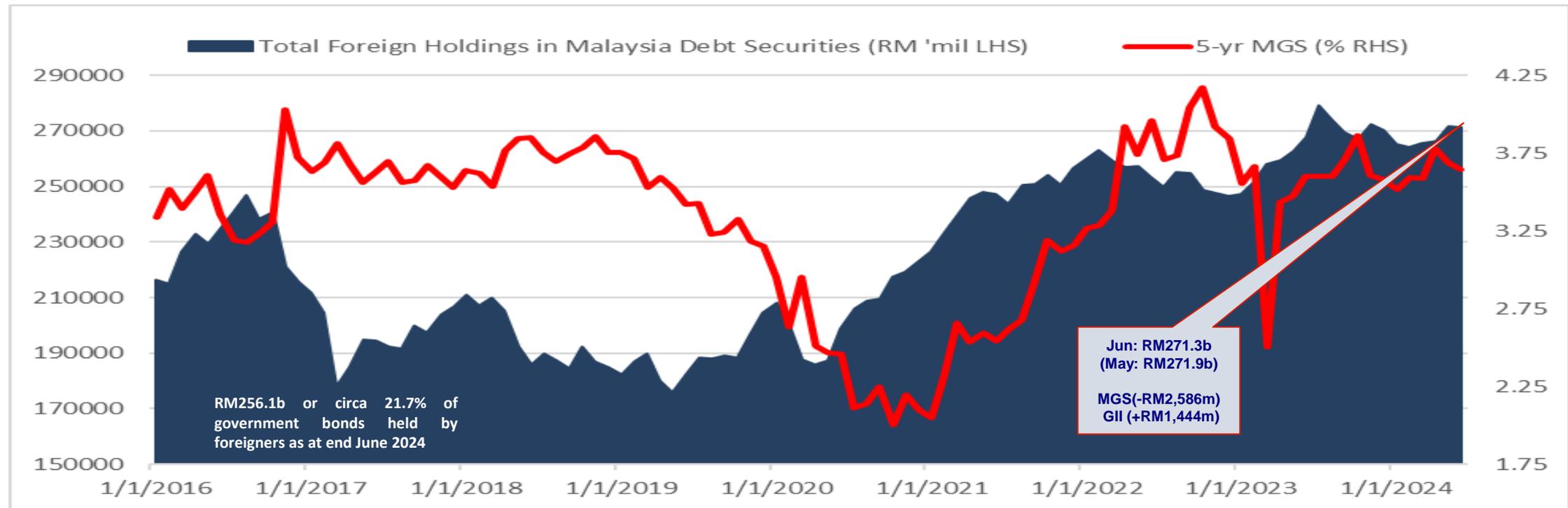


Source: Bloomberg, HLBB Global Markets Research

- MYR government bonds traded higher in June, despite the slight upside surprise in May CPI numbers to 2.0% y/y (Apr: 1.8% y/y), as the bullish tone from global bond markets permeated domestically as well. Yields ended lower across the curve by between 1-6 bps, except for the benchmark 30Y MGS which edged slightly higher.
- The government curves were steeper for the month, with front end bonds outperforming in the rally. MGS generally outperformed GII for bonds up to 10yr maturity, but GII did slightly better in the longer end of the maturity spectrum.
- Corporate bonds were better bid too for the month, with the yields declining in the quasi govt sector as well as in the high grade space.

Source: BPAM, HLBB Global Markets Research

## Offshore foreign holdings fell for first month in four in June, driven by lower MGS holdings



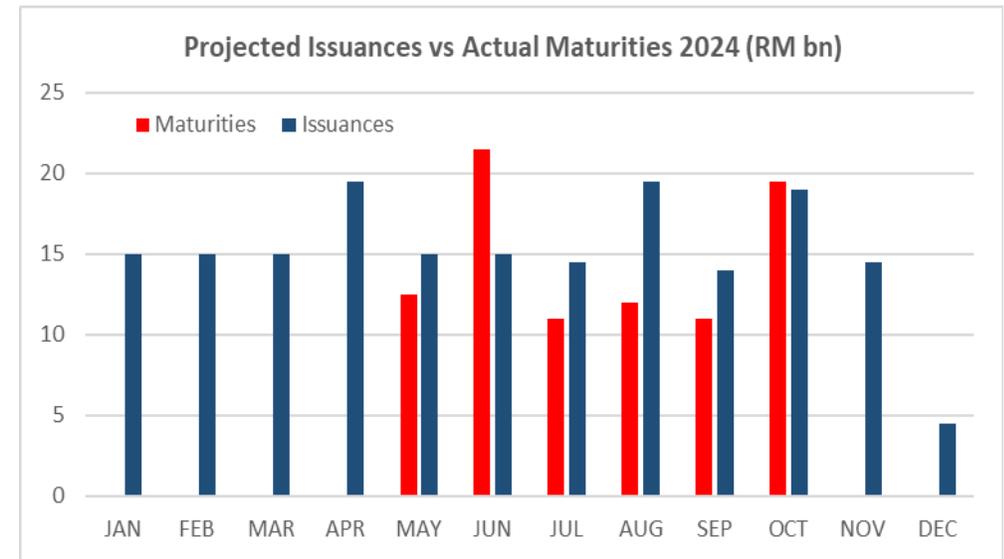
Source: BNM, Bloomberg, HLBB Global Markets Research

- Offshore foreign holdings of Malaysian debt securities fell for the first month in four in June, inching lower by RM0.6b to RM271.3b, from RM271.9b in May
- Decrease led by lower holdings of MGS securities, which fell by RM2.6bn (likely due to maturity of MGS 6/24) and decline in holdings of Sukuks, which fell by RM0.6bn
- Offset by increases in foreign holdings of GII (+RM1.4bn), Bills (+RM0.5bn) and Islamic Bills (+RM0.7bn)

# RM15.0b of gross MGS/GII issuance in June; RM15.0b expected in July

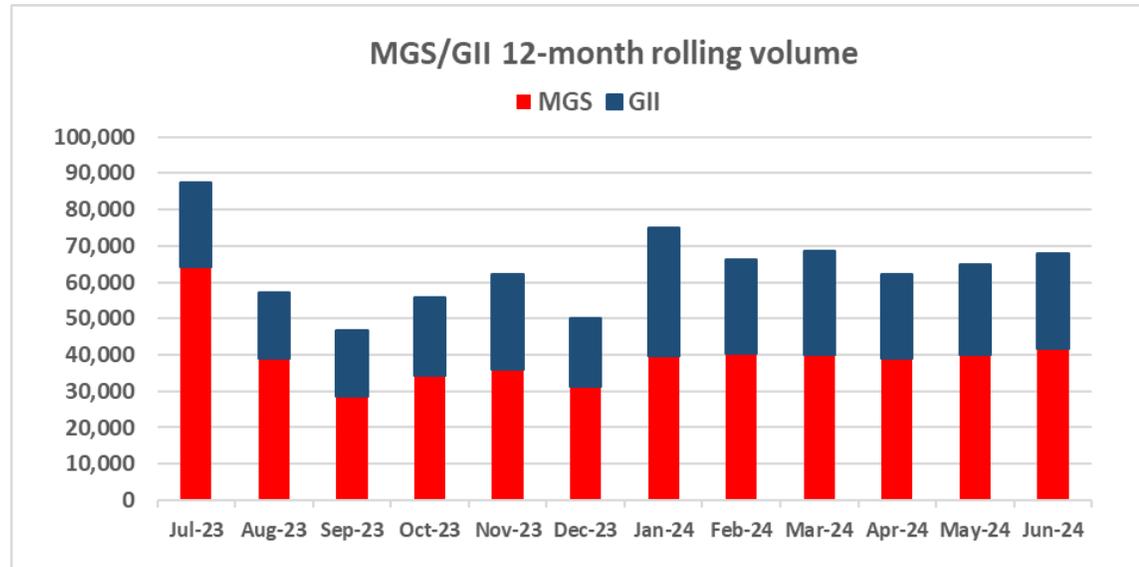
MGS/GII issuance pipeline in 2024														
No	Stock	Tenure (yrs)	Tender Month	Quarter	Tender Date	Projected Issuance Size (RM mil)	Actual Auction Issuance (RM mil)	Actual Private Placement	Total Issuance YTD	BTC (times)	Low	Average	High	Cut-off
1	10-yr Reopening of MGII 8/33	10	Jan	Q1	5/1/2024	5,000	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		4,500								
22	15-yr Reopening of MGS 4/39	15	Jul	Q3		5,000		x						
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		x						
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		x						
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		x						
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		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	81,500	18,000	-	PROJECTED TOTAL ISSUANCE = RM180b				

- Gross issuance of RM15.0b in June – three issuances of RM5bn each (inclusive of two auctions with private placements of RM2.0b each)
- More modest auctions overall in June with average BTC of 2.40x, (May: 2.56x), depressed by a weak 3Y benchmark MGS reopening which recorded the lowest BTC (1.682x) this year
- For July, gross issuance likely totaling RM15.0b from the three scheduled auctions
- Net issuance minimal for the month, with the maturity of RM11.0b of the MGS 7/24, with maturities scheduled for the following 3 months through October as well



Source: Bloomberg, BNM, HLBB Global Markets Research

## MGS/GII Trading Volume inched higher in June; expected to climb further in July



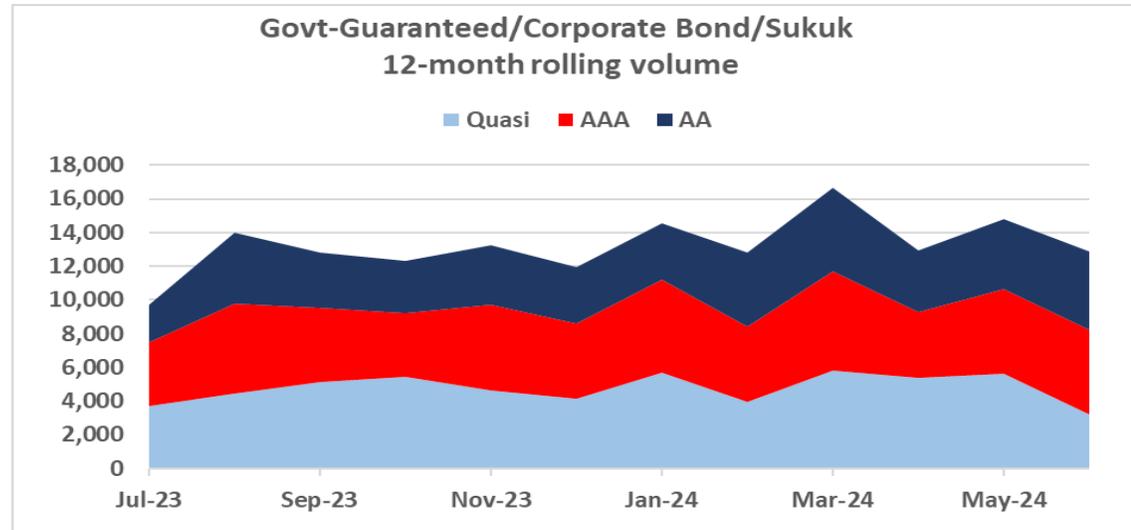
- Secondary trading in MGS/GII rose to RM67.9bn in June (May: RM64.8bn), with both MGS and GII seeing higher volumes versus the month before
- The newly reopened 3Y MGS 5/27, and 3Y benchmark GII 9/26 led trading for the month in the respective markets
- Notable trading interest also seen in the now matured off-the-run MGS 6/24, benchmark 5Y MGS, 7Y MGS and 10Y MGS and GII bonds, as well as in the off-the-run MGS 9/24

Top Traded MGS in June 24	Volume (RM 'mil)
MGS 5/27 (3Y)	4,248.6
MGS 6/24	4,242.6
MGS 4/31 (7Y)	3,803.9
MGS 9/24	3,773.4
MGS 8/29 (5Y)	3,348.6
MGS 11/33 (10Y)	3,318.8
MGS 3/25	2,376.2
MGS 9/25	2,299.1
MGS 7/32	1,176.5
MGS 6/28	1,075.2

Top Traded GII in June 24	Volume (RM 'mil)
GII 9/26 (3Y)	3,607.1
GII 8/33 (10Y)	2,540.0
GII 8/43 (20Y)	2,274.6
GII 10/25	2,075.0
GII 10/24	1,927.0
GII 9/30	1,582.4
GII 7/28 (5Y)	1,553.2
GII 10/32	1,361.9
GII 7/29	1,205.9
GII 9/39 (15Y)	1,017.5

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

## Corporate/Sukuk secondary trading volumes fell in June; new issuance surged



- Trading in Corps/Sukuk fell to RM12.9b in June (May: RM14.8b), driven by a plunge in the trading of GGs for the month
- New issuances for the month surged to RM11.7b in June (May: RM7.8b), with PASB, PRASA and CAGA and DIGI tapping the primary market amidst a few issuances by financials; we expect issuance in the corporate space to increase further in July
- Sizeable issues in the pipeline this month include a possible DANAINFRA (RM2.0bn), CIMB Senior (RM1.5bn), Benih Restu (RM800m) Bank Islam Senior (RM500m), SunREIT (RM400m) and Sunway Perp (RM200-400m)

Top Traded Corporate Bonds/Sukuk in June 24	Volume (RM mil)	Last Done Yield (%)
PRASARANA IMTN 4.540% 03.03.2042 (Series 7)	240	4.119
PTPTN IMTN 4.220% 28.02.2028	220	3.678
BGSM MGMT IMTN 4.470% 13.08.2027 - Issue No 25	200	3.988
TENAGA IMTN 5.570% 28.06.2047	190	4.280
GENTING RMTN MTN 3653D 25.3.2032 - Tranche 4	181	4.780
IJM TREASURY IMTN 4.400% 21.03.2039 - Series 1 T1	175	4.229
DANAINFRA IMTN 5.230% 18.10.2052	150	4.248
JOHORCORP IMTN 4.540% 06.07.2033	140	4.008
YTL POWER IMTN 4.180% 18.03.2036	135	4.152
YTL CORP MTN 4383D 27.9.2035	125	4.200

Top Corporate/Sukuk Issuance in June 24	Rating	Amount Issued (RM 'm)
PASB IMTN 4.070% 03.06.2039 - Issue No. 42	GG	1,080
HLBANK 4.050% 09.06.2034 (Tranche 5)	AA1	1,000
CIMB 4.310% Perpetual Capital Securities - T7	A1	1,000
CAGAMAS IMTN 4.000% 28.06.2034	AAA	800
AMBANK MTN 2556D 19.6.2031	AA2	800
PASB IMTN 3.980% 04.06.2031 - Issue No. 49	AAA	520
CAGAMAS MTN 3.620% 19.6.2025	AAA	500
PRASARANA IMTN 3.970% 28.06.2034 (Series 18)	GG	500
PRASARANA IMTN 4.060% 28.06.2039 (Series 19)	GG	500
AMBANK MTN 3652D 19.6.2034	AA2	500
DIGI IMTN 3.850% 27.06.2029 - Tranche No 9	AAA	500
DIGI IMTN 3.930% 27.06.2031 - Tranche No 10	AAA	500

Source: BNM, BPAM, HLBB Global Markets Research

## US Bonds Outlook July 2024 – yields likely to trade in a range

	Current @ 09 Jul	Q3 2024	Q4 2024	Q1 2025	Q2 2025
Fed Funds Rate (upper bound)	5.50%	5.50%	5.25%	5.00%	4.75%

UST yields (%)	Current @ 09 Jul	Q3 2024	Q4 2024	Q1 2025	Q2 2025
2Y	4.63%	4.55%	4.40%	4.25%	4.15%
5Y	4.24%	4.25%	4.15%	4.05%	4.00%
10Y	4.30%	4.35%	4.25%	4.15%	4.05%
30Y	4.49%	4.55%	4.50%	4.45%	4.40%

### Key Events for the Month

Date	Event
10 Jul	Powell Semiannual Testimony to House
11 Jul	CPI
12 Jul	PPI
16 Jul	Retail Sales
18 Jul	Beige Book
25 Jul	2Q GDP (A)
26 Jul	PCE Core Deflator
31 Jul	ADP Employment Change (Jul)
31 Jul	FOMC

Source: HLBB Global Markets Research

- Weaker than expected ISM indices, with the services reading particularly poor, and a softer monthly employment report gave a bid tone to the market to start the month, with the 10yr UST yield falling by 10bps to 4.30% from the 4.40% seen at the end of June.
- The FOMC meets on 31 Jul and we expect them to continue to leave rates on hold. Fed Chair Powell, in the first day of his semi-annual testimony to Congress, highlighted that Fed officials are increasingly wary of potential risks to the labour market as they continue to await more evidence that inflation is moderating, but stopped short of offering guidance for the timing of expected interest rate reductions.
- Continued gains in the polls for Republican candidate Donald Trump will likely result in an upward bias in yields, particularly in the longer-dated tenors, as the market views a more inflationary environment under a Trump presidency as opposed to a Biden one.
- **Expect yields to trade in a range for the rest of the month**, as the US economy and inflation continues to show signs of moderating, with the UST curve expected to steepen slightly.

## MYR Bonds Outlook July 2024 – upward bias for yields

	Current @ 09 Jul	Q3 2024	Q4 2024	Q1 2025	Q2 2025
OPR	3.00%	3.00%	3.00%	3.00%	3.00%

MGS yields (%)	Current @ 09 Jul	Q3 2024	Q4 2024	Q1 2025	Q2 2025
3Y	3.49%	3.65%	3.70%	3.75%	3.75%
5Y	3.64%	3.75%	3.80%	3.85%	3.90%
10Y	3.85%	3.95%	4.00%	4.05%	4.05%
20Y	4.11%	4.20%	4.25%	4.25%	4.25%

Source: HLBB Global Markets Research

### Key Events for the Month

Date	Event
11 Jul	BNM MPC
12 Jul	Industrial Production
18 Jul	Trade Balance & Exports
19 Jul	2Q GDP (A)
24 Jul	CPI

- We continue to foresee an unchanged OPR for the next BNM MPC meeting on Jul 11, and for the remainder of 2024. Data that we have got so far suggests that 2Q growth domestically should be on the strong side. Inflation rose in May to 2.0% y/y after printing at 1.8% y/y for the previous 3 months, and June’s CPI print will provide more clues as to whether there has been a broader adjustment of prices in response to the diesel subsidy rationalization which took place on June 10.
- In terms of supply, three auctions are scheduled for this month (5yr MGS reopening, 10yr GII reopening and 15yr MGS reopening) after the three we had in June. The supply dynamics remain favorable with net supply to be minimal for the month with the upcoming maturity of RM11bn of the MGS 7/24, so the auctions are likely to witness some of that money being put back to work.
- **Government bonds yields are expected to trade with an upward bias for the remainder of the month**, on the strong growth picture and rising inflationary risks domestically. Continued solid demand seen in Corporates/Sukuks is expected to keep credit spreads supported.

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