

# Monthly Fixed Income Market Outlook

Global Markets  
September 2024

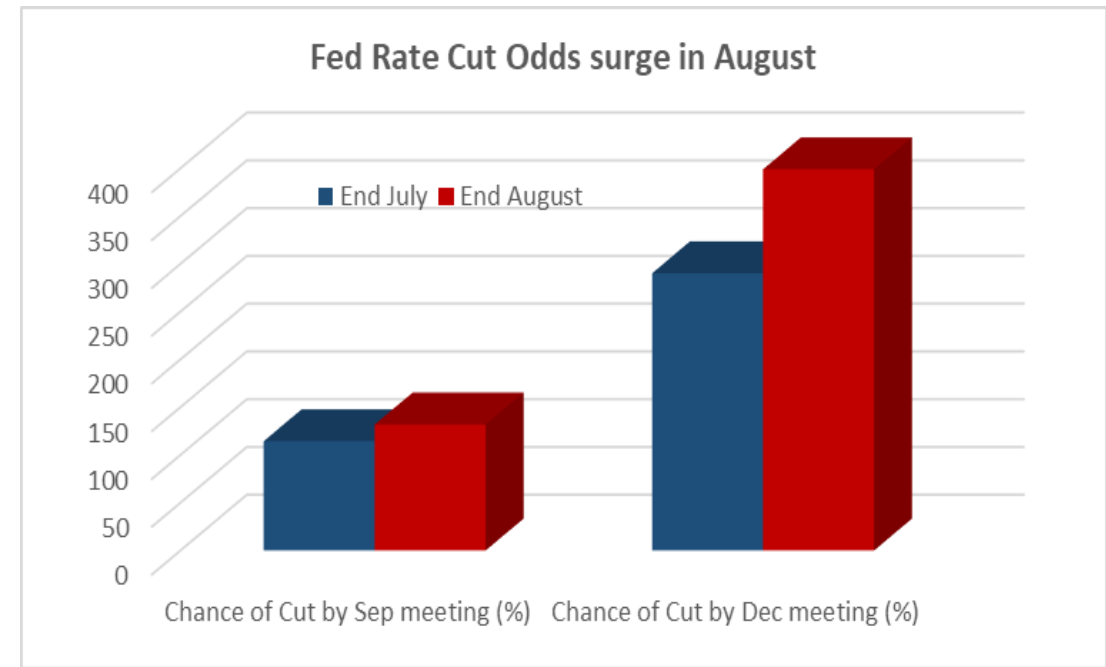
# August 2024 US Bond Market Review



Source: Bloomberg, HLBB Global Markets Research

- UST yields plunged in August, declining for a fourth consecutive month, with the front end of the yield curve (1Y – 2Y) seeing the largest yield declines.
- The lower yields were driven by the weaker than expected monthly employment report for July, which saw less than expected jobs being added for the month, and an unexpected rise in the unemployment rate to 4.3% from 4.1% the month before. This led to fears of a more pronounced slowdown in the US economy, and sent equity markets into a tailspin, and created a flight to quality bid into USTs. The markets then calmed down later in the month on a solid retail sales report and declining initial jobless claims, with equity markets recovering losses.
- UST curve bull steepened for the month:
  - 2yr yield declined by 34bps to 3.92%
  - 10yr yield declined by 13bps to 3.90%

## Fed Rate Cut Odds surge in August



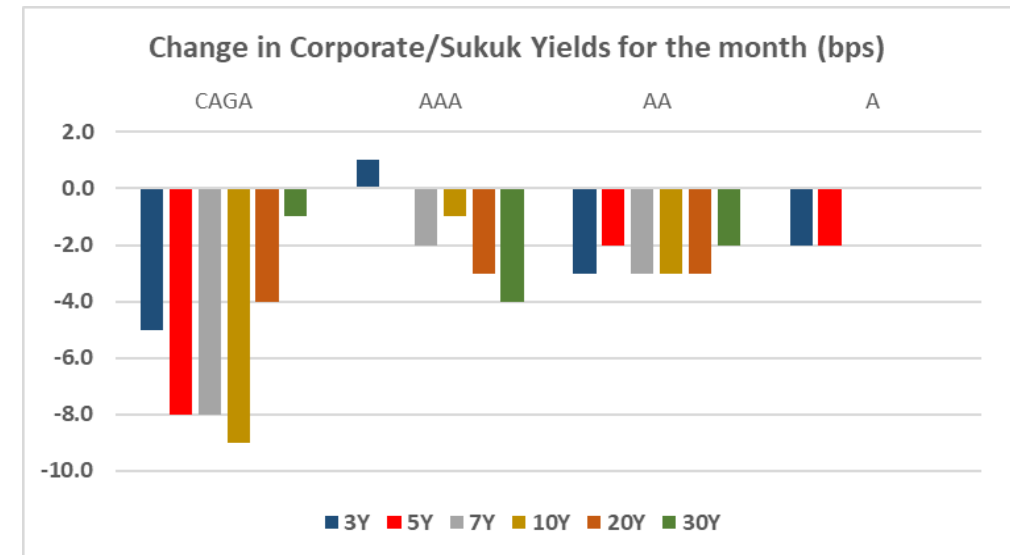
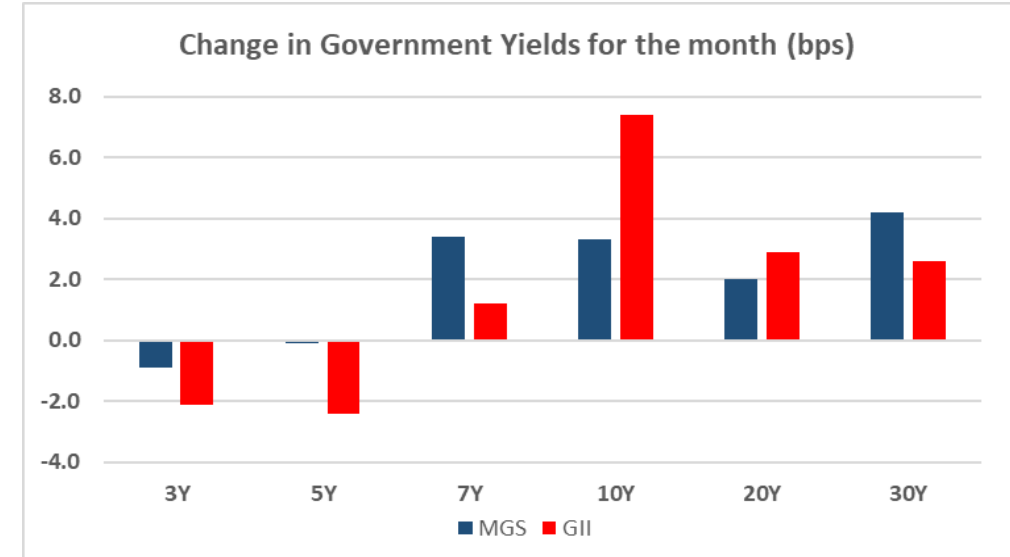
- The softer than expected jobs report and rout in equities sent the pricing of rate cuts surging, with more than five 25bps cuts by the Fed in 2024 priced into the futures markets at one juncture, before settling down as equity markets recovered. By the end of August, futures markets were pricing in 100bps of cuts by the Fed in 2024 versus the 73bps priced as at the end of July:
  - Chance of a cut by September increased to 131.9% (from 114.4%)
  - Chance of a cut by December increased to 399.0% (from 290.2%)
- Fed Chairman Jerome Powell, during his keynote speech at the Jackson Hole symposium, confirmed that Fed would begin cutting rates at its coming FOMC policy meeting, mentioning that “the time has come for policy to adjust”, but was notably silent about the size of the intended reduction.

# August 2024 MYR Bond Market Review



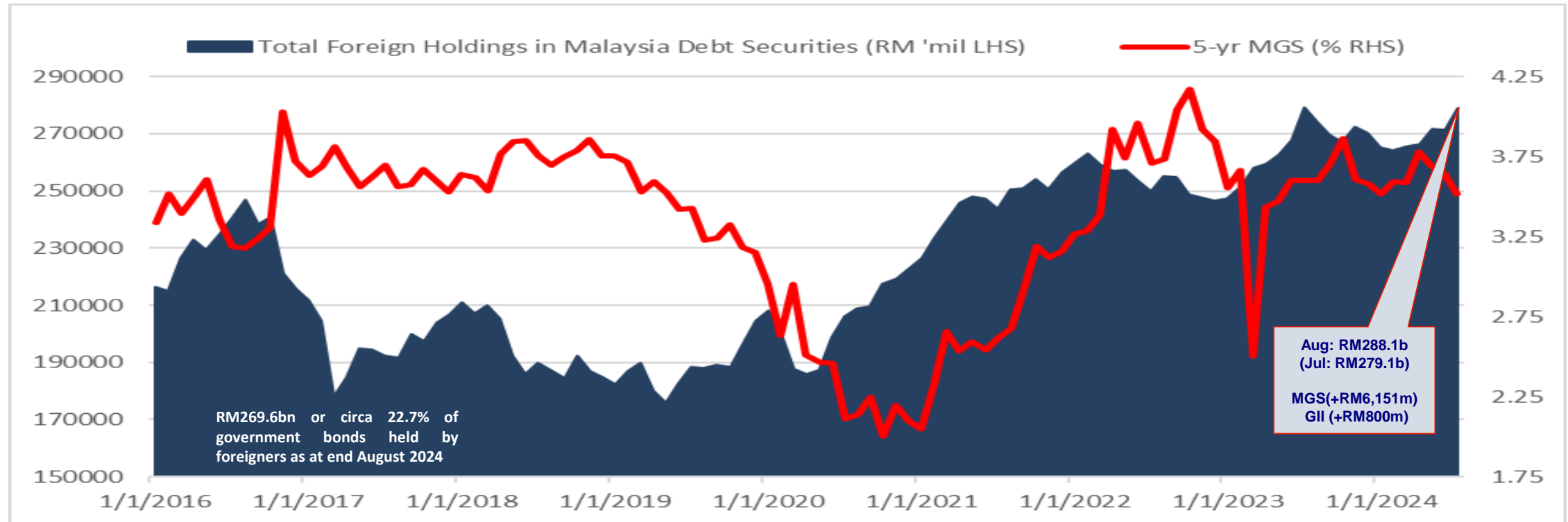
Source: Bloomberg, HLBB Global Markets Research

- MYR government bonds were mixed in August, with shorter dated maturities registering marginal gains, while longer end bonds were weaker amidst 2Q GDP being revised higher from its advanced estimate and July inflation holding steady at 2.0% y/y, defying expectation for a rise. Yields ended mixed between -2 and +7 bps, with the 5Y GII being the best performing sector for the month.
- With the gains seen in shorter dated maturities, the government curves were consequentially steeper for the month. GII generally outperformed MGS, except for in the 10yr and 20yr maturities.
- Corporate bonds were better bid for the month, with the CAGA segment of the market performing the best, while the lower grade space registered marginal gains.



Source: BPAM, HLBB Global Markets Research

## Offshore foreign holdings continued to rise in August, driven by increase in MGS holdings



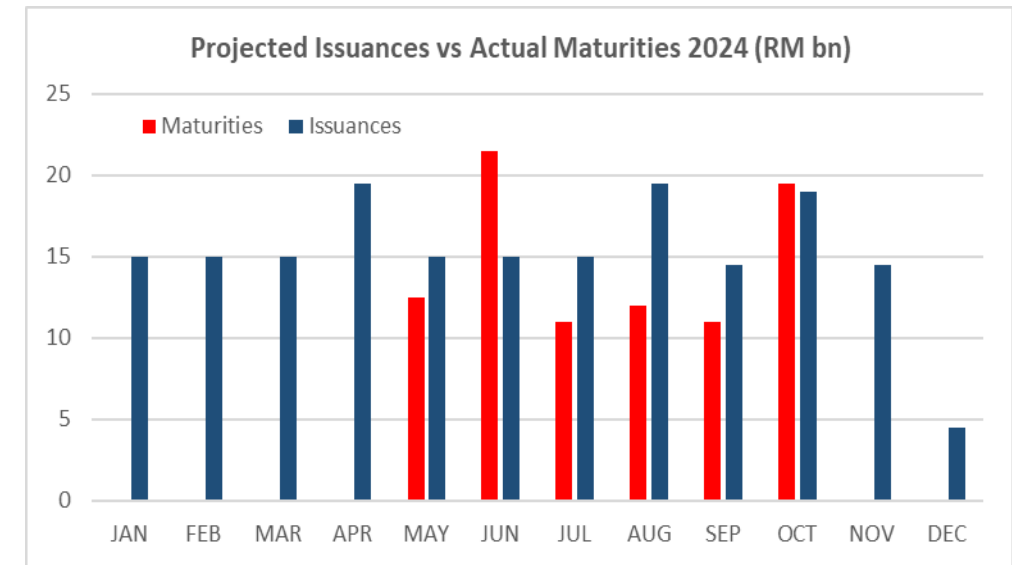
Source: BNM, Bloomberg, HLBB Global Markets Research

- Offshore foreign holdings of Malaysian debt securities continued its recent uptrend, rising by RM9.0bn in August to RM288.1bn, from RM279.1bn in July
- Increases seen across most asset classes led by holdings of MGS, which rose by RM6.1bn
- Other increases in holdings seen include in Sukuks (+RM0.9bn), GII (+RM0.8bn), Islamic Bills (+RM0.7bn) and MTB (+RM0.6bn), while holdings of Corporate bonds (-RM0.2bn) declined for the month

# RM19.5b of gross MGS/GII issuance in August; RM14.5b expected in September

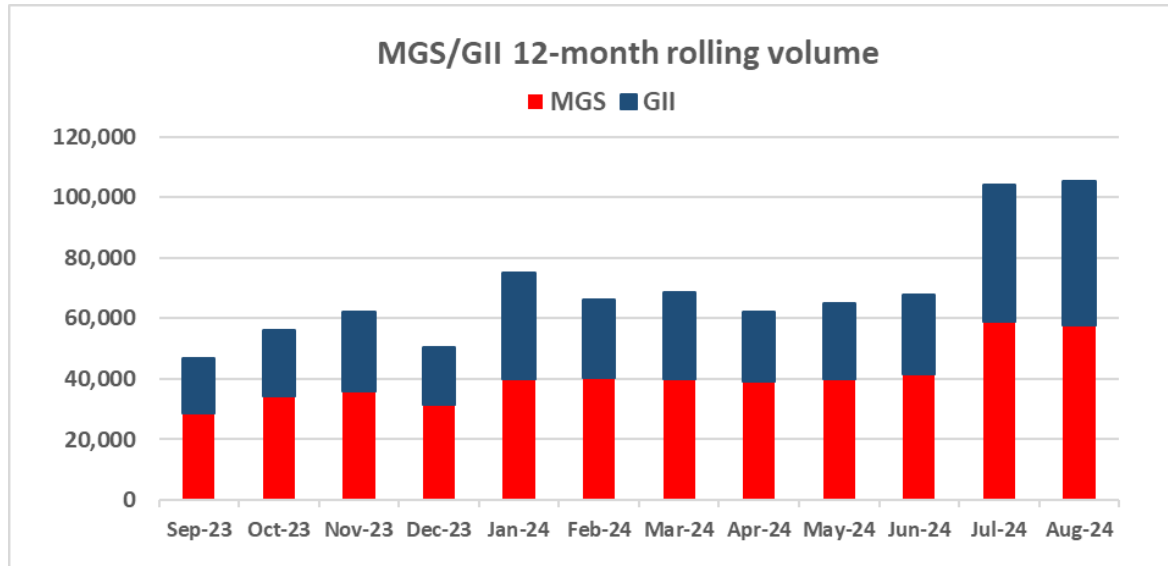
MGS/GII issuance pipeline in 2024														
No	Stock	Tenure (yrs)	Tender Month	Quarter	Tender Date	Projected Issuance Size (RM mil)	Actual Auction Issuance (RM mil)	Actual Private Placement	Total Issuance YTD	BTC (times)	Low	Average	High	Cut-off
1	10-yr Reopening of MGII 8/33	10	Jan	Q1	5/1/2024	5,000	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	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		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	110,000	24,000	-	PROJECTED TOTAL ISSUANCE = RM180b				

- Gross issuance of RM19.5bn in August – an issuance of RM5.5bn, two issuances of RM5bn each (inclusive of one auction with a private placement of RM2.0b) and RM4bn
- Slightly weaker auctions overall in August with average BTC of 2.47x, (Jul: 2.49x), dragged down by 30Y MGS reopening, which recorded a poor BTC of 1.952x despite the small size.
- For September, gross issuance likely totaling RM14.5b from the three scheduled auctions for the month
- Net issuance remains modest, with bond maturities continuing in Sep with RM11.0b of the MGS 9/25 maturing, with more maturities set for the following month as well at RM19.5bn



Source: Bloomberg, BNM, HLBB Global Markets Research

## MGS/GII trading Volume remained elevated in August; expected to ebb in September



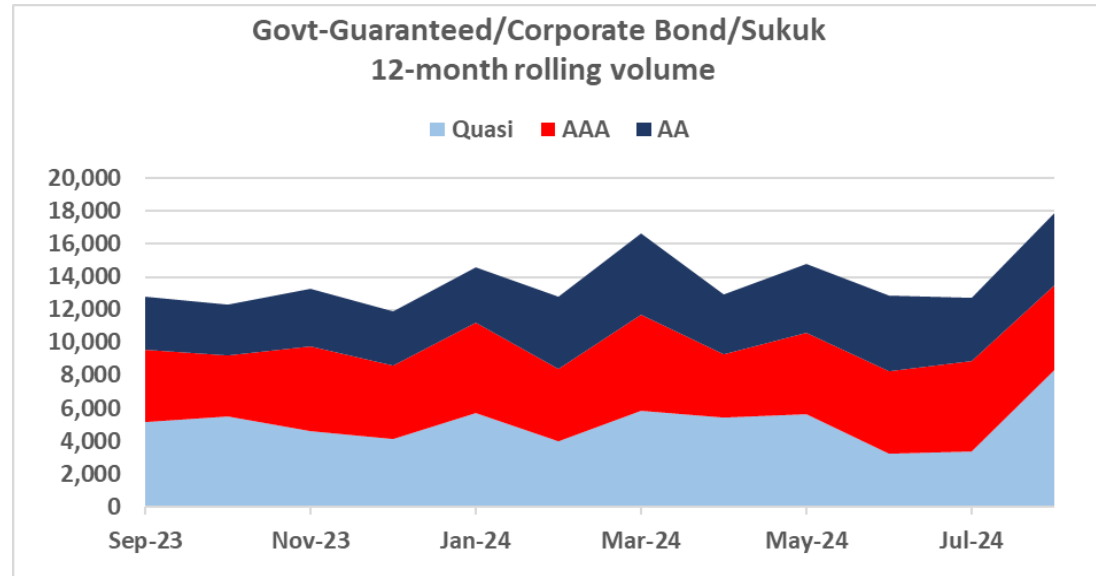
- Secondary trading in MGS/GII inched higher to RM105.2bn in August (July: RM104.1bn), driven by an increase in GII trading
- The benchmark 5Y MGS 8/29 and off-the-run GII 10/24 led trading for the month in the MGS and GII markets respectively
- Notable trading interest was also seen in the benchmark 3Y GII, 7Y MGS, as well as in the off-the-run MGS 3/25, MGS 4/30 and MGS 11/33

Top Traded MGS in August 24	Volume (RM 'mil)
MGS 8/29 (5Y)	6,157.0
MGS 11/33	5,641.4
MGS 4/31 (7Y)	5,074.6
MGS 4/30	4,923.0
MGS 3/25	4,799.6
MGS 9/24	3,690.0
MGS 5/27 (3Y)	3,446.7
MGS 7/26	3,338.6
MGS 9/25	3,310.1
MGS 7/34 (10Y)	2,220.7

Top Traded GII in August 24	Volume (RM 'mil)
GII 10/24	8,035.4
GII 9/26 (3Y)	4,641.5
GII 10/32	3,743.1
GII 10/31 (7Y)	3,210.8
GII 8/33	2,570.3
GII 7/29 (5Y)	2,524.2
GII 11/34 (10Y)	2,176.9
GII 9/30	1,927.4
GII 9/39 (15Y)	1,896.6
GII 10/25	1,892.4

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

## Corporate/Sukuk secondary trading volumes surged in Aug; new issuance plunged



- Trading in Corps/Sukuk surged higher to RM17.9bn in August (July: RM12.7bn), driven by a huge increase in trading of GG paper
- New issuances for the month plunged to RM7.4bn in August (July: RM16.4bn), with issuances seen from DANUM, YTL Power, Air Selangor and Sunway Treasury; we expect issuance in the corporate space to pick up in September
- Sizeable issues in the pipeline this month include possible issuance from SK Nexilis (RM1.4bn), Johor Plantation (RM1.3bn), UEM Olive (RM0.6bn), CIMB Group (RM1.0bn), RHB (RM0.8bn) and Ambank and AmIslamic (RM0.6bn)

Top Traded Corporate Bonds/Sukuk in August 24	Volume (RM mil)	Last Done Yield (%)
LPPSA IMTN 4.580% 11.04.2039 - Tranche No 31	320	3.976
PTPTN IMTN 4.110% 07.03.2039 (Series 15)	320	3.999
DANAINFRA IMTN 4.950% 06.04.2040 - Tranche No 35	240	3.994
LPPSA IMTN 4.620% 19.09.2036 - Tranche No 5	220	3.904
AIBB IMTN7 SENIOR SUKUK MURABAAH	195	3.809
DANAINFRA IMTN 5.040% 12.11.2040 - Tranche No 41	190	4.039
DANAINFRA IMTN 4.760% 02.05.2036 - Tranche No 46	175	3.900
PRASARANA IMTN 4.930% 28.12.2032 - Series 3	170	3.823
DANAINFRA IMTN 4.300% 31.03.2034 - Tranche No 87	160	3.848
SEB IMTN 4.950% 25.11.2033	160	3.888

Top Corporate/Sukuk Issuance in August 24	Rating	Amount Issued (RM 'm)
DANUM IMTN 3.870% 08.08.2034 - Tranche 16	AAA	1,000
YTL POWER IMTN 4.195% 26.08.2039	AA1	600
CAGAMAS IMTN 3.500% 29.08.2025	AAA	440
STSSB IMTN Rated Tranche 24 Series 1 16.08.2029	AA3	400
STSSB IMTN Rated Tranche 24 Series 2 15.08.2031	AA3	400
AIR SELANGOR IMTN T7S3 SRI 4.20% 19.08.2044	AAA	400
YTL POWER IMTN 4.005% 26.08.2031	AA1	400
HPPSB MTN 1826D 15.8.2029	NR	350
AIR SELANGOR IMTN T7S4 SRI 4.26% 19.08.2049	AAA	350
CAGAMAS MTN 3.580% 28.8.2026	AAA	300
AVALAND IMTN 07.08.2029	AA3	300

Source: BNM, BPAM, HLBB Global Markets Research

## US Bonds Outlook Sept 2024 –yields to correct higher from here; curve to flatten slightly

	Current @ 10 Sep	Q3 2024	Q4 2024	Q1 2025	Q2 2025
Fed Funds Rate (upper bound)	5.50%	5.25%	4.75%	4.50%	4.25%

UST yields (%)	Current @ 10 Sep	Q3 2024	Q4 2024	Q1 2025	Q2 2025
2Y	3.59%	3.80%	3.75%	3.70%	3.65%
5Y	3.42%	3.60%	3.55%	3.55%	3.50%
10Y	3.64%	3.80%	3.80%	3.75%	3.75%
30Y	3.96%	4.10%	4.10%	4.05%	4.05%

Source: HLBB Global Markets Research

- A weaker than expected JOLTS jobs openings report, which plunged to the lowest since Jan 2021 sent yields lower at the start of the month, with the 10yr UST declining a further 26bps to 3.64% since end-August. The monthly US jobs report for August came in softer than expected but probably not weak enough to justify a 50bps reduction by the FOMC meeting come 18 Sep. The ISM Services reading inched higher, and suggests that the engine of the US economy remains firm, but the latest Fed Beige Book provided some cause for concern with most of the regions reporting flat or declining economic activity.
- The widely anticipated rate reduction cycle by the FOMC is likely to kick off with a 25bps rate reduction on 18 Sep, and it is difficult to see them committing to a more aggressive pace of rate cuts during that meeting given the data that we currently have. The Fed dot plot is likely to move back to signaling 3 cuts in 2024, from the solitary cut indicated in their last dot plot in June.
- **Expect yields to correct higher for the remainder of the month**, given the dichotomy between what the FOMC is likely to do and say at the FOMC, versus the aggressive Fed cuts presently built into the futures market (4.42 cuts of 25bps in the three remaining meetings for the year). The curve is likely to reverse some of the recent steepening in this scenario.

### Key Events for the Month

Date	Event
11 Sep	CPI
17 Sep	Retail Sales
18 Sep	FOMC Meeting
26 Sep	2Q GDP (T)
27 Sep	Core PCE Deflator



## MYR Bonds Outlook Sept 2024 – looking a little rich

	Current @ 10 Sep	Q3 2024	Q4 2024	Q1 2025	Q2 2025
OPR	3.00%	3.00%	3.00%	3.00%	3.00%

MGS yields (%)	Current @ 10 Sep	Q3 2024	Q4 2024	Q1 2025	Q2 2025
3Y	3.34%	3.40%	3.45%	3.50%	3.50%
5Y	3.49%	3.55%	3.60%	3.65%	3.70%
10Y	3.75%	3.80%	3.85%	3.90%	3.95%
20Y	4.04%	4.05%	4.08%	4.10%	4.15%

Source: HLBB Global Markets Research

- BNM MPC maintained both rates and their neutral tone on Sep 05 as widely expected. We continue to expect BNM to remain on hold for the rest of 2024, and for the first half of 2025 too. Recent economic data continues to paint a positive picture and the strong growth momentum from 2Q appears to have continued into 3Q thus far. We expect full year 2024 growth to come in at 5.4%, above the official 4.0 - 5.0% government estimate.
- Yields have edged slightly lower from month end levels, as the global government bond backdrop has remained constructive. In terms of supply, three auctions are scheduled for this month (20Y GII reopening, 7Y MGS reopening and 30Y MGS reopening) with two of them involving the usual private placements. Supply dynamics continue to remain favorable with net supply to be minimal for the month with the scheduled maturity of RM11bn of the MGS 9/24.
- **Government bonds yields are expected to inch higher for the remainder of the month.** Bonds look a little rich at these levels, taking into account the solid domestic growth numbers. Inflation has held steady in recent months versus expectations of an increase, but price pressures are likely to rise with the solid domestic demand and continued removal of subsidies (beginning with the diesel subsidy regularization for East Malaysia), although the absence of a regularization of RON95 petrol subsidies is likely to keep CPI in the low end of the 2.0% handle. Ongoing firm demand seen in Corporates/Sukuks should keep credit spreads supported at these tight levels.

### Key Events for the Month

Date	Event
19 Sep	Trade Balance & Exports
23 Sep	CPI

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