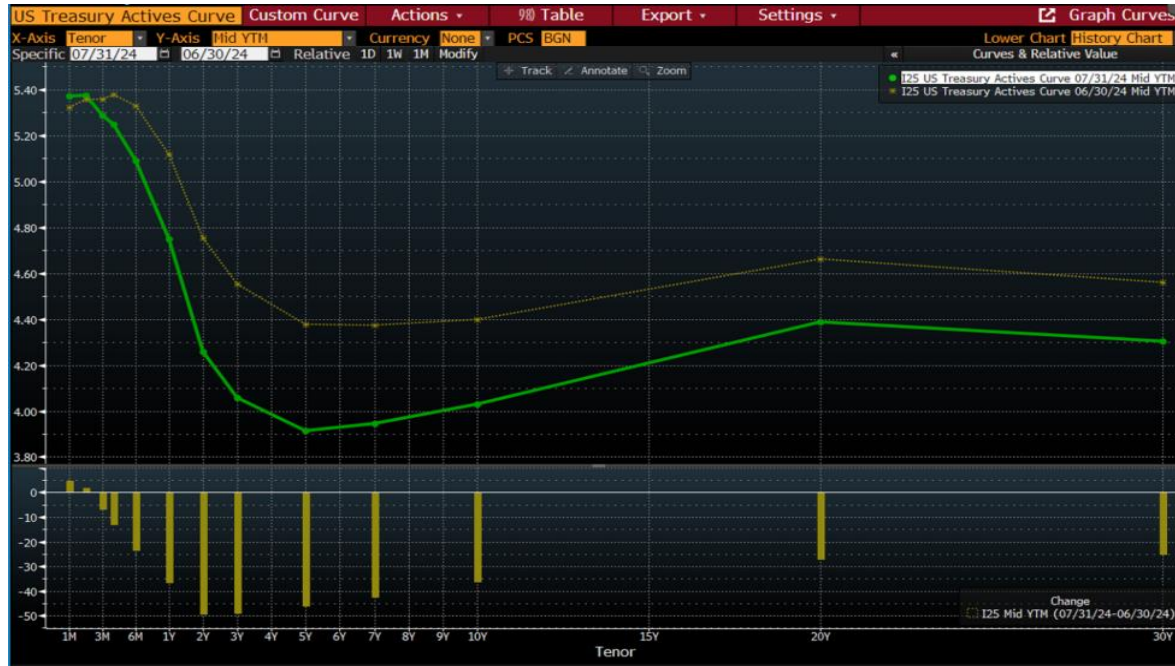


Monthly Fixed Income Market Outlook

Global Markets

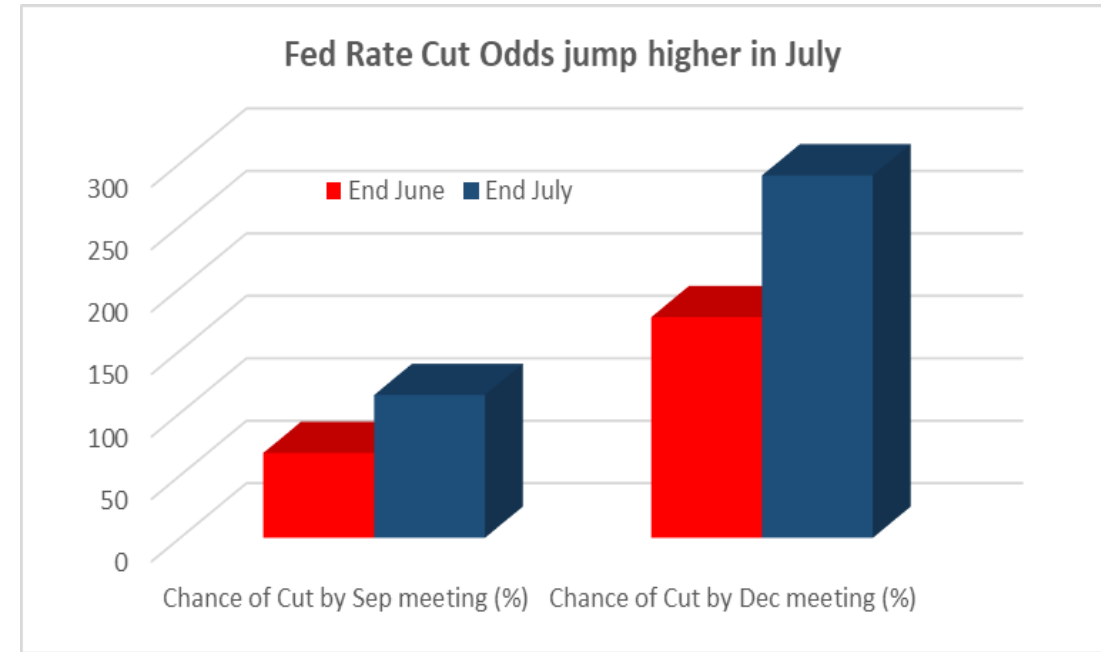
August 2024

July 2024 US Bond Market Review



Source: Bloomberg, HLBB Global Markets Research

- UST yields were substantially lower in June for a third month on the trot of yields heading south, with the shorter end of the curve (2Y – 3Y) seeing the most pronounced yield declines.
- The lower yields were driven initially by the softer than expected June CPI prints amidst a mixed bag of economic data. The monthly employment report and retail sales both came in ahead of expectation but the ISM Services index fell more than anticipated, unexpectedly showing a contraction for the month leading to fears of a more pronounced slowdown in the US economy
- UST curve bull steepened for the month:
 - 2yr yield down 50bps to 4.26%
 - 10yr yield down 37bps to 4.03%



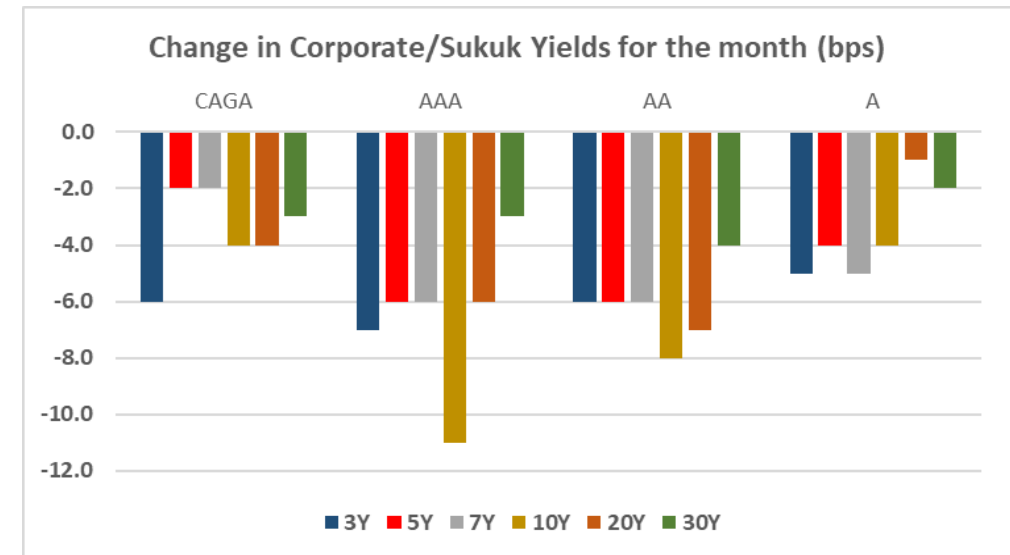
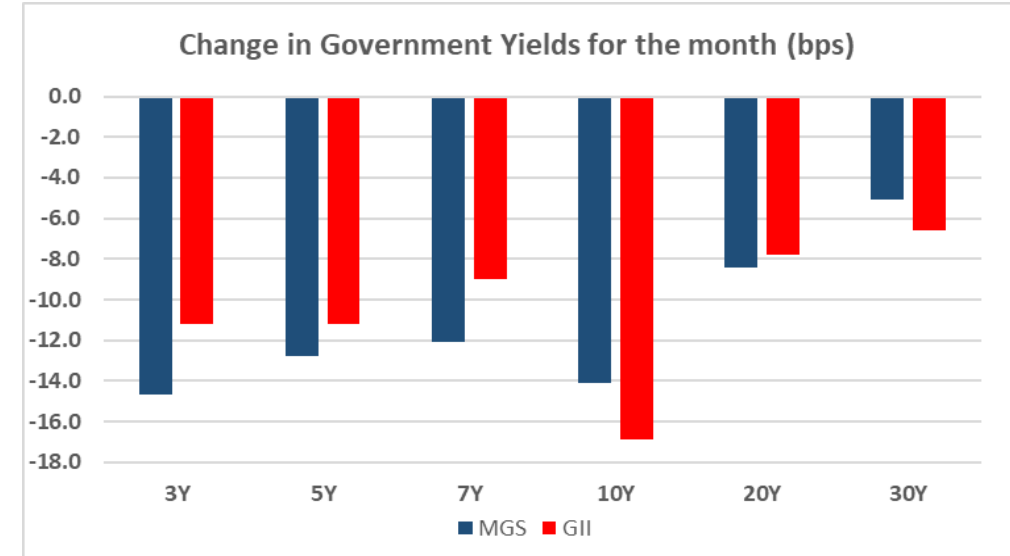
- The softer than anticipated inflation data prompted the pricing of more rate cuts for 2024 as a whole as at end July, with the market pricing in 73bps of cuts by the Fed versus the 44bps priced as at the end of June
 - Chance of a cut by September increased to 114.4% (from 68.0%)
 - Chance of a cut by December increased to 290.2% (from 176.7%)
- The July 31 FOMC meeting saw the Fed stand pat on policy, whilst re-iterating Fed Chair Powell’s message during his semi-annual testimony to Congress, that the risk to the Fed’s dual mandate are now more finely balanced, with concerns on the labour market now joining inflation on the Fed’s radar, in what was seen as a signal that rate cuts are now on the horizon.

July 2024 MYR Bond Market Review



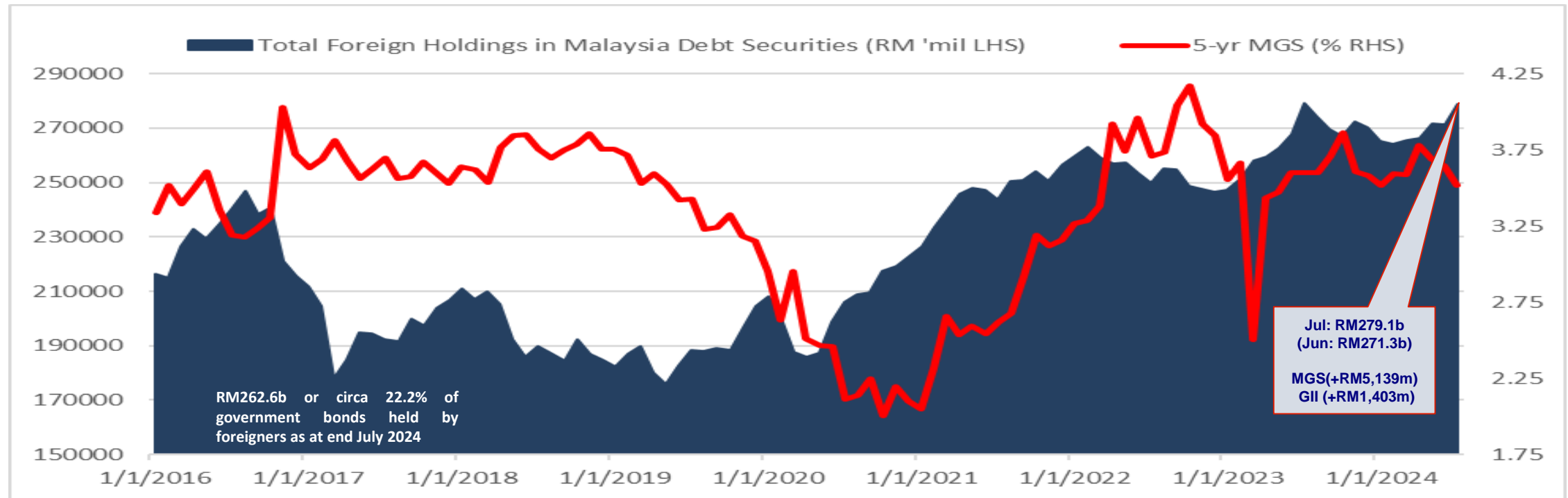
Source: Bloomberg, HLBB Global Markets Research

- MYR government bonds traded higher in July, driven by the bullish backdrop of global government bond markets, as BNM maintained rates and its neutral tone at the Jul 11 MPC. Yields ended lower across the curve by between 5-17 bps, with the 10Y GII being the best performing sector for the month.
- The government curves were generally steeper for the month, with the shorter dated maturities outperforming the longer end of the maturity spectrum. MGS generally outperformed GII for maturities up to 7Y, but GII did slightly better in the longer dated segment of the market.
- Corporate bonds were better bid too for the month, with the yield declines most pronounced in the high grade (AAA and AA) space.



Source: BPAM, HLBB Global Markets Research

Offshore foreign holdings rose in July by the most in a year, driven by increase in MGS



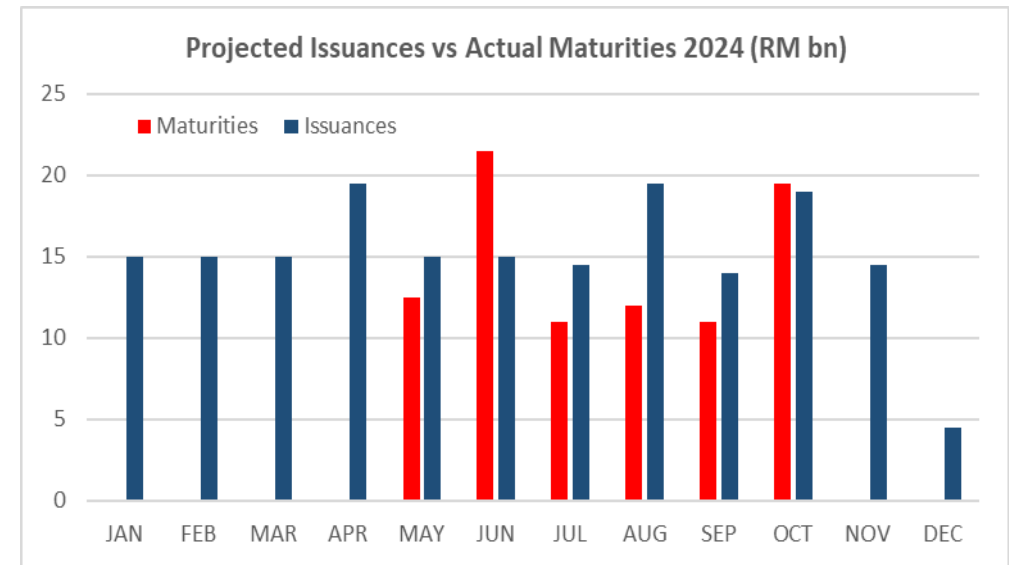
Source: BNM, Bloomberg, HLBB Global Markets Research

- Offshore foreign holdings of Malaysian debt securities rose in July by the most in a year, climbing by RM7.8b to RM279.1b, from RM271.3b in June
- Increases seen across all the different asset classes led by holdings of MGS, which rose by RM5.1bn and holdings of GII, which climbed by RM1.4bn
- Other notable increases include in Islamic Bills (+RM0.4bn), Corporates (+RM0.4bn) and Sukuk (+RM0.4bn)

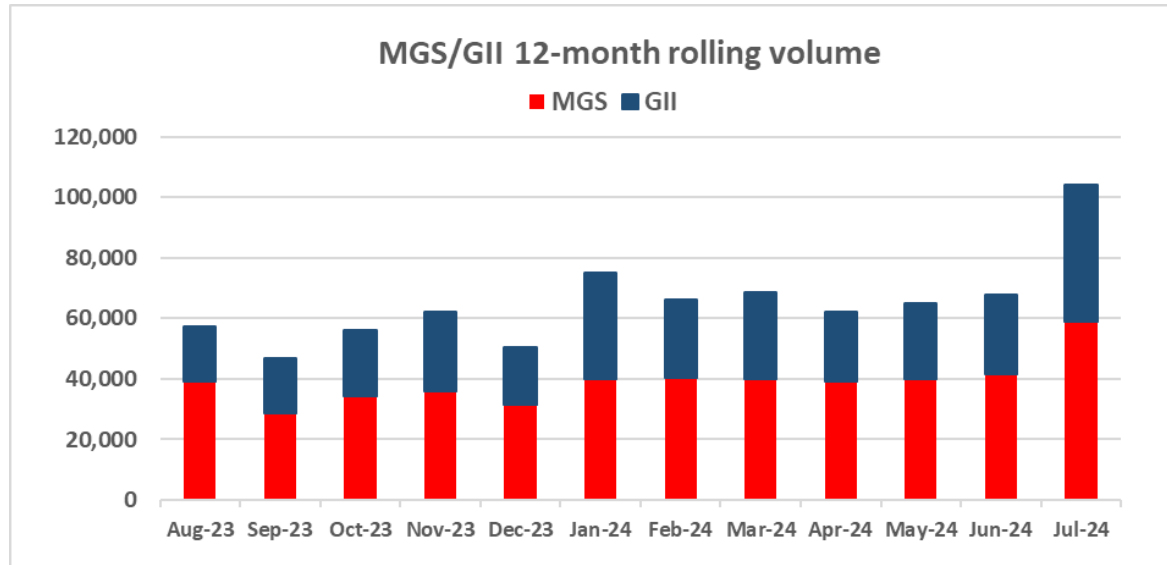
RM15.0b of gross MGS/GII issuance in July; RM19.5b expected in August

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		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						177,500	94,500	20,000	-	PROJECTED TOTAL ISSUANCE = RM180b				

- Gross issuance of RM15.0b in July – three issuances of RM5bn each (inclusive of one auction with a private placement of RM2.0b)
- Slightly better received auctions overall in July with average BTC of 2.49x, (Jun: 2.40x), buoyed by a strong benchmark 15Y MGS reopening, which recorded a solid BTC above 3x.
- For August, gross issuance likely totaling RM19.5b from the four scheduled auctions in the month
- Net issuance remains modest, with bond maturities continuing in Aug with RM12.0b of the GII 8/24 maturing, with more maturities scheduled in September and October as well



MGS/GII Trading Volume surged higher in July; expected to remain high in August



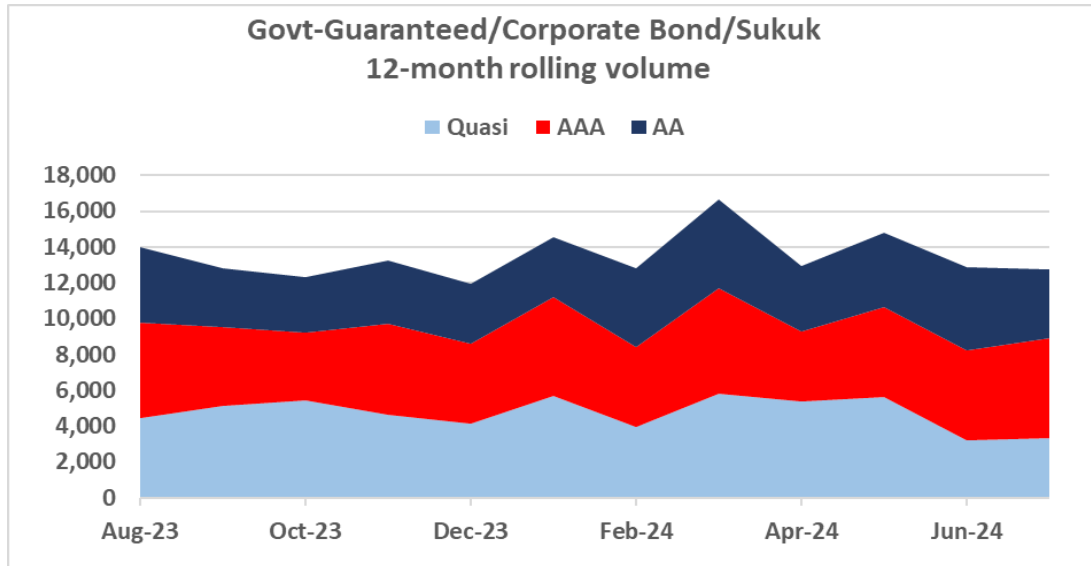
- Secondary trading in MGS/GII surged higher to RM104.1bn in July (June: RM67.9bn), with both MGS and GII seeing substantially higher volumes than the month before
- The benchmark 10Y MGS 11/33 and benchmark 3Y GII 9/26 led trading for the month in the MGS and GII markets respectively
- Notable trading interest also seen in the benchmark 3Y MGS, 5Y MGS and 7Y MGS, as well as in the off-the-run MGS 9/24 and GII 8/33.

Top Traded MGS in July 24	Volume (RM 'mil)
MGS 11/33 (10Y)	7,939.3
MGS 8/29 (5Y)	7,328.5
MGS 5/27 (3Y)	5,311.5
MGS 9/24	5,078.8
MGS 4/31 (7Y)	4,089.8
MGS 9/25	3,284.8
MGS 4/39 (15Y)	2,411.1
MGS 11/27	1,928.9
MGS 7/26	1,828.8
MGS 4/30	1,646.4

Top Traded GII in July 24	Volume (RM 'mil)
GII 9/26 (3Y)	4,550.2
GII 8/33	4,081.6
GII 11/34 (10Y)	3,410.6
GII 10/25	3,124.1
GII 9/30	3,068.1
GII 10/32	2,764.0
GII 8/43 (20Y)	2,557.0
GII 7/28 (5Y)	2,504.9
GII 9/39 (15Y)	2,142.6
GII 7/29	2,108.8

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

Corporate/Sukuk secondary trading volumes inched lower in July; new issuance surged



- Trading in Corps/Sukuk ebbed slightly to RM12.7b in July (June: RM12.9b), driven by a plunge in the trading of AA-rated paper
- New issuances for the month surged further to RM16.4b in July (June: RM11.7b), with DANA, SVSB, Benih Restu and MCEMENT coming to the market amidst issuances by a few Islamic financial names; we expect issuance in the corporate space to recede slightly in August
- Sizeable issues in the pipeline this month include a possible PHB (RM1.5bn), AIRSEL (RM1.2bn), DANUM (RM1.0bn) and Sunway Treasury (RM300m)

Top Traded Corporate Bonds/Sukuk in July 24	Volume (RM mil)	Last Done Yield (%)
ALR IMTN TRANCHE 12 12.10.2035	400	4.230
LPPSA IMTN 4.580% 11.04.2039 - Tranche No 31	345	3.981
YTL POWER IMTN 4.180% 18.03.2036	261	4.079
LPPSA IMTN 4.040% 18.04.2040 - Tranche No 82	210	4.049
LPPSA IMTN 4.250% 06.07.2039 - Tranche No 77	200	3.969
CAGAMAS IMTN 3.970% 05.10.2026	160	3.692
ALR IMTN TRANCHE 11 13.10.2034	160	4.169
PASB IMTN 4.560% 31.01.2030 - Issue No. 43	155	3.869
CAGAMAS MTN 4.200% 31.5.2033	150	3.933
PLUS BERHAD IMTN 4.640% 10.01.2025 -Sukuk PLUS T3	150	3.584

Top Corporate/Sukuk Issuance in July 24	Rating	Amount Issued (RM 'm)
CIMBI IMTN 4.070% 30.07.2035 - Series 4 Tranche 3	AAA	2,175
SVSB MTN 368D 14.7.2025 (Tranche 1)	NR	1,850
PBB Tranche 2 Sub-Notes 4.00% 25.07.2034	AA1	1,500
BENIH RESTU IMTN 28.07.2034	AA2	1,200
DANAINFRA IMTN 4.060% 15.07.2039 - Tranche No 143	GG	900
CIMBI IMTN 4.000% 30.07.2032 - Series 4 Tranche 2	AAA	700
ISLAM IMTN 4.130% 15.07.2031 (Tranche 6 Series 2)	AA3	600
MALAYAN CEMENT IMTN 4.120% 02.07.2027	AA3	500
MALAYAN CEMENT IMTN 4.240% 03.07.2029	AA3	500
DANAINFRA IMTN 4.280% 16.07.2054 - Tranche No 146	GG	450

Source: BNM, BPAM, HLBB Global Markets Research

US Bonds Outlook August 2024 – mild upward bias in yields; curve to steepen further

	Current @ 13 Aug	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 @ 13 Aug	Q3 2024	Q4 2024	Q1 2025	Q2 2025
2Y	3.94%	4.00%	3.90%	3.80%	3.70%
5Y	3.68%	3.80%	3.75%	3.70%	3.65%
10Y	3.85%	3.95%	3.90%	3.85%	3.80%
30Y	4.16%	4.25%	4.20%	4.15%	4.10%

Source: HLBB Global Markets Research

- A weaker than expected ISM manufacturing reading and a poor monthly jobs report at the start of the month saw yields plunge lower amidst tumbling equity markets, with the 10yr UST yield trading as low as 3.79% from the 4.03% seen at the end of July, and the market pricing in more than 5 cuts in 2024 at one juncture. Some calm was restored after the ISM Services and weekly jobless claims printed better than expected, but the market remains on edge as the geopolitical situation in the Middle East deteriorated over the past month.
- The Democrats appear to have momentum behind them as we draw closer to the November elections, with the latest polls showing vice President Kamala Harris building up a slender lead over Republican candidate Donald Trump in a few key battleground states.
- **Expect yields to trade with a mild upward bias for the rest of the month**, as the market continues to regularize from the aggressive Fed cuts built into the futures market at the start of the month. The curve should trade with a steepening bias as we edge closer to the September FOMC and the start of the Fed easing cycle.

Key Events for the Month

Date	Event
14 Aug	CPI
15 Aug	Retail Sales
21 Aug	FOMC Meeting Minutes
29 Aug	2Q GDP (S)
30 Aug	PCE Core Deflator

MYR Bonds Outlook August 2024 – a correction looms

	Current @ 13 Aug	Q3 2024	Q4 2024	Q1 2025	Q2 2025
OPR	3.00%	3.00%	3.00%	3.00%	3.00%

MGS yields (%)	Current @ 13 Aug	Q3 2024	Q4 2024	Q1 2025	Q2 2025
3Y	3.33%	3.40%	3.45%	3.50%	3.50%
5Y	3.49%	3.55%	3.60%	3.65%	3.70%
10Y	3.78%	3.80%	3.85%	3.90%	3.95%
20Y	4.04%	4.05%	4.08%	4.10%	4.15%

Source: HLBB Global Markets Research

Key Events for the Month

Date	Event
16 Aug	2Q GDP (F)
19 Aug	Trade Balance & Exports
22 Aug	CPI

- We continue to expect BNM to remain on hold for the rest of 2024. June data indicates that 2Q GDP could match the higher than expected flash estimate that we saw last month. Inflation held steady in June at 2.0% y/y after rising in May, and July's CPI print will provide a clearer picture as to whether a broader adjustment of prices resulted from the diesel subsidy rationalization on June 10.
- In terms of supply, four auctions are scheduled for this month (7Y GII reopening, 30Y MGS reopening, 5Y GII reopening and 10Y MGS reopening) with the last two involving changing of benchmarks. The supply dynamics remain favorable with net supply to be minimal for the month with the upcoming maturity of RM12bn of the GII 8/24.
- **Government bonds yields are expected to stage a correction for the remainder of the month**, after the strong rally seen over the past month and a bit. Bonds look stretched at these levels, especially in the front end of the maturity spectrum, considering the stronger than expected growth data domestically and a labour market that continues to remain healthy. Inflation risks persist, with the expected further reduction of subsidies (RON 95) to be undertaken likely before the public sector wage rises takes effect. Continued solid demand seen in Corporates/Sukuks and expected reduced supply this month should keep credit spreads supported.

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