

Monthly Fixed Income Market Outlook

Global Markets

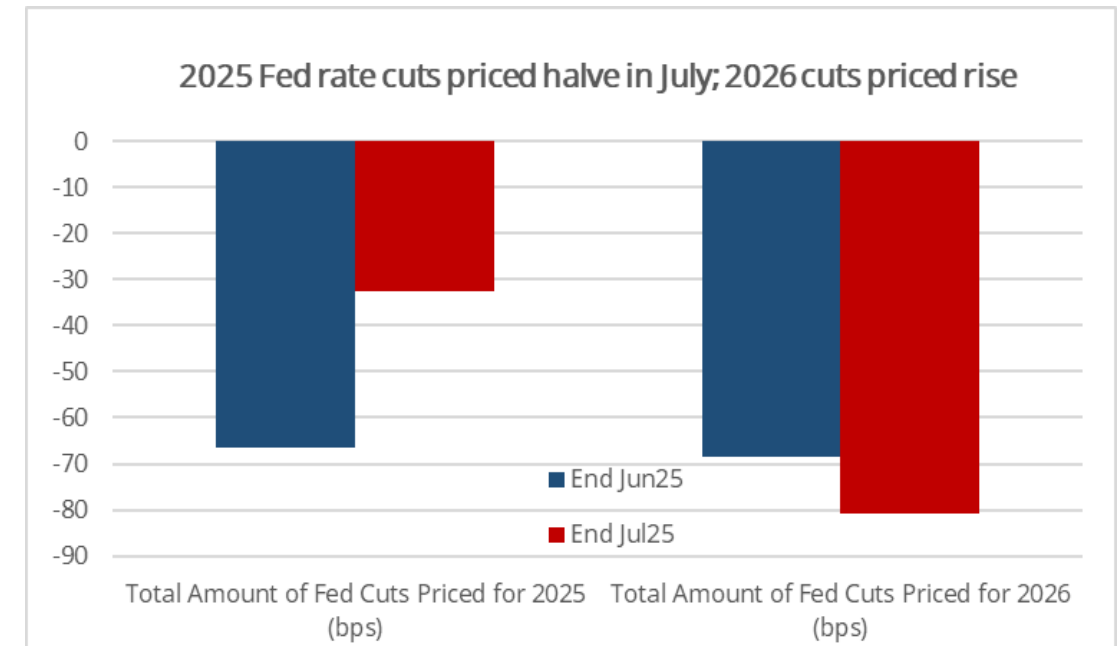
August 2025

July 2025 US Bond Market Review



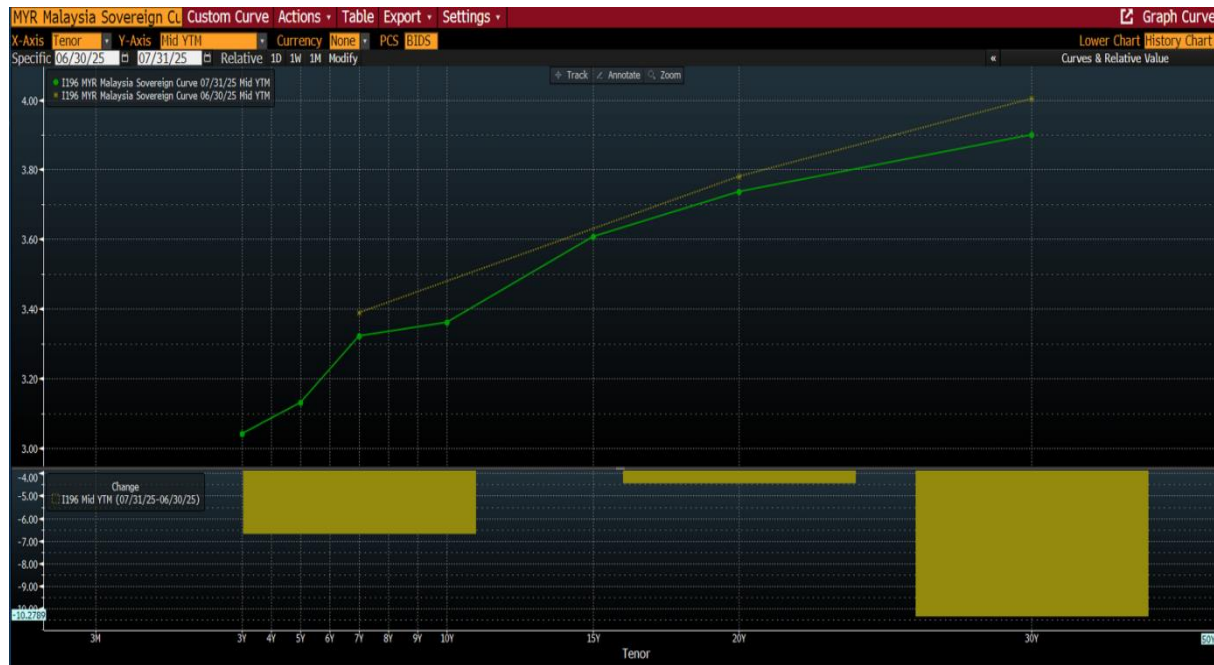
Source: Bloomberg, HLBB Global Markets Research

- USTs were softer across the curve in July, as geopolitical concerns in the Middle East eased and the Fed continued to signal a patient approach to policy, as they continue to digest the implications of the tariffs on the economy and inflation.
- Economic data for the month was stronger on balance, with the ISM indices for June both registering advances with the services measure back in expansionary territory and retail sales for month rebounding by more than expected. 2Q advanced GDP came in stronger than expected, driven by a plunge in imports for the quarter, while the June monthly employment report showed a larger amount of jobs added than expected (before the recent revisions anyway). Inflation indicators for the month came in pretty much as expected.
- The UST curve bear flattened during the month, with shorter dated maturities underperforming for the month:
 - 2yr yield advanced by 24bps to 3.96%
 - 10yr yield rose by 15bps to 4.38%



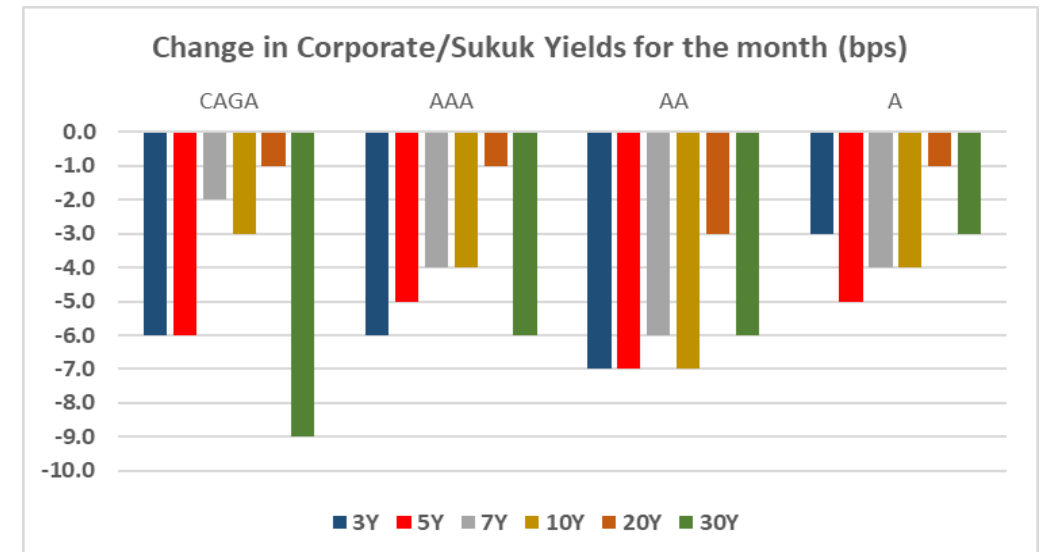
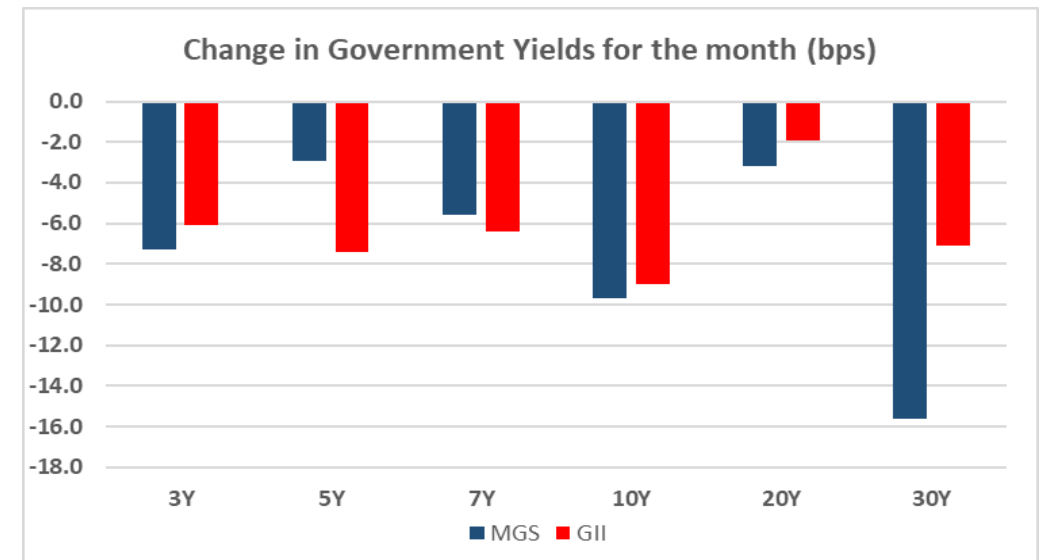
- The FOMC left rates steady for a fifth straight meeting during its July 30 meeting in a 9-2 majority vote, as the Fed continued to adopt a patient approach with regards to the resumption of its rate reductions as they wait for more information with regards to the tariff situation and its impact.
- The futures markets' pricing of Fed cuts for 2025 receded during the month with only slightly more than one cut priced for the year, while pricing for 2026 cuts continued to build up during the month, with increased speculation that the US administration will seek to begin the nomination process early to appoint the next Fed Chairperson.
- Futures markets pricing of Fed cuts as at the end of July stood as follows:
 - 2025 rate cuts priced fell to 33bps (from 67bps at end June)
 - 2026 rate cuts priced rose to 81bps (from 69bps at end June)

July 2025 MYR Bond Market Review



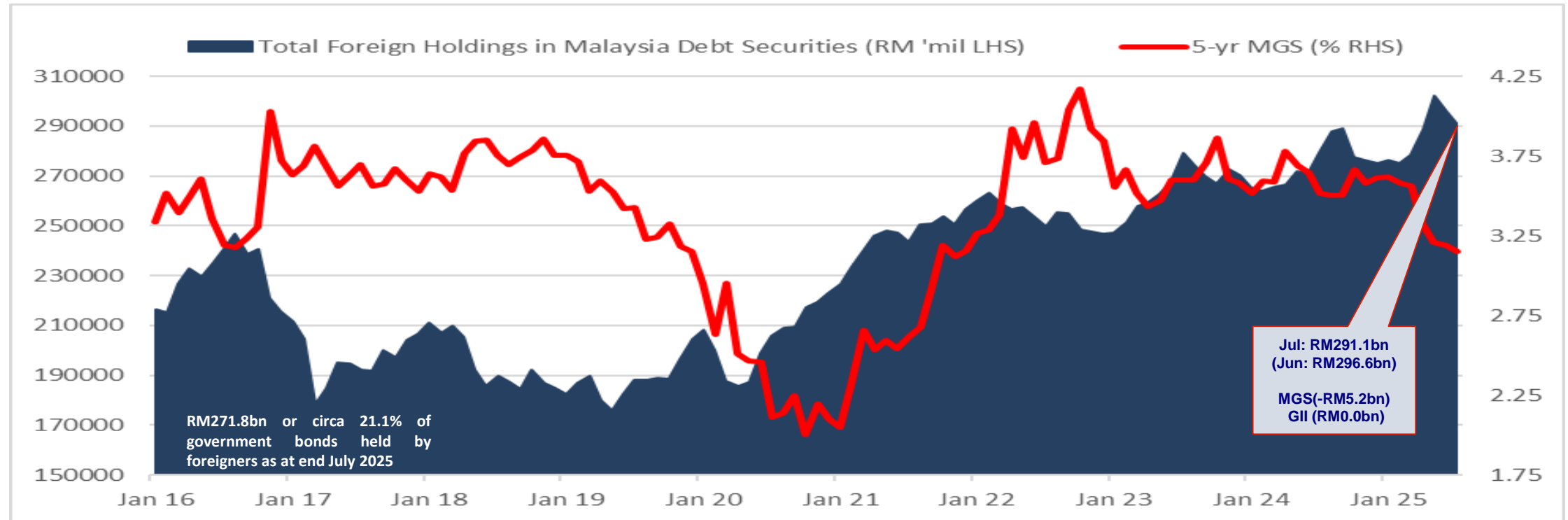
Source: Bloomberg, HLBB Global Markets Research

- MYR govt bonds were firmer in July, having being little changed the month before, amidst BNM delivering a precautionary 25bps reduction in its policy rate due to the prolonged uncertainty on the tariff situation. The stimulus package announced by the government didn't impact the market much given its limited fiscal implications.
- Economic data was mixed, with industrial production for May coming in lower than anticipated and exports for June unexpectedly continued to decline, but advanced 2Q GDP came in north of expectations. Inflation unexpectedly eased further in June, with the CPI dipping to 1.1% y/y.
- Benchmark government bond yields ended the month lower by between 2 and 16bps, with the 10Y and 30Y segments of the bond market outperforming for the month.
- Corporate bonds were firmer as well in July, with the AAA and AA-rated segments generally outperforming for the month.



Source: BPAM, HLBB Global Markets Research

Offshore foreign holdings declined further in July; driven by reductions in MGS holdings



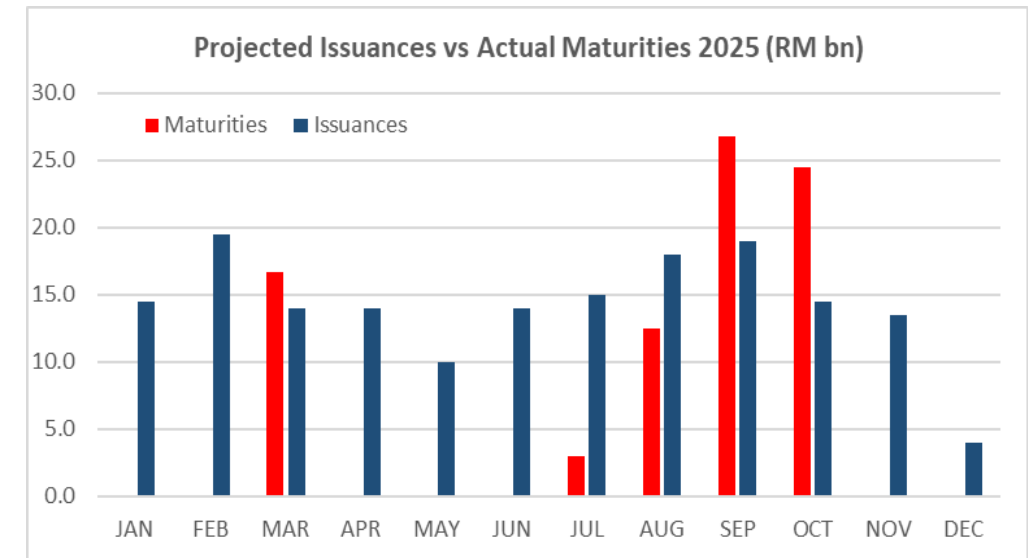
Source: BNM, Bloomberg, HLBB Global Markets Research

- Offshore foreign holdings of Malaysian debt securities declined again in July, falling by RM5.5bn to RM291.1bn versus the RM296.6bn as at the end of June
- The decrease was driven primarily by reductions in the holdings of MGS (-RM5.2bn). Holdings of MITB (-RM0.3bn) and Corporate Bonds (-RM0.1bn) also saw declines for the month
- Foreign holdings of Sukuks (+RM0.2bn) registered a marginal increase, while holdings of GII and MTB were little changed for the month

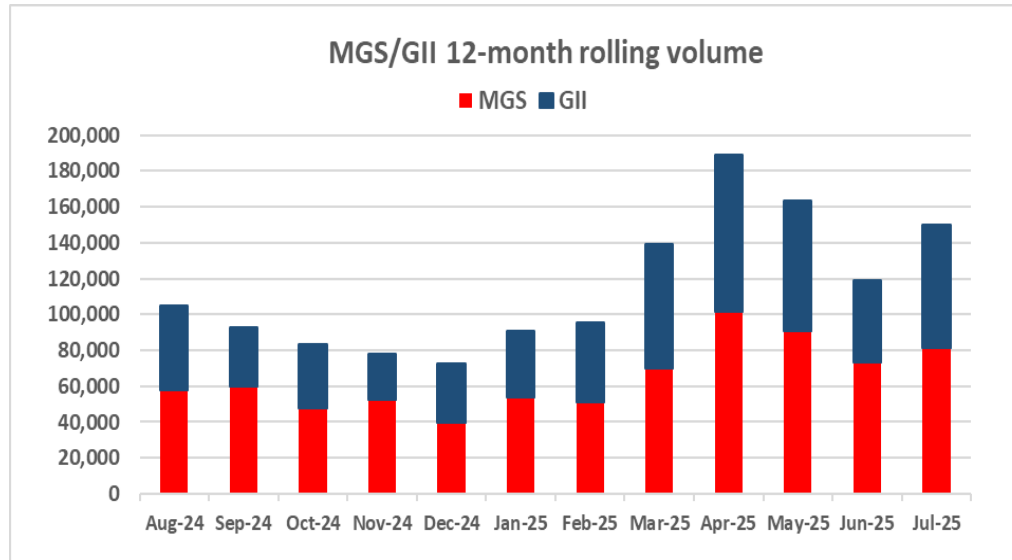
RM15.0bn of gross MGS/GII issuance in July; RM18.0bn of issuance likely in August

MGS/GII issuance pipeline in 2025														
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	7-yr Reopening of MGS 07/32	7	Jan	Q1	7/1/2025	4,000	5,000		5,000	2.808	3.791	3.799	3.803	51.7%
2	15.5-yr New Issue of MGII (Mat on 07/40)	15	Jan	Q1	14/1/2025	5,000	3,000	1,000	9,000	4.289	3.960	3.974	3.978	57.9%
3	3-yr Reopening of MGII 07/28	3	Jan	Q1	23/1/2025	4,000	5,500		14,500	2.623	3.549	3.561	3.564	90.6%
4	30-yr Reopening of MGS 03/53	30	Feb	Q1	5/2/2025	4,000	2,500	2,000	19,000	2.360	4.160	4.186	4.191	74.6%
5	7-yr Reopening of MGII 10/31	7	Feb	Q1	12/2/2025	5,000	5,000		24,000	2.867	3.777	3.785	3.790	56.9%
6	20-yr Reopening of MGS 05/44	20	Feb	Q1	20/2/2025	4,000	2,500	2,000	28,500	2.987	4.060	4.068	4.071	45.0%
7	5.5-yr New Issue of MGII (Mat on 08/30)	5	Feb	Q1	27/2/2025	5,000	5,500		34,000	3.165	3.620	3.635	3.639	27.2%
8	15-yr Reopening of MGS 04/39	15	Mar	Q1	7/3/2025	4,000	3,000	1,000	38,000	3.018	3.950	3.956	3.960	6.3%
9	30-yr Reopening of MGII 03/54	30	Mar	Q1	13/3/2025	4,500	3,000	2,000	43,000	3.077	4.164	4.169	4.171	50.0%
10	10-yr Reopening of MGS 07/34	10	Mar	Q1	27/3/2025	4,000	5,000		48,000	1.670	3.750	3.764	3.772	12.5%
11	15-yr Reopening of MGII 07/40	15	Apr	Q2	7/4/2025	4,000	3,000	1,000	52,000	3.362	3.735	3.748	3.754	41.7%
12	3-yr Reopening of MGS 04/28	3	Apr	Q2	14/4/2025	5,000	5,000		57,000	3.177	3.459	3.467	3.473	6.1%
13	10-yr New Issue of MGII (Mat on 04/35)	10	Apr	Q2	29/4/2025	4,500	5,000		62,000	1.995	3.578	3.612	3.625	31.4%
14	5-yr New Issue of MGS (Mat on 05/30)	5	May	Q2	14/5/2025	5,000	5,000		67,000	2.133	3.318	3.336	3.345	91.3%
15	20-yr New Issue of MGII (Mat on 05/45)	20	May	Q2	29/5/2025	4,500	3,000	2,000	72,000	3.318	3.770	3.775	3.780	45.2%
16	15-yr Reopening of MGS 04/39	15	Jun	Q2	9/6/2025	4,000	3,000	1,000	76,000	2.857	3.704	3.712	3.717	68.4%
17	30-yr Reopening of MGII 03/54	30	Jun	Q2	13/6/2025	5,000	3,000	2,000	81,000	3.295	4.000	4.010	4.018	62.0%
18	10-yr New Issue of MGS (Mat on 07/35)	10	Jun	Q2	26/6/2025	5,000	5,000		86,000	3.008	3.463	3.476	3.480	88.3%
19	7-yr Reopening of MGII 10/31	7	Jul	Q3	3/7/2025	5,000	5,000		91,000	2.922	3.360	3.367	3.370	15.0%
20	30-yr New Issue of MGS (Mat on 07/55)	30	Jul	Q3	14/7/2025	5,000	3,000	2,000	96,000	2.000	3.903	3.917	3.926	2.3%
21	10-yr Reopening of MGII 04/35	10	Jul	Q3	21/7/2025	4,000	5,000		101,000	2.728	3.461	3.468	3.470	95.6%
22	20-yr Reopening of MGS 05/44	20	Aug	Q3	7/8/2025	4,500	2,500	2,000	105,500	2.725	3.740	3.750	3.753	6.1%
23	15-yr Reopening of MGII 07/40	15	Aug	Q3		4,000			105,500					
24	5-yr Reopening of MGS 5/30	5	Aug	Q3		5,000			105,500					
25	20-yr Reopening of MGII 05/45	20	Aug	Q3		4,500			105,500					
26	3-yr Reopening of MGS 04/28	3	Sep	Q3		5,000			105,500					
27	30-yr New Issue of MGII (Mat on 09/55)	30	Sep	Q3		5,000			105,500					
28	15-yr Reopening of MGS 04/39	15	Sep	Q3		4,000			105,500					
29	3-yr Reopening of MGII 07/28	3	Sep	Q3		5,000			105,500					
30	30-yr Reopening of MGS 07/55	30	Oct	Q4		5,000			105,500					
31	5-yr Reopening of MGII 08/30	5	Oct	Q4		5,000			105,500					
32	20-yr Reopening of MGS 05/44	20	Oct	Q4		4,500			105,500					
33	10-yr Reopening of MGII 04/35	10	Nov	Q4		4,000			105,500					
34	7-yr Reopening of MGS 07/32	7	Nov	Q4		5,000			105,500					
35	20-yr Reopening of MGII 05/45	20	Nov	Q4		4,500			105,500					
36	10-yr Reopening of MGS 07/35	10	Dec	Q4		4,000			105,500					
Gross MGS/GII supply in 2025						168,500	87,500	18,000	105,500	PROJECTED TOTAL ISSUANCE = RM168.5bn				

- Gross issuance of RM15bn was seen in July from the 3 scheduled auctions – a new issuance of RM3bn 30yr MGS (with an additional RM2bn PP) and a reopening of RM5bn 7yr GII and RM5bn 10yr GII.
- The auctions in July were not as well received as compared to June, with an average BTC for the month of 2.635x (June: 3.045x), weighed down by a low BTC for the 30yr MGS new issuance.
- For August, we are likely to see gross issuance of RM18bn from the 4 scheduled auctions – we expect a RM4.0bn 15yr GII reopening, a RM5.0bn 5yr MGS reopening and a RM4.5bn 20yr GII reopening, after the RM4.5bn 20yr MGS reopening that we have already had.
- The supply dynamics of the market improve significantly from this month, with the maturity of RM12.5bn of the GII 8/25, and net supply will actually be negative for the following two months.



MGS/GII trading volume rose in July; expected to remain firm in August



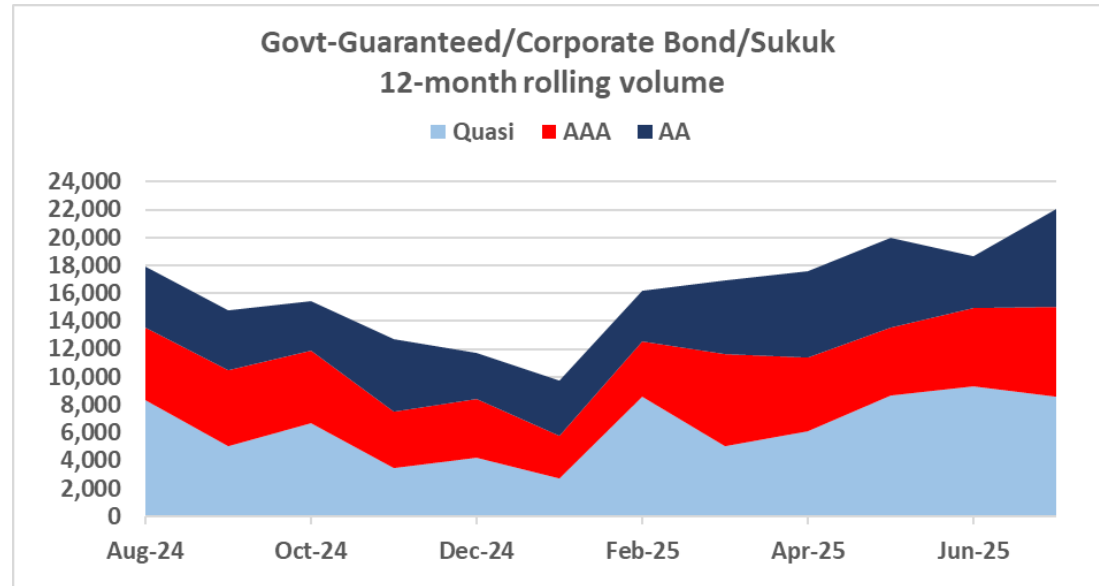
- Secondary trading in MGS/GII climbed to RM150.1bn in July (June: RM119.1bn), with a notable rise seen in GII trading for the month
- The off-the-run MGS 9/25 and benchmark 3Y GII 7/28 both led trading again for the month in the MGS and GII markets respectively
- Decent trading interest for the month was also seen in the benchmark 7Y GII and 10Y GII, as well as in the off-the-run MGS 7/26 and MGS 11/33

Top Traded MGS in July 25	Volume (RM 'mil)
MGS 9/25	19,662.9
MGS 7/26	5,464.0
MGS 11/33	5,362.6
MGS 7/32 (7Y)	4,609.1
MGS 7/34	3,843.4
MGS 4/39 (15Y)	3,710.6
MGS 4/28 (3Y)	3,453.3
MGS 4/31	2,905.4
MGS 4/30	2,877.9
MGS 5/30 (5Y)	2,448.3

Top Traded GII in July 25	Volume (RM 'mil)
GII 7/28 (3Y)	7,016.9
GII 10/31 (7Y)	6,317.5
GII 4/35 (10Y)	5,760.4
GII 10/25	4,891.3
GII 10/32	3,558.1
GII 8/33	3,376.7
GII 7/36	3,085.1
GII 3/26	3,056.5
GII 8/30 (5Y)	2,500.7
GII 3/54 (30Y)	2,462.3

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

Corporate/Sukuk secondary trading dipped in June; new issuances climb



- Trading in Corps/Sukuk rose to RM22.0bn in July (June: RM18.7bn), driven by a sizable increase in the trading of AA-rated paper
- New issuances for the month climbed further to RM11.5bn in July (June: RM9.8bn), driven by a rise in issuances by financials; we expect issuance in the corporate/sukuk space to rise further in August
- Among the possible notable issuances in the pipeline this month include new issues from DANAINFRA (RM2.2bn), Maybank (RM1.5bn) PTP (RM600m), Bank Simpanan (RM500m) and Dialog Group (RM500m)

Top Traded Corporate Bonds/Sukuk in Jul 25	Volume (RM mil)	Last Done Yield (%)
PLUS BERHAD IMTN 4.860% 12.01.2038 - Series 1	370	3.650
DANAINFRA IMTN 4.850% 03.05.2041 - Tranche No 47	300	3.789
DANAINFRA IMTN 4.780% 18.10.2041 - Tranche No 53	300	3.761
LPPSA IMTN 4.270% 02.09.2039 - Tranche No 58	280	3.725
AMBANK MTN 1096D 06.11.2026	260	3.602
DANAINFRA IMTN 4.060% 15.07.2039 - Tranche No 143	245	3.671
LPPSA IMTN 3.440% 30.08.2029 - Tranche No 55	200	3.288
ALLIANCEI IMTN 4.160% 20.09.2034 (TRANCHE 02)	200	4.151
PRASARANA IMTN 4.260% 11.10.2039 - Series 3	190	3.699
PRASARANA IMTN 4.75% 26.02.2031 - Series 9	190	3.389

Top Corporate/Sukuk Issuance in Jul 25	Rating	Amount Issued (RM 'mil)
MRL IMTN 16.07.2026 - SERIES 20	GG	2,000
PUBLIC MTN 2557D 15.7.2032	AAA	1,300
ISLAM IMTN 3.850% 23.07.2032 (Tranche 9)	AA3	1,000
UOBM IMTN 3.850% 03.07.2037 (Series 2 Tranche 1)	AA1	750
EXSIM IMTN 4.800% 17.01.2030	AA3	455
CAGAMAS MTN 3.290% 30.7.2026	AAA	450
CAGAMAS IMTN 3.600% 30.07.2032	AAA	400
CAGAMAS MTN 3.600% 30.7.2032	AAA	300
PUBLIC MTN 1826D 15.7.2030	AAA	300
DRB-HICOM IMTN 3.940% 13.07.2035	AA3	300
UEMS IMTN 4.020% 30.07.2037	AA3	300

Source: BNM, BPAM, HLBB Global Markets Research

US Bonds Outlook Aug 2025 – constructive tone likely to persist

	Current @ 07 Aug	Q3 2025	Q4 2025	Q1 2026	Q2 2026
Fed Funds Rate (upper bound)	4.50%	4.25%	4.00%	3.75%	3.50%

UST yields (%)	Current @ 07 Aug	Q3 2025	Q4 2025	Q1 2026	Q2 2026
2Y	3.73%	3.60%	3.35%	3.10%	2.85%
5Y	3.79%	3.70%	3.50%	3.30%	3.10%
10Y	4.25%	4.15%	4.00%	3.85%	3.70%
30Y	4.83%	4.75%	4.65%	4.55%	4.45%

Key Events for the Month

Date	Event
12 Aug	CPI
15 Aug	Retail Sales
20 Aug	Jul 30 FOMC Minutes
21 Aug	Preliminary July PMIs
28 Aug	2Q GDP (S)
29 Aug	Core PCE Index

Source: HLBB Global Markets Research

- Bonds have staged a significant rally so far in August with the 10yr UST yield dipping to 4.25% from 4.38% at the end of July, after a weaker than expected monthly jobs report for July which also came with sharp revisions lower in the number of jobs added for May and June. This raises significant concerns over the state of the labour market which no longer appears as healthy after the large adjustments. Futures pricing for cuts this year surged to 60bps from 33bps just a few days prior at the end of July, with the chances of a 25bps reduction in September now seen at 95% versus the 40% chance on 31 Jul.
- With the significantly altered picture of the health of the labour market, the Fed is likely to resume its rate reductions at the coming meeting on Sep 17. The meet in July saw 2 dissenting votes, with Fed Governors Waller and Bowman preferring to reduce rates immediately. Fed Governor Kugler, whose term was due to expire in January has also stepped down early, with speculation suggesting that the Trump administration will potentially fill that vacancy with their candidate for the next Fed Chair.
- Bonds are expected to trade with a bid tone for the rest of the month **and we expect government bond yields to decline with a steepening bias**, as the markets continue to digest the implications of both the recent jobs report and the impact of the recently kicked in tariffs, amidst impending plans by the US to impose sectoral tariffs on the pharmaceutical and semiconductor sectors.

MYR Bonds Outlook Aug 2025 – to continue to trade with a bullish bias

	Current @ 07 Aug	Q3 2025	Q4 2025	Q1 2026	Q1 2026
OPR	2.75%	2.75%	2.75%	2.75%	2.75%

MGS yields (%)	Current @ 07 Aug	Q3 2025	Q4 2025	Q1 2026	Q2 2026
3Y	3.03%	3.00%	2.95%	2.90%	2.90%
5Y	3.11%	3.05%	3.00%	2.95%	2.95%
10Y	3.38%	3.35%	3.30%	3.25%	3.25%
20Y	3.75%	3.65%	3.60%	3.55%	3.55%

Key Events for the Month	
Date	Event
15 Aug	2Q GDP (F)
19 Aug	Exports and Trade Balance
22 Aug	CPI

Source: HLBB Global Markets Research

- MYR bonds have been slightly firmer in August thus far, amidst the announcement of the 13MP at the end of July which proposed RM430bn in development expenditure in 2026-2030, a slight rise from the RM400bn in the 12MP for 2021-2025. There was mild relief from the tariff situation as the US announced a reduced rate of 19% for Malaysian imports versus the 25% rate touted earlier, but with sectoral tariffs on semiconductors to likely to be announced soon amidst talk of a 100% tariff rate, the reprieve may prove only temporary.
- Industrial production figures for June came out north of expectations in a decent end to the quarter, but the final 2Q GDP figures coming out mid-month are still likely to be revised slightly lower. We expect BNM to remain on hold for the remainder of the year after delivering a pre-emptive cut to shore up growth on Jul 7, with their recent revisions to their forecasts for the year resulting in slight downgrades for both growth and inflation.
- **Government bonds yields are expected to continue to head lower**, as the uncertainty with regards to tariffs persist and bond supply dynamics turn positive. Corporate/Sukuk spreads are expected to widen slightly, with an expected rise in corporate issuance to pressure spreads a little.

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