

# Monthly Fixed Income Market Outlook

Global Markets  
October 2025

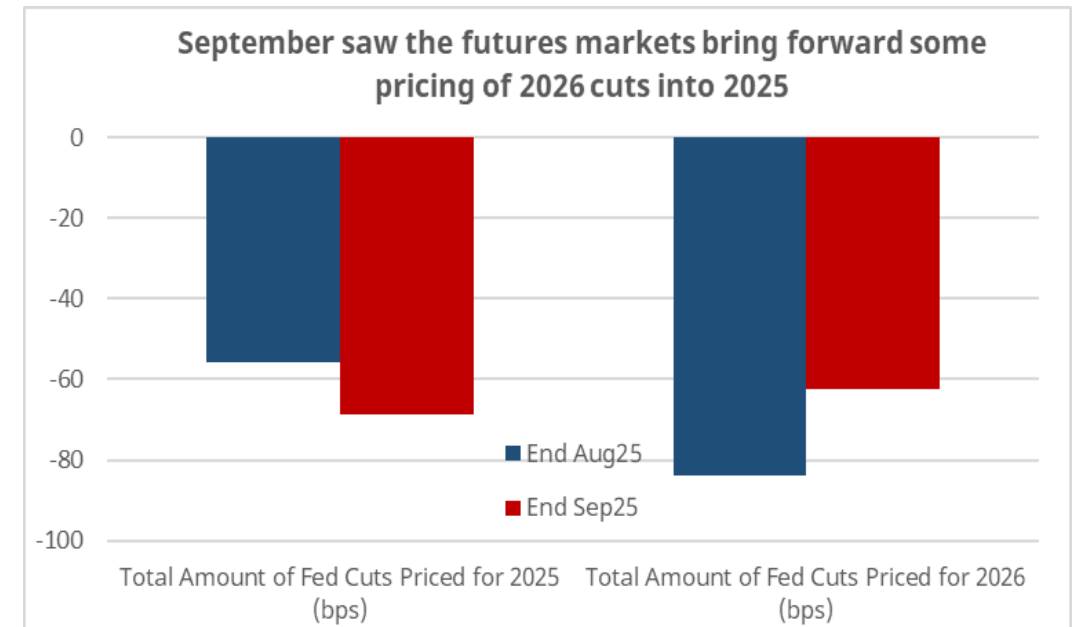


# September 2025 US Bond Market Review



Source: Bloomberg, HLBB Global Markets Research

- USTs were mixed in September, with the shorter dated maturities giving up some ground while the longer tenure bonds rallied, amidst the Fed reducing the Funds Rate by 25bps after a 9-month hiatus in an 11-1 majority vote, with the lone dissenter Stephen Miran preferring a larger 50bps reduction.
- The monthly jobs report for August saw less jobs added to the economy than anticipated alongside the unemployment rate rising a notch. Other economic indicators were on the positive side, with retail sales and the ISM indices both coming in north of expectations. On the inflation front, both core CPI and core PCE for August came in as expected, as the impact of the tariffs on prices remain muted for the time being.
- The UST curve flattened for the month, with longer dated maturities outperforming:
  - 2yr yield declined by 1bp to 3.61%
  - 10yr yield fell by 8bps to 4.15%



- Fed Chair Powell did not sound as dovish as the market expected, terming the rate reduction as a “risk management cut” in response to the weakening of the labour market, and did not pre-commit to additional action for the upcoming decisions. The dot plot released alongside the decision pointed to three rate cuts for the year, but revealed a heavily divided Federal Reserve.
- The futures markets’ pricing of Fed cuts for 2025 rose during the month as the Fed eased, with close to three 25bps cuts for the year as a whole priced by the end of September, while pricing for 2026 cuts on the other hand pulled back during the month.
- Futures markets pricing of Fed cuts as at the end of Sep stood as follows:
  - 2025 rate cuts priced rose to 69bps (from 56bps at end Aug)
  - 2026 rate cuts priced fell to 63bps (from 84bps at end Aug)

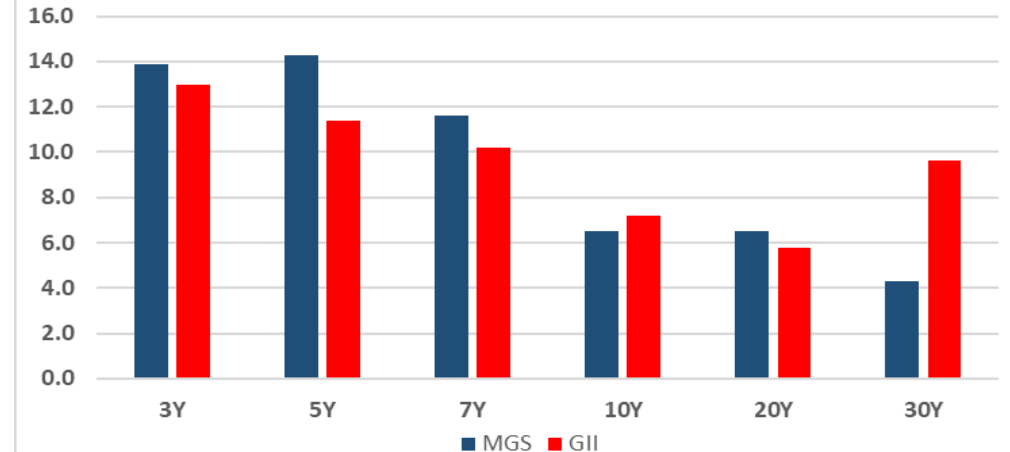
# September 2025 MYR Bond Market Review



Source: Bloomberg, HLBB Global Markets Research

- MYR govt bonds gave up ground in September, amidst expectation for further rate cuts being pared back as BNM left rates steady and sounded very neutral in the accompanying monetary policy statement. The market was also weighed down by government bond auctions that were not as well received versus August, partially as a result of having to compete with a further surge in corporate/sukuk issuance.
- Economic data during the month was mixed, with industrial production for July rising by more than anticipated but August exports came in south of expectations, while inflation for the month inched up further to 1.3% y/y as expected.
- Benchmark government bond yields ended the month higher by between 4 to 14bps, with the shorter dated maturities underperforming.
- Corporate bonds were mixed in August, with credit spreads tightening as yields rose, with the A-rated segment outperforming markedly for the month.

Change in Government Yields for the month (bps)

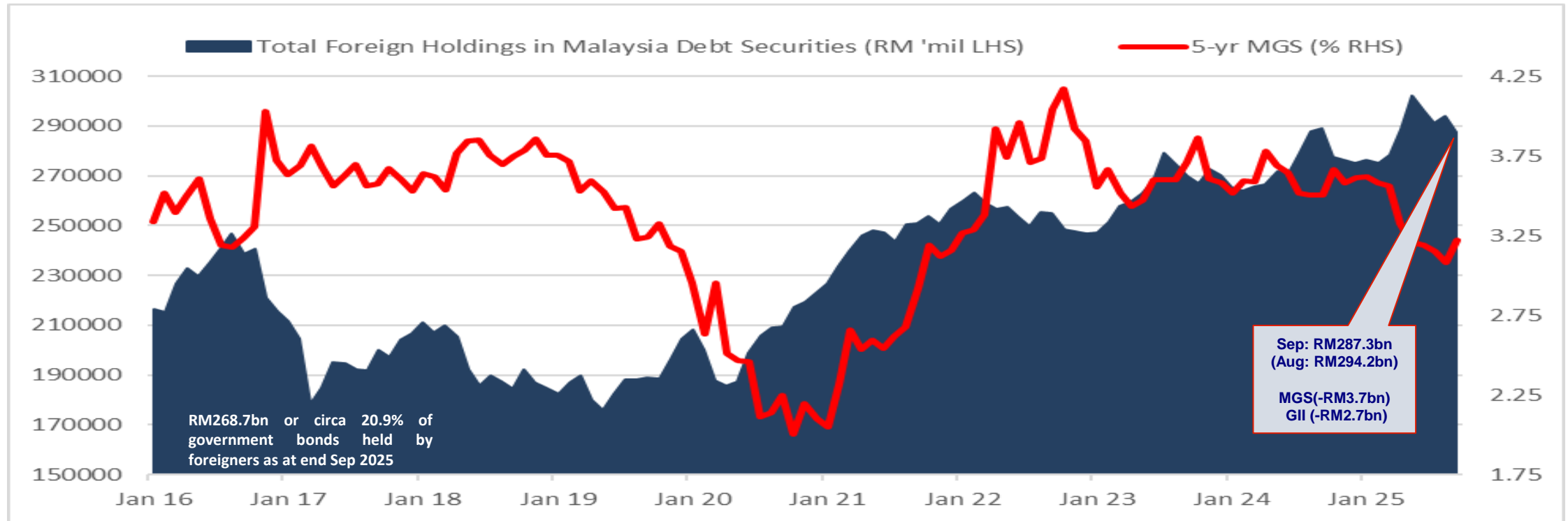


Change in Corporate/Sukuk Yields for the month (bps)



Source: BPAM, HLBB Global Markets Research

## Offshore foreign holdings declined in Sep; driven by reduction in MGS and GII holdings



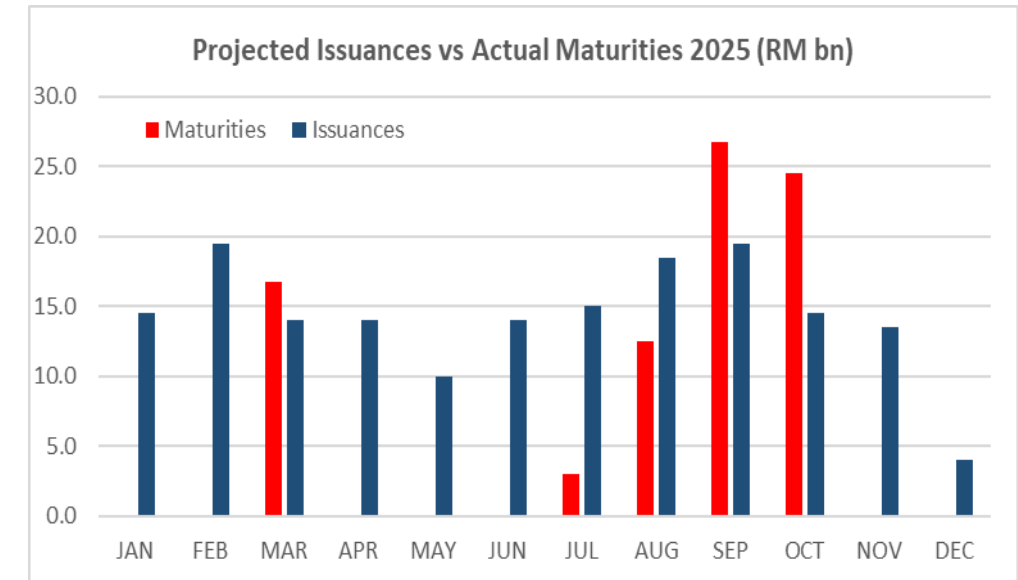
Source: BNM, Bloomberg, HLBB Global Markets Research

- Offshore foreign holdings of Malaysian debt securities fell in September after the reprieve the month before, declining by RM6.8bn to RM287.3bn versus the RM294.2bn recorded at the end of August
- The decrease was driven primarily by a reduction in the holdings of MGS (-RM3.7bn) and GII (-RM2.7bn). Foreign holdings of corporate bonds (-RM0.4bn) also saw a decline for the month
- Foreign holdings of Sukuks (+RM0.1bn) saw a marginal increase, while holdings of MTB and MITB were little changed for the month

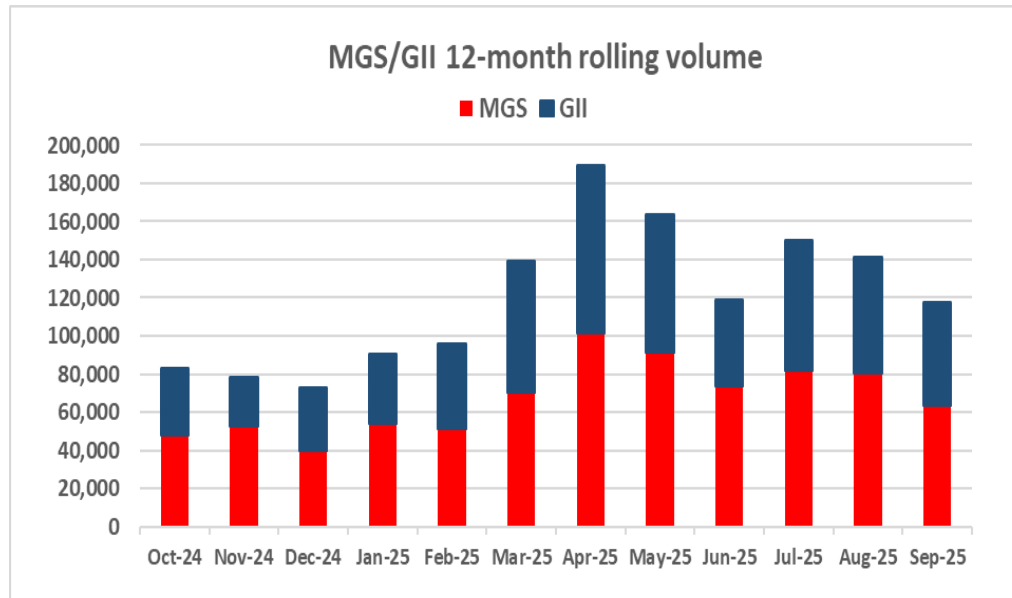
## RM19.5bn of gross MGS/GII issuance in Sep; RM14.5bn of issuance likely forthcoming in Oct

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	14/8/2025	4,000	3,000	1,000	109,500	2.848	3.568	3.577	3.580	81.6%
24	5-yr Reopening of MGS 5/30	5	Aug	Q3	21/8/2025	5,000	5,000		114,500	1.867	3.077	3.086	3.092	85.0%
25	20-yr Reopening of MGII 05/45	20	Aug	Q3	28/8/2025	4,500	3,000	2,000	119,500	1.841	3.739	3.755	3.762	37.0%
26	3-yr Reopening of MGS 04/28	3	Sep	Q3	8/9/2025	5,000	5,000		124,500	1.928	3.025	3.036	3.041	75.7%
27	30-yr Reopening of MGII 3/54	30	Sep	Q3	12/9/2025	5,000	3,000	2,000	129,500	1.928	3.918	3.927	3.930	100.0%
28	15-yr Reopening of MGS 04/39	15	Sep	Q3	22/9/2025	4,000	3,500	1,000	134,000	1.520	3.619	3.638	3.674	50.0%
29	3-yr Reopening of MGII 07/28	3	Sep	Q3	29/9/2025	5,000	5,000		139,000	2.876	3.152	3.162	3.166	39.8%
30	30-yr Reopening of MGS 07/55	30	Oct	Q4	6/10/2025	5,000	3,000	2,000	144,000	1.380	3.977	4.019	4.085	40.0%
31	5-yr Reopening of MGII 08/30	5	Oct	Q4		5,000			144,000					
32	20-yr Reopening of MGS 05/44	20	Oct	Q4		4,500			144,000					
33	10-yr Reopening of MGII 04/35	10	Nov	Q4		4,000			144,000					
34	7-yr Reopening of MGS 07/32	7	Nov	Q4		5,000			144,000					
35	20-yr Reopening of MGII 05/45	20	Nov	Q4		4,500			144,000					
36	10-yr Reopening of MGS 07/35	10	Dec	Q4		4,000			144,000					
Gross MGS/GII supply in 2025						168,500	118,000	26,000	144,000	PROJECTED TOTAL ISSUANCE = RM168.5bn				

- Gross issuance of RM19.5bn was seen in September from the 4 scheduled auctions – a re-opening of RM5bn 3yr MGS, RM3bn 30yr GII (plus RM2bn PP), RM3.5bn 15yr MGS (plus RM1bn PP) and RM5bn 3yr GII
- The auctions in September were not as well received as compared to August, with an average BTC for the month of 2.129x (Aug: 2.238x), weighed down by a low BTC for the 15yr MGS re-opening, which was only 1.520x covered, the lowest since Nov 2023
- For October, we are likely to see gross issuance of RM14.5bn from the 3 scheduled auctions – we expect a RM5bn 5yr GII re-opening and a RM4.5bn 20yr MGS re-opening, after the RM5.0bn 30yr MGS re-opening that we have already had
- The supply dynamics of the market remain positive in October, with the maturity of RM24.5bn of the GII 10/25 resulting in negative net supply yet again for the month



## MGS/GII trading volume declined in September; expected to rise in October



- Secondary trading in MGS/GII declined to RM117.9bn in September (Aug: RM141.2bn), driven by declines in both MGS and GII trading
- The off-the-run MGS 7/26 and benchmark 3Y GII 7/28 led trading for the month in the MGS and GII markets respectively
- Decent trading interest for the month was also seen in the benchmark 3Y MGS and 7Y MGS/GII, as well as in the recently matured off-the-run MGS 9/25 and off-the-run GII 3/26
- Secondary trading in govies is expected to head higher in October

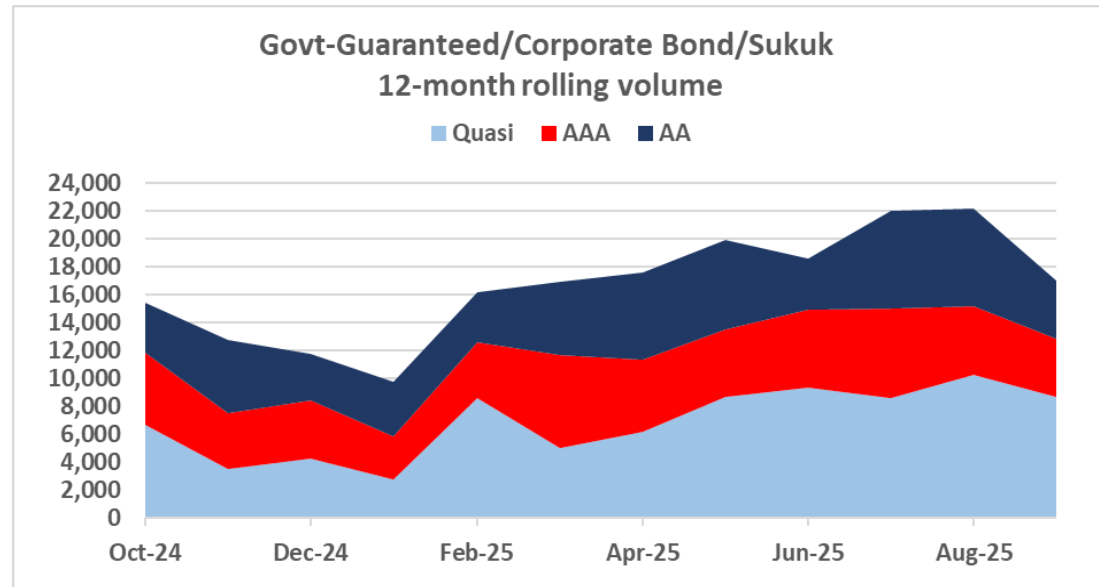
Top Traded MGS in September 25	Volume (RM 'mil)
MGS 7/26	11,284.3
MGS 9/25	6,910.8
MGS 4/28 (3Y)	5,705.0
MGS 7/32 (7Y)	5,141.2
MGS 5/27	4,440.8
MGS 4/39 (15Y)	3,707.6
MGS 7/35 (10Y)	3,008.9
MGS 11/27	2,705.9
MGS 4/31	2,437.3
MGS 5/30 (5Y)	2,401.2

Top Traded GII in September 25	Volume (RM 'mil)
GII 7/28 (3Y)	8,380.2
GII 10/31 (7Y)	6,422.4
GII 3/26	6,320.4
GII 10/25	3,954.3
GII 4/35 (10Y)	3,013.6
GII 9/26	2,785.2
GII 3/54 (30Y)	2,675.6
GII 9/27	2,255.5
GII 9/30	1,880.6
GII 11/49	1,773.4

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



## Corporate/Sukuk secondary trading fell in September; new issuances surge further



- Trading in Corps/Sukuk declined to RM17.0bn in September (Aug: RM22.2bn), driven by a fall in the trading of government guaranteed and AA-rated paper
- New issuances for the month surged further to RM28.4bn in September (Aug: RM20.2bn), driven by an increase in issuance seen in the financial, corporate guaranteed and corporate segments of the market; we expect issuance in the corporate/sukuk space to remain elevated in October, but to ease from last month's lofty levels.
- Among the possible notable issuances in the pipeline this month include chunky new issues from PNB MV (RM6.0bn), PANTAI (RM4.0bn) Pulau Indah PP (RM2.76bn), PRASA (RM1.65bn), SD Guthrie (RM1.5bn), SEB (RM1.5bn) and RHB (RM1.5bn)

Top Traded Corporate Bonds/Sukuk in Sep 25	Volume (RM mil)	Last Done Yield (%)
LPPSA IMTN 4.790% 24.03.2045 - Tranche No 50	560	3.840
DANAINFRA IMTN 4.060% 11.03.2043 - Tranche No 155	480	3.784
DANAINFRA IMTN 4.190% 24.10.2035 - Tranche No 136	400	3.524
DANAINFRA IMTN 4.170% 25.11.2044 - Tranche No 95	360	3.813
DANAINFRA IMTN 4.230% 23.11.2035 - Tranche No 114	340	3.526
DANAINFRA IMTN 3.840% 30.06.2045	340	3.817
LPPSA IMTN 4.340% 04.07.2042 - Tranche No 78	320	3.753
PRASARANA IMTN 4.260% 11.10.2039 - Series 3	310	3.700
DANAINFRA IMTN 4.890% 25.05.2032 - Tranche No 64	305	3.443
LPPSA IMTN 4.200% 25.08.2032 - Tranche No 67	280	3.517
DANAINFRA IMTN 4.300% 31.03.2034 - Tranche No 87	280	3.509

Top Corporate/Sukuk Issuance in Sep 25	Rating	Amount Issued (RM 'mil)
MAYBANK SUBORDINATED SUKUK 3.920% 07.09.2040	AA1	3,000
MRL IMTN 10.09.2027 - SERIES 21	GG	2,060
VTEB RCUIDS 26.09.2033	NR	1,763
SINAR BRAZIL IMTN (RM) 26.09.2033	NR	1,516
SINAR DRILLING IMTN (RM) 26.09.2033	NR	1,516
CAGAMAS MTN 3.420% 30.9.2030	AAA	1,200
VTEB RCLS 26.09.2033	NR	1,100
PTPTN IMTN 3.520% 12.09.2035 (Series 1)	GG	810
BPMB IMTN 3.430% 01.09.2028	AAA	800
DANUM IMTN 3.720% 07.09.2040 - Tranche 20	AAA	750

Source: BNM, BPAM, HLBB Global Markets Research

## US Bonds Outlook Oct 2025 – yields likely to head lower in steepening move

	Current @ 07 Oct	Q4 2025	Q1 2026	Q2 2026	Q3 2026
Fed Funds Rate (upper bound)	4.25%	3.75%	3.50%	3.25%	3.25%

UST yields (%)	Current @ 07 Oct	Q4 2025	Q1 2026	Q2 2026	Q3 2026
2Y	3.57%	3.35%	3.10%	2.90%	2.80%
5Y	3.71%	3.55%	3.35%	3.20%	3.10%
10Y	4.13%	4.00%	3.85%	3.75%	3.70%
30Y	4.73%	4.65%	4.55%	4.50%	4.50%

Source: HLBB Global Markets Research

### Key Events for the Month

Date	Event
08 Oct	FOMC Minutes of Sep 17
15 Oct	CPI
15 Oct	Beige Book
16 Oct	Retail Sales
29 Oct	FOMC Decision
30 Oct	3Q GDP (A)
31 Oct	Core PCE Index

- Bonds have been little changed thus far in October, amidst a lack of catalysts after the failure to agree on a spending bill for the new fiscal year saw the US federal government shutting down and resulting in a delay in many economic data releases, including the important monthly jobs report for September. The ISM indices for September were mixed, with the manufacturing gauge edging up from the previous month while the services index declined by more than expected, while the private ADP employment survey suggested that the US economy unexpectedly lost jobs in September.
- With the length of the federal government shutdown remaining uncertain, the Fed may find themselves in the uncomfortable position of having to decide on policy at the next FOMC on Oct 29 with limited information, and having to rely on private sector economic numbers and anecdotal information to come to a decision. The futures markets are nearly fully pricing in another cut (~24bps) at the coming meeting. We continue to project rate reductions for this meeting and the final meet for the year in December, before the pace of rate cuts is reduced to one a quarter in 1H26.
- We remain constructive on bonds and expect government bond yields to decline** for the remainder of the month, with longer dated bonds set to underperform amidst a UST curve that is expected to face some steepening pressure as fiscal concerns return to the fore with the recent political developments in Japan and France.



## MYR Bonds Outlook Oct 2025 – slightly bullish amidst narrowing budget deficit

	Current @ 07 Oct	Q4 2025	Q1 2026	Q2 2026	Q3 2026
OPR	2.75%	2.75%	2.75%	2.75%	2.75%

MGS yields (%)	Current @ 07 Oct	Q4 2025	Q1 2026	Q2 2026	Q3 2026
3Y	3.11%	3.00%	2.95%	2.90%	2.90%
5Y	3.24%	3.10%	3.05%	3.00%	3.00%
10Y	3.49%	3.35%	3.30%	3.25%	3.25%
20Y	3.86%	3.80%	3.75%	3.75%	3.75%

Source: HLBB Global Markets Research

Key Events for the Month	
Date	Event
10 Oct	Exports and Trade Balance
10-Oct	Budget 2026
17 Oct	3Q GDP (A)
17 Oct	Exports and Trade Balance
22 Oct	CPI

- MYR bonds have been slightly softer in October thus far, amidst an underwhelming reopening auction of the benchmark 30Y MGS, which drew a measly BTC of 1.380x, the lowest coverage of any government bond auction since Oct 2023.
- The 2026 Budget presentation will likely drive the markets in the near-term, with the government expected to table a budget with a slight improvement in the deficit versus that of the present year. On the monetary policy side of things, there are likely to be few surprises with BNM set to hold rates steady again at the final MPC of the year on Nov 06 barring any further adverse tariff shocks.
- **Government bonds yields are expected to edge lower**, with the huge corporate supply seen over the last few months expected to taper slightly in October, and the positive supply dynamics lending a hand with the negative net supply in the government bond market this month. The continued overhanging threat of semiconductor sectoral tariffs is also expected to help keep a lid on government bond yields. Corporate spreads are likely to see some widening as the market continues to digest the large supply taken down over the last two months.

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