

Monthly Fixed Income Market Outlook

Global Markets

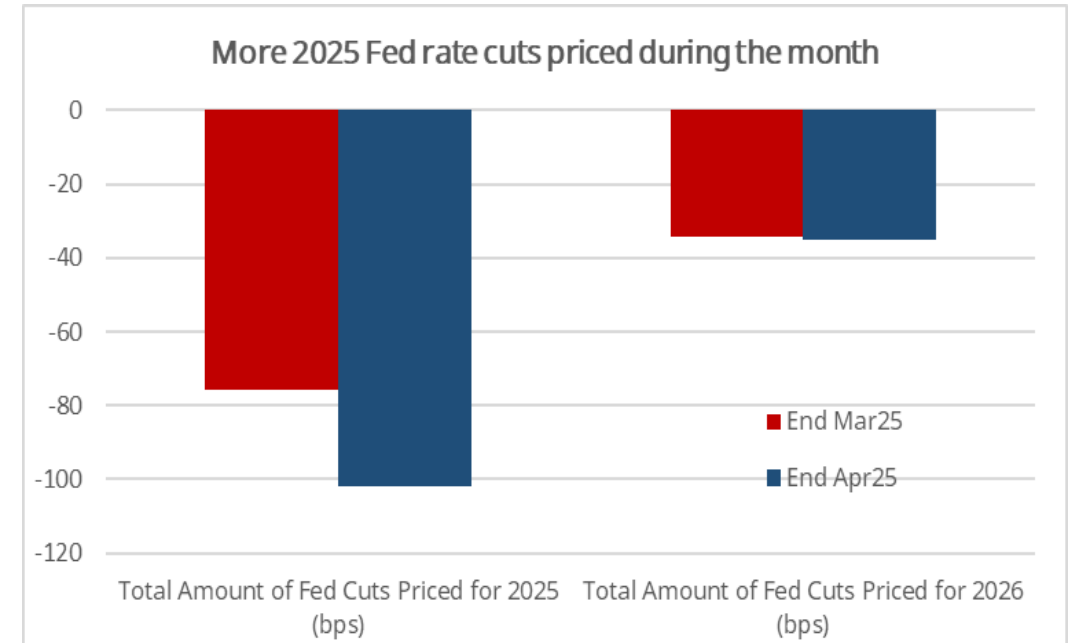
May 2025

April 2025 US Bond Market Review



Source: Bloomberg, HLBB Global Markets Research

- USTs were mostly higher in April except for the longer dated end of the maturity spectrum, as the market priced in more rate cuts by the Fed and the likelihood of higher inflation going forward, after President Trump announced reciprocal tariffs which were more aggressive than expected on 2 Apr. Although the tariffs were pushed back for 90 days a week later, the tension with China continued to build with a further rise in tariffs in a series of tit for tat moves between the two.
- Economic data for the month was mixed. The ISM indices for March registered further declines and US consumer confidence continued to dive, but the monthly employment report showed a larger number of job additions than anticipated. Inflation indicators for the month came in cooler than expected, with both core CPI and core PCE registering downside surprises.
- The UST curve steepened markedly during the month:
 - 2yr yield declined by 28bps to 3.61%
 - 10yr yield fell by 4bps to 4.16%



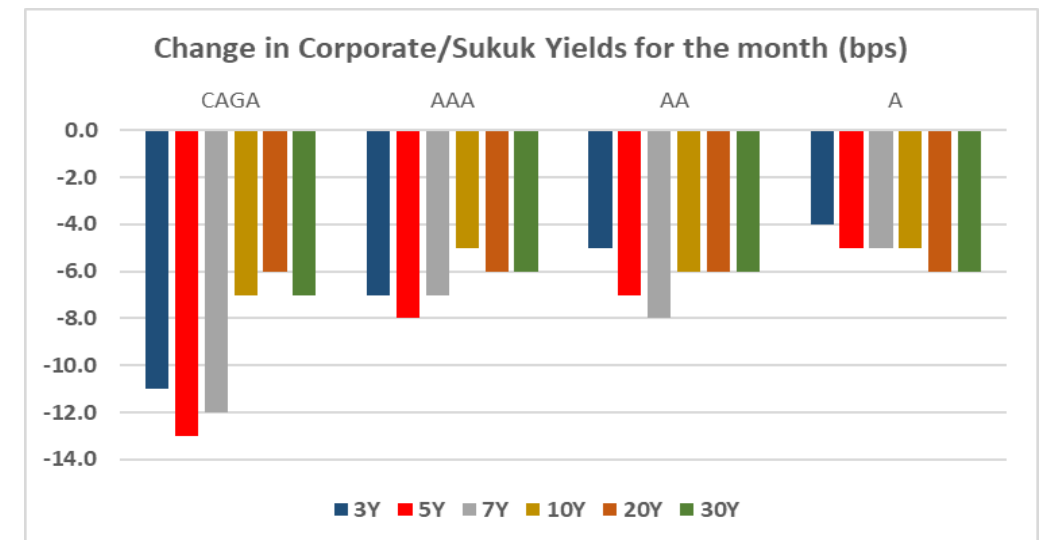
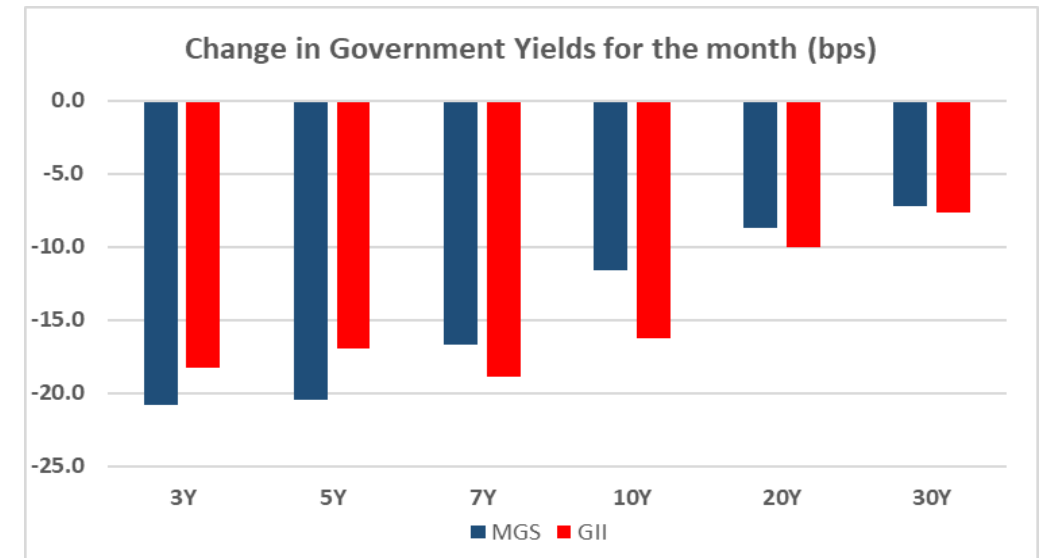
- The FOMC minutes of the Mar 19 meeting showed that even as the Fed left policy unchanged during the meet, a majority of participants saw the potential for inflationary effects from the tariff policies to be “more persistent” than originally projected.
- The futures markets’ pricing of Fed cuts for 2025 rose during the month as worries about the impact from the tariffs on growth continued to build, and ended the month pricing in slightly more than 4 cuts from the Fed for the year.
- Futures markets pricing of Fed cuts as at the end of April stood as follows:
 - 2025 rate cuts priced rose to 102bps (from 76bps at end Mar)
 - 2026 rate cuts priced inched higher to 35bps (from 34bps at end Mar)

April 2025 MYR Bond Market Review



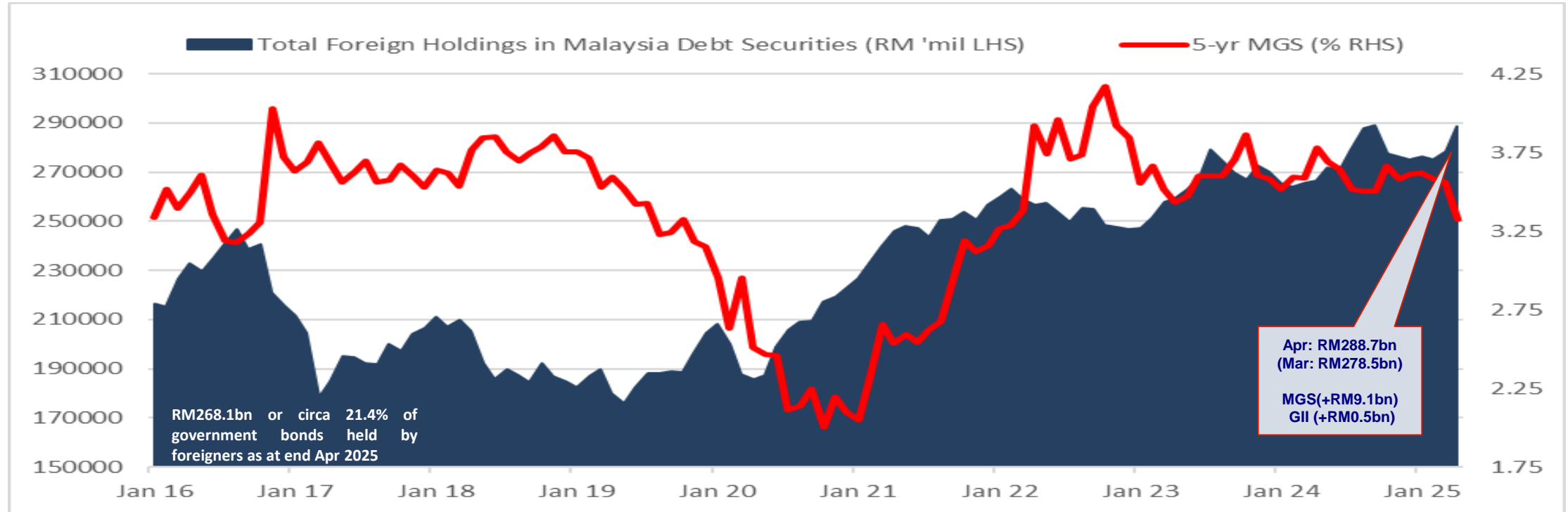
Source: Bloomberg, HLBB Global Markets Research

- MYR govt bonds staged a further rally in April as fears about growth being impacted adversely by the tariff wars continued to fester. Although the reciprocal tariffs announced by the US on 2 Apr were pushed back to 90 days, the growing tensions between the world's 2 largest economies continued to cloud the picture for global growth. The advanced estimate of 1Q GDP and industrial production for March both undershot expectations, while the trade surplus in March rose to the highest since June 2023 on front loading of exports before the additional tariffs kicked in. March inflation unexpectedly cooled by a notch to 1.4% y/y versus expectations of a slight rise.
- Benchmark yields ended the month lower between 7 and 21bps, with the shorter dated maturities leading the charge, resulting in a marked steepening of the govt bond curves.
- Corporate bonds were also firmer in April amidst some spread widening as the govies market rallied, with CAGA bonds outperforming lower grade segments for the month.



Source: BPAM, HLBB Global Markets Research

Offshore foreign holdings surged in April - driven by increases in MGS holdings



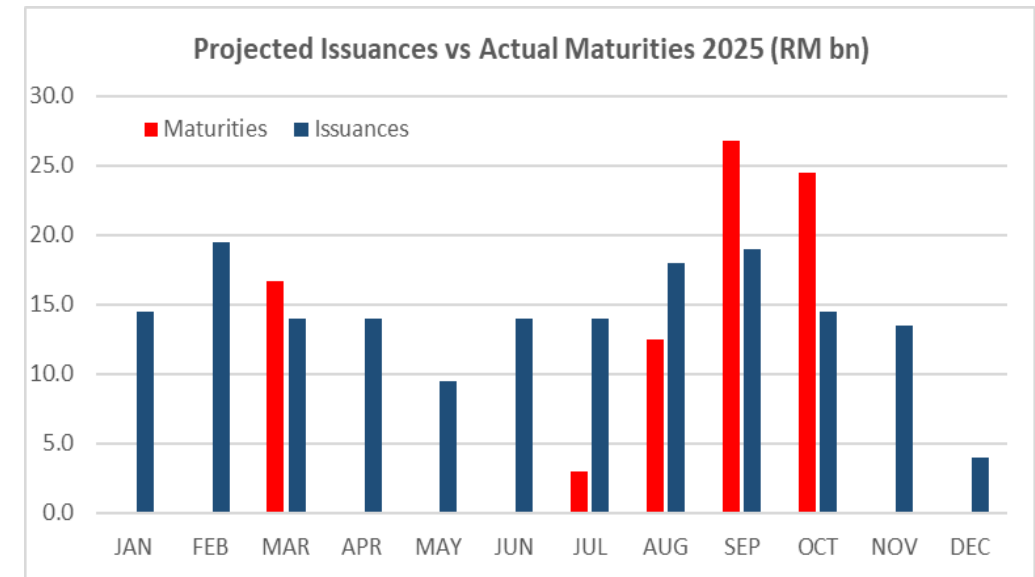
Source: BNM, Bloomberg, HLBB Global Markets Research

- Offshore foreign holdings of Malaysian debt securities surged in April by the largest amount since July 2023, climbing by RM10.2bn to RM288.7bn, versus the RM278.5bn as of the end of March
- The increase was driven nearly solely by an increase in the holdings of MGS (+RM9.1bn). Holdings of GII (+RM0.5bn) and MITB (+RM0.6bn) saw marginal increases, while the other categories (MTB, Corporate Bonds and Sukuks) were little changed for the month

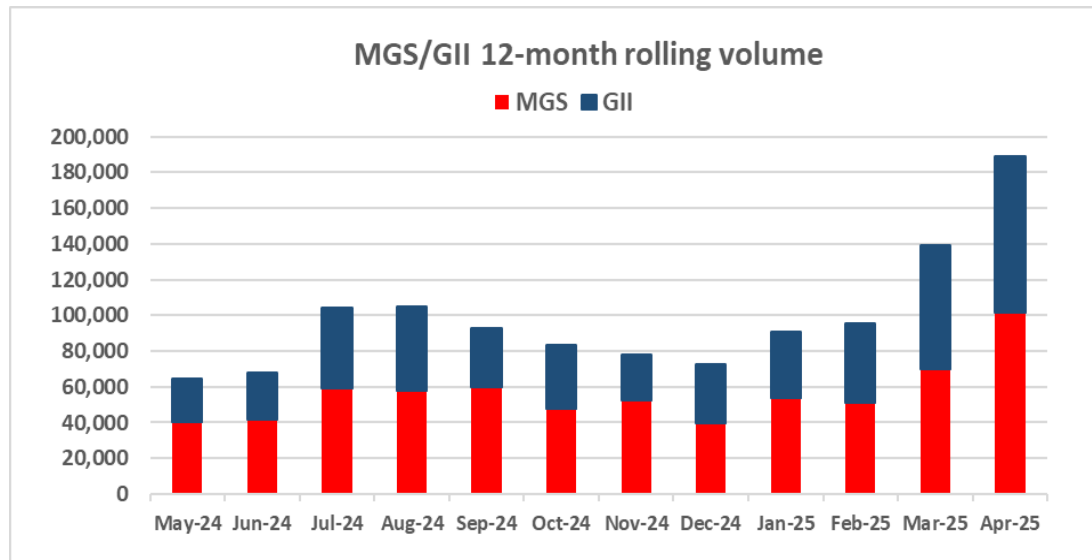
RM14.0bn of gross MGS/GII issuance in April; RM9.5bn of issuance likely forthcoming in May

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		5,000			62,000					
15	20-yr New Issue of MGII (Mat on 05/45)	20	May	Q2		4,500			62,000					
16	15-yr Reopening of MGS 04/39	15	Jun	Q2		4,000			62,000					
17	30-yr Reopening of MGII 03/54	30	Jun	Q2		5,000			62,000					
18	10-yr New Issue of MGS (Mat on 07/35)	10	Jun	Q2		5,000			62,000					
19	7-yr Reopening of MGII 10/31	7	Jul	Q3		5,000			62,000					
20	30-yr New Issue of MGS (Mat on 07/55)	30	Jul	Q3		5,000			62,000					
21	10-yr Reopening of MGII 04/35	10	Jul	Q3		4,000			62,000					
22	20-yr Reopening of MGS 05/44	20	Aug	Q3		4,500			62,000					
23	15-yr Reopening of MGII 07/40	15	Aug	Q3		4,000			62,000					
24	5-yr Reopening of MGS 5/30	5	Aug	Q3		5,000			62,000					
25	20-yr Reopening of MGII 05/45	20	Aug	Q3		4,500			62,000					
26	3-yr Reopening of MGS 04/28	3	Sep	Q3		5,000			62,000					
27	30-yr New Issue of MGII (Mat on 09/55) (P)	30	Sep	Q3		5,000			62,000					
28	15-yr Reopening of MGS 04/39	15	Sep	Q3		4,000			62,000					
29	3-yr Reopening of MGII 07/28	3	Sep	Q3		5,000			62,000					
30	30-yr Reopening of MGS 07/55	30	Oct	Q4		5,000			62,000					
31	5-yr Reopening of MGII 08/30	5	Oct	Q4		5,000			62,000					
32	20-yr Reopening of MGS 05/44	20	Oct	Q4		4,500			62,000					
33	10-yr Reopening of MGII 04/35	10	Nov	Q4		4,000			62,000					
34	7-yr Reopening of MGS 07/32	7	Nov	Q4		5,000			62,000					
35	20-yr Reopening of MGII 05/45	20	Nov	Q4		4,500			62,000					
36	10-yr Reopening of MGS 07/35	10	Dec	Q4		4,000			62,000					
Gross MGS/GII supply in 2025						168,500	53,000	9,000	62,000	PROJECTED TOTAL ISSUANCE = RM168.5bn				

- Gross issuance of RM14bn was seen in April from the 3 scheduled auctions – RM3bn 15yr GII reopening (plus RM1bn PP), RM5bn 3yr MGS reopening and a new issuance of RM5bn 10yr GII
- Auctions in April were better received than the month before, with an average BTC for the month of 2.765x (Mar: 2.421x), boosted by BTC's above 3x for the first two auctions
- For May, we are likely to see lower gross issuance of RM9.5bn from 2 scheduled new issuance auctions – we expect a RM5.0bn 5yr MGS and a RM2.5bn 20yr GII (plus RM2bn PP)
- The USD1.0bn MALAYS 25 matured in April and was not refinanced, which will result in gross MGS/GII supply coming in at around RM168.5bn for 2025 as a whole instead of the RM164.0bn we penciled in at the start of the year



MGS/GII trading volume surged further in April; expected to moderate in May



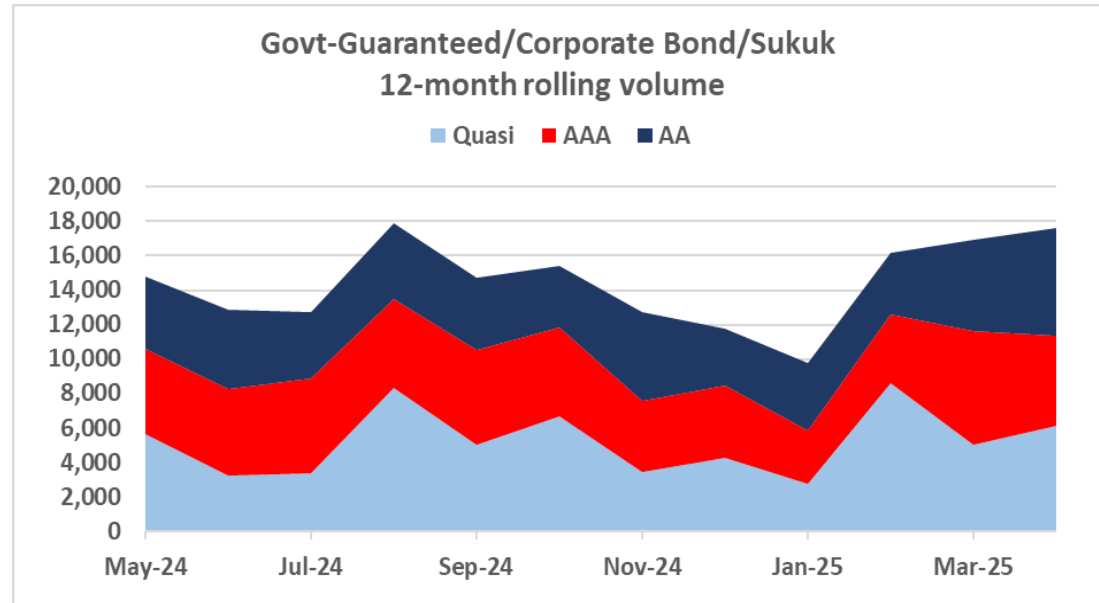
- Secondary trading in MGS/GII surged further to RM189.1bn in April (Mar: RM139.5bn), with both MGS and GII trading climbing markedly for the month
- The off-the-run MGS 9/25 and benchmark 7Y GII 10/31 both led trading for the month again in the MGS and GII markets respectively
- Strong trading interest was also seen in the benchmark 3Y GII, 5Y GII and 10Y MGS, as well as in the off-the-run GII 8/25 and GII 11/34

Top Traded MGS in April 25	Volume (RM 'mil)
MGS 9/25	22,557.2
MGS 7/34 (10Y)	12,292.9
MGS 8/29 (5Y)	5,870.9
MGS 7/32 (7Y)	5,758.0
MGS 5/27	5,182.2
MGS 4/30	4,920.2
MGS 4/28 (3Y)	4,261.2
MGS 4/31	4,110.5
MGS 4/39 (15Y)	3,922.9
MGS 11/33	3,681.7

Top Traded GII in April 25	Volume (RM 'mil)
GII 10/31 (7Y)	9,948.7
GII 11/34	7,795.0
GII 7/28 (3Y)	6,456.9
GII 8/30 (5Y)	6,342.4
GII 8/25	6,168.6
GII 10/32	5,807.9
GII 9/26	4,914.6
GII 10/25	4,676.6
GII 8/33	4,171.1
GII 7/40 (15Y)	4,017.0

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

Corporate/Sukuk secondary trading inched higher in April; new issuances declined



- Trading in Corps/Sukuk inched higher to RM17.6bn in April (Mar: RM16.9bn), driven by increases in the trading of government guaranteed and AA-rated securities
- New issuances for the month declined to RM14.4bn in April (Mar: RM17.9bn), driven by less issuance in all market segments, with issuances from financials nearly negligible for the month; we expect issuance in the corporate/sukuk space to recede further in May
- Among the possible further issuances in the pipeline this month include new issues from Maybank (RM2.0bn), Paradigm Capital (RM800m) and Kimanis Power (RM300m)

Top Traded Corporate Bonds/Sukuk in April 25	Volume (RM mil)	Last Done Yield (%)
LPPSA IMTN 4.000% 06.07.2033 - Tranche No 73	390	3.699
JAMB.KEDUA IMTN 4.300% 28.05.2025	380	3.139
DANAINFRA IMTN 4.320% 26.11.2025 - Tranche No 80	350	3.277
BSN IMTN 3.820% 05.11.2027	300	3.657
GENTING CAP MTN 4.86% 08.6.2027 - Issue No. 2	300	4.268
YHB IMTN 02.11.2122	282	5.365
LPPSA IMTN 4.110% 06.02.2045 - Tranche No. 6	280	3.960
CAGAMAS IMTN 4.080% 29.12.2025	280	3.481
DANUM IMTN 3.870% 08.08.2034 - Tranche 16	250	3.779
JOHORCORP IMTN 4.720% 11.06.2027	235	3.689

Top Corporate/Sukuk Issuance in April 25	Rating	Amount Issued (RM 'm)
LPPSA IMTN 4.120% 08.04.2050 - Tranche No. 13	GG	1,335
CAGAMAS IMTN 3.680% 04.04.2028	AAA	1,300
PASB IMTN 4.060% 29.04.2039 - Issue No. 51	AAA	1,300
PASB IMTN 3.860% 30.04.2032 - Issue No. 50	AAA	800
LPPSA IMTN 3.960% 10.04.2041 - Tranche No. 9	GG	765
LPPSA IMTN 4.020% 08.04.2044 - Tranche No. 11	GG	610
LPPSA IMTN 4.040% 10.04.2045 - Tranche No. 12	GG	575
CIMB MTN 1826D 03.4.2030 - Issue No 11	AA1	500
SDPROPERTY IMTN09 4.070% 27.04.2040	AA1	500
LPPSA IMTN 3.790% 10.04.2035 - Tranche No. 8	GG	490

Source: BNM, BPAM, HLBB Global Markets Research

US Bonds Outlook May 2025 – bonds likely to trade higher with the curve steepening

	Current @ 08 May	Q2 2025	Q3 2025	Q4 2025	Q1 2026
Fed Funds Rate (upper bound)	4.50%	4.25%	4.00%	3.75%	3.50%

UST yields (%)	Current @ 08 May	Q2 2025	Q3 2025	Q4 2025	Q1 2026
2Y	3.88%	3.55%	3.30%	3.05%	2.95%
5Y	3.99%	3.80%	3.55%	3.30%	3.20%
10Y	4.37%	4.20%	4.00%	3.80%	3.70%
30Y	4.85%	4.75%	4.60%	4.45%	4.40%

Source: HLBB Global Markets Research

Key Events for the Month	
Date	Event
13 May	CPI
15 May	Retail Sales
16 May	Uni of Mich Consumer Sentiment
22 May	Preliminary April PMIs
28 May	FOMC Meeting Minutes
29 May	GDP 1Q S
30 May	Core PCE Price Index

- Bonds have been weaker in May thus far with the 10yr UST yield rising by 21bps since end April to 4.37%, amidst a continued de-escalation in the tariff temperature, with a deal being signed between the US and the UK and talks between the US and China finally about to begin after a month of posturing by the two nations. The Fed stood pat on rates during the 7 May FOMC, highlighting that they are in no hurry to reduce rates further amidst elevated risks to both growth and inflation, as they bide their time waiting for more clarity on the outcome of the tariff negotiations. The amount of Fed cuts priced in 2025 decline markedly to 68bps from the 102bps priced as at end-April.
- The ISM indices for April were better than expected, despite the kicking in of the new tariffs, with the manufacturing gauge declining by less than expected and the services index unexpectedly improving for the month. The monthly April employment report saw more jobs added than expected with the unemployment rate holding steady.
- Bonds are likely to do better for the rest of the month **and we expect yields to head lower and the UST curve to steepen**, as the recent de-escalation in the tariff temperature is likely to hit some speed bumps along the way, and the hits we have seen on consumer and business confidence are likely to translate into some weakness in the hard data, which will ultimately result in the Fed resuming reductions in the Funds rate.

MYR Bonds Outlook May 2025 – likely to continue rallying as growth moderates

	Current @ 08 May	Q2 2025	Q3 2025	Q4 2025	Q1 2026
OPR	3.00%	3.00%	2.75%	2.75%	2.75%

MGS yields (%)	Current @ 08 May	Q2 2025	Q3 2025	Q4 2025	Q1 2026
3Y	3.17%	3.05%	2.95%	2.90%	2.90%
5Y	3.31%	3.20%	3.15%	3.10%	3.05%
10Y	3.65%	3.50%	3.45%	3.40%	3.35%
20Y	3.88%	3.80%	3.75%	3.70%	3.70%

Source: HLBB Global Markets Research

Key Events for the Month	
Date	Event
16 May	GDP 1Q A
20 May	Trade Balance & Exports
22 May	CPI

- MYR bonds have continued the rally seen last month so far in May, after the dovish tilt in the monetary policy statement that accompanied the BNM MPC decision to hold rates steady for the twelfth straight meeting on 8 May lent support to the view that the central bank will reduce its policy rate later in the year. The statutory reserve requirement (SRR) for banks was also reduced by a larger than expected 100bps to 1% - although not a monetary policy tool in itself, the magnitude of the reduction lent support to the rate cut views
- With talks between the US and Malaysia having kicked off to address the tariffs, and a lower tariff temperature globally with the US and China also beginning to finally engage each other, the outlook has brightened somewhat versus that at the start of April, but we foresee potential significant speedbumps ahead for the negotiations as they continue to play out
- **Government bonds yields are expected continue to decline, with BNM likely to reduce rates at their next MPC meeting in July.** Corporate/Sukuk spreads are expected to widen as government bond yields fall further, but the widening is likely to be limited given continued strong demand for corporates

DISCLAIMER

This report is for information purposes only and does not take into account the investment objectives, financial situation or particular needs of any particular recipient. The information contained herein does not constitute the provision of investment advice and is not intended as an offer or solicitation with respect to the purchase or sale of any of the financial instruments mentioned in this report and will not form the basis or a part of any contract or commitment whatsoever.

The information contained in this publication is derived from data obtained from sources believed by Hong Leong Bank Berhad ("HLBB") to be reliable and in good faith, but no warranties or guarantees, representations are made by HLBB with regard to the accuracy, completeness or suitability of the data. Any opinions expressed reflect the current judgment of the authors of the report and do not necessarily represent the opinion of HLBB or any of the companies within the Hong Leong Bank Group ("HLB Group"). The opinions reflected herein may change without notice and the opinions do not necessarily correspond to the opinions of HLBB. HLBB does not have an obligation to amend, modify or update this report or to otherwise notify a reader or recipient thereof in the event that any matter stated herein, or any opinion, projection, forecast or estimate set forth herein, changes or subsequently becomes inaccurate.

HLB Group, their directors, employees and representatives do not have any responsibility or liability to any person or recipient (whether by reason of negligence, negligent misstatement or otherwise) arising from any statement, opinion or information, expressed or implied, arising out of, contained in or derived from or omission from the reports or matter. HLBB may, to the extent permitted by law, buy, sell or hold significantly long or short positions; act as investment and/or commercial bankers; be represented on the board of the issuers; and/or engage in 'market making' of securities mentioned herein. The past performance of financial instruments is not indicative of future results. Whilst every effort is made to ensure that statements of facts made in this report are accurate, all estimates, projections, forecasts, expressions of opinion and other subjective judgments contained in this report are based on assumptions considered to be reasonable as of the date of the document in which they are contained and must not be construed as a representation that the matters referred to therein will occur. Any projections or forecasts mentioned in this report may not be achieved due to multiple risk factors including without limitation market volatility, sector volatility, corporate actions the unavailability of complete and accurate information. No assurance can be given that any opinion described herein would yield favorable investment results. Recipients who are not market professional or institutional investor customer of HLBB should seek the advice of their independent financial advisor prior to taking any investment decision based on the recommendations in this report.

HLBB may provide hyperlinks to websites of entities mentioned in this report, however the inclusion of a link does not imply that HLBB endorses, recommends or approves any material on the linked page or accessible from it. Such linked websites are accessed entirely at your own risk. HLBB does not accept responsibility whatsoever for any such material, nor for consequences of its use.

This report is not directed to, or intended for distribution to or use by, any person or entity who is a citizen or resident of or located in any state, country or other jurisdiction where such distribution, publication, availability or use would be contrary to law or regulation. This report is for the use of the addressees only and may not be redistributed, reproduced or passed on to any other person or published, in part or in whole, for any purpose, without the prior, written consent of HLBB. The manner of distributing this report may be restricted by law or regulation in certain countries. Persons into whose possession this report may come are required to inform themselves about and to observe such restrictions. By accepting this report, a recipient hereof agrees to be bound by the foregoing limitations.