

The background of the slide is a nighttime photograph of a city skyline. Several prominent skyscrapers are visible, with their windows illuminated. The buildings are set against a dark sky, and the city lights create a bokeh effect in the background. The overall scene is a vibrant urban landscape.

Monthly Fixed Income Market Outlook

Global Markets

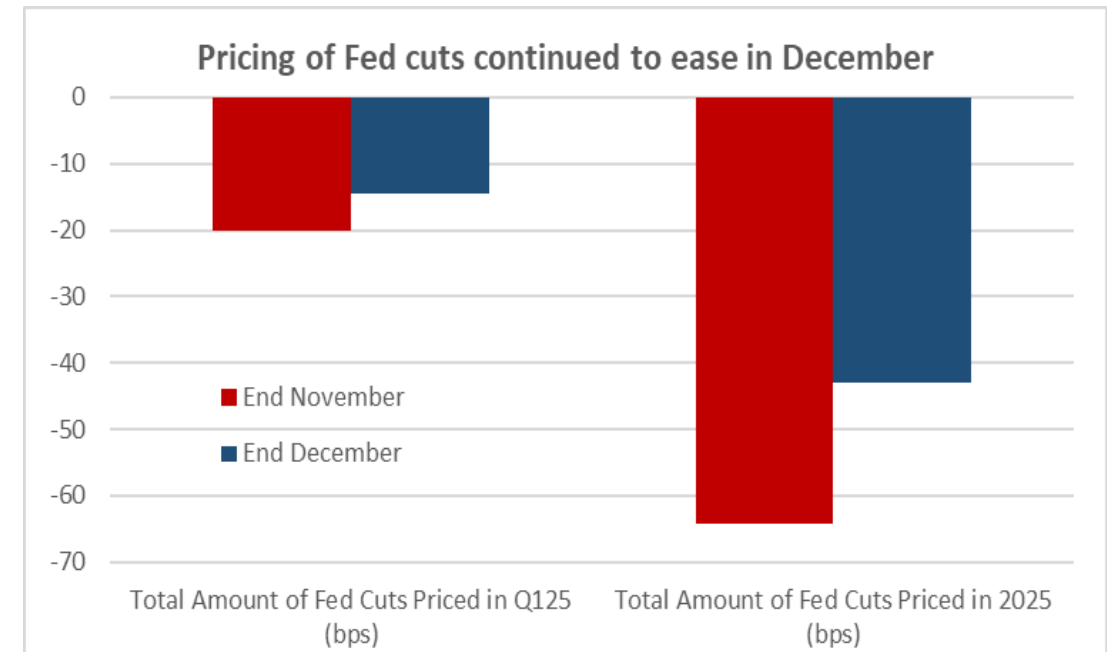
January 2025

December 2024 US Bond Market Review



Source: Bloomberg, HLBB Global Markets Research

- UST yields rose in December, with the exception of the shorter tenors up to 1y maturity, with longer-dated UST maturities leading the move up in yield.
- The increase in yields was mainly driven by the impending return of Donald Trump to the White House on 20 Jan, and the expansionary fiscal policies expected to be undertaken by the new administration and the consequential inflationary impact. The 10yr UST traded in a range of 4.13% to 4.64% for the month where economic data was generally positive, save for a rise in the unemployment rate. On the prices front, November CPI was in line with expectations, but PCE numbers came in a notch cooler than expected.
- The UST curve bear steepened for the month:
 - 2yr yield advanced by 9bps to 4.24%
 - 10yr yield advanced by 40bps to 4.57%



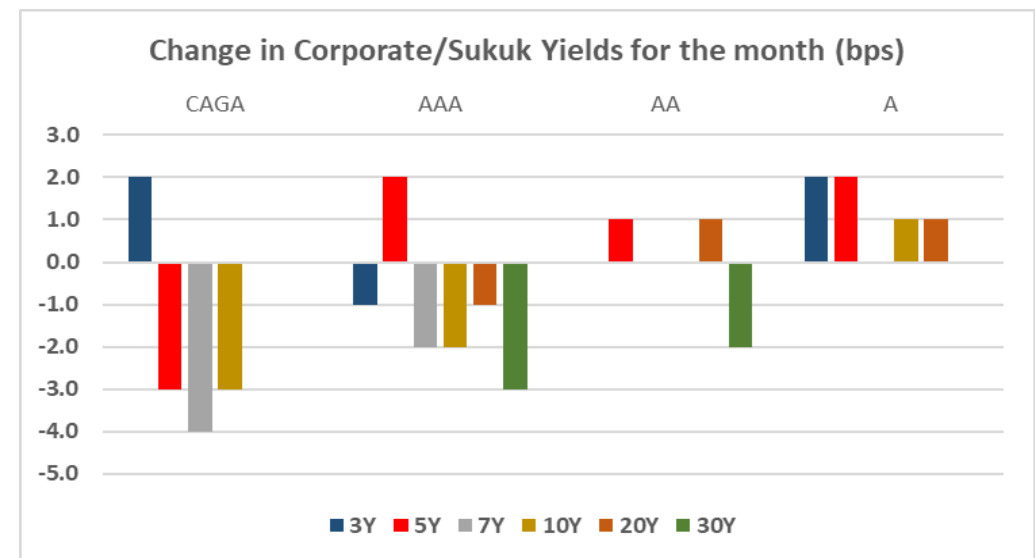
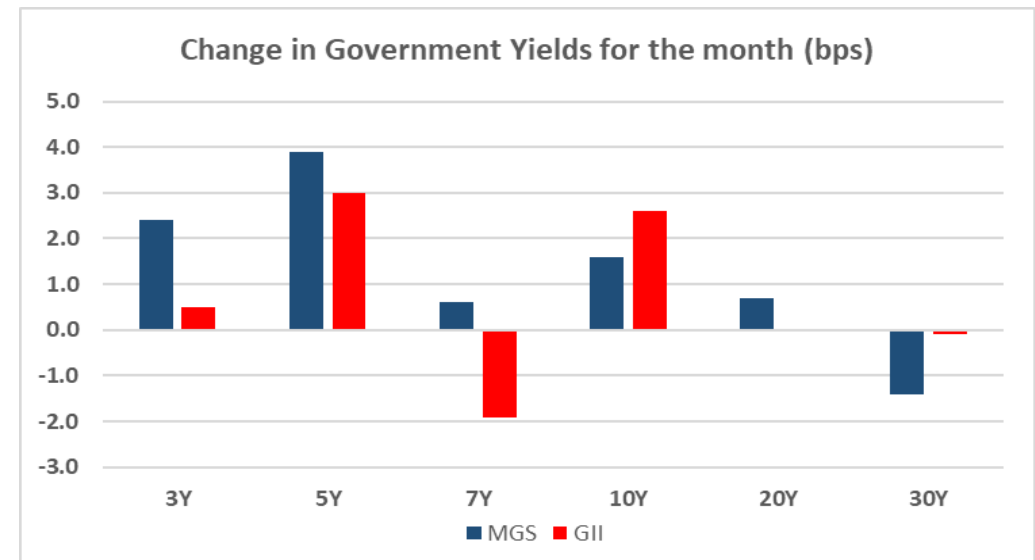
- The FOMC reduced the Fed Funds Rate by 25bps as expected on Dec 18, its third straight reduction, and signaled a more gradual pace of rate cuts to come. The dot plot released alongside the decision showed reduced expectations of Fed members with only 2 rate cuts (50bps) penciled in for 2025, versus the 4 rate cuts that was indicated for the year during the last dot plot in September. The dot plot for 2026 was little changed with the median remaining at 2 rate reductions.
- The markets dialed back rate cuts further in December, with the futures markets pricing in less than 2 rate cuts for 2025 as a whole:
 - Q125 rate cuts priced receded to 14bps (from 20bps as at end Nov)
 - 2025 rate cuts priced fell further to 43bps (from 64bps at end Nov)

December 2024 MYR Bond Market Review



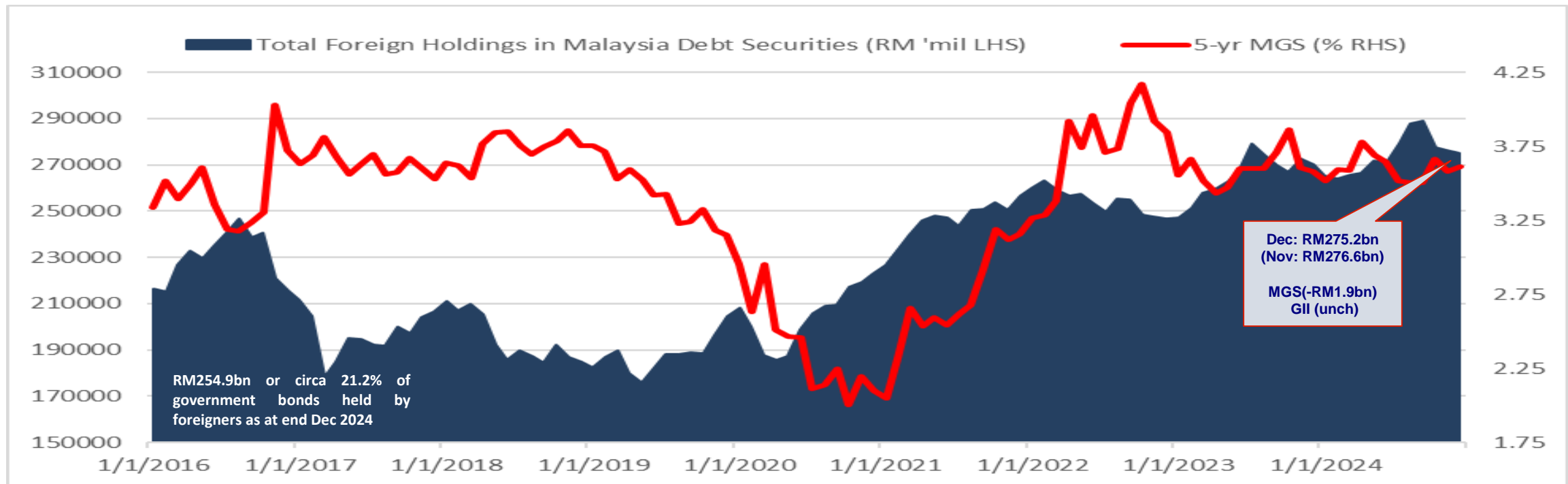
Source: Bloomberg, HLBB Global Markets Research

- MYR govt bonds were mostly weaker in December amidst the bearish UST-led global bond backdrop. Economic data for the month was mixed, with October industrial production falling short of expectations, but November exports were stronger than anticipated, leading to a trade surplus that was the largest since Sep 2023. November inflation unexpectedly declined by a notch to 1.8% y/y from 1.9% y/y, against expectation for a rise to 2.1% y/y.
- Benchmark yields ended the month mixed between -2 and +4bps, with the 5Y sector underperforming on the curve, with the 7Y GII and 30Y MGS bucking the rise in yields elsewhere for the month.
- Corporate bonds were mixed for the month, with longer dated maturities generally performing better than their short end counterparts. Sector wise, the higher grade segment did better, with CAGA and the AAA-rated segment outperforming for the month.



Source: BPAM, HLBB Global Markets Research

Offshore foreign holdings fell further in December, driven by decline in MGS holdings



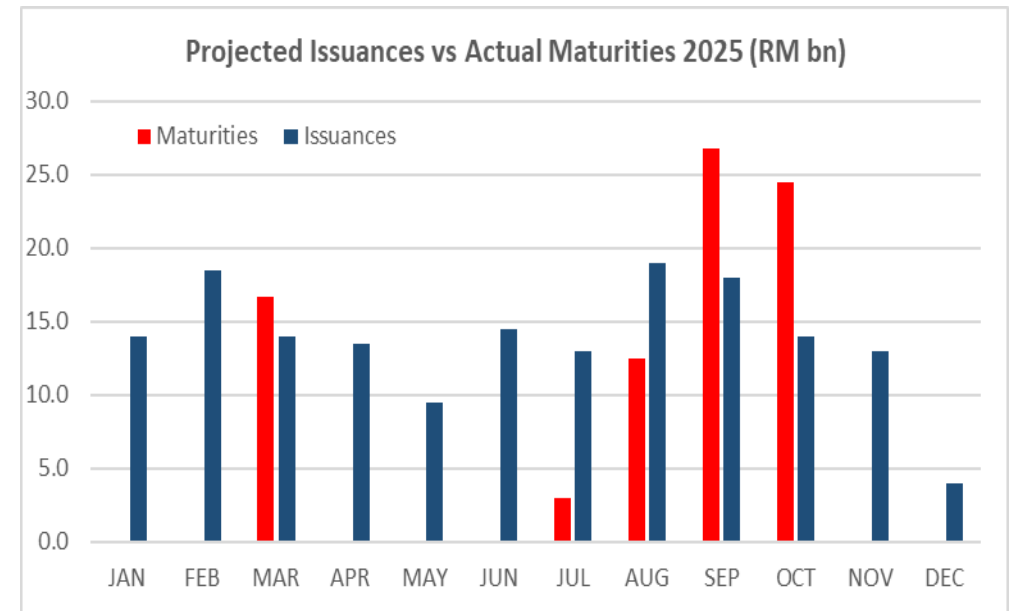
Source: BNM, Bloomberg, HLBB Global Markets Research

- Offshore foreign holdings of Malaysian debt securities declined further in December, falling by RM1.4bn to RM275.2bn, versus the RM276.6bn seen at the end of November
- The reduction was driven by declines in the holdings of MGS (-RM1.9bn) and MITB (-RM1.3bn)
- This was partially offset by advances seen in the foreign holdings of Corporate Bonds (+RM1.7bn) and Sukuks (+RM0.1bn)

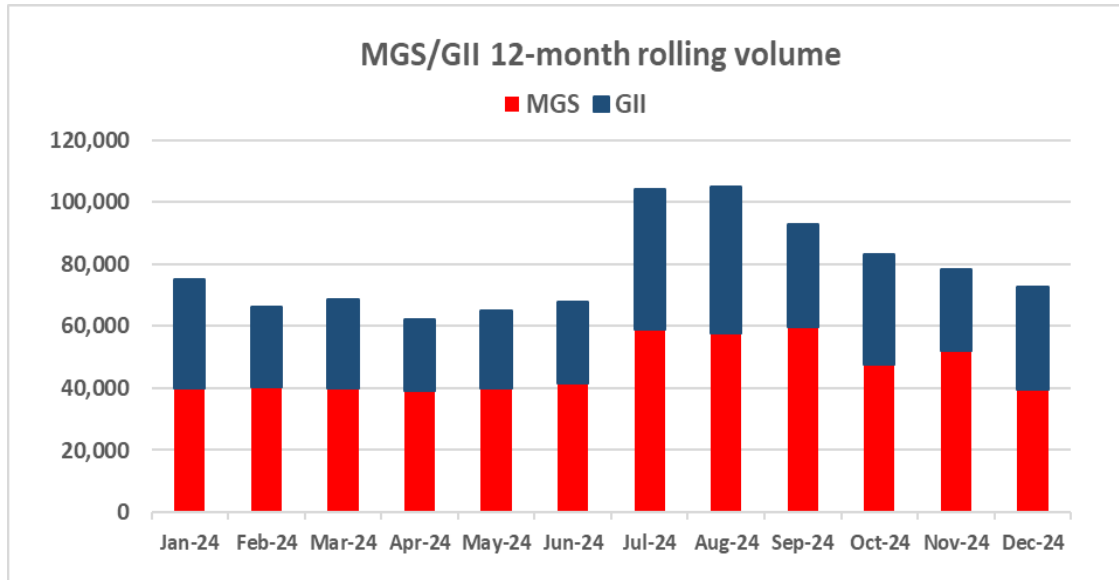
RM2.0bn of gross MGS/GII issuance in December; RM14.0bn likely for January

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		5,000			5,000					
3	3-yr Reopening of MGII 07/28	3	Jan	Q1		4,000			5,000					
4	30-yr Reopening of MGS 03/53	30	Feb	Q1		5,000			5,000					
5	7-yr Reopening of MGII 10/31	7	Feb	Q1		4,000			5,000					
6	20-yr Reopening of MGS 05/44	20	Feb	Q1		5,000			5,000					
7	5.5-yr New Issue of MGII (Mat on 08/30)	5	Feb	Q1		4,500			5,000					
8	15-yr Reopening of MGS 04/39	15	Mar	Q1		5,000			5,000					
9	30-yr Reopening of MGII 03/54	30	Mar	Q1		5,000			5,000					
10	10-yr Reopening of MGS 07/34	10	Mar	Q1		4,000			5,000					
11	15-yr Reopening of MGII 07/40	15	Apr	Q2		5,000			5,000					
12	3-yr Reopening of MGS 04/28	3	Apr	Q2		4,000			5,000					
13	10-yr New Issue of MGII (Mat on 04/35)	10	Apr	Q2		4,500			5,000					
14	5-yr New Issue of MGS (Mat on 05/30)	5	May	Q2		4,500			5,000					
15	20-yr New Issue of MGII (Mat on 05/45)	20	May	Q2		5,000			5,000					
16	15-yr Reopening of MGS 04/39	15	Jun	Q2		5,000			5,000					
17	30-yr Reopening of MGII 03/54	30	Jun	Q2		5,000			5,000					
18	10-yr New Issue of MGS (Mat on 07/35)	10	Jun	Q2		4,500			5,000					
19	7-yr Reopening of MGII 10/31	7	Jul	Q3		4,000			5,000					
20	30-yr New Issue of MGS (Mat on 07/55)	30	Jul	Q3		5,000			5,000					
21	10-yr Reopening of MGII 04/35	10	Jul	Q3		4,000			5,000					
22	20-yr Reopening of MGS 05/44	20	Aug	Q3		5,000			5,000					
23	15-yr Reopening of MGII 07/40	15	Aug	Q3		5,000			5,000					
24	5-yr Reopening of MGS 5/30	5	Aug	Q3		4,000			5,000					
25	20-yr Reopening of MGII 05/45	20	Aug	Q3		5,000			5,000					
26	3-yr Reopening of MGS 04/28	3	Sep	Q3		4,000			5,000					
27	30-yr New Issue of MGII (Mat on 09/55) (Kha	30	Sep	Q3		5,000			5,000					
28	15-yr Reopening of MGS 04/39	15	Sep	Q3		5,000			5,000					
29	3-yr Reopening of MGII 07/28	3	Sep	Q3		4,000			5,000					
30	30-yr Reopening of MGS 07/55	30	Oct	Q4		5,000			5,000					
31	5-yr Reopening of MGII 08/30	5	Oct	Q4		4,000			5,000					
32	20-yr Reopening of MGS 05/44	20	Oct	Q4		5,000			5,000					
33	10-yr Reopening of MGII 04/35	10	Nov	Q4		4,000			5,000					
34	7-yr Reopening of MGS 07/32	7	Nov	Q4		4,000			5,000					
35	20-yr Reopening of MGII 05/45	20	Nov	Q4		5,000			5,000					
36	10-yr Reopening of MGS 07/35	10	Dec	Q4		4,000			5,000					
Gross MGS/GII supply in 2025						164,000	5,000	-	5,000	PROJECTED TOTAL ISSUANCE = RM164bn				

- Gross issuance of only RM2.0bn was seen in December – with the reopening of the 10yr MGS being the only auction, with the government’s reduced funding needs reflected in the small issuance size.
- The auction surprisingly only drew a BTC of 2.015x despite the small size (Nov: 2.272x)
- For January, we are likely to see gross issuance of RM 14.0bn. The first auction of the year (7yr MGS) was larger than what we expected at RM5.0bn, and we are likely to see a further RM9.0bn in the remaining 2 auctions for the month (15y GII and 3y GII), with no bond maturities in the pipeline till March.



MGS/GII trading Volume declined further in December; expected to surge in January



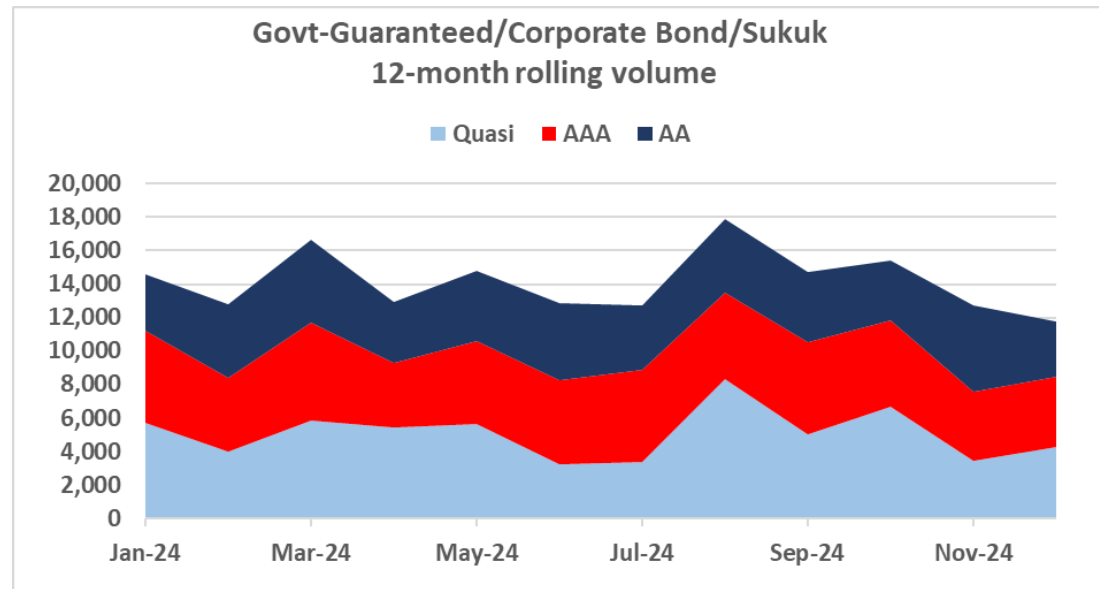
- Secondary trading in MGS/GII declined to RM72.7bn in Dec (Nov: RM78.1bn), driven by a marked decline in MGS trading
- The off-the-run MGS 3/25 and off-the-run GII 10/25 led trading for the month in the MGS and GII markets respectively
- Notable trading interest was also seen in the benchmark 7Y MGS and 10Y MGS/GII, as well as in the off-the-run MGS 9/25

Top Traded MGS in December 24	Volume (RM 'mil)
MGS 3/25	8,604.7
MGS 4/31 (7Y)	4,095.7
MGS 9/25	4,000.6
MGS 7/34 (10Y)	3,050.8
MGS 8/29 (5Y)	2,696.3
MGS 11/33	2,197.7
MGS 5/27 (3Y)	1,910.4
MGS 6/38	1,668.6
MGS 7/26	899.5
MGS 6/28	875.2

Top Traded GII in December 24	Volume (RM 'mil)
GII 10/25	2,824.2
GII 11/34 (10Y)	2,775.6
GII 7/29 (5Y)	2,586.5
GII 10/31 (7Y)	2,343.9
GII 8/43 (20Y)	2,288.1
GII 10/32	2,136.4
GII 8/33	1,990.0
GII 9/26 (3Y)	1,722.3
GII 8/25	1,717.4
GII 9/39 (15Y)	1,404.4

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

Corporate/Sukuk secondary trading volumes fell in Dec; new issuances tumbled



- Trading in Corps/Sukuk declined to RM11.8bn in December (Nov: RM12.7bn), driven by a plunge in the trading of AA-rated paper
- New issuances for the month tumbled to RM8.4bn in December (Nov: RM13.6bn), with a fall in issuances seen in the corporate universe, especially in the higher grade segment of the market; we expect issuance in the corporate/sukuk space to remain depressed and head even lower in January.
- There is little in terms of sizable issues in the pipeline this month, with possible issuances to come from Top Glove (RM800m) and LBS Bina (RM300m)

Top Traded Corporate Bonds/Sukuk in December 24	Volume (RM mil)	Last Done Yield (%)
CAGAMAS MTN 3.800% 06.12.2027	500	3.800
DANAINFRA IMTN 4.700% 27.10.2051 - Tranche 24	375	4.220
DANAINFRA IMTN 4.700% 10.11.2051	340	4.215
KLK IMTN 4.170% 16.03.2032	270	4.066
PUBLIC MTN 2557D 09.4.2025	215	3.591
LIZIZ MTN Tranche 1 Series 1 1826D 26.1.2023	212	10.188
LIZIZ MTN Tranche 2 Series 17 367D 17.4.2023	156	13.156
DANAINFRA IMTN 4.240% 26.11.2049	140	4.190
PRASARANA IMTN 3.970% 28.06.2034 (Series 18)	135	3.889
LPPSA IMTN 4.280% 25.08.2034 - Tranche No 68	125	3.941

Top Corporate/Sukuk Issuance in December 24	Rating	Amount Issued (RM 'm)
SOUTHKEY MEGAMALL MTN 1095D 20.12.2027 (SERIES 10)	AAA	1,000
SDESB IMTN 11.12.2030 - Tranche 4	NR	800
SURIA KLCC IMTN 4.000% 29.06.2035 - Series No. 2	AAA	600
CAGAMAS MTN 3.800% 06.12.2027	AAA	500
PBB Tranche 3 Sub-Notes 4.00% 11.12.2034	NR	500
SDESB IMTN 10.12.2027 - Tranche 3	NR	350
EXSIM ASEAN GREEN SRI SUKUK 5.000% 04.06.2029	NR	310
SUNREIT MTN MTN 365D 12.12.2025	NR	300
Mah Sing Sukuk Murabahah 4.50% 14.12.2029 (T4)	AAA	250
PYSB ABS-IMTN 23.12.2033 (CLASS A)	AAA	205

Source: BNM, BPAM, HLBB Global Markets Research

US Bonds Outlook Jan 2025 – more constructive outlook

	Current @ 09 Jan	Q1 2025	Q2 2025	Q3 2025	Q4 2025
Fed Funds Rate (upper bound)	4.50%	4.25%	4.00%	4.00%	4.00%

UST yields (%)	Current @ 9 Jan	Q1 2025	Q2 2025	Q3 2025	Q4 2025
2Y	4.27%	4.15%	4.05%	4.00%	4.00%
5Y	4.46%	4.30%	4.20%	4.10%	4.00%
10Y	4.69%	4.50%	4.40%	4.30%	4.20%
30Y	4.93%	4.75%	4.60%	4.50%	4.40%

Source: HLBB Global Markets Research

Key Events for the Month

Date	Event
10 Jan	Non-Farm Payrolls
15 Jan	CPI
16 Jan	Retail Sales
20 Jan	Presidential Inauguration
29 Jan	FOMC
30 Jan	4Q GDP (A)
31 Jan	Core PCE Price Index

- Bonds continued to trade lower to kick off the year in early January, with the market continuing to price in the Trump trade with his impending return to the White House on 20 Jan. The ISM indices for December both registered higher than expected readings, and the level of weekly jobless claims declined to the lowest level since last February, signally a still resilient labour market.
- The minutes of the Dec 18 FOMC meeting revealed that many Fed officials are inclined to reduce the pace of rate reductions, which ties in with what we saw at the dot plot that was released alongside the decision to lower rates last month. We think that they will reduce the pace of rate reductions in 1Q to only a single 25bps reduction, most likely in the March FOMC meet.
- We are starting to get more constructive on the UST market here, with a lot of the Trump trade already priced in and the market beginning to veer into oversold territory. **Bond yields are expected to edge lower from current levels for the rest of the month.**

MYR Bonds Outlook Jan 2025 – bond yields expected to be range bound

	Current @ 09 Jan	Q1 2025	Q2 2025	Q3 2025	Q4 2025
OPR	3.00%	3.00%	3.00%	3.00%	3.00%

MGS yields (%)	Current @ 09 Jan	Q1 2025	Q2 2025	Q3 2025	Q4 2025
3Y	3.44%	3.45%	3.45%	3.40%	3.40%
5Y	3.61%	3.65%	3.60%	3.55%	3.55%
10Y	3.82%	3.85%	3.80%	3.75%	3.70%
20Y	4.04%	4.05%	4.00%	3.95%	3.90%

Source: HLBB Global Markets Research

Key Events for the Month

Date	Event
17 Jan	4Q GDP and 2024 GDP (A)
20 Jan	Trade Balance & Exports
22 Jan	CPI
22 Jan	BNM MPC

- MYR bonds have been little changed in January thus far, as start of the year buying interest domestically by funds and banks were offset by a bearish global bond backdrop. We think that they continue to trade in a range for the rest of the month. Industrial production numbers for November came in stronger than expected driven by the export-oriented sectors, boding well for growth in 4Q and 2024 as a whole, with the advanced estimate for these scheduled for release on Jan 17.
- BNM maintained both rates and their neutral tone at the MPC in November, and we continue to see them maintaining rates and their neutral stance at the upcoming MPC on January 22 amidst a continued absence of price pressures domestically, with the implementation of further major subsidy reforms only likely to take place in the middle of the year.
- **Government bonds yields are expected to be range bound for the remainder of the month.** Corporates/Sukuku should continue to do perform this month with little in the way of supply expected.

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