

Monthly Fixed Income Market Outlook

Global Markets

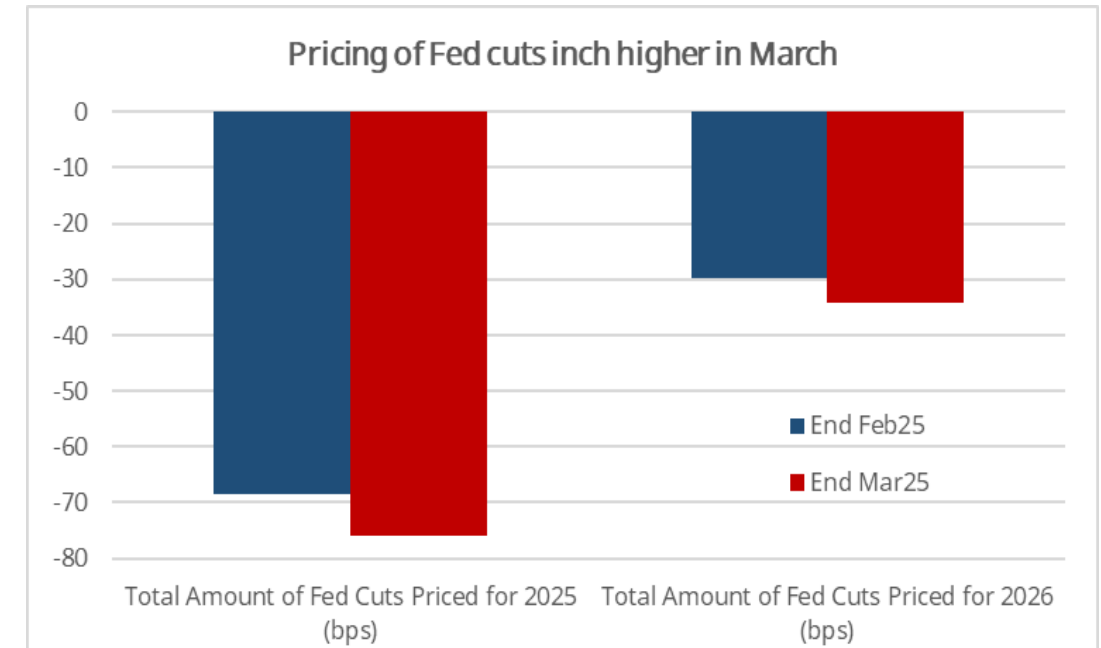
April 2025

March 2025 US Bond Market Review



Source: Bloomberg, HLBB Global Markets Research

- USTs were mixed in March, with shorter dated maturities registering some gains while the longer end of the maturity spectrum fell as the market braced for the reciprocal tariffs on Apr 02, and inflation expectations soared.
- Economic data for the month was mixed. The ISM indices saw manufacturing declining from the previous month's reading, but the services index firmed. The monthly payroll report came in roughly as expected, but the unemployment rate unexpectedly ticked higher to 4.1%. Retail sales rebounded in February after the fall the month before, but measures of US consumer confidence continued to plunge, signaling tougher times ahead. Inflation indicators were mixed, with core CPI coming in below expectations, but a larger than anticipated rise was seen in the core PCE prices for the month, the Fed's preferred measure.
- The UST curve steepened for the month, pivoting around the 10yr UST:
 - 2yr yield declined by 11bps to 3.89%
 - 10yr yield was little changed for the month at 4.21%



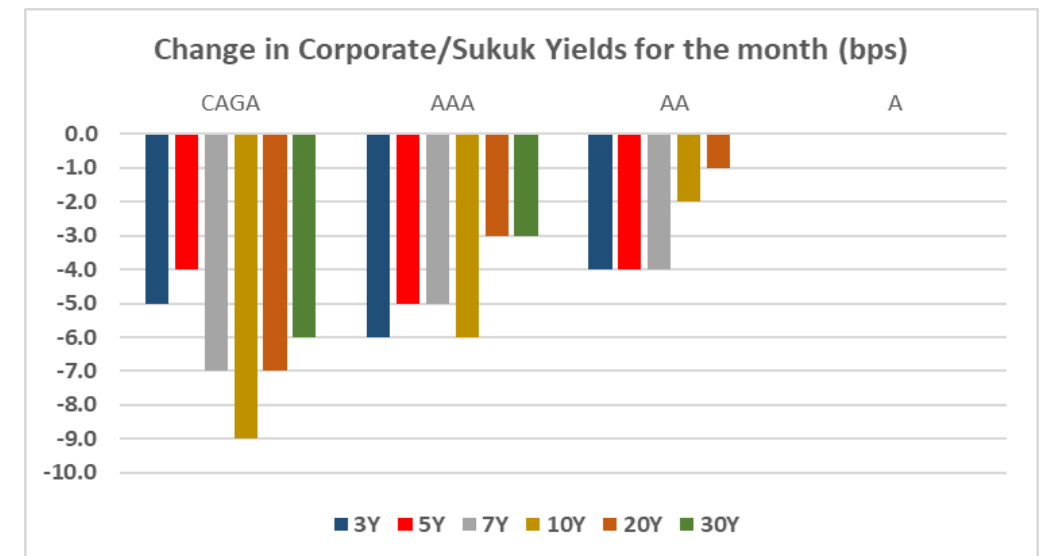
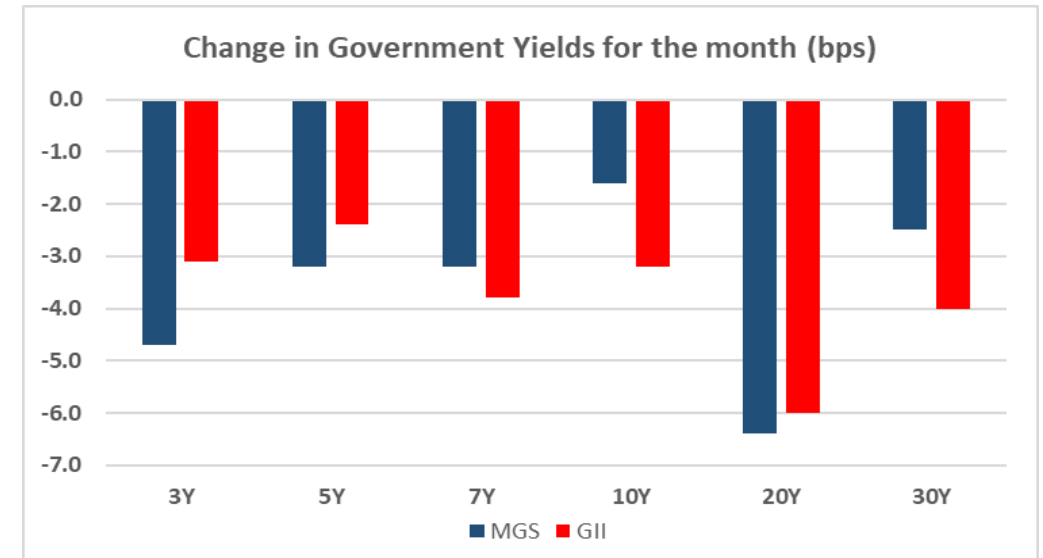
- The FOMC left rates unchanged during its policy meet on Mar 19, while revised down their forecast for growth this year, and upgrading their inflation forecast. The updated dot plot continued to pencil in 2 rate reductions for 2025.
- The futures markets' pricing of cuts inched higher during the month as worries about the economy continued to fester, and ended March pricing in slightly more than 3 cuts from the Fed for 2025.
- Futures markets pricing of Fed cuts as at the end of March stood as follows:
 - 2025 rate cuts priced rose to 76bps (from 69bps at end Feb)
 - 2026 rate cuts priced rose to 34bps (from 30bps at end Feb)

March 2025 MYR Bond Market Review



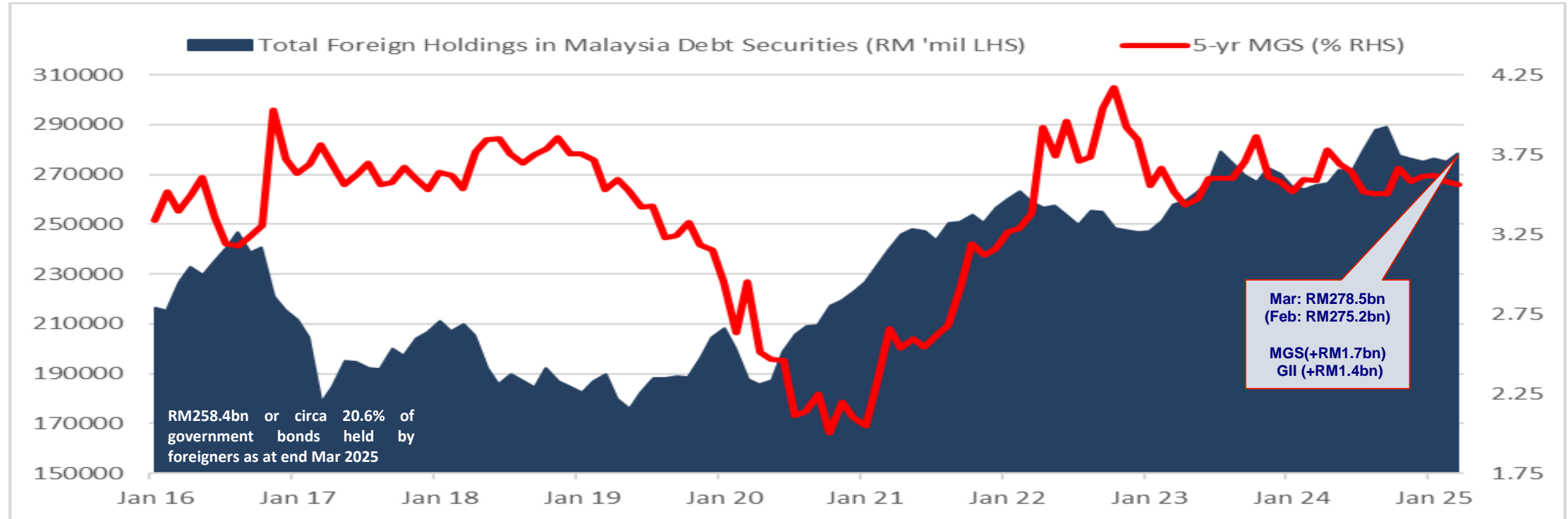
Source: Bloomberg, HLBB Global Markets Research

- MYR govt bonds were firmer again in March as fears about the country being caught up in the reciprocal tariffs grew. BNM left policy unchanged for an eleventh straight meeting on Mar 06 and continued to sound a neutral tone in its statement. Economic data during the month was mixed, with January industrial production coming in south of expectations, while the trade balance in February was wider than expected as exports rebounded and imports growth saw a moderation. February inflation declined as expected to 1.5% y/y versus the 1.7% y/y the month before on high base effects.
- Benchmark yields ended the month lower between 1 and 7bps, with the 20yr sector leading the move higher in government bonds.
- Corporate bonds were firmer in March, with the high grade sector leading the way with CAGA and AAA-rated names outperforming for the month, while the A-rated sector was largely unchanged.



Source: BPAM, HLBB Global Markets Research

Offshore foreign holdings rose in March, driven by increases in MGS and GII holdings



Source: BNM, Bloomberg, HLBB Global Markets Research

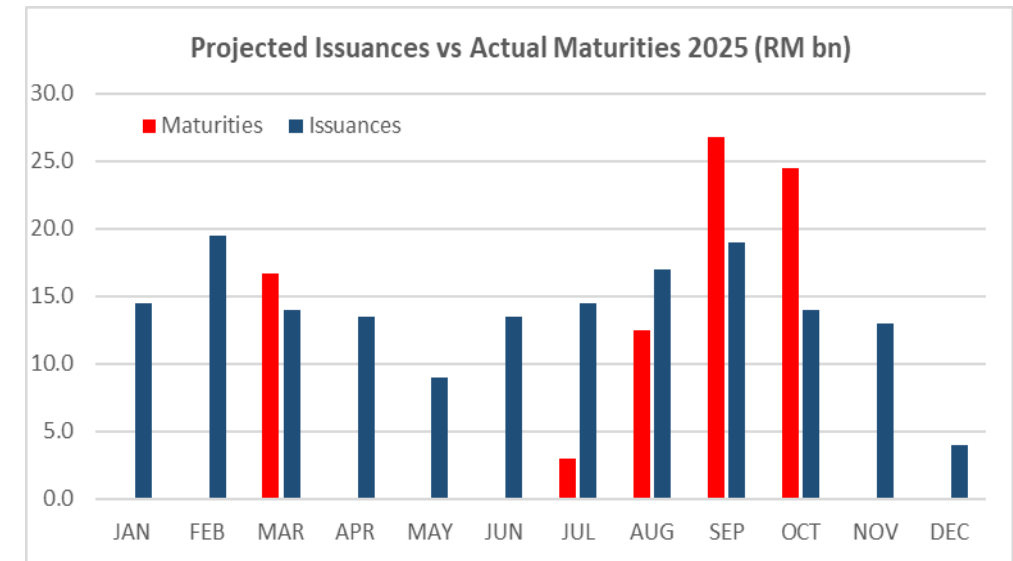
- Offshore foreign holdings of Malaysian debt securities advanced in March, rising by RM3.2bn to RM278.5bn, versus the RM275.2bn at the end of February
- The increase was driven by additions in the holdings of MGS (+RM1.7bn) and GII (+RM1.4bn), while holdings of Corporate Bonds (+RM0.6bn) and MTB (+RM0.2bn) also saw advances
- Foreign holdings of MITB (-RM0.4bn) and Sukuk (-RM0.2bn) conversely saw marginal declines for the month

RM14.0bn of gross MGS/GII issuance in March; RM13.5bn of issuance likely in April

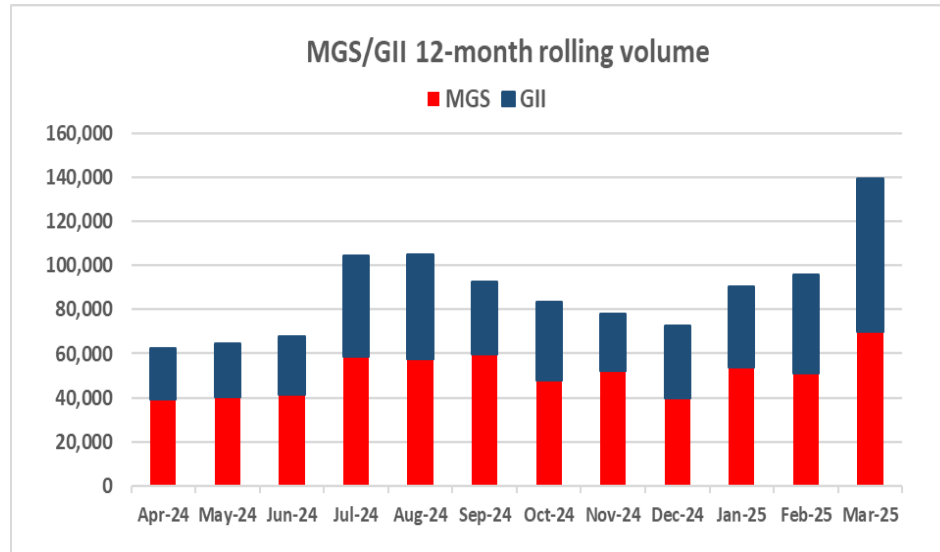
MGS/GII issuance pipeline in 2025														
No	Stock	Tenure (yrs)	Tender Month	Quarter	Tender Date	Projected Issuance Size (RM mil)	Actual Auction Issuance (RM mil)	Actual Private Placement	Total Issuance YTD	BTC (times)	Low	Average	High	Cut-off
1	7-yr Reopening of MGS 07/32	7	Jan	Q1	7/1/2025	4,000	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		5,000			52,000					
13	10-yr New Issue of MGII (Mat on 04/35)	10	Apr	Q2		4,500			52,000					
14	5-yr New Issue of MGS (Mat on 05/30)	5	May	Q2		5,000			52,000					
15	20-yr New Issue of MGII (Mat on 05/45)	20	May	Q2		4,500			52,000					
16	15-yr Reopening of MGS 04/39	15	Jun	Q2		4,000			52,000					
17	30-yr Reopening of MGII 03/54	30	Jun	Q2		4,500			52,000					
18	10-yr New Issue of MGS (Mat on 07/35)	10	Jun	Q2		4,500			52,000					
19	7-yr Reopening of MGII 10/31	7	Jul	Q3		5,000			52,000					
20	30-yr New Issue of MGS (Mat on 07/55)	30	Jul	Q3		4,500			52,000					
21	10-yr Reopening of MGII 04/35	10	Jul	Q3		4,000			52,000					
22	20-yr Reopening of MGS 05/44	20	Aug	Q3		4,500			52,000					
23	15-yr Reopening of MGII 07/40	15	Aug	Q3		4,000			52,000					
24	5-yr Reopening of MGS 5/30	5	Aug	Q3		5,000			52,000					
25	20-yr Reopening of MGII 05/45	20	Aug	Q3		4,500			52,000					
26	3-yr Reopening of MGS 04/28	3	Sep	Q3		5,000			52,000					
27	30-yr New Issue of MGII (Mat on 09/55)	30	Sep	Q3		4,500			52,000					
28	15-yr Reopening of MGS 04/39	15	Sep	Q3		4,000			52,000					
29	3-yr Reopening of MGII 07/28	3	Sep	Q3		5,000			52,000					
30	30-yr Reopening of MGS 07/55	30	Oct	Q4		4,500			52,000					
31	5-yr Reopening of MGII 08/30	5	Oct	Q4		5,000			52,000					
32	20-yr Reopening of MGS 05/44	20	Oct	Q4		4,500			52,000					
33	10-yr Reopening of MGII 04/35	10	Nov	Q4		4,000			52,000					
34	7-yr Reopening of MGS 07/32	7	Nov	Q4		5,000			52,000					
35	20-yr Reopening of MGII 05/45	20	Nov	Q4		4,500			52,000					
36	10-yr Reopening of MGS 07/35	10	Dec	Q4		4,000			52,000					
Gross MGS/GII supply in 2025						164,000	43,000	9,000	52,000	PROJECTED TOTAL ISSUANCE = RM164bn				

Source: Bloomberg, BNM, HLBB Global Markets Research

- Gross issuance of RM14bn was seen in March from the 3 scheduled auctions – RM3bn 15yr MGS (plus RM1bn PP), RM3bn 30yr GII (plus RM2bn PP) and RM5bn 10yr MGS
- Auctions in March were not as well received as the month before but still decently covered, with an average BTC for the month of 2.421x (Feb: 2.910x), weighed down by a poor 10yr MGS reopening which recorded a paltry 1.670x BTC
- For April, we are likely to see gross issuance inch lower to RM13.5bn from 3 issuances – after the RM3bn 15yr GII (plus RM1bn PP) that we had on Apr 07, we expect a RM5.0bn 3yr MGS and a RM4.5bn 10yr GII
- Supply dynamics turn negative from this month onwards all the way till the next meaningful bond maturity which comes in August



MGS/GII trading volume surged in March; expected to remain elevated in April



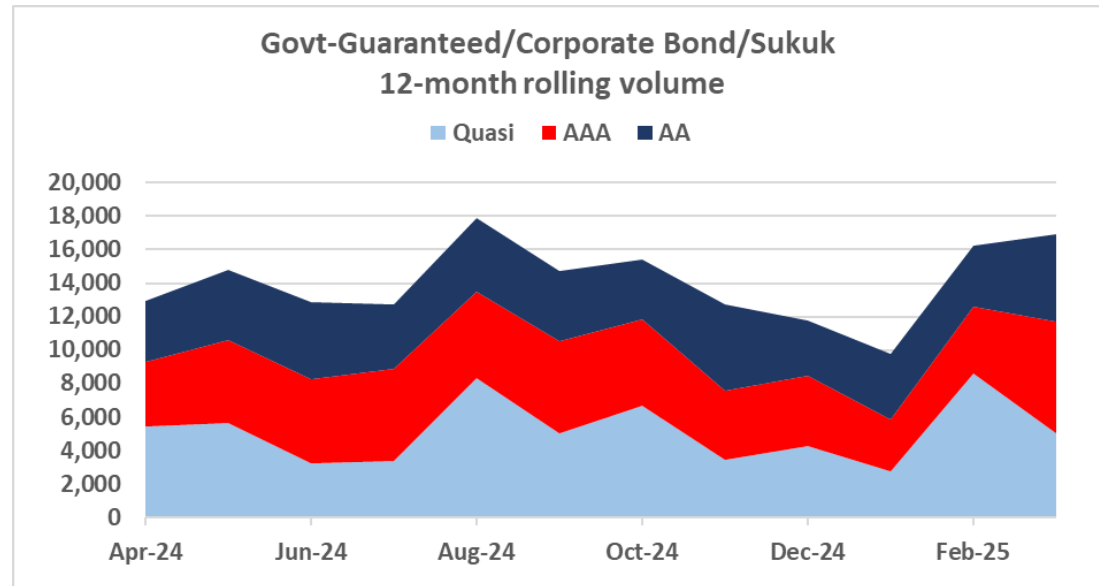
- Secondary trading in MGS/GII climbed sharply to RM139.4bn in March (Feb: RM96.1bn), with both MGS and GII trading surging for the month
- The off-the-run MGS 9/25 and benchmark 7Y GII 10/31 both again led trading for the month in the MGS and GII markets respectively
- Elevated trading interest was also seen in the benchmark 3Y MGS/GII and 15Y MGS, as well as in the off-the-run MGS 4/31 and GII 9/30

Top Traded MGS in March 25	Volume (RM 'mil)
MGS 9/25	11,625.2
MGS 5/27 (3Y)	5,965.6
MGS 4/39 (15Y)	5,960.1
MGS 4/31	5,563.6
MGS 8/29 (5Y)	4,638.6
MGS 7/32 (7Y)	4,287.8
MGS 7/34 (10Y)	4,277.8
MGS 11/26	2,516.9
MGS 11/27	2,280.2
MGS 3/25	2,155.2

Top Traded GII in March 25	Volume (RM 'mil)
GII 10/31 (7Y)	7,932.0
GII 7/28 (3Y)	5,682.3
GII 9/30	5,465.3
GII 11/34 (10Y)	4,646.8
GII 10/32	4,086.8
GII 9/26	3,498.1
GII 8/33	3,301.2
GII 8/30 (5Y)	3,251.1
GII 8/43 (20Y)	3,009.6
GII 7/29	2,889.2

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

Corporate/Sukuk secondary trading inched higher in Mar; new issuances surge further



- Trading in Corps/Sukuk inched higher to RM16.9bn in March (Feb: RM16.2bn), driven by increases in trading of AAA and AA-rated paper
- New issuances for the month surged further to RM17.9bn in March (Feb: RM8.7bn), driven by rises in all categories; we expect issuance in the corporate/sukuk space to recede in April
- Among the possible further issuances in the pipeline this month include new issues from PASB (RM2.1bn), Sime Darby Prop (RM1.2bn), Imtiaz Sukuk II (RM1bn) UDA Holdings (RM200m), AME Elite (RM200m) and Cellco Cap (RM130m), Guan Chong (RM130m) and Mah Sing Group

Top Traded Corporate Bonds/Sukuk in March 25	Volume (RM mil)	Last Done Yield (%)
EWCB IMTN 4.260% 19.03.2032	300	4.160
JOHORCORP IMTN 4.720% 11.06.2027	272	3.813
DANAINFRA IMTN 4.700% 10.11.2051	270	4.156
PASB IMTN 3.980% 04.06.2031 - Issue No. 49	250	3.808
DANAINFRA IMTN 4.230% 23.11.2035 - Tranche No 114	210	3.806
CAGAMAS IMTN 3.890% 02.11.2029	200	3.766
MRL IMTN 4.020% 01.04.2039 - Series 4	200	3.924
CAGAMAS IMTN 3.800% 13.11.2025	180	3.662
PLUS BERHAD IMTN 4.729% 12.01.2033 - Sukuk PLUS T24	180	3.815
PSEP IMTN 3.800% 17.03.2028	180	3.677

Source: BNM, BPAM, HLBB Global Markets Research

Top Corporate/Sukuk Issuance in March 25	Rating	Amount Issued (RM 'm)
CAGAMAS IMTN 3.780% 24.03.2028	AAA	1,110
PRASARANA IMTN 4.110% 07.03.2045 (SERIES 22)	GG	1,000
CAGAMAS IMTN 3.820% 07.03.2030	AAA	900
DANAINFRA IMTN 4.000% 09.03.2040 - Tranche No 154	GG	830
DANAINFRA IMTN 4.170% 11.03.2050 - Tranche No 157	GG	770
PRESS METAL IMTN 4.060% 19.03.2035	AA1	700
URUSHARTA CEMERLANG MTN T1 FLOATING RATE 19.3.2030	NR	610
YTL POWER IMTN 4.210% 20.03.2040	AA1	600
OSK RATED IMTN 4.120% 02.03.2035 (Series 007)	AA2	550
DANAINFRA IMTN 4.250% 11.03.2055 - Tranche No 158	GG	510

US Bonds Outlook Apr 2025 – bonds likely to trade higher with a steepening bias

	Current @ 10 Apr	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 @ 10 Apr	Q2 2025	Q3 2025	Q4 2025	Q1 2026
2Y	3.86%	3.55%	3.30%	3.05%	2.95%
5Y	4.07%	3.80%	3.55%	3.30%	3.20%
10Y	4.42%	4.20%	4.00%	3.80%	3.70%
30Y	4.87%	4.75%	4.60%	4.45%	4.40%

Source: HLBB Global Markets Research

Key Events for the Month	
Date	Event
11 Apr	Uni Of Mich Consumer Sentiment
16 Apr	Retail Sales
23 Apr	Preliminary April PMIs
23 Apr	Fed Beige Book
29 Apr	JOLTS Job Openings
30 Apr	ADP Employment Change
30 Apr	1Q GDP (A)
30 Apr	Core PCE Price Index

- It's been a wild ride for bonds thus far in April, with the market initially rallying sharply as the reciprocal tariffs announced on Apr 02 turned out to be more aggressive than what has been anticipated. The 10yr UST yield traded as low as 3.85%, before the market made a turnaround and started selling off, led by the longer end of the yield curve on concerns of the consequences of an economic slowdown on government finances, with the 10yr UST yield rising to as high as 4.51%. The reciprocal tariffs on most countries were then pushed back for 90 days with the notable exception of an even more punitive tariff rate applied to China, after they retaliated to the US tariffs.
- The ISM indices for March were mixed, and the monthly employment report for the month saw more jobs added than expected but a further uptick in the unemployment rate to 4.2%, but economic data will take a back seat for the time being as the markets continue to be whipped about by the news flow on tariffs and their implications to the trajectory of global growth.
- Bonds are likely to remain volatile but ultimately we **expect yields to head lower over the coming months and the UST curve to steepen, as economic growth slows down across the globe as a result of the not just the tariffs itself, but also the huge toll it is taking on consumer and business confidence**, which we think will result in the Fed resuming reductions in the Funds rate after pausing in 1Q.

MYR Bonds Outlook Apr 2025 – poised to rally further as growth moderates

	Current @ 10 Apr	Q2 2025	Q3 2025	Q4 2025	Q1 2026
OPR	3.00%	3.00%	2.75%	2.75%	2.75%

MGS yields (%)	Current @ 10 Apr	Q2 2025	Q3 2025	Q4 2025	Q1 2026
3Y	3.38%	3.25%	3.10%	3.05%	3.00%
5Y	3.43%	3.30%	3.15%	3.10%	3.05%
10Y	3.71%	3.60%	3.45%	3.40%	3.35%
20Y	3.94%	3.85%	3.75%	3.75%	3.70%

Source: HLBB Global Markets Research

Key Events for the Month	
Date	Event
11 Apr	Industrial Production
18 Apr	Trade Balance & Exports
18 Apr	GDP 1Q A
23 Apr	CPI

- MYR bonds have staged a rally in early April, after Malaysia was included in the reciprocal tariff country list on Apr 02, with the tariffs levied by the US in general being more aggressive than what was anticipated. The market then gave up some gains after the reciprocal tariffs were suspended for 90 days along with those of most other nations
- Although the outlook is a little brighter as a result of the tariffs being postponed for now, the dark cloud of potentially more tariffs for sectors like semiconductors still hangs over us, and we think that the amount of resulting uncertainty on economic conditions will eventually translate into a sizable moderation in the hard data as the weeks go by, ultimately leading to BNM easing policy slightly in 2H in order to shore up growth.
- The supply dynamics of the market turn negative beginning this month, with no sizable government bond maturities till August
- **Government bonds yields are expected to head lower with a slight steepening bias, with BNM likely to signal a possible easing during their next policy meeting in May.** Corporate/Sukuk spreads are expected to widen going forward, but the widening is likely to be limited given continued strong demand for paper

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