

# Monthly Fixed Income Market Outlook

Global Markets

June 2025

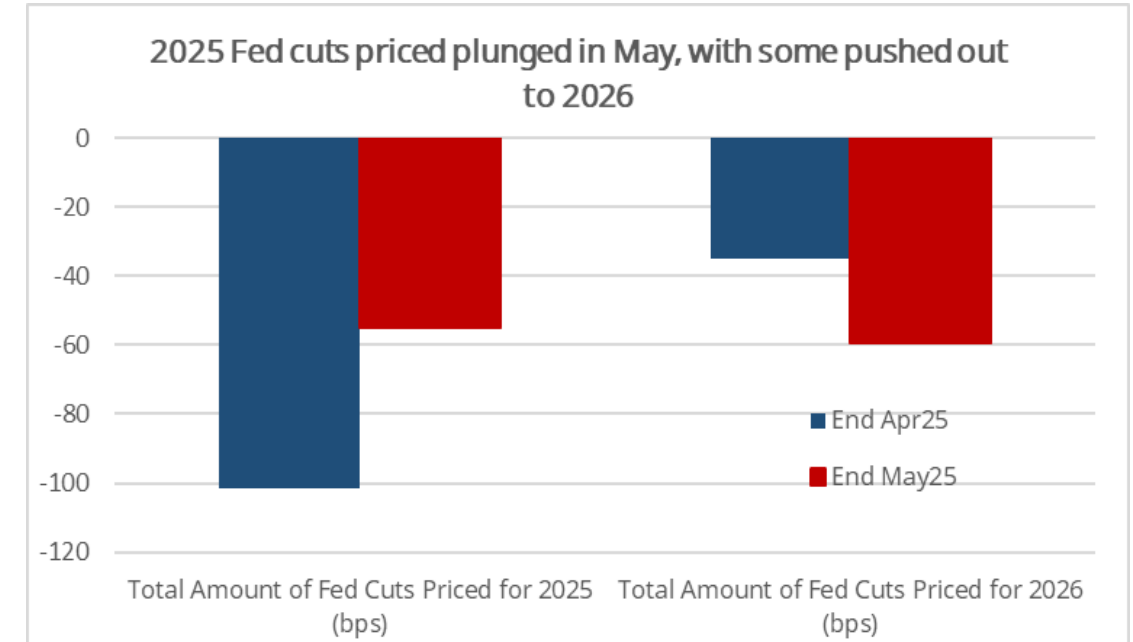


# May 2025 US Bond Market Review



Source: Bloomberg, HLBB Global Markets Research

- USTs were softer across the maturity spectrum in May, with the markets pricing out the chances of sharp economic slowdown after the tariff temperature subsided during the month with the US and China agreeing to reduce the high punitive bilateral tariffs on each other. An increased scrutiny of the US government finances also contributed to weaker bond prices, with the Trump tax bills making their way through the US Congress.
- Economic data for the month was decent. The ISM indices for April were better than anticipated, with a smaller than expected decline in manufacturing and an unexpected increase in the services measure. The monthly employment report continued to indicate a healthy labour market, while inflation indicators for the month were slightly cooler than expected on balance.
- The UST curve bear-flattened marginally during the month:
  - 2yr yield advanced by 30bps to 3.90%
  - 10yr yield rose by 24bps to 4.40%



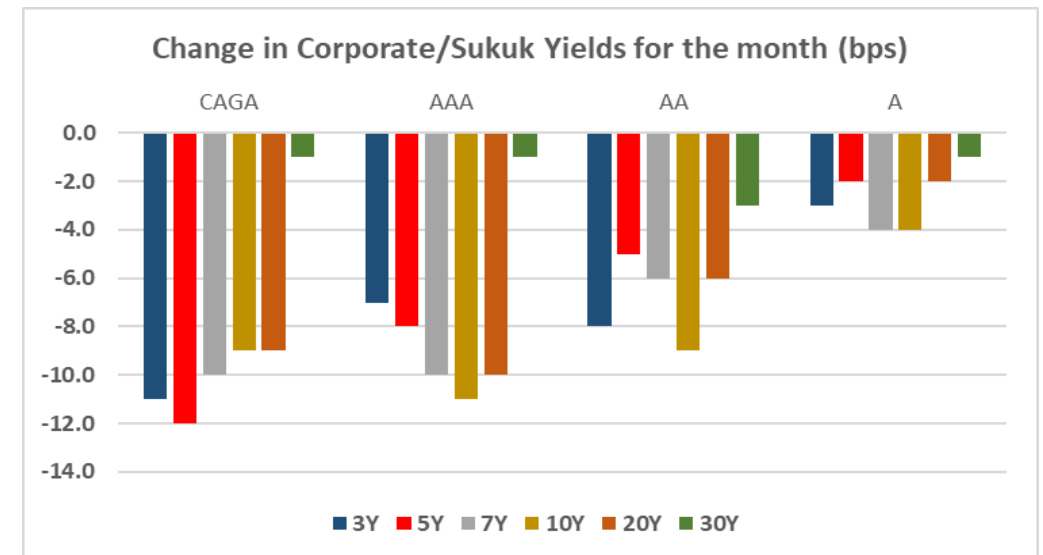
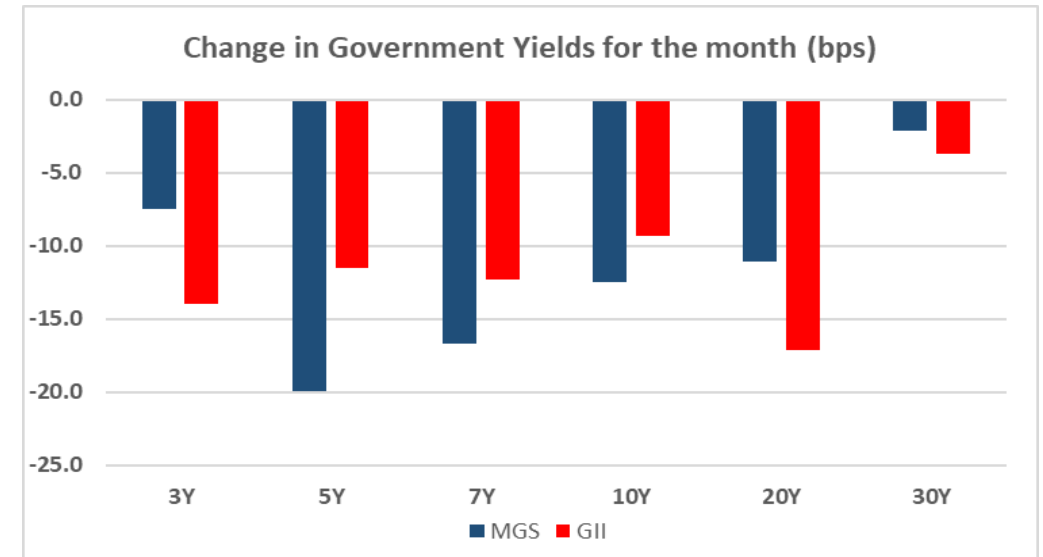
- The FOMC left rates steady for a third time on the trot during its May 07 meeting and the minutes of the meeting suggested that Fed policymakers agreed on a cautious approach to monetary policy amidst elevated uncertainty over trade, fiscal, regulatory, and immigration policies.
- The futures markets' pricing of Fed cuts for 2025 rose collapsed during the month after the reduction of the tariff temperature mid-month lowered the chances of a sharp impending recession, and ended the month pricing in about 2 cuts from the Fed for the year, with a little more priced in for 2026 instead
- Futures markets pricing of Fed cuts as at the end of May stood as follows:
  - 2025 rate cuts priced plunged to 55bps (from 102bps at end Apr)
  - 2026 rate cuts priced rose to 59bps (from 35bps at end Apr)

## May 2025 MYR Bond Market Review



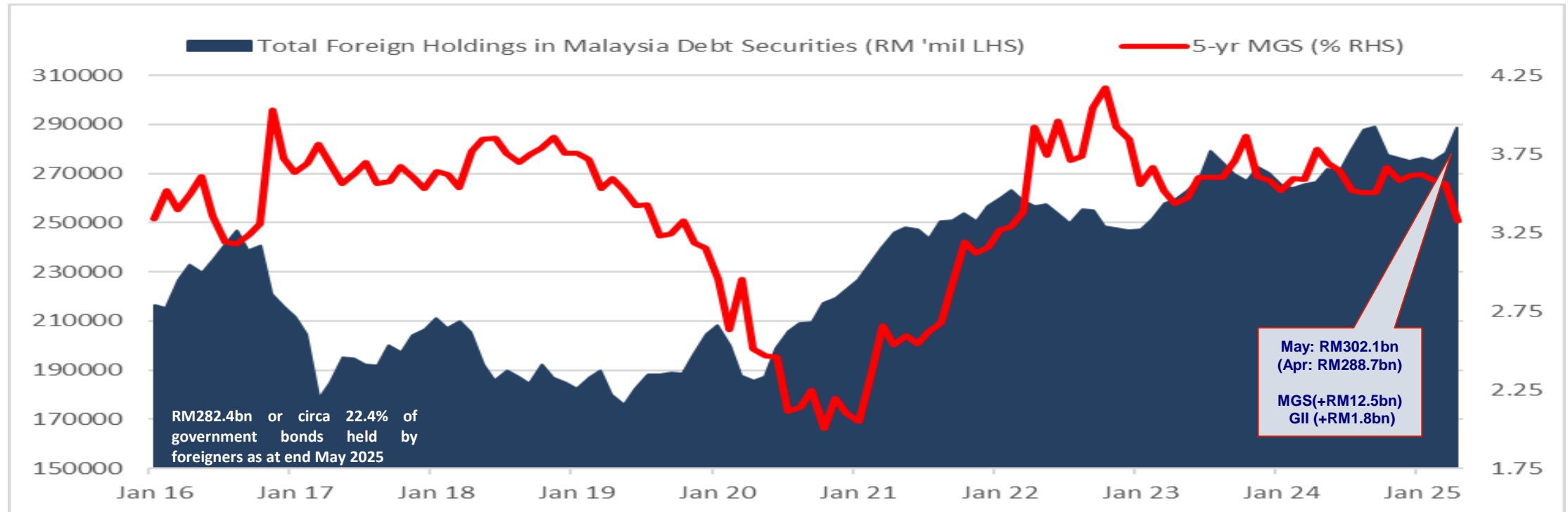
Source: Bloomberg, HLBB Global Markets Research

- MYR govt bonds continued to rally in May, with a dovish tilt seen by BNM in highlighting growing downside risks to growth during their MPC decision to hold rates steady for a twelfth straight meeting on May 08. Economic data for the month was decent – final 1Q GDP was revised a notch lower versus the advanced reading, while both industrial production for March and exports for April surpassed expectations, albeit likely as a result of continued front-loading ahead of possible higher tariffs making a return after the 90-day pause. Inflation was steady, with CPI for April holding steady at 1.4% y/y.
- Benchmark yields ended the month lower between 2 and 20bps, with the long end of the curve underperforming for the month in line with the weakness seen in longer-dated bonds globally.
- Corporate bonds were also firmer in May with CAGA and AAA-rated bonds outperforming the lower grade segments.



Source: BPAM, HLBB Global Markets Research

## Offshore foreign holdings surged further in May to a record high; driven by increases in MGS holdings



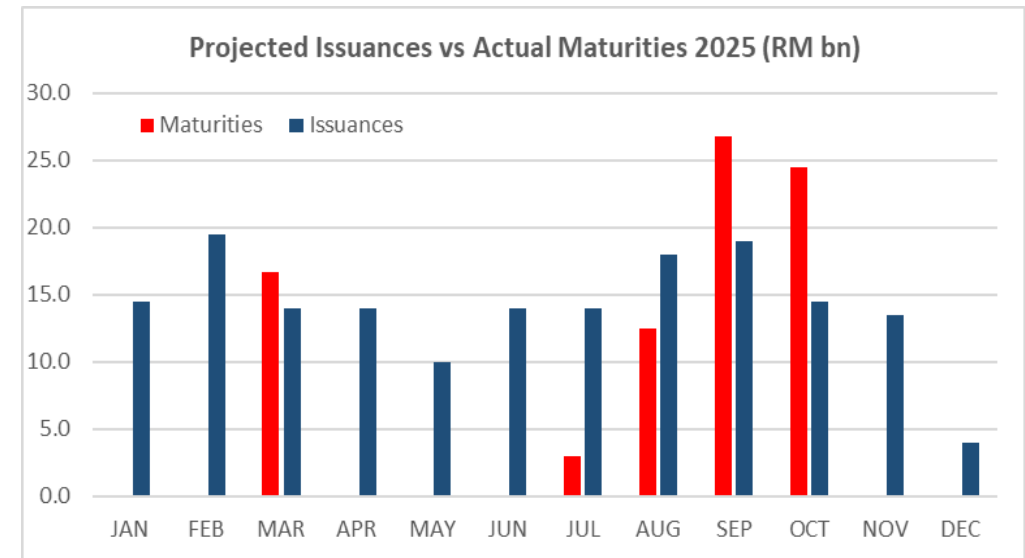
Source: BNM, Bloomberg, HLBB Global Markets Research

- Offshore foreign holdings of Malaysian debt securities surged again in May to a record high, with the increase for the month the largest since May 2014, climbing by RM13.4bn to RM302.1bn versus the RM288.7bn as of the end of April
- The increase was driven primarily by an increase in the holdings of MGS (+RM12.5bn). Holdings of GI (+RM1.8bn) and Corporate Bonds (+RM0.8bn) also saw increases for the month
- Holdings of MTB (-RM1.5bn) and Sukuk (-RM0.2bn) registered decreases, while holdings of MITB were little changed

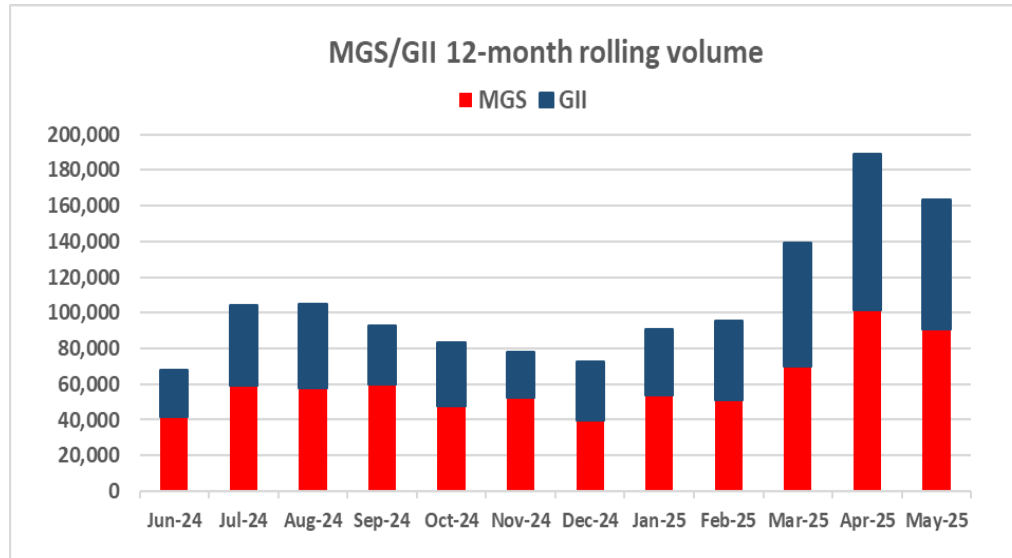
## RM10.0bn of gross MGS/GII issuance in May; RM14.0bn of issuance likely in June

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		5,000			81,000					
19	7-yr Reopening of MGII 10/31	7	Jul	Q3		5,000			81,000					
20	30-yr New Issue of MGS (Mat on 07/55)	30	Jul	Q3		5,000			81,000					
21	10-yr Reopening of MGII 04/35	10	Jul	Q3		4,000			81,000					
22	20-yr Reopening of MGS 05/44	20	Aug	Q3		4,500			81,000					
23	15-yr Reopening of MGII 07/40	15	Aug	Q3		4,000			81,000					
24	5-yr Reopening of MGS 5/30	5	Aug	Q3		5,000			81,000					
25	20-yr Reopening of MGII 05/45	20	Aug	Q3		4,500			81,000					
26	3-yr Reopening of MGS 04/28	3	Sep	Q3		5,000			81,000					
27	30-yr New Issue of MGII (Mat on 09/55)	30	Sep	Q3		5,000			81,000					
28	15-yr Reopening of MGS 04/39	15	Sep	Q3		4,000			81,000					
29	3-yr Reopening of MGII 07/28	3	Sep	Q3		5,000			81,000					
30	30-yr Reopening of MGS 07/55	30	Oct	Q4		5,000			81,000					
31	5-yr Reopening of MGII 08/30	5	Oct	Q4		5,000			81,000					
32	20-yr Reopening of MGS 05/44	20	Oct	Q4		4,500			81,000					
33	10-yr Reopening of MGII 04/35	10	Nov	Q4		4,000			81,000					
34	7-yr Reopening of MGS 07/32	7	Nov	Q4		5,000			81,000					
35	20-yr Reopening of MGII 05/45	20	Nov	Q4		4,500			81,000					
36	10-yr Reopening of MGS 07/35	10	Dec	Q4		4,000			81,000					
Gross MGS/GII supply in 2025						168,500	67,000	14,000	81,000	PROJECTED TOTAL ISSUANCE = RM168.5bn				

- Gross issuance of RM10bn was seen in May from the 2 scheduled auctions – a new issuance of RM5bn 5yr MGS and a new issuance of RM3bn 20yr GII (plus RM2bn PP)
- Auctions in May were not as well received versus the month before, with an average BTC for the month of 2.577x (Apr: 2.765x), dragged lower by moderate demand for the 5yr MGS new issuance
- For June, we are likely to see higher gross issuance of RM14.0bn from 3 scheduled auctions – we expect a RM5.0bn 10yr MGS new issuance, after the RM4.0bn 15yr MGS reopening and RM5.0bn 30yr GII reopening that we have already had for the month
- There are no maturities scheduled for the month, but supply dynamics will improve from July onwards, with bond maturities in 4 consecutive months



## MGS/GII trading volume moderated in May; expected to decline further in June



- Secondary trading in MGS/GII receded to RM163.5bn in May (Apr: RM189.2bn), with declines seen in both MGS and GII trading for the month
- The off-the-run MGS 9/25 and benchmark 7Y GII 10/31 again both led trading for the month in the MGS and GII markets respectively
- Strong trading interest was also seen in the benchmark 3Y GII, 7Y MGS and 10Y MGS/GII, as well as in the off-the-run MGS 7/26

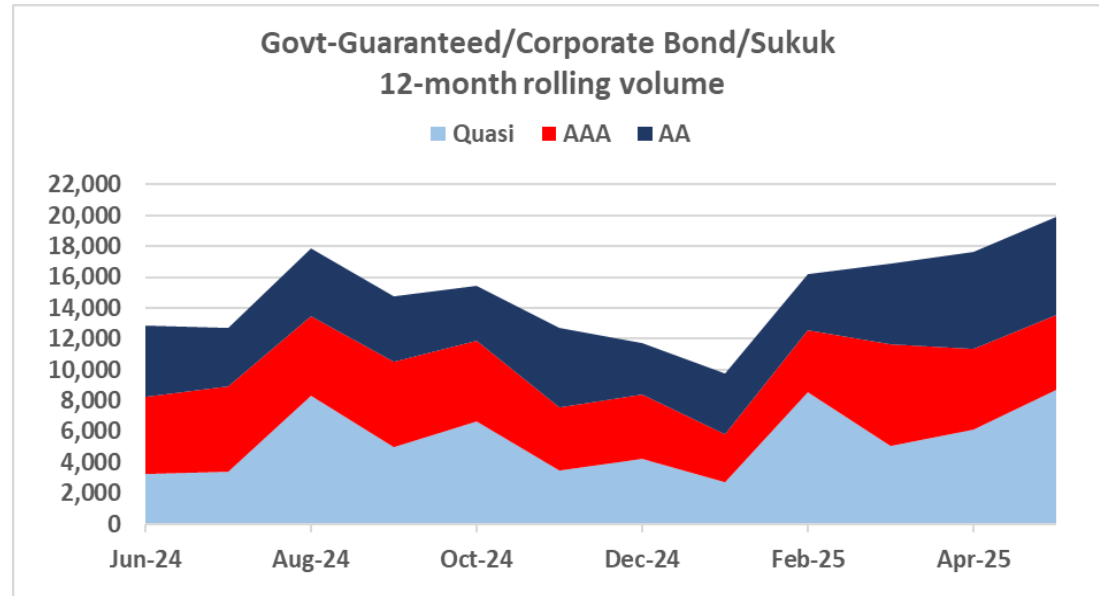
Top Traded MGS in May 25	Volume (RM 'mil)
MGS 9/25	24,978.2
MGS 7/34 (10Y)	8,371.8
MGS 7/26	7,159.2
MGS 7/32 (7Y)	6,077.9
MGS 5/27	5,533.0
MGS 4/28 (3Y)	5,445.1
MGS 8/29	4,648.5
MGS 5/30 (5Y)	4,628.0
MGS 4/31	3,539.1
MGS 11/33	1,956.4

Top Traded GII in May 25	Volume (RM 'mil)
GII 10/31 (7Y)	9,247.0
GII 4/35 (10Y)	5,932.4
GII 7/28 (3Y)	5,875.5
GII 11/34	4,782.2
GII 10/25	4,452.2
GII 9/30	4,295.0
GII 10/32	4,014.8
GII 7/36	3,841.2
GII 8/30 (5Y)	3,359.6
GII 8/33	3,086.7

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



## Corporate/Sukuk secondary trading rose in May; new issuances plunged



- Trading in Corps/Sukuk climbed to RM19.9bn in May (Apr: RM17.6bn), driven by an increase in the trading of government guaranteed papers
- New issuances for the month plunged to RM6.1bn in May (Apr: RM14.4bn), driven by a significant drop in the issuance by the quasi government sector and a decline in the corporate guaranteed segment; we expect issuance in the corporate/sukuk space to pick up in June
- Among the possible further issuances in the pipeline this month include new issues from RHB (RM1.0bn), DANAINFRA (RM1.0bn) and UOB (RM500m)

Top Traded Corporate Bonds/Sukuk in May 25	Volume (RM mil)	Last Done Yield (%)
MAYBANK IMTN 2.900% 09.10.2030	330	3.526
DANAINFRA IMTN 4.580% 20.10.2032	320	3.558
LPPSA IMTN 3.840% 06.02.2032 - Tranche No. 1	300	3.641
LPPSA IMTN 3.880% 06.02.2035 - Tranche No. 2	280	3.626
GENTING RMTN MTN 3653D 08.11.2029 - Tranche 1	265	4.150
CAGAMAS IMTN 3.780% 24.03.2028	260	3.477
PRASARANA IMTN 0% 28.09.2029 - MTN 2	245	3.344
PRASARANA IMTN 4.180% 27.08.2032 (Series 9)	230	3.552
DANAINFRA IMTN 4.060% 15.07.2039 - Tranche No 143	220	3.759
PASB IMTN 4.060% 29.04.2039 - Issue No. 51	205	3.824

Top Corporate/Sukuk Issuance in May 25	Rating	Amount Issued (RM 'mil)
MAYBANKISLM 3.730% 22.05.2035	GG	1,000
IMTIAZ II IMTN 3.980% 05.05.2032	AAA	880
MAYBANK SUBORDINATED SUKUK 3.840% 29.05.2037	AAA	750
AEON CREDIT SENIOR SUKUK (S9T1) 4.080% 20.05.2032	AAA	400
AKSB Tranche 1 Sukuk Wakalah 3.770% 28.05.2032	GG	388
PKNS IMTN Series 40 04.05.2028	GG	325
MALAYAN CEMENT IMTN 4.050% 07.05.2032	GG	300
ISLAM IMTN SUB 4.150% 28.05.2035 (Tranche 8)	AA1	250
PKNS IMTN Series 41 03.05.2030	AA1	250
CAGAMAS IMTN 3.430% 29.05.2026	GG	200

Source: BNM, BPAM, HLBB Global Markets Research

## US Bonds Outlook June 2025 – bonds likely to remain bid on heightened geopolitical tensions

	Current @ 17 Jun	Q2 2025	Q3 2025	Q4 2025	Q1 2026
Fed Funds Rate (upper bound)	4.50%	4.50%	4.25%	4.00%	3.75%

UST yields (%)	Current @ 17 Jun	Q2 2025	Q3 2025	Q4 2025	Q1 2026
2Y	3.95%	3.90%	3.60%	3.35%	3.10%
5Y	3.99%	3.95%	3.80%	3.55%	3.30%
10Y	4.39%	4.35%	4.20%	4.00%	3.80%
30Y	4.89%	4.85%	4.75%	4.60%	4.45%

Source: HLBB Global Markets Research

Key Events for the Month	
Date	Event
18 Jun	FOMC Decision
23 Jun	Preliminary June PMIs
24 Jun	Fed Chair Semi-Annual Testimony
26 Jun	GDP 1Q T
27 Jun	Core PCE Price Index

- Bonds have been little changed in May thus far with the 10yr UST inching lower to 4.39% from 4.40% as of end May and the UST curve flattening marginally, amidst a serious escalation in the geopolitical temperature in the Middle East with Israel and Iran trading blows daily since June 12. However, the growing concern over US government finances has tempered what would usually have been a flight to quality move lower in yields. The Fed is likely to continue to adopt a wait and see approach to policy and hold rates steady for a fourth straight meeting when the FOMC meets on June 18 as they continue to digest the implications from the numerous headwinds. The amount of Fed cuts priced in 2025 declined further to 46bps from the 55bps priced as at end-May.
- The ISM indices for May dipped, with the services measure notably moving into contractionary territory and retail sales for May came in weaker than expected, signally that economic momentum is slowing, but the labour market continues to remain healthy with the monthly employment report coming in a touch better than anticipated. Price pressures remain muted for now, with both CPI and PPI for May coming in cooler than expected.
- Bonds are expected to remain supported for the rest of the month given the geopolitical situation **and we expect bond yields to grind lower**, with the markets looking to the June 18 FOMC statement and Fed Chair Powell's semi-annual testimony to Congress on June 24 for more clarity on the path of policy for the year. Further out, we see bonds continuing to perform as the economy slows further and the Fed resuming its policy easing in 2H25.



## MYR Bonds Outlook June 2025 – continue to remain constructive

	Current @ 17 Jun	Q2 2025	Q3 2025	Q4 2025	Q1 2026
OPR	3.00%	3.00%	2.75%	2.75%	2.75%

MGS yields (%)	Current @ 17 Jun	Q2 2025	Q3 2025	Q4 2025	Q1 2026
3Y	3.21%	3.20%	3.05%	2.95%	2.90%
5Y	3.27%	3.25%	3.15%	3.10%	3.05%
10Y	3.59%	3.55%	3.45%	3.40%	3.40%
20Y	3.81%	3.80%	3.70%	3.65%	3.65%

Source: HLBB Global Markets Research

Key Events for the Month	
Date	Event
20 Jun	Trade Balance & Exports
24 Jun	CPI

- MYR bonds have corrected slightly with benchmark MGS yields rising by about 2-7bps since the end of previous month, after the significant bond rally that we had in April and May that was driven by both domestic and foreign buying. The impending expansion of the sales and service tax is likely to result in a slight slowdown of economic momentum, but this will likely be tempered by a continued healthy job market, with the latest monthly jobless rate declining to a decade low of 3.0%
- Industrial production for April came out below expectations, signaling a possible further slowing of economic momentum in 2Q. Exports for May are expected to moderate as the front-loading we had in the months before fizzles out.
- **Government bonds yields are expected continue to decline** as we approach the end of the 90-day reprieve in the reciprocal tariffs, and the deteriorating geopolitical situation is likely to result in a constructive tone for government bonds. BNM is likely to undertake a precautionary reduction in its policy rate in 3Q25 to keep the economy on a positive footing. Corporate/Sukuk spreads are expected to widen as government bond yields fall further, but solid demand for paper is expected to result in the widening being limited.

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