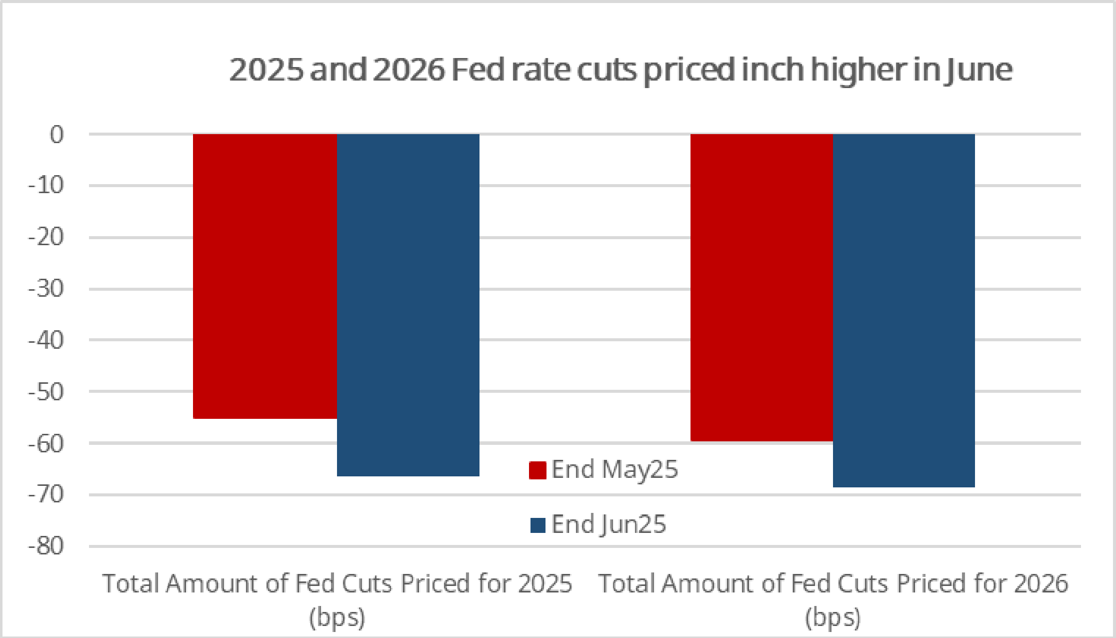
Hong Leong Bank

Monthly Fixed Income Market Outlook

Global Markets

July 2025

June 2025 US Bond Market Review



Source: Bloomberg, HLBB Global Markets Research

- USTs were firmer across the curve in June, with the market getting a flight to quality bid after the geopolitical temperature in the Middle East escalated substantially with Israel and Iran trading blows, and the US eventually entering the fray directly as well with a strike in Iran's nuclear facilities. A ceasefire was eventually called, but tensions continue to remain elevated.

- Economic data for the month was weaker on balance, with the ISM indices for May both dipping into contractionary territory, retail sales for May contracting by more than expected, and personal incomes and spending for the month both registering monthly contractions. The monthly employment report however, continued to point to a healthy labour market. Inflation indicators for May were mixed, with core CPI surprising on the downside, while core PCE surprised on the upside.

- The UST curve shifted lower in a rather parallel fashion during the month:
  - 2yr yield declined by 18bps to 3.72%
  - 10yr yield fell by 17bps to 4.23%

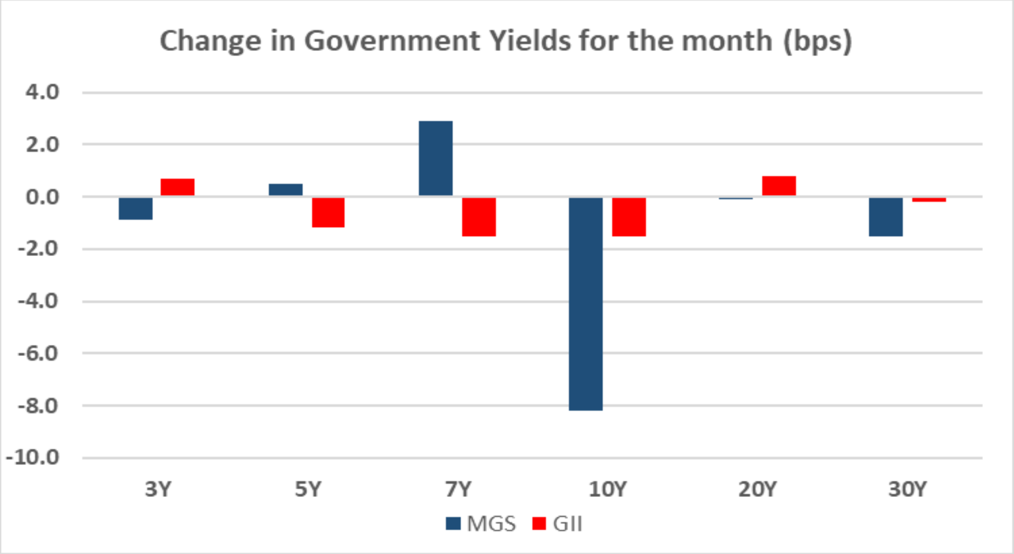
- The FOMC left rates steady for a fourth straight meeting during its June 18 meeting as the Fed continued to bide their time and adopt a wait and see approach in their monetary policy amidst elevated uncertainty in both the economic and inflation outlook.

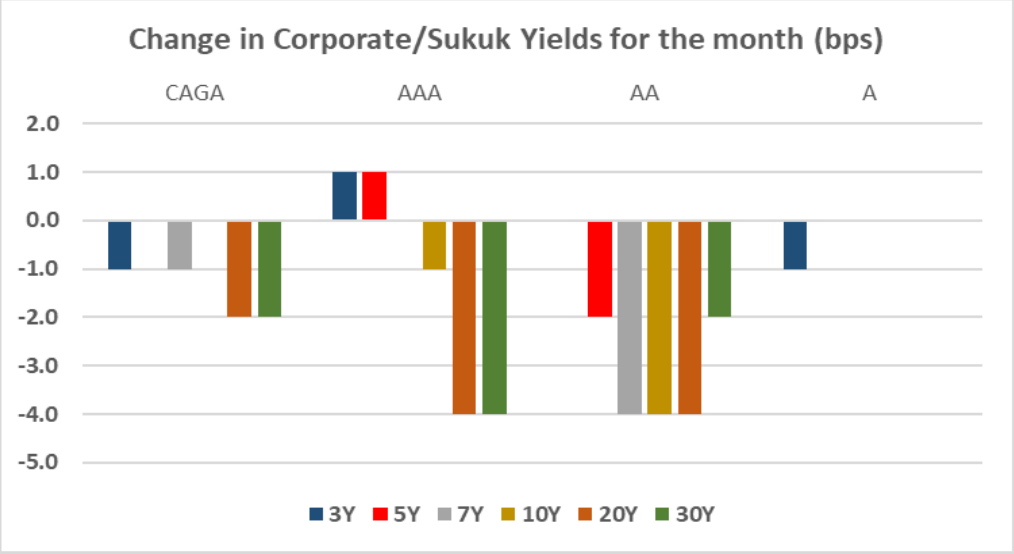
- The futures markets' pricing of Fed cuts for 2025 and 2026 rose during the month, the latter on continued speculation that the next Fed Chair appointed when Powell's term ends in May 2026 will likely be more amenable to reducing rates in a more aggressive manner.

- Futures markets pricing of Fed cuts as at the end of June stood as follows:
  - 2025 rate cuts priced rose to 67bps (from 55bps at end May)
  - 2026 rate cuts priced rose to 69bps (from 59bps at end May)

June 2025 MYR Bond Market Review

Source: Bloomberg, HLBB Global Markets Research





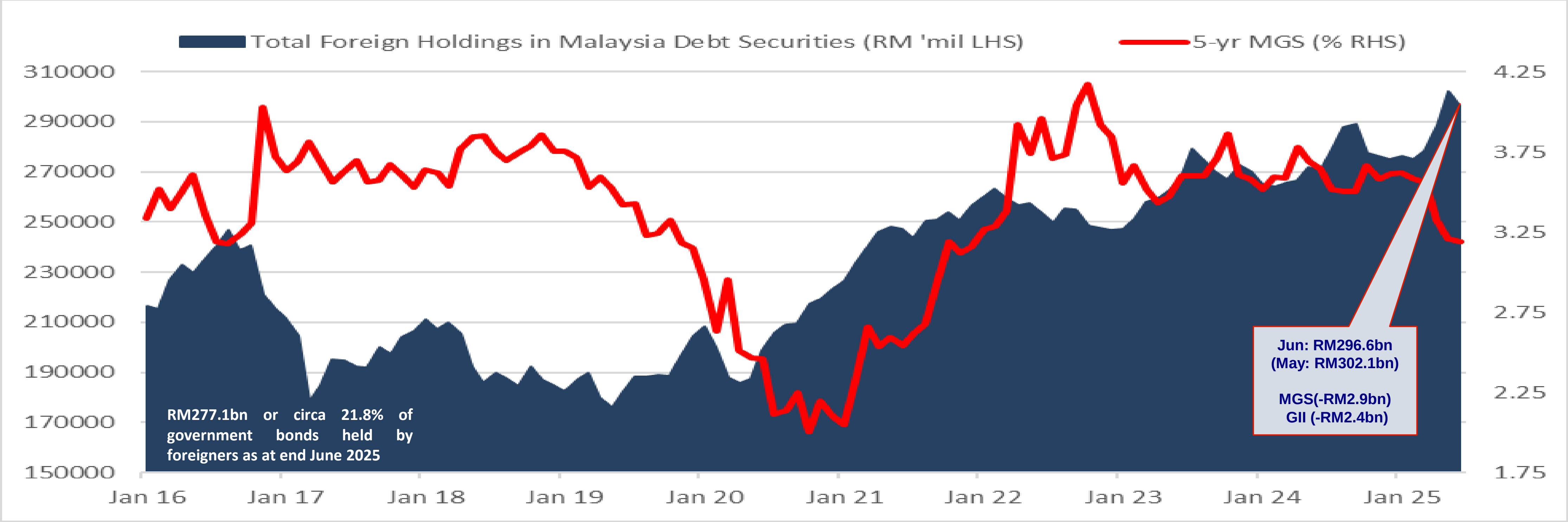
Source: BPAM, HLBB Global Markets Research

- MYR govt bonds were little changed for the month in June, having rallied sharply over the past two months as the market adopted a wait and see approach with the rally resulting in rate cuts already built into the MYR curves. Economic data for the month was poor, with industrial production for April coming in lower than anticipated and exports for May unexpectedly registering a decline, leading to the narrowest monthly trade surplus since Apr 2020. Inflation unexpectedly eased, with CPI for May dipping to 1.2% y/y versus expectation of an unchanged reading of 1.4% y/y.

- Benchmark government bond yields ended the month mixed between -8 and +3bps, with the 10Y MGS outperforming and the 7Y MGS underperforming for the month.

- Corporate bonds were mostly firmer in June with the AAA and AA-rated segments outperforming the other segments, and the longer-dated maturities generally doing better than their shorter-dated counterparts.

Offshore foreign holdings receded in June; driven by reductions in MGS and GII holdings



Source: BNM, Bloomberg, HLBB Global Markets Research

- Offshore foreign holdings of Malaysian debt securities declined in June from a record high, falling by RM5.4bn to RM296.6bn versus the RM302.1bn as at the end of May
- The decrease was driven primarily by reductions in the holdings of MGS (-RM2.9bn) and GII (-RM2.4bn). Holdings of MTB (-RM0.6bn) and MITB (-RM0.4bn) also saw declines for the month
- Foreign holdings of Corporate Bonds (+RM0.9bn) registered an increase, while holdings of Sukuk were little changed

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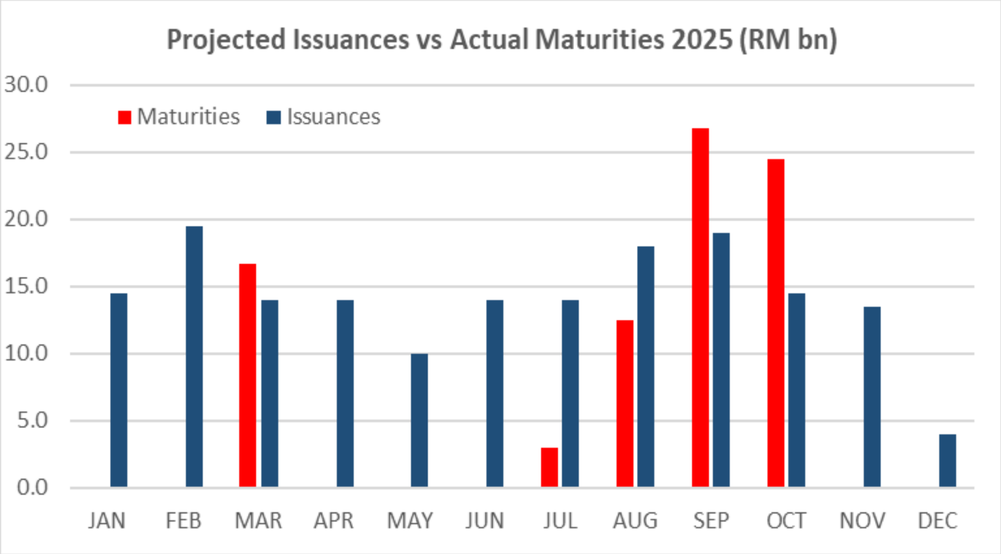
RM14.0bn of gross MGS/GII issuance in June; RM14.0bn of issuance also likely in July

MGS/GII issuance pipeline in 2025

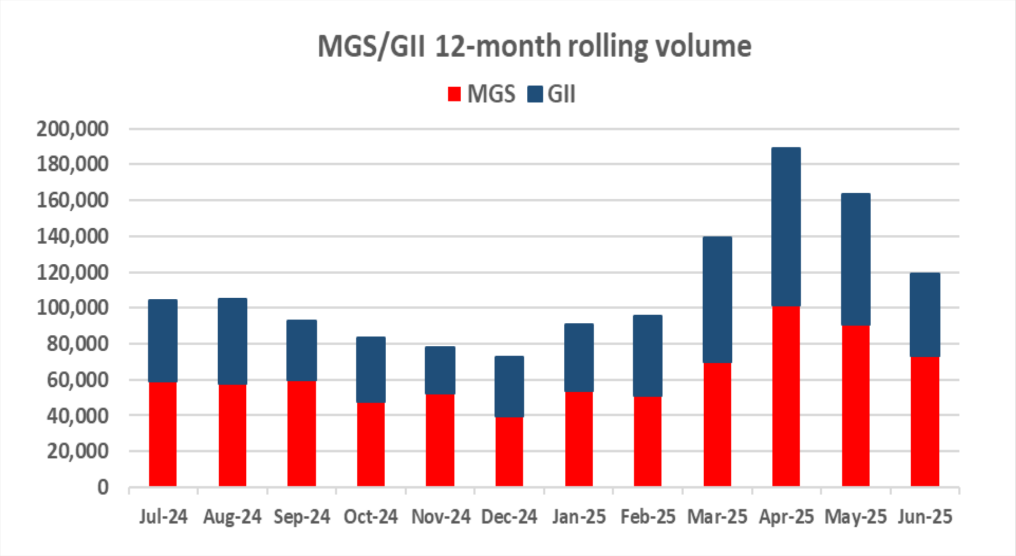
No	Stock	Tenure (yrs)	Tender Month	Quarter	Tender Date	Projected Issuance Size (RM mil)	Actual Auction Issuance (RM mil)	Actual Private Placement	Total Issuance YTD	BTC (times)	Low	Average	High	Cut-off
1	7-yr Reopening of MGS 07/32	7	Jan	Q1	7/1/2025	4,000	5,000		5,000	2.808	3.791	3.799	3.803	51.7%
2	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		5,000			91,000					
21	10-yr Reopening of MGII 04/35	10	Jul	Q3		4,000			91,000					
22	20-yr Reopening of MGS 05/44	20	Aug	Q3		4,500			91,000					
23	15-yr Reopening of MGII 07/40	15	Aug	Q3		4,000			91,000					
24	5-yr Reopening of MGS 5/30	5	Aug	Q3		5,000			91,000					
25	20-yr Reopening of MGII 05/45	20	Aug	Q3		4,500			91,000					
26	3-yr Reopening of MGS 04/28	3	Sep	Q3		5,000			91,000					
27	30-yr New Issue of MGII (Mat on 09/55) (I	30	Sep	Q3		5,000			91,000					
28	15-yr Reopening of MGS 04/39	15	Sep	Q3		4,000			91,000					
29	3-yr Reopening of MGII 07/28	3	Sep	Q3		5,000			91,000					
30	30-yr Reopening of MGS 07/55	30	Oct	Q4		5,000			91,000					
31	5-yr Reopening of MGII 08/30	5	Oct	Q4		5,000			91,000					
32	20-yr Reopening of MGS 05/44	20	Oct	Q4		4,500			91,000					
33	10-yr Reopening of MGII 04/35	10	Nov	Q4		4,000			91,000					
34	7-yr Reopening of MGS 07/32	7	Nov	Q4		5,000			91,000					
35	20-yr Reopening of MGII 05/45	20	Nov	Q4		4,500			91,000					
36	10-yr Reopening of MGS 07/35	10	Dec	Q4		4,000			91,000					
	Gross MGS/GII supply in 2025					168,500	77,000	14,000	91,000	PROJECTED TOTAL ISSUANCE = RM168.5bn				

Source: *Bloomberg, BNM, HLBB Global Markets Research*

- Gross issuance of RM14bn was seen in June from the 3 scheduled auctions – a new issuance of RM5bn 10yr MGS and a reopening of RM4bn 15yr MGS (including RM1bn PP) and RM5bn 30yr GII (including RM2bn PP)
- Auctions in May were well received, with an average BTC for the month of 3.045x (May: 2.577x), boosted by solid demand for the 15yr MGS reopening.
- For July, we are likely to see a similar of amount of gross issuance of RM14.0bn from 3 scheduled auctions – we expect a RM5.0bn 30yr MGS new issuance and a RM4.0bn 10yr GII reopening, after the RM5.0bn 7yr GII reopening that we have already had.
- Supply dynamics will improve from this month onwards, with bond maturities in 4 consecutive months through October



MGS/GII trading volume declined in June; expected to remain soft in July



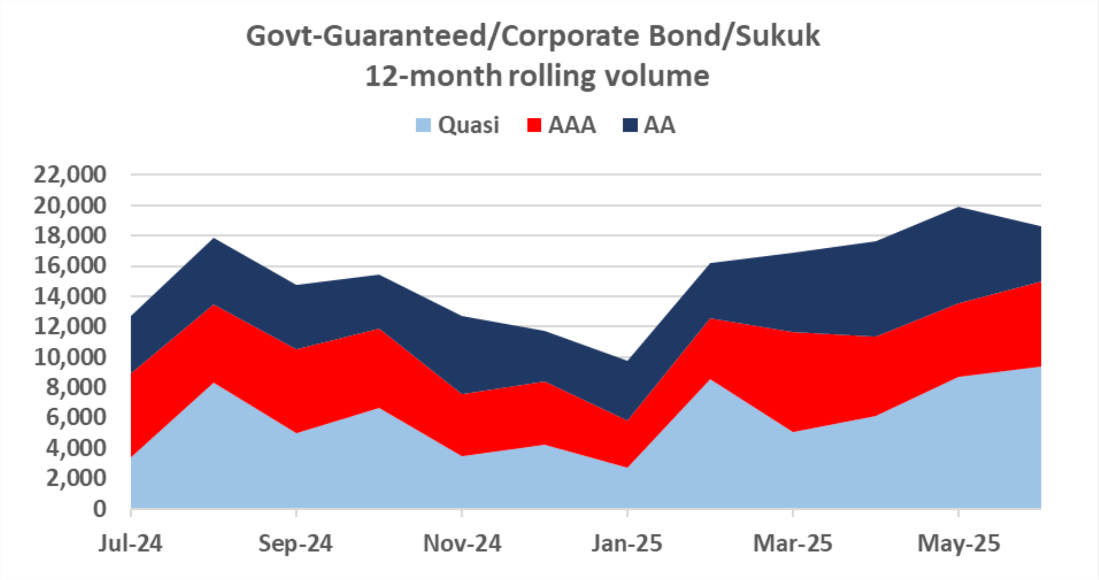
- Secondary trading in MGS/GII plunged to RM119.0bn in June (May: RM163.7bn), with declines seen in both MGS and GII trading for the month
- The off-the-run MGS 9/25 and benchmark 3Y GII 7/28 both led trading for the month in the MGS and GII markets respectively
- Strong trading interest was also seen in the benchmark 3Y MGS, 7Y MGS, as well as in the off-the-run MGS 7/26, MGS 4/31 and MGS 7/34

Top Traded MGS in June 25	Volume (RM 'mil)
MGS 9/25	17,186.8
MGS 7/26	5,489.6
MGS 4/31	5,305.3
MGS 7/34	5,118.8
MGS 4/28 (3Y)	4,881.6
MGS 7/32 (7Y)	4,475.7
MGS 8/29	4,186.0
MGS 4/39 (15Y)	3,349.6
MGS 5/27	3,207.6
MGS 11/33	2,891.7

Top Traded GII in June 25	Volume (RM 'mil)
GII 7/28 (3Y)	4,568.7
GII 9/30	3,880.1
GII 10/31 (7Y)	3,834.6
GII 10/25	3,119.5
GII 8/30 (5Y)	3,000.1
GII 10/32	2,519.5
GII 8/33	2,392.9
GII 9/26	2,286.8
GII 7/36	1,714.0
GII 3/54 (30Y)	1,559.2

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

Corporate/Sukuk secondary trading dipped in June; new issuances climb



- Trading in Corps/Sukuk dipped to RM18.7bn in June (May: RM19.9bn), driven by a marked decrease in the trading of AA-rated paper

- New issuances for the month climbed to RM9.8bn in June (May: RM6.1bn), driven by a surge in the corporate guaranteed segment and a rise in corporate issuance; we expect issuance in the corporate/sukuk space to rise further in July

- Among the possible notable issuances in the pipeline this month include new issues from DANAINFRA (RM2.2bn), CIMB Group (RM2.0bn) PSEP (RM1.5bn), CAGAMAS (RM750m) and Bank Islam (RM700m)

Top Traded Corporate Bonds/Sukuk in Jun 25	Volume (RM mil)	Last Done Yield (%)
DANAINFRA IMTN 4.150% 31.01.2030 - Tranche No 134	470	3.328
DANAINFRA IMTN 4.950% 06.04.2040 - Tranche No 35	420	3.780
DANAINFRA IMTN 3.690% 27.11.2029 - Tranche No 92	350	3.318
CAGAMAS ASEAN Social Bond 3.450% 12.6.2028	300	3.450
DANAINFRA IMTN 4.360% 12.02.2029 - TRANCHE 6	280	3.302
DANAINFRA IMTN 4.000% 09.03.2040 - Tranche No 154	260	3.779
CAGAMAS IMTN 3.640% 07.04.2028	250	3.448
DANAINFRA IMTN 4.900% 29.04.2033 - Tranche 3	220	3.603
LPPSA IMTN 4.120% 08.04.2050 - Tranche No. 13	210	3.969
TPSB IMTN 4.360% 19.11.2032 - Tranche No 4	200	3.740
DANAINFRA IMTN 4.850% 03.05.2041 - Tranche No 47	200	3.792

Top Corporate/Sukuk Issuance in Jun 25	Rating	Amount Issued (RM 'mil)
RHBBANK IMTN 3.810% 30.06.2032 (Series 7)	AA1	900
SVSB MTN 1826D 11.6.2030 Series 1	AAA	800
SVSB MTN 3652D 11.6.2035 Series 2	AAA	750
CAGAMAS ASEAN SOCIAL SRI SUKUK 3.450% 09.06.2028	AAA	500
DANAINFRA IMTN 4.060% 30.06.2055	GG	500
YTL POWER IMTN 4.020% 24.06.2041	AA1	500
RHBBANK T2 NOTES 4383D 30.6.2037 (S2 T1)	AA2	500
CIMB MTN 365D 12.6.2026 - Tranche 8	NR	450
SMJE IMTN 08.06.2035 (SERIES 2 TRANCHE 1)	AAA	400
PASB IMTN 3.870% 26.06.2037 - Issue No. 52	AAA	350

Source: BNM, BPAM, HLBB Global Markets Research

US Bonds Outlook July 2025 – bullish bias with UST curve likely to steepen

	Current @ 09 Jul	Q3 2025	Q4 2025	Q1 2026	Q2 2026
Fed Funds Rate (upper bound)	4.50%	4.25%	4.00%	3.75%	3.50%

UST yields (%)	Current @ 09 Jul	Q3 2025	Q4 2025	Q1 2026	Q2 2026
2Y	3.84%	3.60%	3.35%	3.10%	2.85%
5Y	3.91%	3.70%	3.50%	3.30%	3.10%
10Y	4.33%	4.15%	4.00%	3.85%	3.70%
30Y	4.87%	4.75%	4.65%	4.55%	4.45%

Source: HLBB Global Markets Research

Key Events for the Month

Date	Event
15 Jul	CPI
17 Jul	Retail Sales
24 Jul	Preliminary July PMIs
30 Jul	2Q GDP (A)
30 Jul	FOMC Decision
31 Jul	Core PCE Index

- Bonds have been selling off in July so far with the 10yr UST rising to 4.33% from 4.23% at the end of June, amidst concerns over the US fiscal position with the signing into law of Trump's big beautiful bill and a better than expected monthly employment report for June. However, this is likely to tempered by renewed concerns over the global economy with the White House sending out letters to a few countries so far this month about the reciprocal tariff rate that will be applied effective Aug 01, with some countries facing a more punitive rate that those originally announced in early April.

- The Fed is likely to continue to adopt a wait and see approach to policy with the labour market still healthy and hold rates steady for a fifth consecutive meeting when the FOMC meets on July 30 as they continue to sit back and assess the implications of the tariffs on growth and inflation going forward, with the futures markets pricing in 53bps of reductions in 2025 at the moment, versus the 67bps of cuts priced in as of end June.

- Bonds are expected to remain supported for the rest of the month **and we expect government bond yields to decline,** with the markets likely to remain volatile as we approach Aug 01 with more letters to other countries to come from the White House as well as the announcement of further sectoral tariffs. Further out, we see bonds continuing to perform as the economy moderates and the Fed resumes its interest rate reductions later on in the year. The UST curve is expected to steepen with longer-dated maturities likely to underperform on continued fiscal concerns.

MYR Bonds Outlook July 2025 – continue to remain constructive

	Current @ 09 July	Q3 2025	Q4 2025	Q1 2026	Q1 2026
OPR	2.75%	2.75%	2.75%	2.75%	2.75%

MGS yields (%)	Current @ 09 July	Q3 2025	Q4 2025	Q1 2026	Q2 2026
3Y	3.12%	3.00%	2.95%	2.90%	2.90%
5Y	3.12%	3.05%	3.00%	2.95%	2.95%
10Y	3.44%	3.35%	3.30%	3.25%	3.25%
20Y	3.77%	3.65%	3.60%	3.55%	3.55%

Source: HLBB Global Markets Research

Key Events for the Month

Date	Event
11 Jul	Industrial Production
18 Jul	2Q GDP (A)
18 Jul	Exports and Trade Balance
22 Jul	CPI

- MYR bonds have rallied in July thus far, amidst Malaysia being caught up in the countries that the White House has written to earlier this month, with a tariff rate of 25% to be applied to imports from the country with effect from Aug 01, which was higher than the initial 24% tariff announced in April before the 90-day reprieve came into play.

- BNM undertook a pre-emptive 25bps cut in the overnight rate on Jul 09 as expected, in order to shore up growth in the face of the continued and prolonged uncertainty on the global growth picture as a result of the tariff situation. The accompanying statement to the decision was rather neutral, with the central bank likely to bide its time and assess the situation further in the months ahead before deciding if any further easing in monetary policy is warranted.

- **Government bonds yields are expected to head lower**, taking cue from the expected constructive tone in major government bond markets, with the markets likely to price in the chance of possible further policy easing. The curve is expected to shift lower, with the wariness of longer-dated bonds globally on fiscal concerns less likely to apply domestically, given the expected improving government finances picture here. Corporate/Sukuk spreads are expected to widen as government bond yields head south, but continued solid demand for bonds is expected to result in any widening being limited in nature.

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