

13 August 2025

Global Economics & Market Strategy

Benign Inflation Prints Support Shorter-Term UST

- ◆ **Modest gains in US July CPI prints supported the US Treasuries.** US real and core CPI for July increased by +0.2% MoM and +0.3% MoM, with YoY figures rising to 2.7% and 3.1%, respectively. Specifically, core CPI inflation surprised higher vis-à-vis Bloomberg consensus, and rose the fastest since Jan 2025. Despite the inflationary print, swap traders raised the probability of an FFR cut to 90% in September as investors likely leaned towards fresh calls by Treasury Secretary Bessent for a 50bps cut by September. Swap implied FFR cuts by Dec-2025 stood at 2.4x. However, Fed President Jeff Schmid maintained that current policy remains appropriate to contain inflation risks. Shorter-term USTs, which are most sensitive to interest rate movements, rallied following the CPI release, with UST 3YR futures yield declining by 3.6bps to 3.73%, at the time of writing.
- ◆ **Malaysia:** Total government securities volume stood at MYR6,577mn with the top traded stock **MGS 3.906% 7/26** with MYR996mn traded. The implied 10YR MGS yield movement today is +0.04, given the trailing 30-day beta of +0.10 against UST 10YR (+0.4bps). Bid-ask spread for MGS 10YR fell (Figure 3). The 30-day 10YR MGS/UST correlation stood at +0.20. Corporate Bonds volume traded was MYR1,207mn, with the top traded stock **Prasarana 5.250% 3/43** with a volume of MYR200mn. **Every 1 bps move in 10YR UST yield implies a -0.27bps move in 10YR MGS.*
- ◆ **US Treasuries: Treasury mixed post-CPI prints.** The UST yield curve steepened with front-end yields stood lower compared to the long-end sector. UST rallied in the morning session following July CPI data which was in line with the estimates with front-end yields fell significantly. Later in the session, the decline in long-end USTs was largely attributed to a sell-off in long-term European bonds as well as rally in equities, fuelled by changing probabilities around rate cut expectations. UST yields for the 2YR/10YR/20YR moved by -3.8bps/+0.4bps/+2.6bps, respectively.
- ◆ **Key Events – Wednesday:** ID 2Q25 GDP final, TH BOT interest rate decision | **Thursday:** AU July unemployment rate, UK 2Q25 GDP preliminary, US July PPI | **Friday:** JP 2Q25 GDP preliminary, CN July industrial production, US July retail sales, US August consumer sentiment

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Fixed Income Return Snapshot

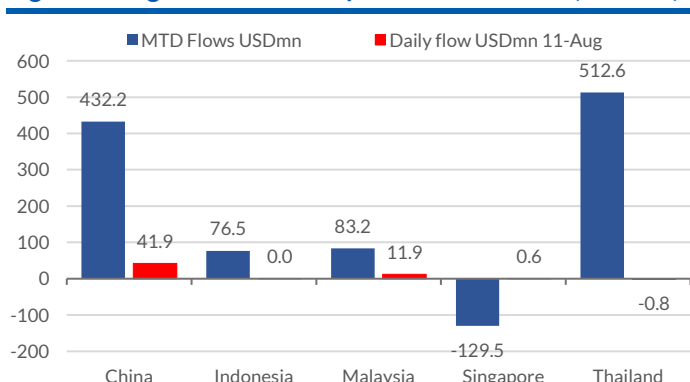
	1D Δ (%)	7D Δ (%)	1M Δ (%)
MGS 10YR	-0.20	0.00	0.45
MYR Govt Bond	-0.01	0.27	0.76
US Treasuries	-0.07	-0.36	1.10
Global Bond	0.03	-0.08	0.46
AxJ IG Bond	0.02	-0.12	1.38

2YR and 10YR Yields (%)

	12-Aug	1D bps Δ	7D bps Δ
China 2YR	1.411	1.0	-1.3
China 10YR	1.728	0.8	2.0
Indonesia 2YR	5.542	-1.4	-15.7
Indonesia 10YR	6.413	-0.7	-5.5
Japan 2YR	0.767	0.9	1.8
Japan 10YR	1.494	0.9	2.6
Malaysia 3YR	3.020	0.1	-3.6
Malaysia 10YR	3.370	0.9	-2.1
Singapore 2YR	1.578	-1.1	-2.2
Singapore 10YR	1.940	-1.4	-7.8
Thailand 2YR	1.207	0.0	-3.6
Thailand 10YR	1.443	0.0	-2.2
US 2YR	3.731	-3.8	0.7
US 10YR	4.289	0.4	7.9
MYR AAA 10YR	3.770	1.4	1.2
MYR AA 10YR	3.932	1.4	0.7
MYR A 10YR	5.006	-1.4	-1.9

Source: Bloomberg, RHB Economics & Market Strategy.

Figure 1: Regional MTD/Daily Bond Fund Flows (USDmn)

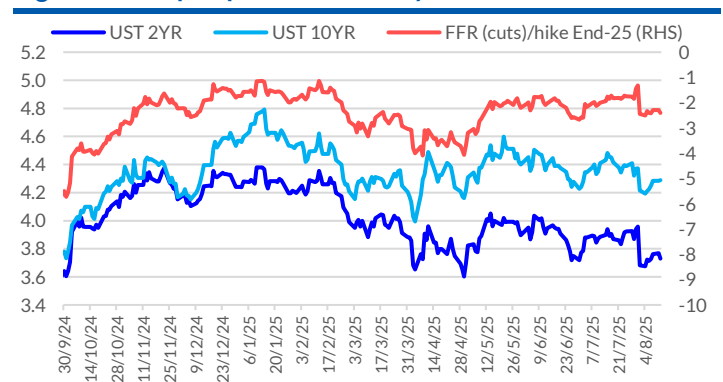


Source: EPFR, RHB Economics & Market Strategy.

See important disclosures at the end of this report

Market Dateline / PP 19489/05/2019 (035080)

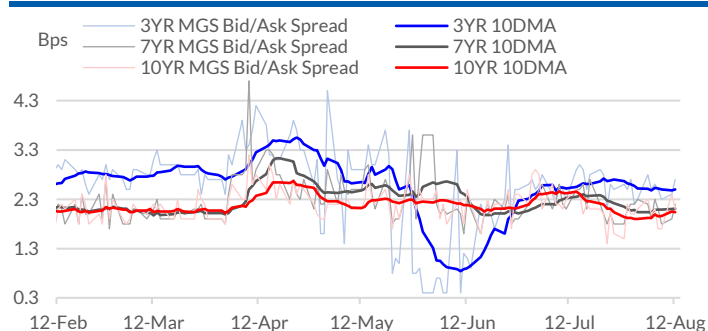
Figure 2: Swap implied FFR cuts by Dec-2025 stood at 2.4x



Source: Bloomberg, RHB Economics & Market Strategy.

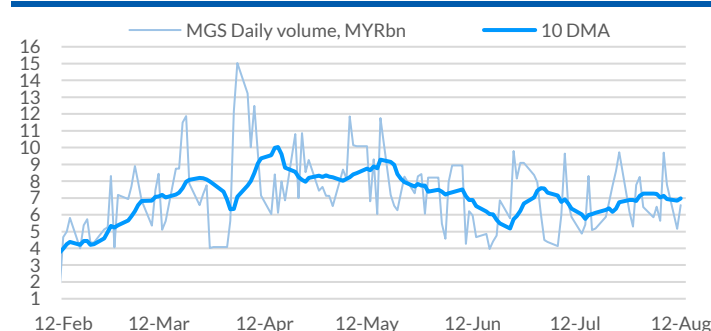
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Figure 3: Bid-ask spreads of key benchmarks



Source: BNM, RHB Economics & Market Strategy. Own calculation.

Figure 4: Daily MGS/GII Volume



Source: BNM, RHB Economics & Market Strategy. Own calculation.

Trading Ideas

- ◆ **MYR Bond: (30/7/25) We are Market Perform on Petroleum Sarawak & Exploration Production Sdn Bhd (PSEP) (AAA).** We think that its MYR15bn Islamic Medium-Term Notes (IMTN) paper's yields are attractive and in-line with the indicative AAA-rating benchmark in addition to decent liquidity. The instrument is guaranteed by PSEP's parent, Petroleum Sarawak Berhad (PETROS) (AAA/P1, RAM Ratings). PSEP is mandated to undertake and house upstream O&G business and investments for PETROS Group. PSEP's upstream business has remained sound while the overall group's financial position has remained healthy. PETROS Group is considered as key player in Sarawak' economic development ([Read here](#)).
- ◆ **MYR Bond: (24/6/25) We are Market Perform on Farm Fresh Berhad (AA-IS).** We think that its Islamic Medium-term Notes (IMTN) paper is fairly priced and offer attractive relative value as well as decent liquidity. Farm Fresh has a solid metrics and commendable earnings performance which we view as positive for the company. Hence, we think that it warrants the paper yields to stand one-notch above its AA3-bond benchmark. The company has a decent revenue of around MYR981mn while D/E ratio remains healthy at 0.59x in FY25 ([Read here](#)).
- ◆ **MYR Bond: (7/5/25) We are Underperform on all tranches of UMW Holdings Bhd's (UMW) Islamic Medium-Term Notes (AA+) and Outperform its Perpetual Sukuk Musharakah 6.35% - Tranche 1 (AA-).** We think its AA+ paper is pricier and gives lower value across its tranches with the yields stood lower than benchmark and almost at parity to the level of AAA bond curve. Separately, we view the perpetual instrument offers attractive value as well as decent liquidity. The company holds a lion share in terms of total industrial volume sales via Perodua (43.8%) and UMW Toyota Motors (12.5%). Based on adjusted financials, UMW's segmental revenue stood at MYR17.1bn while its pre-tax and interest profit was around MYR920mn for 2024 ([Read here](#)).
- ◆ Read the complete list of our bond coverage [here](#).

MGS/GII

- ◆ Following the cut in OPR to 2.75% from 3.00%, we changed our forecast for 10YR MGS to be traded at a slightly lower range at around 3.40% to 3.50% in 2025.
- ◆ Read our 3Q25 report here: [Global Outlook 3Q25: Beware the Three Tees](#)

MYR Yields vs RHB Year-end Forecast

	Last Yield %	Forecast		Yield Changes (bps)				
		2025F	Pickup (bps)	1D	1W	1M	3M	YTD
MGS 3YR	3.020	3.10	-8	0.1	-3.6	-6.7	-17.6	-46.1
MGS 5YR	3.100	3.14	-4	0.3	-6.0	-5.7	-24.1	-52.4
MGS 7YR	3.276	3.35	-7	0.6	-6.3	-6.6	-21.5	-48.5
MGS 10YR	3.370	3.43	-6	0.9	-2.1	-6.0	-22.5	-44.0
MGS 15YR	3.596	3.67	-7	-0.3	-2.6	-7.2	-15.7	-37.3
MGS 20YR	3.741	3.77	-3	-0.1	-2.3	-2.2	-11.9	-32.3
MGS 30YR	3.900	3.99	-9	-0.2	-1.5	-7.5	-16.1	-28.3
AAA 3YR	3.532	3.60	-7	1.0	0.7	-6.1	-19.3	-29.8
AAA 10YR	3.770	3.83	-6	1.4	1.2	-4.6	-15.4	-29.5
AAA 15YR	3.910	3.96	-5	1.9	1.8	-3.8	-14.7	-25.7
AA 3YR	3.695	3.76	-6	1.1	0.4	-4.9	-16.6	-31.9
AA 10YR	3.932	3.99	-6	1.4	0.7	-4.7	-13.9	-30.7
AA 15YR	4.081	4.13	-5	1.8	1.2	-4.2	-14.8	-28.0
A 3YR	4.516	4.54	-2	-0.2	-0.7	-1.4	-0.8	-34.1
A 10YR	5.006	5.01	0	-1.4	-1.9	0.0	-1.0	-55.3
A 15YR	5.241	5.26	-2	-1.5	-2.0	-0.8	-6.8	-63.8

Source: Bloomberg, RHB Economic & Market Research. Constant maturity.

See important disclosures at the end of this report

Market Dateline / PP 19489/05/2019 (035080)

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Daily Top 10 Trade

Government

Name	Traded Amount (MYRmn)	Last Traded Yield	Previous Traded Yield	Δ Bps
MGS 1/2019 3.906% 15.07.2026	996	2.855	2.874	-2
MGS 2/2023 3.519% 20.04.2028	440	3.029	3.020	1
GII MURABAAH 2/2024 3.804% 08.10.2031	390	3.252	3.235	2
GII MURABAAH 1/2020 3.422% 30.09.2027	331	3.010	2.996	1
GII MURABAAH 1/2024 4.280% 23.03.2054	330	3.926	3.925	0
GII MURABAAH 1/2023 3.599% 31.07.2028	285	3.047	3.034	1
MGS 3/2018 4.642% 07.11.2033	270	3.373	3.377	0
GII MURABAAH 2/2025 3.635% 30.08.2030	270	3.153	3.139	1
GII MURABAAH 3/2015 4.245% 30.09.2030	240	3.170	3.160	1
MGS 2/2025 3.476% 02.07.2035	220	3.386	3.362	2

Quasi-Govt

Name	Traded Amount (MYRmn)	Last Traded Yield	Previous Traded Yield	Δ Bps
PRASARANA IMTN 5.250% 06.03.2043 - Series 8	200	3.786	4.079	-29
DANAINFRA IMTN 4.680% 07.04.2042 - Tranche No 120	100	3.768	3.806	-4
MKDK IMTN 4.850% 01.10.2032	80	3.474	3.461	1
PRASARANA IMTN 4.590% 29.08.2042 (Series 11)	100	3.765	4.060	-30
PTPTN IMTN 3.360% 09.03.2029	30	3.241	3.327	-9
DANAINFRA IMTN 3.720% 21.09.2040 - Tranche No 105	25	3.710	3.889	-18
LPPSA IMTN 3.340% 01.09.2028 - Tranche No 54	25	3.211	3.225	-1
MRL IMTN 3.330% 21.07.2028	25	3.211	3.267	-6
DANAINFRA IMTN 4.580% 31.10.2028 - Tranche No 11	20	3.195	3.262	-7
LPPSA IMTN 4.120% 24.08.2029 - Tranche No 65	15	3.230	3.313	-8

Corporate

Name	Traded Amount (MYRmn)	Last Traded Yield	Previous Traded Yield	Δ Bps
ISLAM PERP SUKUK WAKALAH T1S1 5.160% 22.08.2121	40	3.784	3.809	-3
CIMB 4.400% 08.09.2032-T2 Sukuk Wakalah S2 T1	20	3.619	3.892	-27
KLK IMTN 4.170% 16.03.2032	20	3.633	3.708	-8
OSK RATED IMTN 4.120% 02.03.2035 (Series 007)	20	3.717	3.758	-4
PONSB IMTN 5.310% 29.06.2029 - Series 2 Tranche 2	20	3.618	3.826	-21
S P SETIA IMTN 4.670% 20.04.2029	20	3.653	3.677	-2
SEB IMTN 3.300% 14.06.2030	20	3.547	3.788	-24
SUNREIT MTN MTN 1824D 20.7.2029	20	3.634	3.726	-9
TBE IMTN 5.900% 16.03.2029 (Tranche 16)	20	3.985	4.016	-3
TBE IMTN 6.000% 15.03.2030 (Tranche 18)	20	4.005	4.285	-28

Source: BPAM, RHB Economic & Market Strategy. Previous trading day.

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RHB Credit Strategy Rating Definitions

Recommendation	Time Horizon	Definition
Outperform	6 to 12 months	A corporate bond's expected relative performance versus a reference (i.e. AA3 curve or sector peers)
Market perform	6 to 12 months	
Underperform	6 to 12 months	
Speculative	Indefinitely	The bond's repayment ability is highly uncertain
Not Rated (NR)	Indefinitely	Not under coverage

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