

18 September 2025

Global Economics & Market Strategy

UST Falls Despite Fed Cut; Further BI Easing

- ◆ **The US Federal Reserve's 25bps cut to the Federal Funds Rate (FFR) in September, lowering the target range to 4.00%-4.25%, matched our base case.** This was the first easing since December amid pressure from the Trump administration. Fed Chair Powell justified the cut citing softer labour demand and job growth below the break-even level needed to keep unemployment steady, adding the job market was no longer "solid." The new Fed dot-plot also indicated two more cuts this year. However, Powell expressed concern over tariff-driven inflation risks and said future rate moves would be decided meeting-by-meeting. Traders saw this as a hawkish signal, halting the bond market's initial rally.
- ◆ **US Treasuries: Treasury losses on Fed Chair Powell's hawkish tone.** UST initially rallied induced by the Fed policy easing announcement and the central bank's new dot-plot which signalled for at least two more cuts this year. The gains were later unwound as traders reacted to Powell's presser where he stated that the direction of monetary policy remains influx amid managing the persistent inflation risk. Traders also reacted to Powell's reluctance to sound overly dovish for deeper easing in 2025. The UST yield curve bear flattened by end of the session. Swap implied FFR cuts by Dec-2025 declined to 1.8x from 2.7x. UST yields for the 2YR/10YR/20YR moved by +5.0bps/+5.9bps/+4.7bps, respectively.
- ◆ **Indonesia: We expect Bank Indonesia (BI) to deliver one additional 25-bps rate cut in 4Q25 to 4.50%, with a risk bias toward a further 25-bps of easing to 4.25%.** BI lowered the benchmark interest rate by 25 bps to 4.75% at its September policy meeting, against the Bloomberg consensus and our base case expectations for a hold ([read here](#)). This came as boon to IndoGBs as reflected by decline in 2YR (-17.0bps) and 10YR (-5.5bps) yields to 4.943% and 6.266%, respectively.
- ◆ **Malaysia:** Total traded government securities volume stood at MYR7,544mn with the top traded stock **MGS 3.906% 7/26** with MYR2,210mn traded. The implied 10YR MGS yield movement today is -0.70, given the trailing 30-day beta of -0.12 against UST 10YR (+5.9bps). Bid-ask spread for 7YR fell (Figure 3). The 30-day 10YR MGS/UST yield correlation stood at -0.73. Corporate Bonds volume traded was MYR1,036mn, with the top traded stock **LPPSA 4.790% 3/45** with a volume of MYR260mn. **Every 1 bps move in 10YR UST yield implies a -0.12bps move in 10YR MGS.*
- ◆ **Key Events - Thursday:** The US Federal Reserve policy decision, Bank of England policy decision, US weekly jobless claims | **Friday:** Malaysia August current account balance, Malaysia August trade balance, Japan August CPI, Bank of Japan policy decision

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RHB FIC Strategy

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Fixed Income Return Snapshot

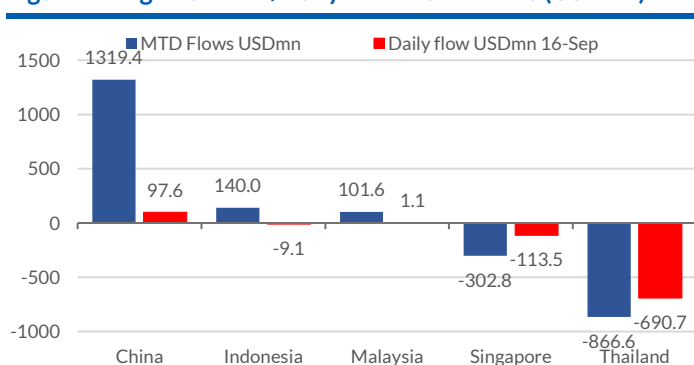
	1D Δ (%)	7D Δ (%)	1M Δ (%)
MGS 10YR	0.09	-0.05	-0.30
MYR Govt Bond	0.08	0.05	0.16
US Treasuries	-0.15	0.03	1.83
Global Bond	0.00	0.54	1.94
AxJ IG Bond	-0.12	0.20	1.54

2YR and 10YR Yields (%)

	17-Sep	1D bps Δ	7D bps Δ
China 2YR	1.400	-0.9	-2.4
China 10YR	1.768	-1.7	-5.1
Indonesia 2YR	4.943	-17.0	-37.5
Indonesia 10YR	6.266	-5.5	-14.0
Japan 2YR	0.876	0.4	2.7
Japan 10YR	1.593	-0.1	2.9
Malaysia 3YR	3.042	-1.1	0.3
Malaysia 10YR	3.404	-1.2	0.7
Singapore 2YR	1.358	-1.4	-4.0
Singapore 10YR	1.739	-1.4	-6.0
Thailand 2YR	1.141	-1.5	5.8
Thailand 10YR	1.442	-0.1	21.6
US 2YR	3.553	5.0	0.9
US 10YR	4.087	5.9	4.2
MYR AAA 10YR	3.744	0.0	0.2
MYR AA 10YR	3.904	-0.1	-0.6
MYR A 10YR	5.006	-5.8	-1.1

Source: Bloomberg, RHB Economics & Market Strategy.

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

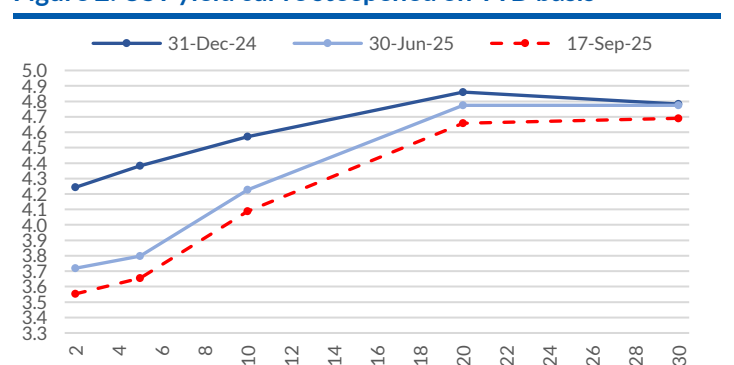


Source: EPFR, RHB Economics & Market Strategy.

See important disclosures at the end of this report

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

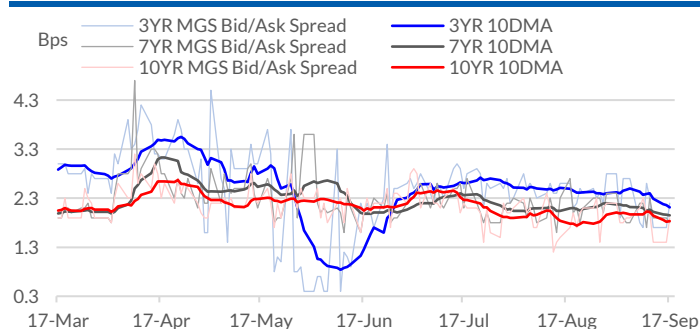
Figure 2: UST yield curve steepened on YTD basis



Source: Bloomberg, RHB Economics & Market Strategy.

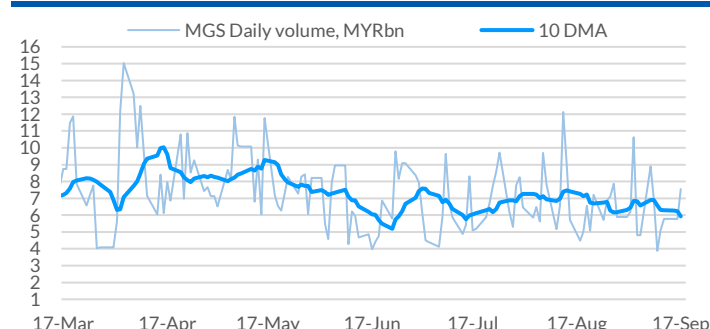
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Figure 3: Bid-ask spreads of key benchmarks



Source: Bloomberg, RHB Economics & Market Strategy.

Figure 4: Daily MGS/GII Volume



Source: Bloomberg, RHB Economics & Market Strategy.

Trading Ideas

- ◆ **SGD Bond: (29/8/25) We are Outperform on CapitaLand Ascendas REIT (CLAR) (Moody's, A3).** We think that its longer-end pick up yield to SGS at around 50bps-130bps are attractive. While the 9/25 tranche has a higher positive spread to SGS, it is set to mature next month. The trust is a renowned industrial REIT player in Singapore with good overseas presence. CLAR's diversified portfolio of 229 properties across Singapore, Australia, Europe, and the US is valued at SGD16.8bn as of 30 June 2025. The financial performance has remained sound while the portfolio quality is set to be enhanced via M&A and assets disposal ([Read here](#)).
- ◆ **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's 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](#)).
- ◆ 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	3.042	3.10	-6	-1.1	0.3	6.4	-16.7	-43.9
MGS 5YR	3.115	3.14	-3	-1.3	-0.3	4.6	-15.9	-50.9
MGS 7YR	3.321	3.35	-3	-1.4	-0.6	6.0	-16.9	-44.0
MGS 10YR	3.404	3.43	-3	-1.2	0.7	3.2	-18.5	-40.6
MGS 15YR	3.606	3.67	-6	0.0	0.3	2.2	-12.2	-36.3
MGS 20YR	3.750	3.77	-2	0.0	0.3	1.6	-5.0	-31.4
MGS 30YR	3.873	3.99	-12	0.0	-0.1	-2.0	-13.7	-31.0
AAA 3YR	3.510	3.60	-9	-0.4	-0.3	-1.2	-10.0	-32.0
AAA 10YR	3.744	3.83	-9	0.0	0.2	-1.1	-8.7	-32.1
AAA 15YR	3.879	3.96	-8	0.3	0.6	-0.8	-7.8	-28.8
AA 3YR	3.669	3.76	-9	-0.3	-0.5	-1.5	-9.3	-34.5
AA 10YR	3.904	3.99	-9	-0.1	-0.6	-1.3	-9.1	-33.5
AA 15YR	4.045	4.13	-9	0.0	0.1	-1.4	-8.8	-31.6
A 3YR	4.503	4.54	-4	-3.1	-1.1	-1.4	-4.7	-35.4
A 10YR	5.006	5.01	0	-5.8	-1.1	-1.2	-2.6	-55.3
A 15YR	5.239	5.26	-2	-7.3	-1.1	-1.3	-3.4	-64.0

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

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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	2210	2.736	2.789	-5
GII MURABAAH 3/2019 3.726% 31.03.2026	770	2.825	2.858	-3
GII MURABAAH 1/2023 3.599% 31.07.2028	680	3.054	3.071	-2
GII MURABAAH 4/2015 3.990% 15.10.2025	519	2.813	2.881	-7
MGS 3/2016 3.900% 30.11.2026	434	2.815	2.838	-2
MGS 3/2007 3.502% 31.05.2027	420	2.913	2.959	-5
GII MURABAAH 2/2024 3.804% 08.10.2031	211	3.254	3.283	-3
GII MURABAAH 3/2025 3.612% 30.04.2035	176	3.427	3.424	0
MGS 1/2022 3.582% 15.07.2032	155	3.321	3.331	-1
MGS 2/2023 3.519% 20.04.2028	143	3.037	3.057	-2

Quasi-Govt

Name	Traded Amount (MYRmn)	Last Traded Yield	Previous Traded Yield	Δ Bps
LPPSA IMTN 4.790% 24.03.2045 - Tranche No 50	260	3.831	3.799	3
PRASARANA IMTN 4.260% 11.10.2039 - Series 3	260	3.700	3.701	0
PR1MA IMTN 11 3.590% 30.07.2035	10	3.559	3.564	0
PRASARANA IMTN 4.930% 28.12.2032 - Series 3	10	3.438	3.364	7
SME BANK IMTN 4.050% 30.05.2028	10	3.597	3.606	-1
PRASARANA IMTN 3.440% 24.02.2040 - Series 4	3	3.709	3.757	-5
-	-	-	-	-
-	-	-	-	-
-	-	-	-	-
-	-	-	-	-

Corporate

Name	Traded Amount (MYRmn)	Last Traded Yield	Previous Traded Yield	Δ Bps
AMBANK MTN 3650D 28.3.2031	100	3.607	4.007	-40
MERCEDES MTN 1461D 18.3.2026	50	3.442	3.460	-2
GENM CAPITAL MTN 2922D 31.5.2032	30	4.295	4.337	-4
AEON CREDIT SENIOR SUKUK (S4T1) 4.450% 01.12.2028	20	3.567	3.734	-17
AEON CREDIT SENIOR SUKUK (S9T1) 4.080% 20.05.2032	20	3.699	3.697	0
GAMUDA IMTN 3.990% 27.03.2035	20	3.728	3.809	-8
GENM CAPITAL MTN 3652D 31.3.2027	20	3.891	4.979	-109
OSK RATED IMTN 4.120% 02.03.2035 (Series 007)	20	3.709	3.698	1
PELABURAN HARTANAH IMTN (S1 Tr5) 02.09.2031	20	3.698	3.665	3
PENANGPORT IMTN 4.480% 27.12.2029 - Tranche No 2	20	3.707	3.898	-19

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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