

21 May 2025

## Global Economics & Market Strategy

### Fed Officials Stick to Wait-and-See Approach on FFR

- ◆ **Fed officials highlighted that the Federal Reserve can be patient and evaluate incoming data before making policy adjustments as the economy faces increased uncertainty.** Fed President Daly commented that the central bank should remain balanced and ready to act quickly only when necessary, avoiding hasty moves due to insufficient information. Speaking in the same conference, Fed President Hammack emphasized on evaluating the outlook through scenarios, including the potential impact of tariffs on inflation, and noted there's still much information to be learned in the coming months. Separately, Fed President Bostic opined that the central bank would deliver a single 25bps cut to the FFR in 2025 with faster-than-expected resolution relies heavily on President Trump's trade negotiations. At the time of writing, swap implied FFR cuts by Dec-2025 stood at 2.1x.
- ◆ **Malaysia:** Total government securities volume stood at MYR6,544mn with the top traded stock **MGS 3.955% 9/25** with MYR783mn traded. The implied 10YR MGS yield movement today is -0.50bps, given the trailing 30-day beta of -0.12 against UST 10YR (+4.0bps). Bid-ask spreads fell broadly (Figure 3). The 30-day 10YR MGS/UST correlation stood at -0.21. Corporate Bonds volume traded was MYR494mn, with the top traded stocks with the top traded stock **LPPSA 4.110% 4/44** with a volume of MYR60mn. *\*Every 1 bps move in 10YR UST yield implies a -0.12bps move in 10YR MGS.*
- ◆ **US Treasuries:** Treasury yield curve steepened as Canadian inflation data was higher-than-expected and US legislators negotiated tax-cut bill. Long end-gains in UST yields was led by the 30YR bond with yield rose to 4.997% as traders reacted to the higher-than-expected Canada inflation data which led its bond yields to soar. A large block sale in UST futures and significant corporate bond sales also drove the UST long-end losses. During the session, the US House Budget Committee approved President Trump's tax and spending bill which includes tax breaks of USD4.9tr. Additionally, weakness in German Bunds contributed to upward pressure on UST yields. UST yields for the 2YR/10YR/20YR moved by -0.6bps/+4.0bps/+6.2bps, respectively.
- ◆ **Key Events - Wednesday:** Bank Indonesia policy rate | **Thursday:** Malaysia Apr CPI, US weekly jobless claims and PMI, Singapore 1QF GDP | **Friday:** Japan Apr national CPI, Singapore Apr CPI

#### Global Economics & Market Strategy

##### RHB FIC Strategy

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##### Fixed Income Return Snapshot

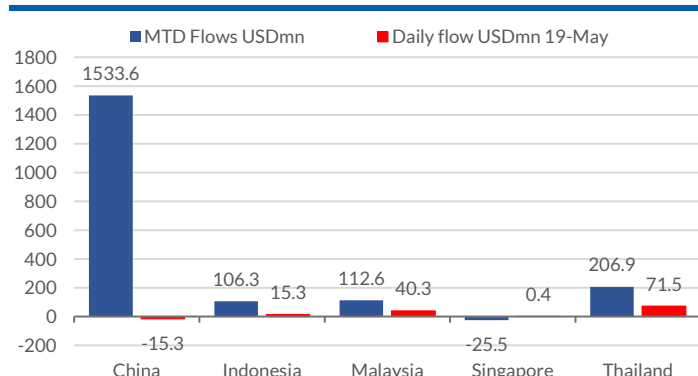
	1D Δ (%)	7D Δ (%)	1M Δ (%)
MGS 10YR	-0.14	-0.04	0.70
MYR Govt Bond	0.00	0.14	1.01
US Treasuries	-0.14	0.07	-0.51
Global Bond	-0.13	0.54	-0.38
AxJ IG Bond	0.04	0.23	0.70

##### 2YR and 10YR Yields (%)

	20-May	1D bps Δ	7D bps Δ
China 2YR	1.475	1.2	4.8
China 10YR	1.666	0.9	0.8
Indonesia 2YR	6.162	-2.2	-13.2
Indonesia 10YR	6.830	-2.8	-1.1
Japan 2YR	0.718	0.0	1.0
Japan 10YR	1.498	1.5	6.2
Malaysia 3YR	3.186	-0.4	-0.7
Malaysia 10YR	3.596	0.0	0.1
Singapore 2YR	2.102	-5.3	-5.6
Singapore 10YR	2.499	-6.5	-1.4
Thailand 2YR	1.567	1.7	1.5
Thailand 10YR	1.855	-0.7	-1.6
US 2YR	3.970	-0.6	-3.0
US 10YR	4.487	4.0	2.2
MYR AAA 10YR	3.919	0.0	-0.7
MYR AA 10YR	4.069	0.0	0.1
MYR A 10YR	4.943	0.0	1.9

Source: Bloomberg, RHB Economics &amp; Market Strategy.

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

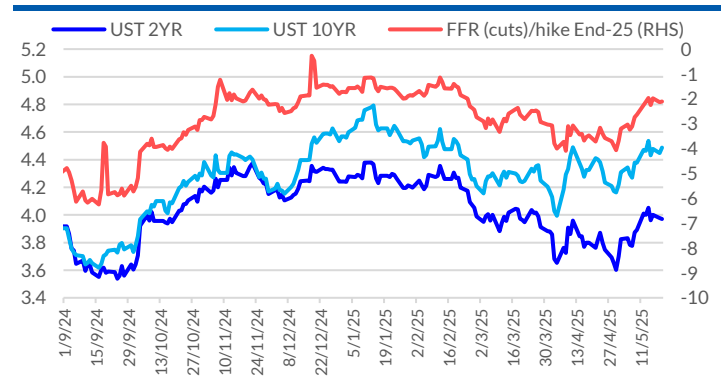


Source: EPFR, RHB Economics &amp; Market Strategy.

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

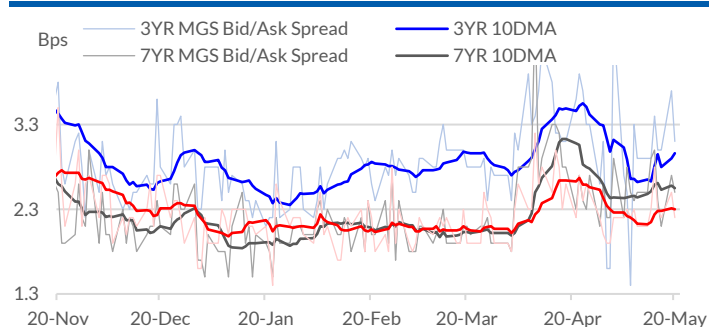
Figure 2: Implied Dec-25 FFR cuts stood at around 2.1 times



Source: Bloomberg, RHB Economics &amp; Market Strategy.

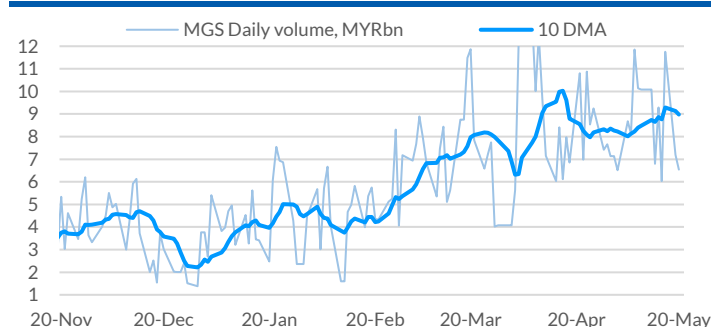
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Figure 3: Bid-ask spreads of key benchmarks



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

Figure 4: Daily MGS/GII Volume



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

## Trading Ideas

- ◆ **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](#)).
- ◆ **MYR Bond: (11/4/25) We keep Outperform on Tropicana Corporation Bhd (Tropicana, A) given the attractive yields, improved gearing levels and strong product pipeline.** Tropicana's strategic focus on divesting non-core assets and reducing its debt burden has yielded positive results. Gearing and net gearing improved to 0.43 and 0.27 respectively versus 0.55 and 0.43 a year ago. In FY24, the Group completed and handed over five development projects in the Klang Valley and Southern Regions, supporting its overall financial performance. For the full year, the Group reported revenue of MYR1.4bn, a 6.3% YoY decline and posted a profit before tax of MYR172.7mn, excluding one-off losses ([Read here](#)).
- ◆ **MYR Bond: (19/3/25) We are Outperform on the subordinated and perpetual securities of CIMB Group, CIMB bank and CIMB Islamic, given its attractive YTM relative to its AAA rated banking peers.** Domestic portfolio is expected to support the group's target loan expansion of 5-7% in FY25. Moving forward, the group's strategic target includes: revised ROE of 11.0%-11.5%, CIR of around 45%, dividend payout ratio of 40%-60%, CET1 ratio around 13.5% and lowering of its cost of funds by 10 to 20 bps by 2030 ([Read here](#)).
- ◆ Read the complete list of our bond coverage [here](#).

## MGS/GII

- ◆ Our expectations of an unchanged OPR of 3.00% in 2025 with the Fed Funds Rate normalisation to continue in 3Q25 means the 10YR MGS should trade at a slightly lower bound above the OPR versus recent averages at around 3.70% to 3.80% in 2025.
- ◆ Read our 2Q25 report here: [Global Outlook 2Q25: Stay OW on Fixed Income, MW Equities](#) and the [addendum](#)

MYR Yields vs RHB Year-end Forecast

	Last Yield	Forecast		Yield Changes (bps)				
	%	2025F	Pickup (bps)	1D	1W	1M	3M	YTD
MGS 3YR	3.186	3.30	-11	-0.4	-0.7	-18.9	-27.7	-29.5
MGS 5YR	3.286	3.50	-21	-1.5	-4.3	-17.8	-33.8	-33.8
MGS 7YR	3.467	3.60	-13	-0.3	-1.4	-15.3	-30.3	-29.4
MGS 10YR	3.596	3.75	-15	0.0	0.1	-11.4	-20.6	-21.4
MGS 15YR	3.737	3.90	-16	-0.3	-1.7	-13.0	-23.1	-23.2
MGS 20YR	3.844	4.05	-21	-1.0	-1.6	-11.7	-22.7	-22.0
MGS 30YR	4.066	4.15	-8	0.3	1.1	-2.8	-12.1	-11.7
AAA 3YR	3.709	3.60	11	-0.1	-2.2	-5.6	-11.5	-12.1
AAA 10YR	3.919	4.07	-15	0.0	-0.7	-5.4	-12.1	-14.6
AAA 15YR	4.048	4.20	-15	0.0	-1.4	-4.7	-8.3	-11.9
AA 3YR	3.860	3.90	-4	0.0	-0.1	-5.4	-14.9	-15.4
AA 10YR	4.069	4.40	-33	0.0	0.1	-6.7	-14.2	-17.0
AA 15YR	4.227	4.60	-37	0.0	0.6	-4.4	-10.4	-13.4
A 3YR	4.479	4.90	-42	0.0	0.9	-12.5	-35.7	-37.8
A 10YR	4.943	5.60	-66	0.0	1.9	-14.6	-47.4	-61.6
A 15YR	5.225	6.00	-78	0.0	1.9	-12.2	-50.5	-65.4

Source: Bloomberg, RHB Economic &amp; 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 1/2015 3.955% 15.09.2025	783	2.846	2.824	2
GII MURABAAHAH 1/2023 3.599% 31.07.2028	636	3.195	3.216	-2
GII MURABAAHAH 1/2022 4.193% 07.10.2032	620	3.538	3.570	-3
GII MURABAAHAH 2/2024 3.804% 08.10.2031	360	3.472	3.487	-2
GII MURABAAHAH 2/2025 3.635% 30.08.2030	320	3.349	3.378	-3
MGS 4/2019 3.828% 05.07.2034	302	3.594	3.575	2
GII MURABAAHAH 3/2025 3.612% 30.04.2035	300	3.575	3.600	-2
MGS 3/2007 3.502% 31.05.2027	297	3.089	3.053	4
GII MURABAAHAH 1/2019 4.130% 09.07.2029	270	3.287	3.321	-3
MGS 2/2019 3.885% 15.08.2029	251	3.310	3.323	-1

## Quasi-Govt

Name	Traded Amount (MYRmn)	Last Traded Yield	Previous Traded Yield	Δ Bps
LPPSA IMTN 4.110% 18.04.2044 - Tranche No 84	60	3.878	3.899	-2
PASB IMTN 4.060% 29.04.2039 - Issue No. 51	55	3.849	3.859	-1
DANAINFRA IMTN 4.960% 12.02.2044 - TRANCHE 9	20	3.875	4.074	-20
LPPSA IMTN 4.810% 23.03.2046 - Tranche No 51	20	3.919	4.039	-12
PTPTN IMTN 26.07.2041	20	3.848	4.033	-19
BPMB IMTN 4.020% 01.12.2028	10	3.636	3.796	-16
DANUM IMTN 4.300% 13.02.2026 - Tranche 1	10	3.511	3.603	-9
PLUS BERHAD IMTN 4.800% 12.01.2027 -Sukuk PLUS T5	10	3.522	3.568	-5
PLUS BERHAD IMTN 4.821% 12.01.2035 -Sukuk PLUS T26	10	3.698	3.749	-5
LPPSA IMTN 4.120% 08.04.2050 - Tranche No. 13	5	4.010	4.009	0

## Corporate

Name	Traded Amount (MYRmn)	Last Traded Yield	Previous Traded Yield	Δ Bps
CIMBI IMTN 4.130% 27.03.2034 - Series 3 Tranche 4	30	3.749	3.769	-2
AEON CREDIT SENIOR SUKUK (S8T1) 4.130% 06.03.2030	20	3.768	3.880	-11
S P SETIA IMTN 4.300% 23.06.2028	20	3.746	3.779	-3
TBE IMTN 6.050% 13.09.2030 (Tranche 19)	20	4.530	4.848	-32
TENAGA IMTN 5.570% 28.06.2047	20	4.001	4.040	-4
AIR SELANGOR IMTN T6S2 SRI SUKUK KAS 11.10.2033	15	3.687	4.011	-32
AEON CREDIT SENIOR SUKUK (S8T2) 4.220% 06.03.2031	10	3.869	3.937	-7
AEON CREDIT SENIOR SUKUK (S9T1) 4.080% 20.05.2032	10	3.889	3.900	-1
GAMUDA IMTN 4.100% 28.06.2030	10	3.709	3.888	-18
IMTIAZ II IMTN 4.380% 12.05.2027	10	3.690	3.713	-2

Source: BPAM, RHB Economic &amp; 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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