

The background of the slide is a nighttime photograph of a city skyline. Several prominent skyscrapers are visible, with their windows illuminated. The buildings are set against a dark sky, and the city lights create a bokeh effect in the distance. The overall color palette is dominated by blues, greys, and the warm lights of the buildings.

Monthly Fixed Income Market Outlook

Global Markets

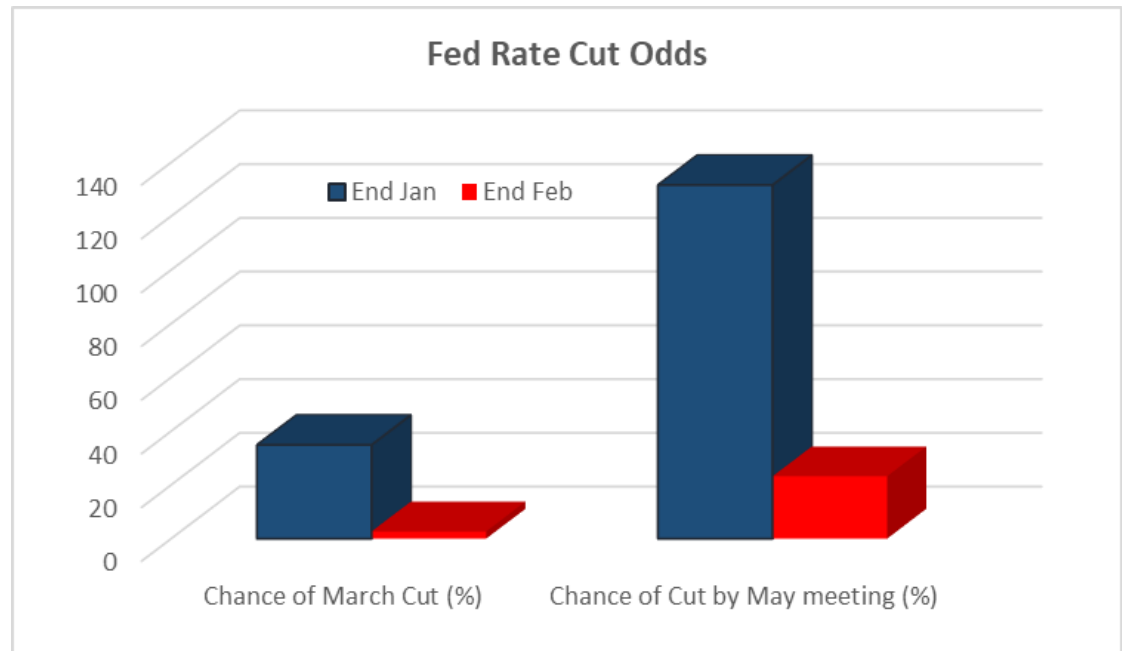
March 2024

February 2024 US Bond Market Review



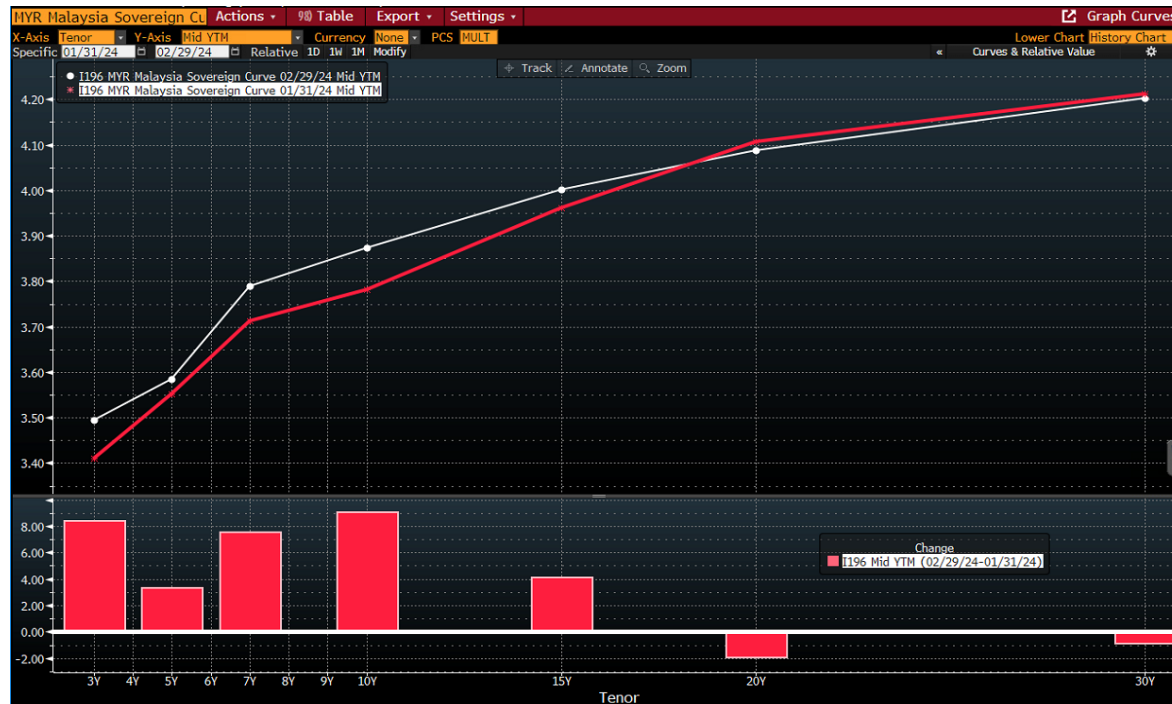
Source: Bloomberg, HLBB Global Markets Research

- Sharp sell-off in USTs on fears of re-accelerating inflation, after a solid monthly employment report and higher than expected CPI and PPI for Jan
- Mild bear flattening of the UST curve
 - 2yr yield up 41bps to 4.62%
 - 10yr yield up 34bps to 4.25%



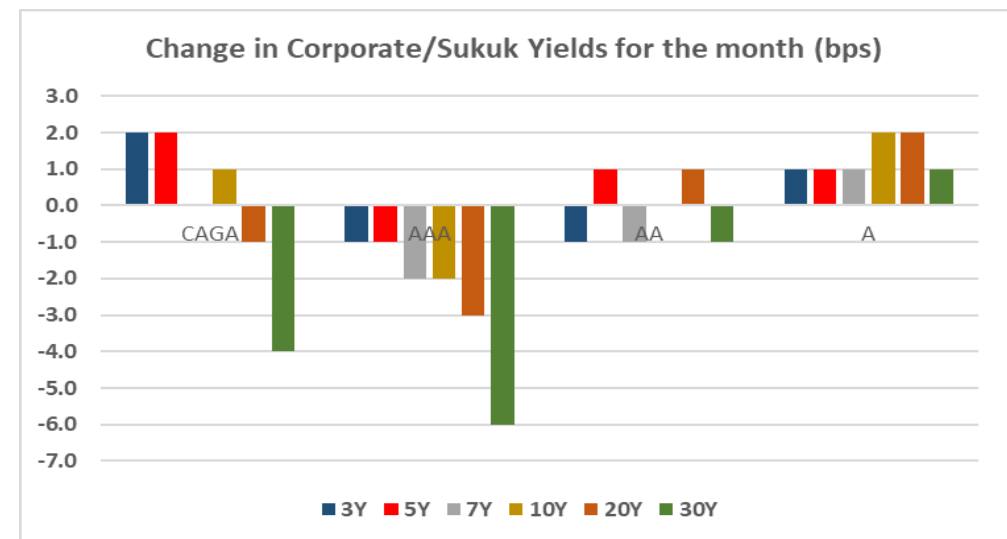
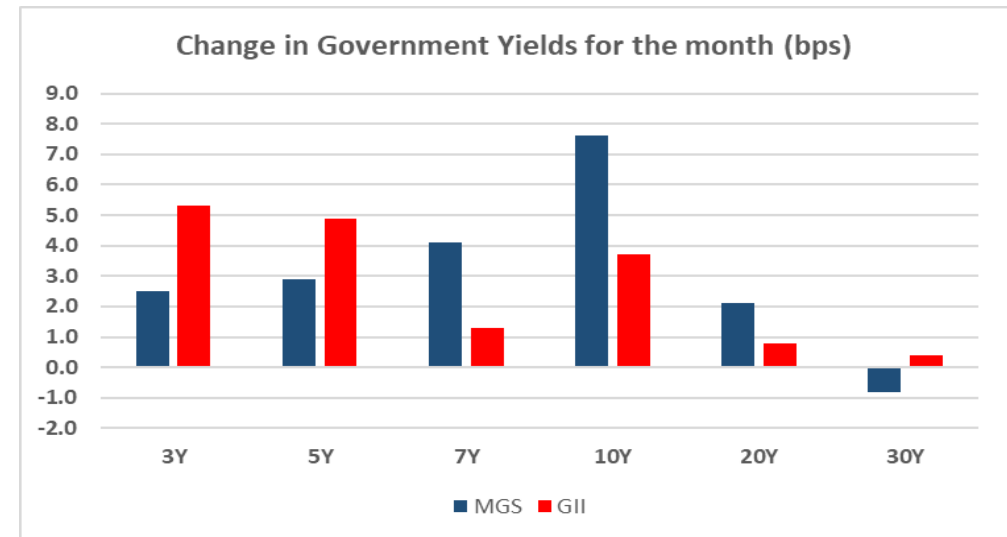
- Significant repricing in Fed Funds futures, with market only pricing in 3-4 hikes in 2024 as at end Feb (from 5-6 hikes last month)
 - Chance of March cut diminishes to 2.7% (from 34.9%)
 - Chance of a cut by May tumbles to 23.2% (from 131.6%)
- Fed speak has been on the hawkish side, with many policymakers stressing the ability to be patient on rate cuts

February 2024 MYR Bond Market Review



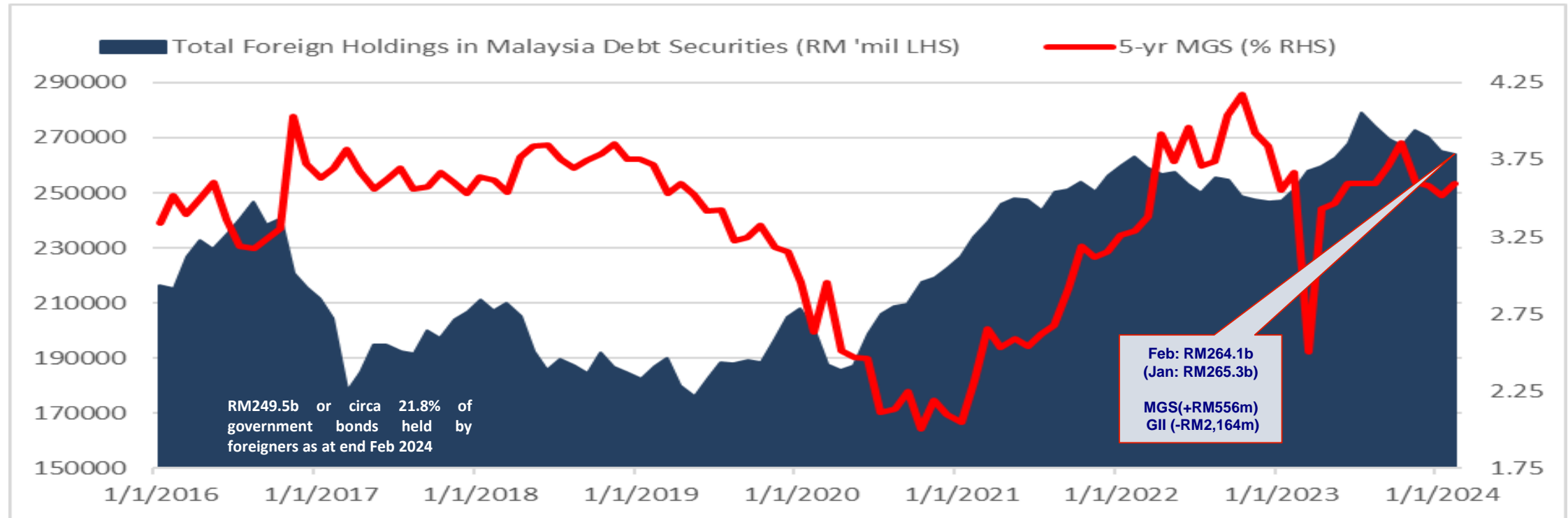
Source: Bloomberg, HLBB Global Markets Research

- Mixed month for MYR government bonds, with small yield declines seen in longer dated maturities, while rest of the curve higher in yield amidst misses in 4Q and 2023 GDP, and steady CPI
- Corporate yields little changed, with AAA segment of the market outperforming
- Flatter government and high grade curves



Source: BPAM, HLBB Global Markets Research

Offshore Foreign Holdings inched lower in Feb, driven by reduction in GII holdings



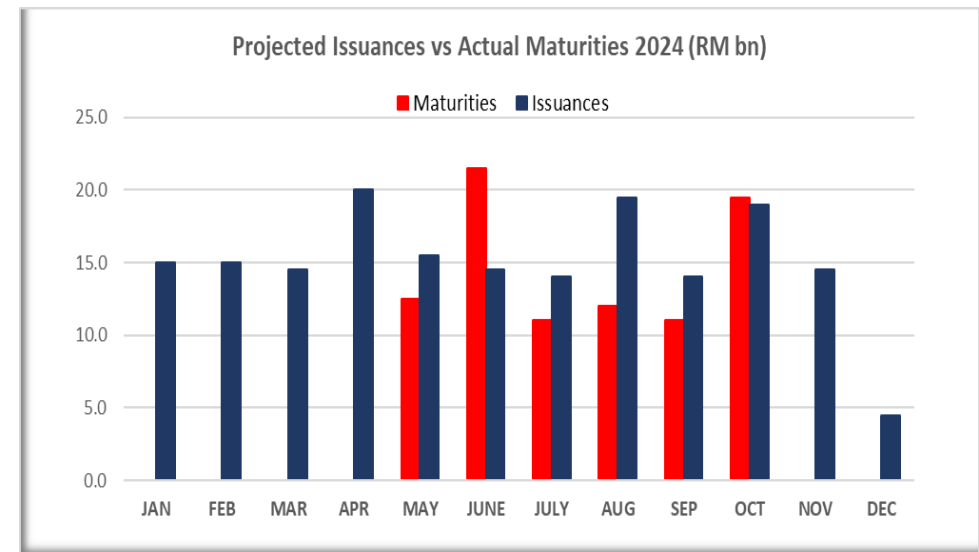
Source: BNM, Bloomberg, HLBB Global Markets Research

- Offshore foreign holding of debt securities declined for a second month in Feb to RM264.1bn from RM265.3bn in Jan
- Decline led by holdings of GII securities, which fell by almost RM2.2bn
- Partially offset by increase in foreign holdings in MGS and Corporates/Sukuk

RM15bn of gross MGS/GII issuance in Feb; a similar amount expected in Mar

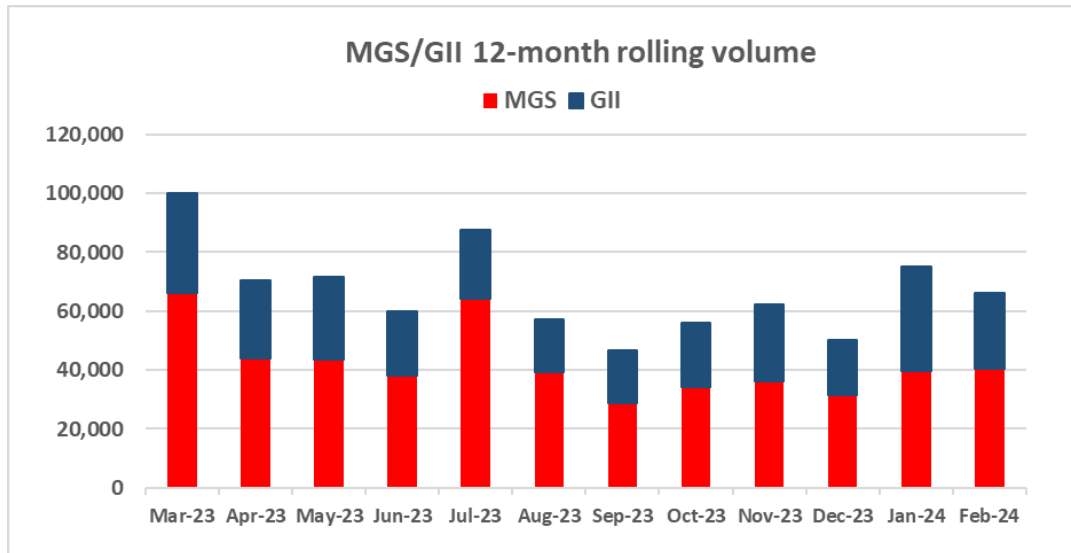
MGS/GII issuance pipeline in 2024														
No	Stock	Tenure (yrs)	Tender Month	Quarter	Tender Date	Projected Issuance Size (RM mil)	Actual Auction Issuance (RM mil)	Actual Private Placement	Total Issuance YTD	BTC (times)	Low	Average	High	Cut-off
1	10-yr Reopening of MGII 8/33	10	Jan	Q1	5/1/2024	5,000	5,000		5,000	2.445	3.880	3.908	3.920	83.3%
2	30-yr Reopening of MGS 3/53	30	Jan	Q1	12/1/2024	5,000	3,000	2,000	10,000	2.990	4.223	4.243	4.250	84.8%
3	5-yr Reopening of MGII 7/28	5	Jan	Q1	19/1/2024	4,500	5,000		15,000	4.402	3.610	3.620	3.624	51.3%
4	7-yr Reopening of MGS 4/31	7	Feb	Q1	5/2/2024	4,500	5,000		20,000	2.155	3.760	3.779	3.790	6.9%
5	20-yr Reopening of MGII 8/43	20	Feb	Q1	14/2/2024	5,000	3,000	2,000	25,000	3.037	4.144	4.163	4.171	60.0%
6	3-yr Reopening of MGS 5/27	3	Feb	Q1	21/2/2024	4,500	5,000		30,000	1.703	3.470	3.488	3.499	85.0%
7	15-yr Reopening of MGII 9/39	15	Mar	Q1	29/2/2024	5,000	3,000	2,000	35,000	2.973	3.972	3.990	3.998	52.3%
8	10-yr Reopening of MGS 11/33	10	Mar	Q1		4,500								
9	30-yr New Issue of MGII (Mat on 3/54)	30	Mar	Q1		5,000								
10	5-yr Reopening of MGS 8/29	5	Apr	Q1		5,000								
11	7.5-yr New Issue of MGII (Mat on 10/31)	7	Apr	Q2		5,000								
12	15-yr New Issue of MGS (Mat on 4/39)	15	Apr	Q2		5,000								
13	3-yr Reopening of MGII 9/26	3	Apr	Q2		5,000								
14	20-yr New Issue of MGS (Mat on 05/44)	20	May	Q2		5,500								
15	15-yr Reopening of MGII 9/39	15	May	Q2		5,000								
16	7-yr Reopening of MGS (4/31)	7	May	Q2		5,000								
17	20-yr Reopening of MGII 8/43	20	Jun	Q2		5,000								
18	3-yr Reopening of MGS 5/27	3	Jun	Q2		4,500								
19	30-yr Reopening of MGII 3/54	30	Jun	Q2		5,000								
20	5-yr Reopening of MGS 8/29	5	Jul	Q2		4,500								
21	10-yr Reopening of MGII 11/34	10	Jul	Q3		4,500								
22	15-yr Reopening of MGS 4/39	15	Jul	Q3		5,000								
23	7-yr Reopening of MGII 10/31	7	Aug	Q3		5,000								
24	30-yr Reopening of MGS 3/53	30	Aug	Q3		5,000								
25	5-yr Reopening of MGII 7/29	5	Aug	Q3		4,500								
26	10-yr Reopening of MGS 7/34	10	Aug	Q3		5,000								
27	20-yr Reopening of MGII 8/43	20	Sep	Q3		4,500								
28	7-yr Reopening of MGS 4/31	7	Sep	Q3		4,500								
29	30-yr Reopening of MGII 3/54	30	Sep	Q3		5,000								
30	3-yr Reopening of MGS 5/27	3	Oct	Q4		4,500								
31	10-yr Reopening of MGII 11/34	10	Oct	Q4		4,500								
32	20-yr Reopening of MGS 5/44	20	Oct	Q4		5,000								
33	7-yr Reopening of MGII 10/31	7	Oct	Q4		5,000								
34	15-yr Reopening of MGS 4/39	15	Nov	Q4		5,000								
35	5-yr Reopening of MGII 7/29	5	Nov	Q4		4,500								
36	10-yr Reopening of MGS 7/34	10	Nov	Q4		5,000								
37	3-yr Reopening of GII 9/27	3	Dec	Q4		4,500								
Gross MGS/GII supply in 2024						178,500	29,000	6,000	-	PROJECTED TOTAL ISSUANCE = RM180b				

- Gross issuance in Feb 2024 at RM15bn more than projected RM14bn – all 3 issuances for the month were RM5bn in size, similar to auctions in Nov through Jan.
- Decent auctions overall in Feb with average BTC of 2.18x, (Jan: 3.32x), dragged down by poor 3yr MGS reopening.
- For Mar, see upside risks to RM14.5bn previously projected; likely to be RM15bn. Gross issuance for 2024 as a whole tracking RM180bn
- First maturities this year occur in May



Source: Bloomberg, BNM, HLBB Global Markets Research

MGS/ GII Trade Volumes fell in February; expected to pick up again in March



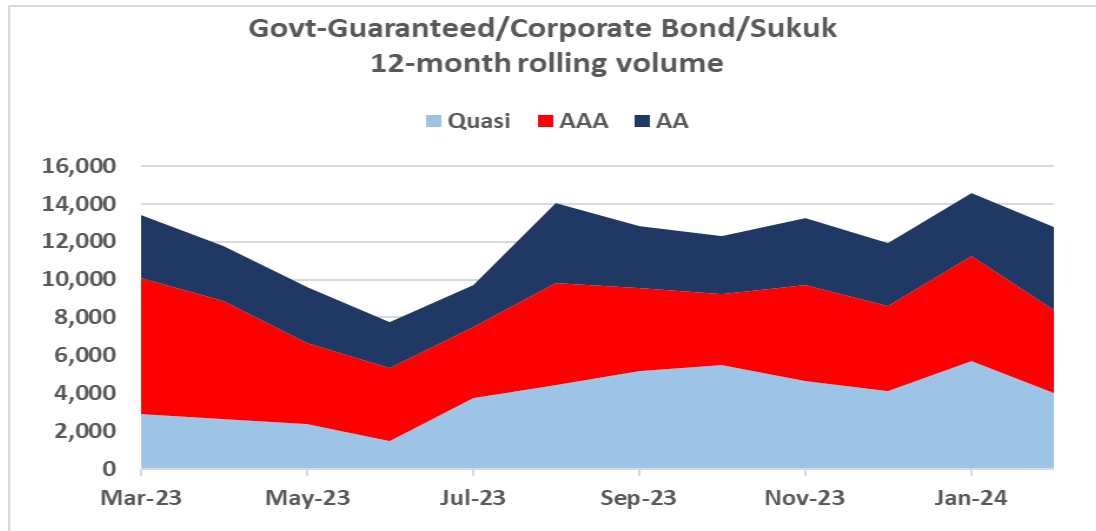
- Secondary trading in MGS/ GII in Feb falls to RM66.1b (Jan: RM75.0b), with the fall being driven by a reduction in GII trades to RM25.6b (Jan: RM35.3b)
- Off the run MGS 6/24 and 10Y benchmark GII lead trading for the month
- Notable interest also seen in the other off-the-run 24s and 25s

Top Traded MGS in Feb 24	Volume (RM 'mil)
MGS 6/24	5,302.5
MGS 4/31 (7Y)	3,813.5
MGS 11/33 (10Y)	3,582.7
MGS 4/30	1,960.7
MGS 4/28 (5Y)	1,937.9
MGS 3/53 (30Y)	1,933.8
MGS 5/27 (3Y)	1,896.8
MGS 7/24	1,837.6
MGS 9/24	1,780.8
MGS 3/25	1,632.2

Top Traded GII in Feb 24	Volume (RM 'mil)
GII 8/33 (10Y)	4,063.7
GII 9/26 (3Y)	3,012.5
GII 8/43 (20Y)	2,553.2
GII 7/28 (5Y)	2,224.2
GII 9/30 (7Y)	2,012.2
GII 7/29	1,564.0
GII 10/32	1,218.0
GII 5/52 (30Y)	998.9
GII 5/24	752.7
GII 10/25	693.8

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

Corporate/Sukuk Primary Issuance picks up in Feb; secondary trading volumes fall



- Trading in Corps/Sukuk in February falls to RM12.8b (Jan: RM14.6b), driven by reduction in trading for GG and AAA rated paper
- Issuance in Feb rises to RM6.51b (Jan: RM4.53b); expected to pick up further in March
- Sizeable issues in the pipeline this month include a possible PTPTN (RM1.8b), Danainfra (RM600m) and CIMB Islamic senior (RM2.0b)

Top Traded Corporate Bonds/Sukuk in Feb 24	Volume (RM mil)	Last Done Yield (%)
MAHB SENIOR SUKUK WAKALAH 3.870% 30.12.2026	330	3.656
PUBLIC SUB-NOTES 3.93% 07.4.2032 Tranche 8	320	3.820
DANAINFRA IMTN 4.800% 05.04.2052 - Tranche No 121	260	4.253
LPPSA IMTN 4.810% 23.08.2052 - Tranche No 70	250	4.259
UEMS IMTN 4.500% 12.02.2029	210	4.255
DANAINFRA IMTN 3.700% 27.10.2028 - Tranche 21	200	3.600
LPPSA IMTN 3.750% 06.07.2028 - Tranche No 71	200	3.597
UEMS IMTN 4.840% 14.02.2034	200	4.800
DANAINFRA IMTN 4.340% 27.10.2036 - Tranche 22	175	4.018
FELDA IMTN 4.500% 24.03.2036	170	4.010

Top Corporate/Sukuk Issuance in Feb 24	Rating	Amount Issued (RM 'm)
PASB IMTN 4.140% 07.02.2034 - Issue No. 48	AAA	650
UOBM IMTN 4.010% 08.02.2034	AA1	500
CAGAMAS MTN 3.650% 03.3.2025	AAA	460
PASB IMTN 4.070% 07.02.2031 - Issue No. 47	AAA	450
BSN IMTN 3.900% 12.02.2029	AAA	400
BSN IMTN 3.800% 15.02.2027	AAA	350
BBT MTN 455D 23.5.2025 (SERIES 2)	NR	310
SUNREIT MTN MTN 728D 13.2.2026	NR	300
CAGAMAS IMTN 3.650% 03.03.2025	AAA	300
TOYOTA CAP IMTN 4.300% 26.02.2030 - IMTN 11	AAA	250

Source: BNM, BPAM, HLBB Global Markets Research

US Bonds Outlook March 2024 - consolidation

	Current @ 07 Mar	Q1 2024	Q2 2024	Q3 2024	Q4 2024
Fed Funds Rate (upper bound)	5.50%	5.50%	5.25%	5.00%	4.75%

UST yields (%)	Current @ 07 Mar	Q1 2024	Q2 2024	Q3 2024	Q4 2024
2Y	4.50%	4.60%	4.60%	4.55%	4.50%
5Y	4.07%	4.25%	4.25%	4.20%	4.15%
10Y	4.08%	4.20%	4.15%	4.05%	3.95%
30Y	4.24%	4.35%	4.30%	4.25%	4.15%

Source: HLBB Global Markets Research

Key Events for the Month

Date	Event
06 & 07 Mar	Semi-Annual Humphrey Hawkins Testimony
08 Mar	Monthly Employment Report
12 Mar	CPI
14 Mar	PPI and Retail Sales
20 Mar	FOMC Decision
29 Mar	PCE Core Deflator

- Although a Fed cut this month is out of the picture, markets will pay attention to the statement on Mar 20 for clues on the path and timing of policy this year. Fed Chair Powell alluded that the central bank is getting close to the confidence it needs to start lowering interest rates, during his semi-annual testimony to Congress on Mar 06 and 07.
- **Expect some consolidation this month in USTs after the sharp sell off in February.**
- Core CPI and PCE likely to moderate further this month, albeit on high base effects, and should increase the odds of a Fed cut in 2Q. Pipeline pressures will also get some focus given the unexpected sharp rise in the January PPI numbers.

MYR Bonds Outlook March 2024 – remains supported

	Current @ 07 Mar	Q1 2024	Q2 2024	Q3 2024	Q4 2024
OPR	3.00%	3.00%	3.00%	3.00%	3.00%

MGS yields (%)	Current @ 07 Mar	Q1 2024	Q2 2024	Q3 2024	Q4 2024
3Y	3.46%	3.50%	3.45%	3.50%	3.55%
5Y	3.55%	3.60%	3.55%	3.60%	3.65%
10Y	3.84%	3.95%	3.90%	3.95%	4.00%
20Y	4.06%	4.15%	4.15%	4.20%	4.20%

Source: HLBB Global Markets Research

Key Events for the Month	
Date	Event
07 Mar	BNM OPR decision
12 Mar	Industrial Production
18 Mar	Trade Balance
25 Mar	CPI

- BNM MPC left OPR unchanged on 07 Mar, with no material changes to the statement. We continue to see no change in OPR for the remainder of 2024.
- With domestic CPI continuing to be rather tame, and no clear developments yet as to the timing of the planned removal of petrol subsidies, local govies should continue to remain supported.
- Duration hitting the market towards later part of the month in the form of 10yr MGS reopening and new 30yr GII may put some pressure on yields.
- Continued decent demand seen in Corporates/Sukuks expected to keep credit spreads tight.

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