

30 May 2025

Global Economics & Market Strategy

Malaysia Fiscal Balance Improved YoY in 1Q25

- ◆ **Malaysia fiscal balance improved through 1Q25.** Preliminary official data showed the government recorded a budget balance of -MYR21.9bn in 1Q25 (1Q24: -MYR26.4bn). The deficit amount for the first three month of the year was also slower compared to historical data since 2020 (Figure 2). This notwithstanding, the fiscal deficit was marginally higher by 1% at 26% compared to Budget 2025 allocation run rate of 25% as revenue came in slower at MYR72.1bn compared to expenditures MYR94.0bn. Nevertheless, we expect additional revenue enhancement and subsidy rationalization measures would provide an upside to the government's fiscal deficit target of 3.80% in 2025.
- ◆ **Malaysia:** Total government securities volume stood at MYR6,707mn with the top traded stock **MGS 3.955% 9/25** with MYR1,182mn traded. The implied 10YR MGS yield movement today is +1.56bps, given the trailing 30-day beta of -0.26 against UST 10YR (-5.9bps). Bid-ask spreads rose broadly (Figure 3). The 30-day 10YR MGS/UST correlation stood at -0.63. Corporate Bonds volume traded was MYR948mn, with the top traded stock **Danainfra 3.990% 4/29** with a volume of MYR116mn. **Every 1 bps move in 10YR UST yield implies a -0.26bps move in 10YR MGS.*
- ◆ **US Treasuries:** Treasury rallied as US 1Q GDP revisions were lower-than-expected and weekly jobless claims stood below estimates. US 1Q GDP second reading and weekly jobless claims of -0.2% and 240k (Bloomberg consensus estimates: -0.3% and 230k). These supported UST gains which unwound the earlier losses seen in London and Asia sessions. The rally was further supported by strong UST 7YR USD44bn auction which stopped through the WI level by more than 2bps. Traders will now look ahead to US Apr PCE print on Friday. UST yields for the 2YR/10YR/20YR moved by -5.1bps/-5.9bps/-5.9bps, respectively.
- ◆ **Key Events - Friday:** US Apr PCE and US May final consumer sentiment survey

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Fixed Income Return Snapshot

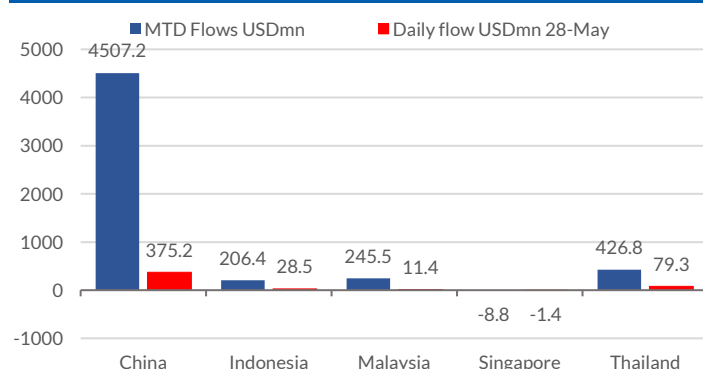
	1D Δ (%)	7D Δ (%)	1M Δ (%)
MGS 10YR	-0.17	0.27	0.80
MYR Govt Bond	0.03	0.34	0.93
US Treasuries	0.33	0.66	-1.24
Global Bond	0.33	0.86	-0.47
AxJ IG Bond	0.25	0.71	-0.15

2YR and 10YR Yields (%)

	29-May	1D bps Δ	7D bps Δ
China 2YR	1.483	0.7	1.0
China 10YR	1.714	0.8	3.0
Indonesia 2YR	6.173	0.0	0.2
Indonesia 10YR	6.825	0.0	-0.7
Japan 2YR	0.749	0.7	2.0
Japan 10YR	1.519	1.3	-4.5
Malaysia 3YR	3.150	0.0	-3.7
Malaysia 10YR	3.535	-0.6	-5.2
Singapore 2YR	1.997	2.5	-6.0
Singapore 10YR	2.430	1.6	-8.8
Thailand 2YR	1.556	-0.2	-3.5
Thailand 10YR	1.812	-0.5	-6.5
US 2YR	3.939	-5.1	-5.1
US 10YR	4.418	-5.9	-11.1
MYR AAA 10YR	3.913	0.5	-0.5
MYR AA 10YR	4.066	1.2	-0.3
MYR A 10YR	4.945	2.1	0.2

Source: Bloomberg, RHB Economics & Market Strategy.

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

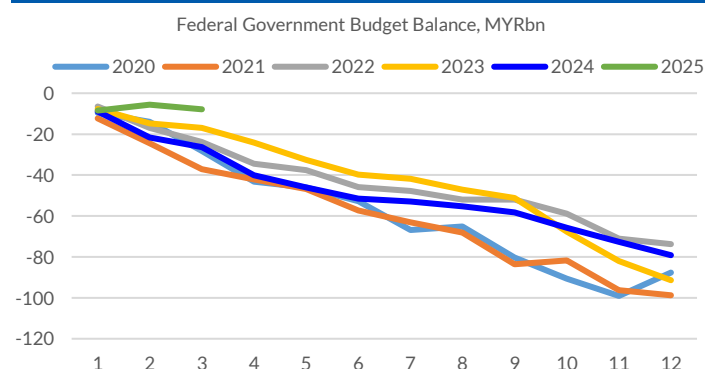


Source: EPFR, RHB Economics & Market Strategy.

See important disclosures at the end of this report

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

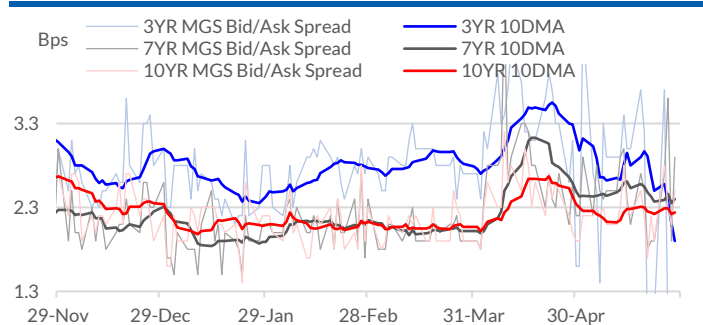
Figure 2: Federal Government Budget Balance



Source: BNM, RHB Economics & Market Strategy.

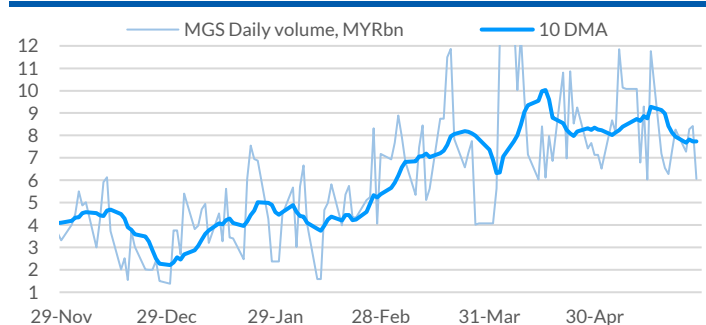
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Figure 3: Bid-ask spreads of key benchmarks



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: (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	3.150	3.30	-15	0.0	-3.7	-10.9	-29.7	-33.1
MGS 5YR	3.190	3.50	-31	-0.4	-6.5	-18.6	-40.7	-43.4
MGS 7YR	3.394	3.60	-21	-0.1	-6.9	-14.4	-36.0	-36.7
MGS 10YR	3.535	3.75	-22	-0.6	-5.2	-11.8	-25.8	-27.5
MGS 15YR	3.696	3.90	-20	-0.8	-3.1	-10.6	-26.6	-27.3
MGS 20YR	3.801	4.05	-25	-0.4	-3.0	-11.0	-26.3	-26.3
MGS 30YR	4.030	4.15	-12	-1.2	-3.2	-2.5	-14.9	-15.3
AAA 3YR	3.704	3.60	10	0.1	-0.5	-4.9	-11.9	-12.6
AAA 10YR	3.913	4.07	-16	0.5	-0.5	-3.9	-11.6	-15.2
AAA 15YR	4.033	4.20	-17	0.5	-1.4	-5.8	-9.1	-13.4
AA 3YR	3.852	3.90	-5	0.3	-0.8	-4.3	-15.0	-16.2
AA 10YR	4.066	4.40	-33	1.2	-0.3	-3.7	-13.4	-17.3
AA 15YR	4.208	4.60	-39	0.1	-1.9	-4.2	-11.9	-15.3
A 3YR	4.461	4.90	-44	-0.3	-1.8	-7.6	-37.1	-39.6
A 10YR	4.945	5.60	-65	2.1	0.2	-4.9	-46.8	-61.4
A 15YR	5.215	6.00	-79	2.4	-1.1	-2.4	-51.4	-66.4

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 1/2015 3.955% 15.09.2025	1182	2.772	2.663	11
GII MURABAAH 4/2025 3.775% 31.05.2045	590	3.739	-	-
MGS 4/2019 3.828% 05.07.2034	460	3.545	3.524	2
MGS 2/2019 3.885% 15.08.2029	408	3.255	3.244	1
MGS 1/2025 3.336% 15.05.2030	388	3.221	3.187	3
GII MURABAAH 2/2024 3.804% 08.10.2031	352	3.411	3.402	1
MGS 3/2007 3.502% 31.05.2027	310	3.054	3.041	1
MGS 2/2020 2.632% 15.04.2031	281	3.353	3.345	1
GII MURABAAH 1/2024 4.280% 23.03.2054	250	4.013	4.035	-2
GII MURABAAH 2/2023 4.291% 14.08.2043	230	3.815	3.808	1

Quasi-Govt

Name	Traded Amount (MYRmn)	Last Traded Yield	Previous Traded Yield	Δ Bps
DANAINFRA IMTN 3.990% 06.04.2029 - Tranche No 117	115	3.295	3.351	-6
LPPSA IMTN 4.120% 24.08.2029 - Tranche No 65	100	3.297	3.720	-42
DANAINFRA IMTN 4.230% 23.11.2035 - Tranche No 114	60	3.631	3.649	-2
DANAINFRA IMTN 4.910% 12.11.2035 - Tranche No 40	60	3.631	3.718	-9
DANAINFRA IMTN 4.440% 19.10.2029	55	3.296	3.614	-32
LPPSA IMTN 4.110% 06.02.2045 - Tranche No. 6	40	3.829	3.960	-13
PRASARANA IMTN 0% 28.09.2029 - MTN 2	25	3.344	3.358	-1
DANAINFRA IMTN 3.720% 10.11.2028	20	3.297	3.392	-9
DANAINFRA IMTN 4.120% 17.08.2029 - Tranche No 122	20	3.299	3.598	-30
LPPSA IMTN 3.440% 30.08.2029 - Tranche No 55	20	3.297	3.712	-42

Corporate

Name	Traded Amount (MYRmn)	Last Traded Yield	Previous Traded Yield	Δ Bps
SCC IMTN 28.09.2028	60	3.695	3.852	-16
DRB-HICOM IMTN 4.850% 11.12.2026	40	3.759	3.902	-14
ALR IMTN TRANCHE 3 13.10.2026	30	3.518	3.657	-14
CTX IMTN 5.20% 27.08.2027 - Series 11	30	3.505	3.721	-22
AIR SELANGOR IMTN T1 S4 3.590% 23.12.2030	20	3.578	3.763	-19
ISLAM IMTN SUB 4.150% 28.05.2035 (Tranche 8)	20	3.907	3.925	-2
MAHB SENIOR SUKUK WAKALAH 3.870% 30.12.2026	20	3.530	3.515	1
MBSBBANK IMTN 5.250% 19.12.2031	20	3.849	3.867	-2
PELABURAN HARTANAH IMTN (S1 Tr4) 30.08.2029	20	3.697	3.884	-19
TNB WE 5.260% 30.07.2027 - Tranche 7	20	3.698	3.837	-14

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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