

22 July 2025

Global Economics & Market Strategy

Defensive Plays Drive AAA and AA Corporate Bonds Performance

- ◆ **Strong performance for Malaysia's shorter- and longer-tenure AAA and AA corporate bonds going into 2H25.** All 3YR, 10YR, and 15YR tenures for AAA and AA corporate bond yields declined significantly YTD, with the drop ranging from 24bps to 32bps. We think this trend was driven by defensive plays, in addition to strong foreign inflows into the country. Significant gains were seen for holders of 10YR AAA bonds, as the yield fell 32.1bps YTD to 3.715% (Figure 2). The performance of the AAA and AA bonds contrasted with those of A-rated bonds, as the decline was significantly slower. The cut to OPR on 9 July supported gains for most bonds across ratings and tenures, apart from single-A 15YR corporate bonds, as traders repriced their risk premium higher.
- ◆ **Malaysia:** Total government securities volume stood at MYR5,876mn with the top traded stock **GII 3.612% 4/35** with MYR1,213mn traded. The implied 10YR MGS yield movement today is +0.34, given the trailing 30-day beta of -0.09 against UST 10YR (-3.8bps). Bid-ask spread for MGS 7YR fell (Figure 3). The 30-day 10YR MGS/UST correlation stood at -0.10. Corporate Bonds volume traded was MYR1,236mn, with the top traded stock **LPPSA 4.270% 9/39** with a volume of MYR200mn. **Every 1 bps move in 10YR UST yield implies a -0.10bps move in 10YR MGS.*
- ◆ **US Treasuries:** Treasury rallied as tariff fear sparked bond rally in the European market. UST gains were driven by European bonds rally as traders reacted to the prospect that European Union (EU) negotiators would not be able to reach a deal with the US to avoid the imposition of 30% tariff to EU exports. Most Eurozone 10YR bonds dropped by 7bps while UK 30YR gilts yield dropped by 9bps. Swap implied FFR cuts by Dec-2025 stood at 1.8x. UST yields for the 2YR/10YR/20YR moved by -0.8bps/-3.8bps/-4.6bps, respectively.
- ◆ **Key Events – Tuesday:** Malaysia June CPI | **Wednesday:** Singapore June CPI | **Thursday:** ECB policy rate decision, Japan July preliminary PMI, US July preliminary PMI and US weekly jobless claims | **Friday:** Singapore June industrial production, Tokyo July CPI

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Fixed Income Return Snapshot

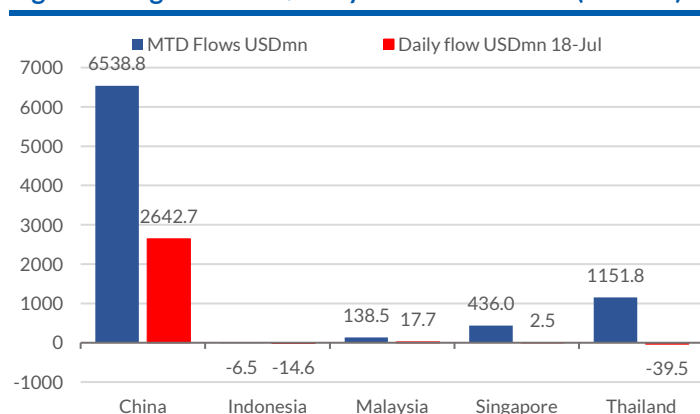
	1D Δ (%)	7D Δ (%)	1M Δ (%)
MGS 10YR	-0.01	0.17	N.A.
MYR Govt Bond	0.02	0.10	0.89
US Treasuries	0.29	0.32	0.36
Global Bond	0.50	0.42	0.57
AxJ IG Bond	0.25	0.45	0.87

2YR and 10YR Yields (%)

	21-Jul	1D bps Δ	7D bps Δ
China 2YR	1.389	1.1	-1.5
China 10YR	1.675	0.9	0.6
Indonesia 2YR	5.793	-2.8	-9.7
Indonesia 10YR	6.508	-1.6	-6.8
Japan 2YR	0.766	0.0	-1.0
Japan 10YR	1.535	0.0	-4.1
Malaysia 3YR	3.083	-0.1	-0.2
Malaysia 10YR	3.430	0.0	-0.5
Singapore 2YR	1.632	-2.8	-11.9
Singapore 10YR	2.063	-1.9	-10.1
Thailand 2YR	1.334	-1.4	-3.4
Thailand 10YR	1.516	0.0	-3.5
US 2YR	3.861	-0.8	-3.9
US 10YR	4.378	-3.8	-5.6
MYR AAA 10YR	3.786	-0.5	-1.3
MYR AA 10YR	3.952	-0.3	-1.1
MYR A 10YR	5.092	6.2	0.9

Source: Bloomberg, RHB Economics & Market Strategy.

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

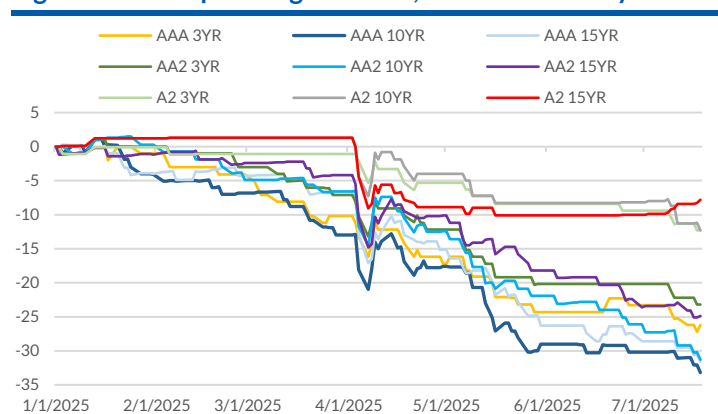


Source: EPFR, RHB Economics & Market Strategy.

See important disclosures at the end of this report

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

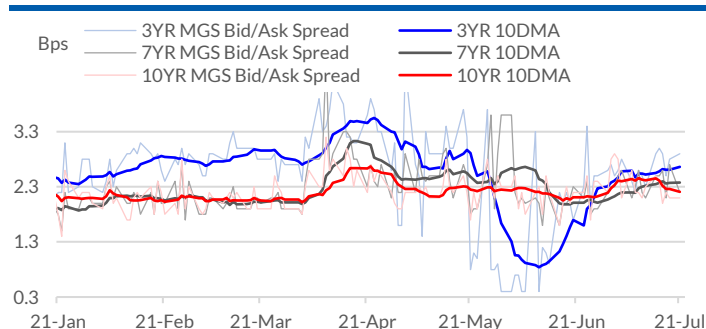
Figure 2: YTD bps change for 3YR, 10YR and 15YR yields



Source: BPAM, RHB Economics & Market Strategy.

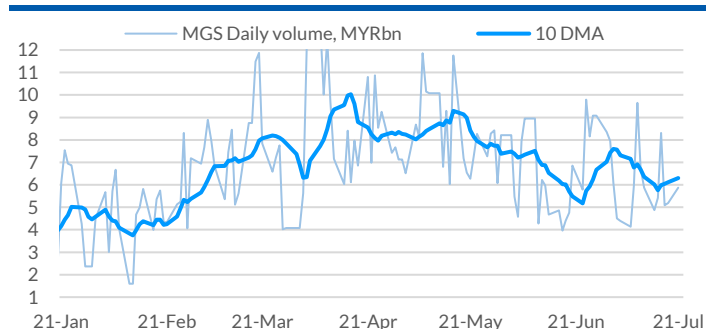
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Figure 3: Bid-ask spreads of key benchmarks



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: (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](#)).
- ◆ **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](#)).
- ◆ 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	3.083	3.10	-2	-0.1	-0.2	-11.9	-23.5	-39.8
MGS 5YR	3.162	3.14	2	0.1	0.5	-11.2	-24.3	-46.2
MGS 7YR	3.354	3.35	1	0.5	0.4	-13.4	-20.7	-40.7
MGS 10YR	3.430	3.43	0	0.0	-0.5	-15.9	-23.7	-38.0
MGS 15YR	3.667	3.67	0	-0.3	-0.3	-6.1	-14.8	-30.2
MGS 20YR	3.757	3.77	-1	-0.2	-0.4	-4.3	-17.8	-30.7
MGS 30YR	3.918	3.99	-8	-0.6	-2.8	-9.3	-15.3	-26.5
AAA 3YR	3.562	3.60	-4	0.2	-1.5	-5.8	-19.8	-26.8
AAA 10YR	3.786	3.83	-4	-0.5	-1.3	-5.5	-16.9	-27.9
AAA 15YR	3.924	3.96	-4	-0.7	-1.3	-4.5	-15.7	-24.3
AA 3YR	3.725	3.76	-3	-0.1	-1.3	-4.6	-17.6	-28.9
AA 10YR	3.952	3.99	-4	-0.3	-1.1	-5.4	-16.4	-28.7
AA 15YR	4.103	4.13	-3	-0.1	-0.9	-4.5	-15.3	-25.8
A 3YR	4.573	4.54	3	3.1	0.3	-0.4	-1.8	-28.4
A 10YR	5.092	5.01	8	6.2	0.9	1.4	2.0	-46.7
A 15YR	5.344	5.26	8	7.9	1.8	2.3	0.9	-53.5

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
GII MURABAAH 3/2025 3.612% 30.04.2035	1213	3.465	3.468	0
MGS 1/2015 3.955% 15.09.2025	927	2.854	2.841	1
MGS 1/2022 3.582% 15.07.2032	690	3.355	3.352	0
MGS 3/2010 4.498% 15.04.2030	350	3.196	3.206	-1
MGS 3/2017 4.762% 07.04.2037	341	3.626	3.627	0
MGS 1/2023 4.457% 31.03.2053	331	3.954	3.964	-1
MGS 1/2019 3.906% 15.07.2026	240	2.842	2.854	-1
GII MURABAAH 4/2015 3.990% 15.10.2025	171	2.876	2.841	3
MGS 1/2024 4.054% 18.04.2039	169	3.666	3.657	1
GII MURABAAH 5/2019 4.638% 15.11.2049	140	3.925	3.931	-1

Quasi-Govt

Name	Traded Amount (MYRmn)	Last Traded Yield	Previous Traded Yield	Δ Bps
LPPSA IMTN 4.270% 02.09.2039 - Tranche No 58	200	3.725	3.747	-2
DANAINFRA IMTN 4.060% 15.07.2039 - Tranche No 143	150	3.720	3.719	0
LPPSA IMTN 4.580% 11.04.2039 - Tranche No 31	100	3.719	3.742	-2
PRASARANA IMTN 4.310% 28.12.2039 - Series 15	90	3.732	4.125	-39
LPPSA IMTN 3.960% 10.04.2041 - Tranche No. 9	70	3.761	3.769	-1
PASB IMTN 3.320% 04.06.2027 - Issue No. 21	60	3.495	3.531	-4
PASB IMTN 2.910% 28.09.2027 - Issue No. 22	50	3.497	3.539	-4
LPPSA IMTN 4.020% 06.02.2040 - Tranche No. 4	40	3.735	3.790	-6
DANAINFRA IMTN 3.900% 24.09.2049 - Tranche 16	30	3.904	3.970	-7
MRL IMTN 16.07.2026 - SERIES 20	30	3.459	-	-

Corporate

Name	Traded Amount (MYRmn)	Last Traded Yield	Previous Traded Yield	Δ Bps
KLK IMTN 4.170% 16.03.2032	60	3.708	3.701	1
KLK IMTN 3.95% 27.09.2034 - Tranche 2	50	3.729	3.738	-1
AMBANK MTN 3653D 12.10.2032	40	3.735	4.250	-52
MMC CORP IMTN 5.700% 24.03.2028	30	3.693	3.714	-2
SDPROPERTY IMTN 3.420% 03.12.2027	30	3.530	3.539	-1
SEB IMTN 5.180% 25.04.2036	30	3.648	3.699	-5
SPETCHEM IMTN 5.110% 25.07.2031 (Sr1 Tr7)	30	3.719	3.740	-2
IMTIAZ II IMTN 2.970% 07.10.2025	10	3.475	3.585	-11
ISLAM IMTN 4.100% 12.11.2031	10	3.613	3.607	1
PONSB IMTN 4.100% 28.05.2031 - Series 3 Tranche 2	10	3.748	3.801	-5

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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