



## Weekly Fixed Income &amp; FX Research Commentary

Markets assessing the latest US credit rating downgrade

Monday, 19 May 2025

## Snapshot Summary...

**Global Rates:** UST yields rose w/w across the curve amid improved risk appetite.

**MYR Bonds:** Malaysia's government bond market remained supported following the SRR cut.

**Global FX:** DXY down below 101 level after Moody's cuts US sovereign rating.

**USD/MYR:** Expect MYR support if USD remains pressured.

## Fixed Income

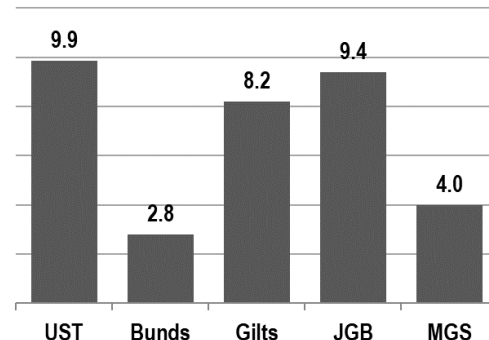
**Global Bonds:** UST yields rose w/w across the curve, with benchmark 2Y UST and 10Y UST rising 11 and 10 bps, respectively amid improved risk appetite followed the announcement of the 90-day US-China tariff truce. However, weaker-than-expected US inflation data later tempered rise in yields, as players speculated the Fed might take a cautious approach before resuming easing. Traders were fed with more sluggish growth reports as US PPI fell lower-than-expected and mixed retail sales data spurred demand in the UST market with Powell warning of inflation risks and higher, longer-term interest rates amid economic uncertainty. UK gilts were supported by their recent trade deal with India - an agreement that will cut levies on 90% of UK products sold in India, whisky, food & electrical devices - and stronger-than-expected preliminary GDP data despite softer US labour data. Overall, traders adopted a risk-on stance following improved global sentiment, and the markets are less likely to be volatile compared to the weeks before due to a lack of economic data this week.

**Malaysia Government Bonds:** Malaysia's government bond market remained supported following the SRR cut, with strong auction demand (BTC above 2x) at the MYR5.0 billion public tender of the 5Y MGS 05/30 in the middle of last week. Malaysia's 1Q2025 GDP performance of 4.4% y/y further supported local bond market stability. Overall, the market reflected a mix of buying activity and cautious positioning amid broader economic shifts.

**Malaysia Government Bonds View:** Looking ahead, the 20Y GII auction will only be held this month and is expected to be announced by the end of the month and demand should come from long-term real money investors. The SRR cut BNM's expected 25 bps easing in 2H2025 should continue to guide the local government bond market.

**Malaysia Corporate Bonds:** Risk-on sentiment drove profit-taking activity, pushing the front end of the yield curve up slightly. However, select AAA and AA-rated corporate bonds saw increased demand, particularly in bank papers, as the SRR cut may lift liquidity and lower funding costs.

## Weekly Major 10Y Sovereign Yield Changes (bps)



## Weekly Major Bond Yields (%)

Major Bond Yields	16-May-25	9-May-25	w/w (bps)
2-year UST	4.00	3.89	11
10-year UST	4.48	4.38	10
2-year Bund	1.86	1.79	7
10-year Bund	2.59	2.56	3
2-year Gilt	4.01	3.91	10
10-year Gilt	4.65	4.57	8
2-year JGB	0.72	0.65	7
10-year JGB	1.46	1.37	9
2-year AGB	3.55	3.37	18
10-year AGB	4.45	4.29	17

## Weekly MGS Yields (%)

MGS Yields	16-May-25	9-May-25	w/w (bps)
3-year	3.20	3.16	3
5-year	3.31	3.30	2
7-year	3.49	3.43	6
10-year	3.59	3.55	4
15-year	3.75	3.74	0
20-year	3.85	3.85	(0)
30-year	4.06	4.04	2

## Weekly GII Yields (%)

GII Yields	16-May-25	9-May-25	w/w (bps)
3-year	3.20	3.19	2
5-year	3.36	3.37	(1)
7-year	3.50	3.46	4
10-year	3.59	3.58	1
15-year	3.76	3.73	4
20-year	3.87	3.85	2

## MYR Swap &amp; KLIBOR Rates (%)

IRS & KLIBOR	16-May-25	9-May-25	w/w (bps)
IRS 3-Year	3.20	3.14	6
IRS 5-Year	3.26	3.21	5
IRS 7-Year	3.36	3.30	6
IRS 10-Year	3.49	3.42	6
3-Month KLIBOR	3.59	3.61	(2)
6-Month KLIBOR	3.64	3.67	(3)

## Forex


**DXY Index:** USD closed firm but capping very steady weekly gains, where DXY high was 101.97. For the whole of last week, the DXY closed 0.8% higher at 101.09. USD support came early on the back of the US-China trade pact, where under a 90-day timeline, the US will lower its reciprocal tariffs on Chinese goods from 145% to 30%, while China will cut levies on US imports from 125% to 10%. Meanwhile, lower-than-expected US CPI, modest retail sales growth and a PPI decline all pressured USD. Also, the big news was Moody's downgrade of the US sovereign credit rating for the first time ever by the credit rating agency. USD opened this week down near 100.70. Moody's cut by one notch to AA1 includes worry that the US fiscal deficit will lead to rising debt (and rising costs of rolling over the debt burden). The CRA said that if the 2017 tax cuts are extended, the federal deficit could hit 9% of GDP by 2035.


**Europe:** EUR and GBP both fell vs. USD last week, but USD weakness at the start of this week, after Moody's action, lifted EUR to 1.119 and 1.330 levels respectively, or near our previous resistance levels. This week, more global inflation and industrial output data are due, including Eurozone CPI (Consensus: 2.2% y/y, March: 2.2%), coming ahead of the 5 June ECB meeting. OIS pricing of an ECB cut in June rose to 96% from 80% a week ago after data showed core prices in the Eurozone remained sluggish. GBP strength was pared by weak industrial output data, despite preliminary 1Q2025 GDP being slightly higher than expected.


**Asia:** CNY was modestly firmer post-US-China trade deal announcement. However, a longer-term lack of clarity regarding tariffs and the recent release of weak PMI and CPI numbers pressured CNY. Also, PBOC fixings in the past week were closer to Reuters' expectations, suggesting PBOC is allowing CNY weakness in the face of the recent rally (CNY is up 1.2% m/m). AUD steady ahead of the RBA meeting this week. Futures trading is pricing near a 100% chance of a cut, but there's risk to a cut alongside firm labour data, where jobs rose by 89k in April vs. 32k expected.


**Malaysia:** The MYR was subdued amid a firm USD, but if the greenback remains pressured post-Moody's rating action, then we anticipate MYR short-term support. Last week's 1Q2025 GDP print of 4.4% y/y was just below the 4.5% consensus and should not hinder some MYR strength this week. Our support vs. resistance lines remain as they were from last week.


## Technical Pair Summary


DXY 	Resistance Level			
	R1	101.70	R2	102.00
	Support Level			
	S1	100.30	S2	99.80
Outlook: Mildly bearish				

EUR/USD 	Resistance Level			
	R1	1.128	R2	1.138
	Support Level			
	S1	1.114	S2	1.040
Outlook: Mildly bearish				

USD/JPY 	Resistance Level			
	R1	150.00	R2	152.00
	Support Level			
	S1	143.5	S2	142.50
Outlook: Neutral JPY				

USD/MYR 	Resistance Level			
	R1	4.360	R2	4.380
	Support Level			
	S1	4.250	S2	4.200
Outlook: Mildly bullish MYR				

GBP/USD 	Resistance Level			
	R1	1.340	R2	1.380
	Support Level			
	S1	1.310	S2	1.280
Outlook: Mildly bearish				

AUD/USD 	Resistance Level			
	R1	0.645	R2	0.650
	Support Level			
	S1	0.637	S2	0.632
Outlook: Mildly bullish				

## Indicative PDS Yields (%)

PDS Indicative Yields	16-May-25	9-May-25	w/w (bps)
3-Year AAA	3.72	3.73	(1)
3-Year AA	3.86	3.87	(1)
3-Year A	4.48	4.48	(0)
5-Year AAA	3.79	3.80	(1)
5-Year AA	3.93	3.94	(1)
5-Year A	4.60	4.60	0
10-Year AAA	3.92	3.93	(1)
10-Year AA	4.07	4.08	(1)
10-Year A	4.95	4.94	0

## FX Weekly – vs. USD

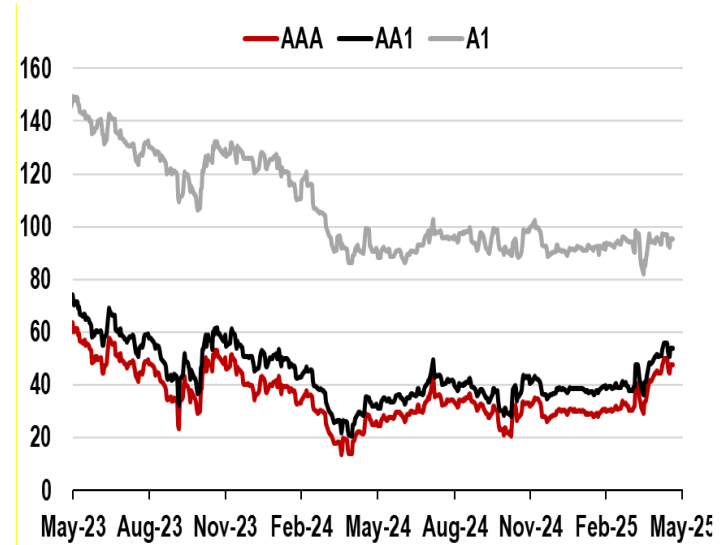
FX Against USD	16-May-25	9-May-25	w/w (%)
DXY Index	101.09	100.34	0.8
Euro	1.116	1.125	(0.8)
Aussie Dollar	0.641	0.641	(0.1)
Pound Sterling	1.328	1.331	(0.2)
Japanese Yen	145.7	145.4	0.2
NZ Kiwi	0.588	0.591	(0.5)
Ringgit	4.294	4.301	(0.2)
Rupiah	16,440	16,515	(0.5)
Thai Baht	33.24	33.02	0.7
Sing Dollar	1.300	1.298	0.2
China Yuan	7.214	7.238	(0.3)
Korea Won	1,402	1,398	0.3
India Rupee	85.52	85.38	0.2
Philippine Peso	55.65	55.48	0.3

## FX Weekly – Cross Rates vs. MYR

Cross FX Against MYR	16-May-25	9-May-25	w/w (%)
Euro	4.81	4.83	(0.6)
Pound Sterling	5.71	5.71	0.0
Aussie Dollar	2.76	2.75	0.1
Japanese Yen	2.94	2.96	(0.7)
Sing Dollar	3.31	3.31	(0.2)
10 China Yuan	5.96	5.94	0.4
1 million Rupiah	261.20	260.20	0.4
Thai Baht	12.89	13.03	(1.1)
100 India Rupee	5.03	5.03	0.0
100 Philippine Peso	7.71	7.75	(0.5)

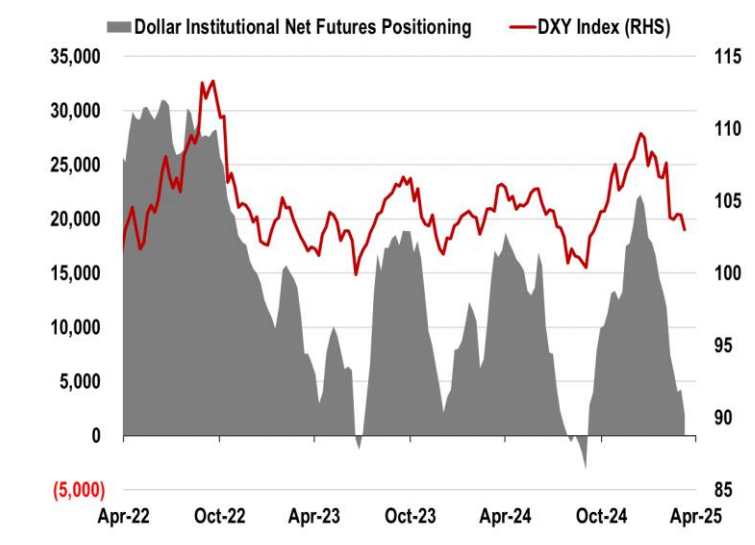
Sources: Bank Negara Malaysia (BNM), Bloomberg, Trading Economics, AmBank Economics

Exhibit 1: Credit Spreads vs. MGS (5Y tenor) (bps)



Sources: BPAM, AmBank Economics

Exhibit 2: CFTC Dollar Insti. Net Fut. Positioning vs. DXY



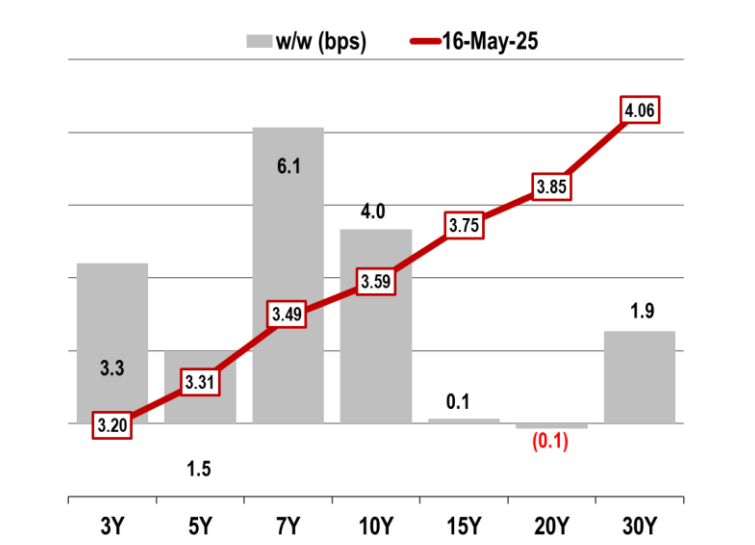
Sources: Bloomberg, AmBank Economics

Exhibit 3: MSCI AC Asia Ex-JP Currency Index



Sources: Bloomberg, AmBank Economics

Exhibit 4: MGS yield curve changes (1w)\*



Sources: BNM, BPAM, Bloomberg, AmBank Economics  
Using the MGIY ticker on Bloomberg

Calendar Events/Data (19<sup>th</sup> – 23<sup>rd</sup> April 2025)

Monday May 19 2025			Consensus	Previous
5:20 AM	US	Fed Williams Speech		
9:30 AM	CN	House Price Index YoY APR		-4.50%
10:00 AM	CN	Industrial Production YoY APR	5.50%	7.70%
10:00 AM	CN	Retail Sales YoY APR	5.50%	5.90%
10:00 AM	CN	Fixed Asset Investment (YTD) YoY APR	4.20%	4.20%
10:00 AM	CN	Unemployment Rate APRIL	5.20%	5.20%
12:30 PM	JP	Tertiary Industry Index MoM MAR	-0.20%	0.00%
5:00 PM	EA	Core Inflation Rate YoY Final APR	2.70%	2.40%
5:00 PM	EA	CPI Final APR	128.76	128.04
5:00 PM	EA	Inflation Rate MoM Final APR	0.60%	0.60%
5:00 PM	EA	Inflation Rate YoY Final APR	2.20%	2.20%
5:45 PM	EU	3-Year Bond Auction		2.33%
5:45 PM	EU	6-Year Bond Auction		2.33%
5:45 PM	EU	9-Year Bond Auction		2.98%
8:30 PM	US	Fed Bostic Speech		
8:45 PM	US	Fed Jefferson Speech		
8:45 PM	US	Fed Williams Speech		
10:00 PM	US	CB Leading Index MoM APR	-0.80%	-0.70%
Tuesday May 20 2025			Consensus	Previous
1:15 AM	US	Fed Logan Speech		
1:30 AM	US	Fed Kashkari Speech		
9:15 AM	CN	Loan Prime Rate 1Y	3%	3.10%
9:15 AM	CN	Loan Prime Rate 5Y MAY	3.50%	3.60%
11:35 AM	JP	20-Year JGB Auction		2.35%
12:00 PM	MY	Balance of Trade APR		MYR24.7B
12:00 PM	MY	Exports YoY APR		6.80%
12:00 PM	MY	Imports YoY APR		-2.80%
12:30 PM	AU	RBA Interest Rate Decision	3.85%	4.10%
1:30 PM	AU	RBA Press Conference		
2:00 PM	DE	PPI YoY APR		-0.20%
2:00 PM	DE	PPI MoM APR	-0.30%	-0.70%
4:00 PM	EA	Current Account MAR		€33.1B
4:00 PM	EA	Current Account s.a MAR		€34.3B
4:00 PM	GB	BoE Pill Speech		
5:00 PM	EA	Construction Output YoY MAR		0.20%
5:00 PM	EA	Labour Cost Index YoY Flash Q1		3.70%
5:30 PM	DE	10-Year Bund/g Auction		2.62%
5:30 PM	DE	30-Year Bund/g Auction		2.73%
5:55 PM	EA	ECB Donnelly Speech		
6:00 PM	EA	ECB Cipollone Speech		
7:50 PM	EA	ECB Buch Speech		
9:00 PM	US	Fed Barkin Speech		
9:00 PM	US	Fed Bostic Speech		
9:30 PM	US	Fed Collins Speech		
10:00 PM	EA	Consumer Confidence Flash MAY	-16	-16.7

Wednesday May 21 2025			Consensus	Previous
1:00 AM	US	Fed Musalem Speech		
4:30 AM	US	API Crude Oil Stock Change MAY/16		4.287M
5:00 AM	US	Fed Kugler Speech		
7:00 AM	US	Fed Daly Speech		
7:00 AM	US	Fed Hammack Speech		
7:50 AM	JP	Balance of Trade APR	¥227.1B	¥544.1B
7:50 AM	JP	Exports YoY APR	2%	3.90%
7:50 AM	JP	Imports YoY APR	-4.50%	2%
9:00 AM	AU	Westpac Leading Index MoM APR		-0.10%
9:30 AM	AU	RBA Chart Pack		
2:00 PM	GB	Inflation Rate YoY APR	3.30%	2.60%
2:00 PM	GB	Core Inflation Rate YoY APR	3.60%	3.40%
2:00 PM	GB	Inflation Rate MoM APR		0.30%
2:00 PM	GB	Core Inflation Rate MoM APR		0.50%
2:00 PM	GB	Retail Price Index MoM APR		0.30%
2:00 PM	GB	Retail Price Index YoY APR	4.20%	3.20%
3:00 PM	EA	ECB Non-Monetary Policy Meeting		
4:00 PM	EA	ECB Financial Stability Review		
5:00 PM	GB	6-Year Treasury Gilt Auction		
5:30 PM	DE	10-Year Bund Auction		2.47%
7:00 PM	US	MBA 30-Year Mortgage Rate MAY/16		6.86%
7:00 PM	US	MBA Mortgage Applications MAY/16		1.10%
7:00 PM	US	MBA Mortgage Market Index MAY/16		251.2
7:00 PM	US	MBA Mortgage Refinance Index MAY/16		718.1
7:00 PM	US	MBA Purchase Index MAY/16		166.5
10:30 PM	US	EIA Crude Oil Stocks Change MAY/16		3.454M
10:30 PM	US	EIA Gasoline Stocks Change MAY/16		-1.022M

Thursday May 22 2025			Consensus	Previous
12:00 AM	EA	ECB Lane Speech		
12:00 AM	US	Fed Barkin Speech		
1:00 AM	US	20-Year Bond Auction		4.81%
7:00 AM	AU	S&P Global Manufacturing PMI Flash MAY		51.7
7:00 AM	AU	S&P Global Services PMI Flash MAY		51
7:00 AM	AU	S&P Global Composite PMI Flash MAY		51
8:30 AM	JP	Jibun Bank Manufacturing PMI Flash MAY		48.5
8:30 AM	JP	Jibun Bank Services PMI Flash MAY		52.4
8:30 AM	JP	Jibun Bank Composite PMI Flash MAY		51.2
9:30 AM	JP	BOJ Noguchi Speech		
11:35 AM	JP	10-Year Index-Linked JGB Auction		-0.27%
12:00 PM	MY	Inflation Rate MoM APR		0.00%
12:00 PM	MY	Inflation Rate YoY APR		1.40%
2:00 PM	GB	Public Sector Net Borrowing Ex Banks APR	£-17.7B	£-16.44B
3:15 PM	GB	BoE Breeden Speech		
3:30 PM	DE	HCOB Manufacturing PMI Flash MAY	49	48.4
3:30 PM	DE	HCOB Composite PMI Flash MAY		50.1
3:30 PM	DE	HCOB Services PMI Flash MAY	49.5	49
4:00 PM	EA	HCOB Composite PMI Flash MAY		50.4
4:00 PM	EA	HCOB Manufacturing PMI Flash MAY	49.4	49
4:00 PM	EA	HCOB Services PMI Flash MAY	50.4	50.1
4:30 PM	AU	RBA Hauser Speech		
4:30 PM	GB	S&P Global Manufacturing PMI Flash MAY	45.8	45.4
4:30 PM	GB	S&P Global Services PMI Flash MAY	49.5	49
4:30 PM	GB	S&P Global Composite PMI Flash MAY		48.5
6:00 PM	GB	CBI Industrial Trends Orders MAY	-25	-26
7:30 PM	EA	ECB Monetary Policy Meeting Accounts		
8:00 PM	GB	BoE Dhingra Speech		
8:30 PM	GB	BoE Pill Speech		
8:30 PM	US	Chicago Fed National Activity Index APR		-0.03
8:30 PM	US	Initial Jobless Claims MAY/17	232K	229K
8:30 PM	US	Continuing Jobless Claims MAY/10		1881K
8:30 PM	US	Jobless Claims 4-week Average MAY/17		230.5K
9:45 PM	US	S&P Global Composite PMI Flash MAY		50.6
9:45 PM	US	S&P Global Manufacturing PMI Flash MAY	49.9	50.2
9:45 PM	US	S&P Global Services PMI Flash MAY	50.7	50.8
10:00 PM	US	Existing Home Sales APR	4.1M	4.02M
10:00 PM	US	Existing Home Sales MoM APR		-5.90%
10:30 PM	US	EIA Natural Gas Stocks Change MAY/16		110Bcf
11:00 PM	EA	ECB Elderson Speech		
11:00 PM	US	Kansas Fed Composite Index MAY		-4
11:35 PM	EA	ECB Guindos Speech		

Friday May 23 2025			Consensus	Previous
12:00 AM	US	15-Year Mortgage Rate MAY/22		5.92%
12:00 AM	US	30-Year Mortgage Rate MAY/22		6.81%
1:00 AM	US	10-Year TIPS Auction		1.94%
2:00 AM	US	Fed Williams Speech		
4:30 AM	US	Fed Balance Sheet MAY/21		\$6.71T
7:01 AM	GB	Gfk Consumer Confidence MAY	-22	-23
7:30 AM	JP	Inflation Rate YoY APR		3.60%
7:30 AM	JP	Core Inflation Rate YoY APR	3.40%	3.20%
7:30 AM	JP	Inflation Rate Ex-Food and Energy YoY APR		2.90%
7:30 AM	JP	Inflation Rate MoM APR		0.30%
12:00 PM	MY	Coincident Index MoM MAR		1.90%
12:00 PM	MY	Leading Index MoM MAR		-0.20%
2:00 PM	DE	GDP Growth Rate QoQ Final Q1	0.20%	-0.20%
2:00 PM	DE	GDP Growth Rate YoY Final Q1	-0.20%	-0.20%
2:00 PM	GB	Retail Sales MoM APR	0.40%	0.40%
2:00 PM	GB	Retail Sales YoY APR		2.60%
2:00 PM	GB	Retail Sales ex Fuel MoM APR		0.50%
2:00 PM	GB	Retail Sales ex Fuel YoY APR		3.30%
4:30 PM	EA	ECB Lane Speech		
5:00 PM	EA	Negotiated Wage Growth Q1		4.12%
10:00 PM	US	New Home Sales APR	0.70M	0.724M
10:00 PM	US	New Home Sales MoM APR		7.40%

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