

Market commentary

Fixed income market review and outlook

November 2025



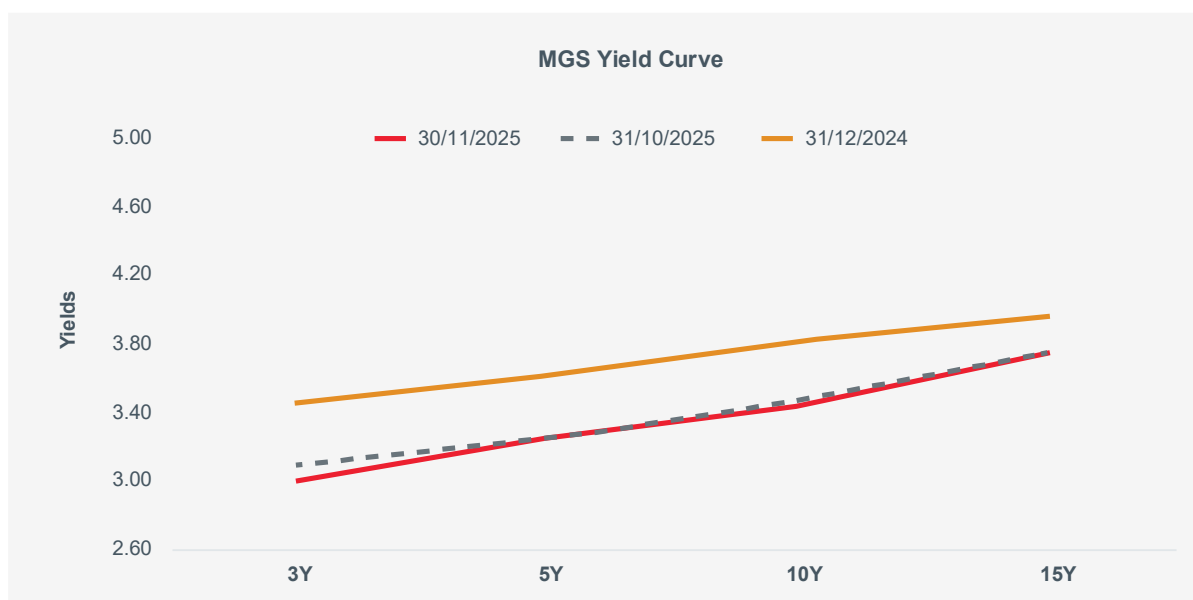
Review

- The Federal Reserve (Fed) lowered interest rates by 25 basis points (bps) to 3.75%-4.00% in October 2025, citing elevated employment risks despite persistent inflation, and announced the end of quantitative tightening starting December 1, while signalling that a December rate cut remains uncertain amid internal policy disagreements. The
- The record 43-day federal government shutdown, which began on 1 October 2025, ended in mid-November 2025. As a result, most official U.S. economic data releases were significantly delayed or incomplete, forcing analysts to rely on alternative indicators and private-sector surveys. The Chicago Fed's real-time estimate for the US employment rate is 4.44% in November (Oct: 4.36%). Headline PCE price index rose to 2.8% y-o-y in September (Aug: 2.7%), driven by higher energy and service prices, while Core PCE price index ease slightly to 2.8% y-o-y in September (Aug: 2.9%) due to slower service price growth. The University of Michigan Consumer Sentiment index fell to 51.0 in November from 53.6 in October, primarily due to persistent inflation concerns, a weakening labour market outlook and the shutdown's negative impact. Manufacturing PMI fell to 48.2 in November (Oct: 48.7) amid faster contraction in new orders and employment, whereas Service PMI edged up to 52.6 (Oct: 52.4), supported by stronger business activity and new orders.
- The Bank of England kept its Bank Rate unchanged at 4.0% at its November meeting to maintain a still-restrictive stance while awaiting more evidence on disinflation and demand risks. UK headline inflation eased to 3.6% in October (Sept: 3.8%), mainly driven by lower housing and utility costs, especially gas and electricity, following the October energy price cap adjustment. Core Inflation also slowed to 3.4% (Sept: 3.5%). Retail sales grew just 0.2% y-o-y in September (Sept: 1.5%), reflecting reduced consumer spending after a strong period and continued hesitancy amid inflation and economic uncertainty. Meanwhile, industrial production fell 2.5% y-o-y in September (Aug: -0.7%), and manufacturing production declined 2.2% y-o-y (Aug: -0.8%).
- The European Central Bank ("ECB") kept its key policy rates unchanged in November, with the deposit facility rate at 2.00%, the main refinancing rate at 2.15%, and the marginal lending facility at 2.40%. Minutes from the October 29-30 meeting indicated that keeping rates unchanged was deemed appropriate amid uncertainty, as policy is "in a good place" with inflation near target and the deposit rate seen as sufficiently robust. Eurozone's inflation rate rose to 2.2% in November (Oct: 2.1%), while core inflation rate remained stable at 2.4% for the third consecutive month. Industrial production grew 1.2% y-o-y in September (Aug: 1.1%), supported by higher production of energy, capital goods and intermediate goods, while manufacturing production rose 1.2% in September (Aug: 1.3%).
- The Reserve Bank of Australia kept its cash rate unchanged at 3.60% at its November meeting to maintain accommodative conditions amid easing inflation and heightened uncertainty, while remaining cautious and data dependent. In Asia, Bank Indonesia, the Bank of South Korea and Bank Negara Malaysia ("BNM") maintained their interest rates at 4.75%, 2.5% and 2.75%, respectively. Meanwhile, the Central Bank of Philippines, Bank of Thailand and Bank of Japan did not hold monetary policy committee meetings in November 2025.
- The People's Bank of China kept its key lending rates unchanged in November 2025 to support stability amid easing trade tensions and weak economic data, while signaling less urgency for further stimulus. The 1-year and 5-year loan prime rates was at 3.0% and 3.5%, respectively. In November, China's imports rose 1.9% YoY in USD terms (Oct: 1.0%) amid subdued domestic demand and cautious spending, while exports surged 5.9% YoY (Oct: -1.0%) on the back of a tariff truce with the U.S. that boosted outbound shipments. Retail sales grew 2.9% YoY in October (Sept: 3.0%), and industrial production expanded 4.9% YoY (Sept: 6.5%). Meanwhile, fixed asset investment declined 1.7% YoY in January-October (Jan-Sept: -0.5%), driven by a sharp decline in property investment, weaker infrastructure spending and slower manufacturing growth. Excluding property, fixed-asset investment rose 1.7% during the same period.
- In October, headline inflation eased to 1.3% (Sept: 1.5%), mainly driven by a continued decline in electricity inflation following rebates from lower generation costs. Core inflation increased marginally to 2.2% (Sept: 2.1%). The unemployment rate remained steady at 3.0% in September (Aug: 3.0%). BNM's international reserves amounted to US\$124.1bn as of 28 November 2025 (15 Oct: US\$123.4bn). The reserves position is sufficient to finance 4.8 months of imports and is 0.9x of the total short-term external debt. The Ringgit appreciated by 1.3% m-o-m against USD, closing at 4.1310 at end November (Oct: 4.1890).

- Three auctions were held in November 2025, reopening of 10Y MGII 04/35, reopening of 7Y MSG 07/32 and reopening of 20Y MGII 05/45. The auctions received an average bid-to-cover ratio of 2.271x.
 - RM5.0b reopening of 10Y MGII 04/35 averaging yield of 3.554% at a bid-to-cover ratio of 2.565x;
 - RM4.0b reopening of 7Y MGS 07/32 averaging yield of 3.455% at a bid-to-cover ratio of 1.909x; and
 - RM3.0b reopening of 20Y MGII 05/45 averaging yield of 3.878% at a bid-to-cover ratio of 2.339x.
- In November 2025, Malaysia's MGS and GII yields were mixed as markets continued to reprice the likelihood of a December Fed rate cut, while resilient domestic fundamentals provided support. Foreign fund flows remained strong, with a net inflow of RM6.06 billion (Oct: RM4.4 billion), driven by expectations of further Ringgit appreciation and continued Fed easing. YTD, the net foreign fund flows totalled at RM22.58 billion. Meanwhile, the 10Y UST yield fell to 4.02% as at end-November (Oct: 4.11%).

BENCHMARK	Dec 2024 Yield	Oct 2025 Yield	Nov 2025 Yield	MOM Change	YTD Change
3-year MGS	3.47%	3.13%	3.02%	-11 bps	-45 bps
5-year MGS	3.62%	3.25%	3.25%	0 bp	-36 bps
10-year MGS	3.82%	3.49%	3.44%	-6 bps	-38 bps
15-year MGS	3.97%	3.74%	3.74%	1 bp	-22 bps

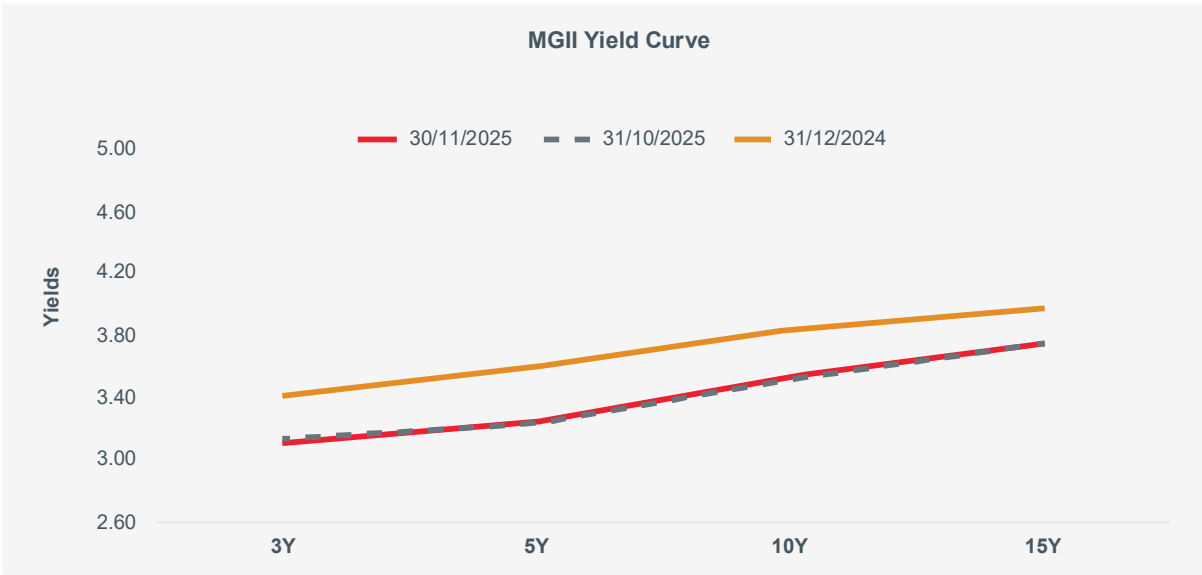
Source: Bloomberg



Source: Bloomberg

BENCHMARK	Dec 2024 Yield	Oct 2025 Yield	Nov 2025 Yield	MOM Change	YTD Change
3-year MGII	3.42%*	3.14%	3.10%	-4 bps	-32 bps
5-year MGII	3.62%	3.25%	3.26%	1 bp	-36 bps
10-year MGII	3.83%	3.52%	3.54%	2 bps	-30 bps
15-year MGII	3.98%	3.75%	3.75%	0 bp	-22 bps

Source: Bloomberg. *MGII3Y Index



Source: Bloomberg

Outlook

- ▶ The Federal Reserve faces heightened uncertainty ahead of its December meeting as policymakers weigh the impact of the prolonged government shutdown, which delayed key economic data releases. The primary challenge is balancing risks of a weakening labour market against potential inflationary pressures from tariffs and services prices. Fed Chair Jerome Powell noted that a December cut remain uncertain, citing strongly differing views within the FOMC regarding the future path of interest rates, with some members worry about persistent inflation, while others highlight softening demand and labour market slack. The absence of timely official data adds complexity and raises the risk of misjudging economic conditions. According to CME Group's FedWatch tool, markets assign an 87.2% probability of a 25bps cut in December and a 12.8% chance of holding rate steady. While easing US-China trade tensions offer temporary relief, ongoing protectionist measures, long-term US fiscal sustainability, geopolitical risks, and China's slowing economy continue to cloud the global outlook.
- ▶ Malaysia's Budget 2026 projects GDP growth of 4.0-5.0%, inflation between 1.3-2.0% and a reduced fiscal deficit of 3.5% of GDP, driven by improved tax collection and moderate spending growth. Economic momentum is expected to be supported by resilient domestic demand and government reforms. For 2025, BNM projects GDP growth between 4.0-4.8%, underpinned by steady employment, wage growth, infrastructure projects and structural reforms, with headline inflation is forecasted to remain contained at 1.5-2.3%. At its final meeting of 2025, BNM maintained the OPR at 2.75%, reflecting a neutral stance amid balanced growth and inflation risks. Markets broadly expect OPR to remain unchanged over the 6-12 months, supported by easing global trade tension, domestic fiscal reforms and improving financial stability.
- ▶ One auction is expected in the month of December 2025, 10Y MGS 07/35. While there is ample liquidity in the system, the outcome of these auctions is likely to be influenced by prevailing market sentiment both from local and foreign investors. On the corporate front, we expect demand to remain resilient given institutional demand for bonds even though we have seen spreads being compressed significantly.

Table 1: Indicative Rates (%)

	30-Nov-25
MBB O/N*	1.00
MBB 1-Week*	1.10
MBB 1-Mth FD*	1.80
MBB 6-Mth FD*	2.05
MBB 1-Year FD*	2.05
1-mth BNM MN	2.82
3-mth BNM MN	2.85
3-mth KLIBOR	3.26
CP	
1-mth (P1)	3.84
3-mth (P1)	3.61

Source: Bloomberg/Bondstream

* Maybank2u.com.my

Table 2: Indicative Bond Yields (%)

	3yr	5yr	7yr	10yr	15yr
MGS	3.10	3.30	3.47	3.49	3.77
GII	3.14	3.29	3.41	3.56	3.76
Swap rate*	3.26	3.33	3.41	3.55	3.73
AAA	3.54	3.63	3.72	3.80	3.96
AA1	3.62	3.71	3.79	3.89	4.06
AA2	3.69	3.78	3.86	3.97	4.20
AA3	3.77	3.86	3.93	4.04	4.33
A1	4.56	4.83	5.05	5.36	5.84
A2	5.20	5.60	5.91	6.33	6.91
A3	5.84	6.36	6.74	7.26	7.98

Source: Bloomberg*/Bondstream

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