

# BOND MARKET

Global bond market volatility remained elevated since the beginning of 2022 due to aggressive monetary policy tightening by major central banks to fight inflationary pressures, sparking recession fears. In 2022, the Federal Reserve (Fed) has raised its Federal Funds Rate seven times (4.25% - 4.50% as at end December 2022) and the Fed is expected to continue raising the rate until the inflation condition has stabilised.

Domestically, Bank Negara Malaysia (BNM) at its Monetary Policy Committee meeting on 3 November 2022 reiterated that despite the current rising interest rate trend, the stance of monetary policy will be adjusted in a measured and gradual manner to ensure an accommodative monetary policy to support sustainable

economic growth. The Overnight Policy Rate (OPR) as at end 2022 was 2.75% and BNM has raised the OPR four times in 2022 (May: 1.75% to 2.00%, July: 2.00% to 2.25%, September: 2.25% to 2.50%, November: 2.50% to 2.75%).

Malaysian Government Securities (MGS) yields trended upwards in tandem with global interest rates increases led by the Fed and subsequent OPR rate hikes by BNM in 2022 (Chart 1). Amid the aggressive rate hikes, the J.P. Morgan Global Aggregate Bond Index also recorded a yearly decline of -15.81% as at December 2022 (Chart 2).

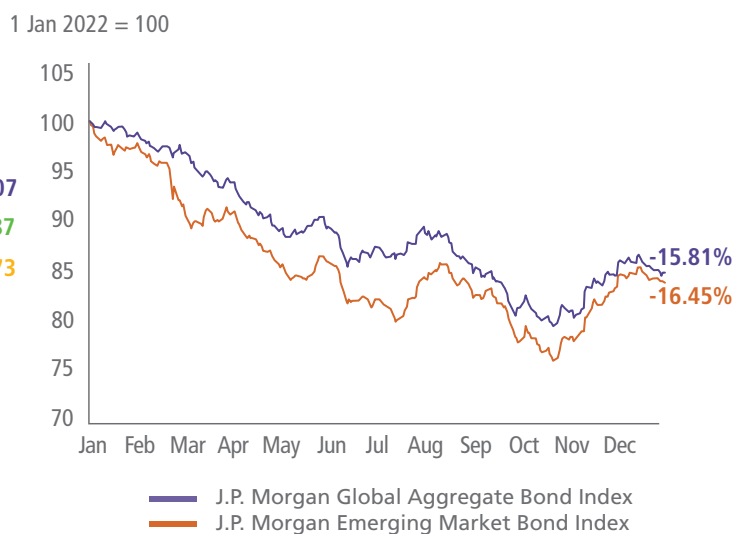
Corporate bonds and sukuk continued to be resilient. The default rate was low at 0.18% (2021: 0.17%).

**CHART 1**  
MGS yields



Source: Bond Pricing Agency Malaysia.

**CHART 2**  
Global and emerging markets bond indices



Source: Bloomberg.