

29 November 2023

## Global Economics & Market Strategy

### GII 7YR Reopening to Close off the November Rally

- ◆ Today is 7YR GII 9/30 reopening auction with a target size of MYR5bn. We think bids at 3.905% to 3.919% should be fair given the overnight US Treasury rally and this morning's average trading at around 3.907%, BTC should be decent at above 2x. We think demand should be robust given the supply of the MYR11.5bn GII maturity tomorrow and the positive sentiment from the November bond rally. The same GII 9/30 reopening in July saw healthy BTC of 2.3x with an average YTM of 79bps above OPR. Last traded YTM seen this morning is at 3.907%, 3bps lower compared to last traded yesterday at 3.94%. In November, MGS/GII is on track to record the second-best month performance this year with a MTD return of 1.68%, while UST has returned 3.39% MTD, on track to be the best performing month this year.
- ◆ US Treasury (UST) yields bull steepened as Fed Governor Waller said he is "increasingly confident that policy is currently well positioned to slow the economy and get inflation back to 2%". The 2YR yield decreased 15.3bps, while the 10YR yield fell 6.6bps.
- ◆ **Malaysia Bond Wrap: Malaysian Corporate Bonds Index** increased 0.02% with traded volume of MYR636mn, lower compared to MYR650mn the day before. The top traded bond was **DANAINFRA 4.94% 10/37** with MYR125mn traded. **Government Bond Index** fell 0.08% with traded volume of MYR2,753mn, higher compared to MYR1,579mn the day before. The top traded bond is **MGS 3.478% 6/24** with MYR717mn traded.
- ◆ **This week's key events – Wednesday:** Thailand policy decision **Thursday:** US weekly jobless claims and Oct PCE, China Nov PMI, Eurozone Nov CPI and Oct unemployment rate **Friday:** US Federal Reserve Powell speaks, Malaysia Nov PMI, China Nov Caixin PMI, Indonesia Nov CPI

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#### Fixed Income Return Snapshot

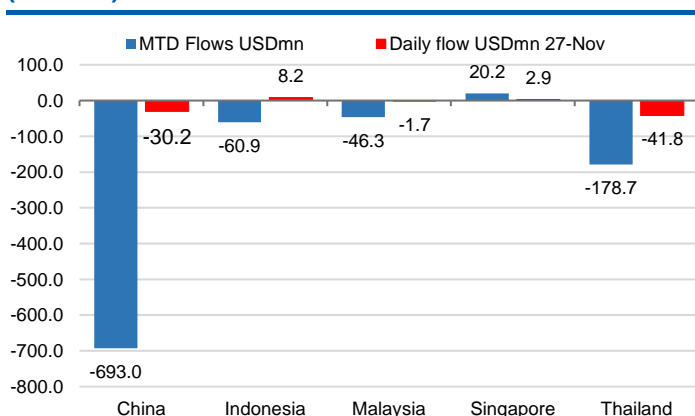
	1D Δ (%)	7D Δ (%)	1M Δ (%)
MGS 10YR	0.18	0.09	2.10
MYR Govt Bond	-0.08	-0.05	1.85
MYR Corp Bond	0.02	0.17	0.92
Global Bond	0.51	0.45	4.64
AxJ IG Bond	0.29	0.58	3.44

#### 10-Year Yields (%)

	28-Nov	1D Δ (bps)	7D Δ (bps)
China	2.690	-2.1	2.1
Indonesia	6.672	-3.3	3.6
Japan	0.751	-2.0	5.5
Malaysia	3.858	-1.5	0.8
Singapore	3.016	-3.9	8.3
Thailand	3.052	0.6	4.4
US	4.322	-6.6	-7.2
MYR AAA	4.369	0.0	0.0
MYR AA	4.549	0.0	0.0
MYR A	6.087	0.0	0.0

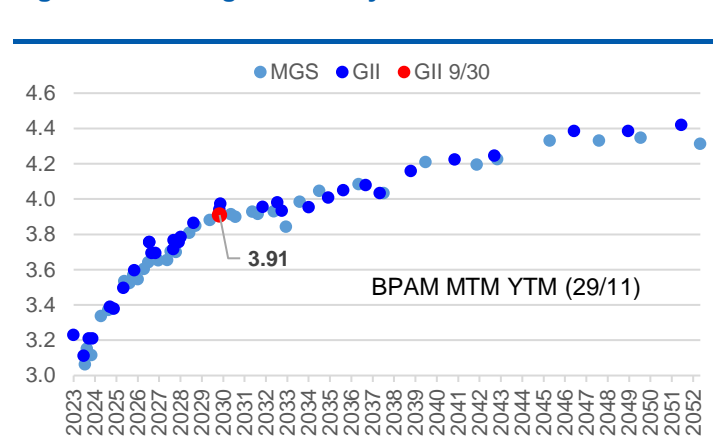
Source: Bloomberg, RHB Economics & Market Strategy.

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



Source: EPFR, RHB Economics & Market Strategy. Latest 27 Nov 23. The data tracks a universe of local and foreign fund managers.

Figure 2: Our target for today's 7YR GII is at 3.91% area



Source: BPAM, RHB Economics & Market Strategy.

See important disclosures at the end of this report

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## Corporate Bond Idea

- ◆ **MYR Bond:** (28/11/23) We maintain **Outperform on UEM Sunrise Bhd** (UEMS) (AA-) due to its attractive YTM and our stable view on the property sector. In addition, the recovery in the Johor property sector will bode well for the company although gearing could rise in the near-term to fund developments. UEMS is the property development arm of UEM Group Bhd that is 100% owned by Khazanah. MARC Ratings assign a one-notch rating uplift based on Khazanah's ownership and implicit parental support.

In 9M23, UEMS's net profit declined 19% YoY to MYR48mn, its net debt-to-equity ratio remains low at 0.45x, while CFO-to-interest coverage ratio is healthy at 1.5x. Its unsold inventory continued to decline to MYR135mn from MYR203mn at end 2022. Unbilled sales in 1H23 was at MYR2.66bn which would provide earnings visibility over the next two years. In mid-Aug 23, its existing projects has combined GDV of MYR4.6bn, while landbank is at 8,440 acres with 92% in Johor. Majority of its current and upcoming projects are in Johor and will benefit from the revival of Iskandar Puteri, Johor and the KL-Singapore HSR.

- ◆ **SGD Bond:** (23/11/23) We maintain **Outperform on Singtel Telecommunications Ltd** (A3) (Singtel) as we think the 7/31 is attractive with a MTM of 4.73%. Singtel is an integrated telecommunications service provider that is 52% owned by Temasek and has strong market positions in Singapore and Australia (Optus).

The group's 1HFY23 revenue fell 3.2% YoY to SGD7.03bn due to translation losses from its Australian operations and weaker Singapore operations, which fell 3.4% YoY. Balance sheet remains strong with low debt-to-equity ratio of 0.41x and high CFO-to-interest ratio of 18.0x. Singtel plans to reduce core cost by SGD200mn annually till FY26 by decreasing operational complexity, increase in digitalization & automation and decommission legacy system.

- ◆ The complete list of our bond coverage can be found [here](#).

## MGS/GII Idea

- ◆ We are readjusting higher our 2023 and 2024 targets to reflect our higher UST forecasts, as the yield differential with the UST will continue to pressure MYR rates. MGS/GII are exposed to rebalancing risk from non-resident (NR) holders given the high NR holdings which holds around a quarter of total outstanding bonds.
- ◆ **Read our 4Q fixed income outlook in our Pathfinder:** [4Q23 Global Asset Allocation: OW Cash, MW Equities and UW Fixed Income](#).

### MYR Yields vs RHB Year-end Forecast

	Last Yield %	Forecast		Yield Changes (bps)				
		2023F	Pickup	1D	1W	1M	3M	YTD
MGS 3YR	3.514	3.60	-9	-0.9	1.6	-17.1	5.8	-15.7
MGS 5YR	3.646	3.80	-15	0.4	2.7	-24.4	6.0	-20.9
MGS 7YR	3.888	3.95	-6	-1.8	3.7	-23.0	14.5	-11.3
MGS 10YR	3.858	4.10	-24	-1.5	0.8	-27.7	1.9	-22.9
MGS 15YR	4.048	4.25	-20	-0.3	2.4	-23.0	0.9	-21.2
MGS 20YR	4.209	4.35	-14	-0.5	1.5	-26.6	5.2	-18.7
MGS 30YR	4.331	4.50	-17	0.2	1.4	-24.2	5.8	-27.5
AAA 3YR	3.989	3.90	9	0.0	0.0	-8.7	4.5	-31.4
AAA 10YR	4.369	4.40	-3	0.0	0.0	-8.7	8.9	-42.2
AAA 15YR	4.514	4.55	-4	0.0	0.0	-9.4	6.8	-51.3
AA 3YR	4.163	4.10	6	0.0	0.0	-7.8	2.1	-36.9
AA 10YR	4.549	4.60	-5	0.0	0.0	-9.5	1.0	-55.7
AA 15YR	4.761	4.75	1	0.0	0.0	-8.8	-0.9	-58.9
A 3YR	5.293	5.05	24	0.0	0.0	-4.9	1.8	-15.1
A 10YR	6.087	6.26	-17	0.0	0.0	-9.2	0.8	-6.8
A 15YR	6.559	6.78	-22	0.0	0.0	-7.7	3.8	-3.6

Source: BNM, Bloomberg, RHB Economics & Market Strategy

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## Daily Top 10 Trade (Previous Trading Day)

## Government Bonds

Name	Traded Amount (MYR 'm)	Last Traded Yield	Previous Traded Yield	Δ Bps
MGS 3/2019 3.478% 14.06.2024	717	3.080	3.1	-2
GII MURABAHAH 3/2016 4.070% 30.09.2026	348	3.597	3.61	-1
MGS 3/2018 4.642% 07.11.2033	210	3.843	3.866	-2
MGS 3/2010 4.498% 15.04.2030	183	3.881	3.899	-2
MGS 1/2015 3.955% 15.09.2025	162	3.430	3.385	5
MGS 1/2018 3.882% 14.03.2025	133	3.335	3.376	-4
GII MURABAHAH 2/2022 5.357% 15.05.2052	120	4.420	4.433	-1
GII MURABAHAH 3/2015 4.245% 30.09.2030	97	3.940	3.991	-5
MGS 1/2023 4.457% 31.03.2053	91	4.321	4.351	-3
MGS 3/2011 4.392% 15.04.2026	53	3.520	3.441	8

## Quasi-Government Bonds

Name	Traded Amount (MYR 'm)	Last Traded Yield	Previous Traded Yield	Δ Bps
DANAINFRA IMTN 4.940% 20.10.2037	125	4.149	4.149	0
DANAINFRA IMTN 4.850% 03.05.2041 - Tranche No 47	60	4.274	4.469	-20
DANAINFRA IMTN 5.290% 22.07.2044 - Tranche No 25	40	4.379	4.388	-1
PLUS BERHAD IMTN 4.729% 12.01.2033 -Sukuk PLUS T24	30	4.179	4.352	-17
DANAINFRA IMTN 4.320% 26.11.2025 - Tranche No 80	20	3.496	3.596	-10
PLUS BERHAD IMTN 4.773% 12.01.2034 -Sukuk PLUS T25	20	4.237	4.238	0
PLUS BERHAD IMTN 5.750% 12.01.2037 -Sukuk PLUS T15	20	4.420	4.439	-2
DANAINFRA IMTN 4.790% 06.04.2035 - Tranche No 34	10	4.089	4.050	4
LPPSA IMTN 4.460% 25.03.2036 - Tranche No 49	10	4.099	4.090	1
PRASARANA IMTN 4.620% 08.03.2028 - Series 5	10	3.748	3.777	-3

## Corporate Bonds

Name	Traded Amount (MYR 'm)	Last Traded Yield	Previous Traded Yield	Δ Bps
CIMB MTN 366D 12.6.2024 - Issue No 10	70	3.811	3.837	-3
AMAN IMTN 4.780% 30.05.2024 - Tranche No 34	20	3.599	3.600	0
NORTHPORT IMTN 5.780% 19.12.2024	20	3.916	3.925	-1
TENAGA IMTN 3.550% 10.08.2040	20	4.439	4.328	11
AIR SELANGOR IMTN T5S1 SRI SUKUK KAS 19.04.2033	10	4.188	4.329	-14
ALR IMTN TRANCHE 9 13.10.2032	10	4.299	4.298	0
GENM CAPITAL MTN 5479D 11.7.2033	10	5.443	5.388	5
GENTING RMTN MTN 1826D 25.3.2027 - Tranche 3	10	4.838	4.835	0
GLACIER ABSMTN 1094D 22.3.2024 (SN Tranche 3)	10	4.306	3.657	65
GLACIER ABSMTN 1461D 24.3.2025 (SN Tranche 4)	10	4.471	4.952	-48

Source: BPAM, RHB Economic &amp; Market Strategy

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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 defined reference (i.e. AA3 peers or a corporate bond index)
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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