

14 January 2025

## Global Economics & Market Strategy

### New 15.5YR GII Auction

- ◆ **Today is the closing for the new 15YR GII benchmark 7/40, we expect the average YTM to land at sub 4% levels.** While the high and low could range between 3.97% to 4.01%. MYR3.0bn is up for bidding while MYR1.0bn is set for private placement. The first 15YR auction since two months ago should test market's appetite for duration, especially the higher allocation of longer duration auctions scheduled this year and amidst the current global bond volatility. Still, we expect domestic liquidity to be supportive of demand in view of a smaller MGS/GII supply this year. The five 15YR government auctions in 2024 saw strong average bid-to-cover (BTC) of 2.79, as such, we expect BTC to range between 2.5 to 3.0. Our YTM target is between 3.97% to 4.01%.
- ◆ **Malaysia:** Total government securities volume traded was MYR4,524mn with the top traded stock **MGS 3.502% 5/27** with MYR826mn traded. The implied 10YR MGS yield movement today is +0.14bps, given the trailing 30-day beta of 0.07\* against UST 10YR (+2.0bps). Bid-ask spreads were higher on the 7YR (Figure 3). The 30 day 10YR MGS/UST correlation rose marginally to 0.78. Corporate Bonds volume traded was MYR644mn, with the top traded stock **Danainfra 4.36% 2/51** with a volume of MYR60mn. \*Every 1 bps move in 10YR UST yield implies a 0.07bps yield move in 10YR MGS.
- ◆ **US Treasuries (UST): Treasury saw moderate selloff on Monday as oil surged amidst heavy corporate issuance.** Further Russian sanction by US led to higher oil prices while USD12bn investment grade corporates were priced. The 2YR/10YR/20YR yields moved by +0.0bps/+2.0bps/+2.1bps, respectively.
- ◆ **Key Events - Tuesday:** US Dec purchaser price index | **Wednesday:** Bank Indonesia policy rate, UK Dec CPI, US Dec CPI | **Thursday:** US jobless claims | **Friday:** Malaysia 4QA GDP, Singapore Dec non-oil exports, US 4Q GDP

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### Fixed Income Return Snapshot

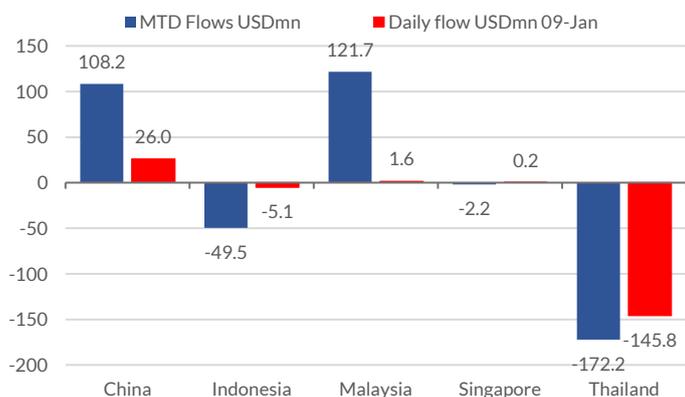
	1D Δ (%)	7D Δ (%)	1M Δ (%)
MGS 10YR	-0.16	-0.07	-0.20
MYR Govt Bond	-0.06	-0.03	0.22
US Treasuries	-0.07	-0.77	-1.52
Global Bond	-0.28	-1.41	-2.74
AxJ IG Bond	-0.12	-0.52	-1.28

### 2YR and 10YR Yields (%)

	13-Jan	1D bps Δ	7D bps Δ
China 2YR	1.238	3.9	21.8
China 10YR	1.644	0.1	5.1
Indonesia 2YR	6.985	1.1	4.8
Indonesia 10YR	7.249	8.7	21.0
Japan 2YR	0.643	0.0	2.1
Japan 10YR	1.194	0.0	7.3
Malaysia 3YR	3.477	2.6	1.2
Malaysia 10YR	3.840	1.7	1.6
Singapore 2YR	2.931	4.8	10.5
Singapore 10YR	3.081	6.8	9.9
Thailand 2YR	1.988	2.0	-2.1
Thailand 10YR	2.376	4.8	4.8
US 2YR	4.381	0.0	10.4
US 10YR	4.780	2.0	14.9
MYR AAA 10YR	4.065	0.0	0.0
MYR AA 10YR	4.228	0.0	0.0
MYR A 10YR	5.486	0.0	0.0

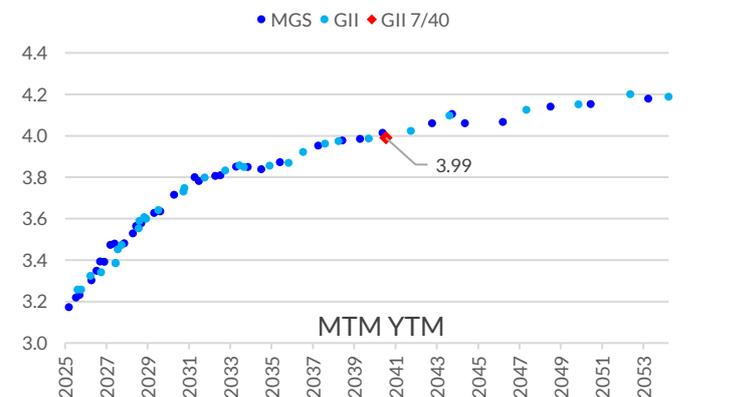
Source: Bloomberg, RHB Economics & Market Strategy.

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



Source: EPFR, RHB Economics & Market Strategy.  
Data aggregated from a universe of local and foreign fund managers.

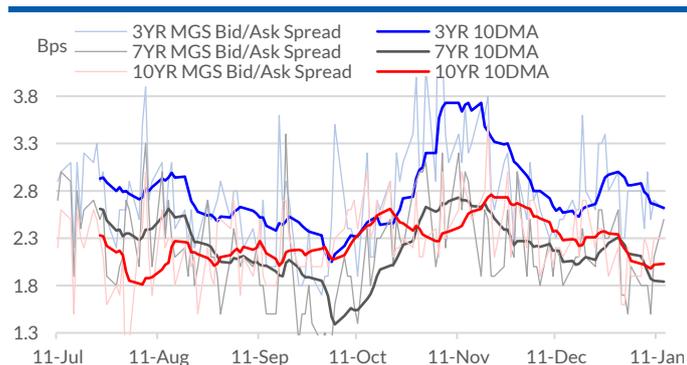
Figure 2: Target for GII 7/40



Source: BPAM, Bloomberg, RHB Economics & Market Strategy.

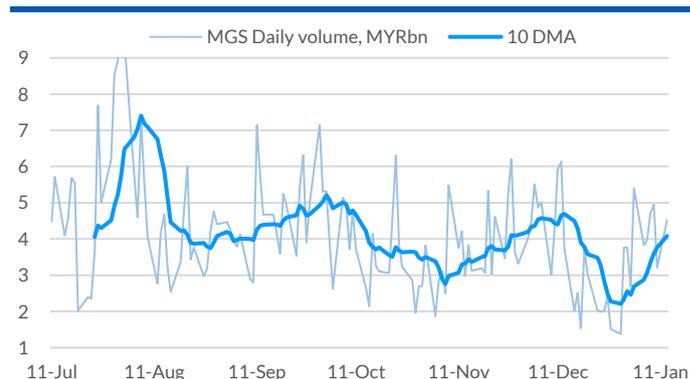
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Figure 3: Bid-ask spreads of key benchmarks



Source: Bloomberg, RHB Economics & Market Strategy.

Figure 4: Daily MGS/GII Volume



Source: Bloomberg, RHB Economics & Market Strategy.

## Trading Ideas

- ◆ **Treasuries: (20/12/24)** We think Treasuries are attractive at levels above 4.50%, the low liquidity season has likely exacerbated the recent hawkish macro news flows. Our house view remains that the Federal Reserve would resume rate reductions in 2Q 2025, as such, USTs could see yields remain elevated in 1Q 2025.
- ◆ **MYR Bond (31/10/24)** Weak supply outlook drove palm oil futures to a two-year high. Our outperform recommendation: **IOI Investment Ltd (USD, Baa2)**, **SD Guthrie Bhd (AA)**, **Golden Assets (GAR) (AA3)** and **FGV Holdings Bhd (AA-)** ([Read here](#)).
- ◆ **MYR Bond: (3/10/24)** We are Outperform on **MEX I Capital Bhd (MEX Capital) (A1)** given its strong traffic dynamics, potential upgrade and attractive yields ([Read here](#)).
- ◆ **MYR Bond: (26/9/24)** Outperform on **STM Lottery Sdn Bhd (STM, AA-)** given its attractive pickup and entrenched domestic gaming position ([Read here](#)).
- ◆ Read the complete list of our bond coverage [here](#).

## MGS/GII

- ◆ Our expectations of an unchanged OPR of 3.00% in 2025 with the Fed Funds Rate normalisation to continue in 2Q25 means the 10YR MGS should trade at a slightly lower bound above the OPR versus recent averages at around 3.70% to 3.80% in 2025.
- ◆ Read our 2025 report here: [Global Outlook 2025: Maintaining Our Goldilocks Outlook](#)

MYR Yields vs RHB Year-end Forecast

	Last Yield %	Forecast		Yield Changes (bps)				
		2025F	Pickup (bps)	1D	1W	1M	3M	YTD
MGS 3YR	3.477	3.30	18	2.6	1.2	1.1	5.3	-0.4
MGS 5YR	3.637	3.50	14	2.3	2.1	1.2	7.8	1.3
MGS 7YR	3.804	3.60	20	1.5	2.3	3.2	5.1	4.3
MGS 10YR	3.840	3.75	9	1.7	1.6	2.9	4.2	3.0
MGS 15YR	3.971	3.90	7	2.5	1.5	2.7	3.4	0.2
MGS 20YR	4.057	4.05	1	0.8	0.4	0.5	-2.0	-0.7
MGS 30YR	4.181	4.15	3	0.2	0.2	0.2	-2.0	-0.2
AAA 3YR	3.831	3.60	23	0.0	0.0	1.0	5.8	0.1
AAA 10YR	4.065	4.07	0	0.0	0.0	-1.5	6.4	0.0
AAA 15YR	4.163	4.20	-4	0.0	0.0	-0.5	5.5	-0.4
AA 3YR	4.011	3.90	11	0.0	0.0	0.8	9.5	-0.3
AA 10YR	4.228	4.40	-17	0.0	0.0	-2.0	4.2	-1.1
AA 15YR	4.351	4.60	-25	0.0	0.0	-1.1	4.1	-1.0
A 3YR	4.822	4.90	-8	0.0	0.0	-5.2	-10.0	-3.5
A 10YR	5.486	5.60	-11	0.0	0.0	-9.7	-30.5	-7.3
A 15YR	5.802	6.00	-20	0.0	0.0	-11.4	-33.8	-7.7

Source: Bloomberg, RHB Economic & Market Research. Constant maturity.

See important disclosures at the end of this report

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## Daily Top 10 Trade

## Government

Name	Traded Amount (MYRmn)	Last Traded Yield	Previous Traded Yield	Δ Bps
MGS 3/2007 3.502% 31.05.2027	826	3.482	3.448	3
MGS 1/2022 3.582% 15.07.2032	420	3.806	3.787	2
MGS 1/2024 4.054% 18.04.2039	379	3.972	3.948	2
MGS 2/2020 2.632% 15.04.2031	234	3.796	3.772	2
MGS 1/2015 3.955% 15.09.2025	231	3.241	3.214	3
GII MURABAHAH 2/2019 4.467% 15.09.2039	230	3.974	3.951	2
GII MURABAHAH 1/2024 4.280% 23.03.2054	222	4.190	4.182	1
MGS 2/2019 3.885% 15.08.2029	213	3.634	3.610	2
MGS 2/2023 3.519% 20.04.2028	205	3.528	3.515	1
GII MURABAHAH 1/2019 4.130% 09.07.2029	190	3.640	3.621	2

## Quasi-Govt

Name	Traded Amount (MYRmn)	Last Traded Yield	Previous Traded Yield	Δ Bps
DANAINFRA IMTN 4.360% 24.02.2051 - Tranche 20	60	4.189	4.190	0
LPPSA IMTN 4.280% 25.08.2034 - Tranche No 68	30	3.895	3.941	-5
DANAINFRA IMTN 3.350% 21.09.2035 - Tranche No 104	20	3.919	3.954	-4
DANAINFRA IMTN 4.320% 18.03.2037 - Tranche 25	20	3.949	3.959	-1
PTPTN IMTN 4.930% 17.08.2032	20	3.907	3.958	-5
DANAINFRA IMTN 4.270% 21.10.2054 - Tranche No 151	10	4.239	4.255	-2
DANAINFRA IMTN 4.300% 08.06.2043	10	4.089	4.102	-1
LPPSA IMTN 4.580% 01.09.2051 - Tranche No 61	10	4.200	4.210	-1
PASB IMTN 4.070% 03.06.2039 - Issue No. 42	10	3.999	3.989	1
PASB IMTN 4.070% 07.02.2031 - Issue No. 47	10	3.877	3.883	-1

## Corporate

Name	Traded Amount (MYRmn)	Last Traded Yield	Previous Traded Yield	Δ Bps
AIR SELANGOR IMTN T2 S3 SRI SUKUK KAS 29.10.2036	40	4.039	4.009	3
PONSB IMTN 5.310% 29.06.2029 - Series 2 Tranche 2	30	3.967	3.969	0
S P SETIA IMTN 4.800% 21.04.2032	30	4.090	3.998	9
YTL POWER IMTN 5.050% 03.05.2027	30	3.815	3.828	-1
AMBANK MTN 2556D 19.6.2031	28	4.041	4.108	-7
AIR SELANGOR IMTN T7S1 SRI 3.85% 18.08.2034	20	3.972	3.996	-2
GAMUDA IMTN 4.400% 20.06.2033	20	4.108	4.128	-2
HLINV Green Sub-Notes 4.11% 13.06.2034 (Tranche 3)	20	4.079	-	-
IMTIAZ II IMTN 4.770% 11.05.2029	20	3.881	3.881	0
IMTIAZ II IMTN11 4.150% 02.10.2028	20	3.848	3.847	0

Source: BPAM, RHB Economic &amp; 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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