

06 December 2023

Global Economics & Market Strategy

UST Rallies on Lower Jobs Opening, China Outlook Downgraded

- ◆ Bonds rallied as the JOLTS report showed US Oct job openings falling 617k to 8.733mn, from a prior month of 9.35mn. Although the print came in below all analyst expectations, it was likely distorted by the ongoing UAW strike which ended on 30 Oct. Moreover, the US labour market remains tight as the number of job openings still exceed the number of unemployed persons. Two more jobs reports will be in the driving seat for markets this week. Today's Nov ADP employment change report will be watched and economists are expecting an increase of 130k versus 113k in the previous month. We think markets are expecting a short-term pullback given the massive rally recently and will likely jump on opportunities to take profit.
- ◆ China's credit rating outlook is lowered by Moody's as the property sector correction will increase the downside risk to fiscal, economic and institutional strength due to the financial support rendered to financially stressed regional and local governments (RLG) and state-owned entities (SOE) as they face structural loss of land sales revenue from a deflating property sector. The central government has been focusing on supporting RLGs and SOEs to help absorb distressed real estate projects to ensure completion rather than bailing out private developers.
- ◆ US Treasuries (UST) yields fell as the weak JOLTS report fuelled bets of a Fed pivot and rates cuts in 2024. The 2YR-10YR-30YR yields fell by 5.8bps, 8.9bps and 11.2bps respectively.
- ◆ **Malaysia Bond Wrap:** Malaysian Corporate Bonds Index decreased 0.09% with traded volume of MYR968mn, lower compared to MYR1,182mn the day before. The top traded bond was **CAGAMAS 3.67% 12/24** with MYR200mn traded. **Government Bond Index** rose 0.17% with traded volume of MYR4,597mn, higher compared to MYR3,216mn the day before. The top traded bond is **MGS 4.642% 11/33** with MYR755mn traded.
- ◆ **This week's key events – Wednesday:** ADP Nov employment change **Thursday:** Malaysia 30 Nov foreign reserves, China Nov trade, Thailand Nov CPI | **Friday:** US Nov nonfarm payrolls and hourly earnings, and Dec consumer sentiment | **Saturday:** China Nov CPI

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Fixed Income Return Snapshot

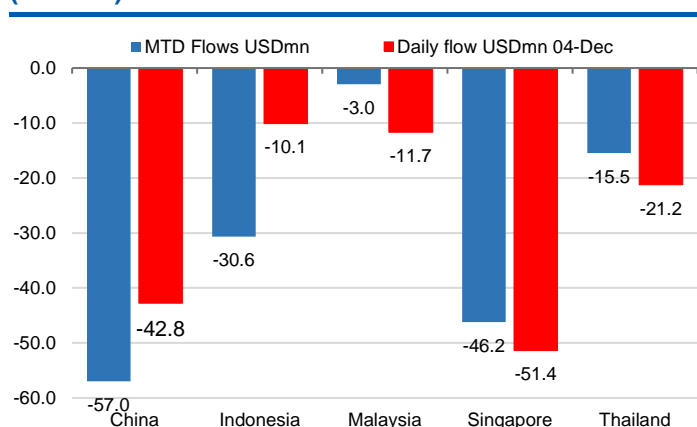
	1D Δ (%)	7D Δ (%)	1M Δ (%)
MGS 10YR	0.34	0.51	1.46
MYR Govt Bond	0.17	0.46	1.44
MYR Corp Bond	-0.09	0.23	0.88
Global Bond	0.43	0.84	3.52
AxJ IG Bond	0.40	1.09	3.22

10-Year Yields (%)

	5-Dec	1D Δ (bps)	7D Δ (bps)
China	2.665	-0.7	-2.5
Indonesia	6.574	0.4	-9.8
Japan	0.665	-2.5	-8.6
Malaysia	3.784	-2.9	-7.4
Singapore	2.922	-2.9	-9.4
Thailand	2.958	0.0	-9.4
US	4.166	-8.9	-15.6
MYR AAA	4.331	0.0	-3.8
MYR AA	4.527	0.0	-2.2
MYR A	6.032	0.0	-5.5

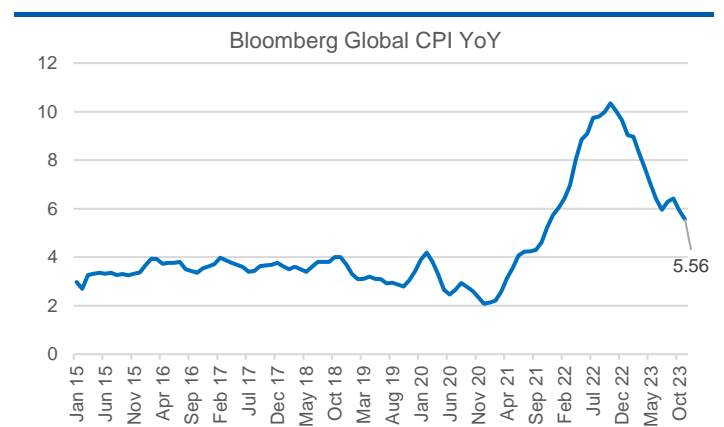
Source: Bloomberg, RHB Economics & Market Strategy.

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



Source: EPFR, RHB Economics & Market Strategy. Latest 4 Dec 23. The data tracks a universe of local and foreign fund managers.

Figure 2: Global inflation is falling, but still above trend...



Source: Bloomberg, RHB Economics & Market Strategy.

See important disclosures at the end of this report

Market Dateline / PP 19489/05/2019 (035080)

06 December 2023

Corporate Bond Idea

- ◆ **SGD Bond:** (5/12/23) We remain **Market Perform on Housing & Development Board (AAA) (HDB)** given the close spreads over SGS. HDB the Singapore government's arm that mainly deals with primary public housing and related social policy. HDB has high likelihood of support from the government due to its strong link with the government and its special status as a key statutory board under the Fifth Schedule of the Constitution of Republic of Singapore and incorporation under the Housing development Act 1959 which does not allow it enter bankruptcy.

In FY23, its deficit rose to SGD5.36bn (57.4% of revenue) from SGD4.34bn (55.4% of revenue) in FY22 as constructions costs rose, while construction activities increased follow the slowdown during the pandemic. However, the government provided grants to preserve HDB's capital and deficits. HDB's total debt stood at SGD65.73 (FY22 SGD65.65bn), while 57% of its debts are owed to the government.

- ◆ **THB Bond:** (30/11/23) We maintain Outperform on **Thai Beverage PCL (THBEV) (Baa3)** as its yields are attractive in comparison with its BBB- peers. THBEV produces a wide range of branded beer and spirits in Thailand and Vietnam. The Company has 27 distilleries, 20 manufacturing facilities and three local breweries.

Its FY23 net profit fell mainly due to higher investment and marketing cost. Revenue of the spirits, non-alcoholic beverages and food divisions grew 3%, 12% and 16% YoY, respectively, while its beer business fell 1% YoY due to lower sales volume. Its EBITDA margin decreased to 17.3% from 18.2% in FY mainly due to lower margin in beer and food. Meanwhile, its spirits maintained a stable EBITDA margin of around 25% since 2020 and make up 80% of its net profit. THBEV credit metrics remains stable with debt-to-equity ratio at 0.87x, while CFO-to-interest ratio remains high at 4.4x.

- ◆ 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	3.464	3.60	-14	-0.1	-5.0	-14.8	-1.5	-20.7
MGS 5YR	3.614	3.80	-19	-0.2	-3.2	-17.2	0.6	-24.1
MGS 7YR	3.798	3.95	-15	-0.8	-9.0	-16.7	5.0	-20.3
MGS 10YR	3.784	4.10	-32	-2.9	-7.4	-18.7	-6.4	-30.3
MGS 15YR	3.993	4.25	-26	-1.3	-5.5	-14.8	-5.7	-26.7
MGS 20YR	4.149	4.35	-20	-2.2	-6.0	-14.1	-0.8	-24.7
MGS 30YR	4.271	4.50	-23	-2.0	-6.0	-16.0	0.4	-33.5
AAA 3YR	3.950	3.90	5	0.0	-3.9	-12.1	0.6	-35.3
AAA 10YR	4.331	4.40	-7	0.0	-3.8	-15.8	5.1	-46.0
AAA 15YR	4.486	4.55	-6	0.0	-2.8	-13.9	4.0	-54.1
AA 3YR	4.129	4.10	3	0.0	-3.4	-12.3	-1.3	-40.3
AA 10YR	4.527	4.60	-7	0.0	-2.2	-15.8	-1.2	-57.9
AA 15YR	4.726	4.75	-2	0.0	-3.5	-14.2	-4.4	-62.4
A 3YR	5.274	5.05	22	0.0	-1.9	-9.3	-0.1	-17.0
A 10YR	6.032	6.26	-23	0.0	-5.5	-14.1	-4.7	-12.3
A 15YR	6.518	6.78	-26	0.0	-4.1	-11.0	-0.3	-7.7

Source: BNM, Bloomberg, RHB Economics & Market Strategy

06 December 2023

Daily Top 10 Trade (Previous Trading Day)

Government Bonds

Name	Traded Amount (MYR 'm)	Last Traded Yield	Previous Traded Yield	Δ Bps
MGS 3/2018 4.642% 07.11.2033	755	3.778	3.821	-4
GII MURABAH 1/2022 4.193% 07.10.2032	291	3.858	3.879	-2
GII MURABAH 1/2023 3.599% 31.07.2028	289	3.640	3.669	-3
GII MURABAH 5/2013 4.582% 30.08.2033	250	3.831	3.867	-4
MGS 2/2019 3.885% 15.08.2029	234	3.748	3.771	-2
MGS 3/2010 4.498% 15.04.2030	225	3.778	3.792	-1
GII MURABAH 3/2016 4.070% 30.09.2026	224	3.556	3.546	1
MGS 5/2013 3.733% 15.06.2028	192	3.636	3.636	0
MGS 1/2015 3.955% 15.09.2025	179	3.396	3.378	2
MGS 4/2011 4.232% 30.06.2031	170	3.849	3.878	-3

Quasi-Government Bonds

Name	Traded Amount (MYR 'm)	Last Traded Yield	Previous Traded Yield	Δ Bps
CAGAMAS MTN 3.670% 09.12.2024	200	3.670	-	-
PASB IMTN (GG) 4.27% 06.06.2024 - Issue No. 30	40	3.309	3.447	-14
PASB IMTN 4.630% 03.02.2033 - Issue No. 44	40	4.299	4.399	-10
DANAINFRA IMTN 4.930% 24.07.2034 - Tranche No 23	30	4.000	4.021	-2
DANAINFRA IMTN 5.060% 12.02.2049 - TRANCHE 10	20	4.389	4.308	8
DANAINFRA IMTN 5.290% 22.07.2044 - Tranche No 25	20	4.344	4.379	-3
PASB IMTN 3.070% 04.02.2028 - Issue No. 28	10	4.007	3.989	2
PASB IMTN 4.220% 25.02.2032 - Issue No. 38	10	4.202	4.459	-26
CAGAMAS IMTN 3.310% 31.01.2025	5	3.675	3.810	-14
PASB IMTN (GG) 4.340% 7.2.2029 - Issue No. 37	5	3.859	3.919	-6

Corporate Bonds

Name	Traded Amount (MYR 'm)	Last Traded Yield	Previous Traded Yield	Δ Bps
YTL CORP MTN 1827D 10.4.2028	140	4.267	-	-
YTL POWER IMTN 4.880% 22.03.2030	40	4.198	4.378	-18
JOHORCORP IMTN 4.450% 05.07.2030	30	4.068	4.369	-30
TNBPGSB IMTN 4.840% 27.03.2043	30	4.430	4.470	-4
YTL CORP MTN 3651D 02.9.2033	30	4.450	-	-
S P SETIA IMTN 4.560% 21.06.2030	22	4.338	4.340	0
ALR IMTN TRANCHE 8 13.10.2031	20	4.239	4.449	-21
TANJUNG BP IMTN 5.010% 16.08.2024	20	3.890	3.944	-5
TBE IMTN 5.550% 15.09.2025 (Tranche 9)	20	5.009	5.599	-59
TBE IMTN 5.900% 16.03.2029 (Tranche 16)	20	5.339	5.890	-55

Source: BPAM, RHB Economic & Market Strategy

06 December 2023

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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