

05 July 2024

Global Economics & Market Strategy

Keep Underweight on TGBs

- ◆ The recent passage of Thailand's new deficit plan affirms our underweight view on TGBs, as the larger spending supports our economist's view of upside risks to growth and inflation. Underlying our call is our expectations for: 1) Inflation pressures likely to rise, 2) Upbeat outlook on the economy as consumption recovery continues, and 3) rate cuts are not prudent move given elevated inflation outlook ([Thailand: Policy Rate to Stay Unchanged in 2024](#)), 4) the wide yield differential means foreign bond inflows in the medium-term will be sluggish or negative. The second revision of the government debt plan approved on Tuesday will see debt rising by THB275.9bn to THB1.03tn for its fiscal 2024, the higher headroom is to account for its digital wallet stimulus program, which will hand out THB10,000 to roughly 50mn eligible citizens. This move, as our economists estimates, will push consumption and potential inflation higher. Our call to take profit on the TGB rally earlier this year ([TGBs: Tactical Trim on Rally](#)) has materialized well with the Thailand government bond index returning -1.3% in 2Q24 in local currency terms.
- ◆ **US Treasuries (UST):** US markets closed for fourth of July holiday. Watch out for a potentially volatile Treasury market on Friday given 1) the important non-farm payrolls, 2) likelihood of thinned liquidity due to the Thursday holiday, 3) US election candidacy turning increasingly fluid.
- ◆ **Malaysia Bond: Government Bond Index** returned +0.04% as the weak US data buoyed market sentiment. Total traded volume was MYR4,155mn, with the top traded stock **MGS 3.502% 5/27** with MYR678mn traded. **Corporate Bonds** total volume traded was MYR358mn with the top traded stock **PLUS 4.03% 1/31** with a volume of MYR70mn.
- ◆ **Key Events - Friday:** Thailand Jun CPI, US Jun non-farm payrolls and unemployment rate

Global Economics & Market Strategy

Chris Tan Chee Hong

+603 92808864

tan.chee.hong@rhbgroup.com

RHB FIC Strategy

+603 92808858

rhbficstrategy@rhbgroup.com

Fixed Income Return Snapshot

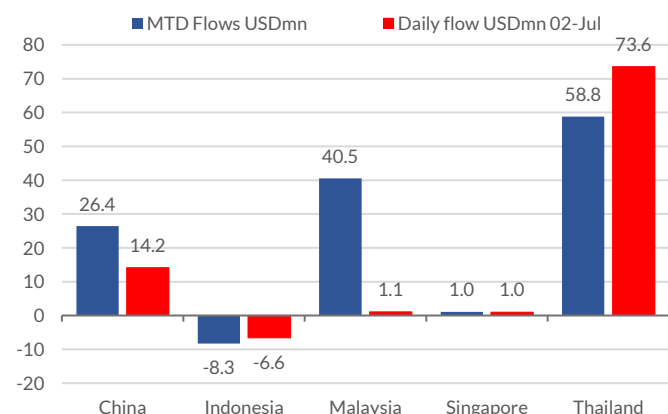
	1D Δ (%)	7D Δ (%)	1M Δ (%)
MGS 10YR	0.07	0.06	0.14
MYR Govt Bond	0.06	0.09	0.44
US Treasuries	0.49	-0.06	0.70
Global Bond	-0.01	0.11	-0.46
AxJ IG Bond	0.00	-0.04	0.24

10-Year Yields (%)

	4-Jul	1D bps Δ	7D bps Δ
China	2.250	0.8	4.2
Indonesia	7.067	-2.5	-2.5
Japan	1.076	-1.8	0.6
Malaysia	3.865	-1.0	-0.2
Singapore	3.245	-2.6	-1.1
Thailand	2.734	-0.1	-0.1
US	4.360	-7.3	3.0
MYR AAA	4.081	0.0	0.1
MYR AA	4.248	0.0	-1.4
MYR A	5.645	0.0	-3.8

Source: Bloomberg, RHB Economics & Market Strategy. Last trading day.

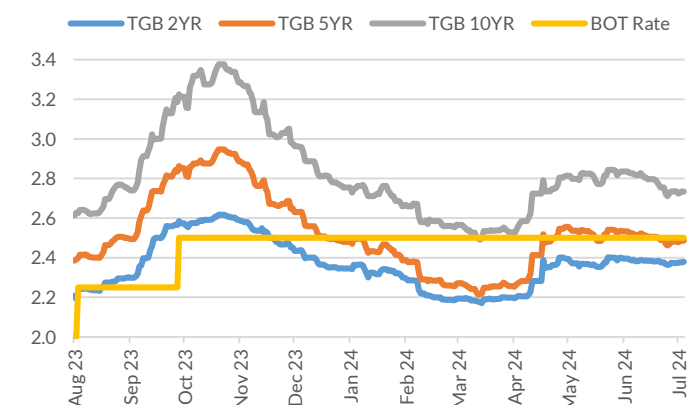
Figure 1: Regional MTD/Daily Fund Flows (USDmn)



Source: EPFR, RHB Economics & Market Strategy.

Data aggregated from a universe of local and foreign fund managers.

Figure 2: Upside yields pressure expected on TGBs in 3Q24



Source: Bloomberg, RHB Economics & Market Strategy.

05 July 2024

Corporate Bond

- ◆ **MYR Bond: (2/7/24) We keep Market Perform on Bumitama Agri Limited (AA2) given the favorable credit outlook and fair valuation.** In FY23, revenue declined 2% to IDR15.44tn primarily due to record-high commodity prices in FY22, the decline in prices is balanced by higher CPO volume, which climbed 13% YoY. With that, net income fell 13% YoY to IDR2.449tn. The company sees enduring structural change in demand and supply dynamics which have supported palm oil price fundamentals. With the sustained financial performance together with disciplined Capex, credit metrics was sustained at a healthy level with D/E improving further to 0.17x from 0.23x in FY22. Market momentum has shifted its MTM value of its 7/26 to 3.829% from 4.157% a year ago. We keep our Market Perform recommendation given the favorable credit outlook and as its 7/26 is trading at a fair valuation near the AA2 benchmark.
- ◆ **MYR Bond: (20/6/24) We see value in Cagamas (AAA) '25 to '26 given the elevated spreads over MGS/GII MTM values (figure 2).** Notwithstanding the higher supply of Cagamas in the front end, '25 to '26 appears to offer more value relative to the risk free MGS/GIIs. We rule out liquidity premium as the reason for the higher spread given that the part of the curve is actively traded, but rather the ample supply given the concentrated issuance at that part of the curve. We think the c. 25bps to 30bps pickup over MGS/GII for Cagamas '25 to '26 is attractive for a AAA name.
- ◆ **MYR Bond: (19/6/24) Insurance issuance picked up in the last 6 months.** The outstanding bond/sukuk for the insurance sector is relatively small at MYR2.64bn, nevertheless the sector has seen active issuance in the past six months with three issuances, 1) Great Eastern Capital (M) Sdn Bhd (GEC, NR, Senior) issuing MYR75mn on 25 April, 2) MNRB Holdings Bhd (MNRB, A1, Subordinated) issuing MYR420mn on 22 March and 3) Prudential BSN Takaful Bhd (PBSN, NR, Subordinated) issuing MYR100mn on 29 Dec 23. The GEC issued on 25 April was priced at 4.58%, 80bps above 5YR MGS while the MNRB was issued at coupon of 4.46% in 22 March. No secondary trades were seen for the recent non-rated papers (GEC and PBSN), but MNRB 3/29's has seen good secondary trading and demand and has been repriced to 4.147% post issuance, indicating good demand for quality insurance names.
- ◆ **MYR Bond: (14/6/24) We see value in additional tier-1 (AT1) bank bonds for AAA rated banks.** Given the healthy capital levels in the Malaysian banking system together with our constructive medium-term economic growth outlook, we see decent pickup in these contingent convertible bonds (Figure 2). AAA rated banks with outstanding AT1 issuance are CIMB, Hong Leong and Maybank. AT1s issuance are relatively scarce given that only seven commercial banks have outstanding issuances.
- ◆ The complete list of our bond coverage is [here](#).

MGS/GII

- ◆ Our expectations of an unchanged OPR of 3.00% in 2024 with a sticky US inflation means the 10YR MGS should trade at a slightly higher bound above the recent averages at around 3.75% to 3.90% this year.
- ◆ Read our 2024 2Q Outlook here: [RHB Global Risk Sentiment Index - We Remain Optimistic on Global Growth](#).

MYR Yields vs RHB Year-end Forecast

	Last Yield %	Forecast		Yield Changes (bps)				
		2024F	Pickup	1D	1W	1M	3M	YTD
MGS 3YR	3.522	3.30	22	-1.2	-1.1	-4.8	2.3	5.0
MGS 5YR	3.655	3.50	16	-1.5	0.7	-1.9	-1.7	2.9
MGS 7YR	3.801	3.60	20	-0.6	0.3	-3.0	0.2	-2.6
MGS 10YR	3.865	3.80	7	-1.0	-0.2	-1.2	-0.3	4.1
MGS 15YR	3.986	3.90	9	-2.8	-2.8	-3.1	0.5	-3.8
MGS 20YR	4.122	4.05	7	-0.7	-0.8	-0.1	3.4	-6.6
MGS 30YR	4.228	4.13	10	-0.2	0.5	1.9	3.7	-7.5
AAA 3YR	3.839	3.60	24	0.0	0.2	-0.1	5.0	-11.1
AAA 10YR	4.081	4.07	1	0.0	0.1	-2.8	0.5	-25.0
AAA 15YR	4.185	4.20	-2	0.0	-0.4	-3.1	0.2	-30.1
AA 3YR	3.970	3.90	7	0.0	-0.2	-2.8	1.9	-15.9
AA 10YR	4.248	4.40	-15	0.0	-1.4	-4.4	-3.3	-27.9
AA 15YR	4.383	4.60	-22	0.0	-2.0	-4.6	-5.1	-34.3
A 3YR	4.919	4.90	2	0.0	-2.4	-5.2	-7.2	-35.5
A 10YR	5.645	5.60	4	0.0	-3.8	-9.9	-13.9	-38.7
A 15YR	6.002	6.00	0	0.0	-5.1	-14.4	-17.8	-51.6

Source: Bloomberg, RHB Economic & Market Research

05 July 2024

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	678	3.520	3.527	-1
GII MURABAAH 3/2016 4.070% 30.09.2026	360	3.438	3.455	-2
GII MURABAAH 1/2019 4.130% 09.07.2029	230	3.651	3.661	-1
GII MURABAAH 5/2013 4.582% 30.08.2033	230	3.869	3.879	-1
MGS 2/2020 2.632% 15.04.2031	190	3.791	3.815	-2
MGS 2/2019 3.885% 15.08.2029	178	3.646	3.662	-2
GII MURABAAH 2/2017 4.045% 15.08.2024	160	3.204	3.184	2
GII MURABAAH 4/2015 3.990% 15.10.2025	160	3.281	3.302	-2
MGS 3/2018 4.642% 07.11.2033	152	3.857	3.866	-1
MGS 2/2017 4.059% 30.09.2024	150	3.206	3.216	-1

Quasi-Govt

Name	Traded Amount (MYRmn)	Last Traded Yield	Previous Traded Yield	Δ Bps
PLUS BERHAD IMTN 4.030% 10.01.2031 -Sukuk PLUS T33	70	3.951	3.979	-3
PLUS BERHAD IMTN 4.628% 10.01.2031 -Sukuk PLUS T22	30	3.939	3.979	-4
PLUS BERHAD IMTN 5.070% 10.01.2031 -Sukuk PLUS T9	30	3.949	3.964	-2
DANAINFRA IMTN 4.620% 18.03.2052 - Tranche 27	10	4.256	4.310	-5
LPPSA IMTN 4.580% 01.09.2051 - Tranche No 61	10	4.262	4.243	2
PTP IMTN 3.740% 18.06.2025	10	3.776	3.781	-1
-	-	-	-	-
-	-	-	-	-
-	-	-	-	-
-	-	-	-	-

Corporate

Name	Traded Amount (MYRmn)	Last Traded Yield	Previous Traded Yield	Δ Bps
MBSBBANK IMTN 5.250% 19.12.2031	40	4.174	4.362	-19
SDPROPERTY IMTN 3.420% 03.12.2027	30	3.878	3.919	-4
GLT12 IMTN 3.750% 12.08.2027	15	3.942	3.935	1
AIBB IMTN3 SENIOR SUKUK MURABAAH	10	3.875	3.872	0
ALR IMTN TRANCHE 4 13.10.2027	10	3.766	3.783	-2
ANIH IMTN 5.46% 29.11.2024 - Tranche 11	10	4.176	4.400	-22
CIMBI IMTN 4.020% 30.11.2028 - Series 2 Tranche 2	10	3.884	3.837	5
EDRA ENERGY IMTN 5.820% 04.07.2025 - Tranche No 8	10	3.822	4.019	-20
GENTING RMTN MTN 1826D 25.3.2027 - Tranche 3	10	4.428	4.457	-3
JOHORCORP IMTN 4.720% 11.06.2027	10	3.937	4.160	-22

Source: BPAM, RHB Economic & Market Strategy. Previous trading day.

05 July 2024

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

Disclaimer Economics and Market Strategy

This report is prepared for information purposes only by the Economics and Market Strategy division within RHB Bank Berhad and/or its subsidiaries, related companies and affiliates, as applicable ("RHB").

All research is based on material compiled from data considered to be reliable at the time of writing, but RHB does not make any representation or warranty, express or implied, as to its accuracy, completeness or correctness.

Neither this report, nor any opinion expressed herein, should be construed as an offer to sell or a solicitation of an offer to acquire any securities or financial instruments mentioned herein. RHB (including its officers, directors, associates, connected parties, and/or employees) accepts no liability whatsoever for any direct or consequential loss arising from the use of this report or its contents. This report may not be reproduced, distributed or published by any recipient for any purpose without prior consent of RHB and RHB (including its officers, directors, associates, connected parties, and/or employees) accepts no liability whatsoever for the actions of third parties in this respect.

Recipients are reminded that the financial circumstances surrounding any company or any market covered in the reports may change since the time of their publication. The contents of this report are also subject to change without any notification.

This report does not purport to be comprehensive or to contain all the information that a prospective investor may need in order to make an investment decision. The recipient of this report is making its own independent assessment and decisions regarding any securities or financial instruments referenced herein. Any investment discussed or recommended in this report may be unsuitable for an investor depending on the investor's specific investment objectives and financial position. The material in this report is general information intended for recipients who understand the risks of investing in financial instruments. This report does not take into account whether an investment or course of action and any associated risks are suitable for the recipient. Any recommendations contained in this report must therefore not be relied upon as investment advice based on the recipient's personal circumstances. Investors should make their own independent evaluation of the information contained herein, consider their own investment objective, financial situation and particular needs and seek their own financial, business, legal, tax and other advice regarding the appropriateness of investing in any securities or the investment strategies discussed or recommended in this report.

RHB (including its respective directors, associates, connected parties and/or employees) may own or have positions in securities or financial instruments of the company(ies) covered in this research report or any securities or financial instruments related thereto, and may from time to time add to, or dispose off, or may be materially interested in any such securities or financial instruments. Further, RHB does and seeks to do business with the company(ies) covered in this research report and may from time to time act as market maker or have assumed an underwriting commitment in securities or financial instruments of such company(ies), may sell them or buy them from customers on a principal basis and may also perform or seek to perform significant banking, advisory or underwriting services for or relating to such company(ies), as well as solicit such banking, advisory or other services from any entity mentioned in this research report.

RHB (including its respective directors, associates, connected parties and/or employees) do not accept any liability, be it directly, indirectly or consequential losses, loss of profits or damages that may arise from any reliance based on this report or further communication given in relation to this report, including where such losses, loss of profits or damages are alleged to have arisen due to the contents of such report or communication being perceived as defamatory in nature.

**KUALA LUMPUR**

RHB Investment Bank Bhd
Level 3A, Tower One, RHB Centre
Jalan Tun Razak
Kuala Lumpur 50400
Malaysia
Tel : +603 9280 8888
Fax : +603 9200 2216

JAKARTA

PT RHB Sekuritas Indonesia
Revenue Tower, 11th Floor, District 8 - SCBD
Jl. Jendral Sudirman Kav 52-53
Jakarta 12190
Indonesia
Tel : +6221 509 39 888
Fax : +6221 509 39 777

SINGAPORE

RHB Bank Berhad (Singapore branch)
90 Cecil Street
#04-00 RHB Bank Building
Singapore 069531

BANGKOK

RHB Securities (Thailand) PCL
10th Floor, Sathorn Square Office Tower
98, North Sathorn Road, Silom
Bangrak, Bangkok 10500
Thailand
Tel: +66 2088 9999
Fax :+66 2088 9799