

19 April 2024

Global Economics & Market Strategy

Insurance Fixed Income Grew Above Trend in 2023

- ◆ **We keep our Fund Management AUM growth target at 3% to 5% for 2024.** February YTD domestic AUM grew at 3.4% compared to End-23, while allocation into domestic fixed income grew at an annualized rate of 4.81%, at the upper side of our 2024 target. Meanwhile Insurance assets grew at 6.2% in 2023, above the three year average growth of 4.9%, while insurance fixed income assets grew at 6.9%, above the 4.6% average growth. The healthy growth in investment asset growth has underpinned the strong demand for fixed income assets in 2023 together with the stable demand growth from pension funds and other investors. In addition, we do not foresee major catalysts that would alter this dynamic, as such, we see domestic corporate yields to remain well anchored at current levels in the near-to-medium term.
- ◆ **US Treasuries (UST): UST yields jumped on Thursday as three hawkish Fed speak tempered rate cut expectations.** Fed Bank of New York President John Williams said that hike are possible is warranted, although that it is not his baseline expectation. Meanwhile, Atlanta Fed president Raphael Bostic noted he doesn't think it will be appropriate to ease until toward the end of 2024. Lastly, Minneapolis Fed chief Neel Kashkari noted that the Fed could potentially hold rates steady all year. The 2YR/10YR/30YR UST yields moved by +5.4bps/+4.6bps/+4.731bps, respectively.
- ◆ **Malaysia Bond: Malaysian Corporate Bonds** volume traded was MYR545mn, compared to the previous day of MYR676mn. The top traded bond was **PONSB 4.96% 12/28** with MYR60mn traded. **Government Bond Index** decreased by 0.02% with a traded volume of MYR3,845mn, higher compared to MYR3,585mn previously. The top traded bond was **MGS 3.885% 8/29** with MYR614mn traded.
- ◆ **Key Events – Friday:** Malaysia 1Q24 Advanced GDP and trade data

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Fixed Income Return Snapshot

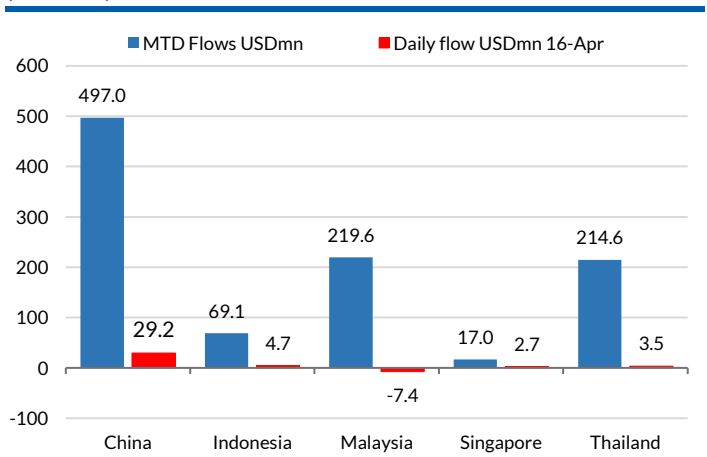
	1D Δ (%)	7D Δ (%)	1M Δ (%)
MGS 10YR	0.18	-0.56	-0.59
MYR Govt Bond	-0.02	-0.36	-0.18
US Treasuries	-0.27	-0.28	-1.48
Global Bond	-0.05	-0.52	-1.95
AxJ IG Bond	-0.10	-0.19	-0.80

10-Year Yields (%)

	18-Apr	1D bps Δ	7D bps Δ
China	2.254	-0.7	-3.9
Indonesia	6.934	-0.9	28.0
Japan	0.864	-1.4	-0.1
Malaysia	3.960	-2.6	6.9
Singapore	3.372	-4.0	-1.6
Thailand	2.734	-5.7	1.0
US	4.634	4.6	4.5
MYR AAA	4.113	0.0	3.7
MYR AA	4.313	0.0	3.2
MYR A	5.822	0.0	3.8

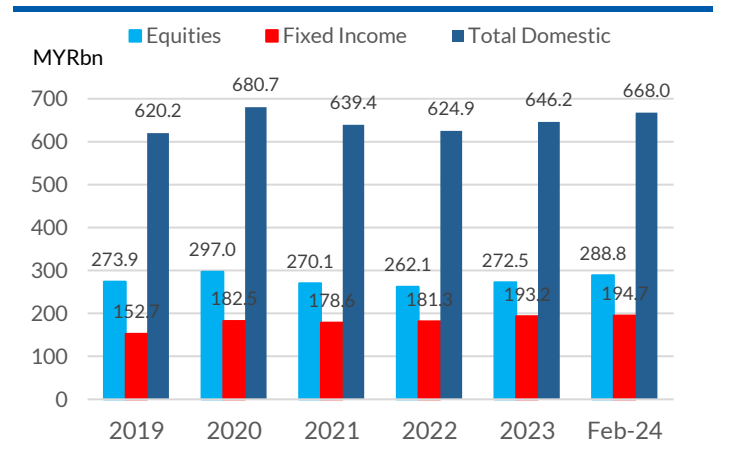
Source: Bloomberg, RHB Economics & Market Strategy.

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



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

Figure 2: Total Fund Management AUM grew at a high rate of 7% YoY

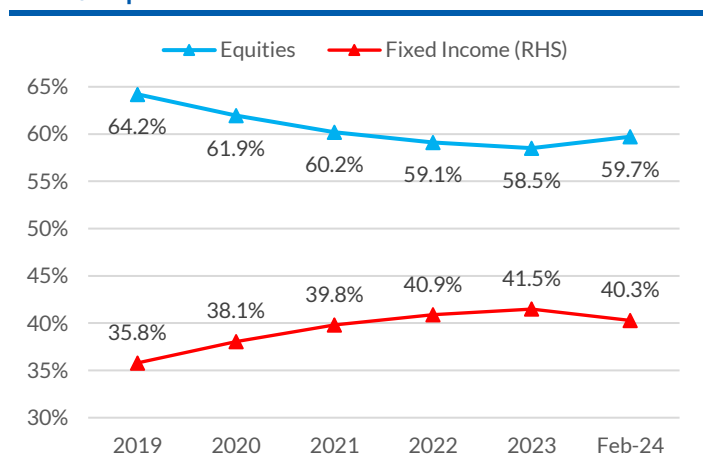


Source: Securities Commission, RHB Economics & Market Strategy.

See important disclosures at the end of this report

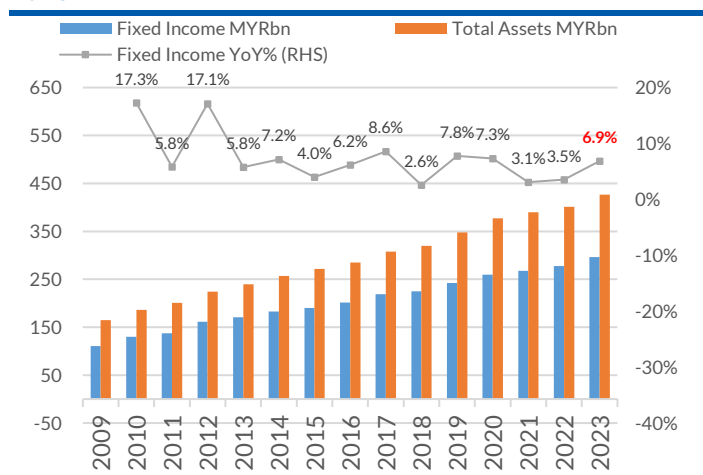
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Figure 3: Asset allocation for equities rose strongly in Jan-Feb 2024 period



Source: Securities Commission, RHB Economics & Market Strategy.

Figure 4: Insurance fixed income assets grew at 6.9% in 2023



Source: BNM, RHB Economics & Market Strategy.

Corporate Bond Idea

- ◆ **MYR Bond: (18/4/24) We are Outperform Malaysia Airports Holdings Bhd (MAHB, AAA) Perpetual 5.75% 12/24 as the YTM of 4.48% is attractive for a 8 months tenure, a good yield booster money market funds.** Meanwhile the senior sukuk are Market perform as we deem yields are at fair value. MAHB is the operator of 39 airports in Malaysia, its shares are closely held by institutions, pension funds and GLCs.

Malaysian Aviation Commission expects passenger traffic to recover to pre-pandemic levels as they project 93.9-107.1m passengers in 2024. So far, February YTD traffic grew significantly by 21.4% to 15.3m from 12.6m a year ago. Consensus expects revenue to grow further by 26% to MYR6.2bn by FY25, while adjusted net income to grow by 137% to MYR920mn. For FY23, revenue improved by 57% YoY to MYR4.9bn from MYR3.1bn in FY22, contributed by growth across all segments particularly aeronautical and non-aeronautical, while net income grew 274% to MYR486mn from MYR130mn. As a result, FY23 credit quality showed YoY improvements across all metrics with the net D/E ratio falling from 0.41 to 0.30, and CFO/Interest expense strengthening from 4.0 to 7.4.

- ◆ **USD Bond: (17/4/24) We are keeping our Outperform call on Resorts World Las Vegas LLC (RWLV, BB+, S&P) given the still-attractive c. 74bps spread against the BB+ benchmark. Meanwhile, we downgrade Genting New York (GENNY, BB+, S&P) to Market perform, as we think valuations are fair post rally.** Since our Overweight call on RWLV and GENNY in Aug-2023 ([Read here](#)), both names benefitted from the spread tightening due to the US HY rally as well as idiosyncratic factors. RWLV generated total returns of between 12.6% to 14.5%, while GENNY recorded returns of between 8.5% to 9.1%, both significantly outperformed the Bloomberg USD HY index return of 6.61%.

We keep the outperform call on RWLV despite the halving of the spread against BB+ curve from c.140bps to c.74bps, in addition, the healthy pickup should be able to cushion any near-term rise in UST yields. In FY23, Genting Bhd's US and Bahamas operation (which includes RWLV) reported jump in revenue and earnings, recording a higher 16% YoY revenue to MYR5.97bn and higher 46% YoY in adjusted EBITDA to MYR1.4bn. **Meanwhile we downgrade GENNY's to Marketperform as spreads are now at fair levels post the recent rally**, in addition, uncertainty could surround credit profile of the company as there could be potential for new major CAPEX as the GENNY is among the few favoured for a new casino license in New York, although financial support from the parent company is expected. In FY23, Genting Malaysia Bhd's US and Bahamas operation (which includes GENNY), reported improved revenue and earnings, reporting a higher 13% YoY revenue to MYR1.88bn and higher 15% YoY in adjusted EBITDA to MYR550mn. We think Fitch's negative rating watch on GENNY is immaterial as their rationale is due to potential change in implied financial support from its parent entity.

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

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MGS/GII Idea

- ◆ Our expectations of an unchanged OPR of 3.00% in 2024 means the 10YR MGS should trade at around 3.70% to 3.85% this year.
- ◆ Read our 2024 Outlook here: [Light at The End of the Tunnel – A Better 2024 GDP Backdrop](#).

MYR Yields vs RHB Year-end Forecast

	Last Yield %	Forecast		Yield Changes (bps)				
		2024F	Pickup	1D	1W	1M	3M	YTD
MGS 3YR	3.597	3.30	30	-0.2	8.2	13.2	15.7	12.7
MGS 5YR	3.751	3.50	25	-1.8	5.2	16.7	16.7	18.0
MGS 7YR	3.881	3.60	28	-1.0	6.0	11.1	11.5	15.9
MGS 10YR	3.960	3.80	16	-2.6	6.9	8.2	12.3	22.9
MGS 15YR	4.067	3.90	17	0.2	8.0	7.7	6.4	7.6
MGS 20YR	4.171	4.05	12	0.3	7.6	9.6	5.7	6.9
MGS 30YR	4.236	4.13	11	-0.1	4.2	4.9	-0.9	-1.1
AAA 3YR	3.812	3.90	-9	0.0	2.3	1.1	-2.5	-3.9
AAA 10YR	4.113	4.40	-29	0.0	3.7	4.7	-3.2	-6.8
AAA 15YR	4.219	4.55	-33	0.0	3.6	4.0	-7.2	-11.6
AA 3YR	3.985	4.10	-12	0.0	3.4	-1.1	-5.2	-5.5
AA 10YR	4.313	4.60	-29	0.0	3.2	4.2	-5.0	-10.0
AA 15YR	4.480	4.75	-27	0.0	4.6	0.8	-10.0	-13.3
A 3YR	5.042	5.05	-1	0.0	5.1	-0.7	-16.1	-19.6
A 10YR	5.822	6.26	-44	0.0	3.8	-0.8	-13.0	-23.8
A 15YR	6.214	6.78	-57	0.0	3.4	-5.7	-21.2	-28.9

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 2/2019 3.885% 15.08.2029	614	3.759	3.777	-2
MGS 3/2019 3.478% 14.06.2024	561	3.257	3.261	0
GII MURABAHAH 1/2017 4.258% 26.07.2027	408	3.617	3.57	5
MGS 3/2010 4.498% 15.04.2030	306	3.852	3.86	-1
MGS 3/2018 4.642% 07.11.2033	194	3.956	3.979	-2
MGS 2/2020 2.632% 15.04.2031	152	3.874	3.875	0
MGS 1/2015 3.955% 15.09.2025	151	3.399	3.446	-5
MGS 3/2007 3.502% 31.05.2027	150	3.601	3.607	-1
MGS 3/2017 4.762% 07.04.2037	149	4.071	4.043	3
GII MURABAHAH 1/2023 3.599% 31.07.2028	140	3.697	3.7	0

Quasi-Government Bonds

Name	Traded Amount (MYR 'm)	Last Traded Yield	Previous Traded Yield	Δ Bps
CAGAMAS ICP-CPN 3.560% 91D 22.07.2024	70	3.560	-	-
CAGAMAS IMTN 3.740% 24.07.2024	60	3.499	3.545	-5
DANGA IMTN 5.020% 21.09.2033 - Tranche 9	50	4.099	4.128	-3
DANAINFRA IMTN 4.090% 16.03.2040	30	4.121	-	-
PASB IMTN 4.140% 07.02.2034 - Issue No. 48	30	4.099	4.013	9
PTPTN IMTN 4.170% 10.03.2036	20	4.058	3.999	6
DANAINFRA IMTN 4.160% 18.03.2044	15	4.205	4.131	7
DANAINFRA IMTN 4.380% 08.02.2033 - Tranche No 8	10	3.969	3.988	-2
PLUS BERHAD IMTN 4.960% 12.01.2029 -Sukuk PLUS T7	10	3.914	3.852	6
-	-	-	-	-

Corporate Bonds

Name	Traded Amount (MYR 'm)	Last Traded Yield	Previous Traded Yield	Δ Bps
PONSB IMTN 4.960% 28.12.2028 - Series 1 Tranche 2	70	4.103	4.146	-4
ALR IMTN TRANCHE 1 11.10.2024	40	3.568	3.582	-1
DIALOG PERPETUAL SUKUK WAKALAH TRANCHE NO. 1	30	4.548	4.566	-2
EMSB IMTN 4.540% 09.09.2032	30	4.068	3.986	8
NOTABLE CLASS A ABSMTN 1827D 12.7.2024	20	4.786	-	-
UEMS IMTN 4.250% 19.09.2025 - Issue No. 15	20	3.993	4.069	-8
UEMS IMTN 4.670% 14.02.2031	20	4.209	4.570	-36
3SP IMTN Tranche 5 4.640% 06.04.2026	10	4.067	-	-
CTX IMTN 5.05% 29.08.2024 - Series 10	10	3.528	3.547	-2
FARM FRESH IMTN 3.720% 28.05.2026-S1/Tranche 1	10	4.002	4.447	-45

Source: BPAM, RHB Economic & 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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