

22 January 2025

Global Economics & Market Strategy

Alliance Subordinated A2 Bonds Attractive

- ◆ **MYR Bond: We think Alliance Bank's (ABMB, A1, positive) subordinated (A2) medium term notes (MTN) offer attractive relative value.** Within the sub MYR100bn total asset banking space, we think AMBM's subordinated A2 MTNs offer attractive relative value to peers. The bank also saw improving asset quality, with robust NIMs and growth outpacing industry peers. Its latest Sep-2024 results show the group is on track for an 8% to 10% loan growth for this financial year. RAM upgraded the bank's outlook to positive recently on its improving asset quality, established SME segment, favourable funding profile and excellent NIMs. Demand for its senior papers should rise once it gets into the double A rating territory.
- ◆ **Malaysia:** Total government securities volume traded jumped to MYR6,068mn with the top traded stock **MGS 3.502% 5/27** with MYR682mn traded. The implied 10YR MGS yield movement today is -0.20bps, given the trailing 30-day beta of 0.04* against UST 10YR (-5.1bps). Bid-ask spreads were slightly lower (Figure 3). The 30 day 10YR MGS/UST correlation fell to 0.51. Corporate Bonds volume traded was MYR645mn, with the top traded stock **UEMS 5.45% 6/27** with a volume of MYR180mn. *Every 1 bps move in 10YR UST yield implies a 0.04bps yield move in 10YR MGS.
- ◆ **US Treasuries (UST): Treasuries yield fell on the back of US President Trump's comments on tariffs.** The lack of concrete tariff measures led to reversal from higher yields in the previous week as well as the announcement of measures to rapidly boost oil production through a national energy emergency declaration and rolling back regulations. The UST yield yesterday for 2YR/10YR/20YR moved by -1.0bps/-5.1bps/-4.5bps.
- ◆ **Key Events - Wednesday:** Bank Negara policy rate, Malaysia Dec CPI | **Thursday:** US jobless claims | **Friday:** Bank of Japan policy rate, Japan Dec National CPI, MAS policy statement

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Chris Tan Chee Hong

+603 92808864

tan.chee.hong@rhbgroup.com

RHB FIC Strategy

+603 92808858

rhbficstrategy@rhbgroup.com

Fixed Income Return Snapshot

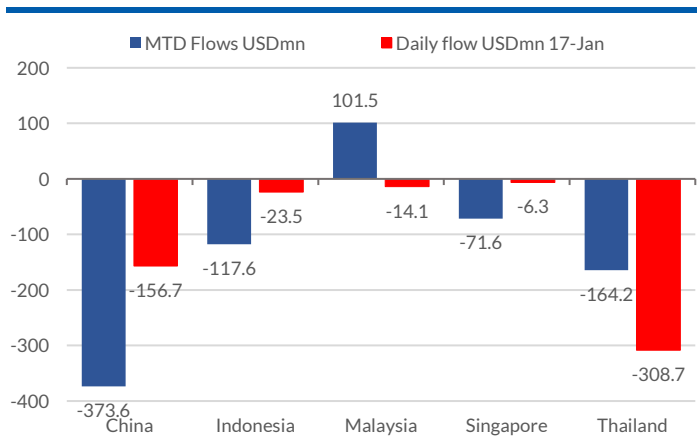
	1D Δ (%)	7D Δ (%)	1M Δ (%)
MGS 10YR	0.05	0.11	0.28
MYR Govt Bond	0.02	0.14	0.45
US Treasuries	0.29	1.19	0.25
Global Bond	0.30	1.63	0.00
AxJ IG Bond	0.26	1.03	0.40

2YR and 10YR Yields (%)

	21-Jan	1D bps Δ	7D bps Δ
China 2YR	1.261	-0.9	7.7
China 10YR	1.656	-1.6	1.8
Indonesia 2YR	6.781	-7.7	-20.8
Indonesia 10YR	7.108	-2.9	-14.8
Japan 2YR	0.670	-0.2	-0.9
Japan 10YR	1.186	-0.5	-5.4
Malaysia 3YR	3.457	-0.4	-2.2
Malaysia 10YR	3.823	-0.2	-1.2
Singapore 2YR	2.850	-3.1	-11.2
Singapore 10YR	2.931	-4.2	-14.9
Thailand 2YR	2.058	0.1	4.6
Thailand 10YR	2.400	0.2	1.3
US 2YR	4.275	-1.0	-9.3
US 10YR	4.577	-5.1	-21.6
MYR AAA 10YR	4.071	0.1	0.6
MYR AA 10YR	4.239	0.2	1.1
MYR A 10YR	5.476	0.8	-1.0

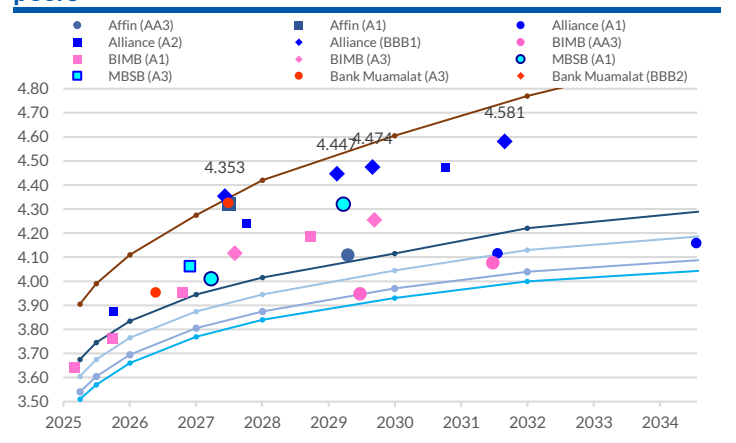
Source: Bloomberg, RHB Economics & Market Strategy.

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: Alliance subordinated A2 attractive relative to peers

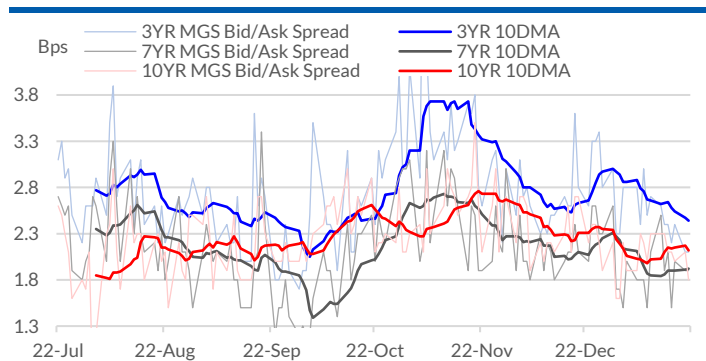


Source: BPAM, RHB Economics & Market Strategy.

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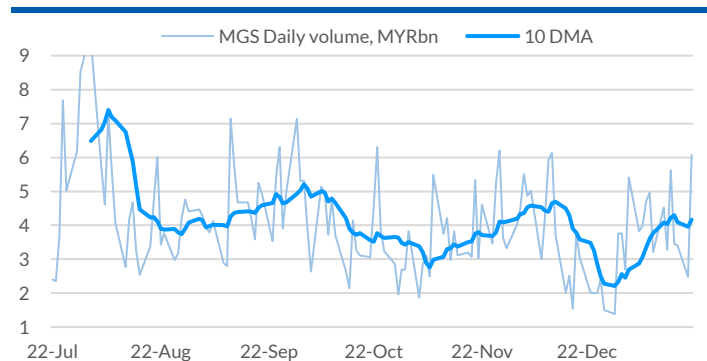
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Figure 3: Bid-ask spreads of key benchmarks



Source: Bloomberg, RHB Economics & Market Strategy.

Figure 4: Daily MGS/GII Volume



Source: Bloomberg, RHB Economics & Market Strategy.

Trading Ideas

- ◆ **MYR Bond: (15/1/25)** In the automotive sector, we recommend switching from PONSB Capital (Market Perform) to APM Automotive Holdings (Outperform) for 40bps to 50bps pickup. We think APM's (AA2) notable spread over PONSB (AA2) should compensate for the former's lower trading liquidity and the smaller business footprint ([Read here](#)).
- ◆ **IDR Bond: (1/1/25)** We are Outperform Perusahaan Listrik Negara Persero (PLN) (AAA, Pefindo) as its bond offers notable pickup over its corporate peers. PLN's credit metrics may be strained as large capital expenditure is required for its plans to increase to a 14.3-gigawatt capacity over the next ten years. In 9M24, its D/E ratio improved to 0.36x from 0.38x in FY23, while net income fell marginally by 3% to IDR25.1tn from IDR26.0tn in 9M23.
- ◆ **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 ([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	3.457	3.30	16	-0.4	-2.2	-4.6	-1.4	-2.4
MGS 5YR	3.618	3.50	12	-0.3	-1.6	-4.2	0.2	-0.6
MGS 7YR	3.789	3.60	19	-0.3	-1.7	-0.3	-3.1	2.8
MGS 10YR	3.823	3.75	7	-0.2	-1.2	-2.6	-3.2	1.3
MGS 15YR	3.965	3.90	6	0.0	-0.6	-0.9	-3.5	-0.4
MGS 20YR	4.055	4.05	0	-0.2	-0.5	-1.9	-10.0	-0.9
MGS 30YR	4.179	4.15	3	0.0	-0.2	-1.3	-4.4	-0.4
AAA 3YR	3.839	3.60	24	0.2	0.8	0.8	6.9	0.9
AAA 10YR	4.071	4.07	0	0.1	0.6	-1.7	4.8	0.6
AAA 15YR	4.164	4.20	-4	0.0	0.1	-1.6	3.2	-0.3
AA 3YR	4.034	3.90	13	1.8	2.3	-0.2	11.4	2.0
AA 10YR	4.239	4.40	-16	0.2	1.1	-2.1	2.3	0.0
AA 15YR	4.361	4.60	-24	0.4	1.0	-2.2	1.1	0.0
A 3YR	4.837	4.90	-6	0.3	1.5	-4.6	-12.1	-2.0
A 10YR	5.476	5.60	-12	0.8	-1.0	-12.3	-37.5	-8.3
A 15YR	5.828	6.00	-17	4.5	2.6	-11.2	-37.9	-5.1

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

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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	682	3.434	3.446	-1
MGS 1/2018 3.882% 14.03.2025	489	3.161	3.126	4
MGS 3/2011 4.392% 15.04.2026	440	3.286	3.300	-1
MGS 2/2023 3.519% 20.04.2028	400	3.516	3.518	0
GII MURABAHAAH 1/2018 4.128% 15.08.2025	337	3.207	3.238	-3
GII MURABAHAAH 1/2022 4.193% 07.10.2032	260	3.812	3.815	0
MGS 3/2018 4.642% 07.11.2033	258	3.841	3.844	0
GII MURABAHAAH 3/2015 4.245% 30.09.2030	250	3.721	3.725	0
GII MURABAHAAH 1/2020 3.422% 30.09.2027	240	3.476	3.476	0
GII MURABAHAAH 3/2019 3.726% 31.03.2026	240	3.315	3.295	2

Quasi-Govt

Name	Traded Amount (MYRmn)	Last Traded Yield	Previous Traded Yield	Δ Bps
PASB IMTN 3.070% 04.02.2028 - Issue No. 28	30	3.843	3.782	6
PLUS BERHAD IMTN 4.860% 12.01.2038 - Series 1	20	3.969	3.999	-3
PLUS BERHAD IMTN 4.880% 12.01.2028 -Sukuk PLUS T6	20	3.848	3.706	14
PRASARANA IMTN 3.970% 28.06.2034 (Series 18)	20	3.882	3.898	-2
PRASARANA IMTN 4.530% 10.03.2034 - Tranche 5	15	3.882	3.878	0
BPMB IMTN 3.810% 01.12.2025	10	3.686	3.630	6
DANAINFRA IMTN 4.300% 31.03.2034 - Tranche No 87	10	3.882	3.878	0
PASB IMTN 3.140% 05.11.2030 - Issue No. 26	10	3.869	3.896	-3
SME BANK IMTN 4.100% 20.03.2026	10	3.527	3.590	-6
PLUS BERHAD IMTN 4.800% 12.01.2027 -Sukuk PLUS T5	5	3.805	3.804	0

Corporate

Name	Traded Amount (MYRmn)	Last Traded Yield	Previous Traded Yield	Δ Bps
UEMS IMTN 5.450% 18.06.2027	180	3.907	3.815	9
JOHOR PLANT IMTN 4.040% 26.09.2034	40	3.999	4.009	-1
UEMED IMTN 4.250% 24.04.2026	40	3.786	3.798	-1
FPSB IMTN 5.050% 05.09.2025	30	3.776	3.799	-2
UEM OLIVE IMTN 4.030% 20.10.2034 - S2T3	30	3.988	4.001	-1
MNRB HLDGS IMTN (Series 2) 22.03.2034	20	4.087	4.095	-1
S P SETIA IMTN 4.560% 21.06.2030	20	4.018	4.018	0
TENAGA IMTN 4.080% 25.11.2031	20	3.936	3.968	-3
TNBPGSB IMTN 5.050% 02.06.2037	20	3.988	4.105	-12
AIR SELANGOR IMTN T4 S1 4.820% 17.09.2032	10	3.952	4.009	-6

Source: BPAM, RHB Economic & 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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**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

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