

19 June 2024

Global Economics & Market Strategy

Interest Seen in Insurance Papers

- ◆ **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.
- ◆ **Singapore:** May's NODX fell 0.1% YoY, improving for the third straight month following a sharp 9.6% YoY drop in April and recorded better print than market's expectations of -1.1% YoY. [We keep our full-year NODX growth at 0.5% in 2024, accounting for gentle pace of decline seen in today's NODX print.](#)
- ◆ **US Treasuries (UST):** Yields tumbled across the curve as retail sales disappointed consensus estimates. May retail sales printed 0.1% MoM, undershooting economists' projection of 0.3%. Meanwhile, May industrial production surprised with a MoM jump to 0.9% compared to consensus estimate of 0.3%. Meanwhile, Federal Reserve officials largely transmitted earlier rhetoric of needing more data evidence before lowering rates. The 2YR/10YR/30YR yields moved by -5.2bps/-5.8bps/-5.0bps, respectively.
- ◆ **Malaysia Bond: Government Bond Index** return was 0.03% as yields were largely unchanged across the curve together with tepid volume ahead of the long weekend. Total traded volume was MYR1,683mn, with the top traded stock **MGS 2.632% 4/31** with MYR196mn traded. **Corporate Bonds** volume traded was MYR888mn with the top traded stock **PTPTN 3.73% 3/29** with a volume of MYR110mn.
- ◆ **Key Events – Wednesday:** UK May CPI | **Thursday:** Indonesia policy rate, Malaysia May trade, UK policy rate, US weekly jobless claims | **Friday:** Japan May CPI, US Jun PMI and May leading index

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Fixed Income Return Snapshot

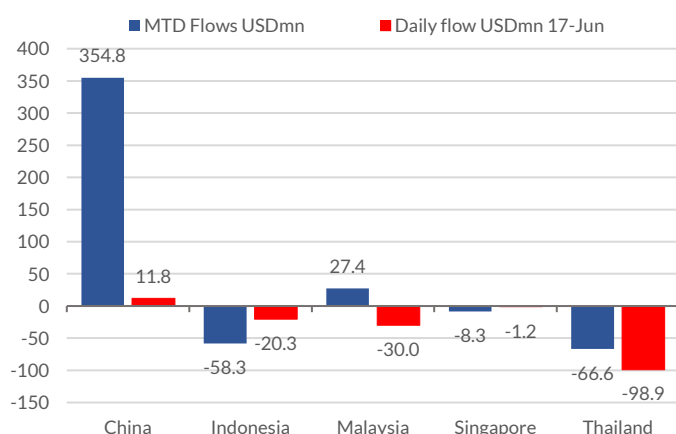
	1D Δ (%)	7D Δ (%)	1M Δ (%)
MGS 10YR	-0.15	-0.08	-0.20
MYR Govt Bond	0.03	0.11	0.35
US Treasuries	0.36	1.11	1.56
Global Bond	0.31	0.93	0.33
AxJ IG Bond	0.19	0.72	1.22

10-Year Yields (%)

	18-Jun	1D bps Δ	7D bps Δ
China	2.254	-0.7	-2.5
Indonesia	7.168	0.0	16.7
Japan	0.936	0.9	-8.3
Malaysia	3.878	1.4	0.5
Singapore	3.188	1.6	-9.9
Thailand	2.795	-0.1	-2.5
US	4.224	-5.8	-18.1
MYR AAA	4.093	0.0	-0.7
MYR AA	4.274	0.0	-1.2
MYR A	5.673	0.0	3.3

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

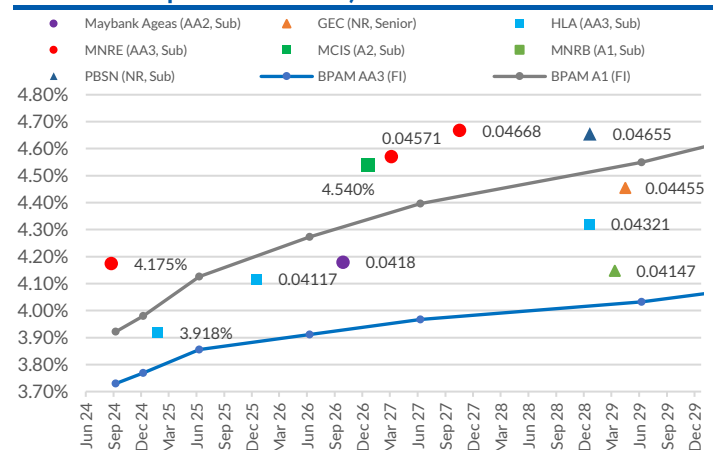
Figure 1: Regional MTD/Daily Fund Flows (USDmn)



Source: EPFR, RHB Economics & Market Strategy.

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

Figure 2: Insurance bond/sukuk MTM YTM. (GEC and PBSN based on coupon at issuance)



Source: BPAM, RHB Economics & Market Strategy.

See important disclosures at the end of this report

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

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Corporate Bond

- ◆ **MYR Bonds: (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.
- ◆ **MYR Bond: (6/6/24) We are Outperform on Sime Darby Plantation (SDPL) (AA) callable 3/26 bond as its yield returns of 3.94% gives good pick up against its AA peers.** Recently, SDPL official changed its name to Sime Darby Guthrie as a tribute to its founder Alexander Guthrie. SDPL is one of the largest integrated plantation company in the world with both upstream and downstream activities and total planted area of 577,344 ha across Malaysia, Indonesia and Papua New Guinea/ Solomon Islands as at end-Jun 2023. MARC gave SDPL a one-notch rating uplift on implicit support from parent Permodalan Nasional Berhad.

In 1Q24, net profit rose 6% QoQ and jumped 206% YoY to MYR211mn. Downstream EBIT fell 26% QoQ as its margin fell to 3.4% from 3.9% in 4Q24. FFB production rose 9% YoY, average CPO selling price little changed YoY at MYR3,880/tonne, while average PK selling price increase 8% YoY to MYR1,940/tonne. Debt-to-equity ratio remains low at 0.30x, while cash flow remains healthy with high cash balance of MYR715mn.
- ◆ **MYR bond: We are Market perform DRB-Hicom Bhd (DRB, A+, perpetual A-), and we prefer the longer-end tenures as well as the perpetual given the attractive pickup.** We think current yields reflect the improvements in its business and financial performance as well as the potential rating upgrade. The strong improvement in the automotive segment (Proton, Honda, Mitsubishi and Isuzu) has prompted its rating agency to upgrade its outlook to positive late last year. The postal division is expected to see improvements in FY24 after poor performance in recent years. The jump in the group's CFO in FY23 should be one-off, which was contributed by the aggressive expansion on term deposits from its banking division. DRB continued to moderate its borrowings, with the D/E ratio falling from 0.92x in FY22 to 0.77x in 1Q23 while net D/E also fell from 0.39x in FY22 to 0.19x in 1Q23.
- ◆ 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	3.548	3.30	25	0.6	-0.9	-0.7	7.0	7.8
MGS 5YR	3.657	3.50	16	0.2	-0.4	-1.6	6.6	8.6
MGS 7YR	3.804	3.60	20	0.6	-0.9	1.5	2.9	8.2
MGS 10YR	3.878	3.80	8	1.4	0.5	2.7	-0.6	14.7
MGS 15YR	4.013	3.90	11	0.8	-0.4	0.7	2.0	2.2
MGS 20YR	4.131	4.05	8	-0.2	-0.6	0.6	5.3	2.9
MGS 30YR	4.226	4.13	10	0.0	-0.4	-0.4	2.7	-2.1
AAA 3YR	3.836	3.90	-6	0.0	0.3	-2.9	3.5	-1.5
AAA 10YR	4.093	4.40	-31	0.0	-0.7	-4.3	2.7	-8.8
AAA 15YR	4.196	4.55	-35	0.0	-0.8	-5.6	1.7	-13.9
AA 3YR	3.971	4.10	-13	0.0	-0.9	-5.2	-2.5	-6.9
AA 10YR	4.274	4.60	-33	0.0	-1.2	-4.8	0.3	-13.9
AA 15YR	4.411	4.75	-34	0.0	-1.2	-6.4	-6.1	-20.2
A 3YR	4.934	5.05	-12	0.0	-0.8	-8.3	-11.5	-30.4
A 10YR	5.673	6.26	-59	0.0	3.3	-8.8	-15.7	-38.7
A 15YR	6.052	6.78	-73	0.0	6.9	-8.4	-21.9	-45.1

Source: Bloomberg, RHB Economic & Market Research

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Daily Top 10 Trade (Previous Trading Day)

Government

Name	Traded Amount (MYRmn)	Last Traded Yield	Previous Traded Yield	Δ Bps
MGS 3/2007 3.502% 31.05.2027	899	3.552	3.538	1
MGS 2/2020 2.632% 15.04.2031	364	3.803	3.798	0
MGS 2/2019 3.885% 15.08.2029	205	3.654	3.655	0
MGS 1/2015 3.955% 15.09.2025	170	3.311	3.291	2
GII MURABAAH 3/2016 4.070% 30.09.2026	152	3.474	3.462	1
MGS 5/2013 3.733% 15.06.2028	135	3.611	3.619	-1
MGS 1/2018 3.882% 14.03.2025	104	3.270	3.272	0
MGS 3/2011 4.392% 15.04.2026	100	3.429	3.441	-1
MGS 3/2018 4.642% 07.11.2033	75	3.883	3.863	2
MGS 1/2019 3.906% 15.07.2026	71	3.438	3.438	0

Quasi-Govt

Name	Traded Amount (MYRmn)	Last Traded Yield	Previous Traded Yield	Δ Bps
PLUS BERHAD IMTN 4.891% 11.01.2036 -Sukuk PLUS T27	60	4.040	4.032	1
PLUS BERHAD IMTN 5.630% 11.01.2036 -Sukuk PLUS T14	35	4.040	4.030	1
PLUS BERHAD IMTN 4.821% 12.01.2035 -Sukuk PLUS T26	30	4.020	4.020	0
CAGAMAS ASEAN GREEN MTN 3.670% 30.9.2024	20	3.496	3.510	-1
BSN IMTN 3.900% 12.02.2029	10	3.897	3.899	0
DANUM IMTN 3.420% 21.02.2035 - Tranche 5	10	4.009	4.030	-2
PLUS BERHAD IMTN 5.750% 12.01.2037 -Sukuk PLUS T15	5	4.061	4.068	-1
-	-	-	-	-
-	-	-	-	-
-	-	-	-	-

Corporate

Name	Traded Amount (MYRmn)	Last Traded Yield	Previous Traded Yield	Δ Bps
AIR SELANGOR IMTN T6S1 SRI SUKUK KAS 11.10.2030	60	3.965	3.979	-1
CIMB 4.880% 13.09.2029 - Tranche 4	60	3.781	3.778	0
MAYBANK IMTN 3.410% 05.08.2031	40	3.807	3.821	-1
AISL 4.100% 09.05.2031	20	4.029	4.038	-1
CIMBI IMTN 4.130% 27.03.2034 - Series 3 Tranche 4	20	4.008	4.020	-1
MNRB HLDGS IMTN (Series 2) 22.03.2034	20	4.117	4.148	-3
OSK RATED IMTN 4.520% 30.04.2031 (Series 003)	20	4.038	4.038	0
PONSB IMTN 4.960% 28.12.2028 - Series 1 Tranche 2	20	3.856	4.103	-25
UOBM MTN 3.00% 02.8.2030	20	3.785	3.779	1
TOYOTA CAP MTN 1888D 26.12.2028 - MTN 14	18	3.927	-	-

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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