

19 March 2025

Global Economics & Market Strategy

Outperform CIMB Subordinated/Perpetual Securities

- ◆ **MYR Bond:** We are Outperform on the subordinated and perpetual securities of CIMB Group, CIMB bank and CIMB Islamic, given its attractive YTM relative to its AAA rated banking peers. CIMB Group's FY24 pre-tax profit rose 9.0% YoY to MYR10.4bn while NIM was largely stable at 2.21%. Its capitalisation levels remained relatively high and above regulatory requirements. Loan book stood at MYR452.2bn with the NPL ratio on a downward trend. Domestic portfolio is expected to support the group's target loan expansion of 5-7% in FY25. Moving forward, the group's strategic target includes: revised ROE of 11.0%-11.5%, CIR of around 45%, dividend payout ratio of 40%-60%, CET1 ratio around 13.5% and lowering of its cost of funds by 10 to 20 bps by 2030.
- ◆ **Malaysia:** Total government securities volume stood at MYR8,745mn with the top traded stock **MGS 3.502% 5/27** with MYR677mn traded. The implied 10YR MGS yield movement today is -0.18bps, given the trailing 30-day beta of 0.12 against UST 10YR (-1.5bps). Bid-ask spreads were marginally higher across the front-end (Figure 3). The 30-day 10YR MGS/UST correlation fell to 0.78. Corporate Bonds volume traded was MYR786mn, with the top traded stock **Eco World Capital 4.26% 3/32** with a volume of MYR300n. *Every 1 bps move in 10YR UST yield implies a 0.12bps move in 10YR MGS.
- ◆ **US Treasuries (UST):** Treasury rallied ahead of US Federal Reserve policy rate decision. The rally was largely driven by strong demand for USD13bn for the 20YR bond auction which was awarded at a yield of 4.632%, lower by 1.4bp than forecasted. UST rally was further extended later in the session from weaker equity market and the decline of WTI by 1%. Traders will now look ahead to the Fed's rate decision which Bloomberg consensus estimate to remain unchanged. Swaps implied FFR cut by Dec-25 stood at 2.3 at the time of writing. UST yields for the 2YR/10YR/20YR moved by -0.4bps/-1.5bps/-0.4bps.
- ◆ **Key Events - Wednesday:** Bank of Indonesia policy rate, Bank of Japan policy rate | **Thursday:** Malaysia Feb trade, US Federal Reserve policy rate and weekly jobless claims, Bank of England policy rate | **Friday:** Japan Feb national CPI, Malaysia Feb CPI

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Fixed Income Return Snapshot

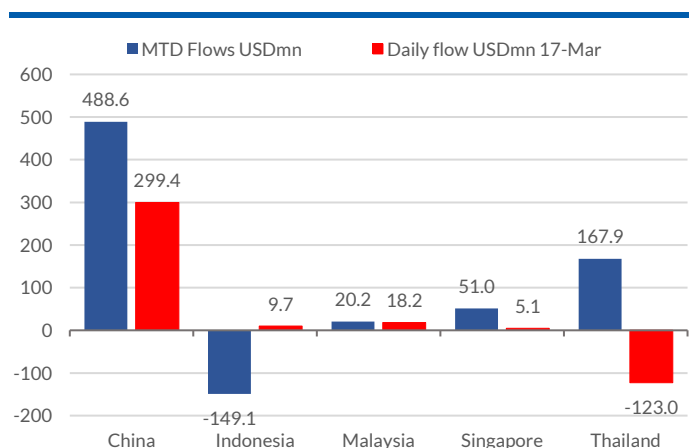
	1D Δ (%)	7D Δ (%)	1M Δ (%)
MGS 10YR	-	0.04	0.44
MYR Govt Bond	-	0.14	0.64
US Treasuries	0.09	-0.02	1.35
Global Bond	-0.01	0.04	1.12
AxJ IG Bond	0.05	-0.11	1.03

2YR and 10YR Yields (%)

	18-Mar	1D bps Δ	7D bps Δ
China 2YR	1.530	-2.5	-5.3
China 10YR	1.887	0.2	-4.4
Indonesia 2YR	6.513	1.6	2.1
Indonesia 10YR	7.010	3.8	12.2
Japan 2YR	0.810	0.5	-2.0
Japan 10YR	1.502	-0.3	-0.9
Malaysia 3YR	3.441	0.0	1.5
Malaysia 10YR	3.763	0.0	-0.8
Singapore 2YR	2.493	-2.0	7.4
Singapore 10YR	2.674	-0.8	5.8
Thailand 2YR	1.842	0.2	-3.7
Thailand 10YR	2.131	0.9	-2.5
US 2YR	4.042	-0.4	9.7
US 10YR	4.285	-1.5	0.4
MYR AAA 10YR	4.011	0.0	-2.2
MYR AA 10YR	4.180	0.0	-2.1
MYR A 10YR	5.370	0.0	-0.9

Source: Bloomberg, RHB Economics & Market Strategy.

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

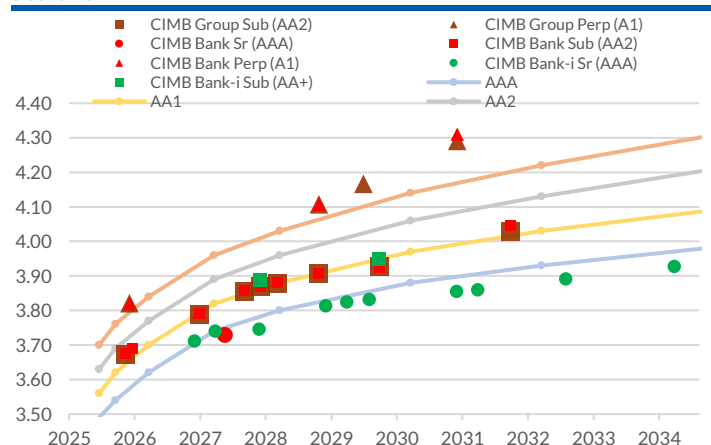


Source: EPFR, RHB Economics & Market Strategy.

See important disclosures at the end of this report

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

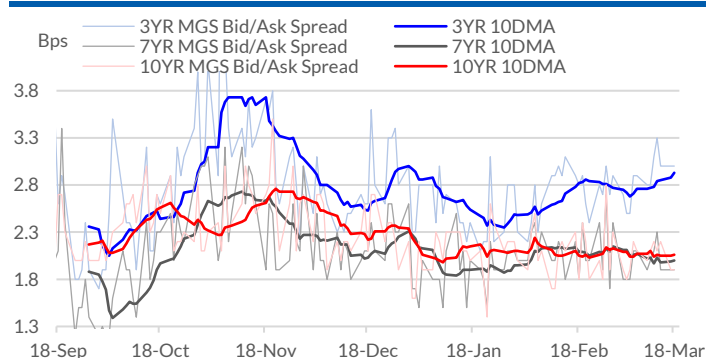
Figure 2: Subordinated and perpetual are relatively attractive



Source: BPAM, RHB Economics & Market Strategy.

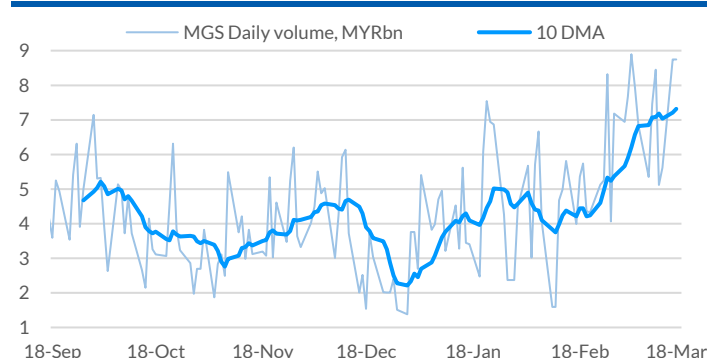
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Figure 3: Bid-ask spreads of key benchmarks



Source: Bloomberg, RHB Economics & Market Strategy.

Figure 4: Daily MGS/GII Volume



Source: Bloomberg, RHB Economics & Market Strategy.

Trading Ideas

- ◆ **MYR Bond: (19/3/25) We are Outperform on the subordinated and perpetual securities of CIMB Group, CIMB bank and CIMB Islamic, given its attractive YTM relative to its AAA rated banking peers.** CIMB Group's FY24 results were in line. Loan book stood at MYR452.2bn with the NPL ratio on a downward trend. Domestic portfolio is expected to support the group's target loan expansion of 5-7% in 2025, given the group's concern towards geopolitical uncertainties and tough operating conditions in Indonesia. CIMB Group's pre-tax profit rose 9.0% YoY to MYR10.4bn while NIM was largely stable at 2.21%. Its capitalisation levels remained relatively high and above regulatory requirements.

The group's most recent strategic plan which includes, **reshaping domestic and overseas portfolio, cost optimisation as well as digitalisation and automation to enhance productivity.** CIMB Group has set out key target indicators under the plan, namely, revised ROE of 11.0%-11.5%, CIR of around 45%, dividend payout ratio of 40%-60%, CET1 ratio around 13.5% and lowering of its cost of funds by 10 to 20 bps by 2030. Based on FY24 financial report, the group was able to achieve its targets except for CIR. The group underwent notable changes in its top management in 2024 which include the appointment of a new Group CEO in July 2024. CIMB group will head towards its next strategic plan on much stronger footing, supported by improved asset quality and high capitalisation.

CIMB Group Holdings Berhad

MYRmn (FYE Dec)	FY20	FY21	FY22	FY23	FY24
Revenue	24,891	24,734	26,854	35,041	37,564
Interest Income	18,032	16,218	18,690	25,182	26,707
Interest Expense	7,702	5,221	7,016	14,027	15,263
Non-Interest Income	6,859	8,516	8,163	9,859	10,857
Pre Tax Income	1,530	5,789	8,371	9,541	10,396
Total Assets	602,355	621,907	666,721	733,572	755,131
Gross Loans	365,851	378,008	406,957	440,862	452,241
Gross Non-Performing Loans	13,027	13,293	13,321	11,770	9,575
Cash Balances	54,370	60,845	67,762	59,199	56,306
Total Deposits	403,051	422,418	432,950	463,442	471,951
Total Debt	69,580	63,316	64,037	78,024	87,653
Total Equity	57,174	60,109	63,784	69,839	70,839
ROA %	0.20	0.70	0.84	1.00	1.04
NIM %	2.27	2.45	2.51	2.22	2.21
Cost of funds %	1.70	1.09	1.43	2.70	2.77
NPL Ratio %	3.56	3.52	3.27	2.67	2.12
Loan/Deposit %	90.8	89.5	94.0	95.1	95.8
CET1 %	13.2	14.2	14.5	14.5	14.6
Total Capital %	17.5	18.0	18.5	18.2	18.3

Source: Bloomberg, RHB Economics & Market Strategy

- ◆ **MYR Bond: (12/3/25) We are Outperform all tranches in Affin Bank Bhd (AA3) within the double-A banking space.** Its papers offer attractive relative value as well as decent liquidity across its tranches. The bank grew its loan book at 8% in 2024, above the industry's rate of 5.6%. Given the decent asset quality, high liquidity (LCR of 165%) and stable capital ratio, we perceive non-call risks for subordinated and perpetual tranches to remain low ([Read here](#)).
- ◆ **MYR Bond: (10/3/25) We have a Stable credit outlook on the banking sector.** The banking system's liquidity and capitalization remains robust and well above regulatory minimum levels. We think there are value in **Affin Bank** (All tranches), **Alliance Bank** (All tranches), **CIMB Group** (subordinated), and **UOB Malaysia** (Senior), offering attractive relative value as well as decent liquidity ([Read here](#)).
- ◆ Read the complete list of our bond coverage [here](#).

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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	3.441	3.30	14	0.0	1.5	-2.3	-3.5	-4.0
MGS 5YR	3.572	3.50	7	0.0	-0.8	-5.3	-5.7	-5.2
MGS 7YR	3.715	3.60	12	0.0	-0.2	-6.7	-6.1	-4.6
MGS 10YR	3.763	3.75	1	0.0	-0.8	-4.8	-5.6	-4.7
MGS 15YR	3.933	3.90	3	0.0	-1.1	-3.7	-1.6	-3.6
MGS 20YR	4.039	4.05	-1	0.0	-0.8	-2.2	-1.7	-2.5
MGS 30YR	4.167	4.15	2	0.0	-0.3	-2.0	-1.4	-1.6
AAA 3YR	3.809	3.60	21	0.0	-1.5	-1.6	-1.2	-2.1
AAA 10YR	4.011	4.07	-6	0.0	-2.2	-2.4	-6.9	-5.4
AAA 15YR	4.121	4.20	-8	0.0	-0.4	-0.4	-4.7	-4.6
AA 3YR	3.967	3.90	7	0.0	-2.9	-3.7	-3.6	-4.7
AA 10YR	4.180	4.40	-22	0.0	-2.1	-2.8	-6.8	-5.9
AA 15YR	4.311	4.60	-29	0.0	-0.9	-2.4	-5.1	-5.0
A 3YR	4.788	4.90	-11	0.0	-1.6	-7.5	-8.6	-6.9
A 10YR	5.370	5.60	-23	0.0	-0.9	-10.5	-21.3	-18.9
A 15YR	5.666	6.00	-33	0.0	-1.9	-13.5	-25.0	-21.3

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	677	3.358	3.386	-3
GII MURABAAHAH 2/2024 3.804% 08.10.2031	622	3.707	3.707	0
GII MURABAAHAH 3/2016 4.070% 30.09.2026	608	3.363	3.367	0
GII MURABAAHAH 1/2023 3.599% 31.07.2028	590	3.535	3.540	0
GII MURABAAHAH 1/2021 3.447% 15.07.2036	575	3.828	3.844	-2
MGS 1/2015 3.955% 15.09.2025	476	3.119	3.165	-5
MGS 2/2020 2.632% 15.04.2031	373	3.711	3.711	0
GII MURABAAHAH 1/2019 4.130% 09.07.2029	360	3.583	3.591	-1
GII MURABAAHAH 1/2025 3.974% 16.07.2040	360	3.917	3.922	-1
GII MURABAAHAH 3/2019 3.726% 31.03.2026	315	3.307	3.325	-2

Quasi-Govt

Name	Traded Amount (MYRmn)	Last Traded Yield	Previous Traded Yield	Δ Bps
MRL IMTN 3.580% 06.07.2035	25	3.812	3.847	-4
MRL IMTN 4.120% 23.07.2036	20	3.849	3.859	-1
DANAINFRA IMTN 4.060% 15.07.2039 - Tranche No 143	15	3.949	3.973	-2
DANAINFRA IMTN 4.000% 09.03.2040 - Tranche No 154	10	3.969	-	-
DANAINFRA IMTN 4.950% 19.10.2046 - Tranche No 54	10	4.089	4.090	0
PRASARANA SUKUK MURABAAHAH 4.06% 10.07.2045 - S17	10	4.074	4.104	-3
-	-	-	-	-
-	-	-	-	-
-	-	-	-	-
-	-	-	-	-

Corporate

Name	Traded Amount (MYRmn)	Last Traded Yield	Previous Traded Yield	Δ Bps
EWCB IMTN 4.260% 19.03.2032	300	4.160	-	-
EWCB IMTN 4.130% 20.03.2030	100	4.120	-	-
G KENT IMTN 26.03.2026	40	4.768	4.864	-10
EDRA ENERGY IMTN 5.850% 05.01.2026 - Tranche No 9	20	3.673	3.745	-7
GENTING CAP MTN 4.86% 08.6.2027 - Issue No. 2	20	4.458	4.477	-2
SEB IMTN 4.270% 04.07.2033 (Tranche 21)	15	3.845	3.852	-1
YHB SUKUK WAKALAH 5.55% 07.12.2026	15	4.950	4.945	0
MYEG IMTN 5.800% 01.03.2027 - Series 8 Tranche 1	13	5.568	5.641	-7
DANGA IMTN 2.960% 25.01.2028 - Tranche 11	10	3.697	3.702	0
DRB-HICOM IMTN 5.100% 12.12.2029	10	3.987	3.997	-1

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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