

28 February 2025

Global Economics & Market Strategy

Keep Market Perform on Aeon Co.

- ◆ **MYR Bond: We keep Market Perform on Aeon Co. (M) Bhd given its fairly priced bonds, well established operations and robust consumer spending.** The retailer posted record FY24 net income of MYR128mn on the back of MYR4.26bn revenue. The property management segment saw strong improvement (+9.2%) thanks to higher occupancy and rental revisions while its retail segment grew 2%. Debt-to-equity rose moderately to 1.19x while CFO/interest expense and EBITDA/interest expense improved to 5.8x and 3.0x respectively. The higher minimum wage, hike in government worker wages and resilient consumer spending should be supportive of retail spending.
- ◆ **Malaysia:** Total government securities volume stood at MYR4,568mn with the top traded stock **MGS 3.582% 7/32** with MYR742mn traded. The implied 10YR MGS yield movement today is +0.03bps, given the trailing 30-day beta of 0.07 against UST 10YR (+0.4bps). Bid-ask spreads were broadly lower (Figure 3). The 30-day 10YR MGS/UST correlation fell marginally to 0.68. Corporate Bonds volume traded was MYR536mn, with the top traded stock **PLUS 5.00% 12/38** with a volume of MYR145mn. **Every 1 bps move in 10YR UST yield implies a 0.07bps move in 10YR MGS*
- ◆ **US Treasuries (UST): Treasury long-end yields recorded slight gains ahead of US Jan PCE print.** Treasury was on a rally for much of the trading week, with economic uncertainties lingering due to the fall in stock indexes and Trump's tariffs. Labour market data suggested potential economic softening, as jobless claims printed at 242k, higher than the Dow Jones estimate of 225k. Separately, Fed official Beth Hammack stated that interest rates are likely to remain on hold until there is evidence that inflation is closer to the 2% target. Traders will now look ahead to the PCE data on Friday for clarity on the economic outlook. UST yields for the 2YR/10YR/20YR moved by -2.0bps/+0.4bps/+1.1bps.
- ◆ **Key Events - Friday:** Tokyo Feb CPI, US Jan PCE

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Fixed Income Return Snapshot

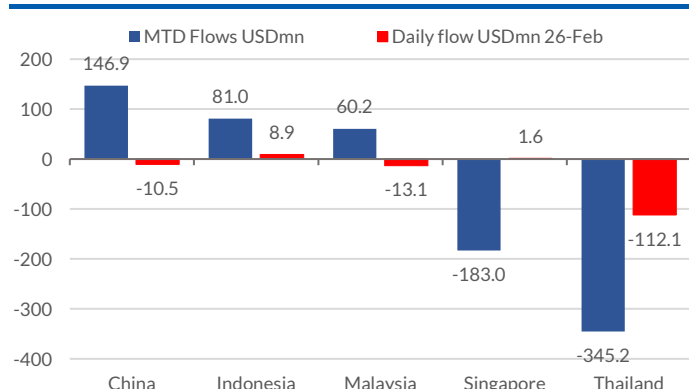
	1D Δ (%)	7D Δ (%)	1M Δ (%)
MGS 10YR	0.06	0.10	0.14
MYR Govt Bond	0.02	0.12	0.39
US Treasuries	-0.11	1.33	1.67
Global Bond	-0.38	0.55	1.40
AxJ IG Bond	-0.01	1.02	1.67

2YR and 10YR Yields (%)

	27-Feb	1D bps Δ	7D bps Δ
China 2YR	1.464	3.4	5.3
China 10YR	1.789	2.9	8.0
Indonesia 2YR	6.464	4.3	8.9
Indonesia 10YR	6.903	6.0	13.1
Japan 2YR	0.794	0.0	-2.7
Japan 10YR	1.397	3.5	-4.2
Malaysia 3YR	3.449	-0.3	-1.4
Malaysia 10YR	3.793	-0.1	-0.7
Singapore 2YR	2.679	-1.6	-5.6
Singapore 10YR	2.758	-4.3	-11.7
Thailand 2YR	1.924	-3.0	-11.2
Thailand 10YR	2.149	-9.1	-12.4
US 2YR	4.053	-2.0	-21.8
US 10YR	4.261	0.4	-24.5
MYR AAA 10YR	4.039	0.1	-0.4
MYR AA 10YR	4.209	-0.3	-0.2
MYR A 10YR	5.364	-3.3	-0.6

Source: Bloomberg, RHB Economics & Market Strategy.

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



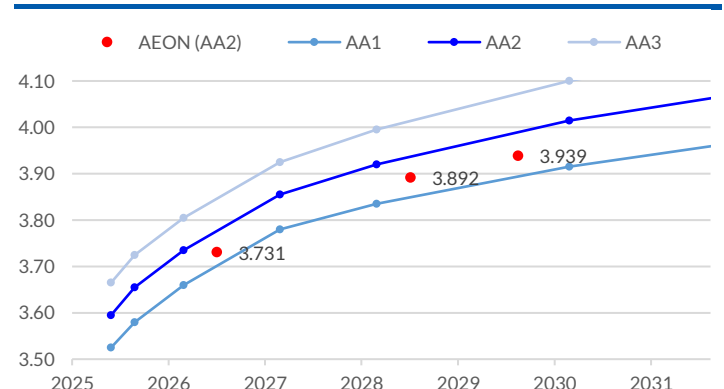
Source: EPFR, RHB Economics & Market Strategy.

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

See important disclosures at the end of this report

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

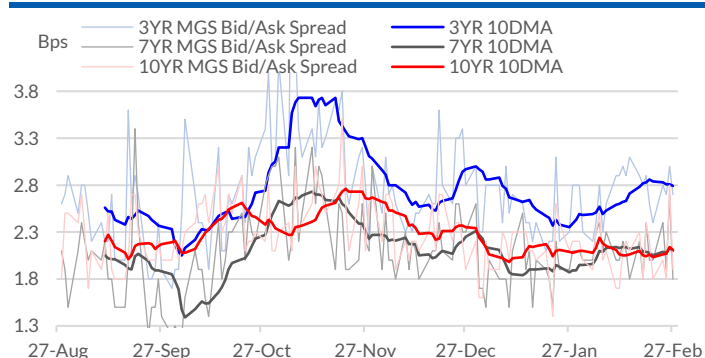
Figure 2: Keep Market Perform on Aeon Co.



Source: BNM, RHB Economics & Market Strategy.

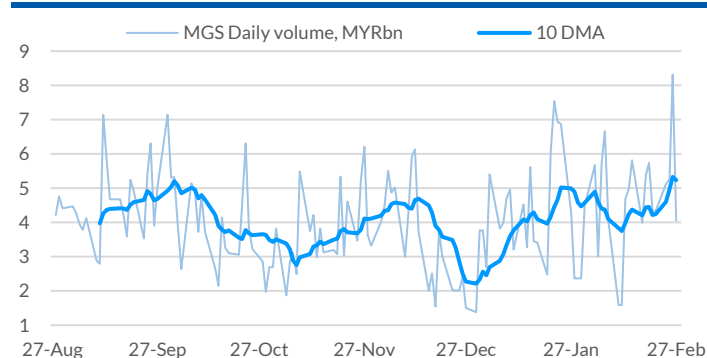
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Figure 3: Bid-ask spreads of key benchmarks



Source: Bloomberg, RHB Economics & Market Strategy.

Figure 4: Daily MGS/GII Volume



Source: Bloomberg, RHB Economics & Market Strategy.

Trading Ideas

- ◆ **MYR Bond: (28/2/25) We keep Market Perform on Aeon Co. (M) Bhd given its fairly priced bonds, well established operations and robust consumer spending.** The retailer posted record FY24 net income of MYR128mn on the back of MYR4.26bn revenue. The property management segment saw strong improvement (+9.2%) thanks to higher occupancy and rental revisions while its retail segment grew 2%. Debt-to-equity rose to 1.19x from 1.10x in Dec-23 while CFO/interest expense and EBITDA/interest expense improved to 5.8x and 3.0x respectively.
- ◆ Given the reduced gearing and stable cash flow in the past few years, the company is turning towards rejuvenation of existing malls and a new mall in KL MidTown, as such we expect gearing levels to stretch moderately in the next 1 to 2 years. The higher minimum wage, hike in government worker salaries and resilient consumer spending should be supportive of retail spending.

AEON CO (M) BHD

MYRmn (FYE Dec)	FY20	FY21	FY22	FY23	FY24
Revenue	4,051	3,630	4,141	4,129	4,262
EBITDA	258	264	318	278	284
Interest Expense	149	130	115	106	96
Net Income	41	85	111	115	128
CFO	251	574	597	538	559
FCF	206	541	483	161	317
Capex	-46	-33	-114	-377	-243
Cash in Bank	71	194	237	100	371
Total Debt	3,164	2,793	2,277	2,044	2,307
Total Asset	6,093	5,863	5,426	5,224	5,635
Total Equity	1,671	1,743	1,807	1,859	1,937
Net Margin	1%	2%	3%	3%	3%
ROE*	2%	5%	6%	6%	7%
Debt/Equity	1.89	1.60	1.26	1.10	1.19
Net Debt/Equity	1.85	1.49	1.13	1.05	1.00
CFO/Interest expense (x)	1.7	4.4	5.2	5.1	5.8
EBITDA/Interest expense (x)	1.7	2.0	2.8	2.6	3.0
CFO/Debt Service (x) ***	0.5	1.4	1.7	1.7	1.7
EBITDA/Debt Service (x) ***	0.6	0.6	0.9	0.9	0.9

* Non-annual income statement and cash flow items are annualized

** Debt service is interest expense plus 10% of total debt

Source: Bloomberg, RHB Economics and Market Strategy

- ◆ **MYR Bond: (19/2/25) We are Outperform on UDA Holdings Bhd (AA-) given its attractive value, moderate gearing levels and implicit government support.** The company's full ownership by the Minister of Finance and the alignment of socioeconomic objectives with the government forms the basis for its two-notch rating uplift by the rating agency. UDA has in the past received equity and grants from the federal and state governments to facilitate real estate developments. Valuation wise, we believe the MTM value looks attractive with the 3YR offering YTM of close to 4.50% ([Read here](#)).
- ◆ **SGD Bond: (4/2/25) The lack of impetus for issuances from banks suggests SGD corporate bond yields should remain compressed in the near-to-medium term.** Bank issuances could remain tepid as the falling loan-to-deposit ratio (From 84.6% at Aug-2021 to 68.4% at Dec-2024) suggest no urgency for banks to raise capital via bonds ([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	3.449	3.30	15	-0.3	-1.4	0.5	-1.2	-3.2
MGS 5YR	3.597	3.50	10	-0.1	-1.9	-1.6	0.3	-2.7
MGS 7YR	3.753	3.60	15	-0.3	-1.4	-2.6	-1.2	-0.8
MGS 10YR	3.793	3.75	4	-0.1	-0.7	-2.0	-1.2	-1.7
MGS 15YR	3.960	3.90	6	-0.2	-0.8	-1.1	2.9	-0.9
MGS 20YR	4.064	4.05	1	-0.2	-0.6	0.5	0.4	0.0
MGS 30YR	4.179	4.15	3	0.0	-0.6	-0.1	0.1	-0.4
AAA 3YR	3.833	3.60	23	0.6	0.2	-0.4	1.8	0.3
AAA 10YR	4.039	4.07	-3	0.1	-0.4	-1.1	-3.8	-2.6
AAA 15YR	4.132	4.20	-7	0.4	-0.2	-0.9	-4.5	-3.5
AA 3YR	4.032	3.90	13	2.3	0.1	2.3	3.4	1.8
AA 10YR	4.209	4.40	-19	-0.3	-0.2	-1.2	-4.7	-3.0
AA 15YR	4.328	4.60	-27	-0.5	0.0	-1.2	-4.9	-3.3
A 3YR	4.799	4.90	-10	-2.5	0.0	-3.4	-12.6	-5.8
A 10YR	5.364	5.60	-24	-3.3	-0.6	-6.8	-24.6	-19.5
A 15YR	5.678	6.00	-32	-2.3	-0.4	-6.1	-24.0	-20.1

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 1/2022 3.582% 15.07.2032	742	3.751	3.754	0
MGS 1/2015 3.955% 15.09.2025	581	3.181	3.164	2
GII MURABAAH 3/2015 4.245% 30.09.2030	580	3.671	3.685	-1
GII MURABAAH 2/2025 3.635% 30.08.2030	508	3.633	3.640	-1
GII MURABAAH 1/2023 3.599% 31.07.2028	348	3.556	3.553	0
MGS 3/2007 3.502% 31.05.2027	267	3.426	3.431	0
GII MURABAAH 2/2024 3.804% 08.10.2031	256	3.754	3.754	0
MGS 2/2024 4.180% 16.05.2044	181	4.059	4.064	0
GII MURABAAH 3/2016 4.070% 30.09.2026	161	3.356	3.357	0
MGS 2/2020 2.632% 15.04.2031	153	3.753	3.751	0

Quasi-Govt

Name	Traded Amount (MYRmn)	Last Traded Yield	Previous Traded Yield	Δ Bps
PLUS BERHAD IMTN 5.000% 31.12.2038 - Series 2	145	3.955	4.029	-7
PASB IMTN 4.300% 03.06.2026 - Issue No. 40	20	3.670	3.711	-4
PLUS BERHAD IMTN 4.891% 11.01.2036 -Sukuk PLUS T27	15	3.933	3.993	-6
PLUS BERHAD IMTN 4.954% 12.01.2037 -Sukuk PLUS T28	15	3.969	3.980	-1
DANAINFRA IMTN 4.160% 18.03.2044	10	4.079	4.093	-1
LPPSA IMTN 4.040% 18.04.2040 - Tranche No 82	10	4.006	3.990	2
PLUS BERHAD IMTN 4.800% 12.01.2027 -Sukuk PLUS T5	10	3.694	3.805	-11
PRASARANA IMTN 4.97% 26.02.2036 - Series 10	10	3.877	3.969	-9
LPPSA IMTN 3.340% 01.09.2028 - Tranche No 54	5	3.576	3.597	-2
PLUS BERHAD IMTN 4.960% 12.01.2029 -Sukuk PLUS T7	5	3.803	3.883	-8

Corporate

Name	Traded Amount (MYRmn)	Last Traded Yield	Previous Traded Yield	Δ Bps
PSEP IMTN 3.800% 17.03.2028	40	3.698	3.723	-2
UEMS IMTN 4.040% 23.08.2033	30	4.009	4.039	-3
UEMS IMTN 4.840% 14.02.2034	30	4.023	4.038	-2
AEON CREDIT SENIOR SUKUK (SERIES 1 TRANCHE 1)	20	3.794	3.829	-4
IJM IMTN 4.760% 10.04.2029	20	3.837	3.800	4
WESTPORTS IMTN 4.290% 13.05.2039	20	4.039	4.049	-1
SCC IMTN 25.01.2027	13	3.782	3.808	-3
ALR IMTN TRANCHE 4 13.10.2027	10	3.807	3.754	5
BGSM MGMT IMTN 4.100% 20.06.2034 - Issue No 30	10	3.979	3.998	-2
BGSM MGMT IMTN 5.350% 09.03.2026 - Issue No 11	10	3.717	3.746	-3

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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