07 March 2024

Global Economics & Market Strategy

MYR Bond: PMAH change to Market Perform

- **MYR Bond: We are changing Press Metal Aluminium Holdings Berhad (PMAH) (AA2) to Market perform from Outperform as yields have compressed considerably since our initial coverage in May-23.** In FY23, net profit fell 13.7% YoY as the average market price for aluminium declined. LME aluminium in 2023 fell 16% YoY to an average of USD2,261/MT, while alumina prices fell 5% to USD344/MT. In 4Q23, revenue rose 2.7% QoQ, while core net profit rose 8% QoQ due to better contributions from associates (+8% QoQ, +78% YoY) and lower costs in raw material (alumina and carbon anode). FY23 debt-to-equity ratio improved to 0.55x from 0.64x in FY22 as its cash balances and cash flow from operations (CFO) rose to MYR1.23bn and MYR2.57bn from MYR604mn and MYR1.83bn, respectively.
- **US Treasuries (UST) yields fell across the curve as Fed Chair Powell said in his testimony to the congress that given the strength of the US economy, there is no urgency in cutting rates and that it would be appropriate to cut rates at some point this year.** Furthermore, Minneapolis Fed President Kashkari said that he expects the Fed to cut rates two times or just once in 2024. The 2YR/10YR/30YR UST yields moved by -0.4bps/-4.9bps/-5.2bps, respectively.
- ***Malaysia Bond Wrap:* Malaysian Corporate Bonds** traded with a volume of MYR773mn on the previous trading day, lower than MYR1,434mn the trading day before. The top traded bond was **PRASARANA 4.11% 8/36** with MYR80mn traded. **Government Bond Index** increased 0.04% with a traded volume of MYR3,671mn, higher compared to MYR3,438mn the previous trading day before. The top traded bond was **MGS 4.498% 4/30** with MYR516mn traded.
- **Key Events – Thursday**: ECB policy rate, Malaysia policy rate and foreign reserves, US Jan Trade (a primer for Asia export recovery) | **Friday**: US Feb Non-farm payrolls and unemployment rate **| Saturday:** China Feb CPI

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Fixed Income Return Snapshot

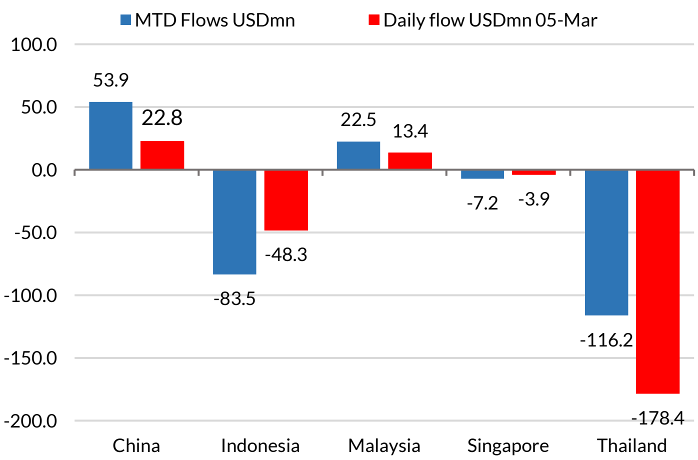
	1D% Δ	7D% Δ	1M% Δ
MGS 10YR	0.08	0.29	-0.21
MYR Govt Bond	0.04	0.27	0.30
US Treasuries	0.16	1.04	0.64
Global Bond	0.28	1.15	1.14
AxJ IG Bond	0.09	0.65	0.74

10-Year Yields (%)

	6-Mar	1D bps Δ	7D bps Δ
China	2.265	-5.2	-7.3
Indonesia	6.632	-0.8	4.2
Japan	0.711	0.9	1.7
Malaysia	3.840	-0.4	-3.8
Singapore	3.036	-2.7	-8.1
Thailand	2.538	-0.9	-1.6
US	4.104	-4.9	-16.1
MYR AAA	4.112	0.0	0.3
MYR AA	4.335	0.0	2.1
MYR A	5.856	0.0	-4.1

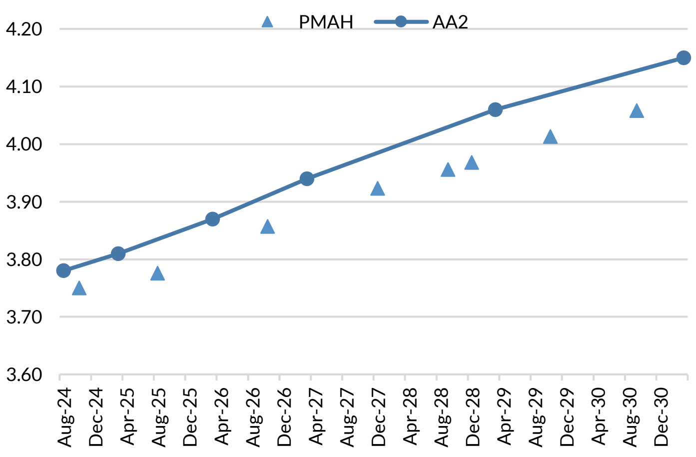
Source: Bloomberg, RHB Economics & Market Strategy.

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: PMAH pickup yields are compressed compared to its AA2 peers



Source: BNM, Internal Calculations, RHB Economics & Market Strategy.

Corporate Bond Idea

- **MYR Bond:** (7/3/24) **We are changing Press Metal Aluminium Holdings Berhad (PMAH) (AA2) to Market perform from Outperform as yields have compressed considerably since our initial coverage in May-23.** PMAH is in the business of extrusion and smelting aluminium and has total annual extrusion capacity of 370k MT in Malaysia and China.

  In FY23, net profit fell 13.7% YoY as the average market price for aluminium declined. LME aluminium in 2023 fell 16% YoY to an average of USD2,261/MT, while alumina prices fell 5% to USD344/MT. In 4Q23, revenue rose 2.7% QoQ, while core net profit rose 8% QoQ due to better contributions from associates (+8% QoQ, +78% YoY) and lower costs in raw material (alumina and carbon anode). FY23 debt-to-equity ratio improved to 0.55x from 0.64x in FY22 as its cash balances and CFO rose to MYR1.23bn and MYR2.57bn from MYR604mn and MYR1.83bn, respectively.

PRESS METAL ALUMINIUM HOLDINGS BHD

MYRmn (FYE Dec)	FY19	FY20	FY21	FY22	FY23
Revenue	8,805	7,476	10,995	15,683	13,803
EBITDA	823	811	1,526	2,009	1,670
Interest Expense	204	181	171	242	218
Net Income	474	460	1,002	1,407	1,214
CFO	1,287	1,193	222	1,831	2,573
FCF	550	40	-827	1,173	1,871
Capex	-737	-1,152	-1,049	-657	-702
Cash in Bank	364	692	459	604	1,228
Total Debt	3,861	5,148	6,370	5,093	4,609
Total Asset	9,661	11,934	14,211	15,316	15,320
Total Equity	4,480	4,890	4,920	8,005	8,384
Net Margin	5%	6%	9%	9%	9%
ROE*	11%	9%	20%	18%	14%
Debt/Equity	0.86	1.05	1.29	0.64	0.55
Net Debt/Equity	0.78	0.91	1.20	0.56	0.40
CFO/Interest	6.3	6.6	1.3	7.6	11.8
EBITDA/Interest	4.0	4.5	8.9	8.3	7.7
CFO/Debt Service* **	2.2	1.7	0.3	2.4	3.8
EBITDA/Debt Service* **	1.4	1.2	1.9	2.7	2.5

* Non-annual income statement and cash flow are annualized

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

Source: Bloomberg, RHB Economics and Market Strategy

- **MYR Bond:** (5/3/24) **Maintain Market perform on Sime Darby Property Berhad** (SDP) (AA+**) as its strong credit metrics is reflected in its tight pick-up yields against its peers.** SDP is a property developer with decades of experience in developing townships. The property developer has ample landbank at over 13k acres, mainly in Klang Valley and Negeri Sembilan. Currently, it has over 20 developments and active townships. PNB is SDP's largest shareholder with 58% holdings, followed by EPF and KWAP at 7.1% and 6.5% holdings respectively.

  In FY23, net profit rose 29% YoY mainly due to strong sales seen in both its industrial and residential sector. Better efficiency in marketing, sales and steady expenses contributed to better margin. Revenue increased 25% YoY due to one-off land sales in Kedah and Negeri Sembilan. Unbilled sales were little changed at MYR3.6bn versus MYR3.7bn in FY22. In 4Q23, unsold inventory decreased to MYR243.4mn from MYR283.3mn in 3Q23, while take up rate of its properties rose to 80% from 4Q23 vs 70% in 3Q23. SDP's net debt-to-equity ratio remains stable at 0.23x. We expect the company's property sales to remain encouraging.

- **SGD Bond:** (29/2/24) **We are Outperform on Nanyang Technological University (NTU) (Aaa) given the better relative value (vs NUS), prudent financial management and the expected extraordinary financial support from the state due to their strong operational and policy interlinkages.** NTU is one of Singapore's largest universities that is highly ranked worldwide with over 34k undergraduate and postgraduate students. The university has strong linkages to the government as the Board of Trustees also have positions in the public sector and government-linked entities. Moreover, the members of the Board of Trustees can be removed and appointed by the Minister of Education under the Nanyang Technological University (Corporatisation) Act of 2005. The government is NTU's important source of funding with it received through three main grants programs – operating grants, research grants and development grants.

In FY23, the state-owned university recorded net loss of SGD20mn mainly due to higher expenditure from manpower expenditure and other expenses that grew 6.0% and 23.6% YoY, respectively. Meanwhile, tuition & other student-related income rose and research & grants rose 5.4% and 35% YoY, respectively. Undergraduate and post-graduate students continued to grow at 0.8% and 14.1%, respectively. Debt-to-equity remains low at 0.13x, while its cash holdings remains high at SGD5,778 which will provide sufficient buffer for its substantial debt coverage and operations. NTU 10/36 also offers a slightly better 7bps pickup compared to NUS 3/33 albeit at a longer duration.

- The complete list of our bond coverage can be found here.

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	3.467	3.30	17	-1.7	-3.3	7.1	0.1	-0.3
MGS 5YR	3.557	3.50	6	-1.2	-3.7	-1.1	-0.9	-1.4
MGS 7YR	3.767	3.60	17	-1.1	-2.5	0.5	3.2	4.5
MGS 10YR	3.840	3.75	9	-0.4	-3.8	2.9	11.1	10.9
MGS 15YR	3.974	3.90	7	-0.3	-4.6	-1.8	0.0	-1.7
MGS 20YR	4.075	4.05	3	-1.0	-2.1	0.2	-5.2	-2.7
MGS 30YR	4.190	4.13	6	-0.8	-2.6	-1.7	-5.6	-5.7
AAA 3YR	3.828	3.90	-7	0.0	0.1	1.9	-13.3	-2.3
AAA 10YR	4.112	4.40	-29	0.0	0.3	0.0	-21.0	-6.9
AAA 15YR	4.247	4.55	-30	0.0	2.3	-0.5	-24.4	-8.8
AA 3YR	4.023	4.10	-8	0.0	1.0	1.3	-11.6	-1.7
AA 10YR	4.335	4.60	-27	0.0	2.1	3.1	-19.7	-7.8
AA 15YR	4.547	4.75	-20	0.0	2.5	1.0	-18.4	-6.6
A 3YR	5.105	5.05	6	0.0	0.2	-5.9	-16.4	-13.3
A 10YR	5.856	6.26	-40	0.0	-4.1	-5.3	-15.8	-20.4
A 15YR	6.290	6.78	-49	0.0	-5.1	-8.9	-21.3	-21.3

Source: BNM, Bloomberg, RHB Economics & Market Strategy

Daily Top 10 Trade (Previous Trading Day)

Government Bonds

Name	Traded Amount (MYR 'm)	Last Traded Yield	Previous Traded Yield	Δ Bps
MGS 3/2018 4.642% 07.11.2033	318	3.839	3.849	-1
MGS 2/2019 3.885% 15.08.2029	302	3.625	3.64	-2
MGS 3/2007 3.502% 31.05.2027	300	3.461	3.488	-3
MGS 2/2023 3.519% 20.04.2028	210	3.555	3.565	-1
GII MURABAHAH 1/2023 3.599% 31.07.2028	204	3.586	3.623	-4
MGS 2/2020 2.632% 15.04.2031	196	3.755	3.781	-3
GII MURABAHAH 3/2015 4.245% 30.09.2030	155	3.763	3.776	-1
MGS 3/2010 4.498% 15.04.2030	140	3.743	3.755	-1
MGS 1/2015 3.955% 15.09.2025	136	3.366	3.343	2
MGS 5/2013 3.733% 15.06.2028	130	3.559	3.559	0

Quasi-Government Bonds

Name	Traded Amount (MYR 'm)	Last Traded Yield	Previous Traded Yield	Δ Bps
PRASARANA IMTN 4.110% 27.08.2036 (Series 3)	80	3.972	3.999	-3
PRASARANA IMTN 0% 28.09.2029 - MTN 2	70	3.677	3.692	-2
LPPSA IMTN 4.810% 23.08.2052 - Tranche No 70	50	4.229	4.259	-3
TPSB IMTN 4.360% 19.11.2032 - Tranche No 4	40	3.938	3.951	-1
DANAINFRA IMTN 3.900% 24.09.2049 - Tranche 16	20	4.209	4.481	-27
LPPSA IMTN 4.580% 01.09.2051 - Tranche No 61	20	4.239	4.384	-15
PRASARANA IMTN 3.800% 25.02.2050- Series 5	20	4.219	4.237	-2
PRASARANA IMTN 4.380% 12.03.2031 - Tranche 4	20	3.829	3.819	1
DANAINFRA IMTN 4.460% 18.08.2037 - Tranche No 124	10	3.989	4.030	-4
PASB IMTN (GG) 4.150% 6.2.2026 - Issue No. 36	10	3.417	3.700	-28

Corporate Bonds

Name	Traded Amount (MYR 'm)	Last Traded Yield	Previous Traded Yield	Δ Bps
PSEP IMTN 5.080% 11.11.2027 (Tr2 Sr1)	30	3.774	4.009	-24
TENAGA IMTN 27.08.2038	30	4.059	4.049	1
YHB IMTN 02.11.2122	24	7.020	-	-
IMTIAZ II IMTN 4.770% 11.05.2029	20	4.043	4.058	-1
INTI MTN 1827D 02.11.2028	20	4.238	4.238	0
OSK RATED IMTN 4.520% 30.04.2031 (Series 003)	20	4.038	4.039	0
PSEP IMTN 4.100% 19.03.2031	20	3.939	3.949	-1
TM TECH IMTN 31.10.2028	20	3.817	4.164	-35
AISL IMTN 08.03.2032	10	3.986	4.010	-2
GAMUDA IMTN 4.310% 20.06.2030	10	3.959	4.000	-4

Source: BPAM, RHB Economic & Market Strategy

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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