

19 February 2025

## Global Economics & Market Strategy

### Outperform on UDA (AA-)

- ◆ **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. Although historical earnings and cash flow generation has been volatile, gearing levels remains modest for now. Valuation wise, we believe the MTM value looks attractive with the 3YR offering YTM of close to 4.50%.
- ◆ **Malaysia:** Total government securities volume stood at MYR5,363mn with the top traded stock **GII 3.804% 10/31** with MYR490mn traded. The implied 10YR MGS yield movement today is +0.67bps, given the trailing 30-day beta of 0.09\* against UST 10YR futures (+7.4bps). Bid-ask spreads were mostly lower (Figure 3). The 30-day 10YR MGS/UST correlation was higher at 0.76. Corporate Bonds volume traded was MYR1,321mn, with the top traded stock **Cagamas 3.78% 3/25** with a volume of MYR435mn. \*Every 1 bps move in 10YR UST yield implies a 0.09bps move in 10YR MGS
- ◆ **US Treasuries (UST):** Treasury yields traded higher as corporate bond issuances spiked and oil price increased. Yields were higher on Tuesday after a long weekend with the influx of cheaper European bond supply as well as 17 investment-grade corporate bond issuances which amounts to USD30bn. Traders will now look ahead to two long-end Treasury auctions of 20YR and 30YR. Yields were also supported by the rise of WTI futures by 1.6%. UST yields for the 2YR/10YR/20YR moved by +4.7bps/+7.4bps/+7.1bps at the time of writing.
- ◆ **Key Events - Wednesday:** China Jan home prices, Bank Indonesia policy rate, UK Jan CPI | **Thursday:** Malaysia Jan trade, FOMC Minutes and US jobless claims | **Friday:** Japan Jan National CPI, Malaysia Jan CPI, US Feb consumer sentiment

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#### Fixed Income Return Snapshot

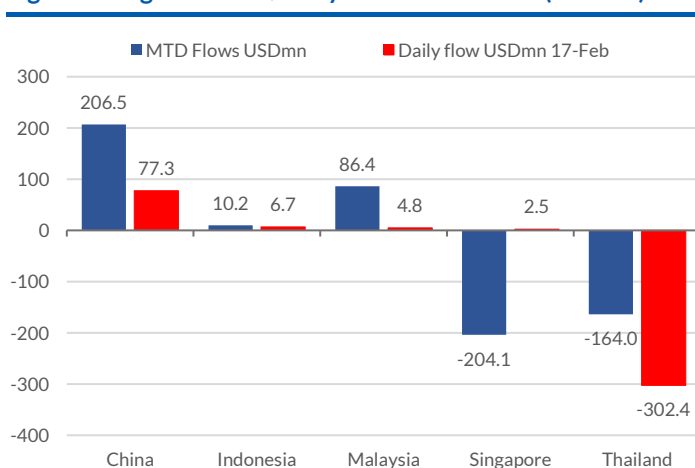
	1D Δ (%)	7D Δ (%)	1M Δ (%)
MGS 10YR	-0.11	0.12	0.15
MYR Govt Bond	0.02	0.11	0.40
US Treasuries	-0.36	-0.06	0.67
Global Bond	-0.31	0.36	1.51
AxJ IG Bond	-0.10	0.17	0.96

#### 2YR and 10YR Yields (%)

	18-Feb	1D bps Δ	7D bps Δ
China 2YR	1.396	2.4	11.5
China 10YR	1.704	1.6	8.3
Indonesia 2YR	6.429	-4.7	-11.5
Indonesia 10YR	6.753	-0.8	-5.4
Japan 2YR	0.819	1.4	2.5
Japan 10YR	1.425	3.8	11.4
Malaysia 3YR	3.455	-0.6	-1.4
Malaysia 10YR	3.798	-0.9	-1.4
Singapore 2YR	2.741	1.1	-2.1
Singapore 10YR	2.857	3.1	1.5
Thailand 2YR	2.044	-0.6	0.9
Thailand 10YR	2.293	-1.2	1.8
US 2YR	4.308	4.7	2.2
US 10YR	4.551	7.4	1.5
MYR AAA 10YR	4.044	0.4	0.2
MYR AA 10YR	4.216	0.5	0.3
MYR A 10YR	5.416	-0.9	-0.9

Source: Bloomberg, RHB Economics &amp; Market Strategy.

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



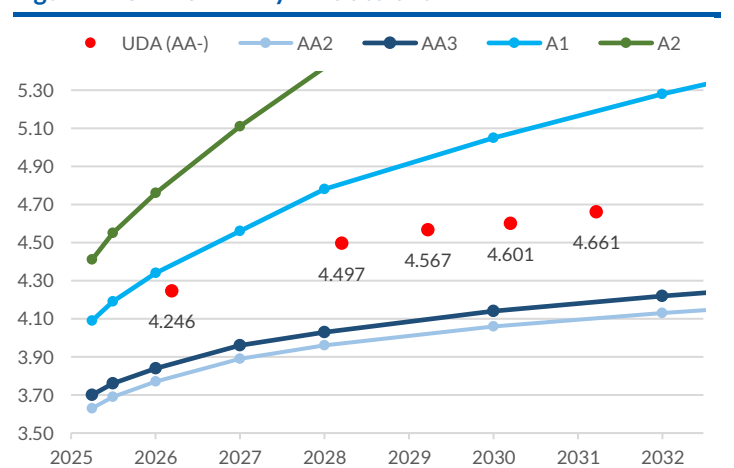
Source: EPFR, RHB Economics &amp; Market Strategy.

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)

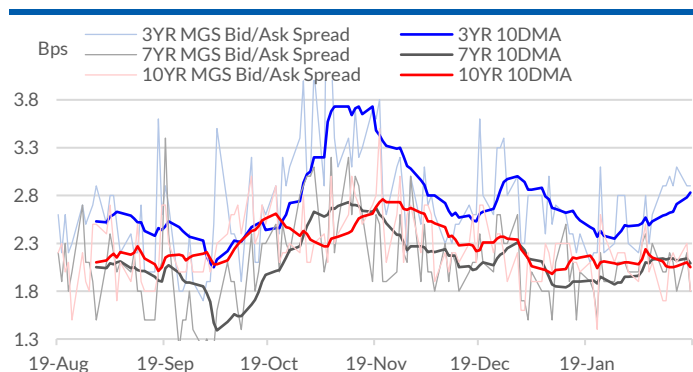
Figure 2: UDA's MTM yields attractive



Source: BPAM, RHB Economics &amp; Market Strategy.

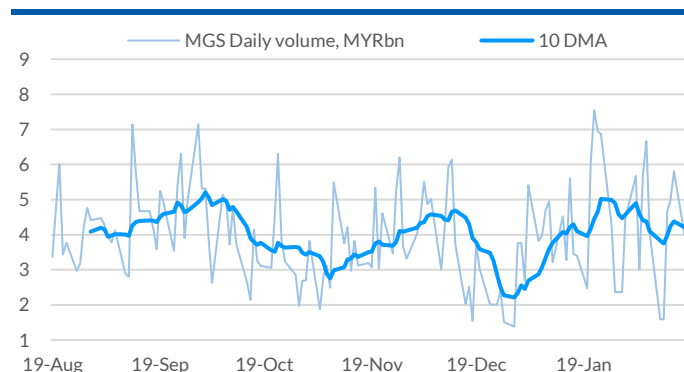
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Figure 3: Bid-ask spreads of key benchmarks



Source: Bloomberg, RHB Economics &amp; Market Strategy.

Figure 4: Daily MGS/GII Volume



Source: Bloomberg, RHB Economics &amp; Market Strategy.

## Trading Ideas

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FYE December 31	1H2024 <sup>^</sup>	1H2023 <sup>^</sup>	2023	2022	2021	2020	2019
Revenue (RM million)	203.2	181.1	401.3	520.0	295.8	324.8	558.9
Operating profit/loss (RM million)	(26.7)	(28.2)	62.7	294.4	(21.0)	1.4	81.6
Profit/loss before tax (RM million)	(9.9)	(10.5)	40.9	280.0	276.0*	27.5	223.9**
Operating profit/loss margin (%)	(13.1)	(15.6)	15.5	55.3	(7.1)	0.4	14.6
CFO (RM million)	(108.7)	(84.4)	60.5	(115.8)	(170.8)	(59.7)	(71.7)
CFO interest coverage (x)	n.m.	n.m.	2.3	n.m.	n.m.	n.m.	n.m.
FCF (RM million)	(124.5)	(114.6)	(42.0)	(202.9)	(179.8)	(76.7)	(98.2)
Total borrowings (RM million)	1,025.7	1,026.5	703.8	586.0	414.4	487.8	500.0
Shareholders' equity (RM million)	3,069.5	2,881.0	3,084.6	2,893.8	2,624.4	2,401.6	2,403.7
Cash and bank balances (RM million)	543.9	708.0	548.8	386.9	372.3	306.7	433.6
DE ratio (x)	0.33	0.36	0.23	0.20	0.16	0.20	0.21

<sup>^</sup> Unaudited

\* Includes a one-off gain from the disposal of the BB Plaza building amounting to RM299.2 million

\*\* Includes a one-off gain from the disposal of 51.0% shares in Tropical Island Resort Sdn Bhd amounting to RM105.0 million

FCF – Free cash flow

n.m. – not meaningful

Source: MARC, RHB Economics &amp; Market Strategy.

- ◆ **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](#)).
- ◆ **MYR Bond: (22/1/25)** In the banking sector, we think Alliance Bank's (ABMB, A1, positive) subordinated (A2) medium term notes (MTN) offer attractive relative value. We opine that ABMB's subordinated A2 MTNs offer attractive relative value to peers within the sub MYR100bn total asset. The bank saw an improvement in its key financial metrics as of Sep-2024 and is on track for an 8%-10% loan growth for FY2024 ([Read here](#)).
- ◆ **MYR Bond: (15/1/25)** In the automotive sector, we recommend switching from PONS Capital (Market Perform) to APM Automotive Holdings (Outperform) for 40bps to 50bps pickup. We think APM's (AA2) notable spread over PONS (AA2) should compensate for the former's lower trading liquidity and the smaller business footprint ([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	3.455	3.30	16	-0.6	-1.4	-0.4	-2.0	-2.6
MGS 5YR	3.617	3.50	12	0.0	-0.1	-0.2	1.3	-0.7
MGS 7YR	3.769	3.60	17	-0.8	-1.3	-2.3	-0.5	0.8
MGS 10YR	3.798	3.75	5	-0.9	-1.4	-2.5	-2.4	-1.2
MGS 15YR	3.968	3.90	7	-0.1	-0.2	0.4	2.5	-0.1
MGS 20YR	4.067	4.05	2	0.5	1.1	1.0	0.1	0.3
MGS 30YR	4.187	4.15	4	-0.1	0.0	0.8	0.6	0.4
AAA 3YR	3.831	3.60	23	0.3	0.3	-1.0	-1.2	0.1
AAA 10YR	4.044	4.07	-3	0.4	0.2	-2.7	-4.8	-2.1
AAA 15YR	4.138	4.20	-6	0.7	0.6	-2.9	-6.2	-2.9
AA 3YR	4.031	3.90	13	2.2	2.0	1.4	1.3	1.7
AA 10YR	4.216	4.40	-18	0.5	0.3	-2.3	-5.1	-2.3
AA 15YR	4.335	4.60	-27	0.4	0.4	-2.6	-5.5	-2.6
A 3YR	4.830	4.90	-7	-0.5	-0.6	-0.5	-7.6	-2.7
A 10YR	5.416	5.60	-18	-0.9	-0.9	-5.3	-25.0	-14.3
A 15YR	5.745	6.00	-26	1.6	1.1	-4.1	-29.9	-13.4

Source: Bloomberg, RHB Economic &amp; 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
GII MURABAH 2/2024 3.804% 08.10.2031	490	3.773	3.776	0
MGS 2/2020 2.632% 15.04.2031	443	3.767	3.761	1
MGS 1/2015 3.955% 15.09.2025	429	3.174	3.162	1
MGS 1/2018 3.882% 14.03.2025	320	3.201	3.228	-3
MGS 1/2022 3.582% 15.07.2032	295	3.767	3.770	0
MGS 4/2018 4.893% 08.06.2038	224	3.954	3.971	-2
GII MURABAH 3/2019 3.726% 31.03.2026	200	3.302	3.307	0
GII MURABAH 5/2013 4.582% 30.08.2033	190	3.802	3.805	0
GII MURABAH 3/2015 4.245% 30.09.2030	180	3.707	3.701	1
GII MURABAH 1/2022 4.193% 07.10.2032	170	3.789	3.795	-1

## Quasi-Govt

Name	Traded Amount (MYRmn)	Last Traded Yield	Previous Traded Yield	Δ Bps
CAGAMAS MTN 3.780% 28.3.2025	435	3.484	3.303	18
PTPTN IMTN 4.110% 07.03.2039 (Series 15)	80	3.975	3.979	0
DANAINFRA IMTN 4.930% 24.07.2034 - Tranche No 23	60	3.834	3.879	-4
PRASARANA SUKUK MURABAH 4.00% 06.09.2027 - T2	50	3.547	3.631	-8
PTPTN IMTN 4.580% 28.02.2034	50	3.839	3.839	0
DANAINFRA IMTN 4.800% 25.11.2033 - Tranche No 82	40	3.823	3.965	-14
MRL IMTN 4.410% 23.07.2041	40	4.038	4.099	-6
PRASARANA IMTN 4.58% 29.08.2028 - Tranche 2	40	3.599	3.704	-11
PTPTN IMTN 4.030% 07.03.2036 (Series 14)	40	3.872	3.894	-2
PTPTN IMTN 4.170% 10.03.2036	40	3.872	3.901	-3

## Corporate

Name	Traded Amount (MYRmn)	Last Traded Yield	Previous Traded Yield	Δ Bps
KLK IMTN 3.95% 27.09.2034 - Tranche 2	30	3.999	4.019	-2
MBSBBANK IMTN 5.250% 19.12.2031	30	4.020	4.016	0
AIBB IMTN7 SENIOR SUKUK MURABAH	20	3.869	3.887	-2
JOHOR PLANT IMTN 4.040% 26.09.2034	20	3.959	3.992	-3
MAYBANK IMTN 3.410% 05.08.2031	20	3.807	3.821	-1
TENAGA IMTN 5.570% 28.06.2047	20	4.140	4.159	-2
IJM IMTN 5.050% 18.08.2028	10	3.807	3.844	-4
ISLAM IMTN 4.130% 15.07.2031 (Tranche 6 Series 2)	10	3.956	3.978	-2
ISLAM PERP SUKUK WAKALAH T2S1 4.580% 01.10.2123	10	4.106	4.168	-6
MAHB IMTN 3.600% 06.11.2030 - Tranche 4	10	3.817	3.898	-8

Source: BPAM, RHB Economic &amp; 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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