

Fixed Income Weekly

BI Hike Unlikely to Alter BNM Rate Path

Both IDR and IndoGB came under pressure, prompting a surprise BI rate hike as earlier measures were insufficient to curb rising USDIDR, but premature to extrapolate series of hikes ahead as additional increase is likely FX-dependent. BNM is unlikely to follow suit as the effectiveness of using rate hike to defend currency is debatable; on a trade-weighted basis the Ringgit NEER has weakened but remains above late-May/June levels. This week, we expect about 2x BTC for 7y MGS auction; the cut-off level may flatten 7y10y to zero or a small inversion if UST weakness persists.

ASEAN+ Rates

Malaysia: MGS yields rose 5-15bp WoW, continuing to trade on a low beta vs. UST which saw 10y UST yields surging to a high of 4.99% before retracing slightly to 4.91%. The 10y MGS-UST spread widened to -80bp from -58bp in prior week; the negative spread went wider at more than -100bp pre-GFC. The 7y benchmark MGS cheapened the most by 15bp last week in anticipation of the 4/30 reopening this morning. Auction size is MYR5b without private placement. We expect a BTC of around 2x. The MGS 7y10y spread has narrowed to 4bp and we reckon the auction cut-off yield could flatten the 7y10y curve to zero or a small inversion, not uncommon when new supply causes segmented pressures in a bearish environment. While spillovers from the UST rout is inevitable, local bond sentiment remained largely stable with the 10y GII 8/33 holding surprisingly resilient only 1bp above the cut-off level in the auction earlier this month even though the 10y UST yield has since jumped by c.40bp and the Ringgit continued to weaken vs. the USD with USDMYR nearing all-time high. BI surprised with a rate hike last week to support the Rupiah, but we don't expect BNM to follow suit as the effectiveness of using rate hike to defend currency is debatable and we think a 25bp or even 50bp hike doesn't move the needle given the very wide rate differential. On a trade weighted basis, the BIS Ringgit nominal effective exchange rate (NEER) has trended slightly lower recently but remains above the levels in late May and June when the sudden and persistent weakness prompted the release of statements by the FMC and BNM to instill market confidence and likely increased FX interventions. On economic data, Malaysia's exports saw smaller declines at -13.7% YoY in September (Aug: -18.7%) while trade surplus rose to MYR24.5b (Aug: 17.2b); E&E exports improved to -5.3% YoY (Aug: -15.5%). Meanwhile, Malaysia's headline CPI eased to 1.9% in September (Aug: 2%) while core CPI was unchanged at 2.5% YoY (Aug: 2.5%) as services inflation softened further to 2.6% YoY (Aug: 2.7%). But our economic research has revised up the 2024 headline CPI forecast to 3% from 2.5% due to upside risks from the Budget 2024 measures that include subsidy rationalisation and service tax hike from 6% to 8%.

Indonesia: BI surprised with a 25bp hike to 6.00% at the policy meeting last week, against ours and consensus expectation of a hold. This marks the first increase after holding rate unchanged for 8 consecutive meetings since Feb in an attempt to support Rupiah stability. With still two meetings left, additional or a back-to-back hike in November is possible, but likely FX-dependent and we think it is premature to conclude that BI is set to deliver successive hikes when the Fed is at/very near peak rate although there remains upside risk to UST yields at the long-end. We assume no hike at the next meeting but will reassess again closer to the meeting date. Earlier BI measures such as 1) mandating exporters of natural resources to repatriate a minimum 30% of FX proceeds onshore for at least three months from early-August and 2) the introduction of IDR-denominated SRBI to attract foreign inflows from mid-September likely haven't achieved the intended stabilization effect. Instead, the USDIDR spot had risen faster of late due to higher UST yields. The use of SRBI to attract inflows worked

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to a small extent with IDR9.8t/8.6% of the total IDR113.7t as of 17 October held by non-resident investors, but was more than offset by IDR23.2t net outflow from Rupiah bonds since mid-September. Alongside weaker Rupiah, 10y IndoGB yields have become more sensitive to UST with >90% beta and this could continue in the near term until sign of stability in the US rates market. IndoGB yields jumped 25-35bp WoW across the 5y30y, largely tracking the UST move. 10y IndoGB yield rose to 7.08%, giving back all the rally in prior week. Demand in the conventional auction last week was weaker, drawing total incoming bid of just IDR17t (3 Oct: IDR22.4t, YTD average: IDR42.8t). Not surprisingly the DMO awarded below the IDR19t target again at IDR10.2t. In the policy meeting last week, BI also announced the reduction of the Macroprudential Liquidity Buffer by 100bp for both conventional banks (6% to 5%) and Shariah banks (4.5% to 3.5%), releasing IDR80t liquidity to help banks extend loans. Meanwhile, BI will issue FX-denominated SVBI (as well as the Shariah SUVBI) which is the foreign currency version of the IDR-denominated SRBI with the objectives of deepening money market and attracting portfolio inflows to help support the Rupiah. The first SVBI auction is scheduled on 17 November.

Week Ahead: Key Data/Auction (Consensus Expectation in Bracket)

- Mon: 7y MGS Auction, Singapore CPI
- Tue: Thailand Trade, Indonesia Sukuk Auction, S&P PMIs (US, UK), 10y RPGB
- Wed: BOC Rate (Hold), 10y and 25y ThaiGB Auctions
- Thu: ECB Rate (Hold)
- Fri: US PCE Inflation

MYR Credit

Relative value: Please see Figure 5 for relative value tables.

Figure 1: MYR Credit

	Last	Change (bps)			
		1W	1M	3M	YTD
MYR Credit - Yield					
MGS 5y	3.88	10	15	29	1
MGS 10y	4.12	8	18	31	6
MGS 15y	4.31	12	15	32	2
Quasi 5y	4.00	5	16	20	(11)
Quasi 10y	4.29	7	23	28	(7)
Quasi 15y	4.42	5	18	22	(10)
AAA 5y	4.22	4	21	19	(14)
AAA 10y	4.45	5	22	23	(19)
AAA 15y	4.61	6	24	25	(25)
AA1/AA+ 5y	4.27	4	19	16	(22)
AA1/AA+ 10y	4.53	5	23	18	(29)
AA1/AA+ 15y	4.71	6	24	17	(35)
AA2/AA 5y	4.34	4	20	13	(29)
AA2/AA 10y	4.61	5	21	12	(38)
AA2/AA 15y	4.87	5	22	13	(36)
AA3/AA- 5y	4.39	4	19	9	(37)
AA3/AA- 10y	4.69	5	17	7	(46)
AA3/AA- 15y	5.04	5	19	10	(35)
MYR Credit - Spread					
Quasi 5y	12	(5)	1	(9)	(12)
Quasi 10y	17	(1)	5	(3)	(13)
Quasi 15y	12	(7)	3	(10)	(12)
AAA 5y	34	(6)	6	(10)	(15)
AAA 10y	33	(3)	4	(8)	(25)
AAA 15y	31	(6)	9	(7)	(27)
AA1/AA+ 5y	39	(6)	4	(13)	(23)
AA1/AA+ 10y	41	(3)	5	(13)	(35)
AA1/AA+ 15y	41	(6)	9	(15)	(37)
AA2/AA 5y	46	(6)	5	(16)	(30)
AA2/AA 10y	49	(3)	3	(19)	(44)
AA2/AA 15y	57	(7)	7	(19)	(38)
AA3/AA- 5y	51	(6)	4	(20)	(38)
AA3/AA- 10y	57	(3)	(1)	(24)	(52)
AA3/AA- 15y	74	(7)	4	(22)	(37)

Figure 2: UST Yield, Asia CDS & FX

	Last	Change (bps/%)			
		1W	1M	3M	YTD
UST Yield					
UST 3m	5.45	↓ (4)	(1)	4	110
UST 2y	5.07	↑ 2	(10)	23	65
UST 5y	4.86	↑ 22	27	76	85
UST 10y	4.91	↑ 30	51	106	104
UST 30y	5.08	↑ 32	63	117	111
5y CDS - EM Asia					
China	86	↑ 3	11	24	13
Indonesia	102	↑ 7	17	20	3
Korea	42	↑ 4	10	11	(11)
Malaysia	66	↑ 6	18	15	(13)
Philippines	93	↑ 7	15	15	(4)
FX - strengthen/(weaken) against USD					
CNY	7.315	↓ (0.1%)	(0.4%)	(1.9%)	(6.0%)
IDR	15873	↓ (1.2%)	(3.2%)	(5.9%)	(1.9%)
KRW	1353	↓ (0.2%)	(1.7%)	(6.6%)	(7.3%)
MYR	4.768	↓ (0.8%)	(1.7%)	(4.9%)	(8.2%)
PHP	56.83	↓ (0.0%)	(0.0%)	(4.2%)	(1.9%)
SGD	1.373	↓ (0.2%)	(0.7%)	(3.8%)	(2.5%)
THB	36.50	↓ (0.7%)	(1.3%)	(7.3%)	(5.5%)

Sources: Bloomberg, BPAM, CEIC, Maybank IBG Research

*BPAM MGS yields in this table are for comparison with PDS only as the benchmark curve may differ from BPAM levels

Figure 3: New Issue Pipeline

Issuer	Expected Rating	Amount	Tenor (years)
MYR			
Impian Ekspresi	AAA(bg)	MYR150m by MBB MYR300m by BPMB	-

Sources: Various, Maybank IBG Research' Estimate

Figure 4: Rating Change

Rating Action	Company Name	Date	Rating Type	Agency	Current Rating	Previous Rating	Country	Sector
MYR								
-	-	-	-	-	-	-	-	-

Sources: Rating Agency, Maybank IBG Research

Relative Value Analysis

Figure 5: MYR Credit

Issuer	Cpn (%)	Maturity	Tenor (Years)	Yield*	Fitted Line*	Difference* (bps)
(Tight)/Wide						
Quasi						
DanaInfra Nasional Berhad	4.37	21-Feb-25	1.3	3.56	3.76	(20)
MKD Kencana Sdn Berhad	4.43	21-Feb-25	1.3	3.73	3.76	(3)
MKD Kencana Sdn Berhad	4.47	25-Apr-25	1.5	3.75	3.77	(2)
Jambatan Kedua Sdn Berhad	4.3	28-May-25	1.6	3.67	3.77	(11)
Pengurusan Air SPV Berhad	4.56	6-Jun-25	1.6	3.71	3.77	(6)
DanaInfra Nasional Berhad	4.32	26-Nov-25	2.1	3.66	3.79	(13)
Prasarana Malaysia Berhad	4.44	3-Dec-27	4.1	3.82	3.87	(6)
PTPTN	2.77	27-Oct-28	5.0	4.00	3.91	10
LPPSA	3.85	25-Mar-31	7.4	4.10	4.00	10
MKD Kencana Sdn Berhad	4.85	1-Oct-32	8.9	4.26	4.06	20
PTPTN	4.9	21-Jan-33	9.2	4.24	4.07	17
DanaInfra Nasional Berhad	4.91	12-Nov-35	12.0	4.27	4.19	8
DanaInfra Nasional Berhad	4.1	5-May-36	12.5	4.29	4.21	8
DanaInfra Nasional Berhad	4.94	20-Oct-37	14.0	4.37	4.27	10
DanaInfra Nasional Berhad	5.1	29-Oct-38	15.0	4.32	4.31	1
DanaInfra Nasional Berhad	5.29	22-Jul-44	20.7	4.62	4.53	9
DanaInfra Nasional Berhad	5.02	3-May-46	22.5	4.59	4.60	(2)
DanaInfra Nasional Berhad	4.82	1-Apr-48	24.4	4.70	4.68	2
DanaInfra Nasional Berhad	4.7	10-Nov-51	28.0	4.50	4.82	(32)
AAA						
TM Technology Services Sdn Berhad	4.55	7-Oct-24	1.0	3.74	3.98	(24)
Danum Capital Berhad	3.07	21-Feb-25	1.3	3.83	3.99	(16)
Bakun Hydro Power Generation	4.38	11-Aug-25	1.8	3.87	4.01	(15)
Danga Capital Berhad	4.52	6-Sep-27	3.9	4.11	4.10	1
Malaysia Airport Holdings Berhad	3.3	5-Nov-27	4.0	4.12	4.11	1
Petroleum Sarawak EP	5.08	11-Nov-27	4.0	4.17	4.11	6
Projek Lebuhraya Usahasama Berhad	4.44	12-Jan-28	4.2	4.14	4.12	2
Danga Capital Berhad	2.96	25-Jan-28	4.3	4.14	4.12	2
Infracap Resources Sdn Berhad	4.12	14-Apr-28	4.5	4.25	4.13	12
TM Technology Services Sdn Berhad	4.68	31-Oct-28	5.0	4.17	4.15	2
Bakun Hydro Power Generation	4.56	10-Aug-29	5.8	4.17	4.19	(2)
Pengurusan Air SPV Berhad	4.56	31-Jan-30	6.3	4.31	4.21	10
Infracap Resources Sdn Berhad	4.4	15-Apr-31	7.5	4.45	4.26	19
Rantau Abang Capital Berhad	5	16-Jan-32	8.2	4.35	4.29	6
Sarawak Petchem Sdn Berhad	5.11	27-Jul-32	8.8	4.36	4.32	4
Danga Capital Berhad	4.94	26-Jan-33	9.3	4.31	4.34	(3)
TNB Power Generation Sdn Berhad	4.58	29-Mar-33	9.4	4.30	4.34	(5)
Johor Corporation	4.54	6-Jul-33	9.7	4.38	4.36	2
Sarawak Energy Berhad	4.27	4-Jul-33	9.7	4.34	4.36	(1)
Danga Capital Berhad	5.02	21-Sep-33	9.9	4.34	4.37	(3)
UniTapah Sdn Berhad	6.42	12-Dec-33	10.1	4.51	4.37	13
Projek Lebuhraya Usahasama Berhad	4.773	12-Jan-34	10.2	4.44	4.38	6
Projek Lebuhraya Usahasama Berhad	4.821	12-Jan-35	11.2	4.45	4.42	3
Projek Lebuhraya Usahasama Berhad	5.75	12-Jan-37	13.2	4.51	4.51	(0)
Pengurusan Air Selangor Sdn Berhad	5.28	24-Jul-37	13.7	4.52	4.53	(1)
Pengurusan Air Selangor Sdn Berhad	5.14	17-Apr-48	24.5	4.83	5.00	(17)
AA1/AA+						
Westports Malaysia Sdn Berhad	5.38	30-Apr-26	2.5	3.95	4.24	(30)
YTL Power International Berhad	5.05	3-May-27	3.5	4.28	4.28	(1)
YTL Power International Berhad	5.05	3-Sep-27	3.9	4.30	4.30	0
GENM Capital Berhad	5.3	11-Jul-28	4.7	4.82	4.33	49
YTL Power International Berhad	4.88	22-Mar-30	6.4	4.34	4.40	(6)
edotco Malaysia Sdn Berhad	4.54	9-Sep-32	8.9	4.44	4.50	(7)
YTL Power International Berhad	4.99	24-Mar-33	9.4	4.47	4.52	(6)
AA2/AA						
Press Metal Aluminium Holdings Bhd	4	15-Aug-25	1.8	4.15	4.20	(4)
Fortune Premiere Sdn Berhad	5.05	31-Oct-25	2.0	4.25	4.20	4
Bumitama Agri Ltd	4.2	22-Jul-26	2.7	4.20	4.22	(2)
SP Setia Berhad	4.3	23-Jun-26	2.7	4.30	4.22	8
SP Setia Berhad	4.41	23-Jun-28	4.7	4.35	4.27	8
Press Metal Aluminium Holdings Bhd	4.81	7-Dec-28	5.1	4.34	4.28	6
Hong Leong Financial Group Berhad	4.3	14-Jun-29	5.6	3.90	4.29	(39)
OSK Rated Bond Sdn Berhad	4.49	13-Sep-30	6.9	4.53	4.33	20
AA3/AA-						
Konsortium KAJV Sdn Bhd	5.55	13-May-25	1.5	5.01	4.74	27
UEM Sunrise Berhad	5.03	19-Sep-25	1.9	4.63	4.73	(9)
MRCB	5.19	27-Feb-26	2.3	4.99	4.71	27
UEM Sunrise Berhad	5.45	30-Jan-26	2.3	4.69	4.71	(3)
UEM Sunrise Berhad	5.39	5-Mar-26	2.4	4.71	4.71	(0)
Edra Energy Sdn Berhad	5.88	3-Jul-26	2.7	4.26	4.70	(44)
Cenergi SEA Berhad	5.3	23-Dec-26	3.2	4.79	4.68	10
MRCB	5.26	26-Feb-27	3.3	5.06	4.68	38
PONSB Capital Berhad	4.99	30-Jun-27	3.7	4.25	4.67	(42)
MRCB	4.25	13-Aug-27	3.8	5.04	4.66	38
Johor Port Berhad	5.1	4-Oct-27	3.9	4.26	4.66	(41)
Southern Power Generation	5.04	28-Apr-28	4.5	4.35	4.64	(29)
MRCB	5.09	18-Oct-28	5.0	5.10	4.62	47
PONSB Capital Berhad	4.96	28-Dec-28	5.2	4.28	4.62	(34)
MMC Port Holdings Sdn Berhad	4.83	8-Apr-32	8.5	4.59	4.51	8
Point Zone (M) Sdn Berhad	4.86	11-Mar-33	9.4	4.54	4.48	6

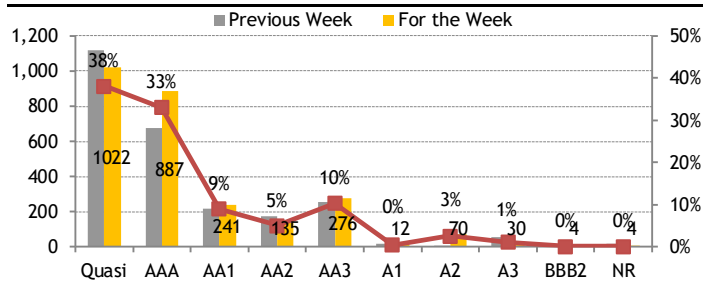
Sources: BPAM, Maybank IBG Research

*Yield = Average of end of day yield for the week under review, Fitted Line = Straight line between yield and tenor based on trades in the week by credit rating, Difference = "Yield" - "Fitted Line"; rounding difference ignored

Tenor = Remaining tenor in years rounded to one decimal point, *Exclude: 1) Financial services names, 2) bonds with optionality, 3) bonds with remaining tenor of less than 1 year, 4) volume < MYR1m

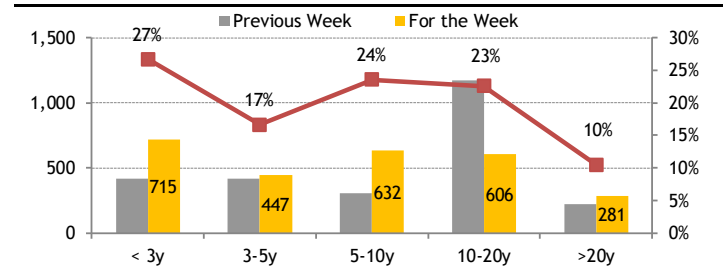
PDS Market Activity: Volumes by Rating and Tenor

Figure 6: Volume by Rating and % of Total (16-20 Oct)



Sources: BPAM, Maybank IBG Research; *Amount in MYR'm

Figure 7: Volume by Tenor and % of Total (16-20 Oct)



Sources: BPAM, Maybank IBG Research; *Amount in MYR'm

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