Monthly Fixed Income Perspective –

Aug 20 review & Sep 20 outlook

US Bond market

- **In August, US Treasuries (UST's)** reversed prior month's move and rose whilst responding to improved jobs data as fears due to resurgence of COVID-19 infections reached a plateau. The curve bear-steepened as benchmark **UST yields ended between 1-30bps higher across the curve (prior month saw yields rally between 4-21bps across the curve). T**he UST 2Y yield edged 1bps at 0.13% whilst the much-watched 10Y yield spiked 18bps at 0.71% (at the time of writing yields remain at 0.67% levels). The yield curve saw both the 2s10s and 5s30s spreads steepen by month-end to 57bps and 116bps levels.

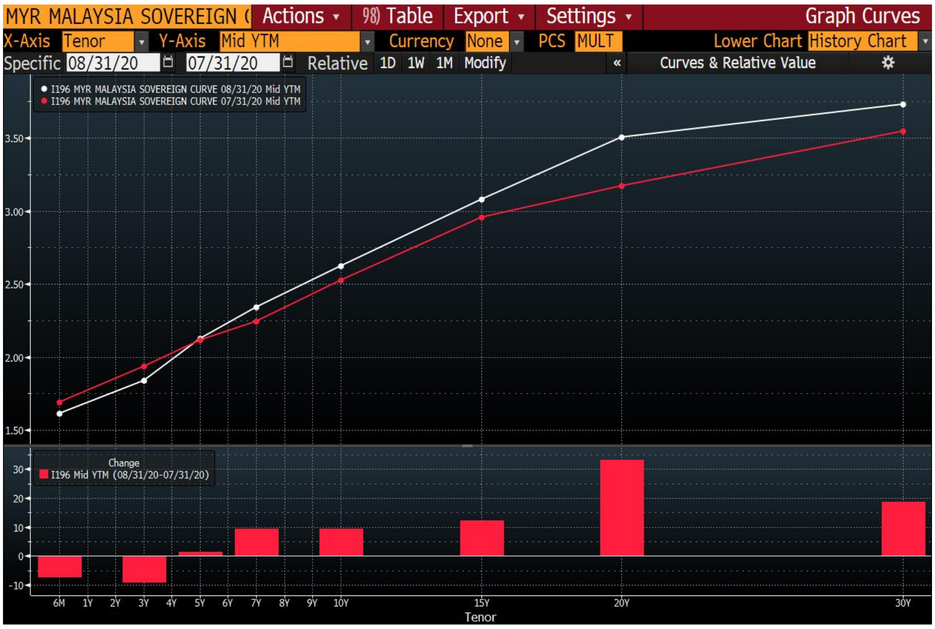
- **For September**, improvements in the labor market may cause UST's to nudge weaker as the economy continues to generate momentum in manufacturing production whilst being cognizant of the impact of ongoing COVID-19 infections. Auctions will reveal bigger-than-expected sale sizes at the longer-ends. Expect the Fed's monetary policy framework to anchor mainly the belly of the curve, with steepening pressure on the long-end due to oncoming supply. **10-year UST is still expected to range between 0.65 - 0.85%; finding support at 0.85% levels for this month.** T**he 7-10 Y tenures are reputed to offer better risk-reward posture at this juncture. Our IG bond issuances preferred remain in the 3-7Y tenures in sectors we previously recommended i.e. utilities, healthcare and telecommunications.**

MYR Bond Market

- In August, MYR govvies curve continued to steepen with **MGS/GII bonds yields closing mixed between -12 to +28bps with the front-end richer extending out to 5Y tenures.** The benchmark 5Y MGS 9/25 rose 3bps at 2.14% whilst the 10Y MGS 8/29 yields spiked 7bps at 2.55%. Foreign holdings of MYR government bonds (MGS + GII + SPK) saw a 3rd month of RM3.1b net inflows to YTD high of RM188.3b (i.e. 23.3% of net issuance outstanding). The auctions in August involving 7Y, 15Y GII and also 20Y MGS re-openings notched **weaker** appetite with BTC ratios ranging between a mere 1.42-2.05x; averaging 1.65x (previous month:2.40x).

- **For September, we expect range-trading levels with strong support on price weakness.** We opine that **a cut in OPR in November is not on the cards and BNM is expected to** maintain current monetary stance despite some cautiousness and downside risks. Some concerns may surface ahead of the FTSE Russell's decision on the nation's weightage in the WGBI on 24th Sep. **The 5-7Y and also 15Y MGS/GII space reflect relative values along the curve for this month. We expect the 10Y to range slightly lower between 2.45-2.65%** with support pegged at 2.65% levels. **We also like the 5-7Y GG-space (current spreads are ~6-24bps) and 3Y, 20Y AA-rated papers (current spreads are ~54-91bps).**

MYR sovereign curve (MGS)



Source : Bloomberg

NFP data for August underpins the ongoing US economy recovery from the heavy impact of COVID-19 virus outbreak; UST yields begin to stabilize and dispel the notion that all is "doom and gloom"….

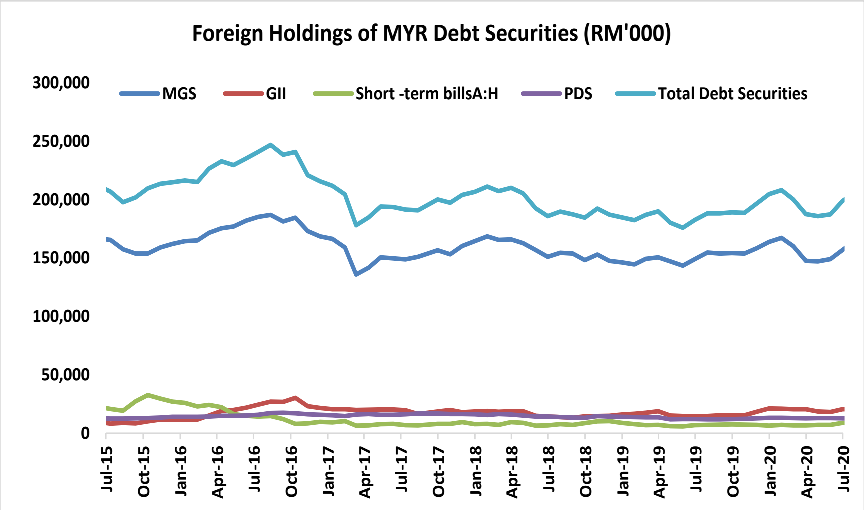
August Non-Farm Payrolls ("NFP") ended stronger-than-expected albeit smaller jump of 1.37m (consensus 1.35m) having earlier notched a solid data of 1.76m in July (whose numbers were revised down by -39k). It is believed that the temporary census workers provided a boost along with retail, business services and leisure & hospitality sectors. However the ongoing threat and resurgence of new COVID-19 cases have caused some hiccups. Unemployment rate showed a vast improvement at 8.4% in July (prior month: 10.2%) whilst the participation rate of 61.7% tells us that the improving numbers are surely stabilizing although it has yet to reach its post-2008 financial crisis mean levels of ~63%. Nevertheless the average hourly wages jumped 0.4% MOM (previous month: 0.2%) although it slipped marginally to +4.7% YOY (previous month: +4.8%). The expiration of $600 top-up to unemployment benefits may have also encouraged Americans to actively seek jobs. The overall labor market picture paints one that is improving albeit at a slower grind than prior months but bearing in mind that employment numbers remain ~11-12 million below pre-pandemic levels whilst the level of long-term and permanent unemployment is seen to be rising.

There was no change in interest rates since our last monthly report with the Fed having last left rates unchanged at its latest **FOMC on 30th July.** To recap, total YTD rate cuts amounted to 150bps and has allowed for the Fed Funds Rate to settle between 0.00- 0.25%). The next scheduled FOMC meeting is on 17th Sep. The **Fed has been implementing its plan to smoothen market by purchasing bonds** across the curve to the tune of approximately $80bn a month in Treasuries and $40bn a month in agency MBS; thus expanding its balance sheet to ~$7.0 trillion from ~$4.7 trillion on 18th of March. Separately, the Fed's preferred inflation measure for July leveled off to +0.3% from +0.4%; with personal consumption expenditure (PCE) core index which the Fed officially targets for 2.0% spiking YOY at +1.3% from previous 0.9% (MOM: rising slightly +0.3% versus previous +0.2%). This core index strips out the volatile food and energy costs and is reputed to be a better gauge of underlying price trends.

The **Fed's current dot plot still pins rates at zero through 2021. Nevertheless, data from the Fed Fund Futures now reflect traders' lower expectations of a 4.7% hypothetical probability of a 25bps rate cut whilst CME FedWatch Tool has maintained a 100% chance of a rate pause in the upcoming FOMC on 17th September.**

Foreign holdings of MYR bonds rises again for the 4th month-in-row by a 6.2% margin or RM2.98b in August as MYR strengthens further to ~4.1500 levels at the time of writing….

Foreign holdings of overall MYR bonds saw levels spike in July by RM2.98b or 1.4% to RM209.0b. Non-resident holdings of MGS jumped by RM3.2b from RM164.6b to RM167.8b (representing 39.2% of total outstanding) whereas total MYR Government bonds (i.e. MGS+GII+SPK) holdings similarly saw net inflows of RM3.1b to RM188.3b (representing 23.3% of total outstanding) amid net issuances of +RM1.8b for month (July: net issuances of +RM7.0b). The FTSE Russell WGBI announcement on the nation's weightage and revision (if any) is **scheduled for 24th Sep,** was shrugged-off as risk-on appetite for Asian Rates asset class emerged with both oil prices and Asian FX stabilizing; whilst expectations of low rates being anchored due to the economic threat by ongoing by COVID-19 virus infections. **Overall MYR bonds saw cumulative 12-month rolling net foreign inflows improve to RM20.8b (YTD July: RM4.3b) whilst cumulative 12-month net equity outflows was reduced to RM24.1b (YTD July: RM20.3b).** On the currency side, the MYR ended stronger against USD at 4.1640 as at end-Aug and strengthened further to 4.1500 levels at time of writing.



Source: BNM, HLB Research

Our house projection does not foresee another OPR rate cut as the nation recovers from the full-blown economic impact of COVID-19 infections…

BNM in its latest 5th monetary policy committee (MPC) meeting on the 10th of Sep maintained the OPR at 1.75%. (To re-cap, there were four (4) successive rate cuts totaling 125bps this year). BNM commented that economic activities continued to improve from April's trough, driven by recovery in labor market conditions, household spending and trade activities, with further support from the several interest rate cuts, fiscal stimulus as well as other financial measures. Hence, we do not foresee **another OPR cut of 25bps i.e. in November this year following the massive cuts totaling 125bps since January which is expected to complement the fiscal policies consisting of RM295b worth of economic stimulus packages.** However its cautious tone and warning of downside risks suggest further room for policy easing if required. **We maintain our full year estimate for 2020 GDP growth at -4.9%** (2019A: +4.3%) **given tame consumer demand.**

MYR government bond auctions however saw weaker bidding metrics for the three (3) auctions in August…..

The three (3) government bond tenders concluded for the month of Aug 2020 under the auction calendar saw a deterioration in average BTC ratios which ended way below the 2.0x handle at 1.65x (July: 2.40x). Both the15Y GII 11/34 and 20Y MGS 5/40 reopening saw the lowest sum of bids received YTD at ~RM5.7-5.9b on tepid BTC ratios of 1.42x and 1.47x each whilst the remaining tender consisting of 7Y GII 9/27 notched slightly better BTC ratio of 2.05x in the absence of private placement exercise. We note at the time of writing, the recently-concluded auction involving the re-opening of 7Y MGS 5/27 in early-Sep saw equally poor bidding metrics (BTC ratio:1.54x); tailing 4.9bps with total bids submitted amounting to RM8.2b.

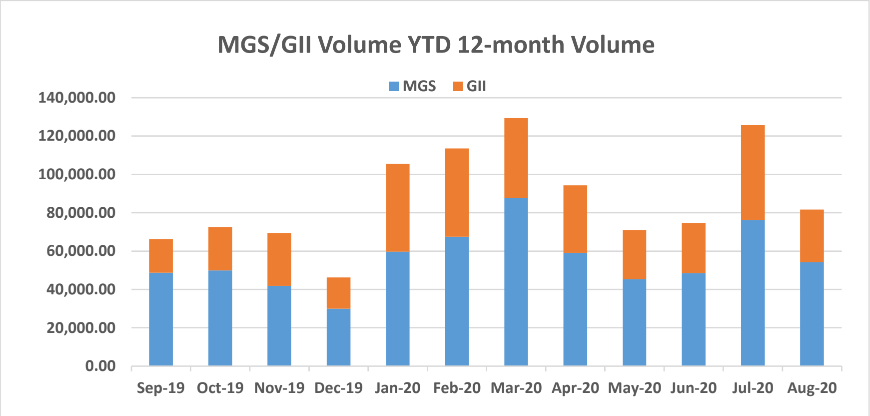
MGS/GII issuance pipeline in 2020

No	Stock	Tenure (yrs)	Tender Month	Quarter	Tender Date	Projected Issuance Size (RM mil)	Actual Auction Issuance (RM mil)	Private Placement X	Auction Amt Issued YTD	BTC (times)	Low	Average	High	Cut-off
1	7-yr reopening of MGS (Mat on 05/27)	7	Jan	Q1	8/1/2020	4,000	3,500		3,500	2.498	3.259	3.281	3.288	57.1%
2	15-yr Reopening of GII (Mat on 11/34)	15	Jan	Q1	14/1/2020	4,000	2,500	1,000	6,000	3.396	3.500	3.507	3.513	42.9%
3	3-yr Reopening of MGS (Mat on 3/23)	3	Jan	Q1	23/1/2020	3,000	3,000		9,000	2.183	2.837	2.858	2.875	80.0%
4	30-yr Reopening of GII (Mat on 11/49)	30	Feb	Q1	4/2/2020	3,000	2,500	1,500	11,500	2.328	3.747	3.780	3.792	66.7%
5	10-yr Reopening of MGS (Mat on 08/29)	10	Feb	Q1	13/2/2020	3,000	4,000		15,500	2.036	2.860	2.888	2.898	80.0%
6	5-yr Reopening of GII (Mat on 10/24)	5	Feb	Q1	20/2/2020	3,000	4,000		19,500	2.776	2.817	2.845	2.852	46.2%
7	15-yr Reopening of MGS (Mat on 07/34)	15	Mar	Q1	5/3/2020	4,000	3,500	500	23,000	2.247	3.008	3.027	3.036	80.0%
8	20-yr Reopening of GII (Mat on 09/39)	20	Mar	Q1	12/3/2020	4,000	2,800	1,500	25,800	2.182	3.295	3.344	3.373	91.7%
9	5-yr Reopening of MGS (Mat on 09/25)	5	Mar	Q1	20/3/2020	3,000	4,000		29,800	2.080	3.372	3.450	3.494	80.0%
10	7.5-yr New Issue of GII (Mat on 09/27)	7	Mar	Q1	30/3/2020	4,000	3,500	1,000	33,300	2.874	3.391	3.422	3.454	100.0%
11	20-yr Reopening of MGS (Mat on 05/40)	20	Apr	Q2	6/4/2020	4,000	3,500	1,500	36,800	1.973	3.828	3.855	3.888	14.3%
12	10.5-yr New Issue of GII (Mat on 10/30)	10	Apr	Q2	14/4/2020	5,000	4,000	1,000	40,800	3.118	3.439	3.465	3.479	13.9%
13	7-yr Reopening of MGS (Mat on 05/27)	7	Apr	Q2	29/4/2020	4,500	4,000		44,800	2.239	2.668	2.679	2.689	61.9%
14	15-yr Reopening of GII (Mat on 11/34)	15	May	Q2	14/5/2020	5,000	3,500	1,500	48,300	2.171	3.210	3.235	3.269	50.0%
15	10-yr Reopening of MGS (Mat on 08/29)	10	May	Q2	21/5/2020	4,500	4,500		52,800	1.732	2.777	2.799	2.820	43.5%
16	3-yr Reopening of GII (Mat on 05/23)	3	Jun	Q2	3/6/2020	4,500	4,500		57,300	2.502	2.285	2.306	2.318	50.0%
17	30-yr New Issue of MGS (Mat on 06/50)	30	Jun	Q2	12/6/2020	5,000	3,000	2,500	60,300	2.167	4.013	4.065	4.098	78.0%
18	20-yr Reopening GII (Mat on 09/39)	20	Jun	Q2	29/6/2020	5,000	3,500	2,000	63,800	2.055	3.707	3.761	3.797	100.0%
19	3-yr Reopening of MGS (Mat on 03/23)	3	Jul	Q3	9/7/2020	5,000	5,000		68,800	2.512	1.987	2.002	2.010	15.7%
20	10-yr Reopening of GII (Mat on 10/30)	10	Jul	Q3	16/7/2020	5,000	5,000		73,800	2.591	2.650	2.665	2.679	90.9%
21	15-yr Reopening of MGS (Mat on 07/34)	15	Jul	Q3	23/7/2020	5,000	5,000		78,800	2.105	2.950	2.970	2.985	13.7%
22	7-yr Reopening of GII (Mat on 09/27)	7	Aug	Q3	1/8/2020	5,000	4,000		82,800	2.045	2.265	2.280	2.285	76.5%
23	20-yr Reopening of MGS (Mat on 05/40)	20	Aug	Q3	13/8/2020	5,500	4,000	1,500	86,800	1.469	3.200	3.240	3.273	20.0%
24	15-yr Reopening of GII (Mat on 11/34)	15	Aug	Q3	26/8/2020	5,500	4,000	1,000	90,800	1.423	2.995	3.032	3.080	38.0%
25	7-yr Reopening of MGS (Mat on 05/27)	7	Sep	Q3	3/9/2020	5,000	3,500		94,300	1.538	2.254	2.291	2.340	63.3%
26	30-yr Reopening of GII (Mat on 11/49)	30	Sep	Q3		5,000		X						
27	5-yr Reopening of MGS (Mat on 09/25)	5	Sep	Q3		5,000								
28	3-yr Reopening of GII (Mat on 05/23)	3	Oct	Q4		5,000								
29	10.5-yr New Issue of MGS (Mat on 04/31)	10	Oct	Q4		5,000								
30	5-yr Reopening of GII (Mat on 03/26)	5	Oct	Q4		5,000								
31	30-yr Reopening of MGS (Mat on 06/50)	30	Nov	Q4		5,600		X						
32	7-yr Reopening of GII (Mat on 09/27)	7	Nov	Q4		5,000								
33	15-yr Reopening of MGS (Mat on 07/34)	15	Nov	Q4		5,000								
34	10-yr Reopening of GII (Mat on 10/30)	10	Dec	Q4		5,000		X						
Gross MGS/GII supply in 2020						159,400		16,500						

Source: BNM, HLB Research

MGS/GII sees secondary market activity nosedive…

Trading volume for MYR govvies i.e. MGS + GII bonds fell sharply by 35% to ~RM82.1b in Aug compared to prior month's RM126.3b; partly due to the additional public holidays. Interest was still seen across the short-end of the bellies with substantial and frequent trades done predominantly in MGS off-the-run 20-21's followed by GII (altogether RM13.5b for these tenures; at ~16% of overall volume; despite lower than the RM23.2b transacted for the previous month). This was followed by tremendous interest in the 3Y (RM7.8b) followed by the 10Y and 15Y benchmarks which churned a high secondary market volume of RM7.8b and RM10.7b respectively which altogether maintained 22.5% of overall volume for the month. Investors were seen extending duration up to the 10-15Y space; amid a diverging view in interest rate outlook. We opine that the secondary market volume for local govvies may continue to maintain at current levels in September following cautious outlook pertaining to the nation's weightage in the upcoming FTSE Russell WGBI revision (if any), delicate political balance in favor of the present government coalition and potential revisions in fiscal deficits.

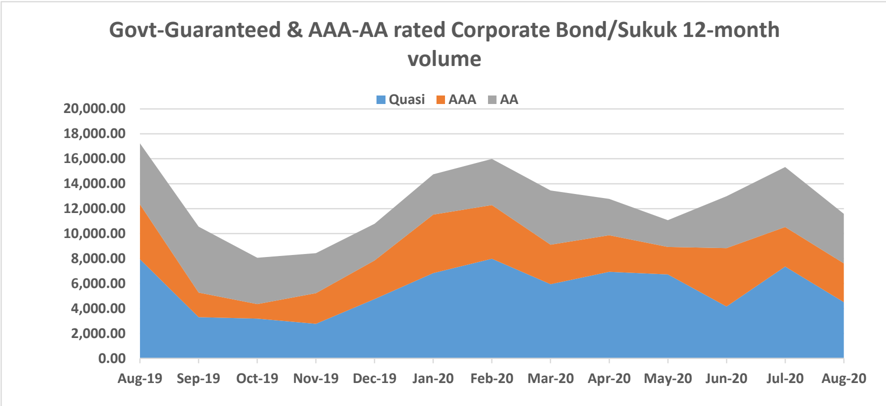


Source : BPAM, Bloomberg, HLB Research

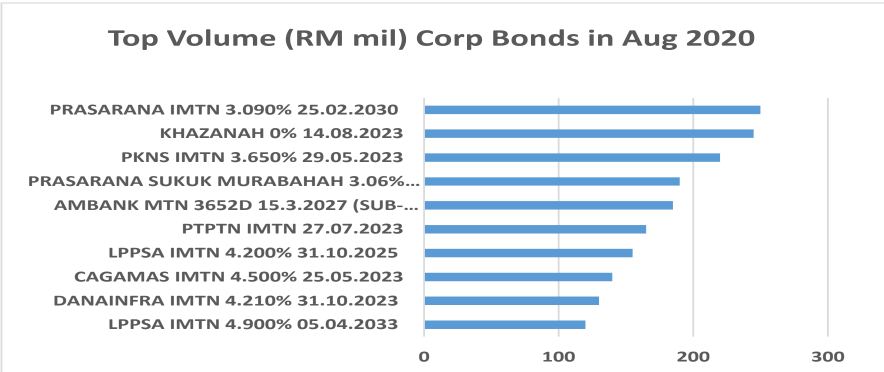
Corporate Bonds/Sukuk activity eased in August…

Overall Corporate Bonds/Sukuk (including Govt-Guaranteed bonds) similarly notched lower secondary market trading volume of ~RM12.6b in Aug (a 24.1% drop compared to RM16.6b in July). The weaker momentum was also due to weaker govvies as fund managers were more inclined to be reluctant sellers. Yield spreads ended tighter between 6-24bps in the GG-segment, wider between 23-54bps for AAA-rated bonds and also between 54-91bps in the AA2-segment which altogether saw the steep declines in the shorter 1-3Y tenures. We note that foreign holdings for both GG and pure Credits fell marginally by RM80m to RM12.4b. Total transactions for GG bonds fell by 9% to form ~39% of overall volume compared to AAA-rated ones which rose to form ~27% of overall secondary market volume. Bulk of investor interest in the GG-space was again mainly centered on DANAINFRA, PRASARANA, LPPSA, PTPTN, SME bonds followed by quasi-govt i.e. CAGAMAS bonds. Bonds that garnered top volume for the month were govt-guaranteed PRASA 2/30 followed by KHAZA 8/23. Frequency and volume of trades in the pure credit space were seen mainly seen in conglomerates (i.e. DRB 22-30's, YTL Corp 26-34's, GENTING 23-29's and related-names, KLK 22-29's, MMC 20-28's, DANUM 25-35's and infrastructure-cum construction/property (i.e. WCT 21-22's & perps, DANGA 26-33's, utilities encompassing power/energy/water (i.e. AAA-rated TENAGA 30-40's, PASB 24-29's, BGSM 21-25's, EDRA 22-38's, SEB 22-36's, QSPS 24-33's, Southern Power 27-35's), toll-operators (i.e. PLUS 24-36's, KESTURI 22-27's), telcos i.e. (TELEKOM 22-28's). The banking sector saw AFFIN-related names, BPMB and also UOB bonds traded. Odd-lot denominated trades involving unrated Mah Sing perps, YNH PROPERTIES

Berhad, ECO World International 21-23's, Tropicana 23-27's, Perps and also IJM land perps were also prevalent.



Source : BPAM, Bloomberg, HLB Research



Source : BPAM, Bloomberg, HLB Research

Primary issuance print in August driven by the following:

Notable issuances in Aug-20	Rating	Amount Issued (RM mil)
Cagamas Berhad	AAA	110
Gas Malaysia Distribution Sdn Berhad	AAA	281
Tenaga Nasional Berhad	AAA	3,000
Zamarad Assets Berhad	AAA	127
United Overseas Bank (Malaysia) Berhad	AA1	750
YTL Corporation Berhad	AA1	240
Gamuda Land (T12) Sdn Berhad	AA3	600
IJM Corporation Berhad	AA3	250
Malaysian Resources Corporation Berhad	AA3	150
Press Metal Aluminium Holdings Berhad	AA3	700
Pelabuhan Tanjung Pelepas Sdn Berhad	AA3	995
DRB-Hicom Berhad	A1	400
Tropicana Corporation Berhad	A1	100
ALSREIT Capital Sdn Berhad	NR	520
BGRB Venture Sdn Berhad	NR	16
Columbia Asia Sdn Berhad	NR	420
Cypark Renewable Energy Sdn Berhad	NR	97
Hunza Properties (Penang) Sdn Berhad	NR	10
Kanger International Berhad	NR	33
Kenanga Investment Bank Berhad	NR	47
MAG Holdings Berhad (fka Xinghe Holdings Berhad)	NR	9
Setia Fontaines Sdn Berhad (fka Setia Recreation Sdn Berhad)	NR	5
Sino Hua-An International Berhad	NR	6
Tanco Holdings Berhad	NR	2
Tradewinds Hotels & Resorts Sdn Berhad	NR	2
		8,869

Source : BPAM, Bloomberg, HLB Research

Total fresh issuances of Corp Bonds/Sukuk jumped to ~RM8.9b (July: RM7.0b) with AAA-rated Tenaga Nasional Berhad (TNB) and Pelabuhan Tanjung Pelepas Sdn Bhd (PTP) being the more prominent ones. TNB issued 10-20Y bonds totaling RM3.0b at coupons between 2.95-3.55% whilst PTP successfully arranged 5-10Y bonds amounting to RM995m at coupons between 3.15-3.40%.

Outlook for Aug 2020

Barring any surprise from the upcoming FTSE WGBI decision; expect yields to remain range-bound and well-supported from large institutions…..

The MYR bond market which saw weaker bidding metrics (BTC ratio: 1.65x) in August 2020 with the softer auction interest for both the 15Y GII 11/34 and longer benchmark 20Y MGS 5/40. This may be due to concerns of the nation's weightage in the upcoming FTSE Russell WGBI announcement on the 24th Sep and also the government's approval in raising the country's statutory debt limit to 60% of GDP from 55%. Nevertheless, we opine that the payment of USD2.5b as part-settlement by Goldman Sachs due to the 1MDB issue will reduce supply concerns going forward based on MOF's projection of 5.8-6.0% fiscal deficit of GDP this year due to the COVID-19 crisis and fiscal injection for the four (4) various economic stimulus packages totaling RM295b or ~20% of GDP. **We maintain our earlier revised projection of 5.9-6.4% (MOF's latest fiscal deficit projection is 5.8-6.0%) despite the lower issuances required based on the above due to the effect of weak GDP output** (2Q2020 GDP: -17.1% YOY; -16.5% QOQ). Hence, that would necessitate our revision in govvies issuances back to our original ~RM149.4b from our 1st revision to RM159.4b. Although the current OPR down-cycle is not over, we opine that a further rate cut is not on the cards in the next November MPC meeting as BNM continues to assess the full effects of the earlier four (4) rate cuts of 125bps this year. The USDMYR pair which fell to 4.1640 month-end has further weakened to 4.1500 levels at the time of writing as a result of improved foreign holdings of MYR debt securities and steady oil prices.

Hence, we continue to expect range-trading levels for this month with institutional support on price weakness. Also, the positive interest-rate differentials may attract offshore real money investors like global asset managers, central banks, pension funds and lifers into the local sovereign debt space. **The 5-7Y and also 15Y MGS/GII space reflect relative values along the curve for this month. We expect the 10Y to range slightly lower between 2.45-2.65%** with support pegged at 2.65% levels. We note that there are no maturities of govvies falling in September that may weigh on yields with opportunities for rollover into our projected RM15.0b of new MGS/GII issuances. We continue expect the shorter-end i.e. 20-22's and benchmark 5Y, 10Y bonds to entice traders due to better liquidity. **We also like the 5-7Y GG-space (current spreads are ~6-24bps) and 3Y, 20Y AA-rated papers (current spreads are ~54-91bps).**

We would expect **slight** spillover down the credit spectrum into un-rated bonds on yield-carry requirements especially for by High Net-worth Individual (HNI) portfolios. Meanwhile, potential red-flagged sectors include oil & gas, retail, tourism, gaming and pure-property debt plays. Nevertheless, toll-related concessionaires, conglomerates with diversified business profile and also logistic businesses are expected to benefit from the resumption of economic activities.

UST's may see the US election, fiscal stimulus and public health trajectory based on COVID-19 infections weigh on yields as safe-haven bids may persist despite aggressive vaccine research by big Pharma Co's; expect Fed to maintain rates…

The Federal Reserve will be having its FOMC meeting soon on the 17th of Sep to decide on its current policy rate which has been currently between 0.00 - 0.25% since March. While the payrolls increase and the economic re-openings have allowed for optimism, UST yields have been trending or maintaining its low levels due to safe appeal status as greater volatilities emerge in equities and also ongoing fears of COVID-19 virus infections in spite of relentless pursuits of vaccine discoveries by the big pharmaceutical companies. The years of steady economic growth and low inflation have pushed the Federal Reserve's benchmark fed funds interest rate progressively lower, leaving less room for the central bank to ease monetary policy further. The steady Aug jobs data (i.e. strong NFP data rising further by 1.37m), lower unemployment rate of 8.4% along with ISM manufacturing index rising from 54.2 to 56.0 respectively are promising and expected to benefit the economy. Nevertheless uncertainty on a few fronts that include the US election, public health trajectory and also fiscal stimulus is expected to weigh on yields. Investors are awaiting for further guidance by the Fed on how long rates will be anchored near zero and a possible commitment to more long-dated asset purchases at its 15-16th Sep FOMC meeting.

We opine that rates may stay pat at the upcoming FOMC meet on 17th September. Nevertheless, the resurgence of a 2nd round of COVID-19 infections may be a threat instead. Forward guidance and yield curve control are additional tools that cannot be discounted. **10-year UST is still expected to range between 0.65 - 0.85%; finding good support at 0.85% levels for this month.** Despite the Fed's monetary policy framework anchoring the belly of the curve with its monthly appetite of $80b UST's and $40b MBS; t**he 7-10 Y tenures are reputed to offer better risk-reward posture at this juncture.**

In the Credit/Corporate space, Investment grade (IG) debt issuances which continued to be robust YTD 2020 is expected to rise to ~$35b in September despite taking its 2nd largest hit (since march) this year. Gross new issuance is currently about $1.4 trillion YTD at the time in writing and remains in record territory. IG bonds have seen generic spreads maintain at ~130bps on average in August. Nevertheless the MOM performance dipped by 1.03% for the first time since March this year on excess supply, tepid demand and also weaker fundamentals (reference is made to the Bloomberg Barclays US Aggregate Index for Investment-Grade Corporate Bonds). The Fed's continued capacity to buy up to ~$750b of corporate bonds together with our expectation for continued leverage erosion may cause yields to drift even lower. Nevertheless, we continue to advocate caution on HY bonds that may have volatile earnings capacity and stretched balance sheets. Low- duration playbook is thought of to be safer and also to improve liquidity and cushion credit requirements in portfolios. Hence, we are mildly positive on **IG bond issuances in the 3-7Y tenures in sectors we previously recommended in utilities, healthcare and telecommunications.**

Hong Leong Bank Berhad
Fixed Income & Economic Research, Global Markets
Level 8, Hong Leong Tower
6, Jalan Damanlela
Bukit Damansara
50490 Kuala Lumpur
Tel: 603-2081 1221
Fax: 603-2081 8936
Email: HLMarkets@hlbb.hongleong.com.my