Monthly Fixed Income Perspective –

Dec 20 review & Jan 21 outlook

US Bond market

- **In December**, US Treasuries (UST's) ended mostly weaker extending out from 5Y compared to prior month's levels when the US elections took center-stage whilst the Congress finally approved the RM900b economic stimulus bill. The mixed job data in November signaled a loss of momentum as weaker-than-expected NFP report intertwined with the strong average hourly earnings whilst continuing claims fell to 5.2 million for week ended 31st December. US PMI and ISM manufacturing data remained strong ranging between 57-61 and saw bonds end weaker. The curve bear-steepened as benchmark **UST yields declined between 0-8bps across the curve save for the ultra-short end (prior month the curve bull-flattened m/m between 0-9bps).** The UST 2Y yield closed 3bps lower at 0.12% whilst the 10Y yield spiked 8bps at 0.92% (at the time of writing yields have risen to a 10-month high at 1.11% levels as the yield curve reveals a widest 2s10s and 5s30s spreads of 97bps and 140bps respectively seen since 1H2017).

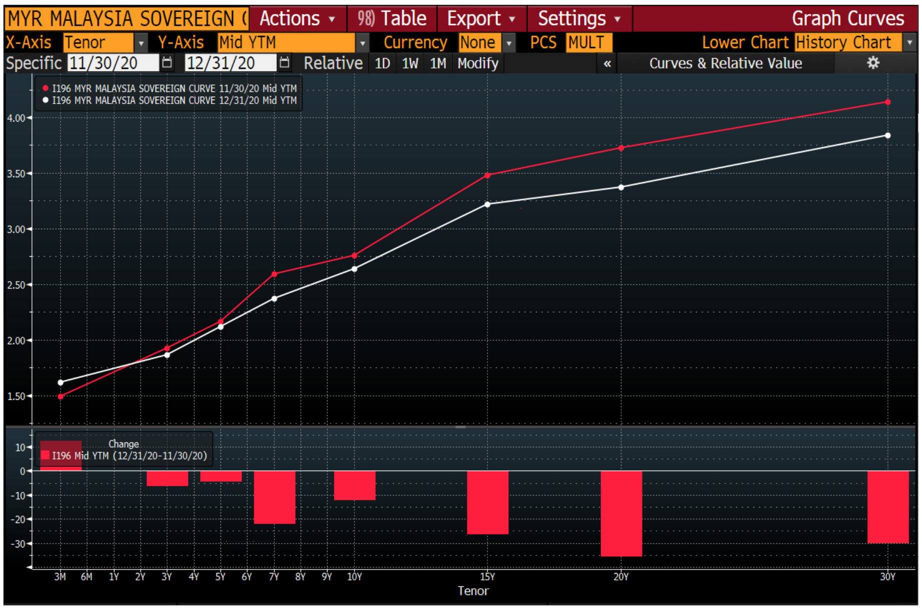
- **For January**, the Democratic win in the US Georgia run-off elections which cemented their stronghold in the Congress may see the incoming GOP embark on more fiscal spending and increased debt sales considering the first negative reading in NFP/jobs data for December since April 2020. A slower recovery for 1Q2021 GDP is expected despite the earlier rebound and muted inflation. Larger-sized auctions for UST's to ensure continued fiscal spending to revive the economy could exert steepening-bias of the yield curve. **10-year UST has breached the 1.00% and is expected to stay above this level and range between 1.05– 1.25%; finding support at key 1.20% levels for this month. Our preferred IG bond issuances remain within the shorter duration 3-5Y tenures in sectors** that support essential services such as water, **energy, sewerage and telecommunication.**

MYR Bond Market

- **In December**, MYR government bond curve bull-flattened with **MGS/GII bonds reversing prior month's losses by closing between 3-37bps lower.** The benchmark 5Y MGS 9/25 yield rallied 9bps to 2.10% from prior month's high of 2.19% whilst the 10Y MGS 8/29 yield declined 10bps at 2.65%. Foreign holdings of MYR government bonds (MGS + GII + SPK) ended at the highest in 2020, on a 4-year high of RM202.1b (i.e. 24.2% of net issuance outstanding). The sole auction in December involving 10Y GII reopening saw surprisingly strong BTC ratio of 2.619x

- **For January,** expect some pressure especially on the longer-ends which are more sensitive due to the nation's fiscal deficit arising from the continued spike in COVID-19 cases requiring further targeted lockdowns that may trigger downside growth risks and also from rising UST yields. Concerns over the projected front-loading of issuances under the 2021 Auction Calendar and rating updates by Moody's and S&P's on Malaysia's sovereign rating may come into investors' minds**. The 7Y, 15-20Y space for MGS/GII continue to reflect decent relative values along the curve. We expect the 10Y to range slightly lower between 2.60-2.80%** with support pegged at 2.80% levels. **We continue to like the 7Yand 20Y GG-space, in addition to the shorter-end AAA and AA1-rated papers in the 1-3Y bucket.**

MYR sovereign curve (MGS)



Source : Bloomberg

Surprised job losses from both NFP and private payroll processor ADP reaffirms slowing momentum in the labor market…

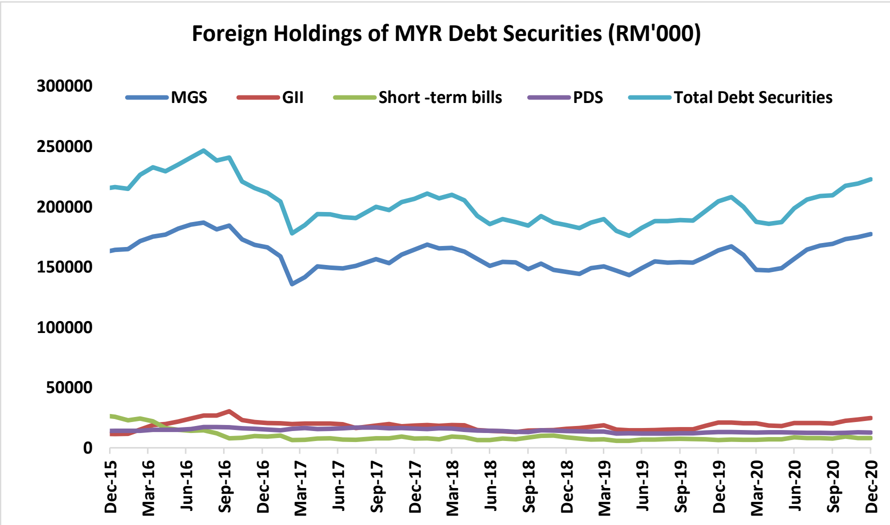
December Non-Farm Payrolls ("NFP") missed consensus estimate by notching a surprise decline @ 140K instead vs the consensus of an increase of 71K and prior month's revised print from 245K to 336k. The unemployment rate however remained unchanged at 6.7% in December, a tad lower than expectations of 6.8% believed to be due to the losses in jobs within the leisure and hospitality sector. The participation rate also steadied at 61.5% indicating that labor force participation rate remained decent for the month although it remained far below pre-pandemic levels of around 63%. The average hourly wages growth however rose a solid +0.8% m/m (previous month: +0.3%) whilst the y/y figures hit 5.1%. Recovery in the labor market is believed to take longer, expected in 2H2021 thanks to vaccine deployments. US PMI and ISM manufacturing data remained strong between 57-61 and saw bonds end weaker. Separately, the Fed's preferred inflation measure i.e. core PCE maintained at 0.0% m/m in November and at +1.4% y/y which has had little effect on UST yields for now.

To recap, 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 17th December with total rate cuts amounting to 150bps in 2020 (present Fed Funds Rate remains between 0.00- 0.25%). The next scheduled FOMC meeting is on 28th January. The **Fed's current dot plot still pins rates unchanged at current level through 2023. Nevertheless, data from the Fed Fund Futures now reflect traders' higher expectations of a 4.0% hypothetical probability of a 25bps rate cut (previous month: 2.3%) whilst CME FedWatch Tool continues to maintain a 100% chance of a rate pause in the upcoming FOMC on 28th January.** Despite the above along with the **Fed's robust ongoing purchase of bonds** across the curve by $80b a month in Treasuries and $40b a month in agency MBS which has boosted its balance sheet to ~$7.2 trillion as at end-Nov vs ~$4.2 trillion end-Feb); the over-bearing concerns over the likelihood of further stimulus bills under the democrat-led Biden leadership may be a critical factor that puts upward pressure in UST yields.

Foreign holdings of overall MYR bonds rose by 1.6% or RM3.6b for the 8th month-in-row in December whilst MYR remains resilient @ 4.0430 levels at the time of writing…

Foreign holdings of overall MYR bonds rose in December by RM3.6b or 1.6% to RM223.0b. Non-resident holdings of MGS rose by RM2.4b from RM175.0b to RM177.3b (representing 40.6% of total outstanding) whereas total MYR Government bonds (i.e. MGS+GII+SPK) holdings similarly saw net inflows of RM3.8b to RM202.1b (representing 24.2% of total outstanding) amid a lower net issuances of +RM4.5b for the month (Nov: net issuances of +RM7.5b). Additional supply concerns arising from the higher fiscal deficit unveiled by the recently approved 2021 National Budget in Parliament and the rating downgrade by Fitch Ratings were shrugged-off by foreign investors.

The risk-on appetite for Asian Rates asset class did not deter real-money investors from engaging in MYR government bonds for December. Expectations of a shift from current low rates being tilted/biased towards a further rate cut due to the economic threat by ongoing COVID-19 containment measures may lend support for bonds. **Overall MYR govvies saw cumulative net inflows of RM17.2b for 2020 down from an increase of RM22.9b in 2019 whilst net equity outflows edged higher by RM24.6b in 2020 compared to 2019's outflows of RM11.1b.** On the currency side, the MYR rally further against USD to 4.0203 as at end-Dec and hover at 4.0430 levels at the time of writing.



Source: BNM, HLBB Global Markets Research

There was no MPC meeting in December following BNM's decision to maintain the OPR at 1.75% in November as it moved away from its dovish tilt then...

To recap, BNM in its 6th and final monetary policy committee (MPC) meeting on 3rd of November, left the OPR unchanged at 1.75%. The tone of monetary policy statement was sanguine; moving gradually away from the previous downbeat outlook. It turned slightly optimistic on growth assessment but did highlight that downside risks to growth continues to persist amid resurgence in COVID-19 cases which have mirrored other major economies as the re-introducing of containment measures. These downside risks to growth remain as further resurgence of infections could lead to weaker business, employment and subsequently income capacity.

On inflation outlook, headline CPI continued to see negative print for the 9th consecutive month in November, falling 1.7% y/y (Oct: -1.5%). Nevertheless, core CPI showed underlying inflation remained positive despite moderating from 0.8% y/y in October to 0.7% in November. We expect CPI to hover around current levels before settling the year at an average -1.2%. Going forward official headline inflation in 2021 is projected to be ~2.0-3.0%; our estimate shows CPI will likely undershoot 2.0% amid the relatively soft global crude oil prices and also subdued supply and demand side factors.

On balance overall, BNM may have room for further policy easing, with the degree of monetary policy response to remain largely data dependent. The 3Q GDP print for Malaysia which registered a smaller-than-expected contraction of 2.7% (2Q2020: -17.1%) may spring on the upside in 4Q2020 due to the government's economic proposals/assistance to stem the recent meteoric rise in COVID-19 cases nationwide.

Following the MPC's earlier affirmation that the stance of monetary policy is appropriate and accommodative, **we expect no change in the status of OPR for now but acknowledged that odds of a cut has increased** following the most recent reinstatement of Movement Control Order (MCO) and Conditional Movement Control Order (CMCO) in selected states. **We now see downside risks to our full year GDP growth projection of 5.4% for 2021, after an estimated 6.0% contraction in 2020** (YTD2020 -6.4% YOY; 2019A: +4.3%).

MYR government bond auction saw strong bidding metrics for the sole penultimate auction in December…..

The bond tender involving the reopening of 10Y GII 10/30 in December under the auction calendar surprisingly notched strong BTC ratio above the 2.0x handle. It was awarded at an average 2.986% on a BTC ratio of 2.619x with total bids amounting to RM10.5b. A private placement of RM500m was seen along with the auction amount of RM4.0b. The relatively long short tail of 2.2bps for this tenor was reflective of strong participation from both lifers and inter-bank institutions. The table below summarizes our projected sizes for upcoming MGS/GII auctions in 2021.

MGS/GII issuance pipeline in 2021

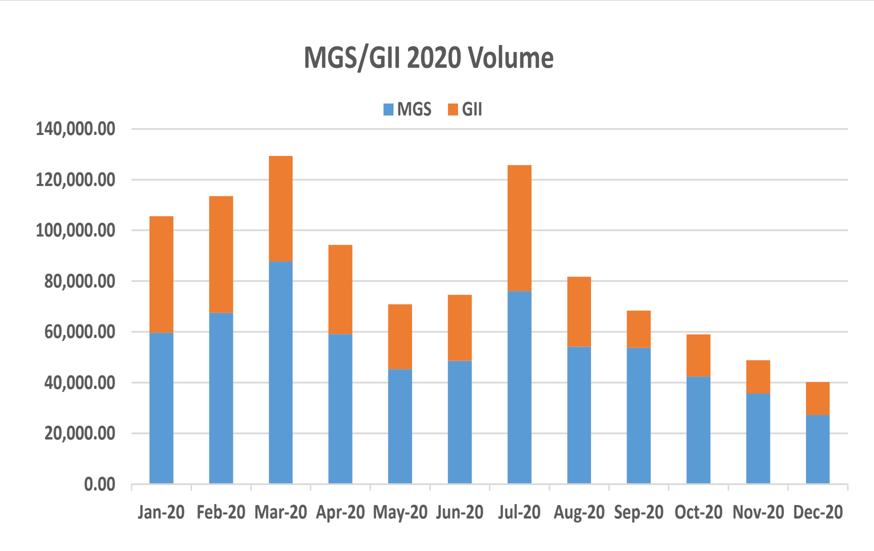
No	Stock	Tenure (yrs)	Tender Month	Quarter	Projected Issuance Size (RM mil)	Private Placement X
1	7-yr reopening of MGS (Mat on 06/28)	7	Jan	Q1	3,500	
2	15.5-yr new Issuance of GII (Mat on 7/36)	15	Jan	Q1	3,000	3,000
3	10-yr Reopening of MGS (Mat on 04/31)	10	Jan	Q1	4,000	
4	5-yr Reopening of GII (Mat on 03/26)	5	Feb	Q1	4,500	
5	20-yr Reopening of MGS (Mat on 05/40)	20	Feb	Q1	2,000	2,500
6	7-yr Reopening of GII (Mat on 09/27)	7	Feb	Q1	3,500	
7	30-yr Reopening of MGS (Mat on 06/50)	30	Mar	Q1	2,000	2,000
8	10-yr Reopening of GII (Mat on 10/30)	10	Mar	Q1	4,000	
9	5-yr Reopening of MGS (Mat on 09/25)	5	Mar	Q1	4,500	
10	20.5-yr New Issue of GII (Mat on 09/41)	20	Mar	Q1	2,000	2,500
11	7-yr Reopening of MGS (Mat on 06/28)	7	Apr	Q2	4,000	
12	15-yr Reopening of GII (Mat on 7/36)	15	Apr	Q2	3,000	1,000
13	3-yr Reopening of MGS (Mat on 06/24)	3	Apr	Q2	4,000	
14	30-yr Reopening of GII (Mat on 11/49)	30	May	Q2	2,000	2,000
15	15-yr Reopening of MGS (Mat on 05/35)	15	May	Q2	3,000	1,500
16	5-yr Reopening of GII (Mat on 03/26)	5	May	Q2	4,000	
17	10-yr Reopening of MGS (Mat on 04/31)	10	Jun	Q2	3,500	500
18	3-yr Reopening of GII (Mat on 10/24)	3	Jun	Q2	4,500	
19	20-yr Reopening MGS (Mat on 05/40)	20	Jun	Q2	2,000	2,000
20	15-yr Reopening of GII (Mat on 07/36)	15	Jul	Q3	3,000	1,500
21	5-yr Reopening of MGS (Mat on 11/26)	5	Jul	Q3	4,000	
22	10-yr Reopening of GII (Mat on 10/30)	10	Jul	Q3	2,500	1,000
23	30-yr Reopening of MGS (Mat on 06/50)	30	Aug	Q3	2,000	2,500
24	7-yr Reopening of GII (Mat on 08/28)	7	Aug	Q3	4,500	
25	3-yr Reopening of MGS (Mat on 06/24)	3	Aug	Q3	4,000	
26	20-yr Reopening of GII (Mat on 09/41)	20	Sep	Q3	3,000	1,500
27	10-yr Reopening of MGS (Mat on 04/31)	10	Sep	Q3	3,500	1,000
28	5-yr Reopening of GII (Mat on 03/26)	5	Sep	Q3	4,000	
29	7-yr Reopening of MGS (Mat on 06/28)	7	Oct	Q4	4,000	
30	30-yr Reopening of GII (Mat on 11/49)	30	Oct	Q4	2,000	2,000
31	5-yr Reopening of MGS (Mat on 11/26)	5	Oct	Q4	4,000	
32	10-yr Reopening of GII (Mat on 10/30)	10	Oct	Q4	2,000	1,500
33	15-yr Reopening of MGS (Mat on 05/35)	15	Nov	Q4	3,000	1,500
34	3-yr Reopening of GII (Mat on 10/24)	3	Nov	Q4	4,000	
35	20-yr Reopening of MGS (Mat on 05/40)	20	Nov	Q4	2,000	2,000
36	7-yr Reopening of GII (Mat on 08/28)	7	Dec	Q4	3,500	
37	3-yr Reopening of MGS (Mat on 06/24)	3	Dec	Q4	3,000	
	Gross MGS/GII supply in 2021				152,500	

Source: BNM, HLBB Global Markets Research

MGS/GII sees secondary market activity grind lower for the 5th month in a row…

Trading volume for MYR govvies i.e. MGS + GII bonds fell further again albeit by bigger margin of 21.5% m/m to ~RM40.3b in December compared to prior month's RM51.4b due to the earlier fear over Fitch Rating's downgrade of the nation's long-term issuer default rating from A- to BBB+/Stable coupled with fiscal deficit concerns. Interest was mainly seen across the short-end and the belly with substantial and frequent trades done predominantly in MGS/GII off-the-run 21-22's (altogether RM12.7b or 31.5% of overall volume of RM40.3b; higher compared to prior month's RM12.3b) and 28-29's. This was followed by tremendous interest in the 10Y and 15Y benchmarks which churned a solid secondary market volume of ~ RM5.7b each which altogether maintained a similar 28% of overall volume for the month. Investors were seen active mainly in the short-ends and also pivoted along the 15Ypart of the curve.

We opine that the secondary market volume for local govvies may see a slight revival in trading interest for January 2021 despite the full strength in staffing levels following the end of the December festivities and year-end holidays as interest by foreign funds searching for relative values in EM Asia may be dampened by rising UST yields, concerns over the projected front-loading of issuances under the 2021 Auction Calendar and rating updates by Moody's and S&P's on Malaysia's sovereign rating.

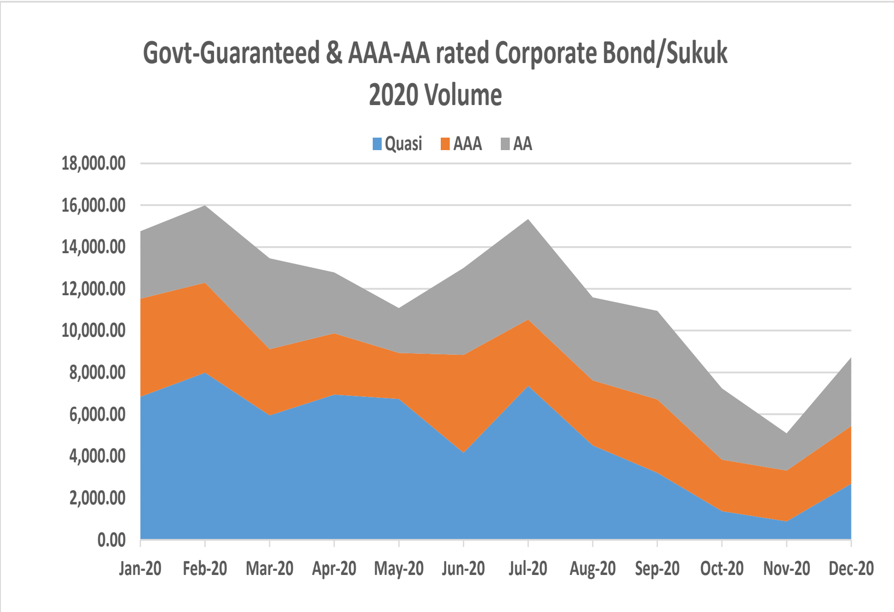


Source : BPAM, Bloomberg, HLBB Global Markets Research

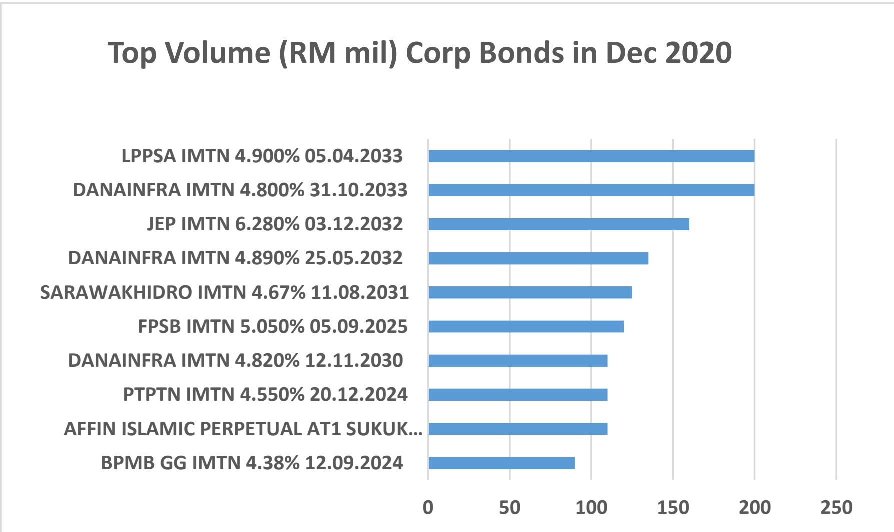
Corporate Bonds/Sukuk activity however sees slight improvement in the final month of December 2020…

Unlike local govvies, overall Corporate Bonds/Sukuk (including Govt-Guaranteed bonds) notched higher secondary market trading volume of ~RM9.7b in December (i.e. 55% rise vs 21.5% fall for govvies) compared to RM6.2b in November. The stronger momentum was partly due to yield-carry requirements as fund managers were inclined to adjust their portfolios before the tapering-off of trading activities due to the year-end festivities and holidays. BNM's earlier decision to stay pat on the OPR in November helped stabilize and encourage active portfolio transactions. Large institutional buyers including pension funds and lifers were seen active in view of the existing yield-carry benefits for their investment portfolios. Yield spreads ended mostly tighter; settling between 19-45bps in the GG-segment, between 50-70bps for AAA-rated bonds and also between 84-99bps for the AA2-segment (nevertheless both the 1Y and 5Y tenures saw a slight increase in yields increase). We note that foreign holdings for both GG and pure Credits maintain levels at ~ RM12.8b.

Total transactions for GG bonds rose 3-fold to form ~31% of overall volume; somewhat similar compared to AAA-rated in the secondary market. AA-rated papers saw a surge in activity by 84%; ultimately forming the bulk of investor interest overall. The GG-space was again mainly centered on DANAINFRA, PRASARANA and PTPTN bonds. **Bonds that garnered top volume for the month were the longer-end LPPSA 4/33 that closed unchanged at 3.40% and also DANAINFRA 10/33 which closed within 1bps higher at 3.47%. This was followed by JEP 12/32 which also ended unchanged at 3.83%.** Frequency and volume of trades in the pure credit space were seen mainly seen in conglomerates (i.e. DRB-HICOM 24-29's, DANUM 25-34's, MMC 23-28's and infrastructure-cum construction/property/toll (i.e. PLUS 25-37's, AMAN 21-30's, UEM SUNRISE 22-24's), utilities encompassing energy/telco/water/power (i.e. AAA-rated TENAGA 30-40's, PASB 26-35's, MANJUNG 22-31's, AA-rated EDRA 27-38's, CYPARK 34-40's, JEP 27-32's, SARAWAKHIDRO 21-31's, SEB 25-36's, TANJUNG BP 25-27's, UITM Solar 30-36's), BUMITAMA 24-26's and Fortune Premier 22-26's. The banking sector saw AFFIN-Bank perpetual 2117NC23, BPMB 25-32's, ALLIANCE 2032NC27, 2035NC30 and MAYBANK-related bonds traded. Odd-lot denominated trades involving unrated EWIB 23's, YNH PROPERTIES perps, Tropicana 23-27's & perps and TG excellence were also prevalent.



Source : BPAM, Bloomberg, HLBB Global Markets Research



Source : BPAM, Bloomberg, HLBB Global Markets Research

Primary issuance print in December driven by the following:

Notable issuances in Dec-20	Rating	Amount Issued (RM mil)
Prasarana Malaysia Berhad	GG	230
Pengurusan Air Selangor Sdn Berhad	AAA	1,100
Berjaya Land Berhad	AAA	75
Cagamas Berhad	AAA	1,850
Silver Sparrow Berhad	AAA	100
Sime Darby Property Berhad	AA1	800
CIMB Bank Berhad	AA2	50
Hong Leong Assurance Berhad	AA3	300
AmBank Islamic Berhad	AA3	400
Bermaz Auto Berhad	AA3	100
Guan Chong Berhad	AA3	300
Pac Lease Berhad	AA3	50
Evyap Sabun Malaysia Sdn Berhad	AA3	100
CIMB Group Holdings Berhad	A1	750
CIMB Bank Berhad	A1	750
Kedah Cement Sdn Berhad (fka Lafarge Cement Sdn Bhd)	A1	100
Sunsuria Berhad	A1	115
BGMC BRAS Power Sdn Berhad	NR	4
BGRB Venture Sdn Berhad	NR	50
Fenghuang Development Sdn Berhad	NR	6
Hume Cement Industries Berhad	NR	100
Idiwan Solar Sdn Berhad	NR	7
KYS Assets Sdn Berhad	NR	40
MAG Holdings Berhad (fka Xinghe Holdings Berhad)	NR	6
OCR Land Holdings Sdn Berhad	NR	15
Perdana ParkCity Sdn Berhad	NR	453
RH Consortium Sdn Berhad (fka Progressus Group Sdn Berhad)	NR	16
Sino Hua-An International Berhad	NR	3
Sunway Treasury Sukuk Sdn Berhad	NR	100
Tumpuan Azam Sdn Berhad	NR	3
Top Value Hotel Sdn Berhad	NR	53
Tanjung Pinang Development Sdn Berhad	NR	35
West Coast Expressway Sdn Berhad	NR	21
SHC Capital Sdn Berhad	NR	80
Setia Fontaines Sdn Berhad (fka Setia Recreation Sdn Berhad)	NR	4
Mah Sing Group Berhad	NR	100
Cypark Renewable Energy Sdn Berhad	NR	15
Point Zone (M) Sdn Berhad	NR	100
Leong Hup Capital Sdn Berhad	NR	100
		8,481

Source : BPAM, Bloomberg, HLBB Global Markets Research

Total fresh issuances of Corp Bonds/Sukuk fell sharply to a 5-month low of ~RM8.5b (Nov: RM16.7b) with Pengurusan Air Selangor Sdn Bhd (PASB) and CAGAMAS Bhd being the more prominent ones. PASB issued 3-10Y bonds totaling RM1.1b at coupons between 2.59-3.59% whilst CAGAMAS successfully arranged 1-2Y papers amounting to RM1.85b at coupons between 2.05-2.15%.

Outlook for Jan 2021

Expect bonds to feel slightly pressured with yields ranging sideways-to-higher....

The MYR bond market saw a strong finale to the 2020 auction calendar with the auction exercise for the reopening of the 10Y GII 10/30 notched a strong BTC ratio of 2.619x in December with total bids amounting to RM10.5b. Nevertheless, we note several concerns going forward:

- Additional supply concerns due to the forecasted elevated fiscal deficit of 5.4% of GDP for 2021.
- Forthcoming synopsis of the nation's rating by both Moody's and S&P (if any)
- Delicate political situation
- Potential economic relapse due to the recent surge in COVID-19 cases nationwide

The recent downgrade of the country's long-term issuer default rating from A- to BBB+/Stable by Fitch Ratings may be on the back-burner for now provided the Moody's and S&P do not provide the market with further shocks. The heavy responsibility shouldered by the EPF with regards to the government's decision to allow for lesser contributions coupled with easier withdrawals by the Rakyat may see slightly lesser deployment of funds for purchases in both the fixed income and equities space for 1H2021. This may however be mitigated by the well-capitalized and depth of other institutions in the country. The likelihood of BNM maintaining the present low OPR rate of 1.75% may also be another buffer.

Our projected total gross issuances for 2021 of about RM152.5b is undoubtedly higher than the actual overall issuance size of RM148.8b in 2020 understandably despite the lower projected fiscal deficit of 5.4% for this year based on earlier announcements and ongoing implementations of the various Economic Stimulus Packages (ESP's). Notably, the USDMYR pair which fell to 4.0203 month-end has however climbed higher to 4.06 levels at the time of writing as a result of a stronger greenback and domestic jitters stemming from tighter movement control measures and the declaration of State of Emergency.

No change to our view for OPR to stay unchanged at 1.75% in the immediate foreseeable future although the risk has risen. Nevertheless, we expect slight pressure on the curve. Expect intermittent institutional support on weakness. The positive interest-rate differentials are expected to maintain offshore real money investor interest like pension funds, central banks, global asset managers and lifers into the local sovereign debt space. We note that despite there being no govvies maturities falling in January, there may be slight pressure on yields due to our projection of ~ RM10b of MGS/GII issuances for this month as per the auction calendar for the year. **The 7Y, 15-20Y space for MGS/GII continue to reflect decent relative values along the curve. We expect the 10Y to range slightly lower between 2.60-2.80%** with support pegged at 2.80% levels. We continue to expect the shorter-end i.e. 21-22's and benchmark 5Y, 10Y bonds to see better participation on the curve.

We continue to like the 7Yand 20Y GG-space (current yield spreads over MGS are ~30bps and 37bps respectively)**,** The GG bond names like LPPPSA, DANAINFRA, PRASARANA and even PTPTN are expected to be well-sought after on better liquidity and smaller portfolio slippage by investors). We advocate caution in sectors involving, retail, leisure and higher-end property-backed issuers but prefer those in conglomerates (with a diversified business profile), toll-operators, power generation/distribution and also utilities i.e. water and sewerage.

US rates market expected to face challenges in January amid fears over Democrats ability to embark on additional fiscal stimulus...

The Federal Reserve will be having its next FOMC meeting on the 28th of January to decide on its current policy rate which has been pegged between 0.00 - 0.25% since March 2020. The US ISM Manufacturing PMI saw decent levels of 60.7 in December (Nov: 57.5) whilst Markit US Manufacturing PMI picked up strength at 57.1 (Nov: 56.1) whilst unemployment rate maintained at 6.7%. Nevertheless, containment measures across the US due to resurgence in COVID-19 infections along with tepid inflationary conditions may partially help mitigate a bond selloff. The potential appetite for riskier-assets following the change in the US government leadership may see equities outperform UST's and a possible move to EM Asia. The earlier massive $2.9 trillion plus recently approved $900b policy stimulus is expected to improve economic conditions.

The Fed's neutral view on the rate outlook suggests further rate cuts are unlikely until 2023. T**he Fed may possibly embark on forward guidance on the target and future path for the Fed Fund rate and also yield curve control to cap yields on certain maturities**. Ongoing vaccine discovery for COVID-19 virus and improving global trade additional fiscal stimulus may however weigh on UST yields**. The UST 7Y and 20Y tenures are seen to offer relative value at this juncture.**

In the Credit/Corporate space, the Bloomberg Barclays US Corporate Total Return Value (for Investment Grade or IG) saw on average about one third of IG Corporates which were having an OAS spread of 100bps record a negative outlook or review from S&P; including 35% of all BBB's; whilst Moody's is more sanguine at 20%. Issuances are expected to drop by 25% to $300b in 1Q2021 (2021: $1.3 trillion). Average HY issuances are expected at ~$70b for 1Q2021; the lowest among all quarters; compared to the average of $108b per quarter last year (2020 total ~ $432b). We expect a slightly lower average returns for January 2021 compared to 2020's solid +9.8% YTD returns. The Bloomberg Barclays US Corporate High Yield Total Return Index (for High Yield or HY) however produced a 7.1% for 2020. **10-year UST is expected to flirt at the 1.00% levels whilst ranging between 0.95– 1.15%; finding support at key 1.15% levels for this month. Our preferred IG bond issuances remain within the 3-7Y tenures in sectors** that support essential services such as **power, water and sewerage.** We are averse to the High Yield sector due to record issuances and concerns over stretched balance sheets due to the pandemic-struck economic climate.

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