Monthly Fixed Income Perspective –

Dec 21 review & Jan 22 outlook

US Bond Market

- **In December**, US Treasuries (UST's) continued to be sold-off aggressively on concerns over the pace of asset-tapering and inflationary pressures. The curve shifted higher as benchmark UST yields spiked between 6-16bps throughout. The prominent event was FOMC meeting which revealed the quicker wind-down in monthly asset purchases from $15b in November to $30b per month in December, January, February and finally ending with $15b in March. **The UST 2Y yield spiked 16bps to 0.73% whilst the 10Y rose 6bps to 1.51%, off the high of 1.55% seen during the month**. At the time of writing, yields have spiked further to 1.72% levels. Although the yield curve saw the 2s10s spread further tighten 10bps to ~77bps as at end-December, it has reversed back to 87bps whilst the 5s30s spreads remain steadfast at ~64bps.

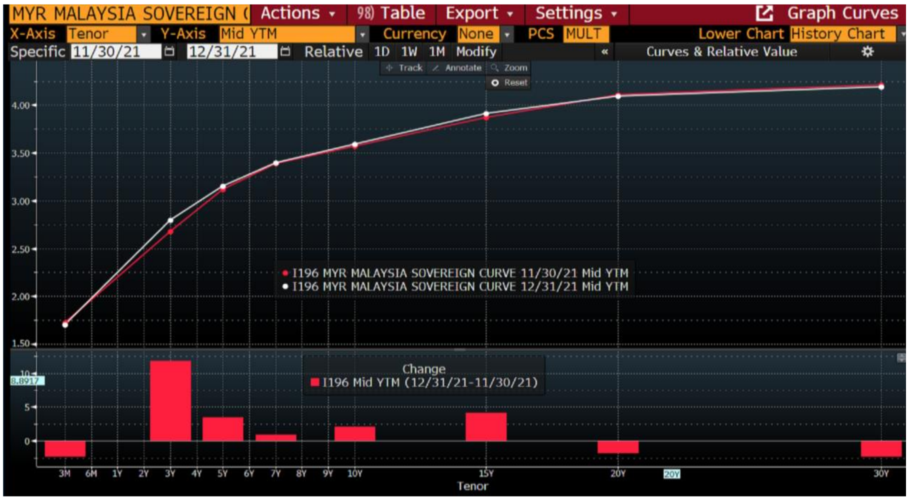
- **For January**, expect UST yields to see slight upside bias as concerns abound over the higher anticipated hikes in 2022 that could total up to four (4) instead of three (3) as what was previously thought. The mixed jobs report for December due to bottle-necks in logistic supplies coupled with higher wages as the labor market experiences tightness may not help ease inflationary pressure near term. **The 10-year UST is expected to range between 1.70-1.90%; finding support at key 1.90% levels for this month.** We **prefer inflation-linked securities over nominal UST's** and foresee action centered at the front and also intermediate maturities on Dot Plot concerns (option traders see possibility of up to eight (8) 25bps rate hikes by early 2024). The IG issuances within the 5-10Y duration still reflect relative value along the curve, namely in sectors covering IT, utilities, cable, media entertainment along with logistics.

MYR Bond Market

- **In December**, overall MYR government bonds ended mixed, with tenures extending out up to 10Y pressured between 4-14bps; but the longer-ends somewhat richer. The govvies curves flattened with the longer-end generally better-bid. **The benchmark 5Y MGS 11/26 yield rose 4bps to 3.16% whilst the 10Y MGS 4/31 jumped 5bps m/m to 3.56% each**. Foreign holdings of MYR government bonds (MGS + GII + SPK) saw strong inflows of RM6.3b to RM234.0b (representing 25.4% of total outstanding). **The issuance supply for 2022 was slightly targeted towards the longer tenures i.e. 15Y with slight reduction seen in the 5-7Y sector**. The first i.e. inaugural auction for 2022 saw **strong BTC ratios** of 2.329x and awarded at 3.273%.

- **For January,** despite our expectations for economic recovery to register a small positive for 4Q2021 bringing full-year 2021 GDP growth to 3.1%, the impact from the infectious but less deadly Omicron variant may yet spring a surprise to growth outlook ahead. Expect bond market again to be driven more by foreign news, led by further updates on the Fed's rapid hiking cycle. **We expect the 10Y MGS yield to continue ranging between 3.70-3.90%, with support pegged at 3.90% levels. The 5Y, 15Y MGS space reflect better relative values along the curve, with GII looking rather rich presently. As for the corporate bonds/Sukuk, we still favor the utilities namely telco, highway operators and logistics sector and are positive on the shorter-end i.e. 2Y, 10Y tenures in AAA/AA, and also the 15Y GG-sector that altogether provide yield-spreads of between 20-40bps.**

MYR sovereign curve (MGS)



Source: Bloomberg

US December payrolls missed expectations, registering fewer-than-expected new jobs; but positive signs include lower unemployment rate and increase in wage growth…

December Non-Farm Payrolls ("NFP") rose 199k (below the consensus of 450k), whilst adding a bigger upward revision of 141k total for prior two (2) months. The shortfall in hiring in December was possibly due to the effects of the Omicron variant on businesses. Job creation was highest in leisure and hospitality, a key recovery sector, followed by business services and subsequently manufacturing. The unemployment rate fell to 3.9% (Nov: 4.2%), continued the downtrend seen past few months and was a fresh pandemic-era low and near the 50-year 3.5% in February 2020. This was despite labor participation rate edging a mere 1 tick higher from 61.8% to 61.9%. The average hourly wages jumped to 0.6% m/m (previous month 0.3%) whereas the y/y figures eased slightly to 4.70% (previous month 4.80%).

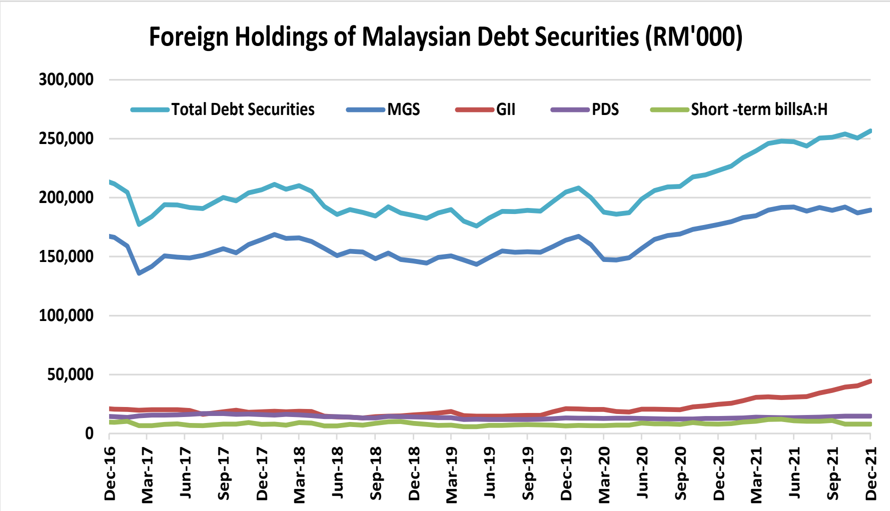
Meanwhile, the slightly lower but still strong Markit US manufacturing PMI for December @ 57.7 (Nov: 57.8) and easing in ISM manufacturing data of 58.7 (Nov: 61.1) may indicate sustained economic expansion despite supply-chain bottlenecks mainly in logistics. The Fed's preferred inflation measure i.e. core PCE in November however edged slightly higher with the m/m up at +0.5 % whilst y/y traction jumped to +4.7%; resulting as another main catalyst for rising rates.

The Fed Fund Rates was left unchanged at 0.00-0.25% at the latest FOMC on 16th December, but the Fed **confirmed that its asset tapering will witness a further wind-down in of monthly bond purchases from $15b in USTs in November to $30b per month in December, January, February and finally ending with in March.** Meanwhile, its current balance sheet reveals total assets rose further to $8.77 trillion as at 3rd January 2022 ($8.65 trillion @ 29th Nov). The Fed's current dot plot sees 6 out of 18 officials advocating between one (1) and two (2) rate hikes in 2022 with the rest between three (3) and four (4) rate hikes instead. Additional data from the **Fed Fund Futures reflect traders' hypothetical expectations of a higher 8.9% odds of a hike (-3.4% prior month) in the next FOMC meeting on 26th January** with an 87.2% chance of a rate hike in March 2022 at the time of writing. **CME FedWatch Tool meanwhile, maintains a ~93% probability of current target rate being maintained for the January FOMC meeting with a ~73% chance of a 25bps hike in March.**

Foreign holdings of overall MYR bonds jumped by ~RM6.1b or 2.4% in December amid a stronger MYR against the greenback @ 4.17 levels

Foreign holdings of overall MYR bonds jumped in December by RM6.1b or 2.4% to RM256.6b. Non-resident holdings of MGS rose by RM2.4b or 1.3% to RM189.5b, forming only 39.4% of total outstanding despite the smaller net issuance. Total MYR Government bonds (i.e. MGS+GII+SPK) holdings saw net inflows of RM6.3b to RM234.0b (representing 25.4% of total outstanding) in spite of a sharp rise in net issuances of +RM8.0b for the month (November: +RM2.0b). Investor concerns and uneasiness over confirmation of the US Fed's asset-tapering exercise further from $15b to $20b per month saw global bond yields spike as local govvies were not spared from the global sell-off. However auction exercises were relatively "sheltered" from this sell-off as the country's depth and well-diversified investment institutions provided support. The government's elevated fiscal deficit expectations of at least 6.0% of GDP, and higher statutory debt limit of 65% of GDP were on the back-burner for December. In addition to that some buying interest towards the end of the month ensued due to attractive yield-carry proposition following the recent sell-down for both MGS and GII in December; helping to stem some of the slide seen. Both local institutional and offshore investors led the momentum but yields swung between value-buys and also profit-taking activities coupled with yield spikes due to the Fed's faster pace of asset-tapering activities in the US.

Overall MYR govvies saw the largest monthly inflow seen YTD amounting to RM6.3b for December 2021 (prior month: -RM3.6b) whilst 12-month rolling inflows notched a lower cumulative amount of RM31.8b (prior month: RM29.3b). Equities saw the 1st outflow in 5 months; albeit at a small amount of RM1.14b in December 2021 (prior month: +RM167m) whilst the cumulative 12-month rolling outflows jumped to RM3.15b (prior month: RM2.61b). On the currency side, the MYR strengthened against USD to 4.1660 as at end-December from 4.2038 prior month, but is however seen consolidating higher at 4.2005 levels thereafter at the time of writing.



Source: BNM, HLBB Global Markets Research

No MPC meeting in December; BNM stayed pat at 1.75% at November meeting as expected...

To recap, BNM in its 6th and final Monetary Policy Committee (MPC) meeting for the year on 3rd of November, left the OPR unchanged at 1.75% for the 8th consecutive meeting in tandem with our projection. Whilst the central bank concurred that the recovery remains intact, it also reiterated that overall growth risks remained tilted to the downside. Whilst the Malaysian economy contracted by 4.5% y/y in 3Q2021, the country was technically in recession following two (2) successive contractions q/q, i.e. -3.6% for 3Q2021 (2Q2021: -1.9%).

Nevertheless, against the backdrop whereby growth is expected to take precedence over inflation, our house view remains for BNM to leave OPR unchanged at 1.75% for 1H2022. Notwithstanding the acceleration in production growth and extended recovery in the labor market that reaffirmed a return to positive growth in 4Q21, the Malaysian economy remains susceptible to higher downside risks with bottlenecks in global supply chain becoming a major issue. **We are cautiously optimistic that the Malaysian economy will rebound in 4Q2021 for which we are penciling in a small positive growth. Hence, we maintain our full year 2021 and 2022 GDP forecasts of 3.1% and 6.1% for now given prevailing uncertain growth outlook.**

First auction of the year lifts off on a strong note…

The inaugural first government bond auction for 2022 under the auction calendar saw strong bidding metrics for the 5Y MGS 11/26. The RM5.0b offering was in line with our estimates and notched a BTC ratio of 2.329x and awarded at 3.273%. At the time of writing the announcement for the auction of the new issuance of 10Y MGS 7/32 was in line with our forecast @ RM4.5b.

Meanwhile, the table below summarizes YTD tenders with **total projected MGS/GII issuance size projected at ~RM167b for 2022.** Going into 2022, investors should look out for **sizeable maturity windows in Q3** from scheduled MGS/GII maturities. Funds from maturing MGS/GII is expected to return as reinvestments into the MYR government bond space. Total combined MGS/GII maturities for 2022 will amount to circa RM78.2b versus this year's RM73.7b. **The issuance supply for 2022 is slightly targeted towards the longer tenures i.e. 15Y with slight reduction seen in the 5-7Y sector.** There is an increase in the number of issuances for the 15Y sector from five (5) to six (6) followed by a corresponding reduction in the number of 5Y and 7Y tenures issuances from six (6) to five (5) each, seen from the previous year potentially in view of expected demand for this part-of the curve. **We have projected quarterly issuances to be equally spread out within the first nine (9) months with smaller print for 4Q2022: -**

Q1-RM41.5b
Q2-RM44.0b
Q3-RM44.5b
Q4-RM37.0b

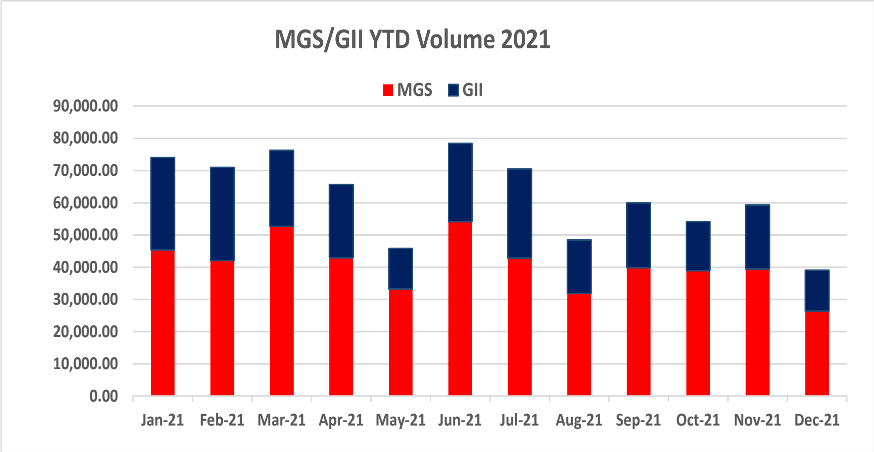
MGS/GII issuance pipeline in 2022

No	Stock	Tenure (yrs)	Tender Month	Quarter	Tender Date	Projected Issuance Size (RM mil)	Actual Auction Issuance (RM mil)	Actual Private Placement	Total Issuance YTD	BTC (times)	Low	Average	High	Cut-off
1	5-yr reopening of MGS (Mat on 11/26)	5	Jan	Q1	6/1/2021	5,000	5,000		5,000	2.329	3.235	3.273	3.290	39.4
2	10.5-yr new Issue of MGS (Mat on 7/32)	10	Jan	Q1		4,500								
3	15-yr Reopening of GII (Mat on 07/36)	15	Jan	Q1		4,500								
4	5-yr Reopening of GII (Mat on 09/27)	5	Feb	Q1		4,500								
5	30-yr Reopening of MGS (Mat on 06/50)	30	Feb	Q1		4,500		X						
6	7-yr Reopening of GII (Mat on 10/28)	7	Feb	Q1		4,500								
7	15-yr Reopening of MGS 04/37	15	Mar	Q1		4,500								
8	20-yr Reopening of MGII 09/41	20	Mar	Q1		4,500		X						
9	3-yr Reopening of MGS 03/25	3	Mar	Q1		5,000								
10	10.5-yr New Issue of MGII (Mat on 10/32)	10	Apr	Q2		4,000								
11	20.5-yr New Issue of MGS (Mat on 10/42)	20	Apr	Q2		5,000		X						
12	15-yr Reopening of MGII 07/36	15	Apr	Q2		4,000		X						
13	7-yr New Issue of MGS (Mat on 04/29)	7	Apr	Q2		4,500								
14	30-yr New Issue of MGII (Mat on 05/52)	30	May	Q2		5,000		X						
15	10-yr Reopening of MGS (Mat on 07/32)	10	May	Q2		5,000								
16	3-yr Reopening of MGII 10/25	3	May	Q2		4,500								
17	15-yr Reopening of MGS 04/37	15	Jun	Q2		4,000		X						
18	5-yr Reopening of MGII 09/27	5	Jun	Q2		4,000								
19	30-yr Reopening of MGS 06/50	30	Jun	Q2		4,000		X						
20	10-yr Reopening of MGII (Mat on 10/32)	10	Jul	Q3		5,000		X						
21	20-yr Reopening of MGS (Mat on 10/42)	20	Jul	Q3		5,000		X						
22	7-yr Reopening of MGII 07/29	7	Jul	Q3		5,000								
23	5-yr Reopening of MGS 11/27	5	Aug	Q3		5,000								
24	20-yr Reopening of MGII 09/41	20	Aug	Q3		5,000		X						
25	15-yr Reopening of MGS 04/37	15	Aug	Q3		5,000		X						
26	3-yr Reopening of MGII 10/25	3	Sep	Q3		4,500								
27	7-yr Reopening of MGS (Mat on 04/29)	7	Sep	Q3		5,000								
28	15.5-yr New Issue of MGII (Mat on 03/38)	15	Sep	Q3		5,000								
29	3-yr Reopening of MGS 03/25	3	Oct	Q4		5,000								
30	10-yr Reopening of MGII (Mat on 10/32)	10	Oct	Q4		5,000		X						
31	20-yr Reopening of MGS (Mat on 10/42)	20	Oct	Q4		5,000		X						
32	7-yr Reopening of MGII 07/29	7	Nov	Q4		4,500								
33	5-yr Reopening of MGS 11/27	5	Nov	Q4		4,500								
34	30-yr Reopening of MGII (Mat on 05/52)	30	Nov	Q4		4,000		X						
35	10-yr Reopening of MGS (Mat on 07/32)	10	Dec	Q4		4,500								
36	3-yr Reopening of MGII 10/25	3	Dec	Q4		4,500								
	Gross MGS/GII supply in 2022					167,000	5,000	-	5,000	PROJECTED TOTAL ISSUANCE SIZE = 167,000,000				

Source: BNM, HLBB Global Markets Research

MGS/GII secondary market activity pullback seen in December…

Trading volume for MYR govvies i.e. MGS + GII + SPK bonds fell again m/m by a higher margin of 34.8% to ~RM39.2b in December compared to prior month's RM60.1b. Investors were net sellers amid lower volumes for the month as yields extending up to 10Y tenures generally ended higher between 4-16bps for the month under review. The cautious stance by both traders and investors alike were driven by foreign news i.e. subsequent confirmation by the Fed that it will further increase its asset-tapering exercise of $15b in November to $30b per month in December, January, February and finally ending with $15b in March. Shrinking volumes and rising global yields were very much the mainstay for the month under review; similar to November. Nevertheless, we opine that trading activities in the secondary market for local govvies may see slight improvement in January as we cross over from the low-staffing levels and book-closing activities by portfolio managers during the year-end. The infectious but less deadly Omicron variant may also boost support for bonds going forward by institutional investors that include EPF, other local GLIC's and also real money investors like lifers, asset management companies and inter-bank participants.

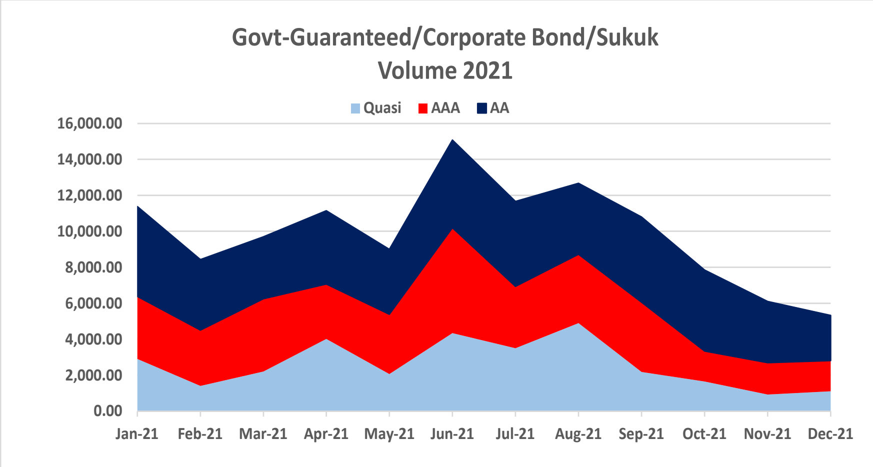


Source: BPAM, Bloomberg, HLBB Global Markets Research

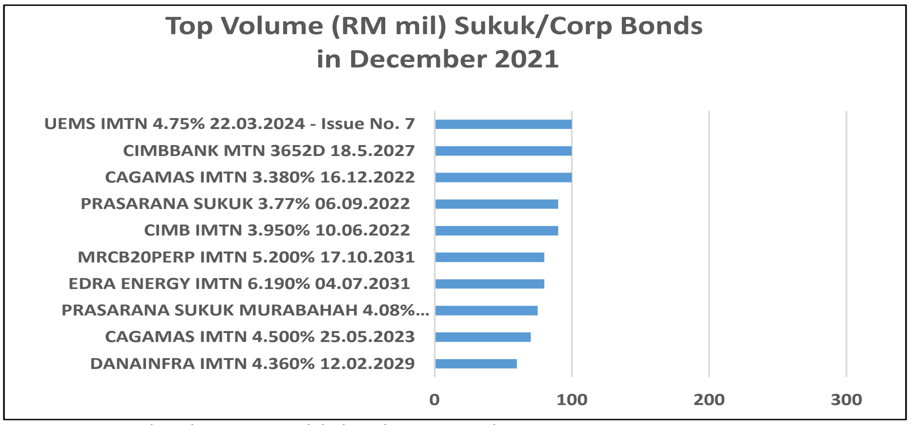
Corporate Bonds/Sukuk activity saw investor activity continue to abate in December…

Overall Corporate Bonds/Sukuk (including Govt-Guaranteed bonds) in the secondary market trading volume eased by 8.3% to ~RM5.88b in December (Nov: RM6.41b). The slightly weaker momentum was due to spillover effect from lesser liquidity for govvies transactions coupled with low-staffing levels seen during a typical year end situation coupled with book-closing activities. Surprisingly, there was no let-up in primary issuances which may have also dampened secondary market activities slightly. Overall yields closed mixed for the GG-segment, with the 2-7Y tenures widening between 5-16bps instead to MGS, whereas other tenures tightened instead between 1-15bps. The AAA-rated bonds however saw tenures extending out up to 10Y richer between 2-15bps. The AA2-segment similarly saw spreads fall between 2-10bps up to 10-year tenures. Bonds with longer duration i.e. within the 15-25Y were better-bid, resulting in larger deviations in yields for yield-carry purposes during the month in spite of the lower liquidity. We note that foreign holdings for both GG and pure Credits inched lower by ~RM110m to RM14.7b.

Total transactions for **GG bonds rose** m/m to form ~20.9% (Nov: 15.1%) of overall volume. AAA-rated papers saw total trades inch up volume-wise m/m with its total market share forming 32.0% (Nov: 20.0%) of overall trades. Meanwhile, the **AA-space saw secondary market trades somewhat decline further to** 47.0% share of overall investor interest (Nov: 55.8%). The GG-space was spread among DANAINFRA, LPPSA and also PRASARANA. **Bonds that garnered top volume for the month were UEM Sunrise 3/24 (AA3) that settled 3bps lower at 3.92%, CIMB 5/27 (AAA) which edged 2bps up at 3.72% and** CAGAMAS 12/22 (AAA) which rallied 9bps to 2.14%. Frequency and volume of trades in the pure credit space were seen mainly seen in quasi-government bonds i.e. CAGAMAS 22-24's, conglomerates (i.e. MMC Corp 25-28's, Khazanah-related SPV's i.e. DANUM 25-35's, infrastructure-cum construction/property (i.e. GLT 25-28's, UEM SUNRISE 22-26's, WCT 25-26's, Bumitama 26's, utilities encompassing energy/telco/water/power (i.e. AAA-rated AIR SELANGOR 27-36's, PASB 22-29's, TENAGA 31-41's, and its related-entity i.e. NE 22-29's, AA-rated BGSM 23-25's, EDRA 23-38's, JEP 23-29's, SEB 22-36's, IMTIAZ 22-28's and YTL Power 23-27's and Press Metal 24-28's. The banking/finance sector saw activity on names involving BPMB 26-35's, MAYBANK 2029NC24, 2031NC26 and its perps. There were frequent odd-lot denominated trades involving banking names like ALLIANCE 2030, 2035 callable bonds, HLFG perps, CIMB Perps, CRE 2120NC27, GLT12 25-28's, GENM Capital 23-28's, AFFIN perps, Sabah DEV 23-26's, unrated ECO World 23's, IJM Land perps, Tropicana 23-25's and its perps.



Source: BPAM, Bloomberg, HLBB Global Markets Research



Source: BPAM, Bloomberg, HLBB Global Markets Research

Primary issuance prints in December driven by the following:

Notable issuances in Dec-21	Rating	Amount Issued (RM mil)
AmBank (M) Berhad	AA3	400
Berjaya Land Berhad	AAA	150
BGMC BRAS Power Sdn Berhad	NR	2
Cagamas Berhad	AAA	500
Cenergi SEA Berhad	A1	210
CIMB Group Holdings Berhad	NR	3,100
CIMB Bank Berhad	AA2	100
Felda Global Ventures Holdings Berhad	NR	500
Hap Seng Management Sdn Berhad	NR	200
Idiwan Solar Sdn Berhad	NR	3
KYS Assets Sdn Berhad	NR	40
Liziz Standaco Sdn Berhad	NR	27
MAG Holdings Berhad (fka Xinghe Holdings Berhad)	NR	1
Malaysia Airport Holdings Berhad	AAA	800
MCIS Insurance Berhad	A2	200
Maybank Shared Services Sdn Berhad	NR	500
Pac Lease Berhad	AA3	80
PONSB Capital Berhad	AA3	450
Prasarana Malaysia Berhad	GG	600
Press Metal Aluminium Holdings Berhad	AA3	600
RH Consortium Sdn Berhad (fka Progressus Group Sdn Berhad)	NR	16
Sabah Development Bank Berhad	AA1	180
Setia Fontaines Sdn Berhad (fka Setia Recreation Sdn Berhad)	R	10
Silver Sparrow Berhad	AAA	100
SunREIT Unrated Bond Berhad	NR	10
Tumpuan Azam Sdn Berhad	NR	10
Tanjung Pinang Development Sdn Berhad	NR	23
Trusmadi Capital Sdn Berhad	AAA	20
West Coast Expressway Sdn Berhad	NR	10
Yinson Holdings Berhad	A1	1,000
		9,841

Source: BPAM, Bloomberg, HLBB Global Markets Research

Total fresh issuances of Corp Bonds/Sukuk in December rose from RM8.9b to RM9.8b. The more prominent issuances consisted of CIMB Group Holdings Bhd which issued unrated 3-5Y bonds totaling RM3.0b with a coupon of 2.45% and also RM100m of AA2-rated 2031NC26 perps with a coupon of 3.80%.

Outlook for January 2022

Expect USTs to be pressured in January as inflation concerns coupled with faster pace and quantum of rate-hiking exercises hog the limelight …

The Federal Reserve will have its next FOMC meeting on **27th of January**. We envisage no change in the Fed Funds Rate but foresee a potential rate hike of 25bps in March that resulted from the persistently stubborn inflationary conditions and rapid QE unwind. Fed Chair Powell may cause investors to believe that he will be continue to be hawkish-centric and be supportive on rate-normalization. Based on policy perspectives, investors will also be eagerly watching developments and upcoming policies which saw the BOE hike rates. The yield curve which compressed from April-November 2021 was due to the ravaging pandemic that surprisingly caused the Fed to put asset tapering on the back-burner. Despite the 2s10s spread moving sideways in the last month of 2021 due to the grappling Omicron issue on one side versus the pace at which the Fed is expected to normalize monetary policy to fight inflation on the other, **we would expect a steeper yield curve going forward as investors adopt "negative duration". This leads us to prefer inflation-linked securities over nominal UST's**. The Fed's jobs data going forward is expected to be robust with key indicators potentially seeing higher wage growth and lower unemployment rate nearing the pre-pandemic levels of 3.50% in February 2020. These coupled with a potential spike in December and January inflation may impact upon USTs and corporate bonds.

In the Credit/Corporate space, the Bloomberg Barclays US Corporate Total Return Value (for Investment Grade or IG) saw a meagre loss of ~0.08% in December (Nov: -0.06%; 2021: -1.04%) with OAS spreads maintaining at ~ 93bps. Expect gross primary issuances to maintain at about $90b in January versus $100b sold in December as borrowers continue to rush to issue in anticipation of a higher interest rate regime. The Bloomberg Barclays US Corporate High Yield Total Return Index (for High Yield or HY) however recorded a decent gain of 1.87% (Nov: -0.97%, 2021: +5.28%) with spreads wider by 10bps instead to ~300bps. The emergence of Omicron variant may impact the economy and subsequently the economic performance and debt-servicing abilities of corporates. Also rising UST levels may similarly rub-off unto both IG and HY bonds.

Our monthly fundamental view suggests the 10-year yield should trend within its current level with slight upward bias**. The 10-year UST is expected to range between 1.70-1.90%; finding support at key 1.90% levels for this month.** The IG issuances within the 5-10Y duration still reflect relative value along the curve, namely in sectors covering IT, utilities, cable, media entertainment along with logistics.

Expect local govvies to see yields range sideways-to-higher, driven mainly by foreign leads…

The MYR bond market saw strong bidding metrics for the first auction out of a total of three (3) exercises to be fully conducted in January. The re-opening of RM5.0b 5Y MGS 11/26 on 6th of January saw strong participation as per our earlier mention **with a BTC ratio of 2.329x, with total bids of RM11.64b;** supported mainly by inter-bank participants, lifers and also foreign/offshore parties. The expansionary Budget 2022 which is expected to keep the government fiscal deficit at 6.0% of GDP, and higher statutory debt limit of 65% of GDP may still be on the forefront of traders and investors minds. The government is expected to buffer its funding avenues via further Bills issuance (if required) and also via the availability of KWAN fund maintained by BNM, potential increase in dividends from PETRONAS and GLC's, reallocation and optimization of expenditure by various ministries along with additional dues and fines pertaining to 1MDB findings.

Though the pace of US asset tapering is finalized; the ongoing concerns over quantum and number of rate hike pressures may haunt local bond yields. Our projected auction size for 2022 which totals ~RM167b (being skewed towards the short i.e. 3Y, medium-term i.e. 10Y and also longer end of the curve i.e. 20Y tenures). We opine that trading activities in the secondary market for local govvies may see some improvement in January as traders and portfolio managers return in full force, searching for alpha.

The issuance supply for 2022 is slightly targeted towards the longer tenures i.e. 15Y with slight reduction seen in the 5-7Y sector. There is an increase in the number of issuances for the 15Y sector from five (5) to six (6) followed by a corresponding reduction in the number of 5Y and 7Y tenures issuances from six (6) to five (5) each, seen from the previous year potentially in view of expected demand for this part-of the curve. Constant updates on US jobs data and inflationary conditions in the US are expected to cause local govvies i.e. MGS/GII's to trade somewhat in a volatile manner, as was the case for the past two (2) months. On the flip side, EPF's anticipated "ramp-up" in secondary market-making activities together with the wide local investor base will be much-watched for signs of confidence and leads; which is expected to provide stability to yields. We also note that net govvies issuances for the month is expected to spike substantially from RM8.0b in December to RM14.0b in January and may put pressure on yields due to unavailable rollover from maturities.

We expect the 10Y MGS yield to continue ranging between 3.70-3.90%, with support pegged at 3.90% levels. The 5Y, 15Y MGS space reflect better relative values along the curve, with GII looking rather rich presently. As for the corporate bonds/Sukuk, we still favor the utilities namely telco, highway operators and logistics sector and are positive on the shorter-end i.e. 2Y, 10Y tenures in AAA/AA, and also the 15Y GG-sector that altogether provide yield-spreads of between 20-40bps.

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