Hong Leong Bank

Quarterly Market Outlook 1Q2024

Global Markets

Jan 2024

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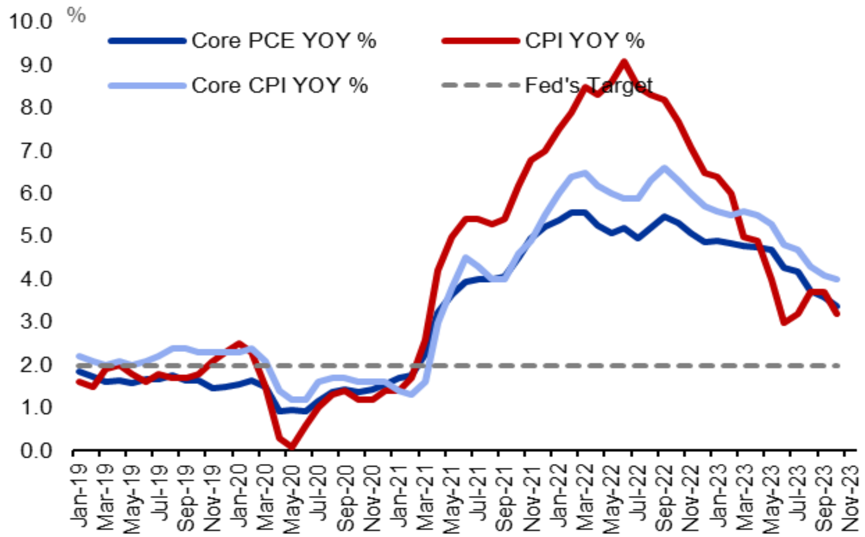
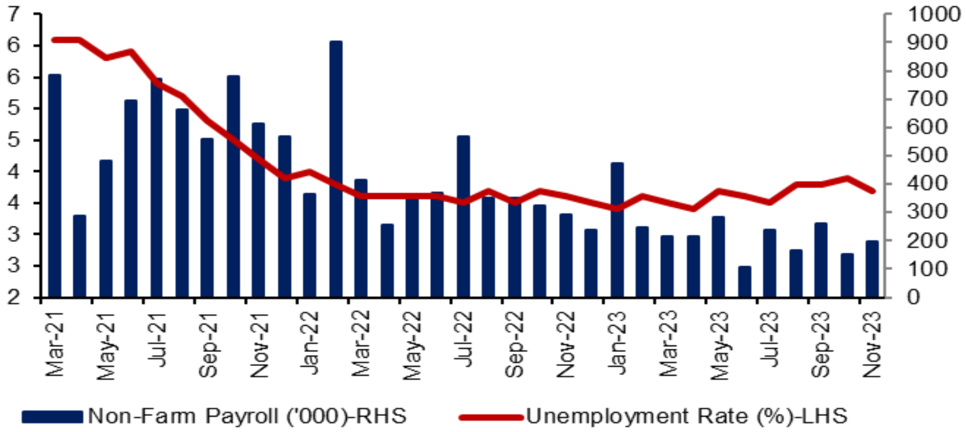
Global Central Banks Policy Rates Outlook

	Current	1Q24	2Q24	3Q24	4Q24	Remarks
United States Federal Reserve *Fed Funds Rate*	5.25-5.50	5.25-5.50	5.00-5.25	4.50-4.75	4.50-4.75	**-75bps**
Eurozone European Central Bank *Deposit Rate*	4.50	4.50	4.25	3.75	3.50	**-100bps**
United Kingdom Bank of England *Bank Rate*	5.25	5.25	5.25	5.00	4.50	**-75bps**
Japan Bank of Japan *Policy Balance Rate*	-0.10	-0.10	-0.10	0.00	0.00	**+10bps**
Australia Reserve Bank of Australia *Cash Rate*	4.35	4.35	4.35	4.35	4.10	**-25bps**
New Zealand Reserve Bank of New Zealand *Official Cash Rate*	5.50	5.50	5.50	5.25	5.00	**-50bps**
Malaysia Bank Negara Malaysia *Overnight Policy Rate*	3.00	3.00	3.00	3.00	3.00	**No change**
Thailand The Bank of Thailand *1-Day Repurchase Rate*	2.50	2.50	2.50	2.50	2.50	**No change**
Indonesia Bank Indonesia *7-day Reverse Repo Rate*	6.00	6.00	6.00	5.75	5.25	**-75bps**

Source: Bloomberg, Global Markets Research

US – Reaffirming soft landing view



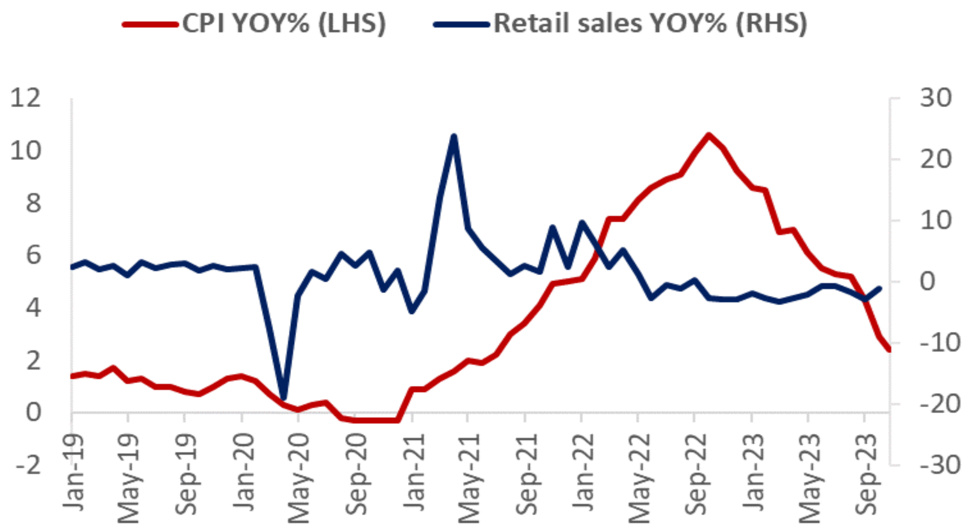


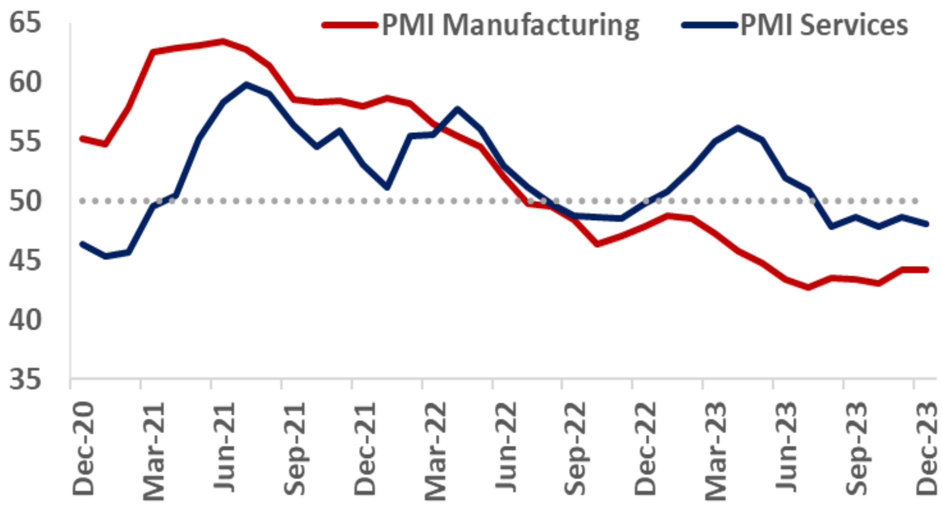
	2022	2023E	2024F
GDP (%)	1.9	2.6	1.4
Core PCE Inflation (%)	5.2	3.2	2.4
Fed Funds Rate (%)	4.25-4.50	5.25-5.50	4.50-4.75
Dollar Index (End of period)	103.52	101.33	98.33

Source: Fed, Bloomberg, HLBB Global Markets Research

- **Economic activity has slowed**; job gains have moderated but remained resilient - reaffirming expectations that the FOMC can engineer a soft landing for the economy
- **Inflation has eased** over the past year but remains elevated. Volatile oil prices, inflation expectations and upward momentum in m/m CPI due to services costs are not encouraging and supports our view that the **first Fed rate cut will start towards mid-year/ May**
- **Financial conditions have eased** driven by the pullback in UST yields and USD; Goldman Sach's Financial Conditions Index retreated from its peak of 100.74 to 99.23

Eurozone – The sick man amongst the majors at this juncture



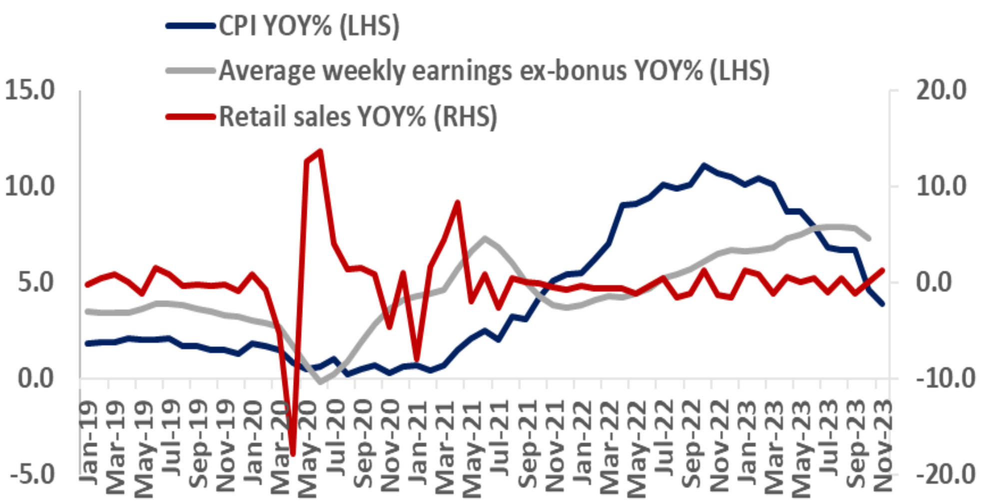


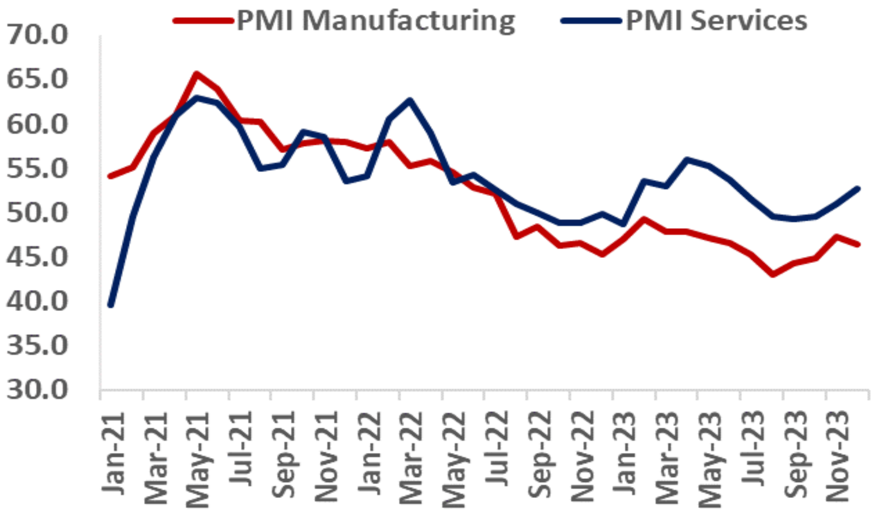
	2022	2023E	2024F
GDP (%)	3.4	0.6	0.8
Inflation (%)	8.4	5.4	2.7
Deposit Facility Rate (%)	2.50	4.50	3.50
EUR/USD (End of period)	1.0705	1.1039	1.09

Source: ECB, Bloomberg, HLBB Global Markets Research

- Domestic demand is expected to rebound in 2024 on the back of still tight labour market and rising real incomes (as inflation recedes).
- Risks to growth remain downwardly skewed due to: 1) geopolitical uncertainty. 2) higher energy prices which mean still elevated inflation and tight financing condition
- In the near term, the region is **at risk of technical recession** with a 0.1% q/q contraction in 3Q and still negative PMIs and retail sales data in 4Q
- Divergent growths - weak for the bigger economies, rapid dissipating price pressures suggests that **ECB may out-dove FOMC**

UK – Stagnant growth in the near term



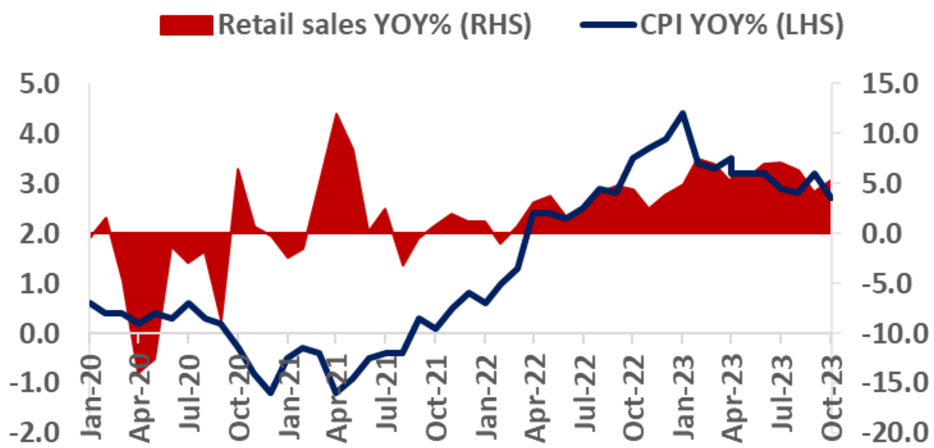


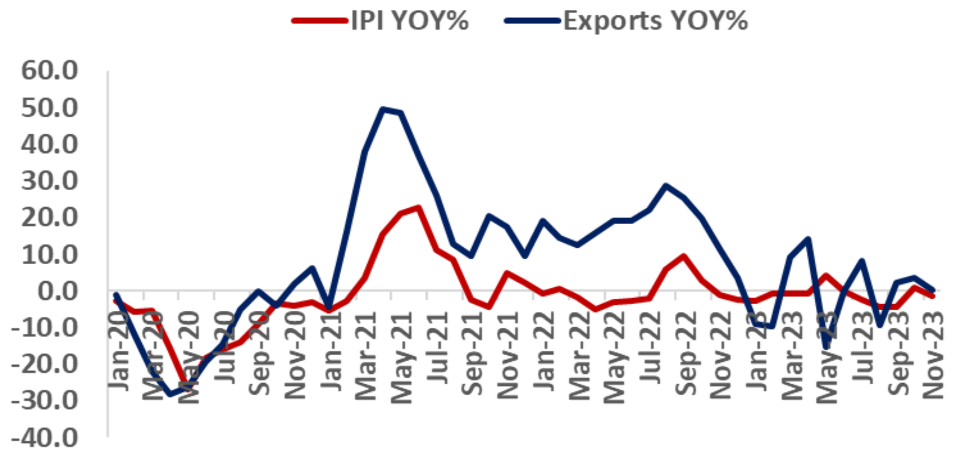
	2022	2023E	2024F
GDP (%)	4.5	0.5	0.0
Inflation (%)	9.1	4.8	3.3
Bank Rate (%)	3.50	5.25	4.50
GBP/USD (End of Period)	1.2083	1.2731	1.26

Source: BOE, Bloomberg, HLBB Global Markets Research

- **Growth expected to be flat** in 4Q and over coming quarters as monetary tightening works its way through the economy. Longer term, Autumn Budget expected to increase GDP by around 0.25ppts over coming years
- Downside surprises in UK CPI has spurred rate cut bets, but we will be waiting for clarity on consumer spending and wage growth.
- Forward indicators suggest **softer momentum in wage growth which should help to contain inflation**: 1) Expectations for future wage growth from the Decision Maker Panel survey fell to 5% from 6% at the beginning of 2023. 2) Indication from BOE's agents signaled a fall in average annual pay settlements in 2024

Japan – Cost pass through to consumers, positive wage growth inflation crucial for change



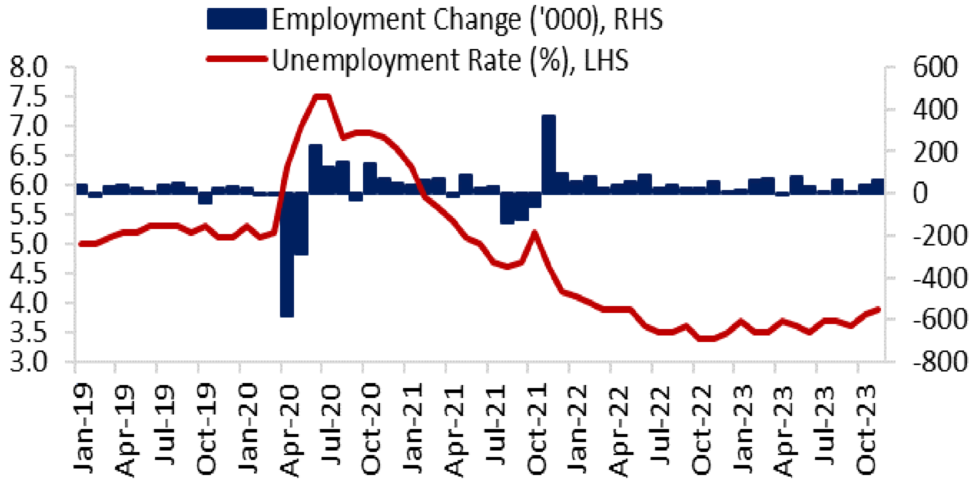


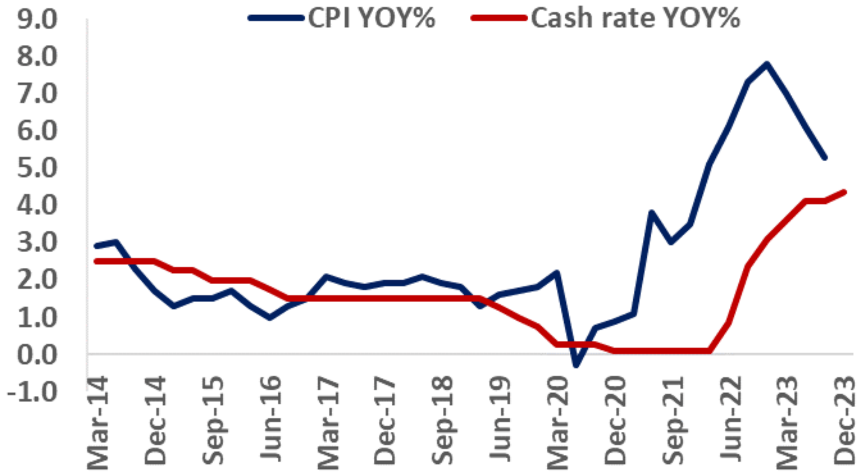
	2022	2023E	2024F
GDP (%)	1.0	2.0	1.0
Core Inflation (%)	3.0	2.8	2.8
Policy Balance Rate	-0.1	-0.1	0.0
USD/JPY	131.12	141.04	133.00

Source: BOJ, Bloomberg, HLBB Global Markets Research

- **High uncertainties surrounding external outlook and financial markets** partially justify why BOJ “patiently continues with monetary easing” – exports, imports, IPI contracted m/m in November
- BOJ made cautious tweak to its personal consumption assessment - increase moderately but removing the word “steadily”. Inbound tourism supported consumer spending, but domestic demand is expected to moderate on the back of uncertainty and possible, a shift away from negative rates
- In BOJ’s view, **positive wage-inflation cycle is crucial for a policy shift.** Thus, the “shunto” spring wage talks will matter

Australia – The last major central bank to maintain a hawkish hold



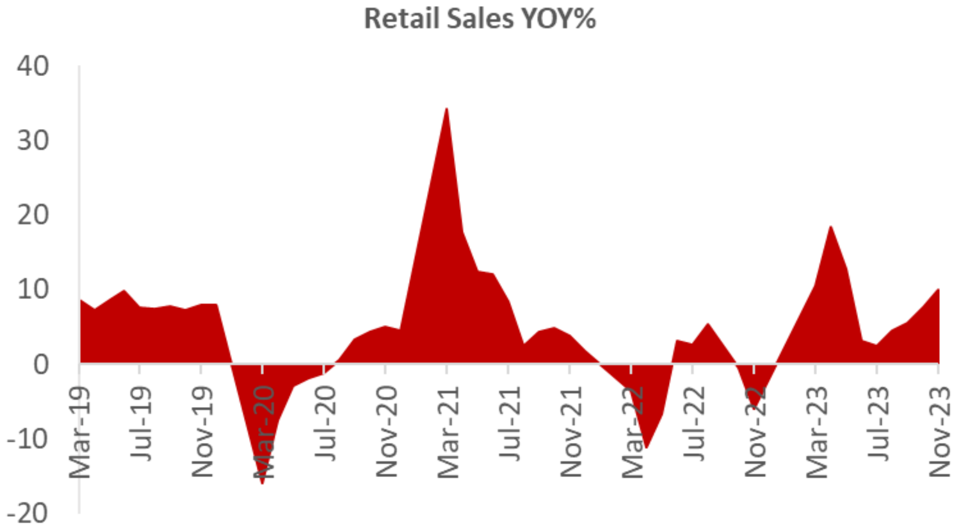


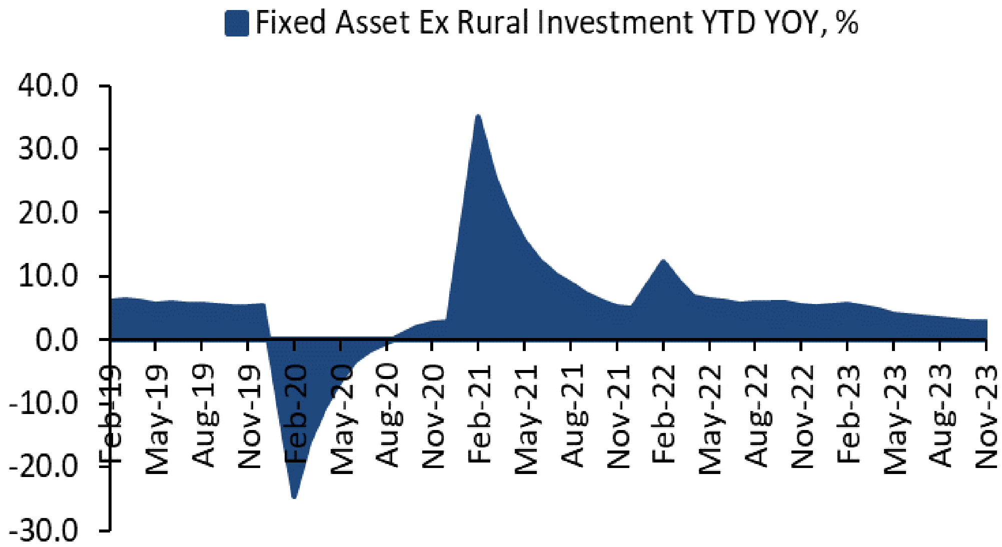
	2022	2023E	2024F
GDP (%)	3.8	1.3	1.8
Inflation (%)	6.6	4.5	3.3
Cash Rate (%)	3.10	4.35	4.10
AUD/USD	0.6813	0.6812	0.71

Source: RBA, Bloomberg, HLBB Global Markets Research

- **Slower than expected pullback in inflation**. Inflation to reach target of 2-3% only in 2H of 2025 and at the top-end of the band (previously mid-point). Thus, RBA considered rate hike in the last meeting of 2023 and cash rate is expected to gradually decline to 3.50% only by end-2025
- **Employment growth to remain positive** although more balanced partially due to immigration and working age population growth. Thus, wage growth is not expected to increase much further and remains consistent with the inflation target.
- Risks: (1) Possibility of a larger rise in unemployment rate and (2) painful squeeze on household finances

China – Mounting challenges ahead



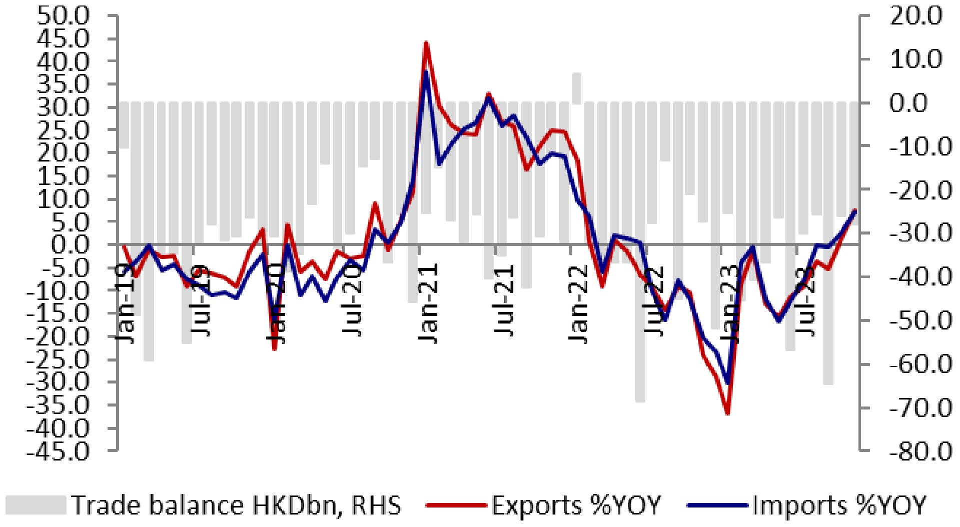


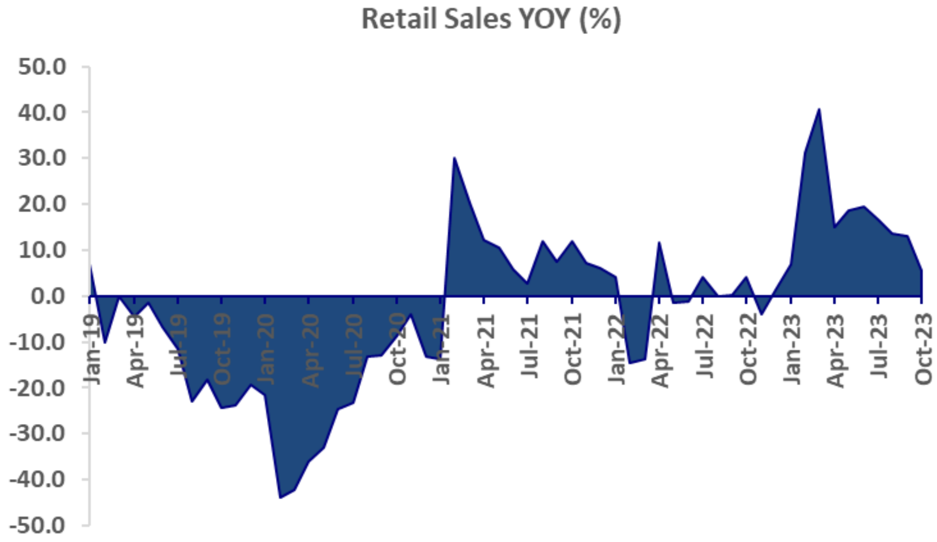
	2022	2023E	2024F
GDP (%)	3.0	5.2	4.5
Inflation (%)	2.0	0.4	1.5
1Y LPR (%)	3.65	3.45	3.45
USD/CNY	6.9220	7.1000	6.89

Source: PBOC, Bloomberg, HLBB Global Markets Research

- **Consumption growth likely to be subdued** due to increased precautionary savings, gloomier employment prospect; heightened uncertainty due to financial stress from ongoing adjustment in the real estate sector
- **Focus on ensuring ample liquidity** (pumped a record 800bn yuan in December), cut in RRR rather than interest rates to support domestic demand
- Officials have also pledged a proactive “moderately strengthening” fiscal policy to support domestic demand: **9-point plan to revive the economy**, with focus, amongst others, on high-quality development and tackling the spiraling real estate crisis such as the one trillion yuan of Special Treasury bonds for 2024

Hong Kong – Slow and steady



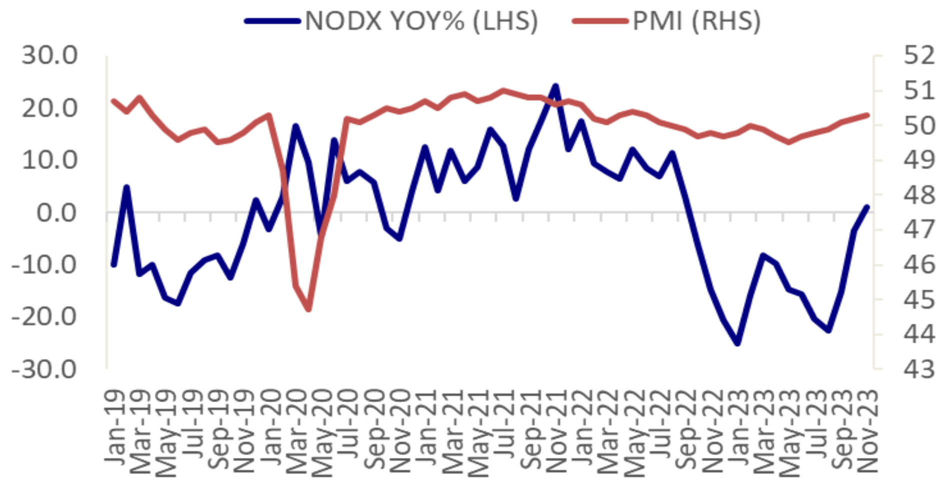


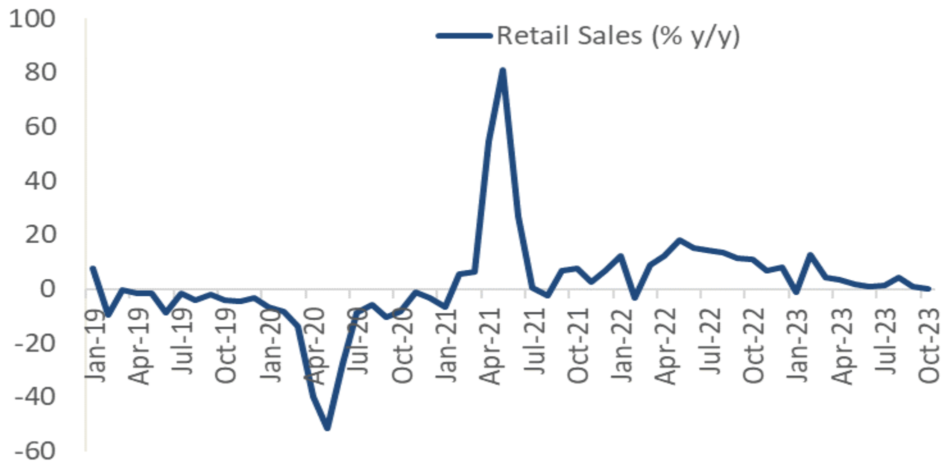
	2022	2023E	2024F
GDP (%)	-3.5	3.2	2.7
Inflation (%)	1.9	2.2	2.1
Base Rate	4.75	5.75	5.00
USD/HKD	7.8016	7.8115	7.78

Source: HK Economy, Bloomberg, HLBB Global Markets Research

- **Tourism reboot**, especially with the reopening of China's borders, will remain the growth driver. Further supported by "Night Vibes Hong Kong" initiatives and tax cuts for some property purchases and stock trades
- **Spending will face headwind** from weakened spending power from Mainland visitors and tightened financial condition on corporate and property investment. Property transactions remained contractionary
- **Challenging external demand and geopolitical concerns** will dampen exports. Latest positive exports data was supported by low base effect, Exports growth to China and US were positive, negative for EU

Singapore – Two-speed economy; softer domestic demand and recovery in exports



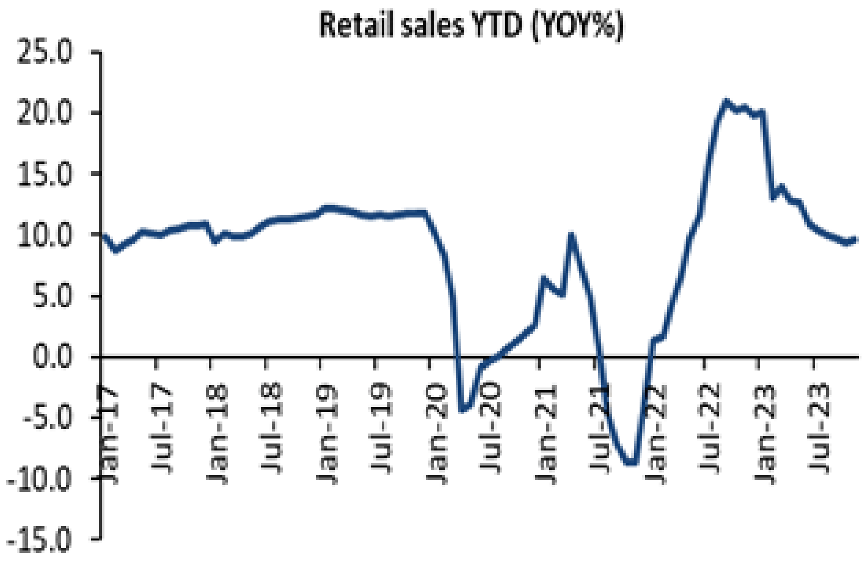


	2022	2023F	2024F
GDP (%)	3.7	1.2	1.0-3.0
Inflation (%)	6.1	5.0	3.0-4.0
3m SIBOR (%)	4.25	4.06	3.11
USD/SGD	1.3395	1.3203	1.28

Source: MTI, Bloomberg, HLBB Global Markets Research

- **Tentative signs manufacturing may be stabilizing** and will recover towards 2H on the back of: 1) a gradual pick-up in the global economy and normalizing inventory levels. 2) Global electronic cycle to recover as reflected in the 8th straight month of m/m growth and double-digit sales growth forecast for 2024 (WTST projects annual global sales to grow 13.1% in 2024)
- **Continuing recovery in air travel and tourist arrivals** will support retail sales but will be negated by tapering post-pandemic boost, higher GST and moderating domestic demand
- **Expect MAS to maintain the slope, band, centre of the S$NEER** on the back of below-trend growth

Vietnam – Entering 2024 with a brighter outlook

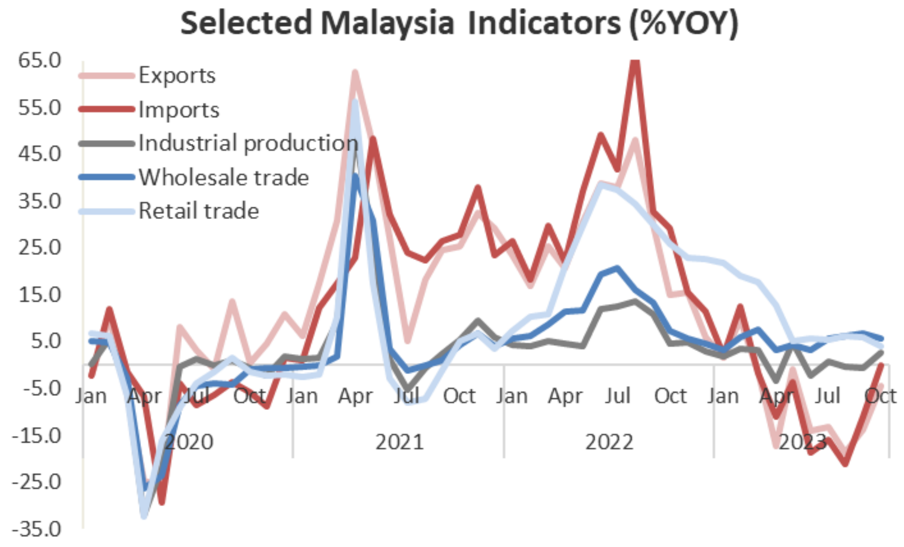


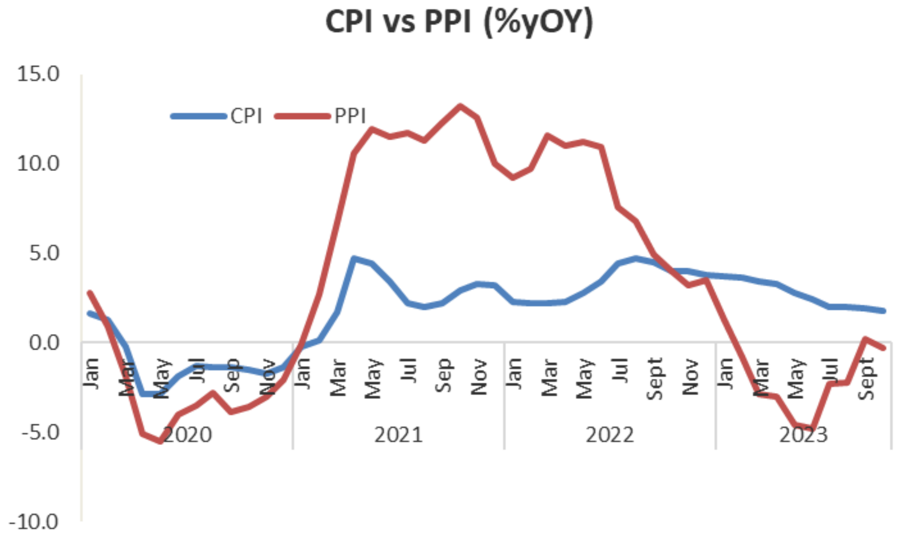
	2022	2023E	2024F
GDP (%)	8.0	5.1	6.0-6.5
Inflation (%)	3.2	3.3	3.5
SBV Refinancing Rate (%)	6.00	4.50	4.50
USD/VND	23,633	24,269	23,675

Source: Bloomberg, HLBB Global Markets Research

- 2024 outlook is brighter as external demand recovers, further supported by strong tourism arrivals which will benefit services and retail spending
- **Government has ramped up support for the economy – banks urged to be more flexible on lending, ministries/provincial governments** to speed up disbursement of public investment, deepening ties with the majors
- **Cost pressures has picked up slightly** on imported inflation, but remains manageable

Malaysia – Domestic demand and uptick in tech cycle to support growth





	2022	2023E	2024F
GDP (%)	8.2	3.8	4.7
Inflation (%)	3.3	2.5	3.2
OPR (%)	2.75	3.00	3.00
USD/MYR	4.4040	4.5940	4.39

Source: Bloomberg, HLBB Global Markets Research

- **Domestic demand to drive the economy** in the near term, supported by continued employment and wage growth, further improvement in tourism arrivals especially from Indonesia and China, as well as implementation of infrastructure projects and initiatives under the master plans and budget
- Despite the recent blip, **smaller decline in intermediate goods reaffirmed views of improving exports outlooks**, supported by further uptick in the tech cycle, continuous demand from ASEAN countries, US and China
- **Recovery in exports, sustained domestic demand and upside risk to inflation amid imminent subsidy cuts should shield BNM from any OPR cut**

Markets Outlook - FX

FX – USD on the back burner amidst slowing growth outlook; JPY to firm on expectations of end to negative rates; dark clouds on the horizon for EUR and GBP

	12-month Outlook
+	**JPY:** BOJ ending its decades long ultra-loose policy will be positive for the JPY; negative rates likely to end as soon as 2Q (our base case is 3Q) **AUD & NZD**: commodity currencies to edge higher, likely to be beneficiaries of broadening recovery in China **CNY**: signs of broadening recovery; but property sector and negative sentiments will remain a drag; expect some stimulus for the sector **MYR**: sentiment has improved as domestic demand held steady; inflation likely to have bottomed and should head higher in 2H on subsidies removal; E&E exports and tourism expected to provide a boost. Limited odds of a rate cut will also be MYR positive
-	**USD:** downward drift to continue as inflation recedes further, allowing the Fed to ease rates slightly. However, downside could be limited given its safe haven appeal should recession risks intensify **EUR**: higher recession risks in the euro region vis-à-vis the US, which may be more evident towards middle of the year; rates to be cut, possibly aggressively **GBP:** mortgage market expected to impact the economy and consumer spending; risk of stagflation growing as BoE may not have room to cut much if high inflation persists

FX Forecasts

	31-Dec	Q1-24	Q2-24	Q3-24	Q4-24
DXY	101.33	100.32	99.32	98.82	98.33
USD/CAD	1.32	1.31	1.30	1.28	1.27
EUR/USD	1.10	1.11	1.11	1.10	1.09
GBP/USD	1.27	1.28	1.29	1.27	1.26
USD/CHF	0.84	0.83	0.82	0.82	0.81
AUD/USD	0.68	0.69	0.69	0.70	0.71
NZD/USD	0.63	0.64	0.64	0.65	0.66
USD/JPY	141	139	137	135	133
USD/MYR	4.59	4.55	4.50	4.45	4.39
USD/SGD	1.32	1.31	1.30	1.29	1.28
USD/CNY	7.10	7.06	7.03	6.96	6.89

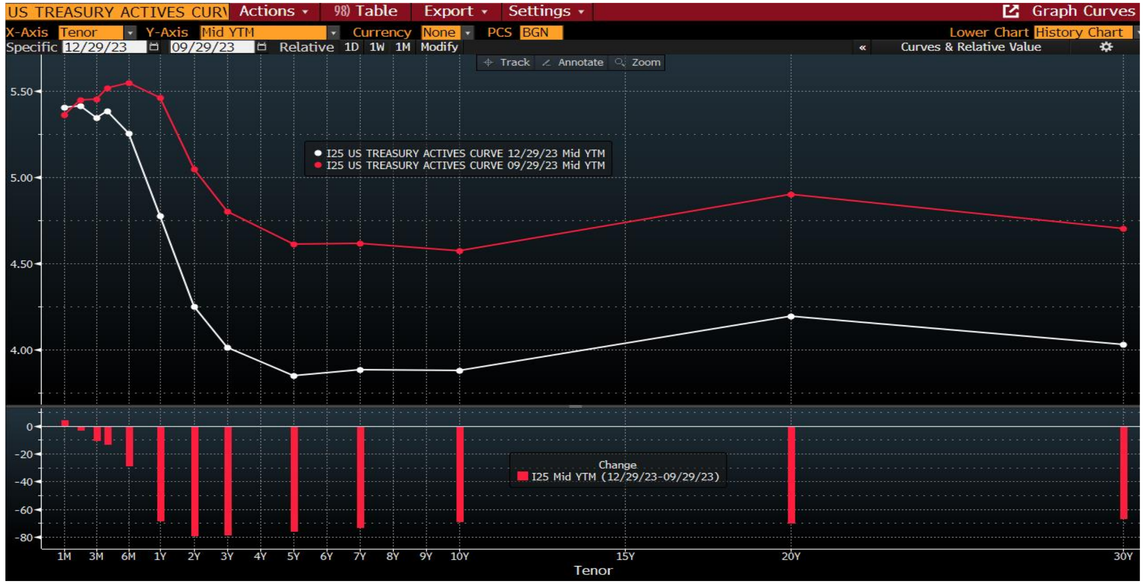
Markets Outlook – Fixed Income

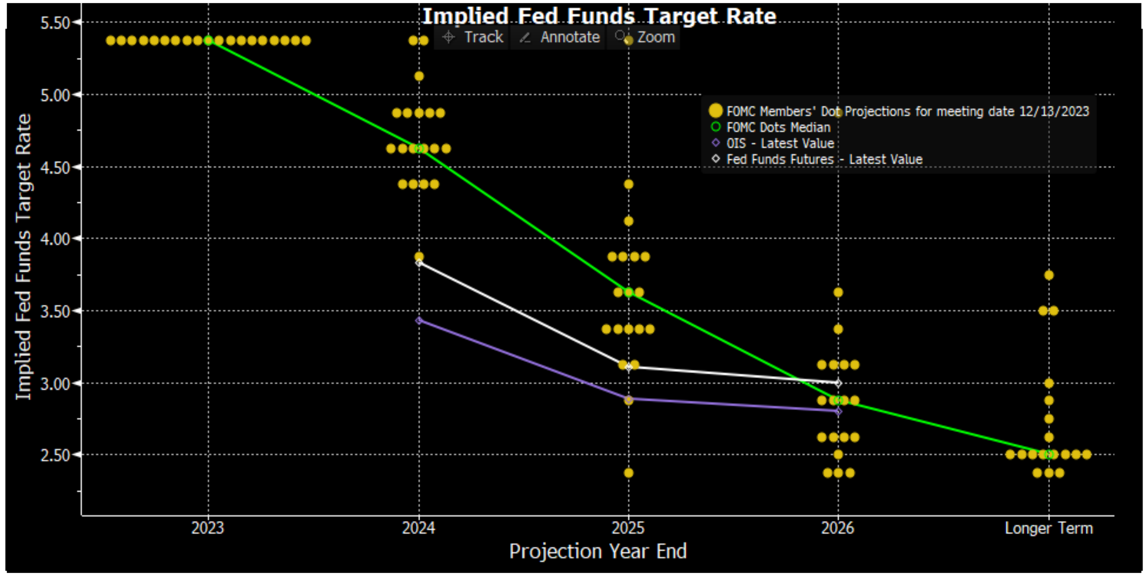
	CURRENT	1Q2024	2Q2024	3Q2024	4Q2024
UST 10Y	3.93%	3.70-3.90%	3.60-3.80%	3.50-3.60%	3.70-3.90%
MGS 10Y	3.75%	3.65-3.85%	3.60-3.80%	3.55-3.75%	3.65-3.85%
SGS 10Y	2.80%	2.70-2.90%	2.60-2.80%	2.55-2.75%	2.70-2.80%

Sovereigns – Dovish US rate environment may see bonds well-bid in 1Q2024 ahead of any major rate cut decision. Safe-appeal status and attractive yields may ignite further demand as bond portfolios look to recover

UST	Yields to fall as the Fed is believed to have reached the end of its tightening cycle whilst the Fed dated OIS reveals one full rate cut in May on the back of easing labour and inflation data. Risk-off appetite may flourish if no geopolitical conflicts and US banking crisis were to re-appear. Risks – resumption in inflationary conditions, weak USD if "dedolarization" issue materializes
MGS	Benign inflation in 1Q2024 will allow BNM to stay pat on OPR. Some correlation to USTs. Any volatilities may be muted due to strong institutional demand and participation Risks - weakening MYR against the greenback, fragile unity government being tested
SGS	Positive correlation with UST movements to benefit in terms of lower yield movements; SGD expected to maintain or even outperform its regional peers as MAS is expected to stay pat in its policy settings in late January. Decent yields when compared to other similar AAA-rated sovereigns will provide support and appetite Risks – Open economy subject to vagaries of regional market volatilities; food and rental costs may ignite inflation

US Fixed Income – Impact of earlier aggressive hikes to allow Fed to lift foot off the pedal





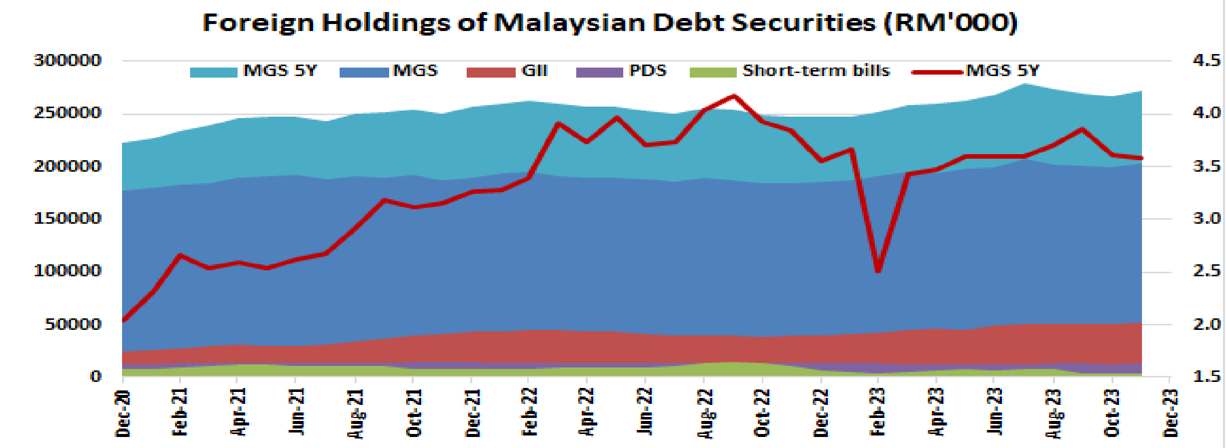
Source: Bloomberg, HLBB Global Markets Research

- **UST** -- UST's outperformed for the quarter under review as overall benchmark yields rallied with yields ending lower between 67-80bps across. The curve bull-steepened as the front-ends and belly saw strong bids due to Fed's dovish outlook and that several factors such as cooling inflation, weakening labor market and declining activity as revealed by the Fed Beige Book, have prompted the Fed to look at reducing rates instead. The yield curve unwound its previous quarter's deep inversion of 48bps to 37bps as at end Dec 2023.
- The Fed's Dot plot median projection which brough the Fed Funds Rate to about ~5.375% for 2023 (5.25-5.50% range), is expected to point altogether to three (3) 25bps cuts totaling 75bps in 2024. **We expect the FOMC to pivot to cutting the Fed Funds Rate in May by 25bps to between 5.00-5.25%.** Other key areas to watch include key central bank interest rate decisions, inflation data, geopolitical risks, oil prices and China's action to recover from the ailing property sector. **We expect 10Y UST to range lower between 3.70-3.90% for 1Q2024.** However, we expect less volatility and lower yields on the back of a dovish climate; not discounting potential economic weakness, which may lend strong bids for bonds.

- **Corporates** –Investment-grade corporate bonds saw improved appetite with the Bloomberg Barclays US Corporate Bond Index posting a solid gain of 8.5% (3Q2023: -3.1%); as spreads narrowed ~98bps as at end-December (3Q2023: 120bps). Total quarterly IG maturities for upcoming quarter expected at ~$150b versus gross issuances of ~$300b (2023 total: $1.2 trillion). Due to better credit conditions, we **are positive on IG in sectors such as banking, REITS, energy and communication with OAS between 115-175bps); with duration preference of between 7-10 years.**

Malaysia Fixed Income – Lower fiscal deficit and more stable MYR to provide support for bonds

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	10-yr reopening of MGII (Mat on 10/32)	10	Jan	Q1	6/1/2023	4,500	4,500		4,500	2.093	4.109	4.135	4.147	58.3%
2	15-yr Reopening of MGS (Mat on 6/38)	15	Jan	Q1	13/1/2023	4,500	3,000	2,500	10,000	2.825	4.110	4.151	4.160	73.3%
3	5.5-yr New Issue of MGII (Mat on 07/28)	5	Jan	Q1	27/1/2023	5,000	5,000		15,000	3.395	3.580	3.599	3.610	80.8%
4	7-yr Reopening of MGS (Mat on 04/30)	7	Feb	Q1	3/2/2023	4,500	5,000		20,000	2.460	3.610	3.656	3.660	25.0%
5	20.5-yr New Issue of MGII (Mat on 08/43)	20	Feb	Q1	13/2/2023	5,000	2,500	2,500	25,000	2.662	4.257	4.291	4.308	87.5%
6	3-yr Reopening of MGS (Mat on 07/26)	3	Feb	Q1	20/2/2023	4,500	5,500		30,500	1.691	3.438	3.458	3.472	10.0%
7	15-yr Reopening of MGII 03/38	15	Feb	Q1	27/2/2023	5,000	3,000	2,500	36,000	1.986	4.160	4.177	4.188	27.8%
8	10-yr Reopening of MGS 07/32	10	Mar	Q1	3/3/2023	4,500	4,500		40,500	1.670	4.035	4.066	4.089	28.3%
9	7-yr Reopening of MGII 9/30	7	Mar	Q1	14/3/2023	4,500	5,000		45,500	1.586	3.760	3.792	3.814	100.0%
10	30-yr New Issue of MGS 03/53	30	Mar	Q1	30/3/2023	5,000	2,500	2,500	50,500	1.970	4.370	4.457	4.489	65.5%
11	10-yr Reopening of MGII (Mat on 10/32)	10	Apr	Q2	7/4/2023	4,500	4,500		55,000	2.367	3.922	3.936	3.948	15.0%
12	5-yr New Issue of MGS (Mat on 04/28)	5	Apr	Q2	19/4/2023	5,000	5,000		60,000	2.434	3.500	3.519	3.528	72.4%
13	30-yr Reopening of MGII 05/52	30	Apr	Q2	26/4/2023	4,500	2,500	2,500	65,000	2.153	4.270	4.294	4.308	51.8%
14	7-yr Reopening of MGS (Mat on 04/30)	7	May	Q2	11/5/2023	4,500	5,000		70,000	2.183	3.590	3.604	3.615	81.7%
15	20-yr Reopening of MGII (Mat on 08/43)	20	May	Q2	23/5/2023	5,000	3,000	2,500	75,500	1.747	4.155	4.182	4.207	28.0%
16	15-yr Reopening of MGS (Mat on 06/38)	15	May	Q2	30/5/2023	4,500	3,000	1,500	80,000	2.201	3.990	4.023	4.033	48.4%
17	3-yr Reopening of MGII 09/26	3	Jun	Q2	7/6/2023	4,500	4,500		84,500	1.759	3.420	3.435	3.447	15.6%
18	20-yr Reopening of MGS 10/42	20	Jun	Q2	21/6/2023	4,500	3,000	2,500	90,000	1.877	4.168	4.195	4.208	11.8%
19	5-yr Reopening of MGII 07/28	5	Jun	Q2	28/6/2023	5,000	5,500		95,500	1.813	3.657	3.677	3.691	100.0%
20	10-yr Reopening of MGS 11/33	10	Jul	Q2	13/7/2023	4,500	5,500		101,000	2.641	3.830	3.860	3.868	50.3%
21	7-yr Reopening of MGII (Mat on 9/30)	7	Jul	Q3	20/7/2023	4,500	5,000		106,000	2.295	3.760	3.788	3.798	65.0%
22	3-yr Reopening of MGS (Mat on 07/26)	3	Jul	Q3	30/7/2023	4,500	4,500		110,500	1.908	3.455	3.483	3.498	75.9%
23	30-yr Reopening of MGII 05/52	30	Aug	Q3	7/8/2023	4,500	3,000	2,000	115,500	2.557	4.318	4.362	4.378	61.5%
24	5-yr Reopening of MGS 04/28	5	Aug	Q3	14/8/2023	5,000	5,000		120,500	1.718	3.630	3.647	3.662	41.7%
25	20-yr Reopening of MGII 08/43	20	Aug	Q3	22/8/2023	5,000	3,000	2,000	125,500	1.992	4.240	4.285	4.301	62.5%
26	15-yr Reopening of MGS 06/38	15	Aug	Q3	29/8/2023	4,500	3,000	1,000	129,500	2.118	4.030	4.049	4.062	20.0%
27	3-yr Reopening of MGII 09/26	3	Sep	Q3	12/9/2023	4,500	4,500		134,000	2.167	3.528	3.539	3.546	40.3%
28	30-yr Reopening of MGS (Mat on 03/53)	30	Sep	Q3	21/9/2023	5,000	3,500	1,500	139,000	1.897	4.415	4.454	4.475	100.0%
29	5-yr Reopening of MGII (Mat on 07/28)	5	Sep	Q3	27/9/2023	5,000	5,000		144,000	1.954	3.795	3.808	3.820	15.4%
30	20-yr Reopening of MGS 10/42	20	Oct	Q4	5/10/2023	4,500	3,500	2,000	149,500	1.772	4.455	4.487	4.521	50.0%
22	10-yr Reopening of MGII (Mat on 08/33)	10	Oct	Q4	12/10/2023	4,500	5,500		155,000	2.733	4.085	4.093	4.099	56.3%
22	7-yr Reopening of MGS (Mat on 04/30)	7	Oct	Q4	23/10/2023	5,000	5,000		160,000	1.356	4.090	4.134	4.188	17.0%
33	30-yr Reopening of MGII 05/52	30	Nov	Q4	7/11/2023	5,000	3,000	2,000	165,000	2.076	4.455	4.484	4.497	37.8%
34	3-yr Reopening of GII (Mat on 09/26)	3	Nov	Q4	14/11/2023	5,500	5,000		170,000	1.508	3.580	3.622	3.650	18.8%
35	7-yr Reopening of MGII (Mat on 09/30)	7	Nov	Q4	30/11/2023	5,000	5,000		175,000	3.304	3.880	3.897	3.908	45.0%
36	5-yr Reopening of MGS 04/28	5	Dec	Q4	6/12/2023	5,500	5,000		180,000	2.736	3.582	3.592	3.595	21.3%
37	10-yr Reopening of MGS 11/33	10	Dec	Q4	14/12/2023	5,500	5,000		185,000	2.206	3.680	3.713	3.730	42.0%
	Gross MGS/GII supply in 2023						155,500	29,500	185,000					



Source: Bloomberg, BNM, HLBB Global Markets Research

- **Government Bonds** – Both MGS and GII saw the curve shift lower q/q as overall benchmark yields fell between 8-23bps with the 10-20Y sector better-bid along the curve. Foreign holdings of overall MYR bonds rose RM2.9b from end-Sep to RM272.6b as at end-Nov 2023. Government auctions in 4Q2022 saw better bidding metrics circa ~2.24x for all 8 auctions despite higher gross issuances of RM41.0b (3Q2022: 10 auctions; BTC 2.13x; gross issuances RM39.5b).
- Positive news during the quarter just ended include the government's resolve to bring fiscal deficit/ GDP down from 5.0% in 2023 to 4.3% in 2024 which could translate into lower supply, with our estimated gross issuances between RM174-179b for the year. Inflation is expected to remain benign; thus allowing OPR to stay pat at 3.00%. We expect the well-diversified, appetite and depth of both foreign and local investment institutions to provide support for both primary participation and secondary market activities. The 5-7Y and 15Y sector looks enticing whilst our **10Y MGS yield target range for 1Q2024 is revised lower to between 3.65-3.85%.**

- **Corporate Bonds/Sukuk** --Corporate bonds/sukuk issuances (including GG-bonds) was consistent @ RM33.8b in 4Q2023 (3Q2023: RM32.1b) and ended the year at RM116.7b; within our projected gross issuances of between RM110-130b for 2023. Whilst we note strong demand for credits, we gravitate towards the 10Y GG (~15bps spread), 5-7Y AAA (35-45bps spreads) and 15-20Y AA2-rated bonds (~50-70bps spreads in sectors comprising toll and port operators and utilities (i.e. telco, electricity, water, sewerage).

Malaysia Fixed Income – Auction Calendar 2024 and Maturity Profile

MGS/GII issuance pipeline in 2024

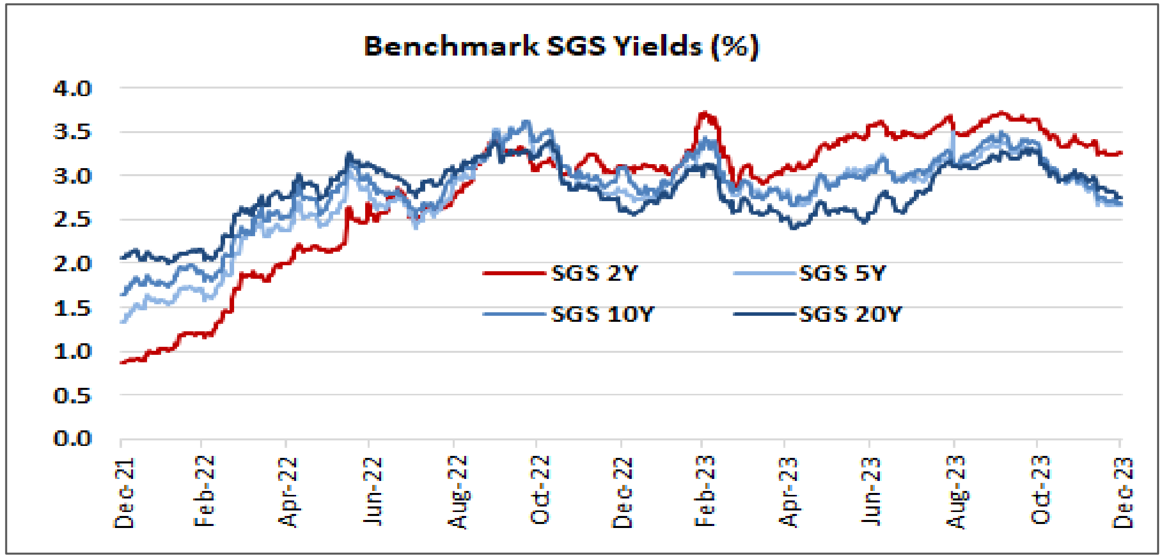
No	Stock	Tenure (yrs)	Tender Month	Quarter	Projected Issuance Size (RM mil)	Private Placement
1	10-yr Reopening of MGII 8/33	10	Jan	Q1	5,000	
2	30-yr Reopening of MGS 3/53	30	Jan	Q1	5,000	*
3	5-yr Reopening of MGII 7/28	5	Jan	Q1	4,500	
4	7-yr Reopening of MGS 4/31	7	Feb	Q1	4,500	
5	20-yr Reopening of MGII 8/43	20	Feb	Q1	5,000	*
6	3-yr Reopening of MGS 5/27	3	Feb	Q1	4,500	
7	15-yr Reopening of MGII 9/39	15	Mar	Q1	5,000	*
8	10-yr Reopening of MGS 11/33	10	Mar	Q1	4,500	
9	30-yr New Issue of MGII (Mat on 3/54)	30	Mar	Q1	5,000	*
10	5-yr Reopening of MGS 8/29	5	Apr	Q1	5,000	
11	7.5-yr New Issue of MGII (Mat on 10/31)	7	Apr	Q2	5,000	
12	15-yr New Issue of MGS (Mat on 4/39)	15	Apr	Q2	5,000	*
13	3-yr Reopening of MGII 9/26	3	Apr	Q2	5,000	
14	20-yr New Issue of MGS (Mat on 05/44)	20	May	Q2	5,500	*
15	15-yr Reopening of MGII 9/39	15	May	Q2	5,000	*
16	7-yr Reopening of MGS (4/31	7	May	Q2	5,000	
17	20-yr Reopening of MGII 8/43	20	Jun	Q2	5,000	*
18	3-yr Reopening of MGS 5/27	3	Jun	Q2	4,500	
19	30-yr Reopening of MGII 3/54	30	Jun	Q2	5,000	*
20	5-yr Reopening of MGS 8/29	5	Jul	Q2	4,500	
21	10-yr Reopening of MGII 11/34	10	Jul	Q3	4,500	
22	15-yr Reopening of MGS 4/39)	15	Jul	Q3	5,000	*
23	7-yr Reopening of MGII 10/31	7	Aug	Q3	5,000	
24	30-yr Reopening of MGS 3/53	30	Aug	Q3	5,000	*
25	5-yr Reopening of MGII 7/29	5	Aug	Q3	4,500	
26	10-yr Reopening of MGS 7/34	10	Aug	Q3	5,000	
27	20-yr Reopening of MGII 8/43	20	Sep	Q3	4,500	*
28	7-yr Reopening of MGS 4/31	7	Sep	Q3	4,500	
29	30-yr Reopening of MGII 3/54	30	Sep	Q3	5,000	*
30	3-yr Reopening of MGS 5/27	3	Oct	Q4	4,500	
31	10-yr Reopening of MGII 11/34	10	Oct	Q4	4,500	
32	20-yr Reopening of MGS 5/44	20	Oct	Q4	5,000	*
33	7-yr Reopening of MGII 10/31	7	Oct	Q4	5,000	
34	15-yr Reopening of MGS 4/39)	15	Nov	Q4	5,000	*
35	5-yr Reopening of MGII 7/29	5	Nov	Q4	4,500	
36	10-yr Reopening of MGS 7/34	10	Nov	Q4	5,000	
37	3-yr Reopening of GII 9/27	3	Dec	Q4	4,500	
	Gross MGS/GII supply in 2024				178,500	TBA

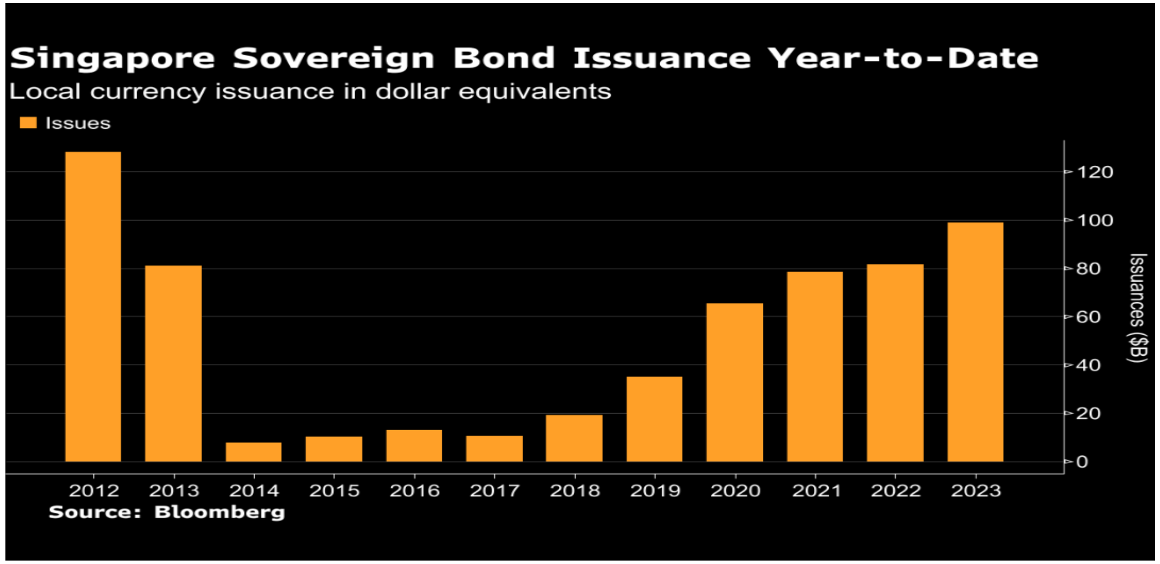
Quarter	2024	Stock	Monthly Maturity (RM'm)	Quarterly Maturity (RM'm)
	JAN			
1	FEB	SPK 2/24	5,500	
	MAR			5,500
	APR			
2	MAY	GII 5/24	12,500	
	JUN	MGS 6/24	21,500	34,000
	JUL	MGS 7/24	11,020	
3	AUG	GII 8/24	12,000	
	SEP	MGS 9/24	11,000	34,020
	OCT	GII 10/24	19,500	
4	NOV			
	DEC			19,500
	Total		93,020	93,020

- For 2024, we project initial gross MGS/GII supply to slightly lower at circa RM179b from 2023's RM185b, spanning over 37 auctions (2023: 37 auctions).
- Quarterly issuances to be skewed towards the middle of the year with heavy issuances in both 2Q2024 and 3Q2024 whilst tapering off in the final quarter, given the "bell-curve" like maturity totaling RM93b, with peak maturities in 2Q2024 and 3Q2024.
- The slightly lower 48/52 ratio (2023: 49/51) between MGS/GII funding mix by GOM is deemed constructive for sovereign yield curve purposes and to enhance liquidity of Sukuk.

Source: BNM, HLBB Global Markets Research

Singapore Fixed Income – Slight positive duration preferred; corporate bonds to attract demand





Source: Bloomberg, HLBB Global Markets Research

- **SGS** – SGS rallied q/q, mirroring UST movements as overall benchmark yields plunged between 42-70bps with the belly benefitting the most. The Bloomberg Global Singapore Bond Total Return Index notched a solid gain of 5.1% for 4Q2023 (3Q2023: -2.8%). Total issuances were ~S$175b in 2023, up 23% compared to 2022. The SGS yield curve has however reversed to notch a deeper inversion q/q from -38bps to -63bps. MAS meetings have been revised for every quarter instead of bi-yearly effective Jan 2024. The republic's resilient 4Q2023 GDP data may cause the De facto bank not to ease policy settings just yet. Also, food inflation and core inflation remain inflated.
- Yields on Singapore T-Bills which have earlier crossed 4% handle may yet present opportunities for investors seeking secure returns. **On the shorter-end we expect T-Bills to yield within the 3.75-3.95% levels. SGS y**ields are expected to drift lower mirroring UST movements; on the backdrop of the republic's AAA-rating. **Overall, we expect less volatility in this quarter and remain invested in the belly of the SGS curve especially in the 2-10Y sector. We project SGS 10Y to range lower between 2.70-2.90% levels for 1Q2024.**

- **Corporate** – Jump in Financials sector issuances which made up 75% of total issuances of ~S$20b in 2023. The deluge of Singapore dollar issuances with maturities of S$13b will drive investor demand. However, we are mindful of mainland China issuers due to the moribund property sector. **We prefer to long duration with appetite for bank senior (eg: BNP, DB, HSBC) and Tier 2 bonds (eg: Barclays, Commerzbank) and state-owned bonds such as those issued by Temasek (eg: Singtel, DBS, Mapletree, Keppel, SembCorp Industries). Green, sustainable bonds are expected to be fast-growing.**

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