Global Markets Research
Fixed Income

Fixed Income Daily Market Snapshot

UST		
Tenure	**Closing (%)**	**Chg (bps)**
2-yr UST	2.51	5
5-yr UST	2.51	7
10-yr UST	2.69	5
30-yr UST	3.03	3

	MGS		GII*	
Tenure	**Closing (%)**	**Chg (bps)**	**Closing (%)**	**Chg (bps)**
3-yr	3.58	-2	3.67	0
5-yr	3.76	0	3.86	0
7-yr	3.90	0	4.02	0
10-yr	4.06	-1	4.09	0
15-yr	4.39	-2	4.46	0
20-yr	4.56	-1	4.69	0
30-yr	4.77	1	4.88	0

** Market indicative levels*

MYR IRS Levels		
IRS	**Closing (%)**	**Chg (bps)**
1-yr	3.66	0
3-yr	3.68	0
5-yr	3.78	-1
7-yr	3.90	-1
10-yr	4.06	-2

Source : Bloomberg

Upcoming Government Bond Tender

Nil

US Treasuries

- US Treasuries ended weaker as the curve shifted higher and bear-steepened further out from 5Y tenures onwards amid solid January ISM manufacturing data and robust US payrolls at 304,000 (11-month high). Benchmark yields ended 3-7bps higher from prior day's close with both the 2Y and 10Y spiking 5bps at 2.51% and 2.69% respectively. US Treasury is raising its long-term debt issuance at its quarterly refunding auctions to $84 billion; causing levels of borrowing to elevate due to the widening deficit. January's strong NFP data is not expected to alter the Fed's intention on pausing their rate-hiking cycle; citing muted inflation and rising risks to global economic growth. Meanwhile both presidents i.e. Trump and Xi Jinping are planning a trtade deal meet in Vietnam on 27th February.

MGS/GII

- Trading momentum in local govvies remained solid with volume at RM4.84b as interest was seen mainly in the shorter off-the-run 19's, 22's and also 7y benchmark MGS and GII bonds. Overall benchmarks yields mostly mixed i.e. between -2 to +1bps. The 5Y benchmark MGS 4/23 ended within 1bps at 3.76% whilst the 10Y MGS 6/28 edged 1bps lower at 4.06% levels on strong volume. GII trades dropped to form 42% of overall trades. There will be a dearth of data this week following the 4th consecutive weak month of manufacturing denoted by the Nikkei Malaysia PMI data this morning.

Corp Bonds/Sukuk

- Corporate Bonds/Sukuk continued to see strong volume of RM672m with interest seen across the GG to single-A part of the curve. Govt-guaranteed (GG) MKD Kenchana 10/32 rallied 7bps lower compared to previous-done levels at 4.59% on RM140m nominal amounts. Other GG bonds which also moved lower on yields include DANA 32-33's at 4.56% and 4.59% each. AAA-rated segment saw AMAN 5/21 close 13bps lower at 4.13% whilst DANGA 4/20 and 9/27 closed mixed on yields. The AA-rated YTL Power 8/28 dominated trades on huge volume; closing 2bps lower at 4.91% whilst toll-road operator DUKE 33-34's edged 1bps lower between 5.15-22% levels. In the banking space, Affin Islamic 28NC23 ended 3bps lower a 4.88%

Daily Trades : Government Bonds

Securities		Closing YTM	Vol (RM mil)	Previous YTM	Previous Trade Date (dd/mm/yyyy)	Chg (bp)
MGS	03/19	3.246	103	3.273	30/01/2019	-3
MGS	07/19	3.244	63	3.330	30/01/2019	-9
MGS	10/19	3.399	59	3.406	30/01/2019	-1
MGS	11/19	3.378	248	3.401	29/01/2019	-2
MGS	03/20	3.471	80	3.471	29/01/2019	0
MGS	07/20	3.486	1	3.476	29/01/2019	1
MGS	10/20	3.503	35	3.509	30/01/2019	-1
MGS	07/21	3.586	70	3.580	29/01/2019	1
MGS	09/21	3.622	2	3.611	30/01/2019	1
MGS	11/21	3.581	57	3.596	30/01/2019	-2
MGS	03/22	3.585	4	3.600	29/01/2019	-2
MGS	08/22	3.708	200	3.703	28/01/2019	1
MGS	09/22	3.744	41	3.732	28/01/2019	1
MGS	03/23	3.804	19	3.783	28/01/2019	2
MGS	04/23	3.757	140	3.753	30/01/2019	0
MGS	08/23	4.068	24	3.855	30/01/2019	21
MGS	07/24	3.884	7	3.885	30/01/2019	0
MGS	09/24	3.903	10	3.919	29/01/2019	-2
MGS	03/25	3.954	198	3.958	29/01/2019	0
MGS	09/25	3.978	38	3.975	30/01/2019	0
MGS	04/26	3.712	9	4.040	25/01/2019	-33
MGS	07/26	3.898	51	3.898	30/01/2019	0
MGS	11/26	4.048	191	4.072	30/01/2019	-2
MGS	03/27	4.089	2	4.122	25/01/2019	-3
MGS	05/27	4.125	62	4.143	28/01/2019	-2
MGS	11/27	4.090	434	4.110	30/01/2019	-2
MGS	06/28	4.063	331	4.069	30/01/2019	-1
MGS	04/30	4.247	100	4.265	30/01/2019	-2
MGS	06/31	4.310	27	4.316	30/01/2019	-1
MGS	04/32	4.418	1	4.403	30/01/2019	2
MGS	04/33	4.447	20	4.450	28/01/2019	0
MGS	11/33	4.391	108	4.407	29/01/2019	-2
MGS	05/35	4.508	2	4.493	30/01/2019	1
MGS	04/37	4.534	8	4.563	30/01/2019	-3
MGS	06/38	4.559	55	4.567	30/01/2019	-1
MGS	09/43	4.752	2	4.777	29/01/2019	-3
MGS	03/46	4.795	14	4.815	28/01/2019	-2
MGS	07/48	4.774	2	4.765	25/01/2019	1
GII	04/19	3.274	20	3.296	30/01/2019	-2
GII	04/20	3.500	4	3.506	29/01/2019	-1
GII	08/20	3.531	7	3.532	30/01/2019	0
GII	03/22	3.670	170	3.667	25/01/2019	0
GII	04/22	3.685	5	3.746	29/01/2019	-6
GII	07/23	3.866	2	3.868	29/01/2019	0
GII	11/23	3.857	360	3.861	30/01/2019	0
GII	08/25	4.018	844	4.017	30/01/2019	0
GII	09/26	4.068	1	4.077	30/01/2019	-1
GII	07/27	4.097	14	4.092	29/01/2019	1
GII	10/28	4.160	268	4.179	25/01/2019	-2
GII	07/29	4.089	90	4.088	25/01/2019	0
GII	06/33	4.462	10	4.462	28/01/2019	0
GII	08/33	4.495	80	4.496	30/01/2019	0
GII	08/37	4.686	150	4.682	28/01/2019	0
			4844			

Daily Trades: Corp Bonds / Sukuk

Securities		Rating	Closing YTM	Vol (RM mil)	Previous YTM	Previous Trade Date (dd/mm/yyyy)	Chg (bp)	Spread Against MGS*
Perbadanan Tabung Pendidikan Tinggi Nasional	03/21	GG	3.901	10	3.920	22/01/2019	-2	38
Prasarana Malaysia Berhad	03/28	GG	4.290	5	4.370	15/11/2018	-8	24
MKD Kencana Sdn Berhad	10/32	GG	4.590	140	4.660	22/11/2018	-7	19
DanaInfra Nasional Berhad	11/32	GG	4.560	5	4.584	29/01/2019	-2	16
DanaInfra Nasional Berhad	04/33	GG	4.592	70	4.611	25/01/2019	-2	19
Cagamas MBS Berhad	08/19	AAA	3.907	5	3.903	14/12/2018	0	48
Danga Capital Berhad	04/20	AAA	4.442	5	3.975	24/01/2019	47	102
Aman Sukuk Berhad	05/21	AAA	4.133	20	4.258	27/09/2018	-13	62
Pengurusan Air Sdn Bhd	07/24	AAA	4.300	10	-	-	-	55
Danga Capital Berhad	09/27	AAA	4.431	10	4.440	29/01/2019	-1	38
Bank Pembangunan Malaysia Berhad	03/32	AAA	4.775	10	4.777	24/01/2019	0	37
Celcom Networks Sdn Berhad	08/19	AA+	4.006	10	4.045	25/01/2019	-4	58
Celcom Networks Sdn Berhad	08/27	AA+	4.649	4	4.722	27/12/2018	-7	60
YTL Corporation Berhad	04/23	AA1	4.592	5	4.789	21/08/2018	-20	91
YTL Power International Berhad	08/28	AA1	4.909	190	4.929	02/01/2019	-2	84
AmBank Islamic Berhad	12/26	AA3	4.559	1	5.314	15/01/2019	-76	58
Edra Energy Sdn Berhad	01/29	AA3	5.680	1	5.400	25/01/2019	28	161
Malakoff Power Berhad	12/19	AA-	4.118	6	4.124	29/01/2019	-1	69
Lebuhraya DUKE Fasa 3 Sdn Berhad	08/33	AA-	5.148	20	5.160	26/12/2018	-1	75
Lebuhraya DUKE Fasa 3 Sdn Berhad	08/34	AA-	5.219	20	5.228	28/12/2018	-1	82
Tan Chong Motor Holdings Berhad	11/21	A1	5.266	10	5.897	29/01/2019	-63	168
Affin Bank Berhad	02/27	A1	4.720	1	4.737	24/01/2019	-2	74
Affin Islamic Bank Berhad	10/28	A1	4.878	102	4.907	25/01/2019	-3	81
CIMB Group Holdings Berhad	05/16	A1	4.436	1	4.607	25/01/2019	-17	-13
CIMB Group Holdings Berhad	05/16	A1	4.350	1	4.835	24/01/2019	-49	-22
Hong Leong Financial Group Berhad	11/17	A1	4.775	1	4.760	29/01/2019	2	21
Bank Muamalat Malaysia Berhad	11/21	A	5.027	10	4.969	14/01/2019	6	145
				672				

**spread against nearest indicative tenured MGS (Source : BPAM)*

Market/Corporate News: What's Brewing

While stocks hog the limelight with their best January in three decades, another corner of the risk assets marketplace sprang back to life last month after having taken a pounding at the end of last year, though some investors question whether the recovery has legs. Junk bonds in January delivered their strongest monthly performance in more than seven years with a total return of nearly 4.6 percent, according to ICE BofAML index data, retracing almost all of the fourth quarter's losses. Issuance of new debt rebounded after a near-complete shutdown in December. Along with the surge in stocks, it would appear to be an endorsement of a U.S. economy that continues to outperform its global peers, as well as the shift by the Federal Reserve to a wait-and-see posture regarding future interest rate increases. Companies with risky credit profiles brought $11.7 billion in new high-yield debt to the market in the first month of the year, after a nearly six-week dry spell at the end of 2018. The bounce-back from December has led fund investors to put the most cash into high-yield bonds since 2016, according to Lipper. That backdrop would typically be seen as constructive for more gains. Some big bond managers, however, remain skeptical of the rebound, attributing it more to a clutch of technical factors that will soon peter out than to a lasting improvement in fundamentals. "We don't think this is a particularly strong buying opportunity," said John McClain, portfolio manager at Diamond Hill Capital, anticipating a market correction that will pull prices lower. Strong high-yield gains in January 2018 were more than erased by a volatile February. December saw just $594 million in high-yield deals, the lowest monthly issuance since August 2008. Companies stepped back from raising debt because global macroeconomic trends - such as slowing global growth, the U.S.-China trade war and Brexit - had whipped up volatility in financial markets. But when Fed Chairman Jerome Powell last month signaled a pause in the U.S. central bank's interest-rate hiking policy, confirmed in last week's policy statement, markets rebounded. Still, the high-yield market's recovery from the December trough adds up to less than half of January 2018's issuance. The relatively small size of the market may be artificially buoying prices. The compensation paid to high-yield bond investors for holding riskier securities, which had widened to 5.357 percent over Treasuries on Jan. 3, has narrowed by 108 basis points since, according to ICE BofAML indexes. "The (junk bond) market is currently weak. Buyers are being stingy and disciplined, and sellers are offloading as soon as they can," said Kathleen Gaffney, director of diversified fixed income at Eaton Vance. Two one-time events may also be shrinking the market and inflating prices: the recent upgrade of HCA Healthcare's debt to investment grade and the merger of speculative-grade First Data with the investment-grade Fiserv. Nonetheless, strong investor demand has led issuers to increase the size of their deals. Military aerospace parts maker TransDigm Group priced its $3.8 billion deal Wednesday, up $1.1 billion from initial price talk. The Targa Resources bond which reopened the market in January added a tranche, doubling the offering to $1.5 billion. The terms secured by investors are particularly impressive given that the economic and geopolitical worries that roiled markets in December have not disappeared. Moreover, U.S. corporate profit growth, a key driver of junk bond performance, is seen stalling through the first three quarters of this year as the tailwinds fade from last year's tax cuts, according to Refinitiv data. In the first quarter alone, profits are estimated to barely rise at all - growing by 1.1 percent year over year. "Nothing has really changed that much," said Michael DePalma, chief executive of hedge fund PhaseCapital LP. "People were just projecting forward: we're going to have trade wars, the economy is slowing, the Fed's going to raise rates and that's going to ruin everything." This January, he said, nobody cares. Given the persistence of those macroeconomic themes, the volatility that spooked high-yield issuers in December could easily return in 2019. And although the Fed may be open to pause interest rate hikes this year, the continued strength of the U.S. labor market may make it difficult for the Fed to justify holding rates unchanged for too long. "The market reaction to the Fed's dovishness is overblown. Economic fundamentals have not changed and the Fed could raise again after a pause," said Gaffney. For managers skeptical of the rebound in junk, then, January provided an opportunity to remove risk ahead of anticipated volatility. "We've used the first month to really clean up any of the mistakes we had made in our portfolio. This really is the time to get out without taking a meaningful haircut," said McClain. *(Source: The Star/Reuters)*

As the passenger service charge (PSC) dispute between AirAsia and Malaysia Airports Holdings Bhd (MAHB) escalated further this past week, the airport operator has come out to say that it is simply following the rules and protecting both its shareholders and the local aviation sector. In a statement released today, MAHB highlighted that the Board of Airline Representatives (BAR) has protested against AirAsia's non-compliance with the gazetted PSC rate for international departures as it "creates an unlevel playing field". The airport operator stressed that all other airlines operating at klia2, including IndiGo -- India's largest low-cost carrier -- are complying with the RM73 PSC rate for non-Asean international passengers. "It is in the best interest of our shareholders for MAHB to recover through proper means the loss of an average of about RM7 million per month due to AirAsia charging a lower amount than the gazetted rate. "The disparity of approach to PSC and AirAsia's action is also distorting competition to the effect that it impacts our ability to attract new airlines into the country and lessen the efforts in making Malaysia into a strong aviation hub," said MAHB in the statement. The current PSC rate for international departures out of Malaysian airports is RM73. AirAsia, through its long-haul airline AirAsia X Bhd (AAX) and Malaysian point-to-point carrier AirAsia Bhd (AAB) -- a unit of listed AirAsia Group Bhd -- has called the rate unfair and refused to collect more than RM50 per passenger. Note that the RM73 rate was supposed to kick in from Jan 1, 2018 but was deferred for six months for klia2 airlines. The deferment was lifted beginning July 1, 2018, though AirAsia still refused to collect more than RM50. It is worth noting that the BAR's complaint against AirAsia's non-compliance with the RM73 rate was expressed in September 2018, The Edge Malaysia reported. It is unclear whether the BAR also complained against the six-month deferment, which had implicit backing from the then-government. In any case, the refusal is at the heart of MAHB's lawsuit against AirAsia, filed on Dec 10, 2018. The airport operator is claiming a total of RM36.11 million in outstanding PSC collection from AAB and AAX. In its statement of defense against the lawsuit, filed on Jan 23, AirAsia called the lawsuit "frivolous" for bypassing dispute resolution avenues in the Malaysian Aviation Commission Act 2015 and laid out arguments why the PSC should be lower. AirAsia also stated that the services and facilities provided by MAHB had been subpar anyway and had led to over RM400 million in damages and losses over the past four years. It followed up by lodging a claim for RM479.78 million against MAHB on Jan 31, and seeking joint mediation as stipulated under the Mavcom Act. Seeking to clear the air today, MAHB reiterates that it has no control over the PSC rate, which is set by the Malaysian Aviation Commission (Mavcom) under the previous equalisation exercise. It reiterates that the gazetted rates remain the lowest both regionally and globally. Note that the equalisation drive also created a new Asean-tier PSC for all international departures to Asean countries, set at RM35 per passenger. "This makes us the only country in the region that charges a lower rate for Asean international passengers. The Asean international passengers at klia2 that have benefited from the lower RM35 PSC charges make up 57% of the total international passengers at klia2," said MAHB. "It is worth bearing in mind that the last step in the equalisation (raising the international PSC to RM73) had only affected fewer than 4.5 million passengers travelling to Non-Asean international destinations, 70% of which are foreign nationals," MAHB added. MAHB asserts that even when benchmarking Malaysia's PSC calculation model with other regional airports, it is found that many airports charge the same PSC rates for all terminals regardless of operating airlines. "For example, both Suvarnabhumi International Airport (Bangkok) and Don Mueang International Airport (Bangkok) charge the same rate despite the clear distinction between full service and low-cost operations respectively at the two airports," said MAHB. In addition, MAHB says it is common practice for airlines to collect the PSC and remits the sum to the airport operator after the flight is completed. "In fact, there are some airports in the world such as Sydney and Melbourne, Australia that charge both departing and arriving passengers." *(Source: The EdgeMarkets)*

Rating Action

Issuer	PDS Description	Rating/Outlook	Action
TTM Sukuk Berhad's (TTMSPV)	RM600.0 million Sukuk Murabahah	AAA-IS	Affirmed
Malakoff Power Berhad	RM5.4 billion Sukuk Murabahah	AA-IS	Affirmed
TRIplc Ventures Sdn Bhd	RM240.0 million Senior Medium-Term Notes (Senior MTN) Programme	AAA(FG)	Affirmed
MMC Corporation Berhad's (MMC)	RM2.5 billion Sukuk Murabahah Programme	AA-IS	Affirmed
Segi Astana Sdn Bhd	RM415.0 million ASEAN Green Medium-Term Notes facility (MTN facility	AA-	Affirmed
BGSM Management Sdn Bhd	IMTN Programme of up to RM10 billion in nominal value (2013/2043)	AA3/Stable	Reaffirmed

Source: RAM, MARC

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