

Global Markets Research

Fixed Income

Fixed Income Daily Market Snapshot

UST		
Tenure	Closing (%)	Chg (bps)
2-yr UST	2.56	4
5-yr UST	2.56	4
10-yr UST	2.75	4
30-yr UST	3.12	4

MGS		GII*		
Tenure	Closing (%)	Chg (bps)	Closing (%)	Chg (bps)
3-yr	3.57	38	3.67	3
5-yr	3.71	-1	3.81	0
7-yr	3.87	0	3.97	0
10-yr	3.90	1	4.03	0
15-yr	4.29	0	4.38	1
20-yr	4.47	-3	4.60	0
30-yr	4.71	1	4.85	0

* Market indicative levels

MYR IRS Levels		
IRS	Closing (%)	Chg (bps)
1-yr	3.68	2
3-yr	3.70	0
5-yr	3.80	1
7-yr	3.92	2
10-yr	4.08	2

Source : Bloomberg

Upcoming Government Bond Tender

Nil

US Treasuries

- US Treasuries weakened again on Friday as the curve shifted higher amid a return in risk appetite following renewed trade deal optimism and stronger than expected US GDP data that suggested that growth could continue to be firm as the Fed adopts a patient approach on interest rate outlook. Benchmark yields ended about 4bps higher with the 2Y at 2.56% and the much-watched 10Y rising 4bps higher at 2.75%; breaking out of its narrow trading range in February. Markets are pricing in little change for the Fed through 2019, and policy makers are signaling they'll be patient when it comes to adjusting rates. That should anchor short-maturity yields relative to those on long-dated debt.

MGS/GII

- Local govies saw stronger momentum with volume at RM3.02b as interest was mainly focused on the off-the-run 19-26's and also 5Y benchmark GII bonds. Overall benchmark yields ended mostly mixed i.e. -3 to +1bps save for a potentially glaring error trade on the short 3Y benchmark. The 5Y benchmark MGS 4/23 ended 1bps lower at 3.71% whilst the 10Y MGS 8/29 edged 1bps higher at 3.90%. GII trades maintained at about 38% of overall trades. Up next on the data front are the trade figures for January today followed by BNM's OPR decision tomorrow.

Corp Bonds/Sukuk

- Corporate Bonds/Sukuk witnessed solid secondary volume of RM1.02b with investor interest mainly across the GG to single-A part of the curve. DANAINFRA bonds yet again dominated trades in the GG segment with the 11/25, 32-33's closing unchanged compared to previous-done levels at 4.08% and 4.49-50% levels whilst DANA 8/23 and 7/27 ended 3bps lower at 4.01% and 4.18% respectively. AAA-rated RANTAU saw RM95m in nominal amounts done; closing unchanged at 3.80% whilst TELEKOM 10/24 and 10/28 ended between 1-2bps lower at 4.28% and 4.52% each. In the AA-space, energy-related bond YTL Power 23's and 27 hogged the limelight on heavy volume closing mixed between -3 to +1bps between 4.54-57% levels and 4.79. The banking space was saw Affin Islamic 28NC23 end unchanged at 4.85% as opposed to its perpetual AT1 sukuk tranche which closed 3bps lower at 5.00%.

Daily Trades : Government Bonds

Securities		Closing YTM	Vol (RM mil)	Previous YTM	Previous Trade Date (dd/mm/yyyy)	Chg (bp)
MGS	03/19	3.409	181	3.273	28/02/2019	14
MGS	07/19	3.357	93	3.329	28/02/2019	3
MGS	10/19	3.387	199	3.370	28/02/2019	2
MGS	11/19	3.378	78	3.382	28/02/2019	0
MGS	03/20	3.442	59	3.452	28/02/2019	-1
MGS	07/20	3.494	6	3.506	28/02/2019	-1
MGS	10/20	3.505	26	3.516	28/02/2019	-1
MGS	07/21	3.577	7	3.568	28/02/2019	1
MGS	09/21	3.595	8	3.599	28/02/2019	0
MGS	11/21	3.568	21	3.568	28/02/2019	0
MGS	03/22	3.547	17	3.564	28/02/2019	-2
MGS	08/22	3.671	74	3.682	28/02/2019	-1
MGS	03/23	3.731	52	3.749	28/02/2019	-2
MGS	04/23	3.709	32	3.717	28/02/2019	-1
MGS	08/23	3.763	33	3.775	28/02/2019	-1
MGS	07/24	3.843	41	3.847	28/02/2019	0
MGS	03/25	3.914	96	3.910	27/02/2019	0
MGS	09/25	3.934	26	3.920	28/02/2019	1
MGS	04/26	3.984	64	3.977	27/02/2019	1
MGS	07/26	3.874	270	3.874	28/02/2019	0
MGS	11/26	3.983	50	3.978	28/02/2019	0
MGS	11/27	4.004	52	4.001	28/02/2019	0
MGS	06/28	3.992	86	3.973	28/02/2019	2
MGS	09/28	4.014	1	4.037	28/02/2019	-2
MGS	08/29	3.899	44	3.892	28/02/2019	1
MGS	04/30	4.146	26	4.158	28/02/2019	-1
MGS	06/31	4.219	4	4.213	28/02/2019	1
MGS	04/33	4.340	53	4.330	28/02/2019	1
MGS	11/33	4.290	51	4.290	28/02/2019	0
MGS	04/37	4.451	2	4.454	27/02/2019	0
MGS	09/43	4.708	1	4.701	28/02/2019	1
MGS	03/46	4.712	1	4.756	28/02/2019	-4
MGS	07/48	4.706	120	4.700	22/02/2019	1
GII	04/20	3.525	10	3.527	22/02/2019	0
GII	05/20	3.521	50	3.513	28/02/2019	1
GII	08/20	3.520	181	3.541	28/02/2019	-2
GII	03/22	3.669	35	3.645	28/02/2019	2
GII	07/22	3.737	30	3.717	25/02/2019	2
GII	11/22	3.733	10	3.746	10/01/2019	-1
GII	11/23	3.815	253	3.815	28/02/2019	0
GII	05/24	3.898	70	3.888	27/02/2019	1
GII	08/24	3.901	10	3.897	28/02/2019	0
GII	08/25	3.968	32	3.968	28/02/2019	0
GII	10/25	4.007	64	4.005	28/02/2019	0
GII	07/27	4.052	1	4.056	28/02/2019	0
GII	10/28	4.099	60	4.084	28/02/2019	2
GII	12/28	4.123	110	4.128	21/02/2019	0
GII	06/33	4.377	35	4.368	28/02/2019	1
GII	08/33	4.388	70	4.389	25/02/2019	0
GII	10/35	4.595	45	4.582	28/02/2019	1
GII	08/37	4.601	80	4.602	28/02/2019	0
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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*
Small Medium Enterprise Development Bank Malay	08/19	GG	3.550	5	3.760	19/10/2018	-21	12
Lembaga Pembiayaan Perumahan Sektor Awam	04/22	GG	3.945	5	3.947	29/01/2019	0	38
DanaInfra Nasional Berhad	11/22	GG	3.952	5	3.998	12/10/2018	-5	28
Pengurusan Air SPV Berhad	06/23	GG	3.993	5	4.001	25/01/2019	-1	32
DanaInfra Nasional Berhad	08/23	GG	4.009	60	4.040	17/10/2018	-3	34
Perbadanan Tabung Pendidikan Tinggi Nasional	03/24	GG	4.053	5	4.071	12/02/2019	-2	34
Pengurusan Air SPV Berhad	06/24	GG	4.047	40	4.090	16/01/2019	-4	34
DanaInfra Nasional Berhad	11/25	GG	4.079	15	4.079	27/02/2019	0	21
DanaInfra Nasional Berhad	07/27	GG	4.179	15	4.205	15/02/2019	-3	27
DanaInfra Nasional Berhad	11/32	GG	4.491	50	4.489	26/02/2019	0	20
DanaInfra Nasional Berhad	04/33	GG	4.499	50	4.504	26/02/2019	0	21
Perbadanan Tabung Pendidikan Tinggi Nasional	03/37	GG	4.699	20	4.721	19/02/2019	-2	22
DanaInfra Nasional Berhad	11/40	GG	4.760	10	5.139	28/02/2018	-38	28
Perbadanan Tabung Pendidikan Tinggi Nasional	07/41	GG	4.829	20	4.835	27/02/2019	-1	35
Rantau Abang Capital Berhad	08/19	AAA	3.801	95	3.800	26/02/2019	0	37
Manjung Island Energy Berhad	11/21	AAA	4.058	10	4.062	28/02/2019	0	49
Telekom Malaysia Berhad	10/24	AAA	4.277	20	4.300	21/02/2019	-2	45
Danga Capital Berhad	09/27	AAA	4.321	20	4.347	27/02/2019	-3	42
Telekom Malaysia Berhad	10/28	AAA	4.517	70	4.529	26/02/2019	-1	62
Sarawak Energy Berhad	06/21	AA1	4.145	5	4.194	11/02/2019	-5	63
YTL Power International Berhad	03/23	AA1	4.538	100	4.571	26/02/2019	-3	87
YTL Power International Berhad	08/23	AA1	4.570	10	4.600	23/01/2019	-3	90
Sarawak Energy Berhad	07/24	AA1	4.317	5	4.391	19/02/2019	-7	61
Sarawak Energy Berhad	08/25	AA1	4.378	5	4.449	19/02/2019	-7	55
Sarawak Energy Berhad	06/26	AA1	4.409	5	4.428	28/02/2019	-2	54
YTL Power International Berhad	05/27	AA1	4.788	100	4.776	28/02/2019	1	88
Sarawak Energy Berhad	07/29	AA1	4.519	10	4.580	19/02/2019	-6	62
UniTapah Sdn Berhad	12/30	AA1	4.657	3	4.919	28/03/2018	-26	76
Hong Leong Bank Berhad	09/39	AA2	4.281	10	4.596	19/12/2018	-32	-20
PBFIN Berhad	06/59	AA2	3.936	14	4.543	10/01/2019	-61	-55
CIMB Group Holdings Berhad	03/28	AA	4.544	10	4.594	25/06/2018	-5	64
Anih Berhad	11/29	AA	4.719	10	4.895	16/01/2018	-18	82
IJM Corporation Berhad	04/21	AA3	4.330	7	4.448	04/09/2018	-12	81
CIMB Thai Bank Public Company Limited	07/24	AA3	4.333	10	4.551	19/02/2019	-22	62
RHB Bank Berhad	09/27	AA3	4.470	10	4.721	23/08/2018	-25	56
Edra Energy Sdn Berhad	01/28	AA3	5.783	20	5.561	27/06/2018	22	188
Edra Energy Sdn Berhad	01/29	AA3	5.750	1	5.750	21/02/2019	0	185
Edra Energy Sdn Berhad	01/32	AA3	5.949	10	5.939	11/02/2019	1	166
Edra Energy Sdn Berhad	07/32	AA3	5.989	10	5.907	08/02/2019	8	170
Edra Energy Sdn Berhad	01/33	AA3	6.029	5	6.030	14/02/2019	0	174
Edra Energy Sdn Berhad	07/34	AA3	6.129	5	6.139	21/02/2019	-1	184
UEM Sunrise Berhad	06/21	AA-	4.560	15	4.565	21/02/2019	-1	104
Bank Islam Malaysia Berhad	12/25	A1	4.377	8	4.383	28/02/2019	-1	51
Affin Islamic Bank Berhad	10/28	A1	4.854	60	4.857	21/02/2019	0	96
CIMB Group Holdings Berhad	05/16	A1	4.646	1	4.647	28/02/2019	0	16
Affin Islamic Bank Berhad	10/17	A3	4.997	50	5.028	22/02/2019	-3	51
				<u>1018</u>				

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

Market/Corporate News: What's Brewing

Singapore stands on its position for all parties, including Johor, to honour the terms of the 1962 Water Agreement. In a statement today, the republic's Ministry of Foreign Affairs (MFA) said Singapore noted the Johor state government's plans to increase its capacity to produce treated water to meet its own needs. "This does not affect Singapore's position that all parties, including Johor, must honour the terms of the 1962 Water Agreement, which no party can unilaterally change," an MFA's spokesperson said. The statement was issued in response to media queries on a statement by Johor Menteri Besar Datuk Osman Sapian on March 1. Osman was reported to have said that Johor had been paying for treated water supply from Singapore all this while, and the plan to meet its own need for treated water would be finalised soon. "But the matter is

still at the planning stage and I cannot share the details at the moment until the plan is ready to be implemented,” he said. (Source: *The Star/Bernama*)

After he tweeted that AirAsia Group Bhd has made all the right moves in the financial year ended Dec 31, 2018 (FY18), co-founder Tan Sri Tony Fernandes then tweeted another message saying he stood by his remark that 2019 will be the best-ever year for the low-cost carrier. In the tweet message. Fernandes, whom he and his partner, Datuk Kamarudin Meranun, are the largest controlling shareholders, told the investing public that shareholders who have faith in the airline will be rewarded with earnings growth and dividends. “Look out for results in the first quarter (ending March 31, 2019),” he tweeted last Friday. The duo’s investment vehicles — Tune Live Sdn Bhd and Tune Air Sdn Bhd — own 32.5% stake in AirAsia. In fact, AirAsia shareholders were already rewarded with bumper dividend of 64 sen per share (including a special dividend of 40 sen) in FY18. This translates into a payout ratio of 108%. The record high dividend, however, did not seem to lend much support to the carrier’s share price which has been on the decline since a year ago. Probably more attention has been drawn to its largest ever quarterly net loss. AirAsia last week announced that due to higher fuel costs and operating lease expenses, it posted a net loss of RM394.97 million in the fourth quarter ended Dec 31, 2018 (4QFY18), compared to a net profit of RM372.6 million a year ago, although its quarterly revenue had grown 6.2% at RM2.82 billion. Bloomberg data shows a quarter of the 20 research houses that cover AirAsia have downgraded their ratings the day after the quarterly results announcement, leaving the airline with eight “buy” calls, and six each for “hold” and “sell” calls. Some RM6.21 billion market capitalisation has evaporated since March 1 last year, when its price was at an all-time high of RM3.85 apiece, valuing AirAsia at RM15.37 billion. Last Friday, it ended at RM2.74, giving it a market capitalisation of RM9.16 billion. AirAsia, despite the large quarterly losses, was profitable for FY18 with an annual profit of RM1.97 billion or 59.2 sen per share, compared with RM1.62 billion, or 49.3 sen per share. Excluding a laundry list of one-off items, for example foreign exchange gain of RM130.8 million, fair value loss on derivatives of RM200.2 million, one-off expenses relating to BBAM (Ltd Partnership) of RM146 million, and provision for doubtful third-party charter debts of RM60 million, AirAsia recorded a FY18 core net profit of RM838.6 million, according to Public Invest Research, which has an “outperform” call on the airline. The research outfit pegs its target price (TP) at RM3.70, which is 35% above against last Friday’s closing of RM2.74. To recap, in March last year, AirAsia announced the US\$1.185 billion sales and leaseback deal to divest wholly-owned aircraft leasing unit Asia Aviation Capital Ltd (AACL) to BBAM. Fernandes also commented in the tweet message that the divestment of AACL was “fantastic”, as it locked in the aircraft’s residual value and beef up AirAsia’s balance sheet, while enabling it to pay out generous dividend. Nomura analyst, Ahmad Maghfur Usman, is upbeat on AirAsia’s earnings outlook “on the back of lower fuel costs coupled with the turnaround from its Asean affiliates, while losses from India are expected to narrow on improved scalability as passenger volumes increase”. Maghfur’s TP of RM5.20 is the highest among analysts polled by Bloomberg. He noticed that AirAsia has been more disciplined in terms of capacity management for Malaysia and Indonesia to drive up yield and boost load factor. Higher yield and load factor are what all airlines looking for simply because these will help widen profit margin. In the financial result review dated Feb 28, another analyst wrote that AirAsia is likely to incur higher provisions for aircraft maintenance charges compared to the time before the sale and leaseback model take place. “All else being equal, the squeeze on AirAsia’s profitability will continue to get tighter since a substantial number of AirAsia’s order book with Airbus has been committed for subsequent sale and leaseback with BBAM. “With lower profitability, AirAsia will be less resilient to the unexpected changes in the business environment,” he commented adding that competition may intensify as Malaysia Airlines Bhd and Malindo Airways Sdn Bhd are expected to increase capacity. He also cautioned that the new

airport departure levy and the potential passenger service charge increase are expected to hurt travel demand in Malaysia, which might resulting AirAsia to subsidise these rate increases. When contacted, Maybank Investment Bank aviation analyst, Mohshin Aziz, told The Edge Financial Daily that as competition intensify, AirAsia's pricing power would be substantially lower. "Beyond that, a lot of their costs have increased. The aircraft operating lease cost, in particular, was quite painful to the company, it had increased more than what we have led to believe," he said. Although Mohshin said AirAsia management has said that the worst may have been over and the Malaysian airline industry is seeing a slow recovery, but his own observation seems to suggest that airfares are still in a cheap environment. Analysts have various views on the prospects of AirAsia. Some are paying attention on dark clouds on the horizon, while others see the silver lining behind the dark clouds. All said, Fernandes reiterated that "time will tell" that AirAsia is on the right path to greater height. (Source: *The EdgeMarkets*)

Rating Action			
Issuer	PDS Description	Rating/Outlook	Action
UEM Group Berhad	IMTN Programme of up to RM2.2 billion (2012/2042)	AA2	Reaffirmed
Quantum Solar Park (Semenanjung) SdnBhd's (QSP Semenanjung)	RM1.0 billion Green SRI Sukuk	A+IS rating currently remains on MARCWatch Negative.	Update

Source: RAM, MARC

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