

## Global Markets Research

### Fixed Income

#### Fixed Income Daily Market Snapshot

UST		
Tenure	Closing (%)	Chg (bps)
2-yr UST	2.55	-1
5-yr UST	2.53	-3
10-yr UST	2.72	-3
30-yr UST	3.09	-3

MGS		GII*		
Tenure	Closing (%)	Chg (bps)	Closing (%)	Chg (bps)
3-yr	3.53	-4	3.67	0
5-yr	3.72	2	3.81	0
7-yr	3.87	-1	3.98	1
10-yr	3.90	0	4.04	1
15-yr	4.30	1	4.38	0
20-yr	4.47	0	4.61	1
30-yr	4.71	0	4.85	0

\* Market indicative levels

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

Source : Bloomberg

#### Upcoming Government Bond Tender

Nil

#### US Treasuries

- US Treasuries rallied from 5Y extended outwards despite a lack of fresh leads as US equities witnessed a pull-back on Monday. The curve shifted lower with benchmark yields closing between 1-3bps down. The 2Y note yield edged 1bps lower at 2.55% and the much-watched 10Y bond yield was 3bps lower at 2.72%; having broken out earlier from its narrow trading range in February. Markets are pricing in at most one (1) rate hike by the Fed through 2019 as policy makers signal on adopting a patient stance. That should anchor short-maturity yields relative to those on long-dated debt. Meanwhile the US Treasury secretary is expected to urge Congress to increase the statutory debt limit to avoid future breaches in the government's debt limit. Up next on the data front are the Markit US Services PMI, Composite PMI and New Home Sales.

#### MGS/GII

- Local govvnies saw momentum ease with volume at RM2.26b as interest was mainly focused on the off-the-run 22-26-3's and the 2026 bonds. also 7Y benchmark MGS bonds. Overall benchmark yields ended mostly mixed-to-higher i.e. -1 to +2bps save for the odd-lot trade on the short 3Y benchmark. The 5Y benchmark MGS 4/23 ended 2bps higher at 3.72% whilst the 10Y MGS 8/29 was untraded at 3.90% level. GII trades maintained at about 36% of overall trades. The trade figures for January revealed stronger exports of 3.1% versus earlier consensus of a 0.6% contraction. Up next is BNM's OPR decision today which is expected to stay pat at 3.25%.

#### Corp Bonds/Sukuk

- Corporate Bonds/Sukuk saw volume shrink to RM436m with investor interest mainly across the GG to AA part of the curve. PASB 2/21 and 6/23 edged 2bps lower at 3.59% and 3.97% respectively compared to previous-done levels whilst DANA 7/27, 2/29 and 11/32 ended 0-2bps lower between 4.19-49% levels. AAA-rated AMAN 7/22 and 7/27 moved sharply lower on yields at 45.16% and 4.40% each. In the AA-space, short BUMITAMA 19's closed mixed on yields between 4.22-33% whilst energy-related bond JEP 6/30 closed 14bps lower at 4.69%. The banking space saw MAYBANK 29NC24 make its debut trade at 4.51% whilst HLBB 24NC19 ended 4bps up at 4.18%.

## Daily Trades : Government Bonds

Securities		Closing YTM	Vol (RM mil)	Previous YTM	Previous Trade Date (dd/mm/yyyy)	Chg (bp)
MGS	10/19	3.383	121	3.387	01/03/2019	0
MGS	11/19	3.382	6	3.386	01/03/2019	0
MGS	03/20	3.394	7	3.455	01/03/2019	-6
MGS	10/20	3.503	2	3.505	01/03/2019	0
MGS	09/21	3.606	17	3.595	01/03/2019	1
MGS	11/21	3.530	91	3.572	01/03/2019	-4
MGS	03/22	3.554	37	3.570	01/03/2019	-2
MGS	08/22	3.682	175	3.671	01/03/2019	1
MGS	04/23	3.725	132	3.711	01/03/2019	1
MGS	08/23	3.763	39	3.763	01/03/2019	0
MGS	07/24	3.831	11	3.827	01/03/2019	0
MGS	09/24	3.837	50	3.837	28/02/2019	0
MGS	03/25	3.919	17	3.919	01/03/2019	0
MGS	09/25	3.920	17	3.934	01/03/2019	-1
MGS	04/26	3.970	1	3.984	01/03/2019	-1
MGS	07/26	3.869	319	3.874	01/03/2019	0
MGS	11/26	3.990	2	3.983	01/03/2019	1
MGS	03/27	4.020	5	4.012	27/02/2019	1
MGS	11/27	4.004	7	3.999	01/03/2019	0
MGS	09/28	4.055	1	4.014	01/03/2019	4
MGS	04/30	4.147	110	4.146	01/03/2019	0
MGS	06/31	4.225	110	4.219	01/03/2019	1
MGS	04/33	4.335	90	4.340	01/03/2019	0
MGS	11/33	4.298	70	4.290	01/03/2019	1
MGS	04/37	4.477	3	4.451	01/03/2019	3
GII	04/20	2.273	41	3.492	26/02/2019	-122
GII	03/21	3.613	70	3.564	20/02/2019	5
GII	03/22	3.666	105	3.669	01/03/2019	0
GII	04/22	3.693	2	3.690	28/02/2019	0
GII	07/23	3.828	40	3.835	27/02/2019	-1
GII	11/23	3.815	52	3.813	01/03/2019	0
GII	05/24	3.900	10	3.898	01/03/2019	0
GII	08/25	3.977	20	3.968	01/03/2019	1
GII	10/25	3.998	20	4.007	01/03/2019	-1
GII	07/27	4.052	2	4.052	01/03/2019	0
GII	10/28	4.104	220	4.099	01/03/2019	0
GII	07/29	4.040	60	4.030	28/02/2019	1
GII	06/33	4.382	60	4.377	01/03/2019	0
GII	08/37	4.612	120	4.601	01/03/2019	1
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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*
Pengurusan Air SPV Berhad	02/21	GG	3.889	5	3.911	30/01/2019	-2	37
Pengurusan Air SPV Berhad	06/23	GG	3.973	5	3.993	01/03/2019	-2	29
DanaInfra Nasional Berhad	07/27	GG	4.187	20	4.205	15/02/2019	-2	28
Prasarana Malaysia Berhad	09/27	GG	4.188	20	4.200	25/02/2019	-1	27
Lembaga Pembiayaan Perumahan Sektor Awam	10/28	GG	4.222	40	4.241	18/02/2019	-2	32
DanaInfra Nasional Berhad	02/29	GG	4.249	10	4.258	18/02/2019	-1	35
DanaInfra Nasional Berhad	11/32	GG	4.493	50	4.491	01/03/2019	0	19
Lembaga Pembiayaan Perumahan Sektor Awam	10/38	GG	4.700	30	4.709	26/02/2019	-1	21
Mydin Mohamed Holdings Berhad	11/19	AAA	4.463	6	4.674	19/01/2018	-21	103
Berjaya Land Berhad	12/21	AAA	4.659	1	4.671	20/02/2019	-1	110
Aman Sukuk Berhad	07/22	AAA	4.157	10	4.339	29/11/2018	-18	59
Aman Sukuk Berhad	07/27	AAA	4.399	10	4.624	28/07/2017	-23	49
Pengurusan Air SPV Berhad	02/29	AAA	4.427	10	4.436	27/02/2019	-1	53
Tenaga Nasional Berhad	08/38	AAA	4.779	1	4.779	28/02/2019	0	29
Indera Persada Sdn Berhad	09/20	AA1	4.040	6	-	-	-	52
Hong Leong Bank Berhad	06/24	AA1	4.175	10	4.138	28/02/2019	4	46
Malayan Banking Berhad	01/29	AA1	4.505	20	-	-	-	61
CIMB Bank Berhad	08/26	AA+	4.337	9	4.791	27/02/2019	-45	47
First Resources Limited	10/21	AA2	4.364	26	4.550	06/09/2018	-19	80
UMW Holdings Berhad	09/23	AA2	4.439	20	4.526	14/01/2019	-9	72
Krung Thai Bank Public Company Limited	07/25	AA2	4.533	1	4.598	15/02/2019	-6	69
Bumitama Agri Ltd	03/19	AA3	4.332	40	4.171	25/02/2019	16	90
Bumitama Agri Ltd	09/19	AA3	4.215	30	4.245	28/02/2019	-3	79
BGSM Management Sdn Berhad	12/19	AA3	4.015	10	4.034	26/02/2019	-2	59
Perbadanan Kemajuan Negeri Selangor	05/20	AA3	4.490	10	4.500	22/02/2019	-1	106
Exsim Capital Resources Berhad	01/22	AA3	4.840	1	-	-	-	128
Gamuda Berhad	11/22	AA3	4.526	6	4.528	28/02/2019	0	85
UEM Sunrise Berhad	04/22	AA-	4.597	10	4.656	14/01/2019	-6	103
RHB Bank Berhad	04/25	AA3	4.100	2	4.149	04/01/2019	-5	26
CIMB Thai Bank Public Company Limited	07/26	AA3	4.992	1	4.908	05/12/2018	8	112
Jimah East Power Sdn Berhad	06/30	AA-	4.688	10	4.829	04/12/2018	-14	79
Edra Energy Sdn Berhad	07/34	AA3	6.129	5	6.129	01/03/2019	0	183
CIMB Group Holdings Berhad	05/16	A1	4.650	2	4.293	01/03/2019	36	16
Hong Leong Financial Group Berhad	11/17	A1	4.799	1	4.718	01/03/2019	8	31
				<u>436</u>				

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

## Market/Corporate News: What's Brewing

**It is only March but local equity analysts have already slashed their full-year profit forecast after Corporate Malaysia delivered yet another disappointing quarter.** Affin Hwang Capital Research, in a strategy report yesterday, called the recently concluded earnings reporting season as “among the worst” it had seen in recent years. Analysts said huge earnings misses in the plantation, telecommunications, transport and utilities sectors during the October-December quarter dragged the market’s earnings per share (EPS) growth into negative territory for 2018. DBS Group Research said most of the large-cap companies have also been adopting a more cautious stance on the 2019 outlook, guiding for a more measured earnings growth. This has prompted the firm to revise down its earnings forecast for the year. The FBM KLCI, the benchmark index composed of Bursa Malaysia’s 30 largest companies by market capitalisation, saw its aggregate reported earnings in 4Q18 being slashed by 22.4% year-on-year (y-o-y) to RM11.58bil. For the full-year 2018, the KLCI aggregate reported earnings fell by 18.14% y-o-y to RM50.58bil. In 2017, the total earnings of Bursa Malaysia’s largest 30 stocks were RM61.79bil. Looking ahead into the possible corporate earnings in 2019, analysts have turned more cautious following the outcome of the latest reporting season. MIDF Research has also cut the aggregate FY19 earnings estimate of the stocks under its coverage universe by 3.9% to RM74.9bil. In the fourth quarter, the key under-performing sectors on Bursa Malaysia were the plantation, aviation, telecommunications, utilities and property sectors, among others. Plantation companies underwent a tough 4Q18, as the

price of crude palm oil (CPO) declined to a record low, following a global supply glut. The cost of CPO production also rose in the period due to minimum wage and fertiliser costs. Aviation players' earnings were impacted due to higher maintenance and operating expenditure in the fourth quarter, amid the increase in the jet fuel price. Within the telecommunications sector, Maxis Bhd had an additional one-off cost of RM250mil, while Axiata Group Bhd's earnings took a hit from accelerated depreciation charges. Axiata plunged into the red in FY18, marking its first full-year loss since its 2008 listing. As for the utilities sector, the financial results of Tenaga Nasional Bhd (TNB) was the biggest drag, according to Affin Hwang Capital Research. "Apart from the lower return from its regulated asset, TNB's international operation (associates) also recorded losses which management decided to write down, with around RM1bil worth of investments related to those companies. "The decline in YTL Power International Bhd's profits also contributed to the decline in the sector earnings," it said. Meanwhile, the construction sector was mainly dragged by significant earnings decline reported by Gamuda Bhd, IJM Corp Bhd and WCT Holdings Bhd. "Of the 127 companies that we actively cover, only 18% reported results that were above expectations in 4Q18," it said in a note yesterday. TA Securities Research also noted that underachievers in its coverage universe had trumped out-performers, although the other forecasts were largely in line. "Earnings disappointed as expected but the contraction was very steep. Despite the generally-weak earnings season, several sectors have witnessed improvements in their bottom line. The sectors were banking, glove manufacturing, healthcare and insurance, among others. According to MIDF Research, the overall performance of the domestic banking sector was similar to its earlier expectations. "Earnings were impacted by net interest margin compression that stemmed from deposits competition throughout the year due to earlier expectations of the implementation of the net stable funding ratio requirement. While this compression was moderated by the overnight policy rate hike in the early parts of 2018, this boost soon normalised. "Also affecting banks' earnings were the challenging capital market conditions, which had put pressure on non-interest income. Nevertheless, these headwinds were curbed by lower provisions (despite the implementation of MFRS 9) and lower operating expenses," it said. On the glove sector, MIDF Research said that except for Hartalega Holdings Bhd, the earnings of glove players under its coverage were within expectations with strong growth. "In the healthcare sector, hospital operators recorded healthy earnings in the recent concluded quarter. "In terms of operating statistics, we note that the number of admissions for inpatients, particularly for Malaysian hospitals, was up by 4.6% y-o-y while outpatient admission increased by 2.7% y-o-y," it said. (Source: *The Star*)

Rating Action			
Issuer	PDS Description	Rating/Outlook	Action
Nil	Nil	Nil	Nil

Source: RAM, MARC

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