

Global Markets Research
Fixed Income
Fixed Income Daily Market Snapshot

UST		
Tenure	Closing (%)	Chg (bps)
2-yr UST	2.54	0
5-yr UST	2.51	-1
10-yr UST	2.70	0
30-yr UST	3.03	0

MGS		GII*		
Tenure	Closing (%)	Chg (bps)	Closing (%)	Chg (bps)
3-yr	3.56	-2	3.67	0
5-yr	3.73	-3	3.85	0
7-yr	3.90	0	4.01	0
10-yr	4.03	-4	4.09	0
15-yr	4.37	-2	4.46	0
20-yr	4.56	0	4.69	0
30-yr	4.75	-3	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	0
7-yr	3.90	0
10-yr	4.06	0

Source : Bloomberg

Upcoming Government Bond Tender

Nil

US Treasuries

- US Treasuries pared gains following the rather uninspiring but fair \$27b 10Y bond auction which saw a lower BTC ratio of 2.35x (average for past 4 auctions: 2.50x); with average yield at 2.689%. This was in contrast to the strong earlier 3Y notes. Benchmark yields were muted and ended within 1bps from prior day's close with both the 2Y and 10Y at 2.54% and 2.70% respectively. UST's are expected to hit further pricing pressures; though easing fears of a recession have neutralized the recovery of the 10Y bond in the 4th quarter of last due to flight to safety from stocks. In addition; the Fed's balance sheet shrinkage has helped keep US rates elevated. President Trump meanwhile reiterates his desire to reduce the trade gap with China. Meanwhile investors will be watching the upcoming Fed Speak event for further clues whether the dovish tilt continues.

MGS/GII

- Trading momentum in local govvnies remained solid on Monday with volume at RM3.26b despite the onset of the Chinese New Year holidays with interest seen mainly in both the 10Y and 15Y benchmarks and also the 8-9Y off-the-run tenures. Overall benchmark yields ended between 0-4bps lower. The 5Y benchmark MGS 4/23 moved 3bps lower at 3.73% whilst the 10Y MGS 6/28 rallied strongly by 4bps at 4.03% levels on strong volume. GII trades dropped to form 30% of overall trades. Meanwhile, investors were seen adding to both EM local currency debt and stocks which has witnessed a strong start to 2019.

Corp Bonds/Sukuk

- Corporate Bonds/Sukuk however saw tepid interest ahead of the mid-week break with volume at a paltry RM177m as some interest was seen in the the GG-part of the curve. Govt-guaranteed (GG) MKD Kenchana 10/32 again saw strong interest; closing however unchanged at 4.59% compared to previous-done levels on RM70m nominal amounts. Other GG bonds i.e. Sarawak Hidro 8/28 and DANA 4/33 ended lower on yields at 4.34% and 4.58% respectively. Expect market to be muted for the remainder of the week with investors mainly away or sidelined.

Daily Trades : Government Bonds

Securities		Closing YTM	Vol (RM mil)	Previous YTM	Previous Trade Date (dd/mm/yyyy)	Chg (bp)
MGS	03/19	3.274	64	3.306	31/01/2019	-3
MGS	07/19	3.287	10	3.349	31/01/2019	-6
MGS	10/19	3.389	17	3.396	31/01/2019	-1
MGS	11/19	3.397	11	3.393	31/01/2019	0
MGS	03/20	3.453	63	3.471	31/01/2019	-2
MGS	07/20	3.469	4	3.486	31/01/2019	-2
MGS	10/20	3.484	92	3.503	31/01/2019	-2
MGS	07/21	3.562	25	3.586	31/01/2019	-2
MGS	09/21	3.597	9	3.622	31/01/2019	-2
MGS	11/21	3.562	112	3.577	31/01/2019	-2
MGS	03/22	3.588	2	3.585	31/01/2019	0
MGS	08/22	3.711	14	3.708	31/01/2019	0
MGS	09/22	3.732	3	3.744	31/01/2019	-1
MGS	03/23	3.785	55	3.806	31/01/2019	-2
MGS	04/23	3.730	14	3.751	31/01/2019	-2
MGS	08/23	3.831	8	3.853	31/01/2019	-2
MGS	07/24	3.874	19	3.903	31/01/2019	-3
MGS	09/24	3.879	4	3.895	31/01/2019	-2
MGS	07/25	3.993	10	3.999	30/01/2019	-1
MGS	09/25	3.946	115	3.975	31/01/2019	-3
MGS	04/26	4.031	31	4.040	25/01/2019	-1
MGS	07/26	3.896	21	3.898	31/01/2019	0
MGS	11/26	4.014	262	4.044	31/01/2019	-3
MGS	05/27	4.118	6	4.088	31/01/2019	3
MGS	11/27	4.035	240	4.076	31/01/2019	-4
MGS	06/28	4.025	518	4.066	31/01/2019	-4
MGS	06/31	4.294	2	4.317	31/01/2019	-2
MGS	04/33	4.439	72	4.447	31/01/2019	-1
MGS	11/33	4.368	383	4.400	31/01/2019	-3
MGS	04/37	4.534	4	4.563	30/01/2019	-3
MGS	06/38	4.556	58	4.567	31/01/2019	-1
MGS	03/46	4.789	55	4.795	31/01/2019	-1
MGS	07/48	4.749	11	4.774	31/01/2019	-3
GII	04/19	3.306	127	3.274	31/01/2019	3
GII	04/20	3.432	2	3.500	31/01/2019	-7
GII	03/21	3.566	10	3.547	30/01/2019	2
GII	03/22	3.667	21	3.653	31/01/2019	1
GII	11/23	3.855	290	3.857	31/01/2019	0
GII	08/25	4.014	171	4.017	31/01/2019	0
GII	07/27	4.089	6	4.096	31/01/2019	-1
GII	10/28	4.154	163	4.170	31/01/2019	-2
GII	07/29	4.086	1	4.089	31/01/2019	0
GII	10/35	4.655	7	4.650	29/01/2019	0
GII	08/37	4.686	150	4.686	31/01/2019	0
			<u>3262</u>			

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*
Sarawak Hidro Sdn Berhad	08/28	GG	4.340	50	4.457	30/11/2018	-12	30
MKD Kencana Sdn Berhad	10/32	GG	4.590	70	4.592	31/01/2019	0	22
DanaInfra Nasional Berhad	04/33	GG	4.580	50	4.611	25/01/2019	-3	21
SPR Energy (M) Sdn Berhad	07/33	AA3	5.226	1	5.279	20/12/2018	-5	86
Tan Chong Motor Holdings Berhad	11/21	A1	5.392	5	5.266	31/01/2019	13	181
Mah Sing perpetual	-	-	5.495	1	5.513	29/01/2019	-2	-
				<u>177</u>				

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

Market/Corporate News: What's Brewing

Vehicle sales for January, which is often a slow month following the year-end promotional frenzy, are off to a positive start following the favourable response to Proton and Perodua's new sport-utility vehicles (SUVs), the X70 and Aruz, respectively. According to available data, Proton and Perodua's combined sales for January were up 20% year-on-year (y-o-y), mainly due to demand for the popular SUVs. Earlier this month, Proton announced that its first SUV generated considerable excitement among car buyers, lifting the national carmaker's January sales to 7,007, or an estimated market share of 14.5%. Of this, 2,777 units comprised the X70. The model is the first collaboration between Proton and Chinese automaker Zhejiang Geely Holding Group. Compared with the previous month, January 2019 sales increased by 33.6% while y-o-y, the figure represents a 46.5% growth over January 2018. Meanwhile, Perodua recorded sales of over 20,100 vehicles in January, of which 1,025 units consisted of the Aruz. Total sales in January was 13.6% more compared with 17,700 units a year ago. In an earlier statement, Perodua said it is confident of selling an average of 2,500 Aruz units monthly or 31,200 units by end-2019. Proton launched the X70 on Dec 12 last year, while Perodua's Aruz was launched on Jan 15. Analysts said the popularity of the SUVs can be attributed to the models' attractive pricing, especially when compared with the offerings from the non-national brands, as well as the appealing technological features of the vehicles. "These are brand new models that weren't part of the product offering previously," said an analyst. "Understandably, this has created some excitement in the market, especially given the models' competitive pricing," he added. In a recent report, AmlInvestment Bank Research pointed out that both national carmakers have unique goals to achieve with their SUVs. "Perodua will focus on sales while Proton will focus on improving consumer perception. Proton will rely on the SUV to test the various operational reforms and processes that are being introduced to win back consumer confidence." At its biannual media briefing last month, the Malaysian Automotive Association (MAA) announced that 2018 vehicle sales grew 3.8% to 598,714 units, exceeding the association's forecast of 1.5%. The MAA is anticipating a meagre 0.21% growth in total industry volume for 2019. President Aishah Ahmad said the government's delay in approving new car models' pricing has negatively affected carmakers' plans to launch new models. The delay, in turn, is expected to take a toll on the overall sales of new vehicles this year. The MAA said it expected sales volume for January 2019 to be lower than December 2018. "Much of the demand was concluded during the three-month goods and services tax holiday period. "Pricing approval for certain new models is also still pending from government authorities while consumer sentiment remains cautious," it said.

Malaysia Airports Holdings Berhad (MAHB) has rejected AirAsia Group Bhd's offer of mediation, in a letter sent by the airport operator's lawyers. Malaysia's dominant airport operator and Asia biggest budget airline group have been embroiled in an airport tax dispute. The airport tax, or passenger service charge (PSC), has been a point of contention between MAHB and AirAsia group for many years, defined by the occasional war of words in the press and on social media. AirAsia had then proposed mediation to MAHB in an attempt to amicably resolve the parties' ongoing dispute over passenger service charges at klia2. Section 74 of the Malaysian Aviation Commission (Mavcom) Act 2015 requires AirAsia and MAHB to first seek mediation before resorting to other legal proceedings, in order to potentially save time and costs for all parties involved, including the judicial system. In a brief statement today, AirAsia said it therefore acted in good faith to comply with the Act and prevent further public discourse which it believes is damaging to the aviation sector. AirAsia said it further believed that regardless of the outcome, mediation would allow both parties to move forward in a more informed manner. AirAsia Malaysia CEO Riad Asmat said the airline regrets that MAHB has refused AirAsia's olive

branch to resolve outstanding issues between them through mediation, particularly in light of MAHB's recent statement that it is 'optimistic that these matters can and will be resolved'. "We will seek guidance from Mavcom on the next steps to address this situation. "However, we reserve our rights to take all necessary actions to protect the interests of our guests and shareholders," he said. Under the Mavcom Act, if either party rejects mediation, then Mavcom can ask both parties to go for arbitration. However, given that MAHB believes it has a strong legal case under the law, the more likely scenario is a full fledged battle in the courts.. (Source: *The EdgeMarkets*)

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

Source: RAM, MARC

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