

Global Markets Research

Fixed Income

Fixed Income Daily Market Snapshot

UST		
Tenure	Closing (%)	Chg (bps)
2-yr UST	2.53	-3
5-yr UST	2.51	-3
10-yr UST	2.69	-2
30-yr UST	3.07	-1

MGS		GII*		
Tenure	Closing (%)	Chg (bps)	Closing (%)	Chg (bps)
3-yr	3.52	-3	3.59	-4
5-yr	3.65	-4	3.79	-1
7-yr	3.82	-3	3.92	-4
10-yr	3.87	-2	4.01	-1
15-yr	4.27	-2	4.38	1
20-yr	4.48	0	4.60	-1
30-yr	4.71	0	4.86	0

\* Market indicative levels

MYR IRS Levels		
IRS	Closing (%)	Chg (bps)
1-yr	3.60	-5
3-yr	3.63	-4
5-yr	3.71	-4
7-yr	3.80	-6
10-yr	3.99	-5

Source : Bloomberg

Upcoming Government Bond Tender

RM3.0b reopening of 3Y MGS 3/22 on Thursday, 7<sup>th</sup> March 2019

US Treasuries

US Treasuries closed stronger but off-the-highs on Wednesday following the pattern set by UK gilts and German bunds. The curve ended steeper as overall benchmark yields closed 1-3bps lower. The 2Y note yield was 3bps richer at 2.53% and the much-watched 10Y bond fell 2bps at 2.69% levels. Corporate issuances i.e. IG slate continued to influence UST levels. Few market participants are pricing in at most one (1) rate hike by the Fed for 2019 (vs overall market pricing of no hike) as policy makers are bent on adopting a patient stance. The U.S. economy has cooled so far this year, with “slight-to-moderate” growth across most of the districts, according to the Fed’s Beige Book survey. Up next on the data front is the all-important Non-Farm payrolls out tomorrow.

MGS/GII

Local govies continued to see investors bid-up for MYR bonds amid heavy demand and volume at RM6.92b following BNM’s dovish hints on Tuesday’s MPC meeting. Interest was mainly focused on off-the-run 19-20’s and also the 3Y, 5Y benchmark MGS/GII bonds. Overall benchmark yields ended mostly 1-4bps lower. The 5Y benchmark MGS 4/23 rallied 4bps lower at 3.65% whilst the 10Y MGS 8/29 was 2bp lower at 3.87% level. GII trades rose to form 59% of overall trades. Lower MYR Interest Rate swaps continued to lead the underlying cash market. Meanwhile attention is likely to be focused on the 3Y MGS bond auction this morning.

Corp Bonds/Sukuk

There was not let-up in demand for Corporate Bonds/Sukuk as volume notched RM859m with investor interest mainly across the GG to AA part of the curve. DANA and PRASA bonds dominated the GG space whilst long-end PTPTN 3/37 and 4/41 tranches saw RM90m nominal amounts traded 1bps lower at 4.69% and 4.82% each. AAA-rated PLUS 27-28’s moved 1-13bps lower at 4.41% and 4.44% respectively. In the AA-space, energy-related bonds YTL Power 5/27 and SEB 12/32 closed 2-3 bps lower at 4.74% and 4.37% each whereas EDRA Energy 1/27 rose 5bps at 5.66%; against the overall trend for Corporate Bonds/Sukuk. The banking space was active as AmBank 6/20 edged 1bps lower at 4.13% whilst RHB 25NC20 saw fortunes reverse as it ended 5bps higher at 4.14%. Meanwhile, Hong Leong Financial Group saw its 9/21 tranche close 12bps lower at 4.21%

## Daily Trades : Government Bonds

Securities		Closing YTM	Vol (RM mil)	Previous YTM	Previous Trade Date (dd/mm/yyyy)	Chg (bp)
MGS	03/19	3.184	2	3.470	05/03/2019	-29
MGS	10/19	3.342	322	3.351	05/03/2019	-1
MGS	11/19	3.346	110	3.364	05/03/2019	-2
MGS	03/20	3.384	196	3.442	05/03/2019	-6
MGS	07/20	3.415	15	3.494	01/03/2019	-8
MGS	10/20	3.438	60	3.464	05/03/2019	-3
MGS	07/21	3.496	10	3.556	05/03/2019	-6
MGS	09/21	3.578	11	3.602	05/03/2019	-2
MGS	11/21	3.522	101	3.549	05/03/2019	-3
MGS	03/22	3.528	40	3.566	05/03/2019	-4
MGS	08/22	3.597	143	3.675	05/03/2019	-8
MGS	09/22	3.635	100	3.659	05/03/2019	-2
MGS	03/23	3.696	5	3.742	05/03/2019	-5
MGS	04/23	3.651	632	3.677	05/03/2019	-3
MGS	08/23	3.748	2	3.750	05/03/2019	0
MGS	07/24	3.775	92	3.818	05/03/2019	-4
MGS	09/24	3.789	240	3.827	05/03/2019	-4
MGS	03/25	3.891	3	3.920	05/03/2019	-3
MGS	09/25	3.888	21	3.902	05/03/2019	-1
MGS	07/26	3.822	416	3.852	05/03/2019	-3
MGS	11/26	3.914	1	3.967	05/03/2019	-5
MGS	05/27	4.016	20	4.024	05/03/2019	-1
MGS	11/27	3.699	21	3.981	05/03/2019	-28
MGS	06/28	3.960	23	3.991	05/03/2019	-3
MGS	09/28	4.036	2	4.055	04/03/2019	-2
MGS	08/29	3.870	150	3.891	05/03/2019	-2
MGS	04/30	4.146	35	4.147	04/03/2019	0
MGS	06/31	4.221	38	4.226	05/03/2019	0
MGS	11/33	4.269	143	4.292	05/03/2019	-2
MGS	05/35	4.384	1	4.423	04/03/2019	-4
MGS	03/46	4.750	13	4.756	05/03/2019	-1
GII	04/19	3.330	273	3.324	21/02/2019	1
GII	09/19	3.372	400	3.384	12/02/2019	-1
GII	03/21	3.577	247	3.587	05/03/2019	-1
GII	04/21	3.563	40	3.496	12/12/2018	7
GII	08/21	3.598	50	3.658	05/03/2019	-6
GII	03/22	3.593	100	3.635	05/03/2019	-4
GII	04/22	3.638	30	3.672	05/03/2019	-3
GII	07/22	3.682	193	3.737	01/03/2019	-6
GII	07/23	3.783	40	3.809	05/03/2019	-3
GII	11/23	3.792	530	3.815	04/03/2019	-2
GII	05/24	3.866	190	3.900	04/03/2019	-3
GII	08/24	3.896	23	3.687	05/03/2019	21
GII	08/25	3.924	410	3.959	05/03/2019	-4
GII	09/26	4.025	134	4.039	05/03/2019	-1
GII	07/27	4.038	30	4.045	05/03/2019	-1
GII	10/28	4.076	471	4.088	05/03/2019	-1
GII	12/28	4.114	30	4.114	05/03/2019	0
GII	07/29	4.012	160	4.022	05/03/2019	-1
GII	09/30	4.208	7	4.199	28/02/2019	1
GII	06/33	4.377	16	4.368	05/03/2019	1
GII	10/35	4.578	20	4.582	05/03/2019	0
GII	08/37	4.604	560	4.612	04/03/2019	-1
			<u>6922</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*
Prasarana Malaysia Berhad	02/23	GG	3.938	10	3.996	13/02/2019	-6	31
Danainfra Nasional Berhad	05/23	GG	3.938	5	4.029	17/01/2019	-9	31
Prasarana Malaysia Berhad	08/23	GG	3.938	20	4.009	15/02/2019	-7	31
Prasarana Malaysia Berhad	09/23	GG	3.937	10	4.070	10/01/2019	-13	28
Danainfra Nasional Berhad	10/23	GG	3.957	20	4.001	27/02/2019	-4	30
Danainfra Nasional Berhad	07/24	GG	4.030	20	4.065	24/01/2019	-4	37
Prasarana Malaysia Berhad	08/26	GG	4.113	10	4.130	13/02/2019	-2	31
Prasarana Malaysia Berhad	09/27	GG	4.159	5	4.188	04/03/2019	-3	26
Prasarana Malaysia Berhad	12/27	GG	4.191	20	4.300	11/01/2019	-11	29
Prasarana Malaysia Berhad	03/30	GG	4.272	20	4.318	20/02/2019	-5	40
Jambatan Kedua Sdn Berhad	05/30	GG	4.301	15	4.341	06/10/2016	-4	43
GovCo Holdings Berhad	09/32	GG	4.530	60	4.550	21/02/2019	-2	25
Danainfra Nasional Berhad	11/33	GG	4.479	10	4.798	27/11/2018	-32	20
Perbadanan Tabung Pendidikan Tinggi Nasional	03/37	GG	4.685	10	4.699	01/03/2019	-1	21
Perbadanan Tabung Pendidikan Tinggi Nasional	07/41	GG	4.820	80	4.829	01/03/2019	-1	35
Manjung Island Energy Berhad	11/21	AAA	4.042	20	4.058	01/03/2019	-2	52
GENM Capital Berhad	03/22	AAA	4.479	15	4.610	29/01/2019	-13	95
Telekom Malaysia Berhad	12/22	AAA	4.148	10	4.225	09/01/2019	-8	52
Malaysia Steel Works (KL) Berhad	11/23	AAA	4.878	10	5.017	02/01/2019	-14	122
Telekom Malaysia Berhad	11/25	AAA	4.329	40	4.378	20/09/2017	-5	52
Projek Lebuhraya Usahasama Berhad	01/27	AAA	4.411	30	4.417	26/02/2019	-1	53
Bank Pembangunan Malaysia Berhad	03/27	AAA	4.479	5	4.613	09/01/2019	-13	60
Projek Lebuhraya Usahasama Berhad	01/28	AAA	4.438	80	4.589	28/08/2018	-15	54
Pengurusan Air SPV Berhad	02/29	AAA	4.438	10	4.427	04/03/2019	1	56
Rantau Abang Capital Berhad	03/29	AAA	4.349	15	4.509	08/01/2019	-16	47
Bakun Hydro Power Generation Sdn Berhad (fka	08/30	AAA	4.538	15	4.588	16/01/2019	-5	66
Rantau Abang Capital Berhad	05/31	AAA	4.500	5	4.521	27/02/2019	-2	62
Hong Leong Financial Group Berhad	09/21	AA1	4.213	15	4.336	17/12/2018	-12	69
Sabah Credit Corporation	05/22	AA1	4.407	5	4.627	07/09/2018	-22	88
YTL Corporation Berhad	04/23	AA1	4.523	10	4.560	27/02/2019	-4	90
Kuala Lumpur Kepong Berhad	08/25	AA1	4.322	10	4.500	07/09/2018	-18	55
YTL Power International Berhad	05/27	AA1	4.739	20	4.759	05/03/2019	-2	86
Sarawak Energy Berhad	12/32	AA1	4.668	10	4.701	28/02/2019	-3	39
TRIpIc Medical Sdn Berhad	10/35	AA1	5.019	5	5.020	05/03/2019	0	74
AmBank (M) Berhad	06/20	AA2	4.129	50	4.140	28/02/2019	-1	73
Tanjung Bin Power Sdn Berhad	08/22	AA2	4.372	10	4.549	20/02/2017	-18	85
Malaysia Airport Holdings Berhad	12/14	AA2	4.699	20	4.850	15/11/2018	-15	23
Fortune Premiere Sdn Berhad	11/23	AA	4.542	10	4.568	25/02/2019	-3	88
Sime Darby Plantation Sdn Bhd	03/16	AA	4.679	10	4.791	07/02/2019	-11	21
Gamuda Berhad	03/23	AA3	4.549	5	4.577	21/02/2019	-3	92
RHB Bank Berhad	04/25	AA3	4.136	25	4.100	04/03/2019	4	36
Edra Energy Sdn Berhad	01/27	AA3	5.658	20	5.608	25/01/2019	5	178
WCT Holdings Berhad	10/21	AA-	4.837	4	4.897	03/01/2019	-6	131
WCT Holdings Berhad	10/23	AA-	5.078	5	5.080	05/03/2019	0	142
WCT Holdings Berhad	04/26	AA-	5.379	10	5.381	05/03/2019	0	157
MMC Corporation Berhad	03/28	AA-	5.529	10	5.531	05/03/2019	0	163
SAJ Capital Sdn Berhad	01/29	AA-	5.019	10	5.020	05/03/2019	0	114
Tan Chong Motor Holdings Berhad	11/19	A1	5.450	6	5.512	14/02/2019	-6	205
Bank Islam Malaysia Berhad	12/25	A1	4.377	8	4.377	01/03/2019	0	57
Jimah East Power Sdn Berhad	12/25	AA-	4.548	10	4.588	12/02/2019	-4	74
Edra Energy Sdn Berhad	07/29	AA3	5.827	1	5.860	27/02/2019	-3	195
				859				

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

## Market/Corporate News: What's Brewing

**Northport (Malaysia) Bhd and Perusahaan Otomobil Nasional Sdn Bhd (Proton) have signed a strategic collaboration and services agreement for port services.**

Northport said the collaboration would include vehicle storage and the handling of Proton vehicles at the port. In a statement today, the port operator said Proton would continue to use the Northport as their home for the export, import and transshipment of its vehicles. "Currently, we offer 8,100 slots for vehicle storage and 4,500 slots are allocated for Proton," it said. Northport chief executive officer Datuk Azman Shah Mohd Yusof said the port was poised to facilitate Proton's demand for comprehensive port services and

was capable of providing end-to-end automotive logistics services. "Proton has been using the port to support its shipment related activities since 1989 with the carmaker's first sport utility vehicle (SUV), the Proton X70, currently utilising Northport as its discharging port. "To-date, Northport has handled close to 9,000 of the SUV and is expected to continue to handle the remainder of the vehicles before local production begins at end-2019," he said. Meanwhile, Proton chief procurement officer Datuk Radzaif Mohamed said Northport was a vital strategic partner for the company's plans to grow its export markets. "Proton is pleased to extend its business collaboration with Northport in our efforts to rebuild the brand both locally and abroad," Radzaif added. (Source: *The Star*)

**The country's key interest rate could be cut in the next four months, considering Bank Negara's more cautious tone on the Malaysian economy recently, says AmBank Research.** The research firm said in a note it expected the central bank's Monetary Policy Committee (MPC) to slash the benchmark overnight policy rate (OPR) by 25 basis points (bps) to 3% during the committee's next meeting in July this year. A lower OPR would translate into cheaper borrowing costs, benefitting domestic households and businesses. However, such a move would also signal reducing confidence in the economic growth, as OPR cuts are traditionally regarded as the monetary authority's strategy to boost the otherwise slowing private-sector activities. The decision to retain the OPR as announced in the recent monetary policy statement was well within economists' expectations. However, in comparison to Bank Negara's previous monetary policy statements (MPS) in recent times, the central bank's tone on future economic growth in the latest MPS has noticeably turned more cautious. While it pointed out that the baseline forecast is for the Malaysian economy to remain on a steady growth path, the central bank has hinted that the risk to growth has tilted more to the downside. "The materialisation of downside risks from unresolved trade tensions, heightened uncertainties in the global and domestic environment and prolonged weakness in the commodity-related sectors could further weigh on growth," stated Bank Negara in the MPS. "With Bank Negara having acknowledged the downside risks in the economic and financial environment, and the need to monitor and assess the balance of risks surrounding the outlook for domestic growth and inflation, it supports our view for a rate cut to most likely take place during the July 9 MPC meeting rather than the May 7 MPC meeting by 25 bps, after taking into account some recent anecdotal evidence of the macro figures that revealed a weak trend," AmBank Research said in its note. On the other hand, other analysts have dismissed the possibility of an OPR cut in 2019 by Bank Negara. Kenanga Research said the probability of a rate cut remained low, despite the threat of a potential downturn ahead. Last month, the research house revised its 2019 gross domestic product growth forecast downward to 4.5% from 4.7% to reflect the rising uncertainties in the economy. Nonetheless, the government remains confident that the country can achieve a higher growth target of 4.9% in 2019 from 4.7% in 2018. "With a fair warning that the global economy is slowing and a dovish US Federal Reserve, this may provide justification apart from creating ample room for a rate cut. "At this juncture, we do not see the need for Bank Negara to do so, lest it triggers a bigger capital outflow and unnecessarily weakens the ringgit," it said. The research house added that the OPR is expected to remain at 3.25% in 2019, barring a major external shock. Sharing a similar stance, Maybank Investment Bank Research has also rejected any possibility of a change in the OPR this year. It also believes that the country's price pressure would have less impact on the key interest rate. "Inflation is less of a factor on the OPR in our opinion, given the 'noisy' inflation over the past few years, mainly due to the impact of policy changes on the consumption tax regime and fuel price subsidy/floating fuel price mechanism," it said. Bank Negara expects the country's average headline inflation in

2019 to be broadly stable compared to 2018. Last year, the headline inflation averaged at 1% as compared to 3.7% in 2017.

Rating Action			
Issuer	PDS Description	Rating/Outlook	Action
Jimah East Power Sdn Bhd	RM8.98 billion Sukuk Murabahah	AA-IS	Affirmed

Source: RAM, MARC

**Hong Leong Bank Berhad**

Fixed Income &amp; Economic Research, Global Markets

Level 8, Hong Leong Tower

6, Jalan Damansara

Bukit Damansara

50490 Kuala Lumpur

Tel: 603-2081 1221

Fax: 603-2081 8936

Email: HLMarkets@hlbb.com.my

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