

## Global Markets Research

### Fixed Income

#### Fixed Income Daily Market Snapshot

UST		
Tenure	Closing (%)	Chg (bps)
2-yr UST	2.59	4
5-yr UST	2.58	4
10-yr UST	2.73	3
30-yr UST	3.01	2

MGS		GII*		
Tenure	Closing (%)	Chg (bps)	Closing (%)	Chg (bps)
3-yr	3.57	0	3.64	0
5-yr	3.73	0	3.80	-1
7-yr	3.98	0	4.04	0
10-yr	4.07	0	4.19	-4
15-yr	4.38	0	4.49	-3
20-yr	4.59	1	4.72	-1
30-yr	4.79	-2	4.91	0

\* Market indicative levels

MYR IRS Levels		
IRS	Closing (%)	Chg (bps)
1-yr	3.70	0
3-yr	3.72	0
5-yr	3.82	-1
7-yr	3.94	1
10-yr	4.13	0

Source : Bloomberg

#### Upcoming Government Bond Tender

Nil

#### US Treasuries

- US Treasuries dipped yet again yesterday for the 3<sup>rd</sup> session; causing yields led by the front-end to settle sharply higher as the curve continued flattening. Overall benchmark yields ended 2-4bps higher with the 2Y spiking by 4bps at 2.59% whilst the much-watched 10Y ended 3bps up at 2.73%. The first coupon sale auction for 2019 saw \$38b of 3Y notes end with a weaker BTC ratio of 2.44x versus previous six auction average of 2.59x. Meanwhile, investors and analysts concerns remain on the inversion and parish yield levels on the front-end of the curve on lesser rate hike possibility and optimism of trade talks between US and China.

#### MGS/GII

- Trading momentum in local govovies maintained traction on high volume of RM4.16b amid a solid 10Y GII bond auction with interest seen maily in both the old and current 10Y benchmark GII/MGS bonds followed by the shorter off-the-run 19's and 24's. Overall benchmarks yields ended largely lower-to-mixed i.e. between -4 to +1bps. Both the 5Y benchmark MGS 4/23 and 10Y MGS 6/28 settled within 1bps lower at 3.73% and 4.07% respectively. GII trades rose sharply to form about 68% of overall trades. The first inaugural auction for the year saw the new issuance of 10Y GII 7/29 notch the highest ever BTC in more than a year @ 4.07x; averaging 4.13%. Separately both Moody's and the World Bank believe that the nation's GDP is expected to slow to ~4.5% in 2020; having averaged around the 5.0% handle during 2015-2018 period. Total foreign holdings of MYR govovies for December eased slightly by only RM500m to RM162.0bn as a result of the RM1.5bn decline in MGS which offset the RM1.0bn gain in GII. Meanwhile, foreign hodlings of total MYR debt securities fell cumulatively by RM2.2bn to RM184.8bn dragged by lower foreign holdings in all segments except GII.

#### Corp Bonds/Sukuk

- Corporate Bonds/Sukuk also saw volume spike at RM766m with investors nibbling across the GG-AA part of the curve. Govt-guaranteed PASB 6/22 saw huge trades amounting to RM230m' closing at 4.00% whilst DANA 24-25's ended 1-5bps lower compared to previous-done levels between 4.10-16%. AAA-rated short PUTRAJAYA 19's also closed sharply lower on yields at 3.83% levels whilst the 5/26 tranche ended 9bps lower at 4.42%. In the AA-space energy-related bond i.e. YTL Power 23's and also closed 0-1bps lower between 4.59-62% and 4.85% respectively. The banking space saw active trades with Hong Leong Financial Group 9/20 rallying 23bps at 4.16% whereas MBSB 5/19 and 12/19 ended strong at 4.06-27% area.

## Daily Trades : Government Bonds

Securities		Closing YTM	Vol (RM mil)	Previous YTM	Previous Trade Date (dd/mm/yyyy)	Chg (bp)
MGS	03/19	3.292	18	3.306	07/01/2019	-1
MGS	07/19	3.301	115	3.344	07/01/2019	-4
MGS	10/19	3.428	1	3.421	07/01/2019	1
MGS	11/19	3.448	23	3.419	07/01/2019	3
MGS	03/20	3.455	25	3.506	07/01/2019	-5
MGS	10/20	3.527	159	3.524	07/01/2019	0
MGS	02/21	3.527	9	3.514	07/01/2019	1
MGS	07/21	3.602	10	3.594	07/01/2019	1
MGS	09/21	3.616	2	3.640	07/01/2019	-2
MGS	11/21	3.573	10	3.564	07/01/2019	1
MGS	03/22	3.591	3	3.594	07/01/2019	0
MGS	08/22	3.711	5	3.711	07/01/2019	0
MGS	09/22	3.733	1	3.721	04/01/2019	1
MGS	03/23	3.800	14	3.784	07/01/2019	2
MGS	04/23	3.733	79	3.718	07/01/2019	2
MGS	07/24	3.937	265	3.933	07/01/2019	0
MGS	09/24	3.960	193	3.944	07/01/2019	2
MGS	09/25	4.025	20	4.028	07/01/2019	0
MGS	11/26	4.109	38	4.103	07/01/2019	1
MGS	11/27	4.137	8	4.157	07/01/2019	-2
MGS	06/28	4.070	167	4.074	07/01/2019	0
MGS	04/30	4.339	1	4.361	07/01/2019	-2
MGS	06/31	4.374	20	4.411	04/01/2019	-4
MGS	04/33	4.485	10	4.460	04/01/2019	3
MGS	11/33	4.378	89	4.401	07/01/2019	-2
MGS	05/35	4.573	1	4.586	04/01/2019	-1
MGS	04/37	4.526	3	4.536	07/01/2019	-1
MGS	06/38	4.591	11	4.580	04/01/2019	1
MGS	03/46	4.812	1	4.839	07/01/2019	-3
MGS	07/48	4.787	23	4.797	07/01/2019	-1
GII	04/19	3.280	230	3.269	04/01/2019	1
GII	03/22	3.641	220	3.645	07/01/2019	0
GII	04/22	3.694	73	3.700	07/01/2019	-1
GII	11/22	3.746	2	3.881	08/11/2018	-14
GII	11/22	3.768	2	3.746	02/01/2019	2
GII	10/23	3.902	10	3.901	21/08/2018	0
GII	11/23	3.804	50	3.811	07/01/2019	-1
GII	05/24	3.942	95	3.974	03/01/2019	-3
GII	08/24	3.974	80	4.032	02/01/2019	-6
GII	08/25	4.040	120	4.037	07/01/2019	0
GII	10/25	4.075	56	4.116	03/01/2019	-4
GII	09/26	4.123	10	4.159	07/01/2019	-4
GII	07/27	4.153	194	4.167	04/01/2019	-1
GII	10/28	4.192	725	4.239	07/01/2019	-5
GII	09/29	4.134	541	-	-	-
GII	06/33	4.485	150	4.515	04/01/2019	-3
GII	08/33	4.529	240	4.673	30/10/2018	-14
GII	08/37	4.722	40	4.734	07/01/2019	-1
			<u>4159</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*
Pengurusan Air SPV Berhad	06/22	GG	4.001	230	-	-	-	43
Prasarana Malaysia Berhad	03/24	GG	4.129	5	4.120	27/09/2018	1	39
DanaInfra Nasional Berhad	04/24	GG	4.099	30	4.111	05/10/2018	-1	36
DanaInfra Nasional Berhad	02/25	GG	4.161	5	4.211	29/10/2018	-5	26
Pengurusan Air SPV Berhad	09/25	GG	4.207	30	4.251	10/12/2018	-4	24
Jambatan Kedua Sdn Berhad	07/26	GG	4.280	10	4.278	03/01/2019	0	25
Prasarana Malaysia Berhad	08/26	GG	4.262	5	4.320	19/12/2018	-6	23
DanaInfra Nasional Berhad	11/47	GG	5.061	5	5.079	05/10/2018	-2	48
Putrajaya Holdings Sdn Berhad	04/19	AAA	3.827	20	3.951	14/09/2018	-12	39
Putrajaya Holdings Sdn Berhad	07/19	AAA	3.831	30	4.013	14/09/2018	-18	40
Bank Pembangunan Malaysia Berhad	04/21	AAA	4.349	5	4.416	14/11/2018	-7	84
Public Islamic Bank Berhad	07/21	AAA	4.249	10	4.266	19/12/2018	-2	68
Tenaga Nasional Berhad	12/21	AAA	4.114	20	4.255	15/03/2018	-14	54
Putrajaya Holdings Sdn Berhad	05/26	AAA	4.417	20	4.507	25/10/2018	-9	45
Rantau Abang Capital Berhad	03/29	AAA	4.509	30	4.572	04/12/2018	-6	44
Tenaga Nasional Berhad	08/38	AAA	4.940	10	4.971	26/12/2018	-3	35
MBSB Bank Berhad (fka Asian Finance Bank Berl	05/19	AA1	4.055	20	4.165	30/11/2018	-11	62
MBSB Bank Berhad (fka Asian Finance Bank Berl	12/19	AA1	4.266	10	4.327	04/12/2018	-6	83
Teknologi Tenaga Perlis Consortium Sdn Berhad	07/20	AA1	4.193	20	4.305	14/09/2017	-11	68
Hong Leong Financial Group Berhad	09/20	AA1	4.157	20	4.389	09/08/2018	-23	64
YTL Power International Berhad	03/23	AA1	4.591	10	4.901	06/12/2018	-31	91
YTL Power International Berhad	08/23	AA1	4.620	10	4.616	27/08/2018	0	89
YTL Power International Berhad	05/27	AA1	4.848	130	4.859	04/01/2019	-1	82
Sarawak Energy Berhad	12/32	AA1	4.840	15	4.879	02/01/2019	-4	44
Fortune Premiere Sdn Berhad	10/25	AA	4.887	5	4.974	20/12/2018	-9	92
Malakoff Power Berhad	12/21	AA-	4.376	10	4.578	15/08/2018	-20	81
RHB Islamic Bank Berhad	05/24	AA3	4.071	10	4.056	04/01/2019	1	34
Edra Energy Sdn Berhad	01/27	AA3	5.549	10	5.300	07/01/2019	25	152
Edra Energy Sdn Berhad	01/37	AA3	6.140	5	6.122	26/12/2018	2	155
Edra Energy Sdn Berhad	01/38	AA3	6.250	5	6.238	06/12/2018	1	166
UEM Sunrise Berhad	05/19	AA-	4.161	5	4.192	07/01/2019	-3	73
SAJ Capital Sdn Berhad	01/20	AA-	4.758	5	4.769	07/01/2019	-1	132
MMC Corporation Berhad	11/20	AA-	4.915	10	4.921	07/01/2019	-1	140
Mah Sing Perpetual	-	-	5.781	1	6.300	03/01/2019	-52	-
Golden Assets International Finance Limited	08/19	A1	4.709	0	4.794	05/12/2018	-9	127
				<u>766</u>				

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

## Market/Corporate News: What's Brewing

**The opening of Tenaga Nasional Bhd 's (TNB) fibre optic system as an alternative high-speed broadband (HSBB) network will allow for faster Internet access while allowing the entry of new players including Astro Malaysia Holdings Bhd.** Astro, which relies on satellite communications to broadcast its entertainment programmes, has entered the fibre optic space to offer its content besides fast broadband services. "We are not in competition with broadband providers, but are offering everyone content to be bundled with any broadband service. "If this works, it can potentially be a new revenue stream for Astro," said Henry Tan, CEO-designate of Astro. Tan added that Astro was working with City Broadband Sdn Bhd, a subsidiary of TNB, to provide Astro and NJOI customers with Internet connectivity and content. TNB has completed the first set of trials in Jasin, Melaka, to ascertain if it can technically use its fibre optic network to offer HSBB services. The first phase has been successful and now it has commenced the next set of trials to ascertain the commercial viability of such a venture. The trials will be completed in three to four months and wholesale fibre access would likely be a new revenue stream for the company. This is part of the national fiberisation and connectivity plan for wider fast Internet coverage across the nation, especially in secondary and rural towns, as the cost to roll out fibre there is costly. But TNB has a ready network and what it needs to do is add more communication equipment for HSBB access. Communications and Multimedia Minister Gobind Singh Deo said the pilot project in Jasin was the first step to connect the people across the country by providing high-speed and quality

broadband services. "We have a lot of work to do, and we have a lot of catching up to do. I am very committed to ensuring that we achieve these in the months to come. If we can connect all Malaysians via the Internet, I am sure we can empower our people," he told a press conference in Jasin yesterday. He added that representatives from Perak were at the event on the possibility of replicating similar pilot programmes in the state. Astro is not the only company that wants to ride on TNB's network. Telekom Malaysia Bhd (TM) was the first to work with TNB on the trials since TM's only connection there is via copper. "TM's move is seen as wanting to stay in the competition instead of letting others eat into its space, and by riding on TNB's network, it is also avoiding duplicating the infrastructure build-up," said an industry source. Besides Astro and TM, six other players are vying for over 1,100 households in Jasin. They include City Broadband, Celcom Axiata Bhd, Digi.Com Bhd, Maxis Bhd, Time dotCom Bhd and U Mobile. "Interestingly, City Broadband (TNB's unit) has replicated TM's model to offer both wholesale and retail HSBB services," said the source. Celcom Axiata CEO Mohamad Idham Nawawi said: "We are supportive of this initiative by the government and we will use the infrastructure where available. This will complement our own home broadband infrastructure". Maxis is riding on TM's HSBB network to offer fast broadband services and is keen to work with TNB. "Currently, as the only national access seeker, Maxis will continue to seek access from every access provider in the market, including TNB, and build our own where possible. "We welcome the opportunity to work with TNB so that we can offer our affordable fibre broadband plans to even more Malaysians, including those in secondary towns like Jasin. "As part of TNB's pilot in Jasin, we are providing fibre connection to three homes in the area, and will have the opportunity to connect more homes after the trials with our affordable broadband plans," said Maxis chief operating officer Gokhan Ogut. TNB's fibre network spans over 12,000km across the nation with 9.2 million customers. (Source: *The Star*)

**The retail sector is expected to be resilient in 2019, in particular for the beauty and wellness, accessories and niche grocery trade segment, said Savills Malaysia.**

Major malls will also see strong sales turnover and footfall, the property consultancy firm said in a statement today. "We also foresee that the next generation of super-malls, such as The Exchange at TRX and Pavilion Damansara Heights, will rapidly become major retail destinations when they are completed post-2020," said Savills Malaysia's executive chairman Datuk Christopher Boyd. For office spaces, Greater Kuala Lumpur is expected to become the biggest market in Asean this year. According to Boyd, with 123 million sq ft occupied currently, Greater KL is getting very close to Hong Kong's 127 million sq ft occupied space. "The additional 20 million sq ft due for completion by 2022 will put us in the lead, and it could happen this year," he said. KL office rentals however will remain weak, though it will be supported by demand from the IT industry, co-working operators, the finance sector and upgraders, generally. Boyd added that residential values will continue to slide, but ultimately, Greater KL will recover first, followed by Penang, and then Johor. "There are about 245,000 new residential units under construction in Greater KL, with about 55,000 units in Penang and 108,000 units in Johor. "This supply pipeline means that supply of residential units will grow by 10% to 12% in the next couple of years," Boyd said, adding that prices will have to adjust to meet effective demand. (Source: *The Edge*)

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

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

**DISCLAIMER**

This report is for information purposes only and does not take into account the investment objectives, financial situation or particular needs of any particular recipient. The information contained herein does not constitute the provision of investment advice and is not intended as an offer or solicitation with respect to the purchase or sale of any of the financial instruments mentioned in this report and will not form the basis or a part of any contract or commitment whatsoever.

The information contained in this publication is derived from data obtained from sources believed by Hong Leong Bank Berhad ("HLBB") to be reliable and in good faith, but no warranties or guarantees, representations are made by HLBB with regard to the accuracy, completeness or suitability of the data. Any opinions expressed reflect the current judgment of the authors of the report and do not necessarily represent the opinion of HLBB or any of the companies within the Hong Leong Bank Group ("HLB Group"). The opinions reflected herein may change without notice and the opinions do not necessarily correspond to the opinions of HLBB. HLBB does not have an obligation to amend, modify or update this report or to otherwise notify a reader or recipient thereof in the event that any matter stated herein, or any opinion, projection, forecast or estimate set forth herein, changes or subsequently becomes inaccurate.

HLB Group, their directors, employees and representatives do not have any responsibility or liability to any person or recipient (whether by reason of negligence, negligent misstatement or otherwise) arising from any statement, opinion or information, expressed or implied, arising out of, contained in or derived from or omission from the reports or matter. HLBB may, to the extent permitted by law, buy, sell or hold significantly long or short positions; act as investment and/or commercial bankers; be represented on the board of the issuers; and/or engage in 'market making' of securities mentioned herein. The past performance of financial instruments is not indicative of future results. Whilst every effort is made to ensure that statements of facts made in this report are accurate, all estimates, projections, forecasts, expressions of opinion and other subjective judgments contained in this report are based on assumptions considered to be reasonable as of the date of the document in which they are contained and must not be construed as a representation that the matters referred to therein will occur. Any projections or forecasts mentioned in this report may not be achieved due to multiple risk factors including without limitation market volatility, sector volatility, corporate actions, the unavailability of complete and accurate information. No assurance can be given that any opinion described herein would yield favorable investment results. Recipients who are not market professional or institutional investor customer of HLBB should seek the advice of their independent financial advisor prior to taking any investment decision based on the recommendations in this report.

\*^

HLBB may provide hyperlinks to websites of entities mentioned in this report, however the inclusion of a link does not imply that HLBB endorses, recommends or approves any material on the linked page or accessible from it. Such linked websites are accessed entirely at your own risk. HLBB does not accept responsibility whatsoever for any such material, nor for consequences of its use.

This report is not directed to, or intended for distribution to or use by, any person or entity who is a citizen or resident of or located in any state, country or other jurisdiction where such distribution, publication, availability or use would be contrary to law or regulation. This report is for the use of the addressees only and may not be redistributed, reproduced or passed on to any other person or published, in part or in whole, for any purpose, without the prior, written consent of HLBB. The manner of distributing this report may be restricted by law or regulation in certain countries. Persons into whose possession this report may come are required to inform themselves about and to observe such restrictions. By accepting this report, a recipient hereof agrees to be bound by the foregoing limitations.