

Global Markets Research
Fixed Income
Fixed Income Daily Market Snapshot

UST		
Tenure	Closing (%)	Chg (bps)
2-yr UST	2.55	-3
5-yr UST	2.55	-3
10-yr UST	2.71	-2
30-yr UST	3.00	0

MGS		GII*		
Tenure	Closing (%)	Chg (bps)	Closing (%)	Chg (bps)
3-yr	3.58	0	3.65	0
5-yr	3.75	1	3.82	2
7-yr	3.98	0	4.04	0
10-yr	4.08	1	4.12	-1
15-yr	4.38	0	4.49	1
20-yr	4.60	1	4.73	1
30-yr	4.79	1	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	0
7-yr	3.95	0
10-yr	4.10	-3

Source : Bloomberg

Upcoming Government Bond Tender

Nil

US Treasuries

- US Treasuries recovered lost ground; reversing the previous three sessions as lower yields led by the front-end allowed the curve to steepen instead. Overall benchmark yields ended 0-3bps lower with the 2Y rattling by 3bps at 2.55% whilst the much-watched 10Y ended 2bps lower at 2.71%. The second coupon sale auction for 2019 saw \$24b of 10Y notes end with a decent BTC ratio of 2.51x; averaging 2.71% was very much in line with last year's average BTC ratio. Meanwhile, the huge UST issuance slated to increase from \$1.1trillion this year together with the ongoing Fed balance-sheet runoff (i.e. quantitative tightening) and expected reduction in demand for long duration bonds may create a challenging debt market. Nevertheless on the bright side we have optimistic improvement in US-China in trade talks.

MGS/GII

- Trading momentum in local govies maintained traction on high volume of RM4.16b with interest seen mainly in both 5Y benchmarks, the old and current 10Y benchmark GII bonds followed by the shorter off-the-run 19's. Overall benchmarks yields ended mostly higher between 0-2bps save for the newly-issued 10Y benchmark GII. Both the 5Y benchmark MGS 4/23 and 10Y MGS 6/28 edged 1bps higher at 3.75% and 4.08% respectively. GII trades formed 48% of overall trades. Separately despite Moody's (and the World Bank) projecting that the nation's GDP is expected to slow to ~4.5% in 2020; the government's (A3 stable) credit profile reflects the country's large and diversified economy whilst the relatively high government debt is partly offset by favourable debt structure and large domestic savings.

Corp Bonds/Sukuk

- Corporate Bonds/Sukuk also saw volume spike further to RM1.18b with investors nibbling across the curve i.e. GG-to single-A. Govt-guaranteed DANA 27-28's and also the long-end 4/39 saw multiple trades; closing 3-21bps between 4.31-34% and 4.88% respectively compared to previous-done levels. AAA-rated short AMAN 19's notched RM90m of nominal amounts on lower yields between 3.81-82% levels. In the AA-space energy-related bond EDRA Energy saw a slew of tranches from 2029-2035 traded mostly higher between 2-7bps between 5.68-6.01% area. The banking space saw active trades of almost RM400m with BPMB 3/27 and 3/32 closing 3-5bps lower at 4.61% and 4.82% respectively whilst Affin Islamic 28NC23 moved 5bps lower at 4.92%.

Daily Trades : Government Bonds

Securities		Closing YTM	Vol (RM mil)	Previous YTM	Previous Trade Date (dd/mm/yyyy)	Chg (bp)
MGS	03/19	3.327	45	3.292	08/01/2019	4
MGS	07/19	3.361	133	3.301	08/01/2019	6
MGS	10/19	3.407	699	3.428	08/01/2019	-2
MGS	11/19	3.445	40	3.448	08/01/2019	0
MGS	03/20	3.514	70	3.455	08/01/2019	6
MGS	06/20	3.521	20	3.532	04/01/2019	-1
MGS	10/20	3.539	55	3.533	08/01/2019	1
MGS	07/21	3.605	2	3.602	08/01/2019	0
MGS	09/21	3.620	15	3.616	08/01/2019	0
MGS	11/21	3.575	80	3.564	08/01/2019	1
MGS	03/22	3.604	30	3.591	08/01/2019	1
MGS	08/22	3.723	261	3.711	08/01/2019	1
MGS	09/22	3.739	6	3.733	08/01/2019	1
MGS	03/23	3.790	1	3.800	08/01/2019	-1
MGS	04/23	3.746	83	3.733	08/01/2019	1
MGS	08/23	3.823	140	3.807	08/01/2019	2
MGS	07/24	3.947	85	3.937	08/01/2019	1
MGS	09/24	3.963	77	3.960	08/01/2019	0
MGS	09/25	4.002	1	4.025	08/01/2019	-2
MGS	11/26	4.109	71	4.109	08/01/2019	0
MGS	11/27	4.168	42	4.157	08/01/2019	1
MGS	06/28	4.079	65	4.057	08/01/2019	2
MGS	09/28	4.170	4	4.262	04/01/2019	-9
MGS	04/30	4.356	4	4.339	08/01/2019	2
MGS	06/31	4.379	50	4.374	08/01/2019	0
MGS	04/33	4.460	1	4.485	08/01/2019	-3
MGS	05/35	4.560	5	4.573	08/01/2019	-1
MGS	04/37	4.522	1	4.526	08/01/2019	0
MGS	06/38	4.599	79	4.591	08/01/2019	1
MGS	03/46	4.812	1	4.812	08/01/2019	0
MGS	07/48	4.794	2	4.787	08/01/2019	1
GII	04/19	3.277	240	3.280	08/01/2019	0
GII	04/20	3.526	12	3.525	07/01/2019	0
GII	08/21	3.647	6	3.635	07/01/2019	1
GII	03/22	3.645	150	3.641	08/01/2019	0
GII	04/22	3.684	11	3.694	08/01/2019	-1
GII	07/23	3.847	2	3.852	07/01/2019	0
GII	11/23	3.822	340	3.804	08/01/2019	2
GII	08/24	3.974	73	3.974	08/01/2019	0
GII	08/25	4.042	80	4.040	08/01/2019	0
GII	10/25	4.071	40	4.087	08/01/2019	-2
GII	09/26	4.097	144	4.123	08/01/2019	-3
GII	07/27	4.148	15	4.153	08/01/2019	0
GII	10/28	4.200	286	4.200	08/01/2019	0
GII	07/29	4.115	400	4.134	08/01/2029	-2
GII	09/30	4.393	64	4.527	27/12/2018	-13
GII	06/33	4.492	80	4.485	08/01/2019	1
GII	08/37	4.734	32	4.726	08/01/2019	1
GII	05/47	4.908	15	4.908	04/01/2019	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*
Perbadanan Tabung Pendidikan Tinggi Nasional	06/22	GG	4.039	100	4.079	20/07/2017	-4	47
DanaInfra Nasional Berhad	07/22	GG	4.024	10	4.001	17/08/2018	2	34
DanaInfra Nasional Berhad	11/27	GG	4.305	30	4.352	26/12/2018	-5	23
DanaInfra Nasional Berhad	02/28	GG	4.331	10	4.541	19/01/2017	-21	25
DanaInfra Nasional Berhad	05/28	GG	4.340	50	4.370	15/11/2018	-3	26
DanaInfra Nasional Berhad	04/39	GG	4.880	10	5.009	18/07/2018	-13	28
Aman Sukuk Berhad	04/19	AAA	3.809	50	4.030	11/10/2018	-22	37
Aman Sukuk Berhad	05/19	AAA	3.820	40	3.879	19/12/2018	-6	38
Telekom Malaysia Berhad	12/22	AAA	4.225	5	4.239	16/05/2017	-1	54
Bank Pembangunan Malaysia Berhad	03/27	AAA	4.613	20	4.668	06/08/2018	-5	58
Bank Pembangunan Malaysia Berhad	03/32	AAA	4.821	40	4.851	26/12/2018	-3	42
Tenaga Nasional Berhad	08/37	AAA	4.900	10	4.925	11/12/2018	-2	30
Sarawak Energy Berhad	07/19	AA1	3.946	35	4.063	31/10/2018	-12	51
YTL Power International Berhad	03/23	AA1	4.586	10	4.591	08/01/2019	0	90
YTL Power International Berhad	08/23	AA1	4.617	10	4.620	08/01/2019	0	88
Malayan Banking Berhad	05/24	AA1	4.052	85	4.099	19/12/2018	-5	31
Sarawak Energy Berhad	07/24	AA1	4.474	5	4.477	26/12/2018	0	73
Sarawak Energy Berhad	12/32	AA1	4.839	40	4.840	08/01/2019	0	43
Sarawak Energy Berhad	11/33	AA1	4.899	15	4.929	21/12/2018	-3	49
Celcom Networks Sdn Berhad	08/22	AA+	4.433	10	4.467	27/12/2018	-3	75
Tanjung Bin Power Sdn Berhad	08/19	AA2	4.138	10	4.145	03/01/2019	-1	70
Krung Thai Bank Public Company Limited	07/25	AA2	4.600	10	4.614	03/01/2019	-1	70
CIMB Bank Berhad	08/26	AA2	4.515	20	4.528	07/01/2019	-1	48
Media Chinese International Limited	02/19	AA3	4.300	30	4.645	08/11/2018	-35	86
Jimah Energy Ventures Sdn Berhad	11/20	AA3	4.253	20	4.359	05/12/2017	-11	74
RHB Islamic Bank Berhad	05/24	AA3	4.049	10	4.071	08/01/2019	-2	31
CIMB Thai Bank Public Company Limited	07/24	AA3	4.558	0	4.581	19/12/2018	-2	82
Edra Energy Sdn Berhad	07/27	AA3	5.630	5	5.589	03/01/2019	4	160
AmBank (M) Berhad	03/28	AA3	4.713	4	5.100	20/12/2018	-39	63
Edra Energy Sdn Berhad	07/29	AA3	5.680	5	5.610	13/11/2018	7	161
Edra Energy Sdn Berhad	07/30	AA3	5.710	15	5.680	06/02/2018	3	164
Edra Energy Sdn Berhad	01/31	AA3	5.729	5	5.710	06/02/2018	2	166
Edra Energy Sdn Berhad	07/31	AA3	5.750	10	6.190	04/01/2018	-44	168
Edra Energy Sdn Berhad	07/32	AA3	5.799	20	5.752	06/12/2018	5	139
Edra Energy Sdn Berhad	01/33	AA3	5.830	5	5.919	11/04/2018	-9	142
Edra Energy Sdn Berhad	07/33	AA3	5.860	25	5.822	03/12/2018	4	145
Edra Energy Sdn Berhad	01/34	AA3	5.900	5	5.857	26/12/2018	4	149
Edra Energy Sdn Berhad	07/34	AA3	5.940	30	5.898	26/12/2018	4	153
Edra Energy Sdn Berhad	01/35	AA3	5.969	20	5.932	06/12/2018	4	156
Edra Energy Sdn Berhad	07/35	AA3	6.009	15	5.968	26/12/2018	4	160
UEM Sunrise Berhad	05/19	AA-	4.099	50	4.161	08/01/2019	-6	66
UEM Sunrise Berhad	10/21	AA-	4.643	15	4.644	03/01/2019	0	107
Konsortium Lebuhraya Utara-Timur (KL) Sdn Berh	12/32	AA-	4.909	10	4.917	04/01/2019	-1	50
Bank Islam Malaysia Berhad	11/27	A1	4.740	60	4.745	03/01/2019	0	66
Affin Islamic Bank Berhad	10/28	A1	4.922	180	4.970	28/12/2018	-5	85
UMW Holdings Berhad	04/18	A1	5.749	4	5.960	07/01/2019	-21	115
Eco World Capital Assets Berhad	08/22	-	6.296	10	6.472	05/12/2018	-18	-
				<u>1178</u>				

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

Market/Corporate News: What's Brewing

Duty Free International (DFI), the duty free and duty paid retail group in Malaysia with more than 40 outlets, reported earnings for 3Q19 ended Nov more than trebled to RM17.1 million (\$5.6 million) from RM4.6 million a year ago. 3Q19 revenue rose 19.3% to RM157 million from a year ago mainly due to an increase in demand for certain products and the sales mix. There was also an increase of RM1.0 million in other operating income, attributable to interest and sundry incomes that the group had received. Profit before income tax more than doubled to RM20.6 million mainly attributable to a higher revenue recorded as well as a net foreign exchange gain of RM1.5 million in 3Q19 compared to a net foreign exchange loss of RM7.5 million in 3Q18. For 9M19, the group registered slightly lower revenue of RM388.8 million although earnings rose 12.9% mainly due to the net foreign exchange gain of RM6.8 million compared to a

net foreign exchange loss of RM13.3 million in 9M18. The company has declared a second interim dividend of 1 cent per share for 3Q19, which brings dividend per share declared to date to a total of 1.8 cents per share. Group inventories increased slightly from RM135.4 million in the FY18 ended Feb 2018 to RM177.5 million in 3Q19. This was the result of a consolidation of inventories of the newly acquired Brand Connect Group amounting to RM9.7 million, as well as an overall increase in purchases for 9M2019. Total borrowings decreased from RM16.4 million as at end Feb 2018 to RM4.0 million as at Nov 30 2018 mainly due to a decrease in trade facilities utilisation of RM12.3 million. The group was in a positive working capital position of RM454.7 million as at end Nov 2018. At the end of 3Q19, the overall cash and cash equivalents of the group decreased to RM221.6 million compared to RM267.6 million in 3Q18. In its outlook, DFI expects the operating environment to remain challenging given the current economic outlook and cautious consumer spending. However, the group will continue its efforts to identify new market opportunities and strategies to further strengthen its customer base and distribution channels through a wider product offering. The group says it will also intensify marketing efforts and closely monitor key cost drivers to remain competitive and profitable for the remaining quarters of the FY19 ending February. (Source: *The Edge*)

This year will see more emerging market countries raise interest rates than at any point since the pre-financial crisis uplands of 2006, analysts at JP Morgan predict.

A presentation by the U.S. investment bank showed 19 of the 24 emerging economies it follows are likely to lift borrowing rates. Only one country, Malaysia, will keep them on hold, while Nigeria, India, China and Turkey are set to cut their rates. The list wasn't exhaustive, and didn't include the likes of Argentina, for example, which more than doubled its interest rates to an eye-watering 60 percent last year as its currency collapsed. The expected pace of hikes could end up being slower if the U.S. Federal Reserve keeps its own increases to a minimum. However, the trend will still be upwards and shows the turnaround seen in emerging markets over the last 12 months. Between 2015 and early 2018 developing countries, big and small from Brazil and Russia to Armenia and Zambia slashed interest rates, sending borrowing costs sinking and fund managers' profits soaring. From February last year, though, the resurgent dollar and higher U.S. borrowing costs hit currencies hard, particularly Argentina and Turkey's, prompting EM central banks to raise rates instead. The result was that hikes outstripped cuts for eight straight months after April - the longest such run since mid 2011. The presentation showed that the emerging market average rate will go up to just over 5 percent this year, from around 4.7 percent now. Still JP Morgan expects local currency emerging market bonds to have a much better year than they did last year despite the moves. It sees the asset class earning investors just over 6 percent, which is virtually what they lost last year. It also forecast dollar-denominated EM debt will gain 2.2 percent compared to the 4.3 percent that it lost in 2018. (Source: *The Star/Reuters*)

Rating Action			
Issuer	PDS Description	Rating/Outlook	Action
UiTM Solar Power Sdn Bhd	Green SRI Sukuk of up to RM240.0 million	AA-IS	Affirmed
Putrajaya Holdings Sdn Bhd	•RM370.0 million Sukuk Musharakah Programme (due 2030)	AAAIS/stable	Affirmed
	•RM3.0 billion Sukuk Musharakah Programme (due 2032)	AAAIS/stable	Affirmed
	•RM1.5 billion Sukuk Musharakah Medium-Term Notes (MTN) Programme (due 2033)	AAAIS/stable	Affirmed
Bumitama Agri Ltd	RM2.0 billion Islamic MTN Sukuk Musharakah (2014/2029)	AA3/Positive	Reaffirmed

Source: RAM, MARC

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