# Global Markets Research
## Fixed Income

## Fixed Income Daily Market Snapshot

| UST | | |
|---|---|---|
| **Tenure** | **Closing (%)** | **Chg (bps)** |
| 2-yr UST | 2.48 | -1 |
| 5-yr UST | 2.45 | -2 |
| 10-yr UST | 2.63 | -2 |
| 30-yr UST | 2.97 | -2 |

| | MGS | | GII* | |
|---|---|---|---|---|
| **Tenure** | **Closing (%)** | **Chg (bps)** | **Closing (%)** | **Chg (bps)** |
| 3-yr | 3.55 | -5 | 3.67 | 0 |
| 5-yr | 3.72 | -1 | 3.86 | 2 |
| 7-yr | 3.87 | -1 | 4.00 | -1 |
| 10-yr | 3.99 | -1 | 4.07 | -1 |
| 15-yr | 4.29 | -4 | 4.44 | 0 |
| 20-yr | 4.51 | -2 | 4.66 | 1 |
| 30-yr | 4.74 | -1 | 4.85 | -3 |

** Market indicative levels*

| MYR IRS Levels | | |
|---|---|---|
| **IRS** | **Closing (%)** | **Chg (bps)** |
| 1-yr | 3.65 | -1 |
| 3-yr | 3.67 | -1 |
| 5-yr | 3.77 | 0 |
| 7-yr | 3.89 | -1 |
| 10-yr | 4.05 | -1 |

*Source : Bloomberg*

### *Upcoming Government Bond Tender*

*Nil*

### US Treasuries

- US Treasuries continued to edge steadier as the yield curve shifted lower following strong 30Y auction amid ongoing US-China trade news blowing hot and cold intermittently. Benchmark yields ended 1-2bps lower with both the 2Y at 2.48% and the much-watched 10Y moving 2bps lower at 2.63% respectively. Interestingly, primary dealer holdings of UST's have risen to record levels indicating a bullish view despite traditional contrarian views of banks selling lesser inventory to the buy-side clients. Nevertheless investors note that the Fed's balance sheet shrinkage has helped neutraslize US rates as a possible rate pause unveils itself.

### MGS/GII

- Trading momentum in local govvies continued its robust run last Friday with volume at a solid RM6.70b as interest seen across the curve. The main beneficiaries were the off-the-run 19-20's and also benchmark 5Y, 10Y MGS bonds. Overall benchmarks yields ended mostly between 0-5bps lower save for the 5 and 20Y GII's. Both the 5Y benchmark MGS 4/23 and MGS 11/28 edged 1bps lower at 3.72% and 3.99% on strong volume. GII trades maintained at about 31% of overall trades. Investors continue to add to both EM local currency debt and stocks which has witnessed a strong start to 2019 following the US Fed's indicaton of a pause in rate hikes. Recovery in sovereign credit metrics are expected to continue as currency volatility subsides. Upcoming data includes industrial production and manufacturing sales today followed by foreign reserves and GDP figures expected out on the 14th of February.

### Corp Bonds/Sukuk

- Corporate Bonds/Sukuk saw interest also maintain post Chinese New Year holidays with volume at RM554m with interest seen across the curve. Govt-guaranteed (GG) DANA 4/33 and 10/46 ended lower on yields at 4.57% and 4.94% respectively compared to previous-done levels; totaling RM70m in nominal amounts. Likewise both the AAA-rated RANTAU 10/22 and DANGA 2/26 closed 2-4bps lower at 4.10% and 4.33% each. Energy-related bonds i.e. EDRA 2023 and 2031-2033 tenures dominated the AA-segment closing 2-15bps higher between 5.31-6.01%. The banking space was however relatively quiet.

## Daily Trades : Government Bonds

| Securities | | Closing YTM | Vol (RM mil) | Previous YTM | Previous Trade Date (dd/mm/yyyy) | Chg (bp) |
|---|---|---|---|---|---|---|
| MGS | 03/19 | 3.252 | 6 | 3.240 | 07/02/2019 | 1 |
| MGS | 07/19 | 3.327 | 932 | 3.035 | 07/02/2019 | 29 |
| MGS | 10/19 | 3.377 | 427 | 3.392 | 07/02/2019 | -2 |
| MGS | 11/19 | 3.383 | 6 | 3.371 | 07/02/2019 | 1 |
| MGS | 03/20 | 3.426 | 261 | 3.417 | 07/02/2019 | 1 |
| MGS | 10/20 | 3.483 | 309 | 3.483 | 07/02/2019 | 0 |
| MGS | 07/21 | 3.572 | 126 | 3.560 | 07/02/2019 | 1 |
| MGS | 09/21 | 3.595 | 22 | 3.636 | 07/02/2019 | -4 |
| MGS | 11/21 | 3.554 | 105 | 3.569 | 07/02/2019 | -2 |
| MGS | 03/22 | 3.576 | 9 | 3.577 | 07/02/2019 | 0 |
| MGS | 09/22 | 3.711 | 131 | 3.723 | 07/02/2019 | -1 |
| MGS | 04/23 | 3.717 | 337 | 3.730 | 07/02/2019 | -1 |
| MGS | 08/23 | 3.788 | 4 | 3.800 | 07/02/2019 | -1 |
| MGS | 07/24 | 3.830 | 85 | 3.841 | 07/02/2019 | -1 |
| MGS | 09/24 | 3.849 | 116 | 3.879 | 07/02/2019 | -3 |
| MGS | 03/25 | 3.882 | 166 | 3.911 | 07/02/2019 | -3 |
| MGS | 09/25 | 3.863 | 171 | 3.894 | 07/02/2019 | -3 |
| MGS | 04/26 | 3.935 | 5 | 4.019 | 07/02/2019 | -8 |
| MGS | 07/26 | 3.871 | 220 | 3.882 | 07/02/2019 | -1 |
| MGS | 11/26 | 3.914 | 104 | 4.005 | 07/02/2019 | -9 |
| MGS | 05/27 | 4.009 | 22 | 4.019 | 07/02/2019 | -1 |
| MGS | 11/27 | 3.939 | 141 | 4.008 | 07/02/2019 | -7 |
| MGS | 06/28 | 3.985 | 305 | 4.008 | 07/02/2019 | -2 |
| MGS | 06/31 | 4.242 | 52 | 4.263 | 07/02/2019 | -2 |
| MGS | 04/33 | 4.344 | 141 | 4.369 | 07/02/2019 | -2 |
| MGS | 11/33 | 4.292 | 215 | 4.337 | 07/02/2019 | -4 |
| MGS | 05/35 | 4.458 | 48 | 4.454 | 07/02/2019 | 0 |
| MGS | 04/37 | 4.478 | 1 | 4.502 | 07/02/2019 | -2 |
| MGS | 06/38 | 4.510 | 113 | 4.533 | 07/02/2019 | -2 |
| MGS | 03/46 | 4.769 | 40 | 4.781 | 07/02/2019 | -1 |
| GII | 09/19 | 3.370 | 33 | 3.308 | 16/01/2019 | 6 |
| GII | 08/20 | 3.529 | 50 | 3.530 | 07/02/2019 | 0 |
| GII | 03/21 | 3.511 | 50 | 3.566 | 04/02/2019 | -5 |
| GII | 04/22 | 3.677 | 3 | 3.660 | 07/02/2019 | 2 |
| GII | 11/23 | 3.857 | 170 | 3.841 | 07/02/2019 | 2 |
| GII | 08/25 | 3.996 | 343 | 4.006 | 07/02/2019 | -1 |
| GII | 10/25 | 4.032 | 120 | 4.041 | 07/02/2019 | -1 |
| GII | 09/26 | 4.046 | 10 | 4.046 | 07/02/2019 | 0 |
| GII | 07/27 | 4.074 | 110 | 4.082 | 07/02/2019 | -1 |
| GII | 10/28 | 4.144 | 761 | 4.148 | 07/02/2019 | 0 |
| GII | 12/28 | 4.148 | 110 | 4.198 | 30/01/2019 | -5 |
| GII | 07/29 | 4.066 | 96 | 4.074 | 07/02/2019 | -1 |
| GII | 09/30 | 4.279 | 30 | 4.314 | 28/01/2019 | -4 |
| GII | 08/37 | 4.655 | 180 | 4.665 | 07/02/2019 | -1 |
| GII | 05/47 | 4.849 | 20 | 4.875 | 30/01/2019 | -3 |
| | | | 6702 | | | |

## 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* |
|---|---|---|---|---|---|---|---|---|
| DanaInfra Nasional Berhad | 04/33 | GG | 4.569 | 50 | 4.580 | 04/02/2019 | -1 | 28 |
| DanaInfra Nasional Berhad | 10/46 | GG | 4.940 | 20 | 5.219 | 19/06/2018 | -28 | 44 |
| YTL Power International Berhad | 08/28 | AA1 | 4.909 | 5 | 4.909 | 31/01/2019 | 0 | 92 |
| Sarawak Energy Berhad | 12/32 | AA1 | 4.759 | 5 | 4.819 | 16/01/2019 | -6 | 47 |
| Benih Restu Berhad | 06/25 | AA2 | 4.533 | 165 | 4.659 | 31/10/2018 | -13 | 70 |
| BEWG (M) Sdn Berhad | 07/22 | AA | 4.690 | 10 | 4.976 | 30/07/2018 | -29 | 113 |
| Edra Energy Sdn Berhad | 07/23 | AA3 | 5.305 | 20 | 5.286 | 11/01/2019 | 2 | 163 |
| Edra Energy Sdn Berhad | 01/31 | AA3 | 5.846 | 20 | 5.798 | 15/01/2019 | 5 | 186 |
| Edra Energy Sdn Berhad | 07/32 | AA3 | 5.907 | 40 | 5.799 | 09/01/2019 | 11 | 162 |
| Edra Energy Sdn Berhad | 07/33 | AA3 | 6.009 | 80 | 5.860 | 09/01/2019 | 15 | 172 |
| UEM Sunrise Berhad | 12/22 | AA- | 4.694 | 5 | 4.686 | 28/01/2019 | 1 | 102 |
| UEM Sunrise Berhad | 10/25 | AA- | 4.779 | 5 | 4.828 | 10/01/2019 | -5 | 90 |
| MMC Corporation Berhad | 11/25 | AA- | 5.398 | 10 | 5.408 | 30/01/2019 | -1 | 152 |
| Southern Power Generation Sdn Berhad | 04/32 | AA- | 4.701 | 20 | 4.759 | 18/12/2018 | -6 | 41 |
| Lebuhraya DUKE Fasa 3 Sdn Berhad | 08/39 | AA- | 5.516 | 45 | 5.579 | 16/10/2018 | -6 | 102 |
| Special Power Vehicle Berhad | 05/21 | A1 | 4.614 | 10 | 5.042 | 14/11/2017 | -43 | 111 |
| Special Power Vehicle Berhad | 11/21 | A1 | 4.726 | 20 | 4.838 | 31/12/2018 | -11 | 117 |
| Tan Chong Motor Holdings Berhad | 11/21 | A1 | 5.898 | 2 | 5.392 | 04/02/2019 | 51 | 234 |
| Eco World International Berhad | #N/A | - | 5.112 | 1 | 5.126 | 29/01/2019 | -1 | - |
| Bank Muamalat Malaysia Berhad | 11/21 | A | 4.894 | 1 | 5.027 | 31/01/2019 | -13 | 134 |
| UEM Sunrise Berhad | 06/21 | AA- | 4.575 | 10 | 4.575 | 29/01/2019 | 0 | 107 |
| Rantau Abang Capital Berhad | 10/22 | AAA | 4.099 | 5 | 4.122 | 30/01/2019 | -2 | 43 |
| Danga Capital Berhad | 02/26 | AAA | 4.330 | 5 | 4.367 | 22/01/2019 | -4 | 45 |
| | | | | 554 | | | | |

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

## Market/Corporate News: What's Brewing

**Gone are the days that telecommunications (telco) stocks on Bursa Malaysia were top picks for dividend play investors, but as competition remains — coupled with underlying regulatory risks** — analysts are worried that the dividend yields of these securities will drop below the country's fixed deposit (FD) rates. The dividend yield of Axiata Group Bhd — one of the Big Three mobile network operators (MNOs) — has dipped below FD rates since early 2017, after the group decided to lower dividend payouts to conserve ammunition for capital expenditure and to face potentially more intense competition and foreign exchange volatility. Bank Negara Malaysia's monthly statistics show that apart from January last year, when the average three-month FD rate was lower at 3.01%, rates averaged between 3.15% and 3.17% up until November.An analyst pointed out that the dividend yields of other telco stocks, while not lower than FD rates, have been hovering only marginally above the commercial banks' less risky option. "The telco sector is still underweight; there are concerns about regulatory risks, as well as existing competition. Currently, there are no significant rerating catalysts. So if everything remains the same throughout the whole of 2019, we are expecting a flattish performance. "Yields from telcos like Maxis Bhd were between 3.5% and 4% last year, so [the] dividend yield is not as attractive as [in] the past; [it's] just slightly above the FD rate," he told The Edge Financial Daily when contacted. According to Bloomberg data, apart from Telekom Malaysia Bhd (TM), which registered an unusually high dividend yield last year due to its share price weakness, DiGi.Com Bhd had the highest yield — though just above 4% — among the three MNOs. DiGi announced a final dividend per share of 4.8 sen or RM373 million last month (January) along with the release of the group's earnings for the fourth quarter ended Dec 31, 2018 (4QFY18). This brings its full FY18 dividend payout to 19.6 sen, versus 18.8 sen for FY17. Hong Leong Investment Bank analyst Tan J Young shared the view that telcos' current yields are nothing enticing. "With the expectation that the OPR (Overnight Policy Rate) will stay at 3.25%, telcos' yields are not attractive enough to spur buying interest," he said.Despite lowest yield, Axiata has most 'buys' Interestingly, although Axiata had the lowest dividend yield of 2.12% among its peers, the stock garnered the most "buy" calls from the research fraternity, according to Bloomberg data. "Axiata has exposure to other countries, unlike Maxis and DiGi.Com [whose] operations are confined to Malaysia, and locally there is no rerating catalyst," he said. JF Apex's Siau also pointed to concerns about Maxis' margin after the termination of the 3G Radio Access Network (RAN) share agreement with U Mobile Sdn Bhd. "Their (Maxis) margin may be lower without the 3G RAN share revenue. Although it is extended until the middle of this year, the scope is limited. Overall, [investing in the] telco industry is not very convincing this year," he said. Last December, U Mobile and Maxis announced that they had entered into an extension of the agreement in limited areas until end-June 2019. The termination was originally supposed to end on Dec 27, 2018. In May 2017, U Mobile chief executive officer Wong Heang Tuck told The Edge Malaysia weekly in an interview that the company paid RM200 million to RM300 million for the RAN sharing service in the financial year ended Dec 31, 2015 (FY15). Nonetheless, Another analyst thinks that Maxis — like DiGi — is likely to report marginal growth for its FY18 performance and within consensus estimate, while flattening out in FY19. DiGi reported a 5% net profit growth to RM377.8 million for 4QFY18, from RM360.08 million a year ago, as revenue grew 2% to RM1.67 billion from RM1.64 billion. This led to a 4% growth in the group's full FY18 net profit to RM1.54 billion from RM1.48 billion for FY17, while revenue grew 3% to RM6.53 billion from RM6.34 billion. He said MNOs' performance in 2019 will very much hinge on the innovation in product offerings. "How they are going to perform this year is highly dependent on how innovative they are in their offerings to entice subscribers. The more value they offer, the more subscribers they could acquire," he said. Increasing Internet consumption on mobile devices is driving Malaysians to move to products offering features relevant to such trends. "For example, U Mobile recently offered their unlimited Internet plan for their prepaid segment, which would stir up some competition. With the SIM migration trend from prepaid to post-paid, telcos are also competing through device-bundled offerings. "People now are more willing to take up higher-value packages because Internet consumption is getting higher compared to few years ago. The same mobile application today is using more data compared to the past," he added. (*Source: The EdgeMarkets)*

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**Rating Action**

| Issuer | PDS Description | Rating/Outlook | Action |
|---|---|---|---|
| Fortune Premiere Sdn Bhd | RM3.0 billion Multi-Currency Islamic Medium-Term Notes Programme (Sukuk Murabahah) | AA-IS | Affirmed |

*Source: RAM, MARC*

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