

Global Markets Research

Fixed Income

Fixed Income Daily Market Snapshot

UST		
Tenure	Closing (%)	Chg (bps)
2-yr UST	2.49	1
5-yr UST	2.45	1
10-yr UST	2.64	1
30-yr UST	3.03	2

MGS		GII*		
Tenure	Closing (%)	Chg (bps)	Closing (%)	Chg (bps)
3-yr	3.46	1	3.56	2
5-yr	3.60	2	3.75	2
7-yr	3.79	1	3.92	3
10-yr	3.86	0	4.00	1
15-yr	4.26	0	4.34	0
20-yr	4.46	0	4.60	0
30-yr	4.72	1	4.86	0

* Market indicative levels

MYR IRS Levels		
IRS	Closing (%)	Chg (bps)
1-yr	3.57	0
3-yr	3.60	2
5-yr	3.69	0
7-yr	3.81	1
10-yr	3.99	0

Source : Bloomberg

Upcoming Government Bond Tender

Nil

US Treasuries

- US Treasuries closed weaker on Monday as US rates volatilities tanked whilst equities advanced. The curve shifted higherer with overall benchmark yields up by 1-2bps. Both the 2Y note yield and the much-watched 10Y bond edged 1bps higher at 2.49% and 2.64% respectively. The auction for \$38b of UST 3Y notes saw decent demand with a BTC ratio of 2.56x; averaging 2.448%; the lowest in a year. Meanwhile the stronger-than-expected retail Sales data should ease concern about consumer strength after a surprisingly weak December that was likely hurt by the government shutdown and seasonal factors. Higher wage gains and a robust labour market have supported spending, the largest part of the economy. Up next on the data front tonight are the CPI numbers for February.

MGS/GII

- Local govovies saw momentum ease with volume almost halved at RM2.9b as intermittent profit-taking was well-absorbed. Interest was centred on the MGS/GII off-the-run 19's and also the benchmark 5Y bonds. Overall benchmark yields ended 0-3bps higher. The 5Y benchmark MGS 4/23 moved 2bps higher at 3.60% whilst the 10Y MGS 8/29 was untraded at 3.86% level. GII trades improved to 56% of overall trades. Meanwhile the IMF expects Malaysia's economic growth to stabilize in 2019 and over the medium-term with inflation picking up and the current account surplus continuing to narrow.

Corp Bonds/Sukuk

- Corporate Bonds/Sukuk saw demand tapering off slightly with volume at RM324m with investor interest mainly across the AAA to AA part of the curve. Govt-guaranteed DANA and PTPTN 24's were sole trades done in that segment; closing 3-6bps lower between 3.96-4.02% levels compared to previous-done levels. The short AAA-rated CAGAMAS 3/20 rallied 11bps at 3.89% whilst both DANGA and DANUM Capital 26's ended a whopping 9-12bps lower at 4.18% levels. In the AA-space, the seldom-traded PKNS also closed lower on yields with both the 2/21 and 2/23 tranches at 4.61% and 4.80% each. Meanwhile DUKE3 bonds saw its 2033 tranche close 11bps lower at 5.04%. The banking space however was muted.

Daily Trades : Government Bonds

Securities		Closing YTM	Vol (RM mil)	Previous YTM	Previous Trade Date (dd/mm/yyyy)	Chg (bp)
MGS	07/19	3.333	27	3.312	05/03/2019	2
MGS	10/19	3.383	61	3.362	07/03/2019	2
MGS	11/19	3.384	422	3.346	06/03/2019	4
MGS	10/20	3.429	35	3.430	07/03/2019	0
MGS	09/21	3.453	3	3.474	07/03/2019	-2
MGS	11/21	3.455	121	3.456	07/03/2019	0
MGS	03/22	3.463	3	3.464	07/03/2019	0
MGS	08/22	3.495	8	3.592	07/03/2019	-10
MGS	09/22	3.528	12	3.553	07/03/2019	-2
MGS	03/23	3.615	5	3.696	07/03/2019	-8
MGS	04/23	3.598	215	3.611	07/03/2019	-1
MGS	08/23	3.679	30	3.726	07/03/2019	-5
MGS	09/24	3.767	14	3.773	07/03/2019	-1
MGS	03/25	3.844	85	3.844	07/03/2019	0
MGS	09/25	3.855	85	3.867	07/03/2019	-1
MGS	07/26	3.787	20	3.795	07/03/2019	-1
MGS	11/27	3.953	17	3.946	07/03/2019	1
MGS	06/28	3.956	1	3.953	07/03/2019	0
MGS	04/30	4.135	22	4.135	07/03/2019	0
MGS	06/31	4.204	60	4.211	07/03/2019	-1
MGS	04/33	4.311	6	4.326	05/03/2019	-1
MGS	04/37	4.453	16	4.485	07/03/2019	-3
MGS	07/48	4.715	1	4.706	01/03/2019	1
GII	04/19	3.387	680	3.330	06/03/2019	6
GII	09/19	3.416	250	3.377	07/03/2019	4
GII	04/20	3.488	50	2.273	04/03/2019	122
GII	04/21	3.530	50	3.563	06/03/2019	-3
GII	03/22	3.561	130	3.554	07/03/2019	1
GII	04/22	3.636	40	3.637	07/03/2019	0
GII	11/22	3.669	1	3.733	01/03/2019	-6
GII	11/23	3.754	151	3.745	07/03/2019	1
GII	08/25	3.915	41	3.918	07/03/2019	0
GII	10/25	3.969	30	3.972	07/03/2019	0
GII	07/27	4.033	27	4.038	07/03/2019	0
GII	10/28	4.064	110	4.068	07/03/2019	0
GII	07/29	4.004	10	3.998	07/03/2019	1
GII	09/30	4.173	10	4.208	06/03/2019	-4
GII	08/37	4.601	60	4.604	07/03/2019	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*
DanaInfra Nasional Berhad	03/24	GG	3.969	10	4.029	20/02/2019	-6	37
Perbadanan Tabung Pendidikan Tinggi Nasional	03/24	GG	4.020	10	4.053	01/03/2019	-3	42
GB Services Berhad	11/19	AAA	4.100	10	4.165	21/02/2019	-7	71
Cagamas Berhad	10/20	AAA	3.886	60	3.994	11/02/2019	-11	45
Putrajaya Holdings Sdn Berhad	04/22	AAA	4.087	5	4.430	08/06/2018	-34	63
Malaysia Steel Works (KL) Berhad	11/23	AAA	4.880	5	4.878	06/03/2019	0	128
Danum Capital Berhad	02/26	AAA	4.180	5	4.300	12/02/2019	-12	39
Danga Capital Berhad	02/26	AAA	4.180	30	4.272	28/02/2019	-9	39
Gulf Investment Corporation G.S.C	06/27	AAA	4.999	15	5.480	16/05/2018	-48	113
Tenaga Nasional Berhad	08/33	AAA	4.579	8	4.694	23/01/2019	-12	32
Projek Lebuhraya Usahasama Berhad	01/36	AAA	4.779	20	5.019	13/09/2018	-24	52
Celcom Networks Sdn Berhad	10/26	AA+	4.498	5	4.610	07/02/2019	-11	63
BEWG (M) Sdn Berhad	07/20	AA	4.386	10	4.447	03/01/2019	-6	100
Anih Berhad	11/22	AA	4.367	4	4.478	31/10/2018	-11	82
Bumitama Agri Ltd	08/19	AA3	4.319	40	4.215	04/03/2019	10	93
MMC Corporation Berhad	11/20	AA-	4.855	5	4.862	28/02/2019	-1	142
Perbadanan Kemajuan Negeri Selangor	08/21	AA3	4.605	5	4.764	04/12/2018	-16	117
Perbadanan Kemajuan Negeri Selangor	08/23	AA3	4.796	5	4.817	20/02/2019	-2	125
Edra Energy Sdn Berhad	07/26	AA3	5.406	1	5.591	14/02/2019	-19	162
AmBank Islamic Berhad	10/28	AA3	4.616	6	4.621	07/03/2019	-1	75
UEM Sunrise Berhad	12/20	AA-	4.465	20	4.538	03/01/2019	-7	103
MEX II Sdn Berhad	04/24	AA-	4.551	10	4.869	24/04/2018	-32	96
UEM Sunrise Berhad	12/24	AA-	4.669	15	4.668	07/03/2019	0	92
Southern Power Generation Sdn Berhad	10/27	AA-	4.531	5	4.709	12/11/2018	-18	64
Lebuhraya DUKE Fasa 3 Sdn Berhad	08/33	AA-	5.038	10	5.148	31/01/2019	-11	78
Golden Assets International Finance Limited	08/19	A1	4.693	5	4.734	27/02/2019	-4	130
				<u>324</u>				

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

Market/Corporate News: What's Brewing

Emerging equities markets have soared this year as investor sentiment towards them rebounds, but for some the enthusiasm is being tempered by worries about surging bad loans at many banks. Non-performing loans have shot up to a global high of close to 10 percent of gross credit exposures in India, and they are expected to edge up this year in China, Mexico, Indonesia, Russia, Turkey and Argentina, say analysts. A gloomy outlook on the final two issued by Standard & Poor's undercuts the assumption that fallout from currency crises last year in both countries was already priced in. As well as holding back financial sector growth and national economies, hefty levels of soured debt pose a particular risk for foreign investors, who have long favoured retail lenders as picks for getting exposure to rising middle classes in emerging markets. EM bank lending swelled to an average of 128 percent of GDP among the BRICS - Brazil, Russia, India, China and South Africa - in 2017, from 98 percent in 2007, according to World Bank data. But such activity is vulnerable to swings in the credit cycle, and some fund managers are growing more cautious. Asset manager Ashmore Group is negative on banks in seven emerging countries - China, Malaysia, South Korea, Taiwan, Turkey, Mexico and Russia - and positive on just Indonesia, India and Peru, said emerging markets equity portfolio manager Edward Evans. There have been signs of policy softening by some emerging market central banks, and some commercial lenders have been cutting foreign exchange exposure and slashing risk on their balance sheet. But broad financial conditions are tighter at the start of 2019 than they were a year ago after several interest rate rises in the United States and concerns about weaker global growth. Asked which banking sectors he was bearish on, Eaton Vance emerging markets corporate strategist Akbar Causer cited risks if China's economic slowdown continued. The outlook for lenders in Turkey and Argentina was also "not so strong", he added. Turkey's banks are vulnerable as the lira's depreciation and its lurch into recession - data on Monday showed the economy slumped 3.0 percent year on year at the end of 2018 - hampers borrowers' ability to meet debt obligations. S&P, in a note last month, said it expected Turkish NPLs to swell to around 6 percent this year, roughly double its earlier forecast. Official data showed it at 4 percent at the end of January. High dependence on external funding is a source of risk in Turkey, South Africa, Indonesia and Mexico, said Tan Nguyen, senior research analyst at OppenheimerFunds. Their combined external debt stands at around \$1.37 trillion. That and heightened financial stress among companies based there could lead to difficulties for them repaying their debt, pushing up non-performing loans, Nguyen warned. S&P this month took ratings action on 22 Mexican financial institutions, cutting the outlook on several to "negative" from "stable". They included Citigroup subsidiary Citibanamex and Banco Inbursa, controlled by the family of billionaire Carlos Slim. S&P added, however, that cautious lending practices would help Mexican banks avoid a sharp rise in NPLs. Others see more immediate risks, particularly in Turkey, where the central bank last week held its base interest rate at an above-inflation 24 percent. "The fact we have higher interest rates and a weaker currency means there's a rising probability of corporate defaults and non-performing loans," said Jon Harrison, managing director, emerging markets macro strategy at TS Lombard. Even Garanti Bank, Turkey's second-largest private bank and considered one of the best-run lenders across emerging markets, had a non-performing loan rate of 5.2 percent last year, above its forecast. In India, banks had been under pressure to clean up a \$190 billion pile of soured loans. But that pressure has eased since Shaktikanta Das - seen as closely aligned with Prime Minister Narendra Modi's government - took over as central bank governor in December. "What that means is they avoid a short-term potential crisis by enabling banks to avoid recognising the problem, but at the cost of slower long-term credit growth," said Harrison. (Source: *The Star/Reuters*)

Passenger traffic at the country's 39 airports managed by Malaysia Airports Holdings Bhd (MAHB) grew 5.4% in February to 8.14 million from 7.72 million a year ago. International traffic climbed 2.3% year-on-year (y-o-y) to 4.2 million passengers, while domestic traffic climbed 8.9% y-o-y to four million passengers. The Chinese New Year festive season that coincided with one-week school holidays were cited as reasons for the boost in numbers. "The first 11 days of February 2019 registered an average double-digit growth of 18.1%. Domestic passenger movements for that same period recorded 27.4% growth over the same period last year," MAHB said in a filing with Bursa Malaysia. MAHB noted that the volume of domestic passenger movements was higher than in January despite having fewer days in the month of February. "Europe, North East Asia, South East Asia and the South West Pacific sectors registered positive growth in passenger movements. Eleven airports and 13 airlines registered double-digit growth for international passenger movements traffic in February 2019," it added. Passenger traffic at the Kuala Lumpur International Airport (KLIA) Main Terminal went up by 3.3% y-o-y to 2.22 million in February from 2.15 million, while passenger traffic at klia2 also grew by 2.7% to 2.59 million from 2.52 million. The last trailing 12-month passenger movements for KLIA Main recorded 28.2 million passengers while klia2 recorded 32 million passengers. Meanwhile, the Sabiha Gökçen International Airport in Istanbul, Turkey (Istanbul SGIA) posted a 4.4% growth in passengers to 2.49 million, up from 2.38 million in February last year. This was mainly led by its international passenger movements with increased by 19.5%, but partly offset by domestic passenger movements which declined by 2.7%. Systemwide including its Istanbul operations in Turkey, MAHB saw a 5.1% increase in passenger traffic to 10.62 million in February, from 10.1 million last year. The month also saw overall aircraft movements across the MAHB system increase by 1%, with international and domestic aircraft movements recording an increase of 1.6% and 0.6%. (Source: *The EdgeMarkets*)

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

Source: RAM, MARC

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