

## Global Markets Research

### Fixed Income

#### Fixed Income Daily Market Snapshot

UST		
Tenure	Closing (%)	Chg (bps)
2-yr UST	2.47	-2
5-yr UST	2.42	-3
10-yr UST	2.60	-4
30-yr UST	2.99	-4

MGS		GII*		
Tenure	Closing (%)	Chg (bps)	Closing (%)	Chg (bps)
3-yr	3.45	-1	3.56	0
5-yr	3.60	0	3.74	-1
7-yr	3.79	0	3.91	-1
10-yr	3.86	1	4.00	0
15-yr	4.24	-2	4.34	0
20-yr	4.44	-2	4.59	-1
30-yr	4.72	0	4.86	0

\* Market indicative levels

MYR IRS Levels		
IRS	Closing (%)	Chg (bps)
1-yr	3.58	1
3-yr	3.61	1
5-yr	3.70	2
7-yr	3.80	-1
10-yr	3.99	0

Source : Bloomberg

#### Upcoming Government Bond Tender

New issuance of 20Y GII 9/39 ( RM2.5b + RM2.0b private placement on Thursday, 14<sup>th</sup> March

#### US Treasuries

- US Treasuries closed stronger on Tuesday following solid \$24b of 10Y bond auction which notched a BTC ratio of 2.59x (versus 2.35x previous auction) and averaged 2.615%. The curve shifted lower with overall benchmark yields 2-4bps lower. The 2Y note yield was 2bps lower at 2.47% whilst the much-watched 10Y bond ended 4bps lower at 2.60%; lowest since early January and against a backdrop of Theresa May's Brexit deal defeat. Despite USD vols continuing to tank and sell off strongly, UST's turned to other factors for further price action; relying on influence from the Brexit setback and weaker-than-expected US consumer price index. Up next on the data front tonight are the Producer Price numbers for February.

#### MGS/GII

- Local govies saw a boost in momentum with volume improving to RM6.07b as profit-taking over the past 3 days seemed well-absorbed. Interest was centred on the MGS/GII off-the-run 19-22's and also the benchmark 5Y and 7Y GII bonds. Overall benchmark yields ended mostly 0-2bps lower save for the 7Y and 10Y. The 5Y benchmark MGS 4/23 was unchanged at 3.60% whilst the 10Y MGS 8/29 edged 1bps higher instead at 3.86% level. GII bonds maintained at 56% of overall trades. The IMF expects Malaysia's economic growth to stabilize in 2019 and also over the medium-term with inflation picking up whilst current account surplus is expected to narrow. Meanwhile investors will be looking forward to the 15Y GII auction scheduled tomorrow.

#### Corp Bonds/Sukuk

- Corporate Bonds/Sukuk saw improved demand as volume notched RM836m with investor interest across the curve. Govt-guaranteed DANA 11/25 and 4/26 continue to see yields drift 4-8bps lower at 4.04-05% levels compared to previous-done levels whilst the long-end 2/49 tranche ended 2bps at 4.90%. The AAA-rated DANGA 1/33 saw huge RM200m nominal amounts traded 12bps lower at 4.53%. In the AA-space, CTX 19-26's were also actively traded on large amounts totaling RM310m; closing sharply lower on yields as well between 3.92-4.48%. Meanwhile several energy-related bonds i.e. Kimanis Power 12/23, Tanjung Bin Power 8/19, EDRA Energy 7/25 and Southern Power 10/27 closed mostly lower on yields. The banking space saw Bank Islam 28NC23 rally to close at 4.68%.

## Daily Trades : Government Bonds

Securities		Closing YTM	Vol (RM mil)	Previous YTM	Previous Trade Date (dd/mm/yyyy)	Chg (bp)
MGS	03/19	3.335	55	3.247	07/03/2019	9
MGS	10/19	3.381	100	3.393	11/03/2019	-1
MGS	11/19	3.380	204	3.384	11/03/2019	0
MGS	03/20	3.363	287	3.374	08/03/2019	-1
MGS	07/20	3.432	1	3.415	06/03/2019	2
MGS	02/21	3.454	70	3.451	07/03/2019	0
MGS	09/21	3.484	10	3.453	11/03/2019	3
MGS	11/21	3.443	58	3.459	11/03/2019	-2
MGS	03/22	3.452	275	3.463	11/03/2019	-1
MGS	08/22	3.511	19	3.495	11/03/2019	2
MGS	09/22	3.537	229	3.528	11/03/2019	1
MGS	04/23	3.598	83	3.598	11/03/2019	0
MGS	07/24	3.751	23	3.747	11/03/2019	0
MGS	09/24	3.787	102	3.767	11/03/2019	2
MGS	03/25	3.829	87	3.844	11/03/2019	-1
MGS	09/25	3.841	223	3.855	11/03/2019	-1
MGS	04/26	3.903	34	3.895	07/03/2019	1
MGS	07/26	3.791	106	3.787	11/03/2019	0
MGS	09/26	3.903	70	3.956	07/03/2019	-5
MGS	05/27	4.006	30	4.010	07/03/2019	0
MGS	11/27	3.947	27	3.953	11/03/2019	-1
MGS	06/28	3.968	3	3.950	08/03/2019	2
MGS	08/29	3.861	60	3.855	08/03/2019	1
MGS	04/30	4.113	74	4.129	11/03/2019	-2
MGS	06/31	4.149	9	4.195	11/03/2019	-5
MGS	04/33	4.287	31	4.311	11/03/2019	-2
MGS	11/33	4.240	251	4.263	08/03/2019	-2
MGS	05/35	4.384	20	4.384	11/03/2019	0
MGS	04/37	4.453	20	4.453	11/03/2019	0
MGS	06/38	4.437	138	4.460	08/03/2019	-2
GII	04/19	3.342	100	3.387	11/03/2019	-4
GII	08/19	3.392	4	3.299	15/01/2019	9
GII	04/20	3.460	140	3.488	11/03/2019	-3
GII	03/21	3.520	400	3.577	06/03/2019	-6
GII	03/22	3.561	230	3.561	11/03/2019	0
GII	04/22	3.616	80	3.636	11/03/2019	-2
GII	07/22	3.657	20	3.642	08/03/2019	2
GII	07/23	3.761	40	3.732	08/03/2019	3
GII	11/23	3.741	591	3.754	11/03/2019	-1
GII	08/24	3.869	90	3.870	08/03/2019	0
GII	08/25	4.085	370	3.915	11/03/2019	17
GII	07/27	4.030	190	4.033	11/03/2019	0
GII	10/28	4.064	300	4.064	11/03/2019	0
GII	07/29	4.004	60	4.004	11/03/2019	0
GII	09/30	4.147	30	4.173	11/03/2019	-3
GII	06/33	4.344	290	4.340	08/03/2019	0
GII	08/37	4.592	440	4.601	11/03/2019	-1
			<u>6073</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*
DanaInfra Nasional Berhad	11/25	GG	4.043	10	4.079	01/03/2019	-4	25
DanaInfra Nasional Berhad	04/26	GG	4.048	20	4.130	19/02/2019	-8	25
Bakun Hydro Power Generation Sdn Berhad (fka )	08/28	GG	4.188	1	4.259	18/02/2019	-7	31
Perbadanan Tabung Pendidikan Tinggi Nasional	03/32	GG	4.501	55	4.459	08/03/2019	4	25
Perbadanan Tabung Pendidikan Tinggi Nasional	08/32	GG	4.478	5	4.569	29/01/2019	-9	22
DanaInfra Nasional Berhad	02/49	GG	4.901	5	4.919	07/03/2019	-2	45
Cagamas Berhad	07/19	AAA	3.615	3	3.710	28/02/2019	-9	23
Sabah State Government	12/19	AAA	4.046	5	4.341	31/07/2018	-30	66
Danga Capital Berhad	04/20	AAA	3.953	20	4.070	07/03/2019	-12	57
Manjung Island Energy Berhad	11/23	AAA	4.182	5	4.550	18/06/2018	-37	60
Malaysia Steel Works (KL) Berhad	11/23	AAA	4.878	5	4.878	06/03/2019	0	130
Aman Sukuk Berhad	05/24	AAA	4.241	5	4.277	22/02/2019	-4	66
Projek Lebuhraya Usahasama Berhad	01/27	AAA	4.369	10	4.391	07/03/2019	-2	52
Putrajaya Bina Sdn Berhad	09/27	AAA	4.357	10	4.382	26/02/2019	-2	48
Danga Capital Berhad	01/33	AAA	4.528	200	4.649	15/02/2019	-12	27
Tenaga Nasional Berhad	08/33	AAA	4.579	2	4.579	11/03/2019	0	32
Celcom Networks Sdn Berhad	08/19	AA+	3.921	120	4.006	31/01/2019	-9	54
Celcom Networks Sdn Berhad	10/21	AA+	4.266	10	4.412	27/12/2018	-15	81
Westports Malaysia Sdn Berhad	05/24	AA+	4.326	10	4.498	21/08/2017	-17	75
Celcom Networks Sdn Berhad	08/24	AA+	4.370	160	4.577	28/12/2018	-21	79
Celcom Networks Sdn Berhad	10/26	AA+	4.480	20	4.498	11/03/2019	-2	63
Tanjung Bin Power Sdn Berhad	08/19	AA2	4.135	10	4.110	15/02/2019	2	75
Benih Restu Berhad	06/25	AA2	4.448	20	4.480	08/03/2019	-3	70
PBFIN Berhad	06/59	AA2	4.580	0	3.936	01/03/2019	64	13
Fortune Premiere Sdn Berhad	03/23	AA	4.488	3	4.506	28/02/2019	-2	94
Bumitama Agri Ltd	08/19	AA3	4.293	2	4.319	11/03/2019	-3	91
Perbadanan Kemajuan Negeri Selangor	08/21	AA3	4.600	5	4.764	04/12/2018	-16	117
IJM Corporation Berhad	06/22	AA3	4.427	2	4.555	27/09/2018	-13	97
Perbadanan Kemajuan Negeri Selangor	08/23	AA3	4.793	5	4.817	20/02/2019	-2	125
Kimanis Power Sdn Berhad	12/23	AA-	4.394	10	4.460	06/10/2016	-7	81
Edra Energy Sdn Berhad	07/25	AA3	5.524	1	5.512	14/02/2019	1	178
IJM Corporation Berhad	08/28	AA3	4.699	10	4.738	18/02/2019	-4	82
AmBank Islamic Berhad	10/28	AA3	4.613	6	4.621	08/03/2019	-1	75
Edra Energy Sdn Berhad	07/29	AA3	5.780	1	5.849	07/03/2019	-7	192
MEX II Sdn Berhad	04/24	AA-	4.549	10	4.869	24/04/2018	-32	97
Southern Power Generation Sdn Berhad	10/27	AA-	4.529	5	4.709	12/11/2018	-18	65
Golden Assets International Finance Limited	08/19	A1	4.663	5	4.734	27/02/2019	-7	128
Affin Bank Berhad	02/27	A1	5.051	1	4.692	28/02/2019	36	120
Bank Islam Malaysia Berhad	11/28	A1	4.677	40	5.150	01/11/2018	-47	82
AmBank (M) Berhad	08/39	A1	4.269	8	4.239	27/02/2019	3	-18
UMW Holdings Berhad	04/18	A1	5.530	13	5.651	05/03/2019	-12	108
				<u>836</u>				

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

## Market/Corporate News: What's Brewing

**Malaysia Airlines Bhd, which will miss its target to turn to profit in 2018, is at a crossroads as the government mulls over different options to plug further losses in the national carrier.** The government has not discounted closing down the airline, according to Prime Minister Tun Dr Mahathir Mohamad. "It is a very serious matter to shut down the national airline. We have to decide soon," Dr Mahathir told reporters at the parliament lobby yesterday. "We will nevertheless study the situation whether we should shut it down or we should sell it off, or whether we could refinance it. All these [options] are open for the government to decide," he said. Separately, Economic Affairs Minister Datuk Seri Mohamed Azmin Ali told reporters that the matter had been deliberated at the last Khazanah Nasional Bhd board meeting, which was attended by the management of Malaysia Airlines as well. "Tun Mahathir has given his view on how we should manage the situation now. Both Khazanah and MAB (Malaysia Airlines) are taking up this matter seriously and hopefully they will find a solution for that," he said. Azmin added that one of the things that has been done in an effort to turn Malaysia Airlines around is the airlines' recently launched special charter service Amal, which caters specifically for Haj and

Umrah pilgrims to Saudi Arabia. “Hopefully we can explore new markets from Indonesia and Thailand — I think that would support the progress,” he said. The going concern of Malaysia Airlines came into question after its sole shareholder Khazanah had to make a massive impairment to its books that eventually caused the sovereign wealth fund to post an annual pre-tax loss for 2018, its first since 2005. When asked about the prime minister’s comments to shut the airline down, Azmin said, “Well that is something that the management must look into.” Tan Sri Mohd Sheriff Mohd Kassim, who was Khazanah managing director from 1994 to 2003, also said the government ought to really look into whether Malaysia still needs a national airline. “There are a lot of people saying that we may have to re-examine whether we still need a national airline, and I think we should really look into it, if we really need a national airline,” said Mohd Sheriff on the sidelines of the Asian Strategy and Leadership Institute’s Malaysian Strategic Financial Outlook Forum yesterday. “More and more people are talking about closing Malaysia Airlines down ... maybe that’s an option for the government to consider,” he added. (Source: *The EdgeMarkets*)

**The euphoria following Malaysia’s historic election last May has faded, leaving its stock market as Asia’s only one in the red this year.** The benchmark FTSE Bursa Malaysia KLCI index has fallen more than 1% so far in 2019, the only decliner in the region, while neighbouring Singapore has surged 5% and Indonesia gained 3%. The trend is unlikely to change as investors wait for Malaysian government initiatives to cut the budget deficit, clamp down on corruption and boost purchasing power. “It keeps coming back to where the country is going to go, it’s kind of on the government to lead the way,” said Jalil Rasheed, a Singapore-based investment director at Invesco Asset Management. “Anybody who is taking a long-term view in Malaysia over the next five to 10 years needs to be quite patient for the next two to three years.” Finance Minister Lim Guan Eng is calling on investors to buy Malaysian assets now, before they turn expensive once the fiscal situation gets back on track in three years. The new administration has been in clean-up mode: cancelling and reviewing billion-dollar projects while replacing dozens of CEOs at state-linked companies. That led growth to ease to 4.7% last year, with the government targeting a pick-up to 4.9% in 2019. Economists aren’t so sure, predicting growth to reach just 4.5%. A string of weak financial results hasn’t helped, with companies including Axiata Group Bhd and Nestle Malaysia Bhd. missing estimates. Malaysia’s earnings lagged its neighbours’ to fall 3.15% last year, compared with 8.8% rise for Singapore and 18% gain for Indonesia. Earnings in Malaysia are expected to rise only 1% to 2% this year, said Sean Gardiner, Morgan Stanley’s South-East Asia strategist in Singapore. “We would need to see jitters coming back to emerging markets so that investors appreciate Malaysia’s defensive nature,” Gardiner said. To woo investors, the country has rolled out an updated five-year economic plan that promised transparency and institutional reform. It pledges to address productivity growth, streamline state spending to prevent corruption, and widen its fiscal space by raising tax compliance. Still, “talk is cheap, and now it’s a question of implementing,” said Alexander Chia, head of regional equity research at RHB Bank Bhd. “Clearly there is a lot of execution risk, implementation risk and obviously a lot of political risks.” This isn’t unique to Malaysia, he said, as changes in government in India and Indonesia also left markets struggling for about 18 months before showing signs of recovery. India’s S&P BSE Sensex index declined 5% the year after its 2014 polls before gaining 2% in 2016 and 28% in 2017. Indonesia’s Jakarta Composite Index slid 12% in 2015, the year after its elections, before rebounding 15% in 2016. Malaysia’s case may be complicated by an expected handover of power from Prime Minister Tun Dr Mahathir Mohamad to Datuk Seri Anwar Ibrahim, who was promised the top seat before the election. Anwar, who leads the largest party in the ruling coalition, said Mahathir had made it “very clear” that the change would happen by May next year. The two men have presented a united front to the public, belying years of enmity between them involving Anwar’s sacking as Dr

Mahathir's deputy and his subsequent stints in prison for charges that he said were politically motivated. Anwar himself has shown signs of impatience. Despite saying he would spend a year away from politics since his release from prison last May, he returned to campaign for a parliament seat just five months later. "It's difficult to have a positive outlook when there is political infighting and weak outlook on growth from fiscal tightening," said Alan Richardson, a regional fund manager at Samsung Asset Management Co. in Hong Kong. "There appears to be frustration with a lack of tangible benefits under the new government and the shadow of race-based politics." This year may show improvement as the government clarifies its policies on consumption and infrastructure, said Danny Wong, chief executive officer at Malaysia-based Areca Capital Sdn. Consumer spending will see a boost from RM37bil of tax refunds and revival of large projects, which would have a multiplier effect on the economy, he said. Otherwise the doldrums could last toward the end of 2019, when the country's stock market may find a reason to gain should the government chart out better-than-expected spending in next year's budget. If everything falls into place, Malaysia "could be a shining light of an emerging market," Invesco's Rasheed said. "It's all in the execution". (Source: *The Star*)

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

Source: RAM, MARC

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