

Global Markets Research

Fixed Income

Fixed Income Daily Market Snapshot

UST		
Tenure	Closing (%)	Chg (bps)
2-yr UST	2.47	0
5-yr UST	2.43	1
10-yr UST	2.62	2
30-yr UST	3.02	2

MGS		GII*		
Tenure	Closing (%)	Chg (bps)	Closing (%)	Chg (bps)
3-yr	3.44	-1	3.55	-1
5-yr	3.58	-2	3.73	-1
7-yr	3.78	-1	3.90	-1
10-yr	3.85	-1	3.99	-2
15-yr	4.18	-6	4.31	-4
20-yr	4.42	-2	4.58	-1
30-yr	4.72	0	4.86	0

* Market indicative levels

MYR IRS Levels		
IRS	Closing (%)	Chg (bps)
1-yr	3.57	-1
3-yr	3.59	-2
5-yr	3.67	-3
7-yr	3.80	0
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, 14th March

US Treasuries

- US Treasuries closed weaker on Tuesday following \$16b of 30Y bond auction which notched a decent BTC ratio of 2.25x (versus 2.27x previous auction) and averaged 3.014%; the lowest since July 2018. The curve steepened and shifted higher with overall benchmark yields 1-2bps lower. The 2Y note yield was almost unchanged at 2.47% whilst the much-watched 10Y bond ended 2bps higher at 2.62%; off the 2.60% low last seen since early January. The US government is deemed to be heavily borrowing against its deficits which are on track to hit \$1.0 trillion and yet surprisingly this phenomenon has not pushed interest rates up as expected (or inflation for that matter). However markets may be expecting auction sizes to be cut to offset an increase in bill supply instead to compensate for the drain on reserves from the MBS-runoff.

MGS/GII

- Local govies maintained a robust momentum with volume etched at RM6.84b as the recent selling was well-absorbed. Interest was centred on the MGS/GII off-the-run 19's-20's, 27-28's and the 5Y benchmark GII bonds. Overall benchmark yields ended mostly 1-6bps lower with the 5Y benchmark MGS 4/23 at 3.58% whilst the 10Y MGS 8/29 edged 1bps lower at 3.85% level. GII bonds dropped to form 44% 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. Expect attention to be focused on the 15Y GII auction scheduled today.

Corp Bonds/Sukuk

- Corporate Bonds/Sukuk continued to see solid demand as volume notched RM954m. Investor interest was seen across the curve. Govt-guaranteed PTPTN 32's ended 0-1bps lower compared to previous-done levels at 4.46-47% levels. GOVCO 9/27 and DANA 7/27 also rallied to close at a wide difference of 4.17% and 4.30% respectively. AAA-rated recent issue DANUM Capital 2/34 moved 8bps lower at 4.52% whilst TENAGA 37-38's edged another 0-2bps lower btwn 4.72-76% area. In the AA-space, energy-related bond JEP 12/27 traded 17bps lower at 4.60% whilst a slew of Southern Power 2032-2035 bonds similarly closed sharply lower on yields between 4.63-5.01%. The banking space was active with CIMB Group Holdings 2016NC23 perpetual securities closing 2bps higher at 4.93% and Bank Islam 25NC20 finally relenting to selling pressure by 2bps at 4.40%.

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	47	3.335	12/03/2019	0
MGS	10/19	3.371	401	3.383	11/03/2019	-1
MGS	11/19	3.385	291	3.376	12/03/2019	1
MGS	03/20	3.334	250	3.363	12/03/2019	-3
MGS	07/20	3.401	110	3.432	12/03/2019	-3
MGS	10/20	3.429	1	3.429	11/03/2019	0
MGS	02/21	3.467	92	3.454	12/03/2019	1
MGS	07/21	3.400	166	3.478	11/03/2019	-8
MGS	09/21	3.410	87	3.453	11/03/2019	-4
MGS	11/21	3.405	220	3.443	12/03/2019	-4
MGS	03/22	3.443	291	3.452	12/03/2019	-1
MGS	09/22	2.874	10	3.537	12/03/2019	-66
MGS	03/23	3.629	20	3.615	11/03/2019	1
MGS	04/23	3.582	12	3.598	12/03/2019	-2
MGS	07/24	3.767	58	3.751	12/03/2019	2
MGS	09/24	3.776	46	3.773	12/03/2019	0
MGS	03/25	3.816	70	3.829	12/03/2019	-1
MGS	09/25	3.801	229	3.846	12/03/2019	-4
MGS	07/26	3.783	150	3.787	12/03/2019	0
MGS	09/26	3.910	20	3.903	12/03/2019	1
MGS	11/26	3.863	60	3.914	11/03/2019	-5
MGS	05/27	3.999	110	4.006	12/03/2019	-1
MGS	11/27	3.940	112	3.947	12/03/2019	-1
MGS	06/28	3.946	105	3.968	12/03/2019	-2
MGS	08/29	3.850	350	3.861	12/03/2019	-1
MGS	04/30	4.102	60	4.113	12/03/2019	-1
MGS	06/31	4.143	50	4.216	12/03/2019	-7
MGS	04/32	4.227	44	4.288	08/03/2019	-6
MGS	04/33	4.233	150	4.287	12/03/2019	-5
MGS	11/33	4.181	135	4.240	12/03/2019	-6
MGS	05/35	4.379	1	4.384	12/03/2019	-1
MGS	06/38	4.418	61	4.445	12/03/2019	-3
GII	08/19	3.425	5	3.299	15/01/2019	13
GII	04/20	3.451	140	3.460	12/03/2019	-1
GII	03/21	3.519	260	3.520	12/03/2019	0
GII	04/21	3.543	30	3.530	11/03/2019	1
GII	03/22	3.549	200	3.561	12/03/2019	-1
GII	04/22	3.615	60	3.616	12/03/2019	0
GII	07/22	3.647	20	3.657	12/03/2019	-1
GII	11/22	3.686	50	3.669	11/03/2019	2
GII	11/22	3.686	30	3.746	10/01/2019	-6
GII	07/23	3.756	60	3.761	12/03/2019	-1
GII	11/23	3.733	643	3.744	12/03/2019	-1
GII	08/24	3.857	60	3.869	12/03/2019	-1
GII	08/25	3.897	112	3.906	12/03/2019	-1
GII	09/26	3.969	80	4.025	06/03/2019	-6
GII	07/27	4.006	199	4.030	12/03/2019	-2
GII	10/28	4.055	180	4.064	12/03/2019	-1
GII	12/28	4.088	10	4.090	08/03/2019	0
GII	07/29	3.987	140	4.004	12/03/2019	-2
GII	09/30	4.129	270	4.157	12/03/2019	-3
GII	06/33	4.307	274	4.344	12/03/2019	-4
GII	08/33	4.350	10	4.389	08/03/2019	-4
GII	10/35	4.557	20	4.569	08/03/2019	-1
GII	08/37	4.584	180	4.592	12/03/2019	-0.8
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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	03/27	GG	4.130	50	4.190	25/02/2019	-6	28
Danainfra Nasional Berhad	07/27	GG	4.118	15	4.187	04/03/2019	-7	27
GovCo Holdings Berhad	09/27	GG	4.169	45	4.429	29/08/2018	-26	30
Prasarana Malaysia Berhad	02/31	GG	4.300	20	4.480	16/01/2019	-18	45
GovCo Holdings Berhad	02/32	GG	4.480	25	4.510	21/02/2019	-3	27
Perbadanan Tabung Pendidikan Tinggi Nasional	03/32	GG	4.459	30	4.461	12/03/2019	0	25
Perbadanan Tabung Pendidikan Tinggi Nasional	08/32	GG	4.469	75	4.478	12/03/2019	-1	26
Prasarana Malaysia Berhad	09/37	GG	4.629	20	4.664	07/03/2019	-4	20
Public Islamic Bank Berhad	07/21	AAA	4.075	40	4.117	28/02/2019	-4	65
Putrajaya Holdings Sdn Berhad	12/21	AAA	4.050	10	4.077	26/02/2019	-3	60
Great Realty Sdn Berhad	05/23	AAA	5.178	10	4.999	16/06/2017	18	165
Bakun Hydro Power Generation Sdn Berhad (fka S)	08/23	AAA	4.199	10	4.260	22/02/2019	-6	67
Putrajaya Bina Sdn Berhad	03/25	AAA	4.236	50	4.449	29/11/2018	-21	50
Bakun Hydro Power Generation Sdn Berhad (fka S)	08/26	AAA	4.334	10	4.387	07/02/2019	-5	55
Putrajaya Bina Sdn Berhad	09/27	AAA	4.341	20	4.357	12/03/2019	-2	47
Danum Capital Berhad	02/34	AAA	4.520	10	4.600	28/02/2019	-8	31
Tenaga Nasional Berhad	08/37	AAA	4.719	10	4.721	07/03/2019	0	29
Tenaga Nasional Berhad	08/38	AAA	4.761	10	4.779	04/03/2019	-2	33
Sarawak Energy Berhad	01/22	AA1	4.149	5	4.217	21/02/2019	-7	70
Sarawak Energy Berhad	07/29	AA1	4.470	5	4.509	05/03/2019	-4	62
Sarawak Energy Berhad	04/31	AA1	4.550	5	4.682	07/02/2019	-13	70
Sarawak Energy Berhad	12/32	AA1	4.627	10	4.668	06/03/2019	-4	42
Imtiaz Sukuk II Berhad	05/22	AA2	4.318	10	4.315	07/03/2019	0	87
Krung Thai Bank Public Company Limited	07/25	AA2	4.504	2	4.533	04/03/2019	-3	77
Gamuda Berhad	03/20	AA3	4.239	10	4.303	22/01/2019	-6	85
Edra Energy Sdn Berhad	01/26	AA3	5.489	1	5.549	27/02/2019	-6	170
Edra Energy Sdn Berhad	07/26	AA3	5.406	1	5.406	11/03/2019	0	162
Jimah East Power Sdn Berhad	12/27	AA-	4.598	220	4.769	28/08/2018	-17	73
AmBank (M) Berhad	03/28	AA3	4.574	20	4.713	09/01/2019	-14	70
IJM Corporation Berhad	08/28	AA3	4.688	20	4.699	12/03/2019	-1	81
Tanjung Bin Energy Issuer Berhad	09/28	AA3	4.609	10	4.648	19/02/2019	-4	76
Edra Energy Sdn Berhad	01/34	AA3	6.081	10	6.122	21/02/2019	-4	187
Southern Power Generation Sdn Berhad	04/32	AA-	4.625	10	4.701	08/02/2019	-8	41
Southern Power Generation Sdn Berhad	04/33	AA-	4.739	10	4.908	11/12/2018	-17	53
Southern Power Generation Sdn Berhad	10/35	AA-	5.008	10	5.172	25/10/2018	-16	80
Bank Islam Malaysia Berhad	12/25	A1	4.397	20	4.377	08/03/2019	2	61
CIMB Group Holdings Berhad	05/16	A1	4.933	110	4.909	11/03/2019	2	50
Bank Muamalat Malaysia Berhad	11/21	A	5.199	6	5.104	11/03/2019	9	175
				<u>954</u>				

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

Market/Corporate News: What's Brewing

As the debate on whether or not to shut down Malaysia Airlines Bhd hots up after Prime Minister Tun Dr Mahathir Mohamad's remark about the government exploring various options, including closing down the national carrier, Finance Minister Lim Guan Eng made an attempt to clear the air that the government has not decided on its options. Guan Eng stresses that the government is currently weighing various options to plug the losses in the national carrier, it is not the case as interpreted by many that the government has made up its mind to shut down Malaysia Airlines. Guan Eng was speaking to the press after the launch of Bank Pembangunan Malaysia Bhd's new fund yesterday. To recap, Dr Mahathir told the media in the Parliament on Tuesday that the government will have to decide on "the fate of Malaysia Airlines soon". He noted that there were options for the government to explore, including shutting down, or selling off the loss making national carrier, or divesting assets. Dr Mahathir's remark once again has sparked a heated debate on whether the country needs a national carrier? Or that should the government save the airline at all costs? Already Malaysia Airlines' sole shareholder Khazanah Nasional Bhd has pumped in RM6 billion, including the privatisation exercise that cost RM1.4 billion, to revive the national carrier in the past five years. Under the revamp plan, Malaysia Airlines has cut some

6,000 employees and renegotiated most contracts with suppliers to slash costs. It also stopped the long-haul and non-profitable routes to boost bottomline. Using financial performance as the yardstick, all the efforts made in the past do not seem to yield impressive results to steer the national carrier out of the turbulence. Sadly, the two air tragedies that happened in 2014 added to the financial woes. Due to the accumulated losses over the years, Khazanah booked in RM3 billion impairment for its investment in Malaysia Airlines. As a result, this has dragged the national sovereign fund into losses for the financial year ended Dec 31, 2018 (FY18) — the first time since 2005. Khazanah reported a pre-tax loss of RM6.3 billion for FY18, compared to its pre-tax profit of RM2.9 billion in the preceding year, amid impairment totalling RM7.3 billion — more than triple the RM2.3 billion of impairment seen in 2017. A large chunk of the impairment was on its investment on Malaysia Airlines. On the domestic economy front, Guan Eng described Malaysia's economic fundamentals are "sound" as he pointed that the various latest country's economic data indicating the strong fundamentals, including gross domestic product growth rate, consumer price index, and export figures. "Look at our export, we recorded a record level and our trade surplus also reached the highest ever at RM120 billion, if you look at these figures it is very encouraging," he added. (Source: *The EdgeMarkets*)

Malaysia's sovereign wealth fund sold Islamic bonds for the second time in three weeks as it buys out the national airline. Khazanah Nasional Bhd. issued \$500 million of seven-year sukuk today convertible into shares of state power company Tenaga Nasional Bhd., said a person with knowledge of the matter who asked not to be named because the information is private. The notes can be swapped when the stock reaches a 15 percent premium over the reference price, the person said. Khazanah is in the process of purchasing the 30.6 percent stake in Malaysian Airline System Bhd. that it doesn't already own and will then delist the carrier from the stock exchange. The fund announced last week a 6 billion ringgit (\$1.9 billion) plan to revive the airline. A prior attempt to sell the Tenaga-linked sukuk was shelved on June 5 because pricing didn't meet expectations, said a person familiar with the deal at that time. "There's little credit risk in this issue," James Lau, who oversees \$300 million as an investment director at Pheim Asset Management Asia Sdn. in Kuala Lumpur, said in a telephone interview. "The premium reflects the market view on the upside for Tenaga shares. The dollar-denominated notes were priced to yield minus 0.05 percent and the reference price was set at 12.40 ringgit, the person said. The shares were at 12.24 ringgit as of 11:30 a.m. in Kuala Lumpur, up 7.6 percent this year. Khazanah sold 1.5 billion ringgit of Shariah-compliant bonds on Aug. 19, according to two people familiar with that deal. Both proceeds are for working capital, the term sheets show. Raslan Sharif, Khazanah's spokesman in Kuala Lumpur, declined to comment on the latest bond offering by phone today. The yield on the fund's existing exchangeable Islamic bonds issued by a special purpose unit, Pulai Capital Ltd., in 2012 fell to a 2 1/2-year low. The U.S. dollar notes due in March 2019 that can be swapped into shares of Hong Kong-listed Parkson Retail Group Ltd. yielded 0.007 percent, data compiled by Bloomberg show. That compares with 0.06 percent on June 5 when the sale plan was scrapped. The average yield on global sukuk dropped 64 basis points in 2014 to 2.78 percent, the lowest level since May 29, according to a Deutsche Bank AG index, which predominately tracks U.S. currency corporate and sovereign notes. Khazanah is the biggest shareholder in Tenaga with 32.4 percent and also has holdings in the nation's IHH Healthcare Bhd., telecommunications company Axiata Group Bhd. and CIMB Group Holdings Bhd. (Source: *The EdgeMarkets*)

Rating Action			
Issuer	PDS Description	Rating/Outlook	Action
Alliance Islamic Bank Berhad	Proposed RM300 million Islamic Commercial Papers Programme	P1	Assigned
	Proposed RM2.5 billion Perpetual Sukuk Programme consisting of:		
	Senior Sukuk Murabahah	A1/Stable	Assigned
	Tier-2 Sukuk Murabahah	A2/Stable	Assigned
	Additional Tier-1 Capital Sukuk Wakalah	BBB1/Stable	Assigned

Source: RAM, MARC

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