

Global Markets Research

Fixed Income

Fixed Income Daily Market Snapshot

UST		
Tenure	Closing (%)	Chg (bps)
2-yr UST	2.54	1
5-yr UST	2.54	1
10-yr UST	2.72	1
30-yr UST	3.07	0

MGS		GII*		
Tenure	Closing (%)	Chg (bps)	Closing (%)	Chg (bps)
3-yr	3.55	-2	3.65	-1
5-yr	3.72	-1	3.81	-1
7-yr	3.88	-3	4.02	0
10-yr	4.06	0	4.09	0
15-yr	4.39	-1	4.46	1
20-yr	4.56	-1	4.69	0
30-yr	4.79	1	4.89	0

* Market indicative levels

MYR IRS Levels		
IRS	Closing (%)	Chg (bps)
1-yr	3.66	0
3-yr	3.68	-1
5-yr	3.78	-1
7-yr	3.89	-2
10-yr	4.07	-1

Source : Bloomberg

Upcoming Government Bond Tender

Nil

US Treasuries

- US Treasury curve bear-flattened yesterday as the long-end of the curve remained steady. UST's ended within 1bps of prior day's close with the 2Y at 2.54% and the much-watched 10Y at 2.72%. Meanwhile the dovish tone by world's major central banks and easing inflation expectations have allowed for recurring demand for global debt market instruments as UST's prove their resilience in the face of equity melt-downs. Some are predicting that markets will go long duration with domestic banks and institutional buyers being significant buyers.

MGS/GII

- Trading momentum in local govies maintained on high volume of RM5.71b with interest seen mainly up to 20Y tenures with focus in the off-the-run MGS/GII 19's, 23's newly-issued 7Y benchmark MGS and also 15-20Y GII bonds. Overall benchmarks yields ended mostly 0-3bps lower save for the 15Y GII and 30Y MGS bonds. Both the 5Y benchmark MGS 4/23 and 10Y MGS 6/28 ended within 1bps at 3.72% and 4.06% respectively. GII trades formed 41% of overall trades. Elsewhere, the government has formed a committee to cut its debt and liabilities to a manageable level within 18 months.

Corp Bonds/Sukuk

- Corporate Bonds/Sukuk also saw solid volume at RM922m with investors transacting across the GG to AA-part of the curve. Govt-guaranteed MKD Kenchana 2/23 ended 7bps lower at 4.05% compared to previous-done levels whilst PASB 24-25's saw similar move between 4.09-13% levels. AAA-rated CAGAMAS 19's rallied 10-12bps lower between 3.56-71% levels whereas the 5/23 tranche saw RM95m nominal amounts traded 1bps lower at 4.14%. In the AA-space, recently-issued PKNS 1/22 saw a block traded at 4.70% whilst energy-related bonds SEB 7/29 and 12/32 moved 0-1bps lower at 4.67 and 4.82% respectively. Likewise JEP 25-27's moved 5-7bps lower between 4.63-69% levels.

Daily Trades : Government Bonds

Securities		Closing YTM	Vol (RM mil)	Previous YTM	Previous Trade Date (dd/mm/yyyy)	Chg (bp)
MGS	03/19	3.261	4	3.302	15/01/2019	-4
MGS	07/19	3.287	64	3.311	14/01/2019	-2
MGS	10/19	3.375	29	3.415	15/01/2019	-4
MGS	11/19	3.388	15	3.383	15/01/2019	0
MGS	10/20	3.489	54	3.502	15/01/2019	-1
MGS	02/21	3.528	100	3.541	15/01/2019	-1
MGS	07/21	3.580	304	3.589	15/01/2019	-1
MGS	09/21	3.598	325	3.629	15/01/2019	-3
MGS	11/21	3.552	32	3.571	15/01/2019	-2
MGS	03/22	3.582	157	3.569	14/01/2019	1
MGS	08/22	3.707	30	3.703	15/01/2019	0
MGS	09/22	3.724	110	3.735	14/01/2019	-1
MGS	03/23	3.778	120	3.788	10/01/2019	-1
MGS	04/23	3.723	337	3.733	15/01/2019	-1
MGS	08/23	3.835	160	3.833	15/01/2019	0
MGS	07/24	3.875	80	3.898	14/01/2019	-2
MGS	09/25	3.980	194	3.984	15/01/2019	0
MGS	04/26	4.041	1	4.038	14/01/2019	0
MGS	07/26	3.880	260	3.905	15/01/2019	-2
MGS	11/26	4.042	11	4.049	15/01/2019	-1
MGS	11/27	4.089	74	4.089	15/01/2019	0
MGS	06/28	4.058	112	4.058	15/01/2019	0
MGS	04/30	4.294	81	4.295	14/01/2019	0
MGS	06/31	4.331	142	4.339	14/01/2019	-1
MGS	04/33	4.445	40	4.455	15/01/2019	-1
MGS	11/33	4.387	61	4.396	15/01/2019	-1
MGS	05/35	4.542	21	4.534	14/01/2019	1
MGS	04/37	4.518	2	4.542	15/01/2019	-2
MGS	06/38	4.556	247	4.565	15/01/2019	-1
MGS	07/48	4.794	1	4.779	14/01/2019	1
SPK	07/19	3.404	200	3.430	11/01/2019	-3
GII	09/19	3.308	190	3.308	15/01/2019	0
GII	04/20	3.489	20	3.493	15/01/2019	0
GII	05/20	3.495	40	3.495	15/01/2019	0
GII	08/21	3.626	30	3.625	11/01/2019	0
GII	03/22	3.651	110	3.661	15/01/2019	-1
GII	07/23	3.861	90	3.869	15/01/2019	-1
GII	11/23	3.808	210	3.817	14/01/2019	-1
GII	08/25	4.023	30	4.023	15/01/2019	0
GII	09/26	4.054	20	4.060	15/01/2019	-1
GII	07/27	4.106	310	4.112	15/01/2019	-1
GII	10/28	4.489	80	4.169	15/01/2019	32
GII	07/29	4.090	250	4.089	15/01/2019	0
GII	06/33	4.463	370	4.454	15/01/2019	1
GII	08/33	4.496	250	4.506	11/01/2019	-1
GII	08/37	4.691	280	4.692	15/01/2019	0
GII	05/47	4.891	60	4.888	11/01/2019	0
			<u>5707</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*
MKD Kencana Sdn Berhad	02/23	GG	4.050	25	4.115	14/11/2018	-7	37
Perbadanan Tabung Pendidikan Tinggi Nasional	08/23	GG	4.069	5	4.167	03/08/2018	-10	34
Prasarana Malaysia Berhad	03/24	GG	4.090	5	4.100	15/01/2019	-1	36
Lembaga Pembiayaan Perumahan Sektor Awam	04/24	GG	4.090	5	4.084	13/12/2018	1	36
Pengurusan Air SPV Berhad	06/24	GG	4.090	5	4.147	05/12/2018	-6	36
Pengurusan Air SPV Berhad	09/25	GG	4.139	5	4.207	08/01/2019	-7	23
DanaInfra Nasional Berhad	04/26	GG	4.191	10	4.433	08/02/2018	-24	29
Prasarana Malaysia Berhad	02/31	GG	4.480	10	4.510	27/09/2018	-3	42
Prasarana Malaysia Berhad	03/33	GG	4.610	10	4.618	04/01/2019	-1	22
DanaInfra Nasional Berhad	11/47	GG	5.029	10	5.029	15/01/2019	0	46
Cagamas Berhad	02/19	AAA	3.562	10	3.659	23/10/2018	-10	13
Cagamas Berhad	07/19	AAA	3.711	5	3.829	30/11/2018	-12	28
Cagamas Berhad	05/23	AAA	4.144	95	4.159	15/01/2019	-1	46
Telekom Malaysia Berhad	09/27	AAA	4.493	10	4.527	26/12/2018	-3	44
Telekom Malaysia Berhad	10/28	AAA	4.563	10	4.615	14/12/2018	-5	50
Sarawak Hidro Sdn Berhad	08/30	AAA	4.588	6	4.824	27/07/2018	-24	53
Danga Capital Berhad	01/33	AAA	4.735	100	4.753	11/01/2019	-2	35
Danga Capital Berhad	09/33	AAA	4.769	40	4.782	11/01/2019	-1	38
Tenaga Nasional Berhad	08/38	AAA	4.909	20	4.940	15/01/2019	-3	34
Sabah Development Bank Berhad	12/23	AA1	5.177	10	-	-	-	-
Hong Leong Bank Berhad	06/24	AA1	4.063	10	4.100	26/12/2018	-4	33
YTL Power International Berhad	10/24	AA1	4.677	5	4.680	10/01/2019	0	80
United Overseas Bank (Malaysia) Berhad	07/28	AA1	4.577	10	4.687	14/09/2018	-11	52
Sarawak Energy Berhad	07/29	AA1	4.668	10	4.669	15/01/2019	0	61
Sarawak Energy Berhad	12/32	AA1	4.819	40	4.829	10/01/2019	-1	43
UMW Holdings Berhad	10/19	AA2	4.118	7	4.175	24/12/2018	-6	69
AmBank (M) Berhad	06/20	AA2	4.172	20	4.211	18/12/2018	-4	74
BGSM Management Sdn Berhad	06/24	AA3	4.528	10	4.548	07/01/2019	-2	80
BGSM Management Sdn Berhad	08/25	AA3	4.631	10	4.630	02/01/2019	0	73
Perbadanan Kemajuan Negeri Selangor	01/22	AA3	4.700	170	-	-	-	-
Northport (Malaysia) Berhad	12/22	AA-	4.778	5	4.978	18/01/2018	-20	110
Serba Dinamik Holdings Berhad	10/23	AA-	4.898	30	4.905	07/01/2019	-1	117
Konsortium Lebuhraya Utara-Timur (KL) Sdn Berh	12/23	AA-	4.536	5	4.598	22/10/2018	-6	81
Konsortium Lebuhraya Utara-Timur (KL) Sdn Berh	12/24	AA-	4.574	15	4.714	10/08/2018	-14	70
SAJ Capital Sdn Berhad	01/25	AA-	4.981	5	5.098	12/11/2018	-12	111
Jimah East Power Sdn Berhad	12/25	AA-	4.633	10	4.698	18/10/2018	-7	73
Jimah East Power Sdn Berhad	06/27	AA-	4.687	10	4.745	28/08/2018	-6	68
Southern Power Generation Sdn Berhad	04/28	AA-	4.639	6	4.749	23/10/2018	-11	59
Affin Bank Berhad	07/18	A3	5.297	1	5.214	10/01/2019	8	73
Eco World International Berhad	04/23	-	6.570	10	6.371	10/01/2019	20	-
AEON Credit Sdn Bhd	12/14	-	6.227	88	6.460	06/12/2018	-23	-
UEM Sunrise Berhad	06/19	AA-	4.156	50	4.240	03/01/2019	-8	73
				<u>922</u>				

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

Market/Corporate News: What's Brewing

The Malaysian automotive sector is expected to shift into lower gear in 2019 as total vehicle sales are projected to be flattish, marking a sharp reversal from last year's stronger-than-expected sales performance. Anticipating a meagre 0.21% growth in total industry volume (TIV) for 2019, the Malaysian Automotive Association (MAA) said the Pakatan Harapan government is partly to be blamed for the slower automotive sales. In 2018, the local automotive sector's TIV grew 3.8% to 598,714 units, exceeding MAA's earlier forecast of 1.5%. MAA president Datuk Aishah Ahmad said that the government's delay in approving new car models' pricing has negatively affected carmakers' plans to launch new models. The delay, in turn, is expected to take a toll on the overall sales of new vehicles this year. Aishah explained that the Finance Ministry has channelled decision-making processes related to the Industrial Linkage Programme – which provides incentives for qualified locally-assembled vehicles – to the Automotive Business Development Council (ABDC). The ABDC consists of the Customs Department, the International Trade and Industry Ministry, the Finance Ministry, the

Malaysia Automotive, Robotics and IoT Institute, as well as the Malaysian Investment Development Authority. “Even after the committee has decided, it goes back (to the Finance Ministry) and the papers are not coming out. We have voiced this out, it is very difficult because we cannot get the prices and therefore cannot launch the models. “I cannot mention specifically, but many of our members have been affected by this delay. “There are a lot of models which we have showed during the motor show and we are supposed to launch them, but until today, we still haven’t got the official prices,” Aishah told reporters during the MAA press briefing yesterday. Aishah also pointed out that the slower economic growth, weakness of the ringgit, moderation in consumer spending and stringent lending requirements for hire purchase loans were among the key challenges for the domestic automotive sector in 2019. However, she said that the introduction of new vehicle models and the continuation of aggressive promotional campaigns by carmakers should sustain buying interest. Echoing a similar stance with MAA, an analyst told StarBiz that automotive sales in 2019 would likely be flattish due to the high base seen last year. “The 2018 TIV base is already pretty inflated because of the tax holiday,” he said, referring to the three-month period last year after the Pakatan government zeroed the goods and services tax between June and August 2018. He forecasts the automotive sector’s TIV to hit 599,000 units in 2019, slightly lower than MAA’s projection of 600,000 units. He also said that the automotive sector would see market share shifts in 2019, rather than outright industry growth. “For example, UMW is looking to introduce new Toyota models in segments where it is currently under-represented via its new Bukit Raja plant. Meanwhile, national cars, Proton and Perodua, are launching their maiden sport-utility vehicle (SUV) models,” he said. When asked whether both Proton and Perodua could increase their market share in 2019 given their recent launches, he said it is likely. Proton launched its maiden SUV, the X70, on Dec 12 last year. Meanwhile, Perodua’s SUV - Aruz - was launched on Jan 15. “These are models that fill up gaps in their model mix. Perodua’s TIV will likely hit a new record in 2019, following a recent high in 2018,” he said. MAA’s data showed that a total of 598,714 vehicles were sold in 2018, of which 514,675 were passenger vehicles and 65,512 were commercial vehicles. Perodua retained its top ranking in terms of total vehicle sales, as the carmaker enlarged its market share from 35.5% in 2017 to 38% in 2018. Honda ranked second with a market share of 17.1%. Toyota rose to the third spot in 2018 with 10.9%, beating Proton, which slipped to fourth position with 10.8%. (Source: The Star)

Rating Action			
Issuer	PDS Description	Rating/Outlook	Action
Cendana Sejati Sdn Bhd	RM360 million Senior Sukuk Murabahah MTN Programme (Senior Sukuk Programme).	From BB2 to C1	Downgraded
First Abu Dhabi Bank PJSC	Senior and Subordinated MTN, issued under its Islamic/Conventional MTN Programme of up to RM3 billion (2010/2030)	the AAA/Stable and AA1/Stable ratings	Reaffirmed
	Financial Institution ratings	AAA/Stable/P1	Reaffirmed
Danum Capital Berhad	RM10 billion Sukuk Danum Programme	AAA(s)/stable	Assigned

Source: RAM, MARC

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