

## Global Markets Research

### Fixed Income

#### Fixed Income Daily Market Snapshot

UST		
Tenure	Closing (%)	Chg (bps)
2-yr UST	2.49	-3
5-yr UST	2.46	-4
10-yr UST	2.63	-3
30-yr UST	2.98	-2

MGS		GII*		
Tenure	Closing (%)	Chg (bps)	Closing (%)	Chg (bps)
3-yr	3.55	-1	3.66	0
5-yr	3.72	0	3.83	1
7-yr	3.85	1	3.96	-2
10-yr	3.88	0	4.04	1
15-yr	4.30	1	4.38	-1
20-yr	4.48	0	4.62	0
30-yr	4.74	0	4.85	0

\* Market indicative levels

MYR IRS Levels		
IRS	Closing (%)	Chg (bps)
1-yr	3.66	1
3-yr	3.69	1
5-yr	3.77	0
7-yr	3.89	0
10-yr	4.05	0

Source : Bloomberg

#### Upcoming Government Bond Tender

Nil

#### US Treasuries

- US Treasuries ended higher yesterday with solid gains seen in the belly whilst the long-end made marginal gains amid uncertainty. The curve shifted lower as uncertainty over trade and global growth weighed on investor sentiment. Benchmark yields ended 2-4bps lower with the 2Y at 2.49% and the much-watched 10Y moving 3bps lower at 2.63%. The USD credit issuance sector was active with several financial-related deals dominating the day led by Daimler Finance offering. The gap between 2Y and 10Y remains within ~13-17bps for some time following December's bottom of 9bps. The Fed's expected pause on rates for now and potential balance-sheet normalization plans has driven the 10Y UST term premium to even more negative levels. However investors fear that it may be poised to continue its narrowing trend following tonight's release of minutes from the FOMC's January meeting.

#### MGS/GII

- Local govvnies saw momentum improve following several days of muted and profit-taking sessions with volume at RM3.68b. Interest was mainly focused in the GII sector with substantial trades in the off-the-run 20's and both present and previous benchmark 10Y bonds. Overall benchmarks yields ended mixed i.e. between -2 to +1bps with the 5Y benchmark MGS 4/23 unchanged at 3.72% whilst the new 10Y MGS 8/29 closed within 1bps lower at 3.88%. GII trades rose to form a massive 87% of overall trades. Separately, financial conditions across Asia are getting easier, helped by a stock market rally, falling bond yields and a dovish shift from the Fed.

#### Corp Bonds/Sukuk

- Corporate Bonds/Sukuk continued to witness solid secondary demand with volume at RM584m as interest spanning across the GG to AA-part of the curve. Govt-guaranteed KHAZANAH 8/23 saw substantial nominal amounts traded 2bps higher at 4.03% whilst both PRASA 3/24 and DANA 2/25 rallied 5bps between 4.04-07% levels compared to previous-done levels. AAA-rated TENAGA 37-38's continued to ease lower on yields at 4.79-84% area whilst newly-issued DANUM Capital 2/34 notched its maiden secondary market trade at 4.61%; compared to its coupon of 4.68%. In the AA-space, energy-related bonds SEB, YTL Power, TBEI and Southern Power dominated trades. SEB 7/24 and 8/25 closed unchanged at 4.39% and 4.45% respectively whilst RM50mio of SEB 1/27 bonds closed 6bps lower at 4.58%. The banking space saw SABAH DEV 7/20 move 12bps lower at 4.65%.

## Daily Trades : Government Bonds

Securities		Closing YTM	Vol (RM mil)	Previous YTM	Previous Trade Date (dd/mm/yyyy)	Chg (bp)
MGS	03/19	3.293	3	3.295	18/02/2019	0
MGS	10/19	3.397	61	3.399	18/02/2019	0
MGS	11/19	3.414	40	3.421	15/02/2019	-1
MGS	09/21	3.608	1	3.598	15/02/2019	1
MGS	11/21	3.550	80	3.542	15/02/2019	1
MGS	04/23	3.722	15	3.722	18/02/2019	0
MGS	07/24	3.835	1	3.794	18/02/2019	4
MGS	09/24	3.838	8	3.858	18/02/2019	-2
MGS	03/25	3.928	29	3.910	18/02/2019	2
MGS	04/26	3.954	3	3.910	13/02/2019	4
MGS	07/26	3.851	4	3.838	18/02/2019	1
MGS	11/26	3.932	4	3.917	15/02/2019	2
MGS	05/27	4.017	14	3.978	18/02/2019	4
MGS	11/27	3.980	40	3.939	15/02/2019	4
MGS	06/28	3.959	24	3.939	18/02/2019	2
MGS	08/29	3.884	93	3.887	18/02/2019	0
MGS	04/30	4.147	51	4.136	18/02/2019	1
MGS	06/31	4.211	10	4.190	14/02/2019	2
MGS	11/33	4.301	2	4.290	18/02/2019	1
MGS	03/46	4.769	2	4.736	15/02/2019	3
GII	07/19	3.331	150	3.343	30/01/2019	-1
GII	05/20	3.514	110	3.531	18/02/2019	-2
GII	08/20	3.546	1337	3.536	18/02/2019	1
GII	03/22	3.663	30	3.659	18/02/2019	0
GII	11/23	3.826	50	3.821	15/02/2019	0
GII	08/24	3.908	50	3.916	15/02/2019	-1
GII	08/25	3.957	210	3.982	18/02/2019	-3
GII	10/25	4.010	10	3.989	15/02/2019	2
GII	07/27	4.058	100	4.039	18/02/2019	2
GII	10/28	4.090	437	4.099	18/02/2019	-1
GII	07/29	4.040	400	4.035	18/02/2019	0
GII	09/30	4.184	110	4.200	15/02/2019	-2
GII	06/33	4.377	80	4.382	18/02/2019	0
GII	08/37	4.616	120	4.620	18/02/2019	0
			<u>3678</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*
Khazanah Nasional Berhad	08/23	GG	4.033	80	4.013	13/02/2019	2	35
Prasarana Malaysia Berhad	03/24	GG	4.043	10	4.090	16/01/2019	-5	32
DanaInfra Nasional Berhad	02/25	GG	4.071	5	4.121	30/01/2019	-5	24
Prasarana Malaysia Berhad	03/25	GG	4.070	10	4.090	14/02/2019	-2	24
Pengurusan Air SPV Berhad	06/25	GG	4.081	10	4.233	06/12/2018	-15	25
DanaInfra Nasional Berhad	11/25	GG	4.090	25	4.101	15/02/2019	-1	22
Pengurusan Air SPV Berhad	02/26	GG	4.100	5	4.151	25/01/2019	-5	23
DanaInfra Nasional Berhad	04/26	GG	4.130	10	4.098	14/02/2019	3	26
Pengurusan Air SPV Berhad	06/26	GG	4.120	5	4.416	18/01/2018	-30	25
DanaInfra Nasional Berhad	11/32	GG	4.499	40	4.548	11/02/2019	-5	21
Lembaga Pembiayaan Perumahan Sektor Awam	09/36	GG	4.649	15	4.759	03/01/2019	-11	17
Perbadanan Tabung Pendidikan Tinggi Nasional	03/37	GG	4.721	10	4.779	15/01/2019	-6	24
Perbadanan Tabung Pendidikan Tinggi Nasional	07/41	GG	4.839	40	4.840	15/02/2019	0	36
Jambatan Kedua Sdn Berhad	07/41	GG	4.850	5	5.019	13/08/2018	-17	37
Malaysia Airports Capital Berhad	08/20	AAA	4.041	10	4.075	04/01/2019	-3	53
Putrajaya Holdings Sdn Berhad	09/20	AAA	3.947	10	4.074	07/11/2018	-13	43
Al-'Aqar Capital Sdn Berhad	05/23	AAA	4.524	10	-	-	-	85
Inverfin Sdn Berhad	02/24	AAA	5.088	60	5.039	06/12/2018	5	136
Projek Lebuhraya Usahasama Berhad	01/31	AAA	4.608	1	4.610	18/02/2019	0	71
Danum Capital Berhad	02/34	AAA	4.610	30	-	-	-	32
Tenaga Nasional Berhad	08/37	AAA	4.790	10	4.828	12/02/2019	-4	31
Tenaga Nasional Berhad	08/38	AAA	4.840	10	4.899	29/01/2019	-6	36
Westports Malaysia Sdn Berhad	04/25	AA+	4.458	20	4.608	31/10/2018	-15	63
Westports Malaysia Sdn Berhad	04/26	AA+	4.516	10	4.678	07/11/2018	-16	65
Sabah Development Bank Berhad	07/20	AA1	4.652	10	4.776	03/12/2018	-12	123
Sarawak Energy Berhad	07/24	AA1	4.391	10	4.394	14/02/2019	0	66
Sarawak Energy Berhad	08/25	AA1	4.449	10	4.446	14/02/2019	0	62
Sarawak Energy Berhad	01/27	AA1	4.502	50	4.565	17/01/2019	-6	60
YTL Power International Berhad	05/27	AA1	4.803	5	4.811	11/02/2019	-1	91
Sarawak Energy Berhad	07/29	AA1	4.580	10	4.599	30/01/2019	-2	69
Bumitama Agri Ltd	09/19	AA3	4.253	10	4.260	15/02/2019	-1	83
Tanjung Bin Energy Issuer Berhad	09/28	AA3	4.648	10	4.798	13/11/2018	-15	75
Sports Toto Malaysia Sdn Berhad	06/19	AA-	4.468	16	4.428	10/01/2019	4	104
Southern Power Generation Sdn Berhad	10/34	AA-	4.973	10	5.066	13/12/2018	-9	69
DRB-Hicom Berhad	02/22	A+	5.896	2	6.018	15/02/2019	-12	234
				<u>584</u>				

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

## Market/Corporate News: What's Brewing

**A consortium led by Repsol has found new gas resources in Indonesia estimated at at least 2 trillion cubic feet, the Spanish oil and gas firm said on Tuesday, equivalent to around two years' worth of Spanish demand.** The discovery at the Sakakemang block in South Sumatra is among the 10 largest finds worldwide in the last 12 months, and the biggest in Indonesia for 18 years, Repsol said. Following its strategy to maximise the use of gas as major economies phase out carbon, Repsol plans to drill another appraisal well in the area in the coming months, it said. The Madrid-based firm operates the well and holds a 45 percent stake, while **Malaysia's Petronas owns 45 percent** and Japan's MOECO the remaining 10 percent. The find would translate into more than 350 million barrels of oil equivalent. Before this find, Repsol had global gas reserves equivalent to around 1.7 billion barrels of oil. The discovery at the Sakakemang block in South Sumatra is among the 10 largest finds worldwide in the last 12 months, and the biggest in Indonesia for 18 years, Repsol said. Following its strategy to maximise the use of gas as major economies phase out carbon, Repsol plans to drill another appraisal well in the area in the coming months, it said. The Madrid-based firm operates the well and holds a 45 percent stake, while Malaysia's Petronas owns 45 percent and Japan's MOECO the remaining 10 percent. The find would translate into more than 350

million barrels of oil equivalent. Before this find, Repsol had global gas reserves equivalent to around 1.7 billion barrels of oil. (Source: *The Star/reuters*)

**Highway construction company WCE Holdings Bhd's net profit grew 7.4% to RM10.34 million for the third financial quarter ended Dec 31, 2018 (3QFY19) from RM9.62 million a year ago, on lower taxation.** WCE reported lower taxation of RM322,000 compared with RM1.42 million in 3QFY18. The effective tax rate for the current quarter is lower than the statutory tax rate due mainly to certain non-taxable income items, said WCE in a filing with Bursa Malaysia today. The group's earnings per share came in higher at 1.01 sen for 3QFY19 compared with 0.94 sen for 3QFY18. Quarterly revenue, however, fell 19.9% to RM123.3 million from RM153.88 million in 3QFY18. For the cumulative nine months ended Dec 31, 2018 (9MFY19), WCE saw its net profit fall 21.7% to RM21.71 million from RM27.72 million a year ago, while revenue declined 9.2% to RM493.07 million versus RM543.07 million in 9MFY18. On prospects, WCE expects the results for the current financial year to be satisfactory, barring any unforeseen circumstances. WCE noted that the construction of the West Coast Expressway project is currently ongoing and some sections are expected to be completed during the financial year. The expressway project, which involves the development of a 233km tolled highway from Banting, Selangor to Taiping, Perak (including 40km of highway to be constructed later), is a build-operate-transfer project with a concession period of up to a maximum of 60 years. While the property market is expected to remain challenging despite improving consumer sentiments, WCE also said Bandar Rimbayu is expected to maintain its performance for the coming financial year on the back of the unbilled sales and satisfactory response from new launches. (Source: *The EdgeMarkets*)

Rating Action			
Issuer	PDS Description	Rating/Outlook	Action
Konsortium Lebuhraya Utara-Timur (KL) Sdn Bhd (Kesturi)	RM2.3 billion Sukuk Musharakah (Senior Sukuk) RM180 million Redeemable Secured Junior Bonds (Junior Bonds)	AA-IS A-	Affirmed
PETRONAS Dagangan Berhad (PDB)	Islamic Commercial Papers (ICP) and Islamic Medium-Term Notes (IMTN) Programme of up to RM2.0 billion.	MARC-1IS/AAAIS	Affirmed

Source: RAM, MARC

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