

## Global Markets Research

### Fixed Income

#### Fixed Income Daily Market Snapshot

UST		
Tenure	Closing (%)	Chg (bps)
2-yr UST	2.47	2
5-yr UST	2.43	1
10-yr UST	2.61	1
30-yr UST	3.02	0

MGS		GII*		
Tenure	Closing (%)	Chg (bps)	Closing (%)	Chg (bps)
3-yr	3.42	-2	3.54	0
5-yr	3.56	-2	3.72	-1
7-yr	3.78	-2	3.89	-2
10-yr	3.82	0	3.97	0
15-yr	4.17	0	4.28	0
20-yr	4.39	0	4.51	-1
30-yr	4.61	0	4.75	0

\* Market indicative levels

MYR IRS Levels		
IRS	Closing (%)	Chg (bps)
1-yr	3.58	0
3-yr	3.59	0
5-yr	3.68	0
7-yr	3.80	0
10-yr	3.98	0

Source : Bloomberg

#### Upcoming Government Bond Tender

Re-opening of RM2.0b auction + RM2.0b Private placement of 30Y MGS 7/48 bonds on Thursday, 21<sup>st</sup>

#### US Treasuries

- US Treasuries were slightly bearish as front-end was slightly pressured whilst unwinding the recent bear-steepening moves. Overall benchmark yields ended 0-2bps higher. The UST 2Y ended at 2.47% and the much-watched 10Y bond edged 1bps higher at 2.61%. UST volatility has dwindled of late ahead of the FOMC rate decision this coming Thursday. Trade fear has reared its head again with Trump administration concerns that China is “walking back” some of the pledges they’ve made in negotiations so far whilst balking on some of the terms of the trade negotiation. A smaller-than-expected increase in factory orders, the latest in a string of underwhelming economic data will continue to support the Fed’s more accommodative stance. However a pick-up in inflation could turn the Fed hawkish again if labor market conditions continue to be upbeat.

#### MGS/GII

- Local govvnies saw solid momentum with volume at a RM4.06b despite attention being focused on the keynote addresses at the annual Malaysia Invest 2019. Interest was mainly focused on the MGS off-the-run 19-20’s and also the benchmark 3Y MGS and 7Y GII bonds. Overall benchmark yields ended mostly 0-2bps lower with the 5Y benchmark MGS 4/23 at 3.56% whilst the 10Y MGS 8/29 was untraded at 3.82%. GII bonds dropped to form 34% of overall trades. Portfolio outflows have abated recently somewhat spurred by the dovish tones of both the Fed and BNM. A recent analysis finds that among EM sovereign debt markets; Indonesia, Brazil and South Africa have the highest 10Y yields whilst current levels in Malaysia and Mexico may be more attractive on a historical basis. Up next on the data front are the CPI numbers on Friday.

#### Corp Bonds/Sukuk

- Corporate Bonds/Sukuk lost traction as volume grinded to a mere RM116m due to absence of investors due to the annual Malaysia Invest 2019 seminar from 19<sup>th</sup>-20<sup>th</sup> March. There were no trades for Govt-guaranteed bonds nor AAA-rated ones with some interest seen mainly in banking stocks. AA-rated SEB 7/19 closed unchanged compared to previous-done levels at 3.82% whereas UEM Sunrise 10/25 rallied 10bps at 4.68%. The banking space saw RM70m in nominal amounts traded for RHB 24NC19 which closed sharply lower on yields at 4.08% levels whilst both SABAH Dev Bank and Hong Leong Financial Group 20’s moved 18-21bps higher at 3.82% and 4.82% respectively.

## Daily Trades : Government Bonds

Securities		Closing YTM	Vol (RM mil)	Previous YTM	Previous Trade Date (dd/mm/yyyy)	Chg (bp)
MGS	07/19	3.303	110	3.303	15/03/2019	0
MGS	10/19	3.386	567	3.384	18/03/2019	0
MGS	11/19	3.380	271	3.386	15/03/2019	-1
MGS	03/20	3.381	170	3.382	18/03/2019	0
MGS	07/20	3.395	129	3.402	18/03/2019	-1
MGS	10/20	3.407	22	3.420	18/03/2019	-1
MGS	07/21	3.444	51	3.452	18/03/2019	-1
MGS	11/21	3.431	3	3.446	18/03/2019	-2
MGS	03/22	3.417	388	3.418	18/03/2019	0
MGS	08/22	3.512	62	3.529	18/03/2019	-2
MGS	09/22	3.517	102	3.537	15/03/2019	-2
MGS	03/23	3.613	23	3.616	15/03/2019	0
MGS	04/23	3.563	53	3.584	18/03/2019	-2
MGS	07/24	3.731	6	3.762	18/03/2019	-3
MGS	09/24	3.748	156	3.766	14/03/2019	-2
MGS	03/25	3.793	1	3.807	18/03/2019	-1
MGS	09/25	3.806	5	3.783	18/03/2019	2
MGS	04/26	3.859	1	3.902	18/03/2019	-4
MGS	07/26	3.782	81	3.797	18/03/2019	-2
MGS	11/26	3.878	31	3.866	18/03/2019	1
MGS	05/27	3.941	21	3.984	18/03/2019	-4
MGS	11/27	3.885	161	3.898	18/03/2019	-1
MGS	06/28	3.908	88	3.930	18/03/2019	-2
MGS	04/30	4.046	170	4.101	18/03/2019	-5
MGS	05/35	4.371	2	4.375	18/03/2019	0
MGS	04/37	4.439	1	4.422	15/03/2019	2
GII	04/19	3.379	50	3.342	12/03/2019	4
GII	09/19	3.388	150	3.416	11/03/2019	-3
GII	03/21	3.497	10	3.518	18/03/2019	-2
GII	04/21	3.502	90	3.525	15/03/2019	-2
GII	03/22	3.543	46	3.546	18/03/2019	0
GII	04/22	3.624	8	3.621	15/03/2019	0
GII	11/23	3.718	160	3.729	18/03/2019	-1
GII	05/24	3.805	40	3.843	08/03/2019	-4
GII	08/24	3.828	30	3.838	18/03/2019	-1
GII	08/25	3.886	330	3.902	18/03/2019	-2
GII	09/26	3.951	16	3.968	18/03/2019	-2
GII	07/27	3.995	20	3.988	18/03/2019	1
GII	10/28	4.052	40	4.051	18/03/2019	0
GII	12/28	4.051	20	4.057	14/03/2019	-1
GII	07/29	3.974	10	3.973	15/03/2019	0
GII	06/33	4.284	150	4.288	18/03/2019	0
GII	08/33	4.296	120	4.315	18/03/2019	-2
GII	10/35	4.443	20	4.455	15/03/2019	-1
GII	08/37	4.513	70	4.521	18/03/2019	-1
GII	09/39	4.445	10	4.452	18/03/2019	-1
			<u>4062</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*
Sarawak Energy Berhad	07/19	AA1	3.820	10	3.819	15/03/2019	0	44
Sabah Development Bank Berhad	07/20	AA1	4.823	5	4.617	18/03/2019	21	145
Hong Leong Financial Group Berhad	09/20	AA1	4.310	5	4.128	07/03/2019	18	90
PBFIN Berhad	06/59	AA2	4.559	0	3.980	18/03/2019	58	15
Anih Berhad	11/28	AA	4.626	10	4.638	08/03/2019	-1	78
RHB Bank Berhad	07/24	AA3	4.077	70	4.969	07/03/2019	-89	50
Edra Energy Sdn Berhad	01/26	AA3	5.488	4	5.489	15/03/2019	0	171
CIMB Thai Bank Public Company Limited	07/26	AA3	4.610	1	4.565	18/03/2019	4	83
AmBank (M) Berhad	03/27	AA3	4.299	1	4.518	07/03/2019	-22	47
UEM Sunrise Berhad	10/25	AA-	4.682	10	4.779	08/02/2019	-10	90
Affin Bank Berhad	02/27	A1	4.977	1	4.960	14/03/2019	2	115
				<u>116</u>				

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

**Market/Corporate News: What's Brewing**

**Malaysia will return to its Asian tiger status in three years, says Finance Minister Lim Guan Eng.** He said the 48 per cent jump in foreign direct investments to RM80.5 billion in 2018, compared with RM54.4 billion in 2017, reflected investor confidence in Malaysia's economic health. Lim said Chinese and Japanese investments into Malaysia had increased substantially and he hoped local investors would follow suit. "2018's figures have been positive despite certain predictions and I think Malaysia's economy is progressing well. We have exceeded consensus estimation even for the previous month. "The Industrial Production Index at 3.2 per cent in January was higher than the estimate compiled by Bloomberg at 2.3 per cent," he said in his keynote address at the Invest Malaysia 2019 capital market forum here today. (Source: *The Star*)

Flush with funds, **the Employees Provident Fund (EPF) and the Retirement Fund Inc (KWAP) are pushing for more overseas investments** as they are constrained by mandates set by Bank Negara Malaysia (BNM). EPF chief executive officer (CEO) Tunku Alizakri Alias said at the moment, 28 percent of its assets were overseas. "We are flush with cash and we are growing every month. Every month or so, on a net basis we get RM1.5 billion to RM1.9 billion. Very soon, we will be a RM1 trillion fund. So, the real challenge is where do we put this cash?" he said during a panel session titled "New Mandates, New Opportunities" held at the Invest Malaysia 2019 capital market forum here today. Currently, EPF has RM833.76 billion total assets under management. Meanwhile, KWAP CEO Syed Hamadah Syed Othman said the fund is in talks with BNM to increase its mandate for overseas investments and if successful, it plans to mainly invest in private equities. KWAP's overseas assets stood at 13 percent of total assets. During the session, Tunku Alizakri expressed concerns over declining EPF contributors, which fell to the current 40 percent of the working population from 48 percent five years ago, due to the growing freelance economy. "There may be a day when EPF no longer exists. So, the challenge for EPF is how to remain relevant," he said. The EPF CEO said as Malaysians age, growing withdrawals might also result in cash constraints to EPF. "We are going to be an ageing nation very soon. Conservative numbers show as early as 2030," he said. Tunku Alizakri said the fund needed to come up with more services to attract people, especially the youth, to save with EPF while encouraging retirees to make their withdrawals in phases. "We invite companies to partner with EPF for a long-term investment collaboration," he said, adding that it might be timely for EPF to look at investments in early technology adopters. (Source: *The EdgeMarkets*)

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

Source: RAM, MARC

### Hong Leong Bank Berhad

Fixed Income & Economic Research, Global Markets  
 Level 8, Hong Leong Tower  
 6, Jalan Damanlela  
 Bukit Damansara  
 50490 Kuala Lumpur  
 Tel: 603-2081 1221  
 Fax: 603-2081 8936  
 Email: HLMarkets@hlbb.com.my

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