

Global Markets Research

Fixed Income

Fixed Income Daily Market Snapshot

UST		
Tenure	Closing (%)	Chg (bps)
2-yr UST	2.62	0
5-yr UST	2.62	0
10-yr UST	2.79	0
30-yr UST	3.10	0

MGS		GII*		
Tenure	Closing (%)	Chg (bps)	Closing (%)	Chg (bps)
3-yr	3.54	51	3.66	1
5-yr	3.70	-2	3.82	2
7-yr	3.89	1	4.02	1
10-yr	4.04	-2	4.09	1
15-yr	4.39	2	4.45	0
20-yr	4.56	0	4.68	1
30-yr	4.79	0	4.89	0

* Market indicative levels

MYR IRS Levels		
IRS	Closing (%)	Chg (bps)
1-yr	3.66	0
3-yr	3.69	0
5-yr	3.79	0
7-yr	3.91	1
10-yr	4.08	0

Source : Bloomberg

Upcoming Government Bond Tender

Nil

US Treasuries

- US bond market was closed yesterday; pushing Treasury's sales of \$42b of 3-month bills and \$39b of 6-month bills to Tuesday. Meanwhile, despite concerns of a looming recession, bond traders choose to monitor the threat of inflation. Meanwhile expect attention to be focused on this week's World Economic Forum at Davos, Switzerland. Analysts believe that data is expected to weaken as political risks rise amid international trade deadlock whilst the US government partial shutdown continues to exist. The shift in investor base from public to the private sector for the \$16 trillion bond market may further drive up the average interest rate on the country's debt; which stands at a 9-year high.

MGS/GII

- Trading momentum in local govies weakened slightly on volume of RM3.38b with interest seen mainly in the 7Y GII bonds and also the off-the-run 25-26's. Overall benchmarks yields ended mostly mixed between -2 to +2bps higher save for the odd-lot trade on the the 3Y MGS that skewed the curve again. Both the 5Y benchmark MGS 4/23 and 10Y MGS 6/28 ended 2bps lower at 3.70% and 4.04% respectively. GII trades dropped to form 44% of overall trades. Up next on the data front are the nation's foreign reserves as at 15th January followed by the release of both CPI for December 2018 and BNM 's Monetary Policy Meeting on the OPR.

Corp Bonds/Sukuk

- Corporate Bonds/Sukuk also saw volume ease slightly at RM534m with investors interest maintained across the GG to AA-part of the curve. The shorter Govt-guaranteed (GG) GOVCO 9/32 saw substantial volume exchange hands 9bps lower compared to previous-done levels at 4.65%. PTPTN 3/21 and 8/23 ended between 0-1bps lower at 3.93% and 4.06% respectively. The short AAA-rated GB Services 11/19 closed 4bps lower at 4.20% whereas PLUS 33-34's saw demand closing lower on yields between 4.73-78% levels. In the AA-space, energy-related bonds i.e. EDRA Energy, JEV and BGSM were among the names traded altogether closing 0-21bps lower (save for EDRA Energy 1/27 which ended 5bps higher at 5.60%). In the banking sector, HLBB 24NC19 saw RM80m nominal amounts traded with yields ending 2bps higher at 4.08%/20 edged 1bps lower at 4.16%.

Daily Trades : Government Bonds

Securities		Closing YTM	Vol (RM mil)	Previous YTM	Previous Trade Date (dd/mm/yyyy)	Chg (bp)
MGS	03/19	3.273	190	3.192	17/01/2019	8
MGS	10/19	3.396	3	3.371	17/01/2019	2
MGS	11/19	3.396	1	3.376	17/01/2019	2
MGS	03/20	3.463	114	3.454	17/01/2019	1
MGS	07/21	3.577	131	3.557	17/01/2019	2
MGS	11/21	3.545	79	3.030	17/01/2019	52
MGS	03/22	3.568	133	3.574	17/01/2019	-1
MGS	08/22	3.699	5	3.707	17/01/2019	-1
MGS	09/22	3.706	140	3.727	17/01/2019	-2
MGS	03/23	3.782	2	3.755	17/01/2019	3
MGS	04/23	3.697	85	3.720	17/01/2019	-2
MGS	08/23	3.824	8	3.744	17/01/2019	8
MGS	07/24	3.854	21	3.864	17/01/2019	-1
MGS	03/25	3.952	50	3.946	17/01/2019	1
MGS	09/25	3.989	320	3.979	17/01/2019	1
MGS	07/26	3.892	140	3.884	17/01/2019	1
MGS	11/26	4.046	128	4.049	17/01/2019	0
MGS	05/27	4.129	3	4.123	11/01/2019	1
MGS	11/27	4.084	138	4.085	17/01/2019	0
MGS	06/28	4.035	79	4.058	17/01/2019	-2
MGS	06/31	4.337	1	4.313	17/01/2019	2
MGS	11/33	4.393	106	4.387	16/01/2019	1
MGS	04/37	4.522	1	4.518	17/01/2019	0
MGS	06/38	4.560	1	4.564	17/01/2019	0
GII	04/20	3.517	3	3.483	17/01/2019	3
GII	03/22	3.661	70	3.654	17/01/2019	1
GII	07/23	3.857	90	3.861	16/01/2019	0
GII	11/23	3.823	117	3.808	16/01/2019	2
GII	08/25	4.023	620	4.016	17/01/2019	1
GII	09/26	4.054	9	4.054	17/01/2019	0
GII	08/28	4.185	20	4.325	20/12/2018	-14
GII	10/28	4.167	30	4.164	17/01/2019	0
GII	07/29	4.094	320	4.088	17/01/2019	1
GII	10/35	4.759	9	4.663	15/01/2019	10
GII	08/37	4.681	220	4.672	17/01/2019	1
			<u>3384</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*
Perbadanan Tabung Pendidikan Tinggi Nasional	03/21	GG	3.934	5	3.932	06/12/2018	0	42
DanaInfra Nasional Berhad	07/21	GG	3.912	5	3.960	24/10/2018	-5	35
Perbadanan Tabung Pendidikan Tinggi Nasional	08/23	GG	4.059	25	4.069	16/01/2019	-1	33
Prasarana Malaysia Berhad	09/29	GG	4.370	5	4.390	11/01/2019	-2	31
GovCo Holdings Berhad	09/32	GG	4.649	50	4.742	19/12/2018	-9	25
GB Services Berhad	11/19	AAA	4.202	80	4.246	03/01/2019	-4	77
Cagamas Berhad	05/23	AAA	4.150	10	4.144	16/01/2019	1	47
Aman Sukuk Berhad	04/24	AAA	4.307	10	4.380	04/01/2019	-7	58
Telekom Malaysia Berhad	10/28	AAA	4.559	5	4.563	16/01/2019	0	50
Bank Pembangunan Malaysia Berhad	03/32	AAA	4.777	10	4.797	17/01/2019	-2	38
Tenaga Nasional Berhad	08/32	AAA	4.680	10	4.708	14/12/2018	-3	28
Projek Lebuhraya Usahasama Berhad	01/33	AAA	4.727	10	4.750	10/01/2019	-2	33
Danga Capital Berhad	09/33	AAA	4.759	40	4.769	16/01/2019	-1	36
Projek Lebuhraya Usahasama Berhad	01/34	AAA	4.778	10	4.994	19/12/2017	-22	38
Tenaga Nasional Berhad	08/37	AAA	4.870	1	4.889	10/01/2019	-2	31
Hong Leong Bank Berhad	06/24	AA1	4.083	80	4.063	16/01/2019	2	35
YTL Power International Berhad	05/27	AA1	4.849	1	4.849	15/01/2019	0	86
Celcom Networks Sdn Berhad	08/19	AA+	3.995	50	4.002	17/01/2019	-1	57
Imtiaz Sukuk II Berhad	10/20	AA2	4.186	10	4.222	03/12/2018	-4	67
Jimah Energy Ventures Sdn Berhad	05/20	AA3	4.160	10	4.260	17/12/2018	-10	73
Jimah Energy Ventures Sdn Berhad	11/20	AA3	4.206	10	4.253	09/01/2019	-5	69
BGSM Management Sdn Berhad	12/20	AA3	4.279	10	4.348	23/11/2018	-7	76
Jimah Energy Ventures Sdn Berhad	05/21	AA3	4.260	10	4.467	17/07/2018	-21	74
Besraya (M) Sdn Berhad	07/22	AA3	4.755	10	4.778	27/12/2017	-2	107
BGSM Management Sdn Berhad	08/25	AA3	4.630	10	4.631	16/01/2019	0	73
Edra Energy Sdn Berhad	01/27	AA3	5.602	5	5.549	15/01/2019	5	161
Edra Energy Sdn Berhad	07/27	AA3	5.679	20	5.679	17/01/2019	0	169
Konsortium Lebuhraya Utara-Timur (KL) Sdn Berh	12/22	AA-	4.485	10	4.501	10/01/2019	-2	80
UEM Sunrise Berhad	10/23	AA-	4.716	15	4.857	27/11/2018	-14	99
Segi Astana Sdn Berhad	01/26	AA-	5.390	1	5.395	13/11/2018	0	149
Affin Bank Berhad	02/27	A1	4.965	6	4.755	15/01/2019	21	97
				<u>534</u>				

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

Market/Corporate News: What's Brewing

Investors looking to enter the oil and gas (O&G) sector may want to wait until yet another round of asset impairments in the upcoming releases of companies' performance for the fourth quarter of 2018 (4Q18). "There may be some impairments, but not as bad as two years ago," said analysts. But seeing how O&G shares are so sensitive to negative surprises right now, it could put further pressure on share prices that are already at record lows. This would involve mainly vessel operators, whose ships are ageing and charter rates have little chance to rebound from their current lows anytime soon. Candidates also include those who excluded non-core assets during the massive impairment rounds in 2016 and 2017, such as the oilfield services of rig operator Velesto Energy Bhd. Will this be the last big round? There could be very minimum impairment because there have not been any new asset purchases," said the analyst. "Everyone has been busy cleaning up [their balance sheet]." Putting the house in order. Offshore support vessel owners like Perdana Petroleum Bhd and Alam Maritim Resources Bhd have turned to Bank Negara Malaysia's corporate debt restructuring committee to obtain temporary relief from creditors. A positive outcome can be expected, said the analyst. Perdana, for example, has posted two profitable quarters as it operates the business as usual. Nonetheless, recovery is not yet on the horizon. "For them to rerate, we should see an increase in day rates from the bottom," he said. "We could see rates improve only in 2020, 2021. "Rates are likely to remain flat this year". "If you are not willing to [bid] at current rates, your clients may appoint others; there is still a huge excess in supply." Even companies that have won contracts in the last few months like Barakah Offshore Petroleum Bhd and Alam Maritim are finding it hard to pick themselves up as finance costs have put a huge dent in otherwise better prospects. "If you do not [address the balance sheet], the situation will persist," said the analyst. Persistent oversupply and high gearing issues combined have played out long enough to divide companies between those with good and bad balance sheet. Now they are at the stage where survivors look for growth with the latter scrambling to reduce gearing or risk getting weeded out by market forces. The first casualty is PN17 company Perisai Petroleum Teknologi Bhd, which has already been issued a notice of delisting from Bursa Malaysia. Others are buying time. Last week, Daya Materials Bhd announced it was issuing 534 million new shares, representing around 26% of its current share base, to a lender at 2.5 sen apiece to pare debts. The counter — also in PN17 status — is trading at one sen, as with another PN17 firm Sumatec Resources Bhd. The regularisation plans of all these PN17 companies are due to be submitted in the first half of this year. Those who have cleaned up their balance sheet can fully benefit from the next upcycle, such as Velesto, Sapura Energy Bhd and Petroliam Nasional Bhd's indirect subsidiary Malaysia Marine and Heavy Engineering Holdings Bhd (MHB). On top of Sapura's RM16 billion order book and the improving prospects in local fabrication activities — a core MHB business — both companies have been shortlisted as long-term contractors for Saudi Aramco. "[Sapura] has done everything accordingly and quickly," said the analyst, referring to the steps it has taken to pare debts, such as the crucial RM4 billion cash call — of which subscription rate is to be announced today — and the sale of 50% in its energy unit which raised RM3 billion cash and other related funds. "We think MHB has already bottomed," added the analyst. "They just need one strong, big job to revive the interest [of investors]. And they are cash-rich at 37 sen per share, near 54% of its current share price," he added. Of course, there are top picks in the sector such as Dialog Group Bhd, Yinson Holdings Bhd and Serba Dinamik Holdings Bhd, which still have untapped value in the long run. But the beat-up shares in companies who have readied themselves for the next cycle stand to gain the most. Notwithstanding the supply-demand mechanics and the geopolitical uncertainties, no oil producers, including US shale companies, are comfortable with oil price below US\$50 (RM205.50) right now, which supports the consensus projection of US\$60-US\$70 per barrel average moving forward. In hindsight, the 2015 downturn was

the longest and the lowest in decades. This could mean a greater rebound where fewer companies will be left standing to enjoy the cake when it is ready. (Source: *The EdgeMarkets*)

Rating Action			
Issuer	PDS Description	Rating/Outlook	Action
Kinabalu Capital Sdn Bhd (Kinabalu Capital)	Issue 1 of RM220 million Class A	AAA	Affirmed
	RM40 million Class B	AA	Affirmed
	RM20 million Class C medium-term notes (MTN)	A	Affirmed
	Commercial papers (CP) of up to RM280 million	Marc-1	Affirmed
Digi Telecommunications Sdn Bhd	RM5 billion Islamic MTN Programme (2017/2032)	AAA/Stable/P1	Reaffirmed
	RM1 billion Islamic CP (2017/2024)		
Besraya (M) Sdn Bhd	RM700 million Sukuk Mudharabah Issuance Facility (2011/2028)	AA3/Negative	Reaffirmed
Malaysian Reinsurance Berhad	Insurer financial strength (IFS)	AA2/Stable/P1	Reaffirmed

Source: RAM, MARC

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