

Global Markets Research

Fixed Income

Fixed Income Daily Market Snapshot

UST		
Tenure	Closing (%)	Chg (bps)
2-yr UST	2.53	3
5-yr UST	2.51	5
10-yr UST	2.69	5
30-yr UST	3.05	5

MGS		GII*		
Tenure	Closing (%)	Chg (bps)	Closing (%)	Chg (bps)
3-yr	3.58	4	3.64	-1
5-yr	3.71	1	3.82	-24
7-yr	3.86	1	3.97	1
10-yr	3.89	1	4.03	1
15-yr	4.29	0	4.37	1
20-yr	4.48	0	4.61	0
30-yr	4.74	0	4.85	0

* Market indicative levels

MYR IRS Levels		
IRS	Closing (%)	Chg (bps)
1-yr	3.65	0
3-yr	3.69	0
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 lost ground as the yield curve bear-steepened and shifted higher; led by the longer-end. This followed news on progress in US-China trade talks and softer US economic data showing declining business spending, and a contraction in manufacturing and leading index. Benchmark yields ended 3-5bps higher with the 2Y at 2.53% and the much-watched 10Y rising 5bps at 2.69%. It is believed that the Fed is expected to end its balance sheet unwind earlier and that would in turn cause the Fed to turn net buyer which will favor the front-end of the curve. The Fed's expected pause on rates for now and potential balance-sheet normalization plans has driven the 10Y UST term premium to remain in deep negative territory.

MGS/GII

- Local govies saw momentum maintain with volume at RM4.62b. Interest was mainly focused in the off-the-run 19's, 21's, 28's and 15Y GII bonds. Overall benchmarks yields ended mostly higher save for the earlier skewed trade on the 5Y GII 11/23 which saw a correction in levels. Both the 5Y benchmark MGS 4/23 and 10Y MGS 8/29 closed 1bps higher at 3.79% and 3.89% respectively. GII trades maintained at 45% of overall trades. Meanwhile Fitch Ratings has affirmed Malaysia's Long-term foreign currency issuer default rating at A- with a stable outlook. Up next on the data front today are January's CPI and foreign reserves as at 15th February.

Corp Bonds/Sukuk

- Corporate Bonds/Sukuk maintained solid secondary demand with volume at RM570m as interest was intact across the GG to single A-part of the curve. Govt-guaranteed DANAINFRA bonds dominated the said segment with the 20222-2028 tranches ending 0-18bps lower between 3.915-4.24% compared to previous-done levels. AAA-rated TELEKOM also saw active trades with the 23's closing 6bps lower at 4.19-20% levels and 24's edging between 0-1bps lower between 4.27-4.315 levels. In the AA-space, energy-related bonds i.e. SEB, YTL Power and EDRA Energy saw mixed closing levels with SEB 1/22 and 6/26 closing 17bps and 2bps lower whereas EDRA 27-35's saw yields rising 1-8bps between 5.77-6.14%. The banking space saw both AFFIN Bank 27NC22 and AFFIN Islamic 28NC23 7/18 notch RM53m in nominal amounts closing mixed at 4.69% and 4.86% respectively.

Daily Trades : Government Bonds

Securities		Closing YTM	Vol (RM mil)	Previous YTM	Previous Trade Date (dd/mm/yyyy)	Chg (bp)
MGS	03/19	3.290	5	3.293	20/02/2019	0
MGS	07/19	3.328	3	3.347	18/02/2019	-2
MGS	10/19	3.400	163	3.418	20/02/2019	-2
MGS	11/19	3.371	551	3.414	20/02/2019	-4
MGS	03/20	3.452	13	3.434	20/02/2019	2
MGS	07/20	3.490	14	3.481	15/02/2019	1
MGS	10/20	3.505	45	3.498	20/02/2019	1
MGS	07/21	3.563	233	3.566	19/02/2019	0
MGS	09/21	3.624	1	3.608	19/02/2019	2
MGS	11/21	3.580	7	3.542	20/02/2019	4
MGS	03/22	3.609	160	3.575	15/02/2019	3
MGS	09/22	3.725	43	3.696	15/02/2019	3
MGS	03/23	3.753	24	3.720	14/02/2019	3
MGS	04/23	3.714	147	3.704	20/02/2019	1
MGS	08/23	3.795	14	3.775	20/02/2019	2
MGS	07/24	3.828	11	3.837	20/02/2019	-1
MGS	09/24	3.848	142	3.834	20/02/2019	1
MGS	03/25	3.910	47	3.908	20/02/2019	0
MGS	09/25	3.929	31	3.911	20/02/2019	2
MGS	04/26	3.968	77	3.970	20/02/2019	0
MGS	07/26	3.858	40	3.852	20/02/2019	1
MGS	11/26	3.975	48	3.955	20/02/2019	2
MGS	11/27	4.000	37	3.987	20/02/2019	1
MGS	06/28	3.966	146	3.953	20/02/2019	1
MGS	08/29	3.893	20	3.887	20/02/2019	1
MGS	04/30	4.147	130	4.147	20/02/2019	0
MGS	06/31	4.239	97	4.209	20/02/2019	3
MGS	04/32	4.333	110	4.287	11/02/2019	5
MGS	04/33	4.349	58	4.287	18/02/2019	6
MGS	11/33	4.290	9	4.290	20/02/2019	0
MGS	05/35	4.427	1	4.405	18/02/2019	2
MGS	04/37	4.478	99	4.430	20/02/2019	5
MGS	03/46	4.756	2	4.756	20/02/2019	0
MGS	07/48	4.737	5	4.740	08/02/2019	0
GII	04/19	3.324	70	3.306	04/02/2019	2
GII	04/20	3.505	8	3.421	20/02/2019	8
GII	05/20	3.514	50	3.510	29/01/2019	0
GII	08/20	3.541	50	3.546	20/02/2019	0
GII	03/22	3.642	98	3.652	20/02/2019	-1
GII	11/23	3.816	276	4.052	20/02/2019	-24
GII	05/24	3.910	2	3.905	20/02/2019	1
GII	08/25	3.967	152	3.957	20/02/2019	1
GII	07/27	4.051	261	4.053	20/02/2019	0
GII	10/28	4.082	360	4.079	20/02/2019	0
GII	12/28	4.128	20	4.099	13/02/2019	3
GII	07/29	4.028	200	4.025	20/02/2019	0
GII	09/30	4.199	1	4.184	19/02/2019	1
GII	06/33	4.373	310	4.367	20/02/2019	1
GII	08/33	4.398	100	4.401	20/02/2019	0
GII	08/37	4.609	101	4.611	20/02/2019	0
GII	05/47	4.846	30	4.849	14/02/2019	0
			<u>4619</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*
DanaInfra Nasional Berhad	03/22	GG	3.910	10	3.977	43460	-7	34
DanaInfra Nasional Berhad	02/23	GG	3.969	5	4.052	43453	-8	29
DanaInfra Nasional Berhad	05/24	GG	4.040	45	4.091	43480	-5	33
DanaInfra Nasional Berhad	11/25	GG	4.089	15	4.271	43314	-18	23
DanaInfra Nasional Berhad	05/28	GG	4.219	5	4.229	43508	-1	31
DanaInfra Nasional Berhad	10/28	GG	4.242	10	4.240	43514	0	35
GovCo Holdings Berhad	02/32	GG	4.510	5	4.725	43404	-22	22
Perbadanan Tabung Pendidikan Tinggi Nasional	03/32	GG	4.500	10	4.650	43426	-15	21
GovCo Holdings Berhad	09/32	GG	4.550	15	4.648	43487	-10	26
Perbadanan Tabung Pendidikan Tinggi Nasional	01/33	GG	4.529	20	4.569	43494	-4	24
Lembaga Pembiayaan Perumahan Sektor Awam	09/36	GG	4.638	15	4.649	43515	-1	15
GB Services Berhad	11/19	AAA	4.165	20	4.215	43514	-5	74
Telekom Malaysia Berhad	04/23	AAA	4.189	5	4.254	43376	-6	51
Telekom Malaysia Berhad	06/23	AAA	4.199	5	4.262	43376	-6	52
Telekom Malaysia Berhad	08/23	AAA	4.199	10	4.202	43507	0	49
Telekom Malaysia Berhad	06/24	AAA	4.267	20	4.281	43482	-1	55
Putrajaya Bina Sdn Berhad	09/24	AAA	4.298	10	4.399	43417	-10	46
Telekom Malaysia Berhad	10/24	AAA	4.300	5	4.299	43494	0	46
Telekom Malaysia Berhad	12/24	AAA	4.310	5	4.299	43503	1	47
Aman Sukuk Berhad	05/25	AAA	4.322	10	4.499	43411	-18	48
GENM Capital Berhad	07/28	AAA	4.790	10	4.573	43509	22	88
Sarawak Energy Berhad	01/22	AA1	4.217	10	4.385	43480	-17	64
Sabah Credit Corporation	06/22	AA1	4.405	10	4.701	43123	-30	83
Sarawak Energy Berhad	06/26	AA1	4.458	20	4.479	43508	-2	60
YTL Power International Berhad	05/27	AA1	4.788	20	4.803	43515	-1	88
United Overseas Bank (Malaysia) Berhad	07/28	AA1	4.529	10	4.577	43481	-5	62
Gamuda Berhad	03/23	AA3	4.577	10	4.586	43507	-1	90
AmBank Islamic Berhad	03/24	AA3	3.992	5	4.128	43432	-14	28
Edra Energy Sdn Berhad	07/27	AA3	5.770	3	5.687	43490	8	186
Edra Energy Sdn Berhad	01/29	AA3	5.750	2	5.680	43496	7	186
Edra Energy Sdn Berhad	01/34	AA3	6.122	15	6.110	43510	1	183
Edra Energy Sdn Berhad	07/34	AA3	6.139	10	6.099	43507	4	185
SPR Energy (M) Sdn Berhad	07/35	AA3	5.349	10	5.458	43452	-11	106
Affin Bank Berhad	02/27	A1	4.686	20	4.572	43511	11	78
Affin Islamic Bank Berhad	10/28	A1	4.857	53	4.872	43510	-1	97
DRB-Hicom Berhad	02/22	A+	6.017	2	6.018	43516	0	244
UEM Sunrise Berhad	06/21	AA-	4.565	10	4.575	43504	-1	105
UEM Sunrise Berhad	05/23	AA-	4.682	5	4.809	43447	-13	100
MMC Corporation Berhad	11/25	AA-	5.368	10	5.382	43509	-1	151
MMC Corporation Berhad	11/27	AA-	5.499	10	5.509	43507	-1	159
Anih Berhad	11/28	AA-	4.690	30	4.698	43503	-1	80
Konsortium Lebuhraya Utara-Timur (KL) Sdn Berh	12/28	AA-	4.666	50	4.666	43516	0	78
				<u>570</u>				

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

Market/Corporate News: What's Brewing

The potential revival of the East Coast Rail Link (ECRL) will not only benefit local construction players, but there will also be positive spillover effects on building material companies in Malaysia. According to analysts, for one, local contractors would gain if the ECRL project is resumed as the government had reiterated its preference to have greater participation from local construction companies under a new deal as compared to the previous structure, which was dominated by Chinese contractors. "While it is premature to gauge the contract model and value, we believe there are a few key beneficiaries of this project, thanks to the continued support from the government's aspiration to increase local contractor participation for the construction of the ECRL," an analyst said. "If the ECRL project works resumed, steel and cement companies would be able to see an earnings uplift." The analyst said talks were ongoing with China to reduce the cost of the project and that a final decision would be made by the time Prime Minister Tun Dr Mahathir Mohamad visits the country in April. "We're hopeful the matter can be revived and that China will meet our request for a price reduction," Lim told reporters

yesterday during the 12th Malaysian Property Summit 2019. Lim's comments followed a Bloomberg report on Tuesday which stated that Malaysia and China were near a deal to revive the ECRL project. Quoting Foreign Minister Datuk Saifuddin Abdullah, the report said China was willing to reduce the US\$20bil (RM81.6bil) price tag, with talks now "in the last mile". Estimated to cost a hefty RM81bil under the original deal, the 688km rail link, if built, would connect Port Klang in Selangor to Pengkalan Kubor in Kelantan. In its report yesterday, UOB Kay Hian named Gabungan AQRS Bhd as one of the key beneficiaries of the potential revival of the ECRL. It noted that AQRS had previously tendered for three packages along the stretch in Kuantan with a tender value of RM2.5bil. "We strongly believe AQRS is one of the clear beneficiaries on the back of a longstanding relationship with the main contractor, China Communications Construction Company, and the tendered rail line alignment packages, which are adjacent to the state administrative centre (in Kuantan) which is currently being constructed by AQRS," the analyst explained. Other potential winners, it said, would include Sunway Construction Group Bhd, IJM Corp Bhd, Malaysian Resources Corp Bhd and WCT Holdings Bhd, given their proven track records for the construction of rail-work jobs. As for building material companies, if the project still largely involved elevated structures, steel companies such as Ann Joo Resources Bhd would be a key beneficiary. Otherwise, cement companies such as Lafarge Malaysia Bhd, YTL Cement Bhd and Hume Industries Bhd would benefit from sub-structure works, while other players such as Prestar Resources Bhd could benefit from guardrail works as it commands a 50% market share in the local guardrail business. Meanwhile, another analyst with a local brokerage said the revival of the ECRL would help revive sentiment towards the local construction sector, which has been a major casualty after Pakatan Harapan came into power last May because of the new government's decision to either postpone or cancel major infrastructure projects in the country. "Progress in the ECRL deal is definitely good news... if the project is revived, there would be opportunities for local players to expand their orderbook, and this, in turn, would help revive sentiment towards the local construction sector," he explained. As it is, the construction sector has seen a "mini rally" since news broke that Malaysia and China were making progress in talks to revive the ECRL. Since Tuesday, the Bursa Malaysia Construction Index (KLCON Index) has gained 8%. The brokerage said the potential revival of the ECRL could be a kicker the sector needed for a potential re-rating. That said, it stressed, the devil would lie in the details of the awarded contracts. (Source: *The Star*)

Celcom Axiata Bhd has bagged a related party award from Telekom Malaysia Bhd (TM) to provide the 4G Multi-Operator Core Network (MOCN) to TM's subsidiary, webe digital Sdn Bhd. TM said 4G MOCN is an alternative network sharing technology which complements the existing 2G and 3G domestic roaming (DR) services arrangement through an agreement which was entered into between TM, webe and Celcom in January 2016. "This 4G MOCN award will enable webe to further enhance its existing network coverage. This current initiative is in line with TM's continuous efforts to improve customers' experience and its aspiration towards a converged digital lifestyle," TM added in a stock exchange filing. The value of the award will be determined based on usage and the rates as stipulated in the contract, said TM. Axiata Group Bhd, the parent company of Celcom, in a separate filing said it will provide the 2G DR, 3G DR, 4G DR and/or 4G MOCN services and facilities for webe for a period of three years. (Source: *The EdgeMarkets*)

Rating Action			
Issuer	PDS Description	Rating/Outlook	Action
UEM Sunrise Berhad	Islamic Commercial Papers and Islamic Medium-Term Notes programmes (ICP/IMTN-1 and ICP/IMTN-2)	MARC-1-IS/AA-IS	Affirmed
Cerah Sama Sdn Bhd	RM420.0 million sukuk	AA-IS	Affirmed

Source: RAM, MARC

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