

Global Markets Research

Fixed Income

Fixed Income Daily Market Snapshot

UST		
Tenure	Closing (%)	Chg (bps)
2-yr UST	2.59	-3
5-yr UST	2.58	-5
10-yr UST	2.74	-5
30-yr UST	3.06	-4

MGS		GII*		
Tenure	Closing (%)	Chg (bps)	Closing (%)	Chg (bps)
3-yr	3.59	4	3.67	1
5-yr	3.74	4	3.82	0
7-yr	3.90	1	4.03	0
10-yr	4.04	0	4.10	1
15-yr	4.39	0	4.45	0
20-yr	4.56	0	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	3.69	0
5-yr	3.79	0
7-yr	3.91	0
10-yr	4.08	0

Source : Bloomberg

Upcoming Government Bond Tender

Nil

US Treasuries

- US Treasuries rallied yesterday; led by the belly out to the 10Y as the curve shifted lower amid news of US refusing to accept a preparatory trade talk proposal with China. (However at the time of writing White House advisors are refuting such reports). Meanwhile, despite concerns of a looming recession, bond traders choose to monitor the threat of inflation. Meanwhile the recent 5s30s spread seems to reflect growth concerns and save-haven bid instead of an outright beginning of a rate-cutting cycle. Attention is expected 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 and the ongoing US government partial shutdown.

MGS/GII

- Trading momentum in local govies grinded slower on the back of RM2.78b volume with interest seen mainly in the 3Y MGS bonds together with off-the-run 19's and 25's. Overall benchmarks yields ended mostly weaker in the shorter-end extending out to the 10Y as overall yields ended between 0-4bps higher. The 5Y benchmark MGS 4/23 rose 4bps at 3.74% whilst the 10Y MGS 6/28 was untraded at 4.04%. GII trades dropped to form 37% of overall trades. The nation's foreign reserves as at 15th January inched up by \$300m to \$101.7b. Meanwhile investors are aware of the importance of oil as it is estimated to have increased from 18% to form ~31% of government revenue this year. Up next on the data front are the release of both CPI for December 2018 and BNM 's Monetary Policy Meeting on the OPR tomorrow.

Corp Bonds/Sukuk

- Corporate Bonds/Sukuk also saw volume ease further at RM251m with investors interest mainly seen along the AAA to AA-part of the curve. The shorter Govt-guaranteed (GG) GOVCO 9/32 was traded again i.e. unchanged at 4.65% compared to previous-done levels. The shorter AAA-rated CAGAMAS 3/20 and 11/22 closed 0-2bps lower at 3.91% and 4.12% respectively whereas DANGA 2/26 rallied 4bps at 4.37% levels. In the AA-space, GAMUDA 3/20 and 11/22 ended 8-9bps lower at 4.30% and 4.56% respectively. There were several unrated bond trades involving AEON Credit and Eco World International as well between 6.10-40% levels.

Daily Trades : Government Bonds

Securities		Closing YTM	Vol (RM mil)	Previous YTM	Previous Trade Date (dd/mm/yyyy)	Chg (bp)
MGS	03/19	3.292	43	3.273	18/01/2019	2
MGS	07/19	3.291	3	3.300	17/01/2019	-1
MGS	10/19	3.390	335	3.375	17/01/2019	2
MGS	11/19	3.417	140	3.376	17/01/2019	4
MGS	10/20	3.518	4	3.494	17/01/2019	2
MGS	02/21	3.541	5	3.536	17/01/2019	0
MGS	07/21	3.585	2	3.577	18/01/2019	1
MGS	09/21	3.601	6	3.596	17/01/2019	0
MGS	11/21	3.589	354	3.545	18/01/2019	4
MGS	03/22	3.591	90	3.567	18/01/2019	2
MGS	08/22	3.702	10	3.699	18/01/2019	0
MGS	09/22	3.718	2	3.706	18/01/2019	1
MGS	04/23	3.735	75	3.730	18/01/2019	0
MGS	08/23	3.821	30	3.824	18/01/2019	0
MGS	03/25	3.963	250	3.952	18/01/2019	1
MGS	09/25	4.001	100	3.989	18/01/2019	1
MGS	07/26	3.898	60	3.892	18/01/2019	1
MGS	11/26	4.061	82	4.063	18/01/2019	0
MGS	11/27	4.089	20	4.069	18/01/2019	2
MGS	04/30	4.316	121	4.246	17/01/2019	7
MGS	04/33	4.437	3	4.437	17/01/2019	0
MGS	04/37	4.528	6	4.551	18/01/2019	-2
MGS	03/46	4.809	15	4.802	14/01/2019	1
GII	04/20	3.517	5	3.517	18/01/2019	0
GII	03/22	3.665	12	3.661	18/01/2019	0
GII	04/22	3.751	50	3.681	17/01/2019	7
GII	11/23	3.820	20	3.821	18/01/2019	0
GII	05/24	3.956	190	3.943	11/01/2019	1
GII	08/24	3.978	170	3.958	17/01/2019	2
GII	08/25	4.028	155	4.023	18/01/2019	0
GII	09/26	4.057	10	4.054	18/01/2019	0
GII	07/29	4.100	20	4.094	18/01/2019	1
GII	08/33	4.509	190	4.484	17/01/2019	3
GII	08/37	4.685	140	4.682	18/01/2019	0
GII	05/47	4.888	60	4.891	16/01/2019	0
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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	3.920	5	3.935	17/01/2019	-2	40
DanaInfra Nasional Berhad	07/21	GG	3.900	5	3.960	24/10/2018	-6	33
GovCo Holdings Berhad	09/32	GG	4.650	10	4.649	18/01/2019	0	25
Al Dzahab Assets Berhad	06/19	AAA	4.120	10	4.441	05/02/2018	-32	69
Cagamas Berhad	03/20	AAA	3.911	30	3.932	14/01/2019	-2	48
Cagamas Berhad	11/22	AAA	4.120	20	4.116	17/01/2019	0	44
Danga Capital Berhad	02/26	AAA	4.374	40	4.402	11/01/2019	-3	47
GENM Capital Berhad	07/28	AAA	4.850	10	4.868	15/01/2019	-2	81
MBSB Bank Berhad (fka Asian Finance Bank Berl	05/19	AA1	3.980	30	4.055	08/01/2019	-7	55
Malayan Banking Berhad	01/24	AA1	4.840	3	4.479	14/01/2019	36	111
Fortune Premiere Sdn Berhad	09/25	AA	4.810	2	4.828	15/01/2019	-2	91
Gamuda Berhad	03/20	AA3	4.300	10	4.389	10/04/2018	-9	87
Gamuda Berhad	11/22	AA3	4.560	10	4.640	07/12/2018	-8	88
Hong Leong Assurance Berhad	02/25	AA3	4.490	10	4.550	14/12/2018	-6	63
Edra Energy Sdn Berhad	07/27	AA3	5.680	6	5.679	18/01/2019	0	170
MMC Corporation Berhad	03/28	AA-	5.550	10	5.558	07/01/2019	-1	151
CIMB Group Holdings Berhad	05/16	A1	4.440	1	4.440	17/01/2019	0	-13
CIMB Group Holdings Berhad	05/16	A1	4.915	1	4.945	17/01/2019	-3	35
UMW Holdings Berhad	04/18	A1	5.660	4	5.958	14/01/2019	-30	109
AEON Credit Service Sdn Bhd	#N/A	-	6.405	10	6.226	17/01/2019	18	-
Eco World International Berhad	#N/A	-	6.100	10	6.570	16/01/2019	-47	-
Celcom Networks Sdn Berhad	08/19	AA+	3.990	5	3.995	18/01/2019	0	56
CIMB Islamic Bank Berhad	09/24	AA+	4.140	10	4.176	10/01/2019	-4	28
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*spread against nearest indicative tenured MGS (Source : BPAM)

Market/Corporate News: What's Brewing

Sapura Energy Bhd has achieved its target to raise at least RM4bil from its rights issue exercise, even as some shareholders chose not to subscribe their portion of the shares. The company, in a statement yesterday, said the rights share offerings that came with free detachable warrants were 81.5% subscribed. For its Islamic redeemable convertible preference shares, the group saw 100% valid acceptances. "The remaining portion of the rights shares will be fully taken up by the appointed joint underwriters - Maybank Investment, CIMB Investment Bank and RHB Investment Bank," it said. Following the exercise, Permodalan Nasional Bhd (PNB) and its associated funds have emerged as the single largest shareholder with a combined 40% shareholding in Sapura Energy. Sapura Technology Sdn Bhd, controlled by CEO Tan Sri Shahril Shamsuddin, remained a significant shareholder, being the second largest after PNB, with a direct and indirect shareholding of 16.3%. Minority shareholders, comprising both local and foreign participation, will hold a total of 42.2%. The participation from PNB and other shareholders provides a strong equity base for the group to chart and execute its growth strategy to deliver long-term prospects," it said. Sapura Energy has embarked on two corporate exercises to reduce its RM16bil debt and put the company back on a stronger balance sheet. In tandem with the rights issue, the group will be forming a 50:50 strategic partnership with OMV AG, which will result in Sapura Energy receiving cash proceeds of up to US\$975mil. An EGM to seek shareholders' approval for the proposed strategic partnership is set for Jan 28, 2019. (Source: *The Star*)

Malaysia has good reason to fear the exponential rise of China's 5G technology as it is capable of creating cyber and digital security threats to the country, said the Council of Eminent Persons (CEP) chairman, Tun Daim Zainuddin, here today. He said there were concerns that the technology would be abused by illegitimate parties to steal important information and encroach Malaysia's "digital sovereignty". "I have discussed previously the issue of territorial sovereignty, but today, we face encroachment on 'digital sovereignty'. "While the speed of transmission and storage of information has greatly improved our daily lives, we need to stop and question the price we are paying for this convenience," he said during the Perwira Dialogue. He also questioned the security, defence, privacy and strategic implications of China's leadership in this field as important information could be extracted from common everyday digital devices. "This information is not just what we consciously post, as data on what we do, where we go, what we buy, and what we say can be extracted from common everyday devices," he said. Daim said China's technological prowess and economic dominance, as seen in the 'Made in China 2025' blueprint for Chinese high-tech supremacy and their superior 5G technology, had drawn accusations from the United States of intellectual property theft and of using commercial technology companies to serve state interests. At a press conference later, Daim said Malaysia had no plans to stop Chinese telecoms giant Huawei from operating in the country as the government was capable of assessing cyber and digital security threats. This includes conducting tests on digital devices including those from Huawei, to ensure there is no cyber espionage threat involved. Last Saturday, Prime Minister Tun Dr Mahathir Mohamad said in London that Malaysia would study to find out the details of Huawei's 5G infrastructure, amid growing fears of cyber espionage among the Western countries. (Source: *The EdgeMarket*)

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

Source: RAM, MARC

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