

## Global Markets Research

### Fixed Income

#### Fixed Income Daily Market Snapshot

UST		
Tenure	Closing (%)	Chg (bps)
2-yr UST	2.58	0
5-yr UST	2.58	0
10-yr UST	2.74	0
30-yr UST	3.06	0

MGS		GII*		
Tenure	Closing (%)	Chg (bps)	Closing (%)	Chg (bps)
3-yr	3.59	0	3.67	0
5-yr	3.74	0	3.82	0
7-yr	3.91	1	4.03	0
10-yr	4.04	0	4.10	0
15-yr	4.40	0	4.45	0
20-yr	4.56	0	4.69	0
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	0
10-yr	4.08	0

Source : Bloomberg

#### Upcoming Government Bond Tender

Nil

#### US Treasuries

- US Treasuries were little changed yesterday; with the 5s30s spread oscillating between 47 and 49bps with the curve marginally steeper amid lack of market-moving catalysts. UST's ended within 1bps from prior day's close with the 2Y at 2.58% and the much-watched 10Y at 2.74%. Attention continues to be focused on this week's World Economic Forum at Davos, Switzerland. Meanwhile the ongoing US government partial shutdown may potentially disrupt the supply of T-Bills to avoid accumulating cash as Treasury will need to reduce its existing cash holdings of ~\$385b to about \$200b. On the economic calendar, the latest jobless claims numbers are expected out tonight followed by Markit's US manufacturing and services PMI.

#### MGS/GII

- Trading momentum in local govies maintained prior day's pattern on volume of RM2.26b with interest seen mainly in the off-the-run 19-21s and previous 7Y benchmark bond. Overall benchmarks yields mostly ended marginally weaker within 1bps with the 5Y benchmark MGS 4/23 at 3.74% and 10Y MGS 6/28 still untraded at 4.04% levels. GII trades dropped to form 25% of overall trades. Up next on the data front are the release of both CPI for December 2018 and BNM's Monetary Policy Meeting on the OPR today which is expected to stay pat at 3.25%.

#### Corp Bonds/Sukuk

- Corporate Bonds/Sukuk also saw volume improve to RM506m thanks to a chunk of CAGAMAS 7/19 bonds which traded 1bps higher at 3.72% levels. Generally interest was centred along the AAA to AA-part of the curve. The sole Govt-guaranteed (GG) bond trade involved DANA 2/25 which closed 1bps higher compared to previous-done levels at 4.15%. AAA-rated Suria KLCC 12/24 rallied 13bps at 4.24% whilst TNB 8/33 saw yields also move lower at 4.69%. In the AA-space, YTL Power 10/24 and SEB 7/29 ended 2bps lower between 4.65-66% levels. In the banking space, HLBB 24NC19 saw RM30m nominal amounts traded 1bps higher at 4.09% level.

## Daily Trades : Government Bonds

Securities		Closing YTM	Vol (RM mil)	Previous YTM	Previous Trade Date (dd/mm/yyyy)	Chg (bp)
MGS	03/19	3.284	4	3.295	22/01/2019	-1
MGS	07/19	3.292	1	3.291	22/01/2019	0
MGS	10/19	3.409	17	3.390	22/01/2019	2
MGS	11/19	3.414	100	3.417	22/01/2019	0
MGS	10/20	3.494	146	3.518	22/01/2019	-2
MGS	02/21	3.517	120	3.541	22/01/2019	-2
MGS	07/21	3.584	260	3.585	22/01/2019	0
MGS	09/21	3.630	260	3.604	22/01/2019	3
MGS	11/21	3.585	221	3.589	22/01/2019	0
MGS	03/22	3.554	1	3.591	22/01/2019	-4
MGS	04/23	3.738	10	3.735	22/01/2019	0
MGS	08/23	3.824	1	3.821	22/01/2019	0
MGS	03/25	3.950	283	3.963	22/01/2019	-1
MGS	09/25	3.984	72	4.001	22/01/2019	-2
MGS	04/26	4.033	1	4.048	17/01/2019	-1
MGS	07/26	3.906	130	3.898	22/01/2019	1
MGS	11/26	4.067	6	4.061	22/01/2019	1
MGS	03/27	4.110	1	4.102	14/01/2019	1
MGS	11/27	4.096	12	4.084	18/01/2019	1
MGS	04/30	4.297	15	4.316	22/01/2019	-2
MGS	11/33	4.398	5	4.393	18/01/2019	0
MGS	06/38	4.564	16	4.560	18/01/2019	0
GII	04/20	3.493	34	3.517	22/01/2019	-2
GII	07/22	3.699	10	3.718	11/01/2019	-2
GII	07/23	3.871	20	3.857	18/01/2019	1
GII	05/24	3.951	120	3.949	22/01/2019	0
GII	08/25	4.031	90	4.028	22/01/2019	0
GII	09/26	4.054	11	4.057	22/01/2019	0
GII	07/29	4.101	200	4.100	22/01/2019	0
GII	09/30	4.324	40	4.298	17/01/2019	3
GII	08/37	4.690	50	4.685	22/01/2019	0.5
			<u>2258</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	02/25	GG	4.150	10	4.139	11/01/2019	1	29
Cagamas Berhad	07/19	AAA	3.722	250	3.711	17/01/2019	1	29
Al Dzahab Assets Berhad	03/20	AAA	4.231	8	4.265	14/12/2018	-3	80
Al Dzahab Assets Berhad	06/21	AAA	4.308	5	4.451	30/11/2017	-14	79
GENM Capital Berhad	07/23	AAA	4.512	1	4.745	18/12/2018	-23	84
Suria KLCC Sdn Berhad	12/24	AAA	4.237	20	4.368	05/11/2018	-13	37
Tenaga Nasional Berhad	08/33	AAA	4.694	15	4.749	31/10/2018	-5	29
Teknologi Tenaga Perlis Consortium Sdn Berhad	07/19	AA1	4.001	20	4.323	03/08/2018	-32	57
YTL Power International Berhad	08/23	AA1	4.600	20	4.622	11/01/2019	-2	86
Malayan Banking Berhad	01/24	AA1	4.783	2	4.783	22/01/2019	0	105
Hong Leong Bank Berhad	06/24	AA1	4.089	30	4.083	18/01/2019	1	35
YTL Power International Berhad	10/24	AA1	4.661	30	4.677	16/01/2019	-2	80
Sarawak Energy Berhad	07/29	AA1	4.650	15	4.668	16/01/2019	-2	58
Celcom Networks Sdn Berhad	08/19	AA+	4.023	20	4.005	22/01/2019	2	59
UMW Holdings Berhad	10/19	AA2	4.114	10	4.118	16/01/2019	0	68
Imtiaz Sukuk II Berhad	05/20	AA2	4.136	11	4.200	19/12/2018	-6	70
Jimah East Power Sdn Berhad	06/24	AA-	4.575	20	4.605	17/01/2018	-3	84
Tan Chong Motor Holdings Berhad	11/21	A1	5.668	5	5.914	15/01/2019	-25	209
Affin Bank Berhad	02/27	A1	4.755	10	4.965	18/01/2019	-21	76
UMW Holdings Berhad	04/18	A1	5.663	4	5.663	22/01/2019	0	109
				<u>506</u>				

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

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

**Malaysia is seeking a new contractor to build the East Coast Railway Link (ECRL), after terminating the original contract awarded to China Communications Construction Company (CCCC) on Tuesday (Jan 22), a source told The Straits Times.** It is understood that the government is seeking to halve the estimated project cost of RM81 billion (S\$27 billion) to RM40 billion. Work on the 688km railway line linking the east and west coasts of Peninsular Malaysia has been suspended since last July, as part of the new Pakatan Harapan administration's review of large-scale infrastructure projects after the coalition won the elections in May. Negotiations to reduce the project cost - initially pegged at RM55 billion when the plans were launched in November 2016 - have continued with CCCC since then, with government adviser Daim Zainuddin leading the talks. The Straits Times understands that the government laid down a maximum cost of RM40 billion and asked for more local products and services be included in the works. However, CCCC could not meet these requirements, resulting in negotiations coming to an end. CCCC did not respond to a request for comment. Tun Daim told reporters on Tuesday that the railway project is still on, with negotiations still ongoing. He did not elaborate who the ongoing negotiations were with. CCCC was originally awarded the engineering, procurement, construction and commissioning contract for the ECRL, which was to be funded by Malaysia taking a soft loan from Export and Import Bank of China (Exim) to cover 85 per cent of the cost. The remaining sum was to be raised from local bond issues. The ECRL was among a handful of China-funded mega infrastructure projects entered into by the previous Barisan Nasional government that was scrutinised by the new administration in a bid to tackle state debts totalling over RM1 trillion. Two pipeline projects with China costing RM9.4 billion were cancelled after the government found that only 13 per cent of the works had been completed despite nearly 90 per cent of the project sum being paid out. Prime Minister Tun Dr Mahathir Mohamad had described the ECRL contract as "strange" in an interview last July. "That contract is strange," Tun Dr Mahathir told business paper The Edge. "The contractor must be from China and the lending is from China. And the money is not supposed to come here but (kept abroad) to pay the contractor in China," the paper quoted him as saying. Touted as a game-changer when it was first launched, the ECRL was meant to be a land bridge linking Kuantan Port with Port Klang that would allow shipped cargo to bypass Singapore. Construction sites along the 12-passenger station route have been left abandoned since the stop-work order was issued in July. (Source: *The Star/ Straits Times Singapore*)

**LBS Bina Group Bhd (LBS) will kick-start 2019 with mixed-use projects, comprising affordable houses in Perak, in collaboration with the Perak State Secretary Incorporated (SSI), with a gross development value of RM200 million.** LBS, through its subsidiary company, Bimbingan Simfoni Sdn Bhd, and Perak SSI have signed a Memorandum of Understanding to develop two parcels of land situated in Temoh and Chepor, Perak. Under the agreement, LBS will develop 20.23 hectares of land located in Temoh, near the Batang Padang district and a 16.59-hectare parcel of land in Chepor, the Hulu Kinta district, for mixed-use developments, comprising cluster terrace homes in the affordable price segment, as well as terraced and semi-detached homes. The construction works are expected to begin in the fourth quarter of this year and will be completed in the next three to four years. LBS group managing director Tan Sri Lim Hock San said: "Affordable housing is the key issue for the nation now. The collaboration between LBS and Perak SSI stems from the shared passion to help realise the Government's commitment in delivering one million affordable homes over the next 10 years." Perak SSI chief executive officer Azizul Rahman Mohamad said the affordable housing sector has been listed as one of the priority sectors in the Perak government's plans for this year. "We are targeting to build 50,000 affordable homes in Perak within

the next five years. This partnership with LBS is aligned to the State government’s mission to help more people from the low to middle-income groups to own a home,” he added. (Source: *The EdgeMarkets*)

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

Source: RAM, MARC

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