

**Global Markets Research**
**Fixed Income**
**Fixed Income Daily Market Snapshot**

UST		
Tenure	Closing (%)	Chg (bps)
2-yr UST	2.57	-2
5-yr UST	2.55	-3
10-yr UST	2.72	-3
30-yr UST	3.03	-3

MGS		GII*		
Tenure	Closing (%)	Chg (bps)	Closing (%)	Chg (bps)
3-yr	3.57	-2	3.67	0
5-yr	3.76	2	3.82	0
7-yr	3.90	-1	4.02	-1
10-yr	4.07	4	4.09	-1
15-yr	4.40	0	4.45	0
20-yr	4.58	1	4.68	-1
30-yr	4.79	0	4.89	0

\* Market indicative levels

MYR IRS Levels		
IRS	Closing (%)	Chg (bps)
1-yr	3.67	0
3-yr	3.69	0
5-yr	3.80	0
7-yr	3.91	0
10-yr	4.08	0

Source : Bloomberg

**Upcoming Government Bond Tender**

Nil

**US Treasuries**

- US Treasuries gained on safe-haven bids with the curve shifting lower as trade issues remain unresolved between both US and China. UST's ended 2-3bps lower from prior day's close with the 2Y at 2.57% and the much-watched 10Y rallied 3bps at 2.72%. Attention continues to be focused on this week's World Economic Forum at Davos, Switzerland. Meanwhile the debt-ceiling re-look in early March and the ongoing partial government shutdown continues to raise concerns with money-market rates expected to be threatened following the disruption of T-Bills supply. The current Eurodollar spreads show rates traders are betting on Fed rate cuts.

**MGS/GII**

- Trading momentum in local govies eased with volume at a mere RM1.93b as interest was seen mainly in the off-the-run 21's, 26's and also the 5Y and 30Y benchmark bonds. Overall benchmarks yields mostly ended mixed between -2 to +4bps with the 5Y benchmark MGS 4/23 up 2bps at 3.76% and the 10Y MGS 6/28 spiking 4bps at 4.07% levels. GII trades dropped further to form 19% of overall trades. There were no surprises yesterday on both the CPI for December 2018 at 0.2% YOY and BNM's Monetary Policy Meeting on the OPR which stayed pat at 3.25%.

**Corp Bonds/Sukuk**

- Corporate Bonds/Sukuk also saw solid volume sustain at RM474m as interest was scattered across the GG to single-A part of the curve. Govt-guaranteed (GG) DANA 24-25's rallied 4bps lower compared to previous-done levels at 4.05-07% levels whilst PASB 6/23 and 2/26 edged 1bps lower at 4.01% and 4.16% respectively. Both AAA-rated PLUS and DANGA 20's ended 7-14bps lower between 3.95-98% area. In the AA-space, energy-related bonds reignited demand with various names traded like YTL Power, SEB, JEV, BGSM and MALAKOFF all closing 2-10bps lower on yields. In the banking space, the shorter-end PUBLIC Bank 4/19 ended 10bps lower at 3.78% Hong Leong Assurance 25NC20 edged 1bps lower at 4.48%. Meanwhile PASB, the nation's state-owned water asset management company is reported to issue up to RM1.0b of Islamic Bonds next week.

## Daily Trades : Government Bonds

Securities		Closing YTM	Vol (RM mil)	Previous YTM	Previous Trade Date (dd/mm/yyyy)	Chg (bp)
MGS	03/19	3.298	25	3.218	23/01/2019	8
MGS	07/19	3.357	3	3.292	23/01/2019	7
MGS	10/19	3.405	16	3.409	23/01/2019	0
MGS	11/19	3.392	27	3.414	23/01/2019	-2
MGS	03/20	3.475	4	3.463	18/01/2019	1
MGS	07/20	3.511	4	3.465	15/01/2019	5
MGS	07/21	3.603	2	3.584	23/01/2019	2
MGS	09/21	3.609	264	3.630	23/01/2019	-2
MGS	11/21	3.571	9	3.585	23/01/2019	-1
MGS	03/22	3.580	1	3.554	23/01/2019	3
MGS	08/22	3.721	33	3.702	22/01/2019	2
MGS	09/22	3.726	16	3.718	22/01/2019	1
MGS	03/23	3.783	4	3.782	18/01/2019	0
MGS	04/23	3.756	130	3.738	23/01/2019	2
MGS	08/23	3.836	7	3.824	23/01/2019	1
MGS	07/24	3.874	26	3.854	18/01/2019	2
MGS	09/24	3.896	2	3.888	18/01/2019	1
MGS	09/25	3.986	25	4.005	23/01/2019	-2
MGS	07/26	3.899	200	3.906	23/01/2019	-1
MGS	11/26	4.057	10	4.068	23/01/2019	-1
MGS	03/27	4.128	1	4.102	14/01/2019	3
MGS	11/27	4.096	60	4.096	23/01/2019	0
MGS	06/28	4.072	51	4.035	18/01/2019	4
MGS	04/30	4.282	268	4.297	23/01/2019	-1
MGS	06/31	4.347	31	4.337	18/01/2019	1
MGS	04/33	4.446	70	4.437	22/01/2019	1
MGS	11/33	4.398	219	4.405	23/01/2019	-1
MGS	06/38	4.576	60	4.564	23/01/2019	1
MGS	03/46	4.806	1	4.767	23/01/2019	4
GII	04/20	3.495	4	3.498	23/01/2019	0
GII	07/23	3.870	10	3.871	23/01/2019	0
GII	08/25	4.024	90	4.031	23/01/2019	-1
GII	10/28	4.182	20	4.167	18/01/2019	2
GII	07/29	4.091	100	4.100	23/01/2019	-1
GII	09/30	4.327	100	4.327	23/01/2019	0
GII	08/37	4.683	20	4.685	22/01/2019	0
GII	05/47	4.885	20	4.888	22/01/2019	0
			<u>1932</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*
Pengurusan Air SPV Berhad	06/23	GG	4.011	30	4.019	17/01/2019	-1	33
DanaInfra Nasional Berhad	03/24	GG	4.049	5	4.092	15/01/2019	-4	31
DanaInfra Nasional Berhad	07/24	GG	4.065	5	4.106	15/01/2019	-4	33
Prasarana Malaysia Berhad	09/25	GG	4.158	10	4.200	03/10/2018	-4	25
Pengurusan Air SPV Berhad	02/26	GG	4.161	5	4.170	17/01/2019	-1	26
Lembaga Pembiayaan Perumahan Sektor Awam	09/26	GG	4.227	20	4.440	12/10/2017	-21	25
DanaInfra Nasional Berhad	03/27	GG	4.267	30	4.399	23/07/2018	-13	29
DanaInfra Nasional Berhad	05/28	GG	4.300	10	4.340	09/01/2019	-4	26
DanaInfra Nasional Berhad	11/47	GG	5.003	10	5.029	16/01/2019	-3	43
Public Bank Berhad	04/19	AAA	3.784	60	3.881	24/10/2018	-10	36
Projek Lebuhraya Usahasama Berhad	01/20	AAA	3.948	10	4.083	12/02/2018	-14	52
Danga Capital Berhad	04/20	AAA	3.975	10	4.045	16/11/2018	-7	55
Cagamas Berhad	10/21	AAA	4.088	40	4.106	02/01/2019	-2	51
Bank Pembangunan Malaysia Berhad	03/22	AAA	4.398	5	4.420	11/01/2019	-2	82
HSBC Amanah Malaysia Berhad	10/23	AAA	4.195	10	4.221	17/01/2019	-3	46
Bank Pembangunan Malaysia Berhad	11/26	AAA	4.559	2	4.697	10/07/2018	-14	58
Bank Pembangunan Malaysia Berhad	03/32	AAA	4.777	5	4.777	18/01/2019	0	38
Tenaga Nasional Berhad	08/37	AAA	4.850	20	4.870	18/01/2019	-2	27
Sabah Credit Corporation	10/19	AA1	4.092	8	4.162	24/12/2018	-7	67
YTL Power International Berhad	05/27	AA1	4.828	10	4.848	23/01/2019	-2	85
Sarawak Energy Berhad	11/33	AA1	4.845	5	4.899	09/01/2019	-5	44
Tanjung Bin Power Sdn Berhad	08/21	AA2	4.308	20	4.828	16/03/2015	-52	73
Krung Thai Bank Public Company Limited	07/25	AA2	4.894	1	4.388	23/01/2019	51	104
Fortune Premiere Sdn Berhad	11/23	AA	4.638	30	0.000	00/01/1900	464	90
Jimah Energy Ventures Sdn Berhad	11/19	AA3	4.081	4	4.167	29/11/2018	-9	65
BGSM Management Sdn Berhad	12/19	AA3	4.124	20	4.156	17/01/2019	-3	70
Gamuda Berhad	03/23	AA3	4.622	20	4.618	15/01/2019	0	94
Hong Leong Assurance Berhad	02/25	AA3	4.479	10	4.488	22/01/2019	-1	62
Edra Energy Sdn Berhad	01/26	AA3	5.444	1	5.469	03/01/2019	-3	154
RHB Islamic Bank Berhad	04/27	AA3	4.448	3	4.560	14/11/2018	-11	47
Malakoff Power Berhad	12/21	AA-	4.376	10	4.376	08/01/2019	0	80
Malakoff Power Berhad	12/30	AA-	4.688	20	5.083	27/01/2017	-40	62
Lebuhraya DUKE Fasa 3 Sdn Berhad	08/31	AA-	5.028	5	5.081	17/10/2018	-5	63
Tan Chong Motor Holdings Berhad	11/21	A1	5.503	10	5.914	15/01/2019	-41	192
Affin Bank Berhad	02/27	A1	4.737	1	4.755	23/01/2019	-2	76
CIMB Group Holdings Berhad	05/16	A1	4.835	6	4.916	22/01/2019	-8	26
UMW Holdings Berhad	04/18	A1	5.880	4	5.663	23/01/2019	22	130
				<u>474</u>				

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

## Market/Corporate News: What's Brewing

**The International Trade and Industry Ministry (Miti) might be looking towards a reduction in excise duties for vehicles, which will, in turn, result in a reduction in car prices.** While there may be less revenue for the government from a reduction in excise duties, this can be compensated by a larger sales volume. Deputy International Trade and Industry Minister Ong Kian Ming said this would be a win-win situation for Malaysians, industry players and the government. "Of course, there is a cost-benefit involved here in the sense that you have more tax reduction in the excise duty. The government may collect less per unit, but whatever revenue lost by the Finance Ministry can be regained by the increase in the sales volume because car prices would be lower. "The original equipment manufacturers (OEMs) get to sell more cars, consumers get to benefit from lower car prices and the Finance Ministry gets to benefit as well, when it gets to collect more excise tax as a whole because of increased volumes. This is something we want to work towards for all car models," he told a press conference. Ong added that industry players would give their estimates on their expected increase in the sales volume as a result of more exemptions in the excise duty. He said local suppliers and vendors to the OEMs would be able to benefit more from higher volumes when there are more completely-knocked-down (CKD) activities. The government wants to encourage the development of the local vendor ecosystem, which is also why the Industrial Linkage Programme (ILP) and customised incentives are in place. The ILP is

an incentive programme that seeks to encourage local OEMs to procure locally produced parts and components and to build the capacity of local suppliers. OEMs can also apply for customised incentives for energy-efficient vehicles (EEV) for a higher ILP excise duty reduction. “The local activity in the automotive sector would be very little if most of the units brought in are completely-built-up (CBU),” Ong said. An automotive industry observer said this would likely benefit local manufacturers as compared to imported cars, as this would help CKD programmes in the country. He said this would help lower car prices, on top of the reduction in prices since the transition from the zero-rated goods and services tax to the sales and service tax, where the likes of Perodua, Mazda and Toyota models saw price drops. An analyst said details on the excise duty, ILP and customised incentives are still cloudy, but is of the opinion that further incentives are likely to be given for EEV. “This is still a very sensitive topic. We prefer to wait for the National Automotive Policy review that will be released by the end of this quarter before we make any conclusions,” said the analyst. Another analyst is of the view that the reduction in the excise duty would not impact sales volume or the government’s coffers, and even if it did, it might be hardly felt. “The prices of Perodua and Proton might not reduce that much from this, but it would be more favourable for the Japanese brands,” he said. Ong was speaking to reporters after announcing that the Automotive Business Development Committee (ABDC), which is chaired by Miti, will increase the frequency of its monthly meetings from once to twice a month to reduce the turnaround time of processing automotive incentive applications. The dates have already been identified and it will be circulated to the automotive industry. This was decided in a meeting between Miti and the Malaysian Automotive Association (MAA) on Wednesday. It was also agreed that Miti would come up with an enhanced process flow and client charter of ABDC to ensure timeliness and greater transparency of the process in evaluating incentive applications. The cost and benefit analysis (CBA) for EEV customised incentive applications will also be reviewed to ensure a fair and equitable evaluation process. Ong said the CBA for the ILP, which is done by the Malaysia Automotive, Robotics and IoT Institute or MARii, is quite complicated and needs to be more transparent, explained in greater detail and updated to take into account new conditions in the car manufacturing and automotive sector. “It’s a process of refining and updating the CBA. We want to make it as clear as possible to the industry players, so that the ABDC process can be sped up and the issues that have been raised by MAA in terms of delays that had occurred last year would be minimised, moving forward,” said Ong. e added that it would take about two days to process and approve the ILP at the ABDC stage before a letter is sent to the Finance Ministry. As for customised incentives, it will take about a week. MAA president Datuk Aishah Ahmad, who was also present yesterday, said the association hoped that request for incentives to get pricing approvals would be sped up in future. “We were really waiting for many models to get the pricing approvals last year. Stocks have built up and there are some members who have 12,000 units in the yard. “Moving forward, I’m sure all these issues that we had previously faced would be solved,” she said. Aishah told a press conference on Jan 16 that the Finance Ministry had channelled decision-making processes related to the ILP to the ABDC and claimed that the ministry had been delaying its approvals for new car models’ pricing, even after the ABDC had decided on the incentives. (Source: *The EdgeMarkets*)

Rating Action			
Issuer	PDS Description	Rating/Outlook	Action
Alliance Investment Bank Berhad	Financial Institution Rating	A1/P1	Reaffirmed Outlook to stable from positive
Alliance Islamic Bank Berhad's	Financial Institution Rating	A1/P1	Reaffirmed Outlook to stable from positive
Alliance Bank Malaysia Berhad	Financial Institution Rating	A1/P1	Reaffirmed Outlook to stable from positive

Source: RAM, MARC

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