

Global Markets Research

Fixed Income

Fixed Income Daily Market Snapshot

UST		
Tenure	Closing (%)	Chg (bps)
2-yr UST	1.63	-3
5-yr UST	1.71	0
10-yr UST	1.90	-3
30-yr UST	2.33	-3

MGS		GII*		
Tenure	Closing (%)	Chg (bps)	Closing (%)	Chg (bps)
3-yr	3.01	2	3.08	0
5-yr	3.19	1	3.27	0
7-yr	3.32	-1	3.36	-1
10-yr	3.36	-2	3.48	-2
15-yr	3.66	0	3.77	0
20-yr	3.74	0	3.88	0
30-yr	4.15	7	4.00	0

* Market indicative levels

MYR IRS Levels		
IRS	Closing (%)	Chg (bps)
1-yr	3.28	0
3-yr	3.30	0
5-yr	3.36	0
7-yr	3.39	2
10-yr	3.40	-1

Source : Bloomberg

Note: Closing as at 24-Dec

Upcoming Government Bond Tender

Nil

US Treasuries

- US treasuries market was closed for Christmas holiday yesterday and overall yields slipped 0-3bps across the curve based on early closing on Christmas eve on thin trading. The auction of \$41bn 5-year notes attracted a relatively decent BTC of 2.49x (prior 2.50x) at a high yield of 1.653% (prior 1.601%). Markets are expected to remain quiet with most investors away for the year end festive period, hence expect little market moves from upcoming releases of initial jobless claims and mortgage applications. The Treasury is however scheduled to auction \$32bn 7-year notes tomorrow.

MGS/GII

- The Malaysian market was closed too for Christmas holiday on Wednesday while trading in local govies remained tepid on Christmas eve. Secondary market volume remained subdued at RM873m with investor interest seen mainly in GII 4/20 and 9/39. GII trades rose substantially to form 64% of total trades. Overall benchmark MGS/GII yields closed mixed between -2 to +7bps across the curve, with both the 10Y MGS and GII down the most by 2bps to 3.36% and 3.48% respectively. Meanwhile, the 30Y MGS 7/48 jumped 7bps to 4.15%. Trading is expected to remain thin today in the absence of fresh market catalysts as investors are away for the year-end holiday.

Corp Bonds/Sukuk

- The corporate bonds/Sukuk space saw secondary market volume tapered off further to RM235m on Tuesday with bulk of the interests centered on the GG and AAA-rated segments. AAA-rated GENM '7/23 saw the heaviest trade with RM60m changed hands, trading flat at 3.806%. In the GG segment, GovCo '2/32 traded 20bps higher at 3.811% with RM50m dealt. This was followed by PTPTN '7/26 and '8/26 that registered RM20m trade each, last dealt flat at 3.488-3.489%. Penang Port '12/29 and '12/31 made its debut at 4.48% and 4.68%, seeing RM5m done each.

Daily Trades : Government Bond

Securities	Closing YTM	Vol (RM mil)	Previous YTM	Previous Trade Date (dd/mm/yyyy)	Chg (bp)
MGS 07/20	2.912	48	2.913	19/12/19	0
MGS 10/20	2.917	84	2.932	23/12/19	-2
MGS 03/22	3.012	3	2.993	23/12/19	2
MGS 06/24	3.190	1	3.180	23/12/19	1
MGS 07/24	3.217	11	3.218	23/12/19	0
MGS 09/24	3.236	30	3.248	23/12/19	-1
MGS 07/26	3.324	15	3.333	23/12/19	-1
MGS 11/26	3.385	9	3.419	19/12/19	-3
MGS 11/27	3.402	2	3.430	23/12/19	-3
MGS 08/29	3.359	41	3.377	23/12/19	-2
MGS 04/30	3.583	0	3.591	23/12/19	-1
MGS 04/32	3.679	0	3.688	19/12/19	-1
MGS 04/33	3.690	30	3.738	23/12/19	-5
MGS 11/33	3.690	10	3.713	19/12/19	-2
MGS 07/48	4.146	30	4.072	23/12/19	7
GII 04/20	2.978	210	3.031	23/12/19	-5
GII 05/20	2.972	30	3.002	19/12/19	-3
GII 11/22	3.132	30	3.134	19/12/19	0
GII 11/23	3.193	20	3.215	23/12/19	-2
GII 10/25	3.358	30	3.372	19/12/19	-1
GII 03/26	3.355	60	3.363	23/12/19	-1
GII 07/27	3.465	5	3.476	19/12/19	-1
GII 10/28	3.482	50	3.508	19/12/19	-3
GII 07/29	3.475	5	3.498	23/12/19	-2
GII 06/33	3.770	10	3.812	19/12/19	-4
GII 08/33	3.771	10	3.817	11/12/19	-5
GII 09/39	3.875	100	3.875	20/12/19	0
		<u>873</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	05/23	GG	3.302	10	3.319	20/09/19	-2	27
Perbadanan Tabung Pendidikan Tinggi Nasional	07/26	GG	3.489	20	3.489	17/10/19	0	15
Perbadanan Tabung Pendidikan Tinggi Nasional	08/26	GG	3.488	20	3.490	16/10/19	0	15
GovCo Holdings Berhad	02/32	GG	3.811	50	3.608	22/08/19	20	43
DanaInfra Nasional Berhad	02/49	GG	4.361	5	4.274	10/12/19	9	59
GENM Capital Berhad	07/23	AAA	3.806	60	3.808	20/12/19	0	66
CIMB Bank Berhad	05/27	AAA	3.853	10	3.878	21/11/19	-2	52
Sarawak Energy Berhad	11/28	AAA	3.734	20	3.745	26/11/19	-1	34
UMW Holdings Berhad	10/23	AA2	3.666	10	3.678	17/12/19	-1	52
Krung Thai Bank Public Company Limited	07/25	AA2	4.843	1	3.751	04/11/19	109	155
Penang Port Sdn Berhad	12/29	AA-	4.480	5	-	-	-	110
Penang Port Sdn Berhad	12/31	AA-	4.680	5	-	-	-	130
Lebuhraya DUKE Fasa 3 Sdn Berhad	08/37	AA-	4.873	18	4.879	25/10/19	-1	111
WCT Holdings Berhad	09/19	A	4.962	1	5.604	13/12/19	-64	119
			<u>235</u>					

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

Market/Corporate News: What's Brewing

30 IPO listings on Bursa Malaysia, highest since 13 years: Bursa Malaysia saw 30 new listings this year compared with 22 in 2018, the highest number since 2006 despite the challenging operating environment. Of the 30 new listings, four were on the Main Market versus two in 2018, 11 on the Ace Market (nine in 2018) and 15 were on the LEAP Market (11 in 2018). Bursa Malaysia said Malaysian initial public offering (IPO) activities in 2019 had been healthy even during a period of market uncertainties, owing to the stable economic fundamentals, diverse and well-balanced market participants, as well as robust governance framework. "Companies still find IPOs as a viable proposition for fund-raising exercise," the local exchange operator told Bernama via email recently. According to Bursa Malaysia, year-to-date IPO funds raised and market capitalisation are RM1.97 billion and RM7.92 billion, respectively. On the market performance, it said while the large market cap FBM KLCI stocks struggled with weak sentiment, there were pockets of opportunities in the overall local equity market, particularly in the small and mid-cap stocks. "As at Dec 18, 2019, the FBM Small Cap and FBM MidS Cap Indices both recorded year-to-date gains of 23.7 per cent and 30.7 per cent, respectively," it said. On retail investor participation, it said as at end-October, the number stood at 26 per cent to total average daily value (ADV), the highest since 2014. "The year also saw a nine per cent annual increase in new retail investors entering the market," it added. With regard to foreign shareholding, Bursa Malaysia said it had remained fairly stable, in the range of 22.3-24.4 per cent over the last decade, despite the recent outflows, indicating continued long-term confidence of foreign institutional investors. Hence, it anticipated the outlook for Malaysian IPO activities to remain positive in 2020. On the exchange-traded funds (ETFs), Bursa Malaysia said there were six new ETFs listed on the local bourse in 2019, bringing the total of Bursa Malaysia listed ETFs to 16, up from 10 last year. The six new ETFs comprise four of Malaysia's first leverage and inverse (L&I) exchange-traded funds (ETF) listed on Nov 29 -- namely, TradePlus NYSE FANG+ Daily (2x) Leveraged Tracker, TradePlus NYSE FANG+ Daily (-1x) Inverse Tracker, TradePlus HSCEI Daily (2x) Leveraged Tracker, and TradePlus HSCEI Daily (-1x) Inverse Tracker -- as well as two conventional ETFs. The exchange operator attributed the better performance to the revised ETF guidelines by the Securities Commission that took effect in January this year. "The revised ETF guidelines marked a new milestone and allowed a much wider range of ETF products on Bursa Malaysia for investors with varying risk appetites, leading to the inaugural listing of leveraged and inverse ETFs in November 2019," it said, adding that it expected at least the same number of new listings of ETFs in 2020. Moving forward, Bursa Malaysia said as the local capital market continued to develop, investors' proficiency on investment products was expected to become more sophisticated and eventually, they would begin to see ETFs as a good low-cost option to diversify their portfolio risk and income. "The historical track records of ETF returns, despite recent global market volatility, will also be hard to ignore for investors who continuously seek ways to maximise their investment returns," it added. (Source: The Star)

Malaysian banks fare well amidst fintech trends, global challenges: Malaysian banks have fared well in 2019 amidst financial technology (fintech) disruption that is reshaping the industry and external headwinds and uncertainties brought by, among others, Brexit and the trade spat between the United States and China. The external factors not just slowed down global demand but also stoked recession fears and protectionism which affected business confidence and eventually loan demand. Despite these challenges, Malaysian banks had exhibited reasonably healthy profits and asset quality, with more than sufficient capital buffers against potential stress, albeit, thinning margins and some credit pullbacks. Malaysia has 26 commercial banks, 16 Islamic banks, one international Islamic bank and 11 investment banks. From the total 26 commercial banks, 18 are foreign-based lenders. The banking sector saw moderate growth in both earnings and loan, reflecting a slowdown in lending momentum and cautious sentiment on the country's economic growth. "We are looking at 3.5 per cent earnings growth for the sector this year, a moderation from 7.1 per cent in 2018, and loan growth of between 3 per cent and 4 per cent from about 5-6 per cent last year," MIDF Amanah Investment Bank senior analyst Imran Yassin Yusof said. He said the moderate loan demand from businesses had led to a much slower loan growth this year

than what had been anticipated, while the mortgage and retail remained stable, mitigating the overall performance. "Businesses had either delayed disbursing approved loans or had decided to repay existing loans in light of the economic uncertainties," he told Bernama in an interview. He said the top performers based on earnings growth this year were RHB Bank Bhd, AmBank (M) Bhd and CIMB Bank Bhd, while Maybank and Public Bank's performances were quite flat. Comparatively, he said, Islamic banks' growth continued to outperform the conventional banks with earnings registering a double-digit growth. The year also saw the fintech taking stronger roots in the conventional banking scene with CIMB, Affin Bank Bhd, Hong Leong Bank Berhad and Bhd, as well as technology firm Grab signalling their interest in securing virtual banking licences in the country. CIMB Group for instance, has already set up a digital bank in the Philippines in January this year. Besides this, there are about 49 non-bank e-money issuers in Malaysia, out of which three in four offer mobile payment solutions and accounted for 88.4 per cent of the transactions in the segment. Boost, GrabPay and Touch 'n Go (TnG) are among the dominant e-wallets in Malaysia. Others are Lazada Wallet, Samsung Pay and PayPal. TnG is 52 per cent-owned by CIMB Group Holdings Bhd. On monetary policy, the year 2019 saw Bank Negara Malaysia (BNM) cut the overnight policy rate (OPR) by 25 basis points in May to three per cent and the statutory reserve requirement (SRR) from 3.5 per cent to 3.0 per cent in November to maintain sufficient liquidity in the financial system. Imran Yassin said that liquidity remained ample in the sector with liquidity coverage ratio averaging at 150 per cent this year, while deposits had more or less outpaced loan growth. He said the requirement to meet the Net Stable Funding Ratio (NFSR) as prescribed by BNM also played a key factor in the banks accumulating deposit this year. Banks being selective on the kind of assets they acquire had also contributed to a stable asset quality which supported the low credit charge/costs by the banks, Kenanga Investment Bank Bhd's analyst Ahmad Ramzani Ramli said. "Given the accommodative interest rates, credit demand was able to be sustained from households/retailers amidst weaker demand from corporates." Another contributing factor to earnings was the resilient fee-based income despite the softer capital market activities. The resilient fee-based earnings came from improved treasury activities as banks capitalised on the OPR cut in May," he said. He noted there was no significant impact from BNM's OPR cut given that normalisation of Net Interest Margin took place within one or two quarters. Moving into 2020, Imran Yassin said the consumer segment was expected to continuously provide support to loan growth and banks in general. While there could possibly be another cut in the OPR within the first quarter of next year, he opined that it would not have a significant impact on banks' earnings in 2020. (Source: The Star)

Rating Action			
Issuer	PDS Description	Rating/Outlook	Action
Besraya (M) Sdn Bhd	RM700 mil Sukuk Mudharabah Issuance Facility (2011/2028)	AA3/ Stable	Outlook revised from negative to stable
Samalaju Industrial Port Sdn Bhd	Sukuk Murabahah Programme of up to RM950 mil (2015/2036)	AA1(s)/Stable	Reaffirmed
Standard Chartered Bank Malaysia Berhad	Financial institution ratings	AAA/Stable/P1	Reaffirmed
Standard Chartered Saadiq Berhad	Financial institution ratings	AAA/Stable/P1	Reaffirmed
Bintulu Port Holdings Berhad	Corporate credit ratings	AA1/Stable/P1	Reaffirmed
Pendidikan Industri YS Sdn Bhd	RM150 million Bai' Bithaman Ajil Islamic Debt Securities (2008/2022) (BaIDS)	AA1(s)/Stable	Reaffirmed
SEP Resources (M) Sdn Bhd	RM150 mil Islamic MTN (the Sukuk)	AA1/Stable	Assigned

Source: RAM, MARC

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