

Global Markets Research

Fixed Income

Fixed Income Daily Market Snapshot

UST		
Tenure	Closing (%)	Chg (bps)
2-yr UST	2.49	-2
5-yr UST	2.45	-3
10-yr UST	2.64	-3
30-yr UST	3.01	-2

MGS		GII*		
Tenure	Closing (%)	Chg (bps)	Closing (%)	Chg (bps)
3-yr	3.57	0	3.64	0
5-yr	3.70	0	3.81	0
7-yr	3.87	1	3.97	1
10-yr	3.89	0	4.03	1
15-yr	4.31	-1	4.37	-1
20-yr	4.48	0	4.61	0
30-yr	4.70	0	4.85	0

* Market indicative levels

MYR IRS Levels		
IRS	Closing (%)	Chg (bps)
1-yr	3.66	0
3-yr	3.68	0
5-yr	3.78	0
7-yr	3.90	0
10-yr	4.05	0

Source : Bloomberg

Upcoming Government Bond Tender

Reopening of 15Y GII 6/33 (RM2.0b + Private Placement of RM1.0b) on Wednesday, 27th February 2018

US Treasuries

- US Treasuries ended stronger yesterday as the curve shifted lower amid strong 7Y auction which ended with a BTC ratio of 2.60x; averaging 2.538%. Benchmark yields ended about 2-3bps richer with the 2Y at 2.49% and the much-watched 10Y ending 3bps lower at 2.66%. Fed Chair Powell's testimony before Congress on the outlook for rates is ongoing whilst the Fed is expected to end its balance sheet unwind earlier. Despite solid growth and continuing job gains, Powell said that the US economy will see inflation fall further below the 2% target, at least for a time. However he sees signs of stronger wage growth, and still expects inflation to run close to its 2% target after transitory effects of recent energy price declines fades. Separately, market participants are still wary of the 1-5Y and 1-7Y inverted spreads which are acceptable indicators of economic slump.

MGS/GII

- Despite local govovies seeing an improvement in momentum with volume at a RM2.51b; interest was mainly focused in the off-the-run 19-20's and 3Y benchmark GII bonds. Overall benchmarks yields ended mostly within 1bps from prior day's close. The 5Y benchmark MGS 4/23 was unchanged at 3.70% whereas the 10Y MGS 8/29 was untraded. GII trades dropped to form 35% of overall trades. Meanwhile the big buzz for today is the upcoming 15Y GII auction following the government's recent proposed move to buy out privatized tolled-highways.

Corp Bonds/Sukuk

- Corporate Bonds/Sukuk saw solid secondary demand with volume at RM616m with interest mainly across the GG to AA-part of the curve. Govt-guaranteed DANA saw several mid-to long-ends dominate trades. DANA 11/32, 4/33, 7/39, 5/41 and 2/49 saw RM125m of nominal trades done 0-3bps lower between 4.49-98% levels. AAA-rated PLUS also saw 2020 and 2031-2032 bonds rally 1-4bps at 3.92% and 4.57-60% area whilst PLUS 1/27 ended 17bps lower at 4.42%. In the AA-space, energy-related bonds i.e. BGSM 12/19, 8/21 and 3/26 tranche also closed lower on yields at 4.03%, 4.29% and 4.61% respectively. The banking space was saw Sabah Dev Bank 12/21 cmake its debut trade at 4.92% whilst AmBank 6/20 closed 4bps lower at 4.11%.

Daily Trades : Government Bonds

Securities		Closing YTM	Vol (RM mil)	Previous YTM	Previous Trade Date (dd/mm/yyyy)	Chg (bp)
MGS	03/19	3.291	30	3.277	25/02/2019	1
MGS	10/19	3.397	166	3.398	25/02/2019	0
MGS	11/19	3.410	120	3.393	25/02/2019	2
MGS	03/20	3.452	108	3.424	25/02/2019	3
MGS	02/21	3.494	11	3.531	25/02/2019	-4
MGS	07/21	3.573	30	3.567	22/02/2019	1
MGS	11/21	3.568	121	3.569	25/02/2019	0
MGS	03/22	3.609	50	3.597	22/02/2019	1
MGS	08/22	3.709	180	3.725	22/02/2019	-2
MGS	09/22	3.731	41	3.722	22/02/2019	1
MGS	03/23	3.749	31	3.735	22/02/2019	1
MGS	04/23	3.704	7	3.704	22/02/2019	0
MGS	08/23	3.780	1	3.775	25/02/2019	0
MGS	07/24	3.838	1	3.836	22/02/2019	0
MGS	09/24	3.844	70	3.848	25/02/2019	0
MGS	09/25	3.918	31	3.920	25/02/2019	0
MGS	07/26	3.866	61	3.858	21/02/2019	1
MGS	11/26	3.976	73	3.981	22/02/2019	0
MGS	05/27	4.033	50	3.995	20/02/2019	4
MGS	11/27	4.008	132	4.005	25/02/2019	0
MGS	06/28	3.976	15	3.971	25/02/2019	0
MGS	04/30	4.150	148	4.125	25/02/2019	3
MGS	06/31	4.217	2	4.221	25/02/2019	0
MGS	11/33	4.305	22	4.316	25/02/2019	-1
MGS	05/35	4.419	13	4.427	21/02/2019	-1
MGS	04/37	4.501	30	4.478	25/02/2019	2
MGS	06/38	4.479	2	4.483	18/02/2019	0
MGS	09/43	4.695	40	4.708	21/02/2019	-1
MGS	03/46	4.760	33	4.756	21/02/2019	0
GII	04/20	3.492	60	3.497	25/02/2019	0
GII	03/22	3.640	310	3.638	25/02/2019	0
GII	07/23	3.841	82	3.841	25/02/2019	0
GII	11/23	3.816	118	3.820	25/02/2019	0
GII	08/24	3.897	50	3.897	25/02/2019	0
GII	08/25	3.965	20	3.934	22/02/2019	3
GII	10/25	3.998	110	4.028	22/02/2019	-3
GII	07/27	4.026	1	4.050	25/02/2019	-2
GII	07/29	4.034	20	4.023	22/02/2019	1
GII	06/33	4.373	110	4.382	22/02/2019	-1
GII	05/47	4.849	10	4.844	25/02/2019	0
			<u>2512</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*	
Perbadanan Tabung Pendidikan Tinggi Nasional	02/28	GG	4.220	40	4.220	14/02/2019	0	32
Perbadanan Tabung Pendidikan Tinggi Nasional	03/32	GG	4.489	50	4.500	21/02/2019	-1	19
DanaInfra Nasional Berhad	11/32	GG	4.489	50	4.499	19/02/2019	-1	19
DanaInfra Nasional Berhad	04/33	GG	4.504	20	4.529	15/02/2019	-3	20
Lembaga Pembiayaan Perumahan Sektor Awam	10/38	GG	4.709	50	4.731	18/02/2019	-2	22
DanaInfra Nasional Berhad	07/39	GG	4.739	10	4.765	15/02/2019	-3	25
DanaInfra Nasional Berhad	05/41	GG	4.796	30	4.799	20/02/2019	0	31
DanaInfra Nasional Berhad	02/49	GG	4.979	15	4.991	18/02/2019	-1	49
Rantau Abang Capital Berhad	08/19	AAA	3.800	25	3.872	07/01/2019	-7	37
Projek Lebuhraya Usahasama Berhad	01/20	AAA	3.919	20	3.928	15/02/2019	-1	49
Putrajaya Holdings Sdn Berhad	12/21	AAA	4.077	5	4.238	01/03/2018	-16	51
Genting Capital Berhad	06/22	AAA	4.865	0	4.780	10/01/2019	9	129
Projek Lebuhraya Usahasama Berhad	01/27	AAA	4.417	20	4.589	10/12/2018	-17	51
Putrajaya Bina Sdn Berhad	09/27	AAA	4.382	20	4.549	28/11/2018	-17	48
Telekom Malaysia Berhad	05/28	AAA	4.518	5	4.591	15/02/2019	-7	61
Telekom Malaysia Berhad	10/28	AAA	4.529	10	4.549	22/02/2019	-2	64
Projek Lebuhraya Usahasama Berhad	01/31	AAA	4.570	20	4.608	19/02/2019	-4	68
Projek Lebuhraya Usahasama Berhad	01/32	AAA	4.597	60	4.624	25/02/2019	-3	30
Sabah Development Bank Berhad	12/21	AA1	4.917	10	-	-	-	135
TRIpIc Medical Sdn Berhad	10/22	AA1	4.297	10	4.300	25/02/2019	0	62
YTL Power International Berhad	03/23	AA1	4.571	1	4.565	15/02/2019	1	90
YTL Corporation Berhad	04/23	AA1	4.571	5	4.592	31/01/2019	-2	90
TRIpIc Medical Sdn Berhad	10/25	AA1	4.451	10	4.614	12/07/2018	-16	59
TRIpIc Medical Sdn Berhad	10/27	AA1	4.551	10	4.548	22/02/2019	0	65
AmBank (M) Berhad	06/20	AA2	4.113	5	4.152	25/02/2019	-4	68
UMW Holdings Berhad	06/22	AA2	4.406	10	4.498	25/10/2018	-9	84
BGSM Management Sdn Berhad	12/19	AA3	4.034	50	4.076	28/01/2019	-4	60
BGSM Management Sdn Berhad	08/21	AA3	4.292	30	4.426	05/10/2018	-13	72
Cahaya Mata Sarawak Berhad	05/22	AA3	4.461	10	4.607	14/11/2018	-15	89
BGSM Management Sdn Berhad	03/26	AA3	4.610	10	4.675	21/12/2018	-6	75
UEM Sunrise Berhad	10/23	AA-	4.677	2	4.717	25/01/2019	-4	97
Tan Chong Motor Holdings Berhad	11/21	A1	5.006	2	5.825	25/02/2019	-82	144
DRB-Hicom Berhad	02/22	A+	6.017	1	6.017	21/02/2019	0	245
			<u>616</u>					

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

Market/Corporate News: What's Brewing

Lower selling prices for its palm products led to Genting Plantations Bhd's fourth-quarter net profit tumbling 87.6% to RM14.27 million, from RM115.35 million a year earlier. Revenue for the quarter ended Dec 31, 2018 contracted 8.7% to RM482.34 million from RM528.42 million in the year-ago fourth quarter. The group attributed this to the impact of weaker palm products selling prices outweighing the increase in fresh fruit bunches (FFB) production. The property segment also registered a decline in revenue from lower sales, the group said in a filing today. Its downstream manufacturing segment, meanwhile, saw a marginal improvement in revenue on the back of higher offtake from both its biodiesel and refinery operations, which more than offset softer selling prices, it said. Genting Plantations recommended a final single tier dividend of 8.25 sen per share. For the full year, the group's net profit halved to RM164.9 million, from RM335.09 million in FY17. This is despite full-year revenue growing 5.2% to RM1.9 billion, from RM1.81 billion in the previous year. Genting Plantations said its prospects for 2019 will largely be contingent on the performance of its plantation segment, which in turn reflects the movements in palm products selling prices and the group's FFB production. "The group's FFB production for 2019 is expected to see further upward trajectory on prospects of higher crop output from its Indonesia operations, bolstered by additional areas coming into maturity and better age profile," it said. The group also plans to continue focusing on residential offerings for its property segment, and develop commercial solutions and applications to enhance the yield and productivity of oil palm under its biotechnology segment. (Source: *The EdgeMarkets*)

IJM Corp Bhd, whose net profit was flat at RM93.42 million in the third quarter ended Dec 31, 2018 (3QFY19), said the group would have a "satisfactory performance". Its managing director and chief executive officer Datuk Soam Heng Choon noted that its order book, which is at its near-record high, will provide earnings visibility over the next few years. "Going forward, IJM will be well-poised to meet the new construction landscape as the country is still in need of quality and reputable contractors to execute its infrastructure needs," Soam said. The group is also on track to achieve its property sales target of RM1.6 billion for the financial year ending March 31, 2019 (FY19), he added. The diversified group's, which has presence in construction, property development and oil palm plantation, earnings were mostly flat in 3QFY19. Quarterly net profit came in at RM93.42 million, marginally higher compared with RM93.39 million in the previous corresponding quarter. Quarterly revenue dropped 2.7% at RM1.51 billion against RM1.55 billion a year ago. The slightly lower revenue was attributed to a drop in contributions across the group's construction, manufacturing and quarrying, as well as plantation divisions. According to IJM, its construction division was less profitable during the quarter under review due to lower construction margins and as project revenues were not yet reaching optimal construction phase. Its manufacturing and quarrying division saw lower sales volumes and margins. The combination of lower commodity prices and production cost pressure have weighed on its plantation division. These were mitigated by its property development division, thanks to a launched Penang condominium project, higher sales achieved from the disposal of completed stocks and commercial land, as well as higher margins derived from its current development projects. Its infrastructure division, meanwhile, recorded higher contributions from its local tolls and port concessions. For the cumulative nine-month (9M) period, IJM's net profit nearly halved to RM178.11 million from RM328.79 million in the same period in FY18; while revenue contracted 7.6% to RM4.26 billion from RM4.61 billion in 9MFY18. IJM attributed the decrease in its profitability to net unrealised foreign exchange losses amounting to RM59.2 million, and a one-off loss on disposal of its remaining 30% equity interest in Swarna Tollway Private Limited amounting to RM41.4 million. Shares in IJM closed nine sen or 4.8% higher at RM1.97 today after the sell-down yesterday amid concerns that the

Government may not be offering fair valuation to take over toll highways. The group's market capitalisation is RM7.14 billion.. (Source: *The EdgeMarkets*)

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

Source: RAM, MARC

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