

Global Markets Research

Fixed Income

Fixed Income Daily Market Snapshot

UST		
Tenure	Closing (%)	Chg (bps)
2-yr UST	2.61	4
5-yr UST	2.60	5
10-yr UST	2.76	4
30-yr UST	3.07	3

MGS		GII*		
Tenure	Closing (%)	Chg (bps)	Closing (%)	Chg (bps)
3-yr	3.60	3	3.67	0
5-yr	3.77	1	3.83	1
7-yr	3.91	1	4.04	1
10-yr	4.07	0	4.09	0
15-yr	4.41	1	4.45	0
20-yr	4.58	0	4.69	1
30-yr	4.77	-2	4.88	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	3.92	0
10-yr	4.08	0

Source : Bloomberg

Upcoming Government Bond Tender

Nil

US Treasuries

- US Treasuries declined; paring weekly gains amid US President & the Senate reaching an agreement to temporary end the partial government shut-down. UST benchmark yields ended 3-5bps higher from prior day's close with the 2Y at 2.61% and the much-watched 10Y spiking by 4bps at 2.76%. Meanwhile both the US and China are expected to have in-depth discussions on economic and trade issues this week. Likewise investors will be watching the British parliament's debate on PM Theresa May's proposed next Brexit steps including plans to delay its March 29th exit from the EU. Market participants are bracing for heightened volatility as the Fed will hold its 1st policy meeting tomorrow and Wednesday followed by the January job numbers on Friday.

MGS/GII

- Trading momentum in local govovies improved with volume at RM4.73b as interest was seen mainly in the off-the-run 19-21's, and 25's26's. Overall benchmarks yields mostly higher between 0-3bps save for the long bond. The 5Y benchmark MGS 4/23 edged 1bps at 3.77% and the 10Y MGS 6/28 almost 1bps higher as well at 4.07% levels. GII trades improved to form 24% of overall trades. Separately investors await further clarity on the East Coast Railway Link (ECRL) project which has been put on hold as its impact on the nation's fiscal deficit cannot be discounted. Up next on the data front are the release of the December trade numbers on Wednesday.

Corp Bonds/Sukuk

- Corporate Bonds/Sukuk also saw solid volume sustain at RM397m as interest was seen across the GG to single-A part of the curve. Govt-guaranteed (GG) PASB 6/23 and 2/26 edged 1bps lower compared to previous-done levels at 4.00% and 4.15% levels whilst DANA 32-33's ended a whopping 14-15bps lower on decent demand of ~ RM70m nominal amounts. In the AA-space, energy-related bond EDRA Energy saw its 2026-2027 tranches end with yields mostly higher by 0-1bps between 5.53-6.9% levels. In the banking space, Affin Islamic 28NC23 edged 1bps lower at 4.91% on substantial volume. Meanwhile PASB; the nation's state-owned water asset management company is reported to issue up to RM1.0b of Islamic Bonds this week.

Daily Trades : Government Bonds

Securities		Closing YTM	Vol (RM mil)	Previous YTM	Previous Trade Date (dd/mm/yyyy)	Chg (bp)
MGS	03/19	3.28	9	3.30	24/01/2019	-2
MGS	10/19	3.40	530	3.41	24/01/2019	0
MGS	11/19	3.41	875	3.39	24/01/2019	2
MGS	03/20	3.46	50	3.48	24/01/2019	-2
MGS	07/20	3.45	1	3.51	24/01/2019	-6
MGS	10/20	3.49	103	3.49	23/01/2019	-1
MGS	07/21	3.64	324	3.60	24/01/2019	3
MGS	09/21	3.62	138	3.61	24/01/2019	1
MGS	11/21	3.60	41	3.57	24/01/2019	3
MGS	03/22	3.60	101	3.58	24/01/2019	2
MGS	08/22	3.69	30	3.72	24/01/2019	-3
MGS	09/22	3.74	42	3.73	24/01/2019	1
MGS	03/23	3.78	2	3.78	24/01/2019	-1
MGS	04/23	3.77	226	3.75	24/01/2019	2
MGS	08/23	3.85	17	3.82	24/01/2019	3
MGS	07/24	3.88	80	3.87	24/01/2019	0
MGS	09/24	3.91	1	3.90	24/01/2019	1
MGS	03/25	3.97	133	3.95	23/01/2019	1
MGS	09/25	4.00	416	3.99	24/01/2019	1
MGS	04/26	4.04	42	4.05	24/01/2019	-1
MGS	07/26	3.91	190	3.90	24/01/2019	0
MGS	11/26	4.07	20	4.06	24/01/2019	1
MGS	03/27	4.12	1	4.13	24/01/2019	-1
MGS	11/27	4.11	3	4.10	24/01/2019	1
MGS	06/28	4.07	79	4.07	24/01/2019	0
MGS	04/30	4.29	48	4.28	24/01/2019	0
MGS	04/33	4.45	2	4.45	24/01/2019	0
MGS	11/33	4.41	50	4.40	24/01/2019	1
MGS	06/38	4.58	16	4.58	24/01/2019	0
MGS	03/46	4.82	1	4.81	24/01/2019	1
MGS	07/48	4.77	12	4.79	22/01/2019	-2
GII	03/22	3.67	20	3.67	22/01/2019	0
GII	11/23	3.83	60	3.82	22/01/2019	1
GII	08/24	3.97	30	3.97	22/01/2019	0
GII	08/25	4.04	340	4.03	24/01/2019	1
GII	09/26	4.07	60	4.05	23/01/2019	1
GII	07/27	4.09	45	4.10	17/01/2019	-1
GII	10/28	4.18	161	4.18	24/01/2019	0
GII	07/29	4.09	210	4.09	24/01/2019	0
GII	09/30	4.29	1	4.33	24/01/2019	-4
GII	08/37	4.69	200	4.68	24/01/2019	1
GII	53820	4.88	20	4.89	24/01/2019	0
			<u>4728</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	4.001	15	4.011	24/01/2019	-1	31
Pengurusan Air SPV Berhad	02/26	GG	4.151	15	4.161	24/01/2019	-1	24
Perbadanan Tabung Pendidikan Tinggi Nasional	03/27	GG	4.301	5	4.407	20/12/2018	-11	30
DanaInfra Nasional Berhad	03/32	GG	4.554	20	4.689	14/12/2018	-14	15
DanaInfra Nasional Berhad	04/33	GG	4.611	50	4.763	15/08/2018	-15	21
Prasarana Malaysia Berhad	12/35	GG	4.714	20	4.777	06/09/2018	-6	31
Gulf Investment Corporation G.S.C	03/21	AAA	4.753	10	4.847	24/10/2018	-9	123
GENM Capital Berhad	07/23	AAA	4.521	3	4.512	23/01/2019	1	83
HSBC Amanah Malaysia Berhad	10/23	AAA	4.197	10	4.221	17/01/2019	-2	44
Sabah Development Bank Berhad	08/19	AA1	4.454	30	4.557	07/12/2018	-10	102
Malayan Banking Berhad	01/24	AA1	4.783	3	4.783	23/01/2019	0	103
Malayan Banking Berhad	05/24	AA1	3.997	10	4.052	09/01/2019	-5	24
Celcom Networks Sdn Berhad	08/19	AA+	4.045	10	4.023	23/01/2019	2	61
UMW Holdings Berhad	10/23	AA2	4.520	10	4.598	28/09/2018	-8	76
UEM Sunrise Berhad	06/19	AA-	4.136	10	4.156	16/01/2019	-2	70
BGSM Management Sdn Berhad	12/23	AA3	4.485	2	4.587	15/01/2019	-10	73
Besraya (M) Sdn Berhad	07/24	AA3	4.847	20	4.608	21/09/2017	24	97
Besraya (M) Sdn Berhad	07/25	AA3	4.908	20	4.669	07/06/2017	24	99
Edra Energy Sdn Berhad	07/26	AA3	5.529	10	5.527	03/01/2019	0	161
Besraya (M) Sdn Berhad	07/26	AA3	4.958	20	4.983	27/12/2018	-2	96
Edra Energy Sdn Berhad	01/27	AA3	5.608	12	5.602	18/01/2019	1	161
Edra Energy Sdn Berhad	07/27	AA3	5.687	10	5.679	22/01/2019	1	169
Edra Energy Sdn Berhad	01/29	AA3	5.400	4	5.690	10/01/2019	-29	132
UEM Sunrise Berhad	12/22	AA-	4.703	10	4.795	12/12/2018	-9	101
UEM Sunrise Berhad	10/23	AA-	4.717	6	4.716	18/01/2019	0	96
Tan Chong Motor Holdings Berhad	11/19	A1	5.577	10	5.653	20/12/2018	-8	214
Affin Islamic Bank Berhad	10/28	A1	4.907	50	4.917	10/01/2019	-1	83
CIMB Group Holdings Berhad	05/16	A1	4.607	2	4.440	22/01/2019	17	3
UMW Holdings Berhad	04/18	A1	5.700	1	5.728	24/01/2019	-3	113
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*spread against nearest indicative tenured MGS (Source : BPAM)

Market/Corporate News: What's Brewing

The national reinsurer and leading takaful operator had on Friday lodged with the Securities Commission the lodgement kit for the proposed establishment of the sukuk murabahah programme. It said the programme was for the issuance of senior sukuk murabahah and/or subordinated sukuk murabahah. "The Subordinated Sukuk Murabahah to be issued are intended to qualify as Tier 2 capital instrument subject to compliance with the requirements of the Risk-Based Capital Framework for Insurers published by Bank Negara Malaysia on May 31, 2017," it said. MNRB said each subordinated sukuk murabahah issued under the programme shall have a tenure of at least five years subject to an early redemption event whereas each senior sukuk murabahah issued under the programme shall have a tenure of at least one year. The proceeds from the programme shall be used for Shariah-compliant purposes, as follows:

- refinancing MNRB's existing and future financing/borrowings including to redeem any maturing Sukuk Murabahah issued under the sukuk murabahah programme;
- investment into MNRB's subsidiaries which are involved in Shariah-compliant activities;
- investment in permitted investments; and
- paying the fees and expenses in relation to the sukuk murabahah programme.

AmInvestment Bank Bhd is the principal adviser, lead arranger and lead manager for the sukuk murabahah programme. AmBank Islamic Bhd is the Shariah adviser for the programme. (Source: *The Star*)

THE biggest issuers of US corporate bonds are easing up on selling new securities, which could translate to gains for investors holding the debt. Banks and other financial companies have sold around US\$50bil of bonds so far this year, about half of what they issued in the same period a year ago. For the largest US banks the decline has been even steeper – they sold just US\$12bil of debt after earnings, about a third of sales at the same point last year. Debt sales are falling after banks have largely sold enough debt to meet the requirements of a Federal Reserve regulation, and tax cuts have lifted their cash flow, reducing their borrowing needs. Many foreign banks, typically major January issuers, have sat out amid Brexit jitters and rising hedging costs in currency markets. US and foreign financial companies represent about a third of the US\$5 trillion high-grade bond market. "Issuance will be more strategic and more opportunistic," says Robert Smalley, a credit desk analyst at UBS Group AG. While lower issuance from bank holding companies was widely expected in the market, "once you see it in black and white it finally hits home", he says. That could translate to gains in bank bonds for the year, at least based on risk premiums, after the securities weakened at the end of 2018. Strategists at research firm CreditSights called the bonds of large US banks a top trade for 2019 thanks to muted new issuance and the lenders' strong balance sheets. Bonds tied to banks returned 1.22% through Wednesday, compared with 1.05% for broader investment-grade securities. Banks are just one part of what is likely to be a big slowdown for new corporate bond issuance in 2019, as tax cuts give companies more cash flow to pay down debt. Investment-grade corporate bond sales so far this year have fallen more than 15% from the same period last year, according to data compiled by Bloomberg. Analysts at JPMorgan Chase & Co, Bloomberg Intelligence, and Nomura Holdings forecast that overall issuance this year will fall by about 10%. Declining sales of new securities could be one of the biggest near-term tailwinds for a market that faces serious long-term risks, including the fact that around half of outstanding investment-grade debt is in the tier just above junk. JPMorgan Chase hasn't issued unsecured bonds in January, bucking a years-long trend. The few banks that have tapped the market have been greeted with fervid investor demand. A US\$500mil bond from Bank of America for socially beneficial projects sold Tuesday drew 11 times the orders it needed, according

to people familiar with the matter. The demand let the lender sell the debt with lower risk premiums than existing bonds. Similar hunger for a Morgan Stanley bond last week meant the bank paid a yield just 0.01 percentage point above that of its existing debt for its new securities. The average for this year is closer to 0.12 percentage point. Declining overall company debt issuance is at least part of why a growing number of strategists, at banks including Bank of America Corp, Morgan Stanley and JPMorgan Chase say it's time to start buying corporate bonds again. A Bank of America survey released this week said that around 38% of high-grade investors owned more of the debt than their benchmark indexes in January, about double the proportion in November, because many money managers view the debt as relatively cheap. Matt Brill, a senior portfolio manager at Invesco, which manages US\$888bil, says bank bonds still look like a good buy because most of the securities haven't fully recovered from December's market gyrations. But banks have spent years building their capital levels, and any upcoming slowdown in economic growth won't likely have much impact on lenders' ability to pay their debt obligations, he says. "There still is value in the banking space," Brill says. "The credit market has been very strong and demand for bank paper has been there. Investors have gotten the impression quite early that bank issuance will be underwhelming." For years, banks have issued large amounts of debt at their parent companies to meet the requirements of a regulatory rule known as total loss-absorbing capacity, or TLAC. In times of crisis, the parent-company debt would turn into equity to help finance a new, healthy version of the bank. The biggest US banks issued more than US\$660bil of this debt between 2015 and 2018, according to Bloomberg data, and have met their requirements. Now more bank bond issuance is likely to come in shorter-term debt, maturing in three years or less, sold by the operating banking unit, Bloomberg Intelligence analyst Arnold Kakuda wrote in a note on Tuesday. The regulated banks can often borrow cheaper than their holding companies. Overall issuance of dollar-denominated bank bonds are likely to fall again in 2019 after declining 13% to US\$359bil last year. That, along with banks' healthy capital positions, should help risk premiums on the debt compress, says Jon Curran, a portfolio manager at Aberdeen Standard Investments, which manages about US\$736bil. "They're certainly not giving away these deals," Curran says. He's been selectively buying bank bonds when he can find value. "It's a nice validation. Banks stand on firm fundamental footing." (Source: *The Star/Bloomberg*)

Rating Action			
Issuer	PDS Description	Rating/Outlook	Action
Quantum Solar Park (Semenanjung) Sdn Bhd's (QSP Semenanjung)	RM1.0 billion Green SRI Sukuk	Rating changed to A+IS from AA-IS/Negative and concurrently placed the rating on MARCWatch Negative	Downgraded
Gamuda Berhad	•RM800 million IMTN Programme (2008/2028)	AA3/stable/P1	Reaffirmed
	•RM800 million IMTN Programme (2013/2038)	AA3/stable/P1	Reaffirmed
	•RM100 million ICP Programme (2013/2020)	AA3/stable/P1	Reaffirmed
	•RM5 billion IMTN Programme (2015/2045)	AA3/stable/P1	Reaffirmed
	•RM2 billion ICP Programme (2015/2022)	AA3/stable/P1	Reaffirmed
Cahaya Mata Sarawak Berhad	RM2.0 billion Islamic MTN Programme (2017/2037)	AA3/Stable	Reaffirmed

Source: RAM, MARC

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