

Global Markets Research

Fixed Income

Fixed Income Daily Market Snapshot

UST		
Tenure	Closing (%)	Chg (bps)
2-yr UST	2.23	-6
5-yr UST	2.17	-5
10-yr UST	2.38	-5
30-yr UST	2.84	-4

MGS		GII*		
Tenure	Closing (%)	Chg (bps)	Closing (%)	Chg (bps)
3-yr	3.40	3	3.51	-2
5-yr	3.54	-4	3.66	0
7-yr	3.77	3	3.82	0
10-yr	3.78	-4	3.83	-3
15-yr	4.14	3	4.16	-5
20-yr	4.33	-2	4.45	0
30-yr	4.58	0	4.68	1

* Market indicative levels

MYR IRS Levels		
IRS	Closing (%)	Chg (bps)
1-yr	3.56	-1
3-yr	3.55	-2
5-yr	3.64	-2
7-yr	3.77	-2
10-yr	3.96	-2

Source : Bloomberg

Upcoming Government Bond Tender

RM4.0b new issuance of 7Y GII 3/26 on Thursday, 28th March

US Treasuries

• US Treasuries rallied as the curve shifted sharply lower to a 14-month low. Global financial markets turned risk off again on renewed global growth concerns whilst major equities ended in the red again. Both the UST 2Y and the much-watched 10Y moved 5-6bps lower at 2.23% and 2.38% respectively. The 5Y auction was relatively soft with a BTC ratio of 2.35x with an average yield of 2.172%. Bond traders continue to monitor a prominent predictor of recession i.e. both the narrowing 2s10s spread and also the gap between the 3-month and 10Y UST whilst many are betting on Fed interest rate cuts this year. US trade deficit narrowed more than expected in January. Upcoming data include US final 4Q GDP, pending home sales and initial jobless claims for February scheduled for release tonight.

MGS/GII

• Local govvnies rally continued yesterday with volume at commendable RM4.63b with interest seen in both the 3Y and 10Y benchmark MGS/GII bonds. Overall benchmark yields however ended mixed i.e. between -5 to +3bps despite lower interest rate swap levels. The 5Y benchmark MGS 4/23 nosedived another 4bps at 3.54% whilst the 10Y MGS 8/29 closed 4bps lower at 3.78%. GII bonds formed 47% of overall trades. Meanwhile, BNM has trimmed this year's growth forecasts to 4.3-4.8% (2018:+4.7%) and conveyed that it has "policy options" available at its disposal. The midpoint forecast of 4.7% was below MOF's forecast of 4.9% back in November last year but in line with ours 4.7%.

Corp Bonds/Sukuk

• Corporate Bonds/Sukuk gained solid traction as volume notched RM963m with interest seen mainly across the GG-segment especially in the belly, followed by the AAA-AA part of the curve. Both PRASA 9/22 and 3/25 saw RM280m in nominal amounts traded; closing 24bps sharply lower at 3.78% and 3.91% respectively compared to previous-done levels. Both AAA-rated TELEKOM 10/28 and TNB 8/32 closed 4-5bps lower at 4.38% and 4.41% each. AA-rated space was dominated mainly by energy-related bonds namely EDRA, SEB, Southern Powerr and JEP and UITM Solar which also moved 5-20bps lower in line with the rally in govvnies. The banking space was relatively quiet with Sabah Development Bank 2/26 closing strongly at 5.19%. Expect robust interest to prevail.

Daily Trades : Government Bonds

Securities		Closing YTM	Vol (RM mil)	Previous YTM	Previous Trade Date (dd/mm/yyyy)	Chg (bp)
MGS	10/19	3.357	70	3.359	26/03/2019	0
MGS	11/19	3.339	60	3.350	26/03/2019	-1
MGS	03/20	3.370	56	3.370	26/03/2019	0
MGS	07/21	3.428	69	3.424	26/03/2019	0
MGS	09/21	3.456	55	3.426	26/03/2019	3
MGS	11/21	3.445	1	3.443	26/03/2019	0
MGS	03/22	3.402	326	3.372	26/03/2019	3
MGS	08/22	3.518	119	3.496	25/03/2019	2
MGS	09/22	3.526	10	3.485	25/03/2019	4
MGS	03/23	3.581	7	3.577	22/03/2019	0
MGS	04/23	3.543	192	3.583	26/03/2019	-4
MGS	08/23	3.630	7	3.628	26/03/2019	0
MGS	07/24	3.916	159	3.710	26/03/2019	21
MGS	09/24	3.723	73	3.718	26/03/2019	0
MGS	03/25	3.763	70	3.759	26/03/2019	0
MGS	09/25	3.770	1	3.779	26/03/2019	-1
MGS	04/26	3.845	21	3.837	25/03/2019	1
MGS	07/26	3.765	145	3.735	26/03/2019	3
MGS	11/26	3.831	21	3.839	26/03/2019	-1
MGS	03/27	3.921	1	3.920	22/03/2019	0
MGS	05/27	3.880	20	3.941	19/03/2019	-6
MGS	11/27	3.830	107	3.844	26/03/2019	-1
MGS	06/28	3.856	37	3.856	26/03/2019	0
MGS	08/29	3.779	542	3.814	26/03/2019	-4
MGS	04/30	3.979	30	3.963	26/03/2019	2
MGS	06/31	4.081	42	4.085	26/03/2019	0
MGS	04/32	4.145	1	4.167	25/03/2019	-2
MGS	04/33	4.166	13	4.152	26/03/2019	1
MGS	11/33	4.136	10	4.107	25/03/2019	3
MGS	05/35	4.301	103	4.297	26/03/2019	0
MGS	04/37	4.366	20	4.339	25/03/2019	3
MGS	06/38	4.325	10	4.342	26/03/2019	-2
MGS	09/43	4.578	70	4.610	25/03/2019	-3
MGS	03/46	4.609	1	4.625	26/03/2019	-2
GII	04/19	3.362	200	3.356	26/03/2019	1
GII	04/20	3.425	5	3.467	22/03/2019	-4
GII	04/21	3.508	20	3.504	25/03/2019	0
GII	03/22	3.513	357	3.528	26/03/2019	-2
GII	07/22	3.609	80	3.611	21/03/2019	0
GII	11/22	3.674	80	3.668	26/03/2019	1
GII	11/22	3.677	10	3.686	13/03/2019	-1
GII	07/23	3.713	100	3.707	22/03/2019	1
GII	11/23	3.660	50	3.661	26/03/2019	0
GII	08/24	3.761	80	3.761	26/03/2019	0
GII	08/25	3.823	470	3.823	26/03/2019	0
GII	07/27	3.917	20	3.921	25/03/2019	0
GII	10/28	3.933	130	3.959	26/03/2019	-3
GII	07/29	3.833	343	3.856	26/03/2019	-2
GII	09/30	4.077	20	4.097	26/03/2019	-2
GII	06/33	4.160	50	4.201	26/03/2019	-4
GII	08/33	4.191	40	4.250	26/03/2019	-6
GII	08/37	4.446	60	4.446	26/03/2019	0
GII	05/47	4.676	50	4.670	26/03/2019	1
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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*
Prasarana Malaysia Berhad	09/22	GG	3.781	200	4.020	14/09/2017	-24	36
Prasarana Malaysia Berhad	03/25	GG	3.909	80	4.144	14/01/2019	-24	20
Prasarana Malaysia Berhad	09/24	GG	3.900	60	4.079	07/02/2019	-18	32
Lembaga Pembiayaan Perumahan Sektor Awam	10/38	GG	4.523	50	4.532	26/03/2019	-1	11
Pengurusan Air SPV Berhad	06/25	GG	3.920	40	4.081	19/02/2019	-16	21
Pengurusan Air SPV Berhad	06/26	GG	3.950	25	4.120	19/02/2019	-17	17
Prasarana Malaysia Berhad	03/25	GG	3.910	25	3.910	25/03/2019	0	20
Lembaga Pembiayaan Perumahan Sektor Awam	09/36	GG	4.449	20	4.499	26/03/2019	-5	26
Prasarana Malaysia Berhad	08/26	GG	4.001	20	3.995	25/03/2019	1	22
DanaInfra Nasional Berhad	11/25	GG	3.910	15	3.949	26/03/2019	-4	13
Pengurusan Air SPV Berhad	02/26	GG	3.939	15	3.939	26/03/2019	0	15
Prasarana Malaysia Berhad	09/24	GG	3.900	15	4.172	04/01/2019	-27	19
DanaInfra Nasional Berhad	07/29	GG	4.111	10	4.240	05/03/2019	-13	27
Jambatan Kedua Sdn Berhad	07/26	GG	4.028	10	4.050	26/03/2019	-2	24
Prasarana Malaysia Berhad	09/28	GG	4.080	10	4.088	22/03/2019	-1	23
Perbadanan Tabung Pendidikan Tinggi Nasional	03/24	GG	3.980	5	4.020	11/03/2019	-4	40
Sabah Development Bank Berhad	02/26	AA1	5.188	15	5.233	26/03/2019	-4	140
First Abu Dhabi Bank PJSC	12/20	AAA	4.045	14	4.278	03/04/2018	-23	64
CIMB Bank Berhad	08/26	AA+	4.581	1	4.337	04/03/2019	24	80
Malayan Banking Berhad	01/29	AA1	4.469	1	4.497	21/03/2019	-3	63
Telekom Malaysia Berhad	10/28	AAA	4.379	40	4.429	26/03/2019	-5	54
Danum Capital Berhad	02/34	AAA	4.479	30	4.520	13/03/2019	-4	29
Fortune Premiere Sdn Berhad	09/25	AA	4.630	20	4.699	28/02/2019	-7	92
Jimah East Power Sdn Berhad	12/29	AA-	4.568	20	4.639	15/03/2019	-7	73
Jimah East Power Sdn Berhad	06/31	AA-	4.649	20	4.724	15/03/2019	-8	81
Celcom Networks Sdn Berhad	08/27	AA+	4.459	10	4.457	21/03/2019	0	64
Celcom Networks Sdn Berhad	10/26	AA+	4.411	10	4.480	12/03/2019	-7	59
Edra Energy Sdn Berhad	01/24	AA3	5.246	10	5.297	21/03/2019	-5	167
Edra Energy Sdn Berhad	01/25	AA3	5.336	10	5.472	14/02/2019	-14	162
Edra Energy Sdn Berhad	01/33	AA3	5.948	10	6.009	07/03/2019	-6	176
Edra Energy Sdn Berhad	07/35	AA3	6.099	10	6.119	22/03/2019	-2	191
Manjung Island Energy Berhad	11/22	AAA	4.047	10	4.230	04/01/2019	-18	52
Manjung Island Energy Berhad	11/24	AAA	4.123	10	4.157	22/03/2019	-3	41
Projek Lebuhraya Usahasama Berhad	01/32	AAA	4.459	10	4.460	26/03/2019	0	27
Projek Lebuhraya Usahasama Berhad	01/33	AAA	4.519	10	4.669	25/02/2019	-15	33
Sarawak Energy Berhad	11/33	AA1	4.659	10	4.845	24/01/2019	-19	47
Southern Power Generation Sdn Berhad	10/27	AA-	4.429	10	4.482	22/03/2019	-5	58
Tenaga Nasional Berhad	08/32	AAA	4.409	10	4.445	21/03/2019	-4	22
UEM Sunrise Berhad	05/23	AA-	4.541	10	4.622	08/03/2019	-8	102
UMW Holdings Berhad	10/23	AA2	4.388	10	4.458	27/02/2019	-7	81
UMW Holdings Berhad	10/26	AA2	4.509	10	4.508	25/03/2019	0	69
Gamuda Berhad	11/22	AA3	4.476	8	4.476	22/03/2019	0	95
Tenaga Nasional Berhad	08/33	AAA	4.469	8	4.531	20/03/2019	-6	28
Lebuhraya DUKE Fasa 3 Sdn Berhad	08/29	AA-	4.809	5	4.799	15/03/2019	1	97
Manjung Island Energy Berhad	11/19	AAA	3.784	5	4.079	08/11/2018	-30	41
Pengurusan Air SPV Berhad	11/19	AAA	3.779	5	4.204	22/06/2018	-43	40
UiTM Solar Power Sdn Berhad	04/32	AA-	5.588	5	0.000	00/01/1900	559	140
UiTM Solar Power Sdn Berhad	04/33	AA-	5.685	5	5.880	20/12/2018	-20	150
Tanjung Bin O&M Berhad	07/22	AA-	4.346	1	4.608	03/05/2017	-26	93
Edra Energy Sdn Berhad	07/29	AA3	5.700	1	5.751	26/03/2019	-5	186
				963				

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

Market/Corporate News: What's Brewing

Asian share markets were painted red on Thursday as recession concerns sent bond yields spiralling lower across the globe, overshadowing central bank attempts to calm frayed nerves. Sterling was also hit by another bout of Brexit blues after a round of votes in the U.K. parliament failed to produce any plan to manage the divorce. MSCI's broadest index of Asia-Pacific shares outside Japan slipped 0.2 percent in early trade, with South Korea off 0.7 percent. Japan's Nikkei fell 1.6 percent, while E-Mini futures for the S&P 500 lost 0.4 percent. On Wall Street, the Dow had ended

Wednesday down 0.13 percent, while the S&P 500 lost 0.46 percent and the Nasdaq 0.63 percent. Worries that the inversion of the U.S. Treasury curve signalled a future recession only deepened as 10-year yields fell to 15-month lows at 2.35 percent. The latest lunge lower was led by German bunds where 10-year yields dived deeper into negative territory after European Central Bank President Mario Draghi said a hike in interest rates could be further delayed. Plans to mitigate the side-effects of negative interest rates could also be considered, suggesting the central bank was preparing for an extended period below zero. That shift came hot on the heels of a dovish surprise from the Reserve Bank of New Zealand which abandoned its neutral bias to say the next rate move would likely be down. Yields in both New Zealand and neighbour Australia, quickly sank to record lows in response. The RBNZ explicitly cited all the easing moves by other central banks as a reason for its turnaround since they had put unwanted upward pressure on the local dollar. That is one reason markets are wagering the Reserve Bank of Australia will also be forced to cut rates, simply to stop its currency from appreciating. Policy easing then becomes a self-fulfilling cycle across the world. "The continued dovish shift by G7 central banks, ongoing support by the Chinese authorities, and the move by the RBNZ will keep pressure on the RBA to also move in the same direction, however reluctantly," said Su-Lin Ong, head of Australian and New Zealand strategy at RBC Capital Markets. "It is, essentially, a global policy cycle." The RBNZ's action had the desired effect on its currency, which was pinned at \$0.6786 after diving 1.6 percent overnight. The Aussie also slid 0.7 percent to \$0.7082. Draghi's comments likewise tugged the euro back to \$1.1250, and left the U.S. dollar firmer against a basket of its competitors at 96.967. Only the yen held its own thanks to its safe-haven status and was last steady at 110.31 per dollar. Sterling had its own troubles as an offer by British Prime Minister Theresa May to quit to get her European Union deal through parliament failed, leaving uncertainty hanging over the Brexit process. That left the pound down at \$1.3165, having been as high as \$1.3269 at one point on Wednesday. In commodity markets, palladium was the focus of attention after sliding 7 percent on Wednesday as its meteoric rally finally ran into profit-taking. Gold was relatively sedate at \$1,310.32 per ounce. Oil prices nursed modest losses after data showed U.S. crude inventories grew more than expected last week as a Texas chemical spill hampered exports. U.S. crude was last down 12 cents at \$59.29 a barrel, while Brent crude futures lost 7 cents to \$67.16. - Reuters. (Source: The EdgeMarkets/Reuters)

Gamuda Bhd's net profit fell 23% to RM173.14 million in the second quarter ended Jan 31, 2019 (2QFY19) from RM223.64 million in the previous year's corresponding quarter, as it ceased recognition of its share of profits from Syarikat Pengeluar Air Sungai Selangor (Splash), which it sold at the end of last year. Revenue for the quarter increased 13% to RM1.13 billion from RM998.92 million a year earlier. For the first half of its financial year, net profit declined 19% to RM345.18 million from RM427.72 million in the corresponding period a year earlier, despite revenue climbing 15% to RM2.03 billion from RM1.77 billion. (Source: The Star)

Rating Action			
Issuer	PDS Description	Rating/Outlook	Action
Malaysia Marine and Heavy Engineering Holdings Berhad	M1.0 billion Sukuk Murabahah Programme	AA- IS	Affirmed
istem Penyuraian Trafik KL Barat Sdn Bhd (SPRINT)	RM208 million Al-Bai' Bithaman Ajil Islamic Debt Securities (BaIDS)	A+ IS but revised to developing	Affirmed

Source: RAM, MARC

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