

Global Markets Research

Fixed Income

UST

Tenure	Closing (%)	Chg (bps)
2-yr UST	0.93	-14
5-yr UST	0.94	-14
10-yr UST	1.15	-11
30-yr UST	1.67	-8

MGS

GII*

Tenure	Closing (%)	Chg (bps)	Closing (%)	Chg (bps)
3-yr	2.58	-4	2.57	-12
5-yr	2.63	-5	2.68	-5
7-yr	2.77	-5	2.76	-2
10-yr	2.82	-2	2.86	-3
15-yr	3.05	1	3.06	-4
20-yr	3.22	-1	3.26	-4
30-yr	3.58	-6	3.59	-3

* Market indicative levels

MYR IRS Levels

IRS	Closing (%)	Chg (bps)
1-yr	2.76	-3
3-yr	2.70	-4
5-yr	2.72	-4
7-yr	2.80	-6
10-yr	2.95	-4

Source : Bloomberg

Upcoming Government Bond Tender

Nil

Fixed Income Daily Market Snapshot

US Treasuries

- UST's ended strong again last Friday with the curve continuing to bull-steepen on safe-haven bids on mounting Covid-19 fears and month-end activity. Overall benchmark yields closed between 8-14bps sharply lower with the UST 2Y falling below the 1.0% handle at 0.93% and the much-watched UST 10Y declining 11bps to a record low of 1.15%. Both traders and economists are marking up the Fed's easing expectations; which is supporting the front-end for now. The CME Group Fed fund futures has now priced in a 100% probability of a 25bps rate cut in the upcoming FOMC meeting in March; up from ~63% last week. The Fed Fund Futures too is pricing in a 100% chance of a similar cut as well. Up next are the tonight's release of PMI and ISM manufacturing data for February.

MGS/GIII

- Local govies closed strong across the curve last Friday amid a rise in volume to RM5.82b as investors flocked to the safety of MYR bonds. Overall benchmark yields closed between 1-12bps lower with interest mainly seen in off-the-run 21's and also the 5Y and 10Y benchmark MGS/GII. The benchmark 5Y MGS 6/24 moved 5bps lower at 2.63% whilst the 10Y MGS 8/29 edged 2bps lower at 2.82%. GII bonds maintained to form about ~ 33% of overall trades. The nation's deep pool of institutional funds was complimented by foreign interest despite our projected RM3.2b increase in issuances following the recent announcement of the RM20b economic stimulus package. The appointment of Tan Sri Muhyiddin as the new PM has somewhat reduced the current political uncertainty which had earlier added to existing headwinds that included lower oil prices and the Covid-19 outbreak. Expect attention to focus on BNM's upcoming MPC announcement tomorrow.

Corp Bonds/Sukuk

- Corporate bonds/Sukuk space saw active trades amid higher secondary market volume of RM799m with investor interest seen across the GG-AA part of the curve. There were about 38 various bonds traded with overall yields mostly lower. Govt-guaranteed sector saw a slew of 10Y bonds traded with PASB, PRASA and DANA 29's all declining between 10-25bps lower compared to previous-done levels at 3.01-02% levels. AAA-rated DANUM Capital 34-35's moved 1-4bps lower on substantial volume closing between 3.35-41%. The shorter-tenured AA-rated energy bonds JEP 29-31's and YTL Power similarly closed sharply lower on yields between 3.71-80% and 3.61% respectively. The banking space saw both PUBLIC Islamic 29NC24 and Hong Leong Financial group 29NC24 close between 3-7bpd lower at 3.18% and 3.45% each.

Daily Trades : Government Bond

Securities	Closing	Vol	Previous	Previous	Chg
	YTM	(RM mil)	YTM	Trade Date (dd/mm/yyyy)	(bp)
MGS 03/20	2.654	86	2.656	27/02/2020	0
MGS 07/20	2.600	1	2.589	27/02/2020	1
MGS 10/20	2.588	175	2.592	27/02/2020	0
MGS 02/21	2.529	162	2.588	27/02/2020	-6
MGS 07/21	2.586	274	2.611	27/02/2020	-3
MGS 09/21	2.576	271	2.611	27/02/2020	-4
MGS 11/21	2.568	94	2.617	26/02/2020	-5
MGS 03/22	2.591	123	2.620	27/02/2020	-3
MGS 08/22	2.604	125	2.626	26/02/2020	-2
MGS 03/23	2.608	172	2.629	27/02/2020	-2
MGS 04/23	2.635	31	2.652	27/02/2020	-2
MGS 08/23	2.652	3	2.703	27/02/2020	-5
MGS 06/24	2.632	237	2.685	27/02/2020	-5
MGS 07/24	2.703	1	2.704	27/02/2020	0
MGS 09/24	2.703	55	2.683	26/02/2020	2
MGS 07/25	2.778	10	2.760	27/02/2020	2
MGS 09/25	2.683	186	2.685	26/02/2020	0
MGS 07/26	2.769	60	2.818	27/02/2020	-5
MGS 09/26	2.801	10	2.861	14/02/2020	-6
MGS 11/26	2.819	17	2.827	27/02/2020	-1
MGS 03/27	2.857	20	2.828	27/02/2020	3
MGS 05/27	2.745	351	2.775	27/02/2020	-3
MGS 11/27	2.788	7	2.893	26/02/2020	-11
MGS 06/28	2.844	11	2.848	27/02/2020	0
MGS 08/29	2.820	520	2.845	27/02/2020	-3
MGS 04/30	2.966	37	2.998	27/02/2020	-3
MGS 06/31	3.025	22	3.045	27/02/2020	-2
MGS 04/33	3.043	52	3.053	27/02/2020	-1
MGS 11/33	3.078	176	3.067	27/02/2020	1
MGS 07/34	3.050	297	3.041	26/02/2020	1
MGS 05/35	3.210	30	3.172	26/02/2020	4
MGS 04/37	3.218	2	3.230	27/02/2020	-1
MGS 05/40	3.216	140	3.229	26/02/2020	-1
MGS 03/46	3.552	45	3.621	27/02/2020	-7
MGS 07/48	3.583	106	3.646	27/02/2020	-6
GII 04/20	2.673	11	2.664	27/02/2020	1
GII 08/20	2.575	5	2.678	26/02/2020	-10
GII 03/21	2.581	1	2.666	24/02/2020	-9
GII 04/21	2.598	5	2.630	14/02/2020	-3
GII 08/21	2.613	2	2.668	13/02/2020	-6
GII 03/22	2.571	14	2.689	24/02/2020	-12
GII 04/22	2.636	23	2.630	27/02/2020	1
GII 07/23	2.691	39	2.678	26/02/2020	1
GII 08/24	2.713	80	2.750	18/02/2020	-4
GII 10/24	2.681	445	2.727	27/02/2020	-5
GII 08/25	2.768	200	2.778	27/02/2020	-1
GII 03/26	2.760	84	2.777	27/02/2020	-2
GII 06/27	2.828	80	2.830	27/02/2020	0
GII 07/27	2.840	90	2.839	26/02/2020	0
GII 10/28	2.875	120	2.901	27/02/2020	-3
GII 12/28	2.899	60	2.987	25/02/2020	-9
GII 07/29	2.863	397	2.896	27/02/2020	-3
GII 09/30	2.970	10	2.971	26/02/2020	0
GII 08/33	3.112	10	3.112	27/02/2020	0
GII 11/34	3.059	130	3.098	27/02/2020	-4
GII 09/39	3.256	80	3.294	27/02/2020	-4
GII 11/49	3.592	22	3.627	26/02/2020	-3
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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*	
Lembaga Pembiayaan Perumahan Sektor Awam	04/26	GG	2.909	80	3.504	06/12/2019	-60	19
Prasarana Malaysia Berhad	03/28	GG	2.989	40	3.070	21/02/2020	-8	19
Pengurusan Air SPV Berhad	02/29	GG	3.006	20	3.260	07/02/2020	-25	19
Prasarana Malaysia Berhad	09/29	GG	3.008	20	3.225	10/02/2020	-22	18
DanaInfra Nasional Berhad	11/29	GG	3.019	10	3.120	20/02/2020	-10	19
DanaInfra Nasional Berhad	11/29	GG	3.019	10	3.168	11/02/2020	-15	19
Prasarana Malaysia Berhad	03/30	GG	3.029	15	3.118	25/02/2020	-9	20
DanaInfra Nasional Berhad	10/31	GG	3.110	20	3.569	13/09/2019	-46	28
Lembaga Pembiayaan Perumahan Sektor Awam	04/34	GG	3.200	60	3.679	08/01/2020	-48	15
Prasarana Malaysia Berhad	08/34	GG	3.200	20	3.199	26/02/2020	0	15
DanaInfra Nasional Berhad	11/34	GG	3.201	40	3.198	12/02/2020	0	15
Perbadanan Tabung Pendidikan Tinggi Nasional	07/41	GG	3.582	1	3.731	04/02/2020	-15	34
Bakun Hydro Power Generation Sdn Berhad (fka)	08/20	AAA	2.928	20	3.180	17/02/2020	-25	33
Pengurusan Air SPV Berhad	06/24	AAA	3.047	20	3.467	16/01/2020	-42	40
Bank Pembangunan Malaysia Berhad	11/26	AAA	3.285	1	3.289	27/02/2020	0	54
Sarawak Energy Berhad	11/28	AAA	3.158	20	3.251	18/02/2020	-9	34
Pengurusan Air SPV Berhad	02/29	AAA	3.216	30	3.648	13/01/2020	-43	40
Danga Capital Berhad	01/30	AAA	3.187	10	3.659	17/01/2020	-47	36
Sarawak Energy Berhad	04/31	AAA	3.228	20	3.428	11/02/2020	-20	40
Sarawak Energy Berhad	12/32	AAA	3.312	20	3.600	04/02/2020	-29	26
Danum Capital Berhad	02/34	AAA	3.352	40	3.389	19/02/2020	-4	30
Danum Capital Berhad	02/35	AAA	3.410	130	3.418	21/02/2020	-1	36
YTL Power International Berhad	08/28	AA1	3.611	10	4.180	16/12/2019	-57	81
Public Islamic Bank Berhad	10/29	AA1	3.179	10	3.210	26/02/2020	-3	35
Danajamin Nasional Berhad	10/27	AA+	3.437	20	3.436	27/02/2020	0	64
Hong Leong Financial Group Berhad	06/29	AA2	3.453	10	3.519	13/02/2020	-7	63
Gamuda Berhad	03/23	AA3	3.398	20	3.463	26/02/2020	-6	78
UEM Sunrise Berhad	05/23	AA-	3.366	20	3.540	22/01/2020	-17	75
MMC Corporation Berhad	11/27	AA-	4.446	10	4.758	16/01/2020	-31	165
Jimah East Power Sdn Berhad	12/29	AA-	3.709	10	3.947	23/01/2020	-24	88
Jimah East Power Sdn Berhad	06/30	AA-	3.729	20	4.311	26/06/2019	-58	90
Jimah East Power Sdn Berhad	06/31	AA-	3.799	10	4.150	15/01/2020	-35	97
Sime Darby Plantation Sdn Bhd	03/16	AA-	3.467	10	3.728	23/01/2020	-26	23
CIMB Group Holdings Berhad	05/16	A1	4.126	1	3.798	18/02/2020	33	89
YNH Property Berhad	08/19	-	6.753	1	6.377	25/02/2020	38	351
				799				

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

Market/Corporate News: What's Brewing

Tenaga Nasional's FY19 core net profit came in below expectations due to forced outages of its power plants and lower-than-expected JV/associates contribution, a research house said. In its research note issued on Monday, it said Tenaga declared a final dividend per share (DPS) of 20 sen and special DPS of 50 sen. "Reiterate Add with a lower TP of RM14.30 following our earnings adjustment," it said. It said Tenaga's FY19 core earnings (excluding RM198m impairment for GMR Energy India, RM136m impairment of financial guarantee for GAMA Enerji Turkey, RM213m land disposal gain, and RM114m forex gain) came in below expectations, at 88% of its and 86% of Bloomberg consensus full-year estimates. FY19 core net profit declined 7% yoy despite 1% yoy revenue growth, mainly due to: (i) lower contribution from generation due to forced outages in Janamanjung (TNBJ Unit 2) and Kapar Energy Venture (KEV Unit 6) plants, (ii) higher finance cost due to issuance of medium-term note and interest expense for Jimah East Power, and (iii) higher costs due to the adoption of accounting standard MFRS 16. In FY19, Tenaga maintained its approved return of RM3.8bn on the regulated business under the incentive-based regulation (IBR) framework. "Nonetheless, the generation side suffered a total loss of revenue of c.RM300m due to: (i) 120 days outage at TNBJ due to faulty turbine rotors; the plant was re-commissioned on 17 Feb 2020, and (ii) 151 days outage at KEV due to a broken turbine blade; the plant was re-commissioned on Jan 7, 2020. "We cut our FY20-21F EPS estimates by 6-11% to factor in the impact of the plant outages that will flow into 1Q20, as well as higher interest cost," it said. It's target price was reduced following its earnings cut and as it rolled over its valuation to FY21F, still based on sector average P/E of 15x. "We like Tenaga as: (i) the regulatory risk from sector reforms seems to be low, as it will likely maintain its monopoly position in the transmission & distribution (T&D) segment, and (ii) it is one of the cheapest big cap counters, with a decent dividend yield of 4% for FY20-22F. "We see limited earnings impact on Tenaga Nasional post the announcement of the Malaysia Electricity Supply Industry 2.0 (MESI 2.0) plan, as we do not see potential

competitors in the near term, given its dominant market presence, and expertise in managing grid systems," it said. (Source: *The Star*)

The Genting Group has filed a suit against the proposed Genting Sky City development, claiming that the project does not meet development guidelines, given its location on a steep hillside which may destabilise land in the surrounding area and result in damage to the existing developments in its proximity. The suit was filed by three members of the group — Genting Bhd, Genting Malaysia Bhd and First World Hotels & Resorts Sdn Bhd — against GM Aero Support Sdn Bhd, Sycal Bhd, Lau Yee Sum, Perunding Rekacekap Sdn Bhd, Lee Yong Chiew and Zahiruddin Zainal, according to court documents sighted by *The Edge Financial Daily*. GM Aero Support is the developer of the project, while Sycal, a subsidiary of Main Market-listed Sycal Ventures Bhd, is the contractor. The Genting Group claims that the use of the "Genting" trade name for the project was done without any prior approval, licence and permission of the group. Notwithstanding this, the group said the Genting Sky City project contravenes with the Guidelines on Development Planning in Hills and Highlands, as a substantial part of the landscape is a steep hillside with slopes at a gradient ranging from 25° to 35° or more, where development is not allowed. It added that the proposed development will be located at more than 1,000m above sea level, where development is not allowed, except for the construction of infrastructure such as roads, tunnels, bridges, telecommunications and electricity of low intensity. It said the development, comprising eight building blocks and two buildings for car parks, is in close proximity to the group's First World Hotel and may result in the loss of proper or sufficient vertical or lateral support to the land, posing a risk of building collapse and landslide. Despite this, groundworks have already commenced, as the plaintiffs noted that excavation, piling and slope-cutting works had started around December last year, posing "a serious threat to the stability of the slopes". The plaintiffs said that works were also carried out in contravention of the Town and Country Planning Act 1976 and the Street, Drainage and Building Act 1974, as the defendants did not acquire the relevant planning permission, development order or any approval from the Bentong Municipal Council. The Genting Group has already contacted the council regarding the matter, with the latter ordering GM Aero Support to complete the piling works and pause development activity pending further approval. The group wants the court to declare that the defendants had carried out the works without permission, that the proposed development is in contravention of development guidelines, as well as an order of injunction to restrain the defendants from carrying out further works. Meanwhile, the defendants, in their affidavits, said that they had already obtained planning permission for Genting Sky City in July 2015, and subsequently in April and October 2016, following amendments to the plan for the development. The building plan was approved by the Bentong Municipal Council on Dec 22, 2017, they said, and that another amended planning permission was subsequently granted on Oct 24, 2019. "However, due to the misinterpretation by the local authorities, the planning permission application was processed as a new application. Following an appeal and the provision of evidence, the amended planning permission was approved as an amended application," they said. The defendants added that the environmental management plan for the project was also obtained from the Pahang Department of Environment. According to the Genting Sky City website, the development will comprise a 43-storey hotel and a 48-storey tower of fully-furnished commercial suites for sale, which can be leased out to tourists. There is an e-review case management before High Court Judge Shahril Anuar Ahmad Mustapa on March 9.. (Source: *The EdgeMarkets*)

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

Source: RAM, MARC

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