

Global Markets Research

Fixed Income

UST		
Tenure	Closing (%)	Chg (bps)
2-yr UST	1.33	-10
5-yr UST	1.31	-9
10-yr UST	1.51	-8
30-yr UST	2.00	-5

MGS		GII*		
Tenure	Closing (%)	Chg (bps)	Closing (%)	Chg (bps)
3-yr	2.83	-4	2.89	0
5-yr	2.95	0	3.01	0
7-yr	3.06	3	3.11	1
10-yr	3.13	-1	3.20	1
15-yr	3.25	2	3.35	2
20-yr	3.42	4	3.49	2
30-yr	3.76	1	3.74	0

* Market indicative levels

MYR IRS Levels		
IRS	Closing (%)	Chg (bps)
1-yr	3.05	1
3-yr	3.05	1
5-yr	3.09	2
7-yr	3.17	3
10-yr	3.27	-1

Source : Bloomberg

Upcoming Government Bond Tender

RM2.5b of 30Y GII 11/49 (plus Private placement of RM1.5b)

On Tuesday, 4th of February 2020

Fixed Income Daily Market Snapshot

US Treasuries

- US Treasuries continued to benefit from coronavirus-related flu contagion fears last Friday with Chinese officials reporting 360 deaths to date. Separately the marginal rise in US Personal Income for December was a non-event to the bond market. The curve bull-steepened as overall benchmark yields ended between 5-10bps sharply lower. The UST 2Y rallied 10bps lower to a September 2017 low at 1.33% and the much-watched UST 10Y similarly declining 8bps to a 4-month low at 1.51% levels. The current odds of any Fed rate action may be seen to be premature due to this being an election year. Meantime, expect investors and traders to closely watch the upcoming monthly jobs data this Friday as well as reports on manufacturing and service activity levels.

MGS/GII

- Local govies saw strong momentum amid higher secondary volume of RM8.92b despite Interest Rate Swaps moving higher last Friday. Interest was mainly seen in the shorter-tenured off-the-run 20-21's, 23's, 26's and 10Y MGS/GII bonds. However overall benchmark yields ended mostly higher between 0-4bps save for the short-end. The benchmark 5Y MGS 6/24 ended within 1bps higher at 2.95% whilst the 10Y MGS 8/29 turned the other way declining 1bps at 3.13%. GII bonds halved to form about ~ 23% of overall trades. Meanwhile MYR is seen to weaken slightly due to potential global growth concerns arising from the fallout from the coronavirus outbreak. Expect investors to focus on tomorrow's 30Y bond auction along with the upcoming trade and IPI numbers this week.

Corp Bonds/Sukuk

- Corporate bonds/Sukuk space saw traction ease last Friday amid lower secondary market volume of RM399m. with interest seen mainly across the GG-AA part of the curve. However, overall yields continued to notch lower levels on lesser number of bonds (24). MKD Kenchana ended 20bps lower compared to previous-done levels at 3.41% whilst the long-end DANA 48-49's ended 7-19bps lower at 3.91% levels. AAA-rated SEB 6/21 closed unchanged at 3.20% whilst TNB 8/33 saw a large jump with yields 22bps lower at 3.55%. The AA-space saw highway-operator KESTURI 25-26's move between 14-23bps lower between 3.82-86% area. The banking space saw AmBank 27NC22 edge 1bps higher instead at 3.41% whereas ALLIANCE Bank 25NC20 ended unchanged at 4.05%.

Daily Trades : Government Bond

Securities	Closing	Vol	Previous	Previous	Chg
	YTM	(RM mil)	YTM	Trade Date (dd/mm/yyyy)	(bp)
MGS 03/20	2.750	324	2.750	30/01/2020	0
MGS 10/20	2.790	21	2.801	30/01/2020	-1
MGS 02/21	2.794	113	2.807	30/01/2020	-1
MGS 07/21	2.806	302	2.846	30/01/2020	-4
MGS 09/21	2.852	990	2.823	30/01/2020	3
MGS 11/21	2.789	523	2.813	30/01/2020	-2
MGS 03/22	2.833	35	2.833	30/01/2020	0
MGS 08/22	2.871	213	2.878	30/01/2020	-1
MGS 09/22	2.876	108	2.896	30/01/2020	-2
MGS 03/23	2.856	577	2.871	30/01/2020	-2
MGS 04/23	2.927	448	2.941	30/01/2020	-1
MGS 08/23	2.987	694	2.943	30/01/2020	4
MGS 06/24	2.952	32	2.948	30/01/2020	0
MGS 07/24	3.006	71	3.005	29/01/2020	0
MGS 09/24	2.983	8	3.010	30/01/2020	-3
MGS 03/25	3.039	35	3.040	29/01/2020	0
MGS 09/25	3.020	350	3.018	30/01/2020	0
MGS 04/26	3.101	234	3.088	29/01/2020	1
MGS 07/26	3.055	406	3.029	30/01/2020	3
MGS 11/26	3.138	162	3.083	30/01/2020	5
MGS 05/27	3.094	38	3.094	30/01/2020	0
MGS 11/27	3.136	21	3.130	30/01/2020	1
MGS 06/28	3.150	25	3.144	30/01/2020	1
MGS 08/29	3.127	210	3.134	30/01/2020	-1
MGS 04/30	3.206	3	3.223	30/01/2020	-2
MGS 06/31	3.284	23	3.279	30/01/2020	0
MGS 04/32	3.311	1	3.319	28/01/2020	-1
MGS 04/33	3.296	6	3.321	29/01/2020	-3
MGS 11/33	3.291	301	3.308	30/01/2020	-2
MGS 07/34	3.251	185	3.226	30/01/2020	2
MGS 05/35	3.331	10	3.373	30/01/2020	-4
MGS 04/37	3.379	33	3.418	30/01/2020	-4
MGS 06/38	3.476	70	3.459	30/01/2020	2
MGS 05/40	3.420	26	3.383	30/01/2020	4
MGS 09/43	3.720	62	3.701	30/01/2020	2
MGS 03/46	3.784	10	3.768	30/01/2020	2
MGS 07/48	3.758	238	3.748	30/01/2020	1
GII 04/20	2.853	357	2.794	30/01/2020	6
GII 03/21	2.804	1	2.809	29/01/2020	-1
GII 08/21	2.897	3	2.861	23/01/2020	4
GII 03/22	2.889	6	2.892	29/01/2020	0
GII 04/22	2.894	8	2.858	28/01/2020	4
GII 07/23	2.963	260	2.946	30/01/2020	2
GII 11/23	2.980	16	2.954	30/01/2020	3
GII 05/24	3.036	90	3.164	07/01/2020	-13
GII 10/24	3.011	251	3.011	30/01/2020	0
GII 08/25	3.088	47	3.069	30/01/2020	2
GII 10/25	3.111	50	3.101	30/01/2020	1
GII 03/26	3.114	147	3.100	30/01/2020	1
GII 10/28	3.212	40	3.206	30/01/2020	1
GII 07/29	3.198	285	3.190	30/01/2020	1
GII 06/33	3.358	81	3.337	30/01/2020	2
GII 08/33	3.371	10	3.338	30/01/2020	3
GII 11/34	3.348	30	3.328	30/01/2020	2
GII 10/35	3.424	60	3.428	29/01/2020	0
GII 08/37	3.487	31	3.493	30/01/2020	-1
GII 09/39	3.489	20	3.470	30/01/2020	2
GII 05/47	3.796	120	3.794	30/01/2020	0
GII 11/49	3.743	100	3.747	30/01/2020	0
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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*
Danainfra Nasional Berhad	10/23	GG	3.108	10	3.329	20/09/2019	-22	18
MKD Kencana Sdn Berhad	10/32	GG	3.414	50	3.609	17/01/2020	-20	16
Danainfra Nasional Berhad	02/39	GG	3.630	5	3.799	08/01/2020	-17	22
HSBC Amanah Malaysia Berhad	03/20	AAA	3.118	35	3.200	20/01/2020	-8	31
Zamarad Assets Berhad	11/20	AAA	3.726	3	3.819	17/12/2019	-9	92
Cagamas MBS Berhad	12/20	AAA	3.287	1	3.375	21/01/2020	-9	48
Sarawak Energy Berhad	06/21	AAA	3.202	20	3.206	30/01/2020	0	39
Aman Sukuk Berhad	10/21	AAA	3.231	1	3.448	29/07/2019	-22	39
Malaysia Airports Capital Berhad	12/22	AAA	3.393	1	3.472	07/01/2020	-8	51
Ranhill Powertron II Sdn Berhad	06/24	AAA	3.700	5	4.118	26/06/2019	-42	77
Pengurusan Air SPV Berhad	10/29	AAA	3.460	10	3.610	15/01/2020	-15	33
Genting RMTN Berhad	11/29	AAA	3.868	50	3.996	14/11/2019	-13	74
Tenaga Nasional Berhad	08/33	AAA	3.548	40	3.769	17/01/2020	-22	30
YTL Power International Berhad	05/27	AA1	3.768	20	3.779	30/01/2020	-1	67
Konsortium ProHAWK Sdn Berhad	06/27	AA2	3.710	10	3.778	24/01/2020	-7	61
Anih Berhad	11/27	AA	3.668	10	3.798	17/01/2020	-13	55
CIMB Group Holdings Berhad	03/28	AA	4.000	1	4.544	01/03/2019	-54	88
Premier Auto Assets Berhad	07/22	AA3	5.046	2	5.180	19/12/2019	-13	220
AmBank (M) Berhad	03/27	AA3	3.410	5	3.401	30/01/2020	1	31
Konsortium Lebuhraya Utara-Timur (KL) Sdn B	12/25	AA-	3.825	30	4.057	03/01/2020	-23	78
Konsortium Lebuhraya Utara-Timur (KL) Sdn B	12/26	AA-	3.855	30	3.999	21/01/2020	-14	75
Penang Port Sdn Berhad	12/31	AA-	4.139	50	4.419	06/01/2020	-28	101
Special Power Vehicle Berhad	11/20	A1	3.598	10	3.810	30/09/2019	-21	79
Alliance Bank Malaysia Berhad	10/25	A2	4.046	0	3.844	23/01/2020	20	100
				399				

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

Market/Corporate News: What's Brewing

Concerns over the outbreak of coronavirus from China have largely overshadowed corporate results, but the back half of the earnings season could hold greater sway over the performance of individual stocks. Earnings-related stock moves have been smaller this season in comparison with the average over the past 12 quarters, according to data from options research company ORATS. The muted moves reflect a broader trend of subdued volatility that had limited price fluctuations in a range of assets over the last several months. Some of that calm was disrupted this week, as mounting concerns over the spread of the coronavirus on Friday dealt the benchmark S&P 500 stock index its biggest daily percentage loss since October. The dampened earnings-related moves have benefited options sellers, who profit when the change in share price is smaller than expected. Yet betting that earnings-related moves will remain subdued could soon become more costly. Options traders have priced in more volatility for broader exchange-traded funds. Implied volatility on the SPDR S&P 500 ETF Trust, which shows expectations for future stock swings, has climbed since mid-January, according to data from Trade Alert. That rise coincides with mounting concerns over the potential economic impact of the coronavirus outbreak. "The options market is reflecting this new risk, this coronavirus risk," said Ophir Gottlieb, chief executive of Capital Market Laboratories in Los Angeles. Moreover, risks from the virus outbreak are beginning to spill over into earnings commentary. Companies such as Starbucks Corp, Levi Strauss & Co and Oreos maker Mondelez International Inc have warned of a financial hit from the outbreak. As such remarks pile up, they could also bump up volatility among shares of certain companies, Gottlieb said. "Some CEOs are openly saying, 'Hey, things are going to be a little harder,'" Gottlieb said. At the same time, the fourth and fifth weeks of the six-week earnings season have usually reaped the greatest rewards for traders buying options in anticipation of outsized stock moves, according to ORATS data. Earnings-related moves tend to be greater in those weeks in part because smaller companies, whose stocks are often more volatile, tend to report later in the season, said Matt Amberson, founder of ORATS, in Portsmouth, New Hampshire. Options for several S&P 500 companies reporting next week - including Chipotle Mexican Grill Inc, Twitter

Inc and Coty Inc - show a gap of several percentage points between investors' expectations for share moves and past share performance after quarterly reports. It appears that the cost of buying options on individual stocks ahead of a company's earnings report is "getting cheaper when it should be getting more expensive," Amberson said. (Source: *The Star/Reuters*)

The review of the commercial postage rates would contribute towards improving Pos Malaysia's finances, particularly to better support the increasing costs in serving the Universal Service Obligation (USO). Pos Malaysia Berhad in a statement said the company is also pursuing higher yield from its existing network and coverage infrastructure, which needs digitalisation and automation to boost efficiency in order to take on more courier volume. "Digitalisation is the way forward for Pos Malaysia to transform the existing postal system which necessitates business adaptability to remain relevant in the industry as the world is moving towards Industrial Revolution 4.0," said its group chief executive officer Syed Md Najib Syed Md Noor. The statement said Pos Malaysia had allocated over RM300 million in the next few years for the digitalisation of its core systems, including the recently launched track-and-trace system, in a bid to drive revenue and service quality. The new core systems are expected to be fully operational by mid-2020, with supporting sub-systems to follow. The data analytics portion will be fully online in two years. Looking towards aligning its growth on par with the booming e-commerce sector, Pos Malaysia is set to embrace digital innovation in order to improve its service efficiency and enhance customer experience, the statement added. "We remain confident as we see the unprecedented opportunities brought upon by the changing landscape and the untapped potential in the strength of our people as well as our widest network reach, which we will use to transform the postal service of Malaysia and emerge to be more competitive than ever," said Syed Md Najib. Supporting the new price scale, Telekom Malaysia (TM) group chief executive officer Datuk Noor Kamarul Anuar Nuruddin said TM has opted to stand alongside other fellow corporations in maintaining its cost to customers. Group Wholesale Banking chief executive officer of CIMB Group Shahnaz Jammal also voiced his confidence in Pos Malaysia to become a key e-commerce centre in Malaysia and its potential to contribute towards further growth of the sector. "E-commerce is set to boost the Malaysian digital economy further and Pos Malaysia will be key, to ensure a fast-paced and seamless web-based retail ecosystem," he said. With the expressed support of major business entities in tow, Pos Malaysia remains all the more empowered in working towards improving service efficiency and customer experience for the benefit of all, the statement said. Pos Malaysia, in its statement on Jan 28 announced that it would implement a commercial postage rates review effective Feb 1, 2020, but, the move would not affect the people. (Source: *The Edgemarkets*)

Rating Action			
Issuer	PDS Description	Rating/Outlook	Action
Kedah Cement Sdn Bhd (formerly Lafarge Cement Sdn Bhd)	RM500 mil Sukuk Wakalah Programme (2017/2024)	A1/Positive from A1/Stable	Revised
Credit Guarantee and Investment Facility	Global, ASEAN and national Insurer Financial Strength ratings	gAAA/Stable/gP1, seaAAA/Stable/seaP1 and AAA/Stable/P1,	Reaffirmed

Source: RAM, MARC

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