

## Global Markets Research

### Fixed Income

UST		
Tenure	Closing (%)	Chg (bps)
2-yr UST	1.37	4
5-yr UST	1.35	3
10-yr UST	1.53	2
30-yr UST	2.01	1

MGS		GII*		
Tenure	Closing (%)	Chg (bps)	Closing (%)	Chg (bps)
3-yr	3.01	18	2.88	-1
5-yr	2.98	3	3.01	0
7-yr	3.06	1	3.11	-1
10-yr	3.12	0	3.19	-1
15-yr	3.25	0	3.35	0
20-yr	3.42	0	3.49	0
30-yr	3.79	3	3.74	0

\* Market indicative levels

MYR IRS Levels		
IRS	Closing (%)	Chg (bps)
1-yr	3.05	0
3-yr	3.02	-3
5-yr	3.07	-2
7-yr	3.13	-4
10-yr	3.27	0

Source : Bloomberg

### Upcoming Government Bond Tender

RM2.5b of 30Y GII 11/49 (plus Private placement of RM1.5b)  
On Tuesday, 4<sup>th</sup> of February 2020

## Fixed Income Daily Market Snapshot

### US Treasuries

- US Treasuries saw the curve end flatter with long-end yields little-changed following earlier release of solid January ISM manufacturing data. However yields came off their worst levels for the day over further concerns and report updates on the coronavirus-related flu contagion with Chinese officials reporting an increase in total deaths to 360. It is believed that this pandemic has killed more people in mainland China than the SARS outbreak in 2003. Overall benchmark yields ended between 1-4bps higher with the UST 2Y rising 4bps to 1.37% and the much-watched UST 10Y up 2bps at 1.53% levels. Meantime the US Treasury has revised its projected net marketable debt in the Jan-March 2020 period; from \$389b to \$367b. Expect investors and traders to monitor the upcoming monthly jobs data this Friday which may be overshadowed by continuing news on the flu contagion.

### MGS/GIII

- Local govies saw lower traction on secondary market volume of RM3.61b despite Interest Rate Swaps moving lower yesterday. Interest was mainly seen in the 15Y MGS and across most GII tenures. Overall benchmark yields ended mostly mixed between -1 and +3bps save for the short-end MGS. The benchmark 5Y MGS 6/24 ended 3bps higher at 2.98% whilst the 10Y MGS 8/29 closed within 1bps at 3.12%. GII bonds jumped to form about ~ 41% of overall trades. Meanwhile MYR is seen to weaken due to equity outflows and also potential global growth concerns arising from the fallout from the coronavirus outbreak. Expect real money investors to focus on today's 30Y bond auction.

### Corp Bonds/Sukuk

- Corporate bonds/Sukuk space saw improved appetite on Monday amid higher secondary market volume of RM665m with interest seen mainly across the usual GG-AA part of the curve. Overall yields continued to march lower on lesser number of bonds (22). PRASA 24's ended between 9-27bps lower compared to previous-done levels at 3.20% levels whilst the longer-end GOVCO 2/32 saw yields decline sharply at 3.43%. AAA-rated PLUS 26 moved 8bps lower at 3.46% whilst the 2033 tranche declined 30bps at 3.64%. The AA-space saw KLK 29 and 34 close 3bps lower at 3.57% and 3.77% respectively. The banking space saw MAYBANK 25NC20 rally sharply at 3.34% on ~RM100m in nominal amounts whilst BANK Pembangunan 3/32 similarly closed 22bps lower at 3.74%.

## Daily Trades : Government Bond

Securities		Closing	Vol	Previous	Previous	Chg
		YTM	(RM mil)	YTM	Trade Date (dd/mm/yyyy)	(bp)
MGS	03/20	2.803	131	2.750	31/01/2020	5
MGS	10/20	2.802	71	2.790	31/01/2020	1
MGS	02/21	2.806	10	2.794	31/01/2020	1
MGS	07/21	2.813	58	2.806	31/01/2020	1
MGS	09/21	2.812	41	2.852	31/01/2020	-4
MGS	11/21	2.804	2	2.789	31/01/2020	1
MGS	03/22	3.009	59	2.833	31/01/2020	18
MGS	08/22	2.868	42	2.871	31/01/2020	0
MGS	09/22	2.886	130	2.876	31/01/2020	1
MGS	03/23	2.885	172	2.856	31/01/2020	3
MGS	04/23	2.917	80	2.927	31/01/2020	-1
MGS	08/23	2.941	90	2.987	31/01/2020	-5
MGS	06/24	2.984	192	2.952	31/01/2020	3
MGS	07/24	2.998	6	3.006	31/01/2020	-1
MGS	09/24	3.003	29	2.983	31/01/2020	2
MGS	03/25	3.019	160	3.039	31/01/2020	-2
MGS	09/25	2.989	161	3.020	31/01/2020	-3
MGS	04/26	3.101	4	3.101	31/01/2020	0
MGS	07/26	3.062	66	3.055	31/01/2020	1
MGS	11/26	3.137	6	3.138	31/01/2020	0
MGS	05/27	3.094	51	3.094	31/01/2020	0
MGS	11/27	3.126	5	3.136	31/01/2020	-1
MGS	06/28	3.150	23	3.150	31/01/2020	0
MGS	09/28	3.139	1	3.171	30/01/2020	-3
MGS	08/29	3.123	56	3.127	31/01/2020	0
MGS	04/30	3.228	3	3.206	31/01/2020	2
MGS	04/33	3.316	2	3.296	31/01/2020	2
MGS	11/33	3.320	15	3.291	31/01/2020	3
MGS	07/34	3.252	326	3.251	31/01/2020	0
MGS	09/43	3.721	100	3.720	31/01/2020	0
MGS	03/46	3.795	9	3.784	31/01/2020	1
MGS	07/48	3.785	25	3.758	31/01/2020	3
GII	06/20	2.755	31	2.801	22/01/2020	-5
GII	03/22	2.883	80	2.889	31/01/2020	-1
GII	07/23	2.957	30	2.963	31/01/2020	-1
GII	11/23	2.964	230	2.980	31/01/2020	-2
GII	05/24	3.070	5	3.036	31/01/2020	3
GII	10/24	3.010	120	3.011	31/01/2020	0
GII	08/25	3.049	30	3.088	31/01/2020	-4
GII	10/25	3.085	117	3.111	31/01/2020	-3
GII	03/26	3.105	23	3.114	31/01/2020	-1
GII	09/26	3.135	20	3.147	30/01/2020	-1
GII	06/27	3.185	10	3.355	03/01/2020	-17
GII	07/29	3.191	255	3.198	31/01/2020	-1
GII	06/33	3.363	110	3.358	31/01/2020	0
GII	08/33	3.372	40	3.371	31/01/2020	0
GII	11/34	3.348	21	3.348	31/01/2020	0
GII	08/37	3.505	160	3.487	31/01/2020	2
GII	09/39	3.492	200	3.489	31/01/2020	0
			<u>3610</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*
Prasarana Malaysia Berhad	03/24	GG	3.198	25	3.472	14/11/2019	-27	26
Prasarana Malaysia Berhad	09/24	GG	3.199	15	3.290	22/01/2020	-9	22
Jambatan Kedua Sdn Berhad	05/25	GG	3.240	120	3.400	02/01/2020	-16	26
Prasarana Malaysia Berhad	08/26	GG	3.249	85	3.258	29/01/2020	-1	15
GovCo Holdings Berhad	02/32	GG	3.429	100	3.740	03/01/2020	-31	30
Cagamas Berhad	11/20	AAA	3.217	10	3.307	14/08/2019	-9	41
Impian Ekspresi Sdn Berhad	11/20	AAA	3.764	30	3.822	19/09/2019	-6	96
GENM Capital Berhad	07/23	AAA	3.883	1	4.158	08/01/2020	-28	100
Projek Lebuhraya Usahasama Berhad	01/26	AAA	3.463	5	3.539	17/01/2020	-8	41
Genting RMTN Berhad	11/29	AAA	3.897	10	3.868	31/01/2020	3	77
Bank Pembangunan Malaysia Berhad	03/32	AAA	3.739	10	3.959	14/01/2020	-22	61
Projek Lebuhraya Usahasama Berhad	01/33	AAA	3.641	5	3.941	28/11/2019	-30	38
Danum Capital Berhad	02/34	AAA	3.630	5	3.651	30/01/2020	-2	37
Malayan Banking Berhad	10/25	AA1	3.344	100	4.369	28/03/2019	-103	29
Kuala Lumpur Kepong Berhad	09/29	AA1	3.567	25	3.599	30/01/2020	-3	44
Kuala Lumpur Kepong Berhad	09/34	AA1	3.768	50	3.798	29/01/2020	-3	50
Bandar Serai Development Sdn Berhad	08/23	AA3	3.598	30	4.400	02/05/2019	-80	66
CIMB Thai Bank Public Company Limited	07/26	AA3	3.993	0	3.952	20/01/2020	4	94
WCT Holdings Berhad	10/23	AA-	4.196	30	4.490	20/11/2019	-29	126
UMW Holdings Berhad	04/18	A1	4.319	5	4.616	28/01/2020	-30	90
Mah Sing Group Berhad	04/17	-	5.738	1	5.876	21/01/2020	-14	232
Eco World International Berhad	10/21	-	5.360	2	4.967	30/01/2020	39	-
				<u>665</u>				

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

## Market/Corporate News: What's Brewing

**Insurer LPI Capital Bhd posted a 3% climb in net profit to RM86.6mil for the fourth quarter ended Dec 31, from RM84mil a year earlier despite a challenging environment.** In a filing with Bursa Malaysia yesterday, the company said its revenue for the quarter rose more than 2.6% to RM399.3mil, compared with RM389mil previously. LPI attributed the improvement in its topline and bottomline to higher premiums from its general insurance segment. Its founder and chairman Tan Sri Teh Hong Piow said he expected that this year will remain challenging for the general insurance industry due to the weak market sentiment, underpinned by ongoing market volatilities and rising macro uncertainties. "However, the strong focus by the government in its 2020 budget on development expenditure to support growth and improve sentiments will hopefully bring positive spillover effect to the various economic sectors while finalisation of the on-going US-China trade talks will help lead towards the stabilisation of global macroeconomic conditions. "Amidst the volatile environment, LPI Group will continue to strengthen its distribution channels, maintain sound underwriting practices and exercise prudential risk management with the aim to achieve a sustainable profit growth," he said in a statement. Cumulatively, for the whole year of financial year 2019, LPI posted a 2.6% increase in net profit to RM322.4mil compared to RM314.1mil a year earlier, on the back of higher revenue growth of 5.9% to RM1.6bil from RM1.5bil previously. Teh said in 2019, LPI's subsidiary Lonpac Insurance Bhd had increased its premium base despite a slower demand experienced in the general insurance industry. "It managed to expand its gross premium income by 3.7% from RM1.47bil reported in the previous due to rising medical costs and increased frequency of claims.financial year to RM1.52bil, while its net earned premium income for the 12 months period registered a stronger growth of 8.7% to RM1.01bil," he said. He pointed out that Lonpac's claims incurred ratio had climbed to 43.9% from 40.9% previously due to rising medical costs and increased frequency of claims. LPI announced dividend payout of 70 sen per share for 2019, higher compared to 68 sen it declared in 2018 thanks to an improvement in performance. LPI's net return on equity for the 2019 under review improved to 16.3% from 14.6%, while its earnings per share increased to 80.92 sen from 78.83 sen previously. The group generated almost 98% of its profits from its operation in Malaysia. Its general insurance segment accounted for 76% of the group's total assets. As at Dec 31,2019, LPI said its total asset decreased by RM194.7mil to RM4.05bil from

RM4.24bil a year earlier due to lower market value of quoted equity investment designated as fair value through other comprehensive income, and offset by the recognition of right-of-use assets upon the adoption of accounting standards. (Source: *The Star*)

**The Gemas-Johor Bahru double-tracking project, scheduled to be fully completed by October 2021, will be a catalyst for development and economic growth in Tampin and its surrounding areas, said Negeri Sembilan Menteri Besar Datuk Seri Aminuddin Harun.** He said the public land infrastructure would indirectly enhance the economic status of the area and create more jobs and businesses for the local community. "The RM8.9 billion project under the Ministry of Transport led by Anthony Loke Siew Fook will link Gemas to Segamat, Kluang, Labis, Bekok, Paloh, Renggam, Layang-Layang, Mengkibol, Kulai and Kempas Baru," he said. He said this when speaking at the Negeri Sembilan 2020 Chinese New Year Open House celebration here on Monday (Feb 3). (Source: *The Edgemarkets*)

Rating Action			
Issuer	PDS Description	Rating/Outlook	Action
Malaysia Marine and Heavy Engineering Holdings Berhad	RM1.0 billion Sukuk Murabahah Programme	AA-IS/Stable	Affirmed
Bank Pembangunan Malaysia Berhad	Proposed RM5.0 billion Islamic Medium-Term Notes Programme (IMTN Programme).	AAA/Stable	Assigned

Source: RAM, MARC

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