

Global Markets Research

Fixed Income

UST		
Tenure	Closing (%)	Chg (bps)
2-yr UST	0.73	-20
5-yr UST	0.75	-20
10-yr UST	1.00	-16
30-yr UST	1.61	-11

MGS		GII*		
Tenure	Closing (%)	Chg (bps)	Closing (%)	Chg (bps)
3-yr	2.62	1	2.47	0
5-yr	2.71	0	2.69	0
7-yr	2.72	0	2.77	-2
10-yr	2.91	2	2.87	2
15-yr	3.08	5	3.10	2
20-yr	3.21	2	3.22	2
30-yr	3.56	-1	3.59	2

* Market indicative levels

MYR IRS Levels		
IRS	Closing (%)	Chg (bps)
1-yr	2.75	0
3-yr	2.70	0
5-yr	2.72	1
7-yr	2.79	0
10-yr	2.95	0

Source : Bloomberg

Upcoming Government Bond Tender

RM3.5b+ RM500m (Private Placement) reopening of 15Y MGS 7/34 on Thursday, 5th March 2020

Fixed Income Daily Market Snapshot

US Treasuries

• US Treasuries soared on Tuesday following an unanticipated yet surprising 50bps rate cut by the Fed two weeks before its March FOMC meeting on the 18th. The emergency move that saw the Fed Funds rate get slashed to a 1.00-1.25% range was markedly due to the threat of Covid-19 virus outbreak that was expected to severely impact global economic activity and growth. Overall benchmark yields closed between 11-20bps sharply lower with the UST 2Y declining 20bps at 0.73% and the much-watched UST 10Y moving 16bps lower and almost breaking through the psychological 1.00% barrier. The curve continued to steepen with the 2s10s spread at its widest 29bps since January. Reports on private sector employment and service activity tonight may be overshadowed by continued updates on the viral outbreak that has hit global shores.

MGS/GII

• Local govies closed mostly mixed-to-higher; brushing off the 25bps rate cut yesterday which was seen to have been factored in by local govies the past two(2) weeks. Secondary market volume was higher at RM6.92b as overall benchmark yields closed mixed between -2 to +5bps with interest mainly seen in off-the-run 20-21's, 28's and also the 10Y benchmark MGS/GII. The benchmark 5Y MGS 6/24 closed within 1bps at 2.71% whilst the 10Y MGS 8/29 moved 2bps higher instead at 2.91%. GII bonds rose to form about ~41% of overall trades. Lingering concerns remain over the implementation of the recent announcement of the RM20b economic stimulus package. The reduction in recent political uncertainty is being overshadowed by existing headwinds from the Covid-19 outbreak and also lower oil prices. Expect attention to shift to the 15Y MGS auction tomorrow.

Corp Bonds/Sukuk

• Corporate bonds/Sukuk space saw decent activity post-OPR cut despite lower secondary market volume of RM648m with investor interest intact across the GG-AA part of the curve. There were higher number i.e. 35 various bonds traded with overall yields closing mostly lower. Govt-guaranteed DANA 11/26 and 11/29 edged 2bps lower compared to previous-done levels at 2.90% and 3.00% respectively on substantial volume. AAA-rated AMAN 27's closed sharply lower on yields at 3.10% levels whilst PLUS 27-28's declined 17bps lower at 3.23-26%. AA-rated plantation giant KKK 9/29 moved 10bps lower at 3.26% whereas GAMUDA 4/21 closed 12bps lower at 3.15%. The banking sector saw PUBLIC Islamic 29NC24 however edge 2bps higher at 3.20%.

Daily Trades : Government Bond

Securities		Closing	Vol	Previous	Previous	Chg
		YTM	(RM mil)	YTM	Trade Date (dd/mm/yyyy)	(bp)
MGS	03/20	2.544	551	2.772	02/03/2020	-23
MGS	10/20	2.550	55	2.588	28/02/2020	-4
MGS	02/21	2.562	3	2.524	02/03/2020	4
MGS	07/21	2.580	189	2.572	02/03/2020	1
MGS	09/21	2.613	520	2.583	02/03/2020	3
MGS	11/21	2.575	501	2.574	02/03/2020	0
MGS	03/22	2.625	188	2.600	02/03/2020	2
MGS	09/22	2.601	30	2.616	02/03/2020	-2
MGS	03/23	2.616	182	2.604	02/03/2020	1
MGS	04/23	1.585	274	2.627	02/03/2020	-104
MGS	08/23	2.582	152	2.643	02/03/2020	-6
MGS	06/24	2.620	101	2.656	02/03/2020	-4
MGS	07/24	2.675	171	2.667	02/03/2020	1
MGS	09/24	2.661	101	2.688	02/03/2020	-3
MGS	03/25	2.714	1	2.718	02/03/2020	0
MGS	09/25	2.672	291	2.671	02/03/2020	0
MGS	07/26	2.742	60	2.701	02/03/2020	4
MGS	11/26	2.777	6	2.739	02/03/2020	4
MGS	05/27	2.750	163	2.765	02/03/2020	-2
MGS	11/27	2.770	12	2.790	02/03/2020	-2
MGS	06/28	2.793	20	2.800	02/03/2020	-1
MGS	08/29	2.786	312	2.783	02/03/2020	0
MGS	04/30	2.907	10	2.891	02/03/2020	2
MGS	06/31	3.007	28	3.040	02/03/2020	-3
MGS	04/33	3.066	51	3.041	02/03/2020	2
MGS	07/34	3.083	9	3.037	02/03/2020	5
MGS	04/37	3.209	8	3.196	02/03/2020	1
MGS	06/38	3.278	8	3.228	02/03/2020	5
MGS	05/40	3.206	40	3.183	02/03/2020	2
MGS	07/48	3.560	31	3.568	02/03/2020	-1
GII	04/20	2.545	175	2.673	28/02/2020	-13
GII	03/21	2.530	80	2.581	28/02/2020	-5
GII	05/23	2.625	14	2.625	02/03/2020	0
GII	07/23	2.644	9	2.644	02/03/2020	0
GII	11/23	2.610	22	2.637	02/03/2020	-3
GII	08/24	2.700	30	2.713	28/02/2020	-1
GII	10/24	2.690	179	2.692	02/03/2020	0
GII	08/25	2.765	190	2.740	02/03/2020	2
GII	10/25	2.711	20	2.747	26/02/2020	-4
GII	03/26	2.771	300	2.789	02/03/2020	-2
GII	09/26	2.820	50	2.836	02/03/2020	-2
GII	07/27	2.861	268	2.834	02/03/2020	3
GII	10/28	2.878	470	2.884	02/03/2020	-1
GII	07/29	2.866	141	2.842	02/03/2020	2
GII	08/33	3.080	10	3.086	02/03/2020	-1
GII	11/34	3.099	140	3.075	02/03/2020	2
GII	10/35	3.179	171	3.195	02/03/2020	-2
GII	08/37	3.219	290	3.312	25/02/2020	-9
GII	09/39	3.220	100	3.200	02/03/2020	2
GII	11/49	3.592	190	3.577	02/03/2020	2
			<u>6916</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	09/22	GG	2.784	25	3.582	28/05/2019	-79.8	16
Khazanah Nasional Berhad	08/23	GG	2.821	20	2.902	20/02/2020	-8.1	20
Pengurusan Air SPV Berhad	02/26	GG	2.897	20	2.968	20/02/2020	-7.1	18
Lembaga Pembiayaan Perumahan Sektor Awarr	09/26	GG	2.879	20	3.032	26/02/2020	-15.3	12
DanaInfra Nasional Berhad	11/26	GG	2.899	160	2.918	02/03/2020	-1.9	14
DanaInfra Nasional Berhad	02/29	GG	2.977	30	3.431	08/01/2020	-45.4	18
DanaInfra Nasional Berhad	11/29	GG	2.999	10	3.019	28/02/2020	-2	19
Prasarana Malaysia Berhad	08/34	GG	3.180	50	3.200	28/02/2020	-2	12
DanaInfra Nasional Berhad	09/34	GG	3.159	30	3.640	14/01/2020	-48.1	10
DanaInfra Nasional Berhad	04/43	GG	3.470	5	3.671	11/02/2020	-20.1	27
Prasarana Malaysia Berhad	09/47	GG	3.639	10	3.670	27/02/2020	-3.1	43
Danum Capital Berhad	05/23	AAA	2.963	5	3.148	19/02/2020	-18.5	34
Danum Capital Berhad	02/26	AAA	3.047	5	3.074	26/02/2020	-2.7	33
Danga Capital Berhad	02/26	AAA	3.047	5	3.558	08/01/2020	-51.1	33
Projek Lebuhraya Usahasama Berhad	01/27	AAA	3.229	15	3.398	24/02/2020	-16.9	47
Aman Sukuk Berhad	04/27	AAA	3.101	30	3.662	13/01/2020	-56.1	34
Aman Sukuk Berhad	05/27	AAA	3.098	5	3.479	29/01/2020	-38.1	34
Projek Lebuhraya Usahasama Berhad	01/28	AAA	3.258	15	3.429	24/02/2020	-17.1	47
Genting RMTN Berhad	11/34	AAA	3.939	10	3.997	14/02/2020	-5.8	88
Malayan Banking Berhad	10/25	AA1	3.111	1	3.345	04/02/2020	-23.4	39
Kuala Lumpur Kepong Berhad	09/29	AA1	3.261	10	3.358	21/02/2020	-9.7	45
Public Islamic Bank Berhad	10/29	AA1	3.199	40	3.179	28/02/2020	2	39
Fortune Premiere Sdn Berhad	12/22	AA	3.306	2	3.303	17/02/2020	0.3	69
TG Excellence Berhad	02/20	AA-	3.834	30	3.619	27/02/2020	21.5	63
Gamuda Berhad	04/21	AA3	3.146	20	3.267	19/02/2020	-12.1	56
Exsim Capital Resources Berhad	01/22	AA3	3.798	2	3.846	20/02/2020	-4.8	119
UEM Sunrise Berhad	12/20	AA-	3.106	5	4.425	21/03/2019	-131.9	52
MMC Corporation Berhad	03/28	AA-	4.822	1	4.480	02/03/2020	34.2	203
Bank Islam Malaysia Berhad	12/25	A1	3.120	2	3.147	14/02/2020	-2.7	40
CIMB Group Holdings Berhad	05/16	A1	3.921	1	4.239	02/03/2020	-31.8	72
Eco World International Berhad	10/21	-	5.094	1	4.956	24/02/2020	13.8	249
YNH Property Berhad	08/19	-	6.356	4	6.753	28/02/2020	-39.7	315
Bank Muamalat Malaysia Berhad	11/21	A	4.046	1	4.396	13/02/2020	-35	144
WCT Holdings Berhad	09/19	A	5.312	40	5.315	02/03/2020	-0.3	211
DRB-Hicom Berhad	12/26	A+	4.108	20	4.256	26/02/2020	-14.8	135
				<u>648</u>				

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

Market/Corporate News: What's Brewing

The Malaysia Automotive Robotics and IoT Institute (MARii) is confident that total industry volume (TIV) can achieve an average growth of 9% a year over the next decade to hit 1.22 million units in 2030, when the current annual growth rate is barely 2%. Chief executive officer Datuk Madani Sahari said MARii, which is an agency under the International Trade and Industry Ministry (Miti), had considered various potential factors that could help boost TIV growth over the next 10 years, such as a voluntary end-of-life vehicle (ELV) policy. "We have factored in many variables and one of that is an ELV mechanism. It does not have to be mandatory. But if we can put such a system in place that can benefit the rakyat, I believe it can spur TIV growth," Madani Sahari said at a media briefing on the automotive sector yesterday. We have factored in many variables and one of that is an ELV mechanism. It does not have to be mandatory. But if we can put such a system in place that can benefit the rakyat, I believe it can spur TIV growth," Madani Sahari said at a media briefing on the automotive sector yesterday. "We have factored in many variables and one of that is an ELV mechanism. It does not have to be mandatory. But if we can put such a system in place that can benefit the rakyat, I believe it can spur TIV growth," he said at a media briefing on the automotive sector yesterday. Madani said MARii was already "crafting" an ELV mechanism but declined to elaborate. He said having an ELV mechanism in place, especially where there were rebates or some type of benefits, could compel people to part with their older vehicles for energy efficient and electric vehicles. Under the reviewed National Automotive Policy (NAP) announced in

October 2009, the government had introduced mandatory annual inspections as a requirement for road tax renewal for all vehicles aged 15 years or older as a first step towards implementation of a full ELV policy. However, the policy was scrapped after a week, following backlash from the public. At the time, it was reported that 2.7 million, or 14.5%, of vehicles on the road were more than 10 years old. Meanwhile, the 1.2 million TIV projection by 2030 is one of the targets under the recently announced National Automotive Policy (NAP) 2020. Total vehicle sales finally exceeded 600,000 units in 2019 after failing to surpass that mark for three consecutive years, rising 1% year-on-year to hit 604,287 units. Back in 2011, it had been projected that TIV would hit one million units by this year. “That forecast will not be achieved this year because annual growth was initially projected at 3.5% annually; but the local automotive industry only managed to accomplish around 1.2%,” said Madani. He acknowledged that there is a school of thought that believes vehicle ownership will drop in the future, as more people resort to public transport or e-hailing services to commute. “Fewer people might buy cars, but they will still need a platform to travel. But as cars become more sophisticated and more high-tech, they will become more than just vehicles. “We believe cars will become not just a product, but a service. People will buy autonomous cars that can serve as sleeping ports, as they travel long distances while avoiding the hassle of having to drive long hours. We also see people who will buy cars for business purposes, utilising the cabin area as a type of meeting space.” Madani said even if people stopped buying cars in the future, vehicles will still be in demand by original equipment manufacturers themselves, who will lease them out for people to use. “But if I can change the asset that value-add my needs, why would I need to rent when it would be better to buy it myself,” he said. Madani was asked if any of the policies under the NAP 2020, or even the third national car project, may end up getting shelved as these were initiatives under a previous government. “We don’t think so. Our current prime minister was a minister under the previous Cabinet and we believe that the initiatives will carry on. “As for the third national car project, it is a private initiative and does not involve the government. “As of right now, there is no indication that anything will be stopped.” (Source: *The Star*)

Bank Negara Malaysia’s decision to lower the overnight policy rate (OPR) yesterday by another 25 basis points (bps) — the second rate cut in less than a month — has been hailed by some as necessary to counter the double whammy the country is facing from the Covid-19 outbreak and the abrupt change in the political landscape.

However, this means banks will face further net interest margin compression, which is expected to impact their earnings, especially since they have been agreeing to offer a moratorium period for the loans in the face of the virus’ impact. The OPR cut, while widely anticipated, also came sooner than unexpected. An analyst told *The Edge Financial Daily*, “We initially estimated that banks’ earnings will grow 4% year-on-year, but right now we think banks’ earnings will be flat.” And in line with the reduction in the OPR to 2.5% — its lowest rate in 10 years — Malayan Banking Bhd (Maybank) announced it will lower its base rate (BR) and base lending rate (BLR) by 25bps, effective tomorrow. As such, its BR will be lowered to 2.5% per annum from 2.75%, while its BLR will be revised to 6.15% from 6.4%. Similarly, Maybank’s Islamic BR and base financing rate will be reduced by 25bps to 2.5% and 6.15% respectively. Maybank and Maybank Islamic’s deposit rates will also be adjusted downwards by 25bps. According to another analyst, the 25bps OPR reduction is expected to trim banks’ margin by 2% to 3%, which will in turn lower banks’ earnings by 1% to 2%. However, he said banks have been anticipating the cut and made preparations for it, in particular by paring long-term deposit commitments, which has kept funding costs in check. Hence, he expects that they will be able to weather its impact, especially by boosting non-interest income. Moreover, he pointed out that the reduced OPR will lower customers’ financial payment requirements, which should help improve banks’ asset quality, especially non-performing loans. Another analyst, however, pointed out that non-interest income, derived from fees like deposit and transaction fees and commission income from services like underwriting, brokerage and treasury management, typically makes up a smaller chunk of banks’ total income. Interestingly, following BNM’s

announcement yesterday, banking shares, which have all declined since the start of the year (see table), closed mostly higher. The gainers were: Malayan Banking Bhd, Public Bank Bhd, RHB Bank Bhd, Hong Leong Bank Bhd and Affin Bank Bhd. Maybank rose two sen to settle at RM8.41, while Public Bank was up 68 sen or 3.98% at RM17.76. RHB climbed 15 sen or 2.73% to settle at RM5.64, while Hong Leong Bank was up 58 sen or 3.86% at RM15.60. Affin rose one sen to RM1.78. AMMB Holdings Bhd, BIMB Holdings Bhd and Alliance Bank Malaysia Bhd were unchanged. CIMB Group Holdings Bhd, on the other hand, retreated 10 sen or 2.17% to settle at RM4.50. Year to date, BIMB, Alliance and CIMB have declined the most, with BIMB losing 15.23%, Alliance losing 15.2% and CIMB dropping 12.62%. According to analyst reports in January, BIMB, Alliance Bank and CIMB hold greater proportions of variable-rate loans against fixed-rate schemes. This makes them more vulnerable to any earnings impact from an OPR cut because of the immediate repricing effects of the variable loan rates. (Source: *The EdgeMarkets*)

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

Source: RAM, MARC

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