

Global Markets Research

Fixed Income

UST		
Tenure	Closing (%)	Chg (bps)
2-yr UST	0.70	-1
5-yr UST	0.78	4
10-yr UST	1.05	5
30-yr UST	1.70	9

MGS		GII*		
Tenure	Closing (%)	Chg (bps)	Closing (%)	Chg (bps)
3-yr	2.60	-2	2.47	0
5-yr	2.66	-5	2.64	-5
7-yr	2.72	0	2.71	-7
10-yr	2.89	-2	2.81	-6
15-yr	3.02	-6	3.06	-4
20-yr	3.15	-5	3.16	-6
30-yr	3.54	-2	3.53	-6

* Market indicative levels

MYR IRS Levels		
IRS	Closing (%)	Chg (bps)
1-yr	2.68	-8
3-yr	2.61	-9
5-yr	2.63	-9
7-yr	2.68	-12
10-yr	2.85	-10

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 finished Wednesday's trading mixed as the curve steepened denoting a muted reaction to the stream of updates on the Covid-19 virus outbreak. The emergency move that saw the Fed Funds rate get slashed to a 1.00-1.25% range was followed by Bank of Canada with a similar move yesterday. Overall benchmark yields closed higher extending out from the 3Y tenures between 4-9bps as the UST 2Y closed within 1bps lower at 0.70% whilst the much-watched UST 10Y spiked 5bps at 1.05% having slid below 1.00% threshold yesterday. Meanwhile emerging data out of US remains decent with the Fed's Beige Book said that economic activity expanded at a moderate rate whilst payroll processor ADP's private sector job numbers added 183k last month. ISM reported its non-manufacturing gauge in February rising as well.

MGS/GII

• Local govies closed stronger continuing the strong moves seen prior to the 25bps rate cut on Tuesday amid higher secondary market volume of RM7.65b. Overall benchmark yields declined between 0-7bps with interest mainly seen in off-the-run 20-21's, 24's and also the 5y, 7Y and 10Y benchmark MGS/GII. The benchmark 5Y MGS 6/24 rallied 5bps at 2.66% whilst the 10Y MGS 8/29 edged 2bps lower at 2.89%. GII bonds eased slightly to form about ~ 36% of overall trades. Investors will continue to monitor the recent announcement of the RM20b economic stimulus package coupled with improving political conditions which are expected to reduce existing headwinds from the Covid-19 outbreak and also lower oil prices. Expect attention to shift to the 15Y MGS auction today.

Corp Bonds/Sukuk

• Corporate bonds/Sukuk space saw activity ramped-up yesterday post-OPR cut amid higher secondary market volume of RM1.21b with investor interest seen across the entire GG to single-A part of the curve. There were higher number i.e. 46 various bonds traded as overall yields ended lower. Both Govt-guaranteed DANA and PASB 21's closed 51-57bps sharply lower compared to previous-done levels at 2.69% whilst DANA 29's moved between 6-9bps lower at 2.93%. AAA-rated utility giants TNB northern 11/25 and TELEKOM 28's captured lower yields of 3.07% and 3.03-10% respectively. AA-rated PENANAG Port 29 and 31 closed 14-18bps lower too at 3.68% and 3.82% each. The banking sector was active with Affin Bank 27NC22 and Alliance 25NC20 constituting ~RM120m in nominal trades.

Daily Trades : Government Bond

Securities	Closing	Vol	Previous	Previous	Chg
	YTM	(RM mil)	YTM	Trade Date (dd/mm/yyyy)	(bp)
MGS 03/20	2.573	58	2.544	03/03/2020	3
MGS 07/20	2.571	303	2.600	28/02/2020	-3
MGS 10/20	2.551	553	2.550	03/03/2020	0
MGS 02/21	2.503	8	2.562	03/03/2020	-6
MGS 07/21	2.554	410	2.580	03/03/2020	-3
MGS 09/21	2.585	75	2.613	03/03/2020	-3
MGS 11/21	2.589	19	2.575	03/03/2020	1
MGS 03/22	2.574	180	2.625	03/03/2020	-5
MGS 08/22	2.645	108	2.614	02/03/2020	3
MGS 09/22	2.588	343	2.601	03/03/2020	-1
MGS 03/23	2.601	250	2.616	03/03/2020	-2
MGS 04/23	2.599	299	1.585	03/03/2020	101
MGS 08/23	2.613	61	2.582	03/03/2020	3
MGS 06/24	2.611	347	2.620	03/03/2020	-1
MGS 07/24	2.636	4	2.675	03/03/2020	-4
MGS 09/24	2.644	210	2.661	03/03/2020	-2
MGS 03/25	2.662	65	2.714	03/03/2020	-5
MGS 09/25	2.630	105	2.672	03/03/2020	-4
MGS 04/26	2.701	10	2.738	02/03/2020	-4
MGS 07/26	2.700	142	2.742	03/03/2020	-4
MGS 11/26	2.730	19	2.777	03/03/2020	-5
MGS 03/27	2.721	11	2.722	02/03/2020	0
MGS 05/27	2.707	378	2.750	03/03/2020	-4
MGS 11/27	2.732	59	2.770	03/03/2020	-4
MGS 06/28	2.741	73	2.793	03/03/2020	-5
MGS 08/29	2.750	119	2.786	03/03/2020	-4
MGS 04/30	2.885	10	2.907	03/03/2020	-2
MGS 06/31	2.975	81	3.007	03/03/2020	-3
MGS 04/33	3.052	4	3.066	03/03/2020	-1
MGS 11/33	3.059	286	3.085	03/03/2020	-3
MGS 07/34	3.019	94	3.083	03/03/2020	-6
MGS 05/35	3.184	3	3.171	02/03/2020	1
MGS 04/37	3.175	1	3.209	03/03/2020	-3
MGS 06/38	3.220	44	3.278	03/03/2020	-6
MGS 05/40	3.153	80	3.206	03/03/2020	-5
MGS 03/46	3.529	1	3.536	03/03/2020	-1
MGS 07/48	3.544	93	3.560	03/03/2020	-2
GII 04/20	2.508	6	2.545	03/03/2020	-4
GII 08/21	2.666	5	2.613	28/02/2020	5
GII 04/22	2.620	1	2.586	02/03/2020	3
GII 07/22	2.588	90	2.675	25/02/2020	-9
GII 11/22	2.595	20	2.731	18/02/2020	-14
GII 05/23	2.608	10	2.625	03/03/2020	-2
GII 07/23	2.650	41	2.644	03/03/2020	1
GII 11/23	2.643	190	2.610	03/03/2020	3
GII 08/24	2.678	120	2.700	03/03/2020	-2
GII 10/24	2.635	188	2.690	03/03/2020	-6
GII 08/25	2.669	20	2.765	03/03/2020	-10
GII 03/26	2.705	270	2.771	03/03/2020	-7
GII 09/26	2.715	10	2.820	03/03/2020	-11
GII 06/27	2.783	10	2.835	02/03/2020	-5
GII 07/27	2.781	300	2.861	03/03/2020	-8
GII 10/28	2.828	250	2.878	03/03/2020	-5
GII 12/28	2.815	200	2.899	28/02/2020	-8
GII 07/29	2.808	345	2.866	03/03/2020	-6
GII 09/30	2.949	71	2.970	28/02/2020	-2
GII 06/33	3.047	120	3.101	26/02/2020	-5
GII 08/33	3.066	20	3.080	03/03/2020	-1
GII 11/34	3.059	142	3.099	03/03/2020	-4
GII 10/35	3.120	10	3.179	03/03/2020	-6
GII 08/37	3.176	230	3.219	03/03/2020	-4
GII 09/39	3.156	30	3.220	03/03/2020	-6
GII 11/49	3.529	40	3.592	03/03/2020	-6
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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	04/21	GG	2.689	20	3.610	05/04/2019	-92	13
Pengurusan Air SPV Berhad	06/21	GG	2.694	30	3.201	13/09/2019	-51	13
DanaInfra Nasional Berhad	07/21	GG	2.692	20	3.259	09/08/2019	-57	13
DanaInfra Nasional Berhad	02/26	GG	2.859	15	3.339	17/01/2020	-48	17
Prasarana Malaysia Berhad	08/26	GG	2.895	30	3.249	03/02/2020	-35	20
Lembaga Pembiayaan Perumahan Sektor Awam	09/26	GG	2.880	25	2.879	03/03/2020	0	16
Lembaga Pembiayaan Perumahan Sektor Awam	04/27	GG	2.900	25	3.270	04/02/2020	-37	18
DanaInfra Nasional Berhad	11/29	GG	2.934	60	3.019	28/02/2020	-9	18
DanaInfra Nasional Berhad	11/29	GG	2.934	15	2.999	03/03/2020	-6	18
MKD Kencana Sdn Berhad	10/32	GG	3.107	60	3.414	31/01/2020	-31	7
Prasarana Malaysia Berhad	03/34	GG	3.170	20	3.299	20/02/2020	-13	13
DanaInfra Nasional Berhad	04/38	GG	3.301	20	3.962	23/10/2019	-66	14
Prasarana Malaysia Berhad	02/50	GG	3.589	25	3.800	24/02/2020	-21	42
Public Bank Berhad	02/21	AAA	2.931	10	4.308	14/09/2017	-138	37
Berjaya Land Berhad	12/21	AAA	3.508	20	4.092	01/08/2019	-58	93
Bakun Hydro Power Generation Sdn Berhad (fkc)	08/23	AAA	2.930	15	3.467	08/01/2020	-54	33
GENM Capital Berhad	08/25	AAA	3.405	20	4.031	24/01/2020	-63	78
TNB Northern Energy Berhad	11/25	AAA	3.071	10	4.132	17/04/2019	-106	38
KIP REIT Capital Sdn Berhad	07/26	AAA	3.832	20	4.449	02/08/2019	-62	114
Danga Capital Berhad	09/27	AAA	3.009	35	3.358	11/02/2020	-35	28
Telekom Malaysia Berhad	05/28	AAA	3.031	15	3.530	22/01/2020	-50	30
Telekom Malaysia Berhad	10/28	AAA	3.100	20	3.209	18/02/2020	-11	35
Pengurusan Air SPV Berhad	02/29	AAA	3.149	10	3.216	28/02/2020	-7	40
Genting RMTN Berhad	11/29	AAA	3.599	70	3.777	13/02/2020	-18	84
Danum Capital Berhad	02/34	AAA	3.248	15	3.320	02/03/2020	-7	21
Danum Capital Berhad	02/35	AAA	3.289	50	3.410	28/02/2020	-12	25
Sabah Credit Corporation	05/22	AA1	3.156	70	4.325	24/04/2019	-117	58
YTL Corporation Berhad	04/23	AA1	3.227	10	3.551	30/01/2020	-32	63
Malayan Banking Berhad	10/25	AA1	3.061	20	3.679	21/10/2019	-62	37
Sabah Credit Corporation	06/26	AA1	3.353	15	3.998	02/12/2019	-65	66
Imtiaz Sukuk II Berhad	10/22	AA2	3.136	10	3.278	26/02/2020	-14	54
CIMB Group Holdings Berhad	09/29	AA	3.367	100	3.806	03/01/2020	-44	61
TG Excellence Berhad	02/20	AA-	3.660	55	3.834	03/03/2020	-17	49
Country Garden Real Estate Sdn Berhad	03/21	AA3	4.324	30	-	-	-	176
Pac Lease Berhad	03/21	AA3	3.302	40	-	-	-	74
Besraya (M) Sdn Berhad	07/25	AA3	3.547	10	4.549	19/06/2019	-100	92
Mumtaz Rakyat Sukuk Berhad	06/26	AA3	3.270	1	3.362	21/02/2020	-9	58
MMC Corporation Berhad	03/28	AA-	4.419	1	4.822	03/03/2020	-40	169
Penang Port Sdn Berhad	12/29	AA-	3.679	5	3.819	27/02/2020	-14	92
Penang Port Sdn Berhad	12/31	AA-	3.819	10	4.000	11/02/2020	-18	106
Affin Bank Berhad	02/27	A1	3.414	60	4.049	13/02/2020	-64	70
Bank Islam Malaysia Berhad	11/27	A1	3.534	10	3.598	12/02/2020	-6	80
CIMB Group Holdings Berhad	05/16	A1	4.043	1	4.077	25/02/2020	-3	88
Alliance Bank Malaysia Berhad	10/25	A2	3.488	60	3.860	27/02/2020	-37	79
Matrix Concepts Holdings Berhad	03/23	-	5.190	21	-	-	-	259
DRB-Hicom Berhad	12/26	A+	3.919	10	4.108	03/03/2020	-19	120
				<u>1212</u>				

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

Market/Corporate News: What's Brewing

Despite overall sector performance falling below market expectations, the Malaysian rubber glove sector could experience a stronger 2020 performance on the back of stronger demand arising from Covid-19 and a weaker ringgit against the US dollar. Research outfits remains overweight on the sector and increased its earnings forecasts for 2020 by 2% to 3% as it expects stronger earnings growth in the first half of the year due to the Covid-19 outbreak. "Our channel checks indicate that the lead time for delivery has increased from the average 30-45 days in early January 2020 to more than 60 days recently (some have guided that their lead time is now at 4 months," it said. It added that most manufacturers are already operating at above 85% utilisation rate and should have the flexibility to increase selling prices, hence boosting margins. Top Glove and Kossan Rubber Industries are the research house's top buy calls in the sector. With regards to expansion, a research house expects the rubber glove manufacturers to act rationally as the current demand surge may not be sustainable with a significant increase in capacity possibly leading to an overcapacity situation in subsequent years. "Historically, in years where there is a surge in demand due to a pandemic, a slowdown is expected in the subsequent year, as inventories are worn down," it said. Manufacturers are adhering

to current expansion plans with total capacity by the Big 4 companies expected to increase 11% to 12% in 2020, said an analyst. To recap, earnings for the rubber glove sector in 2019 fell short of street forecasts at 92%, although it met estimates at 94%. It believes that sector earnings, which grew 1.3% year-on-year were negatively impacted by both a labour shortage and also weaker demand from the US for the first nine months of 2019. However, strong demand growth of 19.5% quarter-on-quarter in 4Q19 suggested that demand from the US had returned as buying patterns started to normalise since import tariffs were imposed on China gloves in 3Q19. (Source: *The Star*)

Malayan United Industries Bhd (MUI) has secured two term-loan facilities totalling £100 million (RM539.3 million) to refinance its existing term-loan facility, as well as to finance the refurbishment and renovation of Corus Hotel Hyde Park in London. The facilities were secured via MUI's indirect unit Plaza On Hyde Park Ltd. "As part of the securities for the term-loan facilities, the company is required to provide a corporate guarantee for principal repayment and interest servicing throughout the tenor of the term-loan facilities," MUI said in a filing with Bursa Malaysia today. The first term-loan facility is to refinance its existing term-loan facility and amounts to £79.625 million (RM429.418 million), while the other facility amounts to £20.375 million (RM109.882 million). Even though the second term-loan facility would result in the group incurring interest expense of an additional loss per share of 13 sen, MUI said the loan is expected to contribute positively to the group's earnings. MUI's gearing ratio is also expected to increase from 1.36 times to 1.54 times, based on the group's audited total equity of approximately RM604.236 million as at June 30, 2019, even though the term-loan facilities are not expected to have any material effect on net assets per share.. (Source: *The EdgeMarkets*)

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

Source: RAM, MARC

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