

Global Markets Research

Fixed Income

Fixed Income Daily Market Snapshot

US Treasuries

US Treasuries were beneficiary of safe-haven bids last Friday mainly due to weak ISM December manufacturing data and fresh geo-political tensions arising from the middle-east; resulting in a flatter curve. Overall benchmark yields closed between 4-9bps lower compared to prior day's close. with the UST 2Y 4bps lower at 1.54% whilst the much-watched 10Y declined 9bps at 1.79% levels; off the December high of 1.95%. The Fed's three (3) rate cuts and trade tensions between the US and China benefitted UST's generally for 2019 which saw benchmark 10Y and 30Y bonds post -9.0% and 16% returns for 2019. The US and China are expected to sign their phase 1 trade agreement later this month. Meanwhile the Treasury Department is set to announce January's auctions of 3Y, 10Y and 30Y bonds soon. Reports on the US job market health, trade deficit, service sector activity and factory orders may attract some attention in the bond market this week.

MGS/GII

- Local govies continued to be well-bid on solid secondary market volume of RM5.07b. Investor interest was predominantly seen in the short off-the-run 20's, 23's and also benchmark 5Y and GII bonds. MGS/GII yields closing mostly mixed lower between 0-12bps lower across the curve save for the 7Y MGS. Both the benchmark 5Y MGS 6/24 and 10Y MGS 8/29 edged within 1bps from prior day's close at 3.17% and 3.29% respectively. GII trades rose to form ~ 57% of overall trades. The deluge of negative-yielding global debt has seen foreign/offshore parties attracted to EM sovereign debt as trade-sensitive nations such as Malaysia may benefit from easing global growth concerns next year. Meanwhile Petronas is considering selling global bonds for the 1st time in nearly 5 years.

Corp Bonds/Sukuk

- Corporate bonds/Sukuk space witnessed lower solid secondary market volume of RM276m with overall investor interest seen across the GG-AA part of the curve on 32 various bonds as overall yields closed mostly lower. DANAINFRA bonds dominated the gov-guaranteed bond space with both the 2031-2032 tranches closing 14bps lower compared to previous-done level between 3.67-72% levels whilst the long-end 4/48 tranche closed unchanged at 4.26%. AAA-rated MANJUNG 11/23 closed 6bps lower 3.48% whilst DANGA /33 saw strong bids resulting in a 12bps decline at 3.87%. AA-rated PENANG port 12/26 and the 2029-2031 tranches ended between 0-20bps sharply lower on yields at 4.15% and 4.27-4.47% area.

UST

Tenure	Closing (%)	Chg (bps)
2-yr UST	1.54	-4
5-yr UST	1.58	-7
10-yr UST	1.79	-9
30-yr UST	2.25	-9

MGS

GII*

Tenure	Closing (%)	Chg (bps)	Closing (%)	Chg (bps)
3-yr	2.96	-4	3.06	0
5-yr	3.17	0	3.19	-1
7-yr	3.30	3	3.31	0
10-yr	3.29	-1	3.38	-2
15-yr	3.54	-5	3.60	-12
20-yr	3.73	-2	3.74	-8
30-yr	4.04	-3	4.00	0

* Market indicative levels

MYR IRS Levels

IRS	Closing (%)	Chg (bps)
1-yr	3.28	-1
3-yr	3.28	-3
5-yr	3.32	-4
7-yr	3.36	-2
10-yr	3.41	-2

Source : Bloomberg

Upcoming Government Bond Tender

RM3.5b re-opening of 7Y MGS 5/27 on Tuesday, 7th January 2020

Daily Trades : Government Bond

Securities		Closing	Vol	Previous	Previous	Chg
		YTM	(RM mil)	YTM	Trade Date (dd/mm/yyyy)	(bp)
MGS	03/20	2.548	163	2.601	02/01/2020	-5
MGS	10/20	2.773	214	2.793	02/01/2020	-2
MGS	02/21	2.985	4	2.977	02/01/2020	1
MGS	07/21	3.002	121	2.990	02/01/2020	1
MGS	09/21	3.010	25	3.023	02/01/2020	-1
MGS	03/22	2.962	59	3.005	02/01/2020	-4
MGS	08/22	3.039	1	3.064	02/01/2020	-2
MGS	09/22	3.055	160	3.060	02/01/2020	0
MGS	03/23	3.031	3	3.081	02/01/2020	-5
MGS	04/23	3.111	420	3.111	02/01/2020	0
MGS	06/24	3.168	68	3.167	02/01/2020	0
MGS	03/25	3.227	40	3.229	02/01/2020	0
MGS	09/25	3.220	1	3.181	02/01/2020	4
MGS	07/26	3.297	26	3.267	02/01/2020	3
MGS	05/27	3.256	9	3.307	02/01/2020	-5
MGS	11/27	3.323	146	3.367	30/12/2019	-4
MGS	06/28	3.322	25	3.360	02/01/2020	-4
MGS	08/29	3.286	100	3.298	02/01/2020	-1
MGS	04/30	3.460	2	3.475	02/01/2020	-2
MGS	06/31	3.528	101	3.548	02/01/2020	-2
MGS	11/33	3.589	111	3.658	02/01/2020	-7
MGS	07/34	3.544	124	3.592	02/01/2020	-5
MGS	05/35	3.639	90	3.713	02/01/2020	-7
MGS	04/37	3.696	41	3.715	02/01/2020	-2
MGS	06/38	3.709	21	3.738	02/01/2020	-3
MGS	05/40	3.730	1	3.755	02/01/2020	-2
MGS	03/46	4.021	40	4.055	02/01/2020	-3
MGS	07/48	4.036	40	4.069	02/01/2020	-3
GII	04/20	2.842	40	2.846	02/01/2020	0
GII	03/21	3.009	100	3.010	02/01/2020	0
GII	04/21	3.023	10	3.018	02/01/2020	1
GII	11/22	3.102	120	3.132	24/12/2019	-3
GII	11/22	3.099	40	3.141	06/12/2019	-4
GII	05/23	3.040	20	3.040	02/01/2020	0
GII	07/23	3.129	60	3.148	31/12/2019	-2
GII	10/24	3.188	460	3.199	02/01/2020	-1
GII	08/25	3.258	160	3.292	02/01/2020	-3
GII	10/25	3.290	30	3.309	02/01/2020	-2
GII	06/27	3.355	50	3.394	31/12/2019	-4
GII	07/27	3.345	134	3.381	02/01/2020	-4
GII	08/28	3.404	80	3.415	02/01/2020	-1
GII	10/28	3.393	290	3.413	02/01/2020	-2
GII	07/29	3.382	590	3.401	02/01/2020	-2
GII	09/30	3.458	10	3.534	02/01/2020	-8
GII	06/33	3.612	70	3.679	02/01/2020	-7
GII	08/33	3.592	170	3.689	02/01/2020	-10
GII	11/34	3.599	270	3.718	02/01/2020	-12
GII	08/37	3.754	70	3.842	02/01/2020	-9
GII	09/39	3.737	141	3.816	02/01/2020	-8
			<u>5071</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*
DanaInfra Nasional Berhad	05/31	GG	3.671	10	3.811	11/11/2019	-14	36
GovCo Holdings Berhad	02/32	GG	3.740	20	3.811	24/12/2019	-7	43
DanaInfra Nasional Berhad	11/32	GG	3.720	20	3.860	11/12/2019	-14	12
DanaInfra Nasional Berhad	02/33	GG	3.724	20	3.759	02/01/2020	-3	12
DanaInfra Nasional Berhad	07/39	GG	3.960	20	4.055	10/12/2019	-9	21
DanaInfra Nasional Berhad	04/48	GG	4.260	5	4.258	02/01/2020	0	51
DanaInfra Nasional Berhad	11/49	GG	4.299	5	-	-	-	55
Starbright Capital Berhad	12/21	AAA	4.179	10	-	-	-	117
Bank Pembangunan Malaysia Berhad	03/22	AAA	3.524	10	4.398	24/01/2019	-87	52
Telekom Malaysia Berhad	08/23	AAA	3.481	5	3.523	05/12/2019	-4	36
Manjung Island Energy Berhad	11/23	AAA	3.478	10	3.542	12/12/2019	-6	35
Starbright Capital Berhad	12/23	AAA	4.198	5	-	-	0	107
Putrajaya Holdings Sdn Berhad	04/24	AAA	3.533	5	3.580	18/12/2019	-5	41
Starbright Capital Berhad	12/24	AAA	4.247	5	4.300	24/12/2019	-5	107
Starbright Capital Berhad	12/26	AAA	4.448	5	4.500	27/12/2019	-5	115
Danga Capital Berhad	09/33	AAA	3.868	40	3.989	18/12/2019	-12	27
Danum Capital Berhad	02/34	AAA	3.917	5	4.049	19/12/2019	-13	32
YTL Power International Berhad	05/27	AA1	4.300	3	4.096	02/01/2020	20	100
Anih Berhad	11/24	AA	3.777	10	3.954	09/08/2019	-18	60
CIMB Group Holdings Berhad	09/29	AA	3.806	10	3.827	31/12/2019	-2	49
AmBank (M) Berhad	03/27	AA3	3.631	2	3.643	30/12/2019	-1	33
UEM Edgenta Berhad	04/22	AA-	3.686	10	3.724	17/12/2019	-4	68
Penang Port Sdn Berhad	12/26	AA-	4.150	5	-	-	-	85
MMC Corporation Berhad	03/28	AA-	4.908	3	4.914	02/01/2020	-1	158
Penang Port Sdn Berhad	12/29	AA-	4.279	5	4.480	24/12/2019	-20	97
Penang Port Sdn Berhad	12/31	AA-	4.478	5	4.680	24/12/2019	-20	117
CIMB Group Holdings Berhad	05/16	A1	4.449	1	4.444	20/12/2019	0	70
DRB-Hicom Berhad	12/24	A+	4.347	5	4.550	12/12/2019	-20	117
DRB-Hicom Berhad	12/26	A+	4.648	5	4.760	18/12/2019	-11	135
Konsortium Lebuhraya Utara-Timur (KL) Sdn Be	12/25	AA-	4.057	10	4.348	24/06/2019	-29	80
Eco World International Berhad	05/23	-	5.475	1	6.014	20/12/2019	-54	246
Eco World International Berhad	04/23	-	5.987	1	5.653	06/12/2019	33	-
				<u>276</u>				

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

Market/Corporate News: What's Brewing

What would most accurately describe the financial markets in the last decade is the phrase "the era of easy money". After the 2008/09 global financial crisis, policymakers in the US and elsewhere adopted unconventional monetary policy tools. The effects of those measures were felt throughout the decade of 2010 to 2019. The US Federal Reserve unleashed four rounds of quantitative easing during the period while interest rates were cut in a bid to stimulate the economy. With interest rates effectively at zero in the US and developed markets, funds flowed to emerging markets that offered better returns. This led to asset inflation around the world. Local benchmark the FBM KLCI rose 26.82% over the decade whereas the Dow Jones Industrial Average and S&P 500 grew 173.83% and 184.31% respectively. The much-talked-about correction has yet to materialise and investors were spooked when the US Treasury yield curve inverted in the last two years. However, fears of a recession in the US have receded of late, thanks to the latest Fed rate cut. But while equities rose in the US, the rally in Malaysian stocks ended abruptly in the middle of 2014 when crude oil prices plunged on account of slower demand as China's economy cooled. Brent crude, which peaked at US\$120 per barrel in the middle of 2012, had dived to US\$30 per barrel by 2014. As oil was a major contributor to government finances, its decline had an adverse effect on the local currency. But crude oil prices were not the only reason the ringgit languished. The misappropriation of funds at 1Malaysia Development Bhd came to light, causing a crisis of confidence in the country, which further pressured the ringgit. In 2009, US\$1 was equivalent to RM3.47. By January 2017, it was 4.49 to a dollar. The ringgit has not fully recovered, trading at 4.14 currently. In 2017, Donald Trump became the president of the US and not long after, the US started imposing tariffs, especially on China, which resulted in one of the worst trade wars seen in history. The year

2018 was a momentous one for Malaysia as the Pakatan Harapan coalition won the 14th general election, making it the first opposition party in the history of the country to ever take hold of Putrajaya. On a whole, the stock market did not react adversely to the change, although stocks linked to the BN government took a beating. However, policy changes and uncertainty under the new government have led to a wide selldown. The stock market has mostly been described as directionless since with concerns over who will become the next prime minister weighing on sentiment. By the looks of it, these and other worries, such as the trade war and geopolitical risks, are likely to continue to dent investor confidence in the new decade. Notable movements in the FBM KLCI

Decade low Feb 9, 2010: 1,233.86

Euro zone debt crisis Sept 2011

FBM KLCI rises 10.54% post-GE13

Peak of crude oil rally July 8, 2014: 1,892.65

FBM KLCI declines 19.04% on plunging crude oil

Decade high April 19, 2018: 1,895.18

May 9, 2018: Malaysia sees change of government

FBM KLCI slides 15.62% post-GE14

Closing Dec 23, 2019: 1,614.18

(Source: The Edgemarkets)

Rating Action			
Issuer	PDS Description	Rating/Outlook	Action
Golden Assets International Finance Limited, a funding conduit for Indonesia-based plantation company Golden Agri-Resources Ltd (GAR)	RM5.0 bil Islamic MTN Programme (2012/2027).	A1(s)/Stable	Reaffirmed

Source: RAM, MARC

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