

Global Markets Research

Fixed Income

UST		
Tenure	Closing (%)	Chg (bps)
2-yr UST	1.56	2
5-yr UST	1.60	2
10-yr UST	1.81	2
30-yr UST	2.29	4

MGS		GII*		
Tenure	Closing (%)	Chg (bps)	Closing (%)	Chg (bps)
3-yr	2.98	2	3.06	0
5-yr	3.16	-1	3.18	-1
7-yr	3.25	-4	3.28	-4
10-yr	3.27	-1	3.36	-3
15-yr	3.51	-4	3.54	-6
20-yr	3.68	-5	3.70	-4
30-yr	3.95	-9	4.01	1

* Market indicative levels

MYR IRS Levels		
IRS	Closing (%)	Chg (bps)
1-yr	3.28	0
3-yr	3.27	-1
5-yr	3.29	-3
7-yr	3.33	-3
10-yr	3.39	-2

Source : Bloomberg

Upcoming Government Bond Tender

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

Fixed Income Daily Market Snapshot

US Treasuries

- US Treasuries ended weaker following early strength on Monday's session partly due to profit-taking from recent gains. Nevertheless the focal point for now are both the geo-political tensions and the signing of the US-China trade phase one(1). Overall benchmark yields closed between 2-4bps higher compared to prior day's close with both the UST 2Y and 10Y ending 2bps higher at 1.56% and 1.81% respectively. The US and China are expected to sign their phase 1 trade agreement later this month. The upcoming results of \$38 of 3Y notes may attract some attention in the bond market this week.

MGS/GIII

- Local govies continued to be well-bid on solid secondary market volume of RM4.79b with investor interest predominantly seen in the short off-the-run 20's, 33's and also benchmark 10Y MGS/GII bonds. MGS/GII yields closing mostly mixed again between 0-9bps lower across the curve with both the benchmark 5Y MGS 6/24 and 10Y MGS 8/29 edging 1bps lower from prior day's close at 3.16% and 3.27% respectively. GII trades maintained at ~ 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. Asia FX is also expected to recover from the recent jolt induced by the Iran conflict.

Corp Bonds/Sukuk

- Corporate bonds/Sukuk space similarly saw solid secondary market volume of RM460m with overall investor interest etched across the GG-AA part of the curve on 39 various bonds as overall yields closed mostly lower. DANAINFRA bonds again dominated the govt-guaranteed bond space with both the 2026-2029 tranches closing between 13-15bps lower compared to previous-done level between 3.4054% levels whilst the long-end 2/49 tranche closed 20bps lower at 4.16%. AAA-rated SEB 1/27 and DANUM Capital 2/34 saw RM40m in nominal amounts traded between 3-6bps lower at 3.62% and 3.89% respectively. AA-rated PENANG port 12/31 declined 6bps at 4.42%. The banking space saw RHB 25NC20 close sharply lower on yields at 3.42%

Daily Trades : Government Bond

Securities	Closing	Vol	Previous	Previous	Chg
	YTM	(RM mil)	YTM	Trade Date (dd/mm/yyyy)	(bp)
MGS 03/20	2.668	171	2.548	03/01/2020	12
MGS 07/20	2.777	11	2.829	31/12/2019	-5
MGS 10/20	2.793	233	2.773	03/01/2020	2
MGS 02/21	2.995	5	2.985	03/01/2020	1
MGS 07/21	3.000	18	3.002	03/01/2020	0
MGS 09/21	3.026	10	3.010	03/01/2020	2
MGS 11/21	3.012	15	3.029	02/01/2020	-2
MGS 03/22	2.977	19	2.962	03/01/2020	1
MGS 08/22	3.053	9	3.039	03/01/2020	1
MGS 09/22	3.060	6	3.055	03/01/2020	0
MGS 03/23	3.074	23	3.031	03/01/2020	4
MGS 04/23	3.127	24	3.111	03/01/2020	2
MGS 06/24	3.163	1	3.168	03/01/2020	-1
MGS 07/24	3.171	60	3.190	02/01/2020	-2
MGS 09/24	3.163	170	3.211	02/01/2020	-5
MGS 09/25	3.216	2	3.220	03/01/2020	0
MGS 04/26	3.224	62	3.264	02/01/2020	-4
MGS 07/26	3.254	66	3.297	03/01/2020	-4
MGS 11/26	3.296	81	3.307	02/01/2020	-1
MGS 03/27	3.296	2	3.371	30/12/2019	-8
MGS 05/27	3.250	20	3.256	03/01/2020	-1
MGS 11/27	3.294	163	3.323	03/01/2020	-3
MGS 06/28	3.309	41	3.322	03/01/2020	-1
MGS 08/29	3.274	121	3.286	03/01/2020	-1
MGS 04/30	3.455	6	3.460	03/01/2020	0
MGS 06/31	3.469	84	3.528	03/01/2020	-6
MGS 04/32	3.509	61	3.587	02/01/2020	-8
MGS 11/33	3.520	22	3.589	03/01/2020	-7
MGS 07/34	3.505	118	3.544	03/01/2020	-4
MGS 05/35	3.643	10	3.639	03/01/2020	0
MGS 04/37	3.620	22	3.696	03/01/2020	-8
MGS 06/38	3.634	100	3.709	03/01/2020	-8
MGS 05/40	3.679	195	3.730	03/01/2020	-5
MGS 09/43	3.937	30	4.011	02/01/2020	-7
MGS 03/46	3.981	62	4.021	03/01/2020	-4
MGS 07/48	3.946	77	4.036	03/01/2020	-9
GII 04/20	2.932	10	2.842	03/01/2020	9
GII 05/20	2.943	50	2.910	02/01/2020	3
GII 11/22	3.095	20	3.102	03/01/2020	-1
GII 05/23	3.055	10	3.040	03/01/2020	2
GII 07/23	3.128	80	3.129	03/01/2020	0
GII 11/23	3.151	40	3.176	30/12/2019	-3
GII 10/24	3.176	210	3.188	03/01/2020	-1
GII 08/25	3.258	390	3.258	03/01/2020	0
GII 10/25	3.261	130	3.290	03/01/2020	-3
GII 03/26	3.279	43	3.314	02/01/2020	-4
GII 07/27	3.325	130	3.345	03/01/2020	-2
GII 08/28	3.384	30	3.404	03/01/2020	-2
GII 10/28	3.365	130	3.393	03/01/2020	-3
GII 12/28	3.360	100	3.496	29/11/2019	-14
GII 07/29	3.356	440	3.382	03/01/2020	-3
GII 09/30	3.436	10	3.458	03/01/2020	-2
GII 06/33	3.546	330	3.612	03/01/2020	-7
GII 08/33	3.574	120	3.592	03/01/2020	-2
GII 11/34	3.536	100	3.599	03/01/2020	-6
GII 08/37	3.768	20	3.754	03/01/2020	1
GII 09/39	3.697	120	3.737	03/01/2020	-4
GII 05/47	4.022	70	4.143	19/12/2019	-12
GII 11/49	4.014	90	4.000	04/12/2019	1
		<u>4791</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*
Small Medium Enterprise Development Bank Mal	03/26	GG	3.485	30	3.925	24/05/2019	-44	25
DanaInfra Nasional Berhad	04/26	GG	3.399	40	3.528	14/11/2019	-13	16
DanaInfra Nasional Berhad	02/29	GG	3.538	10	3.688	15/11/2019	-15	24
Prasarana Malaysia Berhad	09/29	GG	3.536	5	3.725	04/12/2019	-19	25
DanaInfra Nasional Berhad	11/32	GG	3.699	20	3.720	03/01/2020	-2	19
Lembaga Pembiayaan Perumahan Sektor Awarr	04/34	GG	3.759	40	3.902	23/12/2019	-14	25
DanaInfra Nasional Berhad	04/37	GG	3.830	5	3.949	27/12/2019	-12	32
DanaInfra Nasional Berhad	05/42	GG	4.029	15	3.930	07/10/2019	10	36
DanaInfra Nasional Berhad	05/46	GG	4.169	15	4.225	05/12/2019	-6	50
DanaInfra Nasional Berhad	11/47	GG	4.209	20	4.245	10/12/2019	-4	54
DanaInfra Nasional Berhad	02/49	GG	4.164	10	4.361	24/12/2019	-20	50
Berjaya Land Berhad	12/20	AAA	3.779	10	3.781	18/12/2019	0	83
Gulf Investment Corporation G.S.C	03/21	AAA	3.826	7	4.056	27/11/2019	-23	88
Malaysia Steel Works (KL) Berhad	11/22	AAA	4.015	5	4.126	25/09/2019	-11	102
Aman Sukuk Berhad	10/23	AAA	3.472	5	3.422	26/08/2019	5	36
Malaysia Steel Works (KL) Berhad	11/23	AAA	4.117	5	4.307	07/08/2019	-19	100
Starbright Capital Berhad	12/23	AAA	4.149	5	4.198	03/01/2020	-5	103
Sarawak Energy Berhad	01/27	AAA	3.618	40	3.673	14/10/2019	-6	35
Danum Capital Berhad	02/34	AAA	3.889	40	3.917	03/01/2020	-3	38
Anih Berhad	11/26	AA	3.858	20	3.927	07/11/2019	-7	59
Exsims Capital Resources Berhad	01/22	AA3	4.081	10	4.137	09/12/2019	-6	109
Konsortium KAJV Sdn Bhd	05/22	AA-	4.833	10	-	-	-	184
Country Garden Real Estate Sdn Berhad	02/23	AA3	5.531	3	6.347	27/12/2019	-82	254
RHB Bank Berhad	04/25	AA3	3.417	20	4.136	06/03/2019	-72	25
Tadau Energy Sdn Berhad	07/25	AA3	4.335	4	4.283	18/09/2019	5	110
Gamuda Berhad	11/26	AA3	4.086	4	-	-	-	82
Cypark Ref Sdn Berhad	06/36	AA3	5.410	10	-	-	-	190
UEM Sunrise Berhad	03/24	AA-	3.667	10	3.689	12/12/2019	-2	55
UiTM Solar Power Sdn Berhad	04/28	AA-	4.671	3	4.728	29/10/2019	-6	139
UiTM Solar Power Sdn Berhad	04/29	AA-	4.791	4	-	-	-	149
Penang Port Sdn Berhad	12/29	AA-	4.276	4	4.279	03/01/2020	0	99
Penang Port Sdn Berhad	12/31	AA-	4.419	10	4.478	03/01/2020	-6	113
Tan Chong Motor Holdings Berhad	11/21	A1	4.099	2	4.122	18/12/2019	-2	110
UMW Holdings Berhad	04/18	A1	4.518	5	4.836	02/01/2020	-32	85
Magnum Corporation Sdn Berhad	09/24	-	5.075	1	5.108	15/10/2019	-3	191
Mah Sing Group Berhad	04/17	-	5.823	1	5.217	13/12/2019	61	216
YNH Property Berhad	07/19	-	6.951	3	6.648	03/01/2020	30	329
DRB-Hicom Berhad	12/24	A+	4.245	5	4.347	03/01/2020	-10	108
DRB-Hicom Berhad	12/26	A+	4.547	5	4.648	03/01/2020	-10	128
				460				

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

Market/Corporate News: What's Brewing

The Malaysian Communications and Multimedia Commission (MCMC) expects multiple bidders, including foreign companies, to be part of the consortium that would build a 5G network. The foreign players, however, would be subject to licencing requirements and foreign shareholding rules of this country. The limit on foreign shareholding in the telecommunication sector is 49%. MCMC chairman Al-Ishsal Ishak said the marketing plan outlining the structure of the consortium and how it will operate will be spelt out when the plan is released next month. He said a tender exercise would be called in April for parties to bid for the 5G spectrum bands identified as 700MHz, 3.5GHz, 26GHz and 28GHz. "Any party can bid for the spectrum but finally it is one single entity that will get it," Al-Ishsal said in a briefing with StarBiz yesterday. He said the wholesale access pricing for 5G network usage will be fixed by the regulator. "The consortium will make a small profit and we will regulate the wholesale access pricing," he said. He added that any party, be it the consortium members or other telecoms players not part of the consortium, could use the 5G network for wholesale access to offer 5G services to consumers. The idea of setting up a single entity or consortium to build the 5G infrastructure was to reduce cost and avoid duplication in network build up. At the same time, the plan was to ensure that service standards were met. "We do not want sub-standards in the roll-out like seen for 4G and

that is why the idea of setting up a single entity was decided where players will be shareholders in the consortium to roll out the 5G infrastructure," he said. He said mobile players did not have enough fibre on the ground as only 40% of towers and sites were connected with the fibre optic network. (Source: *The Star*)

Economists are neutral on the prospects of the consumer sector in 2020 as data shows Malaysians are becoming more cautious about their spending.The Malaysian Institute of Economic Research's (MIER) Consumer Sentiment Index contracted by nine points quarter-on-quarter to 84 points in the third quarter of 2019 (3Q19), marking the lowest below optimistic threshold level since 4Q17. "MIER noted that the domestic spending momentum would deteriorate in the near future due to anxieties over rising living cost, a sluggish job outlook coupled with limited shopping plans due to weakening purchasing power," AllianceDBS said in a research note dated last Friday. Retail Group Malaysia (RGM) recently cut its annual retail sales growth forecast for 2019 from 4.4% to 3.7%, in view of a disappointing growth of 1.8% in 3Q19 and the expected weak growth expected in 4Q19. This was RGM's third revision since the beginning of 2019. For 2020, the group is projecting a 4.6% growth for retail sales, although it noted that the year will remain a challenge for the Malaysian retail industry. "Externally, trade disputes between countries are not expected to end soon. Internally, economic policies that can stimulate consumers' spending are limited in the near term," RGM said in its Malaysia Retail Industry Report released recently. Despite the low consumer sentiment as measured by MIER, AmlInvestment Bank said it expects healthy consumer spending to be sustained on the back of a steady labour market and stable inflation. The bank has projected private consumption to grow at 6.9%. Socio-Economic Research Centre (SERC) executive director Lee Heng Guie is projecting private consumption growth to slow to 6.7% in 2020 from an estimated 7.2% in 2019. "The estimation is slower compared with an average of 7% in the past-five years," Lee told *The Edge Financial Daily*. He said wage growth is a vital factor to support consumer spending. Noting that salary increment for 2020 is expected to remain slow, he said this will continue to affect consumers' spending power. Private sector wage growth moderated to 3.8% in 3Q19 from 4.2% in 2Q19. Bank Negara Malaysia (BNM) said this was supported mainly by services wage growth, which was relatively sustained at 4.1% in 3Q19, versus 4.4% in 2Q19, particularly in the food and beverage, and information and communication sub sectors. Growth of manufacturing wages however moderated to 3.2% in 3Q19, from 3.9% in 2Q19. Lower wage growth was also observed largely in export oriented industries, particularly in the electrical and electronics (3Q19:4.1%; 2Q19: 5.1%) and petrochemical clusters (3Q19:2.2%; 2Q19: 3.1%). The slower rate of wage increment contributed to a weaker private consumption growth of 7% in 3Q19, down from 7.8% in 2Q19. BNM noted that this was due to household spending normalising towards a long-term trend as well as strong base effects from the tax holiday spending last year. Meanwhile, SERC's Lee stressed the need to watch out for global economic conditions such as the Sino-US trade dispute. But with some positive developments on the trade war front, he is hopeful there will be stability of sentiments. "For me, the sentiment stability will only kick in by the second half of 2020. Hopefully China and the US will continue to push for a trade agreement following the 'phase one' trade deal [announced last month]," he said. Another analyst said the outlook for the retail segment will remain weak for the next few months, as he has yet to see signs of recovery in the nation's economy. Malaysia's gross domestic product moderated to 4.4% in 3Q19 from a year earlier, after 2Q19's 4.9% year-on-year expansion. "The retail sector is a proxy to the economy. If consumer confidence comes back, that means the economy is improving. But, that is yet to be seen," the analyst said. (Source: *The Edgemarkets*)

Rating Action			
Issuer	PDS Description	Rating/Outlook	Action
Bumitama Agri Ltd	RM5.0 bil Islamic MTN Programme (2012/2027)	AA3(s)/Outlook from Positive to Stable	Revised
Digi Telecommunications Sdn Bhd	RM5 bil Islamic MTN Programme (2017/2032) RM1 bil Islamic CP Programme (2017/2024)	AAA/Stable/P1	Reaffirmed

Source: RAM, MARC

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