

## Global Markets Research

### Fixed Income

UST		
Tenure	Closing (%)	Chg (bps)
2-yr UST	1.58	4
5-yr UST	1.66	5
10-yr UST	1.87	6
30-yr UST	2.36	6

MGS		GII*		
Tenure	Closing (%)	Chg (bps)	Closing (%)	Chg (bps)
3-yr	3.01	4	3.12	5
5-yr	3.15	-1	3.19	0
7-yr	3.25	-3	3.28	-1
10-yr	3.24	-4	3.36	0
15-yr	3.48	-3	3.52	-3
20-yr	3.56	-6	3.64	-6
30-yr	3.92	-1	4.01	-1

\* Market indicative levels

MYR IRS Levels		
IRS	Closing (%)	Chg (bps)
1-yr	3.26	-2
3-yr	3.25	-2
5-yr	3.28	-1
7-yr	3.32	-2
10-yr	3.38	-2

Source : Bloomberg

### Upcoming Government Bond Tender

Nil

## Fixed Income Daily Market Snapshot

### US Treasuries

- US Treasuries ended weaker following average 10Y auction results and President Trump's comments that he may respond to Iran's attack on US military bases in Iraq with new sanctions rather than tough military action. Overall benchmark yields rose between 4-6bps compared to prior day's close with the UST 2Y up 4bps at 1.58% and the much-watched UST 10Y spiking 6bps at 1.87%. The \$24b 10Y auction saw average bidding metrics with a slightly heavy tail on a BTC ratio @ 2.45x (previous 10 auctions: 2.42x). Several upbeat economic data i.e. by payroll processor ADP's report on a surge in private sector employment by 202,000 for December, the earlier release of strong ISM non-manufacturing index for December and also narrower trade deficit in November are seen to have impacted UST levels. The US auction will complete this week with the \$16b 30-year reopening on Thursday.

### MGS/GII

- Local govvnies saw strong investor participation as secondary market volume rose to RM5.56b with interest predominantly seen in the short off-the-run 27's, 33's and also benchmark 3Y, 10Y and 15Y MGS/GII bonds. Overall benchmark yields ended mostly lower between 0-6bps save for the short 3Y bonds with the benchmark 5Y MGS 6/24 edgong 1bps lower at 3.15% and 10Y MGS 8/29 rallying 4bps at 3.24%. Meanwhile foreign ownership of overall MYR bonds rose 4.1% to RM204.7b in December 2019; the highest seen since 2 years ago. Expect activity to be robust with intermittent profit-taking this week.

### Corp Bonds/Sukuk

- Corporate bonds/Sukuk space saw upbeat investor interest amid solid secondary market volume of RM758m with overall investor interest seen along the GG-AAA part of the curve on 50 various bonds as overall yields grinded mostly lower. DANA and PRASA bonds dominated the govt-guaranteed space with the 48-49's closing between 3-23bps lower (save for the 2/48 tranche which closed 102bps lower) at 4.10-11% levels. The shorter-end BAKUN 20-21's edged between 0-1bps higher between 3.22-40% whilst the 23-24's ended 6bps lower at 3.47-52% levels. AAA-rated DANGA 2/26 and TNB 8/38 closed between 7-11bps lower at 3.56% and 4.06%. AA-rated UEM Sunrise 5/23 closed 10bps lower at 3.57% whereas the 3/24 tranche ended unchanged at 3.67%. The banking space saw MAYBANK 31NC26 notch RM50m in nominal amounts; also closing sharply lower on yields at 3.77%.

## Daily Trades : Government Bond

Securities	Closing	Vol	Previous	Previous	Chg
	YTM	(RM mil)	YTM	Trade Date (dd/mm/yyyy)	(bp)
MGS 03/20	2.783	183	2.703	07/01/2020	8
MGS 07/20	2.853	6	2.777	06/01/2020	8
MGS 10/20	2.853	32	2.830	07/01/2020	2
MGS 11/21	3.019	12	3.028	07/01/2020	-1
MGS 03/22	3.006	433	2.969	07/01/2020	4
MGS 08/22	3.044	43	3.047	07/01/2020	0
MGS 09/22	3.074	17	3.023	07/01/2020	5
MGS 08/23	3.112	2	3.138	07/01/2020	-3
MGS 06/24	3.149	10	3.161	07/01/2020	-1
MGS 07/24	3.152	3	3.165	07/01/2020	-1
MGS 09/24	3.187	17	3.174	07/01/2020	1
MGS 09/25	3.170	49	3.198	07/01/2020	-3
MGS 07/26	3.247	124	3.281	07/01/2020	-3
MGS 09/26	3.273	2	3.289	07/01/2020	-2
MGS 03/27	3.293	5	3.284	07/01/2020	1
MGS 05/27	3.259	829	3.290	07/01/2020	-3
MGS 11/27	3.301	90	3.303	07/01/2020	0
MGS 06/28	3.304	52	3.302	07/01/2020	0
MGS 08/29	3.238	302	3.274	07/01/2020	-4
MGS 06/31	3.476	10	3.483	07/01/2020	-1
MGS 04/32	3.500	1	3.509	06/01/2020	-1
MGS 04/33	3.525	80	3.530	07/01/2020	0
MGS 11/33	3.536	210	3.520	06/01/2020	2
MGS 07/34	3.481	205	3.509	07/01/2020	-3
MGS 04/37	3.602	2	3.616	07/01/2020	-1
MGS 06/38	3.597	2	3.620	07/01/2020	-2
MGS 05/40	3.562	25	3.620	07/01/2020	-6
MGS 09/43	3.925	1	3.925	07/01/2020	0
MGS 03/46	3.988	61	3.980	07/01/2020	1
MGS 07/48	3.925	63	3.930	07/01/2020	-1
GII 04/20	2.917	41	2.885	07/01/2020	3
GII 08/20	3.068	2	3.013	23/12/2019	6
GII 11/20	3.077	1	3.019	27/11/2019	6
GII 03/21	3.064	1	3.009	03/01/2020	6
GII 04/21	3.063	1	3.023	03/01/2020	4
GII 03/22	3.115	15	3.071	07/01/2020	4
GII 04/22	3.101	2	3.046	07/01/2020	6
GII 07/23	3.132	130	3.145	07/01/2020	-1
GII 10/23	3.163	20	3.146	02/01/2020	2
GII 11/23	3.158	55	3.156	07/01/2020	0
GII 10/24	3.194	120	3.192	07/01/2020	0
GII 08/25	3.261	240	3.258	06/01/2020	0
GII 10/25	3.260	6	3.264	07/01/2020	0
GII 03/26	3.278	1	3.292	07/01/2020	-1
GII 09/26	3.358	5	3.342	02/01/2020	2
GII 07/27	3.351	2	3.388	07/01/2020	-4
GII 10/28	3.349	270	3.365	06/01/2020	-2
GII 12/28	3.377	20	3.372	07/01/2020	0
GII 07/29	3.362	553	3.363	07/01/2020	0
GII 08/33	3.539	40	3.561	07/01/2020	-2
GII 11/34	3.520	271	3.553	07/01/2020	-3
GII 08/37	3.721	380	3.727	07/01/2020	-1
GII 09/39	3.642	512	3.697	06/01/2020	-6
GII 11/49	4.005	1	4.013	07/01/2020	0
		<u>5561</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*
Perbadanan Tabung Pendidikan Tinggi Nasional	07/26	GG	3.379	10	3.489	24/12/2019	-11	12
GovCo Holdings Berhad	02/27	GG	3.483	15	3.569	12/12/2019	-9	23
DanaInfra Nasional Berhad	07/27	GG	3.419	10	3.447	07/01/2020	-3	15
DanaInfra Nasional Berhad	02/29	GG	3.431	20	3.538	06/01/2020	-11	15
Prasarana Malaysia Berhad	03/29	GG	3.488	10	3.470	22/08/2019	2	20
Prasarana Malaysia Berhad	09/29	GG	3.500	10	3.536	06/01/2020	-4	22
DanaInfra Nasional Berhad	11/30	GG	3.592	5	3.952	12/06/2019	-36	32
Prasarana Malaysia Berhad	03/34	GG	3.679	10	3.840	02/01/2020	-16	20
Lembaga Pembiayaan Perumahan Sektor Awam	04/34	GG	3.679	10	3.759	06/01/2020	-8	20
DanaInfra Nasional Berhad	07/34	GG	3.679	30	4.214	04/04/2019	-54	20
DanaInfra Nasional Berhad	09/34	GG	3.750	5	-	-	-	27
DanaInfra Nasional Berhad	04/35	GG	3.699	20	3.851	02/01/2020	-15	22
DanaInfra Nasional Berhad	02/39	GG	3.799	20	4.029	19/12/2019	-23	22
DanaInfra Nasional Berhad	04/39	GG	3.839	10	4.045	10/12/2019	-21	26
DanaInfra Nasional Berhad	07/39	GG	3.849	10	3.960	03/01/2020	-11	27
DanaInfra Nasional Berhad	04/43	GG	3.959	20	4.019	07/01/2020	-6	38
DanaInfra Nasional Berhad	05/46	GG	4.039	20	4.169	06/01/2020	-13	46
DanaInfra Nasional Berhad	02/48	GG	4.101	5	5.119	18/12/2018	-102	52
DanaInfra Nasional Berhad	04/48	GG	4.099	30	4.130	07/01/2020	-3	52
DanaInfra Nasional Berhad	11/48	GG	4.099	25	4.275	10/12/2019	-18	52
DanaInfra Nasional Berhad	02/49	GG	4.110	40	4.164	06/01/2020	-5	53
DanaInfra Nasional Berhad	11/49	GG	4.069	5	4.299	03/01/2020	-23	49
Bakun Hydro Power Generation Sdn Berhad (fkt)	08/20	AAA	3.220	5	3.212	01/10/2019	1	28
Bakun Hydro Power Generation Sdn Berhad (fkt)	08/21	AAA	3.398	20	3.396	19/08/2019	0	40
Sarawak Energy Berhad	01/22	AAA	3.339	10	3.443	12/11/2019	-10	34
Bank Pembangunan Malaysia Berhad	03/22	AAA	3.482	20	3.524	03/01/2020	-4	49
Aman Sukuk Berhad	04/22	AAA	3.339	35	3.788	17/06/2019	-45	34
Gas Malaysia Berhad	12/22	AAA	3.476	30	-	-	-	47
GENM Capital Berhad	07/23	AAA	4.158	5	3.768	07/01/2020	39	104
Bakun Hydro Power Generation Sdn Berhad (fkt)	08/23	AAA	3.467	10	3.528	20/12/2019	-6	35
Sarawak Energy Berhad	07/24	AAA	3.482	20	3.478	19/08/2019	0	36
Bakun Hydro Power Generation Sdn Berhad (fkt)	08/24	AAA	3.517	40	3.574	05/12/2019	-6	35
Putrajaya Holdings Sdn Berhad	05/25	AAA	3.510	40	3.464	20/09/2019	5	35
Sarawak Energy Berhad	08/25	AAA	3.538	10	3.610	26/11/2019	-7	32
Danga Capital Berhad	02/26	AAA	3.558	10	3.666	23/12/2019	-11	34
Pengurusan Air SPV Berhad	06/26	AAA	3.618	10	3.752	04/12/2019	-13	40
Rantau Abang Capital Berhad	03/29	AAA	3.642	10	3.619	07/10/2019	2	36
Pengurusan Air SPV Berhad	10/29	AAA	3.701	10	3.828	19/12/2019	-13	42
Tenaga Nasional Berhad	08/38	AAA	4.063	20	4.130	02/01/2020	-7	48
Malayan Banking Berhad	01/31	AA1	3.765	50	3.898	26/11/2019	-13	49
UEM Sunrise Berhad	03/24	AA-	3.668	20	3.667	06/01/2020	0	55
Cypark Ref Sdn Berhad	06/36	AA3	5.409	10	5.410	06/01/2020	0	193
UEM Sunrise Berhad	05/23	AA-	3.568	20	3.666	04/11/2019	-10	56
Grand Sepadu (NK) Sdn Berhad	06/27	AA-	4.130	2	4.134	07/01/2020	0	87
UiTM Solar Power Sdn Berhad	04/28	AA-	4.669	3	4.671	06/01/2020	0	140
Affin Bank Berhad	02/27	A1	3.704	4	3.748	18/12/2019	-4	45
Eco World International Berhad	10/21	-	5.069	1	5.786	07/01/2020	-72	207
Eco World International Berhad	05/23	-	5.476	1	5.477	07/01/2020	0	247
Eco World Capital Assets Berhad	08/24	-	5.784	1	5.670	07/01/2020	11	262
Tropicana Corporation Berhad	09/19	-	6.247	2	6.453	07/01/2020	-21	267
				<u>758</u>				

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

## Market/Corporate News: What's Brewing

**The Cabinet has ordered the three main ministries back to the drawing board before it decides on the takeover of PLUS Malaysia Bhd, says a Works Ministry source.** The decision is now expected to be out next week, as the Works Ministry, Economic Affairs Ministry and Finance Ministry continue to iron out details on who or how to best manage the largest highway concessionaire in the country, said the source. A decision was expected to be made yesterday. However, with the complicated nature of the deal, the deadline had to be extended by another week. For the PLUS deal to materialise, a few conditions are key. The government must not be burdened with further debt, the toll rates have to be reduced by at least 18% and the concession period cannot be extended more than 20 years, said the source. In late

December, Finance Minister Lim Guan Eng had said that a decision on PLUS must be made soon so that the government could avoid paying more compensation. The government had already announced the freeze on toll hikes last year, and has to compensate toll operators. During the tabling of Budget 2020, Lim said that an average reduction of toll rates by 18% would save some RM43bil for highway users until 2038, which is when the concession ends. So far, there have been four formal offers to take over PLUS. The latest takeover offer came in October 2019 from businessman Tan Sri Halim Saad and Datuk Wong Gian Kui with a RM5.2bil offer to buy the entire equity interest of PLUS via Karongsa Private Capital Sdn Bhd. His deal includes a 25% discount on toll rates, and does not seek an concession extension. Wong is a prominent businessman who currently sits on the boards of Insas Bhd, INARI AMERTRON BHD, Ho Hup Construction Co Bhd, SYF Resources Bhd and YI-LAI BHD. It was during Halim's tenure as head of UEM Group and Renong Group that the company had secured a RM3.4bil contract to build PLUS. Today, he is back in a different capacity to take over the highway concessionaire. Then, there is also Widad Business Group Sdn Bhd which owns Widad Group Bhd, which has offered RM3.5bil cash to buy up PLUS. Its deal comes with a minimum 25% toll cut and an extension of 20 years. The third offer is from a Malaysian-led, Hong Kong-based private equity firm, RRJ Capital, which has made a bid to acquire PLUS outright for RM3.5bil. The firm, which manages US\$20bil in funds sourced mainly from the United States and the Middle East, looks to offer toll discounts averaging 20% and is looking for a 20-year extension period. Meanwhile, Tan Sri Abu Sahid Mohamed of Maju Holdings Sdn Bhd is the only bidder to put in an enterprise value offer for PLUS at RM34.9bil. Maju is the concession holder of the Maju Expressway (MEX). As it is, the government currently owes PLUS RM2.7bil in toll compensation. In a statement last October, Maju Holdings said that if Maju took over PLUS, it wouldn't hold the government responsible for these debts. This would translate into RM2.7bil in savings for the government. Further, the company has also pledged to invest RM5.3bil on improving all the highways under PLUS. Maju's enterprise value to purchase PLUS includes outstanding debt to bond-holders of RM34.9bil. This purchase consideration is a reflection of the true and fair value of the company and its assets, Maju had said. In the public realm, very little is known about Abu Sahid's businesses, as most of his companies are privately held. He does, however, have a 12.99% stake in IPMUDA BHD, which supplies building materials and finishing products to the construction industry. Abu Sahid is the executive chairman of Ipmuda. PLUS today operates eight expressways under five concessions. These concessions end in 2038. Its highways are the 772-km North-South Expressway which runs from Bukit Kayu Hitam to Johor Baru; the New Klang Valley Expressway; Federal Highway Route 2; the Seremban-Port Dickson Highway; the NSE Central Link; the Malaysia-Singapore Second Link; Lebuh raya Butterworth-Kulim and the Penang Bridge. Currently, PLUS is controlled by the UEM Group – a subsidiary of Khazanah Nasional Bhd – and the Employees Provident Fund (EPF). Khazanah holds a 51% share in PLUS, while the remainder 49% is held by the EPF. Khazanah, which is the country's investment arm, has said that it has no plans to divest PLUS. Nonetheless, the government has shown willingness to consider private bids for the highway company. Prime Minister Tun Dr Mahathir Mohamad has said that it would be a better option for the private sector to take over the highway concessionaire, as the government isn't interested in being involved in business.. (Source: *The Star*)

**The Indian government has banned imports of refined palm oil into the country, according to a government notification sighted by theedgemarkets.com.** According to the notification, the import policy for refined bleached deodorised palm oil and refined bleached deodorised palmolein has been amended from 'Free' to 'Restricted'. The new policy is believed to be in response to Prime Minister Tun Dr Mahathir Mohamad's criticism on India's actions in the Kashmir region and its new citizenship law. Note that India is the world's biggest importer of palm oil, where it imports most of its refined palm oil from Malaysia and crude palm oil from Indonesia. Malaysia exported palm oil worth some US\$1.65 billion (RM6.9 billion) to India in 2018. Palm oil accounts for 2.8% of Malaysia's gross domestic product and 4.5% of total exports. The notification dated Jan 8 read: "In exercise of powers conferred by Section 3 of FT (D&R) Act, 1992, read with paragraph 1.02 and 2.01 of the Foreign Trade Policy 2015-2020, as amended from time to time, the Central Government hereby amends the import policy of items under Exim Code 1511 90 of Chapter 15 of ITC (HS), 2017, Schedule-1 (Import Policy)." Items under Exim Code 1511 90 includes refined bleached deodorised palm oil and refined bleached

deodorised palmolein. As such, the effect of the notification is that the import policy for said items is amended from 'Free' to 'Restricted'. On Jan 7, Reuters reported India has informally asked palm oil refiners and traders to avoid buying Malaysian palm oil, according to sources. (Source: *The Edgemarkets/Reuters*)

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

Source: RAM, MARC

**Hong Leong Bank Berhad**

Fixed Income &amp; Economic Research, Global Markets

Level 8, Hong Leong Tower

6, Jalan Damanlela

Bukit Damansara

50490 Kuala Lumpur

Tel: 603-2081 1221

Fax: 603-2081 8936

Email: HLMarkets@hlbb.hongleong.com.my

**DISCLAIMER**

This report is for information purposes only and does not take into account the investment objectives, financial situation or particular needs of any particular recipient. The information contained herein does not constitute the provision of investment advice and is not intended as an offer or solicitation with respect to the purchase or sale of any of the financial instruments mentioned in this report and will not form the basis or a part of any contract or commitment whatsoever.

The information contained in this publication is derived from data obtained from sources believed by Hong Leong Bank Berhad ("HLBB") to be reliable and in good faith, but no warranties or guarantees, representations are made by HLBB with regard to the accuracy, completeness or suitability of the data. Any opinions expressed reflect the current judgment of the authors of the report and do not necessarily represent the opinion of HLBB or any of the companies within the Hong Leong Bank Group ("HLB Group"). The opinions reflected herein may change without notice and the opinions do not necessarily correspond to the opinions of HLBB. HLBB does not have an obligation to amend, modify or update this report or to otherwise notify a reader or recipient thereof in the event that any matter stated herein, or any opinion, projection, forecast or estimate set forth herein, changes or subsequently becomes inaccurate.

HLB Group, their directors, employees and representatives do not have any responsibility or liability to any person or recipient (whether by reason of negligence, negligent misstatement or otherwise) arising from any statement, opinion or information, expressed or implied, arising out of, contained in or derived from or omission from the reports or matter. HLBB may, to the extent permitted by law, buy, sell or hold significantly long or short positions; act as investment and/or commercial bankers; be represented on the board of the issuers; and/or engage in 'market making' of securities mentioned herein. The past performance of financial instruments is not indicative of future results. Whilst every effort is made to ensure that statements of facts made in this report are accurate, all estimates, projections, forecasts, expressions of opinion and other subjective judgments contained in this report are based on assumptions considered to be reasonable as of the date of the document in which they are contained and must not be construed as a representation that the matters referred to therein will occur. Any projections or forecasts mentioned in this report may not be achieved due to multiple risk factors including without limitation market volatility, sector volatility, corporate actions, the unavailability of complete and accurate information. No assurance can be given that any opinion described herein would yield favorable investment results. Recipients who are not market professional or institutional investor customer of HLBB should seek the advice of their independent financial advisor prior to taking any investment decision based on the recommendations in this report.

HLBB may provide hyperlinks to websites of entities mentioned in this report, however the inclusion of a link does not imply that HLBB endorses, recommends or approves any material on the linked page or accessible from it. Such linked websites are accessed entirely at your own risk. HLBB does not accept responsibility whatsoever for any such material, nor for consequences of its use.

This report is not directed to, or intended for distribution to or use by, any person or entity who is a citizen or resident of or located in any state, country or other jurisdiction where such distribution, publication, availability or use would be contrary to law or regulation. This report is for the use of the addressees only and may not be redistributed, reproduced or passed on to any other person or published, in part or in whole, for any purpose, without the prior, written consent of HLBB. The manner of distributing this report may be restricted by law or regulation in certain countries. Persons into whose possession this report may come are required to inform themselves about and to observe such restrictions. By accepting this report, a recipient hereof agrees to be bound by the foregoing limitations.