

Global Markets Research

Fixed Income

Fixed Income Daily Market Snapshot

US Treasuries

US Treasuries saw the yields plunge with the entire curve below 1.00% at the time of writing; led by worsening collapse in oil-prices and a virus-driven crisis in global markets. The ongoing onslaught of risk-aversion is reminiscent of market panic with reports of more than 100,000 infections and 3,300 deaths due to the Covid-19 virus outbreak; which is seen spreading rapidly around the rest of the world. Overall benchmark yields reached newer lows; closing 7-25bps sharply lower last Friday with the UST 2Y at 0.51% and the much-watched UST 10Y spiking 15bps at 0.76%. Meanwhile the strong jobs data for February that saw NFP of 273k (versus estimates of 175k) and lower unemployment rate of 3.5% was nevertheless overshadowed by both events mentioned above. Expect worries to continue in financial markets for now that may overwhelm upcoming consumer and producer prices this week.

UST		
Tenure	Closing (%)	Chg (bps)
2-yr UST	0.51	-9
5-yr UST	0.61	-7
10-yr UST	0.76	-15
30-yr UST	1.29	-25

MGS		GII*		
Tenure	Closing (%)	Chg (bps)	Closing (%)	Chg (bps)
3-yr	2.60	2	2.55	9
5-yr	2.64	3	2.64	0
7-yr	2.70	-3	2.71	-3
10-yr	2.78	2	2.84	0
15-yr	2.98	-3	3.03	-6
20-yr	3.16	2	3.14	-2
30-yr	3.50	-3	3.53	-1

\* Market indicative levels

MYR IRS Levels		
IRS	Closing (%)	Chg (bps)
1-yr	2.64	-3
3-yr	2.55	-4
5-yr	2.57	-6
7-yr	2.68	-4
10-yr	2.85	-3

Source : Bloomberg

Upcoming Government Bond Tender

Nil

MGS/GII

Local govies closed mixed on some profit-taking activities following the recent strong moves prior and post 25bps rate cut by BNM amid sustained high secondary market volume of RM6.98b. Overall benchmark yields closed mixed between -6 to +9bps with interest mainly seen in off-the-run 20's, the 10y and 15Y benchmark MGS/GII. The benchmark 5Y MGS 6/24 ended 3bps higher at 2.64% whilst the 10Y MGS 8/29 edged 2bps up at 2.78%. GII bonds eased to form about ~23% of overall trades. Expect concerted central banks efforts globally to rein in lower interest rates that will keep investor attention and interest steadfast in local govies for now.

Corp Bonds/Sukuk

Corporate bonds/Sukuk space saw momentum ease amid lower secondary market volume of RM616m with investor interest seen across the GG-AA part of the curve. There were lesser number of bonds traded i.e. 27 compared to prior day as overall yields ended lower again. Govt-guaranteed bonds saw both PASB and PRASA 29's close 6bps lower compared to previous-done levels at 2.95% levels whilst the lng-end DANA 2/49 declined by 21bps at 3.63%. AAA-rated DANGA 9/33 and DANUM 2/34 ended unchanged at 3.23% and 3.25% each. AA-rated energy-related JEP saw a slew of 2030-2032 tranches traded sharply lower on yields between 3.69-82% levels. The banking sector saw Sabah Development 4/23 churn RM50m in nominal amounts; closing 60bp lower at 3.27%. whilst AmBank Islamic 25NC20 too closed similarly lower in yields at 3.05%.

## Daily Trades : Government Bond

Securities		Closing	Vol	Previous	Previous	Chg
		YTM	(RM mil)	YTM	Trade Date (dd/mm/yyyy)	(bp)
MGS	03/20	2.562	762	2.537	05/03/2020	2
MGS	07/20	2.542	113	2.554	05/03/2020	-1
MGS	10/20	2.509	556	2.521	05/03/2020	-1
MGS	07/21	2.545	78	2.522	05/03/2020	2
MGS	09/21	2.546	66	2.529	05/03/2020	2
MGS	11/21	2.542	54	2.537	05/03/2020	0
MGS	03/22	2.563	335	2.547	05/03/2020	2
MGS	08/22	2.568	33	2.576	05/03/2020	-1
MGS	09/22	2.566	253	2.568	05/03/2020	0
MGS	03/23	2.595	189	2.579	05/03/2020	2
MGS	04/23	2.589	95	2.592	05/03/2020	0
MGS	08/23	2.603	34	2.537	05/03/2020	7
MGS	06/24	2.641	125	2.654	05/03/2020	-1
MGS	07/24	2.644	78	2.627	05/03/2020	2
MGS	09/24	2.652	33	2.635	05/03/2020	2
MGS	09/25	2.641	12	2.627	05/03/2020	1
MGS	04/26	2.692	2	2.669	05/03/2020	2
MGS	07/26	2.715	157	2.724	05/03/2020	-1
MGS	05/27	2.704	90	2.734	05/03/2020	-3
MGS	11/27	2.723	42	2.744	05/03/2020	-2
MGS	06/28	2.761	67	2.762	05/03/2020	0
MGS	09/28	2.834	10	2.795	03/03/2020	4
MGS	08/29	2.782	921	2.760	05/03/2020	2
MGS	04/30	2.857	29	2.858	05/03/2020	0
MGS	06/31	2.945	13	2.950	05/03/2020	-1
MGS	04/33	3.052	9	3.056	05/03/2020	0
MGS	07/34	2.975	984	3.007	05/03/2020	-3
MGS	05/35	3.086	30	3.151	05/03/2020	-6
MGS	06/38	3.188	1	3.217	05/03/2020	-3
MGS	07/48	3.500	197	3.529	05/03/2020	-3
GII	03/22	2.554	287	2.468	02/03/2020	9
GII	07/22	2.581	220	2.588	04/03/2020	-1
GII	05/23	2.620	7	2.608	04/03/2020	1
GII	10/24	2.644	22	2.644	05/03/2020	0
GII	08/25	2.657	1	2.701	05/03/2020	-4
GII	03/26	2.708	65	2.735	05/03/2020	-3
GII	07/27	2.772	103	2.796	05/03/2020	-2
GII	10/28	2.814	80	2.797	05/03/2020	2
GII	07/29	2.835	160	2.835	05/03/2020	0
GII	06/33	3.037	150	3.047	04/03/2020	-1
GII	11/34	3.028	270	3.090	05/03/2020	-6
GII	08/37	3.152	110	3.176	04/03/2020	-2
GII	09/39	3.137	50	3.156	04/03/2020	-2
GII	05/47	3.526	42	3.516	04/03/2020	1
GII	11/49	3.529	50	3.538	05/03/2020	-1
			<u>6984</u>			

## Daily Trades : Corp Bonds/ Sukuk

Securities		Rating	Closing	Vol	Previous	Previous	Chg	Spread
			YTM	(RM mil)	YTM	Trade Date (dd/mm/yyyy)	(bp)	Against MGS*
Pengurusan Air SPV Berhad	02/29	GG	2.949	10	3.006	28/02/2020	-6	20
DanaInfra Nasional Berhad	07/29	GG	2.96	15	3.724	16/12/2019	-76	21
Prasarana Malaysia Berhad	09/29	GG	2.949	10	3.008	28/02/2020	-6	17
Perbadanan Tabung Pendidikan Tinggi Nasional	07/41	GG	3.439	30	3.539	02/03/2020	-10	30
DanaInfra Nasional Berhad	02/49	GG	3.63	90	3.839	25/02/2020	-21	49
Mercedes-Benz Services Malaysia Sdn Berhad	05/22	AAA	3.025	10	3.184	13/02/2020	-16	47
Sarawak Energy Berhad	06/26	AAA	2.991	5	3.128	26/02/2020	-14	30
DiGi Telecommunications Sdn Berhad	09/26	AAA	3.116	23	3.096	05/03/2020	2	41
Bank Pembangunan Malaysia Berhad	11/26	AAA	3.108	40	3.157	05/03/2020	-5	40
Bank Pembangunan Malaysia Berhad	03/27	AAA	3.119	5	3.166	05/03/2020	-5	41
DiGi Telecommunications Sdn Berhad	09/29	AAA	3.14	10	3.247	21/02/2020	-11	36
Danga Capital Berhad	01/30	AAA	3.069	10	3.187	28/02/2020	-12	29
Sarawak Energy Berhad	12/32	AAA	3.227	5	3.239	05/03/2020	-1	24
Danga Capital Berhad	09/33	AAA	3.229	40	3.229	05/03/2020	0	24
Danum Capital Berhad	02/34	AAA	3.251	40	3.248	04/03/2020	0	26
Sabah Development Bank Berhad	04/23	AA1	3.273	50	3.874	28/11/2019	-60	68
Imtiaz Sukuk II Berhad	10/22	AA2	3.136	5	3.136	04/03/2020	0	54
Exsim Capital Resources Berhad	01/22	AA3	3.702	10	3.798	03/03/2020	-10	114
IJM Corporation Berhad	10/24	AA3	3.506	30	4.028	12/11/2019	-52	87
AmBank Islamic Berhad	12/25	AA3	3.048	10	3.589	09/12/2019	-54	36
Jimah East Power Sdn Berhad	12/30	AA-	3.69	20	4.268	03/12/2019	-58	91
Jimah East Power Sdn Berhad	12/31	AA-	3.758	20	4.289	04/12/2019	-53	98
Jimah East Power Sdn Berhad	12/32	AA-	3.851	60	4.367	04/12/2019	-52	86
TG Excellence Berhad	02/20	AA-	3.558	5	3.595	05/03/2020	-4	41
Jimah East Power Sdn Berhad	06/32	AA-	3.819	60	4.331	02/01/2020	-51	104
CIMB Group Holdings Berhad	05/16	A1	3.39	1	3.393	05/03/2020	0	25
Bank Muamalat Malaysia Berhad	11/21	A	3.705	2	4.046	03/03/2020	-34	115
				<u>616</u>				

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

### Market/Corporate News: What's Brewing

**The electronic manufacturing sector in Penang is the hardest hit by the coronavirus (Covid-19), as many of the test equipment and chip producers here face a serious shortage of raw materials, an unprecedented situation that has disrupted production.** Frozen value-added seafood exporters are also affected by the virus outbreak with many of their European customers deferring orders. Flexible plastic packaging material exporters' planned shipments to meet the demands of the 2020 Tokyo Olympics may face disruption as the leading international sporting event could be cancelled. Mini-Circuits Technologies (M) Sdn Bhd, a subsidiary of the New York-based Scientific Components, said the group's production of 5G radio frequency (RF) chips has come to a standstill due to the disruption in the supply chain. Datuk Seri Kelvien Kiew: "If the Covid-19 crisis prolongs for another six months, the entire electronic manufacturing sector in Malaysia will be in trouble," he said. Kiew added that due to the shortage, the pricing of active and passive electronic components has increased by 10% to 20%. Datuk Seri Kelvien Kiew: "If the Covid-19 crisis prolongs for another six months, the entire electronic manufacturing sector in Malaysia will be in trouble," he said. Kiew added that due to the shortage, the pricing of active and passive electronic components has increased by 10% to 20%." "We use a lot of raw materials from the United States, but some are imported from China. "Although we may have most of the raw materials, we are still unable to commence the production of 5G chips because the suppliers in China are unable to ship the essential components. "We are supposed to ship out the largest quantity of 5G chips from Penang this first quarter," said its president and chief executive officer Datuk Seri Kelvin Kiew. According to Kiew, the group is still able to carry out the production of 3G and 4G RF chips. "We have sufficient stock of raw materials, which will last for three to four months, for the production of conventional RF chips. "If the Covid-19 crisis prolongs for another six months, the entire electronic manufacturing sector in Malaysia will be in trouble," he said. Kiew added that due to the shortage, the pricing of active and passive electronic components has increased by 10% to 20%. Mini-Circuits' facility in Penang manufactures about 30% of the RF chips for the worldwide market. Pentamaster Corp Bhd chairman C.B. Chuah said this is the worst raw material shortage to hit the local electronic manufacturing sector. "Our engineers are also having difficulties travelling to countries that have been seriously affected by the outbreak to install test equipment for customers," Chuah said. Our engineers are also having difficulties travelling to countries that have been seriously affected by the outbreak to install test equipment for customers," Chuah said. "Our sales of test equipment for the first quarter have declined by 20% to 30%. "Some 50% of our raw materials come from Japan, and the remaining from the United States and China. "Because of the severity of the outbreak in Japan, we have to delay shipment to our customers in Singapore, China, and the United States. "Our engineers are also having difficulties travelling to countries that have been seriously affected by the outbreak to install test equipment for customers," Chuah said. Chuah expects the material shortage situation to ease as the spring and summer months approach. "Against the 2019 financial year, we expect the performance of our group to be flat for this financial year," he said. MMS VENTURES BHD expects its sales of semiconductor test equipment to decline by over 10% in the first quarter ending March 31 due to the Covid-19 outbreak, compared to the same period of 2019. According to its group managing director T.K. Sia, customers in Malaysia and China are now delaying orders because they are not certain as to whether they need to invest in new test equipment as there is now a delay in the production and shipment of electronic components manufactured in China. According to Sia, there should be a pickup in March. "For this reason, we expect a decline of more than 10% in our sales for the first quarter, compared to the corresponding quarter of 2019. "Initially, we aimed to achieve sales of over RM20mil for the first half of 2020, but now we don't think that is achievable. "We have adjusted the target to about RM18mil for the first half," he said. According to Sia, there should be a pickup in March. "Smartphone manufacturers need to come out with new products by mid-2020. "They will need to install soon new testers to check the chips

used in smartphones. "Otherwise the new range of smartphones won't be ready to hit the shelves in the third quarter," he added. According to a Markets and Markets research report, the global automotive test equipment market is projected to grow at a compounded annual growth rate of 3.95% to reach US\$2.9bil by 2025 from an estimated US\$2.2bil in 2018. Globetronics Technology Bhd chief executive officer Datuk Heng Huck Lee says the group is able to source alternative approved vendor list (AVL) electronic components or parts from South-East Asia. "Although the AVL suppliers in China have either shut down or delay resuming operations after Chinese New Year, we are able to maintain stable production activities with these alternative AVL suppliers. "We will continue to maintain 100% delivery performance for every product during this critical period," he said. Meanwhile, fastener-manufacturer Chin Well Holdings Bhd is still shipping its fasteners to Europe on schedule. "Our business is not impacted by the Covid-19 virus. So far we have no problems sending containers to Europe. The raw material supply from steel mills are coming in on time," said Chin Well executive director Tsai Chia-ling. She added that most of their raw materials are not from China, so the impact is minimal for now. "The effect of the disease outbreak, in fact, has benefited us. Many customers have been cut off from the supply of fasteners from China are now turning to us. The result should appear in the final quarter of the 2020 financial year ending in June," she said. Tsai added that Chin Well had sufficient stock of raw material for the next three to four months. UNIMECH GROUP BHD executive director YF Sim says the impact of the outbreak is confined to our operations in Tianjin and Dongguan. "The outbreak has disrupted the production of valves and fittings in China. "However, the contribution of China operations to the group's revenue is only 4%. "Our production facilities in Penang, Perak, and Kedah have sufficient raw materials for production for another three months. "If the situation prolongs for six months, we will feel the impact as the supply of raw and finished materials come from China," Sim added. SLP RESOURCES BHD plans to ship flexible plastic packaging materials to meet the demands of the 2020 Tokyo Olympics may be disrupted because of the Covid-19 outbreak. According to its managing director Kelvin Khaw, the group is producing 500 tonnes of plastic flexible packaging materials for the 2020 Tokyo Olympics market. "We will know by the end of April whether the 2020 Tokyo Olympics is still on," Kelvin Khaw said. We will know by the end of April whether the 2020 Tokyo Olympics is still on," Kelvin Khaw said. "The shipment is worth US\$1mil based on today's market price of resin of US\$850 to US\$1,000 per tonne, depending on the grade. "We plan to ship out in June and the cargo should arrive on schedule in July but with the outbreak of Covid-19 in Japan, the venue may be changed. "We will know by the end of April whether the 2020 Tokyo Olympics is still on," he said. According to Khaw, Japan is an important market that contributed about 40% of the group's revenue in 2019. (Source: *The Star*)

Rating Action			
Issuer	PDS Description	Rating/Outlook	Action
Credit Guarantee Corporation Malaysia Berhad (CGC)	Financial Institution (FI) rating	AAA/Stable	Affirmed

Source: RAM, MARC

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