

Global Markets Research

Fixed Income

Fixed Income Daily Market Snapshot

US Treasuries

- US Treasuries closed modestly stronger following a surprisingly solid 30Y auction results with the curve adopting a flattening stance. Overall benchmark yields declined between 0-3bps compared to prior day's close with the UST 2Y almost unchanged at 1.58% and the much-watched UST 10Y moving 2bps lower at 1.86% The \$16b 30Y auction saw strong bidding metrics on a BTC ratio @ 2.54x (previous 10 auctions: 2.26x); on the heels of softer offerings of 3Y and 10Y notes earlier this week. Earlier upbeat economic data i.e. by payroll processor ADP 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 will now make way for the all-important release of December nonfarm jobs data today.

UST		
Tenure	Closing (%)	Chg (bps)
2-yr UST	1.58	0
5-yr UST	1.65	-1
10-yr UST	1.86	-2
30-yr UST	2.33	-3

MGS		GII*		
Tenure	Closing (%)	Chg (bps)	Closing (%)	Chg (bps)
3-yr	3.01	1	3.12	0
5-yr	3.17	2	3.19	-1
7-yr	3.25	0	3.28	0
10-yr	3.28	4	3.36	-1
15-yr	3.49	1	3.52	0
20-yr	3.60	4	3.64	0
30-yr	3.94	1	4.01	0

* Market indicative levels

MYR IRS Levels		
IRS	Closing (%)	Chg (bps)
1-yr	3.26	0
3-yr	3.26	1
5-yr	3.29	1
7-yr	3.33	1
10-yr	3.40	2

Source : Bloomberg

Upcoming Government Bond Tender

Nil

MGS/GIII

- Interest in local govies continued to be intact as secondary market volume maintained at decent levels of RM4.36b with trades mainly seen in the short off-the-run 20's, 25's, 33's and also benchmark 10Y GII. Overall benchmark yields however yielded to profit-taking activities; closing mostly higher between 0-4bps save for several GII benchmark bonds. The benchmark 5Y MGS 6/24 gave-up 2bps at 3.17% whilst the 10Y MGS 8/29 spiked 4bps at 3.28%. The positive impact of foreign ownership of overall MYR bonds which rose 4.1% to RM204.7b in December 2019 was boosted by confidence in the country's handling of economic and finance matters. Expect some interest to shift to the release of November's industrial production numbers today.

Corp Bonds/Sukuk

- In the Corporate bonds/Sukuk space, secondary market volume grind lower to RM402m with overall investor interest seen along the GG part of the curve; followed by the AAA-segment with yields mostly sharply lower on only 18 various bonds being traded. DANAINFRA bonds continued to dominate the gov-guaranteed space with the 38-41's closing between 9-21bps lower compared to previous-done levels between 3.78-86%. GOVCO 27's similarly rallied to between 3.46-48% levels whilst PLUS 1/38 moved 18bps lower at 3.85%. AAA-rated DANUM 5/23 declined 13bps to 3.42% whilst the 2/26 tranche moved 18bps lower at 3.52%. AA-rated SABAH Credit 8/20 similarly ended sharply lower on yields at 3.41% . The banking space was however relatively quiet.

Daily Trades : Government Bond

Securities		Closing	Vol	Previous	Previous	Chg
		YTM	(RM mil)	YTM	Trade Date (dd/mm/yyyy)	(bp)
MGS	03/20	2.770	206	2.783	08/01/2020	-1
MGS	10/20	2.939	187	2.853	08/01/2020	9
MGS	02/21	2.988	10	2.965	07/01/2020	2
MGS	07/21	2.997	22	3.007	08/01/2020	-1
MGS	09/21	3.011	84	3.023	08/01/2020	-1
MGS	11/21	3.000	80	3.019	08/01/2020	-2
MGS	03/22	3.012	126	3.006	08/01/2020	1
MGS	09/22	3.082	39	3.074	08/01/2020	1
MGS	03/23	3.102	41	3.083	07/01/2020	2
MGS	04/23	3.117	45	3.099	07/01/2020	2
MGS	06/24	3.170	54	3.149	08/01/2020	2
MGS	07/24	3.156	10	3.152	08/01/2020	0
MGS	09/25	3.197	273	3.170	08/01/2020	3
MGS	07/26	3.248	16	3.247	08/01/2020	0
MGS	05/27	3.271	252	3.259	08/01/2020	1
MGS	11/27	3.299	20	3.301	08/01/2020	0
MGS	08/29	3.279	6	3.238	08/01/2020	4
MGS	04/30	3.382	10	3.432	08/01/2020	-5
MGS	04/33	3.538	190	3.525	08/01/2020	1
MGS	11/33	3.536	260	3.536	08/01/2020	0
MGS	07/34	3.487	35	3.481	08/01/2020	1
MGS	05/35	3.598	80	3.573	07/01/2020	2
MGS	06/38	3.619	1	3.597	08/01/2020	2
MGS	05/40	3.603	60	3.562	08/01/2020	4
MGS	09/43	3.915	2	3.925	08/01/2020	-1
MGS	03/46	4.001	15	3.988	08/01/2020	1
MGS	07/48	3.937	20	3.925	08/01/2020	1
GII	04/20	2.904	80	2.932	06/01/2020	-3
GII	04/20	2.961	41	2.917	08/01/2020	4
GII	05/20	2.991	200	2.981	07/01/2020	1
GII	06/20	3.047	16	3.030	18/12/2019	2
GII	08/20	3.002	170	3.068	08/01/2020	-7
GII	03/21	3.016	10	3.064	08/01/2020	-5
GII	11/22	3.101	20	3.101	07/01/2020	0
GII	11/23	3.156	30	3.158	08/01/2020	0
GII	10/24	3.186	80	3.194	08/01/2020	-1
GII	08/25	3.251	95	3.261	08/01/2020	-1
GII	09/26	3.316	80	3.358	08/01/2020	-4
GII	07/27	3.323	1	3.351	08/01/2020	-3
GII	10/28	3.357	170	3.349	08/01/2020	1
GII	12/28	3.370	40	3.377	08/01/2020	-1
GII	07/29	3.355	560	3.362	08/01/2020	-1
GII	09/30	3.441	80	3.446	07/01/2020	-1
GII	11/34	3.524	10	3.520	08/01/2020	0
GII	10/35	3.638	100	3.835	27/12/2019	-20
GII	08/37	3.702	340	3.721	08/01/2020	-2
GII	05/47	4.020	90	4.027	07/01/2020	-1
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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*
GovCo Holdings Berhad	02/27	GG	3.463	10	3.483	08/01/2020	-2	20
GovCo Holdings Berhad	09/27	GG	3.485	45	3.620	02/12/2019	-14	21
Prasarana Malaysia Berhad	12/33	GG	3.650	20	3.719	07/01/2020	-7	16
DanaInfra Nasional Berhad	11/34	GG	3.700	50	-	-	-	21
Projek Lebuhraya Usahasama Berhad	01/38	GG	3.849	80	4.029	10/12/2019	-18	26
DanaInfra Nasional Berhad	02/38	GG	3.778	5	3.870	01/10/2019	-9	19
DanaInfra Nasional Berhad	11/38	GG	3.789	5	3.999	24/10/2019	-21	20
DanaInfra Nasional Berhad	05/41	GG	3.859	75	4.069	27/12/2019	-21	27
DanaInfra Nasional Berhad	11/48	GG	4.069	10	4.099	08/01/2020	-3	48
Aman Sukuk Berhad	03/23	AAA	3.397	40	3.498	24/09/2019	-10	38
Danum Capital Berhad	05/23	AAA	3.416	30	3.550	04/12/2019	-13	40
Danum Capital Berhad	02/26	AAA	3.519	10	3.698	06/12/2019	-18	30
Aman Sukuk Berhad	07/27	AAA	3.632	5	3.535	19/09/2019	10	36
Sabah Credit Corporation	08/20	AA1	3.412	10	3.908	11/07/2019	-50	46
YTL Power International Berhad	05/27	AA1	4.098	3	4.300	03/01/2020	-20	83
Edra Energy Sdn Berhad	01/30	AA3	4.418	3	4.378	15/10/2019	4	114
Malayan Banking Berhad	02/17	AA3	3.957	1	4.003	27/11/2019	-5	37
YNH Property Berhad	08/19	-	6.696	1	6.951	06/01/2020	-26	311
				402				

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

Market/Corporate News: What's Brewing

Foreign portfolio flows returned to a six-year high inflow of RM8.8bil in 2019 which was in stark contrast with an outflow of RM33.6bil in 2018, according to analyst contacted. It said yesterday strong foreign purchases of Malaysian debt securities (2019: +RM19.9bil; 2018: -RM21.9bil) was the sole contributor to overall foreign portfolio inflows last year. The foreign purchases were more than enough to offset foreign outflows from the Malaysian equity market (2019: -RM11bil; 2018: -RM11.7bil). Foreign shareholdings of Malaysian government bonds rebounded close to the pre-general election high of 24.3% as at end-December 2019 (May 2018: 24.9%; end-2018: 22.7%). Conversely, foreign ownership of Malaysian equities slid to its lowest level in more than 2½ years (November 2019: 22.6%; end-2018: 23.4%). An analyst said that in December 2019, foreign investors continued to enter Malaysia's bond markets with RM8.1bil (November: +RM8bil). "Higher demand for Malaysia's government bonds helped to offset foreign outflows from the equity market. The recovery was aided by looser global monetary policies and the US-China trade truce," he said. However, foreign outflows from Malaysian equities persisted albeit net selling narrowing to RM1.1bil in December (November: -RM1.5bil). The bulk of funds which entered government bonds were Malaysian Government Securities (MGS) and Government Investment Issues (GII). There were some flows into private debt securities while Treasury bills recorded net outflows. MGS remained the biggest beneficiary in December, receiving RM5.5bil (November: +RM4.7bil). This was followed by GII with RM2.7bil (November: +RM3bil). Private debt securities including private sukuk attracted RM600mil (November: +RM400mil), while Treasury bills recorded net selling of RM700mil (November: -RM90mil). "Foreign holdings of Malaysian government bonds (MGS & GII) spiked up RM8.2bil to RM185bil in December (November: +RM7.7bil to RM176.8bil). "This was equivalent to 24.3% of total government bond outstanding (November: 23.4%), the highest level since May 2018," it said. For MGS alone, foreign holdings amounted to RM163.9bil (November: RM158.4bil) which was equivalent to 41.6% of total outstanding (November: 40.5%). Foreign holdings of GII amounted to RM21.1bil as at end-December (November: RM18.4bil), which was the highest level since December 2016. It was equivalent to 6.2% of total GII outstanding (November: 5.4%). "Reflecting the record foreign portfolio inflows, higher current account surplus and sustained net foreign direct investments, Bank Negara's foreign reserves ended 2019 at a five-year high of US\$103.6bil (end-2018: US\$101.4bil). (Source: The Star)

The Malaysian Communications and Multimedia Commission (MCMC) will award the spectrum bands for 5G roll-out in Malaysia by the third quarter of this year. Its chairman Al-Ishsal Ishak (pictured) said the spectrum bands will be tendered out to a single consortium of multiple licensees by the second quarter. The process of tender (5G beauty contest) will be done via open tender, he said, adding that the details and criteria will be revealed later. He was speaking at a news briefing on 5G demonstration projects here today. It was previously reported that MCMC had identified the national 5G roll-out will be built upon the 700MHz, 3.5GHz and 26/28GHz bands with initial roll-outs for first two bands, which will be managed by a consortium formed by multiple licensees. (Source: *The Edgemarkets*)

Based on corporate announcements and news flow today:

Telekom Malaysia Bhd (TM) and Digi Telecommunications Sdn Bhd (Digi), a wholly-owned unit of Digi.com Bhd, have agreed to work together in testing the capabilities, possibilities and limitations of 5G network sharing between multiple network service operators under Malaysian Communications and Multimedia Commission's 5G Demonstration Project (5GDP). Both network operators said they are working together to test out the 5G network sharing for the 5GDP rollout on Langkawi island. Under the partnership, Digi operates its 5GDP sites (including on-site 5G radio network and 5G core network) in Langkawi to run its 5G use cases, supported by TM in providing fibre backhaul to these sites.

Tune Protect Group Bhd's unit is disposing of its stake in Laka Ltd, a London-based insurance technology startup offering non-conventional insurance targeted at high-end bicycle owners, for 555,369.36 pounds (about RM3 million). Tune Protect's subsidiary Tune Direct Ltd took up a 9.99% stake in Laka for 499,478 pounds (RM2.64 million) in June last year. Tune Protect said the disposal is in line with its digital transformation strategy, and the group intends to channel the proceeds from the disposal towards strengthening its own homegrown digital and technology capabilities.

Econpile Holdings Bhd has bagged an RM45 million contract to undertake piling and raft foundation works for Phase 2 of Kuchai Sentral mixed development in Taman Kuchai Jaya here. The overall duration of the contract is 19 months and works are expected to commence next month. The group's current orderbook stands at RM850 million, which would sustain its earnings over the next two years.

GuocoLand (Malaysia) Bhd has dropped even deeper into the red for the second financial quarter ended Dec 31, 2019 (2QFY20), due to lower sales of completed units, as well as higher marketing costs. It posted a widened loss of RM14.85 million in 2QFY20 compared with RM12.65 million in the previous corresponding quarter. Revenue was also 18.3% lower at RM90.19 million, from RM110.42 million previously). For the first half of the financial year 2020 (1HFY20), GuocoLand posted a loss of RM24.85 million compared with RM13.87 million in the previous year, while revenue was down 26.4% to RM138.51 million from RM188.18 million. (Source: *The Edgemarkets*)

Rating Action			
Issuer	PDS Description	Rating/Outlook	Action
Kenanga Investment Bank Berhad (Kenanga)	Long-term and short-term financial institution (FI) ratings	A+ and MARC-1	Affirmed

Source: RAM, MARC

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