

## Global Markets Research

### Fixed Income

## Fixed Income Daily Market Snapshot

### US Treasuries

- US Treasuries rallied strongly last Friday as the curve bull-flattened; ignoring the strong January jobs data. This was believed to be led by continuing fears that the coronavirus-led contagion would dampen global growth. Overall benchmark yields ended between 4-6bps lower with the UST 2Y closing at 1.40% whilst the much-watched UST 10Y ended 6bps lower at 1.58%. Following the Fed's warning that the virus poses "new risk" to global growth and financial markets; investors and traders are now watching for signs that yields worldwide may possibly stay lower for longer amid expected easing of global PMIs. Up next are the inflation numbers for January expected out on Thursday, the 13<sup>th</sup>.

UST		
Tenure	Closing (%)	Chg (bps)
2-yr UST	1.40	-4
5-yr UST	1.41	-6
10-yr UST	1.58	-6
30-yr UST	2.05	-6

MGS		GII*		
Tenure	Closing (%)	Chg (bps)	Closing (%)	Chg (bps)
3-yr	2.82	1	2.84	0
5-yr	2.89	-6	2.96	0
7-yr	3.01	-2	3.04	-1
10-yr	3.09	-2	3.17	-1
15-yr	3.25	-3	3.32	-2
20-yr	3.40	-3	3.46	-1
30-yr	3.74	-1	3.76	-2

\* Market indicative levels

MYR IRS Levels		
IRS	Closing (%)	Chg (bps)
1-yr	2.94	-8
3-yr	2.93	-8
5-yr	2.97	-8
7-yr	3.05	-6
10-yr	3.15	-7

Source : Bloomberg

### Upcoming Government Bond Tender

Nil

### Corp Bonds/Sukuk

- Corporate bonds/Sukuk space also maintained strong appetite on Friday with secondary market volume breaching the RM1.0b mark @ RM1.26 mainly due to the debut trades for Sunwai I-bond Perps which contributed more than half the volume. Overall interest was seen across the GG-AAA part of the curve as yields ended mostly lower on 38 various names. Govt-guaranteed DANA 32-39's saw a slew of trades closing 0-5bps lower between 3.40-65% area. The banking space also saw CIMB BANK 26NC21 and CIMB Group Holdings 25NC20 close lower on yields at 3.44% and 3.36% respectively.

## Daily Trades : Government Bond

Securities	Closing	Vol	Previous	Previous	Chg
	YTM	(RM mil)	YTM	Trade Date (dd/mm/yyyy)	(bp)
MGS 03/20	2.856	276	2.810	06/02/2020	5
MGS 07/20	2.807	9	2.793	06/02/2020	1
MGS 10/20	2.811	739	2.800	06/02/2020	1
MGS 02/21	2.774	70	2.784	06/02/2020	-1
MGS 07/21	2.800	189	2.839	06/02/2020	-4
MGS 09/21	2.795	30	2.807	06/02/2020	-1
MGS 11/21	2.756	4	2.793	06/02/2020	-4
MGS 03/22	2.822	332	2.815	06/02/2020	1
MGS 08/22	2.816	8	2.863	05/02/2020	-5
MGS 09/22	2.818	69	2.851	06/02/2020	-3
MGS 03/23	2.806	548	2.844	06/02/2020	-4
MGS 04/23	2.831	156	2.865	06/02/2020	-3
MGS 08/23	2.864	15	2.912	06/02/2020	-5
MGS 06/24	2.885	131	2.949	06/02/2020	-6
MGS 07/24	2.930	10	2.935	06/02/2020	0
MGS 09/24	2.918	32	2.955	06/02/2020	-4
MGS 03/25	2.937	17	2.990	06/02/2020	-5
MGS 07/25	2.930	30	3.203	07/01/2020	-27
MGS 09/25	2.882	90	2.953	06/02/2020	-7
MGS 04/26	3.029	30	3.054	06/02/2020	-2
MGS 07/26	3.010	166	3.031	06/02/2020	-2
MGS 03/27	3.070	1	3.125	03/02/2020	-6
MGS 05/27	3.063	146	3.080	06/02/2020	-2
MGS 11/27	3.082	60	3.117	06/02/2020	-4
MGS 06/28	3.109	112	3.130	06/02/2020	-2
MGS 09/28	3.123	1	3.176	06/02/2020	-5
MGS 08/29	3.091	261	3.115	06/02/2020	-2
MGS 04/30	3.178	75	3.215	06/02/2020	-4
MGS 06/31	3.238	199	3.282	06/02/2020	-4
MGS 04/33	3.280	60	3.350	06/02/2020	-7
MGS 11/33	3.319	250	3.345	05/02/2020	-3
MGS 07/34	3.252	50	3.284	06/02/2020	-3
MGS 06/38	3.478	20	3.478	06/02/2020	0
MGS 05/40	3.400	244	3.433	05/02/2020	-3
MGS 09/43	3.705	7	3.721	06/02/2020	-2
MGS 03/46	3.767	14	3.754	06/02/2020	1
MGS 07/48	3.743	181	3.755	06/02/2020	-1
GII 03/22	2.843	80	2.844	06/02/2020	0
GII 04/22	2.809	40	2.853	06/02/2020	-4
GII 07/22	2.880	100	2.892	05/02/2020	-1
GII 07/22	2.819	160	2.894	06/02/2020	-8
GII 05/23	2.827	90	2.875	06/02/2020	-5
GII 07/23	2.868	210	2.919	04/02/2020	-5
GII 10/23	2.892	10	2.935	06/02/2020	-4
GII 11/23	2.877	220	2.933	06/02/2020	-6
GII 05/24	2.976	70	2.980	06/02/2020	0
GII 08/24	2.960	40	2.991	06/02/2020	-3
GII 08/25	2.985	70	3.023	05/02/2020	-4
GII 03/26	3.042	10	3.049	06/02/2020	-1
GII 09/26	3.096	20	3.096	06/02/2020	0
GII 07/27	3.137	20	3.156	30/01/2020	-2
GII 08/28	3.174	40	3.215	04/02/2020	-4
GII 10/28	3.166	310	3.198	06/02/2020	-3
GII 12/28	3.163	30	3.196	06/02/2020	-3
GII 07/29	3.172	1050	3.188	06/02/2020	-2
GII 06/33	3.324	230	3.353	06/02/2020	-3
GII 08/33	3.348	60	3.361	06/02/2020	-1
GII 11/34	3.323	331	3.347	06/02/2020	-2
GII 10/35	3.412	60	3.430	06/02/2020	-2
GII 08/37	3.476	140	3.501	06/02/2020	-2
GII 09/39	3.459	280	3.465	06/02/2020	-1
GII 11/49	3.762	108	3.780	05/02/2020	-2
		<u>8411</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*
Pengurusan Air SPV Berhad	06/22	GG	2.971	40	3.274	13/09/2019	-30	17
Pengurusan Air SPV Berhad	06/22	GG	2.987	20	3.011	06/02/2020	-2	19
Khazanah Nasional Berhad	09/22	GG	3.000	50	3.022	05/02/2020	-2	18
Pengurusan Air SPV Berhad	02/26	GG	3.129	5	3.227	22/01/2020	-10	13
Turus Pesawat Sdn Berhad	03/28	GG	3.309	30	3.690	13/11/2019	-38	24
Lembaga Pembiayaan Perumahan Sektor Awar	04/28	GG	3.302	10	3.500	07/01/2020	-20	23
Pengurusan Air SPV Berhad	02/29	GG	3.260	5	3.370	22/01/2020	-11	18
Lembaga Pembiayaan Perumahan Sektor Awar	04/29	GG	3.278	45	3.469	14/01/2020	-19	19
Prasarana Malaysia Berhad	09/29	GG	3.276	10	3.298	06/02/2020	-2	20
DanaInfra Nasional Berhad	05/32	GG	3.398	60	3.400	05/02/2020	0	32
DanaInfra Nasional Berhad	03/34	GG	3.418	35	3.440	05/02/2020	-2	16
DanaInfra Nasional Berhad	11/34	GG	3.449	30	3.438	06/02/2020	1	19
DanaInfra Nasional Berhad	05/37	GG	3.549	15	3.550	05/02/2020	0	29
DanaInfra Nasional Berhad	11/39	GG	3.600	20	3.650	05/02/2020	-5	18
Gulf Investment Corporation G.S.C	03/21	AAA	3.658	10	3.754	05/02/2020	-10	87
GENM Capital Berhad	07/23	AAA	3.549	5	3.799	06/02/2020	-25	73
GENM Capital Berhad	07/23	AAA	3.799	1	3.883	03/02/2020	-8	98
Pengurusan Air SPV Berhad	06/29	AAA	3.380	20	3.600	05/02/2020	-22	30
Sarawak Energy Berhad	07/29	AAA	3.408	10	3.590	22/01/2020	-18	32
Kuala Lumpur Kepong Berhad	04/26	AA1	3.398	10	3.638	17/01/2020	-24	40
CIMB Bank Berhad	08/26	AA+	3.441	30	3.778	21/10/2019	-34	40
CIMB Group Holdings Berhad	12/25	AA	3.361	20	4.017	06/02/2020	-66	36
CIMB Group Holdings Berhad	12/25	AA	4.017	1	3.847	23/01/2020	17	102
Mumtaz Rakyat Sukuk Berhad	06/26	AA3	3.575	2	3.740	11/12/2019	-17	57
AmBank (M) Berhad	02/28	AA3	4.253	1	3.650	16/01/2020	60	119
Affin Bank Berhad	09/27	A1	4.299	1	3.814	13/01/2020	49	123
CIMB Group Holdings Berhad	05/16	A1	3.722	5	4.279	06/02/2020	-56	30
CIMB Group Holdings Berhad	05/16	A1	4.210	1	4.460	06/02/2020	-25	79
CIMB Group Holdings Berhad	05/16	A1	4.279	1	4.276	04/02/2020	0	86
CIMB Group Holdings Berhad	05/16	A1	4.297	1	3.721	05/02/2020	58	88
DRB-Hicom Berhad	12/26	A+	4.308	10	4.349	06/02/2020	-4	127
DRB-Hicom Berhad	12/29	A+	4.903	1	4.903	05/02/2020	0	182
IJM Land Berhad	03/19	A2	4.902	1	4.783	06/02/2020	12	148
Eco World International Berhad	10/21	-	4.994	3	4.936	04/02/2020	6	220
Sunway I-bond perpetual	03/18	-	5.111	300	-	-	511	169
Sunway I-bond perpetual	03/18	-	5.109	300	-	-	511	169
Sunway I-bond perpetual	03/18	-	5.110	150	-	-	511	169
YNH Properties Berhad	08/19	-	6.344	1	6.333	29/01/2020	1	293
				<u>1258</u>				

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

## Market/Corporate News: What's Brewing

**ECONOMIC stimulus is the buzzword now as the impact from the coronavirus epidemic shows no sign of abating but threatens to damage intricate supply chains and possibly cause an economic crisis.** This comes fresh on the heels of a slew of stimulus measures to fight business uncertainty, the contraction in global trade and hit to investment caused by the trade war. There is no time or space for fatigue but China and the global economy must soldier on, as China, which accounts for a third of the global economy, has become more deeply entrenched in the global economy than it was during the severe acute respiratory syndrome (SARS) 17 years ago. No doubt there are hopes the worst case scenario will be avoided, and the situation may improve in April to June, but complacency should not set in. Last Wednesday was the first day that the overall number of new cases in China dropped, but after two days, the number of cases rose again. More economic stimulus measures should be lined up to fight the coronavirus, but is there a limit to what these can do? European Central Bank president Christine Lagarde is already warning of few policy options for more monetary stimulus, following a decade of crisis fighting. The Bank of Thailand cut rates last Wednesday to a new low of 1% from 1.25%; the Philippine central bank cut its policy rate last Thursday by 0.25 percentage point to 3.75%. The impact from the virus outbreak will be quoted as a reason for pre-emptive cuts some time ahead, said an analyst. "These stimulus measures have apparently not reached the limits of what they can do. They will test them until these measures lose their effectiveness." After the interest rate cut, further measures will broaden into fiscal and monetary easing, said another analyst. "The final outcome will depend on the severity of the epidemic against the speed at which the measures will be introduced, and the size of the stimulus." Thailand's Board

of Investment increased corporate tax exemptions for small business and large-scale projects; also granted were tax cuts, easier loan repayment terms and extension of deadline for the filing of personal income tax. Malaysia is also considering a stimulus package which should be targeted at the hardest hit sectors such as services and tourism-related supporting industries, according to Socio Economic Research Center executive director Lee Heng Guie. These potentially include, among others, tax relief, relief measures to reduce debts, working funds, cuts in the contribution rates to the Employees Provident Fund and also in levies for foreign workers. Following an injection of US\$174bil into financial markets, China added a further US\$21.4bil of funds last Monday to cushion the shock as markets reopened. After an interest rate cut in the last quarter, the People's Bank of China (PBoC) lowered rates charged on banks for short-term liquidity. More cuts are expected on other lending facilities; rates for new loans and medium-term funding will likely be lowered. The PBoC had also cut the amount of cash that banks must hold as reserves, freeing US\$115bil in funds to shore up the economy that faces a further slowdown following the earlier impact from the trade war. Tax breaks are granted to companies involved in containment efforts, while those in affected sectors like transport, restaurants and hotels can carry forward their losses for eight years instead of five. Among the dire predictions of slowing growth in China, Evercore ISI chairman Ed Hyman sees no economic growth for the first quarter. China is really slowing and that's worrying people, Hyman was quoted as saying by CNBC. Apple, Starbucks, McDonald's, KFC, Pizza Hut, Ikea, Gap, H&M, Adidas and Uniqlo have temporarily closed stores at select locations. Luxury brands which derive a third of global spending from China, are badly hit; Burberry and Capri Holdings (the parent company of Michael Kors, Versace and Jimmy Choo) have closed stores. Car assembly lines in Asia, Europe and the United States could be affected as shortage of components from China together with sagging output, place further pressure on an industry employing eight million people worldwide. The worry is "not the virus, it's the trade that matters", said Hyman, as "people are not going out... not shopping". While the US job market and consumer spending remain strong, the US Federal Reserve sees the effects of the epidemic as a current risk. Downside risks from trade conflicts may have receded; this virus risk, together with "elevated" asset values and high levels of low grade corporate debt, pose a danger to the United States and global economies. (Source: *The Star*)

**Koperasi Co-opbank Pertama Malaysia Bhd (CBP) will open three new branches this year, to widen its prospective customer base and bring banking services closer to customers.** Chairman Kamari Zaman Juhari said the branches — in Manjong, Perak; Setapak, Kuala Lumpur; and Tawau, Sabah — were expected to start operations by October, offering various financing and savings products to members, co-operatives and the local communities. "Currently CBP has 26 branches throughout Malaysia, with Penang having the most branches (four). "We now have at least one branch in each state and aim to raise the figure to two branches per state in the near future," he told Bernama, after the launch of CBP's 26th branch in Dungun here today. Kamari Zaman said CBP targeted to open 10 more new branches by 2025. "We will identify the suitable locations to set up branches, based on the community's population and economic activities," he added. Incorporated in June 1950, the country's pioneer co-operative bank has more than 90,000 members at present and a share capital of nearly RM1 billion. Last year, CBP declared a dividend (after zakat) of seven per cent for its members for the financial year ended Dec 31, 2018, compared with six per cent in the preceding year. It was the highest dividend payout in five years, in line with the bank achieving a record profit before tax and zakat of RM52.7 million in 2018. Recently, CBP chief executive officer and president Mohd Nor Abd Razak said the co-op bank was expected to distribute a better dividend for the 2019 financial year, but did not reveal the rate. (Source: *The Edgemarkets*)

Rating Action			
Issuer	PDS Description	Rating/Outlook	Action
Malaysian Reinsurance Berhad	Insurer FinancialStrength (IFS) rating	AA2/Stable/P1	Reaffirmed
MNRB Holdings Berhad	MNRB Holdings Berhad's RM320 million Sukuk Murabahah Programme	AA3/Stable and A1/Stable	Reaffirmed

Source: RAM, MARC

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