

Global Markets Research

Fixed Income

Fixed Income Daily Market Snapshot

US Treasuries

•US Treasuries gapped sharply lower on Tuesday following recent strong run-up triggered initially by President Trump's pledge to provide substantial stimulus/relief amid the current economic weakness arising from COVID-19 virus outbreak. Overall benchmark yields spiked between 15-28bps with the UST 2Y at 0.54% and the much-watched UST 10Y rising 26bps at 0.81%. Meanwhile the 3Y auction totaling \$38b turned in a tepid bidding metrics; drawing a yield of 0.563% on a mere BTC ratio of 2.20x (previous auction: 2.56x; 10 previous auctions: 2.49x). This also contributed to overall UST weakness. Meanwhile investors may look to the upcoming Treasury's auction of \$24b of 10Y notes tonight followed by \$16b of 30Y bonds on Thursday whereas February's inflation data tonight may be outweighed by further updates on the virus outbreak.

UST		
Tenure	Closing (%)	Chg (bps)
2-yr UST	0.54	15
5-yr UST	0.67	19
10-yr UST	0.81	26
30-yr UST	1.28	28

MGS		GII*		
Tenure	Closing (%)	Chg (bps)	Closing (%)	Chg (bps)
3-yr	2.64	3	2.61	0
5-yr	2.69	2	2.70	5
7-yr	2.80	4	2.78	1
10-yr	2.88	1	2.90	6
15-yr	3.09	2	3.09	2
20-yr	3.16	0	3.21	4
30-yr	3.54	4	3.53	0

* Market indicative levels

MYR IRS Levels		
IRS	Closing (%)	Chg (bps)
1-yr	2.63	0
3-yr	2.56	2
5-yr	2.56	3
7-yr	2.64	0
10-yr	2.84	0

Source : Bloomberg

Upcoming Government Bond Tender

Reopening of RM2.8b+ RM1.5b (Private placement of 20Y GII 9/39 on Thursday, 12th March 2020

MGS/GII

• Local govvnies similarly closed weak as investors turned cautious on concerns over additional supply concerns arising from headwinds caused by the collapse of oil prices that may impact the economy. Secondary market volume maintained at decent RM5.5b levels as overall benchmark yields rose between 0-6bps with interest mainly seen in off-the-run 20-21's and 10y benchmark MGS/GII. The benchmark 5Y MGS 6/24 moved 2bps higher at 2.69% whilst the 10Y MGS 8/29 edged 1bps up at 2.88%. GII bonds dropped to form about ~20% of overall trades. Expect investors to remain cautious ahead of the 20Y GII auction tomorrow whilst pondering if nation's fiscal position requires adjustment.

Corp Bonds/Sukuk

• Corporate bonds/Sukuk space saw improved investor appetite amid a sustained secondary market volume of RM873m with interest seen across the GG-AA part of the curve; on lesser number of various bonds traded (i.e. 39) compared to prior day. Overall yields ended mostly lower yesterday. Govt-guaranteed bonds saw DANA bonds dominate again with the 5/23 and 10/23 notching RM100m in nominal amounts; closing between 5-49bps lower compared to previous-done levels at 2.74% area. Nevertheless the 2029 tranches saw a spike in yields between 6-9bps at 3.00-3.055 levels. AA-rated energy-related bond BGSM 23-24's closed 13-15bps lower at 3.31% and 3.37% each whereas EDRA 33-34's similarly closed lower on yields between 3.93-98%.

Daily Trades : Government Bond

Securities		Closing	Vol	Previous	Previous	Chg
		YTM	(RM mil)	YTM	Trade Date (dd/mm/yyyy)	(bp)
MGS	03/20	2.565	738	2.536	09/03/2020	3
MGS	07/20	2.521	30	2.532	09/03/2020	-1
MGS	10/20	2.544	446	2.533	09/03/2020	1
MGS	02/21	2.562	5	2.535	09/03/2020	3
MGS	07/21	2.588	225	2.561	09/03/2020	3
MGS	09/21	2.573	91	2.571	09/03/2020	0
MGS	11/21	2.578	482	2.547	09/03/2020	3
MGS	03/22	2.629	60	2.529	09/03/2020	10
MGS	08/22	2.635	5	2.568	06/03/2020	7
MGS	09/22	2.584	40	2.574	09/03/2020	1
MGS	03/23	2.641	271	2.613	09/03/2020	3
MGS	04/23	2.672	4	2.617	09/03/2020	6
MGS	08/23	2.688	221	2.640	09/03/2020	5
MGS	06/24	2.689	47	2.665	09/03/2020	2
MGS	07/24	2.723	9	2.661	09/03/2020	6
MGS	09/24	2.719	43	2.652	06/03/2020	7
MGS	03/25	2.720	3	2.676	09/03/2020	4
MGS	09/25	2.725	8	2.716	09/03/2020	1
MGS	04/26	2.784	1	2.708	09/03/2020	8
MGS	07/26	2.819	104	2.706	09/03/2020	11
MGS	11/26	2.799	9	2.721	09/03/2020	8
MGS	05/27	2.801	110	2.764	09/03/2020	4
MGS	11/27	2.841	35	2.772	09/03/2020	7
MGS	06/28	2.762	26	2.725	09/03/2020	4
MGS	08/29	2.879	834	2.868	09/03/2020	1
MGS	04/30	2.962	90	2.947	09/03/2020	2
MGS	06/31	3.023	33	3.025	09/03/2020	0
MGS	04/33	3.096	4	3.060	09/03/2020	4
MGS	11/33	3.092	60	3.105	09/03/2020	-1
MGS	07/34	3.091	321	3.068	09/03/2020	2
MGS	05/35	3.162	20	3.078	09/03/2020	8
MGS	04/37	3.188	12	3.178	09/03/2020	1
MGS	06/38	3.259	5	3.222	09/03/2020	4
GII	04/20	2.598	93	2.508	04/03/2020	9
GII	08/21	2.584	3	2.556	05/03/2020	3
GII	07/23	2.685	70	2.631	05/03/2020	5
GII	11/23	2.695	210	2.634	05/03/2020	6
GII	10/24	2.697	39	2.644	06/03/2020	5
GII	08/25	2.751	110	2.657	06/03/2020	9
GII	10/25	2.766	40	2.674	05/03/2020	9
GII	03/26	2.783	6	2.769	09/03/2020	1
GII	09/26	2.825	100	2.785	09/03/2020	4
GII	07/27	2.850	16	2.793	09/03/2020	6
GII	10/28	2.875	42	2.833	09/03/2020	4
GII	07/29	2.898	223	2.838	09/03/2020	6
GII	09/30	2.983	20	2.880	04/03/2020	10
GII	11/34	3.090	100	3.074	09/03/2020	2
GII	08/37	3.161	60	3.151	09/03/2020	1
GII	09/39	3.211	5	3.168	09/03/2020	4
			<u>5530</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*
GovCo Holdings Berhad	02/22	GG	2.756	50	3.270	12/12/2019	-51	16
DanaInfra Nasional Berhad	05/23	GG	2.736	60	3.229	02/01/2020	-49	10
Pengurusan Air SPV Berhad	06/23	GG	2.801	50	3.299	12/09/2019	-50	16
DanaInfra Nasional Berhad	10/23	GG	2.752	40	2.803	26/02/2020	-5	8
Perbadanan Tabung Pendidikan Tinggi Nasional	03/24	GG	2.835	40	3.320	11/09/2019	-49	17
DanaInfra Nasional Berhad	07/24	GG	2.787	20	2.931	26/02/2020	-14	12
Perbadanan Tabung Pendidikan Tinggi Nasional	03/29	GG	3.051	40	3.030	09/03/2020	2	20
DanaInfra Nasional Berhad	07/29	GG	3.051	30	2.960	06/03/2020	9	20
DanaInfra Nasional Berhad	11/29	GG	2.990	25	2.934	04/03/2020	6	11
DanaInfra Nasional Berhad	11/49	GG	3.705	10	3.690	09/03/2020	2	52
Aman Sukuk Berhad	02/21	AAA	2.845	5	3.331	13/09/2019	-49	28
Aman Sukuk Berhad	05/21	AAA	2.862	35	3.978	18/04/2019	-112	30
Rantau Abang Capital Berhad	10/22	AAA	2.854	10	4.099	08/02/2019	-125	21
Genting RMTN Berhad	11/29	AAA	4.016	1	3.599	04/03/2020	42	114
Danum Capital Berhad	02/35	AAA	3.299	10	3.289	04/03/2020	1	22
Sabah Credit Corporation	05/20	AA1	3.056	1	3.259	13/02/2020	-20	49
Encorp Systembilt Sdn Berhad	11/21	AA1	3.055	1	3.205	18/02/2020	-15	46
Sabah Development Bank Berhad	04/24	AA1	3.377	20	3.996	29/01/2020	-62	71
Sabah Development Bank Berhad	02/26	AA1	3.620	20	3.620	05/03/2020	0	86
SEP Resources (M) Sdn Berhad	12/26	AA1	3.389	20	-	-	339	60
CIMB Bank Berhad	12/25	AA+	3.070	10	3.897	27/11/2019	-83	31
Tanjung Bin Power Sdn Berhad	08/20	AA2	2.915	1	3.015	24/02/2020	-10	35
First Resources Limited	10/21	AA2	3.306	10	3.313	05/03/2020	-1	71
Benih Restu Berhad	06/25	AA2	3.408	60	3.739	22/01/2020	-33	71
Krung Thai Bank Public Company Limited	07/25	AA2	4.110	1	4.939	13/02/2020	-83	142
Country Garden Real Estate Sdn Berhad	03/21	AA3	4.306	50	4.318	09/03/2020	-1	174
Exsim Capital Resources Berhad	01/22	AA3	3.686	10	3.693	09/03/2020	-1	109
Country Garden Real Estate Sdn Berhad	03/22	AA3	4.423	5	4.422	27/02/2020	0	183
Cahaya Mata Sarawak Berhad	05/22	AA3	3.316	10	3.746	21/11/2019	-43	72
BGSM Management Sdn Berhad	09/23	AA3	3.306	10	3.455	26/02/2020	-15	64
BGSM Management Sdn Berhad	06/24	AA3	3.367	10	3.498	12/02/2020	-13	70
IJM Corporation Berhad	10/24	AA3	3.555	15	3.506	06/03/2020	5	86
Bumitama Agri Ltd	07/26	AA3	3.479	35	3.539	20/02/2020	-6	72
Edra Energy Sdn Berhad	01/33	AA3	3.929	20	3.998	20/02/2020	-7	85
Edra Energy Sdn Berhad	07/33	AA3	3.949	20	4.029	20/02/2020	-8	87
Edra Energy Sdn Berhad	01/34	AA3	3.980	10	4.548	10/12/2019	-57	91
Tan Chong Motor Holdings Berhad	11/21	A1	3.875	8	3.895	21/02/2020	-2	128
AEON Credit Service (M) Berhad	03/30	A1	3.950	100	-	-	395	107
Affin Bank Berhad	07/18	A3	4.169	1	4.582	09/03/2020	-41	98
				<u>873</u>				

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

Market/Corporate News: What's Brewing

IJM Corp Bhd has won a RM530 million contract for the construction of The Exchange TRX's residential component in Tun Razak Exchange (TRX). IJM Corp said the contract was awarded to its wholly-owned subsidiary IJM Construction Sdn Bhd, by LQ Residential 1 Sdn Bhd, a joint venture between international property and infrastructure group Lendlease and TRX master developer TRX City Sdn Bhd. IJM Construction will undertake the superstructure works of two blocks of serviced apartments known as "TRX Residences. The two towers of 53 and 57 storeys each, will have a total of 443 units and 453 units respectively. TRX Residences also includes residential facilities, seven levels of podium and elevated car park, a mezzanine floor, one level of commercial space at ground floor and two levels of basement car park, IJM Corp said in a statement. "TRX Residences is a great fourth addition to IJM's portfolio of iconic projects in TRX and an acknowledgement of our extensive expertise in high-rise building construction projects," IJM Corp group chief executive officer and managing director Liew Hau Seng said in a statement. IJM is currently undertaking the construction of HSBC Malaysia's and Affin Bank's new headquarters, scheduled for completion by end-2020. Menara Prudential, which IJM developed and owns, was completed in May 2019 and is 81% tenanted. Including the TRX Residences project, IJM Corp's outstanding construction order book stands at around RM5 billion. (Source: The Star)

Sime Darby Plantation Bhd is said to be mulling a multi-billion ringgit corporate exercise involving its plantation estate in Indonesia known as Minamas Plantation.

In a report by Wall Street Journal, the world's biggest palm oil grower by acreage is looking at options to spin off its Indonesian palm oil plantation company that could value the business at up to RM10bil. Responding to the news, Sime Darby Plantation said: "As a public listed entity, Sime Darby Plantation undertakes many corporate exercises that are exploratory in nature and may involve various parts of our business across the world. "“These exploratory exercises may sometimes require Sime Darby Plantation to issue a request for proposals for various consultancy and financial advice,” it added. It explained that the company would provide the necessary disclosures in due course in the event there are developments regarding any of the corporate exercises. According to the report, Sime Darby Plantation is looking to either having an initial public offering or a strategic sale of PT Minamas Gemilang. Sime Darby Plantation, which has a market capitalisation of RM30.6bil, has considered spinning off its Indonesian operation earlier. Minamas was earmarked for a listing on the Jakarta Stock Exchange by 2011 when Sime Darby Plantation was helmed by its then-president and group CEO Datuk Seri Ahmad Zubir Murshid. The listing on the Indonesian bourse previously was envisaged to fulfil Sime Darby Plantation's Indonesian operation needs for strategic local partners to inject assets into Minamas, as well as achieve its target of having one million hectares in plantation land. Minamas has a strong presence in eight provinces in Indonesia with a total land bank of almost 280,000ha, of which more than 201,000 ha are planted. With 66 oil palm estates, one rubber estate and 23 mills located in Sumatera, Kalimantan and Sulawesi, Minamas' upstream operations produced 2.7 million tonnes of fresh fruit bunches in 2019. Its Indonesian operation made impairment of assets worth RM19mil last year. It was said that the monetisation of Minamas came about when the crude palm oil (CPO) prices spiked more than 40% since last September to as high as RM3,134 per tonne on Jan 10. But, CPO prices have since then softened due to the lower demand caused by the coronavirus outbreak. Sime Darby Plantation other estates and also the largest was in Malaysia with a total landbank of 348,126 ha, of which oil palm planted area made about 299,984 ha. Aside from Indonesia and Malaysia, the group also manages PNG-based New Britain Palm Oil Ltd (NBPOL), which it acquired in 2015. Earlier this month, Sime Darby Plantation said that it plans to dispose of its non-core assets this year including its 50:50 joint venture with Thailand-based PTT Global Chemical called Emery Oleochemicals (M) Sdn Bhd. Managing director Mohamad Helmy Othman Basha was quoted as saying that 2019 was not a good year for the company due to legacy and the price of CPO, as such it will undertake disposal of non-core assets. The non-core asset and land disposal are targeted to raise about RM1bil for the company. In FY19, the group registered a lower net profit of RM122mil compared with RM729mil in FY18 due to lower FBB production and average CPO prices. Revenue for the period was 9% lower to RM12bil from RM13bil previously.

Rating Action			
Issuer	PDS Description	Rating/Outlook	Action
Malakoff Power Berhad	RM5.4 billion Sukuk Murabahah	AA-IS/Stable	Affirmed

Source: RAM, MARC

Hong Leong Bank Berhad

Fixed Income & 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.