

Global Markets Research

Fixed Income

Fixed Income Daily Market Snapshot

US Treasuries

US Treasuries saw its safe-haven bid give way on Wednesday in a volatile session despite WHO declaring the COVID-19 virus outbreak as a global pandemic. Overall benchmark yields ended mostly between 4-11bps higher as the curve bear-steepened; extending out from the belly with the UST 2Y however bucking the trend at 0.52% and the much-watched UST 10Y rising 7bps at 0.87%. Meanwhile the \$24b worth of 10Y auction notched tepid BTC ratio of 2.36x (previous 10 auctions:2.41x) whilst drawing a high yield of 0.849%. The Fed took further steps to alleviate strains in the overnight Repo operations following last week's 50bps emergency rate cut. News on the COVID-19 virus front is expected to dominate and overshadow upcoming reports on producer prices and weekly jobless claims.

UST		
Tenure	Closing (%)	Chg (bps)
2-yr UST	0.52	-1
5-yr UST	0.70	4
10-yr UST	0.87	7
30-yr UST	1.39	11

MGS		GII*		
Tenure	Closing (%)	Chg (bps)	Closing (%)	Chg (bps)
3-yr	2.65	1	2.67	5
5-yr	2.69	0	2.73	4
7-yr	2.80	0	2.80	1
10-yr	2.90	2	2.92	2
15-yr	3.13	3	3.11	2
20-yr	3.29	13	3.21	0
30-yr	3.52	-2	3.53	0

* Market indicative levels

MYR IRS Levels		
IRS	Closing (%)	Chg (bps)
1-yr	2.61	-2
3-yr	2.50	-6
5-yr	2.54	-2
7-yr	2.61	-3
10-yr	2.81	-3

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 continued to drift weaker on additional supply concerns that could arise from a potential revision in fiscal deficit due to headwinds caused by the earlier plunge of oil prices that will impact the economy. Nevertheless secondary market volume maintained at decent RM4.8b levels as overall benchmark yields were mostly higher i.e. between 0-5bps save for the odd-lot trades on the 20Y and 30Y MGS with interest mainly seen in both the off-the-run 20-21's, longer-end 37's, 10y benchmark MGS and also the 15Y GII. The benchmark 5Y MGS 6/24 was unchanged at 2.69% whilst the 10Y MGS 8/29 edged 2bps higher at 2.90%. GII bonds rose to form about ~ 36% of overall trades. Meanwhile FTSE Russell will announce its Fixed Income country classification March 2020 Interim Update on the 2nd of April. Expect investors to remain cautious ahead of today's 20Y GII auction.

Corp Bonds/Sukuk

Corporate bonds/Sukuk space saw sustained investor appetite amid high secondary market volume of RM910m with interest seen across the GG-AA part of the curve. Overall yields ended mostly lower again yesterday. A slew of Govt-guaranteed bonds 2023 tranches dominated trade with PRASA and LPPSA bonds notching RM230m in nominal amounts; closing between 9-45bps lower compared to previous-done levels between 2.77-80% area. AAA-rated TELEKOM 3/24 declined 36bps at 3.01% whereas energy-related bond YTL Power 22-23's declined 0-5bps at 3.20-24% levels. IJM 22-23's saw tremendous interest' closing 11-18bps lower between 3.31-3.38% .

Daily Trades : Government Bond

Securities		Closing	Vol	Previous	Previous	Chg
		YTM	(RM mil)	YTM	Trade Date (dd/mm/yyyy)	(bp)
MGS	03/20	2.489	262	2.565	10/03/2020	-8
MGS	07/20	2.535	13	2.532	09/03/2020	0
MGS	10/20	2.543	594	2.544	10/03/2020	0
MGS	02/21	2.505	293	2.562	10/03/2020	-6
MGS	07/21	2.554	14	2.588	10/03/2020	-3
MGS	09/21	2.583	96	2.573	10/03/2020	1
MGS	11/21	2.578	103	2.578	10/03/2020	0
MGS	03/22	2.603	325	2.629	10/03/2020	-3
MGS	09/22	2.611	41	2.584	10/03/2020	3
MGS	03/23	2.651	186	2.641	10/03/2020	1
MGS	04/23	2.675	7	2.672	10/03/2020	0
MGS	08/23	2.667	9	2.688	10/03/2020	-2
MGS	06/24	2.687	33	2.689	10/03/2020	0
MGS	07/24	2.725	175	2.723	10/03/2020	0
MGS	09/24	2.707	2	2.719	10/03/2020	-1
MGS	03/25	2.750	1	2.720	10/03/2020	3
MGS	09/25	2.738	196	2.725	10/03/2020	1
MGS	07/26	2.805	169	2.819	10/03/2020	-1
MGS	11/26	2.812	3	2.799	10/03/2020	1
MGS	11/27	2.872	91	2.841	10/03/2020	3
MGS	06/28	2.861	29	2.841	10/03/2020	2
MGS	08/29	2.897	221	2.879	10/03/2020	2
MGS	06/31	3.042	5	3.023	10/03/2020	2
MGS	11/33	3.125	25	3.092	10/03/2020	3
MGS	07/34	3.126	44	3.091	10/03/2020	3
MGS	05/35	3.197	42	3.162	10/03/2020	4
MGS	06/38	3.266	12	3.259	10/03/2020	1
MGS	05/40	3.287	10	3.157	09/03/2020	13
MGS	03/46	3.588	61	3.583	10/03/2020	0
GII	05/20	2.542	80	2.645	09/03/2020	-10
GII	08/20	2.485	80	2.540	05/03/2020	-6
GII	03/22	2.600	3	2.607	09/03/2020	-1
GII	04/22	2.668	10	2.586	05/03/2020	8
GII	05/23	2.671	40	2.620	06/03/2020	5
GII	07/23	2.694	144	2.685	10/03/2020	1
GII	10/23	2.707	70	2.641	05/03/2020	7
GII	11/23	2.697	73	2.695	10/03/2020	0
GII	10/24	2.733	168	2.697	10/03/2020	4
GII	08/25	2.760	132	2.751	10/03/2020	1
GII	10/25	2.766	20	2.766	10/03/2020	0
GII	03/26	2.795	127	2.783	10/03/2020	1
GII	09/26	2.840	10	2.825	10/03/2020	1
GII	07/27	2.838	110	2.850	10/03/2020	-1
GII	10/28	2.881	22	2.875	10/03/2020	1
GII	07/29	2.916	82	2.898	10/03/2020	2
GII	06/33	3.108	16	3.045	09/03/2020	6
GII	08/33	3.105	20	3.093	09/03/2020	1
GII	11/34	3.114	213	3.090	10/03/2020	2
GII	08/37	3.175	300	3.161	10/03/2020	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*
Prasarana Malaysia Berhad	02/23	GG	2.786	90	2.881	13/02/2020	-9	16
Prasarana Malaysia Berhad	08/23	GG	2.773	80	3.222	10/01/2020	-45	15
Lembaga Pembiayaan Perumahan Sektor Awarr	09/23	GG	2.801	50	2.901	26/02/2020	-10	13
Prasarana Malaysia Berhad	12/23	GG	2.776	10	3.069	04/02/2020	-29	10
Lembaga Pembiayaan Perumahan Sektor Awarr	04/25	GG	2.850	50	2.970	26/02/2020	-12	14
Pengurusan Air SPV Berhad	02/26	GG	2.910	65	2.897	03/03/2020	1	14
Pengurusan Air SPV Berhad	06/26	GG	2.940	10	3.580	16/10/2019	-64	17
Perbadanan Tabung Pendidikan Tinggi Nasional	02/34	GG	3.191	80	3.189	09/03/2020	0	9
DanaInfra Nasional Berhad	09/34	GG	3.200	25	3.159	03/03/2020	4	10
DanaInfra Nasional Berhad	11/34	GG	3.200	20	3.201	28/02/2020	0	10
Perbadanan Tabung Pendidikan Tinggi Nasional	03/39	GG	3.340	50	3.449	02/03/2020	-11	15
Putrajaya Holdings Sdn Berhad	09/23	AAA	2.943	10	3.550	19/11/2019	-61	27
Telekom Malaysia Berhad	03/24	AAA	3.011	20	3.366	10/02/2020	-36	34
Toyota Capital Malaysia Sdn Berhad	07/24	AAA	3.213	20	3.713	03/12/2019	-50	54
Putrajaya Holdings Sdn Berhad	05/26	AAA	3.081	5	3.488	23/01/2020	-41	31
Projek Lebuhraya Usahasama Berhad	01/27	AAA	3.178	5	3.229	03/03/2020	-5	37
Projek Lebuhraya Usahasama Berhad	01/28	AAA	3.199	2	3.258	03/03/2020	-6	35
GENM Capital Berhad	07/28	AAA	3.810	2	4.266	21/01/2020	-46	96
Sarawak Energy Berhad	11/28	AAA	3.112	5	3.158	28/02/2020	-5	24
Sabah Development Bank Berhad	04/22	AA1	3.222	10	3.237	05/03/2020	-2	63
YTL Power International Berhad	06/22	AA1	3.207	10	3.255	09/03/2020	-5	61
YTL Power International Berhad	03/23	AA1	3.237	5	3.238	09/03/2020	0	61
Sabah Development Bank Berhad	01/24	AA1	3.332	10			333	66
YTL Corporation Berhad	11/26	AA1	3.328	10	3.489	19/02/2020	-16	52
First Resources Limited	06/20	AA2	2.945	20	3.168	27/02/2020	-22	40
UMW Holdings Berhad	10/23	AA2	3.197	45	3.666	24/12/2019	-47	52
IJM Corporation Berhad	06/22	AA3	3.307	20	3.485	26/02/2020	-18	71
IJM Corporation Berhad	06/23	AA3	3.378	70	3.488	20/02/2020	-11	75
Edra Energy Sdn Berhad	07/24	AA3	3.567	30	5.459	15/02/2019	-189	89
Bumitama Agri Ltd	07/26	AA3	3.448	10	3.479	10/03/2020	-3	68
Penang Port Sdn Berhad	12/31	AA-	3.789	15	3.819	04/03/2020	-3	89
Affin Bank Berhad	02/27	A1	4.061	1	3.414	04/03/2020	65	125
CIMB Group Holdings Berhad	05/16	A1	3.887	2	3.900	09/03/2020	-1	69
Quantum Solar Park (Semenanjung) Sdn Berhad	10/29	A+	4.849	2	5.428	22/08/2019	-58	195
Bank Muamalat Malaysia Berhad	11/21	A	3.714	48	3.705	06/03/2020	1	112
Affin Bank Berhad	07/18	A3	4.164	1	4.169	10/03/2020	0	97
Matrix Concepts Holdings Berhad	03/23	-	5.400	2	5.450	05/03/2020	-5	277
Eco World International Berhad	04/23	-	5.740	1	5.794	02/03/2020	-5	311
Eco World International Berhad	05/23	-	5.875	1	5.359	09/03/2020	52	325
				910				

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

Market/Corporate News: What's Brewing

Petroleum Nasional Bhd (Petronas) said it will have to reassess its plans and budget following the recent collapse of oil prices amid the ongoing Covid-19 outbreak. The national oil company said in a press statement that it, however, intends to maintain its domestic capital expenditure programme as well as the planned dividend of RM24bil that will be paid in 2020. "Given ongoing geopolitical uncertainties and prolonged trade tensions, the volatility of prices has worsened due to the impact of the Covid-19 outbreak and the recent failure of the Opec+ talks," the national oil company said in its statement. It added that since the onset of the Covid-19 outbreak, it has taken immediate measures to ensure the safety of its employees through the implementation of several proactive steps to manage the risk of exposure and reduce the risk of transmission. "As for our operations, we are also closely monitoring the developments of the outbreak and reviewing our plans to cushion the short, medium and long-term impacts on our business," it said. "We will continue to be cognisant of external factors that determine oil prices and will remain focused on elements that are within our control including driving further efficiencies and cost optimisation efforts across the group." Crude oil prices plunged by about 30% at its lowest point on Monday and Brent crude oil was last traded at US\$35.99 per barrel at press time. Reports said that Goldman had cut its second and third quarter Brent forecast to US\$30 per barrel, and said that prices could dip into the US\$20s range soon. The fall is due to an impending price war in the oil markets with Saudi Arabia, the biggest oil producer in the world, planning to increase oil output next month, well above 10 million barrels a day as it responds aggressively to the collapse of its Opec+ alliance with Russia. The price war in the oil markets saw crude oil prices slump by the most in at least 20 years. Yesterday it was reported that Saudi Arabia had officially unveiled plans

increase oil production. Saudi Aramco was reported to be saying that it had been asked by the Saudi energy ministry to raise its production capacity to 13 million barrels per day (bpd), up from 12 million bpd at present. Petronas is not alone in dealing with the recent issues plaguing the industry. Bloomberg reported on Monday that an oil price plunge would mean that the world's top energy companies will have to review their dividend plans to investors, either by slowing down share buybacks or reintroducing non-cash dividends. Jefferies analyst Jason Gammel said in a note that oil majors were entering "survival mode" in these market conditions and will have to assess where they can cut spending. (Source: *The Star*)

The stock market's faithful hedge failed when investors needed it the most. As the Dow Jones Industrial Average plunged into a bear market and the S&P 500 approached that threshold with a 4.9% drop, longer-dated Treasuries were battered too, with the yield of 30-year bonds surging to 1.39% from Monday's record low of just under 0.70%. That produced a combined rout of 8.6% for long-dated bonds and U.S. equities on Wednesday, measured by adding the losses on BlackRock Inc.'s long-dated Treasury exchange-traded fund and the drop in the S&P 500 -- their worst combined daily drawdown since the ETF was created in 2002. For balanced portfolios, this session was worse than any during the financial crisis. Despite the rout in stocks, the haven bid in Treasuries gave way to a rush of selling, with traders scrambling to unload their most easily traded assets -- even the safest ones. The sell-off came as a shock in a market that's been setting fresh record low yields in recent weeks. The dual declines could indicate deleveraging among risk parity funds could be at hand, as well as the use of bonds as a source of liquidity for margin calls and redemptions. "There was the hope that maybe if yields found some traction, the stock market would too, but now we've diverged again," said Liz Ann Sonders, chief investment strategist at Charles Schwab. "Some of that may be when there's forced selling. You sell what you can or sell where there's profits. People had a heck of a lot of profits from Treasuries." The picture is just as bleak when it comes to inflation-protected bonds, with the \$22 billion iShares TIPS Bond ETF down 2.3%, extending a three-day plunge to 7%. Since December 2003, there have only been five occasions in which the S&P 500 fell at least 4.5% and this inflation-protected bond fund declined by at least 0.5%. They were: Monday and Wednesday of this week as well as three days in 2008 -- Oct. 7, Oct. 9 and Nov. 20. "This is a reflection of the panic/dislocation in nominal U.S. Treasuries," said Mark Dow, founder of Dow Global Advisors. "Less liquid markets like TIPs and munis lag much more than usual when this happens." (Source: *The Star*)

Rating Action			
Issuer	PDS Description	Rating/Outlook	Action
Cerah Sama Sdn Bhd	RM420 million Sukuk	AA-IS/Stable	Affirmed
KMCOB Capital Berhad	RM320 mil Guaranteed Serial Bonds (2013/2020)	AAA(FG)	Rating withdrawn as Guarantor to repay on event of Default

Source: RAM, MARC

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