

## Global Markets Research

### Fixed Income

UST		
Tenure	Closing (%)	Chg (bps)
2-yr UST	1.57	-1
5-yr UST	1.63	-2
10-yr UST	1.82	-3
30-yr UST	2.28	-5

MGS		GII*		
Tenure	Closing (%)	Chg (bps)	Closing (%)	Chg (bps)
3-yr	3.01	0	3.09	-3
5-yr	3.16	-1	3.19	0
7-yr	3.26	1	3.28	0
10-yr	3.27	-1	3.36	1
15-yr	3.48	-1	3.50	-2
20-yr	3.60	0	3.64	0
30-yr	3.96	2	4.01	0

\* Market indicative levels

MYR IRS Levels		
IRS	Closing (%)	Chg (bps)
1-yr	3.26	0
3-yr	3.26	0
5-yr	3.29	0
7-yr	3.33	0
10-yr	3.41	1

Source : Bloomberg

### Upcoming Government Bond Tender

Re-opening of RM2.5b of 15Y GII 11/34 on Tuesday, 14<sup>th</sup> Jan 2020

### Fixed Income Daily Market Snapshot

#### US Treasuries

• US Treasuries ended richer in yields following US job growth which slowed in December after surging in the prior month. However the pace of hiring was deemed enough to keep the longest economic expansion in history on track despite a downturn in a manufacturing sector affected by global trade disputes. The Labor Department said nonfarm payrolls increased by 145,000 last month. The curve ended flatter as overall benchmark yields declined between 1-5bps compared to prior day's close with the UST 2Y almost edging 1bps at 1.57% whilst the much-watched UST 10Y rallied 3bps lower at 1.82%. Most dealers are expecting yields to remain range-bound for this week with the UST 10Y seen between 1.80-1.90% levels. The fluidity of Fed Fund futures reveal a pricing in of ~20bps of rate cuts for 2020 for now.

#### MGS/GIII

• Interest in local govies eased amid lower secondary market volume of RM2.73b with trades mainly seen in the short off-the-run 20's, 37's and also benchmark 7Y MGS. Overall benchmark yields however closed mixed between -3 to +2bps on intermittent profit-taking activities. Both the benchmark 5Y MGS 6/24 and 10Y MGS 8/29 edged 1bps higher at 3.16% and 3.27% respectively. Foreign ownership of overall MYR bonds which rose 4.1% to RM204.7b in December 2019 has been a major driver in yields for the past 1-2 weeks. Meanwhile the nation's Industrial Production numbers for November saw a 2.0% rise YOY versus estimates of ~1.1%. Expect interest to shift to the auction of 15Y GII bonds tomorrow.

#### Corp Bonds/Sukuk

• The Corporate bonds/Sukuk space saw upbeat interest with secondary market volume higher at RM615m with overall investor interest seen along the GG-AA part of the curve; as yields mostly declined on about 29 various bonds which were traded. PRASARANA bonds dominated the govt-guaranteed space instead with the 8/23 closing 10bps lower compared to previous-done levels at 3.22% whilst the long-end 9/42 ended 21bps sharply lower at 4.14% levels. AAA-rated GAS Malaysia 12/22 edged 2bps lower at 3.46 whilst both PUTRAJAYA and AMAN 2024 tranches closed 12bps and unchanged respectively at 3.41% and 3.45 each. The banking space saw RM70m in nominal trades on MAYBANK Perps ie 2117NC26 which edged 1bps higher at 3.99%.

## Daily Trades : Government Bond

Securities	Closing	Vol	Previous	Previous	Chg
	YTM	(RM mil)	YTM	Trade Date (dd/mm/yyyy)	(bp)
MGS 03/20	2.794	29	2.770	09/01/2020	2
MGS 07/20	2.902	112	2.853	08/01/2020	5
MGS 10/20	2.909	217	2.939	09/01/2020	-3
MGS 09/21	3.020	2	3.011	09/01/2020	1
MGS 11/21	3.002	2	3.000	09/01/2020	0
MGS 03/22	3.014	31	3.012	09/01/2020	0
MGS 08/22	3.077	2	3.044	08/01/2020	3
MGS 09/22	3.069	3	3.082	09/01/2020	-1
MGS 03/23	3.095	90	3.102	09/01/2020	-1
MGS 04/23	3.110	6	3.117	09/01/2020	-1
MGS 08/23	3.147	97	3.133	09/01/2020	1
MGS 06/24	3.160	122	3.170	09/01/2020	-1
MGS 07/24	3.168	4	3.156	09/01/2020	1
MGS 09/24	3.190	3	3.187	08/01/2020	0
MGS 03/25	3.210	8	3.206	07/01/2020	0
MGS 09/25	3.201	54	3.197	09/01/2020	0
MGS 07/26	3.261	18	3.248	09/01/2020	1
MGS 05/27	3.271	417	3.271	09/01/2020	0
MGS 11/27	3.286	61	3.299	09/01/2020	-1
MGS 08/29	3.273	47	3.279	09/01/2020	-1
MGS 04/30	3.387	30	3.382	09/01/2020	0
MGS 04/33	3.548	47	3.538	09/01/2020	1
MGS 07/34	3.478	138	3.487	09/01/2020	-1
MGS 05/35	3.610	40	3.598	09/01/2020	1
MGS 04/37	3.623	5	3.623	09/01/2020	0
MGS 03/46	4.007	24	4.001	09/01/2020	1
MGS 07/48	3.961	59	3.937	09/01/2020	2
GII 05/20	3.006	121	2.991	09/01/2020	1
GII 03/22	3.091	60	3.115	08/01/2020	-2
GII 04/22	3.108	30	3.103	09/01/2020	0
GII 10/23	3.168	40	3.163	08/01/2020	1
GII 11/23	3.163	40	3.156	09/01/2020	1
GII 10/24	3.188	170	3.186	09/01/2020	0
GII 09/26	3.308	60	3.316	09/01/2020	-1
GII 07/29	3.361	41	3.355	09/01/2020	1
GII 06/33	3.548	120	3.541	07/01/2020	1
GII 08/33	3.548	60	3.539	08/01/2020	1
GII 11/34	3.503	27	3.524	09/01/2020	-2
GII 10/35	3.638	40	3.638	09/01/2020	0
GII 08/37	3.705	250	3.702	09/01/2020	0
		<u>2726</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*
Prasarana Malaysia Berhad	08/23	GG	3.222	20	3.319	09/12/2019	-10	10
DanaInfra Nasional Berhad	11/33	GG	3.660	20	4.008	02/07/2019	-35	17
Prasarana Malaysia Berhad	12/33	GG	3.651	30	3.650	09/01/2020	0	16
Perbadanan Tabung Pendidikan Tinggi Nasional	02/34	GG	3.706	110	3.740	07/01/2020	-3	21
Prasarana Malaysia Berhad	03/34	GG	3.699	20	3.679	08/01/2020	2	21
Prasarana Malaysia Berhad	09/42	GG	3.929	60	4.138	10/12/2019	-21	33
HSBC Amanah Malaysia Berhad	03/20	AAA	3.239	10	3.290	28/11/2019	-5	29
Bank Pembangunan Malaysia Berhad	03/22	AAA	3.476	40	3.482	08/01/2020	-1	47
Gas Malaysia Berhad	12/22	AAA	3.457	40	3.476	08/01/2020	-2	43
Putrajaya Holdings Sdn Berhad	04/24	AAA	3.409	10	3.533	03/01/2020	-12	29
Aman Sukuk Berhad	04/24	AAA	3.449	20	3.452	26/08/2019	0	33
Starbright Capital Berhad	12/25	AAA	4.154	1	4.302	24/12/2019	-15	93
Danum Capital Berhad	02/26	AAA	3.499	10	3.519	09/01/2020	-2	27
Projek Lebuhraya Usahasama Berhad	01/28	AAA	3.649	40	3.755	09/12/2019	-11	37
Danga Capital Berhad	09/33	AAA	3.821	15	3.868	03/01/2020	-5	33
Teknologi Tenaga Perlis Consortium Sdn Berhad	07/20	AA1	3.366	10	3.705	03/07/2019	-34	42
Teknologi Tenaga Perlis Consortium Sdn Berhad	01/21	AA1	3.421	10	3.856	19/06/2019	-44	47
UniTapah Sdn Berhad	12/21	AA1	3.555	5	4.396	14/02/2018	-84	55
Kapar Energy Ventures Sdn Berhad	07/21	AA+	3.458	10	4.066	29/04/2019	-61	51
Perbadanan Kemajuan Negeri Selangor	12/22	AA3	3.747	10	3.747	05/09/2019	0	72
Country Garden Real Estate Sdn Berhad	02/23	AA3	6.238	1	5.531	06/01/2020	71	321
AmBank (M) Berhad	03/27	AA3	3.585	20	3.631	03/01/2020	-5	32
Malayan Banking Berhad	02/17	AA3	3.989	80	3.981	31/12/2019	1	39
Tan Chong Motor Holdings Berhad	11/21	A1	4.066	10	4.099	06/01/2020	-3	106
Bank Islam Malaysia Berhad	12/25	A1	3.410	10	3.451	10/12/2019	-4	18
CIMB Group Holdings Berhad	05/16	A1	4.487	2	4.199	07/01/2020	29	89
CIMB Group Holdings Berhad	05/16	A1	4.272	1	4.274	09/01/2020	0	67
CIMB Group Holdings Berhad	05/16	A1	4.239	1	4.232	19/12/2019	1	64
YNH Property Berhad	08/19	-	6.696	1	6.696	09/01/2020	0	310
				<u>615</u>				

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

## Market/Corporate News: What's Brewing

**Felcra Bhd has secured a new source of funding to fully revive its stalled RM1bil Semarak20 mixed property development project located along Jalan Semarak in Kuala Lumpur.** The funding, which is in the form of a government loan, is estimated at RM500mil, says Felcra's chief executive officer Mohd Nazrul Izam Mansor. He told StarBiz that the agency has also obtained approval from the Economic Affairs Ministry (MEA) to proceed with the project this year. The Semarak20 project, which comprises Menara Felcra office tower, a 43-storey luxury residential building, a mall and an international convention centre, has an estimated gross development value of over RM1.09bil, said property analysts. But, the project was put to a standstill for the past one-and-a-half years, given Felcra's funding constraints partly due to the financial mismanagement from its previous administration. RM1bil project: An artist's impression of Felcra's RM1bil Semarak20 mixed development property project along Jalan Semarak in Kuala Lumpur. M1bil project: An artist's impression of Felcra's RM1bil Semarak20 mixed development property project along Jalan Semarak in Kuala Lumpur. To recap, Felcra initially was just the land owner for the Semarak20 project, while the master developer, WZR Property Sdn Bhd was obligated to fund for the full cost of the project. However, the changes made in the contract had deemed Felcra as liable and must bear the construction cost resulting in the agency having to fork out almost RM200mil from its internal funds. This dispute also saw Felcra considering several options including selling off the Semarak20 project as part of the group-wide non-core asset disposal exercise to rebuild its depleting cash position. At one point, the agency was said to have undertaken a series of negotiations with several parties to either dispose off or work together to develop the mixed property project, which is about 40% completed. However, the slowdown in the property market has made the attempt futile. "But after much deliberations and having secured the new source of funding from the government, we have now decided to revive this premium real estate project given its future potential and prospects," said Nazrul who stepped in as Felcra CEO in October 2018. Furthermore, all the issues with the main contractor and other contractors have been ironed out. This will ensure that the Semarak20 project gets to

be completed within the targeted deadline – in the next two years, said Nazrul. He has also expressed his confidence on a positive turnaround in the property market moving forward. Felcra, which was corporatised in 1997, is involved in oil palm, rubber, padi, fertiliser, property, livestock and agrifood-related businesses. The government-linked company is 99% owned by the Finance Ministry and 1% owned by the Federal Land Commissioner. It is also directly supervised by the MEA. Meanwhile, Felcra chairman Datuk Mohamad Nageeb Ahmad Abdul Wahab had said that “the new Felcra must have the ability to balance between the right profitable businesses and its social obligation to provide good returns to Felcra smallholders and their families”. It was recently reported that Felcra, which posted RM187.12mil in losses in 2018, is set to narrow its losses in 2019 as the new management sought to restructure, raise its business competitiveness and ride on the rising crude palm oil prices. Among its achievements in 2019 are 100% certification under the Malaysian Sustainable Palm Oil certification scheme obtained by 1,246 estates owned by Felcra participants covering 178,857ha and 32 of its own estates covering 29,926ha, as well as six of its own palm oil mills nationwide. Another was the collaboration between Felcra and Qatar’s Baladna Food Industries WLL to set up its maiden dairy production business in Malaysia, poised to be the largest anchor farm in the country with 10,000 heads capacity targeting annual production of 50 million litres of milk per year. Within the next two years, the two companies aim to double Malaysia’s current fresh milk production, in line with National Food Security Agenda. (Source: *The Star*)

**Telekom Malaysia Bhd (TM) chief executive officer Datuk Noor Kamarul Anuar Nuruddin said the telecommunications company (telco), currently participating in the 5G Demonstration Project (5GDP) undertaken by the Malaysian Communications and Multimedia Commission (MCMC), is ready to fully embark on the 5G initiative for the country.** At this point, he said, it is up to the decision by the MCMC to appoint the consortium that will consist of multiple licensees for the allocation of the 5G spectrums. “We are still bidding for the frequency; we are still at that stage. If the MCMC gives us [the licence] today, we can start working on it today. We are ready. We are preparing a lot of things [for the rollout] and once we get it (the licence), we can get it done,” he said. Last week, the MCMC announced that the 5G spectrum bands will be rolled out by the third quarter (3Q) this year. The allocation of the 5G spectrums will be done via open tender to be called by 2Q but the details and criteria will be revealed later. A single consortium of multiple licensees will be selected via this tender. “We are ready to really take the position, it’s just that I think the challenge that the government is facing right now is the question of who will lead the 5G initiative. Once we get that settled, we can go fast. I think especially for us, for TM, we have a good reason to go 5G. “We believe in the technology, we know we can make it. We know that we can help the country. We can improve the country’s level of security, we can improve our lives by using 5G. That’s why in Telekom, we are bullish about it,” Noor Kamarul added. Noor Kamarul was speaking to reporters yesterday after TM’s signing ceremony of memoranda of collaboration (MoC) with Majlis Perbandaran Langkawi Bandaraya Pelancongan and the Langkawi Development Authority for the deployment of its 5G-enabled use cases here. At the same event, TM also signed MoCs with six other partners based in Langkawi, namely Haji Ismail Group, Nadias Hotel, Hotel Adya Chenang, The Loaf Asia Sdn Bhd, Artisans Pizza and Jabatan Laut Malaysia. Under these collaborations, the partners agreed to demonstrate use cases developed in-house by TM’s innovation arm TM Research & Development Sdn Bhd, namely the Smart Safety Helmet, Smart Retail Analytics, Smart Vehicle Management System. The solutions utilise machine learning and artificial intelligence to identify human behaviour which will then be used to help businesses and local government. With all these use cases in place and most of it are already up and running, Noor Kamarul claimed that TM has the highest number of 5G use cases among the telcos participating in the 5GDP. The 5GDP is for TM to test the new 5G features, explore the 5G technology system and assess the best way to deploy 5G infrastructure nationwide. (Source: *The Edgemarkets*)

Rating Action			
Issuer	PDS Description	Rating/Outlook	Action
ORIX Credit Malaysia Sdn Bhd	MTN and CP issues- proposed up to RM1.5 bil MTN Programme and proposed up to RM500 mil CP Programme.	AAA2/Stable and P1	Assigned

Source: RAM, MARC

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