

## Global Markets Research

### Fixed Income

#### Fixed Income Daily Market Snapshot

##### US Treasuries

- US Treasuries gave back some gains as traders and investors showed optimism over the impact of the phase one (1) US-China trade pact due to be signed later this week. The curve shifted higher as overall benchmark yields rose about 2bps with the UST 2Y at 1.59% with the much-watched UST 10Y at 1.84%. The ongoing Fed speak saw Bostic not expecting the trade truce to change the economic trajectory. Separately China is deemed not a currency manipulator according to the latest US semi-annual foreign exchange report and the US Treasury will continue to monitor the practices of Germany, Ireland, Italy, Japan, South Korea, Malaysia, Singapore, Vietnam and Switzerland. Trading activity may be muted ahead of the releases of several economic data later this week i.e. consumer and producer price inflation, retail sales and industrial production.

UST		
Tenure	Closing (%)	Chg (bps)
2-yr UST	1.59	2
5-yr UST	1.65	2
10-yr UST	1.84	2
30-yr UST	2.30	2

MGS		GII*		
Tenure	Closing (%)	Chg (bps)	Closing (%)	Chg (bps)
3-yr	3.02	1	3.09	0
5-yr	3.16	0	3.19	0
7-yr	3.25	-1	3.28	0
10-yr	3.28	1	3.36	0
15-yr	3.49	1	3.55	5
20-yr	3.59	-1	3.66	2
30-yr	3.94	-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	3.28	-1
7-yr	3.33	0
10-yr	3.40	-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

##### MGS/GII

- Local govvnies maintained momentum amid higher secondary market volume of RM4.39b with trades mainly seen in the short off-the-run 20's, 33's and also benchmark 3Y, 5Y MGS. Overall benchmark yields however closed mixed again between -2 to +5bps on intermittent profit-taking activities. Both the benchmark 5Y MGS 6/24 and 10Y MGS 8/29 closed within 0-1bps higher at 3.16% and 3.28% respectively. GII bond formed ~ 33% of overall trades. 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 2 weeks. Expect some interest to shift to the auction of 15Y GII bonds today.

##### Corp Bonds/Sukuk

- The Corporate bonds/Sukuk space continued to see solid interest with secondary market volume maintaining at RM619m as bulk of trades were seen across the GG to single-A part of the curve. Overall yields mostly declined on about 32 various bonds which were traded. PRASARANA 30-31's closing 14-24bps sharply lower compared to previous-done levels between 3.52-57%. The longer-end LPPSA 38-39's similarly saw strong bids resulting in closing levels between 3.82-83% levels. AAA-rated PLUS saw its 2027,2028 and 2034 tranches close mixed at 3.60% , 3.65% and 3.90% respectively. AA-rated energy-related bonds i.e. Southern Power 10/29 and Tanjung Bin Power 8/27 ended 6-8bps lower at 3.91% and 3.98% each. The banking space saw AFFIN Bank 27NC22 move 5bps lower at 3.81%.

## Daily Trades : Government Bond

Securities	Closing	Vol	Previous	Previous	Chg
	YTM	(RM mil)	YTM	Trade Date (dd/mm/yyyy)	(bp)
MGS 03/20	2.666	181	2.794	10/01/2020	-13
MGS 07/20	2.920	92	2.902	10/01/2020	2
MGS 10/20	2.890	416	2.909	10/01/2020	-2
MGS 07/21	2.981	4	2.997	09/01/2020	-2
MGS 09/21	3.032	4	3.020	10/01/2020	1
MGS 11/21	3.034	41	3.002	10/01/2020	3
MGS 03/22	3.020	358	3.014	10/01/2020	1
MGS 08/22	3.044	43	3.077	10/01/2020	-3
MGS 03/23	3.095	60	3.095	10/01/2020	0
MGS 04/23	3.097	25	3.110	10/01/2020	-1
MGS 06/24	3.160	293	3.160	10/01/2020	0
MGS 09/24	3.166	3	3.190	10/01/2020	-2
MGS 09/25	3.187	1	3.201	10/01/2020	-1
MGS 07/26	3.254	30	3.261	10/01/2020	-1
MGS 11/26	3.262	1	3.246	08/01/2020	2
MGS 05/27	3.263	310	3.271	10/01/2020	-1
MGS 11/27	3.286	34	3.286	10/01/2020	0
MGS 08/29	3.279	43	3.273	10/01/2020	1
MGS 06/31	3.455	30	3.455	10/01/2020	0
MGS 04/33	3.520	100	3.548	10/01/2020	-3
MGS 11/33	3.519	497	3.536	09/01/2020	-2
MGS 05/35	3.597	40	3.610	10/01/2020	-1
MGS 06/38	3.633	11	3.619	09/01/2020	1
MGS 05/40	3.593	1	3.603	09/01/2020	-1
MGS 03/46	3.992	146	4.007	10/01/2020	-1
MGS 07/48	3.943	192	3.961	10/01/2020	-2
GII 04/20	2.889	40	2.904	09/01/2020	-2
GII 05/20	2.962	5	3.006	10/01/2020	-4
GII 11/23	3.155	160	3.163	10/01/2020	-1
GII 10/24	3.192	90	3.188	10/01/2020	0
GII 08/25	3.250	220	3.251	09/01/2020	0
GII 03/26	3.277	40	3.278	08/01/2020	0
GII 09/26	3.307	140	3.308	10/01/2020	0
GII 10/28	3.359	5	3.357	09/01/2020	0
GII 07/29	3.361	10	3.361	10/01/2020	0
GII 09/30	3.424	280	3.441	09/01/2020	-2
GII 06/33	3.545	330	3.548	10/01/2020	0
GII 08/33	3.556	60	3.548	10/01/2020	1
GII 11/34	3.553	30	3.503	10/01/2020	5
GII 09/39	3.659	20	3.642	08/01/2020	2
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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*
Lembaga Pembiayaan Perumahan Sektor Awar	09/26	GG	3.369	10	3.418	07/01/2020	-5	11
Prasarana Malaysia Berhad	03/30	GG	3.518	10	3.750	17/12/2019	-23	24
Prasarana Malaysia Berhad	02/31	GG	3.570	25	3.708	02/01/2020	-14	29
Prasarana Malaysia Berhad	03/31	GG	3.570	15	3.811	11/11/2019	-24	29
Danainfra Nasional Berhad	05/31	GG	3.569	10	3.671	03/01/2020	-10	29
Perbadanan Tabung Pendidikan Tinggi Nasional	03/37	GG	3.799	20	3.809	07/10/2019	-1	31
Lembaga Pembiayaan Perumahan Sektor Awar	10/38	GG	3.819	50	4.091	06/12/2019	-27	22
Lembaga Pembiayaan Perumahan Sektor Awar	04/39	GG	3.829	50	4.110	22/11/2019	-28	23
Bank Pembangunan Malaysia Berhad	03/22	AAA	3.465	40	3.476	10/01/2020	-1	46
Danum Capital Berhad	05/23	AAA	3.422	20	3.416	09/01/2020	1	40
GENM Capital Berhad	08/25	AAA	3.821	50	3.790	26/09/2019	3	60
Danum Capital Berhad	02/26	AAA	3.500	30	3.499	10/01/2020	0	28
Projek Lebuhraya Usahasama Berhad	01/27	AAA	3.598	30	3.458	19/09/2019	14	34
GENM Capital Berhad	03/27	AAA	3.902	20	4.285	20/09/2019	-38	64
Aman Sukuk Berhad	04/27	AAA	3.662	40	3.695	17/12/2019	-3	40
Projek Lebuhraya Usahasama Berhad	01/28	AAA	3.649	60	3.649	10/01/2020	0	38
Ranhill Powertron II Sdn Berhad	06/28	AAA	4.030	10	5.319	01/12/2016	-129	76
Starbright Capital Berhad	12/28	AAA	4.579	5	-	-	-	129
Pengurusan Air SPV Berhad	02/29	AAA	3.648	10	3.663	15/10/2019	-1	36
Projek Lebuhraya Usahasama Berhad	01/34	AAA	3.897	10	4.778	18/01/2019	-88	41
UMW Holdings Berhad	09/23	AA2	3.620	10	3.679	11/12/2019	-6	50
Fortune Premiere Sdn Berhad	09/25	AA	3.859	10	3.890	11/12/2019	-3	64
Fortune Premiere Sdn Berhad	10/25	AA	3.870	10	3.905	10/12/2019	-3	65
Southern Power Generation Sdn Berhad	10/29	AA	3.909	10	3.968	14/10/2019	-6	63
IJM Corporation Berhad	08/28	AA3	4.207	10	4.277	09/12/2019	-7	92
Segi Astana Sdn Berhad	01/24	AA-	5.201	1	4.899	06/01/2020	30	208
Tanjung Bin Power Sdn Berhad	08/27	AA-	3.978	10	4.061	17/12/2019	-8	71
Affin Bank Berhad	09/27	A1	3.814	10	3.862	18/09/2019	-5	54
CIMB Group Holdings Berhad	05/16	A1	4.201	2	4.487	10/01/2020	-29	61
UMW Holdings Berhad	04/18	A1	4.486	10	4.518	06/01/2020	-3	89
IJM Land Berhad	03/19	A2	4.503	11	4.712	10/01/2020	-21	91
IJM Land Berhad	03/19	A2	4.617	10	4.678	27/12/2019	-6	102
				<u>619</u>				

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

## Market/Corporate News: What's Brewing

**Malaysia's shadow economy accounts for 21% of gross domestic product (GDP) and amounts to an estimated RM300bil, says Finance Minister Lim Guan Eng.** He said the strong underground economy, which he attributed to illegal activities that are difficult to track down, should be tackled effectively. "If not handled well, it will not only result in a big loss of revenue to the country but also reflect the inefficiency of the government agencies and implementing machinery in handling issues related to the shadow economy," he said after opening the Inland Revenue Board (LHDN) annual conference of directors here. He said the loss in tax revenue from the hidden economy could threaten the stability of the nation's tax ecosystem particularly in the aspects of fair taxation and voluntary tax compliance. Lim urged the LHDN to constantly enhance its collaborative network and information sharing with other government agencies in the effort to curtail the leakage from the underground economy. "I am ready to give support and assistance, should there be a problem in getting the necessary cooperation from other government agencies in the administration machinery in the effort to achieve the goal," he said. Meanwhile, Lim, who is also Bagan MP, said the government has set the direct tax collection target for 2020 at RM154.676bil, up from RM147bil in 2019. He said although Malaysia's economy continues to grow every year, the tax collection as a percentage of GDP has not been keeping pace. "For instance, based on World Bank figures for 2017, although the size of Malaysia's economy was RM1.353 trillion, the tax-to-GDP ratio was only 13.1%. This put Malaysia below comparable countries such as Vietnam, Chile, Poland and South Korea, for which the ratio was 19%, 17.4%, 16.8% and 15.4% respectively," he said. He attributed Malaysia's relatively poor performance to aggressive incentive policies, lowering of tax rates each year, revenue leakage due to diversion, tax evasion, and a still low tax compliance rate. To overcome this problem, he said the government will constantly formulate fiscal policies that can safeguard the interests of all quarters, including finetuning policies related to investment incentives. (Source: The Star)

Rating Action			
Issuer	PDS Description	Rating/Outlook	Action
Kesas Sdn Bhd	RM735 million Sukuk Musharakah IMTN (2014/2023)	AA2/Stable	Reaffirmed
Lingkar Trans Kota Sdn Bhd's (Litak)	Sukuk Musyarakah IMTN I and II Programmes (2008/2023)	AA2/Stable	Reaffirmed
Pengurusan Air SPV Berhad	M20 bil Islamic MTN Programme (2009/2039)	AAA/Stable	Reaffirmed

Source: RAM, MARC

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