

Global Markets Research

Fixed Income

Fixed Income Daily Market Snapshot

US Treasuries

• US Treasuries which ended weaker last Friday between 1-15bps surged this morning instead **at the time of writing** following another surprise move by the Fed that slashed interest rates by another 100bps to almost zero. **Overall benchmark yields have dropped this morning between 22-34bbs** with the UST 2Y spiking 22bps at 0.27% whilst the much-watched UST 10Y dropping 34bps at 0.65%. The Fed which took emergency action outside of its regular and scheduled FOMC meetings has also embarked on bond-buying/boosting programme of up to \$700b to cushion the US economy against the onslaught of the COVID-19 pandemic. Expect continued updates on the COVID-19 pandemic to overshadow other upcoming news on retail sales, industrial production whilst investors await FOMC meeting details tonight.

MGS/GIII

• Local govies continued to sell-off last Friday on a range of factors that included the ravaging COVID-19 virus pandemic affecting global financial markets coupled with additional supply concerns that could arise from a revision in fiscal deficit due to headwinds caused by the plunge of oil prices. Despite the higher secondary market volume of RM7.24b; overall benchmark yields ended substantially higher between 0-38bps with activity largely concentrated in the off-the-run 23's and various benchmark MGS/GII i.e. 3-15Y tenures. The benchmark 5Y MGS 6/24 spiked 18bps at 2.93% whilst the 10Y MGS 8/29 equally tanked by 17bps at 3.17%. GII bonds eased to form about ~ 30% of overall trades. Investors are expected to remain sidelined on the abovementioned concerns on the economy and also the FTSE Russell's interim update on the Fixed Income country classification which is expected out on the 2nd of April.

Corp Bonds/Sukuk

• Corporate bonds/Sukuk space saw dampened activity ahead of the weekend with some interest seen across the GG-AA-part of the curve amid low secondary market volume of RM253m. Overall yields close mostly mixed bucking the trend seen the past several weeks. The longer-end Govt-guaranteed PTPTN 30-31's closed between 7-8bps compared to previous-done levels at 3.40-45%. AAA-rated DIGI 9/29 however spiked 25bps at 3.39% whilst AA-rated BGSM 12/27 closed unchanged at 3.52%. Newly-listed TG Excellence 2120NC25 notched tremendous volume closing up 5bps at 2/20. The banking space saw MBSB 2031NC26 close sharply lower on yields at 4.58%.

UST		
Tenure	Closing (%)	Chg (bps)
2-yr UST	0.49	1
5-yr UST	0.72	11
10-yr UST	0.96	15
30-yr UST	1.54	9

MGS		GII*		
Tenure	Closing (%)	Chg (bps)	Closing (%)	Chg (bps)
3-yr	2.81	14	2.67	0
5-yr	2.93	18	2.95	17
7-yr	3.13	21	3.08	28
10-yr	3.17	17	3.19	19
15-yr	3.35	14	3.30	13
20-yr	3.45	17	3.53	23
30-yr	3.89	38	3.53	0

* Market indicative levels

MYR IRS Levels		
IRS	Closing (%)	Chg (bps)
1-yr	2.61	-1
3-yr	2.63	6
5-yr	2.70	9
7-yr	2.80	11
10-yr	2.98	12

Source : Bloomberg

Upcoming Government Bond Tender

Nil

Daily Trades : Government Bond

Securities	Closing	Vol	Previous	Previous	Chg
	YTM	(RM mil)	YTM	Trade Date (dd/mm/yyyy)	(bp)
MGS 03/20	2.793	42	2.355	12/03/2020	44
MGS 10/20	2.623	80	2.545	12/03/2020	8
MGS 07/21	2.693	9	2.609	12/03/2020	8
MGS 09/21	2.703	6	2.603	12/03/2020	10
MGS 03/22	2.718	484	2.617	12/03/2020	10
MGS 08/22	2.899	45	2.617	12/03/2020	28
MGS 09/22	2.768	1	2.612	12/03/2020	16
MGS 03/23	2.807	936	2.700	12/03/2020	11
MGS 04/23	2.722	12	2.736	12/03/2020	-1
MGS 08/23	2.903	87	2.707	12/03/2020	20
MGS 06/24	2.925	309	2.774	12/03/2020	15
MGS 07/24	2.737	15	2.739	12/03/2020	0
MGS 03/25	3.013	2	2.802	12/03/2020	21
MGS 09/25	2.987	373	2.752	12/03/2020	24
MGS 07/26	2.871	75	2.962	12/03/2020	-9
MGS 11/26	3.183	11	2.997	12/03/2020	19
MGS 05/27	3.129	691	2.920	12/03/2020	21
MGS 11/27	3.217	10	3.045	12/03/2020	17
MGS 06/28	3.245	77	3.022	12/03/2020	22
MGS 08/29	3.167	752	3.037	12/03/2020	13
MGS 04/30	3.344	33	3.157	12/03/2020	19
MGS 06/31	3.222	33	3.171	12/03/2020	5
MGS 04/33	3.186	12	3.231	12/03/2020	-4
MGS 07/34	3.349	520	3.230	12/03/2020	12
MGS 04/37	3.366	2	3.401	12/03/2020	-3
MGS 06/38	3.544	8	3.377	12/03/2020	17
MGS 05/40	3.452	150	3.287	11/03/2020	17
MGS 09/43	4.001	30	3.420	11/03/2020	58
MGS 03/46	3.810	1	3.636	12/03/2020	17
MGS 07/48	3.890	220	3.665	12/03/2020	23
GII 04/20	2.547	190	2.598	10/03/2020	-5
GII 05/20	2.658	110	2.548	12/03/2020	11
GII 06/20	2.610	60	2.550	12/03/2020	6
GII 08/21	2.783	23	2.584	10/03/2020	20
GII 04/22	2.750	216	2.663	12/03/2020	9
GII 11/23	2.863	8	2.766	12/03/2020	10
GII 10/24	2.949	50	2.766	12/03/2020	18
GII 08/25	2.940	50	2.806	12/03/2020	13
GII 03/26	3.077	335	2.961	12/03/2020	12
GII 09/26	3.110	50	2.840	11/03/2020	27
GII 10/28	3.183	130	2.918	12/03/2020	27
GII 07/29	3.192	377	3.050	12/03/2020	14
GII 09/30	3.338	21	3.024	12/03/2020	31
GII 06/33	3.411	40	3.163	12/03/2020	25
GII 08/33	3.503	1	3.151	12/03/2020	35
GII 11/34	3.299	70	3.127	12/03/2020	17
GII 09/39	3.532	450	3.370	12/03/2020	16
GII 05/47	3.858	31	3.566	09/03/2020	29
		<u>7238</u>			

Daily Trades : Corp Bonds/ Sukuk

Securities	Rating	Closing	Vol	Previous	Previous	Chg	Spread	
		YTM	(RM mil)	YTM	Trade Date (dd/mm/yyyy)	(bp)	Against MGS*	
Pengurusan Air SPV Berhad	02/26	GG	3.051	5	2.906	12/03/2020	15	2
Perbadanan Tabung Pendidikan Tinggi Nasional	02/30	GG	3.397	20	3.468	10/09/2019	-7	23
Perbadanan Tabung Pendidikan Tinggi Nasional	07/31	GG	3.447	20	3.528	11/09/2019	-8	28
Bakun Hydro Power Generation Sdn Berhad (fka	08/25	AAA	3.050	5	2.998	12/03/2020	5	10
DiGi Telecommunications Sdn Berhad	09/29	AAA	3.388	20	3.140	06/03/2020	25	23
Genting RMTN Berhad	11/34	AAA	4.521	4	4.257	10/03/2020	26	115
Celcom Networks Sdn Berhad	08/24	AA+	3.198	20	3.147	20/02/2020	5	31
Anih Berhad	11/28	AA	3.530	10	3.647	11/02/2020	-12	38
Exsim Capital Resources Berhad	01/22	AA3	3.675	2	3.686	10/03/2020	-1	98
BGSM Management Sdn Berhad	12/27	AA3	3.521	20	3.519	12/03/2020	0	39
TG Excellence Berhad	02/20	AA-	3.726	95	3.672	09/03/2020	5	24
CIMB Group Holdings Berhad	05/16	A1	3.957	3	3.887	11/03/2020	7	47
CIMB Group Holdings Berhad	05/16	A1	3.181	1	3.975	12/03/2020	-79	-30
UMW Holdings Berhad	04/18	A1	4.559	2	4.088	09/03/2020	47	107
IJM Land Berhad	03/19	A2	4.312	1	4.379	21/02/2020	-7	83
MBSB Bank Berhad (fka Asian Finance Bank Bk	12/31	A3	4.580	10	5.000	02/03/2020	-42	142
Affin Bank Berhad	07/18	A3	4.384	1	4.164	11/03/2020	22	90
Eco World International Berhad	10/21	-	5.538	1	4.911	12/03/2020	63	284
Eco World International Berhad	04/23	-	6.050	1	5.740	11/03/2020	31	325
EWIB IMTN 6.400% 24.05.2023	05/23	-	5.960	1	5.875	11/03/2020	9	316
Mah Sing Group Berhad	03/25	-	4.249	10			425	130
AEON Credit Service (M) Berhad	12/14	-	5.243	1	5.708	25/11/2019	-47	176
Tropicana Corporation Berha	09/19	-	6.101	2	6.632	11/03/2020	-53	262
			<u>253</u>					

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

Market/Corporate News: What's Brewing

WITH Covid-19 spreading fast outside China and the unexpected turn of events on Malaysia's political front, the fourth-quarter 2019 (4Q2019) earnings season may not be the first thing that investors think of. Although there is another month before the first quarter of 2020 (1Q2020) ends, some market experts have already declared that "the whole quarter is gone" and that it will be "a quarter to forget". For companies that delivered commendable results in 4Q2019, it is no time to celebrate while for those that performed poorly, things are likely to get worse. According to Bloomberg statistics, as at last Thursday, the results of at least 230 companies improved in 4Q2019 while 204 posted weaker earnings from a year ago. Sixty-nine companies exceeded market expectations in 4Q2019 in contrast to 89 that failed to meet them. The top 30 performers on Bursa saw their net profit grow between 166% and 4,463% (see table) with the positive surprises including Can-One Bhd, Serba Dinamik Holdings Bhd and Sarawak Oil Palms Bhd. The negative surprises included AirAsia Group Bhd and AirAsia X Bhd, whose business prospects in 1Q2020 appear to be even dimmer. A prominent Investment Bank points out that 4Q2019 escaped the full impact of Covid-19 and the effects of the ongoing political turmoil in Malaysia. "We will feel the impact only in 1Q2020. But then again, nobody was expecting a stellar corporate earnings performance in 4Q2019 because the GDP numbers showed that our country's economy was slowing down. So, corporate earnings were expected to largely reflect that," he tells The Edge. It acknowledged that they was quite optimistic at the beginning of the year but given what has happened over the past two months, he is no longer so. "I think this year will be worse. The effects of Covid-19 will not be for just one or two months. If anything, the situation has become worse. Even though things are getting better in China, globally, the disease has spread to more countries," he explains. He adds that economic performance will "definitely suffer" for another one to two quarters. Moreover, the banks' earnings would be affected by the recent interest rate cut, which will dampen their net interest margins. "Overall, looking at 2020 so far, I think this year will easily be worse than last year. Having said that, the equities market may rebound in the second half of the year, assuming that the fears about Covid-19 are over," it commented. (Source: The Star)

The Federal Reserve swept into action on Sunday in a fresh bid to save the U.S. economy from the fallout of the coronavirus, cutting its benchmark interest rate by a full percentage point to near zero and promising to boost its bond holdings by at least \$700 billion. The central bank also announced several other actions, including letting banks borrow from the discount window for as long as 90 days and reducing reserve requirement ratios to zero percent. In addition, it united with five other central banks to ensure dollars are available around the world via swap lines. Fed Chairman Jerome Powell held a conference call with reporters to discuss the actions during which he reiterated the central bank's resistance to negative interest rates as some countries have used. The Fed's key rate is now 0% to 0.25%, matching the record low it was last at in 2015. President Donald Trump, who as recently as Saturday attacked the Fed for not lowering rates faster and further, quickly expressed support for the move. "It makes me very happy and I want to congratulate the Federal Reserve," he said. "That's a big step and I'm very happy they did it." U.S. stock futures tumbled steeply after the announcement, as investors worried that emergency measures by the Fed would fall short in countering the virus's damage to the economy. Treasury futures surged in early Asia trading, giving rise to expectations that parts of the U.S. yield curve could soon turn negative. Powell told reporters on the call that the rate decision Sunday is in lieu of the Fed's regularly scheduled meeting this week, planned for Tuesday and Wednesday. The action comes as the U.S. economy faces sharply curtailed activity in everything from basketball games, to dining out and travel. That's likely to hurt revenue for thousands of companies and put many jobs at risk, if not cause outright layoffs. With Sunday's announcement, the Fed is firing some of the biggest guns in its arsenal, but economists say without a similar, forceful response from the government, the country's record 11 year

expansion could end in recession. Stocks have already tumbled into a bear market. “The Fed cannot combat a public health crisis, but they can provide a helpful hand when the crisis abates,” said Neil Dutta, head of U.S. economic research at Renaissance Macro Research LLC. The Fed said it will keep interest rates near zero “until it is confident that the economy has weathered recent events and is on track to achieve its maximum employment and price stability goals.” The central bank acted the day before leaders from the Group of Seven nations, including Trump, are set to discuss their virus response on a teleconference. Central bankers and investors have pressed governments to do more to support their economies given monetary ammunition is running low and because fiscal policy can be targeted at corners of an economy that need it most. “The Federal Reserve is prepared to use its full range of tools to support the flow of credit to households and businesses and thereby promote its maximum employment and price stability goals,” it said. To support smooth functioning in the Treasury and mortgage backed securities market, the Fed said it would lift its holdings of Treasury securities by at least \$500 billion and of MBS by at least \$200 billion. Cleveland Fed President Loretta Mester cast a lone dissent, preferring rates were instead cut to a 0.5%-0.75% range. “The fact that the Fed saw it as necessary to act with the meeting just three days away speaks to the urgency of the matter. The broad-spectrum of tools engaged shows the Fed is contending with more than just an economic shock.” The Fed’s actions followed the Trump administration and Congress’s first comprehensive steps Friday to assure the public that it has a coordinated public health and fiscal policy response -- in what could serve as a one-two punch that shores up investor confidence and helps stem a weeks-long meltdown in markets. The dramatic Sunday evening moves follow aggressive action by the Fed on Thursday to ease strains in the Treasury debt market through massive injections of liquidity and broader purchases of U.S. securities in a measure reminiscent of the quantitative easing it used during the financial crisis. The Fed’s action also comes less than two weeks after it slashed rates by a half percentage point in an emergency move that failed to reassure nervous investors, in part because it was not accompanied by steps from other policy makers. That move -- alone -- failed to comfort investors and stocks ended the day down almost 3%. “The Fed’s mantra has been to go early and aggressive, so this is the best thing they could have done, they’re really inventing new stuff,” said Diane Swonk, chief economist at Grant Thornton in Chicago. She also emphasized that more action is needed from fiscal authorities. “This is not enough,” she said. “The Fed is showing its commitment a lot more than the federal government is. They’re going to have to step it up a lot more.” (Source: *The EdgeMarkets/Reuters*)

Rating Action			
Issuer	PDS Description	Rating/Outlook	Action
MMC Corporation Berhad	RM2.5 billion Sukuk Murabahah Programme	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

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