

Global Markets Research

Fixed Income

Fixed Income Daily Market Snapshot

US Treasuries

- US Treasuries rose on positive economic data and robust bank earnings along with upbeat momentum for US equities. The curve shifted higher as overall benchmark yields rose between 1-3bps with the UST 2Y at 1.57% and the much-watched UST 10Y closing 2bps higher at 1.81%. US retail sales which rose for the 3rd straight month suggested continued decent economic growth. Meanwhile the US Treasury is expected to issue 20Y debt within the next six (6) months to fund its ballooning deficits. This would whet the appetite of institutional investors for longer-tenured and risk-free securities. Similarly, latest T-bill auctions especially in the 4-week and 8-week auctions reveal strong investor demand in lieu of smaller issuance sizes. Expect traders to monitor upcoming reports on industrial production numbers and consumer sentiment on Friday.

MGS/GII

- Local govvnies saw momentum maintain its decent momentum amid secondary market volume of RM3.95b with trades mainly seen again in the short off-the-run 20-21's, 27's and also benchmark 10Y GII, 15Y MGS bonds. Overall benchmark yields however closed mixed again between -2 to +1bps. The benchmark 5Y MGS 6/24 edged 1bps higher at 3.18% whilst the 10Y MGS 8/29 closed within 1bps at 3.28%. GII bonds rose to form ~ 45% of overall trades. Separately, the reduction in external risks may allow last year's laggards to move north in EM local currency debt with portfolio managers extending duration. Meanwhile, we reiterate our house view of no rate cut for 2020 in Malaysia for now with GDP expected slightly lower at 4.3% (2019e: 4.5%).

Corp Bonds/Sukuk

- The Corporate bonds/Sukuk space continued to break YTD records in terms of secondary market volume @ RM1.24b with solid investor interest seen across the GG-part of the curve followed by AAA and AA-space respectively. Overall yields mostly declined on a record 49 various bonds which were traded. PRASARANA and DANAINFRA bonds dominated the GG-space. The longer-end DANA 5/41 and 5/46 closed 3bps lower compared to previous-done levels at 3.83% and 4.01% respectively whilst PRASA 8/39 and 2/41 moved 2-24bps lower at 3.79% and 3.84% each. AAA-rated TELEKOM and SEB 28's closed 13-14bps lower at 3.60% levels whilst DANUM 23 and 26 edged 2bps lower at 3.40% and 3.48% respectively. AA-rated ANIH 25-29's which were last traded in JuneAugust period last year also closed lower on yields between 3.73-79%.

UST		
Tenure	Closing (%)	Chg (bps)
2-yr UST	1.57	1
5-yr UST	1.63	3
10-yr UST	1.81	2
30-yr UST	2.26	2

MGS		GII*		
Tenure	Closing (%)	Chg (bps)	Closing (%)	Chg (bps)
3-yr	3.01	-1	3.07	0
5-yr	3.18	1	3.19	0
7-yr	3.25	0	3.26	0
10-yr	3.28	0	3.36	1
15-yr	3.48	0	3.51	1
20-yr	3.57	-2	3.65	1
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	3.29	0
7-yr	3.33	0
10-yr	3.40	0

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	2.831	164	2.669	15/01/2020	16
MGS 07/20	2.887	142	2.887	15/01/2020	0
MGS 10/20	2.918	205	2.894	15/01/2020	2
MGS 07/21	3.005	7	3.016	15/01/2020	-1
MGS 09/21	3.029	56	3.030	15/01/2020	0
MGS 11/21	3.008	221	3.014	15/01/2020	-1
MGS 03/22	3.014	181	3.023	15/01/2020	-1
MGS 08/22	3.072	9	3.084	14/01/2020	-1
MGS 09/22	3.073	104	3.076	14/01/2020	0
MGS 03/23	3.089	23	3.088	15/01/2020	0
MGS 04/23	3.103	9	3.112	15/01/2020	-1
MGS 08/23	3.120	1	3.116	15/01/2020	0
MGS 06/24	3.178	26	3.171	15/01/2020	1
MGS 09/24	3.169	24	3.171	14/01/2020	0
MGS 09/25	3.190	31	3.194	15/01/2020	0
MGS 07/26	3.246	5	3.246	14/01/2020	0
MGS 05/27	3.258	71	3.256	15/01/2020	0
MGS 11/27	3.271	26	3.279	15/01/2020	-1
MGS 09/28	3.348	1	3.374	02/01/2020	-3
MGS 08/29	3.280	157	3.278	15/01/2020	0
MGS 04/30	3.397	61	3.392	15/01/2020	0
MGS 04/33	3.520	8	3.520	15/01/2020	0
MGS 11/33	3.513	11	3.510	15/01/2020	0
MGS 07/34	3.478	340	3.474	15/01/2020	0
MGS 04/37	3.569	3	3.623	10/01/2020	-5
MGS 05/40	3.572	20	3.593	13/01/2020	-2
MGS 03/46	3.989	65	3.987	15/01/2020	0
MGS 07/48	3.936	211	3.953	15/01/2020	-2
GII 08/20	3.002	70	3.170	14/08/2019	-17
GII 04/22	3.082	145	3.085	15/01/2020	0
GII 07/22	3.091	40	3.074	07/01/2020	2
GII 11/22	3.097	30	3.095	06/01/2020	0
GII 11/23	3.168	70	3.170	14/01/2020	0
GII 10/24	3.191	10	3.194	15/01/2020	0
GII 08/25	3.248	40	3.246	15/01/2020	0
GII 03/26	3.262	110	3.259	15/01/2020	0
GII 08/28	3.363	50	3.384	06/01/2020	-2
GII 10/28	3.349	73	3.363	15/01/2020	-1
GII 07/29	3.358	590	3.352	15/01/2020	1
GII 06/33	3.526	40	3.523	15/01/2020	0
GII 08/33	3.522	290	3.530	14/01/2020	-1
GII 11/34	3.515	180	3.502	15/01/2020	1
GII 10/35	3.614	3	3.637	14/01/2020	-2
GII 08/37	3.687	21	3.691	15/01/2020	0
GII 09/39	3.652	10	3.646	14/01/2020	1
		<u>3951</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*
Pengurusan Air SPV Berhad	02/29	GG	3.458	40	3.469	14/01/2020	-1	17
DanaInfra Nasional Berhad	03/29	GG	3.480	25	3.709	07/11/2019	-23	19
Prasarana Malaysia Berhad	03/31	GG	3.560	40	3.570	13/01/2020	-1	28
Perbadanan Tabung Pendidikan Tinggi Nasional	03/32	GG	3.610	50	3.849	27/11/2019	-24	33
Perbadanan Tabung Pendidikan Tinggi Nasional	08/32	GG	3.620	5	3.559	06/09/2019	6	14
Perbadanan Tabung Pendidikan Tinggi Nasional	02/34	GG	3.646	40	3.706	10/01/2020	-6	17
Prasarana Malaysia Berhad	08/34	GG	3.634	10	-	-	-	16
Bank Pembangunan Malaysia Berhad	09/34	GG	3.701	50	3.700	28/08/2019	0	22
Prasarana Malaysia Berhad	02/36	GG	3.708	20	3.912	23/10/2019	-20	23
DanaInfra Nasional Berhad	04/37	GG	3.729	5	3.830	06/01/2020	-10	25
Projek Lebuhraya Usahasama Berhad	01/38	GG	3.810	70	3.820	15/01/2020	-1	22
DanaInfra Nasional Berhad	02/38	GG	3.748	5	3.770	14/01/2020	-2	16
Lembaga Pembiayaan Perumahan Sektor Awarr	10/38	GG	3.801	40	3.819	13/01/2020	-2	21
DanaInfra Nasional Berhad	11/38	GG	3.759	5	3.780	14/01/2020	-2	17
Prasarana Malaysia Berhad	08/39	GG	3.789	40	4.024	19/12/2019	-24	20
Prasarana Malaysia Berhad	02/41	GG	3.839	50	3.859	14/01/2020	-2	25
DanaInfra Nasional Berhad	05/41	GG	3.829	70	3.859	09/01/2020	-3	24
DanaInfra Nasional Berhad	05/46	GG	4.009	100	4.039	08/01/2020	-3	42
Danum Capital Berhad	05/23	AAA	3.404	45	3.425	14/01/2020	-2	36
Pengurusan Air SPV Berhad	02/24	AAA	3.447	50	3.509	22/10/2019	-6	32
Pengurusan Air SPV Berhad	06/24	AAA	3.467	10	3.399	11/09/2019	7	34
Public Bank Berhad	04/25	AAA	3.508	20	3.648	24/09/2019	-14	34
Danum Capital Berhad	02/26	AAA	3.477	85	3.500	13/01/2020	-2	26
Telekom Malaysia Berhad	05/28	AAA	3.598	60	3.729	31/12/2019	-13	33
Sarawak Energy Berhad	11/28	AAA	3.598	10	3.734	24/12/2019	-14	31
Manjung Island Energy Berhad	11/28	AAA	3.621	5	3.818	21/11/2019	-20	33
Danga Capital Berhad	01/33	AAA	3.764	20	3.962	18/12/2019	-20	29
Danga Capital Berhad	09/33	AAA	3.784	20	3.810	15/01/2020	-3	31
Danum Capital Berhad	02/34	AAA	3.774	5	3.777	15/01/2020	0	30
UniTapah Sdn Berhad	12/20	AA1	3.441	5	4.278	17/01/2018	-84	48
UniTapah Sdn Berhad	06/21	AA1	3.503	10	4.469	21/03/2017	-97	54
Teknologi Tenaga Perlis Consortium Sdn Berhad	07/21	AA1	3.494	10	4.015	21/05/2019	-52	48
Teknologi Tenaga Perlis Consortium Sdn Berhad	01/22	AA1	3.494	10	4.135	30/04/2019	-64	48
Sabah Credit Corporation	07/29	AA1	3.999	10	4.156	19/11/2019	-16	72
Anih Berhad	11/25	AA	3.727	30	3.998	07/08/2019	-27	51
Anih Berhad	11/27	AA	3.829	10	4.029	14/08/2019	-20	56
Anih Berhad	11/29	AA	3.945	70	4.403	20/06/2019	-46	66
AmBank (M) Berhad	02/28	AA3	3.650	10	4.179	24/05/2019	-53	39
MMC Corporation Berhad	11/27	AA-	4.758	10	4.780	15/01/2020	-2	149
Jimah East Power Sdn Berhad	12/27	AA-	3.947	10	4.057	10/10/2019	-11	68
Jimah East Power Sdn Berhad	12/28	AA-	3.978	20	4.183	08/07/2019	-21	69
Affin Bank Berhad	02/27	A1	3.657	10	3.698	14/01/2020	-4	41
CIMB Group Holdings Berhad	05/16	A1	4.236	1	4.218	15/01/2020	2	64
CIMB Group Holdings Berhad	05/16	A1	4.111	1	4.561	14/01/2020	-45	52
IJM Land Berhad	03/19	A2	4.789	1	4.503	13/01/2020	29	120
Eco World International Berhad	05/23	-	5.404	1	5.990	14/01/2020	-59	236
Mah Sing Group Berhad	04/17	-	5.875	4	5.823	06/01/2020	5	228
YNH Property Berhad	08/19	-	6.463	6	6.463	15/01/2020	0	287
Cerah Sama Sdn Berhad	01/29	AA-	4.048	20	5.039	24/01/2018	-99	76
				1244				

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

Market/Corporate News: What's Brewing

The upcoming restructuring of Projek Lebuhraya Utara-Selatan (PLUS) Malaysia Bhd's concession to enable a 18% toll rate cut and an extension to the toll period may be the benchmark deal for toll reduction plans involving other highways in Malaysia. RAM Rating co-head of infrastructure and utilities ratings Davinder Kaur said a sector-wide toll rate reduction will have to take into account the government's limited fiscal space and the potential financial burden. "From an investor and credit standpoint, any restructuring of PLUS should align to the current returns under its existing concession, and result in a neutral position or zero-sum game from an asset valuation and net present value perspective. "From a financing standpoint, past restructurings, however, have been equitable to shareholders and lenders although it generally results in a refinancing of outstanding liabilities," she said. For context, highway concession restructuring is not new in Malaysia. Her comments made to StarBiz came after Prime Minister Tun Dr Mahathir Mohamad told the media that toll rate at PLUS' highways will be slashed by 18% beginning this year. The concession period, on the other hand, will be extended by an additional 20 years up to 2058. The largest restructuring to date was under PLUS in 2012 that culminated in the refinancing of the concessionaire's financial obligations through the issuance of a RM23.35bil sukuk and a RM11bil government-guaranteed sukuk. Previously, the restructuring of highway concession agreements by changing the toll rates and extending

concession tenures had been undertaken to contain the government's ballooning compensation payments to the highway concessionaire. Pakatan Harapan, as part of its promises for the 14th general election, had promised to abolish tolls in Malaysia. However, the government has since backtracked on its promise, putting the blame on the country's RM1 trillion debt for its inability to fulfil that pledge. In an attempt to reduce public criticisms, the government decided to cut toll rates for PLUS highways. While this will have an immediate positive impact on the public, particularly highway users, it will also result in major cash flow implications on PLUS. Concerns have risen on PLUS' ability to service its RM30.2bil of debt, amid the reduced annual collection of toll payments. This is because a sizeable portion of the toll payments goes towards the redemption of the bonds. The government will have to enter into a new supplementary concession agreement with Plus, noted senior analyst at Affin Hwang Investment Bank Bhd, Loong Chee Wei. While the government has announced a 20-year extension of PLUS' toll concession, the agreement will also have to take into consideration the lower cash flow from reduced toll rates, and ensure the debt repayments can be continued. "They will have to restructure the repayment of the bonds to match the reduced cash flow of the concession, over the longer concession period," he said. Loong said they viewed positively the decision to keep PLUS in the hands of the government. "At the end of the day, it is consistent with the government's policy of retaining ownership of strategic assets and reducing toll rates. "It is also consistent with the government's aim to acquire concessions that have been privatised, such as other highways, with the intention of reducing toll rates there as well," he said. Dr Mahathir said yesterday that the Cabinet had decided not to sell the highway operator. He said the government had studied the proposals it had received, and decided that it was best to keep it under the ownership of hazanah Nasional and Employees Provident Fund (EPF). Currently, PLUS is controlled by the UEM Group – a subsidiary of Khazanah and the EPF. Khazanah holds 51% stake in PLUS with the remainder 49% held by the EPF. The government had taken a few months to come up with its final decision after considering four offers that were made to acquire PLUS, other than the proposal from Khazanah which sought for the government to take over the asset. The offers for PLUS include one from Tan Sri Halim Saad and Datuk Wong Gian Kui; Widad Business Group Sdn Bhd; Hong Kong-based private equity firm, RRJ Capital; and Tan Sri Abu Sahid Mohamed of Maju Holdings Sdn Bhd. Dr Mahathir said yesterday that the Cabinet had decided not to sell the highway operator. He said the government had studied the proposals it had received, and decided that it was best to keep it under the ownership of Khazanah Nasional and the Employees Provident Fund (EPF). Currently, PLUS is controlled by the UEM Group – a subsidiary of Khazanah and the EPF. Khazanah holds 51% stake in PLUS with the remainder 49% held by the EPF. The government had taken a few months to come up with its final decision after considering four offers that were made to acquire PLUS, other than the proposal from Khazanah which sought for the government to take over the asset. The offers for PLUS include one from Tan Sri Halim Saad and Datuk Wong Gian Kui; Widad Business Group Sdn Bhd; Hong Kong-based private equity firm, RRJ Capital; and Tan Sri Abu Sahid Mohamed of Maju Holdings Sdn Bhd. (Source: *The Star*)

Rating Action			
Issuer	PDS Description	Rating/Outlook	Action
Nil	Nil	Nil	Nil

Source: RAM, MARC

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