

## Global Markets Research

### Fixed Income

#### Fixed Income Daily Market Snapshot

##### US Treasuries

- US Treasuries rallied last Friday; spurred by soft January retail sales data whilst the coronavirus outbreak fears continued to dominate market sentiment. The curve continued to flatten with overall benchmark yields ending between 1-4bps. The UST 2Y edged 1 bp lower at 1.42% whilst the much-watched 10Y declined 3bps at 1.58%. Meanwhile traders are seen to be fixated on the virus outbreak by piling into hedges in the event the contagion turns out to severely impact worldwide economic growth. Much of the activity is seen to revolve around bets that the Fed may feel increased pressure to reduce rates. The Fed is also seen to exit from short-term funding markets in stages despite elevated demand by investors for the central bank's cash. Up next on the data front tomorrow are January's housing starts and building permits followed by Producer Price Indices.

##### MGS/GIII

- Local govvnies saw demand re-emerge despite softer secondary market volume of RM4.0b with interest mainly across the 20-23's and 10Y MGS/GII. Overall benchmark yields ended mostly lower between 0-3bps save for the 7Y. The benchmark 5Y MGS 6/24 edged 1bp lower at 2.70% whilst the 10Y MGS 8/29 declined 2bps at 2.87%. GII bonds eased again to form about ~35% of overall trades. BNM governor earlier said the country has "policy space" for another rate cut to support the economy. Meanwhile Moody's has maintained the credit profile of Malaysia with an A3-rating; supported by the country's "a1" economic strength and "a2" institutions and governance strength and also a "baa3" fiscal strength is maintained.

##### Corp Bonds/Sukuk

- Corporate bonds/Sukuk space saw solid interest yet again last Friday amid secondary market volume @ RM1.03b with interest seen across the the most parts of the curve on about 41 various names. The Govt-guaranteed PTPTN 22-23's closed between 6-21bps lower compared to previous-done levels at 2.84-86% whereas the 2026-2027 tranches closed even more sharply lower on yields at 3.01%. AAA-rated DIGI 4/22, 9/26, 4/27 and 9/29 ended between 18-55bps lower too between 3.11-20%. The short-tenured energy-related bonds i.e. JEV 20's similarly closed lower on yields between 3.09-10% levels whilst toll-operator DUKE# saw both the 8/28 and 8/35 tranches close mixed between -21 and +3bps at 4.19% and 4.54% respectively. The banking space saw ALLIANCE Bank 25NC20 close between 32-43bps lower between 3.52-58% area.

##### UST

Tenure	Closing (%)	Chg (bps)
2-yr UST	1.42	-1
5-yr UST	1.41	-3
10-yr UST	1.58	-3
30-yr UST	2.03	-4

##### MGS

##### GII\*

Tenure	Closing (%)	Chg (bps)	Closing (%)	Chg (bps)
3-yr	2.65	0	2.68	-3
5-yr	2.70	-1	2.76	0
7-yr	2.84	2	2.81	0
10-yr	2.87	-2	2.92	0
15-yr	3.09	0	3.10	0
20-yr	3.22	0	3.30	0
30-yr	3.59	-2	3.60	0

\* Market indicative levels

##### MYR IRS Levels

IRS	Closing (%)	Chg (bps)
1-yr	2.86	-2
3-yr	2.80	-3
5-yr	2.83	-3
7-yr	2.89	-3
10-yr	3.00	-6

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	2.773	489	2.583	13/02/2020	19
MGS 07/20	2.626	110	2.590	13/02/2020	4
MGS 10/20	2.589	9	2.618	13/02/2020	-3
MGS 07/21	2.628	12	2.631	13/02/2020	0
MGS 09/21	2.636	11	2.648	13/02/2020	-1
MGS 11/21	2.623	88	2.639	13/02/2020	-2
MGS 03/22	2.650	6	2.652	13/02/2020	0
MGS 03/23	2.651	45	2.661	13/02/2020	-1
MGS 04/23	2.689	242	2.690	13/02/2020	0
MGS 08/23	2.699	4	2.697	13/02/2020	0
MGS 06/24	2.699	8	2.715	13/02/2020	-2
MGS 07/24	2.719	8	2.735	13/02/2020	-2
MGS 09/24	2.747	22	2.747	13/02/2020	0
MGS 09/25	2.768	6	2.741	13/02/2020	3
MGS 07/26	2.840	32	2.824	13/02/2020	2
MGS 09/26	2.861	20	3.273	08/01/2020	-41
MGS 11/26	2.851	7	2.844	13/02/2020	1
MGS 03/27	2.854	1	2.826	12/02/2020	3
MGS 05/27	2.829	250	2.824	13/02/2020	1
MGS 11/27	2.876	28	2.855	13/02/2020	2
MGS 06/28	2.981	161	3.002	12/02/2020	-2
MGS 09/28	2.932	40	3.123	07/02/2020	-19
MGS 08/29	2.874	491	2.891	13/02/2020	-2
MGS 04/30	2.998	63	2.971	13/02/2020	3
MGS 06/31	3.038	21	3.033	13/02/2020	0
MGS 04/32	3.067	10	3.068	13/02/2020	0
MGS 04/33	3.072	64	3.083	13/02/2020	-1
MGS 11/33	3.093	46	3.085	13/02/2020	1
MGS 07/34	3.091	230	3.092	13/02/2020	0
MGS 05/35	3.166	30	3.311	11/02/2020	-15
MGS 06/38	3.323	21	3.402	11/02/2020	-8
MGS 05/40	3.223	12	3.223	13/02/2020	0
MGS 03/46	3.691	8	3.638	13/02/2020	5
MGS 07/48	3.594	15	3.613	13/02/2020	-2
GII 08/20	2.661	50	2.840	24/01/2020	-18
GII 04/21	2.630	90	2.796	04/02/2020	-17
GII 03/22	2.680	10	2.711	13/02/2020	-3
GII 04/22	2.688	10	2.716	13/02/2020	-3
GII 08/24	2.722	8	2.759	13/02/2020	-4
GII 10/24	2.756	80	2.757	13/02/2020	0
GII 08/25	2.759	78	2.800	13/02/2020	-4
GII 03/26	2.812	110	2.812	13/02/2020	0
GII 09/26	2.851	150	2.859	13/02/2020	-1
GII 07/27	2.896	20	2.904	13/02/2020	-1
GII 12/28	2.931	20	3.163	07/02/2020	-23
GII 07/29	2.918	200	2.917	13/02/2020	0
GII 09/30	3.036	70	3.111	10/02/2020	-8
GII 06/33	3.076	170	3.064	13/02/2020	1
GII 08/33	3.073	40	3.065	13/02/2020	1
GII 11/34	3.104	130	3.100	13/02/2020	0
GII 10/35	3.218	40	3.279	13/02/2020	-6
GII 08/37	3.327	106	3.319	13/02/2020	1
GII 05/47	3.613	5	3.613	13/02/2020	0
		<u>3997</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*	
Perbadanan Tabung Pendidikan Tinggi Nasional	06/22	GG	2.840	50	2.898	12/02/2020	-6	19
DanaInfra Nasional Berhad	02/23	GG	2.838	20	3.661	24/05/2019	-82	17
Perbadanan Tabung Pendidikan Tinggi Nasional	08/23	GG	2.859	150	3.069	04/02/2020	-21	16
Khazanah Nasional Berhad	03/24	GG	2.906	20	3.181	22/01/2020	-28	20
DanaInfra Nasional Berhad	04/25	GG	2.972	90	3.179	04/02/2020	-21	24
DanaInfra Nasional Berhad	11/25	GG	2.984	50	3.392	19/08/2019	-41	19
Pengurusan Air SPV Berhad	02/26	GG	2.980	15	2.999	13/02/2020	-2	19
Perbadanan Tabung Pendidikan Tinggi Nasional	07/26	GG	3.013	20	3.379	08/01/2020	-37	22
Perbadanan Tabung Pendidikan Tinggi Nasional	08/26	GG	3.013	40	3.488	24/12/2019	-48	19
DanaInfra Nasional Berhad	11/26	GG	3.007	70	-	-	-	18
DanaInfra Nasional Berhad	10/28	GG	3.041	30	3.589	02/01/2020	-55	16
Cagamas Berhad	08/20	AAA	2.811	10	-	-	-	18
Sarawak Energy Berhad	01/22	AAA	3.046	10	3.225	30/01/2020	-18	39
Bank Pembangunan Malaysia Berhad	03/22	AAA	3.148	15	3.314	10/02/2020	-17	50
DiGi Telecommunications Sdn Berhad	04/22	AAA	3.025	10	3.204	10/02/2020	-18	37
GENM Capital Berhad	07/23	AAA	3.331	5	3.647	13/02/2020	-32	66
Projek Lebuhraya Usahasama Berhad	01/26	AAA	3.340	40	3.453	12/02/2020	-11	55
Sarawak Energy Berhad	06/26	AAA	3.184	26	3.237	13/02/2020	-5	39
DiGi Telecommunications Sdn Berhad	09/26	AAA	3.112	20	3.291	12/02/2020	-18	29
DiGi Telecommunications Sdn Berhad	04/27	AAA	3.143	20	3.688	25/11/2019	-55	32
DiGi Telecommunications Sdn Berhad	09/29	AAA	3.199	10	3.497	29/01/2020	-30	32
Genting RMTN Berhad	11/34	AAA	3.997	1	3.997	13/02/2020	0	91
Sabah Development Bank Berhad	04/26	AA1	3.878	20	4.109	29/01/2020	-23	109
YTL Corporation Berhad	06/34	AA1	3.919	3	4.300	18/11/2019	-38	83
Celcom Networks Sdn Berhad	10/26	AA+	3.208	20	3.685	17/01/2020	-48	38
First Resources Limited	06/20	AA2	3.302	30	3.387	11/02/2020	-9	67
UMW Holdings Berhad	02/21	AA2	3.187	20	3.268	11/02/2020	-8	56
Fortune Premiere Sdn Berhad	09/26	AA	3.519	10	3.551	13/02/2020	-3	69
Jimah Energy Ventures Sdn Berhad	05/20	AA3	3.100	10	3.396	01/10/2019	-30	47
Jimah Energy Ventures Sdn Berhad	05/20	AA3	3.090	10	3.375	26/11/2019	-29	46
Perbadanan Kemajuan Negeri Selangor	06/22	AA3	3.395	20	3.427	13/02/2020	-3	74
UiTM Solar Power Sdn Berhad	04/23	AA-	3.894	10	-	-	-	122
SAJ Capital Sdn Berhad	01/26	AA-	3.830	5	4.367	10/12/2019	-54	104
Lebuhraya DUKE Fasa 3 Sdn Berhad	08/28	AA-	4.190	10	4.398	25/07/2019	-21	131
Lebuhraya DUKE Fasa 3 Sdn Berhad	08/34	AA-	4.540	40	4.510	12/02/2020	3	145
Bank Islam Malaysia Berhad	12/25	A1	3.147	10	3.288	10/02/2020	-14	35
UMW Holdings Berhad	04/18	A1	4.148	60	4.229	13/02/2020	-8	91
Alliance Bank Malaysia Berhad	10/25	A2	3.529	10	3.851	12/02/2020	-32	74
Alliance Bank Malaysia Berhad	12/25	A2	3.583	20	4.017	06/12/2019	-43	79
Eco World International Berhad	10/21	-	4.340	2	4.994	07/02/2020	-65	-
IJM Land Berhad	03/19	A2	4.726	1	4.667	13/02/2020	6	149
				1033				

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

### Market/Corporate News: What's Brewing

Following global best practices, the government should start moving away from having direct involvement in the management of government-linked companies (GLCs), especially through golden shares. This is because, as economic sectors become more liberalised while regulators become more sophisticated, the concept of golden shares as a means of control has become less relevant. Just last week, the Malaysian Aviation Commission highlighted at a media briefing that the government should not have a golden share in the aviation sector, specifically in the public-listed airport operator Malaysia Airports Holdings Bhd (MAHB), in order to establish a fair and competitive commercial environment for the industry. Institute for Democracy and Economic Affairs research manager of the economics and business unit Lau Zheng Zhou explained that historically, golden shares were used mostly in strategic sectors such as utilities and infrastructure companies, without which, the economy may not function. But as the economy develops, Lau said, the government's role in the current economy should remain as a policymaker, not a market participant. "I understand that [the rationale for] the government wants to regulate these strategic sectors, but how best does the government intend to regulate them? Must the government need the golden share to achieve this?" he questioned. Instead, Lau advocated for regulatory institutions and their framework to be empowered and strengthened in order to ensure a fair competition and efficient running of the industries. "We must work towards disentangling government control in businesses. Ownership is fine, but I think it's best for the government not to take up a managerial role [in GLCs]," he said. Lau contended that the presence of a golden share may be seen as a threat to markets, as the law provides the government to do as it pleases. For instance, when a decision is made by

the board, the government may overrule the decision by exercising its right as a holder of golden shares by arguing that it is not in line with the “strategic interests of the country”. But the “strategic interests of the country” is arbitrary and may shift with the change in administration, Lau explained. “The abolishment of golden shares must be seen as part of a greater effort to regulate GLCs in a more efficient way. This would restore market confidence in the industry, and signal that the government is serious about reform,” he added. Furthermore, the government has other mechanisms and means of intervention to achieve its objective of reinforcing an open and transparent business environment, according to Kenanga Investment head of research Koh Huat Soon. “It (golden shares) seems redundant. Surely, there are already representations from the government in the board, via representatives from Khazanah Nasional Bhd for instance, that would carry out a certain degree of government oversight of these GLCs,” he told The Edge Financial Daily. “I think having representatives from the government in the board is sufficient. Having a golden share on top of that doesn’t serve a significant purpose,” he added. However, Koh admitted that the golden share is essential for the government to establish a sense of control in the GLCs, under the circumstance that Khazanah starts paring down its equity stake in the GLCs. The concern with golden shares, Koh said, is that the market is sceptical and suspicious of it because no one could rule out the likelihood of it being abused for political ends. But, by the same token, if the government is righteous, having a golden share may be justified for the protection of national interests, he added. The issue of whether Malaysia should end its practice of owning golden shares in publicly-listed GLCs has sparked discussions of late. Khazanah managing director Datuk Shahril Ridza Ridzuan on Jan 14 urged Putrajaya to do away with having golden shares in GLCs as a means of control. Instead, he suggested that GLCs be regulated by industry regulators rather than via direct intervention in the companies’ management, which could be detrimental to the companies’ way of doing business. But Prime Minister Tun Dr Mahathir Mohamad was quoted by the media as saying that the government insists on having golden shares to prevent the mismanagement of GLCs. A golden share allows the government to veto strategic decisions made by the board, such as overruling the appointment of top management positions. This gives the government the power to exercise its right to exert control of these companies if needed. “If the government truly intends to let the industry flourish, they can achieve it even with the golden shares. At the same time, getting rid of the golden shares won’t change anything if the government does not have its priorities right. “In the end, it is still up to the government whether they want to impose control over these companies,” an analyst covering MAHB told The Edge Financial Daily. “If the government decides to abolish the golden share, it would be nice from a perspective point of view. Investors may have a better sentiment when businesses have less political interference,” the analyst added. The view is concurred by another analyst from a bank-backed research house who declined to be named due to the sensitivity of the issue. He said the government needs to be seen as being impartial and not interfering directly in the business operations of GLCs. “When decisions are made, there may be accusations levelled at the government that they were not market-driven decisions. As such, it won’t look good based on market sentiment,” the analyst commented. “The idea is to show that the government is reducing its interference in businesses,” he added. Interestingly, Hong Leong Investment Bank Bhd analyst Daniel Wong pointed out that the government has technically not exercised the rights provided by the golden share. Hence, by its very nature, golden shares in itself do not affect investors’ sentiment. “In essence, the golden share doesn’t really affect a company’s operations. What benefit will the market get if the government decides to get rid of the golden share? Nothing,” he argued. Case in point; foreign ownership of MAHB is currently at over 30%, which goes to show that investors’ confidence is not affected by the golden share held by the government. Wong argued that whether or not the government has a golden share in a GLC is negligible, as it does not contribute nor does it damage the fundamentals of the company. In fact, he went on to say that it would not have any effect on its share price either. “I won’t oppose the call to abolish the golden share. I just don’t see it will result in any effect on investors. Even without the golden share, it will be status quo for the industry,” Wong said. According to the ministry of finance, as of Oct 24, the government had 32 golden shares in various companies, seven of which are listed entities.. (Source: *The Edgemarkets*)

Rating Action			
Issuer	PDS Description	Rating/Outlook	Action
Northport (Malaysia) Bhd	Islamic Commercial Papers (ICP) Programme Islamic Medium-Term Notes (IMTN) Programme	MARC-1IS AA-IS/Stable	Affirmed

Source: RAM, MARC

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