

Global Markets Research

Fixed Income

UST		
Tenure	Closing (%)	Chg (bps)
2-yr UST	1.43	0
5-yr UST	1.42	0
10-yr UST	1.59	0
30-yr UST	2.04	0

MGS		GII*		
Tenure	Closing (%)	Chg (bps)	Closing (%)	Chg (bps)
3-yr	2.65	0	2.68	0
5-yr	2.72	2	2.76	0
7-yr	2.81	-3	2.81	0
10-yr	2.88	0	2.92	0
15-yr	3.09	0	3.10	0
20-yr	3.24	2	3.31	0
30-yr	3.60	1	3.60	0

* Market indicative levels

MYR IRS Levels		
IRS	Closing (%)	Chg (bps)
1-yr	2.86	0
3-yr	2.80	0
5-yr	2.83	0
7-yr	2.90	0
10-yr	3.01	0

Source : Bloomberg

Upcoming Government Bond Tender

Nil

Fixed Income Daily Market Snapshot

US Treasuries

- US markets were closed Monday to celebrate the President's Day. Meanwhile UST futures are gaining at the time of writing with the underlying cash yields expected to reopen around 1-2 bps lower tonight following Apple Inc's profit warning due to the Covid-19 viral outbreak affecting many countries worldwide. The impact on financial markets are now dependent on fragile sentiments pertaining to the viral outbreak. Up next on the data front tomorrow are peripheral economic data and reports on the Empire Fed and NAHB housing market index.

MGS/GIII

- Local govvnies saw profit-taking emerge demand emerge amid soft secondary market volume of a mere RM1.84b with interest mainly across the off-the-run 20's and longer-tenured 37's and 40's. Overall benchmark yields gave up prior day's gains; ending between 0-2bps save for the 7Y MGS. The benchmark 5Y MGS 6/24 rose 2bps at 2.72% whilst the 10Y MGS 8/29 closed within 1bps higher at 2.88%. GII bonds eased again to form about ~ 25% of overall trades. BNM governor earlier said the country has "policy space" for another rate cut to support the economy. Investors are beginning to acknowledge the fact that the financial markets are becoming more sensitive to the macro impact of the Covid-19 viral outbreak on Chinese demand and the subsequent supply chain.

Corp Bonds/Sukuk

- Corporate bonds/Sukuk space however saw decent interest yesterday despite halving of secondary market volume to RM500b with interest seen equally across GG-AA part of the curve on about 26 various names. The Govt-guaranteed DANA and KHAZANAH 24's dominated the GG-space closing between 27-89bps sharply lower compared to previous-done levels at 2.89-93% levels. AAA-rated BAKUN 8/20 saw substantial volume traded 4bps lower at 318% whereas TNB Northern 11/24 ended 47bps lower at 3.17%. AA-rated toll-operator DUKE3 saw both the 2035 and 2039 tranches edge 1bps higher instead at 4.57% and 4.82% respectively. The banking space saw BPMB 11/35 end shrply lower on yields at 3.68%

Daily Trades : Government Bond

Securities	Closing	Vol	Previous	Previous	Chg
	YTM	(RM mil)	YTM	Trade Date (dd/mm/yyyy)	(bp)
MGS 03/20	2.739	130	2.773	14/02/2020	-3
MGS 07/20	2.641	127	2.626	14/02/2020	2
MGS 10/20	2.651	210	2.589	14/02/2020	6
MGS 11/21	2.646	4	2.623	14/02/2020	2
MGS 03/22	2.649	20	2.650	14/02/2020	0
MGS 03/23	2.667	2	2.651	14/02/2020	2
MGS 06/24	2.724	50	2.699	14/02/2020	3
MGS 07/24	2.740	1	2.719	14/02/2020	2
MGS 03/25	2.743	1	2.750	13/02/2020	-1
MGS 09/25	2.737	95	2.768	14/02/2020	-3
MGS 04/26	2.837	30	2.826	12/02/2020	1
MGS 07/26	2.810	80	2.840	14/02/2020	-3
MGS 11/26	2.839	35	2.851	14/02/2020	-1
MGS 03/27	2.859	20	2.854	14/02/2020	0
MGS 05/27	2.828	20	2.829	14/02/2020	0
MGS 11/27	2.870	16	2.876	14/02/2020	-1
MGS 06/28	2.882	25	2.981	14/02/2020	-10
MGS 09/28	2.931	30	2.932	14/02/2020	0
MGS 08/29	2.879	67	2.874	14/02/2020	0
MGS 04/30	3.003	15	2.998	14/02/2020	0
MGS 06/31	3.038	71	3.038	14/02/2020	0
MGS 04/32	3.068	20	3.067	14/02/2020	0
MGS 04/33	3.094	1	3.072	14/02/2020	2
MGS 11/33	3.085	90	3.093	14/02/2020	-1
MGS 07/34	3.091	81	3.091	14/02/2020	0
MGS 06/38	3.323	40	3.323	14/02/2020	0
MGS 05/40	3.239	100	3.223	14/02/2020	2
MGS 07/48	3.602	4	3.594	14/02/2020	1
GII 03/21	2.617	20	2.643	13/02/2020	-3
GII 10/24	2.760	30	2.756	14/02/2020	0
GII 03/26	2.812	135	2.812	14/02/2020	0
GII 07/27	2.899	30	2.896	14/02/2020	0
GII 07/29	2.919	4	2.918	14/02/2020	0
GII 08/33	3.074	20	3.073	14/02/2020	0
GII 11/34	3.101	30	3.104	14/02/2020	0
GII 10/35	3.212	40	3.218	14/02/2020	-1
GII 08/37	3.319	100	3.327	14/02/2020	-1
GII 09/39	3.307	40	3.302	13/02/2020	0
		<u>1836</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*	
Danalnra Nasional Berhad	03/24	GG	2.889	40	3.400	20/11/2019	-51	18
Danalnra Nasional Berhad	07/24	GG	2.900	40	3.330	06/09/2019	-43	19
Danalnra Nasional Berhad	07/24	GG	2.919	85	3.806	23/04/2019	-89	21
Khazanah Nasional Berhad	08/24	GG	2.929	50	3.201	22/01/2020	-27	20
Pengurusan Air SPV Berhad	02/26	GG	2.980	20	2.980	14/02/2020	0	19
Danalnra Nasional Berhad	11/35	GG	3.260	10	3.485	30/01/2020	-23	16
Cagamas Berhad	03/20	AAA	3.115	20	3.123	12/12/2019	-1	47
Bakun Hydro Power Generation Sdn Berhad (fkc)	08/20	AAA	3.180	50	3.222	04/02/2020	-4	54
Malaysia Steel Works (KL) Berhad	11/21	AAA	3.639	10	3.989	07/11/2019	-35	98
TNB Northern Energy Berhad	11/24	AAA	3.165	10	3.639	28/11/2019	-47	44
Bank Pembangunan Malaysia Berhad	11/35	AAA	3.680	5	4.099	14/01/2020	-42	58
YTL Power International Berhad	03/23	AA1	3.418	10	3.608	30/01/2020	-19	75
Kuala Lumpur Kepong Berhad	09/29	AA1	3.348	5	3.567	03/02/2020	-22	47
Tanjung Bin Power Sdn Berhad	08/20	AA2	3.051	10	3.203	11/02/2020	-15	41
Malaysia Airport Holdings Berhad	12/14	AA2	3.725	20	4.122	13/12/2019	-40	48
Fortune Premiere Sdn Berhad	12/22	AA	3.303	10	3.665	19/09/2019	-36	63
Country Garden Real Estate Sdn Berhad	03/22	AA3	4.420	10	4.486	12/02/2020	-7	176
Country Garden Real Estate Sdn Berhad	05/22	AA3	4.428	5	6.228	26/07/2019	-180	177
Mumtaz Rakyat Sukuk Berhad	06/26	AA3	3.420	10	3.575	06/02/2020	-16	63
CIMB Group Holdings Berhad	04/60	AA3	3.542	10	3.848	23/01/2020	-31	30
UEM Sunrise Berhad	12/22	AA-	3.274	10	3.628	29/10/2019	-35	60
Southern Power Generation Sdn Berhad	10/25	AA-	3.399	10	3.830	10/12/2019	-43	61
Lebuhraya DUKE Fasa 3 Sdn Berhad	08/35	AA-	4.569	10	4.560	12/02/2020	1	147
Lebuhraya DUKE Fasa 3 Sdn Berhad	08/39	AA-	4.818	10	4.810	12/02/2020	1	157
WCT Holdings Berhad	09/19	A	5.498	20	5.873	07/11/2019	-38	225
Konsortium Lebuhraya Utara-Timur (KL) Sdn Be	12/23	AA-	3.638	10	4.451	10/05/2019	-81	93
			<u>500</u>					

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

Market/Corporate News: What's Brewing

Banks in Malaysia may see further compression in net interest margin (NIM) by three to four basis points (bps) should the central bank cut interest rates again in the coming months to support the country's slowing economy. Analysing the possibility of Bank Negara cutting the overnight policy rate (OPR) by another 25bps to 2.5%, A research entity said the move could further narrow banks' average NIMs for 2020 to 2.12% from its current estimate 2.15%. This is after having taken into account the 25bps cut in OPR in January. The entity expected the next round of OPR cut to be in May. So, in total, this would imply a total NIM compression of 10bps this year from an average of 2.22% in 2019. "The earnings have already factored in the 25bp rate cut in January 2020. Assuming another rate cut in May, we estimate this would trim NIMs by three to four bps from our current estimates," the entity said in a recent report. "Correspondingly, we estimate a 2.1% cut in earnings for 2020 and 2.9% in 2021 on average, stemming from the NIM compression. Following from the earnings revision, we expect average return-on-equity ratios to soften to 9.4% in 2020 and 2021 from current estimates of 9.5% and 9.7%, respectively," it added. According to another research outfit, Alliance Bank Malaysia Bhd would see the largest NIM compression among its peers, given the bank's larger variable rate loan portfolio and higher CASA (current account savings account) balances relative to its peers. As such, the impact on Alliance Bank's earnings was also expected to be bigger with a potential 7% impact to its earnings for the financial year ending March 31, 2021. Overall, it maintained a "neutral" stance on the banking sector. "With the weak gross domestic product (GDP) momentum, a further rate cut for the year (taking it to a total 50bps OPR cut in 2020) cannot be ruled out," an analyst said. Explaining the reason it expected the next round of OPR cut (if any) to take place in May, the brokerage said: "Our Economics team is of the opinion that Bank Negara will have to first analyse the impact of the initial 25bps OPR cut in January 2020 on the economy, as well as the effect of any fiscal stimulus package that the government announces. As such, the team believes it would be the Monetary Policy Committee meeting in May that will have to be closely watched for any further rate cuts." In January, Bank Negara cut the OPR by 25 bps to 2.75%, after lowering it by 25bps in May last year to 3%. Last week, governor Datuk Nor Shamsiah Mohd Yunus said the central bank had ample room to adjust the OPR lower due to economic challenges amid the outbreak of the novel coronavirus (Covid-19). Malaysia's GDP growth in the fourth quarter of 2019 slowed to its lowest pace in a decade at 3.9% due to slower global growth and trade activities, contraction in public investments and disruptions in commodity-related sectors. Nor Shamsiah conceded that the country's economy could see further sluggishness in the first quarter of 2020 due to Covid-19, prompting speculations that the central bank would embark on another round of rate cut to mitigate the downside risk. Meanwhile, another research outfit said impact on banks' earnings for every 25bps cut in OPR would be mild, with a reduction of between 1% and 3%, while impact on NIMs would be a reduction of around two to four bps. "The impact of any OPR change will be short term (estimated three to six months) as the repricing of deposits to lower rates will eventually catch up with the drop in lending rates," the entity said. (Source: *The Star*)

Ports and logistics companies in Malaysia will feel the impact of the Covid-19 coronavirus should the effects of quarantine measures by China's government prolong longer than expected. According to industry analysts and operators, the main factor would be how long the quarantine efforts to combat the outbreak would last, as that would disrupt the ability of workers and operations of companies. Westports Holdings Bhd group managing director Datuk Ruben Emir Gnanalingam told StarBiz that the impact from the Covid-19 outbreak in China was minimal for now. "It really depends on how long this Covid-19 outbreak lasts. If it finishes soon, then there will be very minimal impact. But if let's say it lasts until July or August then the impact is going to be quite large for us," he said. "For now, we see a small impact only. We know now that quite a number of factories in China are closed and we will need to see when they reopen. Also, people are not going out very much and consumption is also very much impacted by this. Travel also stimulates a lot of consumption," he added. Ruben said that should everything resume to normal in China by March, then the company would be alright. But should

the depressed conditions persist beyond that, then it will start to impact the company negatively.
(Source: *The Star*)

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

Source: RAM, MARC

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