Global Markets Research
Fixed Income

Fixed Income Daily Market Snapshot

US Treasuries

- US Treasuries saw yields spike on Wednesday as selling exacerbated on liquidity/funding stresses concerns and also additional supply concerns for the purpose of fiscal stimulus packages. Overall benchmark yields declined sharply between 5-28bps with the UST 2Y at 0.46% whilst the much-watched UST 10Y ended 24bps higher at a 3-week high of 1.12%. Bonds were seen selling off in tandem with equities asset class. The FOMC meeting scheduled for 17-18th March is cancelled following the Fed's successive 150bps cut on the 3rd and 15th this month with the next meet scheduled for 28-29th of April. Expect volatility as most dealers have different mandates on inventory holding requirements.

MGS/GIII

- Local govvies saw increased activity amid high secondary market volume of RM9.29b as net selling activities caused overall benchmark yields to end mostly higher. Interest was mainly centred in the off-the-run 20's, 23's, 27's and also benchmark 3Y, 5Y and 10Y MGS/GII. The benchmark 5Y MGS 6/24 ended 10bps higher at 3.22% whilst the 10Y MGS 8/29 however closed 7bps lower at 3.25% instead. GII bonds rose to form about ~30% of overall trades. The near-term FTSE Russell's interim update on the nation's Fixed Income country classification is only expected out on the 2nd of April. Expect weakness to prevail as the nation reels from plunging oil prices, COVID-19 impact on the economy and also weakness in MYR.

Corp Bonds/Sukuk

- Corporate bonds/Sukuk space saw activity taper off amid secondary market volume of RM378m with interest still seen mainly in the GG-AA part of the curve. Overall yields closed mostly mixed-to-higher instead. Govt-guaranteed DANA and PRASA dominated with the mid-longer end exchanging hands. PRASA 2/30 and DANA 10/31 spiked between 49-63bps at 3.63% and 3.60% respectively. Similarly, BAKUN 8/25 and DIGI 9/29 closed weaker at 3.58% and 3.66% each. AA-rated PROHAWK 12/21 notched a single trade; edging 1bps lower at 3.24% whilst JEP 6/26 bucked the overall trend by rallying 42bps at 3.79%. The banking space saw RM120m in nominal amounts traded on RHB 27NC22 which closed 15bps higher at 3.60%.

UST		
Tenure	Closing (%)	Chg (bps)
2-yr UST	0.46	5
5-yr UST	0.71	14
10-yr UST	1.12	24
30-yr UST	1.74	28

	MGS		GII*	
Tenure	Closing (%)	Chg (bps)	Closing (%)	Chg (bps)
3-yr	2.88	5	2.80	0
5-yr	3.22	10	3.32	44
7-yr	3.37	18	3.41	35
10-yr	3.25	-7	3.39	9
15-yr	3.61	12	3.69	19
20-yr	3.61	0	3.74	14
30-yr	4.20	17	4.37	45

** Market indicative levels*

MYR IRS Levels		
IRS	Closing (%)	Chg (bps)
1-yr	2.49	0
3-yr	2.50	3
5-yr	2.58	9
7-yr	2.70	10
10-yr	3.00	15

Source : Bloomberg

Upcoming Government Bond Tender

Re-opening of RM4.0b of 5Y MGS 9/25 on Friday, 20th March 2020

Daily Trades : Government Bond

Securities	(dd/mm/ yyyy)	Closing YTM	Vol (RM mil)	Previous YTM	Previous Trade Date (dd/mm/yyyy)	Chg (bp)
MGS	03/20	2.780	974	2.835	17/03/2020	-6
MGS	07/20	2.700	80	2.696	17/03/2020	0
MGS	10/20	2.588	38	2.535	17/03/2020	5
MGS	07/21	2.876	25	2.750	17/03/2020	13
MGS	09/21	2.732	1	2.778	17/03/2020	-5
MGS	03/22	3.092	274	2.870	17/03/2020	22
MGS	08/22	2.984	40	2.786	17/03/2020	20
MGS	09/22	3.173	6	2.867	17/03/2020	31
MGS	03/23	2.878	251	2.827	17/03/2020	5
MGS	04/23	3.207	82	3.022	17/03/2020	19
MGS	08/23	3.238	394	3.054	17/03/2020	18
MGS	06/24	3.223	722	3.122	17/03/2020	10
MGS	07/24	3.255	382	3.146	17/03/2020	11
MGS	09/24	3.387	119	3.106	17/03/2020	28
MGS	03/25	3.351	32	3.001	17/03/2020	35
MGS	09/25	3.238	471	3.136	17/03/2020	10
MGS	04/26	3.215	1	3.258	17/03/2020	-4
MGS	07/26	3.462	93	3.236	17/03/2020	23
MGS	09/26	3.280	43	3.090	16/03/2020	19
MGS	11/26	3.394	43	3.314	17/03/2020	8
MGS	03/27	3.414	5	3.295	17/03/2020	12
MGS	05/27	3.366	284	3.188	17/03/2020	18
MGS	11/27	3.401	402	3.292	17/03/2020	11
MGS	09/28	3.280	41	3.006	12/03/2020	27
MGS	08/29	3.250	850	3.324	17/03/2020	-7
MGS	04/30	3.299	33	3.377	17/03/2020	-8
MGS	06/31	3.678	83	3.440	17/03/2020	24
MGS	04/32	3.376	2	3.845	17/03/2020	-47
MGS	04/33	3.650	41	3.379	17/03/2020	27
MGS	11/33	3.674	7	3.354	16/03/2020	32
MGS	07/34	3.610	195	3.488	17/03/2020	12
MGS	04/37	3.799	51	3.725	17/03/2020	7
MGS	06/38	3.784	319	3.650	17/03/2020	13
MGS	03/46	4.305	7	3.990	17/03/2020	32
MGS	07/48	4.199	51	4.028	17/03/2020	17
GII	04/20	2.767	336	2.756	17/03/2020	1
GII	05/20	2.701	85	2.568	16/03/2020	13
GII	05/20	2.668	30	2.698	12/02/2020	-3
GII	05/20	2.701	19	2.973	14/01/2020	-27
GII	06/20	2.679	650	2.610	13/03/2020	7
GII	08/20	2.699	30	2.551	12/03/2020	15
GII	04/22	2.870	12	2.801	17/03/2020	7
GII	11/22	2.832	3	2.590	05/03/2020	24
GII	07/23	3.104	40	2.841	17/03/2020	26
GII	10/23	3.226	70	2.763	12/03/2020	46
GII	08/24	3.318	170	2.984	17/03/2020	33
GII	10/24	3.321	93	2.880	17/03/2020	44
GII	08/25	3.018	22	3.215	17/03/2020	-20
GII	03/26	3.412	205	3.059	17/03/2020	35
GII	06/27	3.358	10	2.789	09/03/2020	57
GII	10/28	3.320	50	3.404	17/03/2020	-8
GII	12/28	3.343	21	2.822	05/03/2020	52
GII	07/29	3.391	368	3.300	17/03/2020	9
GII	11/34	3.693	90	3.506	17/03/2020	19
GII	09/39	3.740	452	3.605	17/03/2020	14
GII	05/47	4.199	80	3.858	13/03/2020	34
GII	11/49	4.372	20	3.921	17/03/2020	45
			9293			

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*
Khazanah Nasional Berhad	10/27	GG	3.700	10	3.241	12/02/2020	46	34
Prasarana Malaysia Berhad	02/30	GG	3.629	10	3.000	05/03/2020	63	27
DanaInfra Nasional Berhad	10/31	GG	3.599	20	3.110	28/02/2020	49	24
Prasarana Malaysia Berhad	12/32	GG	3.629	20	4.099	10/06/2019	-47	6
Prasarana Malaysia Berhad	08/34	GG	3.880	5	3.649	17/03/2020	23	31
Prasarana Malaysia Berhad	02/35	GG	3.889	5	3.280	24/02/2020	61	32
Prasarana Malaysia Berhad	02/40	GG	4.009	5	3.440	24/02/2020	57	29
DanaInfra Nasional Berhad	04/43	GG	4.139	5	3.470	03/03/2020	67	42
Puncak Wangi Sdn Berhad	11/20	AAA	3.673	25	3.689	17/03/2020	-2	93
Malaysia Steel Works (KL) Berhad	11/21	AAA	3.593	10	3.601	17/03/2020	-1	69
Bakun Hydro Power Generation Sdn Berhad (fka S	08/25	AAA	3.578	20	3.050	13/03/2020	53	36
DiGi Telecommunications Sdn Berhad	09/29	AAA	3.655	20	3.429	17/03/2020	23	30
United Overseas Bank (Malaysia) Berhad	07/28	AA1	3.682	20	3.906	20/12/2019	-22	32
AmBank (M) Berhad	06/20	AA2	3.008	5	3.008	17/03/2020	0	26
Konsortium ProHAWK Sdn Berhad	12/21	AA2	3.242	5	3.251	17/03/2020	-1	34
Anih Berhad	11/25	AA	3.559	10	3.636	23/01/2020	-8	28
Anih Berhad	11/29	AA	3.680	2	3.945	16/01/2020	-27	32
Country Garden Real Estate Sdn Berhad	02/23	AA3	5.845	1	4.684	20/02/2020	116	283
Jimah East Power Sdn Berhad	06/26	AA-	3.790	10	4.207	28/06/2019	-42	51
RHB Bank Berhad	09/27	AA3	3.599	120	3.451	25/02/2020	15	24
SAJ Capital Sdn Berhad	01/22	AA-	3.552	10	3.560	17/03/2020	-1	65
Penang Port Sdn Berhad	12/31	AA-	4.160	10	3.789	11/03/2020	37	80
TG Excellence Berhad	02/20	AA-	4.473	3	3.898	17/03/2020	58	76
Kedah Cement Sdn Berhad (fka Lafarge Cement S	12/20	A1	3.515	20	3.053	05/03/2020	46	77
CIMB Group Holdings Berhad	05/16	A1	4.514	1	3.387	09/03/2020	113	80
CIMB Group Holdings Berhad	05/16	A1	5.615	1	4.100	17/03/2020	152	190
UMW Holdings Berhad	04/18	A1	6.335	1	4.559	13/03/2020	178	262
MBSB Bank Berhad (fka Asian Finance Bank Berh	12/31	A3	4.580	1	4.580	13/03/2020	0	122
AEON Credit Service (M) Berhad	12/14	-	6.585	1	6.120	17/03/2020	47	287
Mah Sing Group Berhad	04/17	-	5.064	1	6.876	17/03/2020	-181	135
Tropicana Corporation Berhad	09/19	-	6.228	1	6.097	17/03/2020	13	251
				378				

spread against nearest indicative tenured MGS (Source : BPAM)

Market/Corporate News: What's Brewing

Brace for the next recession, pundits have warned as central banks and governments scramble to unleash their financial bazookas to save the flailing global economy. Some 12 years after the previous devastating global economic turmoil, one of the Big Three ratings agencies thinks that the world will enter into recession in 2020, with "a recession across Asia-Pacific now guaranteed." S&P Global Ratings estimates the impending recession to result in US$400bil permanent income losses this year. Unlike the 2008 global financial crisis, the cause of the next recession will not be primarily triggered by the financial sector meltdown. This time around, S&P Global said, a recession will be triggered by the novel coronavirus (Covid-19) outbreak that has led to a deep first quarter shock in China and the shutdown of activities across the G7 economies. It added that a loss in household and business confidence in these economies will translate into severe and more persistent supply and demand shocks across the region. The projected economic shock would also lead to rising unemployment rates in Asia-Pacific countries, according to the ratings agency. "By recession, we mean at least two quarters of well below-trend growth sufficient to trigger rising unemployment. Asia-Pacific growth in aggregate will likely more than halve to less than 3%. "The rising scale of the shock will leave permanent scars on balance sheets and in labour markets, resulting in a more drawn-out, U-shape recovery. "We will flesh out forecasts for the region soon but we should expect downward revisions of about 0.5 to one percentage point across the board, " stated S&P Global in a report issued on March 17. The report also cited Malaysia as one of the Asia-Pacific countries most exposed to a final demand shockwave from the US and Europe. According to S&P Global, nearly 10% of the Malaysian gross domestic product is exposed to final demand from the US and Europe, given its trade-oriented economy. For context, Singapore is ranked first in the region as about 17.3% of its economy is exposed to final demand from the US and Europe, followed by Vietnam (15.2%) and Thailand (11.1%). "While these comprehensive data are lagging--we only have the 2015 results - they tend to be sticky over time and likely provide a fair reflection of current exposures. "Exposures may be somewhat smaller now, reflecting the rising importance of demand from China - but still in the ballpark, " said the ratings agency. Meanwhile, Bloomberg also reported that Morgan Stanley and Golman Sachs have declared that a global recession is imminent. While the slump is likely to be worse than the 2001 dotcom crisis, the report said it would not be as deep as the previous recession in 2009. "Morgan Stanley's team, led by Chetan Ahya, said a worldwide recession is now its "base case, " with growth expected to fall to 0.9% this year. At Goldman Sachs, Jan Hatzius and colleagues predict a weakening of growth to 1.25%. "S&P Global added its voice to the chorus with a report expecting that growth would range 1% to 1.5%. "Both Morgan Stanley and Goldman Sachs anticipate a rebound in the second half, but warn that the risk remains of even greater economic pain, " stated the news report. Globally, it is a case of race to the bottom as central banks are easing their monetary policy to inject better liquidity into the financial system and support the struggling economy. Recently, the US' Federal Reserve has cut its benchmark federal funds rate to near zero, back to the levels since the 2008 global financial crisis. The Bank of England also announced an emergency cut in interest rates to 0.25% from 0.75% earlier taking borrowing costs back down to the lowest level in history. On the domestic front, Bank Negara has introduced two rounds of cuts to its Overnight Policy Rate in 2020 so far, bringing down the rate by 50 basis points this year alone to 2.5%. Meanwhile, governments across the world have also been injecting massive fiscal stimulus in an attempt to spur local economic activities. In the case of Malaysia, former Prime Minister Tun Dr Mahathir Mohamad had announced a RM20bil fiscal stimulus package on Feb 27 to shore up the economy amid the coronavirus outbreak. Amid the global mad rush to soften the impact of a major economic slowdown, S&P Global said the risks are still on the downside. "Aside from failure of virus containment, the key risk is that tighter financial conditions trigger destabilization in more vulnerable pockets of the region's financial system. "Emerging markets, for now, remain most vulnerable to these skew risks, " it said. (*Source: The Star*)

The Employees Provident Fund (EPF) has decided to keep the minimum eligibility score of Simple Average Rating for Consistent Returns (SACR) for unit trust funds at 2.33, given the current market volatility. On March 16, The Edge Malaysia weekly reported that the EPF was considering raising the SACR to 3.00 from the current 2.33 for the upcoming 2020/2021 period, which could see more unit trust funds dropping off the list of funds that qualify for offering under the EPF Members Investment Scheme (EPF MIS). In a circular dated March 17 to participating fund management institutions (FMIs) and seen by The Edge Financial Daily, the EPF said the SACR will take effect on April 1 for the 2020/2021 period. "Any funds whose investment objectives or Lipper classification change during the 2020/2021 period will be dropped from the list," the pension fund added. It is not known if there is any change to the number of funds qualified for offering under the EPF MIS for the upcoming period as it has yet to release the latest list. When contacted, EPF chief executive officer Tunku Alizakri Raja Muhammad Alias said: "The SACR should be realistic, practical and reflect market conditions but still ensure that minimum standards of excellence are maintained." A total of 282 funds from 19 FMIs qualified for offering under the EPF MIS for the 2019/2020 period. This is a marginal increase of 0.7% from the 2018/2019 period. However, the EPF was considering upping the SACR, although some fund managers had expressed concern over the higher eligibility score, saying that they were already struggling to deliver consistent returns across their funds under the EPF MIS amid current market volatility. The last time the SACR was raised to 2.33 from 2.00 was in 2017. Prior to that, the minimum eligibility score was raised to 2.00 from 1.67 in 2013. The unit trust funds approved for MIS are evaluated every year based on a list of criteria set by the EPF and approved by the finance ministry. Funds that fall below the minimum requirement will be suspended and will not be offered during the period. The EPF would normally release the new list of unit trust funds offered under the scheme around this time. The SACR was introduced in 2010 to provide further protection for investors by screening out the bottom performers. It is computed based on the fund's aggregate performance over a three-year period, and taking into account its performance against its peers. The MIS was introduced as an option for members to invest a portion of their EPF Account 1 savings in unit trust funds or via private mandates managed by the appointed FMIs. It is aimed at allowing EPF members to diversify their retirement portfolio and enhance retirement savings. Under the EPF MIS, members may transfer from their EPF Account 1 up to 30% of the amount in excess of Basic Savings to be invested in the qualified funds. The Basic Savings is a predetermined amount set according to age in Account 1 to ensure members have at least RM240,000 upon reaching age 55. *(Source: The Star Edgemarkets)*

Rating Action

Issuer	PDS Description	Rating/Outlook	Action
Nil	Nil	Nil	Nil

Source: RAM, MARC

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