HongLeong Bank

Global Markets Research

Fixed Income

UST		
Tenure	Closing (%)	Chg (bps)
2-yr UST	1.42	1
5-yr UST	1.41	1
10-yr UST	1.57	1
30-yr UST	2.01	0

	MGS		GII*	
Tenure	Closing (%)	Chg (bps)	Closing (%)	Chg (bps)
3-yr	2.68	1	2.69	0
5-yr	2.76	4	2.83	7
7-yr	2.83	0	2.84	0
10-yr	2.89	0	3.00	8
15-yr	3.15	3	3.17	3
20-yr	3.28	0	3.33	1
30-yr	3.62	0	3.61	0

** Market indicative levels*

MYR IRS Levels		
IRS	Closing (%)	Chg (bps)
1-yr	2.88	2
3-yr	2.84	3
5-yr	2.88	4
7-yr	2.94	3
10-yr	3.07	3

Source : Bloomberg

Upcoming Government Bond Tender

RM4.0b reopening 5Y GII 10/24 on Thursday, 20th Feb 2020

Fixed Income Daily Market Snapshot

US Treasuries

- UST's recovered lost ground on slight risk-surge following the Fed minutes with the curve flattening slightly on Wednesday. Nevertheless the bond market shrugged off the surprisingly robust PPI report, strong housing starts and another rally in equities to a fresh high. Overall benchmark yields rose between 0-1bps with the UST 2Y and much-watched 10Y edging 1bp higher each at 1.42% and 1.57% respectively. The Fed was cautiously optimistic about holding rates steady this year whilst taking cognizance of the impact of the Covid-19 outbreak on the global economic scene. Meanwhile, Hubei's health authorities reported there were additional 108 fatalities; bringing the total number of people who have perished in the province to 2,029. Up next on the calendar are the weekly jobless claims along with the Philly Feb manufacturing index.

MGS/GIII

- Local govvies continued to witness the 3rd day of profit-taking amid easier secondary market volume of RM3.73b with interest mainly seen in off-the-run 20's and also the 10Y benchmark MGS/GII. Overall benchmark yields ended mostly between 0-7bps higher with the benchmark 5Y MGS 6/24 spiking 4bps at 2.76% and the 10Y MGS 8/29 still within 1bps from prior day's close at 2.89%. GII bonds rose to form about ~ 50% of overall trades. BNM which earlier said that it has the capacity for rate cut to support the economy have investors watching the connotation on the sovereign bond curve; whilst noting that the financial markets have become more sensitive to the macro impact of the Covid-19 viral outbreak. Expect investor attention to shift to the 5Y GII auction today.

Corp Bonds/Sukuk

- Corporate bonds/Sukuk space continued to ramp up secondary market interest amid higher volume of RM1.39b thanks to the debut trades of DANUM Capital amounting to RM460m. However interest was mainly seen spilling into the AAA-segment followed by the GG and AA-space on 54 various names. The Govt-guaranteed GOVCO 32's saw RM100m in nominal amounts traded' closing 25-67bps compared to previous-done levels between 3.18-20%. KHAZANAH 23-24's however rose 4-5bps between 2.90-97% area whilst the longer-end DANA 49's moved 4bps lower at 3.71-72% levels. AAA-PASB 26's ended 16bps lower between 3.11-13% whilst DANGA 9/33 saw single trade lower on yileds at 3.39%. AA-rated energy bonds EDRA Solar 10/22 was issued in October last year made its debut trade at 3.65%; about 45bps lower than its coupon whilst DYNASTY Harmony 30-32's rallied between 39-50bps between 5.32-47%.

Daily Trades : Government Bond

Securities		Closing YTM	Vol (RM mil)	Previous YTM	Previous Trade Date (dd/mm/yyyy)	Chg (bp)
MGS	07/20	2.637	30	2.669	18/02/2020	-3
MGS	10/20	2.644	204	2.640	18/02/2020	0
MGS	07/21	2.663	8	2.608	18/02/2020	5
MGS	09/21	2.647	4	2.636	14/02/2020	1
MGS	03/22	2.675	61	2.663	18/02/2020	1
MGS	08/22	2.651	1	2.649	18/02/2020	0
MGS	09/22	2.675	11	2.651	18/02/2020	2
MGS	03/23	2.686	167	2.667	17/02/2020	2
MGS	04/23	2.706	100	2.701	18/02/2020	0
MGS	08/23	2.731	7	2.718	18/02/2020	1
MGS	06/24	2.757	95	2.721	18/02/2020	4
MGS	07/24	2.760	25	2.718	18/02/2020	4
MGS	09/25	2.764	79	2.755	18/02/2020	1
MGS	04/26	2.890	29	2.837	17/02/2020	5
MGS	07/26	2.831	4	2.827	18/02/2020	0
MGS	11/26	2.854	160	2.831	18/02/2020	2
MGS	05/27	2.876	101	2.828	18/02/2020	5
MGS	11/27	2.896	41	2.870	17/02/2020	3
MGS	06/28	2.927	30	2.902	18/02/2020	2
MGS	08/29	2.893	398	2.897	18/02/2020	0
MGS	04/30	3.066	82	3.021	18/02/2020	4
MGS	04/33	3.179	156	3.098	18/02/2020	8
MGS	11/33	3.167	35	3.089	18/02/2020	8
MGS	07/34	3.145	11	3.116	18/02/2020	3
MGS	04/37	3.274	23	3.202	13/02/2020	7
MGS	06/38	3.316	23	3.323	17/02/2020	-1
GII	04/20	2.746	50	2.616	13/02/2020	13
GII	10/21	2.754	10	3.578	06/05/2019	-82
GII	07/23	2.765	28	2.715	18/02/2020	5
GII	11/23	2.782	20	2.709	13/02/2020	7
GII	05/24	2.815	15	2.976	07/02/2020	-16
GII	10/24	2.827	3	2.761	18/02/2020	7
GII	08/25	2.824	12	2.759	14/02/2020	6
GII	10/25	2.832	18	2.801	13/02/2020	3
GII	03/26	2.841	97	2.837	18/02/2020	0
GII	09/26	2.919	290	2.898	18/02/2020	2
GII	10/28	2.981	80	2.988	18/02/2020	-1
GII	07/29	3.003	390	2.928	18/02/2020	8
GII	09/30	3.082	190	3.036	14/02/2020	5
GII	06/33	3.164	190	3.096	18/02/2020	7
GII	11/34	3.171	161	3.140	18/02/2020	3
GII	08/37	3.333	230	3.323	18/02/2020	1
GII	09/39	3.333	31	3.325	18/02/2020	1
GII	11/49	3.605	30	3.605	18/02/2020	0
			3728			

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	08/23	GG	2.902	10	2.854	13/02/2020	5	22
Khazanah Nasional Berhad	08/24	GG	2.971	10	2.929	17/02/2020	4	21
DanaInfra Nasional Berhad	10/26	GG	2.997	70	2.998	18/02/2020	0	13
Prasarana Malaysia Berhad	09/27	GG	3.049	20	3.327	23/01/2020	-28	16
Malaysia Debt Ventures Berhad	09/28	GG	3.100	50	3.999	08/04/2019	-90	18
DanaInfra Nasional Berhad	09/29	GG	3.061	30	3.201	11/02/2020	-14	13
Prasarana Malaysia Berhad	03/30	GG	3.100	5	3.391	29/01/2020	-29	17
GovCo Holdings Berhad	02/32	GG	3.180	50	3.429	03/02/2020	-25	25
GovCo Holdings Berhad	09/32	GG	3.201	50	3.870	11/12/2019	-67	6
Prasarana Malaysia Berhad	09/42	GG	3.610	5	3.690	10/02/2020	-8	32
Prasarana Malaysia Berhad	09/47	GG	3.680	5	3.701	18/02/2020	-2	39
Lembaga Pembiayaan Perumahan Sektor Awai	10/48	GG	3.700	5	3.750	18/02/2020	-5	41
DanaInfra Nasional Berhad	02/49	GG	3.710	5	3.749	18/02/2020	-4	42
DanaInfra Nasional Berhad	11/49	GG	3.720	5	3.760	18/02/2020	-4	43
GENM Capital Berhad	08/20	AAA	3.100	55	3.392	08/10/2019	-29	44
Gulf Investment Corporation G.S.C	03/21	AAA	3.494	5	3.656	11/02/2020	-16	84
Danum Capital Berhad	05/23	AAA	3.148	20	3.000	18/02/2020	15	47
Cagamas Berhad	10/24	AAA	2.981	15	3.060	13/02/2020	-8	22
Danum Capital Berhad	02/25	AAA	3.420	350	-	-	-	66
Danum Capital Berhad	02/25	AAA	3.070	110	-	-	-	31
Danum Capital Berhad	02/26	AAA	3.249	20	3.380	28/01/2020	-13	43
Pengurusan Air SPV Berhad	06/26	AAA	3.106	80	3.267	12/02/2020	-16	29
Pengurusan Air SPV Berhad	10/26	AAA	3.127	20	3.284	12/02/2020	-16	26
Bank Pembangunan Malaysia Berhad	11/26	AAA	3.340	20	3.542	30/01/2020	-20	48
Bakun Hydro Power Generation Sdn Berhad (fk	08/29	AAA	3.268	20	3.779	31/12/2019	-51	35
Danga Capital Berhad	09/33	AAA	3.391	5	3.599	29/01/2020	-21	25
Danum Capital Berhad	02/34	AAA	3.389	20	3.630	03/02/2020	-24	25
Bank Pembangunan Malaysia Berhad	11/35	AAA	3.677	10	3.680	17/02/2020	0	54
Teknologi Tenaga Perlis Consortium Sdn Berha	07/21	AA1	3.196	10	3.494	16/01/2020	-30	54
Sepangar Bay Power Corporation Sdn Berhad	07/25	AA1	3.379	20	4.229	15/04/2019	-85	62
YTL Corporation Berhad	11/26	AA1	3.489	10	4.051	09/12/2019	-56	63
Edra Solar Sdn Berhad	10/22	AA2	3.645	10	-	-	-	96
Gamuda Berhad	04/21	AA3	3.267	10	3.414	06/02/2020	-15	61
Perbadanan Kemajuan Negeri Selangor	08/21	AA3	3.316	10	3.500	29/01/2020	-18	66
Tanjung Bin O&M Berhad	07/22	AA-	3.409	40	3.910	08/08/2019	-50	74
Bumitama Agri Ltd	07/26	AA3	3.540	5	3.688	30/01/2020	-15	72
RHB Investment Bank Berhad	10/27	AA3	3.597	4	4.099	10/09/2019	-50	71
Gamuda Berhad	11/29	AA3	3.769	30	4.249	19/11/2019	-48	84
Dynasty Harmony Sdn Berhad	12/30	AA3	5.319	13	5.820	25/09/2019	-50	239
Dynasty Harmony Sdn Berhad	06/31	AA3	5.359	13	5.859	25/09/2019	-50	243
Dynasty Harmony Sdn Berhad	12/31	AA3	5.410	10	5.805	21/08/2019	-40	248
Dynasty Harmony Sdn Berhad	06/32	AA3	5.469	10	5.849	21/08/2019	-38	254
Malayan Banking Berhad	02/17	AA3	3.479	20	3.786	29/01/2020	-31	19
MMC Corporation Berhad	11/20	AA-	3.539	10	3.546	18/02/2020	-1	88
Tanjung Bin O&M Berhad	07/21	AA-	3.349	10	3.531	22/01/2020	-18	69
Tan Chong Motor Holdings Berhad	11/21	A1	3.906	20	3.902	18/02/2020	0	124
Kedah Cement Sdn Berhad (fka Lafarge Cemen	07/22	A1	3.806	10	4.635	04/11/2019	-83	114
CIMB Group Holdings Berhad	05/16	A1	4.058	1	3.582	12/02/2020	48	77
CIMB Group Holdings Berhad	05/16	A1	3.489	1	4.108	14/02/2020	-62	20
UMW Holdings Berhad	04/18	A1	4.118	20	4.148	14/02/2020	-3	83
DRB-Hicom Berhad	12/29	A+	4.549	10	4.902	10/02/2020	-35	162
Bank Muamalat Malaysia Berhad	06/26	A3	4.066	10	4.411	17/01/2020	-35	125
Eco World Capital Assets Berhad	08/24	-	5.981	1	5.539	17/02/2020	44	325
Mah Sing Group Berhad	04/17	-	5.501	15	5.677	07/02/2020	-18	221
				1390				

spread against nearest indicative tenured MGS (Source : BPAM)

Market/Corporate News: What's Brewing

The latest warning by one of the Big Three rating agencies on Asia's weakening credit conditions has also brought Malaysia under the microscope, particularly the country's corporate debt default risk. In a report, Moody's Investors Service has warned that credit conditions in Asia would turn negative in 2020 as the region's economic slowdown could turn out to be more than just a temporary blip. The ratings agency also named Malaysia as one of the Asian countries most exposed to deterioration in corporate debt repayment capacity. This was based on its stress tests on corporate income shock impact for the region. For context, India and Indonesia were most exposed to deterioration in corporate debt repayment capacity, followed by Singapore, Malaysia and China. "In the banking sector, deterioration in growth dynamics and macroeconomic conditions will inevitably weigh on banks’ asset quality through a combination of deteriorating debt repayment capabilities and rising default risks among weaker Asian companies. “Despite these growing challenges, strong capital buffers will likely help banks in the region weather asset quality challenges in a stress scenario, ” it said. According to Moody’s, the downshift in Asia’s growth trajectory appeared to be caused by structural issues, rather than cyclical. China, which is a major source of export demand for Asia, is now on a path toward structurally slower growth and the multilateral global trading regime is also under increasing threat. In addition, the apparent dilution of US security guarantees in the region has led to increasing geopolitical risks, while longer-term challenges relating to demographics are on the rise. “The outbreak of the coronavirus disease (Covid-19) has added a further dent to growth prospects at a time when economic growth trajectories throughout the region were already declining, ” said Deborah Tan, Moody’s assistant vice-president and analyst. Moody’s pointed out that the likelihood of risks crystallising has risen in the region. The structural economic challenges faced by countries in Asia, alongside heightened political risks and policy uncertainty, will constrain policy choices and limit the region’s ability to respond to negative events. “Investors might recalibrate their demand for assets from the region, and funding costs could rise in weaker economies. Additionally, Asia’s deepening integration with global financial systems has increased its susceptibility to capital flow reversals. “This makes the region more susceptible to changes in investor sentiment, triggered by unexpected shocks such as the Covid-19 outbreak, although market access for our rated portfolio has not been negatively affected by the outbreak. “Weaker growth prospects could in turn increase debt service challenges for the region, ” it said. On the ongoing US-China trade tensions despite the so-called “phase one” trade deal between both countries, Moody’s expected some relocations of factory production out of China to take place to serve the US market. Malaysia, alongside Taiwan, Thailand and Vietnam, may benefit partially from some offshoring of Chinese industrial capacity, given these countries’ higher export similarity to China. “However, it should be noted that the possibility remains of tariffs being introduced on these countries’ exports to the US at some future point. “Moreover, these estimates do not take into account the broader impact of the erosion of the rules-based trading system which would be negative for the region’s export-oriented economies, irrespective of any gains to be had from trade diversion, ” said Moody’s. While Malaysia could likely benefit from the trade diversion out of China, the former could also take a hit as a result of the expected drop in Chinese exports to the United States. Moody’s said China continued to rely on imports of intermediates and final inputs for some of its production processes, most of which were sourced from Asia. “Taiwan and Malaysia, in our view, are the most vulnerable, mainly as a result of their supply of inputs for Chinese exports to the United States in electronic and optical equipment as well as electrical machinery, ” it added. “Despite these growing challenges, strong capital buffers will likely help banks in the region weather asset quality challenges in a stress scenario, ” it said. According to Moody’s, the downshift in Asia’s growth trajectory appeared to be caused by structural issues, rather than cyclical. China, which is a major source of export demand for Asia, is on a path toward structurally slower growth and the multilateral global trading regime is also under increasing threat. In addition, the apparent dilution of US security guarantees in the region has led to increasing geopolitical risks, while longer-term challenges relating to demographics are on the rise. “The outbreak of the coronavirus disease (Covid-19) has added a further dent to growth prospects at a time when economic growth trajectories throughout the region were already declining, ” said Deborah Tan, Moody’s assistant vice-president and analyst. Moody’s pointed out that the likelihood of risks crystallising has risen in the region. The structural economic challenges faced by countries in Asia, alongside heightened political risks and policy uncertainty, will constrain policy choices and limit the region’s ability to respond to negative events. “Investors might recalibrate their demand for assets from the region, and funding costs could rise in weaker economies. Additionally, Asia’s deepening integration with global financial systems has increased its susceptibility to capital flow reversals. This makes the region more susceptible to changes in investor sentiment, triggered by unexpected shocks such as the Covid-19 outbreak, although market access for our rated portfolio has not been negatively affected by the outbreak. Weaker growth prospects could in turn increase debt service challenges for the region, ” it said. On the ongoing US-China trade tensions despite the so-called “phase one” trade deal between both countries, Moody’s expected some relocations of factory production out of China to take place to serve the US market. Malaysia, alongside Taiwan, Thailand and Vietnam, may benefit partially from some offshoring of Chinese industrial capacity, given these countries' higher export similarity to China. "However, it should be noted that the possibility remains of tariffs being introduced on these countries' exports to the US at some future point. 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Research analysts believe that Malaysia Airports Holdings Bhd has been affected by the Covid-19 viral outbreak with air travel demand being dampened in Asia (particularly China and South East Asia sectors), as governments have been trying to contain the virus outbreak by locking down cities, quarantining people, issuing travel advisories and controlling their border movements. The prominent research house said MAHB will be affected from the weakened passenger traffic in terms of passenger tariff income, aircraft landing & parking charges and lower retail income. It believes the impact from Covid-19 would be more severe and have longer effect as compared to SARS 2003. They have cut their assumptions for passenger growth in 2020 to -3.0% year-on-year [y-o-y] (from +3.5% y-o-y), but increased 2021 to +7.0% y-o-y (from +3.5% y-o-y) on potential rebound from a low base effect. *(Source: The EdgeMarkets)*

Rating Action

Issuer	PDS Description	Rating/Outlook	Action
Nil	Nil	Nil	Nil

Source: RAM, MARC

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