

## Global Markets Research

### Fixed Income

#### Fixed Income Daily Market Snapshot

##### US Treasuries

- US Treasuries extended its rally on Friday on the back of continuous flight to safety as economic evidence of Covid-19 outbreak started to bite. Both flash estimates of US PMI manufacturing and services disappointed, with the services reading recorded its first contraction in four years (49.4 vs 53.4) in January while the manufacturing sector saw a slower expansion (50.8 vs 51.9), weighed by disruption from the virus outbreak. Overall UST yields fell 3-5bps across the curve, with the curve bull flattening. The 2s shed 3bps to 1.36% while the 10s lost 4bps to 1.48%, its lowest since last September. Would expect escalation in contagion risks outside China, notably South Korea, Japan and Italy over the weekend to continue spur haven bids in UST.

UST		
Tenure	Closing (%)	Chg (bps)
2-yr UST	1.36	-3
5-yr UST	1.32	-4
10-yr UST	1.48	-4
30-yr UST	1.91	-5

MGS		GII*		
Tenure	Closing (%)	Chg (bps)	Closing (%)	Chg (bps)
3-yr	2.69	0	2.68	0
5-yr	2.76	-1	2.84	0
7-yr	2.84	-4	2.85	-3
10-yr	2.90	-4	2.96	-4
15-yr	3.14	-3	3.17	-3
20-yr	3.37	1	3.38	-2
30-yr	3.64	5	3.64	4

\* Market indicative levels

MYR IRS Levels		
IRS	Closing (%)	Chg (bps)
1-yr	2.88	0
3-yr	2.81	-3
5-yr	2.85	-4
7-yr	2.91	-3
10-yr	3.04	-3

Source : Bloomberg

##### MGS/GII

- Local govies managed to recoup some lost ground for the first time in a week last Friday amid continued robust trading interests in the secondary market. Volume notched higher to RM6.31bn on Friday, from Thursday's RM5.35bn and interests was seen focused on the short end '20-22s, benchmark 10Y MGS 8/29 and MGS 4/33. In the GII space, off benchmark GII 7/23 and 8/37 led the pack with overall GII trades accounted for ~34% of overall govies trade, down from ~50% on Thursday. Both the MGS and GII curves were seen steepening with yields spiking in the ultra-long end 30Y while overall benchmark yields were seen ending largely lower by between -1 to -4bps across the curve save for 20Y MGS (+1bps). Expect investors to closely monitor political development in the local front whilst awaiting the announcement of stimulus package scheduled on Thursday.

##### Corp Bonds/Sukuk

- Corporate bonds/Sukuk space saw decent interests amid higher secondary market volume of RM744m. The GG and AA-space continued to attract the most interests with yields seen generally lower. The Govt-guaranteed Khazanah '9/22 took center stage with RM100m done 17bps inner at 2.834% while PRASA '9/22, '3/28 and '11/28 traded 30-58bps lower between 2.866% and 3.089% levels. Various issuances of PLUS '26-31 also saw heavy trades with a combined RM90m changed hands. Interests were well spread across the sectors including energy, telco, infra and in the banking space, SDB '4/26 took the lead, trading 6bps lower at 3.818%.

##### Upcoming Government Bond Tender

Nil

## Daily Trades : Government Bond

Securities	Closing YTM	Vol (RM mil)	Previous YTM	Previous Trade Date (dd/mm/yyyy)	Chg (bp)
MGS 03/20	2.677	355	2.750	20/02/2020	-7
MGS 07/20	2.670	118	2.680	20/02/2020	-1
MGS 10/20	2.698	52	2.655	20/02/2020	4
MGS 02/21	2.662	9	2.683	20/02/2020	-2
MGS 07/21	2.658	357	2.700	20/02/2020	-4
MGS 09/21	2.642	4	2.684	20/02/2020	-4
MGS 11/21	2.683	123	2.680	20/02/2020	0
MGS 03/22	2.689	180	2.685	20/02/2020	0
MGS 08/22	2.689	1	2.656	20/02/2020	3
MGS 09/22	2.690	242	2.704	20/02/2020	-1
MGS 03/23	2.709	73	2.692	20/02/2020	2
MGS 04/23	2.723	98	2.730	20/02/2020	-1
MGS 08/23	2.743	3	2.726	20/02/2020	2
MGS 06/24	2.760	124	2.768	20/02/2020	-1
MGS 07/24	2.777	2	2.741	20/02/2020	4
MGS 09/24	2.778	20	2.756	18/02/2020	2
MGS 03/25	2.806	1	2.743	17/02/2020	6
MGS 09/25	2.781	107	2.782	20/02/2020	0
MGS 04/26	2.871	83	2.885	20/02/2020	-1
MGS 07/26	2.841	109	2.883	20/02/2020	-4
MGS 11/26	2.861	6	2.849	20/02/2020	1
MGS 05/27	2.850	194	2.887	20/02/2020	-4
MGS 11/27	2.895	52	2.898	20/02/2020	0
MGS 06/28	2.900	21	2.927	19/02/2020	-3
MGS 08/29	2.902	1047	2.942	20/02/2020	-4
MGS 04/30	3.098	106	3.087	20/02/2020	1
MGS 06/31	3.115	71	3.096	20/02/2020	2
MGS 04/32	3.102	6	3.068	17/02/2020	3
MGS 04/33	3.178	435	3.170	20/02/2020	1
MGS 11/33	3.167	80	3.201	20/02/2020	-3
MGS 07/34	3.140	60	3.169	20/02/2020	-3
MGS 04/37	3.303	5	3.286	20/02/2020	2
MGS 06/38	3.354	19	3.322	20/02/2020	3
MGS 05/40	3.366	10	3.353	20/02/2020	1
MGS 09/43	3.557	0	3.533	20/02/2020	2
MGS 03/46	3.653	1	3.632	20/02/2020	2
MGS 07/48	3.642	1	3.593	20/02/2020	5
GII 04/20	2.693	15	2.761	20/02/2020	-7
GII 07/22	2.710	240	2.753	20/02/2020	-4
GII 07/23	2.729	346	2.765	19/02/2020	-4
GII 10/23	2.753	50	2.691	13/02/2020	6
GII 10/24	2.837	112	2.832	20/02/2020	1
GII 08/25	2.858	60	2.876	20/02/2020	-2
GII 10/25	2.860	60	2.832	19/02/2020	3
GII 03/26	2.848	50	2.880	20/02/2020	-3
GII 09/26	2.936	10	2.919	19/02/2020	2
GII 07/27	2.930	5	2.907	18/02/2020	2
GII 08/28	3.001	20	3.015	20/02/2020	-1
GII 10/28	2.975	185	3.001	20/02/2020	-3
GII 07/29	2.958	265	2.997	20/02/2020	-4
GII 08/33	3.205	50	3.074	17/02/2020	13
GII 11/34	3.172	240	3.204	20/02/2020	-3
GII 10/35	3.246	40	3.212	17/02/2020	3
GII 08/37	3.324	314	3.333	19/02/2020	-1
GII 09/39	3.378	40	3.403	20/02/2020	-2
GII 11/49	3.641	33	3.605	19/02/2020	4
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## 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	2.850	50	2.834	20/02/2020	2	17
Khazanah Nasional Berhad	09/22	GG	2.834	100	3.000	07/02/2020	-17	14
Prasarana Malaysia Berhad	09/22	GG	2.866	45	3.235	17/09/2019	-37	17
Turus Pesawat Sdn Berhad	11/22	GG	2.913	45	4.160	28/11/2017	-125	22
Danalnra Nasional Berhad	02/23	GG	2.848	30	2.838	14/02/2020	1	15
Danalnra Nasional Berhad	04/25	GG	2.953	10	2.972	14/02/2020	-2	19
Danalnra Nasional Berhad	05/25	GG	2.962	10	3.511	07/08/2019	-55	19
Prasarana Malaysia Berhad	03/28	GG	3.070	15	3.372	22/01/2020	-30	18
Prasarana Malaysia Berhad	11/28	GG	3.089	15	3.668	05/12/2019	-58	18
Projek Lebuhraya Usahasama Berhad	01/26	AAA	3.369	20	3.340	14/02/2020	3	54
Sarawak Energy Berhad	06/26	AAA	3.142	65	3.184	14/02/2020	-4	32
Projek Lebuhraya Usahasama Berhad	01/27	AAA	3.398	20	3.598	13/01/2020	-20	54
Projek Lebuhraya Usahasama Berhad	01/28	AAA	3.429	40	3.649	13/01/2020	-22	54
Projek Lebuhraya Usahasama Berhad	01/29	AAA	3.448	5	3.519	18/09/2019	-7	54
DiGi Telecommunications Sdn Berhad	09/29	AAA	3.247	10	3.199	14/02/2020	5	34
Projek Lebuhraya Usahasama Berhad	01/31	AAA	3.498	5	3.888	28/11/2019	-39	59
Manjung Island Energy Berhad	11/31	AAA	3.315	1	3.319	13/02/2020	0	41
Danum Capital Berhad	02/35	AAA	3.418	11	3.400	20/02/2020	2	27
Teknologi Tenaga Perlis Consortium Sdn Berhad	07/23	AA1	3.329	10	4.533	09/03/2018	-120	64
UniTapah Sdn Berhad	12/24	AA1	3.436	5	4.580	28/11/2017	-114	67
Sabah Development Bank Berhad	04/26	AA1	3.818	20	3.878	14/02/2020	-6	99
Kuala Lumpur Kepong Berhad	09/29	AA1	3.358	10	3.348	17/02/2020	1	45
Kuala Lumpur Kepong Berhad	09/34	AA1	3.569	20	3.739	05/02/2020	-17	42
Celcom Networks Sdn Berhad	10/26	AA+	3.200	10	3.208	14/02/2020	-1	34
Danajamin Nasional Berhad	10/27	AA+	3.434	20	3.396	20/02/2020	4	54
BEWG (M) Sdn Berhad	07/22	AA	3.501	10	4.216	08/07/2019	-72	82
Anih Berhad	11/23	AA	3.348	4	3.523	23/01/2020	-18	61
Jimah Energy Ventures Sdn Berhad	05/20	AA3	3.005	0	3.079	18/02/2020	-7	33
Country Garden Real Estate Sdn Berhad	03/22	AA3	4.401	35	4.418	20/02/2020	-2	172
Besraya (M) Sdn Berhad	07/22	AA3	3.367	10	4.068	29/10/2019	-70	69
Jimah Energy Ventures Sdn Berhad	11/23	AA3	3.525	3	4.439	02/04/2019	-91	79
Mumtaz Rakyat Sukuk Berhad	06/26	AA3	3.362	20	3.420	17/02/2020	-6	54
CIMB Thai Bank Public Company Limited	07/29	AA3	3.618	10	3.777	29/01/2020	-16	71
Edra Energy Sdn Berhad	01/38	AA3	4.352	5	4.353	20/02/2020	0	101
CIMB Group Holdings Berhad	04/60	AA3	5.185	1	3.542	17/02/2020	164	184
WCT Holdings Berhad	10/21	AA-	3.880	14	4.221	19/12/2019	-34	120
Tan Chong Motor Holdings Berhad	11/21	A1	3.895	5	3.906	19/02/2020	-1	122
CIMB Group Holdings Berhad	05/16	A1	3.911	0	4.269	19/02/2020	-36	57
IJM Land Berhad	03/19	A2	4.379	5	4.382	20/02/2020	0	103
Eco World Capital Assets Berhad	08/22	-	5.107	14	5.128	20/02/2020	-2	243
Mah Sing Group Berhad	04/17	-	5.494	15	5.501	19/02/2020	-1	215
				<u>744</u>				

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

## Market/Corporate News: What's Brewing

Facing competitive pressures, TELEKOM MALAYSIA BHD (TM) expects its revenue to dip slightly again for the financial year ending Dec 31, 2020. Nevertheless, the telecommunications giant remains confident that its ongoing cost rationalisation initiatives will help it maintain its earnings before interest and tax (EBIT), or operating profit, above the RM1bil level. In revealing the group's 2020 headline key performance index guidance, group CEO Datuk Noor Kamarul Anuar Nuruddin said the group's revenue growth could see a "low to mid" single-digit decline, while EBIT could come in at more than RM1bil. As for its capital expenditure-to-revenue ratio, he said it would range from low to mid-20s for this year. "Because of the impact of the new pricing for our products and the year-end (promotional) programmes (in 2019), we see that we will continue to have a tough year in 2020 in terms of revenue. That's why we say it will be 'low to mid' single-digit drop," Noor Kamarul explained. "But we will do our best to make it flat and not have negative (revenue) growth," he told reporters at a briefing on TM's 2019 financial results. Meanwhile, TM's newly appointed chief financial officer Razidan Ghazalli conceded that the group

continued to operate under tough competitive pressures. “Our competitors are slowly nibbling at our market and we are also under tough pricing pressures as the government continues to liberalise the market. “The government is always pro-consumer; this will come at the expense of the telcos, and that puts a lot of pressure on our revenue,” he added. Despite pressure on revenue, Razidan said the group’s cost optimisation programmes and expansion into corporate and enterprise markets for better yields would help it maintain a healthy EBIT. TM posted its highest EBIT since 2007 at RM1.57bil last year, after the operating profit jumped 24-fold from RM64.6mil in 2018 on lower operating cost. In addition, the group in 2018 registered a provision of RM982.5mil for impairment of fixed and wireless network assets. As per guidance, TM’s revenue saw a minor contraction of 3.3% to RM11.43bil in 2019 from RM11.82bil in the preceding year due to lower contribution from all lines of products except data. (Source: *The Star Online*)

THE highly anticipated National Automotive Policy 2020 (NAP 2020), which was finally launched by the International Trade and Industry Ministry on Friday, has set 10-year targets that the government believes will take the local automotive industry to the greater heights. A crucial sector for the Malaysian economy, the automotive industry contributes just 4% to the country’s gross domestic product (GDP) currently. Under the NAP 2020, the government is targeting to grow that to 10% of GDP by 2030. Malaysia Automotive Robotics and IoT Institute chief executive officer Datuk Madani Sahari says local original equipment manufacturers (OEMs) are currently contributing less than 1% each to the economy. “The bigger picture is to grow exports of parts and components, as well as the new services that can be created because of mobility as a service. “Right now, we have about 641 vendors and we’re targeting to grow that to 900 in 10 years. All of this will create new business and job opportunities and create a spillover effect on the Malaysian economy; the NAP wants to show that shared prosperity can be achieved through the community.” Boosting the automotive sector’s contribution to GDP will certainly allow the country to improve its competitiveness both in the region and globally, especially against Thailand, which many global OEMs consider the automotive hub for Asean. Thailand’s automotive industry currently contributes approximately 12% to the country’s economy. Boosting vehicle sales Another ambitious target under the NAP 2020 is that the government intends to double total industry volume (TIV) to 1.22 million units in 2030 from around 600,000 units currently. To achieve that, Madani says the local industry would need to be able to ramp up its total production levels. “TIV is a domestic sell. What’s important is total production volume, because this would include the number of cars exported. We have calculated TIV based on compounded GDP growth year-on-year. “We have also taken into consideration the safety measures that are being embedded into newer cars and the old cars that are no longer safe.” Under the NAP 2020, the government is targeting total production volume to hit 1.47 million units. A total of 571,632 vehicles were produced last year. Total vehicle sales finally exceeded 600,000 units in 2019 after failing to surpass that mark for three consecutive years, rising 1% year-on-year to hit 604,287 units. Back in 2011, it had been projected that TIV would hit one million units by this year. “That forecast will not be achieved this year because annual growth was initially projected at 3.5% annually; but the local automotive industry only managed to accomplish around 1.2%,” says Madani. “There are numerous variables on why that target was not achieved.” On the sales outlook for 2020, the Malaysian Automotive Association (MAA) is projecting a TIV growth of less than 1% to 607,000 units. Commenting on the NAP 2020, MAA president Datuk Aishah Ahmad says the policies can help pave the way forward for the local automotive sector. “Overall, I think the NAP 2020 is the future and is in line with the global trends. Asean countries are also focusing on the future trends. They’re looking at the next generation of vehicles. Where I’m pleased is the fact that the ministry will be taking a step-by-step approach as they start introducing next generation vehicles and new technology. Because if we’re not ready, implementing anything too soon will not be good for the industry.” While she admits it’s well and good to prepare and pave the way for the

long term, Aishah is however hopeful that the government remains cognisant of issues facing the local automotive industry right now. “The present concerns that we have are the policies to excise duty hikes. It’s been held back for this year but what about beyond that? That creates uncertainty for the industry.” Last month, the government chose to postpone implementing a new formula on duties that will raise prices of completely-knocked-down (CKD) vehicles until next year, potentially saving car-buyers thousands of ringgit. The industry has a formula to calculate a vehicle’s open market value (OMV), which then has to be declared to customs. However, the government had gazetted a new formula on Dec 31, 2019, one that included additional factors such as marketing cost, profit and royalty. Adding these items would increase the final (on-the-road) prices of cars. The new OMV formula only applies to CKD vehicles. Based on internal calculations, Aishah says the new tax structure would have hiked car prices by as much as RM33,000 for high-end cars. “What we’d like to reiterate to the government is to not ignore the present situation,” she says, adding that the recent Covid-19 outbreak has impacted some automotive players. “Chinese car companies, especially, will be impacted because their supply chain will be affected. Hyundai and a number of other brands have already announced that production has been halted because their parts are coming for China.” For now, Aishah says it’s still too early for the MAA to revise its 2020 forecast, unless the situation worsens. In a report earlier this month, MIDF Research said the local automotive sector is unlikely to face supply disruption in the wake of the Covid-19 outbreak, despite having direct exposure to China. Hubei, the epicentre of the coronavirus outbreak, is one of China’s major automotive hubs. “Contagion to other provinces increases the possibility of extended plant shutdowns. “Component supply is a risk, given the complex automotive value chain and impact on downstream output.” The research house emphasises, however, that unlike natural disaster-driven crises such as the 2011 Japan earthquake and the Thai floods, supply disruptions could recover quickly as infrastructure and inventories remain intact. “Malaysia’s major source of completely-knocked-down kits and components, namely Thailand, has exposure to auto part imports from China, but mainly for replacements and supply to Chinese original equipment manufacturers’ local assembly,” it says. (Source: *The Star Online*)

Rating Action			
Issuer	PDS Description	Rating/Outlook	Action
Exsim Ventures Berhad	RM68 mil first issuance (Tranche 1 IMTN) RM2 bil Sukuk Musharakah Programme (IMTN Programme)	AA3/Stable	Assigned

Source: RAM, MARC

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