

Global Markets Research

Fixed Income

UST		
Tenure	Closing (%)	Chg (bps)
2-yr UST	1.25	-11
5-yr UST	1.21	-11
10-yr UST	1.37	-10
30-yr UST	1.83	-8

MGS		GII*		
Tenure	Closing (%)	Chg (bps)	Closing (%)	Chg (bps)
3-yr	2.74	5	2.69	1
5-yr	2.78	2	2.87	3
7-yr	2.91	7	2.92	8
10-yr	3.01	10	3.07	11
15-yr	3.21	7	3.17	0
20-yr	3.42	5	3.38	0
30-yr	3.72	7	3.64	0

* Market indicative levels

MYR IRS Levels		
IRS	Closing (%)	Chg (bps)
1-yr	2.88	0
3-yr	2.84	3
5-yr	2.86	1
7-yr	2.94	3
10-yr	3.07	2

Source : Bloomberg

Upcoming Government Bond Tender

Nil

Fixed Income Daily Market Snapshot

US Treasuries

- UST's saw yields decline rather sharply on Monday as the global spread of Covid-19 outbreak caused a full-scale risk aversion with Italy, South Korea facing the brunt and even Kuwait suspending flights to and fro from Iraq. Overall benchmark yields fell between 8-11bps with the UST 2Y closing 11bps lower at 1.25% and the much-watched 10Y rallying 10bps lower at 1.37%; to a new 3.5 year low i.e last seen in July 2016. The perceived safety and fallout from equities is seen driving investors to support current levels. Negative yields in Japan and Germany may contribute to the safe-haven demand for UST's from abroad which has in fact boosted the international holdings in 2019 from \$6.33 trillion to \$6.69 trillion.

MGS/GIII

- Local govies were gripped by the shocking political drama that unfolded beginning Sunday night; causing even safe-haven govies to sell-off on nervousness. Overall benchmark yields ended between 0-10bps higher with interest mainly seen in off-the-run 20-21's and also the 10Y benchmark MGS/GII which constituted slightly lower than half of overall trades. The benchmark 5Y MGS 6/24 edged 2bps higher at 2.78% whilst the 10Y MGS 8/29 spiked 10bps from prior day's close at 3.01%. GII bonds dropped to form about ~ 24% of overall trades. The nation's USD bonds have also drifted between 5-10bps higher. Similarly, the expected costs to insure MYR sovereign bonds via CDS rose by 5bps to ~42bps; the highest since September last year. Expect cautiousness to prevail as the nation awaits further clarity on government matters.

Corp Bonds/Sukuk

- Corporate bonds/Sukuk space saw secondary market interest plunge yesterday amid volume of decent interest across the GG and AA-space amid lower secondary market volume of a mere RM167m; having stripped out the primary recording of newly-issued PRASA bonds. Overall interest was seen trickling into the AAA-AA part of the curve. Nevertheless, the sole Govt-guaranteed PTPTN 3/29 trade saw yields decline sharply compared to previous-done levels at 3.28% levels. AAA-rated PLUS saw a slew of 2027-2031 tranches closing unchanged between 3.40-50% whilst the 2033 tranche moved 9bps lower at 3.55%. AA-rated toll operator MEX 4/23 spiked 68bps to 4.96% whilst TG BIN Power 8/20 edged 2bps lower at 3.02% levels. Expect cautiousness to prevail as investors await political clarity.

Daily Trades : Government Bond

Securities	Closing	Vol	Previous	Previous	Chg
	YTM	(RM mil)	YTM	Trade Date (dd/mm/yyyy)	(bp)
MGS 03/20	2.698	325	2.677	21/02/2020	2
MGS 07/20	2.889	42	2.670	21/02/2020	22
MGS 10/20	2.726	54	2.698	21/02/2020	3
MGS 02/21	2.704	150	2.662	21/02/2020	4
MGS 07/21	2.714	103	2.658	21/02/2020	6
MGS 03/22	2.738	20	2.689	21/02/2020	5
MGS 08/22	2.743	73	2.689	21/02/2020	5
MGS 09/22	2.700	100	2.690	21/02/2020	1
MGS 03/23	2.724	7	2.709	21/02/2020	2
MGS 04/23	2.771	10	2.723	21/02/2020	5
MGS 06/24	2.782	45	2.760	21/02/2020	2
MGS 07/24	2.815	2	2.777	21/02/2020	4
MGS 09/24	2.831	1	2.778	21/02/2020	5
MGS 03/25	2.854	24	2.806	21/02/2020	5
MGS 09/25	2.851	34	2.781	21/02/2020	7
MGS 04/26	2.825	2	2.871	21/02/2020	-5
MGS 07/26	2.912	8	2.841	21/02/2020	7
MGS 05/27	2.979	470	2.850	21/02/2020	13
MGS 11/27	2.867	25	2.895	21/02/2020	-3
MGS 06/28	2.993	20	2.900	21/02/2020	9
MGS 08/29	3.006	1749	2.902	21/02/2020	10
MGS 04/33	3.251	51	3.178	21/02/2020	7
MGS 07/34	3.207	90	3.140	21/02/2020	7
MGS 05/40	3.420	171	3.366	21/02/2020	5
MGS 09/43	3.551	90	3.557	21/02/2020	-1
MGS 07/48	3.717	21	3.642	21/02/2020	8
GII 08/20	2.756	8	2.685	18/02/2020	7
GII 03/21	2.666	8	2.617	17/02/2020	5
GII 03/22	2.689	8	2.680	20/02/2020	1
GII 04/22	2.779	71	2.753	20/02/2020	3
GII 11/23	2.824	130	2.798	20/02/2020	3
GII 10/24	2.866	130	2.837	21/02/2020	3
GII 10/25	2.924	30	2.860	21/02/2020	6
GII 03/26	2.923	340	2.848	21/02/2020	8
GII 09/26	3.033	40	2.936	21/02/2020	10
GII 10/28	3.098	31	2.975	21/02/2020	12
GII 12/28	3.083	10	2.931	14/02/2020	15
GII 07/29	3.072	300	2.958	21/02/2020	11
GII 10/35	3.246	20	3.246	21/02/2020	0
GII 11/49	3.642	7	3.641	21/02/2020	0
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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*
Prasarana Malaysia Berhad	02/27	GG	3.020	105			302	10
Perbadanan Tabung Pendidikan Tinggi Nasional	03/29	GG	3.278	20	3.700	02/12/2019	-42	31
Prasarana Malaysia Berhad	02/30	GG	3.090	125			309	10
Prasarana Malaysia Berhad	02/35	GG	3.280	220			328	7
Prasarana Malaysia Berhad	02/40	GG	3.440	280			344	4
Prasarana Malaysia Berhad	02/50	GG	3.800	115			380	41
TNB Western Energy Berhad	01/26	AAA	3.258	25	4.531	13/03/2017	-127	39
Danum Capital Berhad	02/26	AAA	3.103	5	3.249	19/02/2020	-15	23
Zamarad Assets Berhad	03/26	AAA	3.654	10	4.128	17/12/2019	-47	78
Projek Lebuhraya Usahasama Berhad	01/27	AAA	3.398	10	3.398	21/02/2020	0	48
Projek Lebuhraya Usahasama Berhad	01/28	AAA	3.429	10	3.429	21/02/2020	0	48
Projek Lebuhraya Usahasama Berhad	01/31	AAA	3.498	10	3.498	21/02/2020	0	51
Projek Lebuhraya Usahasama Berhad	01/33	AAA	3.548	5	3.641	03/02/2020	-9	34
Lingkaran Trans Kota Sdn Berhad	04/20	AA2	3.049	20	3.166	29/01/2020	-12	35
Tanjung Bin Power Sdn Berhad	08/20	AA2	3.015	10	3.040	20/02/2020	-2	32
Zamarad Assets Berhad	09/27	AA2	4.250	10	4.653	17/12/2019	-40	130
CIMB Thai Bank Public Company Limited	07/29	AA3	3.607	10	3.618	21/02/2020	-1	64
MEX II Sdn Berhad	04/23	A	4.960	10	4.280	10/07/2019	68	224
CIMB Group Holdings Berhad	05/16	A1	4.058	1	3.489	19/02/2020	57	66
Eco World International Berhad	10/23	-	4.956	2	4.340	14/02/2020	62	219
YNH Property Berhad	08/19	-	6.633	10	6.345	20/02/2020	29	324
				<u>1012</u>				

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

Market/Corporate News: What's Brewing

The Employees' Provident Fund's (EPF) dividend rate is highly dependent on the state of the global economy and volatility in the financial markets, said market observers. Bank Islam Malaysia Bhd chief economist Dr Mohd Afzanizam Abdul Rashid(pic) said the dividend rate of 5.45% for Simpanan Konvensional and 5% for Simpanan Shariah for 2019 were respectable returns considering that the global economic environment had been so uncertain. "One should be realistic in expecting the dividend rates for 2020. "Last year, trade protectionist policies had been so rampant particularly between the US and China, as well as in other jurisdictions such as Europe, Japan, and South Korea. Uncertainties over Brexit also caused investors to remain guarded alongside the volatility in the commodities markets," he told Bernama. Mohd Afzanizam added that a sizeable exposure to fixed income markets would ensure that the EPF would receive a stable income stream, while at the same time, allow some upside potential in view of lower interest rate environment that can provide capital gain as interest rates and bond prices are inversely related. Fixed income instruments accounted for 49% of the EPF's total assets, while a 39% allocation in equities would ensure that the retirement fund would stand to gain should equities gain traction when the economy recovers. Meanwhile, the Institute for Democracy and Economic Affairs research manager Lau Zheng Zhou said 2020 would be as challenging as 2019 due to a lack of impetus for economic growth, as demonstrated by the continuous fall in private and public investments. Investor confidence, particularly foreign, would also remain weak due to the domestic situation, he added. "Also, we have just entered into 2020 when Covid-19 happened, and we are still not sure how big the implications are. But, given its more conservative portfolio, the EPF should still be able to generate healthy returns," he told Bernama. Lau noted that the EPF had rightly pointed out that it has to increase exposure abroad. The Malaysian Institute of Economic Research chairman Tan Sri Dr Kamal Salih said amidst the tough economic environment, both market sentiment and corporate earnings were affected, while financial institution managers such as the EPF were unable to act more positively in terms of declaring dividends. "We have to be cautious, and as for now, foreign investors will have to continue to wait for the resolution of a possible realignment of the country's political landscape," he said. Moving forward, MIER's study found that the impact of Covid-19 outbreak on Malaysia's economy was still small, mainly on the tourism sector and export-oriented manufacturing. "It could get worse if the outbreak persists (and) will affect Visit Malaysia Year 2020. But the government is managing Covid-19 situation

well," he added. (Source: *The Star/Bernama*)

The political drama since Sunday triggered panic selling on Bursa Malaysia yesterday. Many stocks were "gap down" at the opening bell in the absence of equity bulls on the local bourse. The selling wiped out RM43.4 billion in market capitalisation from Bursa in a single day. There were 1,015 losers and 138 gainers, while 222 counters traded unchanged. All indices on Bursa were also in negative territory; the worst hit was Bursa Malaysia Construction Index, down 6.07% or 12.6 points to 194.81. Bursa Malaysia saw 4.03 billion shares, worth RM3.91 billion, traded yesterday. The ringgit also ended sharply lower against the US dollar yesterday in tandem with the local equity market, amid a domestic political realignment and the ongoing Covid-19 outbreak, said an analyst. At 6pm yesterday, the local currency had depreciated to 4.2240/2270 against the greenback from last Friday's close of 4.1900/1940. Some fund managers and equity strategists said mounting political uncertainties caused by the Pakatan Harapan coalition breaking up further dampened an already weak market sentiment after the Covid-19 outbreak clouding global economic growth prospects. The FBM KLCI benchmark index sank below the 1,500-level, skidding to an intraday low of 1,486.71 points — the lowest level since December 2011. It closed at 1,490.06 yesterday, down 41.14 points or 2.69%. The KLCI has shed 13.6% over the past one year. On the political scene, Tun Dr Mahathir Mohamad dropped a bombshell yesterday announcing his resignation as prime minister and Bersatu chairman. Parti Pribumi Bersatu Malaysia (Bersatu), led by president Tan Sri Muhyiddin Yassin, also announced it had exited Pakatan, formed in September 2015. The news broke shortly after PKR deputy president Datuk Seri Mohamed Azmin Ali announced that he and 10 members had exited PKR and the Pakatan coalition to form an independent bloc. Back on financial markets, Bank Negara Malaysia (BNM) said yesterday it is closely monitoring conditions of financial markets, in light of developments currently unfolding. "While the ringgit's movements will continue to be market determined, BNM's market operations will ensure sufficient liquidity and orderly financial market conditions," the central bank noted. Among the 30 KLCI components, only four counters, led by Top Glove Corp Bhd and Hartalega Holdings Bhd, were in positive territory, and the other 26 in the red. Across the board, the biggest losers were Carlsberg Brewery Malaysia Bhd and Heineken Malaysia Bhd. The two brewery counters recording all-time highs recently. Analysts told *The Edge Financial Daily* that "investors don't like uncertainties", and whether Dr Mahathir will be reappointed as the next prime minister or Anwar Ibrahim taking over remain unknown for now. This is on top of concerns that parties, especially those from Sabah and Sarawak, may swing the balance, they said. The analyst noted a weaker ringgit has caused the selling among foreign investors as well. "Market conditions are now rather fluid. There is so much political uncertainty that at this point, we do not know who is the prime minister," said another analyst, adding that the market could swing either way and possibly fall lower, if there is a stalemate politically. He noted the stimulus package is the only major catalyst to boost the local market. "This uncertainty is affecting sentiments locally. However, fundamentally it should not affect companies that are competitive internationally and export-oriented," the analyst said. "I believe glove, technology and plantation companies should not be affected by this domestic uncertainty and their depressed share prices could be a temporary effect," he added. Another regional equity research head concurred, saying "politics affects us all in one way or another". He added that no counters will be spared, but investors would likely seek refuge in "defensive" and resilient high-yield stocks. "Offsetting factors include positive news on the Covid-19 virus front, better-than-expected results and .. not much else," he said, on catalysts to support the market now. Despite political uncertainties clouding the local market, the KLCI still fared slightly better than some regional indices as fears of the Covid-19 outbreak continue to spread outside China. (Source: *The EdgeMarkets*)

Rating Action			
Issuer	PDS Description	Rating/Outlook	Action
Kenanga Investors Berhad (KIB) and KIB's wholly-owned subsidiary Kenanga Islamic Investors Berhad (KIIB)	Investment manager rating (IMR)	IMR-2	Affirmed

Source: RAM, MARC

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