

Global Markets Research

Fixed Income

UST		
Tenure	Closing (%)	Chg (bps)
2-yr UST	1.23	-2
5-yr UST	1.18	-3
10-yr UST	1.36	-2
30-yr UST	1.82	-1

MGS		GII*		
Tenure	Closing (%)	Chg (bps)	Closing (%)	Chg (bps)
3-yr	2.66	-8	2.69	0
5-yr	2.74	-5	2.75	-11
7-yr	2.82	-9	2.91	-1
10-yr	2.90	-11	2.95	-12
15-yr	3.12	-9	3.16	-2
20-yr	3.25	-17	3.30	-8
30-yr	3.65	-7	3.63	-1

* Market indicative levels

MYR IRS Levels		
IRS	Closing (%)	Chg (bps)
1-yr	2.83	-5
3-yr	2.76	-8
5-yr	2.78	-7
7-yr	2.85	-9
10-yr	3.00	-6

Source : Bloomberg

Upcoming Government Bond Tender

Nil

Fixed Income Daily Market Snapshot

US Treasuries

- UST's saw better bids as yields declined further on Tuesday amid continued concerns that the global spread of Covid-19 outbreak will threaten important supply chains in the economic system. Softer than expected consumer confidence data and a sell-off in oil were also seen to be contributing factors to the rally in UST. Overall benchmark yields closed between 1-3bps lower with both the UST 2Y and the much-watched UST 10Y down 2bps each at 1.23% and 1.36% (a 3.5-year low) respectively. The auction of \$40b of 2Y however saw muted demand tailing market's expectations as it was awarded at 1.188% on a BTC ratio of 2.45x; well below the previous auction of 2.65x and also the 6-month average. Meanwhile investors and traders alike are seen to increase the odds of the Fed cutting interest rates again this year whilst awaiting the 4Q2019 GDP numbers tomorrow.

MGS/GII

- Local govvnies recovered lost ground amid a spike in volume of RM8.95b yesterday following the temporary political uncertainty that unfolded since last Sunday. Overall benchmark yields closed between 0-17bps lower with interest mainly seen in off-the-run 23's and also the 5Y, 7Y and 10Y benchmark MGS/GII. The benchmark 5Y MGS 6/24 moved 5bps lower at 2.74% whilst the 10Y MGS 8/29 rallied 11bps to close at 2.90%. GII bonds rose to form about ~ 33% of overall trades. MYR was also seen slightly stronger. Meanwhile the nation's deeper pool of institutional funds is expected to insulate the bond market against excessive volatility. Nevertheless, expect cautious approach to prevail as the nation awaits further clarity on the political front.

Corp Bonds/Sukuk

- Corporate bonds/Sukuk space saw secondary market interest improve yesterday amid secondary market volume of RM463m with interest returning across the GG-AA spectrum as yields ended mostly lower. The Govt-guaranteed DANA 11/30 and PRASA 31's declined sharply between 24-41bps compared to previous-done levels at 3.15-17% levels. However the longer-end Govt-guaranteed DANA 49's closed between 7-13bps higher between 3.79-84%. AAA-rated CAGAMAS 10/22 closed sharply lower on yields at 2.95% whilst KLK 4/26 and DIGI 9/26 edged 1-2bps higher at 3.30% and 3.12%. AA-rated SPR Energy 23-24's which were last traded in July/August 2018 period; notched trades at 3.74-80% area. The banking space was active with RHB Islamic and RHB Bank 27NC22 closing at 3.39% and 3.455 each whilst MAYBANK perps 2117NC24 and 2117NC26 ended between -3 to +4bps within 3.52-75% levels.

Daily Trades : Government Bond

Securities	Closing	Vol	Previous	Previous	Chg
	YTM	(RM mil)	YTM	Trade Date (dd/mm/yyyy)	(bp)
MGS 03/20	2.708	266	2.698	24/02/2020	1
MGS 10/20	2.618	155	2.726	24/02/2020	-11
MGS 02/21	2.608	98	2.704	24/02/2020	-10
MGS 07/21	2.634	47	2.714	24/02/2020	-8
MGS 09/21	2.648	175	2.642	21/02/2020	1
MGS 11/21	2.734	21	2.683	21/02/2020	5
MGS 03/22	2.661	336	2.738	24/02/2020	-8
MGS 09/22	2.664	332	2.700	24/02/2020	-4
MGS 03/23	2.757	93	2.724	24/02/2020	3
MGS 04/23	2.672	460	2.771	24/02/2020	-10
MGS 08/23	2.692	54	2.743	21/02/2020	-5
MGS 06/24	2.735	488	2.782	24/02/2020	-5
MGS 07/24	2.872	7	2.815	24/02/2020	6
MGS 09/24	2.749	2	2.831	24/02/2020	-8
MGS 03/25	2.749	40	2.854	24/02/2020	-11
MGS 09/25	2.723	123	2.851	24/02/2020	-13
MGS 07/26	2.818	10	2.912	24/02/2020	-9
MGS 11/26	2.948	8	2.861	21/02/2020	9
MGS 05/27	2.827	792	2.979	24/02/2020	-15
MGS 11/27	2.894	8	2.867	24/02/2020	3
MGS 06/28	2.914	10	2.993	24/02/2020	-8
MGS 08/29	2.894	1046	3.006	24/02/2020	-11
MGS 04/30	3.016	146	3.098	21/02/2020	-8
MGS 06/31	3.090	11	3.115	21/02/2020	-3
MGS 04/33	3.124	488	3.251	24/02/2020	-13
MGS 11/33	3.116	220	3.167	21/02/2020	-5
MGS 07/34	3.115	190	3.207	24/02/2020	-9
MGS 04/37	3.359	12	3.303	21/02/2020	6
MGS 06/38	3.426	4	3.354	21/02/2020	7
MGS 05/40	3.248	30	3.420	24/02/2020	-17
MGS 09/43	3.523	30	3.551	24/02/2020	-3
MGS 03/46	3.568	50	3.739	24/02/2020	-17
MGS 07/48	3.649	223	3.717	24/02/2020	-7
GII 04/20	2.641	70	2.693	21/02/2020	-5
GII 05/20	2.657	50	2.751	11/02/2020	-9
GII 04/22	2.658	18	2.779	24/02/2020	-12
GII 07/22	2.675	10	2.710	21/02/2020	-4
GII 05/23	2.699	30	2.727	18/02/2020	-3
GII 07/23	2.697	150	2.729	21/02/2020	-3
GII 10/23	2.715	100	2.753	21/02/2020	-4
GII 11/23	2.755	20	2.824	24/02/2020	-7
GII 10/24	2.752	290	2.866	24/02/2020	-11
GII 10/25	2.783	38	2.924	24/02/2020	-14
GII 03/26	2.914	30	2.923	24/02/2020	-1
GII 06/27	2.941	120	3.012	10/02/2020	-7
GII 08/28	2.968	60	3.001	21/02/2020	-3
GII 10/28	3.029	150	3.098	24/02/2020	-7
GII 12/28	2.987	30	3.083	24/02/2020	-10
GII 07/29	2.949	928	3.072	24/02/2020	-12
GII 09/30	3.013	190	3.082	19/02/2020	-7
GII 06/33	3.141	50	3.184	20/02/2020	-4
GII 08/33	3.129	200	3.205	21/02/2020	-8
GII 11/34	3.155	115	3.172	21/02/2020	-2
GII 10/35	3.231	100	3.246	21/02/2020	-2
GII 08/37	3.312	10	3.324	21/02/2020	-1
GII 09/39	3.301	80	3.378	21/02/2020	-8
GII 11/49	3.629	140	3.642	24/02/2020	-1
		<u>8952</u>			

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*
Lembaga Pembiayaan Perumahan Sektor Awarr	10/28	GG	3.085	50	3.301	06/02/2020	-22	18
Lembaga Pembiayaan Perumahan Sektor Awarr	02/30	GG	3.142	40	-	-	314	24
Prasarana Malaysia Berhad	03/30	GG	3.118	15	3.100	19/02/2020	2	22
DanaInfra Nasional Berhad	11/30	GG	3.158	5	3.400	30/01/2020	-24	26
Prasarana Malaysia Berhad	02/31	GG	3.168	5	3.549	21/01/2020	-38	27
Prasarana Malaysia Berhad	03/31	GG	3.148	10	3.560	16/01/2020	-41	25
Lembaga Pembiayaan Perumahan Sektor Awarr	04/33	GG	3.301	40	3.501	29/01/2020	-20	15
Prasarana Malaysia Berhad	12/33	GG	3.278	5	3.420	05/02/2020	-14	13
Perbadanan Tabung Pendidikan Tinggi Nasional	02/34	GG	3.399	10	3.419	10/02/2020	-2	25
Prasarana Malaysia Berhad	12/38	GG	3.500	5	4.040	09/12/2019	-54	23
DanaInfra Nasional Berhad	02/49	GG	3.839	10	3.710	19/02/2020	13	56
DanaInfra Nasional Berhad	11/49	GG	3.789	30	3.720	19/02/2020	7	51
Sarawak Energy Berhad	06/21	AAA	3.043	40	3.126	12/02/2020	-8	39
Cagamas Berhad	10/22	AAA	2.945	20	3.397	11/12/2019	-45	27
Axis REIT Sukuk Berhad	07/24	AAA	3.186	2	3.519	03/10/2019	-33	46
Pengurusan Air SPV Berhad	06/26	AAA	3.162	5	3.106	19/02/2020	6	35
DiGi Telecommunications Sdn Berhad	09/26	AAA	3.118	10	3.112	14/02/2020	1	27
Rantau Abang Capital Berhad	01/32	AAA	3.290	10	3.911	20/12/2019	-62	39
Kuala Lumpur Kepong Berhad	04/26	AA1	3.304	20	3.279	18/02/2020	2	49
Public Islamic Bank Berhad	10/29	AA1	3.279	5	3.709	03/12/2019	-43	38
Danajamin Nasional Berhad	10/27	AA+	3.475	10	3.434	21/02/2020	4	59
BEWG (M) Sdn Berhad	07/23	AA	3.657	10	4.087	20/11/2019	-43	98
Fortune Premiere Sdn Berhad	09/23	AA	3.421	2	3.537	30/01/2020	-12	70
Fortune Premiere Sdn Berhad	09/25	AA	3.560	10	3.828	14/01/2020	-27	75
SPR Energy (M) Sdn Berhad	07/23	AA3	3.738	5	4.758	29/08/2018	-102	106
SPR Energy (M) Sdn Berhad	07/24	AA3	3.803	5	4.908	25/07/2018	-111	108
AmBank Islamic Berhad	03/27	AA3	3.965	1	3.742	20/09/2019	22	112
RHB Islamic Bank Berhad	04/27	AA3	3.387	10	3.504	29/01/2020	-12	54
RHB Bank Berhad	09/27	AA3	3.451	10	4.184	11/07/2019	-73	57
Malayan Banking Berhad	02/17	AA3	3.749	6	3.778	13/02/2020	-3	47
Malayan Banking Berhad	02/17	AA3	3.517	20	3.479	19/02/2020	4	24
UEM Sunrise Berhad	04/22	AA-	3.276	5	3.557	26/09/2019	-28	61
CIMB Group Holdings Berhad	05/16	A1	3.522	1	4.058	24/02/2020	-54	25
CIMB Group Holdings Berhad	05/16	A1	4.077	1	4.131	20/02/2020	-5	80
IJM Land Berhad	03/19	A2	4.785	5	4.726	14/02/2020	6	151
YNH Property Berhad	08/19	-	6.377	2	6.633	24/02/2020	-26	310
TG Excellence Berhad	02/20	-	3.950	25	-	-	395	68
				<u>463</u>				

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

Market/Corporate News: What's Brewing

MMC Corp Bhd posted a 43% year-on-year net profit decline in its fourth quarter ended Dec 31, 2019 (4QFY19), dragged by slower work progress at the Sungai Buloh-Serdang-Putrajaya (SSP) line of the Klang Valley Mass Rapid Transit, following a revision of the contract for the job in November 2018. It also saw a slower work progress from the Langat Sewerage project. The impact of these pulled net profit for the 4QFY19 ended Dec 31, 2019 down to RM68.09 million from RM119.72 million previously, as revenue sank 30% to RM1.1 billion from RM1.56 billion. Consequently, earnings per share (EPS) fell to 2.2 sen from 3.9 sen, MMC's stock exchange filing yesterday showed. The weaker financial results were also due to the provision for impairment of receivables, though this was offset by a reversal of provision that was no longer required at the Electrified Double-Track Project undertaken by its joint venture with Gamuda Bhd. "A decision on the declaration of dividend for the financial year ended Dec 31, 2019 has yet to be made," it added. For the full FY19, the construction firm chalked up a higher net profit of RM255.17 million, up 16% from RM220.08 million in the year-ago period, despite revenue falling 5% to RM4.72 billion from RM4.98 billion. EPS grew to 8.4 sen from 7.2 sen. It attributed the higher annual earnings to higher contributions from its port entities, higher share results of associates, namely Malakoff Corp Bhd, higher passenger volume at the Senai Airport, and a gain on disposal of assets held for sale. The earlier mentioned provision reversal and lower administrative costs across the group also helped lift its bottomline. Going forward, MMC said it expects to strengthen its capabilities while focusing on operating performance and efficiency, while exploring new opportunities. "The board is cognisant of the current local and global economic challenges and will continue to monitor the financial performance for the

current financial year," it. (Source: *The Star*)

S&P Global Ratings has warned of downward pressure on Malaysia's sovereign credit ratings if new political developments suggest a weakened commitment to fiscal consolidation. The independent credit rating agency currently has a 'A-/A-2' foreign currency rating on Malaysia and a 'A/A-1' for local currency rating, both with a stable outlook. In a statement yesterday, S&P Global Ratings said the country's economic growth outlook is important for its ratings where an extended period of uncertainty could undermine growth. "We believe the scale of these risks will be proportionate to the duration of uncertainty regarding the formation of Malaysia's next government," it added. Although the abrupt resignation of Tun Dr Mahathir Mohamad as prime minister and the subsequent collapse of the Pakatan Harapan government augurs fresh uncertainty in the political landscape, S&P Global Ratings believes there is no material impact on Malaysia's key credit factors at this point. "In the near term, heightened political uncertainty is likely to give rise to higher volatility in Malaysia's financial markets, and potentially spur some capital outflows. However, we do not yet believe there is a strong likelihood for major changes to medium-term factors such as fiscal and economic policies." Still, S&P Global Ratings noted that the government's collapse coincides with an already difficult period for the Malaysian and regional economies amid the Covid-19 outbreak. "There is a risk that this development could delay implementation of measures aimed at mitigating the economic impact. The government's ability to maintain its policy focus during this challenging time will be important. "A swift transition to a new government would likely mitigate these associated risks," it said, adding that political uncertainty will undermine policymaking and affect investor confidence," it said. The ratings agency also pointed out that Malaysia's fiscal settings have faced increasing pressure in recent years, owing to a large accumulation of crystallised contingent liabilities on the government's balance sheet and the weakening of some important revenue-generating measures such as the former government's goods and services tax programme. In a separate statement yesterday, former finance minister Lim Guan Eng announced that Dr Mahathir will go ahead to announce the highly-anticipated economic stimulus package but on a date to be decided by him in his capacity as the interim prime minister. Dr Mahathir was initially scheduled to present the package tomorrow. (Source: *The EdgeMarkets*)

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

Source: RAM, MARC

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