

Global Markets Research

Fixed Income

UST		
Tenure	Closing (%)	Chg (bps)
2-yr UST	1.17	-5
5-yr UST	1.16	-2
10-yr UST	1.34	-2
30-yr UST	1.82	0

MGS		GII*		
Tenure	Closing (%)	Chg (bps)	Closing (%)	Chg (bps)
3-yr	2.62	-4	2.69	0
5-yr	2.68	-5	2.74	-1
7-yr	2.80	-2	2.77	-14
10-yr	2.85	-5	2.91	-4
15-yr	3.04	-7	3.10	-5
20-yr	3.23	-2	3.30	0
30-yr	3.63	-2	3.63	0

* Market indicative levels

MYR IRS Levels		
IRS	Closing (%)	Chg (bps)
1-yr	2.79	-4
3-yr	2.74	-2
5-yr	2.77	-2
7-yr	2.85	-1
10-yr	2.99	-1

Source : Bloomberg

Upcoming Government Bond Tender

Nil

Fixed Income Daily Market Snapshot

US Treasuries

- UST's ended stronger on Wednesday with the front-end of the curve richer as risk-off moves swept through markets across the globe with the 2s10s spread widening further to ~17bps. Concerns continue to be elevated over the magnitude of the Covid-19 outbreak outside of China and its economic impact. Overall benchmark yields closed between 0-5bps lower with the UST 2Y falling 5bps at 1.17% and the much-watched UST 10Y declining 2bps at 1.34%. Meanwhile the auction of \$41b of 5Y fared better and was awarded at 1.15% (~30bps lower than January's 1.448%) on a BTC ratio of 2.46x; still above the 6-month average of 2.42x. Meanwhile investors and traders alike are watching the swaps markets which are pricing in a rise from 5bps to 8bps of rate cuts in the upcoming March FOMC meeting. Up next are the 4Q2019 GDP numbers tonight.

MGS/GII

- Local govies continued to recover from Monday's knee-jerk sell-off from the political limbo in the nation amid a solid volume of RM7.23b yesterday. Overall benchmark yields closed between 0-14bps lower with interest mainly seen in off-the-run 20's and also the 5Y, 7Y and most of all in the 10Y benchmark MGS/GII. Both the benchmark 5Y MGS 6/24 and MGS 8/29 moved 5bps lower at 2.68% and 2.85% respectively. GII bonds rose to form about ~ 49% of overall trades; denoting strong local support. Meanwhile the nation's deeper pool of institutional funds is expected to insulate the bond market against excessive volatility for now. Nevertheless, expect cautious approach to prevail as the nation awaits further clarity on the political front.

Corp Bonds/Sukuk

- Corporate bonds/Sukuk space saw investor interest ramped up yesterday amid secondary market volume of RM1.49b with interest returning across the GG-AA spectrum. Overall yields mostly ended lower on strong bids with the Govt-guaranteed bonds in the 2024 tranches dominating trades. DANA and LPPSA 24's closed mixed between -57 to +3bps compared to previous-done levels at 2.93-94% levels whilst the long-end DANA 11/49 closed 8bps lower at 3.71%. AAA-rated SEB notch total of RM100m in nominal amounts with the 1/22, 7/24 and 6/26 tranches edging 102bps lower at 3.03%, 3.08% and 3.13% each whilst the SEB 1/27 settled 17bps lower; also at 3.13%. AA-rated construction bigwigs IJM 6/22 and GAMUDA 3/23 closed between 9-36bps lower at 3.48% and 3.46% each. The banking space saw AmBank 27NC22 move sharply lower on yields at 3.19%.

Daily Trades : Government Bond

Securities		Closing	Vol	Previous	Previous	Chg
		YTM	(RM mil)	YTM	Trade Date (dd/mm/yyyy)	(bp)
MGS	03/20	2.764	339	2.708	25/02/2020	6
MGS	07/20	2.686	186	2.889	24/02/2020	-20
MGS	10/20	2.606	61	2.618	25/02/2020	-1
MGS	02/21	2.634	1	2.608	25/02/2020	3
MGS	07/21	2.630	8	2.634	25/02/2020	0
MGS	09/21	2.678	102	2.648	25/02/2020	3
MGS	11/21	2.617	23	2.734	25/02/2020	-12
MGS	03/22	2.617	193	2.661	25/02/2020	-4
MGS	08/22	2.626	5	2.743	24/02/2020	-12
MGS	09/22	2.616	122	2.664	25/02/2020	-5
MGS	03/23	2.640	158	2.757	25/02/2020	-12
MGS	04/23	2.655	86	2.672	25/02/2020	-2
MGS	08/23	2.682	3	2.692	25/02/2020	-1
MGS	06/24	2.683	26	2.735	25/02/2020	-5
MGS	07/24	2.683	32	2.872	25/02/2020	-19
MGS	09/24	2.683	51	2.749	25/02/2020	-7
MGS	03/25	2.755	21	2.749	25/02/2020	1
MGS	07/25	2.772	10	2.930	07/02/2020	-16
MGS	09/25	2.685	29	2.723	25/02/2020	-4
MGS	07/26	2.803	82	2.818	25/02/2020	-2
MGS	11/26	2.848	3	2.948	25/02/2020	-10
MGS	05/27	2.782	338	2.827	25/02/2020	-4
MGS	11/27	2.893	21	2.894	25/02/2020	0
MGS	06/28	2.828	53	2.914	25/02/2020	-9
MGS	09/28	2.858	5	2.978	25/02/2020	-12
MGS	08/29	2.847	466	2.894	25/02/2020	-5
MGS	04/30	2.978	61	3.016	25/02/2020	-4
MGS	06/31	3.016	62	3.090	25/02/2020	-7
MGS	04/33	3.066	200	3.124	25/02/2020	-6
MGS	11/33	3.058	60	3.116	25/02/2020	-6
MGS	07/34	3.041	629	3.115	25/02/2020	-7
MGS	05/35	3.172	125	3.166	14/02/2020	1
MGS	04/37	3.214	10	3.359	25/02/2020	-15
MGS	06/38	3.266	1	3.426	25/02/2020	-16
MGS	05/40	3.229	40	3.248	25/02/2020	-2
MGS	03/46	3.573	1	3.568	25/02/2020	0
MGS	07/48	3.629	96	3.649	25/02/2020	-2
GII	08/20	2.678	40	2.756	24/02/2020	-8
GII	05/23	2.660	110	2.699	25/02/2020	-4
GII	07/23	2.678	210	2.697	25/02/2020	-2
GII	10/23	2.700	140	2.715	25/02/2020	-1
GII	11/23	2.699	33	2.755	25/02/2020	-6
GII	10/24	2.737	325	2.752	25/02/2020	-1
GII	08/25	2.759	53	2.888	24/02/2020	-13
GII	10/25	2.747	50	2.783	25/02/2020	-4
GII	03/26	2.772	178	2.914	25/02/2020	-14
GII	09/26	2.797	30	3.033	24/02/2020	-24
GII	06/27	2.867	30	2.941	25/02/2020	-7
GII	07/27	2.839	30	2.930	21/02/2020	-9
GII	08/28	2.929	10	2.968	25/02/2020	-4
GII	10/28	3.009	332	3.029	25/02/2020	-2
GII	07/29	2.908	985	2.949	25/02/2020	-4
GII	09/30	2.971	20	3.013	25/02/2020	-4
GII	06/33	3.101	270	3.141	25/02/2020	-4
GII	08/33	3.059	20	3.129	25/02/2020	-7
GII	11/34	3.103	280	3.155	25/02/2020	-5
GII	10/35	3.227	50	3.231	25/02/2020	0
GII	09/39	3.304	170	3.301	25/02/2020	0
GII	11/49	3.627	150	3.629	25/02/2020	-0.2
			<u>7229</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	09/23	GG	2.901	230	3.345	27/11/2019	-44	22
DanaInfra Nasional Berhad	10/23	GG	2.803	15	2.851	13/02/2020	-5	12
DanaInfra Nasional Berhad	07/24	GG	2.931	115	2.900	17/02/2020	3	25
Lembaga Pembiayaan Perumahan Sektor Awarr	09/24	GG	2.941	170	3.509	17/07/2019	-57	24
DanaInfra Nasional Berhad	11/24	GG	2.940	130	2.955	13/02/2020	-2	24
Lembaga Pembiayaan Perumahan Sektor Awarr	04/25	GG	2.970	60	3.506	15/11/2019	-54	27
Lembaga Pembiayaan Perumahan Sektor Awarr	10/25	GG	2.980	5	3.325	14/01/2020	-35	21
DanaInfra Nasional Berhad	11/25	GG	2.951	15	2.984	14/02/2020	-3	18
Lembaga Pembiayaan Perumahan Sektor Awarr	09/26	GG	3.032	5	3.081	13/02/2020	-5	24
Lembaga Pembiayaan Perumahan Sektor Awarr	04/33	GG	3.300	60	3.301	25/02/2020	0	23
Prasarana Malaysia Berhad	12/33	GG	3.168	5	3.278	25/02/2020	-11	10
Prasarana Malaysia Berhad	08/34	GG	3.199	15	3.255	18/02/2020	-6	13
Prasarana Malaysia Berhad	12/35	GG	3.330	30	3.719	15/01/2020	-39	26
Lembaga Pembiayaan Perumahan Sektor Awarr	10/38	GG	3.470	15	3.801	16/01/2020	-33	23
Lembaga Pembiayaan Perumahan Sektor Awarr	04/39	GG	3.480	15	3.829	13/01/2020	-35	24
Lembaga Pembiayaan Perumahan Sektor Awarr	09/46	GG	3.699	40	3.659	20/02/2020	4	46
DanaInfra Nasional Berhad	11/49	GG	3.710	5	3.789	25/02/2020	-8	47
Sarawak Energy Berhad	01/22	AAA	3.034	10	3.046	14/02/2020	-1	39
Malaysia Airports Capital Berhad	12/22	AAA	3.064	30	3.393	31/01/2020	-33	42
Sarawak Energy Berhad	07/24	AAA	3.081	10	3.097	18/02/2020	-2	40
Danum Capital Berhad	02/25	AAA	3.057	5	3.070	19/02/2020	-1	36
Danum Capital Berhad	02/26	AAA	3.074	10	3.103	24/02/2020	-3	30
Sarawak Energy Berhad	06/26	AAA	3.128	50	3.142	21/02/2020	-1	36
Bakun Hydro Power Generation Sdn Berhad (fka	08/26	AAA	3.107	60	3.238	18/02/2020	-13	34
Sarawak Energy Berhad	01/27	AAA	3.128	30	3.299	11/02/2020	-17	33
Sabah Development Bank Berhad	11/20	AA1	3.171	10			317	54
MBSB Bank Berhad (fka Asian Finance Bank B	12/20	AA1	3.252	10	3.489	23/01/2020	-24	62
Sabah Development Bank Berhad	12/21	AA1	3.308	10	3.674	10/10/2019	-37	67
Public Islamic Bank Berhad	10/29	AA1	3.210	5	3.279	25/02/2020	-7	35
Kuala Lumpur Kepong Berhad	09/34	AA1	3.517	10	3.569	21/02/2020	-5	45
First Resources Limited	10/21	AA2	3.386	10	3.410	18/02/2020	-2	75
Imtiaz Sukuk II Berhad	10/22	AA2	3.278	40	3.736	08/11/2019	-46	64
Country Garden Real Estate Sdn Berhad	03/22	AA3	4.429	5	4.401	21/02/2020	3	179
Country Garden Real Estate Sdn Berhad	05/22	AA3	4.440	5	4.421	18/02/2020	2	180
IJM Corporation Berhad	06/22	AA3	3.485	5	3.575	29/01/2020	-9	85
Gamuda Berhad	03/23	AA3	3.463	10	3.823	27/11/2019	-36	82
BGSM Management Sdn Berhad	09/23	AA3	3.455	10	3.782	27/12/2019	-33	77
AmBank (M) Berhad	03/27	AA3	3.193	10	3.926	11/02/2020	-73	40
MMC Corporation Berhad	03/28	AA-	4.626	1	4.744	22/01/2020	-12	179
Edra Energy Sdn Berhad	07/32	AA3	4.023	5	3.969	20/02/2020	5	117
TG Excellence Berhad	02/20	AA-	3.900	172	3.950	25/02/2020	-5	66
MMC Corporation Berhad	04/27	AA-	4.481	10	4.757	15/01/2020	-28	169
DRB-Hicom Berhad	12/26	A+	4.256	2	4.308	07/02/2020	-5	146
MNRB Holdings Berhad	03/29	A1	4.210	2	4.606	22/01/2020	-40	136
Quantum Solar Park (Semenanjung) Sdn Berhad	10/22	A+	4.154	6	4.412	17/12/2019	-26	151
WCT Holdings Berhad	09/19	A	5.530	16	5.497	18/02/2020	3	229
				<u>1489</u>				

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

Market/Corporate News: What's Brewing

Sime Darby Bhd is cautious about its prospects for the second half of its financial year amid the worsening coronavirus disease (Covid-19) outbreak. Group chief executive officer Datuk Jeffri Salim said although there has been a reduction of its business in China, it was difficult to quantify it. According to him, it is too early to predict the full impact on the group's operations but the company is hopeful that its strong first half results will cushion the impact. Some 40% of Sime Darby's business is in China. If this (Covid-19) lasts for one to two years, then we're all in trouble. But like the SARS (severe acute respiratory syndrome) outbreak, it took three to six months before things got back to normal. "It's very tricky and difficult to say if there is any impact on us if any," he told a media briefing here on the group's results for the first half of the financial year 2020 (1HFY2020) yesterday. Without Covid-19, the group would have been fairly confident especially with its strong mining business in Australia and a strong demand in China in terms of equipment as the government is still spending money on infrastructure. "For the smaller markets, Singapore is weak, Malaysia is okay, New Zealand is weak but overall quite positive," Jeffri said. While vehicle sales in China are expected to be severely impacted, the group expected the luxury segment to continue growing over the long-term with the increasing higher-income population. Car sales are also expected to be impacted in Malaysia, Singapore, Thailand and Australasia and Hong Kong while a steady market is expected in New Zealand for commercial vehicles. The conglomerate's net profit for the second quarter ended

Dec 31, 2019 slid 11.04% year-on-year (y-o-y) from RM317mil to RM282mil. It would have recorded a 50% jump in net profit if not for the recognition of a deferred tax credit of RM129mil arising from the change in Real Property Gains Tax (RPGT) rates in the previous corresponding period. The group's revenue rose 8.34% y-o-y from RM9.42bil to RM10.21bil for the quarter. For the half year ended Dec 31 last year, Sime Darby's net profit dropped 2.58% y-o-y from RM542mil to RM528mil while its revenue went up 7.76% y-o-y from RM18.27mil to RM19.69bil. Sime Darby announced an interim dividend of two sen per share. The group's order book for the industrial segment rose 15.4% to RM2.87bil as at Dec 31 last year from RM2.49bil on Sept 30. "The order book reflects our business in Australia. "There is a significant demand for metallurgical coal that is used to make steel. "Our miners in Australia are very busy and their cost of production is relatively low so the demand for our equipment, parts and our service remains very strong," Jeffri said, adding that there was also a new mine in Australia that purchased machines from Sime Darby. He expected the segment to be fairly positive for at least another year to a year and a half. Group chief financial officer Mustamir Mohamad said Sime Darby's total debt as of December 2019 rose 6.4% to RM5.7bil from September 2019 and the group's relatively low gearing ratio gave them a comfortable headroom for further expansion. On the group's plan to divest its 30% ownership in Tesco Malaysia, Jeffri said the stake will be sold when the timing and opportunity is right, in the long run. "Tesco is not a core business for Sime Darby and we're looking at exit opportunities for all our non-core businesses. "We have many legacy non-core businesses and we've exited a lot of companies in China, our group shared services business. So, quite a few more to go. "If we sell Tesco, our land and whatever non-core that we have, we should generate quite a lot of cash, which we can use to pay off our loan, invest in new businesses or pay out dividends, which I'm sure our shareholders will prefer," he said.. (Source: *The Star*)

Petroleum Nasional Bhd (Petronas) has hinted at a bearish outlook for 2020. The short-term headwind from the Covid-19 outbreak added pressure to the current low energy prices and weak demand. Petronas is experiencing weaker demand in the current quarter, due to the slowdown in China, the epicentre of the Covid-19 virus, said Petronas president and group chief executive officer (CEO) Tan Sri Wan Zulkiflee Wan Ariffin. "Demand has really softened. [This has affected] not only LNG (liquefied natural gas), but certain types of petrochemicals as well — methanol, paraxylene, and derivatives," said Wan Zulkiflee. However, the impact is also dependent on how long the virus outbreak will last, he told the media at Petronas' financial results briefing here yesterday. "The whole industry was not prepared for this black swan event. But this is not the first time that we go through this kind of price volatility, what is important for Petronas is to have a resilient business model which can handle these headwinds," the CEO explained. China contributes about 6% of the group's revenue, according to Wan Zulkiflee. The ongoing geopolitical uncertainties, prolonged trade tensions and near-term demand disruptions mainly due to the epidemic are also the headwinds, according to Petronas group chief financial officer Tengku Muhammad Taufik Tengku Aziz. "The board expects that the financial performance for the year 2020 will be affected by these factors," Muhammad Taufik said at the briefing. "Notwithstanding these challenges, Petronas remains focused on delivering operational excellence and remains committed to our three-pronged strategy of maximising cash generation, expanding core business, and stepping out into new ventures," he added. According to reports, China's demand for LNG — which imported 96.56 million tonnes per annum (mtpa) in 2019 — could slow by around 13.6mtpa in the first half of 2020. It was reported in early February that China National Offshore Oil Corp (CNOOC) has declared force majeure on LNG contracts. Petronas has a long-term contract with CNOOC, the largest LNG importer in China, at a volume of 3.03mtpa. Petronas sold 30.6 million tonnes of LNG in 2019, up 6% from 28.9 million tonnes in 2018. The soft oil market had taken a toll on the national oil company since last year, which delivered its weakest annual and quarterly profit since 2016 for the financial year ended Dec 31, 2019 (FY19). This was despite Petronas' total oil and gas production increasing by 1.91% to 2,406 kilo barrel of oil equivalent per day (kboe/d) from 2,361kboe/d in 2018, and 4% growth in sales volume entitlement to 1,751kboe/d in 2019, from 1,681 kboe/d the year before. The uptick, Petronas said, was mainly attributable to higher liquid production internationally, and higher natural gas production in Malaysia. This year, Petronas is expecting

to increase its Malaysian production by about 5%, as it increases its domestic capital expenditure (capex) allocation to between RM26 billion and RM28 billion this year with an emphasis on upstream projects. The national oil firm has maintained its overall capex estimate at RM50 billion for 2020. It spent RM47.8 billion in capex last year, up from RM46.9 billion in 2018. The group is also allocating 5% or around RM2.5 billion for renewable energy ventures. Last year, Petronas launched its own rooftop solar solution in Malaysia, building on the acquisition of Singapore-based solar energy solutions company Amplus Energy Solutions Pte Ltd last year. Meanwhile, Wan Zulkiflee explained that Petronas' re-entry into marginal field development will start as an internal initiative, in order to determine its viability. "In the past, we have issued risk-sharing contracts. At the moment, we are trying out within the Petronas group first to see if it makes sense, whether there is sensible and equitable risk allocation. "Any development of marginal or small fields, we will make sure there is value, and we will have fiscal terms that would make sense for Petronas and contractors involved," Wan Zulkiflee said. "We need to make it attractive, and commercially viable for contractors to participate. If we don't develop, [the hydrocarbon] is stranded in the ground," he added. In its latest Petronas Activity Outlook report for 2020-2022, Petronas said it has launched a new licensing round for four marginal field clusters. Bidding is open until May this year. The last time it initiated the marginal oil field development locally was in 2013, when it opened its third risk-sharing contract licensing round for 10 marginal fields. (Source: *The EdgeMarkets*)

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

Source: RAM, MARC

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