

Global Markets Research

Fixed Income

Fixed Income Daily Market Snapshot

US Treasuries

- US Treasuries closed stronger on Monday from the benefit of safe-haven status amid continued fears of the potential spreading of coronavirus-related flu due to huge number of Wuhan residents having left the city before the lockdown by authorities. That along with a slight decrease in December's home sales boosted UST's. Overall benchmark yields extended their decline between 4-7bps with the UST 2Y at 1.45% and the much-watched UST 10Y rallying 7bps lower at a 3-month low of 1.61%. The Treasury's issuances of both \$40b 2Y and \$41b 5Y papers were mixed with the former at 1.44% at a strong BTC ratio of 2.65x (previous: 2.35x) and the latter averaging 1.448% on a weak BTC ratio of 2.33x (previous: 2.49x). Up next on the data front are durable goods orders and consumer confidence. The announcement of \$32m of 7Y UST's are also on the cards this week.

MGS/GIII

- Local govies continued to remain solid in terms of both momentum and secondary volume which notched RM4.35b with investor interest mainly seen in the off-the-run 20-21's, 5Y GII and 7Y MGS bonds. Overall benchmark yields ended lower between 0-5bps save for the short-end MGS. The benchmark 5Y MGS declined 4bps and maintained well-below the 3.00% handle whilst the 10Y MGS 8/29 ended 2bps lower at 3.15%. GII bonds eased to about ~ 42% of overall trades. Expect investors to continue dabbling in search for yields amid a backdrop of massive amounts of negative-yielding global bonds.

Corp Bonds/Sukuk

- Corporate bonds/Sukuk space maintained high secondary market volumes of RM767m post-OPR cut with interest seen across the AAA-AA part of the curve; followed by GG-segment. Overall yields continued to decline on a sharp drop of 19 different names due to low-staffing levels against the backdrop of the Chinese New year festivities. The long-end DANA 46 and 48-49's saw levels close between 0-10bps lower compared to previous-done levels between 3.91-98%. AAA-rated SEB 1/27 closed 8bps sharply lower at 3.44% on substantial trades amounting to RM300m whilst DANGA 33's edged 0-1bps lower between 3.69-71% levels. DANGA 33's closed edged 0-1bps lower between 3.69-71%. AA-rated energy bond i.e. TBEI saw a slew of 2027-202929 tranches similarly close sharply lower on yields between 3.66-72% area. In the banking space, RHB Bank 29NC24 closed 20bps lower at 3.65%.

UST

Tenure	Closing (%)	Chg (bps)
2-yr UST	1.45	-4
5-yr UST	1.44	-7
10-yr UST	1.61	-7
30-yr UST	2.06	-7

MGS

GII*

Tenure	Closing (%)	Chg (bps)	Closing (%)	Chg (bps)
3-yr	2.87	7	2.93	0
5-yr	2.93	-4	3.05	0
7-yr	3.10	-3	3.14	0
10-yr	3.15	-2	3.22	-1
15-yr	3.23	-2	3.33	-3
20-yr	3.41	-3	3.50	-3
30-yr	3.77	-5	3.87	0

* Market indicative levels

MYR IRS Levels

IRS	Closing (%)	Chg (bps)
1-yr	3.07	-1
3-yr	3.10	0
5-yr	3.15	0
7-yr	3.21	0
10-yr	3.31	0

Source : Bloomberg

Upcoming Government Bond Tender

Nil

Daily Trades : Government Bond

Securities		Closing	Vol	Previous	Previous	Chg
		YTM	(RM mil)	YTM	Trade Date (dd/mm/yyyy)	(bp)
MGS	03/20	2.806	265	2.875	23/01/2020	-7
MGS	07/20	2.775	150	2.770	22/01/2020	0
MGS	10/20	2.853	213	2.799	23/01/2020	5
MGS	07/21	2.837	268	2.857	23/01/2020	-2
MGS	03/22	2.871	1	2.802	23/01/2020	7
MGS	08/22	2.865	41	3.070	20/01/2020	-21
MGS	09/22	2.892	56	3.089	22/01/2020	-20
MGS	03/23	2.866	150	2.860	23/01/2020	1
MGS	04/23	2.921	20	2.989	22/01/2020	-7
MGS	08/23	2.950	10	2.934	22/01/2020	2
MGS	06/24	2.931	100	2.975	23/01/2020	-4
MGS	07/24	3.019	4	3.030	23/01/2020	-1
MGS	09/25	3.041	188	3.049	23/01/2020	-1
MGS	04/26	3.134	4	3.214	16/01/2020	-8
MGS	07/26	3.101	52	3.131	23/01/2020	-3
MGS	11/26	3.152	2	3.147	23/01/2020	1
MGS	05/27	3.118	310	3.125	23/01/2020	-1
MGS	11/27	3.147	10	3.163	23/01/2020	-2
MGS	08/29	3.149	38	3.164	23/01/2020	-2
MGS	04/30	3.237	34	3.252	23/01/2020	-1
MGS	06/31	3.301	20	3.321	23/01/2020	-2
MGS	04/33	3.312	106	3.335	23/01/2020	-2
MGS	11/33	3.359	70	3.363	23/01/2020	0
MGS	07/34	3.226	95	3.248	23/01/2020	-2
MGS	05/35	3.391	10	3.580	22/01/2020	-19
MGS	04/37	3.426	2	3.608	21/01/2020	-18
MGS	06/38	3.480	7	3.500	23/01/2020	-2
MGS	05/40	3.407	9	3.437	23/01/2020	-3
MGS	09/43	3.692	70	3.901	21/01/2020	-21
MGS	03/46	3.812	70	3.854	23/01/2020	-4
MGS	07/48	3.769	170	3.815	23/01/2020	-5
GII	04/20	2.782	4	2.810	23/01/2020	-3
GII	05/20	2.801	70	2.801	23/01/2020	0
GII	08/20	2.840	50	3.002	16/01/2020	-16
GII	08/20	2.827	10	2.779	22/01/2020	5
GII	11/22	2.921	90	2.951	23/01/2020	-3
GII	11/23	2.970	5	2.967	23/01/2020	0
GII	08/24	3.058	80	3.100	22/01/2020	-4
GII	10/24	3.053	470	3.058	23/01/2020	0
GII	08/25	3.100	90	3.106	23/01/2020	-1
GII	03/26	3.142	30	3.145	23/01/2020	0
GII	10/28	3.219	191	3.210	23/01/2020	1
GII	07/29	3.220	141	3.227	23/01/2020	-1
GII	06/33	3.355	110	3.420	23/01/2020	-6
GII	08/33	3.372	90	3.424	23/01/2020	-5
GII	11/34	3.334	250	3.369	23/01/2020	-4
GII	10/35	3.433	50	3.498	23/01/2020	-7
GII	08/37	3.513	31	3.537	23/01/2020	-2
GII	09/39	3.497	40	3.522	23/01/2020	-2
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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*
DanaInfra Nasional Berhad	05/46	GG	3.910	210	4.009	16/01/2020	-10	48
DanaInfra Nasional Berhad	11/48	GG	3.970	10	4.005	22/01/2020	-3	54
DanaInfra Nasional Berhad	02/49	GG	3.980	10	3.979	23/01/2020	0	55
DiGi Telecommunications Sdn Berhad	04/24	AAA	3.364	5	3.590	26/09/2019	-23	44
GENM Capital Berhad	08/25	AAA	4.031	1	4.251	15/01/2020	-22	95
Sarawak Energy Berhad	01/27	AAA	3.437	300	3.521	21/01/2020	-8	32
Pengurusan Air SPV Berhad	06/29	AAA	3.669	5	3.670	23/01/2020	0	51
Danga Capital Berhad	01/33	AAA	3.688	5	3.694	23/01/2020	-1	44
Danga Capital Berhad	09/33	AAA	3.708	15	3.711	23/01/2020	0	46
Tenaga Nasional Berhad	08/38	AAA	3.868	10	3.887	23/01/2020	-2	44
Konsortium ProHAWK Sdn Berhad	06/27	AA2	3.778	10	4.819	18/04/2018	-104	66
Tanjung Bin Energy Issuer Berhad	03/27	AA3	3.658	10	3.879	20/12/2019	-22	54
AmBank Islamic Berhad	10/28	AA3	3.564	100	3.690	14/01/2020	-13	41
Tanjung Bin Energy Issuer Berhad	03/29	AA3	3.719	20	3.919	10/10/2019	-20	56
RHB Islamic Bank Berhad	05/29	AA3	3.651	30	3.847	19/12/2019	-20	50
Tanjung Bin Energy Issuer Berhad	09/29	AA3	3.719	10	4.459	25/04/2019	-74	56
Edra Energy Sdn Berhad	07/33	AA3	4.278	10	4.360	22/01/2020	-8	103
Jimah East Power Sdn Berhad	12/28	AA-	3.899	6	3.978	16/01/2020	-8	74
CIMB Group Holdings Berhad	05/16	A1	3.953	1	4.107	23/01/2020	-15	52
				<u>767</u>				

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

Market/Corporate News: What's Brewing

India's monthly palm oil imports from Malaysia could fall to the lowest level in nearly nine years in January as traders stopped buying the tropical oil from Kuala Lumpur following informal instructions from New Delhi, traders and refiners told Reuters. Lower imports by India, the world's biggest palm oil importer, could weigh on Malaysian prices that have corrected nearly a tenth after hitting a three-year peak earlier this month. In the second week of January New Delhi privately urged palm oil importers to boycott Malaysian products after the country's Prime Minister criticised India's actions in Kashmir and its new citizenship law. Some traders had been hoping state-run trading firms could buy refined palm oil for the public distribution system by floating tenders, but this does not seem to have materialised. "No one is buying Malaysia's crude palm oil (CPO) or palmolein for February shipments. There are no open tenders from state agencies yet," said a Kuala Lumpur-based trader. India is set to import less than 70,000 tonnes of palm oil from Malaysia in January, the lowest since April 2011 and significantly lower than the 253,889 tonnes it imported in January 2019, traders and refiners said. In February imports could be negligible at less than 10,000 tonnes as almost every Indian buyer has switched to Indonesia, they said. "Traders stopped buying from Malaysia after the government gave verbal instructions. This month's shipments are from the contracts signed before the government instructions," said a Mumbai-based dealer with one global trading firm. In 2019, India imported 4.4 million tonnes of palm oil from Malaysia, with average monthly imports of 367,459 tonnes, Malaysian Palm Oil Board (MPOB) data showed. Indonesian sellers are currently charging a premium around \$25 per tonne over CPO supplies from Malaysia, but "we have little choice but to buy," said an Indian refiner, which had shifted its entire buying to Indonesia. India's palm oil imports from Indonesia could be around 550,000 tonnes in January, said Sandeep Bajoria, chief executive of the Sunvin Group, a Mumbai-based vegetable oil importer. Indonesia is the world's biggest producer of palm oil, followed by Malaysia. Palm oil accounts for nearly two-thirds of India's total edible oil imports. India buys more than 9 million tonnes of palm oil annually, mainly from Indonesia and Malaysia. "Even in coming months, Indian imports would be negligible from Malaysia, unless the Indian government changes its stance," said an importer based at Indore in the central state of Madhya Pradesh. (Source: The Star/Reuters)

Asian shares slipped again on Tuesday as China took more drastic steps to combat the coronavirus, while bond yields fell globally on expectations central banks would need to keep stimulus flowing to offset the likely economic drag. As the death toll reached 81 and the virus spread to more than 10 countries, including France, Japan and the United States, some health experts questioned whether China can contain the epidemic. Beijing has already extended the Lunar New Year holiday to Feb. 2 nationally, and to Feb. 9 for Shanghai. On Tuesday, the country's largest steelmaking city in northern Hebei province, Tangshan, suspended all public transit in an effort to prevent the spread of the virus. with Chinese markets shut investors were selling the offshore yuan and the Australian dollar as a proxy for risk. "What is becoming clearer is that the Chinese economy will take a hit for a time," said David de Garis, a director of economics at National Australia Bank. "Travel and tourism is being impacted, including in Australia where China has the largest share in exports of personal tourism and education." MSCI's broadest index of Asia-Pacific shares outside Japan was 0.4% lower in early Asian trading on Tuesday. Australian shares stumbled nearly 1%. On Monday, key indexes for British, French and German equity markets slid more than 2%, as did pan-European markets on worries about the potential economic impact from the deadly virus. Stocks on Wall Street fell more than 1%. E-Mini futures for the S&P 500 held near three-week lows after slumping 1.6% overnight for their biggest single day percentage loss since last October. Analysts at prominent banks said the coronavirus outbreak was an "unexpected risk factor" for markets though they see the contagion as a regional rather than a global shock. "The rise in risk aversion and worry of a region-wide demand shock ... means the knee-jerk market reaction will likely be to richen low-yielding government bonds," analysts wrote in notes. "Concerns about coronavirus contagion has driven yields lower and is the latest risk of a series that have driven US Treasuries (UST) yields far below what fundamentals indicate. Whilst remaining short 30-year UST." Treasury 10-year note yields dived as deep as 1.60%, the lowest since Oct. 10. Yields on two-year paper also fell sharply while Fed fund futures rallied as investors priced in more risk of a rate cut later this year. Futures imply around 35 basis points of easing by year end. The Federal Reserve is widely expected to stand pat at its policy meeting this week, but markets will be sensitive to any changes to its economic outlook. In the currency market, the dollar index added 0.1% to 97.948 led by safe-haven demand. The euro was steady at \$1.1019. The yen, which has been rising for the past five sessions, paused at 108.12 per dollar. The Aussie also steadied after posting its biggest one-day percentage loss in three weeks on Monday. (Source: The Edgemarkets)

Rating Action			
Issuer	PDS Description	Rating/Outlook	Action
Projek Lebuh raya Usahasama Berhad	RM23.35 billion Sukuk Musharakah Programme	AAA-IS/Stable to AAA-IS/Developing	Revised

Source: RAM, MARC

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