

Global Markets Research

Fixed Income

Fixed Income Daily Market Snapshot

US Treasuries

- US Treasuries cheapened as the curve bear-steepened on Tuesday arising mainly from stronger-than-expected consumer sentiment data for January; despite the ongoing fears from the coronavirus-related flu contagion. There was an initial period of nervousness whereby the 3-month versus the 10-year yield inverted momentarily for the first time since October last year. Overall benchmark yields rose between 3-6bps with the UST 2Y at 1.48% and the much-watched UST 10Y spiking 5bps at a 1.66%. The US Treasury's 7Y auction attracted weak demand on a BTC ratio of 2.37x (previous: 2.47x); whilst drawing a mere yield of 1.57%. Up next on the data front are FOMC's first meeting for 2020 with investors and traders expecting the Fed to stay pat on rates..

MGS/GIII

- Local govies continued to remain in focus amid solid secondary volume of RM5.18b as Interest Rate Swaps were given lower with investors expecting a longer period of low interest rate environment. Interest was mainly seen in the off-the-run 20-21's, 26's, 3Y, 7Y and 10Y MGS/GII bonds. Overall benchmark yields ended lower between 0-7bps save for the 5Y and 10Y MGS. Both the benchmark 5Y MGS 6/24 and the 10Y MGS 8/29 edged 1bps lower at 2.94% and 3.16% respectively. GII bonds eased again to about ~30% of overall trades. Expect investors to continue to search for yields amid safe-haven bids for bonds as the spread of coronavirus and its implications remain uncertain for now.

Corp Bonds/Sukuk

- Corporate bonds/Sukuk space saw traction fall amid low secondary market volume of RM226m due to low-staffing levels against the backdrop of the Chinese New year festivities. Interest was seen mainly across the GG-AAA part of the curve as overall yields still continued to decline sharply with 19 different names traded yesterday. The longer-end DANA 11/34 and 7/44 closed sharply lower on yields compared to previous-done levels at 3.49% and 3.81% respectively. AAA-rated SEB 31-32's moved 4bps lower between 3.54-61% whilst CAGAMAS 22's saw single trades done; closing between 13-23bps lower at 3.22-27% levels. In the banking space, MAYBANK perps 2117NC26 ended 14bps lower at 3.85%.

UST

| Tenure | Closing (%) | Chg (bps) |
|-----------|-------------|-----------|
| 2-yr UST | 1.48 | 3 |
| 5-yr UST | 1.48 | 4 |
| 10-yr UST | 1.66 | 5 |
| 30-yr UST | 2.11 | 6 |

MGS

GII*

| Tenure | Closing (%) | Chg (bps) | Closing (%) | Chg (bps) |
|--------|-------------|-----------|-------------|-----------|
| 3-yr | 2.80 | -7 | 2.86 | -7 |
| 5-yr | 2.94 | 1 | 3.03 | -2 |
| 7-yr | 3.04 | -6 | 3.12 | -2 |
| 10-yr | 3.16 | 1 | 3.20 | -2 |
| 15-yr | 3.23 | 0 | 3.34 | 0 |
| 20-yr | 3.41 | 0 | 3.48 | -1 |
| 30-yr | 3.71 | -6 | 3.77 | -10 |

* Market indicative levels

MYR IRS Levels

| IRS | Closing (%) | Chg (bps) |
|-------|-------------|-----------|
| 1-yr | 3.06 | -1 |
| 3-yr | 3.06 | -4 |
| 5-yr | 3.11 | -4 |
| 7-yr | 3.17 | -4 |
| 10-yr | 3.29 | -2 |

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 | 2.852 | 314 | 2.806 | 24/01/2020 | 5 |
| MGS 10/20 | 2.771 | 2 | 2.853 | 24/01/2020 | -8 |
| MGS 07/21 | 2.816 | 35 | 2.837 | 24/01/2020 | -2 |
| MGS 11/21 | 2.826 | 267 | 2.866 | 23/01/2020 | -4 |
| MGS 03/22 | 2.802 | 36 | 2.871 | 24/01/2020 | -7 |
| MGS 09/22 | 2.892 | 22 | 2.892 | 24/01/2020 | 0 |
| MGS 03/23 | 2.869 | 365 | 2.866 | 24/01/2020 | 0 |
| MGS 04/23 | 2.947 | 32 | 2.921 | 24/01/2020 | 3 |
| MGS 08/23 | 2.939 | 10 | 2.950 | 24/01/2020 | -1 |
| MGS 06/24 | 2.938 | 224 | 2.931 | 24/01/2020 | 1 |
| MGS 09/24 | 3.015 | 28 | 3.043 | 24/01/2020 | -3 |
| MGS 03/25 | 3.032 | 36 | 3.085 | 23/01/2020 | -5 |
| MGS 09/25 | 3.006 | 122 | 3.041 | 24/01/2020 | -4 |
| MGS 04/26 | 3.090 | 20 | 3.134 | 24/01/2020 | -4 |
| MGS 07/26 | 3.038 | 638 | 3.101 | 24/01/2020 | -6 |
| MGS 11/26 | 3.139 | 10 | 3.152 | 24/01/2020 | -1 |
| MGS 05/27 | 3.102 | 241 | 3.118 | 24/01/2020 | -2 |
| MGS 11/27 | 3.134 | 33 | 3.147 | 24/01/2020 | -1 |
| MGS 06/28 | 3.147 | 3 | 3.185 | 23/01/2020 | -4 |
| MGS 08/29 | 3.158 | 160 | 3.149 | 24/01/2020 | 1 |
| MGS 04/30 | 3.229 | 115 | 3.237 | 24/01/2020 | -1 |
| MGS 06/31 | 3.282 | 49 | 3.301 | 24/01/2020 | -2 |
| MGS 04/33 | 3.303 | 1 | 3.312 | 24/01/2020 | -1 |
| MGS 11/33 | 3.308 | 104 | 3.359 | 24/01/2020 | -5 |
| MGS 07/34 | 3.227 | 245 | 3.226 | 24/01/2020 | 0 |
| MGS 05/35 | 3.379 | 49 | 3.391 | 24/01/2020 | -1 |
| MGS 04/37 | 3.422 | 45 | 3.426 | 24/01/2020 | 0 |
| MGS 06/38 | 3.460 | 82 | 3.480 | 24/01/2020 | -2 |
| MGS 09/43 | 3.670 | 60 | 3.692 | 24/01/2020 | -2 |
| MGS 03/46 | 3.767 | 21 | 3.812 | 24/01/2020 | -4 |
| MGS 07/48 | 3.713 | 236 | 3.769 | 24/01/2020 | -6 |
| GII 03/22 | 2.859 | 65 | 2.928 | 23/01/2020 | -7 |
| GII 04/22 | 2.858 | 154 | 2.958 | 23/01/2020 | -10 |
| GII 05/23 | 2.879 | 81 | 2.910 | 23/01/2020 | -3 |
| GII 11/23 | 2.968 | 2 | 2.970 | 24/01/2020 | 0 |
| GII 08/24 | 3.036 | 1 | 3.058 | 24/01/2020 | -2 |
| GII 10/24 | 3.028 | 240 | 3.053 | 24/01/2020 | -2 |
| GII 08/25 | 3.080 | 20 | 3.100 | 24/01/2020 | -2 |
| GII 03/26 | 3.124 | 164 | 3.142 | 24/01/2020 | -2 |
| GII 07/29 | 3.200 | 420 | 3.220 | 24/01/2020 | -2 |
| GII 09/30 | 3.227 | 141 | 3.423 | 20/01/2020 | -20 |
| GII 06/33 | 3.347 | 101 | 3.355 | 24/01/2020 | -1 |
| GII 08/33 | 3.346 | 1 | 3.372 | 24/01/2020 | -3 |
| GII 11/34 | 3.337 | 56 | 3.334 | 24/01/2020 | 0 |
| GII 09/39 | 3.483 | 100 | 3.497 | 24/01/2020 | -1 |
| GII 05/47 | 3.860 | 10 | 3.900 | 23/01/2020 | -4 |
| GII 11/49 | 3.770 | 20 | 3.869 | 23/01/2020 | -10 |
| | | <u>5177</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* |
|---|-------|--------|----------------|-----------------|-----------------|--|-------------|---------------------------|
| Bank Pembangunan Malaysia Berhad | 09/24 | GG | 3.219 | 5 | 3.949 | 28/03/2019 | -73 | 28 |
| Prasarana Malaysia Berhad | 02/26 | GG | 3.280 | 15 | 3.526 | 12/11/2019 | -25 | 22 |
| Jambatan Kedua Sdn Berhad | 07/26 | GG | 3.270 | 20 | 3.469 | 02/01/2020 | -20 | 16 |
| Lembaga Pembiayaan Perumahan Sektor Awarr | 04/27 | GG | 3.289 | 10 | 3.570 | 21/11/2019 | -28 | 18 |
| DanaInfra Nasional Berhad | 11/34 | GG | 3.489 | 40 | 3.968 | 11/11/2019 | -48 | 26 |
| DanaInfra Nasional Berhad | 07/44 | GG | 3.811 | 20 | 5.245 | 06/03/2018 | -143 | 40 |
| Cagamas Berhad | 04/22 | AAA | 3.223 | 5 | 3.379 | 05/12/2019 | -16 | 38 |
| Cagamas Berhad | 11/22 | AAA | 3.273 | 5 | 3.503 | 14/10/2019 | -23 | 40 |
| Cagamas Berhad | 12/22 | AAA | 3.274 | 5 | 3.407 | 06/12/2019 | -13 | 40 |
| Aman Sukuk Berhad | 04/24 | AAA | 3.338 | 10 | 3.449 | 10/01/2020 | -11 | 42 |
| Danum Capital Berhad | 02/26 | AAA | 3.380 | 10 | 3.477 | 16/01/2020 | -10 | 32 |
| Sarawak Energy Berhad | 04/31 | AAA | 3.539 | 20 | 3.579 | 23/01/2020 | -4 | 39 |
| Sarawak Energy Berhad | 12/32 | AAA | 3.609 | 20 | 3.649 | 23/01/2020 | -4 | 38 |
| TNB Northern Energy Berhad | 05/33 | AAA | 3.738 | 10 | 3.739 | 23/01/2020 | 0 | 51 |
| Tenaga Nasional Berhad | 08/38 | AAA | 3.831 | 10 | 3.868 | 24/01/2020 | -4 | 42 |
| Sabah Development Bank Berhad | 04/24 | AA1 | 3.797 | 10 | 4.503 | 07/01/2020 | -71 | 88 |
| Malayan Banking Berhad | 02/17 | AA3 | 3.851 | 10 | 3.989 | 10/01/2020 | -14 | 44 |
| UMW Holdings Berhad | 04/18 | A1 | 4.616 | 1 | 4.218 | 23/01/2020 | 40 | 120 |
| YNH Properties berhad | 08/19 | - | 6.462 | 1 | 6.462 | 23/01/2020 | 0 | 305 |
| | | | | <u>226</u> | | | | |

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

Market/Corporate News: What's Brewing

Malaysian palm oil futures fell as much as 10% on Tuesday, their most in over a decade, on mounting fears that a fast-spreading coronavirus in China will hit demand, amid a diplomatic spat with India. The benchmark palm oil contract for April delivery on the Bursa Malaysia Derivatives Exchange hit its lowest since Nov. 15, 2019 at 2,575 ringgit (\$633.46) per tonne when markets closed on Tuesday. This was the biggest drop since prices fell 10.3% on Oct. 24, 2008. "It is because of the virus (that) all commodities are down," a Kuala Lumpur-based trader told Reuters. China's death toll from the virus has risen to 106 as of Monday, while the number of total confirmed cases surged to 4,515. After three months of sharp gains, palm oil prices have declined 15.6% so far in January, mainly after New Delhi slapped curbs on imports of refined palm oil and informally asked traders to halt all palm imports from Malaysia due to a diplomatic row. India's monthly palm oil imports from Malaysia could fall to their lowest level in nearly nine years in January, traders and refiners told Reuters. "Market is gripped by.... slowing macroeconomics amidst coronavirus epidemic in China," said Anilkumar Bagani, research head at Sunvin Group, a Mumbai-based vegetable oil broker, adding that demand outlook is clouded by the lack of any positive news. Bearish sentiment was further confirmed by lower exports. palm oil exports by Malaysia is expected to fall 5.2% in the Jan. 1 to Jan. 25 period, compared with the same period last month, cargo surveyor Amspec Malaysia said on Tuesday. Also weighing on palm oil prices was soyoil's overnight movement on the Chicago Board of Trade, which hit a six-week low. It last traded 2.8% lower. palm oil is generally affected by price movements in related oils as its competes for a share in the global vegetable oil market. (Source: The Star)

Pos Malaysia Bhd will raise postage rates for registered mail, commercial mail and small parcels below 2kg, effective Feb 1, 2020. In a statement to Bursa Malaysia, the postal group said the new rates were the result of rising operational costs and the increase in the international rate structure by the Universal Postal Union (UPU). Stamp rates for commercial mail will increase by 70 sen, which is more than double, to RM1.30. The price of commercial private letterboxes will increase by RM150 to RM200 a year. The postage of commercial registered mail will increase by 90 sen to RM3.10, while non-commercial registered mail will

leap 20 sen to RM2.40. As far as small parcels below 2kg are concerned, following the UPU Extraordinary Congress in Geneva in September 2019, international postal services saw an increase in last-mile delivery costs of up to 30% — starting January 2020 — while last-mile delivery costs in the US will further increase by some 210% in July 2020. It added that the postage rates for personal and non-commercial mail users will be maintained at the current 60 sen level. In the same vein, there will be no increase in the prices of non-commercial private letterboxes. The postal tariffs were last adjusted in 2010. “Pos Malaysia’s commercial clients represent 95% of all mail users in Malaysia with only 5% comprising individual mail users. Pos Malaysia’s various commercial clients ranging from banking, telecommunications to retail have expressed support towards the new postage rates, as it is deemed reasonable and would have minimal impact on their businesses,” the group said in the statement. Of the commercial entities, 71% were financial institutions, 11% were broadcast media, 8% were telecommunications (telco) companies and 5% were in retail. Pos Malaysia’s group chief executive officer (CEO) Syed Md Najib Syed Md Noor said the new postage rates would allow for the group to serve over nine million addresses under its universal service obligation (USO). “Concurrently, we aim to align our growth with the booming digital economy by embracing innovation to improve service efficiency and customer experience. It is necessary to embark on an aggressive growth plan to remain relevant in the industry as the world is moving towards Industrial Revolution 4.0.” the CEO said. He added that Pos Malaysia must gear up with the current technology advancement to claim market dominance and become a centre of e-commerce in Malaysia — which is expected to grow by up to 30% in 2020. (Source: *The Edgemarkets*)

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

Source: RAM, MARC

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