

Global Markets Research

Fixed Income

UST		
Tenure	Closing (%)	Chg (bps)
2-yr UST	1.43	-5
5-yr UST	1.41	-7
10-yr UST	1.58	-7
30-yr UST	2.04	-7

MGS		GII*		
Tenure	Closing (%)	Chg (bps)	Closing (%)	Chg (bps)
3-yr	2.86	6	2.89	3
5-yr	2.94	0	3.03	0
7-yr	3.04	0	3.10	-3
10-yr	3.15	-1	3.21	1
15-yr	3.22	-1	3.34	0
20-yr	3.41	0	3.48	0
30-yr	3.74	3	3.77	0

* Market indicative levels

MYR IRS Levels		
IRS	Closing (%)	Chg (bps)
1-yr	3.06	0
3-yr	3.08	2
5-yr	3.11	0
7-yr	3.17	0
10-yr	3.30	0

Source : Bloomberg

Upcoming Government Bond Tender

Nil

Fixed Income Daily Market Snapshot

US Treasuries

- US Treasuries closed stronger as the curve shifted lower on Wednesday following an uninspiring FOMC policy statement which was somewhat similar to December's; save for its labelling on consumer growth as "moderate" versus "strong" in December. The FOMC left rates unchanged as expected between 1.50-75% range. Overall benchmark yields declined between 5-7bps with the UST 2Y at 1.43% and the much-watched UST 10Y well-bid by up to 7bps lower at 1.58%. The odds of any Fed rate action may be seen to be premature as it is indeed election year in the US. The Fed's balance sheet may continue to see the intervention via Repo operations through 2Q 2020. Up next on the data front are the advanced reading of 4Q GDP tonight followed by the Fed's preferred inflation indicator i.e. PCE data expected out tomorrow.

MGS/GIII

- Local govies continued to remain in focus amid solid secondary volume of RM5.10b with Interest Rate Swaps inching higher yesterday. Interest was mainly seen in the off-the-run 20's, 23's and also in most tenures for GII bonds. Overall benchmark yields ended mixed between -3 to +6bps. The benchmark 5Y MGS 6/24 was unchanged at 2.94% whilst the 10Y MGS 8/29 edged 1bps lower at 3.15%. GII bonds rose to form about ~ 50% of overall trades. Average OAS (option-adjusted spreads) for Bloomberg Barclays EM Dollar Aggregate which have surged by about 20bps since news of the coronavirus-related flu may attract investors seeking to find alpha. Expect investors to continue to search for yields amid safe-haven bids for bonds as risk-aversion wanes.

Corp Bonds/Sukuk

- Corporate bonds/Sukuk space saw a rebound in traction yesterday amid higher secondary market volume of RM698m. with interest seen mainly across a wider spectrum of the GG-AA part of the curve. Overall yields continued to decline on about 35 different papers. PRASA 26's closed 16-26bps lower compared to previous-done levels between 3.23-26% whilst LPPSA 4/33 saw RM100m in nominal amounts traded 12bps lower at 3.50%. AAA-rated AQUASAR 7/26 played catch-up with other issues within the same rating' closing sharply lower on yields at 3.43%. TNB 37-38's also saw demand with closing levels between 3.76-79%. In the bankng space, CIMB Thai 29NC24 closed ended 22bps lower at 3.78% whilst Hong leong Financial Group perps 2117NC24 similarly rallied to close at 4.02%.

Daily Trades : Government Bond

Securities		Closing	Vol	Previous	Previous	Chg
		YTM	(RM mil)	YTM	Trade Date (dd/mm/yyyy)	(bp)
MGS	03/20	2.695	43	2.852	28/01/2020	-16
MGS	07/20	2.800	199	2.775	24/01/2020	2
MGS	10/20	2.789	381	2.771	28/01/2020	2
MGS	02/21	2.802	30	2.812	23/01/2020	-1
MGS	07/21	2.823	5	2.816	28/01/2020	1
MGS	09/21	2.845	31	3.012	22/01/2020	-17
MGS	11/21	2.841	85	2.826	28/01/2020	2
MGS	03/22	2.862	158	2.802	28/01/2020	6
MGS	08/22	2.842	3	2.865	24/01/2020	-2
MGS	09/22	2.889	60	2.892	28/01/2020	0
MGS	03/23	2.870	109	2.869	28/01/2020	0
MGS	04/23	2.952	328	2.947	28/01/2020	0
MGS	08/23	2.933	7	2.939	28/01/2020	-1
MGS	06/24	2.938	9	2.938	28/01/2020	0
MGS	07/24	3.005	30	3.019	24/01/2020	-1
MGS	09/24	3.017	74	3.015	28/01/2020	0
MGS	03/25	3.040	6	3.032	28/01/2020	1
MGS	09/25	3.030	134	3.006	28/01/2020	2
MGS	04/26	3.088	6	3.090	28/01/2020	0
MGS	07/26	3.039	36	3.038	28/01/2020	0
MGS	11/26	3.146	9	3.139	28/01/2020	1
MGS	03/27	3.150	7	3.135	24/01/2020	2
MGS	05/27	3.107	61	3.102	28/01/2020	1
MGS	11/27	3.133	8	3.134	28/01/2020	0
MGS	06/28	3.152	81	3.147	28/01/2020	1
MGS	08/29	3.145	240	3.158	28/01/2020	-1
MGS	04/30	3.241	6	3.229	28/01/2020	1
MGS	06/31	3.293	3	3.282	28/01/2020	1
MGS	04/33	3.321	76	3.303	28/01/2020	2
MGS	11/33	3.322	50	3.308	28/01/2020	1
MGS	07/34	3.218	72	3.227	28/01/2020	-1
MGS	05/35	3.371	73	3.379	28/01/2020	-1
MGS	04/37	3.423	1	3.422	28/01/2020	0
MGS	06/38	3.472	33	3.460	28/01/2020	1
MGS	09/43	3.687	2	3.670	28/01/2020	2
MGS	03/46	3.772	2	3.767	28/01/2020	0
MGS	07/48	3.741	45	3.713	28/01/2020	3
GII	04/20	2.809	200	2.782	24/01/2020	3
GII	05/20	2.786	162	2.801	24/01/2020	-2
GII	03/21	2.809	200	2.825	23/01/2020	-2
GII	03/22	2.892	50	2.859	28/01/2020	3
GII	07/23	2.933	1	2.984	22/01/2020	-5
GII	11/23	2.984	300	2.968	28/01/2020	2
GII	08/24	3.047	22	3.036	28/01/2020	1
GII	10/24	3.030	190	3.028	28/01/2020	0
GII	10/25	3.103	60	3.123	23/01/2020	-2
GII	03/26	3.096	210	3.124	28/01/2020	-3
GII	07/27	3.170	19	3.303	22/01/2020	-13
GII	10/28	3.219	23	3.198	28/01/2020	2
GII	07/29	3.208	385	3.200	28/01/2020	1
GII	06/33	3.352	180	3.347	28/01/2020	0
GII	08/33	3.367	70	3.346	28/01/2020	2
GII	11/34	3.343	150	3.337	28/01/2020	1
GII	10/35	3.428	10	3.433	24/01/2020	0
GII	08/37	3.512	251	3.513	24/01/2020	0
GII	09/39	3.483	111	3.483	28/01/2020	0
			<u>5095</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*
DanaInfra Nasional Berhad	04/26	GG	3.229	10	3.240	22/01/2020	-1	18
DanaInfra Nasional Berhad	04/26	GG	3.230	5	3.391	12/09/2019	-16	18
Prasarana Malaysia Berhad	08/26	GG	3.258	20	3.520	12/12/2019	-26	14
Prasarana Malaysia Berhad	03/30	GG	3.391	10	3.518	13/01/2020	-13	25
Lembaga Pembiayaan Perumahan Sektor Awam	04/33	GG	3.501	100	3.620	17/01/2020	-12	27
Prasarana Malaysia Berhad	09/42	GG	3.799	40	3.929	10/01/2020	-13	39
Telekom Malaysia Berhad	06/21	AAA	3.248	10	3.952	16/05/2019	-70	44
Aman Sukuk Berhad	02/26	AAA	3.398	30	3.637	19/12/2019	-24	35
Aquasar Capital Sdn Berhad	07/26	AAA	3.430	20	4.555	20/08/2018	-113	38
Bank Pembangunan Malaysia Berhad	11/26	AAA	3.539	50	3.681	15/01/2020	-14	43
Aman Sukuk Berhad	05/27	AAA	3.479	10	3.649	14/01/2020	-17	37
DiGi Telecommunications Sdn Berhad	09/29	AAA	3.497	50	3.591	22/01/2020	-9	35
Manjung Island Energy Berhad	11/31	AAA	3.559	45	3.699	17/01/2020	-14	42
TNB Western Energy Berhad	07/33	AAA	3.810	10	5.075	09/01/2018	-127	58
Danga Capital Berhad	09/33	AAA	3.599	10	3.708	24/01/2020	-11	37
TNB Western Energy Berhad	01/34	AAA	3.819	10	3.948	20/01/2020	-13	59
Danum Capital Berhad	02/34	AAA	3.673	15	3.769	22/01/2020	-10	44
Sarawak Energy Berhad	08/35	AAA	3.724	30	3.809	22/01/2020	-9	49
Tenaga Nasional Berhad	08/37	AAA	3.759	40	4.099	17/12/2019	-34	35
Tenaga Nasional Berhad	08/38	AAA	3.789	10	3.831	28/01/2020	-4	38
Sabah Development Bank Berhad	04/26	AA1	4.109	10	4.438	20/09/2019	-33	106
Kuala Lumpur Kepong Berhad	09/29	AA1	3.607	10	3.912	10/12/2019	-31	46
Kuala Lumpur Kepong Berhad	09/34	AA1	3.798	20	4.049	18/12/2019	-25	57
Lingkar Trans Kota Sdn Berhad	04/20	AA2	3.166	8	3.255	16/01/2020	-9	36
Perbadanan Kemajuan Negeri Selangor	08/21	AA3	3.500	10	3.583	27/12/2019	-8	66
Exsim Capital Resources Berhad	01/22	AA3	3.997	10	4.066	21/01/2020	-7	115
IJM Corporation Berhad	06/22	AA3	3.575	10	3.698	15/01/2020	-12	73
RHB Islamic Bank Berhad	04/27	AA3	3.504	22	3.838	31/10/2019	-33	39
CIMB Thai Bank Public Company Limited	07/29	AA3	3.777	10	3.995	06/12/2019	-22	63
Malayan Banking Berhad	02/17	AA3	3.800	5	3.851	28/01/2020	-5	39
Sports Toto Malaysia Sdn Berhad	06/22	AA-	4.305	7			431	146
Northport (Malaysia) Berhad	12/24	AA-	4.118	10	4.268	02/01/2020	-15	118
Jimah East Power Sdn Berhad	12/27	AA-	3.738	10	3.947	16/01/2020	-21	61
Hong Leong Financial Group Berhad	11/17	A1	4.018	30	4.337	14/08/2019	-32	61
YNH Properties Berhad	08/19	-	6.333	1	6.462	28/01/2020	-13	293
				<u>698</u>				

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

Market/Corporate News: What's Brewing

Dr Li Chunrong was hired by Chinese automaker Geely to revive the fortunes of the Proton brand in Malaysia, and it took him two years to eclipse Japanese giants Honda and Toyota. Now he plans to take the fight across Southeast Asia and beyond. Li, appointed Proton CEO in 2017 when Geely acquired 49.9% of the company, has turned around a once-celebrated Malaysian marque that had to rely on state aid after a string of losses, with his success built on an aggressive cost-cutting drive. Now Geely has told the Proton boss to expand across the region, initially focusing on Thailand, Indonesia, Singapore and Brunei, Li told Reuters - the first time concrete details of the brand's expansion plans have been disclosed. Like Malaysia, they are right-hand drive markets so require fewer car modifications. Proton also aims to drive into the Middle East and increase sales to Egypt, said the 56-year-old Chinese national. Li did not give specific timeframes for expansion into individual markets, but said Proton wanted to raise overseas sales - which stood at about 1,000 cars last year, or 1% of total sales - at least four-fold this year. The carmaker wants 40% of its sales to come from foreign markets by 2027, he told Reuters in two interviews, identifying Thailand and Indonesia as the key markets but declining to outline his strategy to crack them. "We have a good foundation," he said. "We commit that, every year, we will launch a new model." The Association of Southeast Asian Nations (ASEAN) region of over 500 million people is promising territory; car sales are forecast by consultancy IHS Markit to grow at a compound annual rate of 3% in 2016-2020, compared with a 1% drop globally. But IHS said Proton was still a small player compared with

the Japanese brands, and that it could struggle to compete. ASEAN sales are led by Toyota with a 30% market share, Honda with 13% and Mitsubishi with 10%, according to the consultancy. Proton is in 11th place with about 3%, mainly from Malaysia. Proton's goals are ambitious and it may not have the production capacity to make inroads regionally, said Mayuree Chaiyuthanaporn, a senior IHS analyst. "In terms of sales, Proton may not be successful outside Malaysia," she added. Geely said Proton had performed well in the past two years and it was committed to seeing the Malaysian company be a leading brand in Southeast Asia. Proton, majority-owned by Malaysian conglomerate DRB-HICOM, has launched products at a breakneck speed in its home market. It dropped many old models the first year of the joint venture, and then launched six new ones within eight months, including the X70 SUV based on Geely's Boyue. It became the second-largest car seller with a 16.7% share last year - when it made its first profit in about nine years - climbing above Honda and Toyota from fourth position. Li said Proton could beat Malaysia's top seller Perodua, backed by Japan's Daihatsu, by 2022 - five years ahead of the target announced after Geely's investment. Proton outlined to Reuters some of the cost-cutting measures that have bolstered its Malaysian fortunes - and that could be key for success in its expansion drive. Some of the rapid changes have, however, jarred local sensitivities, a problem that it could also encounter in other countries. The carmaker has increasingly switched to sourcing cheaper components from China, and let go of many small local distributors, stoking some resentment. It has also been trying to get more Malaysian vendors to partner with Chinese suppliers, in a bid to get them to cut costs by 30%. Proton, which saved 250 million ringgit (\$61.5 million) in costs in 2018, has also cut its warehouses to four from 16 and sold 1,000 of its 1,500 company cars. Its drive has even extended to stopping newspaper subscriptions for all executives apart from Li's deputy. (Source: *The Star*)

Paramount Corporation Bhd has received the green light from shareholders, as well as the Ministry of Education, to divest its controlling stake of its K-12 education business for an indicative price of RM540.5 million. The approvals were the final conditions to be fulfilled in relation to the deal that was entered into in June, 2019, the group said in a statement today. Paramount is selling majority stakes in Paramount Education Sdn Bhd (PESB), Paramount Education (Klang) Sdn Bhd (PEKSB) and Sri KDU Sdn Bhd (Sri KDU) to Prestigion Education Sdn Bhd (formerly known as Two Horses Capital Sdn Bhd). Paramount will retain an effective 20% stake in the pre-tertiary education business. With the cash in hand, the group plans to distribute RM177 million or 40.8 sen per share to its shareholders in the form of special dividend. It will also use RM150 million to acquire new land banks. Another RM133.65 million will be used to pare down borrowings, and the rest will be for working capital. On a proforma basis, the gain arising from the disposal is estimated at RM487.8 million, Paramount said. "With the divestment, Paramount will look for good land banks that we can develop in the next five years. Where there is synergy and greater efficiency, we will go into joint ventures, not just in property development but also in property-related businesses. "We will strengthen our construction capabilities and will continue to expand our co-working spaces and services, among other things in the pipeline. Last but not least, we will be venturing into property development overseas," Paramount Group chief executive officer Jeffrey Chew said. (Source: *The Edgemarkets*)

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

Source: RAM, MARC

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