

Global Markets Research

Fixed Income

Fixed Income Daily Market Snapshot

US Treasuries

- US Treasuries closed mainly within 1bps higher on Thursday as investors awaited further updates following WHO's declaration of the mysterious coronavirus outbreak as an international public health emergency. Bonds shrugged off the sustained US 4Q19 GDP growth of 2.1%. Overall benchmark yields were range-bound with the UST 2Y at 1.43% and the much-watched UST 10Y holding out at 1.59% levels. To recap, the FOMC left rates unchanged as expected between 1.50-75% range on Wednesday. Although the odds of any Fed rate action may be seen to be premature due to this being an election year, the Fed's FOMC policy statement leaned towards a dovish-like tone. Up next on the data front are the Fed's preferred inflation indicator i.e. PCE data expected out today.

MGS/GIII

- Local govies continued to see higher secondary volume of RM6.23b whilst Interest Rate Swaps continued to be given lower yesterday. Interest was mainly seen in the off-the-run 20-21's, 3Y, 7Y and 10Y MGS/GII bonds. Overall benchmark yields ended mostly mixed between -2 to +1bps. The benchmark 5Y MGS 6/24 edged 1bps higher at 2.95% whilst the 10Y MGS 8/29 turned the other way losing 1bps at 3.13%. GII bonds rose to form about ~ 54% of overall trades. Meanwhile MYR is seen to weaken slightly due to selloff in the equity market as market sentiment is held hostage by the coronavirus outbreak. Expect investors to continue to search for yields as risk-off mode abates as the WHO attempts to announce the emergency without creating panic may comfort markets.

Corp Bonds/Sukuk

- Corporate bonds/Sukuk space maintained solid traction yesterday amid higher secondary market volume of RM1.02b. with interest seen mainly across the GG-AA part of the curve. Overall yields continued to notch lower levels on 39 different papers. PLUS 1/38 traded RM300m in nominal amounts closing 15bps lower compared to previous-done levels at 3.66% whilst the long-end DANA 48-49's ended 7-19bps lower at 3.91% levels. AAA-rated MERCEDEZ 11/23 notched its maiden trade at 3.39% compared to its coupon of 3.57% in November 2019. SEB saw a slew of 2021-2025 tranches done between 8-16bps with the 21-22's between 3.21-23% and the 24-25's at 3.37% levels. The AA-space saw many energy related names exchange hands such as YTL Power, BGSM and Southern Power which saw its 2028-2031 tranches close lower on yields as well between 3.67-3.82% area.

UST

Tenure	Closing (%)	Chg (bps)
2-yr UST	1.43	0
5-yr UST	1.41	0
10-yr UST	1.59	0
30-yr UST	2.05	1

MGS

GII*

Tenure	Closing (%)	Chg (bps)	Closing (%)	Chg (bps)
3-yr	2.87	1	2.89	0
5-yr	2.95	1	3.01	-2
7-yr	3.03	-1	3.10	0
10-yr	3.13	-1	3.19	-2
15-yr	3.23	1	3.33	-2
20-yr	3.38	-2	3.47	-1
30-yr	3.75	1	3.75	-2

* Market indicative levels

MYR IRS Levels

IRS	Closing (%)	Chg (bps)
1-yr	3.04	-2
3-yr	3.04	-4
5-yr	3.07	-4
7-yr	3.14	-3
10-yr	3.28	-1

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	2.750	105	2.695	29/01/2020	6
MGS 07/20	2.814	345	2.800	29/01/2020	1
MGS 10/20	2.801	322	2.789	29/01/2020	1
MGS 02/21	2.807	157	2.802	29/01/2020	0
MGS 07/21	2.846	3	2.823	29/01/2020	2
MGS 09/21	2.823	7	2.845	29/01/2020	-2
MGS 11/21	2.813	2	2.841	29/01/2020	-3
MGS 03/22	2.833	119	2.862	29/01/2020	-3
MGS 08/22	2.878	57	2.842	29/01/2020	4
MGS 09/22	2.896	70	2.889	29/01/2020	1
MGS 03/23	2.871	213	2.870	29/01/2020	0
MGS 08/23	2.943	5	2.933	29/01/2020	1
MGS 06/24	2.948	110	2.938	29/01/2020	1
MGS 09/24	3.010	1	3.017	29/01/2020	-1
MGS 09/25	3.018	23	3.030	29/01/2020	-1
MGS 07/26	3.029	18	3.039	29/01/2020	-1
MGS 11/26	3.083	1	3.146	29/01/2020	-6
MGS 05/27	3.094	228	3.107	29/01/2020	-1
MGS 11/27	3.130	1	3.133	29/01/2020	0
MGS 06/28	3.144	150	3.152	29/01/2020	-1
MGS 09/28	3.171	4	3.327	22/01/2020	-16
MGS 08/29	3.134	229	3.145	29/01/2020	-1
MGS 04/30	3.223	110	3.241	29/01/2020	-2
MGS 06/31	3.279	22	3.293	29/01/2020	-1
MGS 11/33	3.308	40	3.322	29/01/2020	-1
MGS 07/34	3.226	161	3.218	29/01/2020	1
MGS 05/35	3.373	10	3.371	29/01/2020	0
MGS 04/37	3.418	2	3.423	29/01/2020	0
MGS 06/38	3.459	1	3.472	29/01/2020	-1
MGS 05/40	3.383	51	3.407	24/01/2020	-2
MGS 09/43	3.701	40	3.687	29/01/2020	1
MGS 03/46	3.768	199	3.772	29/01/2020	0
MGS 07/48	3.748	30	3.741	29/01/2020	1
GII 04/20	2.794	110	2.809	29/01/2020	-2
GII 04/20	2.782	30	2.793	23/01/2020	-1
GII 05/20	2.799	20	2.786	29/01/2020	1
GII 05/23	2.909	220	2.879	28/01/2020	3
GII 07/23	2.946	50	2.933	29/01/2020	1
GII 11/23	2.954	70	2.984	29/01/2020	-3
GII 10/24	3.011	210	3.030	29/01/2020	-2
GII 08/25	3.069	30	3.080	28/01/2020	-1
GII 10/25	3.101	140	3.103	29/01/2020	0
GII 03/26	3.100	41	3.096	29/01/2020	0
GII 09/26	3.147	40	3.299	15/01/2020	-15
GII 07/27	3.156	62	3.170	29/01/2020	-1
GII 10/28	3.206	171	3.219	29/01/2020	-1
GII 12/28	3.211	40	3.370	09/01/2020	-16
GII 07/29	3.190	521	3.208	29/01/2020	-2
GII 06/33	3.337	370	3.352	29/01/2020	-1
GII 08/33	3.338	270	3.367	29/01/2020	-3
GII 11/34	3.328	167	3.343	29/01/2020	-2
GII 08/37	3.493	371	3.512	29/01/2020	-2
GII 09/39	3.470	40	3.483	29/01/2020	-1
GII 05/47	3.794	326	3.860	28/01/2020	-7
GII 11/49	3.747	93	3.770	28/01/2020	-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*
Pengurusan Air SPV Berhad	06/20	GG	2.918	5	3.186	08/19	-27	11
Khazanah Nasional Berhad	10/27	GG	3.316	10	3.607	08/19	-29	19
DanaInfra Nasional Berhad	11/30	GG	3.400	20	3.592	01/20	-19	27
DanaInfra Nasional Berhad	04/33	GG	3.431	20	3.591	01/20	-16	20
Perbadanan Tabung Pendidikan Tinggi Nasional	02/34	GG	3.461	20	3.508	01/20	-5	23
DanaInfra Nasional Berhad	11/35	GG	3.485	70	3.951	12/19	-47	25
Projek Lebuhraya Usahasama Berhad	01/38	GG	3.660	300	3.810	01/20	-15	27
Prasarana Malaysia Berhad	09/47	GG	3.910	20	4.250	12/19	-34	52
Lembaga Pembiayaan Perumahan Sektor Awam	10/48	GG	3.909	40	4.099	01/20	-19	52
DanaInfra Nasional Berhad	02/49	GG	3.909	35	3.980	01/20	-7	52
Sarawak Energy Berhad	06/21	AAA	3.206	10	3.338	01/20	-13	40
Sarawak Energy Berhad	01/22	AAA	3.225	10	3.339	01/20	-11	38
Gulf Investment Corporation G.S.C	02/23	AAA	3.863	1	4.244	12/19	-38	99
Mercedes-Benz Services Malaysia Sdn Berhad	11/23	AAA	3.386	20	-	-	-	47
Sarawak Energy Berhad	07/24	AAA	3.336	30	3.418	01/20	-8	42
Sarawak Energy Berhad	08/25	AAA	3.375	10	3.538	01/20	-16	32
Bank Pembangunan Malaysia Berhad	11/26	AAA	3.542	20	3.539	01/20	0	45
Danga Capital Berhad	09/27	AAA	3.428	30	3.748	12/19	-32	30
TNB Northern Energy Berhad	05/29	AAA	3.519	10	4.885	08/15	-137	38
TNB Northern Energy Berhad	05/31	AAA	3.609	10	4.600	08/16	-99	48
Danga Capital Berhad	01/33	AAA	3.583	5	3.688	01/20	-11	35
Danum Capital Berhad	02/34	AAA	3.651	5	3.673	01/20	-2	42
YTL Power International Berhad	03/23	AA1	3.608	50	3.797	12/19	-19	73
YTL Corporation Berhad	04/23	AA1	3.551	20	3.802	11/19	-25	68
YTL Power International Berhad	05/27	AA1	3.779	20	3.862	01/20	-8	69
Kuala Lumpur Kepong Berhad	09/29	AA1	3.599	50	3.607	01/20	-1	47
Tanjung Bin Power Sdn Berhad	08/27	AA2	3.769	20	3.978	01/20	-21	65
Fortune Premiere Sdn Berhad	09/23	AA	3.537	50	3.677	01/20	-14	62
BGSM Management Sdn Berhad	12/23	AA3	3.615	10	3.797	12/19	-18	70
Bumitama Agri Ltd	07/26	AA3	3.688	20	3.889	01/20	-20	64
AmBank (M) Berhad	03/27	AA3	3.401	10	3.585	01/20	-18	31
Southern Power Generation Sdn Berhad	04/28	AA-	3.678	10	3.887	10/19	-21	55
Southern Power Generation Sdn Berhad	10/28	AA-	3.699	10	3.999	11/19	-30	56
Southern Power Generation Sdn Berhad	04/29	AA-	3.727	10	3.998	12/19	-27	59
Southern Power Generation Sdn Berhad	10/29	AA-	3.749	10	3.909	01/20	-16	62
Southern Power Generation Sdn Berhad	10/30	AA-	3.790	10	3.890	09/19	-10	66
Southern Power Generation Sdn Berhad	04/31	AA-	3.809	10	3.903	09/19	-9	68
Southern Power Generation Sdn Berhad	10/31	AA-	3.820	10	4.079	11/19	-26	69
Eco World International Berhad	05/23	-	5.403	1	5.452	01/20	-5	253
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*spread against nearest indicative tenured MGS (Source : BPAM)

Market/Corporate News: What's Brewing

Toll collection has commenced on the West Coast Expressway (WCE), at Sections 8,9 and 10. In a Bursa Malaysia filing yesterday, WCE HOLDINGS BHD announced that its 80%-owned subsidiary West Coast Expressway Sdn Bhd began toll collection with effect on Jan 30 at 12.01 am. "Sections of the WCE which have commenced tolling are Hutan Melintang to Teluk Intan (Section 8), Kampung Lekir to Changkat Cermin (Section 9), and Changkat Cermin to Beruas (Section 10)," said WCE. In an earlier StarBizWeek report, WCE was expected to receive approval for toll collection soon, having submitted the relevant documents that sought approval from the government. According to an analyst, the commencement of toll collection for WCE marks a significant and important milestone for both the group and its shareholders as cash flow from toll collection turns positive. Meanwhile, an industry observer concurred, adding that, "this is the first step in the right direction as WCE gradually transforms into a mature and dividend-paying company." However, going forward, it is yet to be seen how the WCE's traffic numbers will turn out and road users' preference in favour of the WCE. This is also considering that the parallel North-South Expressway will reduce toll charges soon. Another analyst said that there was no cause for concerns on the traffic numbers of the WCE. "As more sections are opened over time, traffic numbers on the WCE should improve significantly. "This will be mainly attributed to the highway's superior alignment, multiple interchanges and flat terrain, which will draw road users," he said. There are a total of 21 interchanges along the 233km WCE highway, which makes up to one interchange at every 10km. In addition, there are two stretches on the

WCE which are federal roads managed by the Works Ministry (JKR), which are toll-free. The WCE highway runs from Banting, Selangor, to Taiping South, Perak. There are a total of 11 sections, and the highway is estimated to be fully completed by 2022. (Source: *The Star*)

In view of the Wuhan virus outbreak, the government is not discounting the likelihood of hastening the stimulus package, which is planned to address the US-China trade war risks. But Finance Minister Lim Guan Eng (pic) stressed this would happen only if it is really necessary. Yesterday, Guan Eng told the media that it may be too early for the government to revise the country's gross domestic product (GDP) growth forecast of 4.8% in 2020, pending a more detailed study on the overall impact of the outbreak. Thailand's finance ministry on Wednesday cut its GDP forecast for 2020 to 2.8% from 3.3% projected three months ago. The reasons for the lower forecast were weaker exports, a delayed budget and the spread of a new virus from China. "We need to wait and see. We need to be aware that Thailand welcomes some 11 million tourists from China annually, compared with two to three million in Malaysia. There is a big difference. "So there will be an impact [of lower tourist arrivals on the local economy], but [it is] unlike what is faced by Thailand," Guan Eng said. "But if there is an impact, the cabinet acknowledged that the ministry of finance is evaluating and planning to launch an economic stimulus package, if needed. But this is still in its early stages," he added. For now, Guan Eng said the sector that may need assistance will be the tourism industry, as it will be affected by the episode. Malaysia has launched the Visit Malaysia 2020 campaign to boost the country's tourism as a means to drive domestic economic growth, with Chinese tourists as a primary target. China is Malaysia's biggest export destination, accounting for around 14% of Malaysia's total exports of nearly RM1 trillion in 2018 and in the first 11 months of 2019. World Bank East Asia and the Pacific vice-president Victoria Kwakwa, who was also present at the press conference, commented that the World Bank is still assessing the economic impact of the Wuhan virus on the global economy. Describing the outbreak as "more than an event in East Asia", Kwakwa said the World Bank is working with partners to track the latest developments in the outbreak and to provide the necessary support. "Of course [the attention goes] to the government of China first, which is the epicentre [of the outbreak]." "The support can be in terms of technical assistance, analysis, sharing experience of similar pandemics and how they have been controlled, such as SARS (severe acute respiratory syndrome) and Ebola. "All of that, we have the experience, so we are pooling some of this together quickly for the Chinese government to see if there are any lessons that they will find useful, and working through some of the projects that we financed to provide financial support." "I think it is important to take time and do the analysis," she said, such as channels of transmission, impact towards demand in key sectors, and also impact from loss of working days and death tolls, to name a few. At press time, the Wuhan virus had spread to 20 countries, with 7,814 confirmed cases, and 170 deaths in China. The World Bank Group yesterday announced it had entered into an agreement with the Malaysian government to extend its research operations in the country for five years between 2021 and 2025. Malaysia and the World Bank Group first signed agreements to establish a knowledge and research hub in Kuala Lumpur in January 2015. The World Bank Group office in Malaysia is housed in Sasana Kijang, a Bank Negara Malaysia facility providing office space for multiple international organisations and dedicated to educational learning and collaborations. (Source: *The Edgemarkets*)

Rating Action			
Issuer	PDS Description	Rating/Outlook	Action
Credit Guarantee and Investment Facility	Global Financial Strength rating ASEAN Financial Strength rating National Insurer Financial Strength rating	gAAA/Stable/gP1, seaAAA/Stable/seaP1 AAA/Stable/P1	Reaffirmed

Source: RAM, MARC

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