

## Global Markets Research

### Fixed Income

#### Fixed Income Daily Market Snapshot

UST		
Tenure	Closing (%)	Chg (bps)
2-yr UST	2.81	-2
5-yr UST	2.94	-3
10-yr UST	3.04	-3
30-yr UST	3.18	-2

MGS		GII*		
Tenure	Closing (%)	Chg (bps)	Closing (%)	Chg (bps)
3-yr	3.61	0	3.70	0
5-yr	3.75	1	3.86	-2
7-yr	3.95	-1	4.02	0
10-yr	4.07	-2	4.14	-1
15-yr	4.49	0	4.56	0
20-yr	4.69	0	4.75	0
30-yr	4.90	0	4.93	-1

\* Market indicative levels

MYR IRS Levels		
IRS	Closing (%)	Chg (bps)
1-yr	3.71	0
3-yr	3.77	0
5-yr	3.85	0
7-yr	3.97	0
10-yr	4.17	0

Source : Bloomberg

#### Upcoming Government Bond Tender

Nil

#### US Treasuries

- US Treasuries saw steady levels posted days following FOMC's rate hike with the curve moving lower as overall benchmark yields were 2-3bps lower from prior day's close. The 2Y ended at 2.81% levels whilst the much-watched 10Y moved 3bps lower at 3.04% levels. The Fed raised interest rates by 25bps to 2.00-2.25% as expected; flagging the end of its accommodative monetary policy. However flight to quality bid into UST's are expected to fade; ahead of this week's IG issuances at the back-end. The USD's share of global central bank reserves fell to the lowest level since 2013; accounting for 62.3% while holdings of Yuan rose for the 4<sup>th</sup> consecutive quarter. Worries over a global trade concerns are counter-balanced by the current tight labor market, firming inflation and strong economy.

#### MGS/GII

- Trading volume for Govvies improved to RM3.87b last Friday with some interest seen across the shorter and belly i.e. 22-23 off-the-runs and 10Y benchmark. Overall benchmark yields were generally lower between 0-2bps. The 7Y MGS 3/25 edged 1bps to 3.95% whilst the 10Y MGS 6/28 was 2bps lower at 4.07% on decent volume. GII trades fell to 35% of total trades. The new benchmark issuance of 3.5Y GII 3/22 totaling RM3.0b saw solid BTC ratio of 2.22x; averaging 3.729% on support from inter-bank players.

#### Corp Bonds/Sukuk

- Corporate bonds/Sukuk saw investor interest taper off as volume dropped to RM332m with focus mainly in the AA-segment part of the curve in 24 different bonds compared to prior trading day's 59. Overall yields still ended mostly lower on tenures lesser than 15Y. Govt-guaranteed PTPTN 3/32 ended 16bps lower at 4.61% compared to previous-done levels whilst The AAA-rated RANTAU 10/22 closed unchanged at 4.25% levels whilst in the AA-space; UMW 6/22 and 10/23 closed 2-7bps lower between 4.54-4.60% levels. Energy-related bonds SEB 7/29, EDRA Energy 7/26, 1/34 and Southern Power 31 and 34 saw some interest with yields ending lower. In the banking space HSBC Amanah 2/23/ made its debut trade at 4.30%.

## Daily Trades : Government Bonds

Securities		Closing YTM	Vol (RM mil)	Previous YTM	Previous Trade Date (dd/mm/yyyy)	Chg (bp)
MGS	03/19	3.149	58	3.175	27/09/2018	-3
MGS	07/19	3.315	7	3.254	27/09/2018	6
MGS	10/19	3.409	195	3.424	27/09/2018	-2
MGS	11/19	3.662	184	3.417	27/09/2018	25
MGS	03/20	3.475	6	3.389	27/09/2018	9
MGS	07/20	3.460	51	3.406	27/09/2018	5
MGS	10/20	3.464	11	3.429	27/09/2018	4
MGS	02/21	3.559	7	3.506	27/09/2018	5
MGS	07/21	3.614	7	3.594	26/09/2018	2
MGS	09/21	3.625	44	3.630	27/09/2018	0
MGS	11/21	3.607	72	3.609	27/09/2018	0
MGS	03/22	3.616	3	3.648	27/09/2018	-3
MGS	08/22	3.748	50	3.753	27/09/2018	0
MGS	09/22	3.746	148	3.754	27/09/2018	-1
MGS	03/23	3.825	133	3.824	27/09/2018	0
MGS	04/23	3.747	362	3.733	27/09/2018	1
MGS	08/23	3.845	5	3.833	26/09/2018	1
MGS	07/24	3.969	22	3.960	26/09/2018	1
MGS	03/25	3.953	97	3.958	27/09/2018	-1
MGS	09/25	3.971	31	4.005	27/09/2018	-3
MGS	04/26	4.135	7	4.150	27/09/2018	-2
MGS	11/26	4.081	208	4.125	27/09/2018	-4
MGS	03/27	4.207	28	4.238	26/09/2018	-3
MGS	05/27	4.132	40	4.188	25/09/2018	-6
MGS	11/27	4.124	48	4.152	27/09/2018	-3
MGS	06/28	4.066	470	4.085	27/09/2018	-2
MGS	09/28	4.304	1	4.295	27/09/2018	1
MGS	04/30	4.442	43	4.448	27/09/2018	-1
MGS	04/32	4.546	10	4.587	26/09/2018	-4
MGS	04/33	4.570	8	4.575	27/09/2018	0
MGS	11/33	4.485	82	4.490	27/09/2018	0
MGS	05/35	4.705	6	4.679	26/09/2018	3
MGS	04/37	4.760	6	4.721	26/09/2018	4
MGS	09/43	4.872	40	4.862	26/09/2018	1
MGS	03/46	4.900	1	4.916	27/09/2018	-2
MGS	07/48	4.901	11	4.900	26/09/2018	0
GII	09/19	3.446	3	3.443	03/09/2018	0
GII	04/20	3.509	1	3.426	27/09/2018	8
GII	04/20	3.569	35	3.473	27/09/2018	10
GII	05/20	3.542	2	3.561	30/08/2018	-2
GII	08/20	3.509	60	3.471	27/09/2018	4
GII	11/20	3.671	8	3.918	22/05/2018	-25
GII	08/21	3.676	130	3.633	27/09/2018	4
GII	03/22	3.701	164	-	-	-
GII	04/22	3.753	106	3.765	27/09/2018	-1
GII	07/23	3.902	20	3.907	26/09/2018	0
GII	11/23	3.856	392	3.878	27/09/2018	-2
GII	05/24	3.989	1	3.986	13/09/2018	0
GII	08/24	3.948	25	3.973	27/09/2018	-2
GII	08/25	4.020	150	4.018	27/09/2018	0
GII	10/25	4.087	30	4.100	25/09/2018	-1
GII	07/27	4.189	1	4.226	26/09/2018	-4
GII	10/28	4.142	80	4.146	27/09/2018	0
GII	08/37	4.746	64	4.763	20/09/2018	-2
GII	05/47	4.934	90	4.941	27/09/2018	-1
			<u>3874</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*
Perbadanan Tabung Pendidikan Tinggi Nasional	03/32	GG	4.610	30	4.771	31/07/2018	-16	12
HSBC Amanah Malaysia Berhad	02/23	AAA	4.300	10	-	-	-	59
Rantau Abang Capital Berhad	10/22	AAA	4.248	38	4.243	18/09/2018	0	54
Danga Capital Berhad	01/33	AAA	4.735	5	4.789	27/08/2018	-5	24
Sarawak Energy Berhad	01/22	AA1	4.340	45	4.363	13/09/2018	-2	74
Northern Gateway Infrastructure Sdn Berhad	08/23	AA1	4.467	1	4.695	15/05/2018	-23	71
Malayan Banking Berhad	01/24	AA1	4.545	0	4.594	24/09/2018	-5	79
Hong Leong Bank Berhad	06/24	AA1	4.195	10	4.919	24/08/2018	-72	28
United Overseas Bank (Malaysia) Berhad	05/25	AA1	4.392	10	4.611	23/05/2018	-22	43
Public Bank Berhad	04/27	AA1	4.597	10	4.653	31/07/2018	-6	51
YTL Power International Berhad	05/27	AA1	4.848	10	4.848	27/09/2018	0	76
Sarawak Energy Berhad	07/29	AA1	4.711	10	4.733	03/09/2018	-2	64
Celcom Networks Sdn Berhad	08/27	AA+	4.810	20	4.822	26/09/2018	-1	72
UMW Holdings Berhad	06/22	AA2	4.536	10	4.558	21/08/2018	-2	83
UMW Holdings Berhad	10/23	AA2	4.598	10	4.669	07/09/2018	-7	84
Krung Thai Bank Public Company Limited	07/25	AA2	4.748	15	4.651	21/09/2018	10	79
Fortune Premiere Sdn Berhad	09/25	AA	5.034	8	5.050	06/09/2018	-2	107
AmBank (M) Berhad	12/23	AA3	4.223	40	4.318	13/09/2018	-9	46
Edra Energy Sdn Berhad	07/26	AA3	5.339	5	5.427	30/08/2018	-9	129
CIMB Thai Bank Public Company Limited	03/28	AA3	5.157	10	5.187	20/09/2018	-3	109
Edra Energy Sdn Berhad	01/34	AA3	5.838	5	5.970	15/01/2018	-13	135
TSH Sukuk Ijarah Sdn Berhad	03/22	AA-	4.711	10	4.719	24/09/2018	-1	100
Southern Power Generation Sdn Berhad	04/34	AA-	5.049	10	5.239	12/07/2018	-19	56
Southern Power Generation Sdn Berhad	04/31	AA-	4.809	10	4.871	29/08/2018	-6	32
				<u>332</u>				

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

### Market/Corporate News: What's Brewing

**Shares in Gamuda Bhd were down over 3.5% when the market opened this morning after it fell into the red in the fourth quarter ended July 31.** The construction giant, one of the top losers, slipped 3.57%, or 12 sen to RM3.24. Gamuda fell into the red in the fourth financial quarter ended July 31, 2018 (4QFY18), due to a one-off loss on disposal of its 40%-owned associate Syarikat Pengeluar Air Sungai Selangor Sdn Bhd (Splash) amounting to RM300mil, and impairment on investment in Gamuda Water Sdn Bhd totalling RM4mil. It posted a net loss of RM101.07mil in 4QFY18 compared to a net profit of RM102.75mil a year ago. But stripping off the one-off loss and last year's one-off impairment loss on investment in Smart of RM98mil, Gamuda said it achieved a core net profit of RM203mil in 4QFY18, up by a marginal 1% compared with RM201mil a year ago. For the full financial year ended July 31, Gamuda posted a net profit of RM513.8mil on revenue of RM4.22bil. Some analysts are tweaking earnings forecast for FY19 by 6.5% to account for absence of Splash's contribution coupled with improved property segment. (Source: *The StarOnline*)

**Shareholders of Sapura Energy Bhd may have to have strong hearts to take surprises, both positive and negative.** The oil and gas (O&G) group last Friday announced that it had posted a net loss of RM126.06 million for the second financial quarter ended July 31 (2QFY19), compared to a net profit of RM28.93 million a year ago, at the time when shareholders have gotten more optimistic that Sapura Energy's whopping debts and high gearing will be the past in FY20 ending Jan 31, 2020 given its proposed cash call and divestment of a 50% stake in its upstream unit. Quarterly revenue dropped nearly 24% year-on-year to RM1.26 billion from RM1.66 billion. The group has been loss-making for four consecutive quarters. This begs the question: Are there any more surprises in the pipeline? In the past two months, Sapura Energy has constantly grab the news headlines. It proposed a massive RM4 billion cash call in August and then the announcement that it had found a buyer, OMV Aktiengesellschaft, for a 50% stake in its upstream business that could fetch a price of US\$800 million (RM3.31 billion). "The losses were larger than expected," an analyst told *The Edge Financial Daily*. According to him, Sapura Energy guided that several major assets were underutilised in the quarter under review. The oil firm explained in a statement that the lower utilisation seen was because some projects had been completed, adding that its assets were in the pre-mobilisation stage for newer projects "in early execution phases". The two factors combined brought a "poor mix of margins" for the company, he said. "I would say this round, the [operating] costs were also slightly higher." For the first half of FY19, Sapura Energy booked a net loss of RM261.79 million, compared to a profit of RM56.46 million last year. Revenue shrank by a third to RM2.31 billion from RM3.43 billion, "in line with lower activities during the current period". Earnings will gradually pick up for the company in the coming quarter, he told *The Edge Financial Daily*, but not substantial enough for a decent profit. "It takes about six months for earnings to improve for the engineering and construction (E&C) segment," he explained. He expects Sapura Energy to book another two loss-making quarters. Nonetheless, some optimism was shared from the clearer direction available for Sapura Energy. Importantly, the group has managed to secure its substantial shareholder Permodalan Nasional Bhd's undertaking to subscribe to 40% of its rights shares. Meanwhile, the group has also garnered an enterprise value of US\$1.6 billion for its upstream business parked under wholly-owned Sapura Upstream Sdn Bhd, 50% of which is being acquired by Austrian O&G group OMV AG. With the sale of 50% of Sapura Upstream, Sapura Energy could get its hands on US\$800 million cash, although no deadline has been given by the companies involved to finalise the deal. "It is positive for them (Sapura Energy) to deleverage and strengthen their balance sheet, as well as to raise capital for future works and further improve their position," said Lim.

“The better prospects and higher work orders ahead should mitigate the poor sentiment towards the counter amid these short-term challenges,” he added. “Things are improving.” However, Lim opined that while Sapura Energy had clarified that there had been no impairment as of now, there could still be some smaller exceptions “here and there”. The company’s last massive impairment was for 4QFY18, which totalled RM2.13 billion. Shareholders could also keep an eye on Sapura Energy’s margins moving forward. Analysts are largely expecting Sapura Energy’s net margin to remain in negative territory in FY19 before it recovers in the following financial year. The group has guided for its engineering and construction operating profit margin to average at high single digits for the whole of FY19. (Source: *The Edge Markets*)

Rating Action			
Issuer	PDS Description	Rating/Outlook	Action
Widad Capital Sdn Bhd	Sukuk Murabahah Programme of up to RM110.0 million in Nominal Value	AA2/Stable	Reaffirmed

Source: RAM, MARC

**Hong Leong Bank Berhad**

Fixed Income &amp; Economic Research, Global Markets

Level 8, Hong Leong Tower

6, Jalan Damanlela

Bukit Damansara

50490 Kuala Lumpur

Tel: 603-2081 1221

Fax: 603-2081 8936

Email: HLMarkets@hlbb.com.my

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