

Global Markets Research

Fixed Income

Fixed Income Daily Market Snapshot

UST		
Tenure	Closing (%)	Chg (bps)
2-yr UST	2.69	-4
5-yr UST	2.69	-4
10-yr UST	2.86	-3
30-yr UST	3.11	-3

MGS		GII*		
Tenure	Closing (%)	Chg (bps)	Closing (%)	Chg (bps)
3-yr	3.67	2	3.76	0
5-yr	3.84	0	3.87	-1
7-yr	3.99	0	4.08	0
10-yr	4.10	1	4.21	2
15-yr	4.51	5	4.61	0
20-yr	4.72	0	4.78	0
30-yr	4.91	-1	4.93	0

* Market indicative levels

MYR IRS Levels		
IRS	Closing (%)	Chg (bps)
1-yr	3.71	0
3-yr	3.76	0
5-yr	3.86	0
7-yr	3.97	0
10-yr	4.17	0

Source : Bloomberg

Upcoming Government Bond Tender

Nil

US Treasuries

- US Treasury curve ended lower yesterday as bonds rallied resulting in a slight steepening-bias amid steep pull-back in equities. Overall benchmark yields ended 3-4bps lower with the 2Y rallying 4bps sharply lower at 2.69% with the 10Y at recent lows of 2.86%. Meanwhile investors and traders alike are watching for details on FOMC's final meeting for this year which is expected to see the 4th rate hike year-to-date and the 15th subsequent one since December 2015. Nevertheless, expectations of Fed rate hikes for 2019 are lower as doubts are cast over the sustainability of the economic cycle following weaker December NAHB Housing market Index and Empire Manufacturing. Meanwhile the almost non-existent yield spreads between the 2Y, 3Y and 5Y remain a concern. Up next on the data front include November's Housing Starts and Building Permits.

MGS/GII

- Trading sentiment in local govvnies continued to dwindle yesterday with volume easing to RM674b yesterday with interest focused mainly in the off-the-run 19-20's and also the 26's. Overall benchmark MGS and GII yields ended mixed-to higher within 2bps save for the 15Y MGS as several odd-lot trades dominated benchmark MGS bond closing prices. The 5Y benchmark MGS 4/23 ended almost unchanged at 3.84% whilst the 10Y MGS 6/28 edged 1bps higher at 4.10%. GII trades dropped a tepid 12% of overall trades. Meanwhile reports on some central banks' balance-sheet contraction which may fuel outflows from EM markets may cause currency volatility and allow for rises in government bond yields.

Corp Bonds/Sukuk

- Corporate Bonds/Sukuk saw volume halve to RM321m with interest however across the curve. The Govt-Guaranteed PTPTN 3/24 and 7/26 saw yields richer by 3-4bps at 4.21% and 4.39% respectively compared to previous-done levels. AAA-rated PLUS 19 and 33 saw yields end mixed; closing at 3.81% and 4.82% each. Energy-related bonds dominated trades in the AA-space again with SEB, JEV, BGSM, TADAU, MALAKOFF and Southern Power among the issuers exchanging hands. SEB 12/32 and 8/35 closed unchanged between 4.88-99% levels whilst TADAU 7/28 ended at 5.23%. The banking sector was saw CIMB Group 29NC24 rally 5bps lower at 4.76% levels.

Daily Trades : Government Bonds

Securities		Closing YTM	Vol (RM mil)	Previous YTM	Previous Trade Date (dd/mm/yyyy)	Chg (bp)
MGS	03/19	3.260	6	3.266	14/12/2018	-1
MGS	11/19	3.475	64	3.481	13/12/2018	-1
MGS	03/20	3.500	230	3.529	12/12/2018	-3
MGS	10/20	3.508	30	3.486	14/12/2018	2
MGS	02/21	3.585	1	3.585	14/12/2018	0
MGS	03/22	3.748	1	3.698	14/12/2018	5
MGS	04/23	3.839	52	3.834	14/12/2018	0
MGS	07/24	3.979	42	3.999	13/12/2018	-2
MGS	09/24	4.011	14	4.009	14/12/2018	0
MGS	09/26	4.131	1	4.160	11/12/2018	-3
MGS	11/26	4.153	128	4.146	14/12/2018	1
MGS	05/27	4.194	1	4.209	06/12/2018	-1
MGS	06/28	4.101	8	4.094	12/12/2018	1
MGS	04/30	4.401	2	4.413	13/12/2018	-1
MGS	04/33	4.522	3	4.502	14/12/2018	2
MGS	11/33	4.513	1	4.464	13/12/2018	5
MGS	05/35	4.694	2	4.639	14/12/2018	5
MGS	04/37	4.696	1	4.712	13/12/2018	-2
MGS	06/38	4.719	1	4.707	14/12/2018	1
MGS	03/46	4.920	2	4.904	12/12/2018	2
MGS	07/48	4.914	3	4.905	11/12/2018	1
GII	11/23	3.874	2	3.881	14/12/2018	-1
GII	08/25	4.077	32	4.072	12/12/2018	0
GII	10/28	4.206	48	4.188	13/12/2018	2
			<u>674</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	03/24	GG	4.208	20	4.171	15/11/2018	4	37
Bank Pembangunan Malaysia Berhad	09/24	GG	4.248	10	4.246	16/10/2018	0	29
Perbadanan Tabung Pendidikan Tinggi Nasional	07/26	GG	4.390	25	4.360	07/09/2018	3	31
Projek Lebuhraya Usahasama Berhad	01/19	AAA	3.807	15	4.119	16/07/2018	-31	36
GENM Capital Berhad	08/20	AAA	4.459	20	4.435	12/12/2018	2	92
Aman Sukuk Berhad	05/24	AAA	4.451	10	4.503	29/08/2018	-5	61
Projek Lebuhraya Usahasama Berhad	01/33	AAA	4.820	10	4.802	17/10/2018	2	31
Berjaya land berhad	12/19	AAA	4.498	15	4.360	07/09/2018	14	-
Sabah Development Bank Berhad	09/20	AA1	4.531	0.5	4.502	10/12/2018	3	99
Hong Leong Financial Group Berhad	09/21	AA1	4.336	15	4.346	19/09/2018	-1	67
Sarawak Energy Berhad	12/32	AA1	4.879	30	4.881	14/12/2018	0	37
Sarawak Energy Berhad	08/35	AA1	4.990	10	4.991	12/12/2018	0	48
Imtiaz Sukuk II Berhad	03/19	AA2	3.901	10	3.916	29/11/2018	-2	45
Anih Berhad	11/27	AA	4.676	10	4.768	18/04/2018	-9	57
CIMB Group Holdings Berhad	09/29	AA	4.758	50	4.804	24/10/2018	-5	67
Jimah Energy Ventures Sdn Berhad	05/20	AA3	4.260	10	4.301	08/11/2017	-4	81
BGSM Management Sdn Berhad	03/26	AA3	4.669	20	4.670	03/12/2018	0	67
Tadau Energy Sdn Berhad	07/28	AA3	5.231	10	5.235	11/12/2018	0	114
Malakoff Power Berhad	12/25	AA-	4.594	10	4.589	01/10/2018	0	60
Southern Power Generation Sdn Berhad	10/28	AA-	4.680	10	4.686	11/12/2018	-1	59
Lebuhraya DUKE Fasa 3 Sdn Berhad	08/34	AA-	5.227	10	5.248	01/10/2018	-2	72
UMW Holdings Berhad	04/18	A1	6.001	0.5	5.816	13/12/2018	19	127
				<u>321</u>				

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

Market/Corporate News: What's Brewing

DIVERSIFIED group Boustead Holdings Bhd, which owns and operates a portfolio of hotels, is looking for bids for Royale Chulan Bukit Bintang in Kuala Lumpur after receiving offers to purchase it. Boustead, sources say, has set a reserve price of about RM190 million for the four-star hospitality asset. The 21-year-old hotel with 400 rooms sits on a 0.77-acre site within the tourist zone of Bukit Bintang. "We received expressions of interest for this particular hotel and after a valuation exercise was carried out, we felt the best way to go about this was to invite bids for the hotel," a Boustead spokesman tells The Edge. "We have sent out invitations to several interested parties to submit bids." Boustead is marketing the hotel on its own and has invited real estate agents to submit offers on behalf of their clients. Boustead, in which Lembaga Tabung Angkatan Tentera holds a majority stake, operates two hotels within a 2km radius in Kuala Lumpur. Like other hotel operators, it is likely experiencing intense competition from new hotels as well as alternative accommodation providers. "We currently have two Royale Chulan branded hotels in Kuala Lumpur — Royale Chulan Kuala Lumpur in Jalan Conlay and Royale Chulan Bukit Bintang in Jalan Bukit Bintang — which are in close proximity to each other, vying for virtually the same target market although one (the Bukit Bintang property) is a four-star (category hotel) and the other is five-star," says the spokesman. "In view of this, coupled with the fact that there are many smaller hotels in the same vicinity, it makes good business sense to just have one hotel in Kuala Lumpur. Furthermore, we have received many expressions of interest for this hotel given its prime location in the tourist belt of KL and its proximity to the MRT and shopping district." In terms of performance, the hotel achieved an average occupancy rate last year of 54%, at an average room rate of RM191.30. Citing lower tourist arrival numbers and spend, Boustead expects performance this year to be similar to that of the previous year. To a question on when the last renovation or refurbishment exercise was carried out at the hotel, the spokesman says, "The hotel is in good condition as yearly refurbishments are undertaken as a matter of policy to maintain the condition of all Royale Chulan branded hotels within the Boustead group." The other hotels owned and operated by the group include the Royale Chulan The Curve and Royale Chulan Damansara in Petaling Jaya, Royale Chulan Penang, Royale Chulan Seremban, Royale Chulan Cherating in Pahang and Royale Chulan Hyde Park London. Boustead does not own Royale Chulan Kuala Lumpur but manages it. While it is not known if Royale Chulan Bukit Bintang is profitable, a search on the Companies Commission of Malaysia website shows that Boustead's hotel operations, under Boustead Hotels & Resorts Sdn Bhd, has been in the red for the past three financial years. Net loss ballooned to RM11.1 million in the financial year ended Dec 31, 2017, from RM3.08 million in FY2015. Its revenue has also been on the decline, slipping from RM167.44 million in FY2014 to RM146.29 million in FY2017. Accumulated profit declined to RM34.69 million in FY2017 from RM44.72 million in the previous financial year. Total liabilities as at end-FY2017 was RM305.57 million, all of which were current. Industry sources say Boustead has placed a reserve price on the asset. One source says the group hopes to seal the deal at around RM480,000 per room, which works out to a total of RM192 million — not too far off recent hotel transactions in Kuala Lumpur, which however, were not within Bukit Bintang. In September, Royal Group sold the Hilton Garden Inn North and Hilton Garden Inn South in Jalan Tuanku Abdul Rahman, with a total of 532 rooms, to Strategic Hospitality Extendable Freehold and Leasehold Real Estate Investment Trust for RM240 million, or RM451,128 per room. Last December, the 154-room Nova Hotel in Jalan Alor, owned by Singapore tycoon Choo Chong Ngen, was sold for RM63.8 million, or RM414,286 per room, to Regalwide Holdings Sdn Bhd. In another deal, the 203-room Geo Hotel near the Central Market was disposed of for S\$27.5 million or RM410,296 per room. It is worth noting that the Royale Chulan Bukit Bintang is located on a street which saw the highest per room hotel deal nationwide, apart from Langkawi, and the highest per sq ft land deal in the country. The

433-room Westin Kuala Lumpur was sold at RM455 million, or RM1.027 million per room, while a land parcel next to the Grand Millennium Hotel in Bukit Bintang was purchased by Tan Sri Desmond Lim Siew Choon for RM7,209 per sq ft from Kwek Leng Beng's CDL Hotels (M) Sdn Bhd. (Source: *The Edge*)

Rating Action			
Issuer	PDS Description	Rating/Outlook	Action
BNP Paribas Malaysia Berhad	Financial Institution rating	AA2/Stable/P1	Reaffirmed

Source: RAM, MARC

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