

## Global Markets Research

### Fixed Income

#### Fixed Income Daily Market Snapshot

UST		
Tenure	Closing (%)	Chg (bps)
2-yr UST	1.87	3
5-yr UST	1.83	-1
10-yr UST	2.02	-4
30-yr UST	2.53	-5

MGS		GII*		
Tenure	Closing (%)	Chg (bps)	Closing (%)	Chg (bps)
3-yr	3.27	0	3.31	0
5-yr	3.43	0	3.43	0
7-yr	3.55	1	3.56	0
10-yr	3.57	-1	3.61	0
15-yr	3.80	1	3.81	-2
20-yr	3.97	-1	4.02	1
30-yr	4.18	0	4.24	0

\* Market indicative levels

MYR IRS Levels		
IRS	Closing (%)	Chg (bps)
1-yr	3.36	0
3-yr	3.36	0
5-yr	3.41	0
7-yr	3.47	0
10-yr	3.54	0

Source : Bloomberg

#### Upcoming Government Bond Tender

Nil

#### US Treasuries

- US Treasuries ended richer extending out from the 5Y as their curve flattened aggressively (2s10s spread of 14bps almost neared the YTD low) following the Fed's 25bps rate cut at the FOMC last night and also due to month-end index extensions. Overall benchmark yields closed 1-5bps lower save for the short-end as the UST 2Y ended up 3bps at 1.87%. Nevertheless the much-watched 10Y ended 4bps lower at 2.02%. The rates market reaction to the FOMC outcome suggests that there may be more rate cuts to come despite Fed Chair Powell's semi-hawkish statement that this was a "mid-cycle adjustment" targetted at insuring against downside risks. Meanwhile US and China have decided to meet again in early September following the latest round of negotiations in Shanghai which covered technology transfer, intellectual-property rights, non-tariff barriers and also farm products purchases by China. Expect attention to shift to Non-Farm Payrolls data out tomorrow.

#### MGS/GII

- Local govvnies saw momentum improve slightly on higher secondary market volume of RM3.81b with interest seen mainly in the shorter-end i.e. off-the-run 19's, 21's and also the 24's; ahead of the FOMC meeting in the US. The curve was seen slightly flatter as overall benchmark yields ended mostly mixed between -2 to +1 bps. The 5Y benchmark MGS 6/24 closed within 1bps at 3.43% whilst the 10Y MGS 8/29 edged another 1bps lower at 3.57%. The longer-ends were better-bid. GII trades rose to form about 30% of overall trades. Upcoming data include Markit Malaysia's July PMI Manufacturing data today followed by June's trade numbers tomorrow.

#### Corp Bonds/Sukuk

- Corporate Bonds/Sukuk continued to see less action; ahead of the FOMC meeting in the US yesterday with secondary market trades at RM229m with trades mainly across the AA-part of the curve as yields continued to march lower. The govt-guaranteed space saw trades centred on longer tenures with LPPSA 4/39 and DANA 2/49 closing 5-8bps lower compared to previous-done levels at 4.05% and 4.29% respectively. The AA-rated segment was dominated by energy-related bonds as SEB 7/29 and 11/33 closed 8-10bps lower at 4.05% and 4.13% each. EDRA Energy 34-35's meantime moved 4bps lower between 4.89-96% levels.

## Daily Trades : Government Bond

Securities		Closing YTM	Vol (RM mil)	Previous YTM	Previous Trade Date (dd/mm/yyyy)	Chg (bp)
MGS	10/19	3.041	445	3.072	29/07/2019	-3
MGS	11/19	3.089	161	3.042	29/07/2019	5
MGS	03/20	3.133	92	3.139	29/07/2019	-1
MGS	07/20	3.080	65	3.152	29/07/2019	-7
MGS	10/20	3.072	21	3.196	29/07/2019	-12
MGS	02/21	3.232	331	3.232	29/07/2019	0
MGS	07/21	3.244	142	3.233	29/07/2019	1
MGS	09/21	3.258	13	3.243	29/07/2019	2
MGS	11/21	3.259	34	3.257	29/07/2019	0
MGS	03/22	3.264	32	3.265	29/07/2019	0
MGS	08/22	3.341	29	3.350	29/07/2019	-1
MGS	09/22	3.337	87	3.341	29/07/2019	0
MGS	03/23	3.387	2	3.405	29/07/2019	-2
MGS	04/23	3.395	74	3.400	29/07/2019	0
MGS	08/23	3.428	80	3.418	29/07/2019	1
MGS	06/24	3.426	5	3.422	29/07/2019	0
MGS	07/24	3.449	116	3.457	29/07/2019	-1
MGS	09/24	3.488	49	3.480	29/07/2019	1
MGS	03/25	3.533	130	3.522	26/07/2019	1
MGS	07/25	3.533	1	3.546	19/07/2019	-1
MGS	09/25	3.555	21	3.538	29/07/2019	2
MGS	04/26	3.575	4	3.583	26/07/2019	-1
MGS	07/26	3.546	114	3.538	29/07/2019	1
MGS	11/26	3.551	96	3.582	29/07/2019	-3
MGS	05/27	3.627	1	3.692	26/07/2019	-7
MGS	11/27	3.634	187	3.645	26/07/2019	-1
MGS	06/28	3.640	41	3.642	29/07/2019	0
MGS	08/29	3.572	75	3.582	29/07/2019	-1
MGS	04/30	3.730	33	3.733	25/07/2019	0
MGS	06/31	3.806	19	3.796	29/07/2019	1
MGS	04/33	3.844	3	3.844	26/07/2019	0
MGS	11/33	3.836	6	3.840	29/07/2019	0
MGS	07/34	3.801	10	3.790	29/07/2019	1
MGS	05/35	3.896	3	3.896	29/07/2019	0
MGS	04/37	3.967	20	3.969	29/07/2019	0
MGS	06/38	3.967	104	3.975	29/07/2019	-1
MGS	09/43	4.150	1	4.141	26/07/2019	1
MGS	03/46	4.232	1	4.202	29/07/2019	3
MGS	07/48	4.181	35	4.184	29/07/2019	0
GII	06/20	3.070	1	3.164	24/07/2019	-9
GII	08/20	3.155	81	3.175	24/07/2019	-2
GII	03/21	3.241	20	3.242	29/07/2019	0
GII	04/21	3.249	90	3.254	23/07/2019	0
GII	03/22	3.307	80	3.305	29/07/2019	0
GII	04/22	3.323	6	3.324	25/07/2019	0
GII	10/23	3.441	1	3.441	22/07/2019	0
GII	11/23	3.434	111	3.462	26/07/2019	-3
GII	05/24	3.473	130	3.478	15/07/2019	-1
GII	08/24	3.474	140	3.484	26/07/2019	-1
GII	10/24	3.434	121	3.432	26/07/2019	0
GII	08/25	3.534	2	3.543	25/07/2019	-1
GII	03/26	3.564	11	3.562	29/07/2019	0
GII	09/26	3.591	60	3.591	25/07/2019	0
GII	06/27	3.626	60	3.650	05/07/2019	-2
GII	07/27	3.625	10	3.640	29/07/2019	-2
GII	10/28	3.654	21	3.656	29/07/2019	0
GII	12/28	3.661	10	3.668	24/07/2019	-1
GII	07/29	3.610	17	3.606	29/07/2019	0
GII	11/34	3.810	12	3.825	19/07/2019	-2
GII	09/39	4.022	144	4.008	29/07/2019	1
GII	05/47	4.241	3	4.247	26/07/2019	-1
			<u>3813</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*
Prasarana Malaysia Berhad	03/34	GG	3.910	10	3.920	24/07/2019	-1	10
Lembaga Pembiayaan Perumahan Sektor Awai	04/39	GG	4.051	20	4.100	17/07/2019	-5	7
DanaInfra Nasional Berhad	05/46	GG	4.219	5	4.300	10/07/2019	-8	23
DanaInfra Nasional Berhad	10/46	GG	4.239	5	4.310	16/07/2019	-7	25
DanaInfra Nasional Berhad	02/49	GG	4.289	5	4.371	09/07/2019	-8	30
Puncak Wangi Sdn Berhad	11/19	AAA	3.701	1	4.328	27/02/2019	-63	55
Sabah Development Bank Berhad	04/21	AA1	3.921	3	-	-	-	68
Sepangar Bay Power Corporation Sdn Berhad	07/22	AA1	3.748	17	4.467	23/02/2018	-72	46
Sarawak Energy Berhad	07/29	AA1	4.048	50	4.128	28/06/2019	-8	46
Sarawak Energy Berhad	11/33	AA1	4.131	10	4.228	16/07/2019	-10	33
Fortune Premiere Sdn Berhad	11/23	AA	3.978	25	4.409	17/04/2019	-43	59
Mumtaz Rakyat Sukuk Berhad	06/26	AA3	3.993	30	4.433	09/04/2019	-44	45
Bumitama Agri Ltd	07/26	AA3	3.996	10	4.148	24/07/2019	-15	45
Tanjung Bin Energy Issuer Berhad	03/32	AA3	4.209	10	4.321	26/06/2019	-11	40
Edra Energy Sdn Berhad	07/34	AA3	4.889	10	4.929	23/07/2019	-4	108
Edra Energy Sdn Berhad	07/35	AA3	4.959	10	4.999	23/07/2019	-4	115
Segi Astana Sdn Berhad	01/23	AA-	4.859	1	4.859	29/07/2019	0	157
CIMB Group Holdings Berhad	05/16	A1	4.742	1	3.801	26/07/2019	94	76
UMW Holdings Berhad	04/18	A1	4.787	1	4.786	29/07/2019	0	80
AEON Credit Service (M) Berhad	11/13/2113	-	6.020	6	6.224	10/04/2019	-20	-
				229				

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

## Market/Corporate News: What's Brewing

**A merger between the insurance arm of RHB Bank Bhd and Tokio Marine Insurans (M) Bhd is set to create the second largest general insurer in the country, with a combined gross written premiums of approximately RM1.71 billion and a market share of nearly a tenth.** RHB Bank also intends to form a long-term exclusive general bancassurance partnership with the proposed enlarged entity as it believes it would be mutually beneficial to both parties, the bank's management said in an internal email to staff seen by The Edge Financial Daily yesterday. "[The partnership] will enable us to offer a wide range of bancassurance products and services that suits our customers' lifestyle needs. "As you are aware, RHB Bank has a strong and long-standing business relationship with Tokio Marine Life Insurance Malaysia Bhd since 2010, through our existing life insurance distribution partnership. The proposed new general bancassurance partnership will further strengthen the relationship between RHB Bank and Tokio Marine Group, reflecting the long-term commitment and confidence that both parties have in the partnership." In a bourse filing yesterday, RHB Bank said Bank Negara Malaysia (BNM) had given the nod for it to commence negotiations with Tokio Marine Asia Pte Ltd for the sale of up to 94.7% of its stake in RHB Insurance. The central bank approval is valid for six months from the date of its letter. RHB Bank owns 94.7% of RHB Insurance, and the remaining 5.3% is held by Kumpulan Syed Kechik Sdn Bhd. As part of the proposed transaction, RHB Insurance would be merged with Tokio Marine Insurans — the general insurance arm of Tokio Marine Asia — the seventh largest non-life insurer in Malaysia with a gross written premiums of RM920 million and a 5.1% market share as at end-2018. Tokio Marine Asia and Tokio Marine Insurans are indirect wholly-owned subsidiaries of Tokio Marine Holdings Inc. "The proposed merger of RHB Insurance and Tokio Marine Insurans would, if it materialises, create the second largest general insurer in Malaysia, with a combined gross written premiums of approximately RM1.71 billion and a market share of 9.5%," the management said, adding it would leverage on the strengths of Tokio Marine Insurans in product development and

underwriting whilst Tokio Marine Insurans would leverage on RHB's extensive sales and distribution network. RHB also assured employees the merger would enhance their career development, and provide greater regional and international exposure. In a note to investors yesterday, Hong Leong Investment Bank Research analyst Chan Jit Hoong estimated that the divestment, if materialised, would see the banking group register a disposal gain of up to RM800 million. Chan said the divestment did not come as a surprise as insurance is a non-core asset for RHB Bank and talks of a sale had surfaced since 2015. "Overall, we welcome the potential sale effort considering RHB would then be able to focus more on growing its core banking businesses. That said, details of the deal are limited for now. "If we were to assume [the] management is capable of fetching 2.35 times price-to-book [ratio] for its insurance unit [in line with the historical average merger and acquisition transaction involving Malaysian insurers], RHB is poised to book in disposal gains of RM700 to RM800 million [using December 2018's data]," said Chan who does not expect the divestment to have a material impact on RHB Bank's earnings as RHB Insurance only contributes up to 3% to the group's bottom line. KAF-Seagroatt & Campbell Securities analyst Rachel Huang said the divestment would improve RHB Bank's common equity tier 1 by about 55 basis points, based on the book value of RHB Insurance of RM574 million as at end-2018. "In simplistic terms, the book value of RM574 million works out to [be] 14 sen/RHB share. The 14 sen/RHB share is therefore indicative of the one-off dividend that may be released." She cautioned: "Overall, any potential sale of the insurance unit is marginally positive for RHB. Nevertheless, we remain guarded about RHB Bank, mainly because of increasing concerns about the property overhang standstill situation, and RHB Bank's disproportionately huge proportion of newer property loans compared with the industry." (Source: *The Edge*)

**The ongoing demonstrations in Hong Kong have resulted in a spike in interest in Malaysian property and in private international school enquiries.** A check with four property consultancies and a couple of international schools suggest that interest rose towards late June and early July this year. Hong Kong street demonstrations started in March/April but have become increasingly violent since. SK Brothers Realty (M) Sdn Bhd general manager Chan Ai Cheng said there has been growing interest in Malaysian properties from Hong Kong investors. "The interest is growing and I have heard that there has been an increase in property visits to Malaysia by Hong Kong tourists," she said. "Malaysia is certainly one of the countries on their list as an investment destination and there are a number of reasons for that. They feel that our property is of decent value and also very affordable. "Culturally, they also feel comfortable with our environment." Chan added that language is also not a barrier to investors from Hong Kong. "In Malaysia, speaking English, Cantonese and Mandarin is an appealing trait. They also like our country for the educational facilities and amenities. We have a number of good international schools here. "Another attractive quality is the food. So, it's not surprising why many choose Malaysia as an ideal place to invest or even stay," she said. A check with property developer Sheng Tai International Sdn Bhd, which has been organising "property tourism" trips to Malaysia in the last two to three years, showed that there has been "more interest" in its properties starting June, a staff said, requesting anonymity. As interest starts to swirl in the property sector, the local education system is also seen as a beneficiary from the ongoing turmoil in Hong Kong. A private international school which offers Australian and British education in Malaysia said it has noticed a spike in enquiries for its Australian intake which begins in January 2020. The British syllabus trimester begins in August. The source said that it did not have many students from Hong Kong

prior to the street demonstrations and is uncertain if the enquiries would result in registrations. "Interest centres on primary school and below, for children aged three to 11 years old," the source, who is involved in the Australian syllabus, said. Interest in Australian education started coming in early July. Another education source said her school saw a spike in enquiries in late June and early July. Property consultancy Rahim & Co said the ongoing public demonstration and violence is "likely" to spur more interest here, as Malaysia is already known as "a good value option". Malaysian properties cost a fraction of those in Hong Kong and come with a larger space. A tourist considering a Malaysian purchase said it is common for an entire family to live in a 500-sq-ft space, considered as a shoe-box sized unit here. Street demonstrations have rocked Hong Kong of late. The now-abandoned extradition bill, which revolved around extraditing alleged criminals to China for trial, caused unhappiness which has evolved into pro-democracy violence on the streets, in the airport and on its public train transport system. It was also reported recently that people from Hong Kong are increasingly seeking out properties in Singapore. VPC Alliance Kuala Lumpur managing director James Wong said more Hong Kong people would be buying property in Malaysia to retire or as their second home under the Malaysia My Second Home (MM2H) programme. "The Hong Kong people have a general tendency to migrate to Canada, Australia and New Zealand rather than to Malaysia. Some may consider buying and living in Malaysia but no strong buying wave is expected, as Malaysian immigration laws for emigration are strict," Wong said in an email. Guidelines for foreigners to purchase property in Malaysia need to be further relaxed, including state governments, to remove the price threshold for foreigners to purchase property in Malaysia and for further relaxation of the MM2H, said Wong. Singapore property developer CapitaLand's joint-venture residential project with Malaysia's ParkCity Group in Kuala Lumpur achieved strong sales during its priority sales launch over the weekend of July 27 and 28. The 505-unit development, called Park Regent, saw more than 353 units (70%) being sold at an average selling price of RM1, 100 per square foot. CapitaLand is one of Asia's largest diversified groups. The development is located in Desa ParkCity, Kuala Lumpur, and comprises six apartment types of one- to four-bedroom units. Prices start from RM860, 000, and units range from 872 sq ft for a one-bedder to 4, 887 sq ft for a four-bedder. About 80% of buyers are Malaysians. A source related to the project said they would be marketing the project abroad, including Hong Kong. Also set for a possible launch in Hong Kong, among other destinations, is Tun Razak Exchange's TRX Residences, by Lendlease. Australia's property and infrastructure group, the largest land owner in TRX with 17 acres, is developing a mixed-use project in TRX comprising retail, residential, a hotel and a park. (Source: *The Edge*)

Rating Action			
Issuer	PDS Description	Rating/Outlook	Action
Grand Sepadu (NK) Sdn Bhd (Grand Sepadu)	Sukuk Murabahah issuance of RM210.0 million	AA-IS	Affirmed
Danajamin Nasional Berhad	Senior and Subordinated Sukuk Murabahah of up to RM2.0 billion under its Sukuk Murabahah programme.	AAA-IS and AA+I	Affirmed
	Counter-party Credit Rating	AAA/MARC-1	Affirmed
AC Millennium Berhad (Aman Central Mall)	RM175 mil Senior Class A RM50 mil Senior Class B MTNs (collectively, the Senior Class MTNs)	AAA AA2	Assigned Assigned

Source: RAM, MARC

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