

## Global Markets Research

### Fixed Income

#### Fixed Income Daily Market Snapshot

UST		
Tenure	Closing (%)	Chg (bps)
2-yr UST	2.33	5
5-yr UST	2.31	6
10-yr UST	2.49	7
30-yr UST	2.88	5

MGS		GII*		
Tenure	Closing (%)	Chg (bps)	Closing (%)	Chg (bps)
3-yr	3.37	-1	3.47	-1
5-yr	3.52	-1	3.63	3
7-yr	3.71	-1	3.80	0
10-yr	3.77	1	3.82	0
15-yr	4.09	-3	4.12	2
20-yr	4.28	-1	4.41	2
30-yr	4.60	2	4.62	0

\* Market indicative levels

MYR IRS Levels		
IRS	Closing (%)	Chg (bps)
1-yr	3.54	0
3-yr	3.56	2
5-yr	3.65	2
7-yr	3.76	2
10-yr	3.94	2

Source : Bloomberg

#### Upcoming Government Bond Tender

Nil

#### US Treasuries

- US Treasuries fell on the 1<sup>st</sup> trading day of April on the back of upbeat March manufacturing data from both US and China; somewhat easing investor concerns about slowing growth. The curve shifted higher as overall benchmark yields climbed between 5-7bps. The UST 2Y ended higher at 2.33% and the much-watched 10Y rising 7bps at 2.49% (the most since 4<sup>th</sup> Jan and off the recent 15-month low of 2.34%). The sell-off reversed what was UST's biggest monthly advance in March 2019. US-China trade matters are expected to emerge back in focus while bond traders monitor the existing inversion on the front-end of the curve. The Fed's shift in tone sees one(1) additional rate hike over the three(3) year forecast horizon for now whereas investors are expecting rate cuts.

#### MGS/GII

- Local govies saw improvement in momentum yesterday on the back of surge in volume of RM10.2b with interest seen mainly in the recently issued benchmark 7Y GII, 3y, 5Y MGS followed by some off-the-run 19-20's. Overall benchmark yields however ended mostly mixed between -3 to +3bps as interest rate swap levels drifted higher again. The 5Y benchmark MGS 4/23 edged 1bps at 3.52% whilst the 10Y MGS 8/29 rose 1bps instead at 3.77%. GII bonds spiked to form 60% of overall trades. BNM has trimmed this year's growth forecasts to 4.3-4.8% compared to 4.7% growth last year; possibly benefitting the govies sector on safe-haven bids. Upcoming data include February trade figures and Foreign Reserves as at 29<sup>th</sup> March.

#### Corp Bonds/Sukuk

- Corporate Bonds/Sukuk saw steady volume etched at RM654m with investor interest mainly across the GG-AA part of the curve up to about 10Y tenures. Govt-guaranteed Jambatan Kedua (JKSB) stole the limelight with a whopping RM210m in nominal amounts traded 5bps lower compared to previous-done levels at 3.98%. LPPSA 25-26's closed 0-1bps lower between 3.89-97% levels. AAA-rated TNB Western moved sharply lower on yields at 4.33% whilst BAKUN Power (previously known as Sarawak Hidro) 24-25's moved 3-4bps lower between 4.17-4.20%. AA-rated space saw energy-related bonds JEP 12/29 and EDRA Energy 1/34 rally 4bps at 4.53% and 5.96% respectively. The banking space saw RHB Islamic 27NC22 close stronger by 5bps at 4.37% levels.

## Daily Trades : Government Bonds

Securities		Closing YTM	Vol (RM mil)	Previous YTM	Previous Trade Date (dd/mm/yyyy)	Chg (bp)
MGS	07/19	3.293	18	3.352	28/03/2019	-6
MGS	10/19	3.332	223	3.329	29/03/2019	0
MGS	11/19	3.360	28	3.344	29/03/2019	2
MGS	03/20	3.383	401	3.373	29/03/2019	1
MGS	07/20	3.325	30	3.383	28/03/2019	-6
MGS	10/20	3.385	103	3.369	29/03/2019	2
MGS	02/21	3.406	2	3.409	28/03/2019	0
MGS	07/21	3.429	70	3.415	29/03/2019	1
MGS	09/21	3.415	15	3.398	29/03/2019	2
MGS	11/21	3.411	33	3.420	29/03/2019	-1
MGS	03/22	3.369	932	3.377	29/03/2019	-1
MGS	08/22	3.496	10	3.496	29/03/2019	0
MGS	09/22	3.527	103	3.505	29/03/2019	2
MGS	03/23	3.584	6	3.589	29/03/2019	0
MGS	04/23	3.524	326	3.532	29/03/2019	-1
MGS	08/23	3.588	73	3.600	29/03/2019	-1
MGS	07/24	3.672	12	3.677	29/03/2019	0
MGS	09/24	3.684	37	3.678	29/03/2019	1
MGS	03/25	3.725	88	3.721	29/03/2019	0
MGS	09/25	3.717	49	3.726	29/03/2019	-1
MGS	07/26	3.708	307	3.716	29/03/2019	-1
MGS	11/26	3.718	51	3.704	29/03/2019	1
MGS	05/27	3.840	33	3.833	29/03/2019	1
MGS	11/27	3.803	217	3.809	29/03/2019	-1
MGS	06/28	3.784	112	3.784	29/03/2019	0
MGS	09/28	3.902	1	3.914	28/03/2019	-1
MGS	08/29	3.773	280	3.767	29/03/2019	1
MGS	04/30	3.935	3	3.924	29/03/2019	1
MGS	06/31	4.019	34	4.018	29/03/2019	0
MGS	04/32	4.078	3	4.102	29/03/2019	-2
MGS	04/33	4.089	31	4.070	29/03/2019	2
MGS	11/33	4.092	81	4.118	28/03/2019	-3
MGS	05/35	4.249	121	4.254	29/03/2019	0
MGS	04/37	4.265	57	4.312	29/03/2019	-5
MGS	06/38	4.277	12	4.292	29/03/2019	-1
MGS	09/43	4.550	25	4.553	29/03/2019	0
MGS	03/46	4.604	5	4.593	29/03/2019	1
MGS	07/48	4.560	168	4.578	29/03/2019	-2
GII	04/19	3.330	110	3.221	29/03/2019	11
GII	04/20	3.414	203	3.463	29/03/2019	-5
GII	04/20	3.440	1	3.396	28/03/2019	4
GII	05/20	3.435	200	3.472	29/03/2019	-4
GII	08/20	3.481	5	3.445	28/03/2019	4
GII	03/21	3.499	3	3.491	21/03/2019	1
GII	08/21	3.501	22	3.557	14/03/2019	-6
GII	03/22	3.474	259	3.485	28/03/2019	-1
GII	04/22	3.548	8	3.544	29/03/2019	0
GII	07/22	3.558	20	3.550	28/03/2019	1
GII	07/23	3.653	2	3.649	28/03/2019	0
GII	11/23	3.629	110	3.599	29/03/2019	3
GII	08/24	3.733	291	3.734	29/03/2019	0
GII	08/25	3.798	85	3.798	29/03/2019	0
GII	03/26	3.742	4310	3.726	28/03/2019	2
GII	09/26	3.822	4	3.792	29/03/2019	3
GII	10/28	3.927	71	3.896	29/03/2019	3
GII	07/29	3.819	206	3.821	29/03/2019	0
GII	06/33	4.124	48	4.106	29/03/2019	2
GII	08/33	4.156	2	4.136	29/03/2019	2
GII	08/37	4.410	1	4.395	28/03/2019	2
GII	09/39	4.370	158	4.363	29/03/2019	1
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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*
GovCo Holdings Berhad	02/21	GG	3.802	15	3.904	20/02/2019	-10	42
Prasarana Malaysia Berhad	08/21	GG	3.681	20	3.684	28/03/2019	0	30
Prasarana Malaysia Berhad	09/24	GG	3.862	40	3.900	27/03/2019	-4	32
Lembaga Pembiayaan Perumahan Sektor Awam	10/25	GG	3.892	65	3.902	28/03/2019	-1	18
Pengurusan Air SPV Berhad	02/26	GG	3.920	20	3.938	28/03/2019	-2	21
Jambatan Kedua Sdn Berhad	07/26	GG	3.979	210	4.028	27/03/2019	-5	27
Prasarana Malaysia Berhad	08/26	GG	3.971	5	4.001	27/03/2019	-3	26
Lembaga Pembiayaan Perumahan Sektor Awam	09/26	GG	3.972	20	3.969	28/03/2019	0	26
Gulf Investment Corporation G.S.C	02/23	AAA	4.773	0	5.173	09/01/2018	-40	127
GENM Capital Berhad	07/23	AAA	4.452	1	4.460	28/03/2019	-1	95
Bakun Hydro Power Generation Sdn Berhad (fka	08/24	AAA	4.173	5	4.207	21/03/2019	-3	63
Bakun Hydro Power Generation Sdn Berhad (fka	08/25	AAA	4.202	10	4.238	26/03/2019	-4	53
TNB Western Energy Berhad	01/30	AAA	4.334	40	4.798	06/04/2018	-46	56
Sabah Development Bank Berhad	08/21	AA1	4.707	20	4.728	22/03/2019	-2	132
Anih Berhad	11/24	AA	4.403	5	4.437	25/03/2019	-3	73
Perbadanan Kemajuan Negeri Selangor	01/22	AA3	4.551	40	-	-	-	117
UM Corporation Berhad	06/22	AA3	4.407	4	4.419	25/03/2019	-1	102
Jimah East Power Sdn Berhad	12/29	AA-	4.528	20	4.568	27/03/2019	-4	75
RHB Islamic Bank Berhad	04/27	AA3	4.365	20	4.411	08/03/2019	-5	62
Edra Energy Sdn Berhad	01/34	AA3	5.958	5	5.999	28/03/2019	-4	187
MMC Corporation Berhad	03/28	AA-	5.403	10	5.479	29/03/2019	-8	164
Konsortium Lebuhraya Utara-Timur (KL) Sdn Berh	11/29	AA-	4.619	10	4.621	29/03/2019	0	84
Sinar Kamir Sdn Berhad	01/31	AA-	5.588	10	5.589	29/03/2019	0	181
TF Varlik Kiralama A. S	06/19	A1	5.759	43	5.912	14/02/2019	-15	240
Eco World Capital Assets Berhad	12/22	-	6.078	1	6.077	29/03/2019	0	257
Mah Sing Perpetual	-	-	6.236	15	6.280	26/03/2019	-4	-
				<u>654</u>				

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

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

**Sime Darby Plantation Bhd (SDP) is looking to dispose of over 4,300 acres of freehold estate land in Peninsular Malaysia that is estimated to bring in proceeds of more than RM1bil if it is able to get the price it seeks.** Industry experts generally have pegged the sale price between RM200,000 and RM250,000 per acre, which is described as the higher band of valuation for brownfield plantation land. "The reserve price is believed to be at an average of RM200,000 per acre, which is on the higher side of recent transactions." "But if SDP is able to pull it off, it would be commendable," said a source. Of the total 4,377 acres, the largest tracts of land up for sale include the Bukit Hijau Estate- Patani Para (PP-1) and (PP-2) at 1,136.39 acres and 798.89 acres in Kuala Muda, while the smallest land bank is Sg Wangi Estate (SW-1) GRN145377 Lot 40537 at 4.56 acres in Sitiawan. SDP has also put up a tender notice inviting prospective developers and investors to submit their offers for the respective land banks. However, the plantation group did not stipulate how much it intends to sell these estates for. In 2018, plantation companies announced combined merger and acquisition (M&A) deals estimated at RM1.24bil in Malaysia. Notable M&As last year included United Plantations Bhd's acquisition of estates in Teluk Intan, Perak for RM414mil or RM120,336 per planted ha from Pinehill Pacific Bhd, and Boustead Plantations Bhd's disposal of its 138.9ha land in Penang to SP Setia Bhd, which fetched an even higher valuation of RM979,508 per ha. Early this year, poultry-based Huat Lai Group, which was delisted in 2017, offered to buy United Malacca Bhd's four oil palm estates in Negri Sembilan and Melaka for RM175mil cash, or equivalent to about RM171,533 per ha. Generally, brownfield oil palm land in Peninsular Malaysia is about 30% higher in terms of its valuation compared with those in Sabah and Sarawak, said an industry expert. Reflecting on the latest development, a source told StarBiz that "I believe SDP is disposing of these estates which are 'ideally located properties' to prevent the compulsory acquisition by state governments for development". "By making this bold move to sell off its non-core and non-strategic land bank, SDP would be able to realise the true market value of these estates. "Overall, it is a very small area of SDP's vast total land bank." The source added that the potential proceeds from the large-tract land sale could also be the answer to SDP's plan to raise new money that could be used to pay dividends to its shareholders at a payout rate of 43% to 45%. The world's largest oil palm planter by hectareage is also looking to further reduce its gearing ratio, which stood at 40% as at end-June 2018. Meanwhile, CIMB Investment Bank regional head of plantation research, Ivy Ng, said the huge land bank disposal by SDP this year came as no big surprise as "this is line with the group's existing plans to sell some of its oil palm land bank to unlock their true value". Asked on the estimated combined value of the estates that were up for sale, she said: "I don't think there is a guidance on this. All will depend on the offers received." Late last year, SDP executive deputy chairman and managing director Tan Sri Mohd Bakke Salleh hinted that the group would be looking to divest its non-core assets in 2019. He was also quoted as saying "there would be certain transactions that would see us disposing of our non-core assets or even parts of existing estates that have been identified for development". Of late, planters have opted to buy up brownfield oil palm land given the strict ban on new oil palm land expansion in Malaysia and Indonesia, the rising cost of production, weak crude palm oil prices as well as a lack of interest in greenfield acquisitions. And more interestingly, more old or abandoned oil palm land, especially those bordering new townships, are being sought after by local property developers. On Bursa Malaysia yesterday, SDP's share price closed six sen higher to RM5.08 with 3.06 million shares being done. (Source: *The Star*)

**Proton Holdings Bhd recorded a 46.1% year-on-year increase in registrations for March, almost four times the total industry volume (TIV) growth rate of 11.8% for the month.** For the first quarter of the year, registrations grew 43.5% year-on-year,

compared to TIV growth of 6.7% during the same period. In a statement, the group said its results for the month and the first quarter of the year puts Proton ahead of its rivals. "The numbers posted by Proton in 2019 is the direct result of hard work put in at every level of the company. These achievements are possible due to the growth in the number of 3S and 4S outlets, an increase in product quality, refocusing on customer service and improvements in many other areas. "With the forthcoming launch of our updated models later this year, Proton is confident its investment in the business will continue to benefit sales growth," said Proton chief executive officer Dr Li Chunrong. Proton's first SUV, the Proton X70, achieved impressive registration numbers of 2,979 units, making it the best-selling SUV in March and the first quarter of the year. Meanwhile, 25,000 bookings have been received to date, making the Proton X70 the most popular Proton model in the line-up for 2019. "With delivery numbers of the Proton X70 increasing, we are hopeful of being able to reduce waiting times for our customers. At the same time, we are working diligently to ensure each unit we deliver is perfect, as our aim is for our new SUV to be the highest rated vehicle for the Initial Quality Study (IQS) rankings for Malaysia in 2019," said Li. The group currently has 75 3S (centres which offer sales, service and spare parts) and 4S (centres which offer sales, service, spare parts and body and paint services) outlets nationwide and is increasing its efforts to support existing dealers to upgrade their facilities or attract investors to set up new outlets. "One of the reasons why sales are increasing is the number of 3S and 4S outlets in Proton's network. We have proven that these outlets are very effective at attracting new and current customers to our brand, as they are able to deliver a premium sales and after sales service experience. "Therefore, we will be adding more such outlets in 2019, in preparation for the introduction of our future models," Li said. (Source: *The EdgeMarkets*)

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

Source: RAM, MARC

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