

Global Markets Research

Fixed Income

Fixed Income Daily Market Snapshot

UST		
Tenure	Closing (%)	Chg (bps)
2-yr UST	2.32	4
5-yr UST	2.30	2
10-yr UST	2.50	0
30-yr UST	2.90	-2

MGS		GII*		
Tenure	Closing (%)	Chg (bps)	Closing (%)	Chg (bps)
3-yr	3.41	-2	3.47	1
5-yr	3.59	0	3.64	0
7-yr	3.77	-1	3.76	0
10-yr	3.79	1	3.87	-2
15-yr	4.12	-1	4.20	7
20-yr	4.34	-1	4.35	0
30-yr	4.60	-1	4.67	0

* Market indicative levels

MYR IRS Levels		
IRS	Closing (%)	Chg (bps)
1-yr	3.54	1
3-yr	3.56	1
5-yr	3.63	2
7-yr	3.71	0
10-yr	3.90	-1

Source : Bloomberg

Upcoming Government Bond Tender

Nil

US Treasuries

US Treasuries closed mostly weaker up to the belly of the curve on Wednesday following Fed Chair Powell's comments that 'transitory' factors are restraining inflation which otherwise should rise to the Fed's target of 2.0%. The comments have also dampened traders rate cut bets. The curve flattened sharply as overall benchmark yields ended between -2 to +4bps. The UST 2Y rose 4bps to 2.32% whilst the much-watched 10Y closed unchanged at 2.50%. FOMC left the Fed Funds target range unchanged between 2.25-2.50% although cutting the Interest On Excess Reserves (IOER) rate by 5bps. The anomaly was seen as a result of distortion in the market for Repo's and collection of tax receipts by the government. On the data front we have the all-important April nonfarm job data tomorrow.

MGS/GII

Local govvnies saw momentum maintain as secondary volumes notch RM2.81b with interest seen in the off-the-run 19-20's. 27's and also the benchmark 10Y GII bonds. Overall benchmark yields ended mixed-to stronger by up to 2bps save for the 7Y GII odd-lot trade. The benchmark 5Y MGS 4/23 closed unchanged at 3.59% whilst the 10Y MGS 8/29 edged 1bps higher at 3.79%. GII bond trades formed 39% of overall trades. The bond market is seen to be resilient amid a series of reports on EM market with emphasis on Malaysia as prospects of a rate cut and abundant domestic liquidity. However, the recent 7Y MGS auction reopening of MGS 7/26 saw muted demand. Up next on the data front are the Nikkei PMI and trade numbers expected out tomorrow.

Corp Bonds/Sukuk

Corporate Bonds/Sukuk space saw decent secondary volume of RM566m with interest evenly spread across the GG, AAA and AA-segments of the curve. All Govt-guaranteed bonds ended weaker with yields between 0-10bps higher. PLUS 12/38 too closed 6bps higher at 4.53% compared to previous-done levels. Nevertheless AAA-rated bonds i.e. TENAGA 12/21 and 8/33 closed 4-7bps lower at 3.92% and 4.35% respectively whilst TELEKOM 10/28 closed unchanged at 4.32%. AA-rated energy bonds such as Teknologi Tenaga Perlis, EDRA Energy and Southern Power bonds hogged the limelight closing between 3-32bps lower. Most gains were seen in both Southern Power 2027 and 2031 tranches which closed at 4.23% and 4.32% each. The banking space saw Hong Leong Islamic Bank 24NC19 rally to close at 3.77% levels.

Daily Trades : Government Bonds

Securities		Closing YTM	Vol (RM mil)	Previous YTM	Previous Trade Date (dd/mm/yyyy)	Chg (bp)
MGS	07/19	3.308	5	3.318	25/04/2019	-1
MGS	10/19	3.320	34	3.308	29/04/2019	1
MGS	11/19	3.320	121	3.350	29/04/2019	-3
MGS	03/20	3.348	49	3.394	29/04/2019	-5
MGS	07/20	3.401	222	3.399	29/04/2019	0
MGS	10/20	3.387	4	3.392	29/04/2019	0
MGS	07/21	3.407	7	3.396	26/04/2019	1
MGS	09/21	3.429	1	3.432	24/04/2019	0
MGS	11/21	3.429	4	3.435	29/04/2019	-1
MGS	03/22	3.410	127	3.419	26/04/2019	-1
MGS	08/22	3.535	7	3.531	26/04/2019	0
MGS	09/22	3.531	30	3.544	26/04/2019	-1
MGS	04/23	3.593	75	3.620	29/04/2019	-3
MGS	08/23	3.641	15	3.634	29/04/2019	1
MGS	07/24	3.711	10	3.722	26/04/2019	-1
MGS	09/24	3.699	12	3.699	26/04/2019	0
MGS	09/25	3.785	202	3.798	29/04/2019	-1
MGS	04/26	3.865	1	3.863	29/04/2019	0
MGS	07/26	3.774	77	3.785	29/04/2019	-1
MGS	11/26	3.865	10	3.836	29/04/2019	3
MGS	03/27	3.856	45	3.906	29/04/2019	-5
MGS	11/27	3.868	209	3.881	29/04/2019	-1
MGS	06/28	3.877	75	3.877	29/04/2019	0
MGS	08/29	3.790	42	3.790	29/04/2019	0
MGS	04/30	3.972	30	3.976	26/04/2019	0
MGS	06/31	4.064	168	4.110	29/04/2019	-5
MGS	04/33	4.177	10	4.158	26/04/2019	2
MGS	11/33	4.123	51	4.130	26/04/2019	-1
MGS	05/35	4.271	1	4.288	29/04/2019	-2
MGS	04/37	4.302	15	4.310	29/04/2019	-1
MGS	06/38	4.342	5	4.356	29/04/2019	-1
MGS	03/46	4.569	1	4.612	29/04/2019	-4
MGS	07/48	4.599	41	4.626	29/04/2019	-3
GII	04/20	3.408	20	3.440	29/04/2019	-3
GII	05/20	3.416	100	3.418	25/04/2019	0
GII	08/20	3.429	50	3.505	22/04/2019	-8
GII	08/21	3.492	11	3.521	23/04/2019	-3
GII	03/22	3.473	10	3.463	29/04/2019	1
GII	04/22	3.544	19	3.543	29/04/2019	0
GII	07/23	3.686	90	3.668	29/04/2019	2
GII	11/23	3.700	35	3.677	26/04/2019	2
GII	05/24	3.700	80	3.722	26/04/2019	-2
GII	08/24	3.725	3	3.719	26/04/2019	1
GII	10/24	3.644	10	3.645	29/04/2019	0
GII	08/25	3.794	156	3.088	29/04/2019	71
GII	09/26	3.843	42	3.835	29/04/2019	1
GII	07/27	3.836	154	3.829	29/04/2019	1
GII	10/28	3.880	52	3.862	26/04/2019	2
GII	07/29	3.866	236	3.872	29/04/2019	-1
GII	06/33	4.203	32	4.130	26/04/2019	7
GII	08/37	4.355	1	4.355	29/04/2019	0
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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*
DanaInfra Nasional Berhad	11/24	GG	3.830	5	3.824	24/04/2019	1	13
DanaInfra Nasional Berhad	03/29	GG	4.041	20	4.022	26/04/2019	2	25
Prasarana Malaysia Berhad	02/31	GG	4.129	80	4.130	18/04/2019	0	34
Prasarana Malaysia Berhad	03/31	GG	4.139	40	4.051	12/04/2019	9	35
DanaInfra Nasional Berhad	05/31	GG	4.129	5	4.069	10/04/2019	6	34
GovCo Holdings Berhad	02/32	GG	4.341	16	4.260	08/04/2019	8	21
Prasarana Malaysia Berhad	03/34	GG	4.316	10	4.219	11/04/2019	10	18
Projek Lebuhraya Usahasama Berhad	12/38	GG	4.530	20	4.469	12/04/2019	6	17
Gas Malaysia Berhad	11/19	AAA	3.892	10	4.016	31/10/2018	-12	53
Zamrad Assets Berhad	03/20	AAA	4.311	10	-	-	-	95
Tenaga Nasional Berhad	12/21	AAA	3.921	40	3.995	18/03/2019	-7	50
GENM Capital Berhad	03/22	AAA	4.252	30	4.479	06/03/2019	-23	83
Telekom Malaysia Berhad	10/28	AAA	4.317	10	4.319	25/04/2019	0	52
Bank Pembangunan Malaysia Berhad	03/32	AAA	4.460	5	4.479	29/04/2019	-2	33
Tenaga Nasional Berhad	08/33	AAA	4.350	20	4.389	18/04/2019	-4	22
Teknologi Tenaga Perlis Consortium Sdn Berhad	01/22	AA1	4.135	10	4.413	11/10/2017	-28	72
Hong Leong Islamic Bank Berhad	06/24	AA1	3.765	10	4.050	21/03/2019	-29	16
UMW Holdings Berhad	10/23	AA2	4.167	10	4.182	29/04/2019	-2	62
Sime Darby Plantation Sdn Bhd	03/16	AA	4.421	10	4.539	02/04/2019	-12	6
Perbadanan Kemajuan Negeri Selangor	04/22	AA3	4.538	10	4.551	02/04/2019	-1	112
Edra Energy Sdn Berhad	07/26	AA3	5.288	10	5.328	24/04/2019	-4	153
Edra Energy Sdn Berhad	01/28	AA3	5.438	50	5.469	24/04/2019	-3	163
MMC Corporation Berhad	11/27	AA-	5.366	5	5.394	26/04/2019	-3	156
Serba Dinamik Holdings Berhad	10/28	AA-	5.038	10	5.052	23/04/2019	-1	123
Southern Power Generation Sdn Berhad	10/28	AA-	4.272	10	4.321	16/04/2019	-5	48
Southern Power Generation Sdn Berhad	04/31	AA-	4.329	5	4.649	20/02/2019	-32	54
MEX II Sdn Berhad	04/32	AA-	4.889	20	4.909	25/04/2019	-2	75
MEX II Sdn Berhad	04/33	AA-	4.969	20	4.989	25/04/2019	-2	83
Southern Power Generation Sdn Berhad	04/33	AA-	4.509	20	4.739	13/03/2019	-23	37
Bank Islam Malaysia Berhad	12/25	A1	4.203	2	4.222	23/04/2019	-2	44
UMW Holdings Berhad	04/18	A1	5.299	6	5.029	29/04/2019	27	94
Southern Power Generation Sdn Berhad	04/27	AA-	4.231	10	4.530	27/02/2019	-30	44
Alliance Islamic Bank Berhad	03/19	BBB1	5.502	27	-	-	-	114
				566				

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

Market/Corporate News: What's Brewing

MEDIA Chinese International Ltd (MCIL) is mulling over a plan to sell Nanyang Siang Pau's office building, together with the land it sits on, and relocating the publication's operations to Sin Chew Media Corp's headquarters, according to sources. The proposal to consolidate resources is prompted by the challenging media landscape, they say. "Nanyang Siang Pau's team might be moving to Sin Chew's office as early as the third quarter this year, but there has been no confirmation as yet. The employees have yet to receive any notice," he tells The Edge. "Internally, they have been talking about it since last year, even two years ago, but nothing has materialised. However, it seems that this time, it is more likely than ever to happen," says another source. When contacted by The Edge, MCIL executive director and group CEO Francis Tiong did not confirm or deny the speculation. "Thank you for your email and interest in us. Please be advised that we don't comment on rumour that has no basis or evidence. We will only act and make the necessary announcement in accordance with regulatory requirements," he said in a short email reply. MCIL, which is dual listed on Bursa Malaysia and the Hong Kong Stock Exchange, controls four local mainstream Chinese dailies — Sin Chew Daily, China Press, Guang Ming Daily and Nanyang Siang Pau. The offices of Nanyang Siang Pau Sdn Bhd and Sin Chew Media Corp Bhd are in Petaling Jaya, in SS7 and Jalan Semangat respectively. MCIL's Malaysian headquarters share Sin Chew's premises. A quick check of MCIL's 2018 annual report shows that the Nanyang Siang Pau land, on Jalan SS7/2, had a carrying amount of US\$9.73 million or RM40.25 million. The 6.19-acre freehold parcel was acquired in 1994. From a cost-cutting perspective, it makes sense for MCIL to relocate the Nanyang office, opines Dr Chang Teck Peng, senior lecturer at the Faculty of Communication in Tunku Abdul

Rahman University College. “This is a necessary move. MCIL is trying to revive Nanyang Siang Pau as a business newspaper. If its direction is to do a weekly publication, Nanyang’s workforce does not have to be too big,” he tells The Edge. “The marketing, circulation and many other departments can be merged with that of Sin Chew Daily. They don’t need to occupy so much space — just one or two floors should be sufficient.” MCIL slipped into the red with a net loss of RM44.36 million in the financial year ended March 2018 (FY2018) — its first financial loss in 16 years — compared with a net profit of RM58.54 million a year ago. Chang says the disposal of the land could lift MCIL’s financial performance. “Media Prima and The Star have been divesting assets to improve their cash flow. I won’t be surprised if MCIL follows suit,” he notes. A current affairs commentator concurs. “Nanyang Siang Pau has been making financial losses for many years. It needs to transform and cut costs urgently. I think relocating the office is a possible move. At the very least, it can save on some water and electricity costs.” Although the parcel is in a good location, fronting the Federal Highway and next to Sunway Serene, he says MCIL needs time to identify the right buyer. “Yes, the land is quite valuable, but I don’t think the disposal will happen anytime soon. Like it or not, this is a 25-year-old office. Who would buy it when the property market is so weak?” he asks. A check on the Companies Commission of Malaysia (SSM) website shows that Nanyang Siang Pau’s net loss widened to RM916,000 in the financial year ended March 31, 2018 (FY2018), from RM365,000 in FY2017. The daily has been bleeding for a number of years, reporting a net loss of RM4.12 million in FY2014, RM3.81 million in FY2015, and RM3.92 million in FY2016. Its revenue has been on the downward trend for at least four consecutive years, slipping from RM54.57 million in FY2014 to RM37.26 million in FY2018. The newspaper’s circulation has declined so badly that it no longer submits its sales numbers to the Audit Bureau of Circulation. Some attribute its underperformance to an unsuccessful revamp to turn it into a financial paper serving a niche market. Nanyang Siang Pau was a once a favourite among the business community. Set up in 1923 in Singapore by prominent Chinese community leader and philanthropist Tan Kah Kee, the almost-100-year-old newspaper was perceived to be relatively independent before ownership changes prompted a more pro-establishment stance. Ultimately controlled by banking tycoon Tan Sri Quek Leng Chan in the 1990s, the newspaper was popular with readers until MCA’s investment arm Huaren Holdings Sdn Bhd acquired it in 2001. This was despite concerns within the Chinese community that having political owners would colour its independent viewpoint. Five years later, the publication was bought over by timber tycoon Tan Sri Tiong Hiew King, ranked Malaysia’s 21st richest man by Forbes this year, with a fortune of US\$860 million (RM3.55 billion). The 84-year-old self-made timber and media baron from Sarawak controls four major listed companies on Bursa Malaysia — MCIL, Rimbunan Sawit Bhd, Jaya Tiasa Holdings Bhd and Subur Tiasa Holdings Bhd. In Chang’s opinion, Nanyang Siang Pau needs to be transformed into a pure financial publication. “The problem with Nanyang is that although it is positioned as a business newspaper, it is not willing to let go of its existing readers. To me, Nanyang has always been, and still is, a general newspaper. It needs an overhaul, not just cosmetic changes,” he remarks. He suggests turning it into a business weekly to compete directly with The Busy Weekly, the first and only Chinese financial and investment weekly in Malaysia. The Busy Weekly, a sister publication of Oriental Daily News, is controlled by the KTS Group — a well-known business entity in Sarawak owned by the Lau family, and a fierce rival of Tiong’s business empire. “Let me put it this way — Nanyang cannot compete with the likes of Sin Chew Daily, China Press or even Oriental Daily News. But in terms of resources, Nanyang is backed by MCIL. If it wants to focus on doing a business weekly, it should be able to put up a good fight against The Busy Weekly,” says Chang. The current affairs commentator agrees, although he feels that Nanyang Siang Pau has successfully transformed. “The Busy Weekly has a good reputation as a Chinese business weekly, but Nanyang Siang Pau’s distribution network is much stronger. “Its market positioning has improved a lot. It has established its identity

as a business news publication. Although its financial performance is not good, we are certainly seeing more advertisements in the newspaper.” (Source: *The EdgeMarkets*)

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

Source: RAM, MARC

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