






## Global Markets Research






### Fixed Income

#### Fixed Income Daily Market Snapshot

UST		
Tenure	Closing (%)	Chg (bps)
2-yr UST	1.79	 3
5-yr UST	1.79	 2
10-yr UST	2.03	 2
30-yr UST	2.55	 2

MGS		GII*		
Tenure	Closing (%)	Chg (bps)	Closing (%)	Chg (bps)
3-yr	3.30	 1	3.34	 -1
5-yr	3.43	 1	3.45	 0
7-yr	3.55	 -31	3.58	 -2
10-yr	3.64	 1	3.66	 1
15-yr	3.90	 0	3.94	 0
20-yr	4.06	 1	4.05	 -1
30-yr	4.32	 1	4.37	 0

\* Market indicative levels

MYR IRS Levels		
IRS	Closing (%)	Chg (bps)
1-yr	3.39	 2
3-yr	3.41	 1
5-yr	3.49	 2
7-yr	3.54	 2
10-yr	3.69	 1

Source : Bloomberg

#### Upcoming Government Bond Tender

Nil

#### US Treasuries

- US Treasuries ended weaker as the curve shifted higher on Monday amid mixed ISM manufacturing numbers. Overall benchmark yields ended 2-3bps higher with the both the UST 2Y and much-watched 10Y cheaper at 1.79% and 2.03% respectively. The rates markets are seen to have not seriously registered the trade truce between the U.S. and China, or the supposed easing of geopolitical tensions after Trump's trip to North Korea. German bunds have moved to new lows whilst UK Gilts have sunk to 2016 levels. The current Fed Fund implied probability shows a high 83% odds of a 25bps rate cut in July with a 17% chance for a 50bps cut.

#### MGS/GII

- Trading momentum in local govies eased slightly with volume at RM4.01b as positive vibes from Trump-Xi meet at G20 summit continued to be a catalyst. Benchmark yields ended mostly lower between 0-2bps across the curve; save for the 7Y MGS which adjusted back from prior day's possible error trade. Trading interest was skewed on the front end off-the-run 19-21's and 15Y bonds. GII trades dropped to form ~25% of overall trades. Meanwhile the Washington-based World Bank which launched the nation's economic monitor has lowered Malaysia's 2019 growth forecast slightly from 4.7% to 4.6% due to weaker-than-expected investment and export activity.

#### Corp Bonds/Sukuk

- Corporate Bonds/Sukuk continued to witness muted trading interests with total secondary volume lower at RM272m on Monday. Trades were evenly spread across the GG-AA part of the curve with overall yields mostly mixed-to-lower. Govt-guaranteed PTPTN 3/29 and MKD Kenchana 10/32 closed unchanged compared to previous-done levels at 3.82% and 4.09% each. AAA-rated DANGA 30 and 33 closed 7-32bps lower at 4.11% and 4.21% respectively. AA-rated SEB 27 and 35 similarly closed sharply lower on yields at 4.00% and 4.43% each. The banking space saw AmIslamic 27NC22 rise 15bps instead at 4.18%.

## Daily Trades : Government Bond

Securities	Closing YTM	Vol (RM mil)	Previous YTM	Previous Trade Date (dd/mm/yyyy)	Chg (bp)
MGS 10/19	3.037	203	3.082	06/19	-4
MGS 03/20	3.151	11	3.159	06/19	-1
MGS 07/20	3.183	157	3.174	06/19	1
MGS 10/20	3.222	375	3.216	06/19	1
MGS 02/21	3.267	212	3.280	06/19	-1
MGS 07/21	3.278	175	3.316	06/19	-4
MGS 09/21	3.291	119	3.296	06/19	0
MGS 11/21	3.291	23	3.315	06/19	-2
MGS 03/22	3.301	245	3.293	06/19	1
MGS 08/22	3.356	47	3.383	06/19	-3
MGS 09/22	3.368	99	3.374	06/19	-1
MGS 03/23	3.422	4	3.404	06/19	2
MGS 04/23	3.406	11	3.403	06/19	0
MGS 06/24	3.429	293	3.418	06/19	1
MGS 07/24	3.473	62	3.470	06/19	0
MGS 09/24	3.475	37	3.476	06/19	0
MGS 03/25	3.520	1	3.520	06/19	0
MGS 09/25	3.547	25	3.529	06/19	2
MGS 04/26	3.596	3	3.612	06/19	-2
MGS 07/26	3.549	210	3.548	06/19	0
MGS 11/26	3.577	13	3.605	06/19	-3
MGS 03/27	3.659	1	3.673	06/19	-1
MGS 05/27	3.679	50	3.663	06/19	2
MGS 11/27	3.664	56	3.675	06/19	-1
MGS 06/28	3.667	55	3.660	06/19	1
MGS 08/29	3.639	61	3.632	06/19	1
MGS 06/31	3.813	6	3.838	06/19	-2
MGS 04/32	3.926	20	3.927	06/19	0
MGS 04/33	3.915	10	3.915	06/19	0
MGS 11/33	3.903	281	3.907	06/19	0
MGS 05/35	4.022	0	4.082	06/19	-6
MGS 04/37	4.081	5	4.082	06/19	0
MGS 06/38	4.062	13	4.055	06/19	1
MGS 09/43	4.304	21	4.309	06/19	0
MGS 03/46	4.335	2	4.317	06/19	2
MGS 07/48	4.320	65	4.314	06/19	1
GII 04/20	3.183	0	3.184	06/19	0
GII 08/20	3.219	13	3.232	06/19	-1
GII 08/21	3.319	1	3.329	06/19	-1
GII 03/22	3.335	160	3.343	06/19	-1
GII 07/22	3.389	1	3.387	06/19	0
GII 11/23	3.465	5	3.467	06/19	0
GII 05/24	3.490	5	3.490	06/19	0
GII 08/24	3.494	1	3.490	06/19	0
GII 10/24	3.446	170	3.442	06/19	0
GII 08/25	3.550	70	3.568	06/19	-2
GII 10/25	3.560	50	3.569	06/19	-1
GII 03/26	3.582	100	3.599	06/19	-2
GII 09/26	3.619	40	3.623	06/19	0
GII 07/27	3.666	200	3.673	06/19	-1
GII 10/28	3.656	30	3.665	06/19	-1
GII 12/28	3.694	40	3.846	06/19	-15
GII 07/29	3.655	60	3.650	06/19	0
GII 06/33	3.942	60	3.946	06/19	0
GII 11/34	3.908	20	3.908	06/19	0
GII 09/39	4.049	8	4.064	06/19	-1
		<u>4007</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*
Small Medium Enterprise Development Bank Malaysia Berhad	03/24	GG	3.680	60	3.697	21/06/2019	-2	23
Lembaga Pembiayaan Perumahan Sektor Awam	10/28	GG	3.759	10	3.928	14/06/2019	-17	11
Perbadanan Tabung Pendidikan Tinggi Nasional	03/29	GG	3.820	10	3.821	27/06/2019	0	17
MKD Kencana Sdn Berhad	10/32	GG	4.086	60	4.091	24/06/2019	0	13
Rantau Abang Capital Berhad	12/20	AAA	3.801	1	3.771	28/05/2019	3	61
Mercedes-Benz Services Malaysia Sdn Berhad	06/22	AAA	3.847	2	4.186	11/04/2019	-34	52
DiGi Telecommunications Sdn Berhad	04/24	AAA	3.863	10	4.063	23/04/2019	-20	42
Danga Capital Berhad	01/30	AAA	4.110	20	4.183	11/06/2019	-7	46
Danga Capital Berhad	01/33	AAA	4.208	20	4.528	12/03/2019	-32	25
Sarawak Energy Berhad	01/27	AA1	3.998	10	4.169	27/05/2019	-17	37
Sarawak Energy Berhad	08/35	AA1	4.430	20	4.529	31/05/2019	-10	47
Imtiaz Sukuk II Berhad	05/22	AA2	4.022	4	4.318	13/03/2019	-30	69
Konsortium ProHAWK Sdn Berhad	12/32	AA2	4.441	15	4.718	25/03/2019	-28	48
Country Garden Real Estate Sdn Berhad	02/23	AA3	6.512	1	6.512	28/06/2019	0	311
AmBank Islamic Berhad	03/27	AA3	4.177	10	4.023	19/06/2019	15	55
Perbadanan Kemajuan Negeri Selangor	06/22	AA3	4.242	10	-	-	-	-
WCT Holdings Berhad	08/20	AA-	4.452	1	4.472	21/06/2019	-2	126
UEM Sunrise Berhad	12/22	AA-	4.027	4	4.694	08/02/2019	-67	70
CIMB Group Holdings Berhad	05/16	A1	4.541	4	4.541	28/06/2019	0	-
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\*spread against nearest indicative tenured MGS (Source : BPAM)

## Market/Corporate News: What's Brewing

The World Bank has lowered Malaysia's gross domestic product (GDP) forecast to 4.6% in 2019 to reflect unresolved trade tensions, a sharper-than-expected slowdown in larger economies as well as market volatility, which it says will pose risks to growth in the near term. The bank earlier maintained its forecast on Malaysia at 4.7% back in April. In a new report released today, it said given the uncertain external environment and subdued business confidence, policy actions should aim to strengthen fiscal buffers, facilitate private investment and ensure adequate social protection for lower-income households. "In the medium term, bold reforms and measures are needed, particularly to boost human capital and to increase the level of public sector revenues," the World Bank said in the Malaysia Economic Monitor on 'Re-energizing the Public Service'. Over the past year, it said Malaysia's fiscal consolidation has been largely driven by expenditure rationalisation. Going forward, the report recommends reforms to mobilise public sector revenues to both diversify away from unstable oil-related revenues and to support future public investment. "Presently, Malaysia's revenue from personal income taxes and consumption taxes both fall well below the average levels seen in other upper middle-income economies and high-income countries. Reforms to widen the tax base should be accompanied by measures to expand and improve the existing social protection system to boost resilience and protect the vulnerable. "Current plans to move towards a targeted fuel subsidy framework would bring savings that could be used to expand core social welfare programs," it said. And while Malaysia's public service performs well by regional standards, the World Bank notes that it falls short relative to advanced economies, particularly in terms of openness and transparency. "For the public service to fully realise its potential, Malaysia will need to invest in human resources management; to encourage and develop a more open, transparent environment; to undertake reforms to attract, manage and retain the best talent, and to embrace new and emerging trends, including those related to rapidly-evolving technological innovations and digitalisation," it said. (Source: *The EdgeMarket*)

Khazanah Nasional Bhd has appointed three new members to its board of directors, effective June 26, 2019. In a statement issued today, the sovereign wealth fund named the new members as To Puan Azian Mohd Aziz, head of the advisory division at the Attorney General's Chambers of Malaysia; Xiao'ou Tang, founder of SenseTime and professor at the Chinese University of Hong Kong; and Lau Seng Yee, senior executive vice president and chairman of group marketing and global branding at Tencent Holding Company Ltd. "Khazanah welcomed the new members at its Board meeting today, and looks forward to continue working closely with the Board led by our Chairman, Y.A.B. Tun Dr Mahathir Mohamad, in delivering on our mandate as the sovereign wealth fund of Malaysia," said the statement. Separately, in an interview with The Edge Malaysia in February, Shahril Ridza Ridzuan, who was appointed managing director of Khazanah Nasional last August, disclosed that the company had divided its assets into two baskets — commercial and strategic. This was the first time Khazanah publicly classified its assets as such, and its listed assets alone are worth around RM80 billion (\$26.1 billion). Its commercial assets, which make up 70% of its portfolio, can be fully or partially divested at the right price at the right time, while its strategic assets such as Malaysia Airlines (MAB) will be kept, even if they lose money, in the national interest. Three months before the interview, Khazanah had sold a 16% stake in IHH Healthcare to Mitsui & Co for RM8.42 billion, leaving it with a 26% equity interest that is worth RM13.13 billion today. Mitsui is now IHH's bigger shareholder with a 32.9% stake. The quick sale of the IHH stake came as a surprise, as under its previous management, Khazanah had painstakingly built the premium healthcare provider into a major regional medical service company over a few years. But RM8.42 billion is a lot of money. When asked about the sale in the February interview, Shahril said, "The divestment is part of Khazanah's strategy to grow the businesses that we have invested in and to find the appropriate time and value to create liquidity for our future capital and investment needs." The message was clear. Khazanah will sell part or all of its non-strategic assets to raise cash either to pay dividends to its shareholder, the government of Malaysia, or to fund strategic assets that are bleeding red ink, such as MAB (see our Cover Story "Will Khazanah's assets be sold to reduce government debt?", Issue 1223, July 16, 2018). To put things in perspective, Khazanah suffered a loss before tax of RM6.27 billion in 2018 compared with a profit before tax of RM2.89 billion the previous year. As at Dec 31, 2018, the sovereign wealth fund had RM136 billion in realisable asset value (RAV), down from RM157 billion at end-2017, and net worth adjusted (NWA) of RM91 billion, down from RM116 billion at end-2017. The market downturn last year had clearly impacted Khazanah's portfolio. Indeed, had the fund sold its 16% IHH stake earlier, it could have got more for it. And with the ongoing US-China trade war and market uncertainty, it does make sense for Khazanah to sell some of its commercial assets now before prices fall further. As at July 2018, Khazanah's core listed assets were worth RM84.5 billion. Today, the same assets are worth about RM80 billion. According to a source, Khazanah's current strategy is to discontinue playing the parent's role of running the companies it controls. In an email response to questions from The Edge Malaysia, a Khazanah spokesperson says: "As we've publicly said before, we are restructuring our portfolio in line with our refreshed mandate. In this regard, Khazanah's key transitional priorities in the next five years include rebalancing our Commercial Fund and developing our Strategic Fund. A recent example of efforts to restructure our portfolio is the partial divestment of our shareholding in IHH Healthcare. Proceeds from the divestment will be utilised for new investments and capital requirements. We will announce any new investments and divestments as and when appropriate." (Source: *The Star Online/ The EdgeMarkets*)

Rating Action			
Issuer	PDS Description	Rating/Outlook	Action
Encorp Systembilt Sdn Bhd	RM1.575 bil Sukuk Murabahah	AA1/Stable	Reaffirmed
Westports Malaysia Sdn Bhd	RM2.0 billion Sukuk Musharakah Programme	AA+ <i>IS</i>	Affirmed

Source: RAM, MARC

**Hong Leong Bank Berhad**

Fixed Income &amp; Economic Research, Global Markets

Level 8, Hong Leong Tower

6, Jalan Damansara

Bukit Damansara

50490 Kuala Lumpur

Tel: 603-2081 1221

Fax: 603-2081 8936

Email: HLMarkets@hlbb.hongleong.com.my

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