

Global Markets Research

Fixed Income

Fixed Income Daily Market Snapshot

UST		
Tenure	Closing (%)	Chg (bps)
2-yr UST	1.73	-14
5-yr UST	1.68	-14
10-yr UST	1.89	-12
30-yr UST	2.44	-8

MGS		GII*		
Tenure	Closing (%)	Chg (bps)	Closing (%)	Chg (bps)
3-yr	3.28	2	3.30	-1
5-yr	3.43	1	3.45	1
7-yr	3.55	1	3.58	2
10-yr	3.61	3	3.65	4
15-yr	3.80	0	3.81	0
20-yr	4.00	4	4.01	-2
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	3.39	2
5-yr	3.43	1
7-yr	3.49	3
10-yr	3.58	4

Source : Bloomberg

Upcoming Government Bond Tender

Nil

US Treasuries

- US Treasuries surged on safe haven status after President Trump stated that the US will levy a 10% tariff on \$3000b Chinese goods beginning 1st September. This followed the stalemate in trade talks earlier in the week. Overall benchmark yields closed a whopping 8-14bps lower with the UST 2Y rallying and pushing yields down 14bps to 1.73% whilst the much-watched 10Y ended 12bps lower at 1.89%; the lowest since 2016. UST's initially benefitted from weaker-than-expected US economic data from ISM which showed a slowdown in manufacturing growth for July along with a dip in construction spending in June. Expect attention to shift to Non-Farm Payrolls data out tonight which should provide a litmus test for the Fed after the recent rate cut; bearing in mind that Powell's statement that the Fed is not expected to embark on a rate-cutting journey for now.

MGS/GII

- Local govies ended mostly weaker on slower momentum as secondary market volume notched RM2.93b with interest seen mainly in the shorter-end i.e. off-the-run 19's, 21's, 25's and 5Y benchmark MGS following the conclusion of the FOMC meeting in the US which saw a 25bps cut. The curve shifted as overall benchmark yields ended mostly higher between 0-4bps save for the 3y and 20Y GII bonds. The 5Y benchmark MGS 6/24 edged 1bps higher at 3.43% whilst the 10Y MGS 8/29 closed 3bps higher at 3.61%. GII trades rose to form about 22% of overall trades. Upcoming data today include June's trade numbers.

Corp Bonds/Sukuk

- Corporate Bonds/Sukuk saw sharp reversal in volume at RM645m; thanks to a substantial trade in LPPSA bonds. Otherwise interest was mainly centred in the AA-part of the curve as yields ended mostly lower. The govt-guaranteed LPPSA 4/29 closed 2bps lower compared to previous-done levels at 3.73%. The short-tenured AAA-rated MANJUNG 19 closed sharply lower on yields at 3.15% whilst AA-rated WESTPORT 4/23 saw strong demand causing yields to end lower at 3.82%. Country Garden 2/23 ended unchanged at 6.45% on substantial volume of RM50m. The banking space saw Bank Islam 28NC23 close 12bps lower at 4.00%.

Daily Trades : Government Bond

Securities		Closing YTM	Vol (RM mil)	Previous YTM	Previous Trade Date (dd/mm/yyyy)	Chg (bp)
MGS	10/19	3.050	183	3.041	31/07/2019	1
MGS	11/19	3.071	180	3.089	31/07/2019	-2
MGS	03/20	3.129	75	3.133	31/07/2019	0
MGS	07/20	3.162	67	3.080	31/07/2019	8
MGS	10/20	3.165	8	3.072	31/07/2019	9
MGS	07/21	3.253	26	3.244	31/07/2019	1
MGS	09/21	3.256	104	3.258	31/07/2019	0
MGS	11/21	3.249	183	3.259	31/07/2019	-1
MGS	03/22	3.284	54	3.264	31/07/2019	2
MGS	08/22	3.344	70	3.341	31/07/2019	0
MGS	09/22	3.323	2	3.337	31/07/2019	-1
MGS	03/23	3.376	1	3.387	31/07/2019	-1
MGS	04/23	3.400	1	3.395	31/07/2019	0
MGS	08/23	3.423	65	3.428	31/07/2019	0
MGS	06/24	3.432	222	3.426	31/07/2019	1
MGS	07/24	3.464	33	3.449	31/07/2019	2
MGS	09/24	3.471	41	3.488	31/07/2019	-2
MGS	03/25	3.531	289	3.533	31/07/2019	0
MGS	09/25	3.550	23	3.555	31/07/2019	-1
MGS	04/26	3.584	1	3.575	31/07/2019	1
MGS	07/26	3.554	257	3.546	31/07/2019	1
MGS	11/26	3.597	1	3.551	31/07/2019	5
MGS	03/27	3.634	52	3.663	25/07/2019	-3
MGS	05/27	3.692	2	3.627	31/07/2019	7
MGS	11/27	3.638	4	3.634	31/07/2019	0
MGS	06/28	3.648	66	3.640	31/07/2019	1
MGS	08/29	3.606	86	3.572	31/07/2019	3
MGS	04/30	3.743	20	3.730	31/07/2019	1
MGS	04/33	3.855	30	3.844	31/07/2019	1
MGS	11/33	3.844	2	3.836	31/07/2019	1
MGS	04/37	3.944	17	3.967	31/07/2019	-2
MGS	06/38	4.004	30	3.966	31/07/2019	4
MGS	09/43	4.150	8	4.150	31/07/2019	0
MGS	07/48	4.181	96	4.181	31/07/2019	0
GII	03/22	3.299	70	3.307	31/07/2019	-1
GII	11/23	3.458	20	3.434	31/07/2019	2
GII	05/24	3.479	100	3.473	31/07/2019	1
GII	10/24	3.447	10	3.434	31/07/2019	1
GII	10/25	3.554	30	3.559	25/07/2019	-1
GII	03/26	3.581	170	3.564	31/07/2019	2
GII	09/26	3.599	3	3.591	31/07/2019	1
GII	07/27	3.625	30	3.625	31/07/2019	0
GII	10/28	3.661	2	3.654	31/07/2019	1
GII	07/29	3.646	30	3.610	31/07/2019	4
GII	06/33	3.860	110	3.852	29/07/2019	1
GII	09/39	4.008	60	4.022	31/07/2019	-1
			<u>2934</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*
Lembaga Pembiayaan Perumahan Sektor Awai	04/29	GG	3.728	260	3.749	18/07/2019	-2	13
DanaInfra Nasional Berhad	11/29	GG	3.719	10	3.769	05/07/2019	-5	12
DanaInfra Nasional Berhad	11/35	GG	3.959	10	3.988	10/07/2019	-3	15
Manjung Island Energy Berhad	11/19	AAA	3.151	10	3.323	04/07/2019	-17	-1
Berjaya Land Berhad	12/21	AAA	4.092	10	4.659	04/03/2019	-57	85
GENM Capital Berhad	03/22	AAA	4.379	1	3.741	19/07/2019	64	109
Malaysia Steel Works (KL) Berhad	11/22	AAA	4.218	5	5.000	30/11/2018	-78	93
AI Dzahab Assets Berhad	03/26	AAA	4.253	10	4.759	13/12/2018	-51	70
Bank Pembangunan Malaysia Berhad	03/32	AAA	4.054	10	4.245	03/07/2019	-19	24
Tenaga Nasional Berhad	08/38	AAA	4.090	1	4.090	26/07/2019	0	9
YTL Power International Berhad	10/21	AA1	3.884	20	3.895	23/07/2019	-1	64
YTL Power International Berhad	10/24	AA1	4.038	30	4.298	24/06/2019	-26	60
TRIpIc Medical Sdn Berhad	10/32	AA1	4.229	5	4.749	07/03/2019	-52	42
Westports Malaysia Sdn Berhad	04/23	AA+	3.816	40	4.466	31/10/2018	-65	42
CIMB Bank Berhad	12/25	AA+	3.845	2	4.510	07/02/2019	-67	33
Mukah Power Generation Sdn Berhad	12/19	AA2	3.508	6	4.180	12/12/2018	-67	35
First Resources Limited	06/20	AA2	3.717	10	3.716	25/07/2019	0	56
Zamarad Assets Berhad	09/27	AA2	4.900	1	-	-	-	131
Hong Leong Financial Group Berhad	06/28	AA2	4.076	20	4.130	10/07/2019	-5	46
Malaysia Airport Holdings Berhad	12/14	AA2	4.313	1	4.470	18/06/2019	-16	32
BEWG (M) Sdn Berhad	07/23	AA	4.218	30	4.239	17/07/2019	-2	82
Anih Berhad	11/24	AA	4.057	2	4.120	08/07/2019	-6	62
Country Garden Real Estate Sdn Berhad	02/23	AA3	6.448	50	6.445	29/07/2019	0	305
Perbadanan Kemajuan Negeri Selangor	08/23	AA3	4.169	5	4.643	29/04/2019	-47	77
Perbadanan Kemajuan Negeri Selangor	10/23	AA3	4.182	10	4.943	10/01/2019	-76	79
AmBank Islamic Berhad	12/25	AA3	3.894	3	4.136	25/06/2019	-24	38
Bumitama Agri Ltd	07/26	AA3	4.001	5	3.996	31/07/2019	1	45
Edra Energy Sdn Berhad	01/28	AA3	4.580	10	4.968	13/06/2019	-39	99
Edra Energy Sdn Berhad	01/29	AA3	4.600	10	4.739	18/07/2019	-14	99
Edra Energy Sdn Berhad	07/29	AA3	4.689	4	4.600	29/07/2019	9	109
Dynasty Harmony Sdn Berhad	12/32	AA3	5.990	10	-	-	-	218
Dynasty Harmony Sdn Berhad	06/33	AA3	6.039	10	-	-	-	223
CIMB Group Holdings Berhad	04/60	AA3	4.115	9	4.334	29/05/2019	-22	12
Segi Astana Sdn Berhad	01/23	AA-	4.849	1	4.859	31/07/2019	-1	156
UEM Sunrise Berhad	12/24	AA-	3.989	5	4.268	12/06/2019	-28	55
Bank Islam Malaysia Berhad	11/28	A1	3.995	10	4.119	11/07/2019	-12	38
Affin Islamic Bank Berhad	10/17	A3	4.574	10	4.620	10/07/2019	-5	58
				<u>645</u>				

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

Market/Corporate News: What's Brewing

Uncertainty about the proposed takeover of Gamuda Bhd's four urban highways remains as the Aug 30 deadline for the definitive agreements approaches. Although the Finance Ministry has been consistent in its view that the government could afford the RM6.2bil deal, there have been comments by the Prime Minister that the government did not have the money to pay for it. Ever since the deal was announced in June, there have been conflicting opinions on the status of the takeover. Adding to the uncertainty was a recent news report, quoting "government officials", which claimed that the deal has been put on hold. "The Finance Ministry seems to be convinced that it can be done. Our problem is that we don't have the money. "The Finance Ministry says it can raise enough funds to pay for the acquisition of the highways by charging during the peak hours, we have to see whether that will be enough, " he told reporters after a closed-door roundtable discussion with the International Chambers of Commerce. He added that the Cabinet has yet to decide on the date for the takeover of the highways. When asked to comment on the news report stating that the proposed takeover had "paused for a re-examination", he said the Cabinet had been informed about the plan by the Finance Minister, but had not said "no" to the proposal. "It is the date of implementation that is going to be decided by the Cabinet, " he said. When contacted, a spokesperson for

Gamuda confirmed that the group had “not received any official notification of a review” of the proposed takeover. On June 22, Finance Minister Lim Guan Eng said the federal government had made a conditional offer, subject to Cabinet approval, to acquire the highways at a total cost of RM6.2bil. They are Lebuhraya Damansara-Puching (LDP), Sistem Penyuraian Trafik KL Barat (Sprint), Lebuhraya Shah Alam (Kesas) and Smart Tunnel (Smart). The proposed takeover, Lim said, would be funded by a bond issuance that is fully-financed and paid for from the collection of congestion charges. He added that the takeover could save taxpayers RM5.3bil in compensation to the concessionaires. For Gamuda, the government’s offer translated to an effective equity value of RM2.36bil for the highways, while for its 44%-owned Litrak Holdings, it worked out to RM2.75bil or RM5.51 per share. Gamuda’s directors were in favour of accepting the federal government’s offer. Following the Prime Minister’s comments yesterday, Gamuda shares rose seven sen or 1.89% to close at RM3.78. Litrak also rose seven sen, or 1.52%, to close at RM4.67. Apart from its 44% stake in Litrak, which is the operator of the LDP, **Gamuda owns 52% in Sprint, 70% in Kesas and 50% in Smart, which contribute about RM200mil to Gamuda’s earnings every year.** A research house has expressed confidence that the deal would go through, and that it would be completed by the end of the year. In a report, KAF-Seagroatt & Campbell Securities said the next step would be for the Cabinet to approve the deal, before the toll concessionaires commence negotiations with the Finance Ministry to finalise the definitive agreements. “From our latest check with management, we understand that the Cabinet approval could be forthcoming within a month or so, ” it said. The debt holders of the toll concession companies, and stakeholders of Gamuda and Litrak Holdings would have to vote on the deal during the upcoming EGMs in November and December. “We expect the planned divestment of the toll road investments to materialise, and with this, Gamuda’s management had indicated its willingness to return a portion of proceeds from the disposal as special dividends, while keeping the rest to fund new projects such as the Penang Transport Master Plan and overseas ventures, ” it said. When contacted, other analysts declined to comment, stating that the issue had become “political”.
(Source: *The Star*)

Berjaya Media Bhd’s external auditors have flagged the existence of material uncertainty in its financial statements for the fiscal year ended April 30, 2019 that may cast doubt on the group’s ability to continue as a going concern. In an exchange filing today, auditors Messrs Deloitte PLT pointed out that in Berjaya Media’s financial year under review, the group and the company incurred net losses of RM17 million and RM6.39 million, respectively. As at end-April, the group reported shareholders’ deficit of RM235,000 and its current liabilities exceeded current assets by RM14.49 million, as a result of the losses incurred during the current and prior financial years. It further said that the group’s current liabilities arose mainly from trade and other payables of RM16.31 million and short-term borrowings of RM5.41 million. The auditors also highlighted that the Practice Note 17 (PN17) company has until Dec 20 to submit its regularisation plan, subject to the company entering into a definitive agreement with its proposed white knight by Oct 20. “These events or conditions indicate that a material uncertainty exists that may cast significant doubt on the group’s and the company’s ability to continue as a going concern,” said Messrs Deloitte PLT. Shares in **Berjaya Media, the publisher of the Sun newspaper,** closed unchanged at 17 sen today for a market capitalisation of RM39.96 million. Berjaya Media slipped into PN17 status in June 2017 as its shareholders’ equity fell short of listing requirements. (Source: *The Edge*)

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

Source: RAM, MARC

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