

Global Markets Research

Fixed Income

Fixed Income Daily Market Snapshot

UST		
Tenure	Closing (%)	Chg (bps)
2-yr UST	2.03	-10
5-yr UST	1.97	-9
10-yr UST	2.16	-8
30-yr UST	2.59	-7

MGS		GII*		
Tenure	Closing (%)	Chg (bps)	Closing (%)	Chg (bps)
3-yr	3.40	1	3.44	0
5-yr	3.53	-2	3.60	-2
7-yr	3.67	-4	3.73	0
10-yr	3.78	-3	3.82	-2
15-yr	4.07	-3	4.12	0
20-yr	4.29	-1	4.33	0
30-yr	4.54	0	4.61	0

* Market indicative levels

MYR IRS Levels		
IRS	Closing (%)	Chg (bps)
1-yr	3.43	0
3-yr	3.45	-1
5-yr	3.50	-2
7-yr	3.58	0
10-yr	3.75	0

Source : Bloomberg

Upcoming Government Bond Tender

Nil

US Treasuries

- The US Treasuries gained as the curve bull-steepened on risk-off mode as investors sought safety in sovereign debt sparked by global trade tensions involving China and Mexico, slower global growth and Italian political risks. Even German bunds have plunged deeper into further negative yields whilst British yield curve is around its flattest levels since 2008 global crisis. Overall benchmark yields ended 7-10bps lower with the UST 2Y at 2.03% and the much-watched 10Y closing 8bps lower at 2.16%. Several pivotal US economic releases this Wednesday-Friday on manufacturing and employment will be watched carefully as bond traders have turned gloomy over the growth outlook. The fed fund futures have now priced in up to 50bps of interest rate cuts this year.

MGS/GII

- Trading momentum in local govies remained solid as secondary market volume notched RM6.89b. Benchmark yields ended mostly 0-4bps lower save for the short-end. Interest was mainly seen in the off-the-run 21's and benchmark 3-15Y bonds. The benchmark 5Y MGS 4/23 closed another 2bps lower at 3.53% whilst the 10Y MGS 8/29 closed lower by 3bps at 3.78%. GII bond trades dropped to form 43% of overall trades. Meanwhile sluggish growth may cause policy stimulus to accelerate across EM; yet FX is expected to make a larger contribution to local debt returns this year. Up next on the data front are the release of trade numbers at noon today.

Corp Bonds/Sukuk

- Corporate Bonds/Sukuk space saw secondary volume higher at RM825m with interest across the GG and AA-part of the curve. Govt-guaranteed PRASA 3/24 and 9/28 rallied 7bps at 3.72% and 3.98% respectively compared to previous-done levels. The long-end DANA 5/41 edged 1bps lower at 4.40%. Meanwhile the AAA-rated CAGAMAS 10/21 notched RM40m in nominal amounts; closing 2bps lower at 3.52% whilst both AMAN and TELEKOM 24's closed 7-8bps lower between 3.92-3.97% levels. The AA-space saw the longer-end SEB 11/33 and 8/35 close unchanged at 4.36% and 4.53% each. The banking space saw Sabah Development Bank 19's move sharply lower on yields between 4.10-11% area whilst the 4/26 tranche edged 1bps lower at 5.30%.

Daily Trades : Government Bond

Securities		Closing YTM	Vol (RM mil)	Previous YTM	Previous Trade Date (dd/mm/yyyy)	Chg (bp)
MGS	10/19	3.160	160	3.171	30/05/2019	-1
MGS	11/19	3.158	320	3.178	30/05/2019	-2
MGS	03/20	3.203	71	3.185	29/05/2019	2
MGS	07/20	3.249	3	3.262	29/05/2019	-1
MGS	10/20	3.264	7	3.242	30/05/2019	2
MGS	02/21	3.335	2	3.342	29/05/2019	-1
MGS	07/21	3.363	88	3.354	30/05/2019	1
MGS	09/21	3.347	155	3.365	30/05/2019	-2
MGS	11/21	3.400	277	3.403	30/05/2019	0
MGS	03/22	3.398	502	3.392	30/05/2019	1
MGS	08/22	3.483	58	3.477	29/05/2019	1
MGS	09/22	3.479	9	3.490	29/05/2019	-1
MGS	03/23	3.550	11	3.570	29/05/2019	-2
MGS	04/23	3.525	246	3.550	30/05/2019	-2
MGS	08/23	3.579	53	3.605	30/05/2019	-3
MGS	07/24	3.619	18	3.610	29/05/2019	1
MGS	09/24	3.620	157	3.652	29/05/2019	-3
MGS	03/25	3.716	35	3.716	30/05/2019	0
MGS	09/25	3.743	3	3.756	30/05/2019	-1
MGS	04/26	3.774	30	3.821	29/05/2019	-5
MGS	07/26	3.672	428	3.709	30/05/2019	-4
MGS	11/26	3.776	107	3.807	30/05/2019	-3
MGS	11/27	3.823	46	3.861	29/05/2019	-4
MGS	06/28	3.849	79	3.872	30/05/2019	-2
MGS	08/29	3.777	277	3.807	30/05/2019	-3
MGS	04/30	3.933	69	3.986	29/05/2019	-5
MGS	06/31	4.022	25	4.067	29/05/2019	-4
MGS	04/33	4.116	20	4.130	30/05/2019	-1
MGS	11/33	4.074	368	4.101	30/05/2019	-3
MGS	05/35	4.228	5	4.252	29/05/2019	-2
MGS	04/37	4.297	2	4.297	29/05/2019	0
MGS	06/38	4.289	76	4.300	29/05/2019	-1
MGS	09/43	4.525	3	4.525	30/05/2019	0
MGS	03/46	4.566	3	4.537	29/05/2019	3
MGS	07/48	4.541	194	4.579	29/05/2019	-4
GII	05/20	3.269	20	3.291	29/05/2019	-2
GII	05/20	3.280	11	3.291	29/05/2019	-1
GII	08/20	3.321	402	3.313	30/05/2019	1
GII	03/21	3.385	25	3.411	24/05/2019	-3
GII	03/22	3.439	458	3.443	30/05/2019	0
GII	04/22	3.491	159	3.481	24/05/2019	1
GII	07/22	3.503	73	3.511	29/05/2019	-1
GII	07/23	3.584	50	3.600	30/05/2019	-2
GII	11/23	3.616	4	3.607	30/05/2019	1
GII	05/24	3.635	285	3.660	30/05/2019	-3
GII	08/24	3.654	10	3.657	29/05/2019	0
GII	10/24	3.601	305	3.619	30/05/2019	-2
GII	03/26	3.734	60	3.737	30/05/2019	0
GII	09/26	3.795	12	3.828	28/05/2019	-3
GII	07/27	3.818	56	3.836	30/05/2019	-2
GII	10/28	3.845	677	3.870	30/05/2019	-2
GII	07/29	3.823	250	3.848	30/05/2019	-2
GII	09/30	3.968	10	3.990	30/05/2019	-2
GII	06/33	4.120	30	4.119	30/05/2019	0
GII	11/34	4.093	69	4.130	30/05/2019	-4
GII	10/35	4.245	1	4.256	30/05/2019	-1
GII	09/39	4.325	20	4.325	30/05/2019	0
			<u>6894</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	11/20	GG	3.406	80	3.892	22/01/2018	-49	18
Prasarana Malaysia Berhad	03/24	GG	3.720	55	3.792	16/04/2019	-7	17
Prasarana Malaysia Berhad	08/26	GG	3.877	50	3.880	24/04/2019	0	18
Prasarana Malaysia Berhad	09/28	GG	3.977	20	4.049	24/04/2019	-7	17
Prasarana Malaysia Berhad	11/28	GG	3.978	20	3.980	30/05/2019	0	17
GovCo Holdings Berhad	02/32	GG	4.249	20	4.341	30/04/2019	-9	16
MKD Kencana Sdn Berhad	10/32	GG	4.208	50	4.214	04/04/2019	-1	12
Lembaga Pembiayaan Perumahan Sektor Awam	04/34	GG	4.209	45	4.280	10/04/2019	-7	12
DanaInfra Nasional Berhad	05/41	GG	4.399	30	4.409	30/05/2019	-1	11
Malaysia Airports Capital Berhad	08/20	AAA	3.811	10	4.018	26/04/2019	-21	58
Ara Bintang Berhad	03/21	AAA	3.951	1	4.190	21/03/2019	-24	61
Cagamas Berhad	10/21	AAA	3.525	40	3.547	30/05/2019	-2	18
Aman Sukuk Berhad	05/24	AAA	3.920	10	4.097	24/04/2019	-18	37
Telekom Malaysia Berhad	10/24	AAA	3.968	5	4.036	24/05/2019	-7	42
Telekom Malaysia Berhad	12/24	AAA	3.968	5	4.047	24/05/2019	-8	30
Bakun Hydro Power Generation Sdn Berhad (fka �	08/27	AAA	4.048	15	4.087	29/05/2019	-4	27
Telekom Malaysia Berhad	10/28	AAA	4.138	20	4.160	29/05/2019	-2	33
Sabah Development Bank Berhad	07/19	AA1	4.113	75	4.752	08/12/2017	-64	88
Sabah Development Bank Berhad	08/19	AA1	4.104	75	4.262	06/05/2019	-16	87
Sabah Development Bank Berhad	08/19	AA1	4.099	75	4.749	17/05/2018	-65	87
Sabah Development Bank Berhad	04/26	AA1	5.296	10	5.309	03/05/2019	-1	160
YTL Power International Berhad	05/27	AA1	4.459	4	4.456	30/05/2019	0	68
Sarawak Energy Berhad	11/33	AA1	4.363	15	4.363	29/05/2019	0	27
Sarawak Energy Berhad	08/35	AA1	4.529	15	4.530	29/05/2019	0	44
Celcom Networks Sdn Berhad	08/19	AA+	3.651	30	3.755	13/05/2019	-10	42
Lafarge Cement Sdn Berhad	12/20	A1	4.347	1	4.388	24/05/2019	-4	101
Bank Islam Malaysia Berhad	12/25	A1	4.100	10	4.171	17/05/2019	-7	41
CIMB Group Holdings Berhad	05/16	A1	4.330	4	4.122	30/05/2019	21	4
UEM Sunrise Berhad	10/23	AA-	4.257	6	4.628	20/03/2019	-37	75
Serba Dinamik Holdings Berhad	10/28	AA-	4.922	30	4.949	15/05/2019	-3	112
				825				

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

Market/Corporate News: What's Brewing

Because of the surge in tax bill to RM230.67 million, DRB-Hicom Bhd's annual net profit came in substantially lower at RM122.87 million for the financial year ended March 31, 2019 (FY19) versus RM91.58 million in the preceding year. However, for the fourth quarter ended March 31, 2019 (4QFY19), the diversified conglomerate posted a net profit of RM127.86 million — a contrast to a net loss of RM59.41 million in the previous corresponding quarter. Why the sharp improvement in quarterly earnings? DRB-Hicom attributed the better performance to selling more cars during the quarter under review, particularly Proton cars. This set of results has convinced more in the investing fraternity that its 50.1%-owned subsidiary Proton Holdings Bhd, which was once a bleeding centre, is now driving DRB-Hicom on a fast growth track. The group's share price went up 10 sen or 5.05% to RM2.08 last Friday after the release of the quarterly results. According to an analyst who spoke on the condition of anonymity, so long as sales volumes for Proton's cars are maintained or exceed current levels, DRB-Hicom is expected to remain profitable and profit growth is likely. There is a backlog of orders for the X70 sport utility vehicle. In addition, he said the cost-cutting measures put in place at Proton and at a group level have materialised. This helps enhance DRB-Hicom's profitability. "While they (Proton) are not breaking even yet, the losses are a lot lower compared with previous quarters," said the analyst. He added that Proton car sales are expected to rise, as the group is also going to introduce new versions of its Iriz, Persona, and Exora models this year. Analysts pointed out that Proton's sales volume ballooned 42% year-on-year (y-o-y) to 18,281 units, while its sales value expanded 63% y-o-y to RM1.3 billion for FY19. Of the 30,000 X70 orders received in 4QFY19, 14,000 units have been delivered. On top of that, better performances by Mitsubishi and Isuzu marques also helped lift the profit contribution from the joint venture in FY19. DRB-Hicom

posted a core net profit of RM183 million, which was substantially below an analyst's forecast of RM350.7 million for FY19. However, the market consensus estimate was RM100 million. In a financial result review, the research house pointed out that Honda cars saw a decline of 6% to 100,290 units, as consumers were holding back in anticipation of newer models. "Honda only launched the facelift HR-V and the Mugen variants of the Honda Jazz and BR-V — in contrast with Proton who launched the X70, and is also planning to launch revamped versions of the Iriz, Persona and Exora," it wrote. However, not all segments in DRB-Hicom are doing well. The group's 53.5%-owned subsidiary Pos Malaysia Bhd has turned into a loss contributor. It was once a key profit contributor when Proton was bleeding badly before. The postal group incurred annual net loss, raising some concerns. In FY19, Pos Malaysia recorded its biggest annual loss yet against a net profit of RM93.25 million a year ago, despite just a 5% decline in revenue to RM2.36 billion from RM2.47 billion in the previous year. This was Pos Malaysia's first loss since FY08 — with 4QFY19 being the third quarterly consecutive loss the group experienced. Hong Leong Investment Bank Research however, does not think that the loss at Pos Malaysia is a big concern, noting that while significant on a company level, the losses do not have a significant impact on a group level. "If you look at DRB-Hicom as a whole, Pos Malaysia is a small portion of the group," adding that the main reasons Pos Malaysia posted a quarterly net loss were due to one-off impairments and costs. It explained DRB-Hicom's other segments, such as Bank Muamalat Bhd and property business, would be able to soften the blow caused by the national postal group. Another analyst commented that the losses stemming from Pos Malaysia have been priced into earnings estimates, and that Proton is the main priority due to its history of being the group's biggest loss-making business. Some analysts opine that DRB-Hicom's 4QFY19 results are reason enough for investors to have a second look at the stock. Nonetheless, the cautious ones pointed out that the patchy economic growth outlook may not augur well for car sales. (Source: *The EdgeMarkets*)

Rating Action			
Issuer	PDS Description	Rating/Outlook	Action
Tune Protect Group Berhad	Corporate Credit Rating	A1/Stable/P1	Reaffirmed

Source: RAM, MARC

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