

## Global Markets Research

### Fixed Income

UST		
Tenure	Closing (%)	Chg (bps)
2-yr UST	1.76	0
5-yr UST	1.74	-1
10-yr UST	1.95	-3
30-yr UST	2.47	-4

MGS		GII*		
Tenure	Closing (%)	Chg (bps)	Closing (%)	Chg (bps)
3-yr	3.27	-3	3.32	-1
5-yr	3.41	-1	3.44	-2
7-yr	3.50	-4	3.55	-4
10-yr	3.62	-1	3.65	0
15-yr	3.88	0	3.90	-4
20-yr	4.02	-4	4.04	-1
30-yr	4.27	-2	4.37	0

\* Market indicative levels

MYR IRS Levels		
IRS	Closing (%)	Chg (bps)
1-yr	3.40	0
3-yr	3.39	-2
5-yr	3.47	-1
7-yr	3.53	0
10-yr	3.63	-2

Source : Bloomberg

### Upcoming Government Bond Tender

New issuance of RM3.5b 15Y MGS 7/34 on Thursday, 4<sup>th</sup> July 2019

## Fixed Income Daily Market Snapshot

### US Treasuries

- US Treasuries advanced on Wednesday; led by the long-ends on safe haven-bids. The curve bull-flattened following some weaker-than-expected economic data and knock-on effects from European bond markets as the US threatened those economies with trade tariffs as well. Overall benchmark yields ended 0-4bps lower with the the UST 2Y almost unchanged at 1.76% and the much-watched 10Y close 3bps lower at 1.95%; having convincingly breached the 2.0% threshold only recently. Market players are anticipating the Fed's next move on whether the quantum of cuts will be 25bps or 50bps. The current global trade is seen to hurt many global economies despite another truce between US-China at the recent G20 summit last weekend. Current Fed Fund implied probability shows a high probability of between 65-75% for two(2) rate cuts this year.

### MGS/GII

- Trading momentum in local govies picked-up with volume at RM5.65b with trading interest spanning substantially across longer-tenured GII bonds and 10Y MGS. Overall benchmark yields ended 0-4bps lower across the curve ahead of today's 15Y MGS auction. with. GII trades rose to form 55% of overall trades. Local govies have been resilient despite recent outflows of foreign holdings in April and May due to strong demand mainly from local institutional investors. Malaysia's May trade figures which are expected to be released today and is expected to show improvement despite the the ongoing trade standoff between US and China. Expect investors to focus on the auction of new 15Y benchmark MGS 7/34 today.

### Corp Bonds/Sukuk

- Corporate Bonds/Sukuk saw strong interest as volume notched RM941m with interest mainly across the GG-segment as overall yields ended mostly lower. Both Govt-guaranteed PASB and LPPSA 26's closed 24bps sharply lower compared to previous-done levels at 3.66-67% levels. AAA-rated Bakun Hydro (previously known as Sarawak Hidro) saw both its 2025 and 2027 tranches edge 2bps lower at 3.77% and 3.86% whilst utility giant TELEKOM 10/28 rallied 4bps at 3.94%. In the AA-space highway operator KESTURI 12/24 and 11/29 moved 1-6bps lower at 4.25% and 4.41% each. The banking space saw Bank Pembangunan 3/32 also close lower on yields at 4.25%.

## Daily Trades : Government Bond

Securities		Closing YTM	Vol (RM mil)	Previous YTM	Previous Trade Date (dd/mm/yyyy)	Chg (bp)
MGS	07/19	2.860	2	3.285	20/06/2019	-43
MGS	10/19	3.055	199	3.058	02/07/2019	0
MGS	11/19	3.070	32	3.065	02/07/2019	0
MGS	03/20	3.142	2	3.117	02/07/2019	2
MGS	07/20	3.180	111	3.162	02/07/2019	2
MGS	10/20	3.182	15	3.183	02/07/2019	0
MGS	02/21	3.254	50	3.267	01/07/2019	-1
MGS	07/21	3.251	131	3.258	02/07/2019	-1
MGS	09/21	3.280	27	3.291	02/07/2019	-1
MGS	11/21	3.279	101	3.281	02/07/2019	0
MGS	03/22	3.266	63	3.300	02/07/2019	-3
MGS	08/22	3.346	35	3.356	02/07/2019	-1
MGS	09/22	3.354	140	3.360	02/07/2019	-1
MGS	03/23	3.392	30	3.378	02/07/2019	1
MGS	04/23	3.382	5	3.390	02/07/2019	-1
MGS	08/23	3.419	20	3.432	28/06/2019	-1
MGS	06/24	3.405	350	3.420	02/07/2019	-2
MGS	07/24	3.455	8	3.471	02/07/2019	-2
MGS	09/24	3.459	42	3.463	02/07/2019	0
MGS	09/25	3.531	66	3.525	02/07/2019	1
MGS	07/26	3.502	5	3.543	02/07/2019	-4
MGS	11/26	3.582	68	3.590	02/07/2019	-1
MGS	05/27	3.671	21	3.650	02/07/2019	2
MGS	06/28	3.634	33	3.658	02/07/2019	-2
MGS	09/28	3.672	10	3.802	25/06/2019	-13
MGS	08/29	3.622	359	3.634	02/07/2019	-1
MGS	04/30	3.753	4	3.792	27/06/2019	-4
MGS	04/33	3.890	21	3.915	01/07/2019	-2
MGS	11/33	3.877	60	3.878	02/07/2019	0
MGS	04/37	4.016	32	4.053	02/07/2019	-4
MGS	06/38	4.019	216	4.055	02/07/2019	-4
MGS	09/43	4.237	60	4.300	02/07/2019	-6
MGS	03/46	4.278	132	4.305	02/07/2019	-3
MGS	07/48	4.274	85	4.294	02/07/2019	-2
GII	05/20	3.193	10	3.203	25/06/2019	-1
GII	08/20	3.196	315	3.219	01/07/2019	-2
GII	03/21	3.270	20	3.293	28/06/2019	-2
GII	04/21	3.294	123	3.304	21/06/2019	-1
GII	03/22	3.316	560	3.325	02/07/2019	-1
GII	04/22	3.338	160	3.359	28/06/2019	-2
GII	07/22	3.367	10	3.371	02/07/2019	0
GII	07/23	3.434	50	3.461	02/07/2019	-3
GII	10/23	3.467	20	3.492	24/06/2019	-2
GII	11/23	3.496	99	3.478	02/07/2019	2
GII	08/24	3.479	100	3.485	02/07/2019	-1
GII	10/24	3.437	520	3.456	02/07/2019	-2
GII	08/25	3.541	100	3.555	02/07/2019	-1
GII	07/27	3.649	61	4.035	02/07/2019	-39
GII	10/28	3.666	170	3.656	01/07/2019	1
GII	07/29	3.649	150	3.649	02/07/2019	0
GII	09/30	3.766	10	3.771	28/06/2019	0
GII	06/33	3.904	30	3.942	01/07/2019	-4
GII	08/33	3.911	40	3.932	02/07/2019	-2
GII	11/34	3.897	30	3.901	02/07/2019	0
GII	08/37	4.100	2	4.100	02/07/2019	0
GII	09/39	4.044	520	4.053	02/07/2019	-1
GII	11/49	4.288	20	4.308	02/07/2019	-2
			<u>5651</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*
Perbadanan Tabung Pendidikan Tinggi Nasional	06/22	GG	3.446	20	4.039	09/01/2019	-59	15
Prasarana Malaysia Berhad	03/25	GG	3.599	10	3.910	27/03/2019	-31	10
Lembaga Pembiayaan Perumahan Sektor Awam	10/25	GG	3.600	30	3.600	27/06/2019	0	10
Prasarana Malaysia Berhad	12/25	GG	3.607	10	3.742	12/06/2019	-14	11
Prasarana Malaysia Berhad	02/26	GG	3.641	15	3.670	24/06/2019	-3	11
Pengurusan Air SPV Berhad	06/26	GG	3.661	15	3.904	24/05/2019	-24	13
Prasarana Malaysia Berhad	08/26	GG	3.650	25	3.681	24/06/2019	-3	12
Lembaga Pembiayaan Perumahan Sektor Awam	09/26	GG	3.671	30	3.913	29/05/2019	-24	14
Perbadanan Tabung Pendidikan Tinggi Nasional	03/27	GG	3.711	65	3.974	23/05/2019	-26	11
Prasarana Malaysia Berhad	09/27	GG	3.711	20	3.741	24/06/2019	-3	11
Prasarana Malaysia Berhad	03/28	GG	3.750	10	3.995	03/05/2019	-25	12
Lembaga Pembiayaan Perumahan Sektor Awam	10/28	GG	3.748	20	3.759	01/07/2019	-1	12
Lembaga Pembiayaan Perumahan Sektor Awam	04/29	GG	3.768	10	3.809	20/06/2019	-4	14
Prasarana Malaysia Berhad	09/29	GG	3.787	300	3.830	25/06/2019	-4	16
Prasarana Malaysia Berhad	12/30	GG	3.860	10	3.889	24/06/2019	-3	24
Perbadanan Tabung Pendidikan Tinggi Nasional	02/34	GG	4.019	65	4.019	02/07/2019	0	15
DanaInfra Nasional Berhad	04/37	GG	4.059	20	4.129	25/06/2019	-7	2
HSBC Amanah Malaysia Berhad	10/19	AAA	3.256	30	3.325	25/06/2019	-7	9
Berjaya Land Berhad	12/19	AAA	3.816	2	3.844	19/06/2019	-3	65
Danga Capital Berhad	04/20	AAA	3.490	25	3.616	25/06/2019	-13	32
Projek Lebuhraya Usahasama Berhad	01/21	AAA	3.562	3	3.566	02/07/2019	0	31
GENM Capital Berhad	07/23	AAA	4.063	1	4.063	02/07/2019	0	69
Suria KLCC Sdn Berhad	12/24	AAA	3.730	20	4.237	23/01/2019	-51	23
Bakun Hydro Power Generation Sdn Berhad (fka Sarawak Hidro Sdn Berhad)	08/25	AAA	3.766	20	3.789	02/07/2019	-2	27
Bakun Hydro Power Generation Sdn Berhad (fka Sarawak Hidro Sdn Berhad)	08/27	AAA	3.858	10	3.877	28/06/2019	-2	26
Putrajaya Bina Sdn Berhad	09/27	AAA	3.898	10	4.080	26/04/2019	-18	30
Telekom Malaysia Berhad	10/28	AA	3.939	10	3.976	26/06/2019	-4	31
Bank Pembangunan Malaysia Berhad	03/32	AAA	4.245	10	4.370	24/06/2019	-13	37
Teknologi Tenaga Perlis Consortium Sdn Berhad	07/20	AA1	3.705	15	4.193	08/01/2019	-49	53
Sarawak Energy Berhad	12/32	AA1	4.189	20	4.323	17/06/2019	-13	32
Celcom Networks Sdn Berhad	10/26	AA+	4.133	5	4.167	20/06/2019	-3	60
Anih Berhad	11/27	AA	4.248	20	4.501	03/04/2019	-25	65
UEM Sunrise Berhad	03/24	AA-	4.075	1	4.077	28/06/2019	0	66
Konsortium Lebuhraya Utara-Timur (KL) Sdn Berhad	12/24	AA-	4.248	5	4.308	24/06/2019	-6	83
Konsortium Lebuhraya Utara-Timur (KL) Sdn Berhad	11/29	AA-	4.409	20	4.419	28/06/2019	-1	78
CIMB Perpetual Securities	-	A1	4.653	10	4.540	02/07/2019	11	-
Sinar Kamiri Sdn Berhad	01/23	AA-	4.927	30	5.050	28/05/2019	-12	156
				<u>941</u>				

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

## Market/Corporate News: What's Brewing

**Moody's Investors Service has affirmed the Baa1 issuer rating of Sime Darby Plantation Bhd (SDP) as it expects the company to maintain its credit profile by reducing its debts from its asset sales.** The international ratings agency had on Wednesday had affirmed the (P)Baa1 rating on the US\$1.5bil senior unsecured medium-term note programme of its unit Sime Darby Global Bhd and the Baa1 senior unsecured debt rating on the sukuk issued by Sime Darby Global Bhd. Moody's also maintained the outlook of SDP, which is the largest palm oil producer globally by planted area, at stable. "While weak palm oil prices have reduced SDP's earnings, we expect the company will maintain its credit profile through substantial debt reduction using the proceeds from its planned RM1bil asset sales this year," says Maisam Hasnain, a Moody's analyst. SDP derives the majority of its earnings from its upstream operations of oil palm cultivation and crude palm oil (CPO) production. The decline in palm oil prices has resulted in SDP's leverage -- as measured by adjusted debt/EBITDA -- increasing to around four times as of March 2019 from around 2.5 times in June 2018, breaching its rating downward trigger of 3.5 times.

However, based on Moody's medium term price assumptions for CPO of RM2,100 per tone, and the deployment of proceeds from planned land sales and asset disposals to debt reduction, it expects SDP's adjusted leverage will decline to around 3.3 times by December 2019. "Given SDP's elevated leverage, any delays in executing its asset monetisation plans or the use of proceeds for purposes other than debt reduction would likely result in a negative rating action," adds Hasnain, also Moody's lead analyst for SDP. SDP's Baa1 ratings reflect (1) its position as the largest palm oil producer globally by planted area, (2) Moody's expectation that SDP will maintain efficient and profitable operations that span across the palm oil value chain, and (3) SDP maintains prudent financial policies, including a conservative approach to further investments. "To reduce earnings volatility, SDP plans to increase the earnings contribution from its downstream business to 15%-20% of consolidated profit before earnings and tax (PBIT) in 2023, from 11% for the fiscal year ended June 2018. "Increased earnings diversity through organic means will be credit positive, but any large debt-funded acquisitions to achieve this target could lead to negative ratings pressure. "Moody's expects SDP's liquidity profile will remain weak, as its cash sources will be insufficient to meet uses including scheduled debt maturities, capital spending and dividends over the next 12-15 months. SDP's scheduled debt maturities include US\$760mil in term loans with a bullet maturity in June 2020. "However, SDP's refinancing risks is partially offset by its strong access to funding from domestic and international banks, particularly due to its government of Malaysia-linked shareholders -- Permodalan Nasional Bhd (PNB) and Malaysia's Employees Provident Fund," it said. Moody's said the rating also considers SDP's moderate exposure to environmental, social and governance (ESG) risks as follows. Firstly, the increasing stakeholder scrutiny around environmental and social risks associated with the palm oil sector. To help mitigate against these risks, SDP has continued to strengthen its sustainability policies. It is the world's largest producer of certified sustainable palm oil, with around 20% of global sustainable supply. It is also a founding member of the Roundtable of Sustainable Palm Oil (RSPO), an association of palm oil industry stakeholders that promotes the growth and use of sustainable palm oil products. Secondly, with respect to governance, while SDP has a concentrated ownership structure, this is balanced by its listed status, a publicly stated dividend policy and our view that PNB is a supportive shareholder. Moody's expects SDP to maintain conservative financial policies in light of weak palm oil prices, including debt reduction via asset sales. The outlook is stable, reflecting Moody's expectation that SDP will (1) prioritise proceeds from asset sales to reduce debt; and (2) maintain profitable operations despite volatile palm oil prices. "A ratings upgrade is unlikely over the next 12-18 months given SDP's strained credit metrics. However, positive momentum could build if SDP grows in scale, maintains prudent financial policies, and demonstrates sustained improvement in its credit metrics," it said. Credit metrics indicative of an upgrade include (1) cash flow from operations/debt above 30%, (2) adjusted debt/EBITDA below two times, and (3) EBITA/interest expense above six times, all on a sustained basis. Conversely, SDP's ratings could be downgraded if (1) does not reduce its absolute debt levels, (2) deploys asset sale proceeds for shareholder distributions or acquisitions, or (3) if its earnings remain weak as a result of low palm oil prices. Credit metrics indicative of a downgrade include (1) adjusted debt/EBITDA above 3.5 times, and (2) adjusted EBITA/interest expense below three times on a sustained basis. (Source: *The Star*)

**Lingkaran Trans Kota Holdings Bhd (Litrak) and Litrak's associate company Sistem Penyuraian Trafik KL Barat Holdings Sdn Bhd (Sprint Holdings) have resolved to accept the Government's offer to take over Damansara-Puchong Expressway (LDP) and the Sprint highway.** The boards of the two companies had "unanimously found (the offer) fair and reasonable", Litrak said in a filing with Bursa Malaysia today. The Minister of Finance Inc (MoF Inc) last month offered to buy Litrak's wholly-owned subsidiary Lingkaran Trans Kota Sdn Bhd (the concessionaire for LDP) for RM2.47 billion and 50 percent-owned Sprint Holdings for RM1.98 billion, less any outstanding indebtedness of both companies. Both offers are inter-conditional on each other and are inter-conditional on the offers for Shah Alam Expressway (Kesas) and the Stormwater Management and Road Tunnel (Smart). Gamuda Bhd and Kumpulan Perangsang Selangor Bhd had earlier announced they were in favour of accepting MoF Inc's offer for their 30 percent and 20 percent equity interest, respectively, in Sprint Holdings. Gamuda has also resolved to accept MoF Inc's offer to take over Kesas and Smart. In today's statement to the exchange, Litrak said it and Sprint Holdings expected to begin negotiations with MoF Inc to finalise the terms and conditions of the agreements for the proposed purchase of their toll highways and to seal the definitive agreements with the special-purpose vehicle owned by MoF Inc by Aug 30. The company said this was subject to the acceptance of the Kesas and Smart offers, the satisfactory due diligence findings by MoF Inc, and the Cabinet's approval. It was reported that the Government offered to pay the shareholders of Litrak Holdings and Gamuda RM6.2 billion to take over the four tolled highways. (Source: *The Edge*)

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

Source: RAM, MARC

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