

Global Markets Research

Fixed Income

Fixed Income Daily Market Snapshot

| UST | | |
|-----------|-------------|-----------|
| Tenure | Closing (%) | Chg (bps) |
| 2-yr UST | 1.43 | -2 |
| 5-yr UST | 1.32 | -1 |
| 10-yr UST | 1.47 | 1 |
| 30-yr UST | 1.97 | 2 |

| MGS | | GII* | | |
|--------|-------------|-----------|-------------|-----------|
| Tenure | Closing (%) | Chg (bps) | Closing (%) | Chg (bps) |
| 3-yr | 3.13 | 2 | 3.12 | 0 |
| 5-yr | 3.22 | 0 | 3.23 | 0 |
| 7-yr | 3.24 | 0 | 3.28 | 0 |
| 10-yr | 3.29 | 0 | 3.33 | -2 |
| 15-yr | 3.50 | -1 | 3.51 | 0 |
| 20-yr | 3.55 | 0 | 3.60 | -2 |
| 30-yr | 3.81 | 1 | 3.81 | 0 |

* Market indicative levels

| MYR IRS Levels | | |
|----------------|-------------|-----------|
| IRS | Closing (%) | Chg (bps) |
| 1-yr | 3.18 | 0 |
| 3-yr | 3.18 | -1 |
| 5-yr | 3.20 | -2 |
| 7-yr | 3.22 | -2 |
| 10-yr | 3.30 | -4 |

Source : Bloomberg

Upcoming Government Bond Tender

Nil

US Treasuries

- US Treasuries saw the yield curve steepen as risk sentiment improved on Wednesday with the long-ends richer. Both the easing of the tense political stand-off in Hong Kong along with the British parliament's disagreement over a no-deal Brexit has opened up a range of possibilities that include abandoning the entire process. Overall benchmark yields closed between -2 to +2bps with the UST 2Y closing 2bps lower at 1.43% whilst the much-watched 10Y edged 1bps higher at 1.47% levels. The long-ends were seen pressured due to about ~\$27b of heavy IG issuances consisting of corporate bonds from Coca-cola, Hewlett Packard and Anthem. Meanwhile FedSpeaks seem to communicate a dovish tilt in the US monetary policy for now. UST's showed little reaction to the release of the Fed's beige book; which said that the economic chugged along at a modest pace throughout August.

MGS/GII

- Trading momentum for local govies was relatively quiet as secondary market volume maintained at RM2.38b with main interest seen in the off-the-run 19-20's, 23's and 25's. Overall benchmark MGS yields closed mostly mixed between -2 to +2bps across the curve. The 5Y benchmark MGS 6/24 closed within 1bps at 3.22% whilst the 10Y MGS 8/29 closed unchanged at 3.29%. GII bonds formed ~30% of overall trades. Separately, Moody's has maintained the A3-rating on Malaysia's credit profile; supported by the sovereign's high economic strength reflecting the large and diverse economy. Nevertheless a potential dark cloud remains to be seen if China's inclusion in the FTSE Russell's WGBI index would necessitate a reduction in Malaysia weightage or exclusion entirely.

Corp Bonds/Sukuk

- Corporate Bonds/Sukuk continued to see subdued trades as overall traction remained slow with volume at a mere RM265m. Govt-guaranteed DANA 2/33 rose 2bps whereas PTPTN 2/34 declined 2bps instead compared to previous-done levels at 3.57% and 3.63% respectively. AAA-rated DANGA saw several tranches i.e. 2027, 2030 and 2033 traded between 1-7bps lower at 3.48%, 3.57% and 3.65% each. The AA-space saw energy-related bond Tanjung Bin Power 8/20 notch RM50m in nominal amounts; closing sharply lower on yields at 3.47% whilst MMC Corpo 3/28 moved 3bps lower at 4.84%. The banking space was relatively quiet on some trades involving odd-lots.

Daily Trades : Government Bond

| Securities | | Closing YTM | Vol (RM mil) | Previous YTM | Previous Trade Date (dd/mm/yyyy) | Chg (bp) |
|------------|-------|----------------|-----------------|-----------------|--|-------------|
| MGS | 11/19 | 3.040 | 117 | 3.056 | 03/09/2019 | -2 |
| MGS | 03/20 | 3.040 | 170 | 3.062 | 03/09/2019 | -2 |
| MGS | 07/20 | 3.046 | 1 | 3.057 | 03/09/2019 | -1 |
| MGS | 10/20 | 3.092 | 60 | 3.065 | 03/09/2019 | 3 |
| MGS | 07/21 | 3.089 | 76 | 3.101 | 03/09/2019 | -1 |
| MGS | 09/21 | 3.076 | 18 | 3.105 | 03/09/2019 | -3 |
| MGS | 11/21 | 3.096 | 11 | 3.077 | 03/09/2019 | 2 |
| MGS | 03/22 | 3.127 | 90 | 3.104 | 03/09/2019 | 2 |
| MGS | 08/22 | 3.138 | 115 | 3.140 | 03/09/2019 | 0 |
| MGS | 09/22 | 3.146 | 2 | 3.136 | 03/09/2019 | 1 |
| MGS | 03/23 | 3.166 | 65 | 3.187 | 03/09/2019 | -2 |
| MGS | 04/23 | 3.167 | 58 | 3.185 | 03/09/2019 | -2 |
| MGS | 08/23 | 3.199 | 162 | 3.213 | 03/09/2019 | -1 |
| MGS | 06/24 | 3.219 | 33 | 3.215 | 03/09/2019 | 0 |
| MGS | 07/24 | 3.239 | 44 | 3.250 | 03/09/2019 | -1 |
| MGS | 09/24 | 3.250 | 9 | 3.250 | 03/09/2019 | 0 |
| MGS | 09/25 | 3.272 | 272 | 3.292 | 03/09/2019 | -2 |
| MGS | 07/26 | 3.242 | 25 | 3.244 | 03/09/2019 | 0 |
| MGS | 11/26 | 3.312 | 7 | 3.323 | 03/09/2019 | -1 |
| MGS | 11/27 | 3.338 | 127 | 3.344 | 03/09/2019 | -1 |
| MGS | 06/28 | 3.348 | 57 | 3.350 | 03/09/2019 | 0 |
| MGS | 08/29 | 3.285 | 73 | 3.285 | 03/09/2019 | 0 |
| MGS | 04/30 | 3.454 | 51 | 3.449 | 03/09/2019 | 1 |
| MGS | 06/31 | 3.504 | 2 | 3.504 | 03/09/2019 | 0 |
| MGS | 04/32 | 3.523 | 1 | 3.581 | 03/09/2019 | -6 |
| MGS | 04/33 | 3.543 | 5 | 3.536 | 03/09/2019 | 1 |
| MGS | 11/33 | 3.533 | 16 | 3.544 | 03/09/2019 | -1 |
| MGS | 07/34 | 3.497 | 7 | 3.506 | 03/09/2019 | -1 |
| MGS | 04/37 | 3.512 | 4 | 3.598 | 03/09/2019 | -9 |
| MGS | 06/38 | 3.548 | 3 | 3.545 | 03/09/2019 | 0 |
| MGS | 09/43 | 3.788 | 10 | 3.749 | 03/09/2019 | 4 |
| MGS | 07/48 | 3.810 | 1 | 3.797 | 03/09/2019 | 1 |
| GII | 04/20 | 3.055 | 41 | 3.090 | 03/09/2019 | -3 |
| GII | 05/20 | 3.055 | 50 | 3.059 | 30/08/2019 | 0 |
| GII | 08/20 | 3.073 | 170 | 3.067 | 03/09/2019 | 1 |
| GII | 11/20 | 3.078 | 28 | 3.233 | 22/07/2019 | -16 |
| GII | 03/22 | 3.124 | 10 | 3.124 | 03/09/2019 | 0 |
| GII | 04/22 | 3.127 | 4 | 3.129 | 03/09/2019 | 0 |
| GII | 07/22 | 3.150 | 2 | 3.173 | 30/08/2019 | -2 |
| GII | 11/22 | 3.150 | 80 | 3.202 | 28/08/2019 | -5 |
| GII | 11/22 | 3.150 | 10 | 3.405 | 21/06/2019 | -26 |
| GII | 07/23 | 3.189 | 30 | 3.221 | 03/09/2019 | -3 |
| GII | 10/23 | 3.210 | 130 | 3.220 | 03/09/2019 | -1 |
| GII | 11/23 | 3.205 | 31 | 3.207 | 03/09/2019 | 0 |
| GII | 10/24 | 3.231 | 30 | 3.235 | 03/09/2019 | 0 |
| GII | 08/25 | 0.000 | 8 | 3.279 | 03/09/2019 | -328 |
| GII | 10/28 | 3.346 | 20 | 3.322 | 03/09/2019 | 2 |
| GII | 07/29 | 3.326 | 40 | 3.343 | 03/09/2019 | -2 |
| GII | 06/33 | 3.541 | 1 | 3.554 | 03/09/2019 | -1 |
| GII | 08/33 | 3.558 | 1 | 3.535 | 22/08/2019 | 2 |
| GII | 10/35 | 3.625 | 6 | 3.625 | 30/08/2019 | 0 |
| GII | 08/37 | 3.680 | 2 | 3.703 | 23/08/2019 | -2 |
| GII | 09/39 | 3.603 | 1 | 3.619 | 03/09/2019 | -2 |
| | | | <u>2383</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* | |
|--|--------|----------------|-----------------|-----------------|--|-------------|---------------------------|-----|
| DanaInfra Nasional Berhad | 02/33 | GG | 3.569 | 40 | 3.551 | 27/08/2019 | 2 | 7 |
| Perbadanan Tabung Pendidikan Tinggi Nasional | 02/34 | GG | 3.630 | 20 | 3.646 | 29/08/2019 | -2 | 13 |
| First Abu Dhabi Bank PJSC | 12/20 | AAA | 3.360 | 4 | 3.537 | 15/07/2019 | -18 | 29 |
| Danga Capital Berhad | 09/27 | AAA | 3.480 | 20 | 3.548 | 15/08/2019 | -7 | 19 |
| Danga Capital Berhad | 01/30 | AAA | 3.570 | 10 | 3.581 | 21/08/2019 | -1 | 28 |
| Danga Capital Berhad | 01/33 | AAA | 3.650 | 10 | 3.668 | 21/08/2019 | -2 | 15 |
| Tanjung Bin Power Sdn Berhad | 08/20 | AA2 | 3.469 | 50 | 3.731 | 16/07/2019 | -26 | 40 |
| Fortune Premiere Sdn Berhad | 12/22 | AA | 3.700 | 3 | 3.927 | 05/08/2019 | -23 | 58 |
| Perbadanan Kemajuan Negeri Selangor | 05/20 | AA3 | 3.540 | 10 | 4.124 | 21/06/2019 | -58 | 47 |
| Mumtaz Rakyat Sukuk Berhad | 06/26 | AA3 | 4.934 | 1 | 3.968 | 14/08/2019 | 97 | 169 |
| Malakoff Power Berhad | 12/19 | AA- | 3.440 | 10 | 3.482 | 20/08/2019 | -4 | 37 |
| Alpha Circle Sdn Berhad | 02/21 | AA- | 4.425 | 4 | 5.401 | 05/06/2018 | -98 | 136 |
| UEM Sunrise Berhad | 04/22 | AA- | 3.590 | 10 | 3.705 | 21/08/2019 | -12 | 47 |
| UEM Sunrise Berhad | 03/24 | AA- | 3.730 | 1 | 3.933 | 14/08/2019 | -20 | 51 |
| MMC Corporation Berhad | 03/28 | AA- | 4.840 | 70 | 4.869 | 28/08/2019 | -3 | 153 |
| Alliance Bank Malaysia Berhad | 10/25 | A2 | 4.400 | 1 | 4.000 | 26/08/2019 | 40 | 115 |
| Eco World Capital Assets Berhad | 08/24 | - | 6.100 | 2 | 6.099 | 03/09/2019 | - | - |
| | | | <u>265</u> | | | | | |

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

Market/Corporate News: What's Brewing

UEM Edgenta Bhd said it is banking on its healthcare support business to drive growth as the group is eyeing new tenders in Singapore amid the government's move to re-cluster healthcare facilities. UEM Edgenta managing director and chief executive officer Datuk Azmir Merican said the Singaporean Health Ministry's exercise will open up opportunities for the group, adding on to the RM540.06 million worth of contracts it secured in the republic so far. Besides Singapore, the group said its healthcare support operations in Malaysia, Taiwan and India will also contribute to growth. It is also eyeing Indonesia as a potential market to expand its healthcare services. **KKB Engineering Bhd has won two contracts worth a total of RM29 million for the supply of pipes, fittings and steel products.** The group announced it has inked a nine-month agreement with Sinohydro Corp (M) Sdn Bhd for the supply of pipes and fittings. KKB also received an additional purchase order for the annual supply and delivery of steel products from Syarikat SESCO Bhd which would last about four months. **CIMB Group Holdings Bhd said a glitch affecting the credit cards of CIMB Bank and CIMB Islamic Bank has been resolved.** The group said CIMB Bank and CIMB Islamic Bank had experienced technical issues, which in turn affected online credit card transactions. It added that its core banking system and customer data remain intact. Customers are still able to perform banking transactions via CIMB Clicks, CIMB BizChannel and Self Service Terminals. **Petra Energy Bhd's unit has bagged a hook-up, commissioning and topside major maintenance services contract from Petronas Carigali Sdn Bhd in Sabah and Sarawak.** The group announced that its wholly-owned Petra Resources Sdn Bhd had received the Letter of Award for the job from the exploration unit of Petroliaam Nasional Bhd (Petronas) on Aug 19, and that the contract is to last 15 months from Aug 16 this year, to be completed on Nov 15, next year. A wholly-owned unit of **Ahmad Zaki Resources Bhd (AZRB) has lodged with the Securities Commission Malaysia an RM535 million Sukuk Murabahah Facility, which is secured against a list of securities, including a guarantee from AZRB.** The group said its wholly-owned subsidiary AZRB Capital Sdn Bhd had lodged the facility, whose tenure is 12 years from the date of issuance. The proceeds raised from the issuance will be advanced to AZRB for Shariah-compliant general working capital requirements and corporate purposes of the group. (Source: *The Edge*)

All indications point to the mega-merger of the Asian telecoms assets of Axiata Group Bhd and Norway's Telenor ASA being called off, barring a last-minute concession made by parties involved in the negotiations. Apart from the sheer complexity of the deal, which involves 14 entities across nine countries, the stumbling blocks surround commercial issues, national and staff interests, and Indonesia's reluctance to give its blessings, as it sees Norway as being part of the European Union's (EU) pressure on palm oil imports. Without Indonesia as part of the enlarged group, the odds of the deal materialising are basically zero. "Both parties are trying their level best, as the merger would take them beyond their existing boundaries to create an Asian powerhouse. But the sheer complexity and the very long list of outstanding items surrounding commercial, national and staff interest make it terribly challenging. "Some items on the list can be modified, some others are not agreeable to both parties, and the deal-breaker items are still hanging. So, with so many items still outstanding, they may just not want to drag on any longer and merger talks may have been halted. They may just call it off, " said an industry executive with knowledge of the deal. However, the scenario surrounding the merger has reversed

after only a few short days when the word was that the deal “seemed right on track.” “Nonetheless, it has been a real roller-coaster ride to get this far, ” he said. Another source close to the deal added that Telenor’s concerns surround commercial issues, while Axiata’s include national and staff interest. Further, the country-by-country issues make it difficult to proceed. A due diligence has been ongoing and both parties have gone through stacks of documents to make this happen. The deal would have been the biggest over the past two decades in Asia, minus North Asia, should it go through. “Unlike other deals, for Axiata, the commercial and national interest aspects need to be protected, which include staff interest and the vendor programme, ” the source said. From the onset, Axiata and Telenor did have a broad checklist of what needed to happen for the deal to materialise. In May, both Axiata and Telenor surprised the market with a proposed plan to merge their telecoms assets in Asia to create a pan-Asian giant. For that, they would create a holding company (mergedco) in which Telenor would hold the majority stake of 56.5% while Axiata would hold 43.5%. They had said that the mergedco would have dual listings, a proforma revenue exceeding RM50bil, and an earnings before interest, taxes, depreciation and amortisation of over RM20bil. It would also merge their local units, Axiata Celcom Bhd and Digi.com Bhd, to create the biggest local mobile company which would have a local chairman and CEO. But a month ago, Indonesian authorities said they needed to conduct a review as to whether Telenor would be allowed into South-East Asia’s most populous nation. While Indonesia is the biggest palm oil producer in the world, the EU Parliament has passed laws to restrict and ban palm oil usage in biofuel by 2030. Telenor owns five operators in Asia, including a 49% stake in Digi and has a total of 180 million customers in Malaysia, Thailand, Bangladesh, Pakistan and Myanmar. Axiata brings to the table 110 million customers in Malaysia (via Celcom), Indonesia (PT Axiata), Cambodia, Sri Lanka and Nepal. It was also putting its tower business via edotco Group into the merger. “It is no secret that Telenor wants a foothold in Indonesia. The merger allows for that to happen, but Indonesia is sending out mixed signals and that does not bode well for the proposed merger, ” the source said. Based on that, it is possible that PT Axiata may be taken out of the mega-deal, and that would mean that both parties would have to renegotiate, as there would be material changes to the valuations. It would also mean Axiata’s stake in mergedco, should Indonesia not be part of the mix, may be reduced to within the 30% range, down from 43.5%. Even if there were higher valuations for its tower business, it would not have compensated for the reduced shareholding after taking out PT Axiata, and that would have put Axiata in a less advantageous position as a partner in the deal. “Would it then make sense for Axiata to continue when its absolute stake in the mergedco would be reduced by so much? It is just not attractive and it is these factors that would break the deal, ” said the executive. The mergedco was expected to be valued at about RM100bil and the incremental value to Axiata shareholders was about RM9bil. (Source: *The Star*)

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

Source: RAM, MARC

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