

Global Markets Research

Fixed Income

Fixed Income Daily Market Snapshot

UST		
Tenure	Closing (%)	Chg (bps)
2-yr UST	2.35	-1
5-yr UST	2.33	-2
10-yr UST	2.53	-2
30-yr UST	2.92	-1

MGS		GII*		
Tenure	Closing (%)	Chg (bps)	Closing (%)	Chg (bps)
3-yr	3.43	2	3.49	3
5-yr	3.61	0	3.64	0
7-yr	3.79	-2	3.78	0
10-yr	3.80	0	3.90	2
15-yr	4.17	0	4.20	0
20-yr	4.35	0	4.35	0
30-yr	4.63	0	4.63	0

* Market indicative levels

MYR IRS Levels		
IRS	Closing (%)	Chg (bps)
1-yr	3.55	0
3-yr	3.57	0
5-yr	3.65	1
7-yr	3.73	2
10-yr	3.90	0

Source : Bloomberg

Upcoming Government Bond Tender

Nil

US Treasuries

- US Treasuries ended slightly stronger last Friday despite initial weakness following stronger-than-expected April non-farm payrolls. The curve shifted lower with overall benchmark yields 1-2bps lower. The UST 2Y edged 1 bps at 2.35% whilst the much-watched 10Y bond was 2bps richer at 2.53%. FOMC left the Fed Funds target range unchanged between 2.25-2.50% earlier last week whilst cutting the Interst On Excess Reserves (IOER) rate by 5bps. Focus has shifted to US-China trade talks again with tensions arising as Trump drums up the potential imposition of 25% tariffs on \$200b of Chinese goods with a further \$325b of goods in consideration as well.

MGS/GII

- Local govies again saw modest momentum with secondary volumes at RM3.61b. Interest was mainly seen in the off-the-run 19-21's, 25-26's and also the benchmark 7Y bonds. Overall benchmark yields mostly weaker between 0-3bps save for the 7Y mentioned above. Both the benchmark 5Y MGS 4/23 and the 10Y MGS 8/29 closed within a mere bps at 3.61% and 3.80% respectively. GII bond trades dropped to form 40% of overall trades. Volatility in both MYR and local govies may be seen following potential allocation changes by the Norwegian wealth fund and FTSE Russel indices. Markets are expected to be resilient amid prospects of a rate cut and abundant domestic liquidity. Up next on the data front is BNM's MPC meeting on the Overnight Policy Rate tomorrow followed by Foreign Reserves as at 30th April.

Corp Bonds/Sukuk

- Corporate Bonds/Sukuk space saw strong secondary volume of RM756m with interest mainly across the AAA followed by the AA-part of the curve. The long-end Govt-guaranteed PTPTN 9/39 rose 6bps at 4.57% compared to previous-done levels. AAA-rated PLUS bonds saw a slew of tranches traded mostly lower on yields amid heavy volume totaling RM370m in nominal amounts. However the 2026 and 2028 bucked the trend closing unchanged at 4.10% and 4.20% respectively. Likewise AA-rated ANIH 23-29's closed 1-6bps lower between 4.31-51% levels whilst toll-related DUKE3 bonds closed sharply lower with regards to the 2035-2037 tranches.

Daily Trades : Government Bonds

Securities		Closing YTM	Vol (RM mil)	Previous YTM	Previous Trade Date (dd/mm/yyyy)	Chg (bp)
MGS	07/19	3.253	20	3.293	02/05/2019	-4
MGS	10/19	3.320	11	3.320	02/05/2019	0
MGS	11/19	3.322	6	3.322	02/05/2019	0
MGS	03/20	3.347	188	3.350	02/05/2019	0
MGS	07/20	3.385	290	3.420	02/05/2019	-4
MGS	10/20	3.399	5	3.385	02/05/2019	1
MGS	07/21	3.395	5	3.420	02/05/2019	-2
MGS	09/21	3.420	60	3.364	02/05/2019	6
MGS	11/21	3.439	6	3.435	02/05/2019	0
MGS	03/22	3.434	28	3.416	02/05/2019	2
MGS	08/22	3.534	11	3.494	02/05/2019	4
MGS	03/23	3.647	1	3.619	02/05/2019	3
MGS	04/23	3.612	160	3.609	02/05/2019	0
MGS	08/23	3.659	31	3.625	02/05/2019	3
MGS	07/24	3.706	174	3.715	02/05/2019	-1
MGS	03/25	3.757	40	3.775	02/05/2019	-2
MGS	09/25	3.790	254	3.796	02/05/2019	-1
MGS	07/26	3.785	202	3.796	02/05/2019	-1
MGS	11/26	3.900	91	3.865	30/04/2019	3
MGS	11/27	3.921	177	3.878	02/05/2019	4
MGS	08/29	3.803	167	3.808	02/05/2019	0
MGS	04/30	4.008	30	3.972	02/05/2019	4
MGS	06/31	4.116	18	4.105	02/05/2019	1
MGS	04/33	4.205	76	4.212	02/05/2019	-1
MGS	11/33	4.174	4	4.170	02/05/2019	0
MGS	05/35	4.279	40	4.271	30/04/2019	1
MGS	04/37	4.315	6	4.294	02/05/2019	2
MGS	03/46	4.626	33	4.576	02/05/2019	5
MGS	07/48	4.629	27	4.625	02/05/2019	0
GII	09/19	3.296	270	3.324	02/05/2019	-3
GII	04/20	3.388	10	3.388	02/05/2019	0
GII	08/20	3.383	305	3.403	02/05/2019	-2
GII	11/20	3.453	7	3.457	30/04/2019	0
GII	03/21	3.480	320	3.498	17/04/2019	-2
GII	08/21	3.496	130	3.497	02/05/2019	0
GII	03/22	3.487	40	3.459	02/05/2019	3
GII	04/22	3.539	10	3.532	02/05/2019	1
GII	10/23	3.696	20	3.784	17/04/2019	-9
GII	08/24	3.716	80	3.728	02/05/2019	-1
GII	07/27	3.885	30	3.871	02/05/2019	1
GII	10/28	3.911	65	3.905	02/05/2019	1
GII	12/28	3.947	20	3.898	25/04/2019	5
GII	07/29	3.901	120	3.890	02/05/2019	1
GII	10/35	4.320	20	4.310	30/04/2019	1
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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	03/28	GG	3.995	5	4.038	22/04/2019	-4	17
Perbadanan Tabung Pendidikan Tinggi Nasional	03/39	GG	4.569	20	4.510	11/04/2019	6	20
Impian Ekspresi Sdn Berhad	11/19	AAA	3.941	20	4.147	11/01/2019	-21	59
Projek Lebuhraya Usahasama Berhad	01/20	AAA	3.822	5	3.818	26/04/2019	0	47
Al Dzahab Assets Berhad	09/20	AAA	4.331	10	4.332	12/04/2019	0	98
Projek Lebuhraya Usahasama Berhad	01/21	AAA	3.917	20	4.174	23/08/2018	-26	52
Cagamas Berhad	10/21	AAA	3.759	20	3.744	26/04/2019	1	36
Manjung Island Energy Berhad	11/21	AAA	3.962	15	4.026	08/03/2019	-6	53
Projek Lebuhraya Usahasama Berhad	01/22	AAA	3.982	80	4.158	14/02/2019	-18	55
Projek Lebuhraya Usahasama Berhad	01/24	AAA	4.060	5	4.137	02/04/2019	-8	44
Projek Lebuhraya Usahasama Berhad	01/25	AAA	4.082	10	4.098	16/04/2019	-2	37
Projek Lebuhraya Usahasama Berhad	01/26	AAA	4.098	40	4.100	02/05/2019	0	31
Projek Lebuhraya Usahasama Berhad	01/27	AAA	4.151	30	4.338	18/03/2019	-19	34
Projek Lebuhraya Usahasama Berhad	01/28	AAA	4.201	10	4.198	29/04/2019	0	38
TNB Northern Energy Berhad	11/28	AAA	4.221	10	4.698	13/04/2018	-48	41
Projek Lebuhraya Usahasama Berhad	01/29	AAA	4.249	150	4.269	03/04/2019	-2	44
Projek Lebuhraya Usahasama Berhad	01/31	AAA	4.324	40	4.438	26/03/2019	-11	51
Sabah Development Bank Berhad	08/21	AA1	4.557	10	4.568	02/05/2019	-1	116
YTL Power International Berhad	10/24	AA1	4.445	20	4.661	23/01/2019	-22	83
Sabah Development Bank Berhad	04/26	AA1	5.309	0	5.428	02/05/2019	-12	152
YTL Power International Berhad	05/27	AA1	4.569	10	4.578	22/04/2019	-1	76
UniTapah Sdn Berhad	12/30	AA1	4.494	2	4.657	01/03/2019	-16	68
Sarawak Energy Berhad	04/31	AA1	4.359	30	4.359	26/04/2019	0	55
Sarawak Energy Berhad	04/36	AA1	4.685	10	4.680	09/04/2019	0	52
Imtiaz Sukuk II Berhad	11/19	AA2	3.935	5	4.013	12/02/2019	-8	58
Anih Berhad	11/23	AA	4.309	20	4.317	26/04/2019	-1	69
Anih Berhad	11/25	AA	4.391	10	4.447	29/03/2019	-6	60
Anih Berhad	11/26	AA	4.421	10	4.429	26/04/2019	-1	61
Anih Berhad	11/29	AA	4.509	20	4.519	26/04/2019	-1	70
Hong Leong Assurance Berhad	02/25	AA3	4.275	1	3.842	24/04/2019	43	56
Edra Energy Sdn Berhad	01/36	AA3	5.499	4	6.059	08/04/2019	-56	133
Edra Energy Sdn Berhad	07/37	AA3	6.089	2	5.599	02/05/2019	49	172
UEM Sunrise Berhad	05/23	AA-	4.453	20	4.491	24/04/2019	-4	90
Konsortium Lebuhraya Utara-Timur (KL) Sdn Berh	12/26	AA-	4.538	30	4.613	14/02/2019	-8	73
Lebuhraya DUKE Fasa 3 Sdn Berhad	08/35	AA-	4.990	20	5.220	15/02/2019	-23	82
Lebuhraya DUKE Fasa 3 Sdn Berhad	08/36	AA-	5.080	20	5.299	11/02/2019	-22	91
Lebuhraya DUKE Fasa 3 Sdn Berhad	08/37	AA-	5.150	20	5.169	29/04/2019	-2	78
CIMB Group Holdings Berhad	05/16	A1	4.826	0	4.843	26/04/2019	-2	46
UMW Holdings Berhad	04/18	A1	5.171	1	5.220	02/05/2019	-5	80
DRB-Hicom Berhad	02/22	A+	5.713	1	5.520	26/03/2019	19	228
				<u>756</u>				

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

Market/Corporate News: What's Brewing

Sime Darby Property Bhd achieved over RM1 billion in sales after eight consecutive weeks of launches from March to April, marking a successful conclusion to its Primetime 8 marketing campaign that ended last Tuesday. The campaign, which was held in conjunction with the government's Home Ownership Campaign (HOC), recorded over 1,100 units sold — an average of over 77% take-up throughout the period — as buyers were drawn to the launches of landed and high-rise homes in Bandar Bukit Raja, the City of Elmina, Serenia City, Bandar Universiti Pagoh, The Glades at Putra Heights, and KL East, Sime Darby Property said in a statement yesterday. Over the eight-week period, Sime Darby Property launched seven new projects and two co-creation projects in Subang Jaya City Centre and Putra Heights involving the dtto online platform. "The online platform is based on co-creation and crowdsourcing, which allows customers to have a say in building their homes with the developer," it said. One of the key product highlights during the period was Elsa, Sime Darby Property's first product under the Affordable Collection, which recorded a 100% take-up on its launch day with 165 units sold. The campaign also saw multiple successful launches, including Elmina Valley Five with 90% out of 373 units sold, while its high-rise

product, The Ridge in KL East, enjoyed a take-up of more than 70%. “We had people coming to showrooms early in the morning, queueing up even before our counters opened. The excellent reception to Primetime 8 will spur us to work harder for our shareholders and continue to offer even better products and deals,” said Gerard Yuen, Sime Darby Property chief marketing and sales officer. Humbled by the support shown by customers, Sime Darby Property acting group chief executive officer, Datuk Wan Hashimi Albakri Wan Ahmad Amin Jaffri, said the overwhelming response has exceeded the group’s expectations. “[It is] an indication that despite concerns over the economic climate, homeownership remains a priority among Malaysians, reflecting their trust in quality homes in great locations, easy accessibility coupled with competitive pricing that translate into value-for-money products. “The HOC has definitely helped us in this achievement and for this we are truly thankful to the government. The property market is an important contributor to Malaysia’s economy and Sime Darby Property will continue to play its part to stimulate this important sector,” he added. Following the success of the Primetime 8 campaign, Sime Darby Property will be introducing its Raya 2019 campaign from May 15 to June 30, 2019. (Source: *The EdgeMarkets*)

he Malaysian Financial Reporting Standards 16 (MFRS 16) has added another layer of uncertainty to the first quarter of financial year 2019 (1QFY19) corporate earnings season, on top of the various external factors already hindering the global environment such as the US-China trade war and the uncertain world growth outlook. The full impact of the MFRS 16, which entails the accounting of leases in a company’s financial statements, has yet to be fully priced in by investors, although the market is aware of some impact it could have on the financial results of companies in the 1Q reporting season. Under MFRS 16, a company now has to recognise the interest expense on the leases it has taken as well as the depreciation on the asset leased, potentially translating to higher depreciation and interest expense and hence impacting the bottom line of the company. Analysts told *The Edge Financial Daily* that the implementation of the new accounting standard, which came into force on Jan 1, 2019, has resulted in some uncertainty among investors. “The market knows that MFRS 16 could have some effect on earnings but it has not priced in the full extent of the impact. There is some expectation and the market has priced in certain aspects of it but they cannot effectively price in the full impact unless the companies disclose the actual figures. “There is a little bit of uncertainty, so investors are unable to price this factor in efficiently,” they said. Some companies’ financials could be more affected than others although it is unclear if investors would downgrade stocks due to this factor alone, as MFRS 16 is only a change in accounting treatment of leases. Meanwhile, it was pointed out that the research house had highlighted several companies under its coverage that could be impacted by MFRS 16, which include AirAsia Bhd, 7-Eleven Malaysia Holdings Bhd and KPJ Healthcare Bhd. In a note dated April 8, CIMB pointed out that AirAsia had sold 79 aircraft to lessor BBAM Ltd Partnership and is expected to sell another 25 aircraft to lessor Castl lake Ltd Partnership by the third quarter of this year. “Given MFRS 16, together with other existing operating lease aircraft, AirAsia is expected to capitalise RM11.8 billion worth of borrowings related to the above operating leases in FY19, effectively bringing back to the balance sheet what had previously been off-balance sheet,” it said. Research houses say this would increase gross gearing to 198% on a pro forma basis, compared with 19% in FY18 and that the overall impact to earnings would be negative. For 7-Eleven, which has retail outlets with rental leases, CIMB had previously advised investors to stay on the sidelines pending the impact of MFRS 16, estimating that the accounting treatment could potentially lower the company’s earnings per share by between 0.8% and 9.5% in FY19 and FY20. As for KPJ, which has 17 hospitals and several healthcare-related properties under the operating lease model, the research houses said its net profit could decline 10.9% in FY19, while net gearing ratio could rise to 1.2 times from 0.6 times in FY18, after the adoption of MFRS 16. “We have indicated that these companies could

be affected but these are all just estimates. It is very hard for analysts to adjust forecasts [to account for MFRS 16] because there is not enough information to properly assess the impact at this juncture, unless the companies give their guidance.”. One of the companies affected by MFRS 16 so far is DiGi.com Bhd, which reported an 11.6% year-on-year decline in 1QFY19 net profit to RM341.5 million, attributed to higher depreciation and amortisation and finance costs. In its financial statement for the period, it said its depreciation and amortisation cost increased to RM305 million with MFRS 16, compared with RM216 million without MFRS 16 for the same quarter, while finance cost more than doubled to RM48 million from RM22 million. There could be impact on companies that lease equipment, such as those in the airline business as well as those in the power sector, in terms of higher gearing. However, in terms of whether this would be a significant factor for investors, and does not expect a big impact in terms of the share prices of affected companies solely due to this factor, pointing out that the external headwinds play a bigger role in market sentiment. The first quarter results may be subdued, given the headwinds in the global environment such as the US-China trade war and concerns on global growth. This has been reflected in some of the results, especially those in the export-oriented industries like the electrical and electronics sector,” he said. Semiconductor player Globetronics Technology Bhd, for example, reported an 80% plunge in its net profit to RM3.09 million for 1QFY19, from RM15.19 million a year earlier, as some of its customers had unexpectedly reduced shipments. The analysts said its performance in the first half will continue to reflect unfavourable conditions in the market but expects business recovery in the second half of the year.. (Source: The Star)

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

Source: RAM, MARC

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