

Global Markets Research
Fixed Income
Fixed Income Daily Market Snapshot

UST		
Tenure	Closing (%)	Chg (bps)
2-yr UST	1.58	-14
5-yr UST	1.52	-14
10-yr UST	1.71	-14
30-yr UST	2.25	-13

MGS		GII*		
Tenure	Closing (%)	Chg (bps)	Closing (%)	Chg (bps)
3-yr	3.27	1	3.29	1
5-yr	3.44	2	3.43	0
7-yr	3.52	0	3.54	2
10-yr	3.56	-1	3.60	1
15-yr	3.78	2	3.81	0
20-yr	3.93	-3	3.99	1
30-yr	4.17	1	4.16	-8

* Market indicative levels

MYR IRS Levels		
IRS	Closing (%)	Chg (bps)
1-yr	3.35	0
3-yr	3.33	-2
5-yr	3.36	-2
7-yr	3.41	-4
10-yr	3.52	-2

Source : Bloomberg

Upcoming Government Bond Tender

Nil

US Treasuries

- US Treasuries extended its massive rally as global investors sought safety as equities tanked following grave concerns over the continued escalating rift between US and China on trade matters. Overall benchmark yields closed 13-14bps lower as the curve shifted lower with both the UST 2Y and the much-watched UST 10Y ending at 1.58% and 1.71% respectively; the lowest since September 2016. The risk-off sentiment was evident as president Trump accused China of being a currency manipulator following its re-setting of the reference rate above the key level of 7.000 levels yesterday. China also does not rule out placing tariffs on US agricultural products on a tit-for-tat move. Separately expect some attention to revert to the upcoming auctions of \$38b of UST 3Y notes.

MGS/GII

- Local govies ended mixed as volume eased to RM3.26b as profit-taking set in following last Friday's rally as escalation in US-China trade tensions impacted EM currencies. Interest was seen mainly in the shorter-end i.e. off-the-run 19's and 21-22's along with 7Y benchmark bonds. Overall benchmark yields ended mostly mixed between -8 to +6bps across the curve. The 5Y benchmark MGS 6/24 moved 2bps higher at 3.44% whilst the 10Y MGS 8/29 edged 1bps lower at 3.56%; the lowest YTD. GII trades jumped to form about 40% of overall trades. Despite EM markets being hard hit by escalating US-China trade war, there may be a silver lining as Malaysia may be a beneficiary. Meanwhile there has been an upswing in demand for the greenback as caution prevails towards Asia Fx.

Corp Bonds/Sukuk

- Corporate Bonds/Sukuk notched decent volume RM505m; with interest returned mainly to the GG-segment followed by a spillover to AAA and AA-part of the curve. The gov-guaranteed PASB 24-26's rallied between up to 38bps compared to previous-done levels between 3.47-60% levels. The AAA-rated DANGA 27 and 33's saw up to RM90m in nominal trades ; closing between 9-19bps lower at 3.68% and 3.88-89% areas respectively. AA-rated toll-concesionaire DUKE3 saw both its 2035 and 2038 tranches edge 1bps lower at 4.72% and 4.96% each. The banking sector saw AFFIN Islamic perp end 6bps lower at 4.52% whilst Bank Pembangunan closed sharply lower on yields at 3.90%.

Daily Trades : Government Bond

Securities		Closing YTM	Vol (RM mil)	Previous YTM	Previous Trade Date (dd/mm/yyyy)	Chg (bp)
MGS	10/19	3.092	365	3.081	02/08/2019	1
MGS	03/20	3.150	1	3.128	02/08/2019	2
MGS	07/20	3.160	2	3.143	02/08/2019	2
MGS	10/20	3.189	26	3.178	02/08/2019	1
MGS	09/21	3.245	120	3.245	02/08/2019	0
MGS	11/21	3.256	119	3.252	02/08/2019	0
MGS	03/22	3.265	220	3.260	02/08/2019	1
MGS	09/22	3.321	59	3.325	02/08/2019	0
MGS	04/23	3.394	20	3.404	02/08/2019	-1
MGS	08/23	3.425	321	3.410	02/08/2019	1
MGS	06/24	3.441	10	3.417	02/08/2019	2
MGS	07/24	3.439	30	3.442	02/08/2019	0
MGS	09/24	3.450	2	3.447	02/08/2019	0
MGS	03/25	3.505	175	3.510	02/08/2019	0
MGS	09/25	3.514	14	3.514	02/08/2019	0
MGS	07/26	3.521	199	3.524	02/08/2019	0
MGS	11/26	3.586	22	3.563	02/08/2019	2
MGS	11/27	3.610	62	3.643	02/08/2019	-3
MGS	06/28	3.613	56	3.619	02/08/2019	-1
MGS	08/29	3.562	67	3.604	02/08/2019	-4
MGS	04/30	3.723	1	3.708	02/08/2019	1
MGS	06/31	3.789	2	3.770	02/08/2019	2
MGS	04/32	3.820	1	3.870	01/08/2019	-5
MGS	11/33	3.808	29	3.804	02/08/2019	0
MGS	07/34	3.784	20	3.766	02/08/2019	2
MGS	04/37	3.946	1	3.944	01/08/2019	0
MGS	06/38	3.930	16	3.964	02/08/2019	-3
MGS	03/46	4.137	1	4.184	02/08/2019	-5
MGS	07/48	4.167	1	4.152	02/08/2019	1
GII	04/20	3.162	1	3.164	29/07/2019	0
GII	03/22	3.294	76	3.283	02/08/2019	1
GII	11/23	3.452	100	3.437	02/08/2019	2
GII	05/24	3.468	134	3.479	01/08/2019	-1
GII	08/24	3.498	40	3.474	31/07/2019	2
GII	08/25	3.524	21	3.506	02/08/2019	2
GII	03/26	3.543	220	3.521	02/08/2019	2
GII	09/26	3.566	80	3.559	02/08/2019	1
GII	07/27	3.602	200	3.589	02/08/2019	1
GII	10/28	3.647	20	3.661	01/08/2019	-1
GII	07/29	3.598	148	3.589	02/08/2019	1
GII	11/34	3.806	20	3.810	31/07/2019	0
GII	09/39	3.986	230	3.973	02/08/2019	1
GII	11/49	4.159	10	4.237	11/07/2019	-8
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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*
Pengurusan Air SPV Berhad	06/23	GG	3.420	5	3.460	17/07/2019	-4	4
DanaInfra Nasional Berhad	08/23	GG	3.459	45	3.480	25/07/2019	-2	8
DanaInfra Nasional Berhad	10/23	GG	3.468	50	3.600	13/06/2019	-13	9
Pengurusan Air SPV Berhad	06/24	GG	3.469	10	3.470	16/07/2019	0	5
MKD Kencana Sdn Berhad	04/25	GG	3.643	150	3.930	10/05/2019	-29	16
Pengurusan Air SPV Berhad	06/25	GG	3.551	40	3.571	17/07/2019	-2	6
Pengurusan Air SPV Berhad	09/25	GG	3.570	85	3.949	25/03/2019	-38	8
Pengurusan Air SPV Berhad	02/26	GG	3.600	140	3.901	07/05/2019	-30	8
DanaInfra Nasional Berhad	04/26	GG	3.591	15	3.577	09/07/2019	1	7
DanaInfra Nasional Berhad	04/26	GG	3.592	20	3.629	21/06/2019	-4	7
DanaInfra Nasional Berhad	03/27	GG	3.641	25	3.666	18/07/2019	-2	7
DanaInfra Nasional Berhad	04/30	GG	3.730	60	3.941	14/06/2019	-21	16
Prasarana Malaysia Berhad	05/39	GG	4.090	5	-	-	-	13
Gulf Investment Corporation G.S.C	03/21	AAA	4.186	10	4.472	19/06/2019	-29	95
Bank Pembangunan Malaysia Berhad	03/27	AAA	3.904	30	4.259	10/06/2019	-36	34
Telekom Malaysia Berhad	09/27	AAA	3.739	15	3.800	26/07/2019	-6	17
Danga Capital Berhad	09/27	AAA	3.677	20	3.868	04/07/2019	-19	11
Danga Capital Berhad	01/33	AAA	3.880	30	3.980	22/07/2019	-10	11
GENM Capital Berhad	07/33	AAA	4.239	10	4.869	11/04/2019	-63	46
Danga Capital Berhad	09/33	AAA	3.890	40	3.979	24/07/2019	-9	12
Danum Capital Berhad	02/34	AAA	3.899	20	3.990	22/07/2019	-9	12
Tenaga Nasional Berhad	08/38	AAA	4.079	20	4.099	02/08/2019	-2	12
Sarawak Energy Berhad	06/21	AA1	3.673	15	3.918	28/05/2019	-25	43
Sarawak Energy Berhad	06/26	AA1	3.899	10	4.068	17/06/2019	-17	38
Public Bank Berhad	04/27	AA1	3.751	5	4.586	10/12/2018	-84	18
Danajamin Nasional Berhad	10/27	AA+	3.980	10	4.324	08/05/2019	-34	41
Lingkar Trans Kota Sdn Berhad	04/20	AA2	3.446	20	4.296	12/04/2018	-85	29
First Resources Limited	06/20	AA2	3.725	1	3.717	01/08/2019	1	57
Fortune Premiere Sdn Berhad	12/22	AA	3.927	2	4.344	23/04/2019	-42	65
MMC Corporation Berhad	11/27	AA-	5.270	1	5.219	11/06/2019	5	170
Edra Energy Sdn Berhad	07/30	AA3	4.620	10	4.839	08/07/2019	-22	105
Edra Energy Sdn Berhad	07/31	AA3	4.710	1	4.759	23/07/2019	-5	114
Lebuhraya DUKE Fasa 3 Sdn Berhad	08/35	AA-	4.723	10	4.737	19/07/2019	-1	95
Lebuhraya DUKE Fasa 3 Sdn Berhad	08/38	AA-	4.959	10	4.969	26/07/2019	-1	100
Special Power Vehicle Berhad	11/21	A1	4.204	10	4.183	18/07/2019	2	97
Bank Islam Malaysia Berhad	11/28	A1	3.956	10	3.995	01/08/2019	-4	37
CIMB Group Holdings Berhad	05/16	A1	4.420	1	4.433	26/07/2019	-1	46
Affin Islamic Bank Berhad	10/17	A3	4.517	10	4.574	01/08/2019	-6	56
Liziz Standaco Sdn Berhad	11/21	-	11.817	10	11.876	15/05/2019	-6	858
YNH Property Berhad	07/19	-	6.614	245	-	-	-	265
Eco World International Berhad	05/24/2023	-	5.650	1	5.627	23/07/2019	2	-
				<u>1224</u>				

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

Market/Corporate News: What's Brewing

Companies in China are relocating most of their operations to Malaysia amid the country's trade war with the United States (US). IQI Global chief economist and Global player Shan Saeed said there were also a slew of Chinese investments going to Vietnam. "Some economies are actually benefiting from this trade war. If you picked up an Economist magazine last November, it stated that some economies benefiting in the information and communications technology (ICT) and automobile sectors were from Malaysia, Thailand and Vietnam," he told Bernama. He also foresees the US-China trade war continuing. The next day, China warned of retaliatory measures in response to Trump's announcement, that could plunge both countries into a deeper trade war, magnifying the potential damage to their economies. "The Malaysian government is in control of the total economy and its balance sheet also looks very strong with investors still viewing the country favourably," he said. Shan said Malaysia's economy remained buoyant and is expected to end the year with an economic growth of around 4.5 per cent - 5.0 per cent. "Meanwhile, the ringgit will be stable and follow the movement of oil prices and

the Chinese Yuan," he added. The Brent crude price stood at US\$61.15 per barrel. According to Shan, for the second half 2019, the investment and consumption pattern will stay solid with overall growth still very much intact for Malaysia. (Source: *The Star/ Bernama*)

The yield on the benchmark 10-year Treasury note fell to a level last seen before the 2016 election that made Donald Trump the U.S. president. The rally in Treasuries drove the yield as low as 1.7075% Monday, below the level of 1.7145% it sank to during post-election trading on Nov. 9, 2016, when global investors sought a haven amid Trump's unexpected victory. The yield then proceeded to surge in the weeks following the election as expectations built that his spending pledges would boost economic growth. The rate was above 2.6% by the end of that year and eclipsed 3% in 2018. But the yield has since plummeted anew amid dimming inflation expectations and as investors bought Treasuries amid mounting trade friction. Traders have also boosted bets on Federal Reserve easing amid growing concern about the escalating rift between the U.S. and China. The 10-year yield, a benchmark for global borrowing, is down about a percentage point this year. The 10-year yields drop to levels last seen before the 2016 election is about "technicals, fundamentals and uncertainties," Russ Certo, managing director at Brean Capital, said in an interview. "Trade headlines are just one component of this in that they create greater uncertainty." Yield Curve Blares Loudest U.S. Recession Warning Since 2007 whilst yields in other major economies have also dropped to record lows after China let the yuan slide Monday and asked state companies to suspend imports of U.S. agricultural products. China's decisions reverberated across markets as a weakening of the yuan past the 7-per-dollar mark spurred speculation of a full-fledged currency war. The 10-year yield on Monday fell to its lowest level since October 2016, dropping below the low it reached in the immediate aftermath of Donald Trump's election win. The drop was also the biggest one-day slide since May 2018. At one point on Monday it yielded around 32 basis points less than the three-month Treasury bill, a gap last seen in 2007, before the global financial crisis.. (Source: *The Edge/Bloomberg*)

A successful merger between Axiata Group Bhd and Telenor ASA's Asian operation could trigger merger and acquisition interests among banking companies, an online equity broker said. It said that banking companies, especially the smaller players, looked for ways to strengthen their positions amid wider usage of digital technologies in the industry. "Local banks have reached their saturation point with the need to expand their horizon regionally and to counter the imminent digital banking wave," it told reporters at the second half 2019 market outlook briefing here today. If mergers and acquisitions in the banking sector took place, it would be a powerful catalyst for the local bourse as per the banking consolidation phase during the 2006/2007 period, he said. Axiata and Norway-based Telenor announced in May of plans to establish a new merged global entity by combining Axiata and Telenor's Asian operations within both their ASEAN and South Asia footprint markets. The merger was intended to create a global champion comprising of their diverse market-leading portfolio of telecommunications, digital and infrastructure assets. (Source: *The Edge*)

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

Source: RAM, MARC

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