

Global Markets Research
Fixed Income
Fixed Income Daily Market Snapshot

UST		
Tenure	Closing (%)	Chg (bps)
2-yr UST	1.53	10
5-yr UST	1.43	11
10-yr UST	1.56	9
30-yr UST	2.05	8

MGS			GII*	
Tenure	Closing (%)	Chg (bps)	Closing (%)	Chg (bps)
3-yr	3.12	-1	3.12	0
5-yr	3.22	0	3.23	0
7-yr	3.26	2	3.32	3
10-yr	3.29	0	3.36	3
15-yr	3.49	-1	3.51	0
20-yr	3.60	5	3.65	5
30-yr	3.82	1	3.81	0

* Market indicative levels

MYR IRS Levels		
IRS	Closing (%)	Chg (bps)
1-yr	3.18	0
3-yr	3.18	0
5-yr	3.20	0
7-yr	3.22	0
10-yr	3.33	3

Source : Bloomberg

Upcoming Government Bond Tender

Nil

US Treasuries

- US Treasuries ended weak on Thursday after the US and China said they would engage in trade talks next month in Washington. The yield curve moved higher also due to a combination of a steep sell-off in European bond markets, anticipated upbeat US economic data (that included President Trump's tweet that mentioned "really good job numbers" and bigger-than-forecast increase in August ISM services); and finally a ramp-up in corporate issuances. Overall benchmark yields rose between 8-11bps with the UST 2Y gapping up 10bps at 1.53% whilst the much-watched 10Y closed 9bps higher at 1.56% levels. Thursday's rout in both Bunds and UST's coincided with a rally in HY debt in EM's. Meanwhile the Labor Department is scheduled to release the more closely-watched August NFP jobs report today which includes both public and private sector jobs.

MGS/GII

- Trading momentum for local govies improved as secondary market volume rose to RM3.23b with main interest seen in the off-the-run 19's, 22's and benchmark 3-7Y GII bonds. Overall benchmark MGS yields closed mostly higher between 0-5bps across the curve with the longer end 2038-2039 maturities facing the brunt of some selling. Both the 5Y benchmark MGS 6/24 and the 10Y MGS 8/29 closed within 1bps at 3.22% and 3.29% respectively. GII bonds rose to form ~49% of overall trades. Meanwhile, it 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 on separate issues. Separately, Asian CDS curves are seen flattening as their sovereigns are deemed sensitive to the US-China trade war; evidenced by the high correlation between China's 5Y CDS and that of Malaysia, Philippines and Indonesia.

Corp Bonds/Sukuk

- Corporate Bonds/Sukuk saw improved traction as secondary market volume doubled to RM576m. The long-end Govt-guaranteed DANA 2/38 and 5/41 closed 1-7bps lower compared to previous-done levels at 3.68-75% levels whereas PTPTN saw its 2021 and 2023 tranches dominate volume.. AAA-rated MANJUNG 11/31 closed unchanged at 3.64% whilst the AA-space saw PKNS 22-23's close sharply lower on yields abetween 3.72-80%. Highway operator KESTURI 12/26 and 12/27 saw yields decline by 36bps and 2bps respectively at 3.99% and 4.03% each. The banking space saw Bank Islam 28NC23 edge 1bps lower at 3.77% whilst both AmBank and AMIslamic 28NC23 closed at 3.90% and 3.92% each.

Daily Trades : Government Bond

Securities		Closing YTM	Vol (RM mil)	Previous YTM	Previous Trade Date (dd/mm/yyyy)	Chg (bp)
MGS	11/19	2.998	137	3.041	04/09/2019	-4
MGS	03/20	3.050	210	3.040	04/09/2019	1
MGS	07/20	3.047	10	3.046	04/09/2019	0
MGS	10/20	3.064	11	3.092	04/09/2019	-3
MGS	07/21	3.080	8	3.089	04/09/2019	-1
MGS	09/21	3.086	6	3.075	04/09/2019	1
MGS	11/21	3.088	2	3.096	04/09/2019	-1
MGS	03/22	3.120	272	3.128	04/09/2019	-1
MGS	08/22	3.121	299	3.130	04/09/2019	-1
MGS	09/22	3.122	33	3.146	04/09/2019	-2
MGS	03/23	3.172	2	3.166	04/09/2019	1
MGS	04/23	3.182	15	3.167	04/09/2019	2
MGS	08/23	3.200	60	3.199	04/09/2019	0
MGS	06/24	3.215	179	3.219	04/09/2019	0
MGS	07/24	3.241	15	3.239	04/09/2019	0
MGS	09/24	3.244	7	3.250	04/09/2019	-1
MGS	03/25	3.278	2	3.284	04/09/2019	-1
MGS	09/25	3.282	8	3.272	04/09/2019	1
MGS	07/26	3.257	83	3.242	04/09/2019	2
MGS	11/26	3.320	14	3.312	04/09/2019	1
MGS	11/27	3.354	8	3.338	04/09/2019	2
MGS	08/29	3.290	113	3.285	04/09/2019	0
MGS	04/30	3.453	10	3.454	04/09/2019	0
MGS	06/31	3.507	17	3.505	04/09/2019	0
MGS	04/32	3.513	20	3.523	04/09/2019	-1
MGS	11/33	3.551	11	3.533	04/09/2019	2
MGS	07/34	3.488	34	3.497	04/09/2019	-1
MGS	05/35	3.584	10	3.588	04/09/2019	0
MGS	04/37	3.603	5	3.512	04/09/2019	9
MGS	06/38	3.601	8	3.548	04/09/2019	5
MGS	07/48	3.823	28	3.810	04/09/2019	1
GII	05/20	3.077	50	3.055	04/09/2019	2
GII	04/21	3.083	60	3.118	29/08/2019	-3
GII	03/22	3.123	90	3.124	04/09/2019	0
GII	08/24	3.249	20	3.257	03/09/2019	-1
GII	10/24	3.253	245	3.231	04/09/2019	2
GII	08/25	3.304	10	3.291	04/09/2019	1
GII	10/25	3.314	40	3.280	03/09/2019	3
GII	03/26	3.315	591	3.282	03/09/2019	3
GII	09/26	3.372	10	3.350	30/08/2019	2
GII	07/27	3.340	30	3.293	03/09/2019	5
GII	07/29	3.357	362	3.326	04/09/2019	3
GII	06/33	3.558	9	3.541	04/09/2019	2
GII	09/39	3.652	40	3.603	04/09/2019	5
GII	05/47	3.881	30	3.823	04/09/2019	6
			<u>3225</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	03/21	GG	3.308	35	3.901	31/01/2019	-59	21
Perbadanan Tabung Pendidikan Tinggi Nasional	07/23	GG	3.301	100	4.031	11/02/2019	-73	11
Jambatan Kedua Sdn Berhad	05/30	GG	3.479	5	3.499	21/08/2019	-2	18
DanaInfra Nasional Berhad	02/38	GG	3.679	20	3.744	28/08/2019	-7	10
DanaInfra Nasional Berhad	05/41	GG	3.750	10	3.761	22/08/2019	-1	17
Pengurusan Air SPV Berhad	11/21	AAA	3.338	20	4.413	25/06/2018	-108	24
Bakun Hydro Power Generation Sdn Berhad (fka	08/29	AAA	3.578	10	3.689	20/08/2019	-11	28
Manjung Island Energy Berhad	11/31	AAA	3.639	10	3.640	30/08/2019	0	34
TNB Northern Energy Berhad	05/32	AAA	3.720	10	3.920	08/08/2019	-20	22
YTL Power International Berhad	10/24	AA1	3.726	10	4.038	01/08/2019	-31	50
Krung Thai Bank Public Company Limited	07/25	AA2	3.996	5	3.495	16/08/2019	50	75
Hong Leong Bank Berhad	09/39	AA2	-	10	4.401	09/07/2019	-	-
Fortune Premiere Sdn Berhad	09/23	AA	3.710	2	3.785	23/08/2019	-8	52
Gamuda Berhad	03/20	AA3	3.570	40	3.665	09/08/2019	-10	51
Gamuda Berhad	04/21	AA3	3.692	80	3.852	09/08/2019	-16	60
Perbadanan Kemajuan Negeri Selangor	04/22	AA3	3.715	10	4.538	30/04/2019	-82	60
Perbadanan Kemajuan Negeri Selangor	12/22	AA3	3.747	20	4.146	16/07/2019	-40	63
Perbadanan Kemajuan Negeri Selangor	10/23	AA3	3.799	30	4.980	30/10/2018	-118	61
Edra Energy Sdn Berhad	07/25	AA3	4.169	15	4.288	19/08/2019	-12	92
MMC Corporation Berhad	11/25	AA-	4.684	30	4.932	11/07/2019	-25	143
Mumtaz Rakyat Sukuk Berhad	06/26	AA3	3.859	2	4.934	04/09/2019	-108	61
AmBank (M) Berhad	03/28	AA3	3.897	10	4.614	15/08/2019	-72	59
AmBank Islamic Berhad	10/28	AA3	3.923	30	4.576	23/04/2019	-65	61
WCT Holdings Berhad	10/23	AA-	4.478	10	4.927	20/08/2019	-45	129
Konsortium Lebuhraya Utara-Timur (KL) Sdn Ber	12/26	AA-	3.986	20	4.348	28/06/2019	-36	74
Konsortium Lebuhraya Utara-Timur (KL) Sdn Ber	12/27	AA-	4.029	10	4.051	29/08/2019	-2	73
Bank Islam Malaysia Berhad	11/28	A1	3.772	20	3.777	29/08/2019	-1	46
Eco World Capital Assets Berhad	08/24	-	6.099	2	6.099	04/09/2019	0	-
				<u>576</u>				

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

Market/Corporate News: What's Brewing

ETIQA, the insurance and takaful arm of Malayan Banking Bhd (Maybank), is strengthening its regional foothold by expanding its product offerings in Indonesia, the Philippines and Cambodia. These three countries will be key growth markets for Etiqa in the coming years, says its chief strategy officer Chris Eng Poh Yoon. "The strong success we have seen over the last two years has been in the Philippines, and to some degree in Indonesia, where we have consolidated our position. We are also looking to start operations in Cambodia. "We are still in the process of getting our licence in Cambodia, which we hope to secure in the next couple of months," he tells The Edge in a recent interview. The group's foray into Cambodia's insurance market will make it the second Malaysian insurer to do so after Lonpac Insurance Bhd, the wholly-owned insurance subsidiary of LPI Capital Bhd. "We believe that when we secure our licence in Cambodia, we will be able to scale up quite quickly, leveraging Maybank, which has already established itself as one of the top banking groups there. Maybank has been in Cambodia for 25 years, with 21 branches in the country." The Cambodian insurance industry saw a nearly 30% increase in total gross premium last year, up from US\$151.6 million in 2017, to US\$196.4 million, according to data from the Insurance Association of Cambodia. The growth was driven by a 15% rise in total gross premium for general insurance and a 50.6% increase in total gross premium for life insurance. There were 12 general insurance companies and eight life insurance companies operating in the country last year. "Insurance penetration in Cambodia is still low, but most of the country's wealthy are concentrated in its capital Phnom Penh, which will be our target market," says Eng. "At the same time, we want to be among the first to provide online insurance [products] there." Life insurance penetration is also low in Indonesia and the Philippines. The Jakarta Post reported that only 1.7% of Indonesia's 265 million

population have some form of insurance. In the Philippines, the penetration rate stood at 1.67% as at end-2018, compared with 1.64% in 2017, according to data from the Philippines Insurance Commission. “I think the general insurance market is competitive in Indonesia, but life penetration is still low. Our focus in Indonesia is growing our online [general insurance] business, while in the Philippines and Cambodia, we are focused on the bancassurance angle (selling life assurance and other insurance products and services through the banks) whereby we leverage Maybank. Subsequent to that, we will look into online insurance in these two countries,” says Eng. Etiqa also has a presence in Singapore where it has been seeing double-digit growth in its life insurance business. The group is looking to maintain this, given that the insurance market in the city state is at a mature stage. “From the general insurance side of things, we have been in Singapore for many years, but around four years ago, we decided to venture into the life insurance space, where we have seen double-digit growth [year on year]. “We are currently ranked eighth in Singapore for life insurance, while we are ranked No 21 in the general insurance space due to stiff competition. Our target there is to be among the leading foreign bancassurance providers,” says Eng. On which other countries Etiqa could be looking at to expand, Eng says, “We would be interested to explore Myanmar as it is a sizeable market of 50 million people, but probably in another two to three years, once we have grown our presence in Indonesia, the Philippines and Cambodia,” he says. Nevertheless, a regional expansion strategy comes with its own set of challenges. “In Indonesia, for example, there is a lot more emphasis on having local ownership, so foreign participation is capped at a maximum of 80% for foreign insurers. There is also a need to have local commissioners on the board, and there is strong encouragement to appoint a local CEO. But this is understandable... just like in Malaysia in the past, foreign shareholding of insurance companies was capped at 70%,” Eng explains. “In the Philippines, there is a strong emphasis on branding, thus, we need to spend a bit of marketing dollars to grow our presence there. In Cambodia, the challenge is staffing as there is a shortage of experienced personnel. It is also a dollarised economy, so staff costs are not cheap.” Etiqa derives 90% of its revenue from Malaysia. Even so, Eng believes there is still room for its Malaysian business to grow. “Fire insurance is still fairly underpenetrated in Malaysia, as well as life and family takaful. Unfavourable market conditions have also resulted in a slowdown in sales of investment-linked products. “However, in terms of traditional protection and savings products, those are still doing well in Malaysia, so there are still opportunities for growth here,” he says. Etiqa is the largest online insurer in Malaysia, accounting for 6 out of 10 insurance policies sold online, primarily general insurance products such as motor insurance, travel insurance and fire insurance. Last year, there were reports that Maybank could potentially spin off and list Etiqa on Bursa Malaysia. On this, Eng says, “We are always open to various options that can add value to the company, and the shareholders will deliberate and evaluate these options.” For its financial year ended Dec 31, 2018, gross premium increased after the insurer’s life insurance and family takaful business grew 16% to RM4.3 billion while the general insurance and takaful segment expanded 17% to RM2.9 billion.. (Source: *The Edge*)

Power Root Bhd plans to sell more of its rainforest herbs-infused coffee in China, as it sees a rebound in earnings this year. The company will sell its products online focusing on suppliers, flagship and specialty stores in the world’s second-largest economy, Managing Director Wong Tak Keong said in an interview. Euromonitor projects the ready-to-drink coffee market there hitting US\$1.47 billion by 2023. **Lotte Chemical Titan Holding Bhd (LCTitan) said its US-based joint**

venture (JV) company Lotte Chemical USA Corp's (LC USA) ethane cracker and monoethylene glycol (MEG) plants had started commercial operations in August 2019 on an integrated basis. LC USA is a 40:60 JV between LCTitan and Lotte Chemical Corp. **Dagang NeXchange Bhd (DNeX) hopes the Government will roll out more projects related to technology in the upcoming Budget 2020.** Executive deputy chairman Datuk Samsul Husin said this particularly referred to projects which the DNeX team had the capability to complete and is ready to take on. He said, for example, the projects can be related to blockchain and artificial intelligence. Hence, Samsul said, DneX was preparing its employees to embrace and adopt the Fourth Industrial Revolution in order to be well-positioned for the future. **French insurer AXA SA and Affin Bank Bhd are exploring options, including a potential sale of their life and general insurance business in Malaysia, that could fetch about US\$650 million, according to people with knowledge of the matter.** Affin Bank and AXA are working with advisers on the potential deal. The financial firms are seeking around US\$500 million on AXA Affin General Insurance Bhd, while they are looking to raise as much as US\$150 million from AXA Affin Life Insurance Bhd in a transaction. Affin and AXA could be joining owners of AmGeneral Insurance Bhd, as well as other foreign players including Prudential Plc and Zurich Insurance Group AG, in seeking to pare stakes in their Malaysian units, after the Government decided to start enforcing ownership cap more strictly. **Suria Capital Holdings Bhd, owner of Sabah Ports Sdn Bhd, has appealed to the Sabah State Government to increase cargo tariffs by 15% to 20% at its seven ports in the State.** Its chief financial officer Noorida Baharuddin said the company submitted the application to the State Government last month and hopes it would consider the matter. **The external auditors of APFT Bhd have expressed doubts over the flight training company's ability to continue as a going concern as they are unable to issue an opinion on the group's financial statements for the period Feb 1, 2018 to April 30, 2019.** The auditor Messrs PKF for the Practice Note 17 (PN17) company said: "As of April 30, 2019, the group's and the company's current liabilities exceeded their current assets by RM10,159,991 and RM8,135,499 respectively and registered a shareholders' deficit of the group and the company of RM3,723,146 and RM2,823,191. These conditions indicate that material uncertainty exists that may cast significant doubt on the Group's and Company's ability to continue as going concern." PKF added that the group's ability to continue as a going concern is dependent on the timing and successful formulation and implementation of its regularisation plan, as well as it [APFT] achieving sustainable and viable operations. In addition, the auditor said it was unable to satisfy itself over the group's opening balances as of Feb 1, 2018 of RM5.93 million. **Priceworth International Bhd slipped into the red for the fourth quarter ended June 30, 2019 due to temporary interruptions in its logging operations and the impairment on goodwill.** The group said it posted a net loss of RM90.41 million for the quarter compared to a RM3.54 million net profit in the corresponding quarter last year. Revenue for the quarter declined 66.4% to RM14.45 million from RM42.99 million previously. For the full financial year, Priceworth posted a net loss of RM143.98 million, compared to a net profit of RM13.84 million in the previous year. Full-year revenue also dropped 80.61% to RM33.62 million from RM173.37 million previously. A Memorandum of Agreement between ailing China-based sports shoe manufacturer Maxwell International Holdings Bhd and three shoe players aimed at getting the former back to financial health has been terminated. The Practice Note 17 company said its MoA with Mohd Faizol Abdul Karim, NTH Global Sdn Bhd and Opera Marketing Sdn Bhd to explore ways of bringing the company back into the black had

been terminated, but did not provide reasons for the termination. (Source: *The Edge*)

Rating Action			
Issuer	PDS Description	Rating/Outlook	Action
Bina Darulaman Berhad	RM100.0 million Islamic Commercial Papers (ICP) Programme	MARC-2-IS	Affirmed
Cagamas Berhad	Conventional and Islamic Commercial Papers (CP/ICP) programmes with a combined aggregate limit of RM20.0 billion	MARC-1/ MARC-1-IS	Affirmed
	Conventional and Islamic Medium-Term Notes (MTN/IMTN) programmes of up to RM60.0 billion	AAA / AAAIS	Affirmed

Source: RAM, MARC

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