

## Global Markets Research

### Fixed Income

#### Fixed Income Daily Market Snapshot

UST		
Tenure	Closing (%)	Chg (bps)
2-yr UST	1.59	1
5-yr UST	1.51	0
10-yr UST	1.70	-1
30-yr UST	2.23	-2

MGS		GII*		
Tenure	Closing (%)	Chg (bps)	Closing (%)	Chg (bps)
3-yr	3.30	4	3.29	0
5-yr	3.43	-1	3.43	-1
7-yr	3.53	0	3.52	-2
10-yr	3.57	0	3.58	-2
15-yr	3.78	0	3.79	-1
20-yr	3.93	0	3.98	-1
30-yr	4.18	2	4.15	-1

\* Market indicative levels

MYR IRS Levels		
IRS	Closing (%)	Chg (bps)
1-yr	3.32	-4
3-yr	3.33	0
5-yr	3.34	-2
7-yr	3.40	-2
10-yr	3.50	-2

Source : Bloomberg

#### Upcoming Government Bond Tender

Reopening of RM3.0b of 5Y MGS 10/24 on Thursday, 8<sup>th</sup> Augus.

#### US Treasuries

- US Treasuries ended mixed on Tuesday with the longer-end outperforming despite a slight reduced appeal of safe haven assets following news that the PBOC set the mid-point for the yuan at a stronger-than-expected level. Overall benchmark yields closed between -2 to +1bps as the curve besr-flattened wiith the UST 2Y edging 1bps higher at 1.59% and the much-watched UST 10Y moving 1bps higher instead at 1.70%. The auction of \$38b of UST 3Y notes saw a decent take-up on a BTC ratio of 2.41x (previous auction: 2.39x; previous six auctions: 2.52x) whilst drawing a yield of 1.562%. Surprisingly, the yield curve flattened and reacted the other way as Fed official Bullard agreed to Fed chair Powell's statement that the recent 25bps rate cut was a midcycle adjustment and that the Fed doesn't see further yield-curve inversion. Expect attention to focus on the upcoming UST 10Y auction amounting to \$27b.

#### MGS/GII

- Local govovies ended mixed as volume improved to RM4.47bwith both MGS and GII bonds seeing separate fortunes. Buying momentum was stronger in the GII space as MGS bonds with Interest seen mainly in 19-20's, 3Y MGS and 7Y MGS/GII bonds. The previous 10Y GII benchmark i.e. GII 10/28 was also a beneficiary of flows, closing unchanged at 3.65%. Overall benchmark yields ended mostly mixed between -2 to +4bps across the curve. The 5Y benchmark MGS 6/24 edged 1bps lower at 3.43% whilst the 10Y MGS 8/29 closed within 1bps higher at 3.57%. GII trades rose further to form about 43% of overall trades. Despite EM markets being impacted by escalating US-China trade war, Malaysia may be a beneficiary. Up next is the release of the nation's Foreign Reserves as at 31<sup>st</sup> July.

#### Corp Bonds/Sukuk

- Corporate Bonds/Sukuk notched decent volume RM482m; with interest returned mainly across the GG-AA part of the curve. The govt-guaranteed DANA 8/23 and 4/26 closed unchanged compared to previous-done levels between 3.46% and 3.59%. The AAA-rated AMAN 4/27 closed 2bps lower at 3.71% whilst the AA- segment saw several energy-related bonds eg SEB, EDRA Energy, YTL Power and TADAU dominate trades. SEB 6/21, 8/25 and 7/29 ended 2-5bps lower between 3.66-4.00% levels. The banking space saw Sabah Development Bank 5/22 move 6bps lower at 3.95% levels.

## Daily Trades : Government Bond

Securities		Closing YTM	Vol (RM mil)	Previous YTM	Previous Trade Date (dd/mm/yyyy)	Chg (bp)
MGS	10/19	3.079	57	3.092	05/08/2019	-1
MGS	11/19	3.080	206	3.081	02/08/2019	0
MGS	03/20	3.140	160	3.150	05/08/2019	-1
MGS	10/20	3.209	35	3.189	05/08/2019	2
MGS	07/21	3.245	62	3.229	02/08/2019	2
MGS	09/21	3.292	106	3.245	05/08/2019	5
MGS	11/21	3.270	54	3.256	05/08/2019	1
MGS	03/22	3.304	432	3.265	05/08/2019	4
MGS	08/22	3.316	2	3.330	02/08/2019	-1
MGS	09/22	3.328	57	3.321	05/08/2019	1
MGS	04/23	3.396	127	3.394	05/08/2019	0
MGS	08/23	3.398	104	3.425	05/08/2019	-3
MGS	06/24	3.429	3	3.441	05/08/2019	-1
MGS	07/24	3.459	63	3.439	05/08/2019	2
MGS	09/24	3.460	244	3.450	05/08/2019	1
MGS	03/25	3.513	120	3.505	05/08/2019	1
MGS	09/25	3.537	52	3.514	05/08/2019	2
MGS	07/26	3.526	300	3.521	05/08/2019	0
MGS	11/26	3.582	6	3.586	05/08/2019	0
MGS	11/27	3.612	4	3.610	05/08/2019	0
MGS	06/28	3.636	73	3.613	05/08/2019	2
MGS	08/29	3.567	53	3.562	05/08/2019	1
MGS	04/30	3.738	1	3.723	05/08/2019	2
MGS	04/32	3.821	5	3.820	05/08/2019	0
MGS	04/33	3.837	1	3.858	02/08/2019	-2
MGS	11/33	3.813	138	3.808	05/08/2019	1
MGS	04/37	3.972	7	3.946	05/08/2019	3
MGS	09/43	4.128	71	4.150	01/08/2019	-2
MGS	07/48	4.184	20	4.167	05/08/2019	2
GII	09/19	3.064	30	3.022	08/07/2019	4
GII	04/20	3.152	70	3.162	05/08/2019	-1
GII	04/20	3.153	60	3.162	19/07/2019	-1
GII	04/21	3.271	5	3.476	16/04/2019	-21
GII	03/22	3.294	10	3.294	05/08/2019	0
GII	11/23	3.436	55	3.452	05/08/2019	-2
GII	05/24	3.466	60	3.468	05/08/2019	0
GII	08/24	3.467	40	3.498	05/08/2019	-3
GII	10/24	3.426	87	3.432	02/08/2019	-1
GII	08/25	3.515	20	3.524	05/08/2019	-1
GII	03/26	3.523	352	3.543	05/08/2019	-2
GII	09/26	3.557	180	3.566	05/08/2019	-1
GII	07/27	3.593	118	3.602	05/08/2019	-1
GII	10/28	3.645	321	3.647	05/08/2019	0
GII	07/29	3.577	162	3.598	05/08/2019	-2
GII	09/30	3.699	30	3.766	03/07/2019	-7
GII	06/33	3.829	20	3.820	02/08/2019	1
GII	08/33	3.840	15	3.868	24/07/2019	-3
GII	11/34	3.794	100	3.806	05/08/2019	-1
GII	08/37	3.979	10	3.972	05/08/2019	1
GII	09/39	3.979	70	3.986	05/08/2019	-1
GII	05/47	4.201	90	4.241	31/07/2019	-4
			<u>4469</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	08/23	GG	3.458	40	3.459	05/08/2019	0	7
DanaInfra Nasional Berhad	04/26	GG	3.591	40	3.591	05/08/2019	0	8
Prasarana Malaysia Berhad	08/26	GG	3.635	10	3.662	19/07/2019	-3	12
Prasarana Malaysia Berhad	09/27	GG	3.658	40	3.711	03/07/2019	-5	10
Prasarana Malaysia Berhad	03/28	GG	3.667	40	3.665	02/08/2019	0	9
DanaInfra Nasional Berhad	11/34	GG	3.880	5	3.941	23/07/2019	-6	11
Perbadanan Tabung Pendidikan Tinggi Nasiona	03/39	GG	4.009	10	4.049	02/08/2019	-4	6
Cagamas Berhad	10/20	AAA	3.346	25	3.451	18/07/2019	-11	19
Malaysia Steel Works (KL) Berhad	11/23	AAA	4.310	5	4.631	14/05/2019	-32	93
Zamarad Assets Berhad	07/24	AAA	4.441	5			-	102
Zamarad Assets Berhad	03/26	AAA	4.341	5	4.899	28/03/2019	-56	83
Aman Sukuk Berhad	04/27	AAA	3.708	20	3.731	12/07/2019	-2	15
Pengurusan Air SPV Berhad	06/29	AAA	3.826	20	3.830	24/07/2019	0	27
Tenaga Nasional Berhad	08/38	AAA	4.071	10	4.079	05/08/2019	-1	12
Sarawak Energy Berhad	06/21	AA1	3.655	5	3.673	05/08/2019	-2	41
Sabah Development Bank Berhad	05/22	AA1	3.945	20	4.009	15/07/2019	-6	66
Sarawak Energy Berhad	08/25	AA1	3.818	10	3.919	16/07/2019	-10	33
YTL Power International Berhad	05/27	AA1	4.098	20	4.161	01/08/2019	-6	54
Sarawak Energy Berhad	07/29	AA1	4.000	20	4.048	31/07/2019	-5	44
TRIplic Medical Sdn Berhad	10/33	AA1	4.269	5	4.920	15/11/2018	-65	50
PBFIN Berhad	11/59	AA2	4.233	1	3.999	16/04/2019	23	28
Edra Energy Sdn Berhad	01/22	AA3	4.339	10	5.257	05/03/2019	-92	109
Tadau Energy Sdn Berhad	07/23	AA3	4.341	5	4.459	21/06/2019	-12	96
Besraya (M) Sdn Berhad	07/27	AA3	4.429	2	4.599	19/06/2019	-17	87
CIMB Thai Bank Public Company Limited	03/28	AA3	3.997	10	4.816	30/05/2019	-82	42
Edra Energy Sdn Berhad	07/28	AA3	4.559	10	4.855	20/06/2019	-30	98
UEM Sunrise Berhad	03/24	AA-	3.958	2	4.009	18/07/2019	-5	54
MMC Corporation Berhad	04/27	AA-	4.940	5	5.299	09/05/2019	-36	138
SAJ Capital Sdn Berhad	01/28	AA-	4.529	5	5.168	31/12/2018	-64	97
Konsortium Lebuhraya Utara-Timur (KL) Sdn B	12/28	AA-	4.291	5	4.289	25/07/2019	0	72
Lebuhraya DUKE Fasa 3 Sdn Berhad	08/29	AA-	4.431	5	4.807	28/03/2019	-38	88
Tan Chong Motor Holdings Berhad	11/19	A1	4.002	20	4.021	25/07/2019	-2	85
Tan Chong Motor Holdings Berhad	11/21	A1	4.586	30	4.148	05/08/2019	44	134
CIMB Group Holdings Berhad	05/16	A1	4.333	1	4.742	31/07/2019	-41	38
Mah Sing Perpetual	-	-	6.118	6	5.949	29/07/2019	17	-
WCT Holdings Berhad	05/22	AA-	4.870	10	5.015	23/04/2019	-15	159
				<u>482</u>				

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

## Market/Corporate News: What's Brewing

**Barakah Offshore Petroleum Bhd is demanding RM1.02 billion as compensation from Petroliam Nasional Bhd (Petronas) and the latter's exploration arm Petronas Carigali Sdn Bhd (PCSB), over what it claims to be an unwarranted suspension notice.** It said the sum is, among others, based on the loss of future profits, reputation and market share prices, as a result of the three-year suspension notice issued by Petronas on July 8, on the licence of Barakah's wholly-owned PBJV Group Sdn Bhd. In a stock exchange filing today, Barakah said the notice was issued after the completion of a contract to provide underwater services for PCSB, and was issued — according to Petronas — based on grounds of adverse reports of PBJV's performance. However, Barakah said PBJV has already successfully carried out the contract and completed it prior to the suspension, and that on completion of the contract, PCSB has also given PBJV a positive appraisal, making the suspension unwarranted. Hence, PBJV has issued a notice of demand and dispute dated Aug 5,

2019 to both Petronas and PCSB, Barakah said, where it disputes the validity of the suspension being issued without any legal justification, nor compliance to procedures. Barakah added that Petronas and PCSB now have 14 days to comply with its demand. (Source: *The Star/ Bernama*)

**HONG Kong stock investors headed for the exit as economic woes, street protests and China's weak yuan intensified worries over potential outflows from the city.** The MSCI Hong Kong Index pared its drop to 1.2% as of 3:06 p.m., heading for a 10th straight decline a day after a general strike led to traffic chaos, violence, tear gas and flight cancellations. The last time Hong Kong stocks had such a long losing streak was June-July 1984, five months before the U.K. and China signed the Sino-British Joint Declaration for the handover of Hong Kong to China in 1997. A year earlier in 1983, the Hong Kong dollar had been pegged to the greenback. The benchmark Hang Seng Index -- which includes shares of Chinese companies earning in yuan -- also pared an earlier decline, falling 0.98% to 25,895.18. Hong Kong business confidence, already strained by the trade war, faces fresh challenges as street clashes damp spending and deter tourists. Officials from the Hong Kong and Macau Affairs Office in Beijing took on a harder tone at a Tuesday news conference, according to a report in the South China Morning Post. "Investors are still very worried and the situation is not getting better," said Linus Yip, chief strategist at First Shanghai Securities. "The selling pressure is still big. Fears include the escalating trade war, depreciating yuan and the local political situation. I think 25,000 is a key level for the Hang Seng Index, and losing this support level would cause extra selling pressure." Mainland stocks were also lower, with the benchmark Shanghai Composite Index falling 1.6% and the CSI 300 Index dropping 1.1%. The yuan's plunge past 7 per dollar has intensified concerns about the U.S.-China trade war and prompted the Trump administration to formally label China a currency manipulator. The onshore and offshore currencies recovered some ground Tuesday after a stronger-than-expected fixing. A Forever Trade War Looms as Trump Deepens Battle With China Hong Kong's currency also reflected the sense of anxiety. The Hong Kong dollar's 12-month outright contracts jumped above 7.85 -- the weak end of the currency's trading band -- for the first time since 2016 on Monday, while the spot rate fell 0.25%, the most in more than three-and-a-half years. On Tuesday the Hong Kong dollar strengthened 0.12% to 7.8367 per U.S. dollar. Technology firms and developers were among the biggest decliners on the Hang Seng Index. Hang Lung Properties Ltd. fell 5.9% and AAC Technologies Holdings Inc. dropped 3.1%. A Bloomberg gauge of Macau casino stocks slid 2.5%, taking its nine-day loss to 17%. (Source: *The Star/Bloomberg*)

Rating Action			
Issuer	PDS Description	Rating/Outlook	Action
Telekosang Hydro One Sdn Bhd	RM470 mil ASEAN Green SRI Sukuk under the Shariah principle of Wakalah Bi Al-Istithmar (2019/2037) (Senior Sukuk)	AA3/Stable	Assigned
Malaysia Steel Works (KL) Bhd	RM130.0 million Sukuk Ijarah Programme	AAA-IS(FG)	Affirmed
Sinar Kamiri Sdn Bhd	Green Sustainable and Responsible Investment (SRI) Sukuk Wakalah of up to RM245.0 million	AA-IS	Affirmed

Source: RAM, MARC

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