

Global Markets Research
Fixed Income
Fixed Income Daily Market Snapshot

UST		
Tenure	Closing (%)	Chg (bps)
2-yr UST	2.54	5
5-yr UST	2.54	4
10-yr UST	2.70	3
30-yr UST	2.99	1

MGS		GII*		
Tenure	Closing (%)	Chg (bps)	Closing (%)	Chg (bps)
3-yr	3.58	2	3.64	0
5-yr	3.74	-1	3.81	1
7-yr	3.98	1	4.04	0
10-yr	4.07	-1	4.24	0
15-yr	4.38	-3	4.52	0
20-yr	4.58	0	4.73	0
30-yr	4.81	-1	4.91	0

* Market indicative levels

MYR IRS Levels		
IRS	Closing (%)	Chg (bps)
1-yr	3.69	0
3-yr	3.72	0
5-yr	3.83	1
7-yr	3.93	0
10-yr	4.13	0

Source : Bloomberg

Upcoming Government Bond Tender

New issuance of 10Y GII 7/29 (RM3.5b auction + RM1.5b Private Placement) on Tue, 8th Jan 2018

US Treasuries

- US Treasury yields rose; led by the short-end as the curve bear-flattened and shifted higher on follow-through following both weaker-than-forecast ISM manufacturing and non-manufacturing reports. Overall benchmark yields ended 1-5bps higher with the 2Y spiking by 5bps at 2.54% whilst the much-watched 10Y ended 3bps up at 2.70%. Meanwhile, Concerns abate on the inversion and parish yield levels on the front-end of the curve as equities chalks up gains in the beginning of this year on optimism of trade talks between US and China and slower pace of Fed rate hike.

MGS/GII

- Trading momentum in local govies remained solid on high volume of RM5.72b as interest was seen mainly in the benchmark 5Y and 10Y bonds by active traders followed by the shorter off-the-run 19-20s. Overall benchmarks ended mixed between -3 to +2bps. Both the 5Y benchmark MGS 4/23 and 10Y MGS 6/28 edged 1bps lower at 3.74% and 4.07% respectively. GII trades dropped sharply to form about 14% of overall trades. The nation's foreign reserves stayed pat at \$101.4b as at end-December 2018. Meanwhile some analysts are waging bets that leading indicators are expected to result in a contraction in global trade and put pressure on debt-service levels on EM sovereigns. Expect all eyes to focus on the inaugural debut of 10Y GII 7/29 today.

Corp Bonds/Sukuk

- Corporate Bonds/Sukuk also maintained decent volume of RM332m with investors nibbling across the GG to single-A part of the curve. Govt-guaranteed PASB 6/22 and long-end DANA 4/38 closed 0-1bps lower at 4.00% and 4.86% respectively compared to previous-done levels. AAA-rated short RANTAU 8/19 closed saw demand causing yields to end sharply lower at 3.87%. In the AA-space energy-related bonds i.e. YTL Power 5/27 edged another 1bps lower at 4.85% whilst Southern Power 10/32 moved 4bps lower at 4.80%. UEM sunrise saw both its tranches i.e. 5/19 and 4/22 move 1-4bps lower at 4.19% and 4.67% respectively. The banking space saw active trades with both CIMB 26NC21 and Hong Leong Islamic 24NC19 seeing RM70m combined nominal amounts traded; ending 5bps lower at 4.53% and 4.10% respectively.

Daily Trades : Government Bonds

Securities		Closing YTM	Vol (RM mil)	Previous YTM	Previous Trade Date (dd/mm/yyyy)	Chg (bp)
MGS	03/19	3.306	204	3.278	04/01/2019	3
MGS	07/19	3.409	84	3.386	03/01/2019	2
MGS	10/19	3.421	207	3.422	04/01/2019	0
MGS	11/19	3.448	678	3.422	04/01/2019	3
MGS	03/20	3.506	67	3.514	04/01/2019	-1
MGS	07/20	3.502	6	3.499	04/01/2019	0
MGS	10/20	3.521	279	3.527	04/01/2019	-1
MGS	02/21	3.514	20	3.524	28/12/2018	-1
MGS	07/21	3.602	85	3.591	03/01/2019	1
MGS	09/21	3.640	55	3.617	04/01/2019	2
MGS	11/21	3.575	28	3.564	04/01/2019	1
MGS	03/22	3.594	130	3.594	04/01/2019	0
MGS	08/22	3.711	51	3.709	04/01/2019	0
MGS	09/22	3.727	1	3.721	04/01/2019	1
MGS	03/23	3.784	2	3.766	04/01/2019	2
MGS	04/23	3.736	1010	3.738	04/01/2019	0
MGS	07/24	3.937	30	3.933	04/01/2019	0
MGS	09/24	3.950	87	3.940	04/01/2019	1
MGS	03/25	3.983	156	3.971	04/01/2019	1
MGS	09/25	4.037	4	3.971	04/01/2019	7
MGS	04/26	4.070	2	4.118	04/01/2019	-5
MGS	11/26	4.105	177	4.086	04/01/2019	2
MGS	05/27	4.171	161	4.178	03/01/2019	-1
MGS	11/27	4.164	52	4.130	04/01/2019	3
MGS	06/28	4.068	553	4.084	04/01/2019	-2
MGS	04/30	4.361	37	4.361	04/01/2019	0
MGS	06/31	4.389	102	4.411	04/01/2019	-2
MGS	04/32	4.448	1	4.474	03/01/2019	-3
MGS	04/33	4.467	3	4.460	04/01/2019	1
MGS	11/33	4.378	430	4.408	04/01/2019	-3
MGS	04/37	4.537	21	4.530	04/01/2019	1
MGS	09/43	4.811	40	4.810	04/01/2019	0
MGS	03/46	4.839	8	4.908	02/01/2019	-7
MGS	07/48	4.806	163	4.813	04/01/2019	-1
GII	02/19	3.361	130	3.469	19/12/2018	-11
GII	04/20	3.525	3	3.481	31/12/2018	4
GII	08/21	3.635	1	3.625	03/01/2019	1
GII	03/22	3.641	260	3.642	04/01/2019	0
GII	04/22	3.700	37	3.668	03/01/2019	3
GII	07/22	3.716	40	3.711	04/01/2019	1
GII	07/23	3.852	41	3.865	04/01/2019	-1
GII	11/23	3.811	20	3.809	04/01/2019	0
GII	08/25	4.037	50	4.040	04/01/2019	0
GII	09/26	4.159	5	4.229	20/12/2018	-7
GII	10/28	4.236	180	4.236	04/01/2019	0
GII	08/37	4.734	20	4.738	04/01/2019	0
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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	06/22	GG	4.002	10	4.015	27/11/2018	-1	44
DanaInfra Nasional Berhad	04/38	GG	4.858	5	4.860	03/10/2018	0	27
Rantau Abang Capital Berhad	08/19	AAA	3.872	40	4.177	22/05/2018	-31	44
Berjaya Land Berhad	12/19	AAA	4.185	20	4.456	09/11/2018	-27	75
Sabah Development Bank Berhad	05/22	AA1	5.018	2	4.867	12/12/2018	15	145
Public Islamic Bank Berhad	06/24	AA1	4.125	10	4.156	21/11/2018	-3	39
Hong Leong Islamic Bank Berhad	06/24	AA1	4.100	20	4.149	19/12/2018	-5	37
YTL Power International Berhad	05/27	AA1	4.848	20	4.859	04/01/2019	-1	81
CIMB Bank Berhad	08/26	AA2	4.528	50	4.579	05/12/2018	-5	48
Bumitama Agri Ltd	03/19	AA3	4.150	10	4.158	21/12/2018	-1	72
Perbadanan Kemajuan Negeri Selangor	08/23	AA3	4.930	10	4.935	27/12/2018	0	120
BGSM Management Sdn Berhad	06/24	AA3	4.548	10	4.562	21/12/2018	-1	81
Edra Energy Sdn Berhad	01/27	AA3	5.300	10	5.567	03/01/2019	-27	126
CIMB Thai Bank Public Company Limited	03/28	AA3	5.097	10	5.105	19/10/2018	-1	101
UEM Sunrise Berhad	05/19	AA-	4.192	5	4.233	24/12/2018	-4	76
SAJ Capital Sdn Berhad	01/20	AA-	4.769	5	4.813	12/12/2018	-4	134
MMC Corporation Berhad	11/20	AA-	4.921	10	4.950	28/11/2018	-3	141
UEM Sunrise Berhad	04/22	AA-	4.669	5	4.681	03/01/2019	-1	110
Serba Dinamik Holdings Berhad	10/23	AA-	4.905	30	4.956	28/11/2018	-5	117
MMC Corporation Berhad	03/28	AA-	5.558	10	5.608	03/12/2018	-5	147
Southern Power Generation Sdn Berhad	10/32	AA-	4.799	10	4.839	18/12/2018	-4	39
CIMB Group Holdings Berhad	05/16	A1	4.903	20	4.983	03/01/2019	-8	31
UMW Holdings Berhad	04/18	A1	5.960	1	6.001	17/12/2018	-4	137
DRB-Hicom Berhad	07/19	A+	5.441	10	5.498	03/01/2019	-6	201
				<u>332</u>				

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

Market/Corporate News: What's Brewing

RM950 million perpetual senior sukuk mudharabah issue by Yinson Holdings Bhd made its mark in 2018 as the first perpetual sukuk by an oil and gas company in Malaysia. Issued on May 8 under Yinson's wholly-owned subsidiary, Yinson TMC Sdn Bhd — a treasury management centre set up solely to provide treasury services to Yinson and its subsidiaries — the sukuk mudharabah, with a tenure of perpetual non-call 15 years, is unprecedented. It has by far the longest “non-call period” for a perpetual issuance in either the bond or sukuk format in Malaysia. This sukuk is deemed the best non-IPO fundraising under the bond or sukuk category primarily because of its profit rate of 6.8% per annum — one of the highest among all the nominated bond and sukuk issues. Maybank Investment Bank and AmInvestment Bank were the joint principal advisers, lead arrangers and lead managers for the issue. While ringgit perpetual sukuk issues are typically structured based on the musharakah and wakalah bi al-istithmar principles, this sukuk stands out as the first perpetual sukuk to be structured on the mudharabah principle. The sukuk mudharabah programme was the first of its kind, allowing the issuer to issue senior and subordinated ranking perpetual sukuk at the issuer's discretion, according to Maybank IB. The RM950 million sukuk will be used to refinance outstanding financing facilities or debt facilities of the Yinson group. This method of funding will allow Yinson TMC to issue perpetual sukuk with properties of both debt and equity, giving it access to cost-effective ringgit funding that is non-dilutive, compared with traditional equity instruments. Part of the proceeds will also be used to defray fees, costs and expenses in relation to the issuance and for general corporate purposes such as working capital or capital expenditure for new projects. For the best non-IPO fundraising through bond or sukuk, Khazanah Nasional Bhd's US\$321 million exchangeable sukuk referenced to CITIC Securities Co Ltd shares deserves a notable mention. The exchangeable sukuk was issued via Labuan-incorporated independent special-purpose vehicle Cindai Capital Ltd, and will reference the value of H-shares in CITIC Securities, China's largest securities brokerage firm. This sukuk has a tenure of five years, with a put option exercisable at the end of Year Three. It is structured with

zero periodic payments and 0% yield to maturity with an exchange premium of 40% above the reference share price. This transaction represents the first-ever exchangeable trust certificate in the world to offer exposure to the financial sector in China and is the only equity-linked transaction to achieve a sizeable exchange premium of 40% in Asia-Pacific ex Japan. CIMB Investment Bank and JP Morgan were joint bookrunners and lead managers for the issue. The offering captured a good window as it rose on the recent stock rally in CITIC Securities H-shares as well as the strong momentum in Hong Kong equities. Impressively, the order book was covered within two hours of the launch. At closing, the book size reached a commendable 5.5 times the issue size. It attracted participation from 78 accounts across a well-diversified investor base that comprised long-only funds, hedge funds and arbitrage funds as well as asset managers across Asia and Europe. The offering allows Khazanah to efficiently monetise its stake in CITIC Securities at an attractive price and raise zero-coupon financing in an environment where interest rates are rising. (Source: *The EdgeMarkets*)

Integrated oil and gas group Sapura Energy Bhd has been awarded four new contracts and one extension with a combined value of RM760 million. The jobs involve three drilling contracts and two contracts for the engineering and construction (E&C) segment, the group said today. However, Sapura Energy did not provide a breakdown of the value of each contract. In Angola, Sapura Energy Angola LDA was awarded a two-year contract by a unit of Chevron Corp for the provision of a semi-submersible tender assisted drilling rig. The contract is expected to commence in the second quarter of 2020 with two possible extensions of six months each. In Malaysia, Sapura Drilling Asia Sdn Bhd (SDASB) extended its contract with Sarawak Shell Bhd/Sabah Shell Petroleum Company Ltd for the provision of its semi-submersible tender assisted drilling rig Sapura Esperanza, namely to drill three wells offshore Sarawak. SDASB was also awarded with a contract extension by Petronas for semi-tender assisted drilling rig Sapura Berani to drill two wells in Sabah. All works by SDASB are expected to be completed by the first quarter of 2020, said the group. For the E&C segment, Sapura Fabrication Sdn Bhd (SFSB) was awarded an engineering, procurement, construction and commissioning (EPCC) contract by Petronas Floating LNG 1 (L) Ltd. The job is to relocate and tie-in Petronas' Floating liquefied natural gas vessel PFLNG1 from its current location at Kumang Cluster, offshore Sarawak, said Sapura Energy, with works expected to complete by third quarter of 2020. SFSB was also required by Hess Exploration and Production Malaysia BV to perform additional scope for offshore transportation and installation under an existing contract announced on Feb 5, 2018. The additional scope — which is for the provision of engineering, procurement, construction, commissioning plus installation (EPCC+I) for FFD Phase 2 Facilities, North Malay Basin — is expected to be completed by the second quarter of 2020.. (Source: *The Star*)

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

Source: RAM, MARC

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