HongLeong Bank

Global Markets Research
Fixed Income

Fixed Income Daily Market Snapshot

UST		
Tenure	Closing (%)	Chg (bps)
2-yr UST	2.34	0
5-yr UST	2.31	-1
10-yr UST	2.50	-2
30-yr UST	2.90	-2

	MGS		GII*	
Tenure	Closing (%)	Chg (bps)	Closing (%)	Chg (bps)
3-yr	3.37	-1	3.46	-1
5-yr	3.52	1	3.63	0
7-yr	3.66	-1	3.78	-1
10-yr	3.76	0	3.82	1
15-yr	4.07	-3	4.08	-2
20-yr	4.28	0	4.41	0
30-yr	4.55	-2	4.60	-1

** Market indicative levels*

MYR IRS Levels		
IRS	Closing (%)	Chg (bps)
1-yr	3.53	-1
3-yr	3.52	-1
5-yr	3.60	-2
7-yr	3.71	-1
10-yr	3.87	-3

Source : Bloomberg

Upcoming Government Bond Tender

Nil

US Treasuries

- US Treasuries ended marginally firmer last Friday with the front-end lagging as the overall strong nonfarm payrolls were offset by weaker average hourly earnings. The curve continued its flattening-bias as overall benchmark yields closed between 1-2bps lower. The UST 2Y ended within 1bps of prior day's close at 2.31% whilst the much-watched 10Y closed 2bps lower at 2.50%. Trump's comment that the Fed policy makers should cut interest rates and restore QE failed to spark a rally in UST's. USD IG issuance remains a factor for long-end of the Treasury curve with Saudi Aramco sale expected to start Monday and pricing as early as Tuesday.

MGS/GII

- Local govvies saw momentum grind lower with total volume at RM2.75b with interest seen in the off-the-run 19's and also benchmark 15Y, 30Y bonds. Overall benchmark yields however ended mostly lower between 0-2bps again. The 5Y benchmark MGS 4/23 however edged 1bps higher at 3.52% whilst the 10Y MGS 8/29 was unchanged at 3.76%. GII bonds maintained to form 41% of overall trades. The auction calendar saw the reopening of 15Y MGS 11/33 which notched a solid BTC ratio of 2.79x with an average yield of 4.065%. Meantime the latest foreign holdings of MYR govvies (MGS +GII) as at end-March brought cheer as it rose by RM2.7b to RM169.4b; representing 23.7% of overall outstanding govvies. MGS holdings were at the highest level seen since May 2018. Meanwhile foreign reserves rose by US$400m to US$103.0b as of 29th March.

Corp Bonds/Sukuk

- Investor interest in Corporate Bonds/Sukuk was upbeat with volume at RM1.04b and demand mainly across the GG-part of the curve. A slew of Govt-guaranteed DANAINFRA and PRASARANA bonds rallied and dominated this space with yields closing lower. Meanwhile the short KHAZANAH 3/20 topped volume closing 22bps lower compared to previous-done levels at 3.67%. The short-end AAA-rated CAGAMAS 19-21's were also taken 9-20bps lower between 3.60-83% levels. also closed lower on yields at 3.60% area whilst AMAN 24-25's ended 7-12bps lower at 4.12% and 4.16% each. TELEKOM 28's also saw demand causing yields to end lower between 4.30-33%. AA-rated space saw CELCOM 27-28's end 0-4bps lower between 4.37-42% area whereas energy-related bonds i.e. TANJUNG BIN Power 3/30 and Souther Power 4/30 closed sharply lower on yields at 4.53% and 4.41% respectively.

Daily Trades : Government Bonds

Securities		Closing YTM	Vol (RM mil)	Previous YTM	Previous Trade Date (dd/mm/yyyy)	Chg (bp)
MGS	10/19	3.310	115	3.321	04/04/2019	-1
MGS	11/19	3.334	127	3.320	04/04/2019	1
MGS	03/20	3.355	82	3.355	04/04/2019	0
MGS	10/20	3.379	27	3.373	04/04/2019	1
MGS	07/21	3.410	17	3.411	04/04/2019	0
MGS	09/21	3.368	1	3.403	03/04/2019	-4
MGS	11/21	3.439	2	3.427	04/04/2019	1
MGS	03/22	3.370	47	3.375	04/04/2019	0
MGS	08/22	3.487	85	3.506	04/04/2019	-2
MGS	09/22	3.496	83	3.502	04/04/2019	-1
MGS	03/23	3.551	1	3.577	04/04/2019	-3
MGS	04/23	3.521	8	3.521	04/04/2019	0
MGS	08/23	3.562	4	3.599	04/04/2019	-4
MGS	07/24	3.644	107	3.671	04/04/2019	-3
MGS	09/24	3.683	10	3.683	04/04/2019	0
MGS	03/25	3.702	76	3.702	04/04/2019	0
MGS	09/25	3.712	69	3.708	04/04/2019	0
MGS	07/26	3.661	10	3.668	04/04/2019	-1
MGS	11/26	3.715	59	3.695	04/04/2019	2
MGS	03/27	3.796	6	3.823	03/04/2019	-3
MGS	08/29	3.755	27	3.750	04/04/2019	0
MGS	04/30	3.876	30	3.923	04/04/2019	-5
MGS	06/31	3.970	1	3.961	04/04/2019	1
MGS	04/33	4.061	2	4.066	04/04/2019	0
MGS	11/33	4.066	400	4.091	04/04/2019	-3
MGS	05/35	4.163	2	4.236	03/04/2019	-7
MGS	04/37	4.246	63	4.253	04/04/2019	-1
MGS	06/38	4.277	20	4.277	04/04/2019	0
MGS	03/46	4.550	20	4.570	04/04/2019	-2
MGS	07/48	4.548	120	4.572	04/04/2019	-2
GII	04/19	3.340	90	3.357	03/04/2019	-2
GII	04/20	3.367	5	3.376	04/04/2019	-1
GII	06/20	3.411	50	3.459	29/03/2019	-5
GII	03/22	3.461	6	3.469	04/04/2019	-1
GII	07/22	3.549	30	3.544	04/04/2019	0
GII	04/23	3.701	50	3.941	21/12/2018	-24
GII	11/23	3.632	80	3.630	04/04/2019	0
GII	05/24	3.712	2	3.721	01/04/2019	-1
GII	08/25	3.779	20	3.789	03/04/2019	-1
GII	10/25	3.796	20	3.807	04/04/2019	-1
GII	03/26	3.709	140	3.718	04/04/2019	-1
GII	09/26	3.799	22	3.807	04/04/2019	-1
GII	06/27	3.847	100	4.078	07/03/2019	-23
GII	07/27	3.832	20	3.853	04/04/2019	-2
GII	10/28	3.864	10	3.871	04/04/2019	-1
GII	07/29	3.823	73	3.815	04/04/2019	1
GII	09/30	3.923	60	3.982	04/04/2019	-6
GII	06/33	4.081	100	4.101	04/04/2019	-2
GII	08/33	4.113	20	4.181	04/04/2019	-7
GII	09/39	4.338	81	4.355	04/04/2019	-2
GII	05/47	4.600	150	4.608	04/04/2019	-1
			2749			

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*
Khazanah Nasional Berhad	03/20	GG	3.673	150	3.893	28/02/2019	-22	33
DanaInfra Nasional Berhad	04/21	GG	3.610	145	3.849	06/12/2018	-24	24
DanaInfra Nasional Berhad	07/22	GG	3.680	60	3.693	04/04/2019	-1	30
Prasarana Malaysia Berhad	12/25	GG	3.882	20	3.918	25/03/2019	-4	21
DanaInfra Nasional Berhad	10/26	GG	3.927	10	3.951	02/04/2019	-2	21
DanaInfra Nasional Berhad	07/27	GG	3.928	5	3.938	04/04/2019	-1	21
Prasarana Malaysia Berhad	12/27	GG	3.921	5	4.028	21/03/2019	-11	18
Lembaga Pembiayaan Perumahan Sektor Awam	10/28	GG	4.039	70	4.059	03/04/2019	-2	29
DanaInfra Nasional Berhad	02/29	GG	3.978	20	4.249	04/03/2019	-27	23
Prasarana Malaysia Berhad	09/29	GG	3.980	105	4.008	03/04/2019	-3	23
Prasarana Malaysia Berhad	03/30	GG	4.009	5	4.272	06/03/2019	-26	26
DanaInfra Nasional Berhad	04/30	GG	4.010	10	4.039	28/03/2019	-3	26
GovCo Holdings Berhad	02/32	GG	4.260	20	4.272	03/04/2019	-1	20
DanaInfra Nasional Berhad	11/32	GG	4.151	25	4.171	04/04/2019	-2	9
Perbadanan Tabung Pendidikan Tinggi Nasional	02/34	GG	4.229	10	4.251	04/04/2019	-2	17
DanaInfra Nasional Berhad	04/34	GG	4.209	80	4.719	27/12/2018	-51	15
DanaInfra Nasional Berhad	10/36	GG	4.359	10	4.670	22/02/2019	-31	8
Prasarana Malaysia Berhad	09/37	GG	4.399	5	4.629	13/03/2019	-23	12
DanaInfra Nasional Berhad	05/41	GG	4.509	10	4.592	26/03/2019	-8	23
DanaInfra Nasional Berhad	04/45	GG	4.609	40	5.079	07/08/2018	-47	33
DanaInfra Nasional Berhad	10/46	GG	4.651	5	4.940	08/02/2019	-29	37
Cagamas Berhad	10/19	AAA	3.599	50	3.797	29/01/2019	-20	25
GENM Capital Berhad	08/20	AAA	4.098	20	4.465	18/12/2018	-37	75
Cagamas Berhad	10/21	AAA	3.829	10	3.916	22/03/2019	-9	45
Pengurusan Air SPV Berhad	02/24	AAA	4.067	10	4.300	31/01/2019	-23	55
TNB Northern Energy Berhad	05/25	AAA	4.127	10	5.052	23/01/2014	-93	49
Sarawak Energy Berhad	01/22	AA1	4.068	10	4.115	22/03/2019	-5	69
Sabah Credit Corporation	06/23	AA1	4.439	3	4.497	29/01/2019	-6	97
Sarawak Energy Berhad	01/27	AA1	4.239	10	4.459	28/02/2019	-22	53
YTL Power International Berhad	05/27	AA1	4.586	10	4.639	04/04/2019	-5	87
UniTapah Sdn Berhad	12/28	AA1	4.441	5	4.750	23/11/2018	-31	69
Gamuda Berhad	11/22	AA3	4.437	10	4.476	27/03/2019	-4	97
CIMB Thai Bank Public Company Limited	07/24	AA3	4.215	10	4.738	26/03/2019	-52	70
Dynasty Harmony Sdn Berhad	06/29	AA3	5.930	5	5.930	04/04/2019	0	218
Edra Energy Sdn Berhad	07/29	AA3	5.699	3	5.679	29/03/2019	2	195
Tanjung Bin Energy Issuer Berhad	03/30	AA3	4.539	10	4.859	13/11/2018	-32	79
Southern Power Generation Sdn Berhad	04/30	AA-	4.410	10	4.758	14/11/2018	-35	66
CIMB Group Holdings Berhad	05/16	A1	4.559	1	4.684	04/04/2019	-13	28
CIMB Group Holdings Berhad	05/16	A1	4.542	1	4.656	28/03/2019	-11	26
UMW Holdings Berhad	04/18	A1	5.346	20	5.517	28/03/2019	-17	107
AEON Credit Perpetual	11/13	-	6.189	6	6.341	17/01/2019	-15	-
DRB-Hicom Berhad	11/20	A+	5.644	1	5.903	28/11/2017	-26	227
Celcom Networks Sdn Berhad	10/26	AA+	4.368	10	4.370	02/04/2019	0	65
Celcom Networks Sdn Berhad	08/27	AA+	4.419	10	4.459	27/03/2019	-4	71
				1043				

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

Market/Corporate News: What's Brewing

The current re-negotiations on the East Coast Rail Link (ECRL) may see its construction price pegged at RM50mil to RM60mil per km as well as a commitment by the Chinese government to buy Malaysian palm oil and bring in projects, according to sources. This means that the construction of the 688-km long ECRL, suspended last July after the new government found irregularities in the terms of the "lopsided" contract, would cost between RM34.4bil and RM41.3bil. According to a source with technical know-how, China and Malaysia have agreed to this pricing: Constructing a rail track on normal terrain is about RM50mil per km; and for tunnelling at the Main Range and areas with challenging soil condition, the cost can be raised up to RM60mil per km. Last Friday, Finance Minister Lim Guan Eng hinted that the ECRL could cost RM36bil, down from about RM55bil announced in 2016 by the previous administration and RM81bil estimated by the present government. Daim, also Malaysia's former finance minister, told reporters last month: "We are almost there. Just need to tighten the screws here and there." One source close to the Malaysian negotiating team tells StarBiz that for the price to be lower, the ECRL will adopt single-tracking and not double-tracking, as the passenger and freight traffic flow is expected to be low due to sparse population and low investments in the states of Pahang, Terengganu and Kelantan. A single-track railway is a railway where trains travelling in both directions share the same track. A double-track railway involves running one track in each direction. The cheaper single track is for lesser-used lines. “The Chinese really wants to see the ECRL coming into fruition, as this is a key project under President Xi Jinping’s Belt and Road Initiative. Their attitude has been very accommodating in the negotiations, though initially they were tough,” said the source from the Malaysian side. The ECRL is of strategic importance to China because by using the Kuantan Port-ECRL-Port Klang route, its trading route and time to the west of Peninsular Malaysia could be cut short and there is no need to use Singapore Port. The project will also benefit Malaysia as it will spur tourism and economic growth in the East Coast states. Touted as a game changer for Malaysia, the ECRL is expected to reduce travel time from Gombak (in Selangor) to Kota Baru (in Kelantan) to under four hours, from 8-12 hours at present. But the price tag of RM81bil would be too much of a burden for Malaysia due to the heavy debts of the government. However, if Malaysia were to cancel the ECRL project unilaterally, it would have to pay about RM20bil in compensation to China. According to the sources, the ECRL package under negotiation will include a commitment from China to purchase more local palm oil and to direct more Chinese investments into Malaysia. “This is under bilateral talks now. We are talking about a package, not just the ECRL project. Top officials from the Primary Industries Ministry have joined the negotiation team,” says the source. In fact, Daim had already hinted earlier on the inclusion of the commercial elements. In an interview on TV3’s prime-time Bulletin Utama three weeks ago, Daim said the ECRL would have “new commercial elements that would have a greater impact on Malaysian companies and people”. He said: “When we discuss, we negotiate and I like to make a commercial deal... a lot more (projects) will come our way and we will get more profit.” Daim also said he had been in touch with the relevant parties in China and “both countries have reached a decision to finalise the agreement”. But it is not immediately known how much palm oil China will commit to buy and the duration of the commitment. President Xi made a pledge to former prime mnister Datuk Seri Najib Razak that Beijing would buy Malaysia’s palm oil “without upper limit” during the latter’s official visit to China in 2016, when bilateral ties were very close. But since last year, China has slowed down its purchase of local palm oil and raised its offtake from Indonesia. Many see this as a response to the suspension of several China projects in Malaysia and attacks on Chinese investments by some key politicians. The ECRL package will include China’s commitment to bring in investments in the manufacturing and high-tech industries needed for economic digitisation, says another source. Last Friday, Lim hinted that the ECRL could include the state of Negri Sembilan, if negotiations with the Chinese government were successful, and the project was to go on. *(Source: The Star)*

Pavilion Real Estate Investment Trust (REIT) has opted not to participate in the ownership of the under-construction Pavilion Bukit Jalil mall to avoid unwanted risks, but believes the asset will be worth reconsidering upon its completion, said its manager. Pavilion REIT Management Sdn Bhd chief executive officer Philip Ho hopes to receive an invitation from the owners again, post-construction. “It is a very nice mall. But the board has decided to wait until the mall is completed, so that we do not take unnecessary development and construction risks,” Ho told The Edge Financial Daily in a recent interview. “After they have finished the project, there will be a number in terms of average rental and in valuation. Hopefully then, they will invite us to look into it [again]. “If they do offer us [ownership], and if it is accretive, we will definitely review it. The mall will be completed between September 2020 and 2021, and we are quite confident that it will do well.” The REIT considers assets with yields between 6.5% and 7% to be accretive. Pavilion REIT and Malton — the developer of the 1.8 million sq ft mall — are linked to property tycoon Tan Sri Desmond Lim Siew Choon, who is a substantial shareholder and chairman of both entities. On Aug 13 last year, the trustee of Pavilion REIT accepted an invitation for Malton and the REIT to enter into a non-disclosure agreement to commence due diligence and other discussions with a view for the REIT to participate in the ownership of the ongoing development. However, five months later, Pavilion REIT announced that it would not buy a stake in the mall, but did not provide any reasons. It is possible that the proposed stake — or a smaller or larger shareholding — could be sold to the Qatar Investment Authority, which informed Malton in a Jan 3 letter that it had its investment committee's approval in principle to work towards participating in the ownership of the mall, subject to due diligence and execution of legal definitive agreements. The mall — part of the wider Bukit Jalil City project with a gross development value of RM4 billion — is being undertaken by Malton's wholly-owned subsidiary Pioneer Haven Sdn Bhd. With a net lettable area larger than the REIT's crown jewel, Pavilion Kuala Lumpur (Pavilion KL), the mall has five retail levels and two of basement parking. Pavilion REIT is presently enjoying continuous growth at Pavilion KL and at its recently-acquired asset, Elite Pavilion, a 10-storey retail component adjacent to the mall. The RM580 million acquisition was completed in April 2018. The two assets contributed a combined net property income (NPI) of RM340.82 million, about 93% of the REIT's total NPI of RM374.79 million for the financial year ended Dec 31, 2018 (FY18). The performance was a 16% improvement on FY17's total NPI, and was achieved on the back of a 13% increase in gross revenue to RM554.98 million, mainly contributed by income from the new property, higher rental income from Pavilion KL after the repositioning exercise and a higher occupancy rate at the Intermark Mall. Ho said it is imperative to get the formula right. "Retail is interesting once you get the right formula — like for Pavilion KL, Elite, Intermark and Tower — things will take off. "We got the formula right for Intermark within a year. As for Da Men Mall, while it is only 5.7% of our portfolio, we do want it to succeed. So we are concentrating on Da Men this year and hope the turnaround will come." The REIT has spent the past year fixing road traffic issues around Da Men Mall — improving visitation numbers by about 8% — and will now work on the mall's tenant mix to lengthen visitation hours and to boost spending. Elite Pavilion, which boasts a 97% occupancy rate, could improve further with the opening of a new hotpot restaurant this year and a seasonal pop-up to be announced later this month. Being "quite happy" with the REIT's performance last year, Ho is optimistic that earnings will expand this year, albeit by a single-digit percentage, while turnover could see double-digit growth. "Given the current situation with the US-China trade issues, and talks that interest rates are flattening off in the US, all these have introduced stability issues around the world, which can affect Malaysia." He said the situation is likely to be clearer in the second half of the year, but observed that consumer confidence is still looking positive. Pavilion REIT's unit price has gained 36.5% over the past year. At its close of RM1.80 last Friday, the REIT was valued at RM5.47 billion. Given its distribution per unit of 8.78 sen, the REIT provides a gross dividend yield of 4.9%. "We have been trading [mostly] above the 5% yield. It is a good time for us to raise money. The next exercise will be quite interesting, but it would be quite some time away. "We hope that [for] our next acquisition, especially with things like [Pavilion] Bukit Jalil, we will be able to raise capital rather than going for term loans," said Ho, adding that the REIT welcomes other acquisition opportunities, including third-party assets. Listed in 2011, Pavilion REIT owns a RM5.9 billion portfolio of investment properties based on appraised value, comprising of four retail malls — Pavilion KL, Elite Pavilion, the Intermark Mall and Da Men Mall — and an office tower known as Pavilion Tower. *(Source:The EdgeMarkets)*

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

Source: RAM, MARC

Hong Leong Bank Berhad
Fixed Income & Economic Research, Global Markets
Level 8, Hong Leong Tower
6, Jalan Damanlela
Bukit Damansara
50490 Kuala Lumpur
Tel: 603-2081 1221
Fax: 603-2081 8936
Email: HLMarkets@hlbb.hongleong.com.my