

Global Markets Research

Fixed Income

UST		
Tenure	Closing (%)	Chg (bps)
2-yr UST	1.89	3
5-yr UST	1.86	2
10-yr UST	2.05	1
30-yr UST	2.53	-1

MGS			GII*	
Tenure	Closing (%)	Chg (bps)	Closing (%)	Chg (bps)
3-yr	3.29	0	3.32	1
5-yr	3.42	0	3.45	0
7-yr	3.52	0	3.56	0
10-yr	3.63	1	3.63	0
15-yr	3.81	1	3.90	0
20-yr	4.01	1	4.03	1
30-yr	4.25	2	4.37	0

* Market indicative levels

MYR IRS Levels		
IRS	Closing (%)	Chg (bps)
1-yr	3.38	0
3-yr	3.39	0
5-yr	3.47	0
7-yr	3.54	2
10-yr	3.64	1

Source : Bloomberg

Upcoming Government Bond Tender

Nil

Fixed Income Daily Market Snapshot

US Treasuries

- US Treasuries ended mostly mixed, with the longer-end well-bid as the curve fattened post-payroll numbers for June last Friday. Overall benchmark yields ended between 0-3bps higher with the UST 2Y up 3bps at 1.89% and the much-watched 10Y ~1bps higher at 2.03%. Traders may expect UST yields to resume their decline despite stronger-than-expected June payrolls data whilst Fed Chair Powell's congressional testimony this week would be followed closely. This corresponds with many central banks signalling that their next interest rate decision may hinge more on a cut rather than a hike. Nevertheless investors are still split on the outlook in the face of tepid inflation and strong jobs numbers for June in the US. Meanwhile both equities and bonds asset classes are seen to be at their strongest correlation for now.

MGS/GII

- Trading momentum in local govies fizzled out with most investors sidelined ahead of the BNM OPR meeting today. Volume was at a mere RM1.65b with some interest seen in the 15Y space as overall benchmark yields ended 0-2bps higher. The benchmark 5Y MGS 6/24 was untraded at 3.42% whilst the 10Y MGS 8/29 edged 1bps higher 3.63%. GII trades dropped to form ~20% of overall trades. Foreign holdings of local govies for June which rebounded by RM5.8b for MGS to RM149.1b (36.9% of total MGS) is expected to hold steadfast for now. Expect attention to shift to the upcoming BNM Overnight Policy Rate decision today as any hint of a dovish-bias will rekindle further interest in bonds.

Corp Bonds/Sukuk

- Corporate Bonds/Sukuk maintained solid interest as volume notched RM727m with interest mainly across the GG-segment as overall yields ended mostly lower again. A slew of Govt-guaranteed DANA bonds dominated trade with the 2025-2026 tranches ending between 0-3bps lower compared to previous-done levels at 3.56-58% levels between 3.42-3.77% levels whilst DANA 11/24 closed 10bps lower at 3.56% on substantial RM120m in nominal trades. AAA-rated PLUS 30-31's moves 2-16bps lower at 4.00% and 4.06% respectively. In the AA-space GAMUDA 3/23 continued to exchange hands yesterday, closing 5bps lower at 4.05% whilst Energy bonds EDRA and JEP saw demand causing yields to end 11-15bps lower. The banking space saw CIMB Group 6/22 make its maiden trade at 3.83%; 12bps lower than its coupon since its debut last month.

Daily Trades : Government Bond

Securities		Closing YTM	Vol (RM mil)	Previous YTM	Previous Trade Date (dd/mm/yyyy)	Chg (bp)
MGS	10/19	3.111	131	3.069	05/07/2019	4
MGS	11/19	3.078	50	3.062	05/07/2019	2
MGS	03/20	3.135	6	3.147	05/07/2019	-1
MGS	07/21	3.265	75	3.255	05/07/2019	1
MGS	11/21	3.294	28	3.277	05/07/2019	2
MGS	03/22	3.293	10	3.291	05/07/2019	0
MGS	08/22	3.345	40	3.356	05/07/2019	-1
MGS	09/22	3.349	36	3.369	05/07/2019	-2
MGS	03/23	3.393	1	3.389	05/07/2019	0
MGS	04/23	3.443	100	3.407	05/07/2019	4
MGS	07/24	3.491	24	3.474	05/07/2019	2
MGS	09/24	3.492	60	3.489	05/07/2019	0
MGS	03/25	3.523	10	3.511	05/07/2019	1
MGS	09/25	3.519	15	3.537	05/07/2019	-2
MGS	06/28	3.638	4	3.643	05/07/2019	0
MGS	08/29	3.629	90	3.617	05/07/2019	1
MGS	04/33	3.858	9	3.844	05/07/2019	1
MGS	11/33	3.840	148	3.842	05/07/2019	0
MGS	07/34	3.806	245	3.793	05/07/2019	1
MGS	05/35	3.953	1	3.913	04/07/2019	4
MGS	04/37	4.008	32	3.993	05/07/2019	2
MGS	06/38	4.005	2	3.998	05/07/2019	1
MGS	09/43	4.196	195	4.219	05/07/2019	-2
MGS	07/48	4.252	13	4.229	05/07/2019	2
GII	09/19	3.022	20	3.088	27/06/2019	-7
GII	05/20	3.189	10	3.280	17/05/2019	-9
GII	03/22	3.321	70	3.311	04/07/2019	1
GII	07/23	3.460	2	3.458	05/07/2019	0
GII	10/24	3.445	100	3.443	05/07/2019	0
GII	11/34	3.793	2	3.803	05/07/2019	-1
GII	10/35	3.929	60	3.936	04/07/2019	-1
GII	09/39	4.027	60	4.019	05/07/2019	1
			<u>1650</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*	
DanalInfra Nasional Berhad	11/24	GG	3.559	120	3.660	13/06/2019	-10	13
DanalInfra Nasional Berhad	04/25	GG	3.560	50	3.579	21/06/2019	-2	6
DanalInfra Nasional Berhad	11/25	GG	3.570	10	3.599	20/06/2019	-3	6
DanalInfra Nasional Berhad	02/26	GG	3.580	25	3.580	05/07/2019	0	4
DanalInfra Nasional Berhad	04/26	GG	3.580	155	3.579	05/07/2019	0	4
Jambatan Kedua Sdn Berhad	05/30	GG	3.899	20	4.098	12/06/2019	-20	27
GovCo Holdings Berhad	06/31	GG	4.009	40	4.008	04/07/2019	0	38
Pelabuhan Tanjung Pelepas Sdn Berhad	10/31	GG	4.039	20	4.352	17/05/2019	-31	41
GovCo Holdings Berhad	02/32	GG	4.009	60	4.148	18/06/2019	-14	20
DanalInfra Nasional Berhad	10/46	GG	4.310	10	4.399	26/06/2019	-9	30
GB Services Berhad	11/19	AAA	3.566	2	3.947	25/04/2019	-38	40
GB Services Berhad	11/19	AAA	4.515	1	3.600	05/07/2019	92	135
Telekom Malaysia Berhad	03/24	AAA	3.719	4	3.778	27/06/2019	-6	29
Projek Lebuhraya Usahasama Berhad	01/30	AAA	3.999	10	4.162	21/06/2019	-16	37
Projek Lebuhraya Usahasama Berhad	01/31	AAA	4.059	10	4.080	05/07/2019	-2	43
CIMB Group Holdings Berhad	06/22	AA1	3.825	30	-	-	-	53
Kuala Lumpur Kepong Berhad	09/22	AA1	3.690	5	3.827	20/06/2019	-14	39
BEWG (M) Sdn Berhad	07/22	AA	4.216	10	4.690	08/02/2019	-47	92
Anih Berhad	11/24	AA	4.120	3	4.351	07/05/2019	-23	69
BGSM Management Sdn Berhad	12/22	AA3	4.118	7	4.150	20/06/2019	-3	82
Country Garden Real Estate Sdn Berhad	02/23	AA3	6.522	15	6.518	05/07/2019	0	314
Gamuda Berhad	03/23	AA3	4.046	20	4.096	05/07/2019	-5	66
Edra Energy Sdn Berhad	07/30	AA3	4.839	10	4.999	20/06/2019	-16	121
Dynasty Harmony Sdn Berhad	12/30	AA3	5.880	8	6.250	20/12/2018	-37	225
Edra Energy Sdn Berhad	07/32	AA3	4.883	10	4.997	20/06/2019	-11	107
Edra Energy Sdn Berhad	01/33	AA3	4.899	10	5.019	24/06/2019	-12	109
Segi Astana Sdn Berhad	01/23	AA-	4.919	1	4.949	02/07/2019	-3	154
Segi Astana Sdn Berhad	01/24	AA-	4.961	1	5.000	28/06/2019	-4	153
Jimah East Power Sdn Berhad	12/28	AA-	4.183	20	4.329	12/06/2019	-15	56
Bank Islam Malaysia Berhad	11/28	A1	4.147	10	4.662	14/03/2019	-52	52
Affin Bank Berhad	07/18	A3	4.896	0	4.322	20/06/2019	57	89
Eco World International Berhad	10/21	-	6.171	1	5.801	27/06/2019	37	-
DRB-Hicom Berhad	12/14	A-	4.494	30	4.690	04/06/2019	-20	48
			<u>727</u>					

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

Market/Corporate News: What's Brewing

Phase two of the project to rehabilitate the double-track railway lines around the Klang Valley is expected to resume soon at a lower price, with the contract to be re-awarded to the original contractors. No competitive tender was called for the project, sources said. According to sources, Dhaya Maju Infrastructure (Asia) Sdn Bhd (DMIA) and its partner Lembaga Tabung Angkatan Tentera (LTAT) have secured the job at a cost slightly above RM3bil. Sources said the second phase of the Klang Valley Double Track (KVDT) could cost just above RM3bil, which is substantially lower than the original price tag of RM5.9bil. The update on the project is expected to be given by Transport Minister Anthony Loke in Parliament today. He, however, kept mum on the details when asked by reporters at the inaugural Women in Rail Malaysia Leadership Conference 2019 "Together Towards Tomorrow". The contract for the second phase of the KVDT was awarded by the previous administration to DMIA Engineering in partnership with LTAT in April last year. The contract, however, was terminated when Pakatan Harapan took over the government after the election in September after a review. Following that, DMIA and LTAT submitted a new proposal to the government in a bid to win back the KVDT Phase 2 (KVDT2) contract. Last year, Loke was quoted as saying that the KVDT2 contract was given out through direct negotiations. He had said that the ministry would conduct an open tender for the project. He had said that the original price tag was "too high", as there were no new buildings or stations involved. He also questioned the completion period of the original contract that would take seven years to complete. While no payment has been made to the contractor since the award last year, Loke said that about 3% of the works at KVDT2 has been carried out. The second phase of the KVDT project involves the rehabilitation of two KTM Bhd railway tracks - one from Salak South to Seremban and the other from a point between Kuala Lumpur Sentral and Angkasapuri to Port Klang - measuring a total of 110km. The entire project involves infrastructure and system upgrades to ensure safe, reliable and comfortable train services. The first phase of the rehabilitation project covers the upgrading of systems work between Rawang and Seremban, and from Sentul to Port Klang, involving about 150km at a cost of RM1.3bil awarded to DMIA. It was awarded in 2016. It was reported that the project had reached a 75% completion rate in April. The project is supposed to be completed by the end of this year. Assuming a cost of RM3bil, the cost of the second phase of the project works out to about RM27mil per km as opposed to RM53mil per km based on the previous price tag of about RM5.9bil. According to Keretapi Tanah Melayu Bhd (KTMB), the second phase of the KVDT is much needed, considering that the current track network is unsustainable. Separately, yesterday, Loke announced that the newly revived East Coast Rail Link (ECRL) project may be celebrated in a relaunch ceremony on July 25. He said Malaysian companies are also set to play a larger role, as they would take on 40% of the project's civil works. The ECRL was put on hold for several months from July 2018 as terms of its construction were being renegotiated. The project was revived in April after Malaysian Rail Link Sdn Bhd and China Communications Construction Company Ltd signed a supplementary agreement in Beijing. Under the new deal, the project's development cost was brought down from RM66bil to RM44bil and the previous 688km line was also shortened by 40km. (Source: *The Star*)

Rating Action			
Issuer	PDS Description	Rating/Outlook	Action
Malaysia Debt Ventures Berhad (MDV)	Corporate Credit Rating	AA3/Stable/P1	Assigned Reaffirmed Reaffirmed

Source: RAM, MARC

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