

Global Markets Research

Fixed Income

Fixed Income Daily Market Snapshot

UST		
Tenure	Closing (%)	Chg (bps)
2-yr UST	1.62	1
5-yr UST	1.55	-1
10-yr UST	1.71	-2
30-yr UST	2.23	-3

MGS		GII*		
Tenure	Closing (%)	Chg (bps)	Closing (%)	Chg (bps)
3-yr	3.19	-6	3.23	-5
5-yr	3.30	-3	3.34	-6
7-yr	3.40	-8	3.45	-2
10-yr	3.47	-3	3.48	-9
15-yr	3.70	-6	3.70	-8
20-yr	3.89	-3	3.91	-4
30-yr	4.14	-3	4.14	0

* Market indicative levels

MYR IRS Levels		
IRS	Closing (%)	Chg (bps)
1-yr	3.30	0
3-yr	3.27	-1
5-yr	3.27	-2
7-yr	3.29	-4
10-yr	3.43	-2

Source : Bloomberg

Upcoming Government Bond Tender

Nil

US Treasuries

• US Treasuries ended mixed on Thursday with bonds extending out from 5Y tenures benefitting the most amid decent auction metrics for the 30Y and talks of German stimulus package. (The auction of \$38b 30Y bonds notched a BTC ratio of 2.24x; drawing a yield of 2.335%). The slight pull-back in UST's were expected arising from the unexpected rise in Chinese exports which reduced the appeal of safe-haven assets. The curve flattened as overall benchmark yields closed between -3 to +1bps with the UST 2Y edging 1bps higher at 1.62% and the much-watched 10Y shedding 2bps to 1.71%. Upcoming report on producer prices for July may attract attention tonight whilst traders hope tame inflation data next week will encourage the Fed to cut interest rates further.

MGS/GII

• Trading momentum in local govies was ramped up as volume notched RM6.85b on strong bids for the third day in a row; boosted by news of increase in foreign holdings of MYR bonds for July and also a general global bond rally. Interest was seen across off-the-run 21-23's including the benchmark 3Y, 5Y, 7Y bonds along with interest in the longer-ends i.e. 2030 and 2034 tranches (i.e. 20Y bonds). Overall benchmark yields ended 0-9bps lower across with both the 5Y benchmark MGS 6/24 and the 10Y MGS 8/29 rallying 3bps at 3.30% and 3.47% respectively. GII trades rose to form 41% of overall trades. Meanwhile the auction reopening for 5Y GII 10/24 saw solid demand on a BTC ratio of 4.14x which drew a yield of 3.345%. Upcoming data today include industrial production and manufacturing sales data for June.

Corp Bonds/Sukuk

• Corporate Bonds/Sukuk saw solid interest despite volume easing to RM816m with interest equally spread across the GG-AA part of the curve. A slew of DANA (RM120m) and PRASA (RM85m) bonds again dominated the Govt-guaranteed sector. The long-end DANA 47-49's saw yields close 5-8bps lower compared to previous-done levels at 4.24% levels. AAA-rated CAGAMAS 20's closed at 3.34% area whereas TELEKOM 24's moved 11-23bps lower between 3.62-63%. TNB Western 32's similarly closed sharply lower on yields between 3.92-93%. saw RM235m in nominal amounts traded 13bps lower at 3.62%. In the AA-space WCT saw several tranches i.e. 2021-2026 rally to 4.79-5.16% levels whilst several energy-related bonds like SEB 6/21, 7/24, YTL Power 8/28 and EDRA Energy 1/22 and 7/31 dominated this space as yields drifted to close lower.

Daily Trades : Government Bond

Securities		Closing YTM	Vol (RM mil)	Previous YTM	Previous Trade Date (dd/mm/yyyy)	Chg (bp)
MGS	10/19	3.123	6	3.101	07/08/2019	2
MGS	11/19	3.111	50	3.081	07/08/2019	3
MGS	03/20	3.170	1	3.131	07/08/2019	4
MGS	10/20	3.127	2	3.153	07/08/2019	-3
MGS	02/21	3.180	54	3.236	07/08/2019	-6
MGS	07/21	3.202	60	3.228	07/08/2019	-3
MGS	09/21	3.190	220	3.243	07/08/2019	-5
MGS	11/21	3.218	16	3.270	07/08/2019	-5
MGS	03/22	3.189	432	3.248	07/08/2019	-6
MGS	08/22	3.237	7	3.306	07/08/2019	-7
MGS	04/23	3.277	130	3.391	07/08/2019	-11
MGS	08/23	3.304	46	3.380	07/08/2019	-8
MGS	06/24	3.299	520	3.331	07/08/2019	-3
MGS	07/24	3.330	65	3.448	07/08/2019	-12
MGS	09/24	3.332	40	3.432	07/08/2019	-10
MGS	03/25	3.383	64	3.505	07/08/2019	-12
MGS	09/25	3.405	211	3.529	07/08/2019	-12
MGS	04/26	3.440	40	3.520	07/08/2019	-8
MGS	07/26	3.400	298	3.482	07/08/2019	-8
MGS	09/26	3.474	10	3.732	13/06/2019	-26
MGS	11/26	3.500	64	3.540	07/08/2019	-4
MGS	11/27	3.498	64	3.575	07/08/2019	-8
MGS	06/28	3.557	125	3.589	07/08/2019	-3
MGS	08/29	3.468	211	3.498	07/08/2019	-3
MGS	04/30	3.621	230	3.644	07/08/2019	-2
MGS	06/31	3.709	51	3.708	07/08/2019	0
MGS	04/33	3.773	74	3.825	07/08/2019	-5
MGS	11/33	3.764	89	3.799	07/08/2019	-4
MGS	07/34	3.696	675	3.762	07/08/2019	-7
MGS	06/38	3.893	141	3.926	07/08/2019	-3
MGS	09/43	4.143	24	4.131	07/08/2019	1
MGS	07/48	4.142	1	4.172	07/08/2019	-3
GII	04/20	3.131	100	3.152	06/08/2019	-2
GII	06/20	3.123	20	3.070	31/07/2019	5
GII	08/20	3.118	70	3.149	02/08/2019	-3
GII	03/21	3.182	210	3.217	07/08/2019	-4
GII	04/21	3.204	15	3.249	31/07/2019	-4
GII	08/21	3.241	20	3.287	24/07/2019	-5
GII	03/22	3.229	110	3.278	07/08/2019	-5
GII	04/22	3.237	60	3.316	02/08/2019	-8
GII	07/22	3.264	80	3.310	07/08/2019	-5
GII	07/23	3.315	30	3.398	07/08/2019	-8
GII	11/23	3.348	203	3.436	06/08/2019	-9
GII	05/24	3.345	20	3.427	07/08/2019	-8
GII	08/24	3.369	110	3.443	07/08/2019	-7
GII	10/24	3.340	429	3.400	07/08/2019	-6
GII	08/25	3.414	20	3.496	07/08/2019	-8
GII	10/25	3.410	60	3.536	02/08/2019	-13
GII	03/26	3.453	130	3.469	07/08/2019	-2
GII	07/27	3.496	60	3.593	06/08/2019	-10
GII	10/28	3.529	281	3.592	07/08/2019	-6
GII	12/28	3.563	1	3.661	31/07/2019	-10
GII	07/29	3.479	240	3.569	07/08/2019	-9
GII	11/34	3.696	200	3.780	07/08/2019	-8
GII	10/35	3.812	100	3.867	07/08/2019	-6
GII	08/37	3.909	80	3.961	07/08/2019	-5
GII	09/39	3.913	110	3.952	07/08/2019	-4
GII	05/47	4.195	42	4.190	07/08/2019	0
GII	11/49	4.142	30	4.146	06/08/2019	0
			<u>6851</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	11/25	GG	3.512	15	4.089	21/02/2019	-58	13
DanaInfra Nasional Berhad	11/25	GG	3.511	5	3.588	17/07/2019	-8	13
Prasarana Malaysia Berhad	08/26	GG	3.600	20	3.635	06/08/2019	-3	20
DanaInfra Nasional Berhad	07/27	GG	3.619	10	3.661	07/08/2019	-4	15
Prasarana Malaysia Berhad	03/28	GG	3.590	10	3.677	07/08/2019	-9	10
DanaInfra Nasional Berhad	05/28	GG	3.569	5	3.675	07/08/2019	-11	8
Prasarana Malaysia Berhad	09/28	GG	3.661	10	3.880	14/06/2019	-22	17
DanaInfra Nasional Berhad	11/28	GG	3.579	10	3.689	07/08/2019	-11	9
Pengurusan Air SPV Berhad	02/29	GG	3.700	10	3.770	04/07/2019	-7	22
DanaInfra Nasional Berhad	02/29	GG	3.701	10	3.701	07/08/2019	0	22
DanaInfra Nasional Berhad	03/29	GG	3.599	10	3.704	07/08/2019	-11	12
Prasarana Malaysia Berhad	02/31	GG	3.729	5	3.820	17/07/2019	-9	25
Prasarana Malaysia Berhad	03/31	GG	3.729	35	3.800	26/07/2019	-7	25
DanaInfra Nasional Berhad	05/31	GG	3.731	15	3.869	02/07/2019	-14	25
Jambatan Kedua Sdn Berhad	07/31	GG	3.720	25	3.860	23/07/2019	-14	24
Lembaga Pembiayaan Perumahan Sektor Awai	04/39	GG	3.959	10	4.051	31/07/2019	-9	5
Prasarana Malaysia Berhad	08/39	GG	3.979	5	4.090	02/08/2019	-11	7
DanaInfra Nasional Berhad	05/41	GG	4.070	10	4.169	09/07/2019	-10	16
Jambatan Kedua Sdn Berhad	07/41	GG	4.050	10	4.050	07/08/2019	0	14
DanaInfra Nasional Berhad	11/47	GG	4.240	10	4.320	16/07/2019	-8	33
DanaInfra Nasional Berhad	11/48	GG	4.235	5	4.346	18/07/2019	-11	33
DanaInfra Nasional Berhad	02/49	GG	4.235	15	4.289	31/07/2019	-5	33
Cagamas Berhad	03/20	AAA	3.337	10	3.660	10/04/2019	-32	20
Cagamas Berhad	10/20	AAA	3.348	165	3.346	06/08/2019	0	21
Telekom Malaysia Berhad	10/24	AAA	3.618	20	3.730	11/07/2019	-11	31
Telekom Malaysia Berhad	12/24	AAA	3.627	20	3.856	21/06/2019	-23	32
GENM Capital Berhad	07/28	AAA	3.880	20	4.107	11/07/2019	-23	39
TNB Western Energy Berhad	01/32	AAA	3.930	10	4.896	13/03/2018	-97	45
TNB Northern Energy Berhad	05/32	AAA	3.920	10	4.291	17/05/2019	-37	21
Danga Capital Berhad	09/33	AAA	3.830	10	3.829	07/08/2019	0	12
Danum Capital Berhad	02/34	AAA	3.840	10	3.899	05/08/2019	-6	13
Sarawak Energy Berhad	06/21	AA1	3.595	20	3.655	06/08/2019	-6	41
Sarawak Energy Berhad	07/24	AA1	3.657	15	3.858	24/07/2019	-20	35
YTL Power International Berhad	08/28	AA1	4.169	5	4.302	12/07/2019	-13	68
Edra Energy Sdn Berhad	01/22	AA3	4.336	10	4.339	06/08/2019	0	115
Perbadanan Kemajuan Negeri Selangor	10/23	AA3	4.078	10	4.179	02/08/2019	-10	79
CIMB Thai Bank Public Company Limited	07/26	AA3	3.800	10	3.846	29/07/2019	-5	40
Edra Energy Sdn Berhad	07/31	AA3	4.599	10	4.669	07/08/2019	-7	112
WCT Holdings Berhad	10/21	AA-	4.785	10	4.896	02/07/2019	-11	160
WCT Holdings Berhad	05/22	AA-	4.866	2	4.870	06/08/2019	0	166
Tanjung Bin O&M Berhad	07/22	AA-	3.910	20	3.956	16/07/2019	-5	70
Grand Sepadu (NK) Sdn Berhad	06/23	AA-	3.947	10	4.659	26/01/2018	-71	66
WCT Holdings Berhad	01/25	AA-	5.026	10	5.206	02/04/2019	-18	172
WCT Holdings Berhad	02/25	AA-	5.038	10	5.365	19/09/2018	-33	165
WCT Holdings Berhad	04/26	AA-	5.159	10	5.279	27/06/2019	-12	176
Konsortium Lebuhraya Utara-Timur (KL) Sdn B	12/27	AA-	4.259	20	4.285	25/07/2019	-3	79
Mah Sing Perpetual	-	-	6.271	1	6.118	06/08/2019	15	-
Eco World Capital Assets Berhad	08/24	-	5.750	88	-	-	575	-
Konsortium Lebuhraya Utara-Timur (KL) Sdn B	12/22	AA-	4.020	20	4.397	14/05/2019	-38	81
				816				

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

Market/Corporate News: What's Brewing

The proposed issuance of Panda bonds that are meant to assist Malaysia in its financial woes are still not attractive enough, price-wise. Finance Minister Lim Guan Eng said the pricing was still not attractive enough for Malaysia at the moment. "We will look at the interest rates. We are still having negotiations and discussions if the pricing can be attractive enough for Malaysia," he told reporters on the sidelines of the Malaysia-China Belt and Road Economic Cooperation Forum 2019. The discussion on the Panda bond issuance could be among the things on the table in his upcoming investment mission to Shenzhen, China. Lim, who was in Beijing last month for his maiden working visit to China, had said that several Chinese banks had expressed interest in issuing Panda bonds. The Shenzhen trip will also

see the fleshing out of Malaysia's "special channel" that the government plans to set up to facilitate further investments from China. This channel will be for selected investors to resolve any problems that they may encounter in parking their investments in Malaysia. Lim said the focus is on Shenzhen because the trade tension between the United States and China is basically between the US and Shenzhen, where most of the manufacturing and high-tech industries and the export market are. "We are able to offer the safe haven that China is looking for. Many of them are not very familiar with what Malaysia has to offer, which is a compatible mix. "Both structurally and in terms of expertise, we are able to offer a manufacturing mix that is compatible with many Chinese industries. "We want to promote Malaysia and let them be aware that we are much better, not only in terms of manufacturing mix but also costs, compared to other countries," he said. In his speech earlier, Lim said there was a lot of room for China to grow in terms of foreign direct investment (FDI) in Malaysia with its standing as Malaysia's single largest trading partner. The approved manufacturing FDI for the first quarter of the year was RM20.2bil, of which RM4.4bil came from China. A huge chunk of RM11.1bil was from the US. "China should be the largest source of approved manufacturing FDI. If the US can invest RM11.1bil in the first quarter, there is obviously a lot of room for China to grow from the RM4.4bil. "Malaysia wants to attract high-tech, high-value and high-knowledge industries in facilitating China's investments into Malaysia," he said. Lim added that Malaysia had easy access to the world's major markets, be it the US or Europe. "This is an important point at a time when the global supply chain is being reoriented due to trade flows either in the Pacific, driven by the US, or in the Atlantic, driven by the United Kingdom. "Amid the significant reorientation, Malaysia is the reliable partner that has continued access to various economies. For China-based exporters affected by the trade war, Malaysia is clearly a base that you need," he said. The forum, which attracts about 500 industry players and entrepreneurs, covered the topics of food exportation to China; the tourism and culture industry; positioning Malaysia as a preferred investment destination; benefitting from e-commerce; risk management and dispute prevention and greater synergy for trade connectivity. Malaysia-China Business Council chairman Tan Kok Wai said Malaysia would pursue the Belt and Road Initiative along the economic structure and the industrial supply chain based on the blue ocean strategy for mutual cooperation, mutual development and mutual benefit. (Source: *The Star*)

Uber Technologies Inc reported a \$5.2 billion loss and revenue that fell short of Wall Street targets on Thursday as growth in its core ride-hailing business slowed, sending its shares down 6%. Uber's net loss, up from a loss of \$878 million a year earlier, reflected \$3.9 billion of stock-based compensation expenses related to its IPO earlier this year, and Wedbush analyst Ygal Arounian said its loss before interest, tax, depreciation and amortization was in line with Wall Street targets. Still, he said, "So far, mostly everything is below expectations." The figures caught investors off guard because smaller rival Lyft Inc on Wednesday had raised revenue expectations and described an easing price war, sending up shares of both companies during regular trade on Thursday. Uber shares fell 5% after hours on Thursday and Lyft dropped about half a percent. Uber had risen more than 8% and Lyft had gained 3% during the day. Uber reported that revenue growth slowed to 14%, and the company's core business, ride-hailing, grew revenue only 2% to \$2.3 billion. If not for a 72% rise in revenue from food delivery unit Uber Eats, revenue would have dropped. Total revenue fell short of the average analyst estimate of \$3.36 billion, according to IBES data from Refinitiv. Gross bookings, a measure of total

value of car rides, scooter and bicycle trips, food deliveries and other services before payments to drivers, restaurants and other expenses, rose 31% from a year earlier to \$15.76 billion. Analysts on average were expecting \$15.80 billion. At the same time, Uber is keeping less money per car ride. The amount passengers spent on trips rose 20% while the amount Uber kept after paying its drivers increased just 4%. Chief Executive Officer Dara Khosrowshahi said in a press call the competitive environment is starting to rationalize and it has been "progressively improving" since the first quarter. Lyft on Wednesday said pricing had become "more rational", meaning the company should spend less on promotions and incentives to win market share. It raised its revenue outlook on Wednesday. Uber's Khosrowshahi said the company is making its decision separate from Lyft. Both the companies have historically relied on subsidization to attract riders and have been spending heavily to expand services into areas such as self-driving technology for Lyft and food delivery for Uber. Uber's costs rose 147% to \$8.65 billion in the quarter, including a sharp rise in spending for research and development. "While we will continue to invest aggressively in growth, we also want it to be healthy growth, and this quarter we made good progress in that direction," Chief Financial Officer Nelson Chai said in a statement. The company, which has not yet made clear whether it will make a profit, is trying to convince investors that growth will come not only from its ride services, but also from other logistics and food delivery services. Uber said its monthly active users rose to 99 million globally, from 93 million at the end of the first quarter and 76 million a year earlier. (Source: *The Edge*)

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

DISCLAIMER

This report is for information purposes only and does not take into account the investment objectives, financial situation or particular needs of any particular recipient. The information contained herein does not constitute the provision of investment advice and is not intended as an offer or solicitation with respect to the purchase or sale of any of the financial instruments mentioned in this report and will not form the basis or a part of any contract or commitment whatsoever.

The information contained in this publication is derived from data obtained from sources believed by Hong Leong Bank Berhad ("HLBB") to be reliable and in good faith, but no warranties or guarantees, representations are made by HLBB with regard to the accuracy, completeness or suitability of the data. Any opinions expressed reflect the current judgment of the authors of the report and do not necessarily represent the opinion of HLBB or any of the companies within the Hong Leong Bank Group ("HLB Group"). The opinions reflected herein may change without notice and the opinions do not necessarily correspond to the opinions of HLBB. HLBB does not have an obligation to amend, modify or update this report or to otherwise notify a reader or recipient thereof in the event that any matter stated herein, or any opinion, projection, forecast or estimate set forth herein, changes or subsequently becomes inaccurate.

HLB Group, their directors, employees and representatives do not have any responsibility or liability to any person or recipient (whether by reason of negligence, negligent misstatement or otherwise) arising from any statement, opinion or information, expressed or implied, arising out of, contained in or derived from or omission from the reports or matter. HLBB may, to the extent permitted by law, buy, sell or hold significantly long or short positions; act as investment and/or commercial bankers; be represented on the board of the issuers; and/or engage in 'market making' of securities mentioned herein. The past performance of financial instruments is not indicative of future results. Whilst every effort is made to ensure that statements of facts made in this report are accurate, all estimates, projections, forecasts, expressions of opinion and other subjective judgments contained in this report are based on assumptions considered to be reasonable as of the date of the document in which they are contained and must not be construed as a representation that the matters referred to therein will occur. Any projections or forecasts mentioned in this report may not be achieved due to multiple risk factors including without limitation market volatility, sector volatility, corporate actions, the unavailability of complete and accurate information. No assurance can be given that any opinion described herein would yield favorable investment results. Recipients who are not market professional or institutional investor customer of HLBB should seek the advice of their independent financial advisor prior to taking any investment decision based on the recommendations in this report.

HLBB may provide hyperlinks to websites of entities mentioned in this report, however the inclusion of a link does not imply that HLBB endorses, recommends or approves any material on the linked page or accessible from it. Such linked websites are accessed entirely at your own risk. HLBB does not accept responsibility whatsoever for any such material, nor for consequences of its use.

This report is not directed to, or intended for distribution to or use by, any person or entity who is a citizen or resident of or located in any state, country or other jurisdiction where such distribution, publication, availability or use would be contrary to law or regulation. This report is for the use of the addressees only and may not be redistributed, reproduced or passed on to any other person or published, in part or in whole, for any purpose, without the prior, written consent of HLBB. The manner of distributing this report may be restricted by law or regulation in certain countries. Persons into whose possession this report may come are required to inform themselves about and to observe such restrictions. By accepting this report, a recipient hereof agrees to be bound by the foregoing limitations.