

Global Markets Research

Fixed Income

Fixed Income Daily Market Snapshot

UST		
Tenure	Closing (%)	Chg (bps)
2-yr UST	1.91	2
5-yr UST	1.88	2
10-yr UST	2.07	2
30-yr UST	2.54	1

MGS		GII*		
Tenure	Closing (%)	Chg (bps)	Closing (%)	Chg (bps)
3-yr	3.28	-1	3.33	1
5-yr	3.44	2	3.45	0
7-yr	3.56	3	3.57	1
10-yr	3.63	1	3.64	1
15-yr	3.81	0	3.90	0
20-yr	4.01	0	4.01	-2
30-yr	4.24	-1	4.37	0

* Market indicative levels

MYR IRS Levels		
IRS	Closing (%)	Chg (bps)
1-yr	3.40	2
3-yr	3.41	3
5-yr	3.48	1
7-yr	3.54	0
10-yr	3.67	2

Source : Bloomberg

Upcoming Government Bond Tender

Nil

US Treasuries

- US Treasuries fell on Tuesday despite decent demand for the 3Y auction whilst investors look for further clues in the upcoming congressional testimony by Fed Chair Powell. Overall benchmark yields ended between 1-2bps higher with the UST 2Y at 1.91% and the much-watched 10Y at 2.07%. (The 2-5 year yields are currently at the highest levels in a month). Yesterday's auction consisting of \$38b of 3Y noted witnessed the lowest BTC ratio of 2.39x since 2009 but averaged 1.857%. Many central banks have signalled that their next interest rate decision may hinge more on a cut rather than a hike. Powell may be tempted to "act as appropriate" to sustain the economic expansion; thus reinforcing views on rate cuts. Meanwhile both equities and bonds asset classes are seen to display strong positive correlation for now. Up next on the data front are the CPI numbers for June expected out tomorrow.

MGS/GII

- Trading momentum in local govovies saw slight improvement while investors continued to digest BNM's statement as the OPR was left unchanged at 3.00% as per our expectations yesterday. Secondary volume improved to RM2.74b with interest seen in the 10Y and 15Y space as overall benchmark yields ended 0-3bps mostly higher. The benchmark 5Y MGS 6/24 traded 2bps higher at 3.44% whilst the 10Y MGS 8/29 edged another 1bps higher 3.63%. GII trades rose to form ~30% of overall trades. The central bank whilst taking a cautious approach to assess the balance of risks on domestic growth and inflation **reiterated** that the current stance of monetary policy remains accommodative and supportive of economic activity.

Corp Bonds/Sukuk

- Corporate Bonds/Sukuk maintained decent interest as volume eased to RM474m with interest mainly across the GG-segment followed by AAA-AA part of the curve as overall yields ended mostly unchanged-lower instead. Both Govt-guaranteed PTPTN 2/34 and DANA 5/41 bonds closed unchanged compared to previous-done levels at 4.00% and 4.17% respectively. The long-end DANA 2/49 representative of the 30Y GG closed 5bps lower at 4.37%. AAA-rated DANGA and DANUM Capital 26's closed sharply lower on yields at 3.78% whilst the AA-space saw PROHAWK 26-28 notch rare trades between 4.14-23% area. The banking space was relatively quiet with some odd-lot trades recorded.

Daily Trades : Government Bond

Securities		Closing YTM	Vol (RM mil)	Previous YTM	Previous Trade Date (dd/mm/yyyy)	Chg (bp)
MGS	10/19	3.076	263	3.111	08/07/2019	-3
MGS	11/19	3.071	11	3.078	08/07/2019	-1
MGS	03/20	3.176	136	3.135	08/07/2019	4
MGS	07/20	3.183	5	3.221	05/07/2019	-4
MGS	02/21	3.252	1	3.246	04/07/2019	1
MGS	11/21	3.277	4	3.294	08/07/2019	-2
MGS	03/22	3.284	108	3.293	08/07/2019	-1
MGS	08/22	3.366	90	3.345	08/07/2019	2
MGS	09/22	3.356	53	3.349	08/07/2019	1
MGS	04/23	3.434	30	3.443	08/07/2019	-1
MGS	06/24	3.438	120	3.415	05/07/2019	2
MGS	07/24	3.480	5	3.491	08/07/2019	-1
MGS	09/24	3.496	70	3.492	08/07/2019	0
MGS	03/25	3.523	16	3.523	08/07/2019	0
MGS	09/25	3.533	40	3.519	08/07/2019	1
MGS	07/26	3.557	61	3.522	05/07/2019	4
MGS	11/26	3.604	1	3.581	05/07/2019	2
MGS	11/27	3.666	40	3.647	05/07/2019	2
MGS	08/29	3.634	235	3.629	08/07/2019	0
MGS	04/30	3.763	13	3.747	08/07/2019	2
MGS	04/33	3.848	5	3.858	08/07/2019	-1
MGS	11/33	3.842	40	3.840	08/07/2019	0
MGS	07/34	3.806	240	3.806	08/07/2019	0
MGS	05/35	3.947	13	3.953	08/07/2019	-1
MGS	04/37	4.012	4	4.008	08/07/2019	0
MGS	06/38	4.008	60	4.005	08/07/2019	0
MGS	09/43	4.196	80	4.196	08/07/2019	0
MGS	03/46	4.268	92	4.259	08/07/2019	1
MGS	07/48	4.243	70	4.252	08/07/2019	-1
GII	04/20	3.168	22	3.157	05/07/2019	1
GII	08/20	3.179	90	3.182	05/07/2019	0
GII	08/21	3.268	6	3.316	05/07/2019	-5
GII	03/22	3.332	130	3.321	08/07/2019	1
GII	11/22	3.379	20	3.382	28/06/2019	0
GII	07/23	3.457	90	3.460	08/07/2019	0
GII	08/25	3.557	122	3.544	04/07/2019	1
GII	03/26	3.574	70	3.560	05/07/2019	1
GII	07/29	3.642	150	3.631	05/07/2019	1
GII	10/35	3.929	40	3.929	08/07/2019	0
GII	08/37	4.028	40	4.100	03/07/2019	-7
GII	09/39	4.012	60	4.027	08/07/2019	-2
			<u>2744</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*
Turus Pesawat Sdn Berhad	02/25	GG	3.719	45	3.729	05/07/2019	-1	21
DanalInfra Nasional Berhad	04/26	GG	3.577	75	3.580	08/07/2019	0	3
DanalInfra Nasional Berhad	04/26	GG	3.579	20	3.629	21/06/2019	-5	3
DanalInfra Nasional Berhad	03/29	GG	3.730	15	3.811	27/06/2019	-8	9
Perbadanan Tabung Pendidikan Tinggi Nasional	02/34	GG	4.004	20	3.999	04/07/2019	0	19
DanalInfra Nasional Berhad	05/41	GG	4.169	50	4.169	05/07/2019	0	16
DanalInfra Nasional Berhad	02/49	GG	4.371	20	4.420	26/06/2019	-5	36
HSBC Amanah Malaysia Berhad	03/20	AAA	3.440	10	4.015	16/10/2018	-58	27
Danum Capital Berhad	02/26	AAA	3.780	30	4.002	03/06/2019	-22	23
Danga Capital Berhad	02/26	AAA	3.780	10	3.828	04/07/2019	-5	23
Pengurusan Air SPV Berhad	02/29	AAA	3.931	5	3.926	04/07/2019	0	29
Bakun Hydro Power Generation Sdn Berhad (fka Sarawak Hydro Sdn Berhad)	08/30	AAA	4.009	30	4.151	14/06/2019	-14	37
Sabah Development Bank Berhad	05/22	AA1	4.090	30	4.494	04/06/2019	-40	79
Northern Gateway Infrastructure Sdn Berhad	08/30	AA1	4.209	10	4.650	14/02/2019	-44	57
Northern Gateway Infrastructure Sdn Berhad	08/31	AA1	4.239	10	4.810	04/09/2018	-57	60
Northern Gateway Infrastructure Sdn Berhad	08/32	AA1	4.360	20	4.599	09/04/2019	-24	55
Krung Thai Bank Public Company Limited	07/25	AA2	4.096	1	4.094	04/07/2019	0	59
Konsortium ProHAWK Sdn Berhad	12/26	AA2	4.137	10	4.697	24/10/2018	-56	59
Konsortium ProHAWK Sdn Berhad	12/27	AA2	4.178	10	4.737	24/10/2018	-56	57
Konsortium ProHAWK Sdn Berhad	12/28	AA2	4.228	20	-	-	-	60
Hong Leong Bank Berhad	09/39	AA2	4.401	2	4.826	08/05/2019	-43	39
Gamuda Berhad	04/21	AA3	3.946	20	4.056	27/06/2019	-11	70
Country Garden Real Estate Sdn Berhad	02/23	AA3	6.440	1	6.522	08/07/2019	-8	305
Edra Energy Sdn Berhad	07/25	AA3	5.129	4	5.134	19/06/2019	-1	162
Segi Astana Sdn Berhad	01/23	AA-	4.900	1	4.919	08/07/2019	-2	160
CIMB Group Holdings Berhad	05/16	A1	4.404	1	4.652	08/07/2019	-25	40
CIMB Group Holdings Berhad	05/16	A1	4.504	1	4.536	27/06/2019	-3	50
Eco World International Berhad	04/23	-	6.250	1	5.981	03/07/2019	27	-
Eco World International Berhad	05/23	-	6.200	1	6.200	08/07/2019	0	-
Eco World International Berhad	10/21	-	6.151	1	6.171	08/07/2019	-2	-
DRB-Hicom Berhad	06/21	A+	5.473	2	5.782	24/05/2019	-31	222
Alliance Islamic Bank Berhad	03/19	BBB1	4.671	1	4.788	05/07/2019	-12	66
				<u>474</u>				

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

Market/Corporate News: What's Brewing

Northport has the potential to become the region's top automotive transshipment hub following the government's exemption of the Approved Permit (AP) requirement on vehicles transhipped from local ports. Port Klang Authority chairman Ean Yong Hian Wah said previously, vehicles entering the country were required to have an AP even though they were not bound for the local market. "Due to the regulation, no ports, including Northport or Southport, had allocated any area as a vehicle transit site before the vehicles are sent to other countries," he told reporters after his working visit to the Northport here today. Also present was Northport (M) Bhd chief executive officer, Datuk Azman Shah Mohd Yusof. Yong said following the exemption, which started on April 1, Northport planned to turn the port into an automotive transshipment hub -- a field which is currently dominated by Singapore. "Currently, the Northport can only accommodate a maximum of 200,000 units of vehicles annually. "However, they are planning to expand the space in the next few years," he said. Meanwhile, Azman Shah said the company planned to construct a multilevel car park — similar to the ones in Singapore — in order to accommodate more vehicles. "We may also start looking for land around the port that would suit the purpose," he added.. (Source: *The Edge*)

The Cabinet has yet to make its final decision on the takeover of Gamuda Bhd's four tolled highways, said Prime Minister Tun Dr Mahathir Mohamad. "We have not made that decision," he told reporters after attending the Technical and Vocational Education and Training Convention here today. On Feb 23, Dr Mahathir announced that the government had proposed to take over four tolled highways in the Klang Valley -- the Damansara-Puchong Expressway (LDP), Sprint Expressway, Shah Alam Expressway (Kesas) and the Stormwater Management and Road Tunnel (SMART). On June 21, Finance Minister Lim Guan Eng was reported as saying that the Federal government made a conditional offer to take over the four highways at the cost of RM6.2 billion, pending the Cabinet's approval. (Source: *The Star*)

IJM Corp Bhd says its RM1.12bil contract for underground works on the light rail transit line 3 (LRT 3) project has been terminated. The company, in a filing with Bursa Malaysia today, said its wholly owned subsidiary, IJM Construction Sdn Bhd (IJMC), had received the notice of termination from MRCB George Kent Sdn Bhd on July 8. IJMC had been awarded the contract on March 13, 2018. Preliminary work had commenced before the project was suspended in June 2018. "IJMC is currently consulting its advisers and will seek appropriate legal redress under the contract," it said. Apart from the potential earnings from the project, IJM said the termination of the project would not have any significant effect on the financial position of the group. In the filing, IJM said it had lost the contract because the LRT 3 project was remodeled from a project delivery partnership model to a fixed price model. In July last year, the Finance Ministry in a statement had said that the LRT 3 project would resume at a total cost of RM16.63bil, compared with its original price tag of RM31.65bil. Part of the reduction was contributed by the cancellation of a two-km tunnel and an underground station. The 37-km LRT 3 line connects Bandar Utama in Petaling Jaya to Johan Setia in Klang. (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

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.