

Global Markets Research

Fixed Income

Fixed Income Daily Market Snapshot

UST		
Tenure	Closing (%)	Chg (bps)
2-yr UST	1.59	5
5-yr UST	1.50	7
10-yr UST	1.64	8
30-yr UST	2.13	10

MGS		GII*		
Tenure	Closing (%)	Chg (bps)	Closing (%)	Chg (bps)
3-yr	3.11	-1	3.12	0
5-yr	3.23	1	3.26	3
7-yr	3.25	-1	3.32	0
10-yr	3.33	4	3.38	3
15-yr	3.50	1	3.51	0
20-yr	3.60	0	3.66	0
30-yr	3.87	4	3.81	0

* Market indicative levels

MYR IRS Levels		
IRS	Closing (%)	Chg (bps)
1-yr	3.18	0
3-yr	3.19	1
5-yr	3.23	3
7-yr	3.26	4
10-yr	3.38	5

Source : Bloomberg

Upcoming Government Bond Tender

Nil

US Treasuries

- US Treasuries ended weak on Monday taking cues from the sell-off in Bunds as expectations for QE by the ECB were trimmed by investors. Also, the rather heavy IG issuance of \$75b last week also took a toll and weighed on the curve. The curve bear-steepened and shifted higher as overall benchmark yields rose between 5-10bps with the UST 2Y up 5bps at 1.59% whilst the much-watched 10Y spiked 8bps at 1.64% levels. Investors are at a point between recessionary fears that may have been overblown and the bond market getting it right on lower bond yields. Meanwhile as of Monday the Fed funds futures has priced in almost a full 25bps rate cut next week and a total of more than 50bps of cuts by FOMC in December; with at least four (4) 25bps of cuts in total by end-2020.

MGS/GII

- Trading momentum for local govies was slightly subdued ahead of the long-weekend as secondary market volume eased to RM2.58b with main interest seen in the benchmark 10Y and 15Y MGS/GII bonds. Overall benchmark MGS yields closed mostly higher again between 0-4bps across the curve save for the short-ends. The 5Y benchmark MGS 6/24 edged 1bps higher at 3.23% whilst the 10Y MGS 8/29 spiked 4bps at 3.33%. GII bonds dropped to form a mere ~25% of overall trades. Meanwhile, investors await reports if China's inclusion in the FTSE Russell's WGBI index would necessitate a reduction in Malaysia weightage or an exclusion entirely.

Corp Bonds/Sukuk

- Corporate Bonds/Sukuk saw improved traction as secondary market volume doubled to RM1.03b as interest was seen mainly across the GG segment. The Govt-guaranteed 2024-2026 tranches saw almost RM440m in nominal amounts traded for both PRASA and DANA bonds. DANA 8/23 closed 16bps loer compared to previous-done levels at 3.30% also on heavy volume. Meanwhile AAA-rated BAKUN Hydro 8/26 moved 3bps lower at 3.45% whilst the AA-segment saw several energy-related names like SEB and Southern Power exchange hands whist ending 2-43bps lower. The banking space saw Hong Leong Financial Group 29NC24 close 45bps lower at 3.83% on RM140m in nominal amounts.

Daily Trades : Government Bond

Securities		Closing YTM	Vol (RM mil)	Previous YTM	Previous Trade Date (dd/mm/yyyy)	Chg (bp)
MGS	10/19	3.027	34	3.035	03/09/2019	-1
MGS	11/19	3.051	77	2.998	05/09/2019	5
MGS	07/20	3.079	50	3.047	05/09/2019	3
MGS	10/20	3.067	2	3.064	05/09/2019	0
MGS	07/21	3.117	10	3.080	05/09/2019	4
MGS	09/21	3.085	13	3.085	05/09/2019	0
MGS	11/21	3.092	7	3.088	05/09/2019	0
MGS	03/22	3.106	4	3.120	05/09/2019	-1
MGS	08/22	3.111	150	3.094	05/09/2019	2
MGS	09/22	3.137	16	3.123	05/09/2019	1
MGS	03/23	3.179	1	3.172	05/09/2019	1
MGS	08/23	3.205	101	3.200	05/09/2019	0
MGS	06/24	3.226	86	3.215	05/09/2019	1
MGS	07/24	3.269	25	3.241	05/09/2019	3
MGS	09/24	3.269	53	3.244	05/09/2019	2
MGS	03/25	3.302	89	3.279	05/09/2019	2
MGS	09/25	3.308	52	3.282	05/09/2019	3
MGS	07/26	3.249	116	3.257	05/09/2019	-1
MGS	11/26	3.350	72	3.320	05/09/2019	3
MGS	11/27	3.377	50	3.354	05/09/2019	2
MGS	06/28	3.361	79	3.345	05/09/2019	2
MGS	08/29	3.325	233	3.290	05/09/2019	4
MGS	04/30	3.496	20	3.454	05/09/2019	4
MGS	06/31	3.563	40	3.508	05/09/2019	6
MGS	04/33	3.609	39	3.543	04/09/2019	7
MGS	11/33	3.562	1	3.551	05/09/2019	1
MGS	07/34	3.497	309	3.488	05/09/2019	1
MGS	04/37	3.631	4	3.603	05/09/2019	3
MGS	09/43	3.799	30	3.788	04/09/2019	1
MGS	07/48	3.865	165	3.823	05/09/2019	4
GII	04/20	3.060	30	3.055	04/09/2019	0
GII	05/20	3.090	30	3.077	05/09/2019	1
GII	08/20	3.052	50	3.073	04/09/2019	-2
GII	03/21	3.076	100	3.097	03/09/2019	-2
GII	08/24	3.270	10	3.249	05/09/2019	2
GII	10/24	3.260	50	3.231	05/09/2019	3
GII	08/25	3.322	20	3.304	05/09/2019	2
GII	10/25	3.332	40	3.314	05/09/2019	2
GII	09/26	3.387	23	3.372	05/09/2019	2
GII	07/29	3.383	210	3.357	05/09/2019	3
GII	10/35	3.661	20	3.625	04/09/2019	4
GII	08/37	3.701	50	3.680	04/09/2019	2
GII	09/39	3.655	20	3.652	05/09/2019	0
			<u>2580</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	08/23	GG	3.301	160	3.458	06/08/2019	-16	10
Prasarana Malaysia Berhad	03/24	GG	3.320	85	3.495	22/07/2019	-18	9
DanaInfra Nasional Berhad	03/24	GG	3.318	40	3.780	12/04/2019	-46	9
DanaInfra Nasional Berhad	07/24	GG	3.330	155	3.500	11/07/2019	-17	10
Prasarana Malaysia Berhad	12/25	GG	3.371	20	3.388	22/08/2019	-2	11
DanaInfra Nasional Berhad	02/26	GG	3.380	20	3.441	20/08/2019	-6	12
Prasarana Malaysia Berhad	02/26	GG	3.369	55	3.641	03/07/2019	-27	11
DanaInfra Nasional Berhad	04/26	GG	3.380	20	3.368	28/08/2019	1	10
Prasarana Malaysia Berhad	08/26	GG	3.380	45	3.410	21/08/2019	-3	10
Prasarana Malaysia Berhad	09/27	GG	3.399	10	3.420	22/08/2019	-2	8
Prasarana Malaysia Berhad	11/28	GG	3.440	15	3.570	09/08/2019	-13	10
DanaInfra Nasional Berhad	02/29	GG	3.439	10	3.701	08/08/2019	-26	10
DanaInfra Nasional Berhad	03/29	GG	3.450	15	3.599	08/08/2019	-15	10
Perbadanan Tabung Pendidikan Tinggi Nasional	08/32	GG	3.559	20	4.017	21/06/2019	-46	2
MKD Kencana Sdn Berhad	10/32	GG	3.651	10	3.669	21/08/2019	-2	11
Perbadanan Tabung Pendidikan Tinggi Nasional	02/34	GG	3.645	10	3.629	04/09/2019	2	10
DanaInfra Nasional Berhad	02/49	GG	3.970	10	3.890	28/08/2019	8	35
Gulf Investment Corporation G.S.C	06/22	AAA	4.168	9	4.684	15/04/2019	-52	105
GEMM Capital Berhad	07/23	AAA	3.846	1	3.538	29/08/2019	31	65
Bakun Hydro Power Generation Sdn Berhad (fka	08/26	AAA	3.449	20	3.478	30/08/2019	-3	17
Manjung Island Energy Berhad	11/31	AAA	3.641	5	3.639	05/09/2019	0	30
Sabah Development Bank Berhad	08/22	AA1	3.736	10	5.250	30/06/2017	-151	61
Sarawak Energy Berhad	07/29	AA1	3.589	10	3.614	29/08/2019	-2	24
Sarawak Energy Berhad	08/35	AA1	3.967	45	4.399	24/07/2019	-43	43
Hong Leong Financial Group Berhad	06/29	AA2	3.828	140	4.273	26/06/2019	-45	48
AmBank (M) Berhad	03/28	AA3	3.888	10	3.897	05/09/2019	-1	55
WCT Holdings Berhad	10/22	AA-	4.402	10	5.088	25/04/2019	-69	128
MMC Corporation Berhad	04/23	AA-	4.499	10	4.608	16/08/2019	-11	130
WCT Holdings Berhad	10/23	AA-	4.454	10	4.478	05/09/2019	-2	126
MMC Corporation Berhad	03/28	AA-	4.826	10	4.838	04/09/2019	-1	149
Southern Power Generation Sdn Berhad	10/30	AA-	3.890	10	4.004	26/07/2019	-11	54
Southern Power Generation Sdn Berhad	04/31	AA-	3.903	10	3.939	20/08/2019	-4	56
Affin Bank Berhad	02/27	A1	4.126	1	3.935	22/08/2019	19	84
Eco World Capital Assets Berhad	08/24	-	6.099	3	6.099	05/09/2019	0	-
UEM Sunrise Berhad	06/21	AA-	3.538	20	3.636	21/08/2019	-10	44
				<u>1034</u>				

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

Market/Corporate News: What's Brewing

Corporate earnings growth has been disappointing so far this year, but companies in which the Employees Provident Fund (EPF) holds substantial stakes have managed to sustain their dividend payments. However, it is not quite the case for Khazanah Nasional Bhd and the two funds — Yayasan Pelaburan Bumiputra (YPB) and Amanah Saham Bumiputera Trustee Fund (ASBTF) — which are managed by Permodalan Nasional Bhd (PNB). The EPF received dividends of RM1.56 billion from 10 companies that have paid the most dividends in its portfolio in the first half of 2019 (1H19). The sum received is 5.4% higher compared with RM1.49 billion a year ago, according to Bloomberg data compiled. Banks and telecommunications companies dominate the list of 10 firms that paid the highest dividends in the EPF's portfolio, including DiGi.Com Bhd, Axiata Group Bhd, Public Bank Bhd and Hong Leong Bank Bhd (see chart). And among these 10 public listed companies, CIMB Group Holdings Bhd, Public Bank, RHB Bank Bhd and Hong Leong Bank declared a higher dividend per share in 1H19 compared with a year ago. On the other hand, dividends from its top 10 companies, in terms of shareholding, went up by nearly 35% to RM296.32 million in 1H19 compared with RM219.68 million a year ago. The substantial rise is attributable to the bumper dividend declared by RHB Bank, in

which the EPF holds a 41.3% stake. RHB Bank declared 12.5 sen dividend per share in 1H19 compared with 7.5 sen a year ago. This translates into a total dividend income of RM207 million for the EPF from RHB Bank alone. That said, among the top 10 companies, of which the EPF is the single-largest entity shareholder, Malaysia Building Society Bhd (64.48%-owned), Malaysian Resources Corp Bhd (35.85%-owned) and Mah Sing Group Bhd (8.72%-owned) did not declare any dividends in 1H19. Last Friday, the EPF announced that equities contributed RM6.33 billion or 51.4% of its total investment income for the second quarter of 2019 (2Q19). Equities accounted for 39.2% of its investment assets, while fixed income instruments 50.6%. The provident fund's total investment income stood at RM12.32 billion for 2Q19, versus RM12.39 billion in the same period last year. Given that equities contributed RM4.16 billion in 1Q19, this would mean that the EPF's investment income from equities stood at RM10.49 billion for 1H19. Fixed-income instruments generated RM5.12 billion, or 41.6% of the provident fund's quarterly investment income. Income from Malaysian Government Securities and its equivalent in 2Q19 reached RM2.69 billion, while loans and bonds generated an investment income of RM2.43 billion, according to the EPF's announcement. At Khazanah, the government-linked investment fund's portfolio appears to be less generous with its dividend payment (see chart). For 1H19, among the nine companies in which Khazanah holds substantial stakes, only three of them — CIMB Group, Tenaga Nasional Bhd and Axiata Group Bhd — declared dividends. The three companies, which are also the heavyweight component stocks on the FBM KLCI, paid a combined total of RM954.31 million in dividends to Khazanah. This is 2% higher compared with RM935.6 million in 1H18, according to Bloomberg data. Among the top 10 Khazanah-owned companies (in terms of shareholding), UEM Sunrise Bhd, Malaysia Airports Holdings Bhd, Telekom Malaysia Bhd, Time dotCom Bhd and Key Asic Bhd did not declare any dividends in 1H19. That said, this may not be an indication that they would not do so in 2H19. YPB, which is under PNB, also received lower dividends in 1H19 compared with a year ago. YPB is estimated to receive a total of RM287.02 million from its top 10 dividend paying companies that it has a substantial stake in 1H19. The dividends received from the same 10 companies were higher at RM295.76 million in 1H18. YPB's list of top 10 dividend payers in 1H19 was different in 1H18. S P Setia Bhd, UMW Holdings Bhd and IJM Corp Bhd were on the list last year, while Petronas Gas Bhd, Petronas Dagangan Bhd and Axis REIT did not make the cut a year ago. Last year, the top 10 dividend-paying companies then paid a combined of RM337.65 million dividends to YPB. YPB holds equity interest in 37 companies listed on Bursa Malaysia, of which it is the single-largest substantial stakeholder in four companies — Chemical Company of Malaysia Bhd, MNRB Holdings Bhd, S P Setia and Duopharma Biotech Bhd. Among the four, only its 45.44%-owned Duopharma Biotech declared dividend in 1H19. The chemical firm paid dividend of one sen per share. For the first six months of 2018, Duopharma Biotech, with Chemical Company of Malaysia and S P Setia, paid a total of RM47.67 million in dividends. Thus, according to the data compiled, when measuring the amount of dividends paid by companies the sovereign wealth funds have controlling stakes in, Khazanah and the EPF's portfolio seems to be performing better than in 1H18, while PNB's portfolio appears to be lacking behind in terms of performance. ASBTF, another fund managed by PNB, is estimated to receive a total of RM1.72 billion in 1H19, versus RM1.74 billion in the previous year, from the top 10 companies that paid the most dividends in the investment portfolio. If compared with the top 10 dividend payers in 1H18, which were different from 1H19, it would amount to a total of RM1.75 billion. The total dividends that came short in 1H19 were due to the absence of the proposed four sen dividend by S P Setia, as well as

lower dividends declared by Sime Darby Property Bhd, DiGi.Com as well as Petronas Chemicals Group Bhd. But the drop was slightly offset by higher dividends to be received from Sime Darby Bhd and CIMB Group. (Source: The Star)

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

Source: RAM, MARC

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