

Global Markets Research

Fixed Income

UST		
Tenure	Closing (%)	Chg (bps)
2-yr UST	1.83	-8
5-yr UST	1.83	-5
10-yr UST	2.06	0
30-yr UST	2.58	3

MGS		GII*		
Tenure	Closing (%)	Chg (bps)	Closing (%)	Chg (bps)
3-yr	3.29	1	3.34	1
5-yr	3.45	1	3.45	0
7-yr	3.57	1	3.58	1
10-yr	3.64	0	3.64	0
15-yr	3.81	0	3.79	0
20-yr	4.00	0	4.01	0
30-yr	4.24	0	4.24	0

* Market indicative levels

MYR IRS Levels		
IRS	Closing (%)	Chg (bps)
1-yr	3.39	0
3-yr	3.42	0
5-yr	3.48	1
7-yr	3.54	0
10-yr	3.66	-1

Source : Bloomberg

Upcoming Government Bond Tender

Re-opening of 7Y GII 3/26 (RM3.0b + RM0.5b Private Placement) on Friday, 12th July

Fixed Income Daily Market Snapshot

US Treasuries

- US Treasuries steepened aggressively on Wednesday; led by the short-ends as Fed Chair Powell delivered a dovish-tone in key comments during the congressional testimony. However the advance wore off amid Treasury's soft \$24b 10Y auction which averaged 2.064% on a BTC ratio of 2.41x (previous auction: 2.49x). Overall benchmark yields ended between -8 to +3bps with the UST 2Y rallying 8bps at 1.83% and the much-watched 10Y unchanged at 2.06%. Similar to many central banks which have signalled that their next interest rate decision may hinge more on a cut rather than a hike; the Fed chair in his speech showed concern over slowing economic and global growth which is seen outweighing the strong labor market in the US. Both equities and bonds asset classes are still surprisingly seen to show strong positive correlation for now. Up next on the data front are the CPI numbers for June expected out today.

MGS/GII

- Trading momentum in local govies saw further improvement yesterday with secondary volume improving to RM2.74b with interest mainly seen in the off-the-run 19-20's, 23-25's and also 15Y space as overall benchmark yields ended mostly 0-1bps higher. The benchmark 5Y MGS 6/24 inched 1bps higher at 3.45% whilst the 10Y MGS 8/29 closed within 1bps at 3.64%. GII trades eased to form ~26% of overall trades. To re-cap BNM is expected to take a cautious approach to assess the balance of risks on domestic growth and inflation while reiterating that the current stance of monetary policy remains accommodative and supportive of economic activity. Meanwhile expect attention to shift to the upcoming 7Y GII auction.

Corp Bonds/Sukuk

- Corporate Bonds/Sukuk saw solid interest as volume notched higher @ RM782m with interest spread across the GG-AA part of the curve. Longer-tenured Govt-guaranteed bond trades were seen with DANA 35's and 5/46 closing 28-34bps sharply lower compared to previous-done levels at 3.97-99% and 4.30% respectively. Whilst both AAA-rated CAGAMAS 10/21 and GENM Capital 7/23 closed unchanged at 3.54% and 4.06% each, AMAN 4/27 saw RM50m in nominal amounts traded sharply lower on yields at 3.81%. In the AA-space, Sunway Treasury Sukuk 22's saw maiden trades despite being issued during the 2016-17 period at 4.15% levels. The banking space saw Affin Islamic perps trade 8bps lower at 4.62%.

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*
Bank Pembangunan Malaysia Berhad	09/29	GG	3.809	50	3.890	21/06/2019	-8	17
Danainfra Nasional Berhad	10/33	GG	3.934	10	4.019	28/06/2019	-9	12
Prasarana Malaysia Berhad	03/34	GG	3.949	5	4.071	25/06/2019	-12	14
Lembaga Pembiayaan Perumahan Sektor Awam	04/34	GG	3.956	50	3.989	02/07/2019	-3	14
Danainfra Nasional Berhad	04/35	GG	3.969	20	4.259	11/04/2019	-29	16
Danainfra Nasional Berhad	11/35	GG	3.988	5	4.330	24/05/2019	-34	18
Lembaga Pembiayaan Perumahan Sektor Awam	09/36	GG	4.025	40	4.180	14/06/2019	-15	21
Danainfra Nasional Berhad	05/46	GG	4.300	10	4.579	28/05/2019	-28	29
Al Dzhahab Assets Berhad	06/21	AAA	3.886	15	4.025	27/06/2019	-14	63
Cagamas Berhad	10/21	AAA	3.541	30	3.543	13/06/2019	0	28
GENM Capital Berhad	03/22	AAA	3.876	8	3.893	02/07/2019	-2	57
GENM Capital Berhad	07/23	AAA	4.064	0	4.064	04/07/2019	0	67
Aman Sukuk Berhad	04/27	AAA	3.809	50	4.052	29/05/2019	-24	20
Bakun Hydro Power Generation Sdn Berhad (fka Sarawak Hidro)	08/27	AAA	3.819	5	3.858	03/07/2019	-4	21
Malayan Banking Berhad	11/31	AAA	3.728	10	3.783	02/07/2019	-5	9
Tenaga Nasional Berhad	08/38	AAA	4.449	2	4.449	05/07/2019	0	44
Sabah Development Bank Berhad	02/26	AA1	4.898	30	5.188	27/03/2019	-29	133
YTL Power International Berhad	05/27	AA1	4.270	10	4.378	24/06/2019	-11	66
CIMB Bank Berhad	08/26	AA2	4.021	10	4.450	18/02/2019	-43	45
Hong Leong Financial Group Berhad	06/28	AA2	4.130	1	4.021	04/07/2019	11	50
RHB Investment Bank Berhad	04/25	AA3	4.176	1	4.552	19/06/2019	-38	66
Edra Energy Sdn Berhad	01/38	AA3	5.177	10	5.239	02/07/2019	-6	117
Malakoff Power Berhad	12/19	AA-	3.670	10	3.815	03/06/2019	-15	50
WCT Holdings Berhad	04/20	AA-	4.547	10	4.622	15/05/2019	-8	138
Sunway Treasury Sukuk Sdn Berhad	06/22	AA-	4.153	200	-	-	-	85
Sunway Treasury Sukuk Sdn Berhad	06/22	AA-	4.151	140	-	-	-	85
MEX II Sdn Berhad	04/23	AA-	4.280	7	4.449	24/04/2019	-17	88
Segi Astana Sdn Berhad	01/24	AA-	4.941	0	4.961	08/07/2019	-2	149
Sports Toto Malaysia Sdn Berhad	06/29	AA-	5.478	10	-	-	-	184
MEX II Sdn Berhad	04/31	AA-	4.688	6	4.829	16/04/2019	-14	105
Tan Chong Motor Holdings Berhad	11/19	A1	4.108	5	5.450	06/03/2019	-134	94
CIMB Group Holdings Berhad	05/16	A1	4.547	2	4.249	02/07/2019	30	54
Affin Islamic Bank Berhad	10/17	A3	4.620	20	4.695	13/06/2019	-8	61
				<u>782</u>				

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

Market/Corporate News: What's Brewing

Malaysia Airports Holdings Bhd's (MAHB) exposure to expansion risks could escalate over the next twelve months, should it begin to take on more responsibility under a new concession agreement with the government, according to a report by Moody's Investors Service. MAHB is not directly exposed to expansion risk at present, because the Malaysian government retains primary responsibility for developing new airport capacity. "However, MAHB may start taking on greater responsibility in future expansion, under the new concession agreement [which] it is currently negotiating with the government," according to Moody's report titled "Asia Pacific (APAC) airports have varying capacity to manage impending expansion needs" distributed today. It said another factor was a new tariff-setting framework that would determine its capacity to fund future expansion. MAHB operates 39 airports in Malaysia — including Kuala Lumpur International Airport (KLIA), which is the country's international gateway airport — under two concession agreements executed in 2009. Its operating agreements (OA) with the government to operate, manage and maintain the country's 39 airports has been extended by 35 years to Feb 11, 2069, from 2034. Moody said an extension of MAHB's concession agreements was announced in April 2019. However, final terms and conditions are still being negotiated. "A key consideration in the negotiation is a potential increase in MAHB's role in future expansion, in which case, MAHB would face similar expansion risk and the associated funding requirements, as its rated APAC peers." Operationally, Moody's said the pressure on MAHB's existing infrastructure is not as acute as those faced by rated Indian airports, but the additional investment will likely

be required over the next three to five years. At the end of 2018, a number of MAHB's airports in Malaysia were already operating at above or close to capacity, including KLIA's Main Terminal. Moody's noted that improving efficiency and service quality are crucial to KLIA's ability to compete as a hub airport for international traffic originating in the region. It also pointed out some uncertainty remains over the new tariff-setting framework. "Using a hypothetical funding ratio of 70%, the airport (operator) will require additional debt of around RM3.5 billion, higher than MAHB's net debt of RM2.3 billion at the end of 2018. "As such, the ability to grow in revenue and cash flow provided under the tariff-setting framework will be important to the airport group's ability to preserve its financial profile during the expansion period," said Moody's. Moody's said MAHB's financial leverage is well-positioned for its rating (as of the end of 2018), with some headroom to absorb additional expansion-related debt. However, the airport group's ability to fund future expansion projects and preserve its financial metrics will hinge on the new tariff-setting framework being developed by its independent regulator, the Malaysian Aviation Commission (MAVCOM). Based on a consultation paper published by MAVCOM in June 2019, a new building-block based framework — if implemented as is — will likely keep MAHB's aeronautical revenue from its operations in Malaysia close to or above the prevailing level. Moody's believes the additional disclosure in MAVCOM's latest report has reduced MAHB's downside revenue risk upon implementation of the framework in 2020. "Implementation of the new tariff framework should also have a positive impact on MAHB's ability to grow revenue to meet expansion funding requirements. This is because it provides a clearer link between revenue and capital investment, than the current arrangement under which tariffs are set without a published methodology," it added. (Source: *The Edge*)

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

Source: RAM, MARC

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