

## Global Markets Research

### Fixed Income

#### Fixed Income Daily Market Snapshot

UST		
Tenure	Closing (%)	Chg (bps)
2-yr UST	1.96	3
5-yr UST	1.92	0
10-yr UST	2.14	-1
30-yr UST	2.62	-1

MGS		GII*		
Tenure	Closing (%)	Chg (bps)	Closing (%)	Chg (bps)
3-yr	3.34	0	3.40	1
5-yr	3.48	2	3.52	1
7-yr	3.62	0	3.66	0
10-yr	3.72	1	3.74	1
15-yr	4.02	1	4.03	0
20-yr	4.16	-1	4.22	-2
30-yr	4.46	1	4.55	0

\* Market indicative levels

MYR IRS Levels		
IRS	Closing (%)	Chg (bps)
1-yr	3.41	0
3-yr	3.45	1
5-yr	3.51	1
7-yr	3.59	1
10-yr	3.74	1

Source : Bloomberg

#### Upcoming Government Bond Tender

New issuance of RM4.0b 5Y MGS 6/24 on Thursday, 13<sup>th</sup> June

#### US Treasuries

- The US Treasuries ended mixed with the curve flattening; with only the front end ending weaker on Tuesday despite strong showing of 3Y auction (awarded at 1.861% on a high BTC ratio of 2.62x). Overall benchmark yields ended between -1 to +3bps with the UST 2Y at 1.96% and the much-watched 10Y settling 1bps lower at 2.14%. The US-China trade conflict which took a back seat to President Trump's threatened tariffs on Mexico may move back into the spotlight ahead of the G20 summit later this month with the US president warning that he will impose new tariffs on Chinese goods if his counterpart does not attend. Market players are mostly of the view that the rally that drove yields lower would justify the Fed to cut interest rates. The Fed Fund Futures have now priced in a mere 20% chance of a 25bps rate cut in the upcoming FOMC meeting on 19<sup>th</sup> of June with a higher 62% chance of a similar move by July instead. On the economic front we have the May CPI figures out tonight.

#### MGS/GII

- Trading momentum in local govies was sustained despite lower secondary market volume of RM3.55b. Benchmark yields ended slightly higher between 0-2bps save for the 20Y bonds. Interest was mainly seen in both the shorter off-the-run 19's and 22's. The benchmark 5Y MGS 4/23 ended 2bps higher at 3.48% whilst the 10Y MGS 8/29 edged another 1bps higher at 3.72%. GII bond trades rose to form 45% of overall trades. Foreign holdings of overall govies dropped for the 2<sup>nd</sup> month in a row by RM4.2b or 2.6% to RM158m as at end-May. Nevertheless, the local debt market is still resilient amid recent inflows into EM Asia Pacific segment. Expect attention to be focused on the 5Y MGS auction tomorrow.

#### Corp Bonds/Sukuk

- Corporate Bonds/Sukuk space similarly saw solid interest maintained with secondary volume at RM827m. Interest was seen across GG to AA-part of the curve. Both govt-guaranteed PASB and PTPTN 29's rallied 12bps copared to previous-done levels to 3.91-93% levels. Meanwhile the long-end LPPSA 4/49 made its maiden trade at 4.57% compared to coupon of 4.80% issued in April this year. AAA-rated DANGA 2/26 and 1/30 moved 3-7bps lower at 3.97% and 4.18% respectively. The AA-space was dominated by energy-related bonds i.e. SEB 31-32's, TBEI 30-31's, SPR Energy 33-34's and also JEP 29-32's which moved lower on yields amid strong investor demand. The banking space saw MBSB 20-21's grind ~RM50m in nominal trades between 4.09-23%.

## Daily Trades : Government Bond

Securities		Closing YTM	Vol (RM mil)	Previous YTM	Previous Trade Date (dd/mm/yyyy)	Chg (bp)
MGS	07/19	3.123	169	3.121	28/05/2019	0
MGS	10/19	3.111	259	3.126	10/06/2019	-1
MGS	11/19	3.120	470	3.172	10/06/2019	-5
MGS	03/20	3.149	15	3.163	10/06/2019	-1
MGS	10/20	3.174	13	3.227	10/06/2019	-5
MGS	02/21	3.309	62	3.285	10/06/2019	2
MGS	07/21	3.350	1	3.350	10/06/2019	0
MGS	09/21	3.376	39	3.315	10/06/2019	6
MGS	11/21	3.350	8	3.381	10/06/2019	-3
MGS	03/22	3.342	30	3.378	10/06/2019	-4
MGS	03/23	3.450	32	3.422	07/06/2019	3
MGS	04/23	3.477	120	3.455	10/06/2019	2
MGS	07/24	3.496	1	3.521	10/06/2019	-2
MGS	03/25	3.619	94	3.590	10/06/2019	3
MGS	09/25	3.673	70	3.652	10/06/2019	2
MGS	04/26	3.688	6	3.659	07/06/2019	3
MGS	07/26	3.623	13	3.624	10/06/2019	0
MGS	11/26	3.719	102	3.681	10/06/2019	4
MGS	11/27	3.783	78	3.745	10/06/2019	4
MGS	06/28	3.765	20	3.753	10/06/2019	1
MGS	09/28	3.813	3	3.902	31/05/2019	-9
MGS	08/29	3.718	18	3.712	10/06/2019	1
MGS	04/30	3.877	69	3.849	10/06/2019	3
MGS	06/31	3.948	45	3.933	07/06/2019	2
MGS	04/33	4.005	7	4.019	10/06/2019	-1
MGS	11/33	4.020	40	4.007	10/06/2019	1
MGS	06/38	4.157	2	4.164	10/06/2019	-1
MGS	09/43	4.453	3	4.466	07/06/2019	-1
MGS	07/48	4.464	183	4.455	10/06/2019	1
GII	08/19	3.100	200	3.078	29/05/2019	2
GII	09/19	3.108	50	3.118	30/05/2019	-1
GII	04/20	3.180	28	3.180	10/06/2019	0
GII	05/20	3.174	10	3.269	31/05/2019	-10
GII	08/20	3.217	298	3.252	10/06/2019	-3
GII	08/21	3.362	110	3.412	03/06/2019	-5
GII	03/22	3.395	10	3.388	10/06/2019	1
GII	04/22	3.406	251	3.425	10/06/2019	-2
GII	07/22	3.485	60	3.484	04/06/2019	0
GII	11/22	3.480	50	3.464	10/06/2019	2
GII	11/22	3.483	30	3.467	10/06/2019	2
GII	11/23	3.476	16	3.460	10/06/2019	2
GII	10/24	3.520	90	3.512	10/06/2019	1
GII	08/25	3.653	30	3.663	04/06/2019	-1
GII	09/26	3.707	42	3.684	10/06/2019	2
GII	06/27	3.782	30	3.864	08/04/2019	-8
GII	07/27	3.747	5	3.753	10/06/2019	-1
GII	07/29	3.742	32	3.728	10/06/2019	1
GII	06/33	4.028	10	4.029	10/06/2019	0
GII	08/33	4.059	100	4.050	04/06/2019	1
GII	11/34	4.031	20	4.018	10/06/2019	1
GII	09/39	4.223	107	4.244	07/06/2019	-2
			<u>3550</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*
Pengurusan Air SPV Berhad	02/29	GG	3.919	20	4.035	25/04/2019	-12	20
Perbadanan Tabung Pendidikan Tinggi Nasional	03/29	GG	3.930	20	4.051	23/05/2019	-12	21
Bank Pembangunan Malaysia Berhad	09/29	GG	3.990	20	4.150	18/04/2019	-16	27
Prasarana Malaysia Berhad	09/29	GG	3.950	10	3.969	07/06/2019	-2	23
GovCo Holdings Berhad	02/32	GG	4.165	10	4.249	31/05/2019	-8	15
GovCo Holdings Berhad	09/32	GG	4.260	20	4.357	28/05/2019	-10	25
Projek Lebuhraya Usahasama Berhad	01/38	GG	4.269	50	4.434	14/05/2019	-17	8
Lembaga Pembiayaan Perumahan Sektor Awam	04/39	GG	4.259	40	4.329	04/06/2019	-7	7
Prasarana Malaysia Berhad	09/42	GG	4.319	20	4.339	10/06/2019	-2	13
Lembaga Pembiayaan Perumahan Sektor Awam	04/49	GG	4.568	20	-	-	-	38
Rantau Abang Capital Berhad	08/19	AAA	3.522	5	3.800	28/03/2019	-28	33
Pengurusan Air SPV Berhad	02/22	AAA	3.828	40	-	-	-	49
Danum Capital Berhad	05/23	AAA	3.878	100	3.876	10/06/2019	0	44
Telekom Malaysia Berhad	08/23	AAA	3.906	10	3.888	10/06/2019	2	47
Danga Capital Berhad	02/26	AAA	3.966	20	4.040	16/04/2019	-7	34
Projek Lebuhraya Usahasama Berhad	01/27	AAA	4.019	20	4.148	10/05/2019	-13	32
Danga Capital Berhad	01/30	AAA	4.183	30	4.214	28/05/2019	-3	46
Projek Lebuhraya Usahasama Berhad	01/31	AAA	4.219	30	4.349	15/05/2019	-13	50
Rantau Abang Capital Berhad	05/31	AAA	4.159	20	4.228	27/05/2019	-7	44
Bank Pembangunan Malaysia Berhad	03/32	AAA	4.394	20	4.420	21/05/2019	-3	38
Projek Lebuhraya Usahasama Berhad	01/36	AAA	4.510	20	4.779	11/03/2019	-27	50
MBSB Bank Berhad (fka Asian Finance Bank Berl)	12/20	AA1	4.092	40	-	-	-	79
MBSB Bank Berhad (fka Asian Finance Bank Berl)	12/21	AA1	4.227	10	4.901	14/05/2018	-67	89
YTL Power International Berhad	03/23	AA1	4.317	10	4.337	23/05/2019	-2	88
YTL Corporation Berhad	04/23	AA1	4.268	10	4.298	28/05/2019	-3	83
Samalaju Industrial Port Sdn Berhad	12/25	AA1	4.186	2	4.198	30/05/2019	-1	56
Sarawak Energy Berhad	04/31	AA1	4.286	20	4.301	29/05/2019	-2	57
Sarawak Energy Berhad	12/32	AA1	4.326	30	4.326	10/06/2019	0	31
Fortune Premiere Sdn Berhad	09/25	AA	4.378	10	4.498	24/04/2019	-12	80
Tadau Energy Sdn Berhad	07/28	AA3	4.865	10	4.875	29/05/2019	-1	114
Tanjung Bin Energy Issuer Berhad	03/30	AA3	4.308	10	4.399	15/05/2019	-9	59
Tanjung Bin Energy Issuer Berhad	03/31	AA3	4.328	10	4.543	09/04/2019	-22	61
SPR Energy (M) Sdn Berhad	07/33	AA3	4.829	20	5.069	22/03/2019	-24	82
SPR Energy (M) Sdn Berhad	07/34	AA3	4.899	20	5.368	18/12/2018	-47	89
MMC Corporation Berhad	11/20	AA-	4.576	10	4.855	11/03/2019	-28	138
Segi Astana Sdn Berhad	01/24	AA-	5.081	1	5.081	07/06/2019	0	160
MMC Corporation Berhad	11/27	AA-	5.219	1	5.278	30/05/2019	-6	152
Serba Dinamik Holdings Berhad	10/28	AA-	4.911	20	4.922	31/05/2019	-1	119
Jimah East Power Sdn Berhad	12/29	AA-	4.379	20	4.489	25/04/2019	-11	66
Jimah East Power Sdn Berhad	12/32	AA-	4.499	10	4.599	16/05/2019	-10	49
MNRB Holdings Berhad	03/29	A1	4.956	2	-	-	-	124
CIMB Group Holdings Berhad	05/16	A1	4.250	1	4.221	10/06/2019	3	6
Hong Leong Financial Group Berhad	11/17	A1	4.131	1	4.399	28/05/2019	-27	-6
UMW Holdings Berhad	04/18	A1	4.769	5	5.049	03/06/2019	-28	58
IJM Land Berhad	03/19	A2	4.948	10	5.108	22/04/2019	-16	76
DRB-Hicom Berhad	02/22	A+	5.189	1	5.522	30/05/2019	-33	185
				<u>827</u>				

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

## Market/Corporate News: What's Brewing

The RM682 million Melaka International Cruise Terminal, which is part of the Melaka Gateway project, is expected to be completed by September next year. Datuk Michelle Ong, chief executive officer of the deep-sea port project's developer KAJ Development Sdn Bhd, said piling works started yesterday and this was critical because three test piles — measuring 53 metres, 45 metres and 43 metres in length — would identify the design of the entire terminal. "The piling project is expected to take three days. Once piling works are completed, the design of the terminal will be completed and the project can take off. The sea depth is 13 to 15 metres, which forms a natural harbour, and therefore no further dredging is required," she said in a statement. Last year, KAJ Development's port operating licence for the Melaka Gateway and cruise terminal jetty was cancelled, but the company appealed against the government's decision. Ong said the company regained its operating licence last month, getting the support of the central government and the state government. "The terminal project will accelerate from now," she said, adding that the international cruise terminal would be completed in September

2020 or earlier. The piling project for the Melaka International Cruise Terminal was officially launched yesterday by Tourism, Arts and Culture Ministry secretary-general Datuk Isham Ishak. Ong said KAJ Development expected tourists arriving at the state by cruise ships to spend a minimum of US\$200 each, which would enhance the state's revenue and even that of the country. "We have also requested the state government to set up an agency to register local vendors who are keen in bunkering facilities at the port," she said. According to her, the company aims to become the leader in the domestic maritime industry and plans to open a maritime university for the benefit of local students. She said on its completion, the Melaka Gateway project would create 45,000 to 60,000 jobs.. (Source: *The EdgeMarkets*)

**Insurance premiums will not be going up for current investment-linked product (ILP) policyholders following the implementation of new guidelines for ILPs by Bank Negara Malaysia on July 1, 2019, says Life Insurance Association of Malaysia (LIAM).** Chief executive officer Mark O'Dell said the premiums for ILPs bought before the guidelines come into effect should sustain the policy for the full contract term. "Nothing changes after the guidelines are in effect," he told Bernama in an interview recently, quashing the misleading information by insurance agents who claimed that the premiums would be going up following the introduction of new guidelines. Bank Negara issued the Policy Document on Investment-linked Business in January this year, with the primary objective of protecting the interest of consumers. The document introduced several key initiatives, including the minimum standard of sustainability tests and minimum allocation rate to protect the account values of ILP policy/certificate owners. The disclosure of the sustainability of coverage aim to improve transparency at the point of sale and ensure that consumers are provided with sufficient and timely information to facilitate active management of their ILP policies. "Starting from Jan 1, 2020, you will receive an annual statement telling you the length of your coverage based on your current premium. If you find you need a longer coverage, you can voluntarily increase your premium payment," said O'Dell. He noted that it was important to differentiate between policies bought before July 1 and new policies purchased after the date, as insurance companies would quote premiums for the entire contract term as required by the central bank. O'Dell said existing owners of ILP policies and consumers who intend to purchase the policies before July 1 should check the terms of the contract and be aware of the length of their coverage, based on their current premiums. "They should contact their insurer or takaful operator for further clarification, if necessary," he added. O'Dell pointed out that ILPs were introduced in Malaysia in 1999, and has become the leader in terms of market share of life insurance products. The ILP constituted 45.1 per cent and 52.9 per cent of new business premiums and in-force premiums respectively in 2018. Meanwhile, O'Dell said Malaysia's insurance industry has a lot of room for expansion in line with the country's economic growth. "As insurers come up with more sophisticated products to meet consumers' needs, we are confident that it will help move the needle over time," he added. He said the low premium insurance scheme, Perlindungan Tenang, was a huge step in promoting financial inclusion to serve the diverse needs of the society, particularly the B40 household segment. To date, about 37,600 policyholders have signed up for life insurance products offered under the Perlindungan Tenang initiative, with a total sum assured of RM714.29 million. (Source: *The Star/Bernama*)

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

Source: RAM, MARC

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