

## Global Markets Research

### Fixed Income

UST		
Tenure	Closing (%)	Chg (bps)
2-yr UST	1.86	4
5-yr UST	1.89	7
10-yr UST	2.14	8
30-yr UST	2.66	8

MGS		GII*		
Tenure	Closing (%)	Chg (bps)	Closing (%)	Chg (bps)
3-yr	3.30	1	3.32	-2
5-yr	3.43	-2	3.43	-1
7-yr	3.54	-3	3.58	0
10-yr	3.62	-2	3.63	-2
15-yr	3.80	-1	3.81	2
20-yr	3.98	-2	4.02	0
30-yr	4.22	-3	4.24	-1

\* Market indicative levels

MYR IRS Levels		
IRS	Closing (%)	Chg (bps)
1-yr	3.39	-1
3-yr	3.39	-2
5-yr	3.45	-4
7-yr	3.52	-2
10-yr	3.64	-2

Source : Bloomberg

### Upcoming Government Bond Tender

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

## Fixed Income Daily Market Snapshot

### US Treasuries

- US Treasuries ended weaker Thursday following higher than expected inflation data for June and also a peripheral report by Labor Department that showed first-time claims for US unemployment benefits unexpectedly fell in the week ended 6<sup>th</sup> July. Overall benchmark yields ended between 4-8bps higher with the UST 2Y at 1.86% and the much-watched 10Y spiking to 2.14%. Adding to the woes were the Treasury's soft \$16b of 30Y auction which averaged 2.644% on a mere BTC ratio of 2.13x (average for previous 10 auctions: 2.26x). Meanwhile Powell reiterated that the economy is "in a very good place," but that the Fed has room to lower interest rates to keep the expansion on track. Separately, it is unlikely that news on US which last intervened in FX in 2011 will consider this unconventional monetary policy for now.

### MGS/GII

- Trading momentum in local govies saw further improvement yesterday with secondary volume improving to RM4.88b with interest mainly seen in the shorter off-the-run 19-20's, 23;s and also 10Y space. Overall benchmark yields ended mostly 0-3bps lower. Both the benchmark 5Y MGS 6/24 and the 10Y MGS 8/29 declined 2bps lower at 3.43% and 3.62% respectively. GII trades rose to form ~38% of overall trades. Meanwhile, BNM is seen to remain accommodative and supportive of economic activity; whilst taking cognizance of rising risks. Expect attention to shift to the upcoming 7Y GII auction today.

### Corp Bonds/Sukuk

- Corporate Bonds/Sukuk saw solid interest as volume notched higher @ RM1.28b with interest spread evenly across the GG-AA part of the curve. A slew of Govt-guaranteed DANA, PASB and LPPSA 2024 tranches amounting to RM250m in nominal amounts were traded mostly between 5-55bps lower compared to previous-done levels at 3.50-52% levels. AAA-rated PUTRAJAYA Holdings 22's, 9/23 and 4/25 similarly closed sharply lower at 3.53%, 3.68% and 3.79% respectively. In the AA-space, various names on energy and highway-related bonds dominated the space with KESTURI 20-21's and 29-31's seeing decline in yields to between 3.95-4.51% area. TBEI 9/26, JEP 12/26 also closed lower on yields on strong demand whilst YTL Power 5/27 closed unchanged at 4.27%. The banking space saw Bank Islam 28NC23 move 3bps lower at 4.12% whilst Bank Muamalat 26NC21 ended 5bps lower 4.72%.

## Daily Trades : Government Bond

Securities		Closing YTM	Vol (RM mil)	Previous YTM	Previous Trade Date (dd/mm/yyyy)	Chg (bp)
MGS	07/19	3.044	180	3.028	05/07/2019	2
MGS	10/19	3.040	325	3.023	10/07/2019	2
MGS	11/19	3.060	293	3.070	10/07/2019	-1
MGS	03/20	3.143	109	3.168	10/07/2019	-3
MGS	07/20	3.186	121	3.183	09/07/2019	0
MGS	10/20	3.204	243	3.191	10/07/2019	1
MGS	02/21	3.238	50	3.231	10/07/2019	1
MGS	07/21	3.254	72	3.258	10/07/2019	0
MGS	03/22	3.297	45	3.292	10/07/2019	1
MGS	08/22	3.349	34	3.356	10/07/2019	-1
MGS	03/23	3.391	30	3.392	09/07/2019	0
MGS	04/23	3.419	1	3.434	10/07/2019	-2
MGS	08/23	3.443	155	3.438	10/07/2019	0
MGS	06/24	3.433	84	3.451	10/07/2019	-2
MGS	07/24	3.481	8	3.489	10/07/2019	-1
MGS	09/24	3.491	124	3.498	10/07/2019	-1
MGS	09/25	3.554	47	3.527	10/07/2019	3
MGS	04/26	3.568	1	3.583	05/07/2019	-2
MGS	07/26	3.540	25	3.566	10/07/2019	-3
MGS	11/26	3.607	30	3.627	10/07/2019	-2
MGS	11/27	3.667	60	3.671	10/07/2019	0
MGS	06/28	3.667	3	3.667	10/07/2019	0
MGS	08/29	3.619	237	3.636	10/07/2019	-2
MGS	04/30	3.738	60	3.763	09/07/2019	-2
MGS	06/31	3.798	40	3.813	01/07/2019	-2
MGS	04/33	3.851	20	3.853	10/07/2019	0
MGS	11/33	3.824	41	3.840	10/07/2019	-2
MGS	07/34	3.802	132	3.810	10/07/2019	-1
MGS	05/35	3.901	59	3.947	10/07/2019	-5
MGS	04/37	4.023	1	4.021	10/07/2019	0
MGS	06/38	3.984	179	4.004	10/07/2019	-2
MGS	09/43	4.184	1	4.185	10/07/2019	0
MGS	03/46	4.250	229	4.256	10/07/2019	-1
MGS	07/48	4.215	9	4.244	10/07/2019	-3
GII	05/20	3.180	20	3.193	03/07/2019	-1
GII	03/21	3.254	190	3.268	04/07/2019	-1
GII	03/22	3.319	40	3.340	10/07/2019	-2
GII	04/22	3.321	4	3.335	10/07/2019	-1
GII	07/22	3.364	10	3.367	03/07/2019	0
GII	07/23	3.460	222	3.469	10/07/2019	-1
GII	11/23	3.472	150	3.445	05/07/2019	3
GII	05/24	3.506	55	3.505	10/07/2019	0
GII	08/24	3.497	50	3.511	10/07/2019	-1
GII	10/24	3.434	10	3.445	08/07/2019	-1
GII	09/26	3.598	230	3.617	10/07/2019	-2
GII	07/29	3.627	140	3.642	09/07/2019	-2
GII	06/33	3.867	55	3.890	10/07/2019	-2
GII	08/33	3.870	20	3.876	10/07/2019	-1
GII	11/34	3.811	60	3.793	08/07/2019	2
GII	10/35	3.932	140	3.929	09/07/2019	0
GII	08/37	4.029	150	4.033	10/07/2019	0
GII	09/39	4.016	280	4.012	09/07/2019	0
GII	11/49	4.237	10	4.243	05/07/2019	-1
			<u>4884</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*
Danalinfra Nasional Berhad	04/24	GG	3.501	30	3.794	17/04/2019	-29	6
Danalinfra Nasional Berhad	05/24	GG	3.500	15	3.631	14/06/2019	-13	6
Pengurusan Air SPV Berhad	06/24	GG	3.501	55	4.047	01/03/2019	-55	6
Danalinfra Nasional Berhad	07/24	GG	3.500	40	3.559	20/06/2019	-6	6
Lembaga Pembiayaan Perumahan Sektor Awam	09/24	GG	3.516	100	3.598	19/06/2019	-8	8
Danalinfra Nasional Berhad	11/24	GG	3.511	10	3.559	08/07/2019	-5	7
Lembaga Pembiayaan Perumahan Sektor Awam	10/25	GG	3.591	105	3.600	03/07/2019	-1	8
GovCo Holdings Berhad	06/31	GG	3.959	30	4.009	08/07/2019	-5	33
Perbadanan Tabung Pendidikan Tinggi Nasional	01/33	GG	3.981	10	4.420	21/03/2019	-44	17
Danalinfra Nasional Berhad	04/33	GG	3.904	40	3.989	02/07/2019	-9	9
Lembaga Pembiayaan Perumahan Sektor Awam	09/36	GG	4.028	10	4.025	10/07/2019	0	22
Prasarana Malaysia Berhad	09/42	GG	4.179	30	4.319	11/06/2019	-14	17
Public Islamic Bank Berhad	07/21	AAA	3.520	8	3.797	13/05/2019	-28	27
Bakun Hydro Power Generation Sdn Berhad (fka Sarawak Hidro & Aman Sukuk Berhad	08/21	AAA	3.579	10	3.926	13/05/2019	-35	33
Aman Sukuk Berhad	07/22	AAA	3.522	15	4.157	04/03/2019	-64	22
Putrajaya Holdings Sdn Berhad	07/22	AAA	3.529	10	4.034	22/04/2019	-51	23
Putrajaya Holdings Sdn Berhad	10/22	AAA	3.530	15	3.898	13/06/2013	-37	23
GENM Capital Berhad	07/23	AAA	4.064	1	4.064	10/07/2019	0	67
Putrajaya Holdings Sdn Berhad	09/23	AAA	3.677	10	4.050	25/04/2019	-37	28
Tadamon Services Berhad	06/24	AAA	3.898	40	4.359	14/10/2016	-46	46
Telekom Malaysia Berhad	10/24	AAA	3.730	70	3.968	31/05/2019	-24	29
Putrajaya Holdings Sdn Berhad	04/25	AAA	3.785	30	4.129	23/04/2019	-34	27
Manjung Island Energy Berhad	11/25	AAA	3.775	8	4.056	25/04/2019	-28	26
Putrajaya Holdings Sdn Berhad	05/26	AAA	3.836	30	4.119	24/05/2019	-28	28
Bakun Hydro Power Generation Sdn Berhad (fka Sarawak Hidro & Projek Lebuhraya Usahasama Berhad	08/26	AAA	3.793	10	3.846	28/06/2019	-5	24
Projek Lebuhraya Usahasama Berhad	01/27	AAA	3.841	50	4.019	11/06/2019	-18	23
GENM Capital Berhad	07/28	AAA	4.107	10	4.140	05/07/2019	-3	48
Danga Capital Berhad	01/33	AAA	4.038	40	4.178	04/07/2019	-14	23
Danga Capital Berhad	09/33	AAA	4.090	10	4.188	05/07/2019	-10	28
Danum Capital Berhad	02/34	AAA	4.069	40	4.199	27/06/2019	-13	26
Tenaga Nasional Berhad	08/38	AAA	4.219	20	4.449	10/07/2019	-23	21
Sabah Development Bank Berhad	08/19	AA1	3.687	10	3.966	18/06/2019	-28	53
Sabah Credit Corporation	08/20	AA1	3.908	10	4.205	28/03/2019	-30	75
Abu Dhabi National Energy Company PJSC	03/22	AA1	4.609	10	4.658	05/07/2019	-5	131
YTL Corporation Berhad	04/23	AA1	3.999	40	3.997	05/07/2019	0	60
Sarawak Energy Berhad	08/25	AA1	3.921	40	4.171	09/05/2019	-25	41
YTL Corporation Berhad	11/26	AA1	4.151	30	4.227	28/06/2019	-8	60
YTL Power International Berhad	05/27	AA1	4.270	10	4.270	10/07/2019	0	66
Perbadanan Kemajuan Negeri Selangor	01/22	AA3	4.132	6	4.401	16/05/2019	-27	83
Country Garden Real Estate Sdn Berhad	03/22	AA3	6.141	10	6.156	26/06/2019	-1	284
Country Garden Real Estate Sdn Berhad	02/23	AA3	6.465	1	6.440	09/07/2019	2	307
Tanjung Bin Energy Issuer Berhad	09/26	AA3	4.118	10	4.318	13/05/2019	-20	57
Edra Energy Sdn Berhad	07/27	AA3	4.750	5	5.008	24/05/2019	-26	114
RHB Bank Berhad	09/27	AA3	4.184	5	4.462	28/03/2019	-28	57
Konsortium Lebuhraya Utara-Timur (KL) Sdn Berhad	12/20	AA-	3.947	10	4.067	21/06/2019	-12	79
Konsortium Lebuhraya Utara-Timur (KL) Sdn Berhad	12/21	AA-	4.053	10	4.431	10/01/2019	-38	80
WCT Holdings Berhad	10/23	AA-	5.052	11	5.134	29/04/2019	-8	166
MMC Corporation Berhad	11/25	AA-	4.932	8	5.349	18/03/2019	-42	142
Jimah East Power Sdn Berhad	12/26	AA-	4.099	10	4.717	30/08/2018	-62	55
Southern Power Generation Sdn Berhad	10/27	AA-	4.030	10	4.199	23/05/2019	-17	42
Konsortium Lebuhraya Utara-Timur (KL) Sdn Berhad	11/29	AA-	4.364	20	4.409	03/07/2019	-4	74
UiTM Solar Power Sdn Berhad	04/30	AA-	5.091	5	-	-	-	146
Konsortium Lebuhraya Utara-Timur (KL) Sdn Berhad	12/31	AA-	4.446	10	4.558	24/06/2019	-11	82
Konsortium Lebuhraya Utara-Timur (KL) Sdn Berhad	12/32	AA-	4.506	10	4.613	20/06/2019	-11	70
Sinar Kamiri Sdn Berhad	01/36	AA-	5.810	2	5.831	05/07/2019	-2	200
Lafarge Cement Sdn Berhad	12/20	A1	4.611	5	4.208	05/07/2019	40	145
Affin Bank Berhad	09/27	A1	4.197	10	4.739	25/04/2019	-54	59
Bank Islam Malaysia Berhad	11/28	A1	4.119	10	4.147	08/07/2019	-3	49
CIMB Group Holdings Berhad	05/16	A1	4.297	2	4.547	10/07/2019	-25	29
CIMB Group Holdings Berhad	05/16	A1	4.765	2	4.404	09/07/2019	36	76
IJM Land Berhad	03/19	A2	4.824	10	4.948	11/06/2019	-12	82
Bank Muamalat Malaysia Berhad	06/26	A3	4.722	10	4.776	05/07/2019	-5	117
Eco World International Berhad	05/23	-	5.826	1	5.827	10/07/2019	0	-
DRB-Hicom Berhad	03/22	A+	4.697	10	6.166	14/11/2018	-147	140
Konsortium Lebuhraya Utara-Timur (KL) Sdn Berhad	12/28	AA-	4.344	20	4.498	13/06/2019	-15	71
Alliance Islamic Bank Berhad	03/19	BBB1	4.553	1	4.671	09/07/2019	-12	55
				<u>1275</u>				

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

### Market/Corporate News: What's Brewing

**Legal action is pending against Tan Sri Abu Sahid Mohamed's Bright Focus Bhd by holders of its RM1.35bil sukuk musharakah, as they look to recover RM97.02mil in advances made to its holding company, Maju Holdings Sdn Bhd, in 2018.** Bright Focus holds the concession for the 26km Maju Expressway (MEX) via its 96.8% subsidiary Maju Expressway Sdn Bhd (MESB). It is a wholly owned subsidiary of Maju Holdings, in which Abu Sahid is executive chairman and ultimate shareholder. "The legal action is now pending following a restructuring exercise of the sukuk. Steps are being taken to bring in liquidity support from a financial institution, and to relook some of its repayment timelines," said a source.

- > Better debt service cover ratio (DSCR) via a liquidity facility that is pending approval.
- > The corporate governance issue which was not highlighted to it by the previous adviser and lead arranger.
- > Verification of expenses to be independently verified by a third-party quantity surveyor as well as other relevant consultants.

"We would like to point out that MEX is performing very well and even RAM in its latest rating rationale acknowledges the fact that despite subjecting the projected cashflows to severe assumptions, MEX is on target to meet all its debt obligations," said the spokesperson. The spokesperson added that the issue is to address the potential DSCR which in turn would impact rating levels. "We are also addressing the weakness in the previous term sheet which our current advisers are currently reviewing," said the spokesperson. Bright Focus has appointed NewParadigm Capital Markets Sdn Bhd as the financial adviser for the restructuring of the sukuk. "Should the restructuring exercise be successfully implemented, Bright Focus' sukuk would be able to regain its investment-grade status," said the source. The initial legal action by sukuk holders had caused RAM Ratings to downgrade Bright Focus' sukuk six notches down from A1 to BB1 on June 3. Sources said the sukuk holders include Lembaga Tabung Haji, Malayan Banking Bhd, Standard Chartered, Nomura Asset Management, Amundi, Retirement Fund Inc, KAF and RHB. The legal action came about because unanticipated advances were made by Bright Focus' 96.8% subsidiary, MESB, to its ultimate parent company, Maju Holdings. The first advance of RM73mil was in June 2018. Additional advances of up to RM24.82mil were paid to the group's ultimate shareholder between September and November 2018. "It was a collective decision by the sukuk holders to demand money back from Maju Holdings for wrongful acts and breach of the covenants of the bonds. "If every issuer does this, who will want to buy bonds?" said one of the sukuk holders. On May 24, a letter of demand was sent to MESB, requiring the company to return all prohibited advances to date and reinstate its cash position within the next 30 days. Bright Focus had on May 30 issued a reply letter, stating the amount of advances and that it was taking steps to repay them. This sukuk dispute came before Abu Sahid's bid to buy over PLUS (M) Bhd, the operator of the North-South Expressway earlier this year, with a promise to reduce toll rates by running the highway more efficiently. Yesterday, the Finance Ministry made a preliminary decision to oppose the takeover of PLUS by Maju Holdings after considering the views from PLUS' major shareholders Khazanah Nasional Bhd and the Employees Provident Fund. RAM Ratings has not only downgraded the sukuk to BB1, but put it on a rating watch, with a negative outlook.

One of the sukuk holders opined that RAM Ratings move was drastic. "The second rating action that led to a six-notch downgrade, despite it being a performing bond, is unheard of and alarming," said another sukuk holder. This is because at the current rating of BB1, the RM1.35bil sukuk issued by Bright Focus is no longer under the investment-grade category (the lowest investment-grade category is BBB). This is the second downgrade made by RAM Ratings. It had first downgraded Bright Focus from AA2 to A1 following the first advance of RM73mil in June 2018. "The unanticipated advances – although disallowed under the sukuk's transaction terms – severely depleted the cash balances of MESB, the concessionaire for the MEX and the sole source of cashflow supporting the repayment of the sukuk," said RAM Ratings in its report. "The continued breach of the financing terms of the sukuk also shows huge breaches in financial management policies and corporate governance," added RAM Ratings. Another area of concern is that MESB's performance is sensitive to the government's decisions on toll rate movements. "The company's compensation receipts are constrained by the projected traffic volume under its concession agreement, as two of its three toll plazas already exceeded these projections. "A delay in MESB's toll rate hike to 2021 (from RAM Ratings' previous assumption of 2020) would reduce its projected revenue by RM39mil in 2020," said the rating agency. (Source: *The Edge*)

**Analysts expect improved sentiment for Malakoff Corp Bhd for raising its stake in Saudi Arabia's water and power plant assets.** Following the announcement, the research house raised the stock to outperform at a higher target price of RM1 from 90 sen previously. It said in a note that the move will boost its bottomline by 18% while filling the earnings gap left by the expired Port Dickson power plant's PPA extension and tariff cut at Segari Energy Ventures. Malakoff announced yesterday it had entered an agreement to acquire the entire stake in Desaru Investment Ltd (DIL) from Khazanah for US\$70mil. DIL is a 40% stakeholder in a Malaysian consortium comprising a 40% stake in Malakoff and a 20% stake in Tenaga, which owns about 30% share in two independent water and power plants in Saudi Arabia. With the purchase, Malakoff will double its stake in these two assets to 24% each in 4Q19. "In the past three years, the combined associate incomes from these two assets were RM46.8m/RM57.6m/RM47.5m which made up 14%/20%/21% group's core profit, respectively. "As such, upon completion of the acquisition, contributions from these two assets are important as they could make up a-third of the group earnings," they said. The independent water and power plants are the first and largest in Saudi Arabia as well as the main water suppliers for the Makkah province. They also form 13% of power and water capacity for the country, and have remaining concession periods of about 10 years. According to analysts, the acquisition is priced at EV/EBITDA of c.8x which it believes is fairly reasonable, being quite close to MALAKOF's FY18 EV/EBITDA of 7.8x. "Assuming yearly contribution of RM47.5m for the next 10 years at 12% effective stake, total earnings collections could be RM475m which is 66% higher than the acquisition price of c.RM287 (USD70m @ 4.10), without taking into account the time value of money, a seemingly good deal," it said. (Source: *The Edge*)

Rating Action			
Issuer	PDS Description	Rating/Outlook	Action
Premier Auto Assets Berhad	M85 mil Class A	AAA/Stable	Assigned
	RM20 mil Class B Tranche 1 Medium Term Notes	AA3/Stable	Assigned

Source: RAM, MARC

**Hong Leong Bank Berhad**

Fixed Income &amp; 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.