









Global Markets Research






Fixed Income

Fixed Income Daily Market Snapshot

UST		
Tenure	Closing (%)	Chg (bps)
2-yr UST	1.66	 3
5-yr UST	1.59	 5
10-yr UST	1.74	 5
30-yr UST	2.21	 5

MGS		GII*		
Tenure	Closing (%)	Chg (bps)	Closing (%)	Chg (bps)
3-yr	3.09	 1	3.11	 -2
5-yr	3.23	 1	3.24	 -2
7-yr	3.33	 0	3.33	 0
10-yr	3.34	 -6	3.38	 -1
15-yr	3.54	 1	3.53	 0
20-yr	3.63	 1	3.67	 2
30-yr	3.87	 0	3.81	 0

* Market indicative levels

MYR IRS Levels		
IRS	Closing (%)	Chg (bps)
1-yr	3.19	 0
3-yr	3.20	 -2
5-yr	3.25	 0
7-yr	3.29	 0
10-yr	3.37	 0

Source : Bloomberg

Upcoming Government Bond Tender

Nil

US Treasuries

- US Treasuries extended its fall (or is it a downtrend?) on Wednesday following reports that China may grant tariff exemptions for certain categories of American-made products. Markets were also muted somewhat ahead of both the ECB monetary policy decision tonight and the Fed meeting next week. The curve shifted higher as overall benchmark yields rose between 3-5bps with both the UST 2Y and much-watched 10Y yields up at 1.66% and 1.74% levels respectively. Meanwhile the auction of \$24b of 10Y notes saw modest bidding metrics with a BTC ratio of 2.46x (previous 6 auctions: 2.48) that was awarded at 1.739%. Both investors and traders are seen to be at an inflection point between recessionary fears that may have been overblown and the bond market getting it right on lower bond yields. The Fed funds futures is still pricing in a full 25bps rate cut on 18th September and a total of more than 50bps of cuts by FOMC in December.

MGS/GII

- Trading momentum for local govies was higher as secondary market volume rose to RM4.13b with main interest seen in the shorter off-the-run 19-21's and benchmark 3Y, 10Y bonds. Overall benchmark MGS yields closed mixed between -6 to +2bps across the curve. The 5Y benchmark MGS 6/24 edged 1bps higher at 3.23% whilst the 10Y MGS 8/29 reversed the 6bps spike prior day to close back at 3.34%. GII bonds rose to form ~26% of overall trades. Meanwhile foreign holdings on MYR govies in August were marginally lower by RM400m at RM169b whilst overall holdings of MYR bonds was a mere RM100m down at RM188.2b. Meanwhile, investors still await month-end reports on whether China's inclusion in the FTSE Russell's WGBI index would necessitate a reduction in Malaysia's weightage. On the economic front we have the all-important OPR decision by BNM MPC at 3pm today.

Corp Bonds/Sukuk

- Corporate Bonds/Sukuk saw higher traction as secondary market volume rose to RM749m with interest seen across the GG-AA part of the curve. The Govt-guaranteed PTPTN continued to see action the 24's and 26's between 18-56bps lower compared to previous-done levels at 3.32% and 3.39% levels respectively. Meanwhile the short AAA-rated CAGAMAS 8/20 closed 3bps lowewr at 3.27% whereas the 10/21 tranche ended 20bps lower at 3.34% levels. Both altogether contributed ~RM150m in nominal amounts to overall volume. The AA-segment saw energy-related issuer EDRA's 2027-2034 tranches also close lower on yields between 4.20% and 4.42%.

Daily Trades : Government Bond

Securities		Closing YTM	Vol (RM mil)	Previous YTM	Previous Trade Date (dd/mm/yyyy)	Chg (bp)
MGS	11/19	3.041	190	3.062	10/09/2019	-2
MGS	03/20	3.042	900	3.055	10/09/2019	-1
MGS	07/20	3.051	160	3.053	10/09/2019	0
MGS	10/20	3.026	106	3.067	06/09/2019	-4
MGS	02/21	3.070	102	3.071	10/09/2019	0
MGS	07/21	3.070	164	3.088	10/09/2019	-2
MGS	09/21	3.057	133	3.093	10/09/2019	-4
MGS	11/21	3.086	50	3.080	10/09/2019	1
MGS	03/22	3.092	419	3.084	10/09/2019	1
MGS	03/23	3.191	4	3.169	10/09/2019	2
MGS	04/23	3.194	22	3.223	10/09/2019	-3
MGS	08/23	3.204	140	3.205	06/09/2019	0
MGS	06/24	3.228	20	3.214	10/09/2019	1
MGS	07/24	3.245	14	3.265	10/09/2019	-2
MGS	09/24	3.287	128	3.317	10/09/2019	-3
MGS	09/25	3.335	8	3.361	10/09/2019	-3
MGS	07/26	3.327	54	3.326	10/09/2019	0
MGS	11/26	3.374	13	3.363	10/09/2019	1
MGS	11/27	3.397	25	3.405	10/09/2019	-1
MGS	06/28	3.396	95	3.415	10/09/2019	-2
MGS	09/28	3.434	10	3.349	03/09/2019	9
MGS	08/29	3.337	182	3.401	10/09/2019	-6
MGS	04/33	3.623	15	3.595	10/09/2019	3
MGS	07/34	3.539	70	3.527	10/09/2019	1
MGS	06/38	3.627	1	3.620	10/09/2019	1
MGS	09/43	3.776	6	3.809	10/09/2019	-3
MGS	03/46	3.858	1	3.841	10/09/2019	2
MGS	07/48	3.865	25	3.865	06/09/2019	0
GII	04/20	3.070	20	3.126	15/08/2019	-6
GII	08/20	3.048	50	3.050	10/09/2019	0
GII	04/21	3.082	20	3.087	05/09/2019	-1
GII	03/22	3.107	230	3.132	10/09/2019	-2
GII	07/22	3.142	10	3.150	04/09/2019	-1
GII	11/23	3.201	19	3.212	06/09/2019	-1
GII	08/24	3.301	40	3.300	10/09/2019	0
GII	10/24	3.242	414	3.257	10/09/2019	-2
GII	03/26	3.332	20	3.332	10/09/2019	0
GII	07/27	3.382	20	3.369	06/09/2019	1
GII	07/29	3.377	155	3.385	10/09/2019	-1
GII	10/35	3.682	35	3.685	10/09/2019	0
GII	08/37	3.751	30	3.737	10/09/2019	1
GII	09/39	3.672	11	3.655	06/09/2019	2
			<u>4133</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*
Perbadanan Tabung Pendidikan Tinggi Nasional	03/24	GG	3.320	20	3.500	12/07/2019	-18	10
Perbadanan Tabung Pendidikan Tinggi Nasional	03/24	GG	3.320	20	3.853	02/05/2019	-53	10
Perbadanan Tabung Pendidikan Tinggi Nasional	07/26	GG	3.391	20	3.651	12/07/2019	-26	9
Prasarana Malaysia Berhad	08/26	GG	3.378	40	3.378	10/09/2019	0	7
Perbadanan Tabung Pendidikan Tinggi Nasional	08/26	GG	3.390	20	3.659	18/07/2019	-27	8
Perbadanan Tabung Pendidikan Tinggi Nasional	07/31	GG	3.528	20	3.519	10/09/2019	1	16
DanaInfra Nasional Berhad	02/49	GG	3.975	40	3.949	10/09/2019	3	35
Danga Capital Berhad	04/20	AAA	3.275	17	3.300	10/09/2019	-2	22
Cagamas Berhad	10/20	AAA	3.270	10	3.297	14/08/2019	-3	21
Cagamas Berhad	10/20	AAA	3.269	55	3.297	28/08/2019	-3	21
Cagamas Berhad	10/21	AAA	3.337	85	3.541	10/07/2019	-20	26
DiGi Telecommunications Sdn Berhad	04/24	AAA	3.498	1	3.863	01/07/2019	-37	27
Aman Sukuk Berhad	05/24	AAA	3.388	2	3.701	18/07/2019	-31	16
Pengurusan Air SPV Berhad	06/24	AAA	3.399	20	3.651	13/08/2019	-25	18
Putrajaya Bina Sdn Berhad	09/24	AAA	3.378	2	3.786	27/06/2019	-41	15
Telekom Malaysia Berhad	10/24	AAA	3.435	1	3.493	19/08/2019	-6	21
Manjung Island Energy Berhad	11/24	AAA	3.394	1	4.123	29/03/2019	-73	17
TNB Northern Energy Berhad	11/24	AAA	3.459	2	4.082	08/04/2019	-62	24
Projek Lebuhraya Usahasama Berhad	01/25	AAA	3.401	1	4.017	28/05/2019	-62	18
Aman Sukuk Berhad	03/25	AAA	3.408	1	3.781	16/07/2019	-37	18
Putrajaya Bina Sdn Berhad	03/25	AAA	3.387	2	3.860	24/06/2019	-47	11
Public Bank Berhad	04/25	AAA	3.597	1	3.860	17/07/2019	-26	32
Aman Sukuk Berhad	05/25	AAA	3.414	11	3.418	03/09/2019	0	14
TNB Western Energy Berhad	07/25	AAA	3.549	3	4.469	18/12/2018	-92	27
GENM Capital Berhad	08/25	AAA	3.572	3	4.239	13/06/2019	-67	30
Cagamas Berhad	11/25	AAA	3.480	1	4.380	28/11/2018	-90	21
Telekom Malaysia Berhad	11/25	AAA	3.471	1	4.089	13/05/2019	-62	20
Cagamas MBS Berhad	12/25	AAA	3.716	2	4.546	13/03/2017	-83	44
Danga Capital Berhad	02/26	AAA	3.428	3	3.780	09/07/2019	-35	15
Aman Sukuk Berhad	05/26	AAA	3.445	1	3.639	09/08/2019	-19	14
TNB Northern Energy Berhad	11/26	AAA	3.528	2	4.161	08/04/2019	-63	22
Bank Pembangunan Malaysia Berhad	03/27	AAA	3.580	2	3.904	05/08/2019	-32	27
GENM Capital Berhad	03/27	AAA	3.640	1	3.921	02/08/2019	-28	30
DiGi Telecommunications Sdn Berhad	04/27	AAA	3.594	10	3.869	18/07/2019	-28	25
Genting Capital Berhad	06/27	AAA	3.649	4	4.279	17/06/2019	-63	31
Telekom Malaysia Berhad	09/27	AAA	3.506	2	3.528	23/08/2019	-2	16
Putrajaya Bina Sdn Berhad	09/27	AAA	3.513	2	3.843	05/07/2019	-33	17
Cagamas Berhad	11/27	AAA	3.549	2	4.460	10/06/2016	-91	21
Danum Capital Berhad	02/34	AAA	3.760	5	3.674	19/08/2019	9	23
TNB Northern Energy Berhad	05/36	AAA	3.879	10	3.940	27/08/2019	-6	35
Sabah Development Bank Berhad	08/20	AA1	3.639	10	4.555	18/04/2019	-92	58
Sabah Development Bank Berhad	02/26	AA1	4.398	20	4.419	10/09/2019	-2	112
Sabah Development Bank Berhad	04/26	AA1	4.416	10	4.812	25/07/2019	-40	111
Celcom Networks Sdn Berhad	08/24	AA+	3.643	2	3.646	03/09/2019	0	42
CIMB Bank Berhad	08/26	AA+	3.602	2	5.202	26/08/2019	-	30
Celcom Networks Sdn Berhad	10/26	AA+	3.724	5	3.918	02/08/2019	-19	42
Gamuda Berhad	03/20	AA3	3.532	10	3.570	05/09/2019	-4	48
Hong Leong Assurance Berhad	02/25	AA3	3.694	10	3.750	10/09/2019	-6	47
Bumitama Agri Ltd	07/26	AA3	3.723	20	3.749	29/08/2019	-3	42
Edra Energy Sdn Berhad	01/27	AA3	4.203	10	4.783	02/07/2019	-58	90
Edra Energy Sdn Berhad	07/27	AA3	4.216	10	4.296	14/08/2019	-8	87
Edra Energy Sdn Berhad	01/28	AA3	4.231	10	4.244	30/08/2019	-1	89
Edra Energy Sdn Berhad	07/28	AA3	4.246	10	4.409	09/08/2019	-16	88
RHB Islamic Bank Berhad	05/29	AA3	3.935	2	4.159	26/07/2019	-22	57
Edra Energy Sdn Berhad	01/32	AA3	4.372	10	4.448	23/08/2019	-8	101
Edra Energy Sdn Berhad	07/33	AA3	4.398	10	4.721	09/08/2019	-32	87
Edra Energy Sdn Berhad	01/34	AA3	4.418	20	4.499	22/08/2019	-8	89
MMC Corporation Berhad	11/20	AA-	3.931	34	4.064	29/08/2019	-13	87
Segi Astana Sdn Berhad	01/25	AA-	5.107	10	5.199	15/01/2018	-9	188
Segi Astana Sdn Berhad	01/26	AA-	5.128	5	5.390	18/01/2019	-26	185
Segi Astana Sdn Berhad	01/27	AA-	5.148	5	5.400	15/01/2018	-25	184
Segi Astana Sdn Berhad	01/28	AA-	5.189	70	5.500	15/01/2018	-31	185
CIMB Group Holdings Berhad	05/16	A1	4.180	3	4.126	21/08/2019	5	55
UMW Holdings Berhad	04/18	A1	4.705	1	4.663	30/08/2019	4	108
DRB-Hicom Berhad	07/20	A+	3.853	3	3.841	21/08/2019	1	80
Alliance Bank Malaysia Berhad	10/25	A2	4.038	1	4.400	04/09/2019	-36	76
Affin Bank Berhad	07/18	A3	4.863	1	4.384	29/08/2019	48	123
Eco World Capital Assets Berhad	08/24	-	6.099	2	6.099	10/09/2019	0	-
				<u>749</u>				

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

Market/Corporate News: What's Brewing

DESPITE the lacklustre property market, which has caused developers to slash their sales targets, LBS Bina Group Bhd has been able to hold its own and maintain its annual sales target at RM1.5 billion. The developer, which has been focusing on affordable housing, has seen its property sales grow steadily for five consecutive years, from RM621 million in 2013 to a record high of RM1.526 billion last year. It has now set its sights on launching properties in the higher price range, as group managing director Tan Sri Lim Hock San is confident that there will be demand in this segment. "Every developer has its own strategy. For us, building affordable houses has been our strength over the last 30 years. In 2013 and 2014, many developers were building high-end developments but we stuck to what we were good at," he tells The Edge in an interview. Generally, the price of LBS Bina's products ranges from RM250,000 to RM550,000 per unit, says Lim. "In the next three to five years, affordable housing will remain an important segment. But in the next two to three years, the trend may change [and move] a little towards the slightly more premium segment. We will ride the trend, depending on market sentiments," he remarks. Lim believes the government will be rolling out more pro-business policies to spur economic growth. "The property market has a cycle that is related to economic growth. If our country's economy is doing well, people will have more money and they will buy houses," he explains. "In the long term, I anticipate that Malaysians will have better spending power and hopefully, they will be thinking about upgrading their houses. Who knows, foreigners may also come here to buy our properties." With more tourists from China — currently the biggest spenders in the world — coming to Malaysia, as well as the spillover effect of the planned RM44 billion 640km East Coast Rail Link, Lim expects the country's economy to fare well. Moreover, he believes that the recent 25 basis points cut in the overnight policy rate by Bank Negara Malaysia will have a positive impact on the property market. "Looking at the global economic and other external factors, we expect interest rates to go down further. This means lower instalments for homebuyers," Lim says, adding that this is the best time for people to buy a house. "I hope that within the next three years, the property market will turn the tide. I can't say for sure whether the worst is over but the fact is, until today, we can still sell and people are still buying for their own occupation. How do you interpret this?" asks Lim. LBS Bina has 18 ongoing projects with a total gross development value (GDV) of RM4.1 billion, of which RM3 billion worth has been sold. The balance are developments that have been launched and are still available for purchase. "Our products are selling quite well actually. Our take-up rates are not bad, with new sales coming in almost every week," says Lim. Following its record sales last year, LBS Bina is maintaining its sales target at RM1.5 billion for this year. From the start of the year to Aug 19, the property firm achieved sales of RM979 million, which means it still needs to secure sales of about RM550 million in the next 4½ months. "Most players have lowered their targets but we are maintaining ours at our best level. There are reports of property overhang but we are in a niche and still-expanding market — the affordable segment — where demand is still going strong. Fortunately, we do not have a huge inventory," says Lim. Kita @ CyberSouth in Dengkil and LBS Alam Perdana in Ijok, two of LBS Bina's key township projects in Selangor with a GDV of RM1.2 billion and RM1.17 billion respectively, account for 75% of the company's total current sales. LBS Bina's upcoming launches include Melodi Perdana at its LBS Alam Perdana township, which will be unveiled this month or the next. The project, which will comprise 1,520 apartments, has an estimated GDV of RM566 million. Despite achieving higher

revenue of RM326.56 million for the first quarter ended March 31, 2019 (1QFY2019) — a 36% increase from RM240.12 million in the previous corresponding period — the company's net profit declined 23% to RM17.68 million, from RM23.04 million a year ago. Its net gearing stood at 0.78 times as at March 31. As at July, LBS Bina's unbilled sales amounted to RM1.922 billion, which will translate into turnover, subject to work progress and other factors. "We try to grow our property sales target by 10% on an annual basis. That's all we can say. Of course, shareholders would expect us to deliver better earnings performance and higher dividends, but I am sure they also understand the current market trend. Overall, we hope we can do better next year," says Lim. LBS Bina's share price has declined 15% year to date, closing at 53 sen last Thursday, giving the company a market capitalisation of RM826 million. The stock is close to its five-year low and is currently trading at an undemanding price-earnings ratio of 10 times. According to Bloomberg, five research houses have "buy" calls on LBS Bina and two have "hold" recommendations, with a consensus target price of 76 sen. In other words, the counter has an upside potential of 40%. Lim opines that the low interest rate environment is favourable to not only the property market but also the equity market. "In fact, I have been accumulating shares myself. I don't have enough money, if not I would have bought more," he says half in jest. Lim, who is the eldest son of LBS Bina founding chairman Datuk Seri Lim Bock Seng, took the helm of the company in December 2001. The family's private vehicle, Gaterich Sdn Bhd, has a 41.06% stake in the property developer. Lim has a direct stake of 1.85% in LBS Bina. It has not gone unnoticed that he has been mopping up the company's shares on the open market while Gaterich has been raising its stake by converting its redeemable convertible preference shares. (Source: *The Edge*)

Tycoon Tan Sri Quek Leng Chan is venturing into the healthcare business in a big way. The Quek-controlled Hong Leong group, in partnership with private equity firm TPG, has won a bid to buy the hospital business of Columbia Asia group in Southeast Asia, sources said. The planned venture into healthcare is said to be spearheaded by the tycoon's youngest son, Quek Kon Sean. "They clinched it after a sizeable top-up to their initial bid," a source told *The Edge Financial Daily*, describing it as an "expensive" acquisition. While details are scant, sources indicated that the Hong Leong-TPG team is paying around US\$1.2 billion (RM5.01 billion) cash for the hospital business. Others who were in the race included Sime Darby Bhd and US-based investment firm General Atlantic. The acquisition will mark the Hong Leong group's foray into healthcare. The conglomerate is already in banking and financial services, property development, hospitality and leisure, manufacturing and distribution, among others. A private healthcare company, Columbia Asia is owned by Seattle-based International Columbia USA LLC (ICU). Its website shows that it has 12 hospitals in Malaysia, 11 in India, two in Vietnam and three in Indonesia, for a total of 28. According to earlier news reports, Columbia Asia started a formal sale process earlier this year. It drew first-round, non-binding bids from a number of investors, including sovereign wealth funds and private equity firms like KKR, CVC and Carlyle. The last major healthcare transaction was in January this year, when IHH Healthcare Bhd completed the acquisition of a 31.17% stake in Fortis Healthcare Ltd in a US\$584 million deal, allowing it to expand its footprint in India. (Source: *The Star*)

FIXED INCOME

September 12, 2019

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

Source: RAM, MARC

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