

## Global Markets Research

### Fixed Income

#### Fixed Income Daily Market Snapshot

UST		
Tenure	Closing (%)	Chg (bps)
2-yr UST	2.28	1
5-yr UST	2.27	2
10-yr UST	2.47	2
30-yr UST	2.89	2

MGS		GII*		
Tenure	Closing (%)	Chg (bps)	Closing (%)	Chg (bps)
3-yr	3.38	-2	3.42	0
5-yr	3.59	0	3.66	3
7-yr	3.78	3	3.78	4
10-yr	3.80	0	3.87	2
15-yr	4.13	0	4.13	0
20-yr	4.31	0	4.35	0
30-yr	4.60	1	4.64	1

\* Market indicative levels

MYR IRS Levels		
IRS	Closing (%)	Chg (bps)
1-yr	3.48	0
3-yr	3.52	0
5-yr	3.60	0
7-yr	3.67	-1
10-yr	3.86	-1

Source : Bloomberg

#### Upcoming Government Bond Tender

New issuance of 30Y GII 11/49 consisting of RM2.0b + RM2.0b Private Placement on Tuesday, 14<sup>th</sup> May

#### US Treasuries

- US Treasuries ended weaker last Friday as market digested US-China trade developments. The curve shifted higher as overall benchmark yields edged up between 1-2bps. UST 2Y and the much-watched 10Y bond closed at 2.28% and 2.47% respectively. However treasury futures opened higher this morning on potential safe haven bids following pressures arising from the trade chaos. The Fed's earlier optimistic view on inflation has been neutralized by Trump's decision to impose 25% tariffs on \$200b of Chinese goods as this has fueled bets that the Fed may cut interest rates later this year especially if economic data weakens. U.S. investors will look forward to April retail-sales data on Wednesday for further signs on the economy.

#### MGS/GII

- Trading in local govies continued to stay soft with secondary market volumes maintained at ~RM3.92b. Overall benchmark yields ended mostly higher between 0-4bps across the curve save for the the short 3Y bonds. Interest was mainly seen in the off-the-run 19-20's and benchmark 7Y bonds. Both the benchmark 5Y MGS 4/23 and the 10Y MGS 8/29 closed almost unchanged at 3.59% and 3.80% respectively. GII bond trades dropped to form 18% of overall trades. The recent pullback in foreign holdings of MYR govies by 4.2% to RM162.3b is expected to dampen sentiment temporarily as valuation attractions will tempt institutional funds. Meanwhile attention is expected to be focused on the upcoming 30Y GII auction tomorrow.

#### Corp Bonds/Sukuk

- Corporate Bonds/Sukuk space saw secondary volume decreased to RM500m. However attention returned mainly to GG-segment with MKD Kenchana, PRASA and DANA bonds dominating the space. MKD Kenchana 23's rallied 26-33bps lower compared to previous-done levels at 3.77-78% levels whereas the 2025 traches closed 2-3bps lower between 3.91-93%. AAA-rated PLUS 27,30 and 31 edged 0-1bps higher instead at 4.15%, 4.29% and 4.34% respectively. 4/23 and 10/24 closed sharply lower on yields at 3.99% and 4.04% each. The AA-space saw KESTURI 22-23's also close sharply lower on yields between 4.40-45% levels whilst the shot-end WCT 8/20 ended 9bps weaker at 4.68%.

## Daily Trades : Government Bonds

Securities		Closing YTM	Vol (RM mil)	Previous YTM	Previous Trade Date (dd/mm/yyyy)	Chg (bp)
MGS	10/19	3.160	471	3.147	08/05/2019	1
MGS	11/19	3.140	481	3.142	09/05/2019	0
MGS	03/20	3.239	282	3.271	09/05/2019	-3
MGS	07/20	3.285	241	3.261	09/05/2019	2
MGS	10/20	3.259	1	3.298	09/05/2019	-4
MGS	02/21	3.344	1	3.351	08/05/2019	-1
MGS	07/21	3.372	167	3.360	09/05/2019	1
MGS	09/21	3.403	5	3.394	09/05/2019	1
MGS	11/21	3.376	4	3.388	09/05/2019	-1
MGS	03/22	3.383	40	3.405	09/05/2019	-2
MGS	08/22	3.492	8	3.499	09/05/2019	-1
MGS	03/23	3.606	56	3.597	09/05/2019	1
MGS	04/23	3.592	190	3.592	09/05/2019	0
MGS	07/24	3.698	72	3.694	09/05/2019	0
MGS	03/25	3.764	110	3.756	09/05/2019	1
MGS	09/25	3.784	61	3.811	09/05/2019	-3
MGS	07/26	3.777	415	3.744	09/05/2019	3
MGS	11/26	3.889	140	3.877	09/05/2019	1
MGS	11/27	3.913	183	3.892	09/05/2019	2
MGS	06/28	3.917	23	3.884	09/05/2019	3
MGS	08/29	3.801	12	3.790	09/05/2019	1
MGS	04/33	4.163	3	4.149	09/05/2019	1
MGS	05/35	4.246	5	4.250	09/05/2019	0
MGS	04/37	4.310	21	4.305	08/05/2019	0
MGS	03/46	4.605	180	4.534	09/05/2019	7
MGS	07/48	4.601	22	4.607	09/05/2019	-1
GII	04/20	3.257	4	3.257	09/05/2019	0
GII	04/20	3.277	10	3.336	07/05/2019	-6
GII	04/22	3.482	10	3.462	08/05/2019	2
GII	07/22	3.521	100	3.521	09/05/2019	0
GII	11/23	3.627	54	3.622	09/05/2019	0
GII	05/24	3.674	30	3.654	08/05/2019	2
GII	08/24	3.706	20	3.696	09/05/2019	1
GII	10/24	3.655	30	3.630	09/05/2019	2
GII	08/25	3.796	136	3.791	09/05/2019	0
GII	10/25	3.830	20	3.839	09/05/2019	-1
GII	03/26	3.775	20	3.734	08/05/2019	4
GII	07/27	3.856	60	3.842	09/05/2019	1
GII	10/28	3.861	7	3.848	08/05/2019	1
GII	07/29	3.866	110	3.848	09/05/2019	2
GII	09/30	4.013	50	4.002	07/05/2019	1
GII	06/33	4.130	16	4.133	09/05/2019	0
GII	09/39	4.347	50	4.347	08/05/2019	0
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## 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*
MKD Kencana Sdn Berhad	02/23	GG	3.771	20	4.033	29/01/2019	-26	24.1
MKD Kencana Sdn Berhad	04/23	GG	3.780	20	4.112	01/11/2018	-33	25
MKD Kencana Sdn Berhad	02/25	GG	3.910	75	3.939	03/04/2019	-3	19.8
MKD Kencana Sdn Berhad	04/25	GG	3.930	75	3.951	03/04/2019	-2	21.8
Prasarana Malaysia Berhad	08/28	GG	3.999	20	4.342	03/10/2018	-34	16.6
Danalinfra Nasional Berhad	05/31	GG	4.119	60	4.121	09/05/2019	0	32.2
Prasarana Malaysia Berhad	03/34	GG	4.311	5	4.301	07/05/2019	1	17.7
Danalinfra Nasional Berhad	02/44	GG	4.580	10	4.609	02/05/2019	-3	24.8
Danalinfra Nasional Berhad	11/45	GG	4.618	10	5.158	29/12/2017	-54	28.6
Lembaga Pembiayaan Perumahan Sektor Awam	09/46	GG	4.660	10	4.674	04/04/2019	-1	32.8
Danalinfra Nasional Berhad	11/47	GG	4.660	20	5.000	28/01/2019	-34	32.8
Danalinfra Nasional Berhad	02/49	GG	4.690	10	4.765	24/04/2019	-7	35.8
GB Services Berhad	11/19	AAA	3.885	10	3.946	29/04/2019	-6	64.5
Gulf Investment Corporation G.S.C	03/21	AAA	4.547	2	4.617	23/04/2019	-7	119.4
Projek Lebuhraya Usahasama Berhad	01/27	AAA	4.148	10	4.151	03/05/2019	0	32.9
Projek Lebuhraya Usahasama Berhad	01/30	AAA	4.294	40	4.284	04/04/2019	1	49.7
Projek Lebuhraya Usahasama Berhad	01/31	AAA	4.338	20	4.329	06/05/2019	1	54.1
Sabah Development Bank Berhad	09/20	AA1	4.721	2	4.598	26/04/2019	12	148.1
Teknologi Tenaga Perlis Consortium Sdn Berhad	01/21	AA1	4.014	2	4.320	07/12/2018	-31	66.1
YTL Power International Berhad	03/23	AA1	4.352	10	4.378	06/05/2019	-3	82.2
Perbadanan Kemajuan Negeri Selangor	10/21	AA3	4.416	10	4.835	22/04/2019	-42	106.3
Edra Energy Sdn Berhad	07/26	AA3	5.219	2	5.288	30/04/2019	-7	144.1
WCT Holdings Berhad	08/20	AA-	4.683	20	4.595	08/05/2019	9	144.3
UEM Sunrise Berhad	06/21	AA-	4.347	4	4.415	17/04/2019	-7	99.4
UEM Sunrise Berhad	10/21	AA-	4.360	10	4.474	27/03/2019	-11	100.7
Konsortium Lebuhraya Utara-Timur (KL) Sdn Berh	12/22	AA-	4.400	5	4.485	18/01/2019	-9	87
Konsortium Lebuhraya Utara-Timur (KL) Sdn Berh	12/23	AA-	4.451	10	4.507	24/04/2019	-6	84.8
UEM Sunrise Berhad	10/25	AA-	4.508	2	4.588	15/04/2019	-8	79.6
Jimah East Power Sdn Berhad	12/25	AA-	4.348	2	4.548	06/03/2019	-20	57
Lafarge Cement Sdn Berhad	12/20	A1	4.698	3	4.738	09/05/2019	-4	134.5
Hong Leong Financial Group Berhad	11/17	A1	4.658	2	4.677	08/05/2019	-2	32.6
				500				

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

## Market/Corporate News: What's Brewing

Almost a year after the RM120 million disposal of Wisma UOA Pantai, UOA Real Estate Investment Trust (REIT) is on the lookout for fresh assets to add to its portfolio. "We are actively looking for new acquisitions. A location we are very keen to have a presence in would be Bangsar South," UOA Asset Management Sdn Bhd chief executive officer Kong Sze Choon told The Edge Financial Daily in an exclusive interview. The group, which currently manages commercial properties in Bangsar, Bukit Damansara and Kuala Lumpur City Centre, has yet to include its home base of commercial buildings in Bangsar South as part of its assets under management. This could be because up to the middle of last year, its gearing stood at 34%. The sale of Wisma UOA Pantai to CIMB Bank Bhd in July 2018 reduced this figure to 26.4%, putting the group in a better position to grow. "This year, since we have pretty much reorganised our portfolio, we are definitely in a much more comfortable and stable position [to expand our assets]," said Kong. He declined to comment on how much the group would allocate for a potential acquisition, but indicated that it would be most comfortable with a gearing ratio of below 40%. While UOA REIT would give priority to commercial properties developed by its parent company UOA Development Bhd, it is also considering assets built by other developers. "There are quite a few boxes for us to tick before we acquire. For example, the building has to be yield-accretive, it has to be at least 70% occupied, [and] the location has to be good [and it has to have] reputable tenants," Kong said. Like the five other assets it manages, UOA REIT is focused on acquiring centrally located properties that are also well connected, including easy access to public transportation such as the light rail transit and mass rapid transit systems. Kong is confident that the locations of its properties, along with continuous asset enhancement initiatives, will help keep the group's occupancy rate stable at above 90% overall. In fact, the group recorded

an increase in overall occupancy rates in financial year 2018 (FY18) despite stiff competition from new office supply in Kuala Lumpur. “Most properties with the exception of UOA II saw improvements in FY18,” UOA REIT said in its 2018 annual report. Most notably, Wisma UOA Damansara II and UOA Damansara recorded increases in occupancy of 10.4% and 6.9% respectively. “One reason why we’ve managed to maintain our occupancy is because we are in a better position to adjust our rental rates. In terms of costs for newer offices, their costs are definitely much higher than ours. The room for them to adjust their rental rates is a bit more limited. But for us, because the buildings have been there for so many years, the cost is much lower. So we do have that price flexibility,” Kong said. UOA REIT’s gross rental income declined by 4.57% to RM78.2 million in FY18 versus RM82.04 million a year earlier. However, distribution per unit rose to 9.13 sen in FY18 from 8.55 sen. Net asset value also rose to RM1.72 per unit from RM1.67 year-on-year. The decline in revenue as well as the decrease in expenses were mainly due to the sale of Wisma UOA Pantai, where the occupancy rate was only 19% at the time of disposal. Kong said that UOA REIT also made savings of around 40% on its utility bills after it upgraded its centralised chiller in Wisma UOA Damansara II. “Rather than growing for the sake of growing, our strategy is about ensuring that our assets are performing at an optimal level before we start to source (for new properties).” UOA Development currently controls 76.55% of the REIT via a number of holding companies including Damai Positif Sdn Bhd, Desa Bukit Pantai Sdn Bhd, Rich Accomplishment Sdn Bhd and Wisma UOA Sdn Bhd. Compared with other REITs, UOA REIT’s price-earnings ratio of 10.28 times ranks it among the lowest valued on the exchange. It closed up one sen to RM1.40 last Friday for a market capitalisation of RM592 million. Kong noted that interest in the REIT has grown since the fourth quarter of 2018 as investors turn to dividend-yielding REITs — traditionally considered a safe haven for investors — amid broader market volatility. On average Bursa Malaysia-listed REIT delivered a dividend yield of 6.19% in 2018. Specifically, UOA REIT returned a yield of 6.97% in FY18, up 1.69 percentage points from 5.28% in the previous financial year. Year to date, the stock has appreciated 6.92% against Bursa Malaysia REIT Index’s 11.06%. The index comprises 18 members.. (Source: *The EdgeMarkets*)

Rating Action			
Issuer	PDS Description	Rating/Outlook	Action
Mercedes-Benz Services Malaysia Sdn Bhd	CP/MTN (2018/2025) MTN (2018/2038) programmes with a combined limit of RM3 billion.	AAA(s)/Stable/P1 AAA(s)/Stable	Reaffirmed

Source: RAM, MARC

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