

Global Markets Research

Fixed Income

Fixed Income Daily Market Snapshot

UST		
Tenure	Closing (%)	Chg (bps)
2-yr UST	1.91	-5
5-yr UST	1.88	-4
10-yr UST	2.12	-2
30-yr UST	2.62	0

MGS		GII*		
Tenure	Closing (%)	Chg (bps)	Closing (%)	Chg (bps)
3-yr	3.36	2	3.41	2
5-yr	3.47	0	3.52	0
7-yr	3.62	0	3.66	0
10-yr	3.73	1	3.77	2
15-yr	4.02	0	4.03	0
20-yr	4.16	0	4.22	0
30-yr	4.47	1	4.55	0

* Market indicative levels

MYR IRS Levels		
IRS	Closing (%)	Chg (bps)
1-yr	3.41	0
3-yr	3.44	-1
5-yr	3.50	-1
7-yr	3.57	-2
10-yr	3.74	0

Source : Bloomberg

Upcoming Government Bond Tender

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

US Treasuries

- The US Treasuries ended mixed with the curve bull-steepening on Wednesday following strong showing of the subsequent auction involving \$24b of 10Y bonds which was awarded at 2.13% on a BTC ratio of 2.49x. Overall benchmark yields ended between 0-5bps lower with the UST 2Y at 1.91% and the much-watched 10Y settling 2bps lower at 2.12%. Investors are mostly of the view that the rally that drove yields lower would justify the Fed to cut interest rates. The bond market's rate-cut case has only grown after Wednesday's reading on US consumer prices for May added to a string of inflation disappointments and also based on the gradient of the futures curve which may see the Fed end its balance sheet runoffs earlier.

MGS/GII

- Trading momentum in local govies sustained with secondary market volume at RM3.65b. Benchmark yields were largely unchanged save for both the 3Y and 10Y bonds which rose between 1-2bps. Interest was mainly seen in both the shorter off-the-run 19's and 21's. The benchmark 5Y MGS 4/23 closed within 1bps lower at 3.47% whilst the 10Y MGS 8/29 edged another 1bps higher at 3.73%. GII bond trades maintained at about 42% of overall trades. The market was seen digesting the release of the latest foreign holdings of overall govies which fell by 2.6% or RM4.2b to RM158m as at end-May. Meanwhile attention is expected to shift to the 5Y MGS auction today.

Corp Bonds/Sukuk

- Corporate Bonds/Sukuk space continued to see solid interest with secondary volume rising to RM1.27bm with interest seen across the curve. Govt-guaranteed PRASA and JKSB 30's moved 3-7bps lower compared to previous-done levels between 3.95-4.10% whereas DANA 11/30 rallied a massive 45bps to close at 3.95%. AAA-rated AMAN 3/23 ended sharply lower as well at 3.89% whilst the 2028 tranche closed unchanged at 4.10%. moved 3-7bps lower at 3.97% and 4.18% respectively. The AA-space was dominated by energy-related bonds i.e. EDRA Energy 29-37's and also JEP 24's and 29's which which generally saw strong demand resulting in moves of up to 59bps lower. The banking space saw SABAH Development Bank 19's grind ~RM80m in nominal trades; closing between 4.03-13% levels. 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	10/19	3.091	149	3.135	11/06/2019	-4
MGS	11/19	3.119	134	3.120	11/06/2019	0
MGS	07/20	3.261	2	3.196	11/06/2019	6
MGS	10/20	3.249	78	3.195	11/06/2019	5
MGS	07/21	3.353	345	3.350	11/06/2019	0
MGS	09/21	3.379	380	3.376	11/06/2019	0
MGS	11/21	3.384	352	3.390	11/06/2019	-1
MGS	03/22	3.358	99	3.342	11/06/2019	2
MGS	04/23	3.471	11	3.477	11/06/2019	-1
MGS	08/23	3.488	16	3.493	11/06/2019	0
MGS	07/24	3.552	12	3.496	11/06/2019	6
MGS	09/24	3.563	5	3.507	10/06/2019	6
MGS	03/25	3.615	54	3.610	11/06/2019	1
MGS	09/25	3.672	16	3.669	11/06/2019	0
MGS	11/26	3.714	140	3.714	11/06/2019	0
MGS	11/27	3.806	10	3.783	11/06/2019	2
MGS	06/28	3.756	13	3.765	11/06/2019	-1
MGS	08/29	3.730	100	3.718	11/06/2019	1
MGS	04/33	4.023	61	4.005	11/06/2019	2
MGS	11/33	4.020	20	4.015	11/06/2019	0
MGS	03/46	4.428	11	4.577	10/06/2019	-15
MGS	07/48	4.473	100	4.470	11/06/2019	0
GII	04/20	3.186	5	3.180	11/06/2019	1
GII	05/20	3.218	330	3.270	03/06/2019	-5
GII	05/20	3.223	100	3.174	11/06/2019	5
GII	03/22	3.410	200	3.395	11/06/2019	2
GII	04/22	3.431	28	3.406	11/06/2019	2
GII	07/22	3.466	90	3.485	11/06/2019	-2
GII	11/22	3.470	140	3.480	11/06/2019	-1
GII	10/28	3.775	140	3.751	10/06/2019	2
GII	07/29	3.765	140	3.742	11/06/2019	2
GII	09/30	3.899	150	3.886	10/06/2019	1
GII	11/34	4.026	90	4.023	11/06/2019	0
GII	09/39	4.218	130	4.223	11/06/2019	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*
Prasarana Malaysia Berhad	12/25	GG	3.742	10	3.860	21/05/2019	-12	10
Danainfra Nasional Berhad	04/26	GG	3.748	20	3.908	09/05/2019	-16	10
Danainfra Nasional Berhad	11/27	GG	3.899	10	3.949	29/05/2019	-5	19
Turus Pesawat Sdn Berhad	03/28	GG	4.017	30	4.089	25/03/2019	-7	30
Danainfra Nasional Berhad	02/29	GG	3.947	20	3.969	07/06/2019	-2	21
Prasarana Malaysia Berhad	03/30	GG	3.951	10	4.019	29/05/2019	-7	22
Jambatan Kedua Sdn Berhad	05/30	GG	4.098	20	4.125	29/05/2019	-3	37
Danainfra Nasional Berhad	11/30	GG	3.952	10	4.398	11/02/2019	-45	22
GovCo Holdings Berhad	09/32	GG	4.258	20	4.260	11/06/2019	0	24
Prasarana Malaysia Berhad	03/34	GG	4.120	1	4.310	15/05/2019	-19	10
Lembaga Pembiayaan Perumahan Sektor Awam	09/36	GG	4.179	10	4.319	29/05/2019	-14	16
Projek Lebuhraya Usahasama Berhad	01/38	GG	4.250	60	4.434	14/05/2019	-18	6
Danainfra Nasional Berhad	02/38	GG	4.219	10	4.918	14/08/2018	-70	3
Lembaga Pembiayaan Perumahan Sektor Awam	10/38	GG	4.228	20	4.421	27/05/2019	-19	4
Projek Lebuhraya Usahasama Berhad	12/38	GG	4.305	20	4.530	30/04/2019	-23	11
Danainfra Nasional Berhad	11/48	GG	4.529	10	4.799	19/04/2019	-27	34
Danainfra Nasional Berhad	02/49	GG	4.539	5	4.590	10/06/2019	-5	35
Cagamas Berhad	10/21	AAA	3.635	20	3.525	31/05/2019	11	32
Aman Sukuk Berhad	03/23	AAA	3.892	160	4.054	24/04/2019	-16	45
GENM Capital Berhad	08/25	AAA	4.288	30	4.558	04/04/2019	-27	70
Projek Lebuhraya Usahasama Berhad	01/26	AAA	3.959	20	4.017	10/06/2019	-6	31
Aman Sukuk Berhad	03/28	AAA	4.097	40	-	-	-	38
Telekom Malaysia Berhad	10/28	AAA	4.048	10	4.091	10/06/2019	-4	33
Bakun Hydro Power Generation Sdn Berhad (fka &)	08/29	AAA	4.108	10	4.523	07/02/2019	-42	38
Bakun Hydro Power Generation Sdn Berhad (fka &)	08/30	AAA	4.152	10	4.389	10/04/2019	-24	42
Manjung Island Energy Berhad	11/30	AAA	4.069	5	4.169	13/05/2019	-10	34
Danum Capital Berhad	02/34	AAA	4.300	15	4.393	29/05/2019	-9	28
CIMB Bank Berhad	08/26	AA+	4.149	1	4.580	29/03/2019	-43	50
Sabah Development Bank Berhad	08/19	AA1	4.028	40	4.411	27/02/2019	-38	83
Sabah Development Bank Berhad	08/19	AA1	4.131	40	4.099	31/05/2019	3	93
Sabah Credit Corporation	05/20	AA1	3.957	10	4.017	21/05/2019	-6	76
Sime Darby Plantation Sdn Bhd	03/16	AA	4.227	60	4.227	03/06/2019	0	4
Jimah East Power Sdn Berhad	12/24	AA-	4.232	30	4.369	11/04/2019	-14	75
Jimah East Power Sdn Berhad	06/29	AA-	4.328	25	4.779	03/12/2018	-45	60
Jimah East Power Sdn Berhad	12/29	AA-	4.338	30	4.379	11/06/2019	-4	61
MEX II Sdn Berhad	04/33	AA-	4.918	45	4.969	30/04/2019	-5	90
MEX II Sdn Berhad	04/34	AA-	4.988	45	5.743	03/06/2019	-76	97
Lebuhraya DUKE Fasa 3 Sdn Berhad	08/38	AA-	5.100	20	5.259	29/04/2019	-16	91
Lebuhraya DUKE Fasa 3 Sdn Berhad	08/39	AA-	5.179	20	5.516	08/02/2019	-34	99
Gamuda Berhad	04/21	AA3	4.087	10	4.297	24/04/2019	-21	77
Country Garden Real Estate Sdn Berhad	02/23	AA3	6.590	28	6.564	28/02/2018	3	315
Edra Energy Sdn Berhad	07/29	AA3	5.039	10	5.039	29/05/2019	0	131
Edra Energy Sdn Berhad	07/30	AA3	5.058	10	5.190	24/05/2019	-13	133
Edra Energy Sdn Berhad	07/31	AA3	5.077	10	4.930	03/06/2019	15	134
Edra Energy Sdn Berhad	01/34	AA3	5.161	10	5.159	29/05/2019	0	114
Edra Energy Sdn Berhad	07/34	AA3	5.172	10	5.248	29/05/2019	-8	115
Edra Energy Sdn Berhad	07/35	AA3	5.208	20	5.289	28/05/2019	-8	119
Edra Energy Sdn Berhad	01/36	AA3	5.228	20	5.399	24/05/2019	-17	121
Edra Energy Sdn Berhad	07/36	AA3	5.261	10	5.520	23/05/2019	-26	124
Edra Energy Sdn Berhad	01/37	AA3	5.288	10	5.300	29/05/2019	-1	110
Edra Energy Sdn Berhad	07/37	AA3	5.341	10	5.929	09/05/2019	-59	115
CIMB Group Holdings Berhad	05/16	A1	4.252	1	4.221	10/06/2019	3	6
Serba Dinamik Holdings Berhad	10/23	AA-	4.727	50	4.706	13/05/2019	2	129
SAJ Capital Sdn Berhad	01/20	AA-	4.261	7	4.525	21/03/2019	-26	106
MMC Corporation Berhad	11/20	AA-	4.576	5	4.576	11/06/2019	0	138
UEM Sunrise Berhad	12/24	AA-	4.268	10	4.603	21/03/2019	-34	68
UEM Sunrise Berhad	10/25	AA-	4.288	10	4.339	27/05/2019	-5	70
Jimah East Power Sdn Berhad	12/28	AA-	4.329	10	4.791	08/11/2018	-46	61
Konsortium Lebuhraya Utara-Timur (KL) Sdn Berh	11/29	AA-	4.519	10	4.621	29/03/2019	-10	79
Jimah East Power Sdn Berhad	06/30	AA-	4.358	10	4.469	09/05/2019	-11	63
Jimah East Power Sdn Berhad	12/30	AA-	4.379	10	4.684	15/03/2019	-31	65
Kapar Energy Ventures Sdn Berhad	07/22	AA+	4.010	6	4.455	17/01/2018	-45	65
Danga Capital Berhad	09/27	AAA	4.018	5	4.111	23/05/2019	-9	31
Mah Sing Perpetual	-	-	4.388	2	5.592	16/04/2019	-120	-
				<u>1265</u>				

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

Market/Corporate News: What's Brewing

More than 1,000 construction companies nationwide are eyeing the 40% civil work portion of the RM44 billion East Coast Rail Link (ECRL) project following a pre-qualification (pre-Q) exercise to identify potential subcontractors. In a joint statement yesterday, Malaysia Rail Link Sdn Bhd (MRL) and China Communications Construction Company Ltd (CCCC) said a total of 1,321 submissions from Construction Industry Development Board (CIDB) registered companies were received by ECRL's main contractor, CCCC, during the pre-Q exercise on May 29 and May 30 this year. MRL and CCCC said participation of G7 category of CIDB-rated companies topped the list with 859 submissions or 65%. This was followed by the Grade G5 category with 134 submissions and Grade G4 category with 132 submissions. The remainder consisted of Grade G3 and Grade G6 with 104 submissions and 92 submissions respectively. The firms said bumiputera participation was also very encouraging. The two-day ECRL pre-Q exercise had recorded submissions of 994 bumiputera engineering and construction companies representing 75.25% of the overall registration. MRL, being the ECRL project owner, highly encouraged local industry players especially local contractors to proactively seize any opportunities to participate in the ECRL project not just as contractors but also as suppliers, consultants and other relevant scopes. It is MRL's hope that local contractors can bring their A-game and demonstrate their capabilities, their technical know-how and offer their services competitively. MRL chief executive officer Datuk Seri Darwis Abdul Razak said the firm hopes that the ECRL project will be an exemplary government project that demonstrates the capabilities of local contractors to work with an international contractor in carrying out and meeting the high standards of a large-scale infrastructure project. "With the participation of local contractors, this will not just act as stimulus to the local construction sector but will also serve as a catalyst in the transfer of knowledge and technology in view of the ECRL project to be among the most challenging engineering and construction projects in Malaysia," he said. Meanwhile, China Communications Construction (ECRL) Sdn Bhd managing director Bai Yinzhan said Malaysian local contractors would highly benefit from the cooperation and sharing of knowledge and technology that will, in the end, maximise the commercial impact of the Malaysian government's investment by increasing the competitiveness and also improve the quality of products and services provided by Malaysian contractors. MRL said following the pre-Q exercise, it will be working closely with CCCC in the evaluation and shortlisting process for 1,321 construction companies to be potential tenderers of the ECRL's civil work packages. It said companies that are shortlisted will be notified in writing by CCCC. MRL, a wholly-owned subsidiary of the Minister of Finance Inc, is the project and asset owner of the ECRL. *(Source: The EdgeMarkets)*

Bermaz Auto Bhd's net profit jumped 89.5% to RM265.26mil in the financial year ended April 30, 2019, underpinned by higher revenue and improvement in gross profit margin from the domestic operations, and a significantly higher share of profit contribution from its associate Mazda Malaysia Sdn Bhd. It reported on Wednesday the net profit had jumped from RM140mil a year ago. Its revenue increased by 25.1% to RM2.49bil from RM1.99bil due to robust sales volume growth from the domestic operations. The main factors were the change in the Goods and Services Tax (GST) from the standard rate of 6% to 0% from June to August 2018 as well as the group's offer to absorb the Sales and Service Tax (SST) for bookings received prior to Sept 1, 2018 had boosted demand, in particularly the SUV models. However, this was partly offset by the contraction in sales volume from the Philippine operations as its sales was impacted by the Tax Reform for Acceleration and Inclusion (TRAIN) law. Pre-tax profit rose by 73.7% to RM342.3mil from RM197.1mil, largely due to higher revenue and improvement in gross profit margin from the domestic operations, and a significantly higher share of profit contribution from Mazda Malaysia. "The improvement in the

domestic gross profit margin was primarily due to the favourable sales mix towards high value models and favourable foreign exchange movement, while the higher share of profit contribution from Mazda Malaysia was mainly due to an increase in production volume for the new CX-5 model. However, this was partly offset by a lower profit contribution from the Philippine operations due to weaker sales and compressed profit margin. Bermaz declared a fourth interim single-tier dividend of 3.5 sen per share and special single tier dividend of seven sen per share totalign 10.5 sen. In the fourth quarter, its net profit rose by 5% to RM60.05mil from RM57.18mil largely due to lower operating overheads. The lower share of profit contribution from Mazda Malaysia was mainly due to the lower production volume for the CX-5 model due to the anticipation that sales will normalise over the next few months. Its revenue however fell by 5.6% to RM538.27mil from RM570.59mil mainly due to lower vehicles sales volume recorded from both the domestic and Philippine operations. During the quarter under review, the sales volume in Malaysia normalised as the group had fulfilled all back orders received during the tax holiday prior to Sept 1, 2018. "The sales volume from the Philippine operations continues to be affected by the TRAIN law that was implemented in January 2018. The TRAIN law has caused an increase in excise tax and consequently car prices have also increased, thus dampening the demand for motor vehicles in the Philippines," Bermaz said. (Source: *The Star*)

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

Source: RAM, MARC

Hong Leong Bank Berhad

Fixed Income & Economic Research, Global Markets

Level 8, Hong Leong Tower

6, Jalan Damansara

Bukit Damansara

50490 Kuala Lumpur

Tel: 603-2081 1221

Fax: 603-2081 8936

Email: HLMarkets@hlbb.hongleong.com.my

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