

## Global Markets Research

### Fixed Income

#### Fixed Income Daily Market Snapshot

UST		
Tenure	Closing (%)	Chg (bps)
2-yr UST	2.21	-8
5-yr UST	2.19	-8
10-yr UST	2.40	-6
30-yr UST	2.83	-5

MGS		GII*		
Tenure	Closing (%)	Chg (bps)	Closing (%)	Chg (bps)
3-yr	3.38	0	3.42	0
5-yr	3.61	1	3.68	2
7-yr	3.78	0	3.78	0
10-yr	3.77	-4	3.85	-1
15-yr	4.18	5	4.13	0
20-yr	4.31	0	4.35	0
30-yr	4.60	0	4.64	0

\* 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	3.66	-1
10-yr	3.87	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 rallied on flight to safety bids; ignoring potential fallout from China's possible offloading of UST's arising from the US-China trade war which escalated last Friday. The curve bull-steepened and shifted lower as overall benchmark yields moved down between 5-8bps. The front-end i.e. UST 2Y gained the most pushing yields down by 8bps to 2.21% whilst the much-watched 10Y bond closed 6bps lower at 2.40%. China has announced that it will also raise tariffs on \$60b of US goods starting 1<sup>st</sup> June in retaliation. The Fed's earlier optimistic view on inflation has been neutralized by Trump's decision to impose 25% tariffs on \$200b of Chinese goods. Meanwhile the April retail-sales data is scheduled for release this Wednesday.

#### MGS/GII

- Trading in local govies continued to stay soft on lower secondary market volumes of -RM2.26b. Overall benchmark yields ended mostly higher between 0-5bps save for the 10Y bonds. Interest was mainly seen in the off-the-run 19's, 25's and also benchmark 5Y bonds. Both the benchmark 5Y MGS 4/23 and the 10Y MGS 8/29 moved opposite sides with the 5Y edging 1bps higher at 3.61% whilst the 10Y was well-bid; closing 4bps lower at 3.77% on a sole odd-lot trade. GII bond trades formed 25% of overall trades. The recent pullback in foreign holdings of MYR govies by 4.2% to RM162.3b is expected to dampen sentiment temporarily. Meanwhile attention is expected to be focused on the upcoming 30Y GII auction today whilst 1Q GDP data is scheduled out this Thursday.

#### Corp Bonds/Sukuk

- Corporate Bonds/Sukuk space saw secondary volume improve to RM752m with interest evenly across the GG-AA segment. The Govt-guaranteed space was dominated by DANA bonds totaling RM180m. DANA 29 and 32's closed between 2-6bps lower compared to previous-done levels whilst the long-end 2049 bonds closed unchanged at 4.69%. AAA-rated Bakun 21-22's closed sharply lower on yields between 3.93-99% levels whilst TELEKOM 12/24 and 11/25 closed 0-6bps lower at 4.05% and 4.09% respectively. The AA-space saw energy-related bonds TBEI 2026-2030 tranches actively traded between 10-43bps lower (some were untraded as far back as May 2017) whilst KIMANIS Power 25-26's also rallied to close at 4.31-35% area. The banking space saw hefty amounts of Bank Pembangunan 11/26 close 2bps lower at 4.29%.

## Daily Trades : Government Bond

Securities		Closing YTM	Vol (RM mil)	Previous YTM	Previous Trade Date (dd/mm/yyyy)	Chg (bp)
MGS	10/19	3.181	100	3.160	10/05/2019	2
MGS	11/19	3.155	430	3.140	10/05/2019	1
MGS	07/20	3.309	5	3.285	10/05/2019	2
MGS	10/20	3.308	100	3.259	10/05/2019	5
MGS	02/21	3.344	4	3.344	10/05/2019	0
MGS	09/21	3.402	1	3.403	10/05/2019	0
MGS	11/21	3.413	9	3.376	10/05/2019	4
MGS	09/22	3.509	9	3.500	09/05/2019	1
MGS	03/23	3.628	40	3.606	10/05/2019	2
MGS	04/23	3.605	444	3.592	10/05/2019	1
MGS	07/24	3.708	22	3.698	10/05/2019	1
MGS	09/24	3.737	26	3.707	10/05/2019	3
MGS	03/25	3.785	60	3.764	10/05/2019	2
MGS	09/25	3.838	230	3.811	10/05/2019	3
MGS	07/26	3.782	90	3.780	10/05/2019	0
MGS	11/27	3.920	92	3.899	10/05/2019	2
MGS	06/28	3.897	6	3.904	10/05/2019	-1
MGS	06/31	4.104	6	4.084	09/05/2019	2
MGS	11/33	4.178	20	4.125	09/05/2019	5
MGS	09/43	4.571	1	4.546	09/05/2019	2
GII	04/20	3.280	2	3.257	10/05/2019	2
GII	08/20	3.316	14	3.266	08/05/2019	5
GII	04/22	3.482	40	3.482	10/05/2019	0
GII	07/23	3.653	4	3.686	30/04/2019	-3
GII	11/23	3.650	70	3.627	10/05/2019	2
GII	10/24	3.675	130	3.630	09/05/2019	4
GII	08/25	3.815	96	3.796	10/05/2019	2
GII	09/26	3.854	82	3.819	09/05/2019	4
GII	06/27	3.864	20	4.269	12/10/2018	-41
GII	07/29	3.854	20	3.866	10/05/2019	-1
GII	09/30	4.025	40	4.013	10/05/2019	1
GII	08/37	4.335	43	4.316	09/05/2019	2
			<u>2256</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*
GovCo Holdings Berhad	02/27	GG	4.010	20	4.001	03/04/2019	1	18
Perbadanan Tabung Pendidikan Tinggi Nasional	03/27	GG	3.990	20	3.992	09/05/2019	0	16
DanaInfra Nasional Berhad	02/29	GG	4.021	70	4.089	22/04/2019	-7	20
DanaInfra Nasional Berhad	05/32	GG	4.189	15	4.250	23/04/2019	-6	2
DanaInfra Nasional Berhad	11/32	GG	4.219	15	4.239	07/05/2019	-2	5
DanaInfra Nasional Berhad	02/49	GG	4.689	80	4.690	10/05/2019	0	34
Notable Vision Sdn Berhad	07/19	AAA	3.970	10	3.990	26/04/2019	-2	73
HSBC Amanah Malaysia Berhad	10/19	AAA	3.710	10	3.798	26/04/2019	-9	47
Projek Lebuhraya Usahasama Berhad	01/21	AAA	3.888	35	3.890	08/05/2019	0	54
Public Islamic Bank Berhad	07/21	AAA	3.797	10	4.060	15/03/2019	-26	45
Bakun Hydro Power Generation Sdn Berhad (fka t	08/21	AAA	3.926	20	4.132	18/02/2019	-21	58
Bakun Hydro Power Generation Sdn Berhad (fka t	08/22	AAA	3.993	20	4.138	15/03/2019	-15	58
IGB REIT Capital Sdn Berhad	09/24	AAA	3.898	55	4.375	11/07/2018	-48	27
Telekom Malaysia Berhad	12/24	AAA	4.052	10	4.108	16/04/2019	-6	32
Telekom Malaysia Berhad	11/25	AAA	4.089	10	4.088	08/05/2019	0	29
Danum Capital Berhad	02/26	AAA	4.033	10	4.180	11/03/2019	-15	24
Bank Pembangunan Malaysia Berhad	11/26	AAA	4.290	55	4.312	07/05/2019	-2	49
Bakun Hydro Power Generation Sdn Berhad (fka t	08/27	AAA	4.170	1	4.218	25/04/2019	-5	34
Projek Lebuhraya Usahasama Berhad	01/28	AAA	4.207	20	4.201	03/05/2019	1	36
Aman Sukuk Berhad	05/29	AAA	4.139	10	4.728	20/09/2018	-59	32
Manjung Island Energy Berhad	11/30	AAA	4.169	10	4.890	03/05/2018	-72	35
Celcom Networks Sdn Berhad	08/19	AA+	3.755	30	3.840	11/04/2019	-9	51
YTL Power International Berhad	05/27	AA1	4.508	20	4.538	09/05/2019	-3	68
First Abu Dhabi Bank PJSC	12/27	AA1	4.270	2	4.725	14/11/2018	-46	42
WCT Holdings Berhad	08/20	AA-	4.716	40	4.683	10/05/2019	3	147
MMC Corporation Berhad	04/23	AA-	5.003	1	5.125	25/04/2019	-12	144
Serba Dinamik Holdings Berhad	10/23	AA-	4.706	10	4.727	09/05/2019	-2	115
Kimanis Power Sdn Berhad	08/25	AA-	4.309	10	4.618	23/11/2018	-31	58
Kimanis Power Sdn Berhad	08/26	AA-	4.349	30	4.665	05/12/2018	-32	55
Tanjung Bin O&M Berhad	07/27	AA-	4.371	20	4.419	02/05/2019	-5	54
Kimanis Power Sdn Berhad	08/28	AA-	4.410	20	4.809	09/08/2018	-40	56
Tanjung Bin Energy Issuer Berhad	03/26	AA3	4.289	10	4.719	26/09/2017	-43	49
Tanjung Bin Energy Issuer Berhad	09/26	AA3	4.318	30	4.738	18/05/2017	-42	52
Tanjung Bin Energy Issuer Berhad	09/27	AA3	4.339	10	4.439	25/04/2019	-10	51
Tanjung Bin Energy Issuer Berhad	09/30	AA3	4.434	10	4.613	26/03/2019	-18	61
UMW Holdings Berhad	04/18	A1	5.077	3	5.077	10/05/2019	0	73
				<u>752</u>				

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

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

**Integrated poultry producer Leong Hup International Bhd, en route to a Main Market relisting on Bursa Malaysia on Thursday, saw a 15% growth in net profit to RM60.58 million in the first quarter ended March 31, 2019 (1QFY19) from RM52.68 million in the previous corresponding quarter.** A 12% increase in quarterly revenue to RM1.51 billion helped in boosting its net profit. Earnings per share (EPS) also came in higher at 1.78 sen against 1.55 sen previously. To annualise the quarterly figure, ceteris paribus, the annual EPS would be 7.12 sen. Based on the annualised EPS, Leong Hup shares, oversubscribed 3.64 times in the initial public offering, are valued at a price-earnings ratio of about 15.4 times at the offer price of RM1.10. For the financial year ended Dec 31, 2018 (FY18), net profit was RM246.75 million against RM247.4 million in FY17. EPS was at 5.48 sen in FY18 and 5.66 sen in FY17. "We are extremely encouraged by the company's financial performance for 1QFY19, reflecting the strength of our geographical diversification as a fully integrated poultry operator. "With our expansion plans, we are optimistic that Leong Hup will be able to achieve positive results for FY19," said its group chief executive officer Tan Sri Lau Tuang Nguang in a statement yesterday. For 1QFY19, revenue from sales of livestock and poultry-related products increased about 2.7% year-on-year from RM837.17 million to RM859.65 million, mainly due to an increase in sales volume and the average selling price (ASP) of eggs in Malaysia, and a higher ASP of broiler day-old chicks in Indonesia. However, these were partially offset by lower revenue from sales in Singapore, primarily due to revenue loss from Jordon International Food Processing Pte Ltd, following the disposal of the subsidiary on June 30, 2018. For its feedmill segment, revenue jumped 27% from RM506.67 million to RM643.63 million, primarily because of higher sales volume and ASP of livestock feed in Indonesia and Vietnam. (Source: *The EdgeMarkets*)

**Amid worries about the U.S.-China trade spat and the economy, traders are more convinced a quarter-point Federal Reserve rate cut is coming this year.** The rate on the January fed funds futures contract implies that the central bank's benchmark will fall to 2.075% by the end of 2019. This is more than 25 basis points below where the effective fed funds rate stood Friday, showing traders are fully pricing in a quarter-point reduction. The implied rate on the contract ended last week at 2.15%. This is happening as China threatens retaliatory tariffs on some American imports, an escalation in the trade war with U.S. President Donald Trump. The clash is fueling concern about economic growth, prompting a key part of the U.S. yield curve to invert again — a sign to many that the risk of a recession has increased. While "China/U.S. trade ripple effects certainly affect the Fed's outlook, I think this is more of a macro move," said Todd Colvin, senior vice president at futures and options broker Ambrosino Brothers in Chicago. "It's not about whether or not the Fed sees policy shifts, that is, as much as it's looking at global growth woes, or increased market volatility." At his press conference following this month's Federal Open Market Committee meeting on May 1, Fed Chairman Jerome Powell included uncertainty around unresolved trade negotiations as one of many cross currents that presented risks to the Fed's outlook. He added that the risks had moderated somewhat. Yields on 3-month Treasuries are again higher than those on 10-year notes, an atypical relationship that also briefly occurred in March. The move back toward this rate inversion picked up steam about a week ago when Trump said he'd increase tariffs on Chinese goods. On Monday, the yield on 2-year Treasuries touched 2.18%, approaching the 2019 low of 2.16% set on March 27. (Source: *The EdgeMarkets*)

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

Source: RAM, MARC

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