

## Global Markets Research

### Fixed Income

#### Fixed Income Daily Market Snapshot

| UST       |             |           |
|-----------|-------------|-----------|
| Tenure    | Closing (%) | Chg (bps) |
| 2-yr UST  | 1.85        | -2        |
| 5-yr UST  | 1.87        | -2        |
| 10-yr UST | 2.12        | -2        |
| 30-yr UST | 2.65        | -1        |

| MGS    |             | GII*      |             |           |
|--------|-------------|-----------|-------------|-----------|
| Tenure | Closing (%) | Chg (bps) | Closing (%) | Chg (bps) |
| 3-yr   | 3.29        | -1        | 3.33        | 2         |
| 5-yr   | 3.43        | 0         | 3.43        | 0         |
| 7-yr   | 3.56        | 2         | 3.58        | 0         |
| 10-yr  | 3.61        | -1        | 3.63        | 0         |
| 15-yr  | 3.80        | 0         | 3.81        | 0         |
| 20-yr  | 4.00        | 1         | 4.02        | 0         |
| 30-yr  | 4.24        | 3         | 4.24        | 0         |

\* Market indicative levels

| MYR IRS Levels |             |           |
|----------------|-------------|-----------|
| IRS            | Closing (%) | Chg (bps) |
| 1-yr           | 3.39        | 0         |
| 3-yr           | 3.40        | 0         |
| 5-yr           | 3.46        | 2         |
| 7-yr           | 3.53        | 0         |
| 10-yr          | 3.64        | 0         |

Source : Bloomberg

#### Upcoming Government Bond Tender

Nil

#### US Treasuries

- US Treasuries edged stronger last Friday despite lack of meaningful catalysts as price action was correlated with both Euro-zone bonds and Gilts. The curve shifted lower as overall benchmark yields ended between 1-2bps lower with the UST 2Y at 1.85% and the much-watched 10Y at 2.12%. The early weakness in UST's following the release of a report from the Labor Department (showing U.S. producer prices unexpectedly edged higher in the month of June) was overcome as safe-haven bids emerged ahead of the corporate earnings season next week. The Fed speak event saw officials say that more monetary accommodation was required to reach the inflation target of 2.0% whilst raising concerns on the current debt ceiling. The Fed is also scheduled to release its Beige Book, which may provide further clues on the near-term outlook for interest rates.

#### MGS/GII

- Trading momentum in local govies eased slightly last Friday with secondary at RM3.08b as interest was mainly seen in the shorter off-the-run 19-20's, and also 10Y MGS. Overall benchmark yields ended mostly unchanged-to-higher save for the 3& and 10Y bonds. Both the benchmark 5Y MGS 6/24 and the 10Y MGS 8/29 ended within 1bps of prior day's move at 3.43% and 3.61% respectively. GII trades maintained at ~33% of overall trades mainly due to the 7Y GII auction. The reopening of RM3.0b of 7Y GII 3/26 saw strong reception; averaging 3.582% on a BTC ratio of 2.87x. Meanwhile industrial production data for May continued to stay robust somewhat. BNM's monetary policy is expected to remain accommodative and supportive of economic activity; whilst taking cognizance of rising risks.

#### Corp Bonds/Sukuk

- Corporate Bonds/Sukuk saw solid interest as volume notched lower at RM688m with interest mainly across the GG-segment causing yields to decline further. A slew of Govt-guaranteed PTPTN bonds i.e. 2024-2027 tranches closed 2-35bps lower compared to previous-done levels between 3.50-69%. AAA-rated AMAN 24-25's also ended sharply lower on yields at 3.67% levels whilst the AA-space saw YTL Power and EDRA Energy dominate trades. YTL Power 3/23 and 8/28 ended 30-32bps lower at 3.99% and 4.30% respectively whereas EDRA 31's and 33's similarly rallied at 4.79-80% and 4.87%. The banking space saw A1-rated Affin Bank 27NC22 edge 2bps lower at 4.17% whilst AA3-rated RHB Islamic 27NC22 closed 29bps lower at 4.05%.

## Daily Trades : Government Bond

| Securities |       | Closing<br>YTM | Vol<br>(RM mil) | Previous<br>YTM | Previous<br>Trade Date<br>(dd/mm/yyyy) | Chg<br>(bp) |
|------------|-------|----------------|-----------------|-----------------|--|-------------|
| MGS        | 10/19 | 3.068          | 307             | 3.040           | 11/07/2019                             | 3           |
| MGS        | 11/19 | 3.060          | 40              | 3.060           | 11/07/2019                             | 0           |
| MGS        | 03/20 | 3.163          | 60              | 3.143           | 11/07/2019                             | 2           |
| MGS        | 02/21 | 3.263          | 2               | 3.238           | 11/07/2019                             | 2           |
| MGS        | 07/21 | 3.261          | 207             | 3.254           | 11/07/2019                             | 1           |
| MGS        | 03/22 | 3.286          | 82              | 3.297           | 11/07/2019                             | -1          |
| MGS        | 08/22 | 3.362          | 95              | 3.349           | 11/07/2019                             | 1           |
| MGS        | 03/23 | 3.406          | 45              | 3.391           | 11/07/2019                             | 2           |
| MGS        | 04/23 | 3.418          | 6               | 3.419           | 11/07/2019                             | 0           |
| MGS        | 08/23 | 3.456          | 101             | 3.443           | 11/07/2019                             | 1           |
| MGS        | 07/24 | 3.487          | 5               | 3.481           | 11/07/2019                             | 1           |
| MGS        | 09/24 | 3.485          | 4               | 3.491           | 11/07/2019                             | -1          |
| MGS        | 03/25 | 3.518          | 160             | 3.528           | 10/07/2019                             | -1          |
| MGS        | 09/25 | 3.536          | 185             | 3.554           | 11/07/2019                             | -2          |
| MGS        | 07/26 | 3.556          | 20              | 3.540           | 11/07/2019                             | 2           |
| MGS        | 11/27 | 3.660          | 92              | 3.667           | 11/07/2019                             | -1          |
| MGS        | 06/28 | 3.673          | 26              | 3.667           | 11/07/2019                             | 1           |
| MGS        | 08/29 | 3.613          | 563             | 3.619           | 11/07/2019                             | -1          |
| MGS        | 06/31 | 3.802          | 3               | 3.798           | 11/07/2019                             | 0           |
| MGS        | 11/33 | 3.837          | 2               | 3.824           | 11/07/2019                             | 1           |
| MGS        | 04/37 | 4.008          | 2               | 4.023           | 11/07/2019                             | -1          |
| MGS        | 06/38 | 3.997          | 30              | 3.984           | 11/07/2019                             | 1           |
| MGS        | 03/46 | 4.250          | 20              | 4.250           | 11/07/2019                             | 0           |
| GII        | 05/20 | 3.185          | 300             | 3.180           | 11/07/2019                             | 0           |
| GII        | 03/22 | 3.334          | 30              | 3.319           | 11/07/2019                             | 2           |
| GII        | 04/22 | 3.340          | 40              | 3.321           | 11/07/2019                             | 2           |
| GII        | 11/22 | 3.378          | 10              | 3.379           | 10/07/2019                             | 0           |
| GII        | 05/24 | 3.484          | 61              | 3.506           | 11/07/2019                             | -2          |
| GII        | 08/24 | 3.503          | 40              | 3.497           | 11/07/2019                             | 1           |
| GII        | 10/25 | 3.572          | 1               | 3.575           | 10/07/2019                             | 0           |
| GII        | 03/26 | 3.581          | 530             | 3.582           | 10/07/2019                             | 0           |
| GII        | 10/35 | 3.920          | 10              | 3.932           | 11/07/2019                             | -1          |
|            |       |                | <u>3077</u>     |                 |  |             |

## Daily Trades : Corp Bonds/ Sukuk

| Securities                                   |       | Rating | Closing<br>YTM | Vol<br>(RM mil) | Previous<br>YTM | Previous<br>Trade Date<br>(dd/mm/yyyy) | Chg<br>(bp) | Spread<br>Against<br>MGS* |
|--|-------|--------|----------------|-----------------|-----------------|--|-------------|---------------------------|
| Khazanah Nasional Berhad                     | 03/20 | GG     | 3.290          | 110             | 3.276           | 27/06/2019                             | 1           | 13                        |
| Khazanah Nasional Berhad                     | 08/23 | GG     | 3.465          | 80              | 3.530           | 27/06/2019                             | -6          | 7                         |
| Perbadanan Tabung Pendidikan Tinggi Nasional | 03/24 | GG     | 3.500          | 100             | 3.845           | 16/04/2019                             | -35         | 7                         |
| Perbadanan Tabung Pendidikan Tinggi Nasional | 07/26 | GG     | 3.651          | 20              | 3.780           | 19/06/2019                             | -13         | 10                        |
| Perbadanan Tabung Pendidikan Tinggi Nasional | 03/27 | GG     | 3.691          | 15              | 3.711           | 03/07/2019                             | -2          | 9                         |
| Danainfra Nasional Berhad                    | 02/28 | GG     | 3.690          | 5               | 3.982           | 22/04/2019                             | -29         | 7                         |
| Danainfra Nasional Berhad                    | 02/29 | GG     | 3.720          | 10              | 3.800           | 25/06/2019                             | -8          | 10                        |
| Prasarana Malaysia Berhad                    | 03/29 | GG     | 3.710          | 20              |                 |  | -           | 9                         |
| Jambatan Kedua Sdn Berhad                    | 07/31 | GG     | 3.893          | 10              | 4.172           | 10/06/2019                             | -28         | 28                        |
| Berjaya Land Berhad                          | 12/19 | AAA    | 3.621          | 20              | 3.816           | 03/07/2019                             | -20         | 46                        |
| Aman Sukuk Berhad                            | 05/24 | AAA    | 3.669          | 20              | 3.920           | 31/05/2019                             | -25         | 24                        |
| Aman Sukuk Berhad                            | 05/25 | AAA    | 3.671          | 5               | 3.906           | 20/06/2019                             | -24         | 16                        |
| Putrajaya Bina Sdn Berhad                    | 09/26 | AAA    | 3.732          | 10              | 3.951           | 17/06/2019                             | -22         | 18                        |
| Aman Sukuk Berhad                            | 04/27 | AAA    | 3.731          | 55              | 3.809           | 10/07/2019                             | -8          | 13                        |
| TNB Northern Energy Berhad                   | 11/27 | AAA    | 3.827          | 10              | 4.181           | 08/04/2019                             | -35         | 23                        |
| YTL Power International Berhad               | 03/23 | AA1    | 3.994          | 20              | 4.317           | 11/06/2019                             | -32         | 60                        |
| YTL Corporation Berhad                       | 04/23 | AA1    | 3.930          | 50              | 3.999           | 11/07/2019                             | -7          | 54                        |
| YTL Power International Berhad               | 08/28 | AA1    | 4.302          | 10              | 4.598           | 16/05/2019                             | -30         | 68                        |
| YTL Corporation Berhad                       | 06/34 | AA1    | 4.299          | 10              | 4.378           | 28/06/2019                             | -8          | 49                        |
| Krung Thai Bank Public Company Limited       | 07/25 | AA2    | 4.155          | 13              | 4.096           | 09/07/2019                             | 6           | 65                        |
| BEWG (M) Sdn Berhad                          | 07/24 | AA     | 4.328          | 10              | 4.951           | 11/12/2018                             | -62         | 90                        |
| RHB Islamic Bank Berhad                      | 04/27 | AA3    | 4.053          | 10              | 4.340           | 02/04/2019                             | -29         | 45                        |
| Edra Energy Sdn Berhad                       | 01/31 | AA3    | 4.789          | 10              | 5.010           | 19/06/2019                             | -22         | 117                       |
| Edra Energy Sdn Berhad                       | 07/31 | AA3    | 4.799          | 10              | 4.967           | 20/06/2019                             | -17         | 118                       |
| Edra Energy Sdn Berhad                       | 07/33 | AA3    | 4.870          | 5               | 5.136           | 18/06/2019                             | -27         | 106                       |
| MMC Corporation Berhad                       | 03/28 | AA-    | 5.039          | 10              | 5.138           | 02/07/2019                             | -10         | 142                       |
| Affin Bank Berhad                            | 09/27 | A1     | 4.173          | 10              | 4.197           | 11/07/2019                             | -2          | 57                        |
| CIMB Group Holdings Berhad                   | 05/16 | A1     | 4.538          | 1               | 4.765           | 11/07/2019                             | -23         | 54                        |
| UMW Holdings Berhad                          | 04/18 | A1     | 4.540          | 20              | 4.843           | 11/07/2019                             | -30         | 54                        |
| Mah Sing Perpetual                           | -     | -      | 5.588          | 2               | 5.698           | 17/06/2019                             | -11         | -                         |
| Mah Sing Perpetual                           | -     | -      | 5.951          | 1               | 5.389           | 05/07/2019                             | 56          | -                         |
| Eco World International Berhad               | 04/23 | -      | 5.624          | 2               | 6.100           | 11/07/2019                             | -48         | -                         |
| Eco World International Berhad               | 05/23 | -      | 5.825          | 3               | 5.826           | 11/07/2019                             | 0           | -                         |
| Eco World International Berhad               | 10/21 | -      | 5.467          | 2               | 6.151           | 09/07/2019                             | -68         | -                         |
|  |       |        |                | <u>688</u>      |                 |  |             |                           |

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

## Market/Corporate News: What's Brewing

**Digi.Com Bhd saw net profit in the quarter ended June 30, 2019 (2QFY19) rise 2.12% to RM392.38 million, from RM384.34 million a year earlier, on deferred tax overprovision, which helped mitigate lower revenue and higher depreciation and amortisation incurred in the period.** The telco provider also saw lower expenses in the quarter, driven by its efficiency initiatives and supported by the absence of a RM40 million restructuring cost — which mitigated the higher finance costs, its company filing showed. Quarterly earnings per share (EPS) rose to 5.05 sen, from 4.94 sen in 2QFY18. Digi has declared a second interm dividend of 5 sen per share or RM389 million, up from 4.9 sen in the same period last year, payable on Sept 27. Total dividend for the first half of FY19 however, remained lower on-year at 9.3 sen, from 9.8 sen in 1HFY18. In a separate statement, Digi said its margin for earnings before interest, tax, depreciation and amortisation (ebitda) increased to 49% in the quarter, from 47% previously. This was underpinned by its focus on driving sustainable postpaid and internet growth, while delivering on efficient cost management, it added. Quarterly revenue however slipped 4.3% to RM1.55 billion from RM1.6 billion previously, as a 13.2% decline in prepaid revenue offset its gains

in postpaid revenue. For the six-month period ended June 30, 2019 (1HFY19), Digi's net profit was 4.73% lower at RM733.98 million from RM770.45 million in the same period last year. Half-year revenue declined 6.01% to RM3.06 billion, from RM3.25 billion previously. Digi said the slower data revenue growth from prepaid challenged by prolonged intense data competition, coupled with effects from regulatory changes in interconnect rates and continued decline from legacy mobile services, trimmed overall growth trajectory. "Consequentially, service revenue growth and ebitda growth guidance for 2019 is now revised to low single digit decline, in line with 1HFY19 performance although anticipating improving sequential performance in 2HFY19," the company added. To-date, Digi said its network now connects 11.4 million subscribers, serving populated areas across Malaysia with 90% 4G LTE coverage, 70% LTE-A coverage and 9,100km of fiber network. "We aim to deepen our customer insights capabilities and digitalisation efforts to drive differentiated customer experiences, connecting more Malaysians with services that matter most to them," said Digi's chief executive officer Albern Murty. "We have started executing on this strategy and remain resilient in the midst of challenging market conditions," Murty added. Shares of Digi closed unchanged at RM5.05, giving the telco group a market capitalisation of RM39.26 billion. (Source: *The Edge*)

**Najah Air Sdn Bhd, a group of businessmen led by AirAsia Group Bhd co-founder and former chairman Datuk Pahamin Ab Rajab, is said to be seeking about RM1 billion from a Japanese lender to support its takeover bid for Malaysia Airlines Bhd.** The company's talks with the lender are still at an early stage and there is no guarantee a deal will happen, according to people familiar with the matter. If the deal materialises, the Japanese lender will become the main funding source for the takeover offer, a source told *The Edge Financial Daily*. The move comes after the six-man group met Prime Minister Tun Dr Mahathir Mohamad on July 3 to express its interest in helping the government turn around the ailing national carrier. During the meeting, the group sought the approval of the premier to conduct due diligence on the airline in order to come up with a detailed restructuring plan. It is understood that the group plans to take up a minority stake in the airline in a debt-for-equity swap, and wants control of the board and management. Another source said tycoon Tan Sri Syed Azman Syed Ibrahim of Weststar Group, one of Malaysia Airlines' suitors, has approached Najah Air seeking to team up with the latter to take over the national carrier. However, talks are still preliminary. It was reported that Weststar had been invited by Khazanah Nasional Bhd, Malaysia Airlines' sole shareholder, to put in a bid to rescue the loss-making airline. Meanwhile, aviation consultancy firm Endau Analytics has mooted the idea of setting up a task force to help the prime minister make an informed decision on Malaysia Airlines' future. When contacted, its founder Shukor Yusof said he proposed the idea to the prime minister last week. He believes a task force, similar to those set up at other government-linked companies, can help Dr Mahathir assess takeover proposals received from potential investors, as well as give unadulterated opinions. "Malaysia Airlines is surviving on public money. It's only fair for Malaysians to have a say in its fate. There must be accountability, checks and balances." Likening the task force to the Council of Eminent Persons, he said it should be placed under the purview of the Prime Minister's Office (PMO) and can make recommendations directly to the prime minister, who is also Khazanah chairman. "No one person can help deliver solutions to Malaysia Airlines. It has to be a collective initiative — a group of professional Malaysians who are like-minded, independent and with integrity, who will advise the prime minister to find the best solutions for the carrier, including appointing a new

management and board of directors at the airline. “The task force will not be involved in the day-to-day running of the airline, but [it should comprise] people who understand the business and have a wide network within the aviation industry to provide guidance to the airline under the auspices of the PMO,” he said, adding that the task force should serve at least one year to be effective. Shukor believes the positions of the current management and board are untenable, considering the years of underperformance and missed targets under their watch. He also sees Malaysia Airlines’ proposed Long-term Business Plan as flawed. The new business plan, which is still awaiting approval from the Khazanah board, outlines that it can achieve financial break-even by 2022 and generate sufficient income to cover the cost of the capital it uses to fund its operations two years later. “Malaysia Airlines doesn’t have the luxury of time. It has fallen far behind its competitors. It needs to raise US\$1 billion for nine Boeing 737 MAX planes that start delivering in July 2020. Then there is the RM5 billion payment to bondholders due in 2022,” said Shukor. He opines that Malaysia Airlines is on track to lose at least RM1 billion this year, taking into account fuel prices, foreign exchange volatility and intense competition. “That’s a loss of about RM3 million a day.” He also anticipates significant losses at FlyFirefly Sdn Bhd, following the suspension of the turboprop operator’s operations into Singapore for over four months. Malaysia Airlines’ net loss increased by 85% year on year to RM812.11 million for the financial year ended Dec 31, 2017 (FY17). It has yet to file its financial statements for FY18. (Source: *The Edge*)

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

Source: RAM, MARC

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