

Global Markets Research

Fixed Income

Fixed Income Daily Market Snapshot

UST		
Tenure	Closing (%)	Chg (bps)
2-yr UST	1.58	-9
5-yr UST	1.49	-9
10-yr UST	1.58	-12
30-yr UST	2.01	-14

MGS		GII*		
Tenure	Closing (%)	Chg (bps)	Closing (%)	Chg (bps)
3-yr	3.18	1	3.20	1
5-yr	3.27	2	3.29	-2
7-yr	3.38	-1	3.40	-3
10-yr	3.44	1	3.45	0
15-yr	3.60	-3	3.61	-7
20-yr	3.80	-2	3.80	-5
30-yr	3.97	-8	4.13	0

* Market indicative levels

MYR IRS Levels		
IRS	Closing (%)	Chg (bps)
1-yr	3.28	-2
3-yr	3.25	0
5-yr	3.26	0
7-yr	3.28	1
10-yr	3.40	0

Source : Bloomberg

Upcoming Government Bond Tender

Nil

US Treasuries

- US Treasuries took a turn and rallied on flight to safety as an inverted UST curve, the first since Jun-07, heightened recession fear and triggered the hefty selloff in equities. The curve bull flattened yesterday with yields falling 9-14bps across the curve, led by the long bond (30Y) that shed 14bps to its recf low at 2.01% while the front end 2Y note yields lost 9bps to 1.58%, matching the 10Y note yield at 1.58% at close, down 12bps on the day. Markets were already jolted by weak Eurozone and China data earlier. Would expect UST to remain biddish overall amid growing recession concern, more so if tonight's key US data including retail sales and industrial production surprised on the downside.

MGS/GII

- Trading momentum in local govies saw notable pick-up, benefitting from the overnight risk-on mode after President Trump delayed tariff hikes on some Chinese goods from September to December. Trading volume in the govies space doubled to RM6.2bn yesterday, from RM3.0b on Tuesday with yields ended mixed between -8 to +2bps overall. Interests were seen well spread across the curve led by the reopening of MGS 6/38 that saw an impressive BTC of 3.15x at an average yield of 3.75%. GII trades fell to form only 27% of overall trades (vs 38%). Overnight risk-off is expected to keep a lid on demand for local govies today, while investors will also await Malaysia 2Q GDP performance due for release at noon tomorrow.

Corp Bonds/Sukuk

- Corporate Bonds/Sukuk also gained traction in line with local govies. Secondary trade volume almost doubled to RM1.1bn yesterday, from RM606m a day ago. The bulk of the interests remained in the GG to the AA-part of the curve. Familiar names including DanaInfra and PTPTN continued to take center stage in the GG space while the AAA-rated space was dominated by Danga '20 and '33, as well as Caga '20 which last dealt at 3.23-3.31%. Trading was rather well-diversified in the energy, infrastructure and construction sectors while banking names were only limited to Bank Islam '11/27 and HLF 11/17.

Daily Trades : Government Bond

Securities	Closing YTM	Vol (RM mil)	Previous YTM	Previous Trade Date (dd/mm/yyyy)	Chg (bp)
MGS 10/19	3.076	28	3.059	13/08/2019	1.7
MGS 11/19	3.073	32	3.071	13/08/2019	0.2
MGS 03/20	3.112	220	3.106	13/08/2019	0.6
MGS 07/20	3.107	30	3.110	13/08/2019	-0.3
MGS 07/21	3.171	169	3.182	13/08/2019	-1.1
MGS 09/21	3.183	82	3.179	13/08/2019	0.4
MGS 11/21	3.189	9	3.181	13/08/2019	0.8
MGS 03/22	3.187	258	3.175	13/08/2019	1.2
MGS 08/22	3.178	2	3.203	13/08/2019	-2.5
MGS 09/22	3.209	3	3.191	13/08/2019	1.8
MGS 03/23	3.232	89	3.226	13/08/2019	0.6
MGS 04/23	3.243	6	3.248	13/08/2019	-0.5
MGS 08/23	3.265	32	3.277	13/08/2019	-1.2
MGS 06/24	3.265	435	3.268	13/08/2019	-0.3
MGS 07/24	3.314	26	3.303	13/08/2019	1.1
MGS 09/24	3.320	87	3.315	13/08/2019	0.5
MGS 03/25	3.330	1	3.318	13/08/2019	1.2
MGS 09/25	3.356	76	3.351	13/08/2019	0.5
MGS 04/26	3.419	27	3.419	13/08/2019	0
MGS 07/26	3.375	290	3.376	13/08/2019	-0.1
MGS 09/26	3.442	10	3.474	08/08/2019	-3.2
MGS 11/26	3.400	265	3.405	13/08/2019	-0.5
MGS 03/27	3.453	20	3.629	07/08/2019	-17.6
MGS 05/27	3.451	20	3.480	13/08/2019	-2.9
MGS 11/27	3.431	15	3.436	13/08/2019	-0.5
MGS 06/28	3.429	47	3.438	13/08/2019	-0.9
MGS 08/29	3.421	60	3.441	13/08/2019	-2
MGS 04/30	3.566	223	3.577	13/08/2019	-1.1
MGS 06/31	3.583	175	3.682	09/08/2019	-9.9
MGS 04/33	3.600	91	3.675	13/08/2019	-7.5
MGS 11/33	3.576	172	3.653	13/08/2019	-7.7
MGS 07/34	3.525	80	3.601	13/08/2019	-7.6
MGS 05/35	3.666	28	3.788	13/08/2019	-12.2
MGS 04/37	3.839	4	3.791	13/08/2019	4.8
MGS 06/38	3.714	1098	3.800	13/08/2019	-8.6
MGS 09/43	3.922	20	3.987	13/08/2019	-6.5
MGS 03/46	3.942	1	3.953	13/08/2019	-1.1
MGS 07/48	3.936	101	3.968	13/08/2019	-3.2
GII 04/20	3.156	10	3.111	13/08/2019	4.5
GII 04/21	3.182	50	3.204	08/08/2019	-2.2
GII 03/22	3.207	1	3.204	13/08/2019	0.3
GII 04/22	3.220	100	3.237	13/08/2019	-1.7
GII 07/22	3.250	10	3.287	13/08/2019	-3.7
GII 07/23	3.245	30	3.247	09/08/2019	-0.2
GII 10/23	3.274	10	3.313	09/08/2019	-3.9
GII 05/24	3.345	20	3.307	13/08/2019	3.8
GII 08/24	3.321	10	3.321	13/08/2019	0
GII 10/24	3.290	140	3.294	13/08/2019	-0.4
GII 08/25	3.339	5	3.364	13/08/2019	-2.5
GII 03/26	3.391	162	3.398	13/08/2019	-0.7
GII 09/26	3.416	60	3.440	13/08/2019	-2.4
GII 07/27	3.425	40	3.462	13/08/2019	-3.7
GII 10/28	3.450	220	3.455	13/08/2019	-0.5
GII 07/29	3.431	120	3.445	13/08/2019	-1.4
GII 09/30	3.543	90	3.580	13/08/2019	-3.7
GII 06/33	3.601	68	3.696	09/08/2019	-9.5
GII 08/33	3.608	40	3.679	13/08/2019	-7.1
GII 11/34	3.564	140	3.605	13/08/2019	-4.1
GII 10/35	3.688	30	3.766	13/08/2019	-7.8
GII 08/37	3.732	10	3.840	13/08/2019	-10.8
GII 09/39	3.756	280	3.801	13/08/2019	-4.5
GII 05/47	3.963	30	4.055	13/08/2019	-9.2
GII 11/49	4.031	40	4.134	09/08/2019	-10.3
SPK 08/20	3.170	200	3.280	14/06/2019	-11
		<u>6244</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*
Khazanah Nasional Berhad	03/20	GG	3.222	50	3.208	07/08/2019	1	10
Perbadanan Tabung Pendidikan Tinggi Nasional	06/22	GG	3.300	20	3.446	03/07/2019	-15	12
Danainfra Nasional Berhad	02/26	GG	3.489	70	3.580	08/07/2019	-9	11
Danainfra Nasional Berhad	10/26	GG	3.497	70	3.589	07/08/2019	-9	12
Prasarana Malaysia Berhad	09/28	GG	3.530	25	3.661	08/08/2019	-13	9
Bank Pembangunan Malaysia Berhad	09/29	GG	3.624	20	3.809	10/07/2019	-19	18
Prasarana Malaysia Berhad	03/30	GG	3.599	5	3.670	09/08/2019	-7	16
Danainfra Nasional Berhad	04/30	GG	3.589	10	3.682	09/08/2019	-9	15
Prasarana Malaysia Berhad	02/31	GG	3.619	10	3.729	08/08/2019	-11	18
Prasarana Malaysia Berhad	03/31	GG	3.609	20	3.729	08/08/2019	-12	17
Danainfra Nasional Berhad	05/31	GG	3.619	10	3.701	09/08/2019	-8	18
Danainfra Nasional Berhad	02/33	GG	3.693	40	4.889	13/03/2018	-120	8
Lembaga Pembiayaan Perumahan Sektor Awam	04/34	GG	3.719	40	3.950	16/07/2019	-23	11
Danainfra Nasional Berhad	02/39	GG	3.851	30	3.949	09/08/2019	-10	3
Perbadanan Tabung Pendidikan Tinggi Nasional	07/41	GG	3.959	20	4.039	07/08/2019	-8	14
Danga Capital Berhad	04/20	AAA	3.210	100	3.250	23/07/2019	-4	9
Malaysia Airports Capital Berhad	08/20	AAA	3.401	8	3.798	10/06/2019	-40	28
Cagamas Berhad	09/20	AAA	3.231	10	3.817	22/03/2019	-59	11
Cagamas Berhad	10/20	AAA	3.297	20	3.746	25/04/2019	-45	17
Cagamas Berhad	11/20	AAA	3.307	80	3.455	02/08/2019	-15	18
Genting Capital Berhad	06/22	AAA	3.611	10	4.014	19/07/2019	-40	43
Projek Lebuhraya Usahasama Berhad	01/27	AAA	3.719	6	3.841	11/07/2019	-12	34
Manjung Island Energy Berhad	11/30	AAA	3.794	3	3.888	16/07/2019	-9	35
Danga Capital Berhad	01/33	AAA	3.789	100	3.803	13/08/2019	-1	18
Sarawak Energy Berhad	07/24	AA1	3.659	10	3.657	08/08/2019	0	39
YTL Power International Berhad	05/27	AA1	4.039	10	4.039	13/08/2019	0	61
Sarawak Energy Berhad	04/31	AA1	3.969	20	4.286	11/06/2019	-32	53
Sarawak Energy Berhad	12/32	AA1	4.010	20	4.149	24/07/2019	-14	40
YTL Corporation Berhad	06/34	AA1	4.209	10	4.270	25/07/2019	-6	60
Anih Berhad	11/26	AA	4.039	2	4.138	24/07/2019	-10	66
Anih Berhad	11/27	AA	4.029	20	4.248	03/07/2019	-22	60
BGSM Management Sdn Berhad	12/22	AA3	3.999	10	4.118	08/07/2019	-12	82
Country Garden Real Estate Sdn Berhad	02/23	AA3	6.419	21	6.419	13/08/2019	0	318
Gamuda Berhad	03/23	AA3	3.956	6	3.967	09/08/2019	-1	72
Mumtaz Rakyat Sukuk Berhad	06/26	AA3	3.968	4	3.993	31/07/2019	-2	59
Edra Energy Sdn Berhad	07/27	AA3	4.296	20	4.748	15/07/2019	-45	87
Dynasty Harmony Sdn Berhad	12/28	AA3	5.589	5	5.929	27/02/2019	-34	215
Edra Energy Sdn Berhad	01/33	AA3	4.689	10	4.690	13/08/2019	0	108
Edra Energy Sdn Berhad	01/38	AA3	4.964	6	4.965	13/08/2019	0	115
UEM Sunrise Berhad	03/24	AA-	3.933	4	3.940	09/08/2019	-1	66
Sinar Kamiri Sdn Berhad	01/26	AA-	5.054	5	5.056	13/08/2019	0	171
WCT Holdings Berhad	04/26	AA-	5.120	10	5.159	08/08/2019	-4	174
Sinar Kamiri Sdn Berhad	01/27	AA-	5.117	5	5.119	13/08/2019	0	174
MMC Corporation Berhad	11/27	AA-	4.958	20	5.273	02/08/2019	-32	153
MMC Corporation Berhad	03/28	AA-	4.972	20	5.039	12/07/2019	-7	153
Serba Dinamik Holdings Berhad	10/28	AA-	4.669	10	4.671	13/08/2019	0	123
UiTM Solar Power Sdn Berhad	04/30	AA-	5.021	5	5.023	13/08/2019	0	158
MEX II Sdn Berhad	04/30	AA-	4.489	8	4.749	25/04/2019	-26	105
Lebuhraya DUKE Fasa 3 Sdn Berhad	08/35	AA-	4.721	15	4.723	05/08/2019	0	111
Lebuhraya DUKE Fasa 3 Sdn Berhad	08/37	AA-	4.879	15	4.889	26/07/2019	-1	106
Bank Islam Malaysia Berhad	11/27	A1	3.834	10	4.427	18/04/2019	-59	41
Hong Leong Financial Group Berhad	11/17	A1	4.337	1	4.475	02/05/2019	-14	52
UMW Holdings Berhad	04/18	A1	4.532	10	4.784	13/08/2019	-25	71
Quantum Solar Park (Semenanjung) Sdn Berhad	04/20	A+	4.108	5			411	98
DRB-Hicom Berhad	07/20	A+	4.084	2			408	96
Quantum Solar Park (Semenanjung) Sdn Berhad	04/21	A+	4.342	5			434	119
Quantum Solar Park (Semenanjung) Sdn Berhad	10/22	A+	4.526	10	5.140	25/05/2018	-61	135
Quantum Solar Park (Semenanjung) Sdn Berhad	04/28	A+	5.238	5	5.528	23/07/2019	-29	180
Quantum Solar Park (Semenanjung) Sdn Berhad	04/32	A+	5.691	1	6.338	30/05/2019	-65	208
Eco World Capital Assets Berhad	08/24	-	5.750	19	6.100	13/08/2019	-35	248
Eco World International Berhad	04/23	-	5.621	0	6.099	02/08/2019	-48	-
				<u>1134</u>				

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

Market/Corporate News: What's Brewing

S P Setia Bhd posted pre-tax profit of RM329.7mil on the back of RM2.20bil in revenue in the first half ended June 30, 2019 contributed largely by the on-going projects in Malaysia. It said on Wednesday the on-going international projects of Battersea Power Station in London, UK as well as Sapphire by the Gardens and UNO in Melbourne, Australia were recognised on completion method, hence there was no profit contribution from the said international projects in the first half of FY2019. "Over the same period, the group secured sales of RM1.98bil. Local projects contributed RM1.71bil, which represented approximately 87% of the total sales, while international projects contributed RM262.6mil, which represented the remaining 13% of the total sales," it said. S P Setia said sales secured were mainly from the central region which contributed RM1.19bi while the southern and northern regions combined, contributed RM522mil. As for the international projects, UNO Melbourne in Australia and Daintree Residence in Singapore contributed RM222mil of sales. Its president and chief executive officer Datuk Khor Chap Jen said: "Amid an uncertain macro-economic situation and prolong subdued property market, the group has prudently revised the sales target for FY2019 from RM5.65bil to RM4.55bil, which is aligned to the present market conditions." In the H1 of FY19, S P Setia group remained prudent with its project launches and focused on the right products to cater for the market conditions where approximately RM1.55bil in gross development value (GDV) were launched. Several projects, largely comprised of landed properties registered outstanding performance. They were the Avis 2 double-storey terraced homes in Setia Alamsari and Reef of Tropic, the 20ft by 70ft double-storey terraced homes priced from RM774,000 onwards in Setia Eco Glades both achieved more than 90% take-up rate during their respective launches in April 2019. Over in Setia Alam, Artoca, the 18ft by 65ft double-storey terraced homes priced from RM532,000 onwards were fully taken-up on the first day of its launch in June 2019. This starter home series remains popular especially for first time home purchasers seeking landed homes in established townships. In addition, Rosario, the 20ft by 70ft double-storey terraced homes at Setia Safiro priced from RM739,000 and Kandara, the semi-detached homes in Setia Mayuri priced from RM864,000 which catered for the mid-range and upgrader purchasers were both 100% taken-up over a weekend during their launches in July 2019. Khor said the group continues to monitor the property market closely and has revised the total planned launches to RM3.33bil for the second half of FY2019. The planned launches will focus in Klang Valley with RM2.32bil and Johor with RM776mil worth of launches. In Klang Valley, the planned major launches are in Setia Alam, Setia Eco Park, Setia Safiro, Setia Alamsari, Setia Ecohill 1 & 2, Setia Warisan Tropika and Bandar Kinrara while in Johor, the planned major launches are in Setia Tropika, Setia Eco Gardens, Bukit Indah Johor and Taman Industri Jaya. Over in mainland Penang, Setia Fontaines plans to launch about RM164mil worth of GDV, comprising landed residential properties, attractively priced from RM330, 000 onwards. "Given the versatility of the planned launches in the pipeline as well as the extension of Home Ownership Campaign, the group is confident of achieving the revised sales target of RM4.55bil. "Anchored by 46 ongoing projects with 9, 381 acres of effective land banks remaining and potential GDV of RM144.52bil, prospects going forward remain positive with total unbilled sales of RM10.67bil as at June 30, 2019," S P Setia said. (Source: *The Star Online*)

Public Bank Berhad posted lower net profit of RM1.33bil in the second quarter ended June 30, 2019 due to the 25 basis points cut in the Overnight Policy Rate (OPR) in May despite stronger loan growth. It announced on Wednesday its net profit declined by 4.5% from RM1.396bil a year ago. Its pre-tax profit fell by 1.5% to RM1.730bil from RM1.757bil. It declared an interim dividend of 33 sen a share totalling RM1.28bil.

Its revenue rose by 2.9% to RM5.598bil from RM5.436bil. Its earnings per share were 34.34 sen compared with 36.13 sen. "The decrease in pre-tax profit during the quarter was due to the negative effect arising from the 0.25% OPR reduction in May 2019. As a result, net interest income for the current quarter was lower by RM28.4mil (-1.5%) despite a positive loan growth of 4.2% achieved in the last 12 months," it said. Public Bank also said other operating expenses was higher by RM58.2mil (-6.5%), in tandem with increased business activities and loan impairment allowance was higher by RM47.8mil. "These were partially offset by higher investment income of RM49.2mil, higher foreign exchange income of RM32.3mil and higher net fee and commission income of RM16.9mil," it said. Commenting on the retail operations, it said the decrease in pre-tax profit of RM20.1mil (-2.2%) to RM910mil was mainly due to higher other operating expenses and allowance for loan impairment in the current quarter as compared to a net writeback in the previous year corresponding quarter, partially offset by higher net interest income and higher fee and other income. As for its hire purchase, its pre-tax profit decreased by RM4.1mil (-5%) to RM79.1mil, mainly due to lower net interest income partially offset by lower loan impairment allowance. Other comprehensive income (net) of the group increased by RM60.1mil or 106.8% to RM116.4mil, mainly due higher gain on revaluation of financial investments partially offset by lower foreign currency translation gain in respect of foreign operations and loss on cash flow hedges. For the first half year ended June 30, 2019, Public Bank Group recorded pre-tax profit of RM3.55bil similar to the previous corresponding period. Net profit attributable to shareholders stood at RM2.74bil versus RM2.80bil a year ago. Its revenue rose by 3.5% to RM11.166bil from RM10.785bil. Tan Sri Teh Hong Piow, the founder, chairman emeritus, director and adviser of Public Bank said: "The economic and banking environment was increasingly challenging. In addition to this, arising from the reduction of OPR in May 2019, domestic banks were faced with a decline in net interest margins which affected the profit for the half year ended 30 June 2019. "However, excluding the negative effect of the OPR reduction, the Public Bank Group was able to sustain stable profitability underpinned by its healthy loans and deposits growth, stable asset quality and prudent cost management." "In the face of increasing challenges from the moderating growth of the domestic banking sector and continued interest margin compression, the Group is of the view that maintaining cost efficiency and preserving strong asset quality is key to long term business sustainability." With this strategic focus, he said the group continued to sustain a stable gross impaired loans ratio of 0.5% and efficient cost-to-income ratio of 34.2%, leading to continued resilient net return on equity of 13.6% for the first half of 2019. (Source: *The Star Online*)

Rating Action			
Issuer	PDS Description	Rating/Outlook	Action
State Government of Sabah	RM1.0 billion Bonds (2014/2019)	AAA/Stable	Reaffirmed

Source: RAM, MARC

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