

Global Markets Research

Fixed Income

Fixed Income Daily Market Snapshot

UST		
Tenure	Closing (%)	Chg (bps)
2-yr UST	2.18	-4
5-yr UST	2.16	-4
10-yr UST	2.37	-4
30-yr UST	2.82	-3

MGS		GII*		
Tenure	Closing (%)	Chg (bps)	Closing (%)	Chg (bps)
3-yr	3.42	0	3.46	5
5-yr	3.60	-1	3.69	0
7-yr	3.81	0	3.83	5
10-yr	3.83	6	3.90	0
15-yr	4.17	0	4.18	0
20-yr	4.31	0	4.35	0
30-yr	4.60	-3	4.65	1

* Market indicative levels

MYR IRS Levels		
IRS	Closing (%)	Chg (bps)
1-yr	3.47	0
3-yr	3.52	0
5-yr	3.58	0
7-yr	3.65	-1
10-yr	3.85	-1

Source : Bloomberg

Upcoming Government Bond Tender

Nil

US Treasuries

- US Treasuries saw strong safe-haven bids as the curve shifted lower but showed signs of inversion again on the 3m10y spread. Overall benchmark yields moved 3-4bps lower with both the UST 2Y and the much-watched 10Y bond closing stronger at 2.18% and 2.37% respectively. A Fed rate cut could come on 31st July if President Donald Trump and Chinese President Xi Jinping don't get trade talks back on track at next month's G-20 meeting, according to trader's view. Traders are pricing one (1) Fed interest rate cut this year despite officials maintaining their "patient stance" on policy. Meanwhile foreign net selling of UST's for March was \$12.5b with China's holdings down by \$10.4b to \$1.12 trillion (a 2-year low) whilst Japan's holdings rose by \$5.7b to \$1.08 trillion.

MGS/GII

- Trading in local govovies saw momentum deteriorate as secondary market volumes notched a mere RM1.03b as MYR traded at its weakest level ahead of the release of 1Q2019 GDP. Benchmark yields ended mostly mixed between -3 to +6bps with some interest seen in the off-the-run 21's, 26's. The benchmark 5Y MGS 4/23 edged 1bps lower at 3.60% whilst the 10Y MGS 8/29 rose 6bps at 3.83% on odd-lot trades. GII bond trades rose to form 35% of overall trades. Despite the recent pullback in foreign holdings of MYR govovies by 4.2% to RM162.3b; Japanese investors were seen to be net buyers of MYR sovereign and corporate debt. Attention is expected to be focused on the release of 1Q GDP data today.

Corp Bonds/Sukuk

- Corporate Bonds/Sukuk space saw solid secondary volume of RM863m with interest across the GG-AA part of the curve. The rarely-traded govt-guaranteed Turus Pesawat 2/28 ended sharply lower on yields at 4.03% compared to previous done levels whilst both PRIMA 10/24 and LPPSA 9/46 closed unchanged at 3.82% and 4.66% respectively. PLUS dominated the AAA-space with RMRM190m in nominal amounts with the 2022, 2026 and 2030-2031 tranches edging 1-2bps higher at between 4.01-4.35% whilst the PLUS 33 ended 11bps lower at 4.41%. The AA-space saw energy-related bonds SEB 2027-2035 tranches also close lower on yields on active trades whereas the SEB 7/24 ended unchanged at 4.12% levels. The banking space saw Affin Islamic Perp and Sabah Development Bank 3/24 close at 4.76% and 4.80% each.

Daily Trades : Government Bond

Securities		Closing YTM	Vol (RM mil)	Previous YTM	Previous Trade Date (dd/mm/yyyy)	Chg (bp)
MGS	10/19	3.157	8	3.160	14/05/2019	0
MGS	11/19	3.160	2	3.162	14/05/2019	0
MGS	10/20	3.318	25	3.322	14/05/2019	0
MGS	07/21	3.394	19	3.862	14/05/2019	-47
MGS	09/21	3.409	90	3.413	14/05/2019	0
MGS	11/21	3.412	1	3.413	13/05/2019	0
MGS	08/22	3.515	43	3.499	14/05/2019	2
MGS	03/23	3.620	68	3.628	13/05/2019	-1
MGS	04/23	3.597	56	3.610	14/05/2019	-1
MGS	09/24	3.716	55	3.731	14/05/2019	-1
MGS	09/25	3.833	2	3.829	14/05/2019	0
MGS	07/26	3.812	36	3.817	14/05/2019	-1
MGS	11/26	3.900	98	3.889	10/05/2019	1
MGS	06/28	3.931	55	3.944	14/05/2019	-1
MGS	08/29	3.825	58	3.766	13/05/2019	6
MGS	06/31	4.130	11	4.104	13/05/2019	3
MGS	04/37	4.341	15	4.310	10/05/2019	3
MGS	09/43	4.546	2	4.571	13/05/2019	-2
MGS	03/46	4.612	5	4.605	14/05/2019	1
MGS	07/48	4.595	17	4.628	14/05/2019	-3
GII	03/22	3.462	11	3.416	09/05/2019	5
GII	04/22	3.481	9	3.482	13/05/2019	0
GII	07/23	3.658	1	3.653	13/05/2019	0
GII	10/23	3.689	30	3.615	08/05/2019	7
GII	11/23	3.650	20	3.638	14/05/2019	1
GII	08/25	3.806	80	3.822	14/05/2019	-2
GII	03/26	3.826	60	3.775	10/05/2019	5
GII	09/26	3.867	20	3.873	14/05/2019	-1
GII	10/28	3.897	10	3.897	14/05/2019	0
GII	10/35	4.306	60	4.316	14/05/2019	-1
GII	08/37	4.330	20	4.331	14/05/2019	0
GII	05/47	4.651	40	4.638	10/05/2019	1
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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*
Danainfra Nasional Berhad	07/22	GG	3.618	40	3.582	09/05/2019	4	20
Lembaga Pembiayaan Perumahan Sektor Awam	04/24	GG	3.799	40	3.781	17/04/2019	2	17
PR1MA Corporation Malaysia	10/24	GG	3.820	35	3.821	26/04/2019	0	19
Turus Pesawat Sdn Berhad	02/28	GG	4.030	60	4.477	06/02/2017	-45	15
Danainfra Nasional Berhad	05/41	GG	4.479	5	4.470	14/05/2019	1	13
Perbadanan Tabung Pendidikan Tinggi Nasional	07/41	GG	4.570	60	4.589	08/05/2019	-2	23
Lembaga Pembiayaan Perumahan Sektor Awam	09/46	GG	4.660	10	4.660	10/05/2019	0	32
Manjung Island Energy Berhad	11/19	AAA	3.730	5	3.789	24/04/2019	-6	48
Projek Lebuhraya Usahasama Berhad	01/22	AAA	4.006	20	3.982	03/05/2019	2	59
GENM Capital Berhad	07/23	AAA	4.310	5	4.375	07/05/2019	-7	75
Putrajaya Holdings Sdn Berhad	05/25	AAA	4.082	10	4.148	29/03/2019	-7	34
Projek Lebuhraya Usahasama Berhad	01/26	AAA	4.108	20	4.098	03/05/2019	1	29
Projek Lebuhraya Usahasama Berhad	01/30	AAA	4.307	70	4.294	10/05/2019	1	46
Putrajaya Bina Sdn Berhad	05/30	AAA	4.188	10	-	-	-	34
Projek Lebuhraya Usahasama Berhad	01/31	AAA	4.349	70	4.338	10/05/2019	1	50
Projek Lebuhraya Usahasama Berhad	01/33	AAA	4.408	10	4.519	27/03/2019	-11	23
Danum Capital Berhad	02/34	AAA	4.428	10	4.369	25/04/2019	6	25
Tenaga Nasional Berhad	08/38	AAA	4.599	30	4.639	24/04/2019	-4	25
Sabah Development Bank Berhad	03/24	AA1	4.798	30	-	-	-	117
Sarawak Energy Berhad	07/24	AA1	4.118	20	4.118	09/05/2019	0	49
Sarawak Energy Berhad	01/27	AA1	4.196	20	4.239	05/04/2019	-4	34
YTL Power International Berhad	05/27	AA1	4.479	10	4.498	14/05/2019	-2	62
Sarawak Energy Berhad	12/32	AA1	4.349	20	4.359	14/05/2019	-1	17
Sarawak Energy Berhad	11/33	AA1	4.419	30	4.457	13/05/2019	-4	24
Sarawak Energy Berhad	08/35	AA1	4.571	10	4.829	21/03/2019	-26	39
YTL Corporation Berhad	11/36	AA1	4.965	20	5.149	14/03/2019	-18	62
AmBank Islamic Berhad	12/25	AA3	4.306	2	4.363	09/04/2019	-6	49
Tanjung Bin Energy Issuer Berhad	03/26	AA3	4.269	10	4.289	13/05/2019	-2	45
Edra Energy Sdn Berhad	07/26	AA3	5.116	5	5.219	10/05/2019	-10	130
CIMB Thai Bank Public Company Limited	07/26	AA3	4.303	1	4.520	06/05/2019	-22	48
Edra Energy Sdn Berhad	01/30	AA3	5.377	5	5.620	29/04/2019	-24	153
Tanjung Bin Energy Issuer Berhad	03/30	AA3	4.399	10	4.509	09/04/2019	-11	55
WCT Holdings Berhad	04/20	AA-	4.622	10	4.653	05/03/2019	-3	137
Malakoff Power Berhad	12/21	AA-	4.117	10	4.341	08/03/2019	-22	70
Tanjung Bin O&M Berhad	07/26	AA-	4.318	10	4.800	12/09/2018	-48	50
MMC Corporation Berhad	11/27	AA-	5.338	20	5.282	14/05/2019	6	146
MMC Corporation Berhad	03/28	AA-	5.369	20	5.371	09/05/2019	0	149
Tanjung Bin O&M Berhad	06/28	AA-	4.389	10	4.528	04/04/2019	-14	51
Serba Dinamik Holdings Berhad	10/28	AA-	4.949	10	5.038	30/04/2019	-9	107
Southern Power Generation Sdn Berhad	04/32	AA-	4.358	20	4.519	03/04/2019	-16	18
Southern Power Generation Sdn Berhad	04/33	AA-	4.469	20	4.509	30/04/2019	-4	29
CIMB Group Holdings Berhad	05/16	A1	4.300	1	4.475	09/05/2019	-18	-4
Bank Muamalat Malaysia Berhad	11/21	A	4.595	8	4.620	14/03/2019	-3	118
Affin Islamic Bank Berhad	10/17	A3	4.762	10	4.787	08/05/2019	-3	42
Liziz Standaco Sdn Berhad	11/21	-	11.876	10	-	-	-	-
Eco World International Berhad	04/23	-	6.100	1	6.371	28/03/2019	-27	-
Eco World International Berhad	10/21	-	5.898	1	5.500	08/05/2019	40	-
				<u>863</u>				

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

Market/Corporate News: What's Brewing

The Malaysian rubber glove industry is expected to be a key potential beneficiary of the US-China trade war, say analysts. The tariff hike on glove exports from China to the US could see a shift in US glove demand to Malaysian glove manufacturers. "We believe the tariff hike will increase the prices of all China glove exports of both nitrile and vinyl to the US. "Besides resulting in China-made nitrile gloves to be uncompetitive in terms of pricing, this will also narrow the price gap between vinyl and rubber gloves, as the price discount between the two currently stands at 75% to 130%. "This will likely result in more US-based importers choosing rubber gloves over vinyl gloves, given the latter's lower price competitiveness," it said. As at the first half of 2018, 44% of US glove imports were vinyl gloves (plastic-based). China is one of the world's largest exporters of gloves, mainly vinyl, which makes up 80% of total export volume to the US. Vinyl gloves are commonly used in non-medical fields. As such, there could be potentially higher demand for rubber gloves, which will benefit Malaysian glove makers. Malaysia supplies an estimated 63% of gloves globally. Additionally, the demand for rubber gloves should mitigate the stiff pricing competition that is currently impacting local glove manufacturers

due to growing capacities. The recent weakening of the ringgit to the US dollar will also further increase the competitiveness of Malaysian glove exports. CGS-CIMB said back-of-envelope calculations showed that for every 1% that the ringgit weakened, the earnings per share of glove manufacturers would increase by 0.4% to 0.5%, assuming that no forex cost savings are passed on to customers. The US government recently announced that it will be increasing the tariff rate on imports from China, from 10% to 25%, on an estimated US\$200bil worth of annual imports. The 25% tariff rate could potentially be further expanded to cover up to US\$300bil worth of Chinese imports with gloves are among the items that will be affected," (Source: *The Star*)

Debt Management Office (DMO) has been set up to review and manage the government's debt and liabilities, which will be chaired by Finance Minister Lim Guan Eng. Apart from Guan Eng, the nine other members include Chief Secretary to the Government Datuk Seri Dr Ismail Bakar, Treasury secretary-general Datuk Ahmad Badri Mohd Zahir, Economic Affairs Ministry secretary-general Datuk Saiful Anuar Lebai Hussien, Bank Negara Malaysia governor Datuk Nor Shamsiah Mohd Yunus and Securities Commission Malaysia executive chairman Datuk Syed Zaid Albar. The rest are Permodalan Nasional Bhd group chairman Tan Sri Dr Zeti Akhtar Aziz, Accountant-General of Malaysia Datuk Saat Esa, PricewaterhouseCoopers Malaysia executive chairman Datuk Mohammad Faiz Azmi and Economic Adviser to the Prime Minister Dr Muhammad Abdul Khalid. "The DMO will come into effect immediately in order to craft the necessary strategies to reduce the country's financial burden and put the plan into action. The formulated strategies and plans will be presented to the Fiscal Policy Committee chaired by the prime minister," said Guan Eng in a statement yesterday. He added that the establishment of the office has been agreed to by Prime Minister Tun Dr Mahathir Mohamad. The plan to set up the DMO was announced during the 2019 Budget speech in November last year. The office is tasked to oversee the issuance and propose the structure of debt belonging to the federal government, all statutory bodies and the government's special purpose vehicles in a holistic manner. According to the ministry's Fiscal Outlook and Federal Government Revenue Estimates 2019, the federal government's overall debt and liabilities stood at RM1.07 trillion or 74.5% as a percentage of national gross domestic product (GDP) as at June 30, 2018 — slightly lower from RM1.09 trillion or 80.3% of GDP at Dec 31, 2017. Of that, RM725.2 billion was the national debt (50.7% GDP), while RM184.9 billion come from other liabilities (12.9% GDP), RM117.5 billion from committed government guarantees (8.2% GDP), and RM38.3 billion was the net debt of 1Malaysia Development Bhd (2.7% GDP). Guan Eng said the government intends to cut the incidence of having expensive and irresponsible debt servicing payments arising from weaknesses in debt issuance coordination. "The establishment of the DMO is an effort by the administration to overcome and resolve the problem of hidden government debt and liabilities, which had grown in excess of RM1 trillion in 2017," he said. "The office is among the institutional reforms carried out to strengthen the government's fiscal position that is closely monitored by international credit rating agencies. "The DMO is designed to keep government debt and liabilities in check by preventing it from growing out of control, while ensuring that reckless borrowing made without valid reasons will no longer occur," he added.

The office will perform the following duties:

- Schedule bond issuance and overall borrowings by the government, statutory bodies and government-owned companies in an orderly fashion to attain the cheapest interest rates and coupon payments;

- Restructure the relevant bonds and borrowings where possible to save finance costs by reducing debt repayments; and
- Formulate strategies to reduce the government's debt and liability burden.

(Source: The EdgeMarkets)

Rating Action			
Issuer	PDS Description	Rating/Outlook	Action
Nil			

Source: RAM, MARC

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