

Global Markets Research

Fixed Income

Fixed Income Daily Market Snapshot

UST		
Tenure	Closing (%)	Chg (bps)
2-yr UST	1.83	-2
5-yr UST	1.85	-3
10-yr UST	2.09	-3
30-yr UST	2.61	-4

MGS		GII*		
Tenure	Closing (%)	Chg (bps)	Closing (%)	Chg (bps)
3-yr	3.30	1	3.32	-2
5-yr	3.43	0	3.43	0
7-yr	3.56	0	3.58	0
10-yr	3.61	0	3.63	0
15-yr	3.81	0	3.81	0
20-yr	3.99	0	4.02	0
30-yr	4.25	0	4.24	0

* Market indicative levels

MYR IRS Levels		
IRS	Closing (%)	Chg (bps)
1-yr	3.39	0
3-yr	3.39	0
5-yr	3.46	-1
7-yr	3.52	0
10-yr	3.64	0

Source : Bloomberg

Upcoming Government Bond Tender

Nil

US Treasuries

- US Treasuries saw relief from additional supply last week as overall benchmark yields ended between 2-4bps lower with the UST 2Y at 1.83% and the much-watched 10Y declining by 3bps at 2.09% yesterday. The curve shifted lower as most parts of the yield curve flattened, with the 2y10y gap down to ~26bps and the span between rates on 3m10y notes falling 2.4bp to -3.9bps. Despite yesterday's low volume, overall average daily trading volume in the UST market rose 14% in one of its busiest months from May to June as the UST 10Y declined 12bps. The uptick in UST's came as some traders looked to bonds as a safe haven as they wait for corporate earnings season to pick up steam. Traders are pricing in a July cut as a certainty after Fed Chair Powell emphasized persistent risks to the economy although bets on a 50bps reduction were pared following improved CPI data for June.

MGS/GII

- Trading momentum in local govies tapered off on Monday with secondary volume at a mere RM1.55b as some interest was seen in both benchmark and off-the-run 24's. Overall benchmark yields ended mostly mixed within 1bps from prior day's level with the benchmark 5Y MGS 6/24 unchanged at 3.43% and the 10Y MGS 8/29 within 1bps of prior day's move at 3.61%. GII trades rose to form ~38% of overall trades. To re-cap, 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 decent interest as volume notched lower RM568m with interest mainly across the belly of the GG-segment causing yields to continue declining further. A slew of Govt-guaranteed PASB 20's closed sharply lower compared to previous-done levels at 3.25% levels. The AAA-space was relatively quiet whilst both AA-rated Country Garden 3/22 and EDRA Energy 7/27 closed unchanged at 6.14% and 4.75% each. The banking space saw Sabah Development Bank 4/26 close sharply lower on yields at 4.89%. Meanwhile the government has received an official offer from Maju Holdings Sdn Bhd to take over PLUS Bhd.

Daily Trades : Government Bond

Securities		Closing YTM	Vol (RM mil)	Previous YTM	Previous Trade Date (dd/mm/yyyy)	Chg (bp)
MGS	10/19	3.080	85	3.068	12/07/2019	1
MGS	11/19	3.080	12	3.060	12/07/2019	2
MGS	03/20	3.163	16	3.163	12/07/2019	0
MGS	07/20	3.183	54	3.186	11/07/2019	0
MGS	10/20	3.194	63	3.204	11/07/2019	-1
MGS	02/21	3.244	55	3.263	12/07/2019	-2
MGS	07/21	3.257	20	3.261	12/07/2019	0
MGS	09/21	3.274	1	3.279	12/07/2019	0
MGS	11/21	3.287	6	3.287	12/07/2019	0
MGS	03/23	3.400	22	3.406	12/07/2019	-1
MGS	06/24	3.433	233	3.433	11/07/2019	0
MGS	07/24	3.477	22	3.487	12/07/2019	-1
MGS	09/24	3.486	20	3.485	12/07/2019	0
MGS	11/26	3.604	8	3.607	11/07/2019	0
MGS	11/27	3.663	3	3.660	12/07/2019	0
MGS	06/28	3.666	4	3.673	12/07/2019	-1
MGS	08/29	3.611	106	3.613	12/07/2019	0
MGS	04/33	3.846	1	3.851	11/07/2019	0
MGS	11/33	3.841	95	3.837	12/07/2019	0
MGS	07/34	3.806	10	3.802	11/07/2019	0
MGS	06/38	3.994	94	3.997	12/07/2019	0
MGS	03/46	4.261	1	4.250	12/07/2019	1
MGS	07/48	4.245	38	4.243	12/07/2019	0
GII	04/20	3.181	12	3.168	09/07/2019	1
GII	03/22	3.319	40	3.334	12/07/2019	-2
GII	04/22	3.339	10	3.340	12/07/2019	0
GII	07/23	3.453	60	3.460	11/07/2019	-1
GII	05/24	3.478	280	3.484	12/07/2019	-1
GII	08/25	3.562	22	3.557	09/07/2019	0
GII	03/26	3.582	40	3.581	12/07/2019	0
GII	07/27	3.643	1	3.659	10/07/2019	-2
GII	10/28	3.671	20	3.680	10/07/2019	-1
GII	08/37	4.028	80	4.029	11/07/2019	0
GII	09/39	4.024	20	4.020	12/07/2019	0
			<u>1553</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	08/19	GG	3.086	100	3.548	11/04/2019	-46	-8
Pengurusan Air SPV Berhad	06/20	GG	3.247	5	3.584	17/04/2019	-34	8
Pengurusan Air SPV Berhad	07/20	GG	3.248	95	3.897	06/04/2016	-65	8
Pengurusan Air SPV Berhad	09/20	GG	3.254	175	3.871	15/01/2019	-62	9
Perbadanan Tabung Pendidikan Tinggi Nasional	07/31	GG	3.888	10	4.099	04/04/2019	-21	27
Perbadanan Tabung Pendidikan Tinggi Nasional	01/33	GG	3.979	20	3.981	11/07/2019	0	17
First Abu Dhabi Bank PJSC	12/20	AAA	3.537	2	3.812	03/06/2019	-28	37
Manjung Island Energy Berhad	11/22	AAA	3.559	5	3.882	29/05/2019	-32	26
Sabah Development Bank Berhad	05/22	AA1	4.009	20	4.090	09/07/2019	-8	71
MBSB Bank Berhad (fka Asian Finance Bank Berhad)	12/22	AA1	4.099	10	4.448	15/04/2019	-35	80
Sabah Development Bank Berhad	04/26	AA1	4.887	20	5.296	31/05/2019	-41	134
Burnitama Agri Ltd	08/19	AA3	3.791	2	3.904	02/07/2019	-11	62
Country Garden Real Estate Sdn Berhad	03/22	AA3	6.136	10	6.141	11/07/2019	0	283
Country Garden Real Estate Sdn Berhad	02/23	AA3	6.521	18	6.465	11/07/2019	6	313
Edra Energy Sdn Berhad	07/27	AA3	4.748	5	4.750	11/07/2019	0	115
Edra Energy Sdn Berhad	01/29	AA3	4.669	1	4.959	20/06/2019	-29	105
UiTM Solar Power Sdn Berhad	04/30	AA-	5.089	5	5.091	11/07/2019	0	147
Sinar Kamiri Sdn Berhad	01/36	AA-	5.829	5	5.810	11/07/2019	2	202
Lafarge Cement Sdn Berhad	12/20	A1	4.603	5	4.168	12/07/2019	44	143
CIMB Group Holdings Berhad	05/16	A1	4.358	1	4.538	12/07/2019	-18	35
IJM Land Berhad	03/19	A2	4.822	10	4.824	11/07/2019	0	82
Bank Muamalat Malaysia Berhad	06/26	A3	4.760	11	4.722	11/07/2019	4	121
Eco World Capital Assets Berhad	12/22	-	5.978	1	5.989	24/06/2019	-1	268
Eco World International Berhad	05/23	-	5.805	2	5.825	12/07/2019	-2	-
DRB-Hicom Berhad	12/14	A-	4.062	10	6.483	17/04/2019	-242	6
DRB-Hicom Berhad	02/22	A+	4.668	10	4.772	05/07/2019	-10	137
UEM Sunrise Berhad	03/24	AA-	4.015	6	4.075	03/07/2019	-6	58
Celcom Networks Sdn Berhad	08/24	AA+	4.026	5	4.153	30/05/2019	-13	59
Alliance Islamic Bank Berhad	03/19	BBB1	4.783	1	4.553	11/07/2019	23	78
				<u>568</u>				

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

Market/Corporate News: What's Brewing

Malaysia Airports Holdings Bhd (MAHB) said Syarikat Pembinaan Anggerik Sdn Bhd has raised its claim over alleged losses pertaining to development and upgrading works at the Penang International Airport to RM66.83 million, from RM59.85 million. In a filing with Bursa Malaysia today, MAHB said the development is not expected to have any material impact on the earnings and net assets of the company, since it is subject to strict proof at the full trial of this case in November. Syarikat Pembinaan Anggerik had earlier revised its claims to RM59.85 million from RM43.99 million, in the original suit filed in April 2017. Syarikat Pembinaan Anggerik is claiming for losses arising from development and upgrading works awarded to the firm in 2010, and construction and completion of site office, central utilities building and airside drainage work awarded in 2011. Share price of MAHB closed six sen or 0.68% higher at RM8.82 today, giving it a market capitalisation of RM14.63 billion.. (Source: *The Edge*)

There are plenty of infrastructure projects in the pipeline that will be introduced by the government in the near future, says Tony Pua (pic), the political secretary to the Finance Minister. However, without giving further details, he said, those projects would only be announced after studies can prove they are technically feasible and economically justifiable. "There will be plenty more infrastructure projects that the government is looking at currently," Pua said during a panel discussion at the RAM-SIDC Bond Conference here yesterday. Themed Fresh Perspectives: Engineering the Future of the Malaysian Bond & Sukuk Market, the one-day conference was joined by regulators, researchers, bankers and financiers. Pua noted that the government's position on infrastructure has always been "it needs to be built". "And the new government's position is that it should be value for money so that it can generate the maximum possible returns for taxpayers' funds, as well as maximum multiplier on the economy," he stressed. According to Pua, the freezing, suspension and even potential cancellation of major infrastructure projects over the past one year "had less to do with the (new) government not wanting to build infrastructure projects, but more to do with the overly inflated cost of infrastructure in Malaysia". And this was evidenced by the fact that through successful negotiations of many contracts, which resulted in very minor correction on the actual infrastructure itself, but major cost savings, such as the 47% cost reduction for the light rail transit 3; 23% savings for the mass rapid transit (MRT) 2; and about one-third reduction in the cost of building the East Coast Rail Link project. "My understanding is that there are a lot of projects being analysed at this point in time," Pua said. He explained that one of the key reasons for the slight delay (if any) was that the government, now led by Pakatan Harapan, wanted to do it the right way by getting the feasibility sorted out before any announcement was made. This, he noted, was in contrast to the past government's way of first announcing a project and executing it, and then only dealing with the feasibility studies at a later stage. "One good example would be the MRT project. In the past, when the government wanted to build the MRT, they would get someone to propose the project and then give the contract to the developers to manage it that was how it was before," Pua said "This time around, we want to get the consultants in, measure the most optimal alignment, where it would cost the least for the government, then only pass it out for developers to do the system. That's the best way to get value for money for the government, and that's how it's done in countries like Singapore and Hong Kong," he added. Pua said the government would continue to leverage on private capital to help in financing infrastructure projects. He

pointed out that the government would revise the structure of the public private partnership (PPP) to ensure that risks are proportionately shared between the public and private sectors. This would be in contrast to the existing PPP model, which had been “cleverly structured” by some bankers, resulting in the government effectively bearing about 90% of all the risks. On the proposed airport real estate investment trust (REIT), Pua said the instrument could only be implemented after a new operating agreement (OA) is signed, as otherwise, it would not be able to provide any certainty to investors of the REIT. “The OA is also tied to the new regulated-asset base framework for which the final consultation paper was published last month only after these have been sorted out can we move forward with the REIT model (for Malaysian airports),” he explained. (Source: *The Edge*)

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

Source: RAM, MARC

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