

Global Markets Research

Fixed Income

Fixed Income Daily Market Snapshot

UST		
Tenure	Closing (%)	Chg (bps)
2-yr UST	1.85	0
5-yr UST	1.84	0
10-yr UST	2.09	-1
30-yr UST	2.59	-1

MGS		GII*		
Tenure	Closing (%)	Chg (bps)	Closing (%)	Chg (bps)
3-yr	3.36	-1	3.41	0
5-yr	3.46	-1	3.52	-2
7-yr	3.62	-1	3.49	-17
10-yr	3.71	-2	3.74	-2
15-yr	4.00	-1	4.02	-1
20-yr	4.16	-1	4.21	0
30-yr	4.45	-1	4.49	-6

* Market indicative levels

MYR IRS Levels		
IRS	Closing (%)	Chg (bps)
1-yr	3.40	0
3-yr	3.41	-1
5-yr	3.48	-2
7-yr	3.56	0
10-yr	3.74	0

Source : Bloomberg

Upcoming Government Bond Tender

Nil

US Treasuries

- The US Treasuries extended gains for a 4th straight day albeit at more muted pace on Friday with the curve bull-flattening as solid retail sales and a rebound in industrial output was somewhat dampened by weak consumer sentiments. Odds of a Fed rate cut in July remained little changed at above 80% post Friday data releases. The front end 2Y note yields fell within 1bp to 1.85% while the 10s ended 1bps down at 2.09%, pushing the 2/10 spread lower by 2bps to 24bps. Expect UST to stay supported ahead of the much anticipated FOMC meeting later this week. Although a rate cut is not expected, investors will be looking up for hints and guidance on the next policy move in July. Futures is now pricing in three cuts this year and one cut in 2020, compared to two cuts each this and next year earlier.

MGS/GII

- Local govies saw sustained momentum with secondary market volume remaining high at RM4.79bn on Friday. Benchmark yields were largely lower by 1-2bps save for the 7Y and 30Y GII which fell 17bps and 6bps respectively. Benchmark 5Y MGS 4/23 closed 1bp lower at 3.46% whilst the 10Y MGS 8/29 lost 2bps to 3.71%. Substantial interests were sighted on the 9-10Y buckets on both the MGS and GII curve while benchmark 7Y GII 3/26 also saw heavy trading. GII bond trades maintained at 40% of overall trades. With little fresh catalyst locally, we expect trading in local govies to continue take cue from trade headlines and Fed rate cut expectations.

Corp Bonds/Sukuk

- Trading interests in Corporate Bonds/Sukuk remained robust on Friday although secondary volume pulled back somewhat to RM905m, from RM1.11bn on Thursday. The GG segment continued to see heavy trades, taking up two third of overall trade. GOVCO 27-32 topped the list with a combined RM165m dealt at 3.87-4.15% (down 1-15bps), followed by DANA 24-49 which also traded down 3-17bps in a range of 3.631-4.511%. Interests in AAA and AA papers were rather even in a 46/54 split with RM130m and RM155m changed hands. AAA-rated DANGA '2/26 traded 1bp inner at 3.952% (RM25m) while AA-rated Krung Thai Bank '7/25 was last dealt at 4.264% (RM30m). Other finance names include Maybank '1/31 and RHB Bank '5/25 which was dealt at 4.239% (-5bps) and 4.085% (-19bps) respectively. We also noted substantial interests in energy papers including Jimah, Bakun, Edra Energy, NUR Power and Southern Power.

Daily Trades : Government Bond

Securities	Closing YTM	Vol (RM mil)	Previous YTM	Previous Trade Date (dd/mm/yyyy)	Chg (bp)
MGS 06/19	3.463	90	3.474	13/06/2019	-1
MGS 10/19	3.121	235	3.114	13/06/2019	1
MGS 11/19	3.111	226	3.119	12/06/2019	-1
MGS 03/20	3.175	70	3.141	13/06/2019	3
MGS 10/20	3.252	1	3.230	13/06/2019	2
MGS 02/21	3.302	50	3.309	11/06/2019	-1
MGS 07/21	3.354	104	3.354	13/06/2019	0
MGS 09/21	3.363	80	3.363	13/06/2019	0
MGS 11/21	3.354	71	3.371	13/06/2019	-2
MGS 03/22	3.360	0	3.355	13/06/2019	0
MGS 04/23	3.461	140	3.462	13/06/2019	0
MGS 08/23	3.480	11	3.500	13/06/2019	-2
MGS 07/24	3.551	5	3.519	13/06/2019	3
MGS 09/24	3.535	130	3.556	13/06/2019	-2
MGS 03/25	3.582	1	3.580	13/06/2019	0
MGS 09/25	3.656	0	3.651	13/06/2019	1
MGS 04/26	3.685	2	3.688	11/06/2019	0
MGS 07/26	3.615	10	3.623	13/06/2019	-1
MGS 11/26	3.669	191	3.722	13/06/2019	-5
MGS 05/27	3.788	1	3.852	10/06/2019	-6
MGS 11/27	3.764	2	3.787	13/06/2019	-2
MGS 06/28	3.753	253	3.756	12/06/2019	0
MGS 08/29	3.712	387	3.730	13/06/2019	-2
MGS 06/31	3.907	102	3.948	13/06/2019	-4
MGS 04/32	4.001	1	3.997	12/06/2019	0
MGS 04/33	4.035	31	4.015	13/06/2019	2
MGS 11/33	4.002	180	4.015	13/06/2019	-1
MGS 04/37	4.179	1	4.153	13/06/2019	3
MGS 03/46	4.472	8	4.478	13/06/2019	-1
MGS 07/48	4.452	203	4.467	13/06/2019	-1
GII 08/20	3.193	58	3.217	11/06/2019	-2
GII 03/21	3.331	50	3.334	13/06/2019	0
GII 04/22	3.413	2	3.408	13/06/2019	0
GII 11/22	3.463	50	3.454	13/06/2019	1
GII 07/23	3.480	100	3.509	13/06/2019	-3
GII 10/23	3.492	80	3.604	03/06/2019	-11
GII 11/23	3.481	2	3.458	13/06/2019	2
GII 10/24	3.517	80	3.530	13/06/2019	-1
GII 10/25	3.650	20	3.666	13/06/2019	-2
GII 03/26	3.492	264	3.658	10/06/2019	-17
GII 09/26	3.691	50	3.691	13/06/2019	0
GII 06/27	3.746	20	3.782	11/06/2019	-4
GII 07/27	3.732	30	3.747	11/06/2019	-1
GII 10/28	3.758	230	3.774	13/06/2019	-2
GII 07/29	3.736	290	3.755	13/06/2019	-2
GII 09/30	3.883	70	3.899	12/06/2019	-2
GII 06/33	4.024	115	4.038	13/06/2019	-1
GII 08/33	4.033	100	4.047	13/06/2019	-1
GII 11/34	4.010	210	4.027	13/06/2019	-2
GII 09/39	4.208	50	4.208	13/06/2019	0
GII 05/47	4.487	40	4.548	03/06/2019	-6
SPK 08/20	3.280	120	3.459	04/04/2019	-18
SPK 03/23	3.490	80	3.711	28/05/2019	-22
SPK 02/24	3.528	90	4.170	20/06/2018	-64
		<u>4787</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	09/22	GG	3.521	50	3.757	12/04/2019	-24	16
MKD Kencana Sdn Berhad	02/23	GG	3.624	20	3.771	10/05/2019	-15	19
Pengurusan Air SPV Berhad	06/23	GG	3.541	10	3.719	17/04/2019	-18	10
Khazanah Nasional Berhad	08/23	GG	3.599	55	3.788	27/05/2019	-19	16
DanalFra Nasional Berhad	05/24	GG	3.631	70	3.771	24/05/2019	-14	15
GovCo Holdings Berhad	02/27	GG	3.870	20	4.004	24/05/2019	-13	17
Lembaga Pembiayaan Perumahan Sektor Awam	04/27	GG	3.867	50	3.870	13/06/2019	0	16
DanalFra Nasional Berhad	07/27	GG	3.812	10	3.938	27/05/2019	-13	11
GovCo Holdings Berhad	09/27	GG	3.870	45	4.019	03/04/2019	-15	17
DanalFra Nasional Berhad	05/28	GG	3.870	25	3.929	10/06/2019	-6	15
Prasarana Malaysia Berhad	09/28	GG	3.880	35	3.977	31/05/2019	-10	16
Lembaga Pembiayaan Perumahan Sektor Awam	10/28	GG	3.928	30	3.930	13/06/2019	0	21
DanalFra Nasional Berhad	10/28	GG	3.880	10	4.006	29/05/2019	-13	16
DanalFra Nasional Berhad	07/29	GG	3.902	20	4.058	23/04/2019	-16	17
DanalFra Nasional Berhad	04/30	GG	3.941	20	3.966	13/06/2019	-3	21
DanalFra Nasional Berhad	10/31	GG	3.991	5	4.159	14/05/2019	-17	26
GovCo Holdings Berhad	02/32	GG	4.150	100	4.165	11/06/2019	-1	13
Prasarana Malaysia Berhad	03/34	GG	4.110	10	4.120	12/06/2019	-1	9
Lembaga Pembiayaan Perumahan Sektor Awam	09/36	GG	4.180	10	4.179	12/06/2019	0	16
DanalFra Nasional Berhad	02/49	GG	4.511	10	4.539	12/06/2019	-3	32
Impian Ekspresi Sdn Berhad	11/20	AAA	4.043	20	4.195	04/07/2016	-15	85
Genting Capital Berhad	06/22	AAA	4.127	10	4.498	29/05/2019	-37	77
Danga Capital Berhad	02/26	AAA	3.952	25	3.966	11/06/2019	-1	31
Pengurusan Air SPV Berhad	06/26	AAA	3.989	5	4.020	13/06/2019	-3	34
N.U.R Power Sdn Berhad	06/26	AAA	4.188	10	4.650	23/06/2014	-46	54
N.U.R Power Sdn Berhad	06/27	AAA	4.228	10	4.750	23/06/2014	-52	52
EKVE Sdn Berhad	01/30	AAA	4.250	10	4.298	24/05/2019	-5	52
Bakun Hydro Power Generation Sdn Berhad (fka Sarawak Hidro Sdn Berhad)	08/30	AAA	4.151	10	4.152	12/06/2019	0	42
Bakun Hydro Power Generation Sdn Berhad (fka Sarawak Hidro Sdn Berhad)	08/31	AAA	4.196	20	4.399	11/04/2019	-20	46
Tenaga Nasional Berhad	08/33	AAA	4.179	10	4.350	30/04/2019	-17	16
Malayan Banking Berhad	01/31	AA1	4.239	10	4.291	10/06/2019	-5	51
Krung Thai Bank Public Company Limited	07/25	AA2	4.264	30	4.300	28/05/2019	-4	68
Jimah Energy Ventures Sdn Berhad	05/20	AA3	3.815	20	4.160	18/01/2019	-35	62
Country Garden Real Estate Sdn Berhad	02/23	AA3	6.802	28	6.795	13/06/2019	1	336
RHB Bank Berhad	05/25	AA3	4.085	20	4.273	14/03/2019	-19	50
Edra Energy Sdn Berhad	01/26	AA3	5.210	1	5.239	29/04/2019	-3	157
Edra Energy Sdn Berhad	07/26	AA3	4.908	5	4.888	13/06/2019	2	126
Edra Energy Sdn Berhad	07/29	AA3	4.750	1	5.039	12/06/2019	-29	102
Segi Astana Sdn Berhad	01/23	AA-	5.010	0	5.029	10/06/2019	-2	157
Lebuhraya DUKE Fasa 3 Sdn Berhad	08/26	AA-	4.428	10	4.771	16/08/2017	-34	78
Lebuhraya DUKE Fasa 3 Sdn Berhad	08/31	AA-	4.602	10	4.778	12/04/2019	-18	87
Southern Power Generation Sdn Berhad	10/34	AA-	4.649	10	4.953	20/02/2019	-30	63
Southern Power Generation Sdn Berhad	10/35	AA-	4.769	10	5.008	20/03/2019	-24	75
Affin Bank Berhad	02/27	A1	4.338	8	4.298	15/05/2019	4	63
MNRB Holdings Berhad	03/29	A1	4.955	2	4.956	11/06/2019	0	122
CIMB Group Holdings Berhad	05/16	A1	4.250	1	4.302	13/06/2019	-5	6
CIMB Group Holdings Berhad	05/16	A1	4.478	0	4.475	12/06/2019	0	29
Hong Leong Financial Group Berhad	11/17	A1	4.037	1	4.121	12/06/2019	-8	-15
UMW Holdings Berhad	04/18	A1	4.970	1	4.969	13/06/2019	0	78
Eco World International Berhad	4/27/202:	-	6.049	1	-	-	-	-
Mah Sing Group Berhad	3/29/211:	-	5.702	1	5.706	13/06/2019	0	-
				<u>905</u>				

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

Market/Corporate News: What's Brewing

Huawei's American chip suppliers, including Qualcomm and Intel, are quietly pressing the U.S. government to ease its ban on sales to the Chinese tech giant, even as Huawei itself avoids typical government lobbying, people familiar with the situation said. Executives from top U.S. chipmakers Intel and Xilinx Inc attended a meeting in late May with the Commerce Department to discuss a response to Huawei's placement on the black list, one person said. The ban bars U.S. suppliers from selling to Huawei, the world's largest telecommunications equipment company, without special approval, because of what the government said were national security issues. Qualcomm has also pressed the Commerce Department over the issue, four people said. Chip makers

argue that Huawei units selling products such as smartphones and computer servers use commonly available parts and are unlikely to present the same security concerns as the Chinese technology firm's 5G networking gear, according to three people. "This isn't about helping Huawei. It's about preventing harm to American companies," one of the people said. Out of \$70 billion that Huawei spent buying components in 2018, some \$11 billion went to U.S. firms including Qualcomm, Intel and Micron Technology Inc. Qualcomm, for example, wants to be able to continue shipping chips to Huawei for common devices like phones and smart watches, a person familiar with the company's situation said. The Semiconductor Industry Association (SIA), a trade group, acknowledged it arranged consultations with the U.S. government on behalf of the companies to help them comply and brief officials on the impact of the ban on the companies. "For technologies that do not relate to national security, it seems they shouldn't fall within the scope of the order. And we have conveyed this perspective to government," said Jimmy Goodrich, vice president of global policy at SIA. The ban came soon after the breakdown of talks to end the months-long trade spat between China and the United States, spurred by U.S. allegations of Chinese corporate espionage, intellectual property theft and forced technology transfer. Google, which sells hardware, software and technical services to Huawei, has also advocated so it can keep selling to the company, Huawei Chairman Liang Hua told reporters in China earlier this month. The online search company, a unit of Alphabet Inc, said in a statement that it works with Commerce to ensure it is in compliance with the new rules. A Commerce Department representative said the agency "routinely responds to inquiries from companies regarding the scope of regulatory requirements," adding that the conversations do not "influence law enforcement actions." Intel, Xilinx and Qualcomm declined to comment. Huawei did not respond to a request for comment. In an interview in Mexico, Andrew Williamson, vice president of Huawei's public affairs, said the company had not asked anyone specifically to lobby on its behalf. "They're doing it by their own desire because, for many of them, Huawei is one of their major customers," he said, adding that chipmakers knew that cutting Huawei off could have "catastrophic" consequences for them. China watchers say U.S. suppliers are essentially trying to thread the needle - not wanting to be seen as aiding an alleged spy, thief and sanctions violator, but fearful of losing a good client and encouraging it to develop supplies elsewhere. Huawei itself, which is also a top smartphone maker, has done very little traditional lobbying in Washington on the matter, but has considered sending a letter to the Commerce Department, two people familiar with Huawei's thinking said. "We simply have no channel of communication," Liang told reporters earlier this month. A month after being blacklisted, Huawei has not spoken to the United States government about the matter, two people said. Huawei had been cutting back its lobbying efforts even before the ban. Last year, it laid off five employees at its Washington office, including its vice president of external affairs, and slashed lobbying expenditures, Reuters reported. Still, Huawei has put up a vigorous legal fight and unleashed a public relations campaign to defend itself against the U.S. government's allegations. It ran a full-page ad in major U.S. newspapers in February following a string of interviews with Huawei Chief Executive Ren Zhengfei aimed at softening its dark image in the West. Huawei's response underscores its recognition of its waning influence with the Trump administration, which has launched a global campaign against the company, analysts said. "Huawei is at a loss over what they should do next," said Jim Lewis, a cyber expert with Washington's Center for Strategic and International Studies. "It is in a really bad position in the U.S. Nobody is looking out to do Huawei a favor." Even so, the ban has had real repercussions. Broadcom, which has not been lobbying the Commerce Department, sent a shockwave through the global chipmaking

industry when it forecast that the U.S.-China trade tensions and the Huawei ban would knock \$2 billion off its sales this year. The Commerce Department did make a concession just days after the ban was put in place, announcing on May 20 that it would offer a temporary general license allowing Huawei to purchase U.S. goods so it can help existing customers maintain the reliability of networks and equipment. (Source: Reuters/ The Star Online)

Deutsche Bank is planning to overhaul its trading operations by creating a "bad bank" to hold tens of billions of euros of assets and shrinking or shutting its U.S. equity and trading businesses, the Financial Times reported on Sunday. The bad bank would house or sell assets valued at up to 50 billion euros (\$56.06 billion)- after adjusting for risk - and comprise mainly long-dated derivatives, the FT reported, citing four people briefed on the plan. With the creation of the bad bank, Chief Executive Officer Christian Sewing is shifting the German lender away from investment banking and focusing on transaction banking and private wealth management, the newspaper said. As part of the restructuring, the lender's equity and rates trading units outside continental Europe will be shrunk or closed entirely, the report said. The bank is planning cuts at its U.S. equities business, including prime brokerage and equity derivatives, to win over shareholders unhappy about its performance, four sources familiar with the matter told Reuters in May. "As we said at the AGM on May 23, Deutsche Bank is working on measures to accelerate its transformation so as to improve its sustainable profitability. We will update all stakeholders if and when required," Deutsche Bank said in an emailed statement on Sunday in response to the FT report. Sewing could announce the changes along with Deutsche Bank's half-year results in late July, the FT reported. (Source: Reuters/ The Star Online)

Rating Action			
Issuer	PDS Description	Rating/Outlook	Action
Nil			

Source: RAM, MARC

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