

Global Markets Research

Fixed Income

Fixed Income Daily Market Snapshot

UST		
Tenure	Closing (%)	Chg (bps)
2-yr UST	2.52	2
5-yr UST	2.49	2
10-yr UST	2.66	1
30-yr UST	2.99	0

MGS		GII*		
Tenure	Closing (%)	Chg (bps)	Closing (%)	Chg (bps)
3-yr	3.54	-1	3.65	-1
5-yr	3.72	2	3.82	1
7-yr	3.84	2	3.97	3
10-yr	3.88	-1	4.03	0
15-yr	4.26	3	4.37	0
20-yr	5.02	0	4.59	-1
30-yr	4.74	0	4.85	0

* Market indicative levels

MYR IRS Levels		
IRS	Closing (%)	Chg (bps)
1-yr	3.65	0
3-yr	3.68	0
5-yr	3.76	0
7-yr	3.89	0
10-yr	4.05	0

Source : Bloomberg

Upcoming Government Bond Tender

Nil

US Treasuries

- US Treasuries besr-flattenend following weak Industrial production figures for January. Benchmark yields ended 0-2bps higher with the 2Y at 2.52% and the much-watched 10Y edging 1bps higher at 2.66%. Most central bankers are poised to provide dovish outlook for monetary policy whilst Europe is seen to experience a slowdown. Meanwhile net foreign UST holdings for December 2018 fell by \$77.4b; considered substantial based on past records. Nevertheless China and Japan increased theirs by \$2.1b to \$1.12 trillion and \$5.7b to \$1.04 trillion respectively. Despite some commendable progress made, US trade talks with China remained unresolved as both countries work to settle their tariff war ahead of 1st March deadline.

MGS/GII

- Local govvnies saw momentum ease on lower volume of RM3.80b as yields crept up on profit-takiing following recent run-up. Interest was mainly focused in the off-the-run 19-21's, 26's, 28's and also the 7Y benchmark GII bonds. Overall benchmarks yields ended mostly mixed between -1 to +3bps with the 5Y benchmark MGS 4/23 edging 2bps higher at 3.70% whilst the new 10Y MGS 8/29 at 3.88%. GII trades maintained to form 40% of overall trades. Despite 4th quarter and annual GDP data for the nation ending on a stronger note both analysts and investoors expect uncertainty as US trade policy remains unresolved with OPR possibly unchanged in the foreseeable future.

Corp Bonds/Sukuk

- Corporate Bonds/Sukuk solid demand with volume at RM644m as interest was seen across the GG to single-A part of the curve. DANA bonds dominated the GG-segment with a slew of tranches from 2025-2049 exchanging hands. Both DANA 7/27 and PRASA 3/33 rallied by 8bps at 4.21% and 4.52% respectively. 27's ended 8-9bps lower between 4.10-19% compared to previous-done levels. AAA-rated Telekom 28's saw RM165m nominal amounts traded; edging 2-5bps higher instead at 4.60% levels. 22 and DANGA 30 closed sharply lower on yields at 4.16% and 4.54% respectively. In the AA-space, a slew of infrastructure-related bonds i.e. Special Power Vevivle 20-21's and also DUKE3 bonds ranging from 2035-2038 closed unchanged-to lower. EDRA 2024-2037 tranches dominated trades; closing 2-18bps higher instead between 5.40-6.28%. The banking space saw Hong Leong Assurance 25NC20 close 4bps lower at 4.44%.

Daily Trades : Government Bonds

Securities		Closing YTM	Vol (RM mil)	Previous YTM	Previous Trade Date (dd/mm/yyyy)	Chg (bp)
MGS	03/19	3.253	79	3.282	14/02/2019	-3
MGS	10/19	3.399	195	3.395	14/02/2019	0
MGS	11/19	3.421	271	3.388	13/02/2019	3
MGS	03/20	3.443	105	3.457	14/02/2019	-1
MGS	07/20	3.481	19	3.457	13/02/2019	2
MGS	10/20	3.481	20	3.486	14/02/2019	-1
MGS	07/21	3.562	134	3.549	14/02/2019	1
MGS	09/21	3.598	3	3.597	14/02/2019	0
MGS	11/21	3.542	92	3.559	14/02/2019	-2
MGS	08/22	3.680	18	3.688	12/02/2019	-1
MGS	04/23	3.717	61	3.701	14/02/2019	2
MGS	07/24	3.792	15	3.778	14/02/2019	1
MGS	09/24	3.829	180	3.799	14/02/2019	3
MGS	03/25	3.884	30	3.843	13/02/2019	4
MGS	07/26	3.843	340	3.827	14/02/2019	2
MGS	11/26	3.917	6	3.890	14/02/2019	3
MGS	11/27	3.939	78	3.885	14/02/2019	5
MGS	06/28	3.952	337	3.933	14/02/2019	2
MGS	08/29	3.879	140	-	-	-
MGS	04/30	4.131	1	4.120	14/02/2019	1
MGS	11/33	4.263	107	4.229	14/02/2019	3
MGS	04/37	4.454	3	4.438	13/02/2019	2
MGS	03/46	4.736	37	4.749	13/02/2019	-1
GII	04/20	3.509	9	3.453	13/02/2019	6
GII	08/20	3.547	30	3.540	14/02/2019	1
GII	03/22	3.649	60	3.656	14/02/2019	-1
GII	07/22	3.720	50	3.705	14/02/2019	2
GII	07/23	3.802	1	3.827	07/02/2019	-2
GII	11/23	3.821	60	3.810	14/02/2019	1
GII	08/24	3.916	40	3.912	14/02/2019	0
GII	08/25	3.973	525	3.941	14/02/2019	3
GII	10/25	3.989	20	3.977	14/02/2019	1
GII	09/26	4.016	50	4.000	14/02/2019	2
GII	07/27	4.032	1	4.032	14/02/2019	0
GII	10/28	4.079	279	4.073	14/02/2019	1
GII	07/29	4.029	160	4.017	14/02/2019	1
GII	09/30	4.200	40	4.201	14/02/2019	0
GII	06/33	4.365	10	4.364	14/02/2019	0
GII	08/33	4.403	175	4.395	14/02/2019	1
GII	08/37	4.593	20	4.599	14/02/2019	-1
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Daily Trades: Corp Bonds / Sukuk

Securities	Maturity (dd/mm/yy yy)	Rating	Closing YTM	Vol (RM mil)	Previous YTM	Previous Trade Date (dd/mm/yyyy)	Chg (bp)	Spread Against MGS*
Prasarana Malaysia Berhad	08/23	GG	4.009	10	4.072	18/10/2018	-6	30
Jambatan Kedua Sdn Berhad	05/25	GG	4.109	10	4.145	30/01/2019	-4	29
DanaInfra Nasional Berhad	11/25	GG	4.101	10	4.121	12/02/2019	-2	26
DanaInfra Nasional Berhad	07/27	GG	4.205	15	4.281	15/01/2019	-8	32
DanaInfra Nasional Berhad	10/31	GG	4.448	50	4.580	10/10/2018	-13	20
Prasarana Malaysia Berhad	03/33	GG	4.519	40	4.594	29/01/2019	-8	27
DanaInfra Nasional Berhad	04/33	GG	4.529	10	4.569	08/02/2019	-4	28
DanaInfra Nasional Berhad	02/34	GG	4.604	60	-	-	-	36
DanaInfra Nasional Berhad	04/38	GG	4.735	10	4.785	30/01/2019	-5	28
Lembaga Pembiayaan Perumahan Sektor Awam	10/38	GG	4.728	25	-	-	-	27
DanaInfra Nasional Berhad	07/39	GG	4.765	20	4.999	23/07/2018	-23	31
Perbadanan Tabung Pendidikan Tinggi Nasional	07/41	GG	4.840	10	5.138	02/07/2018	-30	38
DanaInfra Nasional Berhad	11/48	GG	4.984	10	-	-	-	52
DanaInfra Nasional Berhad	02/49	GG	4.995	10	4.999	14/02/2019	0	54
Projek Lebuhraya Usahasama Berhad	01/20	AAA	3.928	10	3.948	24/01/2019	-2	50
Telekom Malaysia Berhad	05/28	AAA	4.591	35	4.568	10/10/2018	2	69
Telekom Malaysia Berhad	10/28	AAA	4.608	130	4.559	18/01/2019	5	73
Danga Capital Berhad	01/33	AAA	4.649	5	4.669	13/02/2019	-2	40
CIMB Bank Berhad	08/26	AA+	4.535	1	4.535	14/02/2019	0	70
Tanjung Bin Power Sdn Berhad	08/19	AA2	4.110	15	4.090	13/02/2019	2	69
Imtiaz Sukuk II Berhad	10/20	AA2	4.147	10	4.171	12/02/2019	-2	64
Anih Berhad	11/27	AA	4.658	10	4.676	17/12/2018	-2	76
Bumitama Agri Ltd	09/19	AA3	4.260	10	4.292	14/02/2019	-3	84
Edra Energy Sdn Berhad	07/24	AA3	5.459	20	5.442	14/02/2019	2	175
Hong Leong Assurance Berhad	02/25	AA3	4.440	20	4.479	24/01/2019	-4	62
Tanjung Bin Energy Issuer Berhad	03/27	AA3	4.618	10	4.748	16/11/2018	-13	73
Northport (Malaysia) Berhad	12/24	AA-	4.838	5	4.990	19/11/2018	-15	102
Lebuhraya DUKE Fasa 3 Sdn Berhad	08/35	AA-	5.220	10	5.219	14/02/2019	0	98
Lebuhraya DUKE Fasa 3 Sdn Berhad	08/37	AA-	5.349	20	5.347	14/02/2019	0	89
Lebuhraya DUKE Fasa 3 Sdn Berhad	08/38	AA-	5.430	10	5.539	07/09/2018	-11	97
Special Power Vehicle Berhad	11/20	A1	4.531	2	4.717	13/12/2018	-19	102
Special Power Vehicle Berhad	05/21	A1	4.607	2	4.614	08/02/2019	-1	110
Special Power Vehicle Berhad	11/21	A1	4.731	6	4.726	08/02/2019	0	118
Bright Focus Berhad	01/24	A1	6.038	8	6.178	10/12/2018	-14	233
Affin Bank Berhad	02/27	A1	4.572	2	4.720	31/01/2019	-15	69
Affin Bank Berhad	09/27	A1	5.183	1	5.001	17/01/2019	18	129
CIMB Group Holdings Berhad	05/16	A1	4.946	1	4.349	11/02/2019	60	49
DRB-Hicom Berhad	02/22	A+	6.018	12	5.800	13/02/2019	22	247
				<u>644</u>				

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

Market/Corporate News: What's Brewing

Australian-listed Lendlease, which is participating in a RM9bil mixed integrated development at the Tun Razak Exchange (TRX) project in Kuala Lumpur, is in talks with several developers to jointly develop other large-scale projects in the country. Lendlease Malaysia chairman Dinesh Nambiar said with financing for the TRX project now secured, the group could focus on other developments. "We've had a number of approaches from developers with sites which we are evaluating," he said at a recent precinct launch and development financing signing ceremony. "The plan is for Lendlease to secure new projects which will be of scale and continue to grow the business in Malaysia." Last Tuesday, joint-venture (JV) partners Lendlease and TRX City Sdn Bhd (TRXC) secured a RM2.15bil financing facility for The Exchange TRX. The financing facility was secured from the consortium of HSBC, Maybank, Standard Chartered and Sumitomo Mitsui Banking Corp. The Exchange TRX is a mixed integrated development and is a 60:40 JV between Lendlease and TRXC. The 17-acre development comprises residential, office, entertainment and leisure, a public park, hotel and retail components. Dinesh said Lendlease was attracted to the prime location of the development. "Lendlease has been investing in Malaysia since 2009. TRX, with its location, has been

a terrific site for us to acquire and develop. “Now that we have secured financing and work is underway, we’re exploring other opportunities,” he said. Lendlease’s previous projects in Malaysia include Petronas Twin Towers, Platinum Park development and Bank Negara’s Sasana Kijang and Lanai Kijang buildings in Kuala Lumpur; Alamanda Shopping Centre in Putrajaya; Setia City Mall in Shah Alam; and Pinewood Iskandar Malaysia Studios in Johor. Lendlease Asia chief executive officer Tony Lombardo said the group saw good growth opportunities in Malaysia. “This (TRX) is a project that Lendlease has been focusing on since 2013. We’ve had a strong interest in Malaysia and Kuala Lumpur is one of the key cities that we want to grow our platform. Our investment in TRX is one of the largest on our group’s balance sheet today. “We’re investing RM2.1bil over the project’s life and it’s great to have the backing of the banks. The government, meanwhile, is committing RM1.2bil. “We were attracted to it because of the connectivity. The infrastructure that’s gone in were some of the critical things, but the defining thing for us is the 10-acre park,” he said. Lombardo is optimistic that the retail component of The Exchange TRX will do well in spite of the current retail market glut. “When you look at Malaysia, there are some malls that are struggling. But retail’s changing. People come for the experience and our mall will offer the latest generation in products.” According to the Malaysian Shopping Malls Association’s (PPK Malaysia) recent Malaysia Shopping Mall Industry Survey 2018, there are currently 671 malls with a net lettable area ranging from a minimum of 50,000 sq ft to 2.2 million sq ft. The survey, which comprised 47 respondent malls, revealed that the average occupancy rate stood at 92%, with an average monthly gross rental rate of RM7.87 per sq ft. Retail Group Malaysia in its recent report said it expected a 4.5% growth in retail sales for 2019. The Exchange TRX’s retail component will be completed in 2021. TRXC is the master developer of TRX. Because TRXC is a wholly-owned subsidiary of the Finance Ministry, this means the government owns 40% of The Exchange TRX. The TRX project has come under heavy scrutiny due to its association with scandal-ridden 1Malaysia Development Bhd (1MDB). Finance Minister Lim Guan Eng said the willingness of the four financial institutions to provide financing facilities for the project demonstrated how far TRX had progressed since the new government came into power. “We are slowly, but surely, exorcising the ghosts of 1MDB, which has tainted Malaysia and allowed us, once again, to be touted as the destination for both business and investment,” he said. When the Pakatan Harapan government came into power in May last year, among the ongoing mega projects that came under scrutiny was the TRX. Not only was it linked to 1MDB, the ongoing property glut also raised concerns on whether the development was even viable. Given how the project was already quite advanced in its development stage and a lot of money had already been pumped in, the government chose not to scrap it. To date, seven plots of land in TRX totalling RM2.88bil have been sold. 1MDB acquired the TRX land from the federal government for RM302.38mil in 2010. In March 2013, Abu Dhabi Malaysia Investment Co Ltd (a 50:50 JV between 1MDB and Aabar Investments PJS) was the first major multinational anchor investor in TRX. A month later, US\$3bil (RM11.94bil) was raised overseas for the TRX development. However, no money was channelled to the development. With an estimated gross development value of RM40bil, the TRX development will have about 30 buildings located on 70 acres of prime land in Kuala Lumpur. The entire TRX project is slated for completion by 2024. (Source: *The Star*)

Bumi Armada Bhd's efforts to restructure some of its unsecured short-term loans of around US\$380 million (RM1.55 billion) seem to have met with cold shoulders as banks remain reluctant to increase exposure to the oil and gas sector. The existing banks are not keen on granting the refinancing schemes for Asia's leading offshore service vessel and floating production storage and offloading (FPSO) owner, according to sources. The loans were initially due in May 2019, according to previous arrangements. The group has already missed the deadline on Dec 31, 2018. Failure to obtain the bank's support could potentially drive Bumi Armada to further extend its renegotiation deadline from the first quarter 2019 (1Q19) presently. When asked about the matter, in an email reply, Bumi Armada told The Edge Financial Daily, "We are unable to provide any information given that the group is currently working on the refinancing of our debt, and finalising FY18 (the financial year ended Dec 31, 2018) financial results." "We will make the appropriate disclosures at the appropriate time," the group said. Nonetheless, there could be a lifesaver for Bumi Armada to ease its financial stress — the potential of winning hefty compensation over the Armada Claire case. The compensation over the premature contract termination of its FPSO vessel Armada Claire is in the tune of US\$283 million. A hearing will be held at Western Australia's Supreme Court tomorrow. Meanwhile, it still has its US\$1.5 billion euro medium-term note programme, which analysts said is more appropriate if utilised to fund new projects. As at Nov 23, 2018, the programme had remained untouched. That said, most analysts viewed that Bumi Armada could get the nod from lenders to shift the deadline again, having done it once in 4Q18. "The downside is that interest rates would be higher, although we can take note of the smaller principal remaining [from US\$500 million in October 2018]," an analyst shared with The Edge Financial Daily. "But I am more concerned about the cash flow. There is no news on the contract bids for its subsea vessels [Armada] Installer and Constructor that are idle now," he added. Indeed, there has been speculation for long on how Bumi Armada will recapitalise its balance sheet. To recap, the chartered contracts for the two subsea vessels in the Caspian Sea were in June and October 2018 respectively. The absence of contribution from there has resulted in lower earnings generated in the offshore marine services (OMS) division in the third quarter ended Sept 30, 2018 (3QFY18). Further decline is likely in 4QFY18, according to analysts. In the 3QFY18, Bumi Armada booked a net loss of RM502.83 million on the back of RM588.05 million in revenue. Quarter-on-quarter, revenue fell 10% against RM654.04 million in 2QFY18, as contribution from both floating production and operation (FPO) and OMS segments fell. The FPO segment revenue may rise, which in turn will stabilise in 4QFY18, as it has managed to win a contract extension for Armada TGT1 in last August. However, that alone cannot sustain its debt burden if no new subsea vessel jobs come in, commented an analyst. Of Bumi Armada's RM11 billion worth of borrowings, the analyst estimated that around RM5 billion was "mostly incurred to support the group's OMS expansion in the past". Taking the debt and the troubled OMS segment into account. There are also concerns about impairment risks. (Source: The EdgeMarkets)

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

Source: RAM, MARC

Hong Leong Bank Berhad

Fixed Income & Economic Research, Global Markets

Level 8, Hong Leong Tower

6, Jalan Damansara

Bukit Damansara

50490 Kuala Lumpur

Tel: 603-2081 1221

Fax: 603-2081 8936

Email: HLMarkets@hlbb.com.my

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