

Global Markets Research

Fixed Income

Fixed Income Daily Market Snapshot

UST		
Tenure	Closing (%)	Chg (bps)
2-yr UST	2.44	-4
5-yr UST	2.40	-4
10-yr UST	2.59	-4
30-yr UST	3.01	-3

MGS		GII*		
Tenure	Closing (%)	Chg (bps)	Closing (%)	Chg (bps)
3-yr	3.45	1	3.56	0
5-yr	3.59	0	3.73	0
7-yr	3.79	0	3.90	0
10-yr	3.83	9	3.97	-1
15-yr	4.17	-1	4.29	0
20-yr	4.39	0	4.52	0
30-yr	4.66	0	4.77	0

* Market indicative levels

MYR IRS Levels		
IRS	Closing (%)	Chg (bps)
1-yr	3.57	0
3-yr	3.58	0
5-yr	3.68	1
7-yr	3.80	0
10-yr	3.98	0

Source : Bloomberg

Upcoming Government Bond Tender

Nil

US Treasuries

- US Treasuries closed stronger as yields drifted lower following soft readings on US industrial production which prompted fresh views on potential rate cut going forward. Overall benchmark yields ended 3-4bps lower with both the 2Y and the much-watched 10Y bond rallying 4bps each at 2.44% and 2.59% respectively. Nevertheless a new Bloomberg survey of economists believe that the Fed will bring its current cycle of interest rate hikes to an end after one (1) more hike in 2019. Meanwhile China and Japan have increased their foreign holdings by \$3.1b to \$1.13 trillion and \$27.5b to \$1.07 trillion respectively in January 2019. Nevertheless net selling of UST's amounted to \$12b. Up next on the data front is the FOMC rate decision out on Thursday.

MGS/GII

- Local govvnies saw trading momentum taper off with volume at a mere RM2.56b with 2/3rd of transactions ending higher on yields. Some interest on the MGS off-the-run 19's and also GII 22's. Demand which spilled over to the long-ends tapered off as well as overall benchmark yields ended mostly muted between -1 to +1bps save for the 10Y MGS). The 5Y benchmark MGS 4/23 was unchanged at 3.59% whilst the 10Y MGS 8/29 levels adjusted 9bps higher; back to its expected 3.83% levels. GII bonds dropped slightly to form 50% of overall trades. The CPI data for Feb is expected out later this week.

Corp Bonds/Sukuk

- Corporate Bonds/Sukuk saw strong demand as volume notched RM674m with overall investor interest seen along the GG-AA part of the curve. Govt-guaranteed bonds PTPTN saw RM145m in nominal amounts traded with the 7/26, 2/30, 8/32 and 7/41 tranches closing 2-26bps lower compared to previous-done levels. AAA-rated MANJUNG 24 and 27 also closed sharply lower on yields at 4.19% and 4.31% respectively. In the AA-space, energy-related bonds SEB 7/24 and 5/27 closed 4bps lower at 4.28% and 4.70% each whilst JEP 29-31's also rallied sharply lower on yields between 4.64-76% levels. The banking space was quite active with both Hong Leong Bank 24NC19's closing between 3.97-4.15% levels whereas RHB 25NC20 closed unchanged at 4.27%. PUBLIC Islamic 7/21 saw substantial amounts traded 2bps lower at 4.06%.

Daily Trades : Government Bonds

Securities		Closing YTM	Vol (RM mil)	Previous YTM	Previous Trade Date (dd/mm/yyyy)	Chg (bp)
MGS	07/19	3.303	21	3.314	14/03/2019	-1
MGS	10/19	3.375	181	3.341	14/03/2019	3
MGS	11/19	3.386	161	3.370	14/03/2019	2
MGS	03/20	3.402	5	3.343	14/03/2019	6
MGS	10/20	3.428	49	3.415	14/03/2019	1
MGS	07/21	3.468	56	3.400	13/03/2019	7
MGS	09/21	3.460	85	3.410	13/03/2019	5
MGS	11/21	3.451	2	3.405	13/03/2019	5
MGS	03/22	3.450	4	3.443	13/03/2019	1
MGS	08/22	3.527	5	3.524	14/03/2019	0
MGS	09/22	3.537	1	2.874	13/03/2019	66
MGS	03/23	3.616	1	3.629	13/03/2019	-1
MGS	04/23	3.588	99	3.592	14/03/2019	0
MGS	08/23	3.656	127	3.651	14/03/2019	1
MGS	07/24	3.756	24	3.736	14/03/2019	2
MGS	09/25	3.815	9	3.799	14/03/2019	2
MGS	07/26	3.790	40	3.784	14/03/2019	1
MGS	11/26	3.880	2	3.872	14/03/2019	1
MGS	05/27	3.992	40	3.987	14/03/2019	0
MGS	11/27	3.940	27	3.919	14/03/2019	2
MGS	06/28	3.936	107	3.941	14/03/2019	0
MGS	08/29	3.832	55	3.844	14/03/2019	-1
MGS	04/30	4.107	32	4.107	14/03/2019	0
MGS	06/31	4.137	1	4.158	14/03/2019	-2
MGS	11/33	4.168	44	4.177	14/03/2019	-1
MGS	04/37	4.422	33	4.438	14/03/2019	-2
MGS	09/43	4.664	52	4.674	14/03/2019	-1
MGS	03/46	4.736	10	4.739	12/03/2019	0
GII	04/20	3.435	1	3.451	13/03/2019	-2
GII	06/20	3.484	5	3.520	05/03/2019	-4
GII	08/20	3.476	1	3.518	05/03/2019	-4
GII	03/21	3.493	50	3.519	13/03/2019	-3
GII	04/21	3.525	100	3.541	14/03/2019	-2
GII	03/22	3.557	50	3.553	14/03/2019	0
GII	04/22	3.621	240	3.617	14/03/2019	0
GII	07/22	3.639	240	3.647	13/03/2019	-1
GII	11/23	3.733	90	3.732	14/03/2019	0
GII	08/25	3.896	1	3.891	14/03/2019	0
GII	10/25	3.946	70	3.969	11/03/2019	-2
GII	07/27	4.002	1	3.988	14/03/2019	1
GII	07/29	3.973	40	3.972	14/03/2019	0
GII	06/33	4.292	56	4.289	14/03/2019	0
GII	08/33	4.319	30	4.315	14/03/2019	0
GII	10/35	4.455	80	4.451	14/03/2019	0
GII	08/37	4.521	110	4.537	14/03/2019	-2
GII	09/39	4.459	120	4.463	14/03/2019	0
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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*
Khazanah Nasional Berhad	08/19	GG	3.536	50	3.770	43437	-23	15
Perbadanan Tabung Pendidikan Tinggi Nasional	07/26	GG	4.079	70	4.340	43475	-26	29
Prasarana Malaysia Berhad	09/28	GG	4.160	45	4.249	43516	-9	29
Perbadanan Tabung Pendidikan Tinggi Nasional	02/30	GG	4.280	50	4.346	42678	-7	43
Prasarana Malaysia Berhad	02/31	GG	4.284	15	4.300	43537	-2	44
Perbadanan Tabung Pendidikan Tinggi Nasional	08/32	GG	4.449	20	4.469	43537	-2	27
Perbadanan Tabung Pendidikan Tinggi Nasional	07/41	GG	4.750	5	4.820	43530	-7	34
Public Islamic Bank Berhad	07/21	AAA	4.060	40	4.075	43537	-2	64
Genting Capital Berhad	06/22	AAA	4.590	1	4.865	43522	-28	114
Bakun Hydro Power Generation Sdn Berhad (fka :)	08/22	AAA	4.138	10	4.205	43524	-7	69
Toyota Capital Malaysia Sdn Berhad	01/23	AAA	4.366	4	4.572	43437	-21	83
Bakun Hydro Power Generation Sdn Berhad (fka :)	08/23	AAA	4.194	10	4.199	43537	0	66
Manjung Island Energy Berhad	11/24	AAA	4.185	40	4.368	42517	-18	45
Projek Lebuhraya Usahasama Berhad	01/26	AAA	4.297	10	4.365	43524	-7	51
Genting Capital Berhad	06/27	AAA	4.718	1	4.729	43532	-1	88
Manjung Island Energy Berhad	11/27	AAA	4.311	10	4.510	43453	-20	45
Pengurusan Air SPV Berhad	02/29	AAA	4.362	15	4.396	43532	-3	52
Manjung Island Energy Berhad	11/29	AAA	4.390	10	4.499	43514	-11	54
Rantau Abang Capital Berhad	01/32	AAA	4.469	20	4.718	43444	-25	29
Sarawak Energy Berhad	07/19	AA1	3.819	20	3.946	43474	-13	44
Sabah Development Bank Berhad	12/21	AA1	4.841	10	4.917	43522	-8	139
Sarawak Energy Berhad	01/22	AA1	4.140	10	4.149	43537	-1	69
Hong Leong Bank Berhad	06/24	AA1	3.976	5	3.972	43538	0	40
Hong Leong Bank Berhad	06/24	AA1	4.151	5	4.151	43538	0	57
Sarawak Energy Berhad	07/24	AA1	4.281	10	4.317	43525	-4	70
United Overseas Bank (Malaysia) Berhad	05/25	AA1	4.201	5	4.201	43538	0	47
Kuala Lumpur Kepong Berhad	04/26	AA1	4.311	5	4.404	43507	-9	53
YTL Power International Berhad	05/27	AA1	4.697	30	4.740	43532	-4	86
Danajamin Nasional Berhad	10/27	AA+	4.479	11	4.490	43531	-1	61
Cahaya Mata Sarawak Berhad	05/22	AA3	4.462	3	4.465	43532	0	101
RHB Bank Berhad	05/25	AA3	4.273	20	4.275	43538	0	54
Edra Energy Sdn Berhad	01/26	AA3	5.489	1	5.489	43537	0	170
Edra Energy Sdn Berhad	01/29	AA3	5.808	10	5.829	43531	-2	196
Lebuhraya DUKE Fasa 3 Sdn Berhad	08/27	AA-	4.729	5	4.919	43399	-19	89
Lebuhraya DUKE Fasa 3 Sdn Berhad	08/28	AA-	4.790	10	4.904	43469	-11	92
Serba Dinamik Holdings Berhad	10/28	AA-	5.050	3	5.157	43510	-11	120
Lebuhraya DUKE Fasa 3 Sdn Berhad	08/29	AA-	4.799	5	4.948	43468	-15	95
Jimah East Power Sdn Berhad	12/29	AA-	4.639	10	4.793	43448	-15	79
Jimah East Power Sdn Berhad	06/30	AA-	4.659	20	4.688	43528	-3	81
Jimah East Power Sdn Berhad	12/30	AA-	4.684	10	4.839	43445	-16	84
Jimah East Power Sdn Berhad	06/31	AA-	4.724	20	4.909	43341	-19	88
Jimah East Power Sdn Berhad	12/31	AA-	4.759	20	4.899	43455	-14	58
				<u>674</u>				

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

Market/Corporate News: What's Brewing

(TM) plans to sell more buildings and landbanks to unlock the value of its assets after putting two buildings up for sale recently. Last month, a tender bid was called for two buildings (Annexe 1 and Annexe 2) at its headquarters and the reserve price range is said to be between RM273mil and RM312mil. TM has various plots of land and buildings around the country, including in Hong Kong. The net book value of all its buildings and land as per its 2017 annual report is estimated at RM2.9bil. Part of the land belongs to the Federal Government. "We are looking at various options to unlock the value of the buildings and land as we optimise our network. We have been doing this over the past few years," TM acting group chief executive officer/chief operating officer Imri Mokhtar said. But TM will not sell until it gets "good value for its assets." "The proceeds from the sale will be used to fund our business and for our working capital," he said. Imri was appointed acting CEO in November. Previously, he was head of Unifi for over four years. Since taking on the new job, he has come up with a new three-year business plan (2019-2021) to chart a new direction for the telco. He believes TM needs to be transformed into a more agile organisation in order to capitalise on opportunities. This is necessary with the changing demands of consumers in a converged and digital space. "There are a lot of things we can improve on, and a lot of areas we can be better in," he said. Last year was a tough year for TM. It saw the departure of two CEOs and a chairman. Wholesale access pricing was reduced, broadband packages revised lower

and competition intensified. That will have an impact on TM's earnings and one criticism is that it has been complacent for far too long. Its share price suffered and the stock was dropped off the 30-stock benchmark FBM KLCI index. Imri believes his new plan will create a "new TM" that will emerge stronger and able to withstand competition better. "The transformation reinforces customer centricity. It is timely and much needed. It will be anchored on the customer. We have to recognise that the customer is our number one priority and we need to work on that," he said in a media briefing recently. There are six pillars to his new plan and they include expansion of infrastructure, bringing to market more simple products and processes, sweating the assets further, optimising cost and efficiencies, and changing the mind-set of the employees to focus on the customer. "The big game changer will be people development. This is the fuel of our new TM plan. We need to remain relevant and be in sync with consumer demand," he adds. Imri believes there are plenty of opportunities in the broadband and enterprise market space. It is about tailoring its products to suit customer's needs. Unifi is TM's flagship product and it serves 2.5 million homes currently. It is working to migrate more TMStreamyx users to Unifi. It is also working towards addressing copper wire connections. It wants to work with other mobile players to expand its mobile offering. "We are open to partnering other players to reduce infrastructure duplication," he adds. TM plans to spend 18% to 20% of its revenue on capital expenditure to enhance connectivity and digital infrastructure. He hopes this year would be better financially, though his guidance is "low to single digit decline in revenue, but EBIT to be higher than last year." TM posted a 83.5% decline in net profit to RM153.1mil for full year 2018. This was due to a RM982.5mil provision made for the impairment of fixed and wireless network assets. Revenue was at RM11.8bil. Analysts do expect more provisioning this year for its telco assets. For 2019, revenue is expected at RM11.4bil and net income at RM604mil as per Bloomberg consensus estimates. A total of 15 research houses have a "hold" call on the stock, three a "buy" and nine a "sell," with a target price RM2.88 a share. The stock closed at RM3.18 on Friday. Public Investment Bank believes that TM retail segment would be affected by a more substantial decline in average revenue per user (ARPU). "We assume a 15% decline in Unifi ARPU to RM163 in FY19F, compared with only a 4% drop in FY18. Overall, we estimate FY19F revenue to fall by 7% mainly due to lower data and Internet revenue." (Source: *The Star*)

Rating Action			
Issuer	PDS Description	Rating/Outlook	Action
YTL Power International Berhad	RM5 bil MTN Programme (2011/2036) and RM2.5 bil Sukuk Murabahah Facility (2017/2027))	AA1/Stable	Reaffirmed
YTL Corporation Berhad	RM500 mil MTN Programme (2004/2019) and RM2 bil MTN Programme (2013/2038)	AA1/Stable	Reaffirmed

Source: RAM, MARC

Hong Leong Bank Berhad

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