

Global Markets Research

Fixed Income

Fixed Income Daily Market Snapshot

UST		
Tenure	Closing (%)	Chg (bps)
2-yr UST	1.81	-4
5-yr UST	1.81	-6
10-yr UST	2.05	-6
30-yr UST	2.56	-6

MGS		GII*		
Tenure	Closing (%)	Chg (bps)	Closing (%)	Chg (bps)
3-yr	3.30	1	3.34	1
5-yr	3.44	0	3.45	0
7-yr	3.56	1	3.59	1
10-yr	3.63	1	3.67	2
15-yr	3.82	0	3.85	0
20-yr	3.98	-2	4.03	0
30-yr	4.26	0	4.24	0

* Market indicative levels

MYR IRS Levels		
IRS	Closing (%)	Chg (bps)
1-yr	3.38	0
3-yr	3.38	-1
5-yr	3.46	1
7-yr	3.52	0
10-yr	3.61	0

Source : Bloomberg

Upcoming Government Bond Tender

Nil

US Treasuries

- US Treasuries bull-flattened especially extending out from the 5Y following gains in Bunds and Gilts in Europe whilst equities slumped; influenced by a bag of mixed corporate results from corporates like CSX Corp, Netflix and Alcoa Corp. Overall benchmark yields reversed prior day's move; ending between 4-6bps lower with the UST 2Y at 1.81% and the much-watched 10Y rallying 6bps at 2.05%. To re-cap foreign net selling in UST's in May was \$33.8b with Japan's holdings rose \$37b to \$1.1 trillion whilst China saw its share of holdings fall slightly by \$2.8b to \$1.11 trillion. Meanwhile the Fed and other leading central banks are stating that the peak in global rates has been reached and are beginning to kickstart the march down. Following Powell's speech on Tuesday, market odds of 50bps cut in July has jumped to 35%.

MGS/GII

- Local govvnies saw a relatively quiet trading session on Wednesday with secondary volume at a mere RM2.26b with interest seen mainly in the shorter-end i.e. off-the-run 20's and benchmark 3Y, 7Y bonds in what may be seen. Overall benchmark yields ended slightly higher between 0-2bps from prior day's level save for the 20Y The benchmark 5Y MGS 6/24 was unchanged at 3.44% whilst the 10Y MGS 8/29 edged 1bps higher at 3.63%. GII trades rose to form ~42% of overall trades. Separately the Public Accounts Committee has confirmed that RM19.4b rgt of GST refunds not paid to taxpayers were used by previous govt to fund operating and development expenditures.

Corp Bonds/Sukuk

- Corporate Bonds/Sukuk maintained solid investor interest as volume notched higher at RM1.08b with trades centred mainly in the GG-segment followed by some spillover into the AAA-AA and also single-A part of the curve causing yields to decline further. However the long-end govt-guaranteed LPPSA 38-39's closed 1-2bps higher compared to previous-done levels at 4.09-10% levels whilst the 4/49 tranche rallied 22bps lower at 4.35%. The AAA-TNB 8/37 closed unchanged at 4.12% whereas TNB 8/38 moved 7bps lower at 4.15%. AA-rated highway concession holder DUKE3 saw the 2035-2037 tranches close 6-25bps lower between 4.74-89% levels whilst a slew of single-A rated Quantum Solar 2028-2031 tranches traded between 5.66-6.025% area. The banking space saw HSBC Amanah 10/19 close 6bps lower at 3.20% whilst PUBLIC Bank 4/23 and 4/25 saw strong demand as yields declined sharply to 3.67% and 3.86% respectively.

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	42	3.070	16/07/2019	1
MGS	03/20	3.161	20	3.154	16/07/2019	1
MGS	07/20	3.179	5	3.186	16/07/2019	-1
MGS	10/20	3.201	80	3.194	15/07/2019	1
MGS	02/21	3.259	4	3.244	15/07/2019	1
MGS	07/21	3.262	10	3.258	16/07/2019	0
MGS	11/21	3.287	40	3.274	16/07/2019	1
MGS	03/22	3.300	405	3.288	16/07/2019	1
MGS	09/22	3.359	5	3.352	16/07/2019	1
MGS	03/23	3.415	2	3.407	16/07/2019	1
MGS	04/23	3.426	2	3.418	12/07/2019	1
MGS	08/23	3.447	2	3.434	16/07/2019	1
MGS	06/24	3.444	65	3.444	16/07/2019	0
MGS	07/24	3.464	8	3.473	16/07/2019	-1
MGS	09/24	3.494	13	3.486	16/07/2019	1
MGS	03/25	3.529	53	3.524	16/07/2019	0
MGS	09/25	3.538	11	3.545	16/07/2019	-1
MGS	07/26	3.557	253	3.551	16/07/2019	1
MGS	11/26	3.619	73	3.621	16/07/2019	0
MGS	03/27	3.653	23	3.654	12/07/2019	0
MGS	11/27	3.667	10	3.663	15/07/2019	0
MGS	08/29	3.625	8	3.619	16/07/2019	1
MGS	04/30	3.748	27	3.725	12/07/2019	2
MGS	06/31	3.812	60	3.802	12/07/2019	1
MGS	04/33	3.852	2	3.863	16/07/2019	-1
MGS	11/33	3.851	10	3.836	16/07/2019	2
MGS	04/37	4.015	1	4.008	12/07/2019	1
MGS	06/38	3.984	12	4.004	16/07/2019	-2
MGS	03/46	4.253	40	4.262	16/07/2019	-1
MGS	07/48	4.257	20	4.254	16/07/2019	0
GII	04/20	3.180	265	3.181	15/07/2019	0
GII	04/20	3.181	160	3.229	28/06/2019	-5
GII	05/20	3.175	110	3.185	12/07/2019	-1
GII	08/21	3.306	5	3.268	09/07/2019	4
GII	03/22	3.337	70	3.330	16/07/2019	1
GII	04/22	3.368	1	3.336	16/07/2019	3
GII	07/22	3.378	40	3.364	11/07/2019	1
GII	08/25	3.559	51	3.538	16/07/2019	2
GII	03/26	3.585	20	3.578	16/07/2019	1
GII	09/26	3.630	108	3.624	16/07/2019	1
GII	07/27	3.685	54	3.678	16/07/2019	1
GII	10/28	3.695	1	3.685	16/07/2019	1
GII	07/29	3.665	1	3.649	16/07/2019	2
GII	06/33	3.889	50	3.894	16/07/2019	-1
GII	09/39	4.033	20	4.029	16/07/2019	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*
Pengurusan Air SPV Berhad	06/20	GG	3.258	25	3.247	15/07/2019	1	9
Pengurusan Air SPV Berhad	09/20	GG	3.258	50	3.254	15/07/2019	0	9
Khazanah Nasional Berhad	09/22	GG	3.461	170	3.478	21/06/2019	-2	16
Pengurusan Air SPV Berhad	06/23	GG	3.460	50	3.704	09/05/2019	-24	6
Lembaga Pembiayaan Perumahan Sektor Awam	09/24	GG	3.509	70	3.516	11/07/2019	-1	6
Lembaga Pembiayaan Perumahan Sektor Awam	04/25	GG	3.553	15	3.601	26/06/2019	-5	4
Pengurusan Air SPV Berhad	06/25	GG	3.571	5	3.920	27/03/2019	-35	6
Lembaga Pembiayaan Perumahan Sektor Awam	10/25	GG	3.581	20	3.591	11/07/2019	-1	7
DanaInfra Nasional Berhad	11/25	GG	3.588	50	3.570	08/07/2019	2	8
GovCo Holdings Berhad	06/26	GG	3.691	10	3.975	24/05/2019	-28	13
Perbadanan Tabung Pendidikan Tinggi Nasional	08/26	GG	3.660	10	3.954	23/05/2019	-29	10
Lembaga Pembiayaan Perumahan Sektor Awam	09/26	GG	3.642	35	3.671	03/07/2019	-3	9
Prasarana Malaysia Berhad	02/31	GG	3.820	5	3.901	24/06/2019	-8	20
DanaInfra Nasional Berhad	04/33	GG	3.909	40	3.904	11/07/2019	0	9
DanaInfra Nasional Berhad	03/34	GG	3.930	60	4.090	19/06/2019	-16	11
Lembaga Pembiayaan Perumahan Sektor Awam	10/38	GG	4.090	30	4.069	05/07/2019	2	8
Lembaga Pembiayaan Perumahan Sektor Awam	04/39	GG	4.100	30	4.090	05/07/2019	1	9
Lembaga Pembiayaan Perumahan Sektor Awam	04/49	GG	4.349	25	4.568	11/06/2019	-22	34
HSBC Amanah Malaysia Berhad	10/19	AAA	3.200	50	3.256	03/07/2019	-6	3
Danga Capital Berhad	04/20	AAA	3.348	10	3.490	03/07/2019	-14	18
Rantau Abang Capital Berhad	12/20	AAA	3.419	30	3.801	01/07/2019	-38	25
Public Bank Berhad	04/23	AAA	3.674	10	3.899	29/05/2019	-23	27
Public Bank Berhad	04/25	AAA	3.860	30	4.548	02/10/2018	-69	35
Aman Sukuk Berhad	05/25	AAA	3.727	10	3.671	12/07/2019	6	22
Tenaga Nasional Berhad	08/37	AAA	4.123	40	4.120	16/07/2019	0	11
Tenaga Nasional Berhad	08/38	AAA	4.151	10	4.219	11/07/2019	-7	14
Malayan Banking Berhad	01/29	AA1	4.079	30	4.528	17/04/2019	-45	46
Imtiaz Sukuk II Berhad	11/19	AA2	3.525	5	3.935	03/05/2019	-41	36
Krung Thai Bank Public Company Limited	07/25	AA2	4.115	1	4.155	12/07/2019	-4	61
BEWG (M) Sdn Berhad	07/23	AA	4.239	15	4.760	07/02/2019	-52	84
Country Garden Real Estate Sdn Berhad	02/23	AA3	6.440	1	6.440	16/07/2019	0	304
Edra Energy Sdn Berhad	07/25	AA3	5.127	1	5.129	09/07/2019	0	162
Lebuhraya DUKE Fasa 3 Sdn Berhad	08/35	AA-	4.739	10	4.990	03/05/2019	-25	92
Lebuhraya DUKE Fasa 3 Sdn Berhad	08/36	AA-	4.820	10	4.909	24/06/2019	-9	100
Lebuhraya DUKE Fasa 3 Sdn Berhad	08/37	AA-	4.890	40	4.950	05/07/2019	-6	88
Lafarge Cement Sdn Berhad	12/20	A1	4.148	1	4.603	15/07/2019	-46	98
CIMB Group Holdings Berhad	05/16	A1	4.267	4	4.297	11/07/2019	-3	26
Quantum Solar Park (Semenanjung) Sdn Berhad	10/28	A+	5.658	5	5.480	05/10/2017	18	203
Quantum Solar Park (Semenanjung) Sdn Berhad	10/29	A+	5.799	5	5.570	10/11/2017	23	218
Quantum Solar Park (Semenanjung) Sdn Berhad	04/30	A+	5.859	15	-	-	-	224
Quantum Solar Park (Semenanjung) Sdn Berhad	10/30	A+	5.918	10	5.629	20/10/2017	29	230
Quantum Solar Park (Semenanjung) Sdn Berhad	04/31	A+	5.979	20	-	-	-	236
Quantum Solar Park (Semenanjung) Sdn Berhad	10/31	A+	6.019	20	-	-	-	240
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*spread against nearest indicative tenured MGS (Source : BPA)

Market/Corporate News: What's Brewing

Local contractors could secure between RM8.8bil and RM11bil in civil work contracts from the RM44bil East Coast Rail Link (ECRL), which is set to be relaunched at the end of the month. Analysts expect that tenders for the project could be announced by the end of the third quarter, with initial awards dished out in the following quarter, at the earliest. As civil works typically make up 50% to 60% of total projects costs, research houses estimated that the total value of civil works for the ECRL would be between RM22bil and RM26bil. Using this value range to estimate the 40% portion reserved for local contractors, the research house arrived at a total addressable tender value of between RM8.8bil and RM11bil. The balance RM13bil to 16bil of civil works, it noted, would be directly undertaken by the project's turnkey contractor, China Communications Construction Co Ltd (CCCC). CCCC's job scope will include most of the tunnelling works, including the new 7km hill tunnel near Jelevu that will replace the originally planned 18km-long Genting tunnel. "The overall civil works is divided into three revised sections, two of which require realignment and approvals for the new railway scheme by the first quarter of 2020, while one section can begin implementation immediately in the second half of 2019," analysts said. In the second half of this year, they expect local contractors to focus on the tenders for

section B (223km, Dungun-Mentakab) of the revived mega project, which it estimated to be worth between RM3bil and RM4bil based on the 40% share of civil works available to be tendered by listed and unlisted local contractors. "While the tender rounds are likely to be fairly competitive, we believe selected rail players with track records will emerge as potential contenders," it said. The ECRL is scheduled to be relaunched on July 25 following the signing of the supplementary agreement (SA) between Malaysia Rail Link (MRL) and CCCC in April this year. The project had earlier been axed by the Pakatan Harapan government due to the high costs involved. The planned relaunch follows the pre-qualification round held at the end of May, which attracted 1,321 submissions across all levels of contractors. "Contrary to previous expectations that the long-awaited ECRL tenders will be accelerated in the second half of 2019, the reality is that additional time is needed for the approval of the new railway scheme which would incorporate changes in scope and design, based on the SA signed. "Due to these reasons, the roll-out of tenders will, therefore, be in stages and the commencement of construction work will depend on the timing of land acquisition and site possession," research houses said. Some have singled out IJM Corp, WCT Holdings, Sunway (via Sunway Construction) and Muhibbah Engineering as potential beneficiaries of Section B of the project, or the incoming tenders of other sections next year. (Source: *The Star*)

Cagamas Bhd, the national mortgage corporation, has concluded a combined bonds and notes issuance worth RM1 billion. These comprised RM700 million of one-year fixed rate conventional medium term notes (CMTN), RM200 million three-month conventional commercial papers (CCP), and RM100 million one-year floating rate conventional medium term notes (FRN). "Proceeds from the issuances will be used to fund the purchase of housing loans from the financial system," it said in a statement today. President and chief executive officer Datuk Chung Chee Leong said the RM700 million CMTN issuance was concluded via reopening of an existing bond tranche, which marked the company's first reopening exercise for the year. "The outstanding bond, which has a remaining maturity of one year and an outstanding amount of RM50 million, was successfully upsized to RM750 million, post-reopening exercise," he said. On the RM200 million CCP, Chung said it was concluded via public offering which recorded a commendable bid-to-cover ratio of 2.6 times and competitively priced at 10 basis points below the corresponding three-month Kuala Lumpur Interbank Offer Rate (KLIBOR). Meanwhile, the RM100 million one-year FRN was priced at par with the three-month KLIBOR and represented the company's first FRN issued for the year, he said. "The concluded FRN also marked the first floating rate note issuance within the domestic AAA-rated segment and further underscores Cagamas's ability in diversifying its funding options to a wider pool of investors," said Chung. Cagamas said both the CCP and FRN were strategically priced post-Bank Negara Malaysia's announcement on July 9 that the overnight policy rate would remain unchanged at three percent. The papers, which will be redeemed at their full nominal value upon maturity, are unsecured obligations of Cagamas, ranking pari passu among themselves and with all other existing unsecured obligations of the company. (Source: *The Edge*)

Rating Action			
Issuer	PDS Description	Rating/Outlook	Action
Puncak Wangi Sdn Bhd (subsidiary of MRCB Bhd)	Guaranteed IMTN Programme of up to RM200 million (2014/2022).	AAA(FG)	Reaffirmed

Source: RAM, MARC

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