

## Global Markets Research

### Fixed Income

#### Fixed Income Daily Market Snapshot

UST		
Tenure	Closing (%)	Chg (bps)
2-yr UST	1.73	-3
5-yr UST	1.66	-4
10-yr UST	1.80	-4
30-yr UST	2.27	-5

MGS		GII*		
Tenure	Closing (%)	Chg (bps)	Closing (%)	Chg (bps)
3-yr	3.10	1	3.11	0
5-yr	3.26	1	3.26	0
7-yr	3.32	1	3.37	1
10-yr	3.35	2	3.38	-1
15-yr	3.59	5	3.57	4
20-yr	3.67	3	3.69	-1
30-yr	3.95	7	3.81	0

\* Market indicative levels

MYR IRS Levels		
IRS	Closing (%)	Chg (bps)
1-yr	3.29	1
3-yr	3.28	-1
5-yr	3.31	-1
7-yr	3.34	-1
10-yr	3.43	-1

Source : Bloomberg

#### Upcoming Government Bond Tender

Reopening of RM3.0b 7Y MGS 7/26 on Thursday, 19<sup>th</sup> Sep

#### US Treasuries

- US Treasuries continued to see improvement for the 2<sup>nd</sup> consecutive day as crude oil sank on news that Saudi's output will be restored within the next 2-3 weeks. The curve bull-flattened as overall benchmark yields declined 3-5bps with the UST 2Y at 1.73% whilst the much-watched 10Y ended 4bps lower at 1.80%. Meanwhile the Fed calmed money markets by injecting up to \$75b in cash during the 2<sup>nd</sup> such operation yesterday to stem the borrowing costs for corporates which saw overnight rates rise to a record 10%. Separately, investors are watching the swelling US budget deficit as record sales of UST debt floods the market. The Fed is also expected to shy away from providing any clear monetary policy pathway given the current uncertain backdrop with the FOMC is expected to deliver its verdict on the Fed Funds rate on Thursday, 19<sup>th</sup> of September. Markets are pricing in a 90% chance of a 25bps rate cut and remaining 10% of a 50bps cut.

#### MGS/GII

- Local govvnies saw trading momentum maintain light with secondary market volume at a RM2.63b on rising geopolitical risks and some impact on equity outflows. Activity was again mainly centred in the shorter off-the-run 19's with investor shifting to the longer-ends i.e. 33's and also 15Y, 20Y benchmark MGS bonds. Overall benchmark MGS yields closed mostly higher again between 0-7bps across the curve. The 5Y benchmark MGS 6/24 edged up 1bps at 3.26% whilst the 10Y MGS 8/29 moved 2bps higher again at 3.35%. GII bonds maintained to form ~27% of overall trades. Expect investors to shift attention to the 7Y MGS auction tomorrow. The economic calendar remains light this week with Foreign Reserves data out on Friday.

#### Corp Bonds/Sukuk

- Corporate Bonds/Sukuk similarly saw light traction as market volume dropped to RM297m with interest still seen across the GG-AA part of the curve. The Govt-guaranteed space saw both PRASA 9/22 and LPPSA 9/46 close 37bps sharply lower compared to previous-done levels at 3.24% and 3.95% respectively. AAA-rated PASb 6/29 closed 2bps lower at 3.58% whilst BANK Pembangunan 3/32 edged 1bps higher at 3.78%. AA-rated WCT Holding 25-26's also closed sharply lower on yields at 4.51% and 4.61% each. The banking space also saw the short-end MBSB 10/20 edge 1bps lower at 3.56%.

## Daily Trades : Government Bond

Securities		Closing YTM	Vol (RM mil)	Previous YTM	Previous Trade Date (dd/mm/yyyy)	Chg (bp)
MGS	10/19	3.040	368	3.045	13/09/2019	0
MGS	11/19	3.060	339	3.037	13/09/2019	2
MGS	03/20	3.052	18	3.111	13/09/2019	-6
MGS	07/20	3.068	29	3.071	13/09/2019	0
MGS	10/20	3.074	9	3.134	13/09/2019	-6
MGS	07/21	3.105	59	3.102	13/09/2019	0
MGS	09/21	3.110	7	3.077	12/09/2019	3
MGS	11/21	3.108	21	3.121	13/09/2019	-1
MGS	03/22	3.097	10	3.088	13/09/2019	1
MGS	08/22	3.140	2	3.109	13/09/2019	3
MGS	03/23	3.242	2	3.172	12/09/2019	7
MGS	04/23	3.258	45	3.221	13/09/2019	4
MGS	08/23	3.248	29	3.211	13/09/2019	4
MGS	06/24	3.264	9	3.259	13/09/2019	0
MGS	07/24	3.298	7	3.277	12/09/2019	2
MGS	03/25	3.309	68	3.281	12/09/2019	3
MGS	09/25	3.352	5	3.329	13/09/2019	2
MGS	07/26	3.314	49	3.308	13/09/2019	1
MGS	11/26	3.379	28	3.379	13/09/2019	0
MGS	03/27	3.397	5	3.399	13/09/2019	0
MGS	11/27	3.424	72	3.427	13/09/2019	0
MGS	06/28	3.410	20	3.393	13/09/2019	2
MGS	09/28	3.394	1	3.434	11/09/2019	-4
MGS	08/29	3.346	51	3.323	13/09/2019	2
MGS	04/30	3.549	22	3.487	12/09/2019	6
MGS	06/31	3.572	2	3.587	13/09/2019	-2
MGS	04/33	3.674	51	3.677	13/09/2019	0
MGS	11/33	3.648	151	3.656	13/09/2019	-1
MGS	07/34	3.593	148	3.539	13/09/2019	5
MGS	05/35	3.696	30	3.652	10/09/2019	4
MGS	06/38	3.667	231	3.633	13/09/2019	3
MGS	09/43	3.802	21	3.816	13/09/2019	-1
MGS	07/48	3.887	8	3.878	13/09/2019	1
GII	04/20	3.090	1	3.060	06/09/2019	3
GII	05/20	3.051	90	3.090	06/09/2019	-4
GII	05/20	3.051	10	3.177	04/07/2019	-13
GII	06/20	3.063	20	3.067	13/09/2019	0
GII	08/20	3.058	61	3.080	13/09/2019	-2
GII	08/21	3.126	2	3.101	30/08/2019	2
GII	04/22	3.163	61	3.144	13/09/2019	2
GII	08/24	3.332	60	3.328	13/09/2019	0
GII	10/24	3.256	43	3.256	13/09/2019	0
GII	08/25	3.313	42	3.310	13/09/2019	0
GII	03/26	3.368	170	3.357	13/09/2019	1
GII	07/27	3.367	3	3.367	13/09/2019	0
GII	07/29	3.375	4	3.389	13/09/2019	-1
GII	11/34	3.569	10	3.527	12/09/2019	4
GII	09/39	3.685	76	3.697	12/09/2019	-1
GII	05/47	3.886	60	3.833	10/09/2019	5
			<u>2625</u>			

## 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*
GovCo Holdings Berhad	02/21	GG	3.233	40	3.802	01/04/2019	-57	17
Perbadanan Tabung Pendidikan Tinggi Nasional	06/22	GG	3.225	20	3.300	14/08/2019	-7	13
Prasarana Malaysia Berhad	09/22	GG	3.235	20	3.602	28/05/2019	-37	14
DanaInfra Nasional Berhad	10/31	GG	3.591	10	3.569	13/09/2019	2	24
Prasarana Malaysia Berhad	02/36	GG	3.746	15	3.719	12/09/2019	3	17
Lembaga Pembiayaan Perumahan Sektor Awam	09/46	GG	3.949	20	4.319	02/07/2019	-37	28
Putrajaya Holdings Sdn Berhad	09/23	AAA	3.368	10	3.677	11/07/2019	-31	17
Pengurusan Air SPV Berhad	06/29	AAA	3.578	10	3.596	13/09/2019	-2	23
Bank Pembangunan Malaysia Berhad	03/32	AAA	3.779	20	3.770	29/08/2019	1	43
MBSB Bank Berhad (fka Asian Finance Bank Berhad)	10/20	AA1	3.559	10	3.571	13/09/2019	-1	49
Encorp Systembilt Sdn Berhad	05/28	AA1	3.759	10	4.893	20/01/2017	-113	39
United Overseas Bank (Malaysia) Berhad	07/28	AA1	3.795	10	4.529	21/02/2019	-73	42
Westports Malaysia Sdn Berhad	03/28	AA+	3.899	10	4.902	21/02/2018	-100	53
Fortune Premiere Sdn Berhad	09/25	AA	3.798	20	3.801	13/09/2019	0	50
Perbadanan Kemajuan Negeri Selangor	05/22	AA3	3.727	10			373	63
Perbadanan Kemajuan Negeri Selangor	10/23	AA3	3.796	5	3.986	15/08/2019	-19	59
Grand Sepadu (NK) Sdn Berhad	06/20	AA-	3.598	5	3.616	13/09/2019	-2	53
Southern Power Generation Sdn Berhad	10/22	AA-	3.665	10	4.469	23/10/2018	-80	57
WCT Holdings Berhad	02/25	AA-	4.514	10	5.038	08/08/2019	-52	126
WCT Holdings Berhad	04/26	AA-	4.614	10	5.119	20/08/2019	-51	129
IJM Land Berhad	03/19	A2	4.595	5	4.823	13/09/2019	-23	93
YNH Property Berhad	07/19	-	6.697	2	6.918	13/09/2019	-22	303
Malakoff Power Berhad	12/19	AA-	3.322	15	3.380	13/09/2019	-6	26
				297				

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

## Market/Corporate News: What's Brewing

**Genting Bhd is establishing a medium term notes (MTNs) programme of RM10 billion in nominal value through its wholly-owned subsidiary Genting RMTN Bhd.** In a filing with Bursa Malaysia, Genting said it will irrevocably and unconditionally guarantee the MTNs, which have been assigned an initial long-term rating of AAA by RAM Rating Services Bhd. The net proceeds from the MTN programme will be utilised for Genting's operating expenses, capital expenditure, investment, refinancing, working capital requirements, general funding requirements or other general corporate purposes. CIMB Investment Bank Bhd and Maybank Investment Bank Bhd have been appointed as the joint principal advisers and joint lead arrangers for the MTN programme. As at June 30, Genting's long term borrowings amounted to RM29.45 billion, versus RM25.16 billion as at Dec 31 last year. Meanwhile, the group's short term borrowings amounted to RM3.23 billion as at June 30 this year, compared with RM4.06 billion at end-2018. Genting's total equity as at June 30 was RM58.21 billion, translating to a gearing ratio of 36%, from 34% at end-2018. The group's cash and cash equivalents stood at RM32.42 billion at end-June, versus RM30.99 billion at Dec 31 last year. Genting's 49.53%-owned Genting Malaysia Bhd, meanwhile, had cash and cash equivalents of RM6.98 billion as at June 30, while long term borrowings stood at RM9.35 billion, and short term borrowings amounted to RM367.84 million. Genting's share price closed unchanged at RM5.84 today, giving the group a market capitalisation of RM22.49 billion. (Source: The Edge)

**In line with its revised mandate, Khazanah Nasional Bhd has proposed to divest its 100% stake in Prince Court Medical Centre Sdn Bhd (PCMC) to its healthcare platform, IHH HEALTHCARE BHD, for a cash consideration of RM1.02bil.** In a statement yesterday, the sovereign wealth fund said its wholly owned indirect subsidiary – Pulau Memutik Venture Sdn Bhd (PMV) – had signed a share purchase agreement with Pantai Holdings Sdn Bhd, which in turn is a wholly-owned subsidiary of IHH, for the related-party transaction (RPT) involving 100 million ordinary shares and 35,176 redeemable preference shares in PCMC. Khazanah, through PMV, owns a 26.04% stake

in IHH. Khazanah said the proposed divestment would allow the premium private healthcare provider to benefit from being integrated into IHH's Malaysian operations and its broader global network. IHH, on the other hand, would see its overall position in the domestic healthcare services market being strengthened, particularly with Khazanah's continued contributions through its involvement in IHH. Commenting on the RPT, Khazanah managing director Datuk Shahril Ridza Ridzuan said: "This transaction is in line with our refreshed mandate and provides Khazanah with the liquidity for our future investment capital requirements. "In addition, Khazanah is confident that PCMC would further benefit from IHH's wealth of experience in providing premium healthcare, while solidifying IHH's position as a leading Malaysian healthcare operator, where we remain as a substantial shareholder with a 26.04% stake." Meanwhile, in a separate statement, IHH said the proposed acquisition of PCMC would allow the group to strengthen its position in the Malaysian private healthcare segment and broaden its service offerings. The acquisition would also add to the group's clinical talent pool, and allow IHH to gain a larger share of the growing medical tourism market in the Klang Valley. In addition, the proposed acquisition is expected to allow IHH to leverage on its wide network of hospitals to deliver potential synergies. Commenting on the proposed deal, IHH CEO designate Dr Kelvin Loh said: "This is a rare opportunity to acquire an attractive and accretive asset in Kuala Lumpur's 'Golden Triangle' that would strengthen IHH's position in Malaysia, while allowing us to capture the growing medical tourism market." Barring unforeseen circumstances and pending regulatory approvals, the proposed acquisition would be completed in the first quarter of 2020. IHH said it expects the strong performance of PCMC to contribute positively to the future earnings and cash flows of the enlarged group following the completion of the proposed acquisition. IHH said it planned to fund the proposed acquisition through a combination of internally generated funds and bank borrowings. PCMC operates Prince Court Medical Centre, a 277-licensed bed private healthcare facility in a six-storey purpose-built private medical hospital at the intersection of Jalan Tun Razak, Jalan Bukit Bintang and Jalan Kia Peng. As at Dec 31, 2018, PCMC had posted a net profit of RM51mil, while its net assets stood at RM486.1mil. PCMC's revenue increased to RM260mil in the financial year ended Dec 31, 2018 (FY18) from RM211.3mil in FY16, representing a compounded annual growth rate (CAGR) of 10.93%, mainly due to the renegotiation of supplier contracts and control over administrative expenses. Its earnings before interest, tax, depreciation and amortisation grew to RM44mil for FY18 from RM25.4mil in FY16, representing a CAGR of 31.62%. It was noted that PMV's original cost of investment in PCMC was RM1.09bil, which was incurred on Aug 1, 2018. In March last year, Khazanah announced it was acquiring PCMC from national oil producer Petrolia Nasional Bhd (Petronas) through PMV. At that time, Petronas president and group chief executive officer Tan Sri Wan Zulkiflee Wan Ariffin said the stake disposal would allow PCMC to embark on its next phase of growth. Following its acquisition of PCMC from Petronas, Khazanah had then entered into a term sheet for a collaboration agreement with IHH for shared services support and operational improvement initiatives at PCMC. Khazanah had then also said IHH would be given the right of first offer to acquire PCMC during a pre-agreed period. The IHH group operates hospitals as well as medical centres, clinics and ancillary healthcare businesses across Singapore, Malaysia, Turkey, China, India, Hong Kong, Macedonia and Brunei. (Source: *The Star*)

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

Source: RAM, MARC

**Hong Leong Bank Berhad**

Fixed Income &amp; Economic Research, Global Markets

Level 8, Hong Leong Tower

6, Jalan Damanlela

Bukit Damansara

50490 Kuala Lumpur

Tel: 603-2081 1221

Fax: 603-2081 8936

Email: HLMarkets@hlbb.hongleong.com.my

**DISCLAIMER**

This report is for information purposes only and does not take into account the investment objectives, financial situation or particular needs of any particular recipient. The information contained herein does not constitute the provision of investment advice and is not intended as an offer or solicitation with respect to the purchase or sale of any of the financial instruments mentioned in this report and will not form the basis or a part of any contract or commitment whatsoever.

The information contained in this publication is derived from data obtained from sources believed by Hong Leong Bank Berhad ("HLBB") to be reliable and in good faith, but no warranties or guarantees, representations are made by HLBB with regard to the accuracy, completeness or suitability of the data. Any opinions expressed reflect the current judgment of the authors of the report and do not necessarily represent the opinion of HLBB or any of the companies within the Hong Leong Bank Group ("HLB Group"). The opinions reflected herein may change without notice and the opinions do not necessarily correspond to the opinions of HLBB. HLBB does not have an obligation to amend, modify or update this report or to otherwise notify a reader or recipient thereof in the event that any matter stated herein, or any opinion, projection, forecast or estimate set forth herein, changes or subsequently becomes inaccurate.

HLB Group, their directors, employees and representatives do not have any responsibility or liability to any person or recipient (whether by reason of negligence, negligent misstatement or otherwise) arising from any statement, opinion or information, expressed or implied, arising out of, contained in or derived from or omission from the reports or matter. HLBB may, to the extent permitted by law, buy, sell or hold significantly long or short positions; act as investment and/or commercial bankers; be represented on the board of the issuers; and/or engage in 'market making' of securities mentioned herein. The past performance of financial instruments is not indicative of future results. Whilst every effort is made to ensure that statements of facts made in this report are accurate, all estimates, projections, forecasts, expressions of opinion and other subjective judgments contained in this report are based on assumptions considered to be reasonable as of the date of the document in which they are contained and must not be construed as a representation that the matters referred to therein will occur. Any projections or forecasts mentioned in this report may not be achieved due to multiple risk factors including without limitation market volatility, sector volatility, corporate actions, the unavailability of complete and accurate information. No assurance can be given that any opinion described herein would yield favorable investment results. Recipients who are not market professional or institutional investor customer of HLBB should seek the advice of their independent financial advisor prior to taking any investment decision based on the recommendations in this report.

HLBB may provide hyperlinks to websites of entities mentioned in this report, however the inclusion of a link does not imply that HLBB endorses, recommends or approves any material on the linked page or accessible from it. Such linked websites are accessed entirely at your own risk. HLBB does not accept responsibility whatsoever for any such material, nor for consequences of its use.

This report is not directed to, or intended for distribution to or use by, any person or entity who is a citizen or resident of or located in any state, country or other jurisdiction where such distribution, publication, availability or use would be contrary to law or regulation. This report is for the use of the addressees only and may not be redistributed, reproduced or passed on to any other person or published, in part or in whole, for any purpose, without the prior, written consent of HLBB. The manner of distributing this report may be restricted by law or regulation in certain countries. Persons into whose possession this report may come are required to inform themselves about and to observe such restrictions. By accepting this report, a recipient hereof agrees to be bound by the foregoing limitations.