

## Global Markets Research

### Fixed Income

#### Fixed Income Daily Market Snapshot

| UST       |             |           |
|-----------|-------------|-----------|
| Tenure    | Closing (%) | Chg (bps) |
| 2-yr UST  | 1.50        | 1         |
| 5-yr UST  | 1.44        | 2         |
| 10-yr UST | 1.57        | 4         |
| 30-yr UST | 2.03        | 4         |

| MGS    |             | GII*      |             |           |
|--------|-------------|-----------|-------------|-----------|
| Tenure | Closing (%) | Chg (bps) | Closing (%) | Chg (bps) |
| 3-yr   | 3.18        | 2         | 3.17        | 0         |
| 5-yr   | 3.19        | -2        | 3.18        | -5        |
| 7-yr   | 3.21        | -5        | 3.22        | -10       |
| 10-yr  | 3.19        | -7        | 3.21        | -10       |
| 15-yr  | 3.35        | -11       | 3.39        | -14       |
| 20-yr  | 3.45        | -16       | 3.49        | -12       |
| 30-yr  | 3.70        | -15       | 3.82        | 0         |

\* Market indicative levels

| MYR IRS Levels |             |           |
|----------------|-------------|-----------|
| IRS            | Closing (%) | Chg (bps) |
| 1-yr           | 3.25        | 0         |
| 3-yr           | 3.22        | -1        |
| 5-yr           | 3.24        | 0         |
| 7-yr           | 3.26        | 1         |
| 10-yr          | 3.33        | 0         |

Source : Bloomberg

#### Upcoming Government Bond Tender

Nil

#### US Treasuries

- US Treasuries bear-steepened last Friday as report showed consumer sentiment take a hit despite upbeat retail sales data which offset the ongoing US-China trade tensions. Overall benchmark yields closed between 1-4bps higher as the UST 2Y edged 1bps up at 1.50% whilst the much-watched 10Y ended 4bps higher at 1.57%. The inverted yield curve is causing concern among investors and traders alike as markets digest the the potential downtrend in interest rate with current implied odds of a 25bps rate cut at the September FOMC meeting at 70%, and odds of a 50bps cut at 28%.

#### MGS/GII

- Trading momentum continued to be upbeat as local govies churned high volumes of RM8.91b last Friday. Main interest was seen in the 22's and also 10Y-30Y benchmarks as yields continued to decline. Overall benchmarks closed largely lower on yields between 2-16bps across the curve with the 5Y benchmark MGS 6/24 moving 2bps lower whilst the 10Y MGS 8/29 rallied 7bps at 3.19%. GII trades jumped to form ~55% of overall trades. Meanwhile BNM has announced further steps to deepen its markets and increase market liquidity, ahead of an expected decision by FTSE Russell with regards to the potential cut in MYR bonds in its index come September.

#### Corp Bonds/Sukuk

- Corporate Bonds/Sukuk continued to register decent interest with volume at RM583m as yields declined led by local govies. DANA bonds dominated the Govt-guaranteed space with the 26's closing 13-20bps sharply lower compared to previous-done levels between 3.37-39% levels. AAA-rated CAGAMAS 10/20 and 5/23 similarly closed lower on yields at 3.23% and 3.35% each whilst PLUS 26 declined by 34bps to 3.57%. In the AA-space saw rarely traded UNITAPAH 12/32 and 6/34 close at 4.22% and 4.30% respectively whereas BUMITAMA moved 26bps lower at 3.80%.

## Daily Trades : Government Bond

| Securities |       | Closing<br>YTM | Vol<br>(RM mil) | Previous<br>YTM | Previous<br>Trade Date<br>(dd/mm/yyyy) | Chg<br>(bp) |
|------------|-------|----------------|-----------------|-----------------|--|-------------|
| MGS        | 10/19 | 3.090          | 21              | 3.082           | 15/08/2019                             | 1           |
| MGS        | 11/19 | 3.080          | 130             | 3.082           | 15/08/2019                             | 0           |
| MGS        | 03/20 | 3.098          | 134             | 3.099           | 15/08/2019                             | 0           |
| MGS        | 07/20 | 3.098          | 30              | 3.100           | 15/08/2019                             | 0           |
| MGS        | 10/20 | 3.131          | 377             | 3.150           | 15/08/2019                             | -2          |
| MGS        | 07/21 | 3.161          | 3               | 3.169           | 15/08/2019                             | -1          |
| MGS        | 11/21 | 3.156          | 150             | 3.161           | 15/08/2019                             | 0           |
| MGS        | 03/22 | 3.176          | 171             | 3.160           | 15/08/2019                             | 2           |
| MGS        | 08/22 | 3.181          | 5               | 3.178           | 14/08/2019                             | 0           |
| MGS        | 03/23 | 3.181          | 6               | 3.232           | 14/08/2019                             | -5          |
| MGS        | 04/23 | 3.189          | 143             | 3.226           | 15/08/2019                             | -4          |
| MGS        | 08/23 | 3.216          | 72              | 3.222           | 15/08/2019                             | -1          |
| MGS        | 06/24 | 3.186          | 231             | 3.207           | 15/08/2019                             | -2          |
| MGS        | 07/24 | 3.193          | 101             | 3.314           | 14/08/2019                             | -12         |
| MGS        | 09/24 | 3.225          | 20              | 3.247           | 15/08/2019                             | -2          |
| MGS        | 03/25 | 3.253          | 55              | 3.288           | 15/08/2019                             | -3          |
| MGS        | 09/25 | 3.366          | 93              | 3.323           | 15/08/2019                             | 4           |
| MGS        | 04/26 | 3.280          | 16              | 3.419           | 14/08/2019                             | -14         |
| MGS        | 07/26 | 3.206          | 313             | 3.254           | 15/08/2019                             | -5          |
| MGS        | 11/26 | 3.247          | 15              | 3.323           | 15/08/2019                             | -8          |
| MGS        | 11/27 | 3.285          | 12              | 3.367           | 15/08/2019                             | -8          |
| MGS        | 06/28 | 3.240          | 13              | 3.363           | 15/08/2019                             | -12         |
| MGS        | 08/29 | 3.186          | 439             | 3.259           | 15/08/2019                             | -7          |
| MGS        | 04/30 | 3.367          | 42              | 3.453           | 15/08/2019                             | -9          |
| MGS        | 06/31 | 3.392          | 60              | 3.476           | 15/08/2019                             | -8          |
| MGS        | 04/32 | 3.440          | 5               | 3.506           | 15/08/2019                             | -7          |
| MGS        | 04/33 | 3.454          | 125             | 3.510           | 15/08/2019                             | -6          |
| MGS        | 11/33 | 3.384          | 232             | 3.576           | 14/08/2019                             | -19         |
| MGS        | 07/34 | 3.351          | 112             | 3.464           | 15/08/2019                             | -11         |
| MGS        | 05/35 | 3.494          | 20              | 3.546           | 15/08/2019                             | -5          |
| MGS        | 06/38 | 3.446          | 484             | 3.603           | 15/08/2019                             | -16         |
| MGS        | 09/43 | 3.705          | 20              | 3.770           | 15/08/2019                             | -6          |
| MGS        | 03/46 | 3.664          | 260             | 3.742           | 15/08/2019                             | -8          |
| MGS        | 07/48 | 3.702          | 109             | 3.853           | 15/08/2019                             | -15         |
| GII        | 05/20 | 3.101          | 100             | 3.137           | 15/08/2019                             | -4          |
| GII        | 06/20 | 3.097          | 130             | 3.120           | 09/08/2019                             | -2          |
| GII        | 08/20 | 3.096          | 380             | 3.116           | 15/08/2019                             | -2          |
| GII        | 03/21 | 3.157          | 321             | 3.164           | 15/08/2019                             | -1          |
| GII        | 04/21 | 3.152          | 70              | 3.182           | 14/08/2019                             | -3          |
| GII        | 08/21 | 3.175          | 20              | 3.231           | 09/08/2019                             | -6          |
| GII        | 03/22 | 3.169          | 600             | 3.174           | 15/08/2019                             | 0           |
| GII        | 04/22 | 3.154          | 620             | 3.186           | 15/08/2019                             | -3          |
| GII        | 11/22 | 3.167          | 180             | 3.239           | 15/08/2019                             | -7          |
| GII        | 07/23 | 3.234          | 30              | 3.230           | 15/08/2019                             | 0           |
| GII        | 11/23 | 3.223          | 50              | 3.224           | 15/08/2019                             | 0           |
| GII        | 10/24 | 3.178          | 445             | 3.226           | 15/08/2019                             | -5          |
| GII        | 08/25 | 3.221          | 21              | 3.276           | 15/08/2019                             | -5          |
| GII        | 10/25 | 3.249          | 80              | 3.338           | 15/08/2019                             | -9          |
| GII        | 03/26 | 3.218          | 266             | 3.318           | 15/08/2019                             | -10         |
| GII        | 09/26 | 3.268          | 60              | 3.416           | 14/08/2019                             | -15         |
| GII        | 06/27 | 3.371          | 20              | 3.414           | 15/08/2019                             | -4          |
| GII        | 06/27 | 3.314          | 20              | 3.864           | 09/05/2019                             | -55         |
| GII        | 07/27 | 3.319          | 20              | 3.396           | 15/08/2019                             | -8          |
| GII        | 10/28 | 3.278          | 300             | 3.418           | 15/08/2019                             | -14         |
| GII        | 07/29 | 3.214          | 530             | 3.318           | 15/08/2019                             | -10         |
| GII        | 09/30 | 3.313          | 30              | 3.543           | 14/08/2019                             | -23         |
| GII        | 06/33 | 3.451          | 64              | 3.509           | 15/08/2019                             | -6          |
| GII        | 08/33 | 3.441          | 20              | 3.509           | 15/08/2019                             | -7          |
| GII        | 11/34 | 3.385          | 70              | 3.522           | 15/08/2019                             | -14         |
| GII        | 10/35 | 3.462          | 130             | 3.537           | 15/08/2019                             | -7          |
| GII        | 08/37 | 3.512          | 20              | 3.598           | 15/08/2019                             | -9          |
| GII        | 09/39 | 3.491          | 115             | 3.610           | 15/08/2019                             | -12         |
| GII        | 05/47 | 3.730          | 184             | 3.887           | 15/08/2019                             | -16         |
|            |       |                | <u>8914</u>     |                 |  |             |

## Daily Trades : Corp Bonds/ Sukuk

| Securities                                  |            | Rating | Closing<br>YTM | Vol<br>(RM mil) | Previous<br>YTM | Previous<br>Trade Date<br>(dd/mm/yyyy) | Chg<br>(bp) | Spread<br>Against<br>MGS* |
|---|------------|--------|----------------|-----------------|-----------------|--|-------------|---------------------------|
| DanaInfra Nasional Berhad                   | 04/26      | GG     | 3.392          | 100             | 3.591           | 06/08/2019                             | -20         | 18                        |
| DanaInfra Nasional Berhad                   | 10/26      | GG     | 3.371          | 10              | 3.497           | 14/08/2019                             | -13         | 16                        |
| DanaInfra Nasional Berhad                   | 05/28      | GG     | 3.421          | 15              | 3.569           | 08/08/2019                             | -15         | 19                        |
| Jambatan Kedua Sdn Berhad                   | 05/30      | GG     | 3.501          | 10              | 3.859           | 19/07/2019                             | -36         | 29                        |
| Jambatan Kedua Sdn Berhad                   | 07/31      | GG     | 3.521          | 10              | 3.701           | 09/08/2019                             | -18         | 31                        |
| Turus Pesawat Sdn Berhad                    | 11/32      | GG     | 3.701          | 20              | 4.259           | 24/05/2019                             | -56         | 34                        |
| DanaInfra Nasional Berhad                   | 04/33      | GG     | 3.481          | 5               | 3.660           | 15/08/2019                             | -18         | 12                        |
| Perbadanan Tabung Pendidikan Tinggi Nasiona | 02/34      | GG     | 3.610          | 10              | 3.938           | 26/07/2019                             | -33         | 25                        |
| Prasarana Malaysia Berhad                   | 09/37      | GG     | 3.649          | 10              | 4.320           | 30/05/2019                             | -67         | 18                        |
| DanaInfra Nasional Berhad                   | 05/46      | GG     | 3.691          | 15              | 4.219           | 31/07/2019                             | -53         | 22                        |
| DanaInfra Nasional Berhad                   | 02/49      | GG     | 3.799          | 40              | 4.235           | 08/08/2019                             | -44         | 33                        |
| Cagamas Berhad                              | 10/20      | AAA    | 3.230          | 20              | 3.348           | 08/08/2019                             | -12         | 12                        |
| Cagamas Berhad                              | 05/23      | AAA    | 3.350          | 70              | 3.619           | 07/08/2019                             | -27         | 17                        |
| Projek Lebuhraya Usahasama Berhad           | 01/26      | AAA    | 3.568          | 40              | 3.909           | 20/06/2019                             | -34         | 36                        |
| Tenaga Nasional Berhad                      | 08/37      | AAA    | 3.746          | 10              | 3.919           | 15/08/2019                             | -17         | 27                        |
| Tenaga Nasional Berhad                      | 08/38      | AAA    | 3.849          | 10              | 4.041           | 15/08/2019                             | -19         | 38                        |
| Sabah Development Bank Berhad               | 04/24      | AA1    | 4.645          | 1               | 5.109           | 07/06/2019                             | -46         | 146                       |
| TRIpIc Medical Sdn Berhad                   | 10/31      | AA1    | 4.128          | 15              | 4.531           | 25/04/2019                             | -40         | 92                        |
| UniTapah Sdn Berhad                         | 12/31      | AA1    | 4.179          | 10              | 5.019           | 29/06/2017                             | -84         | 97                        |
| TRIpIc Medical Sdn Berhad                   | 10/32      | AA1    | 4.159          | 15              | 4.228           | 02/08/2019                             | -7          | 80                        |
| UniTapah Sdn Berhad                         | 12/32      | AA1    | 4.219          | 20              | 5.106           | 03/11/2017                             | -89         | 86                        |
| UniTapah Sdn Berhad                         | 06/34      | AA1    | 4.299          | 10              | 5.218           | 19/06/2017                             | -92         | 94                        |
| Lingkar Trans Kota Sdn Berhad               | 04/20      | AA2    | 3.423          | 8               | 3.446           | 05/08/2019                             | -2          | 32                        |
| BGSM Management Sdn Berhad                  | 12/20      | AA3    | 3.640          | 10              | 4.175           | 22/03/2019                             | -54         | 53                        |
| Country Garden Real Estate Sdn Berhad       | 03/22      | AA3    | 6.134          | 20              | 6.138           | 15/08/2019                             | 0           | 297                       |
| Bumitama Agri Ltd                           | 07/24      | AA3    | 3.798          | 30              | 4.053           | 24/07/2019                             | -26         | 61                        |
| MMC Corporation Berhad                      | 04/23      | AA-    | 4.608          | 10              | 4.637           | 09/08/2019                             | -3          | 143                       |
| WCT Holdings Berhad                         | 04/26      | AA-    | 5.119          | 5               | 5.121           | 15/08/2019                             | 0           | 191                       |
| Konsortium Lebuhraya Utara-Timur (KL) Sdn B | 12/27      | AA-    | 4.102          | 10              | 4.222           | 13/08/2019                             | -12         | 89                        |
| CIMB Group Holdings Berhad                  | 05/16      | A1     | 4.432          | 1               | 4.048           | 13/08/2019                             | 38          | 96                        |
| CIMB Group Holdings Berhad                  | 05/16      | A1     | 4.219          | 1               | 4.170           | 15/08/2019                             | 5           | 75                        |
| Eco World Capital Assets Berhad             | 08/13/2024 | -      | 5.749          | 1               | 6.100           | 15/08/2019                             | -35         | -                         |
| Quantum Solar Park (Semenanjung) Sdn Berhad | 04/29      | A+     | 5.349          | 5               | 5.350           | 15/08/2019                             | 0           | 214                       |
| Quantum Solar Park (Semenanjung) Sdn Berhad | 10/29      | A+     | 5.408          | 2               | 5.648           | 24/07/2019                             | -24         | 220                       |
| Quantum Solar Park (Semenanjung) Sdn Berhad | 04/31      | A+     | 5.589          | 5               | 5.590           | 15/08/2019                             | 0           | 238                       |
| Quantum Solar Park (Semenanjung) Sdn Berhad | 04/32      | A+     | 5.689          | 5               | 5.691           | 15/08/2019                             | 0           | 233                       |
| Quantum Solar Park (Semenanjung) Sdn Berhad | 10/28      | A+     | 5.289          | 5               | 5.290           | 15/08/2019                             | 0           | 206                       |
|   |            |        |                | <u>583</u>      |                 |  |             |                           |

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

## Market/Corporate News: What's Brewing

**Khazanah Nasional Bhd has pumped another RM300 million into the country's flag carrier Malaysia Airlines Bhd, via its holding company Malaysia Aviation Group Bhd (MAG), taking the total amount of capital injected so far this year to RM800 million.** In March the sovereign wealth fund pumped RM500 million into MAG, which also has FlyFirefly Sdn Bhd, MASwings Sdn Bhd and MAB Kargo Sdn Bhd under its wings. A spokesperson for Khazanah, which wholly owns the loss-making airline, told The Edge Financial Daily that the RM800 million capital injection into MAG is part of the earlier RM6 billion funding approved under the 12-point MAS Recovery Plan (MRP) announced in 2014. The spokesperson declined to disclose the total sum that Khazanah has disbursed under the MRP except to say that "in the interim, MAG will continue to require funding to operate on a business-as-usual basis while making efforts in enhancing its customer experience and containing losses". Under the MRP, Malaysia Airlines was to have broken even in 2018, achieve

profitability and be listed in 2019. However, it missed the target amid a challenging operating environment. Its group chief executive officer Izham Ismail blamed 2018's poor performance on crew shortage, intense competition, oversupply of capacity and volatility in fuel prices and foreign exchange. Filings with the Companies Commission of Malaysia (SSM) show that Malaysia Airlines' net loss increased by 85% year-on-year (y-o-y) to RM812.11 million for the financial year ended Dec 31, 2017 (FY17). It lost RM2.35 billion between 2015 and 2017. The airline has said it ended 2018 with a lower y-o-y loss, but did not state the amount. It has yet to file its financial statements for FY18 with SSM. The latest disbursement comes at a time when US-based investment bank Morgan Stanley had reportedly been hired as adviser to explore possible options to turn around the airline, including a stake sale. On the progress of the evaluation, the Khazanah spokesperson said several parties have publicly expressed their interests in MAG. "Khazanah will evaluate all serious offers, specifically their capabilities financially and from the execution point of view. At this stage, we cannot comment on the process and progress of the evaluation." The spokesperson said MAG is also working with Khazanah on reassessing its strategy and evaluating all strategic options, to steer the group towards financial sustainability. "Ultimately, the airline's future is a policy decision for Khazanah's shareholder/the government to decide on and all strategic options (including a partnership with other airlines and MAG's long-term business plan) are being evaluated," the spokesperson added. Last month, Izham unveiled a new long-term business plan (LTBP), which is awaiting approval from Khazanah's board of directors, that would see Malaysia Airlines achieving financial break-even by 2022 and generating enough income to cover the cost of capital for its operations two years later. Still positioning Malaysia Airlines as a premium airline, the LTBP consists of four pillars, which include rightsizing the airline's fleet of Airbus and Boeing aircraft and network expansion that is focused on the Asia-Pacific. The three other pillars involve providing a premium customer experience, having a partnership strategy and diversifying the national carrier's revenue. It was previously reported that Malaysia Airlines had attracted four suitors, comprising Najah Air Sdn Bhd (a six-man group led by former AirAsia Group Bhd chairman Datuk Pahamin Ab Rajab), tycoon Tan Sri Syed Azman Syed Ibrahim of The Weststar Group, Jentayu Danaraksa Sdn Bhd and a group comprising former employees of the now-defunct Malaysian Airline System Bhd and several private individuals. The Edge Financial Daily understands that Najah Air is one of the suitors that have signed non-disclosure agreements with Khazanah, preventing them from commenting on their proposals for Malaysia Airlines. (Source: The Edge)

| Rating Action                          |   |                |            |
|--|---|----------------|------------|
| Issuer                                 | PDS Description   | Rating/Outlook | Action     |
| Krung Thai Bank Public Company Limited | RM5.0 billion Tier-2 Subordinated Notes Programme (2015/2045) | AA/stable      | Reaffirmed |

Source: RAM, MARC

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