

Global Markets Research

Fixed Income

Fixed Income Daily Market Snapshot

UST		
Tenure	Closing (%)	Chg (bps)
2-yr UST	1.77	-13
5-yr UST	1.77	-8
10-yr UST	2.02	-3
30-yr UST	2.54	-1

MGS		GII*		
Tenure	Closing (%)	Chg (bps)	Closing (%)	Chg (bps)
3-yr	3.36	1	3.38	-2
5-yr	3.46	1	3.51	0
7-yr	3.62	0	3.67	0
10-yr	3.69	-1	3.72	0
15-yr	4.00	0	4.00	-2
20-yr	4.16	0	4.18	-3
30-yr	4.43	-3	4.49	0

* Market indicative levels

MYR IRS Levels		
IRS	Closing (%)	Chg (bps)
1-yr	3.40	0
3-yr	3.41	0
5-yr	3.47	0
7-yr	3.56	0
10-yr	3.75	1

Source : Bloomberg

Upcoming Government Bond Tender

Nil

US Treasuries

- US Treasuries strengthened led by the front-ends as the curve bull-steepened further on Wednesday despite FOMC staying pat on interest rates as the Fed's statement was incrementally more dovish. Overall benchmark yields ended between 1-13bps lower with the UST 2Y closing 13bps sharply lower at 1.77% and the much-watched 10Y briefly breaching 2.10% for the very first time since 2016 before settling at 2.02%. The Fed has downgraded the growth assessment from solid to moderate whilst dropping the earlier "patient" stance on future interest rate changes. Fed fund futures is now pricing in three (3) rate cuts for 2019, while the Fed's interest rate projection via dot-plot has shifted lower with almost half of the policy makers projecting rate cut now. Up next on the data front are the release of PMI data for June this Friday.

MGS/GII

Trading momentum in local govies remained solid with secondary market volume at RM5.44b. Benchmark yields were mostly lower between 0-3bps save for the MGS belly. Interest was mainly seen in both the shorter off-the-run 19-20's and also the benchmark 15Y bonds. Both the benchmark 5Y MGS 4/23 edged 1bps lower at 3.46% whilst the 10Y MGS 8/29 closed 1bps higher instead at 3.69% respectively. GII bond trades rose to form about 38% of overall trades. Meanwhile the Asian Development Bank has acknowledged that Malaysia is commendable among emerging East Asian economies that saw the local currency bond market continue to expand over 1Q2019, despite trade conflicts and moderating global growth.

Corp Bonds/Sukuk

- Corporate Bonds/Sukuk space saw secondary volume ease to RM566bn with interest seen mainly along the GG-part the curve. Govt-guaranteed bonds i.e. PTPTN, JKSB, DANA bonds continued to see yields drift lower between 2-47bps compared to previous-done levels on the back of solid investor demand. The long-end DANA 2/49 closed 3bps lower at 4.49% whilst AAA-rated AMAN 5/25 ended 11bps lower at 3.86%. The AA-space saw EDRA Energy 31-32's close mixed between 5.01-04% levels whereas MALAKOFF 12/21 also closed sharply lower at 3.99%. Meanwhile the single-A rated UMW 4/18 closed 24bps lower at 4.73%. The banking space was relatively quiet.

Daily Trades : Government Bond

Securities		Closing	Vol	Previous	Previous	Chg
		YTM	(RM mil)	YTM	Trade Date (dd/mm/yyyy)	(bp)
MGS	07/19	3.112	8	3.089	13/06/2019	2
MGS	10/19	3.105	596	3.115	18/06/2019	-1
MGS	11/19	3.107	178	3.124	18/06/2019	-2
MGS	03/20	3.159	200	3.161	17/06/2019	0
MGS	10/20	3.226	6	3.226	18/06/2019	0
MGS	02/21	3.301	20	3.308	18/06/2019	-1
MGS	07/21	3.356	1	3.327	18/06/2019	3
MGS	09/21	3.315	141	3.334	18/06/2019	-2
MGS	11/21	3.344	8	3.345	18/06/2019	0
MGS	03/22	3.361	162	3.365	18/06/2019	0
MGS	08/22	3.402	140	3.417	17/06/2019	-1
MGS	09/22	3.404	110	3.421	17/06/2019	-2
MGS	04/23	3.436	14	3.444	18/06/2019	-1
MGS	08/23	3.465	5	3.487	18/06/2019	-2
MGS	06/24	3.46	70	3.46	18/06/2019	0
MGS	07/24	3.512	42	3.525	18/06/2019	-1
MGS	09/24	3.528	5	3.516	18/06/2019	1
MGS	03/25	3.589	92	3.582	14/06/2019	1
MGS	09/25	3.613	29	3.66	18/06/2019	-5
MGS	04/26	3.687	60	3.714	18/06/2019	-3
MGS	07/26	3.623	130	3.616	18/06/2019	1
MGS	11/26	3.675	90	3.686	18/06/2019	-1
MGS	05/27	3.744	40	3.788	14/06/2019	-4
MGS	11/27	3.752	152	3.759	18/06/2019	-1
MGS	06/28	3.753	123	3.757	18/06/2019	0
MGS	08/29	3.694	91	3.7	18/06/2019	-1
MGS	06/31	3.879	80	3.889	18/06/2019	-1
MGS	04/33	4.005	73	4.004	18/06/2019	0
MGS	11/33	3.997	231	3.997	18/06/2019	0
MGS	05/35	4.08	157	4.117	18/06/2019	-4
MGS	04/37	4.123	170	4.14	18/06/2019	-2
MGS	09/43	4.411	3	4.453	13/06/2019	-4
MGS	03/46	4.452	5	4.473	17/06/2019	-2
MGS	07/48	4.429	128	4.459	18/06/2019	-3
GII	08/19	3.092	150	3.1	11/06/2019	-1
GII	04/20	3.19	100	3.222	04/06/2019	-3
GII	11/20	3.295	40	3.266	10/06/2019	3
GII	03/21	3.399	3	3.318	18/06/2019	8
GII	03/22	3.381	214	3.397	18/06/2019	-2
GII	04/22	3.398	90	3.402	18/06/2019	0
GII	11/23	3.475	17	3.469	18/06/2019	1
GII	08/24	3.545	110	3.589	13/06/2019	-4
GII	10/24	3.51	180	3.513	18/06/2019	0
GII	08/25	3.628	40	3.625	18/06/2019	0
GII	09/26	3.681	260	3.704	18/06/2019	-2
GII	07/27	3.724	130	3.732	14/06/2019	-1
GII	10/28	3.742	154	3.749	18/06/2019	-1
GII	07/29	3.718	70	3.727	18/06/2019	-1
GII	06/33	4.002	230	4.024	14/06/2019	-2
GII	08/33	4.023	65	4.032	18/06/2019	-1
GII	11/34	3.988	70	4.005	18/06/2019	-2
GII	10/35	4.115	50	4.129	17/06/2019	-1
GII	08/37	4.165	10	4.299	30/05/2019	-13
GII	09/39	4.18	100	4.208	14/06/2019	-3
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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*
Perbadanan Tabung Pendidikan Tinggi Nasional	08/23	GG	3.585	10	4.059	18/01/2019	-47	16
Lembaga Pembiayaan Perumahan Sektor Awam	09/24	GG	3.598	50	-	-	-	14
Jambatan Kedua Sdn Berhad	05/25	GG	3.810	50	3.891	28/05/2019	-8	24
Danainfra Nasional Berhad	04/26	GG	3.678	60	3.890	17/05/2019	-21	6
Perbadanan Tabung Pendidikan Tinggi Nasional	07/26	GG	3.780	20	3.944	29/05/2019	-16	16
Jambatan Kedua Sdn Berhad	07/26	GG	3.880	40	3.880	18/06/2019	0	26
Pengurusan Air SPV Berhad	02/29	GG	3.858	20	3.919	11/06/2019	-6	16
Danainfra Nasional Berhad	10/31	GG	3.942	10	3.990	18/06/2019	-5	24
Perbadanan Tabung Pendidikan Tinggi Nasional	03/32	GG	4.030	10	4.187	30/05/2019	-16	3
GovCo Holdings Berhad	09/32	GG	4.240	50	4.258	12/06/2019	-2	24
Danainfra Nasional Berhad	03/34	GG	4.090	20	-	-	-	9
Prasarana Malaysia Berhad	09/47	GG	4.439	5	4.471	17/06/2019	-3	28
Danainfra Nasional Berhad	02/49	GG	4.485	5	4.511	14/06/2019	-3	32
Berjaya Land Berhad	12/19	AAA	3.844	3	4.052	24/04/2019	-21	65
Gulf Investment Corporation G.S.C	03/21	AAA	4.472	5	4.480	17/06/2019	-1	116
GENM Capital Berhad	03/22	AAA	3.994	5	4.072	17/06/2019	-8	63
Putrajaya Bina Sdn Berhad	09/22	AAA	3.803	5	4.038	24/04/2019	-24	44
GENM Capital Berhad	07/23	AAA	4.160	1	4.257	10/06/2019	-10	73
Aman Sukuk Berhad	05/25	AAA	3.858	20	3.966	28/05/2019	-11	29
Bakun Hydro Power Generation Sdn Berhad (fka :	08/29	AAA	4.037	20	4.108	12/06/2019	-7	34
Celcom Networks Sdn Berhad	08/27	AA+	4.210	10	4.419	05/04/2019	-21	54
MBSB Bank Berhad (fka Asian Finance Bank Berl	10/20	AA1	4.037	10	4.047	17/06/2019	-1	84
Teknologi Tenaga Perlis Consortium Sdn Berhad	01/21	AA1	3.856	10	4.014	10/05/2019	-16	55
Krung Thai Bank Public Company Limited	07/25	AA2	4.553	1	4.264	14/06/2019	29	98
MMC Corporation Berhad	11/20	AA-	4.566	5	4.576	17/06/2019	-1	137
Malakoff Power Berhad	12/21	AA-	3.989	20	4.117	15/05/2019	-13	68
Segi Astana Sdn Berhad	01/23	AA-	5.000	1	5.009	17/06/2019	-1	157
WCT Holdings Berhad	04/26	AA-	5.301	10	5.299	18/06/2019	0	168
Cerah Sama Sdn Berhad	01/27	AA-	4.318	10	4.850	09/06/2017	-53	65
Jimah East Power Sdn Berhad	06/29	AA-	4.278	5	4.328	12/06/2019	-5	58
Konsortium Lebuhraya Utara-Timur (KL) Sdn Berh	11/29	AA-	4.472	15	4.494	13/06/2019	-2	77
Exsim Capital Resources Berhad	01/22	AA3	4.576	4	4.840	04/03/2019	-26	122
RHB Investment Bank Berhad	04/25	AA3	4.552	1	4.294	28/03/2019	26	98
Edra Energy Sdn Berhad	07/25	AA3	5.134	1	5.387	30/05/2019	-25	156
Besraya (M) Sdn Berhad	07/25	AA3	4.549	5	4.908	25/01/2019	-36	98
AmBank Islamic Berhad	03/27	AA3	4.023	1	4.050	28/05/2019	-3	35
Besraya (M) Sdn Berhad	07/27	AA3	4.599	5	4.807	29/04/2019	-21	93
IJM Corporation Berhad	04/29	AA3	4.539	10	-	-	-	84
Edra Energy Sdn Berhad	01/31	AA3	5.010	5	5.068	13/06/2019	-6	131
Edra Energy Sdn Berhad	07/31	AA3	5.019	5	4.780	17/06/2019	24	132
Edra Energy Sdn Berhad	01/32	AA3	5.041	5	4.789	17/06/2019	25	104
CIMB Group Holdings Berhad	05/16	A1	3.979	1	3.892	18/06/2019	9	-18
UMW Holdings Berhad	04/18	A1	4.728	20	4.970	14/06/2019	-24	57
				<u>566</u>				

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

Market/Corporate News: What's Brewing

Cement manufacturers, who sent the notice on price increase to construction companies last Sunday, decided to reverse the decision on the 40% price hike.

Domestic Trade and Consumer Affairs Minister Datuk Seri Saifuddin Nasution Ismail told the media that the decision was reached at a meeting on Tuesday, in which cement makers were reminded to duly discuss with the government any future price hike since cement is a price-controlled item. "They (cement makers) stated several grounds to justify an increase in cement price due to costlier imported materials used in making the cement because of the weak ringgit. "However, following yesterday's meeting, they agreed to not increase cement prices," the minister told a media conference after launching guidelines on vehicle window tinting yesterday. Cement is a controlled item and action under the Control Of Supplies Act could be taken against industry players found to increase the price without the government's approval, Saifuddin was quoted by Bernama as saying. The Cement and Concrete Association of Malaysia on Monday defended the price hike, pointing out the cement manufacturing industry has been suffering from cost increases, such as higher electricity tariff over the past few years following the withdrawal of the special industrial tariff, and the implementation of the imbalance cost pass through mechanism. The association also highlighted that packing materials have become costlier following the increase in pulp prices, while imported fuel materials, engineering spares as well as equipment have further compounded the

problem of rising costs. However, cement makers' announcement on the price hike was met with strong complaints from its end-users, such as property developers and construction companies. Construction Industry Development Board chief executive officer Datuk Ahmad Asri Abdul Hamid forewarned that the proposed 40% hike in cement prices might lift building costs by 7% to 8%, based on simulations run by the board. (Source: *The EdgeMarkets*)

Paramount Corporation Bhd is selling its education business to Two Horses Capital Sdn Bhd which is owned by Tunku Ali Redhauddin and Ganendran Sarvananthan. The property-education company announced on Thursday it was selling its equity interests in Paramount Education Sdn Bhd, Paramount Education (Klang) Sdn Bhd and Sri KDU Sdn Bhd (target companies) for cash consideration of RM540.50mil. The stakes are 69.7% interest in Paramount Education Sdn Bhd for RM21mil, 80% in Paramount Education (Klang) for RM21mil and 80% in Sri KDU for RM385mil. Paramount said the indicative disposal consideration was based on the earnings before interest, tax, depreciation and amortisation (Ebitda) of the target companies and REAL Education for the FYE 31 Dec 2018 of RM53.8mil and multiplied by an agreed multiple of 16.0 times. "This will result in an implied enterprise value (EV) of RM861.0mil for a 100%-equity stake in the target companies and REAL Education," it said. Paramount said the disposals would enable it to monetise and unlock the value of part of its investments in the Paramount pre-tertiary group at an attractive valuation which is comparable to regional education service providers operating in developed markets. "The EV/Ebitda multiple of 16 times is above the average EV/Ebitda multiples of the comparable companies and Paramount Group's EV/Ebitda multiple of 9.7 times based on its audited financial statements for the FYE 31 December 2018, making the proposed disposal value accretive to shareholders," it said. Paramount said it would realise pro forma gain on disposal of approximately RM487.8mil, which will translate into an improvement in earnings per share of the company by RM1.10 per share; and "The corporate exercise would enhance the brand visibility of the Paramount pre-tertiary group regionally as Tunku Ali and Ganen have extensive regional business networks through their involvement in TPG as adviser and managing partner respectively. "TPG has extensive investment experience in the education sector which the Paramount pre-tertiary group can leverage on to elevate its growth to the next level," it said. Tunku Ali Redhauddin is chairman of Marlborough College, Malaysia, founding trustee and chairman of Teach for Malaysia, and pro-chancellor at Universiti Sains Islam Malaysia. Previously, he worked at both McKinsey & Company and Khazanah Nasional Bhd, and he currently holds other board and advisory roles at several corporations and non-profit entities, including TPG Capital Asia. Ganen is the managing partner of TPG Capital Asia. He joined TPG in 2014 from Khazanah Nasional Bhd, where he had been since 2004. He currently serves as a board member of several TPG Capital's investee companies in Southeast Asia. TPG is a leading global alternative asset firm founded in 1992 with more than US\$108bil of assets under management. (Source: *The Star*)

Rating Action			
Issuer	PDS Description	Rating/Outlook	Action
TSH Sukuk Murabahah Sdn Bhd	M50.0 million Sukuk Murabahah Commercial Papers (Sukuk Murabahah ICP)	From MARC-1-IS to MARC-2-IS	Lowered
	RM150.0 million Sukuk Murabahah Medium-Term Notes (Sukuk Murabahah IMTN) programme	From AA-IS to A+IS	Lowered
TSH Sukuk Ijarah Sdn Bhd	RM300.0 million Sukuk Ijarah Medium-Term Notes (Sukuk Ijarah IMTN)	From AA-IS to A+IS	Lowered

Source: RAM, MARC

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