

Global Markets Research

Fixed Income

Fixed Income Daily Market Snapshot

UST		
Tenure	Closing (%)	Chg (bps)
2-yr UST	1.51	-3
5-yr UST	1.43	-4
10-yr UST	1.56	-5
30-yr UST	2.04	-5

MGS		GII*		
Tenure	Closing (%)	Chg (bps)	Closing (%)	Chg (bps)
3-yr	3.20	2	3.22	4
5-yr	3.21	-1	3.31	13
7-yr	3.38	10	3.39	5
10-yr	3.37	11	3.35	10
15-yr	3.57	15	3.50	9
20-yr	3.62	10	3.59	2
30-yr	3.80	8	3.82	0

* Market indicative levels

MYR IRS Levels		
IRS	Closing (%)	Chg (bps)
1-yr	3.25	0
3-yr	3.24	1
5-yr	3.25	1
7-yr	3.28	0
10-yr	3.40	0

Source : Bloomberg

Upcoming Government Bond Tender

Nil

US Treasuries

- US Treasuries closed stronger as the curve flattened due to a decline in risk appetite following comments on the existence of other foreign companies besides Huawei that could pose risks. The curve shifted lower as overall benchmark yields declined between 3-5bps with the UST 2Y at 1.51% whilst the much-watched 10Y ended down the most by 5bps at 1.56%. Meanwhile bond players are preparing for keynote speech from Fed Chair Powell in the marquee annual Jackson Hole meeting which could swing market rate outlook either way. Powell suggested that the July rate cut should not be seen as "the beginning of a lengthy cutting cycle," but President Trump has been putting intense pressure on the Fed to continue cutting rates. On the economic front is existing home sales data along with the release of the July FOMC meeting minutes tonight.

MGS/GII

- Trading momentum was active despite volume easing slightly to RM4.34b yesterday on heavy profit-taking activities following the recent rally. Main interest was seen in the off-the-run 19-21's, 33's and also 7Y benchmark bonds. Overall benchmarks closed weak for the 2nd day as yields rose mostly between 2-15bps across the curve with the 5Y benchmark MGS 6/24 however bucking the trend at 3.21% whilst the 10Y MGS 8/29 spiked 11bps at 3.37%. GII trades dropped to form ~29% of overall trades. BNM's measures to deepen its markets and increase market liquidity by providing businesses with greater hedging flexibility and improving MYR flexibility after onshore trading hours may be positive. This comes ahead of an expected decision by FTSE Russell with regards to its revision of MYR bond weightage in its index next month.

Corp Bonds/Sukuk

- Corporate Bonds/Sukuk saw secondary market volume sustain at ~RM1.19b with interest seen across the GG-AA part of the curve. Overall yields declined; bucking the trend seen in govies. The govt-guaranteed space saw both KHAZANAH and DANA bonds dominate the space. KHAZANAH 21-24's closed 14-38bps sharply lower compared to previous-done levels between 3.18-33% levels whilst the long-end DANA 2/49 was the sole trade that ended 5bps higher at 3.85%. AAA-rated PLUS saw up to RM110nm in nominal amounts traded for 2024-2037 tranches between 0-109bps between 3.45-4.00%. The AA-space saw energy-related names like SEB, EDRA Energy and Southern Power exchanged hands on declining yields.

Daily Trades : Government Bond

Securities		Closing YTM	Vol (RM mil)	Previous YTM	Previous Trade Date (dd/mm/yyyy)	Chg (bp)
MGS	10/19	3.101	179	3.088	19/08/2019	1
MGS	11/19	3.100	204	3.089	19/08/2019	1
MGS	03/20	3.116	140	3.113	19/08/2019	0
MGS	07/20	3.124	1	3.048	19/08/2019	8
MGS	10/20	3.120	200	3.112	19/08/2019	1
MGS	07/21	3.162	428	3.175	19/08/2019	-1
MGS	09/21	3.166	52	3.150	15/08/2019	2
MGS	11/21	3.180	23	3.173	19/08/2019	1
MGS	03/22	3.203	2	3.180	19/08/2019	2
MGS	08/22	3.195	6	3.195	19/08/2019	0
MGS	09/22	3.181	50	3.195	19/08/2019	-1
MGS	03/23	3.196	18	3.211	19/08/2019	-1
MGS	04/23	3.238	100	3.208	19/08/2019	3
MGS	08/23	3.234	107	3.196	19/08/2019	4
MGS	06/24	3.206	188	3.218	19/08/2019	-1
MGS	07/24	3.257	4	3.232	19/08/2019	2
MGS	09/24	3.329	62	3.245	19/08/2019	8
MGS	03/25	3.330	51	3.253	16/08/2019	8
MGS	09/25	3.268	11	3.295	19/08/2019	-3
MGS	07/26	3.383	220	3.282	19/08/2019	10
MGS	11/26	3.376	25	3.308	19/08/2019	7
MGS	05/27	3.333	2	3.303	16/08/2019	3
MGS	11/27	3.406	123	3.339	19/08/2019	7
MGS	06/28	3.420	26	3.343	19/08/2019	8
MGS	08/29	3.374	20	3.265	19/08/2019	11
MGS	04/30	3.479	191	3.404	19/08/2019	8
MGS	06/31	3.466	11	3.426	19/08/2019	4
MGS	04/33	3.515	5	3.473	19/08/2019	4
MGS	11/33	3.525	261	3.400	19/08/2019	13
MGS	07/34	3.565	73	3.418	19/08/2019	15
MGS	05/35	3.593	90	3.467	19/08/2019	13
MGS	04/37	3.479	18	3.541	19/08/2019	-6
MGS	06/38	3.620	111	3.520	19/08/2019	10
MGS	09/43	3.706	1	3.671	19/08/2019	4
MGS	03/46	3.712	20	3.739	19/08/2019	-3
MGS	07/48	3.802	60	3.727	19/08/2019	8
GII	04/20	3.128	1	3.105	19/08/2019	2
GII	03/21	3.168	260	3.162	19/08/2019	1
GII	04/21	3.173	230	3.152	16/08/2019	2
GII	08/21	3.184	2	3.175	16/08/2019	1
GII	03/22	3.220	120	3.185	19/08/2019	4
GII	11/22	3.238	10	3.167	16/08/2019	7
GII	07/23	3.308	30	3.282	19/08/2019	3
GII	10/24	3.314	40	3.188	19/08/2019	13
GII	08/25	3.329	13	3.221	16/08/2019	11
GII	03/26	3.385	30	3.335	19/08/2019	5
GII	09/26	3.401	80	3.337	19/08/2019	6
GII	06/27	3.414	40	3.371	16/08/2019	4
GII	07/29	3.351	50	3.248	19/08/2019	10
GII	09/30	3.464	10	3.406	19/08/2019	6
GII	11/34	3.502	140	3.417	19/08/2019	9
GII	09/39	3.588	140	3.571	19/08/2019	2
GII	11/49	3.819	60	3.818	15/08/2019	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	02/21	GG	3.179	50	3.562	24/05/2019	-38	1
Khazanah Nasional Berhad	03/21	GG	3.173	60	-	21/05/2019	-	-
Pengurusan Air SPV Berhad	06/23	GG	3.279	60	3.420	05/08/2019	-14	4
Khazanah Nasional Berhad	08/23	GG	3.291	100	3.459	07/08/2019	-17	5
Khazanah Nasional Berhad	08/24	GG	3.325	10	3.501	02/08/2019	-18	6
DanaInfra Nasional Berhad	02/26	GG	3.441	50	3.489	14/08/2019	-5	13
DanaInfra Nasional Berhad	11/28	GG	3.430	35	3.429	19/08/2019	0	6
Lembaga Pembiayaan Perumahan Sektor Awam	04/29	GG	3.411	20	3.728	01/08/2019	-32	7
GovCo Holdings Berhad	02/32	GG	3.610	100	4.009	08/07/2019	-40	6
DanaInfra Nasional Berhad	11/38	GG	3.681	5	4.559	19/04/2019	-88	8
DanaInfra Nasional Berhad	02/49	GG	3.851	55	3.799	16/08/2019	5	25
Rantau Abang Capital Berhad	08/19	AAA	3.277	5	3.522	11/06/2019	-25	15
Gulf Investment Corporation G.S.C	03/21	AAA	4.083	2	4.186	05/08/2019	-10	92
Aman Sukuk Berhad	03/23	AAA	3.375	20	3.892	12/06/2019	-52	13
Al Dzahab Assets Berhad	06/23	AAA	3.818	15	4.803	28/06/2017	-99	57
Aman Sukuk Berhad	10/23	AAA	3.461	20	4.140	22/03/2019	-68	22
Projek Lebuhraya Usahasama Berhad	01/24	AAA	3.445	10	4.050	07/05/2019	-61	20
Aman Sukuk Berhad	04/24	AAA	3.468	10	4.108	18/04/2019	-64	20
Bank Pembangunan Malaysia Berhad	11/26	AAA	3.668	10	3.817	09/08/2019	-15	31
Projek Lebuhraya Usahasama Berhad	01/27	AAA	3.599	10	3.719	14/08/2019	-12	24
Projek Lebuhraya Usahasama Berhad	01/28	AAA	3.619	10	3.860	22/07/2019	-24	25
Projek Lebuhraya Usahasama Berhad	01/29	AAA	3.658	50	3.657	19/08/2019	0	29
Bakun Hydro Power Generation Sdn Berhad (ft)	08/29	AAA	3.689	30	3.919	24/07/2019	-23	35
Projek Lebuhraya Usahasama Berhad	01/30	AAA	3.701	10	3.700	19/08/2019	0	36
Bakun Hydro Power Generation Sdn Berhad (ft)	08/30	AAA	3.738	30	3.979	25/07/2019	-24	40
Manjung Island Energy Berhad	11/31	AAA	3.627	60	3.629	19/08/2019	0	28
Projek Lebuhraya Usahasama Berhad	01/33	AAA	3.839	10	4.180	05/07/2019	-34	29
Projek Lebuhraya Usahasama Berhad	01/37	AAA	3.999	10	5.090	20/03/2018	-109	45
Sarawak Energy Berhad	08/25	AA1	3.498	10	3.639	15/08/2019	-14	18
BGSM Management Sdn Berhad	12/19	AA3	3.498	40	3.690	23/07/2019	-19	38
Country Garden Real Estate Sdn Berhad	02/23	AA3	6.294	5	6.419	14/08/2019	-13	305
Edra Energy Sdn Berhad	01/25	AA3	4.277	10	5.009	16/05/2019	-73	101
Edra Energy Sdn Berhad	07/25	AA3	4.288	10	5.127	18/07/2019	-84	97
AmBank (M) Berhad	03/27	AA3	3.887	5	3.895	15/08/2019	-1	52
AmBank Islamic Berhad	03/27	AA3	3.856	2	4.063	09/08/2019	-21	49
Edra Energy Sdn Berhad	01/31	AA3	4.409	10	4.754	16/07/2019	-35	107
Edra Energy Sdn Berhad	07/31	AA3	4.429	10	4.429	19/08/2019	0	109
Edra Energy Sdn Berhad	01/34	AA3	4.500	10	4.889	23/07/2019	-39	95
UEM Sunrise Berhad	04/22	AA-	3.737	20	3.847	25/07/2019	-11	54
WCT Holdings Berhad	10/23	AA-	4.927	10	4.930	19/08/2019	0	168
WCT Holdings Berhad	04/26	AA-	5.119	10	5.121	19/08/2019	0	176
MIMC Corporation Berhad	04/27	AA-	4.848	10	4.850	19/08/2019	0	148
Konsortium Lebuhraya Utara-Timur (KL) Sdn B	12/28	AA-	4.139	10	4.289	07/08/2019	-15	77
Konsortium Lebuhraya Utara-Timur (KL) Sdn B	11/29	AA-	4.179	10	4.340	22/07/2019	-16	84
Southern Power Generation Sdn Berhad	04/31	AA-	3.939	10	4.149	21/06/2019	-21	60
Southern Power Generation Sdn Berhad	10/31	AA-	3.949	10	4.018	26/07/2019	-7	61
CIMB Bank Berhad	05/16	A1	4.387	4	-	-	-	78
CIMB Group Holdings Berhad	05/16	A1	4.212	1	4.538	16/08/2019	-33	61
Hong Leong Financial Group Berhad	11/17	A1	4.288	1	4.266	19/08/2019	2	69
TSH Sukuk Ijarah Sdn Berhad	12/21	A+	4.751	100	-	-	-	158
DRB-Hicom Berhad	02/22	A+	5.092	1	5.136	19/08/2019	-4	192
Malakoff Power Berhad	12/19	AA-	3.482	20	3.609	23/07/2019	-13	36
Eco World Capital Assets Berhad	08/24	-	6.100	4	6.100	19/08/2019	0	-
Eco World International Berhad	04/23	-	5.620	1	5.621	14/08/2019	0	-
				<u>1189</u>				

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

Market/Corporate News: What's Brewing

Kuala Lumpur Kepong Bhd (KLK) reported its lowest quarterly profits in years after the plantation group booked in a huge loss on an estate in Liberia. The group, in a filing with Bursa Malaysia today, also warned that earnings in the full year ending Sept 30, 2019 (FY19) will be reduced due to the depressed selling prices of crude palm oil (CPO) and palm kernel (PK) products. Net profit in the third quarter ended June 30 fell 65% to RM48.6mil compared with RM139.9mil made a year ago. Revenue was down 14% to RM3.7bil. During the quarter just ended, KLK made a provision of RM145.3mil for impairment of an estate located in Sinoe County, Liberia. "From recent high carbon stock and high conservation value assessments, it was determined that there is limited plantable area in this estate," it said. The group said that based on the assessments it is no longer feasible to continue planting activities in the area. "Hence, the group has ceased operations in this estate," it said. Meanwhile, the group continue to struggle with weak selling prices of CPO and PK. "Prevailing CPO and PK prices remained significantly lower than those of the preceding year. In view of this, plantation profit for the current financial year will be lower," it said. But the lower raw material prices will benefit its oleochemical division's profit for this financial year. "Overall, the group anticipates a reduced profit for FY19," it said. (Source: *The Star*)

Genting Malaysia Bhd (GenM) is proceeding with its related party transaction (RPT) to acquire an effective 35% stake in the cash-strapped US casino operator Empire Resorts Inc from its controlling shareholder Tan Sri Lim Kok Thay, who is also its chief executive officer and chairman, although the deal has met with criticism. Some RM3.27 billion of market capitalisation has evaporated from GenM as it came under fierce selling pressure since the announcement of the RPT that will cost RM538 million cash. Its parent company Genting Bhd is not spared from selling, whose market cap of RM2.54 billion has been wiped out since then, too. In a filing with Bursa Malaysia yesterday, GenM said yesterday that its indirect wholly-owned subsidiary Genting (USA) Ltd (GenUSA) has bought a 49% stake in joint venture company (JVCo) Hercules Topco LLC, which will hold all outstanding shares in Empire under the planned delisting. GenM told Bursa Malaysia that on Sunday, GenUSA and Kien Huat Realty III Ltd (KH) received their respective 49% and 51% stakes in Hercules Topco to undertake the corporate exercise taking Empire Resorts private. According to GenM, Hercules Topco had also entered into an agreement and merger plan on Sunday with Hercules Merger Subsidiary Inc and Empire to effect the merger, which will see Hercules Topco acquiring Empire's remaining shares from minority shareholders at US\$9.74 (RM40.71) each. "As part of the proposed merger and in accordance with the merger agreement, shareholders of Empire common stock other than (i) shareholders who have elected to dissent from the proposed merger and seek appraisal rights; (ii) shareholders of cancelled shares; and (iii) KH, GenUSA, JVCo and their respective affiliates will be entitled to receive in cash from the JVCo US\$9.74 for each share in Empire held. "The Empire Resorts board, on the recommendation of the special committee, approved and authorised the merger agreement and the proposed merger, declared that the proposed merger is in the best interests of Empire and its shareholders, directed that the merger agreement be submitted for approval by Empire's shareholders at a shareholders' meeting and recommended that Empire's shareholders adopt the merger agreement. "Under the terms of the merger agreement, JVCo and Empire will take efforts to delist Empire common stock from the Nasdaq Global Select Market and deregister Empire's

common stock under the United States Securities and Exchange Act of 1934, as amended, following the successful completion of the proposed merger,” GenM said. The sell-down on GenM and Genting shows that the RPT did not go down well with the shareholders, considering Empire Resorts is running out of cash and it was on the verge of filing for voluntary bankruptcy as it is incapable of settling its borrowings. Furthermore, the stake purchase is expected to cost GenM more than RM538 million as Empire Resorts has stated that it needs additional funding from shareholders to keep it going, besides that it is taking it private. Nonetheless, GenM defends that the investment is deemed a “worthwhile investment”. Empire Resorts’ share price plunged to US\$8.20 on news that the casino operator was considering a voluntary Chapter 11 bankruptcy. GenM is paying Lim US\$9.74 per share for the stake. Empire Resorts’ share price bounced back, thanks to the privatisation offer of US\$9.74.

Rating Action			
Issuer	PDS Description	Rating/Outlook	Action
Genting Berhad	Global corporate credit ratings (CCR) ASEAN CCR National CCR	gA2/Stable/gP1 seaAAA/Stable/seaP1 AAA/Stable/P1	Reaffirmed
Aman Sukuk Berhad	Islamic Medium-Term Notes (IMTN) programme of up to RM10.0 billion	AAA-IS/Stable	Affirmed

Source: RAM, MARC

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