

Global Markets Research

Fixed Income

Fixed Income Daily Market Snapshot

UST		
Tenure	Closing (%)	Chg (bps)
2-yr UST	2.38	0
5-yr UST	2.37	0
10-yr UST	2.56	0
30-yr UST	2.96	0

MGS		GII*		
Tenure	Closing (%)	Chg (bps)	Closing (%)	Chg (bps)
3-yr	3.48	0	3.55	0
5-yr	3.68	-6	3.77	0
7-yr	3.86	3	3.86	0
10-yr	3.94	0	3.98	-2
15-yr	4.26	-1	4.26	1
20-yr	4.44	1	4.41	0
30-yr	4.69	1	4.67	0

* Market indicative levels

MYR IRS Levels		
IRS	Closing (%)	Chg (bps)
1-yr	3.55	0
3-yr	3.59	0
5-yr	3.67	0
7-yr	3.75	-2
10-yr	3.95	-2

Source : Bloomberg

Upcoming Government Bond Tender

Nil

US Treasuries

- US financial markets were closed on Good Friday. Last Thursday's TIPS auction were seen to outperform conventional UST's as the 5Y issuance stopped at 0.515%; with support due to potentially higher inflation, smaller issue size and rising oil prices. Meanwhile debate rages over the impact of whether an inverted yield curve is indeed a reliable predictor of recession or not. The 2-10Y spread has inverted before each of the past 5 recessions, except for the false signal once in 1998. (The curve typically turns negative late in the business cycle when policy makers overshoot the neutral policy rate to slow above-target inflation). Upcoming UST issuances for this week include \$40b of 2Y, \$41b of 5Y and \$32b of 7Y notes followed by GDP data this Friday. Separately, US and China officials are still in the midst of further trade discussions.

MGS/GII

- Local govies saw bouts of stability emerge last Friday following the recent articles on purported bond holding adjustments by Norwegian sovereign fund, FTSE Russell Index and also Moody's assessment of government's injection of additional funds into Felda's GLC-linked entity. Secondary market volume was lower at a mere RM1.66b with trades focused on off-the-run 27-28's and benchmark 10Y GII bonds. Overall benchmark yields ended mixed between -6 to +3bps. The benchmark 5Y MGS 4/23 rallied 6bps at 3.68% whilst the 10Y MGS 8/29 was untraded at 3.94%. GII bond trades maintained at 46% of overall trades. Meanwhile MYR which weakened of late has steadied whilst investors are expecting the bond market to experience some volatility also taking into account the prospects of a rate cut. Up next on the data front are the Foreign Reserves today.

Corp Bonds/Sukuk

- Corporate Bonds/Sukuk space saw secondary volume maintain at RM443m with interest mainly across the GG followed by the AA-part of the curve. A slew of longer-end DANA bonds dominated the GG-segment again with 2038-2049 tranches closing mostly weaker with yields 6-15bps higher between 4.56-80% levels compared to previous-done levels save for DANA 4/38 which closed at 4.56% levels. AAA-rated DANGA 4/20 and 9/33 closed 1-7bps lower at 3.90% and 4.41% respectively whilst the short AA-rated BUMITAMA 8/19 and SEGI Astana 1/21 closed 6-7sharply lower on yields as well. The banking space saw Sabah Development 4/24 and 4/26 debut at 5.14% and 5.24% each.

Daily Trades : Government Bonds

Securities		Closing YTM	Vol (RM mil)	Previous YTM	Previous Trade Date (dd/mm/yyyy)	Chg (bp)
MGS	10/19	3.380	1	3.351	17/04/2019	3
MGS	03/23	3.744	2	3.749	18/04/2019	0
MGS	04/23	3.678	40	3.743	18/04/2019	-6
MGS	07/24	3.808	5	3.766	18/04/2019	4
MGS	09/24	3.771	80	3.792	18/04/2019	-2
MGS	07/26	3.857	90	3.865	18/04/2019	-1
MGS	05/27	4.048	50	4.012	18/04/2019	4
MGS	11/27	4.073	127	3.968	18/04/2019	11
MGS	06/28	4.036	185	4.022	18/04/2019	1
MGS	04/30	4.166	12	4.054	18/04/2019	11
MGS	06/31	4.168	31	4.105	18/04/2019	6
MGS	04/32	4.243	13	4.077	17/04/2019	17
MGS	04/33	4.260	37	4.071	17/04/2019	19
MGS	11/33	4.261	60	4.252	18/04/2019	1
MGS	05/35	4.349	8	4.321	18/04/2019	3
MGS	04/37	4.349	20	4.350	18/04/2019	0
MGS	06/38	4.436	100	4.424	18/04/2019	1
MGS	03/46	4.703	10	4.645	17/04/2019	6
MGS	07/48	4.693	20	4.697	18/04/2019	0
GII	11/23	3.749	250	3.780	18/04/2019	-3
GII	08/25	3.830	83	3.897	18/04/2019	-7
GII	10/28	4.000	150	4.012	18/04/2019	-1
GII	07/29	3.983	230	4.009	18/04/2019	-3
GII	06/33	4.263	40	4.200	18/04/2019	6
GII	08/37	4.402	11	4.410	18/04/2019	-1
			<u>1656</u>			

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*
Lembaga Pembiayaan Perumahan Sektor Awam	04/25	GG	3.859	15	3.859	17/04/2019	0	5
Lembaga Pembiayaan Perumahan Sektor Awam	09/26	GG	3.931	15	3.931	17/04/2019	0	7
Projek Lebuhraya Usahasama Berhad	01/38	GG	4.490	2	4.419	11/04/2019	7	6
DanalFra Nasional Berhad	04/38	GG	4.559	15	4.735	15/02/2019	-18	13
DanalFra Nasional Berhad	11/38	GG	4.559	10	-	-	-	13
DanalFra Nasional Berhad	04/43	GG	4.609	15	4.550	10/04/2019	6	18
Lembaga Pembiayaan Perumahan Sektor Awam	04/47	GG	4.779	40	5.080	08/10/2018	-30	35
Prasarana Malaysia Berhad	09/47	GG	4.784	60	4.659	09/04/2019	13	35
DanalFra Nasional Berhad	04/48	GG	4.719	15	4.631	17/04/2019	9	29
DanalFra Nasional Berhad	11/48	GG	4.799	50	4.649	17/04/2019	15	37
DanalFra Nasional Berhad	02/49	GG	4.800	5	4.659	15/04/2019	14	37
Danga Capital Berhad	04/20	AAA	3.895	5	3.962	14/03/2019	-7	51
TNB Northern Energy Berhad	11/25	AAA	4.128	5	4.132	17/04/2019	0	27
Danga Capital Berhad	09/33	AAA	4.408	40	4.420	03/04/2019	-1	14
Sabah Development Bank Berhad	04/24	AA1	5.140	58	-	-	-	-
Sabah Development Bank Berhad	04/26	AA1	5.250	15	-	-	-	-
PBFIN Berhad	06/59	AA2	4.621	1	3.677	17/04/2019	94	19
Bumitama Agri Ltd	08/19	AA3	4.209	25	4.267	20/03/2019	-6	83
UiTM Solar Power Sdn Berhad	04/20	AA-	4.569	5	4.809	08/11/2018	-24	119
WCT Holdings Berhad	08/20	AA-	4.789	20	4.927	22/01/2018	-14	141
Segi Astana Sdn Berhad	01/21	AA-	4.995	10	5.064	13/02/2019	-7	157
MMC Corporation Berhad	11/27	AA-	5.368	16	5.368	18/04/2019	0	144
Mah Sing Perpetual	-	-	5.631	1	6.100	09/04/2019	-	-
				<u>443</u>				

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

Market/Corporate News: What's Brewing

1Malaysia Development Bhd's (1MDB) debt woes are far from over as far as Malaysians are concerned. The controversial state investment fund's whopping debts of over RM30 billion, some of which are government-guaranteed bonds that the new government has inherited, are straining the nation's coffers at a time when public expenditure is needed to stimulate economic growth. It is learned that to reduce 1MDB's debt burden, no thanks to the Barisan Nasional administration, the new government is proposing that the RM2.4 billion bonds held by Kumpulan Wang Persaraan (Diperbadankan) (KWAP) and Lembaga Tabung Haji currently be converted into equity stakes in the Bandar Malaysia project. A large bulk of 1MDB's bonds, amounting RM24 billion, are believed to be held by foreign investors. The issuance of these debt papers, which amounted to US\$6.5 billion, was advised by Goldman Sachs. "The value of the 1MDB debt papers to be converted is roughly RM3 billion ... these are the bonds held by KWAP and Tabung Haji," said a source familiar with the matter. "As a result, after the conversion, the two (KWAP and Tabung Haji) will end up being among the stakeholders of Bandar Malaysia," the source added. The RM2.4 billion sukuk held by the two institutions will be redeemed for RM3 billion under the terms, according to the source. It is not known what the conversion ratio conveyed to the two institutions is. The Islamic sukuk was issued in February 2014 to raise funds for the development of Bandar Malaysia. The debt papers were issued in two tranches, which generate yields of 5.85% and 6.05%, for seven and 10 years, respectively. Another source said this debt-to-equity swap plan is one of the proposals on the table. KWAP, Tabung Haji, and TRX City Sdn Bhd, which owns the Bandar Malaysia project, could not be reached for comment yesterday. According to a schedule of interest and principal payment for 1MDB debts released by the ministry of finance, between March and May last year, the ministry paid RM1.265 billion worth of interest payments on behalf of 1MDB. On top of that, another RM810.2 million interest payment was due in the three months between September and November last year. In total, RM2 billion was needed to service 1MDB debts and that did not include any principal payments. Similar interest payments are expected for this year and following ones if the debts are not restructured. KWAP has subscribed to RM1.4 billion worth of 1MDB sukuk. On top of that, the civil servant pension fund has extended RM4 billion loans to SRC International Sdn Bhd, a former 1MDB subsidiary, for the purchase of a mining company in Mongolia. Former prime minister Datuk Seri Najib Razak is currently facing a trial related to the misappropriation of funds in SRC International. Tabung Haji has been reported to be holding some RM920 million bonds in 1MDB's real estate development Bandar Malaysia. The pilgrims' fund also bought 0.63ha of land in Tun Razak Exchange from 1MDB. Last Friday, the government announced it had decided to sell the 60% equity stake in the Bandar Malaysia project to IWH-CREC Sdn Bhd for RM7.41 billion in a deal which the buyer agreed to advance a payment of RM1.24 billion within two months. The remaining 40% is currently held by TRX City. IWH-CREC is a 60:40 joint venture between Iskandar Waterfront Holdings Sdn Bhd (IWH) and state-owned China Railway Engineering Corp (M) Sdn Bhd (CREC). Businessman Tan Sri Lim Kang Hoo holds a 63% stake in IWH, while Kumpulan Prasarana Rakyat Johor Sdn Bhd owns the remaining 37%. 1MDB previously raised funds for the massive Bandar Malaysia development that covers 583.37 acres (236ha) of land at the former air force base near Sungai Besi. According to the Auditor General's (A-G) Report that was declassified after the change of government, the project's land acquisition and development, including the relocation of the Sungai Besi air force base, cost about RM3.095 billion, of which RM1.117 billion was paid by the government, while the balance RM1.6 billion was to be borne by 1MDB. However, 1MDB rerouted RM288 million of the government's payment to settle its debt interest commitments. Meanwhile, the air force base relocation that was scheduled to be completed by end-2016 was delayed as the contractor was owed RM396.42 million up to September 2015. The A-G's

report also stated that half of the RM3.75 billion raised from loans and sukuk to fund the air force base relocation and the development of Bandar Malaysia had instead been advanced to 1MDB. In short, the money raised was not used for its intended purposes. (Source: *The EdgeMarkets*)

Rating Action			
Issuer	PDS Description	Rating/Outlook	Action
Malayan Banking Berhad	National and ASEAN-scale	AAA/Stable/P1	Assigned
	RM10.0 bil Senior Medium-Term Notes Programme (2015/2115)	AAA/Stable	Assigned
AEON Co (M) Bhd	RM1 billion Islamic MTN Programme (2016/2031)	AA2/Stable	Reaffirmed
	RM300 million Islamic CP Programme (2016/2023).	P1	Reaffirmed

Source: RAM, MARC

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