

## Global Markets Research

### Fixed Income

#### Fixed Income Daily Market Snapshot

UST		
Tenure	Closing (%)	Chg (bps)
2-yr UST	1.58	6
5-yr UST	1.47	4
10-yr UST	1.59	3
30-yr UST	2.07	3

MGS			GII*		
Tenure	Closing (%)	Chg (bps)	Closing (%)	Chg (bps)	
3-yr	3.22	2	3.22	0	
5-yr	3.22	1	3.26	-6	
7-yr	3.36	-2	3.33	-6	
10-yr	3.35	-2	3.35	0	
15-yr	3.53	-3	3.50	0	
20-yr	3.57	-5	3.61	3	
30-yr	3.79	-1	3.85	3	

\* Market indicative levels

MYR IRS Levels		
IRS	Closing (%)	Chg (bps)
1-yr	3.25	0
3-yr	3.23	-1
5-yr	3.25	0
7-yr	3.29	1
10-yr	3.41	1

Source : Bloomberg

#### Upcoming Government Bond Tender

Nil

#### US Treasuries

- US Treasuries drifted and ended weaker on lack of direction as markets digested the Fed's latest meeting minutes that implied it will remain flexible regarding future interest rates. The curve shifted higher as overall benchmark yields rose between 3-6bps with the UST 2Y spiking the most to 1.58% whilst the much-watched 10Y ended 3bps higher at 1.59%. The 3-month 10-year spread remains inverted whilst the 2y10y spread is almost parish now. Meanwhile bond players continue to look for clues from keynote speech by Fed Chair Powell in the annual Jackson Hole meeting in Wyoming. Powell suggested earlier that the July rate cut should not be seen as the beginning of a lengthy cutting cycle but a mid-cycle adjustment, whilst CME Group's FedWatch Tool currently indicates a 97.3% chance of another 25bps cut in September.

#### MGS/GII

- Trading momentum in local govies spiked as volume rose to RM7.19b yesterday on investor interest following 2 days of profit-taking pursuant to the recent rally. Main interest was again seen in the off-the-run 19-21's and benchmark 3Y, 7Y bonds. Overall benchmarks closed mostly mixed-to-stronger with yields closed between -6 to +3bps across the curve with the 5Y benchmark MGS 6/24 edging 1bps higher at 3.22% whilst the 10Y MGS 8/29 saw yields decline 2bps at 3.35%. GII trades dropped to form ~20% of overall trades. Meanwhile BNM has implemented measures to deepen its markets and increase market liquidity by providing businesses with greater hedging flexibility and improving MYR flexibility after onshore trading hours. In addition Pricipal Dealers are required to provide quotes for off-the-run bonds which will be looked upon favourably by both foreign and local investors and regulators.

#### Corp Bonds/Sukuk

- Corporate Bonds/Sukuk saw secondary market volume ease by almost half to ~RM494m with interest seen along the GG- and AA-part of the curve. Overall yields continued to decline; led by govies as investors were seen reassessing the spreads. The govt-guaranteed space saw several tranches of JKSB, PTP, GOVCO and MKD KENCHANA 2030-2032 tranches close between 0-63bps compared to previous-done levels between 3.60-67% levels. PLUS 28 was the sole AAA-rated tradethat closed 9bps lower at 3.53%. The AA-space saw energy-related bonds EDRA 34-36's and SEB 32-33's dominate trades closing sharply lower on yields as well. The banking space continued to be relatively quiet.

## Daily Trades : Government Bond

Securities		Closing YTM	Vol (RM mil)	Previous YTM	Previous Trade Date (dd/mm/yyyy)	Chg (bp)
MGS	10/19	3.109	396	3.101	20/08/2019	1
MGS	11/19	3.097	364	3.100	20/08/2019	0
MGS	03/20	3.106	67	3.116	20/08/2019	-1
MGS	07/20	3.113	133	3.124	20/08/2019	-1
MGS	10/20	3.132	186	3.120	20/08/2019	1
MGS	02/21	3.148	10	3.177	19/08/2019	-3
MGS	07/21	3.161	589	3.162	20/08/2019	0
MGS	09/21	3.161	714	3.166	20/08/2019	0
MGS	11/21	3.181	234	3.180	20/08/2019	0
MGS	03/22	3.218	1119	3.203	20/08/2019	2
MGS	08/22	3.233	91	3.195	20/08/2019	4
MGS	09/22	3.226	5	3.181	20/08/2019	4
MGS	03/23	3.247	18	3.196	20/08/2019	5
MGS	04/23	3.226	5	3.238	20/08/2019	-1
MGS	08/23	3.271	11	3.234	20/08/2019	4
MGS	06/24	3.253	59	3.206	20/08/2019	5
MGS	07/24	3.311	68	3.257	20/08/2019	5
MGS	09/24	3.293	13	3.329	20/08/2019	-4
MGS	03/25	3.336	9	3.330	20/08/2019	1
MGS	09/25	3.376	18	3.268	20/08/2019	11
MGS	04/26	3.343	29	3.303	19/08/2019	4
MGS	07/26	3.364	522	3.383	20/08/2019	-2
MGS	11/26	3.368	64	3.376	20/08/2019	-1
MGS	11/27	3.449	38	3.406	20/08/2019	4
MGS	08/29	3.351	275	3.374	20/08/2019	-2
MGS	04/30	3.500	32	3.479	20/08/2019	2
MGS	06/31	3.550	5	3.466	20/08/2019	8
MGS	04/33	3.550	67	3.515	20/08/2019	3
MGS	11/33	3.600	96	3.525	20/08/2019	8
MGS	07/34	3.530	146	3.565	20/08/2019	-4
MGS	05/35	3.617	120	3.593	20/08/2019	2
MGS	06/38	3.573	132	3.620	20/08/2019	-5
MGS	09/43	3.761	5	3.706	20/08/2019	6
MGS	03/46	3.798	43	3.712	20/08/2019	9
MGS	07/48	3.797	139	3.802	20/08/2019	0
GII	04/20	3.119	80	3.128	20/08/2019	-1
GII	08/20	3.120	290	3.124	19/08/2019	0
GII	03/21	3.160	80	3.168	20/08/2019	-1
GII	04/21	3.150	40	3.173	20/08/2019	-2
GII	03/22	3.216	220	3.220	20/08/2019	0
GII	07/23	3.281	250	3.308	20/08/2019	-3
GII	11/23	3.333	50	3.223	16/08/2019	11
GII	10/24	3.254	190	3.314	20/08/2019	-6
GII	03/26	3.326	60	3.385	20/08/2019	-6
GII	09/26	3.368	20	3.401	20/08/2019	-3
GII	06/27	3.414	20	3.414	20/08/2019	0
GII	09/30	3.455	10	3.464	20/08/2019	-1
GII	06/33	3.591	10	3.493	19/08/2019	10
GII	09/39	3.614	40	3.588	20/08/2019	3
GII	11/49	3.850	10	3.819	20/08/2019	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*
Pengurusan Air SPV Berhad	02/23	GG	3.340	30	3.658	16/05/2019	-32	13
Jambatan Kedua Sdn Berhad	05/25	GG	3.420	30	3.510	09/08/2019	-9	9
Prasarana Malaysia Berhad	08/26	GG	3.410	35	3.600	08/08/2019	-19	6
Lembaga Pembiayaan Perumahan Sektor Awam	10/28	GG	3.450	10	3.678	07/08/2019	-23	6
Pelabuhan Tanjung Pelepas Sdn Berhad	11/28	GG	3.550	10	4.099	17/05/2019	-55	16
Jambatan Kedua Sdn Berhad	05/30	GG	3.500	20	3.501	16/08/2019	0	14
Pelabuhan Tanjung Pelepas Sdn Berhad	11/30	GG	3.640	10	4.270	17/05/2019	-63	28
GovCo Holdings Berhad	06/31	GG	3.550	20	3.959	16/07/2019	-41	19
Jambatan Kedua Sdn Berhad	07/31	GG	3.530	30	3.521	16/08/2019	1	17
Pelabuhan Tanjung Pelepas Sdn Berhad	10/31	GG	3.680	10	4.039	08/07/2019	-36	32
GovCo Holdings Berhad	09/32	GG	3.650	10	4.039	16/07/2019	-39	10
MKD Kencana Sdn Berhad	10/32	GG	3.670	10	4.086	01/07/2019	-42	12
Danainfra Nasional Berhad	03/47	GG	3.850	10	5.049	17/10/2018	-120	23
Projek Lebuhraya Usahasama Berhad	01/28	AAA	3.530	5	3.619	20/08/2019	-9	15
Sarawak Energy Berhad	12/32	AA1	3.850	40	4.010	14/08/2019	-16	30
Sarawak Energy Berhad	11/33	AA1	3.900	40	4.131	31/07/2019	-23	35
UEM Sunrise Berhad	06/21	AA-	3.640	10	4.347	10/05/2019	-71	48
UEM Sunrise Berhad	04/22	AA-	3.705	30	3.737	20/08/2019	-3	49
Perbadanan Kemajuan Negeri Selangor	06/22	AA3	3.810	10	4.155	04/07/2019	-35	60
AmBank Islamic Berhad	03/27	AA3	3.990	3	3.856	20/08/2019	13	61
Dynasty Harmony Sdn Berhad	12/31	AA3	5.810	10	6.110	07/05/2019	-30	245
Dynasty Harmony Sdn Berhad	06/32	AA3	5.850	10	6.110	29/05/2019	-26	230
Edra Energy Sdn Berhad	01/34	AA3	4.500	10	4.500	20/08/2019	0	95
Edra Energy Sdn Berhad	07/34	AA3	4.520	10	4.839	02/08/2019	-32	97
Edra Energy Sdn Berhad	07/35	AA3	4.540	30	4.761	09/08/2019	-22	99
Edra Energy Sdn Berhad	07/36	AA3	4.620	30	5.069	23/07/2019	-45	107
CIMB Group Holdings Berhad	05/16	A1	4.130	6	4.432	16/08/2019	-30	51
Quantum Solar Park (Semenanjung) Sdn Berhad	04/29	A+	5.360	2	5.349	16/08/2019	1	200
Quantum Solar Park (Semenanjung) Sdn Berhad	04/31	A+	5.610	2	5.589	16/08/2019	2	225
IJM Land Berhad	03/19	A2	4.880	1	4.864	20/08/2019	2	126
Affin Bank Berhad	07/18	A3	5.090	1	4.775	20/08/2019	32	147
DRB-Hicom Berhad	07/20	A+	3.840	10	4.084	14/08/2019	-24	73
				<u>494</u>				

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

## Market/Corporate News: What's Brewing

**Bank Negara is opening up the RM1bil fund for affordable housing, introduced in January this year, to a bigger group of first-time home buyers.** From Sept 1 onwards, the scheme will be opened to buyers with a maximum monthly household income of up to RM4,360. Previously, the eligibility was capped at household earnings of less than RM2,300 a month. Buyers can also afford to use the scheme to purchase houses of up to RM300,000 a unit. This is double the previous limit of RM150,000. Participating financial institutions under this scheme are AmBank (M) Bhd, Bank Simpanan Nasional, CIMB Bank Bhd, MALAYAN BANKING BHD and RHB Bank Bhd. The fund was introduced in January this year to help first-time home buyers, especially those in the lower-income bracket and in smaller cities to obtain financing for property. The fund will be opened for two years from Jan 2, 2019. Bank Negara, in January, said the scheme would help first-time home buyers reduce their monthly mortgage installment by as much as 23% compared to existing loans. (Source: *The Star*)

Both the share price and trading volume of MBM Resources Bhd leaped to a record high of RM4 and 10.76 million shares respectively yesterday. The sharp rise in share price and trading volume shows strong evidence of investors' confidence in the company's prospects. Expectations of continued growth in Perusahaan Otomobil Kedua Sdn Bhd (Perodua) car sales, regular dividend moving forward and ceased operations of loss-making OMI Alloy wheel manufacturing have painted a rosy picture of MBM Resources' outlook. Analysts are expecting Perodua, in which MBM

Resources holds a 22.6% stake, to achieve record high sales volume this year and that speaks well for MBM Resources, which holds a 22.6% stake in the second national car firm. The auto stock is currently on the recommendation list of almost all analysts who track it, in which target prices are between RM4.05 and RM6.35. For the first half of 2019 (1H19), MBM Resources' motor trading division posted a revenue of RM973 million (+16% year-on-year [y-o-y]) and a core profit before tax of RM15 million (+27% y-o-y). This was due to favourable demand for Perodua vehicles, namely the Myvi, Axia and Aruz. Overall, Perodua sold a total of 121,800 units in 1H19 compared with 117,100 units in the previous corresponding period, translating into a 4% y-o-y growth. MBM Resources posted a net profit of RM74.04 million for the second quarter ended June 30, 2019 (2QFY19), more than double the RM34.55 million a year ago, partly boosted by a one-off RM24.8 million gain in disposals. Revenue grew 15.42% to RM558.05 million, from RM483.48 million last year. MBM Resources declared a first interim dividend of six sen a share, payable on Sept 19. Cumulative net profit for the six months ended June 30 (6MFY19) jumped 83.6% to RM123.69 million, from RM67.36 million in the corresponding period last year, while revenue grew 15.15% y-o-y to RM1.08 billion, from RM935.41 million. "We believe that MBM Resources will continue to shine as a proxy to Perodua as it protracts its position as the leader of market share in the local automotive space. "We are excited about the group's future expansion plans either organically or via more joint ventures with established names to further build on its distribution and auto parts business," said an analyst. Apart from better earnings outlook, its new dividend policy of paying out at least 60% of its net profit is adding fuel to the rally on the auto stock. "The new policy reflects the board's intention to reward MBM Resources long-term shareholders. We projected dividend payout of 28 sen to 32 sen/share for FY19-FY21, translating into an attractive dividend yield of 7.6% to 8.6%. We note that MBM Resources was already in net cash position of RM88.6 million as at end 2QFY19, with continuous strong dividend pay up from associate Perodua," Hong Leong Investment Bank said in a research note yesterday. Although Perodua is sitting pretty currently, it might have to work harder to defend its turf in the longer run as the other national car Proton Holdings Bhd seems to have gotten its act together, given its improved sales. "In the near term, Perodua will enjoy an edge over Proton. Over time, Proton with the assistance of Geely as it proves itself, in terms of achieving lower defects per unit and improving the quality [of its cars], Proton's image can only get better from where it is right now," said another analyst. He added that in 2H20, Proton will be on the verge of launching a rebadged version of Geely's Binyue (SX11) sport utility vehicle (SUV). "That [the Geely Binyue (SX11)] will compete with the top end of Perodua's model [that is the Aruz]. I understand that Perodua will be looking into the possibility of making a B-segment SUV, on top of the Aruz. "When it comes to branding, Perodua's branding and strength in the market is clearly streaks ahead of Proton. I think Proton still suffers from a lot of bad will that has been built up over the years as a result of selling substandard products," said Chia. He noted that Perodua still enjoys sales in excess of 20,000 units a month and that it could easily meet 235,000 cars in 2019. Chia noted that Proton's X70 is priced in a segment that Perodua does not compete in, but the facelifted Proton models, such as the Saga and Iriz might have more direct relevance as far as Perodua is concerned. (Source: *The Star*)

Rating Action			
Issuer	PDS Description	Rating/Outlook	Action
Pacific & Orient Insurance Co. Berhad	Insurer Financial Strength	A2/Stable/P1	Reaffirmed
Sepangar Bay Power Corporation Sdn Bhd	RM575 million Nominal Value Sukuk Murabahah	AA1/Stable	Reaffirmed
Pac Lease Berhad	P/MTN Programme of up to RM1.0 billion (2017/2024)	AA3/Stable/P1	Reaffirmed

Source: RAM, MARC

**Hong Leong Bank Berhad**

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