

Global Markets Research

Fixed Income

Fixed Income Daily Market Snapshot

UST		
Tenure	Closing (%)	Chg (bps)
2-yr UST	2.39	1
5-yr UST	2.39	2
10-yr UST	2.59	3
30-yr UST	2.99	3

MGS		GII*		
Tenure	Closing (%)	Chg (bps)	Closing (%)	Chg (bps)
3-yr	3.48	0	3.56	1
5-yr	3.69	1	3.77	0
7-yr	3.86	0	3.86	0
10-yr	3.91	-4	3.98	0
15-yr	4.26	0	4.26	0
20-yr	4.42	-1	4.41	0
30-yr	4.69	0	4.67	0

* Market indicative levels

MYR IRS Levels		
IRS	Closing (%)	Chg (bps)
1-yr	3.55	0
3-yr	3.58	-1
5-yr	3.67	0
7-yr	3.74	0
10-yr	3.95	0

Source : Bloomberg

Upcoming Government Bond Tender

Nil

US Treasuries

- US Treasuries closed weaker, lacking catalysts following the long weekend whilst equities rallied instead. Overall benchmark yields edged 1-3bps higher as the curve bear-steepened whilst shifting higher. The 2Y closed at 2.39% whilst the much-watched 10Y rose 3bps at 2.59%. Market participants continue to be divided over the impact of whether an inverted yield curve is indeed a reliable predictor of recession or not. Upcoming UST issuances for this week include \$40b of 2Y, \$41b of 5Y and \$32b of 7Y notes and will be followed by GDP data this Friday. Meanwhile concerns arise as oil prices are seen rising and potentially may pressure the upcoming UST auctions. US and China officials are still in the midst of further trade discussions.

MGS/GII

- Local govies saw slightly lethargic activity on Monday despite exciting news of property and transport hub revival projects. Secondary market volume was lower at a mere RM1.03b with some interest seen in the off-the-run 26's and benchmark 3Y and 15Y bonds. Overall benchmark yields ended mostly unchanged save for some activity seen in the 5Y, 10Y and 20Y bonds. The benchmark 5Y MGS 4/23 edged 1bps higher at 3.69% whilst the 10Y MGS 8/29 saw a single trade ticket notch 4bps lower instead at 3.91%. GII bond trades drop to form 36% of overall trades. Meanwhile the prospects of a rate cut and abundant domestic liquidity is expected to provide support if further outflows continues; especially seen recently from EM bond exchange-traded funds. Up next on the data front are the CPI figures for March tomorrow.

Corp Bonds/Sukuk

- Corporate Bonds/Sukuk space saw slightly lower secondary volume of RM387m with interest mainly across the GG followed by the AA-part of the curve. A slew of longer-end DANA bonds followed by PRASA bonds dominated the GG-segment with the longer end seeing sellers emerge as yields ended 2-12bps higher compared to previous-done levels in line with the recent weakness in govies. Nevertheless DANA 25-26's ended between 0-2bps higher whereas PLUS 1/38 closed unchanged at 4.49%. AAA-rated CAGAMAS 21's however closed 23-29bps lower at 3.78% levels whilst AMAN 10/21 edged 1bps higher at 4.00%. AA-rated PKNS made its maiden trade at 4.84% whilst energy-related bond i.e. YTL Power 5/27 rose 3bps at 4.58%. The banking space saw demand for Sabah Development 12/21 as it settled 10bps lower at 4.69%.

Daily Trades : Government Bonds

Securities		Closing YTM	Vol (RM mil)	Previous YTM	Previous Trade Date (dd/mm/yyyy)	Chg (bp)
MGS	07/19	3.340	10	3.329	19/04/2019	1
MGS	11/19	3.300	51	3.338	18/04/2019	-4
MGS	04/23	3.689	42	3.678	19/04/2019	1
MGS	03/25	3.881	40	3.815	18/04/2019	7
MGS	09/25	3.919	50	3.919	18/04/2019	0
MGS	04/26	3.937	1	3.954	18/04/2019	-2
MGS	11/26	3.938	105	3.913	18/04/2019	3
MGS	05/27	4.048	20	4.048	19/04/2019	0
MGS	11/27	4.041	30	4.073	19/04/2019	-3
MGS	06/28	4.029	10	4.036	19/04/2019	-1
MGS	08/29	3.908	10	3.944	18/04/2019	-4
MGS	06/31	4.190	50	4.168	19/04/2019	2
MGS	11/33	4.261	220	4.261	19/04/2019	0
MGS	04/37	4.342	10	4.350	19/04/2019	-1
MGS	06/38	4.424	10	4.436	19/04/2019	-1
MGS	03/46	4.667	1	4.703	19/04/2019	-4
GII	04/19	3.409	10	3.307	15/04/2019	10
GII	08/20	3.505	140	3.567	18/04/2019	-6
GII	03/22	3.562	130	3.548	18/04/2019	1
GII	11/23	3.761	40	3.749	19/04/2019	1
GII	08/24	3.772	10	3.752	17/04/2019	2
GII	08/25	3.947	10	3.830	19/04/2019	12
GII	10/25	3.919	30	3.919	18/04/2019	0
			<u>1029</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*
Perbadanan Tabung Pendidikan Tinggi Nasional	08/21	GG	3.748	40	3.900	28/02/2019	-15	32
Danainfra Nasional Berhad	04/25	GG	3.840	25	3.841	17/04/2019	0	2
Danainfra Nasional Berhad	04/26	GG	3.900	20	3.900	16/04/2019	0	3
Danainfra Nasional Berhad	02/28	GG	3.982	5	3.959	28/03/2019	2	5
Prasarana Malaysia Berhad	03/28	GG	4.038	20	4.210	05/03/2019	-17	11
Danainfra Nasional Berhad	05/28	GG	4.038	5	3.948	12/04/2019	9	11
Danainfra Nasional Berhad	11/28	GG	4.078	20	3.978	03/04/2019	10	17
Danainfra Nasional Berhad	02/29	GG	4.089	10	3.978	05/04/2019	11	18
Prasarana Malaysia Berhad	02/36	GG	4.420	10	4.307	15/04/2019	11	16
Prasarana Malaysia Berhad	09/37	GG	4.485	10	4.364	15/04/2019	12	5
Projek Lebuhraya Usahasama Berhad	01/38	GG	4.489	2	4.490	19/04/2019	0	5
Danainfra Nasional Berhad	02/39	GG	4.550	20	4.439	11/04/2019	11	11
Cagamas Berhad	03/21	AAA	3.780	10	4.066	16/08/2018	-29	35
Cagamas Berhad	03/21	AAA	3.778	30	4.004	03/01/2019	-23	35
Aman Sukuk Berhad	10/21	AAA	4.002	15	3.990	18/04/2019	1	51
Putrajaya Holdings Sdn Berhad	07/22	AAA	4.034	5	4.121	05/03/2019	-9	55
Zamarad Assets Berhad	03/24	AAA	4.647	5	-	-	-	95
Tenaga Nasional Berhad	08/38	AAA	4.640	4	4.640	17/04/2019	0	20
Sabah Development Bank Berhad	12/21	AA1	4.686	10	4.784	26/03/2019	-10	120
YTL Power International Berhad	05/27	AA1	4.578	30	4.552	09/04/2019	3	67
Bumitama Agri Ltd	08/19	AA3	4.174	25	4.209	19/04/2019	-3	79
UiTM Solar Power Sdn Berhad	04/20	AA-	4.557	5	4.569	19/04/2019	-1	118
Perbadanan Kemajuan Negeri Selangor	10/21	AA3	4.835	30	-	-	-	135
MMC Corporation Berhad	11/27	AA-	5.404	11	5.368	19/04/2019	4	148
UMW Holdings Berhad	04/18	A1	5.030	10	5.031	17/04/2019	0	59
IJM Land Berhad	03/19	A2	5.108	10	5.110	17/04/2019	0	67
DRB-Hicom Berhad	12/14	A-	6.730	1	7.287	09/04/2019	-56	229
				<u>387</u>				

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

Market/Corporate News: What's Brewing

Bursa Malaysia's Construction Index bucked the sluggish benchmark index to climb 8.15% or 16.52 points to reach an eight-month high of 219.20 points yesterday, the first trading day after the government announced last Friday that the Bandar Malaysia project would be reinstated. The announcement came exactly a week after the government said on April 12 it would continue with the East Coast Rail Link (ECRL), at a lower cost of RM44 billion compared with its original cost of RM65.5 billion. Leading the surge in the sector was Ekovest Bhd, which is linked to Bandar Malaysia's master developer, IWH-CREC Sdn Bhd, via common shareholder Tan Sri Lim Kang Hoo. Ekovest shares shot up to a one-year high of 97 sen after climbing 30 sen or 44.78% to hit limit up yesterday. It was Bursa's most actively traded counter of the day, with 282.03 million shares done. Its share price has more than doubled year to date. Also active in line with the Bandar Malaysia theme was Iskandar Waterfront City Bhd (IWCity), which is also controlled by Lim and a subsidiary of IWH. Shares in the developer rose 30 sen or 29.41% to RM1.32, having tripled since the start of the year. Other notable gainers were Gadang Holdings Bhd, which rose 23 sen or 32.17%, and Fajarbaru Builder Group Bhd, which climbed 11 sen or 27.16% (see table). Out of 49 stocks on the Kuala Lumpur Construction Index, 40 closed higher yesterday, while only two ended the day in the red. Other big names in the construction sector that closed higher include Gamuda Bhd (up 27 sen or 8.77% to RM3.35), IJM Corp Bhd (up nine sen or 4.09% to RM2.29) and Malaysian Resources Corp Bhd (up 10 sen or 10.42% to RM1.06). According to Rakuten Trade, the rally in construction stocks is not just because of the revival of Bandar Malaysia. "Bandar Malaysia does play a part but most importantly, it is the positive newsflow on projects of late that has propped up the construction sector," The Edge Financial Daily was told. Although the ECRL is now going to be cheaper by 32.8% or RM21.5 billion, the project's main contractor China Communications Construction Co Ltd has agreed — under the new supplementary agreement signed with Putrajaya on April 12 — to ensure 40% of the civil works are awarded to local contractors. While the twin revivals of the ECRL and Bandar Malaysia have given a shot in the arm to construction stocks, they do not seem to have generated strong buying interest among constituents of the benchmark FBM KLCI, which closed flattish yesterday. Nevertheless, they appear to have acted as a catalyst for the wider market, as market breadth was positive across Bursa Malaysia yesterday, with 544 gainers outpacing 326 decliners. Trading volume swelled to 4.77 billion shares, with a significant RM3.18 billion value of shares crossed. Interestingly, PLS Plantations Bhd, another company which Lim controls, also climbed. The loss-making oil palm planter, which is diversifying into the durian plantation business, jumped 28 sen or 29.23% yesterday to close at RM1.26. Other gainers included building materials players like cement maker Lafarge Malaysia Bhd, which gained 13.3% to close at RM2.64. The stock saw only tepid interest last week despite news of the ECRL's continuation, as analysts opined that the railway alone would add only a small boost to demand for its products. Meanwhile, steelmakers like Ann Joo Resources Bhd, Mycron Steel Bhd, Malaysia Steel Works (KL) Bhd and Southern Steel Bhd also gained. According to another analyst yesterday, demand for building materials will depend on how aggressively Bandar Malaysia rolls out its launches. "We are more inclined to want to look beyond the sectors in our analysis for the revival of Bandar Malaysia. We believe investors should instead focus on how the improved Malaysia-China ties could help bring down the market risk premium, resulting in multiple expansion for the market," it said in a note. "We are mindful that not many local contractors have worked with Chinese main contractors before, and if their experience in time will be a fruitful one," it said. As to whether the rejuvenation of the mega infrastructure project signals a potential comeback of the Kuala Lumpur-Singapore high-speed rail (HSR), where the last agreed alignment included a stop at Bandar Malaysia, views were mixed. While some are positive on the

HSR's resuscitation, others do not think Bandar Malaysia's reinstatement suggests a similar fate for the HSR, which is still pending a review, with a decision due on May 2020. "While the return of Bandar Malaysia is a positive surprise in terms of potentially catalysing new construction works, potential beneficiaries are likely limited to smaller/medium-sized building contractors for which tenders could be competitive," another analyst added in a note yesterday. (Source: *The EdgeMarkets*)

The government will tender out three additional work packages under the Sabah portion of the Pan Borneo Highway project "in the near future", according to the works ministry. This is to expand the implementation of the project in Sabah and is on top of the 12 work packages that are already being implemented, the ministry said in a statement today. The works ministry also confirmed Prime Minister Tun Dr Mahathir's announcement on April 9 that it is taking over the implementation of the Sabah portion of the highway, with the Sabah Public Works Department director put in charge as the project director or "pegawai penguasa projek". It said the cabinet had decided to implement the project "conventionally", in line with the government's effort to optimise the cost of projects that have high financial implications for the country. A detailed assessment of the entire work package contract and the consultants who have been appointed is now being carried out to enable a smooth and orderly transition, the ministry said. "The change in the implementation model will not disrupt the government's commitment to ensuring the completion of the Sabah portion of the Pan Borneo Highway as a catalyst for the development of the socio-economic, industrial and investment sectors throughout the project," it added. (Source: *The EdgeMarkets*)

Rating Action			
Issuer	PDS Description	Rating/Outlook	Action
Nil	Nil	Nil	Nil

Source: RAM, MARC

Hong Leong Bank Berhad

Fixed Income & Economic Research, Global Markets
Level 8, Hong Leong Tower
6, Jalan Damanlela
Bukit Damansara
50490 Kuala Lumpur
Tel: 603-2081 1221
Fax: 603-2081 8936
Email: HLMarkets@hlbb.hongleong.com.my

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