

Global Markets Research

Fixed Income

Fixed Income Daily Market Snapshot

UST		
Tenure	Closing (%)	Chg (bps)
2-yr UST	1.81	-1
5-yr UST	1.80	-1
10-yr UST	2.05	-1
30-yr UST	2.57	-1

MGS		GII*		
Tenure	Closing (%)	Chg (bps)	Closing (%)	Chg (bps)
3-yr	3.29	0	3.32	0
5-yr	3.42	0	3.44	0
7-yr	3.55	2	3.57	1
10-yr	3.61	0	3.63	0
15-yr	3.80	0	3.83	0
20-yr	3.99	0	4.01	-1
30-yr	4.25	-1	4.24	0

* Market indicative levels

MYR IRS Levels		
IRS	Closing (%)	Chg (bps)
1-yr	3.37	0
3-yr	3.36	0
5-yr	3.42	0
7-yr	3.48	0
10-yr	3.59	0

Source : Bloomberg

Upcoming Government Bond Tender

Nil

US Treasuries

- US Treasuries ended marginally better on low volume in Monday's session partially due to safe-haven bids ahead of the release of a slew of corporate earnings in coming days. The curve shifted slightly lower as overall benchmark yields closed 1bps lower with both the the UST 2Y and much-watched 10Y at 1.81% and 2.05% respectively. Meanwhile traders and rate strategists are divided on whether it is justifiable for the Fed to cut rates by more than 25bps by end of this month. On a separate matter, President Trump announced that US Congressional leaders have reached a 2-year extension of the debt ceiling and federal spending caps through 30th Sep 2021. Bond traders are expected to keep a watch on \$40b worth of 2Y notes in the upcoming auction with monitoring possible volatility if reports on existing home-sales fail to meet market expectations.

MGS/GII

- Local govvnies saw momentum ease on lower secondary market volume of RM2.81b with interest seen mainly in the shorter-end i.e. off-the-run 19-20's and 20Y bonds. Overall benchmark yields ended mostly within 1bps from prior day's levels save for the odd-lot trade on the 7Y MGS. Both the benchmark 5Y MGS 6/24 and 10Y MGS 8/29 similarly ended within 1bps lower at 3.42% and 3.61% each. GII trades maintained at ~38% of overall trades. Meanwhile EM dollar credit which is the current year's top-performing fixed income asset classes is seeing low rates and tight spreads which may suppress further return expectations. Up next on the economic calendar is the release of inflation data for June.

Corp Bonds/Sukuk

- Corporate Bonds/Sukuk saw lack of market breadth as volume pulled-back again to a mere RM342m with trades centred mainly in the GG-AAA part of the curve as yields continued to decline. Both govt-guaranteed GOVCO and LPPSA 27's closed 6-15bps lower compared to previous-done levels between 3.67-72% whilst PTPTN 1/33 closed unchanged at 3.98%. The AAA-rated PLUS 28 saw RM50m in nominal amounts trade sharply lower on yields at 3.86%. AA-rated highway concession holder KESTURI 28-29's edged 2bps lower between 4.32-34% area. The banking space saw ALLIANCE Bank 25NC20 close 3bps lower at 4.17%. Meanwhile Fitch has affirmed both Maybank and Hong Leong Bank at A- on a Stable outlook.

Daily Trades : Government Bond

Securities		Closing YTM	Vol (RM mil)	Previous YTM	Previous Trade Date (dd/mm/yyyy)	Chg (bp)
MGS	10/19	3.070	354	3.053	19/07/2019	2
MGS	11/19	3.059	10	3.071	19/07/2019	-1
MGS	03/20	3.146	150	3.140	19/07/2019	1
MGS	07/20	3.165	3	3.169	18/07/2019	0
MGS	10/20	3.212	1	3.208	19/07/2019	0
MGS	07/21	3.254	6	3.244	19/07/2019	1
MGS	09/21	3.267	153	3.676	19/07/2019	-41
MGS	11/21	3.272	311	3.287	19/07/2019	-2
MGS	03/22	3.289	40	3.293	19/07/2019	0
MGS	08/22	3.345	20	3.354	19/07/2019	-1
MGS	03/23	3.414	50	3.412	18/07/2019	0
MGS	04/23	3.403	50	3.426	17/07/2019	-2
MGS	06/24	3.417	130	3.415	19/07/2019	0
MGS	07/24	3.475	3	3.480	19/07/2019	0
MGS	09/24	3.485	3	3.485	19/07/2019	0
MGS	03/25	3.539	16	3.519	19/07/2019	2
MGS	04/26	3.582	3	3.598	18/07/2019	-2
MGS	07/26	3.547	8	3.528	19/07/2019	2
MGS	05/27	3.649	5	3.662	09/07/2019	-1
MGS	11/27	3.628	1	3.646	19/07/2019	-2
MGS	06/28	3.640	96	3.649	19/07/2019	-1
MGS	08/29	3.607	2	3.604	19/07/2019	0
MGS	04/30	3.747	61	3.748	17/07/2019	0
MGS	06/31	3.801	49	3.796	19/07/2019	1
MGS	04/33	3.834	5	3.834	19/07/2019	0
MGS	11/33	3.840	15	3.834	19/07/2019	1
MGS	07/34	3.801	1	3.803	18/07/2019	0
MGS	04/37	3.989	2	4.009	18/07/2019	-2
MGS	06/38	3.990	130	3.989	19/07/2019	0
MGS	09/43	4.182	60	4.181	19/07/2019	0
MGS	03/46	4.265	6	4.262	19/07/2019	0
MGS	07/48	4.245	2	4.256	19/07/2019	-1
GII	04/20	3.159	190	3.159	19/07/2019	0
GII	05/20	3.169	160	3.175	17/07/2019	-1
GII	05/20	3.169	100	3.203	25/06/2019	-3
GII	11/20	3.233	1	3.295	19/06/2019	-6
GII	04/21	3.267	70	3.274	19/07/2019	-1
GII	08/21	3.293	40	3.334	18/07/2019	-4
GII	07/23	3.441	90	3.460	16/07/2019	-2
GII	10/23	3.441	9	3.467	19/07/2019	-3
GII	11/23	3.452	70	3.462	19/07/2019	-1
GII	10/24	3.441	20	3.439	19/07/2019	0
GII	03/26	3.575	10	3.564	19/07/2019	1
GII	06/33	3.859	110	3.868	19/07/2019	-1
GII	08/37	4.006	91	4.030	18/07/2019	-2
GII	09/39	4.011	100	4.026	18/07/2019	-1
GII	05/47	4.273	1	4.270	10/07/2019	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*
Prasarana Malaysia Berhad	03/24	GG	3.495	5	3.560	24/06/2019	-6	8
GovCo Holdings Berhad	02/27	GG	3.720	30	3.870	14/06/2019	-15	13
Lembaga Pembiayaan Perumahan Sektor Awam	04/27	GG	3.670	30	3.728	24/06/2019	-6	8
Perbadanan Tabung Pendidikan Tinggi Nasional	01/33	GG	3.979	30	3.979	15/07/2019	0	17
Jambatan Kedua Sdn Berhad	07/41	GG	4.149	20	4.850	19/02/2019	-70	15
Malaysia Airports Capital Berhad	12/24	AAA	3.823	2	4.018	27/05/2019	-20	41
Projek Lebuhraya Usahasama Berhad	01/28	AAA	3.860	50	4.138	28/05/2019	-28	27
Manjung Island Energy Berhad	11/31	AAA	3.922	4	3.923	16/07/2019	0	32
Danga Capital Berhad	01/33	AAA	3.980	20	4.038	11/07/2019	-6	17
TNB Northern Energy Berhad	05/33	AAA	4.030	4	4.811	18/10/2018	-78	22
Danum Capital Berhad	02/34	AAA	3.990	30	4.019	19/07/2019	-3	18
Imtiaz Sukuk II Berhad	05/20	AA2	3.548	5	3.595	18/07/2019	-5	39
Fortune Premiere Sdn Berhad	09/25	AA	4.147	20	4.355	20/06/2019	-21	64
Edra Energy Sdn Berhad	07/29	AA3	4.639	1	4.980	20/06/2019	-34	103
UEM Sunrise Berhad	04/22	AA-	3.883	40	4.332	16/05/2019	-45	59
Segi Astana Sdn Berhad	01/23	AA-	4.871	1	4.868	19/07/2019	0	158
Konsortium Lebuhraya Utara-Timur (KL) Sdn Berhad	12/28	AA-	4.321	10	4.344	11/07/2019	-2	71
Konsortium Lebuhraya Utara-Timur (KL) Sdn Berhad	11/29	AA-	4.340	10	4.364	11/07/2019	-2	74
Alliance Bank Malaysia Berhad	10/25	A2	4.171	20	4.203	19/07/2019	-3	67
Eco World International Berhad	04/23	-	5.625	1	5.625	17/07/2019	0	-
Quantum Solar Park (Semenanjung) Sdn Berhad	10/33	A+	6.182	10	5.880	05/10/2017	30	238
				342				

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

Market/Corporate News: What's Brewing

A palm oil bull run could begin with Indonesia's production decelerating, even before palm oil output plateaus by 2021. Coupled with rising domestic consumption, global supply will dwindle, driving prices higher. The shortage will affect the global edible oil balance as palm oil has the largest share with 31%. Indonesia's structural output high should precede First Resources' 2021 production peak, as the Indonesian planter's trees are younger than the country's average. Indonesia's palm oil exports fell to 68% of production in 2018 compared to 74% in 2017 as domestic demand rose, backed by favorable biodiesel economics. Strong crude oil prices could help to sustain this trend. (Source: *The Edge/Blomberg*)

The share prices of e-government service providers Scicom (MSC) Bhd, Iris Corp Bhd and HeiTech Padu Bhd — reportedly the front runners for Putrajaya's multibillion-ringgit Integrated Immigration System (IIS) — rallied yesterday as investors bet on their prospects ahead of the tender closing date next month. Scicom closed nearly 8% or seven sen higher at 96 sen after hitting an intraday high of RM1.15. Some 24.72 million shares were traded, about nine times higher than its 200-day average trading volume of 2.78 million shares. At the current price, the company is valued at RM341 million — a far cry from its 52-week high of RM1.85 on Aug 20, 2018. Over the weekend, *The Edge Malaysia* weekly reported the IIS tender, which commenced in mid-May and is scheduled to close next month, is likely to be awarded to a single company. Besides, Scicom, HeiTech Padu and Iris are said to be in contention for the contract which will replace the current Malaysian Immigration System (MyIMMS) set up in the 1990s. HeiTech Padu currently holds the contract to maintain MyIMMS, which is set to expire in August 2020. Investors' interest in

HeiTech Padu is even more intense. Its share price has rocketed by a third for two cumulative trading sessions, putting it within the range of a 15-year high and valuing the company at some RM130 million. The counter closed 1.6% or two sen higher at RM1.28 yesterday with some 14 million shares traded. Last Friday's trading was even more frenzied as its share price spiked 31.25% or 30 sen higher to RM1.26 on the back of some 24 million shares traded — more than 21 times its 200-day average trading volume of 1.12 million shares, attracting an unusual market activity query by Bursa Malaysia over the sharp rise. In a bourse filing yesterday, HeiTech Padu said it was not aware of any developments, rumours or announcements that could have resulted in its steep share price movement. The counter traded at 34 sen a week before last Christmas. Iris was also active, with 49.16 million shares traded — more than twice its 200-day average trading volume of 19.99 million shares. The counter closed nearly 7% or a sen higher at 15.5 sen, with a market capitalisation of RM459.8 million. Iris' one-year high was 18.5 sen on April 23, while its year low was 13 sen on Dec 20, 2018. According to Bloomberg, Scicom is tracked by two analysts. One analyst has a “buy” call and the other a “hold”, with a consensus target price of 94 sen. There is no coverage of HeiTech Padu and Iris. (Source: *The Edge*)

Rating Action			
Issuer	PDS Description	Rating/Outlook	Action
Tanjung Bin Energy Issuer Berhad	RM3.29 billion Sukuk Murabahah (2012/2032)	AA3/Stable	AA3

Source: RAM, MARC

Hong Leong Bank Berhad

Fixed Income & Economic Research, Global Markets

Level 8, Hong Leong Tower

6, Jalan Damansara

Bukit Damansara

50490 Kuala Lumpur

Tel: 603-2081 1221

Fax: 603-2081 8936

Email: HLMarkets@hlbb.hongleong.com.my

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