

Global Markets Research

Fixed Income

Fixed Income Daily Market Snapshot

UST		
Tenure	Closing (%)	Chg (bps)
2-yr UST	1.61	4
5-yr UST	1.50	3
10-yr UST	1.61	2
30-yr UST	2.11	3

MGS			GII*	
Tenure	Closing (%)	Chg (bps)	Closing (%)	Chg (bps)
3-yr	3.20	-2	3.22	0
5-yr	3.26	4	3.28	3
7-yr	3.35	-1	3.33	0
10-yr	3.36	1	3.35	0
15-yr	3.53	0	3.50	0
20-yr	3.62	4	3.63	1
30-yr	3.78	-2	3.83	-2

* Market indicative levels

MYR IRS Levels		
IRS	Closing (%)	Chg (bps)
1-yr	3.25	0
3-yr	3.22	0
5-yr	3.25	0
7-yr	3.28	0
10-yr	3.40	-1

Source : Bloomberg

Upcoming Government Bond Tender

Nil

US Treasuries

- US Treasuries witnessed heavy trading but ended weaker despite soft Markit manufacturing and services PMI. This was largely due to hawkish comments by Harker, a Fed speaker. The curve shifted higher as overall benchmark yields rose between 2-4bps with both the UST 2Y and much-watched 10Y at parish 1.61% levels; having briefly inverted twice in the past one week. The brief inverted yield curve sparked a pull-back on Wall Street. Meanwhile bond players continue to look for clues from keynote speech by Fed Chair Powell in the Jackson Hole meeting tonight. A separate report released by the Conference Board showed that readings on leading US economic indicators rose by much more than anticipated for the month of July. (July: 0.5% versus 0.1% for May and June).

MGS/GII

- Trading momentum in local eased as volume dipped to RM3.98b yesterday on lack of leads following bouts of rally and profit-taking the past one week. Main interest was again seen in the off-the-run 19-20's and benchmark 10-20Y bonds. Overall benchmarks closed mostly mixed between between -2 to +4bps across the curve with the 5Y benchmark MGS 6/24 spiking the most by 4bps at 3.26% whilst the 10Y MGS 8/29 edged 1bps higher at 3.36%. GII trades rose to form ~37% of overall trades. The current prospect of a lower global interest rate regime is expected to support local govies as favourable yield spreads comparatively are seen to shelter potential outflows from revision of index weightings.

Corp Bonds/Sukuk

- Corporate Bonds/Sukuk saw secondary market volume spike above the RM1.0b mark again with interest seen across the GG to single-A part of the curve. Overall yields continued to decline. The govt-guaranteed space saw PR1MA Corp Bonds notch RM100m in nominal amounts; some 40bps lower compared to previous-done levels at 3.42% whilst DANA 26-27's saw yields decline between 5-14bps at 3.43-45% levels. AAA-rated West Coast Expressway 8/34 which last traded in May 2017 closed at 3.98%. The AA-space saw the longer end energy-related bonds SEB 27, 31-32 and 36 grind RM230m trades; closing sharply lower on yields at 4.00%, 3.75-83% and 4.12% respectively. EDRA Energy saw its 2031-2034 tranches exchange hands between 4.43-52% area.

Daily Trades : Government Bond

Securities		Closing YTM	Vol (RM mil)	Previous YTM	Previous Trade Date (dd/mm/yyyy)	Chg (bp)
MGS	10/19	3.162	1	3.116	21/08/2019	5
MGS	11/19	3.088	102	3.097	21/08/2019	-1
MGS	03/20	3.096	290	3.106	21/08/2019	-1
MGS	07/20	3.106	380	3.113	21/08/2019	-1
MGS	10/20	3.133	10	3.132	21/08/2019	0
MGS	07/21	3.146	2	3.161	21/08/2019	-2
MGS	09/21	3.152	80	3.160	21/08/2019	-1
MGS	03/22	3.200	130	3.219	21/08/2019	-2
MGS	08/22	3.231	87	3.233	21/08/2019	0
MGS	04/23	3.243	11	3.245	21/08/2019	0
MGS	08/23	3.278	10	3.271	21/08/2019	1
MGS	06/24	3.256	30	3.215	21/08/2019	4
MGS	07/24	3.287	1	3.311	21/08/2019	-2
MGS	09/24	3.306	74	3.293	21/08/2019	1
MGS	03/25	3.341	30	3.336	21/08/2019	1
MGS	09/25	3.355	31	3.376	21/08/2019	-2
MGS	07/26	3.349	233	3.364	21/08/2019	-1
MGS	11/27	3.450	20	3.449	21/08/2019	0
MGS	08/29	3.362	169	3.351	21/08/2019	1
MGS	06/31	3.534	2	3.550	21/08/2019	-2
MGS	04/33	3.518	29	3.550	21/08/2019	-3
MGS	11/33	3.583	270	3.600	21/08/2019	-2
MGS	07/34	3.531	318	3.530	21/08/2019	0
MGS	05/35	3.647	3	3.617	21/08/2019	3
MGS	06/38	3.616	94	3.573	21/08/2019	4
MGS	09/43	3.789	50	3.761	21/08/2019	3
MGS	03/46	3.831	60	3.798	21/08/2019	3
MGS	07/48	3.777	1	3.794	21/08/2019	-2
GII	07/23	3.270	40	3.281	21/08/2019	-1
GII	08/25	3.350	12	3.329	20/08/2019	2
GII	07/29	3.351	80	3.351	20/08/2019	0
GII	08/20	3.120	50	3.120	21/08/2019	0
GII	08/21	3.209	54	3.184	20/08/2019	2
GII	09/39	3.627	210	3.614	21/08/2019	1
GII	09/30	3.495	123	3.455	21/08/2019	4
GII	09/26	3.411	160	3.368	21/08/2019	4
GII	11/23	3.290	110	3.333	21/08/2019	-4
GII	10/24	3.281	280	3.255	21/08/2019	3
GII	08/33	3.535	290	3.546	19/08/2019	-1
GII	11/49	3.827	10	3.850	21/08/2019	-2
GII	03/21	3.151	30	3.160	21/08/2019	-1
GII	06/33	3.590	10	3.591	21/08/2019	0
			<u>3978</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*
Prasarana Malaysia Berhad	05/23	GG	3.280	25	4.253	02/03/2018	-97	4
PR1MA Corporation Malaysia	10/24	GG	3.420	100	3.820	15/05/2019	-40	17
Prasarana Malaysia Berhad	12/25	GG	3.390	25	3.397	15/08/2019	-1	6
DanaInfra Nasional Berhad	04/26	GG	3.452	110	3.592	05/08/2019	-14	10
DanaInfra Nasional Berhad	03/27	GG	3.430	20	3.510	13/08/2019	-8	5
DanaInfra Nasional Berhad	07/27	GG	3.430	5	3.478	15/08/2019	-5	5
Prasarana Malaysia Berhad	09/27	GG	3.420	40	3.628	07/08/2019	-21	4
Lembaga Pembiayaan Perumahan Sektor Awam	04/28	GG	3.439	10	4.160	18/03/2019	-72	5
Lembaga Pembiayaan Perumahan Sektor Awam	10/28	GG	3.449	30	3.450	21/08/2019	0	6
Prasarana Malaysia Berhad	03/29	GG	3.470	15	3.559	13/08/2019	-9	11
Lembaga Pembiayaan Perumahan Sektor Awam	04/29	GG	3.449	20	3.411	20/08/2019	4	9
GovCo Holdings Berhad	02/32	GG	3.610	150	3.610	20/08/2019	0	7
DanaInfra Nasional Berhad	02/33	GG	3.550	5	3.693	14/08/2019	-14	1
DanaInfra Nasional Berhad	02/33	GG	3.560	15	3.741	09/08/2019	-18	2
DanaInfra Nasional Berhad	04/33	GG		55	3.481	16/08/2019	-	-
Prasarana Malaysia Berhad	02/36	GG	3.704	50	4.420	22/04/2019	-72	16
DanaInfra Nasional Berhad	11/38	GG	3.730	20	3.681	20/08/2019	5	12
Projek Lebuhraya Usahasama Berhad	12/38	GG	3.760	50	3.730	21/08/2019	3	15
DanaInfra Nasional Berhad	05/41	GG	3.760	5	4.070	08/08/2019	-31	15
Bank Pembangunan Malaysia Berhad	04/21	AAA	3.574	2	3.575	21/08/2019	0	41
Manjung Island Energy Berhad	11/21	AAA	3.311	5	3.962	03/05/2019	-65	15
Aman Sukuk Berhad	05/22	AAA	3.328	1	4.530	11/06/2018	-120	12
Genting Capital Berhad	06/22	AAA	3.549	1	3.609	15/08/2019	-6	34
Mercedes-Benz Services Malaysia Sdn Berhad	06/22	AAA	3.551	4	3.659	02/08/2019	-11	34
Projek Lebuhraya Usahasama Berhad	01/23	AAA	3.411	2	4.021	07/05/2019	-61	20
Aman Sukuk Berhad	03/23	AAA	3.373	6	3.375	20/08/2019	0	13
Manjung Island Energy Berhad	11/23	AAA	3.399	2	3.878	28/05/2019	-48	16
Projek Lebuhraya Usahasama Berhad	01/24	AAA	3.447	4	3.445	20/08/2019	0	20
Telekom Malaysia Berhad	03/24	AAA	3.457	1	3.465	19/08/2019	-1	21
Telekom Malaysia Berhad	09/27	AAA	3.550	10	3.739	05/08/2019	-19	17
Putrajaya Bina Sdn Berhad	03/28	AAA	3.631	1	3.857	05/07/2019	-23	24
TNB Northern Energy Berhad	05/28	AAA	3.638	1	4.211	06/05/2019	-57	25
GENM Capital Berhad	07/28	AAA	3.765	6	4.461	15/08/2019	-70	38
Projek Lebuhraya Usahasama Berhad	01/29	AAA	3.662	3	3.658	20/08/2019	0	27
TNB Western Energy Berhad	01/29	AAA	3.705	1	4.759	14/03/2018	-105	32
Rantau Abang Capital Berhad	03/29	AAA	3.500	4	3.799	18/07/2019	-30	14
TNB Western Energy Berhad	01/30	AAA	3.748	3	4.334	01/04/2019	-59	39
TNB Western Energy Berhad	07/30	AAA	3.761	1	4.279	09/04/2019	-52	40
Projek Lebuhraya Usahasama Berhad	01/31	AAA	3.739	4	4.059	08/07/2019	-32	38
TNB Western Energy Berhad	01/31	AAA	3.779	1	4.849	21/06/2017	-107	42
Manjung Island Energy Berhad	11/31	AAA	3.630	2	3.627	20/08/2019	0	27
Projek Lebuhraya Usahasama Berhad	01/32	AAA	3.791	1	4.358	24/04/2019	-57	43
Bank Pembangunan Malaysia Berhad	03/32	AAA	3.860	2	4.054	01/08/2019	-19	32
Danga Capital Berhad	01/33	AAA	3.670	1	3.639	19/08/2019	3	13
Danga Capital Berhad	09/33	AAA	3.693	2	3.814	13/08/2019	-12	15
West Coast Expressway Sdn Berhad	08/34	AAA	3.980	10	5.139	25/05/2017	-116	44
Celcom Networks Sdn Berhad	08/22	AA+	3.668	1	3.934	17/07/2019	-27	46
Sarawak Energy Berhad	01/27	AA1	3.590	70	3.998	01/07/2019	-41	24
First Abu Dhabi Bank PJSC	12/27	AA1	3.790	10	4.229	04/06/2019	-44	41
Sarawak Energy Berhad	04/31	AA1	3.750	10	3.969	14/08/2019	-22	39
Sarawak Energy Berhad	12/32	AA1	3.833	30	3.849	21/08/2019	-2	29
Sarawak Energy Berhad	04/36	AA1	4.123	120	4.469	16/07/2019	-35	58
YTL Corporation Berhad	11/36	AA1	4.114	10	4.198	15/08/2019	-8	57
Imtiaz Sukuk II Berhad	11/21	AA2	3.702	2	3.987	24/06/2019	-29	54
Imtiaz Sukuk II Berhad	05/22	AA2	3.760	2	3.850	23/07/2019	-9	55
Tanjung Bin Power Sdn Berhad	08/26	AA2	3.992	20	4.755	21/02/2018	-76	64
Tanjung Bin Power Sdn Berhad	08/27	AA2	4.022	10	4.528	21/03/2019	-51	64
UEM Sunrise Berhad	12/22	AA-	3.700	10	3.867	09/08/2019	-17	49
WCT Holdings Berhad	01/25	AA-	4.963	5	5.026	08/08/2019	-6	171
Konsortium Lebuhraya Utara-Timur (KL) Sdn Ber	12/27	AA-	4.080	10	4.102	16/08/2019	-2	70
Jimah East Power Sdn Berhad	06/31	AA-	4.180	10	4.361	28/06/2019	-18	82
Jimah East Power Sdn Berhad	12/31	AA-	4.210	30	4.228	15/08/2019	-2	85
Jimah East Power Sdn Berhad	06/32	AA-	4.230	40	4.408	28/06/2019	-18	69
Edra Energy Sdn Berhad	07/31	AA3	4.430	10	4.429	19/08/2019	0	107
Edra Energy Sdn Berhad	01/32	AA3	4.450	10	4.799	23/07/2019	-35	109
Edra Energy Sdn Berhad	07/32	AA3	4.470	10	4.779	26/07/2019	-31	93
Edra Energy Sdn Berhad	01/33	AA3	4.480	10	4.689	14/08/2019	-21	94
Edra Energy Sdn Berhad	01/34	AA3	4.500	10	4.501	21/08/2019	0	96
Edra Energy Sdn Berhad	07/34	AA3	4.520	10	4.519	21/08/2019	0	98
Bank Islam Malaysia Berhad	11/28	A1	3.790	30	3.956	05/08/2019	-17	40
Eco World International Berhad	04/23	-	5.620	2	5.620	21/08/2019	0	-
Eco World Capital Assets Berhad	08/24	-	6.107	5	6.100	20/08/2019	1	-
Quantum Solar Park (Semenanjung) Sdn Berhad	10/25	A+	4.900	10	5.198	23/07/2019	-30	157
Quantum Solar Park (Semenanjung) Sdn Berhad	10/29	A+	5.430	4	5.408	16/08/2019	2	207
Quantum Solar Park (Semenanjung) Sdn Berhad	10/30	A+	5.550	10	5.918	17/07/2019	-37	219
				1343				

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

Market/Corporate News: What's Brewing**AIRASIA X posted a weaker set of financial results in the second quarter ended June 30, 2019 as it was impacted by the loss of disposal of three aircraft under the share and lease back during the quarter amounting to RM72.50mil.**

Announcing a wider net loss of RM207.11mil on Thursday compared with the RM57.45mil net loss a year ago, AAX attributed it also to the weakening of the ringgit against the US dollar. Its revenue fell to RM1.01bil from RM1.06bil. It said the operating loss in Q2 was RM185mil versus loss of RM99.20mil a year ago. Loss per share was five sen compared with 1.4 sen. "On a normalised basis, after adjusting for the disposal of three aircraft and the effects of MFRS16, the company posted a loss before taxation (PBT) of RM77mil against last year's loss of RM64.8mil," it said in a statement. "Net loss for the quarter however markedly reduced to RM32mil, as compared to a net loss of RM57.5mil in Q2 FY18. The net loss for Q2, FY19 has room for further improvement as AirAsia X Indonesia's two aircraft began its wet lease in July 2019," it said. On a quarterly basis, it said the loss before tax of RM269.30mil compared with profit before tax of RM59.50mil in Q1 FY19 was mainly due to the unrealised foreign exchange loss. Also weighing in the financial performance was the loss of disposal of the three aircraft amounting to RM72.5mil. In the first half, it registered net losses of RM163.78mil compared with net losses of RM15.96mil in the previous corresponding period. Its revenue fell by 6.3% to RM2.18bil from RM2.33bil. When compared with the Q1 where there was a profit before tax of RM59.5mil, AAX said this was mainly due to the unrealised forex loss as the ringgit weakened against the US\$ at the end of the current quarter and losses from the disposal of the three aircraft. "The company recognises the challenges posed by the weakening of the ringgit against the US dollars. The company will continue to drive revenue and sale of ancillary services to mitigate higher operational cost from the factors mentioned above. "Demand and load factors are expected to remain at a reasonably healthy level. However, average base fare is under pressure due to the increase in capacity on core established routes, in addition to new routes," it said in a statement to Bursa Malaysia. AAX said during the Q2 FY19, it reported net cash generated from operating activities of RM268.8mil versus RM23.5mil a year ago. AAX Malaysia posted revenue per available seat kilometre (RASK) of 12.03 sen, up by 2% on the back of an increase in average base fare (ABF) by 5% in Q2 FY19 to RM437 from last year's RM418. On capacity, available seat per km (ASK) capacity declined 6% on-year to 8,442 million and passenger load factor (PLF) remained fairly stable at 80% during the quarter. "This can be attributed to seasonal capacity management and operation of shorter stage routes as compared to prior year. "Furthermore, the termination of Auckland in February 2019 and the resultant capacity management on the Gold Coast route following the termination of Auckland, on top of a general slowdown in the tourism sector, particularly from China and South Korean markets coupled with the addition of two aircraft on-year, caused the company's average utilisation to decline to 14.3 hours on-year from previous year's 16 hours. "Due to the foregoing in Q2 FY19, AAX Malaysia carried a total of 1,455,052 passengers, 7% lower on-year. However, in H2, it also foresees operational environment to remain challenging against global economy backdrop and pressure on the ringgit. Of concern was the implementation of the departure levy from Sept 1 which may potentially impact the demand for air travel especially when the third quarter is usually the leaner quarter for mid-to-long haul segment. "Going forward the company expects utilisation to ramp up and passengers carried to increase as focus shifts towards optimising network and driving up utilisation on core routes leading up to the third and seasonally

stronger fourth quarter 2019,” it said.. (Source: *The Star*)

Paramount Corp Bhd's net profit for its second quarter ended June 30, 2019 (2Q19) fell 32.7% to RM28.47 million from RM42.3 million in 2Q18 in the absence of a one-off disposal gain. This was despite revenue rising 3.26% to RM287.44 million from RM278.37 million last year. Meanwhile, earnings per share (EPS) for the quarter declined to 6.57 sen from 9.88 sen a year ago. Paramount Corp declared a first interim dividend of two sen which has an entitlement date of Sept 10 and is payable on Sept 25. In contrast, the group declared a single-tier dividend of 2.5 sen this time last year. 2QFY19 revenue inched 3.26% higher to RM287.44 million from RM278.37 million last year. The group attributed its higher quarterly revenue following better contributions from both its property and education divisions, but noted the disposal of 9.4 acres of industrial land in Kota Damansara (KD Land) — which saw RM92.1 million in revenue and RM43.2 million in profit before tax (PBT) — increased 2QFY18 profit. “The gain of RM43.2 million from the disposal of the Kota Damansara land in 2Q2018 creates the impression that our profitability has dropped. The fact is, excluding the profit from the Kota Damansara land disposal, we would have increased our PBT by 81% from RM35.6 million in 6M2018 to RM64.4 million in 6MFY19,” said Paramount Group CEO Jeffrey Chew in a statement. For the first half of the financial year ending Dec 31, 2019 (1HFY19) net profit declined 29.71% to RM34.63 million from RM49.27 million last year. Half-year EPS declined to 8.02 sen from 11.56 sen registered a year prior. Revenue for the period increased 8.68% to RM478.88 million from RM440.61 million. On its prospects, Chew said the group expects the property segment to remain soft, but the lowering of the base lending rate (BLR) following Bank Negara Malaysia’s reduction in the overnight policy rate combined with the Government’s extension of the Home Ownership Campaign to Dec 31, 2019 is expected to improve consumer and sentiment and raise property purchases. As of 1HFY19, the group’s total unbilled property sales stood at RM978 million. Chew added that following the divestment of its controlling stake in Paramount Education Sdn Bhd, Paramount Education (Klang) Sdn Bhd and Sri KDU Sdn Bhd for a proposed cash consideration of RM540.5 million — which is expected to be completed in 4QFY19 — the group will hold a 20% stake in its pre-tertiary business. Meanwhile, it sold its controlling stake in its tertiary education division to Australian University of Wollongong-owned company UOWM Sdn Bhd for RM38.5 million in November 2018. Following the expected completion of the transaction, the group will maintain a 35% equity interest in KDU University College Sdn Bhd and KDU University College (PG) Sdn Bhd. “Barring unforeseen circumstances, the group is expected to deliver a better financial performance for the financial year ending 31 December 2019,” said Chew. (Source: *The Edge*)

Rating Action			
Issuer	PDS Description	Rating/Outlook	Action
Kuala Lumpur Kepong Berhad	Proposed Islamic MTN (IMTN) Programme of up to RM2.0 bil	AA1/stable rating	Assigned
	RM1.6 bil Multi-Currency IMTN Programme (2015/2027)	AA1/Stable	Reaffirmed
	RM1.0 bil Multi-Currency IMTN Programme (2012/2022)	AA1/Stable	Reaffirmed
	Global Corporate Credit Ratings	gA3/Stable/gP2	Reaffirmed

Source: RAM, MARC

Hong Leong Bank Berhad

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