Global Markets Research

Fixed Income

Fixed Income Daily Market Snapshot

UST		
Tenure	Closing (%)	Chg (bps)
2-yr UST	2.36	-2
5-yr UST	2.36	-3
10-yr UST	2.57	-2
30-yr UST	2.98	-1

	MGS		GII*	
Tenure	Closing (%)	Chg (bps)	Closing (%)	Chg (bps)
3-yr	3.45	-3	3.53	-4
5-yr	3.65	-4	3.68	-9
7-yr	3.80	-6	3.76	-10
10-yr	3.86	-4	3.93	-6
15-yr	4.19	-7	4.23	-3
20-yr	4.41	-2	4.41	0
30-yr	4.68	-1	4.67	0

** Market indicative levels*

MYR IRS Levels		
IRS	Closing (%)	Chg (bps)
1-yr	3.55	0
3-yr	3.56	-2
5-yr	3.65	-2
7-yr	3.73	-2
10-yr	3.95	0

Source : Bloomberg

US Treasuries

- US Treasuries closed stronger along with equities, assisted by better-than-expected new home sales, corporate earnings from technology and health-care sectors and also decent 2Y auction results. Overall brenchmark yields moved 1-3bps lower as the curve steepened and shifted lower. Both the 2Y and much-watched 10Y closed 2 bps lower at 2.36% and 2.57% respectively. The inverted yield curve on the front-end which has been a reliable predictor of recession does not seem threatening for now. The auction of $40b of 2Y saw an average yield of 2.355% on a BTC ratio of 2.51x. Meanwhile both US and China officials are still in the midst of further trade discussions.

MGS/GII

- Local govvies were well-bid following BNM's and Securities Commision's pledges to deepen the onshore markets amid recent weakness in the govvies space the past week. Secondary volumes rose to RM3.90b as interest was centred on the 2022-2024 tranches and also both previous and current 10Y benchmark GII bonds Overall benchmark yields ended betrween 0-10bps lower. Both the benchmark 5Y MGS 4/23 and 10Y MGS 8/29 rallied 4bps at 3.65% and 3.86% respectively. GII bond trades rose sharply to form 66% of overall trades. Meanwhile the propects 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 expected out today.

Corp Bonds/Sukuk

- Corporate Bonds/Sukuk space saw higher secondary volume of RM629m with interest mainly across the GG segment. A slew of DANA bonds dominated the GG-segment with the 24-26's closing 0-6bps lower compared to previous-done levels between 3.76-90% levels (save for DANA 11/24). However the longer-end DANA 30-43's ended 3-16bps higher instead, between 4.15-64%. AAA-rated PUTRAJAYA 4/25 edged 2bps lower at 4.13% whereas AA-rated Serba Dinamik which is in the midst of arranging a USD-denominated Sukuk saw its 10/28 tranche rise 3bps at 5.05%. The banking space saw AmBank Islamic 28NC23 close 4bps lower at 4.58% whilst Hong Leong Financial Perps closed at 4.70% instead.

Upcoming Government Bond Tender

Nil

Daily Trades : Government Bonds

Securities		Closing YTM	Vol (RM mil)	Previous YTM	Previous Trade Date (dd/mm/yyyy)	Chg (bp)
MGS	10/19	3.337	204	3.380	19/04/2019	-4
MGS	11/19	3.319	20	3.338	18/04/2019	-2
MGS	03/20	3.380	1	3.436	18/04/2019	-6
MGS	07/21	3.414	18	3.476	18/04/2019	-6
MGS	09/21	3.483	5	3.508	18/04/2019	-2
MGS	11/21	3.469	5	3.461	18/04/2019	1
MGS	03/22	3.454	10	3.483	18/04/2019	-3
MGS	08/22	3.578	12	3.555	17/04/2019	2
MGS	09/22	3.554	31	3.673	18/04/2019	-12
MGS	03/23	3.696	1	3.744	19/04/2019	-5
MGS	04/23	3.648	162	3.678	19/04/2019	-3
MGS	08/23	3.736	11	3.761	18/04/2019	-2
MGS	07/24	3.806	30	3.808	19/04/2019	0
MGS	09/24	3.794	8	3.771	19/04/2019	2
MGS	03/25	3.843	45	3.815	18/04/2019	3
MGS	09/25	3.848	42	3.919	18/04/2019	-7
MGS	07/26	3.802	161	3.865	19/04/2019	-6
MGS	11/26	3.912	23	3.913	18/04/2019	0
MGS	05/27	3.925	1	4.048	19/04/2019	-12
MGS	11/27	3.975	56	4.073	19/04/2019	-10
MGS	06/28	4.009	43	4.036	19/04/2019	-3
MGS	08/29	3.863	129	3.944	18/04/2019	-8
MGS	04/30	4.065	26	4.166	19/04/2019	-10
MGS	06/31	4.105	40	4.168	19/04/2019	-6
MGS	04/32	4.208	1	4.243	19/04/2019	-4
MGS	04/33	4.271	3	4.260	19/04/2019	1
MGS	11/33	4.187	135	4.261	19/04/2019	-7
MGS	04/37	4.338	3	4.350	19/04/2019	-1
MGS	06/38	4.409	80	4.436	19/04/2019	-3
MGS	07/48	4.681	22	4.693	19/04/2019	-1
GII	04/19	3.452	5	3.307	15/04/2019	15
GII	09/19	3.357	27	3.318	09/04/2019	4
GII	05/20	3.400	230	3.402	15/04/2019	0
GII	08/21	3.521	35	3.502	15/04/2019	2
GII	03/22	3.526	271	3.548	18/04/2019	-2
GII	11/23	3.714	254	3.749	19/04/2019	-4
GII	08/24	3.732	610	3.752	17/04/2019	-2
GII	10/24	3.681	84	3.767	18/04/2019	-9
GII	08/25	3.866	10	3.830	19/04/2019	4
GII	10/25	3.902	20	3.919	18/04/2019	-2
GII	03/26	3.759	62	3.858	17/04/2019	-10
GII	09/26	3.921	90	3.960	18/04/2019	-4
GII	10/28	3.943	233	4.000	19/04/2019	-6
GII	12/28	3.977	10	4.020	18/04/2019	-4
GII	07/29	3.926	350	3.983	19/04/2019	-6
GII	09/30	4.057	92	4.079	18/04/2019	-2
GII	06/33	4.231	160	4.263	19/04/2019	-3
GII	10/35	4.317	30	4.350	17/04/2019	-3
			3902			

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*
DanaInfra Nasional Berhad	05/23	GG	3.753	15	3.761	03/04/2019	-1	16
DanaInfra Nasional Berhad	07/24	GG	3.810	10	3.807	18/04/2019	0	14
DanaInfra Nasional Berhad	07/24	GG	3.806	45	3.871	25/03/2019	-6	14
DanaInfra Nasional Berhad	11/24	GG	3.824	20	4.081	13/02/2019	-26	4
DanaInfra Nasional Berhad	04/26	GG	3.897	20	3.900	16/04/2019	0	7
Perbadanan Tabung Pendidikan Tinggi Nasional	03/27	GG	4.050	80	4.130	13/03/2019	-8	18
DanaInfra Nasional Berhad	07/27	GG	3.939	20	3.939	18/04/2019	0	7
Prasarana Malaysia Berhad	12/27	GG	4.022	40	4.040	21/03/2019	-2	13
DanaInfra Nasional Berhad	05/28	GG	4.001	45	3.948	12/04/2019	5	11
DanaInfra Nasional Berhad	10/28	GG	4.030	5	4.002	12/04/2019	3	16
Perbadanan Tabung Pendidikan Tinggi Nasional	03/29	GG	4.109	50	4.049	02/04/2019	6	24
DanaInfra Nasional Berhad	07/29	GG	4.058	40	4.111	27/03/2019	-5	18
Prasarana Malaysia Berhad	03/30	GG	4.149	5	4.110	18/04/2019	4	28
DanaInfra Nasional Berhad	04/30	GG	4.149	5	4.010	05/04/2019	14	28
DanaInfra Nasional Berhad	05/32	GG	4.250	30	4.132	10/04/2019	12	3
DanaInfra Nasional Berhad	04/33	GG	4.329	5	4.171	09/04/2019	16	11
DanaInfra Nasional Berhad	04/43	GG	4.639	5	4.609	19/04/2019	3	23
DanaInfra Nasional Berhad	02/49	GG	4.749	30	4.800	19/04/2019	-5	34
GENM Capital Berhad	08/20	AAA	4.030	5	4.098	05/04/2019	-7	65
Gulf Investment Corporation G.S.C	03/21	AAA	4.617	4	4.604	10/04/2019	1	119
N.U.R Power Sdn Berhad	06/21	AAA	4.082	10	4.172	13/07/2016	-9	66
GENM Capital Berhad	07/23	AAA	4.406	1	4.372	16/04/2019	3	81
DiGi Telecommunications Sdn Berhad	04/24	AAA	4.063	5	4.128	29/03/2019	-7	39
Putrajaya Holdings Sdn Berhad	04/25	AAA	4.129	10	4.148	29/03/2019	-2	35
Celcom Networks Sdn Berhad	08/22	AA+	4.224	10	4.433	09/01/2019	-21	75
Anih Berhad	11/21	AA	4.240	10	4.458	12/04/2018	-22	77
Fortune Premiere Sdn Berhad	12/22	AA	4.344	2	4.609	11/01/2019	-27	75
Gamuda Berhad	11/22	AA3	4.433	22	4.431	10/04/2019	0	84
BGSM Management Sdn Berhad	12/22	AA3	4.300	3	4.307	10/04/2019	-1	71
Edra Energy Sdn Berhad	07/26	AA3	5.329	10	5.330	16/04/2019	0	150
AmBank Islamic Berhad	03/27	AA3	4.935	0	0.000	00/01/1900	494	106
AmBank Islamic Berhad	10/28	AA3	4.576	10	4.613	12/03/2019	-4	69
Edra Energy Sdn Berhad	07/33	AA3	5.870	5	5.849	12/04/2019	2	165
WCT Holdings Berhad	05/22	AA-	5.015	10	4.928	03/04/2019	9	154
MMC Corporation Berhad	11/27	AA-	5.365	1	5.368	19/04/2019	0	148
MMC Corporation Berhad	03/28	AA-	5.456	1	5.372	10/04/2019	8	157
Serba Dinamik Holdings Berhad	10/28	AA-	5.052	10	5.022	11/04/2019	3	116
Lafarge Cement Sdn Berhad	12/20	A1	5.016	3	5.460	13/02/2018	-44	159
Bank Islam Malaysia Berhad	12/25	A1	4.222	10	4.236	12/04/2019	-1	40
Affin Bank Berhad	02/27	A1	4.674	2	4.668	18/04/2019	1	80
CIMB Group Holdings Berhad	05/16	A1	4.818	1	4.575	16/04/2019	24	41
Hong Leong Financial Group Berhad	11/17	A1	4.704	5	4.594	28/03/2019	11	30
UMW Holdings Berhad	04/18	A1	5.300	1	5.031	17/04/2019	27	89
Affin Bank Berhad	07/18	A3	5.253	1	5.150	25/03/2019	10	85
Konsortium Lebuhraya Utara-Timur (KL) Sdn Berh	12/28	AA-	4.588	10	4.578	11/04/2019	1	71
				629				

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

Market/Corporate News: What's Brewing

The world's biggest liquefied natural gas (LNG) producers including Shell, Total and Petronas are increasingly selling from global supply pools instead of dedicated projects as buyers leverage a fuel surplus to force ever more flexible deals. This marks an accelerated turning from traditional long-term contracts that lock customers into taking regular volumes from specific projects under oil-linked pricing formulas. Global oversupply that has pulled spot LNG prices <LNG-AS> down by more than 50 percent over the past half-year has producers succumbing to consumer demands for fuel on shorter notice and without sourcing or destination restrictions. "A more dynamic and liquid LNG market, and the need for greater flexibility by traditional LNG buyers, is providing opportunities for shipping optimisation and trading, and enabling new entrants such as LNG traders," said Saul Kavonic, head of energy research for Australia at Credit Suisse. Royal Dutch Shell, holder of the world's biggest LNG supply portfolio, signed deals last year with Hong Kong's CLP Power, South Korea's SK E&S and Panama's Sinolam LNG for deliveries that could come from any of its global projects, according to an annual report published this month by the Paris-based International

Group of LNG Importers (GIIGNL). The Anglo-Dutch major is also adding new Australian project Prelude and its LNG Canada plant to its supply pool, which already includes fuel from Australia, Egypt, Peru and Russia. Shell's LNG sales volumes hit 71.21 million tonnes in 2018, up 8 percent from the previous year, driven by increased LNG purchases from third parties and higher LNG output, the company said in its 2018 annual report. "It's important that the industry can supply LNG to customers on the basis that they want to buy," said Steve Hill, Shell's executive vice president for gas and energy marketing and trading, at a conference in Singapore in March. France's Total, with the second-largest LNG portfolio, will more than double its overall supply to about 40 million tonnes a year by 2020 from 2017, and out of that volume about 65 percent will have flexible destination or be reloadable, according to a company presentation on its website. This comes with the start-up of new projects in Russia and Australia and as Total increases offtake volumes from third-party United States export sites. Malaysia's Petronas - which handles production for the world's third-biggest LNG-supplying nation - also signed several short-term deals last year from its portfolio including its first ever term deal with India. "Portfolio selling enables higher margins through trading and optimisation, facilitates marketing to take new project final investment decisions, and allows sellers to provide greater supply flexibility to customers," Kavonic said. Spot and short-term trades made up 32 percent of overall LNG volumes in 2018, up from 27 percent in 2017 and less than 20 percent in 2010, GIIGNL said in early April. LNG supply is expected to grow this year by a record 40 million tonnes, which could further increase spot volumes. With new buyers entering the market, their needs are evolving quickly, said Nicholas Browne, gas and LNG director at consultancy Wood Mackenzie in Singapore "New markets usually want LNG quickly because of the rapid growth of floating storage and regasification units (FSRUs), which has accelerated their market entry," Browne said. "Portfolio players are well suited to meet this need," he said. Bangladesh and Pakistan are two of the relatively new buyers, both expanding import capacities and looking for new supplies. Besides Petronas, another long-time LNG supplier that is going the portfolio route is Woodside Petroleum. The Australian producer signed a heads of agreement with China's ENN Group in April on such a deal, as it markets gas from its proposed Scarborough project. Also, Russia's Novatek is selling 50 percent of its volumes from its Arctic LNG 2 project on a spot basis, which it says is driven partly by the emergence of portfolio players. Developers are also increasingly taking final investment decisions on new projects without having firm sales agreements already in place. Shell decided to go ahead with its $30 billion LNG Canada project last October with few buyers, while Exxon Mobil Corp and Qatar Petroleum committed to their Golden Pass LNG project in the United States without binding buyers to the total volume. But this potentially exposes projects to new pricing risks, and some portfolio players could be trying to mitigate these risks by increased trading in spot markets and by buying or selling cargoes using alternative pricing formulas. "The shift from long-term take-or-pay contracts to portfolio supply is placing greater risks on project sponsors and exacerbating the risks of oversupply," Bernstein analysts said in a note in April. *(Source: The Star/Reuters)*

Credit ratings provider S&P Global Ratings has assigned a preliminary 'BB-' long-term issuer credit rating with a stable outlook to Serba Dinamik Holdings Bhd and the proposed sukuk trust certificates that the company guarantees. In a statement today, S&P Global Ratings said the rating reflects the company's modest scale with commoditised service offerings, limited record of large-scale project execution outside of oil and gas, large investment needs for future business growth, and somewhat untested asset acquisition strategy. However, these constraints are compensated by its record of timely project execution within budget, respectable client base, good cost control, short but prudent history of equity raising, and investments, according to S&P Global Ratings. "Serba Dinamik's services are relatively narrow compared with larger players in the engineering and services segment. The company offers largely commoditised services in nature, i.e. operations and maintenance, and engineering project execution--primarily targeted to the oil and gas (O&G) and power sector. This means pricing invariably takes precedence over branding and technical capabilities for new contracts bidding," S&P Global Ratings explained. Still, it said the stable outlook on Serba Dinamik indicates its expectations that the company will continue to renew expiring contracts and win new contracts at a healthy rate, translating into respectable revenue growth and stable margins. Serba Dinamik's order book stood at about RM8.3 billion as of Dec 31, 2018, which typically lasts three years and provides good cash flow visibility, said S&P, adding the company has shown strong revenue and cash flow growth over the past three years. However, it is of the view that Serba Dinamik will need to invest about RM1 billion a year in working capital and capital expenditure to sustain its growth over the next two to three years. "In the past, investments were relatively smaller and Serba Dinamik raised equity of about RM800 million over fiscal years 2017 and 2018 to fund them. However, we expect the investments will be debt funded in future," it said, adding such debt-funded growth will raise its leverage. "We believe the company's proposed US dollar-denominated sukuks will help fund its investments over fiscal 2019 and part of 2020. Still, to fund such continued investments, SDHB will need to raise fresh long-term funding almost every year," it added. *(Source: The EdgeMarkets)*

Rating Action

Issuer	PDS Description	Rating/Outlook	Action
Nil	Nil	Nil	Nil

Source: RAM, MARC

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