

Global Markets Research

Fixed Income

Fixed Income Daily Market Snapshot

UST		
Tenure	Closing (%)	Chg (bps)
2-yr UST	2.17	-7
5-yr UST	2.12	-7
10-yr UST	2.32	-6
30-yr UST	2.75	-5

MGS		GII*		
Tenure	Closing (%)	Chg (bps)	Closing (%)	Chg (bps)
3-yr	3.41	-1	3.46	0
5-yr	3.59	0	3.65	0
7-yr	3.75	-1	3.78	0
10-yr	3.83	2	3.88	0
15-yr	4.12	1	4.16	0
20-yr	4.30	0	4.31	-3
30-yr	4.57	-1	4.61	0

* Market indicative levels

MYR IRS Levels		
IRS	Closing (%)	Chg (bps)
1-yr	3.47	0
3-yr	3.50	-2
5-yr	3.56	-3
7-yr	3.64	-1
10-yr	3.83	-2

Source : Bloomberg

Upcoming Government Bond Tender

Nil

US Treasuries

- US Treasuries continued to trend strong; leading a developed-market bond rally on safe-haven bids due to ongoing concerns on US-China trade tensions. The curve shifted lower and bull-steepened as overall benchmark yields fell between 5-7bps to a YTD low. The UST 2Y yields closed 7bps lower at 2.17% whilst the much-watched 10Y bond rallied to close 6bps lower at 2.32%. The weaker Markit US Manufacturing PMI data added fuel to the rally whilst pressure mounted on UK Prime Minister to ditch her Brexit plan and resign. Market investors are expecting an interest-rate cut by the end of the year, though minutes of the Fed's last policy meeting showed officials expect patience on rates to be appropriate for "some time".

MGS/GII

- Trading in local govies saw momentum improve to as secondary market volumes rose to RM2.64b. Benchmark yields ended mixed to-lower i.e between -3 to +2bps with interest seen in the off-the-run 19's, 25's and 10Y benchmark MGS. The benchmark 5Y MGS 4/23 was untraded at 3.59% levels whilst the 10Y MGS 8/29 was pushed 2bps higher instead at 3.83% following the decent reopening/auction earlier in the day which notched a BTC ratio of 1.84x; averaging 3.836%. GII bond trades rose to form 17% of overall trades. On the EM Asia Pacific scene global bond funds were neutral on Malaysia whilst adding on South Korean bonds. The brunt was felt most in both Indian and Indonesian bonds following the end of national elections. Nevertheless bond investors may find Asia's domestic debt attractive as the region is ahead in terms of monetary-easing cycle with inflation largely controlled. On the local data front is the release of April's CPI data today.

Corp Bonds/Sukuk

- Corporate Bonds/Sukuk space saw strong secondary volume of RM463m with interest across the GG-AA part of the curve. Th govt-guaranteed PTPTN 27-29's closed 0-2bps lower between 3.97-4.05% levels compared to previous-done levels whilst the 2026 tranche rallied 24bps lower at 3.95%. AAA-rated DANGA 9/27 edged 1bps lower at 4.11% whereas the toll-operators WCE and EKVE 2030-2031 tranches saw the largest movement in yields at 4.40% and 4.34% respectively. The AA-space was dominated by power-related bonds i.e. EDRA Energy, Southern Power, TBEI, JEP and YTL Power which saw yields move sharply lower on investor demand bonds. The 2028-2036 tranches saw solid demand. The banking space saw RHB Islamic 29NC24 close unchanged at 4.32% whereas Affin Islamic Perp ended 4bps lower at 5.97%.

Daily Trades : Government Bond

Securities		Closing YTM	Vol (RM mil)	Previous YTM	Previous Trade Date (dd/mm/yyyy)	Chg (bp)
MGS	07/19	3.089	210	3.017	21/05/2019	7
MGS	10/19	3.184	35	3.157	21/05/2019	3
MGS	11/19	3.184	45	3.171	17/05/2019	1
MGS	10/20	3.307	85	3.317	21/05/2019	-1
MGS	07/21	3.377	14	3.370	17/05/2019	1
MGS	11/21	3.404	4	3.368	21/05/2019	4
MGS	03/22	3.414	2	3.424	17/05/2019	-1
MGS	09/22	3.497	40	3.504	17/05/2019	-1
MGS	03/23	3.598	149	3.614	21/05/2019	-2
MGS	08/23	3.622	8	3.640	21/05/2019	-2
MGS	07/24	3.698	2	3.697	16/05/2019	0
MGS	09/24	3.688	41	3.697	21/05/2019	-1
MGS	03/25	3.771	8	3.794	14/05/2019	-2
MGS	09/25	3.801	1	3.810	21/05/2019	-1
MGS	04/26	3.842	3	3.843	16/05/2019	0
MGS	07/26	3.748	196	3.767	21/05/2019	-2
MGS	11/26	3.848	51	3.838	21/05/2019	1
MGS	03/27	3.884	1	3.964	16/05/2019	-8
MGS	11/27	3.872	3	3.864	21/05/2019	1
MGS	06/28	3.884	15	3.878	21/05/2019	1
MGS	08/29	3.831	1056	3.814	21/05/2019	2
MGS	04/30	3.990	64	3.997	17/05/2019	-1
MGS	04/33	4.149	6	4.154	21/05/2019	0
MGS	11/33	4.119	14	4.094	17/05/2019	2
MGS	05/35	4.263	2	4.293	14/05/2019	-3
MGS	04/37	4.298	4	4.341	15/05/2019	-4
MGS	06/38	4.300	19	4.304	17/05/2019	0
MGS	09/43	4.545	2	4.553	16/05/2019	-1
MGS	03/46	4.599	55	4.592	17/05/2019	1
MGS	07/48	4.565	61	4.582	21/05/2019	-2
GII	04/20	3.258	9	3.270	17/05/2019	-1
GII	03/21	3.412	60	3.431	16/05/2019	-2
GII	04/22	3.502	1	3.481	15/05/2019	2
GII	07/22	3.581	50	3.614	04/04/2019	-3
GII	10/25	3.792	230	3.812	16/05/2019	-2
GII	10/28	3.883	21	3.874	16/05/2019	1
GII	09/39	4.314	20	4.347	08/05/2019	-3
GII	11/49	4.592	50	4.610	17/05/2019	-2
			<u>2635</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*
GovCo Holdings Berhad	06/26	GG	3.975	5	3.980	14/05/2019	0	22
Perbadanan Tabung Pendidikan Tinggi Nasional	08/26	GG	3.954	10	4.191	12/02/2019	-24	20
Perbadanan Tabung Pendidikan Tinggi Nasional	03/27	GG	3.974	45	3.990	13/05/2019	-2	16
Perbadanan Tabung Pendidikan Tinggi Nasional	03/29	GG	4.051	10	4.050	16/05/2019	0	22
Lembaga Pembiayaan Perumahan Sektor Awam	10/38	GG	4.419	60	4.429	08/05/2019	-1	11
Aman Sukuk Berhad	07/19	AAA	3.431	10	3.655	09/04/2019	-22	18
Al Dzhahab Assets Berhad	09/20	AAA	4.245	15	4.331	03/05/2019	-9	99
Cagamas Berhad	11/20	AAA	3.558	5	3.969	28/02/2019	-41	30
GENM Capital Berhad	03/22	AAA	5.158	1	4.212	07/05/2019	95	174
Danga Capital Berhad	09/27	AAA	4.111	10	4.119	07/05/2019	-1	30
GENM Capital Berhad	07/28	AAA	4.499	1	4.499	21/05/2019	0	66
West Coast Expressway Sdn Berhad	08/30	AAA	4.399	10	4.959	23/03/2018	-56	57
EKVE Sdn Berhad	01/31	AAA	4.338	10	4.930	23/03/2018	-59	51
Tenaga Nasional Berhad	08/38	AAA	4.589	4	4.599	15/05/2019	-1	28
YTL Power International Berhad	03/23	AA1	4.337	10	4.352	10/05/2019	-2	78
Westports Malaysia Sdn Berhad	05/24	AA+	4.115	10	4.326	12/03/2019	-21	51
Jimah East Power Sdn Berhad	06/26	AA-	4.359	1	4.397	11/04/2019	-4	60
Tanjung Bin Energy Issuer Berhad	03/28	AA3	4.338	10	4.724	11/12/2018	-39	50
RHB Islamic Bank Berhad	05/29	AA3	4.319	20	4.320	17/05/2019	0	49
Edra Energy Sdn Berhad	01/30	AA3	5.120	1	5.218	21/05/2019	-10	129
Edra Energy Sdn Berhad	07/36	AA3	5.520	15	5.640	21/05/2019	-12	141
Southern Power Generation Sdn Berhad	10/27	AA-	4.199	10	4.429	27/03/2019	-23	39
Tanjung Bin O&M Berhad	06/29	AA-	4.430	10	4.972	19/12/2017	-54	60
Southern Power Generation Sdn Berhad	10/30	AA-	4.239	20	4.452	04/04/2019	-21	41
Southern Power Generation Sdn Berhad	10/31	AA-	4.251	20	4.329	09/05/2019	-8	42
Southern Power Generation Sdn Berhad	10/32	AA-	4.409	10	4.409	16/05/2019	0	30
Golden Assets International Finance Limited	08/19	A1	4.537	1	4.663	12/03/2019	-13	128
CIMB Group Holdings Berhad	05/16	A1	4.431	1	4.430	21/05/2019	0	12
Affin Islamic Bank Berhad	10/17	A3	4.717	10	4.762	15/05/2019	-4	40
Eco World International Berhad	05/23	-	5.970	120	6.300	21/02/2019	-33	-
				<u>463</u>				

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

Market/Corporate News: What's Brewing

Genting Bhd is reviewing spending plans and cost structures in Malaysia following recent hikes in casino duties, while a provision on a terminated project impacted its first quarter earnings. Earnings in the three months ended March 31 fell 6.8% to RM561.6mil from RM602.7mil made a year ago. The international gaming and leisure group, which also has plantation, as well as oil and gas divisions, said revenue improved 6% to RM5.57bil during the quarter under review. Profits during the quarter, the company said in a filing with Bursa Malaysia today, was impacted by the provision for termination related costs of RM198.3mil by Genting Malaysia Bhd (GENM), as well as a loss on a discontinued cash flow hedge. "In Malaysia, the group will continue to review its capital expenditure requirements and rationalise its operating cost structure to mitigate the impact of the hike in casino duties against an increasingly challenging operating environment," it said. Additionally, the GENM will focus on leveraging the new assets to grow key business segments," it added. The group, however, is forging ahead with massive new investments abroad. In Singapore, the group has embarked on a re-development investment of S\$4.5bil to expand and transform its integrated resort from 2020 onwards. The group is also stepping up efforts and deploying more resources in preparation to enter the Japanese market. Meanwhile, Genting also provided an update on its venture in Las Vegas, in the US. As of May 9, Resorts World Las Vegas has completed concrete work up to level 65 of the West Tower and level 64 of the East Tower. "The hotel towers are scheduled to reach their full height (level 69) on July 23," it said. The group said total development and land costs incurred as of March 31 were approximately US\$1.3bil. "The first phase is estimated to cost approximately US\$4.1bil and is targeted to open by the end of 2020," it said. (Source: *The Star*)

The International Islamic Liquidity Management Corporation (IILM) has issued a US\$150 million short-term A-1 sukuk rated by Standard & Poor's under a new series with a three-week tenor at a 2.54 percent profit rate. Among the highlights of the sukuk is that it offered for the first time a three-week tenor, exclusively reserved to primary dealers (PDs) and the new issuance will lead to an increase of the total outstanding of the IILM Sukuk in the market to US\$2.21 billion from US\$2.06 billion previously. In a statement today, it said the sukuk had well supported demand on the new series of the IILM Sukuk with a bid-to-cover ratio of 433 per cent, the highest to date under the competitive auction methodology. "Profit rate achieved for the three-week sukuk is 2.54 percent compared to the indicative pricing guidance range of 2.55 percent-2.61 percent," it said, adding that purchases by Islamic PDs in the primary auction amounted to circa 80 percent. The IILM is an international organisation established on Oct 25, 2010 by central banks, monetary authorities and multilateral organisations to develop and issue short-term Shari'ah-compliant financial instruments to facilitate effective cross-border liquidity management for institutions that offer Islamic financial services. (Source: *The EdgeMarkets*)

Property developer UEM Sunrise Bhd's net profit for the first quarter ended March 31, 2019 (1QFY19) grew by 19.02% to RM30.1 million from RM25.29 million last year, thanks mainly to contributions from its international projects and gains from cost-cutting measures offsetting lower results from joint ventures and associates. Its quarterly revenue was also up 45.71% to RM419.26 million, from RM287.74 million in 1QFY18, largely due to partial settlement of the Conservatory and Aurora Melbourne Central projects in Australia. "The contribution from international revenue cushioned the impact of lower revenue from domestic projects, following the completion of Almas and Estuari in the previous year, while Residensi Astrea and Eugenia-Serene Heights in Central, as well as Aspira Park Homes and 680 Avenue in Southern, are still at early stages of their development cycles," UEM Sunrise said in its filing with Bursa Malaysia.

On prospects, the group said it acknowledges the challenging outlook, but believes products with unique value propositions, strategic locations and attractive prices will continue to generate demand and create sales. In addition, the developer has included affordable and mid-market properties in its launches. “The reduction in interest rate is also viewed positively, as it lowers borrowing costs for potential home buyers, benefitting the property sector,” the developer said. UEM Sunrise said the group will continue its smart spending initiative to attain gains from project cost-savings, general and other operational costs to preserve the group’s consolidated margins. The developer is also poised to continue with its asset divestment and land portfolio rebalancing strategy, having earmarked few non-strategic lands for divestment amounting to RM300 million. “We are mindful of the challenging market environment and remain pragmatic on our RM1.2 billion gross development value (GDV) target. Additional launches depend on market conditions and demand. We will also remain prudent in our sales target of RM1.2 billion,” its managing director and chief executive officer Anwar Syahrin Abdul Ajib said in a statement accompanying the quarterly results today. Moving forward, Anwar Syahrin said UEM Sunrise is planning to launch other mid-market products in both Iskandar Puteri, as well as the Central region in the second half of this year, including the much-awaited development in Kepong towards the end of the year. He added that the developer is also eyeing to launch a new commercial development in Gerbang Nusajaya. (Source: *The EdgeMarkets*)

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

Source: RAM, MARC

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