

## Global Markets Research

### Fixed Income

#### Fixed Income Daily Market Snapshot

UST		
Tenure	Closing (%)	Chg (bps)
2-yr UST	1.80	-1
5-yr UST	1.80	1
10-yr UST	2.06	3
30-yr UST	2.59	4

MGS		GII*		
Tenure	Closing (%)	Chg (bps)	Closing (%)	Chg (bps)
3-yr	3.33	-3	3.37	0
5-yr	3.43	0	3.47	0
7-yr	3.56	-2	3.60	-1
10-yr	3.65	1	3.66	-1
15-yr	3.98	2	3.96	0
20-yr	4.12	1	4.12	0
30-yr	4.41	-1	4.49	0

\* Market indicative levels

MYR IRS Levels		
IRS	Closing (%)	Chg (bps)
1-yr	3.37	0
3-yr	3.39	1
5-yr	3.45	1
7-yr	3.53	2
10-yr	3.72	2

Source : Bloomberg

#### Upcoming Government Bond Tender

Nil

#### US Treasuries

- US Treasuries curve steepened sharply last Friday; weaker at the long-ends on profit-taking activities despite comments by Fed policy-maker on the Fed needing to cut rates possibly by 50bps. The safe-appeal of UST's also took a back-seat as geopolitical tensions eased in Iran. Overall benchmark yields ended mixed between -1 and +4bps with the UST 2Y at 1.80% and the much-watched 10Y rising 3bps higher at 2.06%. Meanwhile the G20 summit in Japan is expected to be in focus, with Trump due to meet with Chinese President Xi Jinping on further trade talks. The noises for a Fed interest rate cut is still loud with the Fed Fund Futures pricing in a 72% odds for a 25bps rate cut in July and a 28% odds for a 50bps instead.

#### MGS/GII

Trading momentum in local govovies eased on profit-taking activities as seen across most tenures with secondary market volume at RM4.52b. Benchmark yields were mostly mixed between -3 to +2bps with main focus on in the shorter off-the-run 19's, 24-27's and also the benchmark 7Y bonds. The benchmark 5Y MGS 4/23 closed within 1bps at 3.43% whilst the 10Y MGS 8/29 edged 1bps higher at 3.65% respectively. GII bond trades maintained at about 33% of overall trades. Meanwhile investors and traders are weighing the possibility of BNM sanctioning an additional rate cut to the OPR on account of potential slower economic growth from fallout from ongoing global trade issues. Investors are also weighing the option that a more dovish Fed could potentially create demand for longer duration bonds.

#### Corp Bonds/Sukuk

- Corporate Bonds/Sukuk space similarly saw secondary volume rise further to RM973m with interest seen mainly along the GG-segment. KHAZANAH 9/22 saw RM100m in nominal amounts traded as it closed 4bps lower compared to previous-done levels at 3.48%. Meanwhile DANA 25-26's hogged the limelight closing 10-25bps sharply lower between 3.58-63% levels. AAA-rated PLUS 21 edged 2bps lower at 3.61% whilst the AA-space again saw several energy-related bonds trade in the secondary space on names like TADAU 7/23, TBEI 3/27, JEP 12/30 and Southern Power 30-31's. YTL Corp 6/34 made its maiden trade closing at 4.45%. Meanwhile the government's announcement on its intended purchase of four(4) tolled highways for RM6.2b is expected to be watched carefully by investors holding the respective bonds its their portfolios.

## Daily Trades : Government Bond

Securities		Closing YTM	Vol (RM mil)	Previous YTM	Previous Trade Date (dd/mm/yyyy)	Chg (bp)
MGS	10/19	3.099	82	3.081	20/06/2019	2
MGS	11/19	3.069	315	3.082	20/06/2019	-1
MGS	03/20	3.174	82	3.162	20/06/2019	1
MGS	07/20	3.196	18	3.159	20/06/2019	4
MGS	10/20	3.215	12	3.226	19/06/2019	-1
MGS	07/21	3.312	1	3.298	20/06/2019	1
MGS	09/21	3.325	140	3.335	20/06/2019	-1
MGS	11/21	3.326	12	3.333	20/06/2019	-1
MGS	03/22	3.328	140	3.356	20/06/2019	-3
MGS	08/22	3.389	50	3.373	20/06/2019	2
MGS	09/22	3.388	30	3.403	20/06/2019	-2
MGS	04/23	3.418	122	3.418	20/06/2019	0
MGS	08/23	3.443	71	3.439	20/06/2019	0
MGS	06/24	3.427	10	3.423	20/06/2019	0
MGS	07/24	3.483	4	3.520	20/06/2019	-4
MGS	09/24	3.498	258	3.497	20/06/2019	0
MGS	03/25	3.531	125	3.560	20/06/2019	-3
MGS	07/25	3.578	40	3.755	03/06/2019	-18
MGS	09/25	3.513	171	3.557	20/06/2019	-4
MGS	04/26	3.639	20	3.615	20/06/2019	2
MGS	07/26	3.560	374	3.567	20/06/2019	-1
MGS	11/26	3.621	151	3.628	20/06/2019	-1
MGS	11/27	3.655	226	3.696	20/06/2019	-4
MGS	06/28	3.680	53	3.693	20/06/2019	-1
MGS	08/29	3.653	106	3.653	20/06/2019	0
MGS	06/31	3.839	8	3.839	20/06/2019	0
MGS	11/33	3.976	190	3.962	20/06/2019	1
MGS	05/35	4.055	1	4.080	19/06/2019	-3
MGS	04/37	4.081	7	4.123	19/06/2019	-4
MGS	06/38	4.124	31	4.113	20/06/2019	1
MGS	03/46	4.421	1	4.452	19/06/2019	-3
MGS	07/48	4.408	191	4.423	20/06/2019	-1
GII	04/21	3.304	145	3.299	20/06/2019	0
GII	03/22	3.372	70	3.365	20/06/2019	1
GII	07/22	3.395	120	3.397	20/06/2019	0
GII	11/22	3.427	60	3.431	20/06/2019	0
GII	11/22	3.405	10	3.450	17/06/2019	-5
GII	04/23	3.478	40	3.701	05/04/2019	-22
GII	11/23	3.453	80	3.456	20/06/2019	0
GII	08/24	3.492	270	3.498	20/06/2019	-1
GII	10/24	3.465	150	3.462	20/06/2019	0
GII	08/25	3.573	110	3.586	20/06/2019	-1
GII	03/26	3.600	202	3.608	20/06/2019	-1
GII	09/26	3.623	60	3.612	20/06/2019	1
GII	07/27	3.674	130	3.719	20/06/2019	-4
GII	07/29	3.662	1	3.669	20/06/2019	-1
GII	09/30	3.751	10	3.751	20/06/2019	0
GII	11/34	3.949	20	3.966	20/06/2019	-2
GII	08/37	4.120	1	4.101	20/06/2019	2
			<u>4519</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*
Malaysia Debt Ventures Berhad	08/20	GG	3.335	30	3.938	11/08/2017	-60	15
Khazanah Nasional Berhad	09/22	GG	3.478	100	3.521	14/06/2019	-4	15
SME Bank	03/24	GG	3.697	90	-	-	-	27
MKD Kencana Sdn Berhad	02/25	GG	3.722	150	3.730	20/06/2019	-1	20
DanaInfra Nasional Berhad	02/25	GG	3.579	20	3.830	09/05/2019	-25	6
DanaInfra Nasional Berhad	04/25	GG	3.579	30	3.829	24/05/2019	-25	6
DanaInfra Nasional Berhad	02/26	GG	3.616	70	3.718	18/06/2019	-10	5
DanaInfra Nasional Berhad	04/26	GG	3.629	20	3.748	12/06/2019	-12	6
Bank Pembangunan Malaysia Berhad	09/29	GG	3.890	1	3.990	11/06/2019	-10	24
Perbadanan Tabung Pendidikan Tinggi Nasional	08/32	GG	4.017	2	4.240	16/05/2019	-22	4
GovCo Holdings Berhad	09/32	GG	4.231	50	4.240	19/06/2019	-1	25
MKD Kencana Sdn Berhad	10/32	GG	4.086	60	4.090	20/06/2019	0	11
Prasarana Malaysia Berhad	09/47	GG	4.408	3	4.439	19/06/2019	-3	29
DanaInfra Nasional Berhad	02/49	GG	4.451	3	4.450	20/06/2019	0	33
Projek Lebuhraya Usahasama Berhad	01/21	AAA	3.613	100	3.634	20/06/2019	-2	33
Al Dzahab Assets Berhad	03/22	AAA	4.077	10	4.311	26/03/2019	-23	75
GENM Capital Berhad	03/22	AAA	3.915	10	3.994	19/06/2019	-8	58
Telekom Malaysia Berhad	04/23	AAA	3.825	20	3.988	09/05/2019	-16	42
Danum Capital Berhad	05/23	AAA	3.783	60	3.850	13/06/2019	-7	38
Telekom Malaysia Berhad	12/24	AAA	3.856	20	3.968	31/05/2019	-11	34
Bank Pembangunan Malaysia Berhad	11/26	AAA	4.192	1	4.251	30/05/2019	-6	62
Projek Lebuhraya Usahasama Berhad	01/30	AAA	4.162	2	4.279	24/05/2019	-12	51
Tenaga Nasional Berhad	08/38	AAA	4.498	4	4.520	13/06/2019	-2	38
Uni Tapah Sdn Berhad	12/30	AA1	4.398	1	4.494	03/05/2019	-10	75
Sarawak Energy Berhad	11/33	AA1	4.311	3	4.309	20/06/2019	0	33
YTL Corporation Berhad	06/34	AA1	4.450	30	-	-	-	-
Krung Thai Bank Public Company Limited	07/25	AA2	4.101	1	4.553	19/06/2019	-45	58
Besraya (M) Sdn Berhad	07/19	AA3	3.863	2	4.380	14/11/2018	-52	68
UEM Sunrise Berhad	04/20	AA-	3.877	10	4.218	26/04/2019	-34	70
Perbadanan Kemajuan Negeri Selangor	05/20	AA3	4.124	2	4.490	04/03/2019	-37	94
Country Garden Real Estate Sdn Berhad	02/23	AA3	6.590	6	6.590	17/06/2019	0	319
Tadau Energy Sdn Berhad	07/23	AA3	4.459	3	5.069	27/04/2018	-61	106
Tanjung Bin Energy Issuer Berhad	03/27	AA3	4.199	2	4.530	28/03/2019	-33	58
Konsortium Lebuhraya Utara-Timur (KL) Sdn Berhad	12/20	AA-	4.067	10	4.343	10/01/2019	-28	89
SAJ Capital Sdn Berhad	01/24	AA-	4.500	5	5.027	03/12/2018	-53	107
WCT Holdings Berhad	04/26	AA-	5.297	2	5.299	20/06/2019	0	173
Southern Power Generation Sdn Berhad	10/30	AA-	4.149	20	4.239	23/05/2019	-9	50
Jimah East Power Sdn Berhad	12/30	AA-	4.332	2	4.379	12/06/2019	-5	68
Southern Power Generation Sdn Berhad	04/31	AA-	4.149	10	4.191	07/06/2019	-4	50
CIMB Group Holdings Berhad	05/16	A1	4.179	5	3.979	19/06/2019	20	6
CIMB Group Holdings Berhad	05/16	A1	4.120	1	4.582	20/06/2019	-46	0
Eco WorLd International Berhad	04/23	-	5.598	1	5.981	19/06/2019	-	-
Mah Sing perpetual	-	-	5.450	1	5.470	19/06/2019\	-	-
				<u>973</u>				

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

## Market/Corporate News: What's Brewing

In just a year, Gamuda Bhd has divested its cash generative concession business, namely its 40% equity stake in water treatment firm **Syarikat Pengeluar Air Sungai Selangor (SPLASH)**, and its intra-city toll highways in the **Klang Valley**. This leaves the investing fraternity wondering whether Gamuda has become a different kettle of fish now, without the two cash cows. Last Friday, Gamuda announced that the four toll concessionaires in which it owns equity interest, had received letters of offer from the Minister of Finance Inc (MoF Inc) for an estimated RM4.5 billion cash, after deducting their borrowings. The government will also take over the borrowings that are linked to the highways. The four concessionaires that have been offered are Gamuda's subsidiaries and associate companies, namely its 70%-owned unit Kesas Holdings Bhd, its 52%-owned associate Sistem Penyuraian Trafik KL Barat Holdings Sdn Bhd (Sprint Holdings), its 44%-owned public-listed Lingkaran Trans Kota Holdings Bhd (Littrak Holdings), and its 50%-owned joint venture Projek SMART Holdings Sdn Bhd. Gamuda anticipates the purchase consideration for the expressway concession companies to be:

- RM1.23 billion for Kesas (which owns Kesas highway)
- RM870 million for Sprint Holdings (which owns Sprint, Kerinchi and Penchala highways)
- RM2.34 billion for Litrak Sdn Bhd (which owns Lebuhraya Damansara Puchong)
- RM60 million for SMART (which owns SMART Tunnel)

Based on Gamuda's effective interest in these toll concessionaires, the group expects its share of the sale proceeds to be RM2.36 billion, which is equivalent to 96 sen per share, from the divestments. Gamuda's share price closed at RM3.83 last week. The group's 44%-owned public-listed entity Litrak Holdings, which wholly owns Litrak and holds 50% of Sprint Holdings, is expected to receive RM2.775 billion or RM5.26 per share. Litrak Holdings' share price closed at RM4.21 last Friday. Last August, Air Selangor offered to buy out SPLASH's water treatment assets at RM2.55 billion cash, ending the water impasse in Selangor that lasted more than 10 years. Based on a back of envelope calculation, Gamuda's cash pile should be enlarged by an additional RM3.38 billion with the latest sale of highway concessionaires, assuming Litrak Holdings will distribute all sale proceeds to its shareholders. As at Jan 31, Gamuda's cash balance was at RM1.39 billion, while its borrowings stood at RM6.04 billion. Gamuda has said it expects to receive the bulk of the cash payment for the Splash stake sale in March. Some analysts and fund managers commented that the offer from MoF Inc is a rather fair deal for Gamuda, considering Litrak Holdings' concessions do not have that many years left ahead. On top of that, the group will be able to unload its borrowings at the same time. Furthermore, SMART highway is not that profitable compared with other intra-city toll roads. Hence, a takeover offer should be welcomed. But going forward, how will Gamuda's earnings prospects be, considering that the values of its infrastructure construction contracts have been trimmed following a renegotiation? Moreover, the property market remains soft. For the six-month period ended Jan 31, the group's water and expressway concessions division earned a pre-tax profit of RM183.18 million, which is equivalent to 41% of the group's total, compared with RM223.21 million a year ago. Its engineering and construction division, on the other hand, generated a pre-tax profit of RM173.53 million (versus RM211.76 million previously), while property development contributed RM92.89 million (versus RM108.29 million a year ago). For the financial year ended July 31, 2018 (FY18), its concession division posted a net profit of RM316.05 million, which was the group's biggest earnings contributor, compared with its construction division's RM296.7 million and its property development's RM205.6 million. The concession division accounted for nearly 39% of the group's total net profit. Gamuda's share price has staged a strong rebound after it tumbled to around RM2 — the lowest level for more than 10 years, last October. The stock gained 12 sen, or 3.23%, to settle at RM3.83 last Friday. Based on its historical earnings per share (EPS) of 20.89 sen in FY18, the stock is trading at a price-earnings ratio of 18.3 times. Its EPS was at 24.78 sen in FY17. For the six months ended Jan 31, 2019, Gamuda's cumulative net profit declined 17.5% to RM375.7 million from RM455.2 million in the previous corresponding period. EPS stood at 13.99 sen versus 17.43 sen a year ago. (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

#### DISCLAIMER

This report is for information purposes only and does not take into account the investment objectives, financial situation or particular needs of any particular recipient. The information contained herein does not constitute the provision of investment advice and is not intended as an offer or solicitation with respect to the purchase or sale of any of the financial instruments mentioned in this report and will not form the basis or a part of any contract or commitment whatsoever.

The information contained in this publication is derived from data obtained from sources believed by Hong Leong Bank Berhad ("HLBB") to be reliable and in good faith, but no warranties or guarantees, representations are made by HLBB with regard to the accuracy, completeness or suitability of the data. Any opinions expressed reflect the current judgment of the authors of the report and do not necessarily represent the opinion of HLBB or any of the companies within the Hong Leong Bank Group ("HLB Group"). The opinions reflected herein may change without notice and the opinions do not necessarily correspond to the opinions of HLBB. HLBB does not have an obligation to amend, modify or update this report or to otherwise notify a reader or recipient thereof in the event that any matter stated herein, or any opinion, projection, forecast or estimate set forth herein, changes or subsequently becomes inaccurate.

HLB Group, their directors, employees and representatives do not have any responsibility or liability to any person or recipient (whether by reason of negligence, negligent misstatement or otherwise) arising from any statement, opinion or information, expressed or implied, arising out of, contained in or derived from or omission from the reports or matter. HLBB may, to the extent permitted by law, buy, sell or hold significantly long or short positions; act as investment and/or commercial bankers; be represented on the board of the issuers; and/or engage in 'market making' of securities mentioned herein. The past performance of financial instruments is not indicative of future results. Whilst every effort is made to ensure that statements of facts made in this report are accurate, all estimates, projections, forecasts, expressions of opinion and other subjective judgments contained in this report are based on assumptions considered to be reasonable as of the date of the document in which they are contained and must not be construed as a representation that the matters referred to therein will occur. Any projections or forecasts mentioned in this report may not be achieved due to multiple risk factors including without limitation market volatility, sector volatility, corporate actions, the unavailability of complete and accurate information. No assurance can be given that any opinion described herein would yield favorable investment results. Recipients who are not market professional or institutional investor customer of HLBB should seek the advice of their independent financial advisor prior to taking any investment decision based on the recommendations in this report.

\*

HLBB may provide hyperlinks to websites of entities mentioned in this report, however the inclusion of a link does not imply that HLBB endorses, recommends or approves any material on the linked page or accessible from it. Such linked websites are accessed entirely at your own risk. HLBB does not accept responsibility whatsoever for any such material, nor for consequences of its use.

This report is not directed to, or intended for distribution to or use by, any person or entity who is a citizen or resident of or located in any state, country or other jurisdiction where such distribution, publication, availability or use would be contrary to law or regulation. This report is for the use of the addressees only and may not be redistributed, reproduced or passed on to any other person or published, in part or in whole, for any purpose, without the prior, written consent of HLBB. The manner of distributing this report may be restricted by law or regulation in certain countries. Persons into whose possession this report may come are required to inform themselves about and to observe such restrictions. By accepting this report, a recipient hereof agrees to be bound by the foregoing limitations.