

Global Markets Research

Fixed Income

Fixed Income Daily Market Snapshot

UST		
Tenure	Closing (%)	Chg (bps)
2-yr UST	1.77	-4
5-yr UST	1.76	-4
10-yr UST	2.02	-4
30-yr UST	2.55	-4

MGS		GII*		
Tenure	Closing (%)	Chg (bps)	Closing (%)	Chg (bps)
3-yr	3.36	3	3.39	2
5-yr	3.46	4	3.51	4
7-yr	3.59	3	3.62	2
10-yr	3.68	2	3.69	3
15-yr	4.00	2	3.96	0
20-yr	4.11	-2	4.12	0
30-yr	4.42	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	3.46	1
7-yr	3.53	0
10-yr	3.70	-2

Source : Bloomberg

Upcoming Government Bond Tender

Nil

US Treasuries

- US Treasuries gained ground as the curve shifted lower on a relatively quiet session with investors aware of the upcoming Fed Chair Powell's scheduled speech on both monetary policy and economy tonight at the Council of Foreign Relations in New York. Overall benchmark yields ended -4bps with the UST 2Y at 1.77% and the much-watched 10Y rising at 2.02%. To recap, the recent FOMC statement and Powell's comments indicated readiness to lower rates to address the persistently low inflation and risks to expansion in the economy. The ongoing US-Iran conflict is also assisting safe-haven bids for USTs and precious metals. Meanwhile the Fed Fund implied probability shows a shift i.e a 64% odds for a 25bps rate cut in July and a higher 36% odds for a 50bps instead.

MGS/GII

Trading momentum in local govies continued to ease on profit-taking activities on lower secondary market volume of RM2.93b. Benchmark yields were 0-4bps higher save for the 20Y on odd-lot trades. Focus was mainly seen in the shorter off-the-run 19's, 23's and also the benchmark 15Y bonds. The benchmark 5Y MGS 4/23 spiked 4bps at 3.46% whilst the 10Y MGS 8/29 edged 2bps higher at 3.68% respectively. GII bond trades dropped to form about 22% of overall trades. Meanwhile the IMF is impressed with the nation's economic development and efforts to strengthen fiscal discipline as reflected in the measures being undertaken in Budget 2019. Nevertheless investors are weighing the possibility of BNM sanctioning an additional cut to the OPR on account of potential slower economic growth from fallout from ongoing global trade issues. Up next on the data front are the May CPI numbers out tomorrow.

Corp Bonds/Sukuk

- Corporate Bonds/Sukuk however continued to see solid secondary volume of RM829m with interest seen mainly along the GG-segment. A slew of 2023-2030 tranches lower between 13-21bps compared to previous-done levels between 3.49-90% levels. The longer-end DANA 10/46 too rallied strongly to close at 4.40%. AAA-rated PLUS 91 edged 3bps lower at 4.09% whilst the AA-space saw several highway and toll-related bonds exchange hands on lower yields. KESTURI 24-25's and 29-31's saw total RM55m in nominal amounts traded whilst DUKE3 bonds saw the 2032-2037 tranches move 16-46bps lower between 4.56-99% levels. The government's announcement on its proposed purchase of four(4) tolled highways for RM6.2b is expected possibly pave the way for further purchases in future.

Daily Trades : Government Bond

Securities		Closing YTM	Vol (RM mil)	Previous YTM	Previous Trade Date (dd/mm/yyyy)	Chg (bp)
MGS	10/19	3.089	266	3.099	21/06/2019	-1
MGS	11/19	3.089	310	3.069	21/06/2019	2
MGS	03/20	3.193	5	3.174	21/06/2019	2
MGS	07/20	3.232	1	3.196	21/06/2019	4
MGS	07/21	3.323	9	3.312	21/06/2019	1
MGS	09/21	3.329	52	3.325	21/06/2019	0
MGS	08/22	3.400	3	3.389	21/06/2019	1
MGS	09/22	3.402	30	3.388	21/06/2019	1
MGS	03/23	3.456	276	3.425	20/06/2019	3
MGS	04/23	3.460	70	3.418	21/06/2019	4
MGS	08/23	3.435	7	3.443	21/06/2019	-1
MGS	06/24	3.462	80	3.427	21/06/2019	4
MGS	07/24	3.503	41	3.474	20/06/2019	3
MGS	09/24	3.512	82	3.496	21/06/2019	2
MGS	03/25	3.546	18	3.531	21/06/2019	1
MGS	09/25	3.531	75	3.513	21/06/2019	2
MGS	07/26	3.590	151	3.560	21/06/2019	3
MGS	11/26	3.635	100	3.614	21/06/2019	2
MGS	05/27	3.698	20	3.744	19/06/2019	-5
MGS	11/27	3.655	1	3.655	21/06/2019	0
MGS	06/28	3.669	74	3.680	21/06/2019	-1
MGS	08/29	3.676	123	3.653	21/06/2019	2
MGS	04/30	3.798	10	3.784	20/06/2019	1
MGS	06/31	3.855	9	3.819	21/06/2019	4
MGS	04/33	3.981	60	3.966	20/06/2019	1
MGS	11/33	3.996	276	3.982	21/06/2019	1
MGS	04/37	4.119	20	4.081	21/06/2019	4
MGS	06/38	4.108	91	4.124	21/06/2019	-2
MGS	07/48	4.417	30	4.423	21/06/2019	-1
GII	04/20	3.184	120	3.172	20/06/2019	1
GII	03/22	3.391	10	3.372	21/06/2019	2
GII	04/22	3.381	1	3.398	19/06/2019	-2
GII	07/22	3.395	8	3.395	21/06/2019	0
GII	07/23	3.492	20	3.440	20/06/2019	5
GII	10/23	3.492	40	3.492	14/06/2019	0
GII	11/23	3.480	11	3.453	21/06/2019	3
GII	05/24	3.526	90	3.632	03/06/2019	-11
GII	08/24	3.518	74	3.492	21/06/2019	3
GII	10/24	3.508	70	3.498	21/06/2019	1
GII	08/25	3.606	80	3.573	21/06/2019	3
GII	03/26	3.620	13	3.600	21/06/2019	2
GII	07/27	3.702	30	3.674	21/06/2019	3
GII	10/28	3.715	10	3.681	20/06/2019	3
GII	07/29	3.691	10	3.662	21/06/2019	3
GII	09/30	3.778	19	3.751	21/06/2019	3
GII	11/34	3.951	20	3.949	21/06/2019	0
GII	08/37	4.123	10	4.120	21/06/2019	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	02/23	GG	3.489	20	3.619	29/05/2019	-13	7
Prasarana Malaysia Berhad	08/23	GG	3.529	10	3.720	10/04/2019	-19	11
Prasarana Malaysia Berhad	03/24	GG	3.560	15	3.720	31/05/2019	-16	10
Prasarana Malaysia Berhad	02/26	GG	3.670	70	3.882	08/04/2019	-21	8
Prasarana Malaysia Berhad	08/26	GG	3.681	25	3.877	31/05/2019	-20	9
Lembaga Pembiayaan Perumahan Sektor Awam	04/27	GG	3.728	50	3.867	14/06/2019	-14	9
Prasarana Malaysia Berhad	09/27	GG	3.741	50	3.931	30/05/2019	-19	11
Prasarana Malaysia Berhad	12/27	GG	3.759	20	3.920	08/04/2019	-16	10
Prasarana Malaysia Berhad	11/28	GG	3.811	20	3.978	31/05/2019	-17	15
Perbadanan Tabung Pendidikan Tinggi Nasional	03/29	GG	3.820	50	3.930	11/06/2019	-11	15
Perbadanan Tabung Pendidikan Tinggi Nasional	02/30	GG	3.901	50	4.280	15/03/2019	-38	23
Prasarana Malaysia Berhad	12/30	GG	3.889	10	4.090	17/05/2019	-20	22
Prasarana Malaysia Berhad	02/31	GG	3.901	10	3.966	13/06/2019	-7	23
Perbadanan Tabung Pendidikan Tinggi Nasional	03/32	GG	4.008	50	4.030	19/06/2019	-2	1
MKD Kencana Sdn Berhad	10/32	GG	4.091	40	4.086	21/06/2019	0	9
DanaInfra Nasional Berhad	10/46	GG	4.399	5	4.651	05/04/2019	-25	27
Al Dzahab Assets Berhad	03/22	AAA	4.046	10	4.077	21/06/2019	-3	71
Great Realty Sdn Berhad	05/23	AAA	4.877	14	4.937	07/06/2019	-6	146
Putrajaya Bina Sdn Berhad	03/25	AAA	3.860	5	3.897	10/06/2019	-4	32
Projek Lebuhraya Usahasama Berhad	01/29	AAA	4.089	10	4.115	20/06/2019	-3	42
Bank Pembangunan Malaysia Berhad	03/32	AAA	4.370	10	4.394	11/06/2019	-2	37
YTL Power International Berhad	10/24	AA1	4.298	7	4.327	17/06/2019	-3	84
YTL Power International Berhad	05/27	AA1	4.378	10	4.397	13/06/2019	-2	74
Public Islamic Bank Berhad	08/27	AA1	4.009	10	4.109	30/05/2019	-10	38
UniTapah Sdn Berhad	12/30	AA1	4.399	2	4.398	21/06/2019	0	73
YTL Corporation Berhad	03/26/2034	AA1	4.430	5	4.450	21/06/2019	-2	-
AmBank (M) Berhad	06/20	AA2	3.801	30	4.110	20/03/2019	-31	62
Imtiaz Sukuk II Berhad	11/21	AA2	3.987	20	4.328	15/01/2019	-34	69
Krung Thai Bank Public Company Limited	07/25	AA2	4.096	1	4.101	21/06/2019	0	55
Anih Berhad	11/25	AA	4.266	2	4.268	20/06/2019	0	72
Country Garden Real Estate Sdn Berhad	02/23	AA3	6.596	15	6.590	21/06/2019	1	318
AmBank (M) Berhad	03/28	AA3	4.791	1	4.574	13/03/2019	22	113
Edra Energy Sdn Berhad	01/33	AA3	5.019	10	5.109	10/06/2019	-9	102
Edra Energy Sdn Berhad	07/34	AA3	5.089	10	5.087	20/06/2019	0	109
Southern Power Generation Sdn Berhad	04/22	AA-	3.918	10	4.439	23/10/2018	-52	58
Segi Astana Sdn Berhad	01/23	AA-	4.968	1	4.969	21/06/2019	0	155
Konsortium Lebuhraya Utara-Timur (KL) Sdn Berh	12/24	AA-	4.308	10	4.449	03/06/2019	-14	85
Konsortium Lebuhraya Utara-Timur (KL) Sdn Berh	12/25	AA-	4.348	10	4.417	13/06/2019	-7	81
Konsortium Lebuhraya Utara-Timur (KL) Sdn Berh	11/29	AA-	4.449	10	4.470	20/06/2019	-2	78
Konsortium Lebuhraya Utara-Timur (KL) Sdn Berh	12/31	AA-	4.558	5	4.851	17/01/2019	-29	89
Lebuhraya DUKE Fasa 3 Sdn Berhad	08/32	AA-	4.649	10	5.080	17/01/2019	-43	65
Lebuhraya DUKE Fasa 3 Sdn Berhad	08/34	AA-	4.758	10	5.219	31/01/2019	-46	76
Southern Power Generation Sdn Berhad	04/35	AA-	4.669	20	5.118	06/12/2018	-45	67
Lebuhraya DUKE Fasa 3 Sdn Berhad	08/36	AA-	4.909	20	5.080	03/05/2019	-17	91
Lebuhraya DUKE Fasa 3 Sdn Berhad	08/37	AA-	4.989	20	5.150	03/05/2019	-16	86
Lafarge Cement Sdn Berhad	12/20	A1	4.341	1	4.349	18/06/2019	-1	116
CIMB Group Holdings Berhad	05/16	A1	4.431	12	4.179	21/06/2019	25	30
CIMB Group Holdings Berhad	05/16	A1	4.089	1	4.120	21/06/2019	-3	-4
UMW Holdings Berhad	04/18	A1	4.688	20	4.728	19/06/2019	-4	56
Eco World Capital Assets Berhad	12/22	-	5.989	3	6.148	15/05/2019	-16	265
				<u>829</u>				

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

Market/Corporate News: What's Brewing

The government is expected to acquire more toll highways in the future, especially those with matured traffic flows and shorter remaining concession years, according to a research house. It said this was because the takeover bid price and interest expense would be slightly lower compared to those with longer remaining concession years. "We can expect more toll acquisitions to occur in the near term as the government has highlighted that it would use a similar model (to that of the Gamuda and Lingkaran Trans Kota Holdings Bhd (Litrak) toll highways) to acquire the concessions of other toll highways in the future, including inter-city highways," it said in a report. The research house pointed out that among inter-city toll highways with matured traffic and short remaining concession years are the New Pantai Expressway (NPE) which matures in 2030, the Ampang-Kuala Lumpur

Elevated Highway (AKLEH) in 2029 and the Guthrie Corridor Expressway in 2036. As of November last year, there were two concessions that end in 10 years, 16 other concessions between 11 and 20 years and 11 others beyond the next 20 years. “Interestingly, some industry observers do not expect such an acquisition model to materialise for long remaining concession years, as the bid price is much higher for the government. “They are also saying that the government may potentially save its operation and maintenance (O&M) costs via the removal of toll booths and other means of cost optimisation for its O&M,” said an analyst. The NPE is owned and maintained by New Pantai Expressway Sdn Bhd, a subsidiary of IJM Corp Bhd, while AKLEH and the Guthrie Corridor Expressway come under Projek Lintasan Kota Holdings Sdn Bhd (Prolintas), which is wholly owned by Permodalan Nasional Bhd (PNB). IJM Corp dipped 2.07% to close at RM2.36 with 7.21 million shares being traded yesterday. On Saturday, Finance Minister Lim Guan Eng announced that the government had made a RM6.2bil bid to take over four concessions of toll highways, which could save taxpayers RM5.3bil in compensation to the concessionaires. The four highways are Lebuhraya Damansara-Puchong (LDP), Sistem Penyuraian Trafik KL Barat (Sprint), Shah Alam Expressway (Kesas) and Smart Tunnel (Smart). Gamuda Bhd as a significant stake in all four highways, while the concessionaire for LDP is Litrak. Gamuda owns a 43.6% stake in Litrak, a 50% stake in Sprint, a 70% stake in Kesas and a 50% stake in Smart. The takeover of the toll highways would be financed through a special-purpose vehicle under the Minister of Finance Inc, a corporate body under the Finance Ministry (MoF). There will be flexible congestion charges during peak hours, which will be capped to the present toll rates once the government takes over the concession. But it is yet to be ascertained if the proposed takeover would go through, as the matter will only be decided by the Cabinet after taking into account the studies and suggestions from the Works Ministry. On the same day following Lim’s announcement, Works Minister Baru Bian said the report would only be presented to the Cabinet next month, among which were to suggest reasonable options that could be accepted by all stakeholders to minimise the financial burden of the government and ensure that the operations and maintenance standards of the highways are not affected. Shareholders in Gamuda and Litrak seem to have differing opinions on the proposed acquisition of the toll highways by the government. Litrak was the second top gainer on Bursa Malaysia yesterday, rising 16.63% to RM4.91, its highest since Sept 7 last year, with 3.71 million shares being done. Gamuda emerged as the fifth top loser on the local bourse after dipping 6.79% to RM3.57 with 33.62 million shares being traded. The LDP received the highest offer at RM2.47bil, followed by Sprint at RM1.98bil, Kesas at RM1.38bil and Smart at RM369mil. Kumpulan Perangsang Selangor Bhd (KPS) managing director and group CEO Ahmad Fariz Hassan said the proposed acquisition of Sprint was a positive development and a profitable divestment. “Monetising the non-core asset would position us a step closer to moving in the intended direction and ensuring the strategic business alignment at the group level,” he said. KPS owns 20% in Sistem Penyuraian Trafik KL Barat Holdings Sdn Bhd. Meanwhile, on research institute said the government’s move to acquire four toll highways has been deemed positive for all stakeholders, as it fairly compensates the concessionaires and will inevitably lead to long-term savings for the country. Its report yesterday stated that the offer is well-balanced and not too burdensome to the government’s financial position. “Indirect stakeholders, being the one million daily road users, in our estimate, comprising 48% of urban toll-road users, would benefit from a lower cost of transportation (RM180mil savings annually estimated by the MoF). “Capital market participants, meanwhile, could benefit from improved market confidence through a display of market integrity, namely, the safeguarding of contractual obligations between the government and the private sector.” The research house added that

the deal would lead to long-term savings for the government despite incurring more debt. “The government stands to save RM5.2bil in compensation payments for absorbing the cost of deferring toll rate hikes for the remainder of the concession periods. “In addition, a soon-to-be implemented congestion charge acts as a sustainable source of funding for bond financing and operations and maintenance costs. Politically, the government will move forward in fulfilling one of its election promises.” In an environment of tapering traffic growth as a result of new public transportation, another research outfit said the MoF’s cash offer represented an attractive exit option for Litrak. “We believe the LDP and Sprint concessions are unlikely to be extended beyond August 2030 (for LDP) and December 2034 (for Sprint), capping the upside to valuations. We had previously accorded a 20% discount to our discounted cash-flow valuations, imputing uncertainty of the takeover.” Gamuda received an offer from the MoF to acquire its toll highway stakes for an equity value of RM2.36bil. Another analyst said the offer price was 16% below its discounted cash-flow valuation of RM2.8bil. “We were surprised by the low valuation of Kesas and Smart. However, we understand that the offer price is within Gamuda’s internal valuation and hence the offer would likely be accepted. “Assuming the offer is accepted by Gamuda and the deal is completed by the Dec 31, 2019 deadline, we cut our core earnings per share by 16% to 28% in 2020 and 2021, reflecting the loss in toll highway earnings contribution post-disposal, partly offset by interest income on the RM2.36bil cash proceeds.”. (Source: *The Star*

Rating Action			
Issuer	PDS Description	Rating/Outlook	Action
Quill Retail Malls Sdn Bhd	RM350 mil Sukuk Murabahah (2017/2024) of:		
	RM200 mil Class A	AA1/Negative	Reaffirmed
	RM60 mil Class B	AA3/Negative	Reaffirmed
	RM20 mil Class C	A2/Negative	Reaffirmed
	RM10 mil Class D	A3/Negative	Reaffirmed
Trinity Asia Ventures Berhad	RM[52] mil Tranche 1 IMTN	AA3/Stable	Assigned

Source: RAM, MARC

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