

Global Markets Research

Fixed Income

Fixed Income Daily Market Snapshot

UST		
Tenure	Closing (%)	Chg (bps)
2-yr UST	2.51	1
5-yr UST	2.48	1
10-yr UST	2.66	1
30-yr UST	3.03	1

MGS		GII*		
Tenure	Closing (%)	Chg (bps)	Closing (%)	Chg (bps)
3-yr	3.57	0	3.64	-1
5-yr	3.70	0	3.82	1
7-yr	3.86	0	3.96	2
10-yr	3.89	0	4.02	0
15-yr	4.32	1	4.38	0
20-yr	4.48	0	4.61	0
30-yr	4.70	0	4.84	0

* Market indicative levels

MYR IRS Levels		
IRS	Closing (%)	Chg (bps)
1-yr	3.66	0
3-yr	3.68	0
5-yr	3.77	-1
7-yr	3.90	0
10-yr	4.05	0

Source : Bloomberg

Upcoming Government Bond Tender

Reopening of 15Y GII 6/33 (RM2.0b + Private Placement of RM1.0b) on Wednesday, 27th February 2018

US Treasuries

- US Treasuries ended marginally weaker yesterday on risk-on mode as the curve shifted higher following Trump's postponement on US tariff hikes on Chinese goods. Benchmark yields ended about 1bps higher with the 2Y at 2.51% and the much-watched 10Y at 2.66%. Further clues are expected to emerge following Fed Chair Powell's testimony before Congress this week on the outlook for rates whilst the Fed is expected to end its balance sheet unwind earlier. The auction of \$40b of 2Y notes and \$41b of 5Y bonds ended with a decent BTC ratio of 2.50x; averaging 2.503% and 2.40x; averaging 2.489% respectively. Separately, market participants are wary of the 1-5Y spread which is also an acceptable indicator of economic slump that remains inverted since the 4th rate hike last year.

MGS/GII

- Local govies continued to see momentum grind lower with volume at a mere RM1.96b. Interest was mainly focused in the off-the-run 19-20's and 25-26's. Overall benchmarks yields ended mostly unchanged save for the 15Y and the belly for GII bonds which closed 1-2bps higher. Both the 5Y benchmark MGS 4/23 and 10Y MGS 8/29 closed within unchanged at 3.70% and 3.89% respectively. GII trades maintained at 45% of overall trades. Meanwhile the Finance minister has said that the 0.7% contraction in consumer prices for January was due to declining fuel costs and not a result of weakening demand as the economy shows decent expansion. Meanwhile attention is expected to shift to the upcoming 15Y GII auction tomorrow.

Corp Bonds/Sukuk

- Corporate Bonds/Sukuk saw steady secondary demand with volume at RM508m as interest was intact mainly across the GG to AA-part of the curve. Govt-guaranteed GOVCO 2/24 saw RM65m of nominal trades done unchanged at 4.05% whilst both PTPTN and PRASA 27's saw equally substantial trades; closing 3-10bps lower at 4.19-20% levels. AAA-rated PLUS 30 and 33 ended 6-15bps lower at 4.54% and 4.67% respectively. closed 6bps lower several tranches traded with 19's and 31's closing 0-4bps lower at 3.68% and 4.02-03% levels whilst TENAGA 37-38's ended 1-2bps lower between 4.78-82%. In the AA-space, short-end BUMITAMA 19's rose 4bps between 4.17-24% whereas energy-related bond i.e. YTL Power 5/27 and EDRA Energy 7/27 closed unchanged at 4.78% and 5.77% each. The banking space was active with AMBANK Islamic 24NC19 and 28NC23 closing lower on yields at 3.90% and 4.65% respectively.

Daily Trades : Government Bonds

Securities		Closing YTM	Vol (RM mil)	Previous YTM	Previous Trade Date (dd/mm/yyyy)	Chg (bp)
MGS	03/19	3.277	100	3.277	22/02/2019	0
MGS	07/19	3.280	115	3.328	21/02/2019	-5
MGS	10/19	3.398	15	3.399	22/02/2019	0
MGS	11/19	3.393	21	3.405	22/02/2019	-1
MGS	03/20	3.424	1	3.462	22/02/2019	-4
MGS	02/21	3.531	1	3.526	22/02/2019	1
MGS	11/21	3.569	35	3.572	22/02/2019	0
MGS	08/23	3.775	50	3.763	22/02/2019	1
MGS	09/24	3.848	50	3.842	22/02/2019	1
MGS	03/25	3.919	10	3.919	22/02/2019	0
MGS	09/25	3.923	152	3.941	22/02/2019	-2
MGS	04/26	3.975	100	3.969	22/02/2019	1
MGS	11/27	4.005	22	3.967	22/02/2019	4
MGS	06/28	3.966	35	3.972	22/02/2019	-1
MGS	08/29	3.891	15	3.891	22/02/2019	0
MGS	04/30	4.125	150	4.158	22/02/2019	-3
MGS	06/31	4.221	100	4.218	22/02/2019	0
MGS	04/33	4.340	42	4.342	22/02/2019	0
MGS	11/33	4.316	31	4.308	22/02/2019	1
MGS	04/37	4.478	31	4.463	22/02/2019	1
GII	04/20	3.497	41	3.514	22/02/2019	-2
GII	08/20	3.537	230	3.541	21/02/2019	0
GII	03/22	3.638	110	3.645	22/02/2019	-1
GII	07/22	3.717	10	3.720	15/02/2019	0
GII	07/23	3.841	11	3.802	15/02/2019	4
GII	11/23	3.820	110	3.807	22/02/2019	1
GII	08/24	3.897	82	3.906	22/02/2019	-1
GII	07/27	4.049	130	4.057	22/02/2019	-1
GII	10/28	4.083	1	4.087	22/02/2019	0
GII	08/33	4.389	80	4.399	22/02/2019	-1
GII	08/37	4.608	20	4.608	22/02/2019	0
GII	05/47	4.844	60	4.846	21/02/2019	0
			<u>1961</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*
Khazanah Nasional Berhad	06/22	GG	3.992	30	4.016	19/12/2018	-2	43
GovCo Holdings Berhad	02/24	GG	4.051	65	4.049	20/02/2019	0	35
PR1MA Corporation Malaysia	10/24	GG	4.071	20	4.189	10/01/2019	-12	24
Perbadanan Tabung Pendidikan Tinggi Nasional	03/27	GG	4.190	50	4.219	12/02/2019	-3	27
Prasarana Malaysia Berhad	09/27	GG	4.200	50	4.296	11/01/2019	-10	29
DanaInfra Nasional Berhad	11/29	GG	4.300	2	4.317	11/02/2019	-2	41
Perbadanan Tabung Pendidikan Tinggi Nasional	07/41	GG	4.839	20	4.839	19/02/2019	0	35
Projek Lebuhraya Usahasama Berhad	01/25	AAA	4.329	5	4.332	18/02/2019	0	50
Telekom Malaysia Berhad	10/28	AAA	4.534	10	4.549	22/02/2019	-2	64
Projek Lebuhraya Usahasama Berhad	01/30	AAA	4.539	40	4.684	18/10/2018	-15	65
Sarawak Hidro Sdn Berhad	08/31	AAA	4.611	15	4.628	11/01/2019	-2	72
Projek Lebuhraya Usahasama Berhad	01/33	AAA	4.669	10	4.727	18/01/2019	-6	37
MBSB Bank Berhad (fka Asian Finance Bank Berhad)	12/19	AA1	4.130	20	4.144	22/02/2019	-1	70
TRPlc Medical Sdn Berhad	10/22	AA1	4.300	10	4.418	07/12/2018	-12	62
TRPlc Medical Sdn Berhad	10/24	AA1	4.401	10	4.539	21/08/2018	-14	57
YTL Power International Berhad	05/27	AA1	4.781	5	4.781	22/02/2019	0	86
UMW Holdings Berhad	10/19	AA2	4.070	8	4.091	30/01/2019	-2	64
AmBank (M) Berhad	06/20	AA2	4.152	25	4.162	17/01/2019	-1	72
Fortune Premiere Sdn Berhad	11/23	AA	4.568	20	4.590	20/02/2019	-2	86
Bumitama Agri Ltd	03/19	AA3	4.171	10	4.133	22/02/2019	4	74
Bumitama Agri Ltd	09/19	AA3	4.245	5	4.205	22/02/2019	4	81
MMC Corporation Berhad	04/23	AA-	5.148	10	5.176	28/01/2019	-3	147
AmBank Islamic Berhad	03/24	AA3	3.902	5	3.992	21/02/2019	-9	20
RHB Islamic Bank Berhad	05/24	AA3	4.003	10	4.049	09/01/2019	-5	30
Edra Energy Sdn Berhad	07/27	AA3	5.768	3	5.770	21/02/2019	0	185
AmBank Islamic Berhad	10/28	AA3	4.651	10	4.663	22/02/2019	-1	76
Tanjung Bin Energy Issuer Berhad	03/31	AA3	4.715	10	4.858	27/11/2018	-14	82
WCT Holdings Berhad	10/22	AA-	4.948	10	5.026	08/11/2018	-8	127
Projek Lebuhraya Usahasama Berhad	01/32	AA-	4.624	10	4.663	29/01/2019	-4	33
Tan Chong Motor Holdings Berhad	11/21	A1	5.825	6	5.832	14/02/2019	-1	226
Bright Focus Berhad	01/27	A1	6.569	5	6.571	22/02/2019	0	265
				<u>508</u>				

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

Market/Corporate News: What's Brewing

Gamuda Bhd has pledged to ensure that any takeover of its highway concessions is in line with “market valuation norms and practices”. The construction giant announced to Bursa Malaysia yesterday it was in talks with the government in relation to the proposed takeover of four highway concessions. “As the board of directors of Gamuda has a fiduciary duty to deliver fair and reasonable value to its shareholders, the company has to ensure that the proposed transaction will be based on market valuation norms and practices,” it said. The Employees Provident Fund, which owns 50% of PLUS Bhd, is the largest shareholder in Gamuda holding 11.88%, followed by Amanah Saham Bumiputra (4.99%), Perak Royalty (4.79%) and Kumpulan Wang Persaraan (4.14%). Datuk Lin Yun Ling, who is Gamuda’s managing director, owns 3.04%. An analyst told The Edge Financial Daily that Gamuda’s announcement yesterday provided clarity that the negotiations will likely be based on a “willing buyer-willing seller” basis. “As a concessionaire, Gamuda is given a chance to substantiate the valuations of these highways, and negotiate a fair exit price, so it is a good sign. But to what degree that the negotiations will be done on a willing buyer-willing seller basis, we will have to wait for more details,” he said. The Prime Minister’s Office last Saturday issued a statement saying it has begun talks with Gamuda to negotiate the acquisition of four highway concessions that the group has majority stakes in. The four highways are Lebuhraya Damansara Puchong and Sistem Penyuraian Trafik KL Barat, which are owned by Gamuda’s 43.58%-owned Lingkaran Trans Kota Holdings Bhd; 70%-owned Lebuhraya Shah Alam; and, 50%-owned Smart Tunnel. The announcement after The Edge Weekly reported in the latest issue that the government is seeking expropriation values from highway concessionaires to start its move to abolish road tolls in stages. Upon successful takeover, the highways will introduce three tiers of usage — toll-free period between 11pm and 5am, full toll charges dubbed “congestion charges” during six peak hours in a day and discounted rates of up to 30% from existing toll charges for the remaining hours. Another analyst said Putrajaya should adhere to the exit clause based on the concession agreement to maintain the government’s integrity of governance and sanctity of contracts. “We certainly hope the government would make the acquisition offer based on the concession exit clause, and I think there is a good case for the government to do so to avoid having policies that create turmoil to the capital market. “We have already witnessed the capital market reaction from the various policy changes in 2018, whereby domestic reinvestments have fallen sharply. “Based on our surveys with most of the foreign funds, we found that they have rated Malaysia as the least attractive market to invest, and policy uncertainty is the key factor,” he said. His valuation on the four highways is RM3.4 billion based on discounted cash flow methodology assuming a discount rate of 8%. In view of the uncertainty, he advises investors to wait on the sidelines for a clearer signal that confirms the government is engaging in arm’s length negotiation. All said, with reference to the divestment of the group’s water assets to Pengurusan Air Selangor Sdn Bhd, some quarters opine that it might not be an easy feat for Gamuda’s board to ensure that the takeovers of its toll concessions are arm’s length transactions. To recap, Gamuda has accepted a RM2.55 billion cash offer to buy its 40% stake in Syarikat Pengeluar Air Sungai Selangor Sdn Bhd (Splash). The offer price is a 28% discount to Splash’s net book value of RM3.54 billion as at June 30, 2018 compared with the valuation of one-time book value that Gamuda was seeking then. Nonetheless, the final offer was more appealing than the initial ones. He however, said the toll concession acquisition is different from that of the water asset acquisition. “This is different from the water asset acquisition last year, the water issue has been dragged on for a long time, and during that time the Selangor state government was reluctant to approve the water tariff increase. But for toll, the concessionaires have the negotiation power to wait until they are satisfied with what the government offers. “There may be situation where Gamuda will receive a discounted offer, as the market has priced in today

(Feb 25), but I do not foresee an exceptionally steep discount. "If so, it will dampen confidence in the capital market," he said. (Source: *The EdgeMarkets*)

Tan Chong Motor Holdings Bhd swung into the black in the financial year ended Dec 31, 2018 but it expects the domestic automotive industry to be subdued in 2019. The car manufacturer and assembler posted net profit of RM102.54mil in FY18 compared with net losses of RM88.60mil in FY17. Revenue increased by 11.9% to RM4.86bil from RM4.32bil. "The domestic automotive industry outlook is expected to be subdued in 2019 as new vehicles sales remained soft due to cautious consumers' sentiments on big ticket items and the continuing strict financing approval guidelines amidst the current economic condition," it said in notes to its accounts on Monday. Tan Chong said due to the outlook, it continued to remain cautious. "We anticipate the business landscape to remain challenging under these circumstances," it said. "Nevertheless, the group is committed to take on these challenges based on the foundation that we have built in Malaysia and the overseas market such as Cambodia, Laos, Vietnam and Myanmar. The group continues to remain focused on ensuring sustainable financial position going forward by leveraging on our core competencies," it said. Elaborating on the results for FY18, it said the automotive division's revenue rose by 11.6% on-year to RM4.75bil while earnings before interest, tax, depreciation and amortisation (Ebitda) jumped by 217% to RM305.1mil. Revenue rose due to higher number of vehicles sold in the domestic and overseas market. Tax holiday sales also contributed to the higher sales in the domestic market for FY2018. The increase in Ebitda was due to favourable sales mix, improvement in foreign exchange rate and cost optimisation strategies resulting in improved margins. The financial services division, comprising higher purchase and insurance, reported a 21% increase in revenue of RM91.9mil and Ebitda of RM23.3mil (up 11.3%) due to higher loan book size as of Dec 31, 2018 compared to previous year. Tan Chong group's Q4 FY18 saw it posting net profit of RM51.55mil compared with net loss of RM7.19mil a year ago. Its revenue increased by 8.3% to RM1.16bil from RM1.07bil a year ago. Earnings per share were 7.9 sen compared with loss per share of 1.10 sen. It announced a dividend of two sen a share compared with one 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 Damansara

Bukit Damansara

50490 Kuala Lumpur

Tel: 603-2081 1221

Fax: 603-2081 8936

Email: HLMarkets@hlbb.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.