

## Global Markets Research

### Fixed Income

#### Fixed Income Daily Market Snapshot

UST		
Tenure	Closing (%)	Chg (bps)
2-yr UST	1.76	0
5-yr UST	1.74	-2
10-yr UST	1.99	-3
30-yr UST	2.52	-2

MGS		GII*		
Tenure	Closing (%)	Chg (bps)	Closing (%)	Chg (bps)
3-yr	3.33	-3	3.37	-2
5-yr	3.45	-2	3.47	-4
7-yr	3.57	-2	3.62	0
10-yr	3.65	-3	3.68	-1
15-yr	3.98	-2	3.96	0
20-yr	4.13	2	4.12	0
30-yr	4.42	0	4.49	0

\* Market indicative levels

MYR IRS Levels		
IRS	Closing (%)	Chg (bps)
1-yr	3.36	-2
3-yr	3.38	-2
5-yr	3.45	-2
7-yr	3.53	0
10-yr	3.68	-2

Source : Bloomberg

#### Upcoming Government Bond Tender

Re-opening of 20Y GII 9/39 consisting of RM2.0b + RM2.0b  
Private Placement @ Thursday, 27<sup>th</sup> June

#### US Treasuries

- US Treasuries bull-flattened led by the longer-ends aided by senior official comments that the US would not accept tariff conditions as part of renewing trade negotiations. Overall benchmark yields ended 0-3bps lower with the UST 2Y unchanged at 1.76% and the much-watched 10Y below 2.00% thresholds i.e. at 1.99%. Auction for \$40b of 2Y notes was muted as it drew 1.695% on a BTC ratio of 2.58x (previous: 2.75x); thus causing the front-end to lag. Meanwhile the 2Y swap rates have slid below the equivalent UST as dealers were forced to increase capital and also in a sign that China's demand for UST's is falling amid trade hostilities to 2-year low of \$1.11 trillion. Meanwhile the odds of easing by the Fed took a temporary backseat fueled by earlier comments from officials. However the Fed implied probability now shows a shift to a higher 79% odds for a 25bps rate cut in July and a lower 21% odds for a 50bps.

#### MGS/GII

- Trading momentum in local govies improved with secondary market volume at RM4.57b. Benchmark yields were 0-4bps lower save for the 20Y. Focus was mainly seen in the shorter off-the-run 19-20's, 23-4's and also the benchmark 10Y bonds. The benchmark 5Y MGS 6/24 fell 2bps to 3.45% whilst the 10Y MGS 8/29 edged 3bps down at 3.65% respectively. GII bond trades maintained at about about 24% of overall trades. The IMF's positive comments on the nation's economic development and efforts to strengthen fiscal discipline was a boost to the bond market. Meanwhile, investors are expected to shift focus to the upcoming auction of 20Y GII bonds tomorrow. Up next are the May CPI numbers out today.

#### Corp Bonds/Sukuk

- Corporate Bonds/Sukuk continued to see solid secondary volume of RM1.22b with interest seen mainly along the GG-AAA part of the curve. Khazanah 23-24's saw ~RM100m in nominal amounts traded between 6-27bps lower compared to previous-done levels between 3.54-61% levels. The long-end DANA 2/49 closed 3bps lower at 4.42%. AAA-rated DANGA 4/20 edged 2bps lower at 3.62% whereas DANUM Capital 5/23 moved 2bps higher at 3.80% on substantial volume. the AA-space saw newly-listed YTL Corporation 6/34 rally 5bps lower at 4.38%. (Note: coupon 4.60%). However EDRA Energy 34-35's closed unchanged between 5.09-13% levels. Expect investors to watch further developments in the oil palm sector following Fitch ratings reports on several Asian palm-oil producers facing increased risks in their financial profile following weaker 1Q2019 results.

## Daily Trades : Government Bond

Securities		Closing YTM	Vol (RM mil)	Previous YTM	Previous Trade Date (dd/mm/yyyy)	Chg (bp)
MGS	10/19	3.111	296	3.089	24/06/2019	2
MGS	11/19	3.096	144	3.089	24/06/2019	1
MGS	03/20	3.172	302	3.193	24/06/2019	-2
MGS	07/20	3.205	6	3.232	24/06/2019	-3
MGS	10/20	3.260	71	3.215	21/06/2019	4
MGS	02/21	3.291	50	3.285	20/06/2019	1
MGS	07/21	3.315	71	3.323	24/06/2019	-1
MGS	09/21	3.323	151	3.329	24/06/2019	-1
MGS	11/21	3.342	1	3.326	21/06/2019	2
MGS	03/22	3.327	38	3.328	21/06/2019	0
MGS	08/22	3.390	4	3.400	24/06/2019	-1
MGS	03/23	3.436	61	3.479	24/06/2019	-4
MGS	04/23	3.451	45	3.460	24/06/2019	-1
MGS	08/23	3.459	1	3.483	24/06/2019	-2
MGS	06/24	3.445	56	3.462	24/06/2019	-2
MGS	07/24	3.484	216	3.506	24/06/2019	-2
MGS	09/24	3.488	103	3.513	24/06/2019	-2
MGS	03/25	3.546	90	3.546	24/06/2019	0
MGS	09/25	3.566	109	3.534	24/06/2019	3
MGS	04/26	3.624	88	3.639	21/06/2019	-1
MGS	07/26	3.571	239	3.600	24/06/2019	-3
MGS	11/26	3.659	48	3.635	24/06/2019	2
MGS	05/27	3.692	20	3.698	24/06/2019	-1
MGS	11/27	3.661	63	3.655	21/06/2019	1
MGS	06/28	3.670	163	3.683	24/06/2019	-1
MGS	09/28	3.802	1	3.804	18/06/2019	0
MGS	08/29	3.647	569	3.676	24/06/2019	-3
MGS	04/30	3.787	3	3.798	24/06/2019	-1
MGS	06/31	3.844	212	3.855	24/06/2019	-1
MGS	11/33	3.979	132	4.006	24/06/2019	-3
MGS	06/38	4.125	60	4.106	24/06/2019	2
MGS	03/46	4.423	3	4.421	21/06/2019	0
MGS	07/48	4.417	57	4.423	24/06/2019	-1
GII	09/19	3.087	50	3.108	11/06/2019	-2
GII	05/20	3.203	10	3.195	20/06/2019	1
GII	06/20	3.172	30	3.194	20/06/2019	-2
GII	03/22	3.372	320	3.391	24/06/2019	-2
GII	04/22	3.399	3	3.381	24/06/2019	2
GII	07/22	3.404	10	3.395	21/06/2019	1
GII	11/22	3.430	60	3.427	21/06/2019	0
GII	11/23	3.493	3	3.480	24/06/2019	1
GII	05/24	3.512	57	3.526	24/06/2019	-1
GII	08/24	3.519	60	3.529	24/06/2019	-1
GII	10/24	3.467	50	3.508	24/06/2019	-4
GII	08/25	3.578	20	3.606	24/06/2019	-3
GII	03/26	3.616	60	3.620	24/06/2019	0
GII	10/28	3.683	90	3.715	24/06/2019	-3
GII	07/29	3.678	170	3.691	24/06/2019	-1
GII	10/35	4.065	40	4.061	20/06/2019	0
GII	08/37	4.127	60	4.123	24/06/2019	0
			<u>4569</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*
MKD Kencana Sdn Berhad	04/23	GG	3.594	40	3.780	10/05/2019	-19	18
Khazanah Nasional Berhad	08/23	GG	3.538	60	3.599	14/06/2019	-6	13
Khazanah Nasional Berhad	03/24	GG	3.580	15	3.851	12/04/2019	-27	13
Khazanah Nasional Berhad	08/24	GG	3.610	20	3.739	10/06/2019	-13	16
Turus Pesawat Sdn Berhad	02/25	GG	3.730	40	4.320	18/07/2018	-59	20
Danainfra Nasional Berhad	02/25	GG	3.580	40	4.369	10/07/2018	-79	5
Danainfra Nasional Berhad	02/26	GG	3.587	50	3.616	21/06/2019	-3	1
Danainfra Nasional Berhad	04/26	GG	3.598	10	3.678	19/06/2019	-8	2
Danainfra Nasional Berhad	02/29	GG	3.800	30	3.900	13/06/2019	-10	15
Perbadanan Tabung Pendidikan Tinggi Nasional	03/29	GG	3.820	30	3.820	24/06/2019	0	17
Danainfra Nasional Berhad	03/29	GG	3.800	15	3.910	13/06/2019	-11	15
Prasarana Malaysia Berhad	09/29	GG	3.830	10	3.950	11/06/2019	-12	18
Danainfra Nasional Berhad	05/31	GG	3.891	5	3.950	17/06/2019	-6	24
Danainfra Nasional Berhad	04/33	GG	4.039	40	4.101	13/06/2019	-6	5
Perbadanan Tabung Pendidikan Tinggi Nasional	02/34	GG	4.079	20	4.109	17/06/2019	-3	9
Prasarana Malaysia Berhad	03/34	GG	4.071	20	4.110	14/06/2019	-4	9
Perbadanan Tabung Pendidikan Tinggi Nasional	03/37	GG	4.170	10	4.200	18/06/2019	-3	5
Danainfra Nasional Berhad	04/37	GG	4.129	75	4.140	20/06/2019	-1	1
Perbadanan Tabung Pendidikan Tinggi Nasional	03/39	GG	4.189	40	4.250	18/06/2019	-6	7
Lembaga Pembiayaan Perumahan Sektor Awam	04/39	GG	4.189	40	4.259	11/06/2019	-7	7
Danainfra Nasional Berhad	02/49	GG	4.419	15	4.451	21/06/2019	-3	30
HSBC Amanah Malaysia Berhad	10/19	AAA	3.325	30	3.710	13/05/2019	-39	14
Danga Capital Berhad	04/20	AAA	3.616	100	3.635	10/06/2019	-2	43
Cagamas Berhad	11/20	AAA	3.604	5	4.090	09/10/2018	-49	42
Danum Capital Berhad	05/23	AAA	3.802	210	3.783	21/06/2019	2	39
GENM Capital Berhad	07/23	AAA	4.099	1	4.160	19/06/2019	-6	69
Bakun Hydro Power Generation Sdn Berhad (fka t	08/24	AAA	3.808	30	4.173	01/04/2019	-37	36
YTL Corporation Berhad	06/34	AA1	4.379	90	4.430	24/06/2019	-5	-
Country Garden Real Estate Sdn Berhad	03/22	AA3	6.161	10	6.147	16/04/2019	1	282
Country Garden Real Estate Sdn Berhad	02/23	AA3	6.606	5	6.596	24/06/2019	1	319
UEM Sunrise Berhad	03/24	AA-	4.155	1	4.187	17/06/2019	-3	71
AmBank Islamic Berhad	12/25	AA3	4.136	10	4.158	13/06/2019	-2	60
MMC Corporation Berhad	03/28	AA-	5.238	20	5.280	20/06/2019	-4	158
Tadau Energy Sdn Berhad	07/28	AA3	4.813	10	4.865	11/06/2019	-5	116
Edra Energy Sdn Berhad	07/34	AA3	5.088	10	5.089	24/06/2019	0	110
SPR Energy (M) Sdn Berhad	07/34	AA3	4.768	10	4.899	11/06/2019	-13	78
Edra Energy Sdn Berhad	01/35	AA3	5.105	10	5.107	20/06/2019	0	112
Edra Energy Sdn Berhad	07/35	AA3	5.126	20	5.127	20/06/2019	0	114
Hong Leong Financial Group Berhad	11/17	A1	4.094	1	4.078	21/06/2019	2	-2
Bank Muamalat Malaysia Berhad	06/26	A3	4.792	20	5.252	15/04/2019	-46	122
				<u>1217</u>				

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

## Market/Corporate News: What's Brewing

**Investors managing more than US\$34 trillion in assets, nearly half the world's invested capital, are demanding urgent action from governments on climate change, piling pressure on leaders of the world's 20 biggest economies meeting this week.** In an open letter to the "governments of the world" seen by Reuters, groups representing 477 investors stressed "the urgency of decisive action" on climate change to achieve the Paris Agreement target. Almost 200 nations agreed in Paris in 2015 to limit the global average temperature rise to well below 2 degrees Celsius above pre-industrial times. Current policies put the world on track for at least a 3C rise by the end of the century. The letter comes ahead of a June 28-29 G20 summit in Japan and as United Nations Secretary-General Antonio Guterres urges countries to back more ambitious climate goals. "There is an ambition gap... This ambition gap is of great concern to investors and needs to be addressed, with urgency," a statement from the investors accompanying the letter said. Governments were urged to strengthen their Paris Agreement targets by 2020; phase out thermal coal power and fossil fuel subsidies by set deadlines;

set a robust global carbon price by 2020 and improve climate-related financial reporting. "It is vital for our long-term planning and asset allocation decisions that governments work closely with investors to incorporate Paris-aligned climate scenarios into their policy frameworks and energy transition pathways," the statement said. The investor letter was signed by the chief executives of the seven founding partners of The Investor Agenda, including the Institutional Investors Group on Climate Change and the United Nations-backed Principles for Responsible Investment. Large investors signing the statement included Legal & General Investment Management and the California Public Employees' Retirement System (CalPERS), although the world's two biggest asset managers, BlackRock and Vanguard, did not. A BlackRock spokeswoman declined to give a specific reason for not supporting the call, but pointed to a statement from its annual report that said it typically does not join such initiatives. Reasons can include overlap with the company's existing efforts or a misalignment of views. A spokeswoman for Vanguard was not able to give a specific reason, but said it was concerned about the long-term impact of climate risk and was actively engaged on a number of climate related initiatives with an emphasis on good disclosure. A U.N.-backed panel of scientists has said limiting global warming to 1.5C would cost at least \$830 billion a year but the cost of inaction is thought to be much higher. A number of institutional investors have already started to divest from fossil fuel companies due to the risk their assets will become stranded as the cost of renewable energy falls. Last month, the U.N.'s Guterres urged countries to end approval for new coal-fired power plants beyond 2020, as well as fossil fuel subsidies. Carola van Lamoen, Head of Active Ownership at global asset manager Robeco, said: "As investors, in our view the development of new coal power plants after 2020 puts at risk both the return on investment and the world's chance of limiting global warming in line with the goals of the Paris Agreement." However, some countries argue that they need to keep using fossil fuels to power their economic development. A report by researchers which tracks countries' progress toward limiting global warming showed that only five out of 32 nations have targets in line with a 2C limit. A report by the Overseas Development Institute thinktank said on Tuesday that G20 governments boosted backing for coal-fired power plants, particularly in poorer nations, from \$17 billion to \$47 billion a year from 2014 to 2017. Japan, as host of the G20 summit in Osaka this week, has been criticized for its plans to continue using coal. It backs the use of carbon capture and storage to trap emissions, but the technology is costly and not yet commercial. (Source: *The Star/Reuters*)

**FGV Holdings Bhd's substantial shareholders re-elected the board of directors but voted against three resolutions related to their remunerations for the financial year ended Dec 31, 2018 (FY18) at its annual general meeting (AGM) that lasted five hours yesterday.** This has puzzled FGV's board given that the substantial shareholders, namely the Federal Land Development Authority (Felda), Koperasi Permodalan Felda Malaysia Bhd (KPF) and the Armed Forces Fund Board (LTAT), did not reveal the ideal amount. A visibly upset FGV chairman Datuk Wira Azhar Abdul Hamid told the press yesterday that the recent development has put the company in a bind. "The irony is that the resolutions relating to the re-election of directors were passed but the resolutions relating to directors' fees were all not approved. So in short, the message that the board got was that 'we want you to work but we are not paying you'," he said. Asked if the land lease agreement (LLA) between the group and Felda has anything to do with the shareholders' unhappiness, Azhar said that he really did not know why the shareholders had opposed the resolutions. He added that it has been status quo so far with no formal discussion or renegotiation of the LLA, despite "a lot of talk" regarding the agreement. Azhar revealed that the Employees Provident Fund (EPF)

has raised concerns on the remuneration amount, especially on the fee payable to the chairman, which he has volunteered to waive (read side story). He said the board is looking at options to resolve the situation, but it is unclear what the options are. Meanwhile, Azhar reiterated that the board has worked hard over the past year in putting through plans to turn around FGV's operations. "The response we see is that all the efforts made over the past year [were] not appreciated. Maybe the shareholders feel that there are people who can do the job better," he said. "The board is not here for the directors' fee or whatever. The board came in with open eyes, with full understanding of the challenges in FGV and had volunteered to go through the hardship of turning around the company," added Azhar. Minority Shareholders Watch Group (MSWG) said that while the remuneration for the directors was a bit on the high side, it is understandable as FGV is not a typical company. "FGV is not your typical company, it is a turnaround case. It is a company which is riddled with numerous inherited problems and issues. When FGV normalises, we would expect the remuneration to be at a more normalised level," said MSWG chief executive officer Devanesan Evanson when contacted. He sees that the unexpected outcome of the AGM has put FGV in a conundrum. "Does this mean the directors are expected to have worked for free in 2018? Such a situation would not provide sufficient motivation (and this lack of motivation may surface to the detriment of FGV) to the directors to continue discharging their fiduciary duties. "FGV being a turnaround company would require substantial time investment from the directors and directors have an 'opportunity cost' to their time," said Devanesan. It is unclear whether there were any engagement between the board and the three shareholders that voted against the resolutions, he added, so one option would be to engage the parties as they would each probably have a figure in mind when it comes to remuneration. An extraordinary general meeting (EGM) can then be called to approve the revised remuneration. "EGMs are expensive but this cost must be weighed against the risk of having unmotivated directors on the board because they are not paid, which would ultimately be to the detriment of FGV," he said.. (Source: The Edge)

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

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