

Global Markets Research

Fixed Income

Fixed Income Daily Market Snapshot

UST		
Tenure	Closing (%)	Chg (bps)
2-yr UST	1.53	-8
5-yr UST	1.42	-8
10-yr UST	1.54	-8
30-yr UST	2.03	-8

MGS		GII*		
Tenure	Closing (%)	Chg (bps)	Closing (%)	Chg (bps)
3-yr	3.20	-1	3.21	-1
5-yr	3.25	-1	3.31	3
7-yr	3.36	1	3.33	0
10-yr	3.38	2	3.35	0
15-yr	3.53	0	3.50	0
20-yr	3.62	0	3.64	2
30-yr	3.84	6	3.85	2

* Market indicative levels

MYR IRS Levels		
IRS	Closing (%)	Chg (bps)
1-yr	3.25	0
3-yr	3.23	1
5-yr	3.26	0
7-yr	3.27	-1
10-yr	3.40	0

Source : Bloomberg

Upcoming Government Bond Tender

Nil

US Treasuries

- US Treasuries surged last Friday; ending stronger on save-haven appeal in response to a further escalation of the US-China trade conflict. The curve shifted lower as overall benchmark yields declined sharply by 8bps with both the UST 2Y and much-watched 10Y at 1.53-54% levels; having briefly inverted twice in the past ten days. The reassurance that markets got from the Fed in Jackson Hole on Friday was negated by the nastier turn in the trade war that sent UST yields lower and stocks tumbling. Meanwhile investors are watching worrisome signs in the US economy such as a slowdown of economic growth, below-target inflation, highly volatile stock markets, inversion of the UST yield curve, trade imbalances, among others.

MGS/GII

- Trading momentum in local maintained some traction as volume notched RM4.13b last Friday. Main interest was again seen in the off-the-run 19's, 21-22's's and benchmark 3Y bonds. Overall benchmarks closed mostly higher save for the short-ends with yields closing between 0-3bps higher across the curve. The 5Y benchmark MGS 6/24 edged 1 bps lower at 3.25% whilst the 10Y MGS 8/29 moved 2bps higher at 3.38%. GII trades dropped to form ~33% of overall trades. The current prospect of a lower global interest rate regime is expected to support local govies as favourable yield spreads comparatively are seen to shelter potential outflows from revision of index weightings. Also, positive impact may be expected as Malaysia is seen to be a beneficiary of the current trade war.

Corp Bonds/Sukuk

- Corporate Bonds/Sukuk saw secondary market volume ease sharply to RM485m mark again with interest seen across the AAA-AA part of the curve as overall yields continued to decline. The govt-guaranteed space saw nil trades. AAA-rated AMAN and TELEKOM 27's closed 2-15bps lower compared to previous-done levels between 3.53-56% levels. The AA-space energy-related bonds i.e. TBEI, EDRA, SPR and JEP dominate the space. Highway toll operator DUKE 3 saw its 2032-2033 tranches close 17-50bps sharply lower between 4.48-54% levels.

Daily Trades : Government Bond

Securities		Closing YTM	Vol (RM mil)	Previous YTM	Previous Trade Date (dd/mm/yyyy)	Chg (bp)
MGS	10/19	3.049	508	3.162	22/08/2019	-11
MGS	11/19	3.102	246	3.088	22/08/2019	1
MGS	07/20	3.117	20	3.106	22/08/2019	1
MGS	10/20	3.108	11	3.133	22/08/2019	-2
MGS	02/21	3.134	17	3.148	21/08/2019	-1
MGS	11/21	3.170	218	3.181	21/08/2019	-1
MGS	03/22	3.195	246	3.200	22/08/2019	-1
MGS	08/22	3.215	260	3.231	22/08/2019	-2
MGS	09/22	3.226	23	3.226	21/08/2019	0
MGS	03/23	3.231	7	3.237	22/08/2019	-1
MGS	04/23	3.243	9	3.244	22/08/2019	0
MGS	08/23	3.259	33	3.278	22/08/2019	-2
MGS	06/24	3.250	11	3.256	22/08/2019	-1
MGS	09/24	3.306	4	3.307	22/08/2019	0
MGS	03/25	3.345	30	3.341	22/08/2019	0
MGS	09/25	3.384	149	3.355	22/08/2019	3
MGS	04/26	3.361	132	3.343	21/08/2019	2
MGS	07/26	3.356	91	3.349	22/08/2019	1
MGS	11/26	3.406	90	3.368	21/08/2019	4
MGS	03/27	3.422	22	3.438	21/08/2019	-2
MGS	05/27	3.450	7	3.333	20/08/2019	12
MGS	11/27	3.462	4	3.448	22/08/2019	1
MGS	06/28	3.460	2	3.420	20/08/2019	4
MGS	08/29	3.381	48	3.362	22/08/2019	2
MGS	04/30	3.489	197	3.500	21/08/2019	-1
MGS	04/32	3.582	1	3.534	22/08/2019	5
MGS	04/33	3.596	1	3.519	22/08/2019	8
MGS	07/34	3.532	70	3.531	22/08/2019	0
MGS	06/38	3.616	31	3.616	22/08/2019	0
MGS	09/43	3.838	194	3.789	22/08/2019	5
MGS	03/46	3.793	52	3.831	22/08/2019	-4
MGS	07/48	3.838	42	3.777	22/08/2019	6
GII	03/22	3.210	450	3.216	21/08/2019	-1
GII	07/22	3.228	100	3.250	14/08/2019	-2
GII	10/23	3.306	30	3.218	15/08/2019	9
GII	11/23	3.292	290	3.290	22/08/2019	0
GII	05/24	3.350	62	3.232	15/08/2019	12
GII	10/24	3.313	130	3.281	22/08/2019	3
GII	09/26	3.417	130	3.411	22/08/2019	1
GII	07/27	3.485	21	3.319	16/08/2019	17
GII	08/28	3.484	40	4.128	14/02/2019	-64
GII	07/29	3.353	20	3.351	22/08/2019	0
GII	06/33	3.599	40	3.590	22/08/2019	1
GII	08/37	3.703	2	3.512	16/08/2019	19
GII	09/39	3.643	26	3.627	22/08/2019	2
GII	05/47	3.858	8	3.855	22/08/2019	0
GII	11/49	3.850	6	3.829	22/08/2019	2
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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*
GENM Capital Berhad	07/23	AAA	3.612	10	3.777	02/08/2019	-17	37
Aman Sukuk Berhad	04/27	AAA	3.560	50	3.708	06/08/2019	-15	17
Telekom Malaysia Berhad	09/27	AAA	3.530	60	3.550	22/08/2019	-2	14
Sabah Development Bank Berhad	04/24	AA1	4.281	1	4.645	16/08/2019	-36	103
Fortune Premiere Sdn Berhad	03/23	AA	3.800	1	4.017	16/07/2019	-22	56
Fortune Premiere Sdn Berhad	09/23	AA	3.790	10	4.505	26/03/2019	-72	55
Fortune Premiere Sdn Berhad	09/25	AA	3.880	15	3.974	15/08/2019	-9	55
Edra Energy Sdn Berhad	07/26	AA3	4.310	10	4.756	20/06/2019	-45	95
Tanjung Bin Energy Issuer Berhad	09/27	AA3	3.960	10	4.239	13/06/2019	-28	57
Edra Energy Sdn Berhad	01/32	AA3	4.454	20	4.449	22/08/2019	0	109
Edra Energy Sdn Berhad	01/33	AA3	4.485	20	4.479	22/08/2019	1	94
SPR Energy (M) Sdn Berhad	07/33	AA3	4.464	20	4.829	11/06/2019	-36	92
SPR Energy (M) Sdn Berhad	07/34	AA3	4.494	30	4.768	25/06/2019	-27	95
SPR Energy (M) Sdn Berhad	07/35	AA3	4.563	10	5.349	21/02/2019	-79	102
Edra Energy Sdn Berhad	01/36	AA3	4.580	10	5.039	24/07/2019	-46	104
Edra Energy Sdn Berhad	07/37	AA3	4.690	10	5.130	24/07/2019	-44	107
Segi Astana Sdn Berhad	01/23	AA-	5.019	5	4.721	21/08/2019	30	182
Segi Astana Sdn Berhad	01/24	AA-	5.113	20	4.901	31/07/2019	21	187
Jimah East Power Sdn Berhad	12/27	AA-	3.970	140	4.440	25/04/2019	-47	58
Lebuhraya DUKE Fasa 3 Sdn Berhad	08/32	AA-	4.484	10	4.649	24/06/2019	-17	94
Lebuhraya DUKE Fasa 3 Sdn Berhad	08/33	AA-	4.538	10	5.038	11/03/2019	-50	99
Tan Chong Motor Holdings Berhad	11/21	A1	4.574	1	4.586	06/08/2019	-1	142
IJM Land Berhad	03/19	A2	4.610	3	4.827	15/08/2019	-22	99
Eco World International Berhad	05/23	-	5.937	2	5.621	21/08/2019	32	-
Eco World Capital Assets Berhad	08/24	-	6.107	8	6.099	22/08/2019	1	-
DRB-Hicom Berhad	02/22	A+	5.089	1	5.092	20/08/2019	0	193
				485				

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

Market/Corporate News: What's Brewing

Singapore further cut its annual growth forecast on August 13 as the escalating US-China trade war hammers exports, in another ominous sign for Asia's trade-reliant economies. Singapore is offering a rare opportunity to buy positive-yielding quality bonds in a world that's rapidly turning negative. The city state, which pays the highest returns among economies that have AAA credit ratings from all three major agencies, will sell reopened July 2029 government debt worth S\$2.9 billion (\$2.1 billion) on Wednesday, the second-largest amount on record for 10-year tenors. Singapore isn't immune to the underlying trends in global bonds and the sale has to overcome the challenge of a yield curve that's near the flattest on record. The yield premium that investors receive by holding 10-year notes instead of two-year securities briefly evaporated this month, dropping to minus 1.14 basis point on Aug. 15. That's the lowest in data going back to 1998 for this spread, which has managed to claw its way back into positive territory. But if Australia is any guide, the Singapore auction should see solid demand given the combination of the country's top rating and high yields. A flatter curve hasn't dented investor appetite in AAA-rated Australia, which recently drew a bid-to-cover ratio of 3.69 for May 2030 notes. That was up from 2.67 at the previous offering even as the spread between three- and 10-year yields narrowed to the least since 2011. Singapore's July 2029 debt that's been sold in the past yielded 1.83% in the secondary market on Aug. 22. That compares with 1.64% for 10-year U.S. Treasury notes. This is the last sale of 10-year notes on the city state's schedule to date, with the remaining two auctions on the calendar for two- and seven-year debt. An optional "mini" auction is planned in September but the tenors haven't been announced. "A lot of investors will be trying to 'catch the tail'," said Eugene Leow, a fixed-income strategist at DBS Bank Ltd. in Singapore, referring to

the chase for the highest yields possible. "Within the AAA space, I believe 10-year Singapore government securities offer one of the most attractive yields." he said ahead of a gathering of global central bankers at Jackson Hole, Wyoming. (Source: *The Star*)

Boustead Heavy Industries Corp Bhd (BHIC) saw its net profit contract 59% year-on-year in the second quarter of financial year 2019 (2QFY19) despite higher revenue, following lower contributions from joint venture (JVs), higher finance costs, and as negative contribution from associates widened. Net profit for the quarter that ended June 30, fell to RM2.94 million from RM7.22 million, which pushed earnings per share down to 1.18 sen from 2.90 sen. Revenue was up 10% at RM53.93 million versus RM49.16 million previously. Share of BHIC's JV results fell 71% to RM1.85 million from RM6.49 million, while its associates' contribution widened to a loss of RM3.02 million from RM1.86 million. Finance cost, meanwhile, climbed 23% to RM4.2 million from RM3.42 million. A higher taxation of RM1.95 million versus RM377,000 previously, also did not help. Following the weaker quarter, the group fell into the red in the first half ended June 30 (1HFY19) with a net loss of RM1.36 million, versus a net profit of RM11.72 million in the corresponding period last year, though revenue inched up 2% to RM90.23 million from RM88.88 million. Consequently, it recorded a loss per share of 0.55 sen for the period under review, versus an EPS of 4.72 sen previously. The group attributed its half-year loss to lower contributions from its JVs, negative contributions from associate companies, and higher finance costs. On prospects, the group said the Defence White Paper, drafted by the Ministry of Defence and expected to be tabled by October, will establish the long term plan for Malaysia's defence capability. "The group is encouraged by the opportunities ahead, led by the group's defence segment which has been awarded various contracts by the government," BHIC said. It added that the construction of its littoral combat ship (LCS) programme is still ongoing, and the keel-laying ceremony of LCS5 is expected to be held in the fourth quarter of 2019. In addition, the group plans to expand its customer base to other government agencies such as the Royal Malaysia Police, the Malaysian Maritime Enforcement Agency and the Malaysian Fisheries Department, as well as venture into the Middle East and Southeast Asia markets. "While there has been a rejuvenation of activities in the oil and gas industry, we do not foresee a sharp turnaround in the performance of our Energy segment. Likewise, the group does not expect its commercial shipbuilding segment turning the corner anytime soon, as the shipping sector continues to be saddled by overcapacity, low freight and tight financing. However, the group will continue to explore new business areas such as undertaking MRO (maintenance, repair and overhaul) on commercial vessels," the group said.. (Source: *The Edge*)

Rating Action			
Issuer	PDS Description	Rating/Outlook	Action
Press Metal Aluminium Holdings Berhad	Proposed Islamic MTN (IMTN) Programme of up to RM5.0 bil	AA3/Stable	Assigned

Source: RAM, MARC

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