

## Global Markets Research

### Fixed Income

#### Fixed Income Daily Market Snapshot

UST		
Tenure	Closing (%)	Chg (bps)
2-yr UST	1.71	8
5-yr UST	1.61	8
10-yr UST	1.74	9
30-yr UST	2.19	8

MGS		GII*		
Tenure	Closing (%)	Chg (bps)	Closing (%)	Chg (bps)
3-yr	3.16	-1	3.17	-2
5-yr	3.30	2	3.29	-2
7-yr	3.41	-5	3.43	-6
10-yr	3.43	-7	3.53	-1
15-yr	3.67	-9	3.73	16
20-yr	3.80	-3	3.83	-7
30-yr	4.00	-1	3.81	0

\* Market indicative levels

MYR IRS Levels		
IRS	Closing (%)	Chg (bps)
1-yr	3.28	0
3-yr	3.27	0
5-yr	3.30	-2
7-yr	3.33	-1
10-yr	3.40	0

Source : Bloomberg

#### Upcoming Government Bond Tender

RM2.0b + RM0.5b (Private placement) of 15Y GII 11/34 on Friday, 26<sup>th</sup> September

#### US Treasuries

- US Treasuries ended sharply weaker on Wednesday as traders reacted to matters pertaining to President Trump's controversial impeachment. The weak bidding metrics (BTC ratio: 2.32x versus 10 previous average of 2.36x) for the auction of \$41b of UST 5Y notes were also a contributing factor. The curve shifted higher as overall benchmark yields closed between 8-9bps higher. The UST 2y spiked by 8bps to 1.71% whilst the much-watched 10Y rose to 1.74%. The continued deadlock in US-China trade matters is still seen to plague investors with the UST 2s10s yield spread remaining tight at ~3bps. Attention is expected to be focused on Treasury's auction of 7Y papers along with the final reading of 2Q GDP release.

#### MGS/GII

- Local govvnies ended mixed on decent momentum amid secondary market volume of RM6.05b. Interest was mainly centred in the shorter off-the-run 19-21's, 27's and also the 7Y MGS/GII bonds. Overall benchmark MGS/GII bond yields closed within a wide range i.e. between -9 to +16bps across with the belly richer. The 5Y benchmark MGS 6/24 edged 2bps higher at 3.30% whilst the 10Y MGS 8/29 rallied pushing yields down 7bps to 3.43%. GII bonds dropped to form ~22% of overall trades. Investors are generally awaiting the outcome of the FTSE Russell Index potential weightage changes for Malaysia's bonds tonight. Meanwhile, BNM has been actively deepening and providing additional liquidity by allowing easier hedging avenues, and instruct PD's to quote off-the-run bonds along with the appointment of Overseas offices to improve MYR accessibility.

#### Corp Bonds/Sukuk

- Corporate Bonds/Sukuk saw secondary market volume dip to RM584m with interest seen across the GG-AA part of the curve. Govt-guaranteed DANA bonds dominated the space with the 2023 tranches closing between -3 to +2bps compared to previous-done levels at 3.32% whilst the 2038 tranches spiked between 26-30bps between 3.98-99% area. AAA-rated Malaysia Steel Works 11/20 and 11/22 closed between 0-1bps lower at 3.87% and 4.13% whereas DANUM Cap[ital 5/23 edged 1bps higher at 3.51% on RM45m in nominal trades. Energy-related bond SEB saw several tranches i.e. 2026-2034 close mostly higher on yields between 4.30-59% area whilst Soutjthern Power 4/30 and 10/32 bucked the trend with yields declining between 23-44bps at 3.97% and 4.16%. The banking space saw Bank Islam's 25NC20 bonds close at 3.41% and 3.51% respectively.

## Daily Trades : Government Bond

Securities		Closing YTM	Vol (RM mil)	Previous YTM	Previous Trade Date (dd/mm/yyyy)	Chg (bp)
MGS	10/19	3.076	531	3.081	24/09/2019	0
MGS	11/19	3.031	183	3.063	24/09/2019	-3
MGS	07/20	3.134	83	3.124	24/09/2019	1
MGS	10/20	3.145	1551	3.113	24/09/2019	3
MGS	02/21	3.156	2	3.087	18/09/2019	7
MGS	07/21	3.117	365	3.140	24/09/2019	-2
MGS	09/21	3.142	374	3.107	24/09/2019	3
MGS	11/21	3.142	31	3.107	24/09/2019	3
MGS	03/22	3.158	20	3.167	24/09/2019	-1
MGS	09/22	3.186	23	3.188	23/09/2019	0
MGS	04/23	3.289	36	3.280	24/09/2019	1
MGS	06/24	3.297	3	3.277	24/09/2019	2
MGS	07/24	3.327	41	3.369	24/09/2019	-4
MGS	09/24	3.349	13	3.358	23/09/2019	-1
MGS	09/25	3.441	1	3.441	24/09/2019	0
MGS	07/26	3.407	535	3.457	24/09/2019	-5
MGS	11/26	3.534	71	3.581	24/09/2019	-5
MGS	11/27	3.648	464	3.641	24/09/2019	1
MGS	08/29	3.429	54	3.501	24/09/2019	-7
MGS	04/30	3.691	10	3.713	23/09/2019	-2
MGS	04/33	3.761	7	3.800	24/09/2019	-4
MGS	11/33	3.720	167	3.768	23/09/2019	-5
MGS	07/34	3.669	73	3.757	24/09/2019	-9
MGS	06/38	3.802	90	3.837	24/09/2019	-4
MGS	07/48	3.997	10	4.003	24/09/2019	-1
GII	08/20	3.160	500	3.122	20/09/2019	4
GII	03/22	3.171	5	3.186	24/09/2019	-2
GII	04/22	3.198	60	3.163	17/09/2019	4
GII	07/22	3.214	20	3.166	19/09/2019	5
GII	08/24	3.373	50	3.406	24/09/2019	-3
GII	10/24	3.287	230	3.308	24/09/2019	-2
GII	08/25	3.409	3	3.400	24/09/2019	1
GII	10/25	3.418	1	3.332	06/09/2019	9
GII	03/26	3.432	270	3.492	24/09/2019	-6
GII	07/27	3.620	7	3.622	24/09/2019	0
GII	10/28	3.504	10	3.527	24/09/2019	-2
GII	07/29	3.527	83	3.533	24/09/2019	-1
GII	09/30	3.650	20	3.635	23/09/2019	2
GII	11/34	3.728	20	3.569	17/09/2019	16
GII	09/39	3.829	30	3.901	24/09/2019	-7
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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*
DanaInfra Nasional Berhad	04/22	GG	3.251	25	3.421	05/07/2019	-17	9
Lembaga Pembiayaan Perumahan Sektor Awam	04/22	GG	3.250	15	3.695	02/04/2019	-45	9
DanaInfra Nasional Berhad	08/23	GG	3.320	20	3.301	06/09/2019	2	6
Prasarana Malaysia Berhad	09/23	GG	3.321	20	3.350	09/08/2019	-3	6
Bank Pembangunan Malaysia Berhad	09/29	GG	3.730	2	3.569	29/08/2019	16	26
DanaInfra Nasional Berhad	02/38	GG	3.980	15	3.679	05/09/2019	30	18
DanaInfra Nasional Berhad	11/38	GG	3.990	10	3.728	22/08/2019	26	19
Prasarana Malaysia Berhad	02/41	GG	4.029	10	3.840	13/09/2019	19	22
Cagamas Berhad	03/20	AAA	3.221	25	3.164	19/08/2019	6	11
Bakun Hydro Power Generation Sdn Berhad (fka Malaysia Steel Works (KL) Berhad	08/20	AAA	3.241	5	3.297	28/08/2019	-6	13
Malaysia Steel Works (KL) Berhad	11/20	AAA	3.872	10	3.883	24/09/2019	-1	76
Malaysia Steel Works (KL) Berhad	11/22	AAA	4.126	5	4.130	24/09/2019	0	97
Cagamas Berhad	12/22	AAA	3.549	25	3.391	13/09/2019	16	39
Danum Capital Berhad	05/23	AAA	3.507	45	3.499	24/09/2019	1	25
Bakun Hydro Power Generation Sdn Berhad (fka Bakun Hydro Power Generation Sdn Berhad (fka Tenaga Nasional Berhad	08/26	AAA	3.611	20	3.538	23/09/2019	7	19
Bakun Hydro Power Generation Sdn Berhad (fka Tenaga Nasional Berhad	08/31	AAA	3.779	20	3.719	23/09/2019	6	31
Tenaga Nasional Berhad	08/38	AAA	4.068	25	3.901	20/09/2019	17	26
MBSB Bank Berhad (fka Asian Finance Bank Berhad	10/20	AA1	3.546	10	3.558	24/09/2019	-1	44
YTL Power International Berhad	08/28	AA1	4.150	10	4.169	08/08/2019	-2	64
Imtiaz Sukuk II Berhad	11/19	AA2	3.297	5	3.396	24/07/2019	-10	19
Imtiaz Sukuk II Berhad	11/21	AA2	3.625	5	3.688	21/08/2019	-6	49
Imtiaz Sukuk II Berhad	05/22	AA2	3.725	5	3.755	21/08/2019	-3	57
BGSM Management Sdn Berhad	08/25	AA3	3.949	50	3.902	20/09/2019	5	54
Edra Energy Sdn Berhad	01/26	AA3	4.299	10	5.206	26/06/2019	-91	89
Edra Energy Sdn Berhad	01/27	AA3	4.350	5	4.203	11/09/2019	15	93
Dynasty Harmony Sdn Berhad	12/30	AA3	5.820	5	5.880	08/07/2019	-6	235
Dynasty Harmony Sdn Berhad	06/31	AA3	5.859	10	6.020	29/05/2019	-16	239
Edra Energy Sdn Berhad	01/33	AA3	4.537	10	4.479	23/08/2019	6	84
Southern Power Generation Sdn Berhad	04/33	AA-	4.209	15	4.471	16/05/2019	-26	51
Edra Energy Sdn Berhad	07/33	AA3	4.547	20	4.398	13/09/2019	15	85
Edra Energy Sdn Berhad	07/34	AA3	4.593	30	4.438	13/09/2019	16	89
UEM Sunrise Berhad	06/21	AA-	3.513	5	3.521	24/09/2019	-1	38
UEM Sunrise Berhad	10/21	AA-	3.540	15	4.100	18/06/2019	-56	40
UEM Sunrise Berhad	04/22	AA-	3.614	15	3.586	04/09/2019	3	46
Southern Power Generation Sdn Berhad	04/30	AA-	3.969	10	4.410	05/04/2019	-44	50
Southern Power Generation Sdn Berhad	10/32	AA-	4.158	13	4.390	30/05/2019	-23	46
Bank Islam Malaysia Berhad	04/25	A1	3.406	10	3.617	25/07/2019	-21	0
Bank Islam Malaysia Berhad	12/25	A1	3.511	10	3.520	19/09/2019	-1	11
CIMB Group Holdings Berhad	05/16	A1	4.540	2	4.356	23/09/2019	18	74
TSH Sukuk Ijarah Sdn Berhad	12/21	A+	4.300	10	4.751	20/08/2019	-45	116
Mah Sing Perpetual	02/17	-	5.421	1	5.948	23/09/2019	-53	162
YNH Properties Berhad	07/19	-	6.599	6	6.696	19/09/2019	-10	279
Eco World Capital Assets Berhad	08/24	-	6.098	1	6.098	23/09/2019	0	-
				<u>584</u>				

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

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## Market/Corporate News: What's Brewing

In a bourse filing today, Yinson blamed the weaker quarterly earnings on lower recorded revenue upon FPSO Allan's charter cessation at the end of last financial year, unfavourable forex of RM12.55 million, and impairment loss on trade and other receivables of RM4.07 million. FPSO Allan ceased operations on Jan 31, after a tenure of nearly 10 years at the Olowi Field in Gabon. "The decrease are partially set-off by lower impairment loss on property, plant and equipment of RM1.08 million, higher share of results in joint ventures of RM5.92 million, lower finance cost of RM1.35 million, higher interest income earned of RM6.02 million and lower tax expenses of RM1.39 million," it added. Revenue for the quarter fell 13.4% to RM213.44 million, from RM246.54 million in 2QFY19. Nevertheless, the group declared an interim dividend of 4 sen per share for the financial year ending Jan 31, 2020 (FY20), payable on Dec 20. The weaker quarterly earnings dragged the group's net profit for the cumulative six months (1HFY20) down 32.1% to RM91 million from RM134.1 million a year ago, while revenue came in 12.3% lower at RM422.44 million, from RM481.72 million in 1HFY19. On prospects, Yinson said the long-term outlook in the O&G industry remains challenging, with the emergence of new alternative energy resources and financial institutions risk appetite towards the sector. Overall current global economy is exposed to the risk of increasing

trade protectionism and uncertainty in geopolitical conditions, with higher downside risks, it added. "Monetary policy uncertainties in major economies and unsettled global trade disputes will result in prolonged negative effect to the world economy." Nevertheless, the management is optimistic that the industry will replenish its production capacity with new FPSO awards in FY20, to counter the lagging investment effect from the past years. "Amid the challenging global economic environment and the volatility of other currencies against the US dollar, the group will strive to achieve satisfactory results for FY20," Yinson said. (Source: *The Edge*)

**Plantations group United Malacca Bhd returned to the black with a net profit of RM36.95 million in the first quarter ended July 31, 2019 (1QFY20) against a net loss of RM18.49 million a year ago, mainly lifted by a one-off RM53.89 disposal gain.**

Excluding the gain on disposal, the group narrowed its pre-tax loss to RM13.72 million from RM20.95 million previously, as its plantation and investment holding segments narrowed losses. Quarterly revenue grew 8.31% to RM43.33 million from RM40 million a year ago, its stock exchange filing today showed. The group said it continues to be affected by lower average prices of crude palm oil (CPO) of RM1,961 per tonne, versus RM2,354 per tonne in the previous year, and palm kernel (PK) of RM1,113 per tonne versus RM1,757 per tonne a year earlier. High production cost in both its Sabah and Indonesian plantations also ate into its profitability, offsetting the 31% overall improvement in fresh fruit bunch production seen during the quarter. Moving forward, the group foresees FY20 to be challenging as it expects CPO prices to remain soft. Nevertheless, it expects higher FFB production for the year due to the recovery of its oil palm trees, which were affected by adverse weather in the past two years, and improved productivity. It added the group's priority remains focused on improving labour productivity and cost efficiency, as well as increasing FFB yield. (Source: *The Edge*)

**GOVERNMENT-owned private equity (PE) firm Ekuiti Nasional Bhd (Ekuinas) is conducting due diligence on frozen processed meat manufacturer PrimaBaguz Sdn Bhd in a bid to realise its investment.** Sources familiar with the matter tell *The Edge* that the exercise comes nearly six years after Ekuinas acquired the company for RM40 million under its Direct (Tranche II) Fund, which is now fully deployed and being realised. "This is part of Ekuinas' effort to realise its investments, especially those that were undertaken five or six years ago. As a PE firm, it will have to monetise its investments via either a partial or total divestment, or through an initial public offering," says a source who has inside knowledge of the ongoing process. "However, Ekuinas has the discretion to extend the period of its funds if it feels there needs to be more time for the investments to mature." In an email response to questions from *The Edge*, the PE firm says, "Ekuinas does not comment on speculation of its investment or divestment activities and will issue official announcements of any new developments, in accordance with its disclosure policy." Ekuinas had acquired PrimaBaguz from CIMB Private Equity and Prima Agri Products Sdn Bhd in December 2013, marking its first direct investment in the manufacturing sector, following investments in service companies such as Burger King Malaysia and Singapore, Cool Blog and San Francisco Coffee. PrimaBaguz's products — sausages, patties and cold cuts — are supplied to quick-service restaurants, hotels, restaurants and caterers that serve, among others, AirAsia, Genting group, TGV Cinemas and Golden Screen Cinemas. The valuation metrics of Ekuinas' acquisition of PrimaBaguz were not disclosed but looking at publicly available data, the latter's financial performance between 2013 and 2018 was decidedly patchy. In 2013, the manufacturer reported earnings before interest, taxes, depreciation and amortisation (Ebitda) of RM10.7 million, according to Ekuinas' 2013 annual report. However, Ekuinas stopped publishing PrimaBaguz's financial performance on a standalone basis a year later. The company was grouped with San Francisco Coffee, Revenue Valley Group and Cool Blog. Nevertheless, PrimaBaguz's financial reports for 2014 that were filed with the Companies Commission of

Malaysia (SSM) show that the company made a profit before tax (PBT) of RM9.15 million that year but this plunged to RM4.94 million in 2015. In 2016, PrimaBaguz recorded a PBT of RM5.64 million but it stumbled the year after, posting a PBT of only RM452,214. The only year that PrimaBaguz paid a dividend — of RM1 million — to its sole shareholder Ekuinas was in 2016, according to the company's financial report filed with SSM. In its latest financial year, the manufacturer's PBT jumped more than 1,500% to RM7.54 million. Despite its erratic profits, PrimaBaguz has been charting steady revenue growth over the years, hitting RM121.15 million in 2018 against RM66.26 million in 2014. It is difficult to make direct comparisons with companies listed on Bursa Malaysia because often, meat-processing companies are not listed or they are subsidiaries of public-listed companies, for example Farm's Best Food Industries Sdn Bhd, which is a unit of CAB Cakaran Corp Bhd. PrimaBaguz is expanding its export markets in Southeast Asia and the Middle East. In an interview with *The Edge Financial Daily* in November last year, its CEO Chin Lee Foon said exports made up about 28% of revenue, and that the company's target was to reach 32% this year. In Asia, PrimaBaguz plans to strengthen its presence in Singapore, Cambodia, the Philippines and Vietnam while it sees room for growth in the Middle East. The latter only contributed 2% to PrimaBaguz's export sales last year, even though it accounted for 22% of global demand for halal food. Before making a decision to divest, Ekuinas will have to consider its funds' targeted annualised return of 12% and aspirational target of 20%. The Direct (Tranche II) Fund recorded gross portfolio returns of RM490.1 million as at Dec 31, 2018 (FY2018), which translates into a gross internal rate of return (IRR) of 14% per annum and net IRR of 9.8% per annum. Of the 14 investments undertaken by Ekuinas through the fund, six have been realised. Although the Direct (Tranche II) Fund is still meeting Ekuinas' targets, its experience with the Direct (Tranche I) Fund is a reminder that it has to monetise its investments at the right time and be more cautious when it comes to investing. The Direct (Tranche I) Fund recorded a gross portfolio return of RM476.7 million when it was closed in 2017, representing a gross IRR of 10.1% per annum and a net IRR of 6.5% per annum — lower than Ekuinas' target of 12% per annum. This was due to negative IRR from the realisation of its investments in Tanjung Offshore Bhd, Burger King Malaysia, Lyndarahim Ventures Sdn Bhd, Cosmopoint Group and Icon Offshore Bhd. As at Dec 31, 2018, Ekuinas had invested RM2.9 billion of the RM3.95 billion it had received from the government since its inception in 2009. Management of the funds (including outsourced funds) cost RM356.9 million in fees and RM222.8 million in expenses. As at the same date, Ekuinas realised RM1.7 billion of its investments and received RM443.3 million in interest income, RM172.2 million in distributions from outsourced fund managers and RM76.6 million in dividends. (Source: *The Edge*)

Rating Action			
Issuer	PDS Description	Rating/Outlook	Action
Gas District Cooling (Putrajaya) Sdn Bhd (GDC Putrajaya)	RM300.0 million Al-Bai' Bithaman Ajil Islamic Debt Securities (BaIDS)	AAA-IS	Affirmed

Source: RAM, MARC

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