

Global Markets Research

Fixed Income

Fixed Income Daily Market Snapshot

UST		
Tenure	Closing (%)	Chg (bps)
2-yr UST	2.19	2
5-yr UST	2.13	1
10-yr UST	2.32	0
30-yr UST	2.75	0

MGS		GII*		
Tenure	Closing (%)	Chg (bps)	Closing (%)	Chg (bps)
3-yr	3.41	-1	3.47	1
5-yr	3.57	-2	3.63	-2
7-yr	3.72	-3	3.76	-2
10-yr	3.81	-2	3.85	-3
15-yr	4.11	-1	4.13	-2
20-yr	4.32	2	4.34	3
30-yr	4.57	0	4.61	0

* Market indicative levels

MYR IRS Levels		
IRS	Closing (%)	Chg (bps)
1-yr	3.45	-2
3-yr	3.48	-2
5-yr	3.53	-2
7-yr	3.61	-3
10-yr	3.80	-3

Source : Bloomberg

Upcoming Government Bond Tender

Nil

US Treasuries

- US Treasuries were mostly listless on lack of catalysts with the front-end pressured; causing the curve to flatten as overall benchmark yields ended between 0-2bps higher. The UST 2Y yields reversed and closed 2bps higher at 2.19% whilst the much-watched 10Y bond ended within 1bps at 2.32%. The 3m10y spread which is seen as a precursor to recession has inverted again amid escalating trade tensions and signs of slowing global growth. A deluge of 2Y, 5Y and 7Y Treasury notes totaling \$131b are expected to flood the market this week. Traders are expecting an interest-rate cut by the end of the year, whilst the Fed's probability of a rate cut is etched at 63% and 79% for the October and December FOMC meetings.

MGS/GII

- Trading momentum in local govies picked-up as secondary market volumes doubled to RM5.03b. Benchmark yields ended mostly lower between 0-3bps led by lower IRS save for the 20Y MGS/GII bonds with interest seen in the off-the-run 24's and 3Y, 10Y benchmark bonds. Both the benchmark 5Y MGS 4/23 and 10Y MGS 8/29 moved 2bps lower at 3.57% and 3.81% respectively %. GII bond trades rose to form 26% of overall trades. Malaysia's foreign reserves slipped 0.6% to \$102.8b as of 15th May as a slump in crude prices and the weakening MYR put some pressure on public finances. Meanwhile the government is still mulling over the proposed panda bond issuance which was mooted by the China earlier in February. The bonds were supposed to carry a coupon of 3.07% over a 10-year period.

Corp Bonds/Sukuk

- Corporate Bonds/Sukuk space saw solid secondary volume of RM1.05b with interest mainly across the GG and AAA-part of the curve. A slew of Govt-guaranteed DANA bonds dominated the GG-space with the 2023-2025 tranches closing 0-25bps lower compared to previous-done levels between 3.71-83% levels whereas the DANA 27's closed mixed between -5 to +2bps i.e. between 3.94-97% area. AAA-rated TELEKOM 24's edged between 0-1bps lower at 4.04-05% levels whilst TNB 8/37 closed 7bps lower at 4.50%. The AA-space was dominated by power-related bonds i.e. SEB 32-33's and EDRA Energy 30-36's which particularly saw huge movement in yields (lower). SEB 12/32 and 11/33 ended 1-3bps lower at 4.34% and 4.39%. The banking space saw Bank Pembangunan 3/27 close 20bps lower at 4.28%.

Daily Trades : Government Bond

Securities		Closing YTM	Vol (RM mil)	Previous YTM	Previous Trade Date (dd/mm/yyyy)	Chg (bp)
MGS	07/19	3.303	148	3.089	23/05/2019	21
MGS	10/19	3.143	10	3.184	23/05/2019	-4
MGS	11/19	3.105	12	3.184	23/05/2019	-8
MGS	03/20	3.245	105	3.214	21/05/2019	3
MGS	07/20	3.266	56	3.297	21/05/2019	-3
MGS	10/20	3.329	115	3.210	23/05/2019	12
MGS	07/21	3.367	102	3.377	23/05/2019	-1
MGS	09/21	3.388	100	3.428	23/05/2019	-4
MGS	11/21	3.377	100	3.410	23/05/2019	-3
MGS	03/22	3.406	400	3.414	23/05/2019	-1
MGS	08/22	3.488	129	3.508	16/05/2019	-2
MGS	09/22	3.495	99	3.497	23/05/2019	0
MGS	03/23	3.553	85	3.598	23/05/2019	-4
MGS	04/23	3.573	57	3.593	21/05/2019	-2
MGS	07/24	3.673	80	3.698	23/05/2019	-2
MGS	09/24	3.667	603	3.688	23/05/2019	-2
MGS	03/25	3.740	210	3.771	23/05/2019	-3
MGS	09/25	3.801	5	3.796	23/05/2019	1
MGS	04/26	3.833	20	3.842	23/05/2019	-1
MGS	07/26	3.722	141	3.749	23/05/2019	-3
MGS	11/26	3.818	91	3.840	23/05/2019	-2
MGS	03/27	3.894	3	3.884	23/05/2019	1
MGS	05/27	3.905	60	3.943	15/05/2019	-4
MGS	11/27	3.850	114	3.872	23/05/2019	-2
MGS	06/28	3.878	1	3.878	23/05/2019	0
MGS	08/29	3.808	307	3.832	23/05/2019	-2
MGS	04/30	3.967	5	4.001	23/05/2019	-3
MGS	06/31	4.084	30	4.100	16/05/2019	-2
MGS	04/32	4.125	1	4.117	21/05/2019	1
MGS	04/33	4.124	190	4.149	23/05/2019	-3
MGS	11/33	4.105	160	4.110	21/05/2019	0
MGS	06/38	4.319	50	4.300	23/05/2019	2
MGS	09/43	4.532	3	4.545	23/05/2019	-1
MGS	03/46	4.592	26	4.611	23/05/2019	-2
MGS	07/48	4.565	104	4.565	23/05/2019	0
GII	09/19	3.138	100	3.148	07/05/2019	-1
GII	04/20	3.266	14	3.270	17/05/2019	0
GII	03/21	3.411	209	3.412	23/05/2019	0
GII	03/22	3.467	37	3.461	17/05/2019	1
GII	04/22	3.736	2	3.481	15/05/2019	26
GII	07/23	3.636	100	3.652	16/05/2019	-2
GII	11/23	3.624	81	3.650	15/05/2019	-3
GII	05/24	3.680	120	3.706	14/05/2019	-3
GII	08/24	3.683	80	3.684	17/05/2019	0
GII	10/24	3.628	90	3.648	17/05/2019	-2
GII	08/25	3.783	11	3.782	17/05/2019	0
GII	10/25	3.783	40	3.792	23/05/2019	-1
GII	03/26	3.759	20	3.784	17/05/2019	-2
GII	07/27	3.863	1	3.854	23/05/2019	1
GII	10/28	3.873	20	3.873	23/05/2019	0
GII	07/29	3.849	102	3.877	17/05/2019	-3
GII	09/30	4.001	40	4.025	13/05/2019	-2
GII	06/33	4.133	199	4.156	16/05/2019	-2
GII	10/35	4.290	20	4.295	16/05/2019	0
GII	09/39	4.340	20	4.347	08/05/2019	-1
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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*
Khazanah Nasional Berhad	02/21	GG	3.562	60	3.943	02/01/2019	-38	19
Danainfra Nasional Berhad	02/23	GG	3.661	15	3.927	08/03/2019	-27	12
Khazanah Nasional Berhad	08/23	GG	3.788	80	3.797	16/05/2019	-1	25
Danainfra Nasional Berhad	10/23	GG	3.710	65	3.794	02/04/2019	-8	17
Danainfra Nasional Berhad	10/23	GG	3.710	15	3.957	06/03/2019	-25	17
Danainfra Nasional Berhad	05/24	GG	3.771	10	3.775	16/05/2019	0	18
Danainfra Nasional Berhad	07/24	GG	3.779	10	3.810	23/04/2019	-3	19
Danainfra Nasional Berhad	11/24	GG	3.800	120	3.830	30/04/2019	-3	21
Danainfra Nasional Berhad	04/25	GG	3.829	15	3.842	24/04/2019	-1	12
Small Medium Enterprise Development Bank Malay	03/26	GG	3.925	2	-	-	-	20
GovCo Holdings Berhad	06/26	GG	3.975	10	3.975	23/05/2019	0	25
Pengurusan Air SPV Berhad	06/26	GG	3.904	15	3.898	15/04/2019	1	18
Perbadanan Tabung Pendidikan Tinggi Nasional	07/26	GG	3.951	20	3.949	17/05/2019	0	22
Lembaga Pembiayaan Perumahan Sektor Awam	09/26	GG	3.922	30	3.952	25/04/2019	-3	19
GovCo Holdings Berhad	02/27	GG	4.004	30	4.010	14/05/2019	-1	21
Danainfra Nasional Berhad	03/27	GG	3.941	10	3.948	09/05/2019	-1	14
Danainfra Nasional Berhad	05/27	GG	3.952	5	3.931	18/04/2019	2	15
Danainfra Nasional Berhad	07/27	GG	3.961	10	3.939	23/04/2019	2	16
Danainfra Nasional Berhad	11/27	GG	3.971	10	4.019	25/03/2019	-5	17
Danainfra Nasional Berhad	05/28	GG	4.002	10	4.001	23/04/2019	0	17
Bakun Hydro Power Generation Sdn Berhad (fka :)	08/28	GG	4.029	1	4.104	25/03/2019	-8	20
Danainfra Nasional Berhad	02/29	GG	4.021	10	4.023	16/05/2019	0	21
Turus Pesawat Sdn Berhad	11/32	GG	4.259	20	4.294	25/04/2019	-3	15
Perbadanan Tabung Pendidikan Tinggi Nasional	02/34	GG	4.310	55	4.329	14/05/2019	-2	20
Danainfra Nasional Berhad	11/35	GG	4.330	20	4.431	28/03/2019	-10	22
Danainfra Nasional Berhad	05/41	GG	4.439	10	4.479	15/05/2019	-4	13
Cagamas MBS Berhad	08/19	AAA	3.549	85	3.781	08/03/2019	-23	30
Danga Capital Berhad	04/20	AAA	3.752	10	3.804	17/05/2019	-5	50
Putrajaya Holdings Sdn Berhad	07/23	AAA	3.999	10	4.325	07/12/2018	-33	46
Telekom Malaysia Berhad	10/24	AAA	4.036	10	4.042	09/05/2019	-1	44
Telekom Malaysia Berhad	12/24	AAA	4.047	20	4.052	13/05/2019	0	33
Putrajaya Holdings Sdn Berhad	05/25	AAA	4.088	10	4.082	15/05/2019	1	37
Putrajaya Holdings Sdn Berhad	05/26	AAA	4.119	15	4.088	29/04/2019	3	39
Bank Pembangunan Malaysia Berhad	03/27	AAA	4.282	10	4.479	20/03/2019	-20	48
GENM Capital Berhad	07/28	AAA	4.519	20	4.499	23/05/2019	2	69
Projek Lebuhraya Usahasama Berhad	01/30	AAA	4.279	30	4.307	15/05/2019	-3	46
EKVE Sdn Berhad	01/30	AAA	4.298	1	4.730	29/10/2018	-43	48
EKVE Sdn Berhad	01/32	AAA	4.400	5	4.970	23/03/2018	-57	29
Danga Capital Berhad	09/33	AAA	4.421	10	4.408	19/04/2019	1	31
Tenaga Nasional Berhad	08/37	AAA	4.499	5	4.569	04/04/2019	-7	19
Sarawak Energy Berhad	12/32	AA1	4.343	20	4.349	15/05/2019	-1	24
Sarawak Energy Berhad	11/33	AA1	4.388	20	4.419	15/05/2019	-3	28
Westports Malaysia Sdn Berhad	05/24	AA+	4.122	5	4.115	23/05/2019	1	53
UMW Holdings Berhad	06/22	AA2	4.004	20	4.406	26/02/2019	-40	58
BGSM Management Sdn Berhad	12/22	AA3	4.196	10	4.300	23/04/2019	-10	66
CIMB Thai Bank Public Company Limited	07/24	AA3	3.873	5	5.480	21/05/2019	-161	28
Edra Energy Sdn Berhad	07/27	AA3	5.008	10	5.308	08/05/2019	-30	121
AmBank (M) Berhad	02/28	AA3	4.179	2	4.296	17/05/2019	-12	35
Edra Energy Sdn Berhad	01/30	AA3	5.120	1	5.120	23/05/2019	0	131
Edra Energy Sdn Berhad	07/30	AA3	5.190	8	5.539	07/05/2019	-35	138
Sinar Kamiri Sdn Berhad	01/31	AA-	5.551	5	5.666	02/04/2019	-12	174
Edra Energy Sdn Berhad	01/31	AA3	5.178	7	5.679	15/04/2019	-50	136
Edra Energy Sdn Berhad	07/33	AA3	5.400	2	5.500	16/05/2019	-10	129
Edra Energy Sdn Berhad	07/34	AA3	5.361	10	5.989	08/04/2019	-63	125
Edra Energy Sdn Berhad	01/36	AA3	5.399	10	5.599	21/05/2019	-20	129
Malakoff Power Berhad	12/29	AA-	4.291	2	4.618	27/02/2019	-33	48
Sinar Kamiri Sdn Berhad	01/35	AA-	5.850	5	5.977	02/04/2019	-13	174
Lafarge Cement Sdn Berhad	12/20	A1	4.388	3	4.432	21/05/2019	-4	102
CIMB Group Holdings Berhad	05/16	A1	4.158	1	4.417	17/05/2019	-26	-15
Hong Leong Financial Group Berhad	11/17	A1	4.178	1	4.658	10/05/2019	-48	-13
Eco World International Berhad	05/23	-	6.198	2	5.970	23/05/2019	23	-
DRB-Hicom Berhad	06/21	A+	5.782	1	6.020	03/12/2018	-24	241
				<u>1046</u>				

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

Market/Corporate News: What's Brewing

Tunnelling works by China companies have started on one section of the recently renegotiated RM44bil East Coast Rail Link (ECRL), sources said. The works have started in the stretch between Dungun and Mentakab. Malaysian contractors are expected to benefit from the civil works that will be given out in the next few months with 40% of the contracts going to local companies. "Tunnel works are excluded from the 40% civil works allocated for local contractors. All tunnel works are to be done by China companies or the main contractor which is CCCC (China Communications Construction Company Ltd), " said a source. The project is broken into three sections. They are the stretches from Kota Baru to Dungun, Dungun to Mentakab and from Mentakab to Port Klang. The Port Klang to Mentakab portion is a completely new alignment and would require time before work starts, said sources. The Kota Baru to Dungun stretch needs more design works because of unsuitable soil conditions. "It was discovered that the soil conditions on the Kelantan to Terengganu route from the planned Kota Baru to Dungun stations were too soft," the source said. The route along the east coast of Peninsular Malaysia may be adjusted inwards due to soft soil conditions at certain locations, the source added. "This portion of the ECRL will start early next year when the new design and alignment are formed up," the source said. It was announced early last month that the ECRL had resumed with a substantial cut to its price tag of around 34% from RM65.5bil to RM44bil. According to the route map which is available on the Malaysia Rail Link (MRL) website, the ECRL will now have 20 stations stretching from Kota Bharu to Port Klang. The ERCL route sees two stations in Kelantan, namely Kota Baru and Tok Bali; six stations in Terengganu – Kampung Raja, Kuala Terengganu, Pengkalan Berangan, Dungun, Kemasik and Chuka -- and seven stations in Pahang. The Pahang stations are in Cherating, Kuantan Port City, Kuantan Port City 2, Kota SAS, Gambang, Maran and Mentakab. The ECRL will also make a stop in Negeri Sembilan but this station has not been named nor specified yet at press time while there are four stations being planned for Selangor, that is in Bangi/Kajang, Putrajaya Sentral and Port Klang. Another station in Selangor that is supposed to be located between Putrajaya Sentral and Port Klang has not yet been named nor specified, according to the MRL route map. The old route that was initially planned was more tunnel-intensive, this being the Gombak-Bentong-Mentakab portion. This has been scrapped in favour of this new alignment in an effort to reduce costs. In light of this new development, analysts said construction stocks are well placed to weather the storm that is currently enveloping the markets due to the trade war between the US and China. The Bursa Malaysia Construction Index which tracks the general prices and trend of construction stocks listed on the Malaysian stock market had experienced some profit taking from end-April to last Friday, having fallen by some 12.24%. Profit taking was evident for about two weeks following the major ECRL announcement and the US-China trade war had worsened in recent days. However, the Bursa Malaysia Construction Index still outperforms the FBM KLCI in the year-to-date period as FBM KLCI is in negative territory with a loss of 5.17% while the construction index had posted a gain of 24.31%. (Source: *The Star*)

Taliworks Corp Bhd said its wholly-owned subsidiary Sungai Harmoni Sdn Bhd has completed negotiations with Pengurusan Air Selangor Sdn Bhd (Air Selangor) on matters relating to the operations and maintenance of the Sungai Selangor Water Treatment Plant Works Phase 1 (SSP1). Three agreements were executed today, including a termination and settlement agreement between Sungai Harmoni, Air Selangor, and Syarikat Pengeluar Air Sungai Selangor Sdn Bhd (Splash), for the settlement of Sungai Harmoni's outstanding receivables arising from its existing operations and maintenance of SSP1. Under terms of settlement, Splash will pay 90% of all sums due and payable to Sungai Harmoni, which as at Sept 30, 2018, amounted to RM618.33 million. Sungai Harmoni and Air Selangor also signed a bulk water supply

agreement (BWSA), appointing Sungai Harmoni for the continued operations and maintenance of SSP1 and the supply of treated water, with the agreement period extended for another seven years. A third agreement was signed with Air Selangor in respect of the licenses for abstraction of water issued by Lembaga Urus Air Selangor, it added. "We are delighted and thankful that this long-drawn water restructuring saga is finally coming to an end. Likewise, our outstanding receivables issue with Splash has been finally resolved and accordingly, we are hopeful that the payment received from Splash will enable us to explore more value-accretive opportunities. "In addition, under the BWSA, we will continue with the operations and maintenance of SSP1. Subject to the renewal of the licences issued by Suruhanjaya Perkhidmatan Air Negara, the seven-year extension expiring in 2036 is expected to provide us with a stable stream of recurring income and ultimately strengthen the group's cashflow," Taliworks executive director Datuk Ronnie Lim said in a statement. Separately, Gamuda Bhd announced that its 80%-owned subsidiary Gamuda Water Sdn Bhd will continue as the operation and maintenance operator for the Sungai Selangor Water Treatment Plant Phase 3 (SSP3). This is as Air Selangor also executed two agreements — the termination and settlement agreement and the new SSP3 operations and maintenance agreement — with Gamuda Water today. Air Selangor is the new owner of Splash, after it completed on April 22, the purchase of all 100% equity in Splash from Syarikat Pengeluar Air Selangor Holdings Bhd (Splash Holdings). Gamuda and Perangsang Selangor own 40% and 30% stakes in Splash Holdings respectively. It was reported that Sweet Water SPV Sdn Bhd owns the remaining 30% stake. (Source: *The EdgeMarkets*)

Rating Action			
Issuer	PDS Description	Rating/Outlook	Action
Special Coral Sdn Bhd	RM250.0 million Senior Class A Medium-Term Notes (MTN) (Class A MTN)	AAA	Affirmed
	RM50.0 million Senior Class B MTN (Class B MTN)	AA	Affirmed
	RM800.0 million Subordinated Class MTN	B-	Affirmed
CJ Capital Sdn Bhd	M114 mil Sukuk Murabahah (2010/2020)	AAA/stable	Reaffirmed

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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