

Global Markets Research

Fixed Income

Fixed Income Daily Market Snapshot

UST		
Tenure	Closing (%)	Chg (bps)
2-yr UST	1.83	6
5-yr UST	1.80	7
10-yr UST	2.05	6
30-yr UST	2.57	5

MGS		GII*		
Tenure	Closing (%)	Chg (bps)	Closing (%)	Chg (bps)
3-yr	3.35	2	3.37	0
5-yr	3.45	0	3.48	1
7-yr	3.58	1	3.61	-1
10-yr	3.65	0	3.67	0
15-yr	3.97	0	3.96	0
20-yr	4.10	-3	4.11	-1
30-yr	4.38	-4	4.39	-9

* Market indicative levels

MYR IRS Levels		
IRS	Closing (%)	Chg (bps)
1-yr	3.36	0
3-yr	3.38	0
5-yr	3.46	1
7-yr	3.53	0
10-yr	3.68	0

Source : Bloomberg

Upcoming Government Bond Tender

Re-opening of 20Y GII 9/39 consisting of RM2.0b + RM2.0b

Private Placement @ Thursday, 27th June

US Treasuries

- US Treasuries ended weaker across the curve led by a weak 5Y auction amounting to \$41b which drew an average yield of 1.791% and a mere BTC ratio of 2.35x (previous: 2.38x). Overall benchmark yields ended 5-7bps higher with the both the UST 2Y and much-watched 10Y sharply rising 6bps at 1.83% and 2.05% respectively. Investors are expected to monitor the upcoming \$32b, 7Y auction tonight. The US-China trade spat is looming large for investors ahead of this weekend's meeting of G-20 leaders in Japan. Trump once again threatened substantial additional tariffs if a trade deal can't be reached. The Fed implied probability shows a 78% odds for a 25bps rate cut in July and a 22% odds for a 50bps.

MGS/GII

- Trading momentum in local govies took a breather with secondary market volume easing to RM2.73b. Benchmark yields ended mixed between -9 to +2bps as the curve flattened; led by the long-end ahead of the 20Y GII auction today. Focus was mainly seen in the shorter off-the-run 19's and also the benchmark 10Y GII bonds. The benchmark 5Y MGS 6/24 was untraded at 3.45% whilst the 10Y MGS 8/29 closed within 1bps at 3.65%. GII bond trades rose to form about 32% of overall trades. Earlier the IMF's positive comments on the nation's economic development and efforts to strengthen fiscal discipline was a welcome boost to the bond market. Meanwhile, investors are expected to shift focus to the upcoming auction of 20Y GII bonds today.

Corp Bonds/Sukuk

- Corporate Bonds/Sukuk continued to see decent secondary volume of RM729b with interest seen mainly along the AAA part of the curve. Govt-guaranteed LPPSA 25's closed unchanged between 3.60-63% compared to previous-done levels. Both AAA-rated TELEKOM and MANJUNG 28's however rallied between 2-7bps at 3.98% whilst TENAGA 8/33 and 8/38 closed between 0-4bps lower at 4.14% and 4.50% each. The AA-space saw energy-related bonds JEP 6/30 and TBEI 9/30 close 5-7bps lower at 4.31% and 4.29% respectively whilst UNITAPAH 12/33 moved 3bps lower at 4.54%. The banking space saw MAYBANK 31NC26 saw strong investor demand whilst the recently issued Hong Leong Financial Group 29NC24 made its maiden trade at 4.27%; 2bps lower than its coupon of 4.30%.

Daily Trades : Government Bond

Securities		Closing	Vol	Previous	Previous	Chg
		YTM	(RM mil)	YTM	Trade Date (dd/mm/yyyy)	(bp)
MGS	10/19	3.080	328	3.111	25/06/2019	-3
MGS	11/19	3.091	9	3.100	25/06/2019	-1
MGS	03/20	3.171	50	3.172	25/06/2019	0
MGS	10/20	3.221	98	3.233	25/06/2019	-1
MGS	02/21	3.281	171	3.291	25/06/2019	-1
MGS	07/21	3.309	30	3.315	25/06/2019	-1
MGS	09/21	3.313	101	3.323	25/06/2019	-1
MGS	11/21	3.316	75	3.342	25/06/2019	-3
MGS	03/22	3.347	1	3.335	25/06/2019	1
MGS	08/22	3.404	1	3.390	25/06/2019	1
MGS	03/23	3.441	1	3.436	25/06/2019	0
MGS	04/23	3.423	51	3.451	25/06/2019	-3
MGS	08/23	3.488	2	3.435	24/06/2019	5
MGS	07/24	3.492	41	3.506	25/06/2019	-1
MGS	09/24	3.498	114	3.494	25/06/2019	0
MGS	03/25	3.523	31	3.546	25/06/2019	-2
MGS	09/25	3.557	38	3.566	25/06/2019	-1
MGS	04/26	3.630	44	3.624	25/06/2019	1
MGS	07/26	3.582	20	3.571	25/06/2019	1
MGS	05/27	3.700	1	3.692	25/06/2019	1
MGS	11/27	3.689	115	3.660	25/06/2019	3
MGS	06/28	3.676	91	3.670	25/06/2019	1
MGS	08/29	3.647	52	3.635	25/06/2019	1
MGS	04/30	3.798	1	3.798	24/06/2019	0
MGS	06/31	3.835	25	3.844	25/06/2019	-1
MGS	04/32	3.966	4	3.993	18/06/2019	-3
MGS	04/33	3.996	44	3.981	24/06/2019	2
MGS	11/33	3.974	100	3.979	25/06/2019	0
MGS	04/37	4.107	20	4.095	25/06/2019	1
MGS	06/38	4.098	110	4.125	25/06/2019	-3
MGS	09/43	4.363	2	4.411	19/06/2019	-5
MGS	03/46	4.400	22	4.423	25/06/2019	-2
MGS	07/48	4.382	72	4.388	25/06/2019	-1
GII	09/19	3.006	340	3.087	25/06/2019	-8
GII	08/20	3.232	1	3.234	25/06/2019	0
GII	03/21	3.299	23	3.308	25/06/2019	-1
GII	03/22	3.371	10	3.372	25/06/2019	0
GII	04/22	3.395	10	3.399	25/06/2019	0
GII	11/23	3.479	10	3.467	25/06/2019	1
GII	05/24	3.512	60	3.512	25/06/2019	0
GII	10/24	3.477	1	3.488	25/06/2019	-1
GII	10/25	3.603	50	3.650	14/06/2019	-5
GII	07/27	3.699	8	3.702	24/06/2019	0
GII	10/28	3.692	60	3.683	25/06/2019	1
GII	07/29	3.674	150	3.678	25/06/2019	0
GII	09/30	3.767	30	3.778	24/06/2019	-1
GII	11/34	3.936	40	3.951	24/06/2019	-2
GII	08/37	4.104	10	4.127	25/06/2019	-2
GII	09/39	4.108	20	4.115	20/06/2019	-1
GII	05/47	4.393	20	4.487	14/06/2019	-9
GII	11/49	4.398	20	4.592	23/05/2019	-19
			<u>2726</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*
Lembaga Pembiayaan Perumahan Sektor Awam	04/25	GG	3.601	35	3.600	20/06/2019	0	7
Lembaga Pembiayaan Perumahan Sektor Awam	10/25	GG	3.628	35	3.631	20/06/2019	0	10
Danainfra Nasional Berhad	10/46	GG	4.399	10	4.399	24/06/2019	0	29
Prasarana Malaysia Berhad	09/47	GG	4.400	5	4.408	21/06/2019	-1	29
Danainfra Nasional Berhad	02/49	GG	4.420	5	4.419	25/06/2019	0	31
Cagamas Berhad	08/19	AAA	3.185	120	3.514	10/06/2019	-33	0
Ranhill Powertron II Sdn Berhad	06/24	AAA	4.118	5	4.889	12/08/2011	-77	67
Bakun Hydro Power Generation Sdn Berhad (fka)	08/27	AAA	3.899	10	3.919	17/06/2019	-2	27
Cagamas Berhad	10/28	AAA	3.959	60	4.733	26/10/2015	-77	31
Telekom Malaysia Berhad	10/28	AAA	3.976	30	4.048	12/06/2019	-7	32
Manjung Island Energy Berhad	11/28	AAA	3.979	10	3.999	17/06/2019	-2	33
Malayan Banking Berhad	11/31	AAA	3.774	40	3.868	29/05/2019	-9	12
Tenaga Nasional Berhad	08/33	AAA	4.140	10	4.179	14/06/2019	-4	16
Tenaga Nasional Berhad	08/38	AAA	4.500	10	4.498	21/06/2019	0	39
MBSB Bank Berhad (fka Asian Finance Bank Berhad)	10/20	AA1	4.028	10	4.037	19/06/2019	-1	84
Sabah Credit Corporation	06/23	AA1	4.197	6	4.387	12/04/2019	-19	79
UniTapah Sdn Berhad	12/33	AA1	4.543	10	4.574	10/06/2019	-3	56
AmBank (M) Berhad	06/20	AA2	3.786	10	3.801	24/06/2019	-2	60
Hong Leong Financial Group Berhad	06/29	AA2	4.273	10	-	-	-	62
Jimah East Power Sdn Berhad	06/30	AA-	4.311	10	4.358	12/06/2019	-5	66
Country Garden Real Estate Sdn Berhad	03/22	AA3	6.156	10	6.161	25/06/2019	0	282
Edra Energy Sdn Berhad	01/26	AA3	5.206	1	4.734	20/06/2019	47	163
AmBank (M) Berhad	03/28	AA3	4.266	0	4.791	24/06/2019	-53	61
Tanjung Bin Energy Issuer Berhad	09/30	AA3	4.287	20	4.361	28/05/2019	-7	63
Tanjung Bin Energy Issuer Berhad	03/32	AA3	4.321	10	4.518	02/05/2019	-20	34
Edra Energy Sdn Berhad	01/34	AA3	5.067	10	5.067	20/06/2019	0	109
Lafarge Cement Sdn Berhad	12/20	A1	4.281	1	4.341	24/06/2019	-6	109
CIMB perpetual Securities	-	A1	4.540	236	-	-	-	-
Eco World International Berhad	04/23	-	5.830	1	5.981	25/06/2019	-15	-
				<u>729</u>				

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

Market/Corporate News: What's Brewing

One way to resolve the property overhang is to stop being so strict over Malaysia My Second Home (MM2H) applications from Chinese nationals, said a developer. "I understand that we are more stringent on the MM2H applications for the mainland Chinese," said TA Global Bhd's non-independent and non-executive director Datin Alicia Tiah said at a press conference after its AGM today. In a report by The Star today, Tiah said: "These are the people with money ready to spend. If the government would like to clear all these overhang stocks, they must not only look at local buyers but must also encourage foreigners to buy as well. One way to do this is to stop the restrictions in MM2H." "I believe when anyone makes Malaysia its second home, chances are that they will buy a property. Once they buy a property, it means they will also buy white goods (big consumer items). They will also buy a vehicle and help the broader economy. This will stimulate (the economy) and clear excess stocks. These people can't vote and I don't see how they can affect the country," Tiah opined. Instead of the current restrictions, she proposed that the government could set up a quota for properties allowed for non-Malaysians in every state. (Source: The Edge)

Singapore's economy is expected to grow at its slowest pace in a decade this year, and some experts are predicting a recession in 2020, as the U.S.-China trade war looks set to hit the export-reliant city-state harder than others in Southeast Asia. This has prompted some economists to raise bets on the central bank easing monetary policy at its next meeting in October, or even out of cycle,

especially if the U.S. Federal Reserve were to cut interest rates next month. There is also speculation that the government could provide incentives to boost growth, but businesses like Tan's don't expect fiscal or monetary policy to be enough to arrest an economic decline that is mostly a result of a global slowdown. "Many times you rely on yourself," said Tan, chief executive of Asia Polyurethane Manufacturing, which is cutting costs as customers in China hold back orders. With revenues down 20 percent last year, his employees can forget about sailing around tropical islands. "This year, we will watch the video like a virtual (experience). Let them put on goggles," he quipped. To be sure, parts of the economy, such as construction and private consumption, have held up, supported by upward wage pressure from foreign worker restrictions and large long-term building projects. But with exports equal to about 200% of Singapore's gross domestic product, a much larger weighting than those in neighbouring Malaysia and Indonesia, bumping up domestic consumption is unlikely to meaningfully boost growth. Singapore must expect some fallout from global trade disruption, Prime Minister Lee Hsien Loong told reporters in Bangkok over the weekend. "You cannot just step on the gas and speed up and make up for a less favourable external environment," Lee said. The uncertainty is prompting businesses to cut costs as they prepare for a drawn-out battle between the world's two biggest economies. "No one wants to invest now, because they want to see what happens in the trade war," said John Kong, chief executive of building materials supplier M Metal, which employs 64 people. Kong has asked his workers to turn off air-conditioning units when they leave for lunch and to stop printing in colour. Singapore's economic data has been grim lately. Electronics exports, a major driver of Singapore's growth over the past two years, saw their biggest decline in more than a decade, hit by a global downturn in the semiconductor industry, data showed last week. Overall exports in May declined the most in more than three years as shipments to China slumped. In the labour market, the number of retrenchments rose 40% in the first quarter of 2019 from a year ago, driven by cuts in the manufacturing sector, according to official data released this month. The Monetary Authority of Singapore closely tracks data and there is a growing chance it may ease its currency-focused monetary policy for the first time in nearly three years. Some say the central bank could even ease outside of its bi-annual meeting schedule as it did in January 2015 when it sought to counter deflationary pressures amid slowing growth. But a more accommodative stance won't be enough to reinvigorate the economy, said CIMB Private Banking economist, Song Seng Wun, as a weaker Singapore dollar will not necessarily push up exports. "Singapore businesses won't suddenly become so competitive that we are going to be selling a lot more of our goods and services," he said. The finance ministry also has limited space to help given already-low tax rates, along with numerous incentives and cost offsets and an expansionary budget this year. "The awkwardness is that the economy isn't really meant for huge additional infrastructure spending," said Rob Carnell, chief economist at ING. "There's a lot of expenditure that goes on continuously in Singapore." Further stimulus could come in the form of tax cuts and more rebates but factory operators aren't waiting for the government to come to their rescue. "You, as the manufacturer, have to find a way to boost sales," said Sam Chee Wah, general manager at Feinmetall Singapore, whose products are used for testing semiconductor wafers, a component in microchips. Sam says he's been bracing for a tech slowdown since last year - holding back hiring and major capital investments. He's now considering offering discounts or delayed payment terms to customers. With U.S.-China hostilities showing no signs of abating, Singapore will have to weather the storm for some time to come. "We are not out of the woods yet," said Sian Fenner, lead economist at Oxford Economics. "We haven't seen the worst." (Source: *The Edge*)

Rating Action			
Issuer	PDS Description	Rating/Outlook	Action
Nil	Nil	Nil	Nil

Source: RAM, MARC

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