

## Global Markets Research

### Fixed Income

#### Fixed Income Daily Market Snapshot

UST		
Tenure	Closing (%)	Chg (bps)
2-yr UST	1.52	-2
5-yr UST	1.38	-4
10-yr UST	1.47	-6
30-yr UST	1.95	-9

MGS		GII*		
Tenure	Closing (%)	Chg (bps)	Closing (%)	Chg (bps)
3-yr	3.14	-3	3.16	-5
5-yr	3.23	-1	3.24	0
7-yr	3.27	2	3.27	0
10-yr	3.31	-7	3.30	0
15-yr	3.51	0	3.46	0
20-yr	3.62	0	3.57	0
30-yr	3.80	0	3.79	0

\* Market indicative levels

MYR IRS Levels		
IRS	Closing (%)	Chg (bps)
1-yr	3.23	0
3-yr	3.20	-2
5-yr	3.21	-2
7-yr	3.22	-3
10-yr	3.30	-3

Source : Bloomberg

#### Upcoming Government Bond Tender

Reopening of RM3.0b + RM1.0b Private Placement of 10Y  
GII 9/29 on Thursday, 29<sup>th</sup> August

#### US Treasuries

- US Treasuries ended stronger as bull-flattening mode prevailed throughout Tuesday's session; led by the long-ends. Overall benchmark yields closed a 2-9bps lower across the curve with the UST 2Y at 1.52% and the much-watched 10Y declining by 6 bps to a 3-year low of 1.47% levels. Note that the yield curve is currently inverted. The front-end lagged with 2Y supply coming on stream via \$40b auction that was awarded at 1.516% on a strong BTC ratio of 2.60x. Meanwhile, the Conference Board stated that consumer confidence remains upbeat in August, suggesting confidence and continued spending despite slight cracks elsewhere pertaining to global manufacturing, China's growth, BREXIT and possibility of Germany moving into technical recession. Up next is the issuance of \$41b of 5Y notes tonight.

#### MGS/GII

- Trading momentum in local govies continued to maintain some traction as volume notched RM3.68b yesterday. Main interest was again seen in the off-the-run 19's, 21's and also benchmark 3Y bonds. Overall benchmark yields closed mostly unchanged to lower; led by declining IRS levels. The 5Y benchmark MGS 6/24 edged 1bps lower at 3.23% whilst the 10Y MGS 8/29 was rallied 7bps at 3.31%. GII dropped to form ~26% of overall trades. The prospect of a lower global trend towards zero (and possibly even lower) interest rate regime is expected to favour local govies as comparative yield spreads are seen attractive. Despite the government studying another offer of Samurai bonds from Japan, alternative fund-raising strategies including monetizing the government's assets or hiving off stakes in GLC's etc may be considered. Meanwhile expect attention to be focused on the upcoming 10Y GII bond auction tomorrow.

#### Corp Bonds/Sukuk

- Corporate Bonds/Sukuk saw secondary market volume ramp-up to RM1.09b with interest seen across the GG-AA part of the curve as overall yields continuing to decline. The gov-guaranteed LPPSA saw several 2023-2028 tranches done 1-45bps lower compared to previous-done levels between 3.30-45% levels. PRASA 24-25's saw RM175m in nominal amounts traded a massive ~50bps lower between 3.34-3.37% area. AAA-rated TENAGA 8/38 however edged 2bps higher at 3.87%. The AA-space saw AA-rated energy-related bond i.e. SEB 21-22's close sharply lower on yields between 3.37-42% whilst the 2032 and 2036 tranches closed 0-7bps lower.

## Daily Trades : Government Bond

Securities		Closing YTM	Vol (RM mil)	Previous YTM	Previous Trade Date (dd/mm/yyyy)	Chg (bp)
MGS	10/19	3.083	182	3.091	08/19	-1
MGS	11/19	3.059	316	3.077	08/19	-2
MGS	03/20	3.082	100	3.096	08/19	-1
MGS	07/20	3.116	8	3.117	08/19	0
MGS	10/20	3.111	84	3.122	08/19	-1
MGS	02/21	3.116	50	3.134	08/19	-2
MGS	07/21	3.117	275	3.146	08/19	-3
MGS	09/21	3.111	453	3.150	08/19	-4
MGS	11/21	3.120	205	3.170	08/19	-5
MGS	03/22	3.142	111	3.174	08/19	-3
MGS	08/22	3.168	70	3.228	08/19	-6
MGS	09/22	3.195	42	3.226	08/19	-3
MGS	04/23	3.190	52	3.185	08/19	0
MGS	08/23	3.232	45	3.232	08/19	0
MGS	06/24	3.228	40	3.237	08/19	-1
MGS	09/24	3.247	25	3.253	08/19	-1
MGS	03/25	3.250	10	3.286	08/19	-4
MGS	09/25	3.275	50	3.294	08/19	-2
MGS	04/26	3.316	15	3.361	08/19	-5
MGS	07/26	3.271	24	3.252	08/19	2
MGS	11/26	3.298	108	3.329	08/19	-3
MGS	11/27	3.365	76	3.386	08/19	-2
MGS	06/28	3.349	203	3.352	08/19	0
MGS	08/29	3.313	92	3.381	08/19	-7
MGS	04/30	3.445	20	3.483	08/19	-4
MGS	06/31	3.489	16	3.535	08/19	-5
MGS	11/33	3.540	70	3.532	08/19	1
GII	09/19	3.069	30	3.064	08/19	0
GII	04/20	3.093	100	3.127	08/19	-3
GII	03/22	3.158	240	3.210	08/19	-5
GII	11/22	3.193	10	3.183	08/19	1
GII	07/23	3.219	50	3.223	08/19	0
GII	10/23	3.226	100	3.252	08/19	-3
GII	11/23	3.233	50	3.292	08/19	-6
GII	05/24	3.277	20	3.350	08/19	-7
GII	08/24	3.264	40	3.271	08/19	-1
GII	10/24	3.241	120	3.240	08/19	0
GII	08/28	3.413	40	3.446	08/19	-3
GII	10/28	3.385	10	3.471	08/19	-9
GII	09/30	3.443	130	3.489	08/19	-5
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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*
Pengurusan Air SPV Berhad	06/20	GG	3.186	10	3.850	23/11/2018	-66	8
Lembaga Pembiayaan Perumahan Sektor Awam	09/23	GG	3.299	45	3.750	27/05/2019	-45	9
Lembaga Pembiayaan Perumahan Sektor Awam	04/24	GG	3.319	10	3.486	19/07/2019	-17	9
Prasarana Malaysia Berhad	09/24	GG	3.341	75	3.842	10/04/2019	-50	11
Prasarana Malaysia Berhad	09/24	GG	3.340	20	3.862	01/04/2019	-52	11
Turus Pesawat Sdn Berhad	11/24	GG	3.494	50	3.952	26/03/2019	-46	27
Lembaga Pembiayaan Perumahan Sektor Awam	04/25	GG	3.360	10	3.553	19/07/2019	-19	10
Prasarana Malaysia Berhad	09/25	GG	3.370	100	3.872	12/04/2019	-50	11
Lembaga Pembiayaan Perumahan Sektor Awam	10/25	GG	3.390	15	3.581	17/07/2019	-19	13
Turus Pesawat Sdn Berhad	11/27	GG	3.587	50	3.824	07/08/2019	-24	28
Lembaga Pembiayaan Perumahan Sektor Awam	04/28	GG	3.446	20	3.438	22/08/2019	1	13
Lembaga Pembiayaan Perumahan Sektor Awam	10/28	GG	3.440	10	3.448	22/08/2019	-1	12
Prasarana Malaysia Berhad	09/29	GG	3.489	40	3.690	07/08/2019	-20	18
Perbadanan Tabung Pendidikan Tinggi Nasional	07/31	GG	3.529	20	3.761	07/08/2019	-23	22
Perbadanan Tabung Pendidikan Tinggi Nasional	03/32	GG	3.558	40	4.008	24/06/2019	-45	5
DanaInfra Nasional Berhad	03/32	GG	3.579	20	4.051	17/06/2019	-47	7
GovCo Holdings Berhad	09/32	GG	3.638	140	3.640	26/08/2019	0	13
DanaInfra Nasional Berhad	02/33	GG	3.551	5	3.551	22/08/2019	0	4
DanaInfra Nasional Berhad	11/35	GG	3.668	40	3.959	01/08/2019	-29	16
DanaInfra Nasional Berhad	05/36	GG	3.678	10	4.439	25/04/2019	-76	17
DanaInfra Nasional Berhad	04/37	GG	3.708	10	3.996	26/07/2019	-29	12
DiGi Telecommunications Sdn Berhad	04/22	AAA	3.403	10	3.794	20/06/2019	-39	25
Pengurusan Air SPV Berhad	02/24	AAA	3.508	10	3.885	18/06/2019	-38	30
Tenaga Nasional Berhad	08/33	AAA	3.730	10	3.920	07/08/2019	-19	22
TNB Northern Energy Berhad	05/36	AAA	3.940	5	4.888	14/11/2016	-95	43
Tenaga Nasional Berhad	08/38	AAA	3.870	140	3.849	16/08/2019	2	28
Sarawak Energy Berhad	06/21	AA1	3.373	20	3.595	08/08/2019	-22	24
Sarawak Energy Berhad	01/22	AA1	3.421	10	3.735	25/07/2019	-31	29
Batu Kawan Berhad	06/23	AA1	3.696	30	4.505	12/10/2018	-81	49
TRIpIc Medical Sdn Berhad	10/27	AA1	3.877	10	4.348	06/05/2019	-47	57
Malayan Banking Berhad	01/31	AA1	3.789	10	3.878	19/08/2019	-9	48
Sarawak Energy Berhad	12/32	AA1	3.759	10	3.828	22/08/2019	-7	25
Sarawak Energy Berhad	04/36	AA1	4.118	3	4.119	22/08/2019	0	61
Bumitama Agri Ltd	07/24	AA3	3.707	20	3.798	16/08/2019	-9	48
Edra Energy Sdn Berhad	07/31	AA3	4.429	1	4.429	26/08/2019	0	112
MMC Corporation Berhad	11/27	AA-	4.859	10	4.958	14/08/2019	-10	155
MMC Corporation Berhad	03/28	AA-	4.869	10	4.972	14/08/2019	-10	155
Tan Chong Motor Holdings Berhad	11/19	A1	3.801	10	4.002	06/08/2019	-20	69
UMW Holdings Berhad	04/18	A1	4.693	1	4.722	21/08/2019	-3	110
Jimah East Power Sdn Berhad	12/27	AA-	3.947	30	3.968	23/08/2019	-2	64
Eco World Capital Assets Berhad	08/24	-	6.099	2	6.099	26/08/2019	0	-
YNH Property Berhad	07/19	-	6.750	1	6.753	13/08/2019	0	316
				<u>1091</u>				

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

## Market/Corporate News: What's Brewing

**TIME DOTCOM BHD** staged a strong financial performance in the second quarter ended June 30, 2019 as its net profit rose by 42.4% to RM92.50mil from RM64.94mil a year ago, underpinned by strong growth in its data business. It announced on Tuesday its revenue increased by 15.8% to RM277.82mil from RM239.85mil a year ago. Earnings per share were 15.85 sen compared with 11.17 sen. "The group recorded a current quarter pre-MFRS 16 consolidated profit before tax of RM97.8mil which is RM29.3mil or 42.8% higher than the consolidated profit recorded in Q2 2018 of RM68.50mil," it said. Time dotCom said the higher profit before tax results were mainly due to higher overall revenue growth in the current quarter on the back of better margins due to improved cost efficiency. There was also lower net allowance for doubtful debts of RM1.4mil vs RM6.9mil a year ago, which included an allowance for doubtful debt of RM5.5mil made for advances given to an associate company in Thailand. It also recorded higher net gain on foreign exchange of RM8.8mil vs RM4.7mil a year ago and higher share of profit from investment in

associates of RM3.3mil versus RM2.8mil. According to notes to the accounts, its data division recorded a 21.3% increase in revenue at RM227.51mil compared with RM187.59mil a year ago while voice showed a 6.8% increase to RM17.62mil from RM16.49mil. Its data centred recorded a 6.8% decline to RM32.23mil and others recorded a 60.4% decline to RM460,000. For the first half, its net profit rose by 21.7% to RM155.63mil from RM127.88mil in the previous corresponding period. "Higher sales were recorded across all core product segments. All core customer groups also contributed to overall revenue growth, led by wholesale and retail customers. "Pre-tax profit grew 23.5% to RM166.1mil (pre-MFRS 16) from RM134.5mil for the same period of the preceding year. This can be attributed to higher overall revenues, improved cost efficiencies and a higher share of profit from investment in associates," it said. During the first half, its revenue increased by 14.8% to RM540.36mil from RM470.58mil. Commenting on the outlook, Time dotCom said the telecommunications industry landscape in Malaysia will remain challenging in 2019 as the market is further liberalised through reforms and potential consolidation of key operators. "The group is of the view that opportunities will arise alongside any change in the industry, and will continue to monitor industry developments closely to leverage on opportunities as and when they arise," it said. The company said it would also continue working with its partners in Thailand and Vietnam to tap the increasing demand for cross border connectivity in the Southeast Asian region. "Access to Southeast Asian markets is still in high demand. In addition to connectivity, we are also assessing opportunities to establish ourselves as a regional data centre player in line with our strategy for business sustainability," said Afzal Abdul Rahim, Time dotCom commander-in-chief. (Source: *The Star*)

**The issuance of Islamic bonds, commonly known as Sukuk, is set to rise six percent to around US\$130 billion this year.** It would be a fourth consecutive annual increase amid increased activities in Saudi Arabia and Malaysia, Moody's Investors Service said in a report. "Increased activity in Saudi Arabia and Malaysia helped drive strong issuance of US\$87 billion in the first six months and this reduced funding needs," Vice President — Senior Credit Officer at Moody's, Nitish Bhojnagarwala said. "We, therefore, expect second-half volumes to moderate to around US\$43 billion, though Malaysia and the Gulf Cooperation Council (GCC) countries, particularly Saudi Arabia, will continue issuing regularly," he said in a statement here, today. Governments across the core Islamic finance markets, namely, Malaysia, Indonesia and GCC countries continue to adjust their funding mix, supporting long-term growth in sukuk volumes. The change reflects these countries' cultural affinity with Islamic finance, and their governments' desire to promote Shariah-compliant banking. Rising demand for sukuk from domestic Islamic banks and central bank issuance in the core Islamic finance markets was also supportive. Nitish said new entrants and green sukuk could also stimulate issuance. Hence, Moody's expects some African sovereigns to enter the market, and Egypt set up a Shariah supervisory committee in April to oversee sukuk issuance. While the green sukuk market is in its infancy, issuance is likely to accelerate as efforts to combat climate change gain traction, building on initial green sukuk transactions in Malaysia and Indonesia.. (Source: *The Edge*)

**WCT Holdings Bhd's net profit dropped 47% to RM22.7 million for the second quarter ended June 30, 2019, from RM42.45 million a year earlier amid lower contribution from its engineering and construction division.** The construction group's revenue for the quarter declined 33% to RM450.11 million from RM669.9

million in the previous year. For the first half of the financial year, net profit fell 21% to RM63.02 million from RM79.52 million in the preceding year, while revenue was down 20% at RM964.76 million from RM1.21 billion. The engineering and construction division reported lower operating profit of RM71 million for the period, compared with the RM98 million reported in the previous year. "The lower revenue and operating profit recognition are mainly due to some of the existing projects which are nearing completion and the newly secured jobs which are still in early stages of construction," said the group. Meanwhile, the property development segment saw lower operating profit of RM45 million versus RM47 million in the preceding year, which was attributed to the sale of undeveloped lands in 2018. On the other hand, the property investment and management segment saw improvement in performance, reporting operating profit of RM50 million against RM36 million in the previous year, mainly due to improved occupancy level of Paradigm Mall in Johor Bahru and higher rental income from Bukit Tinggi Shopping Mall in Klang. On its prospects, the group said the engineering and construction segment will be supported by its strong order book, with the group to focus on project execution as well as new construction jobs. The property development segment plans to launch new projects, subject to market conditions, catering to the demand for more affordable residential units. In the meantime, the group will continue in its efforts to reduce its unsold properties as well as divesting some of its idle land banks to improve its operating cash flows. WCT said the property investment and management segment will continue to improve occupancy levels and tenancy mix, while also enhancing its investment properties. "The group will continue to embark on its de-gearing initiatives to strengthen its financial position and improve its gearing level. Barring any unforeseen circumstances, the board is of the view that the group will be able to deliver satisfactory financial results in the current financial year," said the group. (Source: *The Edge*)

Rating Action			
Issuer	PDS Description	Rating/Outlook	Action
Malayan Banking Berhad	Additional Tier-1 Sukuk Mudharabah (AT-1 Sukuk) to be issued under its existing RM10.0 bil Sukuk Programme (2017/-)	AA3/Stable	Assigned
	National and ASEAN-scale	AAA/Stable/P1	Reaffirmed
	RM20.0 bil Subordinated Note Programme (2012/-)	AA1/Stable	Reaffirmed
	RM10.0 bil Additional Tier-1 Capital Securities Programme (2014/-)	AA3/Stable	Reaffirmed
	RM10.0 bil Commercial Papers/Medium-Term Notes Programme (2016)	AAA/Stable/P1	Reaffirmed
	M10.0 bil Senior Medium-Term Notes Programme (2015/-)	AAA/Stable	Reaffirmed
	RM10.0 bil Sukuk Programme (2017/-)		
	- Senior Sukuk Murabahah	AAA/Stable	Reaffirmed
	- Subordinated Sukuk Murabahah	AA1/Stable	Reaffirmed
	- Additional Tier-1 Sukuk Mudharabah	AA3/Stable	Reaffirmed
Vietnam	Global and ASEAN-scale ratings	gBB3(pi) and seaBB1(pi)	Revised from stable to positive

Source: RAM, MARC

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