

## Global Markets Research

### Fixed Income

#### Fixed Income Daily Market Snapshot

UST		
Tenure	Closing (%)	Chg (bps)
2-yr UST	2.29	-4
5-yr UST	2.29	-3
10-yr UST	2.50	-3
30-yr UST	2.92	-3

MGS		GII*		
Tenure	Closing (%)	Chg (bps)	Closing (%)	Chg (bps)
3-yr	3.42	0	3.45	-3
5-yr	3.59	-3	3.64	0
7-yr	3.75	4	3.75	2
10-yr	3.77	-2	3.86	2
15-yr	4.13	1	4.13	-2
20-yr	4.35	0	4.35	-4
30-yr	4.63	-1	4.67	0

\* Market indicative levels

MYR IRS Levels		
IRS	Closing (%)	Chg (bps)
1-yr	3.53	0
3-yr	3.54	0
5-yr	3.60	1
7-yr	3.69	1
10-yr	3.90	0

Source : Bloomberg

#### Upcoming Government Bond Tender

Re-opening of 7Y MGS 7/26 consisting of RM3.0b  
+ RM0.5b Private Placement on Monday, 29<sup>th</sup>

#### US Treasuries

- Both US Treasuries and equities rose last Friday led by the UST 2Y whilst shrugging-off strong headline GDP data. The curve shifter lower as overall benchmark yields ended 3-4bps lower with both the 2Y and 10Y closing at 2.29% and 2.50% respectively. Meanwhile foreign official accounts continue to offload UST holdings, dumping more than \$15.8 billion of U.S. government-debt securities in the period ending 24<sup>th</sup> April, the most since December. Foreign selling may have boosted Treasury curve volatility, prompting talk of dollar funding pressures. On the data front we have the PCE numbers i.e. the Fed's preferred inflation gauge out tonight along with more healthcheck on the consumer sector.

#### MGS/GII

- Local govies saw momentum ease as secondary volumes pulled-back to RM3.80b with interest seen in the belly and also benchmark 3Y and 5Y bonds. Overall benchmark yields ended mixed between -4 to +4bps. The benchmark 5Y MGS 4/23 rallied 3bps at 3.59% whilst the 10Y MGS 8/29 edged another 2bps at 3.77%. GII bond trades dropped to form 39% of overall trades. The prospects of a rate cut and abundant domestic liquidity is expected to provide support. Meanwhile investors are looking forward to the upcoming 7Y auction involving the reopening of MGS 7/26 today. Up next on the data front are the Nikkei PMI, and trade numbers expected out at the end of the week.

#### Corp Bonds/Sukuk

- Corporate Bonds/Sukuk space saw decent secondary volume of RM423m with interest mainly across the AAA part of the curve followed by the AA-segment. Govt-guaranteed PRASA 9/27 rallied 5bps at 3.95% compared to previous-done levels whereas most other Govt-guaranteed papers also drifted lower on yields. AAA-rated DANGA and PUTRAJAYA Bina 27's ended 17-26bps lower between 4.08-12% levels whilst the short-end MANJUNG 11/20 and long-end 11/31 edged a mere 1bps on substantial RM65m in nominal amounts. AA-rated space saw several tranches of ANIH 2023-2029 done also sharply lower on yields.

## Daily Trades : Government Bonds

Securities		Closing YTM	Vol (RM mil)	Previous YTM	Previous Trade Date (dd/mm/yyyy)	Chg (bp)
MGS	10/19	3.308	20	3.320	25/04/2019	-1
MGS	11/19	3.330	103	3.335	24/04/2019	0
MGS	03/20	3.378	31	3.369	25/04/2019	1
MGS	07/20	3.417	100	3.422	24/04/2019	-1
MGS	02/21	3.410	1	3.473	18/04/2019	-6
MGS	07/21	3.396	247	3.378	25/04/2019	2
MGS	11/21	3.415	103	3.456	25/04/2019	-4
MGS	03/22	3.419	177	3.426	25/04/2019	-1
MGS	09/22	3.544	110	3.532	25/04/2019	1
MGS	03/23	3.624	2	3.646	25/04/2019	-2
MGS	04/23	3.585	184	3.617	25/04/2019	-3
MGS	08/23	3.634	44	3.647	25/04/2019	-1
MGS	07/24	3.722	4	3.701	25/04/2019	2
MGS	09/24	3.699	2	3.736	25/04/2019	-4
MGS	03/25	3.772	1	3.767	25/04/2019	0
MGS	09/25	3.785	144	3.782	25/04/2019	0
MGS	04/26	3.855	6	3.847	25/04/2019	1
MGS	07/26	3.754	37	3.714	25/04/2019	4
MGS	11/26	3.823	130	3.823	25/04/2019	0
MGS	03/27	3.877	40	3.877	25/04/2019	0
MGS	05/27	3.865	63	3.954	24/04/2019	-9
MGS	11/27	3.857	177	3.843	25/04/2019	1
MGS	06/28	3.857	192	3.897	25/04/2019	-4
MGS	08/29	3.766	191	3.802	25/04/2019	-4
MGS	04/30	3.976	130	3.998	25/04/2019	-2
MGS	04/33	4.158	1	4.167	24/04/2019	-1
MGS	11/33	4.130	79	4.112	25/04/2019	2
MGS	04/37	4.283	2	4.355	25/04/2019	-7
MGS	03/46	4.615	1	4.644	25/04/2019	-3
MGS	07/48	4.630	1	4.644	25/04/2019	-1
GII	03/22	3.445	316	3.478	25/04/2019	-3
GII	11/23	3.677	10	3.666	25/04/2019	1
GII	05/24	3.722	70	3.705	16/04/2019	2
GII	08/24	3.719	120	3.688	25/04/2019	3
GII	10/24	3.641	210	3.645	25/04/2019	0
GII	08/25	3.800	60	3.794	25/04/2019	1
GII	10/25	3.809	70	3.796	25/04/2019	1
GII	03/26	3.750	40	3.726	25/04/2019	2
GII	09/26	3.820	30	3.812	25/04/2019	1
GII	07/27	3.829	20	3.837	25/04/2019	-1
GII	10/28	3.862	130	3.881	25/04/2019	-2
GII	07/29	3.860	160	3.845	25/04/2019	1
GII	09/30	4.007	98	4.057	23/04/2019	-5
GII	06/33	4.130	30	4.149	25/04/2019	-2
GII	08/37	4.344	100	4.355	25/04/2019	-1
GII	09/39	4.348	10	4.388	25/04/2019	-4
			<u>3795</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*
PR1MA Corporation Malaysia	10/24	GG	3.821	5	3.839	25/04/2019	-2	21
DanaInfra Nasional Berhad	04/26	GG	3.869	5	3.897	23/04/2019	-3	13
Prasarana Malaysia Berhad	09/27	GG	3.950	25	4.002	24/04/2019	-5	17
DanaInfra Nasional Berhad	03/29	GG	4.022	5	-	-	-	24
DanaInfra Nasional Berhad	11/29	GG	4.033	20	4.061	25/04/2019	-3	25
HSBC Amanah Malaysia Berhad	10/19	AAA	3.798	40	3.907	04/01/2019	-11	43
Projek Lebuhraya Usahasama Berhad	01/20	AAA	3.818	20	3.919	26/02/2019	-10	45
Malaysia Airports Capital Berhad	08/20	AAA	4.018	10	4.030	24/04/2019	-1	65
Cagamas Berhad	10/20	AAA	3.746	10	3.995	11/02/2019	-25	37
Manjung Island Energy Berhad	11/20	AAA	3.926	55	3.941	24/04/2019	-1	53
Cagamas Berhad	10/21	AAA	3.744	15	3.796	09/04/2019	-5	34
Bakun Hydro Power Generation Sdn Berhad (fka	08/26	AAA	4.158	10	4.210	09/04/2019	-5	42
Danga Capital Berhad	09/27	AAA	4.121	45	4.289	07/03/2019	-17	34
Putrajaya Bina Sdn Berhad	09/27	AAA	4.080	5	4.341	13/03/2019	-26	30
Projek Lebuhraya Usahasama Berhad	01/28	AAA	4.199	10	4.228	04/04/2019	-3	40
Manjung Island Energy Berhad	11/31	AAA	4.251	10	4.259	15/04/2019	-1	12
Sabah Development Bank Berhad	09/20	AA1	4.598	3	4.163	19/04/2019	44	123
Sabah Development Bank Berhad	04/24	AA1	4.907	6	5.050	24/04/2019	-14	130
Sarawak Energy Berhad	04/31	AA1	4.359	10	4.501	28/03/2019	-14	58
Sarawak Energy Berhad	12/32	AA1	4.419	10	4.438	04/04/2019	-2	29
Konsortium ProHAWK Sdn Berhad	06/28	AA2	4.389	20	4.802	14/08/2018	-41	59
Anih Berhad	11/23	AA	4.317	5	4.502	07/12/2018	-19	71
Anih Berhad	11/26	AA	4.429	20	4.460	25/04/2019	-3	65
Anih Berhad	11/29	AA	4.519	10	4.638	20/03/2019	-12	74
UEM Sunrise Berhad	04/20	AA-	4.218	10	4.487	20/12/2018	-27	85
Edra Energy Sdn Berhad	01/27	AA3	5.390	3	5.388	15/04/2019	0	161
MMC Corporation Berhad	11/27	AA-	5.394	10	5.364	25/04/2019	3	160
CIMB Group Holdings Berhad	04/60	AA3	4.451	20	5.452	12/04/2019	-100	9
CIMB Group Holdings Berhad	05/16	A1	4.621	6	4.803	24/04/2019	-18	27
UMW Holdings Berhad	04/18	A1	5.250	1	5.300	24/04/2019	-5	89
Eco World International Berhad	10/25/2021	-	6.000	1	5.999	04/04/2019	0	-
				<u>423</u>				

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

## Market/Corporate News: What's Brewing

**While mega infrastructure projects like the East Coast Rail Link (ECRL) and Bandar Malaysia have been reinstated, there are no clear signs yet that the Kuala Lumpur-Singapore High Speed Rail (HSR) will have a similar fate.** Prime Minister Tun Dr Mahathir Mohamad told reporters at a press briefing that no mention of the HSR project was made by Chinese President Xi Jinping during his five-day visit here that ends today for China's Second Belt and Road Forum. "No, not in the [leaders' roundtable] dialogue," Dr Mahathir said when asked if Xi brought up the issue during his trip here. It is understood that both the ECRL and the HSR form a significant part of the Belt and Road Initiative (BRI) as China intends to help develop connectivity in countries spread across Asia via railway infrastructure. However, the HSR, under which was a station was initially planned in the Bandar Malaysia project, has been suspended since September last year and deferred until end-May 2020. It is worth noting that China Railway Engineering Corp was previously said to be keen on the massive real estate development in Bandar Malaysia, mainly because building the HSR was part of the plan. Earlier this month, Dr Mahathir said Malaysia was exploring proposals aimed at reducing the cost of the HSR and that it will be discussing this further with Singapore before the end of the suspension period. The prime minister also stressed that the government's priority was to reduce the country's debt and to ensure an economically viable project that is able to generate an acceptable rate of return. (Source: *The EdgeMarkets*)

**Maxis Bhd expects a substantial rollout of the 5G network by 2021** after the industry decides on the spectrum to apply for the low-latency high-capacity connectivity technology and there is more widespread availability of 5G compatible devices. Maxis chief executive officer-designate Gökhan Ogut said the National 5G Task Force is

expected to make its recommendation to the Malaysian Communications and Multimedia Commission (MCMC) on the appropriate spectrum to adopt 5G network. "In terms of when can we be 5G ready, we are still looking at couple years ahead of us, for mainly two reasons, one of it is that the spectrum to be used for 5G is not decided yet. "There is a task force organised by MCMC, which we are also part of it, working on different spectrum options for Malaysia, and will be making a recommendation towards the end of the year on spectrum. "The second part of it is devices, yes, we have started seeing 5G compatible devices, but these are just the introduction now, not even on sale yet. We will be seeing the introduction of more devices. Prices get lowered so that penetration can start increasing. All these will lead us to a substantial launch of 5G around year 2021," he said. Maxis head of consumer business Dushyan Vaithyanathan, who was present at the briefing, said historically, Maxis has been the first mover in terms of adopting new network technology, and expects this round of 5G adoption to be no exception. "In terms of any technology and innovation on network, it has always been Maxis that is leading it. The 4G wave that we introduced in 2015, was really the first wave in Malaysia. "If you go back and look at how 4G grew in Malaysia, it had been phenomenal. The usage of 4G data had almost quadrupled in a year, based on the fact that we have a really good network, large coverage footprint, as well as devices," he said. "The whole point of 5G is to ensure there are devices and applications to use 5G, but whenever that is, we will mainstream that future first before anyone else. 2021 is probably when we feel there will be substantial movement in terms of 5G, but beyond that we intend to be leading the market all the way," he added. Ogut said in line with the 5G network availability, there will be more opportunity for Maxis to expand its enterprise businesses. "We need to think about it as not just a better 4G experience, but a new way of doing business. 5G technology is able to connect substantially higher number of things per base station versus 4G technology, and this is why we are expecting it to accelerate industry 4.0 in manufacturing, and in different industries, it will really change the way we do business," he said. Therefore, Ogut said Maxis aspires to double its enterprise businesses in three years in terms of revenue contribution, and triple the size of this segment in five years. "This is quite a big ambition, and going from RM8 billion to become a RM10 billion (service revenue) company, enterprise will be contributing the most in this growth," he said. Maxis had announced in February that it is aiming to grow its RM8 billion service revenue for the financial year ended Dec 31, 2018 (FY18), to RM10 billion in FY23. Meanwhile, Ogut also said as Maxis provides more comprehensive digital solutions and services, the financial performance gauge for ordinary cellular service provider, like average revenue per user (Arpu), will be less meaningful. "Our Arpu decline in 1QFY19 was mostly attributable to the MTR (mobile termination rate) cut, which is quite a big MTR cut. It is one third of what it was in December, and it will be gradually going down over the next couple years. [But] Arpu has becoming less meaningful to judge the health of the business," he said. Dushyan said Maxis is focusing more on average revenue per account (Arpa) as a gauge of operating performance now. "A single Arpu does not necessarily make up the profitability of the business because we will intend to sell more solutions, lines and services. We will also work on to start using Arpa in our presentation, because this phenomenon of Arpa has becoming much more important now than before," he said. Maxis saw its postpaid monthly Arpu fall to RM88 in 1QFY19 from RM94 in 4QFY18, while prepaid monthly Arpu declined to RM40 from RM42. The decline in Arpu coupled with loss of wholesale network sharing contract have resulted in Maxis net profit falling 22% to RM409 million or 5.2 sen per share 1QFY19 from RM523 million or 6.7 sen per share a year ago. In its filing with Bursa Malaysia today, the group declared an interim dividend of five sen per share, payable on June 27. Maxis said revenue was flat at RM2.23 billion, compared with RM2.24 billion in previous corresponding quarter. Ogut told the media today that if the group excludes the revenue from wholesale network sharing contract, service revenue grew 0.9% to RM1.88 billion in 1QFY19 from RM1.86 billion a year ago. "We lost one large network sharing contract, if we take out that revenue

lost, our revenue is growing 0.9%, so the underlying business is growing, and the fundamental is very strong,” he said. Maxis 3G Radio Access Network’s (RAN) share agreement with U Mobile Sdn Bhd is set to end. It was originally slated to end by December last year, but both parties agreed to extend the wholesale network sharing contract by another three months for Peninsular Malaysia and six months for Sabah and Sarawak.

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

Source: RAM, MARC

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