

Global Markets Research

Fixed Income

Fixed Income Daily Market Snapshot

UST		
Tenure	Closing (%)	Chg (bps)
2-yr UST	1.52	0
5-yr UST	1.38	0
10-yr UST	1.48	1
30-yr UST	1.97	2

MGS		GII*		
Tenure	Closing (%)	Chg (bps)	Closing (%)	Chg (bps)
3-yr	3.13	-1	3.13	-3
5-yr	3.21	-2	3.25	1
7-yr	3.25	-2	3.28	2
10-yr	3.30	-2	3.31	1
15-yr	3.48	-3	3.48	2
20-yr	3.54	-8	3.56	-1
30-yr	3.78	-2	3.80	1

* Market indicative levels

MYR IRS Levels		
IRS	Closing (%)	Chg (bps)
1-yr	3.19	-4
3-yr	3.17	-3
5-yr	3.17	-4
7-yr	3.22	1
10-yr	3.33	3

Source : Bloomberg

Upcoming Government Bond Tender

Reopening of RM3.0b of 10Y GII 8/29 on

Thursday, 29th August

US Treasuries

- US Treasuries mostly mixed-to-weaker on Wednesday following Treasury Secretary, Mnuchin's comments that the government is considering extending its debt profile beyond 30 years. Overall benchmark yields closed mostly within 1bps save for the long bond. The UST 2Y closed almost unchanged at 1.52% whilst the much-watched 10Y edged 1bps up at 1.48% levels; closing again at the lowest levels seen in 3 years. The negative spread between both these 2 tenures remain worrisome as investors believe that it is a good precursor of recessionary conditions. The 5Y auction saw decent metrics; averaging 1.365% on a BTC ratio of 2.48x (previous 10 auctions : 2.35x). Elsewhere concerns remain over slower global manufacturing, China's growth, BREXIT and the possibility of Germany moving into technical recession. Up next is the auction of \$32b of 7Y notes tonight whilst traders await the 2nd reading of US GDP data.

MGS/GII

- Trading momentum in local govvnies improved further as volume notched RM4.88b yesterday with main interest seen in the off-the-run 19's 33's and also benchmark 3Y, 5Y and 20Y GII bonds. Overall benchmark MGS yields closed mostly lower whereas GII bonds generally saw net selling weigh slightly on the curve. Both the 5Y benchmark MGS 6/24 and the 10Y MGS 8/29 moved 2bps lower at 3.21% and 3.30% each. GII bonds jumped to form ~50% of overall trades. Meanwhile the government is mulling another offer of Samurai bonds from Japan in view of Japan's low interest rates despite other fund-raising strategies that include monetizing the government's assets or hiving off stakes in GLC's. Meanwhile expect attention to be focused on the upcoming 10Y GII bond auction today.

Corp Bonds/Sukuk

- Corporate Bonds/Sukuk saw solid traction with secondary market volume at RM977m. Main interest was seen across the GG-AAA part of the curve as overall yields continued to drift mostly lower. Govt-guaranteed DANA dominated trades with the 2026-2027 tranches ending 2bps lower compared to previous-done levels between 3.37-41% levels. Nevertheless the long-end DANA 5/46 and 2/49 closed 4-16bps higher at 3.85% and 3.89% respectively. AAA-rated TELEKOM saw total RM80m in nominal amounts traded with the 23-24's closing 1-2bps lower between 3.43-44% levels whereas the 6/24 tranche closed at 3.44%. AA-rated MMC Corp saw both its 2027-2028 tranches close unchanged at 4.86-87% levels..

Daily Trades : Government Bond

Securities		Closing YTM	Vol (RM mil)	Previous YTM	Previous Trade Date (dd/mm/yyyy)	Chg (bp)
MGS	10/19	3.080	205	3.083	27/08/2019	0
MGS	11/19	3.057	302	3.059	27/08/2019	0
MGS	03/20	3.089	3	3.082	27/08/2019	1
MGS	07/20	3.080	112	3.116	27/08/2019	-4
MGS	10/20	3.092	70	3.111	27/08/2019	-2
MGS	02/21	3.101	14	3.116	27/08/2019	-2
MGS	09/21	3.099	42	3.111	27/08/2019	-1
MGS	11/21	3.120	46	3.120	27/08/2019	0
MGS	03/22	3.128	110	3.142	27/08/2019	-1
MGS	08/22	3.147	6	3.168	27/08/2019	-2
MGS	09/22	3.170	25	3.195	27/08/2019	-2
MGS	03/23	3.184	12	3.210	26/08/2019	-3
MGS	04/23	3.184	7	3.190	27/08/2019	-1
MGS	06/24	3.207	150	3.228	27/08/2019	-2
MGS	07/24	3.238	88	3.239	27/08/2019	0
MGS	09/24	3.242	77	3.247	27/08/2019	0
MGS	03/25	3.246	10	3.250	27/08/2019	0
MGS	09/25	3.266	13	3.275	27/08/2019	-1
MGS	07/26	3.248	151	3.271	27/08/2019	-2
MGS	11/27	3.347	6	3.365	27/08/2019	-2
MGS	06/28	3.336	65	3.349	27/08/2019	-1
MGS	09/28	3.349	1	3.354	27/08/2019	0
MGS	08/29	3.268	110	3.313	27/08/2019	-5
MGS	04/30	3.445	23	3.445	27/08/2019	0
MGS	06/31	3.494	50	3.489	27/08/2019	1
MGS	04/33	3.536	11	3.623	26/08/2019	-9
MGS	11/33	3.528	345	3.540	27/08/2019	-1
MGS	07/34	3.480	183	3.506	26/08/2019	-3
MGS	06/38	3.536	71	3.616	23/08/2019	-8
MGS	09/43	3.746	1	3.732	26/08/2019	1
MGS	03/46	3.762	21	3.768	27/08/2019	-1
MGS	07/48	3.777	75	3.802	26/08/2019	-2
GII	04/20	3.068	220	3.093	27/08/2019	-2
GII	06/20	3.082	80	3.097	16/08/2019	-2
GII	08/20	3.097	100	3.120	22/08/2019	-2
GII	04/21	3.114	80	3.153	21/08/2019	-4
GII	03/22	3.132	235	3.158	27/08/2019	-3
GII	04/22	3.154	140	3.140	26/08/2019	1
GII	11/22	3.202	50	3.193	27/08/2019	1
GII	07/23	3.213	90	3.219	27/08/2019	-1
GII	10/23	3.226	50	3.226	27/08/2019	0
GII	11/23	3.224	170	3.233	27/08/2019	-1
GII	10/24	3.249	430	3.241	27/08/2019	1
GII	08/25	3.281	30	3.318	26/08/2019	-4
GII	03/26	3.283	130	3.267	26/08/2019	2
GII	08/28	3.352	50	3.413	27/08/2019	-6
GII	10/28	3.354	60	3.385	27/08/2019	-3
GII	07/29	3.310	30	3.353	23/08/2019	-4
GII	09/30	3.436	110	3.443	27/08/2019	-1
GII	06/33	3.568	10	3.599	23/08/2019	-3
GII	11/34	3.489	60	3.461	26/08/2019	3
GII	10/35	3.635	20	3.636	26/08/2019	0
GII	09/39	3.568	220	3.574	26/08/2019	-1
GII	05/47	3.818	50	3.858	23/08/2019	-4
GII	11/49	3.799	60	3.789	26/08/2019	1
			<u>4880</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*
Pengurusan Air SPV Berhad	06/20	GG	3.150	25	3.258	17/07/2019	-11	6
Pengurusan Air SPV Berhad	09/20	GG	3.150	50	3.258	17/07/2019	-11	6
DanaInfra Nasional Berhad	07/22	GG	3.280	15	3.421	05/07/2019	-14	15
DanaInfra Nasional Berhad	11/22	GG	3.280	5	3.633	09/05/2019	-35	15
Prasarana Malaysia Berhad	05/23	GG	3.280	15	3.282	22/08/2019	0	9
DanaInfra Nasional Berhad	11/24	GG	3.330	40	3.511	11/07/2019	-18	12
Pengurusan Air SPV Berhad	02/26	GG	3.369	40	3.878	10/04/2019	-51	12
DanaInfra Nasional Berhad	04/26	GG	3.368	40	3.392	16/08/2019	-2	11
DanaInfra Nasional Berhad	07/27	GG	3.406	50	3.431	22/08/2019	-2	10
Prasarana Malaysia Berhad	03/28	GG	3.404	10	3.520	13/08/2019	-12	9
DanaInfra Nasional Berhad	05/28	GG	3.413	15	3.421	16/08/2019	-1	10
Pengurusan Air SPV Berhad	02/29	GG	3.420	20	3.700	08/08/2019	-28	11
Bank Pembangunan Malaysia Berhad	09/29	GG	3.550	10	3.624	14/08/2019	-7	25
Bank Pembangunan Malaysia Berhad	09/34	GG	3.700	40	4.619	13/10/2016	-92	21
DanaInfra Nasional Berhad	02/38	GG	3.744	20	4.219	12/06/2019	-48	19
Prasarana Malaysia Berhad	08/39	GG	3.720	5	3.979	08/08/2019	-26	17
DanaInfra Nasional Berhad	05/46	GG	3.850	40	3.691	16/08/2019	16	30
DanaInfra Nasional Berhad	02/49	GG	3.889	5	3.851	20/08/2019	4	34
Bakun Hydro Power Generation Sdn Berhad (fka Cagamas Berhad)	08/20	AAA	3.310	130	4.249	24/03/2017	-94	22
Telekom Malaysia Berhad	10/20	AAA	3.311	55	3.230	16/08/2019	8	22
Telekom Malaysia Berhad	08/23	AAA	3.430	10	3.455	19/08/2019	-2	24
Telekom Malaysia Berhad	03/24	AAA	3.440	40	3.451	21/08/2019	-1	23
Telekom Malaysia Berhad	06/24	AAA	3.440	30	4.267	21/02/2019	-83	23
Malaysia Airports Capital Berhad	12/24	AAA	3.490	50	3.513	26/08/2019	-2	28
Putrajaya Holdings Sdn Berhad	05/26	AAA	3.499	20	3.836	11/07/2019	-34	25
Pengurusan Air SPV Berhad	06/26	AAA	3.500	20	3.722	15/08/2019	-22	25
West Coast Expressway Sdn Berhad	08/36	AAA	4.040	10	5.004	28/12/2018	-96	55
Sarawak Energy Berhad	06/21	AA1	3.350	35	3.373	27/08/2019	-2	24
Batu Kawan Berhad	06/23	AA1	3.660	20	3.696	27/08/2019	-4	47
YTL Power International Berhad	05/27	AA1	3.900	1	4.039	14/08/2019	-14	60
First Resources Limited	06/20	AA2	3.660	4	3.725	05/08/2019	-6	57
Kesas Sdn Berhad	10/21	AA2	3.590	2	3.852	02/07/2019	-26	48
Gamuda Berhad	03/23	AA3	3.830	10	3.956	14/08/2019	-13	64
Jimah Energy Ventures Sdn Berhad	05/23	AA3	3.900	2	4.595	15/12/2017	-70	71
Bumitama Agri Ltd	07/26	AA3	3.760	20	3.843	19/08/2019	-8	51
Konsortium Lebuhraya Utara-Timur (KL) Sdn Berhad	12/22	AA-	3.820	20	3.898	15/08/2019	-8	69
MMC Corporation Berhad	11/27	AA-	4.860	20	4.859	27/08/2019	0	156
MMC Corporation Berhad	03/28	AA-	4.870	20	4.869	27/08/2019	0	156
Jimah East Power Sdn Berhad	12/31	AA-	4.160	10	4.209	22/08/2019	-5	86
Eco World International Berhad	04/23	-	5.720	1	6.100	26/08/2019	-38	-
Mah Sing Perpetual	07/05	-	5.860	1	6.131	09/08/2019	-27	277
Eco World International Berhad	10/21	-	6.040	1	5.463	05/08/2019	58	-
Eco World Capital Assets Berhad	08/24	-	6.100	2	6.099	27/08/2019	0	-
				<u>977</u>				

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

Market/Corporate News: What's Brewing

Telekom Malaysia Bhd (TM) is confident it can deliver stronger earnings this year after achieving a 63% jump in net profit for the first half of the year. At a press conference yesterday to announce the group's second quarter results, TM chief executive officer Datuk Noor Kamarul Anuar Nuruddin said he was bullish about the long term. "For the short term, our earnings will be within guidance. For the [long term], I am bullish," he said. "As we improve our mobile offerings... there is a high possibility that our earnings can grow further", he said, adding that for now the group's mobile network "is not that good". "But as we put in more efforts into this, we will eventually be able to serve our customers better, as well as create more revenue," he added. Noor Kamarul said the bulk of TM's revenue now comes from fixed line

services and the group would be bolstering its mobile connectivity and its mobile network, Unifi Mobile (formerly known as Webe). He said in the first half of this year, TM spent RM450 million or the equivalent of 8% of its revenue on capital expenditure (capex), with 19% on core network, 54% on access and 27% on support systems. For the whole year, TM's chief financial officer Nor Fadilah Mohd Ali said the group expects to spend 18% of its revenue as capex. The investments would include improving access, and customer experience, as well as providing smart solutions. Asked for an update on the sale of TM's Annexe 1 and Annexe 2 buildings, Noor Kamarul said it was still a work in progress. He also said TM welcomes competition from Tenaga Nasional Bhd (TNB) in setting up its own fibre network, and that it would discuss the possibility of collaborating. TNB is carrying out trials for its fibre broadband in Jasin, Melaka, and expects the segment to start contributing to its earnings in 2020. TM said the year-to-date convergence penetration of TM households increased by 56%, with broadband subscribers numbering more than 2.16 million. The group defines convergence penetration as a household using at least three or more of its products. For the second quarter ended June 30, 2019, TM's net profit rose 12% to RM114.18 million from RM101.93 million a year ago — translating into higher earnings per share (EPS) of 3.04 sen versus 2.71 sen previously. The group attributed the increase in net profit to optimised operation efficiencies. Revenue declined 6% to RM2.77 billion, from RM2.94 billion previously, due to a decline in voice, Internet and multimedia services, as well as other telecommunications related and non-telecommunication-related services. TM's cumulative net profit for the first half of the current year grew 63% to RM422.46 million, from RM259.09 million in the corresponding period last year, translating into a higher cumulative EPS of 11.24 sen against 6.89 sen previously. Half-year revenue fell 4% to RM5.55 billion, from RM5.78 billion. "We continued to face challenges in the first half," said Noor Kamarul. "However, our cost optimisation efforts continue to show results and we will keep the momentum on profitability going." "We shall navigate the challenges on revenue through a stronger focus on customers. We will also continue to serve as a strategic partner of the National Fiberisation Connectivity Plan backed by our solid network infrastructure," he added. (Source: *The Edge*)

Rating Action			
Issuer	PDS Description	Rating/Outlook	Action
CIMB Investment Bank Berhad	Financial institution (FI) rating	AAA/Stable/P1	Reaffirmed
CIMB Islamic Bank Berhad	Financial institution (FI) rating	AAA/Stable/P1	Reaffirmed
CIMB Bank Berhad	Financial institution (FI) rating	AAA/Stable/P1	Reaffirmed
	RM10 billion Additional Tier-1 Capital Securities Programme (2016/-)	A1/Stable	Reaffirmed
	RM20 billion MTNs Programme (2017/-)	AAA/Stable	Reaffirmed

Source: RAM, MARC

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