

Global Markets Research

Fixed Income

Fixed Income Daily Market Snapshot

UST		
Tenure	Closing (%)	Chg (bps)
2-yr UST	2.31	1
5-yr UST	2.31	2
10-yr UST	2.53	3
30-yr UST	2.96	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

Nil

US Treasuries

- Markets turned risk on following better than expected US personal spending data that reinforced expectations that the Fed would pause instead of cutting rates this year. Paring of haven demand in UST prompted yields to inch 1-3bps higher, bear steepening the curve with the 2Y yields adding 1bp to 2.31% whilst the 10Y yields climbed 3bps to 2.53%. The spread between 5/30 widened to 65bps, its biggest since end-March. All eyes will be on this week's FOMC meeting although it is expected to be a non-event. This shall be followed by nonfarm job data on Friday for further clues if the US economy is indeed staying on a firm footing that could further quell rate cut talks.

MGS/GII

- Local govies saw momentum ease further as secondary volumes retreated for a 2nd straight day from Friday's RM3.80bn to RM2.64bn yesterday. Interests were seen concentrated on the belly of the curve with the reopening of the 7Y MGS 7/26 garnering RM634m trades. The auction was met with soft demand with a BTC of 1.51x, its lowest in three years at an average, high and low yield of 3.757%, 3.777% and 3.735% respectively. Trading was notably mixed with yields closing between -4 and +4bps across the curve. The 10Y MGS saw yields paring 2bps to 3.77% while the 10Y GII added 2bps to 3.86%. GII bond trades dropped further to form only 21% of overall trades, its lowest in 2½ months. Prospects of an OPR cut and abundant domestic liquidity are expected to provide support to the local govies. 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 continued to see softer trading interests. Secondary trade volume pulled back a 3rd straight day to RM203m, more than halved from a day ago and also lower compared to about a week ago during the onset of the selloff amid triple whammy from negative newsflows surrounding the Norwegian wealth fund, FTSE Russell potential exclusion and Moody's credit comments. The AAA and AA part of the curve remained in favour led by GB '11/19, PLUS '1/28 and EDRA '1/26. In the GG space, GovCo '6/31 saw RM20m dealt at 4.273% whilst Pengurusan Air SPV '2/23 saw RM10m traded 8bps inner at 3.726%.

Daily Trades : Government Bonds

Securities	Closing YTM	Vol (RM mil)	Previous YTM	Previous Trade Date (dd/mm/yyyy)	Chg (bp)
MGS 10/19	3.345	25	3.320	25/04/2019	3
MGS 11/19	3.350	89	3.330	26/04/2019	2
MGS 03/20	3.394	4	3.378	26/04/2019	2
MGS 07/20	3.399	3	3.422	24/04/2019	-2
MGS 10/20	3.392	95	3.418	25/04/2019	-3
MGS 07/21	3.408	90	3.410	26/04/2019	0
MGS 11/21	3.435	108	3.430	26/04/2019	0
MGS 03/22	3.428	10	3.408	26/04/2019	2
MGS 03/23	3.630	79	3.624	26/04/2019	1
MGS 04/23	3.593	153	3.585	26/04/2019	1
MGS 08/23	3.634	14	3.639	26/04/2019	0
MGS 07/24	3.711	8	3.722	26/04/2019	-1
MGS 09/24	3.699	8	3.699	26/04/2019	0
MGS 09/25	3.785	65	3.776	26/04/2019	1
MGS 04/26	3.863	30	3.855	26/04/2019	1
MGS 07/26	3.785	634	3.738	26/04/2019	5
MGS 11/26	3.827	47	3.808	26/04/2019	2
MGS 03/27	3.906	25	3.877	26/04/2019	3
MGS 05/27	3.865	10	3.865	26/04/2019	0
MGS 11/27	3.881	7	3.878	26/04/2019	0
MGS 06/28	3.877	50	3.848	26/04/2019	3
MGS 08/29	3.781	291	3.766	26/04/2019	2
MGS 06/31	4.097	78	4.087	25/04/2019	1
MGS 04/32	4.134	16	4.127	25/04/2019	1
MGS 04/33	4.173	1	4.158	26/04/2019	1
MGS 11/33	4.134	23	4.130	26/04/2019	0
MGS 05/35	4.288	1	4.280	25/04/2019	1
MGS 04/37	4.299	25	4.283	26/04/2019	2
MGS 06/38	4.356	20	4.353	25/04/2019	0
MGS 03/46	4.641	30	4.615	26/04/2019	3
MGS 07/48	4.613	57	4.622	26/04/2019	-1
GII 04/20	3.440	10	3.468	25/04/2019	-3
GII 03/22	3.463	1	3.459	26/04/2019	0
GII 04/22	3.543	10	3.546	16/04/2019	0
GII 07/23	3.668	10	3.676	24/04/2019	-1
GII 10/24	3.645	223	3.641	26/04/2019	0
GII 08/25	3.821	25	3.800	26/04/2019	2
GII 03/26	3.759	40	3.750	26/04/2019	1
GII 09/26	3.835	90	3.823	25/04/2019	1
GII 07/27	3.829	0	3.829	26/04/2019	0
GII 10/28	3.886	9	3.862	26/04/2019	2
GII 07/29	3.884	110	3.860	26/04/2019	2
GII 08/37	4.355	20	4.344	26/04/2019	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*
Pengurusan Air SPV Berhad	02/23	GG	3.726	10	3.803	28/03/2019	-8	18
GovCo Holdings Berhad	06/31	GG	4.273	20	4.209	16/04/2019	6	49
Prasarana Malaysia Berhad	09/47	GG	4.759	2	4.784	19/04/2019	-2	40
GB Services Berhad	11/19	AAA	3.946	20	3.950	15/04/2019	0	57
Putrajaya Holdings Sdn Berhad	05/26	AAA	4.088	10	4.417	08/01/2019	-33	35
Projek Lebuhraya Usahasama Berhad	01/28	AAA	4.198	20	4.199	26/04/2019	0	40
Manjung Island Energy Berhad	11/31	AAA	4.249	10	4.251	26/04/2019	0	12
Bank Pembangunan Malaysia Berhad	03/32	AAA	4.479	5	4.519	10/04/2019	-4	35
Teknologi Tenaga Perlis Consortium Sdn Berhad	07/21	AA1	4.096	10	4.371	11/10/2017	-28	70
Sarawak Energy Berhad	11/33	AA1	4.498	10	4.499	25/04/2019	0	37
Kapar Energy Ventures Sdn Berhad	07/21	AA+	4.066	10	4.387	09/01/2018	-32	67
UMW Holdings Berhad	10/23	AA2	4.182	10	4.388	27/03/2019	-21	63
UMW Holdings Berhad	10/26	AA2	4.273	10	4.509	27/03/2019	-24	54
Anih Berhad	11/22	AA	4.260	1	4.367	11/03/2019	-11	71
Perbadanan Kemajuan Negeri Selangor	08/21	AA3	4.446	10	4.600	12/03/2019	-15	105
Gamuda Berhad	11/22	AA3	4.426	3	4.434	25/04/2019	-1	88
Perbadanan Kemajuan Negeri Selangor	08/23	AA3	4.643	4	4.793	12/03/2019	-15	109
Edra Energy Sdn Berhad	01/26	AA3	5.239	20	5.279	15/04/2019	-4	150
Besraya (M) Sdn Berhad	07/27	AA3	4.807	2	5.122	07/08/2018	-32	103
Edra Energy Sdn Berhad	01/30	AA3	5.620	1	5.628	15/04/2019	-1	184
Edra Energy Sdn Berhad	01/35	AA3	5.959	1	6.049	28/03/2019	-9	183
WCT Holdings Berhad	10/23	AA-	5.134	1	5.075	15/04/2019	6	158
MMC Corporation Berhad	04/27	AA-	5.357	2	5.419	21/03/2019	-6	158
MMC Corporation Berhad	11/27	AA-	5.367	1	5.394	26/04/2019	-3	157
MMC Corporation Berhad	03/28	AA-	5.428	2	5.456	23/04/2019	-3	163
MEX II Sdn Berhad	04/29	AA-	4.697	1	4.688	16/04/2019	1	92
UiTM Solar Power Sdn Berhad	04/31	AA-	5.399	2	-	-	-	162
Lebuhraya DUKE Fasa 3 Sdn Berhad	08/37	AA-	5.169	1	5.289	08/03/2019	-12	81
Lebuhraya DUKE Fasa 3 Sdn Berhad	08/38	AA-	5.259	1	5.229	11/04/2019	3	90
CIMB Group Holdings Berhad	05/16	A1	4.420	1	4.724	26/04/2019	-30	6
UMW Holdings Berhad	04/18	A1	5.029	2	5.300	24/04/2019	-27	67
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*spread against nearest indicative tenured MGS (Source : BPAM)

Market/Corporate News: What's Brewing

Bank Negara Malaysia wishes to announce the reappointment of Professor Dr. Yeah Kim Leng and the appointment of Dato' Dr. Gan Wee Beng as external members of Bank Negara Malaysia's Monetary Policy Committee, effective 1 April 2019. This follows from the enactment of the Central Bank of Malaysia Act 2009, which provides for the appointment of external members to the Monetary Policy Committee. The reappointment of Professor Dr. Yeah Kim Leng is for a one-year term while the appointment of Dato' Dr. Gan Wee Beng is for a two-year term. The Monetary Policy Committee is responsible for formulating monetary policy and policies for the conduct of monetary policy operations. Monetary policy is autonomously formulated and implemented by Bank Negara Malaysia, as mandated in the Central Bank of Malaysia Act 2009. Dr. Yeah Kim Leng is a Professor of Economics in the Sunway University Business School, Sunway University, after serving as the Dean of the School of Business at the Malaysia University of Science and Technology. He is also the Director of the Economic Studies Program at the Jeffrey Cheah Institute on Southeast Asia, a Senior Fellow at the Jeffrey Sachs Center on Sustainable Development at Sunway University and a Deputy President of the Malaysian Economic Association. Dr. Yeah was previously the Group Chief Economist at RAM Holdings Bhd, having served the organisation for two decades. Prior to joining RAM, Dr. Yeah was a senior analyst at the Institute of Strategic and International Studies (ISIS) Malaysia. Dr. Yeah holds a PhD in Agriculture and Resource Economics and an MBA from the University of Hawaii, US. Dato' Dr. Gan Wee Beng is currently a Board Member of Perbadanan Insurans Deposit Malaysia (PIDM). He was previously a board member at Kumpulan Wang Persaraan (KWAP) and has held several positions in CIMB Group including as Advisor for Investment Banking, and Executive Director at CIMB Bank, CIMB Investment Bank and CIMB Securities Berhad. Prior to this, he was a Senior Advisor at the Economics Department of the Monetary Authority of Singapore, and consultant to the World Bank, International Labour Organisation and Bank Negara Malaysia. He was also a Research

Fellow at the Malaysian Institute of Economic Research. Dato' Dr. Gan holds a PhD in Economics from the University of Pennsylvania, USA and an MSc in Economics from the University of Malaya. The appointments of Professor Dr. Yeah Kim Leng and Dato' Dr. Gan Wee Beng will continue to enhance the collective expertise and experience relevant to the responsibilities and functions of the Monetary Policy Committee. With their appointments, the Monetary Policy Committee will comprise seven members in total.

Members of the Monetary Policy Committee

Governor Nor Shamsiah Yunus
Deputy Governor Abdul Rasheed Ghaffour
Deputy Governor Jessica Chew Cheng Lian
Assistant Governor Norzila Abdul Aziz
Assistant Governor Marzunisham Omar
Professor Dr. Yeah Kim Leng
Dato' Dr. Gan Wee Beng

(Source: BNM Website)

Public Bank Bhd posted slightly higher net profit in the first quarter ended March 31, 2019 mainly due to lower loan impairment allowance and higher investment income when compared with a year ago. It said on Monday its net profit rose by 0.35% to RM1.41bil from RM1.405bil a year ago. Pre-tax profit rose by 1.4% to RM1.820bil versus RM1.794bil. Its revenue increased by 4.1% to RM5.567bil from RM5.349bil. Earnings per share were 36.32 sen compared with 36.39 sen. "The Public Bank group's consistent profitability was mainly contributed by the group's healthy loan and deposit growth, coupled with its sustained strong asset quality," said Tan Sri Teh Hong Piow, the founder, chairman emeritus, director and adviser. He said despite the increasingly challenging banking landscape, the Group achieved 4.8% annualised growth in its total domestic loans and 4.9% annualised domestic deposit growth in the first quarter of 2019. "When the operating environment was still clouded by rising headwinds and persistent uncertainties, the Public Bank Group was able to sustain its performance. "With the stable performance in the first quarter of 2019, the group continued to sustain its leading position as the most cost efficient Malaysian bank with the best asset quality. "This is clearly reflected in the group's high net return-on-equity of 14.0%, efficient cost-to-income ratio of 33.8% and lowest gross impaired loan ratio of 0.5%," Teh said. Public Bank said the higher earnings in Q1 FY19 was mainly due to lower loan impairment allowance of RM71.7mil and higher investment income of RM38.1mil (192.3%). These were partially offset by lower net fee and commission income of RM37mil (-8.1%) which were mainly due to lower unit trust management related fee income, lower foreign exchange income of RM33.8mil (-35.5%) and higher operating overheads of RM25.6mil (2.8%). Public Bank said other comprehensive income (net) was RM55.2mil as compared to other comprehensive loss (net) of RM167.4mil a year ago, which was mainly due to the gain on revaluation of financial investments and lower foreign currency translation loss in respect of foreign operations, offset by loss on cash flows hedges. "The group's profit continued to be supported by healthy loans and customer deposits growth coupled with stable asset quality," it said. Gross loans grew by RM13.6bil or 4.4% to RM320.4bil as at March 31, 2019 as compared to RM306.8bil as at March 31, 2018, mainly driven by growth in property financing and corporate lending. Total deposits from customers increased by 5.2% or RM17.1bil to RM343.0bil as at March 31, 2019. Public Bank group's gross impaired loan ratio continued to remain stable at 0.5% due to its consistent adoption of stringent credit underwriting and proactive recovery processes. When compared with the preceding quarter ended Dec 31, 2019, its pre-tax profit rose by 1.7% to RM1.819bil from RM1.789bil. The higher pre-tax profit was mainly due to higher investment income, higher foreign exchange income and net writeback of loan impairment allowance. These were partially offset by higher operating overheads, lower fee income and lower net interest income on shorter interest accrual period. Its net profit increased by 0.3% to RM1.410bil over the same

period. Headline inflation is expected to be broadly stable at 0.7% – 1.7% in 2019 (2018: 1.0%), as domestic cost factors are offset by the implementation of price ceilings on domestic retail fuel prices. (Source: *The Star Online*)

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

Source: RAM, MARC

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