

Global Markets Research

Fixed Income

Fixed Income Daily Market Snapshot

UST		
Tenure	Closing (%)	Chg (bps)
2-yr UST	2.15	0
5-yr UST	2.09	1
10-yr UST	2.26	0
30-yr UST	2.69	-1

MGS		GII*		
Tenure	Closing (%)	Chg (bps)	Closing (%)	Chg (bps)
3-yr	3.41	0	3.44	-2
5-yr	3.57	0	3.62	0
7-yr	3.70	-2	3.75	0
10-yr	3.81	0	3.85	0
15-yr	4.11	0	4.14	0
20-yr	4.30	0	4.33	-1
30-yr	4.58	3	4.61	0

* Market indicative levels

MYR IRS Levels		
IRS	Closing (%)	Chg (bps)
1-yr	3.45	0
3-yr	3.45	-1
5-yr	3.51	-2
7-yr	3.58	-1
10-yr	3.75	-2

Source : Bloomberg

Upcoming Government Bond Tender

New Issuance of RM2.5b + RM1.5b (Private Placement) of 15Y GII 11/34 on Thursday, 30th May

US Treasuries

- The US Treasuries ended mixed; having displayed initial strength as poor 7Y auction metrics dented closing levels. Overall benchmark yields ended between a mere -1 to +1bps with the curve exhibiting slight flattening-bias. Both the UST 2Y and the much-watched 10Y closed within 1bps at 2.15% and 2.26%. UST 7Y auction of \$32b drew an average of 2.144% on a BTC ratio of 2.30x (previous auction : 2.49x). Fears that an escalating US-China trade war will slash global economic growth pulled world stock markets down to near 2.5-month low yesterday and continued to fuel a rally in safe-haven govies. UST 10Y yields dropped to 20-month lows, having fallen almost 30bps this month. Meanwhile Beijing has warned that they could use rare earths to strike back at the US after Trump remarked he was "not yet ready" to make a deal with China over trade. Up next on the data front are the release of 1Q2019 GDP figures tonight.

MGS/GII

- Trading momentum in local govies maintained traction as secondary market volumes notched RM5.94b. Benchmark yields ended mostly 0-2bps lower again led by lower IRS levels save for the long-bond. Interest was mainly seen in the off-the-run 19-20's and also 5Y, 10Y benchmark bonds. Both the benchmark 5Y MGS 4/23 and the 10Y MGS 8/29 closed within 1bps of prior day's close at 3.57% and 3.81% respectively. GII bond trades jumped to form 57% of overall trades. Despite EM effective yields having fallen, most local currency govies offer higher carry than UST's on a currency-hedged basis. Investors are expected to focus on the upcoming 15Y GII auction today .

Corp Bonds/Sukuk

- Corporate Bonds/Sukuk space saw huge YTD high secondary volume of RM1.52 with interest across the GG-AA part of the curve. Govt-guaranteed PRASA and DANA 23's notched RM295m in nominal amounts; closing 12-31bps lower between 3.62-70% levels compared to previous-done levels. The long-ended DANA 4/45 rallied 7bps at 4.54%. Meanwhile the AAA-rated PLUS, AMAN and TELEKOM 2022 tranches saw demand causing yields to end lower between 3.89-92% area whilst both DANGA 9/33 and DANUM Capital 2/34 closed 4bps lower each at 4.38% and 4.39%. The AA-space saw a slew of energy-related bonds i.e. SEB 31-36's and EDRA 33-37's closing within 4.30-58% levels and 5.11-30% levels respectively. The banking space saw PUBLIC Bank 4/23 make it s first debut trade ever at 3.90% on substantial RM300m single trade.

Daily Trades : Government Bond

Securities		Closing YTM	Vol (RM mil)	Previous YTM	Previous Trade Date (dd/mm/yyyy)	Chg (bp)
MGS	10/19	3.162	100	3.172	28/05/2019	-1
MGS	11/19	3.155	2	3.170	28/05/2019	-2
MGS	03/20	3.185	586	3.195	28/05/2019	-1
MGS	07/20	3.262	60	3.263	28/05/2019	0
MGS	02/21	3.342	16	3.340	17/05/2019	0
MGS	07/21	3.372	158	3.373	28/05/2019	0
MGS	09/21	3.383	2	3.382	28/05/2019	0
MGS	11/21	3.399	4	3.410	28/05/2019	-1
MGS	03/22	3.405	489	3.407	28/05/2019	0
MGS	08/22	3.477	275	3.483	28/05/2019	-1
MGS	09/22	3.490	172	3.495	24/05/2019	0
MGS	03/23	3.570	2	3.553	24/05/2019	2
MGS	04/23	3.565	180	3.565	28/05/2019	0
MGS	08/23	3.587	4	3.639	24/05/2019	-5
MGS	07/24	3.610	1	3.645	28/05/2019	-4
MGS	09/24	3.652	8	3.647	28/05/2019	1
MGS	03/25	3.726	30	3.726	28/05/2019	0
MGS	09/25	3.767	21	3.774	28/05/2019	-1
MGS	07/26	3.695	12	3.720	28/05/2019	-3
MGS	11/26	3.800	6	3.823	27/05/2019	-2
MGS	05/27	3.819	1	3.905	24/05/2019	-9
MGS	11/27	3.861	3	3.850	28/05/2019	1
MGS	06/28	3.888	35	3.878	24/05/2019	1
MGS	09/28	3.917	1	3.899	24/05/2019	2
MGS	08/29	3.806	70	3.809	28/05/2019	0
MGS	04/30	3.986	34	3.973	28/05/2019	1
MGS	06/31	4.067	107	4.073	28/05/2019	-1
MGS	04/33	4.135	61	4.144	28/05/2019	-1
MGS	11/33	4.110	50	4.123	28/05/2019	-1
MGS	05/35	4.252	1	4.243	28/05/2019	1
MGS	04/37	4.297	10	4.292	28/05/2019	0
MGS	06/38	4.300	33	4.296	28/05/2019	0
MGS	09/43	4.562	1	4.532	24/05/2019	3
MGS	03/46	4.537	1	4.571	27/05/2019	-3
MGS	07/48	4.579	50	4.553	28/05/2019	3
GII	08/19	3.078	200	3.122	27/05/2019	-4
GII	04/20	3.282	112	3.266	24/05/2019	2
GII	05/20	3.291	600	3.297	28/05/2019	-1
GII	05/20	3.291	400	3.514	19/02/2019	-22
GII	08/20	3.340	32	3.330	27/05/2019	1
GII	03/22	3.444	15	3.459	28/05/2019	-2
GII	07/22	3.511	20	3.535	28/05/2019	-2
GII	11/22	3.544	80	3.575	27/05/2019	-3
GII	07/23	3.601	332	3.604	28/05/2019	0
GII	11/23	3.608	162	3.613	28/05/2019	0
GII	05/24	3.657	160	3.684	28/05/2019	-3
GII	08/24	3.657	60	3.666	28/05/2019	-1
GII	10/24	3.617	120	3.619	28/05/2019	0
GII	08/25	3.745	150	3.760	28/05/2019	-1
GII	10/25	3.762	20	3.767	28/05/2019	0
GII	07/27	3.840	50	3.840	28/05/2019	0
GII	10/28	3.869	300	3.871	28/05/2019	0
GII	07/29	3.850	120	3.853	28/05/2019	0
GII	06/33	4.137	80	4.136	28/05/2019	0
GII	08/33	4.200	70	4.206	28/05/2019	-1
GII	08/37	4.307	90	4.330	28/05/2019	-2
GII	09/39	4.328	190	4.343	28/05/2019	-1
			<u>5942</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*
Prasarana Malaysia Berhad	02/23	GG	3.619	145	3.735	10/04/2019	-12	9
DanaInfra Nasional Berhad	08/23	GG	3.699	150	4.009	01/03/2019	-31	17
Perbadanan Tabung Pendidikan Tinggi Nasional	07/26	GG	3.944	25	3.951	24/05/2019	-1	24
Lembaga Pembiayaan Perumahan Sektor Awam	09/26	GG	3.913	20	3.922	24/05/2019	-1	21
DanaInfra Nasional Berhad	11/27	GG	3.949	10	3.971	24/05/2019	-2	16
Turus Pesawat Sdn Berhad	11/27	GG	3.995	30	4.479	03/02/2017	-48	21
DanaInfra Nasional Berhad	10/28	GG	4.006	35	4.010	27/05/2019	0	18
Prasarana Malaysia Berhad	03/30	GG	4.019	5	4.149	23/04/2019	-13	21
DanaInfra Nasional Berhad	04/30	GG	4.019	5	4.149	23/04/2019	-13	21
Jambatan Kedua Sdn Berhad	05/30	GG	4.125	10	4.129	28/05/2019	0	32
Prasarana Malaysia Berhad	02/31	GG	4.069	5	4.129	30/04/2019	-6	26
Prasarana Malaysia Berhad	03/31	GG	4.079	5	4.139	30/04/2019	-6	27
DanaInfra Nasional Berhad	05/31	GG	4.084	5	4.119	10/05/2019	-4	28
Prasarana Malaysia Berhad	12/32	GG	4.189	5	4.231	17/05/2019	-4	8
Lembaga Pembiayaan Perumahan Sektor Awam	09/36	GG	4.319	30	4.345	11/04/2019	-3	21
DanaInfra Nasional Berhad	04/45	GG	4.539	20	4.609	05/04/2019	-7	24
Projek Lebuhraya Usahasama Berhad	01/20	AAA	3.649	10	3.768	16/05/2019	-12	41
First Abu Dhabi Bank PJSC	12/20	AAA	3.830	30	4.045	27/03/2019	-22	47
Projek Lebuhraya Usahasama Berhad	01/22	AAA	3.888	5	3.900	28/05/2019	-1	48
Aman Sukuk Berhad	04/22	AAA	3.883	5	3.907	16/05/2019	-2	47
Telekom Malaysia Berhad	05/22	AAA	3.916	55	4.154	13/09/2017	-24	51
Genting Capital Berhad	06/22	AAA	4.498	1	4.297	25/04/2019	20	109
Manjung Island Energy Berhad	11/22	AAA	3.882	5	3.980	24/04/2019	-10	47
Public Bank Berhad	04/23	AAA	3.899	300	-	-	-	37
Danum Capital Berhad	05/23	AAA	3.910	75	3.930	08/05/2019	-2	38
TNB Western Energy Berhad	07/26	AAA	4.059	5	4.739	27/06/2018	-68	36
Bakun Hydro Power Generation Sdn Berhad (fka	08/26	AAA	4.058	10	4.158	26/04/2019	-10	36
Aman Sukuk Berhad	04/27	AAA	4.052	20	4.068	28/05/2019	-2	26
Bakun Hydro Power Generation Sdn Berhad (fka	08/27	AAA	4.087	10	4.170	13/05/2019	-8	30
Telekom Malaysia Berhad	09/27	AAA	4.119	5	4.317	28/03/2019	-20	33
Telekom Malaysia Berhad	10/28	AAA	4.160	5	4.209	16/05/2019	-5	34
Malayan Banking Berhad	11/31	AAA	3.868	35	4.008	14/02/2019	-14	6
Tenaga Nasional Berhad	08/32	AAA	4.195	10	4.409	27/03/2019	-21	8
Danga Capital Berhad	09/33	AAA	4.379	5	4.421	24/05/2019	-4	27
Danum Capital Berhad	02/34	AAA	4.393	10	4.428	15/05/2019	-4	28
Sabah Development Bank Berhad	09/20	AA1	4.018	1	4.297	16/05/2019	-28	78
Celcom Networks Sdn Berhad	08/24	AA+	4.183	1	4.275	07/05/2019	-9	61
Sarawak Energy Berhad	04/31	AA1	4.301	50	4.359	03/05/2019	-6	50
Sarawak Energy Berhad	12/32	AA1	4.341	50	4.343	24/05/2019	0	23
Sarawak Energy Berhad	11/33	AA1	4.363	90	4.388	24/05/2019	-2	25
Sarawak Energy Berhad	08/35	AA1	4.530	70	4.571	15/05/2019	-4	42
Sarawak Energy Berhad	04/36	AA1	4.584	70	4.685	03/05/2019	-10	47
First Resources Limited	10/21	AA2	4.082	10	4.194	08/05/2019	-11	73
PBFIN Berhad	06/59	AA2	7.234	4	5.027	08/05/2019	221	294
Tadua Energy Sdn Berhad	07/28	AA3	4.875	10	5.231	17/12/2018	-36	105
Edra Energy Sdn Berhad	07/29	AA3	5.039	10	5.115	28/05/2019	-8	123
Dynasty Harmony Sdn Berhad	06/31	AA3	6.020	5	-	-	-	221
Dynasty Harmony Sdn Berhad	06/32	AA3	6.110	5	6.200	24/04/2019	-9	200
Edra Energy Sdn Berhad	01/33	AA3	5.109	6	5.809	12/04/2019	-70	100
Edra Energy Sdn Berhad	01/34	AA3	5.159	9	5.448	17/05/2019	-29	105
Edra Energy Sdn Berhad	07/34	AA3	5.248	2	5.250	28/05/2019	0	114
Edra Energy Sdn Berhad	01/37	AA3	5.300	7	5.969	07/05/2019	-67	100
CIMB Group Holdings Berhad	04/60	AA3	4.334	1	4.852	28/05/2019	-52	3
Southern Power Generation Sdn Berhad	10/26	AA-	4.146	10	4.222	07/05/2019	-8	45
DRB-Hicom Berhad	02/22	A+	5.525	2	5.713	03/05/2019	-19	211
Eastern & Oriental Berhad	06/20	-	5.946	3	5.981	25/05/2017	-4	271
				<u>1520</u>				

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

Market/Corporate News: What's Brewing

Lafarge Malaysia Bhd halved its net losses in the first quarter ended March 31 (1QFY19) to RM32.07 million from the RM68.73 million it recorded a year ago, as it managed to lower distribution costs. Loss per share narrowed to 3.8 sen from 8.1 sen, its stock exchange filing showed. Revenue, however, saw a marginal decline of 1.5% to RM538.70 million versus RM546.83 million previously, mainly due to lower sales from the cement segment caused by market conditions but compensated partially by higher export sales. On the quarter's narrower loss, the group said improvements in distribution costs resulted from better network route optimisation, savings from staff reductions and vigorous cost-cutting measures, lower depreciation and the timing of plant maintenance. However, electricity price increases partially offset these savings. Moving forward, Lafarge said the revival of key infrastructure projects will help reduce the domestic cement industry's overcapacity. Nevertheless, it expects market conditions to remain challenging. "There is still healthy demand for clinker in the export market and the Langkawi Plant is well positioned to benefit from this. Cost reduction and plant reliability remains a priority and the group will also continue to focus on enhancing its operational efficiency further. "The market consolidation following the acquisition by YTL Cement is expected to be positive for the cement industry," it added. (Source: *The Star*)

IJM Corp Bhd closed its financial year 2019 with a 13 times jump in quarterly earnings on significantly stronger contributions in almost all divisions — in particular infrastructure — except investments and others. The group's net profit for the fourth quarter ended March 31, 2019 (4QFY19) jumped to RM240.81 million from RM17.86 million a year ago, as its infrastructure division swung to a pre-tax profit of RM171.44 million from a pre-tax loss of RM19.53 million previously, on improved contributions from its local tolls and port concessions, with its investment in a toll concession in Argentina also boosting the division. Its strong 4Q was also boosted by better earnings from its property development, construction, manufacturing and quarrying, and plantation divisions. This has resulted in higher earnings per share of 6.64 sen for 4QFY19 versus 0.49 sen in 4QFY18. Its income statement showed quarterly revenue rose 2.9% to RM1.39 billion from RM1.36 billion a year ago. Notably, it recorded RM111.79 million in share of profit from associates, versus a loss of RM25.81 million previously. IJM Corp declared a second interim dividend of 2 sen per share, to be paid on July 19, bringing the total payout for the year to 4 sen from 6 sen last year, its stock exchange filing showed. For its full FY19 ended March 31, IJM Corp's net profit grew 20.85% to RM418.92 million from RM346.65 million in FY18, lifted by its property development and infrastructure divisions, despite revenue retreating 5.2% to RM5.66 billion from RM5.97 billion. Going forward, it expects its construction division to perform satisfactorily, based on an outstanding order book of RM7.8 billion, underpinned by the expected implementation of ongoing projects. While it expects the domestic property market to remain challenging, it said its property development division will remain steadfast in growing its business and maintain a satisfactory performance in the coming year. The division has unbilled sales of about RM2.1 billion now. It expects its industry division to also maintain its performance despite the competitive operating environment locally and abroad, though its plantation division will face a challenging year due to prevailing low commodity prices and volatile foreign exchange rates amid continued cost pressures from wage increases and higher cost of fertilisers and fuel. As for its toll and port operations, the group said they are expected to provide recurrent revenue streams as existing concessions mature, which will further enhance its infrastructure earnings. Having said that, given what it described as a "constantly changing business environment", the group expects the coming financial year to continue to be challenging. (Source: *The EdgeMarkets*)

Rating Action			
Issuer	PDS Description	Rating/Outlook	Action
Al Dzhahab Assets Berhad	Class A Sukuk and Class B Sukuk for the respective Tranches 3 to 5 under the Sukuk Murabahah programme		
	Tranche 3 Class A (RM110m) Class B (RM45m)	AAA/Stable AAA/Stable	Reaffirmed Reaffirmed
	Tranche 4 Class A (RM125m) Class B (RM35m)	AAA/Stable AAA/Stable	Reaffirmed Reaffirmed
	Tranche 5 Class A (RM135m) Class B (RM45m)	AAA/Stable AA1/Positive	Reaffirmed Reaffirmed

Source: RAM, MARC

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