

Global Markets Research

Fixed Income

Fixed Income Daily Market Snapshot

UST		
Tenure	Closing (%)	Chg (bps)
2-yr UST	1.54	2
5-yr UST	1.41	3
10-yr UST	1.50	2
30-yr UST	1.97	-1

MGS			GII*	
Tenure	Closing (%)	Chg (bps)	Closing (%)	Chg (bps)
3-yr	3.12	-1	3.13	0
5-yr	3.23	2	3.25	0
7-yr	3.26	1	3.27	-2
10-yr	3.29	0	3.32	1
15-yr	3.48	0	3.51	3
20-yr	3.54	0	3.62	6
30-yr	3.78	0	3.81	1

* Market indicative levels

MYR IRS Levels		
IRS	Closing (%)	Chg (bps)
1-yr	3.19	0
3-yr	3.17	0
5-yr	3.18	0
7-yr	3.22	0
10-yr	3.33	0

Source : Bloomberg

Upcoming Government Bond Tender

Nil

US Treasuries

- US Treasuries were dragged down on Thursday save for the long bond following indications that China is making efforts to escalate the ongoing trade war and also poor bidding metrics for the UST 7Y auction. Overall benchmark yields closed 2-3bps higher save for the 30Y which edged 1bps lower. The UST 2Y closed at 1.54% whilst the much-watched 10Y edged 2bps up at 1.50% levels; as the yield remains inverted for now. The \$32b 7Y auction yielded an average 1.489% on a mere BTC ratio of 2.16x (previous 10 auctions: 2.46x). It is believed that the Fed has stopped buying bonds through its QE to allow for a shrinkage in its balance sheet. Both the UST 10Y and 30Y have fallen ~100bps since January; on track for their steepest fall in 8 and 5 years respectively. The market tonight may take cues from upcoming data on core PCE, personal income and spending and consumer sentiment.

MGS/GII

- Trading momentum in local govies improved further as volume notched RM2.64b. Main interest was however seen in the off-the-run 20's and 5Y, 10Y GII benchmark bonds. Overall benchmark MGS yields closed mostly mixed with the 5Y benchmark MGS 6/24 up 2bps at 3.23% whilst the 10Y MGS 8/29 closed within 1bps of prior day's move at 3.29%. GII bonds jumped to form ~62% of overall trades. The 10Y GII auction turned in a sedate BTC ratio of 2.0x; averaging 3.318%. Despite ongoing headwinds in the global economy; we are of the view that we do not foresee a rate cut in the upcoming September MPC meeting for now.

Corp Bonds/Sukuk

- Corporate Bonds/Sukuk saw lower traction with secondary market volume at a mere RM387m. Some interest was seen across the curve as overall yields continued to drift mostly lower save for the govt-guaranteed bonds. BPMB and DANA 29's closed 0-2bps higher compared to previous-done levels between 3.59-49% levels. AAA-rated GENM Capital 7/23 moved 7bps lower at 3.54%. AA-rated space saw several energy-related bonds i.e. YTL Power and SEB exchange hands. UMW 2/21 and 6/22 ended 15-16bps sharply lower on yields between 3.50-54% area whereas toll operator KESTURI 12/27 moved 3bps lower at 4.05%. In the banking space, Bank Islam 28NC23 notched RM40m in nominal amounts; edging 1bps lower at 3.78% levels.

Daily Trades : Government Bond

Securities		Closing YTM	Vol (RM mil)	Previous YTM	Previous Trade Date (dd/mm/yyyy)	Chg (bp)
MGS	10/19	3.074	18	3.080	28/08/2019	-1
MGS	11/19	2.993	1	3.057	28/08/2019	-6
MGS	07/20	2.994	20	3.080	28/08/2019	-9
MGS	10/20	3.073	324	3.092	28/08/2019	-2
MGS	02/21	3.087	1	3.101	28/08/2019	-1
MGS	07/21	3.099	115	3.117	27/08/2019	-2
MGS	09/21	3.098	1	3.099	28/08/2019	0
MGS	11/21	3.106	50	3.120	28/08/2019	-1
MGS	03/22	3.118	20	3.128	28/08/2019	-1
MGS	03/23	3.178	2	3.184	28/08/2019	-1
MGS	04/23	3.189	19	3.184	28/08/2019	0
MGS	06/24	3.228	50	3.207	28/08/2019	2
MGS	07/24	3.242	7	3.238	28/08/2019	0
MGS	09/24	3.261	6	3.242	28/08/2019	2
MGS	03/25	3.262	30	3.246	28/08/2019	2
MGS	07/26	3.255	1	3.248	28/08/2019	1
MGS	11/27	3.328	56	3.347	28/08/2019	-2
MGS	09/28	3.347	6	3.349	28/08/2019	0
MGS	08/29	3.291	49	3.295	28/08/2019	0
MGS	04/30	3.428	169	3.445	28/08/2019	-2
MGS	06/31	3.495	2	3.494	28/08/2019	0
MGS	11/33	3.503	33	3.528	28/08/2019	-2
MGS	07/34	3.480	20	3.480	28/08/2019	0
MGS	04/37	3.547	5	3.646	26/08/2019	-10
MGS	03/46	3.753	3	3.762	28/08/2019	-1
MGS	07/48	3.777	1	3.777	28/08/2019	0
GII	04/20	3.090	1	3.068	28/08/2019	2
GII	05/20	3.068	50	3.099	19/08/2019	-3
GII	06/20	3.082	200	3.082	28/08/2019	0
GII	08/20	3.087	53	3.097	28/08/2019	-1
GII	04/21	3.118	2	3.118	28/08/2019	0
GII	03/22	3.133	80	3.132	28/08/2019	0
GII	07/22	3.148	30	3.228	23/08/2019	-8
GII	07/23	3.215	40	3.213	28/08/2019	0
GII	08/24	3.240	30	3.264	27/08/2019	-2
GII	10/24	3.248	330	3.249	28/08/2019	0
GII	08/25	3.280	10	3.281	28/08/2019	0
GII	03/26	3.266	60	3.283	28/08/2019	-2
GII	09/26	3.327	1	3.422	23/08/2019	-10
GII	07/27	3.385	20	3.486	23/08/2019	-10
GII	08/28	3.346	60	3.352	28/08/2019	-1
GII	07/29	3.318	385	3.310	28/08/2019	1
GII	09/30	3.394	40	3.436	28/08/2019	-4
GII	11/34	3.510	60	3.481	28/08/2019	3
GII	10/35	3.644	10	3.635	28/08/2019	1
GII	09/39	3.620	80	3.564	28/08/2019	6
GII	11/49	3.809	90	3.799	28/08/2019	1
			<u>2639</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*
Bank Pembangunan Malaysia Berhad	09/29	GG	3.569	40	3.551	28/08/2019	2	27
Prasarana Malaysia Berhad	09/29	GG	3.488	40	3.489	27/08/2019	0	19
Perbadanan Tabung Pendidikan Tinggi Nasional	02/34	GG	3.646	20	3.610	19/08/2019	4	16
Gas Malaysia Berhad	11/19	AAA	3.337	40	3.892	30/04/2019	-56	25
GENM Capital Berhad	07/23	AAA	3.538	20	3.609	23/08/2019	-7	34
Bank Pembangunan Malaysia Berhad	03/32	AAA	3.770	30	3.858	21/08/2019	-9	28
YTL Power International Berhad	06/22	AA1	3.731	20	4.577	03/05/2018	-85	60
Kuala Lumpur Kepong Berhad	04/26	AA1	3.651	30	4.098	27/05/2019	-45	40
Sarawak Energy Berhad	07/29	AA1	3.614	20	4.000	06/08/2019	-39	31
UMW Holdings Berhad	02/21	AA2	3.501	10	3.649	07/08/2019	-15	42
UMW Holdings Berhad	06/22	AA2	3.546	10	3.702	07/08/2019	-16	42
MMC Corporation Berhad	11/20	AA-	4.064	10	4.392	07/08/2019	-33	98
Konsortium Lebuhraya Utara-Timur (KL) Sdn Ber	12/27	AA-	4.051	10	4.081	22/08/2019	-3	75
Bumitama Agri Ltd	07/26	AA3	3.749	40	3.758	28/08/2019	-1	49
Edra Energy Sdn Berhad	07/31	AA3	4.320	1	4.429	27/08/2019	-11	102
Edra Energy Sdn Berhad	07/37	AA3	4.579	1	4.688	23/08/2019	-11	103
Edra Energy Sdn Berhad	01/38	AA3	4.619	1	4.729	26/08/2019	-11	107
Bank Islam Malaysia Berhad	11/28	A1	3.777	40	3.791	22/08/2019	-1	46
CIMB Group Holdings Berhad	05/16	A1	4.273	1	4.311	22/08/2019	-4	72
CIMB Group Holdings Berhad	05/16	A1	4.192	1	4.348	26/08/2019	-16	64
UMW Holdings Berhad	04/18	A1	4.693	1	4.693	27/08/2019	0	114
Eco World Capital Assets Berhad	08/24	-	6.099	3	6.099	28/08/2019	0	-
				<u>387</u>				

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

Market/Corporate News: What's Brewing

YTL Corp Bhd posted a net profit of RM2.44 million in its fourth quarter ended June 30, 2019 (4QFY19) compared to a net loss of RM63.54 million in the year-ago quarter, as quarterly revenue came in one-fifth higher at RM5.04 billion versus RM4.2 billion in 4QFY18. YTL Corp's board of directors declared an interim dividend of four sen with respect to FY19, payable on Nov 13. Save for its property and utilities business segments, YTL Corp recorded positive growth in profit before tax (PBT) in all its business divisions during the quarter under review, its exchange filing today showed. Its construction division's PBT rose 63% on-year to RM44.7 million after a significant increase in construction works, while cement manufacturing and trading PBT was up 20% to RM12.7 million from the higher share of profits contributed by its associate company. Also of note was the return to black in its hotels division with a PBT of RM47.82 million versus a loss before tax (LBT) of RM45.74 million previously, as a result of the consolidation of The Hague Marriott Hotel in the Netherlands, contribution from the newly acquired The Westin Perth hotel in Australia, better performance post-refurbishment of JW Marriott KL, and an unrealised foreign exchange gain on inter-company balances. Its management services and others segment similarly saw a significantly stronger PBT of RM76.52 million from an LBT of 138.46 million due to lower operating costs, fair value gain on investments, derivatives and investment properties. Information technology and e-commerce related business also returned to the black from a year ago with a PBT of RM144,000 compared to an LBT of RM824,000, thanks to higher interest income earned and lower administration expenses incurred. These were, however, partly offset by a less profitable utilities segment, which saw PBT sinking 63% to RM119.38 million, as it was impacted by lower retail non-fuel and ancillary margin, lower vesting contract level and margin, higher finance costs, and an allowance for impairment of receivables, besides the absence of a one-off pension credit recognised. Its property

segment also recorded a 97% increase in LBT to RM114.57 million during the quarter due to the absence of a land disposal gain, coupled with inventory write down, fair value loss of investment properties and lower unrealised foreign exchange gain on borrowings denominated in foreign currencies. For the full year, YTL Corp's net profit came in at RM258.85 million, down 24.1% from FY18's RM340.92 million, despite revenue rising 13.2% to RM18 billion from RM15.89 billion, as cost of sales and finance cost offset the increase. (Source: *The Edge*)

CIMB GROUP HOLDINGS BHD posted net profit of RM1.51bil in the second quarter ended June 30, 2019 compared with RM1.98bil due to lower gains from the disposal of subsidiaries, joint ventures and associates. The banking group said on Thursday its revenue declined to RM4.468bil from RM4.863bil a year ago. Earnings per share were 15.6 sen compared with 21.29 sen. The gains from disposal of subsidiaries, joint ventures and associates were RM236.13mil in 2QFY19 compared with RM938.39mil a year ago. Earnings per share were 15.60 sen compared with 21.29 sen. It declared a dividend of 14 sen compared with 13 sen. The total interim dividend amounts to a payment of approximately RM1.36bil, translating to a dividend payout ratio of 50.4% of 1H19 profits. In the first half, CIMB's net profit was lower at RM2.70bil compared with RM3.28bil in the previous corresponding period. Profit before tax was RM3.56bil compared with RM4.20bil. Its revenue was RM8.63bil compared with RM9.16bil. However, after stripping out the CPAM and CPIAM gain of RM928mil a year ago, the operating income rose by 4.8% to RM8.635bil in 1H 2019 compared with RM8.239bil (business as usual) in the previous corresponding period. Profit before tax rose by 8.7% to RM3.559bil from RM3.274bil (BAU) and net profit climbed 14.5% to RM2.70bil from RM2.359bil (BAU). "We are pleased with the 14.5% YoY increase in our net profit to RM2.70bil underpinned by our above-industry loan growth in Malaysia and better Treasury and Markets income. "Malaysia's PBT improved 5.3% YoY, contributing 67% to the group's PBT. Indonesia also posted an encouraging 20.2% YoY growth, supported by its strong Consumer business. "Overall, the Group remained resilient with lower loan loss provisions despite challenging external headwinds," said Tengku Datuk Seri Zafrul Aziz, Group CEO, CIMB Group. "CIMB Group's 1H19 operating income was 4.8% higher YoY at RM8.64bil. Net interest income (NII) grew 3.3% YoY from the 6.9% loans growth, while the 8.5% improvement in non-interest income (NOII) came largely on the back of better capital market activity in the second quarter of 2019 (2Q19). "Operating expenses rose 8.7% YoY from incremental investments and Forward23-related expenses, bringing about a cost-to-income ratio (CIR) of 53.2% for 1H19. Loan loss provisions declined by 15.7% to RM629mil resulting in an 8.7% growth in the group's PBT to RM3.56bil. "The group's consumer banking PBT declined 47.4% YoY in 1H19 from a combination of lower operating income, higher operating expenses, increased seasonal provisions and MFRS9 related effects. Commercial Banking PBT rose by 106.3% YoY to RM1.01bil underpinned by better NII as gross loans grew 4.4%, while provisions were significantly lower. "PBT at the group's wholesale banking division increased by 14.0% YoY to RM976mil as improved capital market activity brought about a 33.7% growth in NOII, partially offset by higher operating expenses and loan provisions. "Group ventures & partnerships and funding (GVPF) PBT was 70.8% higher YoY from an improved performance in the Group's fixed income portfolio. "Non-Malaysia PBT contribution to the Group rose to 33% in 1H19 compared to 31% in 1H18. Indonesia's PBT was 20.2% higher YoY at RM701mil in 1H19 driven by stronger operating income from improved NIM. Thailand's PBT contribution of RM199 million was 16.4% lower YoY from weaker trading income and higher overheads.

Total PBT contribution from Singapore was 2.8% higher YoY at RM224mil from better NIM. “The group’s total gross loans grew by 6.9% YoY while total deposits were 9.9% higher YoY. The Loan to Deposit Ratio (“LDR”) stood at 91.5%, compared to 94.0% as at end-June 2018. The Group’s gross impairment ratio stood at 3.1% as at end-June 2019, with an allowance coverage of 96.6%. “The group’s CIR stood at 53.2% compared with 51.3% in 1H18 from higher operating expenses. The Group’s NIM was lower at 2.46% mainly from the spread compression in Malaysia. As at June 30, 2019, CIMB Group’s total capital ratio stood at 16.6% while the Common Equity Tier 1 (CET1) capital ratio stood at 12.9%,” it said. (Source: *The Star*)

Rating Action			
Issuer	PDS Description	Rating/Outlook	Action
BEWG (M) Sdn Bhd's	RM400.0 million Sukuk Wakalah	AA-IS	Affirmed
Ranhill Powertron II Sdn Bhd	RM140.0 million outstanding Islamic Medium-Term Notes (IMTN)	AA-IS	Affirmed

Source: RAM, MARC

Hong Leong Bank Berhad

Fixed Income & Economic Research, Global Markets

Level 8, Hong Leong Tower

6, Jalan Damanlela

Bukit Damansara

50490 Kuala Lumpur

Tel: 603-2081 1221

Fax: 603-2081 8936

Email: HLMarkets@hlbb.hongleong.com.my

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