

Global Markets Research

Fixed Income

Fixed Income Daily Market Snapshot

UST		
Tenure	Closing (%)	Chg (bps)
2-yr UST	2.10	-5
5-yr UST	2.04	-5
10-yr UST	2.22	-5
30-yr UST	2.64	-5

MGS		GII*		
Tenure	Closing (%)	Chg (bps)	Closing (%)	Chg (bps)
3-yr	3.39	-1	3.44	0
5-yr	3.55	-2	3.62	0
7-yr	3.71	1	3.74	-1
10-yr	3.81	0	3.85	0
15-yr	4.10	-1	4.12	-2
20-yr	4.30	0	4.33	0
30-yr	4.54	-3	4.61	0

* Market indicative levels

MYR IRS Levels		
IRS	Closing (%)	Chg (bps)
1-yr	3.43	-1
3-yr	3.47	1
5-yr	3.52	1
7-yr	3.58	0
10-yr	3.75	0

Source : Bloomberg

Upcoming Government Bond Tender

Nil

US Treasuries

- The US Treasuries rallied again on risk-off mode following President Trump's further tariff warnings on China and fresh imposition of 5% levy on Mexico (which could eventually increase to 25%). Overall benchmark yields ended 5bps lower as the curve shifted markedly lower with the UST 2Y and the much-watched 10Y closing at 2.10% and 2.22%; the lowest level since 2017. UST 10Y yields have now dropped by a full percentage point since October last year whilst the 3-month and 10-year spread remains inverted at -16bps. Up next on the data front are the release of the Fed's preferred inflation gauge i.e. core PCE data tonight which is expected to post a 0.2% rise for the month, but remain at an annual rate of 1.6%.

MGS/GII

- Trading momentum in local govies maintained traction as secondary market volumes notched RM4.32b. Benchmark yields ended mostly 0-3bps lower again save for the 7Y bond. Interest was mainly seen in the off-the-run 19's and 23's. The benchmark 5Y MGS 4/23 closed 2bps lower at 3.55% whilst the 10Y MGS 8/29 closed almost unchanged at 3.81%. GII bond trades maintained to form 56% of overall trades. The 15Y GII 11/34 auction drew 4.119% amid solid investor demand; evidenced by the tight tail of 2.1bps and BTC ratio of 3.38x. Meanwhile the inclusion of Malaysia (along with 8 other countries including Singapore, Vietnam etc) on US Treasury Department's semi-annual currency report is not expected to severely impact financial markets following BNM's statement that Malaysia adopts a floating rate exchange rate whilst the MYR is market-determined and not relied upon for export competitiveness.

Corp Bonds/Sukuk

- Corporate Bonds/Sukuk space saw secondary volume fall almost one-third at RM539m with interest still intact across the curve. Govt-guaranteed PRASA 11/28 and DANA and long-end DANA 5/41 ended 3bps lower at 3.98% and 4.41% respectively (compared to previous-done levels). The long-end DANA 4/45 rallied 7bps at 4.54%. Meanwhile the AAA-rated Putrajaya Holdings 10/21 edged 1bps lower at 3.89% whilst Putrajaya Bina 9/24 closed saw huge 34bps rally at 3.93%. The AA-space saw the short-end energy-related bond MALAKOFF 12/19 close 9bps lower whilst YTL Power 5/27 edged 2bps lower at 4.46%. The banking space saw Public Islamic 27NC22 close unchanged at 4.11% whereas CIMB Thai 28NC23 saw huge movement in yields lower at 4.82%

Daily Trades : Government Bond

Securities		Closing YTM	Vol (RM mil)	Previous YTM	Previous Trade Date (dd/mm/yyyy)	Chg (bp)
MGS	10/19	3.181	434	3.162	29/05/2019	2
MGS	11/19	3.178	460	3.155	29/05/2019	2
MGS	03/20	3.194	2	3.212	29/05/2019	-2
MGS	10/20	3.242	49	3.245	28/05/2019	0
MGS	07/21	3.354	28	3.372	29/05/2019	-2
MGS	09/21	3.394	5	3.383	29/05/2019	1
MGS	11/21	3.409	154	3.399	29/05/2019	1
MGS	03/22	3.392	1	3.413	29/05/2019	-2
MGS	04/23	3.550	70	3.565	29/05/2019	-2
MGS	08/23	3.605	3	3.606	29/05/2019	0
MGS	03/25	3.716	60	3.726	29/05/2019	-1
MGS	09/25	3.771	74	3.767	29/05/2019	0
MGS	07/26	3.709	65	3.696	29/05/2019	1
MGS	11/26	3.807	3	3.800	29/05/2019	1
MGS	06/28	3.885	51	3.888	29/05/2019	0
MGS	08/29	3.807	223	3.806	29/05/2019	0
MGS	04/33	4.130	1	4.135	29/05/2019	0
MGS	11/33	4.101	150	4.110	29/05/2019	-1
MGS	05/35	4.250	1	4.243	28/05/2019	1
MGS	09/43	4.533	64	4.532	29/05/2019	0
GII	09/19	3.118	150	3.138	24/05/2019	-2
GII	04/20	3.317	1	3.258	29/05/2019	6
GII	08/20	3.321	81	3.340	29/05/2019	-2
GII	03/22	3.443	24	3.444	29/05/2019	0
GII	07/23	3.600	530	3.596	29/05/2019	0
GII	10/23	3.653	80	3.638	27/05/2019	2
GII	11/23	3.607	200	3.608	29/05/2019	0
GII	05/24	3.660	71	3.657	29/05/2019	0
GII	10/24	3.619	120	3.619	29/05/2019	0
GII	03/26	3.737	20	3.750	28/05/2019	-1
GII	07/27	3.836	100	3.840	29/05/2019	0
GII	10/28	3.870	70	3.868	29/05/2019	0
GII	07/29	3.848	140	3.850	29/05/2019	0
GII	09/30	3.990	30	4.001	24/05/2019	-1
GII	06/33	4.119	245	4.137	29/05/2019	-2
GII	08/33	4.143	101	4.200	29/05/2019	-6
GII	10/35	4.256	90	4.272	28/05/2019	-2
GII	08/37	4.299	60	4.307	29/05/2019	-1
GII	09/39	4.325	100	4.328	29/05/2019	0
GII	11/34	4.130	211	-	-	-
			<u>4321</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	09/27	GG	3.931	10	3.938	27/05/2019	-1	14
Prasarana Malaysia Berhad	11/28	GG	3.980	10	4.010	14/05/2019	-3	16
Lembaga Pembiayaan Perumahan Sektor Awam	04/29	GG	4.009	60	4.029	28/05/2019	-2	20
Perbadanan Tabung Pendidikan Tinggi Nasional	03/32	GG	4.187	10	4.201	12/04/2019	-1	8
DanaInfra Nasional Berhad	04/37	GG	4.321	40	4.431	04/04/2019	-11	2
Prasarana Malaysia Berhad	09/37	GG	4.320	20	4.485	22/04/2019	-17	2
DanaInfra Nasional Berhad	05/41	GG	4.409	50	4.439	24/05/2019	-3	11
DanaInfra Nasional Berhad	04/43	GG	4.445	5	4.489	28/05/2019	-4	15
Lembaga Pembiayaan Perumahan Sektor Awam	09/46	GG	4.605	6	4.649	16/05/2019	-4	31
Pengurusan Air SPV Berhad	11/19	AAA	3.540	20	3.779	27/03/2019	-24	31
Cagamas Berhad	10/21	AAA	3.547	20	3.759	03/05/2019	-21	20
Aman Sukuk Berhad	10/21	AAA	3.855	10	4.002	22/04/2019	-15	51
Putrajaya Holdings Sdn Berhad	10/21	AAA	3.890	30	3.903	09/04/2019	-1	54
GENM Capital Berhad	07/23	AAA	4.238	5	4.302	28/05/2019	-6	71
Putrajaya Bina Sdn Berhad	09/24	AAA	3.930	10	4.252	07/03/2019	-32	36
Al Dza'hab Assets Berhad	03/25	AAA	4.560	2	4.950	24/10/2018	-39	87
Putrajaya Bina Sdn Berhad	09/26	AAA	4.026	6	4.508	22/11/2018	-48	32
Bank Pembangunan Malaysia Berhad	11/26	AAA	4.251	20	4.290	13/05/2019	-4	55
GENM Capital Berhad	07/28	AAA	4.232	1	4.519	24/05/2019	-29	41
Projek Lebuhraya Usahasama Berhad	01/29	AAA	4.204	6	4.234	07/05/2019	-3	40
Tenaga Nasional Berhad	08/38	AAA	4.549	1	4.589	23/05/2019	-4	25
MBSB Bank Berhad (fka Asian Finance Bank Berhad)	12/19	AA1	3.900	20	3.913	27/05/2019	-1	67
Kuala Lumpur Kepong Berhad	08/25	AA1	4.075	10	4.098	14/05/2019	-2	38
Samalaju Industrial Port Sdn Berhad	12/25	AA1	4.198	2	4.710	29/10/2018	-51	49
YTL Power International Berhad	05/27	AA1	4.456	11	4.479	15/05/2019	-2	67
Public Islamic Bank Berhad	08/27	AA1	4.109	10	4.111	27/05/2019	0	32
TRIpIc Medical Sdn Berhad	10/30	AA1	4.417	3	4.488	25/04/2019	-7	61
Celcom Networks Sdn Berhad	08/24	AA+	4.153	5	4.183	29/05/2019	-3	58
Tanjung Bin Power Sdn Berhad	08/22	AA2	4.132	10	4.256	24/04/2019	-12	72
UMW Holdings Berhad	09/23	AA2	4.037	10	4.439	04/03/2019	-40	51
Konsortium ProHAWK Sdn Berhad	06/29	AA2	4.358	5	4.796	30/11/2018	-44	55
Malakoff Power Berhad	12/19	AA-	3.819	40	3.912	16/05/2019	-9	59
IJM Corporation Berhad	04/25	AA3	4.375	2	4.669	10/08/2018	-29	68
Edra Energy Sdn Berhad	07/25	AA3	5.387	1	5.240	25/04/2019	15	170
CIMB Thai Bank Public Company Limited	03/28	AA3	4.816	10	4.991	26/03/2019	-18	99
MMC Corporation Berhad	11/27	AA-	5.278	24	5.285	17/05/2019	-1	149
Jimah East Power Sdn Berhad	06/31	AA-	4.475	1	4.499	16/05/2019	-2	67
Southern Power Generation Sdn Berhad	10/32	AA-	4.390	2	4.409	23/05/2019	-2	29
Tan Chong Motor Holdings Berhad	11/21	A1	4.886	10	4.382	29/05/2019	50	154
CIMB Group Holdings Berhad	05/16	A1	4.122	1	4.650	28/05/2019	-53	-18
DRB-Hicom Berhad	02/22	A+	5.522	4	5.525	29/05/2019	0	211
Quantum Solar Park (Semenanjung) Sdn Berhad	10/23	A+	5.309	8	0.000	00/01/1900	531	178
Quantum Solar Park (Semenanjung) Sdn Berhad	04/32	A+	6.338	9	6.199	27/12/2018	14	224
				<u>539</u>				

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

Market/Corporate News: What's Brewing

Telekom Malaysia Bhd's net profit almost doubled in the first quarter ended March 31, 2019 to RM308.28mil from RM157.15mil a year ago mainly due to a reduction in operating costs. TM said on Thursday its revenue dipped by 2.4% to RM2.78bil from RM2.85bil a year ago. Its earnings per share were 8.2 sen compared with 4.18 sen. Lower group revenue was due to a decline in voice, Internet and multimedia services and non-telecommunication related services revenue. However, a reduction in operating costs saw earnings before interest and tax (Ebit) doubling to RM504.8mil from RM195.6mil a year ago. "Stripping off some non-operational items, such as unrealised foreign exchange loss on international trade settlement, group normalised Ebit. On the performance of unifi, TM said revenue fell by 9.3% to RM1.23bil from RM1.35bil due to lower revenue from voice services due to lower usage, which was in line with decrease in customer base. TM explained lower cumulative customer base for Streamyx also contributed to the decrease in revenue from Internet and multimedia services. "Despite decrease in revenue, Ebit however increased from RM17mil loss in the corresponding quarter last year to RM194.4mil in the current year quarter mainly due to lower operating

costs," it said. TM One's revenue fell by 1.3% to RM1.00bil from RM1.016bil mainly due to voice and data services. Despite the lower revenue, Ebit rose by 5.1% to RM263.4mil from RM250.6mil a year ago contributed by lower operating cost. TM Global's revenue for the current quarter increased by 11.5% to RM578.1mil from RM518.4mil a year ago mainly contributed by both voice and data services. Ebit jumped by 167.4% to RM116.3mil from RM43.5mil mainly due to lower network cost in the current year quarter. TM said the total capital expenditure (capex) for Q1 2019 was in line with guidance at RM151mil or 5.4% of revenue. By asset type, access comprised 67.0% of total spending, followed by core network at 18.0% and 15.0% for support systems. Commenting on the results, its acting group CEO and chief operating officer Imri Mokhtar said revenue challenges continued to persist into the first quarter of the year, with intensifying competition and price erosion. "However, I'm pleased to report that our Performance Improvement Programme 2019-2021 (PIP2019-2021) is yielding results. We recorded improved operational efficiency and increased profitability. "Our operating expenditure (Opex)/Revenue also improved by 11.4 percentage points, whilst profit for the quarter also doubled mainly from the cost optimisation efforts undertaken to counter revenue decline. "Our capex spending was lower compared to 1Q2018 and within our guidance, as we continued to sweat our assets and optimise our network. "We expect the industry and competitive landscape to continuously evolve. We remain focused on delivering our strategies of accelerating convergence and empowering digital to enable a Digital Malaysia," he said. (Source: *The Star*)

Boustead Holdings Bhd, the key contributor to Retirement Fund (Incorporated)'s (KWAP) dividend, slipped into the red for the first quarter ended March 31 (1QFY19), posting a net loss of RM22.4 million, from RM6.1 million net profit registered in the corresponding quarter last year, on the back of losses incurred in the plantation, heavy industries and property segments. In a filing with Bursa Malaysia, the diversified group noted quarterly revenue increased 11.32% to RM2.51 billion, from RM2.3 billion posted a year prior. Earnings per share (EPS) dipped into losses, with a loss per share of 1.11 sen posted in 1QFY19, from 0.30 sen profit per share seen last year. The group attributed its loss to deficits seen in its heavy industries, property and plantation segments, and that the allocation of earnings to non-controlling interests and perpetual sukuk holders contributed to the loss as well. On its prospects, the group said its plantation division's gain from the sale of Seberang Perai Utara land in Penang will boost earnings for FY19, while operating performance is expected to be challenging. However, it expects growth in crop production as a result of a larger operational area, as well as increased operational efficiencies. Its pharmaceutical segment is expected to remain positive, as the segment is expected to increase its product portfolio. Meanwhile, its property segment is expected to see more progress billings from ongoing and upcoming housing projects, while the hotels the group manages are expected to yield satisfactory results, the filing added. Affin Bank Bhd is expected to drive its finance and investment segments earnings, with the littoral combat ships (LCS) and littoral mission ships (LMS), as well as maintenance, repair and overhaul activities to contribute to its heavy industries division. "While challenges persist in 2019, which is set to see moderate growth due to the slowdown in global, as well as domestic demand, the group remains cautiously optimistic about its long term prospects," the group said. (Source: *The EdgeMarkets*)

Lingkar Trans Kota Holdings Bhd (Litrak) has posted a 11.95% increase in net profit to RM59.13 million or 11.2 sen for the fourth quarter ended March 31, 2019 (4QFY19), from RM52.82 million or 10.01 sen a year ago, thanks to lower finance cost and its associate Sistem Penyuraian Trafik KL Barat Holdings Sdn Bhd (Sprint Group) contributing a share of profit of RM2.7 million, compared with a share of loss of RM2.3 million a year prior. Its revenue inched down 1.11% to RM126.45 million,

from RM127.87 million a year ago, mainly due to lower traffic volume on the Lebuhraya Damansara Puchong highway (LDP). For the full year (FY19), Litrak made a net profit of RM236.11 million, a 3.31% increase from the RM228.55 million reported a year ago, while its cumulative revenue fell 1.50% to RM516.03 million, from RM523.90 million in FY18. Looking forward, Litrak said the group's major shareholder, Gamuda Bhd, is in negotiation with the Pakatan Harapan coalition government, related to acquisition of its four highway concessions by the government, including the LDP and Sprint. In addition, Litrak said the government has indicated there will be no move to abolish toll due to fiscal constraint. However, the study undertaken by various related government agencies on the toll highway industry, is still ongoing and an external consultant's report will be issued in due course. On its prospects, Litrak said final toll increase was scheduled for Jan 1, 2016, according to the concession agreement. However, the government has decided to freeze toll hikes for 2019, hence it will defer the increase until further notice and will have to compensate Litrak for the loss in revenue, as a result of the deferment. In terms of toll volume, Litrak said if the government decides to continue with the deferment of toll increase to users, the company can expect tollable traffic volume to remain fairly stable and constant in the short term. "Should the government decide to pass on the full final toll increase to road users, then Litrak can expect a significant drop in tollable traffic volume, and correspondingly, revenue, similar to what occurred in October 2015, when toll rates were increased," it added. (Source: *The EdgeMarkets*)

Rating Action			
Issuer	PDS Description	Rating/Outlook	Action
YTL Corporation Berhad	Proposed RM5 bil CP Programme and MTN Programme (2019/2044).	AA1/Stable/P1	Assigned

Source: RAM, MARC

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