

## Global Markets Research

### Fixed Income

#### Fixed Income Daily Market Snapshot

##### US Treasuries

- US Treasuries continued to be pressured as optimism over the economy reduced appeal for safe-haven assets. Activities were actually centred more in Futures contracts as the underlying cash had less significant catalysts. The curve shifted higher as overall benchmark yields ended between 3-6bps up with the UST 2Y rising 3bps at 0.19% whilst the much-watched UST 10Y spiked 6bps at 0.75%; its weakest in almost two (2) months. Private payroll processor ADP's private sector employment data showed that the pace of private sector job losses grinded lower-than-expected in May. ISM's service sector data of 45.4 in May (April:41.8) also brought some cheer. Nevertheless the bear-steepening of late continues to be supported by a deluge of dollar IG issuances with additional eight (8) names totaling \$8.2b flooding the market. Expect attention to shift to the May jobs numbers tomorrow night.

##### MGS/GIII

- Local govies continue to drift mostly weaker again on Wednesday amid higher secondary market volume of RM4.82b. Overall benchmark MGS/GII yields generally ended between 0-8bps higher save for the odd-lot trade on the 10Y GII and post 3Y GII auction. Interest was mainly centred in the off-the-run 20-21's, and also 3Y, 10Y benchmark MGS/GII. The benchmark 5Y MGS 9/25 closed within 1bps at 2.48% whilst the 10Y MGS 8/29 edged 1bps up at 2.85%. GII bonds maintained to form ~39% of overall trades. The 3Y GII 5/23 auction saw solid bidding metrics mainly by inter-bank participants on a BTC ratio of 2.502x and awarded at 2.306%. MYR is seen slightly weaker this morning at 4.2650 this morning, ahead of the April's trade data this afternoon. Expect attention to remain focused on the government's navigation of the current delicate economic situation.

##### Corp Bonds/Sukuk

- Corporate bonds/Sukuk space saw vast improvement in investor appetite amid a spike in secondary market volume of RM1.14b. Interest was mainly seen across the GG-AAA part of the curve followed by the AA-space as overall yields closed mostly mixed again. Govt-guaranteed PRASA 8/21 and 12/30 edged 2bps higher compared to previous-done levels at 2.20% and 3.19% respectively. AAA-rated CAGAMAS 21-22's saw a massive downwards move in yields between 2.50-62% whilst RANTAU 31-32's closed between 1-57bps lower at 3.36-40% area. AA-rated BENIH Restu 6/25 traded again closing unchanged at 3.50% whilst KLK 9/34 moved 3bps lower at 3.79%. The banking space saw both AFFIN Bank 2018NC23 and Islamic 2017NC23 perps close 11bps and -9bps each on decent volume. The highlight for the day was the close of the book-building exercise of SEB's AAA-rated 10Y and 15Y bonds at 3.30% and 3.65%

| UST       |             |           |
|-----------|-------------|-----------|
| Tenure    | Closing (%) | Chg (bps) |
| 2-yr UST  | 0.19        | 3         |
| 5-yr UST  | 0.37        | 5         |
| 10-yr UST | 0.75        | 6         |
| 30-yr UST | 1.53        | 4         |

| MGS    |             | GII*      |             |           |
|--------|-------------|-----------|-------------|-----------|
| Tenure | Closing (%) | Chg (bps) | Closing (%) | Chg (bps) |
| 3-yr   | 2.27        | 1         | 2.31        | -1        |
| 5-yr   | 2.48        | 0         | 2.49        | 2         |
| 7-yr   | 2.66        | 2         | 2.74        | 0         |
| 10-yr  | 2.85        | 1         | 2.70        | -3        |
| 15-yr  | 3.19        | 1         | 3.27        | 2         |
| 20-yr  | 3.44        | 2         | 3.47        | 0         |
| 30-yr  | 3.86        | 8         | 3.82        | 0         |

\* Market indicative levels

| MYR IRS Levels |             |           |
|----------------|-------------|-----------|
| IRS            | Closing (%) | Chg (bps) |
| 1-yr           | 2.13        | 0         |
| 3-yr           | 2.15        | 0         |
| 5-yr           | 2.30        | 3         |
| 7-yr           | 2.43        | 0         |
| 10-yr          | 2.65        | 0         |

Source : Bloomberg

#### Upcoming Government Bond Tender

Nil

## Daily Trades : Government Bond

| Securities | Closing | Vol         | Previous | Previous                   | Chg  |
|------------|---------|-------------|----------|----------------------------|------|
|            | YTM     | (RM mil)    | YTM      | Trade Date<br>(dd/mm/yyyy) | (bp) |
| MGS 07/20  | 1.997   | 355         | 2.005    | 02/06/2020                 | -1   |
| MGS 10/20  | 2.015   | 280         | 2.011    | 02/06/2020                 | 0    |
| MGS 02/21  | 2.020   | 680         | 2.030    | 02/06/2020                 | -1   |
| MGS 07/21  | 2.097   | 15          | 2.048    | 02/06/2020                 | 5    |
| MGS 09/21  | 2.075   | 14          | 2.075    | 02/06/2020                 | 0    |
| MGS 11/21  | 2.099   | 7           | 2.109    | 02/06/2020                 | -1   |
| MGS 03/22  | 2.178   | 424         | 2.146    | 02/06/2020                 | 3    |
| MGS 08/22  | 2.199   | 13          | 2.225    | 01/06/2020                 | -3   |
| MGS 09/22  | 2.207   | 11          | 2.224    | 02/06/2020                 | -2   |
| MGS 03/23  | 2.272   | 202         | 2.266    | 02/06/2020                 | 1    |
| MGS 04/23  | 2.296   | 21          | 2.336    | 02/06/2020                 | -4   |
| MGS 08/23  | 2.335   | 3           | 2.343    | 02/06/2020                 | -1   |
| MGS 06/24  | 2.396   | 17          | 2.429    | 02/06/2020                 | -3   |
| MGS 07/24  | 2.478   | 20          | 2.458    | 02/06/2020                 | 2    |
| MGS 09/24  | 2.451   | 12          | 2.473    | 02/06/2020                 | -2   |
| MGS 09/25  | 2.482   | 139         | 2.479    | 02/06/2020                 | 0    |
| MGS 07/26  | 2.665   | 19          | 2.642    | 02/06/2020                 | 2    |
| MGS 11/26  | 2.649   | 1           | 2.662    | 02/06/2020                 | -1   |
| MGS 05/27  | 2.658   | 2           | 2.643    | 02/06/2020                 | 2    |
| MGS 11/27  | 2.777   | 82          | 2.755    | 02/06/2020                 | 2    |
| MGS 06/28  | 2.843   | 81          | 2.849    | 02/06/2020                 | -1   |
| MGS 08/29  | 2.850   | 369         | 2.840    | 02/06/2020                 | 1    |
| MGS 04/30  | 3.001   | 40          | 2.990    | 02/06/2020                 | 1    |
| MGS 04/32  | 3.208   | 10          | 3.112    | 01/06/2020                 | 10   |
| MGS 04/33  | 3.250   | 1           | 3.278    | 02/06/2020                 | -3   |
| MGS 11/33  | 3.296   | 50          | 3.294    | 02/06/2020                 | 0    |
| MGS 07/34  | 3.189   | 6           | 3.176    | 02/06/2020                 | 1    |
| MGS 05/35  | 3.377   | 3           | 3.370    | 01/06/2020                 | 1    |
| MGS 04/37  | 3.461   | 15          | 3.436    | 02/06/2020                 | 2    |
| MGS 06/38  | 3.502   | 10          | 3.507    | 02/06/2020                 | -1   |
| MGS 05/40  | 3.437   | 1           | 3.420    | 02/06/2020                 | 2    |
| MGS 03/46  | 3.872   | 10          | 3.839    | 02/06/2020                 | 3    |
| MGS 07/48  | 3.864   | 48          | 3.787    | 01/06/2020                 | 8    |
| GII 03/21  | 2.089   | 45          | 2.045    | 02/06/2020                 | 4    |
| GII 04/21  | 2.062   | 100         | 2.062    | 02/06/2020                 | 0    |
| GII 03/22  | 2.206   | 10          | 2.227    | 02/06/2020                 | -2   |
| GII 04/22  | 2.188   | 1           | 2.190    | 01/06/2020                 | 0    |
| GII 05/23  | 2.307   | 1075        | 2.320    | 02/06/2020                 | -1   |
| GII 07/23  | 2.350   | 20          | 2.397    | 02/06/2020                 | -5   |
| GII 10/23  | 2.361   | 20          | 2.398    | 02/06/2020                 | -4   |
| GII 11/23  | 2.387   | 180         | 2.395    | 02/06/2020                 | -1   |
| GII 05/24  | 2.446   | 100         | 2.422    | 02/06/2020                 | 2    |
| GII 08/24  | 2.484   | 50          | 2.482    | 29/05/2020                 | 0    |
| GII 10/24  | 2.483   | 119         | 2.463    | 02/06/2020                 | 2    |
| GII 08/25  | 2.560   | 3           | 2.558    | 01/06/2020                 | 0    |
| GII 10/28  | 2.926   | 36          | 2.911    | 02/06/2020                 | 2    |
| GII 07/29  | 2.920   | 69          | 2.920    | 02/06/2020                 | 0    |
| GII 10/30  | 2.703   | 3           | 2.729    | 02/06/2020                 | -3   |
| GII 11/34  | 3.273   | 30          | 3.253    | 02/06/2020                 | 2    |
|            |         | <u>4820</u> |          |                            |      |

## Daily Trades : Corp Bonds/ Sukuk

| Securities                                     |       | Rating | Closing<br>YTM | Vol<br>(RM mil) | Previous<br>YTM | Previous<br>Trade Date<br>(dd/mm/yyyy) | Chg<br>(bp) | Spread<br>Against<br>MGS* |
|--|-------|--------|----------------|-----------------|-----------------|--|-------------|---------------------------|
| Khazanah Nasional Berhad                       | 03/21 | GG     | 2.185          | 40              | 2.184           | 27/05/2020                             | 0           | 13                        |
| Danainfra Nasional Berhad                      | 07/21 | GG     | 2.237          | 5               | 2.700           | 03/04/2020                             | -46         | 19                        |
| Prasarana Malaysia Berhad                      | 08/21 | GG     | 2.198          | 110             | 2.175           | 20/05/2020                             | 2           | 15                        |
| Pengurusan Air SPV Berhad                      | 06/23 | GG     | 2.549          | 55              | 2.701           | 24/04/2020                             | -15         | 28                        |
| Lembaga Pembiayaan Perumahan Sektor Awam       | 09/23 | GG     | 2.551          | 70              | 2.496           | 27/05/2020                             | 6           | 28                        |
| Danainfra Nasional Berhad                      | 10/23 | GG     | 2.554          | 30              | 2.566           | 27/05/2020                             | -1          | 28                        |
| Lembaga Pembiayaan Perumahan Sektor Awam       | 04/25 | GG     | 2.729          | 20              | 2.850           | 11/03/2020                             | -12         | 25                        |
| Perbadanan Tabung Pendidikan Tinggi Nasional   | 03/27 | GG     | 3.000          | 15              | 3.669           | 07/08/2019                             | -67         | 35                        |
| Lembaga Pembiayaan Perumahan Sektor Awam       | 04/27 | GG     | 2.997          | 85              | 2.998           | 02/06/2020                             | 0           | 34                        |
| Prasarana Malaysia Berhad                      | 09/27 | GG     | 3.000          | 30              | 2.974           | 05/05/2020                             | 3           | 35                        |
| Danainfra Nasional Berhad                      | 09/29 | GG     | 3.150          | 15              | 3.131           | 28/05/2020                             | 2           | 34                        |
| Prasarana Malaysia Berhad                      | 12/30 | GG     | 3.190          | 70              | 3.168           | 29/05/2020                             | 2           | 34                        |
| Projek Lebuhraya Usahasama Berhad              | 01/38 | GG     | 3.590          | 60              | 4.109           | 03/04/2020                             | -52         | 14                        |
| Prasarana Malaysia Berhad                      | 02/50 | GG     | 3.967          | 20              | 3.967           | 02/06/2020                             | 0           | 52                        |
| Cagamas Berhad                                 | 10/21 | AAA    | 2.503          | 40              | 2.903           | 18/02/2020                             | -40         | 45                        |
| Cagamas Berhad                                 | 10/21 | AAA    | 2.503          | 20              | 4.030           | 22/02/2019                             | -153        | 45                        |
| Cagamas Berhad                                 | 08/22 | AAA    | 2.616          | 60              | 3.500           | 13/08/2019                             | -88         | 43                        |
| Danum Capital Berhad                           | 05/25 | AAA    | 2.969          | 5               | 2.959           | 27/05/2020                             | 1           | 49                        |
| Projek Lebuhraya Usahasama Berhad              | 01/27 | AAA    | 3.189          | 4               | 3.179           | 20/05/2020                             | 1           | 54                        |
| Danum Capital Berhad                           | 05/27 | AAA    | 3.149          | 5               | 3.139           | 27/05/2020                             | 1           | 50                        |
| Danga Capital Berhad                           | 09/27 | AAA    | 3.188          | 20              | 3.238           | 19/05/2020                             | -5          | 53                        |
| Projek Lebuhraya Usahasama Berhad              | 01/28 | AAA    | 3.269          | 1               | 3.250           | 20/05/2020                             | 2           | 51                        |
| Telekom Malaysia Berhad                        | 10/28 | AAA    | 3.265          | 20              | 3.409           | 28/04/2020                             | -14         | 50                        |
| Sarawak Energy Berhad                          | 11/28 | AAA    | 3.209          | 6               | 3.189           | 27/05/2020                             | 2           | 45                        |
| Sarawak Energy Berhad                          | 07/29 | AAA    | 3.229          | 34              | 3.230           | 27/05/2020                             | 0           | 41                        |
| Bakun Hydro Power Generation Sdn Berhad (fka S | 08/29 | AAA    | 3.249          | 70              | 3.859           | 02/04/2020                             | -61         | 43                        |
| Danum Capital Berhad                           | 05/30 | AAA    | 3.310          | 5               | 3.308           | 01/06/2020                             | 0           | 46                        |
| Rantau Abang Capital Berhad                    | 05/31 | AAA    | 3.357          | 30              | 3.371           | 30/04/2020                             | -1          | 51                        |
| Rantau Abang Capital Berhad                    | 01/32 | AAA    | 3.401          | 20              | 3.968           | 09/04/2020                             | -57         | 55                        |
| Tenaga Nasional Berhad                         | 08/38 | AAA    | 3.690          | 20              | 3.699           | 02/06/2020                             | -1          | 24                        |
| Kuala Lumpur Kepong Berhad                     | 09/34 | AA1    | 3.789          | 10              | 3.821           | 02/06/2020                             | -3          | 59                        |
| CIMB Bank Berhad                               | 08/26 | AA+    | 3.379          | 1               | 3.950           | 20/05/2020                             | -57         | 77                        |
| Benih Restu Berhad                             | 06/25 | AA2    | 3.497          | 10              | 3.497           | 02/06/2020                             | 0           | 102                       |
| Hong Leong Financial Group Berhad              | 06/29 | AA2    | 3.360          | 5               | 3.371           | 19/05/2020                             | -1          | 55                        |
| Edra Energy Sdn Berhad                         | 07/25 | AA3    | 4.481          | 1               | 4.384           | 19/05/2020                             | 10          | 200                       |
| IJM Corporation Berhad                         | 08/28 | AA3    | 3.879          | 10              | 3.868           | 20/05/2020                             | 1           | 112                       |
| Edra Energy Sdn Berhad                         | 01/33 | AA3    | 4.159          | 5               | 4.699           | 31/03/2020                             | -54         | 96                        |
| Malayan Banking Berhad                         | 02/17 | AA3    | 3.569          | 10              | 3.613           | 28/05/2020                             | -4          | 12                        |
| MMC Corporation Berhad                         | 03/28 | AA-    | 4.397          | 1               | 4.400           | 27/05/2020                             | 0           | 163                       |
| CIMB Group Holdings Berhad                     | 05/16 | A1     | 4.185          | 2               | 4.188           | 18/05/2020                             | 0           | 74                        |
| MBSB Bank Berhad (fka Asian Finance Bank Berh  | 12/31 | A3     | 4.592          | 10              | 4.500           | 01/06/2020                             | 9           | 174                       |
| Affin Islamic Bank Berhad                      | 10/17 | A3     | 4.349          | 20              | 4.436           | 16/04/2020                             | -9          | 90                        |
| Affin Bank Berhad                              | 07/18 | A3     | 4.358          | 70              | 4.253           | 19/05/2020                             | 11          | 91                        |
| Eco World International Berhad                 | 05/23 | -      | 5.467          | 1               | 5.469           | 01/06/2020                             | 0           | 319                       |
| Mah Sing Group Berhad                          | 04/17 | -      | 5.537          | 1               | 5.608           | 28/05/2020                             | -7          | 209                       |
| YNH Property Berhad                            | 08/19 | -      | 7.286          | 1               | 6.572           | 02/06/2020                             | 71          | 384                       |
|  |       |        |                | <u>1140</u>     |                 |  |             |                           |

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

## Market/Corporate News: What's Brewing

**AIRASIA Group Bhd is in talks to sell 10% of its shares to South Korea's third largest conglomerate SK Corp.** The stake sale will take place through a private placement of new AirAsia shares at RM1 a share, said sources. Should the deal materialise, AirAsia will raise an estimated RM334.2mil from the placement of new shares. When contacted regarding the deal, AirAsia Group chief executive officer Tan Sri Tony Fernandes declined to comment. According to sources, SK Corp had initially intended to acquire more than 10% of AirAsia's shares. The potential private placement does not require AirAsia to seek a fresh round of approvals from its shareholders, as it had already been approved during the group's latest annual general meeting (AGM) held on June 27, 2019. As set out in the notice of AirAsia's second AGM, ordinary resolution 5 stated that "the directors of the company, in their absolute discretion, are empowered to issue shares in AirAsia from time to time, for purposes and persons that are deemed fit. "This is provided that the aggregate number of shares issued pursuant to the resolution in the preceding 12 months (from the AGM) does not exceed 10% of the total number of issued AirAsia shares, excluding treasury shares." SK Corp,

with primary core businesses in the energy and telecommunications industries, registered a revenue of US\$213.6bil and total assets of US\$257.9bil in 2018. The government is looking to arrange a RM1.5bil cash injection into three local airlines, including AirAsia. The financial aid will help support the local airline industry to prepare for operations post Covid-19. Airlines have been cash-strapped following the grounding of most of their fleet during the Covid-19 outbreak. The Malaysian Association of Tour and Travel Agents (Matta) previously reported that aircraft movements at Malaysian airports had declined by 11.9% in the first quarter of 2020 compared to the same quarter last year. "Some 80% of the RM1.5bil will be guaranteed by Danajamin, while the remaining 20% will be corporate guaranteed," the source said. Danajamin is a government guarantee. As such, the potential private placement and the government's financial support will solve AirAsia's immediate cash flow needs. AirAsia has cash and cash equivalents amounting to RM2.59bil as at Dec 31, 2019, of which a substantial portion is possibly from forward sales. Going forward, the local airline industry is progressively restarting operations as local Covid-19 cases are on a downtrend. There are talks in progress to consider commencing flights to and from Sabah soon. Sources reveal that the Sarawak state government is also considering to commence flight operations soon. Sabah and Sarawak are significant destinations for AirAsia within Malaysia. "Expectations are that AirAsia will be looking to tap into the bubble of travel within Malaysia, Singapore and Thailand by end-June or early-July. "This is considering the fact that local Covid-19 infection rates have been low or zero in these three countries. "Further down the road, this will be extended to Vietnam, China and South Korea, which are all experiencing low infection rates," the source said.. (Source: *The Star*)

**Some global companies are considering shifting some of their treasury operations out of Hong Kong as the United States moves to end the city's privileges, senior bankers said, in the latest blow to the territory's status as a major financial hub.** US President Donald Trump has begun the process of eliminating special US treatment for Hong Kong to punish Beijing's decision to impose new national security laws there — which China and Hong Kong say will not hurt rights and freedoms. **Against the backdrop, a handful of global firms are eyeing a move of some of their corporate treasury operations to countries like Singapore, Malaysia, Thailand, and Vietnam, four senior bankers with knowledge of the matter said.** "Companies' treasury operations follow trade flow and now there are many questions around Hong Kong's status as a trade hub," said a Hong Kong-based banker with a leading global trade finance bank. Trade flows could be hit if the end of Hong Kong's special relationship with the United States sees the city's goods subject to the same — higher — rates paid by companies in mainland China, which has been fighting a trade war with the United States. Hong Kong's zero tariff rates on US imports could also be at risk. "Some (multinational corporations) are considering shifting a part of their treasury operations (out of Hong Kong) to start with and then gradually scale it up," the banker said. A leading US retail chain, which operates hundreds of stores around Asia, is already in early talks with its banks to move some cash management related operations to Singapore from Hong Kong, the banker said. The bankers, who declined to be named due to the sensitivity of the matter, help companies set up the treasury centres and manage them. They are in talks with the companies about their likely relocation plans but said there was no strict timeline. If it happens, the development would deal another blow to Hong Kong's status as a major financial hub, following widespread pro-democracy protests last year. Already there are signs rich Chinese are seeking to park fewer funds in Hong Kong. But the Hong Kong Monetary Authority (HKMA), the city's

de-facto central bank, told Reuters via e-mail that interests from corporates in setting up treasury operations in Hong Kong remained strong. "There is no noticeable sign of fund outflow from either the Hong Kong dollar or banking system," it said. The end of the preferential treatment could hurt Hong Kong's hard-fought progress in competing with Singapore for treasury operations centres — which manage risk, borrowing, lending and raise capital for companies — in Asia. While Singapore has historically had the edge thanks to its low tax base and pro-business policies, Hong Kong recovered some ground in recent years as the HKMA unveiled sweeping tax measures in 2016. Chinese and global companies favour Hong Kong to run their treasury operations and reroute enormous amounts of trade via the city lured by the presence of large trade finance banks, ease in capital flow and access to foreign exchange liquidity. All of this could come under threat if the US pulls the plug on Hong Kong's special relationship. "These political moves will see global companies putting in place back-up plans for their critical treasury operations," said another banker with an European bank. (Source: *The EdgeMarkets*)

| Rating Action                           |   |                |          |
|---|---|----------------|----------|
| Issuer                                  | PDS Description                                   | Rating/Outlook | Action   |
| Pelabuhan Tanjung Pelepas Sdn Bhd (PTP) | Proposed RM1.9 billion Sukuk Murabahah Programme. | AA-IS/Stable   | Assigned |

Source: RAM, MARC

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