

Global Markets Research

Fixed Income

Fixed Income Daily Market Snapshot

UST		
Tenure	Closing (%)	Chg (bps)
2-yr UST	1.55	-8
5-yr UST	1.49	-5
10-yr UST	1.64	-3
30-yr UST	2.09	-2

MGS		GII*		
Tenure	Closing (%)	Chg (bps)	Closing (%)	Chg (bps)
3-yr	3.10	-2	3.12	0
5-yr	3.24	0	3.23	2
7-yr	3.32	0	3.36	0
10-yr	3.26	-5	3.39	-1
15-yr	3.54	-1	3.64	-1
20-yr	3.61	-2	3.70	-2
30-yr	3.88	-1	3.97	0

* Market indicative levels

MYR IRS Levels		
IRS	Closing (%)	Chg (bps)
1-yr	3.28	0
3-yr	3.26	-1
5-yr	3.31	0
7-yr	3.34	0
10-yr	3.37	0

Source : Bloomberg

Upcoming Government Bond Tender

Nil

US Treasuries

- US Treasuries bull-steepened; led by the front-ends following concerns in the September's release of factory activity i.e. ISM manufacturing gauge which contracted further to a decade-low. Overall benchmark yields moved 2-8bps lower with the UST 2y rallying 8bps at 1.55% whilst the much-watched 10Y moved 3bps lower at 1.64%. The continued deadlock in US-China trade matters and the Fed's recent interventions that calmed money markets from affecting other areas of finance are still on the minds of investors. It is estimated that the Fed may need to buy ~\$200-400b of UST's to inject funds into the repo market. Meanwhile investors are expected to closely monitor both payroll processor ADP's report on private sector employment and also the monthly NFP jobs reports for September which will be out tomorrow and Friday.

MGS/GII

- Local govvies ended mostly stronger again on Tuesday on strong secondary market volume of RM5.14b on follow-through buying following last week's favourable FTSE Russell WGBI news. Interest was mainly centred in the shorter off-the-run 20-21's, 26's and also benchmark 7Y, 10Y MGS/GII bonds. Overall benchmark MGS/GII bond yields closed mostly lower between 0-5bps across the curve save for the 5YY GII. The 5Y benchmark MGS 6/24 closed unchanged at 3.24% whilst the 10Y MGS 8/29 rallied a further 5bps at 3.26%. We note that the 7s10s spread has inverted; a condition not seen for awhile. GII bonds dropped to form ~23% of overall trades. Expect attention to turn to the upcoming release of August trade numbers on Friday.

Corp Bonds/Sukuk

- Corporate Bonds/Sukuk however saw secondary market volume maintain at ~RM433m with investors continuing to whet appetite in the AA-part of the curve. Overall yields closed mostly unchanged to lower. The Govt-guaranteed LPPSA 25-26's however rose 6-8bps compared to previous-done levels between 3.45-48% whilst the long-end PRASA 9/47 saw yields decline 33bps at 4.02%. AAA-rated BAKUN Hydro 8/20 and 8/26 closed 1-3bps lower at 3.21% and 3.60% each whilst DANGA 33's closed mixed on yields between 3.83-86% levels. The AA-space saw energy-related bonds i.e. SEB 1/22 and MALAKOFF 12/19 close 3-6bps lower at 3.39% and 3.19% respectively. In the banking space, Krung Thai 25NC20 rallied 6bps at 3.96%.

Daily Trades : Government Bond

Securities		Closing YTM	Vol (RM mil)	Previous YTM	Previous Trade Date (dd/mm/yyyy)	Chg (bp)
MGS	10/19	3.209	25	3.060	30/09/2019	15
MGS	11/19	3.073	21	3.057	30/09/2019	2
MGS	03/20	3.058	1028	3.078	30/09/2019	-2
MGS	07/20	3.082	105	3.115	30/09/2019	-3
MGS	10/20	3.108	787	3.133	30/09/2019	-2
MGS	07/21	3.118	257	3.129	30/09/2019	-1
MGS	09/21	3.150	9	3.144	26/09/2019	1
MGS	11/21	3.121	107	3.132	30/09/2019	-1
MGS	03/22	3.099	26	3.121	30/09/2019	-2
MGS	03/23	3.226	14	3.218	30/09/2019	1
MGS	04/23	3.245	120	3.216	30/09/2019	3
MGS	08/23	3.241	20	3.241	27/09/2019	0
MGS	06/24	3.244	45	3.244	30/09/2019	0
MGS	09/24	3.293	107	3.285	30/09/2019	1
MGS	03/25	3.318	2	3.336	30/09/2019	-2
MGS	09/25	3.375	55	3.363	30/09/2019	1
MGS	04/26	3.397	2	3.403	30/09/2019	-1
MGS	07/26	3.317	231	3.321	30/09/2019	0
MGS	11/26	3.423	253	3.424	30/09/2019	0
MGS	03/27	3.477	1	3.493	30/09/2019	-2
MGS	05/27	3.479	10	3.502	30/09/2019	-2
MGS	11/27	3.488	147	3.491	30/09/2019	0
MGS	06/28	3.464	99	3.480	30/09/2019	-2
MGS	09/28	3.528	2	3.566	27/09/2019	-4
MGS	08/29	3.264	151	3.317	30/09/2019	-5
MGS	04/30	3.574	30	3.563	30/09/2019	1
MGS	06/31	3.605	42	3.596	30/09/2019	1
MGS	04/33	3.595	42	3.674	30/09/2019	-8
MGS	07/34	3.543	167	3.550	30/09/2019	-1
MGS	05/35	3.703	1	3.687	30/09/2019	2
MGS	06/38	3.611	10	3.628	30/09/2019	-2
MGS	09/43	3.855	2	3.856	30/09/2019	0
MGS	03/46	3.887	41	3.940	30/09/2019	-5
GII	03/21	3.120	5	3.122	30/09/2019	0
GII	08/21	3.094	1	3.110	30/09/2019	-2
GII	07/23	3.222	40	3.236	30/09/2019	-1
GII	11/23	3.251	42	3.277	30/09/2019	-3
GII	05/24	3.283	10	3.356	24/09/2019	-7
GII	08/24	3.305	30	3.283	30/09/2019	2
GII	10/24	3.228	195	3.211	30/09/2019	2
GII	03/26	3.363	190	3.368	30/09/2019	0
GII	09/26	3.425	20	3.383	27/09/2019	4
GII	06/27	3.488	60	3.414	20/08/2019	7
GII	07/27	3.455	36	3.449	27/09/2019	1
GII	08/28	3.448	30	3.448	30/09/2019	0
GII	10/28	3.441	50	3.458	30/09/2019	-2
GII	12/28	3.468	10	3.475	30/09/2019	-1
GII	07/29	3.391	260	3.402	30/09/2019	-1
GII	06/33	3.649	160	3.651	30/09/2019	0
GII	11/34	3.635	20	3.640	30/09/2019	-1
GII	09/39	3.697	19	3.717	30/09/2019	-2
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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*
DanaInfra Nasional Berhad	02/25	GG	3.430	5	3.502	20/09/2019	-7	20
Lembaga Pembiayaan Perumahan Sektor Awam	10/25	GG	3.450	20	3.390	27/08/2019	6	14
Lembaga Pembiayaan Perumahan Sektor Awam	04/26	GG	3.480	40	3.396	18/09/2019	8	17
DanaInfra Nasional Berhad	02/38	GG	3.870	10	3.980	25/09/2019	-11	25
DanaInfra Nasional Berhad	11/38	GG	3.880	15	3.990	25/09/2019	-11	26
Prasarana Malaysia Berhad	09/47	GG	4.020	20	4.349	02/07/2019	-33	40
Danga Capital Berhad	04/20	AAA	3.290	10	3.275	11/09/2019	2	20
Bakun Hydro Power Generation Sdn Berhad	08/20	AAA	3.212	60	3.241	25/09/2019	-3	12
Manjung Island Energy Berhad	11/20	AAA	3.209	30	3.787	13/06/2019	-58	12
DiGi Telecommunications Sdn Berhad	04/22	AAA	3.451	20	3.403	27/08/2019	5	34
Great Realty Sdn Berhad	05/23	AAA	4.719	2	4.668	03/09/2019	5	152
Bakun Hydro Power Generation Sdn Berhad	08/26	AAA	3.598	30	3.611	25/09/2019	-1	29
Telekom Malaysia Berhad	10/28	AAA	3.679	10	3.592	20/09/2019	9	31
DiGi Telecommunications Sdn Berhad	09/29	AAA	3.789	10			-	49
Danga Capital Berhad	01/33	AAA	3.830	10	3.848	23/09/2019	-2	26
Danga Capital Berhad	09/33	AAA	3.860	20	3.688	21/08/2019	17	29
Danum Capital Berhad	02/34	AAA	3.879	10	3.879	27/09/2019	0	31
Sarawak Energy Berhad	01/22	AA1	3.392	10	3.421	27/08/2019	-3	28
Krung Thai Bank Public Company Limited	07/25	AA2	3.960	30	4.020	26/09/2019	-6	65
BGSM Management Sdn Berhad	12/19	AA3	3.448	4	3.506	03/09/2019	-6	36
Malakoff Power Berhad	12/19	AA-	3.188	20	3.244	23/09/2019	-6	10
Jimah Energy Ventures Sdn Berhad	05/20	AA3	3.396	4	3.633	23/07/2019	-24	30
Perbadanan Kemajuan Negeri Selangor	08/21	AA3	3.702	1	4.047	23/07/2019	-35	59
Edra Energy Sdn Berhad	07/22	AA3	4.094	10	4.121	30/09/2019	-3	98
Serba Dinamik Holdings Berhad	10/28	AA-	4.680	10	4.558	03/09/2019	12	131
Bank Islam Malaysia Berhad	12/25	A1	3.500	5	3.511	25/09/2019	-1	19
IJM Land Berhad	03/19	A2	4.600	5	4.595	17/09/2019	0	98
IJM Land Berhad	03/19	A2	4.651	5	4.600	18/09/2019	5	103
Eco World Capital Assets Berhad	08/24	-	6.098	1	6.098	30/09/2019	0	287
Mah Sing Group berhad	04/17	-	5.977	4	5.981	30/09/2019	0	236
YNH Property Berhad	08/19	-	6.796	2	6.695	30/09/2019	10	318
Tropicana Corporation Berhad	09/19	-	6.641	1	6.641	30/09/2019	0	302
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*spread against nearest indicative tenured MGS (Source : BPAM)

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Market/Corporate News: What's Brewing

Lebuhraya Borneo Utara Sdn Bhd (LBU), whose role as the project delivery partner (PDP) of Sarawak Pan Borneo Highway project has been axed, is given five months to hand over the project to Sarawak Public Works Department (JKR). The handover date is February 2020, according to Works Minister Batu Bian's special officer for the ministry's projects in Sarawak, See Chee How. LBU confirmed with StarBiz that it received the PDP termination letter on Sept 20. "We have to novate all the main contractors (of the 10 work packages) to JKR. There will be no change to their agreements," said See in his presentation on Pan Borneo Highway – a game changer for Sarawak infrastructure at the 2019 Sarawak Investment and Business Summit here. Most of the work packages involve joint ventures between listed construction companies in Sarawak and Peninsular Malaysia on a 70:30 basis. Also Batu Lintang assemblyman, See clarified at a question-and-answer session later that there would be no cutting on contract sum. Having closely monitoring the project for more than a year, he said it was generally progressing well, with 41% completed. "The contractors have delivered high standard quality of works. We hope to fully complete the project before 2022." See said the takeover of the project by JKR would save costs but he is unable to quantify it. On progressive payments to the main contractors based on works done, he expects the time taken to be significantly reduced when JKR takes over the project, from the present 80 to 130 days down to about 30 days. He said the money to pay the contractors had been deposited with the state authorities by the federal government via warrants. To another question, See said the federal government's promise of a toll-free Pan Borneo Highway "stands." On Sarawak Pan Borneo phase 2 project from Miri to Limbang and Lawas, See said it would also be

implemented in several work packages. He said the surveying of land identified for the phase 2 project is currently underway, adding that the ministry is deliberating on the technical and financial aspects. However, the length and actual routes of phase 2 have not been determined. "The minister (Baru) hopes to commence works for the first package before the end of this year or early next year," according to See. (Source: *The Star*)

Emerging market policymakers slashed interest rates further in September, taking their lead from major central banks and joining in efforts to shore up their economies. Interest rate moves by central banks across a group of 37 developing economies showed a net 11 cuts last month. In August they delivered a net 14 cuts — the largest number since policymakers ramped up measures to kick-start growth in the wake of the financial crisis. The easing cycle — September was the eighth straight month of net cuts — follows a tightening phase that ended in early 2019. Then, emerging market hikes outstripped or matched cuts for nine months central banks battled fallout from a strong dollar, rising inflation and softer currencies. Below is a list of recent emerging market central bank monetary policy changes:

MEXICO — For the second time in a row, Mexico's central bank cut its key interest rate by 25 basis points to 7.75% on Sept 26, citing slowing inflation, widening slack in the economy, and expectations for a slight economic recovery.

EGYPT — Egypt's central bank trimmed its key interest rates by 100 basis points on Sept 26, its second cut in as many months, after inflation fell further and as central banks globally ease monetary policy.

THE PHILIPPINES — The central bank cut its benchmark interest rate to 4.0% on Sept 26, its third reduction this year to bolster a slowing economy against the risk of weakening global growth.

PARAGUAY — The central bank cut its policy rate by 25 basis points to 4.00% on Sept 23.

CHINA — China cut its new one-year benchmark lending rate for the second month in a row on Sept 20 to 4.20%, as the central bank seeks to guide borrowing costs lower for an economy hit by the Sino-U.S. trade war.

HONG KONG — The central bank lowered interest rates on Sept 19 to 2.25%, in step with a rate cut by the Federal Reserve, just as months of anti-government protests and fallout from U.S.-China trade tensions start to take a toll on the economy.

INDONESIA — The central bank on Sept 19 stepped up efforts to help lift growth by cutting interest rates for a third straight month to 5.25%, while also relaxing some lending rules in a bid to further stimulate Southeast Asia's biggest economy.

JORDAN — The central bank said on Sept 18 that it was cutting its benchmark interest rate by 25 basis points to 4.25%, in a move to help spur economic growth.

SAUDI ARABIA/UNITED ARAB EMIRATES/QATAR — The central banks of Saudi Arabia, the United Arab Emirates and Qatar cut their key interest rates on Sept 18 and 19, following the U.S. Federal Reserve decision to slash rates for the second time this year.

BRAZIL — Policymakers cut the benchmark interest rate to a new record low of 5.50% on Sept 18, as expected and suggested more rate cuts are in the pipeline, highlighting an increasingly uncertain global outlook and tame domestic inflation.

VIETNAM — The central bank said on Sept 13 that it was cutting several interest rates to increase liquidity and support economic growth, which the country hopes will stay near 7% this year.

AZERBAIJAN — The central bank said on Friday that it had cut its refinancing rate to 8.00% from 8.25% on Sept 13, and adjusted its rate corridor.

TURKEY — The central bank cut its policy rate by 325 basis points to 16.5% on Sept 12, delivering its second aggressive policy easing in less than two months, as it seeks to boost a recession-hit economy and put last year's currency crisis behind it.

ARMENIA — The central bank cut its key refinancing rate to 5.50% from 5.75% on Sept 10.

KAZAKHSTAN — Policymakers raised the key interest rate to 9.25% from 9.00% on Sept 9, citing inflationary pressure from domestic demand boosted by extra spending.

RUSSIA — The central bank delivered its third rate cut this year, trimming the key interest rate to 7% on Sept 6, amid slowing inflation, and said another rate cut was possible at one of the next three board meetings.

UKRAINE — The central bank cut its key interest rate for the third time this year, amid slowing inflation, reducing the benchmark rate to 16.5% on Sept 5.

GEORGIA — Georgian policymakers hiked rates twice in September, first raising the key refinancing rate to 7% from 6.5% on Sept 4, after annual inflation topped its 3% target. On Sept 25, they hiked interest rates again by another 50 basis points to 7.5%.

CHILE — Chile's central bank slashed the benchmark interest rate by 50 basis points to 2.0% — the lowest level in nine years — on Sept 3, citing a sputtering economy hurt by global trade tensions.

DOMINICAN REPUBLIC — Policymakers cut interest rates by 25 basis points to 4.50% on Aug 30.

BOTSWANA — The central bank cut the lending rate by 25 basis points to 4.75% on Aug 29.

JAMAICA — Jamaica's central bank cut its interest rate by 25 basis points to 0.50% on Aug 28.

MOZAMBIQUE — The central bank cut its benchmark interest rate by 50 basis points on Aug 14 to 12.75%.

NAMIBIA — Policymakers reduced the lending rate by 25 basis points to 6.5% on Aug 14.

MAURITIUS — The central bank on Aug 9 cut the repo rate by 0.15 basis points to 3.35%.

PERU — The central bank cut the benchmark interest rate to 2.5% on Aug 9, amid growing expectations for an economic slowdown in the world's No.2 copper producer, but stressed its decision did not necessarily mean the start of an easing cycle.

SERBIA — The Serbian central bank surprised markets by cutting its benchmark interest

rate another 25 basis points to 2.5% on Aug 8, the second cut in as many months, to further bolster lending and growth.

INDIA — The Reserve Bank of India (RBI) lowered its benchmark interest rates for a fourth straight meeting on Aug 7, with a slightly bigger than expected cut, underscoring its worries about India's near-five year low pace of economic growth.

BELARUS — The central bank said on Aug 7 that it was cutting its main interest rate to 9.5% from 10% with effect from Aug 14 and that the intensity of inflationary processes had slowed in the second quarter.

THAILAND — Policymakers unexpectedly cut the benchmark rate on Aug 7, expressing worry about strength of the baht and aiming to help support faltering growth.

MOLDOVA — The central bank raised its main interest rate to 7.5% from 7% on July 31, to fight rising inflation caused by wage increases and higher food prices.

SOUTH AFRICA - The central bank cut its main lending rate as expected on July 18, but struck a cautious tone that suggested future cuts in borrowing costs were not a foregone conclusion despite benign inflation.

SOUTH KOREA — The central bank delivered a surprise interest rate cut on July 18, and shaved this year's growth forecast to the lowest in a decade, as a brewing dispute with Japan piled more pressure on the trade-dependent economy.

PAKISTAN — Policymakers hiked the main interest rate by 100 basis points on July 16 to 13.25%, citing increased inflationary pressures and a likely near-term rise in prices from higher utility costs.

COSTA RICA — The central bank cut the key policy rate to 4.50% from 4.75% from June 20.

SRI LANKA — The central bank cut its key interest rates by 50 basis points on May 31, as widely expected, to support its faltering economy as overall business and consumer confidence slumped, following deadly bomb attacks.

TAJIKISTAN — The central bank reduced the refinancing rate to 13.25%, from 14.75% on May 31.

KYRGYZSTAN — Policymakers in the Central Asian nation cut the benchmark rate to 4.25% from 4.50% on May 28, citing slowing inflation.

ANGOLA — Angola's central bank cut its benchmark lending rate by 25 basis points to 15.5% on May 24.

ZAMBIA — The central bank in Lusaka raised the benchmark lending rate to 10.25% from 9.75% on May 22, to counter inflationary pressure and support macroeconomic stability.

MALAYSIA — The central bank on May 7, became the first in Southeast Asia to cut its key interest rate this year by 25 basis points to 3.0%, moving to support its economy at a time of concern about global growth.

RWANDA — Rwanda's central bank cut its key repo rate by 50 basis points on May 6 to 5.0%.

MALAWI — Malawi's central bank cut its benchmark lending rate by 100 basis points on May 3 to 3.5%.

CZECH REPUBLIC — The Czech National Bank raised interest rates on May 2, using a window of opportunity created by easing economic risks abroad to stem rising domestic inflation by fine-tuning a tightening cycle it had paused at the end of 2018.

NIGERIA — In a surprise move, the central bank cut its benchmark interest rate to 13.5% from 14% on March 26, as part of an attempt to stimulate growth in Africa's biggest economy and signal a "new direction".

TUNISIA — Policymakers in Tunisia raised the key interest rate to 7.75% from 6.75% on Feb 19 to combat high inflation — the third such hike in the past 12 months.. (Source: *The Edge*)

Rating Action			
Issuer	PDS Description	Rating/Outlook	Action
Tadau Energy Sdn Bhd	RM250 mil SRI Sukuk Programme (2017/2033)	AA3/Stable	Reaffirmed

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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