

Global Markets Research

Fixed Income

Fixed Income Daily Market Snapshot

UST		
Tenure	Closing (%)	Chg (bps)
2-yr UST	1.48	-7
5-yr UST	1.43	-6
10-yr UST	1.60	-4
30-yr UST	2.09	0

MGS		GII*		
Tenure	Closing (%)	Chg (bps)	Closing (%)	Chg (bps)
3-yr	3.11	1	3.12	0
5-yr	3.24	0	3.23	0
7-yr	3.31	-1	3.36	0
10-yr	3.29	2	3.39	0
15-yr	3.56	1	3.64	0
20-yr	3.63	2	3.71	1
30-yr	3.89	1	3.95	-2

* Market indicative levels

MYR IRS Levels		
IRS	Closing (%)	Chg (bps)
1-yr	3.28	0
3-yr	3.28	2
5-yr	3.32	1
7-yr	3.35	2
10-yr	3.39	2

Source : Bloomberg

Upcoming Government Bond Tender

Nil

US Treasuries

- US Treasuries continued to witness bull-steepening on Wednesday; led by the front-end as equities tanked and September's ADP employment data ended weaker than expected. Overall benchmark yields closed between 0-7bps lower with the UST 2y rallying 7bps at 1.48% whilst the much-watched 10Y moved 4bps lower at 1.60%. Investors continue to monitor unresolved US-China trade matters and the Fed's recent interventions that calmed money markets. Further tariffs to be imposed by US on Europe's products that include liquor, aircraft etc are raising further concerns and may cause a flight-to-safety in bonds. Meanwhile the Fed is being coaxed into finding permanent measures to avoid another bout of scare in the money markets. The upcoming monthly NFP jobs reports for September expected out this Friday will be key to market performance next week.

MGS/GII

- Local govies ended mostly weaker across the curve on Wednesday on RM3.14b volume as the euphoria over last week's favourable FTSE Russell WGBI news tapered off. Interest was mainly centred in the shorter off-the-run 19-21's and also benchmark 7Y, 10Y MGS/GII bonds. Overall benchmark MGS/GII bond yields closed mostly higher between 0-2bps across the curve save for the 7Y MGS and 30Y GII. The 5Y benchmark MGS 6/24 closed within 1bps at 3.24% whilst the 10Y MGS 8/29 rose 2bps instead at 3.29%. The 7s10s spread remains inverted for now for the 2nd day running. GII bonds dropped to form ~25% of overall trades. Expect attention to turn to the upcoming release of August trade numbers.

Corp Bonds/Sukuk

- Corporate Bonds/Sukuk saw improved appetite amid slight uptick in secondary market volume of RM556m with investors continuing to seek values in the AA-part of the curve. Overall yields closed mostly unchanged to lower again. The long-end Govt-guaranteed DANA 5/46 and 2/49 closed between 3-5bps lower compared to previous-done levels between 4.00-4.03%. However AAA-rated TNB 2033 and 2037 tranches spiked between 10-13bps at 3.83% and 3.98% respectively. The AA-space saw plantation cum commodity-related bonds KL Kepong 9/22 close 5bps lower at 3.51% whilst BUMITAMA Agri 24-26's closed mixed on yields between 3.77-3.86% levels. Likewise BGSM 12/19 and 12/22 closed mixed between -2 to +3bps at 3.48% and 3.75% each. In the banking space, Alliance Bank 25NC20 tranches closed mixed between 3.96-4.00% on substantial nominal amounts of RM50m whilst MAYBANK 31NC26 rose 10bps to close at 3.88% instead.

Daily Trades : Government Bond

Securities		Closing YTM	Vol (RM mil)	Previous YTM	Previous Trade Date (dd/mm/yyyy)	Chg (bp)
MGS	10/19	3.046	241	3.209	01/10/2019	-16
MGS	11/19	3.051	105	3.073	01/10/2019	-2
MGS	03/20	3.055	322	3.058	01/10/2019	0
MGS	10/20	3.093	184	3.108	01/10/2019	-2
MGS	07/21	3.123	160	3.118	01/10/2019	1
MGS	09/21	3.120	7	3.150	01/10/2019	-3
MGS	11/21	3.119	80	3.121	01/10/2019	0
MGS	03/22	3.109	36	3.099	01/10/2019	1
MGS	08/22	3.123	26	3.105	01/10/2019	2
MGS	09/22	3.164	63	3.164	01/10/2019	0
MGS	03/23	3.229	144	3.226	01/10/2019	0
MGS	08/23	3.247	140	3.241	01/10/2019	1
MGS	06/24	3.239	100	3.244	01/10/2019	-1
MGS	07/24	3.267	23	3.270	30/09/2019	0
MGS	09/24	3.281	8	3.293	01/10/2019	-1
MGS	09/25	3.347	6	3.375	01/10/2019	-3
MGS	04/26	3.410	5	3.397	01/10/2019	1
MGS	07/26	3.310	224	3.317	01/10/2019	-1
MGS	11/26	3.408	44	3.423	01/10/2019	-2
MGS	03/27	3.474	2	3.477	01/10/2019	0
MGS	05/27	3.476	11	3.479	01/10/2019	0
MGS	11/27	3.455	56	3.488	01/10/2019	-3
MGS	06/28	3.460	67	3.464	01/10/2019	0
MGS	09/28	3.528	14	3.528	01/10/2019	0
MGS	08/29	3.287	167	3.264	01/10/2019	2
MGS	04/30	3.563	13	3.574	01/10/2019	-1
MGS	06/31	3.596	7	3.606	01/10/2019	-1
MGS	11/33	3.661	1	3.652	30/09/2019	1
MGS	07/34	3.556	83	3.543	01/10/2019	1
MGS	05/35	3.711	7	3.703	01/10/2019	1
MGS	06/38	3.628	1	3.611	01/10/2019	2
MGS	03/46	3.872	24	3.887	01/10/2019	-2
MGS	07/48	3.888	3	3.877	01/10/2019	1
GII	04/20	3.100	4	3.110	30/09/2019	-1
GII	05/20	3.075	320	3.112	30/09/2019	-4
GII	06/20	3.080	50	3.063	17/09/2019	2
GII	08/20	3.090	100	3.004	30/09/2019	9
GII	04/22	3.129	1	3.132	30/09/2019	0
GII	07/23	3.222	51	3.222	01/10/2019	0
GII	11/23	3.244	31	3.251	01/10/2019	-1
GII	08/24	3.293	30	3.305	01/10/2019	-1
GII	10/24	3.232	43	3.228	01/10/2019	0
GII	03/26	3.363	60	3.363	01/10/2019	0
GII	09/26	3.426	15	3.425	01/10/2019	0
GII	07/27	3.391	4	3.455	01/10/2019	-6
GII	07/29	3.390	10	3.391	01/10/2019	0
GII	08/33	3.641	14	3.650	27/09/2019	-1
GII	09/39	3.709	40	3.697	01/10/2019	1
GII	11/49	3.953	1	3.971	26/09/2019	-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*
Prasarana Malaysia Berhad	08/26	GG	3.460	30	3.491	20/09/2019	-3	15
DanaInfra Nasional Berhad	05/46	GG	4.000	10	4.029	20/09/2019	-3	37
DanaInfra Nasional Berhad	02/49	GG	4.030	10	4.079	26/09/2019	-5	40
Cagamas Berhad	03/20	AAA	3.193	20	3.221	25/09/2019	-3	10
Premier Auto Assets Berhad	07/21	AAA	4.493	5	-	-	-	138
Danga Capital Berhad	02/26	AAA	3.579	10	3.428	11/09/2019	15	27
Tenaga Nasional Berhad	08/33	AAA	3.829	10	3.730	27/08/2019	10	26
Tenaga Nasional Berhad	08/37	AAA	3.980	10	3.850	20/09/2019	13	35
Sarawak Energy Berhad	06/21	AA1	3.300	20	3.321	18/09/2019	-2	19
Kuala Lumpur Kepong Berhad	09/22	AA1	3.507	20	3.556	23/09/2019	-5	39
YTL Power International Berhad	05/27	AA1	4.030	20	3.788	18/09/2019	24	67
Malayan Banking Berhad	01/31	AA1	3.881	10	3.779	13/09/2019	10	58
First Resources Limited	06/20	AA2	3.565	50	3.571	26/09/2019	-1	47
Benih Restu Berhad	06/25	AA2	3.870	40	3.889	26/09/2019	-2	56
BGSM Management Sdn Berhad	12/19	AA3	3.476	50	3.448	01/10/2019	3	38
BGSM Management Sdn Berhad	12/22	AA3	3.746	10	3.770	30/09/2019	-2	63
IJM Corporation Berhad	06/23	AA3	3.917	40	-	-	-	71
Bumitama Agri Ltd	07/24	AA3	3.773	10	3.707	27/08/2019	7	54
Hong Leong Assurance Berhad	02/25	AA3	3.650	10	3.694	11/09/2019	-4	41
Bumitama Agri Ltd	07/26	AA3	3.859	10	3.871	27/09/2019	-1	55
AmBank (M) Berhad	03/27	AA3	3.731	10	3.755	30/09/2019	-2	42
Serba Dinamik Holdings Berhad	10/28	AA-	4.669	30	4.680	01/10/2019	-1	130
MMC Corporation Berhad	11/20	AA-	3.835	10	3.854	30/09/2019	-2	74
WCT Holdings Berhad	10/22	AA-	4.408	10	4.390	26/09/2019	2	129
UEM Sunrise Berhad	05/23	AA-	3.771	4	3.726	21/08/2019	4	57
Bank Islam Malaysia Berhad	12/25	A1	3.485	5	3.498	01/10/2019	-1	18
Alliance Bank Malaysia Berhad	10/25	A2	3.960	30	4.409	19/09/2019	-45	65
Alliance Bank Malaysia Berhad	12/25	A2	4.004	20	3.643	18/09/2019	36	70
IJM Land Berhad	03/19	A2	4.629	5	4.600	01/10/2019	3	100
IJM Land Berhad	03/19	A2	4.649	5	4.651	01/10/2019	0	102
Eco World Capital Assets Berhad	08/24	-	6.098	3	6.098	01/10/2019	0	286
YNH Property Berhad	08/19	-	6.695	1	6.796	01/10/2019	-10	306
WCT Holdings Berhad	09/19	A	5.797	29	-	-	-	217
				<u>556</u>				

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

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Market/Corporate News: What's Brewing

Tax revenue could increase by more than RM2.4bil a year should foreign digital service providers register for the 6% service tax that is set to be implemented from Jan 1 next year. "We are expecting the big boys to start registering with us. The registration (with the customs department) started yesterday and we will start collecting tax from next January onwards," said Deputy Finance Minister Datuk Amiruddin Hamzah during the opening ceremony of Tax Credit Camp in Bangi yesterday. The amount collected from the digital tax could be more than RM2.4bil a year should all foreign digital service providers register for the digital service tax, said Veerinderjit Singh, who is the non-executive chairman of Axcelasia Taxand. "Introduction of the digital tax is an attempt by the government to widen the tax base. The collection can be a substantial amount if all digital players register in Malaysia. The success of the implementation of the digital tax will depend on how many service providers register in the country," he said. Last month, Lazada Malaysia said it is ready to embrace the digital tax and is working closely with the government on the tax. Should the tech entities not abide with the taxation system of the country, Amiruddin cautioned that it would be detrimental to their corporate image. "Foreign digital service providers are corporate responsible players in other countries and, in turn, they are similarly responsible to pay their dues in Malaysia," he said. The tax would be imposed on various tech companies and e-commerce players such as Google, Amazon, Facebook, Spotify and Netflix Inc. Among the countries that have imposed digital tax are Singapore, Japan, Australia, South Korea, New Zealand, Russia and Norway. However, Veerinderjit pointed out that the tax collection could be dragged down by large

tech giants avoiding tax payments as they have no physical presence in Malaysia. “The government needs to persuade the tech players to do what is morally right. Government enforcement will play a key role to mitigate tax evaders, ” he stressed. Generally, tech giants like Facebook and Google declare their profits in the country their headquarters are based, which can cause countries to lose potential tax revenue. To ensure that foreign digital players register for the digital tax, Veerinderjit noted there needs to be more engagement between the custom authorities and the digital players. Earlier this year, Amiruddin said when tabling the Service Tax (Amendment) 2019 Bill in parliament that the government has the power to enforce the law if the service providers are overseas as there is a government-to-government cooperation among countries under the Organisation for Economic Cooperation and Development. Under the amended Service Tax 2019 Bill, tax defaulters can be fined up to RM50,000, imprisoned for up to three years, or both, upon conviction. Moving forward, in the upcoming Budget 2020, Amiruddin disclosed that there would be no corporate or individual tax cut for next year. Recently, Finance Minister Lim Guan Eng clarified that no new taxes would be introduced in the upcoming budget. Budget 2020 would be tabled in parliament next week on Oct 11. Meanwhile, he said the Inland Revenue Board (IRB) is on track to meet the tax collection target of around RM150bil by year-end, after posting a new record in direct tax collection last year. In 2018, Malaysia’s gross direct tax collection increased by 11.13% to RM137.04bil, from RM123.31bil in 2017. This was a new record in direct tax collection since 2014. (Source: *The Star*)

Rating Action			
Issuer	PDS Description	Rating/Outlook	Action
Aquasar Capital Sdn Bhd	RM1,500 million Sukuk Murabahah Programme (2014/2029).	AAA(s)/Stable	Reaffirmed
Axis REIT Sukuk Berhad	RM110.0 mil of Class A, Class B, Class C and Class D sukuk (collectively, the First Sukuk) under its First Sukuk Issue	AAA, AA1, AA2 and AA3	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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