

Global Markets Research

Fixed Income

UST		
Tenure	Closing (%)	Chg (bps)
2-yr UST	1.62	-1
5-yr UST	1.65	2
10-yr UST	1.82	4
30-yr UST	2.27	6

MGS		GII*		
Tenure	Closing (%)	Chg (bps)	Closing (%)	Chg (bps)
3-yr	3.04	-1	3.11	3
5-yr	3.22	3	3.31	6
7-yr	3.35	2	3.40	2
10-yr	3.43	1	3.47	-3
15-yr	3.68	0	3.77	0
20-yr	3.81	0	3.88	-1
30-yr	4.03	3	4.11	0

* Market indicative levels

MYR IRS Levels		
IRS	Closing (%)	Chg (bps)
1-yr	3.26	0
3-yr	3.25	0
5-yr	3.31	2
7-yr	3.35	1
10-yr	3.39	0

Source : Bloomberg

Upcoming Government Bond Tender

Nil

Fixed Income Daily Market Snapshot

US Treasuries

- The US Treasury curve continued close steeper on Monday as investors shrugged off disappointing US economic data which included poor ISM manufacturing activity for November; offset somewhat by stronger-than-expected Chinese manufacturing data. This may reduce some pressure from doubts about the impact of US-China trade issues. Overall benchmark yields ended 2-6bps higher save for the short-end with the UST 2Y at 1.62% and the much-watched 10Y spiking to 1.82% levels. Expect price action to be dictated by a lingering US-China trade concerns, post events from the signing of Hong Kong Human Rights Bill followed by November jobs report; namely the NFP this Friday.

MGS/GIII

- Local govvnies saw improved momentum on Monday with secondary market volume at RM2.66b with interest seen again mainly in the short-end off-the-run 20's and benchmark 5Y MGS bonds. Overall benchmark yields closed mostly mixed-to-higher i.e. -1 to +6bps across the curve with the benchmark 5Y MGS 6/24 rising 3bps at 3.22% and the 10Y MGS 8/29 edging 1bps up at 3.43%. GII trades notched an impressive ~48% of overall trades. Meanwhile the MYR remains steady as November PMI improved slightly. The nation's foreign direct investments rose 6.5% to ~RM66b for the Jan-Sep period. Separately the government is seen to raise funds via its 2nd Samurai bond issuance early next year. Up next on the data front are October's trade figures out tomorrow.

Corp Bonds/Sukuk

- Corporate bonds/sukuk space saw drop in secondary market volume at a mere M133m with token investor interest across GG and AA-part of the curve only as yields drifted mostly higher. Govt-guaranteed GOVCO 9/27 closed unchanged compared to previous-done levels at 3.62% whilst PASB 6/24 bucked the general trend by 4bps lower at 3.43%. The newly-issued SABAH Credit 6/26 notched its debut trade at 4.0% levels. However the banking space saw UOB 28NC23 spike 12bps at 3.92%.

Daily Trades : Government Bond

Securities (dd/mm/yyyy)	Closing YTM	Vol (RM mil)	Previous YTM	Previous Trade Date (dd/mm/yyyy)	Chg (bp)
MGS 03/20	3.004	404	2.946	29/11/2019	6
MGS 07/20	2.999	9	2.945	29/11/2019	5
MGS 10/20	2.927	215	2.984	29/11/2019	-6
MGS 02/21	3.023	3	3.008	28/11/2019	2
MGS 07/21	3.012	3	2.997	29/11/2019	2
MGS 09/21	3.031	3	3.020	29/11/2019	1
MGS 11/21	3.051	3	3.045	28/11/2019	1
MGS 03/22	3.036	56	3.048	29/11/2019	-1
MGS 08/22	3.102	4	3.088	28/11/2019	1
MGS 09/22	3.104	2	3.119	29/11/2019	-2
MGS 04/23	3.174	20	3.144	29/11/2019	3
MGS 08/23	3.196	32	3.156	29/11/2019	4
MGS 06/24	3.215	266	3.183	29/11/2019	3
MGS 07/24	3.242	37	3.234	29/11/2019	1
MGS 09/24	3.262	51	3.228	29/11/2019	3
MGS 03/25	3.248	2	3.283	28/11/2019	-3
MGS 09/25	3.306	33	3.294	29/11/2019	1
MGS 04/26	3.371	2	3.353	29/11/2019	2
MGS 07/26	3.346	6	3.322	29/11/2019	2
MGS 11/26	3.414	23	3.382	29/11/2019	3
MGS 11/27	3.425	1	3.435	29/11/2019	-1
MGS 06/28	3.453	3	3.443	29/11/2019	1
MGS 08/29	3.433	26	3.423	29/11/2019	1
MGS 04/30	3.556	3	3.553	29/11/2019	0
MGS 06/31	3.633	13	3.636	29/11/2019	0
MGS 11/33	3.737	40	3.716	27/11/2019	2
MGS 05/35	3.773	112	3.757	29/11/2019	2
MGS 04/37	3.736	1	3.700	29/11/2019	4
MGS 06/38	3.813	3	3.809	29/11/2019	0
MGS 05/40	3.750	10	3.757	29/11/2019	-1
MGS 09/43	3.997	7	4.029	28/11/2019	-3
GII 05/20	3.027	230	3.001	28/11/2019	3
GII 08/20	2.999	2	2.989	29/11/2019	1
GII 04/21	3.054	50	3.056	29/11/2019	0
GII 03/22	3.112	10	3.077	29/11/2019	4
GII 04/22	3.120	14	3.112	28/11/2019	1
GII 05/23	3.135	77	3.129	29/11/2019	1
GII 07/23	3.196	30	3.188	29/11/2019	1
GII 10/23	3.218	20	3.195	22/11/2019	2
GII 10/24	3.307	50	3.243	29/11/2019	6
GII 08/25	3.341	77	3.343	28/11/2019	0
GII 10/25	3.363	10	3.359	29/11/2019	0
GII 03/26	3.398	50	3.379	29/11/2019	2
GII 07/27	3.455	3	3.456	29/11/2019	0
GII 10/28	3.512	50	3.500	28/11/2019	1
GII 07/29	3.470	104	3.500	29/11/2019	-3
GII 09/30	3.619	190	3.626	28/11/2019	-1
GII 08/37	3.925	300	3.911	27/11/2019	1
GII 09/39	3.877	6	3.884	28/11/2019	-1
		<u>2664</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*	
Pengurusan Air SPV Berhad	06/24	GG	3.432	30	3.469	05/08/2019	-4	23
GovCo Holdings Berhad	09/27	GG	3.620	40	3.620	27/11/2019	0	21
Perbadanan Tabung Pendidikan Tinggi Nasional	03/29	GG	3.700	20	3.638	21/11/2019	6	26
Sabah Credit Corporation	06/26	AA1	3.998	20	-	-	-	66
United Overseas Bank (Malaysia) Berhad	07/28	AA1	3.918	10	3.795	17/09/2019	12	48
Country Garden Real Estate Sdn Berhad	02/23	AA3	6.456	2	6.404	29/11/2019	5	341
Dynasty Harmony Sdn Berhad	12/29	AA3	5.689	5	5.957	15/04/2019	-27	226
Dynasty Harmony Sdn Berhad	06/30	AA3	5.729	5	5.730	24/10/2019	0	230
CIMB Group Holdings Berhad	05/16	A1	4.515	1	4.212	10/10/2019	30	76
			<u>133</u>					

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

Market/Corporate News: What's Brewing

Malaysia's retail sales growth forecast for 2019 has been revised downwards for the third time following a lower-than-expected performance in the third quarter (3Q) and a weak projection for the rest of the year. Retailers are expected to see RM107.5 billion in sales — a 3.7% growth, Retail Group Malaysia (RGM) said. Nevertheless, RGM has forecast an improved growth of 4.6% for 2020 representing RM112.4 billion in sales value. RGM prepares a sales report for the Malaysia Retailers Association (MRA) on a quarterly basis. The report does not include big-ticket items such as cars and houses. Retail purchases via mobile phones are also excluded unless the shopping site is operated by a brick-and-mortar store. The 3.7% retail growth projection for the year is lower than the earlier projection of 4.4%. Retail sales grew 3.9% in 2018. The retail outlook for the MRA members in the final fiscal quarter is less than rosy. Between October and December, which traditionally sees an uptick in sales due to the year-end holiday and festivities, is expected to expand 2.7%. Retail sales in the first three quarters of 2019 grew 3.8%, 4.5% and 1.8% respectively. Retailers are expecting that in the current quarter ending Dec 31, 2019, the supermarket and hypermarket category could contract as much as 9%. This retail segment shrank 3.2% in 3Q of this year (3Q19). RGM managing director Tan Hai Hsin attributed the category's dismal performance to store closures and a weak retail market. The Edge Financial Daily had previously reported that Dairy Farm International's local operations under GCH Retail (M) Sdn Bhd — which operates hypermarkets and supermarkets under the Giant and Cold Storage brands — closed as many as 12 stores in the first nine months. However, the department store cum supermarket category is expecting to grow 3.6% in 4Q19, while the department store operator category is expected to grow 4.4%. The strongest performance is expected from the pharmacy and personal care category at 9.6%, followed by the fashion and fashion accessories category at 5.6%. Notably, while MRA members are less optimistic about the final quarter of 2019, RGM has estimated a tad better retail sales for the final quarter at 3.8%. As for 2020 forecasts, Tan said: "The coming New Year will remain a challenge for the Malaysian retail industry. Externally, trade disputes among countries are not expected to end soon. Internally, economic policies that can stimulate consumer spending are limited in the near term." RGM yesterday released the July to September report showing the contraction in the department store and the supermarket and hypermarket categories for the quarter under review had weighed down the overall retail performance. Retail sales in 3Q grew a mere 1.8%. Accordingly, retail sales growth from January to September was at 3.6%, compared with a 4.3% growth in the corresponding period of 2018. The poor performance in 3Q19 was also a result of a high base rate last year, as in July and August 2018 there was a tax break before the sales and service tax was reintroduced on Sept 1. Retail sales expanded 6.7% from July to September 2018. Tan said the latest quarterly figures are a result of low consumer confidence too, leading to poor sales. "An unsettled global market environment and slow domestic economic activities discouraged consumers from spending more," he said. This is also in line with the 3Q consumer sentiment index declining to 84 points — the lowest reading since 4Q17. The department store sub sector shrank 2.3%, the fashion and fashion accessories sub sector expanded 1.6% and the department store cum supermarket business grew 0.6%. Other specialty retailers such as photo and optical stores and TV shopping channel grew 5.5%. The pharmacy and personal care sub sector was the best performer recording a growth of 8%.. (Source: *The EdgeMarkets*)

Google Malaysia will charge a 6% digital tax on its service starting next year in tandem with the Malaysian government's policy on imposing digital taxes. The Star newspaper reported that Google had confirmed the 6% charge will be applicable to G Suite services, which will be charged on user purchases and reflected under billings and statements. G Suite is a suite of services offered by Google to businesses and individuals, including a custom email, cloud storage, file sharing and video conferencing. "We always comply with the tax laws in every country we operate in, and we continue doing so as tax

laws evolve. To be in compliance with Malaysia's new sales and service tax, we will charge a 6% service tax to our clients in the country, starting from Jan 1, 2020, once the law comes into effect," a Google spokesperson was quoted by the publication as saying. The American tech giant added that there will be further announcements on other services, such as YouTube Premium, YouTube Music and online purchases for digital items — e-books, mobile applications and movies on Google Play. The government in April this year fixed 6% as the rate for the digital service tax, with a threshold set at RM500,000, following the passing of the Service Tax (Amendment) Bill 2019 by the Dewan Rakyat. In his winding-up speech on the bill, Deputy Finance Minister Datuk Amiruddin Hamzah said the 6% rate was relatively low, adding that Norway, for instance, had been imposing a rate of 25% since July 2011. Putrajaya proposed the digital tax during Budget 2019 in November last year, saying it would be imposed on foreign digital services, including software, music, video and digital advertising. Amiruddin previously said the tax was proposed as it was unfair that only local digital service providers were required to pay tax but foreign providers were exempted. The bill defines a foreign service provider as any person who is outside of Malaysia providing any digital service to a consumer. It includes any person who is outside Malaysia operating an online platform for buying and selling goods or providing services (whether or not such person provides any digital service). Digital service, meanwhile, is defined as any service delivered or subscribed over the Internet and other electronic networks, which cannot be obtained without the use of information technology and the delivery of the service is essentially automated (Source: *The EdgeMarkets*)

Rating Action			
Issuer	PDS Description	Rating/Outlook	Action
Nil	Nil	Nil	Nil

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

DISCLAIMER

This report is for information purposes only and does not take into account the investment objectives, financial situation or particular needs of any particular recipient. The information contained herein does not constitute the provision of investment advice and is not intended as an offer or solicitation with respect to the purchase or sale of any of the financial instruments mentioned in this report and will not form the basis or a part of any contract or commitment whatsoever.

The information contained in this publication is derived from data obtained from sources believed by Hong Leong Bank Berhad ("HLBB") to be reliable and in good faith, but no warranties or guarantees, representations are made by HLBB with regard to the accuracy, completeness or suitability of the data. Any opinions expressed reflect the current judgment of the authors of the report and do not necessarily represent the opinion of HLBB or any of the companies within the Hong Leong Bank Group ("HLB Group"). The opinions reflected herein may change without notice and the opinions do not necessarily correspond to the opinions of HLBB. HLBB does not have an obligation to amend, modify or update this report or to otherwise notify a reader or recipient thereof in the event that any matter stated herein, or any opinion, projection, forecast or estimate set forth herein, changes or subsequently becomes inaccurate.

HLB Group, their directors, employees and representatives do not have any responsibility or liability to any person or recipient (whether by reason of negligence, negligent misstatement or otherwise) arising from any statement, opinion or information, expressed or implied, arising out of, contained in or derived from or omission from the reports or matter. HLBB may, to the extent permitted by law, buy, sell or hold significantly long or short positions; act as investment and/or commercial bankers; be represented on the board of the issuers; and/or engage in 'market making' of securities mentioned herein. The past performance of financial instruments is not indicative of future results. Whilst every effort is made to ensure that statements of facts made in this report are accurate, all estimates, projections, forecasts, expressions of opinion and other subjective judgments contained in this report are based on assumptions considered to be reasonable as of the date of the document in which they are contained and must not be construed as a representation that the matters referred to therein will occur. Any projections or forecasts mentioned in this report may not be achieved due to multiple risk factors including without limitation market volatility, sector volatility, corporate actions, the unavailability of complete and accurate information. No assurance can be given that any opinion described herein would yield favorable investment results. Recipients who are not market professional or institutional investor customer of HLBB should seek the advice of their independent financial advisor prior to taking any investment decision based on the recommendations in this report.

HLBB may provide hyperlinks to websites of entities mentioned in this report, however the inclusion of a link does not imply that HLBB endorses, recommends or approves any material on the linked page or accessible from it. Such linked websites are accessed entirely at your own risk. HLBB does not accept responsibility whatsoever for any such material, nor for consequences of its use.

This report is not directed to, or intended for distribution to or use by, any person or entity who is a citizen or resident of or located in any state, country or other jurisdiction where such distribution, publication, availability or use would be contrary to law or regulation. This report is for the use of the addressees only and may not be redistributed, reproduced or passed on to any other person or published, in part or in whole, for any purpose, without the prior, written consent of HLBB. The manner of distributing this report may be restricted by law or regulation in certain countries. Persons into whose possession this report may come are required to inform themselves about and to observe such restrictions. By accepting this report, a recipient hereof agrees to be bound by the foregoing limitations.