

Global Markets Research

Fixed Income

Fixed Income Daily Market Snapshot

UST		
Tenure	Closing (%)	Chg (bps)
2-yr UST	1.39	-9
5-yr UST	1.35	-8
10-yr UST	1.54	-7
30-yr UST	2.03	-6

MGS			GII*		
Tenure	Closing (%)	Chg (bps)	Closing (%)	Chg (bps)	
3-yr	3.10	-1	3.12	0	
5-yr	3.22	-2	3.22	-2	
7-yr	3.31	0	3.36	0	
10-yr	3.26	-3	3.38	-1	
15-yr	3.56	1	3.63	-1	
20-yr	3.62	0	3.71	0	
30-yr	3.86	-3	3.95	0	

* Market indicative levels

MYR IRS Levels		
IRS	Closing (%)	Chg (bps)
1-yr	3.27	0
3-yr	3.26	-2
5-yr	3.30	-2
7-yr	3.34	-2
10-yr	3.38	-1

Source : Bloomberg

Upcoming Government Bond Tender

RM3.0b reopening of 10Y MGS 8/29 on Monday, 7th October

US Treasuries

- US Treasuries bull-steepened yet again on Thursday; led by the front-end following weak September ISM Services which followed suit the earlier manufacturing data that contracted at its fastest pace in 10 years. Overall benchmark yields closed between 6-9bps lower with the UST 2y rallying 9bps at 1.39% whilst the much-watched 10Y declined 7bps at 1.54%. Investors continue to monitor unresolved US-China trade matters and the Fed's recent interventions that calmed money markets. The grim signal by falling global bond yields may be a telling factor on stalling economic conditions and inflation expectations. Meanwhile the US Treasury will be conducting auctions for 3Y, 10Y and 30Y bonds next week. The upcoming monthly NFP jobs reports for September expected out tonight will be key to the global financial markets.

MGS/GII

- Local govies ended Thursday mostly stronger across the curve amid lower volume of RM2.23b volume. Interest was mainly centred in GII bonds with primary focus on the benchmark 5Y tenures. Overall benchmark MGS/GII bond yields closed between 0-3bps lower across the curve save for the 15Y MGS. The 5Y benchmark MGS 6/24 moved 2bps lower at 3.22% whilst the 10Y MGS 8/29 declined 3bps at 3.26%. The 7s10s spread remains inverted for now for the 3rd day running. GII bonds jumped to form ~58% of overall trades. Expect attention to turn to the upcoming release of August trade numbers today.

Corp Bonds/Sukuk

- Corporate Bonds/Sukuk saw further improvement in investor appetite amid impressive secondary market volume of RM696m with interest returning mainly in the GG-segment followed by the AAA and AA-prt of the curve values in the AA-part of the curve. Overall yields closed mostly unchanged to lower again save for some govt-guaranteed bonds. LPPSA 10/28 rose 5bps compared to previous-done levels at 3.51% whilst DANA bonds namely the 2028, 2029 and 2032 tranches similarly spiked between 2-11bps at 3.53-3.68% region. However AAA-rated GENM Capital 22-23's rallied immensely at 3.66-71% whilst TNB Northern 37-38's edged between 0-1bps over between 3.98-4.02% levels. The AA-space saw plantation cum commodity-related bonds KL Kepong 9/29 and 9/34 make their debut trades at 3.82% and 4.02%; about 7bps higher than their respective coupons.

Daily Trades : Government Bond

Securities		Closing YTM	Vol (RM mil)	Previous YTM	Previous Trade Date (dd/mm/yyyy)	Chg (bp)
MGS	10/19	3.060	1	3.046	02/10/2019	1
MGS	03/20	3.068	5	3.055	02/10/2019	1
MGS	07/20	3.071	2	3.082	01/10/2019	-1
MGS	10/20	3.101	13	3.093	02/10/2019	1
MGS	07/21	3.106	112	3.123	02/10/2019	-2
MGS	09/21	3.128	21	3.120	02/10/2019	1
MGS	11/21	3.112	22	3.119	02/10/2019	-1
MGS	03/22	3.100	5	3.109	02/10/2019	-1
MGS	08/22	3.133	6	3.123	02/10/2019	1
MGS	09/22	3.157	49	3.164	02/10/2019	-1
MGS	03/23	3.230	6	3.229	02/10/2019	0
MGS	04/23	3.199	50	3.245	01/10/2019	-5
MGS	08/23	3.210	23	3.247	02/10/2019	-4
MGS	06/24	3.222	244	3.239	02/10/2019	-2
MGS	07/24	3.261	1	3.267	02/10/2019	-1
MGS	09/24	3.270	9	3.281	02/10/2019	-1
MGS	09/25	3.361	23	3.347	02/10/2019	1
MGS	04/26	3.369	7	3.410	02/10/2019	-4
MGS	07/26	3.306	24	3.310	02/10/2019	0
MGS	11/26	3.423	25	3.408	02/10/2019	2
MGS	11/27	3.426	146	3.455	02/10/2019	-3
MGS	06/28	3.471	1	3.460	02/10/2019	1
MGS	08/29	3.257	60	3.287	02/10/2019	-3
MGS	04/30	3.549	10	3.563	02/10/2019	-1
MGS	04/33	3.639	20	3.595	01/10/2019	4
MGS	11/33	3.662	52	3.661	02/10/2019	0
MGS	07/34	3.564	6	3.556	02/10/2019	1
MGS	06/38	3.624	2	3.628	02/10/2019	0
MGS	03/46	3.922	0	3.872	02/10/2019	5
MGS	07/48	3.859	1	3.888	02/10/2019	-3
GII	08/21	3.142	9	3.094	01/10/2019	5
GII	07/22	3.145	20	3.189	26/09/2019	-4
GII	07/23	3.219	50	3.222	02/10/2019	0
GII	11/23	3.235	20	3.244	02/10/2019	-1
GII	08/24	3.294	70	3.293	02/10/2019	0
GII	10/24	3.216	163	3.232	02/10/2019	-2
GII	08/25	3.341	1	3.333	30/09/2019	1
GII	10/25	3.367	60	3.363	30/09/2019	0
GII	03/26	3.359	140	3.363	02/10/2019	0
GII	09/26	3.388	210	3.426	02/10/2019	-4
GII	07/27	3.442	31	3.391	02/10/2019	5
GII	10/28	3.434	260	3.441	01/10/2019	-1
GII	07/29	3.382	121	3.390	02/10/2019	-1
GII	09/30	3.537	100	3.623	27/09/2019	-9
GII	11/34	3.626	30	3.635	01/10/2019	-1
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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*
Pengurusan Air SPV Berhad	06/20	GG	3.137	80	3.155	28/08/2019	-2	5
Prasarana Malaysia Berhad	02/26	GG	3.433	40	3.369	06/09/2019	6	13
DanaInfra Nasional Berhad	05/28	GG	3.530	80	3.512	20/09/2019	2	17
Lembaga Pembiayaan Perumahan Sektor Awam	10/28	GG	3.509	30	3.456	13/09/2019	5	15
DanaInfra Nasional Berhad	02/29	GG	3.550	10	3.439	06/09/2019	11	19
DanaInfra Nasional Berhad	03/32	GG	3.680	60	3.579	27/08/2019	10	39
Prasarana Malaysia Berhad	03/34	GG	3.750	20	3.910	31/07/2019	-16	18
Putrajaya Holdings Sdn Berhad	09/20	AAA	3.229	10	3.251	26/08/2019	-2	14
GENM Capital Berhad	03/22	AAA	3.565	30	4.379	01/08/2019	-81	46
GENM Capital Berhad	07/23	AAA	3.666	30	3.846	05/09/2019	-18	47
Axis REIT Sukuk Berhad	07/24	AAA	3.519	8	4.169	28/10/2016	-65	30
DiGi Telecommunications Sdn Berhad	09/26	AAA	3.588	5	3.738	26/09/2019	-15	28
TNB Northern Energy Berhad	11/28	AAA	3.627	5	4.221	06/05/2019	-59	27
DiGi Telecommunications Sdn Berhad	09/29	AAA	3.659	20	3.789	01/10/2019	-13	37
Danga Capital Berhad	01/30	AAA	3.709	10	3.599	18/09/2019	11	42
Bakun Hydro Power Generation Sdn Berhad (fka Rantau Abang Capital Berhad	08/30	AAA	3.689	10	3.658	23/09/2019	3	40
	05/31	AAA	3.719	20	3.980	05/07/2019	-26	43
Tenaga Nasional Berhad	08/37	AAA	3.981	10	3.980	02/10/2019	0	36
Tenaga Nasional Berhad	08/38	AAA	4.019	10	4.029	27/09/2019	-1	40
MBSB Bank Berhad (fka Asian Finance Bank Berhad	12/19	AA1	3.448	10	4.130	25/02/2019	-68	36
YTL Power International Berhad	03/23	AA1	3.806	10	3.976	16/07/2019	-17	70
Kuala Lumpur Kepong Berhad	09/29	AA1	3.822	15	-	-	-	53
Kuala Lumpur Kepong Berhad	09/34	AA1	4.021	15	-	-	-	45
Konsortium ProHAWK Sdn Berhad	12/31	AA2	4.159	10	5.099	19/02/2018	-94	87
Tanjung Bin Energy Issuer Berhad	03/29	AA3	3.919	10	4.279	13/06/2019	-36	56
WCT Holdings Berhad	04/20	AA-	3.802	60	3.803	26/09/2019	0	71
UEM Sunrise Berhad	05/23	AA-	3.766	4	3.771	02/10/2019	0	57
MMC Corporation Berhad	03/28	AA-	4.938	10	4.826	06/09/2019	11	159
Southern Power Generation Sdn Berhad	04/28	AA-	3.887	10	4.579	20/02/2019	-69	53
Celcom Networks Sdn Berhad	10/26	AA+	3.694	25	3.756	26/09/2019	-6	39
Celcom Networks Sdn Berhad	08/27	AA+	3.727	25	3.759	30/09/2019	-3	38
Eco World Capital Assets Berhad	08/24	-	6.098	3	6.098	02/10/2019	0	288
Mah Sing Group Berhad	03/15	-	6.755	1	6.090	09/08/2019	67	313
				<u>696</u>				

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

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Market/Corporate News: What's Brewing

Hibiscus Petroleum Bhd is participating in an oil exploration project previously awarded to its 11.7%-owned Australian associate 3D Oil Ltd in the offshore Gippsland Basin, Australia. In a filing with Bursa Malaysia today, Hibiscus said its indirect wholly-owned subsidiary Carnarvon Hibiscus Pty Ltd (CHPL) has exercised an option to take up a 50% interest in the exploration permit there. The 1,006 square km exploration permit, dubbed VIC/P74, was awarded to Australian Stock Exchange-listed 3D Oil in July by the National Offshore Petroleum Titles Administrator. The permit is located on the southern side of the Gippsland Basin, adjacent to the world-class Kingfish oilfield — the largest ever discovered in Australia and which to date has produced over one billion barrels of oil. In conjunction with the above, Hibiscus said CHPL will enter into a conditional farm-in agreement with 3D Oil at a later date, of which an agreed term is that 3D Oil shall remain as the operator of the permit through the primary first three years of the prospect generation phase (First Phase). “This work programme consists primarily of purchasing reprocessed 3D seismic data to progress geological and geophysical studies in order to fine-tune resource assessments and enable due prospect ranking,” it said. “It has been agreed between the parties that if it is required that a well or wells be drilled after the First Phase, CHPL shall be the operator of the Permit but 3D Oil shall continue to be the operator for geological & geophysical operations, but however, if there is a farm-in for a substantial interest in the permit that will require drilling a well or wells by the farmee, the farmee will become the operator instead for all operations. “Upon completion of CHPL’s acquisition of the Interest, CHPL and 3D Oil will enter into a joint operating agreement,” it added. (Source: The Edge)

Moody's Investors Service has revised the outlook on Press Metal Aluminum Holdings Bhd's and Press Metal (Labuan) Ltd's ratings to negative, from stable. In a statement today, the international rating agency said the negative rating outlook is reflective of its expectation of weaker credit metrics over the next 12-18 months, as Press Metal pursues growth and increasing raw material security through debt-funded acquisitions and capacity expansion in a weak aluminum price environment. Press Metal announced expansion of its smelting capacity in Bintulu, Sarawak (Phase 3) by 320,000 tonnes, on the back of a new 15-year power purchase agreement with Sarawak Energy, for an additional 500-megawatt of power. Moody's expects Press Metal's adjusted leverage to rise to around 3.5 times next year, before improving to 3.2 times to 3.3 times in 2021, when the expanded capacity comes onstream and the benefits of the company's investments are realised. "In terms of environmental, social and governance factors, the ratings reflect the elevated environmental risk facing aluminum producers in terms of carbon regulation and air pollution," it added. Nevertheless, Moody's pointed out that Press Metal uses hydropower, which is a more environmentally-friendly source of energy. The company also procures carbon anodes with less than 2% sulphur content to regulate sulphur oxide emissions. Given the negative outlook, upward pressure on the rating is unlikely, Moody's said. It added that it could change the outlook to stable, if Press Metal successfully completes its acquisitions and expansion in a timely manner, resulting in lower costs and higher margins. "Specifically, Moody's would revert to a stable outlook if the company's (1) earnings before interest, tax, depreciation and amortisation (Ebitda) margin remains above 15% on a sustained basis; and (2) adjusted debt/Ebitda remains below 3.5 times for an extended period." Meanwhile, Moody's affirmed Press Metal's corporate family rating of Ba3. It also affirmed the backed senior unsecured rating of Ba3 for Press Metal (Labuan) Ltd. The agency said the rating could be downgraded if there is a material erosion in its profitability, driven by extended operational shutdowns, an increase in power costs, delays in the execution of planned investments or extended tightening in alumina-to-aluminum pricing. "It could also be downgraded if the company's leverage increases or its liquidity deteriorates. Specifically, Moody's would downgrade the rating if the company's (1) Ebitda margin remains below 15% for an extended period; and (2) adjusted debt/Ebitda rises above 3.5 times." Press Metal's ownership is concentrated in the promoter group led by the Koon family, which held a 60% stake as of June 30. This risk is partially mitigated by Sumitomo's ownership of 20% of the Press Metal's subsidiaries Press Metal Bintulu (PMB) and Press Metal Sarawak (PMS), which run the smelters. (Source: *The Edge*)

Rating Action			
Issuer	PDS Description	Rating/Outlook	Action
F&N Capital Sdn Bhd	RM750 mil MTN Programme (2013/2028) RM750 mil CP Programme (2013/2020)	AA1(s)/Stable P1	Reaffirmed Reaffirmed

Source: RAM, MARC

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