Global Markets Research

Fixed Income

Fixed Income Daily Market Snapshot

UST		
Tenure	Closing (%)	Chg (bps)
2-yr UST	1.55	3
5-yr UST	1.54	2
10-yr UST	1.71	2
30-yr UST	2.19	1

	MGS		GII*	
Tenure	Closing (%)	Chg (bps)	Closing (%)	Chg (bps)
3-yr	3.12	-3	3.13	1
5-yr	3.28	-4	3.30	-4
7-yr	3.36	-3	3.34	-1
10-yr	3.39	-2	3.46	-2
15-yr	3.69	0	3.80	0
20-yr	3.76	-15	3.93	0
30-yr	4.03	-1	4.10	-2

** Market indicative levels*

MYR IRS Levels		
IRS	Closing (%)	Chg (bps)
1-yr	3.29	0
3-yr	3.29	-1
5-yr	3.33	-1
7-yr	3.36	-2
10-yr	3.43	-2

Source : Bloomberg

US Treasuries

US Treasuries fell last Friday on news that official from both US and China had reached "consencus on priciples" for phase 1 of trade talks. Bonds were also affected by the stronger-than-expected US jobs data (NFP:128k) which put a lid on concerns about the economic outlook. The curve flattened and shifted higher as overall benchmark yields ended between 1-3bps higher from prior day's close. The UST 2Y spiked at 1.55% whilst the much-watched 10Y rose 2bps at 1.71%. Despite the stronger job growth, unemployment rate inched up from 3.5% in September to 3.6% in October as a result of higher participation rate. On the horizon is the possibility of the US government selling 50Y bonds to seize investors appetite for long-dated bonds. Meanwhile investors are expected to monitor the upcoming issuances of 10Y and 30Y bonds this week.

MGS/GIII

- Local govvies saw improved momentum and appetite on higher secondary market volume of RM6.83b on Friday; led again by lower IRS. Investor interest was skewed towards the off-the-run MGS 19-20's, GII 25's and also benchmark 5Y, 10Y MGS. The curve generally shifted lower as overall benchmark yields ended mostly lower between 0-4bps save for the 3Y GII bonds. The benchmark 5Y MGS 6/24 rallied 4bps lower at 3.28% compared to earlier weak bidding metrics during its auction last week whilst the 10Y MGS 8/29 edged 2bps lower at 3.39%. GII trades rose to form ~44% of overall trades. Meanwhile Finance minister stated that net issuance of of the nation's debt is estimated at RM52b and is confident of meeting its 2019 fiscal deficit target of 3.4% of GDP (vs 2018's RM53.4b and 3.7%). Up next on the data front are the September trade figures followed by BNM's Overnight Policy Rate decision tomorrow.

Corp Bonds/Sukuk

- Corporate bonds/sukuk space saw tepid interest with total volume again at a mere RM296m with interest seen mainly in the GG-part of the curve. Overall yields ended mostly higher with Govt-Guaranteed LPPSA 28's and 38's closing 2bps higher compared to previous-done levels at 3.67% and 4.07%. PRASA 8/28 edged 1bps lower at 3.67% whereas the 11/28 tranche adjusted and rose 8bps at 3.68% instead. The AAA-rated Mecedez 22's closed between 0-2bps higher at 3.50% levels. The AA-rated space saw MMC Corp 4/23 close 3bps higher at 4.49% whilst the banking space remained quiet.

Upcoming Government Bond Tender

Nil

Daily Trades : Government Bond

Securities		Closing YTM	Vol (RM mil)	Previous YTM	Previous Trade Date (dd/mm/yyyy)	Chg (bp)
MGS	11/19	2.985	105	3.023	31/10/2019	-4
MGS	03/20	2.995	743	3.006	31/10/2019	-1
MGS	07/20	3.047	40	3.043	31/10/2019	0
MGS	10/20	3.048	71	3.064	31/10/2019	-2
MGS	02/21	3.084	91	3.096	31/10/2019	-1
MGS	07/21	3.096	43	3.095	31/10/2019	0
MGS	09/21	3.098	135	3.100	31/10/2019	0
MGS	11/21	3.086	11	3.104	31/10/2019	-2
MGS	03/22	3.119	33	3.151	31/10/2019	-3
MGS	08/22	3.134	17	3.178	31/10/2019	-4
MGS	09/22	3.158	116	3.170	31/10/2019	-1
MGS	03/23	3.242	7	3.251	31/10/2019	-1
MGS	04/23	3.227	2	3.248	31/10/2019	-2
MGS	08/23	3.239	52	3.247	31/10/2019	-1
MGS	06/24	3.282	978	3.327	31/10/2019	-4
MGS	07/24	3.322	87	3.345	31/10/2019	-2
MGS	09/24	3.323	32	3.324	31/10/2019	0
MGS	03/25	3.379	4	3.371	29/10/2019	1
MGS	09/25	3.384	45	3.386	31/10/2019	0
MGS	04/26	3.399	34	3.453	31/10/2019	-5
MGS	07/26	3.358	383	3.392	31/10/2019	-3
MGS	11/26	3.395	66	3.442	31/10/2019	-5
MGS	11/27	3.397	161	3.452	31/10/2019	-6
MGS	06/28	3.429	220	3.496	31/10/2019	-7
MGS	08/29	3.391	216	3.412	31/10/2019	-2
MGS	04/30	3.573	2	3.595	31/10/2019	-2
MGS	06/31	3.644	61	3.654	31/10/2019	-1
MGS	04/33	3.682	29	3.778	31/10/2019	-10
MGS	04/37	3.806	6	3.776	31/10/2019	3
MGS	06/38	3.764	31	3.917	31/10/2019	-15
MGS	03/46	3.995	1	4.053	31/10/2019	-6
MGS	07/48	4.025	6	4.039	31/10/2019	-1
GII	03/21	3.082	1	3.107	11/10/2019	-3
GII	03/22	3.127	50	3.119	31/10/2019	1
GII	04/22	3.130	170	3.154	31/10/2019	-2
GII	07/22	3.147	40	3.139	30/10/2019	1
GII	11/22	3.160	30	3.160	18/10/2019	0
GII	07/23	3.267	10	3.297	31/10/2019	-3
GII	10/23	3.250	50	3.290	29/10/2019	-4
GII	11/23	3.234	1	3.247	31/10/2019	-1
GII	08/24	3.314	30	3.359	31/10/2019	-4
GII	10/24	3.301	28	3.339	31/10/2019	-4
GII	08/25	3.407	980	3.426	31/10/2019	-2
GII	10/25	3.404	230	3.411	24/10/2019	-1
GII	03/26	3.345	221	3.350	31/10/2019	0
GII	07/27	3.465	17	3.462	31/10/2019	0
GII	10/28	3.467	40	3.459	25/10/2019	1
GII	07/29	3.456	135	3.474	31/10/2019	-2
GII	09/30	3.640	80	3.679	25/10/2019	-4
GII	06/33	3.841	306	3.857	31/10/2019	-2
GII	08/33	3.845	140	3.849	31/10/2019	0
GII	08/37	3.950	340	3.950	31/10/2019	0
GII	09/39	3.930	22	3.927	31/10/2019	0
GII	05/47	4.171	60	4.170	25/10/2019	0
GII	11/49	4.097	25	4.113	31/10/2019	-2
			6834			

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*
Lembaga Pembiayaan Perumahan Sektor Awam	04/24	GG	3.453	10	3.319	27/08/2019	13	21
DanaInfra Nasional Berhad	07/27	GG	3.608	5	3.558	22/10/2019	5	20
Prasarana Malaysia Berhad	09/27	GG	3.608	10	3.399	06/09/2019	21	20
Prasarana Malaysia Berhad	08/28	GG	3.668	20	3.681	07/08/2019	-1	24
Lembaga Pembiayaan Perumahan Sektor Awam	10/28	GG	3.670	30	3.654	23/10/2019	2	25
Prasarana Malaysia Berhad	11/28	GG	3.678	20	3.586	26/09/2019	9	25
Prasarana Malaysia Berhad	03/30	GG	3.749	10	3.672	17/10/2019	8	34
Lembaga Pembiayaan Perumahan Sektor Awam	10/38	GG	4.069	60	4.049	25/10/2019	2	22
DanaInfra Nasional Berhad	04/48	GG	4.220	10	4.134	24/09/2019	9	37
Mercedes-Benz Services Malaysia Sdn Berhad	05/22	AAA	3.502	20	3.486	31/10/2019	2	38
Mercedes-Benz Services Malaysia Sdn Berhad	06/22	AAA	3.500	20	3.499	26/09/2019	0	37
CIMB Bank Berhad	08/26	AA+	3.825	1	5.201	27/09/2019	-138	45
First Resources Limited	06/20	AA2	3.608	30	3.567	17/10/2019	4	55
MMC Corporation Berhad	04/23	AA-	4.485	10	4.453	15/10/2019	3	136
GB Services Berhad	11/19	AAA	3.267	40	3.566	08/07/2019	-30	21
				296				

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

Market/Corporate News: What's Brewing

Investors are probably watching closely every move YNH Property Bhd's board makes, given the company's inexplicably high valuations relative to its peers against the backdrop of a lacklustre year for property counters. Last week, the property developer told The Edge Financial Daily it is finally moving ahead with its parcel of land atop Genting Highlands, next to Resorts World Genting, that it had bought in 2008 for RM16.05 million. The project, featuring three blocks of serviced apartments worth RM700 million in gross development value (GDV), will be launched within the next year and start contributing to the group's top line, said YNH general manager James Ngio. "We are going to [first] develop five acres (2.02ha) of the 100 acres [we own there]. It is going to be mostly residential, and our target market will very much be investors and [those seeking] holiday homes," Ngio said. The Genting project makes up nearly half of the RM1.5 billion GDV in upcoming launches YNH has planned for the coming year, although the group is aiming to officially launch its RM700 million residential project dubbed Solasta in Dutamas, Kuala Lumpur before end-2019 if possible. The high-rise project, each with an 800 to 900 sq ft build-up area, will be priced at an average of RM600,000 to appeal to young executives and first home buyers. Other than these two projects, YNH will continue to build 500 residential units and 100 commercial shop lots at the Seri Manjung township in Perak, carrying a GDV of RM100 million, according to Ngio. "For next year, [our] main revenue generator will be the Kiara 163 serviced apartments [in Mont'Kiara] as well as the two upcoming projects, Solasta and [the one] in Genting. "The Kiara 163 serviced apartments are expected to be completed by the end of next year, and revenue recognition from this project will be the main revenue contributor for the coming quarters. The Genting and Solasta projects are going to last us for another three to four years," he added. The six-acre mixed development project in Mont'Kiara was first launched in 2016. According to Ngio, the serviced apartments, launched later in the first quarter of 2018, is currently 70% sold. It is reasonable for investors to cast a wary eye towards the group's future plans. After all, there are high hopes, given that YNH's share price has more than doubled since April to now trade at 67 times its 12-month historical price-earnings ratio and 1.48 times its net asset value, based on its closing price of RM2.58 last Friday. Furthermore, many are still awaiting updates on the Menara YNH mixed development project the group proposed on a prime three-acre parcel along Jalan Sultan Ismail, Kuala Lumpur, about 10 years ago. YNH bought the piece of land during the 1997/1998 financial crisis, according to Ngio. He explained that the group delayed the project as it "wants to maximise the value" given that it is among the last remaining plots of prime land in Kuala Lumpur's city centre. "We have the necessary approvals to develop the land and the current plan is for a mixed development project with an estimated GDV of about RM4 billion. We have factored in a higher plot ratio, which increased the GDV to its current value (from RM2.3 billion estimated in 2018). "We will launch the project when the time is right," said Ngio without elaborating further on the timeline. The general manager remains positive about YNH's existing land bank and upcoming projects, adding that the group has unbilled sales of RM600 million and is consistently working on strengthening its balance sheet. As at June 30, YNH has cash and equivalents of RM15.7 million while total debt stood at RM777.8 million, Bloomberg data shows. Ngio said that the group may set up a real estate investment trust to monetise assets such as 163 Retail Park and Aeon Seri Manjung, adding however that the plan is still in a preliminary stage. In terms of earnings, the developer's net profit for the six-month period ended June 30, 2019 (6MFY19) grew 54.4% to RM12.8 million from RM8.29 million on lower cost of sales and operating expenses. However, its revenue dropped 18.4% to RM145.08 million, from RM177.78 million for the same period last year. This came as YNH recognised profit from completed projects, namely Kiara 163, a small office versatile office development, and Sfera Residency condominium in Seri Kembangan. For FY18, YNH's net profit halved to RM15.6

million compared with RM32.46 million for FY17. The developer attributed the lower earnings to slower progress in project development and resulted in lower profit recognised. It will be interesting to watch whether the kick-start of the project in Genting Highlands will put YNH on growth path to justify its current high valuation. (*Source: The EdgeMarkets*)

A concentrated burst of interest rate cutting and other measures to loosen global financial conditions by the world's central bankers looks to have largely run its course, and policymakers now appear content to wait and see if their handiwork staves off a deeper slowdown in the months ahead. Led by the U.S. Federal Reserve's nearly yearlong pivot away from a tightening bias, rate setters from Australia to Brazil and the euro zone to the Philippines have lowered borrowing costs in recent months to blunt the headwinds from global trade tensions headlined by the standoff between Washington and Beijing. It is an easing wave that appears to have crested for now. For their parts, the Big Three in the central bankersphere - the Fed, European Central Bank and Bank of Japan - are in no rush to drive rates any lower, especially in Europe and Japan where they are already in negative territory. The Fed last week cut rates for the third time since July, but officials emerged from the meeting with a near-explicit declaration to expect no more for the moment. In Europe, meanwhile, a changing of the guard at a deeply divided ECB likely means that its September rate cut will not be followed in the near future, with their focus instead being on jawboning the trading bloc's political leaders to step up their own efforts at stimulus. In Japan, a BOJ weary of expending its limited ammunition has so far avoided cutting rates at all in the latest global wave. It would prefer to hold fire for as long as possible, relying instead of pledges of more accommodation in the future should it be needed. And in the developing world, the pace of easing has slackened notably from a crescendo reached in August, although October marked the ninth straight month of net rate cuts by emerging market central banks. To be sure, the factors allowing policymakers to take a breather may prove fleeting - on the trade front in particular. In mid-October the International Monetary Fund pinned the blame on the U.S.-China trade war when it slashed its global growth forecast to the slowest pace since the 2008-2009 financial crisis. The dispute, initiated by U.S. President Donald Trump, is in a state of detente as the two sides work to complete "Phase One" of a wider deal. But the erratic American president has abruptly changed stance before and may again. Still, the messaging in the past two weeks from central bankers in Frankfurt and Tokyo was consistent with the Fed's new stance: Let's see how what we've done plays out. "We see the current stance of monetary policy as likely to remain appropriate as long as incoming information about the economy remains broadly consistent with our outlook," Fed Chair Jerome Powell said in his press conference last week after the U.S. central bank cut its benchmark rate by a quarter point to a range of 1.50-1.75%. A solid upside surprise on job growth in October only cemented that view. "We've done the adjustment," Fed Vice Chair Richard Clarida said in an interview on Bloomberg TV after Friday's payrolls report. The ECB has restarted a 2.6 trillion euro bond-buying program after cutting its interest rate on deposits in September. Back then investors were betting on two further rate cuts by March of next year, but have since pared their expectations as deep divisions emerged among ECB policymakers on the path ahead. New ECB President Christine Lagarde, who took office on Friday, will have to heal a rift between representatives of cash-rich countries such as Germany, the Netherlands and France, who opposed the decision to resume bond purchases, and the struggling periphery. The former managing director of the IMF has struck a balanced tone, saying an accommodative monetary policy was needed but also had side effects that needed monitoring. The issue is that the economic benefits of pushing the deposit rate, currently at -0.5%, further below zero are dubious. Mario Draghi, who just turned over the reins to Lagarde, acknowledged in his farewell speech that the negative rate was "not delivering the same degree of stimulus as in the past" because the return on investment in the economy had fallen. The BOJ decided to hold fire on Thursday and instead buy time with a tweak to its forward guidance. It now pledges to keep rates ultra-low or even cut them for as long as necessary to gauge whether overseas risks have heightened enough to erode the economy's path toward achieving its 2% inflation target. While Governor Haruhiko Kuroda has stressed the BOJ still has room to deepen negative rates or take any other steps to spur growth, many analysts see last week's decision as underscoring the central bank's desperation in trying to save its dwindling ammunition for when the economy takes a turn for the worse. Communication will remain a key challenge for the BOJ even under the new guidance, which removed a specific timeframe on how long interest rates will stay low. "It's wise the BOJ ditched a calendar-based commitment. But it's hard to tell whether the BOJ committed to keep rates long for a longer period than it previous did ... and how much lower it could bring down rates," said Nobuyasu Atago, a former BOJ official who is now chief economist at Okasan Securities. (*Source: Star/Reuters*)

Rating Action

Issuer	PDS Description	Rating/Outlook	Action
Lebuhraya Kajang-Seremban Sdn Bhd (LEKAS)	RM633 mil Junior Sukuk Istisna' (2007/2025)	C2/Stable	Reaffirmed
Central Impression Sdn Bhd (CISB)	11-year Fixed Rate Serial Bonds of RM120.0 million	AA-/Negative	Outlook revised from Stable to Negative

Source: RAM, MARC

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