

Global Markets Research

Fixed Income

UST		
Tenure	Closing (%)	Chg (bps)
2-yr UST	1.56	-6
5-yr UST	1.55	-10
10-yr UST	1.72	-10
30-yr UST	2.16	-10

MGS		GII*		
Tenure	Closing (%)	Chg (bps)	Closing (%)	Chg (bps)
3-yr	3.06	2	3.09	-2
5-yr	3.23	2	3.30	-1
7-yr	3.34	-1	3.38	-2
10-yr	3.44	1	3.47	0
15-yr	3.69	1	3.79	2
20-yr	3.82	1	3.89	2
30-yr	4.02	-2	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	0
7-yr	3.35	0
10-yr	3.39	0

Source : Bloomberg

Upcoming Government Bond Tender

RM3.0b of 15Y MGS 7/34 on Thursday, 5th December

Fixed Income Daily Market Snapshot

US Treasuries

- The US Treasuries rallied sharply on Tuesday as President Trump indicated no settlement in sight over phase 1 of the US-China trade pact. The curve shifted lower as investors believed that the tariffs will go ahead as planned come 15th December. Broad risk-off sentiment was evident following the negative trade headlines. Overall benchmark yields ended 6-10bps lower with the UST 2Y at 1.56% and the much-watched 10Y declining 10bps to 1.72% levels. Expect price action to be dictated by a lingering US-China trade concerns, recent imposition of import tariffs on Brazil, Argentina and France along with the US November jobs report; namely the NFP this Friday.

MGS/GIII

- Local govies saw lukewarm momentum maintain on Tuesday with secondary market volume etched at RM2.71b with sporadic interest seen in the off-the-run 23's and benchmark 5Y MGS bonds. Overall benchmark yields closed mostly mixed between -2 to +2bps across the curve with the benchmark 5Y MGS 6/24 rising 2bps at 3.23% and the 10Y MGS 8/29 edging another 1bps up at 3.44%. GII trades fell to form a mere ~23% of overall trades. 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 today. Expect investors attention to eventually shift to the penultimate auction of the year involving the 15Y MGS tomorrow.

Corp Bonds/Sukuk

- Corporate bonds/sukuk space saw interest spike with secondary market volume at RM579m with investor interest across the curve as yields closed mixed. Govt-guaranteed Turus Pesawat (TPSB) 2/25 saw unusually large RM130m nominal amounts traded; closing 9bps lower compared to previous-done levels at 3.50%. AAA-rated MYDIN 5/20 edged 1bps lower at 3.83% whilst TELEKOM 24's ended between 2-6bps higher at 3.58% levels. The AA-space was dominated by energy-related names with JEP 30-32's closing mixed on yields between 4.27-37% levels. The banking space saw BANK ISLAM 25NC20 and 28NC23 similarly close mixed at 3.48% and 3.88% respectively.

Daily Trades : Government Bond

Securities	Closing	Vol	Previous	Previous	Chg
	YTM	(RM mil)	YTM	Trade Date (dd/mm/yyyy)	(bp)
MGS 03/20	2.999	175	3.004	02/12/2019	0
MGS 10/20	2.968	33	2.927	02/12/2019	4
MGS 02/21	3.010	2	3.023	02/12/2019	-1
MGS 07/21	3.016	48	3.012	02/12/2019	0
MGS 09/21	3.042	42	3.031	02/12/2019	1
MGS 11/21	3.040	296	3.051	02/12/2019	-1
MGS 03/22	3.060	70	3.036	02/12/2019	2
MGS 08/22	3.113	30	3.102	02/12/2019	1
MGS 09/22	3.092	129	3.104	02/12/2019	-1
MGS 03/23	3.133	36	3.125	29/11/2019	1
MGS 04/23	3.174	199	3.174	02/12/2019	0
MGS 08/23	3.227	202	3.196	02/12/2019	3
MGS 06/24	3.231	324	3.215	02/12/2019	2
MGS 07/24	3.258	25	3.242	02/12/2019	2
MGS 09/24	3.223	57	3.262	02/12/2019	-4
MGS 03/25	3.268	21	3.248	02/12/2019	2
MGS 09/25	3.312	91	3.306	02/12/2019	1
MGS 04/26	3.379	10	3.371	02/12/2019	1
MGS 07/26	3.337	55	3.346	02/12/2019	-1
MGS 11/26	3.414	24	3.414	02/12/2019	0
MGS 11/27	3.435	36	3.425	02/12/2019	1
MGS 06/28	3.460	21	3.453	02/12/2019	1
MGS 09/28	3.476	2	3.456	02/12/2019	2
MGS 08/29	3.439	5	3.433	02/12/2019	1
MGS 04/30	3.550	15	3.556	02/12/2019	-1
MGS 06/31	3.635	7	3.633	02/12/2019	0
MGS 11/33	3.733	54	3.737	02/12/2019	0
MGS 05/35	3.775	24	3.773	02/12/2019	0
MGS 04/37	3.714	1	3.736	02/12/2019	-2
MGS 06/38	3.820	20	3.813	02/12/2019	1
MGS 09/43	4.026	1	3.997	02/12/2019	3
MGS 07/48	4.016	31	4.032	02/12/2019	-2
GII 04/20	3.037	20	2.951	29/11/2019	9
GII 05/20	3.001	80	3.027	02/12/2019	-3
GII 08/20	3.004	60	2.999	02/12/2019	0
GII 03/22	3.089	1	3.112	02/12/2019	-2
GII 04/22	3.136	1	3.120	02/12/2019	2
GII 07/22	3.123	7	3.115	27/11/2019	1
GII 05/23	3.120	13	3.135	02/12/2019	-1
GII 11/23	3.214	92	3.204	27/11/2019	1
GII 05/24	3.279	22	3.266	25/11/2019	1
GII 10/24	3.295	12	3.307	02/12/2019	-1
GII 08/25	3.375	130	3.341	02/12/2019	3
GII 03/26	3.380	4	3.398	02/12/2019	-2
GII 09/26	3.423	7	3.416	29/11/2019	1
GII 07/27	3.491	6	3.455	02/12/2019	4
GII 10/28	3.474	12	3.512	02/12/2019	-4
GII 06/33	3.832	10	3.805	28/11/2019	3
GII 08/37	3.932	10	3.925	02/12/2019	1
GII 09/39	3.894	10	3.877	02/12/2019	2
GII 05/47	4.101	100	4.129	27/11/2019	-3
GII 11/49	4.113	30	4.113	29/11/2019	0
		<u>2713</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*
DanaInfra Nasional Berhad	05/24	GG	3.414	10	3.501	25/07/2019	-9	25
DanaInfra Nasional Berhad	11/24	GG	3.441	20	3.328	28/08/2019	11	22
Turus Pesawat Sdn Berhad	02/25	GG	3.500	130	3.588	18/10/2019	-9	27
Mydin Mohamed Holdings Berhad	05/20	AAA	3.834	10	3.845	17/10/2019	-1	84
Gulf Investment Corporation G.S.C	02/23	AAA	4.244	1	4.773	01/04/2019	-53	120
Toyota Capital Malaysia Sdn Berhad	07/24	AAA	3.713	1	3.569	13/09/2019	14	49
Telekom Malaysia Berhad	10/24	AAA	3.582	20	3.566	25/11/2019	2	36
Telekom Malaysia Berhad	12/24	AAA	3.577	20	3.514	15/10/2019	6	35
Pengurusan Air SPV Berhad	06/26	AAA	3.726	1	3.742	22/11/2019	-2	38
Aman Sukuk Berhad	04/27	AAA	3.716	55	3.559	23/08/2019	16	37
Danga Capital Berhad	09/27	AAA	3.783	5	3.649	09/10/2019	13	37
Pengurusan Air SPV Berhad	06/29	AAA	3.841	10	3.578	17/09/2019	26	40
Sarawak Energy Berhad	11/33	AAA	4.018	10	3.991	28/11/2019	3	34
TNB Northern Energy Berhad	11/34	AAA	4.019	10	4.984	11/01/2018	-97	34
Tenaga Nasional Berhad	08/38	AAA	4.139	10	4.120	26/11/2019	2	38
YTL Power International Berhad	10/24	AA1	3.948	20	3.901	27/09/2019	5	72
YTL Corporation Berhad	11/26	AA1	4.038	30	4.047	02/08/2019	-1	69
Public Islamic Bank Berhad	10/29	AA1	3.709	10			371	27
BGSM Management Sdn Berhad	12/20	AA3	3.509	10	3.559	11/10/2019	-5	51
Perbadanan Kemajuan Negeri Selangor	08/23	AA3	3.843	4	3.807	20/11/2019	4	68
AmBank Islamic Berhad	10/28	AA3	3.843	20	3.853	27/11/2019	-1	41
Segi Astana Sdn Berhad	01/22	AA-	4.777	10	5.185	20/02/2019	-41	175
Jimah East Power Sdn Berhad	12/30	AA-	4.268	20	4.332	21/06/2019	-6	83
Jimah East Power Sdn Berhad	12/31	AA-	4.319	10	4.318	29/11/2019	0	88
Jimah East Power Sdn Berhad	06/32	AA-	4.349	20	4.229	22/08/2019	12	67
Jimah East Power Sdn Berhad	12/32	AA-	4.369	10	4.280	15/08/2019	9	69
Bank Islam Malaysia Berhad	12/25	A1	3.478	22	3.485	02/10/2019	-1	17
Bank Islam Malaysia Berhad	11/28	A1	3.877	10	3.772	05/09/2019	11	44
CIMB Group Holdings Berhad	05/16	A1	3.978	20	4.217	02/12/2019	-24	22
Affin Bank Berhad	07/18	A3	4.566	50	4.518	18/11/2019	5	81
Eco World International Berhad	04/23	-	5.576	1	6.044	28/11/2019	-47	253
				<u>579</u>				

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

Market/Corporate News: What's Brewing

IGB Bhd, together with its partner Tower Ray Ltd, plans to sell their 50-50-owned UK-based Black Pearl Ltd, which owns a plot of freehold London land, for £235 million or RM1.27 billion. IGB said in a bourse filing today that its 50% stake in Black Pearl is held under IGB's wholly-owned Verokey Sdn Bhd. "Verokey and Tower Ray, each hold a 50% stake in Black Pearl Limited (Black Pearl), which owns the freehold title to the land known as 18 Blackfriars Road, SE1, London (Property)," the group said. Verokey and Tower Ray inked a non-binding heads of terms agreement today with Hero Inc Ltd, Staycity Ltd and BSW Land and Property Ltd, who want to buy their entire stakes in Black Pearl. The proposed purchase consideration is equal to Black Pearl's net asset value, calculated on the basis of a valuation of the property, IGB said. The group, however, did not specify as to how the proposed consideration would be satisfied. "The heads of terms set out the understanding and intention of the Vendors and Purchasers (collectively, the Parties) in respect of the proposed transaction. The Heads of Terms are subject to inter-alia, satisfactory outcome of due diligence being conducted on the property and the proposed transaction. The heads of terms provide for exclusivity for the purchasers until Feb 7, 2020," IGB said. "Full announcement of the proposed transaction will be made in the event that the parties execute a sale and purchase agreement which shall constitute the definitive documentation, providing the details in respect of the matters broadly set out in the heads of terms," the group added. In Black Pearl's planning application to the Greater London Authority that was submitted in April last year, it was planning to build six buildings ranging from five to 53-storey each, on the site that measures 0.80 hectares (ha) in total. This redevelopment will include an office space, a 548-room hotel, 288 residential units, a flexible retail component, a restaurant, a music venue, and car parks, among others. The architect for the redevelopment was listed as Wilkinson Eyre. Meanwhile, in London City Hall's website, Black Pearl is also listed as developing a 16-storey student accommodation on 18 Blackfriars Road that will have 13,500 square metres (sq m) of accommodation space, 200 sq m of student amenity space, and 250 sq m of flexible commercial floorspace. (Source: *The EdgeMarkets*)

Banks reported results that generally met market expectations for the July to September quarter, but they are lending less than before. Analysts, who are largely neutral on the sector, are now expecting the industry's loan growth for 2019 to come in lower than what they had earlier forecast. Maybank IB Research, for one, revised its industry loan growth estimate for 2019 to 3.6% from 4.7% previously. This is on expectations that corporate loan growth will pick up pace slightly in the final two months of the year. Its revision follows sedate loan growth numbers in October. For that month, bank loans had slowed to 3.7% year-on-year versus September's 3.8%. In October, business lending continued to taper off to 2.2% but the household segment picked up pace to 4.7%. On an annualised basis, loan growth stood at 3.2% at end-October versus 3.3% in September. Analysts note that loan applications for October had improved but approvals were still soft for that month. "The non-household loan applications were stronger while household loans were still slow. Meanwhile, approvals remained soft for both household and non-household loans." One noted in its report yesterday. Another analyst, which sees limited positive catalysts, has toned down its "2019 loans growth estimate to 3.5%- 4% from (4%-4.5%)", while others said that "there may be downside risk to our 5% loans growth expectation". Some prominent research houses cut its loan growth forecast for this year from 5% to 4%, while maintaining its 2019 loan growth projection at 4.5%, premised on consumer and business loan growth assumptions of 5.5% and 3.2% respectively. With banks often seen as a proxy for the health of the economy, is the expected lacklustre loan growth something to worry about? One economist said that for sustainable GDP growth, that would depend on a favourable and stable business environment, one which promotes business competitiveness apart from consumer spending. "Hence loans play a significant role because the development of any industry will be tough without capital – the most popular form of which is from bank loans. "So lower loan growth could potentially signify that the economy is turning soft." He said even if loan growth were to decline, the economy can still maintain a sustainable growth. "This can happen if there is an improvement in credit quality. Under such a scenario, the dependence of loans may no longer be a decisive factor for economic growth," he said. According to him, another factor that can spur the economy is if loans flow from less efficient sectors to more competitive industries and enterprises. And if contribution from foreign direct investments (FDIs) is strong, the GDP's dependence on loans could also ease, he said. "Hence a slowdown in loan growth may not truly reflect the scenario that the economy is slowing if credit quality improves and loans are channelled to more competitive industries, besides luring more FDIs." Malaysia's third quarter (3Q19) GDP declined to 4.4% versus 4.9% in 2Q19 and 4.4% in 3Q18, primarily led by robust consumption spending. Back to banking, going by the recently concluded reporting season, analysts expect bank's earnings growth to remain muted this year. Analysts see weakness in banks' traditional revenue sources to persist, while investment and trading (I&T) income to be the main revenue driver in the near term as in 3Q19. "We see little change to banking sector trends in the near term where traditional income sources like fund-based income and fee income will remain muted," it said in its report yesterday. The research house said loan growth year-to-date had slowed to 3.6% from 4.1% in 2Q19, mainly from corporate repayments and slow demand in the non-retail segment. "As such, there may be downside risks to our 5% loan growth expectation. "More importantly, most banks are expecting net interest margin to moderate in 4Q19 on the back of seasonally higher funding costs and a tighter liquidity environment in regional markets." With a steadily climbing gross impaired loans ratio over the past three quarters, asset quality (and subsequently credit cost) will be a swing factor in the sector's earnings going forward, it added. "We raised our sector earnings slightly by 1%, mainly on higher non-interest income, though our 2020 forecast does not incorporate a rate cut, which is expected to occur in the first quarter next year." (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

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