

## Global Markets Research

### Fixed Income

UST		
Tenure	Closing (%)	Chg (bps)
2-yr UST	1.59	2
5-yr UST	1.63	3
10-yr UST	1.81	4
30-yr UST	2.26	3

MGS		GII*		
Tenure	Closing (%)	Chg (bps)	Closing (%)	Chg (bps)
3-yr	3.06	1	3.10	0
5-yr	3.23	1	3.31	3
7-yr	3.33	0	3.37	0
10-yr	3.41	-3	3.52	1
15-yr	3.69	1	3.76	-2
20-yr	3.81	-1	3.88	1
30-yr	3.98	-5	4.00	0

\* Market indicative levels

MYR IRS Levels		
IRS	Closing (%)	Chg (bps)
1-yr	3.25	0
3-yr	3.26	1
5-yr	3.30	1
7-yr	3.33	0
10-yr	3.40	0

Source : Bloomberg

### Upcoming Government Bond Tender

Nil

### Fixed Income Daily Market Snapshot

#### US Treasuries

- The US Treasuries weakened further as traders and investors remained generally optimistic about the potential signing of a US-China trade deal soon. Nevertheless some respite was seen for bonds as the democrat-controlled House of Representatives claimed that they will proceed with impeachment measures against President Trump. The curve ended higher as overall benchmark yields rose between 2-4bps with the UST 2Y at 1.59% and the much-watched 10Y rising 4bps to 1.81% levels. Meanwhile first-time unemployment claims for the week ended 30<sup>th</sup> November decreased from previous week whilst trade deficit numbers narrowed in October. Expect these data to be overshadowed by the all-important jobs data i.e. NFP numbers out tonight.

#### MGS/GIII

- Local govvnies saw slight pull-back in momentum as secondary market volume dipped to RM1.92b with tenures extending out from 10Y seeing better bids. Interest was mainly seen in the off-the-run 20-21's and also the 23's. Overall benchmark yields closed mixed between -5 to +3bps across the curve with several odd-lot trades dictating closing prices. The benchmark 5Y MGS 6/24 edged up 1bps at 3.23% whilst the 10Y MGS 8/29 closed 3bps lower at 3.41%. GII trades eased to form ~30% of overall trades. The penultimate auction for the year involving the 15Y MGS 7/34 saw tepid bidding metrics yesterday on a BTC ratio of 1.61x; averaging 3.679%.

#### Corp Bonds/Sukuk

- Corporate bonds/sukuk space saw interest intact with secondary market volume at RM709m as investor interest remained across the curve with yields closed mostly mixed. Govt-guaranteed space continued to see action with the long-end DANA 37 and 40 closing 2-3bps lower compared to previous-done levels between 4.00-07% whilst PTPTN 2/34 and 7/41 sank between 10-13bps at 3.92% and 4.09% respectively. AAA-rated CAGAMAS 10/20 saw its debut trade at 3.20% levels; about 10bps lower than its coupon. BAKUN Hydro 24-25's meantime closed unchanged between 3.57-64 area. The AA-space saw IJM 8/28 edge 2bps lower at 4.28% whilst BUMITAMA Agri 7/26 rose 2 bps instead at 3.96%. The banking space saw Affin Islamic 28NC23 inch 1bps lower on RM70m nominal amount of trades.

## Daily Trades : Government Bond

Securities	Closing	Vol	Previous	Previous	Chg
	YTM	(RM mil)	YTM	Trade Date (dd/mm/yyyy)	(bp)
MGS 03/20	2.966	77	3.011	04/12/2019	-4
MGS 10/20	3.002	360	2.966	04/12/2019	4
MGS 07/21	3.030	72	3.034	04/12/2019	0
MGS 09/21	3.040	100	3.039	04/12/2019	0
MGS 11/21	3.033	40	3.055	04/12/2019	-2
MGS 03/22	3.061	143	3.050	04/12/2019	1
MGS 03/23	3.114	17	3.126	04/12/2019	-1
MGS 04/23	3.156	97	3.174	03/12/2019	-2
MGS 08/23	3.186	13	3.175	04/12/2019	1
MGS 06/24	3.234	42	3.226	04/12/2019	1
MGS 07/24	3.249	1	3.267	04/12/2019	-2
MGS 09/24	3.261	31	3.245	04/12/2019	2
MGS 09/25	3.311	34	3.318	04/12/2019	-1
MGS 04/26	3.352	10	3.379	03/12/2019	-3
MGS 07/26	3.326	2	3.322	04/12/2019	0
MGS 11/26	3.393	1	3.382	04/12/2019	1
MGS 11/27	3.405	29	3.420	04/12/2019	-2
MGS 06/28	3.453	1	3.460	04/12/2019	-1
MGS 08/29	3.408	37	3.439	04/12/2019	-3
MGS 04/30	3.550	11	3.578	04/12/2019	-3
MGS 06/31	3.627	1	3.625	04/12/2019	0
MGS 11/33	3.715	44	3.733	03/12/2019	-2
MGS 07/34	3.694	121	3.687	04/12/2019	1
MGS 05/35	3.751	1	3.733	04/12/2019	2
MGS 04/37	3.714	61	3.714	04/12/2019	0
MGS 06/38	3.809	1	3.820	03/12/2019	-1
MGS 09/43	4.017	3	4.028	04/12/2019	-1
MGS 07/48	3.981	1	4.033	04/12/2019	-5
GII 04/20	2.987	2	3.037	03/12/2019	-5
GII 03/21	3.048	15	3.048	04/12/2019	0
GII 04/22	3.148	1	3.104	04/12/2019	4
GII 05/23	3.117	230	3.120	03/12/2019	0
GII 10/23	3.204	15	3.218	02/12/2019	-1
GII 11/23	3.211	218	3.210	04/12/2019	0
GII 10/24	3.306	1	3.280	04/12/2019	3
GII 07/29	3.517	10	3.509	04/12/2019	1
GII 11/34	3.763	20	3.786	03/12/2019	-2
GII 09/39	3.883	60	3.876	04/12/2019	1
		<u>1922</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*	
Prasarana Malaysia Berhad	02/23	GG	3.292	100	3.489	24/06/2019	-20	24
Lembaga Pembiayaan Perumahan Sektor Awam	09/26	GG	3.540	30	3.550	21/11/2019	-1	21
Prasarana Malaysia Berhad	09/27	GG	3.611	30	3.615	07/11/2019	0	21
Turus Pesawat Sdn Berhad	11/27	GG	3.649	40	3.707	12/11/2019	-6	25
Perbadanan Tabung Pendidikan Tinggi Nasional	02/34	GG	3.919	40	3.790	21/10/2019	13	23
Danainfra Nasional Berhad	04/37	GG	3.999	10	4.015	04/11/2019	-2	31
Danainfra Nasional Berhad	04/40	GG	4.074	30	4.105	20/11/2019	-3	31
Perbadanan Tabung Pendidikan Tinggi Nasional	07/41	GG	4.088	90	3.991	23/10/2019	10	33
Jambatan Kedua Sdn Berhad	07/41	GG	4.129	50	4.050	08/08/2019	8	37
Prasarana Malaysia Berhad	09/42	GG	4.139	50	4.041	23/10/2019	10	38
Danainfra Nasional Berhad	05/46	GG	4.225	20	4.209	05/11/2019	2	46
Cagamas Berhad	10/20	AAA	3.196	30			320	20
Cagamas Berhad	04/22	AAA	3.379	10	3.315	19/08/2019	6	34
Telekom Malaysia Berhad	08/23	AAA	3.523	5	3.433	28/08/2019	9	36
Bakun Hydro Power Generation Sdn Berhad (fka Sarawak Hidro Sdn Berhad)	08/24	AAA	3.574	20	3.577	28/11/2019	0	34
Bakun Hydro Power Generation Sdn Berhad (fka Sarawak Hidro Sdn Berhad)	08/25	AAA	3.636	20	3.641	27/11/2019	0	34
DiGi Telecommunications Sdn Berhad	09/26	AAA	3.690	15	3.569	04/10/2019	12	36
Country Garden Real Estate Sdn Berhad	02/23	AA3	6.368	6	6.456	02/12/2019	-9	331
Burnitama Agri Ltd	07/26	AA3	3.962	20	3.946	21/11/2019	2	64
IJM Corporation Berhad	08/28	AA3	4.279	10	4.296	08/11/2019	-2	85
Affin Islamic Bank Berhad	10/28	A1	4.046	70	4.053	29/11/2019	-1	62
Eco World Capital Assets Berhad	08/22	-	5.542	1	5.549	22/11/2019	-1	249
DRB-Hicom Berhad	12/14	A-	3.599	12	4.062	15/07/2019	-46	-16
			<u>709</u>					

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

### Market/Corporate News: What's Brewing

**GAMUDA BHD intends to grow overseas contribution to its construction business to 50% within the next three years from 20% currently, underpinned by projects in Australia, Taiwan and Singapore.** Group managing director Datuk Lin Yun Ling said the move is necessary for the company to become a global player. "No one likes to do it if they don't have to. "But there aren't enough big projects in Malaysia," he told a press conference after the company AGM and EGM yesterday. Lin also said more than half of the large construction projects in Malaysia were given to Chinese state-owned enterprises (SOEs). "For these SOE contractors, if they want a project, they can even tender below cost. How are Malaysian companies like us going to compete with them? Therefore, we have no choice but to go overseas." He added that going overseas also allowed Gamuda to tap local talent. "If we don't go overseas, we will lose a lot of the younger engineers, many of whom are going to countries like Australia and Singapore to find suitable jobs. "Therefore, we feel that it is better to have a business in these countries and have Malaysian talents work for us." Lin also noted that it was more difficult for SOEs to penetrate countries such as Australia. "Compliance is stricter in Australia, compared with Malaysia," he continued. In October, Gamuda acquired a 50% stake in Australia-based Martinus Rail Pty Ltd to leverage on the significant pipeline of construction projects there. According to the July 2019 BIS Oxford Economic Report, rail infrastructure works in Australia are expected to grow 14% per annum until 2023. Lin said Gamuda currently has two projects in Taiwan. "We expect to secure a third project soon. We also have a few projects in Singapore," he said. Gamuda's construction book currently stands at RM9.2bil. Overseas contribution to its property division currently stands at 70%. Strong property sales in Vietnam bolstered the company's earnings last quarter and cushioned the impact of lower income from its construction division. It posted a net profit of RM185mil in the three-month ended July 31 on revenue of RM1.5bil. For the full financial year, its net profit was RM706mil compared with RM539mil previously. The group currently has two ongoing developments in Vietnam namely Gamuda City in Hanoi and Celadon City in Ho Chi Minh City. The two projects are the biggest contributor to the group's overseas sales ahead of developments in Singapore and Australia. Separately, Lin said Gamuda, which is building the proposed Komtar-Bayan Lepas Light Rail Transit (LRT) project in Penang, expects the first package to be awarded by the middle of 2020. He said the Project Delivery Partner (PDP) signing for the package is expected to be done "within the next few weeks." "Design works will start immediately," he added. The LRT project is part of Penang's multi-billion ringgit Transport Master Plan (PTMP). Gamuda was appointed the PDP for the PTMP. Lin said the Bayan Lepas Free Industrial Zone (FIZ), of which half was built on reclaimed land, has been Penang's success story over the last 40 years. "The semiconductor industry, in the next 40 years, is expected to see explosive growth through the next wave of emerging applications in AI, automotive electronics, IoT and digital medical devices," he said. Lin said the first island (Island A) will have an 800-acre next-generation Smart Industrial Park, located next to the current Bayan Lepas FIZ and Penang International Airport. Additionally, Lin said part of the proceeds from the disposal of Gamuda's toll business will be utilised to pay a special one-off dividend to its shareholders. "That is all we can say for now. The government will first need to decide what to do with Plus, before making a decision on their deal with us. "They need to cross that bridge first (with Plus). Hopefully in the next few weeks, the government will make a decision." At Budget 2020, the Cabinet approved the takeover of four Klang Valley tolled highways for RM2.36bil. The highways are Shah Alam Expressway, Damansara-Puchong Expressway, Sprint Expressway and Smart Tunnel - all of which are linked to Gamuda. Following the Budget announcement, AmlInvestment Bank in an October report cautioned that the defensiveness of Gamuda's earnings will be eroded with reduced recurring toll road earnings, which make up 35% to 40% of the company's earnings. In that report, the research house said it was maintaining its underweight call and forecasts considering that valuations of construction stocks. It said

construction companies, Gamuda included, had run ahead of their fundamentals in the heat of the euphoria sparked by the recent revival of the East Coast Rail Link and Bandar Malaysia projects. Additionally, Lin said part of the proceeds from the disposal of Gamuda's toll business will be utilised to pay a special one-off dividend to its shareholders. "That is all we can say for now. The government will first need to decide what to do with Plus, before making a decision on their deal with us. "They need to cross that bridge first (with Plus). Hopefully in the next few weeks, the government will make a decision." In Budget 2020, the Cabinet approved the takeover of four Klang Valley tolled highways for RM2.36bil. The highways are Shah Alam Expressway, Damansara-Puchong Expressway, Sprint Expressway and Smart Tunnel - all of which are linked to Gamuda. Following the budget announcement, a research house in an October report cautioned that the defensiveness of Gamuda's earnings will be eroded with reduced recurring toll road earnings, which make up 35% to 40% of the company's earnings. (Source: *The Star*)

**The National Education Savings Scheme (SSPN) reported investment profit of RM151.5 million for the third quarter of 2019 (3Q2019), up 25.9% from RM120.33 million in the same quarter a year earlier (3Q2018).** In a statement, the National Higher Education Fund Corp (PTPTN) said it employs strategies to protect SSPN savings including investing in short- and long-term Shariah-compliant instruments in the local market. PTPTN said its strategy of focusing on long-term fixed deposits had lessened the impact of volatility in global equities. In 2018, PTPTN distributed SSPN dividends at a rate of 4% to 3.52 million accounts, valued at RM118.61 million. Based on the current year's performance, PTPTN expects to be able to increase or at least maintain the rate of the dividend payment. For the first nine months of 2019 (9M2019), SSPN saw total deposits of RM581.83 million versus RM486.92 million in the same period last year, bringing the total deposits to-date of SSPN to RM4.65 billion. PTPTN estimates the total deposits for 2019 to amount to RM1.3 billion, up 15% from RM1.13 billion in 2018. It said the projection is based on the education provided to encourage a culture of saving via programmes such as Jelajah SSPN, Minggu Menabung and Gerak Gempur Skim Simpanan. PTPTN's performance was also helped by the increase in tax incentives from RM6,000 to RM8,000, under Budget 2019. Meanwhile, a total of 347,709 new SSPN accounts were opened year-to-date up to Sept 30, 2019, with more accounts expected to be opened until year-end. From 2014 to the third quarter of 2019, a total of RM4.26 million SSPN accounts have been opened, PTPTN said. (Source: *The EdgeMarkets*)

Rating Action			
Issuer	PDS Description	Rating/Outlook	Action
Sports Toto Malaysia Sdn Bhd	RM800.0 million 15-year Medium-Term Notes (MTN) Programme	AA-	Affirmed
Edra Power Holdings Sdn Bhd	Corporate Credit rating	AA1/Stable/P1	

Source: RAM, MARC

**Hong Leong Bank Berhad**

Fixed Income &amp; 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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