

Global Markets Research

Fixed Income

Fixed Income Daily Market Snapshot

UST		
Tenure	Closing (%)	Chg (bps)
2-yr UST	1.41	2
5-yr UST	1.35	0
10-yr UST	1.53	-1
30-yr UST	2.02	-2

MGS		GII*		
Tenure	Closing (%)	Chg (bps)	Closing (%)	Chg (bps)
3-yr	3.10	0	3.12	0
5-yr	3.20	-2	3.23	1
7-yr	3.31	0	3.36	0
10-yr	3.28	2	3.37	-1
15-yr	3.56	0	3.63	0
20-yr	3.60	-3	3.71	0
30-yr	3.87	1	3.95	0

* Market indicative levels

MYR IRS Levels		
IRS	Closing (%)	Chg (bps)
1-yr	3.26	-2
3-yr	3.23	-3
5-yr	3.27	-3
7-yr	3.31	-3
10-yr	3.37	-1

Source : Bloomberg

Upcoming Government Bond Tender

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

US Treasuries

- US Treasuries ended mixed with the long-end richer following the slightly weaker-than-expected job growth of 136k in September punctuated by the lower unemployment rate of 3.5%; a 50Y low. The curve flattened as overall benchmark yields closed between -2 to +2bps across with the UST 2y up 2bps at 1.41% whilst the much-watched 10Y edged 1bps lower at 1.53%. Investors continue to weigh mixture of recent data that may not necessarily support weaker economic conditions but neither confirming that the domestic sector is immune from global pressure. Traders were seen paring bets on Fed rate cuts with the CME Group Fed Fund futures seeing 76% odds; down from 89% pre-NFP. Meanwhile the US Treasury will be conducting auctions for 3Y, 10Y and 30Y bonds this week.

MGS/GII

- Local govies ended Friday mixed as well on slightly higher secondary volume of RM3.21b volume. Interest was mainly centred in some off-the-run 19's, 24's and 28's along with 3Y and 10Y benchmark bonds. Overall benchmark MGS/GII bond yields closed mixed between -3 to +2bps. The 5Y benchmark MGS 6/24 moved another 2bps lower at 3.20% whilst the 10Y MGS 8/29 rose 2bps instead at 3.28%. The 7s10s spread remains inverted for now for the 2nd week running. GII bonds dropped to form ~40% of overall trades. MYR bonds may find support from the weaker August trade numbers released last Friday for now along with recent relief from the continuing weightage of bonds in the FTSE Russell WGBI.

Corp Bonds/Sukuk

- Corporate Bonds/Sukuk saw continued traction amid decent secondary market volume of RM468m with interest mainly in the AA-segment followed by the GG-part of the curve. Overall yields closed mostly mixed-to-unchanged. Both DANA 10/23 and 5/46 closed unchanged compared to previous-done levels at 3.33% and 4.01% respectively. However AAA-rated DIGI 26 and DIGI edged 2bps lower at 3.575 and 3.64% each. Port operator WESTPORT saw both its 2026 and 2028 tranche close 5-7bps lower at 3.84% and 3.94% whilst MMC Corp 3/28 closed unchanged at 4.94% on RM60m in nominal trades. Some activity was also seen in Bank Rakyat's IMTIAZ Sukuk with the 19-21's exchanging hands 5-6bps lower.

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	275	3.060	03/10/2019	0
MGS	11/19	3.065	173	3.051	02/10/2019	1
MGS	03/20	3.080	1	3.068	03/10/2019	1
MGS	07/20	3.062	67	3.071	03/10/2019	-1
MGS	10/20	3.095	8	3.101	03/10/2019	-1
MGS	07/21	3.109	50	3.106	03/10/2019	0
MGS	09/21	3.111	30	3.128	03/10/2019	-2
MGS	11/21	3.118	18	3.112	03/10/2019	1
MGS	03/22	3.096	351	3.100	03/10/2019	0
MGS	08/22	3.104	32	3.133	03/10/2019	-3
MGS	09/22	3.140	1	3.157	03/10/2019	-2
MGS	03/23	3.201	50	3.230	03/10/2019	-3
MGS	04/23	3.184	87	3.199	03/10/2019	-1
MGS	08/23	3.189	151	3.203	03/10/2019	-1
MGS	06/24	3.199	8	3.222	03/10/2019	-2
MGS	07/24	3.254	43	3.261	03/10/2019	-1
MGS	09/24	3.272	79	3.270	03/10/2019	0
MGS	03/25	3.304	40	3.318	01/10/2019	-1
MGS	07/25	3.331	20	3.400	27/09/2019	-7
MGS	09/25	3.337	65	3.361	03/10/2019	-2
MGS	07/26	3.309	11	3.306	03/10/2019	0
MGS	11/26	3.434	40	3.423	03/10/2019	1
MGS	11/27	3.422	11	3.426	03/10/2019	0
MGS	06/28	3.400	60	3.471	03/10/2019	-7
MGS	08/29	3.275	9	3.257	03/10/2019	2
MGS	06/31	3.588	10	3.596	02/10/2019	-1
MGS	11/33	3.662	10	3.662	03/10/2019	0
MGS	07/34	3.560	119	3.564	03/10/2019	0
MGS	05/35	3.711	1	3.711	02/10/2019	0
MGS	04/37	3.671	1	3.614	02/10/2019	6
MGS	06/38	3.597	52	3.624	03/10/2019	-3
MGS	07/48	3.871	53	3.859	03/10/2019	1
GII	04/21	3.127	3	3.098	20/09/2019	3
GII	08/21	3.120	10	3.142	03/10/2019	-2
GII	03/22	3.120	24	3.119	27/09/2019	0
GII	04/23	3.309	70	3.299	27/09/2019	1
GII	07/23	3.196	50	3.219	03/10/2019	-2
GII	11/23	3.236	21	3.235	03/10/2019	0
GII	08/24	3.263	213	3.294	03/10/2019	-3
GII	10/24	3.231	10	3.216	03/10/2019	1
GII	08/25	3.346	50	3.341	03/10/2019	0
GII	03/26	3.359	50	3.359	03/10/2019	0
GII	09/26	3.437	2	3.388	03/10/2019	5
GII	07/27	3.419	110	3.442	03/10/2019	-2
GII	08/28	3.460	20	3.448	01/10/2019	1
GII	10/28	3.421	230	3.434	03/10/2019	-1
GII	12/28	3.449	2	3.468	01/10/2019	-2
GII	07/29	3.371	280	3.382	03/10/2019	-1
GII	09/30	3.526	51	3.537	03/10/2019	-1
GII	08/33	3.661	1	3.641	02/10/2019	2
GII	11/34	3.630	90	3.626	03/10/2019	0
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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*
DanaInfra Nasional Berhad	10/23	GG	3.328	60	3.331	20/09/2019	0	14
Lembaga Pembiayaan Perumahan Sektor Awam	09/26	GG	3.450	50	3.395	03/09/2019	6	14
Prasarana Malaysia Berhad	12/27	GG	3.489	45	3.407	12/09/2019	8	14
DanaInfra Nasional Berhad	05/46	GG	4.005	10	4.000	02/10/2019	0	39
DiGi Telecommunications Sdn Berhad	09/26	AAA	3.569	5	3.588	03/10/2019	-2	26
DiGi Telecommunications Sdn Berhad	09/29	AAA	3.639	10	3.659	03/10/2019	-2	34
Danga Capital Berhad	01/30	AAA	3.708	10	3.709	03/10/2019	0	41
Danga Capital Berhad	09/33	AAA	3.859	25	3.860	01/10/2019	0	30
Tenaga Nasional Berhad	08/38	AAA	4.021	10	4.019	03/10/2019	0	41
Kuala Lumpur Kepong Berhad	04/26	AA1	3.692	10	3.651	29/08/2019	4	38
Westports Malaysia Sdn Berhad	04/26	AA+	3.840	30	3.892	23/09/2019	-5	53
Westports Malaysia Sdn Berhad	03/28	AA+	3.939	20	4.010	30/09/2019	-7	59
Imtiaz Sukuk II Berhad	11/19	AA2	3.240	15	3.297	25/09/2019	-6	16
Imtiaz Sukuk II Berhad	11/21	AA2	3.576	10	3.625	25/09/2019	-5	48
Imtiaz Sukuk II Berhad	05/22	AA2	3.666	10	3.725	25/09/2019	-6	56
Tanjung Bin Energy Issuer Berhad	09/23	AA3	3.727	10	4.653	16/11/2017	-93	54
Tanjung Bin Energy Issuer Berhad	03/24	AA3	3.749	10	4.649	30/10/2018	-90	56
Edra Energy Sdn Berhad	01/26	AA3	4.263	10	4.312	27/09/2019	-5	96
Edra Energy Sdn Berhad	07/26	AA3	4.287	10	4.308	23/08/2019	-2	98
Edra Energy Sdn Berhad	01/38	AA3	4.699	1	4.619	29/08/2019	8	108
UEM Sunrise Berhad	03/24	AA-	3.788	6	3.715	19/09/2019	7	60
UEM Sunrise Berhad	10/25	AA-	3.928	4	3.881	26/08/2019	5	63
MMC Corporation Berhad	03/28	AA-	4.943	60	4.938	03/10/2019	0	159
UMW Holdings Berhad	04/18	A1	4.559	5	4.614	27/09/2019	-5	94
IJM Land Berhad	03/19	A2	4.641	10	4.649	02/10/2019	-1	103
TSH Sukuk Ijarah Sdn Berhad	08/20	A+	4.013	10	4.739	20/03/2018	-73	93
TSH Sukuk Ijarah Sdn Berhad	12/21	A+	4.287	10	4.294	26/09/2019	-1	119
Tropicana Corporation Berhad	09/19	-	6.881	2	6.641	01/10/2019	24	327
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*spread against nearest indicative tenured MGS (Source : BPAM)

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Market/Corporate News: What's Brewing

Khazanah Nasional Bhd, the majority shareholder of PLUS Malaysia Bhd, has affirmed that it is not going to sell its strategic asset to any party. Its managing director Datuk Shahril Riza Ridzuan said the group had rejected all takeover offers it received from local and foreign private entities for the country's largest highway operator so far. "There are many offers from different parties... but our reply to all of them is very simple - we are not interested in selling," he said in an interview with TV3, aired last night. Shahril Riza added that these parties were also offering to buy PLUS at a much lower price than its real value. "If you want to buy (an asset) from the EPF (Employees Provident Fund) or Khazanah, you should offer a fair market price," he said, adding that the interested parties proposed to use the difference between the price paid and real value as toll discounts to the people. "If you want to give discounts, it should be from your profits, not from us," said Shahril Riza. Khazanah owns 51% interest in PLUS while the remaining is owned by EPF, following a takeover exercise in 2011 with a transaction value of RM32 billion. He added that Khazanah as an investment arm of the government must ensure that strategic assets such as PLUS are not sold to a party or individual that might only be interested in making profits without any consideration for the people. "If PLUS is making profits, it goes back to the government through Khazanah, or to the Malaysians via EPF. "So if you allow private parties to take over PLUS, and that parties make a lot of profit, people are not going to be happy," he added.. (Source: *The Edge*)

Khazanah Nasional Bhd has managed to reduce its debt burden from RM55 billion to RM47 billion in one year through asset and investment sales, its managing director, Datuk Shahril Ridza Redzuan said. He said the country's sovereign wealth fund also managed to generate RM9 billion in revenue during the same period and is expected to recover and able to generate RM5 billion in potential revenue this year.

“Although the value of our assets is still at RM130 billion, our debt has dropped by RM10 billion, so in terms of our net assets or our net balance sheet, it has been stronger,” he said in an interview on RTM tonight. Shahril also said that the process of selling assets was also seen as being able to restructure existing assets to be more sustainable and with lower risk. “From our projection, Khazanah can and should have a debt of around RM35 billion because by using a combination of debt and equity from our Government, we can maximise our income. “As with other companies, if they want to buy assets they will not buy the assets with equity alone, they will buy the equity together with the debt,” he said, adding that the sale of assets is a business strategy, and the people need not have to worry about it. “If we were to look in terms of the public viewpoint they may be mistaken. They may think we are merely selling. But on the other hand, when we sell the assets and we generate money or new funds from the sales. “The funds will be used for two things, one of which is reinvested in new assets to generate profits for Khazanah and the Government,” he added. Shahril said Khazanah used the funds to reduce the debt and generate returns on assets purchased, while increasing Government revenue through dividend yields. For 2018, Khazanah recorded a pre-tax loss of RM6.271 billion compared to a pre-tax profit of RM2.896 billion the previous year. The profits were affected by slightly higher disposals compared to that of previous years, lower dividend income and higher depreciation provision, as it went through the transition process, which also coincided with market volatility. Khazanah declared a dividend of RM1.5 billion for 2018. The Pakatan Harapan Government last year initiated the restructuring and reorganisation of Khazanah which constituted a change of leadership in its board and management, as well as the introduction of new mandates and objectives. (Source: *The Star*)

Rating Action			
Issuer	PDS Description	Rating/Outlook	Action
Gas Malaysia Berhad	Islamic Commercial Papers (ICP) programme Islamic Medium-Term Notes (IMTN) programme with a combined limit of up to RM700.0 million	MARC-1-IS AAA-IS	Affirmed Affirmed
Edra Solar Sdn Bhd	RM245 mil ASEAN Sustainability SRI Sukuk (2019/2037) (the Sukuk) – the first such sukuk in Malaysia.	AA2/Stable	Assigned

Source: RAM, MARC

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