

## Global Markets Research

### Fixed Income

#### Fixed Income Daily Market Snapshot

UST		
Tenure	Closing (%)	Chg (bps)
2-yr UST	1.46	6
5-yr UST	1.39	4
10-yr UST	1.56	3
30-yr UST	2.05	3

MGS		GII*		
Tenure	Closing (%)	Chg (bps)	Closing (%)	Chg (bps)
3-yr	3.13	3	3.14	2
5-yr	3.20	0	3.24	0
7-yr	3.36	5	3.42	6
10-yr	3.42	14	3.42	5
15-yr	3.57	0	3.66	3
20-yr	3.70	10	3.73	2
30-yr	3.90	2	3.95	0

\* Market indicative levels

MYR IRS Levels		
IRS	Closing (%)	Chg (bps)
1-yr	3.24	-2
3-yr	3.23	-1
5-yr	3.26	-1
7-yr	3.28	-2
10-yr	3.36	-1

Source : Bloomberg

#### Upcoming Government Bond Tender

Nil

#### US Treasuries

- US Treasuries tumbled; giving back some ground following several positive trading days earlier as traders viewed potential risks ahead of the next round-of US-China trade talks which are set to dominate headlines this coming Thursday and Friday. The curve flattened and shifted higher as overall benchmark yields closed between 3-6bps across with the UST 2y spiking 6bps at 1.46% whilst the much-watched 10Y rose 3bps lower at 1.56%. Investors were also wary of heavy UST auctions of 3Y, 10Y and 30Y bonds supply coming onstream this week. The mixture of recent data that may not necessarily support weaker economic conditions but neither confirming that the domestic sector is immune from global pressure. Current implied futures indicate odds for 70% rate cut of 25bps in October

#### MGS/GII

- Local govies ended Monday mostly weaker following weak bidding metrics of 1.23x; drawing a mere average of 3.41% for the reopening of the 10Y MGS 8/29. Secondary market volume maintained at ~RM3.23b with interest mainly centred in some off-the-run 20's along with 3Y, 7Y and 10Y benchmark bonds. Overall benchmark MGS/GII bond yields closed 0-14bps higher. The 5Y benchmark MGS 6/24 was untraded at 3.20% whilst the underlying cash 10Y MGS 8/29 spiked 14bps instead at 3.42% resulting in normalization of the 7s10s spread. GII bonds dropped sharply to form ~15% of overall trades. Foreign holdings of MGS in September rose ~RM500m; representing 37.5% of total outstanding whilst GII bonds saw a marginal uptick by ~RM100m. Expect govies to range sideways ahead of the all-important Malaysian Budget set to be unveiled this Friday, 11<sup>th</sup> October.

#### Corp Bonds/Sukuk

- Corporate Bonds/Sukuk saw continued traction amid easing of secondary market volume to RM359m with interest mainly in both the GG and the AA-segment. Overall yields closed mostly mixed. The long-end DANA 41-49's saw total RM65m in nominal trades with both the 5/42 and 11/42 alligning levels between -91 to +21bps compared to previous-done levels at 3.93-94% levels. The 2049 tranche however closed unchanged at 4.03%. AAA-rated RANTAU 3/29 yields spiked 12bps at 3.62% whilst AA-rated energy bond SEB 27-29's similarly closed 5-14bps higher between 3.64-72% area. JEP 12/29 however rallied 15bps at 4.19%. The banking space saw AFFIN Islamic Perps 2117NC23 trade RM40m in nominal amounts; edging 1bps lower at 4.46%

## Daily Trades : Government Bond

Securities		Closing YTM	Vol (RM mil)	Previous YTM	Previous Trade Date (dd/mm/yyyy)	Chg (bp)
MGS	10/19	3.052	100	3.060	04/10/2019	-1
MGS	11/19	3.126	50	3.065	04/10/2019	6
MGS	03/20	3.055	9	3.080	04/10/2019	-2
MGS	10/20	3.075	540	3.095	04/10/2019	-2
MGS	07/21	3.108	3	3.109	04/10/2019	0
MGS	09/21	3.125	7	3.111	04/10/2019	1
MGS	11/21	3.120	13	3.118	04/10/2019	0
MGS	03/22	3.125	52	3.096	04/10/2019	3
MGS	09/22	3.156	15	3.140	04/10/2019	2
MGS	04/23	3.183	2	3.178	04/10/2019	0
MGS	08/23	3.188	8	3.189	04/10/2019	0
MGS	07/24	3.323	63	3.250	04/10/2019	7
MGS	09/24	3.258	62	3.272	04/10/2019	-1
MGS	03/25	3.324	40	3.304	04/10/2019	2
MGS	07/25	3.338	21	3.331	04/10/2019	1
MGS	09/25	3.392	53	3.345	04/10/2019	5
MGS	07/26	3.356	217	3.309	04/10/2019	5
MGS	11/26	3.493	23	3.434	04/10/2019	6
MGS	03/27	3.443	50	3.474	02/10/2019	-3
MGS	11/27	3.415	1	3.422	04/10/2019	-1
MGS	06/28	3.420	62	3.391	04/10/2019	3
MGS	08/29	3.415	1190	3.275	04/10/2019	14
MGS	11/33	3.749	50	3.662	04/10/2019	9
MGS	05/35	3.756	30	3.711	04/10/2019	4
MGS	04/37	3.670	1	3.635	04/10/2019	4
MGS	06/38	3.698	10	3.597	04/10/2019	10
MGS	07/48	3.895	60	3.871	04/10/2019	2
GII	03/22	3.136	1	3.120	04/10/2019	2
GII	04/22	3.115	2	3.129	02/10/2019	-1
GII	11/23	3.223	3	3.236	04/10/2019	-1
GII	10/25	3.388	10	3.367	03/10/2019	2
GII	03/26	3.422	50	3.359	04/10/2019	6
GII	07/27	3.440	10	3.419	04/10/2019	2
GII	10/28	3.443	62	3.421	04/10/2019	2
GII	07/29	3.419	300	3.371	04/10/2019	5
GII	11/34	3.664	30	3.630	04/10/2019	3
GII	08/37	3.806	30	3.806	27/09/2019	0
GII	09/39	3.730	1	3.709	02/10/2019	2
			<u>3233</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	05/32	GG	3.730	25	4.060	18/06/2019	-33	9
Perbadanan Tabung Pendidikan Tinggi Nasional	03/37	GG	3.809	20	4.170	25/06/2019	-36	17
Perbadanan Tabung Pendidikan Tinggi Nasional	03/39	GG	3.850	20	4.009	06/08/2019	-16	18
DanaInfra Nasional Berhad	05/41	GG	3.909	20	3.850	13/09/2019	6	24
DanaInfra Nasional Berhad	05/42	GG	3.930	10	4.838	28/02/2019	-91	26
DanaInfra Nasional Berhad	11/42	GG	3.939	10	3.731	19/08/2019	21	27
DanaInfra Nasional Berhad	05/46	GG	4.011	5	4.005	04/10/2019	1	34
DanaInfra Nasional Berhad	11/48	GG	4.020	10	4.099	26/09/2019	-8	35
DanaInfra Nasional Berhad	02/49	GG	4.026	10	4.030	02/10/2019	0	35
Malaysia Airports Capital Berhad	08/20	AAA	3.390	5	3.401	14/08/2019	-1	30
Rantau Abang Capital Berhad	03/29	AAA	3.619	10	3.496	21/08/2019	12	18
Sarawak Energy Berhad	01/27	AA1	3.643	10	3.588	22/08/2019	5	28
Sarawak Energy Berhad	11/28	AA1	3.705	5	3.569	18/09/2019	14	27
Sarawak Energy Berhad	07/29	AA1	3.718	7	3.589	06/09/2019	13	29
Sabah Development Bank Berhad	10/29	AA1	4.780	20	-	-	-	135
Benih Restu Berhad	06/25	AA2	3.859	50	3.870	02/10/2019	-1	53
Fortune Premiere Sdn Berhad	03/23	AA	3.709	10	3.697	10/09/2019	1	58
CIMB Group Holdings Berhad	11/27	AA	3.827	10	3.846	30/09/2019	-2	41
Besraya (M) Sdn Berhad	07/26	AA3	4.309	5	4.958	25/01/2019	-65	95
Edra Energy Sdn Berhad	01/29	AA3	4.509	1	4.369	27/09/2019	14	107
Serba Dinamik Holdings Berhad	10/23	AA-	4.381	10	4.633	20/06/2019	-25	118
Segi Astana Sdn Berhad	01/24	AA-	4.949	1	4.969	01/10/2019	-2	175
Serba Dinamik Holdings Berhad	10/28	AA-	4.670	5	4.669	02/10/2019	0	123
Jimah East Power Sdn Berhad	12/29	AA-	4.189	20	4.338	12/06/2019	-15	76
UiTM Solar Power Sdn Berhad	04/31	AA-	5.021	5	5.178	26/07/2019	-16	159
Affin Bank Berhad	02/27	A1	3.776	10	3.505	26/09/2019	27	41
IJM Land Berhad	03/19	A2	4.641	5	4.641	04/10/2019	0	97
Affin Islamic Bank Berhad	10/17	A3	4.457	40	4.470	27/09/2019	-1	78
Eco World Capital Assets berhad	08/24	-	6.098	1	6.098	03/10/2019	0	286
				<u>359</u>				

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

]

## Market/Corporate News: What's Brewing

Emerging markets have rarely been so torn between trade-war tensions and optimism central banks will keep up their stimulus efforts, suggesting a week of greater-than-normal price swings is in prospect. The U.S. and China are set to restart high-level trade negotiations in Washington on Thursday and Friday, with investors skeptical of a breakthrough as President Donald Trump battles Congress over its impeachment inquiry. Before that, all eyes will be on Federal Reserve Chairman Jerome Powell's speeches on Tuesday and Wednesday, as investors seek clues on whether the central bank will enact a third-straight reduction in interest rates later this month. Signs that the world's biggest economy is slowing weighed on developing-nation stocks for a third week, while currencies strengthened as the dollar wobbled. Chinese officials are increasingly reluctant to agree to a broad trade deal pursued by President Donald Trump, according to people familiar with the discussions. While China plans to make an offer, it won't include commitments on reforming Chinese industrial policy or the government subsidies that have been the target of longstanding U.S. complaints, one of the people said. "Trump may push to announce some sort of progress, given weaker markets and economy, but I doubt it will have much substance," said Peter Kisler, a money manager at North Asset Management LLP in London. "We continue to be relatively bearish emerging-markets credit, although foreign exchange doesn't look too bad." Traders will also take their cue from China's yuan fixing when the country's markets re-open on Tuesday after a one-week holiday. Goldman Sachs Group Inc remains negative on the currency in the near term, as it expects U.S. tariffs on Chinese imports to be increased on Oct 15. It's also doubtful of a comprehensive trade agreement before the 2020 U.S. election. While implied volatility for emerging-market currencies is near a two-month low, technical indicators

suggest the calm may be about to end. The 50-day moving average is close to crossing above its 200-day measure. The last time that happened, in February 2018, it heralded a spike in volatility to a 2 1/2-year high in September that year. (Source: *The Edge*)

**Pelaburan Hartanah Bhd (PHB) and Maybank Asset Management Sdn Bhd (MAM) have announced the second and final income distribution of 2.60 sen a unit for Amanah Hartanah Bumiputera (AHB) for the financial year ended Sept 30, 2019.** In a joint statement today, PHB also declared a bonus distribution of 0.30 sen a unit for the first 500,000 units of AHB held by unit holders. In April 2019, PHB and MAM announced AHB interim income distribution of 2.75 sen a unit, with a bonus distribution of 0.25 sen a unit for the six-month period ended March 31, 2019. This brings the total income distribution to 5.60 sen a unit, or a total distribution of RM200.9 million, for the 12-month period ended Sept 30, 2019, the statement said. "The final income distribution is in line with the current market, as AHB is essentially a savings product. In fact, it provides a competitive return compared to most other savings products and its underlying assets of prime commercial buildings generate a relatively stable and more predictable income streams," said PHB group managing director/chief executive officer Datuk Mahmud Fauzi Muda. He said PHB now owns over eight million square feet of commercial buildings, which are collectively valued at well over RM6 billion. "Moving forward, PHB will continue with our commitment in enhancing value to unit holders and making AHB the preferred scheme for savers, especially for those with low-risk tolerance who would like to benefit from long-term ownership in prime commercial real estates in the country," he said. The final income distribution of AHB is tax exempted and payable net of zakat (tithe), which will be credited directly into the unit holder's bank account on Oct 10, 2019. For Employees Provident Fund (EPF) Member's Investment Scheme, it will be credited into Account 1 of EPF.AHB is a fixed-price shariah-compliant real estate backed unit trust fund. The minimum entry investment for individual investors is RM100. The fund is designed to cater for investors looking for a platform that generates regular income and potentially consistent returns similar to saving opportunities. PHB is the sponsor of AHB, while MAM is the fund manager. (Source: *The Edge/Bernama*)

**The Employees Provident Fund (EPF) will definitely consider divesting its stake in Plus Malaysia Bhd if there is a good offer, says its chief executive officer Tunku Alizakri Alias.** He said if there is any sensible takeover offer which would benefit its members in terms of returns and dividends, the fund will definitely study and consider the offer. "At this juncture, Plus is an asset that is very positive; it gives really strong returns and it is a well-run organisation. "In terms of services, it operates over 1,200 kilometres of highways and it gives really good service. So from the EPF perspective, we are very happy with the returns from Plus and it is also a strong asset," he told reporters on the sidelines of the Khazanah Megatrends Forum 2019 today. On Prime Minister Tun Dr Mahathir Mohamad's comment that the government will study offers to take over Plus, he said the comment could have been made on behalf of Khazanah Nasional Bhd, a government wealth sovereign fund that is another shareholder of the toll concessionaire. Earlier today, the prime minister said the government will study offers to take over Plus Highway Bhd, including bids from abroad. He was commenting on the offer by Hong Kong and Singapore-based equity firm RRJ Capital to take over Plus Highway, reportedly for RM3 billion. "Any bidding by firms (to take over Plus) will be studied by the government. We will entertain the offer, if it suits our needs," he said. Khazanah owns 51% of PLUS while the EPF owns 49%, following a takeover exercise in 2011 in a transaction valued at RM32 billion. Asked on dividends for the shareholders, Alizakri said the fund cannot give the direction, although he acknowledged the challenging economic performance moving forward, both domestically and globally. "All the data points to a challenging environment, (therefore) on our side, we will ensure our assets are managed well, but we will make sure if we have to buy, we will buy the best long-term asset, and if we must sell, we will also

make sure we get the best deal for any divestment," he explained. He said the fund is always on the lookout to buy and sell assets to give dividends to the shareholders. "The question is, do we have a governance process that is sustainable? (We have to ensure) due diligence is properly done, so our members can [be] rest assured that any divestment that we do is to benefit our members," he added. It was reported that the EPF secured dividends of RM1.56 billion from 10 companies that have paid the most dividends in its portfolio in the first half of 2019. The sum received was 5.4% higher than the RM1.49 billion a year ago. The companies include DiGi.Com Bhd, Axiata Group Bhd, Public Bank Bhd and Hong Leong Bank Bhd. (Source: *The Edge/Bernama*)

Rating Action			
Issuer	PDS Description	Rating/Outlook	Action
Nil	Nil	Nil	Nil

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

**DISCLAIMER**

This report is for information purposes only and does not take into account the investment objectives, financial situation or particular needs of any particular recipient. The information contained herein does not constitute the provision of investment advice and is not intended as an offer or solicitation with respect to the purchase or sale of any of the financial instruments mentioned in this report and will not form the basis or a part of any contract or commitment whatsoever.

The information contained in this publication is derived from data obtained from sources believed by Hong Leong Bank Berhad ("HLBB") to be reliable and in good faith, but no warranties or guarantees, representations are made by HLBB with regard to the accuracy, completeness or suitability of the data. Any opinions expressed reflect the current judgment of the authors of the report and do not necessarily represent the opinion of HLBB or any of the companies within the Hong Leong Bank Group ("HLB Group"). The opinions reflected herein may change without notice and the opinions do not necessarily correspond to the opinions of HLBB. HLBB does not have an obligation to amend, modify or update this report or to otherwise notify a reader or recipient thereof in the event that any matter stated herein, or any opinion, projection, forecast or estimate set forth herein, changes or subsequently becomes inaccurate.

HLB Group, their directors, employees and representatives do not have any responsibility or liability to any person or recipient (whether by reason of negligence, negligent misstatement or otherwise) arising from any statement, opinion or information, expressed or implied, arising out of, contained in or derived from or omission from the reports or matter. HLBB may, to the extent permitted by law, buy, sell or hold significantly long or short positions; act as investment and/or commercial bankers; be represented on the board of the issuers; and/or engage in 'market making' of securities mentioned herein. The past performance of financial instruments is not indicative of future results. Whilst every effort is made to ensure that statements of facts made in this report are accurate, all estimates, projections, forecasts, expressions of opinion and other subjective judgments contained in this report are based on assumptions considered to be reasonable as of the date of the document in which they are contained and must not be construed as a representation that the matters referred to therein will occur. Any projections or forecasts mentioned in this report may not be achieved due to multiple risk factors including without limitation market volatility, sector volatility, corporate actions, the unavailability of complete and accurate information. No assurance can be given that any opinion described herein would yield favorable investment results. Recipients who are not market professional or institutional investor customer of HLBB should seek the advice of their independent financial advisor prior to taking any investment decision based on the recommendations in this report.

HLBB may provide hyperlinks to websites of entities mentioned in this report, however the inclusion of a link does not imply that HLBB endorses, recommends or approves any material on the linked page or accessible from it. Such linked websites are accessed entirely at your own risk. HLBB does not accept responsibility whatsoever for any such material, nor for consequences of its use.

This report is not directed to, or intended for distribution to or use by, any person or entity who is a citizen or resident of or located in any state, country or other jurisdiction where such distribution, publication, availability or use would be contrary to law or regulation. This report is for the use of the addressees only and may not be redistributed, reproduced or passed on to any other person or published, in part or in whole, for any purpose, without the prior, written consent of HLBB. The manner of distributing this report may be restricted by law or regulation in certain countries. Persons into whose possession this report may come are required to inform themselves about and to observe such restrictions. By accepting this report, a recipient hereof agrees to be bound by the foregoing limitations.