

## Global Markets Research

### Fixed Income

#### Fixed Income Daily Market Snapshot

UST		
Tenure	Closing (%)	Chg (bps)
2-yr UST	1.42	-4
5-yr UST	1.35	-4
10-yr UST	1.53	-3
30-yr UST	2.03	-2

MGS		GII*		
Tenure	Closing (%)	Chg (bps)	Closing (%)	Chg (bps)
3-yr	3.11	-1	3.14	0
5-yr	3.20	0	3.24	0
7-yr	3.34	-2	3.38	-4
10-yr	3.39	-2	3.39	-3
15-yr	3.56	0	3.63	-3
20-yr	3.70	0	3.76	3
30-yr	3.92	3	3.98	3

\* Market indicative levels

MYR IRS Levels		
IRS	Closing (%)	Chg (bps)
1-yr	3.24	0
3-yr	3.23	0
5-yr	3.27	2
7-yr	3.30	2
10-yr	3.38	2

Source : Bloomberg

#### Upcoming Government Bond Tender

Nil

#### US Treasuries

- US Treasuries ended in positive territory following swings due to poor September PPI numbers and reports that US may impose visa bans for Chinese officials implicated in its mass detention of people in one of its provinces. Investors are anxiously awaiting the outcome of the next round of US-China trade talk tomorrow and Friday. The curve steepened and shifted lower as overall benchmark yields closed between 2-4bps lower across with the UST 2y at 1.42% whilst the much-watched 10Y gained back prior day's losses at 1.53%. The UST auction of 3Y (amid a heavy slate of issuances this week involving 3Y, 10Y and 30Y bonds) saw a muted bidding metrics on a BTC ratio of 2.43x; drawing an average of 1.413%. Meanwhile, Fed Chair Powell announced that the central bank will resume purchases of UST's; potentially T-bills in a bid to calm funding markets.

#### MGS/GII

- Local govies ended Tuesday mostly mixed-to-stronger. Nevertheless, secondary market volume was weaker at ~RM2.81b with interest mainly centred in both the 7Y and 10Y benchmark bonds. The curve steepened as overall benchmark MGS/GII bond yields closed mixed between 0-4bps lower extending up to 15Y tenures. The 5Y benchmark MGS 6/24 was again untraded at 3.20% whilst the 10Y MGS 8/29 edged 2bps lower at 3.39% on heavy volume traded. GII bonds rose slightly to form ~26% of overall trades. Despite the initial concerns on the possible change in the weightage of MYR bonds in the FTSE Russell WGBI in September, foreign holdings of MGS in September rose ~RM500m (37.5% of total outstanding) whilst GII bonds saw a marginal uptick ~RM100m. Meanwhile expect attention to shift to the Malaysian National Budget 2020 set to be unveiled by the finance minister this Friday, 11<sup>th</sup> October.

#### Corp Bonds/Sukuk

- Corporate Bonds/Sukuk saw reduced traction amid low secondary market volume of RM295m with interest in only the AAA- AA part of the curve. Overall yields closed mostly mixed-to-higher. Both PLUS 21 and 28 saw levels done between -23 to +20bps range compared to previous-done levels at 3.33% and 3.67% respectively; whilst the long-end TNB 8/38 edged 1bps higher at 4.03%. Energy-related bonds dominated the AA-segment with names such as SEB, Malakoff and UITM Solar; SEB 25-26's closed at 3.60-65% levels whereas MALAKOFF 28-29's saw huge decline in yields at 4.03-08%. Meanwhile, the banking space saw MAYBANK 29NC24 close 14bps lower at 3.81%.

## Daily Trades : Government Bond

Securities		Closing YTM	Vol (RM mil)	Previous YTM	Previous Trade Date (dd/mm/yyyy)	Chg (bp)
MGS	10/19	3.078	46	3.052	07/10/2019	3
MGS	11/19	3.058	10	3.126	07/10/2019	-7
MGS	03/20	3.060	16	3.055	07/10/2019	0
MGS	07/20	3.069	18	3.062	04/10/2019	1
MGS	10/20	3.083	151	3.075	07/10/2019	1
MGS	02/21	3.088	70	3.123	30/09/2019	-4
MGS	07/21	3.097	2	3.108	07/10/2019	-1
MGS	09/21	3.124	40	3.125	07/10/2019	0
MGS	03/22	3.111	147	3.125	07/10/2019	-1
MGS	08/22	3.099	15	3.104	04/10/2019	0
MGS	09/22	3.147	21	3.156	07/10/2019	-1
MGS	04/23	3.198	3	3.183	07/10/2019	2
MGS	07/24	3.278	50	3.323	07/10/2019	-4
MGS	09/24	3.279	80	3.258	07/10/2019	2
MGS	09/25	3.337	46	3.392	07/10/2019	-5
MGS	07/26	3.340	225	3.356	07/10/2019	-2
MGS	11/26	3.446	40	3.493	07/10/2019	-5
MGS	03/27	3.407	51	3.443	07/10/2019	-4
MGS	11/27	3.458	3	3.415	07/10/2019	4
MGS	06/28	3.431	30	3.420	07/10/2019	1
MGS	08/29	3.391	596	3.415	07/10/2019	-2
MGS	04/30	3.633	50	3.551	07/10/2019	8
MGS	04/33	3.664	10	3.634	04/10/2019	3
MGS	11/33	3.684	61	3.749	07/10/2019	-6
MGS	07/34	3.564	135	3.565	07/10/2019	0
MGS	05/35	3.719	2	3.756	07/10/2019	-4
MGS	04/37	3.678	1	3.670	07/10/2019	1
MGS	06/38	3.695	13	3.698	07/10/2019	0
MGS	09/43	3.899	62	3.872	04/10/2019	3
MGS	03/46	3.934	40	3.922	03/10/2019	1
MGS	07/48	3.923	35	3.895	07/10/2019	3
GII	04/22	3.130	15	3.115	07/10/2019	1
GII	07/23	3.211	17	3.196	04/10/2019	1
GII	08/24	3.280	80	3.263	04/10/2019	2
GII	08/25	3.350	10	3.346	04/10/2019	0
GII	10/25	3.359	40	3.388	07/10/2019	-3
GII	03/26	3.379	30	3.422	07/10/2019	-4
GII	07/27	3.411	1	3.440	07/10/2019	-3
GII	08/28	3.447	90	3.460	04/10/2019	-1
GII	10/28	3.449	1	3.443	07/10/2019	1
GII	07/29	3.392	190	3.419	07/10/2019	-3
GII	09/30	3.530	180	3.526	04/10/2019	0
GII	11/34	3.634	70	3.664	07/10/2019	-3
GII	09/39	3.757	2	3.730	07/10/2019	3
GII	11/49	3.979	10	3.953	02/10/2019	3
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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*
GENM Capital Berhad	08/20	AAA	3.392	20	3.321	10/09/2019	7	31
Projek Lebuhraya Usahasama Berhad	01/21	AAA	3.329	10	3.562	03/07/2019	-23	25
Aman Sukuk Berhad	05/24	AAA	3.524	10	3.534	26/09/2019	-1	30
Projek Lebuhraya Usahasama Berhad	01/28	AAA	3.675	20	3.480	19/09/2019	20	28
Tenaga Nasional Berhad	08/38	AAA	4.031	10	4.021	04/10/2019	1	34
Sabah Development Bank Berhad	05/22	AA1	3.706	10	3.764	04/09/2019	-6	59
Sarawak Energy Berhad	08/25	AA1	3.602	20	3.588	24/09/2019	1	28
Kuala Lumpur Kepong Berhad	04/26	AA1	3.708	10	3.692	04/10/2019	2	37
Sarawak Energy Berhad	06/26	AA1	3.653	20	3.899	05/08/2019	-25	31
Malayan Banking Berhad	01/29	AA1	3.806	20	3.944	15/08/2019	-14	40
Fortune Premiere Sdn Berhad	09/25	AA	3.852	20	3.785	19/09/2019	7	53
BGSM Management Sdn Berhad	12/22	AA3	3.769	25	3.746	02/10/2019	2	65
BGSM Management Sdn Berhad	03/26	AA3	3.978	10	4.408	17/05/2019	-43	66
Besraya (M) Sdn Berhad	07/26	AA3	4.307	5	4.309	07/10/2019	0	97
Serba Dinamik Holdings Berhad	10/23	AA-	4.378	10	4.381	07/10/2019	0	118
Malakoff Power Berhad	12/27	AA-	3.978	10	-	-	-	58
Serba Dinamik Holdings Berhad	10/28	AA-	4.668	5	4.670	07/10/2019	0	126
Malakoff Power Berhad	12/28	AA-	4.029	20	4.959	19/04/2017	-93	62
Malakoff Power Berhad	12/29	AA-	4.079	20	4.291	24/05/2019	-21	69
UiTM Solar Power Sdn Berhad	04/31	AA-	5.020	5	5.021	07/10/2019	0	163
IJM Land Berhad	03/19	A2	4.639	5	4.641	07/10/2019	0	95
Eco World Capital Assets berhad	08/24	-	6.098	7	6.098	07/10/2019	0	287
YNH Properties Berhad	08/19	-	6.633	3	6.695	02/10/2019	-6	294
				<u>295</u>				

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

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

**Putrajaya has raised RM81.3 billion through government bond in the first six months of this year.** The Ministry of Finance (MoF) said RM31 billion of the total was raised through Malaysian Government Securities (MGS), RM36 billion via the issuance of Malaysian Government Investment Issues (MGII), RM6.5 billion was Treasury Bills, and RM7.8 billion of external loans, consisting of issuance of Samurai Bonds and project loans. "Of these, RM23.2 billion was to refinance matured debt and RM58.1 billion was to finance the government's fiscal deficit of RM22.4 billion. The remaining RM35.7 billion was used to refinance the debt due between July and December, as well as the fiscal deficit in the second half of this year," MoF told Dewan Rakyat yesterday. MoF was responding to question posted by Datuk Alexander Nanta Linggi [GPS- Kapit], who asked the government to state the number of bonds issued as well as the name and the value since PH Government took over. (Source: *The Edge*)

**The logistics and automotive sectors are among those that will feel the impact of the targeted fuel subsidy scheme, when it kicks off in January next year.** Higher costs for the logistics sector lead to higher transport costs for businesses, regardless of the sectors they operate in, and ultimately higher prices for products and services. With RON95 fuel to be floated according to market prices, consumers may increasingly choose to purchase more energy-efficient or green vehicles, or opt for public transport over driving. Currently, the price of RON95 is fixed at RM2.08 while the price of the higher grade RON97 is controlled by a floating mechanism. About 2.9 million people are expected to be eligible for the subsidy under the scheme. Car and motorcycle owners entitled to the scheme will respectively receive RM120 and RM48 every four months. The subsidy will only be given to BSH recipients who own cars with 1,600cc engine and below, as well as cars that are 1,600cc and above which are at least 10 years old. Qualified motorcycles are those that are 150cc and below, or 150cc and above if they are seven years old. The logistics sector will be directly impacted if pump prices continue to increase above RM2.08 per litre for RON95, which means higher transports costs for businesses. A decision on whether the price of diesel will also be floated is pending as diesel is the preferred fuel for the haulage industry. Should the subsidy on diesel be removed, then the cost impact would be greater to the economy. "Certainly the logistics segment will be affected, and if the cost increase is passed on, then the overall costs of doing business will rise," an analyst tells StarBiz. He added that consumers would ultimately be the most impacted as a large part of these higher costs is likely to be passed on. HLIB Research said migration towards the new petrol subsidy scheme could increase transport related costs year-on-year for businesses in 2020, if pump prices rise above RM2.08 per litre. "For the logistics sector, we gather from Pos Malaysia that fuel cost only makes up about 2% of its total courier and postal services cost," the research house said in a note yesterday. It added that the targeted subsidy would be broadly negative for the consumer sector as it was a move away from a blanket subsidy, potentially reducing total discretionary income. In the automotive sector, it is likely that consumers will shift towards more fuel-efficient, hybrid or electric vehicles to keep fuel costs down. The scheme is also likely to result in BSH recipients who currently own cars with engines larger than 1,600cc to switch to smaller capacity models to be eligible for the subsidy. Analysts expect this move to benefit primarily the local carmakers, Proton and Perodua. Noting that the maximum income for BSH recipients is RM4,000 per month, and assuming a 30% allowable loan commitment, another research entity estimates a maximum allowable monthly loan commitment of RM1,200. "National car models dominate the lower price and capacity segment of the auto market, such as Perodua Axia, Proton Saga, Perodua Bezza, and are expected to be key beneficiaries," it said. As for the impact on petrol station operators, analysts are divided on the impact of the scheme on Petronas

Dagangan Bhd. Another analyst when contacted believes consumer spending may see a shift towards PetDag as the company currently offers the highest fuel rebates through its loyalty card programme. "As fuel becomes more expensive, consumers are likely to seek more attractive rebates to lower their cost of living. "Nevertheless, we believe any incremental volume growth from grabbing market share would likely be small, " it said. On the other hand some feel that PetDag could be impacted as consumers opt for public transportation due to the higher costs associated with driving. The research house said this, however, would be negated by PetDag's extensive network of 1,100 stations which have seen sales volume increases from recent refurbishment exercises. (Source: *The Star*)

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

Source: RAM, MARC

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