

## Global Markets Research

### Fixed Income

#### Fixed Income Daily Market Snapshot

UST		
Tenure	Closing (%)	Chg (bps)
2-yr UST	1.47	4
5-yr UST	1.41	5
10-yr UST	1.59	5
30-yr UST	2.09	6

MGS		GII*		
Tenure	Closing (%)	Chg (bps)	Closing (%)	Chg (bps)
3-yr	3.12	1	3.14	1
5-yr	3.23	3	3.24	0
7-yr	3.35	1	3.38	0
10-yr	3.39	0	3.40	1
15-yr	3.57	0	3.63	0
20-yr	3.66	-3	3.76	0
30-yr	3.88	-4	3.98	0

\* Market indicative levels

MYR IRS Levels		
IRS	Closing (%)	Chg (bps)
1-yr	3.22	-1
3-yr	3.21	-2
5-yr	3.24	-3
7-yr	3.28	-2
10-yr	3.35	-2

Source : Bloomberg

#### Upcoming Government Bond Tender

Nil

#### US Treasuries

- US Treasuries ended in negative territory as investors and traders focus on the upcoming US-China trade talks on Thursday and Friday with some initial reports stating that China is still open to reaching a partial trade with the US. The curve bear-steepened and shifted higher as overall benchmark yields closed between 4-6bps higher across with the UST 2y at 1.47% whilst the much-watched 10Y gave up 5bps to settle at 1.59%. The UST auction of \$24b of 10Y bonds (amid a heavy slate of issuances this week involving 3Y,10Y and 30Y bonds) saw strong bidding metrics on a BTC ratio of 2.43x; drawing an average of 1.59% (last sale Sep:1.739%). The Fed minutes meanwhile offered no fresh leads although some participants expressed concern on further rate cuts. Nevertheless, CME FedWatch Tool currently indicates that markets are widely expecting another 25bps rate cut this month.

#### MGS/GII

- Local govvies ended mostly mixed-to-stronger. Nevertheless, secondary market volume was unexciting at ~RM2.28b with interest mainly centred in some off-the-run 21's and 10Y benchmark bonds. The curve reversed prior day's move and flattened instead as overall benchmark MGS/GII bond yields closed mostly higher between 0-3bps save for both the 20Y and 30Y tenures. The 5Y benchmark MGS 6/24 rose 3bps at 3.23% whilst the 10Y MGS 8/29 closed within 1bps at 3.39% on heavy volume. GII bonds rose further to form ~41% of overall trades. Meanwhile expect attention to shift to the Malaysian National Budget 2020 set to be unveiled by the finance minister tomorrow, 11<sup>th</sup> October.

#### Corp Bonds/Sukuk

- Corporate Bonds/Sukuk saw improved traction amid decent doubling of secondary market volume of RM561m with interest across the GG-AA part of the curve. Overall yields closed mostly mixed-to-higher again. Both DANA 2/29 and 3/32 closed 4-5bps compared to previous-done levels at 3.60% and 3.72% respectively. The govt-guaranteed MDV 1/22 however saw yields end sharply lower instead compared to previous-done levels in April; to close at 3.25% on heavy volume. AAA-rated CAGAMS saw its 2020 tranches end 0-9bps higher at 3.28% levels. AA-space saw WESTPORTS 25's close sharply lower between 3.75-80% area. MMC 11/27 and 3/28 closed 0-6bps up between 4.92-94. Meanwhile, the banking space saw Bank MUAMALAT 26NC21 close 28bps lower at 4.48%.

## Daily Trades : Government Bond

Securities		Closing YTM	Vol (RM mil)	Previous YTM	Previous Trade Date (dd/mm/yyyy)	Chg (bp)
MGS	10/19	3.070	251	3.078	08/10/2019	-1
MGS	11/19	3.077	50	3.058	08/10/2019	2
MGS	03/20	3.103	1	3.060	08/10/2019	4
MGS	02/21	3.087	100	3.088	08/10/2019	0
MGS	07/21	3.117	151	3.097	08/10/2019	2
MGS	11/21	3.101	1	3.120	07/10/2019	-2
MGS	03/22	3.120	45	3.111	08/10/2019	1
MGS	08/22	3.103	1	3.099	08/10/2019	0
MGS	09/22	3.130	6	3.147	08/10/2019	-2
MGS	06/24	3.234	105	3.199	04/10/2019	4
MGS	07/24	3.262	7	3.278	08/10/2019	-2
MGS	09/24	3.290	5	3.279	08/10/2019	1
MGS	03/25	3.345	3	3.324	07/10/2019	2
MGS	09/25	3.359	5	3.337	08/10/2019	2
MGS	04/26	3.408	1	3.369	03/10/2019	4
MGS	07/26	3.351	7	3.340	08/10/2019	1
MGS	11/26	3.417	55	3.446	08/10/2019	-3
MGS	11/27	3.456	2	3.458	08/10/2019	0
MGS	06/28	3.450	4	3.431	08/10/2019	2
MGS	08/29	3.394	445	3.391	08/10/2019	0
MGS	04/30	3.614	2	3.633	08/10/2019	-2
MGS	04/33	3.683	9	3.664	08/10/2019	2
MGS	11/33	3.688	10	3.684	08/10/2019	0
MGS	06/38	3.661	68	3.695	08/10/2019	-3
MGS	03/46	3.931	5	3.934	08/10/2019	0
MGS	07/48	3.882	4	3.923	08/10/2019	-4
GII	08/21	3.130	40	3.120	04/10/2019	1
GII	03/22	3.144	30	3.136	07/10/2019	1
GII	04/22	3.121	10	3.130	08/10/2019	-1
GII	03/23	3.299	150	3.441	20/06/2019	-14
GII	08/25	3.360	440	3.350	08/10/2019	1
GII	08/28	3.427	80	3.447	08/10/2019	-2
GII	07/29	3.401	180	3.392	08/10/2019	1
GII	09/30	3.525	10	3.530	08/10/2019	0
			<u>2285</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*	
Malaysia Debt Ventures Berhad	01/22	GG	3.248	100	3.688	16/04/2019	-44	14
DanaInfra Nasional Berhad	07/27	GG	3.543	10	3.397	12/09/2019	15	15
Lembaga Pembiayaan Perumahan Sektor Awam	10/28	GG	3.520	40	3.509	03/10/2019	1	11
Pengurusan Air SPV Berhad	02/29	GG	3.611	5	3.579	27/09/2019	3	20
DanaInfra Nasional Berhad	02/29	GG	3.600	10	3.550	03/10/2019	5	19
DanaInfra Nasional Berhad	03/32	GG	3.720	25	3.680	03/10/2019	4	33
Perbadanan Tabung Pendidikan Tinggi Nasional	02/34	GG	3.741	10	3.629	04/09/2019	11	17
Cagamas Berhad	03/20	AAA	3.278	10	3.193	02/10/2019	9	19
Cagamas Berhad	08/20	AAA	3.285	15			329	20
Malaysia Airports Capital Berhad	08/20	AAA	3.420	10	3.390	07/10/2019	3	34
Cagamas Berhad	11/20	AAA	3.277	15	3.218	19/08/2019	6	19
Danum Capital Berhad	02/26	AAA	3.581	5	3.780	09/07/2019	-20	26
Danga Capital Berhad	02/26	AAA	3.581	5	3.579	02/10/2019	0	26
Danga Capital Berhad	09/27	AAA	3.649	30	3.478	04/09/2019	17	26
Pengurusan Air SPV Berhad	02/29	AAA	3.670	10	3.926	04/07/2019	-26	26
Tenaga Nasional Berhad	08/37	AAA	4.021	5	3.981	03/10/2019	4	32
Tenaga Nasional Berhad	08/38	AAA	4.042	35	4.031	08/10/2019	1	34
YTL Power International Berhad	03/23	AA1	3.788	20	3.806	03/10/2019	-2	67
Westports Malaysia Sdn Berhad	04/25	AA+	3.753	20	4.259	15/04/2019	-51	52
Westports Malaysia Sdn Berhad	10/25	AA+	3.799	10	4.468	27/02/2019	-67	48
YTL Power International Berhad	05/27	AA1	4.028	10	4.030	02/10/2019	0	64
Sarawak Energy Berhad	04/31	AA1	3.789	30	3.749	22/08/2019	4	40
Sarawak Energy Berhad	12/32	AA1	3.849	30	3.857	30/09/2019	-1	28
BGSM Management Sdn Berhad	12/19	AA3	3.451	10	3.476	02/10/2019	-2	37
Tanjung Bin Energy Issuer Berhad	03/30	AA3	3.979	10	3.969	19/09/2019	1	59
MMC Corporation Berhad	11/27	AA-	4.918	10	4.859	28/08/2019	6	153
MMC Corporation Berhad	03/28	AA-	4.938	10	4.943	04/10/2019	0	155
Tan Chong Motor Holdings Berhad	11/21	A1	4.150	40	4.569	27/09/2019	-42	105
Bank Muamalat Malaysia Berhad	06/26	A3	4.482	20	4.760	15/07/2019	-28	113
Eco World Capital Assets berhad	-	-	6.098	1	6.098	08/10/2019	0	-
			<u>561</u>					

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

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

**Several mega-infrastructure projects are expected to kick off following the Budget 2020 announcement, with one of them having its development agreement signed just hours before the tabling of the budget on Friday.** Sources said the government would announce the commencement of the tunnel project in Penang and the revived Bandar Malaysia project, as well as new highway projects to be constructed in Selangor. It is learnt that on Friday morning, ahead of the budget announcement, the development agreement for the long-delayed controversial tunnel project in Penang will finally be inked between the Penang state government and the main contractor, Consortium Zenith Construction Sdn Bhd. The RM6.34bil development is expected to commence immediately after the signing of the agreement, which is for the first phase also known as Package 2 of the project. The first phase of the project is the 5.7-km Ayer Itam-Lebuhraya Tun Dr Lim Chong Eu bypass, which has a construction period of 36 months. The signing ceremony for this project, sources said, would take place within a week from the budget announcement, with the government expected to reveal further details on the project. In April this year, the government had announced the revival of the Bandar Malaysia project, which spans 196ha at the site of the former airport in Sungai Besi. The project, first announced by former Prime Minister Datuk Seri Najib Razak back in 2011, was owned by the controversial 1Malaysia Development Bhd (1MDB) investment fund at the time. The integrated property development was also supposed to be a terminal for the KL-Singapore high-speed rail – yet another mega-project scrapped by the Pakatan Harapan government when they came into power last year. In December 2015, the Finance Ministry entered into an agreement to sell a 60% stake in Bandar Malaysia for RM7.4bil to a 60:40 consortium comprising Iskandar Waterfront Holdings Bhd and China Railway Engineering Corp Sdn Bhd. The companies were to be the project's master developer. In May 2017, however, the government surprised the market by calling off the deal, citing the failure of the purchasing parties to fulfil payment obligations. Two years later, the revived project will now include 10,000 affordable housing units, a people's park, bumiputra participation throughout the project and the priority for the use of local content and materials. Meanwhile, on the expected new highways to be announced in Selangor, a source said one of the highways is expected to stretch across Petaling Jaya. Previously, plans for the Kinrara-Damansara Expressway (Kidex) had been announced, but it was met with objection from residents living near the planned highway, and subsequently cancelled. Later, it was speculated that the Petaling Jaya Dispersal Link (PJD Link) highway project would replace the cancelled Kidex project. Another ongoing development that is likely to see new work packages awarded in the year ahead is the toll-free Central Spine Road (CSR) project. The 350-km project, estimated to cost RM350mil, links Kuala Krai in Kelantan to Simpang Pelangai in Pahang. Sources expect the government, during the upcoming budget announcement, to announce the progress of the project as well as the upcoming packages. Early last month, the Works Ministry stated that the government would prioritise packages three, four and five of the project, which run from Gua Musang in Kelantan to Kuala Lipis in Pahang; Kuala Lipis to Raub in Pahang; and from Raub to Bentong, Pahang, respectively, due to reasons including traffic congestion as well as high incidents of accidents in parts of these routes. Package five, which is ongoing, commenced under the 10th Malaysia Plan with an approved cost of RM631.98mil and is set to be completed next year. In August this year, it was reported that the Pahang state would be receiving about RM800mil in allocations for package six of the CSR project, involving the stretch from Bentong town to Simpang Pelangai. Apart from the infrastructure projects, the government is also expected to announce details on the implementation of the impending digital tax that is expected to be implemented on Jan 1, 2020. During the tabling of Budget 2019, Lim announced that a 6% digital tax would be imposed on foreign service providers, namely, streaming services Netflix and Spotify, and digital game distributor Steam. The move is meant to create an equal playing field

between local and foreign digital service providers. (Source: *The Edge*)

**Maju Holdings Sdn Bhd has bumped up its offer to buy PLUS Malaysia Bhd by proposing to absorb the RM2.7 billion in toll compensation owed by the government to PLUS, as well as reduce toll fares.** “The government currently owes PLUS approximately RM2.7 billion in toll compensation, and if Maju Holdings takes over PLUS, we are pleased to inform that we will no longer hold the government responsible for these debts,” the company said. The government will save RM2.7 billion by virtue of the fact that the company will absorb the toll compensation, Maju Holdings said in a statement yesterday. The company, controlled by businessman Tan Sri Abu Sahid Mohamed, said its proposal also includes a 25% to 36% reduction in toll rates, with the company bearing the cut in full. Maju Holdings said it submitted its revised proposal to the government this week, offering to buy PLUS at an enterprise value of RM34.9 billion, which includes the leading highway operator’s debt to bondholders. “This purchase consideration is a reflection of the true and fair value of this company and its assets, taking into consideration our intention to provide Malaysian road users with tangible discounts,” it said. In July, the company was said to have made a fresh proposal to take over PLUS — it first made an offer in 2017 — by forking out RM3.5 billion and assuming the concessionaire’s debts of about RM30 billion. Prime Minister Tun Dr Mahathir Mohamad has said the government can sell PLUS to private entities on the condition that the government still participates in the highway owner and operator’s future decision-making. Apart from that, the company said it was committed to invest some RM5.3 billion which would include lighting up the entire length of the highway along with other enhancements. “With this latest offer that we have submitted to the government, existing shareholders of PLUS Malaysia will benefit from an estimated total equity internal rate of return of approximately 16%. “This represents a return that far surpasses the cost of equity for a majority of other toll road concessions, both globally as well as across Southeast Asia,” it added. Maju Holdings said it had successfully operated the MEX Highway in the Klang Valley in a highly cost-effective manner. “In fact, we have one of the lowest costs per kilometre in the country. As such, we are confident we will be able to reduce maintenance costs for PLUS,” it claimed. “We would like to reiterate to policymakers and Malaysians that we are confident that our offer is a compelling one and one that will not burden the government but will in fact alleviate the government’s debt situation,” it added. Earlier this month, Malaysian-led Hong Kong-based private equity firm RRJ Capital had come out with a revised proposal to the government to acquire PLUS for RM3.5 billion. The company also offered toll discounts of up to 30% based on new cars’ price tag, and to demolish toll booths to alleviate traffic congestion. PLUS is 51%-owned by Khazanah Nasional Bhd and 49% by the Employees Provident Fund (EPF). On Monday, Khazanah managing director Datuk Shahril Ridza Ridzuan said there could be a “huge moral hazard” of having private entities hold a strategic asset such as PLUS with the backing of government guarantees. (Source: *The Star*)

Rating Action			
Issuer	PDS Description	Rating/Outlook	Action
Axis REIT Sukuk Berhad	RM70 mil Class A1 Sukuk under Axis REIT Sukuk Berhad’s (ARSB) Second Sukuk Issue	AAA/Stable	Reaffirmed
UniTapah Sdn Bhd	Sukuk Murabahah of up to RM600 mil (2014/2035)	AA1/Stable	Reaffirmed
Edra Energy Sdn Bhd	ukuk Wakalah of up to RM5.085 bil in nominal value (2018/2038)	AA3/Stable	Reaffirmed

Source: RAM, MARC

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