

## Global Markets Research

### Fixed Income

#### Fixed Income Daily Market Snapshot

UST		
Tenure	Closing (%)	Chg (bps)
2-yr UST	1.68	8
5-yr UST	1.59	9
10-yr UST	1.73	9
30-yr UST	2.22	9

MGS		GII*		
Tenure	Closing (%)	Chg (bps)	Closing (%)	Chg (bps)
3-yr	3.09	-2	3.13	1
5-yr	3.21	-1	3.26	0
7-yr	3.33	8	3.33	2
10-yr	3.40	7	3.39	0
15-yr	3.53	3	3.53	2
20-yr	3.62	2	3.66	0
30-yr	3.87	0	3.81	0

\* Market indicative levels

MYR IRS Levels		
IRS	Closing (%)	Chg (bps)
1-yr	3.19	0
3-yr	3.21	2
5-yr	3.25	2
7-yr	3.29	3
10-yr	3.37	0

Source : Bloomberg

#### Upcoming Government Bond Tender

Nil

#### US Treasuries

- US Treasuries fell on Tuesday taking cues from positive vibes from upcoming US-China trade talks coupled with another wave of IG corporate bond issuances which added on to the supply. The curve shifted higher as overall benchmark yields spiked between 8-9bps with both the UST 2Y and much-watched 10Y yields up at 1.68% and 1.73% levels respectively. Meanwhile the auction of \$38b of 3Y notes saw softer-than-expected bidding metrics that did weigh on the curve. Interestingly, investors are at an inflection point between recessionary fears that may have been overblown and the bond market getting it right on lower bond yields. The Fed funds futures has priced in a full 25bps rate cut on 18<sup>th</sup> September and a total of more than 50bps of cuts by FOMC in December. Up next on the dat front are the Producer Price Indices for August.

#### MGS/GII

- Trading momentum for local govies was maintained as secondary market volume rose to RM3.37b with main interest seen in the off-the-run 20's and benchmark 3Y, 10Y and 15Y MGS bonds. Overall benchmark MGS yields closed mostly higher again between 0-8bps across the curve save for the front-end MGS bonds. The 5Y benchmark MGS 6/24 edged 1bps lower at 3.21% whilst the 10Y MGS 8/29 spiked 7bps instead at 3.40% on odd-lot closing levels. GII bonds dropped further to form a mere ~19% of overall trades. Meanwhile, investors await reports if China's inclusion in the FTSE Russell's WGBI index would necessitate a reduction in Malaysia's weightage or an exclusion entirely. On the economic front we have IPI today and the OPR decision by BNM MPC tomorrow.

#### Corp Bonds/Sukuk

- Corporate Bonds/Sukuk saw less traction as secondary market volume fell to RM461m with interest seen mainly across the GG and AA-part of the curve. The Govt-guaranteed PTPTN saw 2024 and 2031-32 tranches notch up to RM160m in nominal amounts with yields between 0-90bps compared to previous-done levels at 3.35% and 3.47-56% levels respectively. Meanwhile the short AAA-rated GENM Capital 8/20 closed 3bps lower at 3.32% whilst the AA-segment saw highway toll operator KESTURI 12/31 and 12/33 close also sharply lower on yields at 4.20% and 4.33% each. Meanwhile in the Finance sector, Hong Leong Assurance 25NC20 closed at 3.75% on heavy volume.

## Daily Trades : Government Bond

Securities		Closing YTM	Vol (RM mil)	Previous YTM	Previous Trade Date (dd/mm/yyyy)	Chg (bp)
MGS	11/19	3.062	32	3.051	06/09/2019	1
MGS	03/20	3.055	566	3.050	05/09/2019	1
MGS	07/20	3.053	51	3.079	06/09/2019	-3
MGS	02/21	3.071	90	3.087	29/08/2019	-2
MGS	07/21	3.088	11	3.117	06/09/2019	-3
MGS	09/21	3.093	30	3.085	06/09/2019	1
MGS	11/21	3.080	4	3.092	06/09/2019	-1
MGS	03/22	3.084	799	3.106	06/09/2019	-2
MGS	08/22	3.140	1	3.111	06/09/2019	3
MGS	09/22	3.120	2	3.137	06/09/2019	-2
MGS	03/23	3.169	4	3.179	06/09/2019	-1
MGS	04/23	3.223	12	3.182	05/09/2019	4
MGS	06/24	3.214	113	3.226	06/09/2019	-1
MGS	07/24	3.265	7	3.269	06/09/2019	0
MGS	09/24	3.317	19	3.269	06/09/2019	5
MGS	03/25	3.331	124	3.302	06/09/2019	3
MGS	09/25	3.361	44	3.308	06/09/2019	5
MGS	07/26	3.326	29	3.249	06/09/2019	8
MGS	11/26	3.363	85	3.350	06/09/2019	1
MGS	03/27	3.390	3	3.422	23/08/2019	-3
MGS	11/27	3.405	37	3.377	06/09/2019	3
MGS	06/28	3.415	55	3.361	06/09/2019	5
MGS	08/29	3.401	262	3.325	06/09/2019	8
MGS	04/30	3.480	20	3.496	06/09/2019	-2
MGS	06/31	3.571	48	3.563	06/09/2019	1
MGS	04/32	3.530	2	3.513	05/09/2019	2
MGS	04/33	3.595	3	3.609	06/09/2019	-1
MGS	11/33	3.615	10	3.562	06/09/2019	5
MGS	07/34	3.527	258	3.497	06/09/2019	3
MGS	05/35	3.652	1	3.584	05/09/2019	7
MGS	06/38	3.620	6	3.601	06/09/2019	2
MGS	09/43	3.809	1	3.799	06/09/2019	1
MGS	03/46	3.841	10	3.770	05/09/2019	7
GII	08/20	3.050	120	3.052	06/09/2019	0
GII	03/22	3.132	12	3.123	05/09/2019	1
GII	08/24	3.300	20	3.270	06/09/2019	3
GII	10/24	3.257	44	3.260	06/09/2019	0
GII	08/25	3.324	92	3.322	06/09/2019	0
GII	07/29	3.385	90	3.383	06/09/2019	0
GII	09/30	3.476	20	3.394	29/08/2019	8
GII	11/34	3.528	120	3.510	29/08/2019	2
GII	10/35	3.685	20	3.661	06/09/2019	2
GII	08/37	3.737	91	3.701	06/09/2019	4
			<u>3367</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*
Perbadanan Tabung Pendidikan Tinggi Nasional	12/24	GG	3.346	70	4.240	08/08/2018	-89	13
Prasarana Malaysia Berhad	08/26	GG	3.378	50	3.380	06/09/2019	0	8
Prasarana Malaysia Berhad	12/27	GG	3.408	30	4.022	23/04/2019	-61	7
DanaInfra Nasional Berhad	11/29	GG	3.479	20	3.719	01/08/2019	-24	11
Perbadanan Tabung Pendidikan Tinggi Nasional	02/30	GG	3.468	40	3.901	24/06/2019	-43	10
Perbadanan Tabung Pendidikan Tinggi Nasional	07/31	GG	3.519	30	3.529	27/08/2019	-1	15
Perbadanan Tabung Pendidikan Tinggi Nasional	03/32	GG	3.560	20	3.558	27/08/2019	0	4
DanaInfra Nasional Berhad	05/41	GG	3.829	10	3.750	05/09/2019	8	21
DanaInfra Nasional Berhad	03/47	GG	3.918	10	3.850	21/08/2019	7	30
DanaInfra Nasional Berhad	02/49	GG	3.949	15	3.970	06/09/2019	-2	33
Danga Capital Berhad	04/20	AAA	3.300	3	3.210	14/08/2019	9	24
GENM Capital Berhad	08/20	AAA	3.321	20	3.347	21/08/2019	-3	26
Sabah Development Bank Berhad	02/26	AA1	4.419	10	4.898	10/07/2019	-48	115
Affin Bank Berhad	02/27	A1	3.761	20	4.126	05/09/2019	-37	46
Eco Capital Assets Berhad	08/24	-	6.099	1	6.099	06/09/2019	0	-
Mah Sing Berhad-Perpetual	#N/A	-	5.972	3	5.986	30/08/2019	-1	-
SAJ Capital Sdn Berhad	01/23	AA-	4.119	5	-	-	-	101
Fortune Premiere Sdn Berhad	03/23	AA-	3.697	6	3.797	23/08/2019	-10	51
WCT Holdings Berhad	10/23	AA-	4.448	4	4.454	06/09/2019	-1	126
UEM Sunrise Berhad	03/24	AA-	3.708	2	3.728	04/09/2019	-2	49
Konsortium Lebuhraya Utara-Timur (KL) Sdn Ber	12/31	AA-	4.200	10	4.446	11/07/2019	-25	83
Konsortium Lebuhraya Utara-Timur (KL) Sdn Ber	12/33	AA-	4.330	10	4.959	11/01/2019	-63	81
Hong Leong Assurance Berhad	02/25	AA3	3.750	60	4.200	21/05/2019	-45	54
RHB Investment Bank Berhad	04/25	AA3	3.806	10	3.840	03/09/2019	-3	53
Mumtaz Rakyat Sukuk Berhad	06/26	AA3	3.834	2	3.859	05/09/2019	-2	54
				461				

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

## Market/Corporate News: What's Brewing

**The Pengurusan Air Selangor Sdn Bhd (Air Selangor) will officially become the sole licensee for water treatment and distribution to consumers in Selangor, Kuala Lumpur and Putrajaya beginning Friday.** Selangor Menteri Besar Amirudin Shari said Air Selangor had successfully completed the acquisition of all five privately owned concessionaires in April. They are Puncak Niaga Sdn Bhd (PNSB Water), Syarikat Bekalan Air Selangor Sdn Bhd (SYABAS), Konsortium ABASS Sdn Bhd (ABASS), Konsortium Air Selangor Sdn Bhd (KASB) and Syarikat Pengeluar Air Sungai Selangor Sdn Bhd (SPLASH). "The success of this restructuring means that all concessions will be terminated," he said in his speech here today. Asked on the possibility of increase in water tariff, he said the current rate needed to be revised. "As I promise, I do not deny increase of the tariff, but we have to get the formula (for the revision)," he said. In addition, Amirudin said the state government and Air Selangor had implemented various plans and initiatives to improve the services after taking over two concessionaires in Oct 2015. "For example, the state government has completed two new water treatment plants namely Semenyih 2 and Labohan Dagang at a cost of RM800 million to increase the treated water reserve margin in Selangor," he said. Amirudin said Air Selangor had spent RM1.1 billion from 2016 to 2018 to upgrade the water supply infrastructures including water treatment plants, ponds and pipeline replacement works as well as the non-revenue water (NRW) reduction programme"... frequency ratio for burst pipe incidents, based on the number of burst pipe per 100 kilometres, showed a decrease from 20 cases in 2016 to 13 cases in 2018," he said. (Source: The Edge/Bernama)

**Australian pension funds are sitting on a A\$245 billion (\$167.38 billion) 'wall of money' that will probably flow overseas because of a lack of domestic options, asset managers say.** Thanks to Australian laws requiring employers to contribute at least 9% of a worker's salary to a pension, superannuation funds, as they are known

locally, are the world's third-largest pool of pension assets, worth about \$1.9 trillion. The Australian stock market is worth only \$1 trillion. The nearly 2:1 ratio is the highest among major developed economies, according to Bank of America Merrill Lynch (BAML), and the imbalance is growing - as is the range of overseas markets and assets attracting those funds. "We have the world's tenth-biggest stock market but the third-biggest pension fund pool," said Mark Warburton, BAML head of Australian equity capital markets. "There is a wall of money waiting to be invested." Some of that money has stayed in Australia, such as the A\$2.1 billion purchase in March education group Navitas by AustralianSuper, the country's largest pension fund, and private equity group BGH Capital. But asset managers told Reuters the cash imbalance was putting pressure on Australian funds to find infrastructure, property, private equity and listed companies offshore. Last month, AustralianSuper agreed to put up to \$1 billion into India's National Investment & Infrastructure Fund Ltd (NIIF), and has accumulated major stakes in listed companies such as drinks maker Diageo and consumer company Reckitt Benckiser. Superannuation fund-owned IFM Investors, one of the country's largest infrastructure investors, also told Reuters it was expanding its listed equities business outside Australia. "The scale is just enormous," National Australia Bank head of markets Drew Bradford said of the potential overseas investments. According to NAB, about 41% of the biggest funds' assets are currently invested overseas. Nearly three quarters of those funds plan to increase such investments over the next two years, the bank found. "You are going to have maybe the third-largest nominal pension pot money in the world with half or more of those investments held offshore," Bradford said. AustralianSuper this year announced plans to open an office in New York and expand its London operations. In Britain, pension funds assets are worth 1.4 times more than the local equities market, while in Canada it is 1.2 times, BAML figures show. U.S. pension fund assets are almost equal to stock markets, at about \$24.7 trillion apiece. Analysts said pension funds' available assets have been one reason for the Australian market's performance this year. The benchmark S&P/ASX200 has risen 17.5% this year, according to Refinitiv data. The US S&P500 has increased 18.82% during the same period, according to Refinitiv data. The continued growth of Australia's biggest funds - with some adding internal management teams - is also adding pressure on domestic fund managers. This year, five pension funds have announced mergers, and industry experts expect more. Ian Fletcher, head of research at investment advisory firm Chant West, said fund managers were discounting their fees as their pool of customers grows smaller in number but heftier in size. "If you want to get mandates from Australian pensions you need to charge 5 to 10 basis points less than in overseas markets," Fletcher said. Ian Macoun, the managing director of Pinnacle Investment Management, which has A\$54.3 billion of assets under management according to the company's website, said domestic managers were suffering as super funds expanded and did more allocations on their own. "There are definitely fee pressures from big super funds," he said. The only solution, he added, "is to keep performing well. (Source: The Star/Reuters)

Rating Action			
Issuer	PDS Description	Rating/Outlook	Action
Country Garden Real Estate Sdn Bhd	RM1.5 bil IMTN Programme (2015/2035)	AA3(s)/Stable	Reaffirmed

Source: RAM, MARC

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