

## Global Markets Research

### Fixed Income

#### Fixed Income Daily Market Snapshot

UST		
Tenure	Closing (%)	Chg (bps)
2-yr UST	1.54	8
5-yr UST	1.49	8
10-yr UST	1.67	9
30-yr UST	2.16	8

MGS		GII*		
Tenure	Closing (%)	Chg (bps)	Closing (%)	Chg (bps)
3-yr	3.12	-1	3.15	1
5-yr	3.20	-4	3.24	0
7-yr	3.35	0	3.40	2
10-yr	3.40	0	3.40	0
15-yr	3.57	0	3.63	0
20-yr	3.70	4	3.76	0
30-yr	3.97	9	3.98	0

\* Market indicative levels

MYR IRS Levels		
IRS	Closing (%)	Chg (bps)
1-yr	3.22	-1
3-yr	3.21	0
5-yr	3.25	0
7-yr	3.29	2
10-yr	3.38	2

Source : Bloomberg

#### Upcoming Government Bond Tender

Re-opening of 20Y GII 9/39 amounting to RM2.0b  
(plus RM0.5b Private Placement) on Monday, 14<sup>th</sup> October

#### US Treasuries

- US Treasuries slid into negative territory again amid European news i.e. Brexit optimism and bond supply pressures emanating out of Italy. The positive vibes felt by investors and traders on current US-China trade talks also contributed to the bond rout. The curve shifted higher as overall benchmark yields closed between 8-9bps higher across with the UST 2y at 1.54% whilst the much-watched 10Y gave up 9bps to settle at 1.67%. However the selling was stemmed by the strong bidding metrics during the UST auction of \$16b of 30Y bonds; amid a heavy slate of issuances this week involving 3Y, 10Y and 30Y bonds. The long bond notched a BTC ratio of 2.25x whilst drawing an average of 2.17%; a record low yield. Nevertheless, latest CPI numbers added to signs of lack of price pressure in the US economy, potentially reinforcing views that the Fed may still cut rates going forward.

#### MGS/GII

- Local govvies ended mostly mixed-to-stronger yesterday on slightly improved secondary market volume of ~RM2.96b with interest mainly centred in some off-the-run 19-21's and 10Y benchmark MGS bonds. The curve reversed prior day's move and steepened instead as overall benchmark MGS/GII bond yields closed mostly higher between 0-9bps in the belly and long-ends save for the 3Y and 5Y MGS. The 5Y benchmark MGS 6/24 however rallied 4bps at 3.20% whilst the 10Y MGS 8/29 closed within 1bps at 3.40% on heavy volume again. GII bonds dropped to form a mere ~10% of overall trades. Expect the Malaysian National Budget 2020 to take centre-stage today with the government's fiscal policy uppermost on most investors minds.

#### Corp Bonds/Sukuk

- Corporate Bonds/Sukuk saw reduced traction on tepid secondary market volume of RM141m with interest along the AAA-AA part of the curve only. Overall yields closed mostly mixed. Both AAA-rated PUTRAJAYA Holdings 10/19 and Bina 5/29 closed sharply lower on yields compared to previous-done levels at 3.18% and 3.79% respectively. AA-space was dominated by energy-related bonds such as EDRA Energy, MALAKOFF power and JIMAH East. EDRA Solar made its debut trade at the coupon of 4.25% whilst EDRA Energy 1/26 moved 4bps lower at 4.22%. Malakoff 12/22 saw strong demand that pushed its yields 73bps lower at 3.71% whereas JEP sank 11bps higher at 4.06%. Meanwhile, the banking space saw Sabah Dev Bank 12/21 close at 3.67%.

## 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	150	3.070	09/10/2019	-1
MGS	11/19	3.060	162	3.077	09/10/2019	-2
MGS	03/20	3.060	50	3.103	09/10/2019	-4
MGS	07/20	3.046	1	3.069	08/10/2019	-2
MGS	10/20	3.072	100	3.083	08/10/2019	-1
MGS	02/21	3.085	90	3.087	09/10/2019	0
MGS	07/21	3.106	110	3.117	09/10/2019	-1
MGS	09/21	3.083	260	3.125	09/10/2019	-4
MGS	03/22	3.115	15	3.120	09/10/2019	0
MGS	08/22	3.106	111	3.103	09/10/2019	0
MGS	09/22	3.135	43	3.130	09/10/2019	0
MGS	03/23	3.197	23	3.200	09/10/2019	0
MGS	04/23	3.196	5	3.198	08/10/2019	0
MGS	08/23	3.213	68	3.188	07/10/2019	2
MGS	06/24	3.198	431	3.234	09/10/2019	-4
MGS	07/24	3.282	46	3.262	09/10/2019	2
MGS	09/24	3.288	65	3.290	09/10/2019	0
MGS	09/25	3.345	34	3.359	09/10/2019	-1
MGS	04/26	3.384	1	3.408	09/10/2019	-2
MGS	07/26	3.347	16	3.351	09/10/2019	0
MGS	11/26	3.429	64	3.417	09/10/2019	1
MGS	11/27	3.460	26	3.456	09/10/2019	0
MGS	06/28	3.437	74	3.450	09/10/2019	-1
MGS	08/29	3.398	567	3.394	09/10/2019	0
MGS	04/30	3.566	100	3.614	09/10/2019	-5
MGS	04/33	3.655	11	3.683	09/10/2019	-3
MGS	11/33	3.700	2	3.688	09/10/2019	1
MGS	06/38	3.701	50	3.661	09/10/2019	4
MGS	09/43	3.919	2	3.921	09/10/2019	0
MGS	03/46	3.951	3	3.931	09/10/2019	2
MGS	07/48	3.978	10	3.882	09/10/2019	10
GII	04/20	3.084	1	3.100	02/10/2019	-2
GII	05/20	3.088	40	3.162	25/07/2019	-7
GII	05/20	3.088	20	3.075	02/10/2019	1
GII	03/21	3.104	50	3.120	01/10/2019	-2
GII	03/22	3.154	8	3.144	09/10/2019	1
GII	08/25	3.321	2	3.360	09/10/2019	-4
GII	03/26	3.404	30	3.379	08/10/2019	2
GII	10/28	3.435	20	3.449	08/10/2019	-1
GII	07/29	3.400	20	3.401	09/10/2019	0
GII	06/33	3.674	3	3.649	01/10/2019	2
GII	10/35	3.840	7	3.706	27/09/2019	13
GII	08/37	3.806	60	3.806	07/10/2019	0
GII	05/47	3.949	10	3.939	27/09/2019	1
			<u>2963</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*
Putrajaya Holdings Sdn Berhad	10/19	AAA	3.175	15	4.075	10/04/2018	-90	9
Putrajaya Bina Sdn Berhad	05/29	AAA	3.789	20	4.119	16/05/2019	-33	39
Sabah Development Bank Berhad	12/21	AA1	3.674	10	4.686	22/04/2019	-101	57
Sabah Development Bank Berhad	04/24	AA1	4.559	1	4.357	25/09/2019	20	134
AI Dzahab Assets Berhad	09/26	AA1	4.328	5	4.330	09/10/2019	0	98
First Resources Limited	10/21	AA2	3.727	20	3.896	18/07/2019	-17	62
Edra Solar Sdn Berhad	10/24	AA2	4.250	5	-	-	-	103
Premier Auto Assets Berhad	07/22	AA3	5.150	1	5.195	27/09/2019	-4	203
Edra Energy Sdn Berhad	01/26	AA3	4.222	15	4.263	04/10/2019	-4	90
Tadau Energy Sdn Berhad	07/27	AA3	4.518	2	4.808	07/06/2019	-29	112
Edra Energy Sdn Berhad	01/29	AA3	4.198	1	4.509	07/10/2019	-31	79
Tanjung Bin Energy Issuer Berhad	03/29	AA3	3.919	10	3.919	03/10/2019	0	51
Malakoff Power Berhad	12/22	AA-	3.706	20	4.432	21/03/2019	-73	58
Jimah East Power Sdn Berhad	12/27	AA-	4.057	10	3.947	27/08/2019	11	66
Affin Bank Berhad	02/27	A1	4.413	1	3.776	07/10/2019	64	106
CIMB Group Holdings Berhad	05/16	A1	4.212	1	4.322	24/09/2019	-11	51
Eco World International Berhad	02/23	-	6.170	1	5.616	02/10/2019	55	305
Eco World Capital Assets Berhad	08/24	-	6.098	4	6.098	09/10/2019	0	288
Tropicana Corporation Berhad	09/19	-	6.868	1	6.881	04/10/2019	-1	317
				<u>141</u>				

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

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

**Malaysia Airlines Bhd has finally filed its much-delayed accounts for its financial year ended Dec 31, 2018 (FY18), which saw the national carrier's net loss narrowing by a marginal 2.5% year-on-year (y-o-y).** The summary of financial information filed with CTOS yesterday showed that Malaysia Airlines' net loss for FY18 dropped to RM791.71 million from RM812.11 million in the previous year, as revenue improved by a slight 0.8% to RM8.74 billion from RM8.67 billion. No explanation for the results was given in the summary. In March, when Malaysia Airlines group chief executive officer Captain Izhah Ismail announced the group's overall performance for FY18 — the exact figures were not revealed then — he said the year saw intense competition, with supply outstripping demand, as well as volatility in fuel and foreign exchange (forex), which affected its profitability. Malaysia Airlines, which missed its target to return to the black last year, saw its gearing ratio (debt to equity) turn negative to 7.01 times as at Dec 31, 2018, from a positive gearing ratio of 8.39 times the year before. The last time it posted a negative gearing ratio was in FY15, which was at 13.38 times. A negative gearing ratio indicates that the airline is in a net cash position, that is, cash at hand exceeds debt. The company's sole shareholder Khazanah Nasional Bhd, which took the airline private in 2014, has pumped some RM800 million into the airline via its holding company Malaysia Aviation Group Bhd so far this year. The summary also revealed that Malaysia Airlines had total assets of RM5.12 billion as at Dec 31, 2018, down 11.41% from RM5.78 billion the year before. At the same time, its total liabilities increased 15.65% to RM5.97 billion as at Dec 31, 2018, compared with RM5.17 billion a year ago. In June, when Izhah announced the airline's performance for the first quarter ended March, 2019, he warned that 2019 is expected to remain "extremely challenging", given rising competitive environment and aircraft overcapacity which directly impacts yield. "While the airline has hedged against fuel and forex, we will continue to be impacted by such external volatilities including the ongoing trade war between the US and China, and does not foresee to break even this year," he said. (Source: *The Edge*)

**Another offer with a reduction in toll charges has come in for PLUS Expressways Bhd concessionaires from low-profile Widad Business Group Bhd (WBG), which has made a RM3bil bid for the prized highways.** In a statement yesterday, the integrated facility management and construction company said its proposal offered two options – the first being a 51% takeover of Khazanah Nasional Bhd's shares for RM1.5bil in cash consideration, where the remaining 49% will be public shareholding owned by the Employees Provident Fund (EPF). The second option on the table would be a full takeover of Khazanah and EPF's shares for RM3bil in cash consideration. WBG executive chairman Tan Sri Muhammad Ikmal Opat Abdullah said that in the event the group successfully takes over the concessionaires, the group would reduce the current toll charges by 25% to 40%. Both offers included the waiver of toll compensation worth RM2.7bil incurred by the government for the abolition of tolls in Plaza Batu Tiga and Bukit Kayu Hitam. According to the group, the options also took into account the extension of the highway concessionaires for 20 more years after the conclusion of the concession period. WBG said it has identified a global strategic partner/investor to fund the proposed acquisition, coupled with the group's internal funds and its fundraising plan via a sukuk medium-term note and equity issuance. The takeover proposal was submitted to Prime Minister Tun Dr Mahathir Mohamad, the Works Ministry and the Economic Affairs Ministry on Oct 9, according to the statement. The highways that are involved in the concessionaires of PLUS Expressways are PLUS Highway, the Second Link Expressway (Linkedua), the Penang Bridge, the North South Expressway Central Link (Elite), the Butterworth Kulim Expressway (KLBK) and the Seremban-Port Dickson Highway (SPDH). Muhammad Ikmal said the group would also work to refurbish the involved highway rest stops and implement artificial intelligence technology to improve highway

and traffic management with the additional promise of not making any retrenchment of employees for at least five years after the takeover. WBG has also proposed to give a 50% discount for toll fares during festive seasons such as Hari Raya, Chinese New Year and Deepavali for as long as it deems reasonable. WBG's offer came a day after Maju Holdings Sdn Bhd offered a reduction in tolls from 25% to up to 36% under its amended proposal to the government for PLUS. In Maju's amended proposal, it has proposed to bear the toll reduction in full and said that it was not seeking financial compensation from the government for this. The government owes PLUS RM2.7bil in toll compensation, which Maju said it would absorb if successful. A private equity firm based in Hong Kong and Singapore, RRJ Capital, has also reportedly made an offer to take over PLUS for RM3bil. (Source: *The Star*)

Rating Action			
Issuer	PDS Description	Rating/Outlook	Action
Bank of China (Malaysia) Berhad	Financial Institution ratings	AA1/Stable/P1	Reaffirmed

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 of 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.