

Global Markets Research

Fixed Income

Fixed Income Daily Market Snapshot

US Treasuries

- US Treasuries saw the long-end pressured last Friday in an otherwise lack-lustre trading session with the 10Y closing at a 3-month high. Markets were seen trying to digest whether US-China trade tariffs would indeed be rolled back soon; thus creating further uncertainty. The steepening curve saw overall benchmark yields end 1-3bps higher with the UST 2Y at 1.68% whilst the much-watched 10Y rose 3bps to 1.95%. Meanwhile the improvement in University of Michigan's consumer sentiment Index was a non-event as investors largely ignored the data which was somewhat similar to previous month. Reports on consumer and producer price inflation, retail sales and industrial production may attract some attention this week. At the short-end, bond traders are doubting that the Fed will ease rates anytime soon following three (3) recent rate cuts.

UST		
Tenure	Closing (%)	Chg (bps)
2-yr UST	1.68	1
5-yr UST	1.75	2
10-yr UST	1.95	3
30-yr UST	2.43	3

MGS		GII*		
Tenure	Closing (%)	Chg (bps)	Closing (%)	Chg (bps)
3-yr	3.08	0	3.11	0
5-yr	3.19	-8	3.27	-3
7-yr	3.39	4	3.38	-2
10-yr	3.41	-6	3.43	-49
15-yr	3.68	0	3.79	0
20-yr	3.82	1	3.91	-2
30-yr	4.05	3	4.10	0

* Market indicative levels

MYR IRS Levels		
IRS	Closing (%)	Chg (bps)
1-yr	3.30	-2
3-yr	3.30	-3
5-yr	3.31	-6
7-yr	3.37	-4
10-yr	3.41	-5

Source : Bloomberg

Upcoming Government Bond Tender

Nil

MGS/GII

- Local govies close mixed last Friday despite BNM's announcement of a cut in SRR from 3.5% to 3.0% in a move that is expected to provide liquidity to the bond market as well. Secondary market volume improved to RM4.51b with interest seen mainly in the benchmark 3Y, 5Y, 7Y and 10Y bonds. Overall benchmark yields ended mostly mixed between -8 to +4bps save for the 10Y GII. The benchmark 5Y MGS 6/24 rallied pushing yields down 8bps at 3.19% whilst the 10Y MGS 8/29 yields declined 6bps to 3.41%. GII trades jumped to form ~47% of overall trades. The latest foreign holdings of MYR bonds for October which revealed a slight decrease in MGS by RM446m) with an increase in GII holdings by RM55m did little to change direction of market.

Corp Bonds/Sukuk

- Corporate bonds/sukuk space saw interest remain decent despite the decrease in secondary volume to RM418m. Overall interest was seen across the GG-part of the curve with overall yields however ended mostly mixed-to-higher. The Govt-guaranteed bonds saw active trading with PRASA 30-31's closing between -1 to +2bps compared to previous-done levels at 3.74-81% area. DANA 5/31 and 5/32 also closed 1bps higher and 3bps lower respectively at 3.80% and 3.84% each. The longer-tenured AAA-rated GENM Capital 7/33 edged 2bps lower at 4.25%. The AA-space saw energy-related bonds like Southern Power and TBEI exchange hands closing mixed on yields. The banking space saw RHB Islamic 29NC24 spike 8bps at 4.02% whilst MBSB Bank 12/20 closed sharply lower on yields at 3.58%.

Daily Trades : Government Bond

Securities	Closing	Vol	Previous	Previous	Chg
	YTM	(RM mil)	YTM	Trade Date (dd/mm/yyyy)	(bp)
MGS 11/19	3.050	56	3.028	07/11/2019	2
MGS 03/20	2.925	258	2.925	07/11/2019	0
MGS 07/20	2.976	83	3.007	07/11/2019	-3
MGS 10/20	3.027	54	3.039	07/11/2019	-1
MGS 07/21	3.071	100	3.100	07/11/2019	-3
MGS 09/21	3.084	140	3.099	07/11/2019	-2
MGS 11/21	3.062	50	3.107	07/11/2019	-5
MGS 03/22	3.082	262	3.078	07/11/2019	0
MGS 09/22	3.152	90	3.155	07/11/2019	0
MGS 03/23	3.217	30	3.194	06/11/2019	2
MGS 06/24	3.194	199	3.273	06/11/2019	-8
MGS 09/24	3.332	82	3.347	07/11/2019	-2
MGS 03/25	3.301	206	3.346	07/11/2019	-4
MGS 09/25	3.398	20	3.385	06/11/2019	1
MGS 07/26	3.392	122	3.349	07/11/2019	4
MGS 11/26	3.370	30	3.417	07/11/2019	-5
MGS 11/27	3.439	192	3.467	07/11/2019	-3
MGS 06/28	3.435	20	3.475	07/11/2019	-4
MGS 08/29	3.405	246	3.468	07/11/2019	-6
MGS 04/33	3.701	40	3.706	07/11/2019	0
MGS 11/33	3.749	11	3.744	07/11/2019	0
MGS 04/37	3.703	2	3.703	07/11/2019	0
MGS 06/38	3.822	51	3.808	06/11/2019	1
MGS 09/43	4.006	10	4.018	07/11/2019	-1
MGS 07/48	4.049	33	4.017	07/11/2019	3
GII 05/20	3.036	5	2.991	06/11/2019	4
GII 08/20	3.021	10	3.040	05/11/2019	-2
GII 03/21	3.065	130	3.116	06/11/2019	-5
GII 08/21	3.101	100	3.109	05/11/2019	-1
GII 07/22	3.155	100	3.137	07/11/2019	2
GII 03/23	3.250	10	3.299	09/10/2019	-5
GII 07/23	3.191	10	3.226	07/11/2019	-4
GII 05/24	3.599	70	3.343	05/11/2019	26
GII 10/24	3.267	170	3.300	07/11/2019	-3
GII 08/25	3.405	240	3.402	05/11/2019	0
GII 10/25	3.370	160	3.400	07/11/2019	-3
GII 03/26	3.375	130	3.392	07/11/2019	-2
GII 09/26	3.404	160	3.429	07/11/2019	-2
GII 06/27	3.446	20	3.449	17/10/2019	0
GII 07/27	3.446	60	3.470	05/11/2019	-2
GII 10/28	3.454	153	3.492	07/11/2019	-4
GII 07/29	3.430	90	3.450	05/11/2019	-2
GII 11/34	3.785	200	3.790	05/11/2019	0
GII 10/35	3.858	100	3.836	24/10/2019	2
GII 08/37	3.957	61	3.943	07/11/2019	1
GII 09/39	3.909	140	3.927	06/11/2019	-2
		<u>4506</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*
Khazanah Nasional Berhad	03/21	GG	3.280	15	3.173	20/08/2019	11	24
Perbadanan Tabung Pendidikan Tinggi Nasional	06/22	GG	3.281	25	3.237	30/09/2019	4	18
Prasarana Malaysia Berhad	09/24	GG	3.493	10	3.340	27/08/2019	15	22
DanaInfra Nasional Berhad	07/27	GG	3.585	35	3.608	01/11/2019	-2	16
Prasarana Malaysia Berhad	09/28	GG	3.658	5	3.688	07/11/2019	-3	21
DanaInfra Nasional Berhad	09/29	GG	3.747	30			375	30
Prasarana Malaysia Berhad	03/30	GG	3.739	10	3.749	01/11/2019	-1	29
Prasarana Malaysia Berhad	12/30	GG	3.810	15	3.798	04/07/2019	1	36
Prasarana Malaysia Berhad	02/31	GG	3.808	10	3.789	07/11/2019	2	36
DanaInfra Nasional Berhad	05/31	GG	3.799	5	3.789	04/11/2019	1	35
DanaInfra Nasional Berhad	05/32	GG	3.839	10	3.869	31/10/2019	-3	17
DanaInfra Nasional Berhad	02/33	GG	3.901	5	3.569	04/09/2019	33	23
GENM Capital Berhad	07/28	AAA	4.456	2	3.979	23/09/2019	48	101
GENM Capital Berhad	07/33	AAA	4.250	50	4.273	07/11/2019	-2	58
MBSB Bank Berhad (fka Asian Finance Bank Berhad)	12/20	AA1	3.579	10	4.092	11/06/2019	-51	54
Northern Gateway Infrastructure Sdn Berhad	08/26	AA1	3.949	10	4.472	14/02/2019	-52	57
Tanjung Bin Power Sdn Berhad	08/20	AA2	3.393	10	3.402	31/10/2019	-1	35
Imtiaz Sukuk II Berhad	10/22	AA2	3.736	10	4.327	27/03/2019	-59	64
Sime Darby Plantation Sdn Bhd	03/16	AA	3.902	30	3.909	23/09/2019	-1	11
IJM Corporation Berhad	08/28	AA3	4.296	40	4.091	18/09/2019	21	85
RHB Islamic Bank Berhad	05/29	AA3	4.020	20	3.935	11/09/2019	8	57
Southern Power Generation Sdn Berhad	10/28	AA-	3.999	10	4.272	30/04/2019	-27	55
Southern Power Generation Sdn Berhad	04/33	AA-	4.229	20	4.219	25/10/2019	1	56
Southern Power Generation Sdn Berhad	10/33	AA-	4.270	20	4.269	25/10/2019	0	60
Eco World International Berhad	04/23	-	5.914	1	5.914	07/11/2019	0	282
Mah Sing Group Berhad	04/17	-	5.944	10	5.452	05/11/2019	49	215
				<u>418</u>				

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

Market/Corporate News: What's Brewing

IJM Land Bhd will start construction of its RM4.5bil The Light City project, which is located next to the Penang Bridge, no later than April next year. IJM Perennial Development Sdn Bhd general manager Tan Hun Beng told StarBiz that the group expected to receive approvals for the planning permission and building plan from the local authorities in November and early February, respectively. "Construction work is scheduled to start no later than April," Tan said. IJM Perennial is a joint-venture company formed by IJM Corp Bhd and Singapore's Perennial Real Estate Holdings Ltd to oversee the project. "The first phase will have a mall with a 680,000-sq-ft net lettable area, the Penang Waterfront Convention Centre, a four-star hotel with 500 rooms, offices and the Mezzo residential condominiums. "The second phase will have a 300,000-sq-ft mall, a five-star hotel with 250 rooms, offices and the Essence residential condominiums. The first phase is scheduled for completion in 2024," Tan said. Tan added that The Light City was supposed to start work in 2018, but because of the property market slowdown, the plan had to be revised. "Because of the property market slowdown, we redesigned the plan of the scheme so that the mall could be launched in two phases, according to the pace of market demand. "The revised plan can now accommodate more food and beverage outlets and possibly, an experiential themed park in phase two," Tan said. IJM Land senior general manager (north) Datuk Toh Chin Leong said the commencement of the second phase would depend on the sales of the Mezzo condominiums and the occupancy of the mall. "If the sales and occupancy of the mall are good, we will start the second phase as soon as possible," said Toh. "The retail mall and the hotel business would be well supported by the convention centre, which is expected to bring in the crowds. "The demand for convention centre space is driven by the meeting, incentive, convention and exhibition market, which is booming in Penang. "Our location is well-centralised around the airport, free industrial zone, George Town city and the mainland. This is also an added advantage," explained Toh. Meanwhile, Penang Master Builders and Building Materials Dealers Association adviser Datuk Lim Kai Seng said the The Light City project would generate about RM2bil worth of jobs for the local construction industry. "About 40% of the RM4.5bil gross development value would need to be spent on construction works and another 10% for

renovation works. "The first phase alone should generate over RM1.3bil worth of construction jobs," Lim said. IJM is one of Malaysia's leading conglomerates with businesses in construction, property, plantations, industry and infrastructure. It has operations in 10 countries, with the primary focus on Malaysia, India, the United Arab Emirates, China and Indonesia. Perennial is an integrated real estate and healthcare company headquartered and listed in Singapore. As a real estate owner, developer and manager, Perennial focuses strategically on large-scale, mixed-use developments. It has operations in China, Singapore, Malaysia, Indonesia, Myanmar and Ghana with a combined portfolio spanning over 65 million sq ft in gross floor area. (Source: *The Star*)

The Government has agreed to provide a 25-month interim period for procurement of drugs to Pharmaniaga Bhd after its concession ends on Nov 30, said Health Minister Datuk Seri Dr Dzulkefly Ahmad. He said the interim period from Dec 1, 2019 to Dec 31, 2021 was to ensure that there was no supply chain disruption in the supply and distribution of medicines to the Health Ministry's facilities nationwide. Dr Dzulkefly said the 25-month period would also allow the Health Ministry to make the necessary preparations to undertake the services which were done previously by Pharmaniaga, whose concession was said to be a monopoly. "If the Health Ministry is able to take over the role of Pharmaniaga in less than 25 months, then an open tender for procurement of medicines will be initiated early," he said at a press conference after his ministry's post-Cabinet meeting here today. Dr Dzulkefly said the implementation of the interim period was decided at the Cabinet meeting today after he tabled a memorandum on Pharmaniaga's concession, which ends on Nov 30. Meanwhile, Dr Dzulkefly said that starting Dec 1, 2019, the Government will award Pharmaniaga a five-year contract for logistics and distribution of medicines based on the capabilities, performance and everything that Pharmaniaga has built until now. "The Government has decided it as a matter of policy to award the contract for five years. After five years the situation depends. "In the five-year period, the Government will build capacity through vendor development programmes and so after that, the Ministry will be able to make open tenders for medicine logistics concessions," he said. (Source: *The EdgeMarkets*)

Rating Action			
Issuer	PDS Description	Rating/Outlook	Action
Impian Ekspresi Sdn Bhd	Guaranteed MTN Programme of RM300m RM150m	AAA(FG)/Stable AAA(BG)/Stable	Reaffirmed Reaffirmed
Cagamas Berhad	Corporate Credit Ratings Global ASEAN National-scale corporate credit ratings	gA2/Stable/gP1 seaAAA/Stable/seaP1 AAA/Stable/P1	Reaffirmed Reaffirmed Reaffirmed
	RM60 bil Islamic and Conventional MTN Programme (2007/2067)	AAA/Stable	
	RM20 bil Islamic and Conventional CP Programme (2015/2022)	P1	Reaffirmed
Cagamas Global P.L.C.	USD2.5 bil Multicurrency MTN Programme	gA2(s)/Stable	Reaffirmed
Cagamas Global Sukuk Berhad	USD2.5 bil Multicurrency Sukuk Issuance Programme	gA2(s)/Stable	Reaffirmed

Source: RAM, MARC

Hong Leong Bank Berhad

Fixed Income & 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.