

Global Markets Research

Fixed Income

UST		
Tenure	Closing (%)	Chg (bps)
2-yr UST	1.65	3
5-yr UST	1.69	3
10-yr UST	1.84	2
30-yr UST	2.27	1

MGS		GII*		
Tenure	Closing (%)	Chg (bps)	Closing (%)	Chg (bps)
3-yr	3.05	-2	3.10	0
5-yr	3.25	1	3.29	-2
7-yr	3.35	2	3.35	0
10-yr	3.41	-2	3.53	2
15-yr	3.70	4	3.78	2
20-yr	3.75	0	3.89	0
30-yr	4.02	-1	4.00	0

* Market indicative levels

MYR IRS Levels		
IRS	Closing (%)	Chg (bps)
1-yr	3.25	0
3-yr	3.27	-1
5-yr	3.34	0
7-yr	3.36	-1
10-yr	3.40	0

Source : Bloomberg

Upcoming Government Bond Tender

Nil

Fixed Income Daily Market Snapshot

US Treasuries

- The US Treasuries fell on Tuesday; with the front-end pressured as curve continued to flatten amid news that US and China are planning to delay tariffs which were originally meant to commence on 15th December. The \$24b of 10Y auction reopening was well-bid on a BTC ratio of 2.43x; at the awarded yield of 1.842% (average previous six auctions: 2.41x). UST's also slipped from reports that the Democrats have agreed to US-Mexico-Canada trade deal. Overall benchmark yields closed between 1-3bps higher with the UST 2Y up at 1.65% and the much-watched 10Y edging 2bps higher at 1.84% levels. The US Treasury is expected to continue with its final auction of 30Y bonds this week. Expect trading activity to be driven by reaction to the upcoming FOMC meeting tomorrow.

MGS/GIII

- Local govies saw stronger activity and momentum amid a report stating that the World bank has lowered the nation's 2020 growth to 4.5%. Secondary market volume spiked to RM6.66b with investor interest mainly in the off-the-run 19-21's and 10Y benchmark MGS bonds. Overall benchmark yields closed mostly mixed between -2 to +4bps across the curve. The benchmark 5Y MGS 6/24 edged 1bps up at 3.25% whilst the 10Y MGS 8/29 moved 2bps lower at 3.41%. GII trades inched up to form ~30% of overall trades. Meanwhile, majority of traders may be sidelined on lack of additional market-moving data and winding-down of portfolio activities as the year-end beckons. Up next on the data front is the industrial production figures for October due out tomorrow.

Corp Bonds/Sukuk

- Corporate bonds/sukuk space continued to see solid interest with secondary market volume also spiking to RM1.17b as investor interest remained across the GG-AA part of the curve with yields closed mostly mixed-to-higher. Govt-guaranteed DANAINFRA bonds dominated the space as the long-end 48-49's saw strong volumes; ending between 0-14bps higher compared to previous-done levels at 4.27% levels. AAA-rated BAKUN Hydro 26-31's similarly saw a flurry of activities with total nominal amounts of RM740m traded higher on yields between 3.67-90% area. AA-space saw YTL Power 27-28's edge 1-2bps higher as well between 4.12-18%. The banking space saw Bank Muamalat move 10bps lower at 4.10%

Daily Trades : Government Bond

Securities	Closing	Vol	Previous	Previous	Chg
	YTM	(RM mil)	YTM	Trade Date (dd/mm/yyyy)	(bp)
MGS 03/20	2.935	777	2.956	09/12/2019	-2
MGS 07/20	2.957	120	2.965	09/12/2019	-1
MGS 10/20	2.966	430	2.953	09/12/2019	1
MGS 02/21	3.020	250	3.010	03/12/2019	1
MGS 07/21	3.039	353	3.012	09/12/2019	3
MGS 09/21	3.035	203	3.026	09/12/2019	1
MGS 11/21	3.050	116	3.051	09/12/2019	0
MGS 03/22	3.049	111	3.064	09/12/2019	-2
MGS 08/22	3.099	101	3.099	09/12/2019	0
MGS 09/22	3.121	280	3.104	09/12/2019	2
MGS 03/23	3.131	252	3.134	09/12/2019	0
MGS 04/23	3.180	0	3.155	09/12/2019	3
MGS 08/23	3.170	18	3.205	09/12/2019	-4
MGS 06/24	3.250	110	3.240	09/12/2019	1
MGS 07/24	3.278	304	3.239	09/12/2019	4
MGS 09/24	3.263	113	3.256	09/12/2019	1
MGS 09/25	3.320	23	3.311	09/12/2019	1
MGS 07/26	3.349	29	3.327	09/12/2019	2
MGS 11/26	3.397	53	3.397	09/12/2019	0
MGS 11/27	3.441	12	3.429	09/12/2019	1
MGS 06/28	3.462	42	3.470	09/12/2019	-1
MGS 09/28	3.479	0	3.476	03/12/2019	0
MGS 08/29	3.414	362	3.432	09/12/2019	-2
MGS 04/30	3.560	0	3.553	09/12/2019	1
MGS 06/31	3.650	40	3.645	09/12/2019	0
MGS 04/33	3.728	0	3.705	09/12/2019	2
MGS 11/33	3.714	0	3.731	09/12/2019	-2
MGS 07/34	3.703	194	3.694	09/12/2019	1
MGS 04/37	3.736	12	3.721	09/12/2019	2
MGS 06/38	3.843	51	3.809	06/12/2019	3
MGS 05/40	3.746	70	3.743	04/12/2019	0
MGS 09/43	4.052	60	4.023	09/12/2019	3
MGS 03/46	4.063	16	4.040	09/12/2019	2
MGS 07/48	4.018	128	4.032	09/12/2019	-1
GII 08/20	3.012	480	3.015	04/12/2019	0
GII 04/21	3.049	150	3.054	02/12/2019	0
GII 04/22	3.116	36	3.148	05/12/2019	-3
GII 11/23	3.230	121	3.211	09/12/2019	2
GII 05/24	3.274	130	3.279	03/12/2019	0
GII 08/24	3.266	100	3.289	21/11/2019	-2
GII 10/24	3.290	100	3.306	05/12/2019	-2
GII 08/25	3.359	160	3.362	09/12/2019	0
GII 10/25	3.364	135	3.359	09/12/2019	0
GII 09/26	3.418	285	3.418	09/12/2019	0
GII 06/27	3.454	30	3.450	04/12/2019	0
GII 07/27	3.490	1	3.461	09/12/2019	3
GII 07/29	3.529	50	3.512	09/12/2019	2
GII 09/30	3.606	50	3.619	02/12/2019	-1
GII 06/33	3.825	60	3.827	04/12/2019	0
GII 11/34	3.784	30	3.763	05/12/2019	2
GII 09/39	3.887	110	3.883	06/12/2019	0
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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*
Projek Lebuhraya Usahasama Berhad	01/38	GG	4.029	10	3.719	21/08/2019	31	27
DanaInfra Nasional Berhad	04/39	GG	4.045	15	3.981	23/10/2019	6	28
DanaInfra Nasional Berhad	07/39	GG	4.055	10	3.981	23/10/2019	7	29
Prasarana Malaysia Berhad	09/42	GG	4.138	20	4.139	09/12/2019	0	38
DanaInfra Nasional Berhad	11/47	GG	4.245	5	4.269	12/11/2019	-2	48
DanaInfra Nasional Berhad	04/48	GG	4.269	110	4.270	26/11/2019	0	51
DanaInfra Nasional Berhad	11/48	GG	4.275	25	4.131	23/10/2019	14	51
DanaInfra Nasional Berhad	02/49	GG	4.274	45	4.249	04/11/2019	3	51
Bakun Hydro Power Generation Sdn Berhad	08/26	AAA	3.667	150	3.598	01/10/2019	7	33
Bakun Hydro Power Generation Sdn Berhad	08/27	AAA	3.718	220	3.567	23/09/2019	15	31
Bakun Hydro Power Generation Sdn Berhad	08/29	AAA	3.799	130	3.608	23/09/2019	19	36
Bakun Hydro Power Generation Sdn Berhad	08/30	AAA	3.838	100	3.829	29/11/2019	1	40
Rantau Abang Capital Berhad	05/31	AAA	3.859	20	3.719	03/10/2019	14	42
Bakun Hydro Power Generation Sdn Berhad	08/31	AAA	3.899	140	3.775	17/10/2019	12	46
Danga Capital Berhad	01/33	AAA	3.970	10	4.010	29/11/2019	-4	28
Tenaga Nasional Berhad	08/37	AAA	4.098	10	4.089	27/11/2019	1	34
Batu Kawan Berhad	06/23	AA1	3.726	10	3.750	12/11/2019	-2	67
YTL Power International Berhad	05/27	AA1	4.119	40	4.099	09/12/2019	2	78
YTL Power International Berhad	08/28	AA1	4.184	30	4.172	09/12/2019	1	75
Fortune Premiere Sdn Berhad	10/25	AA	3.905	1	3.905	09/12/2019	0	60
SAJ Capital Sdn Berhad	01/21	AA-	3.909	10	4.636	21/03/2019	-73	92
UEM Sunrise Berhad	10/21	AA-	3.410	10	3.540	25/09/2019	-13	38
Southern Power Generation Sdn Berhad	10/25	AA-	3.830	10	4.698	07/08/2018	-87	53
SAJ Capital Sdn Berhad	01/26	AA-	4.367	10	5.153	12/11/2018	-79	106
Tan Chong Motor Holdings Berhad	11/21	A1	4.136	3	4.138	06/12/2019	0	110
Bank Islam Malaysia Berhad	12/25	A1	3.451	10	3.478	03/12/2019	-3	15
Affin Islamic Bank Berhad	10/28	A1	4.043	1	4.043	09/12/2019	0	61
CIMB Group Holdings Berhad	05/16	A1	4.446	1	4.430	06/12/2019	2	69
CIMB Group Holdings Berhad	05/16	A1	4.204	1	4.205	06/12/2019	0	44
Bank Muamalat Malaysia Berhad	11/21	A	4.100	10	4.200	13/11/2019	-10	107
Eco World International Berhad	05/23	-	5.491	1	5.492	09/12/2019	0	-
				<u>1167</u>				

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

Market/Corporate News: What's Brewing

Malaysia is considering selling stakes in energy giant Petronas to provinces where the company's oil and gas fields are, Prime Minister Tun Dr Mahathir Mohamad told Reuters on Tuesday, in a bid to raise funds for the debt-laden government. Such a move may also give states such as Sarawak and Sabah a say in the running of Petronas, the world's third-largest exporter of liquefied natural gas. Dr Mahathir said the government could not meet a demand made by the states for a quadrupling of the royalties paid by the company to 20% of its profit. "It's fully owned by the government, it's up to the government to sell the shares privately not in the market, to states like Sabah and Sarawak," Dr Mahathir said in an interview in his office. "Petronas is a very big company, it depends on how much (the states) can pay also." Sarawak and neighbouring Sabah have Malaysia's most prolific oil and gas reserves in their waters in the South China Sea. Their longstanding demand to increase royalties could cost Petronas up to \$7 billion a year. Petronas, formally known as Petroliaam Nasional Bhd, is the biggest money-spinner for the federal government. Dr Mahathir said the government could also cut stakes in smaller listed or unlisted units of Petronas. "What we need is to reduce our involvement, the number of shares that we hold, in order to raise some funds for ourselves," he said. The company's main listed units are petrochemicals maker Petronas Chemicals Group, retail arm Petronas Dagangan, and gas infrastructure and utilities arm Petronas Gas. Petronas Carigali is its exploration unit. On Monday, Petronas said it has completed block trades of its shares in Petronas Dagangan, Petronas Gas and MISC BHD (Source: The Star/Reuters)

Malaysia Airports Holdings Bhd (MAHB), which operates 39 airports in the country, is expected to collect less passenger service charges (PSCs) this year in line with

anticipated lower passenger traffic growth. “The growing proportion of domestic and Asean passengers will affect [airport] operators’ earnings as both these classes of passengers pay a lower PSC compared to international ex-Asean passengers,” said the Malaysian Aviation Commission (Mavcom) in its biannual Waypoint industry report and Technical Paper released yesterday. MAHB commands a 96% share of passenger traffic in the country. According to Mavcom, PSCs collected fell by a marginal 0.2% to RM871 million for the first half of this year (1H19) from RM873 million a year ago, as the portion from international passengers dropped 1.8% year-on-year (y-o-y) to RM479 million, while PSCs collected from domestic passengers grew 4.1% y-o-y to RM154 million and that of Asean passengers remained flat at RM238 million. “Similarly, [airport] operators’ earnings could also be influenced in 2020 due to continued seat capacity expansion in the domestic market, given that domestic passengers pay lower PSCs. As a result, revenue growth from PSC collection may lag [behind] passenger traffic growth,” it added. Total seat capacity by Malaysian carriers is expected to expand by 2% y-o-y in 2020, albeit at a lower growth rate than 2019’s anticipated 4.3% y-o-y, led by a domestic seat capacity growth of 3.2% y-o-y. Mavcom is forecasting passenger traffic in 2020 to grow by 5% to 6%, which translates into between 114.9 million and 116 million passengers. This will be driven by Visit Malaysia 2020 and a 3.2% y-o-y increase in domestic seat capacity growth. “This (3.2%) growth will be led by routes within Sabah and Sarawak that will grow by 4.8% y-o-y, followed by East-West Malaysia by 2% y-o-y and within Peninsular Malaysia by 1.5% y-o-y,” it said. Mavcom also pointed out that the impact arising from the recent downgrading of the Civil Aviation Authority of Malaysia to a Category 2 aviation regulator last month by the US Federal Aviation Administration (FAA) is expected to be minimal. “Existing services that can be affected are the Kuala Lumpur-Honolulu via Osaka (operated by AirAsia X Bhd) and code-sharing between Malaysia Airlines Bhd and American Airlines. Collectively, these routes contribute 1.2% of the total seat capacity to and from Malaysia forecast for 2020. “However, should other civil aviation authorities such as the Japanese, South Korean and Chinese follow suit by disallowing Malaysian carriers to undertake operations to their respective countries, the impact can be greater than that of the downgrade by the FAA,” it warned. The commission also noted that both a weaker ringgit and lower oil prices are also expected to provide a boost to passenger traffic growth in 2020. However, the forecast growth in 2020 is lower than Mavcom’s revised 2019 passenger traffic forecast of between 6.4% and 7% y-o-y (previously 2.9%-4.1% y-o-y) which translates into between 109.1 million and 109.7 million passengers. “The robust passenger traffic growth in 2019 will continue to be driven by domestic demand as the Malaysian economy is expected to remain resilient with a growth forecast of 4.3% to 4.8% y-o-y,” it said. Meanwhile, Mavcom identified Johor, Kuching, Kuala Lumpur International Airport, Penang and Tawau to be in the “sweating” airport category. This means the airports had positive compound annual growth rates in terms of passenger traffic between 2014 and 2018 and already exceeded their respective terminal design capacity in 2018. “In order to address congestion, these airports can work together with airlines to improve flight scheduling to shift traffic from peak to off-peak hours, enhance the operational efficiencies of airports and, lastly, expand airport infrastructure. Failure to address congestion may result in flight delays for passengers and increased costs for both airports and airlines,” it said. “However, if the congestion occurs during peak hours only, airports can consider enhancing operations to address congestion,” it added. As for Malaysian airlines, Mavcom expects their profitability to remain under pressure in 2020. “Malaysian carriers reported an average operating profit margin of 0.3% in 1H19 (1H18: 2.9%) due to rising costs. Their cost per available seat kilometre (CASK) increased by 5.9% y-o-y in 1H19 to 17.9 sen, while revenue per available seat kilometre (RASK) decreased by 2.2% y-o-y to 15.9 sen. “The RASK-CASK spread in 1H19 of -2 sen was significantly wider than the 1H18 spread of -0.7 sen. If this trend persists, the profitability of Malaysian carriers will be at risk,” it noted. (Source: *The EdgeMarkets*)

FIXED INCOME

December 11, 2019

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

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

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