

## Global Markets Research

### Fixed Income

UST		
Tenure	Closing (%)	Chg (bps)
2-yr UST	1.61	-4
5-yr UST	1.64	-5
10-yr UST	1.79	-5
30-yr UST	2.22	-4

MGS		GII*		
Tenure	Closing (%)	Chg (bps)	Closing (%)	Chg (bps)
3-yr	3.06	1	3.10	0
5-yr	3.26	1	3.29	0
7-yr	3.35	0	3.35	0
10-yr	3.44	3	3.54	1
15-yr	3.70	0	3.78	0
20-yr	3.76	1	3.89	0
30-yr	4.10	8	4.00	0

\* Market indicative levels

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

Source : Bloomberg

### Upcoming Government Bond Tender

Nil

## Fixed Income Daily Market Snapshot

### US Treasuries

- The US Treasuries rallied and bull flattened on Wednesday after fluctuating pre and post FOMC announcement which reaffirmed the case for a rate pause through 2020. The updated dot plot showed 13 policy makers projecting a rate pause next year while 4 are expecting a hike. Growth projection was unchanged at 2.2% and 2.0% for this and next year while core PCE inflation was tweaked lower from 1.8% to 1.6% for 2019 and unchanged at 1.9% next. Yields fell 4-5bps across the curve with the 10s last closed at 1.79%, down 5bps while the 2s shed 4bps to 1.61%. The \$24bn 10-year reopening sales attracted a slightly lower BTC of 2.43x (prior 2.49x) at a high yield of 1.842% (prior 1.809%). Up next is the sale of 30Y bonds later this week and initial jobless claims and PPI data tonight.

### MGS/GII

- Local govvnies saw softer trading momentum compared to preceding trading day with secondary market volume plunged below RM2.0bn to RM1.75bn yesterday as investors stayed sideline ahead of FOMC meeting. Overall benchmark yields closed mostly between 0-8bps across the curve with muted moves in the GII curve. The benchmark 5Y MGS 6/24 edged within 1bps up at 3.26% whilst the 10Y MGS 8/29 rose 3bps to 3.44%. GII trades inched up further to form ~34% of overall trades. BNM has released the 2020 Auction Calendar involving 34 issuances (2018: 33 and 2017: 32) skewing towards the belly and the longer end bonds, as well as heavy issuances in 1H20 to replace maturities between April and August, very much as expected. Up next on the data front is October industrial production figures due for release at noon today.

### Corp Bonds/Sukuk

- Corporate bonds/sukuk space continued to see decent interest even though secondary market volume pulled back somewhat to RM858m yesterday, down from RM1.17b a day ago. Investors were seen active in the GG segment, accounted for 72% of total trades. DANAINFRA '32 and LPPSA '33 collectively made up more than half of total transaction, with RM380m at 3.839%, and RM200m at 3.901%, respectively. AA-segment also continued to garner reasonable interests, with focus on Fortune Premier '25 which was dealt 1bp inner at 3.890% and CIMB Group '27 at 3.827% (-10bps). DRB-Hicom '26 made its debut to trade at 4.700% with RM5m dealt.

## Daily Trades : Government Bond

Securities	Closing YTM	Vol (RM mil)	Previous YTM	Previous Trade Date (dd/mm/yyyy)	Chg (bp)
MGS 07/20	2.937	30	2.957	10/12/2019	-2
MGS 10/20	2.962	121	2.966	10/12/2019	0
MGS 02/21	3.024	146	3.020	10/12/2019	0
MGS 07/21	3.036	15	3.039	10/12/2019	0
MGS 09/21	3.035	24	3.035	10/12/2019	0
MGS 11/21	3.040	16	3.050	10/12/2019	-1
MGS 03/22	3.057	0	3.049	10/12/2019	1
MGS 08/22	3.099	58	3.099	10/12/2019	0
MGS 09/22	3.102	25	3.121	10/12/2019	-2
MGS 03/23	3.144	126	3.131	10/12/2019	1
MGS 04/23	3.176	150	3.180	10/12/2019	0
MGS 06/24	3.257	2	3.250	10/12/2019	1
MGS 07/24	3.275	61	3.278	10/12/2019	0
MGS 09/24	3.293	20	3.263	10/12/2019	3
MGS 09/25	3.320	18	3.320	10/12/2019	0
MGS 04/26	3.345	0	3.326	06/12/2019	2
MGS 11/26	3.404	1	3.397	10/12/2019	1
MGS 11/27	3.451	42	3.441	10/12/2019	1
MGS 08/29	3.441	21	3.414	10/12/2019	3
MGS 04/30	3.562	5	3.560	10/12/2019	0
MGS 06/31	3.697	75	3.650	10/12/2019	5
MGS 07/34	3.702	82	3.703	10/12/2019	0
MGS 06/38	3.838	16	3.843	10/12/2019	0
MGS 05/40	3.757	0	3.746	10/12/2019	1
MGS 09/43	4.052	40	4.052	10/12/2019	0
MGS 03/46	4.080	20	4.063	10/12/2019	2
MGS 07/48	4.097	37	4.018	10/12/2019	8
GII 04/20	3.026	20	2.987	06/12/2019	4
GII 05/20	3.017	120	2.971	09/12/2019	5
GII 03/21	3.030	281	3.030	06/12/2019	0
GII 10/24	3.294	2	3.290	10/12/2019	0
GII 07/27	3.468	10	3.461	09/12/2019	1
GII 07/29	3.539	20	3.529	10/12/2019	1
GII 08/33	3.817	30	3.824	28/11/2019	-1
GII 09/39	3.886	118	3.887	10/12/2019	0
		<u>1751</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*	
Prasarana Malaysia Berhad	03/28	GG	3.630	20	3.629	04/12/2019	0	22
DanaInfra Nasional Berhad	05/32	GG	3.870	380	3.839	08/11/2019	3	43
GovCo Holdings Berhad	09/32	GG	3.870	5	3.638	27/08/2019	23	18
DanaInfra Nasional Berhad	11/32	GG	3.860	15	3.775	16/10/2019	9	17
Lembaga Pembiayaan Perumahan Sektor Awam	04/33	GG	3.875	200	3.901	26/07/2019	-3	18
Cagamas Berhad	10/22	AAA	3.397	10	-	-	-	34
Projek Lebuhraya Usahasama Berhad	01/25	AAA	3.587	10	3.604	26/09/2019	-2	34
Sepangar Bay Power Corporation Sdn Berhad	07/20	AA1	3.284	10	4.104	17/08/2016	-82	29
MBSB Bank Berhad (fka Asian Finance Bank Berhad)	10/20	AA1	3.525	10	3.546	25/09/2019	-2	53
MBSB Bank Berhad (fka Asian Finance Bank Berhad)	12/20	AA1	3.547	5	4.446	02/01/2019	-90	55
Sabah Credit Corporation	02/22	AA1	3.643	1	4.381	21/03/2019	-74	61
UMW Holdings Berhad	02/21	AA2	3.414	10	3.501	29/08/2019	-9	42
Konsortium ProHAWK Sdn Berhad	12/21	AA2	3.630	5	4.469	08/12/2017	-84	60
UMW Holdings Berhad	09/23	AA2	3.679	2	3.727	04/11/2019	-5	50
Anih Berhad	11/21	AA	3.582	5	3.803	09/08/2019	-22	55
Fortune Premiere Sdn Berhad	09/25	AA	3.890	41	3.897	21/11/2019	-1	59
CIMB Group Holdings Berhad	11/27	AA	3.728	30	3.827	07/10/2019	-10	32
Mumtaz Rakyat Sukuk Berhad	06/26	AA3	3.740	2	3.812	19/09/2019	-7	40
Cypark Ref Sdn Berhad	06/31	AA3	5.113	0	5.114	09/12/2019	0	168
CIMB Group Holdings Berhad	04/60	AA3	5.395	0	5.373	21/11/2019	2	163
Malakoff Power Berhad	12/20	AA-	3.422	15	3.426	27/09/2019	0	43
UEM Sunrise Berhad	06/21	AA-	3.392	10	3.480	21/10/2019	-9	36
Malakoff Power Berhad	12/21	AA-	3.575	10	3.624	31/10/2019	-5	54
Affin Islamic Bank Berhad	10/28	A1	4.032	40	4.043	10/12/2019	-1	60
CIMB Group Holdings Berhad	05/16	A1	4.283	0	4.283	29/11/2019	0	52
CIMB Group Holdings Berhad	05/16	A1	4.240	0	3.978	03/12/2019	26	48
Affin Bank Berhad	07/18	A3	4.563	10	4.566	04/12/2019	0	80
DRB-Hicom Berhad	12/26	A+	4.700	5	-	-	-	136
Quantum Solar Park (Semenanjung) Sdn Berhad	10/30	A+	5.528	5	5.548	22/08/2019	-2	209
YNH Property Berhad	08/19	-	6.748	0	6.748	10/12/2019	0	299
Tropicana Corporation Berhad	09/19	-	6.939	1	6.442	27/11/2019	50	318
			<u>858</u>					

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

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

The U.S. Federal Reserve on Wednesday held interest rates steady and signaled borrowing costs will not change anytime soon, with moderate economic growth and historically low unemployment expected to persist through the 2020 presidential election. In its final policy meeting of a tumultuous year, when it was spurred to cut interest rates three times to forestall a slowdown fueled largely by President Donald Trump's trade war, the U.S. central bank struck a remarkably sanguine tone, confident the actions it had taken so far are working. "Our economic outlook remains a favorable one, despite global developments and ongoing risks," Fed Chair Jerome Powell said in a news conference shortly after the release of the latest policy statement and new quarterly economic projections. "As the year progressed we adjusted the stance of monetary policy to cushion the economy and provide some insurance ... This shift has helped support the economy and has kept the outlook on track," he said. The policy decision left the Fed's benchmark overnight lending rate in its current target range between 1.50% and 1.75%, three-quarters of a percentage point below where it started the year. And after broad disagreement earlier over the direction of policy and dissents at its last four rate-setting meetings, the Fed ended the year on the same page. The vote on its latest policy statement was unanimous, and the new economic projections showed 13 of 17 Fed policymakers foresee no change in interest rates until at least 2021. The other four saw only one rate hike next year. Notably, no policymakers suggested lower rates would be appropriate in coming months. Combined, it's evidence of a central bank in which the most "dovish" members feel the current low level of interest rates will allow job and wage gains to continue, while the most "hawkish" feel inflation will remain contained - a soft landing for both sides after a year in which recession risks rose, the U.S. bond yield curve inverted, and trade policy disrupted markets. Powell, who at the start of his news conference read a brief tribute to the late Paul Volcker, the Fed's inflation-fighting former chairman, said the central bank now sees the connection between low unemployment and inflation as "very faint." "We don't have to worry so much about inflation," Powell said, adding it would take a "persistent" jump in the pace of price increases for him to think it warranted higher interest rates. While the decision not to cut interest rates further may irk Trump, who has demanded even lower borrowing costs, the Fed's underlying message that the U.S. economy is in a "good place" bodes well for the Republican incumbent's reelection. The only two sitting presidents in the modern era not to have won reelection - Jimmy Carter and George H.W. Bush - both contended with unemployment rates more than twice the level under Trump. The U.S. jobless rate is currently 3.5%. Still, the Fed noted, global risks warrant monitoring in the midst of an ongoing U.S.-China trade war, as does the possibility of a downshift in public inflation expectations. Overall, Fed policymakers see the unemployment rate staying below their estimate of the long-run sustainable level for another three years, even as most expect inflation by then to end up at, or just a little above, the central bank's 2% target, the new projections showed. "I think we've learned that unemployment can remain at quite low levels for an extended period of time without unwarranted upward pressure on inflation," Powell said. Compared to the 1990s, he said, when the Fed cut rates as an insurance policy against a recession and then raised them again to prevent a tight labor market from fueling unwanted price rises, today "the need for rate increases is less." Indeed, the projections also showed policymakers as a group expect interest rates to remain accommodative - that is, below the 2.5% they estimate neither stimulates nor restricts economic growth over the long run - through at least 2022. U.S. stocks rallied modestly after the decision, which had been widely anticipated by investors. The benchmark S&P 500 index, which was largely flat when the Fed announced its policy decision, closed up about 0.3%. Yields on U.S. Treasury securities fell in afternoon trading, with the 10-year note last yielding 1.79%. The dollar slid to a four-month low against a basket of major trading partner currencies. After the Fed's October policy meeting, Powell said it would take a "material" change in the economic outlook for the central bank to change rates again, language he repeated on Wednesday without elaboration. The Fed cut rates three times this year, including in October, "strong measures" that Powell said will take some time to fully show up in the economy. "It's 'steady as she goes' from the Fed today - the statement provided little groundbreaking news on the path of monetary policy," Jason Pride, chief investment officer of private wealth at Glenmede Trust Co, said in a statement. "The prevailing message out of today's meeting is that the Fed remains on hold, barring any material upside surprises for

inflation," Pride said. The new economic projections showed little change from those in September, as policymakers sketched out an economy they feel has skirted recession risks and is poised to grow close to trend for several years more. A reference in the October policy statement to "uncertainties" about the economic outlook was dropped. U.S. gross domestic product at the median is projected to grow 2% next year and 1.9% in 2021, which is far short of the 3% annual growth Trump promised to deliver. Unemployment is seen remaining at 3.5% through next year, rising to 3.6% in 2021. In a demonstration of the disconnect between that low level of unemployment and inflation, the pace of prices increases is expected to rise only to 1.9% next year. (Source: Reuters/ The Star Online)

The long-awaited restructuring exercise of BIMB HOLDINGS BHD, which includes the transfer of its listing status to Bank Islam Malaysia Bhd by end-September 2020 and a RM800mil cash call, has been announced. Bank Islam will be the fourth Malaysian bank since 2016 to assume the listing status of its parent BIMB, following in the footsteps of peers such as Alliance Bank Bhd, Affin Bank Bhd and RHB Bank Bhd. Currently, Bank Islam is wholly owned by BIMB – the country's eighth-largest banking group by market value. Lembaga Tabung Haji (TH) is the controlling shareholder of BIMB with a 53.8% stake, followed by other top owners, namely, the Employees Provident Fund (12.5%), Permodalan Nasional Bhd (5.4%) and Skim Amanah Saham Bumiputera (21.5%). In its filing with the stock exchange yesterday, BIMB announced that its proposed corporate restructuring would involve five components, allowing the group to "unlock significant value for shareholders". BIMB will place out new shares to raise RM800mil, which together with RM122.2mil internally-generated cash, will be utilised to fully settle its outstanding sukuk worth RM922.2mil held by TH. "The proposed sukuk redemption is expected to result in finance cost savings of RM52.8mil per annum based on the effective profit rate of 6.25% per annum. The placement shares will be placed to investors to be identified at a later date. For illustrative purposes only, assuming a 5% discount to the five-day volume weighted average price (VWAP) of BIMB shares up to and including Nov 15 of RM4.30, the illustrative issue price would be RM4.09 per placement share. "Based on the intended gross proceeds (RM800mil) and the illustrative issue price, the placement shares to be issued pursuant to the proposed placement are 195,599,022 BIMB shares, representing 11.1% of the issued share capital of BIMB," it said. The second component of the banking group's restructuring exercise is the scheme of arrangement (SOA) to settle BIMB's outstanding warrants, which will be paid using internally-generated cash. BIMB will pay 26 sen per warrant, based on the five-day VWAP of the warrants up to and including Dec 10. The SOA is expected to incur about RM110.9mil, but is subject to change according to the number of outstanding warrants as at the entitlement date. Upon the completion of the private placement and SOA, BIMB will also undertake an internal reorganisation to dispose of its 100% stake in its leasing subsidiary, Syarikat Al-Ijarah Sdn Bhd, and stockbroking subsidiary, BIMB Securities (Holdings) Sdn Bhd to Bank Islam. In addition, the entire 49% equity interest held by BIMB directly in BIMB Securities Sdn Bhd - a 51%-owned subsidiary of BIMB Securities Holdings - will be sold to Bank Islam. All three transactions, which will be based on the latest audited net asset value (LNAV) of these subsidiaries, will be settled in cash by Bank Islam. As at end-2018, the total LNAV of the subsidiaries was RM115.15mil. "The cash proceeds arising from the proposed disposals will be used by BIMB for settlement of the outstanding liabilities of BIMB and/or to defray estimated expenses relating to the proposals. "Fewer layers in the corporate structure will help to enhance the supervision and efficiency of the new Bank Islam Group and facilitate the positioning of Bank Islam to become the frontrunner of the new banking group," stated BIMB in the stock exchange filing. Following the above exercises, BIMB's entire shareholding in Bank Islam and 59.5% stake in Syarikat Takaful Malaysia Keluarga Bhd (Takaful Malaysia) will be distributed by way of distribution-in-specie to the group's shareholders. Prior to the proposed distribution and capital repayment, BIMB will undergo a capital reduction and Bank Islam will undertake a share consolidation. This is to match BIMB's outstanding shares so that the distribution of Bank Islam shares will be on a one-for-one basis. For example, one consolidated Bank Islam share for every 1.28 existing Bank Islam shares. Meanwhile, the basis of distribution and entitlement of Takaful Malaysia shares will be determined at a later date. In an example, BIMB said shareholders could receive one Takaful Malaysia share for every 3.99 BIMB shares. "BIMB intends to cease its existing role as the financial holding company for both Bank Islam and Takaful Malaysia following the latest capital requirements imposed by Bank Negara for financial

holding companies pursuant to the Capital Adequacy Framework for Islamic Banks that came into effect on Jan 1, 2019, as well as the capital requirements under Basel III, " the Islamic banking group said. The transfer of the listing status from BIMB to Bank Islam will be carried out once the distribution-in-specie to shareholders is completed. With this, BIMB said that Bank Islam will emerge as the one and only pure-play full-fledged Islamic financial institution to be listed in the region and enhance its corporate stature. "Following the distribution and capital repayment, it is expected that the new group structure will be able to achieve potential earnings accretion through the elimination of, or minimisation of resources and infrastructure duplication, as well as reducing the complexity of group risk management, " BIMB added. The group's proposed restructuring exercise is subject to approvals of several authorities, including Bank Negara, the Finance Ministry (on the recommendation of Bank Negara), the Securities Commission, Bursa Securities as well as shareholders of BIMB. "Barring unforeseen circumstances, the proposals are expected to be completed in the third quarter of 2020, with the proposed placement and proposed distribution and capital repayment to be completed in the second and third quarters of 2020, respectively, " BIMB said. The idea of Bank Islam assuming BIMB's listing status was bandied about for a long time, particularly since 2013 when BIMB bought the remaining 49% stake in the Islamic bank that it did not own. Recall that Bank Islam was first listed on Bursa Malaysia in 1992 before BIMB was formed in 1997 to replace the bank as the holding company, thus becoming the group's listing vehicle. BIMB closed at RM4.28 yesterday, down by two sen or 0.47%. About 744,800 shares changed hands. (Source: *The Star Online*)

Rating Action			
Issuer	PDS Description	Rating/Outlook	Action
Credit Guarantee and Investment Facility (CGIF)	Long-term and short-term counterparty credit ratings	AAA/MARC-1 / Stable	Affirmed
Projek Lintasan Sungai Besi-Ulu Klang Sdn Bhd (PLSUKE)	Sukuk Wakalah Programme (Sukuk Wakalah) of up to RM2.0 billion.	A+ <sub>(S)</sub> / Negative	Affirmed

Source: RAM, MARC

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