

Global Markets Research

Fixed Income

Fixed Income Daily Market Snapshot

UST		
Tenure	Closing (%)	Chg (bps)
2-yr UST	1.60	5
5-yr UST	1.55	7
10-yr UST	1.73	6
30-yr UST	2.20	3

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, 14th October

US Treasuries

- US Treasuries were sold off for a 2nd straight session as realization of a partial trade deal between the US and China continued to dampen safe haven bids, pushing yields up 3-7bps across the curve. The curve bear steepened a little with the benchmark 2Y yields added 5bps to 1.60% while the 10Y rose 6bps to 1.73%. In addition, the yield curve reversed its inverted condition for the first time in about three months as the 3-month and 10Y yields turned positive again, as positive trade talk outcome soothed growth concern. The 30Y reopening auction was well-received with a BTC of 2.25x (prior 2.22x) at 2.17% (prior 2.27%). We would expect UST to remain under pressure temporarily amid revived positive vibes surrounding progress in trade development but caution that geopolitical risks as well as renewed growth fear following potential disappointment in key US data this week could spur flight to safer bids in UST again.

MGS/GII

- Local govies ended mostly mixed and unchanged amid slightly softer secondary market volume of RM2.05bn Friday ahead of the national Budget with focus mainly on the front end '19-22. The MGS curve steepened for a 2nd consecutive trading day with yields slipping 1-4bps at the 3-5Y while rising 4-9bps on the 20-30Y benchmark. The 10Y MGS 8/29 closed flattish at 3.40% on thin volume. GII bonds however garnered traction to form a higher 28% of overall trades (prior 10%). Friday's Budget tabling reaffirmed that the Malaysian economy is on a steady growth trajectory and medium term fiscal consolidation remains on track, at 3.4% and 3.2% of GDP for 2019 and 2020 respectively, and to average 2.8% over 2020-2022. We believe this is positive for the local bond market and the estimated higher gross issuances of RM125bn for 2020 (2019e: RM115.7bn) should be easily absorbed by both onshore and offshore investors.

Corp Bonds/Sukuk

- Corporate Bonds/Sukuk saw better interests with secondary market volume picking up to RM400m on Friday. As usual, interests were seen skewed to the GG and AA-part of the curve amid mixed yield movement. DANA '23 and '26 saw RM20m dealt each at 3.32% and 3.52% respectively while LPPSA '23 edged 2bps up at 3.32% with RM10m done. In the corporate space, energy names dominated. AAA-rated Manjung '28 traded 31bps inner at 3.67%; YTLP '23 settled flat at 3.79%, both saw RM30m changed hands. In addition, SEB '32-36 saw a collective RM60m dealt between 3.84-4.12% and EDRA '31-32 was last dealt at 4.42-4.48%.

Daily Trades : Government Bond

Securities	Closing YTM	Vol (RM mil)	Previous YTM	Previous Trade Date (dd/mm/yyyy)	Chg (bp)
MGS 10/19	3.050	200	3.061	10/10/2019	-1
MGS 11/19	3.031	524	3.059	10/10/2019	-3
MGS 03/20	3.057	100	3.060	10/10/2019	0
MGS 10/20	3.073	0	3.072	10/10/2019	0
MGS 07/21	3.102	0	3.106	10/10/2019	0
MGS 11/21	3.109	2	3.101	09/10/2019	1
MGS 03/22	3.120	249	3.115	10/10/2019	0
MGS 08/22	3.111	39	3.106	10/10/2019	1
MGS 09/22	3.133	3	3.135	10/10/2019	0
MGS 04/23	3.192	2	3.196	10/10/2019	0
MGS 08/23	3.207	19	3.213	10/10/2019	-1
MGS 06/24	3.203	76	3.198	10/10/2019	0
MGS 07/24	3.271	14	3.283	10/10/2019	-1
MGS 09/24	3.288	21	3.289	10/10/2019	0
MGS 09/25	3.363	2	3.345	10/10/2019	2
MGS 07/26	3.363	53	3.347	10/10/2019	2
MGS 11/26	3.437	22	3.430	10/10/2019	1
MGS 11/27	3.457	8	3.460	10/10/2019	0
MGS 06/28	3.450	2	3.437	10/10/2019	1
MGS 09/28	3.462	0	3.528	02/10/2019	-7
MGS 08/29	3.414	51	3.398	10/10/2019	2
MGS 04/30	3.577	2	3.566	10/10/2019	1
MGS 06/31	3.630	13	3.600	09/10/2019	3
MGS 04/33	3.671	1	3.655	10/10/2019	2
MGS 11/33	3.700	21	3.700	10/10/2019	0
MGS 07/34	3.594	4	3.568	09/10/2019	3
MGS 04/37	3.655	8	3.678	08/10/2019	-2
MGS 09/43	3.913	0	3.919	10/10/2019	-1
MGS 03/46	3.936	0	3.951	10/10/2019	-2
MGS 07/48	3.939	44	3.973	10/10/2019	-3
GII 05/20	3.091	50	3.088	10/10/2019	0
GII 03/21	3.107	100	3.104	10/10/2019	0
GII 08/21	3.127	30	3.130	09/10/2019	0
GII 11/22	3.163	40	3.156	30/09/2019	1
GII 05/24	3.299	2	3.283	01/10/2019	2
GII 10/24	3.255	50	3.235	07/10/2019	2
GII 10/25	3.378	0	3.359	08/10/2019	2
GII 03/26	3.396	100	3.405	10/10/2019	-1
GII 09/26	3.435	0	3.437	04/10/2019	0
GII 10/28	3.429	72	3.435	10/10/2019	-1
GII 06/33	3.691	2	3.674	10/10/2019	2
GII 08/37	3.820	20	3.806	10/10/2019	1
GII 11/49	4.010	100	3.979	08/10/2019	3
		<u>2049</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*
DanaInfra Nasional Berhad	08/23	GG	3.319	20	3.320	25/09/2019	0	12
Lembaga Pembiayaan Perumahan Sektor Awam	09/23	GG	3.319	10	3.299	27/08/2019	2	12
DanaInfra Nasional Berhad	04/26	GG	3.521	20	3.380	06/09/2019	14	20
Manjung Island Energy Berhad	11/28	AAA	3.671	30	3.979	26/06/2019	-31	26
YTL Power International Berhad	03/23	AA1	3.786	30	3.788	09/10/2019	0	66
Sabah Development Bank Berhad	04/24	AA1	4.276	0	4.559	10/10/2019	-28	106
TRIpIc Medical Sdn Berhad	10/30	AA1	4.099	10	4.417	30/05/2019	-32	70
TRIpIc Medical Sdn Berhad	10/32	AA1	4.199	10	4.159	16/08/2019	4	63
Sarawak Energy Berhad	12/32	AA1	3.839	20	3.849	09/10/2019	-1	27
Sarawak Energy Berhad	11/33	AA1	3.910	20	3.809	19/09/2019	10	34
Sarawak Energy Berhad	04/36	AA1	4.120	20	4.118	27/08/2019	0	55
CIMB Bank Berhad	12/25	AA+	4.150	0	3.845	01/08/2019	31	83
Edar Solar Sdn Berhad	11/24	AA2	4.245	5	4.250	10/10/2019	0	103
CIMB Bank Berhad	08/26	AA2	3.778	10	3.992	24/07/2019	-21	43
BGSM Management Sdn Berhad	12/20	AA3	3.559	70	3.640	16/08/2019	-8	48
Edra Energy Sdn Berhad	01/31	AA3	4.419	10	4.319	13/09/2019	10	102
Edra Energy Sdn Berhad	07/31	AA3	4.449	10	4.320	29/08/2019	13	105
Edra Energy Sdn Berhad	07/32	AA3	4.479	20	4.469	22/08/2019	1	91
Malakoff Power Berhad	12/19	AA-	3.235	20	3.188	01/10/2019	5	15
MMC Corporation Berhad	11/20	AA-	3.824	30	3.835	02/10/2019	-1	74
SAJ Capital Sdn Berhad	01/23	AA-	4.131	5	4.119	10/09/2019	1	101
MMC Corporation Berhad	04/23	AA-	4.457	10	4.537	24/09/2019	-8	126
Alliance Bank Malaysia Berhad	10/25	A2	4.000	20	3.960	02/10/2019	4	68
				<u>400</u>				

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

Market/Corporate News: What's Brewing

The government is going ahead with the plan to acquire four highways from **GAMUDA BHD**. The takeover, first announced by the Finance Ministry in June, has been approved by the Cabinet, Lim Guan Eng said in Budget 2020 speech today. Under the plan, the government will pay RM6.2bil to acquire Shah Alam Expressway (KESAS), Damansara-Puchong Expressway (LDP), Sprint Expressway (SPRINT) and SMART Tunnel (SMART). Gamuda is a substantial shareholder in all four highways. The takeover will be funded via government-guaranteed borrowings. "With the introduction of congestion charges that will be lowered by up to 30% of the present toll rates during near peak and normal hours and free during off-peak hours, this will provide a savings to the highway users nearly RM180mil a year, or RM2bil over the respective concession periods," Lim said. There will be no extension of the existing concessions. "The acquisition of these highways will not burden the government because the financing, operations and maintenance cost will be entirely funded by the collection of toll and congestion charges without requiring any future funding by the government," Lim said. (Source: *The Star Online*)

Singapore's central bank eased its monetary policy for the first time in three years on Monday, as widely expected. In a statement, the Monetary Authority of Singapore (MAS) said it would lower slightly the slope of the Singapore dollar's policy band, while the width and centre of the band would not be changed. The MAS manages monetary policy through exchange rate settings, rather than interest rates, letting the Singapore dollar rise or fall against the currencies of its main trading partners within an undisclosed band. Eleven economists polled by Reuters had all expected Singapore would join a global trend toward policy easing as economic uncertainties mount. Singapore's economy grew less than expected in the third quarter from the previous three months on an annualised basis, but avoided slipping into a technical recession, preliminary data showed on Monday. Gross domestic product (GDP) rose 0.6% in the July-September quarter from the previous quarter on an annualised and seasonally adjusted basis, the Ministry of Trade and Industry said in a statement, compared with a revised 2.7% contraction the quarter before. Analysts polled by Reuters had expected growth of 1.5%. The standard technical definition of a recession is two consecutive quarters of economic contraction. The last time Singapore entered a recession was in the first quarter of 2009 during the global

financial crisis. Compared with a year earlier, GDP grew 0.1% in the third quarter, slightly below the 0.2% expansion forecast in a Reuters poll and unchanged from the quarter earlier. (Source: *The Star Online/ Reuters*)

Rating Action			
Issuer	PDS Description	Rating/Outlook	Action
Bank of China (Malaysia) Berhad	Financial Institution ratings	AA1/Stable/P1	Reaffirmed
IJM Corporation Berhad	RM3 bil Sukuk Murabahah Programme.	AA3/Stable	Reaffirmed
IJM Land Berhad	Perpetual Sukuk Programme of RM2.0 bil	A2(s)/Stable	Reaffirmed
MUFG Bank Ltd	Financial institution ratings	AAA/Stable/P1	Reaffirmed

Source: RAM, MARC

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