

Global Markets Research

Fixed Income

UST		
Tenure	Closing (%)	Chg (bps)
2-yr UST	1.64	-2
5-yr UST	1.69	-5
10-yr UST	1.89	-5
30-yr UST	2.37	-5

MGS		GII*		
Tenure	Closing (%)	Chg (bps)	Closing (%)	Chg (bps)
3-yr	2.54	-51	3.11	2
5-yr	3.20	2	3.27	2
7-yr	3.38	2	3.38	1
10-yr	3.44	0	3.43	0
15-yr	3.69	0	3.80	5
20-yr	3.80	-1	3.93	0
30-yr	4.04	1	4.13	0

* Market indicative levels

MYR IRS Levels		
IRS	Closing (%)	Chg (bps)
1-yr	3.29	0
3-yr	3.30	0
5-yr	3.33	-1
7-yr	3.37	0
10-yr	3.42	0

Source : Bloomberg

Upcoming Government Bond Tender

RM4.0b of 3.5Y GII 5/23 on Thursday, 14th November

Fixed Income Daily Market Snapshot

US Treasuries

- US Treasuries bull-flattened as news filtered through that US-China trade talks remain unresolved especially over farm purchases. Fed Chair Powell's testimony to the Congressional Joint Economic Committee had minimal impact on UST's despite his view that rates are currently appropriate despite risks to the outlook. President Trump's highly anticipated speech at the Economic Club, New York generally sparked further uncertainty about phase one of the US-China trade deal. The curve shifted lower as overall benchmark yields ended 2-5bps lower with the UST 2Y at 1.64% whilst the much-watched 10Y declined 5bps at 1.89%. The Fed's recent "market-calming" activities via repo-market liquidity injections and T-bill purchases has seen the effective Fed Fund Rates being brought down to 1.55%; a level which is unusually closer to the lower boundary.

MGS/GII

- Local govvnies close weaker on Wednesday mainly in a relatively quiet session following prior day's announcement by BNM to extend tenures for both Repo and Reverse Repo transactions from 365 days to 5 years; a move seen to deepen the onshore bond markets and provide more liquidity. Secondary market volume maintained at ~ RM2.69b with interest seen mainly in the off-the-run 19-20's and benchmark 5Y MGS. Overall benchmark yields ended higher between 0-5bps save for the odd-lot trades in the 3Y MGS. The benchmark 5Y MGS 6/24 however closed 2bps up at 3.20% whilst the 10Y MGS 8/29 yields ended unchanged at 3.44%. GII trades spiked to form ~61% of overall trades. Expect attention to shift to the upcoming RM 4.0b of 3.5Y GII bonds today followed by 3Q GDP numbers tomorrow.

Corp Bonds/Sukuk

- Corporate bonds/sukuk space continued to see upbeat momentum with secondary volume rising to RM953m. Overall interest was seen mainly across the GG-segment followed by the AA part of the curve as yields ended mostly mixed. The Govt-guaranteed DANAINFRA bonds dominated the GG space with the 2028-2029 tranches closing between 1-9bps lower compared to previous-done levels at 3.69% levels. However DANA 3/32 and 40-41's ended 11-14bps higher instead at 3.85% and ~4.14% levels. The AAA-rated DANGA 26 and 34 also rose between 3-8bps at 3.73% and 4.30% respectively. AA-rated IJM 20-22's closed lower on yields between 3.52-81% whilst IMTIAZ 21-22's edged between 0-1bps lower at 3.58-66% area. The banking space saw nil trades for the session.

Daily Trades : Government Bond

Securities	Closing	Vol	Previous	Previous	Chg
	YTM	(RM mil)	YTM	Trade Date (dd/mm/yyyy)	(bp)
MGS 11/19	3.040	120	2.967	12/11/2019	7
MGS 03/20	2.858	242	2.783	12/11/2019	8
MGS 07/20	2.926	21	2.962	12/11/2019	-4
MGS 10/20	2.987	45	3.023	12/11/2019	-4
MGS 02/21	3.044	10	3.061	12/11/2019	-2
MGS 07/21	3.075	6	3.068	12/11/2019	1
MGS 09/21	3.051	18	3.093	12/11/2019	-4
MGS 11/21	3.090	26	3.070	12/11/2019	2
MGS 03/22	2.542	33	3.046	12/11/2019	-50
MGS 03/23	3.176	30	3.161	11/11/2019	2
MGS 08/23	3.173	78	3.201	12/11/2019	-3
MGS 06/24	3.198	139	3.178	12/11/2019	2
MGS 09/24	3.243	100	3.265	12/11/2019	-2
MGS 03/25	3.290	1	3.288	11/11/2019	0
MGS 09/25	3.346	43	3.322	12/11/2019	2
MGS 07/26	3.378	34	3.366	12/11/2019	1
MGS 11/27	3.503	1	3.437	12/11/2019	7
MGS 08/29	3.439	61	3.443	12/11/2019	0
MGS 04/30	3.538	1	3.555	11/11/2019	-2
MGS 06/31	3.637	3	3.617	11/11/2019	2
MGS 04/33	3.710	5	3.725	12/11/2019	-2
MGS 05/35	3.783	20	3.783	11/11/2019	0
MGS 07/48	4.044	6	4.022	12/11/2019	2
GII 04/20	3.023	1240	3.036	06/11/2019	-1
GII 08/21	3.058	10	3.074	11/11/2019	-2
GII 03/22	3.094	4	3.091	11/11/2019	0
GII 11/23	3.190	43	3.212	11/11/2019	-2
GII 08/25	3.366	12	3.363	11/11/2019	0
GII 10/25	3.369	40	3.361	12/11/2019	1
GII 03/26	3.383	64	3.374	12/11/2019	1
GII 09/26	3.420	20	3.411	11/11/2019	1
GII 10/28	3.429	1	3.454	08/11/2019	-3
GII 11/34	3.802	40	3.751	12/11/2019	5
GII 08/37	3.938	120	3.934	11/11/2019	0
GII 05/47	4.124	10	4.130	01/11/2019	-1
GII 05/23	3.160	40	-	-	-
		<u>2689</u>			

Daily Trades : Corp Bonds/ Sukuk

Securities	Rating	Closing	Vol	Previous	Previous	Chg	Spread	
		YTM	(RM mil)	YTM	Trade Date (dd/mm/yyyy)	(bp)	Against MGS*	
Khazanah Nasional Berhad	06/22	GG	3.320	50	3.543	07/06/2019	-22	27
Lembaga Pembiayaan Perumahan Sektor Awam	04/25	GG	3.510	50	3.374	18/09/2019	14	32
DanaInfra Nasional Berhad	04/26	GG	3.529	120	3.572	31/10/2019	-4	21
Turus Pesawat Sdn Berhad	03/28	GG	3.690	100	3.726	12/11/2019	-4	27
DanaInfra Nasional Berhad	05/28	GG	3.653	25	3.590	22/10/2019	6	23
Lembaga Pembiayaan Perumahan Sektor Awam	10/28	GG	3.655	30	3.681	05/11/2019	-3	21
DanaInfra Nasional Berhad	10/28	GG	3.691	20	3.785	02/07/2019	-9	25
DanaInfra Nasional Berhad	02/29	GG	3.690	10	3.700	30/10/2019	-1	25
DanaInfra Nasional Berhad	03/32	GG	3.845	70	3.720	09/10/2019	13	40
DanaInfra Nasional Berhad	04/40	GG	4.130	10	3.991	23/10/2019	14	33
DanaInfra Nasional Berhad	05/41	GG	4.150	95	4.040	15/10/2019	11	35
DanaInfra Nasional Berhad	11/47	GG	4.270	40	4.111	23/10/2019	16	47
Danga Capital Berhad	02/26	AAA	3.730	10	3.650	12/11/2019	8	41
Danum Capital Berhad	02/34	AAA	4.000	20	3.968	05/11/2019	3	32
Imtiaz Sukuk II Berhad	11/21	AA2	3.575	90	3.576	04/10/2019	0	53
Imtiaz Sukuk II Berhad	05/22	AA2	3.655	30	3.663	23/10/2019	-1	60
IJM Corporation Berhad	04/20	AA3	3.519	20	3.544	20/09/2019	-2	51
IJM Corporation Berhad	04/21	AA3	3.645	20	3.851	09/08/2019	-21	64
IJM Corporation Berhad	06/22	AA3	3.808	20	3.838	07/11/2019	-3	75
Edra Energy Sdn Berhad	07/37	AA3	4.840	1	4.579	29/08/2019	26	104
Malayan Banking Berhad	02/17	AA3	4.179	60	-	-	-	38
Sports Toto Malaysia Sdn Berhad	06/20	AA-	4.190	30	4.602	14/07/2017	-41	118
Southern Power Generation Sdn Berhad	10/26	AA-	3.910	20	3.838	16/10/2019	7	53
Southern Power Generation Sdn Berhad	04/29	AA-	4.030	10	4.299	08/05/2019	-27	59
Eco World International Berhad	04/23	-	5.913	1	5.914	08/11/2019	0	286
Eco World International Berhad	05/23	-	5.530	1	5.530	11/11/2019	0	237
			<u>953</u>					

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

Market/Corporate News: What's Brewing

Finance Minister Lim Guan Eng said yesterday that the government's current development expenditure will spill over to next year and provide a good support for the country's growth at a time when global economies are projected to slow. The government has projected Malaysia's real gross domestic product (GDP) to grow by 4.8% in 2020, slightly higher than the estimated 4.7% for 2019. This is because it is highly unlikely for all of the development expenditure meant for this year to be spent in the same year, Guan Eng said, so whatever not spent will be rolled over to 2020, giving the economy a double-barrel effect, described to mean two-fold, when the previous year's allocated expenditure is spent together with the current year's allocation. The minister said this in response to reporters' question on the outlook of the economy yesterday, after delivering his keynote speech at the 60th Pan Asian e-Commerce Alliance luncheon. "What we will see is that for the 2019 development expenditure, some can only be spent in 2020 —giving a double-barrel effect. So we are more confident of [seeing] economic growth as two years of development expenditure will be spent in one," Guan Eng said. However, rather than a catalyst for growth, the double-barrel spending will more likely be a mitigation or cushion to potential downside risks amid increasing signs of a global slowdown, economists said. "Development expenditure not spent this year will certainly add to the overall government spending for next year. Together with the higher budgeted spending for next year, the delayed or postponed portion of government investment adds to the so-called 'double barrel' effect," Sunway University Business School economics professor Dr Yeah Kim Leng told The Edge Financial Daily. By and large, Yeah said the double-barrel spending will be "more [about] offsetting the potential slow-down risk in the global economy, given the high level of uncertainty in the global outlook for next year rising from the unconcluded trade talks between the US and China." Socio-Economic Research Centre executive director Lee Heng Gui concurred. The private sector, he said, will continue to be the primary driver of economic growth. Guan Eng told reporters the spillover will happen because the government is pushing for more projects to be done through open tender, which may take more time for new projects to be rolled out. While he did not specify how much of the budgeted RM53.7 billion development expenditure this year will be spent next year instead, the government has budgeted RM56 billion for development expenditure next year. Of the 2020 allocation, RM53.2 billion is for 4,744 ongoing projects, while RM2.8 billion is for 722 new projects. "Given the relative inexperience of the new administration when it took over the government last year, a case can be made that its spending rate and efficiency will pick up as it moves up the learning curve," Yeah said. Stimulus to be implemented if economic situation turns more sluggish On Malaysia's economic growth for the third quarter of 2019, which is scheduled to be released by Bank Negara Malaysia tomorrow, Guan Eng declined to comment except to say that the country is expected to pose sustainable growth. While he noted rating agencies such as Moody's have revised down their global sovereign outlook next year to "negative" from "stable", he believes Malaysia's rating remains stable. "The International Monetary Fund has downgraded its global growth forecasts to 3%. Many countries too have lowered their growth forecasts. If we do a comparison, perhaps we are stronger but in terms of absolute numbers there may be an effect. Nevertheless, I believe Malaysia remains stable with its growth," Guan Eng added. Moody's cut its global sovereign outlook for 2020 to "negative" from "stable" on Monday, saying disruptive and unpredictable world politics would slow growth and increase the risk of economic or financial shocks. It now expects growth in the G20 group of top world economies to stay around 2.6% next year, after 3% in 2018. On whether the government has a stimulus package if the economy takes a turn for the worst, Guan Eng said it will be implemented if the economic situation becomes more sluggish. Size-wise, he said the government has fiscal space but it will depend on the situation. He also pointed out that the government has already provided various incentives in the recently-announced Budget 2020 to help stimulate the economy, like the e-wallet initiative

where it offers a one-time RM30 spending allowance for qualified Malaysians. Budget 2020 allocated up to RM450 million to Khazanah Nasional Bhd to implement this digital stimulus, which will benefit up to 15 million Malaysians, he reiterated. Earlier in his speech, Guan Eng said the government is helping to digitalise and future-proof the economy by investing heavily in digital infrastructure, reforming the broadband market, and encouraging small and large businesses to make the leap towards Industry 4.0 (IR4.0). On that note, he said the government will be providing RM20.7 billion worth of cash and non-cash incentives for over five years, starting next year, to assist Malaysian companies' transition to IR4.0. "After all, either you digitalise, or you will not survive. This is the reality that we have to face," he added. (Source: *The EdgeMarkets*)

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

Source: RAM, MARC

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