

Global Markets Research

Fixed Income

Fixed Income Daily Market Snapshot

UST		
Tenure	Closing (%)	Chg (bps)
2-yr UST	1.60	0
5-yr UST	1.55	0
10-yr UST	1.73	0
30-yr UST	2.20	0

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

Nil

US Treasuries

- US Treasuries markets were closed for Columbus Day holiday yesterday. Benchmark 2Y and 10Y yields were last closed at 1.60% and 173% last Friday. Market is expected to reopen on a slightly bullish tone now that China mentioned it requires more talks before inking any deal, and that US trade protectionism policy continues to manifest to other countries. Turkey is the latest being slapped with a 50% tariff on its steel by the US in response to Turkey's military operation on Syria after the US withdrew some of its troops there earlier. Heightened 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 soft secondary market volume with only RM1.34bn traded with focus mainly on the front end '19-23. The benchmark 5Y closed 4bps lower at 3.20% while the 10Y MGS 8/29 was untraded at 3.40%. GII bonds also saw similarly tepid volume (RM140m) to form ~10% of overall trades. Yesterday's reopening auction of 20Y GII 9/39 comprising RM2.0bn and RM0.5bn private placement attracted a robust BTC of 3.32x at an average yield of 3.838%, lower than the reopening in June (4.074%) and new issuance back in March (4.467%), reflecting healthy demand. Expect demand for local govies to stay supported by an expansionary budget to promote steady growth in the Malaysian economy.

Corp Bonds/Sukuk

- Mirroring softer trading in the govies space, corporate bonds/sukuk also saw lower interests with secondary market volume dissipating to RM246m yesterday. About a third of the trades were in GG names namely PTPTN '24 and Bakun '28, which was last dealt at 3.339% and 3.630%. AAA-rated Zamarad '22 saw RM20m changed hands at 3.885% (-2bps). Energy names continued to take center stage, led by SEB '25 and '27 which saw a combined RM40m done, at between 0-3bps higher. Single-rated A DRB '22 attracted substantial interest (RM80m), last dealt at 4.380%.

Daily Trades : Government Bond

Securities	Closing YTM	Vol (RM mil)	Previous YTM	Previous Trade Date (dd/mm/yyyy)	Chg (bp)
MGS 10/19	3.062	50	3.050	11/10/2019	1
MGS 11/19	3.076	507	3.031	11/10/2019	4
MGS 10/20	3.088	19	3.073	11/10/2019	2
MGS 09/21	3.141	17	3.083	10/10/2019	6
MGS 03/22	3.098	64	3.120	11/10/2019	-2
MGS 03/23	3.174	270	3.197	10/10/2019	-2
MGS 08/23	3.222	5	3.207	11/10/2019	2
MGS 09/24	3.291	11	3.288	11/10/2019	0
MGS 09/25	3.372	8	3.363	11/10/2019	1
MGS 07/26	3.374	25	3.363	11/10/2019	1
MGS 11/26	3.461	10	3.437	11/10/2019	2
MGS 11/27	3.491	28	3.457	11/10/2019	3
MGS 08/29	3.418	176	3.414	11/10/2019	0
MGS 11/33	3.696	3	3.700	11/10/2019	0
MGS 05/35	3.739	5	3.760	09/10/2019	-2
GII 04/22	3.128	20	3.121	09/10/2019	1
GII 10/35	3.735	20	3.841	10/10/2019	-11
GII 09/39	3.831	100	3.757	08/10/2019	7
		<u>1337</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*	
Perbadanan Tabung Pendidikan Tinggi Nasional	03/24	GG	3.339	60	3.320	11/09/2019	2	14
Bakun Hydro Power Generation Sdn Berhad (fka Sarawak Hidro Sdn Berhad)	10/28	GG	3.630	25	3.499	03/09/2019	13	22
Zamarad Assets Berhad	03/22	AAA	3.868	20	3.885	03/09/2019	-2	77
Cagamas Berhad	11/22	AAA	3.503	5	4.046	21/03/2019	-54	38
Sarawak Energy Berhad	08/25	AA1	3.597	20	3.602	08/10/2019	0	28
Sarawak Energy Berhad	01/27	AA1	3.673	20	3.643	07/10/2019	3	32
Edra Solar Sdn Berhad	10/26	AA2	4.398	1	-	-	-	105
UEM Edgenta Berhad	04/22	AA-	3.816	2	3.957	09/08/2019	-14	69
Segi Astana Sdn Berhad	01/24	AA-	4.951	0	4.949	07/10/2019	0	175
Southern Power Generation Sdn Berhad	10/29	AA-	3.968	10	4.690	26/12/2018	-72	57
DRB-Hicom Berhad	02/22	A+	4.380	80	5.043	23/09/2019	-66	128
Eco World Internatioanl Berhad	10/21	-	5.899	0	5.452	30/08/2019	45	280
Eco World Capital Assets Berhad	08/24	-	6.098	2	6.098	10/10/2019	0	288
			<u>246</u>					

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

Market/Corporate News: What's Brewing

Malaysia's finance minister said the government won't raise taxes unnecessarily even as the trade war between two of its largest trading partners hampers Malaysia's goal of achieving a balanced budget. The government will spend within its means and won't add taxes just to fund certain infrastructure projects, Finance Minister Lim Guan Eng said in a Bloomberg Television interview with Haslinda Amin, after announcing the 2020 budget Friday. To raise funds, Malaysia will sell samurai bonds early next year, and continue its pursuit of assets lost in the 1MDB state investment-fund scandal, he said. The government remains committed to reducing the fiscal deficit in the medium term, and could reach a balanced budget in five years if trade tensions between the U.S. and China are resolved, Lim said. The government widened its deficit target for 2020 to 3.2% of gross domestic product, from a previous target of 3%, to get the fiscal space it needs to support economic growth. On Friday, Lim announced larger development spending for next year and offered a slew of incentives to win over investors amid the trade war, which he described as a unique opportunity for Malaysia to attract investment. A special channel aims to make it easier for Chinese investors to enter the Malaysian market starting next year, Lim said in the interview Monday in Kuala Lumpur.

He expects foreign-direct investment from China to reach levels of investment from the U.S. and Europe in coming years. Soon after Prime Minister Tun Dr Mahathir Mohamad returned to power last year, Malaysia halted or canceled major projects and slashed spending to rein in debt. That tone has changed since Lim said in February that he was nearly done cleaning house. The government raised next year's transport allocation by 8.8% to fund a Kuala Lumpur mass rapid transit project and the Pan-Borneo Highway, while allocating 10 billion ringgit (\$2.4 billion) to help Malaysians buy homes. Malaysia will raise funds by selling yen-denominated bonds in the first quarter of next year, with the size to be determined after talks with Japan, Lim said. The government raised 200 billion yen (\$1.85 billion) this year at a coupon of 0.53%, lower than the 0.65% he indicated before the sale. Lim said he's open to other types of bonds. "It's always a pricing issue," he said. "We are willing to consider all issues provided the price is right." Mahathir has made it a mission to bring back money believed to be lost through 1MDB. Lim reiterated that he wants Goldman Sachs Group Inc. to make "reparation payments" amounting to \$7.5 billion for the bank's role in arranging bond sales for the troubled state fund. Until then, Malaysia will continue legal proceedings against the U.S. bank and its 17 current and former directors, Lim said. "I hope they back up their words with deeds," he said, referring to comments from Goldman President and Chief Operating Officer John Waldron, who said last month the bank wants to get the Malaysian people the money they deserve. "If they want to make Malaysians happy, then back it up with reparation payments," Lim said. (Source: Bloomberg)

ECO WORLD DEVELOPMENT GROUP Bhd which has seen its financial performance rebound in the third quarter of its current financial year, expects to hit its sales target of RM6bil over the 2019 and 2020 financial years after sales picked up this year. President and CEO Datuk Chang Khim Wah said most of its sales so far for the current financial year have come in over the past six months and bolstered its sales over the 10 months of financial year 2019 (FY19) that is reaching close to RM2bil. "Most of the sales came in over the last six months and based on the strong sales trajectory we have seen across all our projects, we believe we are on track to achieve our two-year sales target of RM6bil," he told StarBiz in a written interview. Eco World Development set a two-year sales target of RM6bil for these financial years with the expectation that there would be a slight lull in the market until the Home Ownership Campaign was launched. Better sales have lifted Eco World Development's sales for the nine months of FY19 to RM1.55bil from RM1.52bil in the previous corresponding period. Its profit jumped strongly to RM122mil from RM80.7mil. The profit in its third quarter was its strongest-ever quarterly performance minus exceptional items, and looking at consensus estimates, the group is projected to post a net profit of RM182mil for FY19 and RM215mil for FY20. Future revenue from unbilled sales was RM5.8bil as of August 2019, which includes its 27% share of Eco World International Bhd's (EWI) expected revenue. Eco World Development's share of that amount is RM4.3bil. "This provides very good near and mid-term earnings visibility. We will also be unveiling several new phase launches at our various projects to expand our product offerings and build on the success of the initial phases, which have been or will shortly be handed over," said Chang. "These include Cora at Eco Ardence featuring semi-Ds and bungalows, as well as Regent Gardens at Eco Grandeur offering an exciting opportunity for customers to design their dream home. "Other new phases to be launched with innovative ideas and concepts incorporated to appeal to the specific target customer group include the Hazelton at Eco Forest featuring the new Ergo Homes design, emphasising efficient space planning and communal living, and a new phase of Mellowood homes at Eco Majestic. "Up north in Penang, Eco Horizon will be launching the Brydon collection of semi-Ds and bungalows, while down south in Iskandar Malaysia, Eco Spring will introduce Rosé, a new Garden Home series, inspired by the strong reception these products have received in the Klang Valley," he said. With net gearing at 0.75 times, future sales from its unbilled progress billings will give rise to near- and mid-term earnings visibility and generate cashflow certainty for loan repayments. With the six-year-old company generating cumulative sales of RM16.3bil, the bulk of its sales have been generated by projects in the central region which commanded 65% of that amount, or RM10.6bil. Its business in the southern region generated 28% of revenue and Chang said Eco World's projects in Johor are doing very well and have become highly established residential, commercial and business hubs in their respective localities. "In less than six years, our projects in Iskandar Malaysia have

achieved more than RM6bil sales. All our townships have crossed the RM1bil mark and our three business parks (Eco Business Parks I, II and III) have collectively sold more than RM1bil. "Eco Botanic, our most matured township located right opposite Educity, is a hive of activity today, with residents and business owners from Singapore, China, South Korea, Hong Kong, etc, settling in happily alongside our core Malaysian customers. "Eco Spring and Eco Summer, our twin-townships in the matured Tebrau corridor, is home to many upgraders, and the Spring Labs, featuring innovative retro-modern retail concept outlets, has attracted many interesting and new-to-market businesses to boost the vibrancy and commercial activity within the township. Similarly, Eco Tropics in Pasir Gudang has transformed township living in the Eastern Corridor of Iskandar Malaysia," he said. Chang believes the property market is going through challenging times but that Malaysians should not lose sight of the bigger picture and the opportunities present. "Property investment has also been proven over time to be the best hedge against inflation and is a long-term store of value. As such, there is always a market for good properties," he said. It is these prospects that Eco World Development is looking to capitalise on. The group is sitting on 4,467 acres of land with a potential gross development value (GDV) of RM69.2bil. For the projects launched more than three years ago, the occupancy of its residential and business parks is more than 90%. "In this regard, our efforts over the years to build up the EcoWorld brand and deliver outstanding products as well as service quality have stood us in good stead and enabled us to record strong sales even in the midst of a soft property market," he said. A similar picture for EWI is also forming, with the international arm of the Eco World group also expected to see an acceleration of profits over the next few years. Profit for the nine months of FY19 was RM68mil and market expectations is for it to rise rapidly towards FY19 and FY20. Market estimates are that EWI would post a net profit of RM142mil for 2019 and RM342mil for 2020. EWI president and CEO Datuk Teow Leong Seng said that on the sales front, EWI recorded RM773mil in sales for the first 10 months of FY19. "The group's projects in the UK generated RM686mil in sales, while those in Australia generated RM87mil. Mid-mainstream products for the London market priced from £500 per square foot (psf) to £800 psf continued to account for more than half of the sales achieved in this period," he said. The occupancy rate of its London City Island project is 89% and its Embassy Gardens, 99%. "Property market sentiment has also picked up in Australia following its federal election in May 2019. The market received a further boost in July 2019 when the Australian Prudential Regulation Authority, the financial sector regulator, relaxed mortgage lending guidelines which increased the mortgage capacity of home-buyers. There are signs that the Australian market has bottomed, as mortgage lending in July 2019 rose 15% compared to the preceding month," he said. Teow said EWI is maintaining its sales target of RM6bil to be achieved over FY19 and FY20. Potential BtR (build to rent) deals in the UK that are being pursued by EcoWorld London with institutional investors are expected to be the key sales driver in these two financial years. EWI is also helped by future growth prospects that include its presence in the mid-mainstream residential market which is supported by UK-based buyers. EWI's remaining GDV as at August 2019 was RM15.3bil, with 96% of this coming from the UK market. (Source: *The Star Online*)

Rating Action			
Issuer	PDS Description	Rating/Outlook	Action
Nil			

Source: RAM, MARC

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