

Global Markets Research

Fixed Income

Fixed Income Daily Market Snapshot

UST		
Tenure	Closing (%)	Chg (bps)
2-yr UST	1.76	-2
5-yr UST	1.70	-2
10-yr UST	1.84	-4
30-yr UST	2.31	-5

MGS		GII*		
Tenure	Closing (%)	Chg (bps)	Closing (%)	Chg (bps)
3-yr	3.09	-1	3.11	0
5-yr	3.26	3	3.26	2
7-yr	3.31	0	3.36	-1
10-yr	3.32	2	3.39	1
15-yr	3.54	0	3.53	0
20-yr	3.63	1	3.70	0
30-yr	3.88	2	3.81	0

* Market indicative levels

MYR IRS Levels		
IRS	Closing (%)	Chg (bps)
1-yr	3.28	2
3-yr	3.28	1
5-yr	3.32	2
7-yr	3.35	2
10-yr	3.44	2

Source : Bloomberg

Upcoming Government Bond Tender

Nil

US Treasuries

- US Treasuries halted its recent longest slide in two years due to an unprecedented drone attack on a major Saudi oil refinery that supplies ~6% of total global output or 5.7million bpd. Flight to safety outweighed inflation concerns due to supply disruption concern as the curve shifted lower and turned flatter. Overall benchmark yields declined 2-5bps with the UST 2Y edging 2bps lower at 1.76% whilst the much-watched 10Y yield rallied 4bps at 1.84%. Meanwhile surging oil prices may induce the Fed to cut interest rates to stem rising global risks as investors and governments are wary of the current fragile geopolitical landscape. Nevertheless investors are expected to note the possibility of the Fed shying away from providing any clear monetary policy pathway given the current uncertain backdrop. The FOMC is expected to deliver its verdict on the Fed Funds rate on Thursday, 19th of September.

MGS/GII

- Local govvnies saw trading momentum ease with secondary market volume at a mere RM2.54b ahead of the long weekend and holiday break. To recap; BNM maintained the OPR at 3.00%, in line with our house view. Activity was mainly centred in the shorter off-the-run 19's, 28's and benchmark 7Y GII bonds. Overall benchmark MGS yields closed mostly higher between 0-3bps across the curve. The 5Y benchmark MGS 6/24 closed up 3bps at 3.26% whilst the 10Y MGS 8/29 edged 2bps higher at 3.32%. GII bonds maintained to form ~24% of overall trades. Meanwhile, of the 20 government issuers in the benchmark Bloomberg Barclays EM local Currency Liquid Government Bond Index, Malaysia has been listed as a performing market as declining yields have driven duration gains YTD. The economic calendar remains light this week with Foreign Reserves data out on Friday.

Corp Bonds/Sukuk

- Corporate Bonds/Sukuk saw decent traction as secondary market volume improved to RM835m with interest seen across the GG-AA part of the curve. The Govt-guaranteed space saw long-end DANAINFRA bonds dominating whilst closing mostly lower on yields compared to previous-done levels. DANA 31-46 ~RM160m in nominal trades closing between a whopping -110bps to +9bps3bps lower between 3.57-95% levels. AAA-rated TOYOTA 7/24 saw its debut trade at 3.57% (coupon:4.15%) whereas AA-rated energy-related bond EDRA saw its 2028-2034 tranches close 0-9bps lower between 4.22-44% area.

Daily Trades : Government Bond

Securities		Closing YTM	Vol (RM mil)	Previous YTM	Previous Trade Date (dd/mm/yyyy)	Chg (bp)
MGS	10/19	3.045	484	3.033	12/09/2019	1
MGS	11/19	3.037	411	3.040	12/09/2019	0
MGS	03/20	3.111	80	3.092	12/09/2019	2
MGS	07/20	3.071	20	3.087	12/09/2019	-2
MGS	07/21	3.102	42	3.069	12/09/2019	3
MGS	11/21	3.121	12	3.082	12/09/2019	4
MGS	03/22	3.088	22	3.101	12/09/2019	-1
MGS	08/22	3.109	150	3.138	12/09/2019	-3
MGS	09/22	3.140	1	3.120	10/09/2019	2
MGS	04/23	3.221	2	3.186	12/09/2019	4
MGS	08/23	3.211	20	3.200	12/09/2019	1
MGS	06/24	3.259	20	3.225	12/09/2019	3
MGS	09/24	3.309	25	3.271	12/09/2019	4
MGS	09/25	3.329	2	3.325	12/09/2019	0
MGS	07/26	3.308	20	3.309	12/09/2019	0
MGS	11/26	3.379	3	3.348	12/09/2019	3
MGS	03/27	3.399	20	3.390	10/09/2019	1
MGS	11/27	3.427	42	3.404	12/09/2019	2
MGS	06/28	3.393	266	3.400	12/09/2019	-1
MGS	08/29	3.323	4	3.302	12/09/2019	2
MGS	06/31	3.587	24	3.552	12/09/2019	4
MGS	04/32	3.643	5	3.530	10/09/2019	11
MGS	04/33	3.677	82	3.572	12/09/2019	11
MGS	11/33	3.656	55	3.610	11/09/2019	5
MGS	07/34	3.539	42	3.535	12/09/2019	0
MGS	04/37	3.658	1	3.671	11/09/2019	-1
MGS	06/38	3.633	58	3.620	12/09/2019	1
MGS	07/48	3.878	29	3.862	12/09/2019	2
GII	06/20	3.067	90	3.082	29/08/2019	-1
GII	08/20	3.080	32	3.060	12/09/2019	2
GII	04/22	3.144	1	3.096	12/09/2019	5
GII	07/23	3.242	30	3.185	12/09/2019	6
GII	08/24	3.328	20	3.313	12/09/2019	1
GII	10/24	3.256	40	3.240	12/09/2019	2
GII	08/25	3.310	23	3.322	12/09/2019	-1
GII	03/26	3.357	219	3.365	12/09/2019	-1
GII	07/27	3.367	6	3.374	12/09/2019	-1
GII	08/28	3.444	50	3.476	12/09/2019	-3
GII	07/29	3.389	33	3.382	12/09/2019	1
GII	06/33	3.652	50	3.643	12/09/2019	1
GII	08/37	3.669	10	3.751	11/09/2019	-8
			<u>2543</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*
Pengurusan Air SPV Berhad	02/21	GG	3.173	25	3.448	21/05/2019	-28	10
Pengurusan Air SPV Berhad	06/21	GG	3.201	15	3.726	26/03/2019	-53	12
Pengurusan Air SPV Berhad	06/22	GG	3.274	100	3.550	21/05/2019	-28	18
Pengurusan Air SPV Berhad	06/22	GG	3.267	10	3.423	18/06/2019	-16	17
Lembaga Pembiayaan Perumahan Sektor Awam	10/28	GG	3.456	30	3.440	27/08/2019	2	10
Perbadanan Tabung Pendidikan Tinggi Nasional	03/29	GG	3.462	20	3.428	19/08/2019	3	10
DanaInfra Nasional Berhad	10/31	GG	3.569	90	3.769	07/08/2019	-20	24
DanaInfra Nasional Berhad	11/34	GG	3.691	5	3.801	09/08/2019	-11	14
Prasarana Malaysia Berhad	02/41	GG	3.840	25	4.059	02/08/2019	-22	20
DanaInfra Nasional Berhad	05/41	GG	3.850	20	3.829	10/09/2019	2	21
DanaInfra Nasional Berhad	04/43	GG	3.891	5	4.029	09/08/2019	-14	25
DanaInfra Nasional Berhad	11/44	GG	3.920	5	5.024	04/10/2018	-110	28
DanaInfra Nasional Berhad	04/45	GG	3.929	10	4.539	29/05/2019	-61	29
DanaInfra Nasional Berhad	05/46	GG	3.944	20	3.849	28/08/2019	9	30
DanaInfra Nasional Berhad	10/46	GG	3.949	20	4.239	31/07/2019	-29	31
Aman Sukuk Berhad	02/21	AAA	3.331	5	3.764	17/06/2019	-43	26
Cagamas Berhad	12/22	AAA	3.391	25	4.163	17/10/2018	-77	29
Toyota Capital Malaysia Sdn Berhad	07/24	AAA	3.569	50			-	31
Putrajaya Bina Sdn Berhad	03/25	AAA	3.389	10	3.387	11/09/2019	0	10
Pengurusan Air SPV Berhad	06/29	AAA	3.596	10	3.609	04/09/2019	-1	26
Putrajaya Bina Sdn Berhad	05/31	AAA	3.701	10			-	37
GENM Capital Berhad	07/33	AAA	4.073	50	4.239	05/08/2019	-17	53
Tenaga Nasional Berhad	08/38	AAA	3.898	20	3.880	12/09/2019	2	25
MBSB Bank Berhad (fka Asian Finance Bank Berhad)	10/20	AA1	3.571	10	4.019	27/06/2019	-45	50
Sabah Development Bank Berhad	04/26	AA1	4.100	1	4.416	11/09/2019	-32	79
Malayan Banking Berhad	01/31	AA1	3.779	10	3.789	27/08/2019	-1	45
Fortune Premiere Sdn Berhad	09/25	AA	3.801	10	3.808	12/09/2019	-1	51
CIMB Group Holdings Berhad	11/27	AA	3.845	10	4.649	07/12/2018	-80	50
Jimah Energy Ventures Sdn Berhad	05/20	AA3	3.426	10	4.306	07/11/2017	-88	36
BGSM Management Sdn Berhad	06/24	AA3	3.862	10	4.080	09/08/2019	-22	61
Tanjung Bin Energy Issuer Berhad	09/25	AA3	3.780	11	4.698	04/12/2018	-92	49
Edra Energy Sdn Berhad	01/28	AA3	4.218	10	4.231	11/09/2019	-1	87
Edra Energy Sdn Berhad	01/31	AA3	4.319	10	4.409	19/08/2019	-9	99
Edra Energy Sdn Berhad	07/33	AA3	4.398	10	4.398	11/09/2019	0	85
Edra Energy Sdn Berhad	07/34	AA3	4.438	10	4.519	22/08/2019	-8	89
Grand Sepadu (NK) Sdn Berhad	06/20	AA-	3.616	5	4.247	18/08/2016	-63	55
UEM Sunrise Berhad	06/21	AA-	3.518	20	3.538	06/09/2019	-2	44
UEM Sunrise Berhad	03/24	AA-	3.717	70	3.708	10/09/2019	1	46
Affin Bank Berhad	09/27	A1	3.846	10	3.999	15/08/2019	-15	50
CIMB Group Holdings Berhad	05/16	A1	4.288	10	4.250	11/09/2019	4	64
CIMB Group Holdings Berhad	05/16	A1	3.948	4	4.192	29/08/2019	-24	30
CIMB Group Holdings Berhad	05/16	A1	3.998	3	4.267	30/08/2019	-27	35
UMW Holdings Berhad	04/18	A1	4.519	5	4.439	12/09/2019	8	88
Affin Bank Berhad	07/18	A3	4.348	1	4.863	11/09/2019	-52	70
Malakoff Power Berhad	12/19	AA-	3.380	15	3.432	04/09/2019	-5	31
				<u>835</u>				

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

Market/Corporate News: What's Brewing

S&P Global Ratings has lowered its issuer credit rating on Press Metal Aluminium Holdings Bhd (PMB) to 'B+' from 'BB-'. In a note Sept 16, the rating agency also lowered the issue rating on the company's guaranteed notes to 'B+' from 'BB-'. It said PMB's sizable growth investments for the next 12-18 months to be largely debt-funded, translating into growing debt and hence delaying deleveraging

until beyond 2021. “PMB's balance sheet and funding profile's ability to accommodate volatility in aluminum and alumina prices should therefore decrease. “The stable outlook reflects our expectation that PMB's leverage and reliance on short-term debt are unlikely to reduce over the next 12-18 months,” it said. S&P said it expects PMB's cash flow leverage to weaken over the next 12–18 months owing to a rise in growth investments in recent months. “The company announced in August 2019 the development of phase 3 of its Bintulu plant in Samalaju, Sarawak. The brownfield development will add 320,000 tons of smelting capacity to PMB's current capacity of 760,000 tons per annum. “PMB has also secured a 15-year power purchase agreement (PPA) with Sarawak Energy Bhd. (SEB) for 500 megawatts (MW) of electricity, which will power PMB's planned expansion. “The power tariffs are competitive and will keep the company's operating economics attractive. The land for the Bintulu expansion is already available to PMB,” it said. S&P added it expects PMB's operating performance in 2019 to stay largely in line with our expectations, although the first-half performance lagged a bit. It said the company's EBITDA was RM500 million in the first half of the year. “We anticipate aluminum price to trend up over the next two years while alumina price should stay soft, at 17%-18% of aluminum price. “This will boost PMB's EBITDA to RM1.5 billion in 2020, with further gains likely following new capacity additions. However, global growth concerns and trade-related friction could weigh on aluminum prices,” it said. (Source: *The Edge*)

The spike in the Brent crude oil price due to the attacks on Saudi Arabia's oil production facilities could be a boon for the local stock market and lead to higher oil revenue for the government. Analysts are expecting the ringgit to strengthen against the US dollar and for oil and gas (O&G)-related counters on Bursa Malaysia to dominate the market. Oil prices surged more than 20% to above US\$70 a barrel the biggest jump in 28 years, after a strike on a Saudi Arabian oil facility removed about 5% of the global supply. It is said to be the single worst sudden disruption for oil markets, despite Saudi Arabia managing to recover some of the supplies. Saudi Arabia produces about 10% of the world's oil supplies. “As a net exporting country, stood to benefit from higher oil prices, albeit temporarily. “It would push government revenue, providing some relief, especially with the average oil price for the year-to-date period hovering below US\$65 per barrel, ” an analyst said. The current average oil price is below the government's 2019 target of US\$70 per barrel. He reckoned the 5% output outage was “small”, especially in the slower economic growth background that would put pressure on the oil prices, moving forward. Another economist pointed out that based on past studies, each US\$1 per barrel in excess would translate to RM300mil to the government revenue. (Source: *The Star*)

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

Source: RAM, MARC

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