

Global Markets Research

Fixed Income

Fixed Income Daily Market Snapshot

UST		
Tenure	Closing (%)	Chg (bps)
2-yr UST	1.76	4
5-yr UST	1.68	2
10-yr UST	1.80	-1
30-yr UST	2.24	-3

MGS		GII*		
Tenure	Closing (%)	Chg (bps)	Closing (%)	Chg (bps)
3-yr	3.10	0	3.11	0
5-yr	3.26	-1	3.26	0
7-yr	3.33	1	3.37	0
10-yr	3.35	0	3.39	2
15-yr	3.59	0	3.57	0
20-yr	3.67	0	3.69	0
30-yr	3.87	-8	3.81	0

* Market indicative levels

MYR IRS Levels		
IRS	Closing (%)	Chg (bps)
1-yr	3.27	-2
3-yr	3.26	-2
5-yr	3.29	-2
7-yr	3.33	-1
10-yr	3.40	-3

Source : Bloomberg

Upcoming Government Bond Tender

RM3.0b Reopening of 7Y MGS 7/26 on Thursday, 19th Sep

US Treasuries

- US Treasuries closed mixed on Wednesday with the short-ends losing ground due to the sensitivity arising from the dissent by three Fed officials who refused to budge on the prevailing interest rate settings. For the record the Fed cut interest rate yesterday for the 2nd time this year by 25bps to 1.75-2.00% range. The curve flattened considerably as overall benchmark yields ended between -3 to +4bps across most tenures. The UST 2Y spiked 4bps at 1.76% whilst the much-watched 10Y edged 1bps lower at 1.80%. The US money markets which saw \$75b being injected on Tuesday via overnight Repo; saw less volatility. Meanwhile futures traders are still leaning toward another 25bps cut despite confident statement made by Powell on the resilience of the US economy and policy-makers projections showing no further cuts this year.

MGS/GII

- Local govies saw trading momentum trickle lower with secondary market volume at a mere RM1.52b on lack of leads whilst geopolitical risks elsewhere remain elevated. Activity was again mainly centred in the shorter off-the-run 19-20's and 7Y MGS bonds ahead of today's reopening. Overall benchmark MGS yields closed mostly within 1bps save for the 10Y GII and the 30Y MGS. The 5Y benchmark MGS 6/24 edged 1bps lower at 3.26% whilst the 10Y MGS 8/29 was unchanged at 3.35%. GII bonds rose to form ~40% of overall trades. Expect investors to shift attention to the 7Y MGS auction today. The economic calendar remains light this week with Foreign Reserves data out on Friday.

Corp Bonds/Sukuk

- Corporate Bonds/Sukuk however saw activity pick-up as market volume rose to RM515m with interest seen across the AAA part of the curve; followed by the GG-segment. The Govt-guaranteed LPPSA 4/25 and 4/26 saw RM50m a piece in nominal amounts exchange hands between -21 and +1 bps compared to previous-done levels at 3.37% and 3.40% respectively. AAA-rated PLUS 27 and 29 rallied 14bps lower at 3.46% and 3.52%. However DANGA 30 and 33 rose between 3-7bps at 3.60% and 3.72% each. AA-rated energy bond SEB 6/21 closed 3bps lower at 3.32% levels whilst WCT 10/23 closed 4bps lower at 4.41%; following yesterday's trades done on its 2025-2026 tranches. The banking space also saw the AFFIN 27NC22 rise 2bps at 3.86%.

Daily Trades : Government Bond

Securities		Closing YTM	Vol (RM mil)	Previous YTM	Previous Trade Date (dd/mm/yyyy)	Chg (bp)
MGS	10/19	3.035	283	3.040	17/09/2019	0
MGS	11/19	3.078	49	3.060	17/09/2019	2
MGS	07/20	3.044	155	3.068	17/09/2019	-2
MGS	10/20	3.063	100	3.074	17/09/2019	-1
MGS	02/21	3.087	30	3.082	13/09/2019	1
MGS	09/21	3.115	6	3.110	17/09/2019	1
MGS	03/22	3.096	66	3.097	17/09/2019	0
MGS	08/22	3.135	2	3.140	17/09/2019	-1
MGS	09/22	3.139	1	3.140	13/09/2019	0
MGS	03/23	3.210	10	3.242	17/09/2019	-3
MGS	04/23	3.229	32	3.258	17/09/2019	-3
MGS	06/24	3.256	5	3.264	17/09/2019	-1
MGS	07/24	3.298	3	3.298	17/09/2019	0
MGS	09/24	3.303	3	3.309	13/09/2019	-1
MGS	03/25	3.299	1	3.309	17/09/2019	-1
MGS	09/25	3.315	10	3.352	17/09/2019	-4
MGS	07/26	3.327	107	3.314	17/09/2019	1
MGS	11/26	3.386	1	3.379	17/09/2019	1
MGS	11/27	3.417	1	3.424	17/09/2019	-1
MGS	06/28	3.399	11	3.410	17/09/2019	-1
MGS	08/29	3.347	30	3.346	17/09/2019	0
MGS	04/33	3.632	1	3.674	17/09/2019	-4
MGS	06/38	3.669	9	3.667	17/09/2019	0
GII	09/19	3.025	170	3.069	27/08/2019	-4
GII	11/23	3.250	170	3.272	12/09/2019	-2
GII	08/25	3.310	2	3.313	17/09/2019	0
GII	03/26	3.368	100	3.368	17/09/2019	0
GII	07/27	3.401	21	3.367	17/09/2019	3
GII	07/29	3.393	80	3.375	17/09/2019	2
GII	10/35	3.714	10	3.682	11/09/2019	3
GII	08/37	3.751	20	3.751	11/09/2019	0
GII	05/47	3.900	30	3.886	17/09/2019	1
			<u>1517</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*
Lembaga Pembiayaan Perumahan Sektor Awam	04/25	GG	3.374	50	3.360	27/08/2019	1	8
Lembaga Pembiayaan Perumahan Sektor Awam	04/26	GG	3.396	50	3.609	19/07/2019	-21	6
Prasarana Malaysia Berhad	03/30	GG	3.531	5	3.568	15/08/2019	-4	18
DanaInfra Nasional Berhad	05/36	GG	3.723	10	3.678	27/08/2019	4	14
DanaInfra Nasional Berhad	11/47	GG	3.979	10	4.240	08/08/2019	-26	30
Telekom Malaysia Berhad	12/24	AAA	3.439	10	3.504	19/08/2019	-6	18
Projek Lebuhraya Usahasama Berhad	01/27	AAA	3.460	50	3.599	20/08/2019	-14	13
DiGi Telecommunications Sdn Berhad	04/27	AAA	3.578	40	3.594	11/09/2019	-2	23
Projek Lebuhraya Usahasama Berhad	01/29	AAA	3.519	40	3.659	21/08/2019	-14	15
Bakun Hydro Power Generation Sdn Berhad (fka	08/29	AAA	3.529	20	3.549	12/09/2019	-2	18
Projek Lebuhraya Usahasama Berhad	01/30	AAA	3.569	10	3.701	20/08/2019	-13	22
Danga Capital Berhad	01/30	AAA	3.599	40	3.570	04/09/2019	3	25
Danga Capital Berhad	01/33	AAA	3.719	40	3.650	04/09/2019	7	13
Tenaga Nasional Berhad	08/37	AAA	3.830	10	3.746	16/08/2019	8	15
Sarawak Energy Berhad	06/21	AA1	3.321	40	3.348	28/08/2019	-3	24
United Overseas Bank (Malaysia) Berhad	05/25	AA1	3.495	1	3.651	18/07/2019	-16	20
YTL Power International Berhad	05/27	AA1	3.788	10	3.800	12/09/2019	-1	44
Sarawak Energy Berhad	11/28	AA1	3.569	1	4.174	20/06/2019	-61	20
First Resources Limited	06/20	AA2	3.566	3	3.654	28/08/2019	-9	51
AmBank (M) Berhad	06/20	AA2	3.402	3	3.786	26/06/2019	-38	34
Anih Berhad	11/22	AA	3.666	4	3.870	09/08/2019	-20	57
Fortune Premiere Sdn Berhad	09/23	AA	3.696	10	3.710	05/09/2019	-1	49
Tanjung Bin Energy Issuer Berhad	03/20	AA3	3.418	2	4.032	02/05/2019	-61	36
RHB Investment Bank Berhad	04/25	AA3	3.804	1	3.806	10/09/2019	0	51
IJM Corporation Berhad	08/28	AA3	4.091	10	4.220	07/08/2019	-13	72
CIMB Group Holdings Berhad	04/60	AA3	3.600	2	4.325	08/08/2019	-73	-8
Segi Astana Sdn Berhad	01/23	AA-	4.849	2	4.849	17/09/2019	0	175
WCT Holdings Berhad	10/23	AA-	4.408	20	4.448	10/09/2019	-4	121
Affin Bank Berhad	09/27	A1	3.862	10	3.846	13/09/2019	2	51
Hong Leong Financial Group Berhad	11/17	A1	3.945	1	4.288	20/08/2019	-34	26
IJM Land Berhad	03/19	A2	4.600	2	4.874	21/08/2019	-27	92
Eco World Capital Assets Berhad	01/24	-	6.098	4	6.098	13/09/2019	0	290
YNH Properties Berhad	07/19	-	6.604	4	6.697	17/09/2019	-9	292
Bank Muamalat Malaysia Berhad	11/21	A	4.379	2	4.304	17/09/2019	7	130
				<u>515</u>				

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

Market/Corporate News: What's Brewing

Atrium Real Estate Investment Trust plans to raise up to RM999 million by establishing a medium-term note (MTNs) programme to part-finance the purchase of properties in Penang. The MTN programme will have a tenure of 30 years from the date of first issuance, the group said in a filing with Bursa Malaysia. The REIT said its special purpose vehicle, Atrium REIT Capital Sdn Bhd has lodged the programme with the Securities Commission Malaysia, and that Public Investment Bank Bhd is the principal adviser, lead arranger, security agent and facility agent for the programme. Atrium REIT settled unchanged at RM1.06 for a market capitalisation of RM155.81 million. (Source: *The Edge*)

Perak Transit Bhd plans to raise up to RM500 million by establishing a sukuk murabahah programme to refinance the group's bank borrowings. The money will also be used to finance its capital expenditure and working capital requirements, the group said in a filing with Bursa Malaysia. The programme will have a tenure of 15 years from the date of the first issuance of the sukuk, the group said. It said United Overseas Bank (Malaysia) Bhd is the sole principal adviser, lead arranger, lead manager, and facility agent for the programme. Perak Transit shares price closed unchanged at 21.5 sen, bringing it a market capitalisation of RM305.9 million. The counter saw some 4.72 million shares traded. Over the past year, the counter has retreated 25.86% from 29 sen. (Source: *The Edge*)

The financial position of non-financial corporates (NFCs) weakened slightly during the first half of 2019, amid continued challenging business conditions, according to Bank Negara Malaysia Financial Stability Review for first half of 2019. However, Bank Negara said the median debt-servicing capacity of firms has remained healthy at 4.5 times. In the review published today, the central bank said the median leverage of NFCs increased marginally to 24.9%, as firms in the telecommunication, aviation and utilities sectors were partly affected by adjustments to new financial reporting standards. "Lower earnings were also reported by firms in the plantation, transportation, and building and construction materials sectors," it said. "Some positive developments have been observed in the oil and gas, construction and real estate sectors, despite continued headwinds. Firms in the oil and gas sector have continued to pare down their debt, with improvements in earnings from higher asset utilisation rates in the offshore segment. "The resumption of major infrastructure projects will also benefit firms in the construction sector, alongside continued healthy order books. While the overall impaired loans ratio of the business sector marginally increased in the first half of 2019, this was mainly on account of developments in a few firms and was not broad-based," the report said. Meanwhile, Bank Negara also noted that the domestic financial stability remained intact in the first half of 2019, amid continued challenges in the external and domestic environment. On the global front, it said financial vulnerabilities remained elevated on concerns of slower global growth and rising geopolitical tensions, which contributed to increased volatility in financial assets and commodity prices. Bank Negara said the ongoing trade tensions have also weighed on external demand and regional growth prospects. "These developments, coupled with concerns over the review of Malaysian government securities in two global benchmark indices, saw periods of increased volatility in the domestic financial markets," it said. Additionally, it said risks to domestic financial stability had however continued to be largely contained, supported by relatively resilient domestic economic growth, orderly market conditions and sound financial institutions. Despite domestic and external headwinds, Bank Negara said the domestic financial markets remained orderly, and this is attributable to strong domestic institutional investors including financial institutions which have continued to provide an important source of stability to the domestic markets during

periods of heavy portfolio outflows. (Source: *The Edge*)

“This in turn has supported stable domestic funding conditions for businesses and households. Active risk management and hedging strategies by banks continued to contain market risk exposures at manageable levels, well within prudent internal loss limits. This in part reflects greater caution observed by banks, amid prevailing uncertainties during the first half of 2019.

“Similarly, insurance and takaful operators also continued to actively manage their investments, in line with their liability structures,” it said.

Rating Action			
Issuer	PDS Description	Rating/Outlook	Action
Genting RMTN Berhad	Proposed RM10 bil MTN Programme	AAA(s)/Stable	Assigned
United Arab Emirates’ (UAE)	Global and ASEAN-scale ratings	gAA2(pi) and seaAAA(pi)	Reaffirmed

Source: RAM, MARC

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