

## Global Markets Research

### Fixed Income

UST		
Tenure	Closing (%)	Chg (bps)
2-yr UST	1.60	2
5-yr UST	1.58	1
10-yr UST	1.75	1
30-yr UST	2.24	1

MGS		GII*		
Tenure	Closing (%)	Chg (bps)	Closing (%)	Chg (bps)
3-yr	3.11	0	3.13	0
5-yr	3.24	1	3.26	0
7-yr	3.36	0	3.39	0
10-yr	3.41	0	3.43	3
15-yr	3.62	0	3.69	0
20-yr	3.76	0	3.84	0
30-yr	4.01	2	4.01	0

\* Market indicative levels

MYR IRS Levels		
IRS	Closing (%)	Chg (bps)
1-yr	3.24	1
3-yr	3.27	4
5-yr	3.31	2
7-yr	3.35	3
10-yr	3.41	2

Source : Bloomberg

### Upcoming Government Bond Tender

Nil

## Fixed Income Daily Market Snapshot

### US Treasuries

- US Treasuries reversed previous day gain as positive Brexit development revived risk sentiments and reduced the appeal for safe haven USTs, overshadowing weak US housing starts and industrial production data. UK PM BoJo managed to strike a deal with the EU on Brexit and now need to face the next daunting task in securing Parliament support back home. The curve bear flattened with the 2s inching up 2bps to 1.60% while the 10s rose a bp to 1.75%. We suspect the relief spike in UST yields could be shortlived as markets are highly headline-driven. Any negative newsflows either on trade/ Brexit fronts or growth concern could easily overturn overnight move, more so as we have Fed speeches and China 3Q GDP today followed by UK Parliament seating over the weekend.

### MGS/GII

- Local govies ended largely flat with only minute moves seen in the benchmark 5Y and 30Y MGS as well as 10Y GII that rose between 1-3bps to 3.24%, 4.01% and 3.43% respectively. Trading momentum regained momentum with RM3.91bn trades done in the secondary market yesterday. Interest was seen well-spread across the curve up to 10Y for the MGS, notably off the runs MGS '19 and '30. Benchmark 7Y MGS 7/26 was also heavily traded, last done at 3.36%. GII trades fell further to make up only 26% of overall trades, down from 31% on Wednesday with all trades focusing on non-benchies. We continue to expect demand for local govies to stay supported by an expansionary budget to promote steady growth in the Malaysian economy.

### Corp Bonds/Sukuk

On the contrary, corporate bonds/sukuk space saw softer trading for the first time in three days, with total trades pulling back somewhat to RM428m yesterday, from RM524m a day earlier. GG issuances continued to take center stage accounting for more than half of trades, led by PRASA '21 and 29-31 which saw a collective RM85m changed hands between 3.236-3.750%. MKD Kencana '32 made it to the list again with another RM30m done at 3.739% (-6bps). In the AAA- and AA-rated space, YTLP '5/27 and First Resources '6/20 led the pack with RM60m (@4.028%) and RM50m (@ 3.567%) transacted respectively.

## Daily Trades : Government Bond

Securities	Closing YTM	Vol (RM mil)	Previous YTM	Previous Trade Date (dd/mm/yyyy)	Chg (bp)
MGS 10/19	3.049	312	3.024	15/10/2019	2
MGS 11/19	3.038	566	3.052	16/10/2019	-1
MGS 03/20	3.062	70	3.082	16/10/2019	-2
MGS 10/20	3.081	295	3.071	16/10/2019	1
MGS 08/22	3.118	95	3.119	16/10/2019	0
MGS 07/24	3.247	181	3.241	16/10/2019	1
MGS 09/25	3.346	79	3.353	16/10/2019	-1
MGS 07/26	3.364	360	3.366	16/10/2019	0
MGS 11/26	3.428	212	3.445	16/10/2019	-2
MGS 11/27	3.461	71	3.465	16/10/2019	0
MGS 08/29	3.406	204	3.409	16/10/2019	0
MGS 04/30	3.521	375	3.555	16/10/2019	-3
MGS 06/38	3.757	64	3.757	16/10/2019	0
GII 07/23	3.228	130	3.225	16/10/2019	0
GII 03/26	3.386	120	3.387	16/10/2019	0
GII 07/27	3.455	310	3.466	16/10/2019	-1
GII 08/33	3.725	250	3.663	15/10/2019	6
GII 10/35	3.750	220	3.737	16/10/2019	1
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## 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*	
Prasarana Malaysia Berhad	08/21	GG	3.236	65	3.399	04/07/2019	-16	13
Perbadanan Tabung Pendidikan Tinggi Nasional	07/26	GG	3.489	20	3.391	11/09/2019	10	13
Danainfra Nasional Berhad	05/27	GG	3.581	25	3.673	18/07/2019	-9	18
Danainfra Nasional Berhad	07/27	GG	3.581	10	3.590	15/10/2019	-1	18
Bakun Hydro Power Generation Sdn Berhad (fka Sarawak Hidro Sdn Berhad)	10/28	GG	3.628	25	3.630	14/10/2019	0	21
Prasarana Malaysia Berhad	09/29	GG	3.680	10	3.505	12/09/2019	18	27
Prasarana Malaysia Berhad	03/30	GG	3.672	5	3.669	16/10/2019	0	26
Pelabuhan Tanjung Pelepas Sdn Berhad	11/30	GG	3.708	20	3.710	15/10/2019	0	29
Prasarana Malaysia Berhad	02/31	GG	3.750	5	3.599	15/08/2019	15	34
Danainfra Nasional Berhad	05/31	GG	3.751	5	3.709	16/10/2019	4	34
Pelabuhan Tanjung Pelepas Sdn Berhad	10/31	GG	3.748	20	3.750	15/10/2019	0	33
MKD Kencana Sdn Berhad	10/32	GG	3.739	30	3.800	16/10/2019	-6	11
Danainfra Nasional Berhad	04/33	GG	3.791	5	3.790	26/09/2019	0	16
Mydin Mohamed Holdings Berhad	05/20	AAA	3.845	6	4.427	15/04/2019	-58	77
GENM Capital Berhad	03/22	AAA	3.699	1	3.565	03/10/2019	13	60
Bakun Hydro Power Generation Sdn Berhad (fka Sarawak Hidro Sdn Berhad)	08/30	AAA	3.725	10	3.689	03/10/2019	4	31
Bakun Hydro Power Generation Sdn Berhad (fka Sarawak Hidro Sdn Berhad)	08/31	AAA	3.775	10	3.779	25/09/2019	0	36
GENM Capital Berhad	07/33	AAA	4.189	1	4.072	19/09/2019	12	56
YTL Power International Berhad	05/27	AA1	4.028	60	3.999	16/10/2019	3	63
First Resources Limited	06/20	AA2	3.567	50	3.565	02/10/2019	0	49
ORIX Leasing Malaysia Berhad	02/23	AA2	3.917	10	4.849	27/07/2018	-93	80
Krung Thai Bank Public Company Limited	07/25	AA2	3.646	1	3.953	01/10/2019	-31	32
SAJ Capital Sdn Berhad	01/22	AA-	4.052	10	5.201	27/06/2018	-115	95
SAJ Capital Sdn Berhad	01/23	AA-	4.130	15	4.131	11/10/2019	0	101
Segi Astana Sdn Berhad	01/24	AA-	4.950	1	4.951	14/10/2019	0	176
CIMB Group Holdings Berhad	05/16	A1	4.195	7	4.241	30/09/2019	-5	44
CIMB Group Holdings Berhad	05/16	A1	4.507	1	3.914	02/10/2019	59	75
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\*spread against nearest indicative tenured MGS (Source : BPAM)

## Market/Corporate News: What's Brewing

Businessman Tan Sri Halim Saad and Datuk Wong Gian Kui have joined the race to take over PLUS Malaysia Bhd (PMB) with a RM5.2bil offer. This is also not the first time Halim is wanting to get PMB back. Last October, he and his friends via Karongsa Private Capital Sdn Bhd had written to Works Minister Baru Bian to propose the setting up of a highway trust company to take over all the toll roads in the country. "I intend to undertake this offer with Wong, a prominent businessman, who currently sits on the boards of Insas Bhd, Inari

Amertron Bhd, Ho Hup Construction Co Bhd, SYF Resources Bhd, Yi-Lai Bhd, ” Halim said in the letter dated Oct 11 sighted by StarBiz. Addressed to Works Minister Baru, both said the offer was to buy the entire equity stake of PMB or 51% (of the equity held by Khazanah Nasional Bhd). The RM5.2bil offer appears to be for the 100% stake. “The new PMB will offer a 25% discount on toll rates. The concession period will remain the same and will end in December 2038, ” Halim said. Thirty years ago, it was during Halim’s time as the boss of UEM Group Bhd/Renong Group that the company got a contract worth RM3.4bil to build the Plus Highway. After 30 years, he is making another bid. Halim and Wong are the fifth party in recent times making an offer for PMB. Apart from Halim, last week, Widad Business Group Sdn Bhd which owns Widad Group Bhd, offered RM3bil cash to buy up the equity portion of UEM and the Employees Provident Fund that hold PMB in proportions of 51%-49%. Widad’s founder is Tan Sri Muhammad Ikmal Opat Abdullah. Widad’s offer is said to have come after Hong Kong-based private equity firm RRJ Capital had proposed to acquire PMB for RM3.5bil. Also last week, Tan Sri Abu Sahid Mohamed of Maju Holdings Sdn Bhd had revised his offer to acquire PMB at an enterprise value of RM34.9bil, an offer which also includes the leading highway operator’s debt to its bondholders. (Source: *The Star Online*)

S&P Ratings puts Malaysia’s banking sector in Group 4: Malaysia’s high level of stable core customer deposits support the banking system, but S&P Global Ratings cautions that competitive pressure is likely to remain in the home market. In its latest “Banking industry country risk assessment (BICRA): Malaysia”, it said the pressure was reflected in decreasing margins and earning metrics. It classified Malaysia’s banking sector in group four under its BICRA. Other countries in the group are New Zealand, Taiwan, Kuwait, Saudi Arabia, Iceland, Ireland, Poland, Slovenia, Spain and Mexico. The anchor, the starting point in assigning an issuer credit rating, for banks operating only in Malaysia is “bbb”. “Credit risk is elevated because of Malaysia’s high private-sector indebtedness relative to income. The relative financial strength of the Malaysian household and corporate sectors, stable employment conditions, and healthy debt servicing ratios temper this risk, ” it said in the report yesterday. S&P Ratings said Malaysian banks’ asset quality could deteriorate modestly due to slower economic growth amid domestic policy uncertainty and escalating external headwinds. However, the impact would be manageable, given that non-performing loans are well provided for and are increasing from a low base, it said. It also pointed out that banks have relied on a combination of cost control and increase in non-interest income to offset pressure on the lending business. “We consider Malaysia’s regulatory standards to be broadly in line with international norms, and the industry’s risk appetite to be moderate. “In our view, Malaysia’s economic trend is stable. We see little transitional risk under the new government when it comes to prudential regulation of the domestic banking sector, ” it added. S&P Ratings said the cautious stance adopted by the previous government against potential imbalances in the residential property sector, and the emphasis on prudent and responsible lending have stayed under the new administration. The various prudential and cooling measures taken by the regulators in the past have moderated the growth of property prices and household debt. “We view the trend for industry risk in Malaysia as stable. We anticipate that domestic banks will maintain a healthy level of local currency deposits, reflecting banks’ dominant retail presence, strong consumer confidence, and the country’s high savings rate of about 30% of gross domestic product. “Malaysia’s deep bond market in comparison to most Asian peers further reduces banks’ reliance on external funding, ” it said. (Source: *The Star Online*)

Rating Action			
Issuer	PDS Description	Rating/Outlook	Action
Purple Boulevard Berhad	RM250m Sukuk Ijarah:		
	Senior Class A	AAA/ Stable	Reffirmed
	Senior Class B	AA3/ Positive	Outlook revised to Positive
	Senior Class C	A3/ Positive	Outlook revised to Positive

Source: RAM, MARC

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