

## Global Markets Research

### Fixed Income

#### Fixed Income Daily Market Snapshot

##### US Treasuries

- US Treasuries bull-flattened on in Tuesday's session on ever-changing vibes and uncertainty emanating from US-China trade talks. The short-end hardly changed as investors and traders continue to believe that there may be no further rate cuts in the immediate future following Fed Chair Powell's recent testimony to the House Budget Committee revealing his bullish assessment on the US economy. Overall benchmark yields ended between 0-5bps lower with the UST 2Y almost unchanged at 1.60% whilst the much-watched 10Y closing 3bps lower at 1.78%. Meanwhile The Commerce Department released a report showing a substantial rebound in residential construction for October along with a spike in building permits. Japan continues to be the top foreign holder of UST's in September despite holdings easing by \$29b to \$1.15 trillion; having overtaken China in June this year.

UST		
Tenure	Closing (%)	Chg (bps)
2-yr UST	1.60	0
5-yr UST	1.62	-1
10-yr UST	1.78	-3
30-yr UST	2.25	-5

MGS		GII*		
Tenure	Closing (%)	Chg (bps)	Closing (%)	Chg (bps)
3-yr	3.02	-1	3.11	0
5-yr	3.23	2	3.25	-1
7-yr	3.35	0	3.40	0
10-yr	3.42	-1	3.46	0
15-yr	3.69	2	3.79	-2
20-yr	3.78	2	3.91	-1
30-yr	4.02	0	4.13	0

\* Market indicative levels

MYR IRS Levels		
IRS	Closing (%)	Chg (bps)
1-yr	3.28	-1
3-yr	3.27	-2
5-yr	3.30	-2
7-yr	3.34	0
10-yr	3.40	-1

Source : Bloomberg

##### Upcoming Government Bond Tender

RM2.2b + RM0.5b (Private placement) of New Issuance 20Y MGS 5/40 on Thursday, 21<sup>st</sup> November

##### MGS/GIII

- Local govvnies saw improved momentum yesterday as secondary market volume doubled to about RM2.81b as Interst Rate Swap levels moved lower. Interest was mainly seen in the off-the-run 19-21's and 26's. Overall benchmark yields closed mixed between -2 to +2bps across the curve with GII bonds well-bid throughout the session. The benchmark 5Y MGS 6/24 closed 2bps higher at 3.23% whilst the 10Y MGS 8/29 however edged 1bps lower at 3.42%. GII trades rose to form ~42% of overall trades. Expect attention to shift to the release of CPI data for October today followed by the auction of new 20Y benchmark MGS 5/40 tomorrow.

##### Corp Bonds/Sukuk

- Corporate bonds/sukuk space saw decent secondary volume of RM373m on Tuesday with interest intact across the GG-AA part of the curve as yields ended mostly mixed-to-higher. The Govt-guaranteed bonds closed mixed with PASB 6/25 and DANA 10/28 closing 3-5bps lower compared to previous-done levels at 3.50% and 3.66% respectively whereas PRASA 9/229 and DANA 3/32 ending 2-4bps higher instead at 3.72% and 3.86% each. AAA-rated TENAGA 37-38's moved 3bps higher between 4.09-4.12% on RM80m in nominal amounts. AA-rated MMC Corp 3/28 closed unchanged at 4.92% whilst debutant GAMUDA saw its new 11/29 tranche notch 4.249%; a tad lower than its coupon of 4.263%.

## Daily Trades : Government Bond

Securities	Closing	Vol	Previous	Previous	Chg
	YTM	(RM mil)	YTM	Trade Date (dd/mm/yyyy)	(bp)
MGS 11/19	3.026	136	2.912	18/11/2019	11
MGS 03/20	2.792	126	2.723	18/11/2019	7
MGS 10/20	3.000	180	2.968	18/11/2019	3
MGS 02/21	3.039	1	3.066	15/11/2019	-3
MGS 07/21	3.060	169	3.082	18/11/2019	-2
MGS 09/21	3.055	7	3.081	15/11/2019	-3
MGS 11/21	3.070	151	3.066	18/11/2019	0
MGS 03/22	3.022	14	3.034	18/11/2019	-1
MGS 08/22	3.113	10	3.112	11/11/2019	0
MGS 03/23	3.150	22	3.188	15/11/2019	-4
MGS 04/23	3.144	1	3.165	18/11/2019	-2
MGS 08/23	3.157	2	3.165	18/11/2019	-1
MGS 06/24	3.228	90	3.205	18/11/2019	2
MGS 07/24	3.261	11	3.270	18/11/2019	-1
MGS 09/24	3.258	40	3.258	18/11/2019	0
MGS 03/25	3.302	20	3.311	18/11/2019	-1
MGS 09/25	3.337	21	3.350	18/11/2019	-1
MGS 07/26	3.346	86	3.351	18/11/2019	0
MGS 11/26	3.399	211	3.415	15/11/2019	-2
MGS 03/27	3.443	5	3.455	18/11/2019	-1
MGS 05/27	3.434	40	3.472	15/11/2019	-4
MGS 11/27	3.442	41	3.466	18/11/2019	-2
MGS 06/28	3.474	1	3.449	18/11/2019	3
MGS 08/29	3.415	4	3.423	18/11/2019	-1
MGS 04/30	3.559	2	3.559	18/11/2019	0
MGS 04/32	3.672	10	3.647	15/11/2019	3
MGS 04/33	3.696	10	3.720	15/11/2019	-2
MGS 07/34	3.694	89	3.676	18/11/2019	2
MGS 04/37	3.694	2	3.702	18/11/2019	-1
MGS 06/38	3.783	121	3.762	18/11/2019	2
MGS 03/46	4.023	10	4.041	18/11/2019	-2
GII 04/20	2.991	70	3.053	18/11/2019	-6
GII 04/20	2.987	30	3.070	11/09/2019	-8
GII 06/20	3.005	70	3.061	31/10/2019	-6
GII 03/21	3.059	100	3.083	14/11/2019	-2
GII 08/21	3.089	10	3.109	18/11/2019	-2
GII 04/22	3.067	1	3.095	15/11/2019	-3
GII 07/22	3.127	14	3.104	11/11/2019	2
GII 11/23	3.203	60	3.202	14/11/2019	0
GII 05/24	3.212	4	3.306	11/11/2019	-9
GII 10/24	3.254	90	3.265	18/11/2019	-1
GII 08/25	3.355	70	3.366	13/11/2019	-1
GII 03/26	3.396	32	3.400	18/11/2019	0
GII 07/27	3.458	20	3.488	18/11/2019	-3
GII 10/28	3.440	1	3.453	15/11/2019	-1
GII 09/30	3.596	100	3.595	15/11/2019	0
GII 06/33	3.820	114	3.809	12/11/2019	1
GII 08/33	3.838	80	3.839	18/11/2019	0
GII 11/34	3.785	140	3.802	13/11/2019	-2
GII 08/37	3.938	120	3.937	15/11/2019	0
GII 09/39	3.912	10	3.926	15/11/2019	-1
GII 05/47	4.110	45	4.124	12/11/2019	-1
		<u>2812</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	02/23	GG	3.329	30	3.300	12/09/2019	3	28
Pengurusan Air SPV Berhad	06/25	GG	3.501	10	3.551	05/08/2019	-5	19
Lembaga Pembiayaan Perumahan Sektor Awam	09/26	GG	3.545	15	3.539	16/10/2019	1	19
DanInfra Nasional Berhad	10/28	GG	3.660	10	3.688	13/11/2019	-3	23
DanInfra Nasional Berhad	07/29	GG	3.720	5	3.719	07/11/2019	0	29
Prasarana Malaysia Berhad	09/29	GG	3.721	15	3.680	17/10/2019	4	29
DanInfra Nasional Berhad	03/32	GG	3.859	20	3.843	13/11/2019	2	43
Malaysia Steel Works (KL) Berhad	11/20	AAA	3.883	10	3.896	18/11/2019	-1	89
Putrajaya Holdings Sdn Berhad	09/23	AAA	3.550	30	3.368	17/09/2019	18	39
Tenaga Nasional Berhad	08/37	AAA	4.090	40	4.059	05/11/2019	3	29
Tenaga Nasional Berhad	08/38	AAA	4.120	40	4.089	12/11/2019	3	32
YTL Power International Berhad	08/28	AA1	4.184	15	4.150	25/09/2019	3	75
Sabah Credit Corporation	07/29	AA1	4.156	1	4.208	05/11/2019	-5	73
Imtiaz Sukuk II Berhad	11/21	AA2	3.555	30	3.568	13/11/2019	-1	51
Perbadanan Kemajuan Negeri Selangor	08/21	AA3	3.679	10	3.687	18/11/2019	-1	64
BGSM Management Sdn Berhad	08/21	AA3	3.624	5	3.631	18/11/2019	-1	58
MMC Corporation Berhad	03/28	AA-	4.918	30	4.918	06/11/2019	0	151
Gamuda Berhad	11/29	AA3	4.249	20	-	-	-	82
MMC Corporation Berhad	11/20	AA-	3.811	15	3.826	18/11/2019	-2	82
Konsortium Lebuhraya Utara-Timur (KL) Sdn Berhad	12/20	AA-	3.681	8	3.692	18/11/2019	-1	69
Southern Power Generation Sdn Berhad	04/33	AA-	4.229	10	4.229	08/11/2019	0	55
Eco World International berhad	05/23	-	5.526	2	5.529	14/11/2019	0	237
IJM Land Berhad	03/19	A2	4.879	2	4.646	22/10/2019	23	108
IJM Land Berhad	03/19	A2	4.680	1	4.583	18/11/2019	10	88
				<u>373</u>				

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

Market/Corporate News: What's Brewing

**The additional RM1 cess per tonne of palm oil produced that will be imposed by the government starting next year will lead to higher production costs for planters.** The amount will be an addition to the RM13 that industry players are already paying, on top of the various levies and taxes that have been imposed on them. Planters will be expected to fork out around RM300mil in cess beginning next year, where the extra RM1 is for the government's environmental agenda. At the current RM13 that the government is already imposing, the industry is already paying at least RM273mil annually, based on current production figures. Primary Industries Minister Teresa Kok said the additional cess collected will be parked into a specific fund to be set up by the government next year, which will be utilised for wildlife conservation purposes and green initiatives, especially tree planting. "Malaysia is a strong advocate in the conservation and protection of the environment and natural wildlife habitat. "Currently, my ministry has committed to plant one million forest tree species within the next few years, particularly in degraded forest land in Sabah as well as protecting the wildlife population sponsored primarily by the palm oil industry players. "This is to show the world that the palm oil industry in Malaysia is concerned about environment and wildlife conservation," she told a press conference after the launch of the Malaysian Palm Oil Board's (MPOB) International Palm Oil Congress and Exhibition here yesterday. Malaysia, being the second largest palm oil exporter, produced 19.52 million tonnes of crude palm oil (CPO) and 2.3 million tonnes of crude palm kernel oil (CPKO) last year. As of October this year, CPO production stood at 16.99 million tonnes while CPKO recorded a production figure of 1.98 million tonnes. Both the CPO and CPKO are subject to the current RM13 cess imposed by the government, where RM11 goes to the Malaysian Palm Oil Board (MPOB) for its upkeep and research purposes and RM2 for the Cooking Oil Stabilisation Scheme. CIMB Investment Bank's regional head of plantation research Ivy Ng said this will affect palm oil players because this will lead to higher costs for the planters, though it may appear minimal relative to their average cost of production of RM1,900 to RM2,000 per tonne. "Assuming the country produces 20.3 million tonnes of CPO, then the government will collect RM20.3mil per annum from the RM1 itself," she said. A spokesman of a plantation company said the additional RM1 itself would translate to an extra RM3mil cost to the company. Plantation players are already trying to cope with increasing production costs in recent times, with players such as Kuala

Lumpur Kepong Bhd (KLK) citing this as among the factors affecting their performance. The group said its Q4 profit for the segment fall 25%, also attributed to weaker CPO and palm kernel selling prices. It also cited higher production costs for the segment's weaker full-year performance. Plantation heavyweights were relatively unaffected by the announcement with KLK down four sen to RM22.50, Sime Darby Plantation Bhd up one sen at RM5.14, IOI Corp up one sen at RM4.43 and FGV down three sen to close at RM1.15. The Bursa Malaysia Plantation Index saw 19 gainers and 13 losers yesterday. On the Malaysian Sustainable Palm Oil (MSPO) certification, Kok said the government believes it can achieve 70% of the total planted area to be certified by February next year. As of October, the certification level achieved was 60%, with 313 palm mills of the total 448 mills in the country already certified. Kok also warned owners of oil palm mills and growers with plantation acreage of 100 acres or more that the MPOB will take legal action to revoke their licences if they are not MSPO-certified by Jan 1 next year. Commenting on this, Ng said there should be a case-by-case assessment as to why land owners are unable to obtain the MSPO certification before revoking their licences. This is because some could be facing financial constraints due to low CPO prices in the early part of this year. Meanwhile, Kok also said that the uncertainties over Brexit was among the reasons for the delay in Malaysia's attempt to challenge the European Union over its palm oil ban. "They are going to have the Brexit polls in December, so we have to let them settle down first, then only we will take the next course of action," she said. On the whole, the decision to file a case with the WTO will have to be discussed in a Cabinet meeting. (Source: *The Star*)

**Plantation player Kuala Lumpur Kepong Bhd (KLK), which issued a warning of reduced profit for its financial year 2019 (FY19) together with its parent Batu Kawan Bhd in August, saw a 37% year-on-year (y-o-y) jump in net profit for its fourth quarter of FY19 (4QFY19).** The improved quarter, thanks to the group's improved manufacturing business, resulted in the group posting a slightly better FY19 instead, with net profit rising a marginal 1% to RM617.51 million from FY18's RM609.37 million, despite revenue retreating 16% to RM15.53 billion from RM18.38 billion. This came after its 4QFY19 net profit rose to RM175.02 million from RM127.99 million last year, its stock exchange filing yesterday showed, though revenue shrank 9% to RM3.8 billion from RM4.19 billion. This was because its manufacturing segment, which includes the oleochemical division, saw profit more than doubled to RM95.3 million from RM43.7 million, even though revenue fell 16% to RM2.05 billion from RM2.44 billion, dragged down by lower prices. "The improvement in profit [of the manufacturing segment] was mainly attributed to the strong performance from operations in Malaysia which achieved better profit margins as a result of lower raw material prices. The preceding year's 4Q result was impacted by RM21.6 million impairment on an underperforming specialised oleochemical plant," it explained. Its plantation segment, on the other hand, saw profit fall 26% to RM126.4 million from RM170.1 million, mainly because of weaker crude palm oil (CPO) and palm kernel (PK) prices amid higher production costs though fresh fruit bunches improved. KLK said CPO price dropped 4% y-o-y to RM1,920 from RM2,060, while PK price fell 33% y-o-y to RM1,070 from RM1,594. Its property development segment, meanwhile, posted a 15% decline in profit to RM18.1 million from RM21.2 million, as revenue sank 31% to RM49.3 million from RM71.5 million. Batu Kawan 4Q net profit up 25% Batu Kawan, which considers KLK as a main subsidiary, separately announced that it recorded a 25% y-o-y rise in 4QFY19 net profit to RM96.7 million from RM77.25 million, thanks to a stronger manufacturing segment, higher other operating income, better share of results from associates, and lower income tax expenses. Revenue, however, retreated 9% to RM3.92 billion from RM4.32 billion. Consequently, it closed the year with a net profit of RM363.5 million, little changed from RM365.68 million a year ago. Revenue was down 15% at RM16.05 billion, versus FY18's RM18.95 billion. Going forward, both KLK and Batu Kawan expect their FY20 to see higher profits, as their plantation segments are expected

to improve with the recovery of CPO and PK prices, while their oleochemical divisions should be sustained with some additional capacities coming on stream. “As for the group’s industrial chemical division, profits from both chlor-alkali and sulphuric acid businesses are projected to be satisfactory,” Batu Kawan said in its bourse filing. (Source: *The EdgeMarkets*)

Rating Action			
Issuer	PDS Description	Rating/Outlook	Action
CIMB Group Holdings Berhad	Corporate Credit Rating	AA+/MARC-1/Stable	Affirmed
	RM10.0 billion Basel III-compliant Tier 2 Subordinated Debt Programme.	AA/Stable	
CIMB Islamic Bank Berhad	Financial Institution (FI) Rating	AAA/MARC-1/Stable	Affirmed
	RM10.0 billion Senior Sukuk Wakalah Programme (Sukuk Wakalah)	AAA IS/Stable	Affirmed
	RM5.0 billion Tier 2 Junior Sukuk Programme	AA+ IS/Stable	Affirmed
CIMB Bank Berhad	Financial Institution (FI) Rating	AAA/MARC-1/Stable	Affirmed
	RM10.0 billion Basel III-compliant Tier 2 Subordinated Debt Programme	AA+/Stable	
	RM5.0 billion Subordinated Debt and Junior Sukuk Programmes affirmed	AA+/AA+ IS/Stable	Affirmed

Source: RAM, MARC

**Hong Leong Bank Berhad**

Fixed Income &amp; Economic Research, Global Markets

Level 8, Hong Leong Tower

6, Jalan Damanlela

Bukit Damansara

50490 Kuala Lumpur

Tel: 603-2081 1221

Fax: 603-2081 8936

Email: HLMarkets@hlbb.hongleong.com.my

**DISCLAIMER**

This report is for information purposes only and does not take into account the investment objectives, financial situation or particular needs of any particular recipient. The information contained herein does not constitute the provision of investment advice and is not intended as an offer or solicitation with respect to the purchase or sale of any of the financial instruments mentioned in this report and will not form the basis or a part of any contract or commitment whatsoever.

The information contained in this publication is derived from data obtained from sources believed by Hong Leong Bank Berhad ("HLBB") to be reliable and in good faith, but no warranties or guarantees, representations are made by HLBB with regard to the accuracy, completeness or suitability of the data. Any opinions expressed reflect the current judgment of the authors of the report and do not necessarily represent the opinion of HLBB or any of the companies within the Hong Leong Bank Group ("HLB Group"). The opinions reflected herein may change without notice and the opinions do not necessarily correspond to the opinions of HLBB. HLBB does not have an obligation to amend, modify or update this report or to otherwise notify a reader or recipient thereof in the event that any matter stated herein, or any opinion, projection, forecast or estimate set forth herein, changes or subsequently becomes inaccurate.

HLB Group, their directors, employees and representatives do not have any responsibility or liability to any person or recipient (whether by reason of negligence, negligent misstatement or otherwise) arising from any statement, opinion or information, expressed or implied, arising out of, contained in or derived from or omission from the reports or matter. HLBB may, to the extent permitted by law, buy, sell or hold significantly long or short positions; act as investment and/or commercial bankers; be represented on the board of the issuers; and/or engage in 'market making' of securities mentioned herein. The past performance of financial instruments is not indicative of future results. Whilst every effort is made to ensure that statements of facts made in this report are accurate, all estimates, projections, forecasts, expressions of opinion and other subjective judgments contained in this report are based on assumptions considered to be reasonable as of the date of the document in which they are contained and must not be construed as a representation that the matters referred to therein will occur. Any projections or forecasts mentioned in this report may not be achieved due to multiple risk factors including without limitation market volatility, sector volatility, corporate actions, the unavailability of complete and accurate information. No assurance can be given that any opinion described herein would yield favorable investment results. Recipients who are not market professional or institutional investor customer of HLBB should seek the advice of their independent financial advisor prior to taking any investment decision based on the recommendations in this report.

HLBB may provide hyperlinks to websites of entities mentioned in this report, however the inclusion of a link does not imply that HLBB endorses, recommends or approves any material on the linked page or accessible from it. Such linked websites are accessed entirely at your own risk. HLBB does not accept responsibility whatsoever for any such material, nor for consequences of its use.

This report is not directed to, or intended for distribution to or use by, any person or entity who is a citizen or resident of or located in any state, country or other jurisdiction where such distribution, publication, availability or use would be contrary to law or regulation. This report is for the use of the addressees only and may not be redistributed, reproduced or passed on to any other person or published, in part or in whole, for any purpose, without the prior, written consent of HLBB. The manner of distributing this report may be restricted by law or regulation in certain countries. Persons into whose possession this report may come are required to inform themselves about and to observe such restrictions. By accepting this report, a recipient hereof agrees to be bound by the foregoing limitations.