

Global Markets Research

Fixed Income

UST		
Tenure	Closing (%)	Chg (bps)
2-yr UST	1.62	5
5-yr UST	1.61	4
10-yr UST	1.80	5
30-yr UST	2.29	4

MGS		GII*		
Tenure	Closing (%)	Chg (bps)	Closing (%)	Chg (bps)
3-yr	3.13	0	3.13	0
5-yr	3.25	2	3.27	0
7-yr	3.37	1	3.38	-2
10-yr	3.41	0	3.43	-1
15-yr	3.69	6	3.75	5
20-yr	3.79	2	3.66	-19
30-yr	4.02	1	4.01	0

* Market indicative levels

MYR IRS Levels		
IRS	Closing (%)	Chg (bps)
1-yr	3.24	0
3-yr	3.26	0
5-yr	3.31	0
7-yr	3.36	0
10-yr	3.42	0

Source : Bloomberg

Upcoming Government Bond Tender

Nil

Fixed Income Daily Market Snapshot

US Treasuries

- US Treasuries closed weak on Monday due to optimism on US-China trade talks as President Trump believes that an agreement would be signed by November between the two trade giants. The sell-off in gilts and gains for US equities also weighed on UST's. The curve shifted higher as overall benchmark yields closed between 4-5bps higher. The UST 2Y ended at 1.62% whilst the much-watched 10Y closed 5bps up at 1.80%. 2s10s spread remains steady at ~18bps. Meanwhile the Fed has commenced its balance sheet expansion by buying bonds and plans to buy \$60b of short-term debt every month; for the next 3 quarters. This week will also see further deluge of UST supply beginning with Treasury's auction of \$40b of 2Y notes followed by the National Association of Realtors report on existing home sales for September.

MGS/GII

- Local govies saw trading momentum fizzle out on secondary market volume of RM2.53b on Monday with some investor interest mostly skewed towards the off-the-run 19-20's and also the 25's and 37's GII bonds as overall benchmark yields ended mostly higher between 0-6bps save for the 20Y GII. The benchmark 5Y MGS 6/24 reversed prior day's gains by closing 2bps higher at 3.25% whilst the 10Y MGS 8/29 closed within 1bps at 3.41%. GII trades rose sharply to form 50% of overall trades. Local govies may find support following the recently-announced expansionary budget which is expected to promote steady growth for the economy. On the data front is the inflation data for September is expected out on tomorrow, 23rd October.

Corp Bonds/Sukuk

- On the contrary, corporate bonds/sukuk space continued to see soft trading pattern, with total volume at a mere RM248m. Interest was seen manly in the AA-segment. Govt-guaranteed TPSB 11/27 edged 1bps lower compared to previous-done levels at 3.71% whilst PTPTN 2/34 rose 5bps at 3.79% instead. The AA-rated DUKE 2031-2033 bonds saw RM60m in nominal amounts exchange hands between -7 to +10bps between 4.53-63% levelsGB Services. In the banking space, CIMB 24NC19 closed 1bps up at 3.59% whilst MAYBANK 25NC20 rallied 16bps lower at 3.68%. Meanwhile news has emerged that the government may pay as much as RM7.5b to acquire PLUS; the largest toll road operator in the country.

Daily Trades : Government Bond

Securities		Closing	Vol	Previous	Previous	Chg
		YTM	(RM mil)	YTM	Trade Date	(bp)
					(dd/mm/yyyy)	
MGS	10/19	3.048	20	3.049	17/10/2019	0
MGS	11/19	3.038	100	3.033	18/10/2019	0
MGS	03/20	3.045	382	3.059	18/10/2019	-1
MGS	10/20	3.073	40	3.075	18/10/2019	0
MGS	07/21	3.099	36	3.098	17/10/2019	0
MGS	09/21	3.109	2	3.105	18/10/2019	0
MGS	11/21	3.100	4	3.115	18/10/2019	-2
MGS	03/23	3.204	6	3.185	18/10/2019	2
MGS	08/23	3.232	7	3.183	18/10/2019	5
MGS	06/24	3.248	48	3.225	18/10/2019	2
MGS	07/24	3.253	5	3.261	18/10/2019	-1
MGS	09/24	3.300	98	3.274	18/10/2019	3
MGS	09/25	3.354	28	3.340	18/10/2019	1
MGS	07/26	3.370	62	3.342	18/10/2019	3
MGS	11/26	3.431	5	3.434	18/10/2019	0
MGS	03/27	3.452	2	3.475	15/10/2019	-2
MGS	11/27	3.483	152	3.483	18/10/2019	0
MGS	06/28	3.450	12	3.447	18/10/2019	0
MGS	08/29	3.414	35	3.416	18/10/2019	0
MGS	04/30	3.565	10	3.521	17/10/2019	4
MGS	04/33	3.692	7	3.702	18/10/2019	-1
MGS	11/33	3.705	75	3.700	18/10/2019	0
MGS	07/34	3.695	17	3.633	18/10/2019	6
MGS	05/35	3.747	12	3.751	17/10/2019	0
MGS	04/37	3.748	5	3.770	18/10/2019	-2
MGS	06/38	3.786	59	3.765	18/10/2019	2
MGS	03/46	3.993	21	3.973	18/10/2019	2
MGS	07/48	4.020	1	4.007	17/10/2019	1
GII	08/20	3.077	5	3.088	16/10/2019	-1
GII	04/22	3.152	110	3.167	17/10/2019	-1
GII	07/23	3.263	60	3.147	18/10/2019	12
GII	11/23	3.275	29	3.232	16/10/2019	4
GII	10/24	3.267	50	3.262	18/10/2019	0
GII	08/25	3.366	330	3.347	16/10/2019	2
GII	03/26	3.381	120	3.403	18/10/2019	-2
GII	07/29	3.434	123	3.440	18/10/2019	-1
GII	11/34	3.752	50	3.701	18/10/2019	5
GII	08/37	3.870	390	3.831	16/10/2019	4
GII	09/39	3.851	13	3.851	18/10/2019	0
			<u>2529</u>			

Daily Trades : Corp Bonds/ Sukuk

Securities	Rating	Closing	Vol	Previous	Previous	Chg	Spread	
		YTM	(RM mil)	YTM	Trade Date	(bp)	Against	
					(dd/mm/yyyy)		MGS*	
Turus Pesawat Sdn Berhad	11/27	GG	3.709	20	3.718	18/10/2019	-1	30
Perbadanan Tabung Pendidikan Tinggi Nasional	02/34	GG	3.790	10	3.741	09/10/2019	5	13
Cagamas Berhad	05/23	AAA	3.430	5	3.347	19/08/2019	8	23
CIMB Bank Berhad	05/24	AAA	3.591	15	3.579	04/09/2019	1	35
DiGi Telecommunications Sdn Berhad	09/29	AAA	3.670	5	3.639	04/10/2019	3	26
Sabah Credit Corporation	12/21	AA1	3.676	5	4.714	26/04/2018	-104	57
Malayan Banking Berhad	10/25	AA1	3.679	25	3.843	15/08/2019	-16	35
CIMB Bank Berhad	08/26	AA2	3.778	28	3.778	11/10/2019	0	42
Edra Energy Sdn Berhad	07/33	AA3	4.558	20	4.547	25/09/2019	1	90
UEM Sunrise Berhad	06/21	AA-	3.480	10	3.513	25/09/2019	-3	38
Jimah East Power Sdn Berhad	06/23	AA-	3.844	5	4.623	06/08/2018	-78	65
UEM Sunrise Berhad	10/25	AA-	3.878	10	3.928	04/10/2019	-5	55
Jimah East Power Sdn Berhad	06/27	AA-	4.044	5	4.687	16/01/2019	-64	64
Lebuhraya DUKE Fasa 3 Sdn Berhad	08/31	AA-	4.528	10	4.600	18/06/2019	-7	112
Lebuhraya DUKE Fasa 3 Sdn Berhad	08/32	AA-	4.569	20	4.479	23/08/2019	9	91
Lebuhraya DUKE Fasa 3 Sdn Berhad	08/33	AA-	4.630	40	4.533	23/08/2019	10	97
Kedah Cement Sdn Berhad (fka Lafarge Cement Sdn Bhd)	01/20	A1	4.127	10	4.115	26/09/2019	1	105
WCT Holdings Berhad	09/19	A	5.611	1	5.670	15/10/2019	-6	181
Tropicana Corporation Berhad	09/19	-	6.603	4	6.649	16/10/2019	-5	280
			<u>248</u>					

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

Market/Corporate News: What's Brewing

Indonesia's bonds have blown away their competitors this year and there are plenty of reasons to suggest they have room to keep rising. The nation's sovereign debt has returned 13% in 2019, outpacing the 6.1% gain of emerging-market government bonds as a whole, according to Bloomberg Barclays indexes. Indonesia's securities have been boosted by central bank easing and an improving fiscal story, and gained despite the U.S.-China trade war. Here are four reasons why the rally may still have legs:

1. Accommodative Monetary Policy

Bank Indonesia has already cut its benchmark rate three times this year but economists predict there is more to come. The central bank will lower its seven-day repurchase rate to 5% when it meets Thursday from the current 5.25%, according to 11 of 15 respondents to a Bloomberg survey as of 4 p.m. in Jakarta on Friday. The one-month Jakarta interbank offered rate is hovering just 25 basis points above the policy rate, compared with a spread of 30 basis points the day before the previous rate cut on Sept 19. Bank Indonesia has room to lower rates again as long as it's able to maintain its inflation target, Deputy Governor Dody Budi Waluyo said last week.

2. Manageable Deficit

While President Joko Widodo has pledged to boost government spending to a record to bolster economic growth, he projected in August that the fiscal deficit would decline to 1.76% of gross domestic product next year, well below the self-mandated ceiling of 3%. The International Monetary Fund predicted the deficit would remain stable at 1.8% in its annual review of the Indonesian economy released in July.

3. Trade Upside

While Indonesian bonds escaped the worst of the emerging-market sell-off from escalating U.S.-China trade tensions, there's some prospect they will benefit from any lessening in tensions. Indonesia's 10-year yields have dropped 15 basis points this month as the U.S. and China pledged to keep working toward a comprehensive trade deal, following a round of talks in Washington that ended Oct 13.

4. Low Volatility

One factor that has deterred overseas investors from buying Indonesia bonds has been their high volatility. Ten-year yields surged to 9.90% in September 2015 from 7.02% earlier seven months earlier, as faltering Chinese growth spooked emerging-market assets. The prospect of a repeat has diminished as Bank Indonesia now regularly intervenes in currency and bond markets, and introduced onshore domestic non-deliverable forwards in late 2018. One-month rupiah implied volatility dropped to 5.38% last week, compared with its five-year average of 8.44%, and as high as 17.8% in October 2015. The combination of these positive factors is leading money managers such as Nikko Asset Management to label Indonesian bonds as among the most appealing in the region. "We continue to be positive on Indonesia government bonds, as we believe that there is still room for further monetary policy easing," said a portfolio manager at from Singapore. "The real yields offered by Indonesia bonds makes Indonesia one of the most attractive markets within Asia." (Source: *The Edge*)

RAM Sustainability Sdn Bhd has assigned a Tier-1 Environmental Benefit (Tier-1 EB) rating to Halpro Engineering Sdn Bhd's (Halpro) solar plant under its proposed RM195 million ASEAN Green sustainable responsible investment (SRI) Sukuk (Proposed Green Sukuk). In a statement, it said this instrument also carries credit ratings assigned by RAM Ratings. RAM Sustainability's independent opinion, known as a second opinion, concludes that the framework provides clarity on the utilisation of proceeds,

project evaluation and selection, management of proceeds and reporting commitments. "The framework is consistent with the eligibility requirements of Securities Commission Malaysia's SRI Sukuk Framework, the ASEAN Capital Markets Forum's ASEAN Green Bond Standards and the International Capital Markets Association's Green Bond Principles. "In our view, the proposed green sukuk will create a positive environmental impact and is consistent with the United Nations Sustainable Development Goals," it said. Proceeds from Halpro's Proposed Green Sukuk will be used to finance the development, operation and management of a 30 megawatt (MW) solar power plant in Pekan, Pahang. In assigning the Tier-1 EB rating, RAM Sustainability has considered the clean renewable energy generated by the plant. Expected to commence operations by the end of the first quarter of 2020, the plant is anticipated to generate approximately 74 gigawatt-hours (GWh) of energy per year. RAM Sustainability, a provider of sustainability services and environment, social and governance (ESG) analytics, is a wholly-owned subsidiary of RAM Holdings Bhd. (Source: *The Star/Bernama*)

Rating Action			
Issuer	PDS Description	Rating/Outlook	Action
Halpro Engineering Sdn Bhd	ASEAN Green SRI Sukuk (2019/2038) (the Proposed Sukuk).	AA3/Stable	Assigned

Source: RAM, MARC

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