

## Global Markets Research

### Fixed Income

UST		
Tenure	Closing (%)	Chg (bps)
2-yr UST	1.60	1
5-yr UST	1.59	1
10-yr UST	1.77	0
30-yr UST	2.25	0

MGS		GII*		
Tenure	Closing (%)	Chg (bps)	Closing (%)	Chg (bps)
3-yr	3.13	1	3.13	0
5-yr	3.24	-1	3.27	0
7-yr	3.38	1	3.41	3
10-yr	3.42	-1	3.43	0
15-yr	3.66	-4	3.80	4
20-yr	3.87	3	3.92	4
30-yr	4.04	2	4.01	0

\* Market indicative levels

MYR IRS Levels		
IRS	Closing (%)	Chg (bps)
1-yr	3.28	0
3-yr	3.28	1
5-yr	3.31	0
7-yr	3.35	-2
10-yr	3.42	0

Source : Bloomberg

### Upcoming Government Bond Tender

Nil

## Fixed Income Daily Market Snapshot

### US Treasuries

- US Treasuries pared earlier gains on Wednesday in what was deemed as another relatively quiet session amid strong bids for risk assets that included oil. The curve flattened slightly as overall benchmark yields edged higher between 0-1bps. The UST 2Y ended at 1.60% whilst the much-watched 10Y closed almost unchanged at 1.77%. The auction of \$41b of 5Y UST notes saw solid demand; drawing an average yield of 1.57% on an improved BTC ratio of 2.41x (previous auction:1.60%; BTC 2.32x). Meanwhile investors are expected to monitor the US Treasury's final upcoming auction of \$32b of 7Y notes. Up next on the data front are Markit's manufacturing and services PMI for October which is expected to be released tonight.

### MGS/GII

- Local govies saw similar secondary market volume of about RM2.62b on Wednesday with investor interest mostly skewed again in the off-the-run 19-21's and also the 25's and 37's. Overall benchmark yields ended mostly mixed to higher save for the 5Y, 10Y and 15Y MGS. Both the benchmark 5Y MGS 6/24 and 10Y MGS 8/29 edged 1bps lower at 3.24% and 3.42% respectively. GII trades rose to form 48% of overall trades. Local govies may continue to find support on subdued volume following the recently-announced expansionary budget which is expected to promote steady economic growth. The latest muted inflation data for September may also be an added factor to the above. Risks on Malaysia being excluded from FTSE Russell's WGBI has eased for now due to BNM's initiatives and engagements to address investors concerns.

### Corp Bonds/Sukuk

- Corporate bonds/sukuk space saw a spike in investor appetite as total volume ramped up to RM751m. Interest was seen mainly in the GG segment. Govt-guaranteed LPPSA hogged the limelight on total nominal amounts of RM270m traded with the 28-29's and 10/38 tranche closing between 3-25bps higher compared to previous-done levels between 3.56-70% area and 4.05% respectively. The long-end DANA 2/49 edged 1bps higher at 4.04%. The AA-rated Imtiaz Sukuk 5/22 closed unchanged at 3.66% whilst energy-related bond EDRA 1/23 and 7/27 closed at 4.04% and 4.28% each. Serba Dinamik 10/28 closed unchanged at 4.66% on decent volume. Expect decent activity going forward as corporate news especially pertaining to the proposed takeover of giant toll operator continues to be in the limelight.

## Daily Trades : Government Bond

Secu		Closing	Vol	Previous	Previous	Chg
		YTM	(RM mil)	YTM	Trade Date	(bp)
					(dd/mm/yyyy)	
MGS	10/19	3.048	40	3.074	22/10/2019	-3
MGS	11/19	3.017	42	3.053	22/10/2019	-4
MGS	03/20	3.044	325	3.030	22/10/2019	1
MGS	07/20	3.046	43	3.062	22/10/2019	-2
MGS	10/20	3.059	110	3.056	22/10/2019	0
MGS	02/21	3.061	140	3.078	16/10/2019	-2
MGS	04/21	3.107	100	3.127	04/10/2019	-2
MGS	09/21	3.108	9	3.109	21/10/2019	0
MGS	11/21	3.108	2	3.124	22/10/2019	-2
MGS	03/22	3.129	11	3.121	22/10/2019	1
MGS	08/22	3.151	160	3.118	18/10/2019	3
MGS	09/22	3.147	60	3.131	18/10/2019	2
MGS	03/23	3.203	6	3.204	21/10/2019	0
MGS	04/23	3.195	13	3.208	22/10/2019	-1
MGS	06/24	3.243	1	3.248	21/10/2019	-1
MGS	07/24	3.271	6	3.253	21/10/2019	2
MGS	09/24	3.300	13	3.282	22/10/2019	2
MGS	03/25	3.340	140	3.311	22/10/2019	3
MGS	09/25	3.357	1	3.354	21/10/2019	0
MGS	07/26	3.378	31	3.370	22/10/2019	1
MGS	11/26	3.467	21	3.452	22/10/2019	2
MGS	03/27	3.497	2	3.452	21/10/2019	4
MGS	09/28	3.505	1	3.477	18/10/2019	3
MGS	08/29	3.418	1	3.424	22/10/2019	-1
MGS	04/30	3.554	2	3.544	22/10/2019	1
MGS	11/33	3.730	44	3.773	22/10/2019	-4
MGS	07/34	3.659	2	3.697	22/10/2019	-4
MGS	06/38	3.865	5	3.834	22/10/2019	3
MGS	03/46	4.053	17	3.996	22/10/2019	6
GII	04/21	3.107	100	3.127	04/10/2019	-2
GII	08/21	3.121	10	3.123	18/10/2019	0
GII	10/24	3.271	8	3.267	21/10/2019	0
GII	08/25	3.384	264	3.392	22/10/2019	-1
GII	03/26	3.412	50	3.384	22/10/2019	3
GII	07/27	3.459	12	3.472	18/10/2019	-1
GII	10/28	3.459	40	3.429	11/10/2019	3
GII	08/33	3.801	60	3.725	17/10/2019	8
GII	11/34	3.795	50	3.752	21/10/2019	4
GII	08/37	3.892	530	3.877	22/10/2019	2
GII	09/39	3.921	145	3.886	22/10/2019	3
			<u>2619</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	10/28	GG	3.654	20	3.520	09/10/2019	13	23
Pengurusan Air SPV Berhad	02/29	GG	3.701	5	3.611	09/10/2019	9	27
DanInfra Nasional Berhad	02/29	GG	3.677	50	3.600	09/10/2019	8	25
Lembaga Pembiayaan Perumahan Sektor Awam	04/29	GG	3.698	50	3.448	22/08/2019	25	27
Prasarana Malaysia Berhad	02/36	GG	3.912	15	3.746	17/09/2019	17	21
DanInfra Nasional Berhad	05/36	GG	3.900	25	3.723	18/09/2019	18	19
DanInfra Nasional Berhad	04/38	GG	3.962	60	4.069	04/07/2019	-11	14
Lembaga Pembiayaan Perumahan Sektor Awam	10/38	GG	4.049	200	4.021	22/10/2019	3	23
DanInfra Nasional Berhad	04/39	GG	3.981	15	4.850	14/01/2019	-87	16
DanInfra Nasional Berhad	07/39	GG	3.981	10	4.229	18/06/2019	-25	16
DanInfra Nasional Berhad	04/40	GG	3.991	30	3.921	20/09/2019	7	17
Perbadanan Tabung Pendidikan Tinggi Nasional	07/41	GG	3.991	80	3.959	14/08/2019	3	17
Prasarana Malaysia Berhad	09/42	GG	4.041	20	4.010	15/10/2019	3	22
DanInfra Nasional Berhad	05/46	GG	4.081	25	4.075	18/10/2019	1	26
Lembaga Pembiayaan Perumahan Sektor Awam	09/46	GG	4.131	5	4.089	24/09/2019	4	31
DanInfra Nasional Berhad	11/47	GG	4.111	5	4.049	24/09/2019	6	29
DanInfra Nasional Berhad	11/48	GG	4.131	10	4.020	07/10/2019	11	31
DanInfra Nasional Berhad	02/49	GG	4.036	5	4.026	07/10/2019	1	21
Westports Malaysia Sdn Berhad	10/24	AA+	3.752	5	4.705	23/04/2018	-95	50
Imtiaz Sukuk II Berhad	05/22	AA2	3.663	60	3.666	04/10/2019	0	54
Edra Energy Sdn Berhad	01/23	AA3	4.041	10	4.996	08/05/2019	-96	92
Edra Energy Sdn Berhad	07/27	AA3	4.279	5	4.280	22/10/2019	0	87
Serba Dinamik Holdings Berhad	10/28	AA-	4.659	25	4.661	22/10/2019	0	123
TSH Sukuk Ijarah Sdn Berhad	12/21	A+	4.270	15	4.276	22/10/2019	-1	117
Quantum Solar Park (Semenanjung) Sdn Berhad	04/29	A+	5.359	1	5.361	21/08/2019	0	193
				751				

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

## Market/Corporate News: What's Brewing

**South-East Asia's tallest building, Exchange 106, will see its first batch of tenants moving in by the end of this year, confirming occupancy of about 500,000 square feet of office space, Mulia Property Development Sdn Bhd says.** The occupancy marks a couple of milestones, both for Indonesia's Mulia Group, which bought the land in 2015, and for the overall development of the Tun Razak Exchange, a 70-acre development very much embroiled in the 1Malaysia Development Bhd or 1MDB corruption saga. While all that is history, stakeholders are relieved that tenants and potential tenants are viewing the building for what it is today -- the city's most efficient office space with superior office management services. There have been nail-biting moments for master developer TRX City Sdn Bhd and for Mulia itself. It is the second building to open its doors in TRX, after Menara Prudential. The HSBC building is expected to be the third building to open for business. Central Business District Loop, an integral connection into TRX, is expected to open by the first half of 2020 and is expected to rev up activities with its opening. Mulia Property Development Sdn Bhd project director Roland A. Suckling briefing the media on the construction of Exchange 106. The team completed a floor every three days, working 22 hours a day. The entire building took 20,000,000 total manhours to complete. Mulia Property Development Sdn Bhd project director Roland A. Suckling briefing the media on the construction of Exchange 106. The team completed a floor every three days, working 22 hours a day. The entire building took 20,000,000 total manhours to complete. Said Mulia property development project director Roland A Suckling: "There were times when cashflow was a bit tight and we had to finance things ourselves, when the country had a change of government. That was a surprise and it was a bit bumpy for us. "New people came in and they did not understand and needed time to get things up to speed. The new government came on board, and things were moving again, " said Suckling, who has been involved with Exchange 106 from the very start. It was also with a sigh of relief that finally, its head of marketing Christine Yeap is able to introduce the building in all its grandeur to the media after so many challenging episodes during its construction and development. General manager for property management Patrick Honan said its first tenants are expected to come in by December 2019, with the rest starting to

move in sometime in the first and second quarters of 2020. They are confident that half of Exchange 106's total office space of 2.6 million sq ft will be occupied by the end of 2020. Honan said global and local companies have been heading for Exchange 106 in "a steady stream", making plans to relocate to the iconic building over the next year and a half. "This includes a top-five Fortune 500 global consulting firm, a Hong Kong-based multinational personal care brand, some of the world's most recognised e-commerce platforms, and one of the most globally renowned serviced offices and co-working brands with the largest network with over 3,000 locations in 120 countries. Mulia Property Development Sdn Bhd project director Roland A. Suckling in front of The Sphere at the entrance to Exchange 106. Mulia Property Development Sdn Bhd project director Roland A. Suckling in front of The Sphere at the entrance to Exchange 106 "All of these leading brands plan on using Exchange 106 as a hub for their growing regional presence, innovation and growth in the decades to come," Honan said. But the battle is not over as Greater Kuala Lumpur has more than 133 million sq ft of office space, well ahead of regional peers, as reported by the National Property Information Centre in its latest half-year report. Said Honan: "We are working within the market space. There is a good strong supply facing the market and we respond within that level when it comes to clients, and which remains competitive with other buildings in Kuala Lumpur." Exchange 106, at 1,614 ft – or 492.06 metres above sea level – is the tallest building in the country for now, until Permodalan Nasional Bhd's completion of its skyscraper Merdeka 118. The Finance Ministry owns 51% of the building through its unit MKD Signature Sdn Bhd, while Indonesia's Mulia Group holds the remainder. (Source: *The Star*)

**Telecommunications companies (telcos) in Singapore, Malaysia and Indonesia pay the highest dividends to their respective governments, said Moody's Investors Service.** It said capital spending, dividends and share buybacks, spectrum payments and taxes are the largest costs for telcos in South and Southeast Asia. In a note today, the credit rating agency said dividends paid to governments are a bigger cash drain than spectrum payments in several countries. Telcos that pay a large portion of their revenue in dividends — Malaysia and Singapore — tend to pay a small portion for spectrum, while telcos that pay negligible dividends such as in India and Thailand, pay a large portion of revenue for spectrum, it said. Moody's said telcos in Malaysia and Singapore have paid around 20 per cent of their revenue to the government, twice as much as the 7.0 to 10 per cent for telcos in Pakistan and India. Singapore, Malaysia and Indonesia have more government-owned incumbent telcos than other countries. "Over the last 10 years, the leading telcos in these three countries have paid more in dividends to their respective governments than their private-sector counterparts in other countries have paid for spectrum, as reflected by total payments to the government as a percentage of telcos' aggregate revenue. "As a result, they have also paid the highest percentage of their aggregate revenue to their respective governments," it said. In Malaysia, where dividends to the government total 11.9% of the three leading telcos' aggregate revenue, the government holds stakes in each of those three telcos — Celcom Axiata Bhd, Maxis Bhd and DiGi.com Bhd. These stakes are held through government-related entities such as Khazanah Nasional Bhd and Employees Provident Fund, which is a central provident fund under the supervision of the Ministry of Finance. It said telcos in Singapore, Indonesia and Malaysia also tend to have higher levels of government support through the more stable and predictable regulatory frameworks in those countries. In Malaysia, it said the Malaysian Communications and Multimedia Commission (MCMC) reacted quickly to the proposed merger of Axiata Group Bhd (Baa2 stable) and Telenor in May, by issuing mergers and acquisitions guidelines two weeks after the announcement. However, MCMC has also implemented regulations that have been detrimental to the operators, it said, whereby in 2018, it implemented the Mandatory Standard on Access Pricing, which regulates broadband prices and caused Telekom Malaysia Bhd's (A3 stable) revenue to contract 2.2 per cent. Telekom Malaysia and Axiata's ratings benefit from one notch of

uplift, because of government support, it said. "High dividends and spectrum payments, coupled with high capital spending, have resulted in negative free cash flow from 2009 through 2018 for telcos in five of the seven South and Southeast Asian countries we analysed in this report. "We expect these trends to continue through at least 2021. Given their lack of free cash flow, we do not expect the telcos will be able to generate enough cash to pay down debt and reduce their elevated leverage," Moody's added. (Source: *The Edge*)

Rating Action			
Issuer	PDS Description	Rating/Outlook	Action
Zamarad Assets Berhad	Tranche 3 RM100 mil Class A Sukuk RM20 mil Class B Sukuk	AAA/Stable AA2/Stable	Assigned
Sarawak Energy Berhad	RM15 bil Sukuk Musyarakah Programme (2011/2036)	From AA1/positive to AAA/Stable	Upgraded

Source: RAM, MARC

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