

Global Markets Research

Fixed Income

Fixed Income Daily Market Snapshot

UST		
Tenure	Closing (%)	Chg (bps)
2-yr UST	1.63	-6
5-yr UST	1.53	-7
10-yr UST	1.65	-8
30-yr UST	2.10	-7

MGS		GII*		
Tenure	Closing (%)	Chg (bps)	Closing (%)	Chg (bps)
3-yr	3.17	4	3.19	8
5-yr	3.28	-7	3.31	1
7-yr	3.46	-2	3.49	2
10-yr	3.50	3	3.53	0
15-yr	3.76	1	3.57	0
20-yr	3.84	-3	3.90	0
30-yr	4.00	8	3.81	0

* Market indicative levels

MYR IRS Levels		
IRS	Closing (%)	Chg (bps)
1-yr	3.28	-1
3-yr	3.28	0
5-yr	3.31	0
7-yr	3.34	0
10-yr	3.40	0

Source : Bloomberg

Upcoming Government Bond Tender

Nil

US Treasuries

- US Treasuries rallied on Tuesday following reports of purported attempts to impeach President Trump and also strong demand (BTC ratio: 2.64x) during the auction for \$40b of UST 2Y notes. The curve ended lower as overall benchmark yields closed between 6-8bps lower. The UST 2y fell 6bps to 1.63% whilst the much-watched 10Y declined by a huge 8bps to 1.65%. Meanwhile a deterioration in US consumer confidence in the month of September along with with the continued deadlock in US-China trade matters is still seen to plague investors despite a 25bps rate cut last week with the UST 2s10s yield spread remaining tight. Attention is expected to be focused on further upcoming US economic data including new home sales, together with the Treasury's auction of 5Y and 7Y papers.

MGS/GII

- Local govies ended mixed-to-weaker as trading momentum was maintained on secondary market volume of RM4.47b. Interest was mainly centred in the shorter off-the-run 19-20's, 27's and also the 5Y, 7Y MGSbonds. Overall benchmark MGS/GII bond yields closed between -7 to +8bps across with the long-bond bearing the brunt off a sell-off. The 5Y benchmark MGS 6/24 however rallied to yield 7bps lower at 3.28% whilst the 10Y MGS 8/29 rose 3bps to 3.50%. GII bonds dropped to form ~10% of overall trades. Concerns remain ahead of the FTSE Russell Index potential weightage changes for Malaysia's bonds on Thursday, 26th September. Meanwhile, the economic calendar remains light with August CPI data out today.

Corp Bonds/Sukuk

- Corporate Bonds/Sukuk saw secondary market volume double to RM817m with interest seen again mainly across the AA part of the curve; followed by the GG and the AAA-segment. The long-end Govt-guaranteed DANA 11/47 ceded 1bps lower compared to previous-done levels at 4.05% whilst the 4/48 tranche rallied 23bps instead at 4.13%. AAA-rated energy-related bonds SEB 8/25 and EDRA 1/32 rose between 5-9bps at 3.59% and 4.42% whilst BGSM 12/23 however saw yields end lower at 3.88%. The banking space saw PUBLIC Bank 4/25 end 9bps higher at 3.65% whereas HONG LEONG Financial Group 28NC23 closed 23bps sharply lower at 3.85%

Daily Trades : Government Bond

Securities		Closing	Vol	Previous	Previous	Chg
		YTM	(RM mil)	YTM	Trade Date (dd/mm/yyyy)	(bp)
MGS	10/19	3.081	217	3.018	23/09/2019	6
MGS	11/19	3.063	45	3.054	23/09/2019	1
MGS	03/20	3.094	152	3.116	23/09/2019	-2
MGS	07/20	3.124	20	3.072	23/09/2019	5
MGS	10/20	3.113	1335	3.114	23/09/2019	0
MGS	07/21	3.140	30	3.133	23/09/2019	1
MGS	09/21	3.107	32	3.129	23/09/2019	-2
MGS	11/21	3.107	13	3.116	20/09/2019	-1
MGS	03/22	3.167	89	3.127	23/09/2019	4
MGS	08/22	3.114	319	3.144	23/09/2019	-3
MGS	04/23	3.280	7	3.248	23/09/2019	3
MGS	08/23	3.316	43	3.310	23/09/2019	1
MGS	06/24	3.277	378	3.343	23/09/2019	-7
MGS	07/24	3.369	8	3.358	23/09/2019	1
MGS	03/25	3.467	20	3.363	19/09/2019	10
MGS	09/25	3.441	160	3.460	23/09/2019	-2
MGS	07/26	3.457	110	3.473	23/09/2019	-2
MGS	11/26	3.581	132	3.565	23/09/2019	2
MGS	11/27	3.641	586	3.583	23/09/2019	6
MGS	06/28	3.611	45	3.571	23/09/2019	4
MGS	08/29	3.501	50	3.475	23/09/2019	3
MGS	06/31	3.719	33	3.641	19/09/2019	8
MGS	04/33	3.800	11	3.749	23/09/2019	5
MGS	07/34	3.757	78	3.752	23/09/2019	1
MGS	06/38	3.837	35	3.872	23/09/2019	-3
MGS	07/48	4.003	64	3.920	23/09/2019	8
GII	03/22	3.186	40	3.107	11/09/2019	8
GII	11/23	3.333	45	3.306	23/09/2019	3
GII	05/24	3.356	10	3.343	20/09/2019	1
GII	08/24	3.406	20	3.407	23/09/2019	0
GII	10/24	3.308	96	3.298	23/09/2019	1
GII	08/25	3.400	50	3.419	23/09/2019	-2
GII	03/26	3.492	50	3.475	23/09/2019	2
GII	07/27	3.622	10	3.622	23/09/2019	0
GII	10/28	3.527	20	3.453	19/09/2019	7
GII	07/29	3.533	40	3.533	23/09/2019	0
GII	06/33	3.805	25	3.783	23/09/2019	2
GII	09/39	3.901	54	3.900	23/09/2019	0
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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*
Pengurusan Air SPV Berhad	02/26	GG	3.559	10	3.456	20/09/2019	10	12
Lembaga Pembiayaan Perumahan Sektor Awam	09/46	GG	4.089	25	3.949	17/09/2019	14	24
DanaInfra Nasional Berhad	11/47	GG	4.049	10	4.056	23/09/2019	-1	20
DanaInfra Nasional Berhad	04/48	GG	4.134	20	4.359	04/07/2019	-23	28
DanaInfra Nasional Berhad	09/49	GG	4.150	5	-	-	-	-
Malaysia Steel Works (KL) Berhad	11/20	AAA	3.883	10	4.800	30/11/2018	-92	78
Malaysia Steel Works (KL) Berhad	11/22	AAA	4.130	5	4.214	02/08/2019	-8	97
Aman Sukuk Berhad	03/23	AAA	3.498	50	3.370	21/08/2019	13	34
Danum Capital Berhad	05/23	AAA	3.499	20	3.779	28/06/2019	-28	23
Aman Sukuk Berhad	05/24	AAA	3.507	10	3.388	11/09/2019	12	18
Public Bank Berhad	04/25	AAA	3.648	10	3.558	19/09/2019	9	21
Putrajaya Bina Sdn Berhad	05/31	AAA	3.919	10	3.701	13/09/2019	22	42
TNB Northern Energy Berhad	05/32	AAA	3.920	10	3.720	05/09/2019	20	19
Hong Leong Financial Group Berhad	09/20	AA1	3.443	10	3.660	18/07/2019	-22	34
MBSB Bank Berhad (fka Asian Finance Bank Berhad)	10/20	AA1	3.558	10	3.559	17/09/2019	0	46
Sarawak Energy Berhad	08/25	AA1	3.588	10	3.498	20/08/2019	9	15
Indera Persada Sdn Berhad	09/27	AA1	3.928	30	4.609	29/08/2016	-68	41
First Resources Limited	06/20	AA2	3.555	30	3.544	23/09/2019	1	46
Hong Leong Financial Group Berhad	06/28	AA2	3.847	10	4.076	01/08/2019	-23	32
Fortune Premiere Sdn Berhad	09/26	AA	4.018	7	-	-	-	55
Sunway Treasury Sukuk Sdn Berhad	06/22	AA-	3.936	200	-	-	-	78
BGSM Management Sdn Berhad	12/23	AA3	3.879	40	4.136	23/07/2019	-26	61
Edra Energy Sdn Berhad	01/32	AA3	4.419	1	4.372	11/09/2019	5	92
UEM Sunrise Berhad	06/21	AA-	3.521	5	3.518	13/09/2019	0	39
WCT Holdings Berhad	05/22	AA-	4.328	20	4.866	08/08/2019	-54	117
MMC Corporation Berhad	04/23	AA-	4.537	1	4.496	19/09/2019	4	127
Lafarge Cement Sdn Berhad	01/20	A1	4.175	20	5.001	28/03/2019	-83	108
Tan Chong Motor Holdings Berhad	11/21	A1	4.145	2	4.132	19/09/2019	1	101
CIMB Group Holdings Berhad	05/16	A1	4.322	10	4.288	12/09/2019	3	47
CIMB Group Holdings Berhad	05/16	A1	4.029	10	4.306	20/09/2019	-28	18
Eco World International Berhad	05/23	-	5.619	1	6.051	20/09/2019	-43	-
Tropicana Corporation Berhad	09/19	-	7.000	206	-	-	-	-
				<u>817</u>				

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

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Market/Corporate News: What's Brewing

Malaysia's largest pension fund, the Employees Provident Fund (EPF), will continue to seek investments in the UK despite Brexit uncertainty, says its chief executive officer Tunku Alizakri Alias. That is because EPF invests for the long term, he added. "It is usually in times of uncertainty that people want to get rid of assets. For EPF, which has a deep pocket and has a long-term investment horizon, this is a great time for us to get quality assets from those who are unable to withstand the uncertainties presented by current global developments," he told reporters after the launch of the pension fund's digital investment platform, i-Invest yesterday. The UK is due to leave the European Union on Oct 31. In May, EPF had acquired Sports Direct International plc's headquarters building in the UK for £120 million (RM636.46 million). As at end-2018, EPF's investment in the UK accounted for 3% of its total investment assets, which amounted to RM833.76 billion, up 5.34% from RM791.48 billion in 2017. An uncertain Brexit backdrop notwithstanding, Alizakri said EPF is positive about the UK's long-term prospects given its well-developed infrastructure and large talent pool. "From EPF's perspective, we are still quite positive about the UK. Whether they will be able to meet past performance ... we are still not quite sure what is the real impact of Brexit, whether it is going to be a hard or soft exit, nobody knows the answer at this point of time," he said. "I have been in a lot of discussions with many people, both in Europe and the UK, about what Britain's role is [going forward]. [In conclusion,] the UK will still be a very relevant financial capital of the world, not only because they have been a financial capital since ages ago, but because they have the infrastructure, resources and talents in place," he added. Alizakri noted that

many global players' knee-jerk response to the Brexit vote in 2016 was to move away from the UK. "But many of them now say their strategy will be in duality, in that they will still maintain their hub (headquarters) in the UK while looking to develop a second one [in Europe]. "For me, it is a great opportunity. Not only do you diversify away from a concentration risk, you are creating more hubs. Competition creates excellence. I would like to think that when you have a European hub, you will force other players in the UK to up their game to ensure they remain relevant," Alizakri said. On i-Invest, Alizakri said it enables eligible EPF members to self-manage their own unit trust funds. He said a key element of the online investment scheme was that sales charges were now practically free, as EPF has enforced a maximum cap of 0.5% compared with the current 3% for offline and traditional transactions through agents. "For some of the fund companies, their strategy is about to get as many people as possible so they will offer free [for sales charges]. Again, we do not interfere with the individual fund's strategy, as we said, they can only charge up to a maximum of 0.5%. "This is going to be exciting as funds (companies) are now really competing [with each other] to ensure their products are the best one to fit EPF members. For me, I always believe that competition is the best form of excellent," he said. The self-service online platform is accessible within the members section of i-Akaun and enables eligible members to directly invest a portion of their Account 1 savings into unit trust funds offered by approved fund management institutions. Alizakri said i-Invest currently appeals to digital savvy millennials, where 70% of i-Invest users are aged 40 and below. However, he is confident that older investors will gradually participate in the scheme. Noting there are 2,500 members have used the scheme, he sees a lot of opportunities in the i-Invest scheme given there are some 2.3 million eligible EPF members. (Source: *The Edge*)

FGV Holdings Bhd is unaware of proposals by tycoon Tan Sri Syed Mokhtar Albukhary to buy a 20% stake in the plantation company as reported in a business weekly. In a statement to Bursa Malaysia on Tuesday, FGV said after checking with its board of directors and senior management, "it is unaware of the proposals described in the article". "FGV strives to create value for its stakeholders and explores all opportunities that would benefit the group and its shareholders," it said. The report stated Syed Mokhtar could eventually take control of the company. The tycoon had met with financial institutions for funding of more than RM1bil to facilitate the acquisition. The report also stated Syed Mokhtar was offering land in Nusajaya, Johor valued at more than RM1.5bil as well as shares in FGV, which would be pledged after the acquisition was concluded. Under the proposals, he could acquire a block of shares from the Federal Land Development Authority (Felda) and buying out Koperasi Permodalan Felda Malaysia. Felda owns 33.6% of FGV while KPF owns 5.25%, according to the report. (Source: *The Edge*)

Rating Action			
Issuer	PDS Description	Rating/Outlook	Action
Deutsche Bank (Malaysia) Berhad	Financial Institution Ratings	AA1/stable/P1	Reaffirmed
Titijaya Land Berhad	RM150 million Islamic Commercial Papers (ICP) Programme	From MARC-1-IS to MARC-2-IS	Downgraded

Source: RAM, MARC

Hong Leong Bank Berhad

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