

Global Markets Research

Fixed Income

Fixed Income Daily Market Snapshot

UST		
Tenure	Closing (%)	Chg (bps)
2-yr UST	1.67	-2
5-yr UST	1.57	-2
10-yr UST	1.69	-2
30-yr UST	2.13	-3

MGS		GII*		
Tenure	Closing (%)	Chg (bps)	Closing (%)	Chg (bps)
3-yr	3.16	0	3.16	-1
5-yr	3.30	0	3.30	1
7-yr	3.38	-3	3.41	-2
10-yr	3.40	-2	3.46	-7
15-yr	3.64	-3	3.73	0
20-yr	3.67	-13	3.83	0
30-yr	3.94	-6	3.97	16

* Market indicative levels

MYR IRS Levels		
IRS	Closing (%)	Chg (bps)
1-yr	3.27	-1
3-yr	3.27	0
5-yr	3.30	0
7-yr	3.33	0
10-yr	3.37	-3

Source : Bloomberg

Upcoming Government Bond Tender

RM2.0b + RM0.5b (Private placement) of 15Y GII 11/34 on Friday, 26th September

US Treasuries

- US Treasuries ended stronger supported by the strong bidding metrics for the 7Y auction (which drew an average of 1.633% on a BTC ratio of 2.49x) and also political uncertainty due to the release of the whistleblower complaint that sparked Trump's impeachment enquiry. The curve shifted lower as overall benchmark yields closed between 2-3bps lower. The UST 2y closed at 1.67% whilst the much-watched 10Y closed similarly lower by 2bps at 1.69%. It is believed that further Treasury purchases of up to \$500b may be required to mend the cracks that appeared in the US repo markets last week. The continued deadlock in US-China trade matters may still be a worrying factor for investors with the UST 2s10s yield spread remaining tight at ~2bps.

MGS/GII

- Local govies ended mostly mixed-to-stronger amid lower secondary market volume of RM3.64b with interest mainly centred in the shorter off-the-run 19-20's and also the 7Y MGS/GII bonds. Overall benchmark MGS/GII bond yields closed between -13 to +16bps across with the 20Y rallying the most. The 5Y benchmark MGS 6/24 was untraded at 3.30% whilst the 10Y MGS 8/29 edged another 2bps lower compared to prior day at 3.40%. GII bonds maintained at about ~21% of overall trades. **At the time of writing, local govies are seeing strong bids with yields about 3bps lower following the retention of Malaysia's bonds in the FTSE Russell WGBI in its September review released just this morning.** However Malaysia remains on the watchlist until March 2020. This allows further engagement between Malaysia's regulators and FTSE Russell personnel on efforts by BNM to promote further measures to deepen and provide continuous liquidity and hedging opportunities in the bond markets along with the appointment of Overseas offices to improve MYR accessibility.

Corp Bonds/Sukuk

- Corporate Bonds/Sukuk however saw an active secondary market with volume almost double to RM1.24b largely due to trades on AA3-rated WCT. The longer-end Govt-guaranteed DANA 43-49's closed between -14 to +13 bps compared to previous-done levels between 4.02-09% whilst BPMB 10/25 rallied a massive 100bps compared to its last trade done more than a year ago at 3.54%. Recently-issued AAA-rated DIGI 4/24 closed 10bps higher (than its coupon of 4.53%) at 3.90% whilst the 9/26 tranche made its debut to trade at 24bps higher than its coupon of 3.50%. Both WCT 2020 tranches saw a combined RM881m of trades printed between 41-74bps lower between 3.81-87% levels.

Daily Trades : Government Bond

Securities		Closing	Vol	Previous	Previous	Chg
		YTM	(RM mil)	YTM	Trade Date	(bp)
					(dd/mm/yyyy)	
MGS	10/19	3.025	1009	3.076	25/09/2019	-5
MGS	11/19	3.051	75	3.031	25/09/2019	2
MGS	03/20	3.124	1	3.094	24/09/2019	3
MGS	07/20	3.120	225	3.134	25/09/2019	-1
MGS	10/20	3.135	23	3.145	25/09/2019	-1
MGS	02/21	3.147	8	3.156	25/09/2019	-1
MGS	07/21	3.126	1	3.117	25/09/2019	1
MGS	09/21	3.144	30	3.142	25/09/2019	0
MGS	11/21	3.149	8	3.142	25/09/2019	1
MGS	08/22	3.142	181	3.114	24/09/2019	3
MGS	09/22	3.175	30	3.186	25/09/2019	-1
MGS	03/23	3.261	2	3.268	23/09/2019	-1
MGS	04/23	3.246	2	3.289	25/09/2019	-4
MGS	08/23	3.274	32	3.316	24/09/2019	-4
MGS	07/24	3.328	79	3.327	25/09/2019	0
MGS	09/24	3.361	9	3.349	25/09/2019	1
MGS	03/25	3.408	6	3.467	24/09/2019	-6
MGS	07/26	3.378	514	3.407	25/09/2019	-3
MGS	11/26	3.455	43	3.534	25/09/2019	-8
MGS	03/27	3.570	60	3.565	24/09/2019	0
MGS	11/27	3.570	77	3.648	25/09/2019	-8
MGS	06/28	3.552	19	3.611	24/09/2019	-6
MGS	08/29	3.405	83	3.429	25/09/2019	-2
MGS	06/31	3.682	30	3.719	24/09/2019	-4
MGS	04/33	3.646	77	3.761	25/09/2019	-12
MGS	11/33	3.706	99	3.720	25/09/2019	-1
MGS	07/34	3.636	11	3.669	25/09/2019	-3
MGS	05/35	3.740	40	3.744	20/09/2019	0
MGS	04/37	3.743	3	3.775	25/09/2019	-3
MGS	06/38	3.747	10	3.802	25/09/2019	-6
MGS	09/43	3.850	2	3.770	19/09/2019	8
MGS	03/46	3.912	35	3.993	25/09/2019	-8
MGS	07/48	3.960	70	3.997	25/09/2019	-4
GII	04/20	3.111	33	3.090	17/09/2019	2
GII	03/21	3.055	1	3.103	17/09/2019	-5
GII	08/21	3.121	5	3.151	19/09/2019	-3
GII	03/22	3.163	4	3.171	25/09/2019	-1
GII	07/22	3.189	66	3.214	25/09/2019	-2
GII	11/22	3.166	40	3.150	04/09/2019	2
GII	07/23	3.283	1	3.242	13/09/2019	4
GII	11/23	3.265	23	3.333	24/09/2019	-7
GII	08/24	3.395	40	3.373	25/09/2019	2
GII	10/24	3.297	85	3.287	25/09/2019	1
GII	08/25	3.400	3	3.409	25/09/2019	-1
GII	03/26	3.415	160	3.432	25/09/2019	-2
GII	09/26	3.480	90	3.455	23/09/2019	2
GII	10/28	3.520	13	3.504	25/09/2019	2
GII	07/29	3.473	160	3.527	25/09/2019	-5
GII	08/37	3.832	3	3.751	18/09/2019	8
GII	11/49	3.971	20	3.808	30/08/2019	16
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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*
Bank Pembangunan Malaysia Berhad	10/25	GG	3.540	10	4.535	07/06/2018	-100	17
Pengurusan Air SPV Berhad	06/26	GG	3.580	40	3.388	26/08/2019	19	20
Prasarana Malaysia Berhad	11/28	GG	3.592	2	3.523	20/09/2019	7	13
Lembaga Pembiayaan Perumahan Sektor Awam	04/32	GG	3.710	5	3.814	07/08/2019	-10	5
DanaInfra Nasional Berhad	04/33	GG	3.790	25	3.559	22/08/2019	23	13
Prasarana Malaysia Berhad	12/35	GG	3.899	5	4.714	25/01/2019	-82	24
Lembaga Pembiayaan Perumahan Sektor Awam	09/36	GG	3.902	6	4.028	11/07/2019	-13	24
Prasarana Malaysia Berhad	09/37	GG	3.964	3	3.649	16/08/2019	32	20
DanaInfra Nasional Berhad	04/43	GG	4.020	20	3.891	13/09/2019	13	26
DanaInfra Nasional Berhad	11/48	GG	4.100	10	4.235	08/08/2019	-14	34
DanaInfra Nasional Berhad	02/49	GG	4.080	5	4.084	20/09/2019	0	32
DanaInfra Nasional Berhad	09/49	GG	4.090	5	4.150	24/09/2019	-6	33
Mercedes-Benz Services Malaysia Sdn Berhad	06/22	AAA	3.503	5	3.458	30/08/2019	4	36
Manjung Island Energy Berhad	11/23	AAA	3.479	2	3.392	21/08/2019	9	22
DiGi Telecommunications Sdn Berhad	04/24	AAA	3.595	3	3.498	11/09/2019	10	30
Aman Sukuk Berhad	05/24	AAA	3.539	5	3.507	24/09/2019	3	24
Projek Lebuhraya Usahasama Berhad	01/25	AAA	3.613	2	3.401	11/09/2019	21	32
Aman Sukuk Berhad	03/25	AAA	3.564	3	3.408	11/09/2019	16	27
Putrajaya Bina Sdn Berhad	03/25	AAA	3.547	8	3.389	13/09/2019	16	18
GENM Capital Berhad	08/25	AAA	3.795	2	3.572	11/09/2019	22	43
DiGi Telecommunications Sdn Berhad	09/26	AAA	3.740	10	-	-	-	36
Genting Capital Berhad	06/27	AAA	3.912	4	3.649	11/09/2019	26	46
Westports Malaysia Sdn Berhad	05/24	AA+	3.730	10	4.115	23/05/2019	-39	43
Celcom Networks Sdn Berhad	10/26	AA+	3.761	9	3.690	20/09/2019	7	38
Benh Restu Berhad	06/25	AA2	3.890	10	3.918	15/08/2019	-3	52
Krung Thai Bank Public Company Limited	07/25	AA2	4.024	1	3.996	05/09/2019	3	66
BEWG (M) Sdn Berhad	07/20	AA	3.770	6	4.255	08/05/2019	-49	66
Jimah Energy Ventures Sdn Berhad	05/20	AA3	3.420	4	4.017	10/04/2019	-60	31
Gamuda Berhad	04/21	AA3	3.663	4	3.692	05/09/2019	-3	53
IJM Corporation Berhad	06/22	AA3	3.859	4	3.836	20/09/2019	2	71
RHB Bank Berhad	05/25	AA3	3.730	10	3.798	03/09/2019	-7	36
Edra Energy Sdn Berhad	01/27	AA3	4.350	5	4.350	25/09/2019	0	97
WCT Holdings Berhad	04/20	AA-	3.810	600	4.547	10/07/2019	-74	70
WCT Holdings Berhad	08/20	AA-	3.870	281	4.280	31/07/2019	-41	76
MMC Corporation Berhad	11/20	AA-	3.860	17	3.881	23/09/2019	-2	75
WCT Holdings Berhad	10/21	AA-	4.270	3	4.785	08/08/2019	-52	114
UEM Sunrise Berhad	04/22	AA-	3.560	10	3.614	25/09/2019	-5	41
WCT Holdings Berhad	10/22	AA-	4.390	10	4.319	20/09/2019	7	124
WCT Holdings Berhad	10/23	AA-	4.430	20	4.379	20/09/2019	5	117
WCT Holdings Berhad	04/26	AA-	4.650	2	4.614	17/09/2019	4	127
Lafarge Cement Sdn Berhad	01/20	A1	4.140	5	4.175	24/09/2019	-4	103
Lafarge Cement Sdn Berhad	12/20	A1	4.360	4	4.050	29/07/2019	31	125
Tan Chong Motor Holdings Berhad	11/21	A1	4.150	16	4.145	24/09/2019	1	102
Lafarge Cement Sdn Berhad	07/22	A1	4.720	10	-	-	-	157
Affin Bank Berhad	02/27	A1	4.748	1	3.761	10/09/2019	99	137
CIMB Group Holdings Berhad	05/16	A1	4.790	1	4.216	20/09/2019	57	103
TSH Sukuk Ijarah Sdn Berhad	12/21	A+	4.300	10	4.300	25/09/2019	0	117
Westports Malaysia Sdn Berhad	05/22	AA+	3.620	10	4.559	19/02/2018	-94	47
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*spread against nearest indicative tenured MGS (Source : BPAM)

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Market/Corporate News: What's Brewing

After two extensions, Malaysian Industrial Development Finance Bhd (MIDF) has finally submitted its proposal to merge with Al Rajhi Banking & Investment Corp (M) Bhd to the central bank. According to sources, the proposal was sent in on Wednesday, two days ahead of the Sept 27 deadline. It is understood that as a result of the merger, which will be done via a share swap, Permodalan Nasional Bhd (PNB) will end up with a majority stake of over 60% in the merged entity. The balance equity will be held by the Saudi Arabia-based Al Rajhi Bank, which wholly owns its local entity. "The merger will also result in PNB recording a substantial gain on disposal, as the deal is structured as an acquisition of MIDF by Al Rajhi Malaysia," said a source. The deal is expected to be completed by the end of this year. Following the completion, the deal would see MIDF transforming into a full-fledged Islamic bank, which would give it the right to take deposits. At the moment, the financial institution has investment banking and research operations. Its biggest earnings contributor is investment banking, followed by development finance

and asset management. Meanwhile, Al Rajhi Malaysia is in the commercial and retail banking segment. "Under the enlarged entity, MIDF would be able to expand its business, including digital banking and new investment products," another source said. In terms of assets, Al Rajhi had bigger assets of RM7.58bil as of Dec 31, 2018, compared to MIDF at RM5.82bil. On a back-of-the-envelope calculation, the deal could create an entity with combined net assets of RM13.4bil. At the moment, the two biggest standalone Islamic banks in the country are Bank Islam Malaysia Bhd and Bank Muamalat Malaysia Bhd with assets of RM63.9bil and RM22.8bil. It is worth noting that Bank Muamalat had been in several potential merger talks in the past. Sources said that should the merger between MIDF and Al Rajhi go through, a potential listing could be on the cards. MIDF was taken private by PNB back in 2007 in an exercise worth RM1.5bil. PNB is also the single largest shareholder of the country's biggest bank based on assets, MALAYAN BANKING BHD, with a 48.3% stake. With the merger, PNB would have majority stakes in two banks in the country. Notably, the merger talks between MIDF and Al Rajhi started in January this year when Bank Negara gave the green light for the two parties to talk for three months to late March. The deal was later given another two extensions to June 27 and later to Sept 27. "The two parties want the deal to happen and one of the reasons for the extension is to discuss some of the legal matters," one source said. The deal between MIDF and Al Rajhi would mark the second foreign-backed Islamic bank to merge its Malaysian operations with a local financial institution. In 2017, MALAYSIA BUILDING SOCIETY BHD bought Asian Finance Bank Bhd from investors, including Qatar Islamic Bank, Financial Assets Bahrain WLL, RUSD Investment Bank Inc and Tadamon International Islamic Bank. (Source: The Edge)

After seven months, the development of 500 1Malaysia Civil Servant Housing Development (PPA1M) residential units, 316 public residential units and 20 commercial units in Precinct 18, Putrajaya, at a gross development cost (GDC) of RM292.7 million will finally proceed, as Perbadanan Putrajaya has withdrawn the notice of termination. In a bourse filing today, TRC Synergy Bhd said its wholly-owned subsidiary TRC Land Sdn Bhd has today received a withdrawal of the notice of termination by Perbadanan Putrajaya. TRC Land was appointed the developer for the PPA1M project on Dec 4, 2015. The project has since been renamed Pembangunan Perumahan Penjawat Awam Malaysia (PPAM - DALUR). However, TRC Land had on Feb 28 this year received a notice from Perbadanan Putrajaya that the project had been terminated in line with the government's new initiatives to consolidate the development of affordable homes under the Ministry of Housing and Local Government. TRC said Perbadanan Putrajaya and TRC Land, in principle, have agreed to resume the project pursuant to the development agreement executed earlier by both parties. This is subject to the finalisation of certain terms such as the completion date of the project. "The company will make further announcement should there be any material development on this matter," it added. (Source: The Edge)

Rating Action			
Issuer	PDS Description	Rating/Outlook	Action
Batu Kawan Berhad	RM500 mil Islamic MTN Programme (2013/2023)	AA1/Stable	Reaffirmed

Source: RAM, MARC

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