

Global Markets Research

Fixed Income

UST		
Tenure	Closing (%)	Chg (bps)
2-yr UST	1.60	-2
5-yr UST	1.60	-1
10-yr UST	1.74	-2
30-yr UST	2.18	-2

MGS		GII*		
Tenure	Closing (%)	Chg (bps)	Closing (%)	Chg (bps)
3-yr	3.05	1	3.09	2
5-yr	3.19	0	3.27	5
7-yr	3.33	1	3.38	1
10-yr	3.43	0	3.45	0
15-yr	3.67	0	3.77	-2
20-yr	3.80	2	3.89	0
30-yr	4.00	0	4.13	0

* Market indicative levels

MYR IRS Levels		
IRS	Closing (%)	Chg (bps)
1-yr	3.25	0
3-yr	3.25	0
5-yr	3.27	0
7-yr	3.32	0
10-yr	3.37	0

Source : Bloomberg

Upcoming Government Bond Tender

RM3.5b + RM0.5b (private placement) of 10Y GII 7/29 on Thursday, 28th November

Fixed Income Daily Market Snapshot

US Treasuries

US Treasuries continued to see safe-haven bids on Tuesday amid lingering concerns on potential US-China trade deal pact. The \$41b of 5Y auction attracted decent demand with BTC ratio notching 2.50x; versus the previous 10 auctions @2.38x. Overall benchmark yields ended between 1-2bps lower with both the UST 2Y and much-watched 10Y edging 2bps from prior day's move at 1.60% and 1.74% respectively. The US Treasury is expected to sell a further \$32b of 7Y notes next. Trading may be subdued for this week in lieu of the upcoming Thanksgiving Day holiday on Thursday although attention may shift to the GDP and Personal Consumption and Expenditure data for October on Wednesday followed by the release of Fed's beige book. Expect price action to be dictated by US-China trade talks as sticking points remain in phase one.

MGS/GII

- Local govvnies maintained decent momentum on a relatively quiet trading session Tuesday with secondary market volume recovering to notch RM2.86b. Interest was seen mainly in the short-end off-the-run 19's, 23's and also benchmark 5Y MGS bonds. Overall benchmark yields rose between 0-5bps across the curve; save for the 15Y GII. The benchmark 5Y MGS 6/24 was unchanged at 3.19% whilst the 10Y MGS 8/29 edged 1bps higher at 3.42%. GII trades inched up to form ~23% of overall trades. Meanwhile debate is out whether BNM may be prompted to ease should US-China trade tension escalate and remains unresolved if tariffs are eventually imposed on other countries as well. The economic calendar remains light for this week.

Corp Bonds/Sukuk

- Corporate bonds/sukuk space saw secondary market volume halved to RM300m on with some interest across the AAA-AA part of the curve as yields ended mostly mixed. The sole Govt-guaranteed trade for the day was the long-end DANA 4/48 which ended 3bps higher compared to previous-done levels at 4.27%. The upgraded SEB saw a flurry of tranches namely the 8/25, 11/28 and 4/36 which closed mixed between -2 tp +4bps at 3.61%, 3.75% and 4.07% each. The AA-space was dominated by energy-related bonds~ with TG BIN power 8/20 edging 1bps lower at 3.36%; whilst JEV 20-21's closed sharply lower on yields between 3.38-55% area. Meanwhile the banking space saw MAYBANK 31NC26 rally 5bps at 3.90%.

Daily Trades : Government Bond

Securities	Closing	Vol	Previous	Previous	Chg
	YTM	(RM mil)	YTM	Trade Date (dd/mm/yyyy)	(bp)
MGS 03/20	2.845	638	2.767	25/11/2019	8
MGS 07/20	2.862	1	2.926	22/11/2019	-6
MGS 10/20	2.923	162	2.939	25/11/2019	-2
MGS 02/21	2.999	130	3.017	25/11/2019	-2
MGS 07/21	3.028	140	3.033	25/11/2019	0
MGS 09/21	3.035	55	3.038	25/11/2019	0
MGS 11/21	3.045	2	3.036	25/11/2019	1
MGS 03/22	3.047	1	3.037	25/11/2019	1
MGS 08/22	3.119	80	3.104	25/11/2019	2
MGS 09/22	3.126	90	3.109	25/11/2019	2
MGS 03/23	3.154	6	3.148	25/11/2019	1
MGS 04/23	3.142	171	3.146	25/11/2019	0
MGS 06/24	3.185	293	3.185	25/11/2019	0
MGS 07/24	3.254	38	3.248	25/11/2019	1
MGS 04/26	3.349	1	3.391	25/11/2019	-4
MGS 07/26	3.330	10	3.322	25/11/2019	1
MGS 11/26	3.402	43	3.414	25/11/2019	-1
MGS 11/27	3.431	40	3.429	25/11/2019	0
MGS 06/28	3.454	110	3.461	22/11/2019	-1
MGS 08/29	3.426	49	3.422	25/11/2019	0
MGS 04/30	3.541	1	3.558	25/11/2019	-2
MGS 04/33	3.686	2	3.691	25/11/2019	0
MGS 07/34	3.675	88	3.672	25/11/2019	0
MGS 06/38	3.796	5	3.779	22/11/2019	2
MGS 05/40	3.743	50	3.755	22/11/2019	-1
GII 03/22	3.088	8	3.075	22/11/2019	1
GII 04/22	3.102	2	3.121	21/11/2019	-2
GII 11/23	3.206	163	3.203	25/11/2019	0
GII 08/25	3.345	50	3.343	25/11/2019	0
GII 10/25	3.355	40	3.357	25/11/2019	0
GII 03/26	3.378	180	3.369	25/11/2019	1
GII 10/28	3.470	10	3.470	22/11/2019	0
GII 06/33	3.793	90	3.783	25/11/2019	1
GII 11/34	3.768	10	3.783	21/11/2019	-2
GII 08/37	3.912	100	3.904	22/11/2019	1
		<u>2858</u>			

Daily Trades : Corp Bonds/ Sukuk

Securities	Rating	Closing	Vol	Previous	Previous	Chg	Spread	
		YTM	(RM mil)	YTM	Trade Date (dd/mm/yyyy)	(bp)	Against MGS*	
DanaInfra Nasional Berhad	04/48	GG	4.270	35	4.240	04/11/2019	3	51
Malaysia Airports Capital Berhad	12/22	AAA	3.528	20	4.001	02/05/2019	-47	48
Sarawak Energy Berhad	08/25	AAA	3.610	20	3.627	11/11/2019	-2	32
Sarawak Energy Berhad	11/28	AAA	3.745	20	3.705	07/10/2019	4	32
Danum Capital Berhad	02/34	AAA	4.038	10	4.019	22/11/2019	2	36
Sarawak Energy Berhad	04/36	AAA	4.069	10	4.082	21/11/2019	-1	39
Tenaga Nasional Berhad	08/38	AAA	4.120	3	4.120	19/11/2019	0	36
YTL Power International Berhad	06/22	AA1	3.719	10	3.765	25/11/2019	-5	68
YTL Power International Berhad	08/28	AA1	4.196	20	4.198	25/11/2019	0	77
Malayan Banking Berhad	01/31	AA1	3.898	30	3.948	24/10/2019	-5	47
Celcom Networks Sdn Berhad	08/27	AA+	3.820	10	3.817	15/11/2019	0	42
First Resources Limited	06/20	AA2	3.488	1	3.507	07/11/2019	-2	53
Tanjung Bin Power Sdn Berhad	08/20	AA2	3.363	20	3.374	21/11/2019	-1	41
Benih Restu Berhad	06/25	AA2	3.873	10	3.876	14/11/2019	0	59
BGSM Management Sdn Berhad	12/19	AA3	3.361	20	3.451	09/10/2019	-9	41
Jimah Energy Ventures Sdn Berhad	05/20	AA3	3.375	10	4.222	04/01/2019	-85	42
Jimah Energy Ventures Sdn Berhad	05/21	AA3	3.547	10	4.260	18/01/2019	-71	59
Gamuda Berhad	11/22	AA3	3.796	10	3.948	09/08/2019	-15	75
BGSM Management Sdn Berhad	12/22	AA3	3.756	10	3.769	08/10/2019	-1	71
AmBank (M) Berhad	03/27	AA3	3.715	10	4.614	08/10/2019	-90	38
SAJ Capital Sdn Berhad	01/27	AA-	4.434	10	5.230	05/09/2018	-80	110
CIMB Group Holdings Berhad	05/16	A1	4.284	1	4.284	25/11/2019	0	52
				<u>300</u>				

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

Market/Corporate News: What's Brewing

Telekom Malaysia posted net profit of RM261.30mil in the third quarter ended Sept 30,2019, in stark contrast with net loss of RM175.59mil a year ago due to lower operating costs. It announced to Bursa Malaysia on Tuesday that depreciation, impairments and amortisation declined to RM572mil from RM1.573bil a year ago. TM said its revenue dipped by 3.2% to RM2.85bil compared with RM2.94bil a year ago due to decline in voice, Internet and multimedia services, as well as other telecommunication related services. Earnings per share were 6.95 sen compared with loss per share of 4.67 sen a year ago. "Ongoing cost optimisation has resulted to higher operating profits before finance cost, a 230.5% (RM737mil) increase to RM417.2mil from the operating loss of RM319.8mil in 3Q 2018 which included impairment loss on network assets. "Correspondingly, group profit after tax and non-controlling interests (PATAMI) increased by 248.8% (RM436.9mil) from a loss of RM175.6mil to a profit of RM261.3mil," it said. As for unifi, revenue decreased by 10.9% (RM144.4mil) from RM1.33bil to RM1.18bil in the current quarter due to reduction from voice and Internet and multimedia services partly from the impact of the Streamyx price adjustment which took effect in September 2019 onwards as part of TM's commitment to its loyal customers. At RM79.8mil, unifi recorded an increase in EBIT compared to a loss of RM784.9mil in the corresponding quarter last year which included impairment losses recognised on network assets. TM ONE recorded 4.3% (RM48.6 million) decline in revenue from RM1.12bil to RM1.07bil in 3Q FY19 mainly due to decline in data and other telecommunication related services. Consequently, EBIT decreased 7.7% (RM23.4mil) to RM282.4mil in the current quarter from RM305.8 mil a year ago. TM GLOBAL revenue for 3Q FY19 rose by 6.5% (RM35.7mil) from RM549.3mil in 3Q FY18 to RM585mil mainly contributed by data services. Consistently, EBIT for 3Q FY19 was RM79.9mil, a 484.1% (RM100.7mil) increase from a loss of RM20.8mil in 3Q FY18 which included impairment losses recognised on certain network assets. Nine months performance ended Sept 30,2019. For the nine months ended Sept 30,2019, TM said it registered net profit of RM683.77mil compared with RM83.49mil in the previous corresponding period. Its revenue dipped by 3.8% to RM8.40bil from RM8.73bil -- in line with guidance- mainly due to lower contribution from all lines of products except data and non-telecommunication related services. Earnings before interest and tax (EBIT) for the nine months increased to RM1.20bil, from loss before interest and tax (LBIT) of RM187.3mi a year ago on the back of lower operating cost, from the Group's various cost optimisation initiatives. Profit after tax and non-controlling Interests (PATAMI) showed significant improvement with a 718.9% growth year-to-date to RM683.8mil, from RM83.5mil a year ago. Stripping off non-operational items, normalised PATAMI stood at RM810.9mil, higher by 53.7% against the same period last year. TM said total capital expenditure was within guidance at 8.8% of revenue or RM736mil. Out of the amount spent, 16% was made for core network, 58% for access and the balance 26% was for support system. TM group CEO Datuk Noor Kamarul Anuar Nuruddin said overall, in 3Q 2019 it saw continued improvements in the group's fundamentals. "I'm pleased to report that our cost management initiatives under our performance improvement plan carried out since last year continues to yield results with profitability improvement. "We have managed to keep a closer eye on our operational efficiencies to deliver sustained profitability with lower YTD OPEX/revenue. However, in line with sector contraction, our revenue challenges still persist on the retail front, in line with our expectations and 2019 market guidance. "Our capex for YTD September 2019 is well within guidance, totalling 8.8% of revenue, and on track as we continue our targeted investments to ensure we deliver better service experience for all our customers," he said. Noor Kamarul said TM continues to offer attractive unifi products and promotions to acquire more customers, whilst addressing Streamyx customers and coverage pain points with price adjustments and our wireless offerings. He said over the last three months, we have expressed our intention to be the key driver for Malaysia's Digital Nation aspirations. "TM is ready to propel the nation into

Industrial Revolution 4.0 (IR4.0) with our proposal to be the nation's infrastructure provider in both the fixed and mobile space. "This commitment is reinforced with our participation in the 5G demonstration projects and our preliminary moves toward building infrastructure readiness. In the next few months, we will be showcasing our 5G use cases in SS15, Subang Jaya, Selangor and Langkawi, Kedah in collaboration with local municipal councils and other potential partners. "The use cases will cover Big Data Analytics, Smart City, Smart Tourism and Smart Agriculture clusters. The deployment of our tested and proven 5G-enabled smart solutions for the showcase are testament of our commitment in humanising technology towards making life easier, and enriching the quality of life for all Malaysians," he said. (Source: *The Star*)

IOI Corp Bhd's net profit rose 3.6% to RM149 million for its first financial quarter ended Sept 30, 2019 (1QFY20) from RM143.8 million a year ago, mainly due to higher contribution from its resource-based manufacturing segment. This resulted in a higher earnings per share of 2.37 sen for 1QFY20 compared with 2.29 sen for 1QFY19. Revenue for the quarter, however, fell 5.3% to RM1.78 billion from RM1.88 billion a year ago. In a bourse filing today, the plantation group said the resource-based manufacturing segment profit rose 6% to RM136.5 million in 1QFY20 from RM129.2 million in 1QFY19. "The higher profit is due mainly to higher sales volume and margins from refining sub-segment and higher share of associate results from Bunge Loders Croklaan Group BV. This was offset by lower sales volume and margins from oleochemical sub-segment," it added. On prospects, IOI expects its operating performance for the remaining period of its financial year ending June 30, 2020 (FY20) to be satisfactory. For its plantation segment, IOI expects it to perform better for the remaining period of FY20 in view of bullish palm oil prices. "Palm oil price has moved up significantly since October due to lower than expected production and strong export drawing down palm oil stocks," it said. As for the resource-based manufacturing segment, the group anticipates the operating environment to remain challenging amid the global economic slowdown. IOI also expects its medium to long term US dollar-denominated borrowings will continue to remain volatile as a result of the US-China trade war and the continuing uncertainties faced by Asian currencies over the US Federal Reserve interest rate policy. (Source: *The EdgeMarkets*)

Rating Action			
Issuer	PDS Description	Rating/Outlook	Action
Nil	Nil	Nil	Nil

Source: RAM, MARC

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