

Global Markets Research

Fixed Income

UST		
Tenure	Closing (%)	Chg (bps)
2-yr UST	1.64	2
5-yr UST	1.66	4
10-yr UST	1.84	5
30-yr UST	2.34	5

MGS		GII*		
Tenure	Closing (%)	Chg (bps)	Closing (%)	Chg (bps)
3-yr	3.13	-1	3.13	0
5-yr	3.27	2	3.33	0
7-yr	3.46	1	3.44	2
10-yr	3.46	2	3.50	2
15-yr	3.66	0	3.83	3
20-yr	3.89	4	3.93	1
30-yr	4.13	3	4.14	0

* Market indicative levels

MYR IRS Levels		
IRS	Closing (%)	Chg (bps)
1-yr	3.28	0
3-yr	3.28	0
5-yr	3.32	0
7-yr	3.37	0
10-yr	3.44	0

Source : Bloomberg

Note: MYR closing levels as at 25-October

Upcoming Government Bond Tender

Nil

Fixed Income Daily Market Snapshot

US Treasuries

- US Treasuries bear steepened amid improving risk sentiments stemming from renewed trade optimism and positive corporate earnings that prompted a rally in US equities. President Trump said the process of a trade deal is running ahead of schedule. On top of that, weak US data also heightened expectations that the Fed would cut interest rates this week to bolster growth. The benchmark 2s added 2bps to 1.64% while the 10s rose 5bps to 1.84% with the 2/10 spread widening marginally to 20bps. Demand for USTs could stay subdued ahead of the two-day FOMC meeting starting tomorrow where Fed implied probabilities priced in a 92% chance of another 25bps cut. It would also interesting to see if the Fed would convey any communication regarding its recent moves in expanding its balance sheet while reiterating that it is not QE. On top of FOMC policy decision, the deluge of key US data including advance 3Q GDP, NFP, PCE inflation and ISM manufacturing will likely keep investors on toes.

MGS/GIII

- The Malaysian market was closed for Deepavali festive celebration yesterday but local govvnies continued to see healthy trading interests with secondary market volume of RM3.68bn last Friday. Investor interest remained skewed towards off-the-run 19-20's, and 30s. Overall benchmark yields ended mostly higher between 1-4bps save for the 3Y MGS that lost 1bp. The benchmark 7Y MGS 7/26 closed a bp higher at 3.46% whilst the 10Y MGS 8/29 edged 2bps higher at 3.46%. GII trades rose further to form 53% of overall trades. With no Malaysian data on the deck this week, we expect movement in local govvnies to take cue from external development and headlines, not forgetting the US Treasury is due to release its semi-annual currency manipulator review watchlist soon.

Corp Bonds/Sukuk

- Corporate bonds/sukuk space saw total volume picked up slightly to RM411m last Friday (RM369m a day ago). As usual, interest was seen mainly in the GG and AA-segments. Govt-guaranteed bonds generally closed higher on yields by between 2-23bps. LPPSA '10/38 led the pack with RM100m changed hands at 4.049%, unchanged from previous done levels. In the AA-segment, infra and energy names dominated Friday trades. Besraya '27 & '28 saw RM50m dealt at 4.43% and 4.49% respectively. SPG '33-37 and DUKE '37-39 garnered RM40m trades each, at levels between 4.219-4.309% and 4.879-5.019% respectively.

Daily Trades : Government Bond

Securities	Closing YTM	Vol (RM mil)	Previous YTM	Previous Trade Date (dd/mm/yyyy)	Chg (bp)
MGS 11/19	3.031	282	3.026	24/10/2019	1
MGS 03/20	3.047	298	3.039	24/10/2019	1
MGS 10/20	3.054	7	3.052	24/10/2019	0
MGS 07/21	3.099	30	3.690	24/10/2019	-59
MGS 11/21	3.106	30	3.120	24/10/2019	-1
MGS 03/22	3.129	20	3.143	24/10/2019	-1
MGS 08/22	3.153	62	3.138	24/10/2019	2
MGS 04/23	3.232	50	3.184	24/10/2019	5
MGS 06/24	3.266	10	3.248	24/10/2019	2
MGS 09/24	3.304	10	3.306	24/10/2019	0
MGS 03/25	3.327	22	3.321	24/10/2019	1
MGS 09/25	3.387	19	3.357	23/10/2019	3
MGS 07/26	3.458	181	3.445	24/10/2019	1
MGS 11/26	3.482	9	3.446	24/10/2019	4
MGS 05/27	3.502	0	3.502	24/10/2019	0
MGS 11/27	3.490	80	3.504	24/10/2019	-1
MGS 06/28	3.516	10	3.503	24/10/2019	1
MGS 08/29	3.460	34	3.437	24/10/2019	2
MGS 04/30	3.652	230	3.608	24/10/2019	4
MGS 06/31	3.753	195	3.692	24/10/2019	6
MGS 04/33	3.835	0	3.697	24/10/2019	14
MGS 11/33	3.789	90	3.790	24/10/2019	0
MGS 05/35	3.801	3	3.751	22/10/2019	5
MGS 06/38	3.887	40	3.844	24/10/2019	4
MGS 09/43	3.978	1	3.961	24/10/2019	2
MGS 03/46	4.053	0	4.042	24/10/2019	1
MGS 07/48	4.126	22	4.093	24/10/2019	3
GII 07/22	3.202	2	3.153	18/10/2019	5
GII 11/23	3.276	45	3.277	24/10/2019	0
GII 05/24	3.367	1	3.342	24/10/2019	2
GII 08/25	3.408	650	3.418	24/10/2019	-1
GII 03/26	3.437	102	3.412	23/10/2019	2
GII 09/26	2.944	2	3.433	18/10/2019	-49
GII 07/27	3.499	20	3.459	23/10/2019	4
GII 10/28	3.459	40	3.489	24/10/2019	-3
GII 07/29	3.498	220	3.481	24/10/2019	2
GII 09/30	3.679	150	3.695	24/10/2019	-2
GII 11/34	3.830	40	3.803	24/10/2019	3
GII 08/37	3.936	140	3.913	24/10/2019	2
GII 09/39	3.930	380	3.920	24/10/2019	1
GII 05/47	4.170	150	3.992	17/10/2019	18
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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*
DanaInfra Nasional Berhad	03/24	GG	3.498	10	3.318	06/09/2019	18	27
DanaInfra Nasional Berhad	11/29	GG	3.711	25	3.479	10/09/2019	23	27
Prasarana Malaysia Berhad	03/34	GG	3.850	10	3.750	03/10/2019	10	12
DanaInfra Nasional Berhad	03/34	GG	3.850	15	3.660	12/09/2019	19	12
Lembaga Pembiayaan Perumahan Sektor Awam	10/38	GG	4.049	100	4.049	23/10/2019	0	20
Lembaga Pembiayaan Perumahan Sektor Awam	04/39	GG	4.050	10	4.029	22/10/2019	2	20
Cagamas Berhad	03/20	AAA	3.224	10	3.149	18/10/2019	8	15
Pengurusan Air SPV Berhad	10/26	AAA	3.800	40	3.800	25/10/2019	0	38
Tenaga Nasional Berhad	08/37	AAA	4.049	10	4.021	09/10/2019	3	20
Besraya (M) Sdn Berhad	07/27	AA3	4.432	20	4.428	07/08/2019	0	99
Besraya (M) Sdn Berhad	07/28	AA3	4.492	30	5.039	07/02/2019	-55	104
Sinar Kamiri Sdn Berhad	01/23	AA-	4.688	5	4.927	03/07/2019	-24	155
UEM Sunrise Berhad	05/23	AA-	3.673	20	3.667	24/10/2019	1	45
MMC Corporation Berhad	03/28	AA-	4.900	5	4.938	09/10/2019	-4	146
UiTM Solar Power Sdn Berhad	04/28	AA-	4.730	5			473	128
Serba Dinamik Holdings Berhad	10/28	AA-	4.660	15	4.659	23/10/2019	0	121
Southern Power Generation Sdn Berhad	04/33	AA-	4.219	10	4.209	25/09/2019	1	49
Southern Power Generation Sdn Berhad	10/33	AA-	4.269	10	4.239	15/10/2019	3	54
Southern Power Generation Sdn Berhad	04/34	AA-	4.309	20	4.309	24/10/2019	0	58
Lebuhraya DUKE Fasa 3 Sdn Berhad	08/37	AA-	4.879	20	4.879	14/08/2019	0	103
Lebuhraya DUKE Fasa 3 Sdn Berhad	08/38	AA-	4.949	10	4.959	05/08/2019	-1	110
Lebuhraya DUKE Fasa 3 Sdn Berhad	08/39	AA-	5.019	10	5.178	20/06/2019	-16	117
UMW Holdings Berhad	04/18	A1	4.850	0	4.792	22/10/2019	6	100
Eco World International Berhad	05/23	-	5.950	0	5.516	23/10/2019	43	272
YNH Property Berhad	08/19	-	6.547	0	6.698	23/10/2019	-15	270
				<u>411</u>				

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

Market/Corporate News: What's Brewing

The European Union agreed to a Brexit delay of up to three months on Monday, as Prime Minister Boris Johnson said he would push on with his bid to end Britain's political paralysis with an election on Dec. 12. With the United Kingdom's scheduled Oct. 31 departure from the EU now virtually certain to be postponed, Brexit hangs in the balance, with British politicians still arguing over how, when or even whether the divorce should take place at all. Johnson, who had loudly promised to deliver Brexit on Oct. 31, "do or die", has repeatedly demanded an election to end what he casts as a nightmare political deadlock that is sapping public trust by preventing any Brexit outcome at all. Hours after the 27 countries remaining in the EU backed his reluctant request for a delay, Johnson attempted to force a snap election on Dec. 12 in the hope of finally winning a majority to pass the divorce deal he has negotiated with Brussels. But his third attempt to call such an election gathered only 299 votes in parliament, short of the 424 - or two-thirds of the house - that he needed. After the vote, Johnson said he would try again, by a legislative route that would only require a simple majority. "We will not allow this paralysis to continue and, one way or another, we must proceed straight to an election," Johnson told parliament. "This House cannot any longer keep this country hostage." To follow this route, Johnson will need the support of opposition parties such as the Scottish National Party (SNP) and the Liberal Democrats. These have been pushing for a Dec. 9 election, aiming to ensure that Johnson cannot try again to rush his divorce deal through. The BBC's political editor said Johnson's office had confirmed that the government would not bring the deal back to parliament - potentially opening the way for the SNP and LibDems to back a snap poll on Johnson's preferred date of Dec. 12. After almost four years of tortuous discussion, the United Kingdom remains divided over a divorce that removes what was once considered to be one of the West's most stable democracies from the European project. While almost all British politicians agree that an election is needed, they want to inflict maximum political damage on Johnson - who leads in opinion polls - by

preventing his last-minute deal from being ratified before the poll. Johnson, in turn, is trying to shift the blame for failing to deliver Brexit by Oct. 31 onto parliament. "We have a great new deal, and it's time for the voters to have a chance to pronounce on that deal, and to replace this dysfunctional parliament with a new parliament that can get Brexit done so the country can move on," Johnson said. In a letter to European Council President Donald Tusk, Johnson reluctantly accepted the delay agreed in Brussels, saying he had no choice under British law. "This unwanted prolongation of the UK's membership of the EU is damaging to our democracy," he said. "I would also urge EU member states to make clear that a further extension after 31st January is not possible. This is plenty of time to ratify our deal." If no EU country objects within 24 hours - by Tuesday afternoon - the delay will have been formally adopted. (Source: *The Star Online/ Reuters*)

MALAYSIA'S agricultural sector received a boost in June, after the country started shipping whole frozen durian to China. With the upgrade protocol of the free trade area between China and the Association of Southeast Asian Nations (Asean), Malaysian officials are confident that Malaysia will have greater access to the Chinese market. Trade between Malaysia and China is set for a further growth with the upgrading protocol of China-Asean Free Trade Area (CAFTA), especially in agricultural products, predicted Malaysian Agriculture and Agro-based Minister Salahuddin Ayub. Malaysia welcomed every effort to smoothen trade and increase exports of Malaysian agricultural products from local farmers to Chinese consumers, benefiting both sides in a win-win situation, Salahuddin told Xinhua recently. "Of course Malaysia welcomes efforts to smoothen agricultural exports to China and other markets. In fact, our exports to China with regards to tropical fruits such as durian have increased since whole fruits were allowed in," he said. "With this upgrade, it is hoped that a whole range of Malaysian agricultural products will find their way to China's consumers, benefiting those in the Malaysian agricultural sector." Salahuddin pointed to his recent trip to Wuhan, capital of central China's Hubei Province, where he learned first-hand of the huge popularity of Malaysian fruits in the country. He added that strong trade bonds with China would not only boost Malaysia's income but also create jobs in the country. In June, China allowed whole durian fruits from Malaysia for import. Before that, only pulp, paste and processed durian products could be sent to China. The new move further boosted the confidence of durian plantation in Malaysia, which has seen the total durian production rise to 341,000 metric tons in 2018 from 211,000 tons in 2017. Malaysian government's special envoy to China Tan Kok Wai said, "Malaysia greatly appreciates any effort to facilitate international trade. This is absolutely a positive development as Asean as a whole has outgrown the United States to become China's second biggest trading partner and this upgrade is proof of that." Durian exports to China are expected to contribute nearly RM500mil (US\$120mil) to the nation's total export value annually. Besides durian, the Malaysian government is also expecting to boost exports to China other goods, including palm oil, petrochemical products, manufactured goods and agricultural products. The China-Asean Free Trade Area upgrade protocol is the outcome of the China-Asean Free Trade Area upgrade negotiation. The protocol was officially signed on Nov. 22, 2015. Taking agricultural products as an example, the preferential policies of the free trade area have enabled tropical fruits such as mangosteen and durian in Asean countries to enter the Chinese market, and also let China's temperate fruits be fully rolled out in supermarkets in Asean countries. (Source: *The Star Online/ Xinhua*)

Rating Action			
Issuer	PDS Description	Rating/Outlook	Action
Nil			

Source: RAM, MARC

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