

## Global Markets Research

### Fixed Income

UST		
Tenure	Closing (%)	Chg (bps)
2-yr UST	1.65	0
5-yr UST	1.64	0
10-yr UST	1.77	0
30-yr UST	2.19	0

MGS		GII*		
Tenure	Closing (%)	Chg (bps)	Closing (%)	Chg (bps)
3-yr	3.03		3.11	0
5-yr	3.18		3.25	0
7-yr	3.34		3.38	0
10-yr	3.43		3.49	-1
15-yr	3.67		3.77	0
20-yr	3.81		3.88	0
30-yr	4.01		4.13	0

\* Market indicative levels

MYR IRS Levels		
IRS	Closing (%)	Chg (bps)
1-yr	3.24	0
3-yr	3.24	-1
5-yr	3.27	0
7-yr	3.31	-1
10-yr	3.38	1

Source : Bloomberg

### Upcoming Government Bond Tender

Nil

## Fixed Income Daily Market Snapshot

### US Treasuries

- Both the US bond and equities market were closed yesterday for the Thanksgiving Day holiday. To recap, the Fed Beige Book covering twelve (12) financial districts did little to boost bond prices with the report noting a modest economic expansion. The calendar remains dry today. We expect price action to continue being dictated by lingering US-China trade concerns and also post-effects from the President Trump's signing of the Hong Kong Bill which may draw retaliation from China.

### MGS/GII

- Local govvnies maintained decent momentum on Thursday despite lower secondary market volume of RM2.93b with interest seen again mainly in the short-end off-the-run 20's followed by the 21's and 37's bonds and 10Y benchmark MGS/GII bonds. Overall benchmark yields closed 0-2bps lower across the curve with both the benchmark 5Y MGS 6/24 and the 10Y MGS 8/29 closing within 1bps of prior day's move at 3.18% and 3.43% respectively. GII trades rose again to form ~46% of overall trades. Meanwhile the government is likely to raise funds via its 2<sup>nd</sup> Samurai bond issuance early next year.

### Corp Bonds/Sukuk

- Corporate bonds/sukuk space saw secondary market volume improve further to RM661m with investor interest intact across GG-AA part of the curve as yields ended mostly mixed-to-higher. The sole Govt-guaranteed trade saw DANA 10/28 close unchanged compared to previous-done levels at 3.67%. The AAA-space was dominated by enrgy-related bonds with BAKUN Hydro 23-24's edging 0-1bps higher whereas TNB Western 7/26 and MANJUNG 11/29 saw large opposite movement in yields at 3.75% and 3.85% respectively. The AA-space also saw EDRA Energy 35-36's which ended 7-13bps higher instead between 4.61-65%. Meanwhile the banking space continued to be active with HSBC Amanah 3/20 churning heavy volume of RM230m; moving 15bps lower at 3.29%. MAYBANK 25NC20 also saw yields move sharply lower at 3.55%. Expect activity to persist with many entities reporting financials during this period.

## Daily Trades : Government Bond

Securities	Closing	Vol	Previous	Previous	Chg
	YTM	(RM mil)	YTM	Trade Date (dd/mm/yyyy)	(bp)
MGS 03/20	2.951	268	2.875	27/11/2019	8
MGS 07/20	2.940	73	2.899	27/11/2019	4
MGS 10/20	2.940	326	2.935	27/11/2019	0
MGS 02/21	3.008	170	3.007	27/11/2019	0
MGS 07/21	3.049	225	3.019	27/11/2019	3
MGS 09/21	3.073	50	3.039	27/11/2019	3
MGS 11/21	3.045	40	3.039	27/11/2019	1
MGS 03/22	3.024	12	3.046	27/11/2019	-2
MGS 08/22	3.088	9	3.103	27/11/2019	-2
MGS 04/23	3.147	45	3.155	27/11/2019	-1
MGS 08/23	3.165	6	3.167	27/11/2019	0
MGS 06/24	3.180	25	3.182	27/11/2019	0
MGS 07/24	3.230	38	3.247	27/11/2019	-2
MGS 09/24	3.235	1	3.226	26/11/2019	1
MGS 03/25	3.283	10	3.259	27/11/2019	2
MGS 09/25	3.293	6	3.318	27/11/2019	-2
MGS 04/26	3.365	5	3.373	27/11/2019	-1
MGS 11/26	3.396	1	3.399	27/11/2019	0
MGS 11/27	3.415	17	3.423	27/11/2019	-1
MGS 06/28	3.460	63	3.450	27/11/2019	1
MGS 08/29	3.427	146	3.425	27/11/2019	0
MGS 06/31	3.626	30	3.610	27/11/2019	2
MGS 09/43	4.029	2	4.029	25/11/2019	0
MGS 03/46	3.974	2	4.034	27/11/2019	-6
MGS 07/48	4.005	2	4.016	27/11/2019	-1
GII 05/20	3.001	360	2.994	21/11/2019	1
GII 06/20	2.993	50	3.011	27/11/2019	-2
GII 08/20	3.001	120	3.007	27/11/2019	-1
GII 04/22	3.112	10	3.110	27/11/2019	0
GII 08/25	3.423	30	3.345	26/11/2019	8
GII 10/25	3.360	60	3.355	27/11/2019	0
GII 09/26	3.419	90	3.423	27/11/2019	0
GII 07/27	3.459	60	3.464	27/11/2019	0
GII 10/28	3.500	10	3.482	27/11/2019	2
GII 07/29	3.494	402	3.501	27/11/2019	-1
GII 09/30	3.626	30	3.580	21/11/2019	5
GII 06/33	3.805	40	3.823	27/11/2019	-2
GII 08/33	3.824	90	3.810	22/11/2019	1
GII 08/37	3.933	10	3.911	27/11/2019	2
GII 09/39	3.884	1	3.899	27/11/2019	-2
		<u>2934</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	10/28	GG	3.665	20	3.660	19/11/2019	0	24
HSBC Amanah Malaysia Berhad	03/20	AAA	3.290	230	3.440	09/07/2019	-15	33
GENM Capital Berhad	07/23	AAA	3.893	10	3.703	20/11/2019	19	74
Bakun Hydro Power Generation Sdn Berhad (fka Sarawak Hidro Sdn Berhad)	08/23	AAA	3.560	10	3.553	27/11/2019	1	40
Bakun Hydro Power Generation Sdn Berhad (fka Sarawak Hidro Sdn Berhad)	08/24	AAA	3.577	40	3.581	27/11/2019	0	39
TNB Northern Energy Berhad	11/24	AAA	3.639	10	3.459	11/09/2019	18	45
Sarawak Energy Berhad	06/26	AAA	3.648	10	3.653	08/10/2019	0	31
TNB Western Energy Berhad	07/26	AAA	3.748	10	4.059	29/05/2019	-31	41
Manjung Island Energy Berhad	11/29	AAA	3.849	10	3.569	30/08/2019	28	42
Projek Lebuhraya Usahasama Berhad	01/31	AAA	3.888	10	3.889	21/11/2019	0	46
Sarawak Energy Berhad	04/31	AAA	3.849	10	3.789	09/10/2019	6	42
Rantau Abang Capital Berhad	01/32	AAA	3.909	10	4.109	17/06/2019	-20	48
Projek Lebuhraya Usahasama Berhad	01/33	AAA	3.941	10	3.939	22/11/2019	0	27
Sarawak Energy Berhad	11/33	AAA	3.991	30	3.910	11/10/2019	8	32
Sabah Development Bank Berhad	04/23	AA1	3.874	25	4.801	10/04/2019	-93	83
Sabah Development Bank Berhad	12/23	AA1	3.983	30	5.177	16/01/2019	-119	83
Malayan Banking Berhad	10/25	AA1	3.549	25	3.679	21/10/2019	-13	25
Country Garden Real Estate Sdn Berhad	02/23	AA3	6.456	3	6.404	27/11/2019	5	341
Edra Energy Sdn Berhad	07/35	AA3	4.608	10	4.479	30/08/2019	13	93
Edra Energy Sdn Berhad	01/36	AA3	4.649	10	4.580	23/08/2019	7	97
Affin Islamic Bank Berhad	10/28	A1	4.048	50	4.053	27/11/2019	0	62
Celcom Networks Sdn Berhad	08/24	AA+	3.676	60	3.627	30/09/2019	5	49
Celcom Networks Sdn Berhad	10/26	AA+	3.789	10	3.787	18/11/2019	0	45
Fortune Premiere Sdn Berhad	10/25	AA	3.908	10	3.910	18/11/2019	0	61
Eco World International Berhad	05/23	-	5.594	1	5.595	27/11/2019	0	255
Mah Sing Group Berhad	04/17	-	5.886	8	5.896	27/11/2019	-1	213
			<u>661</u>					

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

### Market/Corporate News: What's Brewing

**Lingkar Trans Kota Holdings Bhd (Litrak), the concessionaire of the Lebuhraya Damansara-Puchong (LDP) and the SPRINT Highway, saw its net profit rise 13.9% to RM68.98 million in its second financial quarter ended Sept 30, 2019 (2QFY20) from RM60.56 million a year ago, on lower maintenance expenses and finance cost pursuant to scheduled repayment of bonds in April.** Litrak said a share of higher profit in its 50%-owned associate Sistem Penyuraian Trafik KL Barat Holdings Sdn Bhd (SPRINT) amounting to RM4.8 million in the current quarter, also contributed to the group's higher net profit for the quarter. "SPRINT Group recognised higher revenue from the scheduled toll rates increase for Penchala Link-Mont Kiara Toll Plaza commencing on Jan 1," it added in a bourse filing today. This brought a higher earnings per share of 13 sen for 2QFY20 compared with 11.47 sen for 2QFY19. This was despite revenue for the quarter slipping by a marginal 0.8% to RM131.19 million from RM132.27 million a year ago, mainly due to lower traffic volume plying the LDP. The improved quarterly earnings lifted the group's net profit for the cumulative six months (1HFY20) up 18.1% to RM136.75 million from RM115.8 million a year ago, while revenue rose by a marginal 0.6% to RM260.03 million from RM258.49 million in 1HFY19. Going forward, Litrak said traffic volume on both LDP and SPRINT Highway are expected to see marginal growth. "Competition from competing road alignments and public transportation will continue to negatively affect the tollable traffic volume for both highways of the group. "The group is also monitoring the impact of the recently introduced subsidised monthly pass, that is, the RM100 unlimited monthly pass for all rail (MRT, LRT, monorail), BRT, Rapid KL buses and MRT feeder buses by the government to improve ridership of such public transportation modes." Litrak noted that for SPRINT Highway's Damansara Link and Kerinchi Link, there is still one last scheduled toll rate increase for both toll plazas in 2022. "Hence, revenue growth can be expected from both tollable traffic growth and toll rates increases." The group also pointed to the Minister of Finance Inc's proposed offer to acquire its wholly-owned subsidiary Lingkar Trans Kota Sdn Bhd for RM2.47 billion and SPRINT's unit Sistem Penyuraian Trafik KL Barat Sdn Bhd for RM1.98 billion. "Should the proposed takeovers materialise, the group will then have disposed of its entire interests in both Lingkar Trans Kota and Sistem Penyuraian Trafik KL Barat – the concession owners of LDP and SPRINT Highway respectively," said Litrak. "Consequently, the group will be deemed a Practice Note 16 cash company. As such, the board will then have to decide on the utilisation of proceeds derived from the sale of LDP and SPRINT Highway and reassess the future direction of the group. "The board is currently still assessing the available options to the group and our shareholders," it added. (Source: *The EdgeMarkets*)

**MALAYAN BANKING BHD (Maybank), the country's biggest bank by assets, reported a slightly higher bottom line of almost RM2bil in its third quarter, 2% up from RM1.96bil a year ago even as it remains vigilant and cautious on its outlook for the rest of the year and the next.** "Earnings were lifted by a 14.1% rise in net operating income during the quarter, which came on the back of a robust 38.6% rise in net fee-based income and a 6.0% increase in net fund-based income," Maybank, which is also South-East Asia's fourth-largest bank by assets, said in its statement yesterday. Its third quarter ended Sept 30 saw revenue rising by a bigger quantum of 14.68% to RM13.83bil from RM12.06bil in the same quarter a year ago. Group president and chief executive officer Datuk Abdul Farid Alias said the group would focus on pricing discipline, strong capital and liquidity positions, as well as sound risk management and operational efficiency in the coming months. "This year has proven to be relatively challenging for some of our clients due to the slower growth in global trade. We are therefore proactively working with them to restructure their facilities. In the meantime, we will continue to be vigilant in managing our asset quality while growing our portfolio," Abdul Farid said. When compared with the

preceding quarter, net profit rose 3.0%, driven by a 10.3% increase in net operating income, the bank said. This was attributable to stronger investment and trading income as well as a 13-basis-point (bps) expansion in net interest margin (NIM) quarter-on-quarter (q-o-q), it said. “The operating environment continues to be unpredictable and we remain cautious, given the prolonged geopolitical uncertainties. Nevertheless, we are encouraged by our steady results and will focus on realising opportunities across the region, especially in Asean and Greater China,” chairman Datuk Mohaiyani Shamsudin said. The group saw NIM in its third quarter expanding to 2.32% from 2.19% in the preceding quarter. However, Maybank said that for the nine-month period, its NIM was marginally lower by five bps to 2.27% from 2.32% a year earlier. This was due mainly to the impact of the base lending rate reduction and tapering off of low-cost deposits in its Indonesian operations. Loan growth in the year-to-date period, meanwhile, stood at 3.4% year-on-year (y-o-y), driven by the Malaysian operations, which grew 5.3%, ahead of the industry’s loan growth of 3.8%, it said. Maybank said deposits rose at a faster pace of 5.5%, led by strong growth of 7.5%, 6.0% and 4.5% in Malaysia, Singapore and Indonesia, respectively, in line with the group’s strategy to focus on lower-cost funds as well as maintaining a strong liquidity position. “This resulted in an improvement in the loan-to-deposit ratio to 92.5% as at September 2019 from 94.4% a year earlier,” it said. Abdul Farid had told StarBiz in an interview published earlier last week that it expects the operating environment for 2020 to be similar to that of 2019, following the prolonged trade war between the United States and China. “Given this outlook, the bank will continue to prioritise liquidity and capital strength to ensure we can navigate through the continued challenging landscape, while at the same time leveraging on the opportunities that are present or will arise, particularly in this region,” he had said. A research house in its banking sector report earlier in the month maintained its 2019 loan growth projection at 4.5%, based on consumer and business loan growth assumptions of 5.5% and 3.2%, respectively. The research house has retained its neutral stance on the sector, noting also that the industry’s business loans that are largely supported by small and medium enterprises continue to remain soft. It noted that the industry’s loan growth in the third quarter had been supported by the consumer segment, which had grown 4.8% y-o-y in the quarter. Other analysts are also hopeful that the move by Bank Negara earlier this month to reduce the statutory reserve requirement by 0.5% to 3.0% to ensure sufficient liquidity in the banking system would aid system liquidity. “We are positive on the cut, as it will release extra liquidity into the system, mitigating downward pressure on NIM. Easing monetary conditions is supportive of loan growth and helps to stabilise asset quality,” another research outfit said when rating the industry an overweight in its report. (Source: *The Star*)

Rating Action			
Issuer	PDS Description	Rating/Outlook	Action
MEX I Capital Berhad (formerly known as Bright Focus Berhad)	M1.225 bil Islamic MTN (the Proposed Sukuk)	AA3/Stable	Assigned
SEP Resources (M) Sdn Bhd	RM150 mil Islamic MTN (the Proposed Sukuk)	AA1/Stable	Assigned

Source: RAM, MARC

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