October 31, 2019

Global Markets Research
Fixed Income

Fixed Income Daily Market Snapshot

UST		
Tenure	Closing (%)	Chg (bps)
2-yr UST	1.60	-5
5-yr UST	1.61	-6
10-yr UST	1.77	-7
30-yr UST	2.25	-8

	MGS		GII*	
Tenure	Closing (%)	Chg (bps)	Closing (%)	Chg (bps)
3-yr	3.11	-4	3.13	0
5-yr	3.36	8	3.35	2
7-yr	3.45	0	3.41	1
10-yr	3.46	2	3.49	0
15-yr	3.74	8	3.83	0
20-yr	3.89	2	3.94	1
30-yr	4.09	-4	4.15	1

** Market indicative levels*

MYR IRS Levels		
IRS	Closing (%)	Chg (bps)
1-yr	3.29	1
3-yr	3.30	1
5-yr	3.35	1
7-yr	3.38	0
10-yr	3.45	1

Source : Bloomberg

US Treasuries

US Treasuries saw strong performance following the Fed's 3rd interest rate cut of 25bps last night as investors and traders digested the strong possibility of a hold on any further easing. Overall benchmark yields ended between 5-8bps lower from prior day's close. The UST 2Y closed at 1.60% whilst the much-watched 10Y rallied 7bps at 1.77%. Meanwhile the Commerce Department's release of advance 3Q GDP that saw a better than expected growth of 1.9% QOQ. Payroll processor ADP's US private sector employment also showed an improvement although previous month's gain was revised lower. Large IG issuances were seen to cap upside in UST's. Meanwhile the ongoing auction of 4-week and 8-week bills is expected to attract some attention for the week. Also on the horizon is the possibility of the US govt selling 50Y bonds to seize hungry investors appetite for long-dated bonds.

MGS/GIII

- Local govvies saw improved momentum on secondary market volume of RM4.38b (having stripped out 5Y bond due to recording of auction volume) on Wednesday. Investor interest was also skewed in the off-the-run 19-20's and also the 25's. The curve exhibited convex-like characteristics as overall benchmark yields ended mostly mixed between -4 to +8bps. The benchmark 5Y MGS 6/24 saw its auction receive lukewarm reception averaging 3.364%; tailing by 7bps as the BTC ratio notched a mere 1.43x. The bond closed 8bps higher compared to previous day's close. The 10Y MGS 8/29 rose 2bps at 3.46%. GII trades rose to form 31% of overall trades. Risks on Malaysia being excluded from FTSE Russell's WGBI have eased for now with the next decision in March 2020. Meanwhile we opine that BNM has no urgency to ease.

Corp Bonds/Sukuk

- Corporate bonds/sukuk space saw total volume ease to RM236m with interest seen mainly in AAA to AA-part of the curve and also unrated recently-issued BRECON Synergy. The sole Govt-Guaranteed DANA 2/29 rose 2bps compared to previous-done levels at 3.70%. AAA-rated CAGAMAS 3/20 however rallied 9bps at 3.14%. The AA-rated space saw NORTHPORT 12/22 and DUKE 8/35 bonds move opposite of each other with the former edging 1bps lower at 4.21% whilst DUKE closed rose 3bps at 4.75%. Unrated BRECON Synergy saw RM100m in nominal amounts traded again at 5.16%. The banking space saw CIMB 29NC24 close unchanged at 3.95%.

Upcoming Government Bond Tender

Nil

Daily Trades : Government Bond

Securities		Closing YTM	Vol (RM mil)	Previous YTM	Previous Trade Date (dd/mm/yyyy)	Chg (bp)
MGS	11/19	3.018	225	3.019	29/10/2019	0
MGS	03/20	3.021	427	3.020	29/10/2019	0
MGS	10/20	3.073	271	3.054	29/10/2019	2
MGS	07/21	3.089	57	3.097	29/10/2019	-1
MGS	09/21	3.090	1	3.089	29/10/2019	0
MGS	11/21	3.094	34	3.106	25/10/2019	-1
MGS	03/22	3.105	19	3.140	29/10/2019	-4
MGS	08/22	3.145	140	3.160	29/10/2019	-2
MGS	09/22	3.161	287	3.153	24/10/2019	1
MGS	03/23	3.224	1	3.196	24/10/2019	3
MGS	04/23	3.220	20	3.244	29/10/2019	-2
MGS	08/23	3.249	2	3.236	29/10/2019	1
MGS	06/24	3.364	942	3.280	29/10/2019	8
MGS	09/24	3.369	102	3.314	29/10/2019	6
MGS	09/25	3.377	26	3.387	29/10/2019	-1
MGS	07/26	3.448	127	3.451	29/10/2019	0
MGS	11/26	3.490	23	3.490	29/10/2019	0
MGS	05/27	3.456	55	3.490	29/10/2019	-3
MGS	06/28	3.539	44	3.516	29/10/2019	2
MGS	08/29	3.460	115	3.442	29/10/2019	2
MGS	06/31	3.701	25	3.742	29/10/2019	-4
MGS	04/33	3.815	4	3.835	25/10/2019	-2
MGS	11/33	3.807	20	3.789	25/10/2019	2
MGS	07/34	3.739	12	3.659	23/10/2019	8
MGS	05/35	3.862	1	3.801	25/10/2019	6
MGS	03/46	4.061	16	4.053	29/10/2019	1
MGS	07/48	4.087	26	4.126	29/10/2019	-4
GII	04/20	3.053	10	3.054	22/10/2019	0
GII	08/21	3.120	51	3.121	23/10/2019	0
GII	03/22	3.134	4	3.131	16/10/2019	0
GII	04/22	3.136	65	3.138	23/10/2019	0
GII	07/22	3.139	50	3.202	25/10/2019	-6
GII	10/24	3.350	39	3.327	24/10/2019	2
GII	08/25	3.432	450	3.427	29/10/2019	0
GII	03/26	3.411	132	3.402	29/10/2019	1
GII	07/29	3.486	47	3.490	29/10/2019	0
GII	08/33	3.877	40	3.822	24/10/2019	5
GII	08/37	3.946	30	3.936	25/10/2019	1
GII	09/39	3.941	275	3.934	29/10/2019	1
GII	11/49	4.152	164	4.141	24/10/2019	1
			4376			

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	02/29	GG	3.700	30	3.677	23/10/2019	2	22
Cagamas Berhad	03/20	AAA	3.137	15	3.224	25/10/2019	-9	7
Gulf Investment Corporation G.S.C	03/21	AAA	4.099	6	4.050	30/09/2019	5	103
Sarawak Energy Berhad	06/21	AAA	3.407	5	3.300	02/10/2019	11	30
Pengurusan Air SPV Berhad	10/29	AAA	3.900	10	-	-	-	44
GENM Capital Berhad	07/33	AAA	4.254	3	4.189	17/10/2019	6	49
CIMB Group Holdings Berhad	09/29	AA	3.947	10	3.951	24/10/2019	0	48
Northport (Malaysia) Berhad	12/22	AA-	4.206	10	4.218	30/09/2019	-1	106
UEM Sunrise Berhad	05/23	AA-	3.668	5	3.673	25/10/2019	0	40
WCT Holdings Berhad	10/23	AA-	4.498	20	4.425	26/09/2019	7	123
Lebuhraya DUKE Fasa 3 Sdn Berhad	08/35	AA-	4.748	20	4.721	14/08/2019	3	98
WCT Holdings Berhad	09/19	A	5.610	1	5.610	24/10/2019	0	172
Eco World International Berhad	10/21	-	5.200	1	5.772	29/10/2019	-57	209
Brecon Synergy Sdn Berhad	07/26	-	5.159	100	5.159	29/10/2019	0	172
				236				

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

Market/Corporate News: What's Brewing

Malaysia is seeking to avert a housing market crisis by luring foreign buyers to its rising stock of unsold homes, targeting wealthy mainland Chinese and Hong Kong residents with fast-track residency visas. The Southeast Asian country this month lowered the threshold for overseas buyers of residential property to RM600,000 (US$143,453.5) and above, from RM1 million previously. The easing, which takes effect for 12 months from January 2020, is likely to whet an appetite among Hong Kong investors seeking safe havens after months of anti-government protests. The number of unsold properties in Malaysia surged to 54,078 units at the end of the first quarter of this year, valued at RM37.2 billion, with residential units forming the bulk of the overhang, according to data published by the finance ministry. The glut has worsened from 16,576 units worth RM8.5 billion in 2015 amid overbuilding, demand mismatch and currency depreciation. The move is likely to spur demand from Hong Kong and mainland Chinese investors who already view Malaysia as a top investment destination, as currency depreciation has cheapened its assets. Ethnic Chinese make up almost a quarter of Malaysia's population and investors from mainland China and Hong Kong are already the biggest buyers of Malaysian homes. And analysts said the momentum is likely to be sustained. "The new threshold brings some 4,000 condominiums that were previously ruled out into the realm of possibility, so buyers have much more choice," said Kashif Ansari, chief executive officer at IQI Global, which has more than 2,000 agents in Malaysia. Given the limited window in 2020, "buyers should have a sense of urgency about taking advantage of it", he added. A branded residence like Yoo and Kempinski's 8 Conlay, a US$1.3 billion complex of three towers in Kuala Lumpur that has retail, serviced residences and a five-star hotel, is priced at US$792 per square foot, a fraction of the US$2,061 for Wireless in Bangkok, US$2,511 for Ritz-Carlton Residences in Singapore and US$4,376 for Yoo Residence in Hong Kong. Foreigners account for 75% of the development's total buyers, and of that, half are from Hong Kong and first-tier cities in mainland China. "Since the launch of 8 Conlay, there has been interest from Hong Kong," said Joanne Kua, managing director of KSK Land, the developer behind the project. She said the company had been present in the Hong Kong market since the units went on sale, working with agents and conducting direct marketing. According to property portal Juwai.com, Malaysia is the fifth most popular destination for buyers from mainland China, and that over the past five quarters, inquiries from them have doubled. Buyers from the mainland bought Malaysian property worth US$2.3 billion in 2018, 75% of it in the residential segment. Malaysia, along with the US, meanwhile, is also a top choice for Hong Kong investors looking to buy property internationally. One reason is that the ringgit has depreciated 16% against the US dollar since 2014. "It's a bargain buying opportunity. Hong Kong buyers can save nearly US$20,000 on a US$250,000 home," said Georg Chmiel, Juwai.com's executive chairman. Moreover, property agents and exhibition organisers are recognising this huge demand and property exhibitions featuring Malaysia accounted for more than a third of such events in Hong Kong over the last 90 days. "Just in the last 90 days, Hong Kong buyers have mobbed more than 180 exhibitions featuring Malaysian property. That's an average of two exhibitions per day," said Eli McGeever, Hong Kong-based vice-president of international property at SohoApp.com, which allows owners to make online profiles of their properties. The current unrest in Hong Kong has also led to a higher number of local agents selling Malaysian property, rising by 150% since the protests began in June. "The main driver is the MM2H [Malaysia My Second Home] programme," McGeever said. "Many [agents] are jumping on board because of the strong consumer demand." The MM2H programme is a government initiative that offers 10-year renewable visas to non-Malaysians in a bid to get foreigners to live in Malaysia. Under the present scheme, it allows visa holders to buy residential property that costs more than RM1 million. (*Source: The Star*)

Federal Reserve officials reduced interest rates by a quarter-percentage point for

the third time this year and signaled a pause in further cuts unless the economic outlook changes materially. The Federal Open Market Committee altered language in its statement following the two-day meeting Wednesday, dropping its pledge to “act as appropriate to sustain the expansion,” while adding a promise to monitor data as it “assesses the appropriate path of the target range for the federal funds rate.” “We believe monetary policy is in a good place,” Fed Chairman Jerome Powell said at a news conference following the decision. “We see the current stance of policy as likely to remain appropriate as long as incoming information about the economy remains broadly consistent with our outlook.” Fed's Powell Says Policy Is in a Good Place and Likely to Remain Appropriate Fed Chair Jerome Powell discusses the latest FOMC rate decision. As with the September statement, the FOMC cited the implications of global developments in deciding to lower the target range for the central bank’s benchmark rate to 1.5% to 1.75%. Powell also noted in the press conference that the risks associated with trade tensions and Brexit show signs of improving. “His comments suggest the Fed is on hold for some time until something changes their outlook,” said Jennifer Lee, a senior economist at BMO Capital Markets in Toronto. “He’s still being quite optimistic, I think, particularly about the household sector. That suggests to me the Fed is quite comfortable with what they’ve done so far.” Ten-year Treasury yields fell to 1.77% from 1.80% earlier, stocks closed slightly higher and the U.S. dollar gained. Traders also pared bets on a fourth consecutive rate cut in December. Treasuries initially weakened on the Fed’s announcement but then took heart after Powell signaled that there was a high bar to raising rates because inflation remains muted. “We would need to see a really significant move up in inflation that’s persistent before we would consider raising rates to address inflation concerns,” Powell said. Central bank reduces interest rates for the third time this year hile lower rates do little to combat the uncertain trade picture, unemployment has continued to drop, consumer spending has remained solid and more-affordable mortgages have revived the housing market. “What we’ve had is an economy where the consumer is really driving growth,” Powell said. “Overall, we see the economy as having been resilient to the winds that have been blowing this year." (*Source:Bloomberg*)

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

Source: RAM, MARC

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