

## Global Markets Research

### Fixed Income

#### Fixed Income Daily Market Snapshot

##### US Treasuries

- US Treasuries ended weaker with the curve steepening as overall benchmark yields were 0-3bps higher from prior day's close. The 2Y ended unchanged at 2.82% whilst the much-watched 10Y moved 2bps higher at 3.08% levels. Expectation for this week include a \$20b massive IG credit issuance by ComCast Corp to fund the purchase of Sky Plc. Despite most economic indicators flashing green, US rate strategists are divided on the outlook of UST's, for the 4<sup>th</sup> quarter. Worries over global trade concerns took a back-seat with the signed US-Canada-Mexico trade pact. It is left to be seen if the seasonality for bearish UST's in the final 3 months repeats itself this year.

##### MGS/GII

- Trading volume for Govvies fell to RM1.47b last yesterday with some interest seen across the shorter 19-20's off-the-runs by both local and foreign players. Overall benchmark yields were mixed between -2 to +2bps. The 7Y MGS 3/25 rose 2bps to 3.97% whilst the 10Y MGS 6/28 edged 1bps higher at 4.08%. Up next on the data front are the trade balance, import and export numbers on the 5<sup>th</sup> of September following the solid Nikkei Malaysia Manufacturing PMI released yesterday.

##### Corp Bonds/Sukuk

- Corporate bonds/Sukuk saw investor interest pick-up with volume at RM503m with focus returning mainly to the GG and AA-part of the curve in 27 different bonds compared to prior day's 24. Overall yields ended mostly lower across all tenures. Govt-guaranteed PRASA and DANA bonds hogged the limelight with PRASA 25-27's notching RM95m nominal amounts of trades whilst ending 1-5bps lower between 4.18-4.30% levels compared to previous-done levels. However PRASA 9/24 rose 17bps at 4.54%. In the AA-space; SEB saw several tranches done; namely the 19-22's which closed 0-4bps lower between 4.07-34% levels. The banking space saw active trades with CIMB Thai 24nc19 moving 4bps lower at 4.55 whereas Bank Islam 27nc22 closed unchanged at 4.81%.

UST		
Tenure	Closing (%)	Chg (bps)
2-yr UST	2.82	0
5-yr UST	2.96	1
10-yr UST	3.08	2
30-yr UST	3.24	3

MGS		GII*		
Tenure	Closing (%)	Chg (bps)	Closing (%)	Chg (bps)
3-yr	3.59	-2	3.71	1
5-yr	3.77	2	3.87	1
7-yr	3.97	2	4.02	0
10-yr	4.08	1	4.14	0
15-yr	4.47	-2	4.55	-1
20-yr	4.69	0	4.75	0
30-yr	4.90	0	4.93	0

\* Market indicative levels

MYR IRS Levels		
IRS	Closing (%)	Chg (bps)
1-yr	3.71	0
3-yr	3.77	0
5-yr	3.86	1
7-yr	3.98	1
10-yr	4.17	0

Source : Bloomberg

#### Upcoming Government Bond Tender

Nil

## Daily Trades : Government Bonds

Securities		Closing YTM	Vol (RM mil)	Previous YTM	Previous Trade Date (dd/mm/yyyy)	Chg (bp)
MGS	10/19	3.423	93	3.433	28/09/2018	-1
MGS	11/19	3.420	66	3.422	28/09/2018	0
MGS	03/20	3.499	20	3.457	28/09/2018	4
MGS	10/20	3.428	59	3.508	28/09/2018	-8
MGS	07/21	3.615	13	3.610	28/09/2018	1
MGS	09/21	3.632	4	3.625	28/09/2018	1
MGS	11/21	3.592	7	3.607	28/09/2018	-2
MGS	03/22	3.663	41	3.663	28/09/2018	0
MGS	08/22	3.734	18	3.748	28/09/2018	-1
MGS	03/23	3.850	1	3.847	28/09/2018	0
MGS	04/23	3.769	100	3.747	28/09/2018	2
MGS	08/23	3.851	2	3.822	28/09/2018	3
MGS	07/24	3.966	2	3.969	28/09/2018	0
MGS	09/24	3.964	44	3.983	26/09/2018	-2
MGS	03/25	3.970	39	3.953	28/09/2018	2
MGS	09/25	3.991	49	4.022	28/09/2018	-3
MGS	11/26	4.087	16	4.088	28/09/2018	0
MGS	05/27	4.125	1	4.132	28/09/2018	-1
MGS	11/27	4.105	144	4.140	28/09/2018	-3
MGS	06/28	4.079	43	4.063	28/09/2018	2
MGS	04/30	4.453	1	4.420	28/09/2018	3
MGS	06/31	4.466	5	4.486	26/09/2018	-2
MGS	04/32	4.556	2	4.546	28/09/2018	1
MGS	04/33	4.565	86	4.570	28/09/2018	0
MGS	11/33	4.467	26	4.490	28/09/2018	-2
MGS	05/35	4.669	1	4.698	28/09/2018	-3
MGS	04/37	4.707	9	4.721	26/09/2018	-1
MGS	03/46	4.896	5	4.900	28/09/2018	0
GII	11/18	3.272	7	3.399	13/09/2018	-13
GII	04/19	3.290	4	3.288	25/09/2018	0
GII	04/20	3.496	21	3.509	28/09/2018	-1
GII	05/20	3.446	12	3.472	27/09/2018	-3
GII	06/20	3.572	22	3.459	27/09/2018	11
GII	08/20	3.523	200	3.509	28/09/2018	1
GII	03/22	3.710	50	3.701	28/09/2018	1
GII	07/22	3.806	5	3.792	27/09/2018	1
GII	07/23	3.908	120	3.902	28/09/2018	1
GII	11/23	3.867	20	3.856	28/09/2018	1
GII	10/25	4.097	30	4.089	28/09/2018	1
GII	07/27	4.168	6	4.226	26/09/2018	-6
GII	10/28	4.143	6	4.142	28/09/2018	0
GII	06/33	4.549	60	4.563	27/09/2018	-1
GII	08/37	4.746	17	4.752	28/09/2018	-1
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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*	
Prasarana Malaysia Berhad	09/24	GG	4.538	45	4.366	21/03/2018	17	62
Prasarana Malaysia Berhad	03/25	GG	4.180	30	4.189	27/09/2018	-1	27
Prasarana Malaysia Berhad	03/25	GG	4.181	15	4.233	21/09/2018	-5	27
DanaInfra Nasional Berhad	05/27	GG	4.293	10	4.319	29/08/2018	-3	21
Prasarana Malaysia Berhad	09/27	GG	4.289	35	4.300	27/09/2018	-1	21
Prasarana Malaysia Berhad	12/27	GG	4.298	15	4.321	23/08/2018	-2	22
DanaInfra Nasional Berhad	11/29	GG	4.419	20	4.571	26/07/2018	-15	35
DanaInfra Nasional Berhad	05/42	GG	4.969	10	5.071	19/07/2018	-10	28
Prasarana Malaysia Berhad	09/42	GG	4.970	10	4.980	26/09/2018	-1	28
GB Services Berhad	11/19	AAA	4.360	10	4.353	08/11/2017	1	100
Sarawak Energy Berhad	07/19	AA1	4.069	10	4.078	26/09/2018	-1	71
Sabah Development Bank Berhad	09/20	AA1	4.790	40	5.137	27/09/2018	-35	131
Sarawak Energy Berhad	06/21	AA1	4.278	5	4.313	13/09/2018	-4	68
Sarawak Energy Berhad	01/22	AA1	4.340	15	4.340	28/09/2018	0	74
Public Bank Berhad	04/27	AA1	4.606	30	4.597	28/09/2018	1	52
Imtiaz Sukuk II Berhad	03/19	AA2	4.117	10	4.156	13/09/2018	-4	75
BGSM Management Sdn Berhad	12/23	AA3	4.525	10	4.555	27/09/2018	-3	76
AmBank Islamic Berhad	03/24	AA3	4.294	10	4.464	15/08/2018	-17	53
CIMB Thai Bank Public Company Limited	07/24	AA3	4.549	60	4.587	27/09/2018	-4	63
IJM Corporation Berhad	08/28	AA3	4.909	20	4.919	30/08/2018	-1	84
Malakoff Power Berhad	12/25	AA-	4.589	10	4.769	09/08/2018	-18	63
Southern Power Generation Sdn Berhad	10/33	AA-	4.991	5	5.178	17/07/2018	-19	50
Lebuhraya DUKE Fasa 3 Sdn Berhad	08/34	AA-	5.248	10	5.259	27/09/2018	-1	76
Bank Islam Malaysia Berhad	11/27	A1	4.813	40	4.816	27/09/2018	0	73
Mah Sing Perpetual	-	-	6.711	8	5.993	29/09/2018	72	-
DRB-Hicom Berhad	03/22	A+	6.178	10	5.489	02/05/2014	69	258
TSH Sukuk Ijarah Sdn Berhad	03/22	AA-	4.714	10	4.711	28/09/2018	0	111
				<u>503</u>				

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

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

**Telekom Malaysia Bhd (TM) plans to raise a total of RM4bil via the issuance of sukuk to fund its capital expenditure (capex) and business operating requirements.** The telecommunications giant announced in a Bursa Malaysia filing that it had lodged with the Securities Commission the proposed establishment of the sukuk wakalah programmes on Sept 28. The sukuk wakalah programmes will comprise an Islamic commercial papers (ICP) programme and an Islamic medium-term notes (IMTN) programme. "The ICP and IMTN programmes, which have respective tenures of seven and 30 years from the date of first issuance, have been assigned a short-term rating of P1 and a long-term rating of AAA, respectively, by RAM Rating Services Bhd. "The tenure of each ICP to be issued under the ICP programme shall be one, two, three, six, nine or 12 months, or any other tenure which is not more than 12 months to be agreed upon, provided that the ICP matures prior to the expiry of the ICP programme. "The tenure of each IMTN to be issued shall be more than one year and up to 30 years, provided that the IMTN matures prior to the expiry of the IMTN programme," stated TM, adding that it could on-lend the proceeds to its subsidiaries via syariah-compliant facilities for the purpose of capex and business operating requirements. On the rationale for the planned sukuk issuance, TM said it provided the group with "the flexibility to manage its fund-raising exercise and have an alternative access to debt funding, in addition to conventional bank borrowings". None of TM's directors, major shareholders and persons connected to them have any interest in the sukuk wakalah programmes. The Main Market-listed TM also announced that AmInvestment Bank and Maybank Investment Bank have been appointed as the joint-principal advisers, joint-lead arrangers and joint-lead managers for the sukuk issuance. Meanwhile, AmBank Islamic and Maybank Islamic will act as the joint-syariah advisers for the sukuk wakalah programmes. Earlier in July this year, TM revised downwards its capex for the year, citing increasing regulatory pressures, intensifying competition and the potential revision in broadband prices. The group's capex for 2018 was lowered to between 20% and 22% of revenue from the earlier allocation of between 25% and 30%. Acting group chief executive officer Datuk Bazlan Osman told the press that the lower capex would entail reprioritising the group's network spending and sweating its existing assets. The telecommunications player also brought down its target for revenue growth in 2018 to -1% to a flat growth compared to a targeted 3.5% to 4% growth previously. (Source: *The StarOnline*)

**The Valuation and Property Services Department (JPPH) does not control the price of property, including residential buildings, says its director-general Nordin Daharom. Instead, he said, the prices of houses were usually determined by demand and supply, except for low-cost houses in the primary market (from developers), where their ceiling price had been fixed by the respective state authorities.** "Among the key components that are said to influence the costs of housing development are the costs of land and building materials. This burden is then reflected in the price of the house concern which the buyer has to bear," he said in a statement here today. He said this in response to a newspaper report which claimed that only JPPH could control the price of residential properties. Nordin said that JPPH, which is under the Ministry of Finance, played a role in announcing important indicators for the real estate market to keep the market under control. He said the role of JPPH, through the National Property Information Centre (NAPIC), was to gather accurate, comprehensive and timely information, and to provide indication on the demand and supply of real estate market to government agencies, property developers and other parties involved with the property industry, as well as the general public. "With the dissemination of information on the real estate market from time to time, developers, buyers, and authorities that approve projects, in particular, housing projects are kept abreast of the market's situation," he said. Nordin said the components of a housing development scheme which

could potentially contribute to an increase in home prices included costs of land, premiums, infrastructure development charges, contributions to utility providers (TNB, Syabas, Indah Water), building materials, bridging finance and end financing. Insurance, labour, professional fees, developer profits, marketing techniques/marketing, advertising and marketing costs, developer deposits and compliance with planning requirements also contributed to higher prices of houses, he added. Nordin said that the price list, namely the minimum and maximum selling price, should be able to be regulated by the National Housing Department under the Ministry of Housing and Local Government. He said this was because the checklist for applying for a new Advertising and Sales Permit outlined by the Housing Development Licensing Division under the National Housing Department required two items, namely the list of the selling prices for all housing units by type, and setting the minimum and maximum selling price for each type of house. "This shows that the price list, as well as minimum and maximum selling prices, should be able to be regulated by the department concerned," he said. On the exemption or imposition of the Sales and Services Tax, Nordin said JPPH was of the view that some of the listed components should be reviewed in a more holistic manner. "In this regard, there is a proposal to establish a Housing Cost and Price Committee to monitor the cost of development components to keep residential property prices under control," he said, adding that the components were infrastructure, building materials, labour and percentage of developers' profits. JPPH, under the Ministry of Finance Malaysia, was first established as the Valuation Division of the Treasury of Malaysia on June 1, 1957, to provide property valuation and services to the Government and its agencies. JPPH plays an important role in the country's development by providing reliable, timely and professional services as well as acting as an advisor to the Government and its agencies in all aspects relating to the valuation, consultation, and services for properties. JPPH also plays a role in recommending reasonable valuations for stamp duties, conversions, alienation of land, and financing for civil servants' homes. (Source: *The Edge Markets*)

Rating Action			
Issuer	PDS Description	Rating/Outlook	Action
Ranhill Powertron II Sdn Bhd	RM190.0 million outstanding Islamic Medium-Term Notes (IMTN)	AA-IS	Affirmed
	RM350.0 million outstanding guaranteed IMTN at AA-IS and AAAIS(FG). The outlook on the ratings is stable.	AAA-IS(FG)	Affirmed
Talam Transform Berhad's	RM134.2 million Settlement Bithaman Ajil Islamic Debt Securities (BaIDs)	From B-IS to C-IS	Downgraded

Source: RAM, MARC

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