

Global Markets Research

Fixed Income

Fixed Income Daily Market Snapshot

US Treasuries

- US Treasuries were very much range-bound as overall benchmark yields subsequently ended 1-2bps lower following softer ISM manufacturing data. Gains were muted whilst equities gained as President Trump said that there was progress in trade negotiations with China. The benchmark 2Y ended at 2.85% whilst 10Y edged 1bps lower at 3.13%. Some investors now believed that UST safe-haven appeal might help stem the rise in yields and help prevent a massive sell-off. Up next are the Jobs data including the all-important NFP numbers out tonight.

UST		
Tenure	Closing (%)	Chg (bps)
2-yr UST	2.85	-2
5-yr UST	2.96	-2
10-yr UST	3.13	-1
30-yr UST	3.38	-1

MGS		GII*		
Tenure	Closing (%)	Chg (bps)	Closing (%)	Chg (bps)
3-yr	3.68	1	3.74	0
5-yr	3.80	1	3.93	3
7-yr	3.99	-2	4.11	0
10-yr	4.09	1	4.25	0
15-yr	4.53	-3	4.58	-1
20-yr	4.76	-2	4.79	1
30-yr	4.91	-4	4.95	-1

* Market indicative levels

MYR IRS Levels		
IRS	Closing (%)	Chg (bps)
1-yr	3.71	0
3-yr	3.79	1
5-yr	3.89	1
7-yr	3.99	0
10-yr	4.20	0

Source : Bloomberg

Upcoming Government Bond Tender

Nil

MGS/GII

- Trading momentum in Govvies maintained for the third consecutive day with volume at RM3.74b yesterday with interest on both 10Y benchmark MGS/GII and along with the off-the-run 19's and 23's. Overall benchmark yields generally ended lower between -2 to +3bps save for odd-lot transactions on the 30Y. Both the 5Y MGS 4/23 and 10Y MGS 6/28 rose 1bps to 3.80% and 4.09% respectively. GII bond trades was maintained at ~ 31% of overall trades. Expect market to undergo a quiet session as investors await the unveiling of the all-important 2019 Budget this afternoon.

Corp Bonds/Sukuk

- Corporate bonds/Sukuk similarly saw decent interest yesterday ahead of the 2019 Budget as volume maintained RM505m largely due to the debut of A1-rated Bank Islam bonds. Investors were mainly seen active in the AAA-AA-part of the curve with a total of 20 different bonds traded compared to 33 the prior day as overall yields ended mixed. In the GG-space, MKD Kenchana 23's closed 0-1bps higher compared to previous-done levels at 4.11% area. AAA-rated TELEKOM 27-28's closed mixed on yields between 4.55-65% levels whilst TENAGA 8/32 weakened by 3bps to 4.73%. In the AA-segment; MEX II 4/32 rallied 11bps to 5.28% whereas SOUTHERN Power 31's closed 0-2bps lower ~4.79% levels. The banking sector saw HLISB 24nc19 close 13bps lower at 4.16%.

Daily Trades : Government Bonds

Securities		Closing	Vol	Previous	Previous	Chg
		YTM	(RM mil)	YTM	Trade Date	(bp)
MGS	03/19	3.469	99	3.302	31/10/2018	17
MGS	07/19	3.390	47	3.372	31/10/2018	2
MGS	10/19	3.432	177	3.456	31/10/2018	-2
MGS	11/19	3.434	429	3.469	31/10/2018	-3
MGS	03/20	3.498	37	3.490	31/10/2018	1
MGS	07/20	3.511	49	3.511	31/10/2018	0
MGS	10/20	3.535	37	3.509	31/10/2018	3
MGS	02/21	3.629	30	3.656	31/10/2018	-3
MGS	07/21	3.670	13	3.660	31/10/2018	1
MGS	09/21	3.674	42	3.677	31/10/2018	0
MGS	11/21	3.678	227	3.665	31/10/2018	1
MGS	03/22	3.752	105	3.747	31/10/2018	0
MGS	08/22	3.784	77	3.789	31/10/2018	-1
MGS	03/23	3.844	193	3.848	31/10/2018	0
MGS	04/23	3.799	113	3.786	31/10/2018	1
MGS	08/23	3.901	103	3.905	31/10/2018	0
MGS	07/24	3.982	7	3.992	31/10/2018	-1
MGS	09/24	4.030	16	4.030	31/10/2018	0
MGS	03/25	3.988	3	4.007	31/10/2018	-2
MGS	09/25	4.076	65	4.089	31/10/2018	-1
MGS	04/26	4.171	33	4.156	31/10/2018	2
MGS	11/26	4.138	64	4.178	31/10/2018	-4
MGS	05/27	4.238	20	4.188	31/10/2018	5
MGS	11/27	4.163	95	4.153	31/10/2018	1
MGS	06/28	4.090	438	4.090	31/10/2018	0
MGS	09/28	4.272	1	4.332	24/10/2018	-6
MGS	06/31	4.505	20	4.556	31/10/2018	-5
MGS	04/32	4.561	1	4.620	26/10/2018	-6
MGS	04/33	4.628	1	4.609	31/10/2018	2
MGS	11/33	4.530	1	4.586	31/10/2018	-6
MGS	04/37	4.805	9	4.819	31/10/2018	-1
MGS	06/38	4.760	9	4.782	31/10/2018	-2
MGS	09/43	4.970	10	4.928	31/10/2018	4
MGS	03/46	4.933	13	4.944	31/10/2018	-1
MGS	07/48	4.908	3	4.953	29/10/2018	-4
GII	04/19	3.317	320	3.321	31/10/2018	0
GII	08/20	3.585	5	3.597	30/10/2018	-1
GII	03/22	3.741	10	3.738	31/10/2018	0
GII	04/22	3.745	4	3.745	30/10/2018	0
GII	07/22	3.839	1	3.857	26/10/2018	-2
GII	11/23	3.929	310	3.896	31/10/2018	3
GII	10/25	4.123	2	4.191	30/10/2018	-7
GII	09/26	4.212	20	4.212	31/10/2018	0
GII	07/27	4.192	1	4.209	26/10/2018	-2
GII	10/28	4.250	230	4.245	31/10/2018	0
GII	12/28	4.303	110	4.338	31/10/2018	-4
GII	06/33	4.582	60	4.586	31/10/2018	0
GII	08/37	4.791	70	4.779	31/10/2018	1
GII	05/47	4.954	8	4.961	31/10/2018	-1
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Daily Trades: Corp Bonds / Sukuk

Securities	Rating	Closing	Vol	Previous	Previous	Chg	Spread	
		YTM	(RM mil)	YTM	Trade Date	(bp)	Against	
					(dd/mm/yyyy)		MGS*	
MKD Kencana Sdn Berhad	02/23	GG	4.113	20	4.102	19/10/2018	1	37
MKD Kencana Sdn Berhad	04/23	GG	4.112	30	4.107	19/10/2018	0	37
DanaInfra Nasional Berhad	04/25	GG	4.220	10	4.250	13/09/2018	-3	28
N.U.R Power Sdn Berhad	06/19	AAA	4.081	10	4.260	03/12/2014	-18	65
Putrajaya Holdings Sdn Berhad	07/24	AAA	4.368	10	4.459	18/04/2018	-9	43
Telekom Malaysia Berhad	09/27	AAA	4.551	20	4.527	22/10/2018	2	44
GENM Capital Berhad	07/28	AAA	4.929	10	4.932	25/10/2018	0	84
Telekom Malaysia Berhad	10/28	AAA	4.650	10	-	-	-	56
Manjung Island Energy Berhad	11/31	AAA	4.678	10	4.749	25/09/2018	-7	9
Tenaga Nasional Berhad	08/32	AAA	4.733	10	4.700	25/09/2018	3	15
Hong Leong Islamic Bank Berhad	06/24	AA1	4.159	10	4.293	07/09/2018	-13	22
YTL Power International Berhad	10/24	AA1	4.700	20	4.660	17/08/2018	4	76
UMW Holdings Berhad	10/19	AA2	4.213	10	4.222	16/10/2018	-1	78
Perbadanan Kemajuan Negeri Selangor	10/23	AA3	4.976	35	-	-	-	118
RHB Bank Berhad	07/24	AA3	4.225	10	4.240	24/10/2018	-2	28
Southern Power Generation Sdn Berhad	10/31	AA-	4.801	10	4.801	25/10/2018	0	22
Southern Power Generation Sdn Berhad	04/31	AA-	4.789	10	4.810	24/10/2018	-2	21
MEX II Sdn Berhad	04/32	AA-	5.276	30	5.381	09/08/2018	-11	69
AMMB Holdings Berhad	03/27	A1	4.707	30	5.231	31/10/2018	-52	63
Bank Islam Berhad	07/28	A1	5.150	200	-	-	-	106
			<u>505</u>					

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

Market/Corporate News: What's Brewing

About nine out of 10, or 89%, of Malaysian companies are generally positive on the outlook for international trade, significantly higher than the global average of 78%, according to a HSBC survey. This follows the general boost to confidence following the election victory of the coalition led by Tun Dr Mahathir Mohamad in May, the bank said. A similar proportion of the respondents (91%) are confident that their companies will succeed in the current international trading environment, with consumer confidence being a key factor behind their positive outlook (39%). HSBC said countries such as China, Singapore and Indonesia were most frequently cited by respondents as markets where they were looking to expand. The annual survey, conducted by Kantar TNS for HSBC between August and September, covered 8,650 companies across 34 countries, including 200 Malaysian firms, to gauge business sentiment and expectations on trade. On policy developments, more than four out of five (81%) of Malaysian respondents considered foreign governments are becoming more protective of their domestic firms. Nonetheless, the firms do not appear to view rising global trade protectionism as having severe adverse implications for their business prospects, at least to-date, said HSBC. It said only 25% of the respondents viewed the US-China trade frictions as a hindrance to their businesses. In fact, nearly half (48%) viewed these trade frictions as being helpful, suggesting that firms see some opportunities arising from possible changes to regional supply chain patterns. HSBC Bank Malaysia Bhd chief executive officer Stuart Milne said although Malaysia's market openness can create trade and economic vulnerabilities from the US-China trade dispute, firms generally believe the current environment can present opportunities to capture market share. "Trade war benefits nobody. Ultimately it would drag down global growth. At HSBC we are concerned about that. We would like to see free and open trade between countries. "But there is opportunity in adversity. Talking to clients in China, both multinationals based there and local companies, it is clear they are looking at diversifying their manufacturing risk so they would look at countries like Malaysia for high-value manufacturing. But it's not an easy thing to do to move your supply chain so it would take some time to see the change," Milne said at the launch of the survey report yesterday. Milne said businesses should therefore identify how directly and indirectly exposed their sales and downstream supply chains are to US and Chinese tariffs to assess the impact. "They should also look at ways digitalisation can boost productivity and improve competitiveness," he said. Meanwhile, views regarding the impact of regulation and policy developments over the next three years were more divergent. "While just over a third (34%) of the firms see regulation as an extra cost burden, a similar proportion perceived regulation as a positive for competitiveness," said HSBC. The survey showed that Malaysian firms are generally optimistic that regional policy initiatives will help their businesses, particularly Asean (74%) and the Asean 2025 Initiative (63%). Relevant free trade agreements were also viewed favourably by the majority (64%) of the respondents. And while the new government is undertaking a major review of Chinese infrastructure projects, HSBC noted that around 62% of the respondents believe that China's Belt and Road Initiative will be positive for business. *(Source: The EdgeMarkets)*

The new tax which will be announced in the 2019 Budget tomorrow will not be a burden to the people, said Deputy Finance Minister Datuk Amiruddin Hamzah. He said the introduction of the new tax was proposed by the Tax Reform Committee which was established to look into the appropriate actions to be taken to increase taxes progressively without burdening the Bottom 40 household income group (B40). Amiruddin said most of the taxes which will be collected would be returned to the people and the balance would be used to repay the national debt left by the previous government. "What is important is to ensure the people's wellbeing is safeguarded and that the country has sufficient funds for the national development agenda and reduce the

gap between rural and urban areas," he told reporters after officiating the Inland Revenue Board's Innovation and Integrity Day celebration here today. Finance Minister Lim Guan Eng was earlier reported to have said that the new tax to generate additional income for the nation will be announced during the tabling of the 2019 Budget in the Dewan Rakyat tomorrow. On the high national debt, Amiruddin said the government is considering letting go of some of its assets to raise funds needed to resolve the problem. "There are suggestions for government assets such as lands be released to local investors to be developed and proceeds from the development will be channelled back to the government," he said. Meanwhile, Amiruddin said the government would utilise the tax collection in the best possible and transparent way to motivate the people to contribute to national growth. Citing the voluntary zakat payments as an example, he said the people would not mind paying taxes if they knew that it would be returned to them. "For example, when we set up Tabung Harapan, the people came forward to help reduce national debt even though some of them may not earn very much," he said, adding, he hoped the people would have the same mindset when they see that the government is transparent in collecting and utilising the tax in an effective manner. (Source: *The StarOnline / Bernama*)

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

Source: RAM, MARC

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