

Global Markets Research

Fixed Income

Fixed Income Daily Market Snapshot

UST		
Tenure	Closing (%)	Chg (bps)
2-yr UST	2.81	-1
5-yr UST	2.95	-1
10-yr UST	3.06	-2
30-yr UST	3.22	-2

MGS		GII*		
Tenure	Closing (%)	Chg (bps)	Closing (%)	Chg (bps)
3-yr	3.62	2	3.71	0
5-yr	3.76	-1	3.88	1
7-yr	3.97	-1	4.04	2
10-yr	4.07	-1	4.16	2
15-yr	4.50	4	4.56	1
20-yr	4.67	-2	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	3.76	-1
5-yr	3.85	-1
7-yr	3.97	-1
10-yr	4.16	-1

Source : Bloomberg

Upcoming Government Bond Tender

Nil

US Treasuries

- US Treasuries held steady with mild-flattening of the curve as overall benchmark yields ended 1-2bps lower from prior day's close. The 2Y edged 1bps lower at 2.81% whilst the much-watched 10Y moved 2bps lower at 3.06% levels. The massive IG credit issuance of \$27b by US cable giant, ComCast Corp to fund the purchase of Sky Plc took place with its credit rating pegged at A- and A3 by S&P Global Ratings and Moody's Investor Service respectively. Key takeaways from Fed chairman Powell's speech indicate little worries about inflation despite low unemployment whilst sticking to the balance sheet runoff. He also said that the Fed will revisit its monetary policy toolkit ahead of the next recession. Meanwhile investors are led to believe that the seasonality for bearish UST's in the final 3 months of every year repeats itself again.

MGS/GII

- Trading volume for Govvies improved to RM2.49b yesterday with some interest seen across the shorter off-the-run 19's which edged ~1bps lower along with the 10Y benchmark. Overall benchmark yields were mixed between -2 to +2bps. Both the 7Y MGS 3/25 and 10Y MGS 6/28 edged 1bps lower to 3.97% and 4.07% respectively. Meanwhile the Malaysian Prime Minister returned from a 10-day visit abroad and indicated positive feedback from foreign investors from both US and UK; after having met several world leaders. Up next on the data front are the trade balance, import and export numbers on the 5th of October.

Corp Bonds/Sukuk

- Corporate bonds/Sukuk saw a lower volume of RM383m with focus on the AA-part of the curve followed by AAA and GG-part of the curve in 28 different bonds compared to prior day's 27. Overall yields ended mostly unchanged-to-lower across all tenures. Govt-guaranteed PRASA 3/30 closed unchanged at 4.44% compared to previous-done levels. However DANA 2028 bonds ended 2-3bps lower between 4.34-35% levels. AAA-rated RANTAU 20 and 22 closed 0-1bps lower at 4.04% and 4.24% levels respectively. 9/24 rose 17bps at 4.54%. In the AA-space; Konsortium PROHAWK 26 and 29 rallied substantially to close at 4.62% and 4.78%. The banking space saw Hong Leong Bank 24NC19 move 2bps lower at 4.323% whilst CIMB Group Holdings 29NC24 made its debut trade at 4.81% levels.

Daily Trades : Government Bonds

Securities		Closing YTM	Vol (RM mil)	Previous YTM	Previous Trade Date (dd/mm/yyyy)	Chg (bp)
MGS	03/19	3.254	9	3.149	28/09/2018	11
MGS	07/19	3.299	1	3.315	28/09/2018	-2
MGS	10/19	3.403	590	3.414	01/10/2018	-1
MGS	11/19	3.413	202	3.426	01/10/2018	-1
MGS	03/20	3.492	1	3.485	01/10/2018	1
MGS	07/21	3.617	14	3.644	01/10/2018	-3
MGS	11/21	3.616	3	3.592	01/10/2018	2
MGS	03/22	3.694	43	3.663	01/10/2018	3
MGS	08/22	3.740	189	3.734	01/10/2018	1
MGS	09/22	3.760	3	3.746	28/09/2018	1
MGS	04/23	3.762	20	3.769	01/10/2018	-1
MGS	08/23	3.852	41	3.851	01/10/2018	0
MGS	09/24	3.974	75	3.964	01/10/2018	1
MGS	03/25	3.965	40	3.970	01/10/2018	-1
MGS	09/25	3.988	1	4.005	01/10/2018	-2
MGS	11/26	4.102	16	4.087	01/10/2018	2
MGS	11/27	4.112	6	4.113	01/10/2018	0
MGS	06/28	4.066	228	4.079	01/10/2018	-1
MGS	06/31	4.450	18	4.469	01/10/2018	-2
MGS	04/33	4.525	206	4.565	01/10/2018	-4
MGS	11/33	4.504	30	4.467	01/10/2018	4
MGS	05/35	4.689	1	4.669	01/10/2018	2
MGS	04/37	4.707	4	4.707	01/10/2018	0
MGS	06/38	4.666	3	4.685	26/09/2018	-2
MGS	03/46	4.889	80	4.896	01/10/2018	-1
GII	11/18	3.234	6	3.272	01/10/2018	-4
GII	04/20	3.503	20	3.496	01/10/2018	1
GII	08/20	3.565	30	3.737	04/04/2018	-17
GII	10/21	3.725	18	3.860	09/04/2018	-14
GII	03/22	3.706	190	3.710	01/10/2018	0
GII	04/22	3.749	50	3.753	28/09/2018	0
GII	07/22	3.797	50	3.806	01/10/2018	-1
GII	11/23	3.877	10	3.867	01/10/2018	1
GII	08/25	4.043	10	4.020	28/09/2018	2
GII	10/25	4.102	130	4.097	01/10/2018	0
GII	09/26	4.159	20	4.144	27/09/2018	1
GII	10/28	4.160	60	4.143	01/10/2018	2
GII	12/28	4.211	10	4.192	28/08/2018	2
GII	06/33	4.562	60	4.549	01/10/2018	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*
DanaInfra Nasional Berhad	05/28	GG	4.340	5	4.371	27/09/2018	-3	27
DanaInfra Nasional Berhad	10/28	GG	4.351	20	4.371	27/09/2018	-2	28
Prasarana Malaysia Berhad	03/30	GG	4.436	40	4.440	27/09/2018	0	36
DanaInfra Nasional Berhad	11/47	GG	5.059	20	5.134	30/07/2018	-8	37
Manjung Island Energy Berhad	11/20	AAA	4.167	10	4.227	18/04/2018	-6	69
Rantau Abang Capital Berhad	12/20	AAA	4.035	10	4.041	24/09/2018	-1	56
Rantau Abang Capital Berhad	10/22	AAA	4.243	20	4.248	28/09/2018	0	52
Al Dzhahab Assets Berhad	09/24	AAA	4.800	5	4.880	29/06/2018	-8	88
Telekom Malaysia Berhad	10/24	AAA	4.363	20	4.353	29/08/2018	1	44
Public Bank Berhad	04/25	AAA	4.548	10	4.548	24/08/2018	0	57
Danga Capital Berhad	02/26	AAA	4.452	10	4.449	26/09/2018	0	48
Malayan Banking Berhad	01/24	AA1	4.570	1	4.545	28/09/2018	3	80
Hong Leong Bank Berhad	06/24	AA1	4.321	20	4.345	26/09/2018	-2	40
Celcom Networks Sdn Berhad	08/19	AA+	4.182	20	4.219	25/09/2018	-4	81
Krung Thai Bank Public Company Limited	07/25	AA2	4.705	40	4.748	28/08/2018	-4	73
Konsortium ProHAWK Sdn Berhad	06/26	AA2	4.618	10	4.768	19/02/2018	-15	56
Konsortium ProHAWK Sdn Berhad	06/29	AA2	4.778	10	4.840	28/07/2016	-6	70
Fortune Premiere Sdn Berhad	09/23	AA	4.824	5	4.845	26/09/2018	-2	105
CIMB Group Holdings Berhad	09/29	AA	4.808	15	-	-	-	73
CIMB Bank Berhad	10/38	AA	6.595	1	4.704	06/09/2018	189	191
TSH Sukuk Ijarah Sdn Berhad	04/23	AA-	4.784	40	4.790	26/09/2018	-1	101
WCT Holdings Berhad	10/23	AA-	5.138	5	5.358	26/06/2018	-22	137
Konsortium Lebuhraya Utara-Timur (KL) Sdn Berhad	12/27	AA-	4.738	10	4.773	21/08/2018	-3	65
Tan Chong Motor Holdings Berhad	11/21	A1	6.349	5	6.349	28/08/2018	0	275
Bank Islam Malaysia Berhad	12/25	A1	4.572	20	4.593	26/09/2018	-2	60
DRB-Hicom Berhad	12/14	A-	7.322	2	7.331	27/09/2018	-1	263
Eco World Capital Assets Berhad	12/22	-	6.387	5	6.427	14/09/2018	-4	267
Mah Sing Perpetual	-	-	6.519	5	6.764	24/09/2018	-25	-
				<u>383</u>				

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

Market/Corporate News: What's Brewing

The government targets to develop 30 new manufacturing small and medium enterprise (SME) players in the aerospace sector by 2020, in addition to the current 20 companies. National Aerospace Industry Coordinating Office (NAICO) Head Shamsul Kamar Abu Samah said the local aerospace industry's manufacturing segment had shown tremendous growth since the 1990s and recently surpassed the maintenance, repairs and overhaul (MRO) segment as the top revenue contributor in the aerospace sector. "Of course, the MRO sector has been providing quite a sum of revenue to Malaysia but at this point of time, manufacturing (segment) is number one. We hope that it (manufacturing) can increase between 7.0 and 15.0 per cent every year, but this will very much depends on how we can bring in more investments. Shamsul Kamar said about 48 per cent or RM6.6 billion of the aerospace industry's revenue in 2017 came from the aerospace manufacturing segment, followed by 46 per cent from the MRO segment and the remaining from the engineering and design services segment. He said US-based General Electric's decision to invest RM200 million to set up a new high-tech LEAP service centre in Malaysia would result in up to 40 new airlines servicing their engines in Subang airport. "We hope with the new investment, more engines will be serviced in Subang," Shamsul told reporters after the launch of the third Kuala Lumpur International Aerospace Business Convention (KLIABC) here today. The launch was officiated by International Trade and Industry Minister Darell Leiking. Shamsul Kamar said that NAICO, a unit under the Ministry of International Trade and Industry (MITI), will work with SMEs to ensure their long-term engagement in the aerospace industry. MITI through its agencies like the Malaysia External Trade Development Corporation (MATRADE), Malaysia Investment Development Authority and SME Corporation (SME Corp), will provide grants to assist the SMEs in the aerospace industry. "These grants, however, only cover about 50 per cent of any investments needed as we want to see the (same) commitment from industry players and to determine if they really want to invest in this segment," he added. Meanwhile, Darell said the Malaysia Aerospace Blueprint 2030 targetted an annual revenue of US\$14.3 billion or RM55.2 billion by 2030 and the creation of more than 32,000 high-income jobs. Malaysia is at the forefront of various activities in the aerospace value chain. Our companies cover engineering and design services, system integration, and the manufacture of aircraft parts and components including ground support equipment and MRO activities. "SMEs involvement in the industry is also encouraging. The 20 SMEs under the SME Corp's Global Aerospace Manufacturing Industry Programme have shown positive growth and are expected to generate more than RM30 million this year," he said. In 2017, Malaysia's aerospace export surged 54 per cent to RM8.51 billion from 2016, with main exports being parts and components, particularly for wings, empennage and aircraft fuselage. The three-day KLIABC which begins today is organised by MATRADE in collaboration with Malaysia Aerospace Industry Association (MAIA) and ABE France, and will see the participation of 150 aerospace industry organisations from 21 countries. (Source: *The StarOnline*)

Four key telcos have agreed to reduce the prices of fixed broadband access. According to a statement from the Malaysian Communications and Multimedia Commission, Telekom Malaysia, Maxis, Time dotCom and Celcom have reached agreement which will result in reduced prices of fixed broadband. Some of the telcos have already rolled out packages which have seen prices being lowered with increased speeds before Sept 30. MCMC said the Government's initiative to reduce fixed broadband prices with increased speed by 2019 is on track. MCMC added that it had issued the Mandatory Standard Access Pricing (MSAP) which came into effect on Jan 1 and was fully implemented by the licensees on June 8. Based on the MSAP, the telcos were required to submit to MCMC their access agreements by Aug 31 and the deadline

was extended to Sept 30 because of the implementation of the Sales and Services Tax on Sept 1 which had an impact on the pricing of broadband, the statement said.
(Source: *The Edge Markets*)

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

Source: RAM, MARC

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