

Global Markets Research

Fixed Income

Fixed Income Daily Market Snapshot

UST		
Tenure	Closing (%)	Chg (bps)
2-yr UST	2.79	-2
5-yr UST	2.81	-3
10-yr UST	2.99	-4
30-yr UST	3.29	-3

MGS		GII*		
Tenure	Closing (%)	Chg (bps)	Closing (%)	Chg (bps)
3-yr	3.69	-3	3.78	1
5-yr	3.86	-2	3.93	-1
7-yr	4.05	0	4.14	-1
10-yr	4.13	-1	4.23	-1
15-yr	4.54	0	4.59	0
20-yr	4.75	0	4.78	0
30-yr	4.92	0	4.93	0

* Market indicative levels

MYR IRS Levels		
IRS	Closing (%)	Chg (bps)
1-yr	3.71	0
3-yr	3.76	0
5-yr	3.86	0
7-yr	3.98	-2
10-yr	4.19	0

Source : Bloomberg

Upcoming Government Bond Tender

Nil

US Treasuries

- US Treasuries held well into the month-end as the curve flattened further out; led by the 10Y. Overall benchmark yields were between 2-4bps lower as the 2Y fell 2bps at 2.79% whilst the 10Y rallied, closing 4bps lower at 2.99% levels. However, at the time of writing, UST's yields were rising post Trump and Xi's positive meeting at the G20 Summit in Argentina as both parties agreed to halt any new tariffs for 90 days they continue negotiations. This is positive for risk appetite assets that include Asian equities, AUD and the Yuan. Despite a December rate hike being largely priced in; traders are slashing the number of quarter-point hikes for 2019. Meanwhile Bond and Money managers are expected to brace the flood of Treasury bill supply this week. On the data front we have the Markit PMI and ISM Manufacturing figures out tonight.

MGS/GII

- Trading sentiment in local govies saw a boost as volume rose to RM4.16b on Friday. Interest was again seen across the curve up to 30Y and also in the off-the-run MGS 19-20's and 10Y benchmark GII bonds. Overall benchmark MGS and GII yields ended generally lower between 0-3bps save for the short 3Y GII. The 5Y benchmark MGS 4/23 moved 2bps lower at 3.86% whilst the 10Y MGS 6/28 edged 1bps lower at 4.13% levels. GII trades rose to form 32% of overall bond trades. Meanwhile Malaysia is seen to outshine other EM's due to its strong current-account surplus, relatively stable economic growth outlook and valuations with low inflation of 0.6% in October compared with the 10Y Government bond yield at ~4.13% levels.

Corp Bonds/Sukuk

- Corporate Bonds/Sukuk saw steady volume of RM477m with interest seen across the curve. The Govt-guaranteed Khazanah saw chunky volumes traded 3bps lower at 4.12% compared to previous-done levels whilst DANA 10/28 saw a reversal in fortunes ; ending 9bps higher at 4.45% levels. The AAA-rated Malaysia Steel Works 2-5Y bonds made their debut at 4.90%, 5.00% and 5.10% respectively. In the AA-space; both Tanjung Bin O&M 7/27 and Southern Power 10/31 rallied 5-11bps to close at 4.74-75% levels. The banking space saw the short MBSB 19's and 20's trade up to RM70m; closing at 4.17% and 4.49% respectively.

Daily Trades : Government Bonds

Securities		Closing YTM	Vol (RM mil)	Previous YTM	Previous Trade Date (dd/mm/yyyy)	Chg (bp)
MGS	03/19	3.316	83	3.302	29/11/2018	1
MGS	07/19	3.421	30	3.382	29/11/2018	4
MGS	10/19	3.470	140	3.460	29/11/2018	1
MGS	11/19	3.470	442	3.460	29/11/2018	1
MGS	03/20	3.513	268	3.513	29/11/2018	0
MGS	07/20	3.548	23	3.530	29/11/2018	2
MGS	10/20	3.562	44	3.534	29/11/2018	3
MGS	02/21	3.649	2	3.678	29/11/2018	-3
MGS	07/21	3.693	68	3.711	28/11/2018	-2
MGS	09/21	3.691	26	3.702	29/11/2018	-1
MGS	11/21	3.691	15	3.691	29/11/2018	0
MGS	08/22	3.826	11	3.834	29/11/2018	-1
MGS	09/22	3.825	1	3.831	29/11/2018	-1
MGS	03/23	3.914	39	3.930	29/11/2018	-2
MGS	04/23	3.856	453	3.878	29/11/2018	-2
MGS	08/23	3.956	14	4.010	28/11/2018	-5
MGS	07/24	4.040	178	4.050	29/11/2018	-1
MGS	09/24	4.052	19	4.039	29/11/2018	1
MGS	03/25	4.049	10	4.054	29/11/2018	0
MGS	09/25	4.133	31	4.125	28/11/2018	1
MGS	04/26	4.184	45	4.232	22/11/2018	-5
MGS	11/26	4.197	162	4.216	29/11/2018	-2
MGS	05/27	4.223	36	4.273	27/11/2018	-5
MGS	11/27	4.233	411	4.224	29/11/2018	1
MGS	06/28	4.117	120	4.136	29/11/2018	-2
MGS	04/32	4.607	1	4.603	19/11/2018	0
MGS	04/33	4.561	24	4.611	29/11/2018	-5
MGS	11/33	4.539	61	4.535	29/11/2018	0
MGS	05/35	4.720	6	4.728	28/11/2018	-1
MGS	04/37	4.803	2	4.805	27/11/2018	0
MGS	06/38	4.754	41	4.754	29/11/2018	0
MGS	09/43	4.949	3	4.935	29/11/2018	1
MGS	03/46	4.937	20	4.985	29/11/2018	-5
GII	04/20	3.570	10	3.545	21/11/2018	2
GII	08/20	3.496	32	3.564	08/11/2018	-7
GII	03/21	3.632	108	3.603	08/11/2018	3
GII	03/22	3.776	70	3.770	22/11/2018	1
GII	04/22	3.800	1	3.819	29/11/2018	-2
GII	07/22	3.834	1	3.829	28/11/2018	0
GII	11/23	3.925	138	3.949	29/11/2018	-2
GII	05/24	4.032	1	4.056	14/11/2018	-2
GII	08/25	4.144	210	4.157	29/11/2018	-1
GII	07/27	4.230	22	4.243	22/11/2018	-1
GII	10/28	4.232	617	4.240	29/11/2018	-1
GII	08/37	4.783	90	4.791	01/11/2018	-1
GII	05/47	4.934	30	4.938	28/11/2018	0
			<u>4158</u>			

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*
Khazanah Nasional Berhad	08/23	GG	4.123	150	4.153	15/10/2018	-3	25
Sarawak Hidro Sdn Berhad	08/28	GG	4.457	2	4.471	27/11/2018	-1	32
DanaInfra Nasional Berhad	10/28	GG	4.445	10	4.351	02/10/2018	9	31
Cagamas Berhad	07/19	AAA	3.829	25	3.819	26/11/2018	1	38
Malaysia Steel Works (KL) Berhad	11/20	AAA	4.800	10	4.800	29/11/2018	-	125
Tan Chong Motor Holdings Berhad	11/21	AAA	6.000	15	6.341	08/11/2018	-34	230
Malaysia Steel Works (KL) Berhad	11/21	AAA	4.900	30	4.900	29/11/2018	-	120
Malaysia Steel Works (KL) Berhad	11/22	AAA	5.000	15	5.000	29/11/2018	-	122
Malaysia Steel Works (KL) Berhad	11/23	AAA	5.100	60	5.100	29/11/2018	-	123
Tenaga Nasional Berhad	08/38	AAA	4.985	4	4.954	24/10/2018	3	22
MBSB Bank Berhad (Asian Finance Bank Berhad)	05/19	AA1	4.165	30	4.206	07/11/2018	-4	72
MBSB Bank Berhad (Asian Finance Bank Berhad)	10/20	AA1	4.490	40	-	-	-	94
TRIplic Medical Sdn Berhad	10/30	AA1	4.808	3	4.809	26/11/2018	0	67
UMW Holdings Berhad	10/21	AA2	4.445	10	4.447	25/10/2018	0	75
Konsortium ProHAWK Sdn Berhad	06/29	AA2	4.796	1	4.808	14/11/2018	-1	66
Edra Energy Sdn Berhad	07/23	AA3	5.326	4	5.327	22/11/2018	0	145
UEM Sunrise Berhad	10/25	AA-	4.959	2	4.978	28/11/2018	-2	91
Tanjung Bin O&M Berhad	07/27	AA-	4.742	15	4.850	10/04/2018	-11	60
Southern Power Generation Sdn Berhad	10/31	AA-	4.751	20	4.801	01/11/2018	-5	21
KT Kira Sertifikalari Varlik Kiralama A.S.	07/20	A1	5.698	10	5.573	07/05/2018	13	215
RHB Bank Berhad	12/39	A1	4.486	10	4.502	21/11/2018	-2	-28
CIMB Group Holdings Berhad	05/16	A1	5.139	0.5	5.052	02/11/2018	9	38
UMW Holdings Berhad	04/18	A1	5.789	10	5.818	27/11/2018	-3	103
				<u>476.5</u>				

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

Market/Corporate News: What's Brewing

Celcom Axiata Bhd, which is one of the pillars for Axiata Bhd, has fixed its network issues and is working on plans to improve profitability. The first few days of Idham Nawawi as chief executive officer of Celcom Axiata was tough. The company encountered issues with its network. Since taking the hot seat on Sept 1, Idham has put in place several measures to rework the cost structure, monetise the network better and work towards sustainable profit growth. Celcom Axiata is using data analytics to segmentise future offerings to customers so that the focus is sharper. It also wants to reach out to new areas with wireless and fibre connectivity. All this is possible because the core network has been modernised – something it did late in the day and is now trying to catch up with competition. Celcom has been losing market share because of network issues and its complex offerings. “In 2016, our revenue engine and distribution networks were not working and products were not selling well. We had too many price and product bundles. There were issues with customer service, and all this was happening when the market growth was stagnant,” Idham said. “We are behind competition in terms of profitability, so we need to work on sustainable profit growth,” he said. He recalled his first few days on the job when the network was hit by voice outages and other issues. Although unavoidable, it reflected the severity of the network issues. The irony of it was that when the competitors were modernising their networks, Celcom was riding on its “past glory of 31 quarters of profit.” “We have modernised our network and will continue to optimise it. There is better interaction now with customers and our download speeds have improved tremendously, with a better distribution network in place,” he told StarBiz. Idham said with a modern network, Celcom is able to ride on the digital wave, not just for internal processes to save cost, but also to push new products and to work with corporate clients to offer digital solutions. It is working with several organisations to implement IoT (Internet of things). Celcom is investing about RM1.3bil to RM1.4bil this year in capital expenditure. Next year, the capex requirement is believed to be lower at RM1bil for network upgrades and to widen its wireless reach. “Celcom, during the recent Axiata Group analyst briefing, shared its ambitions on cost optimisation with an aim to save about RM900mil and increase its EBITDA by 25% over the next three years through investing in new network and digitalisation initiatives. The strategies are set to drive structural changes in costs as well as generate further savings to Axiata,” Kenanga Research wrote in a note. Celcom reported RM203mil in net profit for the third quarter ended Sept 30 compared with Maxis Bhd’s RM513mil and Digi.Com Bhd’s RM392mil, while EBITDA (earnings before interest, tax, depreciation and amortisation) was RM554mil, RM725mil and RM1.047bil respectively. UOB Kay Hian Research said Celcom’s 3Q18 core profit improved 31% quarter-on-quarter to RM205mil. Celcom defended its 3Q18 service revenue at RM1.674bil and this brought 9M18 service revenue to almost RM5bil, translating to 2% year-on-year top-line growth. The brokerage said this was driven largely by growth in the prepaid revenue segment despite continuously high customer churn. As Celcom continues to focus on high-value customers, 9M18 postpaid average revenue per user improved by RM5 to RM88/month. The brokerage said although top-line had held up, one-off internal employee restructuring costs and higher depreciation charges had normalised EBITDA declining 11% to RM554mil compared with a year ago. Idham said it was also about “rejuvenating Celcom from being a mobile-centric player to a new organisation that is digital and data-driven” and for that it needed to build on new set of competencies. He expected opportunities in the age of IoT, artificial intelligence, robotics but it was about optimising and leveraging on digital technologies to offer solutions to the customers. The celco had resolved its age-old billing woes with a new single system. Idham has also flattened the hierarchy structure to be more focused and effective. He planned to retain and make all its 3,000 employees accountable. “We

want to build on core competencies, retain and strengthen the middle management and be more effective and accountable,” he said. (Source: *The Star*)

Genting Malaysia Bhd (GENM), whose share price has been going downhill, announced its largest quarterly net loss of RM1.49 billion for the third quarter ended Sept 30, 2018 (3QFY18), due to an impairment of its investment into promissory notes issued by the Mashpee Wampanoag Tribe for the development of an integrated gaming resort in Massachusetts, US. The group’s loss per share was massive at 26.41 sen versus an earnings per share of 3.42 sen previously. Quarterly revenue grew by 14.5% to RM2.6 billion in 3QFY18, from RM2.27 billion last year. Having released the quarterly losses, GENM cautioned that the revision in casino duties and license fee would impact its earnings next year. “The group is reviewing its marketing strategies and will streamline its operations and cost structure to mitigate the impact of the tax increases. In the meantime, the group remains focused on the progressive roll out of the new Skytopolis Funland indoor theme park this year,” it said. “Meanwhile, the group has commenced legal proceedings in relation to the development of the Twentieth Century Fox World theme park. The litigation is not expected to impact the group’s current business operations,” it added. For the nine-month period ended Sept 30, the casino operator posted a net loss of RM739.73 million compared to a net profit of RM711.51 million in the same period last year. Cumulative revenue for 9MFY18 grew 9.35% to RM7.42 billion from RM6.79 billion in 9MFY17. In the UK, GENM said it endeavours to continue delivering sustainable performance by strengthening its position in the non-premium gaming business. Additionally, the group said it will focus on enhancing the operating performance at Resorts World Birmingham as well as growing business volumes at the property. In the US, GENM said Resorts World Casino New York City (RWNYC) remains the market leader in terms of gaming revenue in the Northeast US region despite growing regional competition. “The group will continue intensifying its direct marketing efforts to increase visitation and frequency of play at the property. Meanwhile, the US\$400 million expansion at RWNYC is well underway and is expected to open in phases from the end of 2019,” it said. “In Miami, the group will continue leveraging on the newly renovated Hilton Miami Downtown Hotel to generate higher spend at the property. In the Bahamas, the group will focus on improving the infrastructure to grow visitation and revenues at Resorts World Bimini,” it added. GENM has plunged 49% year to date no thanks to the slew of unpleasant news recently, including the sharp 10% hike on gaming duties that was announced in the National Budget 2019. The stock closed at RM2.86 — a level that is below most analysts’ target prices that were pegged prior to the result announcement. (Source: *The Edge*)

Rating Action			
Issuer	PDS Description	Rating/Outlook	Action
Kesas Sdn Bhd’s	RM735 million Sukuk Musharakah IMTN (2014/2023)	AA2/Stable	Reaffirmed
Sarawak Hidro Sdn Bhd	RM5.54 billion Sukuk Murabahah (2016/2031)	AAA/Stable	Reaffirmed
Toyota Capital Malaysia Sdn Bhd	RM2.5 billion Conventional and Islamic CP/MTN Programme	AAA(s)/Stable/P1(s)	Reaffirmed

Source: RAM, MARC

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