

Global Markets Research

Fixed Income

Fixed Income Daily Market Snapshot

| UST | | |
|-----------|-------------|-----------|
| Tenure | Closing (%) | Chg (bps) |
| 2-yr UST | 2.87 | 6 |
| 5-yr UST | 3.05 | 9 |
| 10-yr UST | 3.18 | 12 |
| 30-yr UST | 3.34 | 12 |

| MGS | | GII* | | |
|--------|-------------|-----------|-------------|-----------|
| Tenure | Closing (%) | Chg (bps) | Closing (%) | Chg (bps) |
| 3-yr | 3.62 | 0 | 3.71 | 0 |
| 5-yr | 3.76 | 0 | 3.88 | 0 |
| 7-yr | 3.98 | 1 | 4.04 | 0 |
| 10-yr | 4.07 | 0 | 4.15 | -1 |
| 15-yr | 4.52 | 2 | 4.56 | 0 |
| 20-yr | 4.67 | 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 | 3.76 | 0 |
| 5-yr | 3.85 | 0 |
| 7-yr | 3.97 | 0 |
| 10-yr | 4.16 | 0 |

Source : Bloomberg

Upcoming Government Bond Tender

Nil

US Treasuries

- US Treasuries saw overall yields spike as the curve steepened on the strength of the US economy. Overall benchmark yields ended a massive 6-12bps higher from prior day's close. The 2Y rose 6bps higher at 2.87% whilst the much-watched 10Y moved 12bps at 3.18% levels; the highest since 2011 and almost at the upper border of the 52-week range of 2.27-3.20% levels. The strong job numbers from ADP report (before the market moves to the all-important final September nonfarm data) coupled with ISM's better-than-expected non-manufacturing data saw investors switch to riskier assets. Likewise investors may be led to believe that the seasonality for bearish UST's in the final 3 months of the calendar year repeats itself again.

MGS/GII

- Trading volume for Govvies was tepid at RM1.78b yesterday as investors stayed on the sideline. Some interest were seen across the shorter off-the-run 19's followed by 22's and 24's as overall benchmark yields were unchanged-to-weaker (save for the odd-lot trade on the 10Y GII). The 7Y MGS 3/25 closed 1bps higher at 3.98% whilst the 10Y MGS 6/28 was untraded at 4.07%. Meanwhile emerging Asia's sovereign bonds may be set to reverse the 2-year surge in interest which was fueled by cheap money. The stronger dollar, US-China trade war and soaring oil prices are factors which are still being put to test in the entire equation. Nevertheless, INR and IDR bonds are seen to be most vulnerable to further EM weakness. Meanwhile up next on the local data front are the trade balance, import and export numbers which will be released tomorrow.

Corp Bonds/Sukuk

- Corporate bonds/Sukuk saw a higher volume of RM503m with focus returning in the GG-part of the curve followed by AAA and AA in 30 different bonds compared to prior day's 28. Overall yields ended mostly lower yesterday with trades up to 20Y tenures. PRASA bonds saw several tranches exchange hands with the 25-28's moving 1-8bps lower (save for PRASA 9/27); closing between 4.20-35% levels compared to previous-done levels. JKSB 5/25 however edged 1bps higher at 4.22% on RM50m nominal amounts. The relatively new DANA 4/38 made its debut trade at 4.86% (22bps lower than coupon). AAA-rated TELEKOM 23-24's rallied 3-16bps between 4.25-30% levels whilst TENAGA 8/38 closed unchanged at 4.93%. The banking space saw HSBC 10/19 and 3/20 close sharply lower on yields at 3.96% and 4.01% respectively. Expect investors to continue seeking for yield and liquidity.

Daily Trades : Government Bonds

| Securities | | Closing | Vol | Previous | Previous | Chg |
|------------|-------|---------|-------------|----------|--------------|------|
| | | YTM | (RM mil) | YTM | Trade Date | (bp) |
| | | | | | (dd/mm/yyyy) | |
| MGS | 03/19 | 3.273 | 1 | 3.254 | 02/10/2018 | 2 |
| MGS | 07/19 | 3.316 | 11 | 3.299 | 02/10/2018 | 2 |
| MGS | 10/19 | 3.408 | 19 | 3.412 | 02/10/2018 | 0 |
| MGS | 11/19 | 3.417 | 270 | 3.420 | 01/10/2018 | 0 |
| MGS | 10/20 | 3.524 | 1 | 3.428 | 01/10/2018 | 10 |
| MGS | 07/21 | 3.631 | 60 | 3.625 | 02/10/2018 | 1 |
| MGS | 09/21 | 3.649 | 115 | 3.635 | 02/10/2018 | 1 |
| MGS | 03/22 | 3.678 | 179 | 3.669 | 02/10/2018 | 1 |
| MGS | 08/22 | 3.748 | 31 | 3.740 | 02/10/2018 | 1 |
| MGS | 09/22 | 3.746 | 101 | 3.760 | 02/10/2018 | -1 |
| MGS | 03/23 | 3.838 | 36 | 3.850 | 01/10/2018 | -1 |
| MGS | 08/23 | 3.856 | 9 | 3.867 | 02/10/2018 | -1 |
| MGS | 07/24 | 3.961 | 12 | 3.966 | 01/10/2018 | -1 |
| MGS | 09/24 | 3.964 | 60 | 3.974 | 02/10/2018 | -1 |
| MGS | 03/25 | 3.979 | 114 | 3.965 | 02/10/2018 | 1 |
| MGS | 09/25 | 3.996 | 78 | 3.988 | 02/10/2018 | 1 |
| MGS | 04/26 | 4.096 | 20 | 4.111 | 02/10/2018 | -1 |
| MGS | 11/26 | 4.081 | 45 | 4.091 | 02/10/2018 | -1 |
| MGS | 11/27 | 4.158 | 1 | 4.112 | 02/10/2018 | 5 |
| MGS | 04/33 | 4.556 | 5 | 4.545 | 02/10/2018 | 1 |
| MGS | 11/33 | 4.522 | 1 | 4.504 | 02/10/2018 | 2 |
| MGS | 05/35 | 4.712 | 2 | 4.689 | 02/10/2018 | 2 |
| GII | 04/22 | 3.771 | 170 | 3.753 | 28/09/2018 | 2 |
| GII | 05/24 | 3.993 | 420 | 3.989 | 28/09/2018 | 0 |
| GII | 09/26 | 4.144 | 20 | 4.159 | 02/10/2018 | -1 |
| GII | 07/27 | 4.194 | 3 | 4.168 | 01/10/2018 | 3 |
| GII | 10/28 | 4.153 | 1 | 4.160 | 02/10/2018 | -1 |
| | | | <u>1784</u> | | | |

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* | |
| Prasarana Malaysia Berhad | 12/21 | GG | 3.980 | 20 | 3.975 | 21/08/2018 | 0 | 38 |
| Jambatan Kedua Sdn Berhad | 05/25 | GG | 4.220 | 50 | 4.211 | 26/09/2018 | 1 | 24 |
| Prasarana Malaysia Berhad | 09/25 | GG | 4.200 | 20 | 4.220 | 27/09/2018 | -2 | 22 |
| Prasarana Malaysia Berhad | 02/26 | GG | 4.220 | 20 | 4.280 | 15/08/2018 | -6 | 24 |
| Prasarana Malaysia Berhad | 09/27 | GG | 4.316 | 55 | 4.289 | 01/10/2018 | 3 | 23 |
| Prasarana Malaysia Berhad | 08/28 | GG | 4.342 | 40 | 4.422 | 16/08/2018 | -8 | 27 |
| Prasarana Malaysia Berhad | 11/28 | GG | 4.351 | 10 | 4.360 | 27/09/2018 | -1 | 28 |
| DanaInfra Nasional Berhad | 11/30 | GG | 4.483 | 10 | 4.670 | 25/07/2018 | -19 | 41 |
| GovCo Holdings Berhad | 06/31 | GG | 4.609 | 20 | 4.706 | 13/02/2017 | -10 | 11 |
| Lembaga Pembiayaan Perumahan Sektor Awam | 04/32 | GG | 4.651 | 20 | 4.671 | 27/09/2018 | -2 | 15 |
| DanaInfra Nasional Berhad | 04/38 | GG | 4.860 | 60 | - | - | - | 17 |
| DanaInfra Nasional Berhad | 05/41 | GG | 4.950 | 20 | 4.965 | 27/09/2018 | -1 | 26 |
| Cagamas Berhad | 02/19 | AAA | 3.694 | 10 | 3.701 | 29/08/2018 | -1 | 32 |
| HSBC Amanah Malaysia Berhad | 10/19 | AAA | 3.955 | 10 | 4.157 | 10/01/2018 | -20 | 58 |
| HSBC Amanah Malaysia Berhad | 03/20 | AAA | 4.014 | 10 | 4.237 | 29/06/2018 | -22 | 64 |
| Gulf Investment Corporation G.S.C | 03/21 | AAA | 4.858 | 10 | 4.886 | 04/09/2018 | -3 | 137 |
| Telekom Malaysia Berhad | 04/23 | AAA | 4.254 | 5 | 4.347 | 26/01/2018 | -9 | 48 |
| Telekom Malaysia Berhad | 06/23 | AAA | 4.262 | 5 | 4.419 | 10/08/2015 | -16 | 49 |
| Telekom Malaysia Berhad | 03/24 | AAA | 4.299 | 5 | 4.334 | 04/09/2018 | -3 | 53 |
| Aman Sukuk Berhad | 04/24 | AAA | 4.423 | 5 | 4.564 | 02/05/2018 | -14 | 50 |
| Tenaga Nasional Berhad | 08/38 | AAA | 4.926 | 5 | 4.930 | 27/09/2018 | 0 | 24 |
| Sarawak Energy Berhad | 08/25 | AA1 | 4.549 | 30 | 4.665 | 13/02/2018 | -12 | 57 |
| YTL Power International Berhad | 05/27 | AA1 | 4.848 | 20 | 4.848 | 28/09/2018 | 0 | 76 |
| Sarawak Energy Berhad | 08/35 | AA1 | 4.949 | 10 | 4.999 | 27/09/2018 | -5 | 45 |
| Krung Thai Bank Public Company Limited | 07/25 | AA2 | 4.698 | 1 | 4.729 | 02/10/2018 | -3 | 72 |
| PBFIN Berhad | 06/59 | AA2 | 4.269 | 20 | 4.321 | 28/08/2018 | -5 | -42 |
| RHB Islamic Bank Berhad | 04/27 | AA3 | 4.633 | 10 | 4.686 | 19/09/2018 | -5 | 55 |
| CIMB Group Holdings Berhad | 05/16 | A1 | 5.230 | 1 | 5.049 | 28/09/2018 | 18 | 54 |
| Affin Bank Berhad | 07/18 | A3 | 5.294 | 1 | 5.245 | 20/09/2018 | 5 | 60 |
| Mah Sing Perpetual | #N/A | - | 6.455 | 1 | 6.519 | 02/10/2018 | -6 | - |
| | | | | <u>503</u> | | | | |

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

Market/Corporate News: What's Brewing

Same Darby Property Bud (SD Prop) will go it alone in the development of the 379,000-acre Malaysia Vision Valley (MVV) project. Sources said that the early partners in the development that covers an area that is twice the size of Singapore dropped out after the memorandum of understanding (MoU) lapsed a year ago. The MoU between SD Prop, Brunfield Development Sdn Bud and Kumpulan Wang Amanah Pencen (KWAP) lapsed in November last year. "Later, all the parties mutually agreed not to extend the MoU. Subsequently, SD Prop decided to go it alone in developing the massive project by stages to take advantage of the development shift south of Kuala Lumpur," said a source. It is learnt that KWAP has expressed interest in coming in as a partner in some parts of the development. "However, KWAP is not keen on being part of the master developer team to drive the project. It is too large for an entity such as KWAP," said an executive close to the fund. SD Prop is said to be open to forging partnerships as the master developer of MVV, as well as in the specific projects within the development. The idea is to get large developers with deep pockets to invest as the master developer, and smaller funds and property developers to put their money in smaller portions of the project. It is only natural for SD Prop to take the lead, as the company owns large tracts of land in MVV. In fact, MVV was a cornerstone for SD Prop even some 10 years ago. SD Prop has charted out a masterplan and the development of the first phase covering more than 11,000 acres will kick off soon. According to sources, the developer is confident of demand despite the soft property market because the area is located close to existing industries in the Nilai and Sepang areas. "The existing projects are seeing good demand because they are landed and not too expensive. The confidence is based on the thousands of workers in the industries," said a source. The MoU between SD Prop, Brunfield and KWAP was signed in May 2017. In the same month, Brunfield disclosed that the Boston Design Group had prepared a concept masterplan to be presented to the MVV steering committee. Under the proposed plan by Boston Design Group, phase one of the MVV would have six clusters and essentially form the 'heartbeat' of MVV. However, it is learnt that the steering committee decided to opt for a plan prepared by SD Prop. Sources said that the SD Prop master plan caters to gradual development to create vibrancy and provide ample open spaces and green parks in its development. "It will set the pace for future phases of development in MVV with a lot of open space," said a source. MVV covers a large area from Sepang in Selangor right up to Port Dickson in Negri Sembilan. The high-speed rail (HSR) is to cut across the development with at least two stations located within the development. One of the stations is in Labu in Negri Sembilan. Although the HSR project has been deferred, there is an existing railway line with a stop in Labu to provide connectivity. Apart from SD Prop, the Negri Sembilan state government has been the other principle proponent of the MVV project to take advantage of the development south of Kuala Lumpur. Towards this end, an official in the state government said that all efforts have been made to help SD Prop develop the area between KLIA and up to Seremban. He said that the state saw tremendous potential, especially to cater to industries that want to be located in close proximity to the airport. "The MVV is a project that will drive development in the state for the next 30 years," he said. The MVV project is projected to run for more than 30 years, requiring investments of some RM300bil with 1.4 million jobs being created. (Source: *The StarOnline*)

Stock markets around the world were up slightly on Wednesday amid signs that Italy would cut its budget deficits in coming years, but U.S. Treasuries yields hit multi-year highs after strong U.S. jobs data, while oil prices saw 4-year highs ahead of U.S. sanctions on Iran exports. On Wall Street, the Dow Jones Industrial Average rose to a record high helped by U.S. data showing private sector payrolls saw the biggest monthly gain since February. Financial stocks gained from a rebound in

European markets and rising Treasury yields. The Dow Jones Industrial Average rose 54.45 points, or 0.2 percent, to 26,828.39, the S&P 500 gained 2.08 points, or 0.07 percent, to 2,925.51 and the Nasdaq Composite added 25.54 points, or 0.32 percent, to 8,025.09. MSCI's gauge of stocks across the globe gained 0.02 percent. U.S. Treasury yields reached multi-year peaks, with the 10-year note's yield at its highest since 2014 and maturities at the short end of the curve at decade highs, after economic data bolstered the case for the Fed to raise interest rates in December. Benchmark 10-year notes last fell 30/32 in price to yield 3.1662 percent. The 30-year bond last fell 67/32 in price to yield 3.3206 percent. The yield on the benchmark 10-year note was on track for its largest daily jump since the U.S. presidential election in November 2016 as U.S. service sector activity hit a 21-year high and the ADP private payrolls data for September came in stronger than expected. "Just the recognition of the Fed saying the economy is good, that means they are not going to slow down any time soon the rate of rate increases," said Mike Baele at managing director at U.S. Bank Private Client Wealth Management in Portland, Oregon. The U.S. dollar also gained after the release of the ADP data, which comes ahead of the more comprehensive non-farm payrolls data on Friday. Stock markets around the world initially rose after a report said Italy's deficit would fall to 2.2 percent of gross domestic product in 2020 and to 2.0 percent in 2021 from the 2.4 percent earlier outlined, easing concerns that Italian budget deficits could deepen its debt problems and stoke conflict with the European Union. Italian 10-year borrowing costs eased off 4-1/2-year highs, after jumping 50 basis points since budget details emerged last Thursday. Two-year yields fell 10 bps. The improved mood toward Italy also reduced the premium investors demand for holding Italian risk relative to that of safer Germany to around 290 bps, down from a five-year high over 300 bps on Tuesday, and sapped demand for safe-haven assets such as German bonds and Swiss franc. "Today, so far, has been better-than-expected performance out of Europe," said Michael Antonelli, managing director of institutional sales trading at Robert W. Baird in Milwaukee. The pan-European equity index rose 0.5 percent, while the Milan bourse jumped more than one percent. The moves were led by an initial 3.1 percent bounce in Italian banks. Lingering concerns about Italy's budget negotiations continued to weigh on the euro, which was down 0.3 percent to \$1.1517. The single currency hit a six-week trough of \$1.1506 on Tuesday after an Italian lawmaker said his country might be better off with its "own currency." In oil, Brent crude rose nearly 2.0 percent after hitting a four-year high as the market focused on upcoming U.S. sanctions on Iran while shrugging off the year's largest weekly build in U.S. crude stockpiles and reports of higher Saudi Arabian and Russian production. Brent crude rose \$1.49, or 1.8 percent, to settle at \$86.29 a barrel, after hitting \$86.74, its highest since Oct. 30, 2014. U.S. crude settled \$1.18, or 1.6 percent, higher at \$76.41 a barrel, after touching a session high of \$76.90. (Source: *The Edge Markets*)

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

Source: RAM, MARC

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