

Global Markets Research
Fixed Income
Fixed Income Daily Market Snapshot

UST		
Tenure	Closing (%)	Chg (bps)
2-yr UST	2.82	3
5-yr UST	2.82	1
10-yr UST	2.97	-2
30-yr UST	3.25	-4

MGS		GII*		
Tenure	Closing (%)	Chg (bps)	Closing (%)	Chg (bps)
3-yr	3.69	0	3.78	0
5-yr	3.85	-1	3.91	-2
7-yr	4.01	-4	4.13	-2
10-yr	4.09	-4	4.21	-2
15-yr	4.53	-1	4.59	0
20-yr	4.75	-1	4.78	0
30-yr	4.91	-1	4.93	0

* Market indicative levels

MYR IRS Levels		
IRS	Closing (%)	Chg (bps)
1-yr	3.71	0
3-yr	3.77	1
5-yr	3.88	2
7-yr	3.98	0
10-yr	4.19	-1

Source : Bloomberg

Upcoming Government Bond Tender

Nil

US Treasuries

- US Treasuries rallied as the curve saw aggressive flattening led by the 10Y and beyond with the possibility of asset rotation out of equities and into bonds being a factor. Overall benchmark yields ended mixed between -4 to +3bps as the 2Y rose 3bps at 2.82% whilst the 10Y rallied, closing 2bps lower at 2.97% levels. Meanwhile part of the yield curve saw inversion for the first time in a decade with the 3s5s spread turning negative. Nevertheless the timeline between inversion and economic slowdowns is not immediate and may take up to 24 months before economic impact is felt. Whilst a December rate hike is being largely priced in; traders are slashing the number of quarter-point hikes for 2019. Meanwhile despite the heavy ongoing Treasury bill supply this week; money managers bid strongly for the 6m T-bills yesterday.

MGS/GII

- Trading sentiment in local govies saw volume taper off to RM2.53b yesterday with interest mainly in the belly including the 21's, 23's and 26-27's and 10Y benchmark MGS/GII bonds. Overall benchmark MGS and GII yields edged between 0-4bps lower. The 5Y benchmark MGS 4/23 edged 1bps lower at 3.85% whilst the 10Y MGS 6/28 rallied 4bps lower at 4.09% 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. Recent data analytics reveal ETF inflows into EM's including Malaysia which augurs well for the bond market.

Corp Bonds/Sukuk

- Corporate Bonds/Sukuk saw volume improve further to RM642m with interest seen across the curve. The Govt-guaranteed KHAZANAH saw chunky volumes again with the short 8/19 ending 3bps lower at 3.77% compared to previous-done levels. The AAA-rated AMAN 2/23 rallied 2bps to 4.36% whereas the DANGA 9/27 saw the reverse; closing at 4.55%. In the AA-space; a slew of energy-related bonds especially the longer-end hogged the limelight. TADAU Energy 7/28 and 7/31 closed 0-24bps lower at 5.24% and 5.47% respectively whereas EDRA Energy 7/33 and 7/37 also ended way lower on yields at 5.83% and 6.18% each. Likewise MALAKOFF 12/31 closed 3bps lower at 4.72% whilst JEP 6/29 closed unchanged at 4.78%.

Daily Trades : Government Bonds

Securities		Closing YTM	Vol (RM mil)	Previous YTM	Previous Trade Date (dd/mm/yyyy)	Chg (bp)
MGS	03/19	3.293	1	3.298	29/11/2018	0
MGS	10/19	3.447	34	3.453	30/11/2018	-1
MGS	11/19	3.478	98	3.470	30/11/2018	1
MGS	03/20	3.505	20	3.505	30/11/2018	0
MGS	07/20	3.561	7	3.530	29/11/2018	3
MGS	10/20	3.537	10	3.543	30/11/2018	-1
MGS	07/21	3.714	12	3.681	30/11/2018	3
MGS	09/21	3.701	169	3.717	30/11/2018	-2
MGS	11/21	3.691	147	3.691	30/11/2018	0
MGS	03/22	3.768	3	3.759	29/11/2018	1
MGS	08/22	3.831	8	3.823	30/11/2018	1
MGS	09/22	3.814	101	3.828	29/11/2018	-1
MGS	03/23	3.875	1	3.902	30/11/2018	-3
MGS	04/23	3.848	50	3.856	30/11/2018	-1
MGS	08/23	3.964	60	3.945	30/11/2018	2
MGS	07/24	3.988	80	4.000	30/11/2018	-1
MGS	09/24	4.023	10	4.050	30/11/2018	-3
MGS	03/25	4.010	11	4.049	30/11/2018	-4
MGS	09/25	4.109	65	4.142	30/11/2018	-3
MGS	04/26	4.176	15	4.232	22/11/2018	-6
MGS	11/26	4.190	102	4.212	30/11/2018	-2
MGS	11/27	4.204	113	4.230	30/11/2018	-3
MGS	06/28	4.086	180	4.130	30/11/2018	-4
MGS	04/30	4.480	1	4.513	28/11/2018	-3
MGS	06/31	4.549	6	4.570	29/11/2018	-2
MGS	04/33	4.541	33	4.561	30/11/2018	-2
MGS	11/33	4.529	5	4.539	30/11/2018	-1
MGS	05/35	4.684	43	4.720	30/11/2018	-4
MGS	04/37	4.761	4	4.805	27/11/2018	-4
MGS	06/38	4.745	160	4.754	30/11/2018	-1
MGS	09/43	4.929	43	4.949	30/11/2018	-2
MGS	03/46	4.937	2	4.937	30/11/2018	0
MGS	07/48	4.914	10	4.924	28/11/2018	-1
GII	04/20	3.547	125	3.569	30/11/2018	-2
GII	08/20	3.586	2	3.496	30/11/2018	9
GII	11/23	3.905	51	3.927	30/11/2018	-2
GII	08/25	4.126	210	4.148	30/11/2018	-2
GII	07/27	4.223	95	4.230	30/11/2018	-1
GII	10/28	4.214	440	4.222	30/11/2018	-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*
Khazanah Nasional Berhad	08/19	GG	3.770	165	3.804	23/10/2018	-3	32
Prasarana Berhad	04/23	GG	4.170	10	-	-	-	-
KMCOB Capital Berhad	12/20	AAA	4.920	10	4.298	22/11/2017	62	137
Mercedes-Benz Services Malaysia Sdn Berhad	06/22	AAA	4.454	20	4.398	14/11/2018	6	68
Toyota Capital Malaysia Sdn Berhad	01/23	AAA	4.572	1	-	-	-	79
Aman Sukuk Berhad	02/23	AAA	4.356	20	4.377	23/10/2018	-2	58
Danga Capital Berhad	09/27	AAA	4.547	60	4.529	16/10/2018	2	41
MBSB Bank Berhad (fka Asian Finance Bank Berhad)	12/19	AA1	4.337	5	4.418	23/10/2018	-8	89
Sabah Development Bank Berhad	07/20	AA1	4.776	10	4.790	08/11/2018	-1	122
Sarawak Energy Berhad	06/21	AA1	4.291	5	4.295	29/11/2018	0	60
Sabah Development Bank Berhad	05/22	AA1	4.870	10	4.874	29/11/2018	0	118
United Overseas Bank (Malaysia) Berhad	05/25	AA1	4.355	20	4.357	29/11/2018	0	38
Northern Gateway Infrastructure Sdn Berhad	08/27	AA1	4.641	5	4.640	19/09/2018	0	51
Northern Gateway Infrastructure Sdn Berhad	08/28	AA1	4.691	5	4.920	08/03/2018	-23	58
Sarawak Energy Berhad	11/28	AA1	4.699	14	4.700	26/11/2018	0	59
Sarawak Energy Berhad	12/32	AA1	4.888	5	4.899	29/11/2018	-1	35
Lingkar Trans Kota Sdn Berhad	04/19	AA2	3.907	10	3.943	22/11/2018	-4	46
Tanjung Bin Power Sdn Berhad	08/20	AA2	4.297	10	4.300	03/09/2018	0	75
Imtiaz Sukuk II Berhad	10/20	AA2	4.222	10	4.328	25/10/2018	-11	67
Bumitama Agri Ltd	03/19	AA3	4.230	30	4.198	29/11/2018	3	78
Edra Energy Sdn Berhad	01/23	AA3	5.277	10	5.251	26/04/2018	3	150
Perbadanan Kemajuan Negeri Selangor	08/23	AA3	4.945	10	4.948	28/11/2018	0	108
RHB Islamic Bank Berhad	05/24	AA3	4.025	10	4.037	29/11/2018	-1	16
BGSM Management Sdn Berhad	03/26	AA3	4.670	12	4.679	26/10/2018	-1	64
Tadua Energy Sdn Berhad	07/28	AA3	5.237	10	5.472	12/12/2017	-24	113
Tadua Energy Sdn Berhad	07/31	AA3	5.469	5	5.471	29/11/2018	0	93
Edra Energy Sdn Berhad	07/33	AA3	5.822	10	6.350	04/01/2018	-53	129
Edra Energy Sdn Berhad	07/37	AA3	6.179	10	6.670	04/01/2018	-49	143
UEM Sunrise Berhad	05/19	AA-	4.332	5	0.000	00/01/1900	433	88
UEM Sunrise Berhad	06/19	AA-	4.405	15	4.408	15/11/2018	0	96
SAJ Capital Sdn Berhad	01/20	AA-	4.826	10	4.880	19/10/2018	-5	138
SAJ Capital Sdn Berhad	01/24	AA-	5.027	20	5.045	12/11/2018	-2	117
SAJ Capital Sdn Berhad	01/28	AA-	5.199	10	5.269	05/09/2018	-7	106
MMC Corporation Berhad	03/28	AA-	5.608	10	5.608	29/11/2018	0	147
Jimah East Power Sdn Berhad	06/29	AA-	4.779	10	4.778	27/09/2018	0	67
Malakoff Power Berhad	12/31	AA-	4.718	20	4.746	23/11/2018	-3	18
Golden Assets International Finance Limited	08/19	A1	4.770	20	4.788	12/11/2018	-2	132
CIMB Group Holdings Berhad	05/16	A1	4.688	4	4.935	30/11/2018	-25	-6
Hong Leong Financial Group Berhad	11/17	A1	5.255	1	5.273	25/10/2018	-2	50
Mah Sing Perpetual	-	-	6.722	3	5.948	27/11/2018	77	-
Mah Sing Perpetual	-	-	6.366	3	6.393	11/29/2018	-3	-
Eco World Internationak Berhad	04/23	-	6.223	1	6.224	11/29/2018	0	-
DRB-Hicom Berhad	06/21	A+	6.020	10	6.170	29/06/2018	-15	233
				<u>642</u>				

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

Market/Corporate News: What's Brewing

Bursa Malaysia Bhd has issued a consultation paper seeking public feedback on its proposed move to introduce a shorter securities settlement cycle of two days (T+2) from the current cycle of three days (T+3). The changes are expected to be introduced by the second quarter of 2019. The proposal was part of its ongoing efforts at improving operational efficiency, reduced systemic risks and aligning the clearing and settlement processes of the Malaysian capital market with international practices. "The review to migrate from a T+3 to T+2 settlement cycle was initiated to keep pace with changing trends of the market and needs of market participants and investors," the local bourse said in a statement today. The benefits of the proposed T+2 settlement cycle would, among others, include improved operational efficiency, where the shorter settlement period would avail securities and funds earlier to investors, reduce counterparty settlement risk as a result of the shorter exposure to unsettled trades. Another benefit was to strengthen the competitiveness in the marketplace through the harmonisation of post-trade infrastructure with major global exchanges in the United States, Europe and Asia-Pacific which already operated a T+2 settlement cycle. In this regard, the rules of Bursa Malaysia Securities Bhd and that of Bursa Malaysia Securities Clearing Sdn Bhd would be amended to facilitate the move from a T+3 to a T+2 settlement cycle. The proposed key changes included amendments to the cut-off times relating to tradeable balance in securities account, the delivery and settlement between a broker and its clients and between the broker with Bursa Malaysia Securities Clearing Sdn Bhd. It would also require amendments to the applicable timing in respect of buying-in, cash settlement, selling out and discretionary financing," it added. *(Source: The Edge)*

Credit Guarantee Corporation Malaysia Bhd (CGC) has provided guarantees worth RM67.1 billion to more than 330,000 small and medium enterprises (SMEs) since its establishment on July 5, 1972 until end-2017, said the Auditor-General's 2017 Report (Series 2). The CGC had been managing 17 guarantees and four financing schemes in 2017 to help SMEs with business potential, according to the report's Management of Government Companies and Federal Government Agencies tabled in Parliament by Economic Affairs Minister Datuk Seri Azmin Ali today. The report found that as at 2017, CGC's total write-offs amounted to only RM8.47 million (0.8 per cent) whereas the outstanding collections amounted to RM1.04 billion. On CGC's full risk guarantee scheme, the report stated that the accumulated non-performing loan/ non-performing financing (NPL/NPF) exceeding three months in 2017 was still high at 78.6 per cent (RM365.74 million) and involved 879 SMEs. For the direct financing scheme, the number of SME applications approved showed a downward trend in 2015, 2016 and 2017 at 75.7 per cent, 54.7 per cent and 41.7 per cent respectively, even though the number of applications received exceeded the target. "The collection target for the direct financing scheme was not set and the NPL/NPF collection rate in 2017 was 43.6 per cent totalling RM154.58 million (640 SMEs), while the total bad debt written off under this scheme was only RM12.21 million (involving 60 SMEs)," the report said. From 2015 to 2017, the report found that the management of the direct financing scheme did not achieve high efficiency even though the CGC managed to collect RM1.86 billion (74.3 per cent) of the RM2.5 billion disbursed. The Auditor-General's report also made several proposals to improve the CGC's performance and ability to meet its objectives such as increasing the number of approvals for SMEs in the full-risk guarantee scheme so that more SMEs could benefit from the scheme. "The CGC also needs to attach the repayment schedule to the government loan agreement so that payments can be made on a regular basis," the report added. The audit on the CGC was carried out from November 2017 until February 2018. *(Source: The Edge)*

Rating Action			
Issuer	PDS Description	Rating/Outlook	Action
Standard Chartered Bank Malaysia Berhad	Financial Institution ratings	AAA/Stable/P1	Reaffirmed

Source: RAM, MARC

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