

Global Markets Research

Fixed Income

Fixed Income Daily Market Snapshot

UST		
Tenure	Closing (%)	Chg (bps)
2-yr UST	2.91	6
5-yr UST	3.03	8
10-yr UST	3.21	8
30-yr UST	3.45	8

MGS		GII*		
Tenure	Closing (%)	Chg (bps)	Closing (%)	Chg (bps)
3-yr	3.67	-1	3.74	0
5-yr	3.80	0	3.92	-1
7-yr	4.03	4	4.12	1
10-yr	4.06	-3	4.25	0
15-yr	4.57	4	4.61	3
20-yr	4.78	2	4.81	1
30-yr	4.91	0	4.95	0

* Market indicative levels

MYR IRS Levels		
IRS	Closing (%)	Chg (bps)
1-yr	3.71	0
3-yr	3.79	0
5-yr	3.88	-1
7-yr	3.99	0
10-yr	4.20	0

Source : Bloomberg

Upcoming Government Bond Tender

Nil

US Treasuries

- US Treasuries came under massive pressure last Friday as stronger than expected gain in nonfarm payroll, solid wage growth and other job details reinforced the case of further tightening in the labour market, hence expectations for further Fed policy tightening, with a fourth rate hike for the year seen as a done deal in December. US treasuries could be at the mercy of a series of event risks this week i.e. the US mid-term election and FOMC meeting, on top of ongoing noises on US-China trade tensions ahead of the G20 meeting on 30-November to 1-December.

MGS/GII

- Trading momentum in Govvies softened to a one-week low of RM1.5bn last Friday as investors preferred to stay on the sideline ahead of the tabling of Malaysia 2019 Budget. Trading was seen skewed towards 10Y and below with yields ended mixed between -3bps to +4bps. 2Y MGS 10/20 and 3Y MGS 11/21 saw RM171m and RM126m crossed hands at 3.51% and 3.67% respectively. GII bond trades picked up sizably to 44% of overall trades, up from 31% a day ago. Strong interests were seen in GII 4/19, 3/22, 5/24 and 10/28 which collectively accounted for over 90% of total trades done in the GII space. Expect markets to continue range trade with a slight positive bias in the near term as the latest unveil of 2019 Budget reaffirmed the government's commitment towards continued fiscal restoration and reforms even though the upwardly revised deficit target to 3.7% of GDP this year is expected to result in a higher gross issuance of circa RM112.8bn for 2018, suggesting another RM18.3bn will be issued in the remaining four auctions of the year.

Corp Bonds/Sukuk

- Corporate bonds/Sukuk similarly saw tepid interest last Friday ahead of the 2019 Budget tabling. Volume thinned to a mere RM54m, from RM505m a day ago with only 9 bonds being traded compared to 20 on Thursday. Investors shied away from GG and trading was mainly on the AAA-AA-part of the curve. The two trades that stood out on Friday were TM '10/28 which saw RM20m changed hands at 4.65%, and BGSM '12/18 which also saw RM20m done 7bps inner at 3.94%. Expect investor interest to slowly return but could remain soft today ahead of the Deepavali public holiday tomorrow.

Daily Trades : Government Bonds

Securities	Closing YTM	Vol (RM mil)	Previous YTM	Previous Trade Date (dd/mm/yyyy)	Chg (bp)
MGS 03/19	3.312	42	3.469	01/11/2018	-16
MGS 07/19	3.415	40	3.421	01/11/2018	-1
MGS 10/19	3.455	52	3.456	01/11/2018	0
MGS 11/19	3.451	20	3.455	01/11/2018	0
MGS 03/20	3.512	67	3.498	01/11/2018	1
MGS 10/20	3.513	171	3.535	01/11/2018	-2
MGS 11/21	3.665	126	3.678	01/11/2018	-1
MGS 03/22	3.736	44	3.752	01/11/2018	-2
MGS 08/22	3.776	18	3.790	01/11/2018	-1
MGS 09/22	3.808	10	3.817	01/11/2018	-1
MGS 03/23	3.849	107	3.844	01/11/2018	1
MGS 07/24	3.994	8	3.982	01/11/2018	1
MGS 09/24	4.000	0	4.030	01/11/2018	-3
MGS 03/25	4.029	2	3.990	01/11/2018	4
MGS 09/25	4.077	1	4.076	01/11/2018	0
MGS 06/28	4.062	111	4.095	01/11/2018	-3
MGS 04/30	4.481	0	4.459	01/11/2018	2
MGS 06/31	4.518	2	4.547	01/11/2018	-3
MGS 11/33	4.568	0	4.563	31/10/2018	0
MGS 06/38	4.778	2	4.778	01/11/2018	0
MGS 09/43	4.956	20	4.970	01/11/2018	-1
GII 04/19	3.293	270	3.317	01/11/2018	-2
GII 04/20	3.562	1	3.475	01/11/2018	9
GII 03/22	3.757	120	3.741	01/11/2018	2
GII 11/23	3.907	50	3.905	01/11/2018	0
GII 05/24	4.010	110	3.998	31/10/2018	1
GII 10/28	4.251	110	4.249	01/11/2018	0
		<u>1504</u>			

Daily Trades: Corp Bonds / Sukuk

Securities	Rating	Closing YTM	Vol (RM mil)	Previous YTM	Chg (bp)	Spread Against MGS*		
GENM Capital Berhad	03/22	AAA	4.522	1	4.647	30/10/2018	-13	84
GENM Capital Berhad	07/28	AAA	5.180	1	4.929	01/11/2018	25	109
Telekom Malaysia Berhad	10/28	AAA	4.650	20	4.650	01/11/2018	0	56
Hong Leong Financial Group Berhad	06/28	AA2	5.174	2	4.819	31/10/2018	36	108
BGSM Management Sdn Berhad	12/18	AA3	3.940	20	4.012	23/10/2018	-7	51
Segi Astana Sdn Berhad	01/21	AA-	5.061	5	-	-	-	153
AMMB Holdings Berhad	03/27	A1	5.100	1	4.707	01/11/2018	39	102
AMMB Holdings Berhad	02/28	A1	5.228	2	4.979	24/08/2018	25	111
CIMB Group Holdings Berhad	05/16	A1	5.052	2	4.850	23/10/2018	20	26
			<u>54</u>					

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

Market/Corporate News: What's Brewing

The World Bank has welcomed the comprehensiveness of Malaysia's 2019 Budget which is aligned to be in line with the policy direction of the new government. World Bank Country Manager for Malaysia, Dr Firas Raad said this budget saw many different priorities especially over the medium term. "We are impressed with the commitment to education and we think that this is very important given where the country is. "With the aspiration to reach that threshold to becoming a higher income developed country, it will have to invest in ways where the children of this country should learn much better especially in maths and science," he told Bernama News

Channel in an exclusive interview. He noted the importance of these children having the right skills in making sure that the human capital of Malaysia would be in a position to really push the country over the threshold to a higher income level and compete with its neighbours. On taxes, he expects some of the tax measures to lead to a positive development especially the sin tax and new sugar tax. "I think that is a positive development because I know this country is going to face this megatrend of population ageing down the road, and with the ageing population come all sorts of chronic diseases and the incidence would be greater, so the government needs to do much more in meeting these challenges," he said. However, there may be short-term effects on stakeholders related to the beverages industry, he noted (Source: Bernama/ NST online)

The Japanese Government has offered to guarantee 200bil yen or RM7.4bil of Samurai bond issuance with 10-year tenure, which is expected to be issued before March next year, says Finance Minister Lim Guan Eng. "The confidence in the Prime Minister and in Malaysia cannot be better expressed than the offer by the Japanese Government to guarantee 200 billion yen of 10-year Samurai bonds, or approximately RM7.4bil, via Japan Bank of International Cooperation at an indicative coupon of 0.65%," he said in his Budget 2019 speech at Parliament on Friday (Nov 2). "This 200bil Samurai Bond will be issued before March 2019," he said. "We wish to record our appreciation to the Japanese government for guaranteeing the 200bil yen samurai bond," he added. Despite facing fiscal challenges, Lim said the financial sector remains healthy and monetary sector is stable. "Sustainable economic growth must be maintained to improve economic well-being, and the higher revenues generated will also help to address our public finances," he said. A samurai bond is a yen-denominated bond issued in Tokyo by a non-Japanese company or entity and subject to Japanese regulations. A foreign issuer that wants access to the Japanese debt market would issue a bond referred to as a Samurai bond. Samurai bonds give issuers the ability to access investment capital available in Japan, according to finance education website Investopedia. Prime Minister Tun Dr Mahathir Mohamad later said the proceeds from the Samurai bond will be used to retire some of the costly loans taken by the previous government. During his visit to Japan in June, Dr Mahathir has asked Japan to extend its yen credit in the form of soft loans, some of which may be used to retire old loans to offset high borrowing costs. (Source: *The StarOnline*)

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

Source: RAM, MARC

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