

## Global Markets Research

### Fixed Income

#### Fixed Income Daily Market Snapshot

UST		
Tenure	Closing (%)	Chg (bps)
2-yr UST	2.65	0
5-yr UST	2.77	0
10-yr UST	2.90	0
30-yr UST	3.08	2

MGS		GII*		
Tenure	Closing (%)	Chg (bps)	Closing (%)	Chg (bps)
3-yr	3.62	8	3.66	4
5-yr	3.86	11	3.93	4
7-yr	4.02	0	4.11	4
10-yr	4.15	4	4.21	3
15-yr	4.55	2	4.60	2
20-yr	4.70	1	4.79	2
30-yr	4.91	0	4.95	0

\* Market indicative levels

MYR IRS Levels		
IRS	Closing (%)	Chg (bps)
1-yr	3.70	0
3-yr	3.75	0
5-yr	3.85	0
7-yr	3.98	1
10-yr	4.20	3

Source : Bloomberg

#### Upcoming Government Bond Tender

Nil

#### US Treasuries

- US treasuries traded mixed yesterday with 2Y and 5Y note yields ended slightly lower but within 1bp at 2.65% and 2.77% respectively. Meanwhile, 10Y note yields closed little changed at 2.90% whereas long bond (30Y) climbed 2bps higher to 3.08%, steepening the curve with the 5/30 spread inching up 3bps to 31bps, its highest in three months. UST were seen reversing early session gains with yields bouncing back from session lows following news that contradicted earlier report that German and the UK are making progress in the Brexit deal. We continue to expect sustained demand for UST amid lingering trade concerns and EM risks.

#### MGS/GII

- Trading interest in local govies remained robust, with total volume dealt staying above RM4.0bn mark for the 2<sup>nd</sup> straight day, at RM4.33bn. MGS continued leading GII in a ratio of 71:29 in terms of volumes dealt. Interests were seen rather well spread across the curve from 1-15Y with yields largely higher by 1-11bps for MGS and 2-4bps for GII. MGS 3/22 and 4/23 alone saw a combined RM1.06bn changed hands at 3.68% and 3.80% respectively. In the GII space, GII 11/23 topped investors' radar with RM445m done 9bps wider at 4.01%. Yesterday, BNM offered no surprises, leaving OPR and policy tone unchanged from the previous meeting and reinforcing expectations that the central bank has no intention to adjust its policy rates in the near term.

#### Corp Bonds/Sukuk

- Trading in corporate bonds/sukuk saw sustained momentum yesterday with volume dealt coming in little changed at RM514m. Interests were seen centering on AAA- and AA-rated papers with Prasa '3/38 the only GG issuance transacted (RM10m at 4.87%). Caga '11/18 led in the AAA-rated space with RM35m changed hands at 3.54%. Tenaga '8/33 and '8/38 also attracted substantial interests, trading 1-2bps higher at 4.75% and 4.98%. Also worth mentioning is various tranches of SAJ Capital which was heavily traded at 5.14-4.23% with a combined RM130m transacted.

## Daily Trades : Government Bonds

Securities	Closing YTM	Vol (RM mil)	Previous YTM	Previous Trade Date (dd/mm/yyyy)	Chg (bp)
MGS 09/18	3.265	9	3.294	04/09/2018	-3
MGS 03/19	3.329	216	3.370	04/09/2018	-4
MGS 10/19	3.463	3	3.454	04/09/2018	1
MGS 11/19	3.491	103	3.427	03/09/2018	6
MGS 03/20	3.484	4	3.458	04/09/2018	3
MGS 07/20	3.466	2	3.449	03/09/2018	2
MGS 10/20	3.533	55	3.543	04/09/2018	-1
MGS 07/21	3.693	10	3.612	04/09/2018	8
MGS 09/21	3.630	9	3.603	04/09/2018	3
MGS 11/21	3.619	263	3.566	04/09/2018	5
MGS 03/22	3.686	531	3.683	04/09/2018	0
MGS 08/22	3.812	50	3.790	04/09/2018	2
MGS 09/22	3.788	4	3.781	04/09/2018	1
MGS 03/23	3.869	12	3.820	04/09/2018	5
MGS 04/23	3.864	531	3.804	04/09/2018	6
MGS 08/23	3.848	17	3.867	04/09/2018	-2
MGS 07/24	4.027	5	3.999	04/09/2018	3
MGS 09/24	4.036	20	4.031	04/09/2018	0
MGS 03/25	4.023	178	4.023	04/09/2018	0
MGS 09/25	4.112	25	4.104	04/09/2018	1
MGS 04/26	4.205	20	4.167	04/09/2018	4
MGS 11/26	4.255	124	4.204	04/09/2018	5
MGS 11/27	4.197	2	4.203	04/09/2018	-1
MGS 06/28	4.147	260	4.101	04/09/2018	5
MGS 09/28	4.461	12	4.295	03/09/2018	17
MGS 04/30	4.509	132	4.464	03/09/2018	4
MGS 04/33	4.602	101	4.552	04/09/2018	5
MGS 11/33	4.550	250	4.535	04/09/2018	1
MGS 04/37	4.755	4	4.693	04/09/2018	6
MGS 06/38	4.701	1	4.690	04/09/2018	1
MGS 09/43	4.900	30	4.848	30/08/2018	5
MGS 03/46	4.896	27	4.899	04/09/2018	0
MGS 07/48	4.911	46	4.908	04/09/2018	0
GII 04/20	3.580	1	3.547	04/09/2018	3
GII 04/20	3.618	70	3.567	06/07/2018	5
GII 03/21	3.715	140	3.655	25/07/2018	6
GII 04/22	3.797	30	3.779	04/09/2018	2
GII 07/23	3.976	10	3.818	30/08/2018	16
GII 11/23	4.007	445	3.912	04/09/2018	9
GII 05/24	4.037	30	3.989	30/08/2018	5
GII 08/24	4.035	10	4.007	03/09/2018	3
GII 08/25	4.144	20	4.094	04/09/2018	5
GII 09/26	4.202	10	4.151	30/08/2018	5
GII 07/27	4.210	60	4.190	04/09/2018	2
GII 10/28	4.249	320	4.186	04/09/2018	6
GII 06/33	4.620	110	4.578	04/09/2018	4
GII 08/37	4.786	20	4.779	04/09/2018	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*
Prasarana Malaysia Berhad	03/38	GG	4.868	10	4.880	24/08/2018	-1	20
Cagamas Berhad	11/18	AAA	3.540	35	3.839	17/05/2018	-30	17
GB Services Berhad	11/19	AAA	4.431	10	4.510	23/07/2018	-8	106
Danga Capital Berhad	04/20	AAA	4.059	30	-	-	-	63
GENM Capital Berhad	07/23	AAA	4.880	1	4.848	03/09/2018	3	118
Tenaga Nasional Berhad	08/38	AAA	4.981	20	4.959	04/09/2018	2	-
Tenaga Nasional Berhad	08/33	AAA	4.750	30	4.740	29/08/2018	1	-
Malayan Banking Berhad	01/24	AA1	4.589	0	4.568	03/09/2018	2	89
Northern Gateway Infrastructure Sdn Berhad	08/33	AA1	5.101	10	5.430	12/09/2017	-33	63
CIMB Bank Berhad	08/26	AA2	4.669	15	4.798	24/04/2018	-13	63
Perbadanan Kemajuan Negeri Selangor	10/18	AA3	4.266	10	4.323	21/08/2018	-6	90
Perbadanan Kemajuan Negeri Selangor	10/18	AA3	4.222	10	4.432	21/08/2018	-21	85
Perbadanan Kemajuan Negeri Selangor	12/18	AA3	4.271	15	4.468	14/08/2018	-20	90
AmBank (M) Berhad	12/23	AA3	4.354	60	4.472	04/06/2018	-12	65
BGSM Management Sdn Berhad	06/24	AA3	4.618	20	4.672	07/08/2018	-5	74
SAJ Capital Sdn Berhad	01/25	AA-	5.140	40	-	-	-	127
SAJ Capital Sdn Berhad	01/26	AA-	5.179	30	-	-	-	122
Jimah East Power Sdn Berhad	06/26	AA-	4.699	30	4.698	29/08/2018	0	66
SAJ Capital Sdn Berhad	01/27	AA-	5.230	60	5.448	27/06/2018	-22	119
SAJ Capital Sdn Berhad	01/28	AA-	5.269	30	-	-	-	121
MMC Corporation Berhad	03/28	AA-	5.609	5	5.601	21/08/2018	1	157
Jimah East Power Sdn Berhad	12/31	AA-	4.958	40	4.968	28/08/2018	-1	49
AmBank (M) Berhad	08/39	A1	4.603	2	4.647	06/03/2018	-4	-7
Affin Bank Berhad	07/18	A3	5.106	1	5.191	30/08/2018	-9	44
				514				

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

**Market/Corporate News: What's Brewing**

The Employees Provident Fund's (EPF) total investment income in Q2 ended June 30, 2018, rose 7.64% to RM12.39bil from RM11.51bil in the same quarter last year. According to EPF deputy CEO (investment) Datuk Mohamad Nasir Ab Latif, Malaysia experienced a market downturn along with the rest of Asean due to the escalating US-China trade tensions and US interest rate hike. "While some developed markets, including the US and Eurozone countries, recorded gains in their equity markets, the emerging markets, which include Asia, recorded negative returns. As ASEAN was one of the worst performer, Malaysia was not excluded from the market downturn. "Nonetheless, the diversification into different markets and sectors has enabled the EPF to record consistent performance with equities emerging as the main contributor during the second quarter," he said in a statement issued on Wednesday. He added that global market uncertainty will continue to shroud the outlook for 2018 with given impending changes to monetary policies, uncertainty over the outcome of the Brexit and ongoing global trade tensions. "On the domestic front, the outlook is likely to turn favourable with easing foreign outflows and clearer policy direction from the new Government. The EPF remains focused in delivering above-inflation returns, with at least two (2) per cent above the inflation rate over a three-year rolling period, which will preserve and enhance the value of our members' retirement savings." In Q2, equities, which make up 40.61% of the EPF's total investment assets contributed RM7.98bil or 64.44% of total investment income. Fixed income instruments, making up 52.09% of the EPF's investment assets, contributed RM4.09bil or 33.07% of the quarterly income. Malaysian government securities (MGS) and equivalent rose to RM2.4bil in Q2 while loans and bonds generated an investment income of RM1.7bil. Real estate and infrastructure generated RM91.73mil in investment income. The EPF's investment assets edged up 0.38% or RM3.05bil from Dec 31, 2017, but slipped marginally from the first quarter of 2018 due to the drop in equity markets. "Notwithstanding the quarterly decline, the EPF's asset position remains healthy compared to members' savings balance of RM780.07 billion. Out of the total

investment asset, RM322.89 billion, or 39.71 per cent, were in Shariah-compliant investment while the balance were invested in the conventional portfolio," said Mohamad Nasir. RM1.09bil of the RM12.39bil gross investment income was generated for Simpanan Shariah and RM11.3bil for Simpanan Konvensional. During the quarter under review, the EPF's overseas investment amounting to 26.5% of its total investment assets contributed 38.3% to the total investment income. (Source: *The Star Online*)

Malaysia will have a uniformed minimum wage of RM1,050 per month or RM5.05 per hour starting next year. The Prime Minister's Department said in a statement on Wednesday that the move, which will be effective starting Jan1, 2019, was made following recommendations by the National Wage Consultative Council (MPGN). The recommendations were made after the Minimum Wages Order 2016 was reviewed by the council. The order had allocated a minimum monthly salary of RM1,000 for peninsular Malaysia and RM920 for east Malaysia. "No subsidies will be granted to employers due to the current financial constraints faced by the government," said the statement. The increase in the minimum wage is said to be in accordance with the current economical situation. "However, we have to be wary of any drastic salary increase that could lead to other problems to industries and jeopardise the country's economic competitiveness. "As such, the minimum wage should be increased gradually so that businesses, especially small businesses, are not forced to shut down due to sudden increases in operating costs," said the statement. Businesses and employers are also urged to no increase the price of good and services following the minimum wage increase as the Domestic Trade and Consumer Affairs Ministry have been asked to monitor the situation closely. (Source: *The Star Online*)

SRating Action			
Issuer	PDS Description	Rating/Outlook	Action
Pac Lease Berhad	CP/MTN Programme of up to RM1.0 billion (2017/2024)	AA3/Stable/P1	Reaffirmed

Source: RAM, MARC

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